

INTERNATIONAL MONETARY FUND

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The International Monetary Fund has approved a stand-by arrangement for the Government of Thailand, authorizing purchases up to the equivalent of SDR 271.5 million, or 100 per cent of Thailand's quota in the Fund, over the period ending December 31, 1983. Purchases under this arrangement, which is in support of the Government's economic and financial policies, will be financed in part from the Fund's ordinary resources (SDR 82.3 million) and in part from resources borrowed by the Fund (SDR 189.2 million).

The stand-by arrangement follows a previous two-year arrangement which was approved in June 1981 and which has been canceled. During the course of 1982, the economic outlook for the Thai economy and, consequently, the policy objectives have changed significantly. In particular, weaker external demand and higher real interest rates have contributed to an abrupt slowing of private investment, domestic inflation, and fiscal revenues; imports declined during the first half of the year. The prices of Thailand's export commodities declined by an average of 6.7 per cent in 1981 and by an estimated 13.6 per cent in 1982. The cumulative deterioration in the external terms of trade by 20 per cent in 1981-82 resulted in a marked slowing of the average growth of domestic income and demand. The annual rate of growth of real gross domestic product (GDP) slowed to 5 per cent in 1982--the lowest since 1972--compared to 7 per cent in 1981 and 8 per cent in the second half of the 1970s. The deceleration was most marked in nonagricultural sectors while agricultural production, which rose by 6 per cent in 1981, stagnated at this high level of output in 1982.

The economic program for 1982/83, which the present stand-by arrangement supports, aims at containing the growth in the external deficit while enabling investment and economic activity to return to more normal levels. To this end, greater fiscal restraint and an appropriate mix of interest rate, monetary, and credit policies will be observed. The budget deficit will be limited to the equivalent of 3.5 per cent of gross domestic product (GDP) during the fiscal year 1982/83 compared to 5.3 in 1981/82, through the implementation of new tax measures and continued improvements in tax administration, as well as wage restraint in the public sector. Borrowing abroad by the public sector is to be controlled so that the debt service ratio for public and publicly guaranteed obligations does not rise above 9 per cent.

Thailand's outstanding financial obligations to the Fund resulting from past operations and transactions, excluding Trust Fund loans, currently total the equivalent of SDR 597.4 million.