

krungsri Research

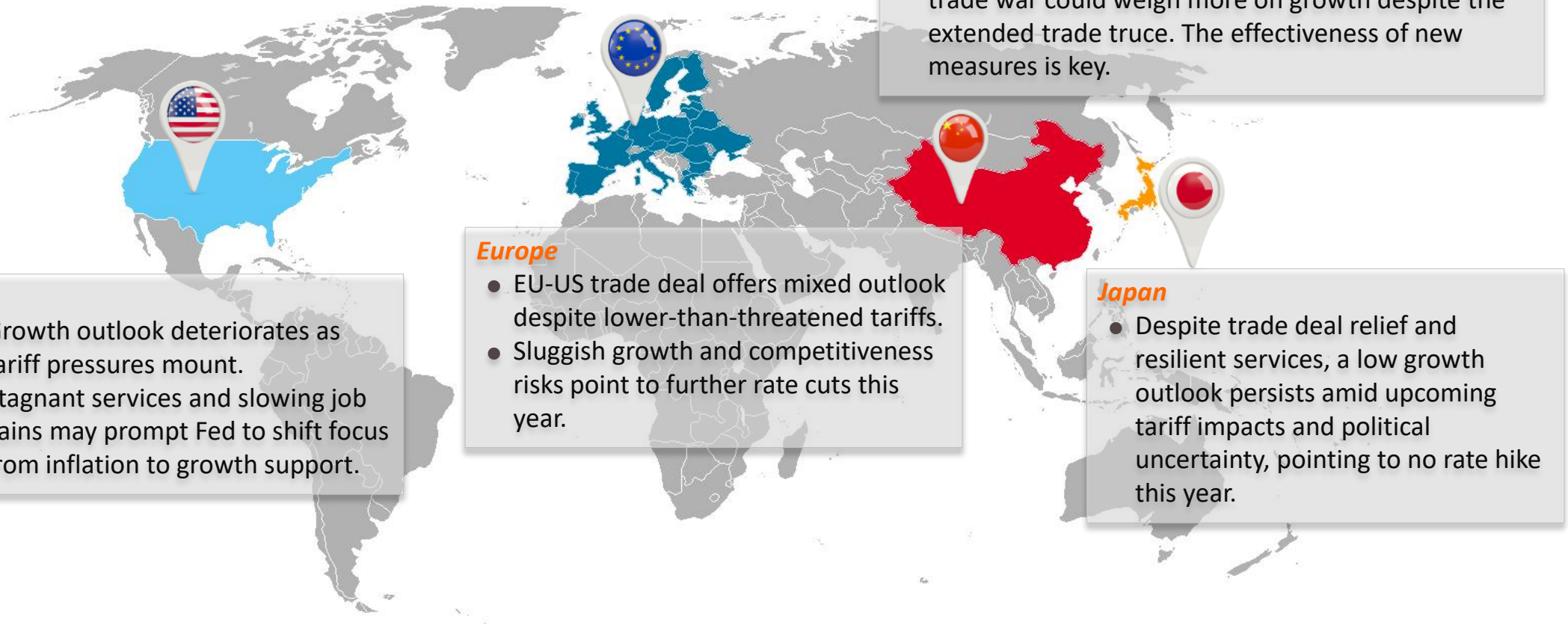
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MONTHLY ECONOMIC BULLETIN

August 2025

Krungsri Research

Global: Economy stands on the cusp of change



China

- The economy shows signs of weakness, while the trade war could weigh more on growth despite the extended trade truce. The effectiveness of new measures is key.

US

- Growth outlook deteriorates as tariff pressures mount.
- Stagnant services and slowing job gains may prompt Fed to shift focus from inflation to growth support.

Europe

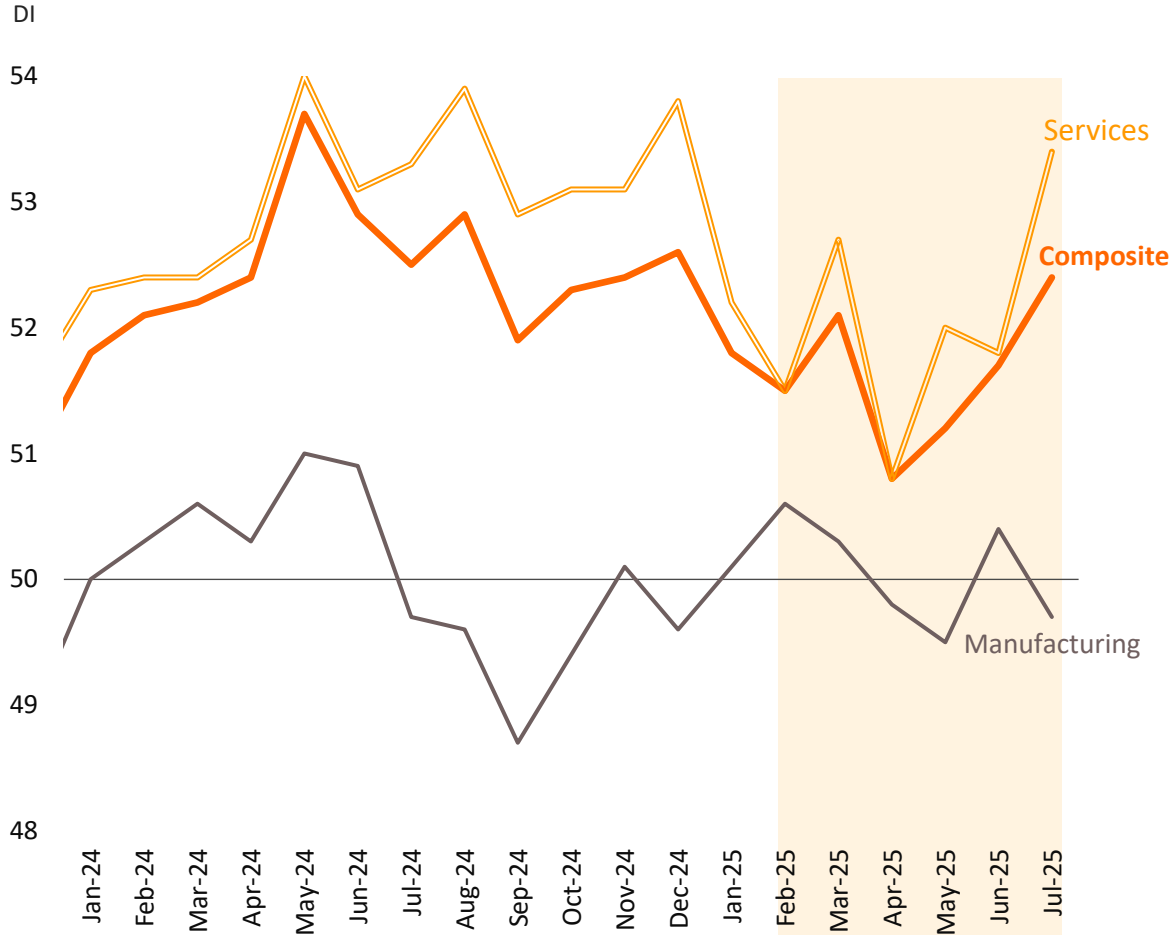
- EU-US trade deal offers mixed outlook despite lower-than-threatened tariffs.
- Sluggish growth and competitiveness risks point to further rate cuts this year.

Japan

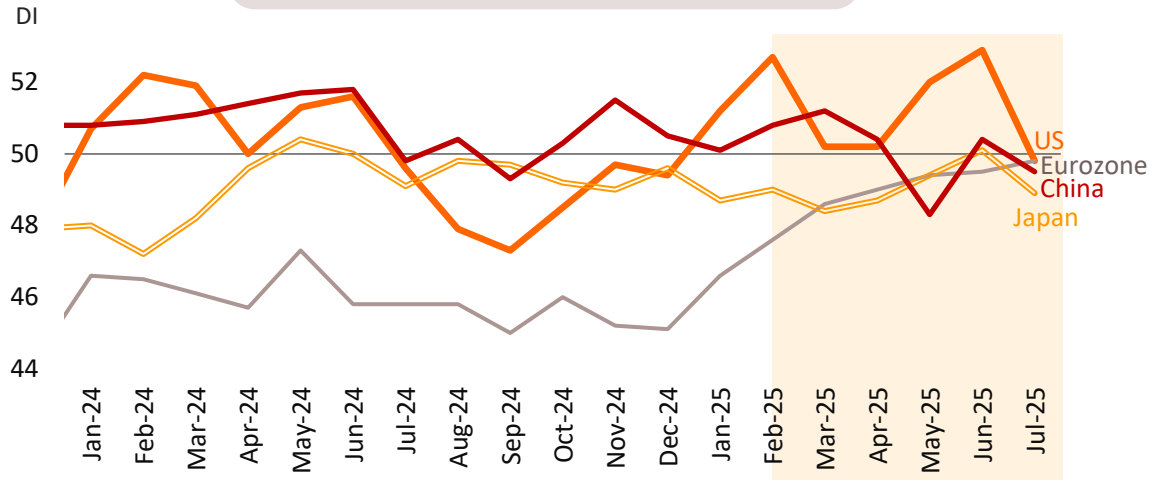
- Despite trade deal relief and resilient services, a low growth outlook persists amid upcoming tariff impacts and political uncertainty, pointing to no rate hike this year.

Beneath uneven global growth, manufacturing worldwide falters with weak outlook and rising tariff pressures.

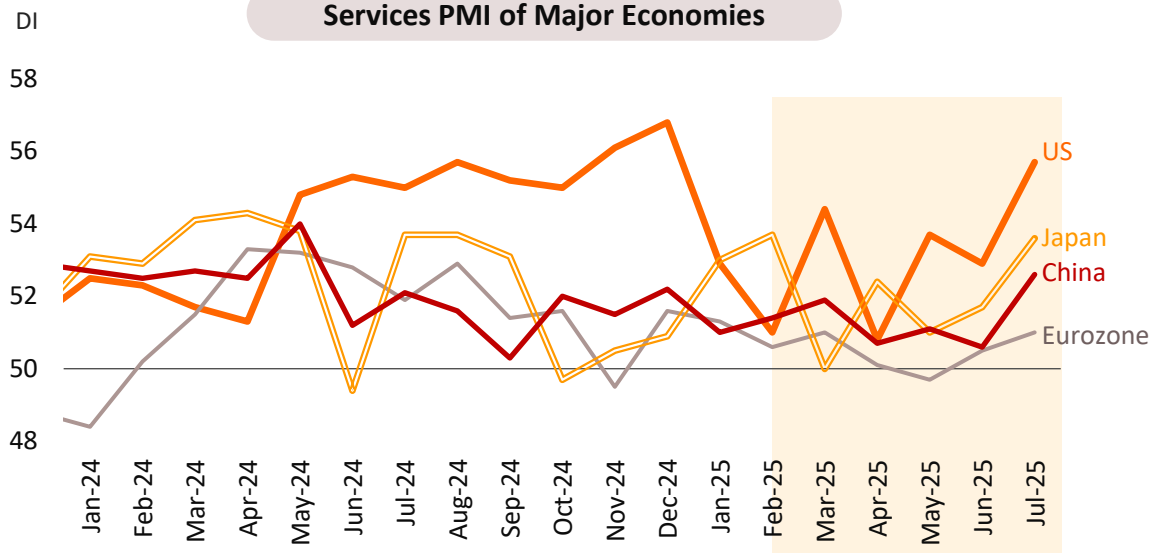
Global Composite, Manufacturing, and Services PMI



Manufacturing PMI of Major Economies



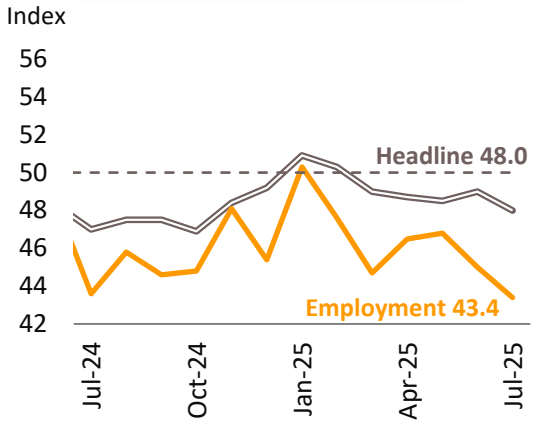
Services PMI of Major Economies



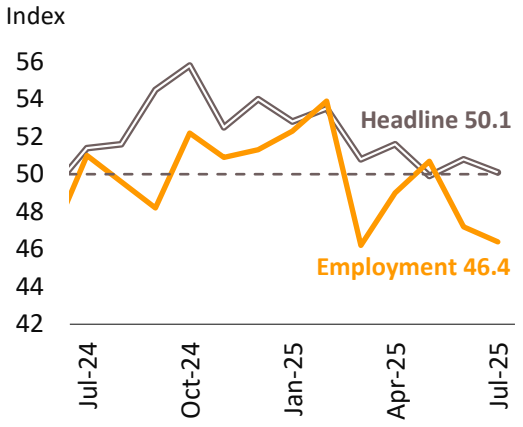
Source: J.P. Morgan and S&P Global PMI, Bloomberg, Krungsri Research

U.S.: Growth outlook deteriorates as tariff pressures mount; stagnant services and slowing job gains may prompt Fed to shift focus from inflation to growth support

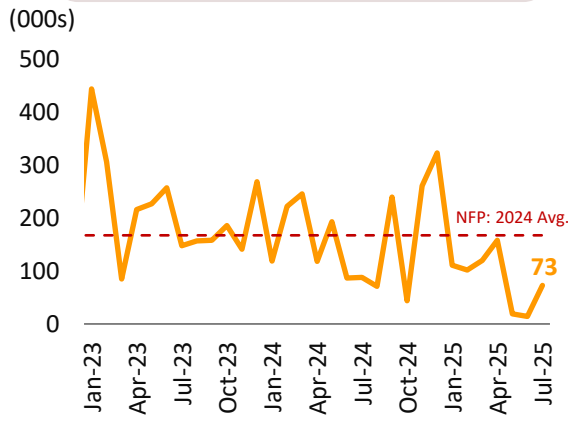
ISM Manufacturing PMI



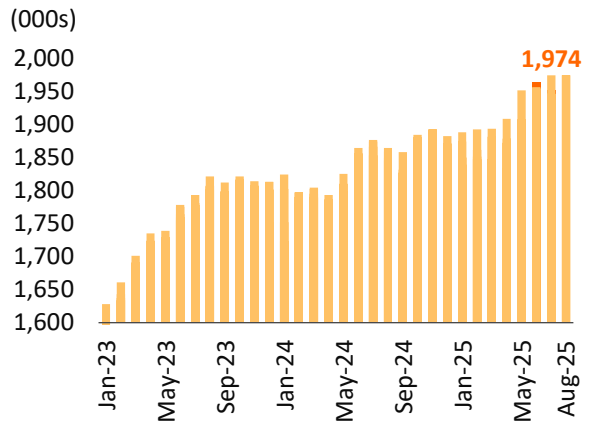
ISM Services PMI



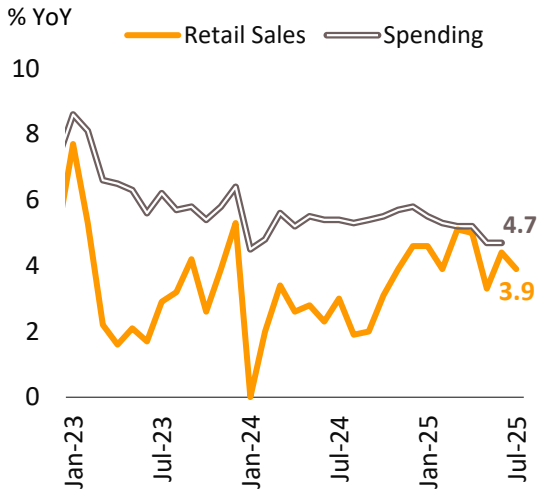
Non-farm Payrolls



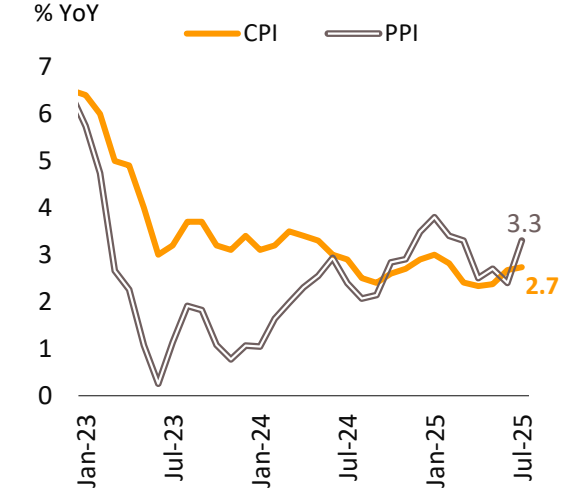
Continuing Jobless Claims



Personal Spending and Retail Sales



Consumer and Producer Price Indices



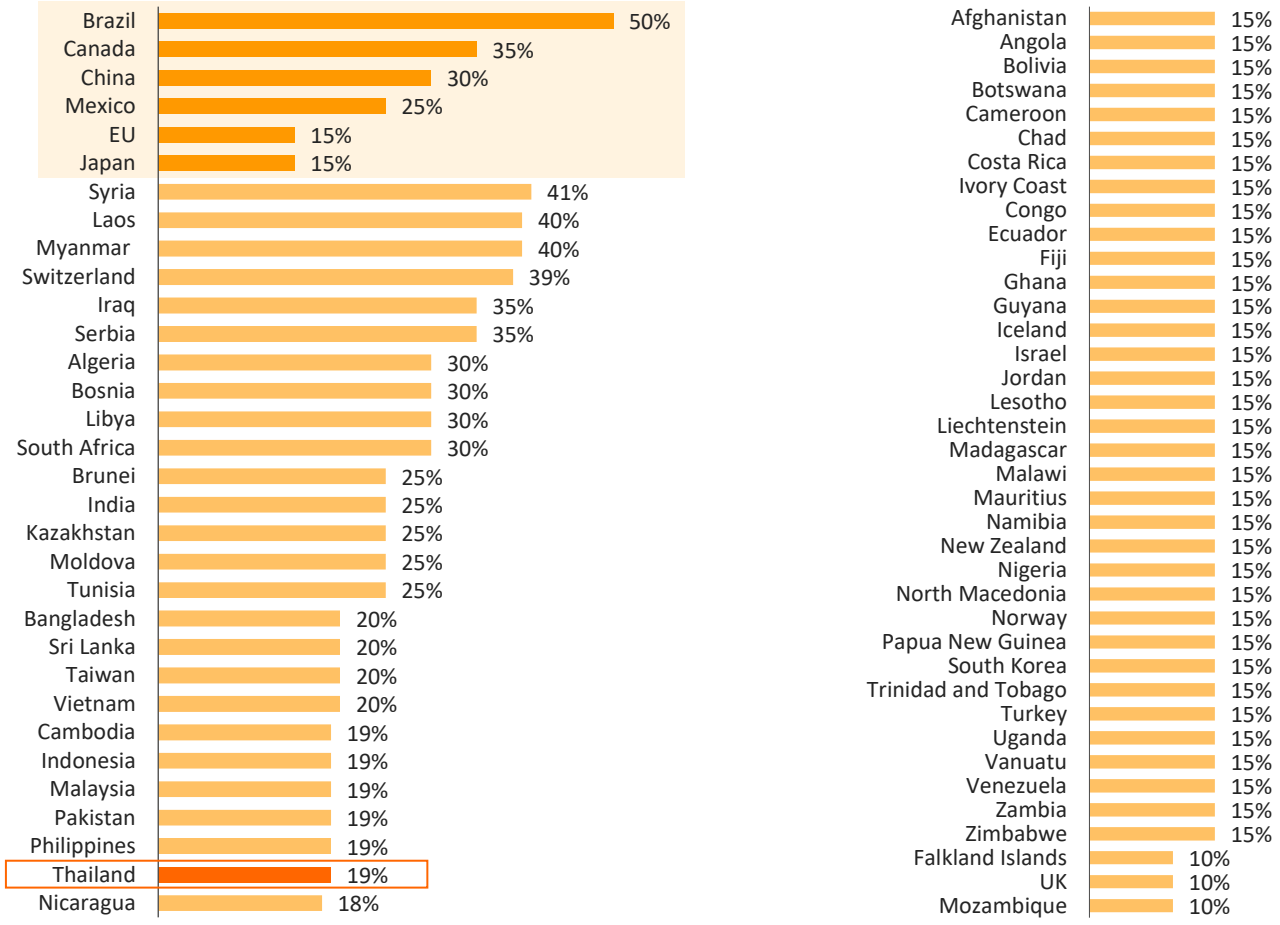
Source: Institute for Supply Management (ISM), Bureau of Labor Statistics, Bloomberg, Krungsri Research

Krungsri Research's view

- **Trade policy shifts:** Since August 7, the U.S. has implemented reciprocal tariffs affecting over 60 countries. The EU and Japan are subject to a 15% tariff, while most ASEAN countries face rates of around 19%. Additionally, the U.S. has threatened to impose steeper tariffs on countries such as Brazil, India, and China. Many global industries remain vulnerable to further sector-specific duties.
- **Rising signs of stalled U.S. Growth. The services sector,** accounting for over 80% of GDP, has nearly stagnated, while **manufacturing** contracted for the fifth consecutive month in July, marking its weakest performance since last October. **Labor market conditions** have deteriorated, with nonfarm payrolls rising by just 73,000 in July and previous estimates for May and June revised down by a combined 258,000. **Consumer spending and confidence** are also weakening.
- **Higher likelihood of rate cuts.** While inflation and inflation expectations may edge higher due to cost-push pressures from tariffs, demand-side inflation appears to be easing amid broader signs of economic deceleration. **This environment increases the likelihood of the Fed's rate cuts—potentially two to three times before year-end—to cushion the economy from further downside risks.**

U.S. raises tariffs on most countries from previous 10% starting August 7; higher rates expected to increase U.S. production costs and living expenses, while sector-specific, transshipment tariffs, and 0% tariffs on U.S. goods could impact many economies

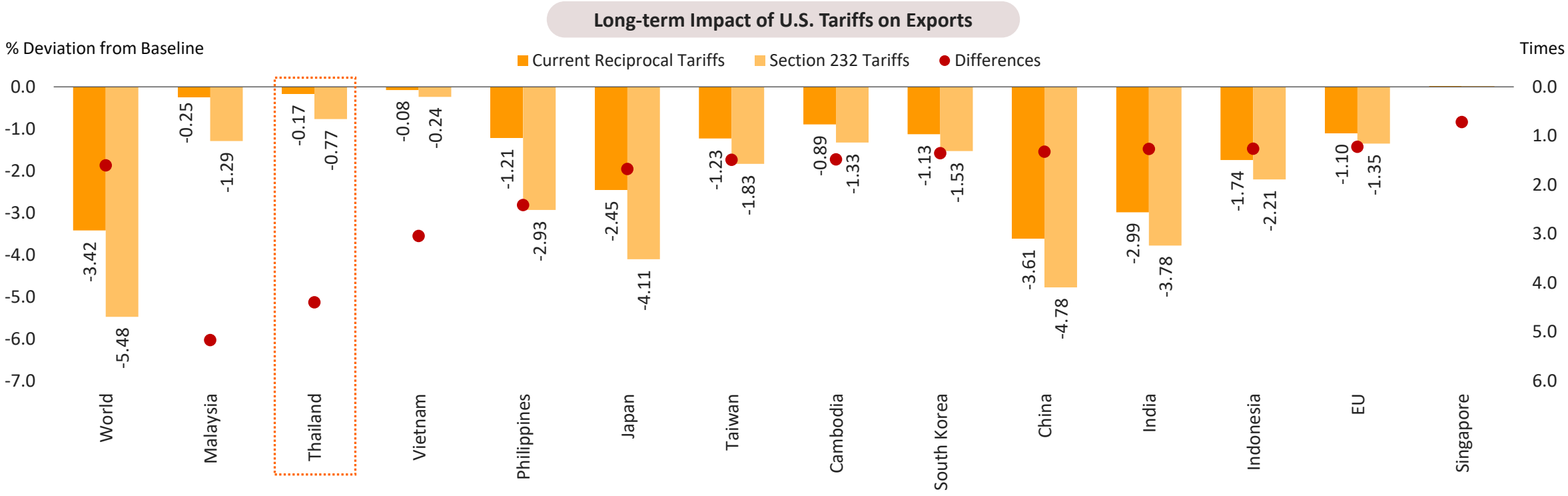
U.S. Reciprocal tariffs effective since August 7



Source: The White House, Capital Economics, Krungsri Research

Despite easing export losses from tariff reduction to 19%, risks from Twin Influx, coupled with potential Section 232 and transshipment tariffs, could weigh on Thailand's economy

The U.S.–Thailand tariff reduction from 36% to 19% is expected to significantly reduce long-term export losses, from THB -163.3 billion to THB -18.5 billion, a ninefold decrease. However, the trade deal comes at a cost. **Offering zero tariffs on most U.S. goods could lead to "Twin Influx",** a phenomenon of a simultaneous influx of U.S. goods coupled with the ongoing influx of Chinese goods. Moreover, **if the U.S. proceeds to expand both the product coverage and tariff scale under Section 232** (e.g., from 25% to 50%), **Thailand's export losses could worsen by 4.4 times,** the second-highest increase in ASEAN. **Together, the Section 232 tariffs and potential transshipment tariffs of 40% could compound pressures on Thailand's fragile economy**, which is already struggling with weak domestic demand, political uncertainty, **influx of goods,** and border tensions.

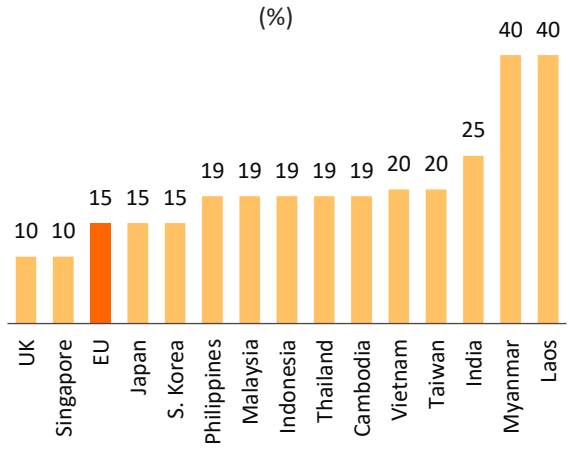


Current Reciprocal Tariffs (imposed as of August 7): The U.S. imposes higher reciprocal tariffs on imports from various countries (excl. some goods). Major countries have secured trade deals with the U.S., resulting in tariffs of around 15%-20% (Thailand: 19%). Moreover, the U.S. imposes a 50% tariff on all imports of steel, aluminum, and copper and a 25% tariff on all autos & parts.
Section 232 Tariffs: Current Reciprocal Tariffs **+** The U.S. further expands Section 232 tariffs to include product groups that were initially exempt from reciprocal tariffs, such as pharmaceuticals, semiconductors, lumber, and certain critical minerals, coupled with an increase in the tariff rate to 50% on both currently affected and newly included product groups.

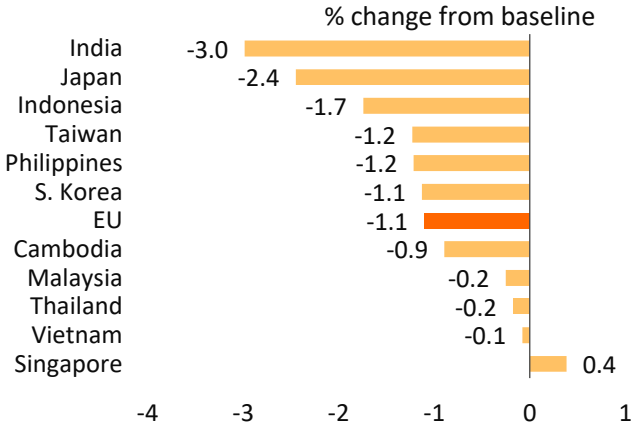
Source: GTAP; calculated by Krungsri Research

Eurozone: EU-US trade deal offers mixed outlook despite lower-than-threatened tariffs; sluggish growth and competitiveness risks point to further rate cuts this year

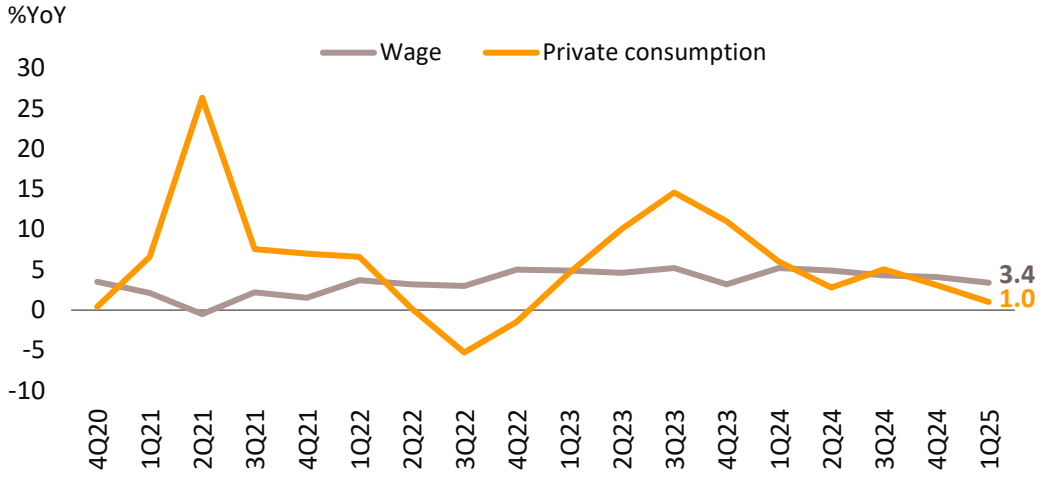
Current US Tariff Rates



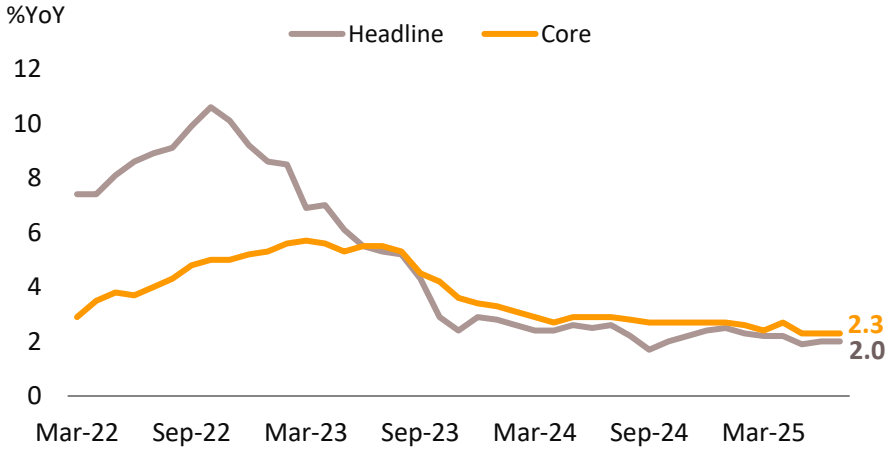
Long-term Impact of U.S. Tariff on Exports



Wage Growth and Private Consumption



Consumer Price Index (CPI)



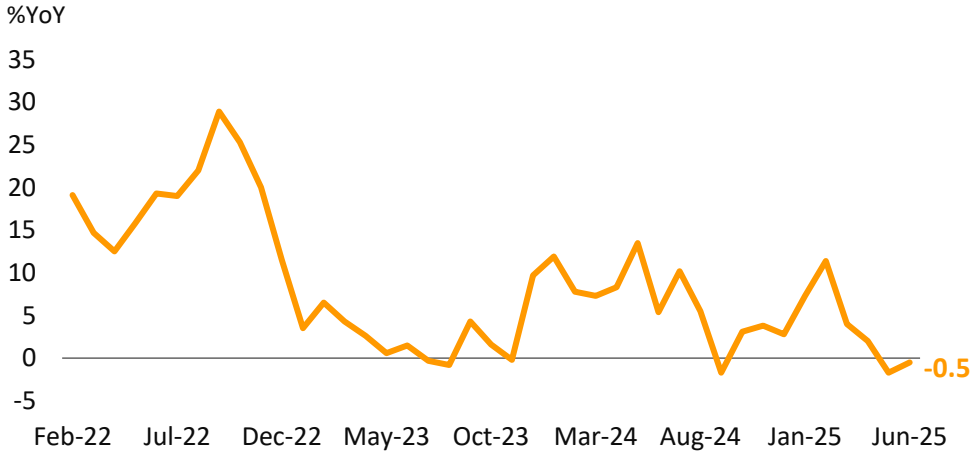
Source: ECB, CEIC, investing.com, Eurostat, European Union, Bloomberg, Krungsri Research

Krungsri Research's view

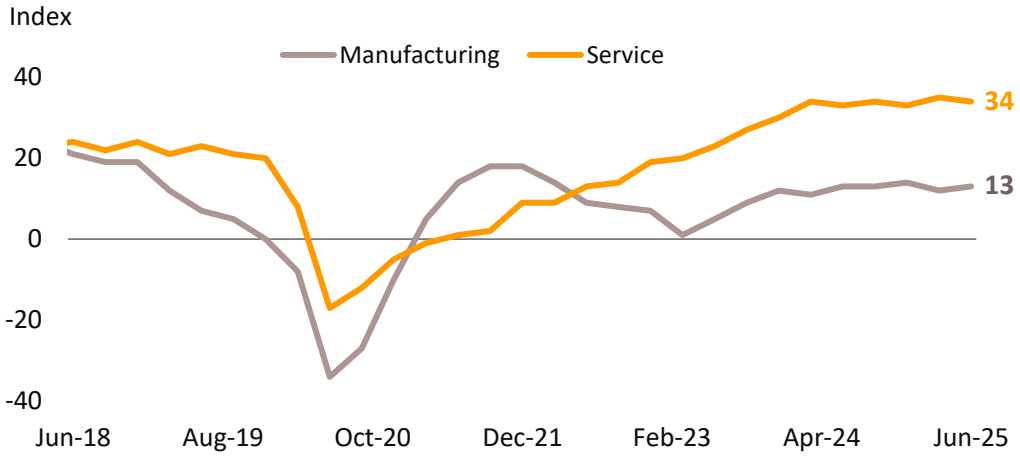
- The latest EU–US trade talks have resulted in capped tariffs on key goods, including pharmaceuticals and semiconductors, at 15%, covering potential future Section 232 measures. If the U.S. imposes higher tariffs on other countries while keeping the EU at 15%, European exporters could gain a competitive edge. **Still, our analysis projects a long-term decline of -1.10% in EU exports under the 15% tariffs.**
- **The Eurozone economy is expected to remain sluggish in 2H25.** Weak business confidence and slowing income growth are likely to weigh on household spending, while higher tariffs compared to the previous period will add further pressure. The deal to eliminate import tariffs on U.S. goods could also put pressure on the competitiveness of domestic industries. **Germany's fiscal stimulus, starting to boost activity in 2H25, may offer a short-term lift, but subdued external demand and cautious consumers will continue to limit the recovery.**
- With sluggish economic growth, easing underlying price, and inflation nearing the ECB's 2% target, **Krungsri Research expects the ECB to maintain an accommodative stance, delivering two 25-bp cuts to bring the policy rate to 1.50% by end-2025**.

Japan: Despite trade deal relief and resilient services, low growth outlook persists amid upcoming tariff impacts and political uncertainty, pointing to no rate hike this year

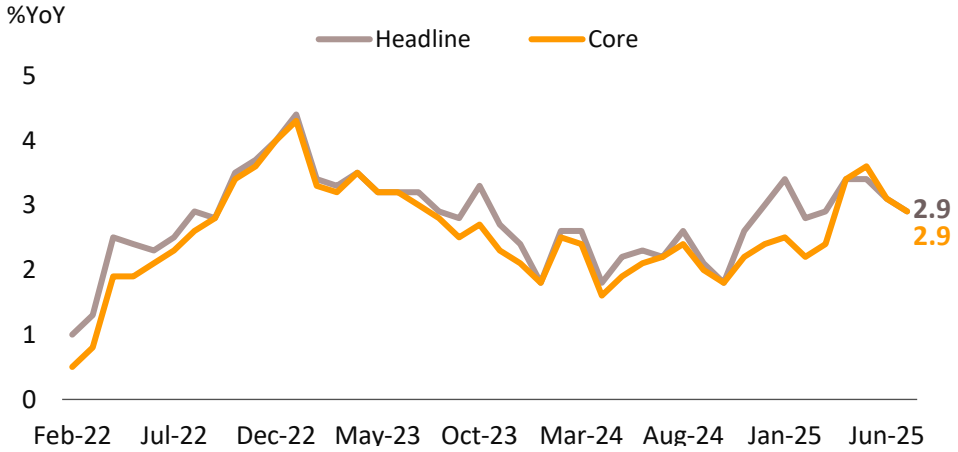
Export Growth



Tankan Index



Tokyo Consumer Price Index (CPI)



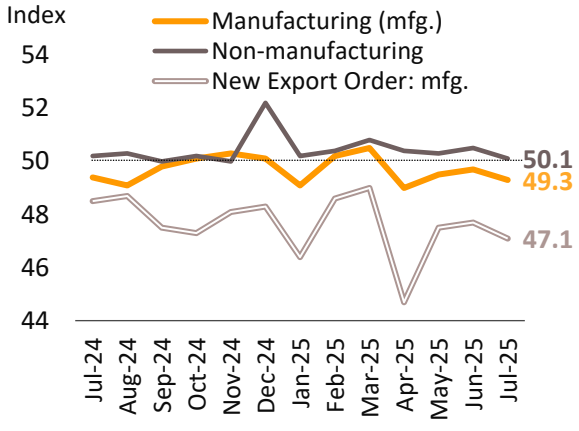
Source: Bank of Japan, CEIC, Investing.com, Krungsri Research

Krungsri Research's view

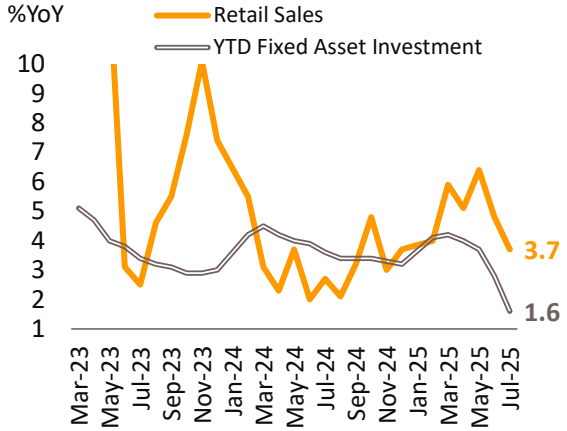
- **The US–Japan trade agreement has eased some downside risks for Japan's economy,** as the agreed 15% import tariff is lower than the initially threatened 25% and well below the 19–40% range imposed on many other countries. This gives Japanese exporters a relative competitive edge.
- **Despite the trade deal, Japan's export sector remains pressured by higher reciprocal tariffs and potential hikes in sector-specific tariffs.** Manufacturing continues to contract amid weak global demand, supply chain shifts, and a strong yen. Our analysis estimates long-term export losses of around -2.45% based on the current trade deal.
- **On a bright note, the services sector—which makes up around 70% of GDP—remains resilient,** reflected in the still-high Tankan Large Non-Manufacturing Index. Softer inflation and solid wage growth are also expected to support real incomes and household spending in 2H25.
- However, given a low-growth environment, the mounting pressures from U.S. tariff policy in 2H25, domestic political uncertainty, and easing inflationary pressures, **Krungsri Research expects the Bank of Japan to maintain its policy rate at 0.50% through year-end.**

China: Economy shows signs of weakness, while trade war could weigh more on growth despite extended trade truce; effectiveness of new measures is a key

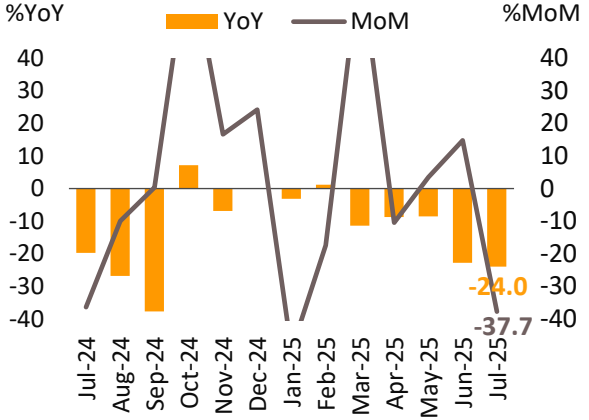
Purchasing Managers' Index (PMI)



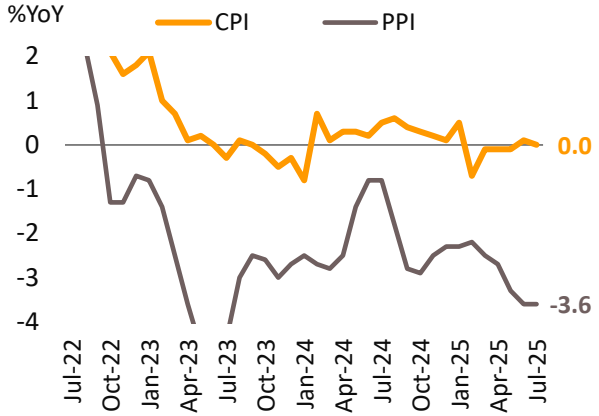
Retail Sales and Fixed Asset Investment



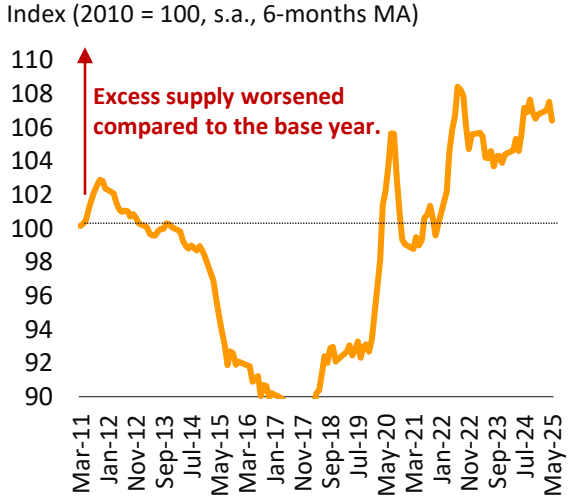
New Home Sales by Top 100 Developers



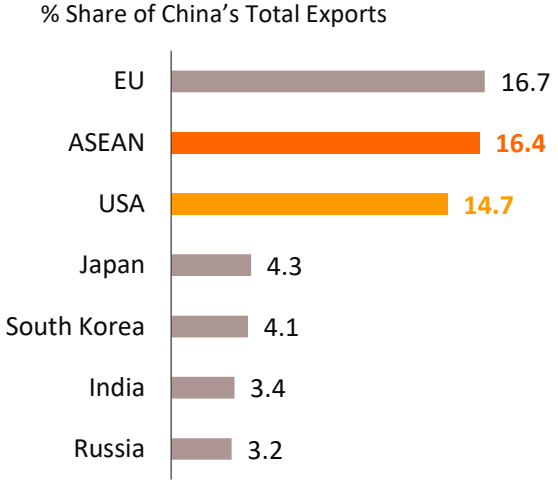
Consumer and Producer Price Indices



Excess Supply Index



Major Trading Partners in 2024



Source: NBS, Bloomberg, Reuters and GTAP; compiled and calculated by Krungsri Research

Krungsri Research's view

- **China's economy shows more signs of slowing.** Manufacturing, retail sales, and fixed asset investment have weakened. New home sales contracted by more than 20% for a second month, while Evergrande is set to be delisted from HKG. These signs could further erode still-weak confidence and limit spending and investment. **Meanwhile, the government plans to offer interest subsidies to businesses and consumers to stimulate demand amid a decrease in new loans for the first time in two decades.**
- **Excess supply remains a drag.** Headline inflation stayed below 1% YoY for 29 straight months in July, and the PPI fell for 34 straight months. **The government is pushing for "anti-involution" measures,** including bans on predatory pricing, industrial capacity cuts, and regulating local investment promotion. Polysilicon producers also planned to create CNY 50 bn funds to acquire and close one-third of their production capacity. **These actions spark some hope but could affect short-term momentum.**
- **Despite a 90-day trade truce extension to November 10, China could still be affected** by a 30% reciprocal tariff on exports to the U.S. and the suspension of the de minimis exemption. China's rerouting of exports via ASEAN could also be hit by U.S. reciprocal tariffs and potential 40% transshipment tariffs on ASEAN. **Thus, China may be unable to rely on exports to support growth as much as in the past.**

Thailand: A Fragile Economy on the Borderline

- **Thailand's GDP grew at a slower pace of 2.8% in 2Q25, supported by temporary tailwinds. Mounting headwinds are expected to significantly dampen economic momentum in 2H25. The NESDC has revised up its 2025 GDP growth forecast to 2.0%, close to Krungsri Research's current 2.1% estimate (new forecast to be released early September).**
- U.S. sets 19% tariff on Thailand, down from threatened rate of 36%, bringing it in line with other ASEAN nations—but sectoral tariff risks remain. Thailand offering a 0% tariff on all U.S. goods in exchange for the U.S. lowering its tariff to 19% could reduce export losses by 9 times, but imports from the U.S. may surge.
- **In 1H25, Thai exports** surged 15% YoY, but the materialized tariff impact would significantly drag 2H25 performance, bringing the full-year growth forecast to just 3.5%. Due to a hike in U.S. tariffs to 19%, exports to the U.S. may slow sharply in 2H25, compared with nearly 30% growth in 1H25.
- **Foreign tourist arrivals** declined 6.4% YoY during January–July. 2025 full-year arrivals expected to drop to 34 million—the first decline since 2020.
- **Private investment** remains vulnerable to pressures from both domestic and external factors, though investment promotion applications soared 139% YoY in 1H25.
- **Private consumption** continues to weaken on falling confidence, declining farm income, and structural challenges.
- **Public spending** is likely to stay on track following the House's approval of the FY2026 budget bill, though political uncertainty may affect key policy actions.
- **Inflation** posted a negative rate for the fourth consecutive month in July and is expected to remain negative in 3Q25, pulling the full-year forecast down to just 0.2%.
- **MPC** is shifting focus to growth concerns and may deliver 1–2 rate cuts by early 2026 amid persistent downside risks.

Krungsri Research Forecasts for 2025

Krungsri Research Forecast		2023	2024	1H25 Actual	2025F
GDP growth	YoY (%)	2.0	2.5	3.0	2.1
Private Consumption Expenditure	YoY (%)	6.9	4.4	2.3	2.4
Government Consumption Expenditure	YoY (%)	-4.7	2.5	2.8	1.5
Private Investment	YoY (%)	3.1	-1.6	1.4	0.9
Public Investment	YoY (%)	-4.2	4.8	17.5	4.7
Nominal Exports in USD (f.o.b.)	YoY (%)	-1.5	5.8	15.0	3.5
Nominal Imports in USD (f.o.b.)	YoY (%)	-3.8	6.3	11.9	5.0
Current Account Balance	USD, bn	7.4	11.3	11.7	11.8
Tourist Arrivals	Mn, persons	28.2	35.5	16.7	34.0
Headline Inflation	YoY (%)	1.2	0.4	0.4	0.2
Policy Interest rate (end of period)	(%)	2.50	2.25	1.75	1.25
Dubai crude price - period average	USD/bbl	82	80	72	70

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

2Q25 GDP growth decelerated to 2.8% YoY from 3.2% in 1Q25, driven by front-loaded exports and ongoing public spending, while private consumption and tourism weakened

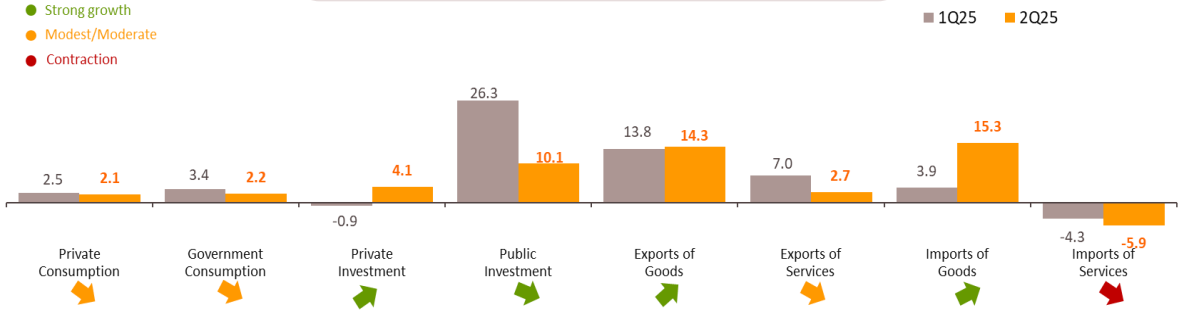
Key growth drivers in 2Q25:

- **Demand side:** Surging merchandised exports and rising public investment
- **Supply side:** Growing agriculture, wholesale & retail trade and information & communication

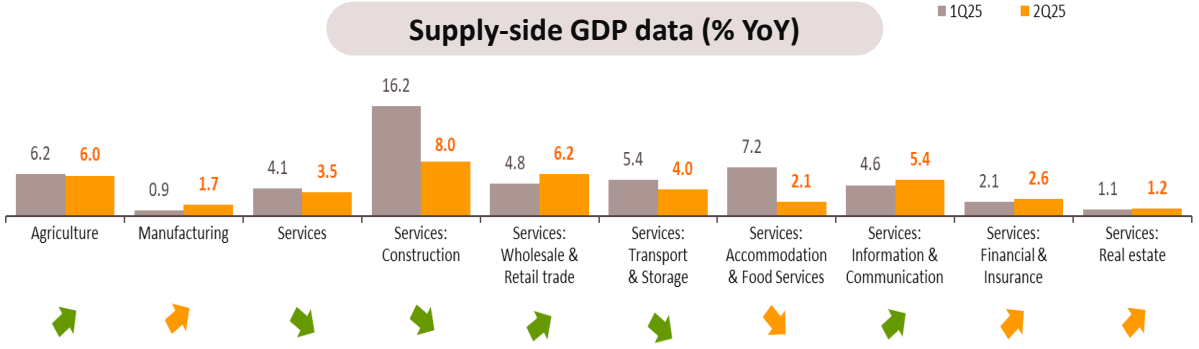
Weak or slower growth in 2Q25:

- **Demand side:** Slower growth in private consumption and exports of services
- **Supply side:** Weak growth of manufacturing and tourism-related services

GDP growth by expenditure (% YoY)

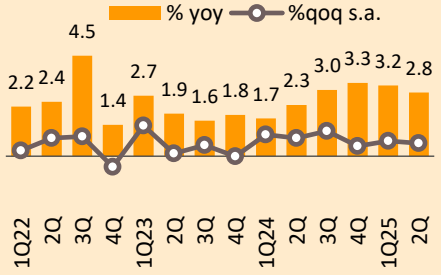


Supply-side GDP data (% YoY)



Source: NESDC, Krungsri Research

Thai GDP growth (%)



Components of Thai GDP growth

	% YoY			% QoQ sa	
	1H25	1Q25	2Q25	1Q25	2Q25
GDP	**3.0**	**3.2**	**2.8**	**0.7**	**0.6**
Private consumption	2.3	2.5	2.1	0.6	0.2
Public consumption	2.8	3.4	2.2	-1.3	0.4
Private investment	1.4	-0.9	4.1	0.5	-3.4
Public investment	17.5	26.3	10.1	-12.5	4.0
Export of goods & services	12.3	12.3	12.2	1.9	2.1
Export of goods	14.1	13.8	14.3	2.7	3.6
Export of services	5.0	7.0	2.7	-1.5	-2.4
Import of goods & services	6.4	2.1	10.8	-1.8	5.4
Import of goods	9.6	3.9	15.3	-0.5	6.8
Import of services	-5.1	-4.3	-5.9	-2.9	-2.9

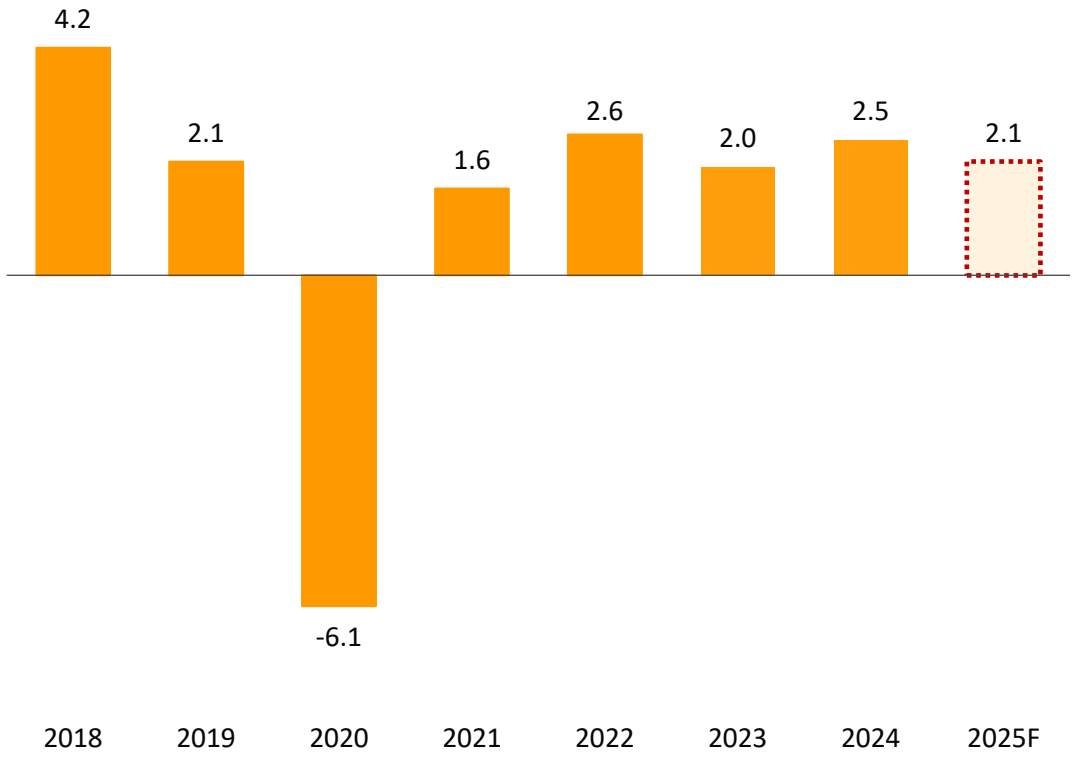
Krungsri Research's view

- **2Q25 GDP grew by 2.8% YoY, showing a slower momentum.** Key growth drivers were surging merchandise exports and continued public spending. Private consumption and tourism showed signs of slowing.
- **On the supply side,** 2Q25 GDP growth was supported by continued expansion in agriculture and several services-related sectors. However, growth of overall services sector softened. Manufacturing remained weak despite an uptick.
- **In the second half of 2025, economic growth is projected to slow markedly to 1.3% from 3.0% in the first half amid rising headwinds, including:**
  - i. **External demand is losing steam** due to fading of front-loaded exports, impact of higher U.S. tariffs and weakening of global growth.
  - ii. **Private investment growth appears unsustainable** amid waning temporary drivers, domestic political uncertainty and ongoing border tensions.
  - iii. **Tourism is still under pressure** due to a year-on-year contraction in Chinese tourist arrivals amid safety concerns and intensified competition from peers.
  - iv. **Private consumption is expected to grow only moderately,** despite domestic tourism stimulus, as household spending faces pressure from elevated household debt, declining farm prices, subdued consumer confidence, and potential impact of new tariffs on employment and income.

2H25 growth to slow markedly amid fading front-loaded external demand, rising U.S. tariffs, and mounting domestic headwinds. *2025 growth* expected at 2.1%.

Thailand's GDP grew 3.0% YoY in 1H25, broadly in line with our projection of 2.9%. We projected 2025 economic growth at 2.1%. In our view, while upside risks exist, particularly from fiscal and monetary policy implementation, downside risks remain significant. These include domestic political uncertainty, unresolved border tensions, and growing trade-related headwinds. In particular, concerns center on the potential impact of newly imposed reciprocal tariffs, uncertainty surrounding Thailand's 0% tariff arrangement on U.S. goods, and the risk of further expansion in U.S. sectoral tariffs. Collectively, these factors could weigh on external demand, undermine investor confidence, and constrain overall economic momentum. As such, Krungsri Research is revising our 2025 GDP forecast, scheduled to be released in September.

Thailand's GDP growth and forecast (%)



Source: NESDC, Projection by Krungsri Research

Upside

- Support from fiscal and monetary policy implementation
- Investment trend amid rising trade tension, regionalization, ASEAN dynamism
- Food security and gains in related sectors
- Thailand's sound economic fundamentals (high foreign reserves, relatively low external debt, and resilient banking sector)

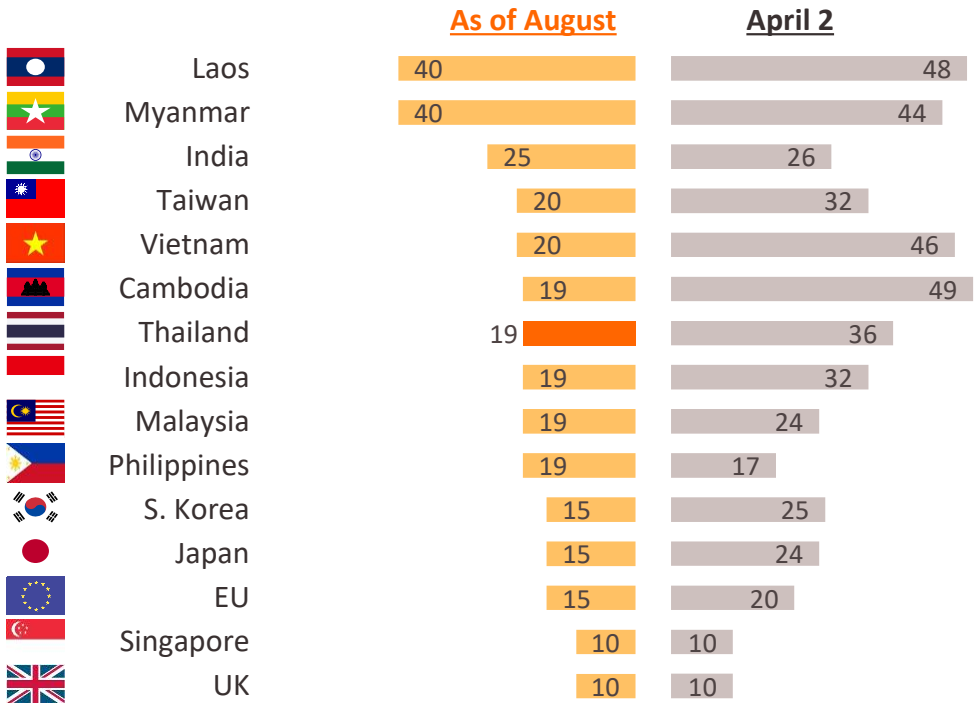
Downside

- Growing trade-related headwinds, including U.S. sectoral and transshipment tariffs and Thailand's 0% tariff arrangement on U.S. goods
- Geo-economic fragmentation and geopolitical risk
- Domestic political uncertainty and border tensions
- Weaker-than-expected tourism recovery
- Structural headwinds, e.g. high household debt, weaker competitiveness, demographics

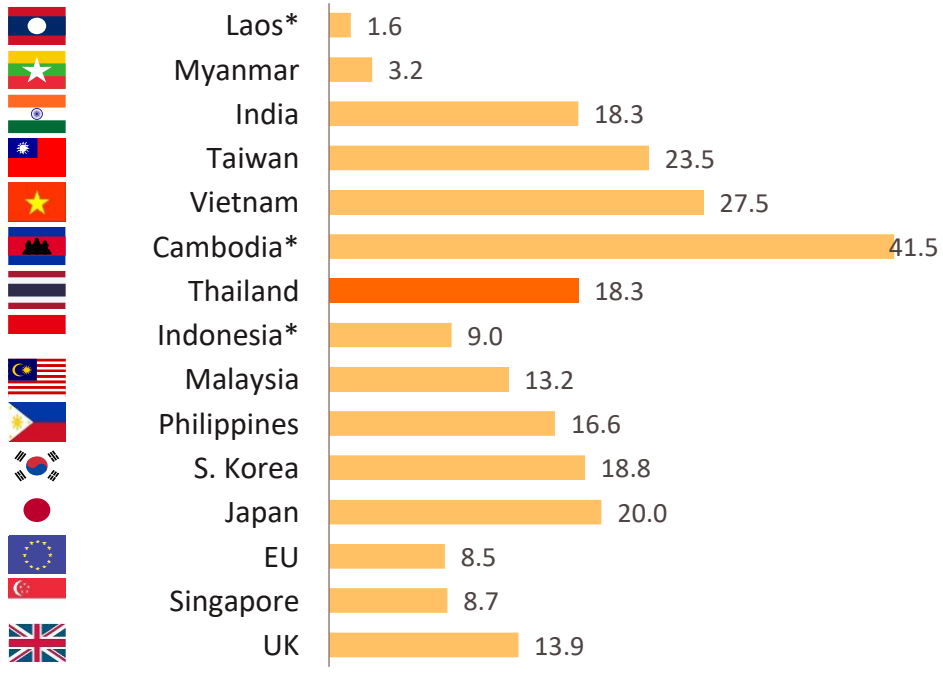
U.S. sets 19% tariff on Thailand, down from threatened rate of 36%, bringing it in line with other ASEAN nations—but sectoral tariff risks remain

On July 31, 2025, the U.S. announced a 19% import tariff on Thai goods, significantly lower than the previously proposed 36% reciprocal tariff on April 2, bringing it roughly in line with rates imposed on several ASEAN countries, including Indonesia, the Philippines, Malaysia, and Cambodia. However, the rate remains higher than those applied to countries such as South Korea, Japan, and the EU, which face tariffs of 15%. Although the Trump administration has revised tariff rates downward from the average levels announced on April 2, the sectoral tariffs of 25–50% under Section 232 will still apply to key products, such as automobiles, steel, aluminum, and copper, posing potential disruptions to global supply chains in the near future.

Reciprocal Tariff Rates by Announcement Date (%)



Share of Exports to the U.S. in 2024 (% of total)

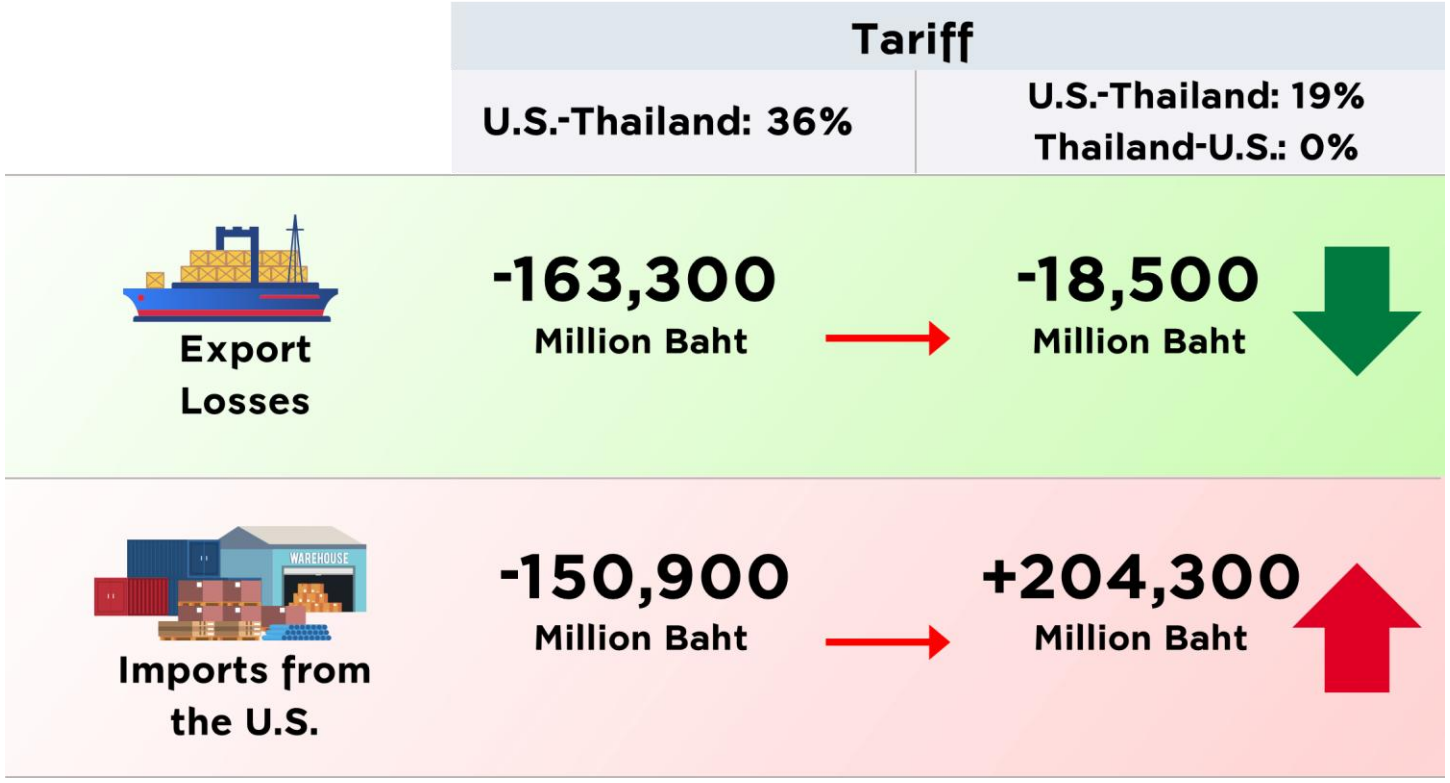


* represents exports in 2023.

Source: The White House and WITS, compiled by Krungsri Research

Thailand offering 0% tariff on all U.S. goods in exchange for the U.S. lowering its tariff to 19% could *reduce export losses by 9 times*, but *imports from the U.S. may surge*

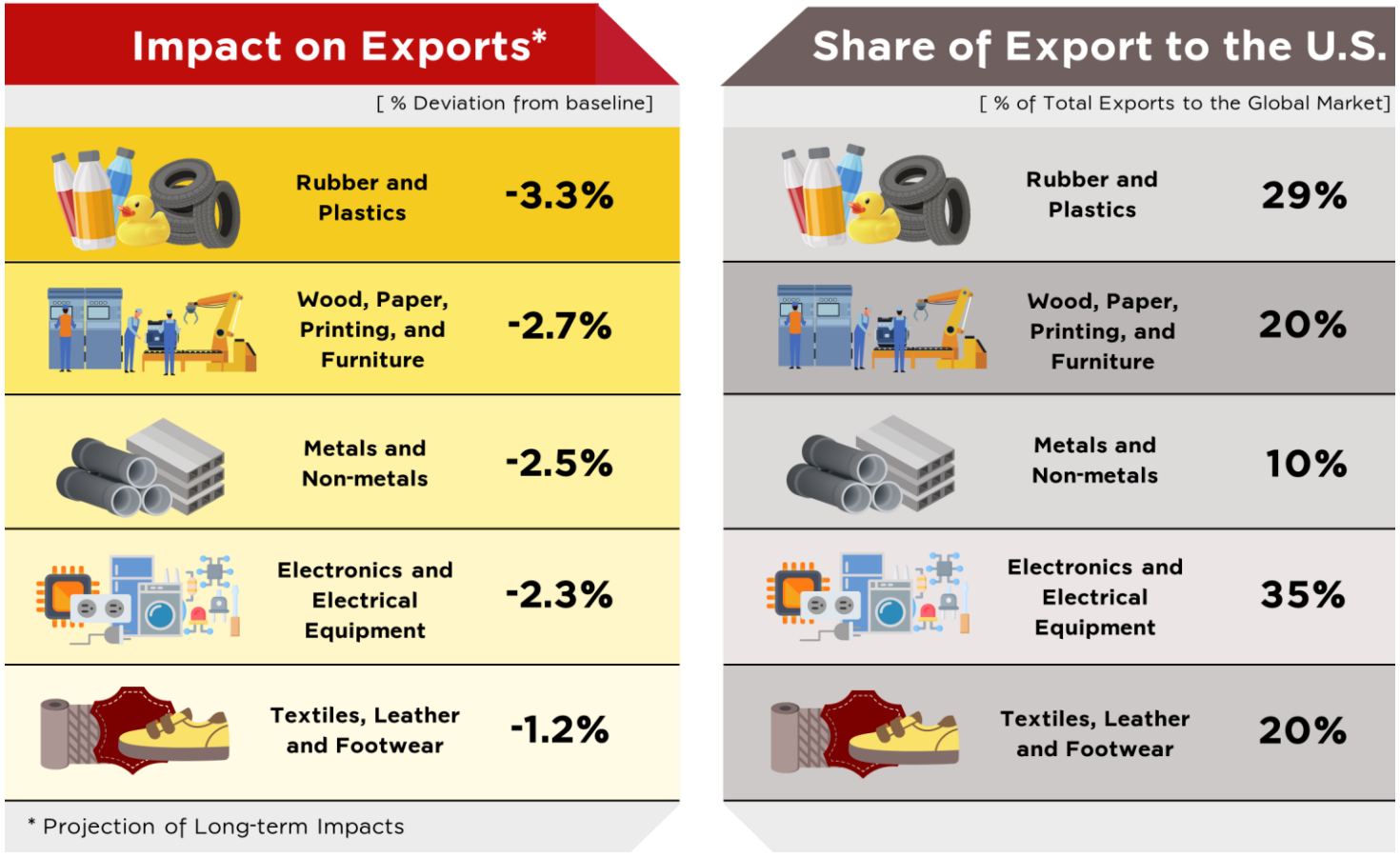
The U.S.–Thailand tariff reduction from 36% to 19% is expected to significantly reduce long-term export losses, from THB -163.3 bn to THB -18.5 bn, a ninefold decrease. It is worth noting that the long-term effect may be less severe than the initial shock period, during which businesses may still struggle to shift their reliance on the U.S. market to other partners. Moreover, front-loaded exports are likely to fade in 2H25, following 15% YoY in 1H25. The short-term impact, thus, could be higher but still less than the 36% scenario. **However, the trade deal comes at a cost.** Thailand has to offer zero tariffs on most U.S. goods**, which could result in a 29.3% surge in imports from the U.S in the long term.**



Source : GTAP and WITS; calculated by Krungsri Research

19% reciprocal tariff could still hurt Thai exports; *the vulnerable sectors are mostly those with certain degree of reliance on the U.S. market*

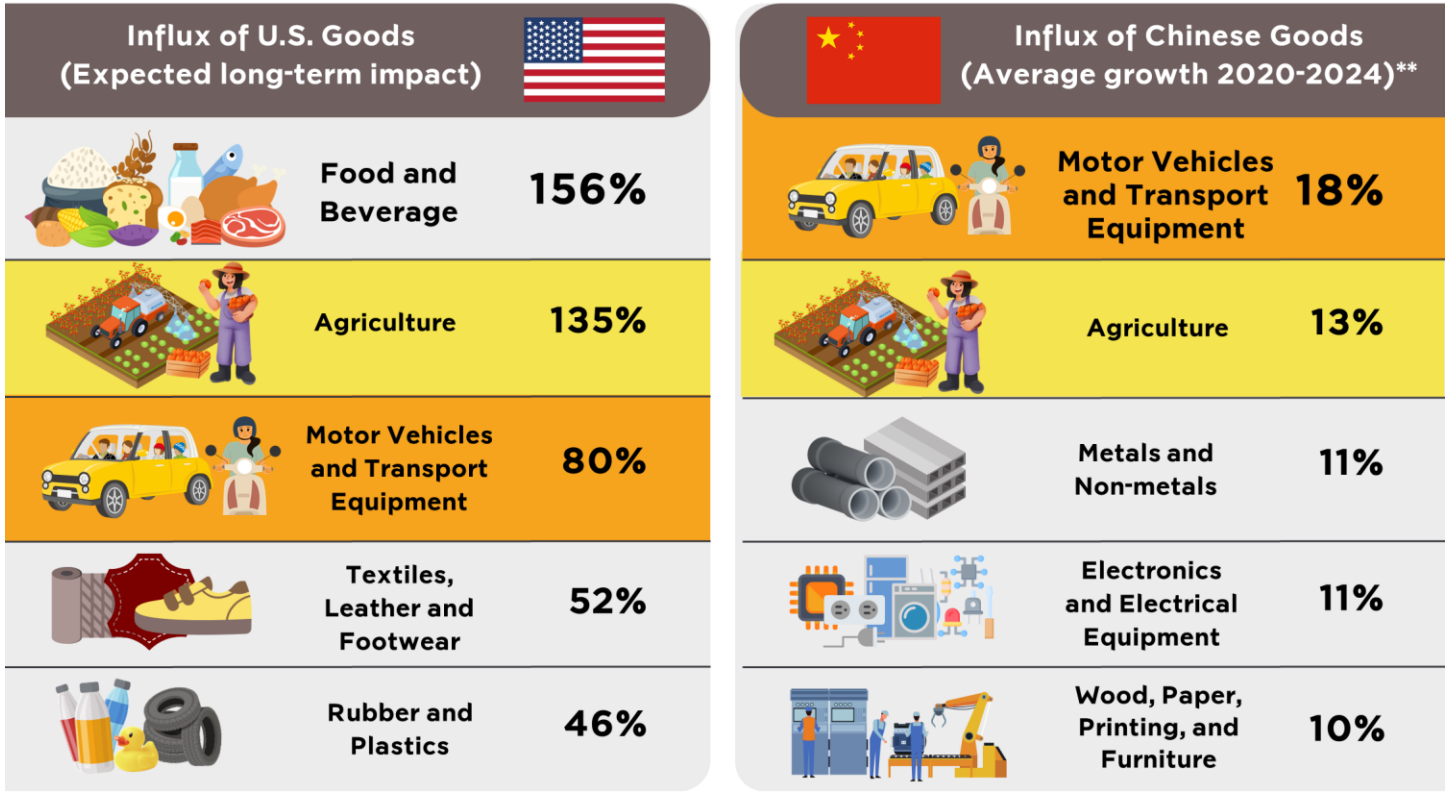
Despite the tariff reduction to 19% easing the overall impact, **some sectors, mostly reliant on the U.S., could still be hurt in the long term**, especially Rubber and Plastics (export losses: -3.3%, share of exports to the U.S.: 29%), Wood, Paper, Printing, and Furniture (-2.7%, 20%), Electronics and Electrical Equipment (-2.3%, 35%), and Textiles, Leather, and Footwear (-1.2%, 20%). **This underscores the need to diversify trading partners, as U.S. trade policy is becoming increasingly unpredictable and subject to constant change.**



Source : GTAP and WITS; calculated by Krungsri Research

Surge in imports from U.S. induced by Thailand's zero-tariff offer could aggravate ongoing influx of Chinese goods, leading to *"Twin Influx"*

Granting zero tariffs to the U.S. is expected to lead to what we call the "twin influx," which refers to the phenomenon of a simultaneous surge in imports from the U.S. alongside the ongoing influx of Chinese goods. The latter influx has continued to pressure the Thai economy in recent years, partly due to China's excess supply and the trade war 1.0. **Agriculture and Motor Vehicle and Transport Equipment face the greatest risk**, as they are already affected by the influx of Chinese goods. Post-COVID import growth from China in such sectors has been substantial, while imports from the U.S., as a result of the recent U.S.-Thailand trade deal, are expected to grow in the long run by 135% and 80%, respectively.



* Twin Influx is a surge in import from the U.S along with ongoing influx of Chinese goods.
** The average growth rate is calculated using CAGR, with 2019 as the base year (excl. Mining and Quarrying).

Source : GTAP and WITS; calculated by Krungsri Research

Moreover, signs of relief might be short-lived if the U.S. proceeds to expand both product coverage and tariff scale under Section 232

Currently, import tariffs imposed by the U.S. since the beginning of this year can be divided into two main categories. The first is the reciprocal tariff, which applies broadly to all categories. Although some goods are exempted from the reciprocal tariff, they are still subject to tariffs imposed under Section 232, which target specific product groups. Tariffs under Section 232 that are in effect include autos and auto parts (25%), steel and aluminum (50%), and copper (50%). With or without the reciprocal tariff, **expanding product coverage and tariff rates (e.g., from 25% to 50%) under section 232 would significantly pose risks for Thai exporters**, especially Electronics and Electrical Equipment. It is important to note that this sector account for 25.7% of total Thai exports in 2024, with its exports to the U.S. representing 34.6% of total Thai exports in such a sector. **Together, section 232 tariffs, the twin influx, and potential transshipment tariffs of 40% could compound on Thailand's fragile economy, which is already struggling with weak domestic demand, political uncertainty, and border tensions.**

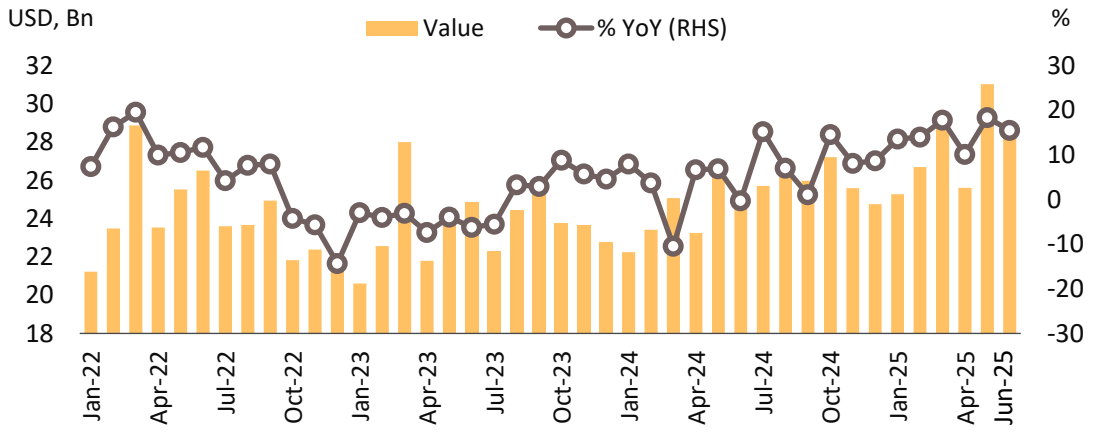
Ongoing Section 232 Investigations

Goods	Investigation Status	Tariff
Automobiles and auto parts	*Effective May 3*	25%
Steel and aluminum	*Effective June 4*	50%
Copper	*Effective August 1*	50%
Pharmaceuticals	Started April 1	~200% *(threatened)*
Timber and lumber	Started March 10	TBD
Semiconductors and chip making equipment	Started April 1	TBD
Heavy trucks	Started April 22	TBD
Critical minerals	Started April 22	TBD
Commercial aircraft and jet engines	Started May 1	TBD

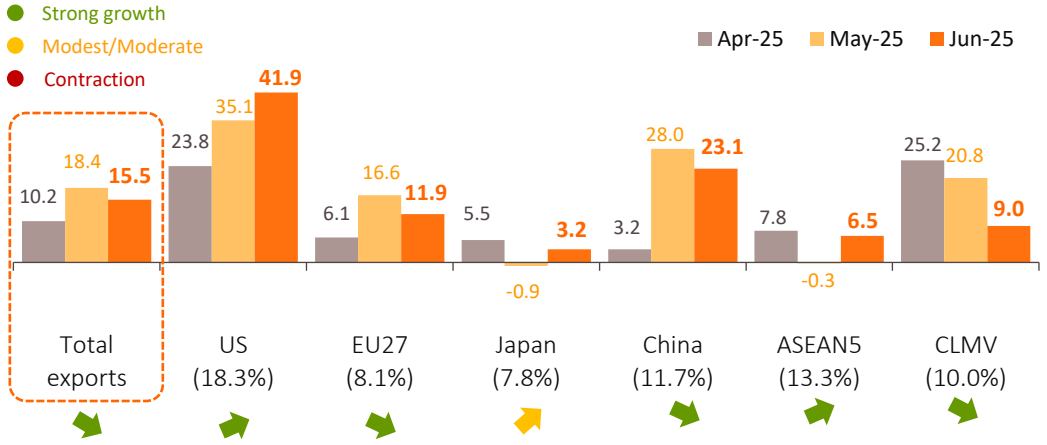
Source: MUFG; compiled Krungsri Research

Exports surged 15% in 1H25, but materialized tariff impact would significantly drag 2H25 performance, bringing full-year growth forecast to just 3.5%

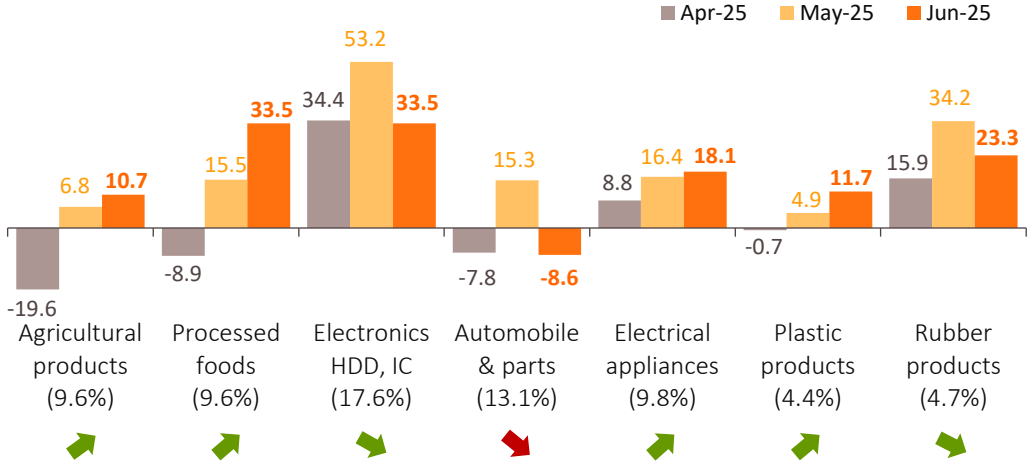
Exports



Exports by major destination (%YoY)



Exports by major product (%YoY)



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

Krungsri Research's view

- **In June, merchandise export value reached USD 28.6 bn,** marking the twelfth consecutive month of growth with a 15.5% YoY increase. Excluding oil, gold, and weapons, exports rose by 15.6%, led by computers & parts, HDDs, circuit boards, and fresh, chilled, frozen, and dried fruits. By destination, exports expanded in nearly all markets, led by the US and China. For the first half of 2025, total export value stood at USD 166.9 bn, up 15.0% YoY.
- Thailand's export outlook for the second half of the year faces heightened downside risks, particularly to the U.S. market, following a robust 29.7% YoY surge in the first half. The strong growth earlier this year was largely driven by front-loading shipments ahead of the U.S. reciprocal import tariffs taking effect in August. The U.S. has now announced a 19% tariff on Thai goods, broadly in line with our baseline assumption. **As such, we maintain our forecast for Thailand's exports to grow by around 3.5% in 2025.**

Due to a hike in U.S. tariffs to 19%, Thai exports to the U.S. may slow sharply in 2H25, compared with nearly 30% growth in 1H25

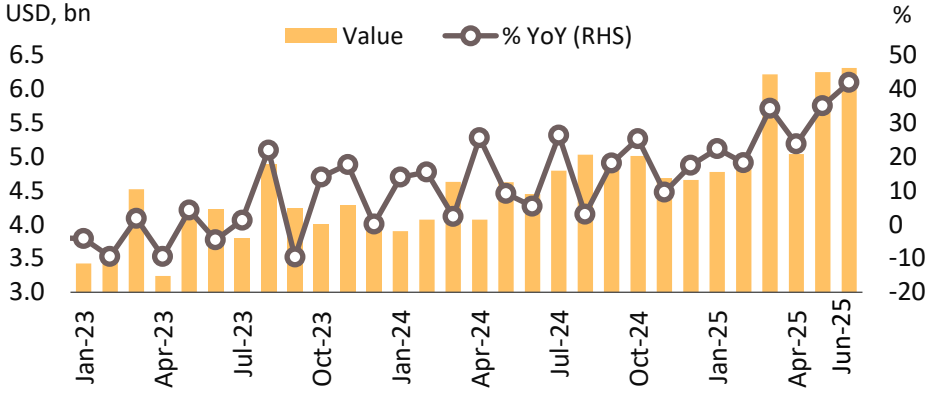
In the first half of 2025, Thai exports grew by 15.0% YoY (based on MOC data), led by industrial products, which expanded by 19.3% (including computers & components, electronic integrated circuits, and electrical appliances), and agro-industrial products which expanded by 7.2% (such as pet food, fresh, chilled, frozen, and processed chicken, and sugar). However, exports of agricultural products decreased by -1.3%, led by rice and tapioca products. Notably, exports to the U.S. surged by 29.7%, led by computers & parts, plastic products, chemical products, and electronic integrated circuits. In June, imports from China continued to hit record highs of USD9 bn. **Going forward, key factors include potential risks from U.S. transshipment tariffs and the impact of Thailand's reduction of import tariffs on many U.S. items to 0%, which could affect production costs and the competitiveness of domestic producers.**

Thai exports by major product and destination

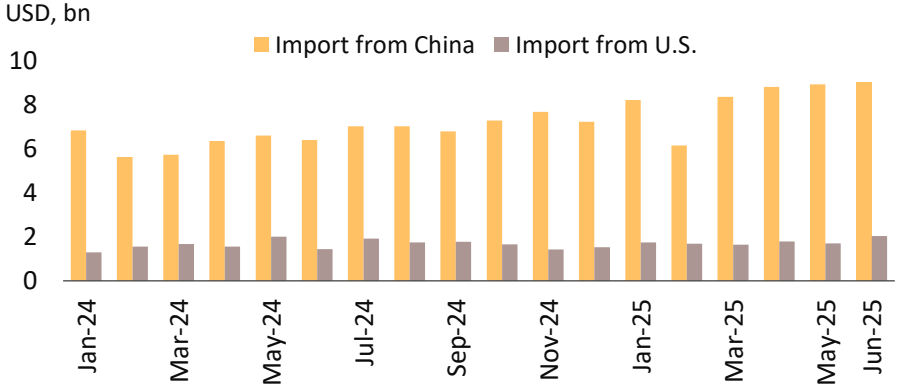
Thailand: January-June's Export growth (% YoY)	World	U.S. (18%)	EU (8%)	Japan (8%)	China (12%)	ASEAN-5 (13%)	CLMV (10%)
Total	**+15.0**	**+29.7**	**+9.8**	**+1.2**	**+18.8**	**+5.1**	**+11.3**
Computer & parts (8.2%)	+70.5	+80.6	+43.3	-4.2	+192	+40.4	+54.3
Cars & parts (10.3%)	-3.6	+6.1	-15.0	-7.8	-26.1	-7.5	+33.9
Rubber products (4.7%)	+21.3	+12.6	+4.2	+16.8	+69	+11.3	+9.3
Plastic resin (2.9%)	+0.5	+3.0	+5.8	+4.6	-5.5	+10.4	+7.2
Electronic IC (2.9%)	+33.5	+32.3	-1.8	-9.2	+19.0	+15.3	+168.9
Chemical products (2.8%)	+5.3	+40.6	+48.2	-5.5	+12.4	-9.8	+16.6
Fresh, frozen & dried fruit (2.2%)	+1.5	-4.8	+21.3	+28.8	+0.03	+61.7	+62.4
Electrical appliances (1.8%)	+20.5	+27.9	+26.9	-1.2	+16.8	+19.0	+17.8
Rubber (1.7%)	+19.0	+6.2	+3.4	+39.9	+40.8	-10.8	+22
Plastic products (1.5%)	+15.0	+58.7	-1.0	+1.14	-3.7	+1.3	+1.5
Rice (2.1%)	-32.3	+16.8	+25.5	-37.9	+63.4	-80	-0.1
Preserved fish, crustaceans (1.3%)	+2.4	+10.3	-1.8	+3.2	+17.2	+15.5	+6.8
Sugar (0.8%)	+10.0	+858.1	-94.3	-25.4	+103.7	+18.5	-5.3
Tapioca products (1.0%)	-5.1	-4.5	+1.3	-13.2	+6.1	-31.1	+5.4

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

Thai exports to U.S. surged ahead of tariff hike



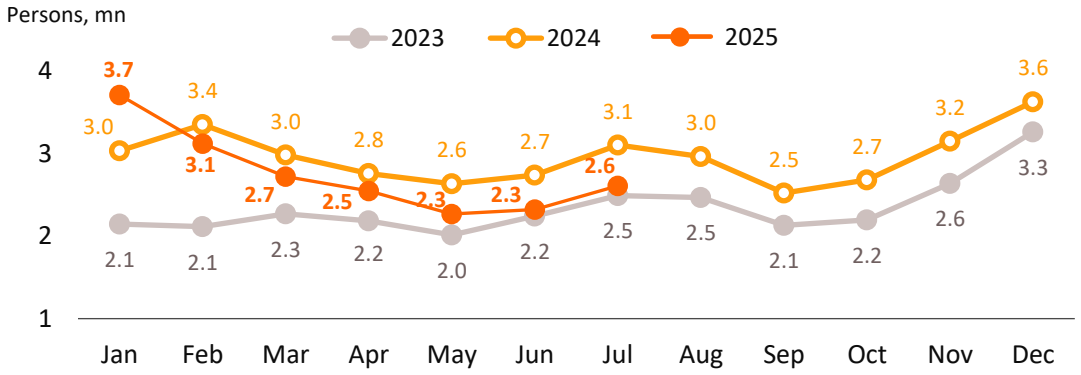
Thai imports from China hit new record high in June



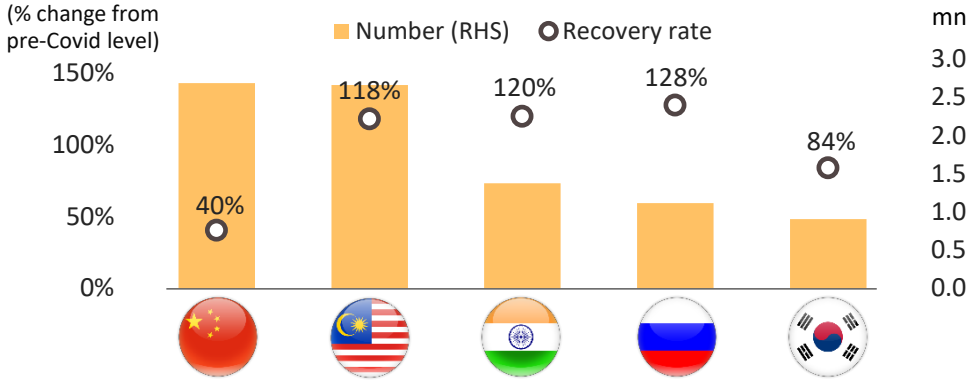
Tourism: Foreign tourist arrivals declined -6.4% YoY during January–July; 2025 full-year arrivals expected to drop to 34 million—the first decline since 2020

In July 2025, Thailand welcomed 2.61 mn foreign tourists, an increase from June but still down by 15.9% YoY. **For the first seven months of 2025, total foreign tourist arrivals stood at 19.3 mn, (-6.4% YoY), generating THB 895 bn in revenue (-4.2%).** The decline was largely driven by a sharp drop in Chinese visitors, down -34.9% YoY to just 2.69 million—equivalent to only 40% of pre-COVID-19 levels in 2019. The slower recovery of Chinese tourists was attributed to concerns over travel safety in Thailand and intensifying competition. **For 2025, foreign tourist arrivals are projected to fall for the first time since 2020 to 34 mn, from 35.5 mn in 2024.**

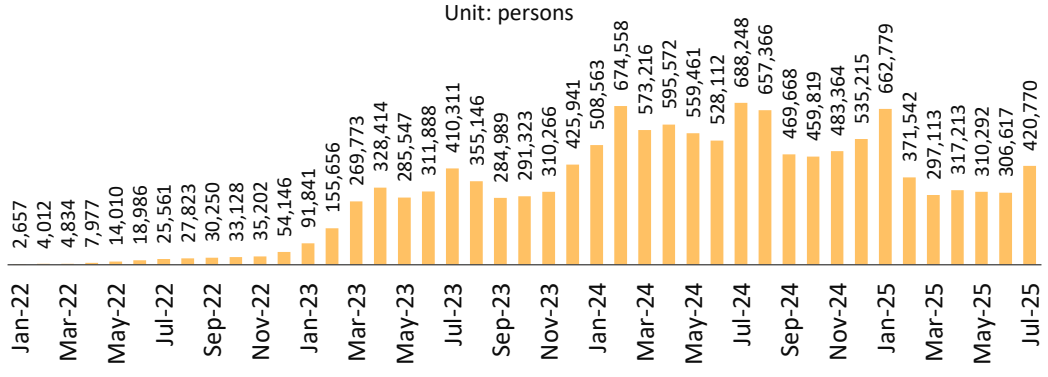
Foreign tourist arrivals fell -15.9% YoY in July



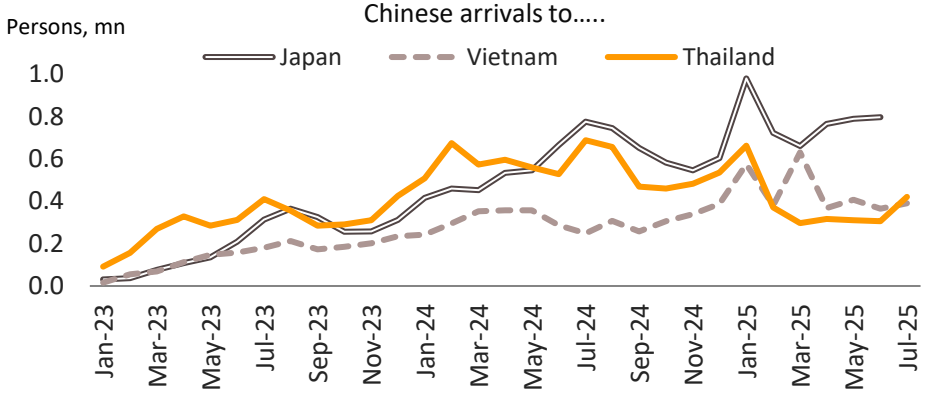
Top 5 tourist arrivals by country during January-July



Chinese arrivals rebounded in July but fell by -38.9%



Thailand losing appeal among Chinese tourists

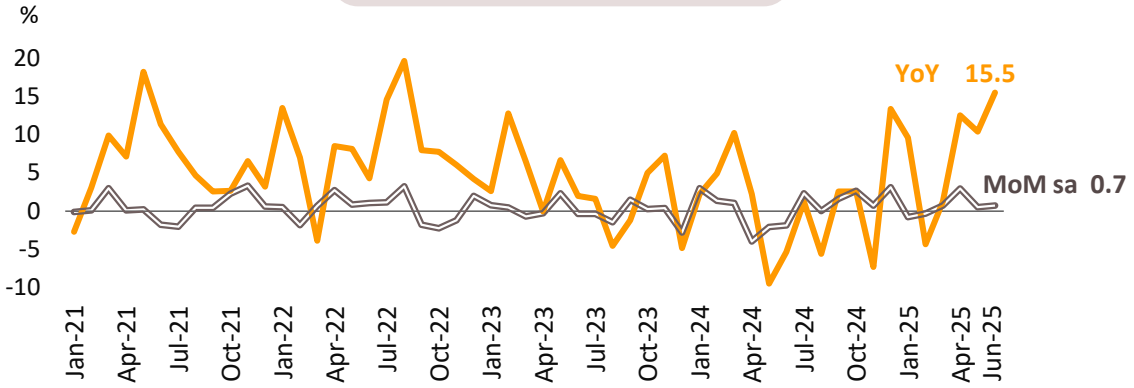


Source: MOTS, CEIC, Krungsri Research

Private investment remains vulnerable to pressures from both domestic and external factors

In June, the Private Investment Index increased by 15.5% YoY, driven mainly by last year's low base and improving growth in manufacturing production. However, private investment for the rest of the year could be supported by the THB 85 bn infrastructure development program, but overall growth will remain under pressure from: (i) weak sentiment amid concerns over domestic political stability and tensions between Thailand and Cambodia; (ii) the slower-than-expected recovery in tourism; and (iii) uncertainty over U.S. trade policy.

Private Investment Index

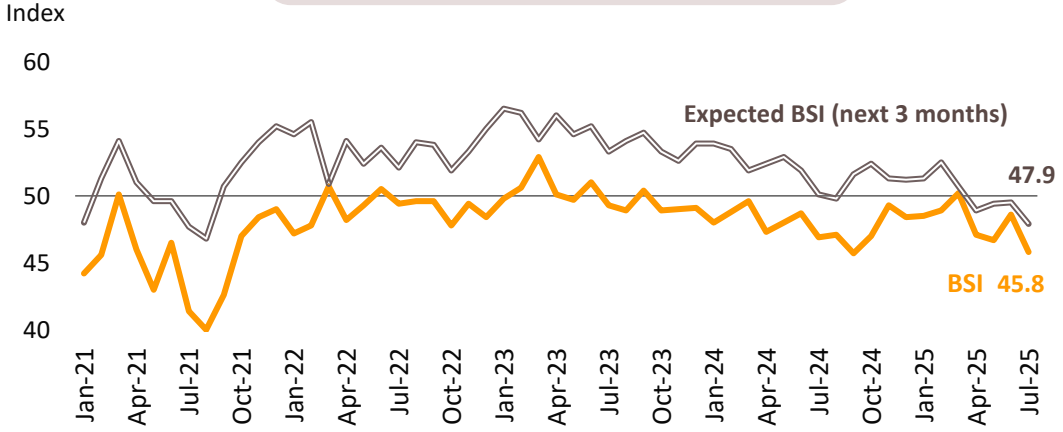


Private Investment Index by category

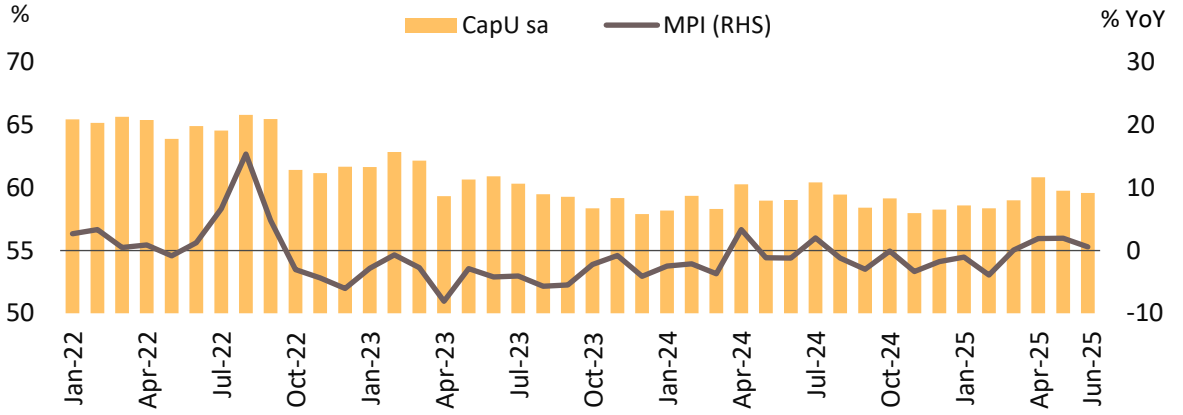
%YoY*	2023												2024												2025					
	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J
Private investment																														15.5
Vehicle																														10.0
Machinery and Equipment																														24.3
Construction																														1.5

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

Business sentiment remained low



Manufacturing Production Index and Capacity Utilization Rate

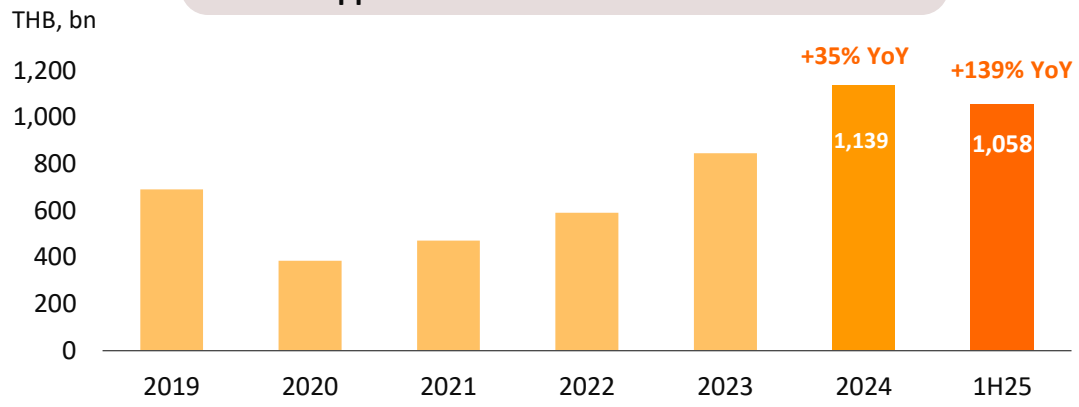


Source: BOT, OIE, Krungsri Research

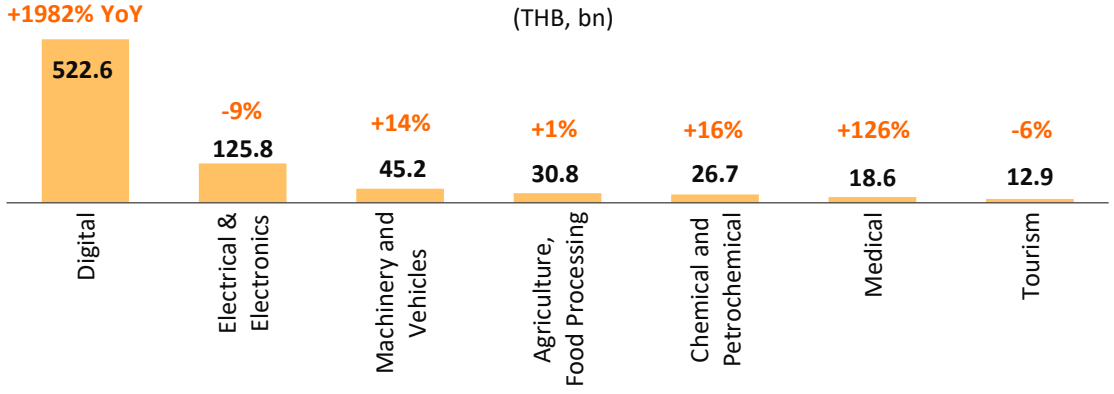
Investment promotion applications soared 139% YoY in 1H25 amid domestic political uncertainty

In the first half of this year, the Board of Investment (BOI) received applications for investment incentives with a total investment value of THB1,058 bn (+139% YoY). The three industries with the highest investments were **Digital, Electrical & Electronics, and Machinery & Vehicle.** Foreign direct investment (FDI) applications for BOI incentives valued at THB738 bn (+132%), led by Singapore, Hong Kong, and China. Meanwhile, the BOI has approved with a total investment value of THB 904 bn (+90%). The investment value of promoted certificates, which are closely linked to actual investment, totaled THB 653 bn (+49%). This is a promising sign for domestic investment in key industrial sectors over the next 1–2 years. However, downside risks remain from political uncertainty, which could undermine confidence and delay investment decisions.

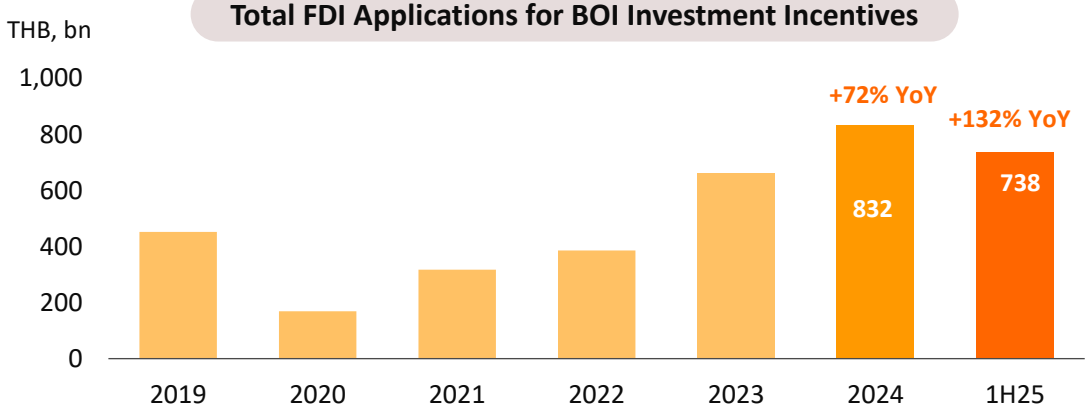
Total Applications for BOI Investment Incentives



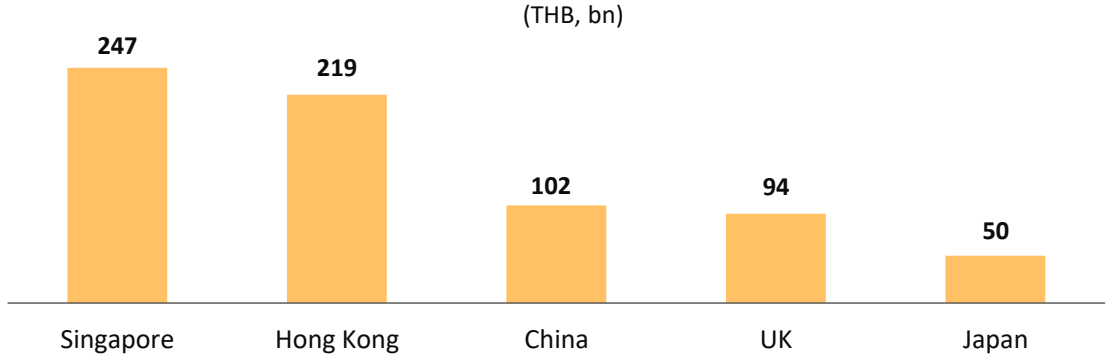
Applications for BOI Investment Incentives in 1H25 by sector



Total FDI Applications for BOI Investment Incentives



FDI Applications for BOI Investment Incentives in 1H25 by country

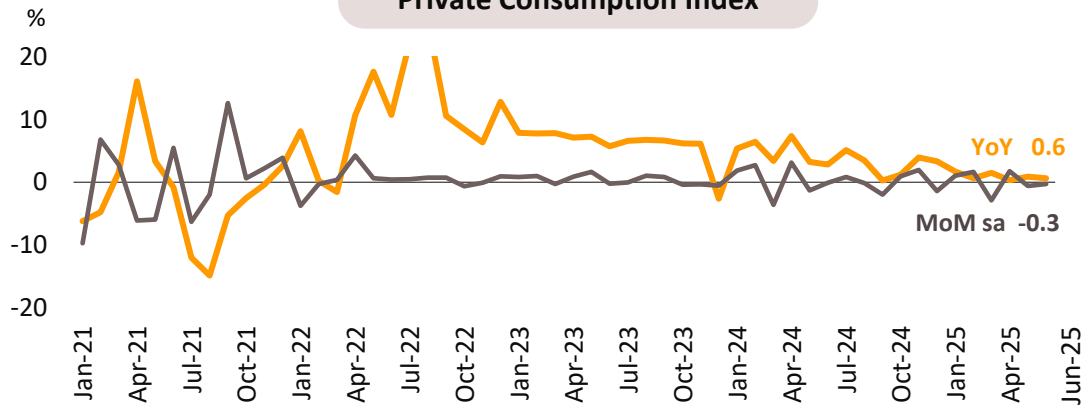


Source: BOI, Krungsri Research

Private consumption continues to weaken due to falling confidence, declining farm income, and structural challenges

In June, the Private Consumption Index (PCI) rose slightly by 0.6% YoY, dampened by a slowdown in service spending, particularly in hotels and restaurants, and a contraction in non-durable goods consumption. **Looking ahead, domestic tourism stimulus may lift consumption in the remainder of the year, but several challenges persist.** These include: (i) potential tariff impacts on income and employment; (ii) declining farm income due to lower agricultural prices; (iii) high household debt; and (iv) weak consumer confidence, further weighed down by domestic political uncertainty.

Private Consumption Index

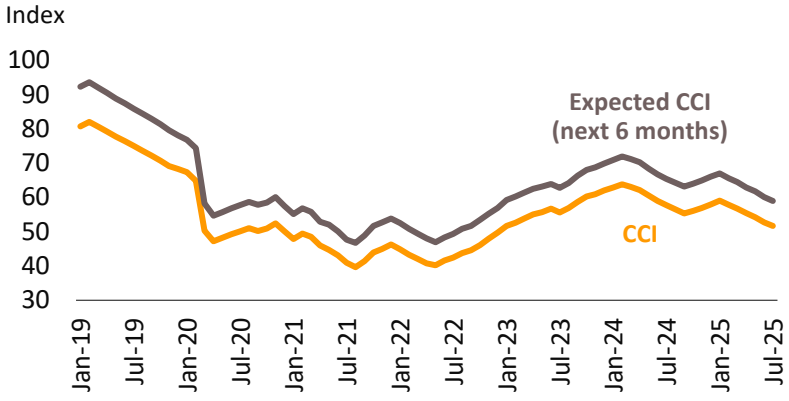


Private consumption index by category

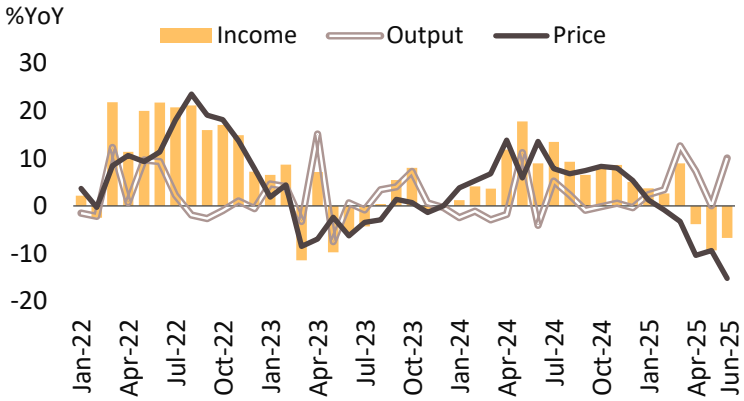
%YoY*	2023 J	F	M	A	M	J	J	A	S	O	N	D	2024 J	F	M	A	M	J	J	A	S	O	N	D	2025 J	F	M	A	M	J
Private consumption																														0.6
Non-durables																														-1.2
Semi-durables																														1.9
Durables																														5.6
Services																														1.8
Non-residents expenditure																														5.2

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

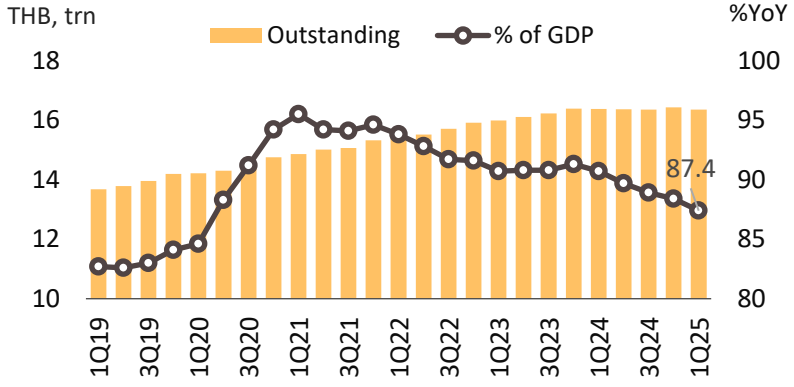
Consumer Confidence Index fell to 31-month low in July



Farm income declined due to the price effect



Household debt remained high at 87.4% of GDP in 1Q25

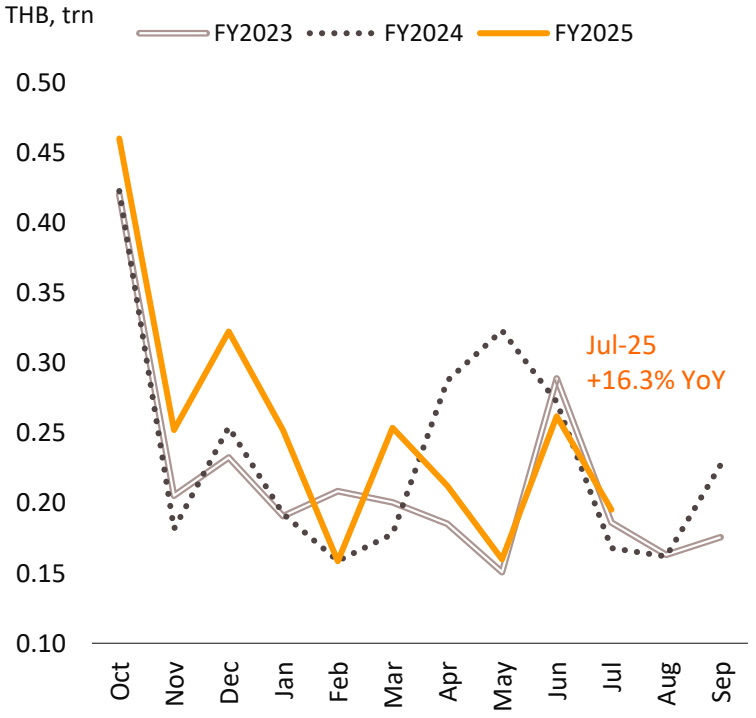


Source: BOT, UTCC, OAG, CEIC, Krungsri Research

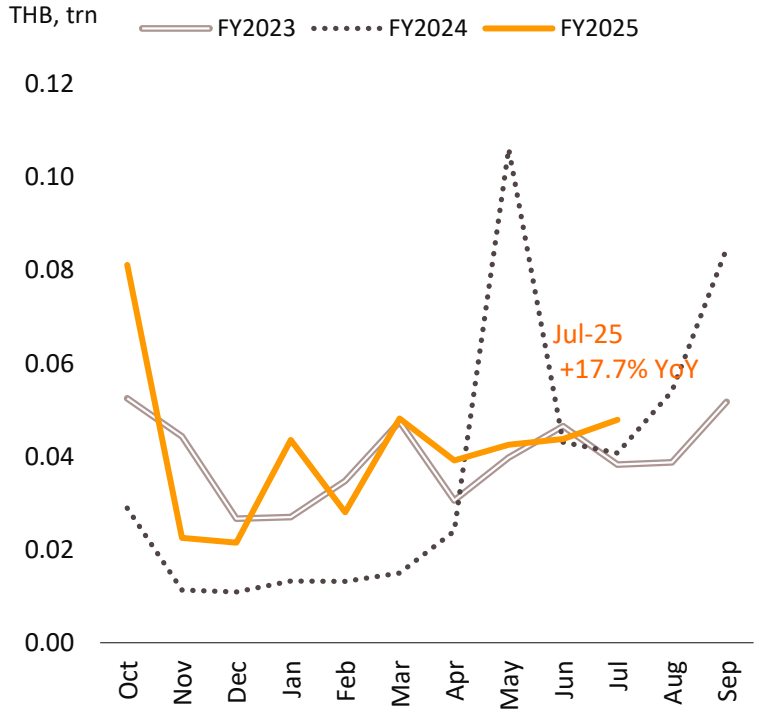
Public spending is likely to stay on track following the House's approval of the FY2026 budget bill, though political uncertainty may affect key policy actions

Preliminary data from the Ministry of Finance shows that **in July, disbursement of the current budget rose by 16.3% YoY, while capital budget disbursement increased by 17.7%.** For the first ten months of FY2025 (October 2024 to July 2025), current budget disbursement grew by 3.7% YoY to THB 2.53 trillion, accounting for 91% of the annual allocation. Capital budget disbursement rose by 36.7% YoY to THB 0.42 trn, but represented only 43% of the full-year target. Meanwhile, the draft FY2026 budget bill, with a total expenditure of THB 3.78 trillion (+0.8%), has passed its second and third readings in parliament and is expected to take effect on schedule. **However, political uncertainty remains a significant risk that could affect the implementation and effectiveness of economic policies in the period ahead.**

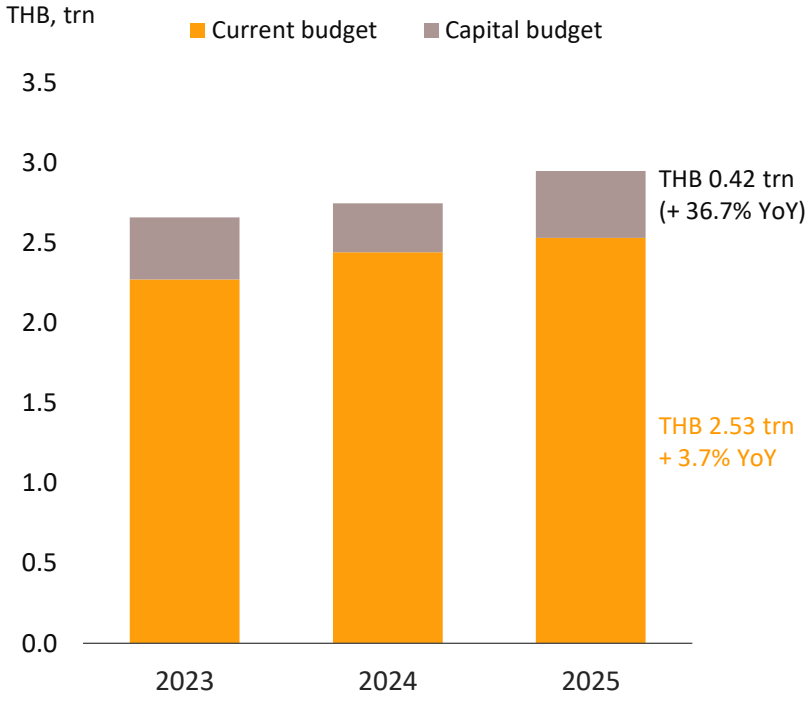
Disbursement of current budget



Disbursement of capital budget



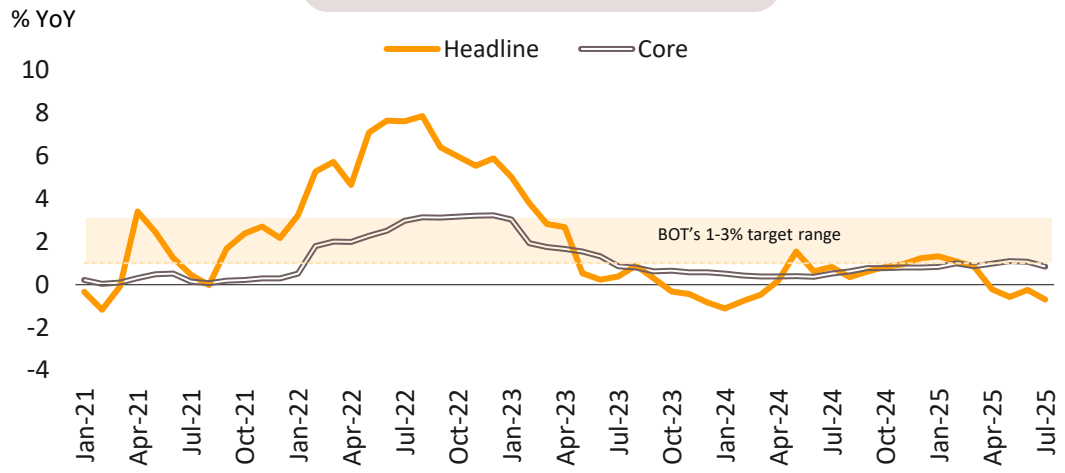
Total disbursement during October-July



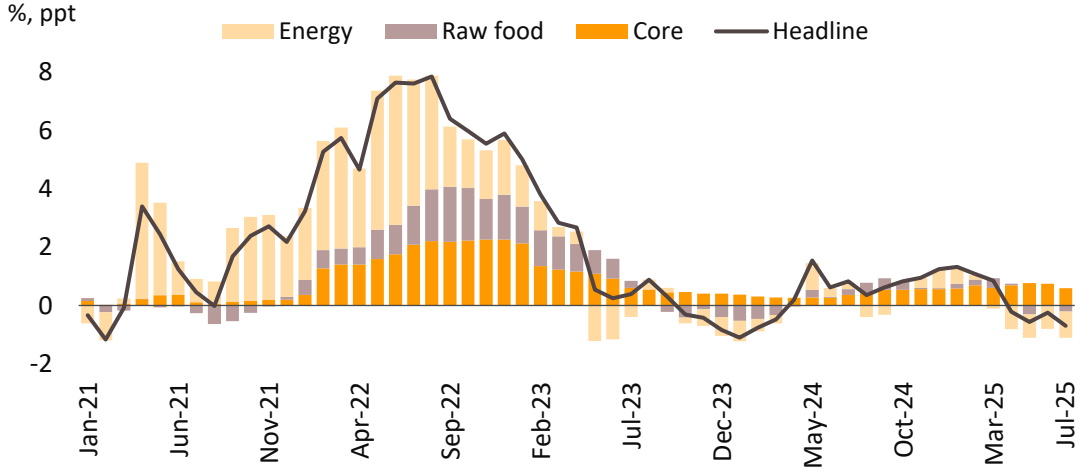
Source: MOF, Krungsri Research

Inflation posted a negative rate for the 4th consecutive month in July and expected to remain negative in 3Q25, pulling the full-year forecast down to just 0.2%

Headline and Core Inflation



Contribution of Inflation



Source: MOC, CEIC, Krungsri Research

Consumer Price Index (% YoY)*	Weight	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	M	J	J
Headline CPI	100%																															-0.7
Food & beverages	42.0%																															0.8
Apparel & footwears	2.1%																															-1.1
Housing & furnishing	22.0%																															-0.2
Medical & personal care	5.4%																															-1.1
Transportation & communication	23.1%																															-3.9
Recreation & education	4.2%																															0.5
Tobacco & alcoholic beverages	1.3%																															0.0
Raw food	21.0%																															-1.2
Energy	13.9%																															-7.3
Core CPI	65.1%																															0.8

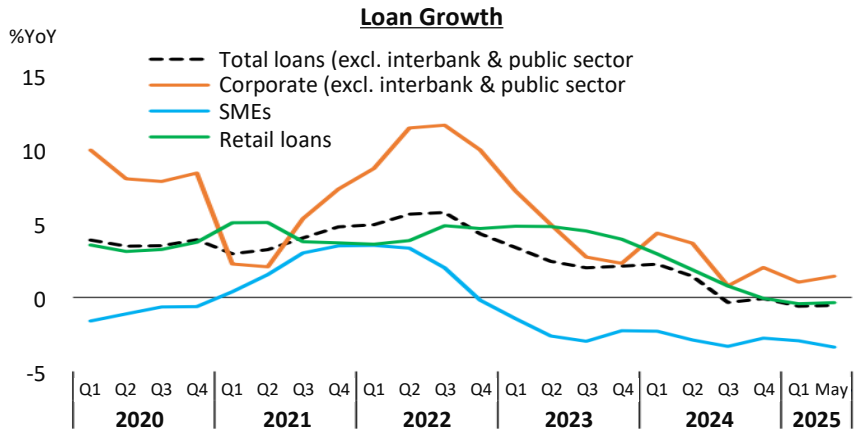
** Red > 0%, Green < 0% / Darker colors indicate stronger momentum*

Krungsri Research's view

- **Headline inflation in July stood at -0.7% YoY,** marking the fourth consecutive month of negative rate and the lowest rate in 17 months. The main contributing factors were: (i) lower prices of vegetables and fruits, and (ii) a decline in energy prices, including fuel and electricity charges. Core inflation (excluding raw food and energy) eased to 0.84% in July from 1.06% in June. **For the first seven months of this year, average headline and core inflation stood at 0.21% and 0.95%, respectively.**
- **Headline inflation in 3Q25 is expected to remain in negative territory, continuing the trend from the previous quarter.** This is mainly attributable to: (i) low global oil prices compared to last year, which have kept domestic retail fuel prices subdued; (ii) government cost-of-living support measures, including the diesel and LPG price caps as well as reductions in electricity fees; and (iii) weakening domestic demand amid clearer signs of economic slowdown, partly stemming from the impact of U.S. tariff hikes. **We have revised down its forecast for headline inflation in 2025 to 0.2%, from the earlier projection of 0.6%.**

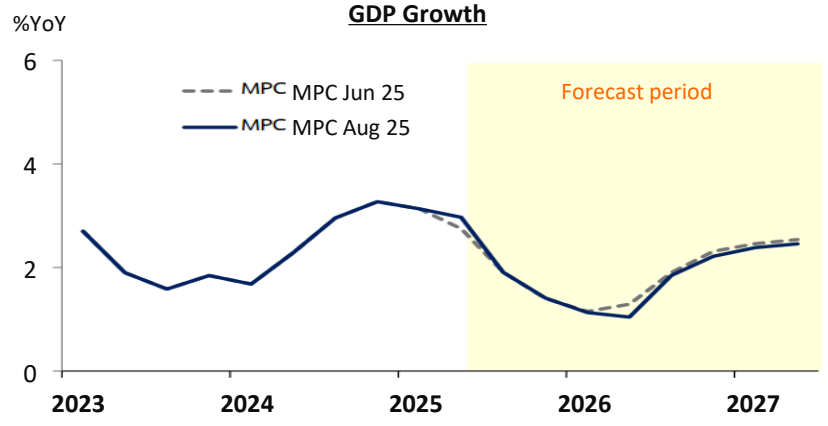
MPC is shifting focus to growth concerns and may deliver 1–2 rate cuts by early 2026 amid persistent downside risks

Credit growth remains negative due to increased credit risks, particularly in SMEs and low-income households.



Note: 1) Data covers loans from financial institutions including commercial banks (and subsidiaries), SFIs, and non-banks that are not subsidiary of commercial banks
2) Firm size is defined through a combination of the Office of SMEs Promotion's criteria and credit lines

The economy is expected to face increasing impacts from U.S. trade policies in 2H25



Source: BOT, Krungsri Research

Krungsri Research's view

- **On 13 August, the MPC unanimously delivered a 25-bps cut to 1.50%, citing efforts to ease financial conditions for vulnerable groups.** According to the MPC's statement, the Thai economy is projected to expand close to the previous assessment. However, momentum is expected to soften in 2H25 due to US trade policies and a decline in short-haul tourist arrivals amid stronger regional competition. Headline inflation is forecast to remain subdued, with falling raw food and energy prices—mainly due to supply-side factors. Credit growth remains negative due to increased credit risks, which could exacerbate vulnerable groups of the economy, particularly in SMEs and low-income households.
- **This decision marks a shift from the Committee's earlier stance of "preserving policy space," indicating that the balance has tipped toward addressing growth concerns.** In the period ahead, the headwinds and risks we see include persistent credit contraction, higher ex-post real rates, political uncertainty, unresolved Thailand–Cambodia border tensions weighing on confidence and tourism, weaker post-front-loading exports, and potential further sectoral and transshipment tariffs.
- **Krungsri Research thus continues to expect a further 1-2 cuts by 1Q26.** These headwinds warrant further easing, as even the press release concedes: "The Committee viewed that monetary policy should be accommodative going forward to support the economy. At the same time, it is important to ensure macro-financial stability, while taking into account the limited policy space."

Key factors in 2H25: Deeper tariff impact, political uncertainty, and slow tourism recovery heighten risk of a negative feedback loop despite policy supports

Major factors affecting Thai economy	1H25	2H25
Public spending, economic stimulus measures, and easing monetary policy		
Export performance affected by U.S. tariff policy		
Impacts of climate fluctuation on farm income		
Slower-than-expected tourism recovery		
Private investment affected by tariff impact and slow tourism recovery		
Domestic political uncertainty and border tension		
Escalating trade tensions, geopolitical risk and fragmented globalization		
Losing competitiveness and rising imports from China and the U.S.		
Domestic structural headwinds (high household debt, demographic challenges)		



Negative impact Positive impact

Source: Krungsri Research

KRUNGSRI RESEARCH

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