

## Excerpt



## Float of Thai baht shocks markets

# Shock float of baht sends its value plunging 18%

THAILAND bit the bullet yesterday and in effect devalued its embattled currency by allowing it to float.

The decision to float the baht came as a shock, as Thailand has been insisting for months that it would not cave in to speculative pressures. As recently as Sunday, Prime Minister Chavalit Yongchaiyudh had said that there would be no devaluation.

The Bank of Thailand (BOT) also raised its key bank rate, the rate it charges on loans to commercial banks, by a hefty two percentage points – from 10.5 per cent to 12.5 per cent – effective immediately.

While the devaluation is expected to lead to longer-term stability, the immediate impact is that it will hurt Thai companies that are burdened with foreign debt estimated at some US\$70 billion (S\$99.4 billion) to US\$80 billion, economists said. BOT will no longer set a mid-rate for the baht. Instead, it has an “appropriate rate” in mind and will intervene in the market if the baht moves beyond that rate.

Central bank governor Rengchai Marakanonda said Thailand would seek help from the International Monetary Fund and the Reserve Bank of Australia in handling the float.

JULY 1, 1997

Jiang assures HK  
in historic handover

APRIL 15, 1997

NOL stuns with  
US\$825m deal