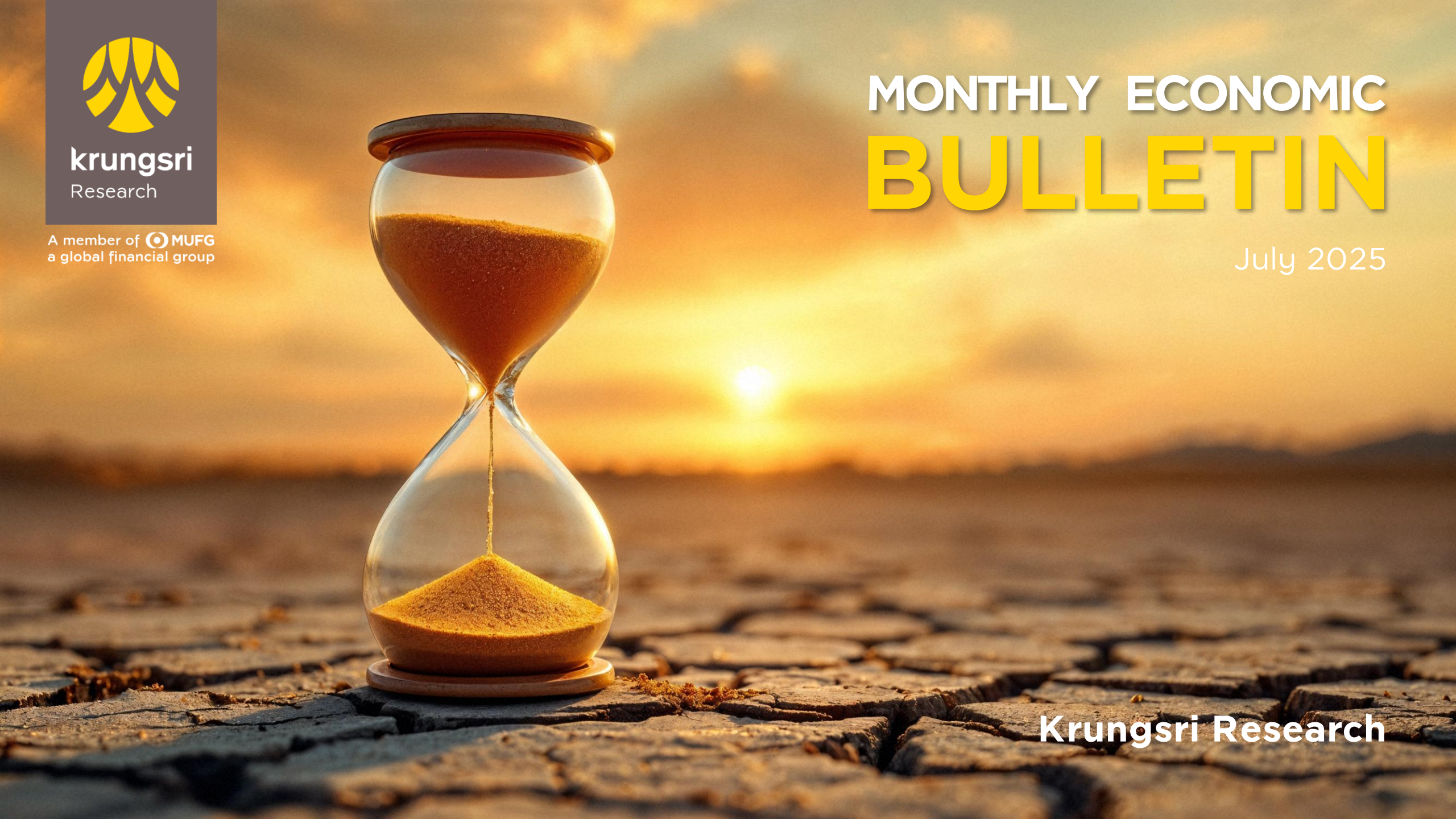
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A member of MUFG a global financial group

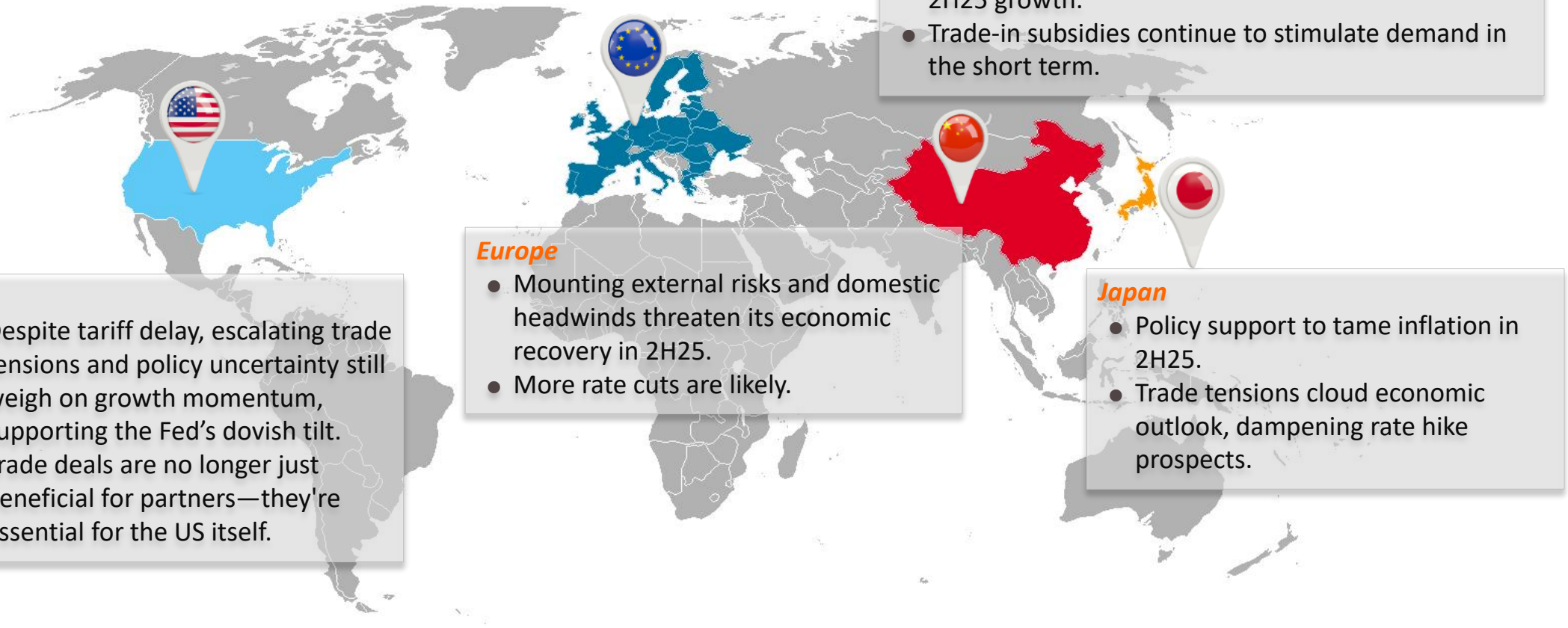


MONTHLY ECONOMIC BULLETIN

July 2025

Krungsri Research

Global: Mounting Strains, Clock Ticking



China

- Excess supply and trade war risks could weigh on 2H25 growth.
- Trade-in subsidies continue to stimulate demand in the short term.

US

- Despite tariff delay, escalating trade tensions and policy uncertainty still weigh on growth momentum, supporting the Fed's dovish tilt.
- Trade deals are no longer just beneficial for partners—they're essential for the US itself.

Europe

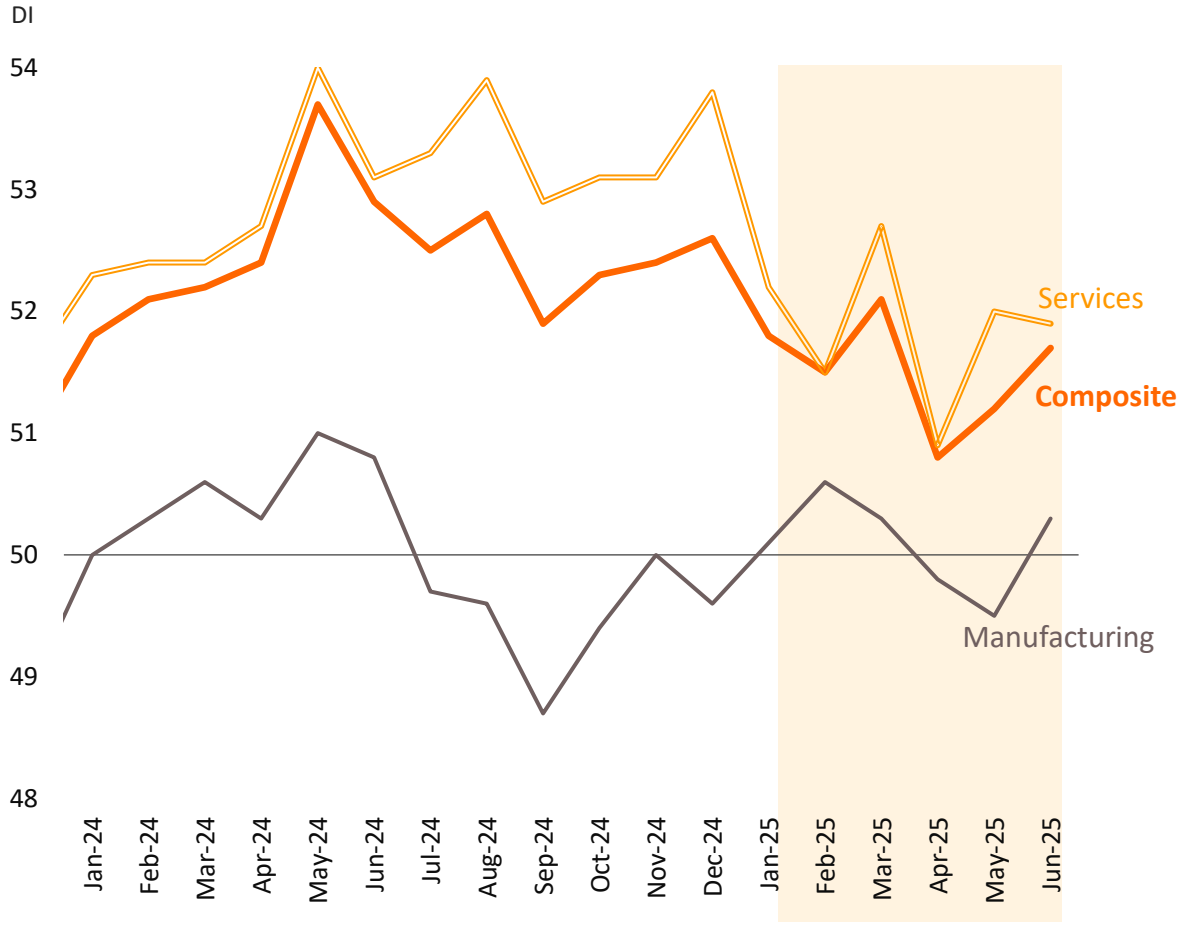
- Mounting external risks and domestic headwinds threaten its economic recovery in 2H25.
- More rate cuts are likely.

Japan

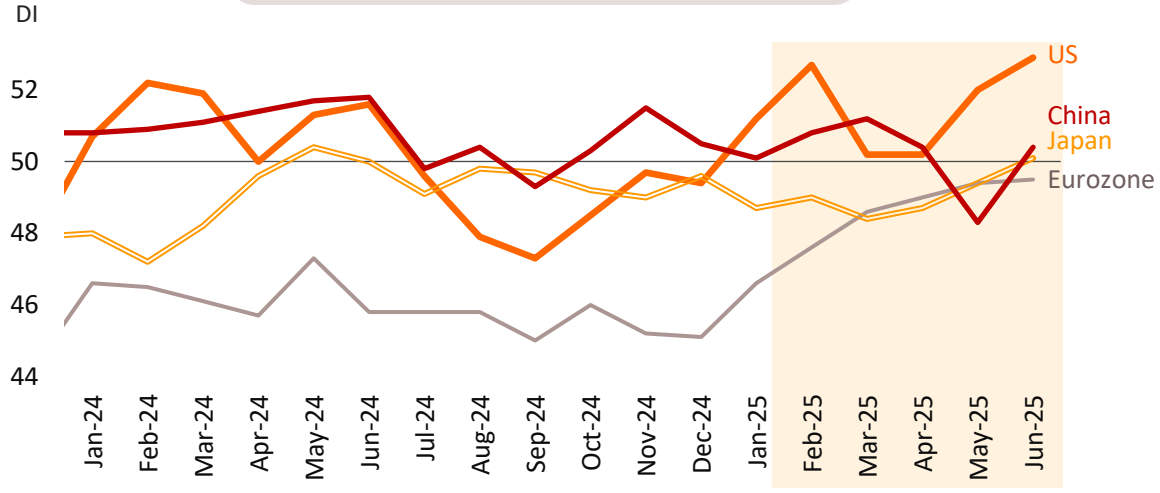
- Policy support to tame inflation in 2H25.
- Trade tensions cloud economic outlook, dampening rate hike prospects.

The world economy faces fragile momentum, with tariff pressures, inventory buildup, and weak business confidence pointing to cautious growth ahead.

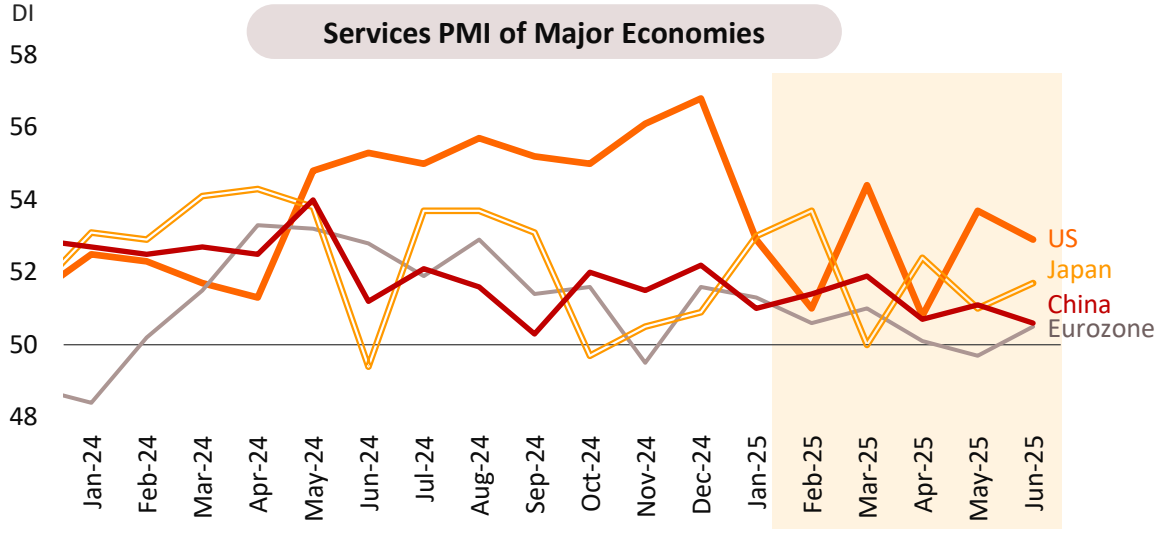
Global Composite, Manufacturing, and Services PMI



Manufacturing PMI of Major Economies



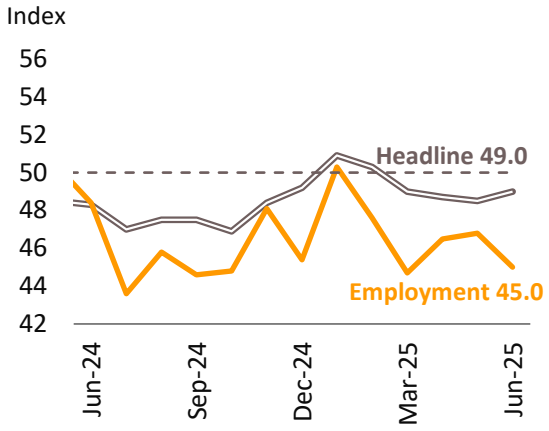
Services PMI of Major Economies



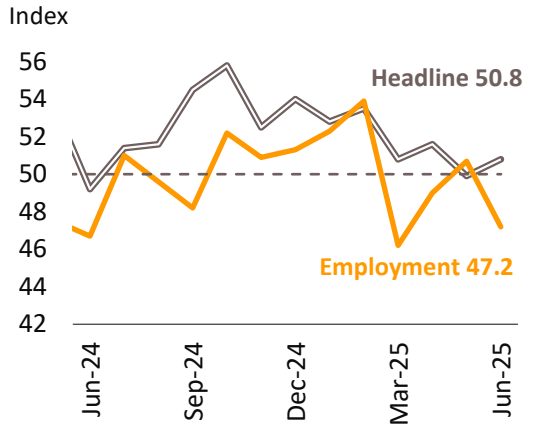
Source: J.P. Morgan and S&P Global PMI, Bloomberg, Krungsri Research

U.S.: Despite tariff delay, escalating trade tensions and policy uncertainty still weigh on growth momentum, supporting the Fed's dovish tilt

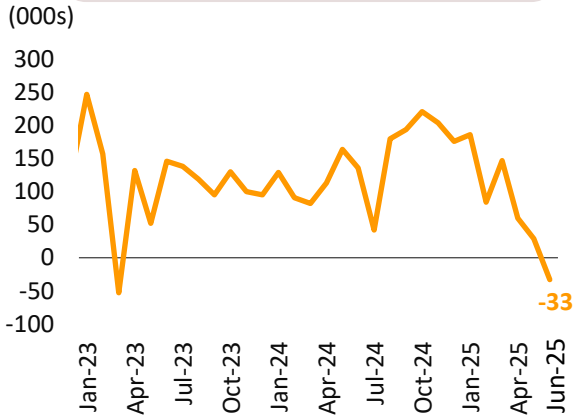
ISM Manufacturing PMI



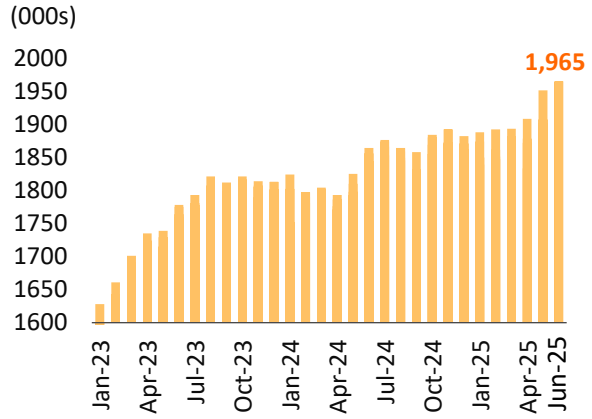
ISM Services PMI



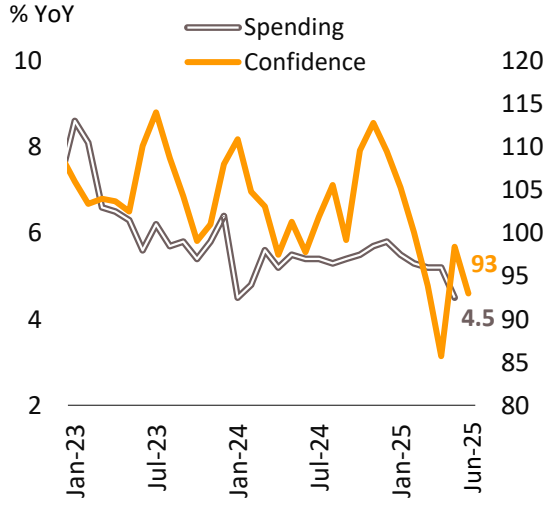
Private Employment (ADP)



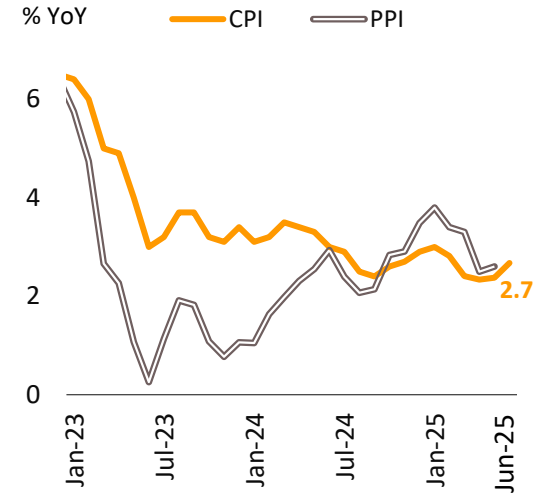
Continuing Jobless Claims



Personal Spending and Consumer Confidence



Consumer and Producer Price Indices



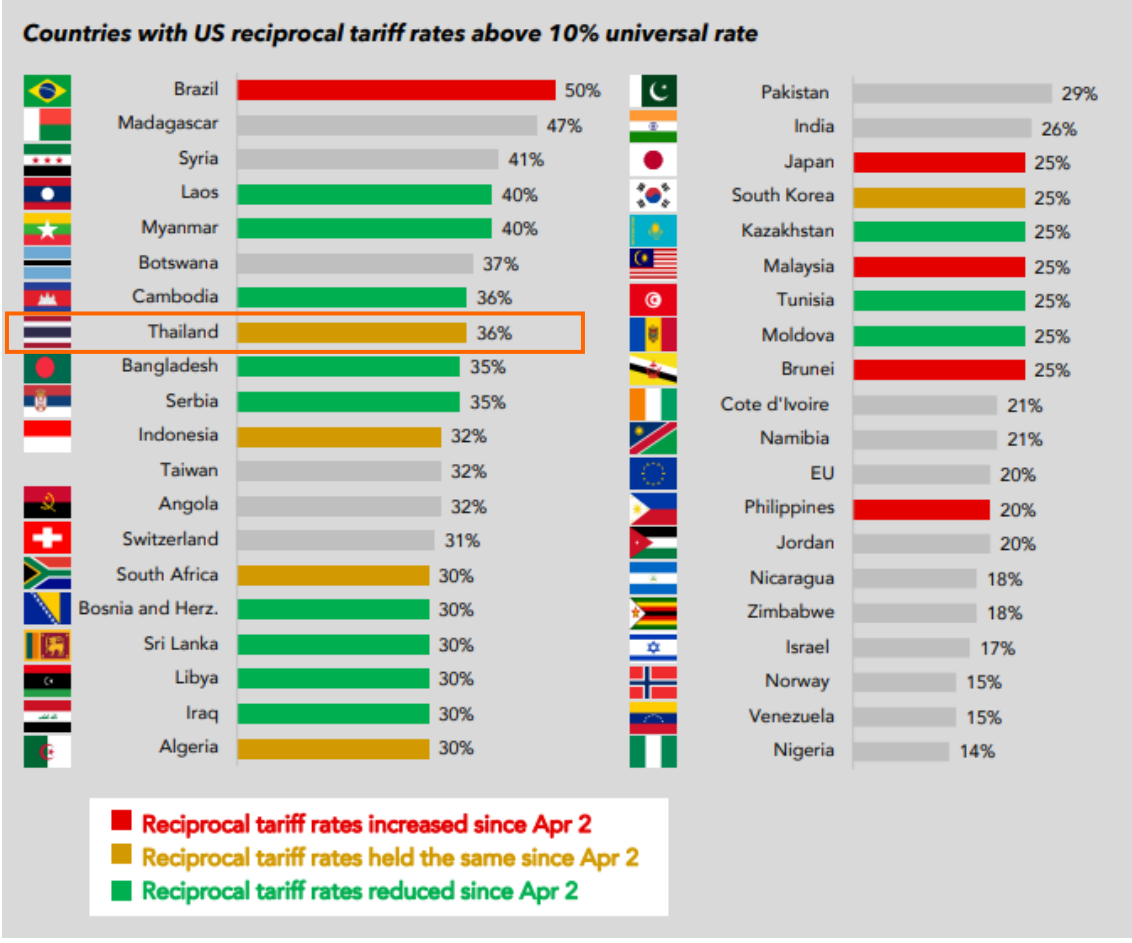
Source: Institute for Supply Management (ISM), Bureau of Labor Statistics, Bloomberg, Krungsri Research

Krungsri Research's view

- **Rising Trade Tensions or Trade Deals?** President Donald Trump has delayed the rollout of high reciprocal tariffs from July 9 to August 1. Most rates mirror the original "Liberation Day" levels, except for Brazil. He also hinted at new product-specific tariffs on copper, pharmaceuticals, and semiconductors. **Amid escalating tensions, securing trade deals is increasingly vital—not just for partners, but for the U.S. itself.**
- **Recent economic data underscore signs of losing growth momentum:**
  i. **Manufacturing** contracted for the fourth month, and **services** barely grew;
  ii. **Private firms cut 33,000 jobs** in June—the first decline since March 2023. Jobless claims also hit their highest level since November 2021.
  iii. **Consumer spending and confidence** are weakening.
- Furthermore, **tariff escalation and policy uncertainty have begun to materially slow economic activity in the US,** from manufacturing pressure to macroeconomic forecast cuts.
- The FOMC remains on edge, balancing inflation and growth risks. **Given signs of more cautious growth amid plans to impose higher tariffs, deportations of migrants, and a cut in government spending, we still expected 2-3 more rate cuts this year.**

Tariffs: Although the IEEPA-based universal and reciprocal tariffs face legal challenges, sector-specific tariffs under Section 232 remain legally viable for broader application

High reciprocal tariffs postponed from July 9 to August 1



- President Donald Trump has threatened to impose high reciprocal tariffs on several countries. In most cases, the proposed rates align closely with the original 'Liberation Day' levels, with the exception of Brazil.
- **Trump has also delayed the implementation of these tariffs, pushing the date from the end of the 90-day pause on July 9 to August 1.**
- **Additionally, he has signaled that product-specific tariffs on copper, pharmaceuticals, and even semiconductors may be introduced soon.**

Ongoing Section 232 investigations

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

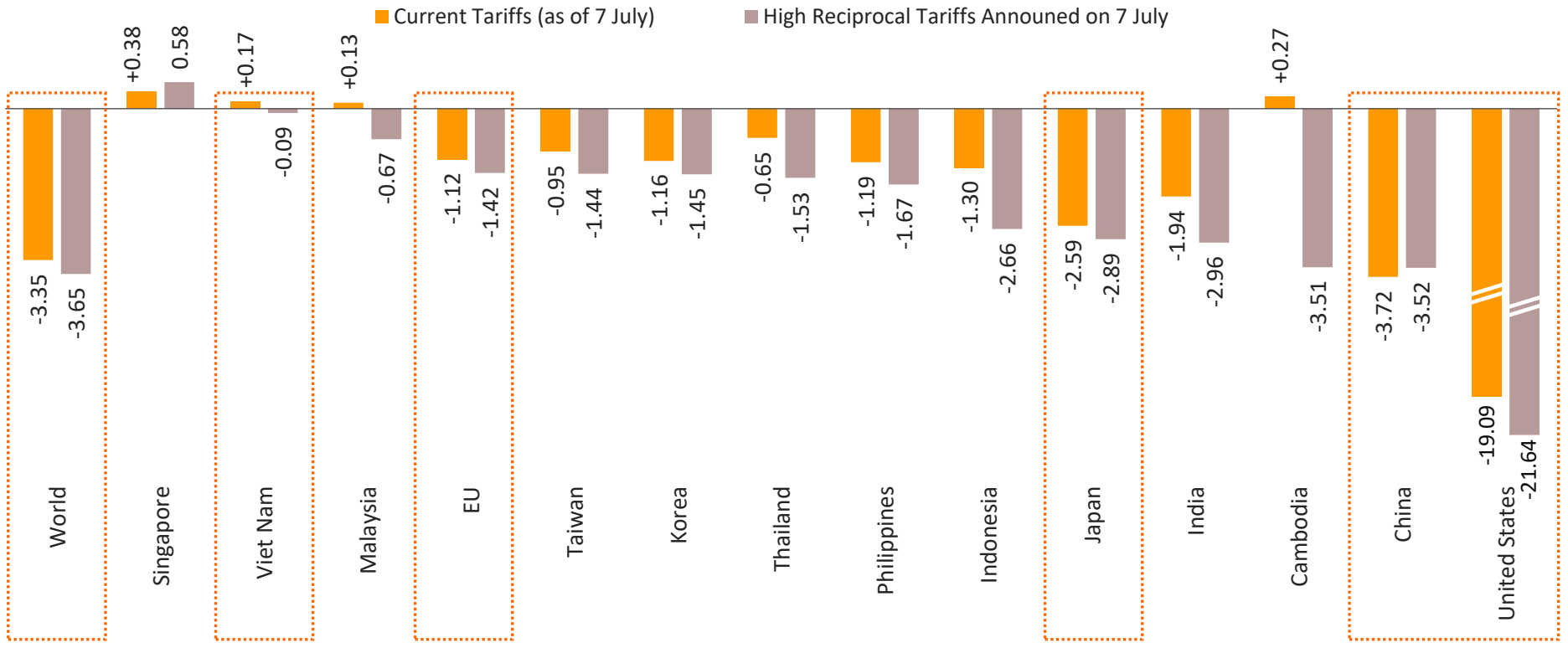
Source: MUFG, Capital Economics, Krungsri Research

Amid escalating trade tensions, securing agreements is becoming increasingly urgent; trade deals are no longer just beneficial for partners—they're essential for the U.S. itself

Current Tariffs (as of July 7): The US imposes 30% tariffs on imports from China and 10% tariffs on imports from nearly all countries (excl. some goods). China imposes a 10% tariff on US imports. The US also imposes a 50% tariff on all steel and aluminum, and a 25% tariff on all autos & parts.

High Reciprocal Tariffs Announced on July 7: Trump posted "letters" to 14 countries on July 7, threatening to hit Japan and Korea, among others, with higher reciprocal tariff rates of between 25-40%. In most cases, those rates were close to the original "Liberation Day" levels.

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

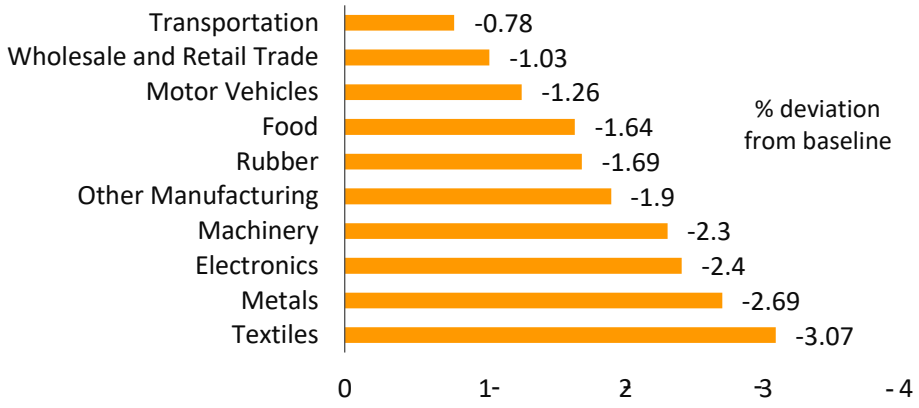


Source: GTAP; calculation by Krungsri Research

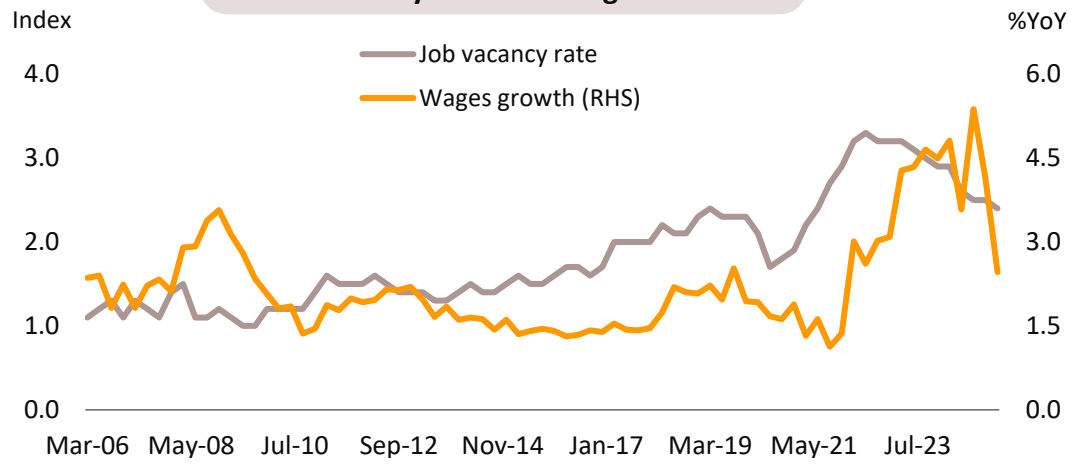
Eurozone: Mounting external risks and domestic headwinds threaten its economic recovery in 2H25; more rate cuts are likely.

Projection of tariff Impact on EU Exports by Sector

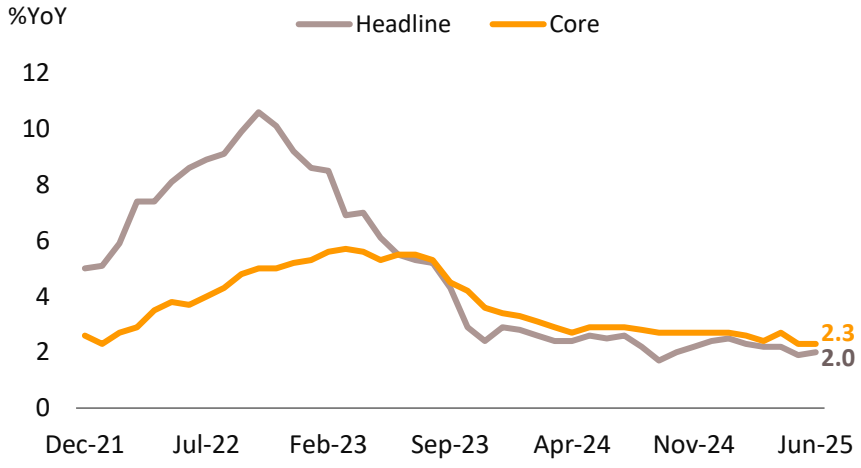
(In case of the U.S. imposing 20% tariffs on EU goods)



Job Vacancy Rate and Wage Growth



Consumer Price Index (CPI)



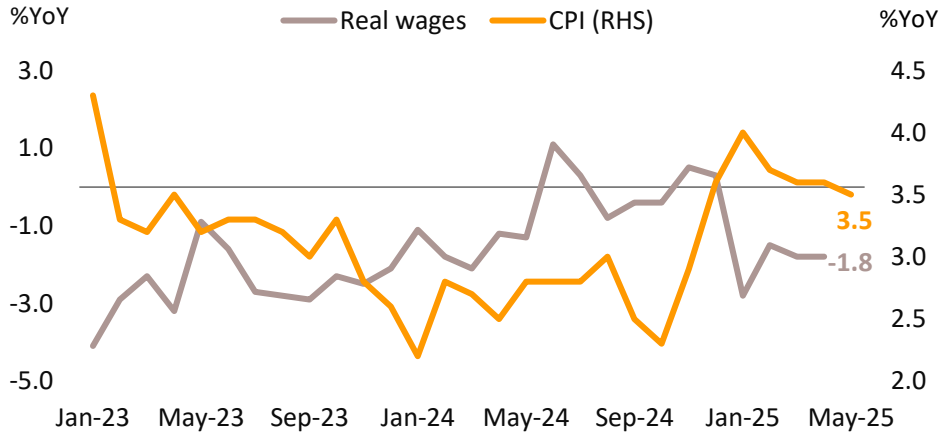
Source: ECB, CEIC, investing.com, Eurostat, European Union, Bloomberg, Krungsri Research

Krungsri Research's view

- **The Eurozone economy in 2H25 faces heightened external risks, particularly from U.S. trade policy**. US President Donald Trump's announcement of a 30% tariff on all European imports, up from 20% in April, poses a growing threat to the region's manufacturing and exports. The European Commission has warned of possible retaliation to protect EU interests, which could disrupt essential transatlantic supply chains. With no trade deal reached before the August 1 deadline, the risk of a reciprocal tariff exceeding 20% on most EU exports has grown. **We estimate that, even in the case of the U.S. imposing 20% tariffs, long-term EU export losses could be significant at -1.42%**, led by declines in exports of Textiles (-3.07%), Metals (-2.69%), Electronics (-2.40%), Machinery (-2.30%), and Other Manufacturing (-1.9%).
- **Although the labor market has been resilient and helped to mitigate recession risks, signs of a slowdown have emerged.** Wage growth is losing momentum, the job vacancy rate is declining, and the unemployment rate is no longer improving. Coupled with low consumer confidence, these developments point to a likely softening in economic activity in 2H25.
- With inflation nearing the ECB's 2% target and tariff-related risks expected to escalate in 2H25, **Krungsri Research expects one to two additional rate cuts, bringing the policy rate down to 1.50–1.75% by end-2025**. This would provide further support to the economy amid mounting external pressures.

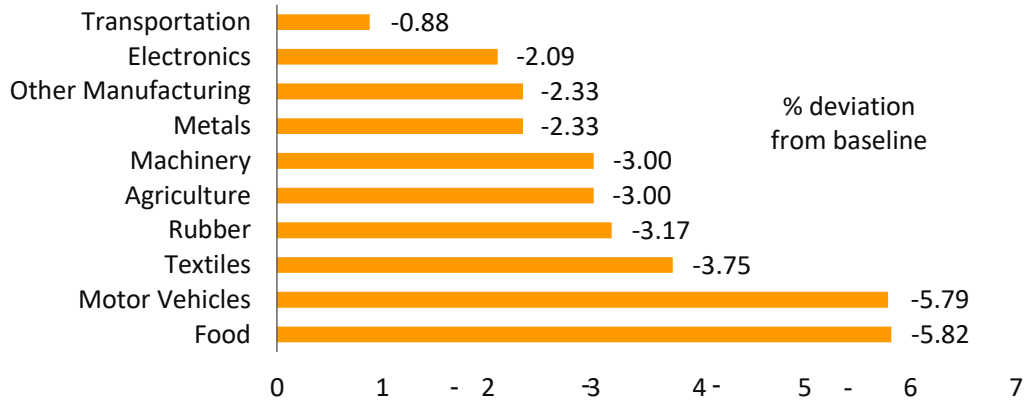
Japan: Policy support should tame inflation in 2H25; trade tensions cloud economic outlook and dampen rate hike prospects.

Real Wage Growth and Inflation Rate

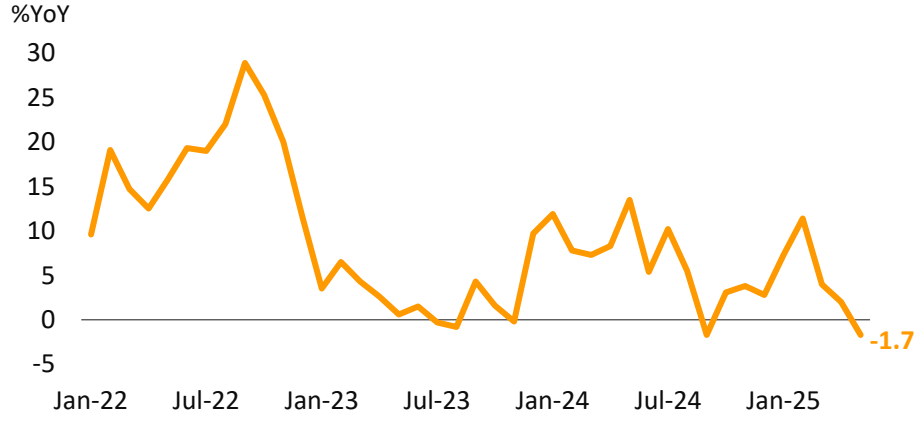


Projection of tariff Impact on Japan's Exports by Sector

(In case of the U.S. imposing 25% tariffs on Japanese goods)



Export Growth



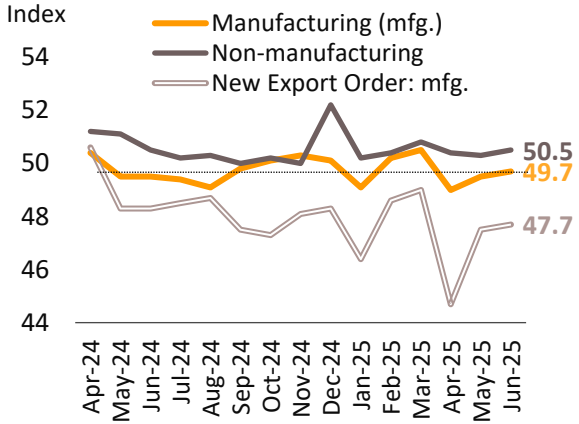
Source: Bank of Japan, CEIC, Investing.com, Krungsri Research

Krungsri Research's view

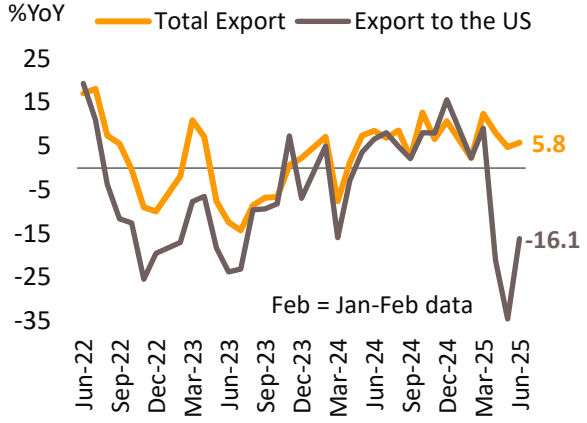
- **Inflationary pressures in Japan are expected to ease in 2H25, supported by targeted government measures**. A June survey of major rice traders projects a decline in rice prices over the next three months, following the government's decision to release substantial volumes from strategic stockpiles. The rice price expectation index fell by 24 points to 35 in June, the lowest level since the COVID-19 pandemic in 2021. Combined with ongoing energy subsidies and lower global oil prices, these developments are expected to support a gradual recovery in household purchasing power.
- **On the external front, downside risks to Japan's economy are mounting amid escalating trade tensions.** President Trump has threatened to impose a 25% tariff on Japanese imports—particularly targeting agricultural and automotive products—if the two countries fail to reach a trade agreement by the August 1 deadline. **Our analysis estimates that long-term Japan's export losses under this tariff rate could be -2.89%**, led by declines in exports of Food (-5.82%), Motor Vehicles (-5.79%), Textiles (-3.75%), Rubber (-3.17%), and Agriculture (-3.00%). Citing what he calls Japan's "unfair" trade practices, Trump's hardline stance is making it increasingly difficult for both sides to finalize a deal in time.
- In this context, where inflation is expected to moderate and downside risks to growth are increasing, Krungsri Research expects the Bank of Japan (BOJ) to proceed cautiously with its plans to raise interest rates. **The BOJ is likely to pause further hikes for the time being, aiming to support the economic recovery at least through the end of 2025.**

China: Excess supply and trade war risks could weigh on 2H25 growth; trade-in subsidies continue to stimulate demand in the short term.

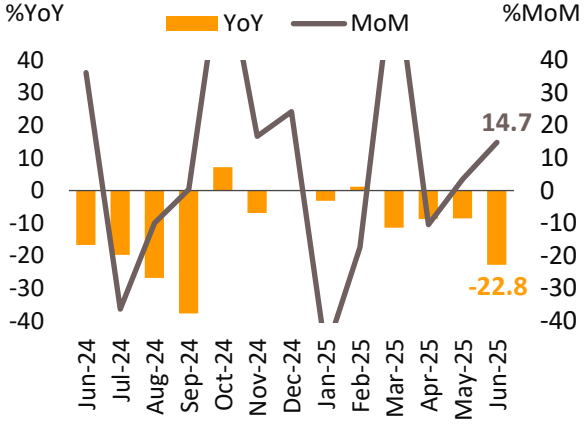
Purchasing Managers' Index (PMI)



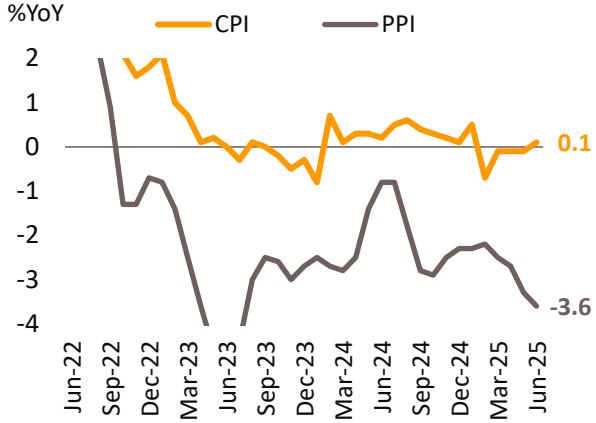
Exports



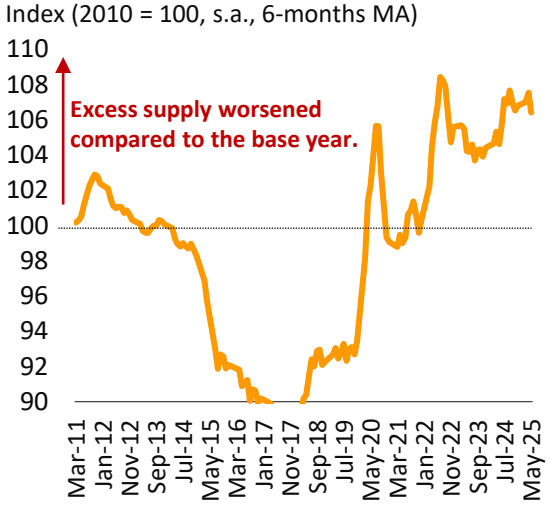
New Home Sales by Top 100 Developers



Consumer and Producer Price Indices

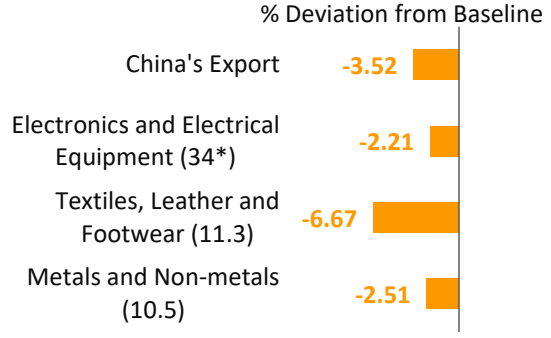


Excess Supply Index



Impact of U.S. Tariffs on China's Export

Current ◆ The U.S. imposes 30% tariffs on China and higher reciprocal tariffs on others (excl. some goods). China imposes 10% on the U.S. The US imposes 50% on all steel & aluminum and 25% on all autos & parts.



* Figures in brackets = % share of total exports in 2024.

Source: NBS, Bloomberg and GTAP; compiled and calculated by Krungsri Research

Krungsri Research's view

- **China's economy could still weaken.** Manufacturing and exports showed some improvement following the mid-May trade truce. Retail sales grew by 4.8-6.4% YoY in 2Q25, thanks to the mid-year online shopping festival and trade-in subsidies. Yet, this boost may fade away amid a payback effect. Meanwhile, new home sales returned to double-digit declines, and exports may weaken further if the trade war re-escalates. **Given these factors, we expect GDP growth in 2H25 to slow from 5.3% in 1H25.**
- **Excess supply continues to weigh on the economy.** Headline inflation stayed below 1% YoY for 28 straight months in June, while the PPI saw the steepest drop since July 2023. This aligns with industrial profits, which declined by -9.1% in May and -1.1% over the first five months. Looking ahead, **we still see no clear signs of improvement in the excess supply issue, and it may take years before its drag on growth subsides.**
- **US tariffs remain a major risk.** China currently faces a reciprocal tariff of 30% and tariffs on specified goods, which could result in long-term export losses of -3.5%. In addition, **if the U.S. imposes a 40% tariff on transshipment from other ASEAN countries, China's exports could be further affected.** In 2024, China's exports to ASEAN accounted for 16.4% of its total exports.

Thailand: Growth momentum faces mounting risk in 2H25 as tariff impacts materialize and political clock ticks

- **Deeper tariff impact, domestic political uncertainty, slow tourism recovery, and structural headwinds heighten risk of a negative feedback loop.**
- In our base case, **assuming a 20% US tariffs on Thai goods, 2025 GDP growth is expected to slow to 2.1%**.
  - In 2H25, we expect economic growth to decelerate markedly to 1.4% from an estimated 2.9% in the first half of this year.
  - This slowdown is mainly attributed to a potential contraction of exports caused by the realized impact of U.S. tariff hikes. Full-year growth may weaken sharply to 3.5% from a double-digit growth in the first five months of 2025.
  - Tourist arrivals have also been revised downward to 34 million, mainly due to a slower-than-expected recovery in Chinese inbound travelers.
  - In addition, heightened domestic political uncertainty may undermine confidence and suppress domestic spending.
- **In the worse-case scenario,** assuming that the U.S. imposes a full reciprocal tariff as announced on April 2 on Thai goods, or Thailand fares less favorably than its competitors in trade negotiations and faces relatively steeper tariffs, Thai export growth this year would be hit hard**. In this case, 2025 GDP growth would soften to 1.5%. Global economic headwinds would also weigh on tourism. If the rising political uncertainty caused delays in domestic policy implementation, GDP growth could weaken even further.**
- The weaker economic growth and subdued inflationary pressure suggest further monetary easing. In our Main Scenario, we expect the policy rate to be reduced to 1.25% p.a. by year-end. In the worse-case Scenarios, with a higher risk of economic recession, the policy rate could fall further.

Krungsri Research Forecasts for 2025

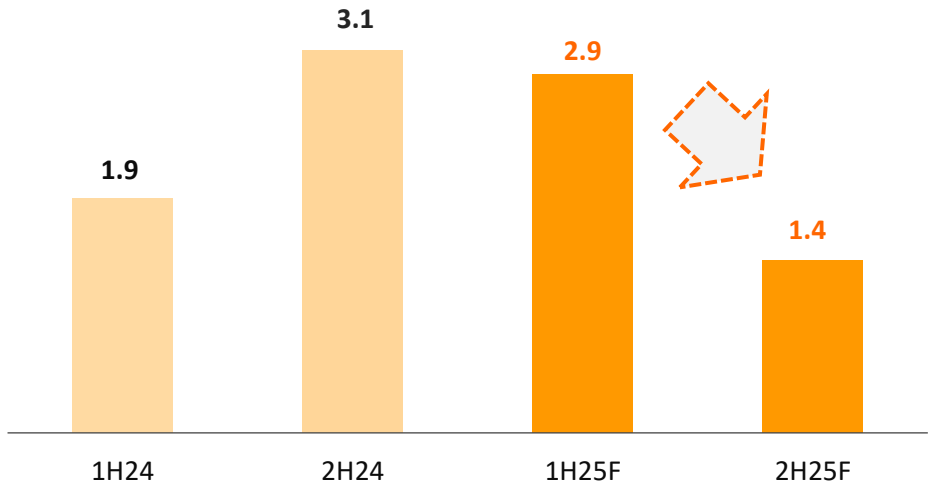
Krungsri Research Forecast		2023	2024	2025F
GDP growth	YoY (%)	2.0	2.5	2.1
Private Consumption Expenditure	YoY (%)	6.9	4.4	2.4
Government Consumption Expenditure	YoY (%)	-4.7	2.5	1.5
Private Investment	YoY (%)	3.1	-1.6	0.9
Public Investment	YoY (%)	-4.2	4.8	4.7
Nominal Exports in USD (f.o.b.)	YoY (%)	-1.5	5.8	3.5
Nominal Imports in USD (f.o.b.)	YoY (%)	-3.8	6.3	5.0
Current Account Balance	USD, bn	7.4	11.1	11.8
Tourist Arrivals	Mn, persons	28.2	35.5	34.0
Headline Inflation	YoY (%)	1.2	0.4	0.6
Policy Interest rate (end of period)	(%)	2.50	2.25	1.25
Dubai crude price - period average	USD/bbl	82	80	70

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

2H25 Outlook: Growth momentum to deteriorate on realized tariff impacts and political uncertainty

- **In our base case, assuming a 20% US tariffs on Thai goods, we project Thai GDP growth to slow to 2.1% in 2025,** reflecting weakened growth momentum, particularly in private consumption and declining private investment, amid ongoing tariff-related uncertainties. Tourist arrivals have also been revised downward to 34 million, mainly due to a slower-than-expected recovery in Chinese inbound travelers. **In 2H25, we expect economic growth to decelerate markedly to 1.4%, from an estimated 2.9% in the first half of this year.** This slowdown is mainly attributed to a potential contraction of exports caused by the realized impact of U.S. tariff hikes. In addition, heightened domestic political uncertainty may undermine confidence and suppress domestic spending.
- **In the worse-case scenario,** assuming that the US imposes a full reciprocal tariff as announced on April 2 on Thai goods, or Thailand fares less favorably than its competitors in trade negotiations and faces relatively steeper tariffs, Thai export growth this year would be hit hard. **In this case, 2025 GDP growth would soften to 1.5%. Global economic headwinds would also weigh on tourism. If the rising political uncertainty caused delays in domestic policy implementation, GDP growth could weaken even further.**

2025 GDP Growth Forecast: % YoY



Source: NESDC, Krungsri Research

Upside/Downside to our growth projection

Downside risks

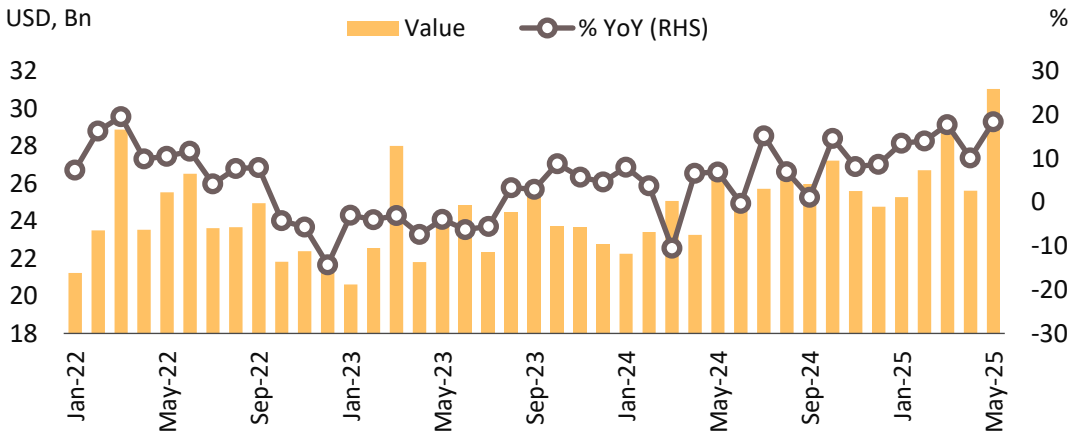
- Thailand may not successfully negotiate with the U.S.
- Cambodia and Vietnam, and/or other key competitors, can successfully negotiate, bringing their tariffs significantly down.
- Rising domestic political uncertainty with a long delay in key policy actions
- Weaker-than-expected tourism sector due to a lack of confidence in traveling to Thailand.

Upside risks

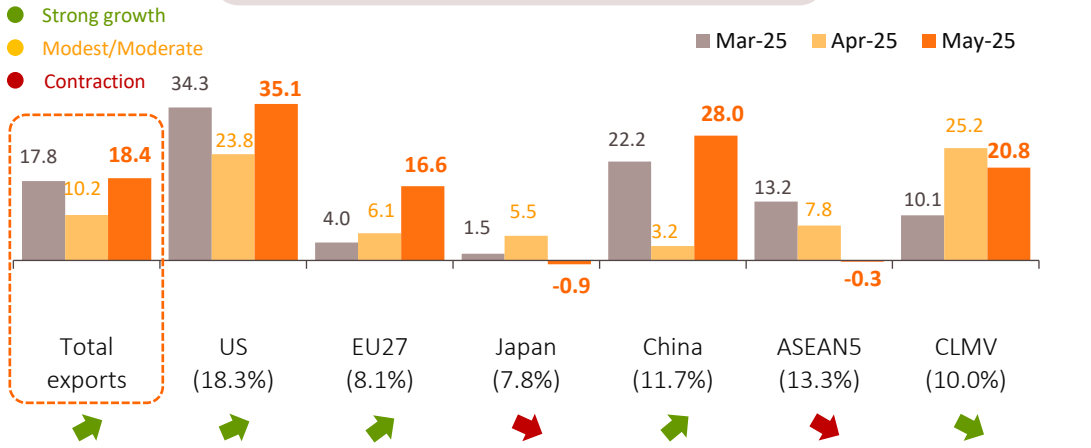
- Thailand may successfully negotiate with the U.S.
- Supply chain realignment opportunities stemming from trade tensions, such as gains from substitution effects and investment relocation.
- Thai government may introduce very effective measures to mitigate the tariff impact and/or boost domestic demand.

Exports reached a record high in May and posted a double-digit growth in the first five months of 2025; Full-year growth may weaken sharply to 3.5%

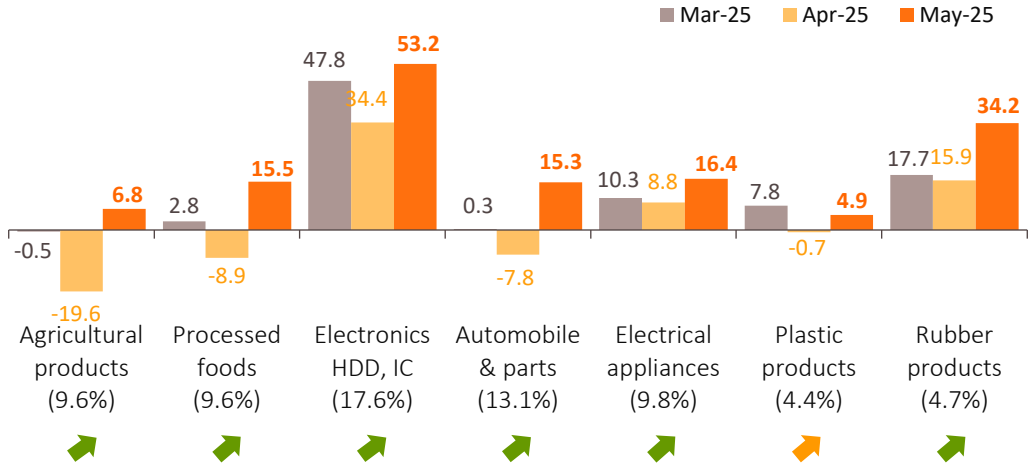
Exports



Exports by major destination (%YoY)



Exports by major product (%YoY)



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

Krungsri Research's view

- **In May, merchandise export value reached a record high of USD 31.0 bn,** marking the eleventh consecutive month of growth with a 18.4% YoY increase. Excluding oil, gold, and weapons, exports rose by 20.3%, led by computers & parts, HDDs, circuit boards, automobiles & parts . Meanwhile, agricultural exports rebounded, supported by higher shipments of cassava products and fruits. By destination, exports expanded in nearly all markets, led by the U.S. and China.
- In the first five months of 2025 (Jan-May), Thailand's export value expanded significantly by 14.9% YoY, providing a crucial buffer against potential downside risks to export performance in the second half of the year. This is particularly important as Thai exports will be subject to higher U.S. import tariffs starting August 1. **Under our baseline scenario, assuming the U.S. imposes a 20% retaliatory tariff on Thai goods, we estimate that Thailand's exports for the full year 2025 will grow by 3.5%,** supported by the strong momentum seen in the early part of the year.

Strong export growth to the U.S. was driven by a front-loading effect ahead of elevated 36% U.S. tariffs on Thai goods.

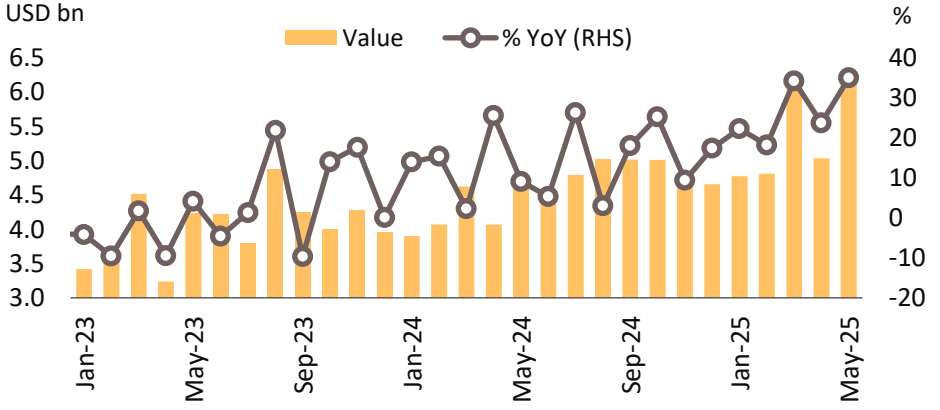
In the first five months of 2025, Thai exports grew by 14.9% YoY (based on MOC data), led by industrial products, which expanded by 19.6% (including computers & components, electronic integrated circuits, and electrical appliances), and agro-industrial products which expanded by 5.2% (such as pet food and fresh, chilled, frozen, and processed chicken). However, exports of agricultural products decreased by -3.7%, led by rice and tapioca products. Notably, exports to the U.S. grew sharply by 27.2%, led by computers & parts, electronic integrated circuits, plastic products, and chemical products. In May, imports from China continued to rise by 35.3% to reach a record high.

Thai exports by major product and destination

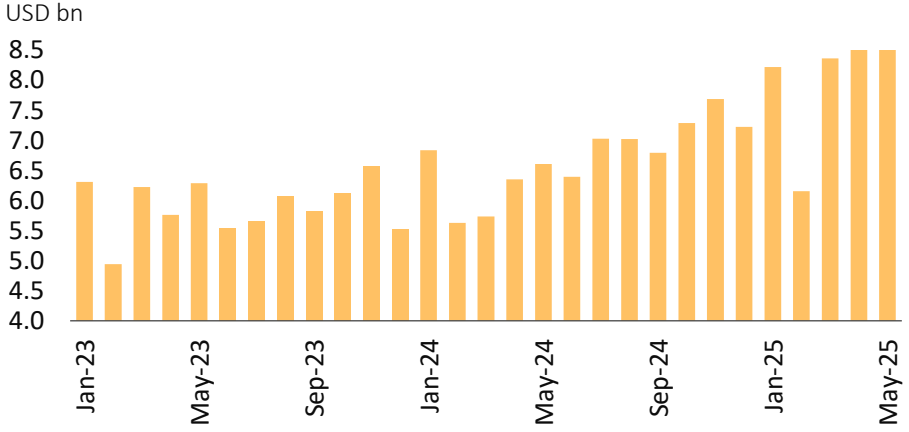
Thailand: January-May's Export growth (% YoY)	World	U.S. (18%)	EU (8%)	Japan (8%)	China (12%)	ASEAN-5 (13%)	CLMV (10%)
Total	**+14.9**	**+27.2**	**+9.2**	**+0.8**	**+17.9**	**+4.8**	**+11.7**
Cars & parts (10.3%)	-0.7	+8.0	-17.6	-7.8	-24.8	-2.0	+43.9
Computer & parts (8.2%)	+73.9	+71.7	+55.2	-3.0	+208	+32.2	+94.7
Rubber products (4.7%)	+20.9	+11.0	+2.8	+9.7	+74	+10.0	+8.0
Plastic resin (2.9%)	+0.5	+1.9	+8.0	+3.4	-6.9	+11.7	+3.9
Electronic IC (2.9%)	+30.9	+31.3	-3.5	-8.3	+11.7	+10.7	+154.5
Chemical products (2.8%)	+7.4	+44.1	+39.0	-3.5	+17.6	-6.0	+16.8
Fresh, frozen & dried fruit (2.2%)	-9.8	-4.3	+23.6	+19.6	-12.1	+58.4	+47.3
Rice (2.1%)	-30.1	+17.1	+21.6	-39.1	+38.5	-80	+0.3
Electrical appliances (1.8%)	+16.8	+16.5	+19.7	+0.7	+14.5	+14.3	+18.8
Rubber (1.7%)	+22.3	+1.5	+0.3	+44.9	+52.1	-8.8	+18
Plastic products (1.5%)	+11.1	+45.9	-2.8	+0.01	-7.3	+1.7	+0.1
Preserved fish, crustaceans (1.3%)	+3.1	+16.1	+1.6	+1.1	+13.0	+17.2	+6.4
Tapioca products (1.0%)	-7.1	-2.4	+7.3	-13.0	+2.7	-29.8	+11.5
Sugar (0.8%)	+6.3	+1,116.9	-94.5	-17.6	+97.9	+18.7	-9.0

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

Thai exports to U.S. surged ahead of tariff hike



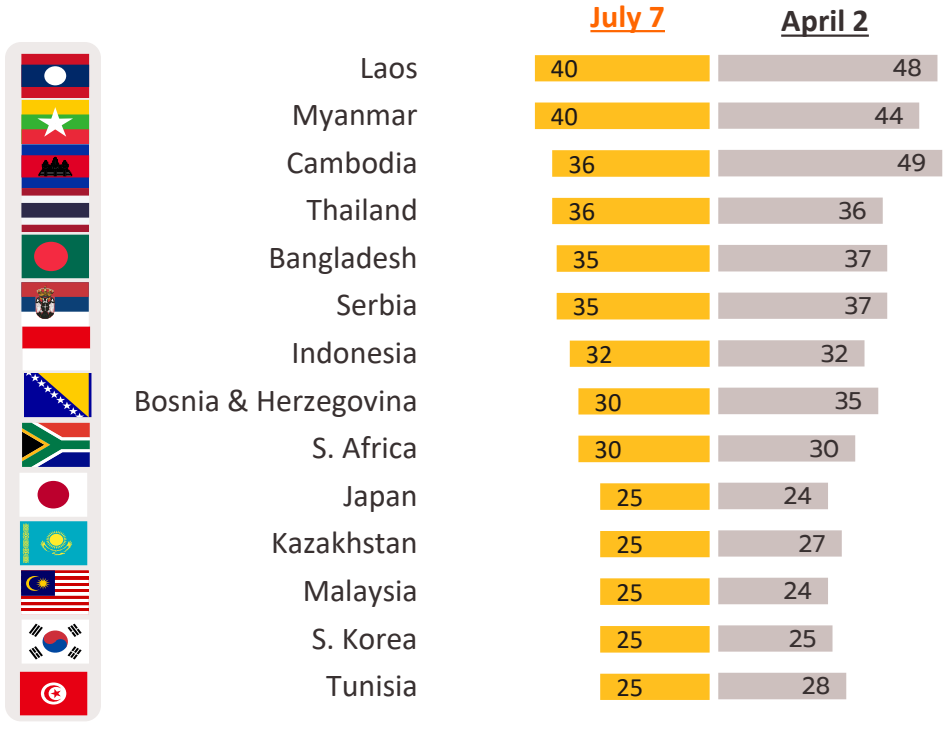
Thai imports from China hit new record high in May



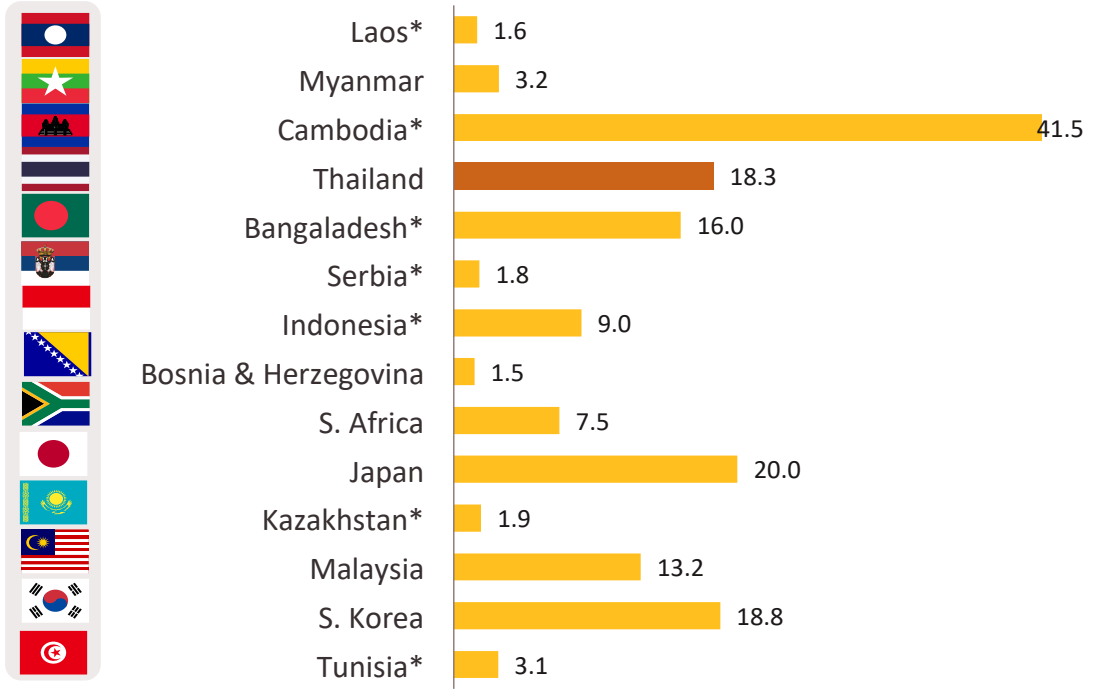
U.S. sets 36% tariff on Thailand—one of the highest; Thai tariff cut offers remain cautious despite hope for deal before August 1 deadline

On July 7, President Donald Trump issued formal letters to Thailand and 13 other countries, notifying them of upcoming reciprocal tariffs set to take effect on August 1—unless new trade agreements are reached. **Thailand faces a potential 36% tariff, one of the highest among U.S. trading partners, and notably higher than regional competitors** such as Vietnam, which secured a reduced rate of 20% (and 40% for suspected transshipped goods) through an earlier deal. These letters were intended to pressure targeted countries into accelerating trade talks and addressing trade imbalances, including reducing both tariff and non-tariff barriers.

Reciprocal Tariff Rates by Announcement Date (%)



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



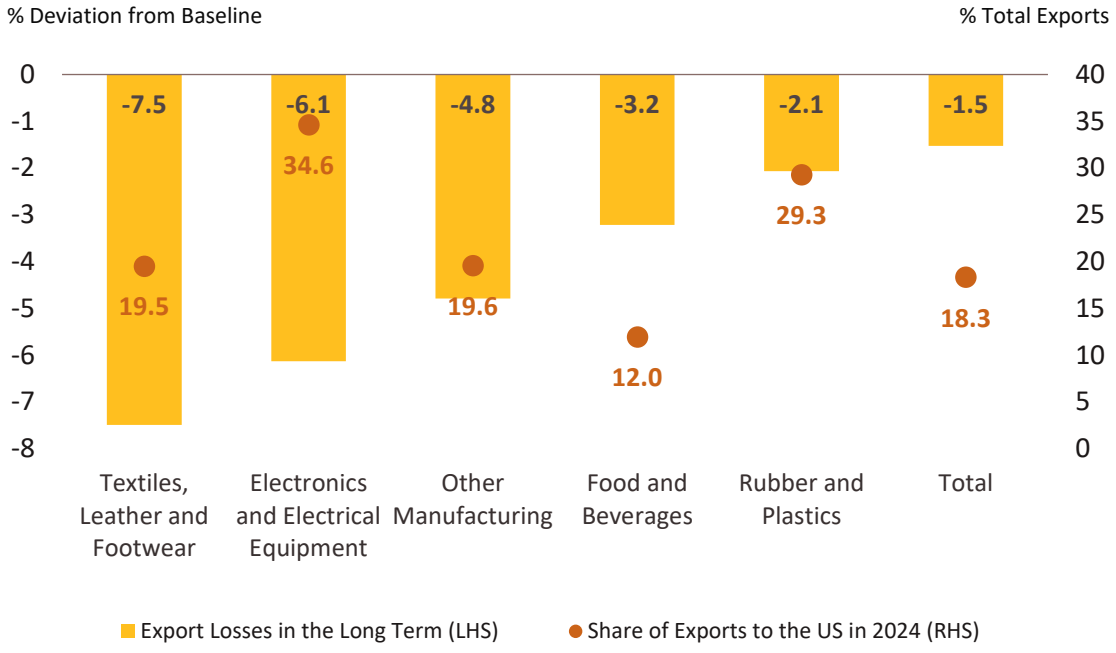
* represents exports in 2023.

Source: The White House and WITS, complied by Krungsri Research

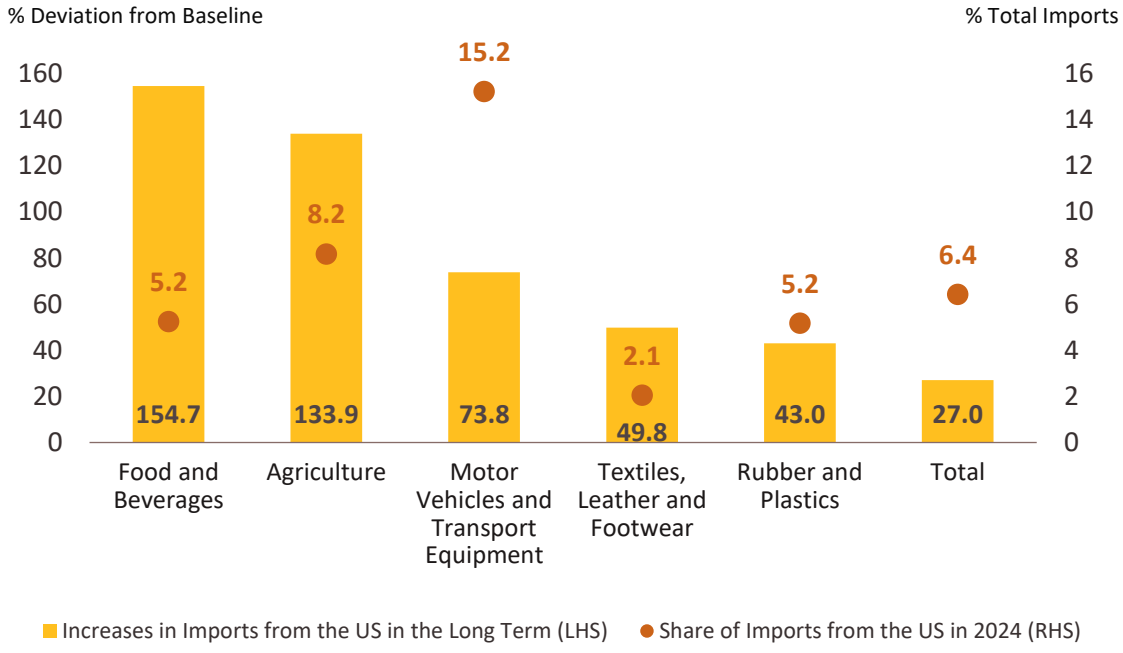
A 20% U.S. tariff on Thai goods would lead to export losses 9 times smaller than under the 36% scenario, but Thailand risks 'Twin Influx' if offering zero tariff on all U.S. goods.

If Thai exports are subjected to a 36% U.S. tariff, Krungsri Research estimates that Thailand could face export losses of THB 162.1 bn. However, **if the U.S. imposes a 20% tariff on Thai goods while Thailand imposes zero tariffs on U.S. goods, the impact on Thai exports would be significantly smaller—about 9.3 times less**—resulting in estimated export losses of THB 17.4 bn. Nonetheless, offering zero tariffs to the U.S. could alleviate one problem while creating another—specifically, the risk of a surge in imports from the U.S. According to our model, in the long term, **Thailand's imports from the U.S. could increase by as much as 27%, equivalent to THB 188.3 bn.**

U.S. 36% Tariff on Thai Goods: Impact on Thailand's Exports



U.S. 20% Tariff on Thai Goods and Thailand's Zero Tariff on U.S. goods: Impact on Thailand's Import from the U.S.

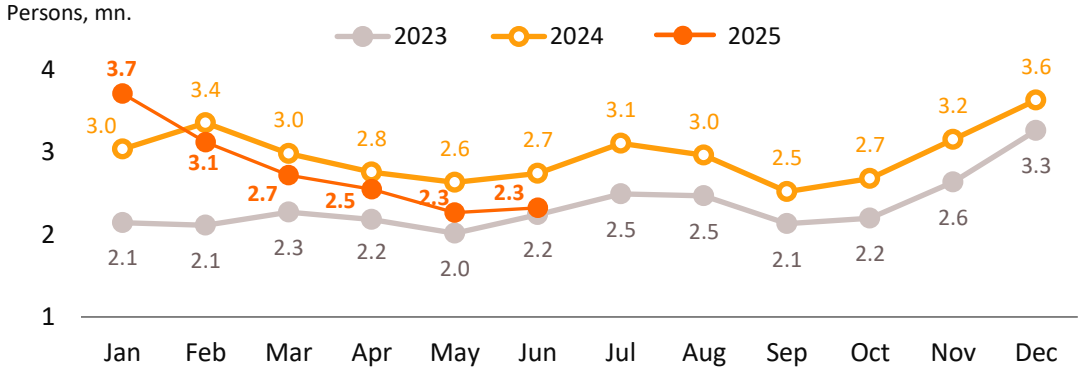


Source: The White House and WITS, complied by Krungsri Research

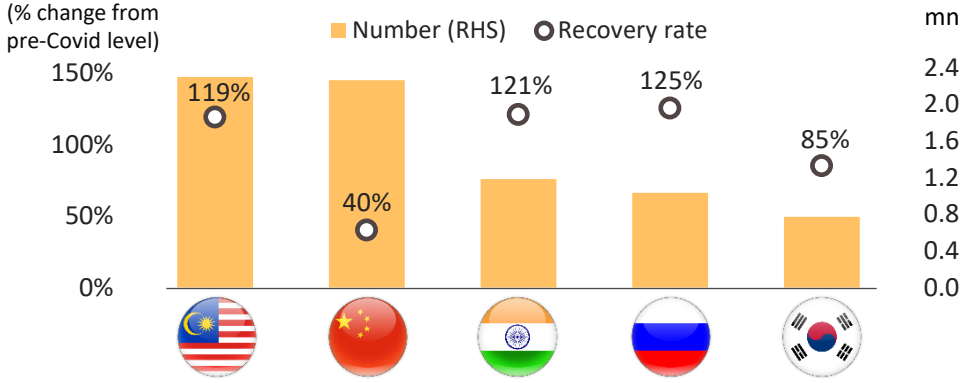
Tourism: Foreign tourism revenue and arrivals posted a year-on-year contraction in 1H25; Full-year forecast is slashed to 34 mn.

In June 2025, Thailand welcomed 2.32 mn foreign tourists, marking the first monthly increase in five months. However, arrivals were still down -15.2% YoY. Tourism revenue for the month totaled THB 99.0 bn, down -20.3% YoY. **For the first half of 2025, total foreign tourist arrivals stood at 16.2 mn, (-4.7% YoY), generating THB 772 bn in revenue (-2.3%).** The decline was primarily due to Chinese tourist arrivals, which declined sharply by -34.1% YoY to only 2.27 mn, accounting for just 40% of the pre-COVID level in 2019. The slower-than-expected recovery of foreign tourism in 1H25, combined with a weakening global economy, may affect future travel demand. As a result, **we have revised down our forecast for foreign tourist arrivals in 2025 to 34 mn, from the previous estimate of 36.5 mn.**

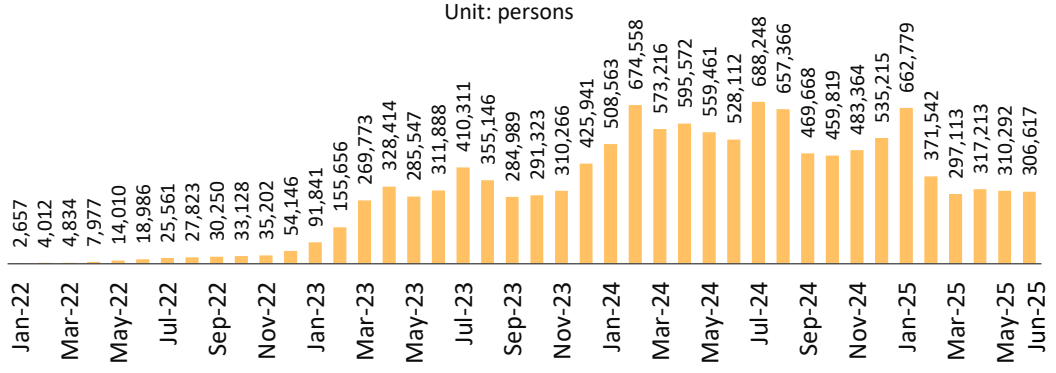
Foreign tourist arrivals fell 15.2% YoY in June



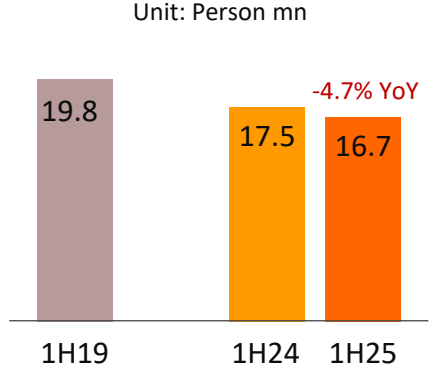
Top 5 tourist arrivals by country during January-June



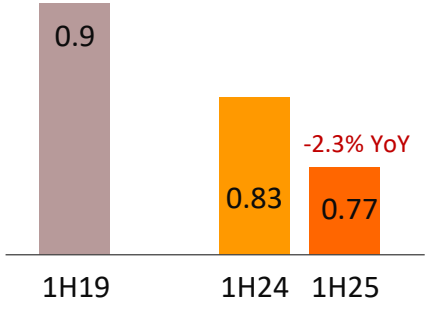
Chinese tourists plunged 42% YoY in June



Foreign tourist arrivals (persons, mn)



Foreign tourist receipt (THB, trn)

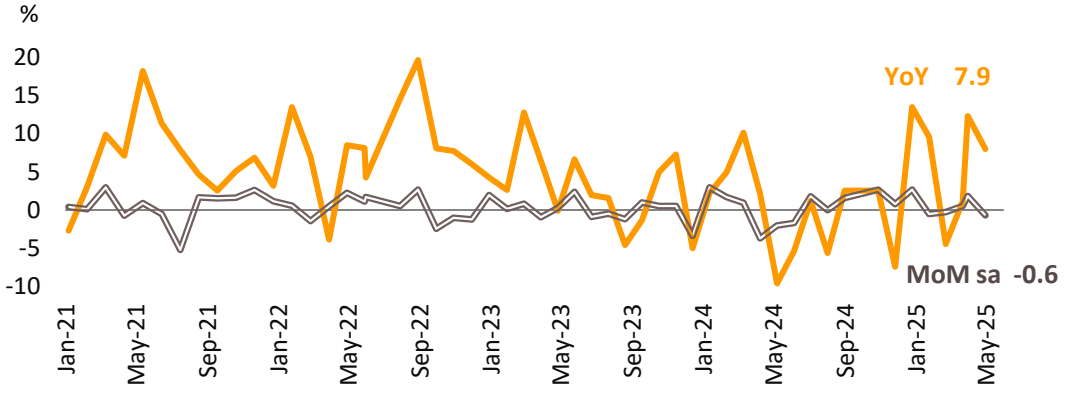


Source: MOTS, CEIC, Krungsri Research

Private investment: Softening momentum amid external and domestic headwinds

In May, the Private Investment Index increased by 7.9% YoY, but after seasonal adjustment, it declined by -0.6% MoM. Meanwhile, manufacturing production continued to recover for the second consecutive month, driven by increased production to restock inventories following a surge in exports during the first half of the year. **Looking ahead, despite stimulus measures such as infrastructure investment worth THB 85 bn, private investment in the second half of the year would be weighed by** uncertainty over U.S. tariff hikes, concerns about domestic political stability, and weakness in the services sector stemming from a slower-than-expected recovery in tourism.

Private Investment Index

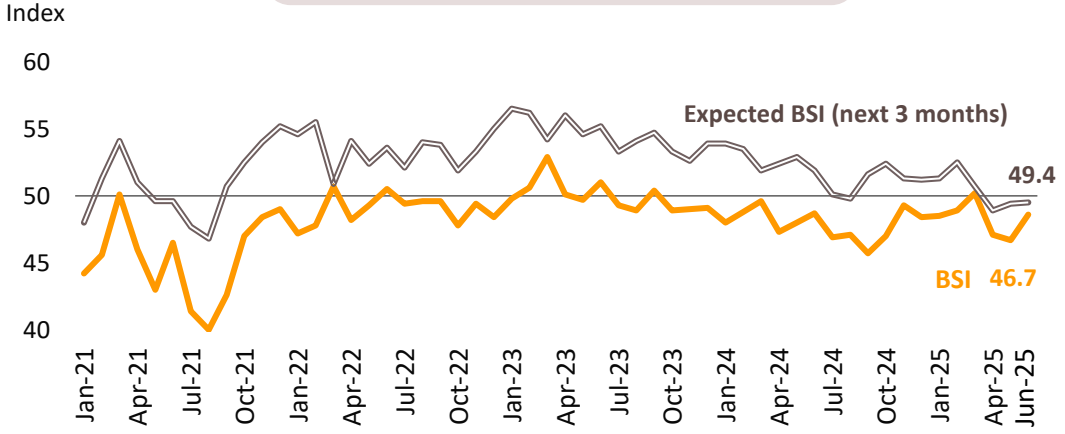


Private Investment Index by category

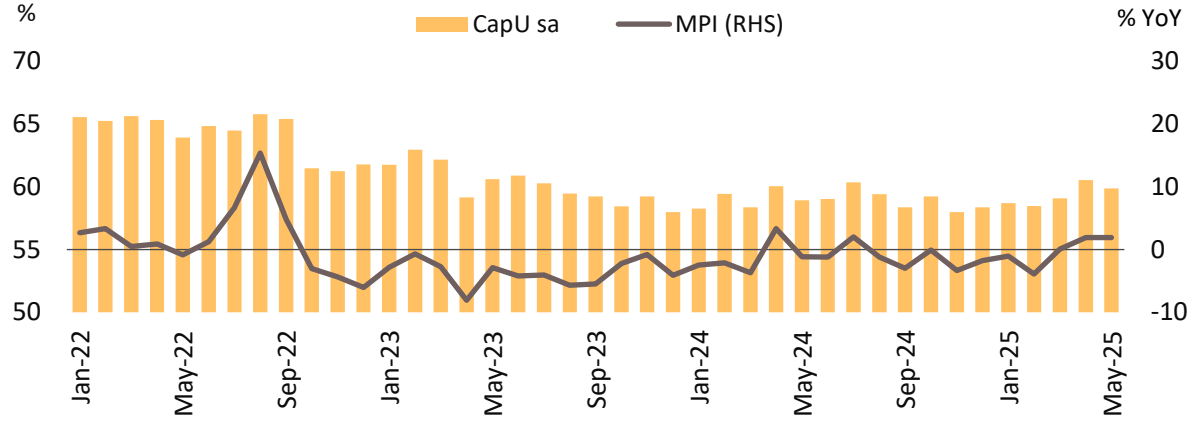
%YoY*	2023												2024												2025				
	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M
Private investment																													7.9
Vehicle																													1.8
Machinery and Equipment																													14.0
Construction																													-0.6

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

Business sentiment remained low



Manufacturing Production Index and Capacity Utilization Rate

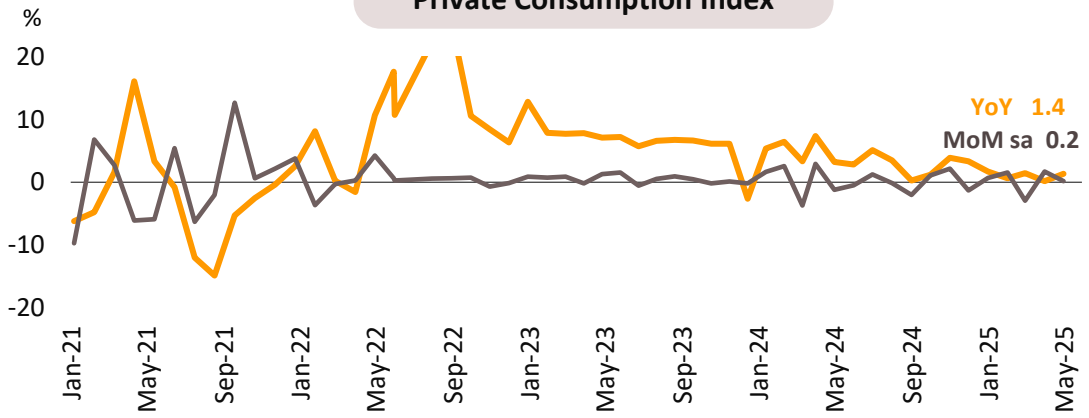


Source: BOT, OIE, Krungsri Research

Private consumption remains under pressure from weak confidence, fragile economic conditions, and structural challenges despite support from domestic tourism stimulus

In May, the Private Consumption Index (PCI) rose slightly by 1.4% YoY, dampened by a slowdown in service spending, particularly in hotels and restaurants, and a contraction in non-durable goods consumption. Looking ahead, while private consumption in the second half of the year may benefit from the government's program to boost domestic tourism, such as the *"Half-Half Co-Payment for Tourism"* scheme, several challenges remain. These include:(i) the impacts of U.S. tariff hikes and sluggish tourism sector on employment and income; (ii) still-weak consumer confidence; (iii) a potential decline in farm incomes due to lower agricultural prices; and (iv) structural issues from high household debt.

Private Consumption Index

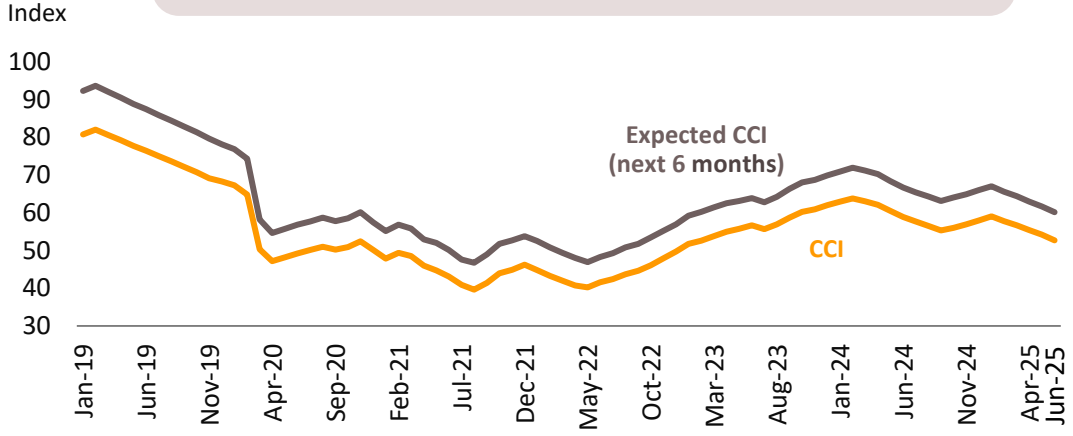


Private consumption index by category

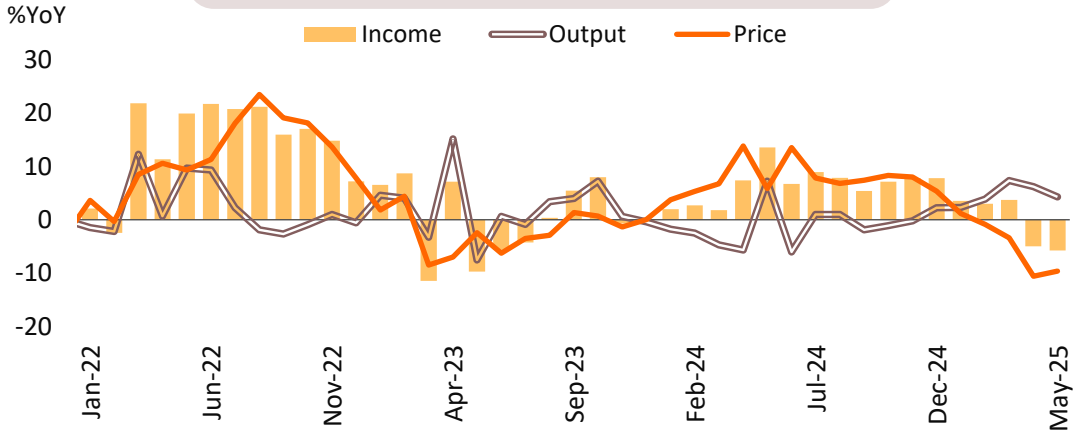
%YoY*	2023 J	F	M	A	M	J	J	A	S	O	N	D	2024 J	F	M	A	M	J	J	A	S	O	N	D	2025 J	F	M	A	M	
Private consumption																														1.4
Non-durables																														-0.8
Semi-durables																														0.3
Durables																														4.8
Services																														3.9
Non-residents expenditure																														11.9

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

Consumer Confidence Index fell to 28-month low in June



Farm income declined following price effect

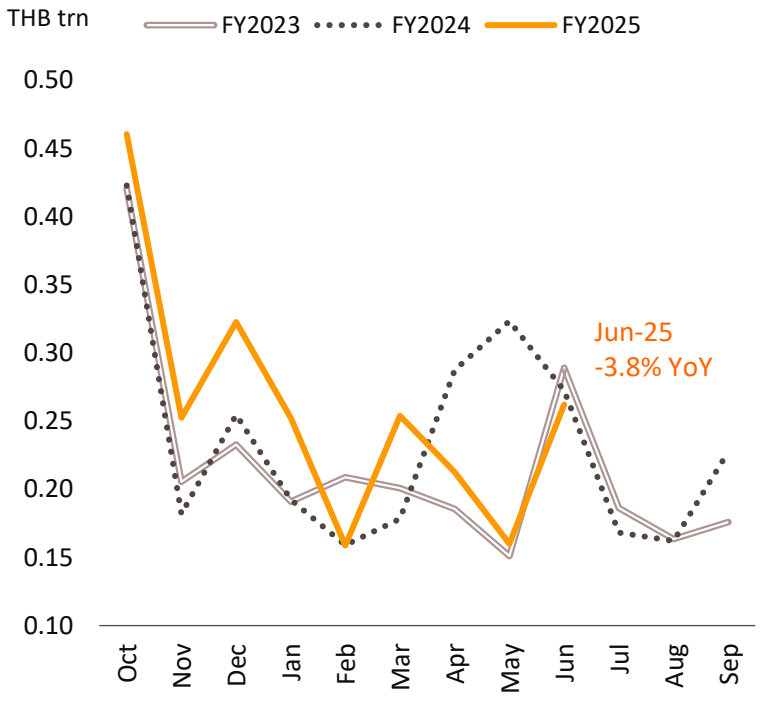


Source: BOT, UTCC, OAG, CEIC, Krungsri Research

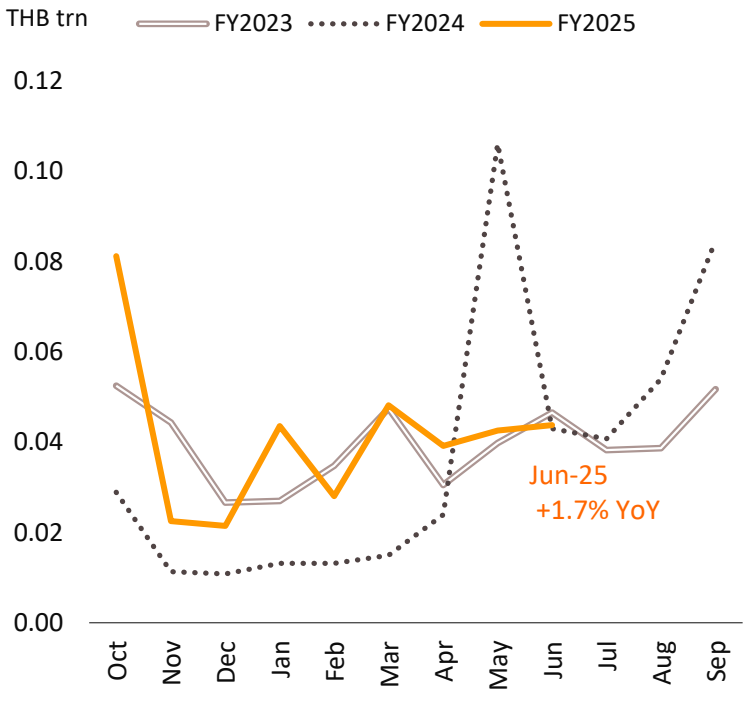
Government spending faces rising risks from domestic political uncertainty, potentially delaying the FY2026 budget bill and other key policy actions

In the third quarter of FY2025 (April-June), disbursement of both the current and capital budgets declined by -27.5% and -28.1% YoY, respectively. For the first nine months of FY2025 (October 2024 to June 2025), disbursement of the current budget accounted for 83.9% of the annual budget, but the disbursement of the capital budget accounted for only 38.2% of the annual budget. **Domestic political uncertainties raise concerns about a delay in key policy actions, including the approval of the FY2026 budget bill,** which could negatively affect government spending and act as a headwind to economic growth in the final quarter of 2025 through the year 2026.

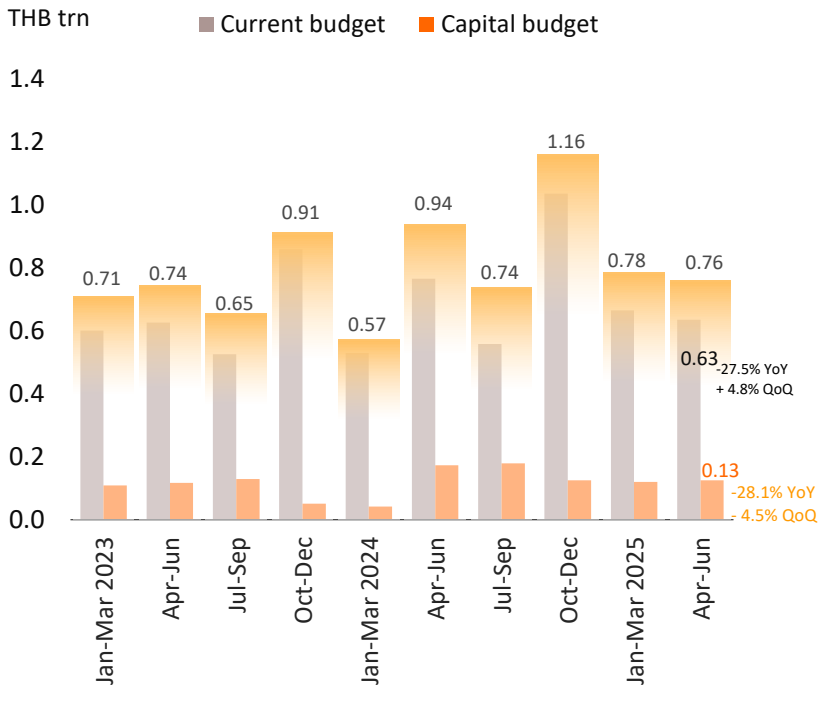
Disbursement of current budget



Disbursement of capital budget

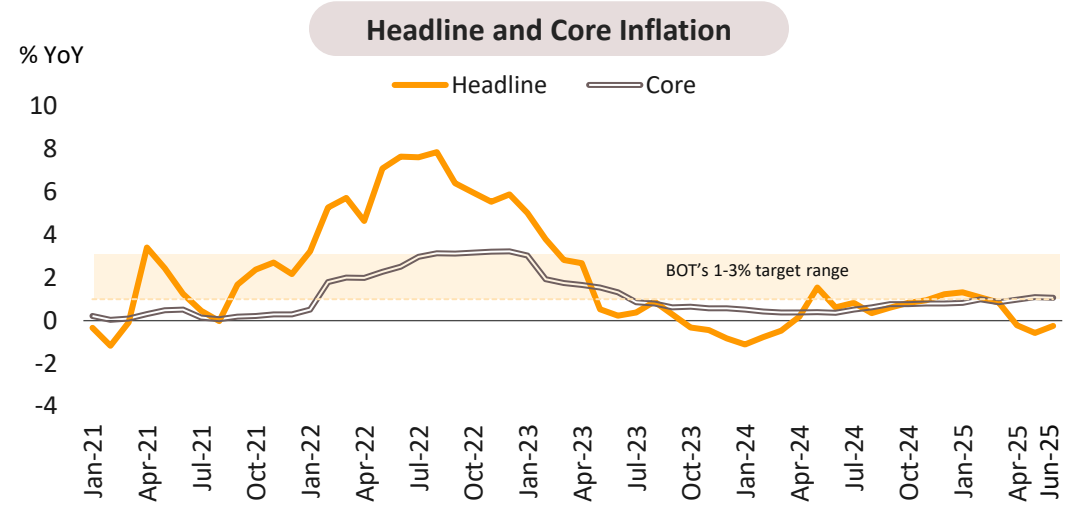


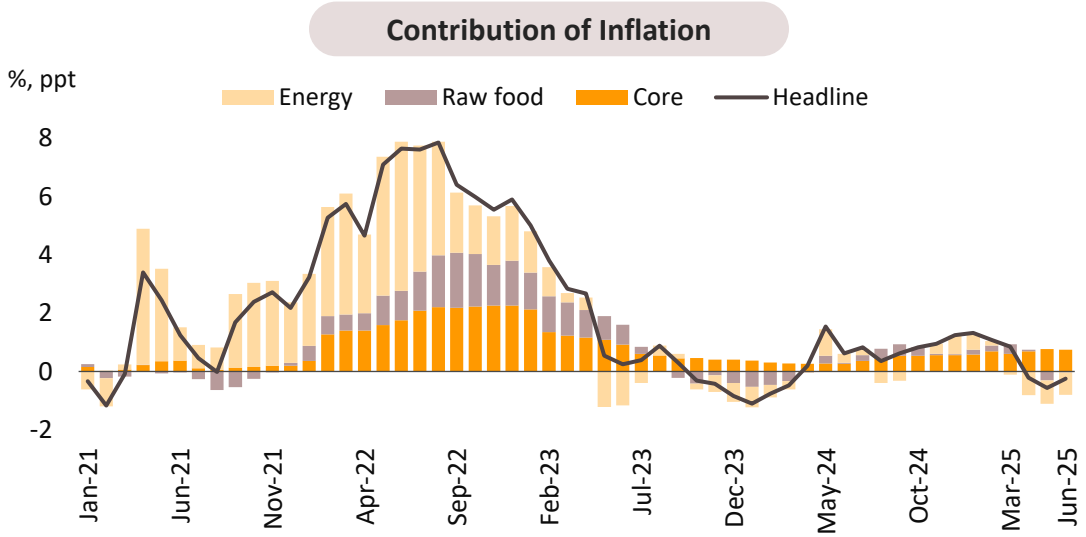
Quarterly disbursement



Source: MOF, Krungsri Research

Inflation likely to remain negative in 3Q25, following -0.35% in 2Q25, amid weak domestic demand and government subsidies





Source: MOC, CEIC, Krungsri Research

Consumer Price Index (% YoY)*	Weight	2023 J	F	M	A	M	J	J	A	S	O	N	D	2024 J	F	M	A	M	J	J	A	S	O	N	D	2025 J	F	M	A	M	J	
Headline CPI	**100%**																															-0.25
Food & beverages	39.6%																															1.64
Apparel & footwears	2.1%																															-0.88
Housing & furnishing	24.5%																															-0.35
Medical & personal care	6.4%																															-0.80
Transportation & communication	22.2%																															-3.23
Recreation & education	4.0%																															0.50
Tobacco & alcoholic beverages	1.2%																															-0.03
Raw food	17.5%																															-0.23
Energy	12.2%																															-6.31
Core CPI	**70.3%**																															1.06

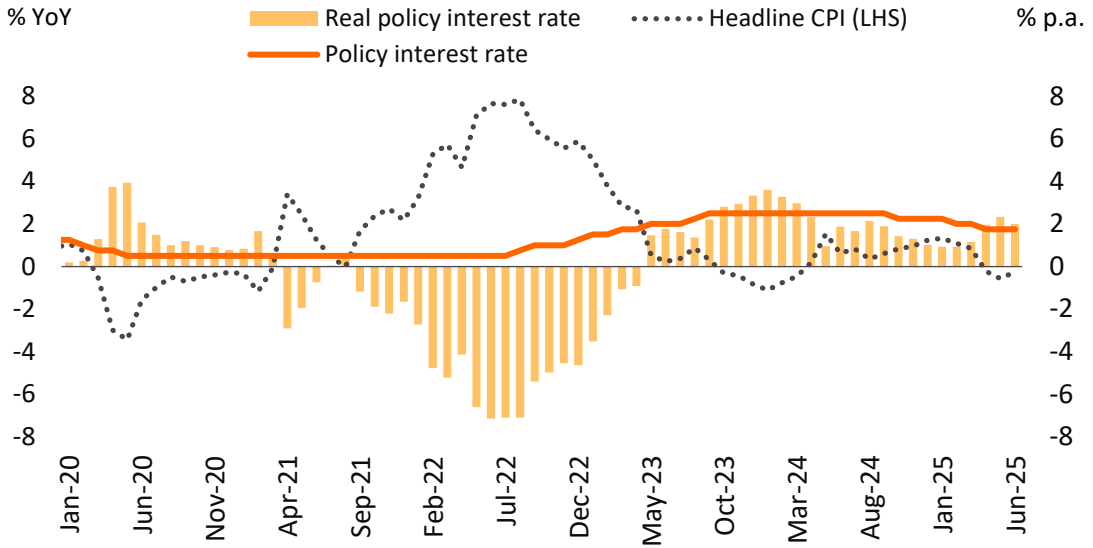
** Red > 0%, Green < 0% / Darker colors indicate stronger momentum*

Krungsri Research's view

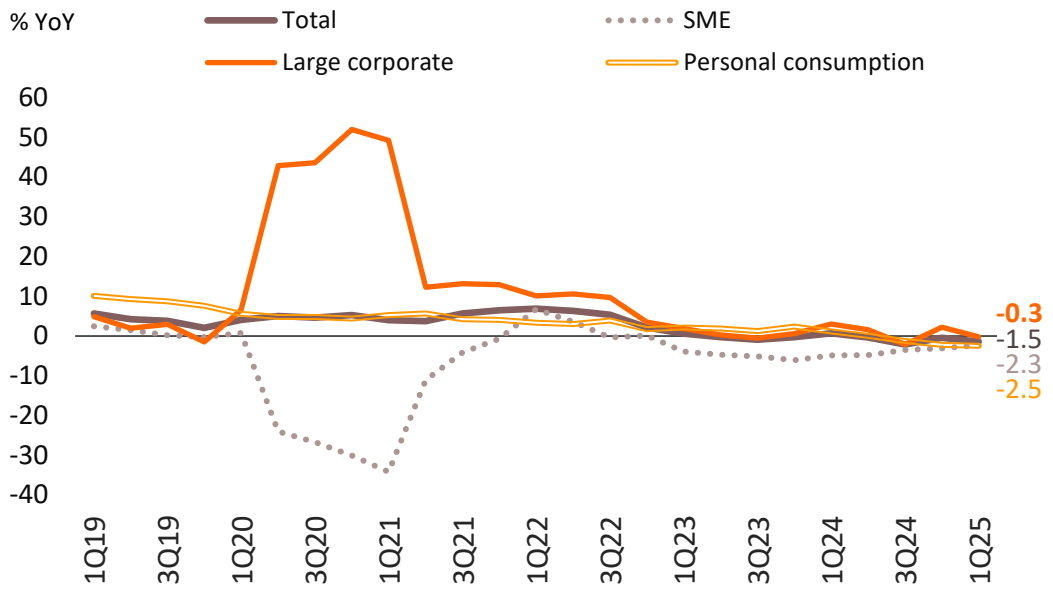
- **Headline inflation in June stood at -0.25% YoY,** marking the third consecutive month of negative inflation. The main contributing factors were: (i) a decline in energy prices, including fuel and electricity charges, and (ii) lower prices of fresh food, particularly eggs, vegetables, and fruits. Core inflation (excluding raw food and energy) eased to 1.06% in June from 1.09% in May. For the first half of this year, average headline and core inflation stood at 0.37% and 0.97%, respectively.
- **Krungsri Research expects headline inflation to remain low in the second half of the year and could continue to stay in negative territory in the third quarter,** following an average of -0.35% YoY in 2Q25. This is attributed to: (i) low energy prices compared to the previous year; (ii) government's cost-of-living relief measures, including price caps on diesel and LPG as well as electricity tariff cuts; and (iii) weakening domestic demand due to an economic slowdown in the second half, partly driven by uncertainties surrounding potential U.S. tariffs, which could be imposed at a high rate of 36%.

MPC is expected to cut the rate twice this year to 1.25% from 1.75%, amid growing economic weakness and rising domestic and external pressures

Real Policy Interest Rate



Commercial bank loan growth (%)

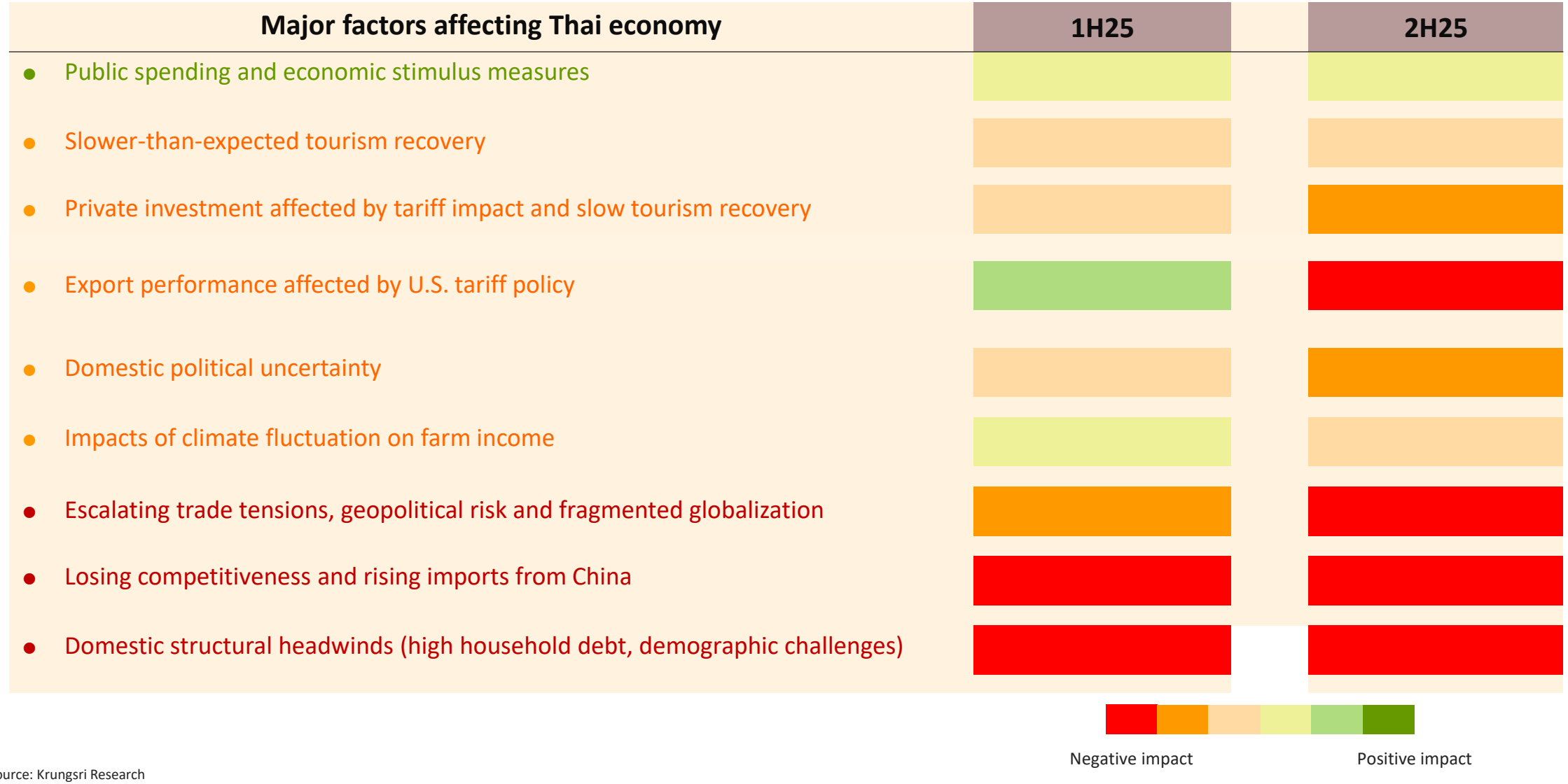


Krungsri Research's view

- **We expect that the MPC may cut the policy interest rate by another 2 times during the remaining meetings of the year due to the following factors:** (i) Growing signs of a deeper economic slowdown, amid rising pressures from domestic political uncertainty and U.S. trade policies. The BOT projected GDP growth of only 0.1% QoQ in the second half of the year. (ii) There are signs of tight financial conditions, as reflected in the continued contraction of commercial bank lending, along with inflation remaining below the 1-3% target range (with the BOT forecasting it at only 0.5% in 2025). (iii) The MPC also stated that it is *"ready to adjust monetary policy in line with economic trends and evolving risks."* These factors collectively support the likelihood of further monetary easing in 2H25.
- In our Main Scenario, we expect the policy rate to be reduced to 1.25% p.a. by year-end. In the worse-case Scenarios, with a higher risk of economic recession, the policy rate could fall further.

Source: BOT, MOC, CEIC, Krungsri Research

Key factors in 2H25: Deeper tariff impact, domestic political uncertainty, slow tourism recovery, and structural headwinds heighten risk of a negative feedback loop



Source: Krungsri Research

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

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