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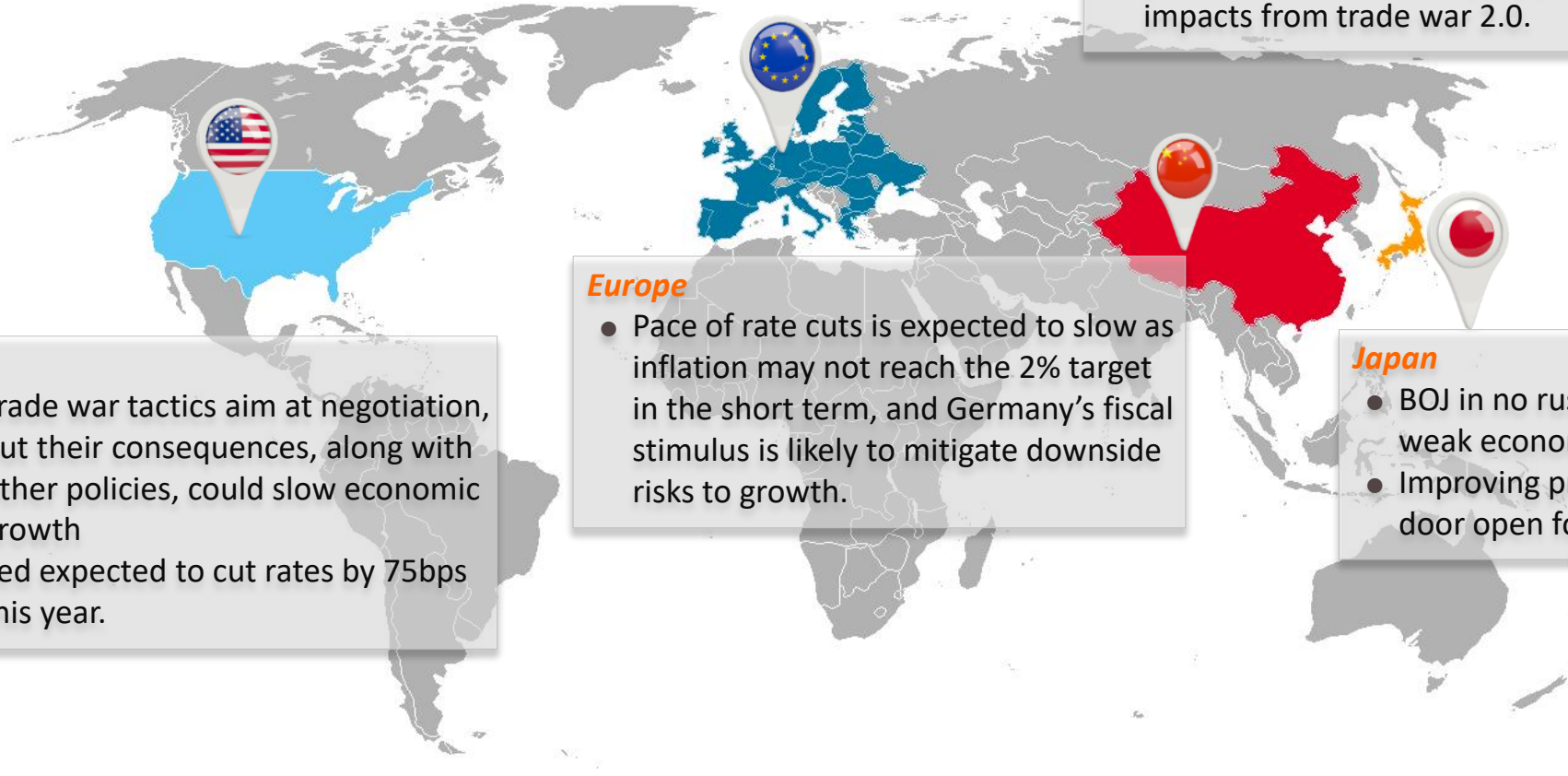
MONTHLY ECONOMIC BULLETIN

March 2025



Krungsri Research

Global: Trade war and strategic moves reshaping economic outlook



China

- Government to prioritize boosting consumption this year to alleviate oversupply problems and negative impacts from trade war 2.0.

US

- Trade war tactics aim at negotiation, but their consequences, along with other policies, could slow economic growth
- Fed expected to cut rates by 75bps this year.

Europe

- Pace of rate cuts is expected to slow as inflation may not reach the 2% target in the short term, and Germany's fiscal stimulus is likely to mitigate downside risks to growth.

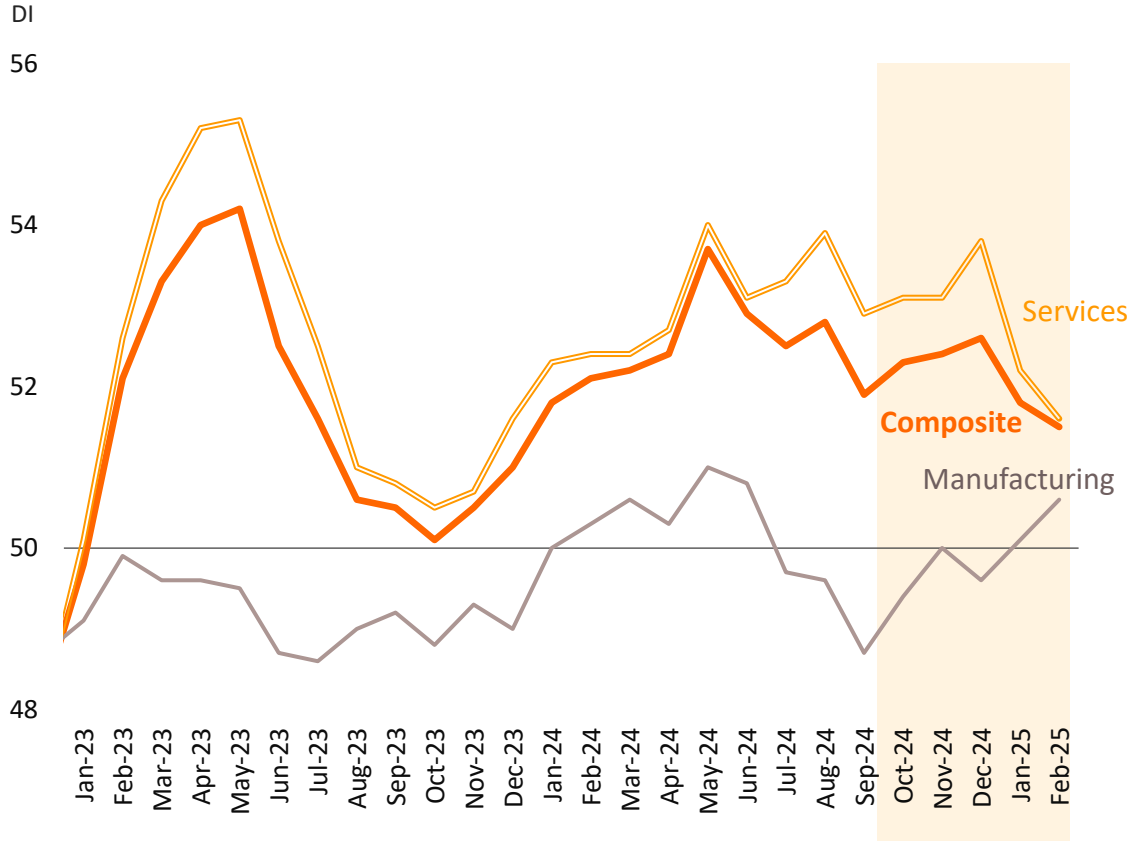
Japan

- BOJ in no rush to hike rates due to weak economic growth.
- Improving price indicators leave the door open for another hike in 2H25

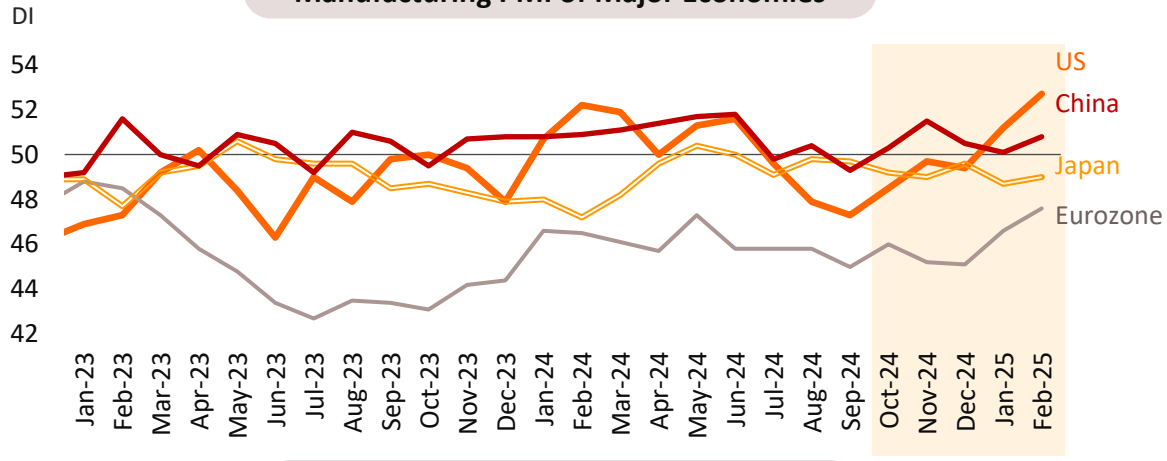
Global growth slows to 14-month low; services sector lost momentum while manufacturing may gain temporarily from front-loading orders ahead of tariffs

The Global Composite PMI Output Index dropped to a 14-month low of 51.5 in February from 51.8 in January. The global service sector showed the weakest growth since January 2023, although it still outperformed the manufacturing sector. Manufacturing production increased at the fastest pace since June 2024, which should have resulted from front-loading output and new orders ahead of tariffs. For national data, the US lost momentum and was overtaken by Japan and was no longer the fastest-growing of the major developed economies. Growth was weak in Europe, while growth momentum in China remained only moderate.

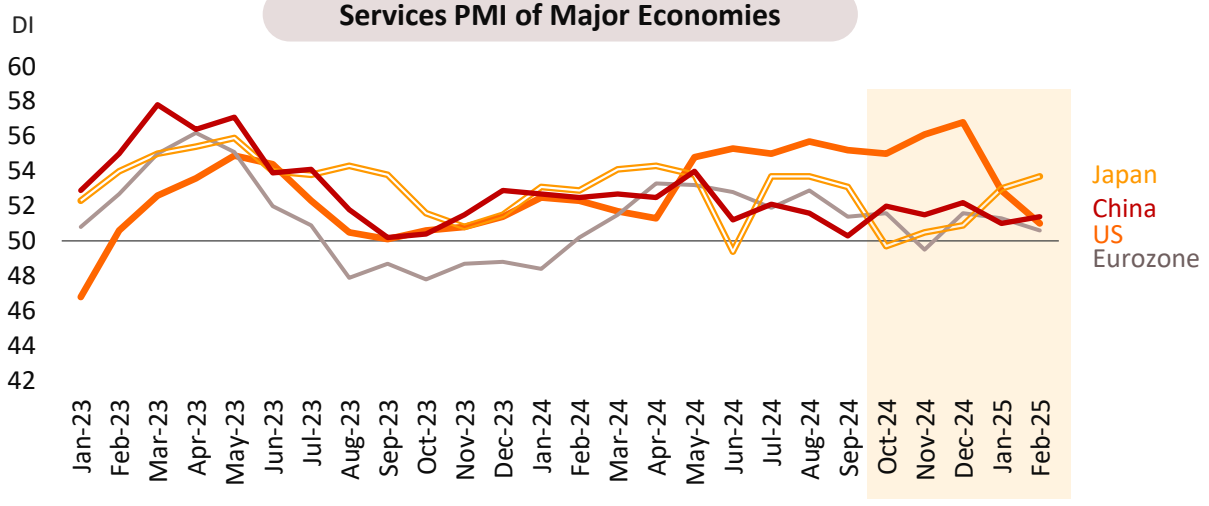
Global Composite, Manufacturing, and Services PMI



Manufacturing PMI of Major Economies



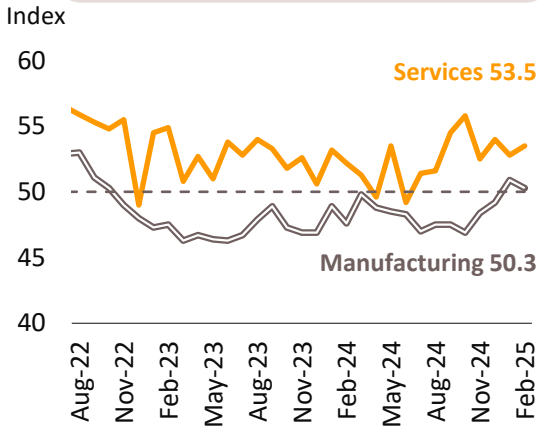
Services PMI of Major Economies



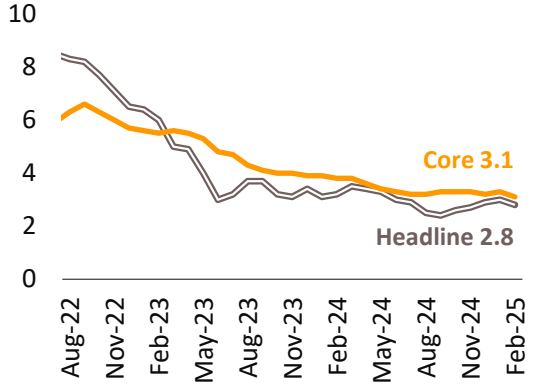
Source: J.P. Morgan and S&P Global PMI, Bloomberg, Krungsri Research

US: Trade war tactics aim at negotiation, but their consequences and other policies could slow economic growth; Fed expected to cut rates by 75bps this year

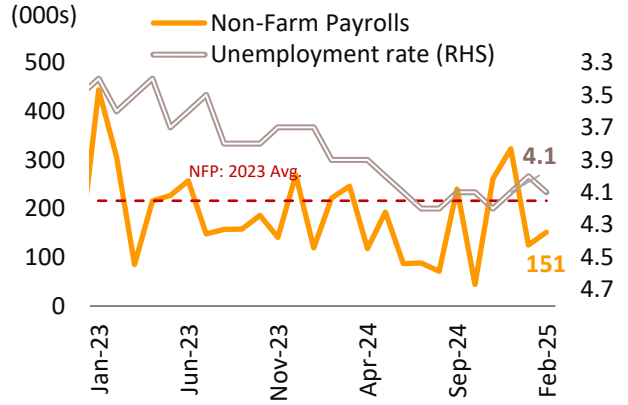
ISM Purchasing Manager Index



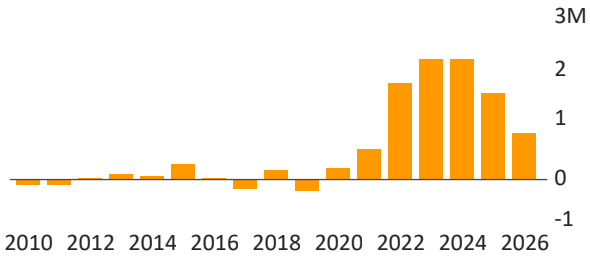
CPI and Core CPI (% YoY)



Payrolls and Unemployment

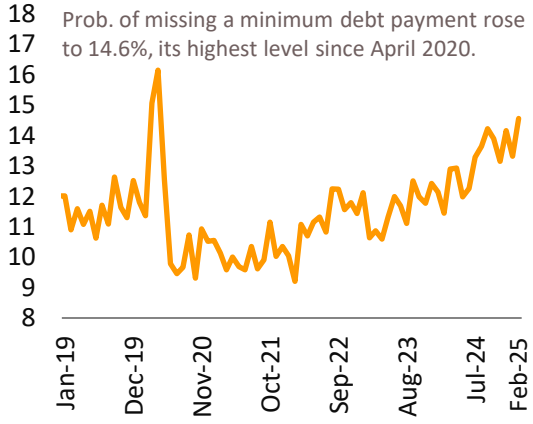


Change in Unauthorized Immigrants

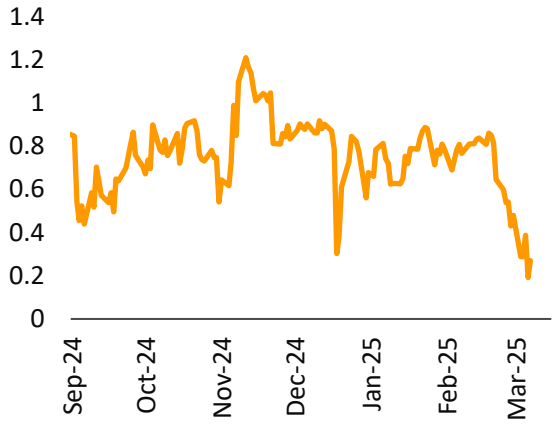


Note: Chart based on the CBO's "other foreign nationals" category, which includes people who entered the US illegally, people who entered legally in a temporary status and then remained after that legal status expired, and people who were permitted to enter despite not being admissible as a green card holder, asylee, refugee, or nonimmigrant. Projections as of July 2024 by CBO.

Consumers' Debt Delinquency Expectations



US Financial Conditions (by Bloomberg)



Source: Bureau of Labor Statistics, New York Fed, Bloomberg, Capital Economics, GTAP, Krungsri Research

Krungsri Research's view

- **US policymakers are likely to take a wait-and-see approach in the near term,** given ongoing economic expansion, the Fed's concern about stalled inflation control, and uncertainty over Trump's tariffs and their consequences.
- **However, worries about US economic growth are rising** due to: (i) **a softening labor market,** as indicated by the latest jobs report; (ii) **weakening services and manufacturing sectors** from new trade policies; (iii) **deteriorating consumer expectations** for unemployment, delinquency, and credit access, with the likelihood of missed debt payments reaching its highest since April 2020 (see chart); (iv) **the tightest financial conditions since August 2024**; and (v) increasing debt refinancing pressures amid high interest rates.
- **Looking ahead, signs of slowing growth are expected,** driven by (i) upcoming federal budget cuts, (ii) new trade policies and additional US tariffs, which could escalate the trade war and hinder growth, and (iii) anti-immigration policies that threaten the labor market and overall economic growth.
- Considering these factors, Krungsri Research anticipates that the Fed may cut interest rates by 75 bps to 3.50-3.75% by the end of the year to mitigate the risk of an economic recession.

Under Trump's second presidency, a series of tariff hikes would continue and increasingly intensify, potentially accelerating global economic fragmentation

As of March 12, 2025

Tentative/Postponed | Effective

Jan 20: Beginning of Trump's second term.

Jan 20: Trump issued the "America First Trade Policy" to investigate unfair trade practices, potentially leading to modified trade policies and additional tariffs.

Feb 4: US 10% tariffs on ***all Chinese goods***

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

March 4: Canada's 25% retaliatory tariffs on ***some US goods*** (Phase 1)

March 4: US additional 10% tariffs on ***all Chinese goods***

March 4-6: Imports from ***Canada and Mexico***, originally facing up to 25% tariffs, were granted a 30-day exemption under certain conditions.

March 10: China's additional 10-15% retaliatory tariffs on ***some US goods***

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

April 1: EU retaliatory tariffs on ***some US goods***, worth USD 28.3 bn

April: The conclusion of the study on reciprocal tariffs is expected to be announced alongside targeted tariffs on ***automobile, pharmaceutical, and semiconductor*** imports.

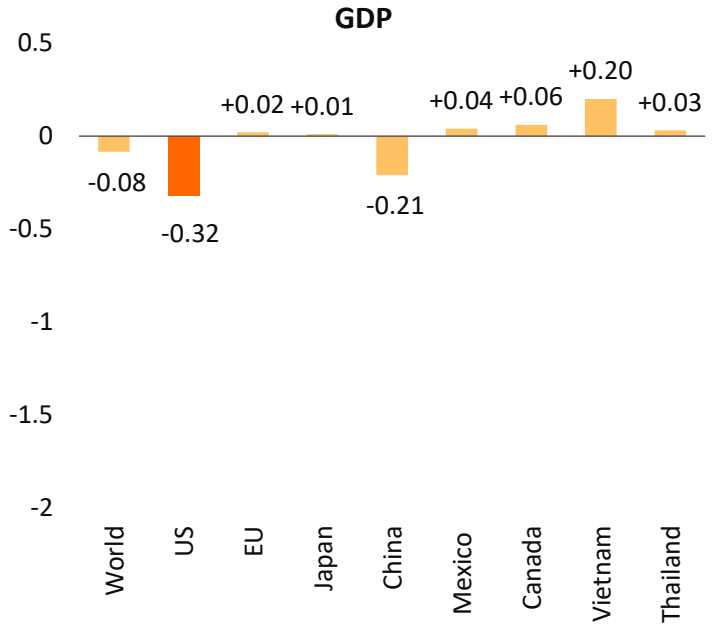
Source: Bloomberg, Reuters, AP and Krungsri Research

Trump's recent tariff plans could have a negative impact on global exports and the economy; US growth would be hit larger in case of imposing tariffs to targeted countries

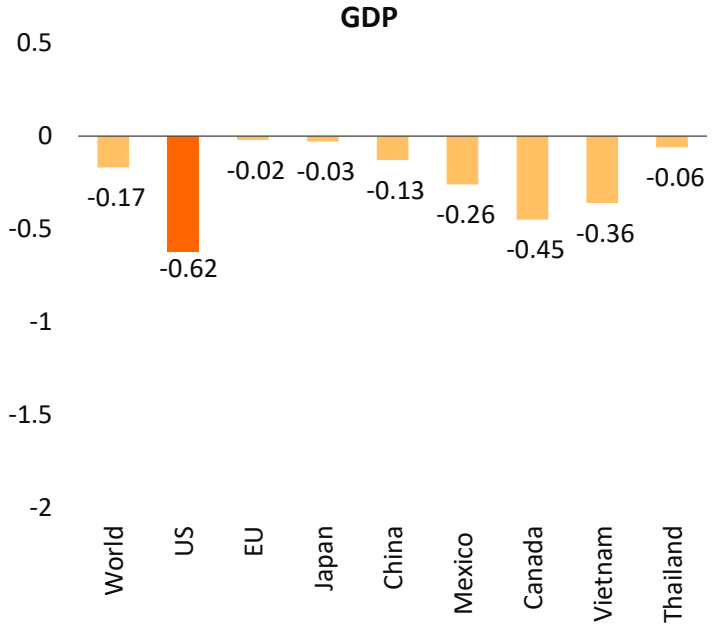
Scenario 1: US imposes 20% tariffs on all Chinese goods and China retaliates with 10-15% tariffs on some US goods.
Scenario 2: Scenario 1 plus US imposing 25% tariffs on all imports from top 10 trading partners with highest trade deficit (Canada, China, EU, India, Japan, South Korea, Mexico Thailand, Taiwan, and Vietnam).
Scenario 3: Scenario 2 plus retaliation with 25% tariffs on all US goods by top 10 trading partners with highest trade deficit

Impact of Tariffs on US GDP (% deviation from baseline)

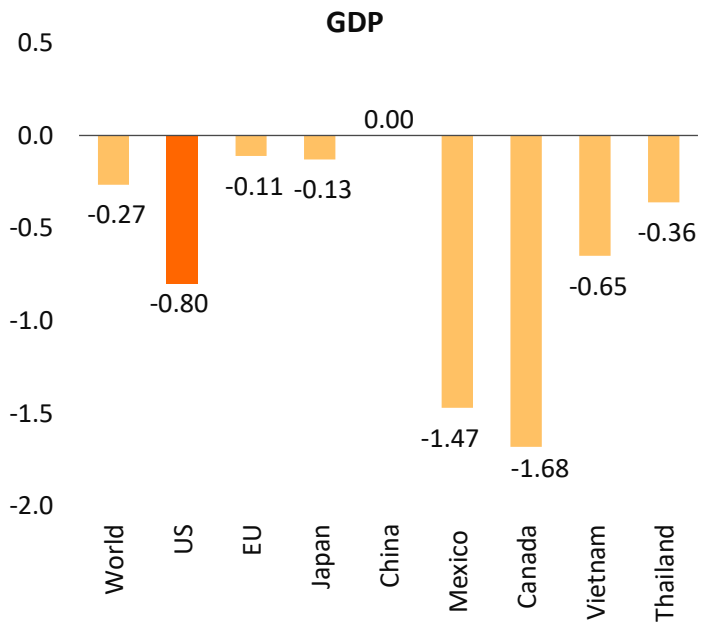
Scenario 1



Scenario 2



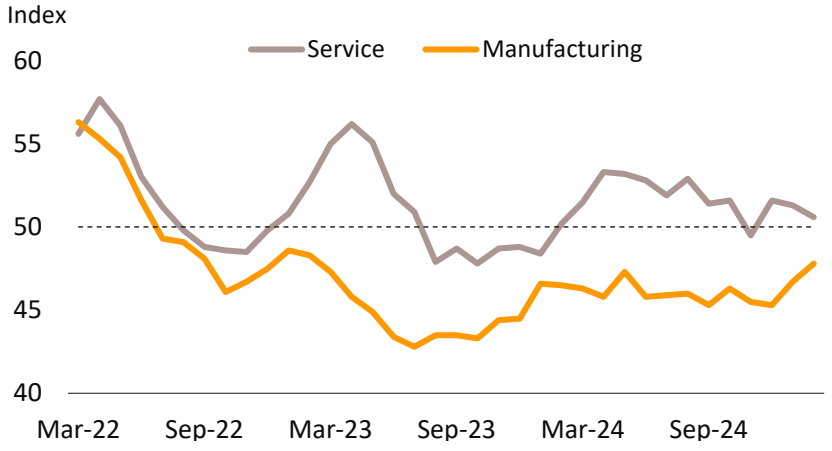
Scenario 3



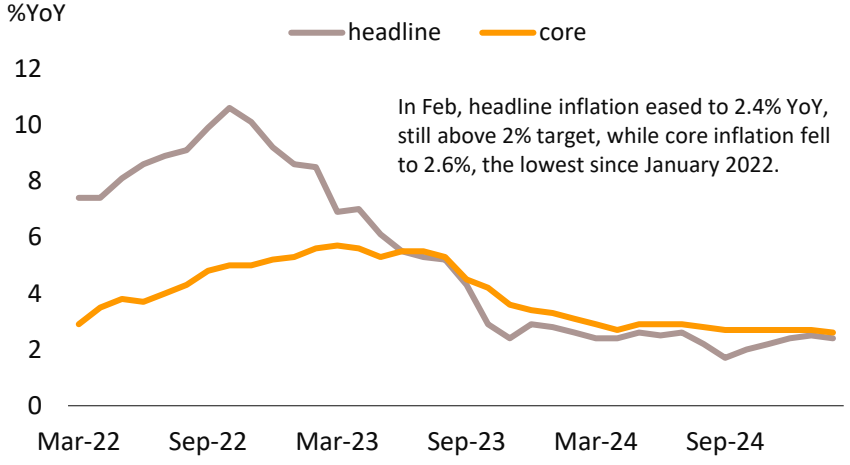
Source: GTAP, Krungsri Research

Eurozone: Pace of rate cuts is expected to slow as inflation may not reach the 2% target in the short term, and Germany's fiscal stimulus is likely to mitigate downside risks to growth

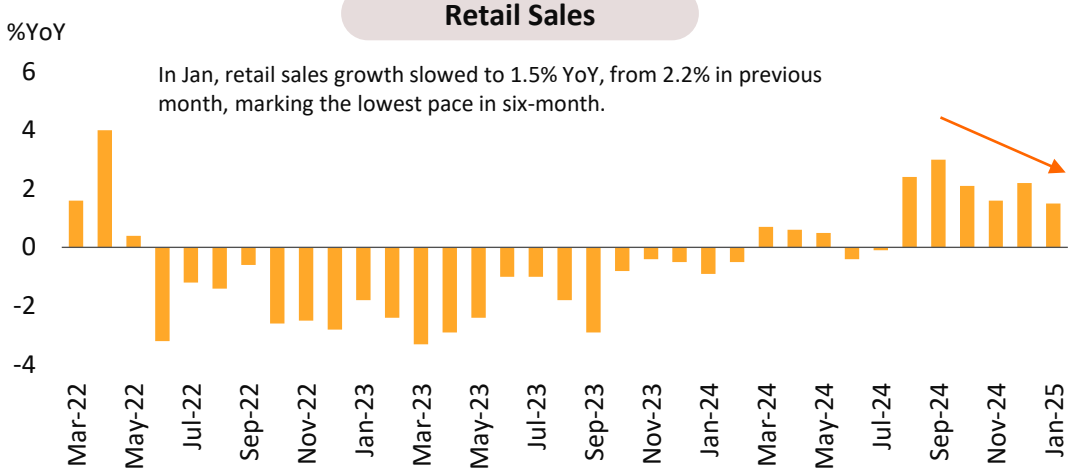
Purchasing Manager Index (PMI)



Consumer Price Index (CPI)



Retail Sales



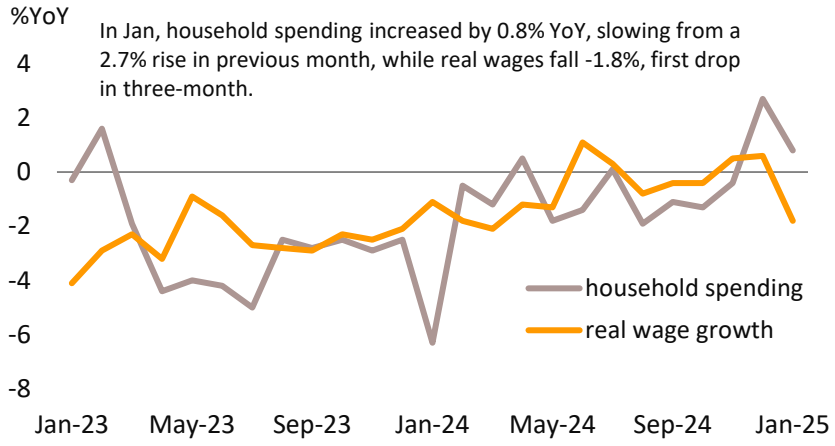
Source: ECB, CEIC, investing.com, Eurostat, European Union, Bloomberg, Krungsri Research

Krungsri Research's view

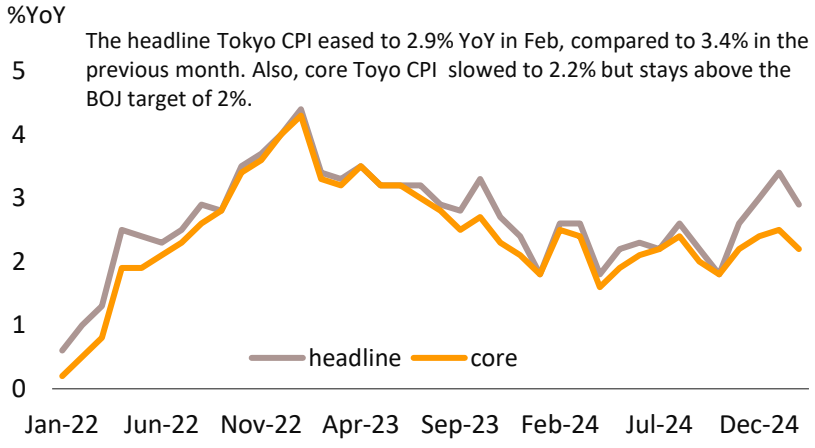
- **Weak economic outlook amid rising trade war risks.** The Eurozone economy struggles with low growth, highlighted by: (i) a three-month decline in the service PMI and ongoing manufacturing contraction; (ii) the slowest retail sales growth in six-months; and (iii) persistently low economic confidence. Looking ahead, escalating trade tensions—especially the planned 25% tariffs on European cars and goods, with reciprocal tariffs expected to start in April—pose significant risks to exports and investment.
- **Germany's fiscal stimulus could drive economic growth from 2026.** Political uncertainty has eased with the formation of a new government, strengthening the euro. The proposed fiscal reform includes: (i) a EUR 500bn infrastructure fund (12% of GDP); (ii) exemption of defense spending over 1% of GDP from Germany's constitutional debt brake; and (iii) EUR 100bn for climate and economic transformation. If defense and infrastructure spending increases as planned, Germany's GDP is projected to grow 2.1% in 2026, supporting this region's recovery, as Germany accounts for 25-30% of the Eurozone's GDP
- **The ECB signals a more cautious approach to rate cuts.** The ECB reduced interest rates by 25bps to 2.50% on March 6, while revising its GDP growth projections for 2025 and 2026 to 0.9% and 1.2%, respectively, citing weak exports, subdued investment, and escalating trade war risks. In response, the ECB is expected to gradually lower its policy rate to 2.00% this year. However, it is likely to adopt a more cautious approach than previously anticipated, as inflation is expected to take time to return to the 2% target, and Germany's fiscal stimulus may alleviate downside risks to growth, thus diminishing the need for successive rate cuts.

Japan: BOJ in no rush to hike rates due to weak economic growth, but improving price indicators leave the door open for another hike in 2H25

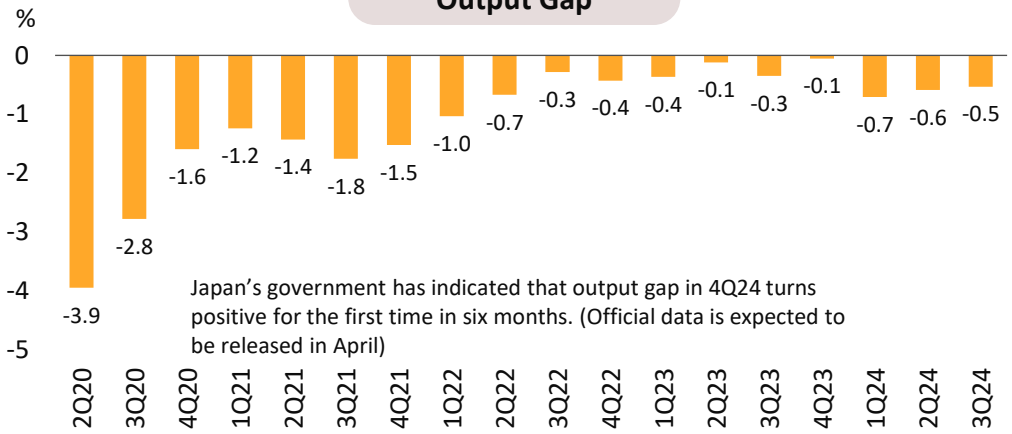
Household Spending and Real Wage Growth



Tokyo Consumer Price Index (CPI)



Output Gap



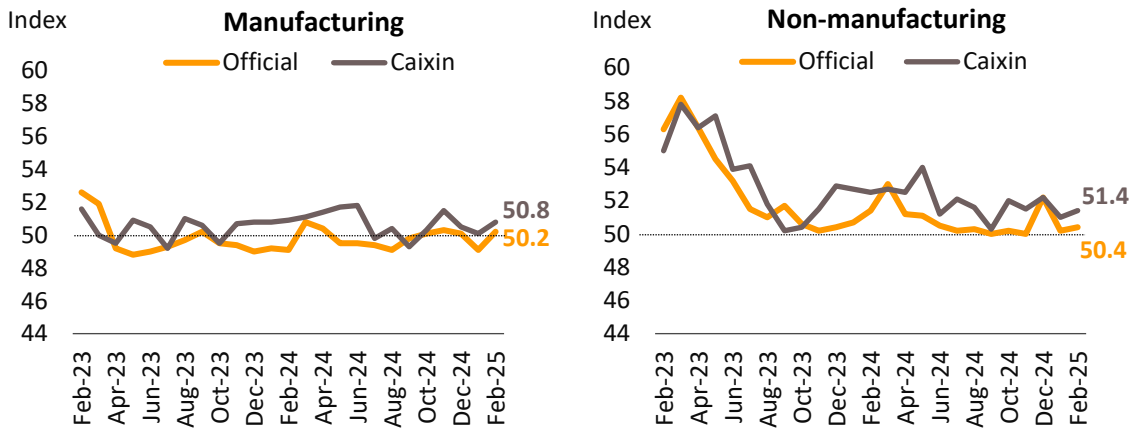
Krungsri Research's view

- **Despite improving business confidence and government stimulus, Japan's economic recovery remains fragile**, as shown by (i) slower-than-expected GDP growth in 4Q24; (ii) still-weak household spending and real wage growth in February; and iii) sluggish exports due to trade war risks and slowing demand from key trading partners like US and China. In addition, Krungsri Research found that a 20% US tariffs on all Chinese goods and 10-15% Chinese tariffs on selected US products, with additional tariffs on major trade deficit partners, Japan's GDP and export could drop by -0.03% and -2.84%, respectively.
- **Government set to declare the end of deflation.** Ryosei Akazawa, Japan's Minister of Economic Revitalization, stated that Japan has met key criteria to officially declare the end of deflation. This is reflected in the improvement of four key indicators: an expected positive output gap in Q4, rising CPI, an increasing GDP deflator, and higher unit labor costs. This reflects the government's confidence in Japan's economic outlook, which could pave the way for a future rate hike by the Bank of Japan (BOJ) in the second half of this year.
- **The BOJ is likely to hike rates, but trade risks and still-weak growth could delay timing.** Inflation is expected to rise further as businesses continue passing on higher costs of raw materials and wages onto consumers, combined with the biggest pay hike in 34 years for Japan's workers in 2025. In January, headline inflation surged to 4%, the highest in two years—twice the BOJ's 2% target. However, amid increasing trade risks and weak economic growth, Krungsri Research anticipates that the BOJ's next rate hike may not take place until the second half of the year, maintaining accommodative monetary policy for a while to support a continued recovery.

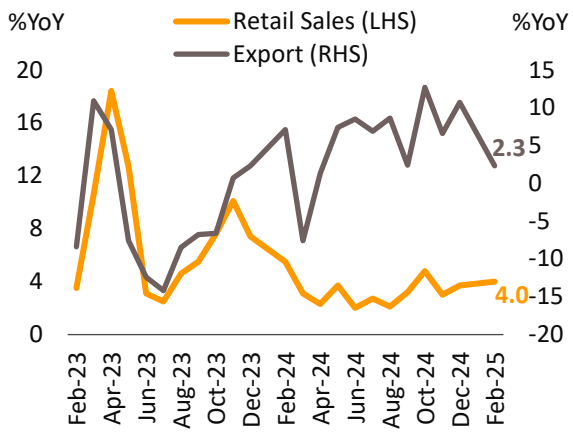
Source: Bank of Japan, CEIC, Investing.com, Krungsri Research

China: Government to prioritize boosting consumption this year to alleviate oversupply problems and negative impacts from trade war 2.0

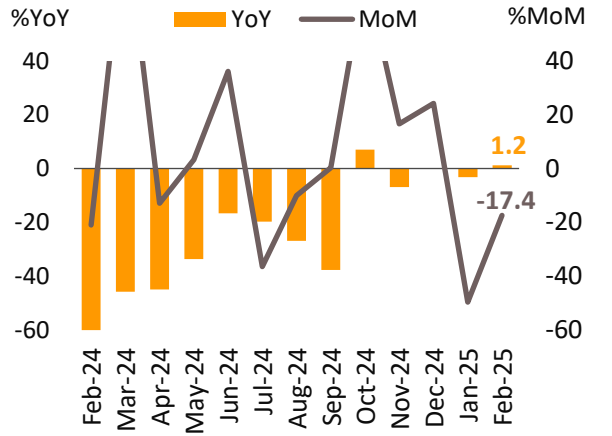
Purchasing Managers' Index (PMI)



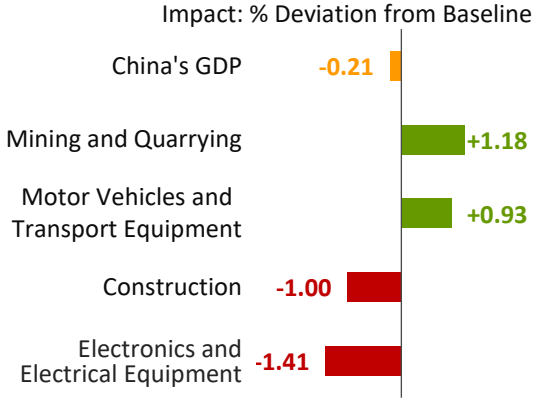
Retail Sales and Exports



New Home Sales by Top 100 Developers



Impact of US-China Tariffs* on GDP



*US imposes 20% tariffs on China and China retaliates with 10-15% tariffs on US

Two Sessions Economic Targets 2025

Indicator	2023 Actual	2024 Target	2025 Target
GDP growth (%)	5.2%	≈5%	≈5%
CPI (%)	0.2%	≈3%	≈2%
Special local government bond (trillion yuan)	3.96	3.9	4.4
Fiscal deficit (% of GDP)	3.87%	3%	4%
New urban job creation (mn)	12.44	>12	>12
Unemployment (%)	5.2%	≈5.5%	≈5.5%

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

Krungsri Research's view

- **China's economy fluctuates according to seasonal factors and stimulus measures, while its growth remains under pressure from excess supply and weak domestic demand.** Initial gains from front-load exports began to fade, partly due to recent US tariff hikes, with exports rising 2.3% YoY in January-February (vs. 6-13% in 4Q24).
- **Real estate sector shows fragile stabilization.** Despite recent improvements in both real estate prices and sales, liquidity issues and default risks remain a concern. Additionally, total property sales in 2024 were still 45.7% below their peak in 2021, and excess supply situation could take many years to reach an acceptable level.
- **Trade war is intensifying.** The US imposed additional 10% tariffs on all Chinese goods, raising the total to 20%. US actions triggered China to retaliate with another 10–15% tariffs, mainly targeting agricultural and food products. These tariff hikes could reduce China's GDP by 0.21%, with the largest negative impacts on Electronics and Electrical Equipment and Construction.
- **In 2025, the government will prioritize strengthening the domestic economy via consumption stimuli,** such as subsidies, consumer protection, and income boosting. If upcoming consumption stimuli prove fruitful, the positive momentum could pass through manufacturing sectors, mitigating impacts from the intensifying trade war.

Thailand faces economic challenges from structural issues and trade war tactics; Krungsri Research expects 2025 GDP growth at 2.7%

- **2025 growth forecast revised down to 2.7%** due to weak domestic economy, slow tourism recovery and limited stimulus impacts.
- **Slower-than-expected recovery of Chinese tourists** prompts a revised forecast of 38 mn foreign tourist arrivals in 2025.
- Capital budget disbursement shows signs of acceleration, with **public spending expected to remain a key driver in early 2025.**
- **Private investment is rebounding from a low base** amid structural manufacturing problems and escalating trade wars; BOI indicators signal a positive outlook for investment in high-tech industries.
- Despite the surprising growth in recent months, **Thai exports face risks from trade tensions and manufacturing challenges ahead**. Export expansion has not been broad-based and remained fragile amid weak global demand, Trump 2.0 policy, and domestic structural headwinds.
- **Private consumption** is expected to grow at a slower pace, close to the overall economic growth rate. Despite low unemployment, average real wage rises only slightly, and the low-income group earns less than the pre-covid levels, reflecting still-weak purchasing power.
- **Inflation** slowed in February, with a possibility of falling below the official target range ahead.
- BOT delivered a rate cut in February as expected to mitigate downside risks, **likely to hold at 2% for the rest of this year.**

Krungsri Research Forecasts for 2025

Krungsri Research Forecast		2023	2024	2025F		
				Previous	Latest	
GDP growth	YoY (%)	2.0	2.5	2.9	2.7	▼
Private Consumption Expenditure	YoY (%)	6.9	4.4	3.0	2.8	▼
Government Consumption Expenditure	YoY (%)	-4.7	2.5	2.2	1.5	▼
Private Investment	YoY (%)	3.1	-1.6	2.9	2.6	▼
Public Investment	YoY (%)	-4.2	4.8	5.8	3.8	▼
Nominal Exports in USD (f.o.b.)*	YoY (%)	-1.5	5.8	2.7	2.7	=
Nominal Imports in USD (f.o.b.)*	YoY (%)	-3.8	6.3	3.5	3.5	=
Current Account Balance	USD, bn	7.4	12.3	10.5	12.6	▲
Tourist Arrivals	Mn, persons	28.2	35.5	40	38	▼
Headline Inflation	YoY (%)	1.2	0.4	1.0	1.0	=
Policy Interest rate (end of period)	(%)	2.50	2.25	2.00	2.00	=
Dubai crude price - period average	USD/bbl	82	80	78	78	=

Weak domestic spending, sluggish investment, slow tourism recovery, and limited policy effectiveness

Limited stimulus impact, weak income growth and slow tourism recovery

Weak domestic demand, lack of crowding-in effect, and concerns over US policy

Delayed investment and normalization following increased disbursement in Q1 of FY25

Favorable base effect

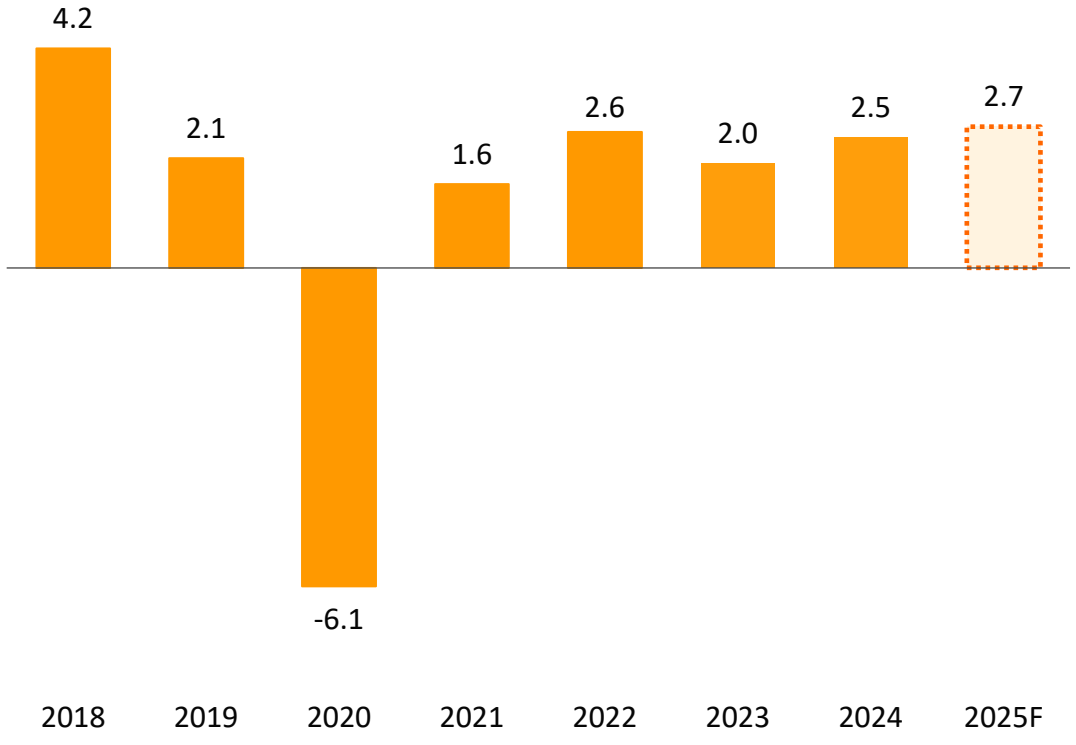
Slow recovery of Chinese tourists

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

2025 growth forecast revised down to 2.7% due to weak domestic economy, slow tourism recovery and limited stimulus impacts

We have revised down our 2025 GDP growth forecast to 2.7% from the previous estimate of 2.9%, due to the following factors: (i) signs of weakness in private consumption and private investment; (ii) limited impact of the cash-handout measure (Phase 2 program, worth just THB 30 bn in 1Q25 vs Phase 1 worth THB 140 bn in 4Q24); additionally, a budget of around THB 157 bn planned to finance the Digital Wallet policy this year is unlikely to contribute significantly to the economy, as observed with the impacts of Phase 1; (iii) a potential shortfall in foreign tourist arrivals, revised from the previous projected of 40 mn to 38 mn, due to the slow recovery of Chinese tourists; and (iv) the potential fading of front-loaded gains in exports, as concerns about US tariff hikes may materialize into actual tariffs.

Thailand's GDP growth and forecast (%)



Source: NESDC, Projection by Krungsri Research

Upside

- Normalized public spending and stimulus measures
- Recovery in tourism and employment
- Investment relocation amid rising trade tension, regionalization, and 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)

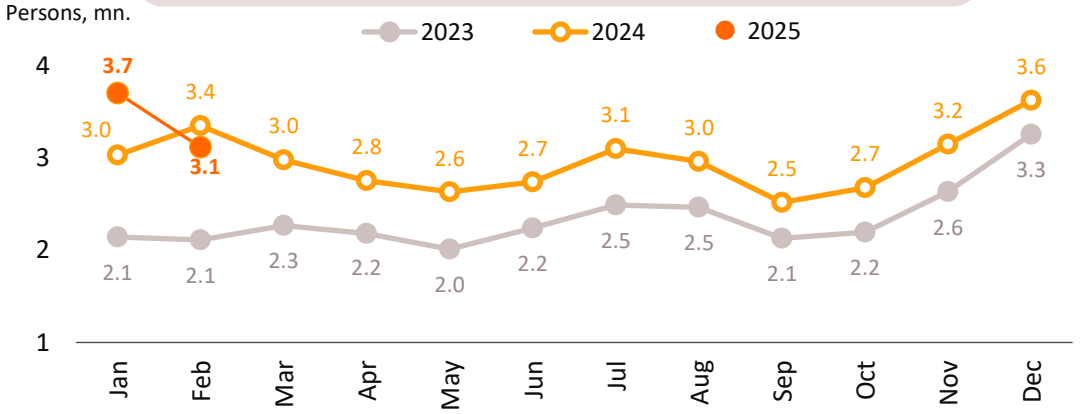
Downside

- Structural headwinds, e.g., high household debt, weaker competitiveness, demographics
- Rising trade protectionism, geo-economic fragmentation, and lingering geopolitical risk
- Sub-par global growth and volatile financial markets amid uncertain economic policy
- Impact of GMT on foreign investment
- Impact of climate fluctuation, including floods
- Domestic political risk and policy uncertainty

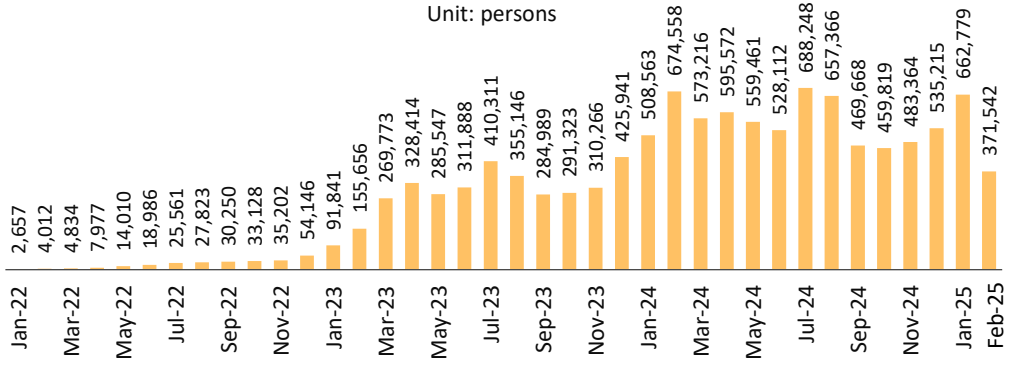
Tourism: Slower-than-expected recovery of Chinese tourists prompts a revised forecast of 38 mn foreign tourist arrivals in 2025

In February 2025, Thailand welcomed 3.12 mn foreign tourists, down from 3.71 mn in January and a -7% decline from the same period last year (YoY). However, tourism revenue reached THB 151 bn, up 2.3% YoY. During January-February, total foreign tourist arrivals reached 6.83 mn (+6.9% YoY), generating THB 332 bn (+17% YoY). Chinese tourist recovery remains slower than expected, with February arrivals dropping to a 15-month low of 371,452 (-44.9% YoY), totaling 1.18 mn for the first two months of this year (-12.6% YoY), mainly due to safety concerns and competition from other destinations. Nevertheless, arrivals from Malaysia, Russia, and India continue to support Thailand's tourism sector. As a result, **we have revised our 2025 foreign tourist arrival forecast to 38 mn, down from the previous estimation of 40 mn.**

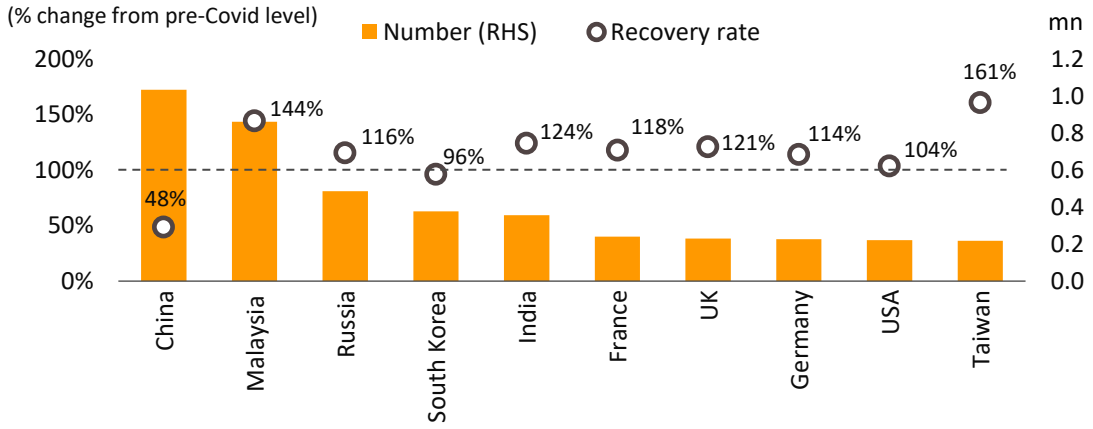
Foreign tourist arrivals declined to 3.12 mn in February



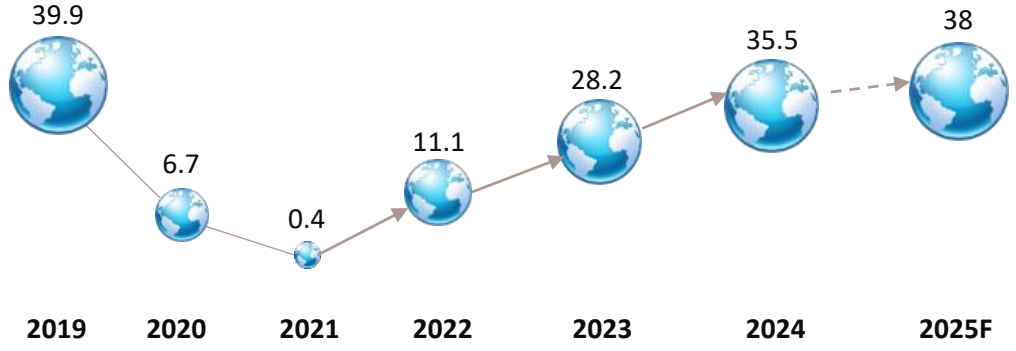
Chinese tourists dropped to the lowest level in 15 months



Top 10 tourist arrivals by country during January-February



Forecast for foreign tourist arrivals (mn persons)

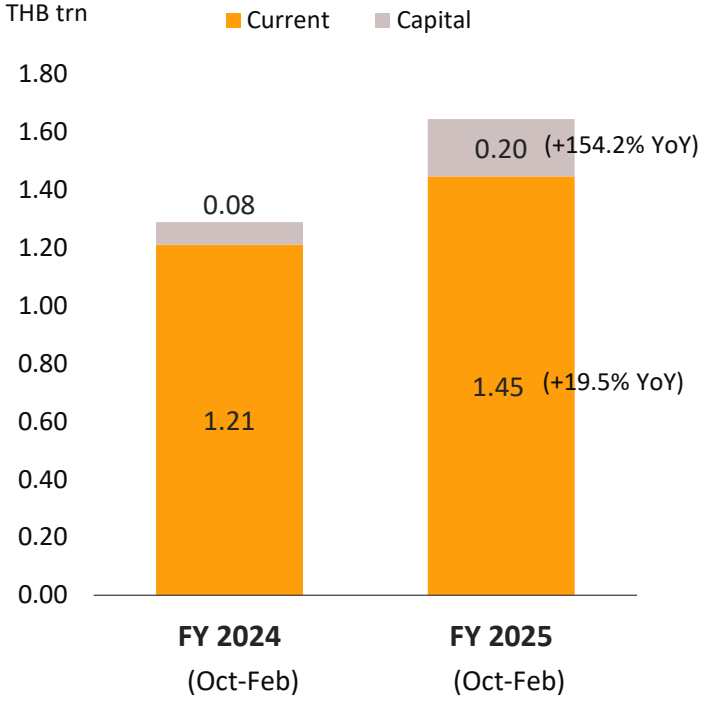


Source: MOTS, CEIC, Krungsri Research

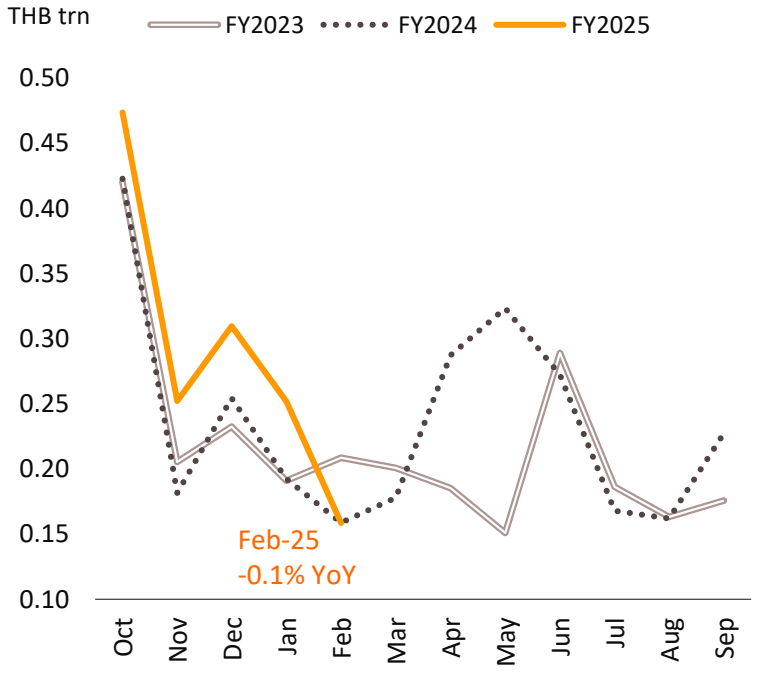
Capital budget disbursement shows signs of acceleration, with *public spending* expected to remain a key driver in early 2025

Public spending in 2025 is expected to continue expanding from the previous year. In the first five months of the fiscal year 2025 (October 2024-February 2025), disbursement of the current budget reached THB 1.45 trn (+19.5% YoY), while disbursement of the capital budget totaled THB 0.20 trn (+154% YoY). Notably, capital budget expenditure showed signs of acceleration, as reflected in the February disbursement, which surged more than 100% compared to the same month last year. Additionally, the Eastern Economic Corridor (EEC) recently provided an update on the progress of U-Tapao Airport expansion project, anticipating the commencement of construction for the second runway in 1Q25. The development of U-Tapao Airport is considered one of the key infrastructure projects in the EEC, aimed at upgrading logistics, supporting tourism, and attracting investment.

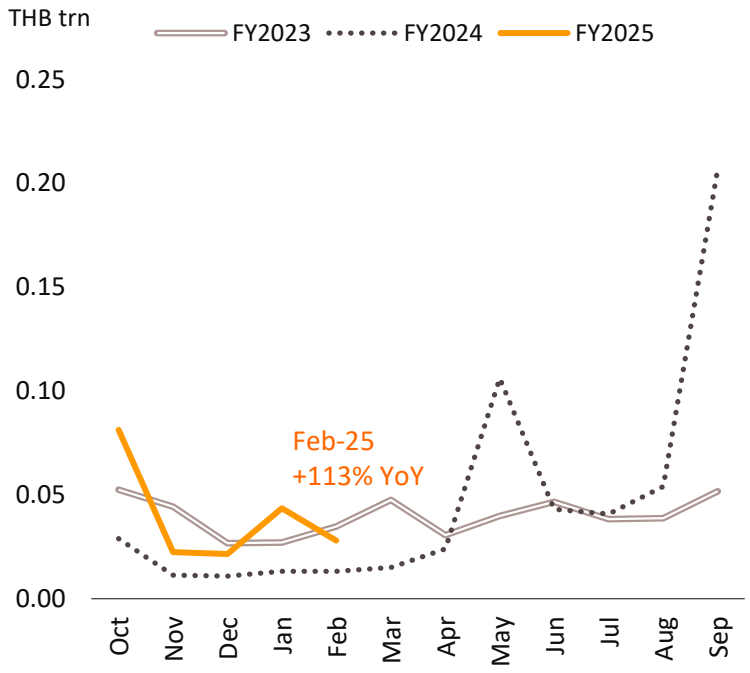
Budget disbursement during the first 5 months of fiscal year 2024 and 2025



Disbursement of current budget



Disbursement of capital budget

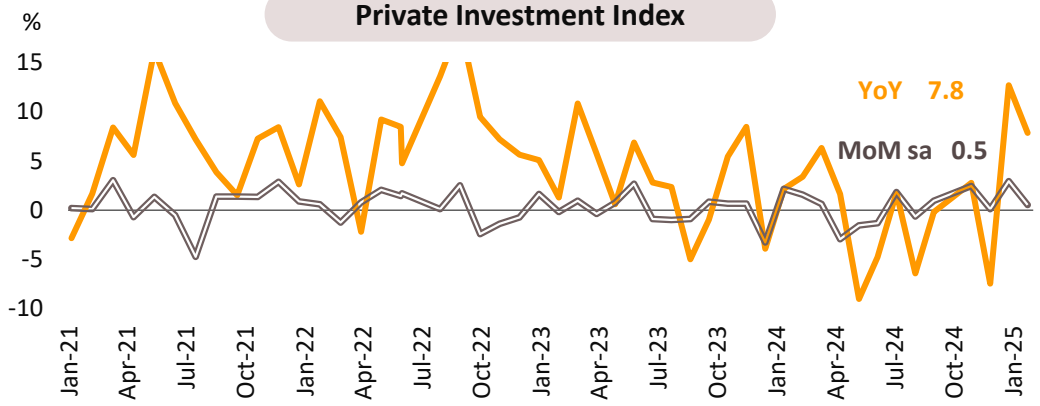


Source: MOF, Krungsri Research

Private investment is rebounding from a low base amid structural manufacturing problems and escalating trade wars

In January, the private investment index grew by 7.8% YoY (+0.5% MoM sa), mainly driven by investment in machinery and equipment. Meanwhile, investment in vehicles and construction still declined. **For 2025, private investment growth is expected to turn positive, expanding by 2.6%, compared to a contraction of -1.6% in 2024.** Key supporting factors include (i) government capital disbursements that will crowd in private investment and (ii) BOI's investment promotion by incentivizing projects with actual investments of at least THB 2 bn under specified conditions. Projects that receive a promotion certificate in 2025 must invest within one year to qualify for additional benefits, including a 50% corporate income tax reduction for five years after the tax exemption period ends. However, challenges remain, including persistently low business sentiment, structural problems in the manufacturing sector, and escalating trade wars.

Private Investment Index

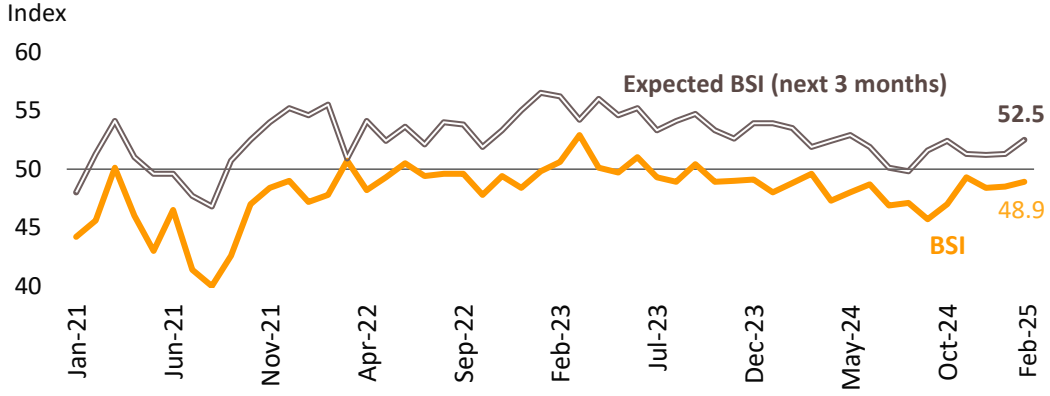


Private Investment Index by category

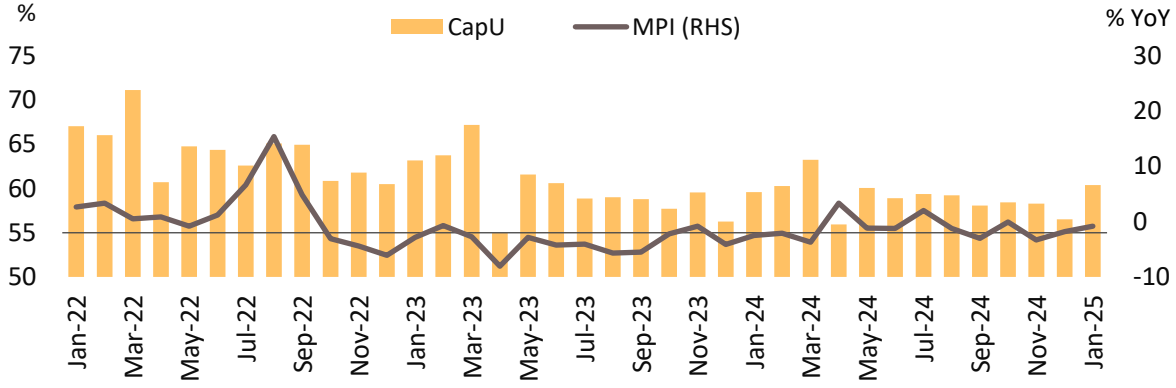
%YoY*	2022												2023												2024												2025
	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J
Private investment																																					7.8
Vehicle																																					-12.2
Machinery and Equipment																																					21.0
Construction																																					-1.5

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

Business Sentiment Index stayed below 50 for 17th straight month.



Manufacturing Production Index and Capacity Utilization Rate

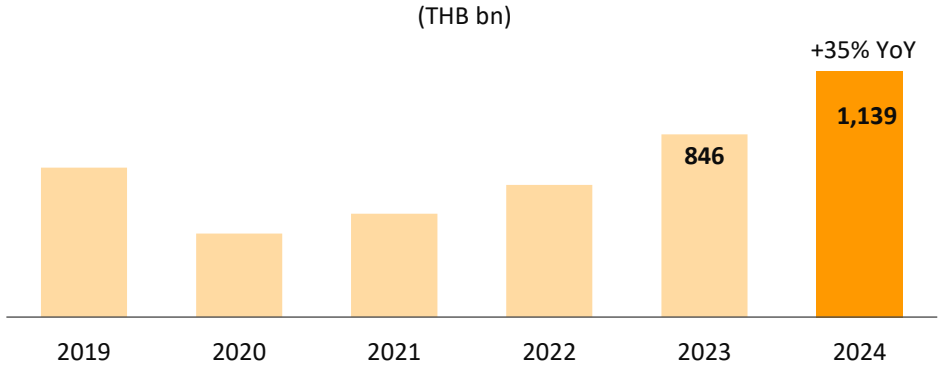


Source: BOT, OIE, Krungsri Research

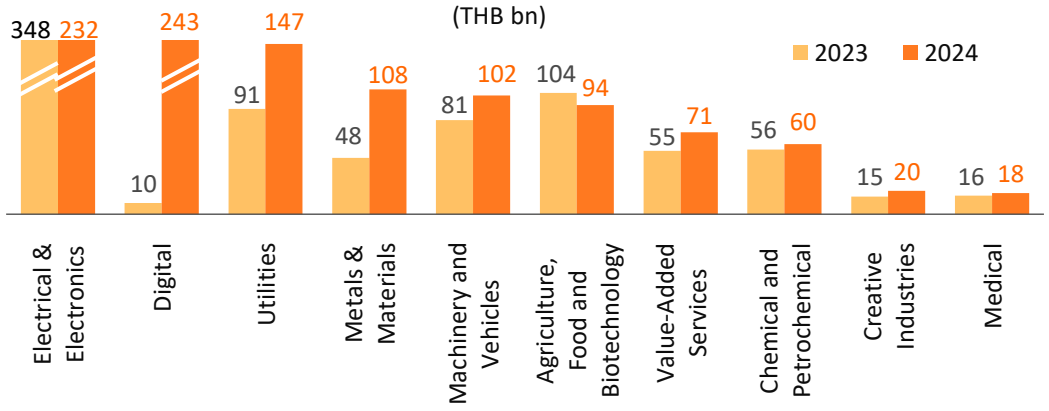
BOI indicators signal positive outlook for investment in high-tech industries

In 2024, the BOI received applications for investment incentives for 3,137 projects (+40% YoY) with a total investment value of THB 1,139 bn (+35%), led by digital industries and electrical & electronics. There were Foreign Direct Investment (FDI) applications for 2,050 projects (+51%) with a total investment value of THB 832 bn (+25%), led by Singapore, China, Hong Kong, Taiwan, and Japan. **For FDI applications in the Eastern Economic Corridor (EEC)**, there were 1,133 projects (+47%) with a total investment of THB 662 bn (+25%), led by smart electronics, the digital industries, and next-generation automotive. The BOI has issued investment certificates for 2,678 projects (+47%) with a total investment of THB 846 bn (+72%), which would likely materialize within the next 1-3 years.

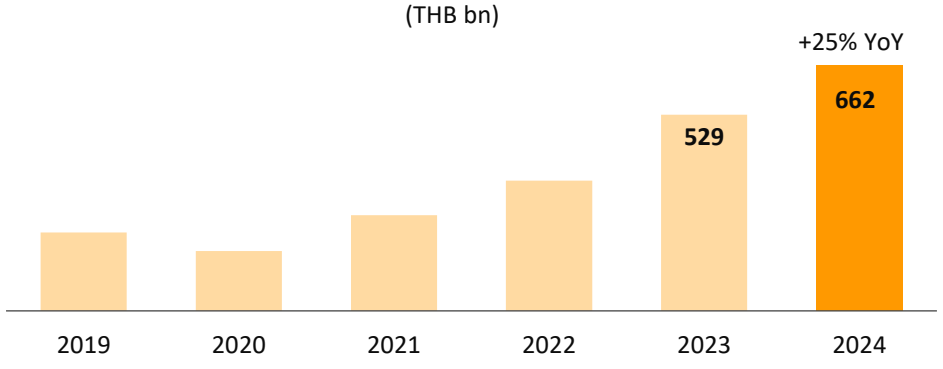
Total applications for BOI investment incentives



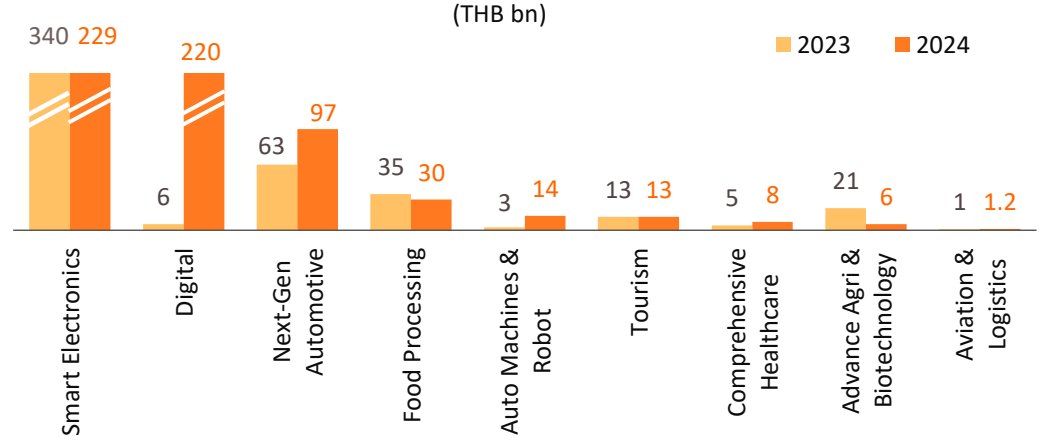
Total applications for BOI investment incentives (by sector)



Total FDI applications for BOI investment incentives in EEC



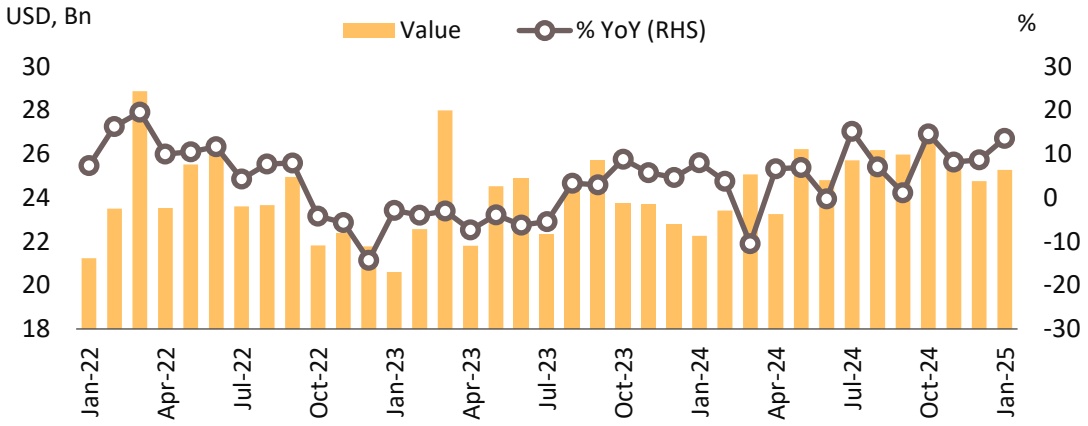
FDI applications for BOI investment incentives in EEC (by sector)



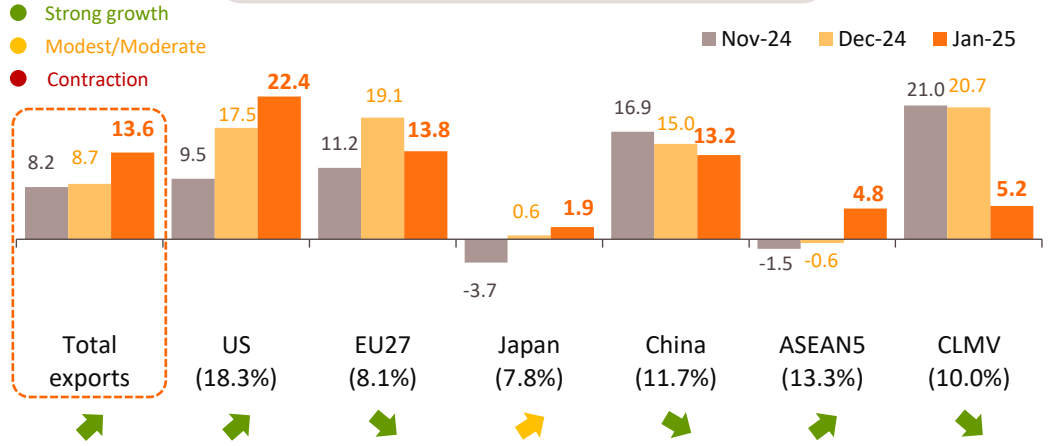
Source: BOI, CEIC, Krungsri Research

Despite surprised growth in recent months, *Thai exports* face risks from trade tensions and manufacturing challenges ahead

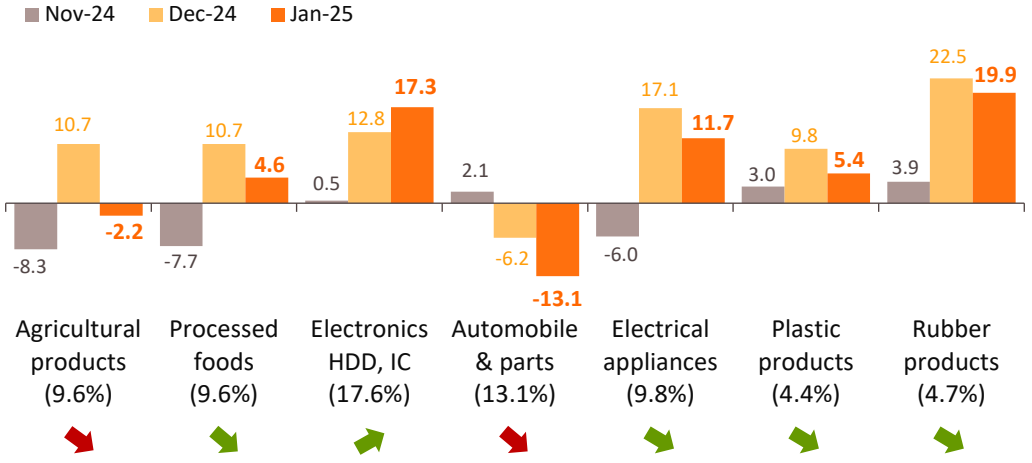
Exports



Exports by major destination (%YoY)



Exports by major product (%YoY)



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

Krungsri Research's view

- **In January, merchandise export value expanded for the seventh straight month by 13.6% YoY to USD 25.3 bn.** Excluding oil, gold & weapons, exports rose 11.4%, led by rubber (+45.5%), computers & computer equipment (+45.0%), and air condition & parts (+33.2%). However, export contractions were seen in some key products, such as rice (-32.4%), autos, parts & equipment (-13.1%), and fresh, chilled, frozen & dried fruit (-11.0%), By destination, exports continued to expand in major trading partners such as the US, the EU and China.
- Exports in January continued to expand at a high rate, partly driven by accelerated demand in preparation for uncertainties surrounding the US trade policy. **Looking ahead, we forecast Thailand's 2025 export growth to slow down to 2.7%, down from 5.8% in 2024.** Although global economic and trade recovery provides some support, structural issues in the manufacturing sector have weakened the competitiveness of Thai exports. Additionally, challenges stemming from uncertainty in US trade policy shifts are expected to exert pressure on global trade.

Export expansion still fragile and not broad-based amid weak global demand, Trump 2.0 policy, and domestic structural headwinds

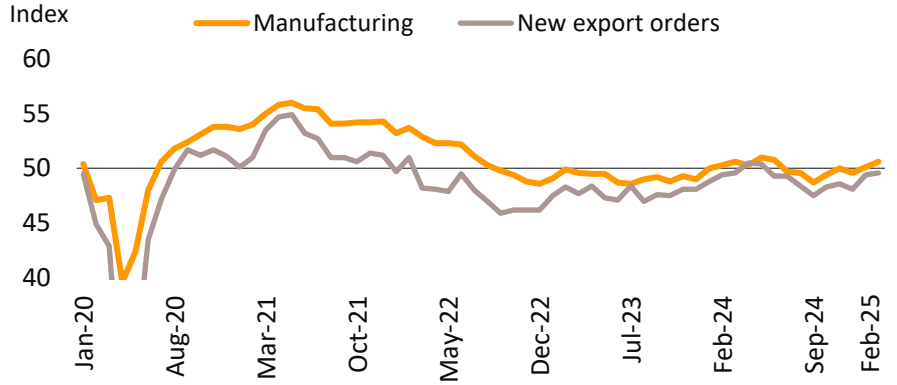
In January, Thai exports grew 13.6% YoY (based on MOC data), led by Industrial products, which expanded by 17.0% (including computers & components, rubber products, chemical products, and electrical appliances), agro-industrial products which expanded by 3.0% (canned & processed seafood and pet food). However, exports of agricultural products decreased by -2.2%, led by rice and fresh, chilled, frozen & dried fruit. Also, exports of cars and parts continued to contract. Although global manufacturing activity has recently shown signs of improvement, escalating trade tensions may impact Thailand's exports in the coming period.

Thai exports by major product and destination

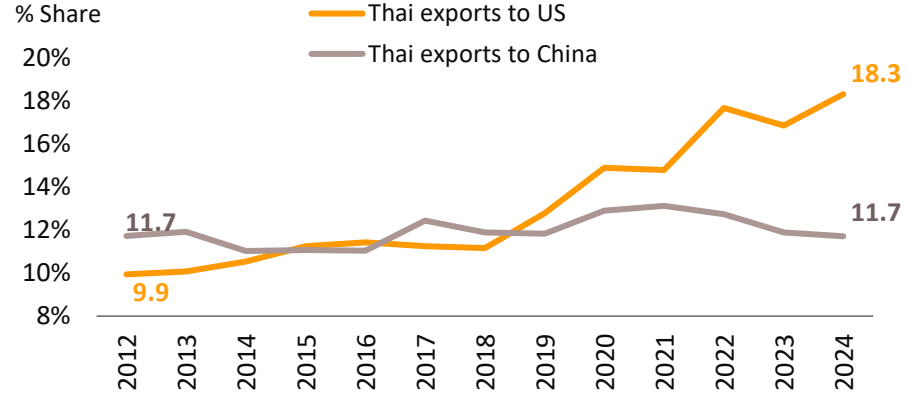
Thailand: January's Export growth (% YoY)	World	US (18%)	EU (8%)	Japan (8%)	China (12%)	ASEAN-5 (13%)	CLMV (10%)
Total	**+13.6**	**+22.4**	**+13.2**	**+1.9**	**+13.2**	**+4.8**	**+5.2**
Cars & parts (10.3%)	-16.5	+27.4	-39.9	-7.5	-43.9	-6.32	+39.3
Computer & parts (8.2%)	+45.0	+42.6	+118.3	+19.5	+42	-11.2	+268.4
Rubber products (4.7%)	+19.9	+0.5	+23.2	-4.0	+85	+4.4	+1.1
Plastic resin (2.9%)	+4.1	-3.3	-16.8	-6.4	+8.4	+14.4	+8.1
Electronic IC (2.9%)	+9.0	+32.6	-8.0	-21.0	-34.2	-5.1	+369.6
Chemical products (2.8%)	+6.6	+48.7	+4.7	-7.6	+51.1	-5.3	+11.7
Fresh, frozen & dried fruit (2.2%)	-11.0	-25.6	+22.8	+9.4	-13.0	-8.1	+62.5
Rice (2.1%)	-32.4	+45.5	+45.6	+9.0	-56.6	-88	-18.3
Electrical appliances (1.8%)	+5.6	-0.4	+27.5	+9.6	-24.0	+5.3	-8.1
Rubber (1.7%)	+45.5	+95.6	+17.1	+48.0	+96.2	+2.9	-18
Plastic products (1.5%)	+8.0	+38.2	-11.6	+1.9	-13.2	-1.9	-2.8
Preserved fish, crustaceans (1.3%)	+11.8	+42.7	+47.2	+2.8	+90.0	-7.8	-10.6
Tapioca products (1.0%)	-7.9	+37.7	+51.6	-15.9	+9.2	-32.6	-38.8
Sugar (0.8%)	+0.1	-32.8	+81.3	-52.6	+351.9	-31.8	+40.4

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

Global Manufacturing PMI and New Export Orders



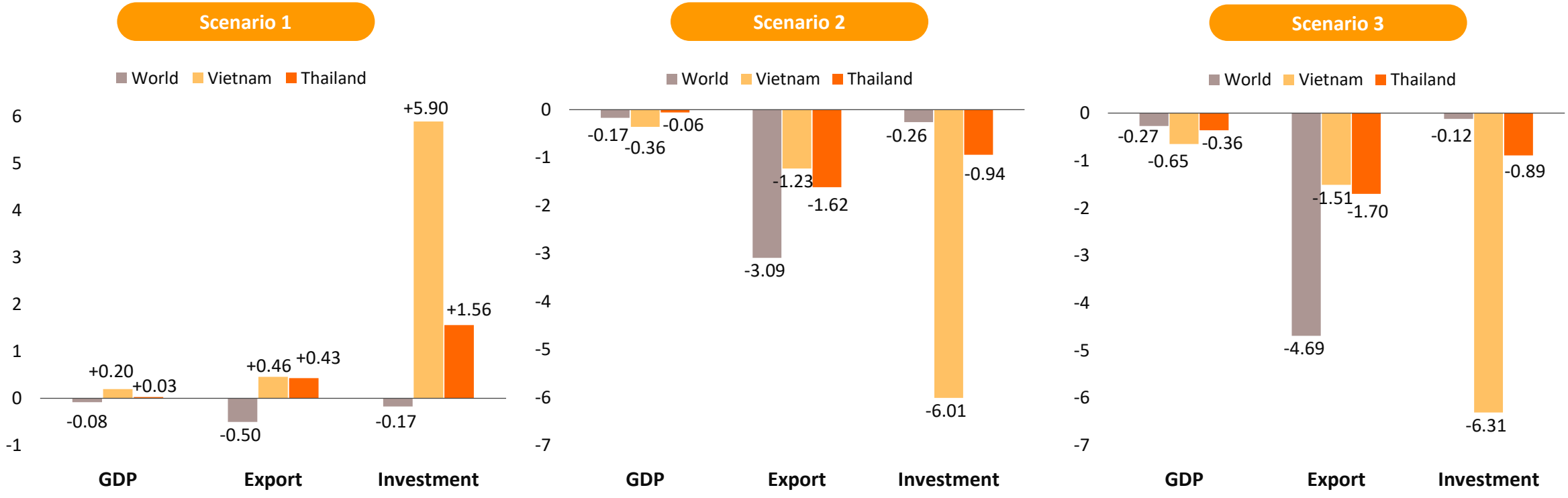
Thai exports to the US and China (%share)



Trump's recent tariff plans could hurt global exports and the economy; the impact on some countries may turn negative in case of US tariffs plus retaliation from trade partners

Scenario 1: The US imposes 20% tariffs on all Chinese goods, and China retaliates with 10-15% tariffs on some US goods.
Scenario 2: Scenario 1 plus the US imposing 25% tariffs on all imports from the top 10 trading partners with the highest trade deficit (Canada, China, EU, India, Japan, South Korea, Mexico, Taiwan, Vietnam, and Thailand).
Scenario 3: Scenario 2 plus retaliations with 25% tariffs on all US goods by top 10 trading partners with the highest trade deficit.

Tariff impact on economy (% deviation from baseline)

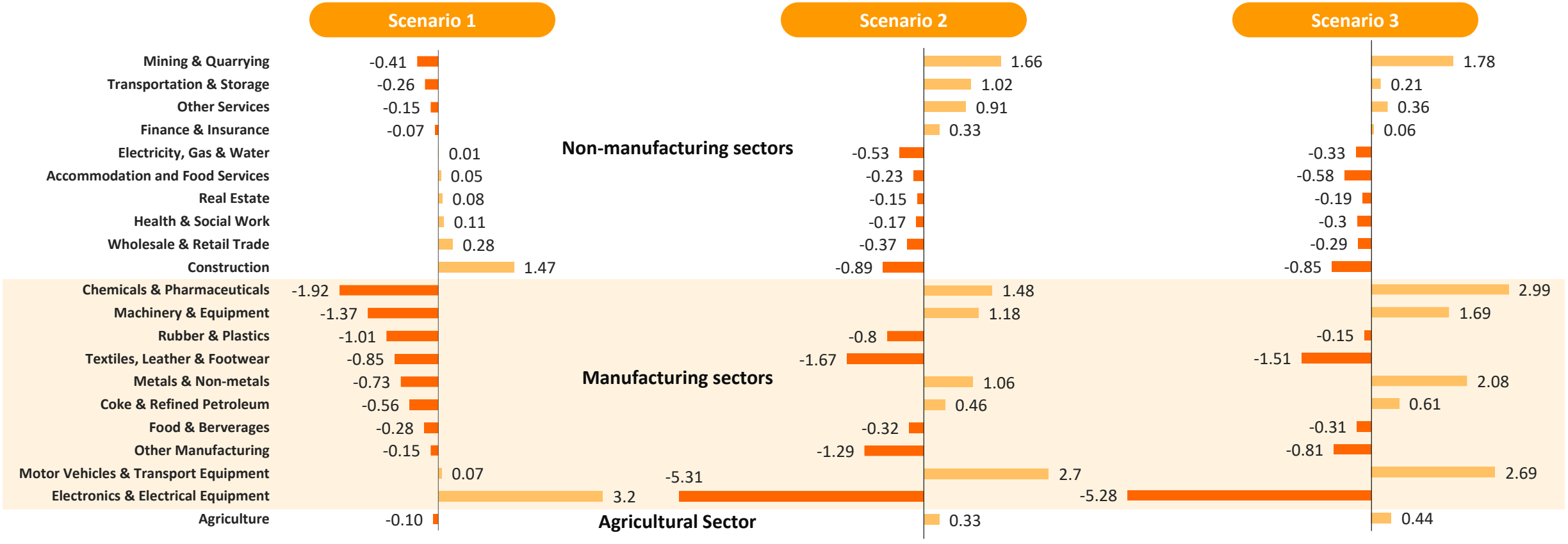


Source: GTAP, Krungsri Research

Despite gains in some sectors, negative impacts spread across many industries; the net impact turns negative in scenarios 2 and 3

Scenario 1: US imposes 20% tariffs on all Chinese goods and China retaliates with 10-15% tariffs on some US goods.
Scenario 2: Scenario 1 plus US imposing 25% tariffs on all imports from top 10 trading partners with highest trade deficit (Canada, China, EU, India, Japan, South Korea, Mexico, Taiwan, Vietnam and Thailand).
Scenario 3: Scenario 2 plus retaliations with 25% tariffs on all US goods by top 10 trading partners with highest trade deficit.

Impact of tariff hikes on Thai industries (% deviation from baseline)

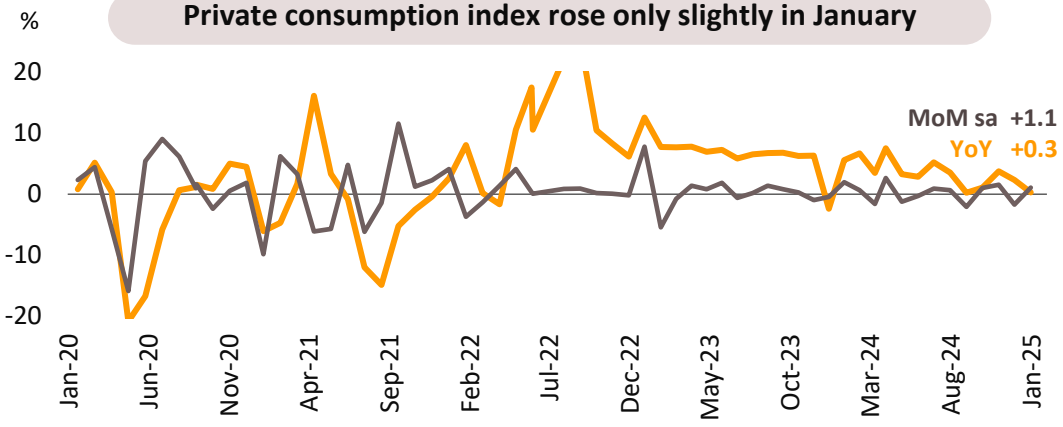


Source: GTAP, Krungsri Research

Private consumption is expected to grow at a slower pace, close to the overall economic growth rate

In January, private consumption index (PCI) grew slightly by 0.3% YoY,. Growth was supported by (i) tourism and service sector recovery, boosting employment, and (ii) short-term government stimulus measures, such as the Easy E-Receipt scheme and a THB 10,000 cash handout (Phase 2, worth THB 30 bn). However, consumption growth would be limited by several headwinds, including; (i) low consumer confidence, (ii) slowing growth of farm income due to price factors, and (iii) high household debt. **We expect private consumption growth to slow from 4.4% in 2024 to 2.8% in 2025.** Additionally, the government recently approved the THB 10,000 digital wallet program for 2.7 mn registered individuals aged 16-20, set to launch in June or July.

Private consumption index rose only slightly in January

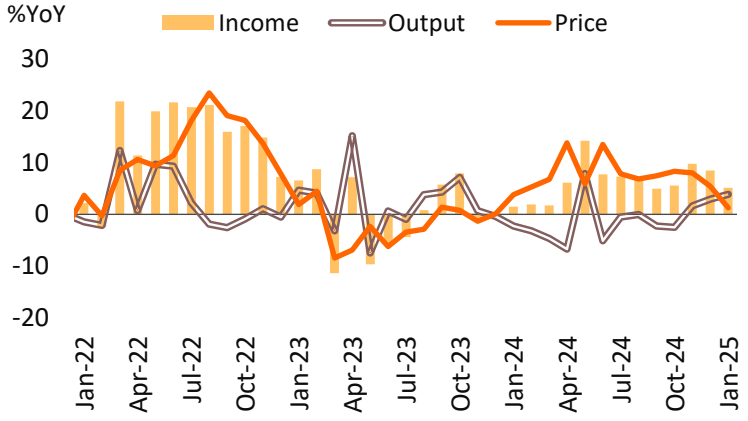


Private consumption index by category

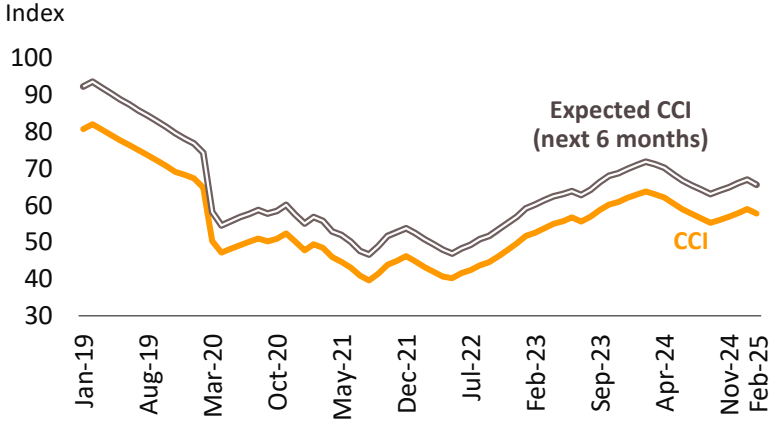
%YoY*	2022												2023												2024												2025
	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J
Private consumption																																					0.3
Non-durables																																					0.01
Semi-durables																																					1.8
Durables																																					-4.2
Services																																					7.1
Non-residents expenditure																																					33.6

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

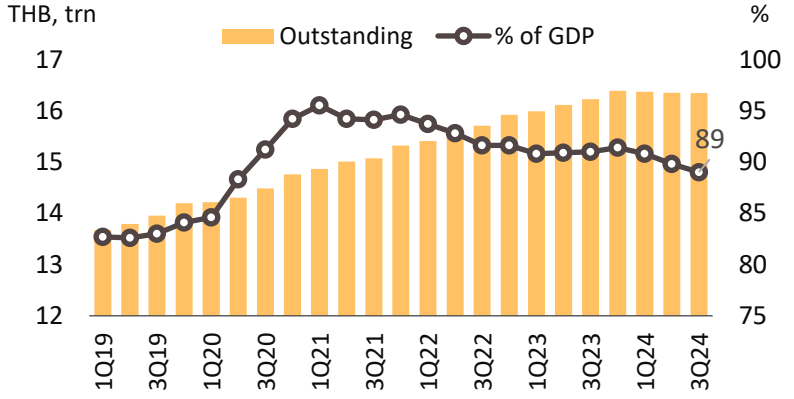
Farm income slower driven by price effect



Consumer confidence fell in February



Household debt remained high at 89% of GDP in 3Q24

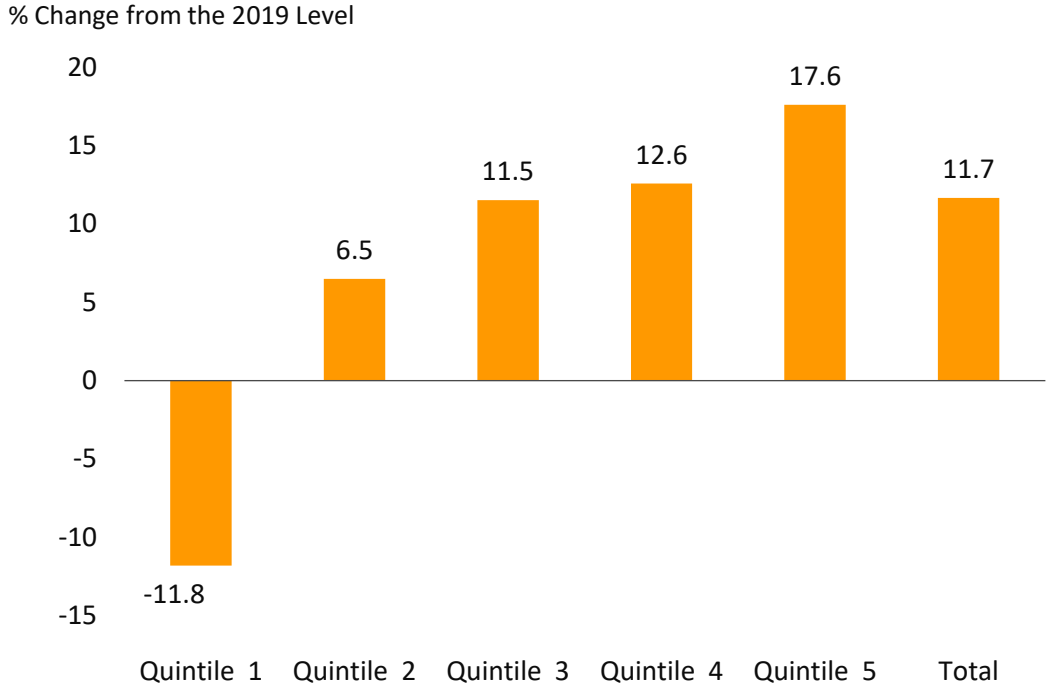


Source: BOT, UTCC, OAG, CEIC, Krungsri Research

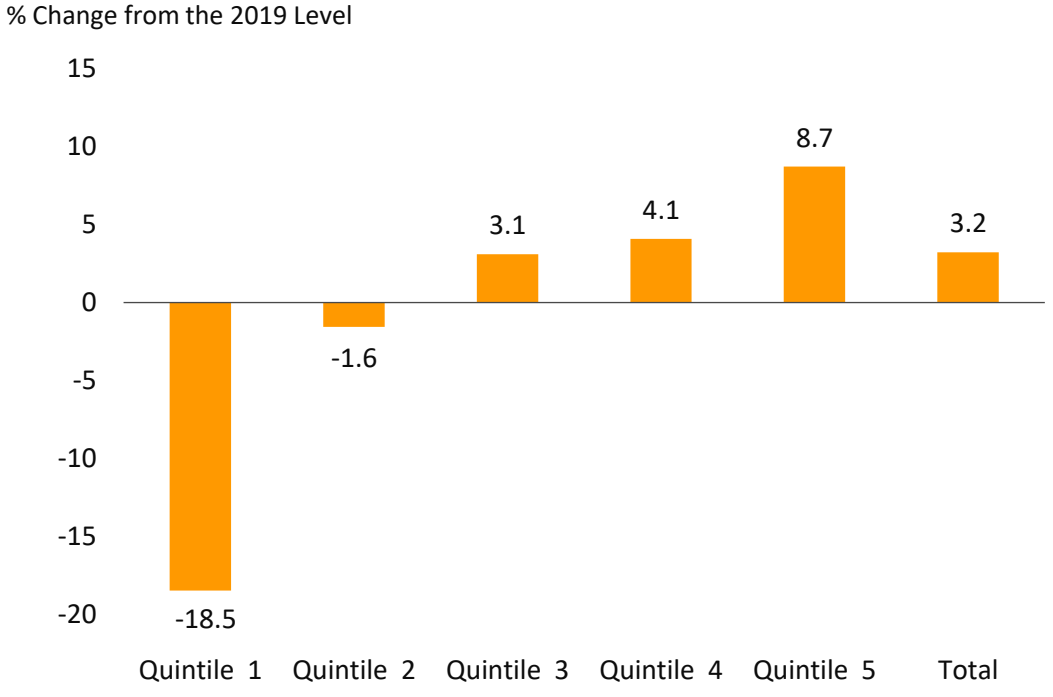
Despite low unemployment, *average real wage* rises only slightly, and *the low-income group* earns less than the pre-covid levels, reflecting still-weak purchasing power

Overall, the average nominal wage increased by 11.7% in 2024 compared to the pre-COVID level, while the average real wage grew by just 3.2%. This reflects a sluggish recovery in workers' real purchasing power post-COVID, despite Thailand's unemployment rate remaining around 1%. Moreover, the lowest 20% of income earners—accounting for up to 6.7 million people in 2024—face a very concerning situation, as their income remains significantly lower than pre-pandemic levels in both nominal and real terms. This reinforces the notion of slower consumption in the period ahead and the need for additional targeted stimulus for the lowest-income group instead of broad-based measures.

Average Nominal Wage by Salary Group (2024)



Average Real Wage by Salary Group (2024)



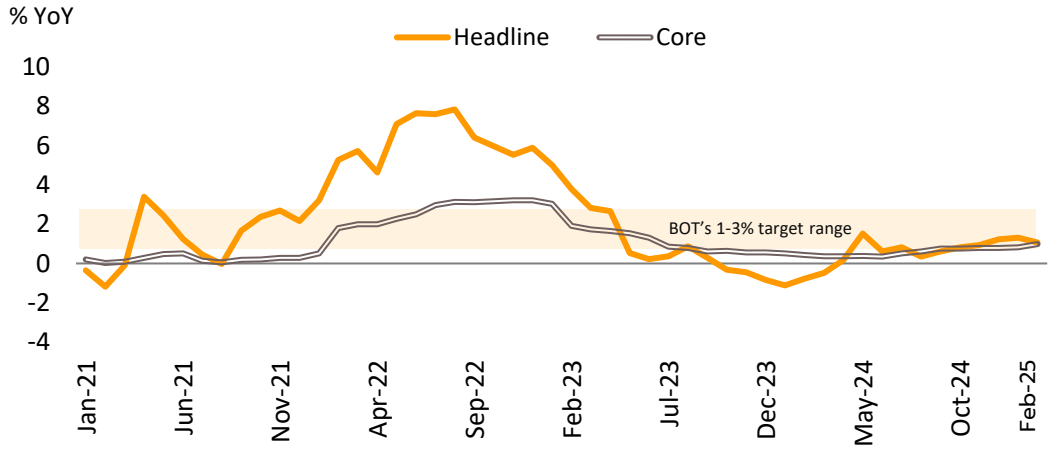
Salary Group in 2024

Quintile 1 : Less than 7,800 baht/month
Quintile 2 : 7,801-10,000 baht/month
Quintile 3 : 10,001-14,000 baht/month
Quintile 4 : 14,001-20,000 baht/month
Quintile 5 : More than 20,000 baht/month

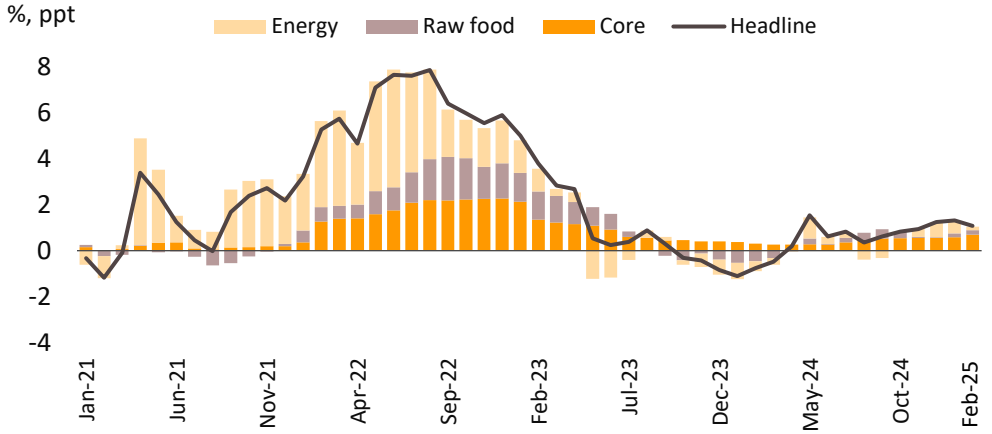
Source: NSO, Compiled by Krungsri Research

Inflation slows in February, with a possibility of falling below the official target range ahead

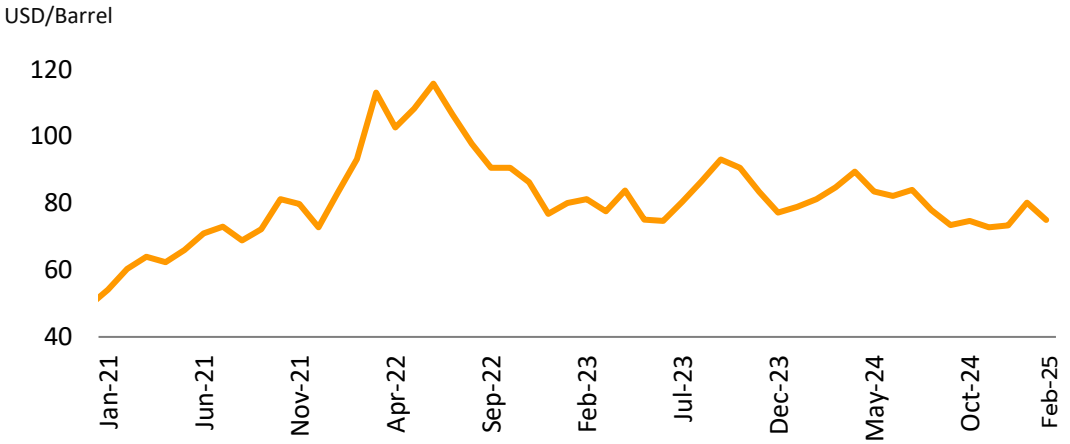
Headline and Core Inflation



Contribution of Inflation



Dubai Oil Price



Source: MOC, CEIC, Krungsri Research

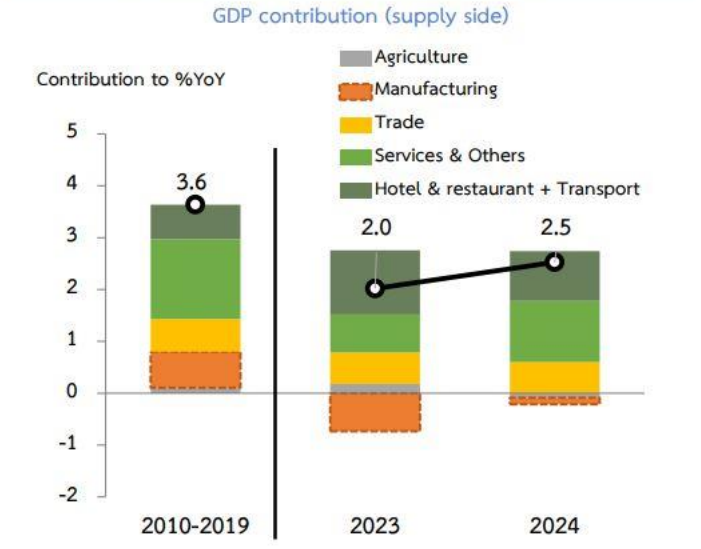
Krungsri Research's view

- **The headline inflation softened to 1.08% YoY from 1.32% in January,** partly due to a decline in fresh food prices, particularly vegetables, as its output increased. Core inflation (excluding raw food and energy prices) edged up to 0.99% from 0.83% in January. For the first two months of this year, the average headline inflation and core inflation stood at 1.20% and 0.91%, respectively.
- Although the latest headline inflation has slightly slowed, it is expected to remain within the official target range in the first quarter of this year, partly due to the low-base effect in the first quarter of last year.
- However, inflation is expected to fall below the target range in 2Q25 after the low-base effect dissipates. Additionally, a decline in Dubai crude oil prices compared to last year has led to a corresponding drop in domestic gasohol prices. The government is also likely to continue implementing cost-of-living relief measures, while favorable weather conditions may boost agricultural output. **For the full year 2025, headline inflation is projected to average 1%, near the lower bound of the Bank of Thailand's target range of 1-3%.**

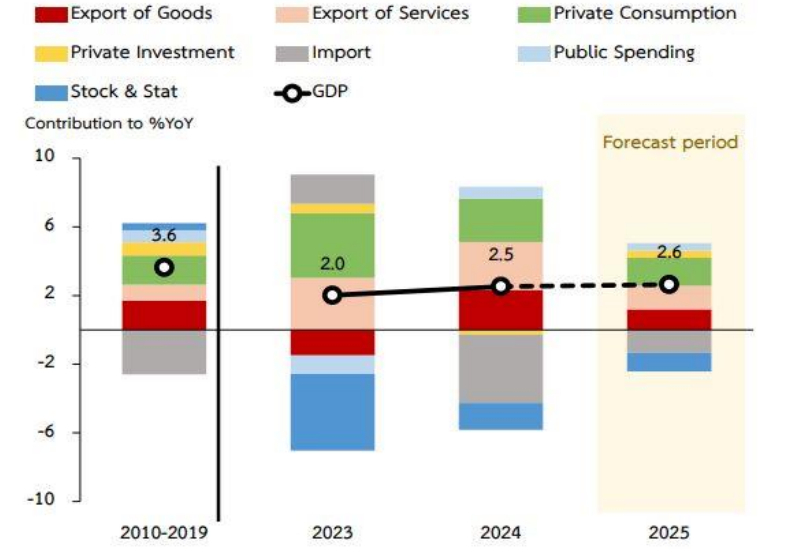
BOT delivered a rate cut in February as expected to mitigate downside risks, likely to hold at 2% for the rest of this year

- The Monetary Policy Committee (MPC) voted 6-1 to lower the policy rate by 25bps to 2.0% at the meeting on February 26, noting that Thailand's economy faces increasing downside risks from domestic structural challenges and major economies' trade policies. The decision aligns with Krungsri Research's view, although it surprised the market, as most research houses (16 out of 26) in a Reuters survey had predicted no rate change.
- According to the MPC statement, the Thai economic growth projection is under review for a potential downward revision from the previous estimate of 2.9% in 2025. Inflation is expected to stabilize around the lower bound of the BOT's target range.
- **The latest MPC decision to cut the policy rate does not signal a further easing cycle in monetary policy in the period ahead,** due to the following reasons: (i) The committee deems that the 2% policy rate aligns with the BOT's latest assessment of the economic outlook and is appropriate for addressing downside risks moving forward; (ii) There are no signs of impending deflation and medium-term inflation projections remain within the target range; and (iii) The interest rate cut alone should not be viewed as a major tool for boosting economic growth, premised on the low economic growth stemming from structural headwinds. **Given these factors, Krungsri Research expects the MPC to maintain the policy rate at 2.0% for the remainder of the year.**

Manufacturing sector contracted in 2023 and 2024



GDP contribution on demand side



Source: NESDC, BOT forecast, Krungsri Research

Key factors in 2025: Growth to pick up only slightly with limited stimulus impacts, slow tourism recovery, structural headwinds and external risks

Major factors affecting Thai economy	2024	2025
Recovering tourism activity and employment		
Rising public spending and economic stimulus measures		
Investment relating to normalized disbursement of government budget		
Impact of high interest rates worldwide, including Thailand		
Risk of climate fluctuation (such as La Niña)		
Impact of Global Minimum Tax		
Domestic political uncertainty		
Escalating trade tensions, geopolitical risk and fragmented globalization		
Losing competitiveness and rising imports from China		
Domestic structural headwinds (high household debt, demographic challenges)		



Negative impact Positive impact

Source: Krungsri Research

KRUNGSRI RESEARCH

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

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Churailuk Pholsri	Senior Economist (Forecasting)
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