Press Release

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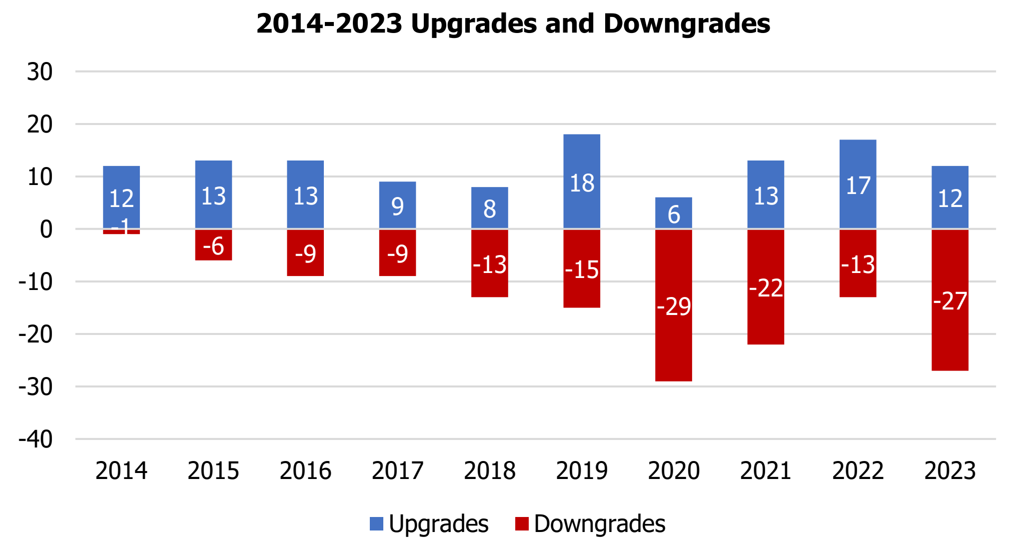
TRIS Rating Expects Fewer Negative Rating Actions in 2024

Trend of Rating Actions

TRIS Rating expects fewer negative rating actions in 2024 compared to 2023, as corporate performance shows signs of stabilizing after facing pressure on revenues and softened profitability in 2023. Two prominent challenges faced by many corporate issuers in 2023 were compressed profit margins stemming from heightened raw material and energy costs, and lower sales amid the global economic slowdown induced by inflationary pressure and interest rate hikes. Many businesses resorted to cutting expenses to weather the adverse market conditions.

The projected trend of rating actions for 2024 is, however, subject to an absence of material impacts from ongoing geopolitical conflicts that have shown a tendency to escalate. Another major factor that needs to be monitored closely is the refinancing risk faced by lower-rated issuers, as investors have become more selective in their bond investments following a few major defaults in 2023.

TRIS Rating recorded 27 downgrades (including two defaults) versus 12 upgrades in 2023. The downgrade-to-upgrade ratio rose sharply to 2.25 times in 2023, from 0.76 times in 2022. In addition, there were 16 downward revisions in rating outlook compared to six upward revisions in 2023. The number of issuers assigned a "negative" outlook or "negative" CreditAlert increased slightly to 26 issuers, from 24 in the previous year. More than 80% of issuers with a "negative" Outlook/CreditAlert were rated at or below "BBB". The annual default rate in 2023 was 0.93%, up from 0% in 2021-2022 but still lower than the 1.07% recorded in 2020.



2024 Economic Outlook

TRIS Rating forecasts real GDP growth of 3.0% in 2024, but this figure could rise to 3.5% if the government's digital wallet cash handout materializes. The key growth drivers in 2024 are expected to be private consumption, private investment, and a recovery of exports, especially exports of services, with tourist arrivals estimated to reach 35 million in 2024. Exports of goods are likely to improve gradually in 2024, with easing global financial conditions anticipated later in the year. However, structural challenges facing Thai export products would still hinder a full recovery.

We also expect a continued recovery of private consumption thanks to improving purchasing power, aided by government policies aimed at alleviating the pressure on living costs along with potential stimulus packages. A revival of private investment supported by recoveries in goods exports could be another positive development to lift the Thai economy this year. We expect public consumption and public investment to have a lesser impact on GDP growth due to the delayed government budget.

The global economy is going through a highly uncertain period, characterized by an ongoing worldwide economic slowdown, geopolitical tensions, and uncertainty over the timing of monetary policy easing in the advanced economies. The global economic slowdown could lead to weakened external demand, potentially impeding a full recovery of Thai exports of goods. In addition, escalating geopolitical tensions could pose risks of surging oil prices and supply-chain disruptions. Finally, the uncertain timing of the much-anticipated monetary policy easing in the advance economies could lead to increased volatilities in the Thai capital markets and exchange rates. It could also influence the Bank of Thailand's response on policy interest rates, pressured by the currently high interest rate differentials. In the longer term, Thailand will need to overcome structural challenges posed by the weakening competitiveness of its goods exports.

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