

Country Insight Snapshot Thailand

August 2017



Written 25 August 2017

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OVERVIEW

OVERALL COUNTRY RISK RATING: DB4d

Moderate risk: Significant uncertainty over expected returns. Risk-averse customers are advised to protect against potential losses.

A

Rating Outlook: Stable

CORE OUTLOOK

- + Thailand's tourism sector is growing robustly, driven in large part by surging Chinese visitor inflows.
- + The military regime should be successful at maintaining stability over the short to medium term.
- The build-up of debt has far outpaced domestic income growth, and there are some concerns about potentially declining manufacturing and export competitiveness.
- There currently appears to be no viable solution to Thailand's deep political divisions, meaning that instability could easily resurface in the years ahead.

KEY DEVELOPMENT

In line with our expectations, Thai economic performance continues to improve at a modest pace, with real GDP growth accelerating to 3.7% y/y in Q2.

CREDIT ENVIRONMENT OUTLOOK

G

Trend: Improving

Key Development has had a positive impact on the outlook.

SUPPLY ENVIRONMENT OUTLOOK

A

Trend: Stable

Key Development has had a neutral impact on the outlook.

MARKET ENVIRONMENT OUTLOOK

A

Trend: Improving

Key Development has had a positive impact on the outlook.

POLITICAL ENVIRONMENT OUTLOOK

A

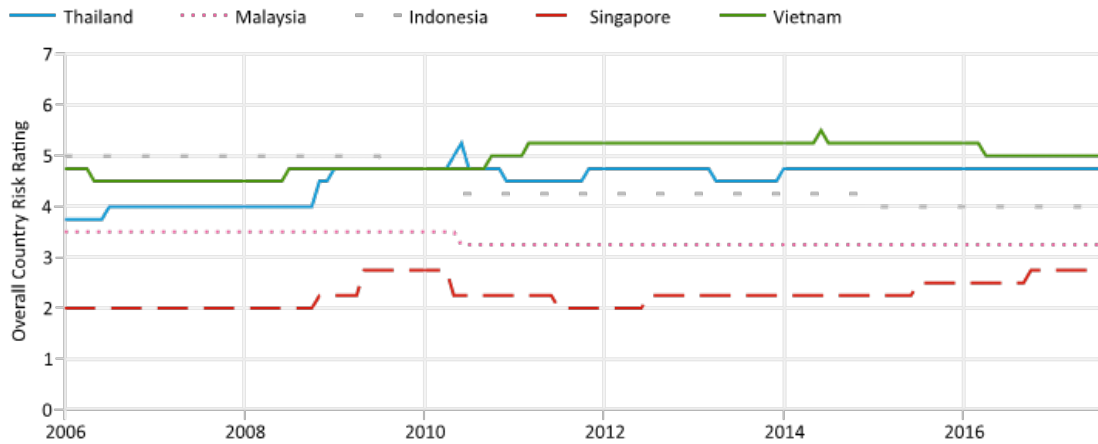
Trend: Stable

Key Development has had a neutral impact on the outlook.



KEY INDICATORS

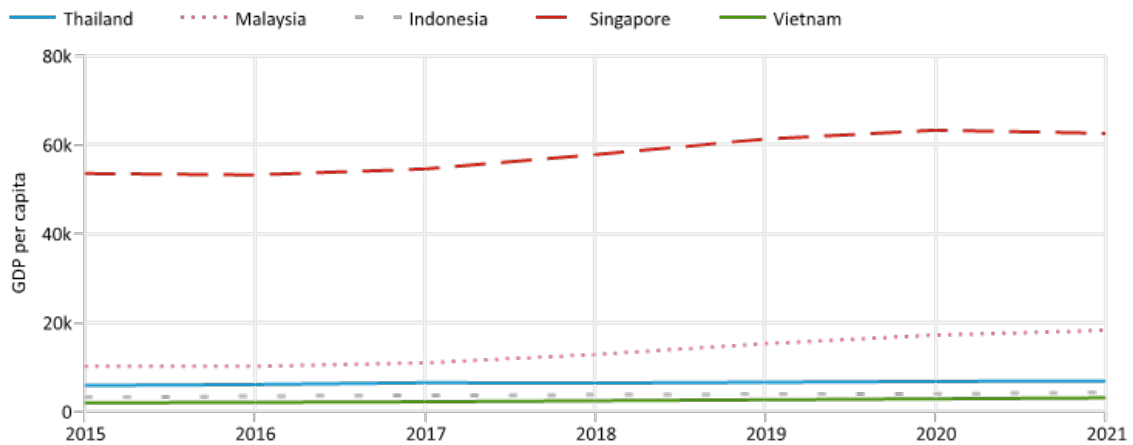
Rating History and Comparison



Source : Dun & Bradstreet

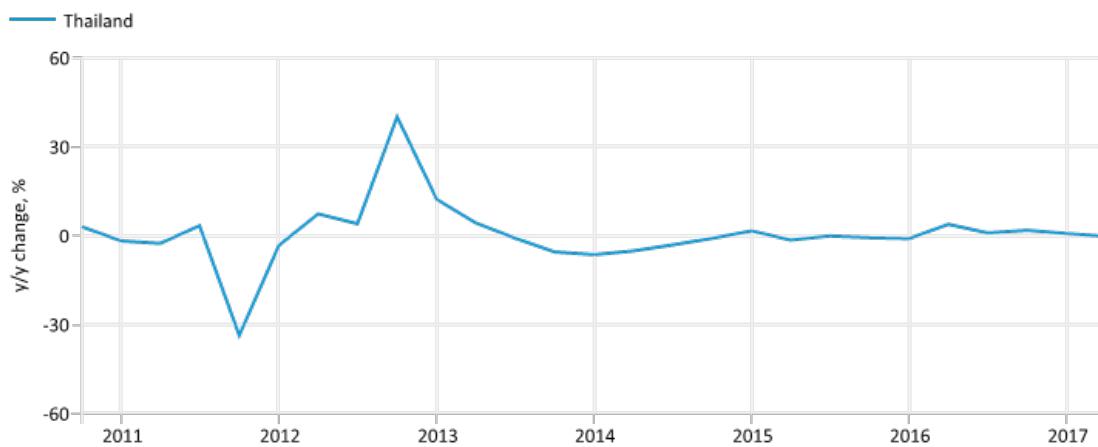
Note: 1 = Low Risk, 7 = High Risk

Regional Comparisons



Source : Haver Analytics/Dun & Bradstreet

Industrial Production Growth (Quarterly)



Source : Haver Analytics/Dun & Bradstreet



Economic Indicators

Indicator	2014	2015	2016	2017f	2018f	2019f	2020f	2021f
C/A balance % GDP	3.7	7.8	11.2	8.4	6.4	4.6	3.4	2.5
External Debt, % GDP	34.8	32.3	34.8	34.1	34.5	34.4	35.0	36.0
Govt balance, % GDP	-2.0	-0.4	-2.7	-2.6	-2.4	-2.2	-2.3	-2.6
Inflation, annual avge %	1.9	-0.9	0.2	1.0	2.2	2.8	2.5	2.7
Real GDP Growth, %	1.1	2.9	3.2	3.5	3.7	4.1	4.0	4.2

Source : Haver Analytics/Dun & Bradstreet

TRADE AND COMMERCIAL ENVIRONMENT

Business confidence in Thailand had been subdued for some years, with the business sentiment index averaging 48.7 in 2015 and 49.7 in 2016, which is below the neutral level of 50. However, largely reflecting the long-awaited goods export recovery that began in late 2016, business sentiment has picked up. Indeed, in the first seven months of 2017, the sentiment index has averaged 50.3, the best comparable period performance since 2012. Given the low base and the generally improving global economic outlook, we think Thailand's export recovery is likely to be sustained in the second half of 2017. Aside from improving sentiment, we think this should also be reflected in some pick-up in real indicators such as manufacturing production and private investment.

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: 0-2 months

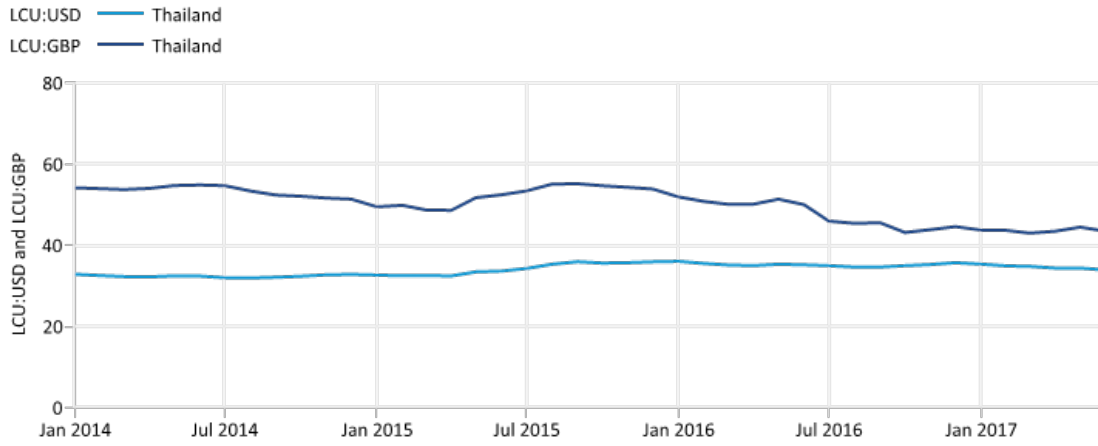
The time taken beyond agreed terms for a customer to deposit money in their local bank as payment for imports.

FX/Bank Delays: 0-2 months

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.



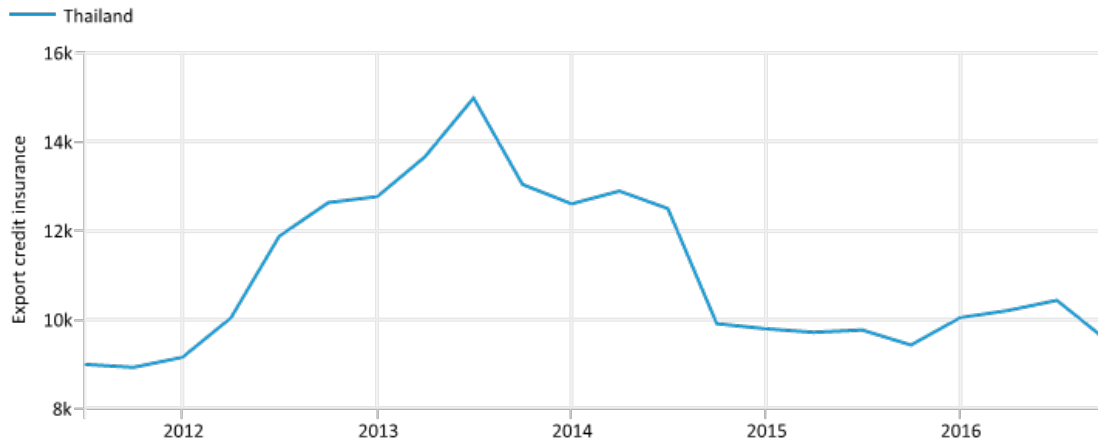
Exchange Rate



Source : International Monetary Fund/Dun & Bradstreet

LCU (local currency unit) = Thai baht

Credit Conditions



Source : Export Credit Agencies

Insured export credit exposures, short-term, USDm



RISKS AND OPPORTUNITIES

Short-Term Economic Outlook

Growth picks up in Q2

In line with our expectations, Thai economic performance continues to improve at a modest pace. In Q2, real GDP growth accelerated to 3.7% y/y, up from 3.3% in Q1 and marking the fastest rate of expansion since Q1 of 2013. On the demand side, the two main drivers of this have been recovering exports and (to a lesser extent) higher public spending. In particular, real exports of goods and services grew by 6.0% y/y in Q2, up from 2.7% in Q1. This was largely the result of both an increasingly assertive (cyclical) goods export recovery and the continued positive impetus from tourism, which supports Thai service exports. In terms of public spending, this increased by 2.7% y/y in Q2, up from 0.3% in Q1, reflecting increased public capital spending and higher government worker compensation. Looking ahead to the remainder of the year, we maintain our 2017 real GDP growth forecast of 3.5%, up from 3.2% in 2016 and in line with the Thai central planning agency's recently upwardly revised forecast range of 3.5-4.0%.

FX Risk

Central bank targets currency speculators

Encouragingly, Thailand's robust export recovery has so far proved durable despite a period of currency strength. Since the start of the year, the Thai baht has strengthened by over 7% versus the US dollar, with around half of this occurring in just the past month. This contrasts with most other regional currencies, which have appreciated much more modestly - for example, the Indonesian rupiah and Vietnamese dong are up by 1% and 2% respectively year-to-date. In a statement issued on 21 August, the Bank of Thailand (BOT) acknowledged that baht appreciation was mainly the result of the improving domestic economy and US dollar weakening. However, it also pointed to some indications that currency speculation may be a further factor putting upward pressure on the Thai baht.

As a result, the BOT announced a new requirement for commercial banks to provide additional information in the event of seeing an 'unusually high volume of transfers between non-resident baht accounts'. While this new requirement may not directly impact (presumably) legal cross-border money flows, we think it nonetheless sends a strong signal that the central bank sees currency developments as potentially problematic and foreshadowing the potential for more material (appreciation-restrictive) action in the future and a small degree of transfer risk for those engaging in cross-border transfers deemed undesirable by the BOT.

Market Potential

Thai financial assets performing well

Thai financial assets are continuing to perform strongly: year-to-date, Thai stocks (SET Index) are up 22%, while the yield on benchmark 10-year government bonds has compressed by around 30 basis points to 2.4%. Given generally improving domestic economic fundamentals, this strong performance should be sustained in the months ahead. The main downside risks are largely external - namely anything that causes a shock to global investor sentiment.



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 monarchy 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 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 of 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)	68.9
GDP (USD billions)	425.3
GDP per capita (USD)	6,176
Life expectancy (years)	74.8
Literacy (% of adult pop.)	94.0
Surface area (sq km)	514,000

Source : Various sources/Dun & Bradstreet

Historical Data

Metric	2012	2013	2014	2015	2016
Real GDP growth (%)	7.4	2.4	1.1	2.9	3.2
Nominal GDP in USDbn	391	416	408	409	425
Nominal GDP in local currency (bn)	12,158	12,777	13,244	14,017	15,013
GDP per Capita in USD	5,765	6,103	5,960	5,961	6,176
Population (year-end, m)	67.8	68.1	68.4	68.7	68.9
Exchange rate (yr avge, USD-LCU)	31.1	30.7	32.5	34.2	35.3
Current Account in USDbn	-1.7	-4.9	15.2	32.1	47.7
Current Account (% of GDP)	-0.4	-1.2	3.7	7.8	11.2
FX reserves (year-end, USDbn)	173.3	161.3	151.3	151.3	166.2
Import Cover (months)	7.6	7.0	7.1	7.9	9.0
Inflation (annual avge, %)	3.0	2.2	1.9	-0.9	0.2
Govt Balance (% GDP)	-3.7	-2.2	-2.0	-0.4	-2.7

Source : Haver Analytics/Dun & Bradstreet



Forecasts

Metric	2017f	2018f	2019f	2020f	2021f
Real GDP growth (%)	3.5	3.7	4.1	4.0	4.2
Nominal GDP in USDbn	453	447	462	474	485
Nominal GDP in local currency (bn)	15,763	16,551	17,379	18,248	19,160
GDP per Capita in USD	6,561	6,466	6,669	6,869	6,959
Population (year-end, m)	69.0	69.2	69.3	69.0	69.7
Exchange rate (yr avge, USD-LCU)	34.8	37.0	37.6	38.5	39.5
Current Account in USDbn	38.0	28.5	21.4	16.0	12.0
Current Account (% of GDP)	8.4	6.4	4.6	3.4	2.5
FX reserves (year-end, USDbn)	184.0	189.5	195.2	201.1	207.1
Import Cover (months)	9.1	9.2	9.0	9.0	9.2
Inflation (annual avge, %)	1.0	2.2	2.8	2.5	2.7
Govt Balance (% GDP)	-2.6	-2.4	-2.2	-2.3	-2.6

Source : Haver Analytics/Dun & Bradstreet

Comparative Market Indicators

Indicator	Thailand	Malaysia	Indonesia	Singapore	Vietnam
Income per Capita (USD)	6,561	11,042	3,703	54,645	2,298
Country Population (m)	69.0	31.7	264.0	5.7	95.5
Internet users (% of population)	47.5	78.8	25.4	81.0	46.5
Real GDP Growth (% p.a., 2017 - 2026)	2.5 - 3.5	3.5 - 4.5	5.0 - 8.0	3.2 - 5.7	3.0 - 6.5

Source : Various sources/Dun & Bradstreet



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Email: countryinsight@dnb.com

Telephone

UK: +44 (0)1628 492700

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contact your local office
or call +44 1628 492700

Publisher

Dun & Bradstreet

Marlow International

Parkway

Marlow

Bucks SL7 1AJ

United Kingdom

Tel: 01628 492000

Fax: 01628 492929

Email: countryinsight@dnb.com

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