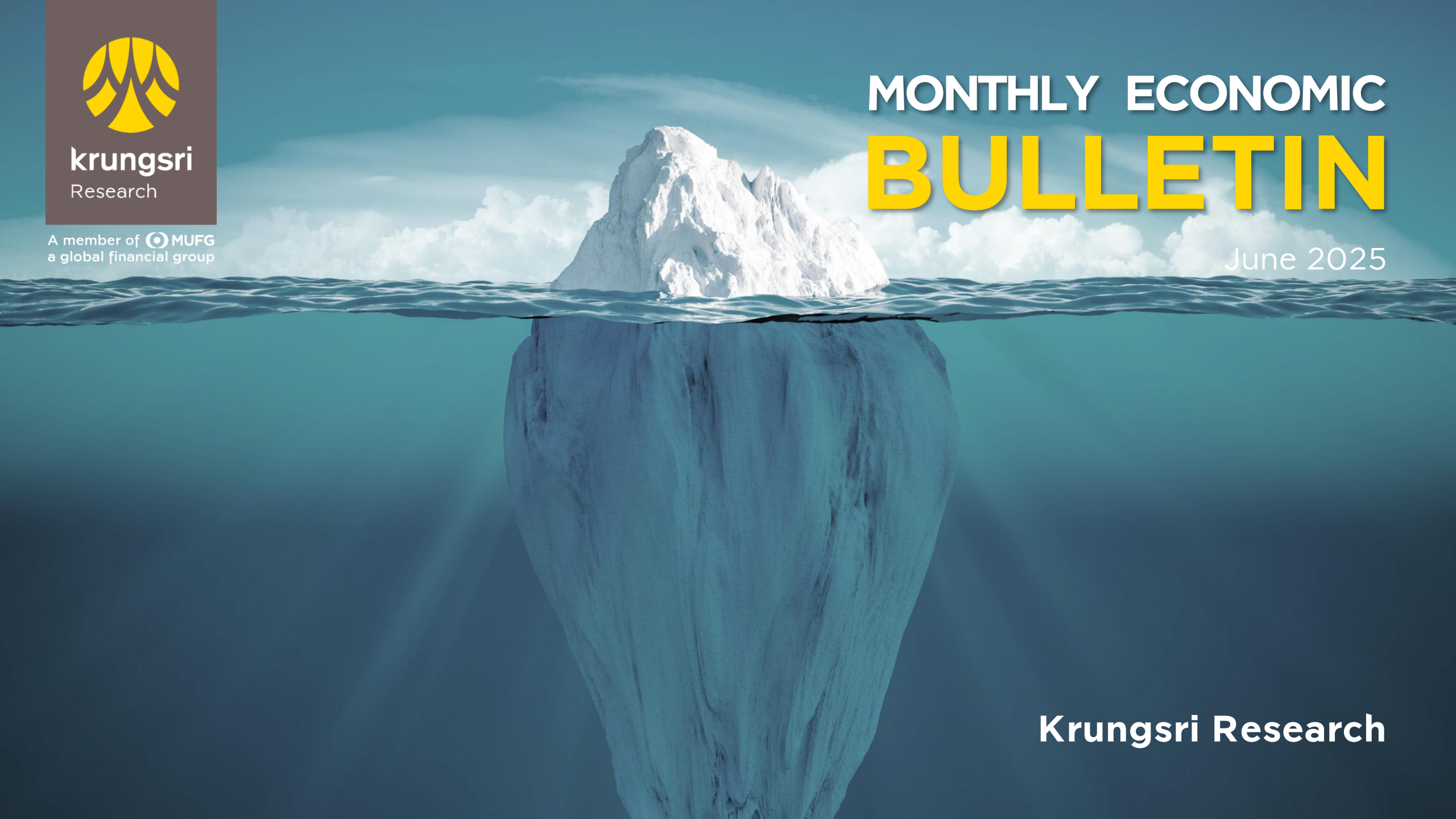
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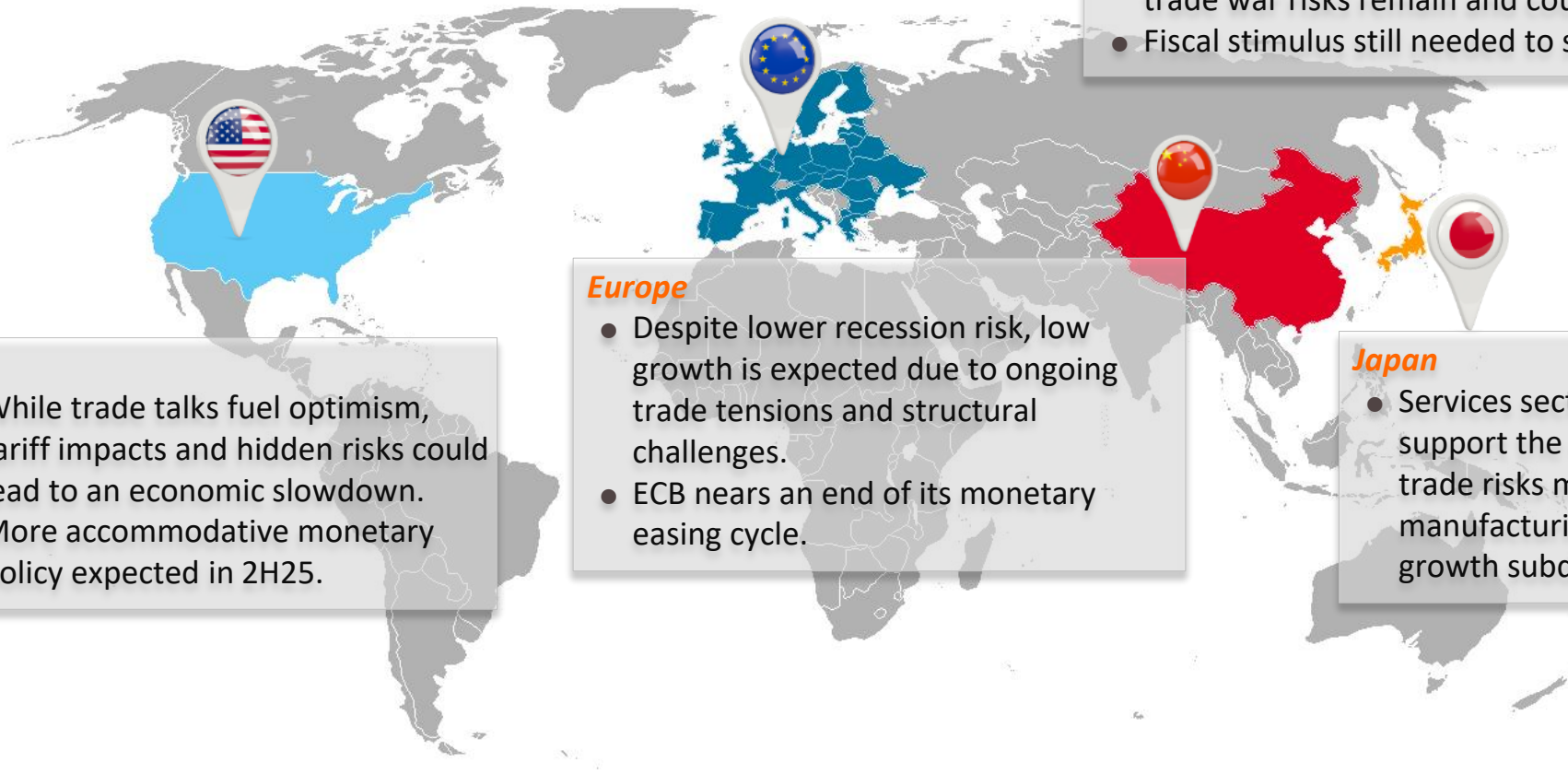
MONTHLY ECONOMIC BULLETIN

June 2025



Krungsri Research

Global: Hidden headwinds and rising risks



China

- Despite trade truce and favorable US court ruling, trade war risks remain and could weigh on growth.
- Fiscal stimulus still needed to sustain 2H25 growth.

US

- While trade talks fuel optimism, tariff impacts and hidden risks could lead to an economic slowdown.
- More accommodative monetary policy expected in 2H25.

Europe

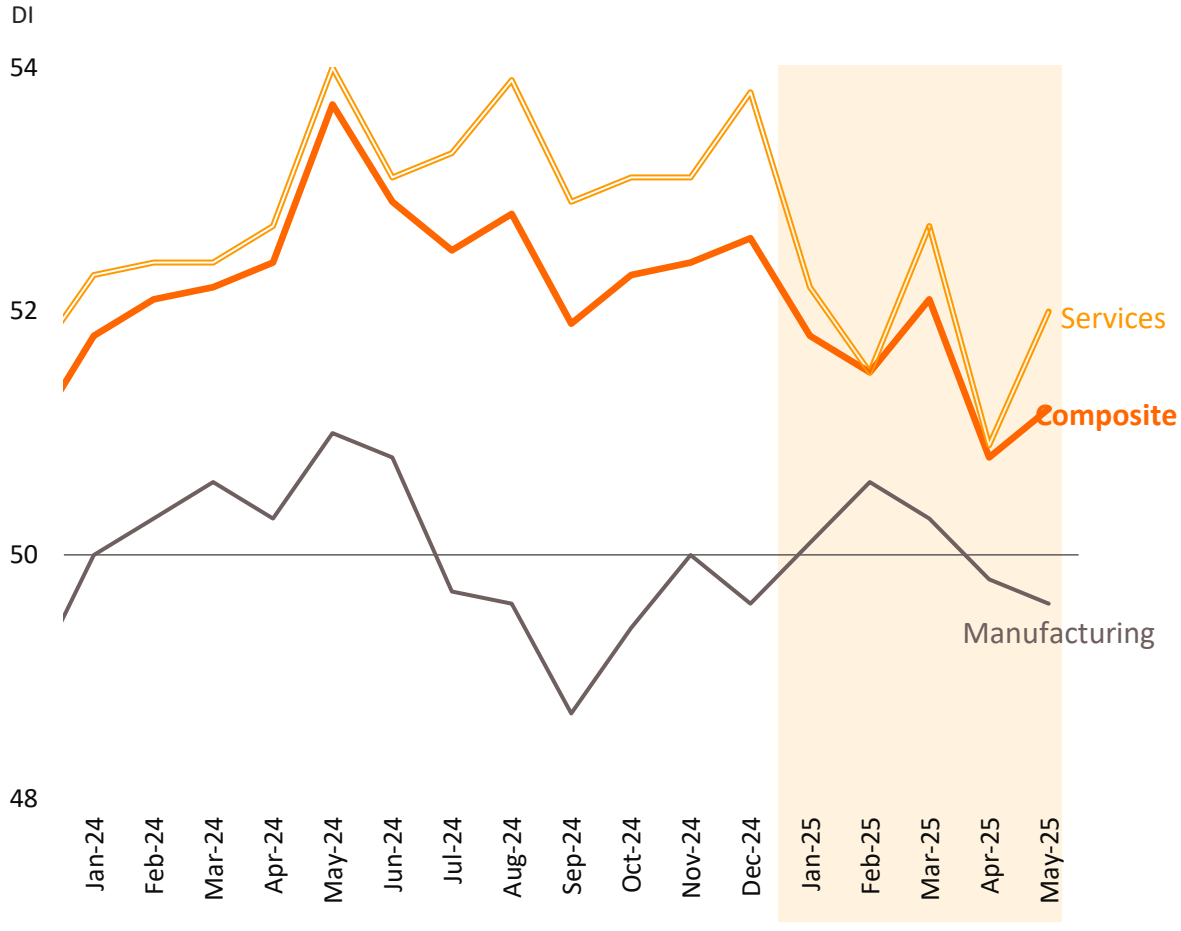
- Despite lower recession risk, low growth is expected due to ongoing trade tensions and structural challenges.
- ECB nears an end of its monetary easing cycle.

Japan

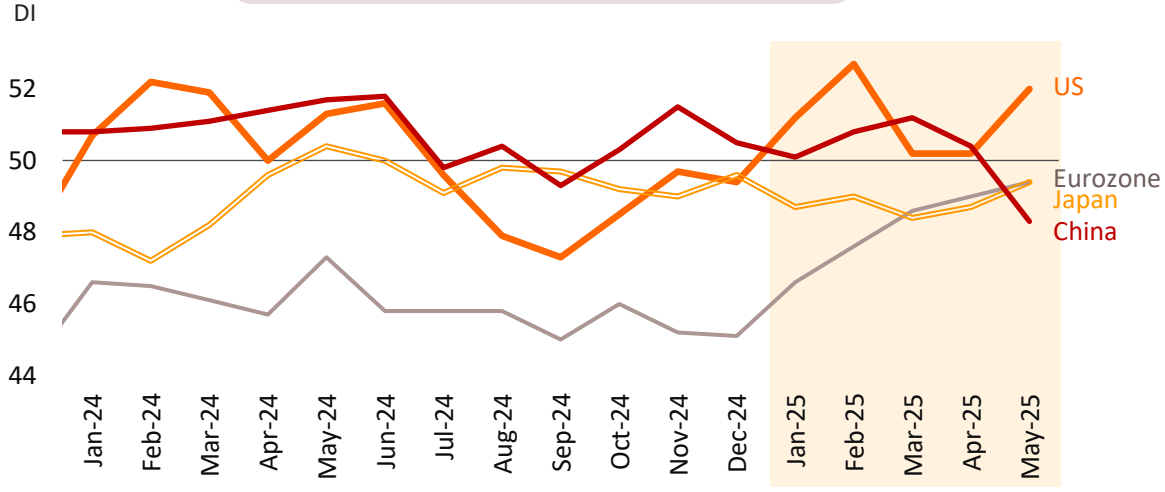
- Services sector is expected to support the economy, but rising trade risks may weigh on manufacturing, keeping overall growth subdued.

A trade truce lifts market sentiment, but weakening manufacturing could weigh on global trade and exports, especially with lingering tariff effects and hidden trade policy risks

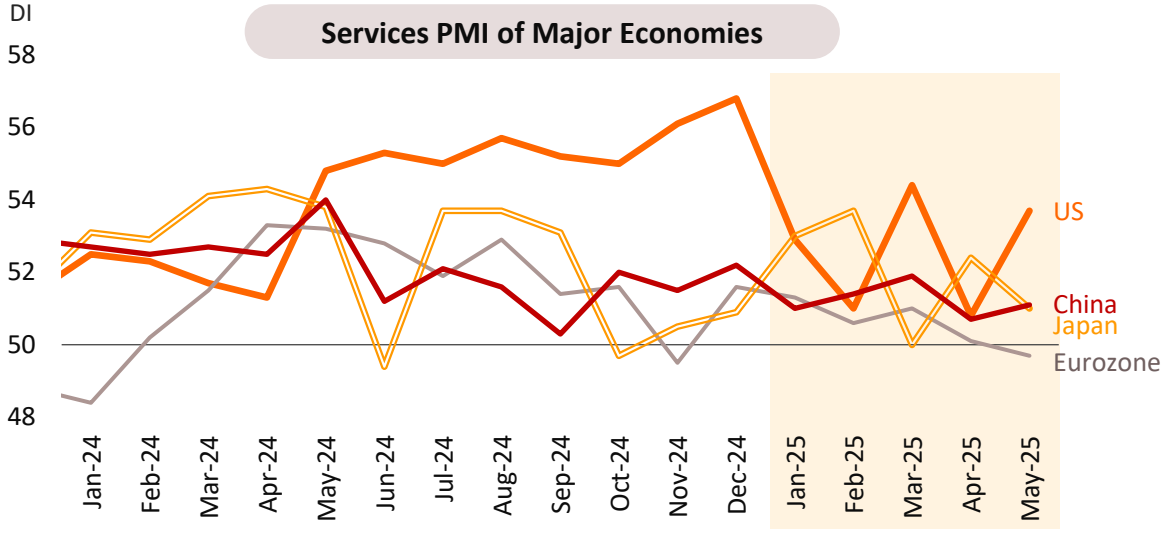
Global Composite, Manufacturing, and Services PMI



Manufacturing PMI of Major Economies



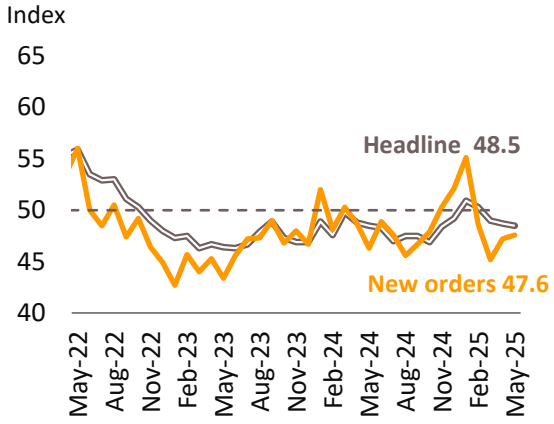
Services PMI of Major Economies



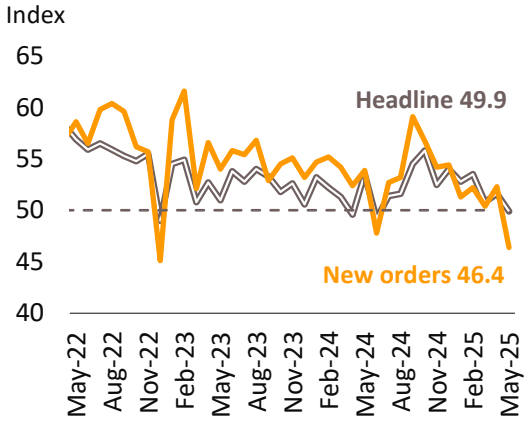
Source: J.P. Morgan and S&P Global PMI, Bloomberg, Krungsri Research

US: While trade talks fuel optimism, tariff impacts and hidden headwinds could lead to an economic slowdown; more accommodative monetary policy expected in 2H25

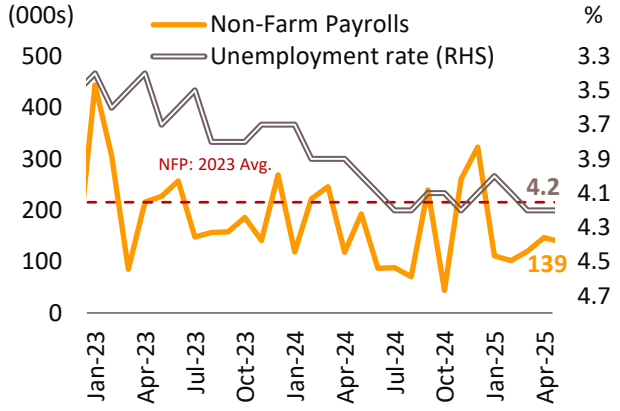
ISM Manufacturing PMI



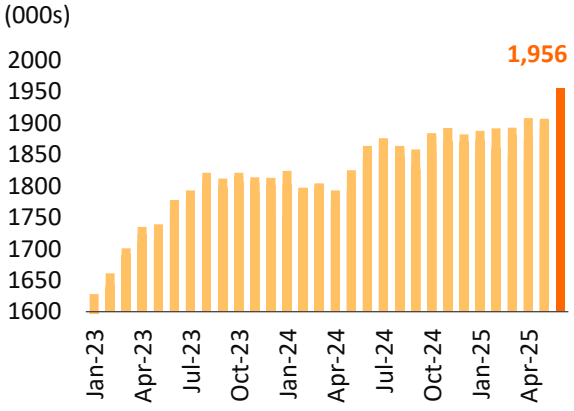
ISM Services PMI



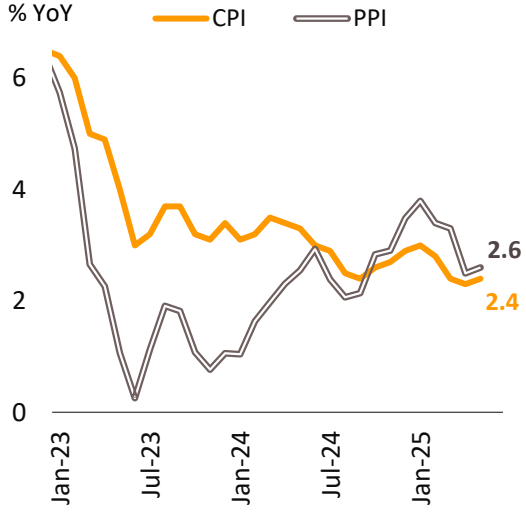
Payrolls and Unemployment



Continuing Jobless Claims



CPI and PPI



Policy Alternatives To Trump's Tariffs

Court ruling: On May 28, the trade court ordered a block on Trump's reciprocal tariffs. Tariffs remain in place after a federal appeals court grants stay.

Tariffs could be only reshaped by imposing on specific products or countries via other laws and regulations.

1. **On national security grounds: Section 232** investigation authorized by a 1962 trade act
2. **To counter unfair trade practices: Section 201 or 301** investigation authorized under a 1974 law.
3. Use of **Section 122** of the 1974 law, which authorizes the President to impose **tariffs of up to 15%, but only for 150 days.**

Krungsri Research's view

- **US-China trade talks may offer hope for a short-term rebound in market sentiment.** However, tariff hikes on imports from nearly all countries and specific products could weigh on overall economic growth.
- **Signs of economic slowdown become clearer: (i) Manufacturing and services contraction** with May ISM Manufacturing PMI marking the third consecutive month of contraction and ISM Services PMI posting the first contraction since June 2024; **(ii) weaker labor market** with the three-month average rate of non-farm payrolls (March-May) now standing at 135K, below the average of 216K in 2023 and 167K in 2024. Continuing jobless claims jumped to the highest since Nov 2021; and **(iii) Benign inflation** reflects demand uncertainty and signs of an economic slowdown."
- **Tax and tariff policies are unlikely to spur growth.** (i) The extended tax cuts in the 'big, beautiful bill' merely avoid fiscal tightening rather than provide new stimulus. (ii) Rising tariffs—such as the steel hike from 25% to 50%—are placing growing pressure on manufacturers and businesses in machinery, durable goods, and construction.
- **Hidden headwinds from tariff policy uncertainty following trade court rulings could delay business investment and weaken growth prospects. More tariff details are expected after July-August, which, combined with a clearer economic slowdown, may prompt two to three rate cuts in 2H25 to cushion the downturn.**

Source: Institute for Supply Management (ISM), Bureau of Labor Statistics, Bloomberg, Krungsri Research

Under Trump's presidency, a series of tariff hikes could still intensify trade war though the US trade court suspended, and later reinstated, reciprocal and fentanyl-related tariffs imposed under the IEEPA

Tentative/Postponed/Suspended Effective

As of June 11, 2025

Feb-Mar: US 20% tariffs on ***all Chinese goods***

March 4-6: Imports from ***Canada and Mexico*** were conditionally exempt from 25% tariffs.

April 3: 25% tariffs of ***auto*** imports from all countries.

April 10: The US raised the total tariffs on ***all Chinese goods*** to 145%.

May 3: 25% tariffs of ***auto parts*** imports from all countries.

May 28: The US Court of International Trade ***suspended tariffs*** imposed under the International Emergency Economic Powers Act (IEEPA).
June 11: An appeals court ruled the tariffs can remain in place. ***A legal challenge continues.***

Feb-Mar: China's 10-15% retaliatory tariffs on ***some US goods***

March 12: 25% tariffs on ***steel and aluminum*** imports from all countries
June 4: 50% tariffs

April 5: The US imposed ***10% baseline reciprocal tariffs*** (excl. Canada and Mexico), ***on many countries.***

April 9: The US ***postponed*** **higher reciprocal tariffs** ***for 90 days*** for all countries except China, ***leaving the baseline in place.***

April 12: China raised the total tariffs on ***all US goods*** to 125%.

May 14: The US and China ***reduced the total tariffs imposed on each other*** to 30% and 10%, respectively.

Later: Expected tariffs of ***pharmaceutical, electronics and semiconductor*** imports from all countries.

Source: Bloomberg, Reuters, AP, the White House, the Government of Canada; compiled by Krungsri Research

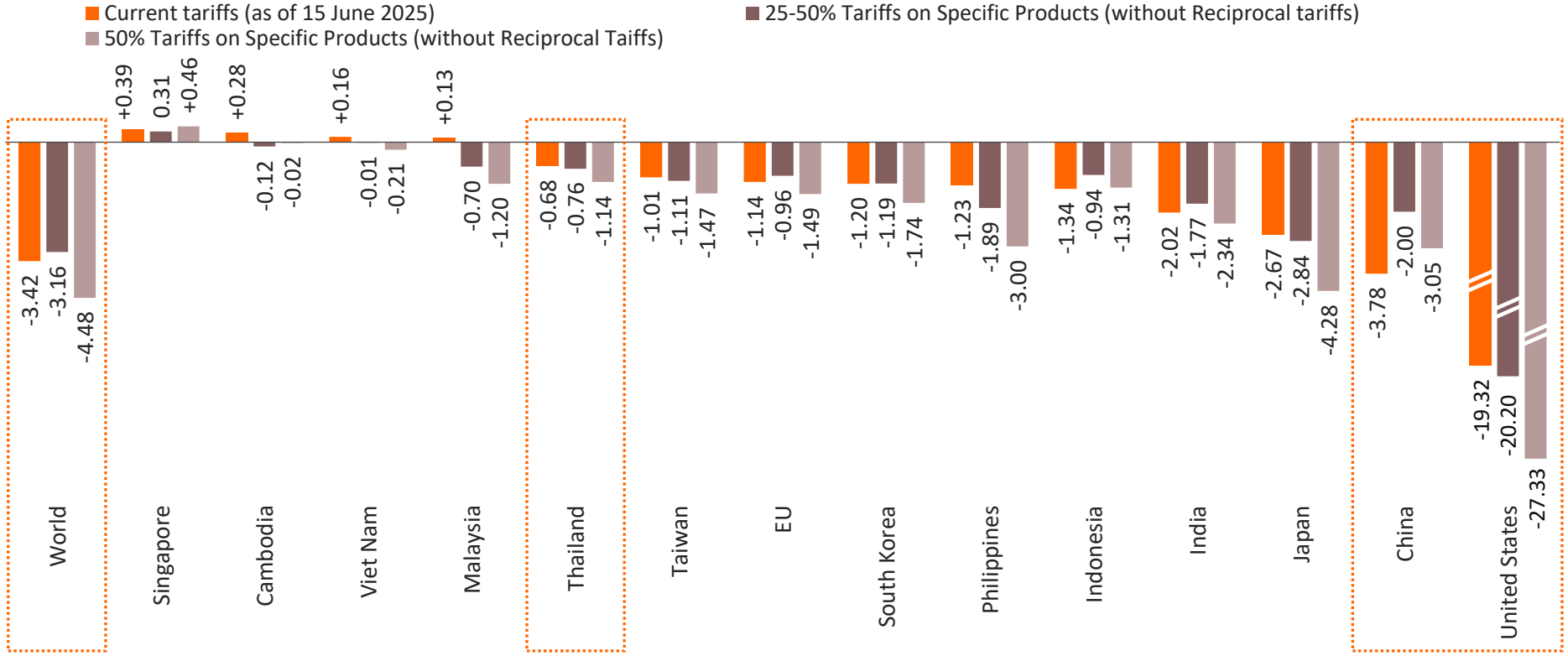
Even without reciprocal tariffs, export losses resulting from US tariffs on greater range of specific products could be comparable to those incurred under the current tariff policy

Current Tariffs: The US imposes 30% tariffs on imports from China and 10% tariffs on imports from nearly all countries (excl. some goods). China imposes a 10% tariff on US imports. The US also imposes a 50% tariff on all steel and aluminum, and a 25% tariff on all autos & parts.

25-50% Tariffs on Specific Products: Despite no reciprocal tariffs, the US imposes a 25% tariff on specific products, including autos & parts, copper, pharmaceuticals, Semiconductors, lumber, and certain critical minerals, and impose a 50% tariff on steel & aluminum.

50% Tariffs on Specific Products: Despite no reciprocal tariffs, the US imposes a 50% tariff on specific products, including steel & aluminum, autos & parts, copper, pharmaceuticals, semiconductors, lumber, and certain critical minerals.

Long-term Impact of US Tariffs on Exports (% deviation from baseline)



Source: GTAP; calculation by Krungsri Research

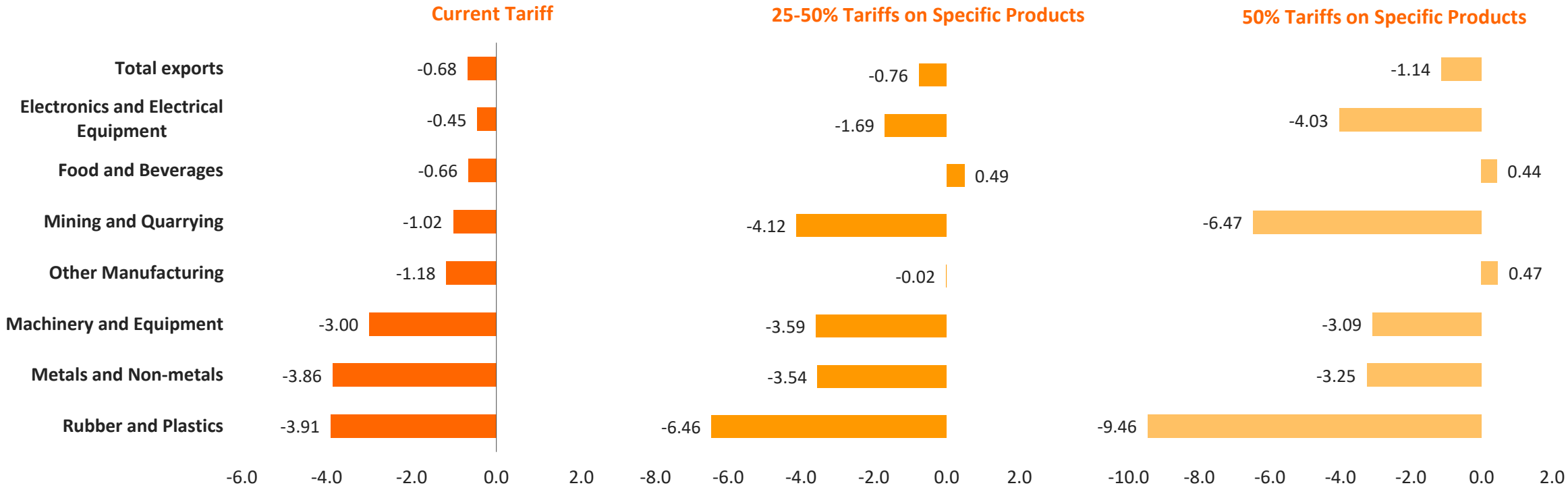
For Thai exports, losses in several sectors resulting from US tariffs on greater range of specific products could be worse than those incurred under the current tariffs

Current Tariffs: The US imposes 30% tariffs on imports from China and 10% tariffs on imports from nearly all countries (excl. some goods). China imposes a 10% tariff on US imports. The US also imposes a 50% tariff on all steel and aluminum, and a 25% tariff on all autos & parts.

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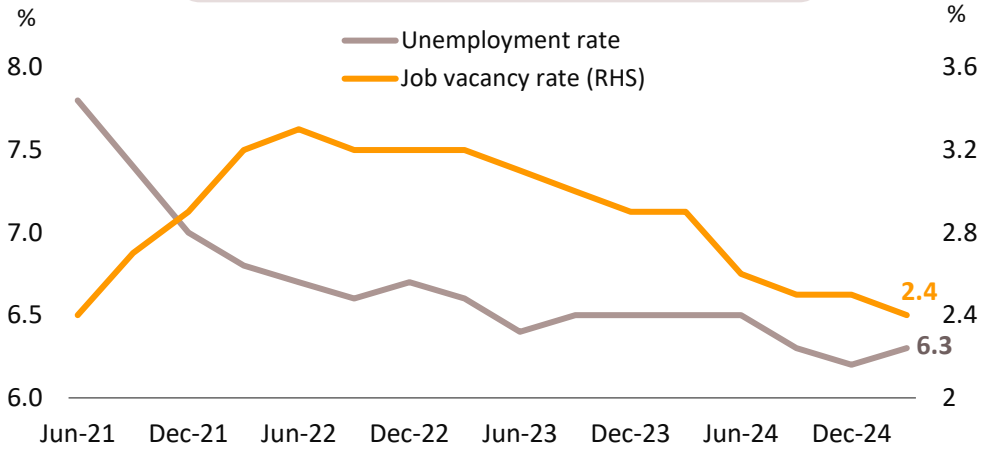
Long-term Impact of Tariffs on Thailand's Exports (% deviation from baseline)



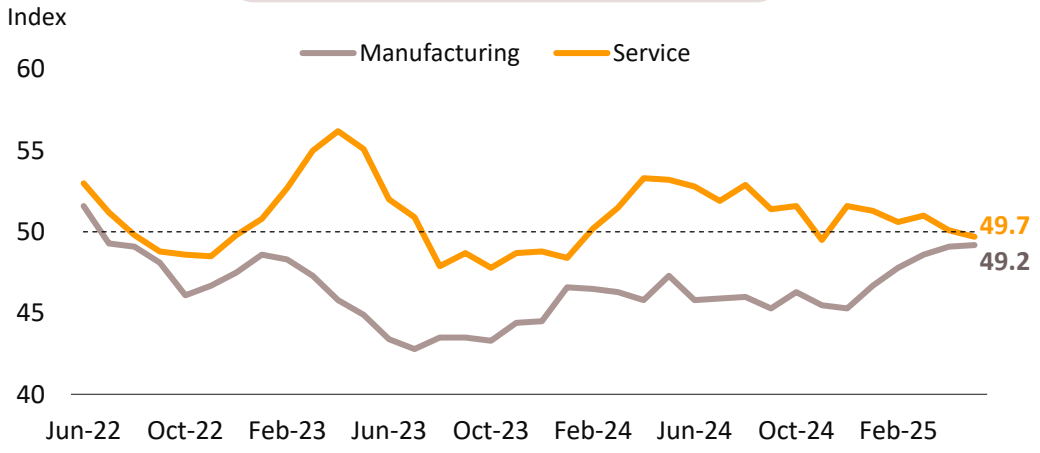
Source: GTAP; calculation by Krungsri Research

Eurozone: Despite lower recession risk, low growth is still likely due to ongoing trade tensions and structural challenges; ECB nears end of its monetary easing cycle

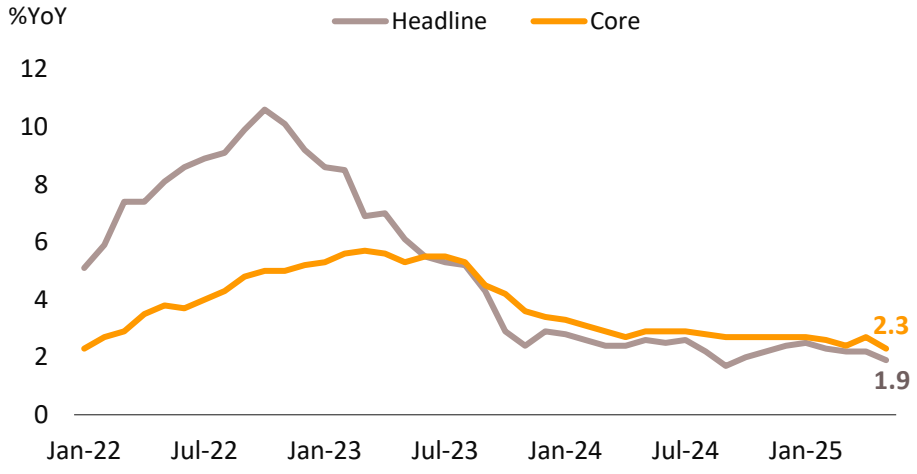
Unemployment rate and Job vacancy rate



Purchasing Manager Index (PMI)



Consumer Price Index (CPI)



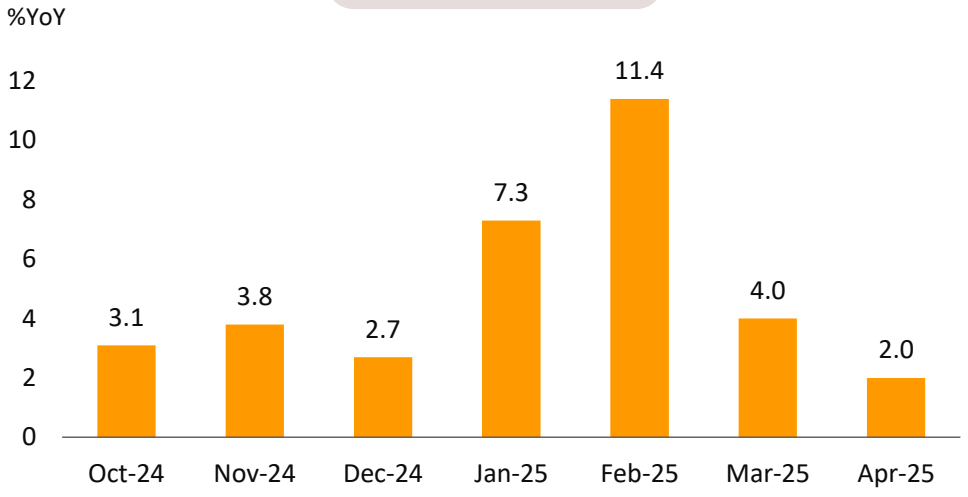
Source: ECB, CEIC, investing.com, Eurostat, European Union, Bloomberg, Krungsri Research

Krungsri Research's view

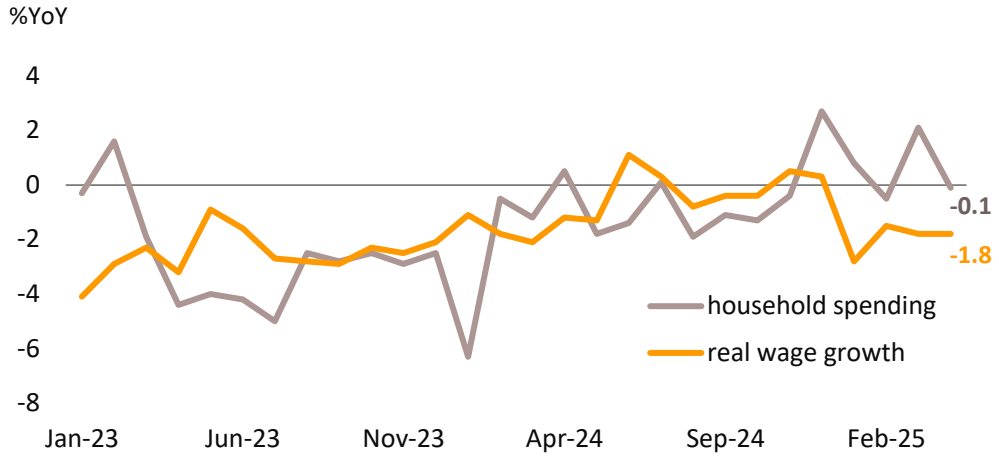
- **Eurozone growth is losing momentum, as seen in falling services PMI and weak sentiment.** The earlier boost from front-loaded exports is fading, while rising US tariff risks continue to pressure the manufacturing sector. Structural challenges—such as an aging population, low productivity, energy dependence, and high public debt—are also weighing on the outlook. As a result, subdued growth is expected to persist through year-end.
- The EU may agree to a 10% US universal tariff, reduce duties on US cars, and boost purchases of US commodities and military equipment to ease trade tensions. **However, risks remain, especially the proposed US tariff on medical products,** which could disrupt the EU's medical technology ecosystem. In 2024, the US was the top destination for extra-EU exports of medical products, accounting for 38.2%. While the risk of a 50% tariff hike on all EU imports has eased, the risk may resurface if the US government wins its legal appeal. **Our analysis estimates long-term EU export losses of -1.49% if 50% US tariffs under Section 232 are imposed on key goods like steel, autos, copper, pharmaceuticals, semiconductors, and critical minerals.**
- **ECB signals nearing end of monetary easing cycle.** Recession risks remain low, supported by a resilient labor market, easing inflation, and rising real incomes, as well as Germany's additional fiscal stimulus from 2H25. With inflation now below the ECB's 2% target, Krungsri Research expects 1–2 more rate cuts this year, bringing the policy rate to 1.50–1.75% by end-2025.

Japan: Services sector is expected to support the economy in 2H25, but rising trade risks may weigh on manufacturing, keeping overall growth subdued

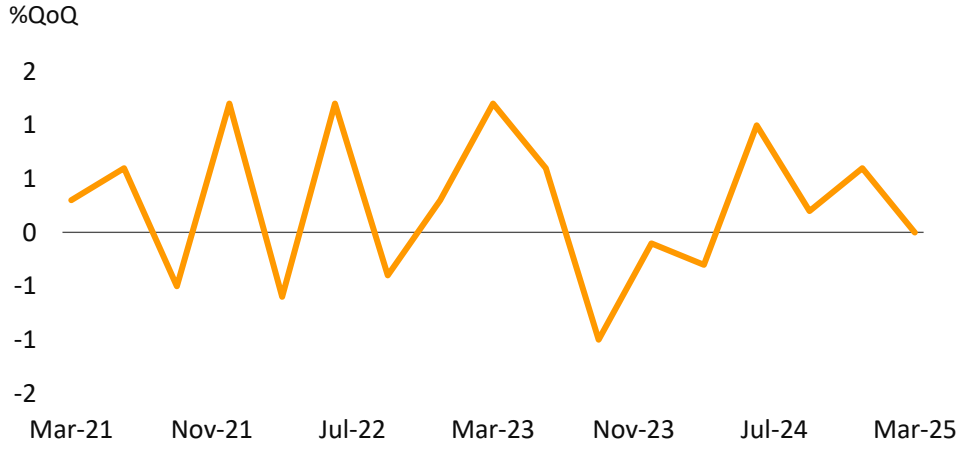
Japan exports



Household Spending and Real Wage Growth



Real GDP growth



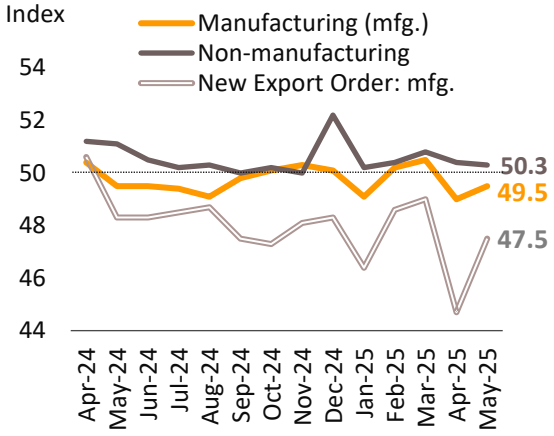
Source: Bank of Japan, CEIC, Investing.com, Krungsri Research

Krungsri Research's view

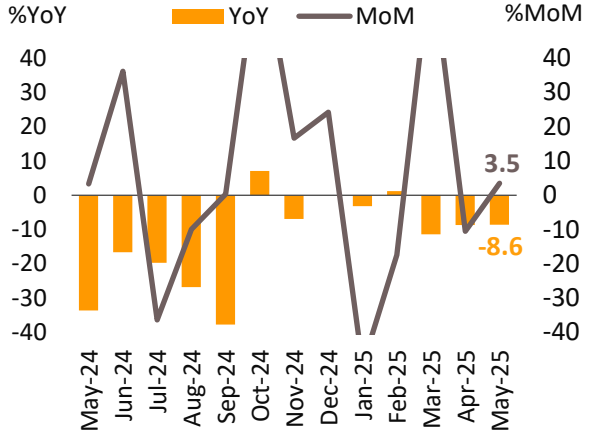
- **High inflation continues to erode purchasing power,** with real wages and household spending falling in April. Exports and industrial production are weakening as early gains from front-loaded shipments fade after US tariffs took effect. However, consumption could see some improvement due to (i) utility subsidies and rice stockpile releases, which would ease price pressures; (ii) more positive impacts on income following over 5% wage hikes since April; (iii) a rebound in services, especially the tourism sector.
- **Despite potential improvement in 2H25, Japan's economic growth is expected to remain subdued for the rest of this year** due to rising tariff-related pressures, particularly the risk of US tariffs on automobiles—a key export sector, with the US accounting for 36.4% of Japan's car exports in 2024. So far, Japan-US trade negotiations remain out of reach. **Our analysis estimates long-term export losses for Japan at -4.28% if the US imposes 50% tariffs on key products, including steel, autos, copper, pharmaceuticals, semiconductors, and critical minerals.**
- **The BOJ remains cautious of tariff impacts and is closely monitoring real wage growth, household spending, and the development of US trade talks.** Krungsri Research expects the policy rate to be maintained at 0.5% throughout this year to support the economic recovery.

China: Despite trade truce and favorable US court ruling, trade war risks remain and could weigh on growth; fiscal stimulus still needed to sustain 2H25 growth

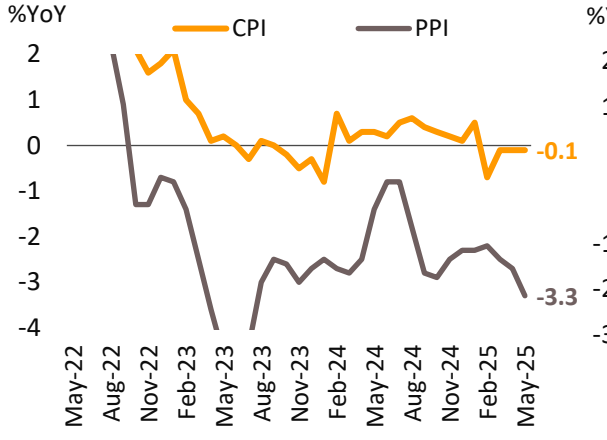
Purchasing Managers' Index (PMI)



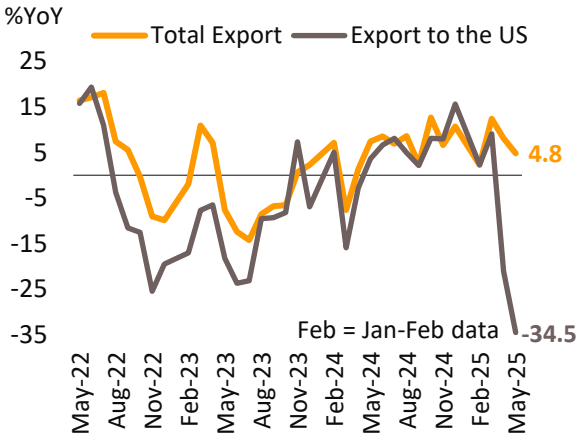
New Home Sales by Top 100 Developers



Consumer and Producer Price Indices

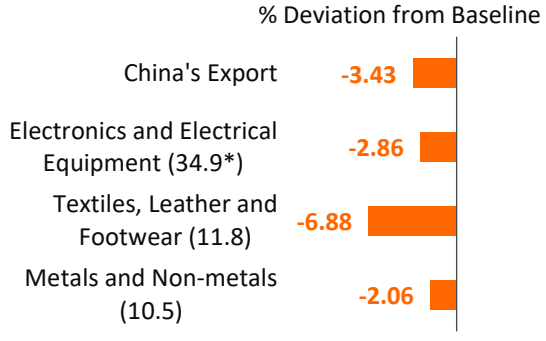


Exports



Long-term Impact of US Tariffs on China's Export

Current ◆ The US imposes 30% tariffs on China and 10% on others (excl. some goods). China imposes 10% on the US. The US imposes 50% on all steel & aluminum and 25% on all autos & parts.



50% US Tariffs on Specific Products, including steel & aluminum, autos & parts, copper, pharmaceuticals, semiconductors, lumber and certain critical minerals.



* Figures in brackets = % share of total exports in 2023.

Source: NBS, CEIC, Bloomberg, Reuters, GTAP and Krungsri Research

Krungsri Research's view

- **China's economy remains fragile** despite some improvement in manufacturing after the US-China trade truce. The real estate sector continued to decline. Headline inflation has stayed below 1% for 27 straight months. Export growth softened, likely reflecting lingering effects from tariffs imposed before the truce. Without additional fiscal stimulus measures and amid uncertainties surrounding US trade policy, GDP is likely to grow at a slower pace in 2H25.
- **Trade tensions temporarily eased after the mid-May truce. However, the risk of further escalation remains,** as the US could still impose tariffs using other legal tools—particularly Section 232—while the IEEPA remains under legal dispute.
  - Even without reciprocal tariffs, export losses from the expansion in both scale and coverage of affected products under Section 232 would be close to those under current tariffs (-3.05% vs. -3.43%).
  - In addition, the impact of tariff hikes on key industries could be more severe, especially Electronics and Electrical Equipment, which could face export losses 1.7 times greater than those under the current tariffs.
  - The size of the overall impact might be contained as net exports made up just 2.1% of GDP in 1Q25. However, a surge in their contribution to GDP growth from 12% in 2Q24 to 40% in 1Q25 exposes China to greater risks of slower growth from tariffs.

Israel-Iran conflict escalates; oil market faces uncertainty amid rising geopolitical tensions

🔥🚀 Recent development

Israeli Airstrikes: On June 13, Israel initiated "Operation Rising Lion," a large-scale aerial assault targeting Iran's nuclear facilities and military infrastructure.

Iranian Retaliation: In response, Iran launched "Operation True Promise III," a retaliatory strike involving over 150 ballistic missiles and more than 100 drones targeting Israeli military and civilian sites.

International Reactions: The US has issued stern warnings to Iran, emphasizing the potential for unprecedented military retaliation if American interests are targeted.

Regional Implications: The conflict has disrupted regional stability, with the United Kingdom deploying additional military jets to the Middle East as a precautionary measure.

Outlook: The situation remains uncertain, with both nations demonstrating their willingness to escalate military actions. The international community continues to advocate for de-escalation and renewed diplomatic negotiations to prevent further regional destabilization. International concern is growing that the conflict will spread across the oil-producing region.

🛢️📈 Oil Price Scenarios

Oil price scenarios, escalating from ongoing strikes without full war to regional war. Oil prices could range from $70 to over $120, depending on severity. Markets are now highly sensitive to recent developments between Israel and Iran.

🛢️⚠️ **1. Moderate Scenario – Ongoing Strikes Without Full War.**
Continued tit-for-tat strikes between Israel and Iran. Some supply disruption (~600,000 barrels/day or 0.6% of global supply), due to tougher sanctions.
Brent crude price: may rise by $5–10, reaching around $75–80.

🛢️🔥 **2. Serious Scenario – Israeli Strikes on Iran's Oil Infrastructure.**
Israel targets Iran's oil wells/export terminals. Iran's output drops by up to 1.7 million barrels/day. OPEC members could offset the loss, but may choose not to.
Brent crude price: could rise gradually up to just under $90.

🛢️🚫 **3. Severe Scenario – Iran Closes Strait of Hormuz**
Iran blocks the key shipping route for 30% of global seaborne oil. This would be risky and unprecedented, but possible if Iran is desperate. Limited alternative routes for Iraq, Kuwait, Oman, Qatar.
Brent crude price: could exceed $100 per barrel.

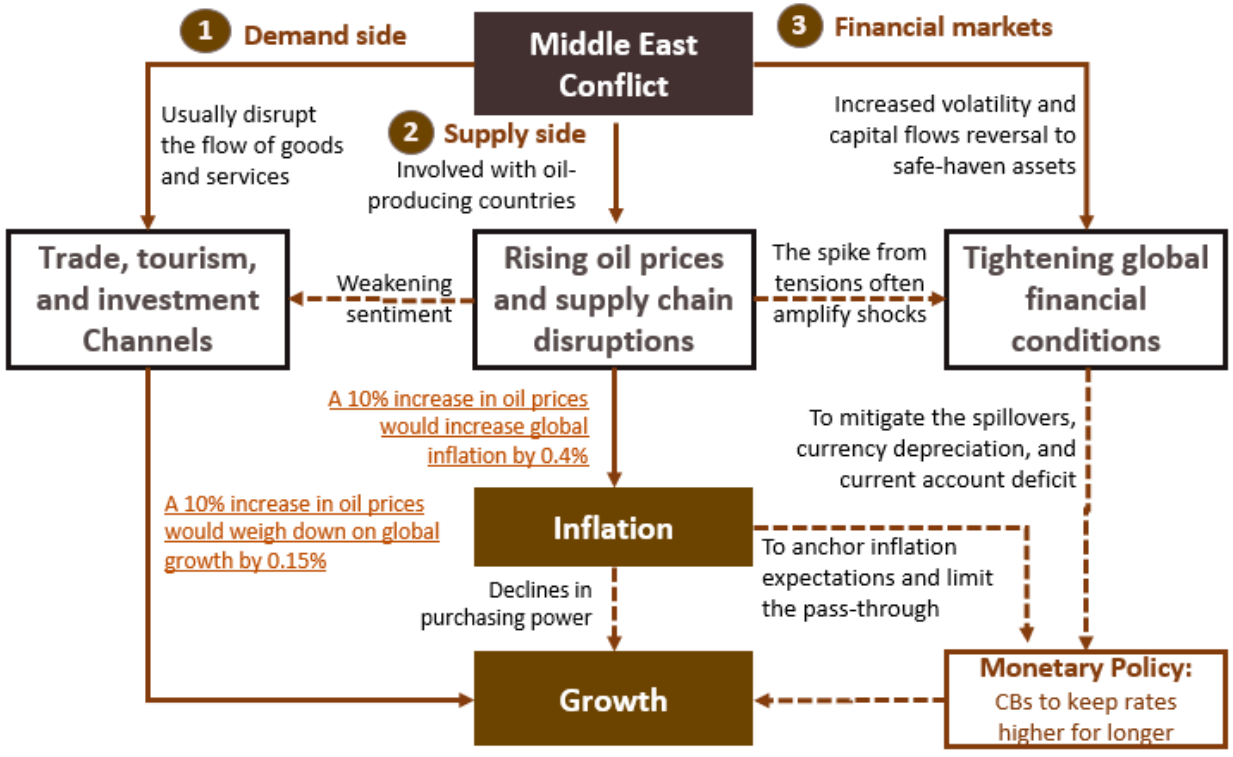
🛢️💣 **4. Worst Case – Missile Strikes on Gulf Oil Fields**
Iran launches missile attacks on major oil fields in the Gulf. Infrastructure damage is hard to prevent, especially in Saudi Arabia.
Brent crude price: could spike to above $120 per barrel.

Source: The Economist, Bloomberg, The New York Post, The Guardian, Krungsri Research

The Middle East conflict and the Thai Economy: Conflict in the Middle East can affect economic activities through the demand side, the production channel, and financial markets

- **Conflict in the Middle East can impact economic activities through three primary channels**: **i) demand side**, resulting from disrupted trade, tourism, and investment**; ii) supply side,** where rising oil prices can lead to higher production costs, inflation, and a subsequent decline in purchasing power and investment demand. Indirectly, it will also weaken consumer and business sentiment. In the worse case (scenario 2-4), it could lead to global supply chain disruptions**; iii) financial markets**, as rising tensions and uncertainties often amplify volatility, leading to risk-off sentiment.
- **The impact on the Thai economy depends on the intensity and duration of the conflict**. **Given the current situation, the primary effect is from the supply side due to the increase in oil prices**. **Effects from financial markets are relatively limited, given Thailand's resilient external stability.** In the worse-case scenarios (scenario 2-4), however, tightening financial conditions could eventually impact monetary policy and the economy.

Linkages between the Conflict and Global Economy



Source: IMF, BOT, Krungsri Research

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

	Scenario	Average oil price in 2025 ($/barrel)	% Increase from 2024 ($80/barrel)	Impact on GDP growth (ppt)	Impact on Inflation (ppt)
1	Moderate	$75-80	0%	-	-
2	Serious	$90	12.5%	▼ 0.13	▲ 0.63
3	Severe	$100	25%	▼ 0.25	▲ 1.25
4	Worst	$120	50%	▼ 0.50	▲ 2.50

According to the Bank of Thailand'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. Given the average oil price in 2024 at $80/barrel, inflation might surge up by 2.5 ppt, and growth could decline by 0.5 ppt in the worst-case scenario.

Thailand: Hidden US tariff risks and beneath-the-surface structural headwinds

- **Given the continued uncertainty surrounding the US tariff policy, Krungsri Research has developed two scenarios for our projections:**

  1. Reference Scenario (or main scenario)

  This scenario assumes the status quo—10% US tariffs on nearly all countries, including Thailand, and 30% on China. Under this assumption, **we project GDP growth slowing to 2.1% in 2025.** The impact on Thai exports would remain relatively contained. The economic slowdown also reflects weak growth momentum, particularly in private consumption and declining private investment, amid ongoing tariff-related uncertainties.

  2. Alternative Scenario

  This scenario assumes a more adverse outcome: the US imposes a full reciprocal tariff as announced on April 2 on all countries (e.g., 36% on imports from Thailand), or Thailand fares less favorably than its competitors in trade negotiations and faces relatively steeper tariffs. **Under this scenario, 2025 GDP growth would soften to 1.5%.** Thai export growth this year would be close to zero, and investment records a bigger decline.

- **The softer economic growth and subdued inflationary pressure suggest further monetary easing**. In the Reference Scenario, we expect the policy rate to be reduced to 1.25-1.50% p.a. by year-end (1-2 more cuts). In the Alternative Scenario, with a higher risk of economic recession, the policy rate could fall further to 0.75% p.a. by end-2025 (4 additional cuts).

- **Key risk factors to our outlook include:**

  1. US tariff policy and progress in trade negotiations
  2. International political and geopolitical developments
  3. Thailand's policy uncertainty with limited fiscal space
  4. Structural challenges such as declining manufacturing competitiveness, high household debt, and aged demographics.

Krungsri Research Forecasts for 2025

Krungsri Research Forecast		2023	2024	2025F		
				Previous	Latest	
					Reference[1/]	Alternative[2/]
GDP growth	YoY (%)	2.0	2.5	2.7	2.1	1.5
Private Consumption Expenditure	YoY (%)	6.9	4.4	2.8	2.6	2.1
Government Consumption Expenditure	YoY (%)	-4.7	2.5	1.5	1.5	1.5
Private Investment	YoY (%)	3.1	-1.6	2.6	-0.5	-2.2
Public Investment	YoY (%)	-4.2	4.8	3.8	5.8	5.8
Nominal Exports in USD (f.o.b.)	YoY (%)	-1.5	5.8	2.7	2.0	0.0
Nominal Imports in USD (f.o.b.)	YoY (%)	-3.8	6.3	3.5	2.2	0.5
Current Account Balance	USD, bn	7.4	11.1	12.6	12.1	9.9
Tourist Arrivals	Mn, persons	28.2	35.5	38	36.5	35.5
Headline Inflation	YoY (%)	1.2	0.4	1.0	0.6	0.3
Policy Interest rate (end of period)	(%)	2.50	2.25	2.00	1.25	0.75
Dubai crude price - period average	USD/bbl	82	80	78	70	65

1/ Reference scenario (As-is):

- US imposes a 10% tariff on most countries (including Thailand), and a 30% tariff on China.
- China imposes a 10% tariff on US goods.

2/ Alternative scenario:

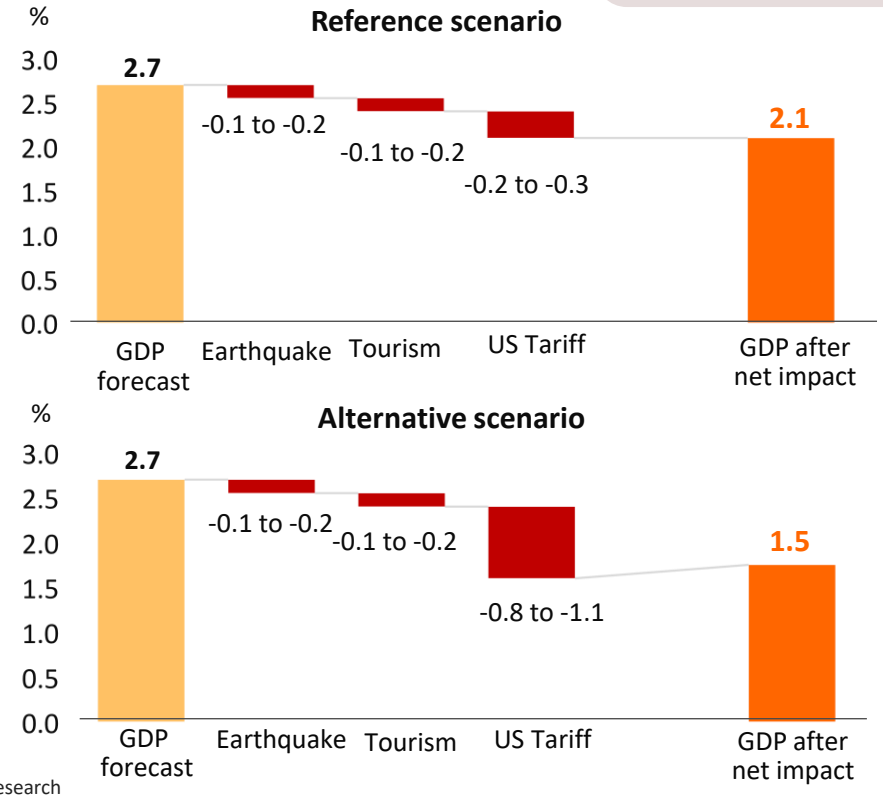
- US imposes reciprocal tariffs, or
- Thailand faces relatively higher tariffs than competitors.
  - Export growth this year would be close to zero.

Source: NESDC, BOT, MOC, MOTS, Bloomberg, Krungsri Research

2025 GDP Outlook: Reference scenario projected at 2.1% with current tariffs, 1.5% under escalating trade tensions — a scenario-ception driven by tariff risks

- **In our Reference Scenario (or main scenario),** assuming the status quo—10% US tariffs on nearly all countries, including Thailand, and 30% on China, the impact on Thai exports would remain relatively contained. **We project GDP growth slowing to 2.1% in 2025,** reflecting weak growth momentum, particularly in private consumption and declining private investment, amid ongoing tariff-related uncertainties. Tourist arrivals have also been revised downward to 36.5 million, mainly due to a slower-than-expected recovery in Chinese inbound travelers.
- **For Alternative Scenario,** assuming that the US imposes a full reciprocal tariff as announced on April 2 on all countries (e.g., 36% on imports from Thailand), or Thailand fares less favorably than its competitors in trade negotiations and faces relatively steeper tariffs, Thai export growth this year would be close to zero, investment recorded a bigger decline, and **2025 GDP growth would soften to 1.5%.** Global economic headwinds would also weigh on tourism, limiting arrivals to 35.5 million, roughly unchanged from last year.

Scenarios of 2025 Thai GDP Growth Forecast



Source: Krungsri Research

Downside

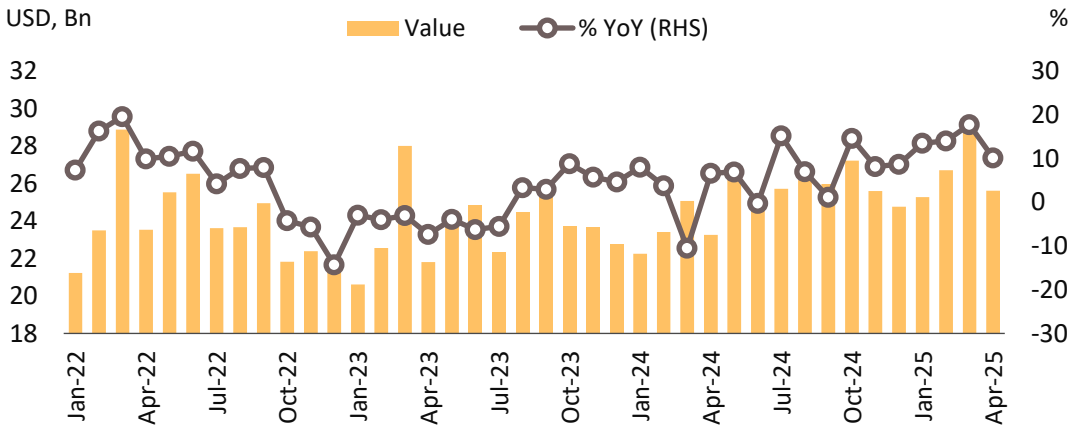
- Thailand cannot successfully negotiate with the US at all.
- Cambodia and Vietnam, and/or other key competitors can successfully negotiate, bringing their tariffs significantly down.
- Domestic stimulus measures fail to revive confidence.
- Weaker-than-expected tourism sector due to a lack of confidence in traveling to Thailand.

Upside

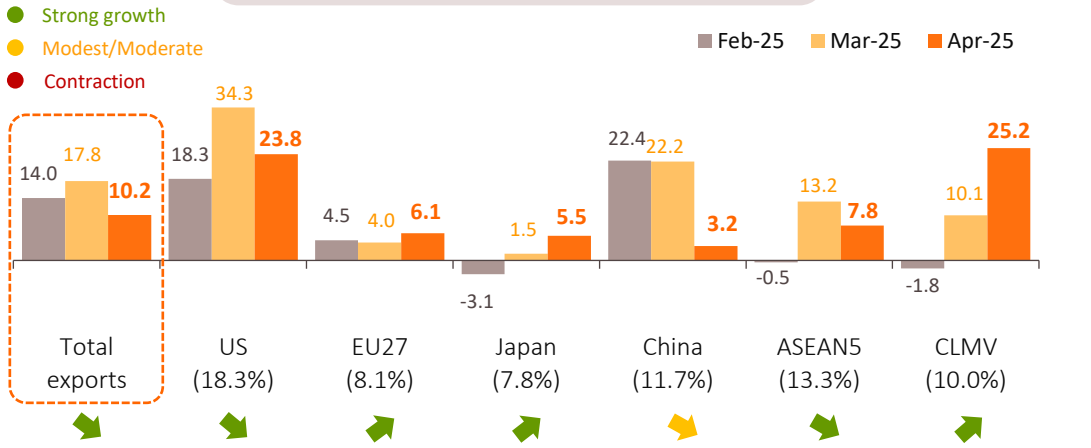
- Thailand successfully negotiates with the US earlier than expected.
- Supply chain realignment opportunities such as gains from substitution effects and investment relocation.
- Thai government introduces very effective measures to mitigate the tariff impact and/or boost domestic demand.

Exports in April posted double-digit growth for the 4th straight month, but starting to show fading momentum; uncertainties over US tariffs threaten the outlook

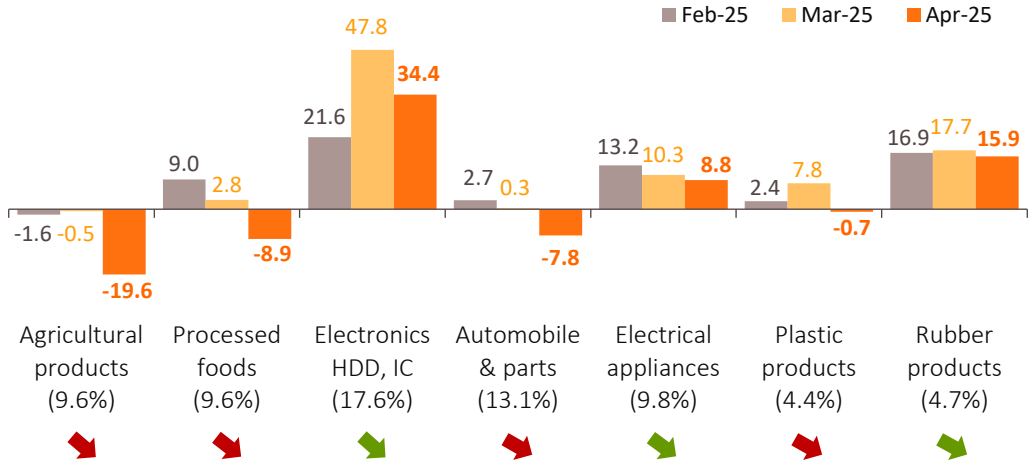
Exports



Exports by major destination (%YoY)



Exports by major product (%YoY)



Note: (% share in 2024)
Source: MOC, Krungsri Research

Krungsri Research's view

- **In April, merchandise export value totaled USD 25.6 bn,** marking the tenth consecutive month of growth and the fourth straight month of double-digit expansion with a 10.2% YoY growth. Excluding oil, gold, and weapons, exports rose by 7.1%, driven by the export of computers and parts, circuit boards, and rubber products. **However, exports in several key categories contracted**, including automobiles, equipment and parts, rice, and fresh, chilled, frozen, and dried fruits. By destination, exports expanded in nearly all markets, particularly the US. Overall, export value in the first four months of 2025 grew by 14.0%.
- The high export value during Jan-April 2025 may have been driven by temporary factors, such as front-loaded demand in response to uncertainty over US tariff policies. Trade tensions remain high, as former President Trump's trade measures are still undergoing legal review in the US. This makes it difficult to assess the policy direction and reflects ongoing uncertainty and the potential risk of reciprocal tariffs.
- **Under our reference scenario,** in which the U.S. imposes a 10% import tariff on most countries, including Thailand, **Thai exports are expected to grow by only 2.0% this year**, down significantly from the double-digit growth seen earlier in the year. **In the alternative scenario,** where Thai products face higher US tariffs, Thai export growth this year may be close to zero.

2025 Export Outlook: Reference scenario projected 2.0% growth with current tariffs, 0% under escalating trade tensions

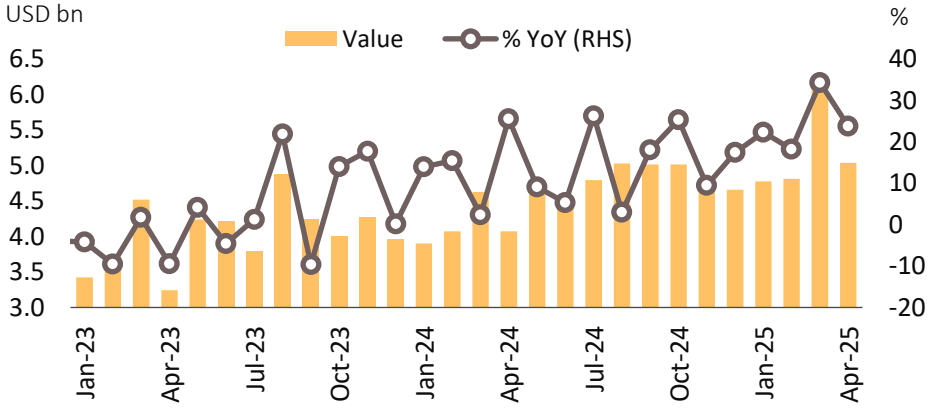
In the first four months of 2025, Thai exports grew 14.0% YoY (based on MOC data), led by Industrial products, which expanded by 18.7% (including computers & components, electronic integrated circuits, and electrical appliances), agro-industrial products which expanded by 3.8% (such as pet food and fresh, chilled, frozen, and processed chicken). However, exports of agricultural products decreased by -7.3%, led by rice and cassava products. Also, exports of cars and parts continued to contract. The impending US tariff hikes present a major downside risk. Thai exporters front-loaded shipments ahead of the tariffs, but this short-term boost may fade. The WTO now projects a 0.2% decline in global trade for 2025, reversing its earlier 3.0% growth forecast. **Krungsri Research expects 2025 export growth at 2.0% with current tariffs and 0% under high reciprocal tariffs.**

Thai exports by major product and destination

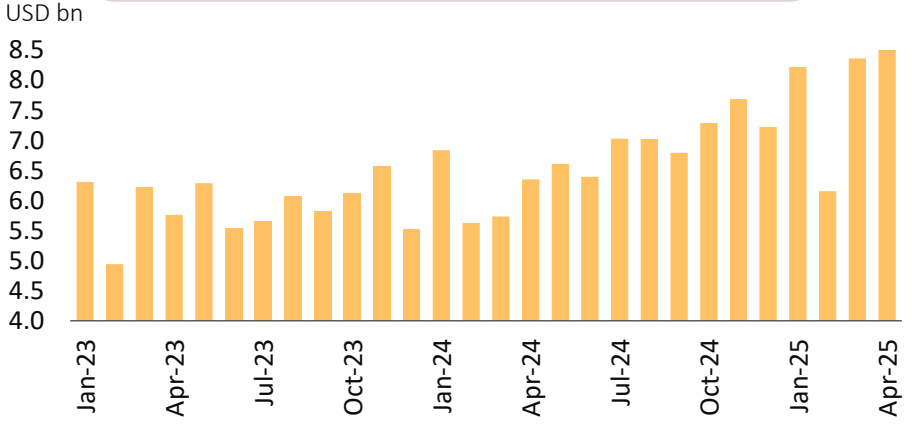
Thailand: January-April's Export growth (% YoY)	World	US (18%)	EU (8%)	Japan (8%)	China (12%)	ASEAN-5 (13%)	CLMV (10%)
Total	**+14.0**	**+25.0**	**+7.3**	**+1.3**	**+14.3**	**+6.2**	**+9.3**
Cars & parts (10.3%)	-4.8	+7.9	-23.0	-10.3	-19.9	-1.36	+45.0
Computer & parts (8.2%)	+64.3	+66.6	+60.8	-0.5	+172	+22.4	+113.0
Rubber products (4.7%)	+17.6	+7.5	+3.3	+5.8	+63	+10.8	+5.6
Plastic resin (2.9%)	+1.8	+3.6	+3.7	+5.4	-5.1	+14.6	+6.5
Electronic IC (2.9%)	+28.1	+28.6	-6.1	-6.6	+4.9	+8.7	+169.0
Chemical products (2.8%)	+10.0	+50.7	+13.8	-2.6	+36.5	-2.6	+17.7
Fresh, frozen & dried fruit (2.2%)	-24.8	-9.5	+15.6	+16.6	-29.1	+31.2	+38.9
Rice (2.1%)	-34.1	+9.8	+21.7	-36.4	+38.4	-83	+5.8
Electrical appliances (1.8%)	+12.7	+11.6	+25.9	-1.9	+3.0	+12.7	+19.1
Rubber (1.7%)	+30.1	+3.7	-1.3	+54.4	+68.8	-5.3	+20
Plastic products (1.5%)	+7.6	+37.5	-8.9	-1.3	-10.8	+1.9	+0.4
Preserved fish, crustaceans (1.3%)	+1.2	+6.6	+3.6	+1.0	+9.7	+19.3	+7.8
Tapioca products (1.0%)	-11.7	+0.4	+4.4	-15.2	-7.2	-27.5	+22.4
Sugar (0.8%)	+7.7	-65	-90.5	-15.0	+146.1	+14.2	-3.4

Note: (% share in 2024)
Source: MOC, CEIC, Krungsri Research

Thai exports to US surged ahead of tariff hike



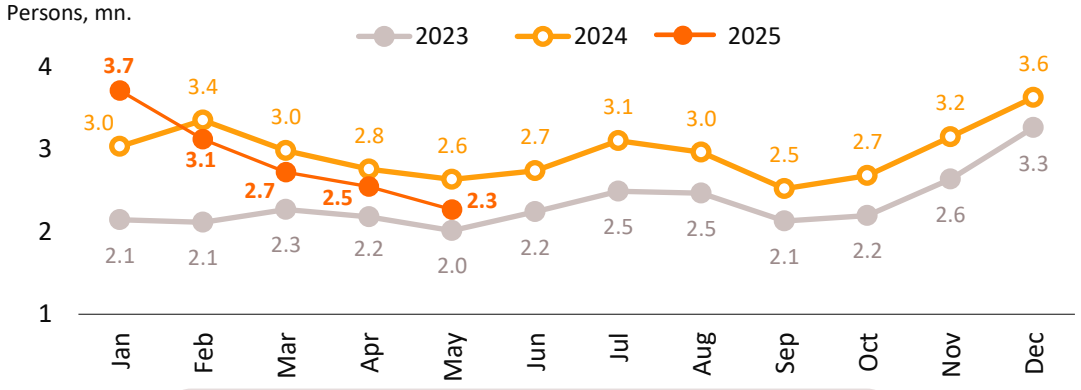
Thai imports from China hit record high in April



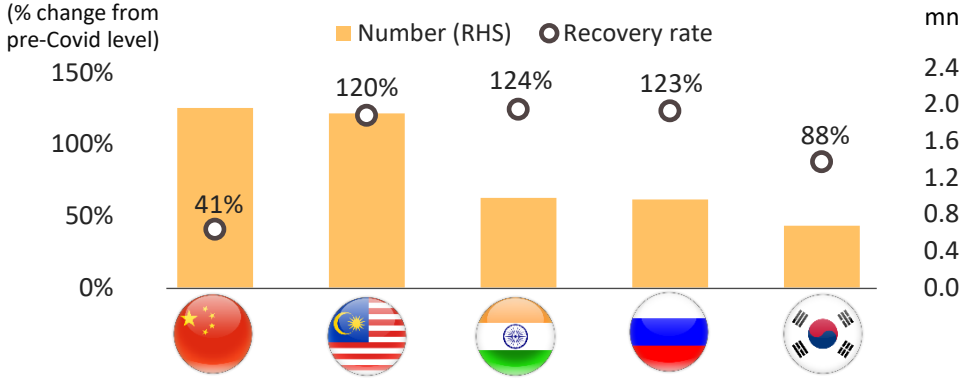
Tourism outlook: Recovery stalls with lower Chinese tourists; 2025 forecast of tourist arrivals revised down to 36.5 mn in our main scenario and 35.5 mn in the worse case

In May 2025, Thailand welcomed 2.27 mn foreign tourists, marking the fourth consecutive monthly decline and the lowest level since November 2023 (dropped -13.9% YoY). The top tourists were Malaysia, China, and India. Tourism revenue for the month totaled THB 95.8 bn, down -18.5% YoY. For during January to May, total foreign tourist arrivals stood at 14.4 mn, (-2.7% YoY), generating THB 676 bn in revenue (-4.7%). The decline was primarily due to the slow recovery of Chinese tourists (only 41% of pre-COVID levels). The tourism recovery remains weak and may provide only limited support to the Thai economy this year. **Our forecast of tourist arrivals in 2025 was revised downward to 36.5 mn from the slower-than-expected recovery in Chinese inbound travelers due to safety concerns and rising competition. In the worse case, global economic headwinds would also weigh on tourism, limiting arrivals to 35.5 mn, roughly unchanged from last year.**

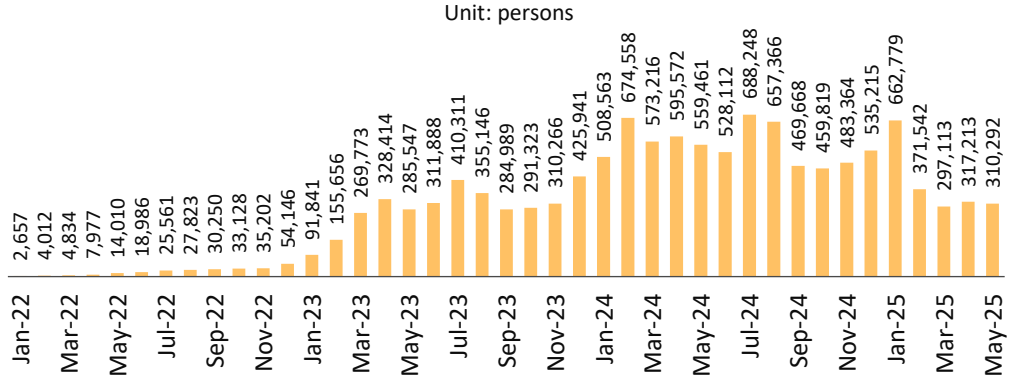
Foreign tourist arrivals fell to 19-month low of 2.27 mn in May



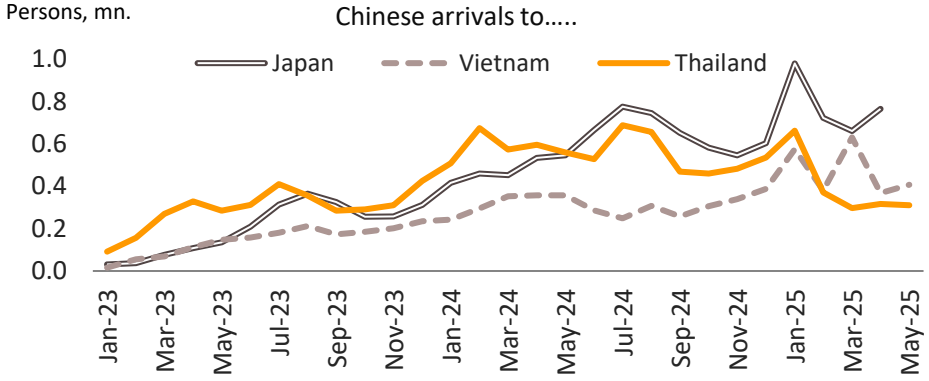
Top 5 tourist arrivals by country during January-May



Chinese tourists in May decreased 46% YoY



Thailand losing appeal among Chinese tourists

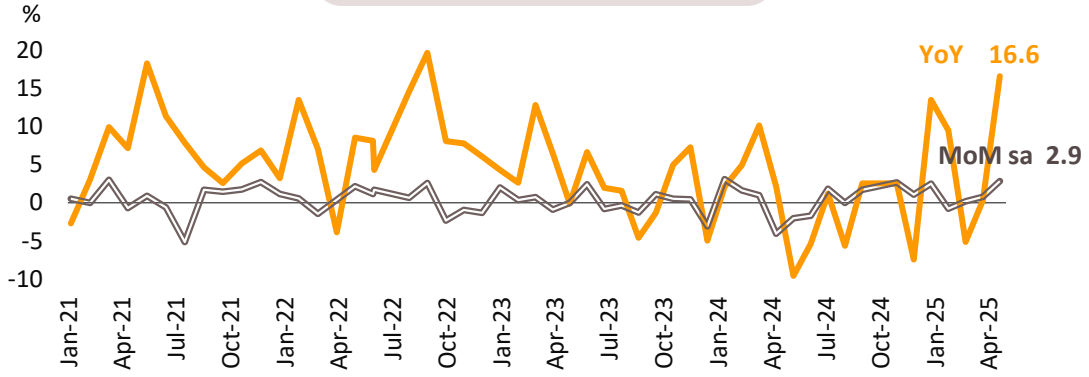


Source: MOTS, CEIC, Krungsri Research

Private investment outlook: Manufacturing temporarily rebounds and services remain weak; 2025 growth expected at -0.5% under current tariffs, potentially falling to -2.2% with higher tariffs

In April, the Private Investment Index accelerated by 16.9% YoY, driven by increased investment in machinery and equipment, in line with a rebound in manufacturing production. This may partly reflect a short-term boost from restocking production, following front-loaded exports in the previous period to avoid potential impacts from US import tariff hikes. However, persistent uncertainty surrounding US trade tariff policies continues to weigh on business sentiment. **Private investment is expected to remain sluggish this year, with a projected contraction of -0.5% under the reference scenario, and a deeper decline of -2.2% in the case of high reciprocal tariffs.**

Private Investment Index

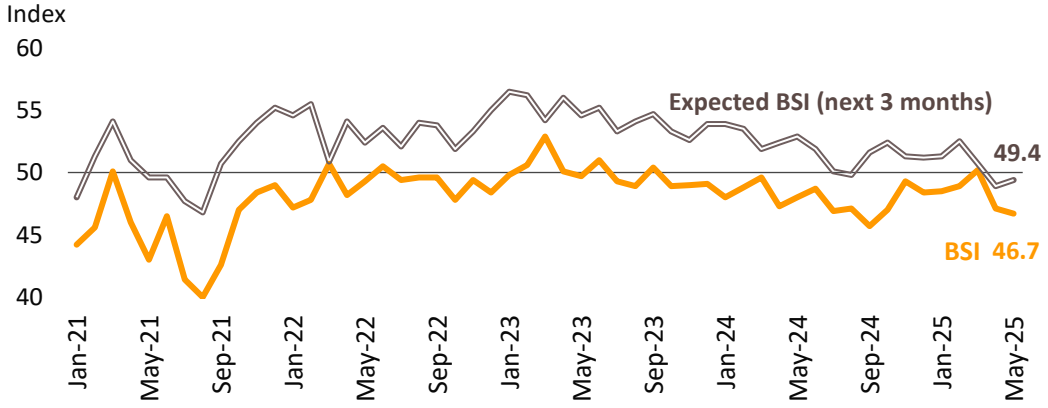


Private Investment Index by category

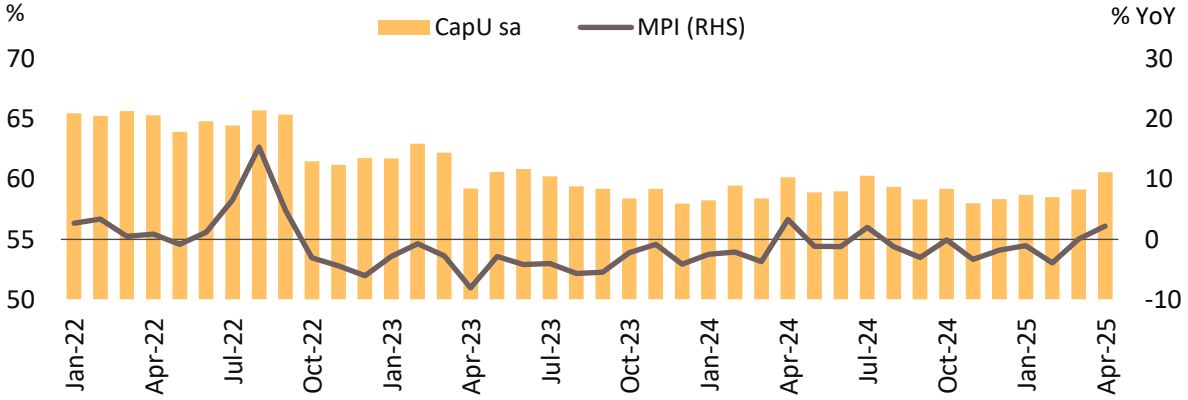
%YoY*	2023												2024												2025			
	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A
Private investment																												16.6
Vehicle																												8.0
Machinery and Equipment																												26.4
Construction																												-1.5

**Green > 0%, Red < 0% / Darker green (red) indicates stronger (weaker) momentum*

Business Sentiment hits 8-month low in May



Manufacturing Production Index and Capacity Utilization Rate

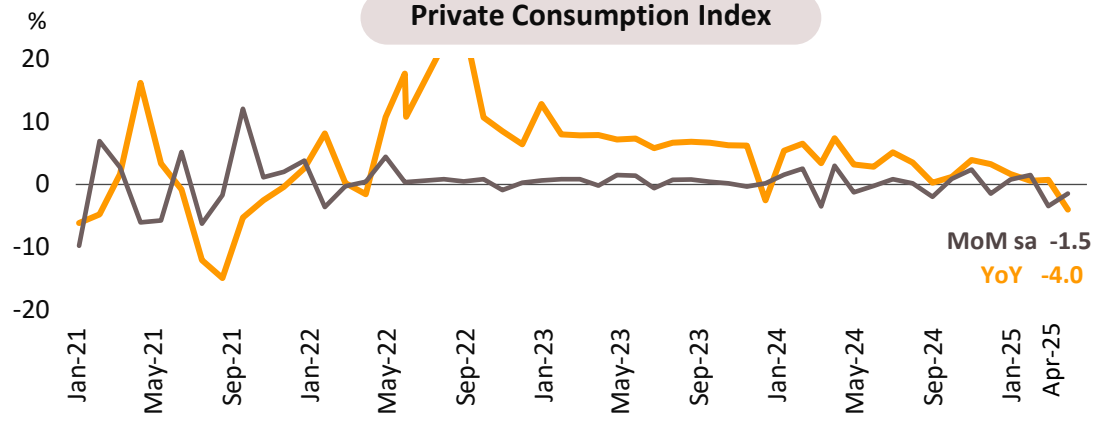


Source: BOT, OIE, Krungsri Research

Private consumption outlook faces several headwinds; 2025 growth expected at 2.6% but high tariffs could drag it down to 2.1%

In April, the Private Consumption Index (PCI) contracted by -4.0% YoY, marking the first decline in 16 months. The contraction was driven by reduced spending across several categories, particularly in services related to hotels and restaurants, reflecting both lower domestic spending by Thais and outbound travel**.** Private consumption is likely to face mounting pressure from several headwinds: (i) US tariff hikes and slow tourism recovery which could affect employment and income; (ii) weak consumer confidence index (CCI); (iii) falling farm incomes due to lower agricultural prices; and (iv) high household debt. **Under the reference scenario, private consumption is expected to grow by 2.6%. In case of higher tariffs, which could significantly impact employment in export-related manufacturing, private consumption growth could slow further to 2.1% in 2025.**

Private Consumption Index

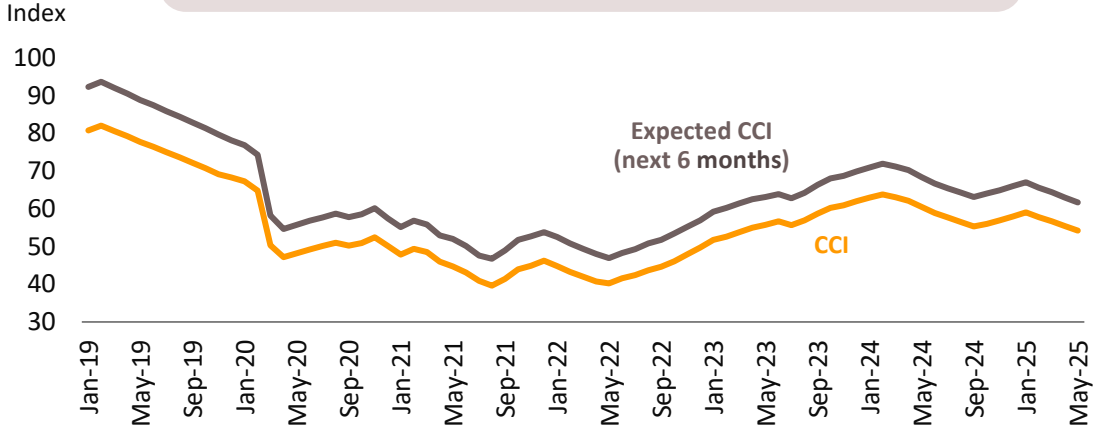


Private consumption index by category

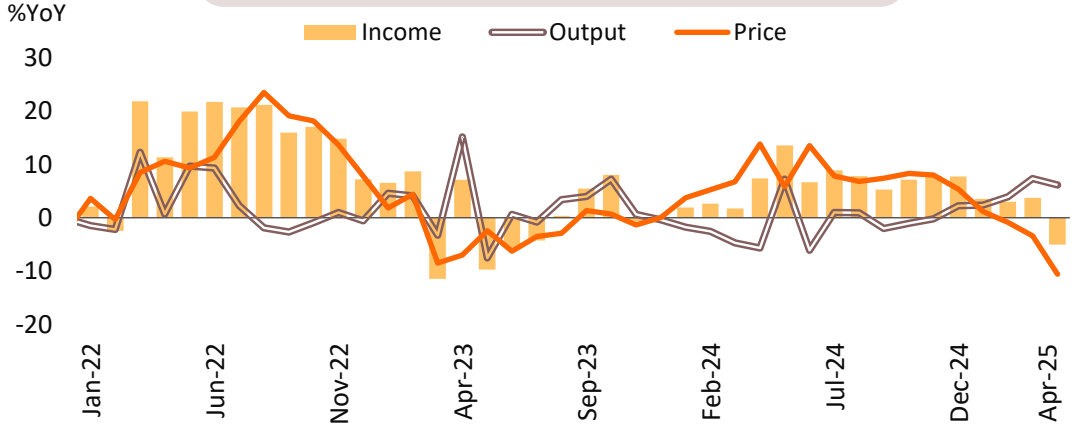
%YoY*	2023												2024												2025			
	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A
Private consumption																												-4.0
Non-durables																												-1.8
Semi-durables																												-0.9
Durables																												3.4
Services																												-2.1
Non-residents expenditure																												29.9

**Green > 0%, Red < 0% / Darker green (red) indicates stronger (weaker) momentum*

Consumer Confidence Index fell to 26-month low in May



Farm income declined following price effect

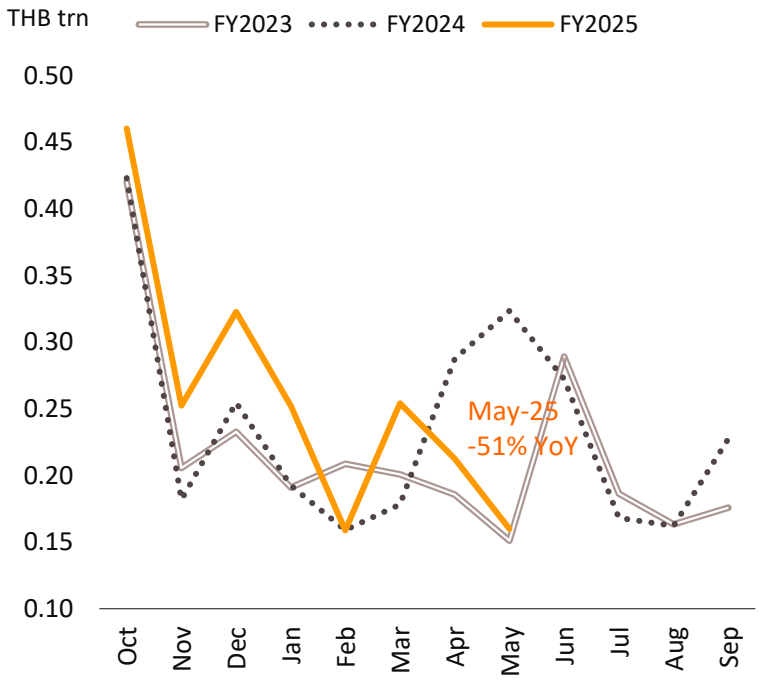


Source: BOT, UTCC, OAG, NSO, CEIC, Krungsri Research

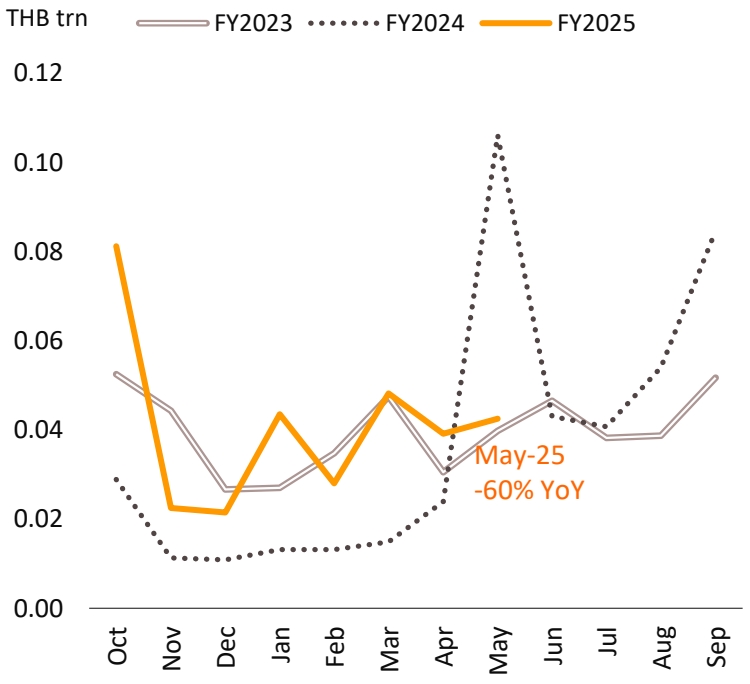
Government spending: Monitor accelerated capital disbursement and reallocation of THB 157 bn stimulus program in remaining FY2025

Preliminary data from the Ministry of Finance indicates that in May, disbursement of the current budget and capital budget declined by -51% and -60% YoY, respectively. However, **in the first eight months of FY2025 (October 2024 to May 2025), disbursement of the current budget increased 3.7% YoY to THB 2.07 trn, accounting for 74.5% of the annual budget. For the capital budget, the government's disbursement increased 47% YoY to THB 0.33 trn, but accounting for only 33.7% of the annual budget.** For the THB 157 bn budget for stimulus measures, the government has reallocated funds from the digital wallet scheme to support small- and medium-scale infrastructure projects, boost domestic tourism, and assist exporters affected by US import tariff measures. The revised plan is set to be reviewed and approved in June.

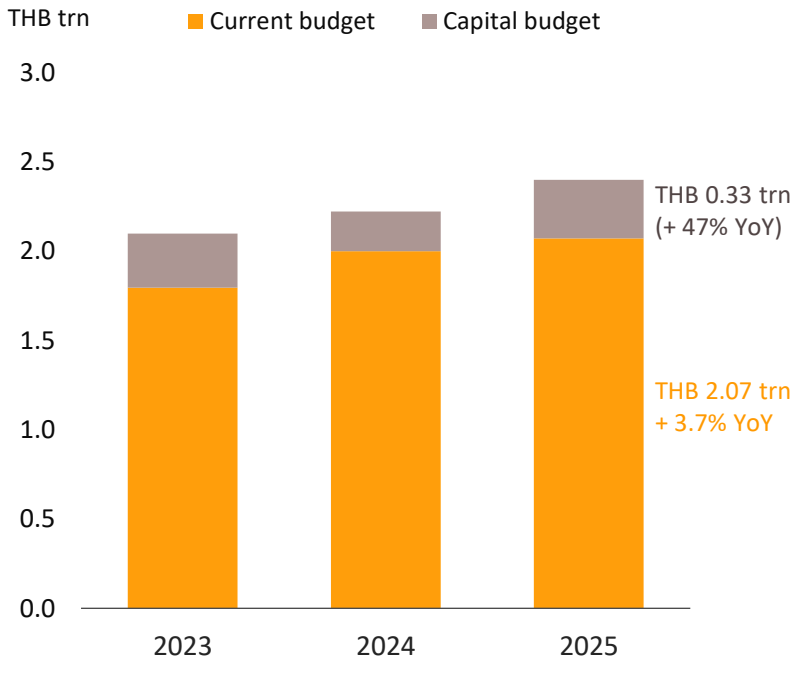
Disbursement of current budget



Disbursement of capital budget

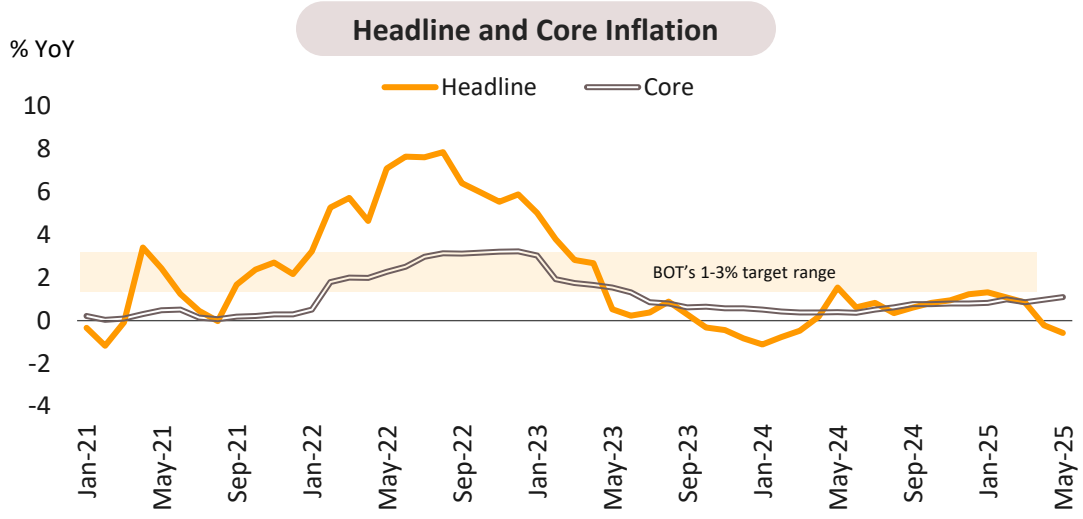


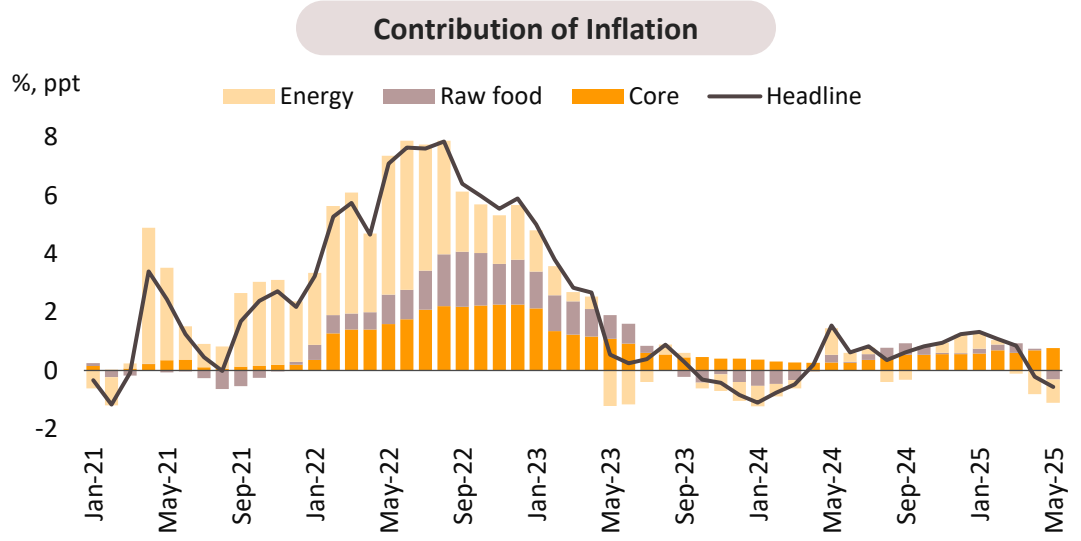
Total disbursement during October-May



Source: MOF, Krungsri Research

Soft *Inflation* and US tariff policy risks may prompt further monetary easing in 2H25; BOT may cut rates 1–2 times under reference scenario, with 0.75% possible in worst-case





Source: MOC, CEIC, Krungsri Research

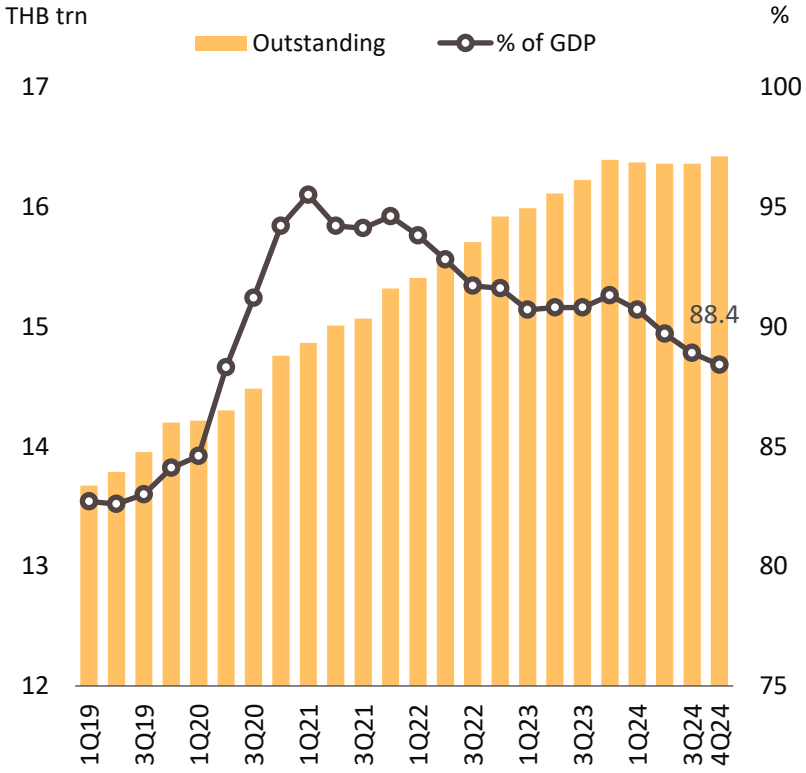
Krungsri Research's view

- **Headline inflation in May stood at -0.57% YoY, marking a continued decline from -0.22% in April.** The negative inflation was primarily driven by: (i) a drop in raw food prices, especially vegetables and fruits, due to increased market supply; (ii) lower energy prices in line with global crude oil trends; and (iii) a high base effect from the previous year. Core inflation (excluding raw food and energy prices) rose to 1.09% in May from 0.98% in April. For the first five months of the year, average headline and core inflation stood at 0.48% and 0.95%, respectively.
- **We expect inflation to remain low for the rest of the year,** primarily due to low energy prices compared to the previous year, coupled with government measures to cap electricity and cooking gas prices. Favorable weather conditions are also expected to boost agricultural output, increasing market supply. In addition, domestic demand remains weak, as reflected by continued declines in private consumption and deteriorated consumer confidence. **We forecast Thailand's average headline inflation for 2025 at 0.6%,** remaining below the Bank of Thailand's 1-3% target range for the second consecutive year**.**
- **Regarding the policy rate outlook,** still-low inflation and growing risks from trade policies of major economies—potentially impacting Thai exports more visibly in 2H25—could further strain domestic economic conditions. These factors point to the possibility of additional monetary easing by the BOT to support the recovery. **Under the reference scenario, the policy rate could be cut by another 1–2 times this year. In the alternative (worse-case) scenario, with a higher risk of economic recession in 2H25, the rate could fall by a total of 100bps to 0.75% by year-end.**

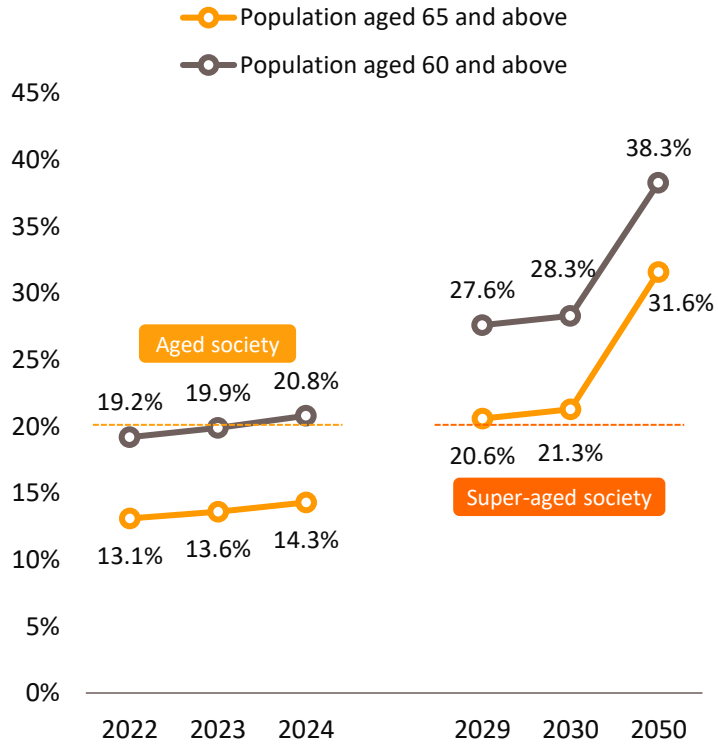
Structural challenges undermine Thailand’s long-term economic potential

Thailand's economy is facing mounting pressures from both external and domestic factors. Externally, uncertainty surrounding the US tariff hikes continues to pose a major risk, undermining business and investor confidence. Domestically, structural challenges include persistently high household debt, a rapidly aging population, and weaker competitiveness in several key industries. In addition, Thailand saw relatively low levels of foreign direct investment (FDI) compared to neighboring ASEAN countries. These domestic structural challenges are constraining the country’s long-term growth potential. Without substantial structural reforms, Thailand’s competitiveness could gradually deteriorate.

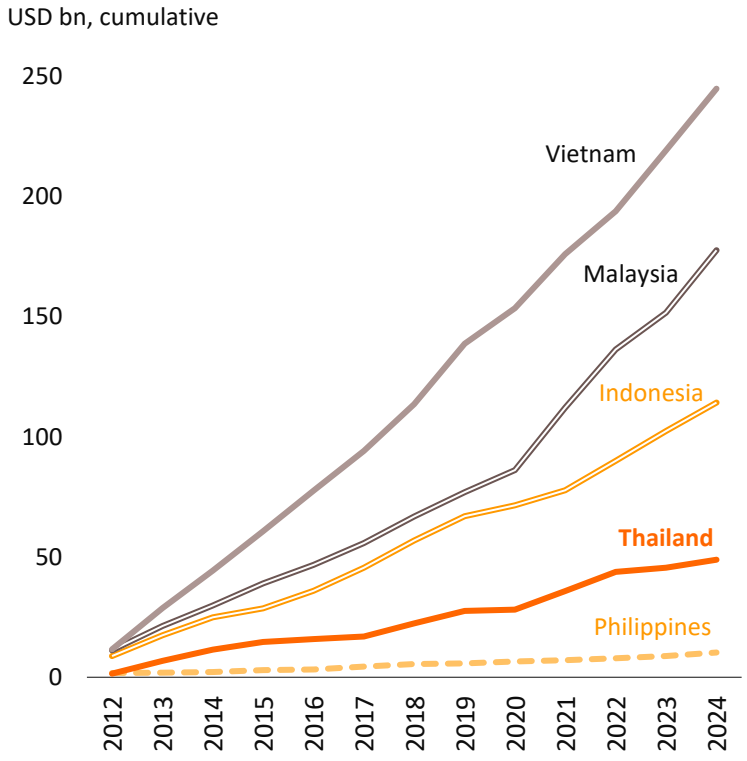
Household debt remains high at 88.4% of GDP in 4Q24



Proportion of aging population in Thailand

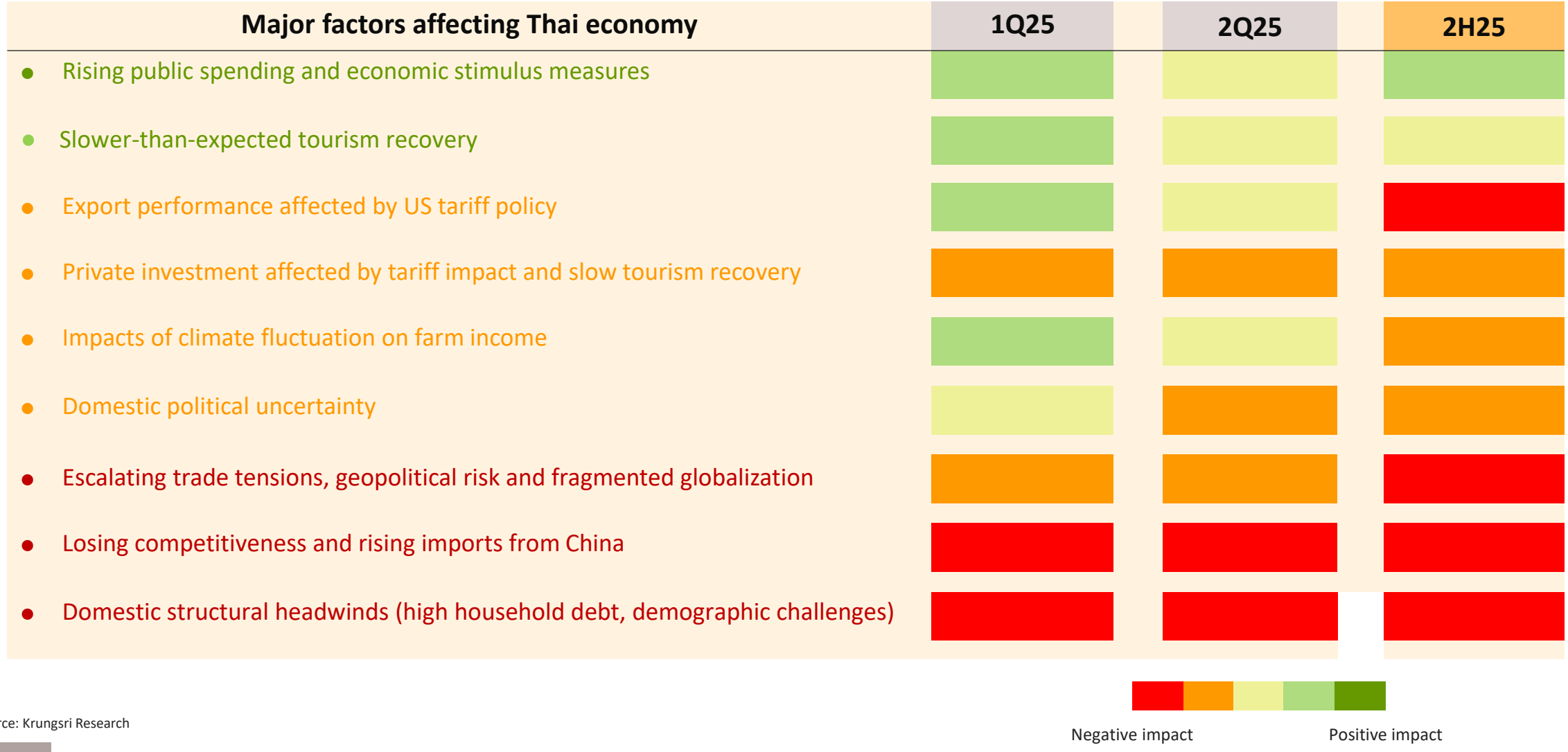


Manufacturing FDI in ASEAN: breakdown by recipient counties



Source: ASEANstats, CEIC, MOPH, BOT, Krungsri Research

Key factors in 2H25: Deeper tariff impact, slow tourism recovery, limited policy space and structural headwinds heighten risk of a negative feedback loop; 2H25 GDP may fall to 1.4%



Source: Krungsri Research

KRUNGSRI RESEARCH

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