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FLASH

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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. NESDC has revised up its 2025 GDP forecast to 2.0%, close to Krungsri Research's current 2.1% estimate (new forecast to be released early September).

Key event:

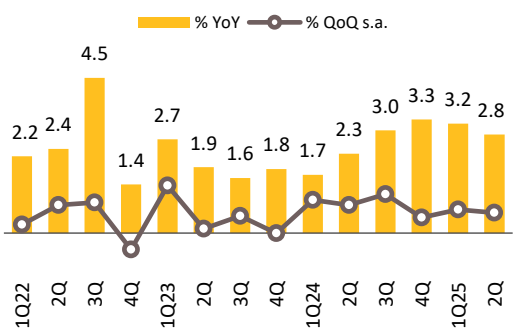
2Q25 GDP growth decelerated to 2.8% YoY from 3.2% in 1Q25, driven by front-loaded exports and ongoing public spending, while private consumption and tourism weakened.

The NESDC officially reported that Thailand's 2Q25 GDP grew by +2.8% year-on-year (YoY), slightly above market expectations (+2.5%) and Krungsri Research's forecast (+2.7%). However, growth slowed from the revised +3.2% in 1Q25. On a seasonally adjusted quarter-on-quarter (QoQ) basis, GDP expanded by +0.6%, easing slightly from +0.7% in 1Q25.

Key drivers of the economy in 2Q25 were surging merchandise exports and continued public spending, while private consumption showed signs of slowing. Exports of goods maintained strong growth at +14.3% (vs. +13.8% in 1Q25), led by industrial products such as electronics, palm oil, and passenger cars. In contrast, service exports softened in line with a decline in foreign tourist arrivals. Private consumption expanded by only +2.1% (vs. +2.5%), mainly due to slower spending on services. However, spending on non-durable, semi-durable, and durable goods continued to grow, with vehicle purchases accelerating. Private investment returned to growth for the first time in five quarters (+4.1% vs. -0.9%), partly due to a low base from the previous year. Meanwhile, public investment (+10.1% vs. +26.3%) and government consumption (+2.2% vs. +3.4%) slowed but continued to provide support to overall growth.

On the supply side, 2Q25 GDP growth was supported by continued expansion of the agricultural sector and a slight improvement in the industrial sector, while growth in the service sector moderated. Agriculture posted strong growth at +6.0% (vs. +6.2%), driven by higher output of key crops and livestock. The industrial sector improved slightly, expanding +1.7% (vs. +0.9%). Meanwhile, the service sector grew at a slower pace of +3.5% (vs. +4.1%), mainly due to weaker tourism-related services. However, wholesale and retail trade, information and communication, as well as financial and insurance activities, accelerated, partly offsetting the softer performance in tourism.

Thai GDP growth (%)



Source: NESDC

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 view:

Economic growth is expected to slow sharply to 1.3% in 2H25 from 3.0% in 1H25, amid fading front-loaded external demand, rising U.S. tariffs, and mounting domestic headwinds. The NESDC raised its 2025 GDP forecast to 2.0% (or within the range of 1.8-2.3%), close to Krungsri Research's earlier 2.1% estimate.

Thailand's GDP growth in 2Q25 was broadly in line with expectations, supported by a strong rebound in goods exports. However, mounting headwinds are expected to slow economic momentum in the second half of the year, with 2H25 GDP growth projected at 1.3%, down from 3.0% in the first half.

I. **External demand is losing steam. The strong export performance in 2Q25 (+14.3% YoY) was largely driven by front-loading shipments ahead of U.S. tariff hikes. However, this momentum is expected to fade**. The impact of increased U.S. tariffs on Thai goods—rising from 10% in April to 19% effective August 7— along with weakening global growth, will increasingly weigh on external demand, putting pressure on Thai exports and manufacturing activity. Notably, despite the surge in exports in 2Q25, manufacturing output posted a modest gain of just +1.7% YoY in the same quarter, underscoring the limited domestic spillover effects.

II. **Private investment faces mounting challenges.** Private investment grew by +4.1% YoY in 2Q25, buoyed by a low base in 2024 and improved production tied to front-loading exports. However, this growth appears unsustainable, with several temporary drivers waning. Although the government's THB 85 bn infrastructure program in 2H25 may provide some support, **private investment is likely to remain subdued** due to: (i) concerns over political uncertainty and the Thailand–Cambodia border tension, (ii) a slower-than-expected recovery in the tourism sector, and (iii) potential impacts of U.S. trade policies.

III. **Tourism sector continues to face significant headwinds.** Total foreign tourist arrivals fell by -6.4% YoY in the first seven months of 2025 to 19.3 mn, primarily due to a sharp decline in Chinese arrivals (-34.9% YoY to 2.69 mn), which currently stand at only 40% of pre-pandemic levels. As a result of safety concerns and rising competition in the region**, foreign tourist arrivals for 2025 are now projected to decline to 34 mn from 35.5 mn in 2024—the first annual drop since 2020.**

IV. **Private consumption is expected to grow at a moderate pace.** While some policy supports—such as domestic tourism stimulus and monetary easing—are in place, their impacts may be limited. Key structural and cyclical challenges persist, including: (i) potential adverse effects from U.S. tariffs on employment and household income, (ii) declining farm incomes due to falling agricultural prices, (iii) still-high household debt, and (iv) subdued consumer confidence, further dampened by domestic political uncertainty.

For the year 2025, the NESDC revised its full-year GDP growth forecast upwards from 1.8% to 2.0%, broadly aligning with Krungsri Research's earlier projection of 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 by early September.

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