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FLASH

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Thai GDP grew at a slower rate of 3.1% in 1Q25. Exports and public investment drove growth amid weak private activities. Tariff hikes and domestic vulnerabilities could trigger a "scenario-ception" in our economic outlook.

Key event:

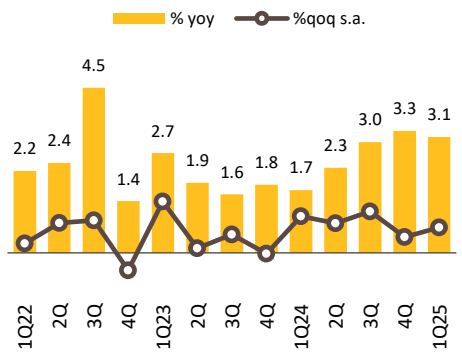
1Q25 Thai GDP grew 3.1% YoY, showing a slightly slower momentum. Exports and public investment drove growth amid weak private consumption and investment, with tariff impacts were still pending.

The NESDC officially reported that Thailand's GDP grew by 3.1% year-on-year (YoY) in 1Q25, slightly exceeding both market expectations and Krungsri Research's forecast of 2.9%. However, this marked a slight deceleration from the 3.3% growth recorded in 4Q24. On a seasonally adjusted quarter-on-quarter (QoQ) basis, 1Q25 GDP rose by 0.7%, compared to the 0.4% growth in 4Q24.

The main factors contributing to 1Q25 GDP growth included exports of goods and public investment, while private consumption and investment showed signs of weakness. Merchandise exports surged +13.8% YoY (vs. +8.9% in 4Q24), led by higher shipments of industrial products, particularly electronics and rubber. Service exports also sustained momentum, supported by the ongoing recovery in foreign tourism. Public investment grew +26.3%, in line with an expanded fiscal budget, though easing from +39.4% in the previous quarter. In contrast, private consumption softened to +2.6% (vs. +3.4%), with weaker spending on semi-durables, non-durables, and services, and a contraction in durable goods amid falling consumer confidence. Notably, private investment declined for the fourth consecutive quarter (-0.9% vs. -2.1%), reflecting prolonged business caution.

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. Growth in the agricultural sector accelerated to +5.7% (vs. +1.1% in 4Q24), driven by higher output of key crops and livestock. The service sector expanded by +4.2% (vs. +4.7%), supported by growth in construction, retail trade, and tourism-related services. In contrast, manufacturing remained weak, growing only +0.6% (vs. +0.3%), reflecting tepid industrial momentum despite strong export figures.

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

Source: NESDC

Krungsri Research view:

The Thai economy is confronting mounting pressures amid uncertain tariff policy and structural constraints. Escalating tariff risks as a key catalyst in a broader "scenario-ception".

Although 1Q25 GDP growth slightly exceeded market expectations, underlying domestic pressures appear to be intensifying:

I. **Export growth offers limited domestic support.** Goods exports surged by +13.8% YoY in 1Q25; however, this uptick likely reflects front-loaded shipments and inventory drawdowns in response to anticipated tariff hikes, rather than a sustained recovery in external demand. Importantly, this strength has not translated into a significant rebound in manufacturing output, which rose only +0.6%.

II. **Private consumption is losing momentum.** Household spending growth moderated to +2.6% (down from +3.4% in 4Q24), as the impact of the Phase I fiscal stimulus (previously known as Digital Wallet)—amounting to THB140bn (0.8% of GDP) and disbursed to 14 million individuals since late September—diminished. The smaller Phase II handouts (THB30bn) and the Easy E-Receipt scheme have so far failed to sustain consumption momentum.

III. **Public investment rise lacks crowding-in effects.** Despite a sharp increase in public investment (+26.3%), there is little evidence of a crowding-in effect on the private sector. Private investment contracted by -0.9%, reflecting persistent caution amid weak domestic activity and heightened trade-related uncertainties, particularly around tariffs.

For the 2025 outlook, the NESDC forecasts Thai GDP growth at just 1.8% in its baseline scenario, based on the assumption of higher tariffs compared to current levels. Specifically, the scenario assumes that reciprocal tariffs are raised to half of the announced rates (such as Thailand facing 18% tariffs, up from the current 10%), the U.S. imposing 54% tariffs on Chinese goods (up from 30%), and China responding with 34% tariffs on U.S. goods (up from 10%). In a lower tariff scenario—with current 10% tariffs maintained—the NESDC projects Thai GDP growth of 2.3% in 2025. Conversely, under a higher tariff scenario, in which Thailand faces 36% tariffs and U.S.-China tariffs exceed 100% on each other's goods, Thai GDP growth could fall to 1.3%.

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.

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