Press Release

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TRIS Rating Holds a Webinar on "2023 Economic and Industry Outlook"

In a webinar organized by TRIS Rating Co., Ltd. on 23 February 2023, Mr. Sakda Pongcharoenyong, President of TRIS Rating, together with a team of senior analytical managers and researchers shared their views on the outlook for the Thai economy and key economic sectors/industries. Titled "2023 Economic and Industry Outlook", the webinar was joined by more than 100 participants from key capital market institutions including regulatory bodies, institutional investors, cooperatives, and bond underwriters/arrangers.

Economic outlook – cautious optimism amid a highly uncertain global economy

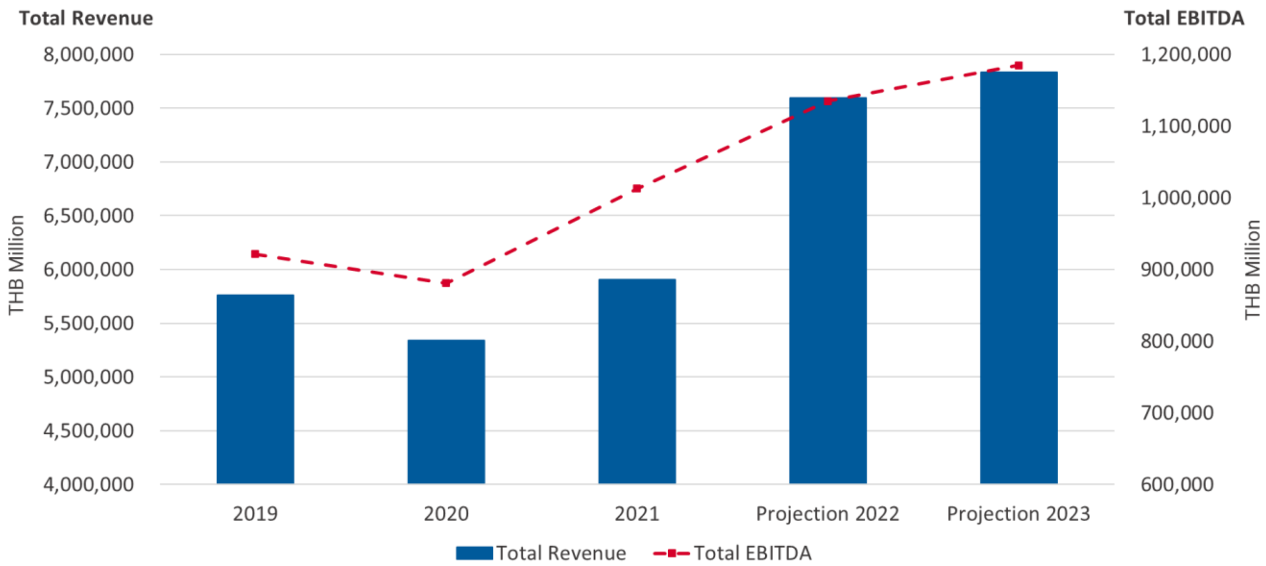
TRIS Rating projects Thai economic growth of 3.5% in 2023, driven mainly by the recovery of the tourism sector, private consumption, and total investment. We estimate the number of international tourists in 2023 will reach 27 million in view of the anticipated waves of tourist arrivals from China following the reversal of the Chinese government's COVID-zero policy. We also expect a continued recovery of private consumption thanks to improving incomes and increasing tourist receipts. Finally, a revival of total investment in both the private and public sectors should help support the Thai economy this year.

While we see a continued strong recovery of the Thai economy in 2023 as the most likely scenario, we have to remind ourselves that the global economy is going through a highly uncertain period. Although the negative impacts of inflationary pressure and surging oil prices have subsided to a large extent, they are still being felt in many parts of the world. Geopolitics continues to pose a threat to global trade while the potentially destructive impacts arising from an escalation of the Ukraine-Russia conflict are still a major risk. The Thai economy, particularly the export sector, would not be insulated from the impacts of such adverse external developments.

Decelerating corporate sector growth in 2023

As a proxy to track the financial performance of the corporate sector, we compiled the historical financial data (2019-2021) and projected financials (2022-2023) of 127 corporate issuers rated by TRIS Rating. The business recovery trend in the corporate sector following the COVID-induced slump in 2020 is clearly depicted in the graph below with most corporate issuers experiencing significant growth in revenues and EBITDA in 2022. The positive trend is likely to continue in 2023 but at a slower pace.

Chart 1: Aggregate Revenue/EBITDA of 127 Rated Corporate Issuers

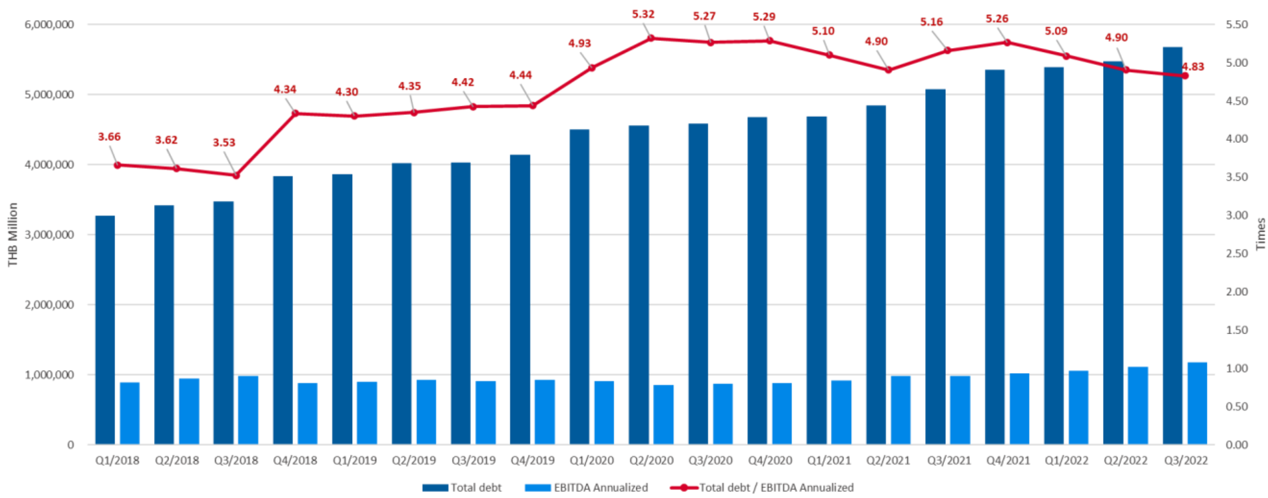


Source: Financial data of 127 rated corporate issuers extracted from TRIS Rating's database

Rising EBITDA should lower the key metric of financial leverage

The declining trend of the average Debt/EBITDA ratio among the 132 corporate issuers rated by TRIS Rating indicates the downtrend of financial leverage from a peak in 2020. Although debt levels among corporate issuers are projected to rise to fund capital expenditure in general, significant increases in cash generation following the revival of businesses will likely contribute to further declines in financial leverage in 2023 as measured by the Debt/EBITDA ratio.

Chart 2: Total debt / EBITDA Annualized

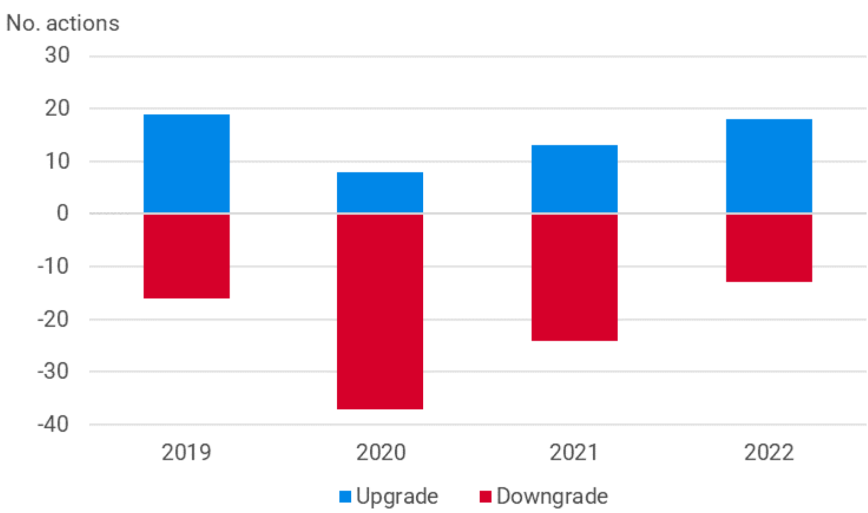


Source: Financial data of 132 rated corporate issuers extracted from TRIS Rating's database

Generally positive rating outlook

The prospect for continued business recovery in most sectors/industries indicates a generally positive trend for rating outlooks in 2023. In terms of rating actions, 2022 saw 18 rating upgrades and 13 downgrades, compared to 13 upgrades and 24 downgrades in 2021. The significant increase in the number of rating upgrades, and decreased number of downgrades in 2022 reflects the improved business prospects of most industries as the economic recovery gathers strength.

Chart 3: TRIS Rating's Rating Actions

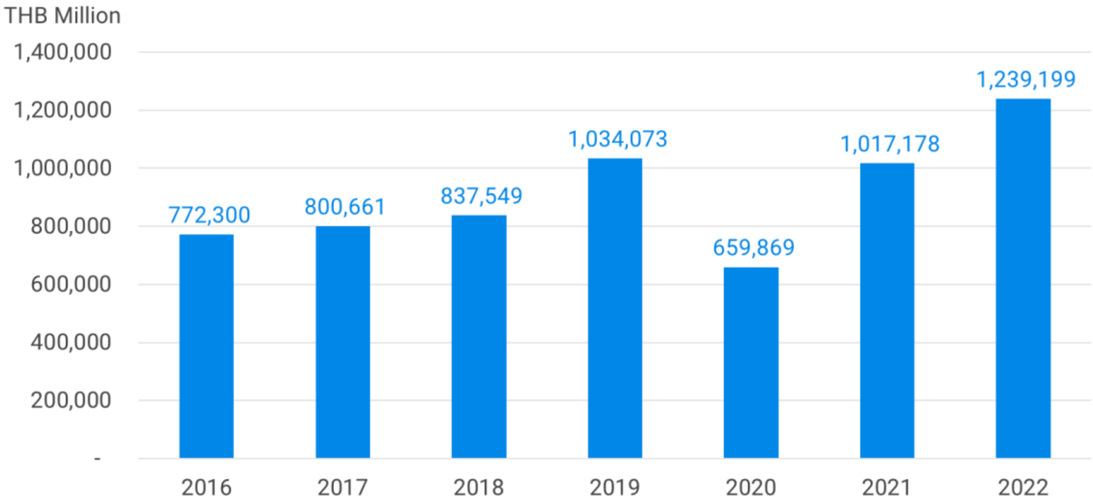


Source: TRIS Rating

Record-high bond issuances with relatively stable interest rates

The volume of corporate bond issuances in the Thai bond market reached a record-high level of Baht 1.24 trillion in 2022. This clearly illustrates the abundant liquidity in the domestic bond market as well as investors' risk appetite, in contrast to a significant slowdown in the international debt markets. While rising interest rates did affect the investment appetite of some institutional investors, the demand from cooperatives and high net-worth investors appeared to remain strong. We have also seen increasing numbers of public offerings that allow issuers to distribute their bonds to a broader group of retail investors. Interest from corporate issuers to raise funds in the domestic bond market will likely remain strong in 2023, while improving investment appetite among institutional investors and increased access to retail investors through public offerings mean the baht bond market should remain highly liquid throughout the year.

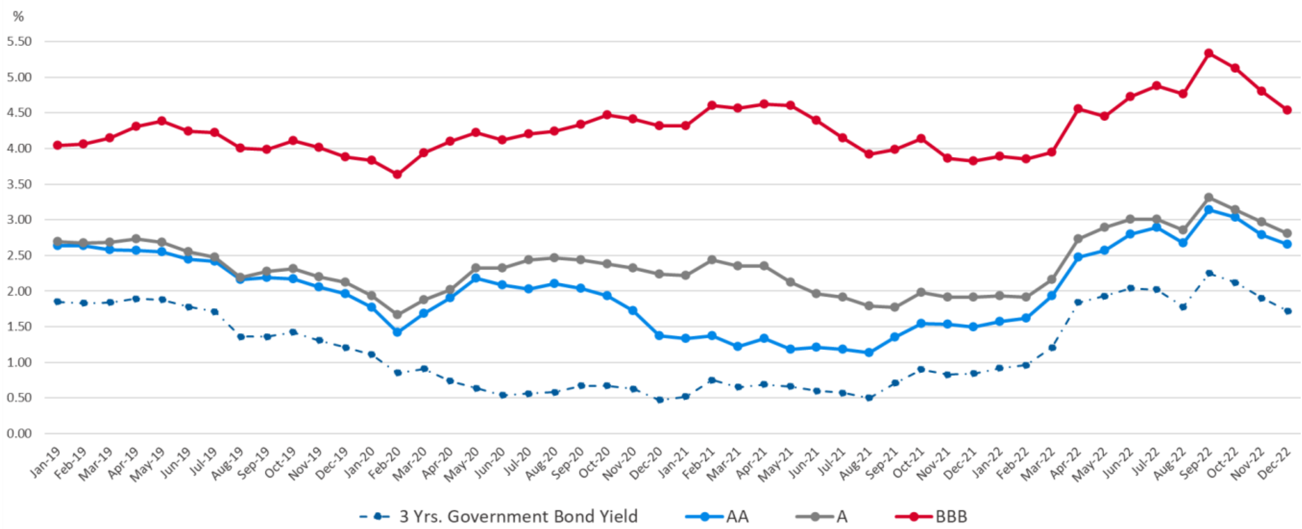
Chart 4: Bond issuances in the Thai bond market



Source: Thai BMA

As inflationary pressure has moderated and concerns over a potential liquidity squeeze have subsided, the coupon rates of debt issuances in the domestic bond market have appeared to trend down from the peak level in the third quarter of 2022. Compared to the sharp rise of USD interest rates, Baht interest rate hikes have so far been moderate. The average credit spreads of debt issues across various rating categories appeared to change little in 2022.

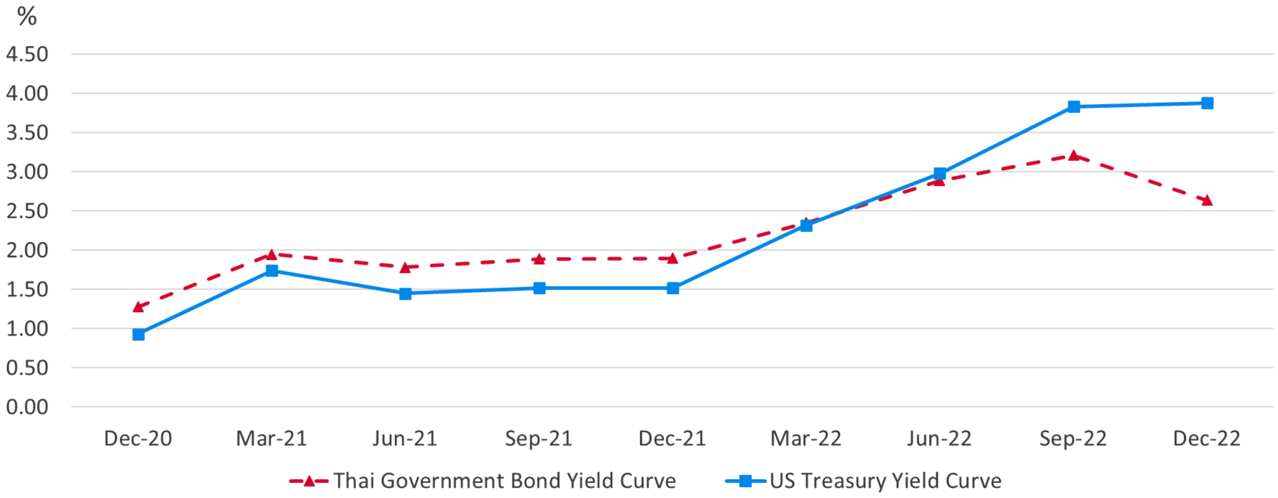
Chart 5: Average Thai Corporate Bond Coupon



Source: Thai BMA

The widening gap between 10-year U.S. treasury yield and 10-year Thai government bond yield that started in the second half of 2022 says a lot about the strength of baht funding and liquidity. Given the persistent inflationary pressure in the U.S., USD interest rates will likely stay high through 2023. On the other hand, we expect baht interest rates to remain relatively stable in 2023 even though there could be moderate increases during the year. It remains to be seen how long the interest rate gap will sustain, which is partly dependent on the country's monetary policy.

Chart 6: 10-year U.S. Treasury Yield versus 10-year Thai Government Bond Yield



Source: Thai BMA

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