krungsri Research

A member of MUFG a global financial group

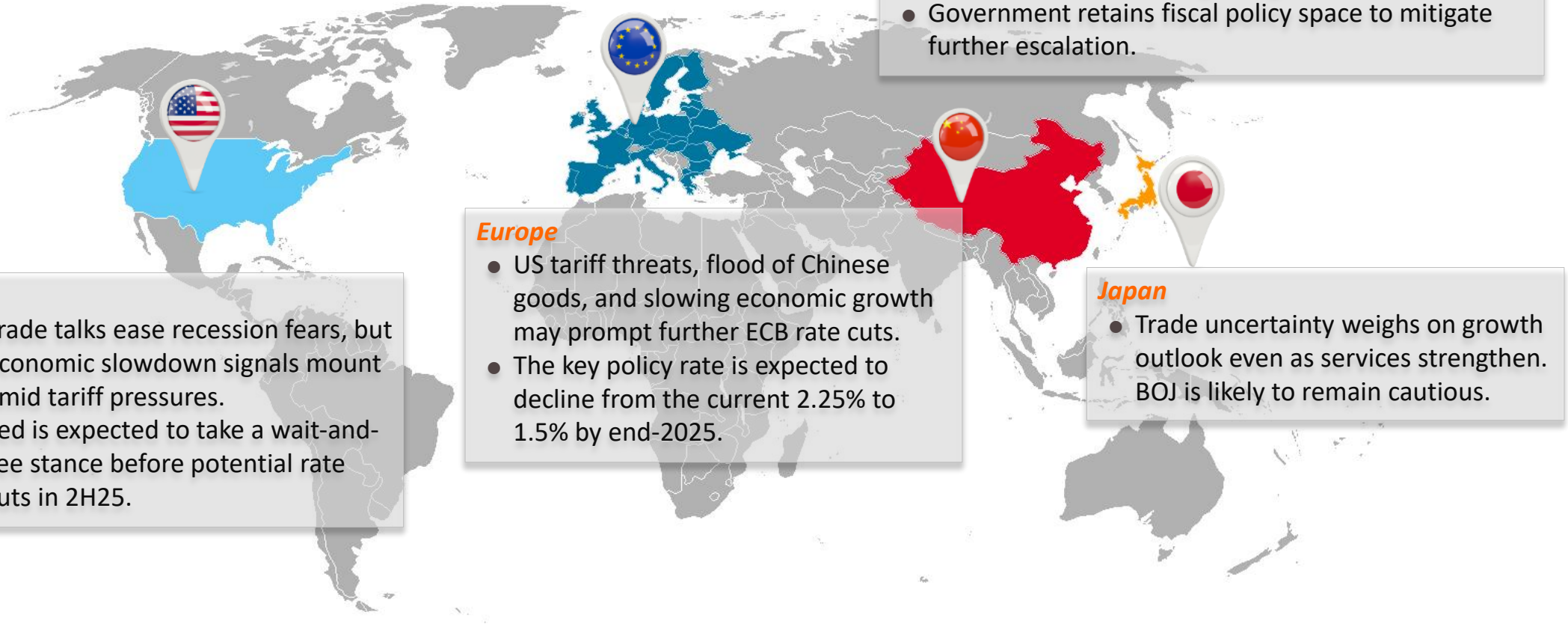
MONTHLY ECONOMIC BULLETIN

May 2025



Krungsri Research

Global: Despite trade truce, US tariff inception pressures global growth



China

- Temporary trade ceasefire provides some relief, but trade war could still weigh on growth.
- Government retains fiscal policy space to mitigate further escalation.

US

- Trade talks ease recession fears, but economic slowdown signals mount amid tariff pressures.
- Fed is expected to take a wait-and-see stance before potential rate cuts in 2H25.

Europe

- US tariff threats, flood of Chinese goods, and slowing economic growth may prompt further ECB rate cuts.
- The key policy rate is expected to decline from the current 2.25% to 1.5% by end-2025.

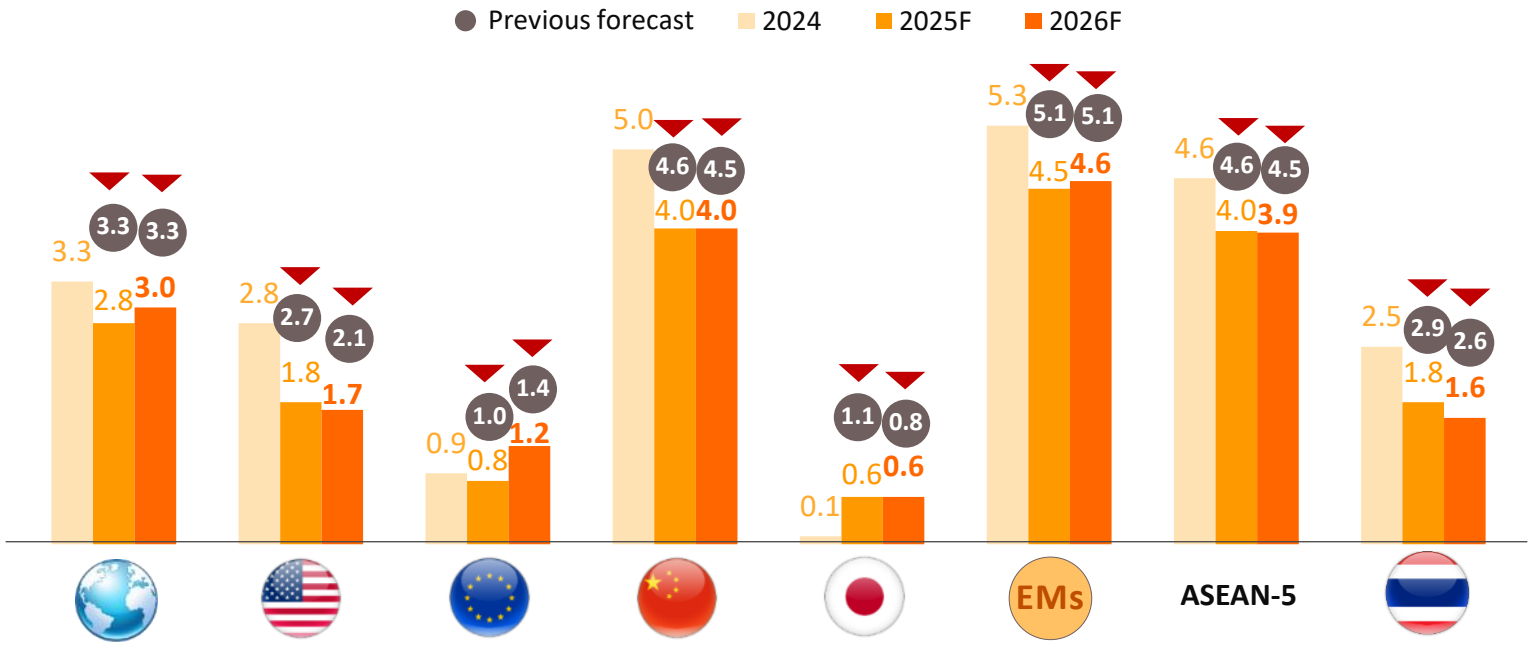
Japan

- Trade uncertainty weighs on growth outlook even as services strengthen. BOJ is likely to remain cautious.

Amid trade policy uncertainty, *IMF sees 'reference forecast'* of 2.8% for 2025 global GDP and 1.8% for Thai GDP, based on data as of April 4 and assumption of US imposing reciprocal tariffs

On 22 April 2025, the IMF released the World Economic Outlook under its "reference forecast" (not the baseline projection), based on the data as of April 4 or the US's plan to impose reciprocal tariffs from April 9 (while the 90-day tariff pause was announced on April 9). The IMF expected the global GDP growth to be 2.8% for 2025 and 3% for 2026, compared to 3.3% in the previous forecast for both. The downgrade spans nearly all countries, driven by the direct impact of new trade measures and their spillover effects through global trade links, rising uncertainty, and weakening sentiment. Short-term impacts vary by country, depending on trade ties, industry structures, policy responses, and trade diversification. In some regions, such as China and the euro area, fiscal support helps cushion the blow.

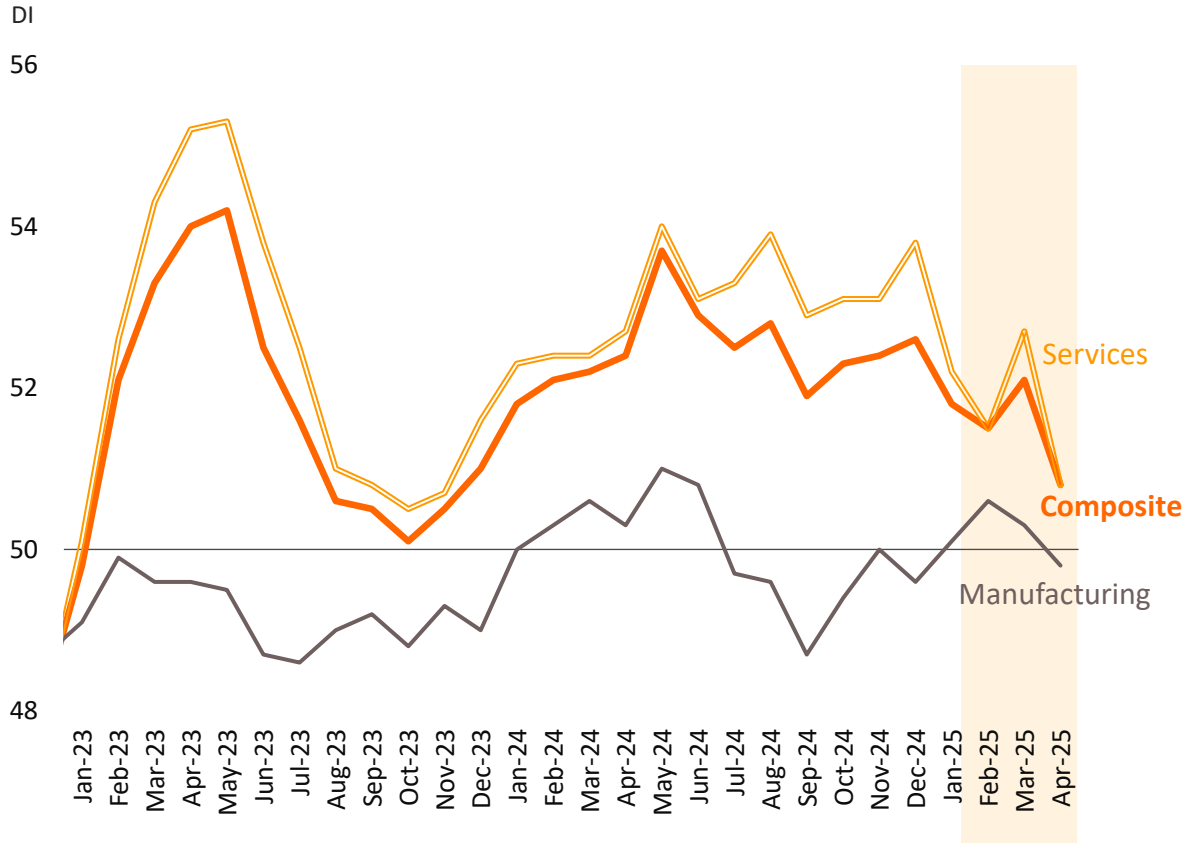
IMF 'Reference Forecast' of GDP Growth (%):
Assumption based on data as of April 4 or US plans to impose reciprocal tariffs



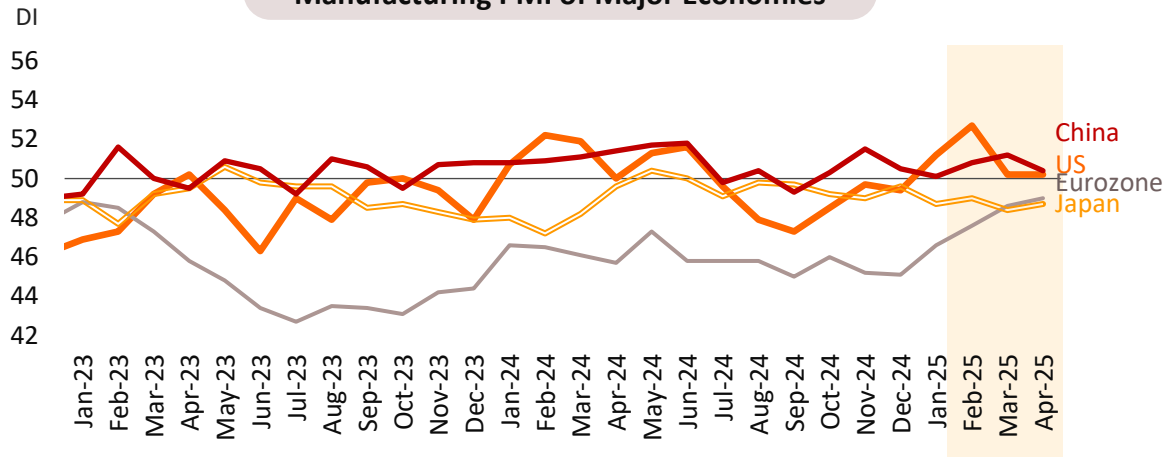
Notes: EMs: Emerging and Developing Asia
Source: IMF, World Economic Outlook (April 2025)

At pivotal moment for global economy, fading front-loaded manufacturing demand, slowing services sector, and higher tariffs threaten growth outlook

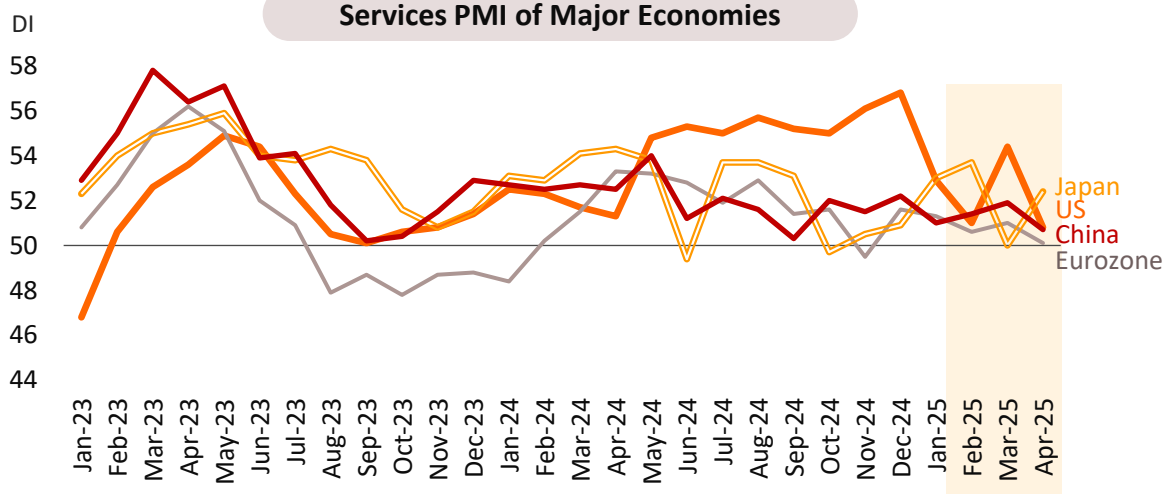
Global Composite, Manufacturing, and Services PMI



Manufacturing PMI of Major Economies



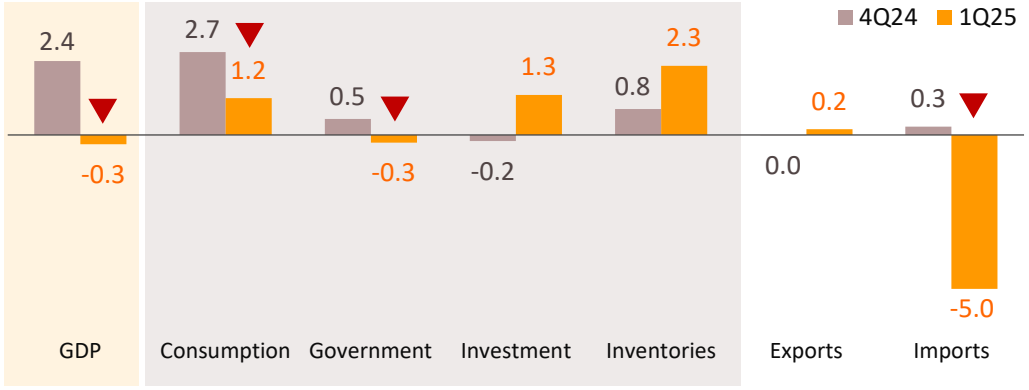
Services PMI of Major Economies



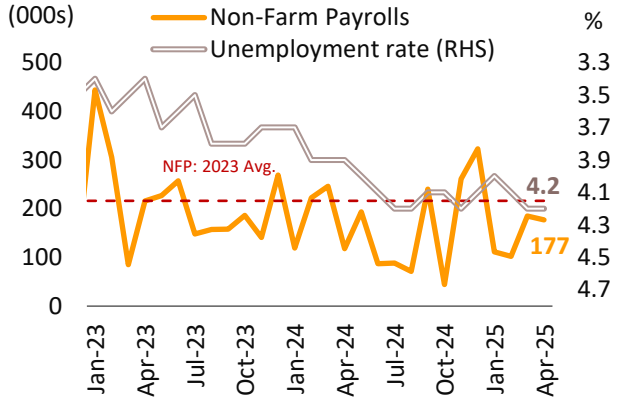
Source: J.P. Morgan and S&P Global PMI, Bloomberg, Krungsri Research

US: Trade talks ease recession fears, but economic slowdown signals mount amid tariff pressures; Fed expected to take wait-and-see stance before potential rate cuts in 2H25

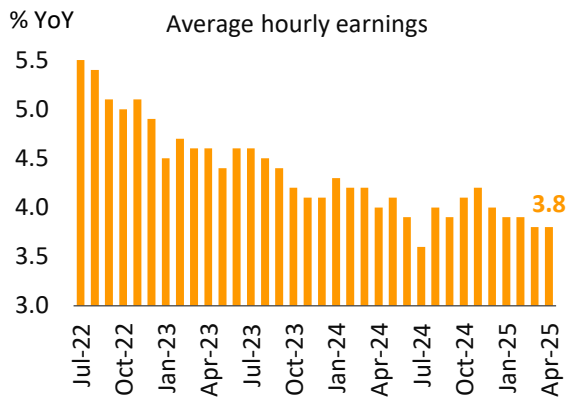
1Q25 GDP (%QoQ annualized) and contribution to GDP growth (ppts): Weaker consumption and tariff impact on inventories and imports



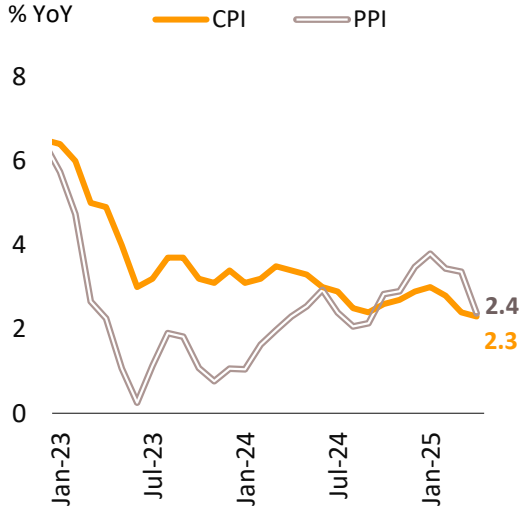
Payrolls and Unemployment



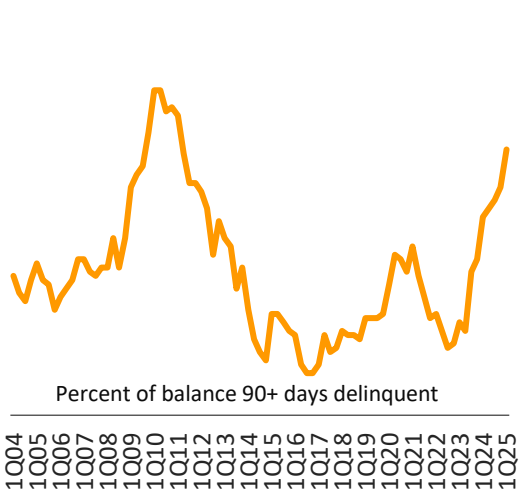
Wage Growth



CPI and PPI



Credit card delinquency



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

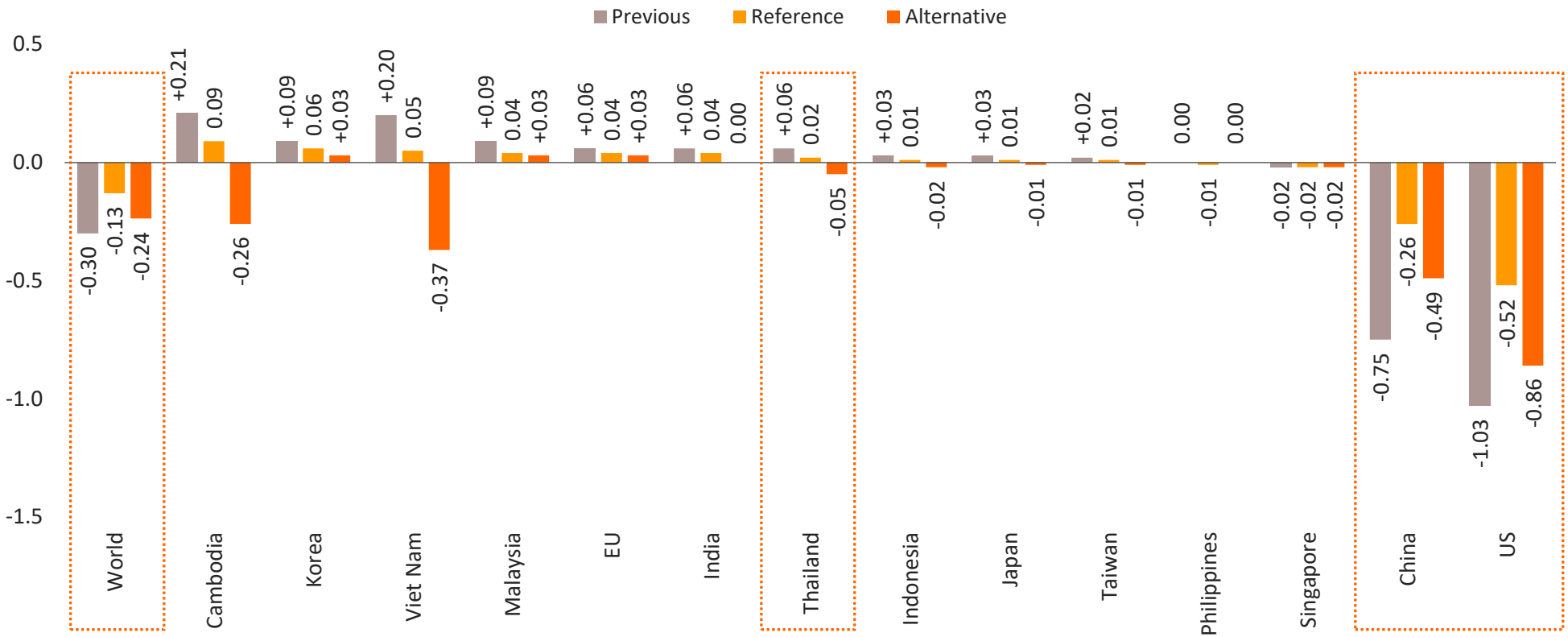
Krungsri Research's view

- **US-China trade talks have eased recession risks. However, persistent high tariffs may lift business costs, dampen investment, erode purchasing power, and weaken productivity, ultimately disrupting trade and weighing on long-term growth.**
- **Although the labor market remains resilient, multiple indicators point to a slowing economy. (i) 1Q25 GDP** surprised to the downside, with softer consumption growth; investment and inventory gains may prove temporary ahead of tariff hikes. **(ii) April's ISM manufacturing** contracted for a second straight month, while services stayed weak. **(iii) Retail sales** slowed sharply (+0.1% MoM in April vs. +1.7% in March**). (iv) Consumer confidence** in May fell to its lowest since June 2022. **(v) Credit card delinquency rates** in 1Q25 rose to 12.3%—the highest since 1Q11.
- **While tariffs may add cost-push pressure, overall inflation could be contained by several factors:** (i) lower-than-expected tariffs, (ii) falling oil prices, (iii) easing wage growth, (iv) weaker demand-pull pressure, and (v) disinflation in key services such as airfares and hotels. In April, both consumer and producer inflation fell to their lowest levels in over four years and seven months, respectively.
- **Tariff-related uncertainty may lead the Fed to adopt a wait-and-see stance at the upcoming meeting. However, clearer signs of economic slowdown could prompt two to three rate cuts in 2H25 to mitigate recession risks.**

Trump's tariffs trigger global "scenario-ception" of risks and uncertainties, led by US economic losses; negotiation needed to limit fallout

Previous Scenario: **The US imposes a 10% tariff on most countries and a 145% tariff on China**. China retaliates with a 125% tariff on US goods.
Reference Scenario: **The US imposes a 10% tariff on most countries and a 30% tariff on China**. China retaliates with a 10% tariff on US goods.
Alternative Scenario: **The US imposes the announced reciprocal tariffs on many countries and a 54% tariff on China**. China retaliates with a 34% tariff on US goods.

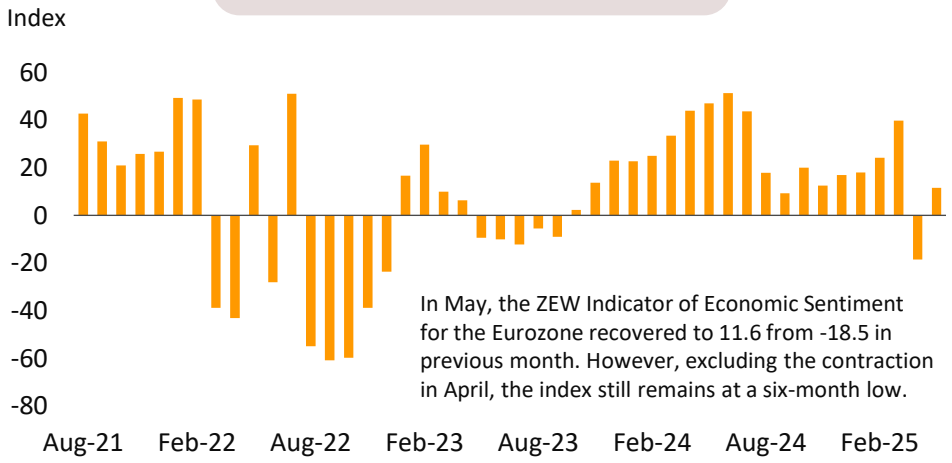
Long-term Impact of US Tariffs on GDP (% deviation from baseline)



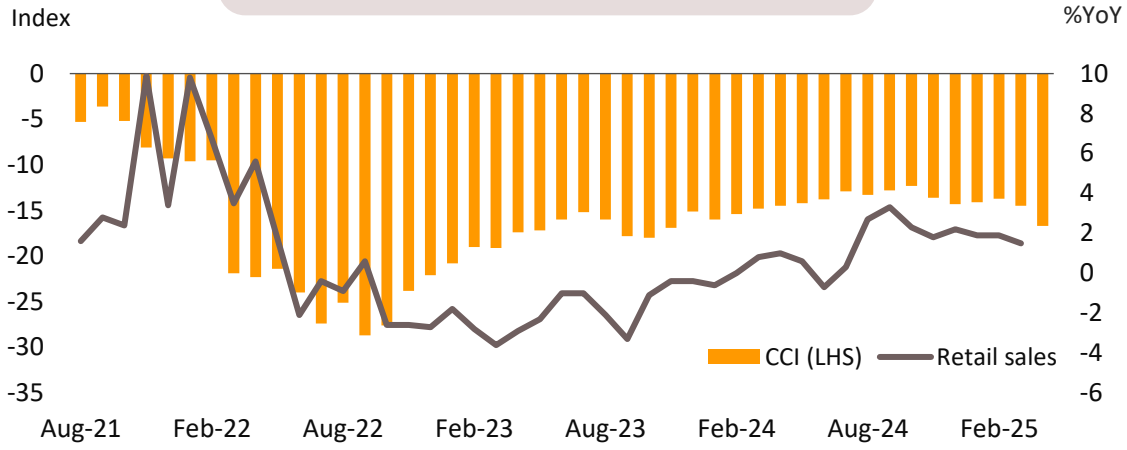
Source: GTAP; calculation by Krungsri Research

Eurozone: US tariff threats, flood of Chinese goods, and slowing economic growth may prompt further ECB rate cuts

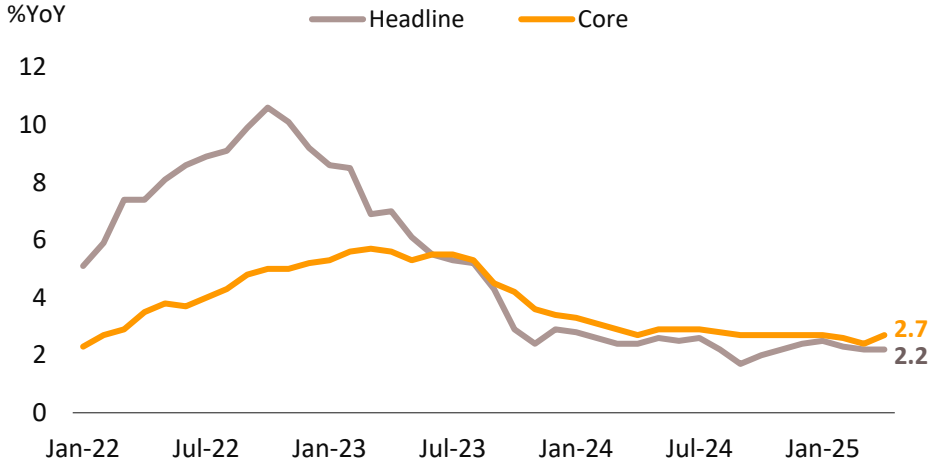
ZEW Economic Sentiment Index



Consumer Confidence Index and Retail Sales



Consumer Price Index (CPI)



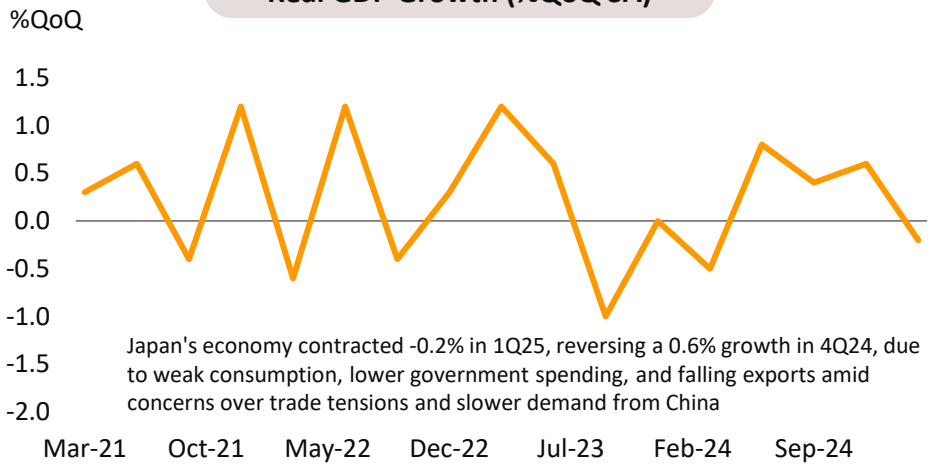
Source: ECB, CEIC, investing.com, Eurostat, European Union, Bloomberg, Krungsri Research

Krungsri Research's view

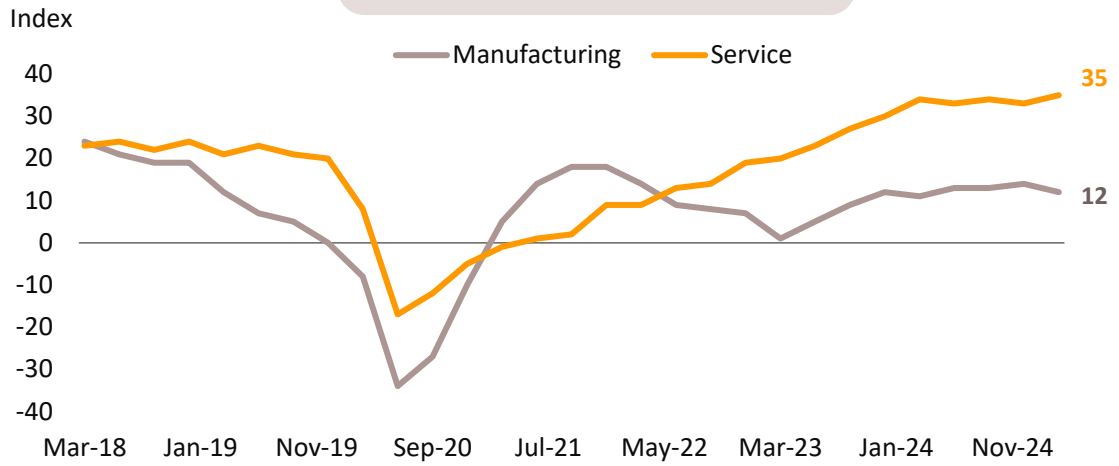
- **Trade tensions remain a key risk.** The US is considering tariffs on a range of the European Union (EU) imports, including lumber, pharmaceuticals, semiconductors, critical minerals, and trucks—covering an additional EUR 170 bn, or 97% of EU exports to the US. The EU is preparing a proposal for negotiations but is also ready to retaliate with tariffs on US imports worth around EUR 100 bn if trade talks fail.
- The EU is targeting products that can be substituted with domestic alternatives—such as aircraft parts, cars, and alcoholic beverages—to minimize consumer burden and economic disruption. **Our analysis found that EU exports could decline from the baseline by 1.08% in the long term** based on the current tariffs (the US has imposed 30% tariffs on Chinese imports, 10% tariffs on imports from other countries, and 25% tariff on imports of steel, aluminum, autos, and auto parts). while China has imposed 10% tariffs on US goods). The potential influx of Chinese goods (expected to rise significantly by 7.79% based on the current US-China tariffs) could also harm this region's industries in electronics, machinery, and clothing.
- **The ECB is expected to continue its rate-cutting cycle.** With the Eurozone's economic slowdown becoming more evident, Krungsri Research expects the key policy rates will gradually decline from the current 2.25% to 1.5% by end-2025, aimed at supporting domestic spending and cushioning the impact of global headwinds.

Japan: Trade uncertainty weighs on growth outlook even as services strengthen; BOJ likely to remain cautious

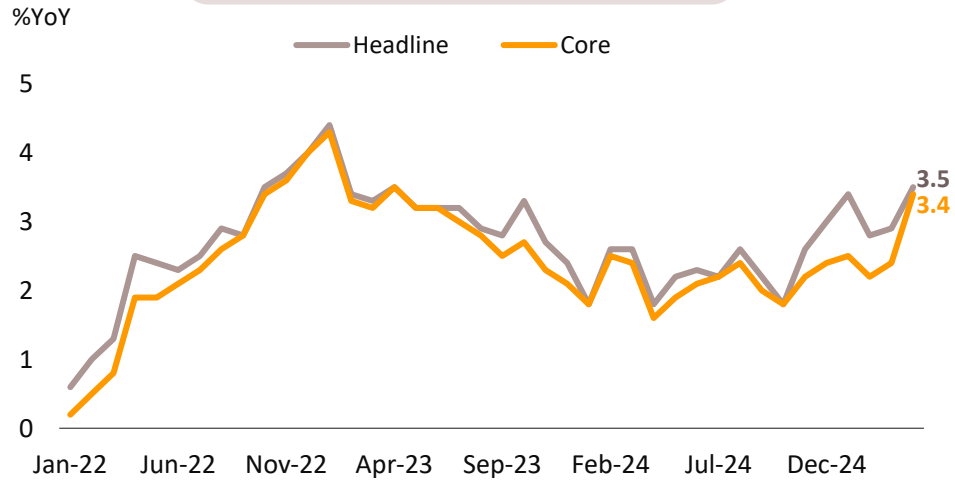
Real GDP Growth (%QoQ SA)



Tankan Index



Tokyo Consumer Price Index (CPI)



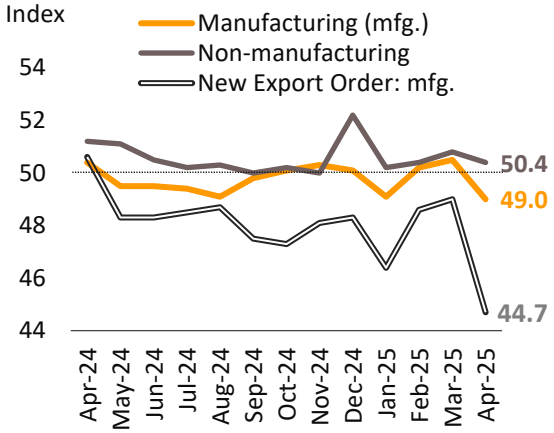
Source: Bank of Japan, CEIC, Investing.com, Krungsri Research

Krungsri Research's view

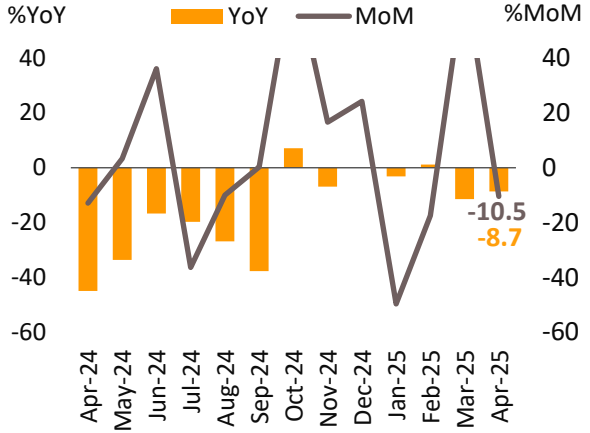
- **Japan's economic outlook remains clouded by uncertainty over a trade deal with the US**, as Japan insists it will not accept a deal that includes auto tariffs. If the US rejects Japan's request to exclude tariffs on auto imports—nearly one-third of Japan's exports to the US—the impact on Japanese automakers and their suppliers would be significant. According to our analysis, based on the current US-China tariffs, Japan's total exports could decline from the baseline by -2.66% in the long term.
- **The service sector, on the other hand, remains strong,** with business confidence reaching a 33-year high as firms increasingly pass costs on to consumers amid a brighter outlook of tourism. However, growth momentum may be constrained by rising input costs and labor shortages, as many small and mid-sized firms struggle to hire and raise wages. Continued increases in raw material prices have also weighed on household spending, as reflected in the GDP contraction in 1Q25.
- **Despite still-high inflation, the Bank of Japan (BOJ) is expected to keep its policy rates unchanged in the near term**. Given growing pressure over US tariffs and weakening consumer confidence, Krungsri Research expects the Bank of Japan (BOJ) to maintain its current policy rate at 0.5% in the near term, with a potential rate hike considered in the second half of the year.

China: Temporary trade ceasefire provides some relief, but trade war could still weigh on growth; government retains fiscal policy space to mitigate further escalation

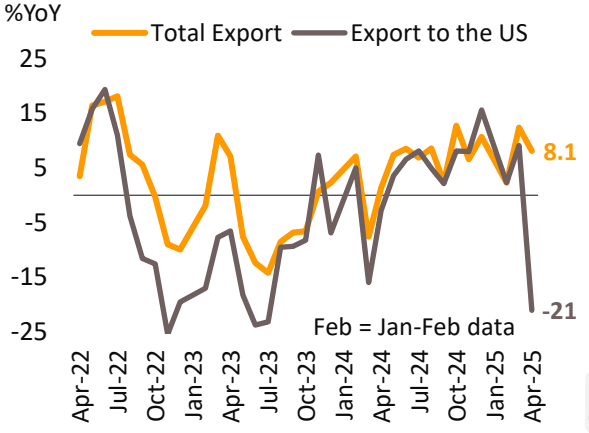
Purchasing Managers' Index (PMI)



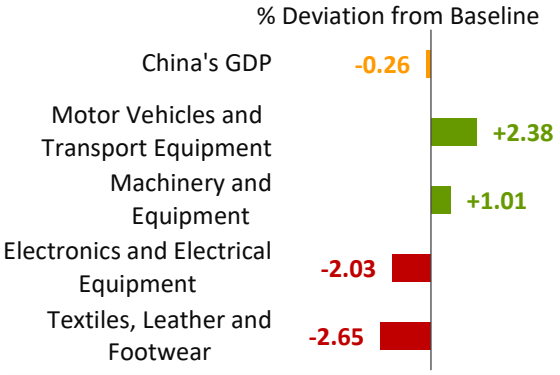
New Home Sales by Top 100 Developers



Exports



Long-term Impact of US Tariffs*

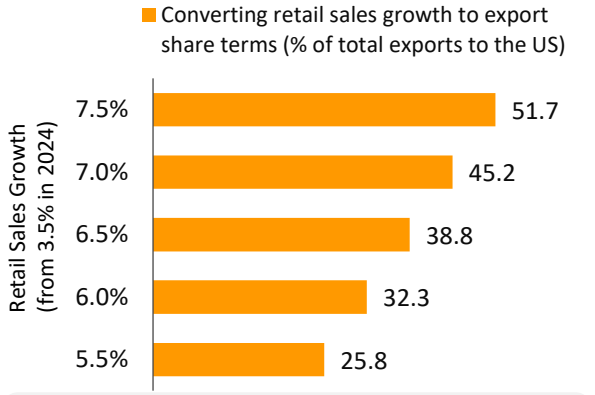


*The US imposes 30% tariffs on China and 10% on other countries; China retaliates with 10% on the US.

Monetary Policy in May

Measures		Prev.	Latest (May)
Reverse repo	7-day	1.5%	▼ 1.4%
	14-day	1.65%	1.65%
MLF	1-year	2%	2%
LPR	1-year	3.1%	▼ 3%
	5-year	3.6%	▼ 3.5%
RRR (by bank size)	Large	8%	▼ 7.5%
	Medium	6%	▼ 5.5%
	Small	5%	5%

Retail Sales Increases in Terms of Export Share



This analysis translates the value of retail sales generated by additional growth—from 3.5% in 2024 to varying degrees (5.5%-7.5%)—into its equivalent percentage share of total exports to the US.

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

Krungsri Research's view

- **China's economy remains fragile.** Retail sales grew 5.1% YoY in April, while new home sales continued to decline. However, export growth slowed only moderately—from 12.4% to 8.1%—despite a 21% drop in exports to the US. With a temporary US-China tariff reduction, the expected slowdown in 2Q25 GDP growth may be limited.
- **Trade war is cooling down.** On May 12, the US and China agreed to reduce tariffs for 90 days—from 145% to 30% on Chinese goods, and from 125% to 10% on US goods.
  - The overall long-run impact will be limited (GDP: -0.26% vs. -0.75% in the case of tariffs exceeding 100%), as China could benefit from shifting exports to other partners or from investment relocation (excl. risks from anti-dumping measures).
  - If the 90-day period yields little to no result and US and China tariffs revert to 54% and 34%, respectively, with other countries facing higher reciprocal tariffs, China will continue to decouple from the US. We found that China's export share to the US could drop from 16.1% in 2023 to 4.3% in the long run.
- **China still has considerable fiscal flexibility.** Fiscal measures could help alleviate the impact of the trade war to some degree. For instance, if the government manages to boost retail sales growth from 3.5% in 2024 to 5.5%-7.5%, the additional increases in retail sales will cover around 26% to 52% of total exports to the US.

Thailand: Mounting risks from a scenario-ception of trade tensions and domestic headwinds

- **Thailand's economic prospect presents a complex scenario, transitioning from a period of record-high exports to facing significant challenges stemming from escalating global trade tensions and domestic economic pressures.**
- **1Q25 GDP data and 2025 outlook:** 1Q25 Thai GDP grew 3.1% YoY, showing a slightly slower momentum. Exports and public investment drove growth amid weak private consumption and investment, while Tariff impacts were still pending. Krungsri Research preliminarily projects 2025 GDP growth at 2.0–2.2% based on current tariffs and 1.3-1.6% in the case of high reciprocal tariffs.
- **A scenario-ception of trade tensions:**
  - Despite the current trade truce, Trump's tariffs still pose a risk to global economic growth, with the US and China bearing the biggest losses. Thailand and other ASEAN countries could face heightened pressure on GDP and export performance if the US imposes high reciprocal tariffs.
  - In Thailand, while some sectors may benefit from trade diversion and substitution effects, the majority of key industries would experience long-term losses due to elevated tariffs and an influx of Chinese imports. The impact on each industry is influenced not only by external demand, but also by its price elasticity, competitiveness, and relative tariff levels.
  - Although Thai exports hit a record high in March, US tariff uncertainties still cloud the outlook.
- **Flood of Chinese goods and implications for the Thai economy:**
  - Thailand is facing growing challenges from a surge in Chinese imports, amid already weak domestic manufacturing. Domestic industries face risks of competitiveness loss, export re-routing, and weak growth.
  - Looking ahead, tariff hikes are expected to further accelerate the Thai imports of Chinese goods, potentially increasing by 6.6% from the baseline, placing additional strain on Thailand's fragile manufacturing sector. Struggling industries are likely to deteriorate further, while even growing sectors may lose momentum. Foreign-dominated industries may see some gains, but the benefit to the Thai economy remains limited.
- **Domestic economic challenges:** Tourism recovery has stalled, private investment weakness is spreading, and private consumption faces increasing headwinds.
- **Policy interest rate:** Mounting downside risks prompted the MPC to cut rates. Further easing is likely, with the size and pace depending on negotiation progress and the effectiveness of domestic economic policies.

1Q25 GDP grew 3.1% YoY; exports and public investment drove growth amid weak private consumption and investment; pressures mount amid tariff policy and structural constraints

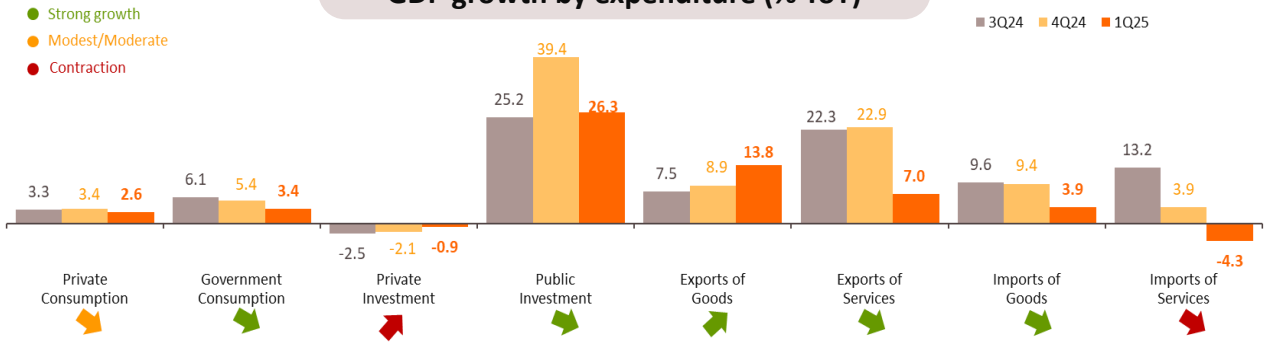
Key growth drivers in 1Q25:

- **Demand side:** Growing exports of goods and public investment
- **Supply side:** Accelerating agricultural sector, growth in construction, retail trade, and tourism-related services

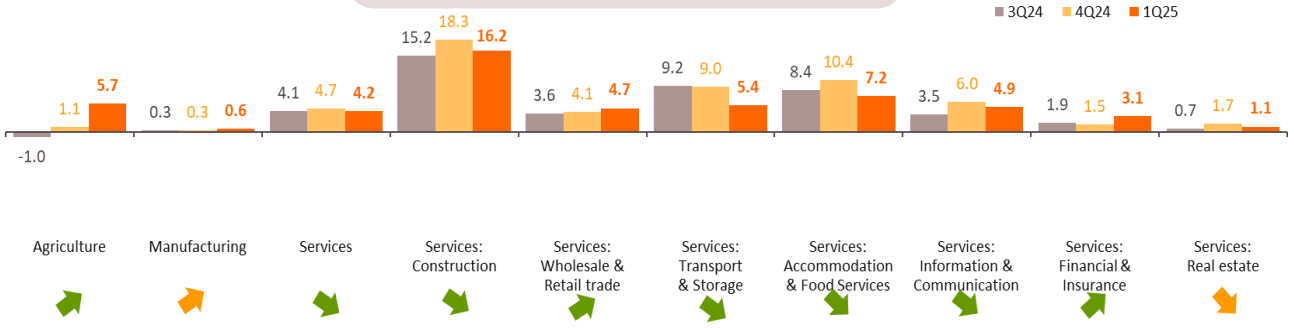
Weak or slower growth in 1Q25:

- **Demand side:** Contraction in private investment (-0.6%), slower growth in private consumption and exports of services
- **Supply side:** Weak growth of manufacturing (+0.6%) and real estate

GDP growth by expenditure (% YoY)

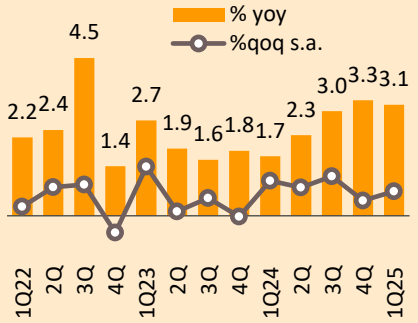


Supply-side GDP data (% YoY)



Source: NESDC, Krungsri Research

Thai GDP growth (%)



Components of Thai GDP growth

	2024	% YoY		% QoQ sa	
		4Q24	1Q25	4Q24	1Q25
GDP	**2.5**	**3.3**	**3.1**	**0.4**	**0.7**
Private consumption	4.4	3.4	2.6	0.6	0.7
Public consumption	2.5	5.4	3.4	-0.2	-1.4
Private investment	-1.6	-2.1	-0.9	0.5	1.4
Public investment	4.8	39.4	26.3	-0.2	-12.3
Export of goods & services	7.8	11.5	12.3	3.0	2.0
Export of goods	4.3	8.9	13.8	2.3	2.6
Export of services	25.5	22.9	7.0	4.0	-1.3
Import of goods & services	6.3	8.2	2.1	2.3	-2.4
Import of goods	5.3	9.4	3.9	2.6	-1.1
Import of services	10.3	3.9	-4.3	-0.6	-2.9

Krungsri Research's view

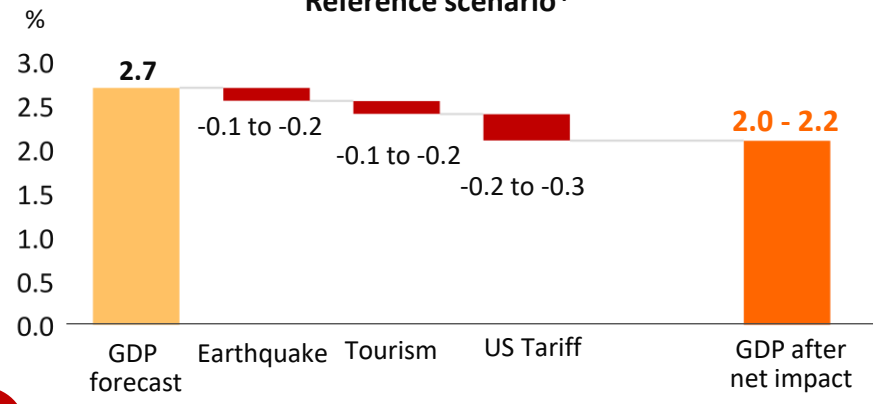
- **1Q25 GDP grew 3.1% YoY, showing a slightly slower momentum.** Exports and public investment drove growth amid weak private consumption and investment, with tariff impacts were still pending.
- **On the supply side,** 1Q25 GDP growth was supported by a strong rebound in agriculture and continued expansion in services, while the industrial sector remained sluggish.
- **Although 1Q25 GDP growth slightly exceeded market expectations, underlying domestic pressures appear to be intensifying:**
  i. Export growth (+13.8%) offers limited domestic support. This uptick likely reflects front-loaded shipments and inventory drawdowns, but this has not translated into a marked rebound in manufacturing output (+0.6%).
  ii. Private consumption is losing momentum (+2.6% vs +3.4% in 4Q24), as the impact of the Phase I fiscal stimulus—amounting to THB140bn—diminished. The smaller Phase II handouts (THB30bn) and the Easy E-Receipt scheme have so far failed to sustain consumption momentum.
  iii. Public investment growth (+26.3%) lacks crowding-in effects as private investment contracted by -0.9%, reflecting persistent caution amid weak domestic activity and trade-related uncertainties, particularly around tariffs.

2025 GDP Outlook: preliminarily projected at 2.0–2.2% with current tariffs, 1.3–1.6% under escalating trade tensions — a scenario-ception driven by tariff risks

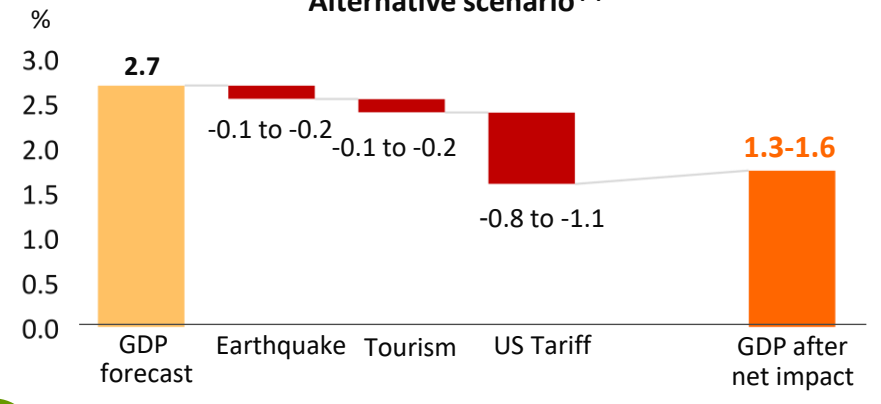
Krungsri Research preliminarily projects Thailand's 2025 GDP growth at a range of 2.0-2.2% in our reference scenario, assuming the current 10% tariff levels imposed by the US, while our alternative scenario with high reciprocal tariffs could see growth at 1.3-1.6%. Krungsri Research views escalating tariff risks as a key catalyst in a broader "scenario-ception," where external shocks interact with domestic vulnerabilities—such as structural constraints, weak policy execution, and a slow tourism recovery. This convergence of risks reinforces each other, making downside risks to growth not only likely but structurally embedded.

Scenarios of 2025 Thai GDP Growth Forecast

Reference scenario*



Alternative scenario**



Downside

- Thailand cannot successfully negotiate with the US at all.
- Cambodia and Vietnam, and/or other key competitors can successfully negotiate, bringing their tariffs significantly down.
- Domestic stimulus measures fail to revive confidence.
- Weaker-than-expected tourism sector due to a lack of confidence in traveling to Thailand.

Upside

- Thailand successfully negotiates with the US earlier than expected.
- Supply chain realignment opportunities such as gains from substitution effects and investment relocation.
- Thai government introduces very effective measures to mitigate the tariff impact and/or boost domestic demand.

Note: * US 10% tariffs impact on Thai exports would be limited.
** US reciprocal tariffs or Thailand faces relatively higher tariffs than competitors. Export growth this year would be close to zero.
Source: Krungsri Research

Under Trump's second presidency, a series of tariff hikes has intensified the trade war, with both the US and China currently under a 90-day trade truce

As of May 15, 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 4-6: 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: The US imposed ***10% baseline reciprocal tariffs*** (excl. Canada and Mexico), ***on many countries.***

April 9: The US ***postponed*** **higher reciprocal tariffs** ***for 90 days*** for all countries except China, ***leaving the baseline in place.***

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

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

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

May 14: The US and China ***reduced the total tariffs imposed on each other*** to 30% and 10%, respectively.

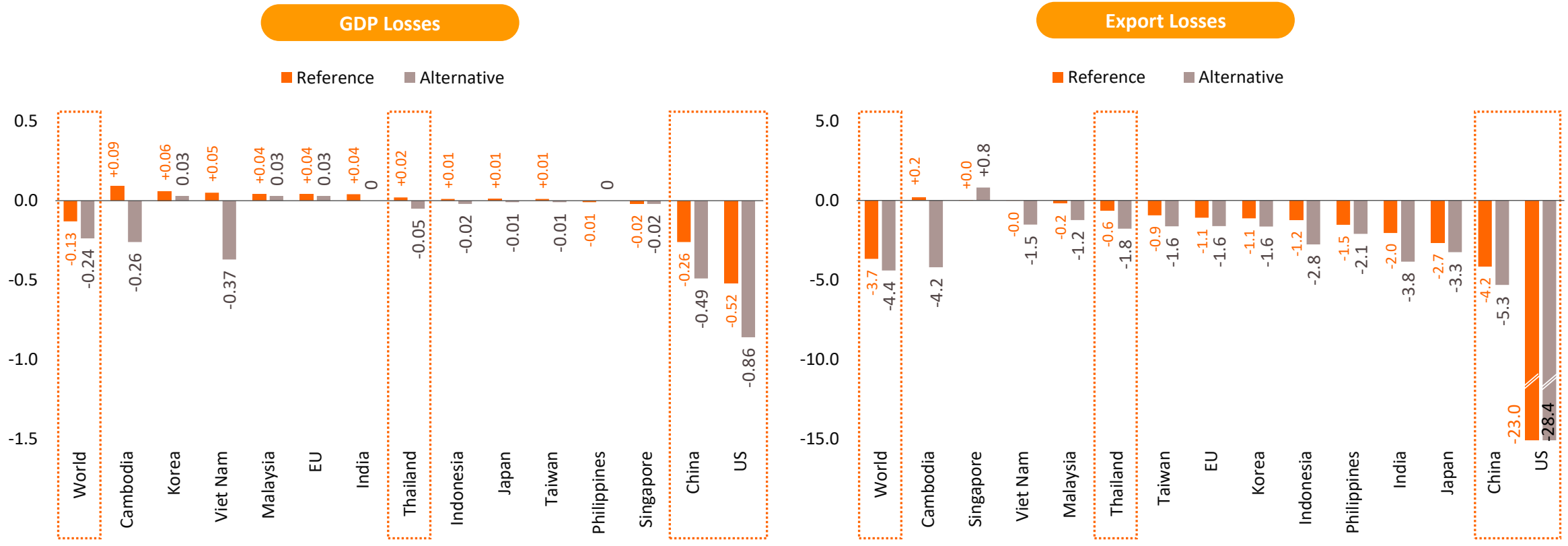
Later: Expected tariffs of ***pharmaceutical, electronics and semiconductor*** imports from all countries.

Source: Bloomberg, Reuters, AP, the White House, the Government of Canada; compiled by Krungsri Research

Trump’s tariffs pose risk to global growth, with US and China bearing the biggest losses; Thailand could face heightened economic pressure if US imposes high reciprocal tariffs

Reference scenario: **US imposes a 10% tariff on most countries and a 30% tariff on China**. China imposes a 10% tariff on US goods.
Alternative scenario: **US imposes the previously announced reciprocal tariffs on many countries and a 54% tariff on China**. China imposes a 34% tariff on US goods.

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



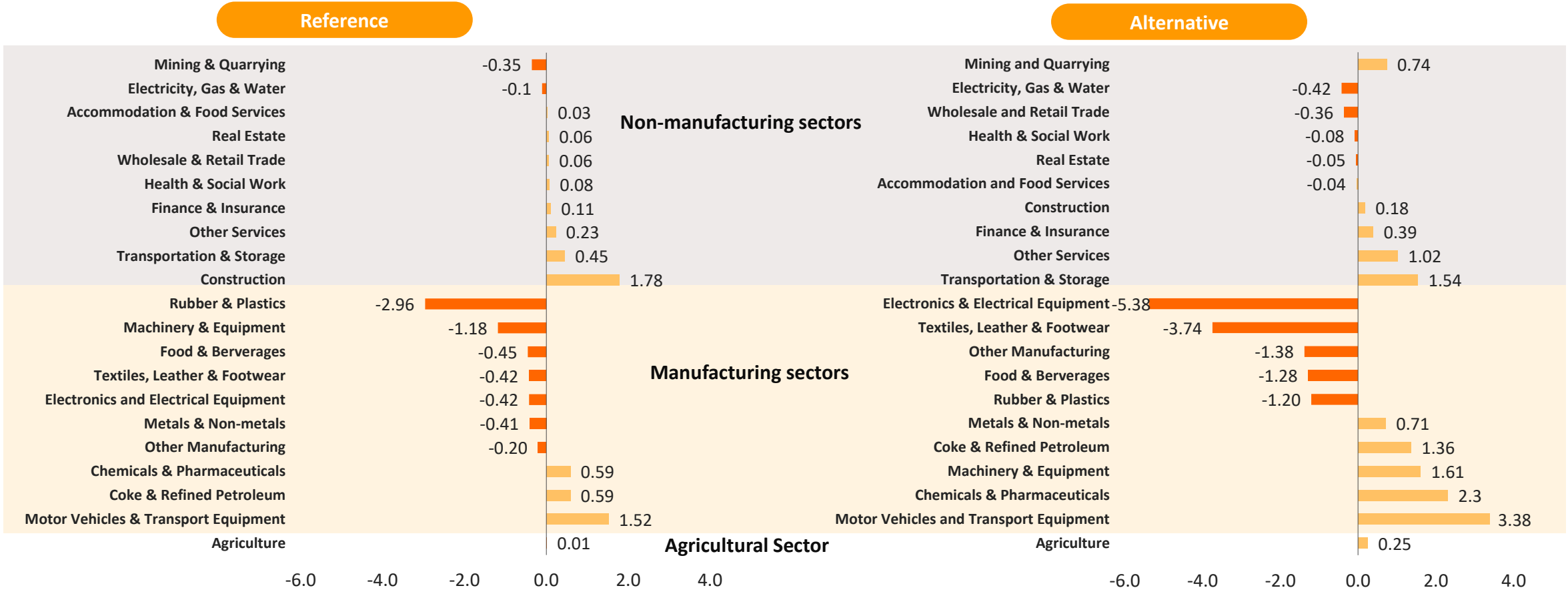
Source: GTAP; calculation by Krungsri Research

Some sectors may benefit from trade diversion and substitution effects, majority of industries will face long-term losses due to elevated tariffs and influx of Chinese goods

The impact on each industry is influenced not only by external demand, but also by its price elasticity, competitiveness, and relative tariff levels.

Reference scenario: **US imposes a 10% tariff on most countries and a 30% tariff on China**. China imposes a 10% tariff on US goods.
Alternative scenario: **US imposes the announced reciprocal tariffs on many countries and a 54% tariff on China**. China imposes a 34% tariff on US goods.

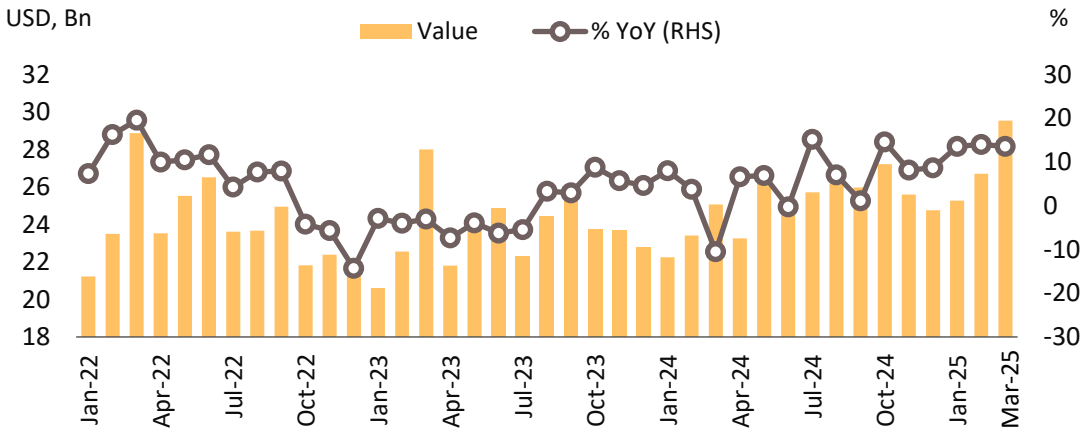
Long-term Impact of Tariffs on Thailand's Industries (% deviation from baseline)



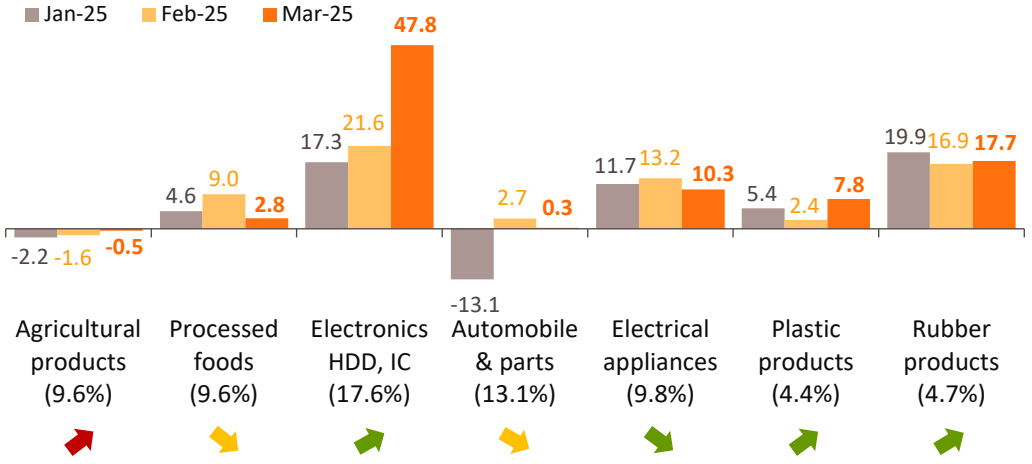
Source: GTAP; calculation by Krungsri Research

Though Thai exports hit a record high in March, uncertainties surrounding US tariffs threaten the outlook

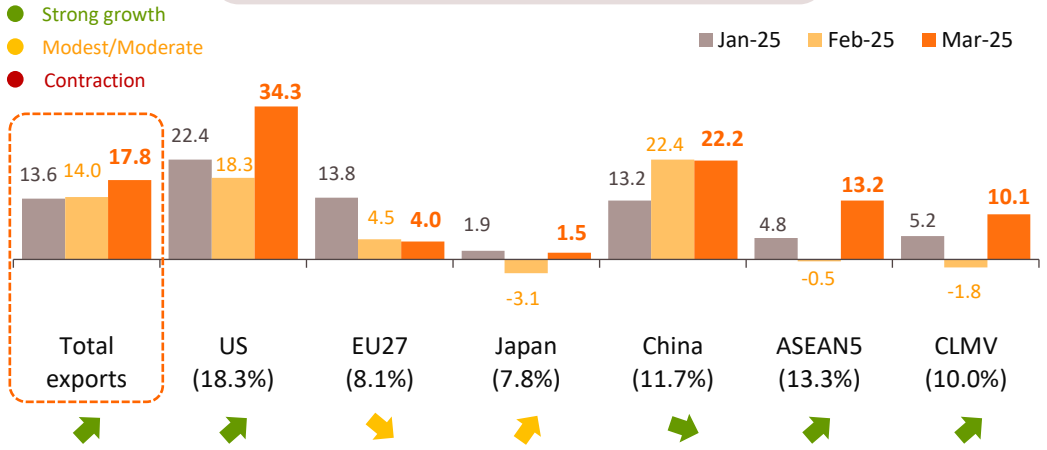
Exports



Exports by major product (%YoY)



Exports by major destination (%YoY)



Krungsri Research's view

- **In March, merchandise export value reached a record high of USD 29.5 bn,** marking the ninth consecutive month of growth with a 17.8% YoY increase. Excluding oil, gold, and weapons, exports rose by 15.0%, led by computers & parts, circuit boards, air conditioners & components, and automobiles & parts. However, exports of some key categories contracted, such as sugar, rice, and cassava products. By destination, exports expanded in nearly all markets, led by the US and China. Overall, export value in the first quarter of 2025 grew by 15.2%.
- The record-high export value in March may have been driven by temporary factors, such as front-loaded demand in response to uncertainty over US tariff policies. While the US-China trade tensions have temporarily eased following a 90-day agreement to reduce tariffs by 115%—with the US lowering tariffs on Chinese goods to 30% and China imposing a 10% tariff on US goods—high uncertainty persists. The risk of renewed tariff hikes remains if negotiations stall.
- **Under our reference scenario—where the US imposes a 10% tariff on most countries and a 30% tariff on China, and China imposes a 10% tariff on US goods—Thailand's long-term exports are projected to decline by -0.6%. In the alternative scenario—where the US imposes full reciprocal tariffs, including but not limited to a 36% tariff on Thai goods and a 54% tariff on Chinese goods, with China responding with a 34% tariff on US goods—Thai exports could fall by as much as -1.8%.**

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

Strong 1Q25 export growth may be short-lived amid global trade headwinds

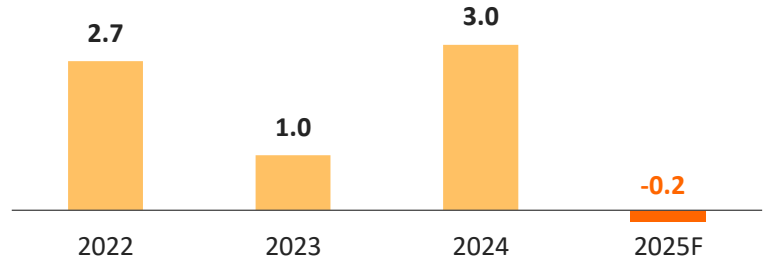
In the first quarter of 2025, Thai exports grew 15.2% YoY (based on MOC data), led by Industrial products, which expanded by 19.4% (including computers & components, plastic products, and electrical appliances), agro-industrial products which expanded by 2.0% (such as pet food and canned tuna). However, exports of agricultural products decreased by -1.4%, led by rice and cassava products. Also, exports of cars and parts continued to contract. The impending US tariff hikes present a major downside risk. Thai exporters front-loaded shipments ahead of the tariffs, but this short-term boost may fade. **The WTO now projects a 0.2% decline in global trade for 2025,** reversing its earlier 3.0% growth forecast—largely due to escalating US tariffs and rising US-China trade tensions, which could disrupt Thai trade and increase economic uncertainty.

Thai exports by major product and destination

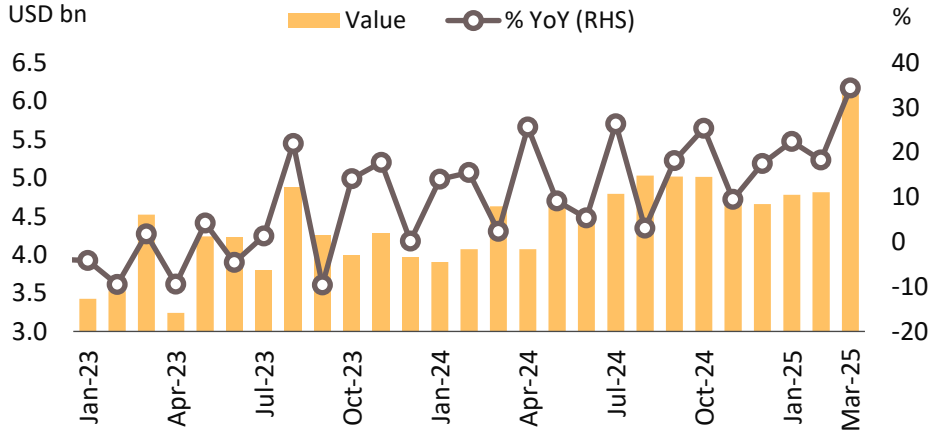
Thailand: January-March's Export growth (% YoY)	World	US (18%)	EU (8%)	Japan (8%)	China (12%)	ASEAN-5 (13%)	CLMV (10%)
Total	**+15.2**	**+25.4**	**+7.2**	**+0.1**	**+19.5**	**+5.7**	**+4.7**
Cars & parts (10.3%)	-2.0	+11.5	-26.8	-8.6	-36.9	4.84	+52.9
Computer & parts (8.2%)	+60.9	+64.3	+66.2	+4.9	+154	+18.9	+113.8
Rubber products (4.7%)	+18.1	+8.2	+5.3	+0.7	+68	+7.3	+4.9
Plastic resin (2.9%)	+4.4	+4.0	+4.9	+7.0	-3.3	+19.1	+10.0
Electronic IC (2.9%)	+24.7	+28.6	-5.7	-8.7	-5.9	+2.8	+228.2
Chemical products (2.8%)	+10.4	+70.2	+34.0	-5.5	+37.6	-5.2	+15.8
Fresh, frozen & dried fruit (2.2%)	-1.5	-8.0	+6.7	+29.5	-3.8	+19.8	+28.6
Rice (2.1%)	-30.4	+11.5	+20.5	-16.0	+20.8	-85	+9.9
Electrical appliances (1.8%)	+11.1	+7.1	+29.4	-1.5	+1.3	+6.3	+13.5
Rubber (1.7%)	+32.4	+13.0	-4.5	+42.2	+74.8	+0.3	+27
Plastic products (1.5%)	+6.9	+37.3	-8.7	-1.7	-12.7	+3.8	-2.1
Preserved fish, crustaceans (1.3%)	+2.0	+15.7	+7.6	-0.4	+39.1	+7.3	-2.6
Tapioca products (1.0%)	-2.6	+10.8	+18.9	-17.7	-11.6	-23.5	+18.7
Sugar (0.8%)	-0.8	+12,880	-90.5	-6.6	+109.7	-2.1	+6.2

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

WTO's forecast of global merchandise trade volume growth



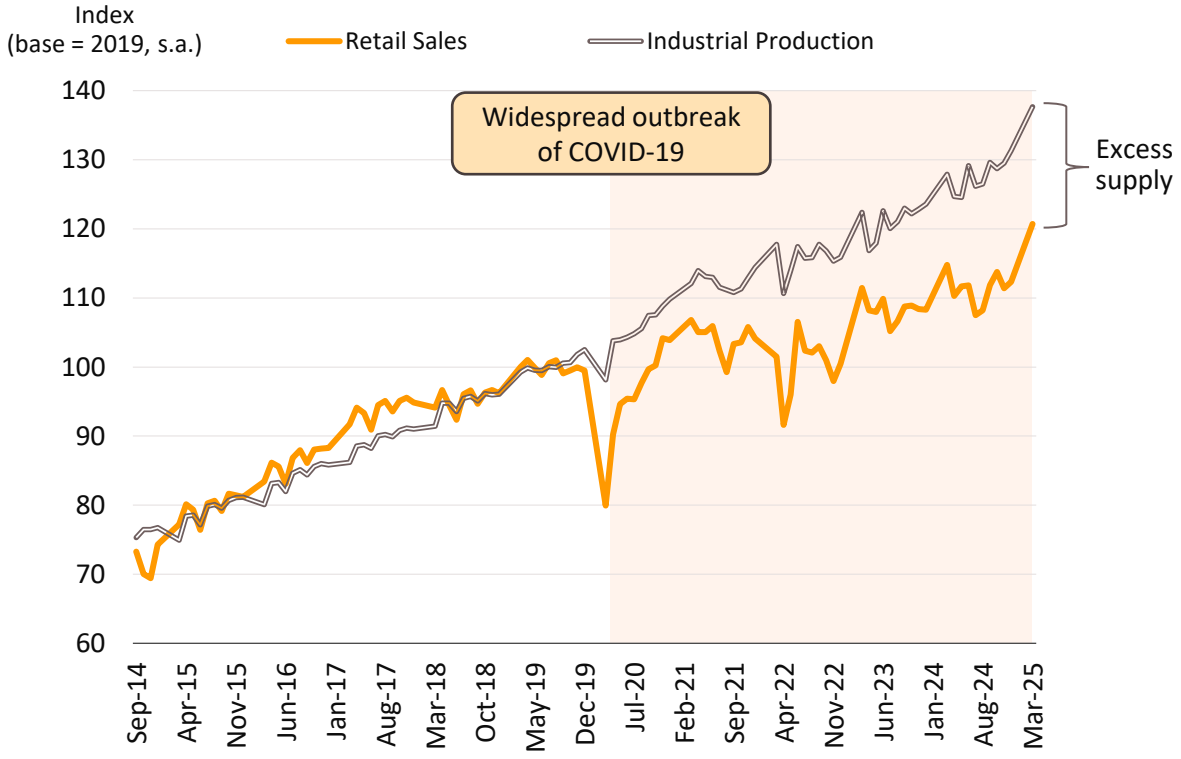
Thai exports to US surge in March ahead of tariff hike



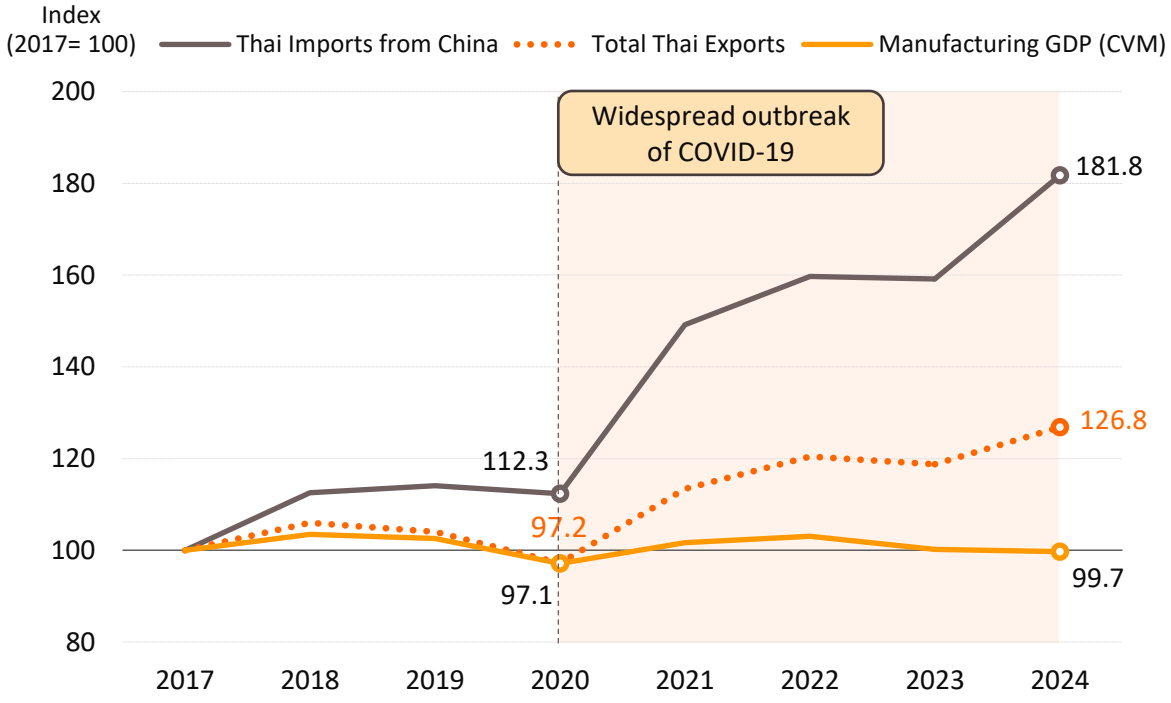
Thailand facing increasing challenges from influx of Chinese goods amid weak domestic manufacturing production

For years, **Thailand has been wary of an influx of Chinese goods, driven by China's persistent excess supply in the manufacturing sectors**, which worsened following COVID-19, **as well as China's diversion of exports from the US to other partners**, especially ASEAN, due to the US tariff hikes during Trump's first presidency. The share of Thai imports from China surged from 20.0% in 2017 to 26.2% in 2024. This surge in Chinese goods has intensified competition for Thai businesses in both domestic and international markets. The escalating U.S.-China trade war could further accelerate the inflow of Chinese products into Thailand. **Since 2017, Thai imports from China have accelerated markedly relative to Thailand's overall exports, while domestic manufacturing production has remained largely stagnant, raising concerns over the sustainability of the country's economic growth**.

China's Demand-Supply Imbalance in Manufacturing Sector



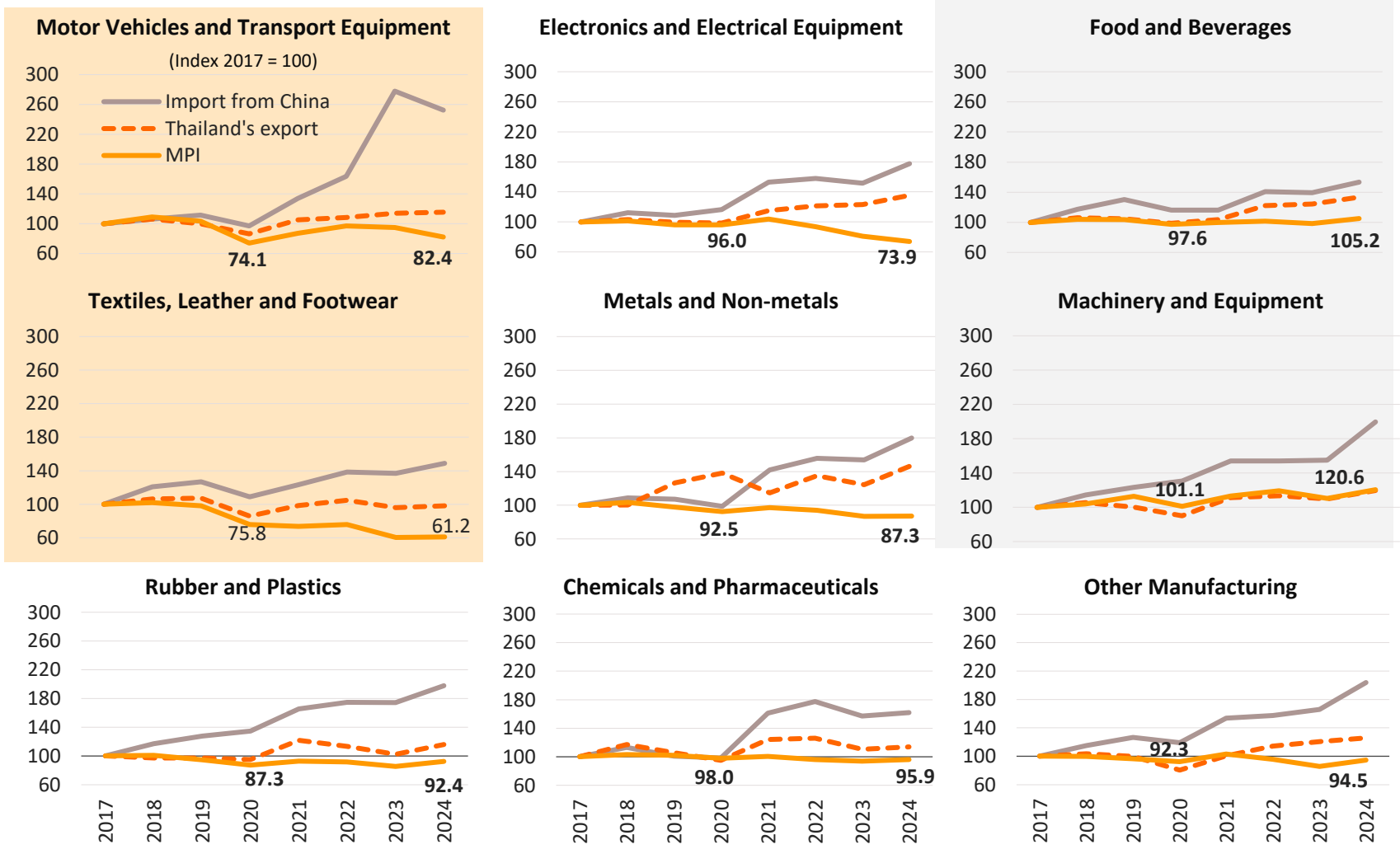
Thai Imports from China, Total Thai Exports, and Manufacturing GDP



Source: NBS, MOC, NESDC, CEIC, calculation by Krungsri Research

Domestic industries face risks of competitiveness loss, export re-routing, and weak growth

Thai Imports from China, Thailand's Overall Exports, and Manufacturing Production Index by Sector



*Note: MPI is used as a proxy for sectoral GDP due to the unavailability of 2024 data

Source: TradeMap, MOC, OIE, Krungsri Research

I. Industries at Risk of Losing Competitiveness: "*Motor Vehicles and Transport Equipment*" and "*Textiles, Leather, and Footwear*."

- **No growth of exports or a large gap between total exports and imports from China**
- **Domestic outputs have declined.**

II. Industries Facing Export Re-routing Risk: "*Electronics and Electrical Equipment*", "*Rubber and Plastics*", "*Metals and Non-Metals*", "*Chemicals and Pharmaceuticals*", and "*Other Manufacturing Sectors*"

- **Exports have increased.**
- **But domestic outputs have declined.**
- Higher risk of US investigations into trade circumvention and potential trade penalties

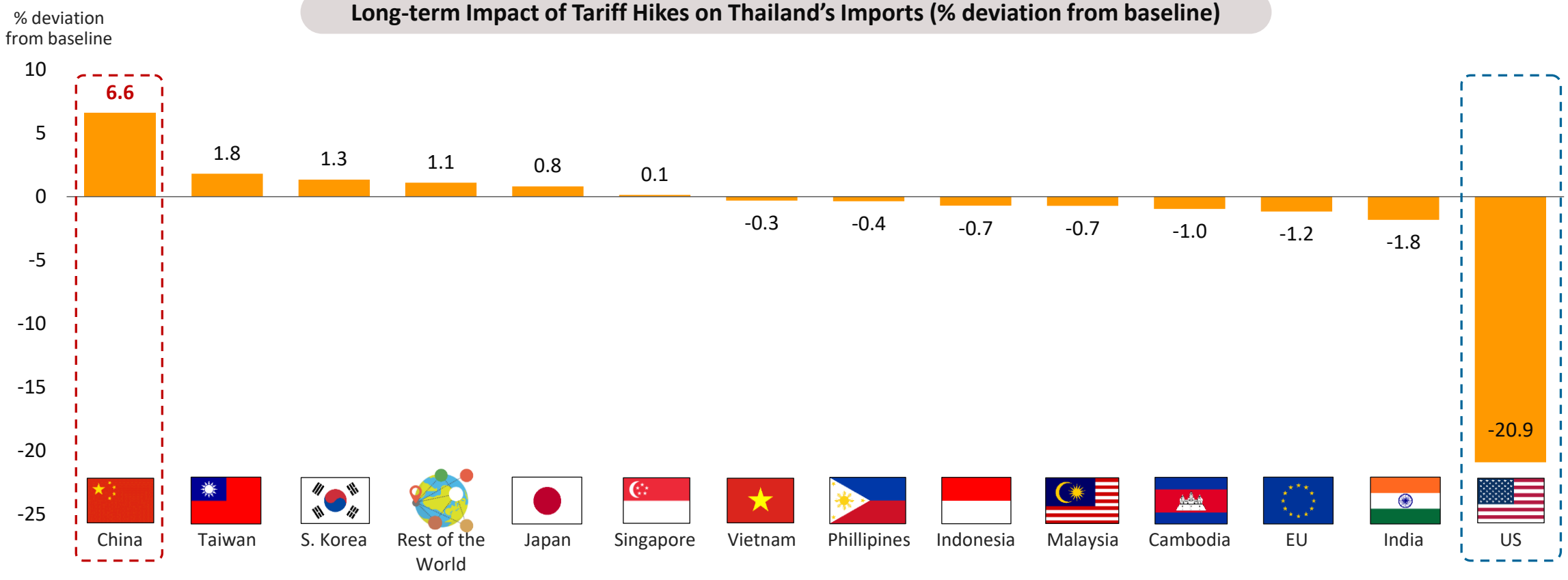
III. Industries Still Growing but Facing Elevated Risks: "*Food and Beverages*" and "*Machinery and Equipment*"

- **Exports continued to increase.**
- **Domestic output grew, but at a slow pace**
- In the longer term, it may face increasing pressure as Chinese products continue to gain market share through lower pricing.

Tariff impact is expected to further increase Thai imports of Chinese goods (+6.6%), worsening already-fragile manufacturing sectors

Since mid-May 2025, the US has imposed 30% tariffs on all Chinese goods, the China has imposed 10% tariffs on all US goods. As of April 28, the 10% baseline reciprocal tariffs remain in effect across the board (excl. Canada and Mexico), along with 25% tariffs on steel, aluminum, and automobile imports from all countries. **In this scenario, China's export share to the US could decline to only 7.3% in the long run, leading to a substantial trade diversion to other trading partners**, especially ASEAN. Thus, **Thailand's current influx of Chinese goods could exacerbate. According to our analysis, Thailand's Imports from China could increase from the baseline by 6.6%,** USD 5.3 bn, causing **Thailand's share of imports from China to increase from 26.2% in 2024 to 27.8% in the long run.** This further influx of Chinese goods would aggravate manufacturing sectors with currently weak competitiveness.

Long-term Impact of Tariff Hikes on Thailand's Imports (% deviation from baseline)

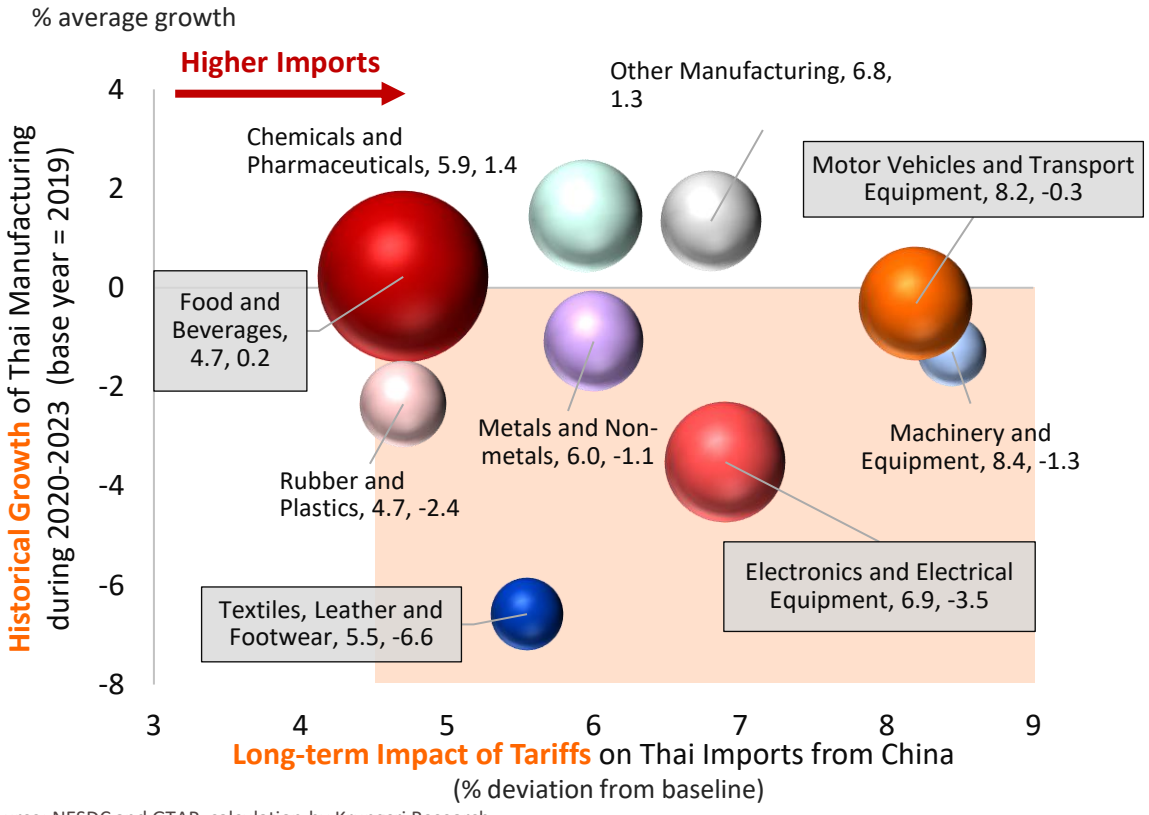


Source: GTAP; calculation by Krungsri Research

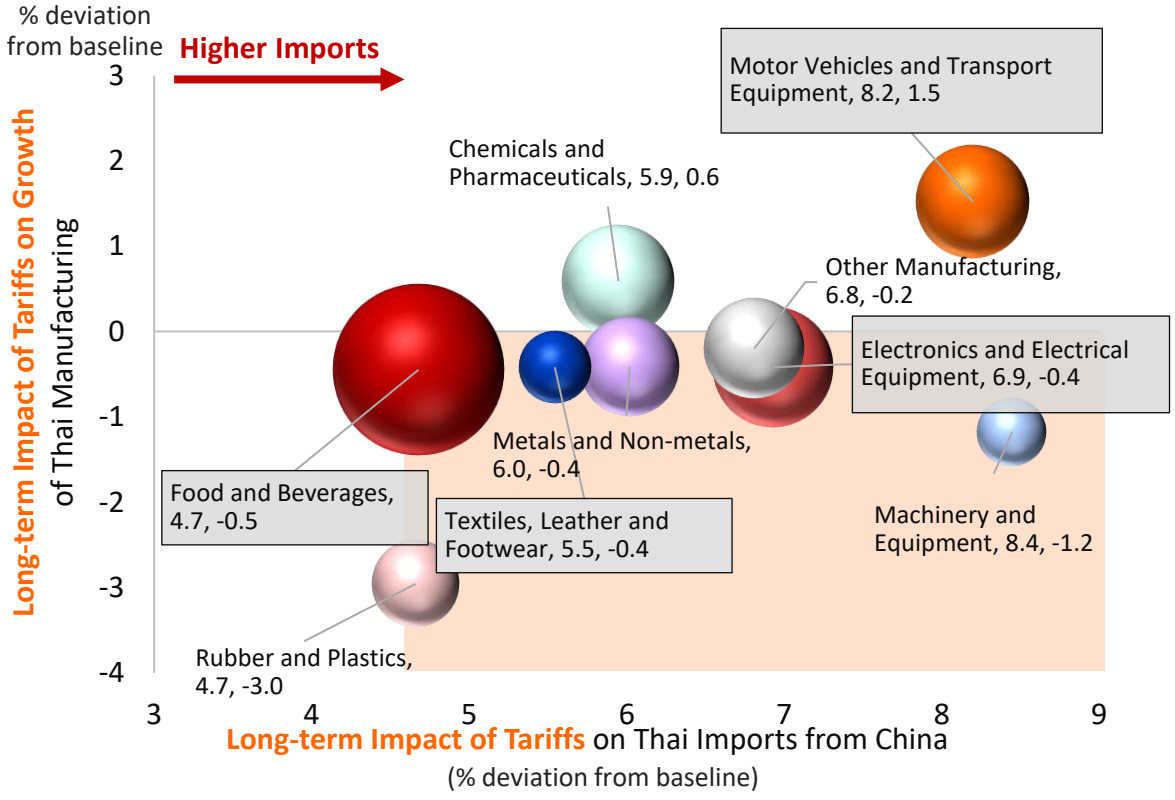
Tariff impact: Struggling sectors likely to decline further, growing sectors to lose momentum, and foreign-dominated sectors to offer limited gains for Thailand

The tariff-induced influx of Chinese goods will continue to weaken struggling sectors, particularly Textiles, Leather, and Footwear. Additionally, sectors that saw positive growth during 2020-2023, such as Food and Beverages, **are expected to shift toward negative growth**. While Motor Vehicles & Transport Equipment may see some long-term growth, gains for Thai manufacturers would likely be limited due to the rerouting of Chinese goods and high foreign ownership rates in this industries (73%). With the dual risks of US tariffs on Thailand and the tariff-induced influx of Chinese goods, Thai businesses will face greater risks, and workers in declining sectors may suffer income losses or layoffs. Thus, the Thai government should not only reach a trade agreement with the US but also take additional actions to mitigate the risks from an influx of Chinese goods.

Historical Sectoral Growth and Tariff Impacts on Thai Imports from China



Potential Tariff Impacts on Long-term Sectoral Growth and Thai Imports from China



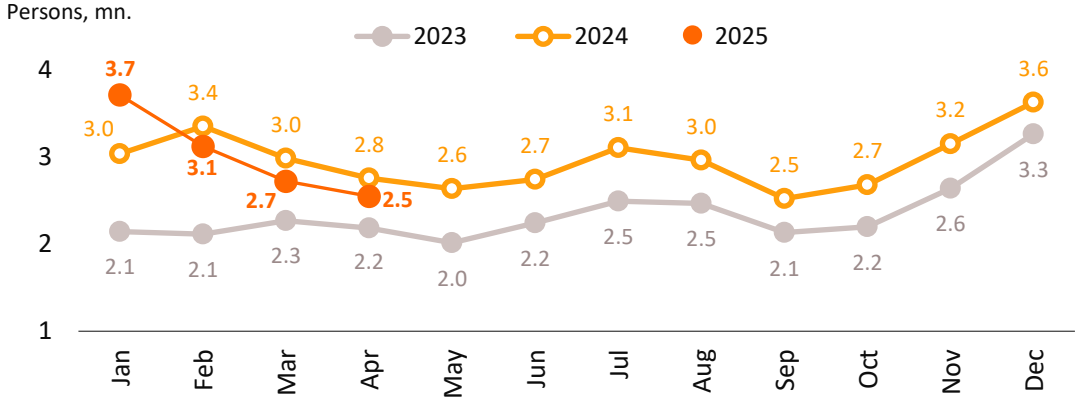
Source: NESDC and GTAP; calculation by Krungsri Research

Note: Size of bubbles represents % share of GDP in 2023.

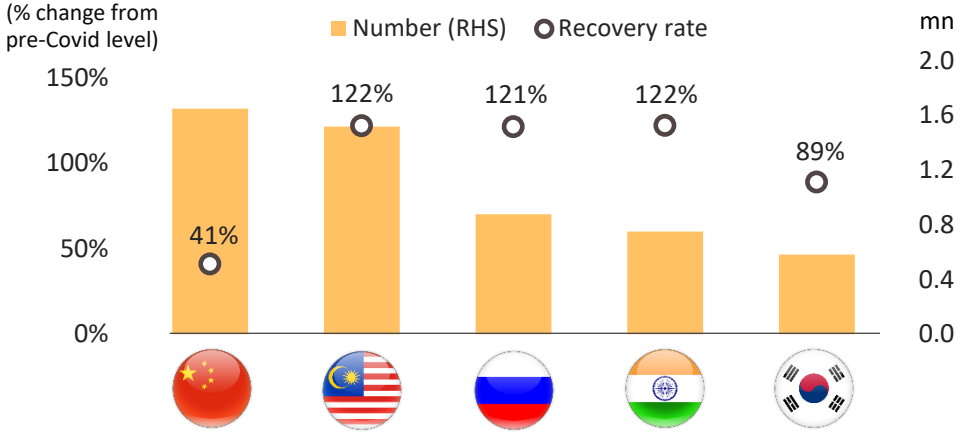
Tourism recovery stalls as Chinese arrivals fall to only 41% of pre-Covid level

In April 2025, Thailand welcomed 2.55 mn foreign tourists, the lowest in six months and a -7.6% YoY decline, compared to 2.72 mn in March. During January-April, total foreign tourist arrivals reached 12.1 mn (-0.3% YoY), generating THB577 bn (+5.2%) in revenue, driven by expansion in tourist spending from long-haul markets such as Europe, the Middle East, and the US. **The tourism recovery remains weak and may provide only limited support to the Thai economy this year.** Notably, Chinese tourist arrivals plunged due to safety concerns and rising competition from regional peers. In April, only 317,213 Chinese tourists visited Thailand (-46.7% YoY), bringing the four-month total to 1.65 mn (-29.9% YoY), just 41% of pre-COVID levels.

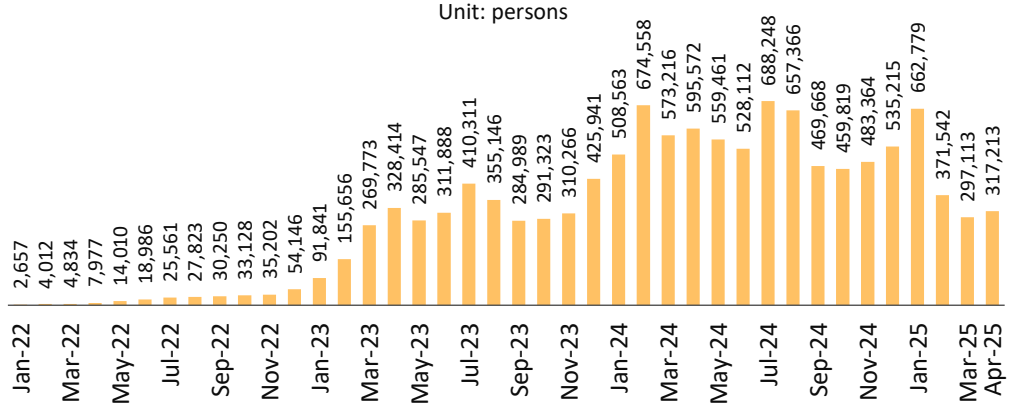
Foreign tourist arrivals fell to 6-month low of 2.55 mn in April



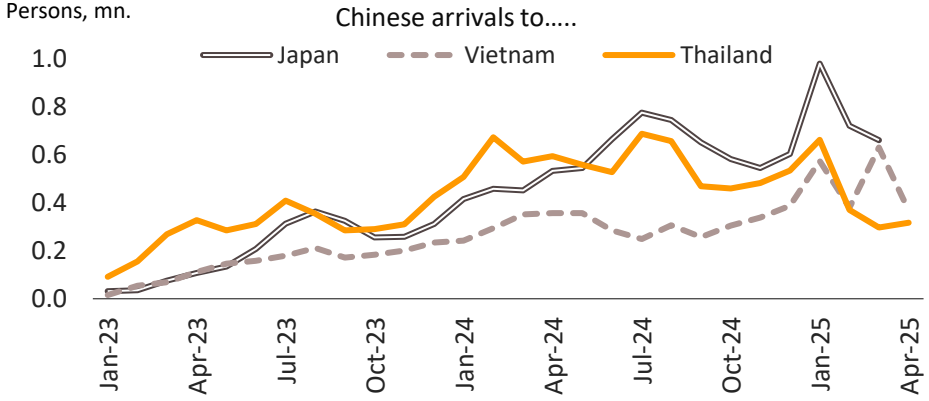
Top 5 tourist arrivals by country during January-April



Chinese tourists in April decreased 46% YoY



Thailand losing appeal among Chinese tourists

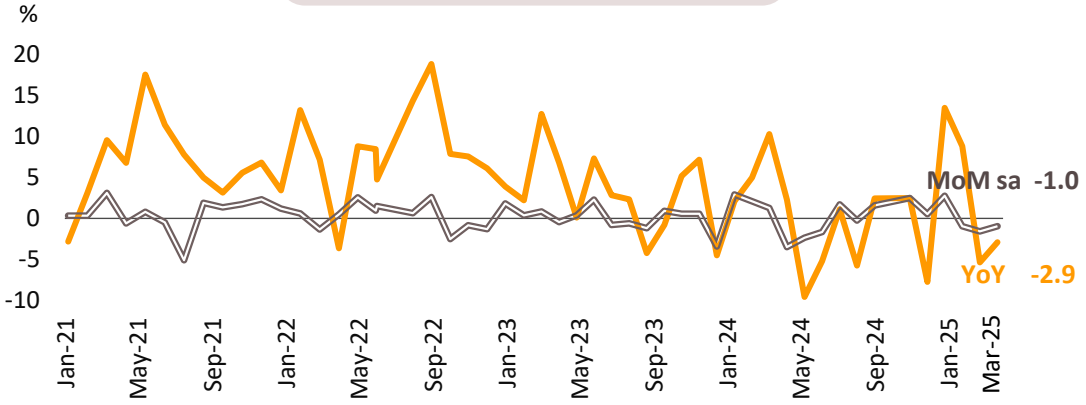


Source: MOTS, CEIC, Krungsri Research

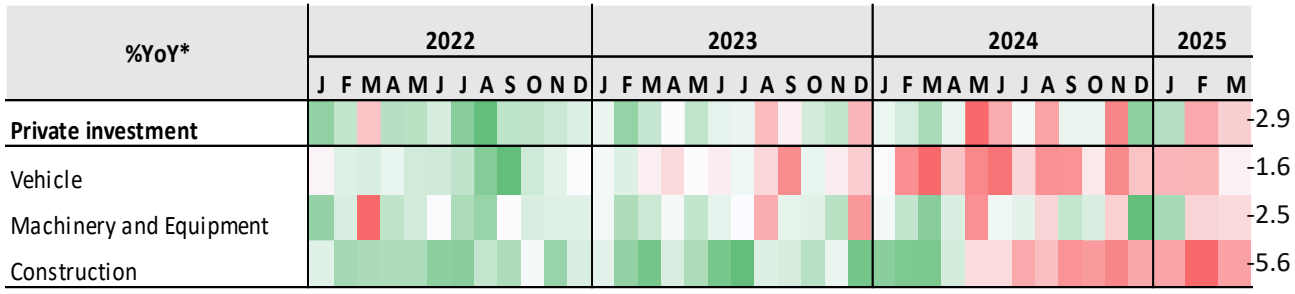
Private investment weakness broadens, reflecting softer economic outlook in 2025

In March, the Private Investment Index contracted by -2.9% YoY and declined by -1.0% MoM sa. Investment across all categories continued to decrease, including machinery and equipment, automobiles, and construction. This occurred amid a sharp decline in business sentiment in April, particularly the expected BSI in the next 3 months, which fell to its lowest level in 44 months—since August 2021—indicating heightened private sector concerns over the short- to medium-term economic outlook. The private investment for the remainder of this year would remain weak, especially in export-related sectors, which could be adversely affected by the US import tariff hikes.

Private Investment Index

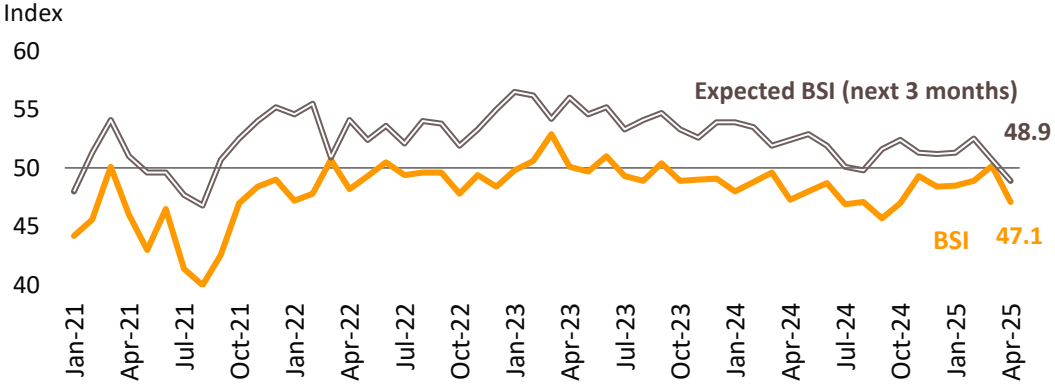


Private Investment Index by category

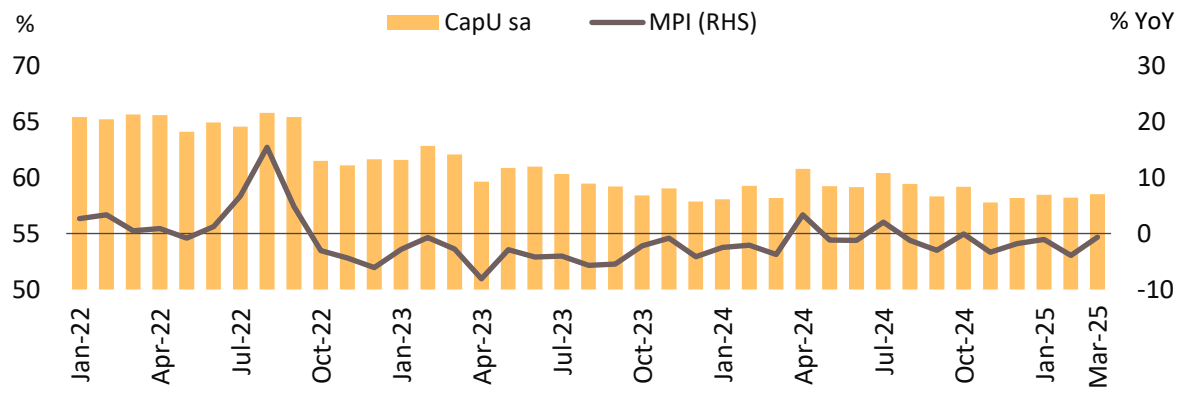


*Green >0%, Red <0% / Darker green (red) indicates stronger (weaker) momentum

Expected Business Sentiment (next 3 months) hits 44-month low in April



Manufacturing Production Index and Capacity Utilization Rate

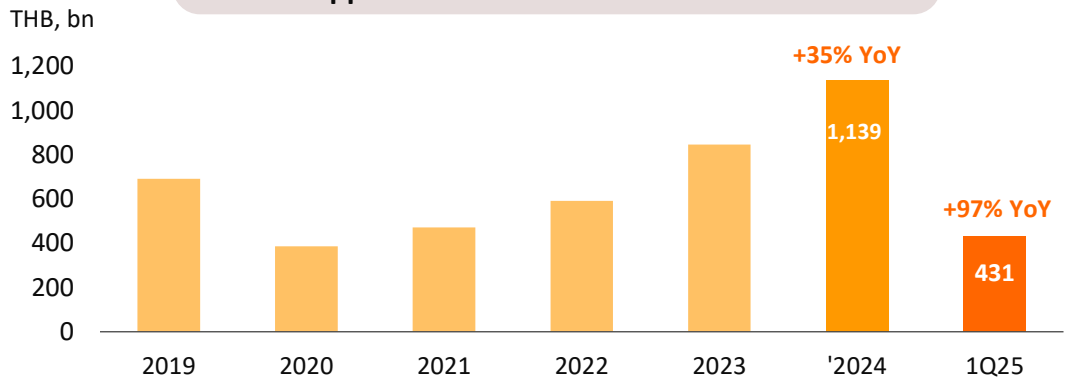


Source: BOT, OIE, Krungsri Research

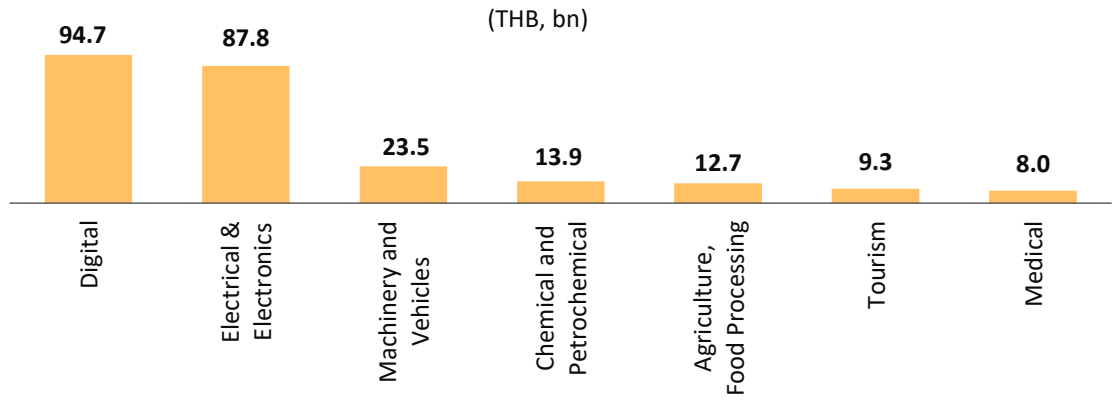
BOI Investment applications jump 97% in Q1, yet certificate issuance signals investor caution

In the first quarter of this year, the Board of Investment (BOI) received applications for investment incentives for 822 projects (+20% YoY) with a total investment value of THB431 bn (+97% YoY). The three industries with the highest investments were **Digital, Electrical & Electronics and Machinery & Vehicle.** Foreign direct investment (FDI) applications for BOI incentives rose by 43% to 618 projects valued at THB268 bn (+62%), led by Hong Kong, China and Singapore. **Meanwhile, the BOI has approved 647 projects with a total investment value of THB 256.93 bn (+107% YoY).** This is a promising sign for domestic investment in key industrial sectors over the next 1-2 years. However, the number of promoted certificates—closely linked to actual investment—stood at 660 projects (+2%) with a total value of THB237 bn (-7.8%). This may reflect weak investment momentum in Thailand, as investors could be holding off on decisions pending greater clarity on U.S. import tariff policies.

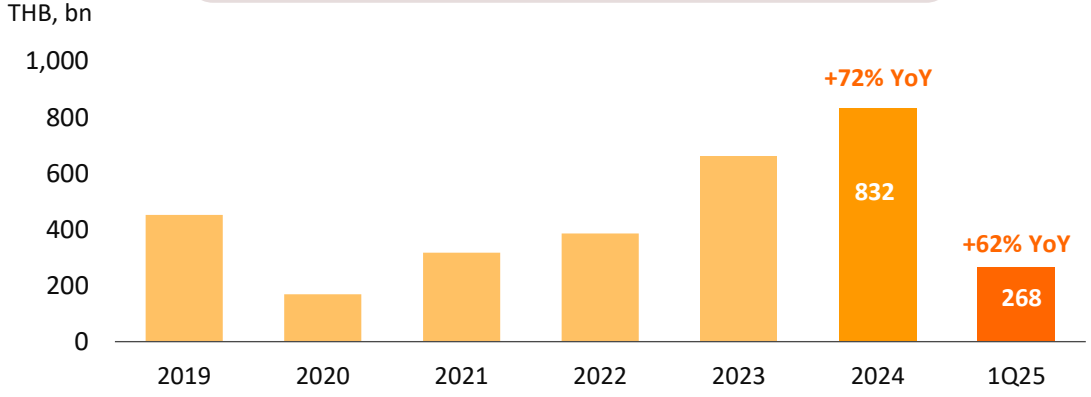
Total Applications for BOI Investment Incentives



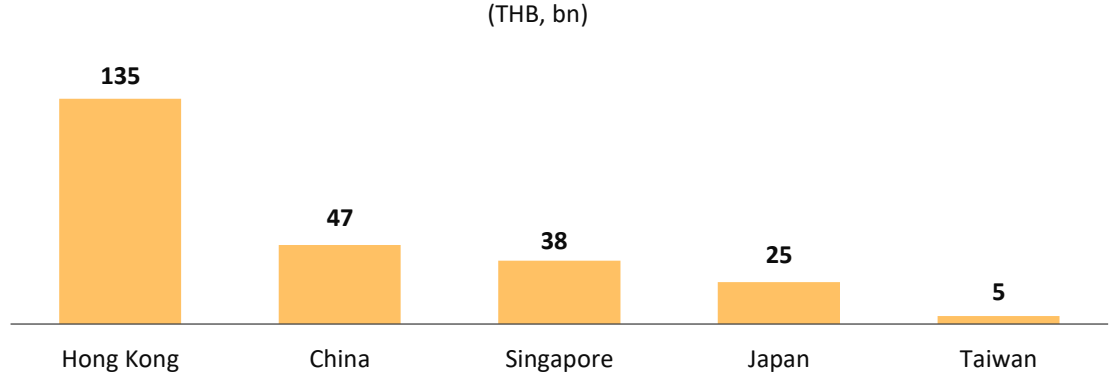
Applications for BOI Investment Incentives by sector



Total FDI Applications for BOI Investment Incentives



FDI Applications for BOI Investment Incentives by country

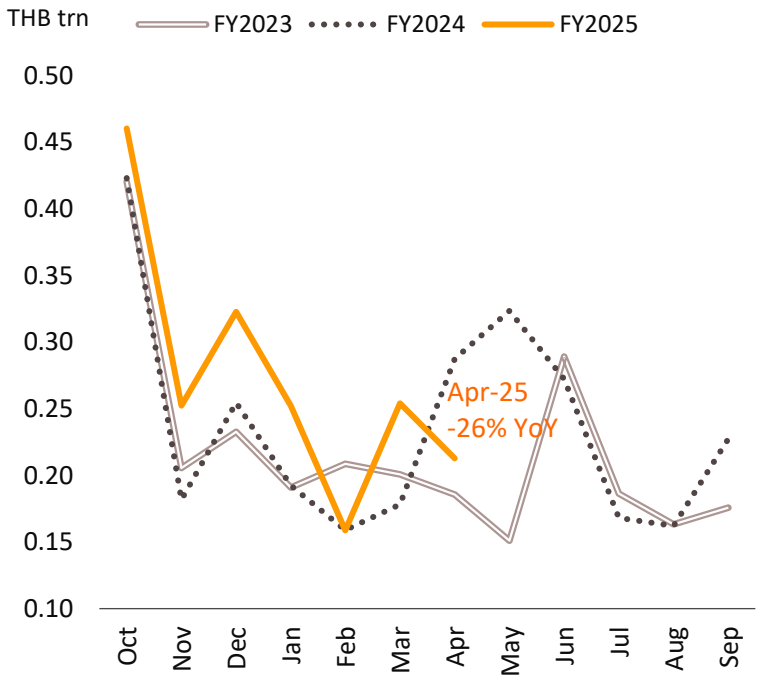


Source: BOI, Krungsri Research

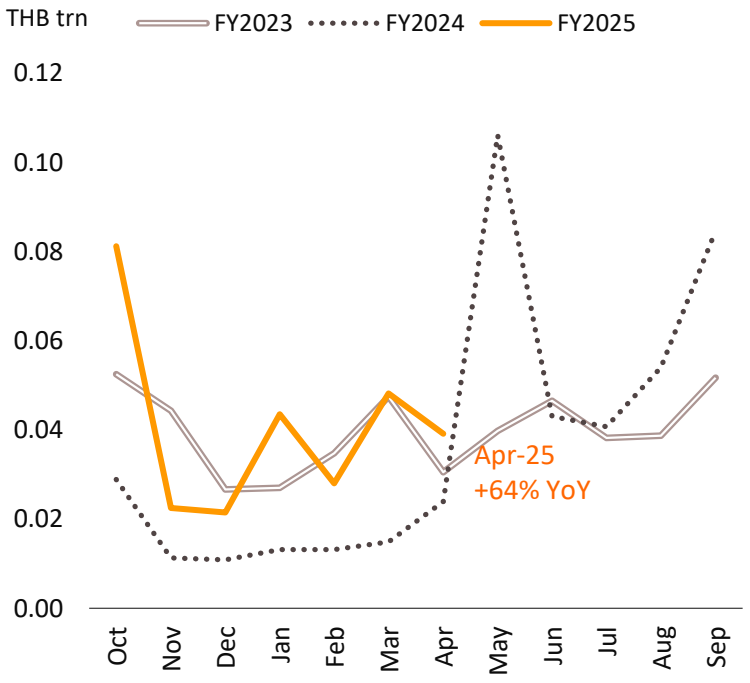
Government spending continues to support economy, but with disbursement rate of capital budget at only 29% in the first 7 months of FY2025

Preliminary data from the Ministry of Finance showed that disbursement of the current budget decreased by -26% YoY in March and disbursement of the capital budget increased by 64%. **In the first seven months of FY2025 (October 2024 to April 2025), disbursement of the current budget increased 14.1% YoY to THB 1.91 trn, accounting for 68.7% of the annual budget. For the capital budget, the government's disbursement surged by 144% YoY to THB 0.28 trn, accounting for only 29.3% of the annual budget.** In addition, the recent impact of US import tariff hikes may prompt the Thai government to reconsider reallocating the THB 157 bn digital wallet budget to other projects to cushion the effects.

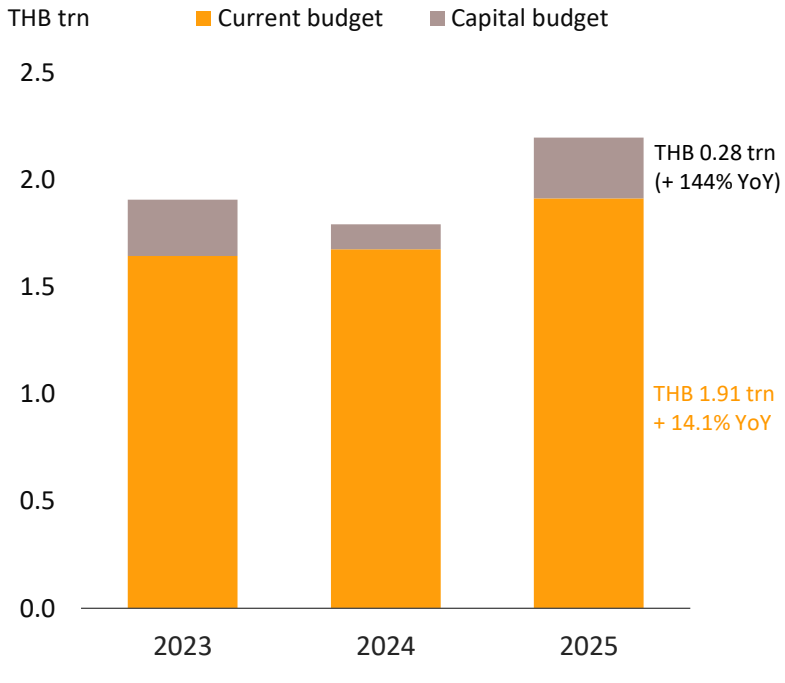
Disbursement of current budget



Disbursement of capital budget



Total disbursement during October-April

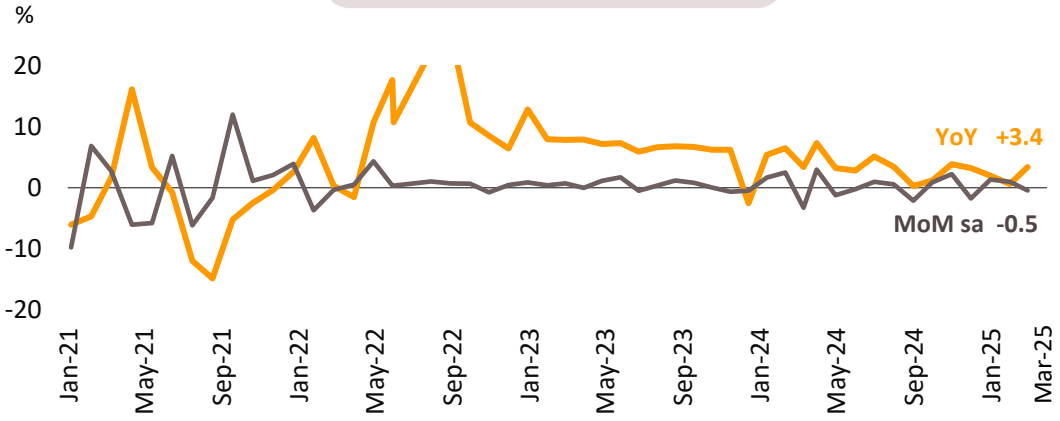


Source: MOF, Krungsri Research

Private consumption grows modestly in March but faces mounting challenges ahead

In March, the private consumption index (PCI) grew by 3.4% YoY, driven mainly by growth in the services sector. Meanwhile, spending on durable and semi-durable goods recorded only slight gains, and consumption of non-durable goods continued to decline. **Looking ahead, private consumption is expected to face mounting headwinds**, including: (i) a continued drop in consumer confidence, which has fallen to a seven-month low; (ii) downside risks to the Thai economy stemming from uncertainty over US import tariff hikes; (iii) a slowdown in farm income due to falling agricultural prices; and (iv) persistently high levels of household debt.

Private Consumption Index

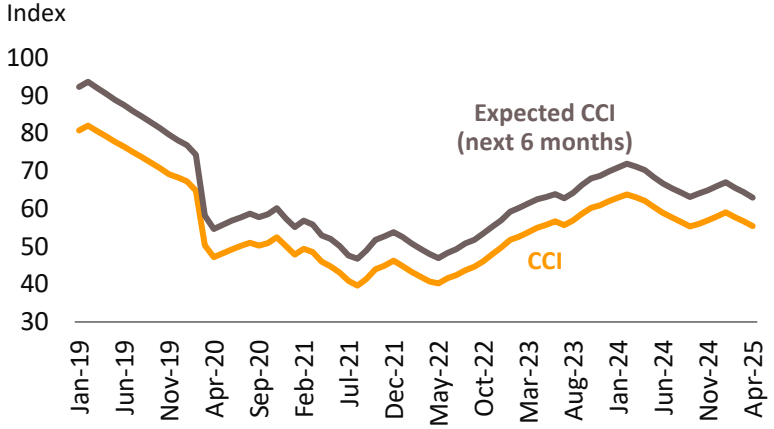


Private consumption index by category

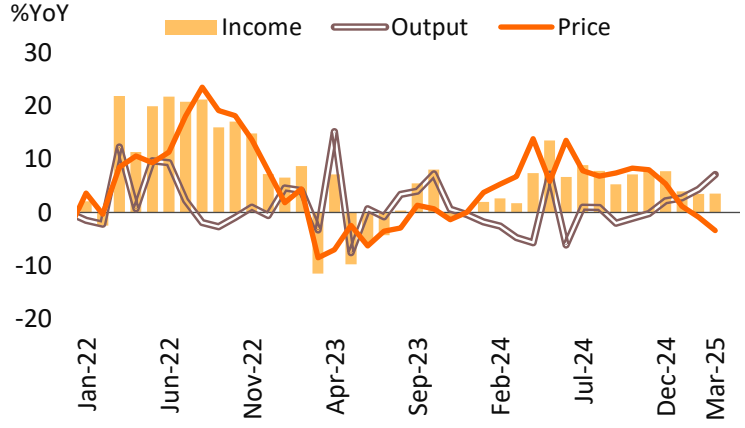
%YoY*	2022												2023												2024												2025		
	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M
Private consumption																																							3.4
Non-durables																																							-0.3
Semi-durables																																							0.7
Durables																																							0.7
Services																																							8.5
Non-residents expenditure																																							15.1

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

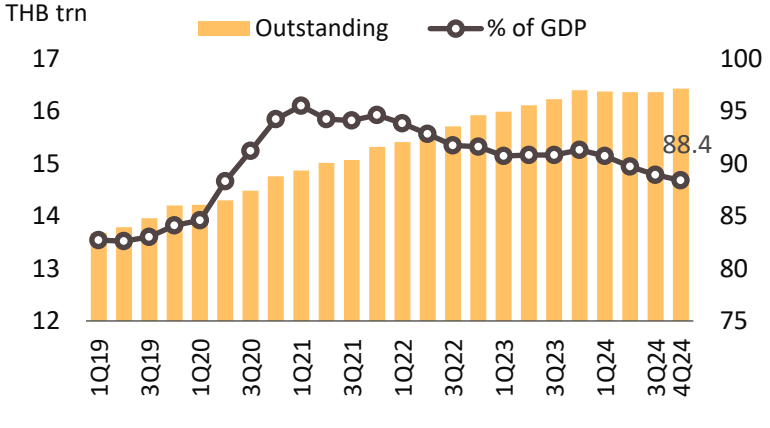
Consumer confidence continued to fall in April



Farm income slowed down following price effect



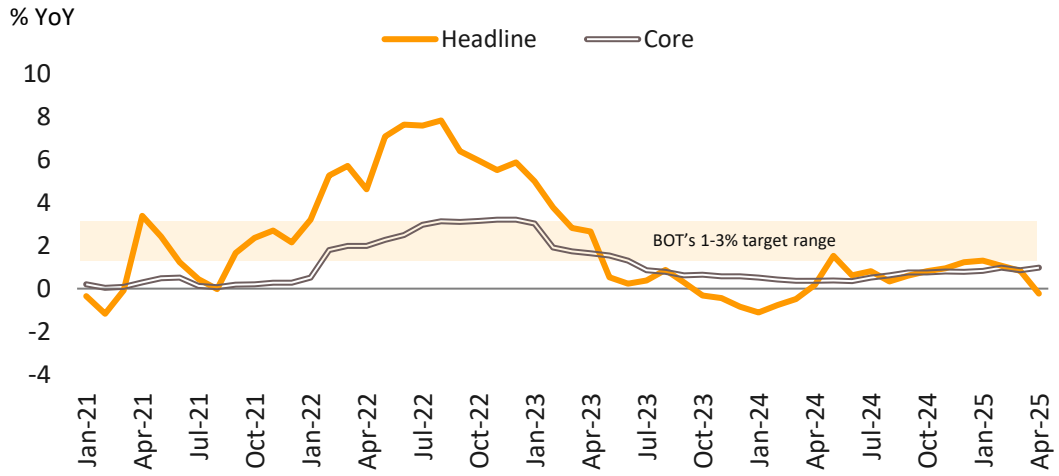
Household debt remains high at 88.4% of GDP in 4Q24



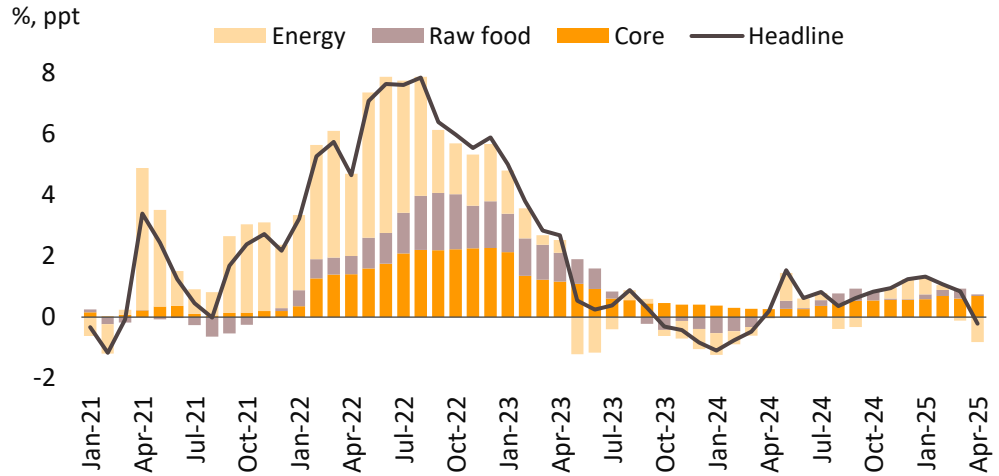
Source: BOT, UTCC, OAG, NSO, CEIC, Krungsri Research

Soft inflation outlook deepens as April turns negative, Q2 seen below target range

Headline and Core Inflation



Contribution of Inflation



Dubai Oil Price



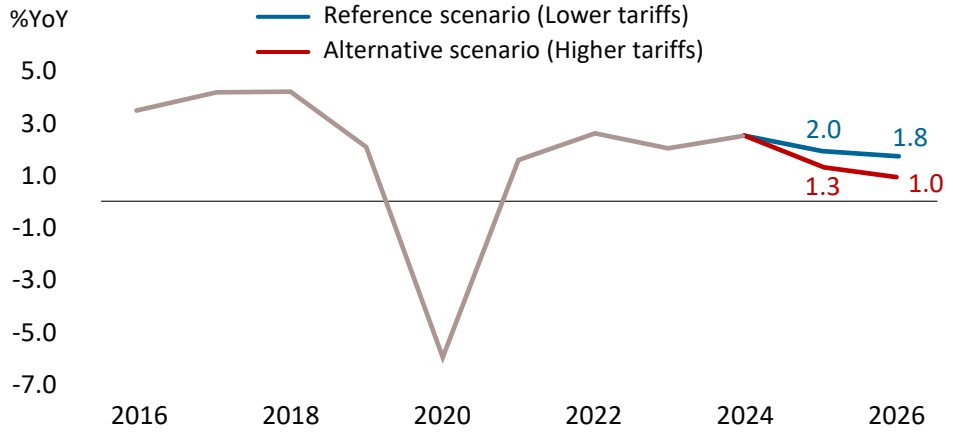
Source: MOC, CEIC, Krungsri Research

Krungsri Research's view

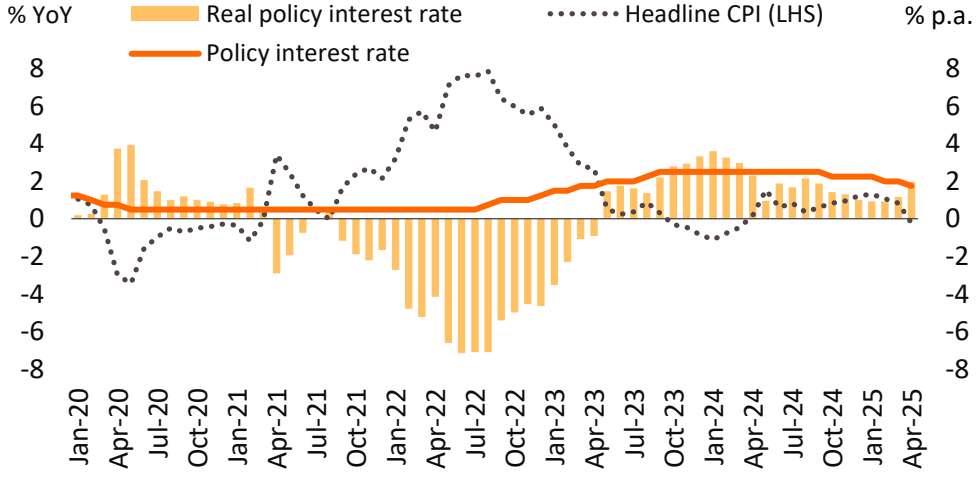
- **In April, headline inflation declined for the first time in 13 months, falling to -0.22% YoY** from 0.84% in March. The drop was mainly due to lower energy prices, especially fuel, in line with global crude oil trends. Prices of some food items, such as fresh vegetables and eggs, also fell. Meanwhile, core inflation (excluding raw food and energy) rose to 0.98% from 0.86% in the previous month. For the first four months of 2025, average headline and core inflation stood at 0.75% and 0.91%, respectively.
- **Headline inflation is expected to turn negative and to fall below the 1-3% target range in Q2, compared with 1.08% YoY in Q1,** near the lower bound of the 1–3% target range. Key drivers include lower domestic fuel prices in line with global crude trends, government energy cost relief measures (e.g., electricity rate cuts and LPG price freeze), and favorable weather boosting agricultural supply, easing fresh food prices. Low inflation may give the MPC more room to ease policy and support the recovery amid rising downside risks.

Mounting downside risks prompted *MPC* to cut rates; Further easing is likely, with the size and pace depending on negotiation progress and domestic policy effectiveness

Projected economic growth under different scenarios by BOT



Real policy interest rate



Source: BOT, MOC, Krungsri Research

Krungsri Research's view

- **The MPC voted 5–2 on April 30 to cut the policy rate by 25bps to 1.75%,** citing a weakening economic outlook and rising global trade uncertainties. The BOT expected Thailand's 2025 GDP to grow by 2.0% in 2025 under a scenario where the US imposes 10% tariffs on multiple countries and US-China tariffs exceed 100% on each other's goods. However, if trade tensions escalate further, the BOT projected GDP growth could slow to 1.3%.
- **Aligning with the deepening downside risks to growth,** downward revisions of GDP growth from 2.9% to 2.0% (Reference Scenario), and a downtrend in inflation projected below the lower bound of 1%, the MPC has cut the policy rate by 25 bps. The rate cut is seen as a preemptive move to broader economic headwinds, driven by highly uncertain US trade policies.
- The Committee conveyed a prudent easing bias with the cut. At the press conference, the BOT did not rule out the possibility that this could mark the beginning of an easing cycle, given the worsening outlook amid heightened uncertainty, which could persist through the end of next year. The press release further noted, *"The unpredictable nature of future global trade policies of major economies continues to pose significant challenges in assessing the economic and inflation outlook going forward."* Given this uncertainty, further rate cuts may be considered to address ongoing challenges.
- **Looking ahead, based on our Reference Scenario, Krungsri Research expects additional rate cuts of 25–50 bps this year, driven by the BOT's cautiously dovish tone, mounting downside risks, and the growing impact of tariffs.** Prolonged uncertainty surrounding trade negotiations could further pressure Thailand's trade-dependent economy. **However, the pace and extent of monetary easing will depend on the progress of negotiations and the effectiveness of domestic economic policies.**

KRUNGSRI RESEARCH

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

Macroeconomic Team

Sujit Chaivichayachat	Head of Macroeconomic Research Team
Wanicha Direkudomsak	Senior Economist
Churailuk Pholsri	Senior Economist (Forecasting)
Piyavadee Chirasirisuwan	Senior Economist
Thansin Klinthanom	Senior Economist
Krittabhorn Sirichaichingkun	Economist
Supasyn Itthiphatwong	Economist

Industry Team

Taned Mahattanalai	Head of Industry Research Team
Poonsuk Ninkitsaranont	Senior Analyst (Healthcare, Mobile Operators)
Piyanuch Sathapongpakdee	Senior Analyst (Transport & Logistics)
Thian Thiumsak	Senior Analyst (Energy, Petrochemicals)
Chaiwat Sowcharoensuk	Senior Analyst (Agriculture)
Narin Tunpaiboon	Senior Analyst (Power Generation, Modern Trade, Chemicals, Medical Devices)
Puttachard Lunkam	Senior Analyst (Construction Contractors, Construction Materials, Hotels, Industrial Estate)
Patchara Klinchuanchun	Senior Analyst (Real Estate)
Prapan Leenoi	Analyst (ESG)
Supawat Choksawatpaisan	Analyst (Automobile, Electronics & Electrical Appliances)
Rapeepoom Lapmak	Analyst (Agriculture, Food & Beverages)

Analytics and Intelligence Team

Pimnara Hirankasi, Ph.D.	Acting Head of Analytics and Intelligence Research Team
Nathanon Ratanathamwat	Senior Researcher
Narichaya Satafang	Researcher
Parinya Mingsakul	Researcher
Chanatta Thararos	Researcher

MIS and Reporting Team

Thamon Sernsuksakul	Information Analyst
Chirdsak Srichaiton	Information Analyst
Wongsagon Keawuttung	Information Analyst

Subscribe Us

For research subscription, contact ***krungsri.research@krungsri.com***

Disclaimer

All material presented in this report, unless specifically indicated otherwise, is under copyright to Krungsri Research. None of the material, nor its content, nor any copy of it, may be altered in anyway, or copied to any other party, without the prior express written permission of Krungsri Research. This document is based on public information believed to be reliable. Nevertheless, Krungsri Research would not affirm the accuracy and completeness of this information. We accept no liability whatsoever for any direct or consequential loss arising from any use of this document or its content. Information, opinions and estimates contained in this report are our own, which are not necessarily the opinions of Bank of Ayudhya Public Company Limited and its affiliates. It reflects a judgment at its original date of publication by Krungsri Research and are subject to change without notice.