krungsri Research

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# MONTHLY ECONOMIC BULLETIN

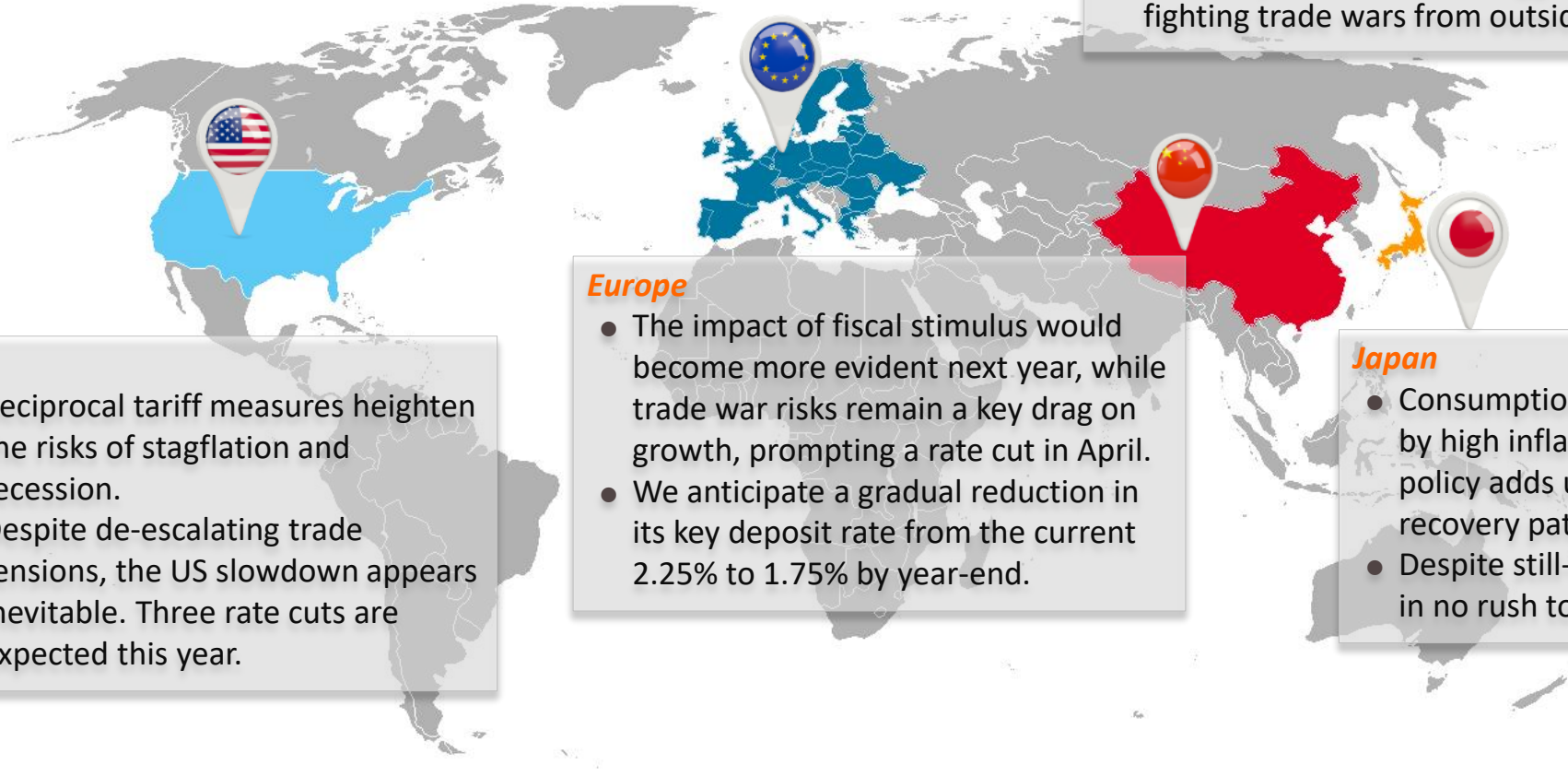
April 2025



Krungsri Research

Designed by Freepik

# *Global: Trump's tariff quake is sending shockwaves through economies worldwide*



***China***

- Additional adrenaline jabs are needed as the economy continues to struggle from within while fighting trade wars from outside.

***US***

- Reciprocal tariff measures heighten the risks of stagflation and recession.
- Despite de-escalating trade tensions, the US slowdown appears inevitable. Three rate cuts are expected this year.

***Europe***

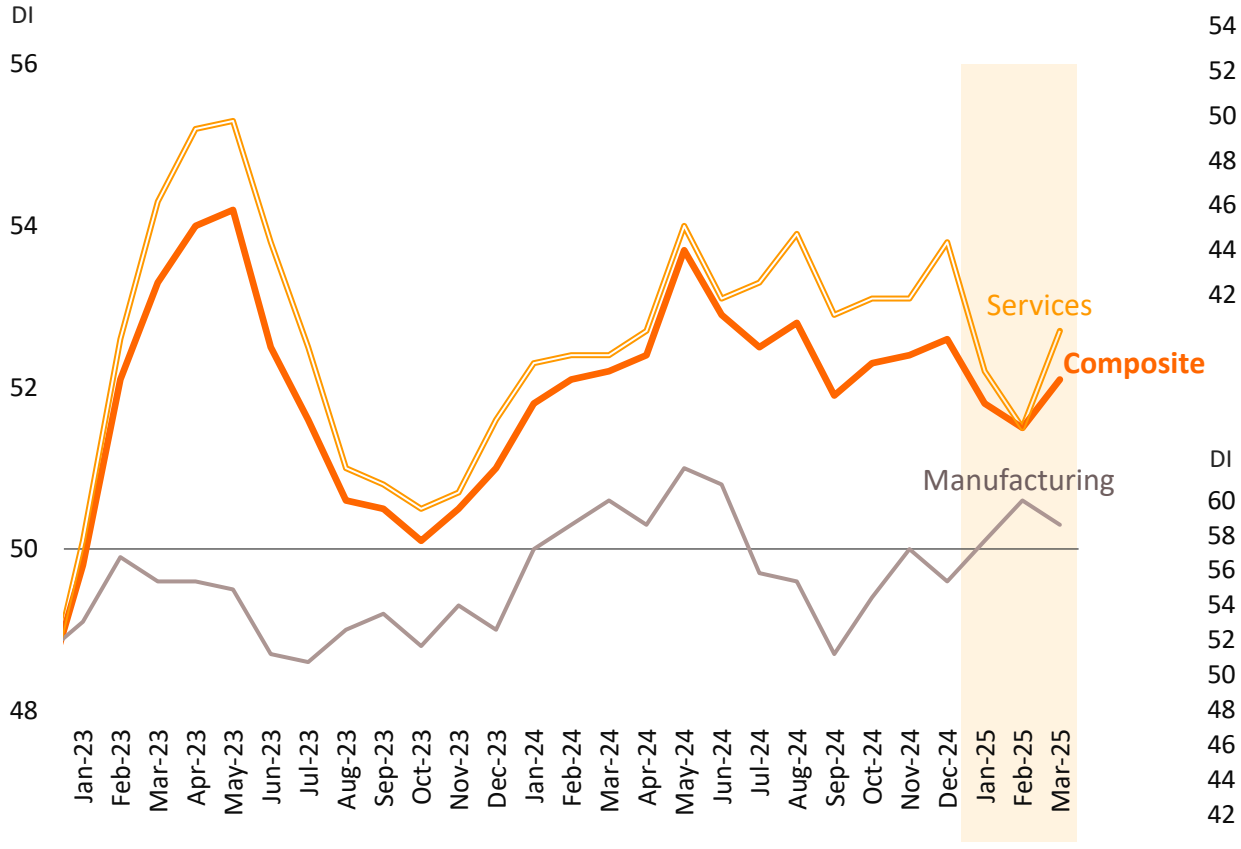
- The impact of fiscal stimulus would become more evident next year, while trade war risks remain a key drag on growth, prompting a rate cut in April.
- We anticipate a gradual reduction in its key deposit rate from the current 2.25% to 1.75% by year-end.

***Japan***

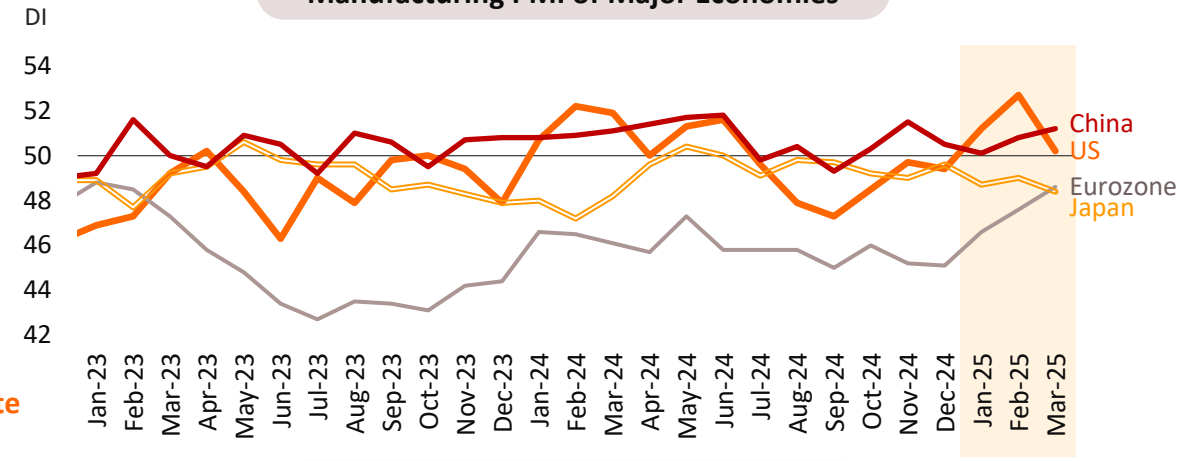
- Consumption remains suppressed by high inflation. Trump's trade policy adds uncertainty to the recovery path.
- Despite still-high inflation, the BOJ is in no rush to raise its policy rate.

# A temporary rebound in manufacturing has recently supported global growth; Fading front-loaded demand and tariff shocks pose a risk to the outlook

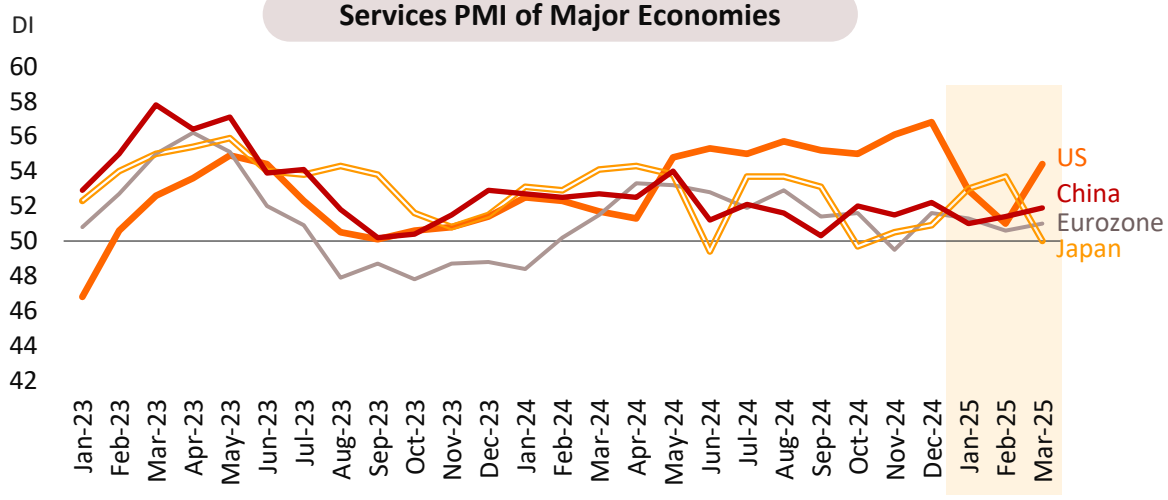
**Global Composite, Manufacturing, and Services PMI**




**Manufacturing PMI of Major Economies**



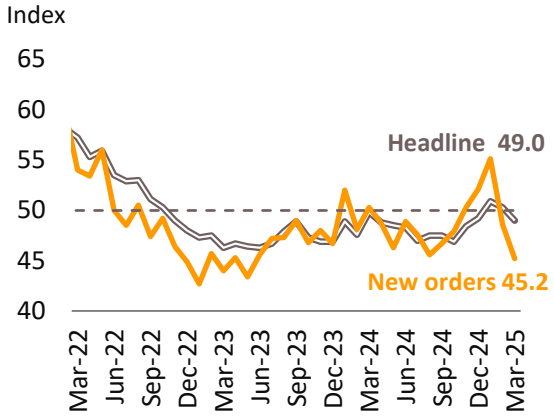

**Services PMI of Major Economies**



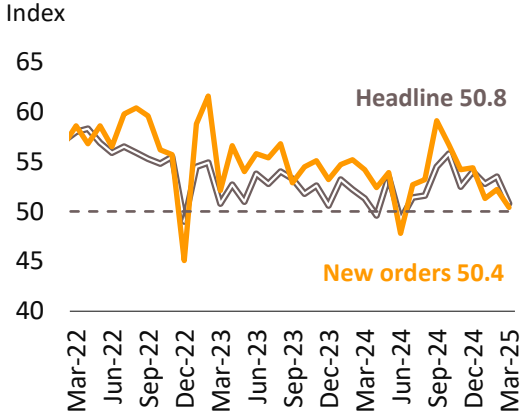

Source: J.P. Morgan and S&P Global PMI, Bloomberg, Krungsri Research

# *US:* Reciprocal tariffs heighten the risks of stagflation and recession; despite de-escalating trade tensions, economic slowdown appears inevitable; three rate cuts expected this year

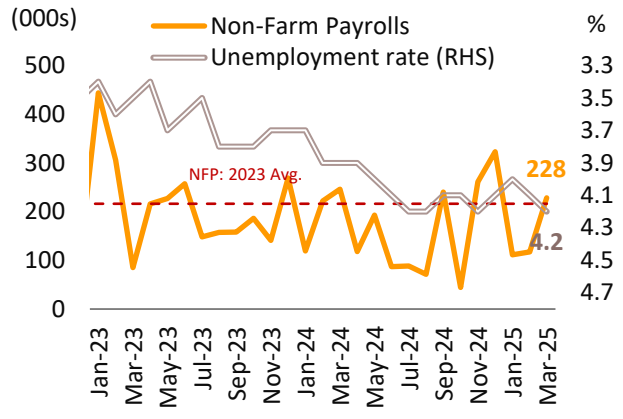
**ISM Manufacturing PMI**



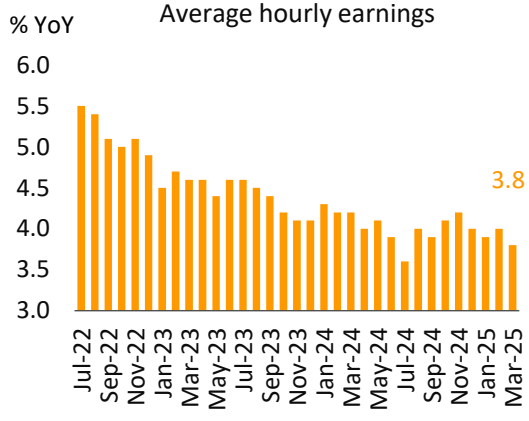

**ISM Services PMI**



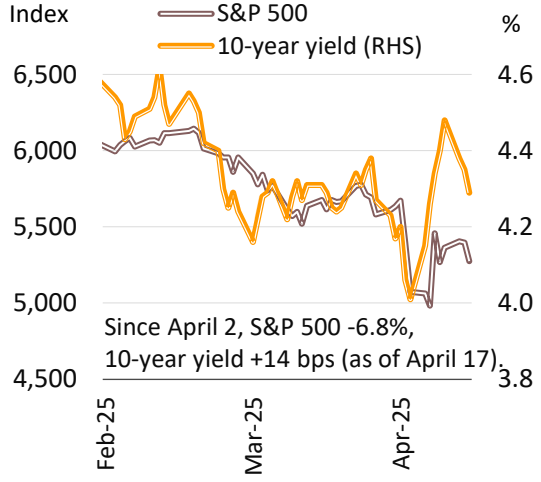

**Payrolls and Unemployment**



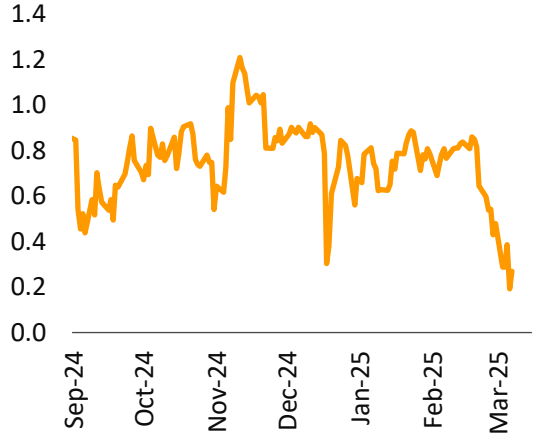

**Wage Growth**




**S&P 500 and 10-year yield**




**US Financial Conditions (by Bloomberg)**




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

**Krungsri Research's view**

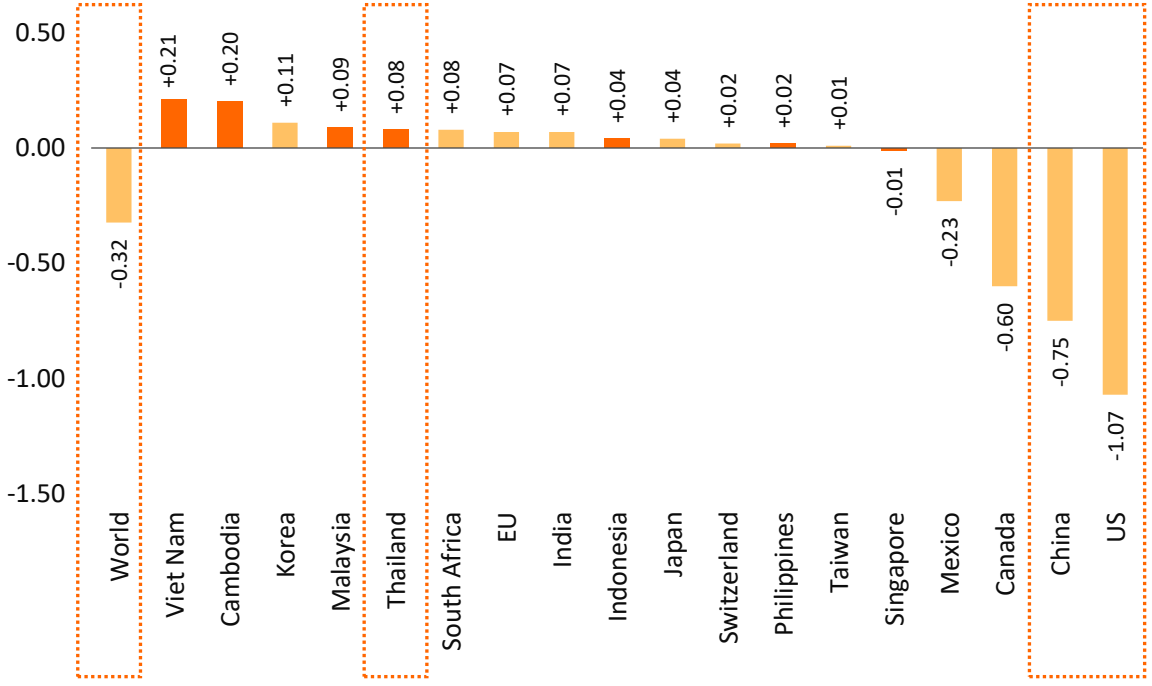
- **US trade protectionism, particularly through reciprocal tariffs, has heightened the risks of stagflation and recession.** Unexpected tariff hikes would not only raise import costs but also erode household wealth, increase interest rate burdens, disrupt trade flows, and strain both domestic and global supply chains.
- **Signs of an economic slowdown have become more pronounced.** (i) Manufacturing contracted in March, with new orders at a near two-year low, while services weakened to their slowest pace since last June. (ii) In March, the unemployment rate hit its highest since November, and wage growth slowed to an eight-month low. (iii) Consumer sentiment in April fell to its lowest since June 2022, with the expectation of unemployment rising to its highest since 2009.
- **If the US opts to significantly de-escalate tariff measures and reduce duties on essential imports, it will lower the risks of stagflation and recession.** However, an economic slowdown still appears inevitable. While tariff hikes could raise inflation concerns, the upside risk to inflation may be mitigated by lower energy prices, easing demand-pull pressures, a weakening labor market, and softening wage growth. **As a result, the Fed is expected to begin cutting interest rates mid-year, with three 25-bp reductions bringing the policy rate to 3.50–3.75% by year-end. This should help alleviate risks to both economic growth and financial markets.**

# *Trump's tariff tremors* would weigh on the global economy, led by US losses, with ASEAN growth set to worsen under reciprocal tariff measures

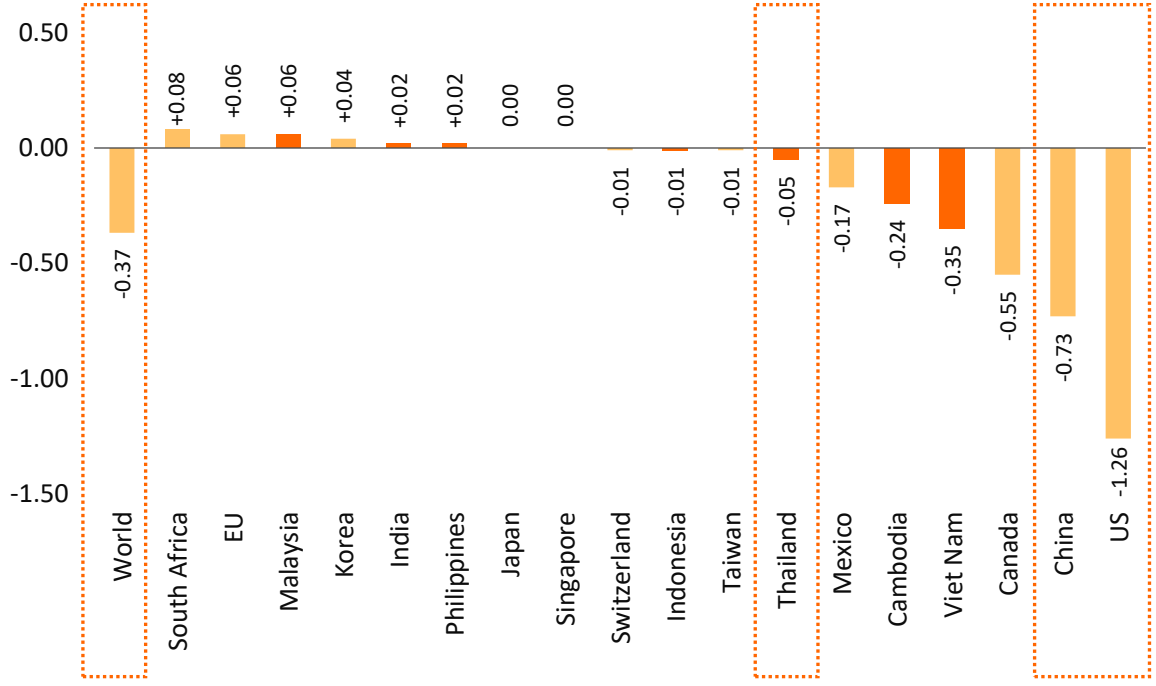
Scenario 1: **US imposes a 10% tariff on most countries and a 145% tariff on China**. China retaliates with a 125% tariff on US goods.
Scenario 2: **US imposes the announced reciprocal tariffs on many countries and a 145% tariff on China**. China retaliates with a 125% tariff on US goods.

**Long-term Impact of US Tariffs on GDP** (% deviation from baseline)

**Scenario 1: US tariffs at 10% for most countries ex. China (145%), and China's retaliation**



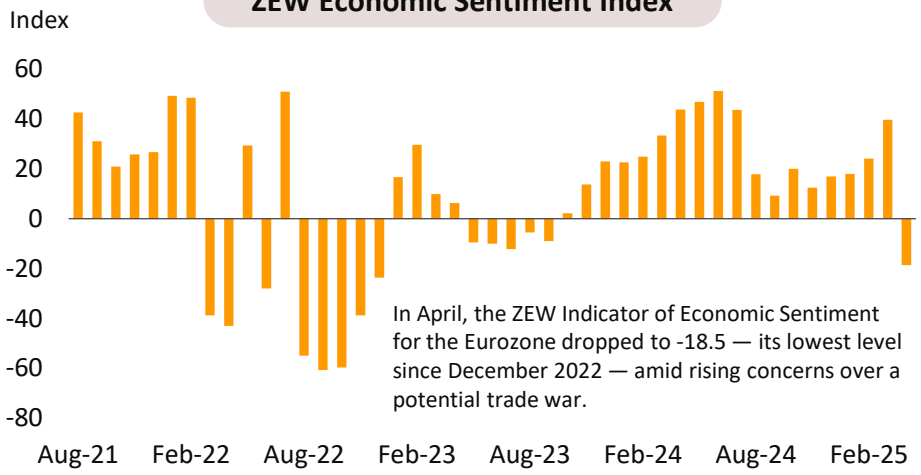

**Scenario 2: US reciprocal tariffs and China's retaliation**



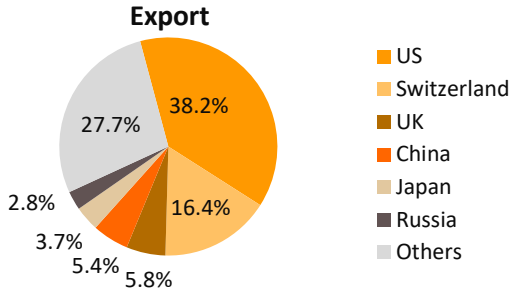

Source: GTAP, Krungsri Research

# *Eurozone:* Impact of fiscal stimulus measures is expected to become more evident next year, while trade war risks remain a key drag on the region's economic growth

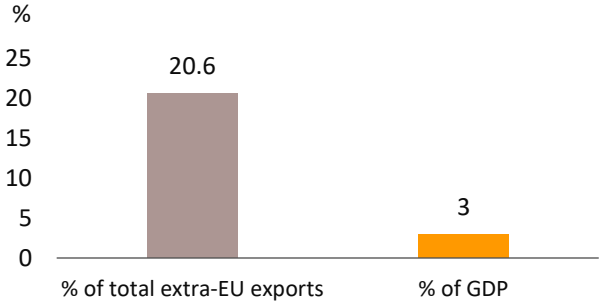
## ZEW Economic Sentiment Index




## Main EU Trade Partners for Medical and Pharmaceutical Product (2024)

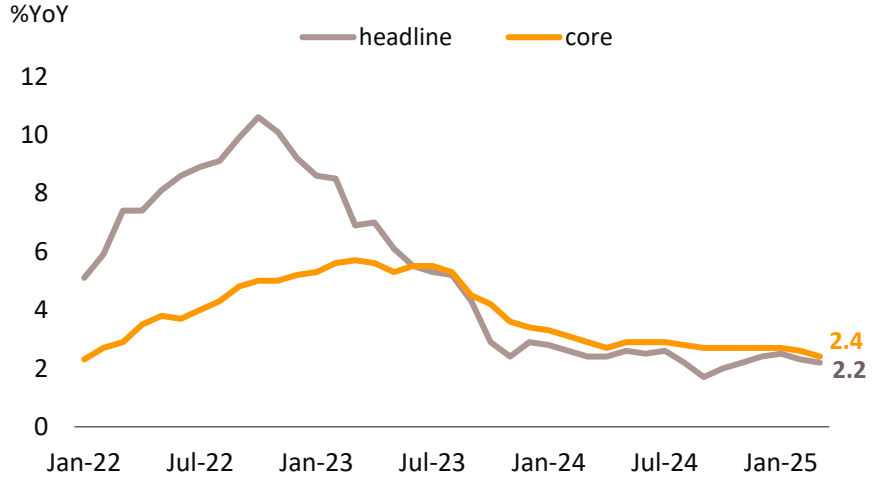



## EU Exports to the US (2024)




The Trump administration signaled plans to impose tariffs on pharmaceutical products to boost domestic production. This move is expected to significantly affect the EU's medical technology ecosystem, as the US was the primary destination for extra-EU exports of medicinal and pharmaceutical products in 2024, accounting for 38.2% of all exports outside the EU. The proposed tariffs could also trigger a substantial shift in investment from the EU back to the US.

## Consumer Price Index (CPI)



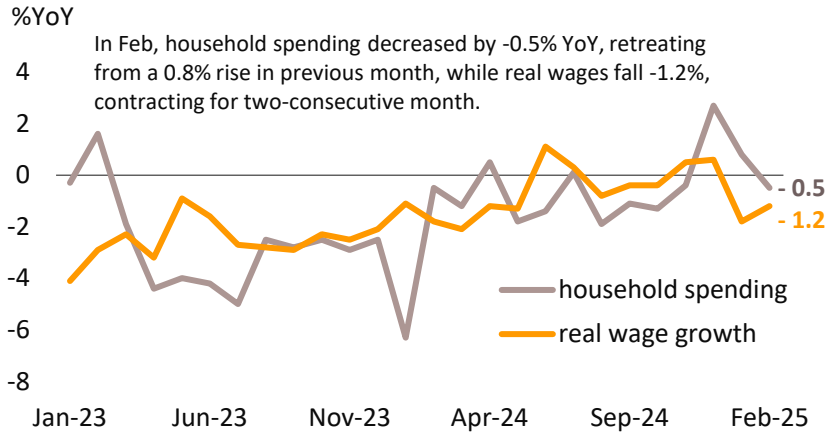

Source: ECB, CEIC, investing.com, Eurostat, European Union, Bloomberg, Krungsri Research

### Krungsri Research's view

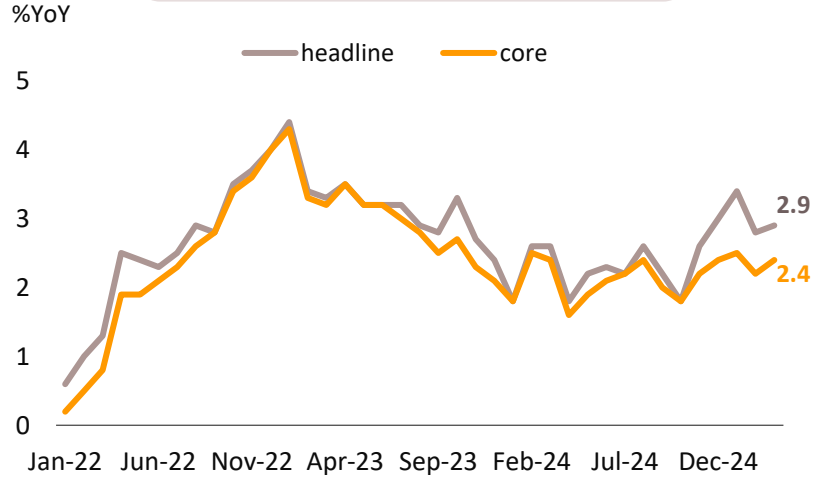
- Although Germany's large fiscal stimulus is expected to support growth, **it does not change our view that the eurozone economy remains sluggish, as the measures are unlikely to take effect until late this year or early next year.** Sluggish services, weak consumer spending, and slow investment continue to drag on growth. The eurozone economy is expected to see a modest boost from German fiscal easing and increased military spending, with estimated stimulus worth about 0.5% of GDP over the next two years, according to Capital Economics.
- **The risk of a trade war has eased only in the short term** after the US postponed the reciprocal tariffs on most trading partners (except China) for 90 days and imposed 10% tariffs during that period. In response, the EU also delayed its planned retaliatory tariffs. This mutual pause extends the negotiation window between both sides. However, the global trade outlook remains sluggish due to escalating protectionist measures, which could continue to weigh on the Eurozone's manufacturing and export sectors. Our analysis found the estimated export losses for the EU in the long term could be -1.22% in the case of a 10% tariff and –1.79% in the case of the reciprocal tariff (20% on the EU).
- **The ECB delivered another 25bps interest rate cut at April's meeting** as escalating trade tensions have fueled widespread uncertainty and raised concerns over the eurozone's economic outlook. Looking forward, we anticipate a gradual reduction in the ECB's key deposit rate from the current 2.25% to 1.75% by year-end in response to rising downside risk to the growth outlook in 2H25.

# *Japan:* Consumption remains suppressed by high inflation, while Trump's trade policy adds uncertainty to the recovery path

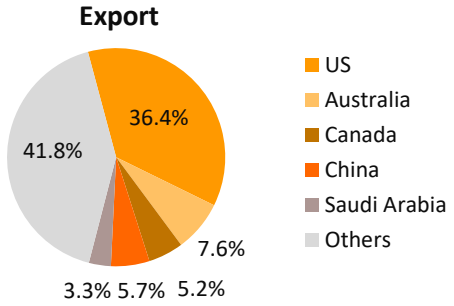
## Household Spending and Real Wage Growth



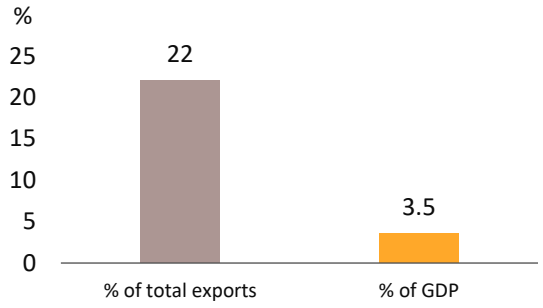

## Tokyo Consumer Price Index (CPI)




## Japan's Car Exports by Country (2024)




## Japan Exports to the US (2024)




US President Donald Trump suspended tariffs on imported cars to give automakers time to adjust their supply chains. This move has helped ease short-term pressure on Japan's automotive export sector, as the US is a key market, accounting for 36.4% of Japan's car exports in 2024. However, trade policy uncertainty remains a key medium- to long-term risk, given Japan's heavy reliance on the US market (22% of total exports and 3.5% of Japan's GDP).

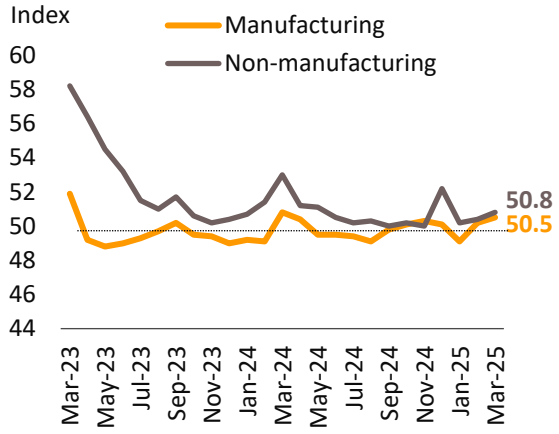
### Krungsri Research's view

- **Japan's economic recovery remains subdued**, as reflected by weaker household spending, declining consumer confidence, and subdued activity in the manufacturing sector. The still-high inflation continues to erode purchasing power. The current economic recovery might be driven by Japan's large firms, particularly in the service sector. The sentiment gauge for major non-manufacturers recently reached its highest level since 1991.
- **Manufacturing and export sectors will remain subdued amid rising trade tensions.** The US 90-day pause of reciprocal tariffs extends the timeframe for negotiations and enhances the prospects of a trade agreement. Nevertheless, the global trade environment continues to weaken amid rising protectionism and more concern over Japanese car exports. Based on our analysis, Japan's total exports in the long term could decline by -3.27% in the case of the current 10% tariffs and by –4.1% in the case of the reciprocal tariffs (24% on Japan).
- **Despite still-high inflation, the BOJ is in no rush to raise its policy rate**. Given the weaker-than-expected economic recovery and rising trade tensions, we expect the Bank of Japan (BOJ) to delay its next policy rate hike until the second half of the year. This pause will allow more time to assess key economic data, particularly related to trade and consumer spending.

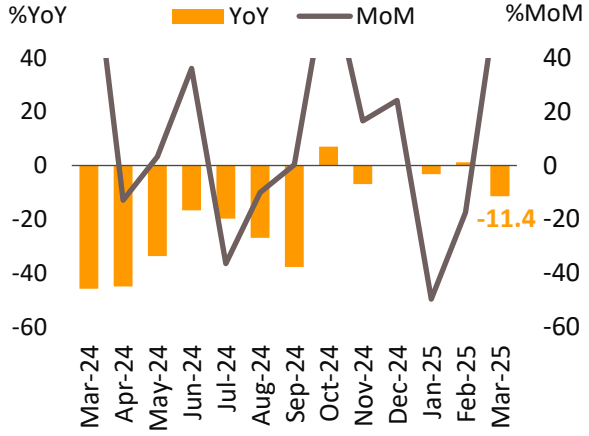
Source: Bank of Japan, CEIC, Investing.com, Krungsri Research

# *China:* Additional adrenaline jabs needed as economy continues to struggle from within while fighting trade wars from outside

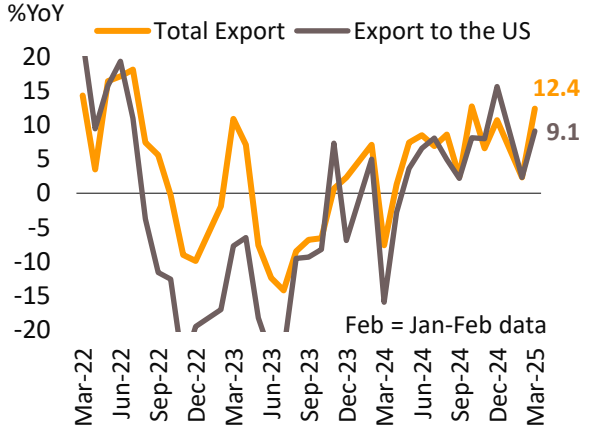
## Purchasing Managers' Index (PMI)



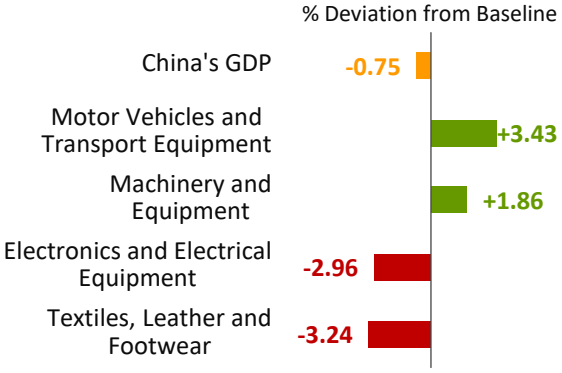

## New Home Sales by Top 100 Developers




## Exports

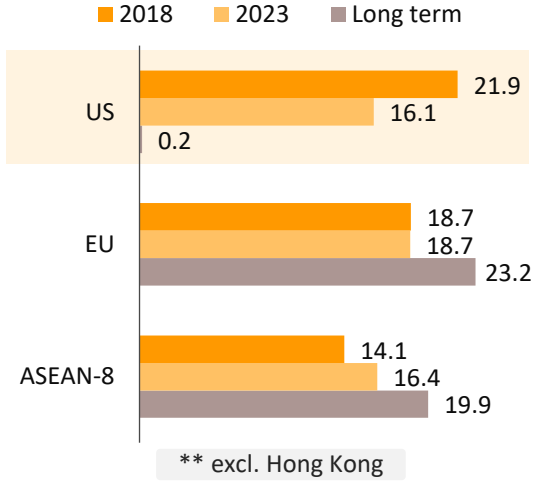



## Long-term Impact of US Tariffs*

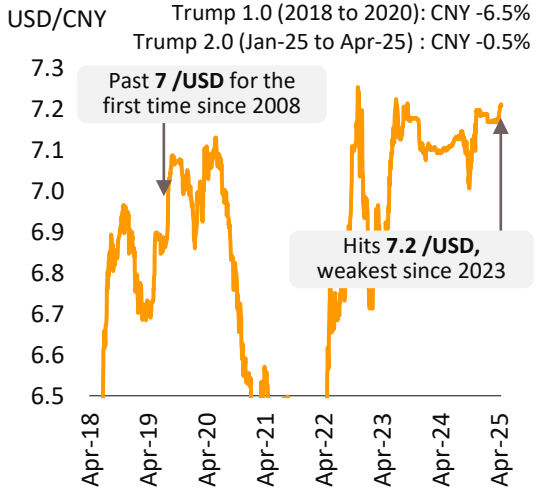



*US imposes 145% tariffs on China and 10% on others; China retaliates with 125% on the US.

## China's Exports to Major Partners** (% Share)




## Central Parity Rate




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

## Krungsri Research's view

- **China's economy improves but remains fragile.** Retail sales grew at a faster pace of 5.9% YoY in March, while export growth accelerated to 12.4% on front-loaded demand. Meanwhile, new home sales returned to double-digit declines. Given the trade war, GDP growth in the subsequent quarters may slow from 5.4% YoY in 1Q25.
- **Trade war is heating up rapidly.** Since early this year, the US has slapped 145% tariffs on all Chinese goods while China has responded with tariffs of 125%.
  - China could be hit by US tariffs, both directly and through other countries that serve as China's production base, particularly ASEAN, which has received 22.6% of China's outward manufacturing investment over the past decade.
  - However, the overall long-run impact will be limited (GDP: -0.79%) due to China's shift in exports to other partners and investment relocation. This excludes risks from anti-dumping measures triggered by an influx of China's cheaper goods.
  - We found that if tit-for-tat measures persist, China's decoupling from the US will accelerate, with its export share to the US expected to fall to 0.2% in the long run.
- **Currency devaluation may help mitigate some risks,** but long-awaited additional consumption stimuli are needed to support the economy amid rising trade tensions.

# *Thailand: Twin shocks from domestic quake and tariff tremors rattle economic outlook*

- We are set to lower our 2025 GDP forecast from 2.7%, amid mounting economic pressure from the March earthquake and the US tariff hikes.
- The March earthquake may cause temporary disruptions to some key growth drivers, with economic losses estimated at 0.1-0.2% of GDP.
- Earthquake, slow Chinese tourist recovery, and other headwinds may drag our forecast of 2025 foreign arrivals to 36-37 million.
- **In addition, Thailand faces potential economic strain from unexpectedly high reciprocal tariffs, intensified by its significant dependence on US markets.**
- High-impact sectors from US tariff hikes include processed seafood, tires, HDDs, electrical appliances, and rubber gloves, while moderate-impact industries comprise rubber, rice, motorcycles, auto parts, jewelry, textiles, plastics, other medical devices, and iron and steel products.
- **Our 2025 Thai GDP growth forecast would soften to a) 2.2-2.4% under a 10% US tariff, b) 1.9-2.1% with US reciprocal tariffs for 3-6 months, and c) to 1.5-1.8% with reciprocal tariffs for over 6 months or if Thailand faces relatively higher tariffs than competitors.**
- In the long term, the US and the global economy are expected to face the largest GDP and export losses from tariff hikes. ASEAN, including Thailand, would suffer net losses if reciprocal tariffs are imposed. Most Thai industries face losses from tariff hikes. Some sectors see slight gains from the substitution effect, investment relocation, or export rerouting amid rising Chinese imports.
- **Regarding the policy rate, the BOT assesses that current US tariffs affect 'some' sectors, necessitating supply-side policies. This increases the likelihood of a dovish hold in April. However, the growing impact of tariffs raises the chance of a rate cut in 2H25.**

# Thailand's already-weak recovery faces heightened challenges from *two unforeseen shocks* -- March earthquake and US reciprocal tariffs

**Earthquake in Bangkok and parts of Thailand: March 28**



**US Reciprocal Tariffs: announced on April 2**




Source: Krungsri Research

# *Earthquake* may cause temporary disruptions to some key growth drivers, with *economic losses estimated at 0.1-0.2% of GDP*

| Channels of impacts | Details | Potential Impacts | Remarks |
|---|---|---|---|
| **Direct impact** | | | Speed of recovery depends on how well all relevant parties work to restore confidence |
| • Assets and activities | Asset damages and temporarily disrupted activities, with some spending on repairing and/or replacement taking place in Q2-3 | Limited | |
| **Impact via sentiment** | | | |
| • Tourism | - Delay or cancel trips in affected areas despite some rebound in other destinations. | Limited | |
| • Property sector | - Slow the already-sluggish recovery amid the existing oversupply<br>- Slowdown of rentals and purchases of high-rise condominiums<br>+ Some demand for single houses or low-rise condominiums | Moderate | |
| • Domestic spending | - Slow spending and prioritize spending for rehabilitation<br>+ Insurance claims, government assistance measures, and aid from financial institutions help ease some burden | Limited | |
| **Infrastructure** | | | |
| • Production, banking, internet | Continue without disruption | No impact | |
| • Transportation and logistics | Temporary disruption in some specific areas (one day) | Small | |
| **Household Income** | No significant impact | Small | |

Source: BOT, Bangkok Post, Krungsri Research

# *Foreign tourist arrivals* this year are preliminarily estimated to be lower than the previous forecast by 1-1.5 million, affected by the Earthquake, safety concerns, and stiff competition

**Push Factor**

- **March Earthquake**
- **Safety concerns (about scammer operations)**

Due to the March Earthquake and safety fears, visitors from Asia, particularly China, may cancel trips as they are more sensitive to those issues than other markets.

In March, Chinese arrivals to Thailand fell to a 17-month low of 297,113 (-48% YoY).

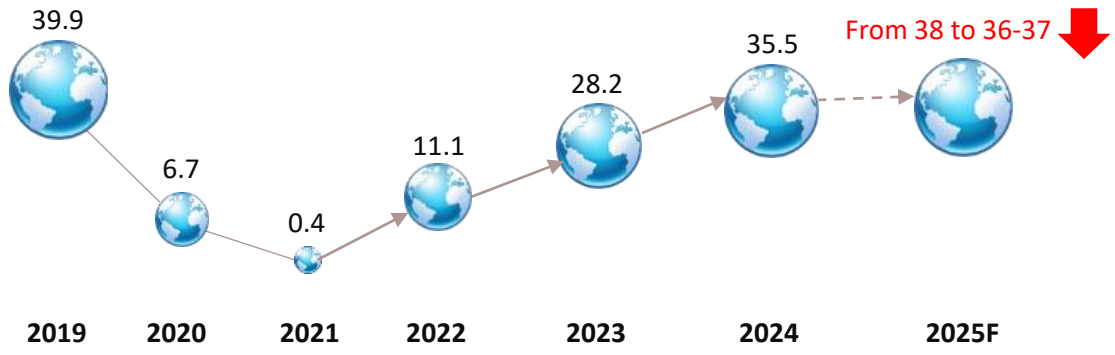
**Pull Factor**

- **Stiffer competition from other destinations**

There could be a potential shift in travel decisions toward other markets (such as Japan and Vietnam) that are actively promoting to attract foreign tourists.

For example, Japan overtook Thailand in Chinese arrivals last year, attracting 6.98 mn visitors compared to Thailand's 6.7 mn.)

**Forecast for foreign tourist arrivals (mn persons)**



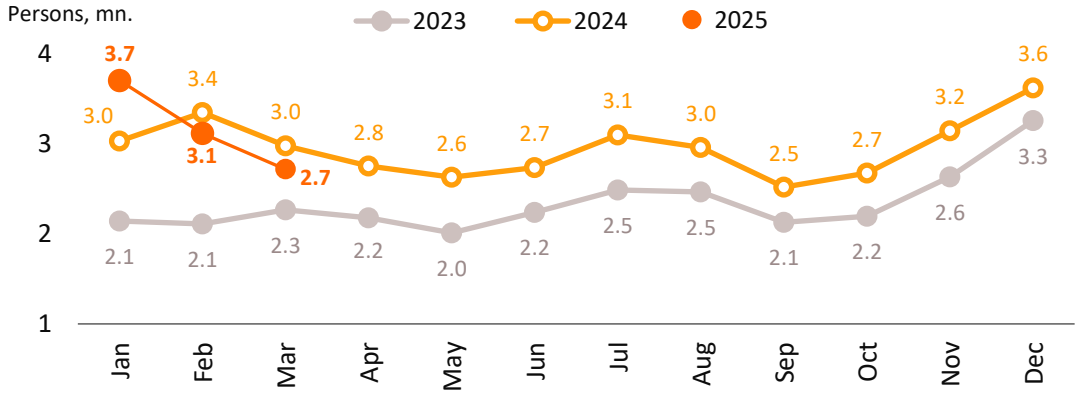

- In response to both push and pull factors (the earthquake, safety concerns, and stiff competition), **total foreign tourist arrivals this year have been preliminarily lowered from 38 mn to 36-37 mn. The impact of the earthquake will be concentrated in 1H25.**
- **The forecast for Chinese tourist arrivals this year is preliminarily revised down from 8 mn to 7 mn** mainly due to (i) weaker confidence, as Chinese tourists are a sensitive group; (ii) The May period (Labor Day) and Songkran are peak seasons for the Chinese market; (iii) a potential shift to other destinations. Additionally, there could also be an impact on other markets, particularly in Asia.

Source: MOTS, Krungsri Research

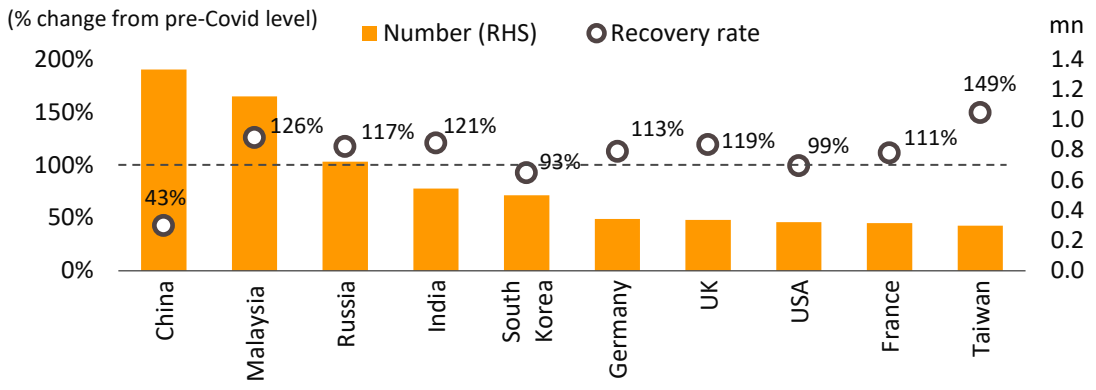
# Earthquake, slow Chinese tourist recovery, and other headwinds may drag our forecast of 2025 foreign arrivals to 36-37 million

In March 2025, Thailand welcomed 2.72 mn foreign tourists, the lowest in five months and an -8.8% YoY decline, compared to 3.12 mn in February. Tourism revenue stood at THB 132 bn, down 2.8% YoY. During January-March, total foreign tourist arrivals reached 9.55 mn (+1.9% YoY), generating THB 463 bn (+1.8% YoY). Chinese tourist recovery remains slower than expected, with March arrivals dropping to a 17-month low of 297,113 (-48.2% YoY), totaling 1.33 mn for the first quarter of this year (-24.2% YoY), mainly due to safety concerns and competition from other destinations. Moreover, the earthquake that occurred in late March may negatively impact the tourism recovery outlook, particularly slowing down the already sluggish recovery of Chinese tourists. As a result, the overall number of foreign tourist arrivals this year is at risk of falling short of the previously projected 38 mn and may be in the range of 36-37 mn.

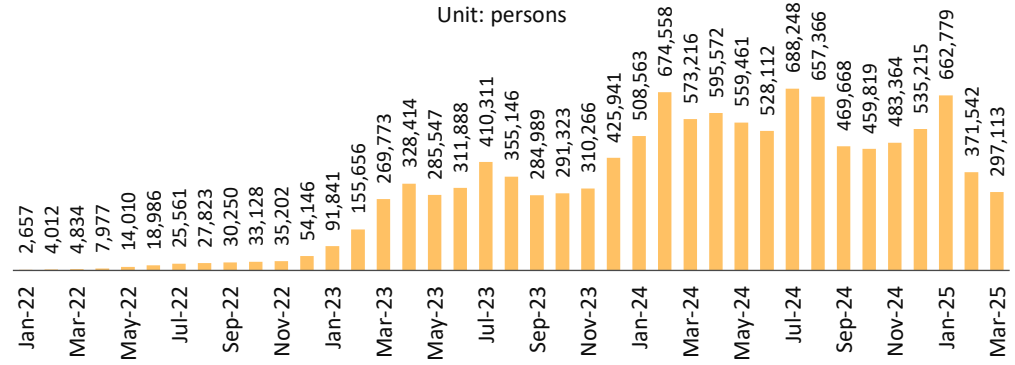
**Foreign tourist arrivals fell to 5-month low of 2.72 mn in March**



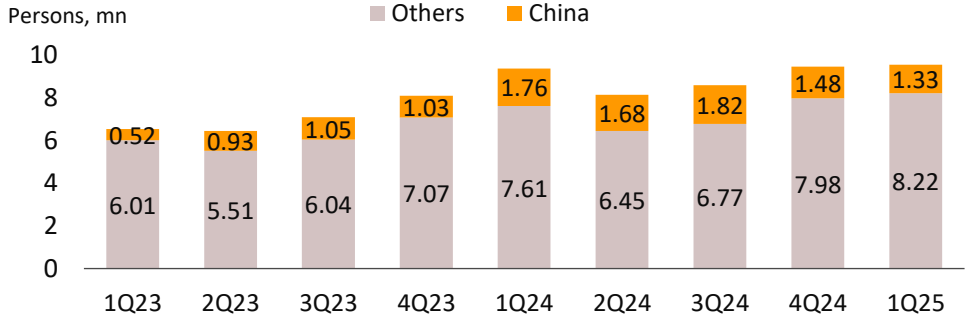

**Top 10 tourist arrivals by country during January-March**




**Chinese tourists in March dropped to the lowest level in 17 months**




**Slower-than-expected Chinese tourist recovery**



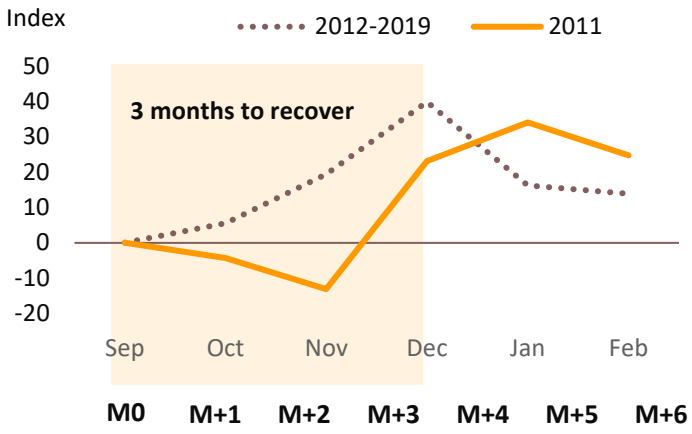

Source: MOTS, CEIC, Krungsri Research

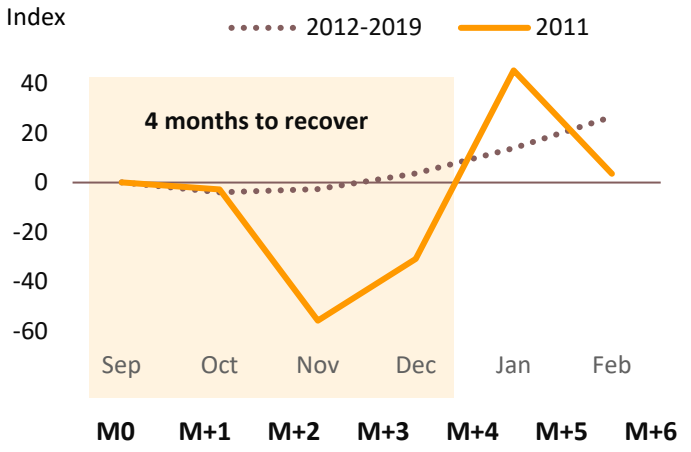
# While the *March Earthquake* may slow foreign tourist arrivals in Q2, the impact is expected to be limited in the short term based on historical data

**Total arrivals**

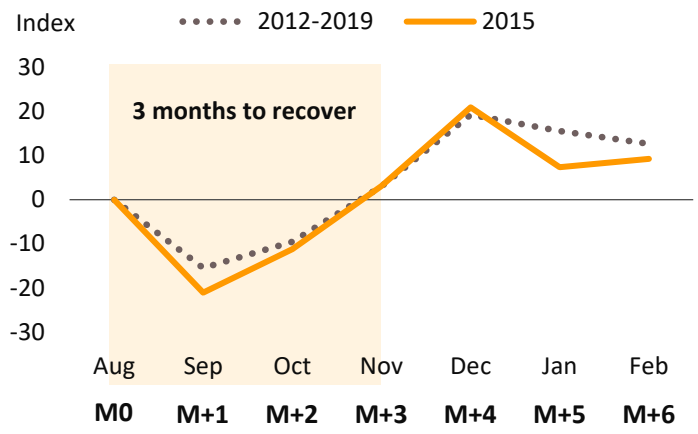
**Chinese arrivals**

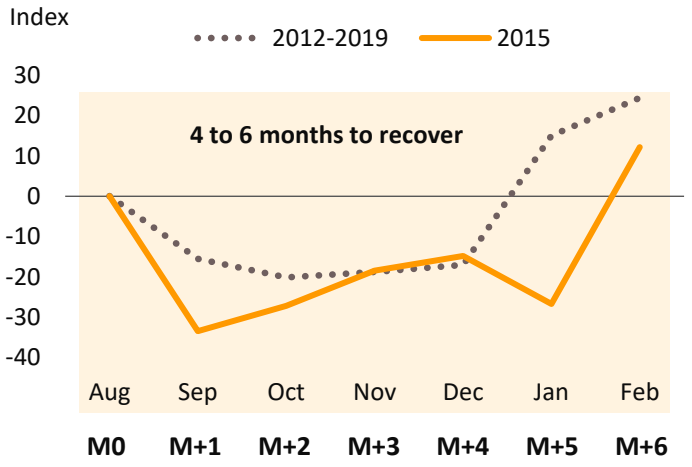
**2011 Great Flood in Thailand[1/]**



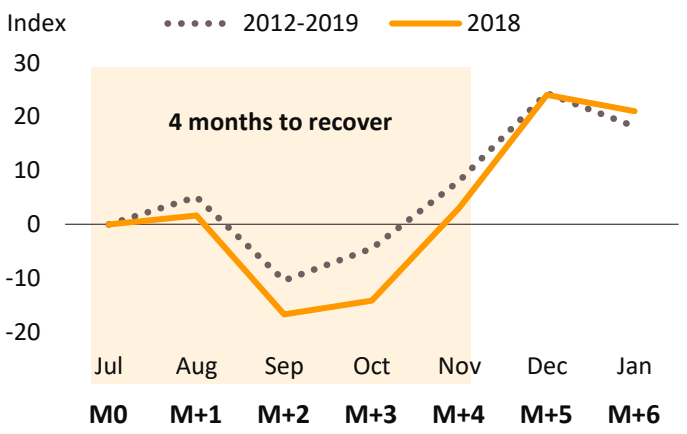



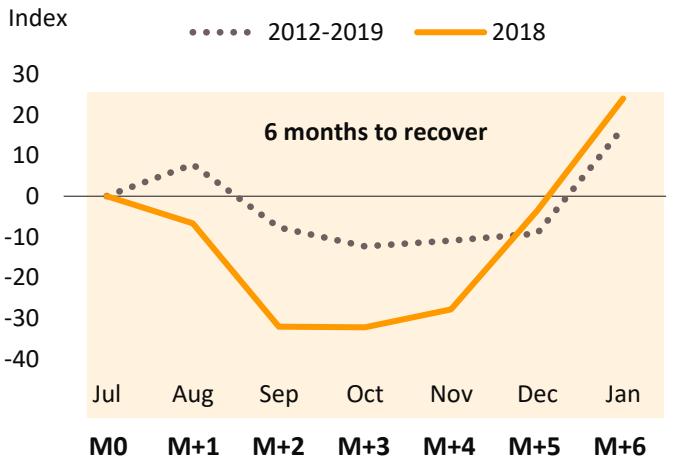

**2015 bombing of Erawan shrine in Bangkok[2/]**




**2018 tourist boat capsized in Phuket[3/]**




Note: 1/ Great Flood in Thailand, particularly in Bangkok and key industrial areas during Q4/2011. More than 12.8 mn people were affected. The World Bank estimated damage of as high as THB1.44 trn.
2/ On 17 August 2015, a bombing took place inside the Erawan Shrine in Bangkok, Thailand, killing 20 people and injuring 125. The dead included 6 Thais, 5 Chinese, and 9 other foreigners.
3/ On 5 July 2018, two tourist boats sank near Phuket, Thailand, during a sudden storm. 46 people died and three were missing. All of the dead and missing passengers were Chinese tourists.

Source: MOTS, Krungsri Research

# Under Trump's second presidency, *a series of tariff hikes* would intensify trade wars, potentially affecting global trade and economies, including Thailand

**As of April 17, 2025**

Tentative/Postponed | Effective

**Feb-Mar:** US 20% tariffs on ***all Chinese goods***

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

**March 4, March 13:** Canada's 25% retaliatory tariffs on ***some US goods***

**March 4-6:** Imports from ***Canada and Mexico*** were conditionally exempt from 25% tariffs.

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

**April 3:** 25% tariffs of ***auto*** imports from all countries.

**April 5, April 9:** The US imposed ***10% baseline reciprocal tariffs*** (excl. Canada and Mexico), ***with many countries subject to higher rates.*** The US later ***postponed*** higher reciprocal rates ***for 90 days*** for all countries except China, ***leaving the baseline in place.***

**April 9:** Canada's 25% conditional retaliatory tariffs on ***auto*** imports from the US.

**April 10:** The US raised total tariffs on ***all Chinese goods*** to 145%.

**April 12:** China raised total retaliatory tariffs on ***all US goods*** to 125%.

**May 3:** 25% tariffs of ***auto parts*** imports from all countries.

**Later:** Expected tariffs of ***pharmaceutical, electronics and semiconductor*** imports from all countries.

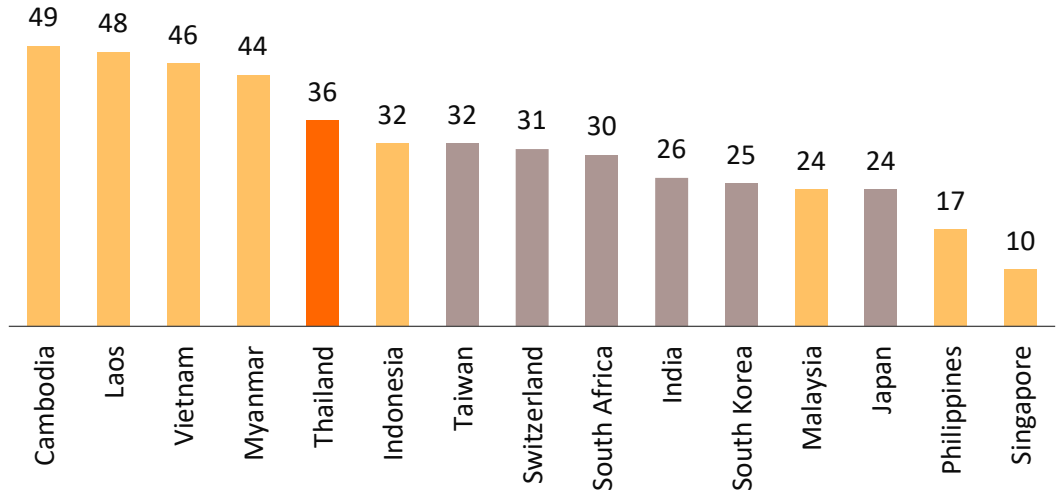
Source: Bloomberg, Reuters, AP, the White House, the Government of Canada and Krungsri Research

# Thailand and ASEAN may face economic strain from higher-than-expected *reciprocal tariffs,* compounded by their heavy reliance on US markets

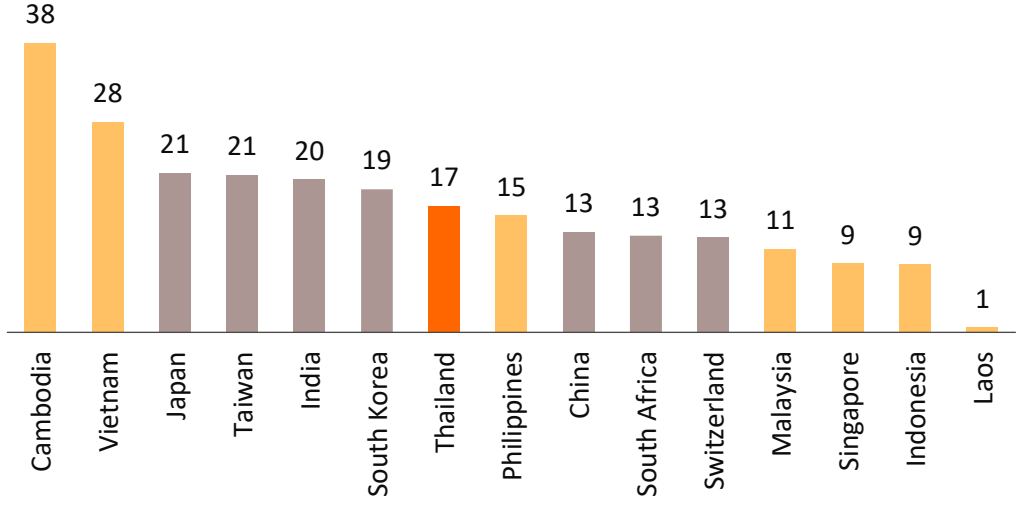
US President Donald Trump announced the implementation of universal tariffs, including a 10% import duty on most goods, starting April 5. **The reciprocal tariff rates, ranging from 13% to 50%, were previously planned to take effect on April 9 for around 60 nations, including Thailand,** that has a significant trade surplus with the US. However, the US announced a 90-day pause of the reciprocal tariffs but has still imposed the 10% global tariff.

- Under the reciprocal tariff, ASEAN nations would be broadly affected, with the highest tariff rates imposed on Cambodia (49%), followed by Lao PDR (48%), Vietnam (46%), Myanmar (44%), Thailand (previously announced at 36%, later revised to 37%, and now corrected back to 36%), and Indonesia (32%). Several ASEAN economies exhibit significant export dependency on the US market, with Cambodia leading at 38% of its total exports, followed by Vietnam (28%), Thailand (17%), and the Philippines (15%). Regarding the world's major countries, the hardest hit is China, facing a 145% tariff, followed by India (26%), South Korea (25%), Japan (24%), and the European Union (20%).
- The new reciprocal tariff rates are higher than our previous estimate, as the method used by the US is different from what they previously announced, i.e., only considering differences in MFN tariff rates, Value Added Tax (VAT) rate, currency manipulation, and non-tariff barriers.

**US Reciprocal Tariffs of Selected Countries** (%)



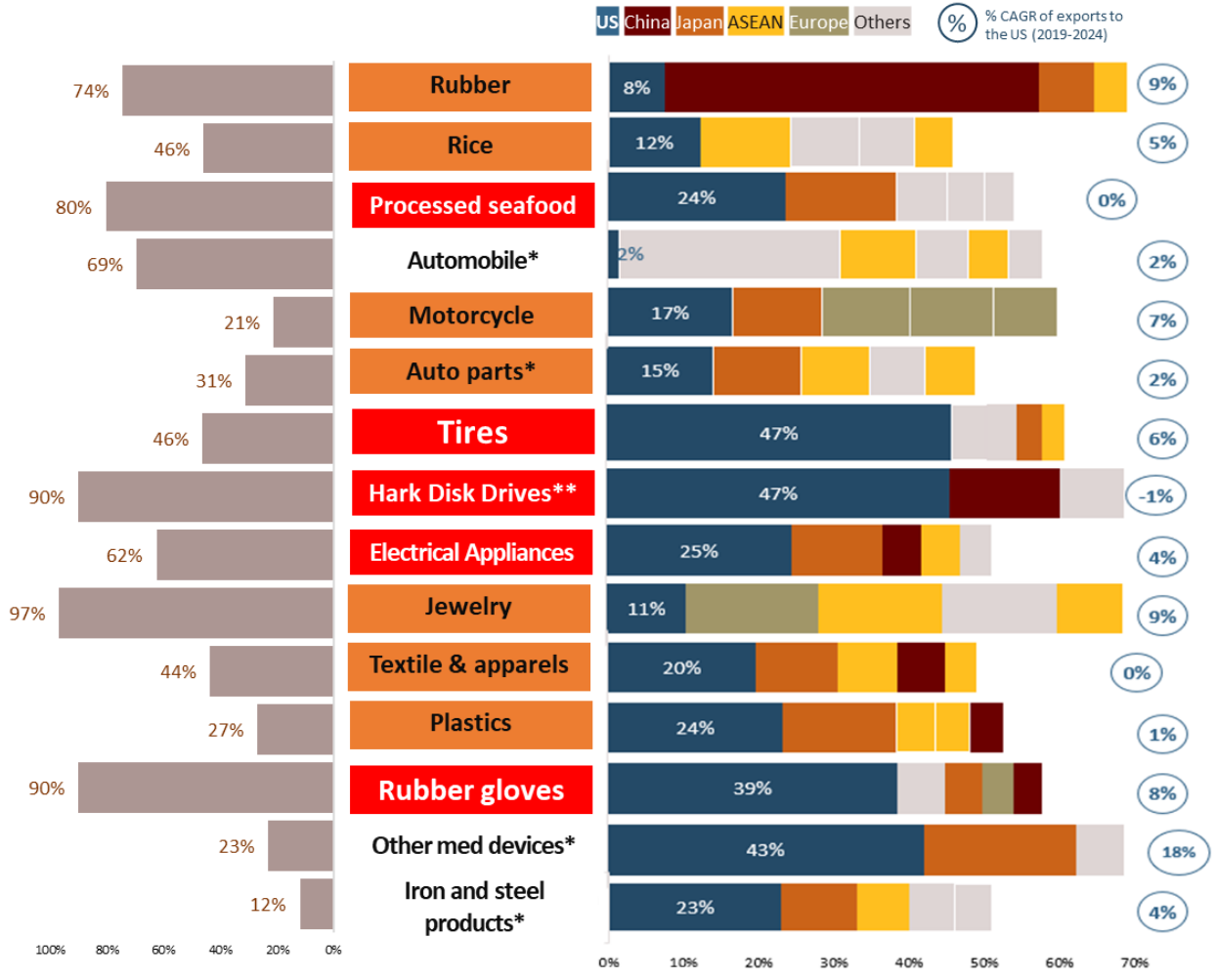

**Exports to US** (% of total exports)




Source: The White House, WITS, CEIC, Krungsri Research

# *Short-term impact* of reciprocal tariffs could push Thai exports to near zero growth; Losses could have negative spillover, hurting from agricultural to manufacturing sector

**% of Thai export to total production** | **% of export to the US and the top-5 markets (2024)**




Source: WITS, MOC, Trademap, FTI, OIE, OAE, USDA, PIU NESCD, and Krungsri Research

In the short term, the US reciprocal tariffs could halt Thai export growth, potentially reducing it to near zero this year if no progress is achieved in tariff reduction negotiations. Based on the recent tariffs between the US and Thailand, coupled with other relevant factors, **the following export sectors are expected to experience significant declines:**

## High impact:

- **Processed Seafood, Tires, HDDs, Electrical Appliances, Rubber gloves:** Previously, the US has imposed low tariffs on these Thai products, and the US has consistently been the top market for these goods. So, a substantial increase in US tariff rates could severely impact Thai exports and production of these products, which depend on the export market.

## Moderate impact:

- **Rubber, Rice, Motorcycle, Auto parts, Jewelry, Textiles and apparels, Plastics, Other medical devices, and Iron and Steel Products:** While the US remains Thailand's largest market for these goods, other markets hold substantial shares. Or, additionally, Thailand primarily produces these products for domestic use.

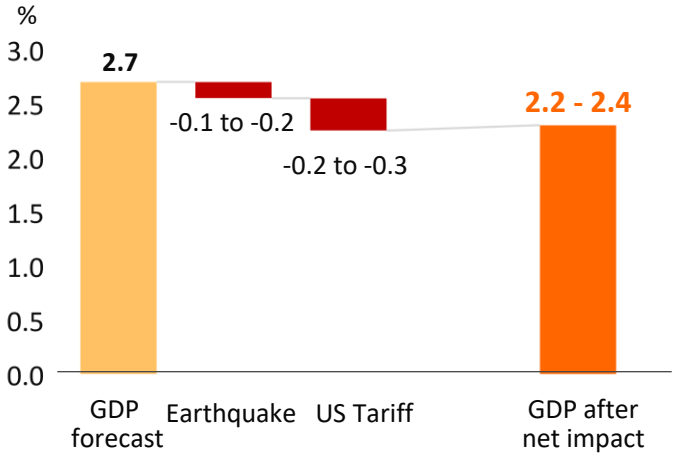
**These industries, especially processed seafood and tires, could trigger spillover effects along supply chains, negatively impacting both agricultural and manufacturing productions, Thailand's labor market, and overall purchasing power.**

Note: ∗ = Not subject to 36% tariff.
∗ For iron, steel, and aluminium products, and auto and parts, tariff rate is at 25% as previously announced.
∗ Medical devices along with semiconductor and other products (copper, wood products, energy, minerals) are also not included, as specific tariff is expected later (Source: MOC, April 6, 2025).
∗∗ Temporary exemption (as of April 12, 2025)

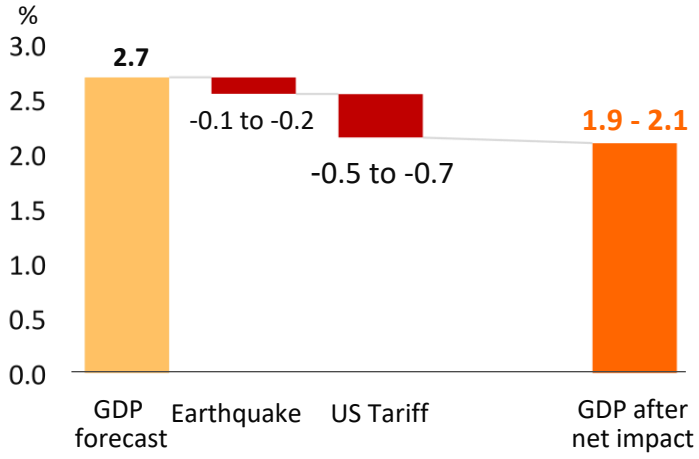
# *Economic scenarios: Twin shocks* from March earthquake and US tariff hikes may have significant impacts on Thai economic outlook

**Scenarios of 2025 Thai GDP Growth Forecast**

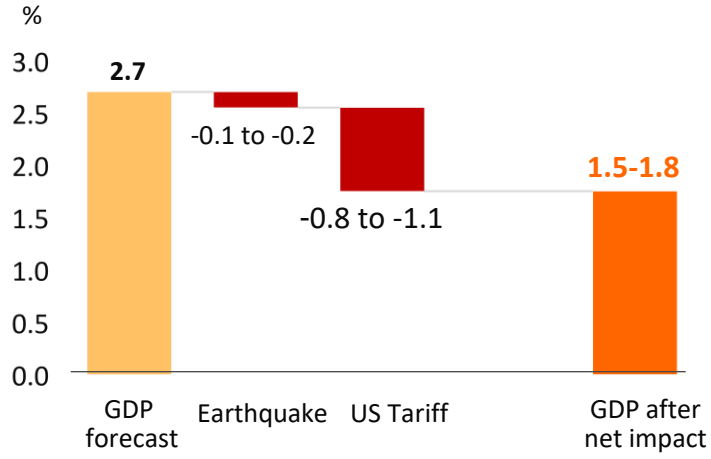
**Scenario A: US 10% tariffs**
Impact on Thai exports would be limited.




**Scenario B: US reciprocal tariffs for 3-6 months**
Exports would be adversely affected for 3-6 months




**Scenario C: US reciprocal tariffs for over 6 months or Thailand faces relatively higher tariffs than competitors.**
Export growth this year would be close to zero.




## Upside

- Thai government successfully negotiates with Trump earlier than expected.
- Trump significantly delays the effective date for Thailand.
- Thai government introduces very effective measures to mitigate the impact and/or boost domestic demand.

## Downside

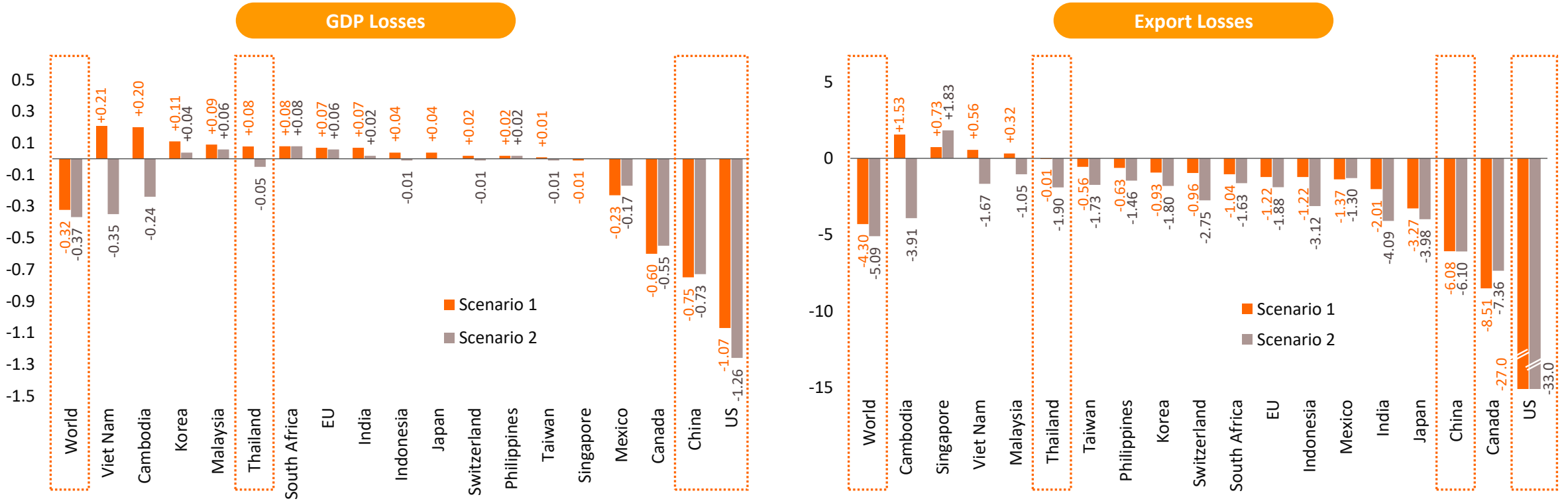
- Thai government cannot successfully negotiate with Trump at all.
- Cambodia and Vietnam, and/or other competitors can successfully negotiate, bringing their tariffs significantly down.
- Trump introduces more tariffs for Thailand in the near future, further hurting Thai exports.

Source: Krungsri Research

# *In the long term,* US and global economies will face largest GDP and export losses from tariff hikes; Thailand and ASEAN will suffer net losses if reciprocal tariffs are imposed

Scenario 1: **US imposes a 10% tariff on most countries** and a 145% tariff on China. China retaliates with a 125% tariff on US goods.
Scenario 2: **US imposes the announced reciprocal tariffs** on many countries and a 145% tariff on China. China retaliates with a 125% tariff on US goods.

**Long-term Impact of US Tariffs on GDP and Exports**
(% deviation from baseline)

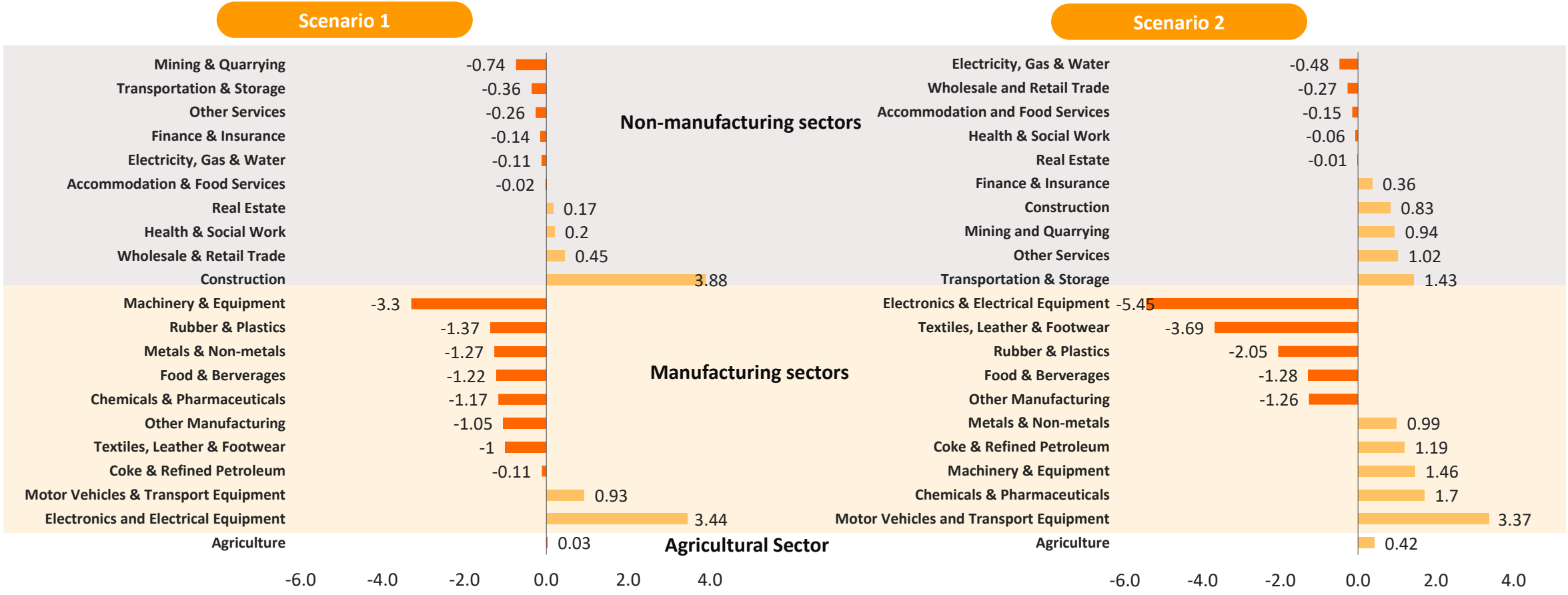



Source: GTAP, Krungsri Research

# *Most Thai industries* face long-term losses from tariff hikes and surging imports from China. Some sectors may see a positive substitution effect, investment relocation, or export rerouting

Scenario 1: **US imposes a 10% tariff on most countries** and a 145% tariff on China. China retaliates with a 125% tariff on US goods.
Scenario 2: **US imposes the announced reciprocal tariffs** on many countries and a 145% tariff on China. China retaliates with a 125% tariff on US goods.

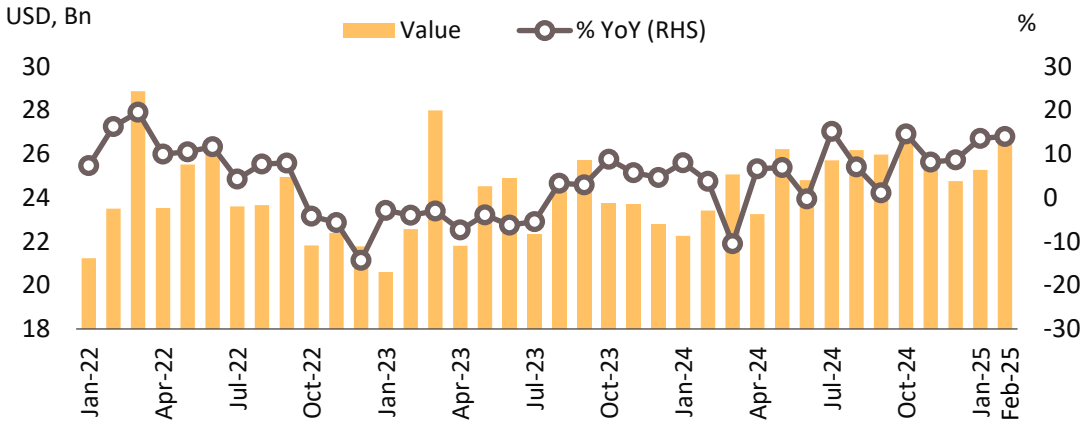
**Long-term Impact of Tariffs on Thailand's Industries** (% deviation from baseline)



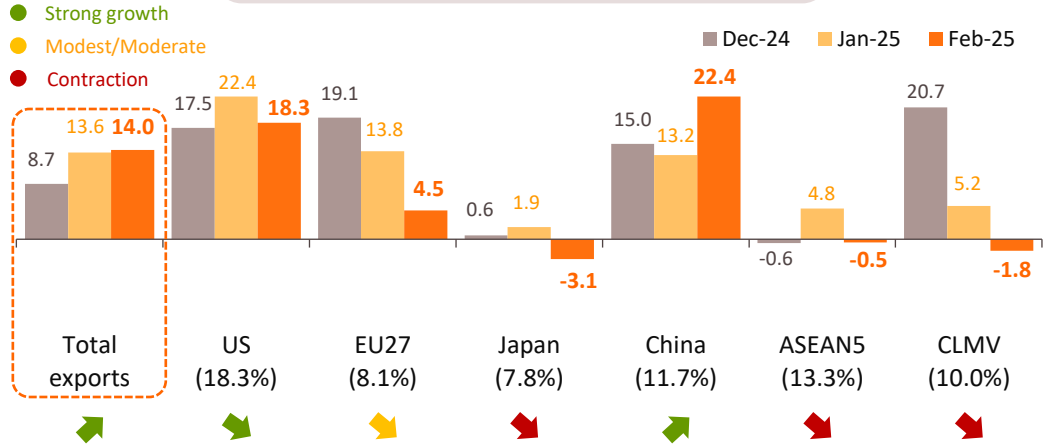

Source: GTAP, Krungsri Research

# Export growth holds up in February, but with temporary demand amid concerns over tariff hikes

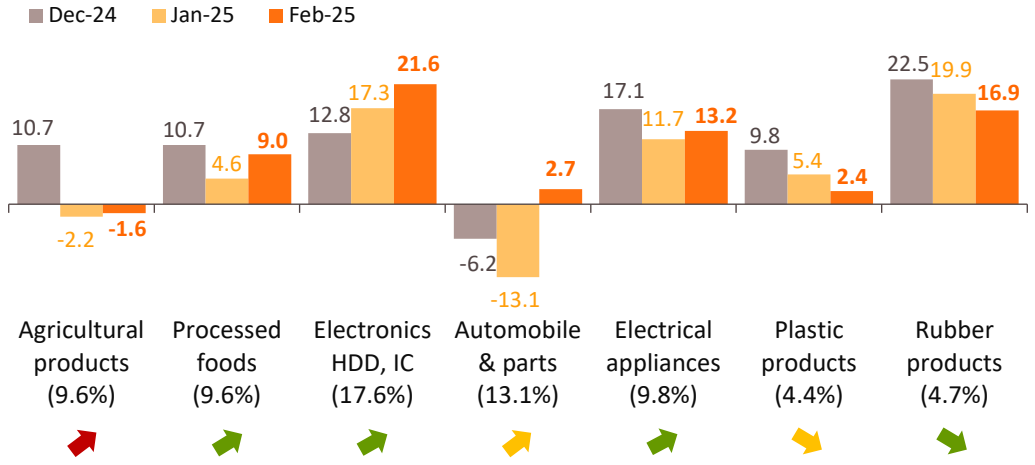
**Exports**




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




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




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

## Krungsri Research's view

- **In February, merchandise export value expanded for the eighth straight month by 14.0% YoY to USD 26.7 bn.** Excluding oil, gold & weapons, exports rose 14.6%, led by computers & parts, air conditioners & components, circuit boards, and automobiles& parts, of which its growth turned positive for the first time in three months. However, exports of some key categories contracted, such as rice, iron, steel & products, and fresh, chilled, frozen & dried fruits. By destination, exports continued to expand in major trading partners such as the US, China, and the EU. For the first two months of 2025, export value expanded by 13.8%.
- Thailand's exports face rising risks amid US trade policy uncertainty. Although the 36% reciprocal tariff was postponed for 90 days, a 10% baseline tariff still applies to most Thai goods, with temporary exemptions for electronics like smartphones, semiconductors, and memory cards starting April 5. Although short-term impacts may be limited by a 90-day pause on reciprocal tariffs, Thai exports still face rising competition from countries with similar goods under equal tariff rates. Uncertainty remains over whether the US will reinstate the 36% reciprocal tariff after July, and trade talks have yet to yield clear results, both weighing on 2H25 export outlook.

# Despite a 90-day pause of reciprocal tariffs, high uncertainties over US trade policy, negotiation result, and flooding Chinese goods cloud export outlook

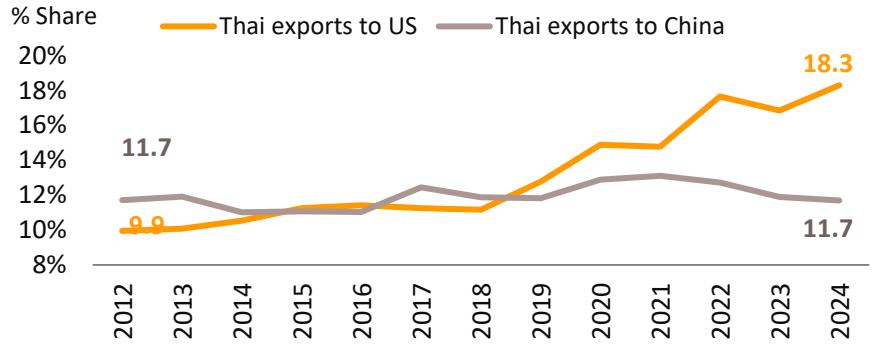
In the first two months of 2025, Thai exports grew 13.8% YoY (based on MOC data), led by Industrial products, which expanded by 17.1% (including computers & components, plastic products, and electrical appliances), agro-industrial products which expanded by 6.7% (such as canned & processed seafood, pet food and sugar). However, exports of agricultural products decreased by -1.9%, led by rice and fresh, chilled, frozen & dried fruit. Also, exports of cars and parts continued to contract. Rising global trade tensions, driven by the US imposing a 10% baseline tariff on most imports (including from Thailand) effective April 5, and a pending 36% reciprocal tariff on Thai goods, are clouding the export outlook. Despite a 90-day delay in enforcement, exporters' concerns remain high. Thailand's export growth for 2025 is now likely to fall short of our earlier 2.7% forecast.

**Thai exports by major product and destination**

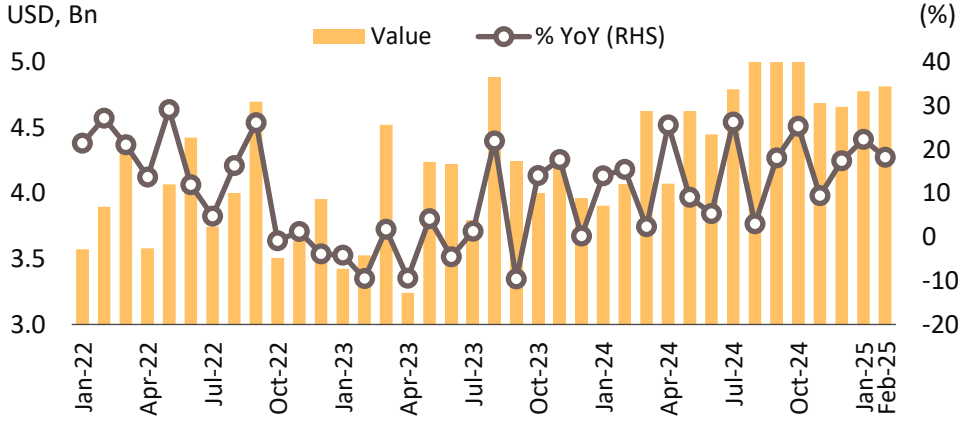
| Thailand: January-February's Export growth (% YoY) | World | US (18%) | EU (8%) | Japan (8%) | China (12%) | ASEAN-5 (13%) | CLMV (10%) |
|---|---|---|---|---|---|---|---|
| **Total** | **+13.8** | **+20.3** | **+8.7** | **-0.6** | **+17.9** | **+2.2** | **+1.7** |
| Cars & parts (10.3%) | -4.0 | +19.3 | -23.6 | -12.6 | -33.8 | -2.19 | +45.8 |
| Computer & parts (8.2%) | +28.3 | +38.8 | +88.8 | +11.6 | +115 | +6.5 | +134.4 |
| Rubber products (4.7%) | -0.5 | +9.0 | +8.5 | +0.3 | +62 | +8.0 | +3.8 |
| Plastic resin (2.9%) | -1.5 | +4.8 | -3.9 | +1.6 | -2.1 | +10.3 | +10.0 |
| Electronic IC (2.9%) | -7.6 | +30.1 | -9.5 | -13.7 | -21.7 | -5.8 | +308.3 |
| Chemical products (2.8%) | -8.0 | +51.9 | +5.2 | -4.2 | +50.8 | +6.0 | +16.4 |
| Fresh, frozen & dried fruit (2.2%) | +2.1 | -14.5 | -2.0 | +30.8 | -12.8 | +8.8 | +119.5 |
| Rice (2.1%) | +52.8 | +21.3 | +14.3 | -12.6 | -14.2 | -87 | +0.8 |
| Electrical appliances (1.8%) | +2.3 | +0.4 | +28.7 | -0.7 | +1.8 | +3.4 | +7.3 |
| Rubber (1.7%) | +18.8 | +25.8 | +5.8 | +50.6 | +79.0 | +3.2 | +45 |
| Plastic products (1.5%) | +7.6 | +34.6 | -10.4 | -3.5 | -10.6 | -0.2 | -3.9 |
| Preserved fish, crustaceans (1.3%) | +6.4 | +30.3 | +10.8 | +0.4 | +53.7 | +9.1 | -6.4 |
| Tapioca products (1.0%) | -23.9 | +37.2 | +16.3 | -12.6 | -10.1 | -24.1 | -70.4 |
| Sugar (0.8%) | +15.0 | +18,657.0 | -82.8 | -15.4 | +346.5 | +9.6 | +31.8 |

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

**Thai exports to the US and China (%share)**



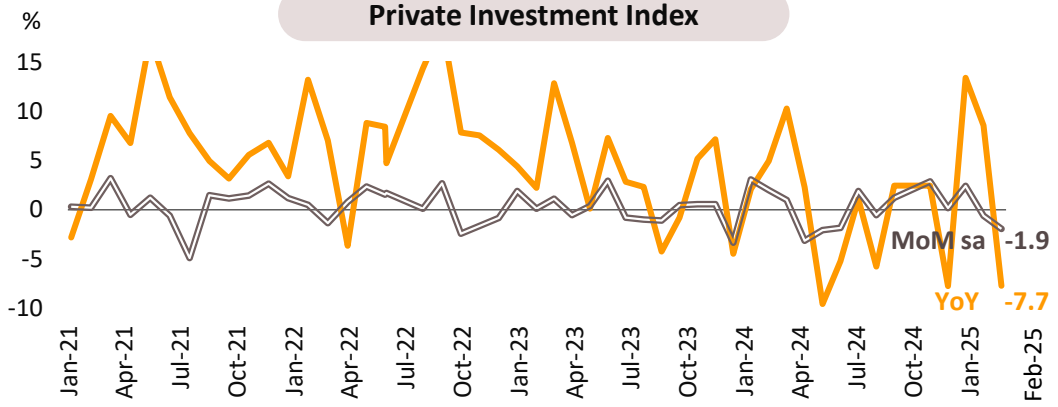

**Thai exports to the US**



# *Private investment* lost momentum, facing ongoing pressure from structural problem, earthquake impact, and global trade challenges

In February, the Private Investment Index contracted by -7.7% year-on-year and declined by -1.9% MoM sa. Investment in machinery and equipment declined again, in line with a drop in imports of capital goods. Vehicle investment dropped, mainly due to a decline in passenger car production. Meanwhile, construction continued to contract, in line with the sluggish real estate market. **The private investment is facing increasing headwinds, including structural challenges and intensifying global trade tensions.** As a result, some businesses may delay investment decisions while awaiting clearer signals on trade policies from major economies, which could dampen foreign direct investment inflows into Thailand. In addition, despite rehabilitation spending in response to the March earthquake, the weaker outlook of the property sector could also adversely affect business investment.

**Private Investment Index**

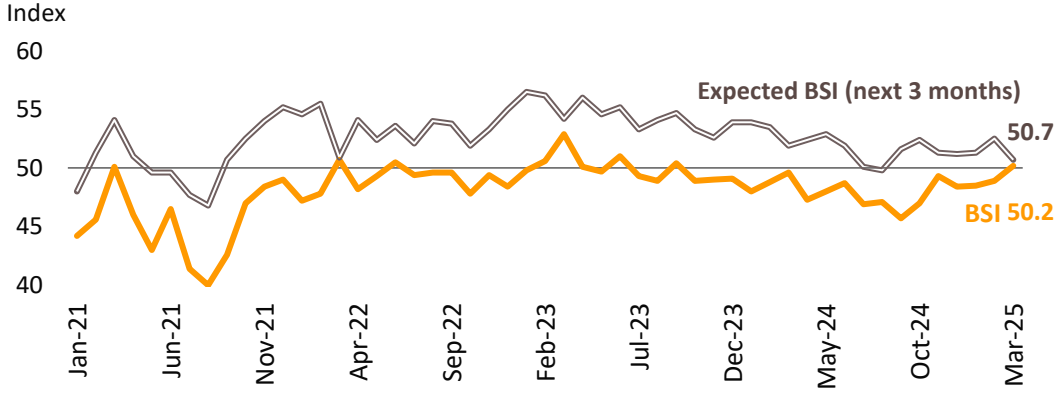



**Private Investment Index by category**

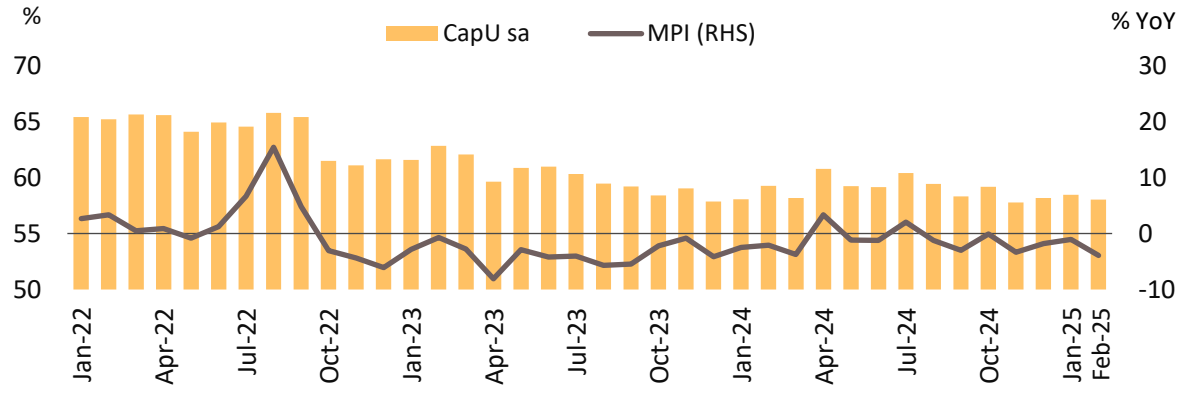
| %YoY* | 2022 J | F | M | A | M | J | J | A | S | O | N | D | 2023 J | F | M | A | M | J | J | A | S | O | N | D | 2024 J | F | M | A | M | J | J | A | S | O | N | D | 2025 J | F |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Private investment** | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | -7.7 |
| Vehicle | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | -10.1 |
| Machinery and Equipment | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | -6.8 |
| Construction | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | -8.5 |

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

**Expected Business Sentiment (next 3 months) hits 7-month low**




**Manufacturing Production Index and Capacity Utilization Rate**

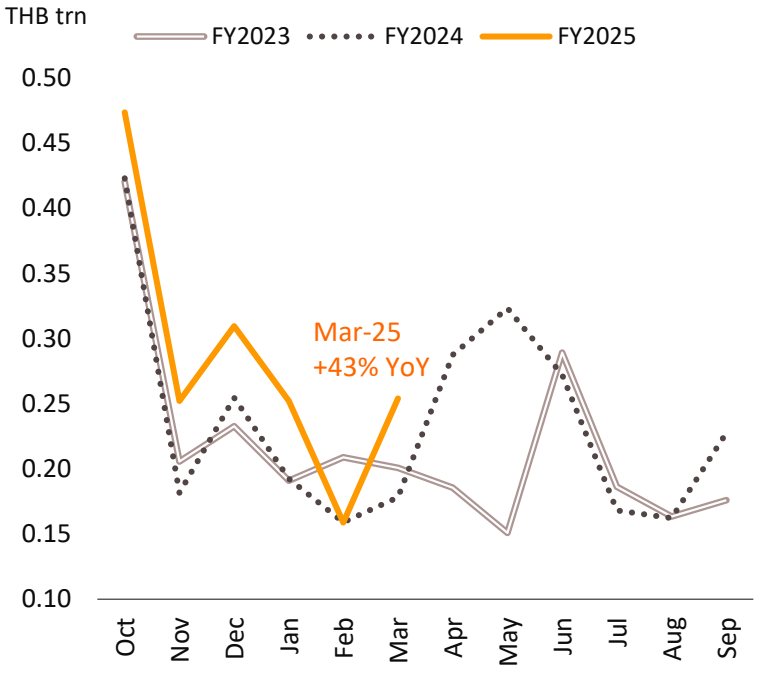



Source: BOT, OIE, Krungsri Research

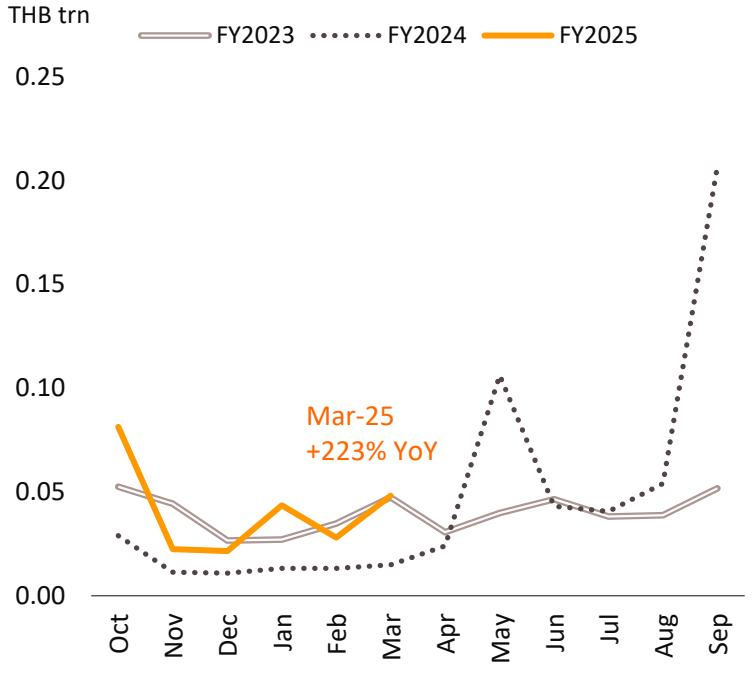
# Government spending remains a key growth driver in 1Q25; disbursements are likely to normalize going forward

Preliminary data from the Ministry of Finance showed that disbursement of the current budget increased by 43% YoY in March and disbursement of the capital budget surged by 223%. In the first half of FY2025 (October 2024 to March 2025), disbursement of the current budget increased 22.4% YoY to THB 1.7 trn, accounting for 61% of the annual budget. For the capital budget, the government's disbursement surged by 165% YoY to THB 0.24 trn, accounting for only 25% of the annual budget. **In the second quarter of FY2025 (January-March), total budget disbursement expanded by 37.4% from the same period last year but declined by -32.4% from the previous quarter.**

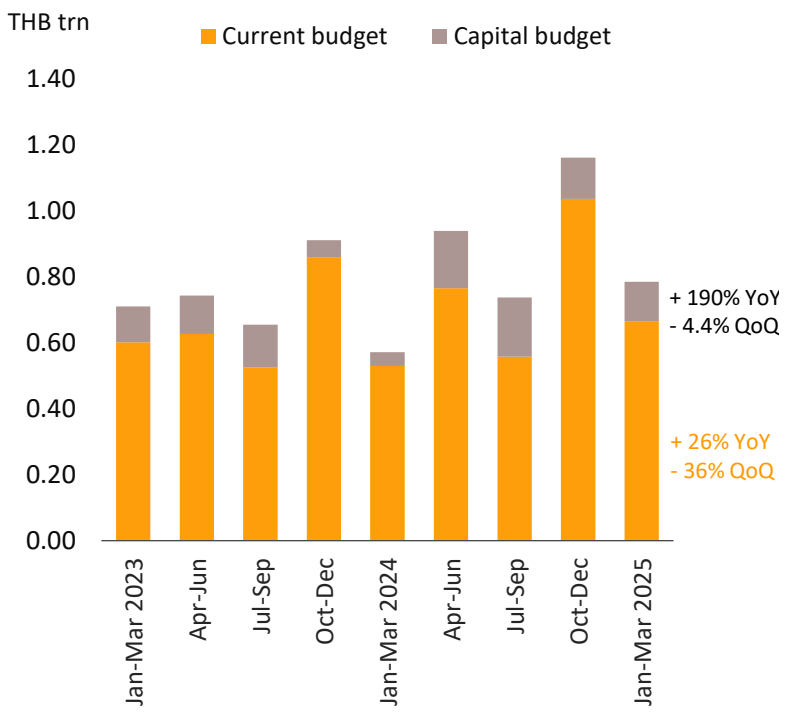
**Disbursement of current budget**




**Disbursement of capital budget**




**Quarterly disbursement**

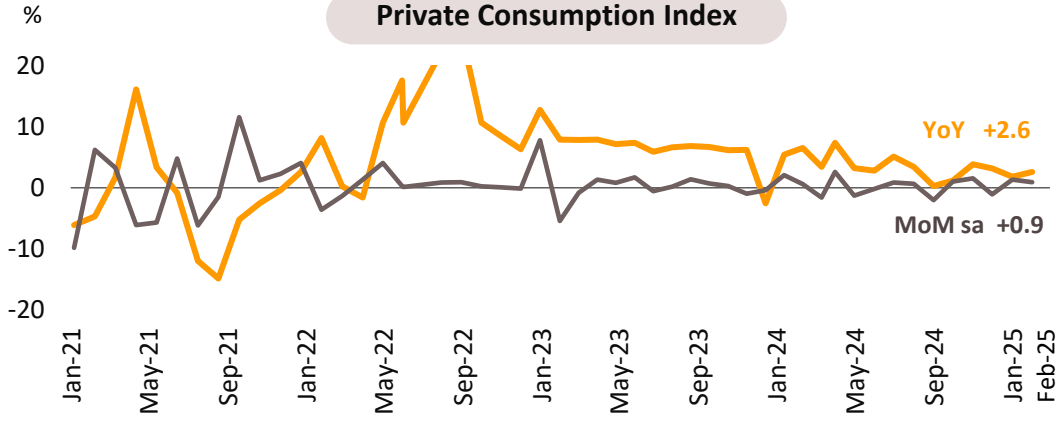



Source: MOF, Krungsri Research

# Service sectors and short-term stimulus helped lift *private consumption* early this year, but the outlook remains under pressure

**In February, the private consumption index (PCI) grew by 2.6% YoY**, supported by growth in the services category. Key drivers included (i) the recovery of the tourism and other service sectors, and (ii) short-term stimulus measures. **However, the outlook for private consumption may weaken** due to (i) a continued decline in consumer confidence in response to the March earthquake; (ii) downside risks to the Thai economy due to US tariff hikes and escalating trade tensions between the US and China; (iii) sluggish income growth, as reflected by the average real income in 2024 which increased by only 3.2% compared to pre-COVID levels (in 2019); (iv) a slowdown in agricultural income due to price-related factors; and (v) persistently high household debt.

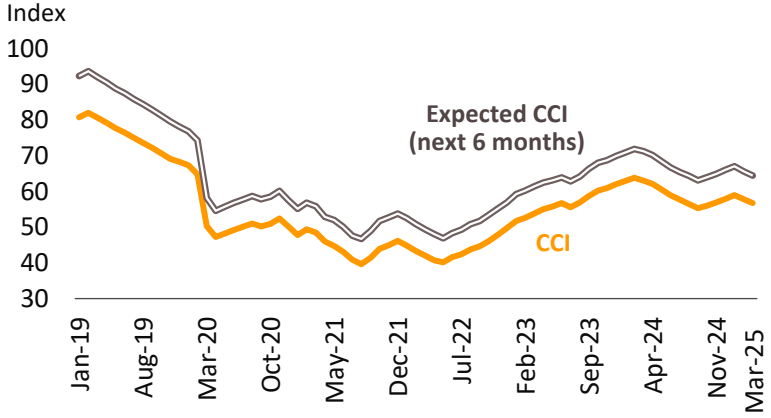
## Private Consumption Index



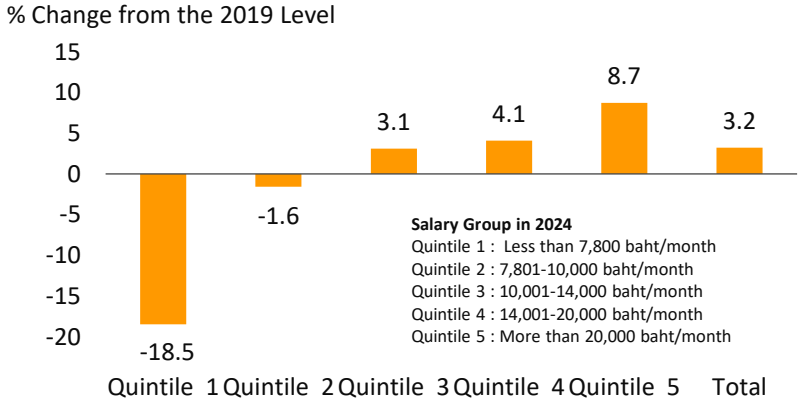

## Private consumption index by category

| %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 | F |
| **Private consumption** | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | 2.6 |
| Non-durables | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | -2.4 |
| Semi-durables | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | 0.2 |
| Durables | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | -1.5 |
| Services | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | 7.3 |
| Non-residents expenditure | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | 4.7 |

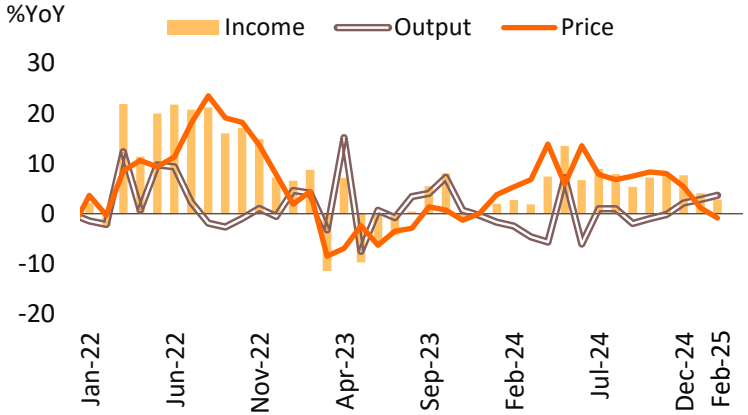
## Consumer confidence continued to fall in March




## Average Real Wage by Salary Group (2024)




## Farm income slowed down following price effect

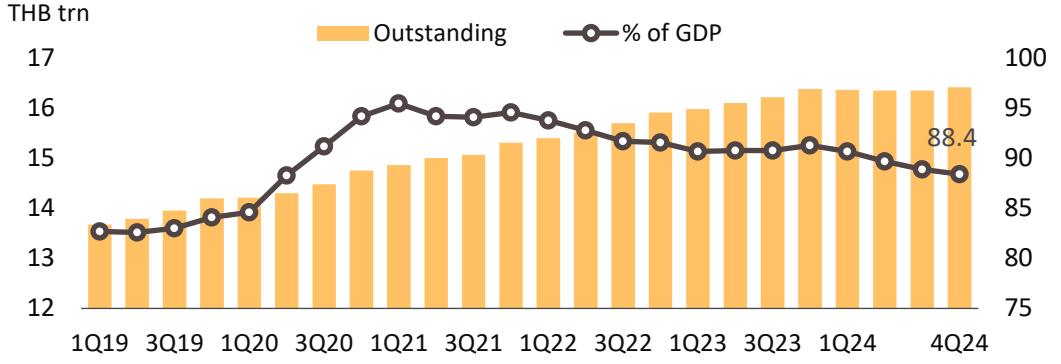



Source: BOT, UTCC, OAG, NSO, CEIC, Krungsri Research

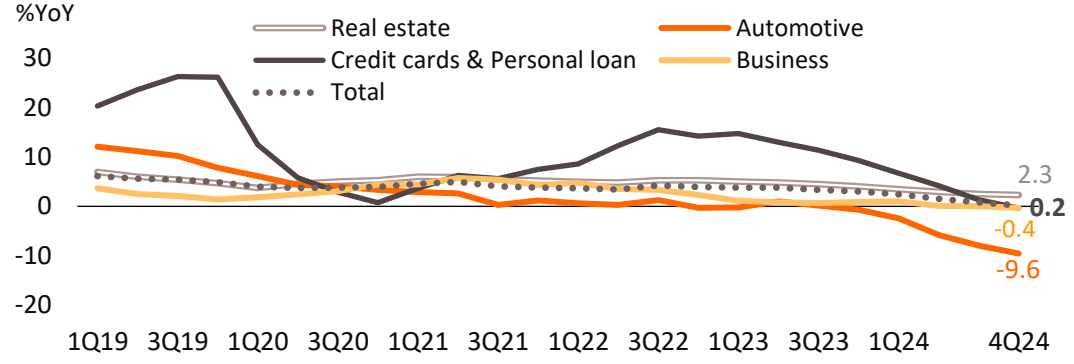
# Household debt slowed to 88.4% of GDP in 4Q24, mainly due to a contraction in automobile loans

Thailand's household debt edged up only 0.2% YoY in 4Q24, while the household debt-to-GDP ratio continued to decline, reaching 88.4%, the lowest level since 3Q20. The slowdown in household debt was mainly driven by a contraction in auto loans, credit card loans, and personal loans, while real estate loans also showed signs of deceleration. In terms of debt quality, non-performing loans (NPLs) at Thai commercial banks stood at THB 496.1 bn in 4Q24, accounting for 2.71% of total loans vs 2.66% at end-2023. For consumer loans, credit-card NPLs increased from 3.57% of total loans at end-2023 to 3.83% at end-2024. Real estate NPLs rose from 3.34% to 3.88% in the same period. Auto loan NPLs remained steady at 2.13% but could rise in the coming period. This trend is reflected in the Significant Increase in Credit Risk (SICR or Stage 2) group, which remained elevated at 15.6% of total loans at end-2024 from 14.29% at end-2023.

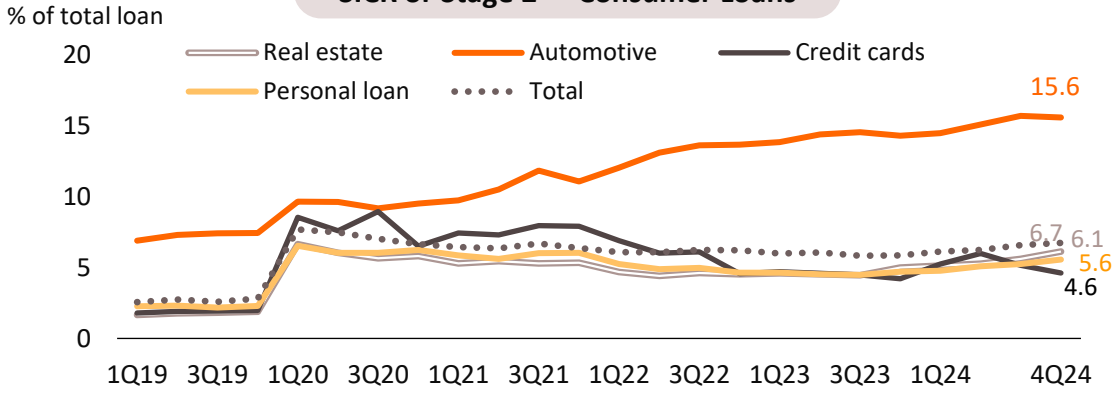
**Household debt remains high at 88.4% of GDP in 4Q24**



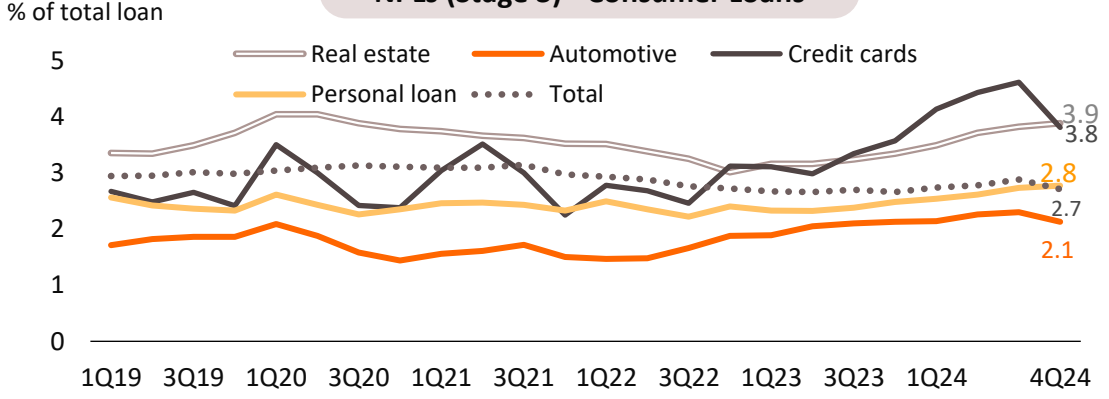

**Household debt growth by portfolio**




**SICR or Stage 2* - Consumer Loans**



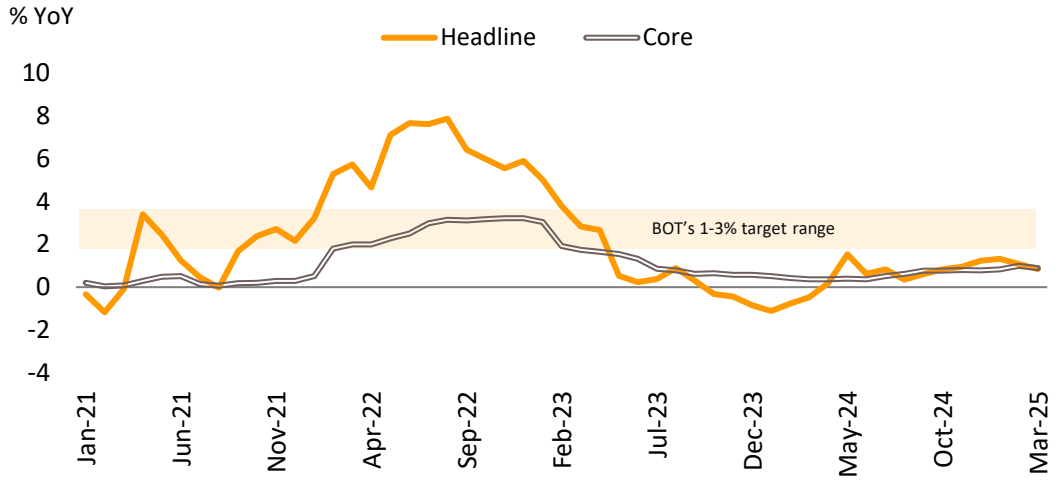

**NPLs (Stage 3) - Consumer Loans**



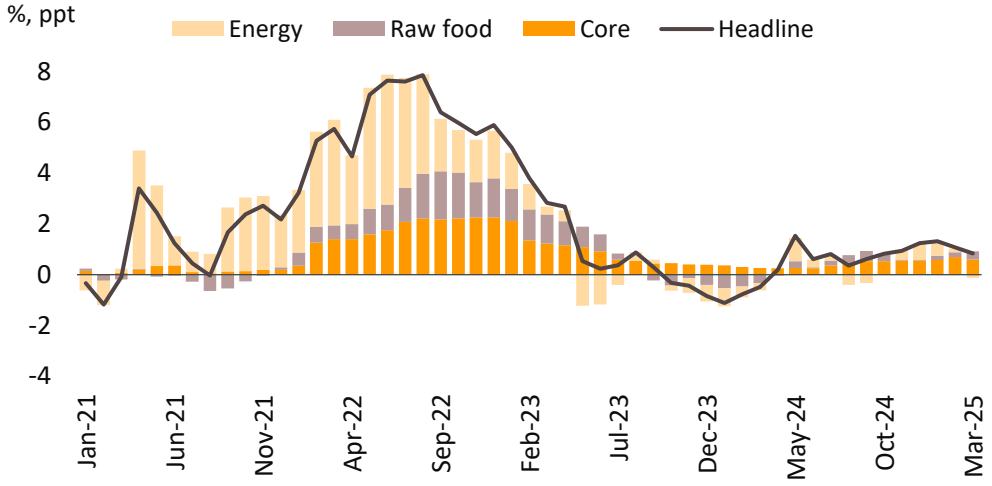

Note: Stage 2 = the debt is overdue for more than 30 days but less than 90 days
Source: BOT, Krungsri Research

# March inflation softened to below the BOT's 1-3% target range, and full-year average likely to be less than our 1% forecast

**Headline and Core Inflation**




**Contribution of Inflation**




**Energy Subsidy Policies**

| Energy cost | Details |
|---|---|
| **Electricity fee** | Capped at THB 4.15 a unit in May- August 2025 |
| **LPG price** | Capped at THB 423 per 15-kilogram cylinder (end of June 2025) |
| **Diesel price** | Cut of 1 THB/liter, split into two reductions of 0.50 THB/liter each on March 28 and April 4. |

**Krungsri Research's view**

- **In March, Thailand's headline inflation eased to 0.84% YoY,** down from 1.08% in February, mainly due to falling prices of fresh food (e.g., vegetables, eggs, and dairy products) and domestic retail fuel. Core inflation, which excludes raw food and energy prices, also slowed to 0.86% from 0.99% in the previous month. For the first quarter of this year, the average headline and core inflation rates stood at 1.08% and 0.89%, respectively.
- Headline inflation in March fell below the BOT's 1-3% target range for the first time in four months and is expected to stay subdued in 2Q25. The decline reflects the fading low-base effect and government subsidies on energy prices, including electricity, LPG, and diesel. Meanwhile, the global economic slowdown from the US-China trade war is pushing down crude oil prices. As a result, **2025 inflation is likely to be less than expected, averaging below our earlier 1% forecast.**

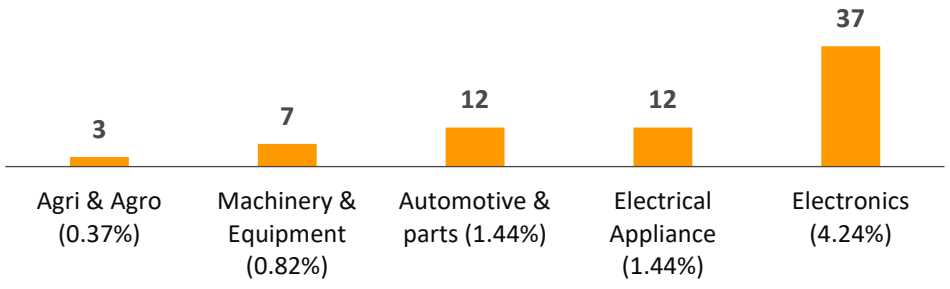
Source: MOC, CEIC, Krungsri Research

# *Forward guidance on policy rate:* BOT assesses that the current US tariffs hit "some" sectors and requires supply-side policy as a remedy, increasing the likelihood of a dovish hold this month

**Thailand's export share (% of total exports, 2024):**
**5 key sectors account for around 75% of Thai exports to US**

| | Product Group | ASEAN | US | China | EU | Japan | Others |
|---|---|---|---|---|---|---|---|
| Rank | Total | 23.3 | 18.3 | 11.7 | 8.1 | 7.7 | 30.8 |
| 1 | Electronics | 1.7 | 5.1 | 1.3 | 1.7 | 0.5 | 3.1 |
| 2 | Electrical Appliances | 1.6 | 2.6 | 0.3 | 0.9 | 1.0 | 2.4 |
| 3 | Machinery | 1.4 | 2.2 | 0.6 | 1.2 | 0.9 | 2.3 |
| 4 | Automobiles and Parts | 3.3 | 2.0 | 0.2 | 0.9 | 0.8 | 7.4 |
| 5 | Agricultural & Agro-Processed | 4.1 | 1.6 | 3.9 | 0.8 | 1.5 | 4.9 |
| 6 | Steel and Metal Products | 1.3 | 0.8 | 0.8 | 0.3 | 0.6 | 1.5 |
| 7 | Petrochemical & Chemicals | 2.2 | 0.6 | 1.3 | 0.2 | 0.8 | 2.0 |
| 8 | Rubber and Rubber Products | 0.4 | 0.5 | 1.5 | 0.4 | 0.3 | 0.8 |
| 9 | Textiles and Apparel | 0.5 | 0.4 | 0.1 | 0.2 | 0.2 | 0.6 |
| 10 | Others | 6.9 | 2.4 | 1.7 | 1.5 | 1.1 | 5.8 |

**Investment in 5 key export industries to the US (THB bn):**
**Total of THB 70 bn, accounting for 8.3% of total BOI approvals**




(Share of Total BOI Investment Approvals)

Source: BOT, Krungsri Research

**The BOT's latest media briefing signals a wait-and-see stance in April meeting.**

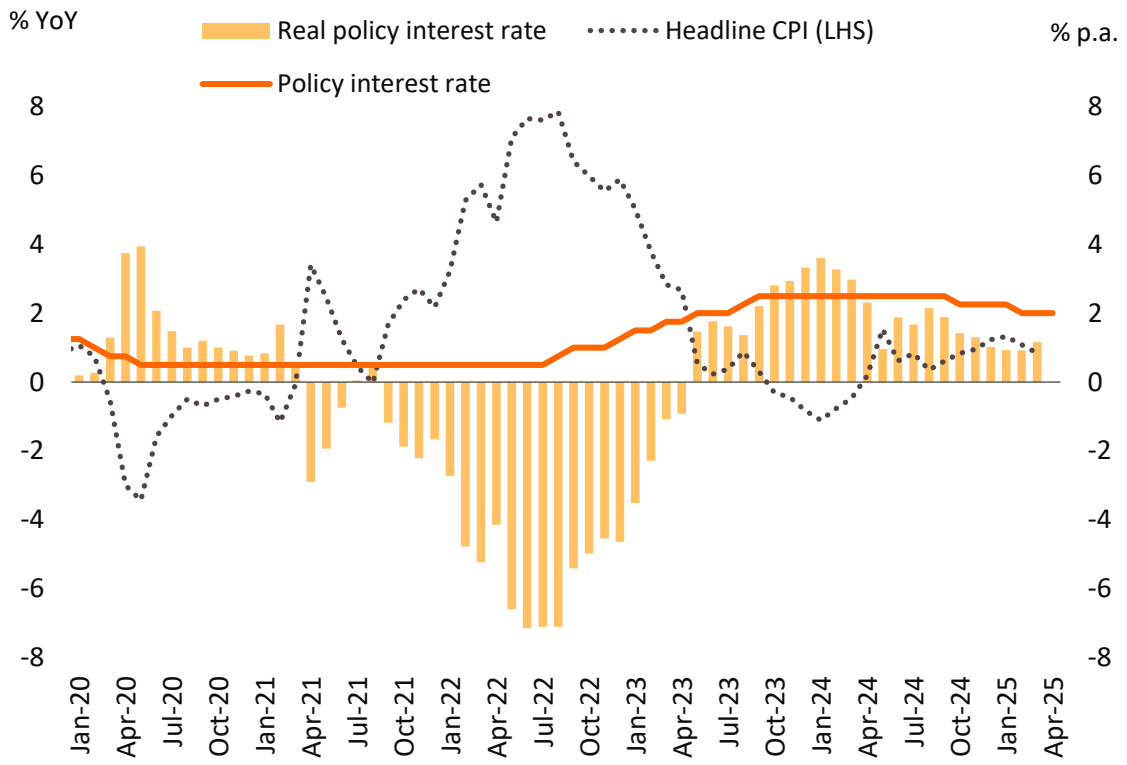
| The BOT's key messages on April 17 | Implications or forward guidance |
|---|---|
| • The US 90-day pause of reciprocal tariffs will delay the impact to 2H25 onwards. | → No rush for a rate cut given limited policy space. |
| • The BOT base scenario used for the last meeting is the US tariff of around 10%, the same as the current event. | → BOT has already taken into account the impact of the US 10% tariff on its recent economic outlook. |
| • The tariff impact will be faced in just ***"some"*** sectors, mostly on ***the supply side,*** not a broad-based impact. | → Supply-side problem requires targeted supply-side policies (rather than demand-side policy, i.e., rate cuts). |
| • The BOT believes that the lower inflation comes from supply-side factors. | → Monetary policy tools cannot influence supply-side inflation. |

**Exposure to the Thai Economy: Sectoral Export Shock**

| Direct impact on Thai exports to US | % of total Thai exports | Products | No. of SMEs | Value added from exports (% of GDP) |
|---|---|---|---|---|
| 1. Sectoral tariffs | 2.4% | Automobiles & Parts (incl. Tires), Steel & Aluminum | 363 | 0.9 |
| 2. Reciprocal tariffs: 90-day pause | 10.6% | Machinery, Electrical Appliances, Agri & Agro-Processed, Petrochemical & Chemical, Textiles & Apparel, Others | 4,437 | 1.2 |
| 3. Sectoral Tariffs - not yet increased | 5.3% | Electronics, Copper, Pharmaceuticals, Wood | 190 | 0.1 |
| **Total** | **18.3%** | | 4,490 | **2.2** |

# MPC is expected to adopt a wait-and-see stance in April, but rising downside risks raise the chance of rate cuts later this year

**Real policy interest rate**




Source: MOC, BOT, Krungsri Research

**Krungsri Research's view**

- **Krungsri Research expects the MPC to adopt a wait-and-see stance by maintaining the policy interest rate at 2.0% at its upcoming meeting on April 30 due to the following reasons:**
  i. Given the US announcement of 90-day pause of reciprocal tariffs for many countries, including Thailand (36% tariff) and tariff exemption of several electronic products, the impact of the current 10% tariff on the Thai economy could be limited and may have been taken into account on the BOT's latest economic forecast. In addition, Thai exports in some key sectors could accelerate in the near term in response to front-loaded demand amid concern over tariff hikes in the future.
  ii. The March 28 earthquake is expected to have temporary impacts on economic activity. Additionally, to help mitigate the impact, there have been targeted policy or relief measures provided by the government, the BOT, and financial institutions, such as debt suspension and interest rate reductions for affected borrowers.
  iii. Stimulus measures, including the government's budget of around THB 140 bn and tourism promotion campaigns, should help to improve domestic demand during Q2 and Q3 this year.
- **However, the more pronounced impact of tariff hikes in the second half of 2025, combined with waning effects of domestic stimulus measures and rising downside risks to economic growth, may prompt the MPC to consider a policy rate cut during that period.**

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