The Nation

The Nation
Circulation: 68,200

Section: First Section/BUSINESS
Date: Thursday 28 October 2010
Volume: 35 **No:** 52764 **Page(s):** 3A (Left)
Col.Inch: 30 **Ad Value:** 34,500 **PRValue (x3):** 103,500 **Clip:** Black/White
Headline: IMF ECONOMISTS STRESS INFRASTRUCTURE INVESTMENT

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The government should invest more in infrastructure to boost domestic demand, the International Monetary Fund has suggested.

"Spending on infrastructure projects is a priority," Roberto Cardarelli, an economist with the IMF's Asia and Pacific Department, said yesterday.

He said Asian countries could not rely too much on exports to drive their economies, as developed countries had been facing sluggish growth.

Thailand and other emerging economies in Asia have room to invest more, he said. More spending on infrastructure and improved access to finance for domestically oriented firms would lead to more overall investment.

Thailand's investment is below the average of middle-income countries, which is about 30 per cent of gross domestic product, according to Cardarelli's paper presented at a seminar hosted by Pongsak Hoontrakul, a senior research fellow of Sasin Graduate Institute of Business Administration.

Petya Koeva Brooks, chief of research for the IMF's World Economic Studies Division, said appreciation of the currencies in Thailand and other emerging economies would increase purchasing power for consumers, thereby boosting domestic demand.

"The conventional wisdom is that appreciation of a currency would increase purchasing power," she said in response to some local economists who argued that the rising baht would eventually lead to lower consumption due to lower earnings from exports.

The IMF has suggested that countries with current-account surpluses let their currencies rise against those of countries that face current-account deficits, such as the United States, as an important part of rebalancing the global economy. Reducing budget deficits is also recommended.

To manage large capital inflows, the two economists suggested that countries such as Thailand should make sure the money goes to the right sectors of economy. The government might also develop local bond markets, as this would allow firms to recycle inflowing capital for investment, Cardarelli said.

Sethaput Suthiwart-Narueput, chief economist of Siam Commercial Bank, raised the question of lower real wages restraining domestic consumption. "While the US is concerned about picking up employment, the concern here is a picking up real wages," he said, pointing out that while Thailand's GDP was expanding, the real-wage growth rate was flat.

However, Sethaput said he did not agree with Prime Minister Abhisit Vejjajiva's wish to increase the minimum wage sharply to Bt250 per day nationwide. It should not be a blanket wage hike, since that would force provincial firms to relocate or shut down their plants.

He said wages should increase as labourers increase their productivity.