Kingdom of Thailand's outlook revised to 'Stable' from 'Negative'

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

Issuer Rating (Long-Term Foreign Currency)	**CareEdge A-/Stable (Unsolicited)**

Rating action

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

The revision of the outlook to Stable from Negative reflects a reduction in downside risks stemming from the prolonged policy deadlock, weak growth prospects, trade-related external uncertainties, and elevated energy prices.

Thailand's political environment has strengthened following the February 2026 general election, which resulted in the formation of a Bhumjaithai-led coalition government holding a clear parliamentary majority, thereby improving policy continuity and governance stability. The stronger governing mandate is expected to support policy continuity and predictability amid a more favourable environment, as evident in the government's effective response to energy supply disruptions and elevated energy prices through a range of proactive measures. These measures, along with reduced policy uncertainty and a stronger political mandate, are expected to support growth prospects in 2026 by sustaining private consumption and boosting investor confidence.

Furthermore, external trade-related risks have moderated following the reduction in US tariffs on Thai exports from a previously proposed 36% to 19%, at par with most of the peers. Lower-than-expected energy prices have also partially mitigated downside risks to the economic outlook.

The sovereign's rating is supported by it strong external position, characterised by substantial foreign exchange reserves, low external indebtedness, and manageable external financing requirements. Additionally, a credible monetary policy framework has helped maintain low and stable inflation. The rating also benefits from Thailand's favourable fiscal profile, characterised by low debt-servicing costs, a long debt maturity profile, and reliance on domestic sources of government borrowing, despite rising debt.

These strengths are offset by structural weaknesses such as subdued economic growth compared with regional peers and a relatively weak governance profile. Thailand's post-pandemic economic recovery has been modest. Notably, medium-term growth prospects continue to be constrained by weak private investment, sluggish productivity growth, adverse demographic trends, and limited progress in implementing structural reforms. Moreover, Thailand's World Bank governance indicators remain weaker than those of similarly rated sovereigns.

Outlook: Stable

The stable outlook reflects improved political stability and a stronger government mandate. In addition, stronger-than-expected economic performance over the past two quarters and the new government's proactive policy response to the West Asia crisis are expected to support growth prospects. A strengthened parliamentary majority should facilitate the implementation of structural reforms, enhance policy continuity and predictability, and reinforce investor confidence, contributing to sustained economic growth over the medium term.

Upside scenario

Thailand's rating could be upgraded if the country records sustained economic growth, backed by improved policy implementation and steady adherence to fiscal discipline.

Downside scenario

The rating could be downgraded if economic growth persistently stays below its medium-term potential, and/or if there is renewed political or institutional instability that undermines policy effectiveness and delays structural reforms. In addition, sustained deterioration in the debt trajectory, resulting in a materially higher government debt burden, particularly if government debt rises above the 70% of GDP threshold, would increase downgrade risks.

Key rating drivers

Economic structure & resilience

Thailand is the third-largest economy in ASEAN, after Indonesia and Singapore, with an estimated nominal GDP of USD 577 billion in 2025. A GDP per capita at current prices of USD 8,057 classifies Thailand as an upper-middle-income economy. It is a key production hub in Southeast Asia, supported by a diversified manufacturing base, integrated supply chains, strategic location, and a strong export-oriented industrial ecosystem. Goods exports account for approximately 62% of GDP, supported by a large manufacturing base of automotive and auto parts, electronics and electrical appliances, and petrochemicals and chemicals industries.

Thailand faces several structural challenges, including adverse demographic trends, weak productivity growth, and relatively low investment levels, which constrain its medium-term growth potential. Moreover, its heavy reliance on exports and close trade linkages with major markets, particularly the United States and China, expose it to external demand fluctuations and global trade disruptions.

Thailand's post-pandemic economic recovery has been relatively weak, with real GDP growth averaging 2.4% during 2021-2025, compared with an average of 4.6% across the ASEAN-5 economies and below its pre-pandemic average of 3.4% during 2015-2019. Subdued growth performance reflects elevated household debt weighing on private consumption, a slower tourism recovery relative to regional peers, and inventory drawdown by businesses. Manufacturing activity has also been constrained by declining competitiveness, intensifying competition from China and other regional economies, and a slower transition towards higher value-added and technology-intensive industries. These structural weaknesses along with political impasse weighed on growth in 2025, with real GDP growth numbers moderating to 2.4% from 2.9% in 2024.

However, economic momentum recovered and exceeded market expectations in Q4 2025 and Q1 2026, thanks to investment and consumption. Subsequently, we have revised the 2026 growth forecast upward to 1.9% from 1.5%, supported by fiscal stimulus measures, and stronger investment as well as export performance.

Notwithstanding these improvements, Thailand's economic growth potential appears constrained because export growth has not translated into commensurate gains in gross domestic value added. A significant share of value addition accrues to foreign multinational corporations, while local sourcing has declined. Additionally, Thailand's technology exports remain concentrated in mature segments such as hard disk drives and conventional electronics. As global demand shifts toward solid-state storage and AI-related technologies, Thailand's longer-term potential growth prospects could be constrained unless it successfully moves further up the value chain.

To address these challenges, Thailand aims to upgrade its position in the global value chain through its National Semiconductor and Advanced Electronics Strategy. The strategy targets at least THB 500 billion in new semiconductor and advanced electronics investment, and the development of more than 86,000 skilled workers by 2029, supporting the country's transition toward higher-value technology industries.

Fiscal strength

Thailand benefits from a strong government debt profile despite rising debt, supported by a predominantly domestic investor base, local currency financing, a long average debt maturity of around nine years, and low borrowing costs. Approximately 91% of general government debt is held domestically and almost all of it is denominated in local currency, helping mitigate refinancing and exchange rate risks. In addition, the Social Security Fund (SSF), which holds around 12% of total public debt through investments in government and state-owned enterprise bonds, provides an important mitigating factor when assessing the overall debt burden. Debt affordability is also favourable, with interest payments averaging just 5.9% of government revenues during 2021-2025, well below those of similarly rated regional peers.

However, the debt burden has increased since the pandemic, with gross general government debt averaging 61.7% of GDP during 2021-2025 and projected to approach 70% by 2030, compared with the pre-pandemic average of 41.8% during 2015-2019. The continued rise in public debt toward the 70% of GDP ceiling introduced during the pandemic could reduce fiscal policy flexibility and raise concerns regarding the credibility of the government's medium-term fiscal framework.

The authorities' commitment to fiscal consolidation, including planned VAT increase in FY28 and FY30, is expected to strengthen revenue generation, create additional fiscal space for growth-enhancing investments, and support a gradual reduction in public debt. Thailand's general government fiscal deficit is projected to average 2.1% of GDP during 2026-2030, down from the average 3.3% of GDP during 2021-2035. To support economic growth, the government has proposed a THB 3.79 trillion (USD 115 billion as per latest exchange rate) budget for FY27, with a planned budget deficit of THB 788 billion (USD 23.9 billion as per the latest exchange rate).

The government's fiscal stance remains an important monitorable; its ability to contain expenditure and maintain fiscal discipline is critical to achieve medium-term consolidation targets.

External position & linkages

Thailand's external position continues to anchor its credit profile, underpinned by low external debt, a positive net international investment position (NIIP), and substantial foreign exchange reserves. External debt declined from 40.6% of GDP in 2022 to 36.2% of GDP in 2025, remaining well below that of similarly rated peers. The NIIP improved to 15.9% of GDP in 2025 from -5.8% of GDP in 2022, indicating a significant strengthening of the country's net external asset position. In addition, foreign exchange reserves increased to USD 282 billion in 2025 from USD 217 billion in 2022, providing a stronger buffer against external shocks and supporting external sector resilience.

Thailand's current account surplus declined from an average of 8.0% of GDP during 2015-2019 to 0.9% during 2020-2025, reflecting weaker external competitiveness, a less robust tourism surplus, rising import dependence, and limited progress in developing new growth drivers. Looking ahead, the current account surplus is expected to improve gradually, averaging 1.9% of GDP over the next five years.

Furthermore, foreign direct investment (FDI) inflows have been relatively subdued compared with regional peers, despite year-on-year improvement over the past two years. Net FDI inflows averaged 2.1% of GDP during 2020-2025, significantly below the levels observed in countries such as Vietnam (4.4%) and Malaysia (3.4%) over the same period. This underperformance partly reflects a prolonged period of policy uncertainty, which has weighed on investor sentiment.

Monetary & financial stability

Thailand's credit profile is strengthened by its monetary policy framework, supported by a floating exchange rate regime and a credible inflation-targeting framework. While the authorities occasionally intervene in foreign exchange markets to limit excessive currency volatility, monetary policy has been effective in anchoring inflation expectations. Inflation has remained low and relatively stable, averaging 1.8% during 2020-2025. Although Thailand experienced deflationary pressures between April 2025 and March 2026, price pressures have since normalised, with inflation rising to 2.4% in June 2026 from -0.1% in March 2026 because of higher energy prices. Inflation is expected to remain within the Bank of Thailand's target range of 1-3% over the medium term.

Financial sector vulnerabilities are primarily linked to elevated private sector indebtedness, particularly household debt, which remained high at approximately 86.8% of GDP in 2025. Unlike some regional peers, where household borrowing is concentrated in mortgages, Thai household debt is more heavily skewed toward unsecured consumer loans, vehicle financing, and borrowing for day-to-day consumption, increasing vulnerability to income shocks.

These systemic risks are mitigated by the banking sector's strong capital position and low non-performing loan (NPL) ratio. Although the overall NPL ratio was broadly stable at 2.85% in Q1 2026, asset quality pressures persist in the small and medium enterprises (SMEs) segment, where NPLs continue to trend up.

Credit growth has also been subdued. Bank lending increased by only 0.2% year-on-year in Q1 2026, reflecting cautious lending conditions. Looking ahead, subdued economic growth and heightened uncertainty stemming from developments in the Middle East could put additional pressure on household and corporate balance sheets through weaker income growth and higher borrowing costs. These pressures can adversely affect the debt-servicing capacity and bank asset quality, particularly among SMEs and highly leveraged households. Nevertheless, government debt-relief initiatives and liquidity support measures provided by financial institutions have helped mitigate financial stress among vulnerable borrowers.

Institutions & quality of governance

Thailand's governance indicators compare less favourably with those of similarly rated sovereigns, reflecting high levels of corruption; the undue influence of the military, the monarchy, and related elites; as well as persistent challenges arising from the judiciary's frequent intervention in political matters and recurring political instability. Since the 2006 military coup, the country has experienced frequent changes in government and periods of political disruption. Nevertheless, the government bureaucracy is generally regarded as highly capable, supporting effective policy implementation and administrative continuity despite political uncertainty.

Political stability has improved following the February 2026 general election and the formation of a Bhumjaithai-led coalition government with a clear parliamentary majority. The stronger mandate has reduced near-term political uncertainty, supported policy continuity, and enhanced the government's capacity to advance its economic and fiscal agenda. However, the sustainability of this improvement will depend on continued cooperation among ideologically diverse coalition partners and the broader institutional environment. In addition, heightened tension along the Cambodia border is an additional source of geopolitical risk that could complicate the domestic political landscape.

Select indicators									
	Unit	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026 F**	**2027 F**
Economic indicators									
Nominal GDP	USD billion	500	506	496	517	529	577	580	584
GDP per capita (constant-PPP)	USD	19951	20237	20778	21253	21890	22433	22788	23290
Real GDP growth	%	-6.1	1.6	2.7	2.2	2.9	2.4	1.9	2.2
GFCF/GDP	%	23.2	23.5	23.4	22.9	22.1	22.7	-	-
Gross domestic savings/GDP	%	27.9	26.5	24.4	24.0	23.6	25.1	22.8	23.3
Exports (G&S)/GDP	%	56.3	64.7	71.0	74.2	80.9	90.1	-	-
Working age (15-64) population (% share in total)	%	70.9	70.7	70.5	70.2	69.9	69.6	69.2	68.9
Old age (65+) population (% share in total)	%	12.9	13.5	14.1	14.7	15.4	16.0	16.7	17.4
Fiscal indicators – general government									
Fiscal balance/GDP	%	-4.5	-6.7	-4.6	-1.9	-1.3	-1.9	-2.2	-1.9
Revenue/GDP	%	20.4	20.0	20.0	20.8	21.3	21.1	21.0	21.1
Expenditure/GDP	%	24.9	26.8	24.7	22.7	22.6	23.0	23.3	23.1
GG gross debt/GDP	%	49.4	58.4	60.5	62.2	62.9	64.7	66.8	67.8
GG external debt (by creditor)/GG gross debt	%	13.6	12.6	12.2	10.1	8.9	9.1	-	-
Interest/revenue	%	4.7	6.3	6.6	5.6	5.6	5.5	-	-
External indicators									
Current account balance/GDP	%	4.1	-2.1	-3.4	1.6	2.2	3.1	0.7	1.4
FDI, net inflows/GDP	%	-0.9	3.0	2.4	2.0	2.7	3.3	-	-
Outstanding FII liabilities/GDP	%	27.3	30.0	32.2	26.7	24.8	23.6	-	-
NIIP/GDP	%	8.7	7.1	-5.8	5.4	8.5	15.9	-	-
Foreign exchange reserves	USD billion	258.1	246.0	216.6	224.5	237.0	281.9	-	-
Import cover	Months	13.3	10.0	7.8	8.2	8.1	8.7	-	-
External debt/GDP	%	38.0	38.9	40.6	38.0	36.9	36.2	-	-
Monetary and financial indicators									
CPI inflation	%	-0.8	1.2	6.1	1.2	0.4	-0.1	0.9	1.0
Exchange rate (average)	LC per USD	31.3	32.0	35.1	34.8	35.3	32.9	-	-
Non-performing loans/total gross loans	%	3.2	3.1	2.8	2.8	2.8	2.9	-	-
Private debt, loans and debt securities/GDP	%	180.7	184.1	178.7	178.0	171.4	-	-	-

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 2025

Solicitation status

The rating is unsolicited

Rating history

Instrument	Type	Rating	Date
Issuer Rating	Long-Term Foreign Currency (Unsolicited)	CareEdge A-/Stable	July 28, 2026
Issuer Rating	Long-Term Foreign Currency (Unsolicited)	CareEdge A-/Negative	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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