

# BEST'S COUNTRY RISK REPORT

## Thailand CRT-3

August 22, 2018

Region: Asia

[Country Risk Criteria Procedures](#)

[Guide to Best's Country Risk Tiers](#)

- The Country Risk Tier (CRT) reflects A.M. Best's assessment of three categories of risk: Economic, Political, and Financial System Risk.
- Thailand, a CRT-3 country, has a low level of economic risk and moderate levels of political and financial system risk. Thailand's economy experienced an uptick in growth last year and expanded by 3.9%. Growth is projected to remain steady in 2018 and moderate towards 3.5% over the medium term. Structural reforms such as improvements to economic competitiveness and education are critical to ensuring long-term inclusive growth.
- A.M. Best categorizes the majority of countries in Southeast Asia as CRT-3, CRT-4, or CRT-5. Singapore is the only CRT-1 country in the region.



Economic Risk



Political Risk



Financial System Risk

- Country Risk Tier 1 (CRT-1) Very Low Level of Country Risk
- Country Risk Tier 2 (CRT-2) Low Level of Country Risk
- Country Risk Tier 3 (CRT-3) Moderate Level of Country Risk
- Country Risk Tier 4 (CRT-4) High Level of Country Risk
- Country Risk Tier 5 (CRT-5) Very High Level of Country Risk

## Regional Summary: Southeast Asia

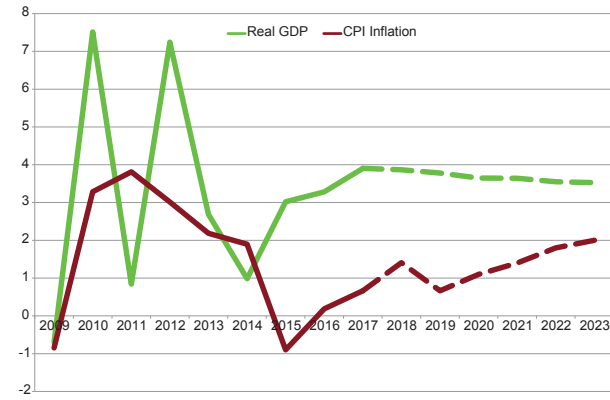
- Southeast Asia largely consists of the countries located north of Australia, west of New Guinea, east of India, and south of China.
- The region is particularly vulnerable to trade protectionist policies, given its reliance on exports to fuel economic growth. To diminish some of the vulnerability to external conditions, most of the region's countries are trying to implement structural changes which encourage economic diversification and capital market development. Improving infrastructure and shrinking bureaucracy would also bolster the prospects for sustainable economic growth.
- Additional headwinds for the region include political turmoil/uncertainty, poverty due to growing income inequality, endemic corruption, bureaucracy, susceptibility to natural disasters, and the volatility of capital flows and exchange rates owing to ongoing monetary policy normalization in developed countries.
- Growth in the region has been supported by improving global conditions as well as growing domestic demand and increased levels of government spending, particularly on infrastructure.

Vital Statistics 2017		
Nominal GDP	USD bn	455.38
Population	mil	69.1
GDP Per Capita	USD	6,591
Real GDP Growth	%	3.9
Inflation Rate	%	0.7
United Nations Estimates		
Literacy Rate	%	92.9
Urbanization	%	52.7
Dependency Ratio	%	40.0
Life Expectancy	Years	74.9
Median Age	Years	37.7
Insurance Statistics		
Insurance Regulator	The Office of Insurance Commission	
Premiums Written (Life)	USD mil	16,352
Premiums Written (Non-Life)	USD mil	7,710
Premiums Growth (2016 - 2017)	%	4.0
Regional Comparison		
	Country Risk Tier	
Thailand	CRT-3	
Indonesia	CRT-4	
Malaysia	CRT-3	
Philippines	CRT-4	
Papua New Guinea	CRT-5	
Vietnam	CRT-4	

Source: IMF, UN, Swiss Re, Axco and A.M. Best



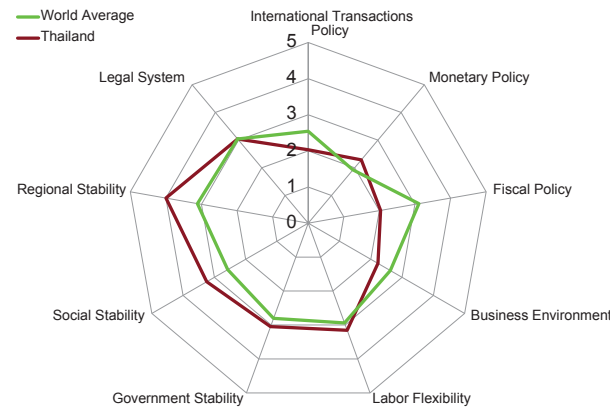
### Economic Growth (%)



Source: IMF World Economic Outlook and A.M. Best

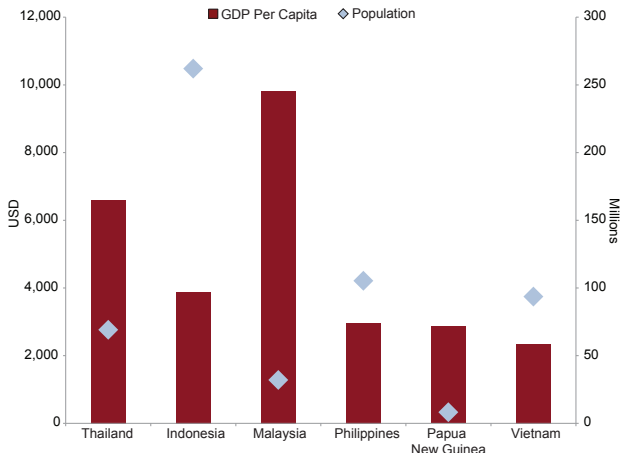
### Political Risk Summary

Score 1 (best) to 5 (worst)



Source: A.M. Best

### GDP Per Capita and Population



Source: IMF and A.M. Best

## Economic Risk: Low

- The economy depends on light manufacturing, automotive, and tourism. Agriculture accounts for 10% of the economy but employs nearly a third of the population. Exports are crucial, accounting for two-thirds of national income.
- The tax system is straightforward and modern. Incentives designed to encourage foreign investments in certain sectors and economic activities in the special economic zones are in place. The corporate income tax is likely to remain the same, but the government may revise tax rules to enhance collection, owing to rising expenditures.
- Structural constraints are the main obstacle to sustained and rapid growth in the industrial sector. Headline inflation has been below target, but may pick up due to higher commodity prices and minimum wage.
- Thailand's poverty rate has shrunk substantially since the 1980s, but the aging population remains a concern. The country's infrastructure is well developed and should see further advancements, thanks to planned project upgrades.

## Political Risk: Moderate

- The current government is led by the military, which has consolidated political power through the strengthening of the Senate and the passage of a new constitution. The Senate is subject to heavy influence by the military, and the new constitution weakened elected politicians' power.
- Political uncertainties are relatively high because of the tension between the country's two leading factions. General elections have been delayed to February 2019 and may be delayed further.
- Thailand ranks favorably at 26 out of 190 countries in the World Bank's Ease of Doing Business Index. Despite the pro-business government, political uncertainties can dampen foreign investors' confidence and heighten contract alteration and cancellation risks. The judiciary is also subject to military influence, although it is largely efficient on cases not involving the government.
- Labor relations are generally good, but the risks of large, disruptive, and violent political protests are high.

## Financial System Risk: Moderate

- The insurance industry is regulated by the Office of the Insurance Commission under the Ministry of Commerce.
- The financial system's soundness is ensured by a large current account surplus, a light debt service burden, and good relations with external agencies and creditors. The major risk stems from political uncertainty, which can lead to the outflow of capital.
- The banking sector is relatively stable; capitalization and liquidity are sufficient. The number of non-performing loans is relatively low.
- The IMF has highlighted the need for critical structural reforms and close supervision of the non-bank financial sector's vulnerabilities.