Is Thailand's Growing Public Debt Heading for Trouble?

Source: The Economic Times

"The smart money is on building for tomorrow."

Money Matters: Understanding Public Debt

Ever wonder how countries pay their bills? Just like you might use a credit card when you're low on cash, governments borrow money when tax revenues aren't enough. This is called public debt.

Governments borrow by issuing bonds—essentially IOUs—sold to banks, foreign countries, or everyday investors. Borrowing isn't necessarily bad; it allows governments to fund projects, support citizens during crises, and jump-start the economy during slowdowns.

Imagine taking out a mortgage to buy a house. The loan isn't a problem if it creates something valuable that improves your life. The same applies to countries—**public debt is a tool for progress, as long as it's used wisely.**

But excessive borrowing is like a maxed-out credit card—it can lead to financial strain. When repayments take up too much of the budget, less money is available for essentials like healthcare, education, or infrastructure improvements. Thailand now faces this balancing act: borrowing to stimulate growth while keeping debt levels under control.

Global Money Borrowing: How Does Thailand Compare?

Big, rich countries like Japan, the United States, and many European nations are like people with platinum credit cards—they can borrow a lot more money. Japan, the world's debt giant, owes more than two and a half times what their whole country makes in a year! The US owes about one and a third times their yearly earnings.

Now, Thailand is more like someone with a regular credit card. It owes about 60% of what the country makes in a year. That's pretty careful compared to those bigger countries. It's like owing $60 when you make $100, while Japan owes $260 when they make $100.

So why the concern? **The real issue isn't the amount of debt but how it's being spent.**

Effective borrowing drives long-term value, while inefficient spending risks creating financial strain without meaningful returns.

Breaking Down Government Spending: Smart Investment or Short-Term Fixes?

Let's see how Thailand's government spending compares with other countries' choices for using their money. The differences tell an important story about planning for the future.

Healthcare and People First

- USA dedicates a huge chunk of its budget on its people: 22% on social security and 28% on healthcare.
- Singapore puts 17% into healthcare and 13% into education, recognizing that healthy, educated citizens drive the economy.
- Thailand? Just 10% of its budget goes to healthcare—far less than its global counterparts.

Building for Tomorrow

- Singapore invests heavily in its future: 12% for transport and 8% for city development.
- China directs nearly 30% into education and social programs, preparing for long-term growth.
- Thailand, however, spends most of its money on short-term economic boosts (23%) and running government offices (21%).

The Big Picture: Short-Term Thinking vs. Long-Term Gains

- High-income countries: Focus on welfare, education, healthcare (e.g., Scandinavian countries spend over 50% of GDP on public expenditure).
- Emerging economies: Investment in infrastructure, education, and poverty reduction (e.g., India and Indonesia).
- Low-income countries: Limited fiscal capacity; focus on basic services.

Countries that manage their debt wisely follow a clear pattern: Successful countries show that spending on healthcare, education, and infrastructure isn't just an expense—it's an investment that pays off in stronger economic growth and better lives for citizens.

1. Invest in people—healthcare, education, and skills training.

2. Build infrastructure—modern transport, smart cities, and green energy.

3. Focus on innovation—funding research and new technology to stay competitive.

These investments may take time to pay off, but they strengthen economies, create jobs, and improve lives.

Thailand's approach, by contrast, leans heavily on quick fixes—cash handouts, stimulus packages, and day-to-day expenses like public sector salaries. While these provide temporary relief, they don't lay the foundation for sustainable growth.

With debt climbing to 63.28% of GDP, the question is clear: Should Thailand rethink its spending priorities and follow its neighbors' example?

Warning Signs: Thailand at a Crossroads

Thailand stands at a critical turning point. Much like personal finances, the choice between investing in a business or spending on luxuries will shape the country's economic future.

Thailand faces tough challenges:

- Slow economic growth is limiting revenue generation.
- Public debt keeps climbing, putting financial pressure on the budget.
- Rising interest costs are consuming a larger portion of the budget.
- Fewer working-age people to support an aging population, straining pensions and healthcare systems.

Red Flags in Thailand's Current Spending Pattern

- Short-term stimulus like cash handouts dominate the budget.
- Rising interest payments are eating up a growing share of government spending.
- High day-to-day expenses—like public administration—limit room for investment.
- Limited funding for growth drivers such as education, infrastructure, and technology.
- The aging population will require significant future spending on healthcare and pensions.

Without decisive action to shift priorities toward long-term investments, Thailand risks being stuck in a cycle of slow growth, rising debt, and mounting fiscal pressure.

Smart Solutions for a Stronger Future

For Thailand to remain financially healthy, it must shift its spending toward investments that grow the economy. Simply cutting spending isn't enough—it's about spending smarter on areas that build a stronger economic future. Here are some key solutions:

1. Borrow Smarter, Spend Wiser

Thailand needs to ensure that borrowed money is focused on long-term investments that create value and drive sustainable growth:

- Modern infrastructure to attract businesses, improve connectivity, and speed up trade.
- Education and skills training to equip workers for higher-paying jobs in a changing economy.
- Research and technology to foster innovation and boost competitiveness.
- Healthcare systems that keep people healthy, productive, and reduce long-term costs.

2. Update the Tax System

Thailand's tax officials are exploring ways to boost government revenue without unfairly burdening ordinary citizens. Key ideas include:

- A stepped VAT system: Essential goods like food and medicine would stay taxed at 7%, while luxury items could see rates of 10% or higher.
- Digital economy taxes: Ensure tech giants along with e-commerce platforms, online advertising, and streaming services, pay their fair share.
- Property taxes on expensive homes to create a more equitable system.
- Green taxes to encourage cleaner industries and fund environmental initiatives.

3. Broaden the Tax Base

Expanding the tax base can create a fairer, more comprehensive system:

- Introduce higher **tourism fees** for luxury activities and eco-sensitive areas.
- Improve collection of existing taxes, like **hotel fees** and **airport taxes.**
- Reduce **tax exemptions** unless they align with national priorities, like the green economy or R&D.
- **Formalize the informal economy**, including gig workers and small businesses, while introducing **negative income tax** to ensure fairness for lower-income groups.

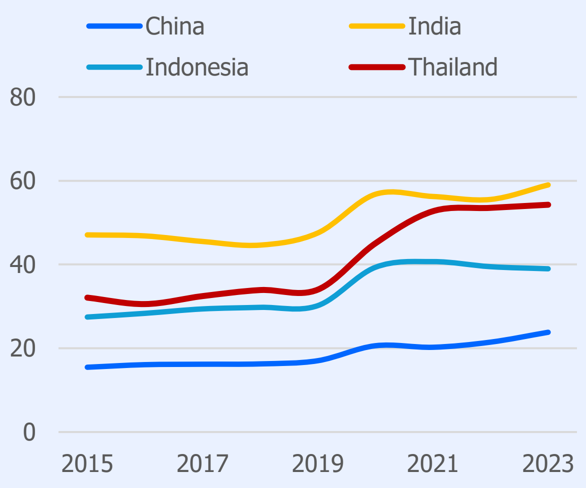
4. Strengthen Tax Enforcement

Efficient tax collection can increase revenue without raising rates:

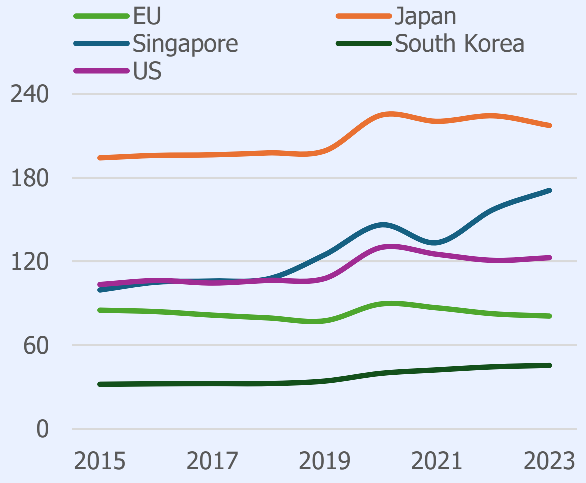
- Use **digital tools** to track transactions and reduce tax evasion.
- Implement **automated systems** for tax filing and monitoring to improve accuracy.

By borrowing wisely, reforming the tax system, and broadening the tax base, Thailand can secure its financial future without placing undue pressure on ordinary citizens. These solutions will allow the government to **invest in long-term growth areas** like infrastructure, education, and healthcare while building a fairer and more sustainable economy.

Figure 1: Government Debt: % of Nominal GDP



Source: CEIC



Source: CEIC

Thailand's Debt: Manageable for Now, but Time to Get Smart

Thailand's public debt isn't at crisis levels, but the current trend raises concerns. The issue isn't how much Thailand owes—it's **how the money is spent.**

Countries like Singapore and China show that borrowing, when used to fund healthcare, education, and infrastructure, isn't just an expense— it's an investment in the future.

For Thailand, the message is clear:

- **Stop relying on band-aid solutions** like short-term stimulus and handouts.
- **Start prioritizing long-term growth** by investing in people, infrastructure, and innovation.

The Choice Is Ours

Public debt isn't inherently bad—it's a powerful tool. Used wisely, it can build a stronger, more prosperous Thailand for generations to come. Mismanaged, it risks holding the economy back for years.

The time to act is now. By borrowing smarter and spending wiser, Thailand can turn today's challenges into tomorrow's opportunities. The choice is simple: continue patching up the present or invest in a stronger, brighter future.

"The smart money is on building for tomorrow."

Anotai Buddhari
Anotai.Buddhari@bangkokbank.com
Archawee Eiamsoonthonchai
Archawee.Eiamsoonthonchai@bangkokbank.com

Strategic Outlook and
Transformation Management
Office of the President