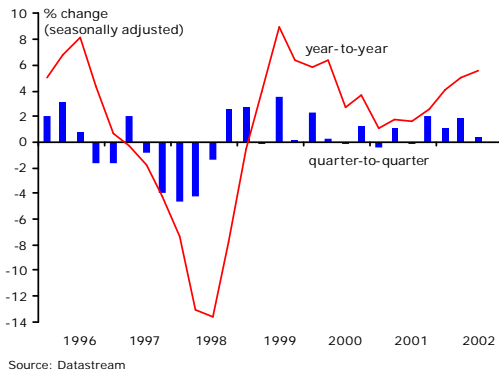
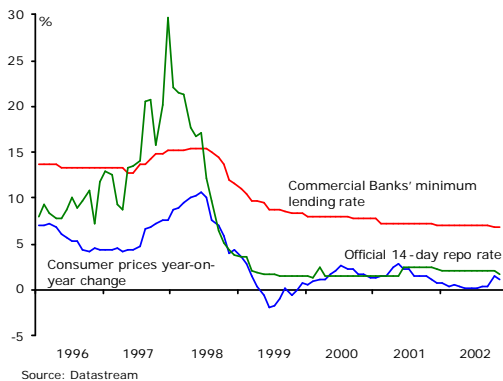


# Country Update: Thailand

## Economic growth exceeds expectations in 2002



## Latest interest rate cut reflects concerns about the economic outlook



- Thailand is likely to have been the fastest-growing economy in SE Asia in 2002 after Vietnam with real GDP growth of 4.5-5.0%. The recovery from growth of just 1.8% in 2001 has been broadly-based, with a rise in net exports accompanied by increases in both investment and private consumption. There are doubts, however, about whether economic recovery can be sustained and ANZ expects GDP growth to decline to around 4% in 2003.
- Thailand is heavily dependent on imported oil so the rise in oil prices late last year will have a negative impact on economic activity. However, while oil prices may continue to rise in the short term, there are reasonable prospects of a significant decline later this year.
- The Bank of Thailand cut its 14-day repo rate to 1.75% in November, the first reduction since January. It said that the reduction, which followed the Fed's decision to cut its federal funds rate by 50bp, was due to growing uncertainties about the international economic environment. In addition to general concerns about the economic outlook for 2003, the authorities are keen to prevent any significant appreciation of the baht against the US dollar. The possibility of deflation is currently of greater concern than a resurgence of inflation, which averaged just 0.6% in 2002, its lowest since 1999.
- Fiscal policy is also being used to support economic activity with the government recently deciding to raise the level of annual income that is exempt from income tax from THB50,000 (about US\$1,150) to THB80,000 (US\$1,850).

## Economic data and debt statistics

Thailand	1997	1998	1999	2000	2001	2002e	2003f	2004f
Economic growth (%)	-1.4	-10.5	4.4	4.6	1.8	5.0	4.0	5.0
Inflation (yr av, %)	5.6	8.1	0.3	1.5	1.7	0.6	1.5	2.0
Budget Balance (% of GDP)	-0.6	-2.7	-2.6	-2.2	-2.6	-2.2	-2.0	
Current Account (% of GDP)	-2.0	12.7	10.1	7.6	5.4	5.5	5.2	
External Debt (USD bn)	109.7	104.9	96.8	79.7	69.7	62.7	58.7	
External Debt/GDP Ratio (%)	72.7	93.8	79.0	65.2	60.7	51.3	46.3	
External Debt/Exports Ratio (%)	144.0	151.5	129.9	92.6	87.0	74.4	65.5	
Short-term Debt/Reserves (%)	144.5	102.9	68.7	46.5	43.3			
Debt Service Ratio (Paid) (%)	15.5	18.4	21.8	16.3	16.2			
Debt Service Ratio (Due) (%)	15.5	18.4	21.8	16.3	16.2	15.0	10.7	
International Reserves (USD bn)	26.2	28.8	34.1	32.0	32.4	36.9*		
Import Cover (g & s) (months)	4.3	7.1	7.3	5.4	5.6			

\* November 2002

Sources: IMF, Economist Intelligence Unit, ANZ Bank