CareEdge Global revises outlook to 'Negative' for the rating assigned to Kingdom of Thailand

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

Issuer rating (Long Term Foreign Currency)	CareEdge A-/Negative (Unsolicited)

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

The revision in outlook reflects the prevalent policy impasse, together with subdued growth prospects, external pressures due to trade-related uncertainties and skirmishes on the border.

Thailand's post pandemic economic recovery has remained weak with growth averaging ~0.5% for 2020-24, well below its pre-pandemic levels (~3% from 2014-19). The weakness in the economy represents a combination of cyclical and structural factors. The pandemic-related restrictions led to disruptions in tourism resulting in demand side weakness. Parallelly, the economy continues to face persistent structural challenges such as reducing competitiveness, low productivity, weak private consumption and high household debt. Externally, the country's current account surplus has narrowed significantly, reducing from an average of 8% of GDP in 2014–19 to just 0.4% in 2020–24, due to weakening export performance. Given Thailand's high degree of trade openness, ongoing trade and tariff related uncertainties could lead to further weakness in external indicators. Further, the economic headwinds coincide with renewed political flux at a critical time, when timely and decisive policy responses are essential.

Nonetheless, the reaffirmation of the rating reflects the strong existing external buffers, underpinned by sufficient foreign exchange reserves and low external debt. Its credit profile is also supported by low debt servicing costs coupled the country's currently manageable levels of government debt, long maturity profile and large share of domestically funded borrowings. The monetary policy has been effective, as reflected by the low and stable level of inflation.

Upside scenario

The outlook could be revised to stable if there is greater clarity and continuity in the political landscape, leading to quicker and effective decision making. Such effective policy responses can enable Thailand to better navigate trade and tariff uncertainties and address the structural constraints. CareEdge Global will watch for better-than-expected growth and ability to maintain external buffers.

Downside scenario
The rating could be downgraded if the current environment of political uncertainty impairs the government's ability to implement critical reforms and steps needed to mitigate existing and emerging economic and external challenges. A sustained deterioration in fiscal metrics—particularly if the debt levels breach the 70% of GDP threshold—could also raise downgrade risks.

Key Rating Drivers

Economic Structure & Resilience

Thailand stands as the second-largest economy in ASEAN, with a GDP of USD 526 billion in 2024. Its economic scale and strategic location underpin its regional importance, while its per capita income places it firmly within the middle-income category. Structurally, the economy has leveraged its diversified export presence- transitioning toward a service-led growth model while maintaining a strong industrial base. However, the economic challenges, including unfavourable demographics, low worker productivity, and a relatively low rate of investment, continue to weigh on its long-term growth potential. In addition, the economy's high export dependence on the United States and China exposes it to external vulnerabilities.

Thailand's post-COVID economic recovery has remained subdued, with growth averaging ~0.5% for 2020-24, markedly slower than regional peers such as Vietnam (5.2%) and Indonesia (3.4%) and well below its pre-pandemic levels (~3% from 2014-19). The weakness reflects an aggregation of factors, including subdued private consumption, weakness in tourism and a prolonged manufacturing slump. The slowdown in manufacturing is on account of eroding competitiveness, rising competition from China and limited penetration of high-tech manufacturing.

The economy has recovered to around 2.5% growth in 2024, while maintaining similar pace in Q1 2025, with ~3.1% growth. However, this improvement has been largely driven by government spending measures, which have supported the economy. Going ahead, growth recovery is contingent on the strength of external demand, improved investment momentum, and a stable rebound in tourism.

Fiscal Strength

Thailand benefits from a favourable fiscal structure, owing to its significantly high domestic holding of government debt and a longer maturity profile, alongside manageable debt levels. Additionally, prudent fiscal management and strong investor confidence have helped keep Thailand's yields low, comparable to those of advanced economies in the Asia region. These factors have contributed to a low cost of borrowing, with interest payments to revenues averaging ~5.1% from 2015-24, significantly lower than similar-rated peers.

While fiscal risks remain manageable, debt levels have started to increase gradually after the COVID-19 pandemic, with gross general government debt averaging around 58.8% of GDP from 2020-24, compared to a pre-pandemic average of around 42% during 2015–2019. The key concern is that the rising debt burden is not being matched by growth.

The IMF projects government debt to increase further, reaching approximately 68.2% of GDP by 2030, while remaining within the defined threshold of 70%. However, concerns over slowing growth and trade-related headwinds could lead to additional fiscal stimulus, posing downside risks to debt sustainability. Furthermore, the government's elevated spending commitments on pensions, salaries, subsidies, and net social benefits continue to constrain fiscal flexibility. Policy uncertainty adds to another layer of risk, potentially increasing the likelihood of fiscal slippage.

Looking ahead, the government's fiscal stance will remain a key monitorable. Its ability to control expenditure and maintain fiscal discipline will be critical to achieving medium-term consolidation targets.

External Position & Linkages

Thailand's external position has been a key anchor for its credit strength—characterized by consistent current account surpluses, low external debt, and ample foreign exchange reserves. However, this external strength has moderated in recent years. The current account surplus, which averaged around 8% of GDP during 2015–2019, has narrowed sharply to just 0.4% of GDP during 2020–2024. This decline reflects the combined impact of pandemic-related restrictions, which disrupted tourism revenues, and a prolonged global manufacturing downturn that has weakened external demand for Thailand's exports.

Given Thailand's high trade openness with exports of goods and services averaging ~62.2% of GDP (2020-24), the economy remains particularly vulnerable to shifts in global trade dynamics. In addition, weak tourism recovery continues to strain the services trade balance, limiting a key source of external resilience.

Further, foreign direct investment (FDI) inflows have remained subdued. Net FDI averaged around 1.6% of GDP during 2020-24, significantly lower than regional peers such as Vietnam (~4.3%) and Malaysia (~3.1%) over the same period. This underperformance reflects, in part, an extended period of policy uncertainty, which is weighing on investor sentiment and could continue to impact Thailand's ability to attract sustained capital inflows.

Monetary & Financial Stability

Thailand's exchange rate regime is classified as a floating system, with intermittent foreign exchange interventions aimed at curbing excessive volatility in the domestic currency. The monetary policy framework has maintained a credible track record in anchoring inflation expectations, delivering low and stable inflation that averaged approximately 1.5% during 2019–2024. While the country is currently experiencing deflationary conditions, inflation is expected to return within the central bank's target range of 1–3% over the medium term.

Financial sector risks are largely concentrated in elevated private sector leverage, particularly reflected in high household debt levels, standing at around 88.4% of GDP in 2024. Although the banking sector remains well-capitalised, credit growth has been subdued, averaging just 0.28% since 2023, reflecting weak economic sentiment and cautious lending practices. While the overall non-performing loan (NPL) ratio has stabilized, NPLs within the SME segment are on a rising trend. This remains a key source of financial vulnerability and warrants continued close monitoring.

Institutions & Quality of Governance

Thailand’s institutional positioning reflects a combination of structural strengths and longstanding vulnerabilities. Traditionally, the country has performed well in areas such as regulatory quality and the rule of law, supporting the administration’s ability to formulate and implement policies effectively. However, persistent political uncertainty and restrictions on freedom of expression remain significant constraints. The political system functions as a partial democracy, marked by military influence over civilian governance, with periodic anti-government protests and institutional frictions contributing to elevated political risk.

Recent episodes of leadership transition, with the replacement of two prime ministers since the coalition government assumed leadership in 2024, have raised questions about policy continuity and stability. Further, the renewed political turmoil with resurgence of pro-military groups—often linked with periods of instability, has increased protests. Meanwhile, heightened tensions along the Cambodia border have led to an additional layer of geopolitical risk that could complicate the domestic political environment.

As prolonged uncertainty continues to weigh on reform momentum and administrative effectiveness, it poses rising risks to both near-term policy implementation and the medium-term investment climate.

Thailand – Select Indicators									
	Unit	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025 F**	**2026 F**
Economic Indicators									
Nominal GDP	USD Billion	544	500	506	496	516	526	546	557
GDP Per Capita (Constant-PPP)	USD	21860	20486	20757	21263	21658	22179	22558	22905
Real GDP Growth	%	2.1	-6.1	1.5	2.6	2.0	2.5	1.8	1.6
GFCF/GDP	%	22.6	23.2	23.5	23.4	23.0	22.2	-	-
Gross Domestic Savings/GDP	%	34.1	29.2	29.5	27.7	25.7	-	-	-
Exports (G&S)/GDP	%	59.5	51.5	58.6	65.4	65.4	70.0	-	-
Working-Age (15-64) Population (% Share in Total)	%	71.1	70.9	70.7	70.5	70.2	69.9	69.6	69.2
Old-Age (65+) Population (% Share in Total)	%	12.3	12.9	13.5	14.1	14.7	15.4	16.0	16.7
Fiscal Indicators – General Government									
Fiscal Balance/GDP	%	0.4	-4.5	-6.7	-4.6	-2.0	-1.3	-3.1	-2.9
Revenue/GDP	%	21.0	20.4	20.0	20.0	20.9	21.4	20.9	21.0
Expenditure/GDP	%	20.6	24.9	26.8	24.7	22.8	22.7	24.0	23.8
GG Gross Debt/GDP	%	41.1	49.4	58.4	60.5	62.3	63.2	64.5	66.0
GG External Debt (by Creditor)/GG Gross Debt	%	16.9	13.6	12.6	12.2	9.8	7.8	-	-
Interest/Revenue	%	4.8	4.7	6.3	6.6	5.6	5.7	-	-
External Indicators									
Current Account Balance/GDP	%	7.0	4.2	-2.1	-3.5	1.4	2.1	1.2	1.2
FDI, Net Inflows/GDP	%	1.0	-0.9	3.0	2.4	1.3	1.9	-	-
Outstanding FII Liabilities/GDP	%	30.6	27.3	30.0	32.2	26.9	24.9	-	-
NIIP/GDP	%	-4.6	8.8	6.8	-6.0	1.5	8.3	-	-
Foreign Exchange Reserves	USD Billions	224.4	258.1	246.0	216.5	224.5	236.9	-	-
Import Cover	Months	9.9	13.3	10.0	7.8	8.2	8.1	-	-
External Debt/GDP	%	31.6	38.0	38.8	40.4	38.2	36.4	-	-
Monetary and Financial Indicators									
CPI Inflation	%	0.7	-0.8	1.2	6.1	1.2	0.4	0.7	0.9
Exchange Rate (Average)	LC per USD	31.0	31.3	32.0	35.1	34.8	35.3	-	-
Non-Performing Loans/Total Gross Loans	%	3.1	3.2	3.1	2.8	2.8	2.8	-	-
Private debt, loans and debt securities/GDP	%	159.5	180.9	184.3	178.7	178.1	-	-	-

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-/Negative (Revision in Outlook)	August 08, 2025
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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CIN-U66190GJ2024PLC151103