

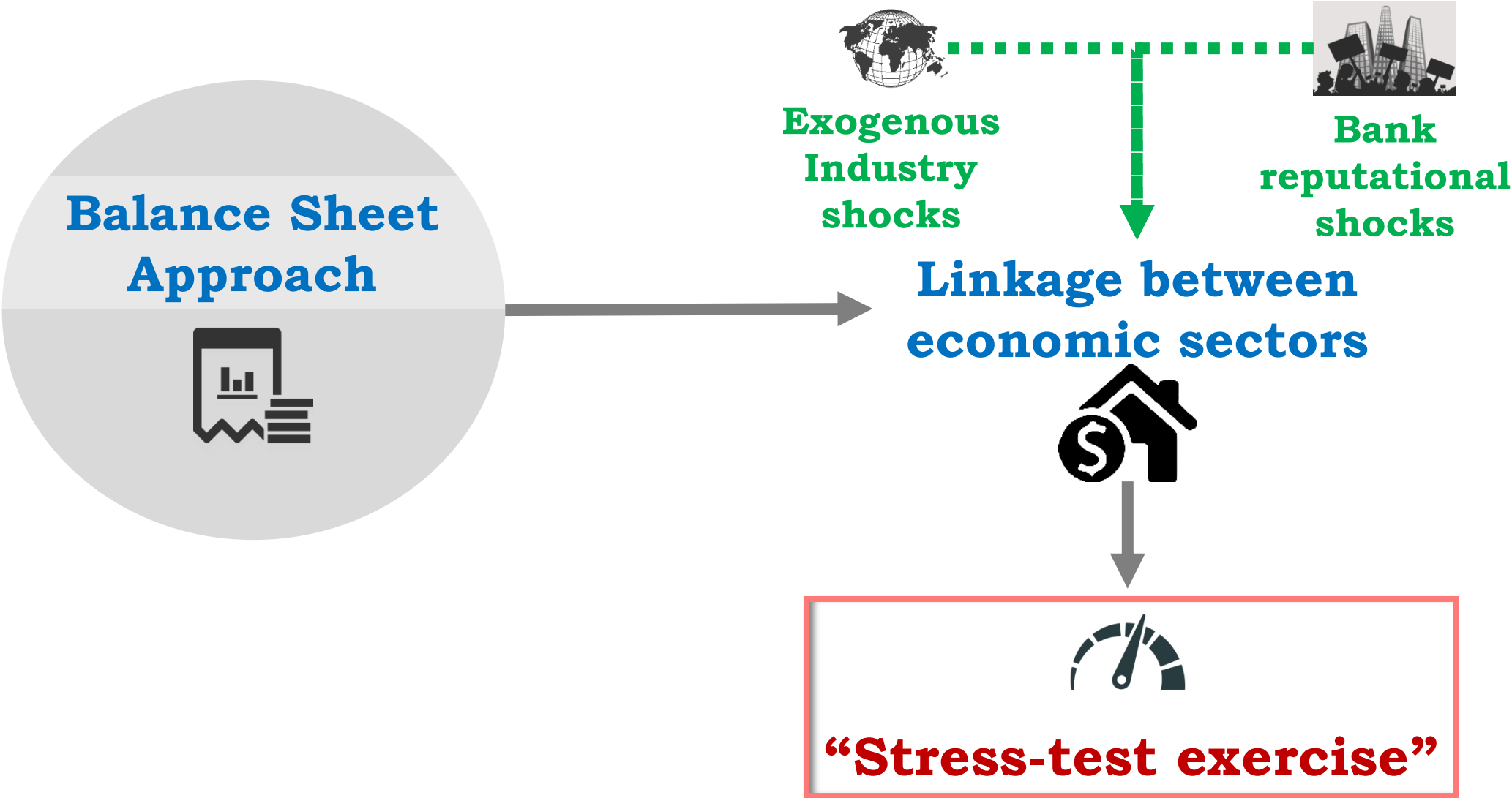
# Mapping Thailand's Financial Landscape: A Perspective through Balance Sheet Linkages and Contagion

Bodin Civilize, Thaisiri Watewai, Sakkapop Punyanukul, and Kaipichit Ruengsrichaiya



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# What does the paper try to understand?



# Key contributions of the paper

**Exercise**

**Combining**

**“Disaggregated  
balance sheet  
network”**

**With**

**BOT’s sectoral balance  
sheet statistics**

**Estimating**

**the balance sheet  
impact on  
the economic  
instability**

**with**

**Simplified  
quantitative model**

Combining  
“Disaggregated  
balance sheet  
network”

With

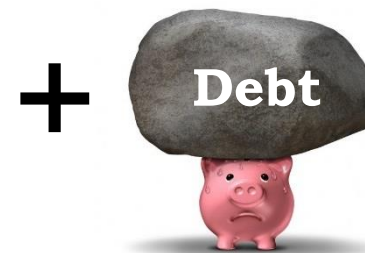
BOT’s sectoral balance  
sheet statistics



- The paper only focuses on **financial items**.
- It uses the 2015 CPFS database to blow up the value of assets.
- However, the holding of **non-financial items is the key factor determining consumption and investment behavior of households**.

**The “liquidity” hypothesis**

**The amount of non-financial items**  
(residential housing and consumer durables)



**Preference on holding liquid assets**

**Next period demand for non-financial items**

# Suggestions II

Combining

“Disaggregated  
balance sheet  
network”

With

BOT’s sectoral balance  
sheet statistics



- Issues in the coverage of household debts!

**Underreporting of  
household debts**

- Many informal sources of debts may be impossible to collect but there is one main sector that should be included!

**Savings co-operatives**



**1,401  
savings co-ops**



**3,213,937  
members**



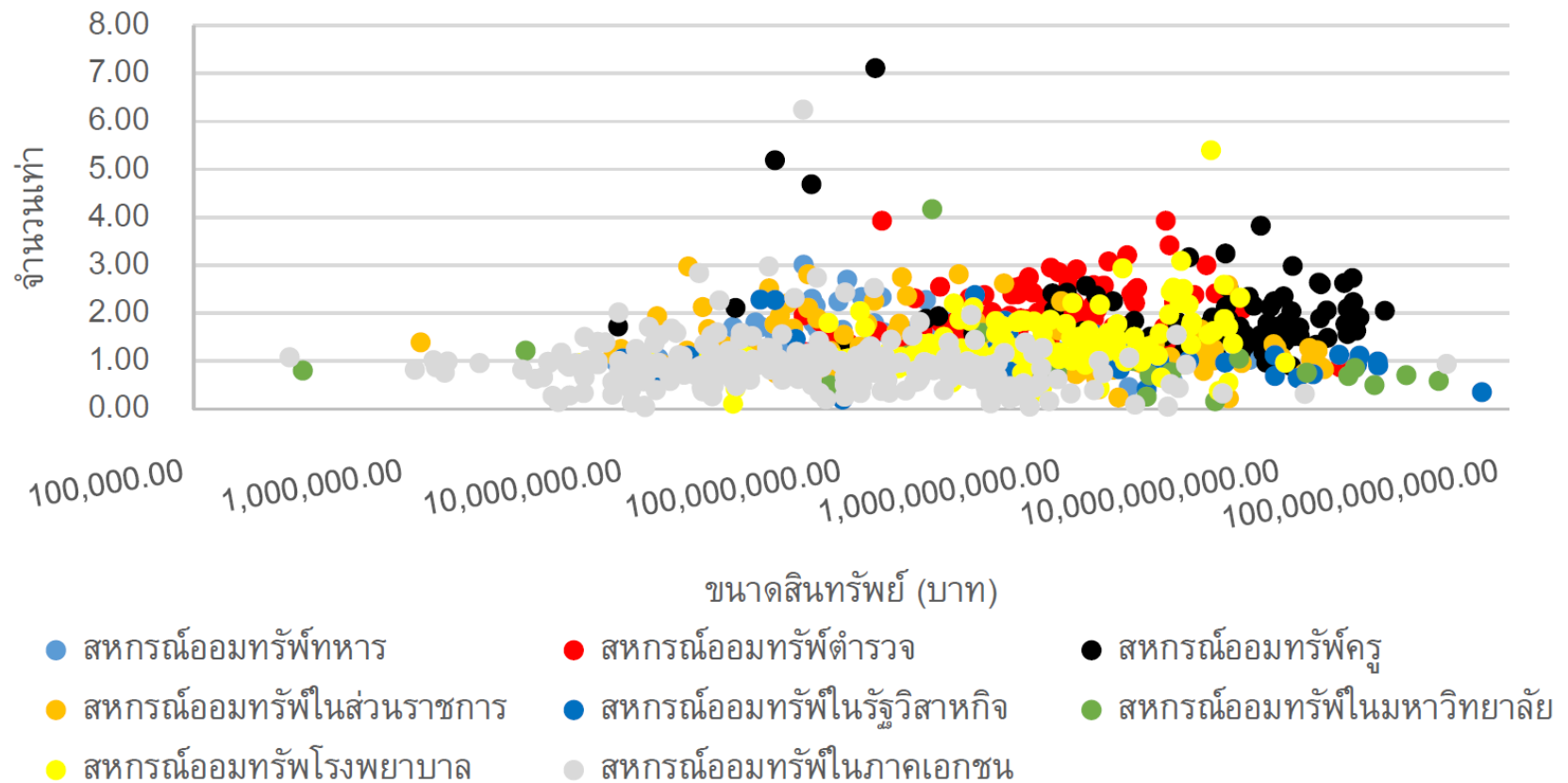
**Assets  
2.5 trillion baht**

Loans: 1.8 trillion baht  
Inter-lending: 91,794 million baht

Equity + deposits: 2 trillion baht  
Debt: 435,899 million baht

## Savings co-operatives

### Loan-to-deposits ratio



ที่มา: กรมตรวจบัญชีสหกรณ์

**Combining**  
**“Disaggregated  
balance sheet  
network”**

**With**  
**BOT’s sectoral balance  
sheet statistics**

- The network of disaggregated balance sheet cover only 3 economic sectors.
  - Non-financial corporations
  - Mutual funds
  - Financial institutions

**Disaggregated household  
balance sheet?**

**Approximation from  
household survey data**

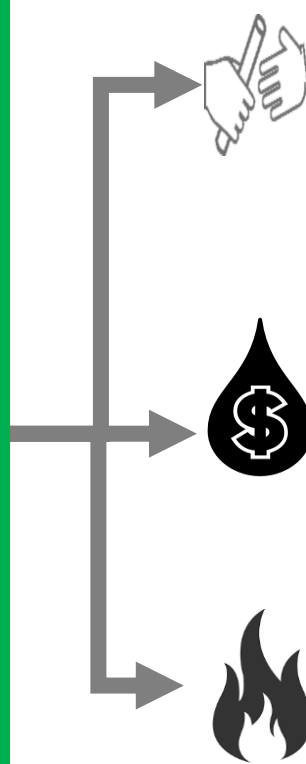
**Classification of  
households into different  
categories**

**Household  
debt/income ratio**

**Non-financial asset  
ratio**

# Suggestions IV

Estimating  
the balance sheet  
impact on  
the economic  
instability  
with  
Simplified  
quantitative model



## Liability and ownership channel

(Liquidation rule)

1. Cash, bond, deposits, ST, equity and fund
2. LT, Other non-financial, others

## Reverse liquidity channel

- What about issuing liabilities and equity?

## Fire-sale effect

- Constant fire-sale parameters from the 2008 crisis

**Amplification effect**

Household panic sale

Bank deleveraging



## Exogenous?

Industry shock

Bank reputational shock

Estimating  
the balance sheet  
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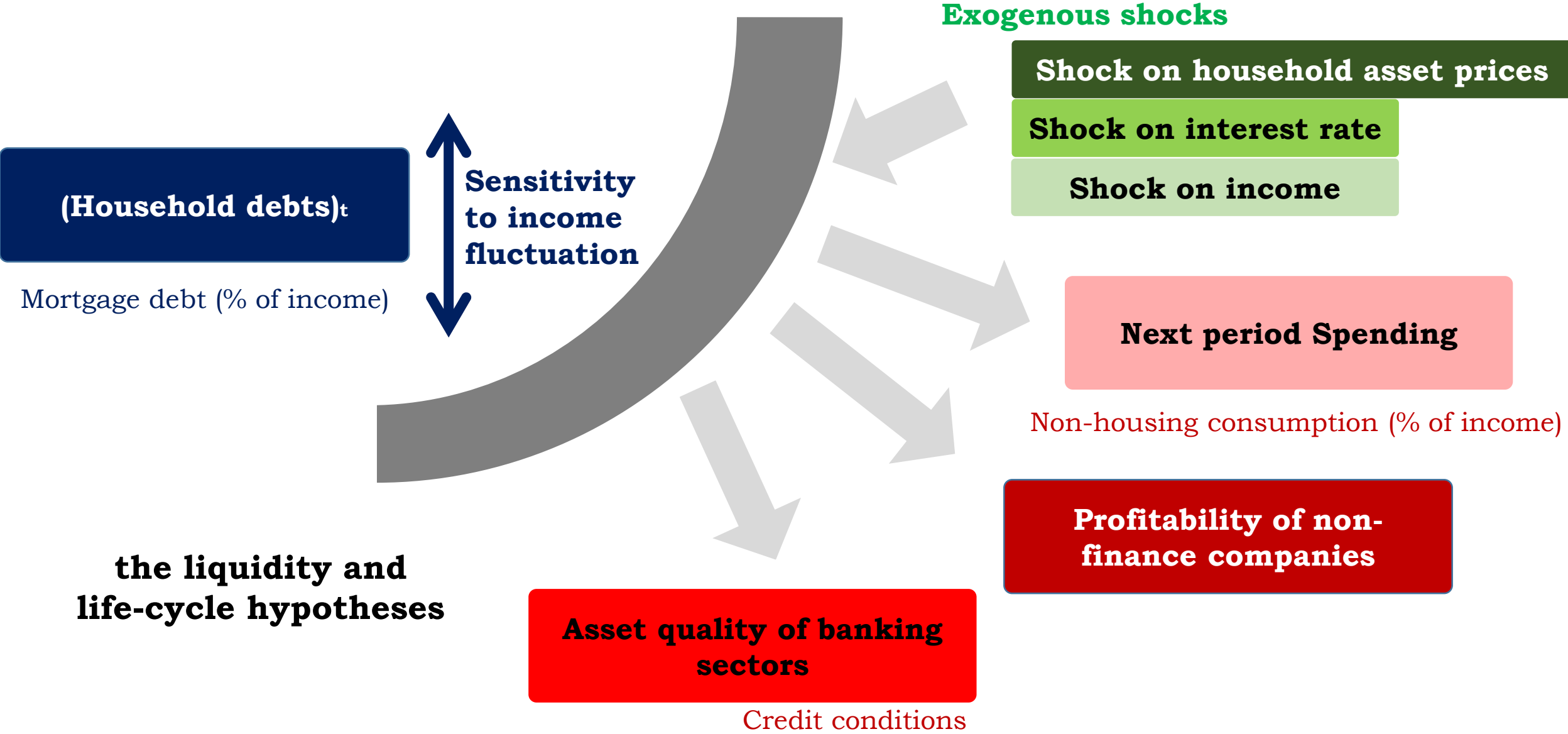
### Main result useful for policy implication

- Relative size of the impact from each industry shock on the whole economic system

### Issues

1. Shocks on the existing position of the network of balance sheet.
2. Inability to explain how the crisis is going to develop.
3. Simulated scenarios tend to be unrealistic.

# What does the paper try to understand?



**Key findings from the paper that warrant further investigations**



- **Risk exposures of “domestic systemically important banks”.**
  - **Impact of large Thai corporate on these banks’ balance sheet.**
  - **Impact of asset deterioration of these banks on the whole economy**
- 
- **Banks and its mutual funds have risk exposure in the same industry.**
  - **Issues in conflict of interest?**
- 
- **Implication of higher equity exposure of Thai households --> Better diversified balance sheet or a new source of risk?**

**The balance sheet database and stress-test exercise of this paper can be the foundation for future research to understand systematic risk.**

- 1 To monitor the overall health of household balance sheets!**

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- 2 To identify weak spots of each economic sector's balance sheet!**

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- 3 To monitor the risk exposure of banks and mutual funds on certain industries!**

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- 4 To simulate the impact of government and monetary policies on economic and social outcomes!**