THAILAND OUTLOOK AND CREDIT RATING BY MOODY'S

On 25 July 2019, The Public Debt Management Office (PDMO) shared Thailand's Outlook and Credit Rating by Moody's Investors Service (Moody's).

Thailand's Outlook rose from Stable to Positive and the country's Credit Rating remained at Baa1 or BBB+.

Moody's explained the rating as follows:

1. Thailand's new credit rating arose from continuous macroeconomic stability, including public investment and human resource development, which will increase the country's economic competitiveness. Within the 20-year National Strategy framework, the government has planned to build new infrastructure in the form of the Eastern Economic Corridor (EEC) with an investment of US$50,000 million (equivalent to 10 per cent of GDP), which will attract investment from more high-tech industries. The EEC development plan will also attract private and foreign direct investment (FDI), reflected in a doubling in 10-targeted-industry investment requests to The Board of Investment of Thailand from 2016. Moreover, the government has planned to spend THB 2.76 trillion (equivalent to 18 per cent of GDP) on transportation to drive infrastructure investment.

2. The government's fiscal and monetary policy is transparent and predictable, resulting in low public debt, low inflation, and stable financial system. Moody's estimates that genuine economic expansion will be 3.0-3.5 per cent during 2019-2020, in line with the median number of those in the A and Baa Credit Rating country group for the next couple of years. Therefore, stable economy, domestic investment, and human development will accelerate economic growth and relieve the economic slowdown anticipated from the upcoming ageing society.

3. Strong external finance and public finance are a result of efficient macroeconomic operation. Moody's estimates the public debt-to-GDP ratio at 35-40 per cent for 2019-2020, close to that of the A Credit Rating country group at 37 per cent, and lower than that of the Baa Credit Rating country group at 58 per cent. Low public debt will enable the government to respond to economic and societal growth in a more flexible way. Proactive public debt management and the low foreign currency debt ratio will prevent fluctuations in currency exchange and foreign investment.

4. Moody's believes that the lack of skilled labour will inhibit high added value production and economic potential. However, the government has included human resource development in the 12th National Economic and Social Development Plan and 20-year National Strategy, and is cooperating with the United Nations to promote science, mathematics, technology,and engineering education, including establishing more vocational colleges. All will help elevate skilled labour in the next stage.

5. Moody's expects that foreign monetary strength will help rebalance fund circulation. It is predicted that Thailand's current account balance-to-GPD ratio will overbalance at 3-5 per cent in 2019-2020. Even though the ratio is lower than the previous year due to a global reduction in demand and more imports for infrastructure investment, it is still higher than the A and Baa Credit Rating country group. Moreover, the foreign overbalance helps to maintain high foreign exchange reserves at approximately US$215,800 million equivalent to 40 per cent of GDP as of June 2019.

6. All in all, Moody's is keeping track of the Thai political situation that could affect macroeconomic stability and skilled labour and ageing society issues that can compromise competitiveness and future credit ratings.

Ministry of Finance's Vision:

"Being Fiscal and Economic Pillar for Sustainable Development"

By Division of Information, Office of the Permanent Secretary