CareEdge Global assigns 'Stable' outlook to the Kingdom of Thailand

Reaffirms Long-Term Foreign Currency Rating of 'CareEdge A-' (Unsolicited)

Issuer rating	CareEdge A-/Stable (Unsolicited)

CareEdge Global has assigned a 'Stable' outlook to the rating of the Kingdom of Thailand while reaffirming the Long-Term Foreign Currency rating of 'CareEdge A- (Unsolicited)'.

Thailand's credit profile is supported by its fiscal strength arising from increasing but manageable levels of government debt, low debt servicing costs and favourable government debt structure. Its strong external position, supported by a favourable current account balance and adequate foreign exchange reserves, enhances the credit assessment. Tourism is an important sector for the economy, adding to the strength of the external sector, but it also exposes Thailand to global growth concerns. The monetary policy has been effective, as reflected by the low and stable level of inflation.

However, the persistent structural challenges, such as the ageing population and low productivity, are constraints for its medium-term growth prospects. Moreover, Thailand's leadership change has introduced some uncertainties, but broad policy continuity is expected, which will likely have a limited impact on the credit profile.

Outlook: Stable

The stable outlook reflects Thailand's strong external position, underpinned by sufficient foreign exchange reserves. CareEdge expects recent political disruptions, including Thailand's leadership change, to have a limited impact on the credit profile, given the expectation of broad policy continuity.

Upside scenario

A healthy growth outlook, supported by a recovery in tourism and likely an increase in private consumption driven by the cash handout scheme, would be a positive for Thailand. Furthermore, an increase in FDI inflows as multinational companies diversify supply chains away from China and effective structural reforms addressing the low productivity, skills gap, and ageing population could pave the way for a revision of the outlook to positive.

Downside scenario

Risks are likely to be skewed to the downside if political volatility continues, impacting the effectiveness of policymaking and undermining foreign investor confidence. Additionally, the government's inability to stabilise debt levels in the medium term could negatively affect the credit profile. External factors, such as weaker global demand and a slowdown among trading partners, would also pose challenges for Thailand.

Key Rating Drivers

Economic Structure & Resilience

Thailand has an economic size of USD 515 billion (2023). The economy faces structural issues such as unfavourable demographics due to the rapidly ageing population, low worker productivity and relatively lower rate of investment, which have been weighing on its growth potential. Thailand's real GDP grew at a much slower average annual rate of 3.4% in the pre-pandemic period (2015-19) compared with its other regional peers such as Vietnam and Indonesia (7.1% and 5%, respectively). The post-pandemic economic recovery lost momentum, with 2.5% growth in 2022, decelerating to 1.9% growth in 2023. This was due to weak external demand, modest investments and incomplete recovery in tourism. However, the economy accelerated to 3% in Q3 2024 from 2.2% in Q2 2024. Going ahead, improvement in external demand, pickup in private consumption, and further recovery in tourism are expected to extend some support for growth.

Fiscal Strength

Thailand's fiscal profile benefits from its low gross general government (GG) debt-to-GDP ratio and low debt servicing cost. Despite a significant uptick during the pandemic, the gross GG debt to GDP ratio stood at a comfortable level of 62.4% in 2023 (compared to pre-pandemic average of ~42% during 2015-19). Additionally, the government debt structure is favourable in terms of a low share of foreign currency-denominated debt and a longer maturity profile. Although the new government's policies remain uncertain, there are signs of broad policy continuity. Continuation of initiatives like the Digital Wallet scheme could strain the fiscal balance. The IMF projects the debt to rise to ~66% of GDP by 2028. However, debt remains broadly manageable and is not expected to impact the fiscal assessment materially. Looking ahead, the government's fiscal policies will be a key monitorable, as its ability to rein in expenditure will be crucial for meeting medium-term fiscal consolidation targets. Further, the government's high spending requirements on pensions, salaries, subsidies, and net social benefits is a constraint on fiscal performance.

External Position & Linkages

Thailand has a healthy current account balance, limited risks from external debt and sufficient foreign exchange reserves. The country has typically run a current account surplus, averaging ~8% during the pre-pandemic period 2015-19. Its current account balance turned into a deficit in 2021 and 2022 amid the pandemic, however it has returned to a surplus since then (1.5% of GDP in 2023) and is expected to rise further as tourist arrivals reach pre-pandemic levels. Foreign direct investment (FDI) net inflows in Thailand (average ~1.4% of GDP during 2019-23) have been relatively low compared to its regional peers Vietnam and Malaysia (~4.5% and ~3% of GDP, respectively, during 2019-23).

Monetary & Financial Stability

Thailand's exchange rate regime is classified as floating with intermittent foreign exchange intervention to avoid excessive fluctuations in the domestic currency. The Central Bank has been successful in maintaining low and stable inflation, averaging ~1.7% during 2019-23.

Inflation is expected to remain well within the target range of 1-3% over the medium term. However, excessive private sector leverage, as reflected in elevated household debt levels (~91% of GDP), remains a source of financial vulnerability and warrants close monitoring.

Institutions & Quality of Governance

Thailand fares well on regulatory quality and the rule of law underlying the government's ability to formulate and implement policies effectively. However, restricted freedom of expression and political uncertainty are constraints. The partial democracy with a military-influenced administration and frequent anti-government protests add to the political stress. Moreover, the recent leadership change underscores the political risks in Thailand.

Thailand – Select Indicators									
	Unit	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024 F**	**2025 F**
Economic Indicators									
Nominal GDP	USD Billion	507	544	501	506	496	515	529	545
GDP Per Capita (Constant-PPP)	USD	21,468	21,860	20,486	20,759	21,242	21,608	22,186	22,832
Real GDP Growth	%	4.2	2.1	-6.1	1.6	2.5	1.9	2.8	3.0
GFCF/GDP	%	22.8	22.6	23.2	23.5	23.4	23.0	-	-
Gross Domestic Savings/GDP	%	34.9	34.1	29.2	29.5	27.7	25.7	-	-
Exports (G&S)/GDP	%	64.8	59.5	51.5	58.6	65.4	65.4	-	-
Working-Age (15-64) Population (% Share in Total)	%	70.8	70.5	70.1	69.7	69.3	68.8	68.3	67.9
Old-Age (65+) Population (% Share in Total)	%	12.6	13.2	13.9	14.5	15.2	16.0	16.7	17.5
Fiscal Indicators – General Government									
Fiscal Balance/GDP	%	0.1	0.4	-4.5	-6.7	-4.5	-3.2	-3.7	-3.4
Revenue/GDP	%	21.5	21.0	20.4	20.0	20.1	20.0	20.1	20.3
Expenditure/GDP	%	21.4	20.6	24.9	26.8	24.5	23.2	23.8	23.6
GG Gross Debt/GDP	%	41.9	41.1	49.4	58.3	60.5	62.4	65.0	66.1
GG External Debt (by Creditor)/GG Gross Debt	%	16.9	16.9	13.6	12.6	12.2	10.1	-	-
Interest/Revenue	%	4.8	4.8	4.7	6.3	6.6	5.6	-	-
External Indicators									
Current Account Balance/GDP	%	5.6	7.0	4.2	-2.1	-3.5	1.4	1.8	2.0
FDI, Net Inflows/GDP	%	2.7	1.0	-0.9	3.0	2.4	1.3	-	-
Outstanding FII Liabilities/GDP	%	30.6	30.6	27.3	30.0	32.2	26.9	-	-
NIIP/GDP	%	-5.2	-4.6	8.8	6.8	-6.0	1.5	-	-
Foreign Exchange Reserves	USD Billions	205.6	224.3	258.1	246.0	216.6	224.5	-	-
Import Cover	Months	8.7	9.9	13.3	10.0	7.8	8.2	-	-
External Debt/GDP	%	32.2	31.6	38.0	38.8	40.4	38.2	-	-
Monetary and Financial Indicators									
CPI Inflation	%	1.1	0.7	-0.8	1.2	6.1	1.2	0.5	1.2
Exchange Rate (Average)	LC per USD	32.3	31.0	31.3	32.0	35.1	34.8	35.3	-
Non-Performing Loans/Total Gross Loans	%	3.1	3.1	3.2	3.1	2.8	2.8	-	-
Private debt, loans and debt securities/GDP	%	154.3	155.1	176.1	179.7	174.2	-	-	-

Sources: International Monetary Fund, World Bank, Bank for International Settlements, National Sources, CareEdge Global

Note: F - Forecast; PPP – Purchasing Power Parity; GFCF – Gross Fixed Capital Formation; Exports (G&S) – Exports of Goods and Services; GG – General Government; FDI – Foreign Direct Investment; FII – Foreign Institutional Investment; NIIP – Net International Investment Position; Data refers to fiscal/calendar year and actual/estimate as reported by the source; Where general government data is unavailable, central government data is used; Latest available data for 2023

Solicitation Status

The rating is unsolicited

Rating History

Instrument	Type	Rating	Date
Issuer Rating	Long Term Foreign Currency (Unsolicited)	CareEdge A-/Stable	February 03, 2025
Issuer Rating	Long Term Foreign Currency (Unsolicited)	CareEdge A-	October 03, 2024

Criteria Applied

CareEdge Sovereign Rating Methodology

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