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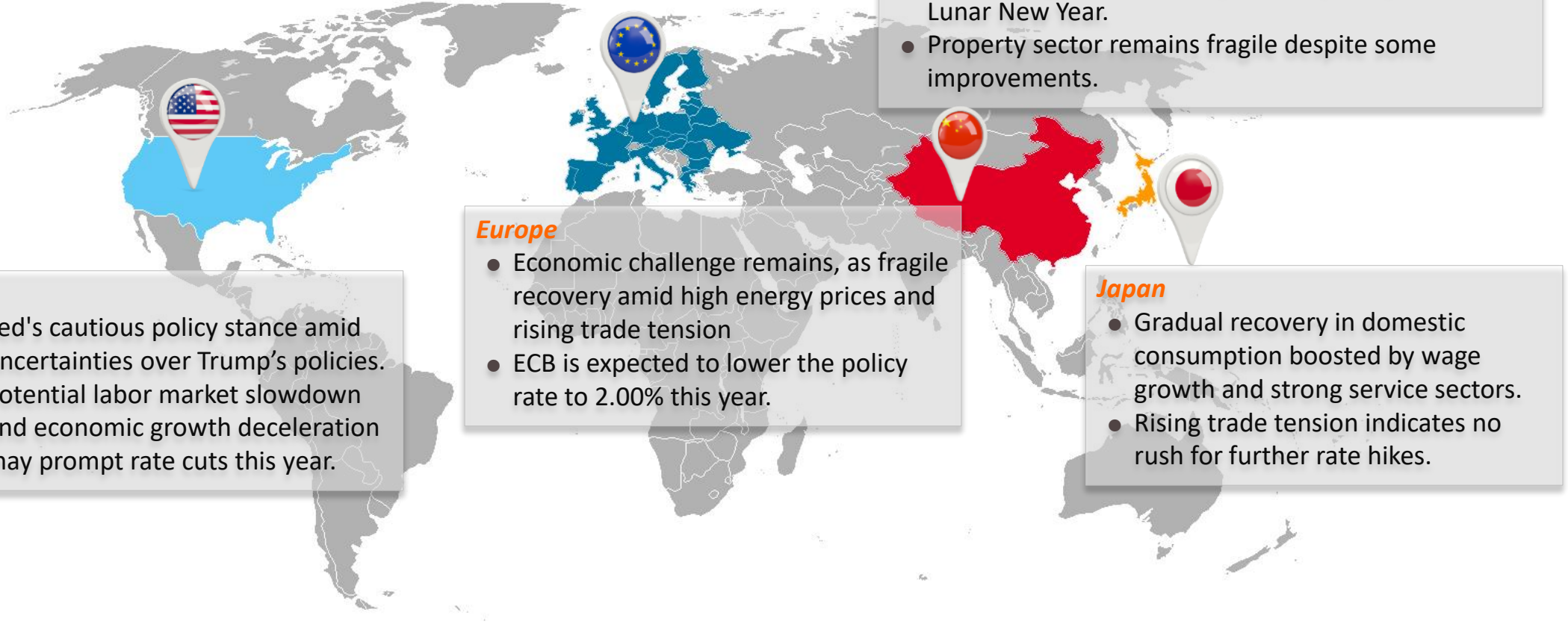
MONTHLY ECONOMIC BULLETIN

February 2025



Krungsri Research

Global: Trade war ignites, uncertainty looms, turbulent times ahead



China

- Economy still shackled by structural weaknesses as intensifying trade war eclipses temporary boost from Lunar New Year.
- Property sector remains fragile despite some improvements.

Europe

- Economic challenge remains, as fragile recovery amid high energy prices and rising trade tension
- ECB is expected to lower the policy rate to 2.00% this year.

US

- Fed's cautious policy stance amid uncertainties over Trump's policies.
- Potential labor market slowdown and economic growth deceleration may prompt rate cuts this year.

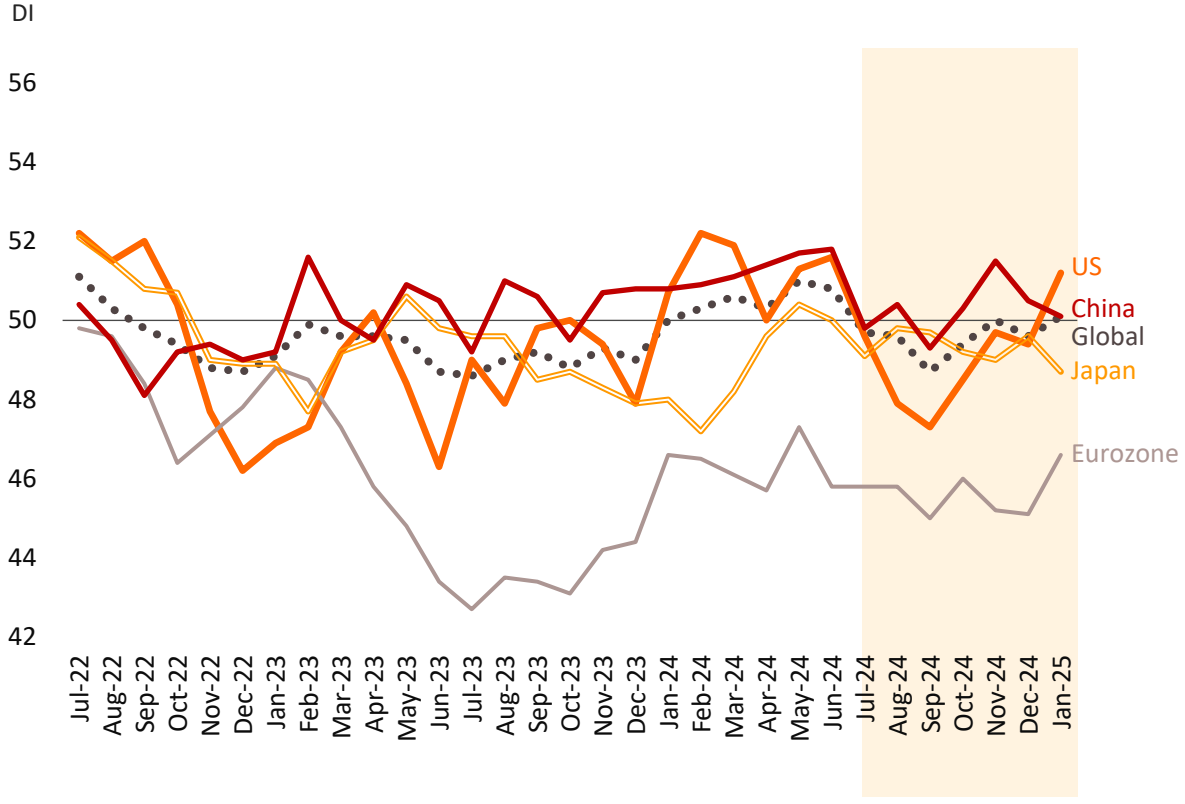
Japan

- Gradual recovery in domestic consumption boosted by wage growth and strong service sectors.
- Rising trade tension indicates no rush for further rate hikes.

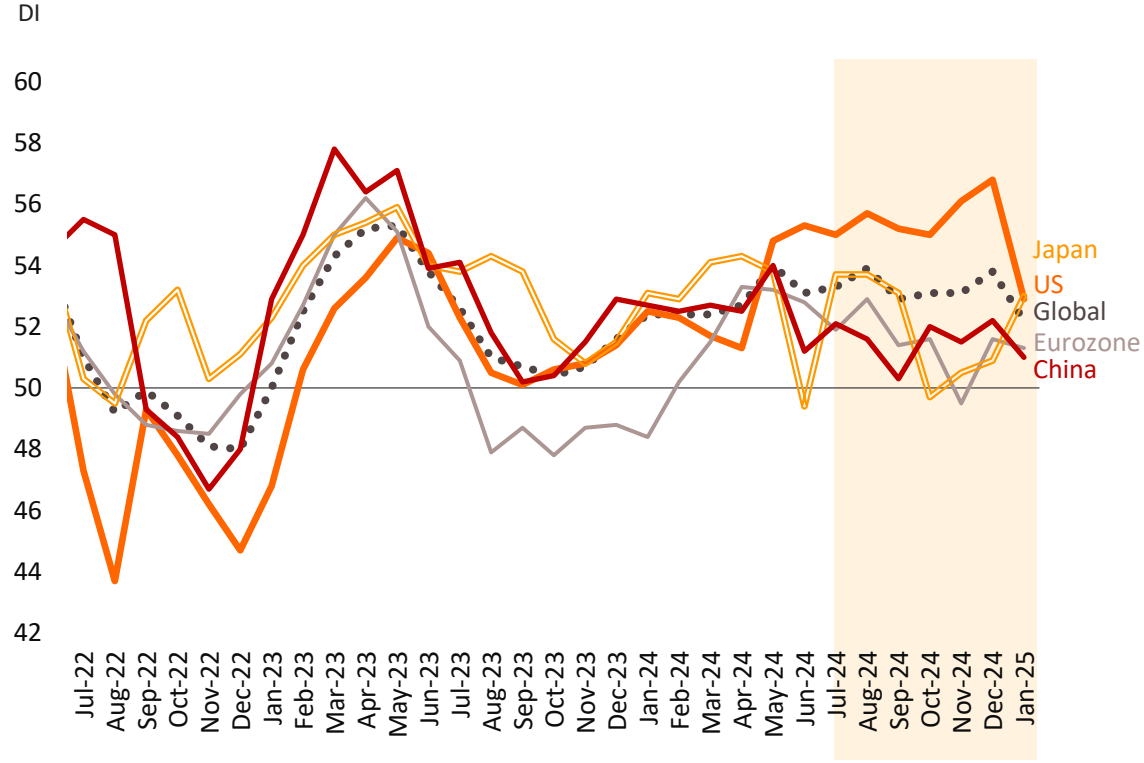
Global growth slows to a year-low in early 2025; manufacturing rebound struggles against service sector slowdown and rising trade tensions

The Global Composite PMI Output Index, covering manufacturing and services in over 40 economies, dropped from 52.6 in December to 51.8 in January. This level indicates global economic growth at an annualized rate of 2.3%, down from 2.7% in 4Q24, and below the pre-pandemic average of 3.1%. Growth in major economies remained driven by the services sector, though global services expansion decelerated. The US business activities continued to outpace those of other developed economies, while China's growth struggled with weak momentum.

Global Manufacturing PMI



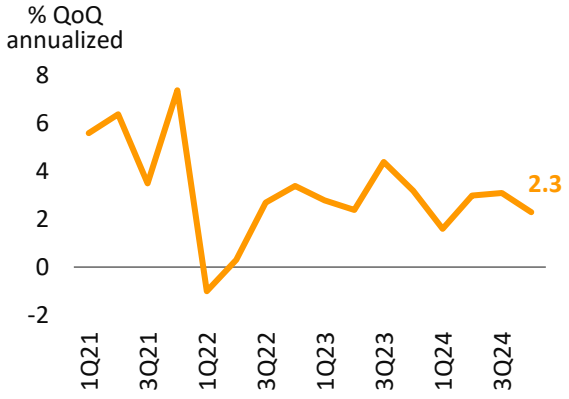
Global Services PMI



Source: S&P Global PMI, Bloomberg, Krungsri Research

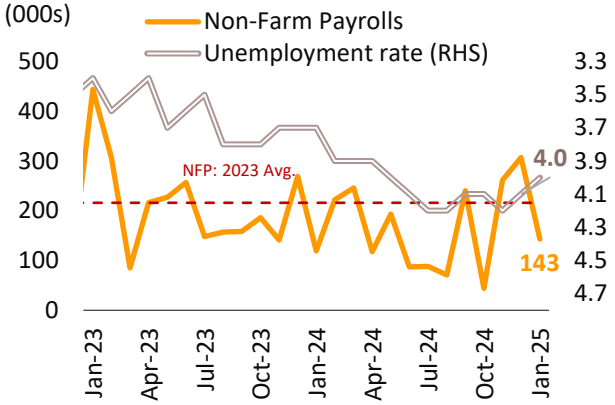
US: Fed's cautious policy stance amid uncertainties over Trump's policies; potential labor market slowdown and economic growth deceleration may prompt rate cuts this year

US GDP Growth

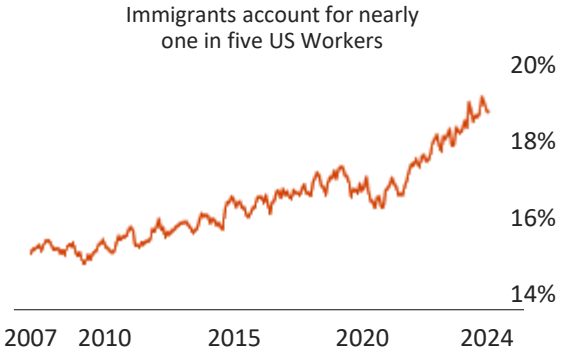


Source: BEA

Payrolls and Unemployment

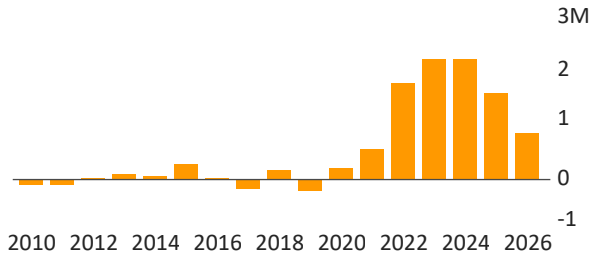


Foreign-Born Workers (% Share)



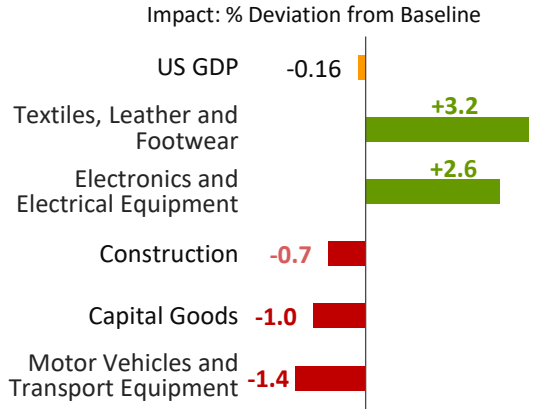
Note: Data are not seasonally adjusted.

Change in Unauthorized Immigrants



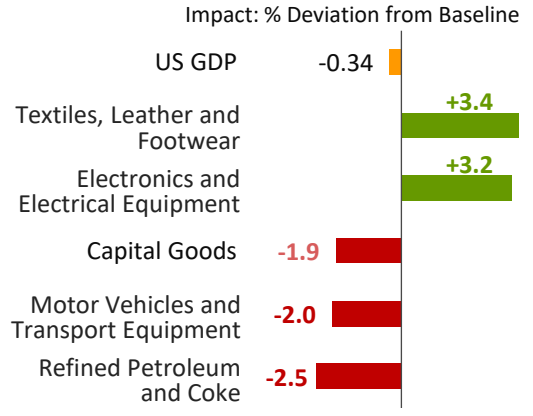
Note: Chart based on the CBO's "other foreign nationals" category, which includes people who entered the US illegally, people who entered legally in a temporary status and then remained after that legal status expired, and people who were permitted to enter despite not being admissible as a green card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

US 10% Tariffs and China Retaliation*



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

US Tariffs on Mexico and Canada**



**US imposes 25% tariffs on all imports from Mexico and Canada

Source: Bureau of Labor Statistics, Congressional Budget Office (CBO), Bloomberg, Capital Economics, GTAP, Krungsri Research

Krungsri Research's view

- **The chance of a rate cut at the March 18-19 FOMC meeting has decreased** due to elevated inflation (+3% YoY in January), Powell's recent comments that there is no need to rush into adjusting policy stance, and Trump's policies adding to uncertainty around inflation and the labor market.
- **Upcoming tariff hikes may drive up goods prices, but inflation could moderate later this year** because of (i) a stronger US dollar, (ii) the dissipation of temporary factors (e.g., the bird flu impact on food prices), (iii) a deceleration in shelter inflation, and (iv) a potential reduction in fuel prices driven by energy policy.
- **US economic growth is poised to slow down** because of (i) the impact of **high interest rates,** driving increased corporate debt refinancing, bankruptcy filings, and consumer loan delinquencies; (ii) **rising tariffs** weighing on potential growth; and (iii) **a possible labor market slowdown from anti-immigration policies.** Fed officials have cited **immigration as a key factor** in the rise of available workers. The Peterson Institute analysis suggests expelling 8.3 mn unauthorized immigrant workers would lead to **zero economic growth** in the US during Trump's second term.
- **Given the expected slowdown in the labor market and decelerating economic growth, we anticipate the Fed Funds rate will be cut by 50-75bps this year to help avert a hard landing for the economy.**

Donald Trump is promising a "golden age of America" in his second term; his policies could create bubble risks, raise inflation, and hurt medium-term economic growth

Trump's proposals	Latest details of his policies	Growth trend	Inflation trend	Risks
Reduce tax rates	• **Withdraw the US from Global Minimum Tax deal,** propose tax cuts for individuals and businesses	Higher ↑	Higher ↑	Bubble/fiscal risks
Reduce regulations	• Repeal **numerous federal regulations,** establish the Department of Government Efficiency (DOGE)	Higher ↑	Higher ↑	Bubble/stability risks
Reduce immigrants	• **Crack down on illegal crossings at the southern border**.	Lower ↓	Higher ↑	Labor shortage
Increase tariffs	• **US has imposed 10% tariffs on all Chinese goods, effective from February 4, and China has retaliated by imposing 10-15% tariffs on some US goods, effective from February 10.** • **Plan to impose 25% tariffs on goods from Mexico and Canada has been postponed.** • **US 25% tariffs on all steel and aluminum imports will take effect from March 12.** • **Analysis of reciprocal tariffs on trading partners will conclude by April 1.** • **To investigate and address trade deficits,** unfair trade and currency practices.	Lower ↓	Higher ↑	Stagflation risk
Increase fossil fuels	• **Increase domestic energy production; Remove EV-favoring policies,** End leasing to massive wind farms, Withdraw from the Paris Climate Accord	Uncertain	Lower ↓	Environmental risk
Increase digital assets	• Establish a cryptocurrency advisory council; The SEC launched a **"crypto task force"** aimed at "developing a comprehensive and clear regulatory framework for crypto assets."	Higher ↑	Higher ↑	Bubble risk
Others	• Remove the US from **the World Health Organization (WHO)**; Rename the Gulf of Mexico to the Gulf of America			

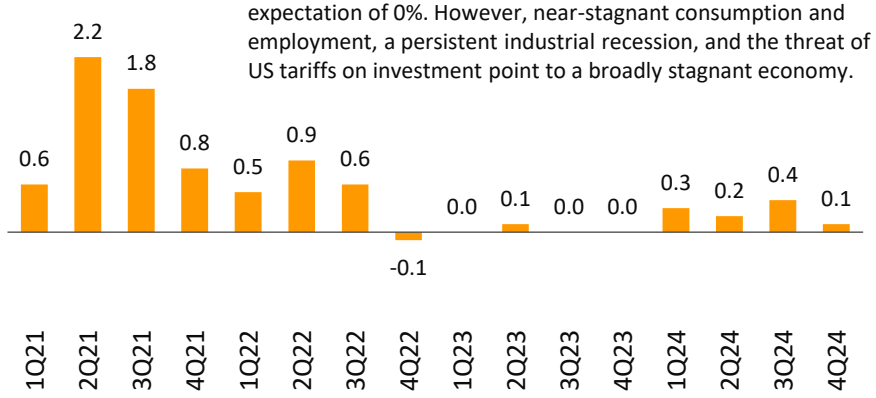
Source: Bloomberg, Krungsri Research

Eurozone: Economic challenge remains as fragile recovery amid high energy price and rising trade tension

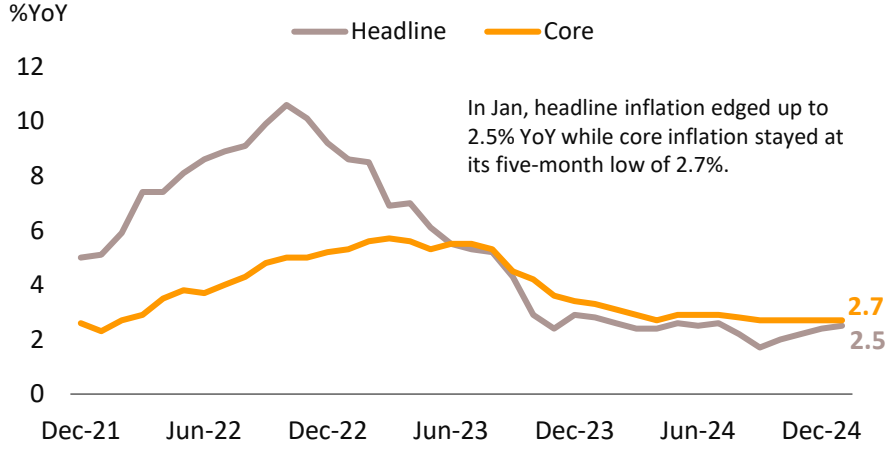
Eurozone GDP Growth

(%QoQ)

The Eurozone GDP grew 0.1% QoQ in 4Q24, higher than previous expectation of 0%. However, near-stagnant consumption and employment, a persistent industrial recession, and the threat of US tariffs on investment point to a broadly stagnant economy.

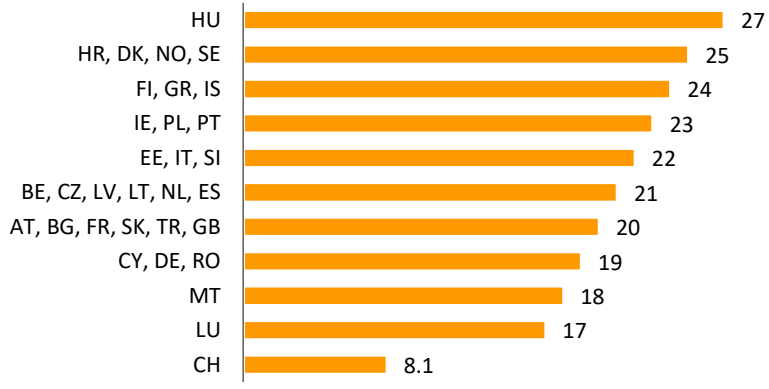


Consumer Price Index (CPI)



2024 VAT Rates in Europe

(%)



- Hungary (HU) has the highest standard VAT rate in the EU at 27%, followed by Croatia (HR), Denmark (DK), and Sweden (SE) at 25%.
- Luxembourg (LU) has the lowest at 17%, followed by Malta (MT) at 18%, and Cyprus (CY), Germany (DE), and Romania (RO) at 19%.
- The EU's average standard VAT rate is 21.6%, exceeding the minimum required by more than six percentage points.

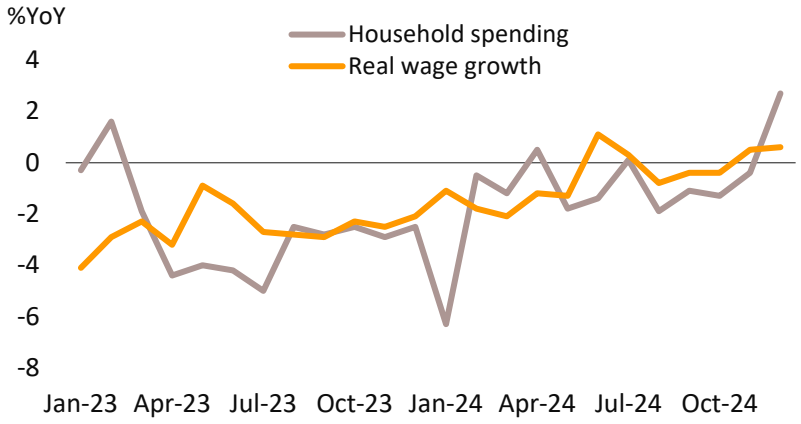
Krungsri Research's view

- **No clear driver for economic growth.** The eurozone economy remains sluggish in 4Q24, with manufacturing continuing to contract, energy prices remaining high, and weak business confidence. Meanwhile, political uncertainty in Germany and France, the EU's two largest economies which contribute over 41% of its GDP, threatens economic stability, potentially undermining efforts to reduce deficits and enhance competitiveness.
- **Limited impact from the latest US-China trade war, but more tensions ahead.** Krungsri Research found that a 10% US tariff on all Chinese goods and 10-15% Chinese tariffs on select US products, would have minimal effects on the EU's GDP (+0.01%) and exports (-0.05%). However, the proposed 25% US tariff on global steel and aluminum imports could hit the EU by lowering export revenues and rising production costs in key sectors like automotive, aerospace, and construction. **Additionally, Donald Trump signed an order to study the implementation of reciprocal tariffs on various countries, considering both tariff and non-tariff measures, including VAT.** Thus, if the US implements tariffs based on VAT and Most Favored Nation (MFN) rate, the EU will face a 25% rate—one of the highest after India (29%) and Brazil (28%).
- **Further rate cuts are expected as weak global growth, trade tensions, and high energy prices weigh on the economy.** In response, the European Central Bank (ECB) is likely to lower its key policy rate to 2.00% this year.

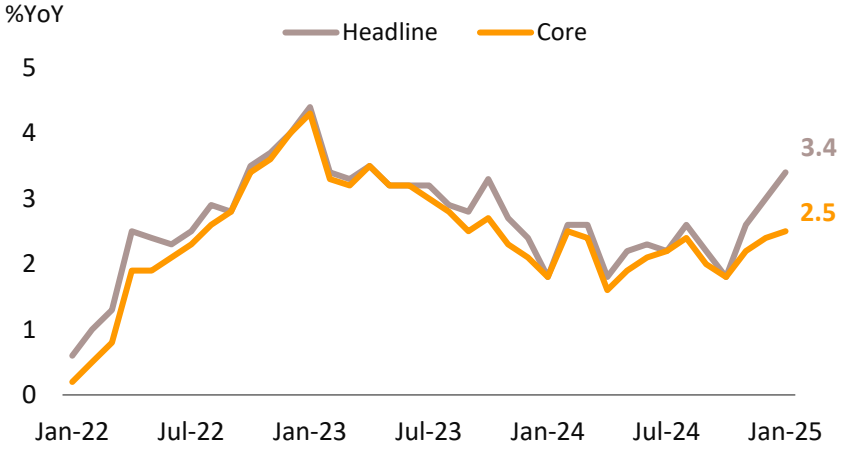
Source: ECB, CEIC, investing.com, Eurostat, European Union, Bloomberg, Krungsri Research

Japan: Gradual recovery in domestic consumption boosted by wage growth and strong service sector, but trade tensions pose risks

Real Wage Growth and Household Spending

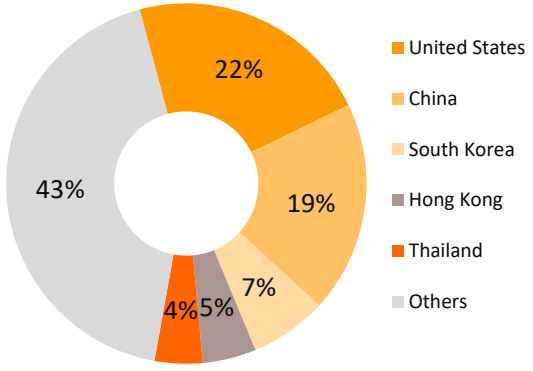


Tokyo Consumer Price Index



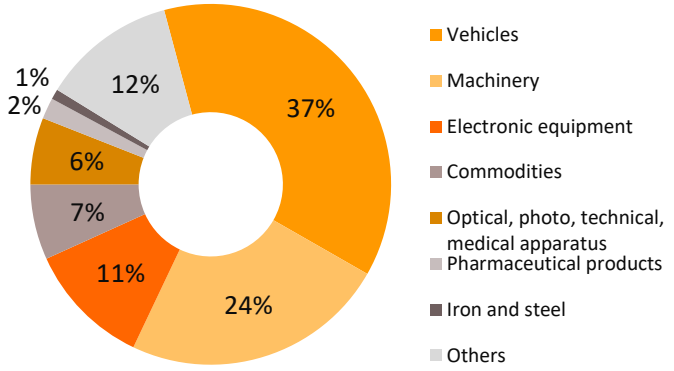
Japan's Exports by Country

Unit: % share of total Japan's exports



Japan's Exports to US by Category

Unit: % share of total Japan's exports to US



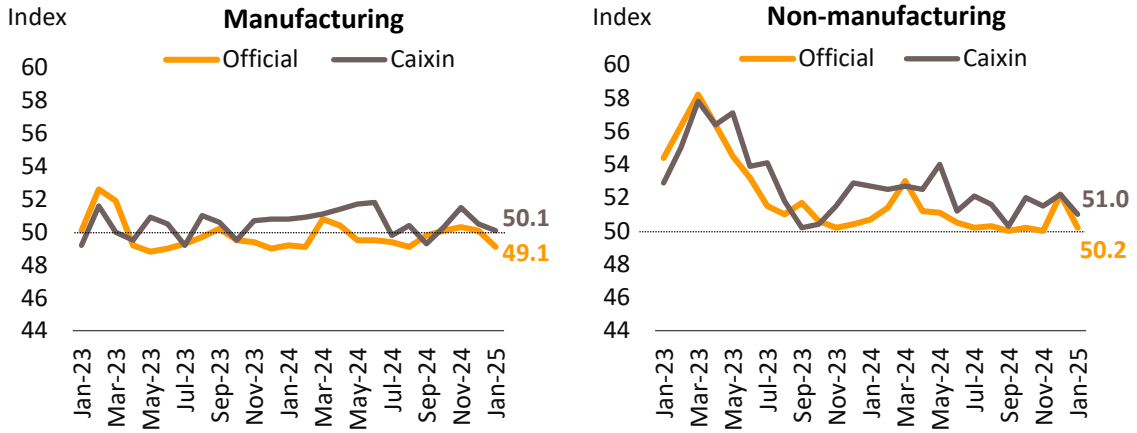
Source: Bank of Japan, CEIC, Investing.com, Krungsri Research

Krungsri Research's view

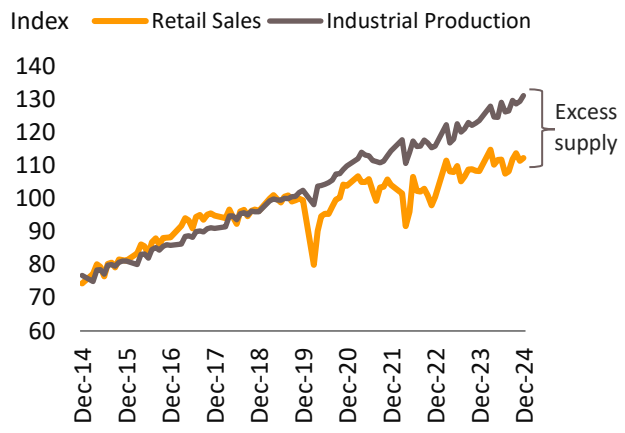
- **Resilient domestic consumption.** Japan's economy is experiencing a gradual recovery, supported by rising wages, a strong service sector, and government stimulus set to take effect in early 2025. These measures—aimed at reducing living costs, supporting low-income households, and encouraging investment—are expected to inject JPY 39 trn into the economy.
- **Manufacturing contraction likely to persist.** Manufacturing remains under pressure due to escalating trade tensions and sluggish global growth, particularly among key partners such as the US and China, where new tariffs have recently taken effect. This prolonged downturn may delay the recovery of exports.
- **New threats from US tariffs.** The 25% US tariff on steel and aluminum, along with Trump's proposed reciprocal tariffs set for April, could significantly impact Japan's exports. With the US accounting for 21% of Japan's exports in 2024, Japanese firms reliant on US trades may face reduced demand and higher production costs, particularly in the auto sector, which accounted for 37% of Japan's exports to the US. In response, Foreign Minister Takeshi Iwaya has requested exemptions and is negotiating to mitigate the impact of Trump's planned automobile tariffs.
- **Rising trade tension indicates no rush for further rate hikes**. Amid increasing trade risks and economic uncertainty, Krungsri Research anticipates that the Bank of Japan (BOJ) may postpone its next rate hike until the second half of the year, maintaining accommodative monetary policy for a while to support a continued recovery.

China: Economy still shackled by structural weaknesses as intensifying trade war eclipses temporary boost from Lunar New Year

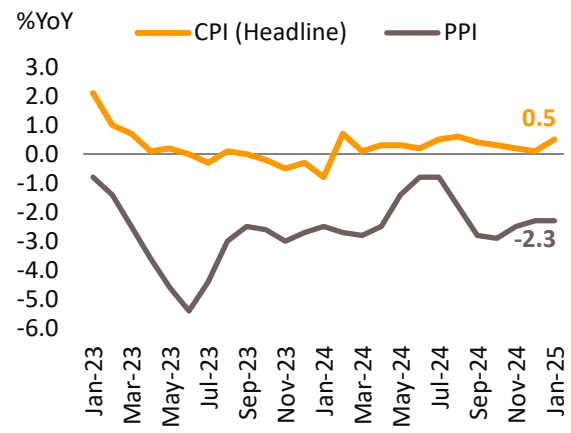
Purchasing Managers' Index (PMI)



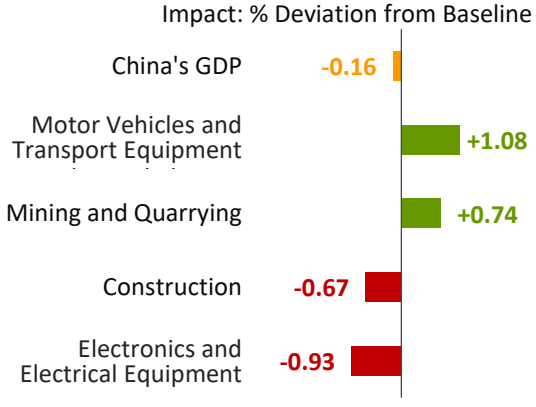
Demand-supply Imbalance



Consumer and Producer Price Indices

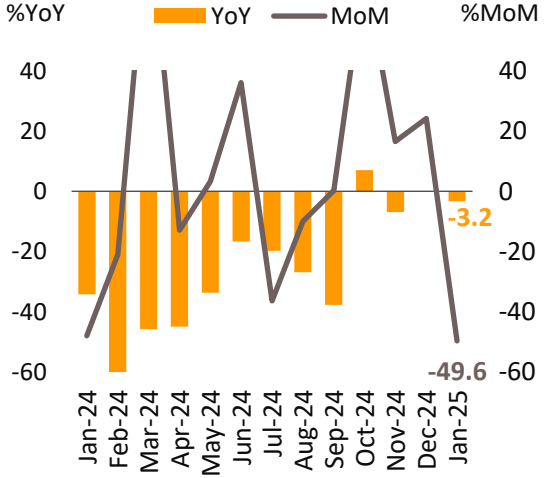


Impact of US-China Tariffs* on GDP



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

New Home Sales by Top 100 Developers



Source: NBS, CEIC, Caixin Global, Bloomberg, Nikkei Asia, Reuters, GTAP and Krungsri Research

Krungsri Research's view

- **The economy saw a temporary boost from the Chinese New year,** with tourism spending 31.7% higher than the pre-covid level, while consumption of goods and services growing by 9.9% and 12.3% YoY, respectively. **However, growth momentum remains uncertain since excess supply persists, and the economy relies primarily on stimulus measures and cyclical factors.** Given this situation, the inflation is likely to remain near zero at least in 1H25.
- **Trade tension is increasingly intensifying.** The US imposed 10% tariffs on all Chinese goods, prompting China's 10–15% retaliatory tariffs on certain types of US vehicles, machinery, and energy. This could reduce China's GDP by 0.16%, with Electronics and Electrical Equipment most at risk. Meanwhile, the US Congress is seeking to revoke China's Permanent Normal Trade Relations (PNTR) status, which could lead to minimum tariffs of 35% and 100% for China's non-strategic and strategic goods.
- **The property sector remains fragile.** Many developers are facing wind-up petitions. Meanwhile, the government is considering additional financial support for distressed developers, specifically Vanke. This could help mitigate default risks to some extent. **Even though the property market has shown some signs of improvement recently, total property sales in 2024 were still 45.7% below their peak in 2021.**

Thailand: 2025 growth forecast under revision; weak domestic economy, slow tourism recovery and limited stimulus gains cloud outlook

- **4Q24 GDP growth disappoints** at 3.2% YoY and 0.4% QoQ, despite large stimulus measures and growing exports, causing 2024 GDP to grow only at a tender rate of 2.5%. **We plan to lower 2025 GDP forecast from 2.9%.**
- **Tourism** may not reach pre-COVID levels in 2025 due to slower-than-expected recovery of Chinese tourists.
- **Momentum in public spending** remains crucial early this year but lacks crowding-in effects.
- **Private investment** sees modest rebound. Weak sentiment and struggling manufacturing hold back growth.
- **Private consumption** is expected to slow amid weak income, high household debt and limited stimulus impacts.
- **Thai exports** grew surprisingly in late 2024 but could not translate into a boost for investment and production. Rising as trade tensions and declining competitiveness will threaten growth.
- **Thailand faces the risk of US tariff hikes** due to its large trade surplus with the US. For Trump's recent tariff plan, the positive impact on Thailand is limited to only some specific industries, but many industries could suffer from tariff hikes. Thailand is among countries at risk from US reciprocal tariffs, and may face the most impact in ASEAN.
- **For the policy rate outlook,** weak domestic spending, sluggish business investment, a lagging tourism recovery, and the limited effectiveness of fiscal policy all set the stage for a potential MPC rate cut.

Krungsri Research Forecasts for 2025

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

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

4Q24 GDP growth disappoints at just 3.2% year-on-year and 0.4% quarter-on-quarter despite large stimulus measures

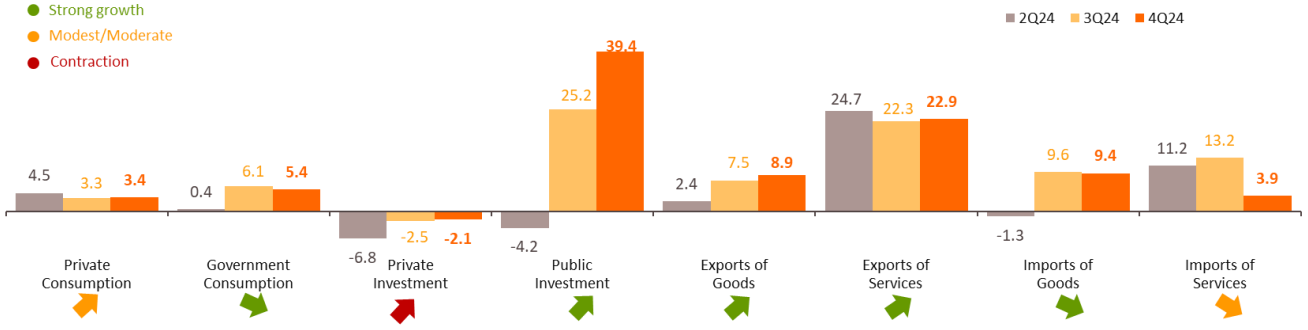
Key growth drivers in 4Q24:

- **Demand side:** Accelerating exports of goods & services and public investment
- **Supply side:** Accelerating construction, accommodation, information & communication, and trade; growth rebound in agriculture

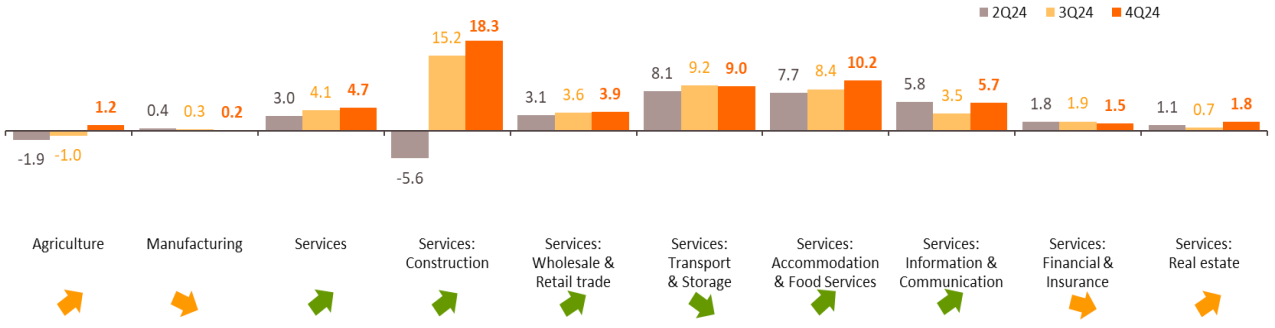
Weak or slower growth in 4Q24:

- **Demand side:** Contraction in private investment (-2.1%), slower growth in public consumption, and steady growth in private consumption
- **Supply side:** Near-zero growth of manufacturing (+0.2%) and slower growth in finance activities

GDP growth by expenditure (% YoY)

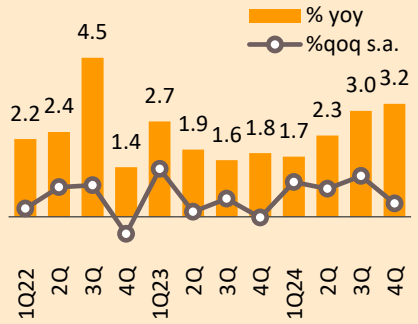


Supply-side GDP data (% YoY)



Source: NESDC, Krungsri Research

Thai GDP growth (%)



Components of Thai GDP growth

	2024	% YoY		% QoQ sa	
		3Q24	4Q24	3Q24	4Q24
GDP	**2.5**	**3.0**	**3.2**	**1.2**	**0.4**
Private consumption	4.4	3.3	3.4	0.6	0.5
Public consumption	2.5	6.1	5.4	3.5	-0.1
Private investment	-1.6	-2.5	-2.1	7.9	-1.3
Public investment	4.8	25.2	39.4	24.0	-0.5
Export of goods & services	7.8	9.9	11.5	4.9	3.1
Export of goods	4.3	7.5	8.9	-1.0	0.9
Export of services	25.5	22.3	22.9	3.7	4.9
Import of goods & services	6.3	10.3	8.2	5.0	3.7
Import of goods	5.3	9.6	9.4	-0.3	1.7
Import of services	10.3	13.2	3.9	-0.1	-0.5

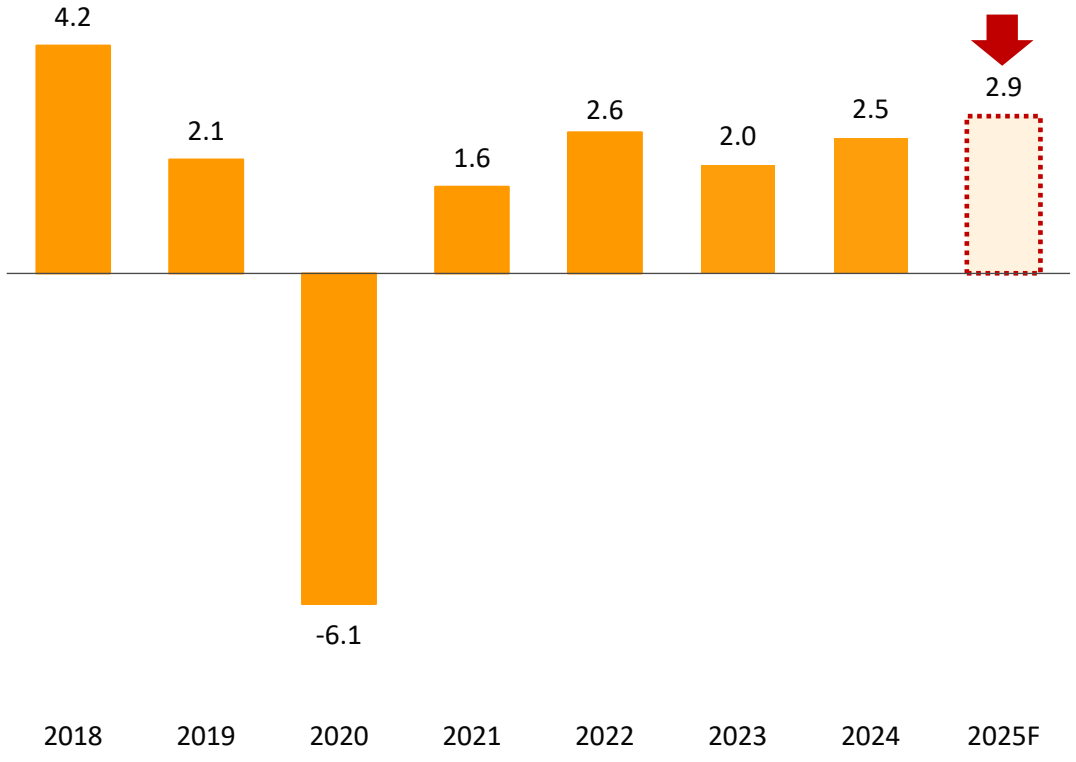
Krungsri Research's view

- **4Q24 GDP grew by 3.2% YoY,** weaker than the market expectations (+3.9%) and our estimate (+4.0%)**,** due to private investment contraction and steady private consumption growth despite new stimulus measures. However, merchandise exports continued to expand and service exports recovered from rising tourism activities.
- **On the supply side**, 4Q24 GDP growth was led by an expanding services sector and accelerating construction with rising public spending. Nonetheless, manufacturing remained weak (+0.2%). **For the full year of 2024, Thai GDP grew by 2.5%.**
- **In our view, the Thai economy saw a slower-than-expected recovery in 4Q24, with weakening momentum reflected** by: (i) steady private consumption despite cash handouts of over THB 140 bn to vulnerable groups since late September; (ii) a lack of crowding-in effect with a further contraction of private investment although public investment accelerated; and (iii) Surprised export growth (+8.9%) failing to boost private investment (-2.1%) or manufacturing production (+0.2%).
- **Krungsri Research plans to revise our 2025 GDP growth forecast downward from the previous estimate of 2.9%.**

2025 growth forecast under revision due to weak momentum and slow tourism recovery

We plan to revise our 2025 GDP growth forecast downward from the previous estimate of 2.9%, due to: (i) Signs of weakness in private consumption and private investment; (ii) Limited impact of cash-handout measure (Phase 2 program worth just THB 30 bn in 1Q25 vs Phase 1 worth THB140bn in 4Q24). Additionally, a budget of around THB157bn planned to finance the Digital Wallet policy this year is unlikely to contribute significantly to the economy, as seen with impacts of Phase 1; (iii) Potential shortfall in foreign tourist arrivals from the projected 40 mn, due to slow recovery of Chinese tourists; and (iv) Potential fading of front-loaded gains in exports, as concerns about US tariff hikes could turn into actual tariffs.

Thailand's GDP growth and forecast (%)



Upside

- Normalized public spending and stimulus measures
- Recovery in tourism and employment
- Investment relocation amid rising trade tension, regionalization, ASEAN dynamism
- Food security and gains in related sectors
- Thailand's sound economic fundamentals (high foreign reserves, relatively low external debt, and resilient banking sector)

Downside

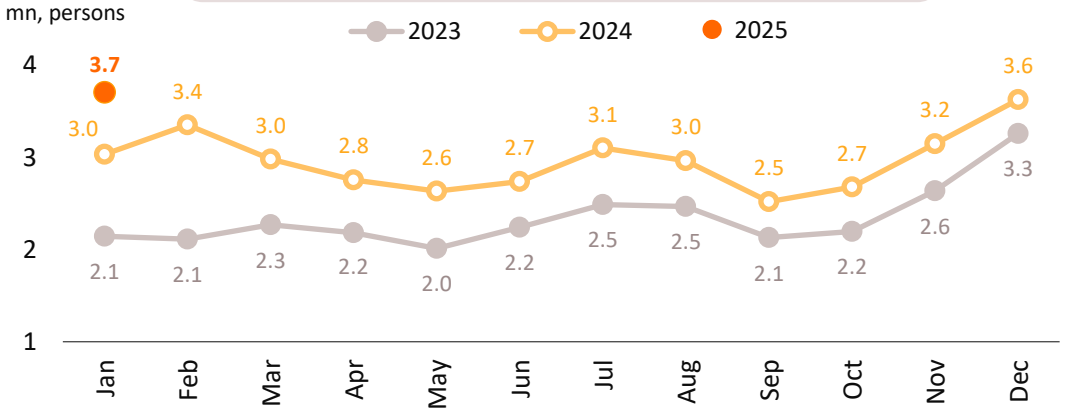
- Structural headwinds, e.g. high household debt, weaker competitiveness, demographics
- Rising trade protectionism, geo-economic fragmentation and lingering geopolitical risk
- Sub-par global growth and volatile financial markets amid uncertain economic policy
- Impact of GMT on foreign investment
-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

Source: NESDC, Projection by Krungsri Research

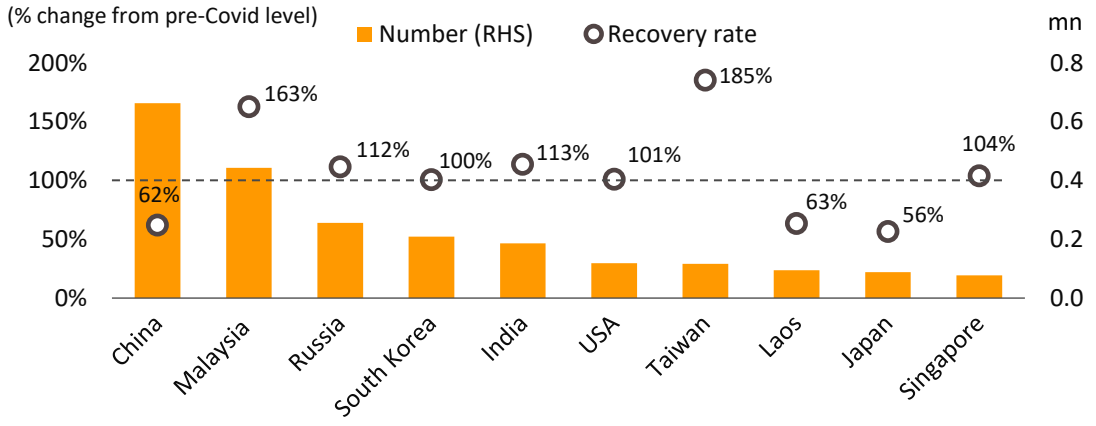
Tourism may not reach pre-COVID levels in 2025 due to slower-than-expected recovery of Chinese tourists

In January 2025, Thailand welcomed 3.7 mn foreign tourist arrivals, a 19.5% YoY increase and rising from 3.6 million in December. This generated THB 182 bn in revenue, up 32% YoY, with the majority being short-haul tourists, led by Chinese tourists, the largest group. However, Chinese tourist arrivals accounted for only 62% of pre-COVID levels. In contrast, tourist arrivals from Malaysia, Russia, South Korea, and India surged to 100-163% of pre-pandemic levels. The full recovery of international tourism to pre-COVID levels remains a challenge this year, as a recovery in Chinese tourist arrivals remains slow, facing short-term pressures from concerns over travel safety in Thailand.

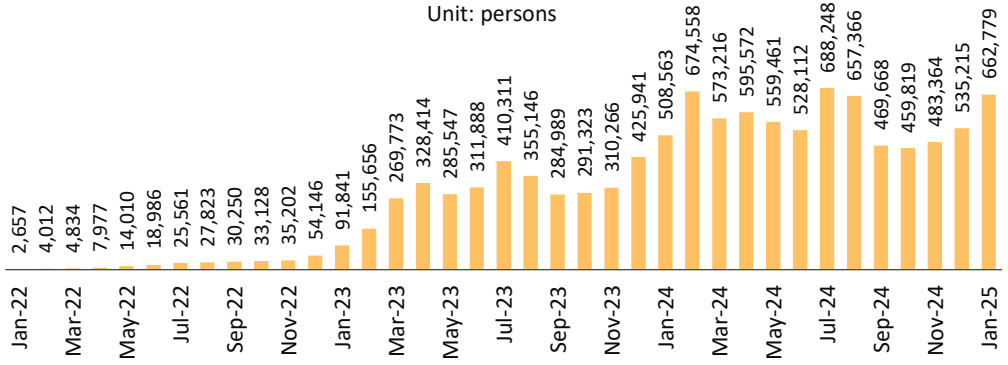
Foreign tourist arrivals reached 3.7 mn in January



Top 10 tourist arrivals by country in January



Chinese tourist recovery remains slow



Proportion of foreign tourist arrivals in January

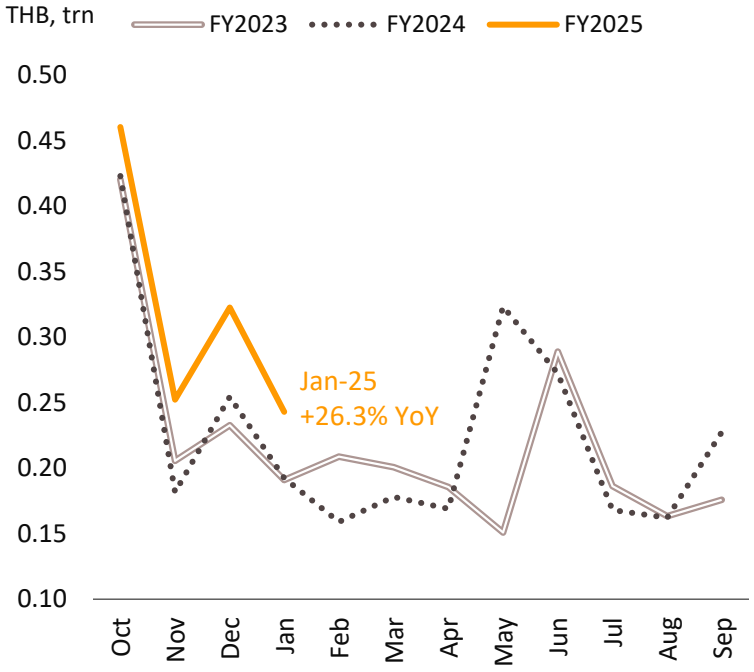


Source: MOTS, CEIC, Krungsri Research

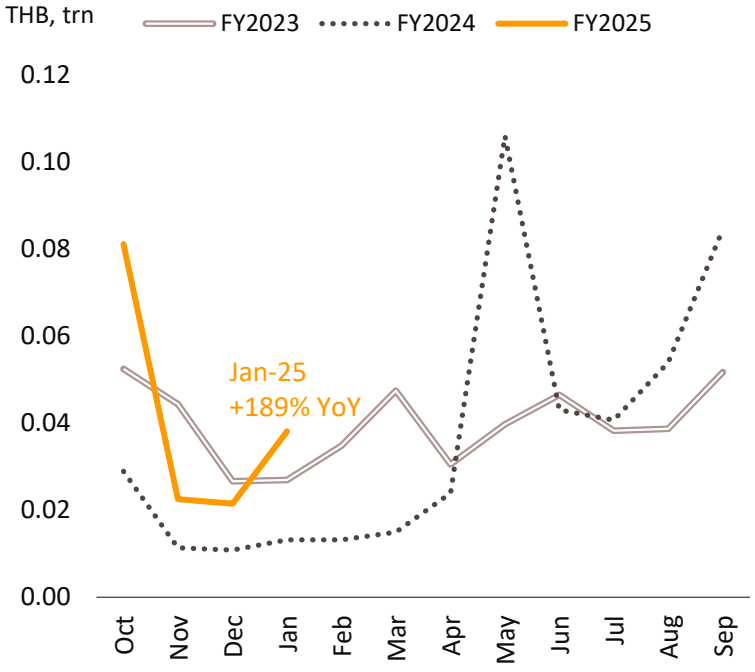
Momentum in *public spending* remains crucial early this year but lacks crowding-in effects

Public spending in January 2025 continued to grow at an accelerated rate, as reflected by the disbursement of the current budget and capital budget, which expanded by 26.3% YoY and 189%, respectively. In the first four months of FY2025 (October 2024-January 2025), disbursement of the current budget increased by 21.6% YoY to THB 1.28 trn or 45.9% of the budget. Disbursement of the capital budget surged 154.1% YoY to THB 0.16 trn or 16.8% of the annual capital budget. The continuity of momentum from public spending is a key driving factor for the economy, which is facing challenges from external factors, particularly escalating trade tensions. **However, there is a lack of crowding-in effect and a further contraction of private investment (-2.1% YoY in 4Q24), although public investment accelerated.**

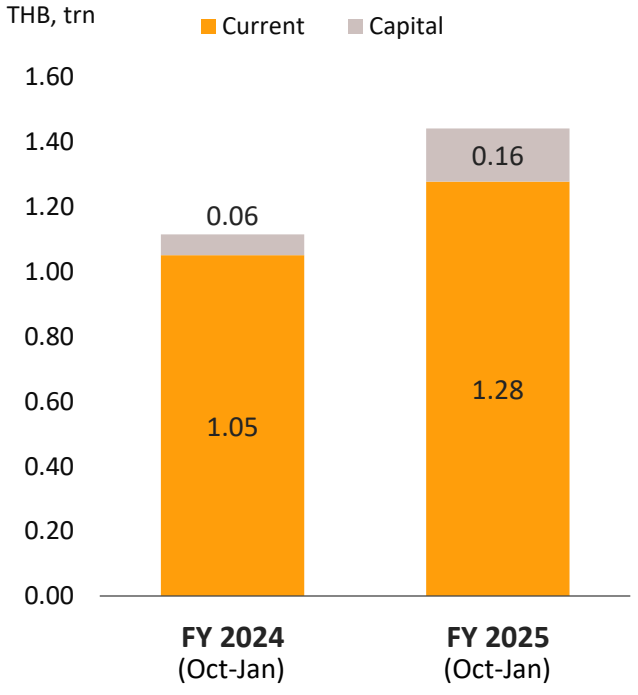
Disbursement of current expenditure



Disbursement of capital expenditure



Disbursement during the first 4 months of fiscal year 2024 and 2025

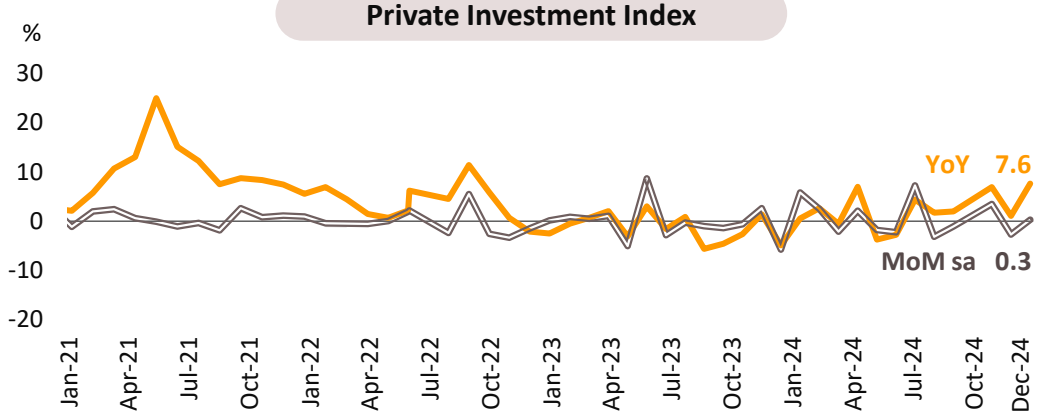


Source: MOF, Krungsri Research

Private investment sees modest rebound; weak sentiment and struggling manufacturing hold back growth

Private investment has gradually recovered and is showing more positive signs, as reflected in: (i) the private investment index in December, which expanded by 7.6% YoY; (ii) the acceleration of capital budget disbursements, which should help stimulate related private investment; and (iii) the BOI's issuance of investment promotion certificates in 2024, with a total investment value of THB 846.5 bn (+72% YoY). **However, several headwinds could impact the recovery of private investment,** including: (i) the Business Sentiment Index (BSI) remaining below 50 in January for the 16th consecutive month; (ii) structural problems in the manufacturing sector, with the Manufacturing Production Index contracting by 1.7% in 2024; (iii) challenges from the implementation of a global minimum tax starting in early 2025; and (iv) intensified trade tensions amid the Trump 2.0 policy.

Private Investment Index

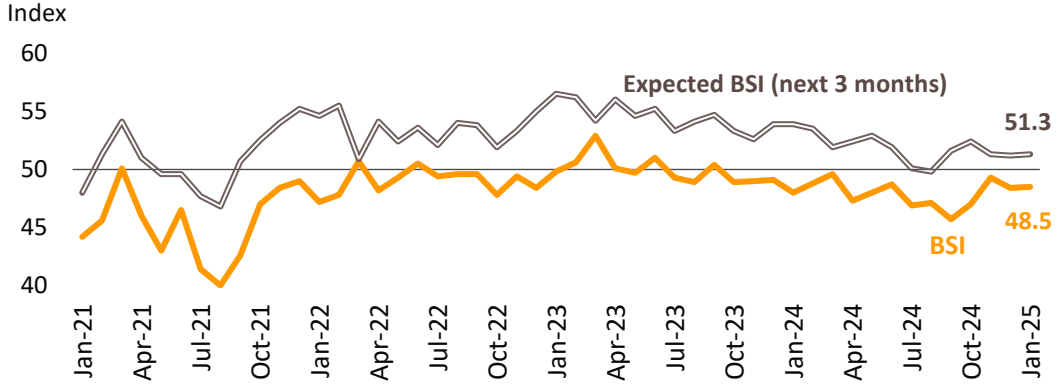


Private Investment Index by Category

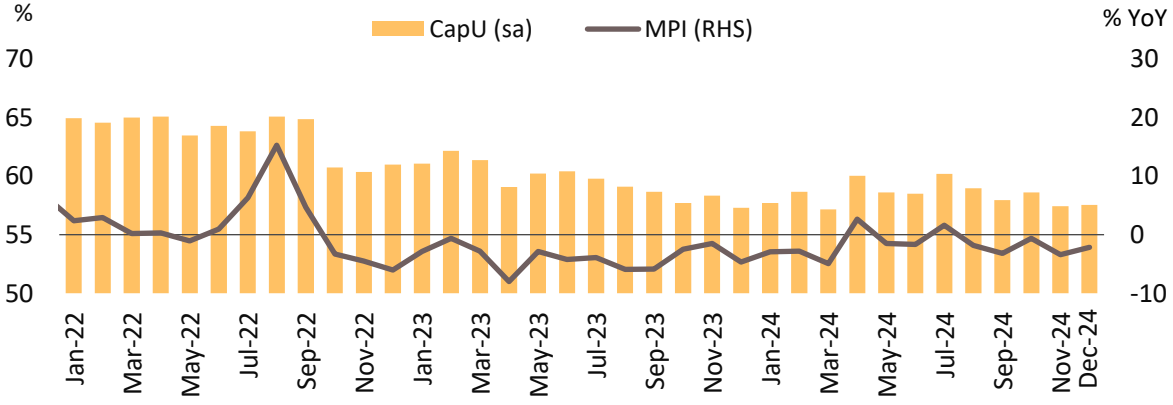
%YoY*	2022 J F M A M J J A S O N D	2023 J F M A M J J A S O N D	2024 J F M A M J J A S O N D	
Private investment				7.6
Construction area permitted				-15.4
Construction material sales				-2.9
Imports of capital goods				21.1
Machinery sales				13.1
Newly registered vehicles				-16.2

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

Business Sentiment Index



Manufacturing Production Index and Capacity Utilization Rate

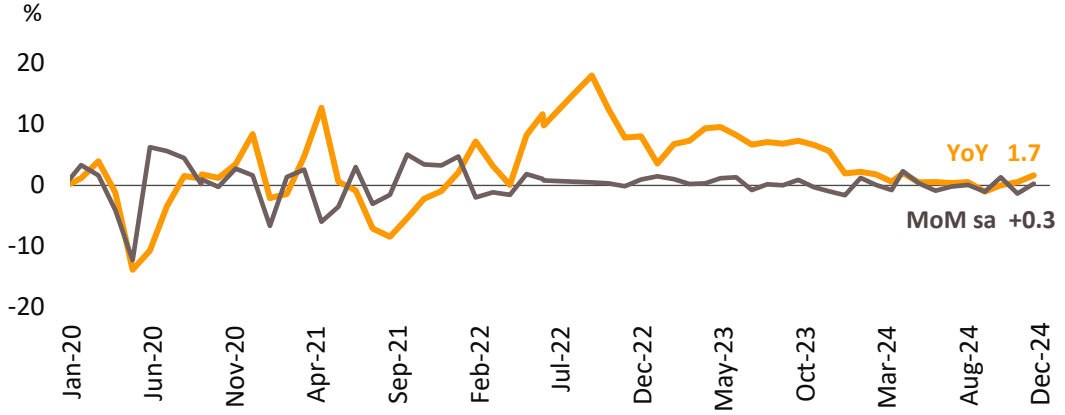


Source: BOT, OIE, Krungsri Research

Private consumption is expected to slow amid weak income, high household debt and limited stimulus impacts

Private consumption growth is expected to slow in 2025 though still expanding in line with overall economic growth, driven by (i) the further recovery of tourism and the service sector, which would support employment, and (ii) government stimulus measures such as the Easy E-Receipt program and the THB 10,000 cash handout (Phase 2 worth THB 30 bn). Consumption may be constrained by slow recovery in real wages (+3.2% change from pre-COVID levels), declining agricultural income due to price factors, and persistently high household debt despite government support for small-scale borrowers.

Private consumption index rose only slightly in December

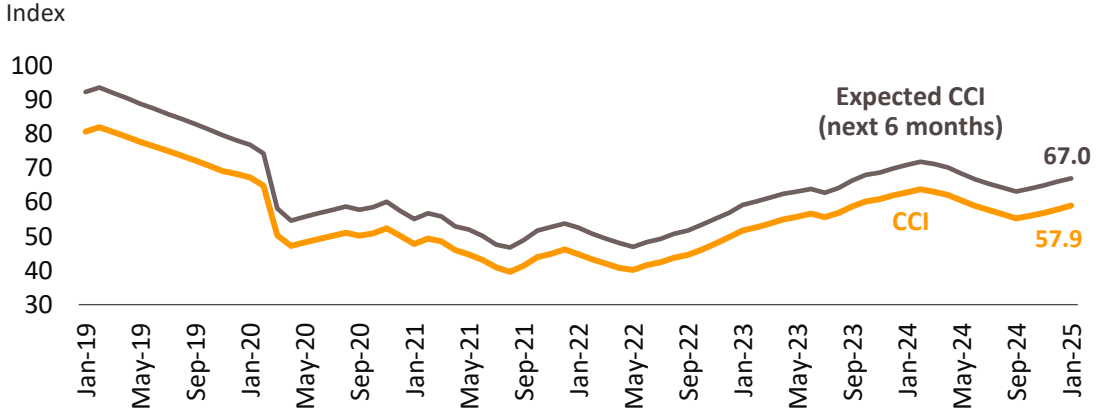


Private consumption index by category

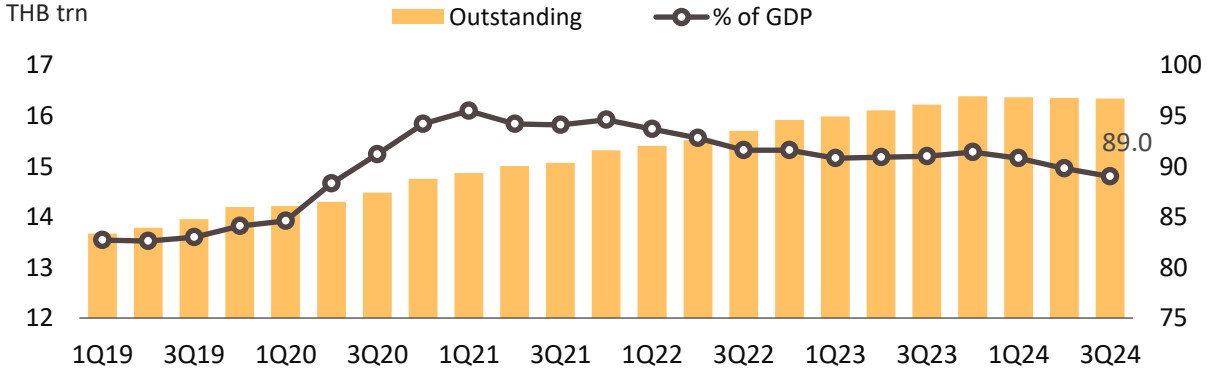
%YoY*	2022 J F M A M J J A S O N D	2023 J F M A M J J A S O N D	2024 J F M A M J J A S O N D	
Private consumption				1.7
Non-durables				0.7
Semi-durables				0.5
Durables				-8.6
Services				8.5
Non-residents expenditure				32.3

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

Consumer confidence improved but remained below pre-Covid level



Household debt remained high at 89.0% of GDP in 3Q24

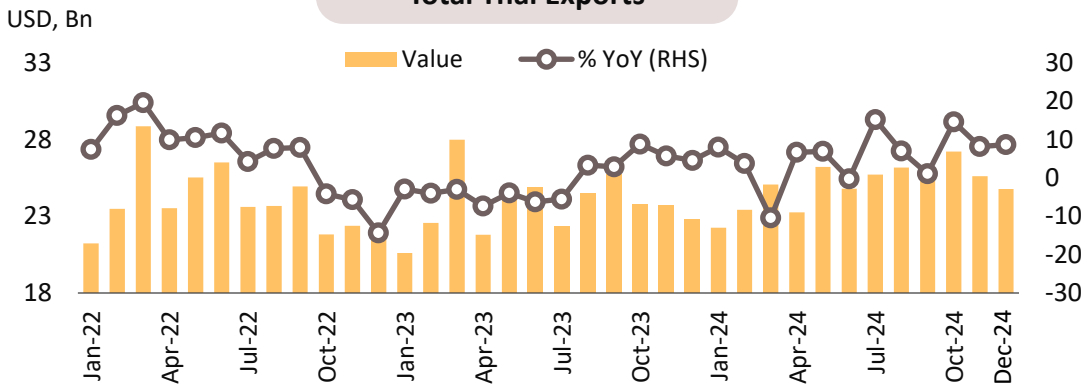


Source: BOT, UTCC, CEIC, Krungsri Research

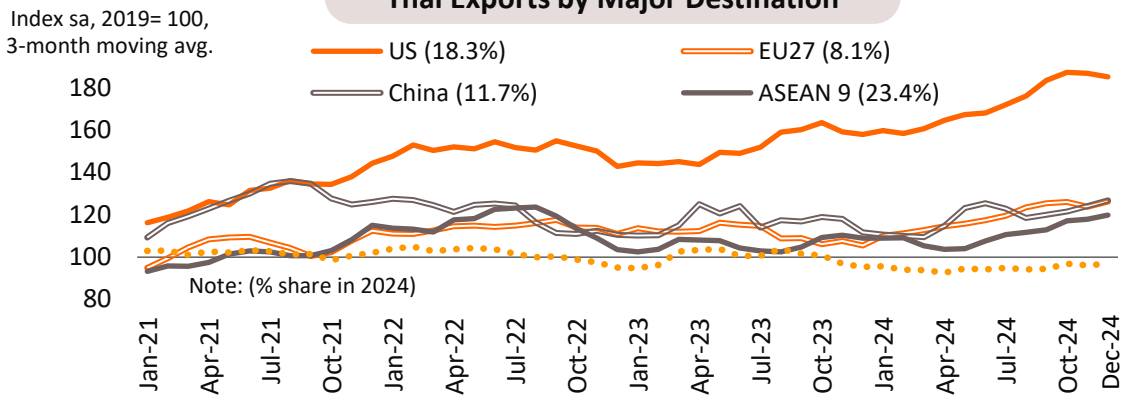
Thai exports grew unexpectedly in late 2024, but trade tensions and declining competitiveness threaten future growth

Exports in December expanded by 8.7% YoY, partly due to the acceleration of imports by trading partners in preparation for the uncertainty surrounding President Trump's future trade policy. Regarding the outlook for Thai exports in 2025, Krungsri Research expects Thai export growth to slow down, facing ongoing pressure from structural issues such as the declining competitiveness of many Thai industries. This is further compounded by the risk of escalating trade tensions and increased competition from Chinese products, which are expected to enter the global market in greater volume if the US imposes harsher tariffs on Chinese goods.

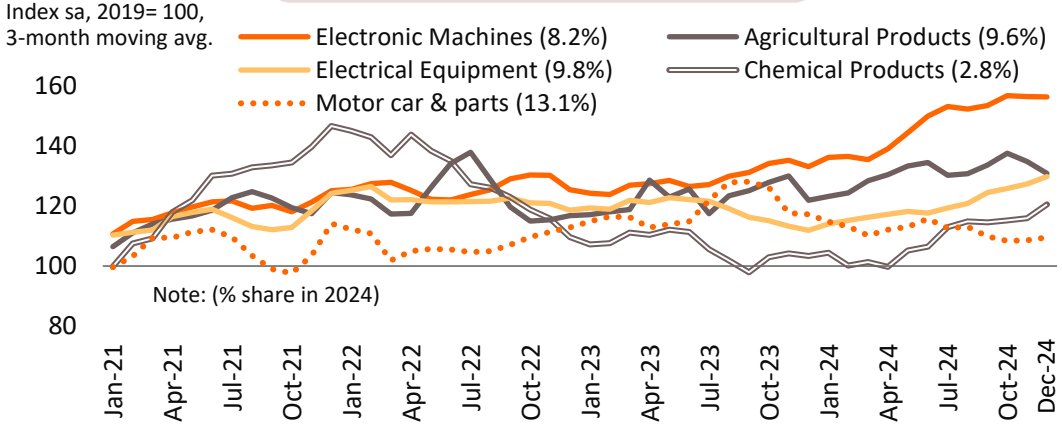
Total Thai Exports



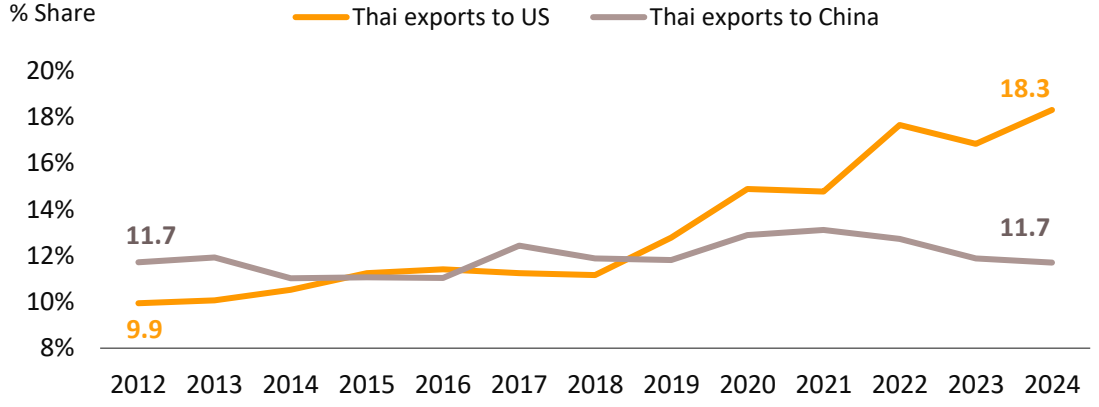
Thai Exports by Major Destination



Thai Exports by Major Product



Thai Exports to the US and China (%share)



Source: MOC, CEIC, Krungsri Research

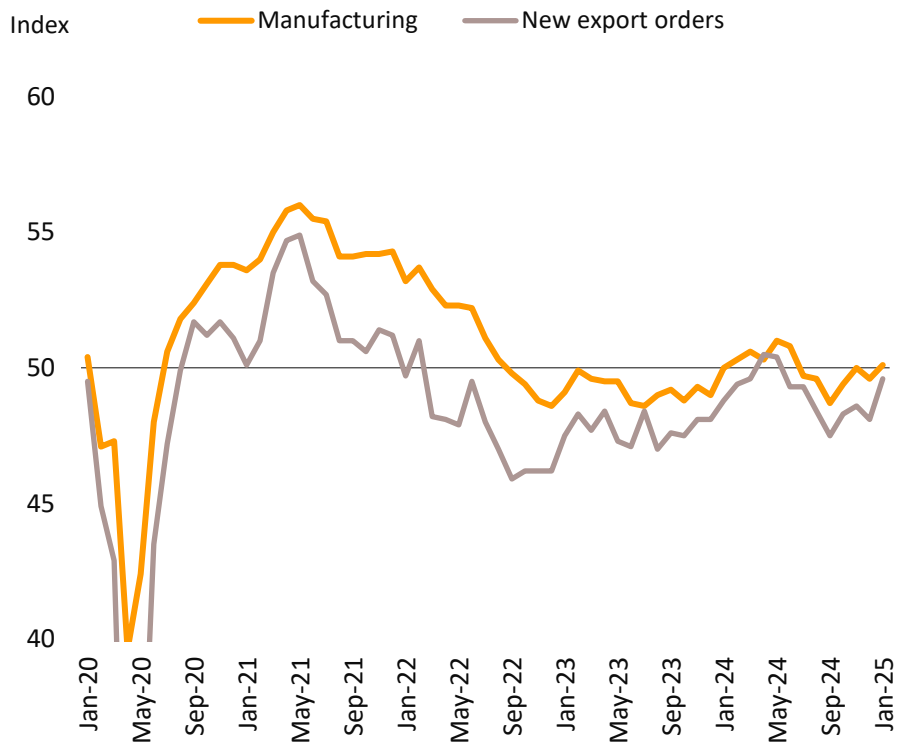
Despite surprising growth, export expansion not broad-based and fragile amid weak global demand, Trump 2.0 policy, and domestic structural headwinds

In 2024, Thai exports grew 5.4% YoY (based on MOC data), led by agricultural products, which expanded by 7.5% (including rubber and rice), agro-industrial products (canned & processed seafood and pet food), which expanded by 4.1%, and industrial products (computers & components, rubber products, chemical products, and electrical appliances), which expanded by 5.9%. However, exports of key industrial goods continued to contract, including cars & parts, integrated circuits, and plastic resin. Weak global manufacturing activity and Trump 2.0 uncertainty could hurt Thai exports.

Thai Exports by Major Product and Destination

Thailand: 2024 Export growth (% YoY)	World	US (18%)	EU (8%)	Japan (8%)	China (12%)	ASEAN-5 (13%)	CLMV (10%)
Total	**+5.4**	**+13.7**	**+9.1**	**-5.3**	**+3.1**	**-0.8**	**+12.7**
Cars & parts (10.3%)	-3.6	+25.9	-7.0	-4.7	-17.8	-12.58	-0.8
Computer & parts (8.2%)	+38.1	+48.2	+65.9	+4.8	+66	-5.5	+14.5
Rubber products (4.7%)	+7.6	+6.0	+10.7	-1.9	+8	+6.6	+13.1
Plastic resin (2.9%)	-0.9	+22.7	-5.4	+2.4	-10.3	+9.7	+6.1
Electronic IC (2.9%)	-10.5	-30.8	-22.7	-34.0	-12.4	-6.1	+1.2
Chemical products (2.8%)	+4.6	+1.5	+9.1	-15.3	+14.3	+2.8	+0.7
Fresh, frozen & dried fruit (2.2%)	-6.2	-14.1	+18.3	+11.0	-8.2	-4.6	+67.9
Rice (2.1%)	+25.0	+26.2	+18.7	+9.6	-5.9	+8	+8.3
Electrical appliances (1.8%)	+3.2	+1.8	+2.5	+2.9	+23.8	+1.5	+3.3
Rubber (1.7%)	+36.8	+59.6	+55.6	+72.8	+6.2	+39.7	+140
Plastic products (1.5%)	+8.4	+32.8	+11.2	-2.6	+0.7	+5.2	-0.9
Preserved fish, crustaceans (1.3%)	+10.6	+6.3	+24.2	-34.0	-8.3	-2.0	+0.3
Tapioca products (1.0%)	-15.6	+14.7	+22.3	-4.2	-31.3	+47.6	-9.3
Sugar (0.8%)	-31.8	+30.6	-73.7	+37.7	-18.8	-53.9	+19.6

Global Manufacturing PMI and New Export Orders

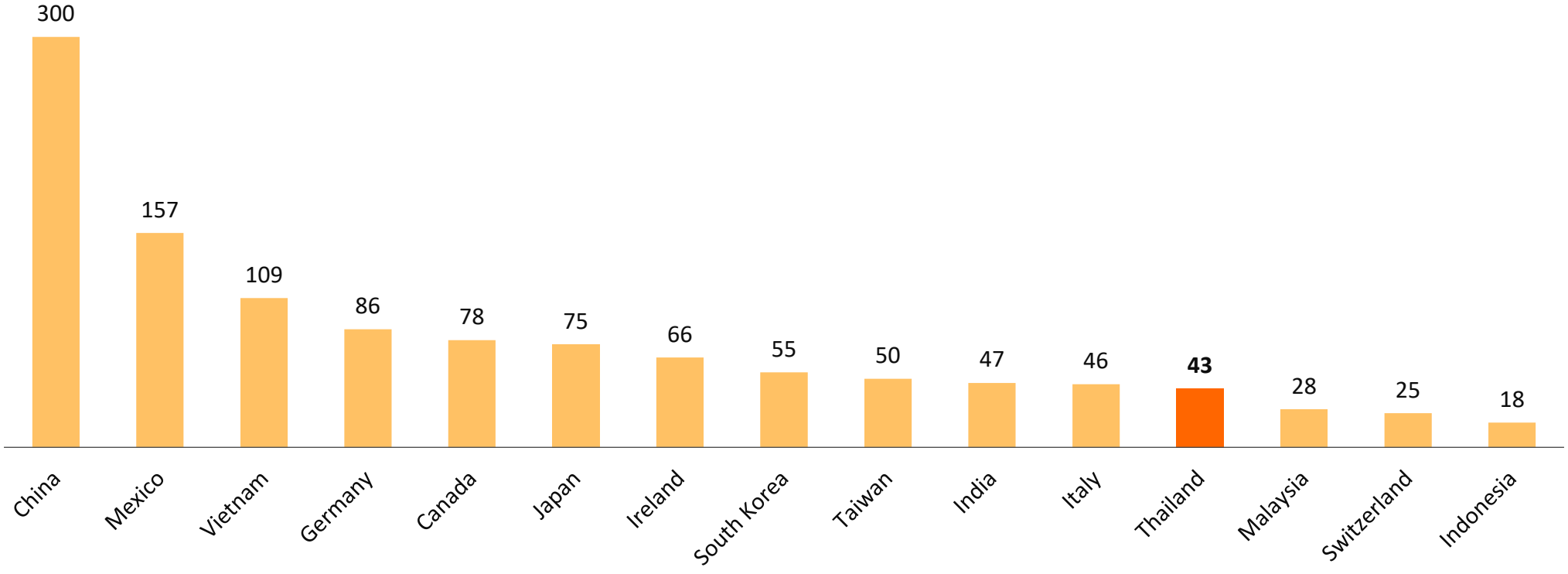


Note: (% share in 2024)
Source: MOC, CEIC, Krungsri Research

Thailand faces *risk of US tariff hikes* due to its large trade surplus with the US

In 2023, the US had the largest trade deficit with China at USD 300 bn, followed by Mexico, Vietnam, Germany, and Canada. Thailand ranked 12th overall and 2nd in ASEAN, after Vietnam. After Donald Trump took office as President, he announced a 10% tariff increase on all imported goods from China, effective February 4. In response, China imposed a 10% tariff on US crude oil, agricultural machinery, and certain vehicles, and a 15% tariff on coal and liquefied natural gas (LNG), effective February 10 onward.

2023 US Trade Deficit with Trading Partners (USD bn)

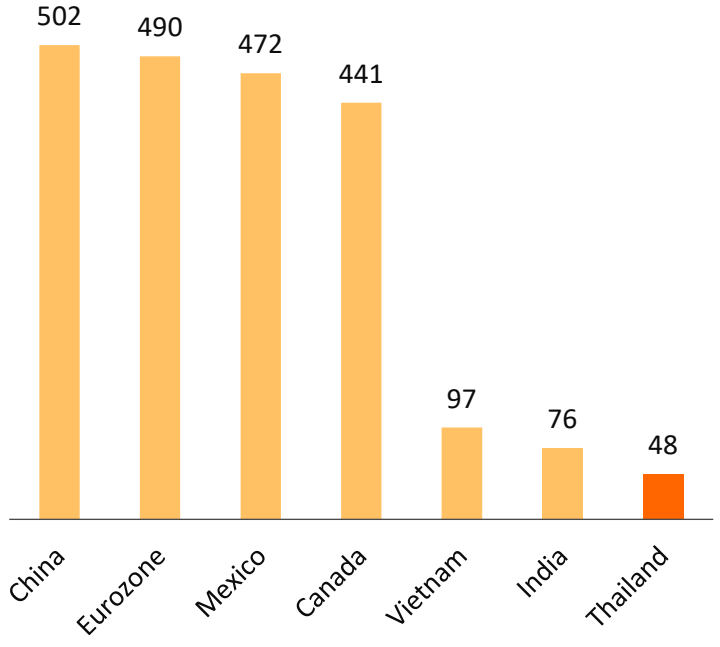


Source: TradeMap, Krungsri Research

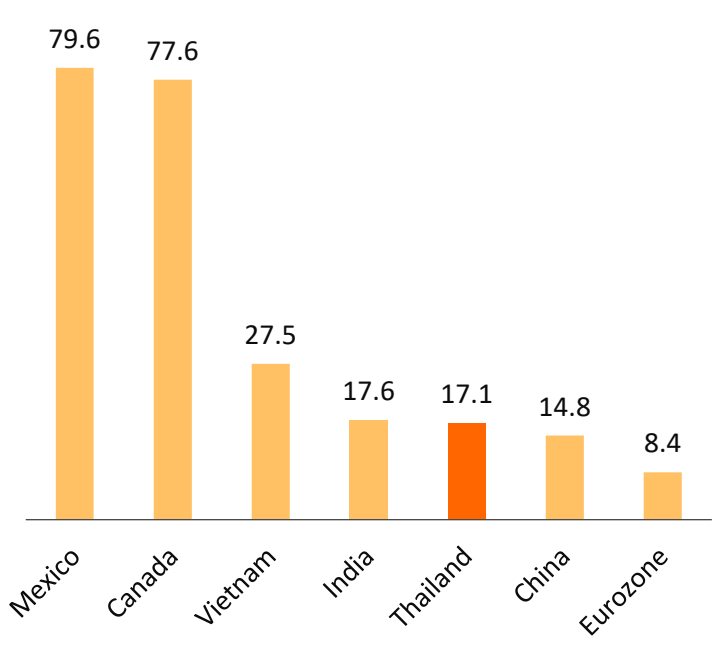
US tariff impact on trading partners' exports and economies

In the early stages, the US may impose tariffs on major countries with the objective of generating revenue from those with large export values to the US, including China (USD 502 bn), the Eurozone (USD 490 bn), Mexico (USD 472 bn), and Canada (USD 441 bn). **In the case of the US imposing tariffs on all countries, the largest impact on exports** would be seen in Mexico (exports to the US accounting for 79.6% of its total exports) and Canada (77.6%), with moderate impacts on Vietnam (27.5%), Thailand (17.1%), China (14.8%), and the Eurozone (8.4%). **The largest impact on GDP** would be seen in Mexico (exports to the US accounting for 26.4% of its GDP), Vietnam (22.4%), and Canada (20.6%), followed by Thailand (9.3%), the Eurozone (3.1%), and China (2.8%).

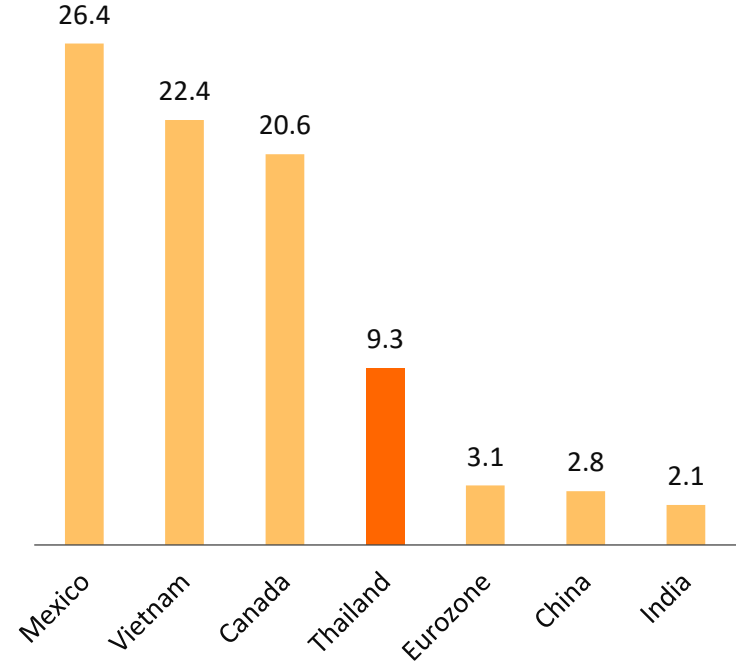
Exports to US: USD bn



Exports to US: % of Total Exports



Exports to US: % of GDP

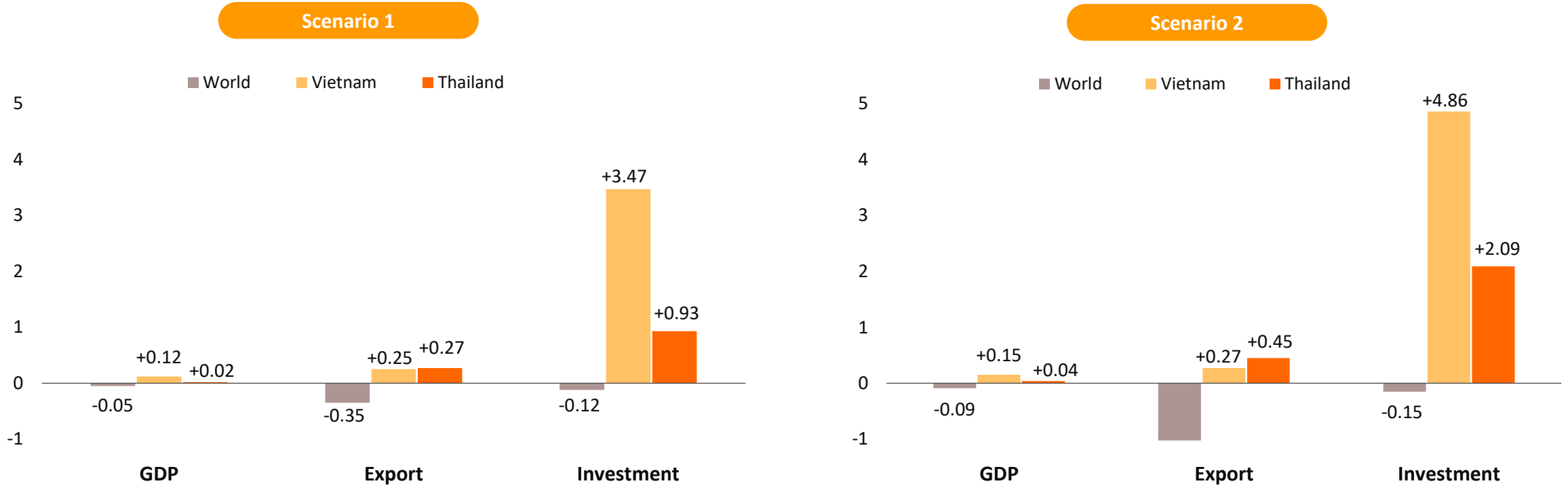


Source: TradeMap, IMF, CEIC, Krungsri Research

Trump's recent tariff plans could have a net negative impact on global exports and the economy, despite a small positive impact on some countries

Scenario 1: US imposes 10% tariffs on all Chinese goods and China retaliates with 10-15% tariffs on some US goods.
Scenario 2: Scenario 1 plus US imposing 25% tariffs on all imports from Canada and Mexico.

Tariff Impact on Economy (% deviation from baseline)

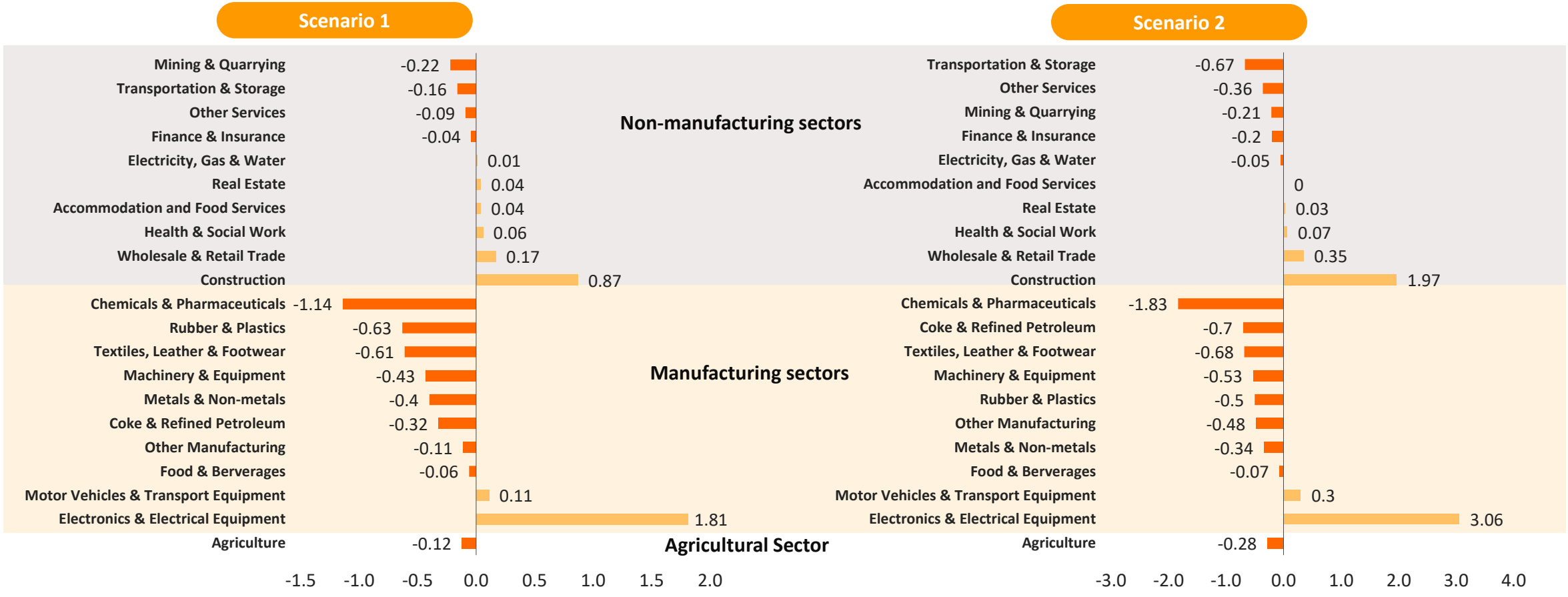


Source: GTAP, Krungsri Research

Trump's recent tariff plans: Positive impact on Thailand is limited to only some specific industries, but many industries could suffer from tariff hikes

Scenario 1: US imposes 10% tariffs on all Chinese goods and China retaliates with 10-15% tariffs on some US goods.
Scenario 2: Scenario 1 plus US imposing 25% tariffs on all imports from Canada and Mexico.

Impact of Tariff Hikes on Thai GDP and Industries (% deviation from baseline)

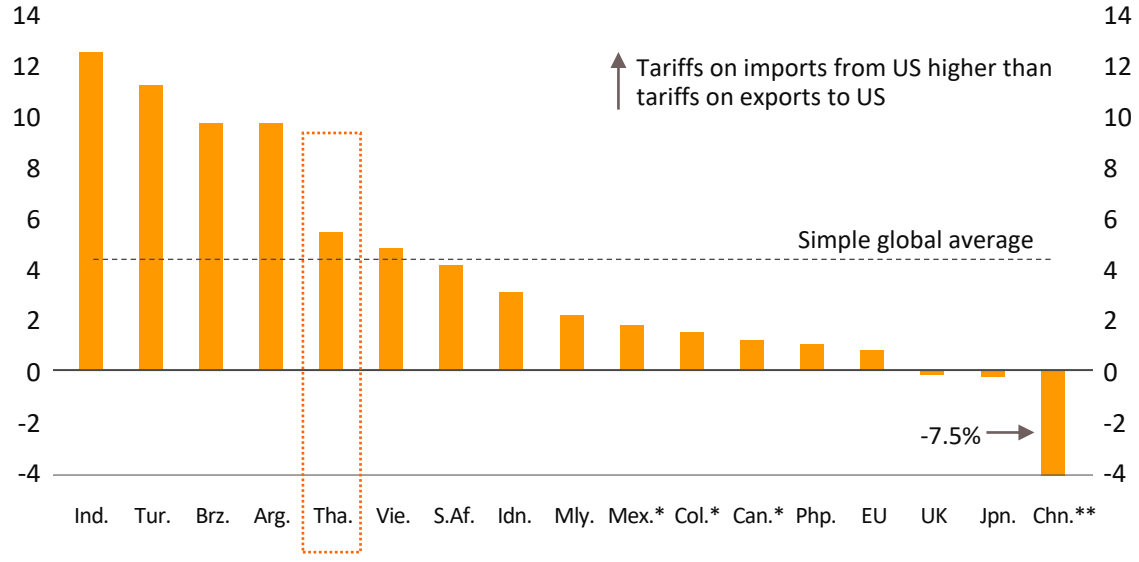


Source: GTAP, Krungsri Research

Thailand among countries at risk from *US reciprocal tariffs*, may see most impact in ASEAN

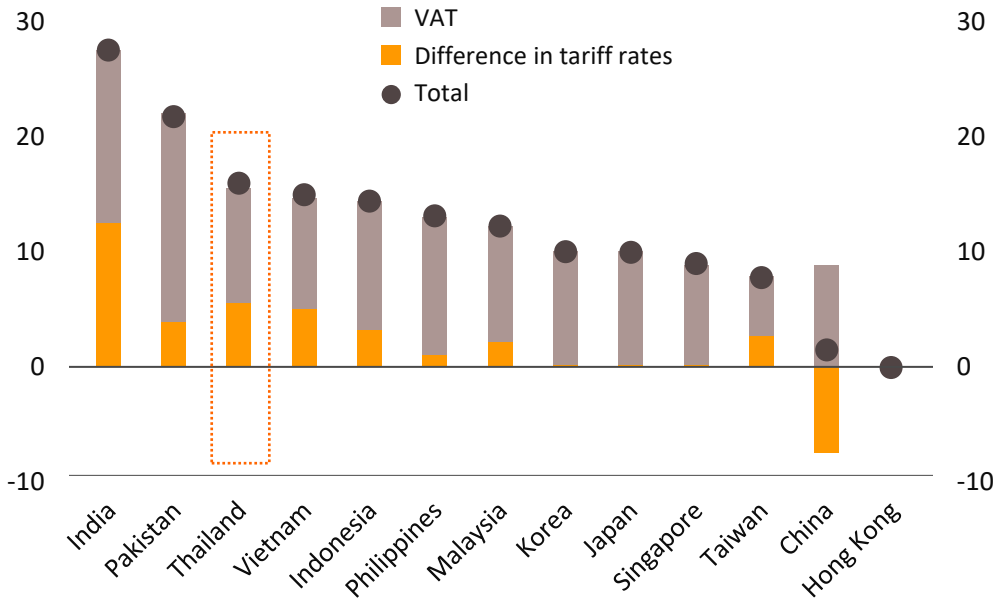
If the Trump administration pursues a reciprocal tariff strategy, emerging markets would experience a greater loss in competitiveness, according to Capital Economics' analysis. India, Turkey, and Brazil would be among the most impacted, due to having the largest gaps in bilateral tariffs with the US. Following them, Thailand and Vietnam would also be affected, as their tariff gaps exceed the global average. **Based on a simple calculation that combines VAT rates and differences in tariff rates, Thailand emerges as the hardest-hit country in ASEAN under a new tariff regime, followed by Vietnam, Indonesia, and the Philippines.**

Difference in Average Tariffs on Imports from US and Exports to US



Note: * Has a free trade agreement with the US
** CE estimate

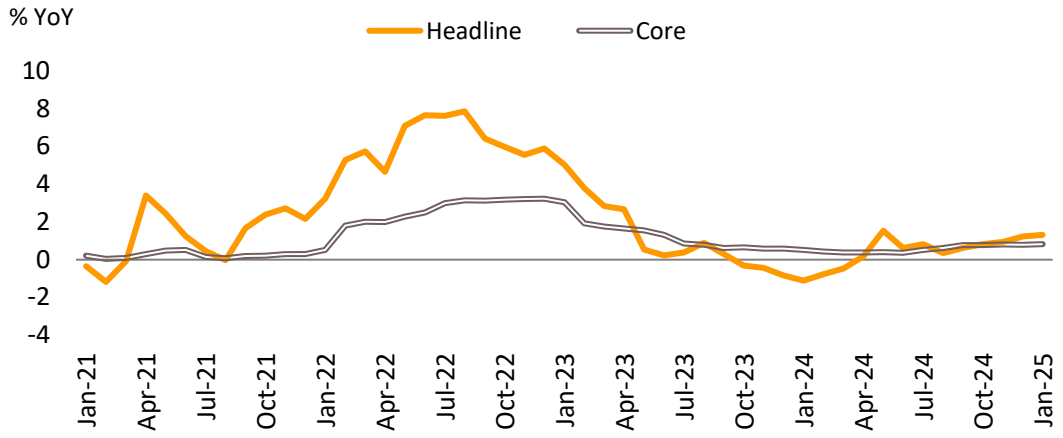
Estimate of US Reciprocal Tariffs (%)



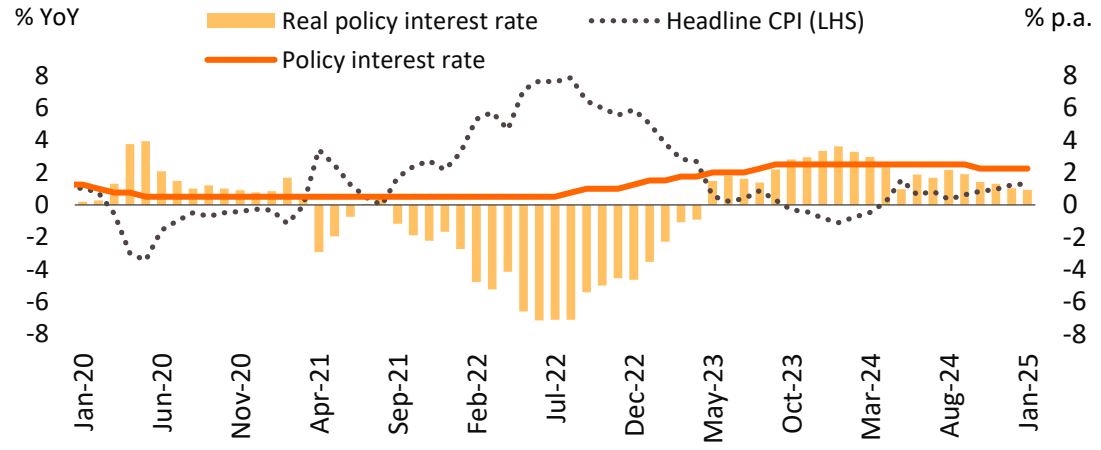
Source: WTO, Capital Economics

1Q25 *inflation* may stay within target, with yearly average near its lower bound, opening door for rate cut to 2.0% this year

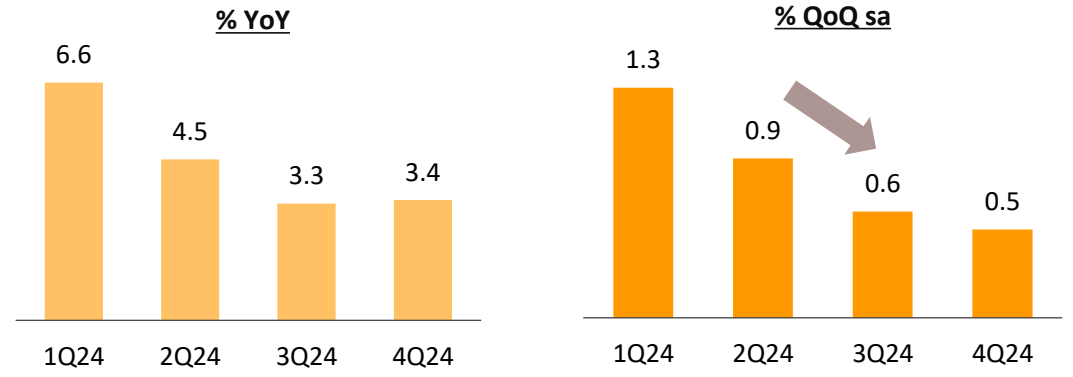
Headline and Core Inflation



Real Policy Interest Rate



Private Consumption Slowdown



Krungsri Research's view

- **The headline inflation rose to 1.32% YoY in January from 1.23% in December,** mainly driven by higher fuel prices from a low base last year, coupled with rising food and beverage costs. Core inflation edged up to 0.83% in January from 0.79% in December.
- Inflation is gradually returning to the target range but is expected to stay near the lower bound of target range in 2025. Domestic demand remains weak despite government stimulus, as seen in a continued slowdown in private consumption growth (from +1.3% QoQ in 1Q24 to +0.5% in 4Q24), even with THB 10,000 cash handouts to 14 mn people since late September. External uncertainty, including US-China trade tensions and Trump 2.0 policy, add to economic challenges.
- **Weak domestic spending, sluggish business investment, a lagging tourism recovery, and the limited effectiveness of fiscal policy all set the stage for a potential MPC rate cut at its upcoming meeting on February 26. If the rate cut does not materialize this month, it is likely to take place in April, once more details about US reciprocal tariffs become available.**

Source: MOC, BOT, Krungsri Research

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

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



Negative impact Positive impact

Source: Krungsri Research

KRUNGSRI RESEARCH

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