WEEKLY ECONOMIC REVIEW

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Middle East tensions show no signs of easing, posing risks to global and Thai economies. China prioritizes quality-driven growth.

Global

Global: Tensions in the Middle East remain elevated and highly uncertain as the conflict between the U.S., Israel, and Iran has entered its second week and continues to intensify. Attacks on energy infrastructure have raised concerns over energy supply and higher transport costs, putting pressure on energy-importing economies, particularly in Asia.

U.S.: The Economy faces increasing risks, although the impact from energy supply disruptions may be smaller than in other countries, due to the U.S. being a major net oil exporter with the world's largest Strategic Petroleum Reserve (SPR). Higher energy prices could weigh on domestic producers and consumers. Moreover, costs of military engagement could strain fiscal conditions and political stability. Meanwhile, economic data show signs of slowing, with **payrolls marking a decline for the third time in the past five months and unemployment rising to 4.4%.**

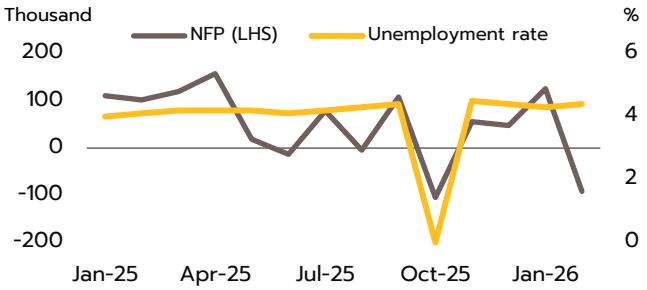
China: Lowers growth target to 4.5-5%, while preparing to boost consumption via trade-in subsidies, strengthen income security and social protection, as well as promote high-tech sectors. **Such reduction of growth target reflects a policy shift from quantity-driven growth to long-term resilience via structural transition,** while preserving some policy space to buffer against geopolitical risks.

Thailand

Headline inflation in February stood at -0.88% YoY, remaining in negative territory for the 11th consecutive month, mainly due to lower energy prices. Meanwhile, core inflation (excluding raw food and energy) edged up to 0.56% YoY. **The Business Sentiment Index (BSI) in February rose slightly to 49.6,** with sentiment improving across most industries, supported by stronger domestic demand and exports.

Despite negative headline inflation, inflationary pressures may rise amid tensions in the Middle East, which could push up energy prices and production costs. Thailand is a net energy importer, with energy accounting for 13% of total imports, and relies heavily on Middle Eastern crude oil (approximately 55%). If oil prices increase to an average of USD 85–90 per barrel, inflation would rise and GDP could fall by about 0.2–0.3% from the baseline. In a severe case and prolonged tensions, with oil surging to USD 110–130 per barrel, inflation could rise sharply and GDP may decline by around 0.6–0.9% from the baseline (see table). The overall impact will also depend on oil reserves (latest official estimate at around 95 days) and government measures to stabilize domestic fuel prices, such as the diesel price cap through the Oil Fuel Fund.

U.S.: Nonfarm Payrolls and Unemployment Rate



Source: Bloomberg

China: Two Sessions Economic Targets 2026

Indicator	2024 Target	2025 Target	2026 Target
GDP growth (%)	≈5%	≈5%	4.5-5%
CPI (%)	≈3%	≈2%	≈2%
Special local government bond (trillion yuan)	3.9	4.4	4.4
Fiscal deficit (% of GDP)	3%	4%	4%
New urban job creation (mn)	>12	>12	>12
Unemployment (%)	≈5.5%	≈5.5%	≈5.5%

Source: Bloomberg, CNN and Krungsri Research

Oil price assumptions and effects on Thailand's growth and inflation by scenario

Scenario	Average oil price in 2026 (USD/barrel)	% Increase from 2025 ($68/barrel)	Impact on GDP growth (ppt)	Impact on Inflation (ppt)
Mild	85-90	25-30%	-0.2 to -0.3	1.2 -1.6
Moderate	95-100	40-45%	-0.4 to -0.5	1.9-2.3
Severe	110-130	60-90%	-0.6 to -0.9	3.0-4.5

According to the BoT's estimates, a 10% increase in oil prices would raise Thai inflation by 0.5 ppt and decrease Thai GDP growth by 0.1 ppt.

Krungsri Research

Pimnara Hirankasi, Ph.D.
Head of Research Division and Chief Economist

Macroeconomic Team

Sujit Chaivichayachat
Head of Macroeconomic Research

Wanicha Direkudomsak
Senior Economist

Churailuk Pholsri
Senior Economist (Forecasting)

Piyavadee Chirasirisuwan
Senior Economist

Thansin Klinthanom
Senior Economist

Krittabhorn Sirichaichingkun
Economist

Supasyn Itthiphatwong
Economist

Wanat Banthitasopon
Economist

MIS and Reporting Team

Thamon Sernsuksakul
Information Analyst

Chirdsak Srichaiton
Information Analyst

Wongsagon Keawuttung
Information Analyst

Industry Team

Taned Mahattanalai
Head of Industry Research

Poonsuk Ninkitsaranont
Senior Analyst (Healthcare, Mobile Operators)

Thian Thiumsak
Senior Analyst (Energy, Petrochemicals)

Chaiwat Sowcharoensuk
Senior Analyst (Agriculture)

Puttachard Lunkam
Senior Analyst (Construction Contractors, Construction Materials, Hotels, Industrial Estate)

Patchara Klinchuanchun
Senior Analyst (Real Estate)

Prapan Leenoi
Analyst (ESG)

Supawat Choksawatpaisan
Analyst (Automobile, Electronics & Electrical Appliances)

Rapeepoom Lapmak
Analyst (Agriculture, Food & Beverages)

Analytics & Intelligence Team

Pimnara Hirankasi, Ph.D.
Acting Head of Analytics and Intelligence Research

Nathanon Ratanathamwat
Senior Researcher

Narichaya Satafang
Researcher

Parinya Mingsakul
Researcher

Chanatta Thararos
Researcher

For research subscription, contact
krungsri.research@krungsri.com

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