



****Coronavirus Covid-19 Update****

The risks associated with doing business are likely to be negatively impacted by the global coronavirus pandemic. Severe disruption to supply chains caused by lockdown procedures in many countries will affect country risk ratings. Demand will also be lower than initially anticipated as export earnings will be reduced amid a global economic slowdown and falls in both business and consumer confidence, as well as lower investment due to decreasing corporate earnings. We advise clients to monitor the containment efforts, as the adverse economic and supply chain effects will persist until the outbreak is controlled.

Country Insight Snapshot

Thailand

September 2020





OVERVIEW

OVERALL COUNTRY RISK RATING: DB5a

High risk: Considerable uncertainty associated with expected returns. Businesses are advised to limit their exposure and/or select high return transactions only.



Rating Outlook: Deteriorating

CORE OUTLOOK

- + The long-term outlook for Thailand's key tourism sector is still favourable, as it will remain a key beneficiary of any continued growth in Chinese outbound tourism.
- + The military-backed government should be successful at maintaining stability, but near-term political risk is increasing.
- The build-up of debt has far outpaced domestic income growth, and there are some concerns about potential declines in manufacturing and export competitiveness.
- There appears to be no available permanent solution to Thailand's deep political divisions, meaning that instability could easily resurface in the years ahead.

KEY DEVELOPMENT

Q2 GDP data confirmed Thailand's worst economic slump since the Asian financial crisis period, and our forecast implies a 5% contraction in H2.

CREDIT ENVIRONMENT OUTLOOK



Trend: Deteriorating

Key Development has had a negative impact on the outlook.

SUPPLY ENVIRONMENT OUTLOOK



Trend: Deteriorating

Key Development has had a neutral impact on the outlook.

MARKET ENVIRONMENT OUTLOOK



Trend: Deteriorating

Key Development has had a negative impact on the outlook.

POLITICAL ENVIRONMENT OUTLOOK



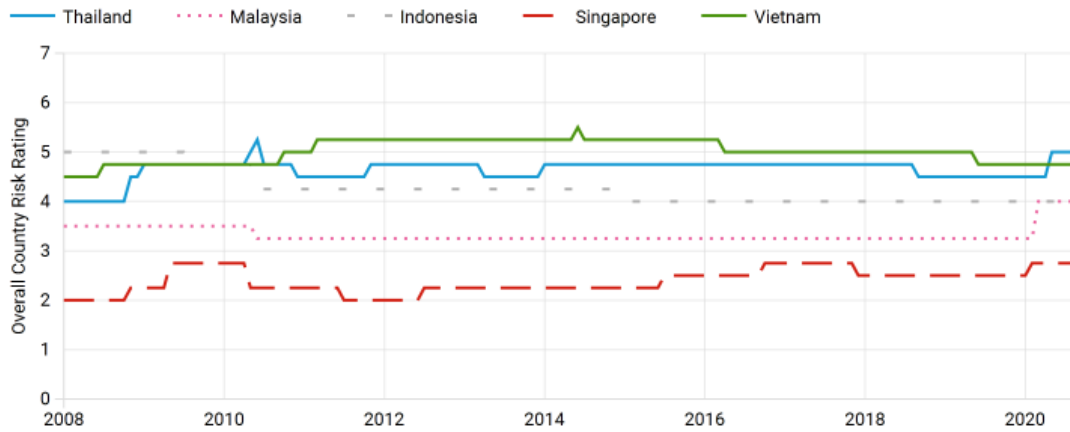
Trend: Stable

Key Development has had a neutral impact on the outlook.



KEY INDICATORS

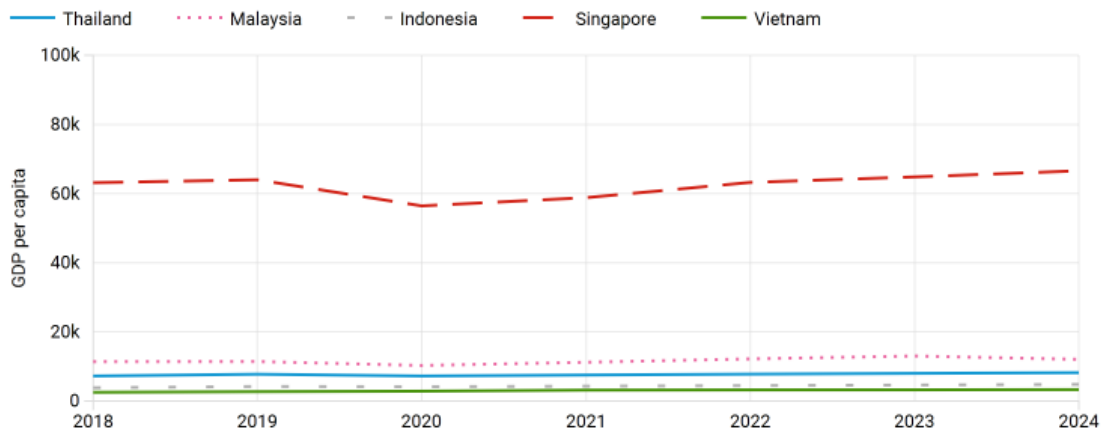
Rating History and Comparison



Source: Dun & Bradstreet

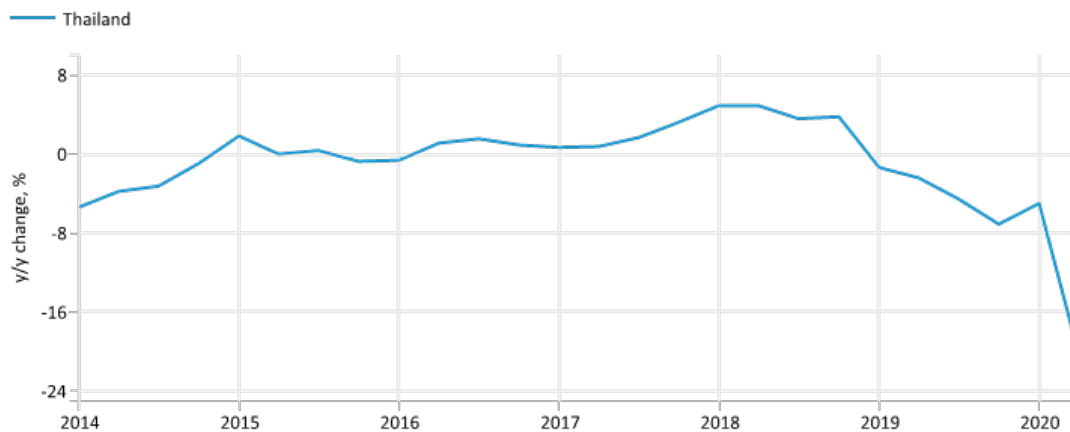
Note: 1 = Low Risk, 7 = High Risk

Regional Comparisons



Source: Haver Analytics/Dun & Bradstreet

Industrial Production Growth (Quarterly)



Source: Haver Analytics/Dun & Bradstreet



Economic Indicators

Indicator	2017	2018	2019	2020f	2021f	2022f	2023f	2024f
C/A balance % GDP	9.6	5.7	7.1	3.5	4.9	5.2	5.5	5.9
External Debt, % GDP	36.7	35.5	34.1	35.0	36.0	36.7	37.0	37.2
Govt balance, % GDP	-3.5	-2.5	-1.9	-6.8	-2.6	-2.7	-2.7	-2.4
Inflation, annual avge %	0.7	1.1	0.7	-1.5	1.7	2.3	2.3	2.6
Real GDP Growth, %	4.0	4.1	2.2	-7.5	5.7	3.5	4.1	4.3

Source: Haver Analytics/Dun & Bradstreet

TRADE AND COMMERCIAL ENVIRONMENT

The catastrophic impact of global travel restrictions on Thailand's key tourism sector (which accounts for around 12% of its GDP just in direct terms) is clearly evident in the 100% y/y decline in tourist visitors in the whole of Q2 and in July. With visitors also slumping by 38% y/y in Q1, the seven-month year-to-date decline in visitors was -71%. As seen in the supply breakdown of recent Q2 GDP data, this is having having numerous adverse trickle-down effects in the sectors most heavily reliant on tourism, such as travel services, hotels, hospitality, restaurants and retail. Apart from tourism, the other key sectoral impact has been on manufacturing. The latest July 2020 figures for Thailand's manufacturing production index (MPI) provide greater detail on the sub-sectors most negatively impacted by the pandemic. Unsurprising almost all components recorded double-digit y/y falls in July, but the biggest declines were in the production of autos (-53.2% y/y), textiles and apparel (-28.9% y/y) and rubber and plastics (-15.3% y/y).

TRADE TERMS AND TRANSFER SITUATION

Minimum Terms: SD

The minimum form of documentation or trading method that Dun & Bradstreet advises its customers to consider when pursuing export trade with the stated country.

Recommended Terms: LC

Dun & Bradstreet's recommended means of payment. The use of recommended terms, which are generally more stringent than minimum terms, is appropriate when a customer's payment performance cannot be easily assessed or when an exporter may wish to limit the risk associated with a transaction made on minimum terms.

Usual Terms: 30-90 days

Normal period of credit associated with transactions with companies in the stated country.

Local Delays: 0-1 months

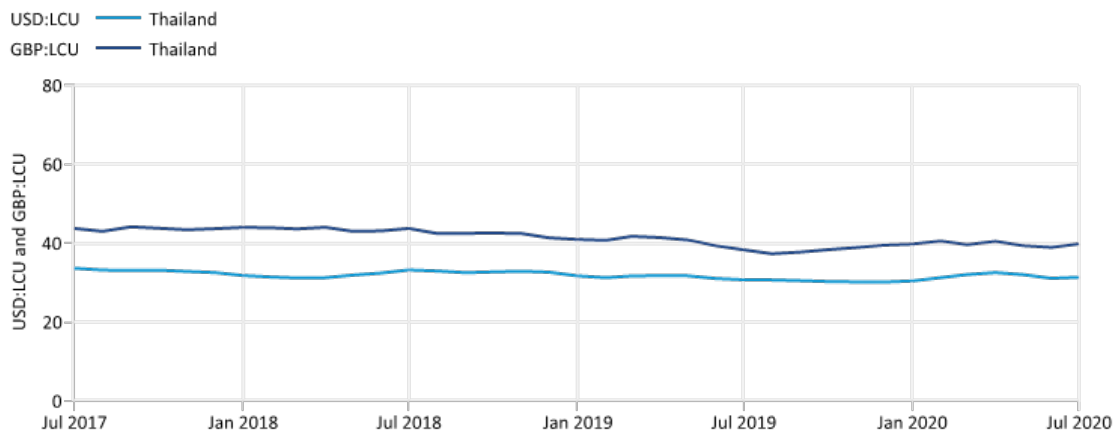
The time taken beyond agreed terms for a customer to deposit money in their local bank as payment for imports.

FX/Bank Delays: 0-1 weeks

The average time between the placement of payment by the importer in the local banking system and the receipt of funds by the exporter. Such delays may be dependent on FX controls, FX availability and the efficiency of the local banking system.



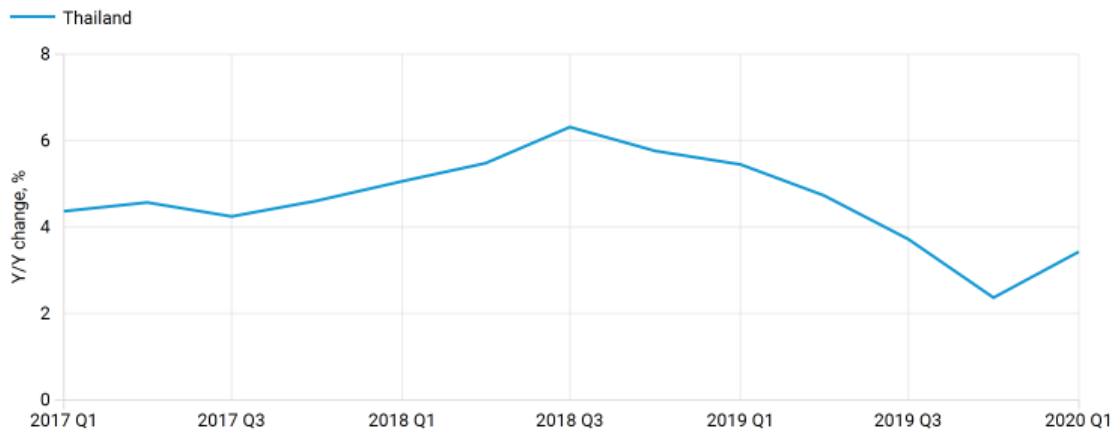
Exchange Rate



Source: International Monetary Fund/Dun & Bradstreet

LCU (local currency unit) = Thai baht

Bank Lending to the Private Sector



Source: IMF, Central Banks, Haver Analytics



RISKS AND OPPORTUNITIES

Short-Term Economic Outlook

Q2 slump worst since Asian financial crisis

According to the country's national economic planning agency (NESDC), Thailand's Q2 real GDP contracted by -12.2% y/y, following a decline of -1.8% in Q1. As such, this was its worst growth contraction since the Asian financial crisis period. Owing to domestic and global coronavirus containment measures, the biggest drivers of the economic slump were: 1) domestic demand - private consumption and fixed investment subtracted a combined 8.8 percentage points (pp) from growth; and 2) a 70.4% y/y decline in service exports owing to the collapse in tourist visitors, which was the main driver of a 1.4pp detraction from net exports, since the contraction in goods exports (-15.9%) was less than the decline in goods imports (-19.3%) over the period. In terms of industries, the manufacturing, transport and retail trade sectors were the biggest negative drivers, detracting a combined 7.7pp from growth in Q2. In light of Q2 data, NESDC cut its 2020 growth forecast range from between -5% and -6% to between -7.3% and -7.8%, which is line with our existing forecast of -7.5%, and slightly little less bearish than the Bank of Thailand's (BOT) expectation of a -8.3% contraction.

The current macro backdrop of deep recession, deflation (CPI inflation averaged -1.0% over the first eight months of the year) and baht strength (+5% versus the US dollar since end-March) suggests a strong case for further monetary easing. However, with Thai policy interest rates already near the effective lower bound at 0.5%, the scope for conventional measures is now quite limited. As such, we think there is a good chance that in coming months the BOT (under its recently appointed new governor Sethaput Suthiwart-Narueput) may be forced to follow the prevailing global trend of adopting more unconventional support measures, including most likely sovereign bond-buying (i.e. quantitative easing) but also potentially 'forward guidance', corporate bond-buying and potentially even increased foreign exchange intervention.

Market Potential

Credit problems severely understated by bank NPLs

Owing to the sharp recession, the credit environment in Thailand warrants significantly increased caution. Surprisingly, Thai banks' aggregate non-performing loan ratio for Q2 only ticked up to 3.1% in Q2, from 3.0% previously. We think this patent disconnect from reality is explained by a number of factors, including a typically sizeable lag in the accounting recognition of problem loans, which is very likely being exacerbated by government directives for banks to exercise leniency and forbearance. Given this, we think Thai banks' bad loss-provisioning numbers provide a much more accurate picture. In this regard, by way of example in July, Kasikorn Bank (Thailand's fourth largest commercial bank) reported a 52% y/y decline in net profits for Q2, which was almost entirely the result of expected credit loss provisioning for the quarter of THB8.3bn (USD265m), which was approaching a four-fold multiple of its reported net profit for the period of THB2.2bn.



COUNTRY PROFILE AND STATISTICS

Overview

Thailand is located in Southeast Asia and borders Myanmar, Malaysia, Cambodia and Laos. The country was ruled by an absolute monarch until 1932, and the monarchy retains a powerful position in society, commanding enormous respect across the political spectrum.

Since 1932, Thailand has alternated between periods of weak elected coalition governments and military-backed regimes; the most recent coup was in May 2014. The country returned to civilian rule in 2008 after a previous 2006 coup, but national politics has been volatile since, as the 2014 coup demonstrated. Neither pro-Thaksin governments (those that followed in the wake of deposed former Prime Minister Thaksin Shinawatra) nor the pro-establishment groups backed by the army elite and Bangkok middle class have been able to consolidate legitimacy.

Thailand has a free-market economy, but state influence persists in some areas and corruption is a serious problem. Tourism is a key - and increasingly important - growth driver for the economy.

Key Facts

Key Fact	Detail
Head of state	King Maha VAJIRALONGKORN Bodindradebayavarangkun (Rama X)
Capital	Bangkok
Timezone	GMT +07-00
Official language	Thai
Population (millions)	69.6
GDP (USD billions)	539.7
GDP per capita (USD)	7,751
Life expectancy (years)	76.5
Literacy (% of adult pop.)	93.8
Surface area (sq km)	514,000

Source: Various sources/Dun & Bradstreet

Historical Data

Metric	2015	2016	2017	2018	2019
Real GDP growth (%)	3.2	3.4	4.0	4.1	2.2
Nominal GDP in USDbn	406	420	459	502	540
Nominal GDP in local currency (bn)	13,916	14,816	15,581	16,215	16,756
GDP per Capita in USD	5,913	6,086	6,633	7,228	7,751
Population (year-end, m)	68.7	69.0	69.2	69.4	69.6
Exchange rate (yr avge, USD-LCU)	34.2	35.3	33.9	32.3	31.0
Current Account in USDbn	27.8	43.4	44.0	28.5	38.4
Current Account (% of GDP)	6.8	10.3	9.6	5.7	7.1
FX reserves (year-end, USDbn)	151.3	166.2	196.1	199.3	216.8
Import Cover (months)	7.9	9.0	9.5	8.4	9.5
Inflation (annual avge, %)	-0.9	0.2	0.7	1.1	0.7
Govt Balance (% GDP)	-2.6	-3.5	-3.5	-2.5	-1.9

Source: Haver Analytics/Dun & Bradstreet



Forecasts

Metric	2020f	2021f	2022f	2023f	2024f
Real GDP growth (%)	-7.5	5.7	3.5	4.1	4.3
Nominal GDP in USDbn	505	527	547	564	579
Nominal GDP in local currency (bn)	15,918	16,714	17,550	18,427	19,349
GDP per Capita in USD	7,229	7,522	7,777	7,993	8,194
Population (year-end, m)	69.9	70.1	70.3	70.5	70.7
Exchange rate (yr avge, USD-LCU)	31.5	31.7	32.1	32.7	33.4
Current Account in USDbn	17.8	25.8	28.4	31.2	34.4
Current Account (% of GDP)	3.5	4.9	5.2	5.5	5.9
FX reserves (year-end, USDbn)	223.3	230.0	236.9	244.0	251.4
Import Cover (months)	9.0	9.2	9.2	9.2	9.7
Inflation (annual avge, %)	-1.5	1.7	2.3	2.3	2.6
Govt Balance (% GDP)	-6.8	-2.6	-2.7	-2.7	-2.4

Source: Haver Analytics/Dun & Bradstreet

Comparative Market Indicators

Indicator	Thailand	Malaysia	Indonesia	Singapore	Vietnam
Income per Capita (USD)	7,229	10,272	4,136	56,433	2,832
Country Population (m)	69.9	32.4	273.5	5.9	97.3
Internet users (% of population)	56.8	81.2	39.8	88.2	70.3
Real GDP Growth (% p.a., 2020 - 2029)	2.5 - 3.0	3.0 - 4.0	4.5 - 7.0	1.5 - 5.2	3.0 - 6.5

Source: Various sources/Dun & Bradstreet



LINKS

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Please click [here](#) to visit our online user guide.

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