



Moody's affirms Thailand's rating at Baa1 and revises the outlook upward to "Stable", signaling potential for the country to successfully implement tangible structural reforms.

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KEY SUMMARY

Moody's affirms Thailand's sovereign credit rating at Baa1 and revises the outlook upward to "Stable".

Moody's revised Thailand's credit rating outlook upward to "Stable", from three key factors:

(1) reduced economic risks from U.S. tariff barriers; (2) an improved investment outlook in Thailand, which lowers the risk of very weak long-term economic growth; and (3) reduced political volatility following the election. Moody's also noted that, although Thailand's economic outlook remains weak and the public debt trajectory continues to rise, these factors remain broadly in line with peers with similar credit ratings. The Thai government still maintains strong debt repayment capacity, while the external sector remains a key strength.

SCB EIC assesses that Thailand's credit rating outlook going forward will depend on progress in economic and fiscal reforms, including upgrading the 4T policy framework to 4T Plus by incorporating Transparency.

SCB EIC views that three key factors contributed to Moody's decision to revise Thailand's credit rating outlook upward this time:

(1) a proactive communication strategy led by the Deputy Prime Minister for economic affairs; (2) the 4T policy package, which represents a public spending strategy focused on Targeted, Transition, Transform, and Together; and (3) the Medium-Term Fiscal Framework as of November 2025, which reflects the current government's efforts to pursue fiscal reform.

SCB EIC recommends that the government:

- (1) upgrade the 4T policy framework to 4T Plus** by incorporating Transparency and Anti-corruption, as this issue has long undermined the competitiveness of the Thai economy and is used by credit rating agencies as part of their assessment of a country's credit metrics; and
- (2) on fiscal stability, should the government issue an emergency decree for additional borrowing or raise the public debt ceiling** to support households affected by the impact of the war in the Middle East, this **could be undertaken under three conditions to strengthen confidence in fiscal discipline:**

(2.1) strategic spending — in the short term, spending should be targeted toward those affected, while investment should support transition and transformation to enhance the economy’s long-term growth potential;

(2.2) concrete fiscal reform — through broadening the tax base, reducing unnecessary expenditures, and improving the efficiency of government spending or measures; and

(2.3) transparent communication — with a clear implementation plan and continuous monitoring of key performance indicators (KPIs).

Looking ahead, if the government can make visible progress in advancing reform policies, alongside short-term economic support measures, there may be an opportunity for Fitch to revise Thailand’s outlook upward to Stable in the second half of this year, after downgrading Thailand’s outlook to Negative last year. If Thailand can implement national reform policies with sustained and tangible results, this would strengthen the medium-term fiscal position and enhance the country’s ability to withstand economic risks going forward.

KEY POINTS

Moody’s announced that it has affirmed Thailand’s sovereign rating at Baa1 and revised the outlook upward to “Stable,” supporting Thailand’s efforts to advance its reform policy package and helping strengthen confidence in the country.

Moody’s revised Thailand’s credit rating outlook upward to “Stable” based on three key factors.

1. **The risk that the Thai economy would be severely and persistently affected by U.S. tariff barriers has declined.** This was previously one of the key factors behind Moody’s revision of Thailand’s outlook to Negative last year.

Subsequently, it was found that: (1) the U.S. announced a reduction in reciprocal tariff rates on Thai goods to levels broadly comparable with regional peers; and (2) Thailand’s export figures in 2025 showed solid growth, similar to those of regional competitors. This reflected Thailand’s benefits from both front-loading of production and exports to the U.S. market ahead of the actual implementation of tariff barriers, as well as stronger global demand for electronic products.

For the 2026 export outlook, Moody’s assesses that the U.S. transshipment tariffs currently under consideration for implementation would have a limited impact on Thailand due to a relatively low share of domestic value added.

In addition, **Moody's assesses that Thailand's economy and fiscal burden are exposed to risks from high global oil prices and the conflict in the Middle East at a level comparable to peers with similar credit ratings.**

2. **Thailand's investment momentum has improved, helping reduce the risk of very weak long-term economic growth.**

In the short term, the Thai economy has begun to receive support from a recovery in investment, driven by the continued high value of investment promotion applications since 2024 and the Thailand Fast Pass project, which streamlines various approval processes and helps accelerate the improvement in actual investment.

3. **Political volatility has declined following the election.** The formation of a majority coalition government increases the prospect of advancing national reform policies, which would help support economic growth and restore the fiscal position over the long term.

Moody's further noted that the new government's policy statement emphasizes several long-term reform agendas, including streamlining government regulations to create a more business-friendly environment, and opening the energy market to greater private sector participation and competition.

Moody's assesses that, although Thailand still faces risks in implementing these policies, progress is expected to be gradual. However, if the government can successfully advance the policies it has announced, this would help support investment over the medium term.

Moody's affirmed Thailand's sovereign credit rating at Baa1 based on four key factors. Although Thailand's economic outlook remains weak and the public debt trajectory continues to rise, most credit metrics remain broadly in line with peers with similar credit ratings. The key points can be summarized as follows:

1. **Moody's assesses that the Thai economy will continue to expand at a low rate** of only 1.5% in 2026 and 2.2% in 2027, due to the impact of the Middle East war and existing structural weaknesses, such as low investment, an ageing society, and high household debt. These factors are expected to weigh on Thailand's economic potential, lowering it from around 3% before the COVID-19 crisis to approximately 2.5%, broadly in line with other countries with similar credit ratings.
2. **Moody's assesses that Thailand's public debt will continue to deteriorate, in line with the economic outlook and the absence of clear revenue-raising measures.** Moody's stated that, although the government has communicated the possibility of implementing a VAT increase, Moody's will not incorporate this into its baseline assessment until there is greater certainty over actual implementation. The medium-term trajectory of public debt is expected to rise, which is weaker than that of other countries with similar credit ratings.
3. **Although the public debt burden is on an upward trend, Moody's assesses that Thailand still maintains strong debt repayment capacity.** The depth of the domestic capital market

enables the government to raise funding at low interest costs throughout the economic cycle. Nearly all public debt is domestic debt with a long average maturity. Moody's assesses that the rising interest burden relative to government revenue will remain lower than that of other countries with similar credit ratings.

4. **Thailand's external position remains a key strength.** International reserves stood at a high level of USD 280 billion as of March 2026. Thailand's External Vulnerability Indicator, measured by the ratio of short-term external debt and maturing long-term external debt to international reserves, is estimated at around 45–50% in 2026, reflecting that Thailand still has a relatively substantial buffer.

Moody's identified the factors that could lead to an upgrade or downgrade of Thailand's credit rating going forward.

- **Credit rating upgrade:** If Thailand's economic growth increases and public debt declines sustainably, supported by progress in economic and fiscal reforms under political stability.
- **Credit rating downgrade:** If economic growth and fiscal prospects deteriorate more than assessed, causing Thailand's credit metrics to weaken relative to other countries with similar credit ratings.

Thailand's credit rating outlook going forward will depend on progress in advancing the "4T Plus policy, which adds Transparency and Anti-corruption , alongside the "medium-term fiscal reform plan."

SCB EIC views that three key factors contributed to Moody's decision to revise Thailand's credit rating outlook upward this time.

1. **A proactive communication strategy, led by the Deputy Prime Minister for economic affairs,** prioritized building understanding and confidence among the three credit rating agencies during the World Bank–IMF Spring Meetings in April 2026 through in-person discussions.
2. **The government's 4T policy package,** which will serve as Thailand's medium-term economic strategic framework, particularly for public spending. The policy reduces the emphasis on short-term economic stimulus spending and increases the focus on long-term investment, with the target of raising domestic investment from 23% to 30% of GDP within four years and achieving GDP growth of more than 3%. The 4T policy package consists of:
 - **Target:** Focus on the efficient and targeted use of the budget by supporting vulnerable groups directly affected, such as through energy measures, rather than broad-based subsidies, while also attracting foreign direct investment (FDI) into future industries.
 - **Transition:** Accelerate the country's transition toward a green economy, such as by supporting clean energy through the Direct PPA policy, promoting electric vehicles, and encouraging solar

panel installation, as well as reforming the public sector toward a transparent and agile digital government.

- **Transform:** Reduce economic inequality by creating opportunities for SMEs and grassroots communities to gain greater access to digital technology and financing, while developing workforce skills and reforming the tax system.
- **Together:** Integrate “tripartite” cooperation among the public sector, private sector, and civil society in jointly designing policies through co-creation, while creating space for testing new innovations and incentivizing private sector participation in public investment projects through public-private partnerships (PPPs) or the Thailand Future Fund.

SCB EIC views that the credit rating outlook going forward will depend on progress in advancing the 4T policy package. The government may consider adding “Transparency and Anti-corruption” to establish a “4T Plus policy package,” as corruption represents a significant hidden cost that has long undermined the competitiveness of the Thai economy and reduced the efficiency of public spending. Credit rating agencies also incorporate “public governance and anti-corruption factors” in assessing a country’s credit metrics. There are a variety of related indicators that Thailand can focus on:

- **The Corruption Perceptions Index (CPI)**, prepared by Transparency International, shows that Thailand’s score has continued to deteriorate, declining from its peak of 38 in 2015 to only 33 in 2025, out of a full score of 100, ranking 116th out of 182 countries worldwide.
- **The Control of Corruption indicator** under the Worldwide Governance Indicators, prepared by the World Bank, declined from its peak of 45.44 in 2000 to 37.18 in 2025, out of a full score of 100.
- **According to the FTI CEO Poll conducted in March 2026, 86% of executives in Thai industrial businesses responded that corruption in Thailand is currently more severe than in the past**, while 61% stated that they had personally encountered solicitation of undue benefits or corruption.

3. **The Medium-Term Fiscal Framework as of November 2025** reflects the current government’s clear efforts to pursue fiscal reform. It sets out a plan to reduce the fiscal deficit from 4.4% of GDP in fiscal year 2026 to only 2.1% in fiscal year 2030, below Thailand’s pre-COVID normal threshold, when the budget deficit was typically below 3% of GDP. This is to be achieved through revenue reform, expenditure reform, and enhanced fiscal discipline, with more concrete implementation details than previous fiscal frameworks. This partly contributed to S&P Ratings’ decision to affirm Thailand’s Stable outlook on November 13, 2025, in contrast to Moody’s and Fitch.

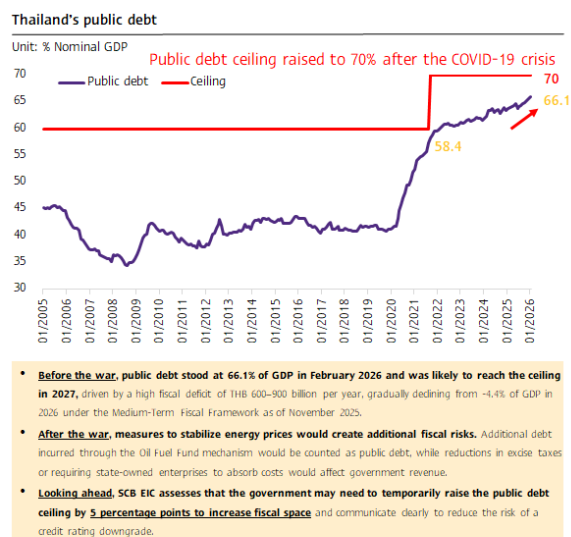
Although Thailand's fiscal stability may deteriorate in the short term in order to cushion the impact of the war in the Middle East, SCB EIC assesses that it remains feasible for the government to proceed with the medium-term fiscal reform plan.

Most recently, Thailand's public debt stood at 66.1% of GDP as of February 2026 and is likely to approach the 70% ceiling, indicating that the government would already need to raise the public debt ceiling within the next one to two years. A potentially prolonged Middle East war, which could have lasting impacts on the Thai economy, would further worsen Thailand's fiscal stability.

- **SCB EIC assesses that, should the government issue an emergency decree for additional borrowing or raise the public debt ceiling to support the economy against the impact of the Middle East war, this could be undertaken under three conditions to strengthen confidence in fiscal discipline:**
 - 1) **Spend strategically:** In the short term, spending should be targeted, while investment should support transition and transformation to enhance the economy's long-term growth potential. The purpose of borrowing should be clearly defined based on necessity, after prioritizing regular budget expenditures, and should emphasize maximum spending efficiency.
 - 2) **Implement concrete fiscal reform:** This should be pursued through broadening the tax base, reducing unnecessary expenditures, and improving the efficiency of government spending or policy measures.
 - 3) **Communicate transparently:** The government should communicate regularly and continuously with the public and credit rating agencies, with a clear implementation plan and key performance indicators (KPIs).

Looking ahead, if the government can make visible progress in advancing reform policies alongside short-term economic support measures, there may be an opportunity for Fitch to revise Thailand's outlook upward to Stable in the second half of this year, after downgrading Thailand's outlook to Negative last year. If Thailand can implement national reform policies with sustained and tangible results, this would strengthen the medium-term fiscal position and enhance the country's capacity to better withstand economic risks going forward.

Figure 1: The government signals the issuance of an emergency decree for additional borrowing, an increase in the public debt ceiling, and efforts to strengthen fiscal confidence through the “4T policy package,” targeting GDP growth of 3%.



Approach to strengthening confidence in fiscal discipline under the Anutin government.

<p>Spending discipline</p> <p>Review the FY26 budget to ensure value-for-money</p> <p>spending: enact a Budget Transfer Act to reallocate funds to support the economy; control FY27 budget preparation by reducing inefficient expenditures, such as study visits, new building construction, and spending that does not address policy needs; and increase high-value investment and PPP projects.</p>	<p>Borrowing discipline</p> <p>Signal the issuance of a THB 500 billion emergency borrowing decree with clear objectives and strategy; and consider raising the debt ceiling if necessary.</p>	<p>Proactive communication</p> <p>Communicate the “4T policy” to build confidence among credit rating agencies, foreign investors, and the public.</p>
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“4T policy”: targeted short-term support, long-term investment, and 3% GDP growth.

<p>Target</p> <p>Targeted and efficient fiscal spending, cuts to unnecessary budgets, BOI-led FDI attraction into future industries, and TFR.</p>	<p>Transition</p> <p>Digital government, modernization of outdated laws, and transition toward a green economy and clean energy.</p>
<p>Transform</p> <p>Reduce inequality and expand opportunities by improving SME and public access to digital tools and financing, developing skills, and reforming the tax system.</p>	<p>Together</p> <p>Public-private co-investment and policy co-creation, with private sector-led innovation investment and sandbox development.</p>

Source : SCB EIC analysis based on data from the government and Ministry of Finance.

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