



BANK OF THAILAND NEWS

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The International Monetary Fund (IMF) Concludes 2009 **Article IV Consultation with Thailand**

In April 2009, the IMF mission completed the annual assessment of Thailand's economic developments and policies. The IMF projected Thailand's economic growth in 2009 to be minus three percent due to sharp fall in exports and continued sluggish domestic demand. Nevertheless, economic fundamentals remain strong, underpinned by a track record of prudent macroeconomic policies and robust financial institutions. Bringing the economy back on a sustained high growth path will, however, require decisive implementation of the policy measures to support domestic demand, and a swift restoration of investor and consumer confidence through a normalization of the political situation.

The IMF welcomed the authorities' fiscal stimulus plans and viewed that investment in the infrastructure would help promote economic expansion going forward. They also supported the authorities' intention to temporarily raise the mandatory ceilings on government borrowings in order to finance the deficits under current circumstances, noting that the increases in deficits and public debt would decline over the medium term as growth picks up.

On monetary policy, the IMF welcomed recent cuts in the policy interest rate. Nonetheless, they noted the already ample liquidity in the banking system and the currently impaired credit transmission mechanism. Accordingly, they supported the authorities' intention to assess the economic conditions and the effectiveness of recent rate reductions before deciding on further action. The time bound plans to guarantee credit for small-and medium-sized enterprises should help encourage banks to extend new loans to these sectors.

The IMF noted that the banking sector remains resilient. Nevertheless, the slowing economy and a likely deterioration in banks' asset quality call for continued close supervision going forward.

Bank of Thailand

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