Press Release

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TRIS Rating Reassesses the Impact of COVID-19 Pandemic

As the situation of COVID-19 keeps evolving at a fast pace, TRIS Rating has made a reassessment on the potential impact of the COVID-19 pandemic on the Thai economy and the business sectors. While there are clear signs of the severity of the impact on businesses across sectors and industries, it is hard to predict the depth of the impact as the situation is still evolving on daily basis with the government resorting to more and more aggressive measures to contain the spread of the virus. We look at the potential impact on a sector and industry basis and have grouped the industries according to the assessed degree of impact. Our immediate concern is on the liquidity crunch in the corporate bond market that has prompted the setting up of a bond stabilization fund, led by The Bank of Thailand in collaboration with a group of commercial lenders, insurance companies, and Government Pension Fund.

Economic Contraction in 2020

Based on the impact we have witnessed today, we expect the Thai economy to experience a severe contraction for the rest of 2020. The tougher the measures to be adopted by the government to contain the spread of the virus, the more severe the economic impact will be. With the speed of increase in infections, we expect the government will inevitably resort to tougher measures to combat the virus. The mandatory closing of shopping malls and entertainment businesses in Bangkok, restriction on restaurants to sell only takeaway foods, and restriction on movements across provinces, have already caused a sharp decline in economic activity. The tourism sector which had been the most important economic driver, representing about 20% of Thailand's GDP in the recent years, has turned out to be the hardest hit. The severity of the impact on the tourism sector has already been acutely felt over the past two months with all businesses related to tourism are forced to either close down temporarily or scale back their operations dramatically. Domestic consumption is set for a deep dive with the unemployment rate on the rise. With the global economy heading to a recession, the export sector will likely continue its contraction for the rest of 2020.

Impact on Specific Sector/Industry

Whereas the impacts on some industries, such as aviation and hospitality businesses, are immediately felt, the impacts on other industries will take some time to manifest with the effect of a sharp decline in economic activity simmering through the rest of the economy. To help us sharpen our focus in our assessment of the impact on the rated entities, we have grouped industries in three classifications based on the assessed severity of impact on the industry, as listed below.

Industry	Severity of Impact
Airline	High
Hotel	High
Cinema	High
Shipping	High
Oil & Gas Refinery & Marketing	High
LPG Trading	High
Metals and Mining Downstream	High
Forest and Paper Products	High
Metals and Mining Upstream	High

Oil & Gas E&P	High
Oil & Gas Drilling, Equipment and Services	High
Automakers	High
Auto Suppliers	High
Electronics	High
Restaurants	Medium
Retailers	Medium
REITs, Real Estate for Rent	Medium
Midstream Energy	Medium
Transportation Infrastructure	Medium
Natural rubber	Medium
Commodity & Specialty Chemicals	Medium
Consumer Durables	Medium
Building Materials	Medium
Engineering and Construction	Medium
Capital goods	Medium
Homebuilders and Real Estate Developers	Medium
Business and Consumer Services	Medium
Media (advertising)	Medium
Agribusiness and Commodity Foods	Low
Branded Nondurables	Low
Containers and Packaging	Low
Healthcare services	Low
Regulated Utilities	Low
Technology Software and Services	Low
Telecommunication and Cable	Low

Please note that the above impact classifications are based on our analytical teams' qualitative opinions and do not indicate any potential rating trend or actions. In each of the impact classifications, the impact on the rated issuers will vary depending on their financial strengths. TRIS Rating is closely monitoring the impact on each rated entity in each of the industries listed above.

The highly impacted industries are mostly affected directly by the containment measures adopted by countries across the globe to combat the spread of the virus. Among the highly impacted industries, the aviation and hospitality industry are assessed to be the most severely impacted. The sharp decline in the demand of oil has also severely affected industries related to oil and gas.

The industries with the "medium impact" label, in our view, are industries that are seriously impacted by the pandemic, but the degree of impact is not as severe as that of the highly impacted industries. Having said that, the label placed on each industry is by no means fixed. With the pandemic situation and the consequential damage to the economy keeps evolving on a daily basis, it is hard to gauge the depth of impact at the moment. Industries that are labeled "medium impact" could be moved to the "high impact" classification over the next few months if the severity of impact turns out to be more than initially assessed.

The "low impact" industries are assessed to be the least affected by the pandemic. But again, we expect to have a clearer picture on the depth of impact over the next few months, which could result in the change of the degree of impact classification.

Liquidity Crunch

The risk-off sentiment in the corporate bond market has caused great concerns on the ability of corporate bond issuers to rollover their maturing debts in the bond market. The impact of investors turning risk averse is felt across the rating categories. We expect most corporate bond issuers to turn to bank lenders to close any potential liquidity gap in the coming months. The liquidity shortage in the bond market has prompted actions by the regulators. The Bank of Thailand in collaboration with The Thai Bankers' Association, the Government Savings Bank, Thai insurance providers and The Government Pension Fund have set up a Bt70-Bt100 billion Corporate Bond Stabilization Fund to invest in short term papers issued by corporate issuers who encounter difficulty in sourcing the needed liquidity in the bond market or bank loan market. The stabilization fund, with loosely defined investment criteria, is intended to bridge the liquidity gap in the bond market, and to support good quality issuers during the period of market disruption.

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