

Thailand’s Stable Outlook Masks a Weak Growth Story

Key Takeaways:

- Moody’s Ratings revised Thailand’s outlook to stable from negative, while affirming the Baa1 rating
- The shift reflects easing trade-related pressures rather than stronger domestic fundamentals
- Economic growth remains subdued at 1.5% in 2026, constrained by long-standing supply-side limits
- Government debt is projected to rise toward 60–62% of GDP, with affordability masking underlying fiscal pressure
- Investment momentum is improving, but remains project-led and narrowly distributed
- Strong external buffers continue to anchor credit strength, but do not generate sustained growth

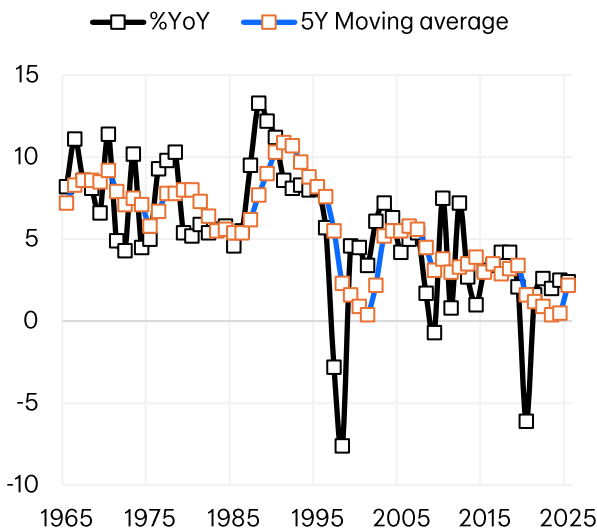
Thailand’s outlook revision to stable signals a reduction in near-term downside risks. At first glance, this points to improving macroeconomic conditions. A closer reading, however, shows that the stabilization is externally driven and narrowly supported, rather than rooted in a broad-based strengthening of the domestic economy.

From External Shock to Relative Normalization

The primary driver of the outlook revision is the easing of trade-related pressures, particularly the recalibration of US tariffs on Thai exports. This has reduced Thailand’s relative disadvantage, bringing trade conditions more in line with regional peers.

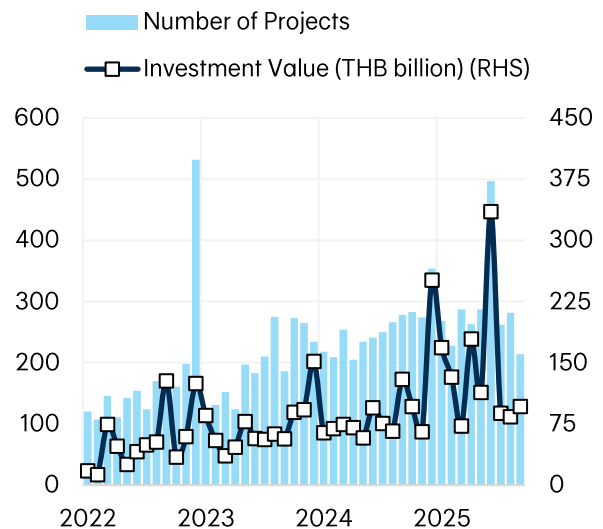
However, this improvement reflects a shift in the external environment, not a gain in underlying competitiveness. Export growth surged by 11.9% in 2025, largely driven by front-loading ahead of tariff changes and a cyclical upswing in electronics demand.

Thailand’s GDP Growth and Trend



Source: World Bank.

Thailand Investment Promotion: Number of Projects and Investment Value



Source: Thailand Board of Investment (BOI).

As these temporary factors unwind, export momentum is set to moderate. The recovery in trade is not self-sustaining, but contingent on global demand conditions.

Investment Momentum Emerges, but Lacks Breadth

An early-stage recovery in private investment is beginning to take shape. Approved investment applications rose by around 66% in 2025, while realized investment has started to accelerate.

This suggests a potential inflection after a prolonged period of weak capital formation. Yet the recovery remains project-led rather than economy-wide, limiting its transmission across sectors and constraining its broader macroeconomic impact.

Without wider diffusion into SMEs and labor-intensive segments, the investment upturn is unlikely to materially lift output potential.

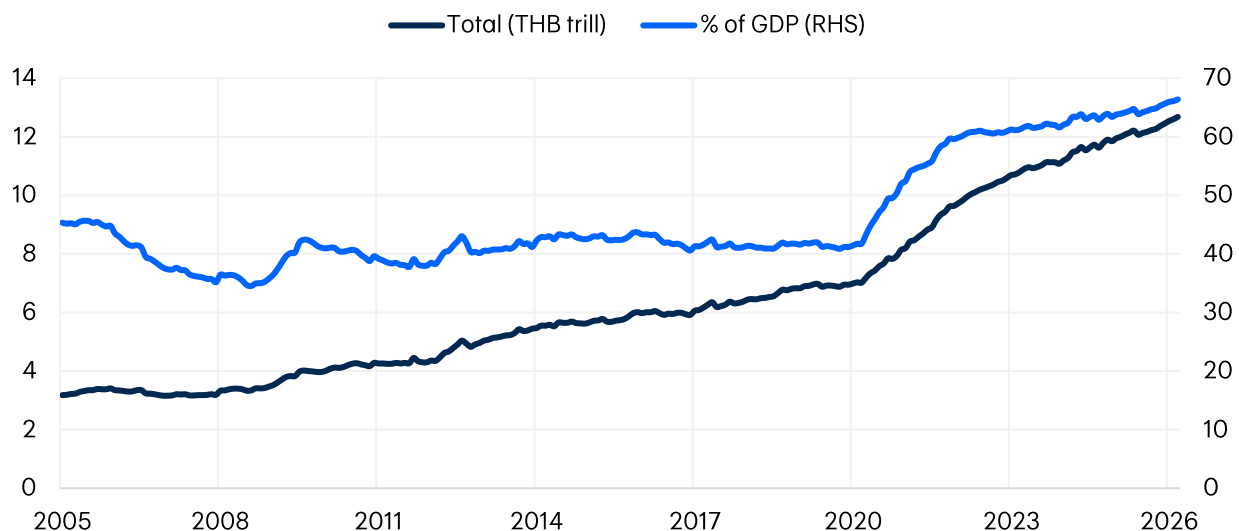
Debt Pressures Rise, but Affordability Buys Time

Thailand's fiscal position continues to weaken over the medium term. Government debt is projected to rise toward 60–62% of GDP, driven by subdued growth and limited progress on revenue mobilization.

Yet fiscal pressure remains contained in the near term due to favorable financing conditions. A deep domestic capital market and a predominantly local-currency debt structure allow the government to borrow at relatively low cost.

This gives Thailand time, but not immunity. Debt dynamics are deteriorating, even as borrowing costs remain manageable.

Thailand Public Debt and Debt-to-GDP Ratio



Source: The Public Debt Management Office (PDMO).

External Strength Anchors Stability, Not Expansion

Thailand's external position remains a key pillar of its credit profile. Foreign exchange reserves of \$238 billion, covering around seven months of imports, provide substantial buffers against external shocks.

However, this strength reflects accumulated resilience rather than current economic dynamism. External buffers can stabilize the system, but they do not create growth.

The reliance on external strength underscores the absence of sufficiently strong domestic growth engines.

Stability Without Reacceleration

The broader pattern is clear: the economy is stabilizing but not reaccelerating. Improvements are driven by easing external pressures and selective investment gains, while long-standing constraints remain firmly in place.

Declining competitiveness, chronically low investment, population aging, and high household debt continue to weigh on long-term growth potential, which remains limited at around 2.5%.

Thailand's credit profile is being preserved but not fundamentally strengthened.

Limited Upside, with Risks Tilted to the Downside

Looking ahead, the balance of risks remains skewed to the downside. Higher oil prices could weigh on activity and add pressure to the fiscal position. Growth could underperform if investment fails to broaden or if global demand weakens more sharply than expected. Rising debt levels also increase sensitivity to fiscal and interest rate shocks.

The only credible path to upside lies in sustained reform implementation, particularly in investment facilitation, market liberalization, and revenue enhancement.

Until then, the outlook revision reflects a reduction in immediate risks, not a shift in trajectory.

Stability has improved. Strength has not.

Thaksin Saeteaw
Thaksin.Saeteaw@bangkokbank.com
Economist

BBL Research