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MOODY'S

Moody's: Thai govt financial position very strong

Thailand's stable Baa1 credit rating is supported by a very strong government financial position, and the country's well-diversified economy and high foreign reserves are additional credit strengths, according to Moody's Investors Service.

"Thailand's low funding costs and favourable debt structure, which stem from prudent monetary policy and debt management, are a core strength in the government's debt carrying capacity," Steffen Dyck, vice president and senior analyst at Moody's, said on Thursday.

"In addition, the high level of foreign exchange reserves limits external vulnerabilities, while the well-diversified economy is another credit strength," he said.

Manufacturing, wholesale and retail trade, and agriculture accounted for around 52% of nominal GDP in 2014, and 66% of employment. The services sector was the single largest source of GDP growth in 2014, whereas the contribution from agriculture was negligible.

Increased public investment spending will be the key to Thailand's growth recovery in 2015 and 2016, whereas sluggish external demand recovery and constraints on private consumption spending from high household debt act as a drag on growth, he said.

The military coup on May 22, 2014, had restored public order and stemmed economic uncertainty.

Still, Thailand's deeply polarised domestic politics remains a key issue affecting growth outlook. If it is unresolved it could again destabilize the country's politics and economics, and erode Thailand's fundamental credit strengths, the Moody's senior analyst said. The stable rating outlook means that credit strengths and weaknesses are balanced.

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