Trump 2.0 :

Impact on the Global and Thai Economy

8 November 2024

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1. Trump Wins U.S. Presidential Election

Donald Trump wins the U.S. presidential election, becoming the 47th president, with various polls predicting his victory in the final week before the election. Not only did Trump win with a decisive lead over Vice President Kamala Harris, the Democratic opponent, but his Republican party also gained a majority in both the House and Senate (Republicans Sweep).

Trump's policies are expected to lean toward trade protectionism, intensifying geopolitical issues and prioritizing energy security over climate action. Key policies he proposed during his campaign include:

(1) Raising tariffs on Chinese imports by an additional 60 pp. (percentage points) and on other countries by 10 pp.

(2) Restricting immigration by banning and deporting illegal immigrants, limiting legal immigration, and slowing down U.S. visa approvals.

(3) Reducing U.S. support for allied countries' defense, pushing allies like Ukraine, Japan, Taiwan, and South Korea to rely more on their own fundings.

(4) Prioritizing energy security over climate change, continuing support for oil drilling.

(5) Reducing corporate and wealth taxes, likely increasing the U.S. budget deficit and public debt.

With this Republican sweep, Trump has significant power to advance his policies (even though he may use them as bargaining tools and not fully implement each one). **These policies could negatively impact U.S. trade partners and increase global uncertainty.**

SCB EIC analyzed the impacts of "Trump 2.0" policies on the global and Thai economies. Using the latest U.S. policy assumptions from the International Monetary Fund's (IMF) October 2024 World Economic Outlook (WEO) report, EIC assessed how these policies may affect Thailand's economy through trade and investment channels. This analysis aims to help stakeholders prepare and strategize to handle the potential impacts and uncertainties that could arise.

2. Impact on the Global Economy

The IMF's WEO Oc24 report outlines how Trump 2.0 policies may impact the global economy through five main channels:

(1) Higher Tariffs: The U.S., Europe, and China are set to increase tariffs on each other by 10 pp., with the U.S. imposing an additional 10 pp. tariff on imports from other countries. Affected countries are expected to respond with counter-tariffs. These will impact about 25% of global trade, equivalent to over 6% of the world's GDP. This would begin to drag on global growth by mid-2025, reducing growth by a total of 0.3 pp. between 2025 and 2030.

(2) Trade Policy Uncertainty: Rising U.S. tariffs and retaliation from other countries create trade policy uncertainty, which could reduce investment, especially in industrial sectors. Investment in the U.S. and Europe could drop by around 4% compared to a scenario without these policies, while China and other nations might see half this level of impact. Global economic effects would begin in mid-2025 and would begin to taper off by 2027.

(3) Tax Cuts: The U.S. is expected to extend corporate tax cuts under the Tax Cuts and Jobs Act (TCJA) for another 10 years, until 2034, after the current policy expires in mid-2025. This extension would lower U.S. business taxes by about 4% of GDP over this period. Globally, the net impact is expected to be a positive 0.1 pp. for 2025-2030, largely benefiting the U.S., although other countries might be negatively affected due to loss in comparative investment competitiveness.

(4) Immigration Restrictions: Both the U.S. and Europe are likely to tighten immigration policies starting mid-2025, reducing the labor force by 1% in the U.S. and 0.75% in the Eurozone by 2030. Immigrants have been key drivers of economic growth in these regions, so restrictions could negatively affect global growth by a total of 0.2 pp. from 2025 to 2030.

(5) Tighter Global Financial Conditions: Rising economic and trade uncertainty may tighten global financial conditions. U.S. interest rates could be higher from the baseline due to higher inflation and government debt, especially in the U.S. This would raise borrowing costs worldwide:

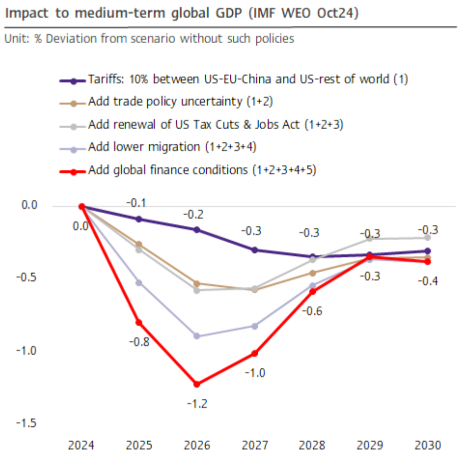
- Emerging market sovereign premiums (excluding China) could rise by 50 basis points.
- Corporate premiums could increase by 50 basis points in China and developed countries, and by 100 basis points in other emerging markets.
- U.S. term premiums could rise by 40 basis points, with a 25-point increase in the Eurozone.

The global economy would feel these effects negatively until they gradually dissipate in 2028.

According to IMF studies, Trump 2.0 policies are projected to negatively affect global growth starting in 2025. Global growth could slow by 0.8 pp. in 2025 and by 0.4 points in 2026, before increasing by 0.2 pp. in 2027 due to reduced uncertainty and lower base effects. **Overall, these policies could lower global growth by 0.4 pp. over the medium term** (see Figure 1, left). **SCB EIC assesses that Trump's policies will have a broadly negative impact on the global economy both next year and in the medium term**, due to direct effects from protectionist measures and market volatility. The benefits from the TCJA tax cuts will largely be U.S.-specific. **However, global inflation outcomes are still uncertain, depending on whether inflationary supply pressures (+) outweigh global demand slowdown (-)** (see Figure 1, right).

For the U.S., SCB EIC anticipates that the net impact of Trump 2.0 policies in the coming year will likely be negative. However, the exact outcome remains uncertain, as it depends on the timing and extent of various policies. Positive effects (e.g., TCJA tax cuts) and negative impacts (e.g., tariffs, immigration restrictions) will balance differently over time. Other countries' trade retaliation could also add complexity. Initial estimates suggest these policies will start to affect the U.S. economy from mid-2025. **Trump's policies are expected to have a more definitively negative impact when accumulated over the medium term, especially as they may raise U.S. inflation, limiting the Federal Reserve's flexibility to cut interest rates, thereby adding further economic pressure** (see Figure 1, right).

Figure 1: Medium-Term Global Economic Outlook Under Pressure from Trump 2.0 Policies



Impact to the U.S. and global economies (SCB EIC's preliminary evaluation)

	2025	Medium-term
US GDP	**Uncertain**, depending on size and timing of each policy.	−
US Price	+	+
US & AEs MP	Higher terminal rate, following higher inflation.	
Global GDP	−	−
Global Price	**Uncertain**, depending on the net effects between supply pressure (+) and global economic slowdown (-).	

Source: SCB EIC analysis based on data from IMF, Bloomberg, Reuters, Euromonitor, Capital Economics, and Goldman Sachs.

3. Impact on the Thai Economy

SCB EIC assesses that Thailand's economy faces heightened downside risks in the short term due to Trump 2.0 policies, primarily through trade and investment impacts:

(1) **Exports:**

- **Trade Protectionism and Tariffs:** The U.S. policies to increase tariffs broadly and promote trade protectionism could slow global trade, directly impacting Thai exports.
- **Key Thai Exports to the U.S.:** Products such as computers, electronics, and electrical appliances, which are significant exports from Thailand to the U.S., may see reduced growth due to these new trade barriers.
- **Increased Chinese Competition:** Higher tariffs on Chinese goods entering the U.S., combined with China's current overcapacity issues, may push China to seek alternative markets, including Thailand. This could lead to an influx of Chinese goods into Thailand, intensifying competition for Thai manufacturers and slowing their recovery.

- **SCB EIC estimates that Thai export value could decrease by approximately 0.8 - 1 pp. in 2025 due to increased trade protectionism.**

(2) **Investment:**

- **Rising Economic Uncertainty:** With the uncertainty surrounding Trump's trade policies, global investment may slow as foreign investors delay plans awaiting policy clarity. As a result, Thailand might not immediately benefit from production base shifts.
- **Relocation Risks:** The U.S. is likely to push for more investment to return domestically under Trump's policies, raising the risk of a reduced investment shift to Thailand.
- **SCB EIC projects that private investment in Thailand could fall by about 0.4 - 0.5 pp. in 2025 due to global trade and investment uncertainty.**

In summary, SCB EIC projects that Trump 2.0 policies will put downward pressure on Thailand's economic growth in 2025. This is mainly due to a slowdown in Thai exports amid weakened global trade and limited foreign investment relocation benefits. Using an economic model based on IMF's October 2024 global impact analysis, SCB EIC finds that Thai exports and private investment are the most vulnerable areas under increased trade and investment protectionism. **Overall, Thailand's GDP growth in 2025 is expected to decrease by around 0.5 pp. from prior growth expectations** (see Figure 2).

Figure 2: Thailand's Economic Growth Slows Next Year Due to Trump 2.0 Policies Compared to Previous Outlook

Impact of "Trump 2.0" policies on the Thai economy

GDP	**Decelerate with increasing downside risks,** stemming from a deterioration in global trade volumes and a potential slowdown in investment activities	Impact on the Thai economy in 2025 is estimated at -0.5 percentage point
Exports	Broad increases in U.S. import tariffs will pressure Thai exports in two dimensions. (1) Thai goods exported to the U.S. will face higher import taxes. (2) A reduction in Chinese exports to the U.S. may lead to the diversion of Chinese goods to other markets, increasing competition for Thai's. (3) China's overcapacity issue could be exacerbated from deteriorating economic conditions, leading to a surge of lower-priced Chinese goods that could further pressure the Thai manufacturing sector.	**-0.8 to -1 percentage point**
Investment	2025: Foreign investors are likely to delay investments pending greater clarity, which could slow or postpone the relocation of manufacturing bases to Thailand in the short term. Medium-term: Thailand may benefit from the shifting of manufacturing bases away from China. However, the risk associated with U.S. investment relocation may increase due to U.S. protectionist policies aimed at repatriating investments to the U.S.	**-0.4 to -0.5 percentage point**

Source: SCB EIC analysis based on data from the Office of the National Economic and Social Development Council and IMF.

Although Trump's 2.0 policies—particularly trade and investment protectionism—are expected to slow Thailand's economic growth next year, **SCB EIC projects that in the medium term, these international protectionist measures could accelerate economic polarization.** This shift may benefit Thailand if the global trade landscape realigns, with countries on opposing economic poles relying less on each other and more on neutral countries. If Thailand can maintain a neutral stance in global geopolitics, it could benefit from trade and investment diversions as polarized countries increasingly turn to neutral partners.

Thailand's policies in response to the intensifying global polarization under Trump 2.0 will be crucial. In the short term, urgent measures are needed to address competitive pressures from an influx of Chinese imports in the Thai market. Long-term strategies are also essential to help Thailand adapt and seize emerging opportunities in a changing global landscape.

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