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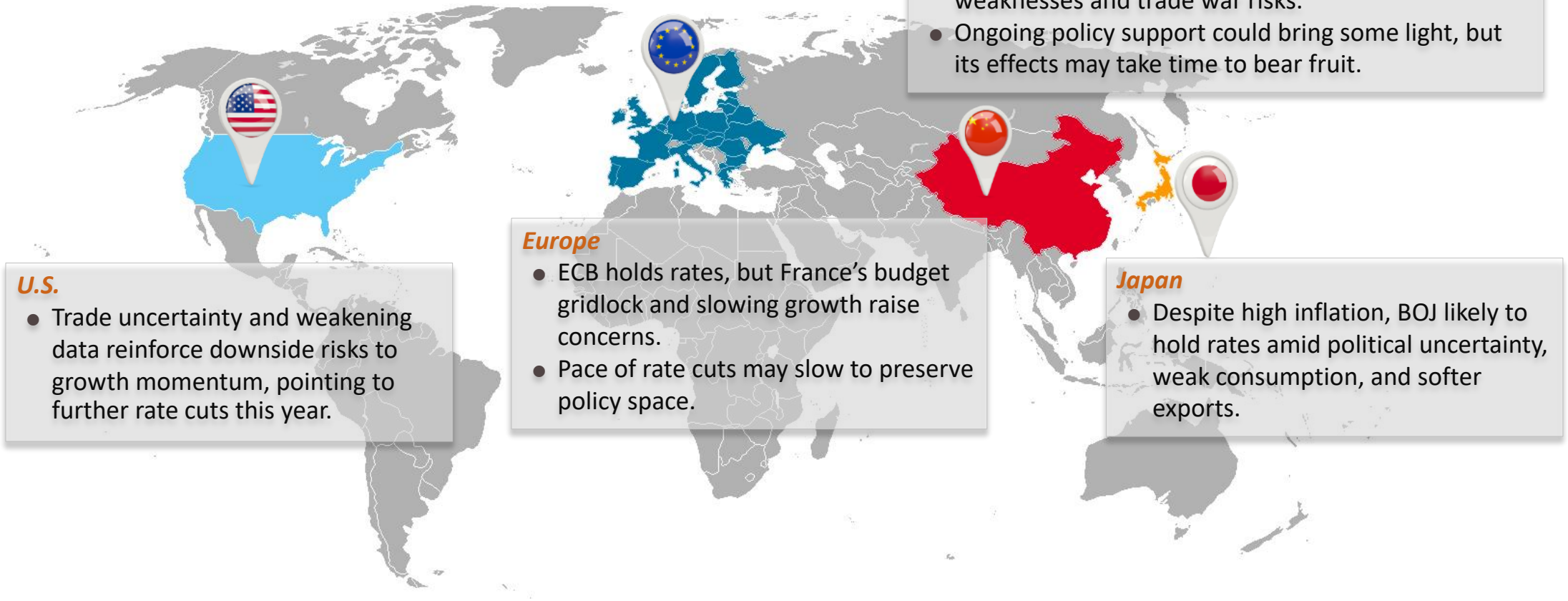
MONTHLY ECONOMIC BULLETIN

September 2025



Krungsri Research

Global: Seeking balance and growth pendulum in motion



China

- Foggy economy remains constrained by structural weaknesses and trade war risks.
- Ongoing policy support could bring some light, but its effects may take time to bear fruit.

U.S.

- Trade uncertainty and weakening data reinforce downside risks to growth momentum, pointing to further rate cuts this year.

Europe

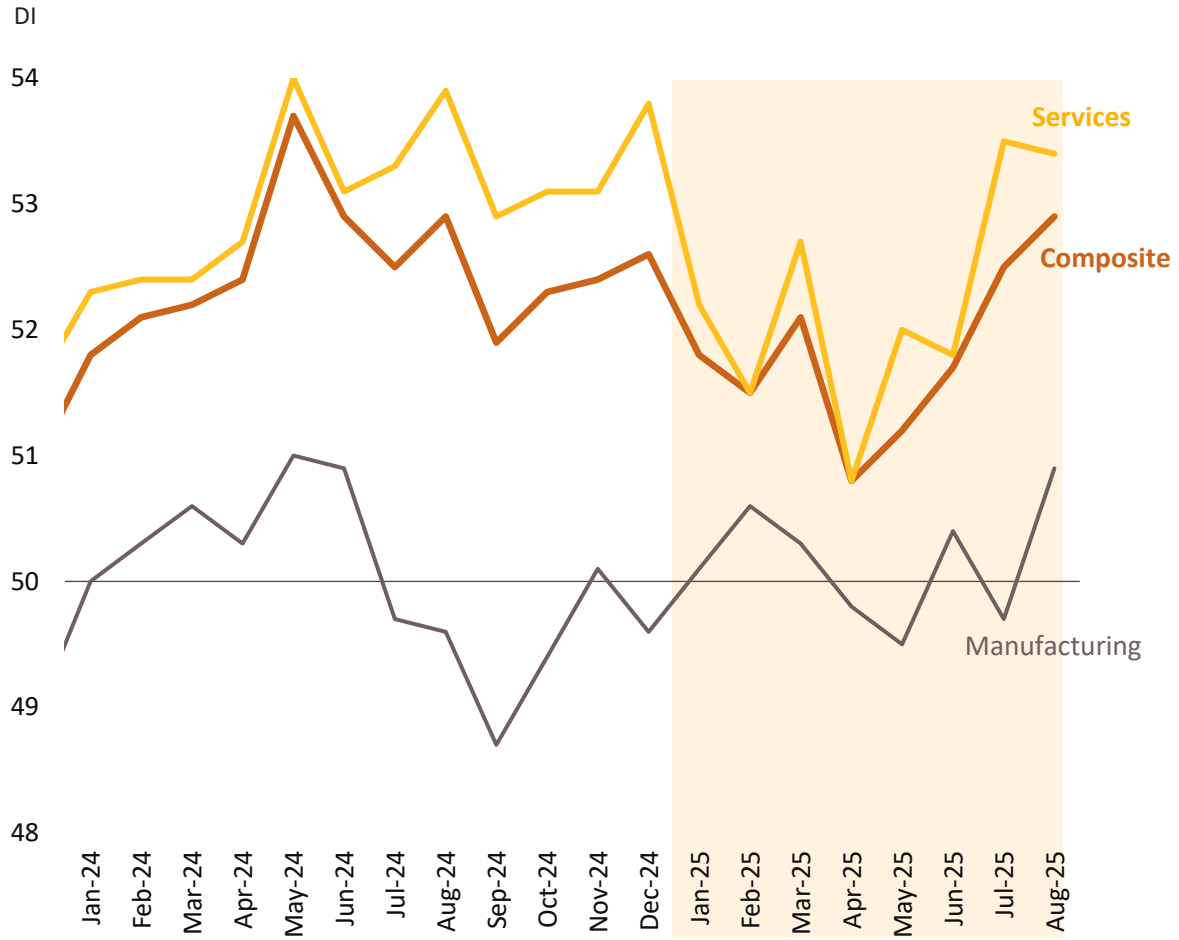
- ECB holds rates, but France's budget gridlock and slowing growth raise concerns.
- Pace of rate cuts may slow to preserve policy space.

Japan

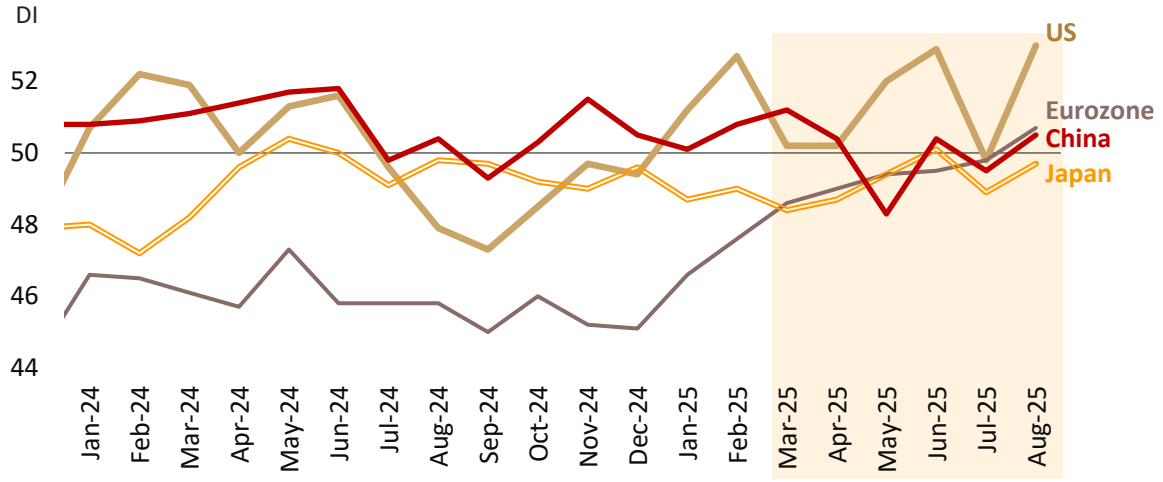
- Despite high inflation, BOJ likely to hold rates amid political uncertainty, weak consumption, and softer exports.

Global activity shows signs of stock-building; Growth pendulum swings toward stall on subdued forward indicators and onset of US reciprocal tariffs

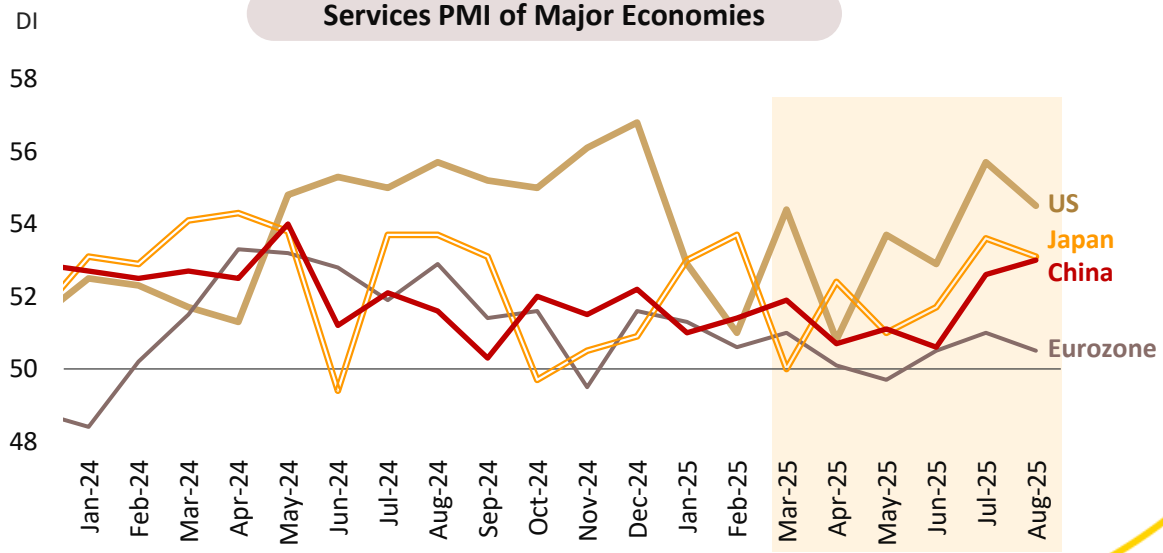
Global Composite, Manufacturing, and Services PMI



Manufacturing PMI of Major Economies



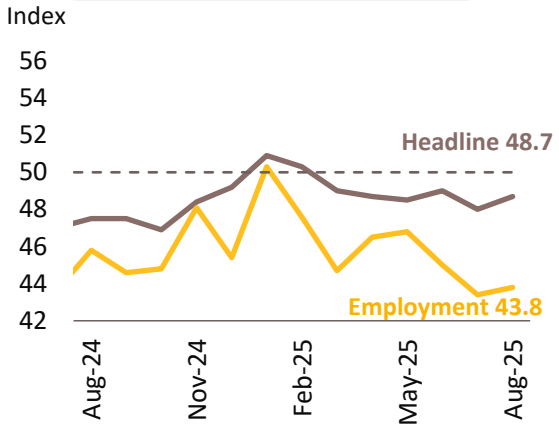
Services PMI of Major Economies



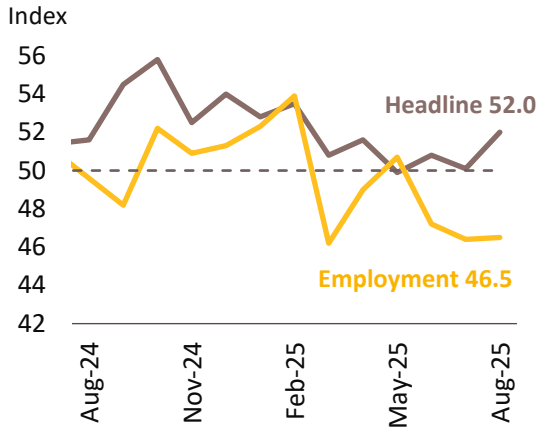
Source: J.P. Morgan and S&P Global PMI, Bloomberg, Krungsri Research

U.S.: Trade uncertainty and weakening economic data reinforce downside risks to growth momentum, pointing to further rate cuts this year

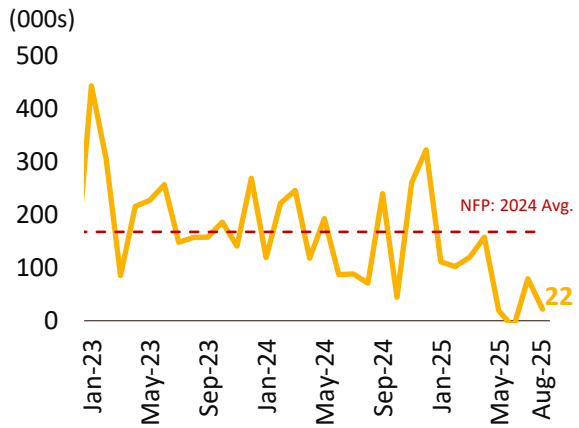
ISM Manufacturing PMI



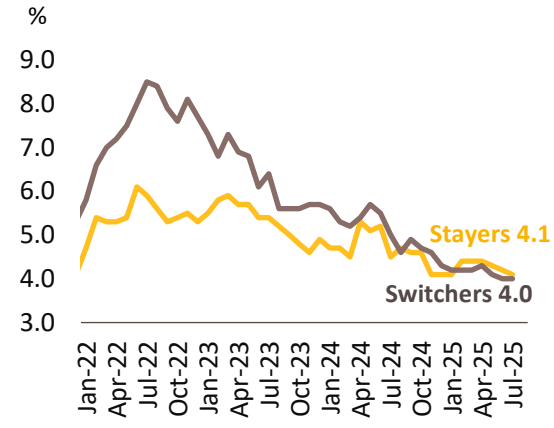
ISM Services PMI



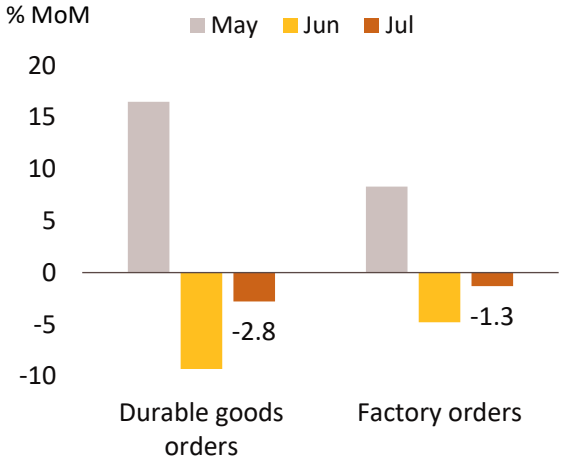
Non-farm Payrolls



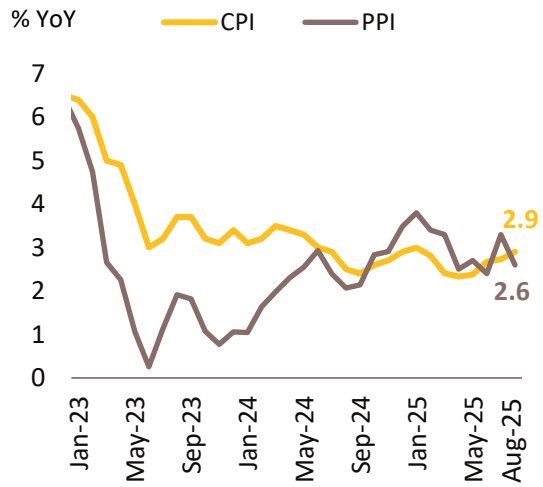
Wage Growth



Durable Goods Orders and Factory Orders



Consumer and Producer Price Indices



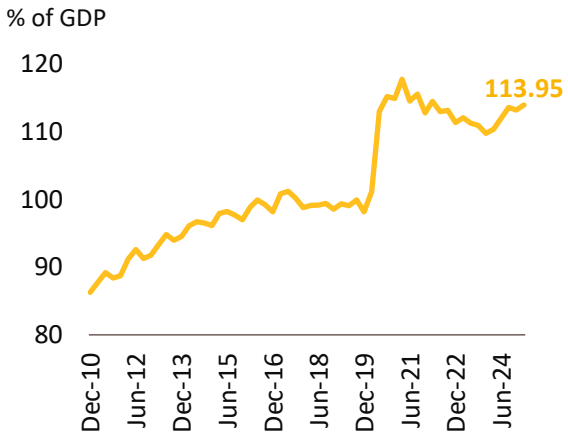
Source: Institute for Supply Management (ISM), Bureau of Labor Statistics, Bloomberg, Krungsri Research

Krungsri Research's view

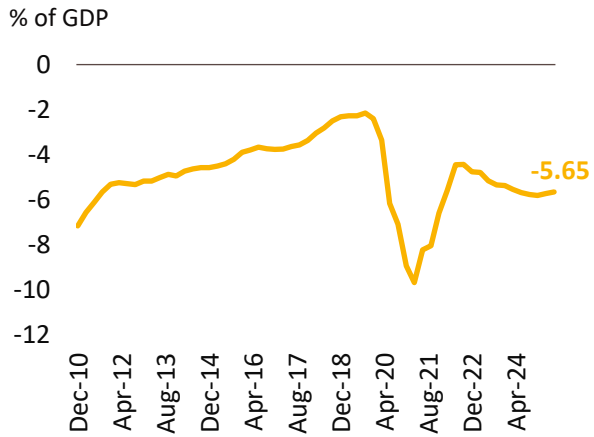
- **Trade-related uncertainty weighs on the U.S. outlook.** Although tariffs imposed under the IEEPA were ruled unconstitutional by the Federal Circuit on August 29, they remain temporarily in effect. The Supreme Court is scheduled to hear the case in November, with a final ruling expected by early 2026. A reversal could trigger up to USD 1 trn in refunds, leading to fiscal and economic uncertainty.
- **Recent data point to a broad-based loss of economic momentum. (i) The labor market has softened unexpectedly.** Nonfarm payrolls rose by just 22,000 in August. Cumulative job gains were revised down by 911,000; the largest downward revision since 2000. Initial jobless claims surged, and wage growth for job stayers has outpaced that of switchers for six consecutive months; a pattern historically associated with downturns. **(ii) Consumer confidence has deteriorated. (iii) Investment momentum is waning,** as both durable goods and factory orders declined for two straight months following sharp rebounds in May. **(iv) Inflation is moderating.** Although consumer prices remain elevated (CPI +2.9% YoY in August), producer price pressures have eased substantially (PPI +2.6%).
- **These developments support our view of 2-3 rate cuts from September to year-end, though inflation concerns may constrain the pace.**

Eurozone: ECB holds rates, but France's budget gridlock and slowing Eurozone growth raise concerns

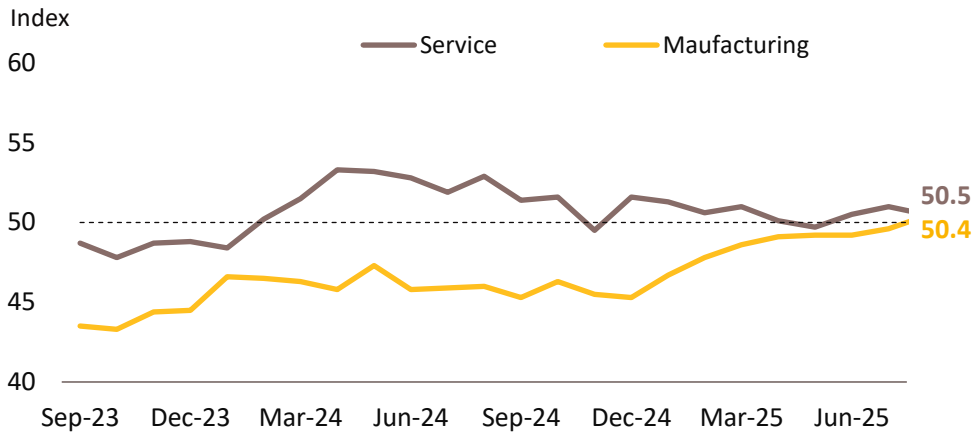
France Government Debt to GDP



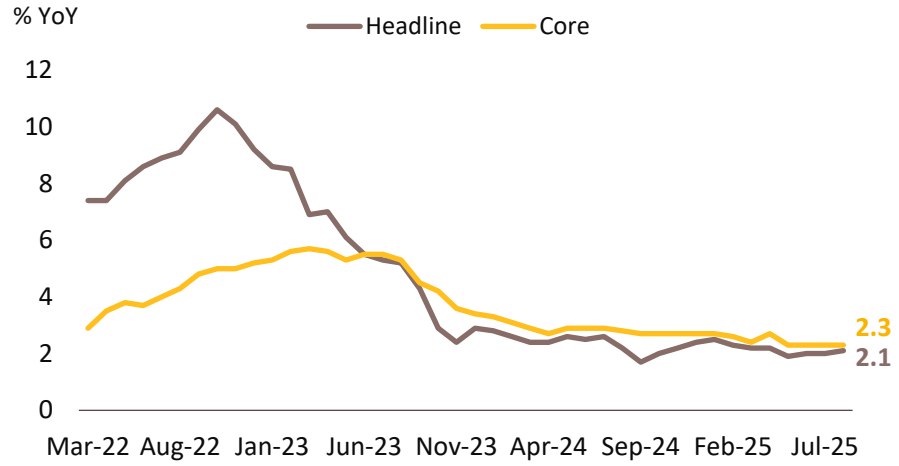
France Fiscal Balance to GDP



Eurozone Purchasing Manager Index (PMI)



Eurozone Consumer Price Index (CPI)



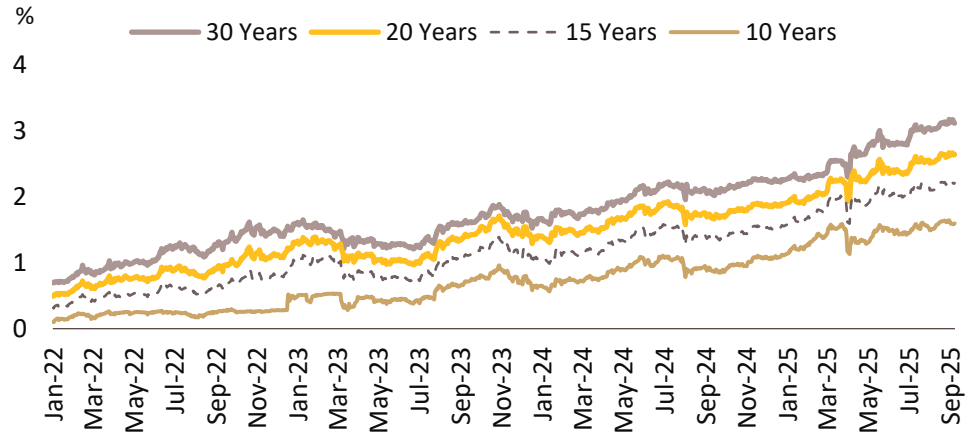
Source: ECB, CEIC, investing.com, Eurostat, European Union, Bloomberg, Krungsri Research

Krungsri Research's view

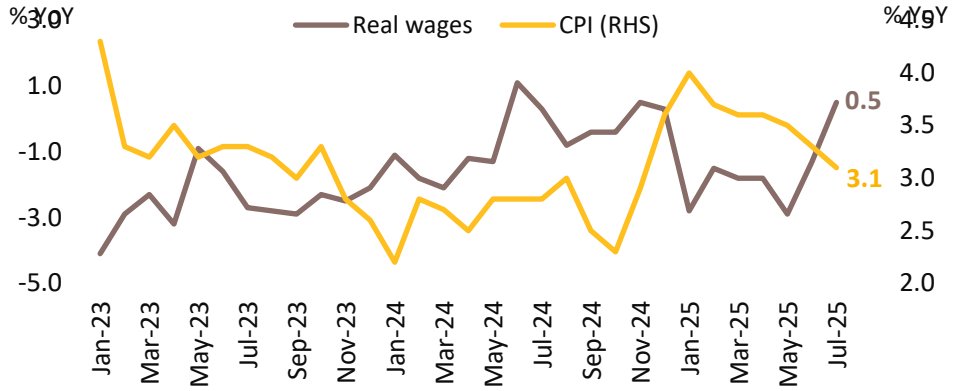
- **Even with a new prime minister, France's budget battle is likely to continue.** President Macron appointed Sébastien Lecornu, France's Defense Minister, as the new Prime Minister, replacing François Bayrou, who had just resigned, following his defeat in a confidence vote on a budget plan; however, securing parliamentary support for fiscal consolidation will remain difficult. This political gridlock could threaten credible fiscal discipline and may weigh on future policy implementation.
- **Eurozone data signals economic weakness.** Manufacturing PMI is rising and approaching services PMI, but both sectors showed only modest growth near the 50 threshold in August. Despite falling interest rates, consumption remains weak due to wage growth slowing to a two-and-a-half-year low. Consumer confidence fell to a four-month low. Export momentum may be fading amid trade tariffs and waning frontloading effects. As a result, overall growth in 2H25 is likely to remain subdued.
- **ECB signals a pause in rate cuts as risks ease.** At its September meeting, the ECB kept its policy rate at 2.00% while upgrading its 2025 GDP growth forecast from 0.9% to 1.2%. Inflation is projected at 2.1% in 2025 before easing below the target in 2026-27. ECB President noted that the risk to the economic outlook is now balanced. Based on this, Krungsri Research expects the ECB to slow the pace of further rate cuts in the near term to preserve policy space in case of sharper downside risks.

Japan: Despite high inflation, BOJ likely to hold rates amid political uncertainty, weak consumption, and softer exports

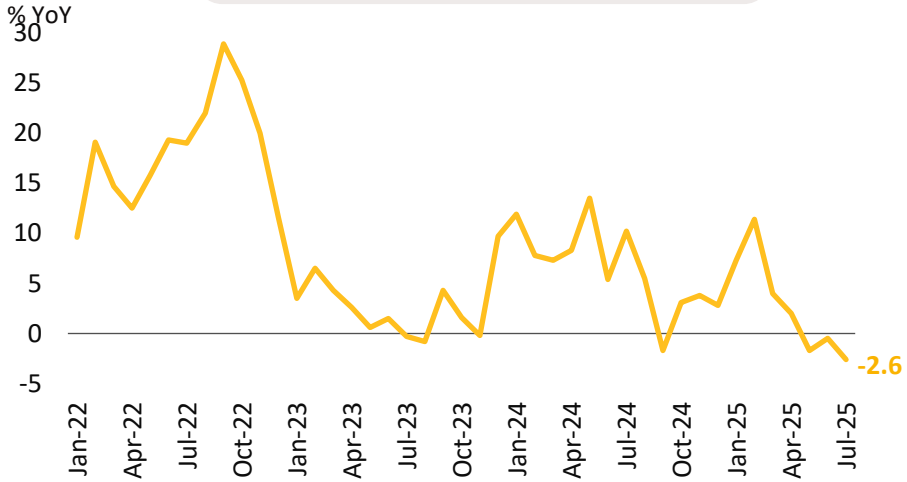
Japan Government Bond Yields



Real Wage Growth and Inflation Rate



Export Growth



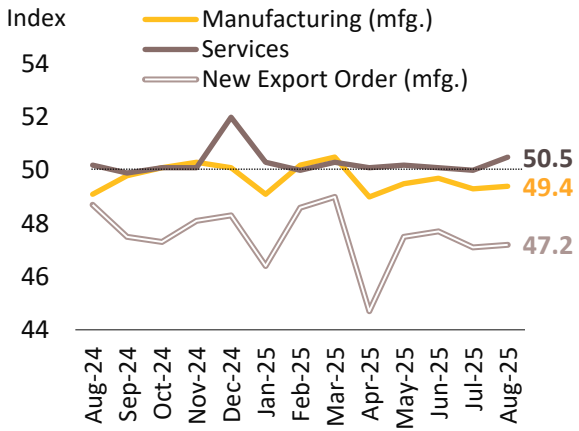
Source: Bank of Japan, CEIC, Investing.com, Krungsri Research

Krungsri Research's view

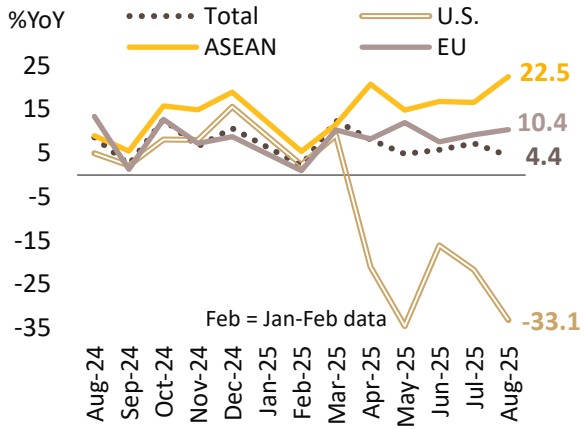
- **Prime Minister Shigeru Ishiba, leader of the Liberal Democratic Party (LDP), announced his resignation after losing the Upper House majority in the July election,** amid growing public frustration over rising living costs. His departure pushed 30-year government bond yields to a record high, as markets expect the new LDP leadership to be elected on October 4, to adopt a more expansionary fiscal policy.
- **Inflation remained high amid rising wage growth.** National CPI eased for the third straight month in July to 3.1% YoY, still above the 2024 average of 2.7%. Wages rose 4.1%, the strongest in a year, and real wages turned positive for the first time in seven months (+0.5% in July).
- **However, there are signs of weakening economic growth**. Retail sales posted the slowest growth since Feb-22 at only 0.3% YoY, highlighting fragile consumer confidence. Meanwhile, political uncertainty and concerns over the impact of U.S. tariff policy are also limiting sentiment. **Exports are expected to slow further under the weight of higher U.S. tariffs.**
- Despite lingering inflation concerns, **Krungsri Research expects the BOJ to keep its policy rate unchanged at 0.50% through the end of 2025,** given weak domestic demand, elevated political risks, and external headwinds.

China: Foggy economy remains constrained by structural weaknesses and trade war risks; ongoing policy support could bring some light, but its effects may take time to bear fruit

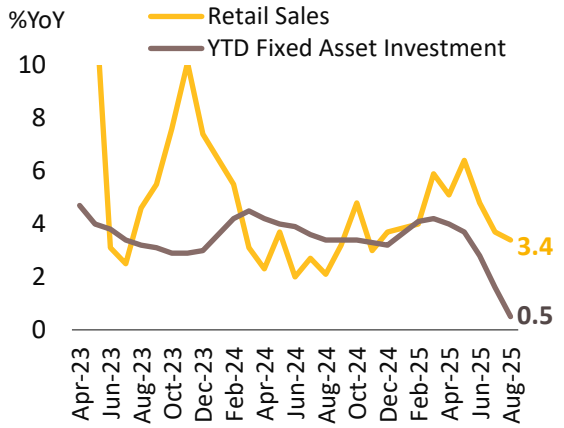
Purchasing Managers' Index (PMI)



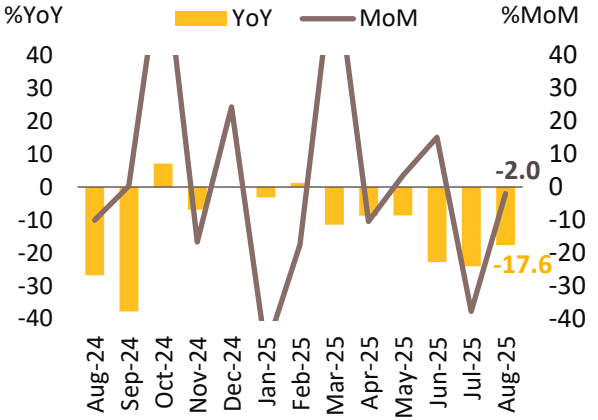
Exports by Key Partners



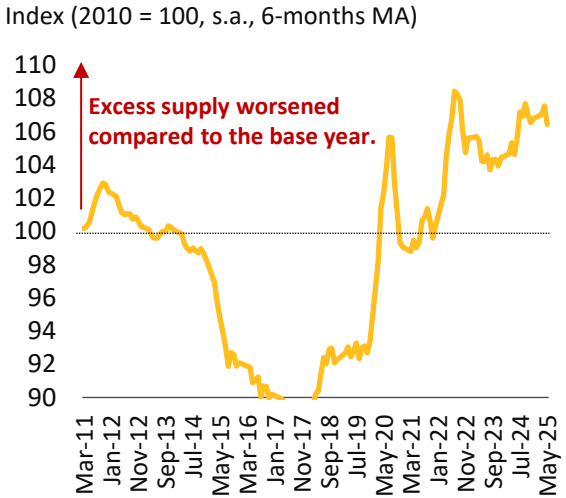
Retail Sales and Fixed Asset Investment



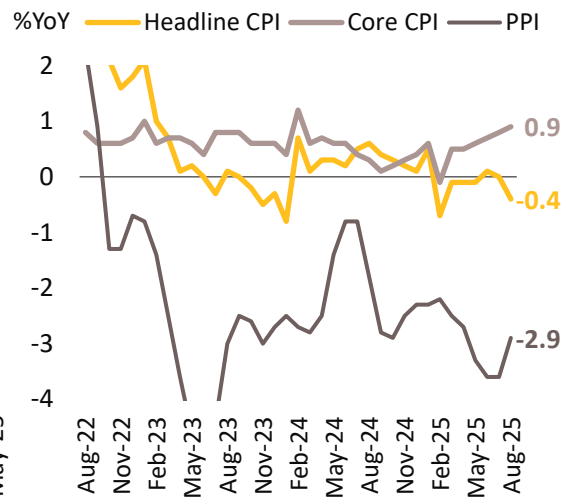
New Home Sales by Top 100 Developers



Excess Supply Index



Consumer and Producer Price Indices



Source: NBS, Bloomberg, Reuters and Krungsri Research

Krungsri Research's view

- **China's underlying weaknesses persist.** While services continued to expand, manufacturing remained in contraction. Retail sales and investment weakened. Exports to other partners may be insufficient to offset weaker U.S. demand. Thus, **boosting domestic demand becomes vital to keep the growth momentum.** Trade-in and consumer loan subsidies may provide some relief, but only to a limited extent.
- **Property crisis still drags on.** New home sales continued to contract. Meanwhile, rules on home-buying and mortgage loans were eased in Tier-1 cities. **However, signs of recovery may be slow to appear,** given current excess supply, liquidity problems, and weak consumer confidence (29% below pre-COVID levels).
- **Supply glut endures.** Headline inflation stayed below 1%. Despite some improvement in core CPI and PPI, it may be too early to judge whether anti-involution campaigns are fruitful, **as their effects may take time to materialize.**
- **Hostile U.S. policies may push China closer to its allies.** China pledged CNY 2 bn in grants and CNY 10 bn in loans for the SCO (incl. India and Russia) and plans to establish the SCO development bank. **This strategic move contrasts sharply with the U.S., which continues to pursue tariffs even against its own allies.**

Thailand: Clinging to hopes of economic momentum during political transition

- We assess that the political transition will have a limited adverse impact on fiscal spending, given continuity of economic policy implementation. **This should help Thai economic growth swing from a possible quarter-on-quarter contraction in 3Q25 to a slight expansion in 4Q25, avoiding a technical recession** and remaining consistent with our base-case forecast of 2.1% growth for 2025. However, GDP growth is expected to slow to just 1.3% YoY in the second half of the year, compared to 3.0% in the first half, as front-loaded exports fade and tariff impacts take hold.
- **Thai exports set to slow sharply** after 19% U.S. tariff takes effect in August. Full-year growth is expected in the single digits. Thailand's export momentum faces headwinds from U.S. tariffs and a stronger baht.
- **US reciprocal tariffs under IEEPA face legal dispute.** Even if struck down by U.S. courts, the Trump administration can still resort to other tools. Even without reciprocal tariffs, an expansion of Section 232 tariffs alone could inflict noticeable losses on Thai exports, especially if Thailand struggles to find alternative markets.
- **Tourism recovery remains fragile**, yet Q4 high season could lift arrivals.
- **Private investment shows weak momentum,** constrained by tariff concerns, sluggish industry, and slow tourism recovery.
- **Private consumption falters** amid service sector weakness and domestic headwinds. New government set to launch short-term stimulus in 4Q25.
- **Low inflation and weak growth open the door for the MPC to cut rates twice by 1Q26.**

Krungsri Research Forecasts for 2025

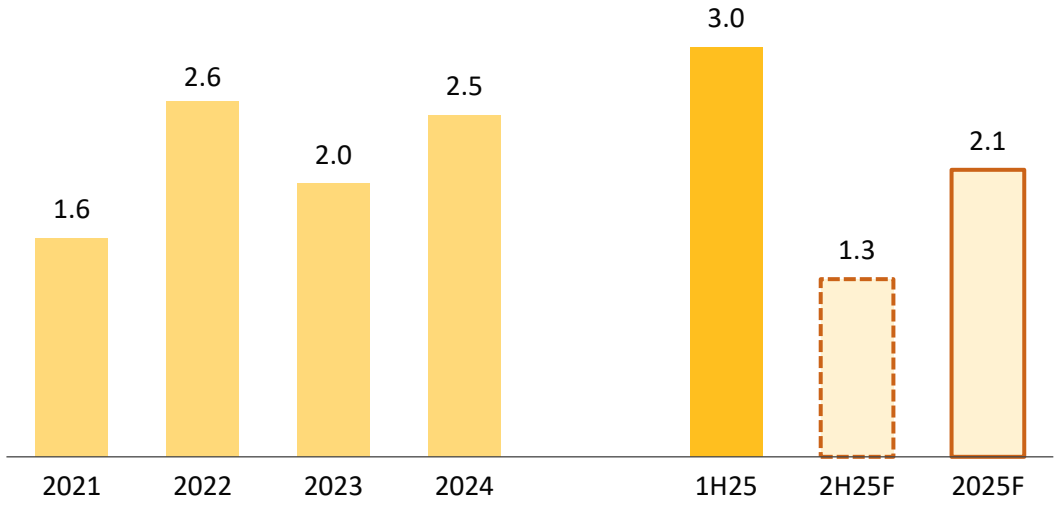
Krungsri Research Forecast		2023	2024	1H25 Actual	2025F
GDP growth	YoY (%)	2.0	2.5	3.0	2.1
Private Consumption Expenditure	YoY (%)	6.9	4.4	2.3	2.4
Government Consumption Expenditure	YoY (%)	-4.7	2.5	2.8	1.5
Private Investment	YoY (%)	3.1	-1.6	1.4	0.9
Public Investment	YoY (%)	-4.2	4.8	17.5	4.7
Nominal 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	7.2	13.4	11.7	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

Despite political transition, *Thailand's economy in 2025* still projected to grow 2.1%

We assess that the political transition will have a limited adverse impact on fiscal spending, given the continuity of economic policy implementation. **This should help Thai economic growth swing from a possible quarter-on-quarter contraction in 3Q25 to a slight expansion in 4Q25, avoiding a technical recession and remaining consistent with our base-case forecast of 2.1% growth for 2025.** However, GDP growth is expected to slow to just 1.3% YoY in the second half of the year, compared to 3.0% in the first half, as front-loaded exports fade and tariff impacts take hold.

Thailand's GDP growth and forecast (%)



Upside

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

Downside

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

Source: NESDC, Projection by Krungsri Research

Swift political transition, but new government lasts only 4 months before dissolution

Following the Royal endorsement of Anutin Charnvirakul, leader of the Bhumjaithai Party, as Thailand's 32nd Prime Minister, **domestic political tensions have eased somewhat, supporting continuity in economic policy implementation. Nevertheless, several key issues require close monitoring, as the political environment remains fragile.** The current administration governs as a minority government with only 146 seats in the House of Representatives and a limited four-month timeframe after delivering its policy statement to parliament. These conditions underscore risks to political stability and highlight the challenges the government may face in advancing key national policies.

Thailand political timeline 2025–2026



August- early September 2025

- 29 Aug: Court removed Paethongtarn Shinawatra as PM
- 5 Sep: House voted Anutin Charnvirakul as PM
- 9 Sep: Court sentenced Thaksin Shinawatra to 1 year in prison



Late September- October 2025

- New government led by Anutin Charnvirakul established
- Coalition government with slim majority, but some incoming ministers who are outsiders (rather than career politicians) have gained public acceptance.
- Policy statement delivered to Parliament (within 15 days after the Royal swearing-in ceremony)

February 2026

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

Late March - April 2026

- General Election held (within 45–60 days after dissolution)

Mid 2026

- Coalition negotiations
- Formation of a new government expected during May-Aug'26

Risk of delay in the FY2027 budgetary process

4 Key policies for 4-month term

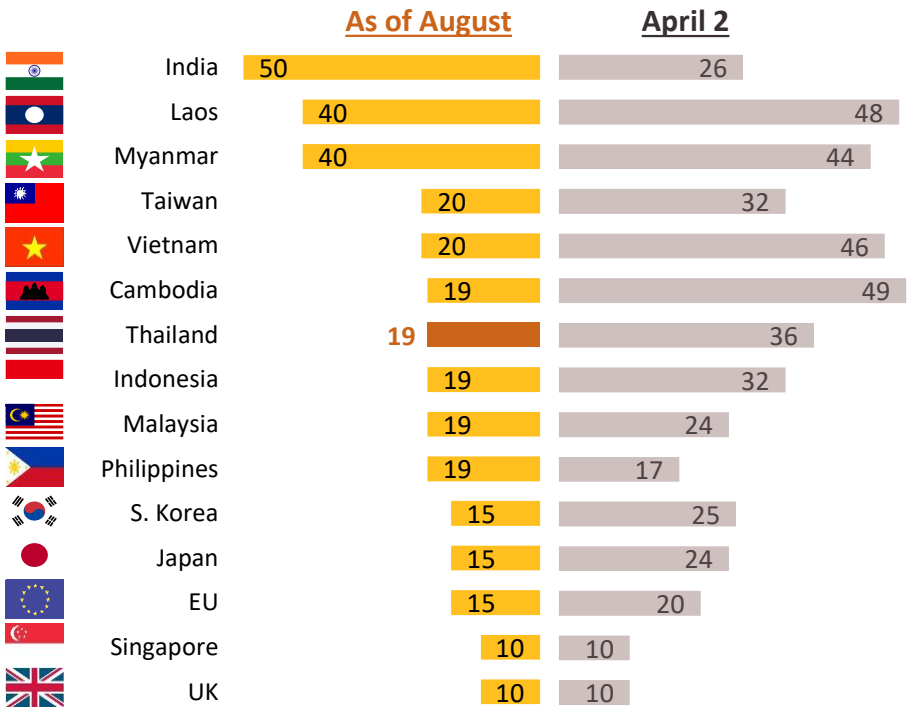
Policy	Detail
Economic	• Stimulate domestic purchasing power and investment • Attract foreign investment • Promote infrastructure and new industries (digital, clean energy)
Security	• Strengthen domestic stability and international relations • Manage border issues and geopolitical conflicts • Build investor confidence in safety and stability
Disaster & environment	• Establish disaster warning and management systems • Address climate change, floods, and droughts • Promote renewable energy and green policies
Social & quality of life	• Reduce economic and social inequality • Improve healthcare and education systems • Promote employment and workforce skill development

Source: Local press, Krungsri Research

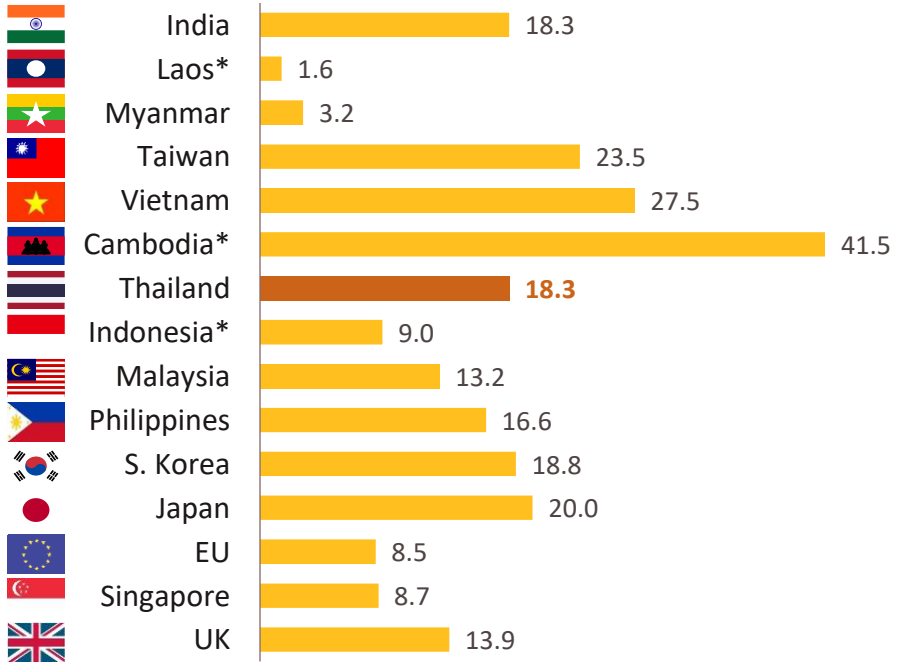
U.S. sets 19% tariff on Thailand, down from the threatened 36%, aligning with other ASEAN nations, but still higher than major countries

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

Reciprocal Tariff Rates by Announcement Date (%)



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



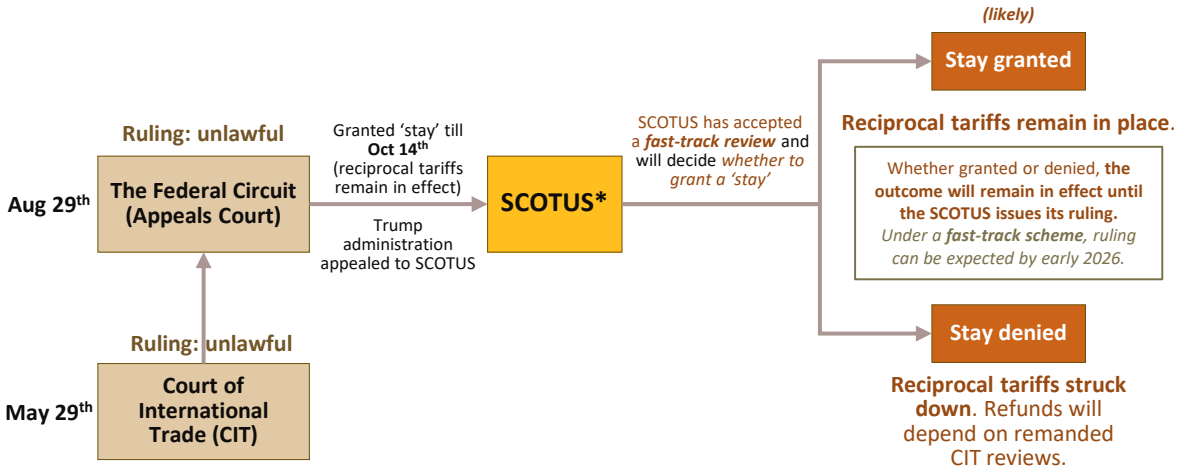
* represents exports in 2023.

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

Reciprocal tariffs under IEEPA face legal dispute; even if struck down by U.S. courts, Trump administration *can still resort to other tools*

Reciprocal tariffs, imposed under the International Emergency Economic Powers Act (IEEPA), are under legal dispute. On August 29, the U.S. Federal Circuit upheld the Court of International Trade's ruling that the Trump administration's reciprocal tariffs were unconstitutional. Nonetheless, reciprocal tariffs remain temporarily in effect, with **the Supreme Court granting a fast-track review starting in early November and a final ruling expected in early 2026.** Even if struck down, the Trump administration can still resort to other tools, such as Sections 201, 301, and 232. Particularly, section 232 has already been implemented to impose industry-specific tariffs, currently 25% on autos and parts, and 50% on steel, aluminum, and copper, with potential expansion to other products. As such, U.S. tariff pressures are expected to persist in the near term.

Reciprocal Tariff Legal Limbo



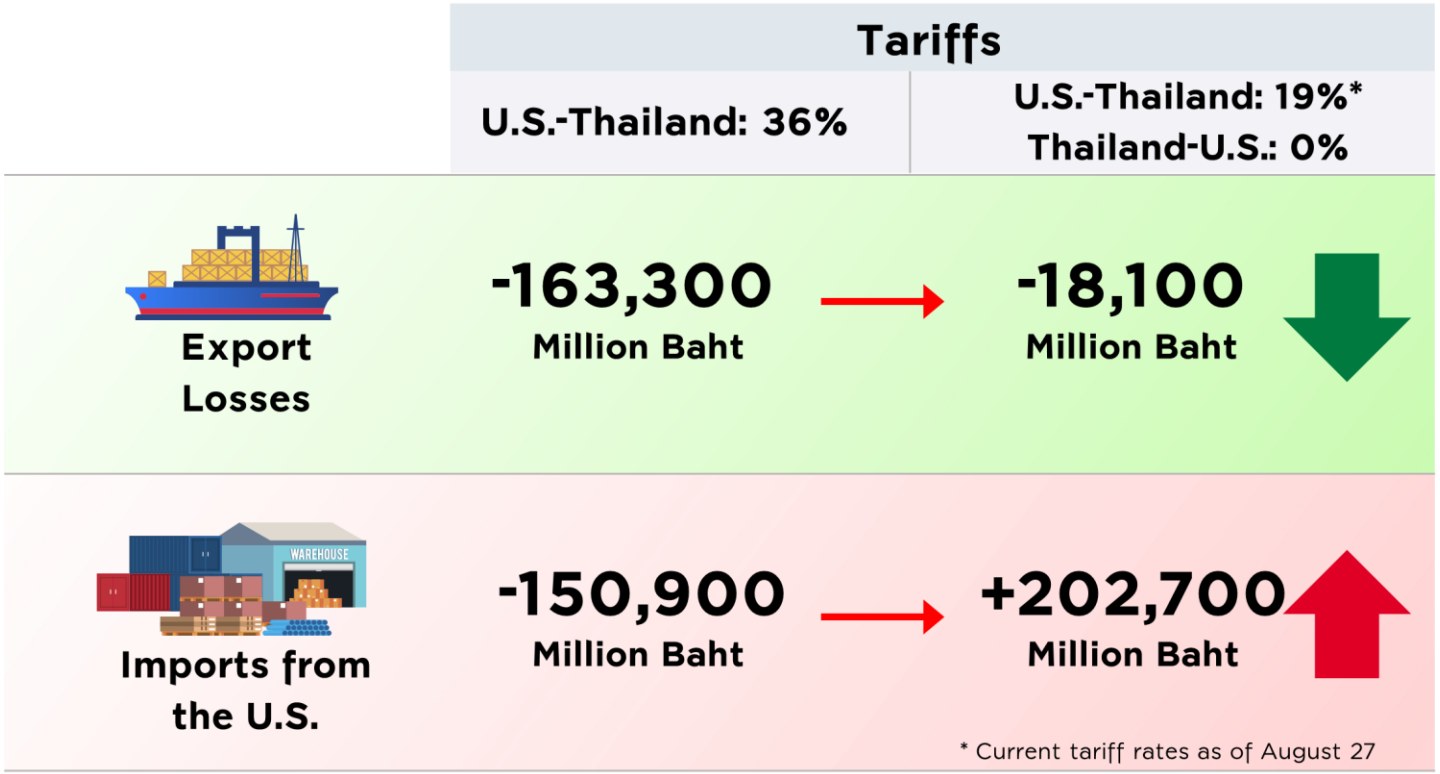
Alternatives Tools to Reciprocal Tariffs

Legal Tool	Reason	Investigation Requirement	Duration Limit	Tariff Rate Limit
Section 232	**Threat to national security**	**Yes**	**None**	**None**
Section 201	Injury to domestic industry	Yes	4-8 years	50%. Phasedown required after one year.
Section 301	Discrimination against US businesses or violation of U.S. rights under trade agreements	Yes	4 years. May be extended with no maximum limit.	None
Section 122	International payments problem	No	150 days. Can be extended with Congressional approval.	15%
Section 338	Discrimination against U.S. commerce	No	None	50%

Note: * Supreme Court of the United States (SCOTUS)
Source: CBC, Congressional Research Service and Bloomberg; compiled and analyzed by Krungsri Research

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

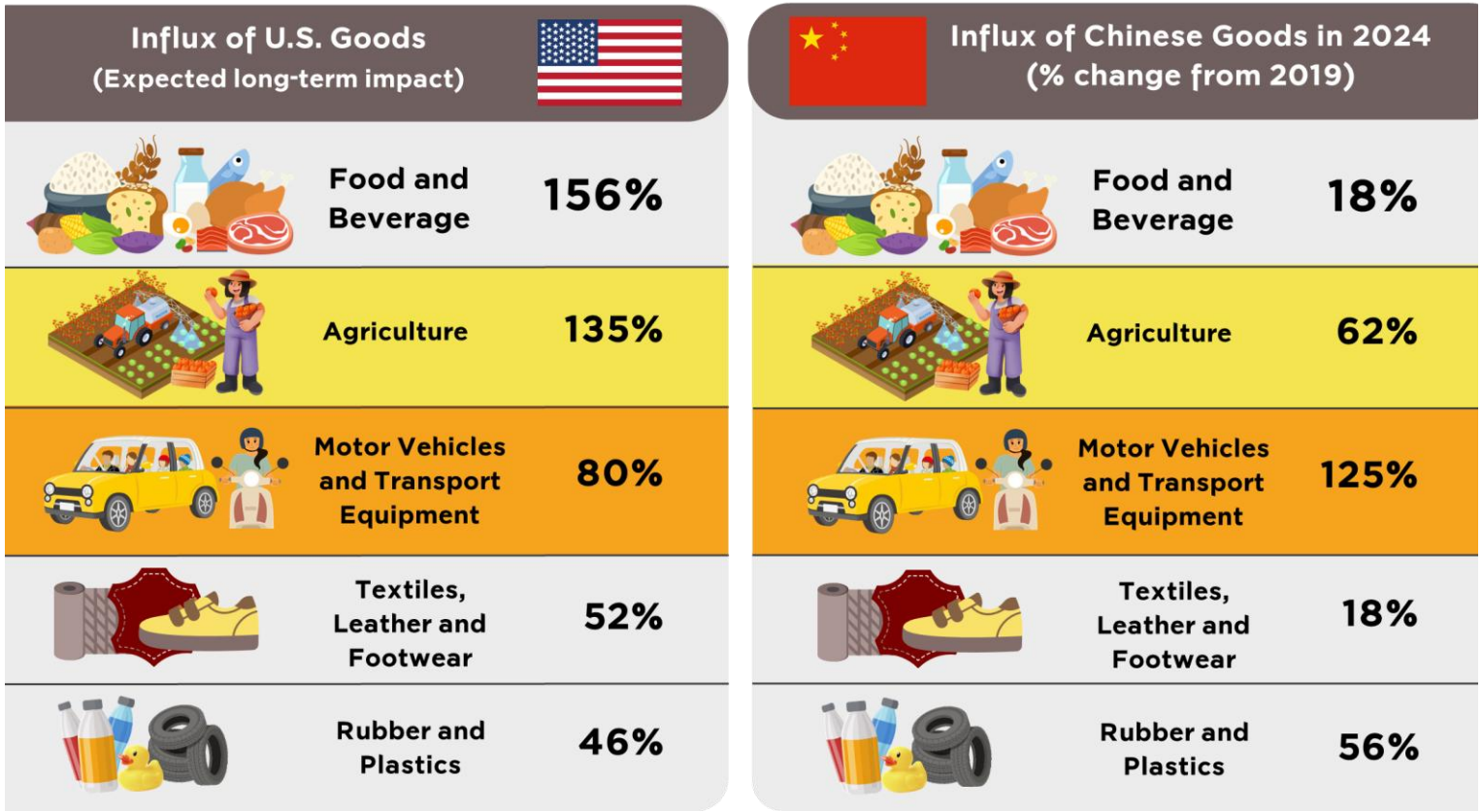
The U.S.–Thailand tariff reduction from 36% to 19% is expected to significantly reduce long-term export losses, from THB -163.3 bn to THB -18.1 bn, a ninefold decrease. It is worth noting that the long-term effect may be less severe than the initial shock period, during which businesses may still struggle to shift their reliance on the U.S. market to other partners. Moreover, front-loaded exports are likely to fade in 2H25, following Thai export growth of 15% YoY in 1H25. The short-term impact, thus, could be higher but still less than the 36% scenario. **However, the trade deal comes at a cost.** Thailand has to offer zero tariffs on most U.S. goods**, which could result in a 29% surge in imports from the U.S in the long term.**



Source : GTAP and WITS; calculated by Krungsri Research

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

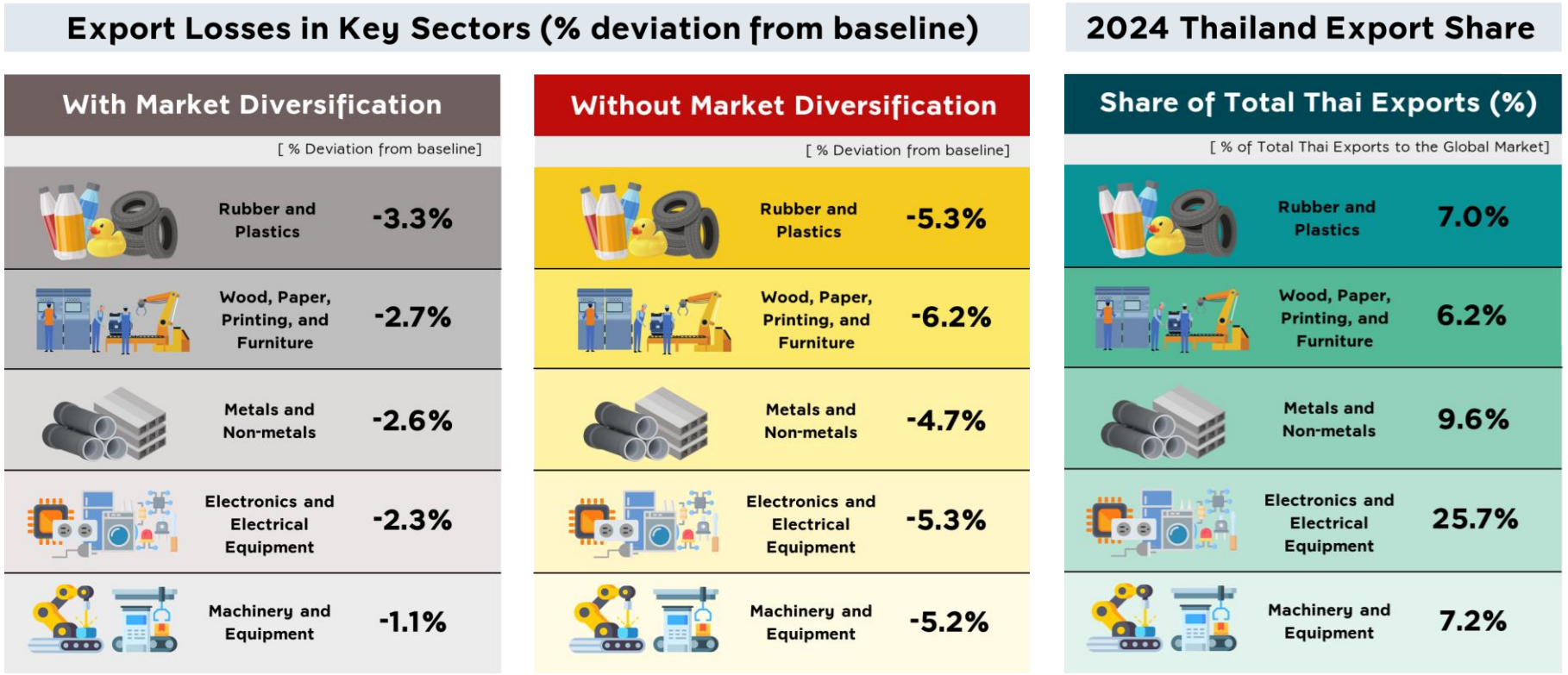
Granting zero tariffs to the U.S. is expected to lead to what we call the "twin influx," which refers to the phenomenon of a simultaneous surge in imports from the U.S. alongside the ongoing influx of Chinese goods. The latter influx has continued to pressure the Thai economy in recent years, partly due to China's excess supply and Trade War 1.0. **Agriculture and Motor Vehicle & Transport Equipment face major risks**, as they are already heavily affected by the influx of Chinese goods. Imports from China in these sectors in 2024, compared with 2019, have grown substantially, while imports from the U.S., following the U.S.-Thailand trade deal, are expected to grow in the long term by 135% and 80%, respectively.



Source : GTAP and WITS; calculated by Krungsri Research

19% reciprocal tariff could still hurt Thai exports, and *impact could even be more severe if Thailand fails to accelerate market diversification*

Despite the tariff reduction to 19% easing the overall impact, some key sectors could still face long-term damage, particularly Electronics and Electrical Equipment (-2.3%), Metal and Non-metals (-2.6%), and Rubber and Plastics (-3.3%), which account for a combined 42.3% of Thailand's total exports in 2024. **In the worst-case scenario, where Thai businesses struggle to find alternative markets or government policies prove less effective in pushing for market diversification, the negative impacts could be more severe,** such as Electronics and Electrical Equipment (2.3 times), Metal and Non-metals (1.8 times), and Rubber and Plastics (1.6 times). Moreover, sectors that might initially benefit in the long term from the substitution effect and investment relocation could instead see export losses, such as Motor Vehicles and Transport Equipment, Food and Beverages, and Chemicals and Pharmaceuticals. **This underscores the need to diversify partners, as U.S. trade policy is becoming increasingly unpredictable and subject to constant change.**



Source : GTAP and WITS; calculated by Krungsri Research

Even without reciprocal tariffs, *expanding Section 232 tariffs alone could inflict noticeable export losses on Thai exports*, especially if Thailand struggle to find alternative markets

Regardless of whether the reciprocal tariffs are repealed, Thailand will continue to face the Section 232 tariffs that are already in effect, including 25% on autos and parts, and 50% on steel, aluminum, and copper. If the U.S. increases tariff rates and expands coverage to other key products such as semiconductors, pharmaceuticals, lumber, and critical minerals, the risks to Thai exports will increase further. **Our model indicates that (i) with the reciprocal tariff set at 19%, the overall impact could be mitigated if businesses find alternative markets, but without such substitution the negative effect could intensify by as much as 21 times, equivalent to around THB -388 bn, and (ii) even without the reciprocal tariff, if the U.S. increase Section 232 tariffs to 50% and broadens product coverage, the impact would still be severe at approximately THB -256 bn.**

Ongoing Section 232 Investigations

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

Projected Long-Term Thai Export Losses under Various Tariff Cases

	Current Reciprocal Tariffs*	Current Section 232 Tariffs**	Future Section 232 Tariffs***	Market Diversification	Export Losses (THB mn)
Case 0	✓	✓	✗	✓	-18,100
Case I	✓	✓	✗	✗	-387,789
Case II	✗	✓	✓	✗	-255,578

* **Current Reciprocal Tariffs (as of September 5):** The U.S. imposes higher reciprocal tariffs on imports from various countries (excl. some goods). Major countries have secured trade deals with the U.S., resulting **in tariffs of around 15%-20% (Thailand: 19%).**

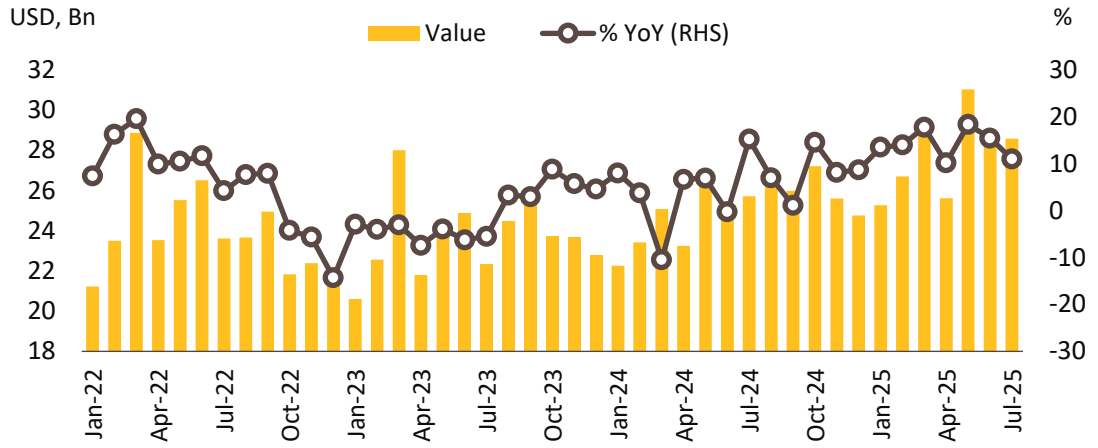
** **Current Section 232 Tariffs:** The U.S. imposes a 50% tariff on all imports of **steel, aluminum, and copper** and a 25% tariff on all **autos & parts.**

*** **Future Section 232 Tariffs:** Suppose the U.S. further expands Section 232 tariffs **to include pharmaceuticals, semiconductors, lumber, and certain critical minerals,** while also increasing **the tariff rate to 50%** for both currently affected and newly included product groups.

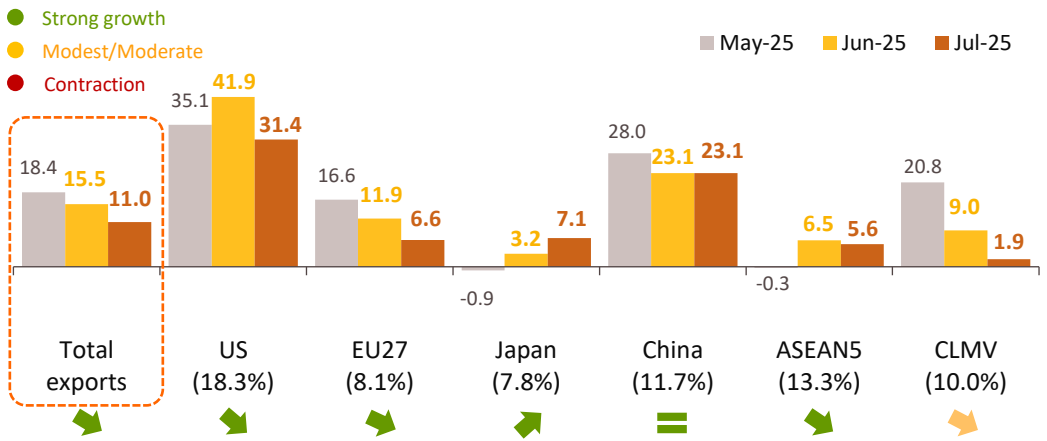
Source : MUFG and GTAP; compiled and analyzed by Krungsri Research

Thai exports set to slow sharply after 19% U.S. tariff takes effect in August; Full-year growth expected in single digits

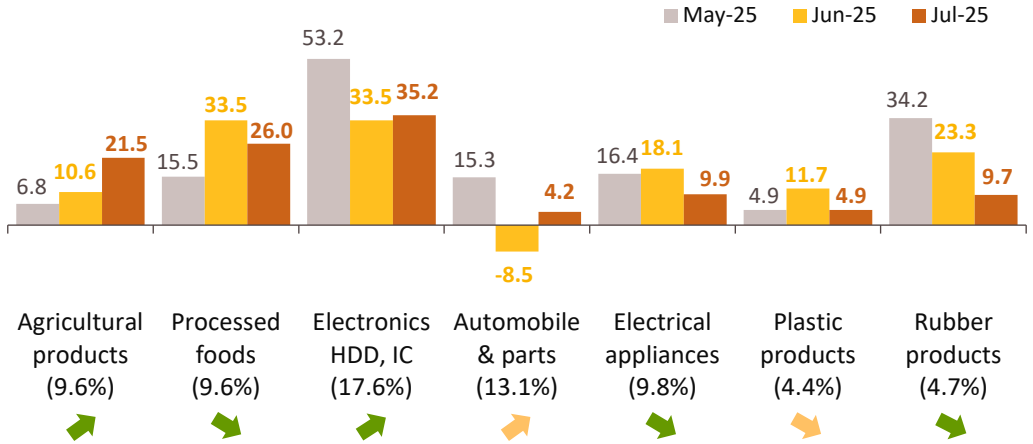
Exports



Exports by major destination (%YoY)



Exports by major product (%YoY)



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

Krungsri Research's view

- **In July, merchandise export value reached USD 28.6 bn,** marking the twelfth consecutive month of growth with a 11.0% YoY increase. Excluding oil-related products and gold, exports grew by 16.6%. Key export items showing growth included computers and parts, integrated circuits, as well as agricultural products, particularly fresh, chilled, frozen, and dried fruits, which rebounded sharply. Exports to major markets also performed well, led by shipments to the U.S., China, the EU, and ASEAN. For the first seven months of 2025, export value reached USD 195.4 bn, up 14.4% YoY.
- Thailand's export outlook for the remainder of 2025 is clearly at risk of slowing down, particularly in the US market. Despite a 30.1% growth rate in the first seven months, the increase in import tariffs on Thai goods from 10% to 19%, effective August 7, will significantly impact the costs of goods dependent on the US market. **Export growth for the entire year is expected to remain at just 3.5%.**

Thailand's export momentum faces headwinds from U.S. tariffs and stronger baht

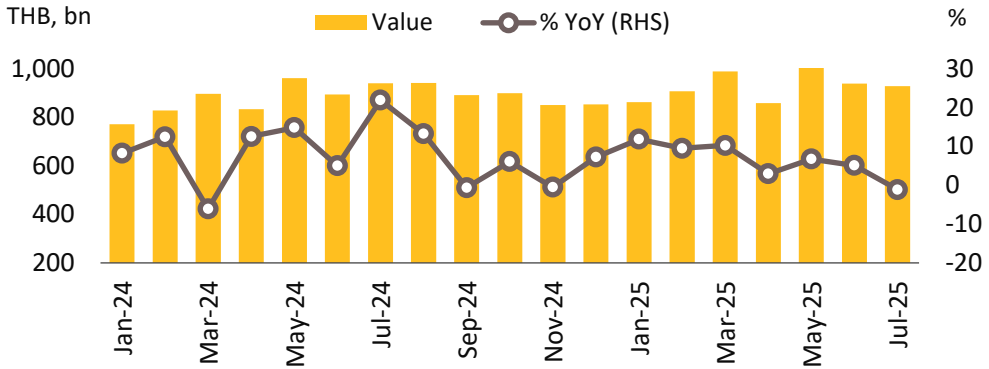
In the first seven months of 2025, Thai exports grew 14.4% YoY (Ministry of Commerce), led by industrial products (+18.5%, including computers and components, integrated circuits, and electrical appliances), agro-industrial products (+5.9%, such as pet food, fresh/chilled/frozen and processed chicken, and sugar), and agricultural products (+1.6%, including rubber and fresh, frozen, and dried fruits). Exports to the U.S. recorded particularly strong growth at 30.1%. **However, looking ahead, the sector faces increasing challenges from U.S. tariff hikes and the continued appreciation of the baht,** which weigh on export revenues in local currency and weaken price competitiveness against regional peers. In July, export values in baht terms contracted for the first time in eight months (-1.1% YoY), reflecting the weakening role of exports as a key driver of Thailand's economy going forward.

Thai exports by major product and destination

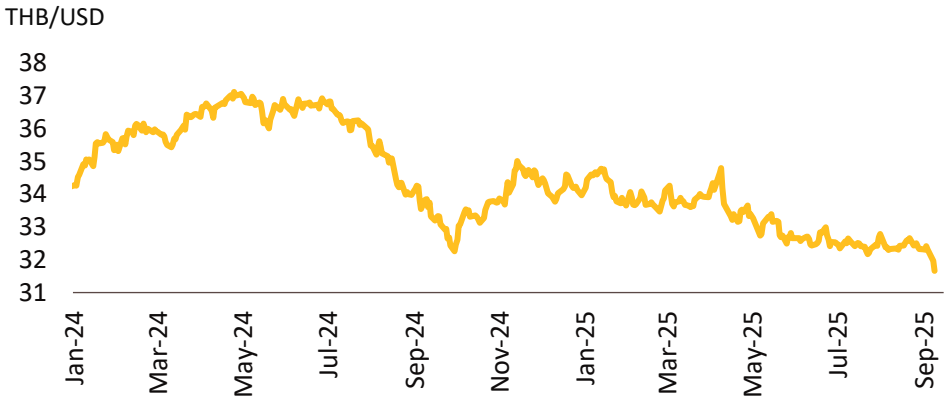
Thailand: January-July's Export growth (% YoY)	World	U.S. (18%)	EU (8%)	Japan (8%)	China (12%)	ASEAN-5 (13%)	CLMV (10%)
Total	**+14.4**	**+30.1**	**+9.5**	**+2.0**	**+19.4**	**+5.1**	**+9.8**
Computer & parts (8.2%)	+69.1	+81.3	+40.5	-2.8	+167	+57.9	+42.3
Cars & parts (10.3%)	-2.8	-0.9	-12.0	-5.5	-31.1	-5.1	+28.1
Rubber products (4.7%)	+19.5	+11.8	+4.6	+18.6	+60	+10.7	+10.0
Plastic resin (2.9%)	-0.7	+6.3	+6.7	+3.0	-4.8	+5.9	+4.4
Electronic IC (2.9%)	+36.6	+33.9	-2.9	-7.2	+25.7	+16.8	+158.7
Chemical products (2.8%)	+1.8	+34.8	+46.4	-4.6	+8.6	-12.6	+11.9
Fresh, frozen & dried fruit (2.2%)	+13.4	-5.3	+17.6	+28.0	+13.25	+58.6	+43.6
Electrical appliances (1.8%)	+18.6	+24.8	+20.3	-0.6	+21.7	+16.0	+22.9
Rubber (1.7%)	+12.5	-1.1	+3.4	+35.9	+31.0	-11.8	+20
Plastic products (1.5%)	+17.1	+64.7	-0.8	+1.70	-2.8	+1.4	+0.7
Rice (2.1%)	-30.7	+15.3	+21.2	-38.4	+73.8	-77	+0.9
Preserved fish, crustaceans (1.3%)	+1.4	+5.0	+0.7	+4.4	+20.3	+17.7	+1.6
Sugar (0.8%)	+12.7	-12.1	-90.8	-22.1	+92.4	+34.6	-8.2
Tapioca products (1.0%)	-6.0	-3.2	-10.5	-12.6	+3.3	-28.9	-2.9

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

Exports in baht terms contract for the first time in eight months



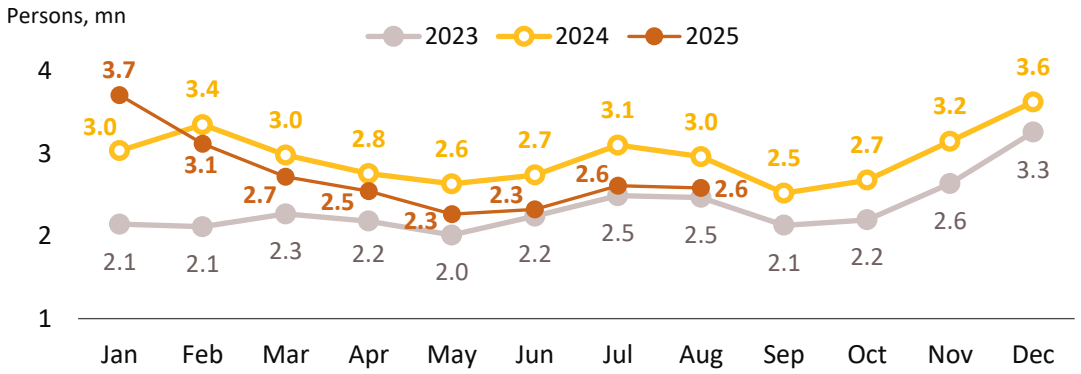
Baht appreciation weakens exports' role in driving economic growth



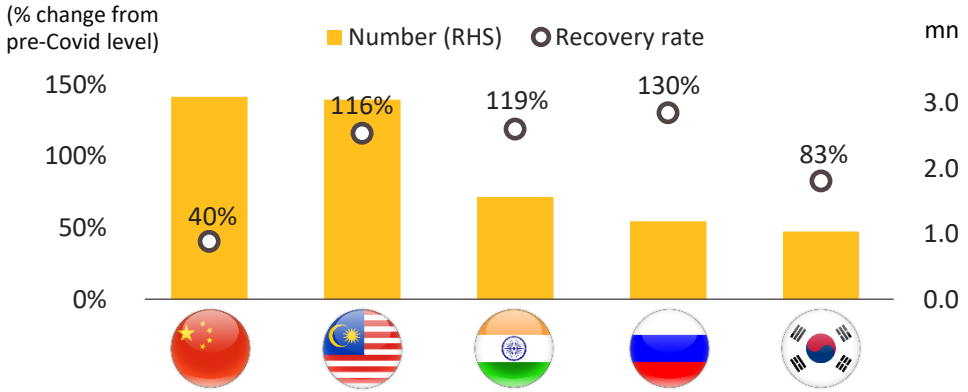
Tourism: Recovery still fragile, yet Q4 high season could lift arrivals

In August 2025, Thailand welcomed 2.58 mn foreign tourists, down from 2.61 mn in July and a decline of -12.8% YoY. Arrivals from China continued to contract sharply, falling by 33% YoY, while escalating border tensions with Cambodia led to a steep 90% drop in Cambodian visitors. In contrast, tourist arrivals from India and Europe recorded modest growth. **During the first eight months of 2025, total foreign arrivals reached 21.88 mn (-7.2% YoY), generating THB 1.014 trn in revenue (-8.7%),** underscoring persistent pressure on Thailand's tourism sector. Nonetheless, the final quarter of the year is expected to benefit from seasonal factors, particularly the high season and China's Golden Week holidays, which should help boost arrivals. **In 2025, foreign tourist arrivals are projected at 34 mn.**

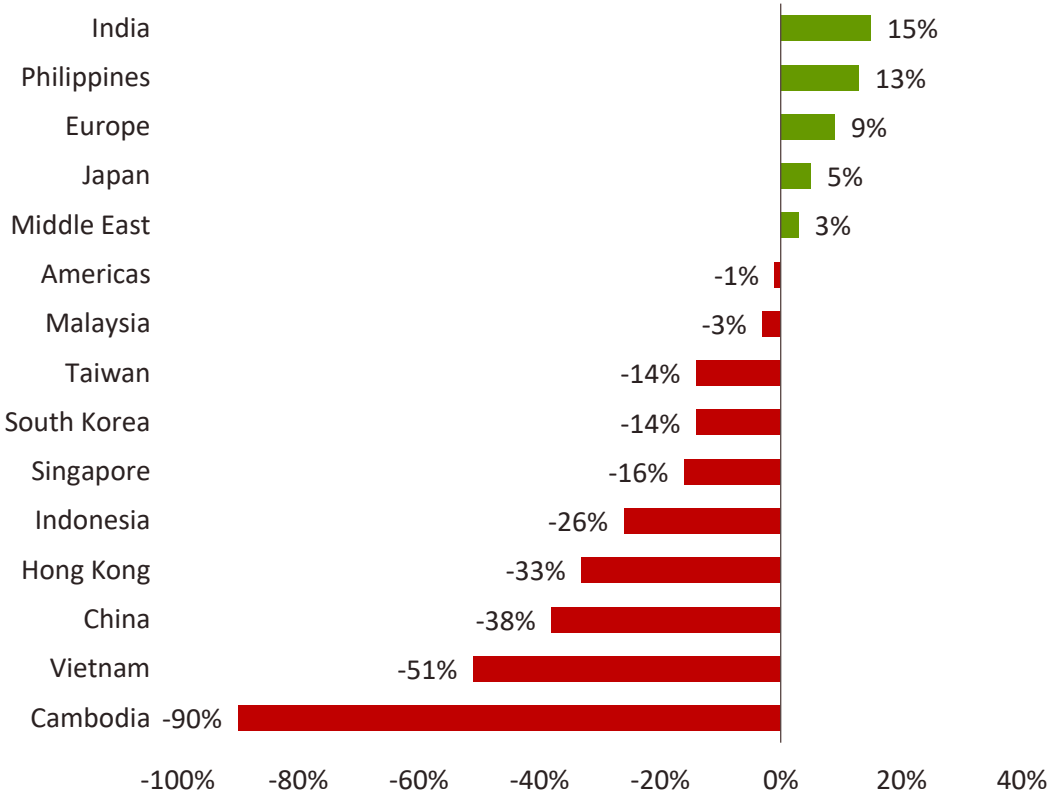
Foreign tourist arrivals fell -12.8% YoY in August



Top 5 tourist arrivals by country during January-August



August Thailand Visitor Arrivals (% YoY)

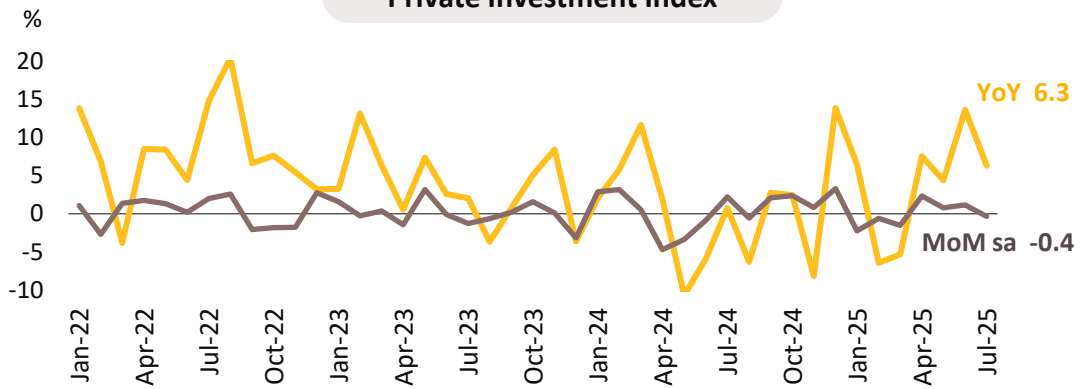


Source: MOTS, CEIC, Krungsri Research

Private investment shows weak momentum, constrained by tariff concerns, sluggish industry, and slow tourism recovery

In July, the Private Investment Index (PII) expanded by 6.3% YoY but declined by -0.4% MoM after seasonal adjustment, reflecting pressures from contracting industrial production and persistently low-capacity utilization. Nevertheless, greater political clarity following the recent transition may ease concerns over political stability and support faster disbursement of funds under small-scale infrastructure projects worth THB 85 bn, which could help boost short-term investment activities. **However, overall growth will remain constrained by several headwinds:** (i) global economic uncertainty affecting demand for goods, (ii) the impact of U.S. trade tariffs, (iii) a slow recovery in the tourism sector, and (iv) weak business sentiment. These factors suggest that the recovery of private investment will remain limited going forward.

Private Investment Index

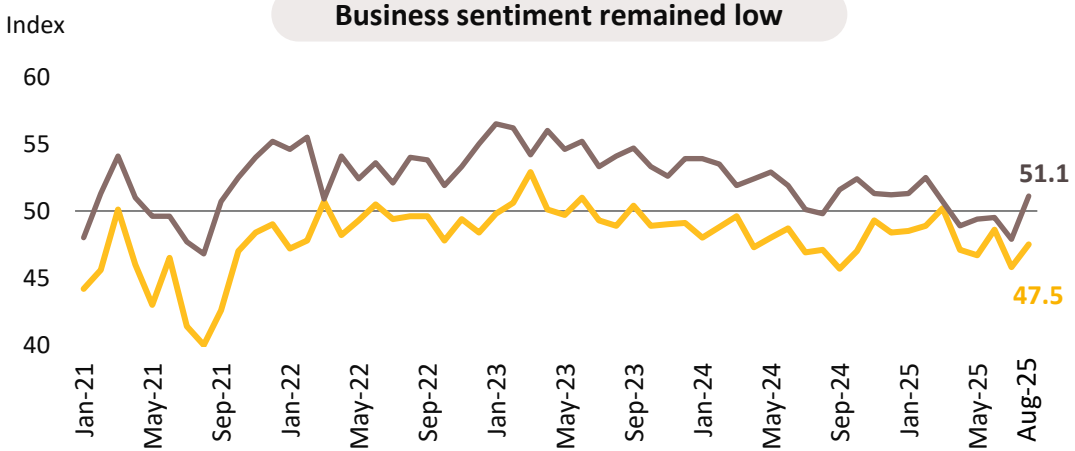


Private Investment Index by category

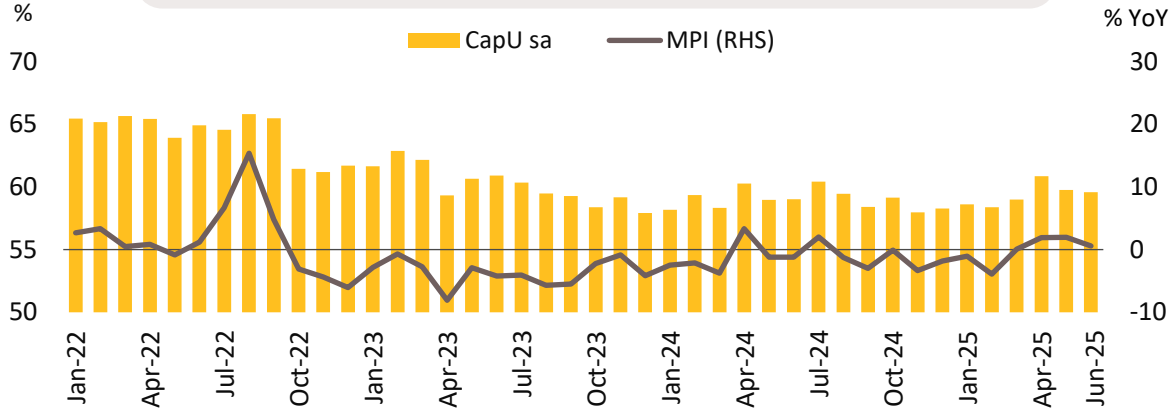
%YoY*	2023												2024												2025						
	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J
Private investment																															6.3
Vehicle																															4.4
Machinery and Equipment																															8.0
Construction																															2.9

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

Business sentiment remained low



Manufacturing Production Index and Capacity Utilization Rate

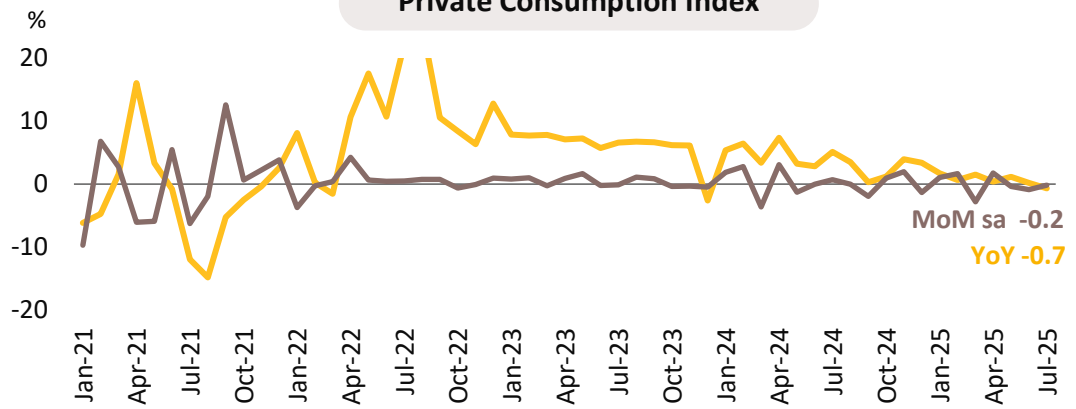


Source: BOT, OIE, Krungsri Research

Private consumption falters amid service sector weakness and domestic headwinds; new government set to launch short-term stimulus in the final quarter

In July, the Private Consumption Index (PCI) contracted by -0.7% YoY, marking the first decline in 19 months. The drop was primarily driven by weaker spending in services, in line with the slowdown in tourism activities, while spending on consumer goods and durables expanded moderately. **Looking ahead, private consumption is expected to face several headwinds**, including (i) the impact of tariffs that could weigh on income and employment, (ii) lower farm incomes due to falling agricultural prices, (iii) high household debt, and (iv) fragile consumer confidence. **Nevertheless, some supportive factors may come from domestic tourism stimulus measures and the possibility that the new government could reintroduce a stimulus program to boost short-term spending, such as the Half-half Co-Payment scheme.**

Private Consumption Index

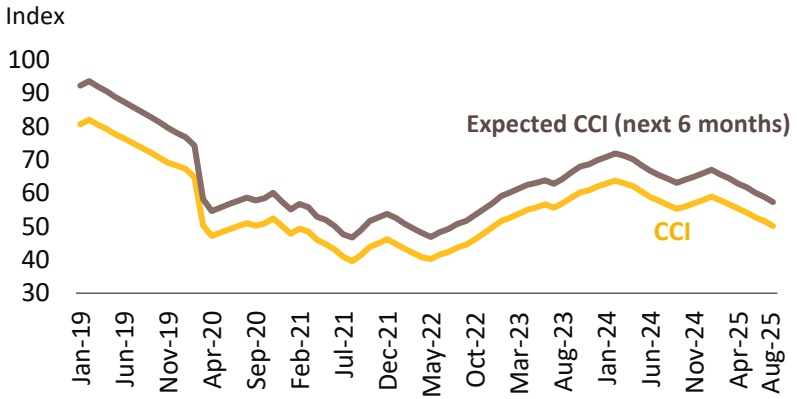


Private consumption index by category

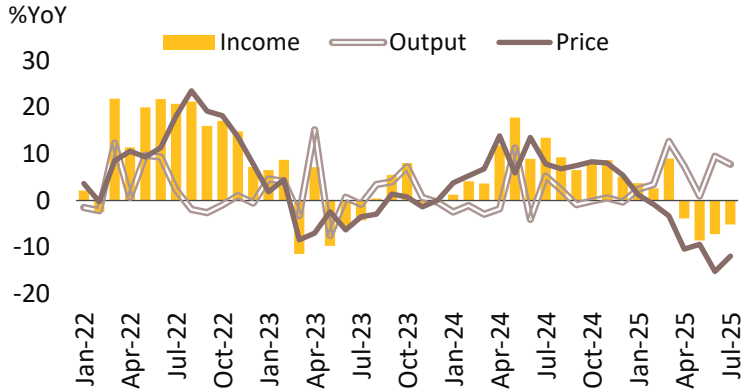
%YoY*	2023 J	F	M	A	M	J	J	A	S	O	N	D	2024 J	F	M	A	M	J	J	A	S	O	N	D	2025 J	F	M	A	M	J
Private consumption																														-0.7
Non-durables																														0.9
Semi-durables																														1.1
Durables																														5.1
Services																														-2.8
Non-residents expenditure																														-5.4

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

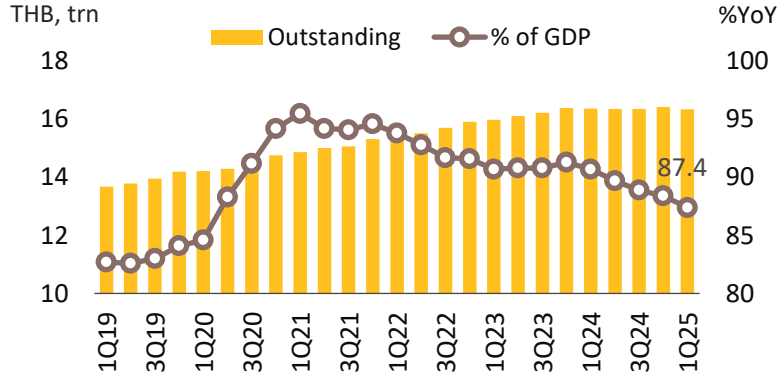
Consumer Confidence Index fell to 32-month low in August



Farm income declined due to the price effect



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

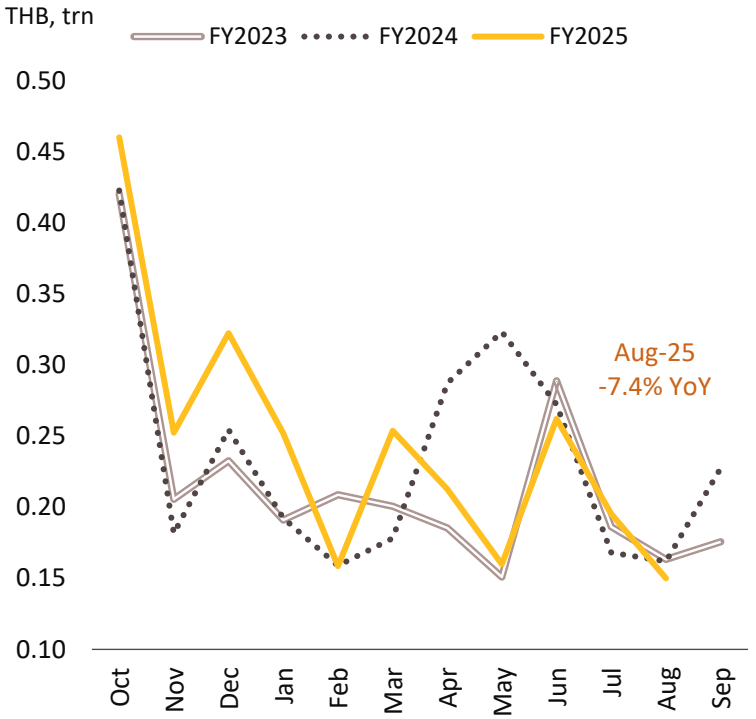


Source: BOT, UTCC, OAG, CEIC, Krungsri Research

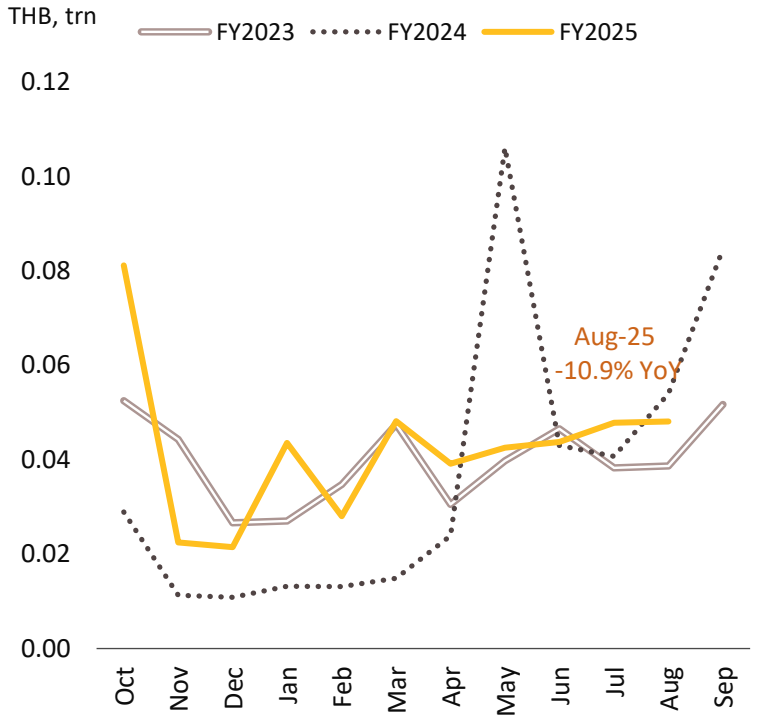
Public spending softens in August; policy execution and disbursement efficiency remain in focus amid political transition

In August, disbursements of current and capital expenditures contracted by -7.4% and -10.9% YoY, respectively, reflecting fiscal pressures and delays in certain projects. However, over the first eleven months of FY2025 (October 2024 – August 2025), current expenditure disbursement rose by 3.0% YoY to THB 2.68 trn, accounting for 96% of the annual allocation. Capital expenditure disbursement also increased significantly by 29.5% YoY to THB 0.47 trn, but it represented only 48% of the annual allocation target, highlighting persistent constraints in accelerating public investment projects. **Although the political transition under the new government led by the Bhumjaithai Party is not expected to affect the enforcement of the FY2026 Budget Act, totaling THB 3.78 trn as scheduled,** close attention will be needed on the efficiency of budget disbursement and the continuity of economic measures, which will play a critical role in supporting economic growth going forward.

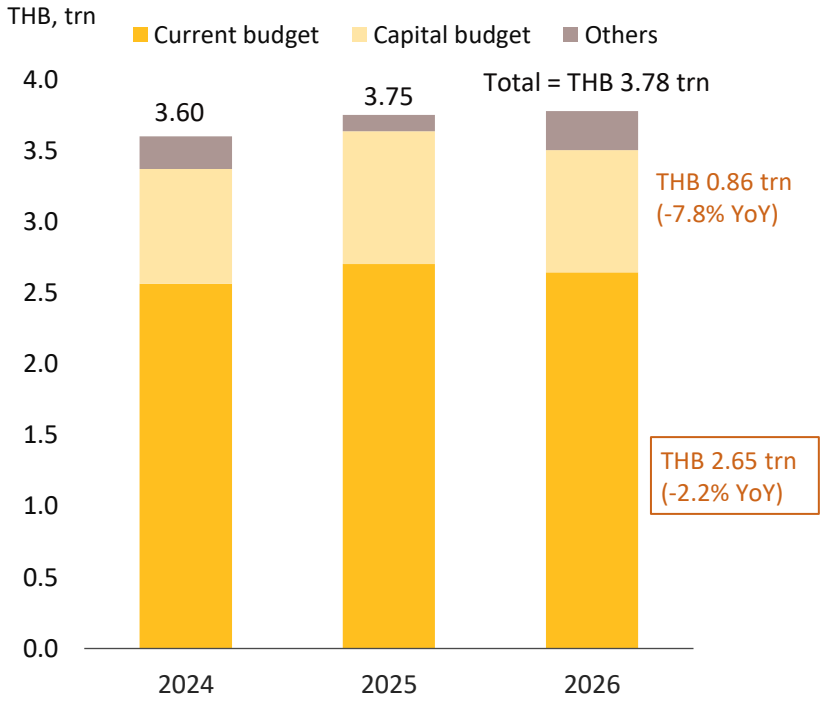
Disbursement of current budget



Disbursement of capital budget

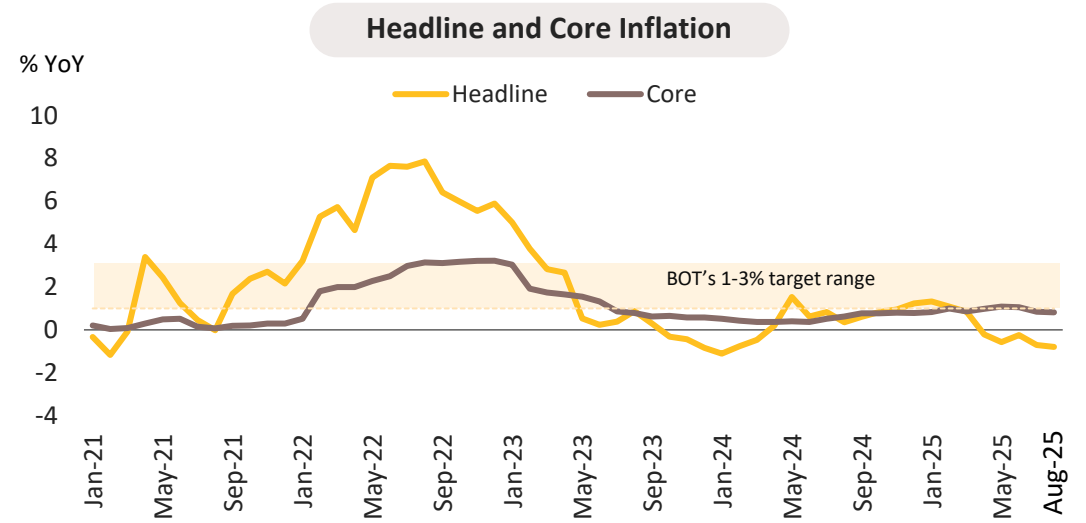


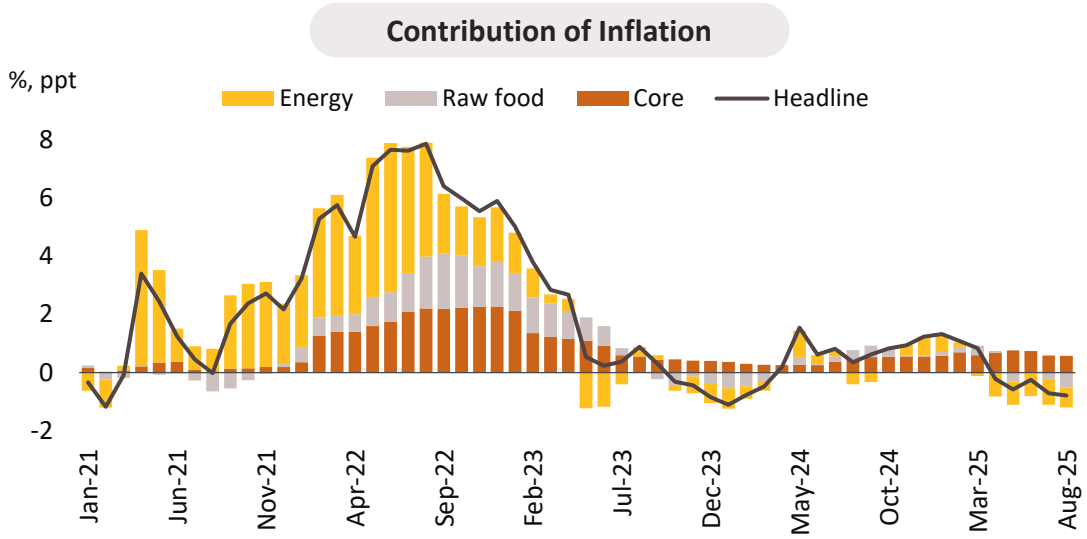
2026 Budgetary



Source: MOF, Krungsri Research

Low inflation and weak growth open door for MPC to cut rates twice by 1Q26





Source: MOC, CEIC, Krungsri Research

Krungsri Research's view

- **Headline inflation in August stood at -0.79% YoY,** marking the fifth consecutive month of negative rate and the lowest rate in 19 months. The decline was mainly driven by lower prices of fresh food, energy, and electricity charges. Core inflation (excluding raw food and energy) eased to 0.81% in August from 0.84% in July. **For the first eight months of this year, average headline and core inflation stood at 0.08% and 0.94%, respectively.**
- Headline inflation in 3Q25 is expected to remain in negative territory, following -0.35% in 2Q25, mainly due to low energy prices, government measures to cap electricity fees, and favorable weather conditions this year that boosted agricultural output. In addition, domestic demand is likely to stay weak. **For 2025, headline inflation is projected to average just 0.2%, remaining below the lower bound of the official target range for the second consecutive year.**
- **On monetary policy, the low inflation outlook and clearer signs of weaker economic growth provide room for the MPC to cut the policy rate twice more, bringing it down to 1.0% by the end of 1Q26.** This would help support the economic recovery, which is facing mounting external and domestic pressures. Front-loaded exports are fading following the U.S. imposition of a 19% tariff on Thai goods, effective from August 2025. At the same time, domestic political transition still leaves uncertainty regarding the effectiveness of economic policy implementation.

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