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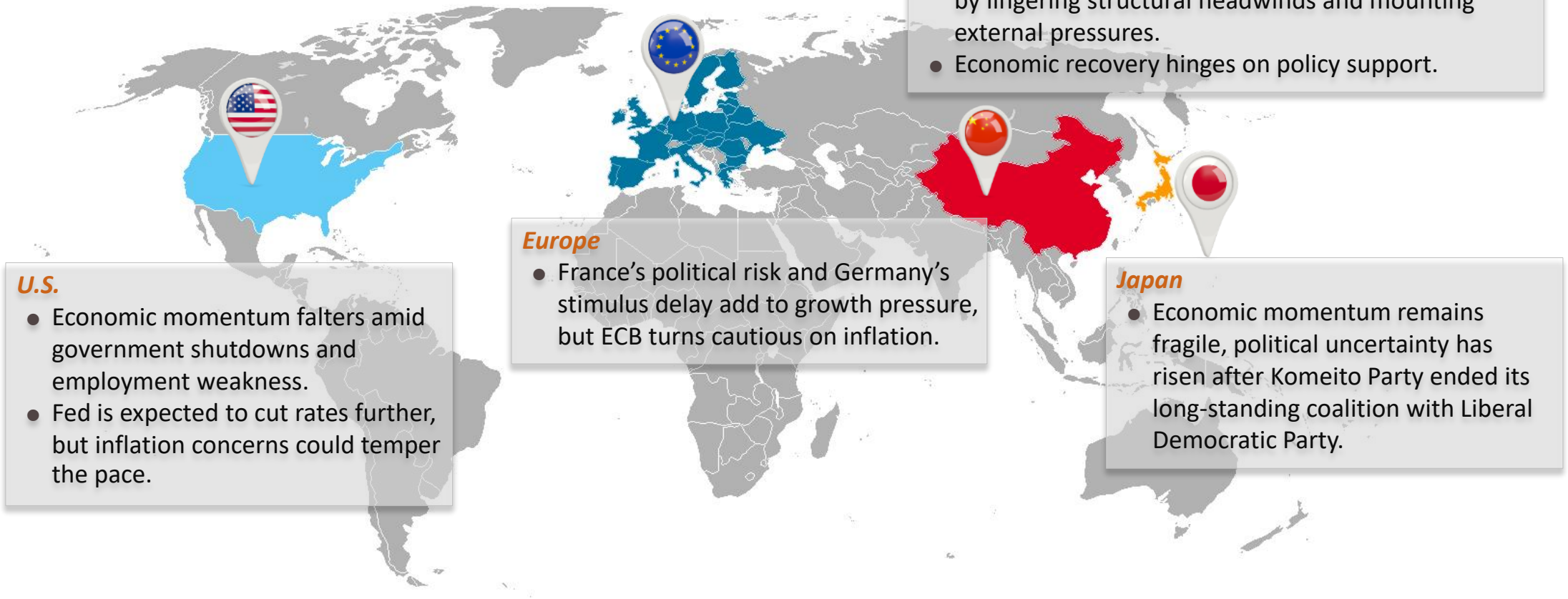
# MONTHLY ECONOMIC BULLETIN

October 2025



Krungsri Research

# *Global: Horizon through the fog — navigating a slowing economy as tariff impact spreads and political risks rise*



***China***

- Economy struggles to gain traction, weighed down by lingering structural headwinds and mounting external pressures.
- Economic recovery hinges on policy support.

***Europe***

- France's political risk and Germany's stimulus delay add to growth pressure, but ECB turns cautious on inflation.

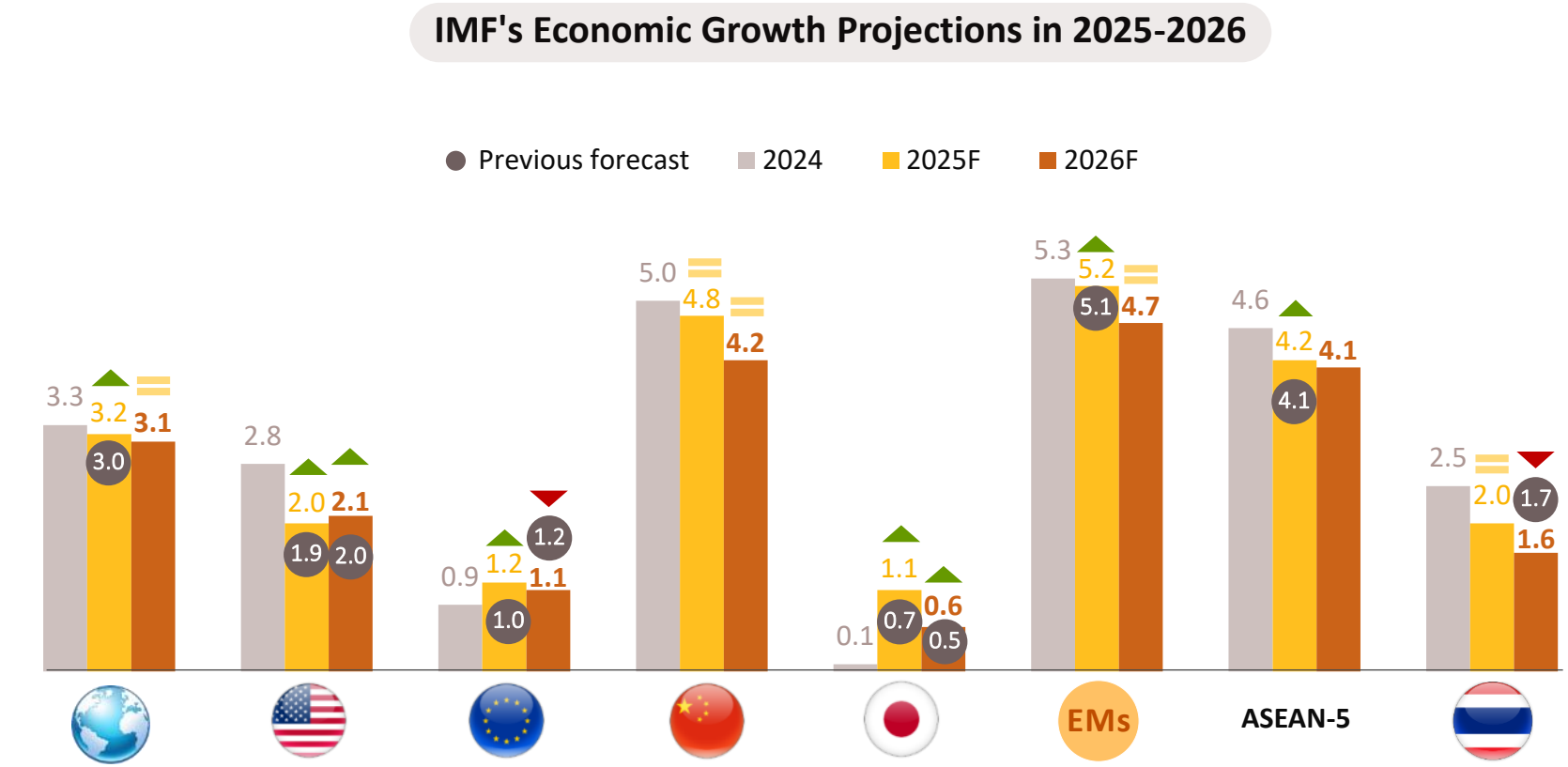
***U.S.***

- Economic momentum falters amid government shutdowns and employment weakness.
- Fed is expected to cut rates further, but inflation concerns could temper the pace.

***Japan***

- Economic momentum remains fragile, political uncertainty has risen after Komeito Party ended its long-standing coalition with Liberal Democratic Party.

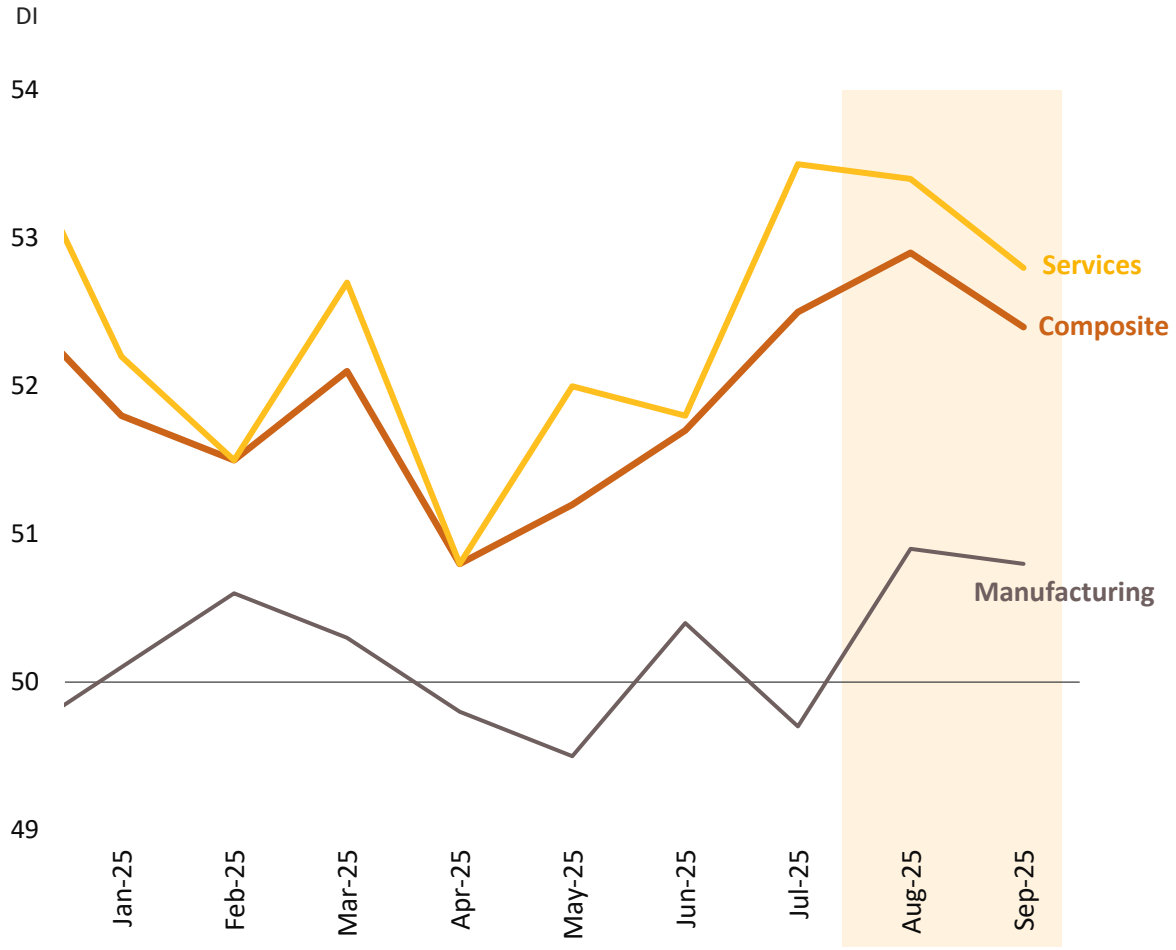
# IMF expects dim global growth prospects, projecting a slowdown to 3.2% in 2025 and 3.1% in 2026, with risks skewed to the downside amid fading front-loading, prolonged uncertainty, and rising protectionism.



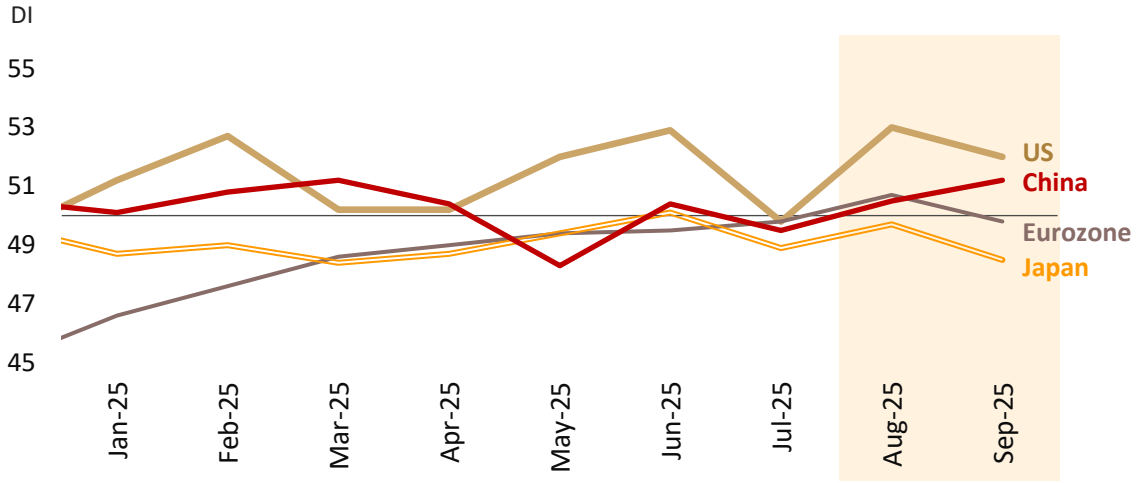

Notes: EMs: Emerging and Developing Asia
Source: IMF, World Economic Outlook (October 2025)

# *Global growth* is slowing, led by weaker manufacturing in core countries; tariff effects have intensified following August hikes, with further drag anticipated

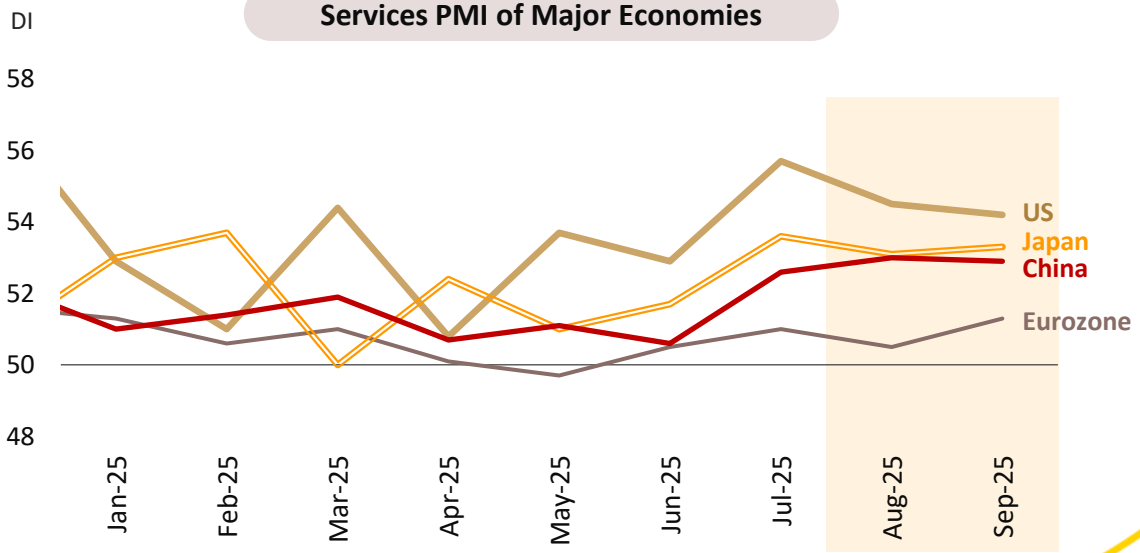
**Global Composite, Manufacturing, and Services PMI**




**Manufacturing PMI of Major Economies**



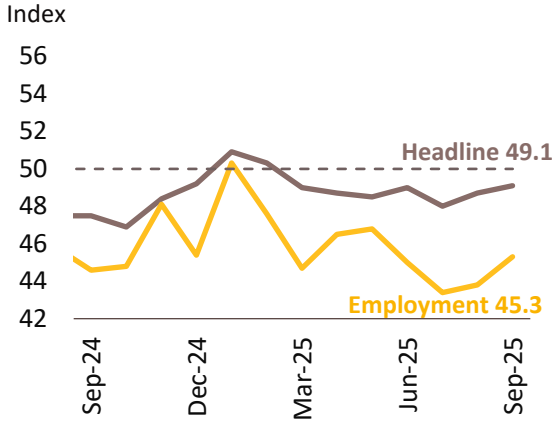

**Services PMI of Major Economies**



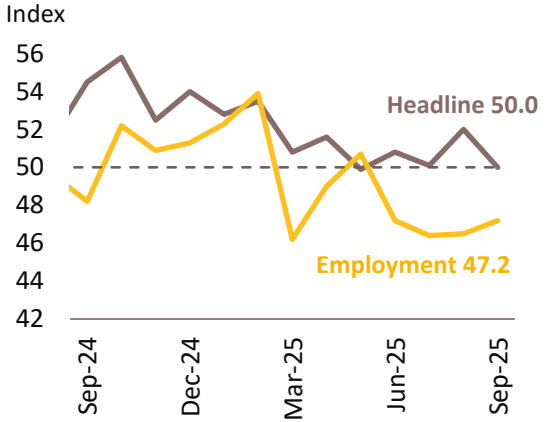

Source: J.P. Morgan and S&P Global PMI, Bloomberg, Krungsri Research

# *U.S.:* Economic momentum falters amid government shutdowns and employment weakness; Fed expected to cut rates further, but inflation concern could temper pace

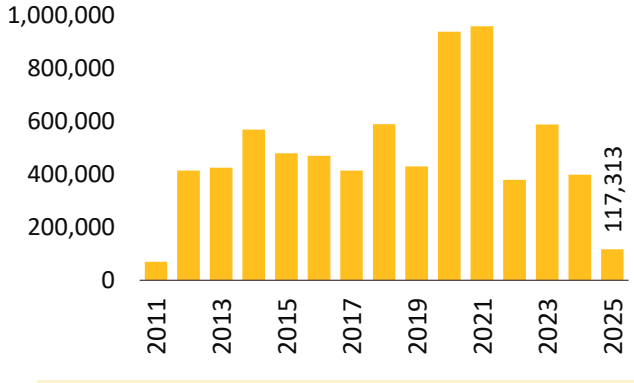
**ISM Manufacturing PMI**



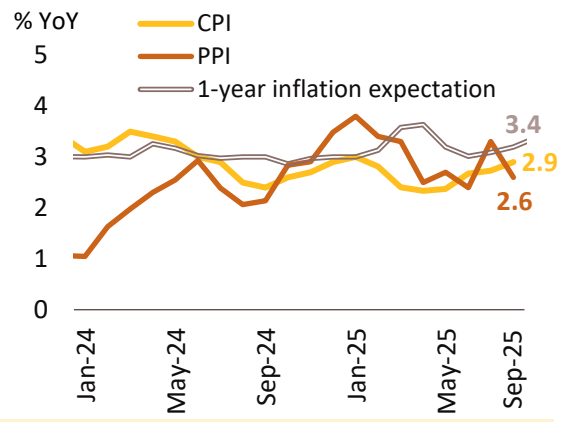

**ISM Services PMI**



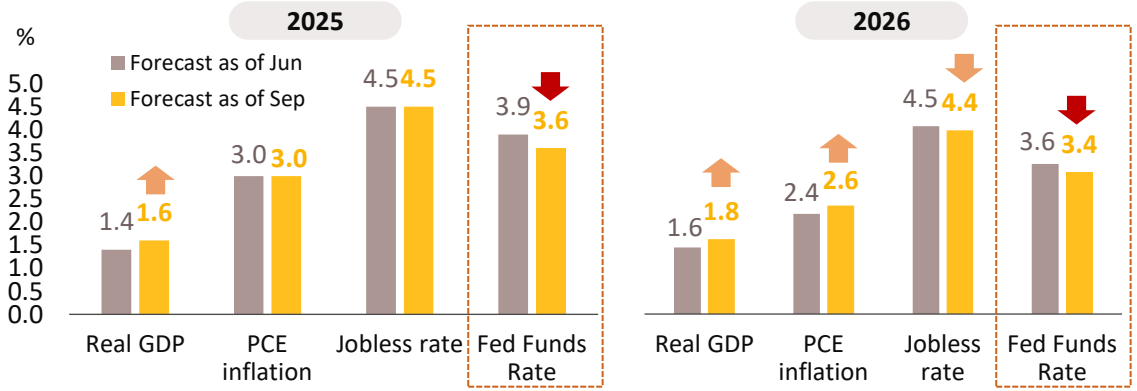

**Planned Job Additions in September**




**Consumer and Producer Price Indices**




**FOMC Economic Projections for…**




***FOMC Dot Plot:*** *10 out of 19 members expect 2 or more cuts over the reminder of the year*

***FOMC Dot Plot:*** *A slow decline in the policy rate towards the 3% level that is considered neutral*

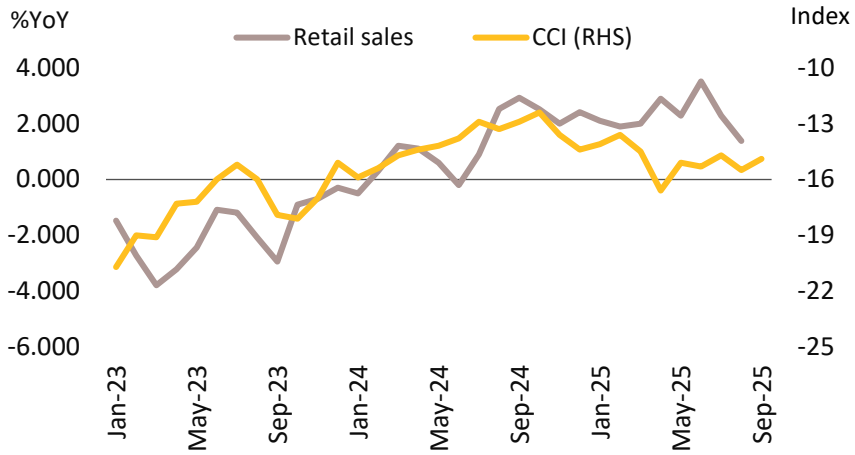
Source: Institute for Supply Management (ISM), Bureau of Labor Statistics, Challenger, Gray & Christmas Bloomberg, Krungsri Research

## Krungsri Research's view

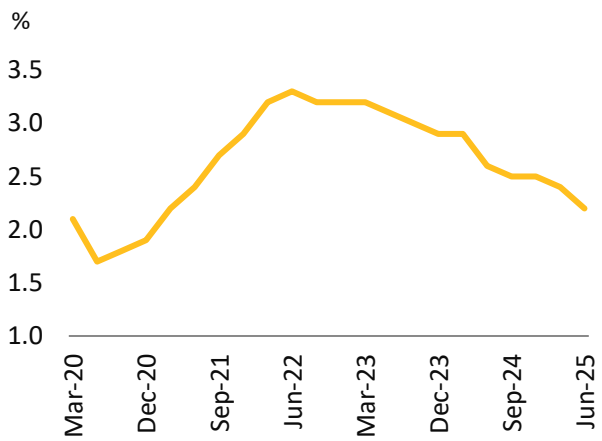
- **Government shutdowns are projected to cut U.S. GDP growth by 0.1–0.2 ppt per week,** depending on their duration and severity. Unlike prior shutdowns, this one involves serious talk of permanent layoffs and broader agency impacts.
- **Services sector growth nearly stalled, manufacturing remained in contraction, and the labor market showed signs of weakening**. In September, ADP reported a decline of 32,000 **private-sector jobs**—the largest drop in 2½ years. **Hiring plans** also fell sharply, dropping -71% YoY to the weakest September since 2011.
- **Trump planned steep tariffs, but talks could avert them.** President Donald Trump has announced plans for a 100% tariff on Chinese goods, effective November 1. US-China talks could prevent the tariff if progress is made. Meanwhile, U.S. small firms and markets brace for potential price hikes and volatility.
- **Weaker demand-pull pressures amid slowing employment and wage growth may offset cost-push inflation from higher tariffs**. September's median one-year-ahead earnings growth expectations fell to 2.4%, the lowest since April 2021.
- **Our outlook supports two additional rate cuts this year. Inflation concerns may constrain the pace of easing next year. We expect the policy rate to reach 3.50–3.75% by end-2025 and 3.25–3.50% in 2026, in line with the Fed's guidance.**

# *Eurozone:* France political risk and Germany's stimulus delay add to growth pressure, but ECB turns cautious on inflation

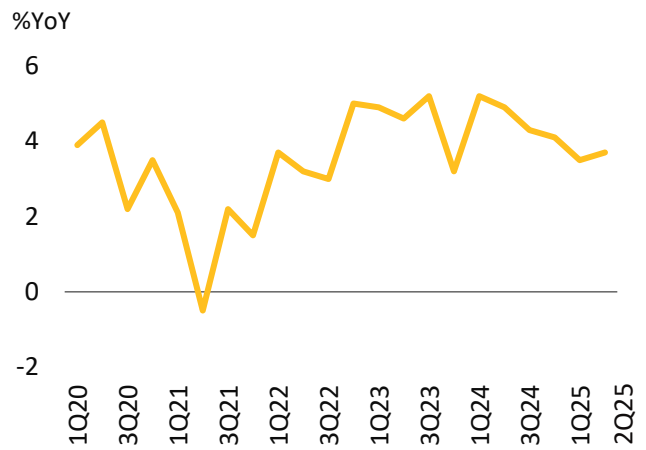
**Retail Sales and Consumer Confidence**



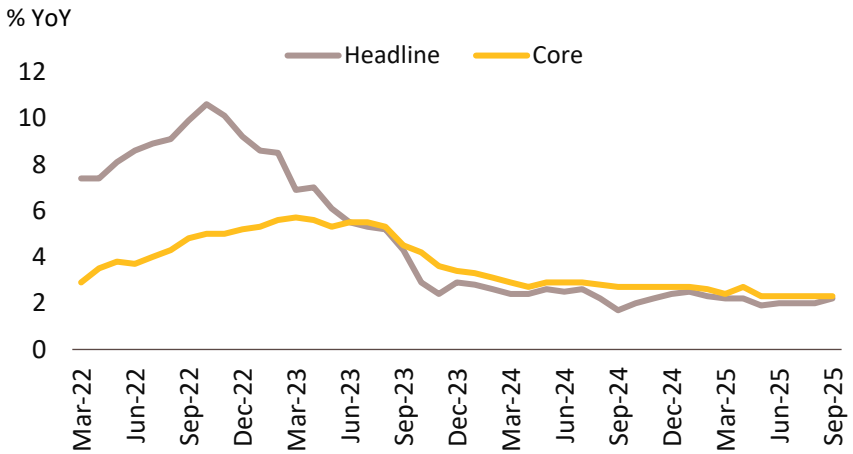

**Job Vacancy Rate**




**Wage Growth**




**Consumer Price Index (CPI)**



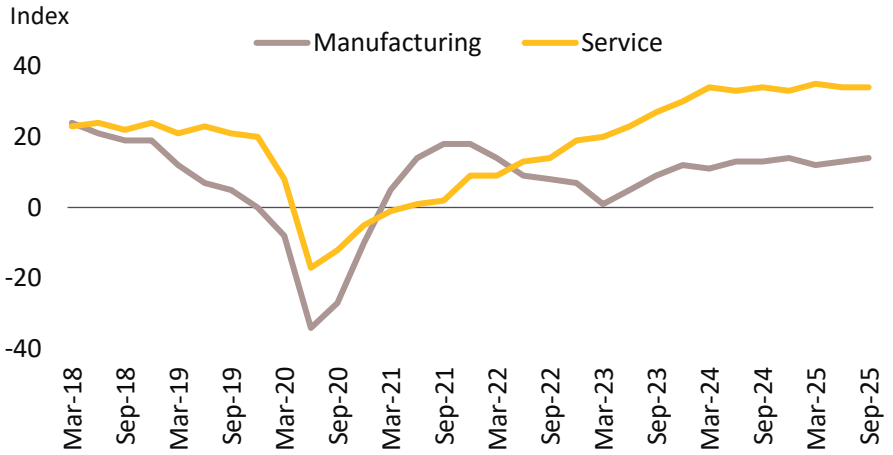

Source: ECB, CEIC, investing.com, Eurostat, European Union, Bloomberg, Krungsri Research

**Krungsri Research's view**

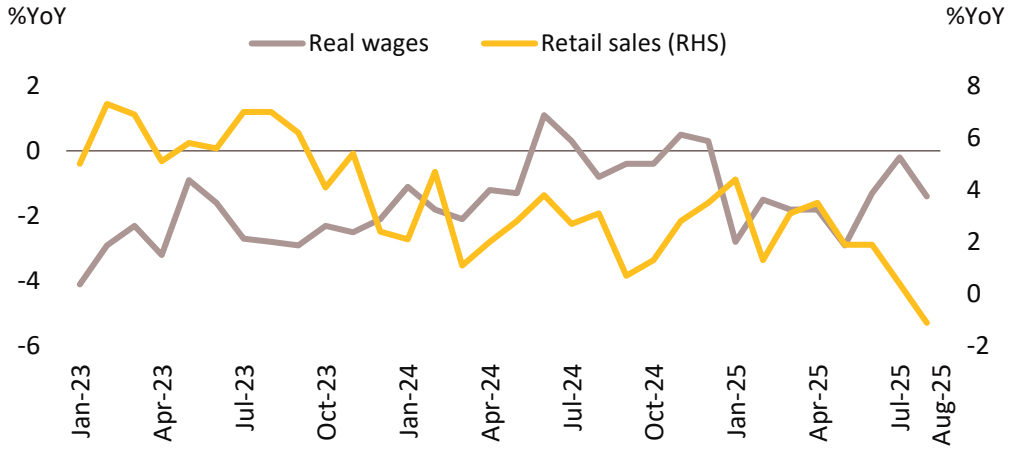
- **Signs of an economic slowdown have become more evident in 3Q25,** driven by weaker household consumption, a softening labor market, and low confidence. This followed 2Q25's sluggish performance, which marked the slowest GDP growth since 4Q23.
- **Looking ahead, growth prospects remain limited.** Germany's fiscal stimulus could be delayed until mid-2026 due to setbacks in budget approval, while rising trade tensions are likely to add further pressure on the manufacturing and export sectors.
- **France's political uncertainty continues**. President Emmanuel Macron reappointed Sébastien Lecornu as Prime Minister amid ongoing political uncertainty and pressure to form a new cabinet to submit the 2026 budget bill. Moreover, as a minority government, it will face challenges in passing key economic policies going forward.
- After eight consecutive rate cuts since June 2024, **Krungsri Research expects the ECB to slow its pace of monetary easing**, as inflation remains close to target, and the central bank seeks to preserve policy space in case of sharper downside risks.

# *Japan:* Economic momentum remains fragile, political uncertainty has risen after Komeito Party ended its long-standing coalition with Liberal Democratic Party

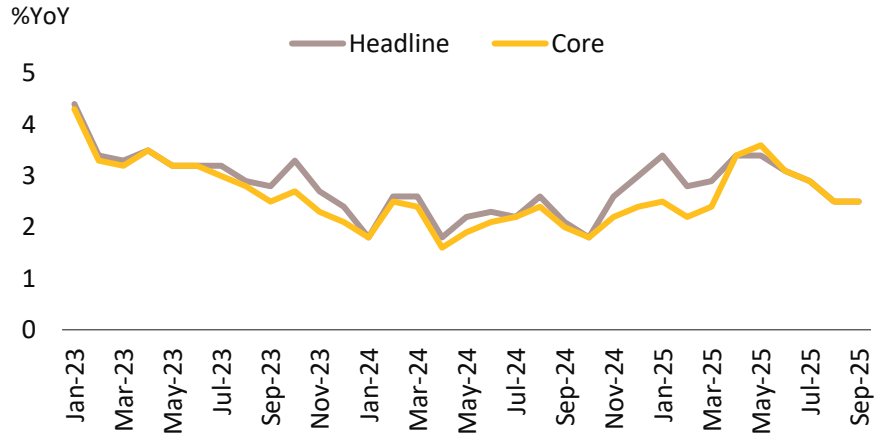
**Tankan Index**




**Real Wage and Retail Sales**




**Tokyo Consumer Price Index**



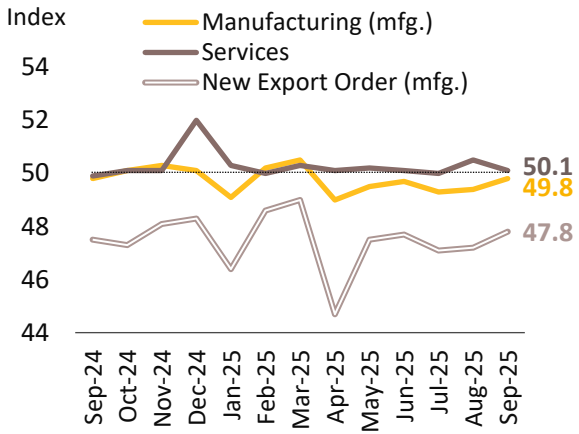

Source: Bank of Japan, CEIC, Investing.com, Krungsri Research

**Krungsri Research's view**

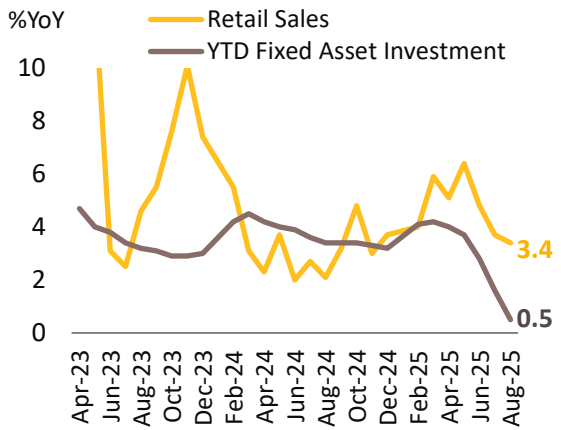
- **Business sentiment among large manufacturers has improved for a second straight quarter, and firms continue to expand capital investment plans.** However, other key indicators have weakened — retail sales fell by 1.1% YoY in August, the first decline since February 2022, amid persistent inflation and weak consumer confidence.
- **At the same time, higher U.S. import tariffs are expected to further pressure Japan's manufacturing, export, and corporate sectors**. Exports continued to contract for the fourth consecutive month in August, while the manufacturing PMI remained in contraction territory — signaling that Japan's economy will likely continue to grow at a sluggish pace. **These headwinds will make it difficult for the BOJ to consider rate hike in October's meeting.**
- **Political uncertainty has increased after the Komeito Party ended its long-standing coalition with Liberal Democratic Party (LDP) led by Sanae Takaichi.** The split stemmed from disagreements over tighter political donation regulations, following a series of funding scandals that eroded public trust. The breakup marks the end of a 26-year alliance ahead of the upcoming parliamentary vote for prime minister on 21 October, leaving the LDP short of a majority and forcing Takaichi to seek new coalition partners to form a government.

# *China:* Economy struggles to gain traction, weighed down by lingering structural headwinds and mounting external pressures; recovery hinges on policy support

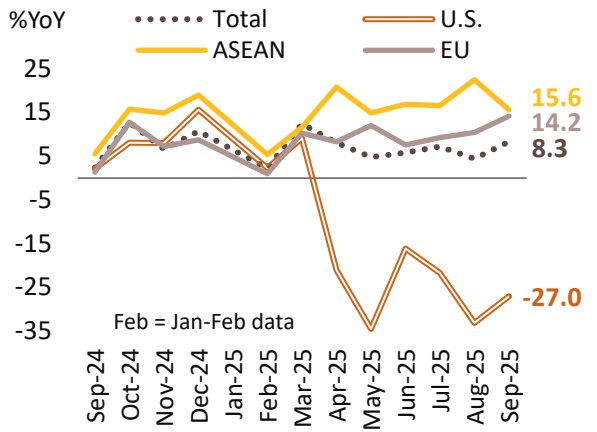
## Purchasing Managers' Index (PMI)



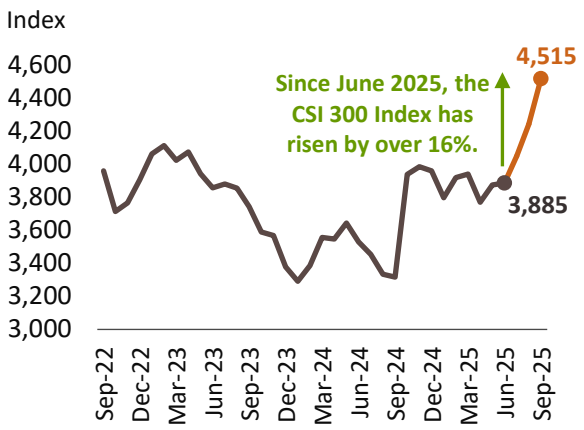

## Retail Sales and Fixed Asset Investment



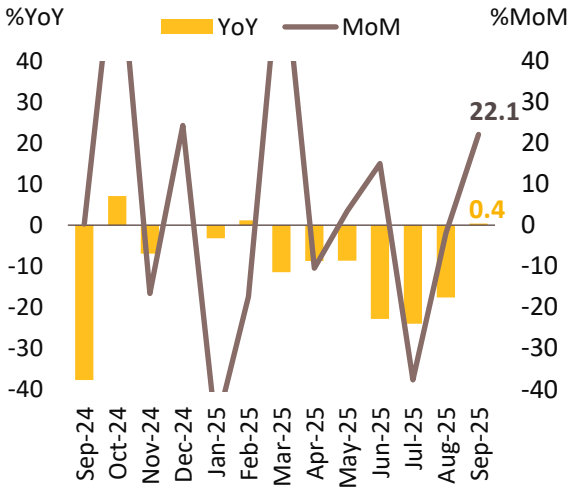

## Exports by Key Partners



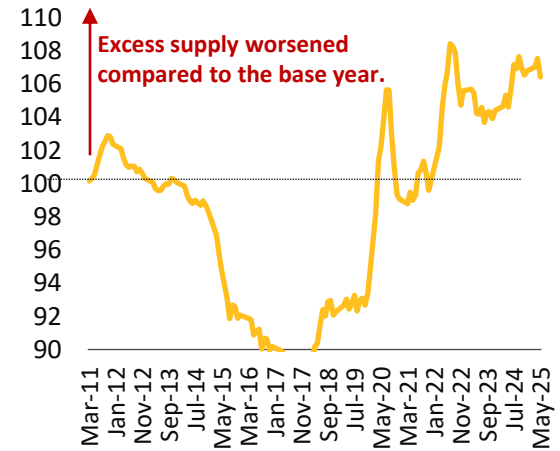

## CSI 300 Index




## New Home Sales by Top 100 Developers




## Excess Supply Index




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

### Krungsri Research's view

- **China's weak momentum persists.** Manufacturing activities remain in contraction. Domestic demand and investment remain subdued. Services continue to expand, but the early-October national holiday may provide a limited boost.
- **Trade conflicts remain fluid** with the U.S. threatening to impose a 100% tariff on China, and software export curbs. We expect the tariff threat to eventually subside and both sides to return to the negotiating table. However, **limited access to high-tech industries could persist, driving China to accelerate its self-sufficiency.**
- **Consumer wealth remains fragile. Recent stock market gains**, partly driven by the AI boom, policy support, and speculation, **may not yet have translated into a sustained improvement in consumption, given a weak labor market and the prolonged property crisis.** Excess housing supply is likely to take years to absorb, and long-term housing demand could decline if the population continues to shrink.
- **The Five-Year Plan, to be reviewed in late October, is likely to continue focusing on "new productive forces,"** boosting consumption, curbing "price involution," and addressing excess supply. **While promising, these measures may take time to bear fruit.** Given current economic conditions, additional fiscal and monetary support will be increasingly needed to sustain growth next year.

# *Thailand: Eyes on the horizon — short-term measures lift prospects, but longer-term path remains uncertain*

- **In the fourth quarter of 2025, a clearer political environment and government stimulus measures are expected to support domestic demand, while weak global trade and tariff impacts may continue to cap growth momentum.**
- **Thai exports slowed sharply in August,** weighed down by higher U.S. tariffs and weaker global demand, though full-year growth may exceed our forecast due to front-loaded shipments. The stronger baht has also pressured exporters, with shipments in baht terms contracting for the second consecutive month.
- **Tourism recovery remains sluggish** despite the high season in the fourth quarter. Full-year arrivals may fall short of our projection.
- **However, public spending is likely to pick up in early FY2026**, supporting growth momentum.
- **Private consumption is expected to improve in 4Q25**, supported by upcoming stimulus measures, though **tailwinds from short-term measures to boost domestic spending** may be offset by headwinds from weaker-than-expected foreign tourist arrivals.
- **Improving political clarity is helping to lift business sentiment,** but private investment outlook continues to be weighed down by external headwinds and weak domestic demand.
- Headline inflation remains in negative territory and is expected to hover around zero for the full year.
- **Given the anemic outlook and persistent downside risks, the MPC may cut the policy rate twice by the first half of 2026.**

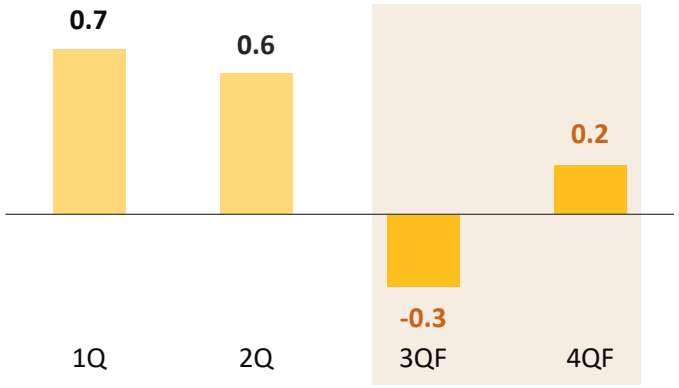
# *Krungsri Research Forecasts for 2025*

| 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 | 5.9 | 15.0 | 3.5 |
| Nominal Imports in USD (f.o.b.) | YoY (%) | -3.7 | 5.5 | 12.0 | 5.0 |
| Current Account Balance | USD, bn | 8.5 | 11.6 | 12.1 | 14.0 |
| 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 |

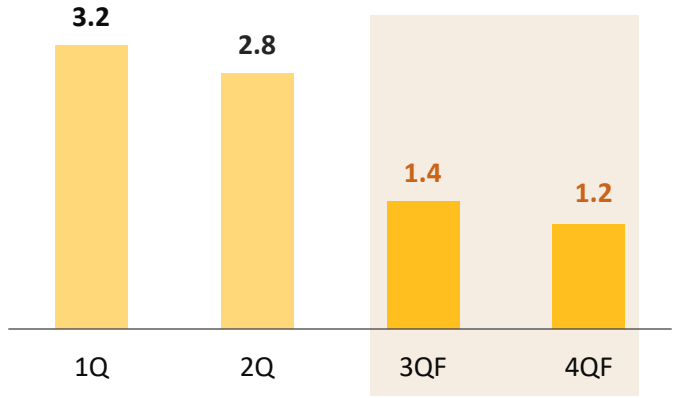
Source: NESDC, BOT, MOC, MOTS, Bloomberg, Krungsri Research

# *Key factors in 4Q25:* Clearer political situation and stimulus measures expected to support domestic demand, but weak global trade and tariff impacts may cap growth momentum

**2025 GDP Growth Forecast: % QoQ sa**




**2025 GDP Growth Forecast: % YoY**



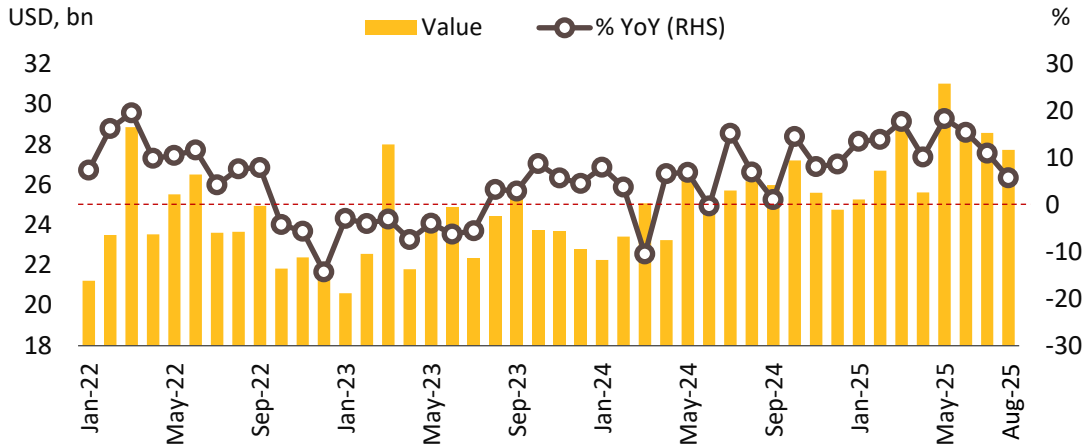

| Major factors affecting the Thai economy | 3Q25 | 4Q25 |
|---|---|---|
| Domestic political situation and confidence | | |
| Government stimulus measures | | |
| Slow tourism recovery | | |
| Impact of recent flooding | | |
| Thailand-Cambodia border tension | | |
| U.S. tariff impact on Thai exports | | |
| Slowdown in major economies (esp. U.S. and China) | | |
| Losing competitiveness and rising imports from China | | |
| High household debt and waning policy supports | | |

Negative impact — Positive impact

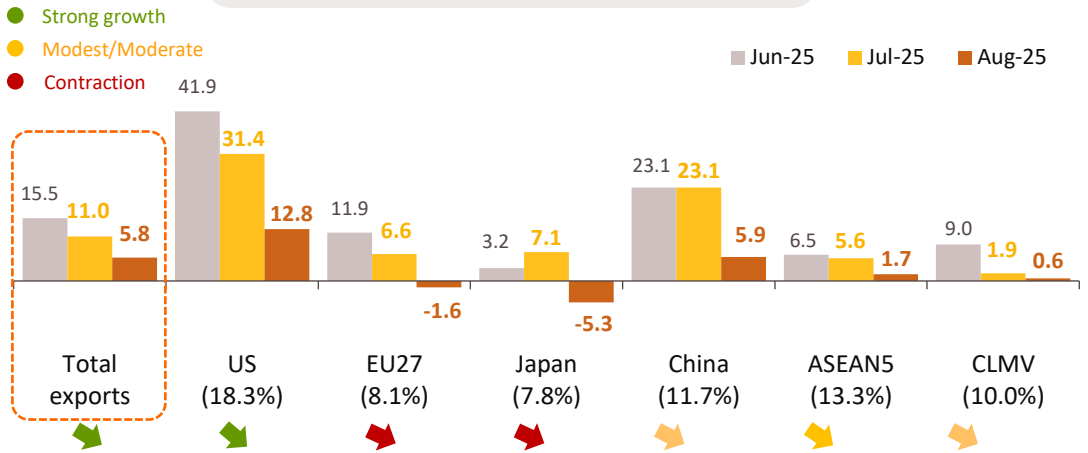
Note: Forecast by Krungsri Research
Source: NESDC, Krungsri Research

# *Thai exports* slowed sharply after 19% U.S. tariff took effect in August; full-year growth may exceed forecast on front-loaded shipments

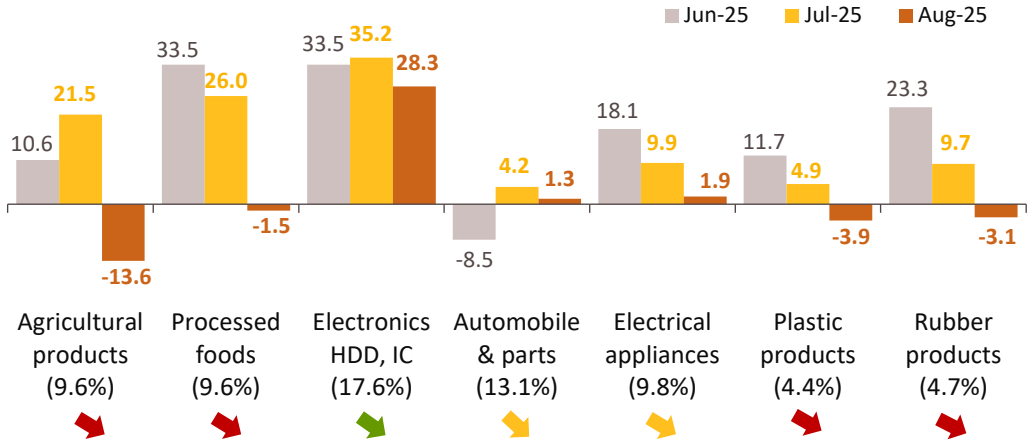
**Exports**




**Exports by major destination (%YoY)**




**Exports by major product (%YoY)**




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

## Krungsri Research's view

- **In August, merchandise export value reached USD 27.7 bn,** posting the slowest growth in 11 months at 5.8% YoY. Excluding oil-related products and gold, exports rose by 5.4%. Key products that continued to expand included computers and parts, integrated circuits, and rubber products, while agricultural exports contracted again due to intensified price competition, notably in rice, rubber, and cassava. In terms of markets, an expansion was seen in exports to major destinations such as the U.S., China, and ASEAN, while a contraction was seen in shipments to the EU and Japan. For the first eight months of 2025, export values reached USD 223.2 bn, an increase of 13.3%.
- Thailand's exports have shown clear signs of slowing following the implementation of U.S. import tariffs. Shipments to the U.S. grew only 12.8% YoY, down sharply from nearly 30% in the first seven months. **Even so, front-loaded exports should cushion the impact, and full-year growth could exceed the 3.5% our forecast if monthly exports in the rest four months stay above USD 22 bn.**

# Stronger baht also pressures exporters as shipments in baht terms fall for a second month

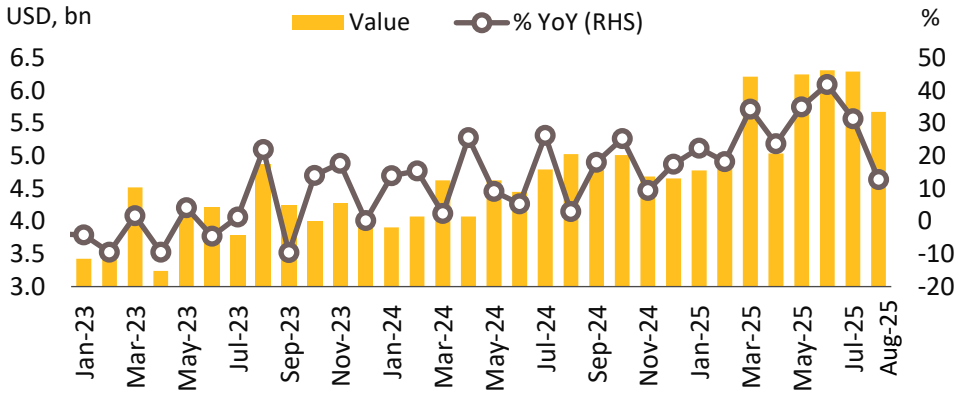
**In the first eight months of 2025, Thai exports grew 13.3% YoY**, according to the Ministry of Commerce. The growth has been led by industrial products (+17.5%, including computers and components, integrated circuits, and electrical appliances) and agro-industrial products (+4.1%, such as pet food, fresh/chilled/frozen and processed chicken, and sugar). However, agricultural exports edged down by 0.4%, mainly due to a decline in rice shipments. Thai exports to the U.S. slowed markedly after the U.S. imposed a 19% import tariff, effective August 7. In addition, the appreciation of the baht in August further pressured exporters' earnings. Thai exports in baht terms contracted for the second consecutive month, reflecting the weakening momentum of Thailand's export sector in the second half of the year.

## Thai exports by major product and destination

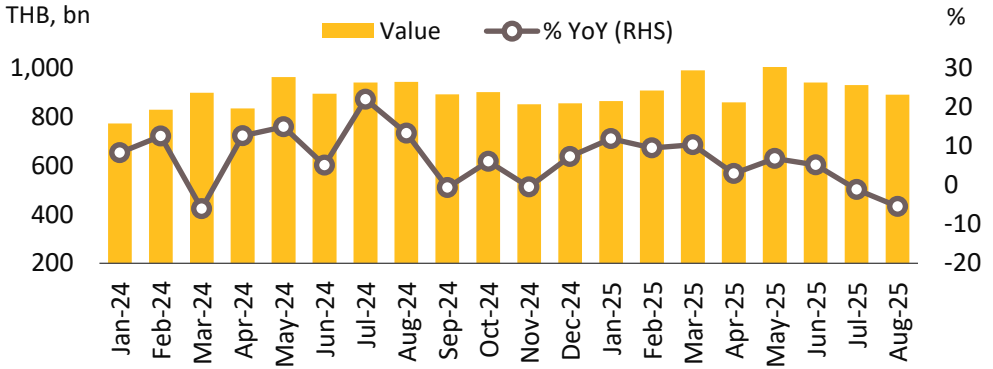
| Thailand: January-August's Export growth (% YoY) | World | U.S. (18%) | EU (8%) | Japan (8%) | China (12%) | ASEAN-5 (13%) | CLMV (10%) |
|---|---|---|---|---|---|---|---|
| **Total** | **+13.3** | **+27.6** | **+8.4** | **+1.1** | **+17.7** | **+4.7** | **+8.7** |
| Computer & parts (8.2%) | +65.5 | +79.0 | +35.0 | -0.1 | +151 | +60.3 | +43.1 |
| Cars & parts (10.3%) | -2.5 | +0.1 | -10.1 | -8.5 | -30.6 | -5.7 | +19.5 |
| Rubber products (4.7%) | +16.3 | +8.3 | +1.8 | +17.0 | +54 | +6.7 | +10.0 |
| Plastic resin (2.9%) | -1.7 | +5.2 | +8.8 | -0.2 | -5.6 | +3.1 | +1.9 |
| Electronic IC (2.9%) | +36.6 | +34.0 | -2.3 | -6.1 | +37.3 | +17.9 | +150.2 |
| Chemical products (2.8%) | +0.4 | +24.0 | +52.9 | -6.4 | +3.5 | -13.3 | +8.2 |
| Fresh, frozen & dried fruit (2.2%) | +9.8 | -10.7 | +17.6 | +28.5 | +9.7 | +53.3 | +17.2 |
| Electrical appliances (1.8%) | +15.6 | +18.5 | +13.1 | -0.8 | +19.2 | +16.4 | +23.7 |
| Rubber (1.7%) | +6.3 | -14.4 | -5.6 | +30.6 | +26.6 | -10.9 | +15 |
| Plastic products (1.5%) | +15.3 | +56.0 | -1.3 | +0.3 | -3.9 | +1.3 | -1.1 |
| Rice (2.1%) | -30.6 | +11.0 | +14.7 | -37.5 | +78.6 | -75 | +2.8 |
| Preserved fish, crustaceans (1.3%) | -0.3 | +0.7 | -0.2 | +3.2 | +17.8 | +9.1 | -1.6 |
| Sugar (0.8%) | +9.3 | -30.8 | -90.1 | -23.8 | +85.6 | +28.3 | -9.7 |
| Tapioca products (1.0%) | -6.0 | -6.8 | -16.9 | -13.4 | +3.8 | -28.6 | -5.4 |

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

## Thai exports to U.S. slowed sharply after reciprocal tariffs took effect



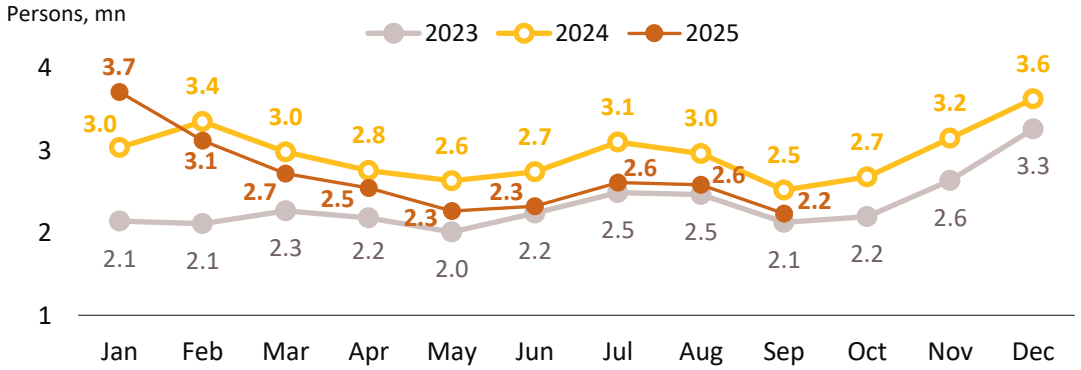

## Exports in baht terms contracted for the second consecutive month



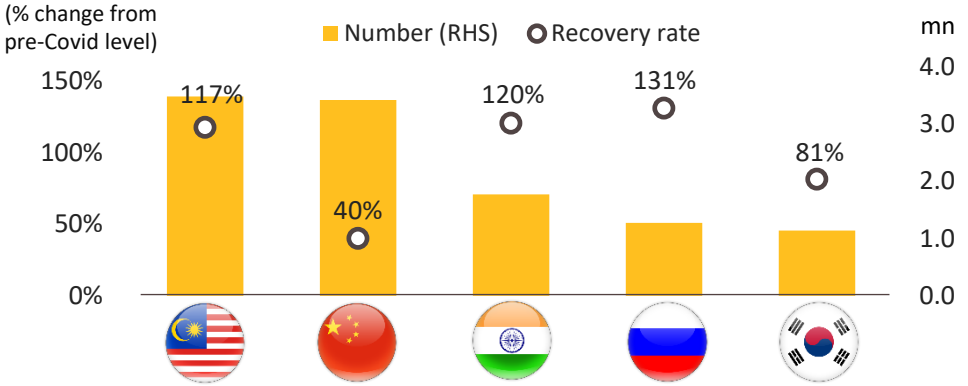
# *Tourism* recovery remains sluggish despite the high season in the fourth quarter; full-year arrivals may fall short of our projection

**In September 2025, Thailand welcomed 2.24 mn foreign visitors, down from 2.58 mn in August** and a decline of -11.3% YoY. Chinese arrivals continued to decline by -39%, falling to second rank behind Malaysia, while tourism revenue totaled THB 99.4 bn, contracting by -5.8%. **During the first nine months of 2025, total foreign arrivals reached 24.12 mn (-7.6% YoY), generating THB 1.11 trn in revenue (-5.9%)**. The top source markets were Malaysia, China, and India. Looking ahead to the final quarter, although the period marks the tourism high season, challenges persist due to the slower-than-expected recovery of Chinese visitors and intensified competition from regional destinations. As a result, achieving our full-year forecast of 34 mn foreign arrivals remains increasingly challenging.

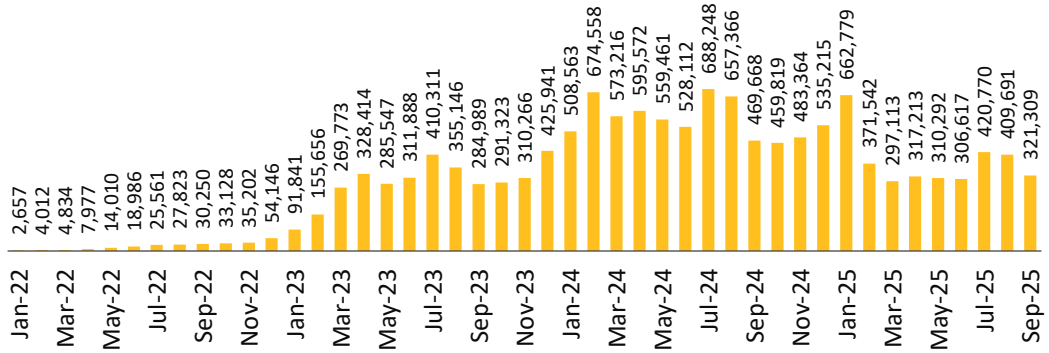
**Foreign tourist arrivals fell -11.3% YoY in September**



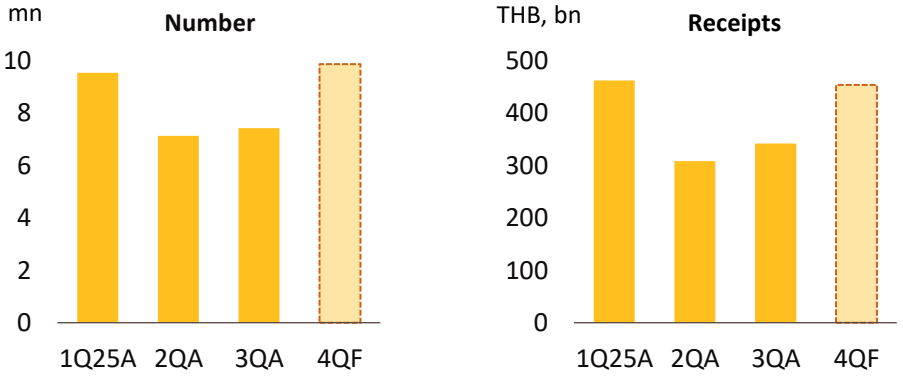

**Top 5 tourist arrivals by country during January-September**




**Chinese tourist arrivals in September fell by -38.9% YoY**




**Tourism faces challenges to reach 34 mn arrivals this year**




Source: MOTS, CEIC, Krungsri Research

# *Key economic policies* of the new government under the 4-month administration

## Short-Term Economic Policies (Quick-Big-Win)

**1. Boosting household purchasing power**
- Co-payment scheme



2. **Enhance saving opportunities for small investors**
- Make government bond purchases more accessible through digital platforms.
- Promote savings through lottery-based savings bonds.

3. **Promote investment**
- Establish disaster warning and management systems

**4. Resolve debt problems and improve liquidity**
- Provide debt relief for formal-sector borrowers, up to THB 100,000 per person.
- Offer liquidity support to SMEs up to THB 1 million each.
- Develop systems that enhance access to finance for "good debtors."



**5. Promote tourism**
- Encourage travel to secondary cities to distribute income across regions.
- Restore confidence in the tourism sector and among operators.

**6. Address Impacts of U.S. Tariff Measures**
- Establish a "Team Thailand" task force to coordinate responses.
- Support SMEs and farmers affected by U.S. trade measures.
- Prevent transshipment and dumping practices to protect domestic industries.

## Medium & Long-Term Economic Policies

**1. Fiscal Discipline and Stability**
- Operate under a sound fiscal framework to ensure financial discipline.
- Supervise off-budget expenditures prudently.
- Reduce public debt burden and strengthen macroeconomic stability.

**2. Reinvent Thailand Initiative**
- Restructure the economy toward value creation and innovation.
- Upgrade the agricultural sector toward Smart Farming.
- Develop the workforce through Upskilling and Reskilling programs.
- Support SMEs in adapting to the digital economy.
- Advance key industries toward S-Curve and target industries.
- Invest in modern infrastructure and utilities systems.
- Promote Thailand's membership in the OECD to elevate international economic standards.

## Thailand political timeline



**By end-January 2026**
- End of 4-month term (as promised with People's Party)
- Expected House dissolution, followed by Campaign period and new vote

**Expected by end-March 2026**
- General Election held (within 45–60 days after dissolution)

**Mid 2026**
- Coalition negotiations
- Formation of a new government expected during May-July 2026

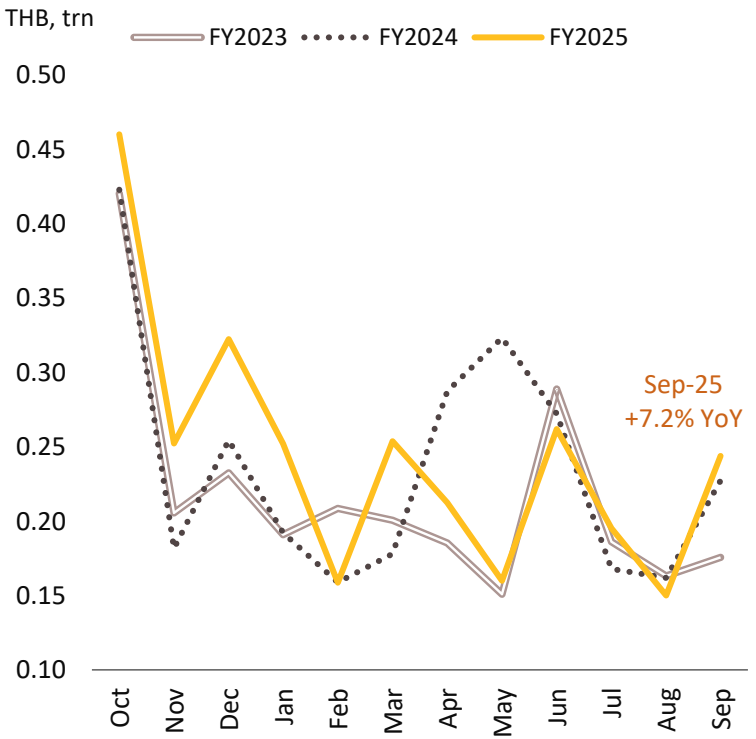
- Risk from political uncertainty starting February 2026
- Risk of delay in the FY2027 budgetary process

Source: THE STANDARD, Local press, Krungsri Research

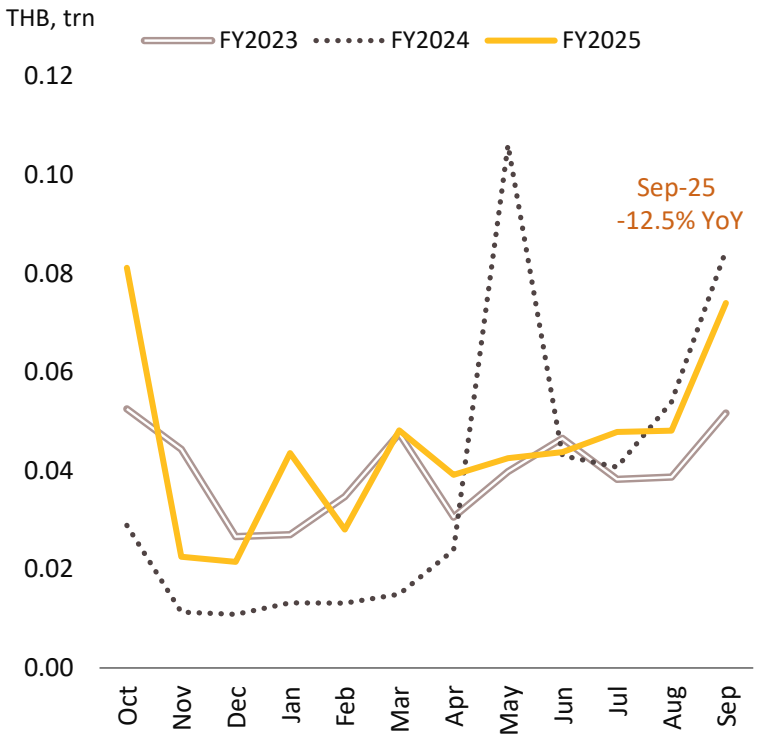
# *Public spending* is likely to pick up in early FY2026, supporting growth momentum

**In the final quarter of FY2025 (July–September), disbursement of the current budget increased by 5.7% YoY, while capital expenditure contracted by -5.2% YoY**, reflecting delays in some public investment projects. For the full FY2025 (October 2024 to September 2025), current budget disbursement rose by 3.3% YoY to THB 2.92 trn, accounting for 105% of the annual allocation. Capital expenditure disbursement also increased significantly by 21.5% YoY to THB 0.54 trn, but it represented only 56% of the annual allocation target. The new government has announced a plan to accelerate the disbursement of the central budget totaling THB 66 bn to stimulate the economy during the transition between FY2025 and FY2026. The measures focus on supporting household spending and assisting vulnerable groups, which are expected to help support domestic consumption in the short term.

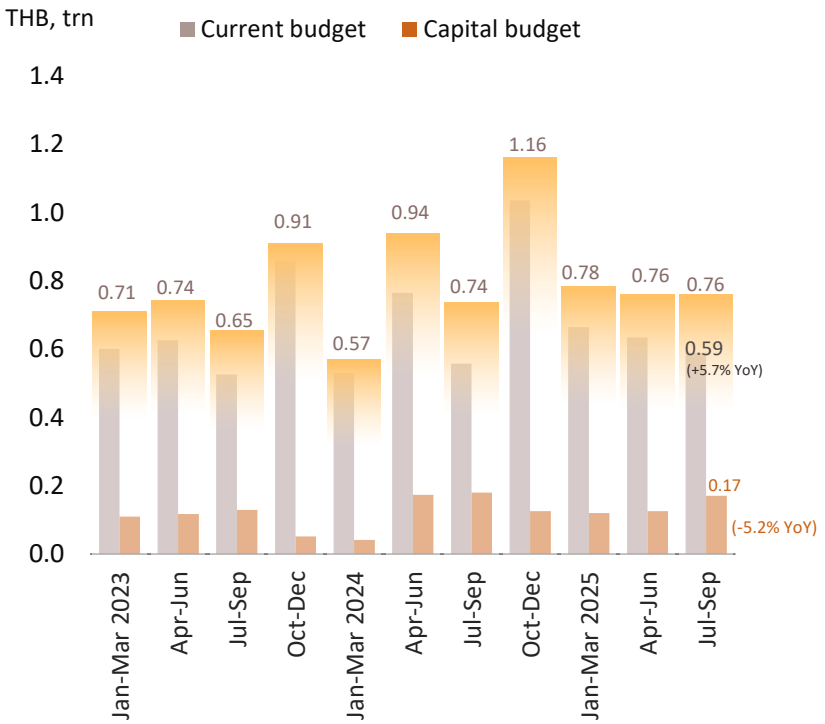
**Disbursement of current budget**




**Disbursement of capital budget**




**Quarterly disbursement**

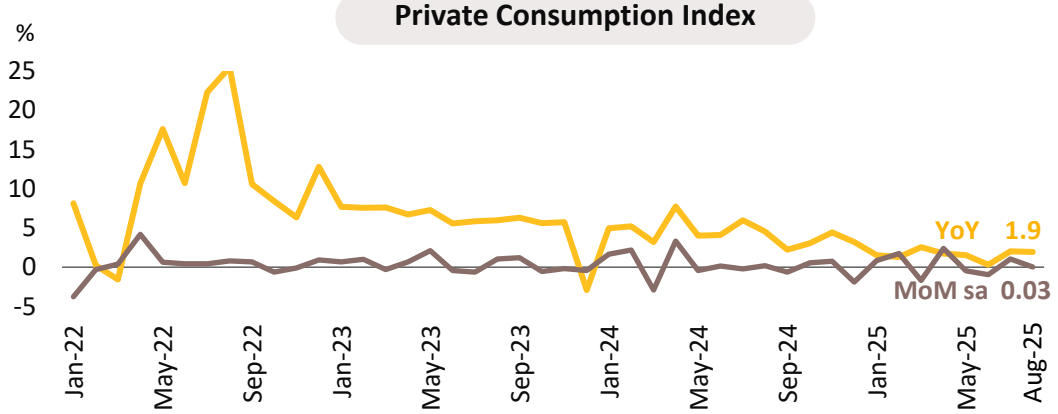



Source: MOF, Krungsri Research

# *Private consumption* weakened in 3Q25 but is expected to pick up in 4Q25, supported by upcoming stimulus measures

In August, the Private Consumption Index (PCI) was broadly unchanged from the previous month, reflecting fragile household spending amid persistently low consumer confidence. Nevertheless, private consumption is expected to gradually recover in the final quarter of the year, supported by short-term government measures such as cost-of-living relief for low-income households, the "Co-payment Plus" scheme, and domestic tourism promotion. **However, the pace of recovery is likely to remain limited** due to (i) the impact of U.S. tariff measures, which may pressure export income and employment, (ii) declining agricultural incomes in line with weaker farm prices, and (iii) structural constraints from high household debt, which continue to weigh on household spending going forward.

**Private Consumption Index**

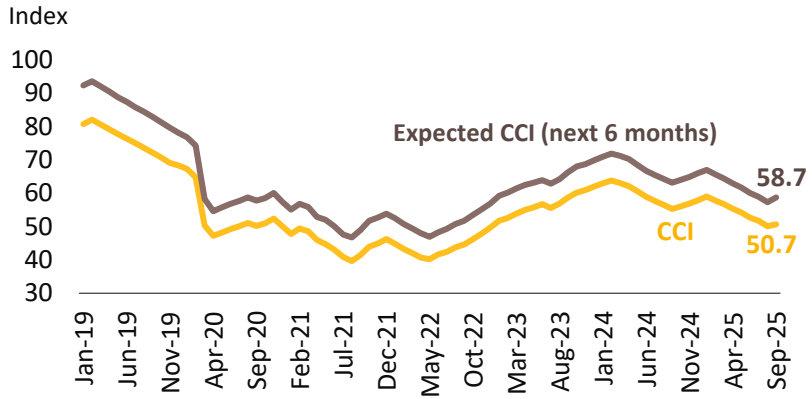



**Private Consumption Index by category**

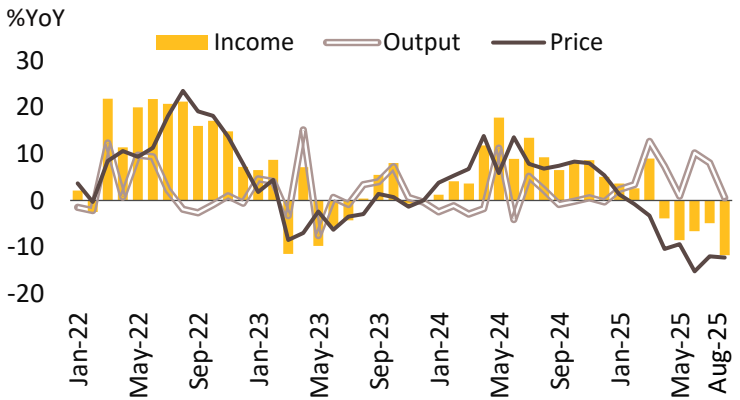
| %YoY* | 2023 J | F | M | A | M | J | J | A | S | O | N | D | 2024 J | F | M | A | M | J | J | A | S | O | N | D | 2025 J | F | M | A | M | J | J | A |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Private consumption** | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | 1.9 |
| Non-durables | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | -0.1 |
| Semi-durables | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | 0.2 |
| Durables | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | 3.7 |
| Services | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | 2.4 |
| Non-residents expenditure | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | -3.8 |

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

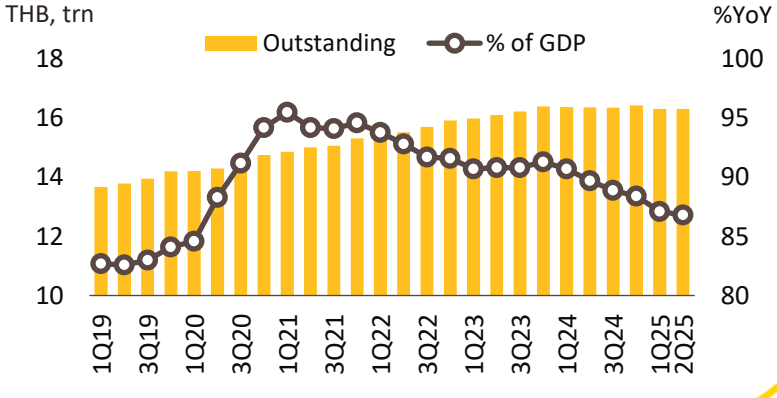
**Consumer Confidence Index rose for the 1st time in 8 months**




**Farm income declined due to the price effect**




**Household debt remained high at 86.8% of GDP in 2Q25**




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

# Tailwinds from short-term measures to boost domestic spending may be offset by headwinds from weaker-than-expected foreign tourist arrivals

- Before the implementation of short-term spending stimulus measures, the government had projected that Thailand's GDP growth in 4Q25 would slow to around 0.3% YoY, down from an estimated 1.7% in 3Q25, as momentum from exports and private consumption began to weaken. **However, the introduction of short-term stimulus programs — including the "Co-payment Plus", or "Half-half Plus" scheme and additional assistance for State Welfare Card holders — is expected to inject more than THB 100 bn into the economy in the final quarter of the year.** This policy impulse should help support household spending and lift GDP growth in 4Q25 by an additional 0.3–0.4 percentage points above the earlier projection. In addition, the government will introduce measures to promote domestic tourism, with a particular focus on secondary cities.
- **Krungsri Research views that, since these measures are mostly funded under the FY2025-2026 budget already included in our baseline projection, the net additional boost will likely come from higher household spending of about THB 40 bn (0.1–0.2% of GDP), providing a modest upside to growth outlook. However, this upside could be offset if foreign tourist arrivals miss our projection in the final quarter of 2025.**

## State Welfare Card Holder: THB 23 bn Budget Allocation

- **Details:** Top up from THB 300 to THB 1,150/month for 2 months (Nov–Dec 2025)
- **Target:** ~13.5 million low-income individuals
- **Budget:** THB 23 bn from the FY2025 budget allocation.

+

## Co-payment Plus: THB 44 bn Budget Allocation

- **Details:** The government subsidizes 50% of daily spending (up to THB 200 per day), totaling THB 2,400 for taxpayers and THB 2,000 for non-taxpayers. (Spending period: 29 Oct–31 Dec)
- **Target:** General population aged 16 and above, around 20 million people, comprising approximately 11 million taxpayers and 9 million non-taxpayers.
- **Budget**: THB 44 bn from the FY2026 budget allocation.

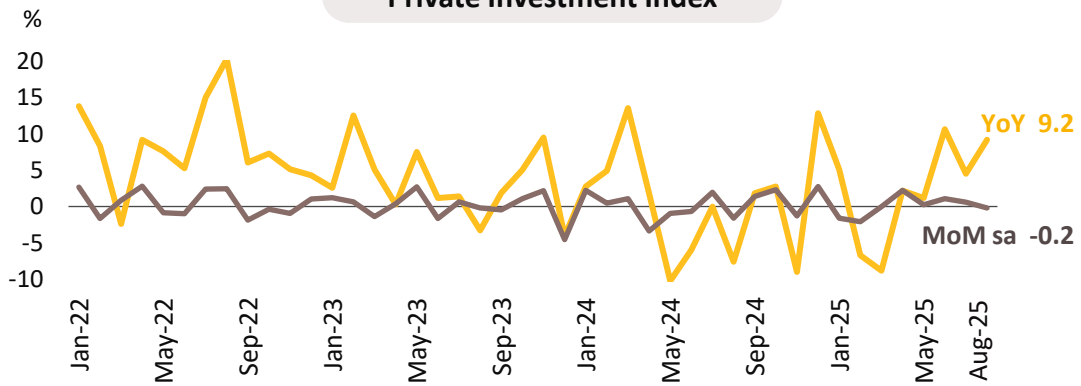
**Both programs are expected to inject >THB 100 bn into the economy during 4Q25.**

Source: The cabinet, Krungsri Research

# *Private investment:* Political clarity lifts sentiment, but external headwinds weigh on outlook

In August, the Private Investment Index (PII) expanded by 9.2% YoY but declined by -0.2% MoM after seasonal adjustment, reflecting pressures from continued contraction in manufacturing production and persistently low-capacity utilization. Nevertheless, clearer domestic political conditions have helped bolster business sentiment, while the government has accelerated economic stimulus measures and is preparing to expedite actual investment, supported by a sharp increase in BOI-approved investment applications. **Although private investment shows partial signs of recovery, its near-term outlook remains pressured by several factors,** including (i) global economic uncertainty weighing on demand for goods, (ii) the impact of U.S. trade tariffs, and (iii) a slow recovery in the tourism sector.

**Private Investment Index**

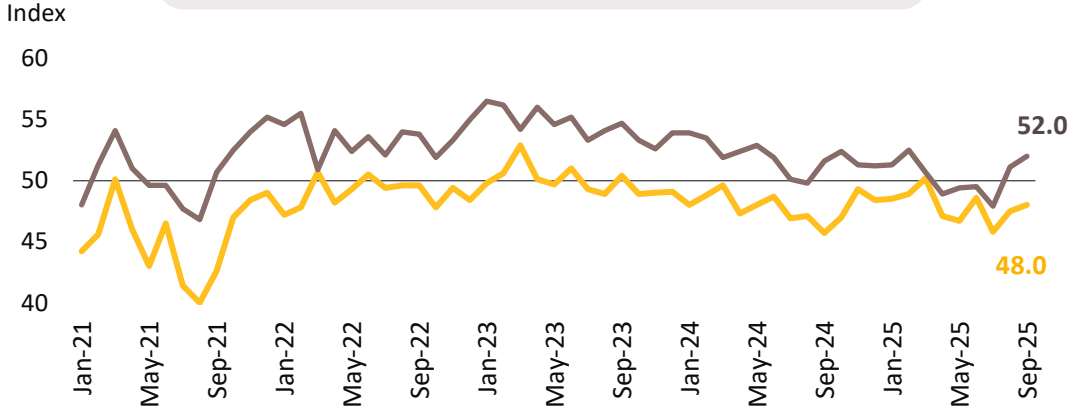



**Private Investment Index by category**

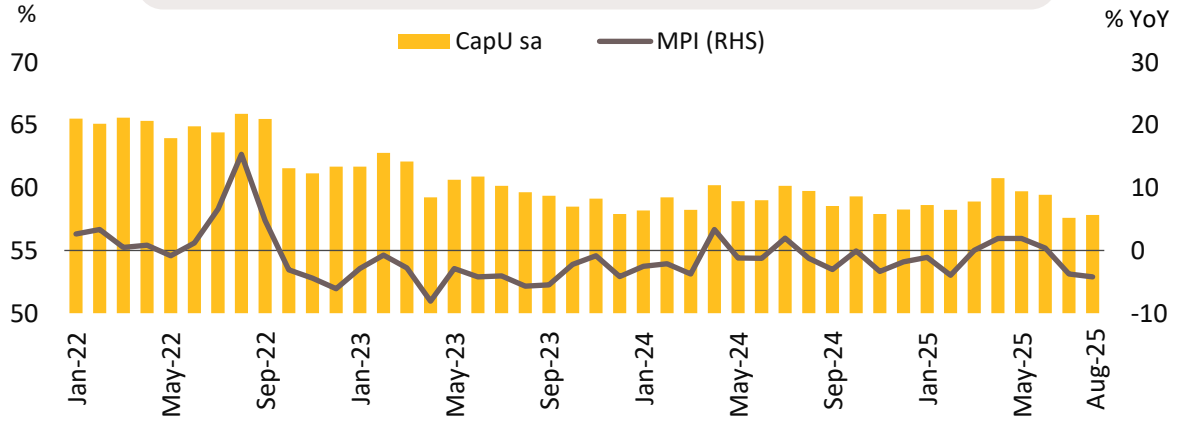
| %YoY* | 2023 | | | | | | | | | | | | 2024 | | | | | | | | | | | | 2025 | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | J | F | M | A | M | J | J | A | S | O | N | D | J | F | M | A | M | J | J | A | S | O | N | D | J | F | M | A | M | J | J | A |
| **Private investment** | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | 9.2 |
| Vehicle | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | 1.2 |
| Machinery and Equipment | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | 14.0 |
| Construction | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | 4.0 |

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

**Business sentiment improved but remained low**



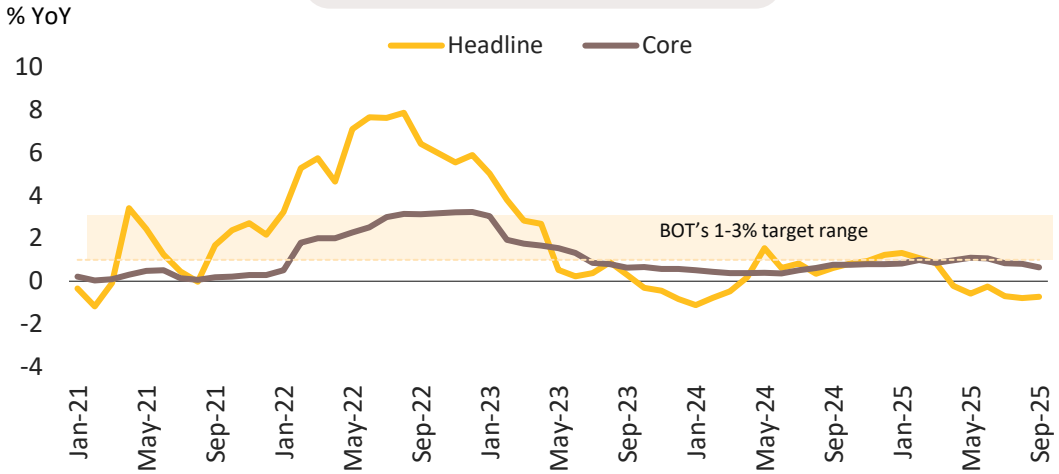

**Manufacturing Production Index and Capacity Utilization Rate**



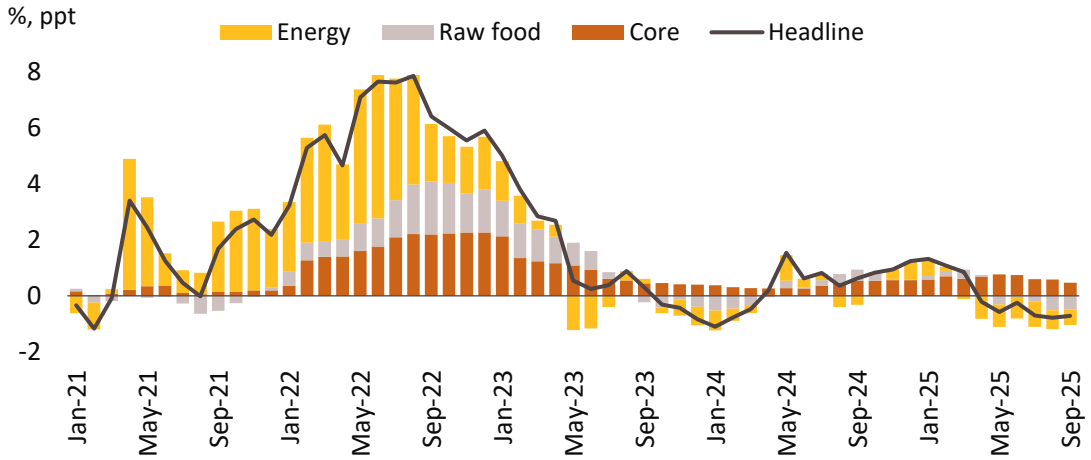

Source: BOT, OIE, Krungsri Research

# *Headline inflation* remains in negative territory, expected to hover near zero for the full year

## Headline and Core Inflation




## Contribution of Inflation




Source: MOC, CEIC, Krungsri Research

## Inflation by categories

| Consumer Price Index (% YoY)* | Weight | 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 J A S |
|---|---|---|---|---|
| **Headline CPI** | **100%** | | | |
| Food & beverages | 39.4% | | | |
| Apparel & footwears | 2.1% | | | |
| Housing & furnishing | 24.6% | | | |
| Medical & personal care | 6.3% | | | |
| Transportation & communication | 22.3% | | | |
| Recreation & education | 4.1% | | | |
| Tobacco & alcoholic beverages | 1.3% | | | |
| Raw food | 17.2% | | | |
| Energy | 12.2% | | | |
| **Core CPI** | **70.6%** | | | |

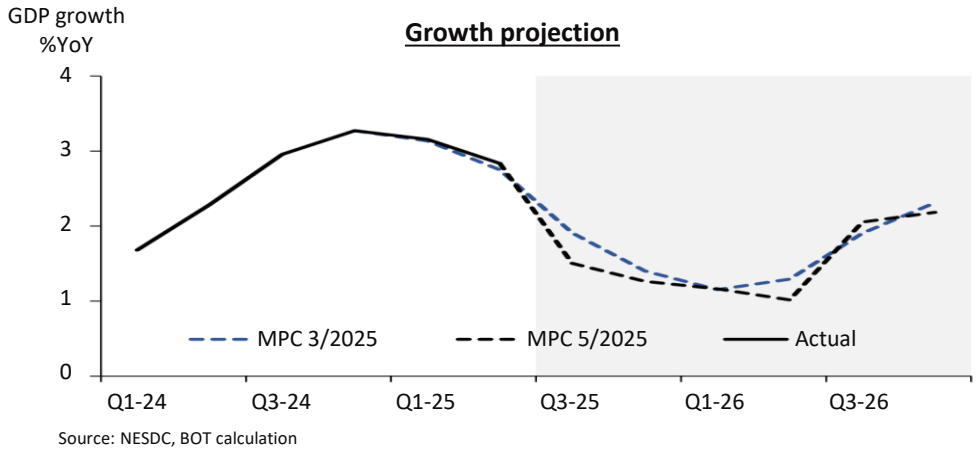
** Red > 0%, Green < 0% / Darker colors indicate stronger momentum*

### Krungsri Research's view

- **Headline inflation in September stood at -0.72% YoY,** marking the sixth consecutive month of negative rate. The decline was mainly driven by lower prices of fresh food, energy, and electricity charges. Core inflation (excluding raw food and energy) eased to 0.65% in September from 0.81% in August. **For the first nine months of this year, average headline and core inflation stood at -0.01% and 0.90%, respectively.**
- In 3Q25, headline inflation stood at -0.74%, extending the decline from -0.35% in 2Q25. The continued softness in prices was driven by low energy costs, government measures to cap electricity tariffs, and favorable weather conditions that boosted agricultural output. Looking ahead, inflation in 4Q25 is expected to hover around zero, while short-term stimulus measures should help improve domestic demand. **For the full year, headline inflation is projected to average below the earlier estimate of 0.2% (or hovering around 0%),** indicating a low inflation environment that supports an accommodative monetary policy stance.

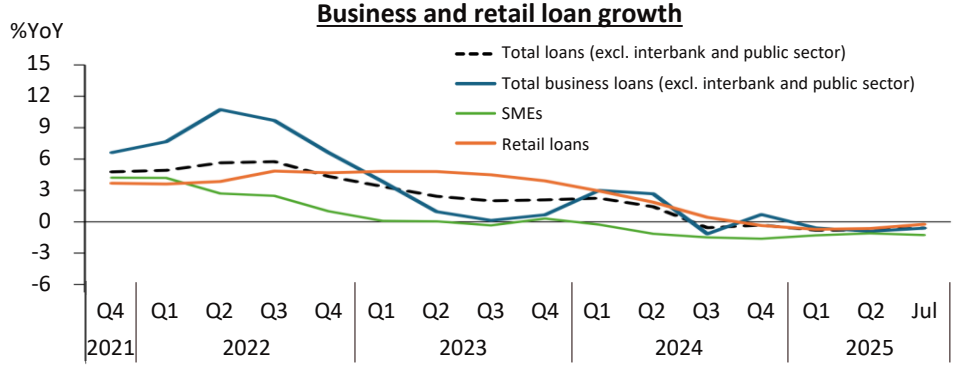
# *Policy interest rate:* Anemic outlook and persistent risks may prompt MPC to cut policy rate twice by the first half of 2026

**The Thai economy expanded in 1H25 as anticipated but is projected to moderate subsequently**




Source: NESDC, BOT calculation

**Business and retail loan growth remains negative at rates close to previous periods**




Source: BOT

Note: Financial institutions including commercial banks (and subsidiaries), SFIs, and non-banks that are not subsidiary of commercial banks. For retail loans, the coverage includes commercial banks (and subsidiaries), SFIs, and non-banks under regulation. For business loans, business size is defined through a combination of the Office of SMEs Promotion's criteria and credit lines.

**BOT's Economic Projection**

| | As of June | | As of October | |
|---|---|---|---|---|
| Unit: % | 2025 | 2026 | **2025** | **2026** |
| **GDP Growth** | 2.3 | 1.7 | **2.2 ▼** | **1.6 ▼** |
| **Inflation** | 0.5 | 0.8 | **0.0 ▼** | **0.5 ▼** |

**Krungsri Research's view**

- At the October 8 meeting, the MPC voted 5-2 to keep the interest rate at 1.5%. Most members give importance to the timing and effectiveness given the limited policy space. Meanwhile, two members favored a further rate cut.
- While the Committee's decision to hold the policy rate this month reflects a wait-and-see stance, in practice, it could be interpreted as more restrictive given the BOT's lower inflation projection. The decision appears at odds, particularly as the Committee has revised its growth outlook downward.
- **In our view, downside risks to growth remain unaddressed.** These risks include ongoing credit contraction, higher real interest rates amid lower projected inflation, limited fiscal spending under a minority government, and weaker exports driven by higher US tariffs following front-loaded shipments.
- **Thus, Krungsri Research expects two rate cuts to 1.00% by the first half of 2026.** Prolonged subdued growth and downside risks will allow the Committee to sacrifice some of its policy space. This is especially the case if signs of political vacuum in 2026, and intensifying tariff-related pressures become more evident.
- **Further rate cuts would be increasingly justified to shore up economic growth momentum, signal commitment to its inflation-targeting framework, and soften constraints on loan growth.** Also, we view that the period by early 2026 could present the optimal window for easing, before downside risks further undermine private investment and overall economic sentiment.

# KRUNGSRI RESEARCH


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