

MARKET OVERVIEW OF THAILAND

Economic Environment

In the last two decades, Thailand has been one of the fastest growing developing countries in the world. During the 1960's and 1970's, Thailand's economy expanded at an annual rate of 7%, comparing favourably with the other nations of the Pacific Rim - the area which achieved the highest average growth in the world during this period.

Following a period of policy adjustment and unsteady economic performance during the first half of the 1980s, the Thai economy has achieved an impressive record of economic expansion since 1986 characterized by surging exports, price stability and an investment boom. In 1986, 1987 and 1988, the economy grew by 4.7%, 7.1% and 11.0% respectively. Economic growth in 1989 is estimated at 10.4%, the agricultural sector expanding by 4.8%, manufacturing 12.5% and construction by 19.8%. Forecasts for 1990 foresee economic growth at 9.4% - 4% for the agricultural sector and 12% for the manufacturing sector. All economic indicators and confidence in the Thai economy remain very strong.

Thailand has had the ability to take advantage of the strength of its resource base and the abundance of fertile land. The increase in agricultural exports has enabled the economy to maintain a rather fixed exchange rate which has led to relatively low inflation and enhanced the growth of the non-agricultural sector.

Thailand's competitive exchange rate policy has led to a depreciation of Thailand's effective exchange rate, raising the growth rates of foreign exchange earners, particularly manufactured exports and tourism.

Also contributing to Thailand's growth have been sound fiscal and monetary policies that stabilized the Thai economy even in difficult periods, such as the world economic slowdown of 1985-86.

Moreover, Thailand's diversified economic structure in product types and export markets have reduced the effects of world economic fluctuations and of the increasing protectionism of its major trading partners.

Although Thailand has incurred a rapid increase in industrial and service sectors, agriculture has remained the key sector in development and growth for the last 25 years. Diversification has turned Thailand into one of Asia's main agricultural producers and exporters.

Thailand's recent rise in inflation to 6% has been due to increases in agricultural and food prices. Prices of agricultural products and processed foods in the first half of 1989 increased by 10.7% and 18.2% respectively, compared to 1988. The highest increases were in seafood and fruits which were up 20%, while grain, cereal, meat and dairy product prices increased by 15.4%, 13.7%, 15.1% and 8.7% respectively.