

Outlook

**Economic outlook 2025
as of Q2/2025**

Thailand's economic growth will remain subdued and vulnerable due to heightened trade tensions, rising uncertainty, and persistent economic scars.



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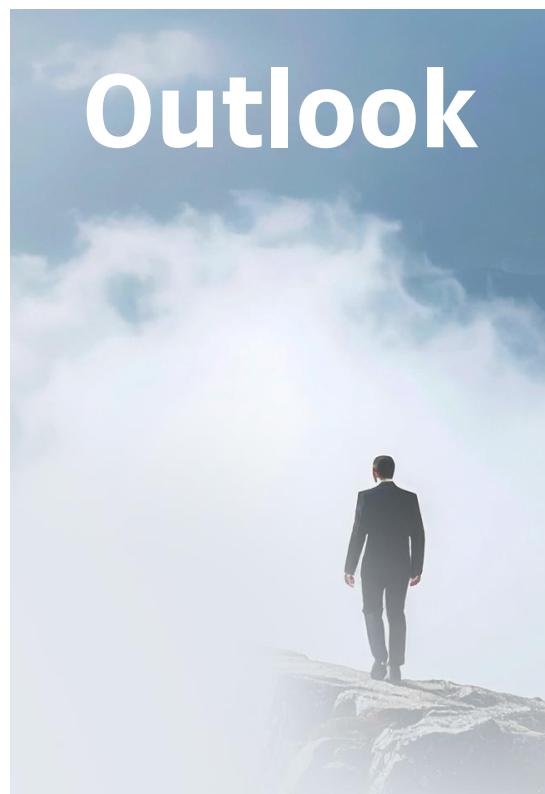
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Executive summary: Global economy

Elevated Global Uncertainty

- SCB EIC assesses that the global economy will continue to face heightened uncertainty throughout 2025–2026 due to U.S. policies, particularly trade tariffs. In addition, the Russia–Ukraine war remains unresolved, while the Israel–Iran conflict has intensified.
- The world will face rising risks from exchange rate volatility and international investment flows, as confidence in the U.S. dollar and U.S. assets declines due to several domestic factors. These include policy uncertainties, fiscal sustainability concerns, weakening confidence in the system of checks and balances, and attempts to interfere with the Federal Reserve (Fed).

Global Economic Outlook

- The global economy is expected to slow significantly this year and next year, with growth projected at only 2.3% this year, down markedly from 2.8% last year, due to the intensifying trade war from H2/2025 onward. However, this year's outlook has improved slightly from the previous projection of 2.2%, supported by progress in U.S. trade negotiations and accelerated production and exports ahead of the impact from U.S. import tariffs.
- In 2026, the global economy is expected to continue expanding at a low rate, similar to this year, with a slight recovery anticipated in major economies except for China, which will likely continue to slow due to the ongoing trade war and existing structural challenges.

Global Monetary Policy

- Major central banks are expected to ease monetary policy at varying degrees in response to the economic slowdown and easing inflation (except Japan), amid the continued high uncertainty from the trade war.
- The U.S. Federal Reserve (Fed) is expected to cut interest rates by only 75 bps during 2025–2026, as inflation risks remain elevated due to tariff measures.
- The European Central Bank (ECB) is nearing the end of its rate-cutting cycle, having already cut rates by 100 bps this year, with a further 25 bps cut likely as inflation pressures ease.
- The People's Bank of China (PBOC) is expected to cut interest rates further to 1% in 2026 to support the economy.

Executive summary: Thai economy

Thailand's economy is expected to expand at a low rate over the next two years.

- SCB EIC projects that Thailand's economy will **expand** at a low rate of 1.5% and 1.4% in 2025 and 2026, respectively, due to the impacts of the trade war, elevated uncertainty, existing economic scars, and fiscal constraints. In particular, during H2/2025, Thailand's economic growth may average below 1%.
- **Foreign tourist arrivals are expected to decline to 34.2 million, down from the previous year**, following a drop in Chinese tourists and more cautious tourism spending in line with global demand.
- **Private investment continues to contract** due to global trade policy uncertainties and declining business confidence.
- **Private consumption will slow significantly**, reflecting fragilities in employment and income amid continued tight financial conditions.

Thailand's interest rates are expected to continue declining.

- Thailand's economy will remain in a **deleveraging phase over the next 2–3 years** to reduce risks from the significantly higher debt-to-GDP ratio following the impact of COVID-19. Low retail loan growth and cautious household spending will add further pressure on domestic demand.
- **Thailand's policy interest rates will remain on a downward trend going forward**, which will help support the economy and facilitate the deleveraging process for household and business debt, although the effectiveness in stimulating spending may be limited amid elevated uncertainty.

Thai businesses face rising risks, although opportunities remain in certain sub-segments.

- The business outlook continues to face rising risks, particularly for segments reliant on exports to the U.S. and China, and those dependent on domestic purchasing power, which remains slow to recover, especially in the housing and automotive markets. Segments facing intensified competition from the influx of Chinese goods are also under pressure, while those linked to the tourism sector are seeing increasing negative factors weighing on their recovery prospects.
- **Certain business sub-segments still have growth opportunities** by adapting and developing products and services that meet the needs of high-potential consumer groups. These include businesses targeting new growth segments in tourism, those offering unique products and services, and segments aligned with mega trends such as the health and wellness trend.

Thai Economy in 2025

Global and Thai Economic Outlook Amid Mounting Pressures on All Fronts

Key forecasts

(Previous forecast)



GDP

(%YOY)

2025F

1.5

April (1.5)

2026F

1.4

1. SCB EIC maintains its forecast for Thailand's economy to grow by 1.5% in 2025 and 1.4% in 2026, reflecting the impacts of the trade war, elevated uncertainty, existing economic scars, and fiscal constraints.
2. In H2/2025, economic growth is expected to average below 1%, with a risk of entering a technical recession due to weakening exports and investment, while the boost from the tourism sector will be lower than expected.
3. Private investment continues to contract due to global trade policy uncertainties and declining business confidence.
4. Private consumption will slow significantly, reflecting fragilities in employment and income amid continued tight financial conditions.



Policy rate (year-end)

(%)

2025F

1.25

April (1.5)

2026F

1.0

1. SCB EIC expects the MPC to cut interest rates two more times this year to 1.25%, in line with continued tight financial conditions and persistent issues in credit quality, which will add further pressure on domestic demand.
2. The impacts from U.S. trade protectionist policies will further weaken Thailand's already fragile industrial sector, with spillover effects on the recovery of related household incomes. This will keep Thailand's policy interest rates on a downward trend going forward to support the economy and facilitate the household deleveraging process.
3. Low interest rates may not stimulate household borrowing as in the past, and SCB EIC expects the MPC to cut rates once more in 2026 to 1%.



Exchange rate (year-end)

(THB/USD)

2025F

31.5-32.5

April (32.5-33.5)

2026F

31.5-32.5

1. In the short term, the baht is appreciating alongside other regional currencies due to capital inflows and the weakening of the U.S. dollar index, as the market's outlook on U.S. assets deteriorates amid rising risks and uncertainties surrounding the U.S. economy.
2. In the medium to long term, the U.S. dollar is expected to continue weakening, driven by global financial market investment trends and U.S. policies. The baht is projected to trade in a short-term range of 32.30-33.30 baht per USD.
3. Going forward, the baht is expected to continue appreciating, in line with a weakening U.S. dollar cycle and capital outflows from the U.S. However, the baht may not strengthen rapidly, as Thailand's outbound investment remains low, resulting in limited repatriation flows. The baht is projected to trade at 31.50-32.50 baht per USD by the end of this year.

Thai Economy in 2025

Positive factors



Public investment is expanding strongly, supported by the normalization of government budget disbursement.

Risk factors



Global economic growth remains low amid continued high uncertainty from Trump 2.0 policies.



Thai politics remains unstable, with fiscal stimulus lacking continuity.



The Israel conflict has intensified and escalated broadly.

Negative factors



Trade protectionist policies are pressuring exports and investment.



Financial conditions remain tight, with high household debt and limited access to retail credit increasingly impacting the real economy, particularly as private consumption slows significantly.



Private investment will continue to contract into next year, driven by sluggish domestic demand, uncertainties surrounding U.S. trade policy, and tight financial conditions.



Thailand's manufacturing sector is recovering slowly, partly pressured by increasing imports from China, which are intensifying competition with Thai businesses.

Global Economy in 2025

The global economy in H2/2025 and throughout 2026 is expected to expand at a much slower pace than in the past and remain under high uncertainty, driven by the impacts of Trump 2.0 policies.



Economic growth



- SCB EIC projects global economic growth at 2.3% in 2025, slowing from 2.8% in the previous year due to the impacts of the trade war. However, this is an upward revision from the previous forecast of 2.2%, supported by progress in trade negotiations and accelerated production and exports ahead of the impact from U.S. import tariffs.
- For 2026, global economic growth is also projected at 2.3%, with a slight recovery expected in major economies except for China, which will likely continue to slow due to the impacts of the trade war and existing structural challenges.



Inflation rate



- Global inflation in 2025–2026 is expected to ease compared to previous periods, in line with the economic slowdown and declining oil prices due to increased oil supply. However, there is a risk from the Israel–Iran conflict.
- However, U.S. inflation faces upside risks from the implementation of tariff measures.
- China is likely to continue facing deflationary pressures due to declining global demand for Chinese products, oversupply issues, and cautious domestic consumer spending.



Monetary policy direction

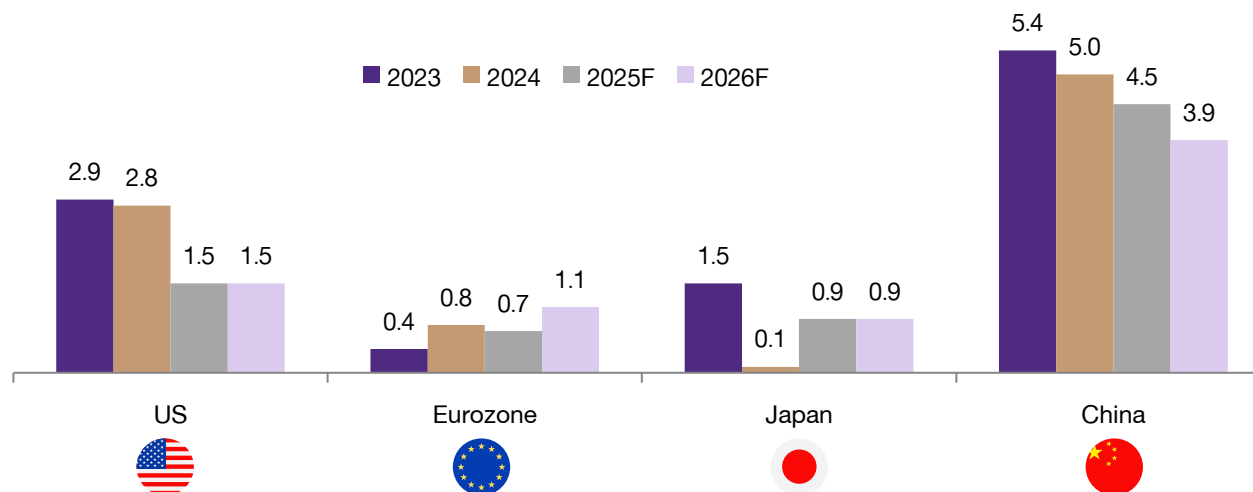


- Major central banks are expected to ease monetary policy to support the economy (except Japan), but the extent of easing remains highly uncertain, depending on the progress of trade negotiations.
- The Fed is expected to gradually cut interest rates by only 75 bps during 2025–2026, as inflation risks from tariff measures remain.
- The ECB's rate-cutting cycle is nearing its end after cutting rates by 200 bps, with a further 25 bps cut likely.
- The BOJ is expected to maintain its policy rate for the remainder of 2025 (having raised rates by 25 bps this year) and may begin raising rates again in early 2026.



Economic growth in 2023-2026

Unit: %YOY



Positive factors



Accelerated production and trade ahead of the full impact of the trade war.



Japan's economy is recovering better.



Governments in many countries are expected to increase fiscal stimulus measures to mitigate the impacts of Trump 2.0 policies.



Global inflation is easing.



Policy interest rates will gradually decline.



Trends in investment and the application of AI/data centers.

Risk factors



Trump 2.0 policies, which will intensify geopolitical tensions and trade protectionism.



China's manufacturing overcapacity, which is leading to an increase in low-priced Chinese goods competing with many countries.

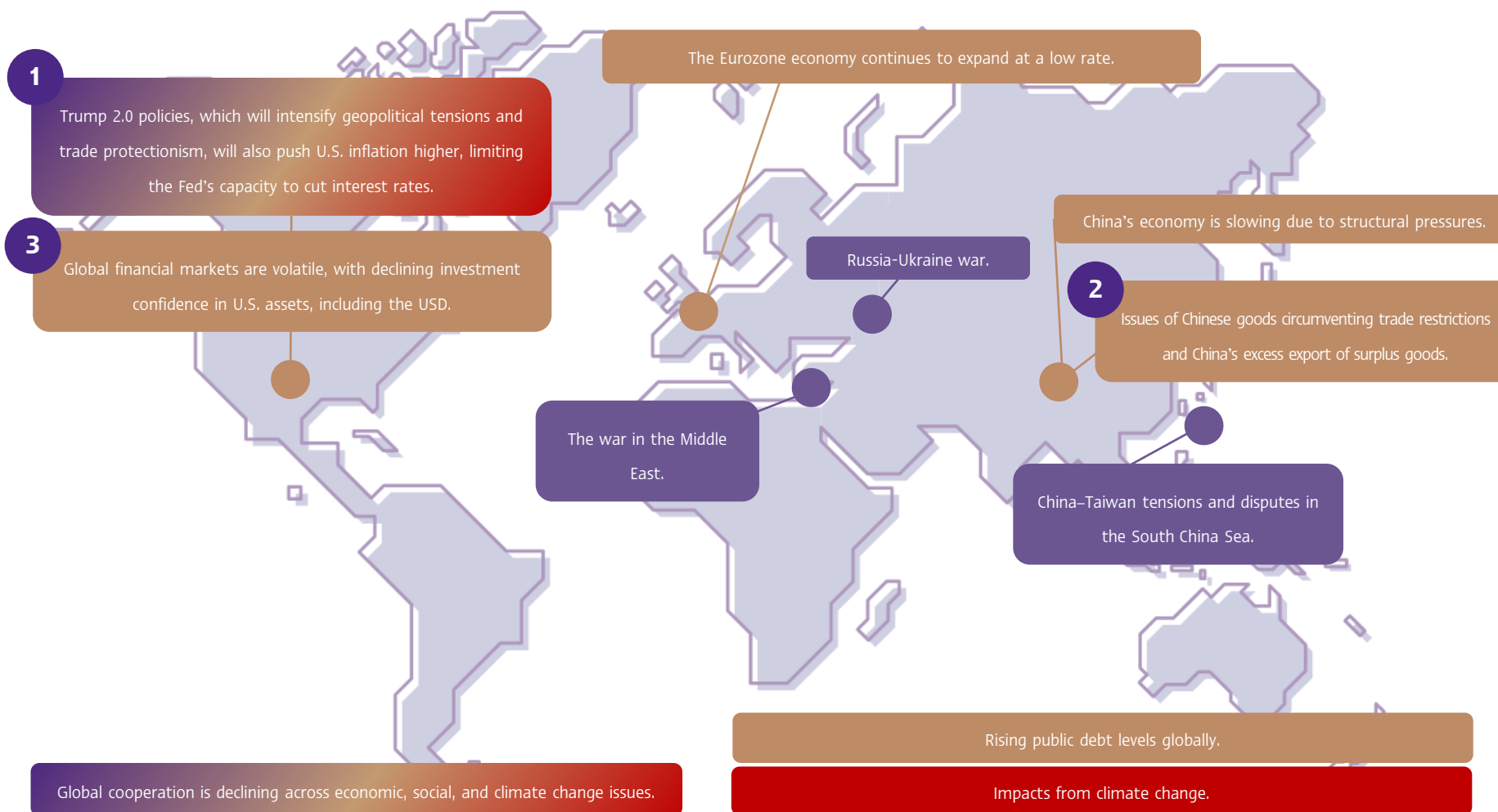


Volatility in global financial and investment markets.



The escalating Israel-Iran conflict poses risks to global oil supply.

Global economic headwind & risk map in 2025-2026



Global economic headwind & risk categories in 2025

- Politics & Geopolitics & Wars
- Economy & Finance
- Societal

Note

- 1
- 2
- 3

Are 3 major risks to the world's economy with high probability and significant impact in 2025



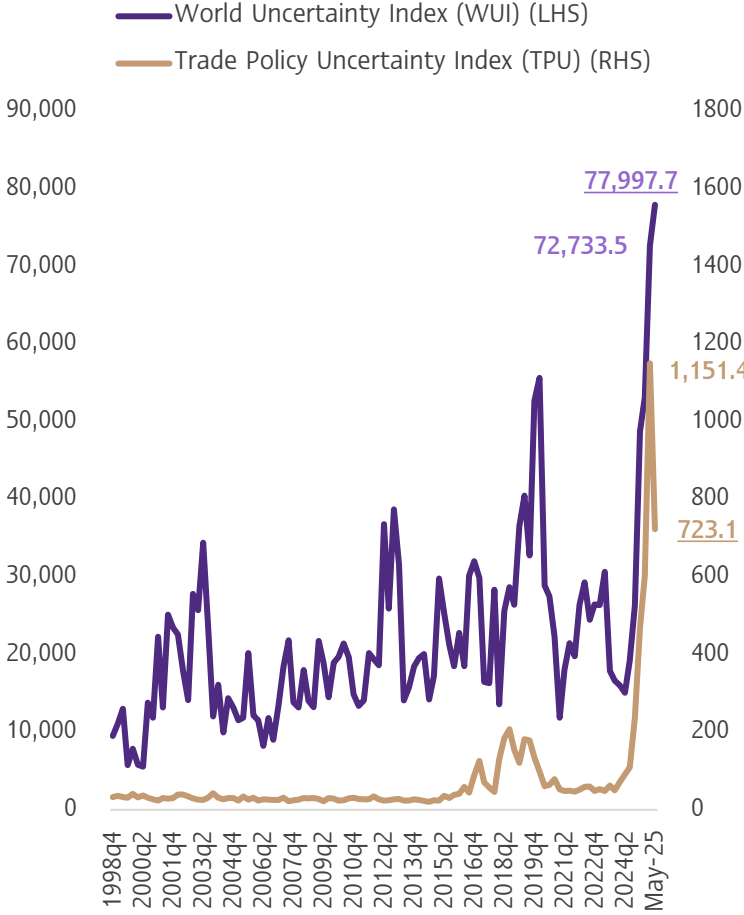
Global Economy

**U.S. trade negotiations are making progress,
but elevated uncertainty continues to weigh
on the global economy.**

The world is facing high and multi-dimensional economic uncertainty, driven by Trump's trade policies and rising geopolitical risks.

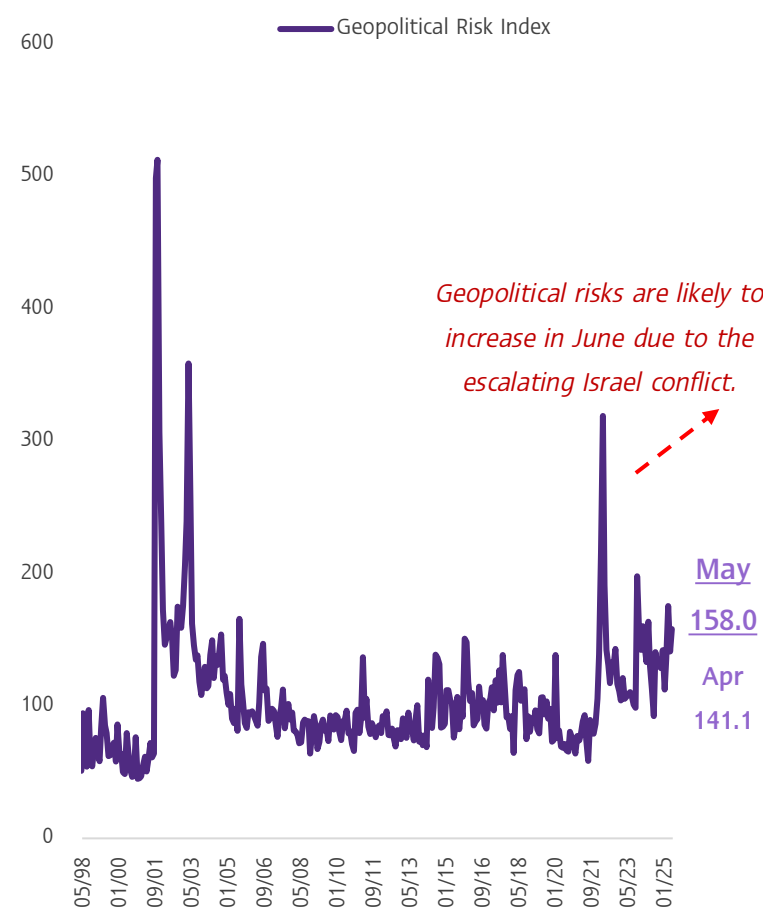
Global uncertainty and global trade policy uncertainty

Unit: Index



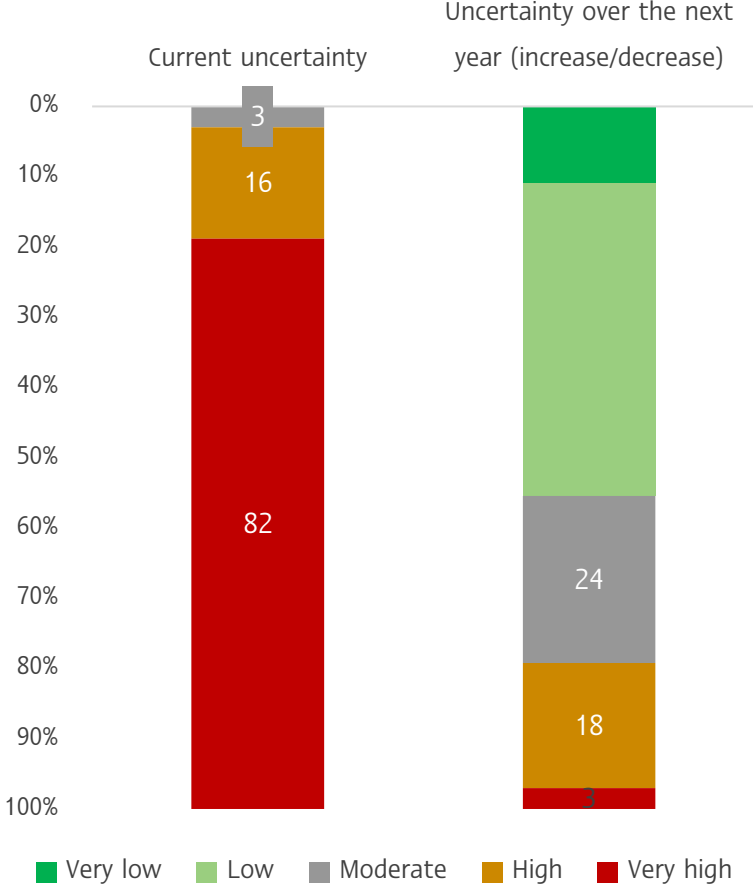
Geopolitical Risk Index, GPR

Unit: Index



Chief Economist Survey by WEF (May 2025)

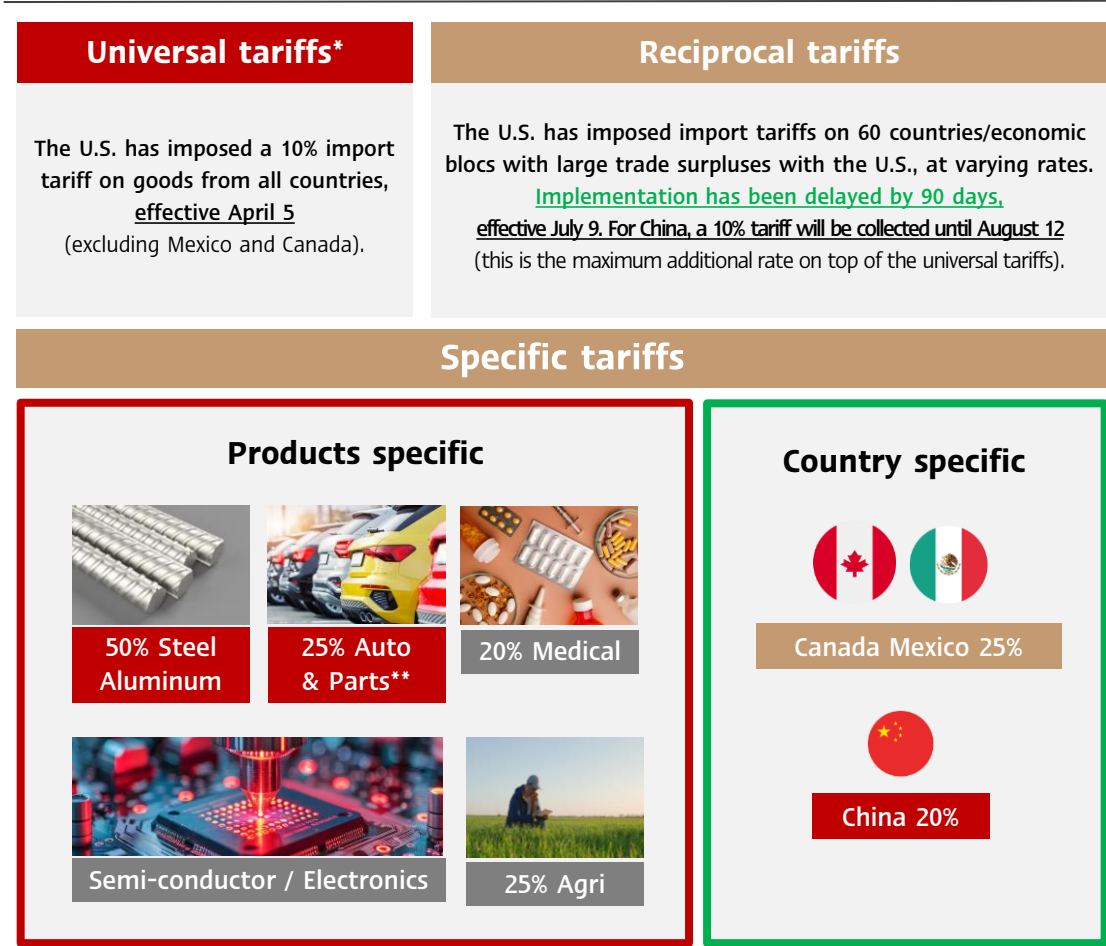
Unit: % of Chief Economists surveyed



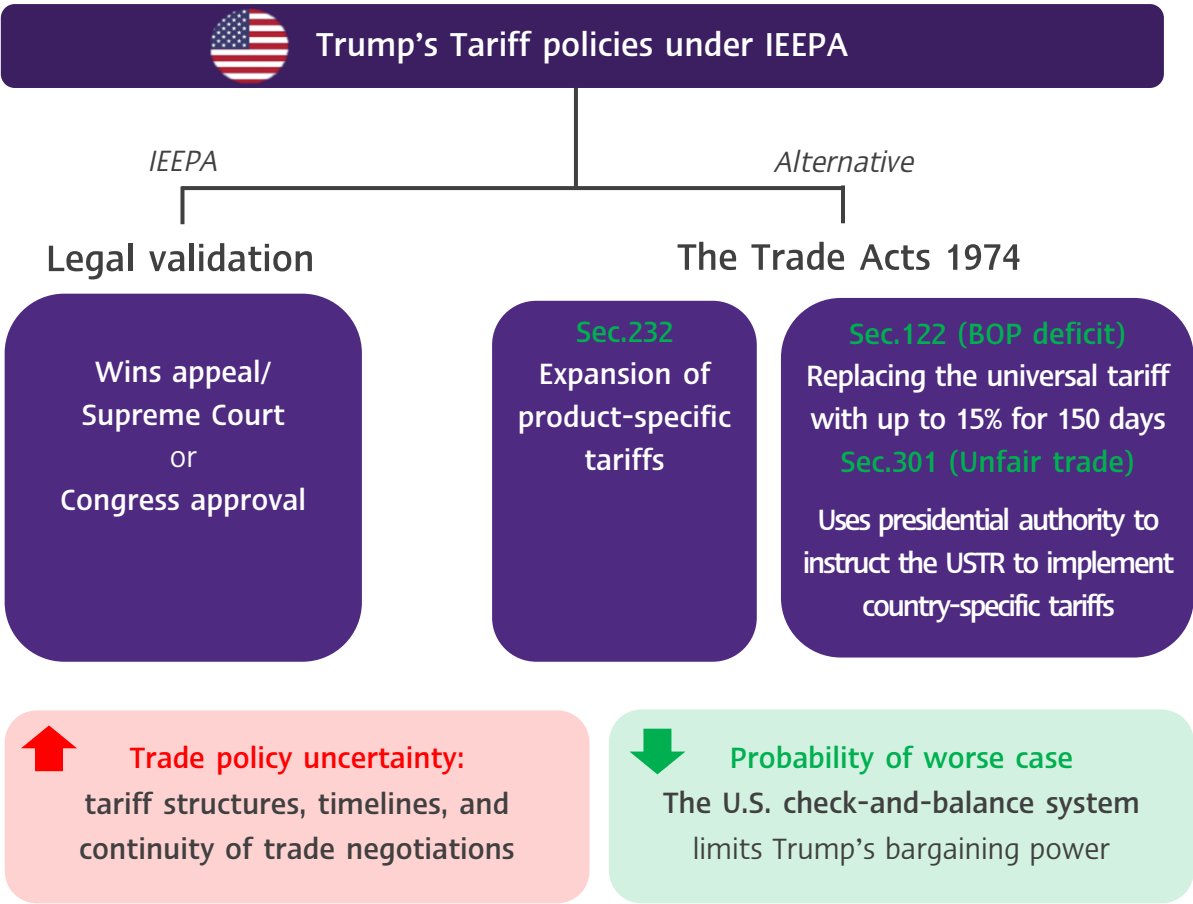
Source: SCB EIC analysis based on data from Caldara, Dario, Matteo Iacoviello, Patrick Molligo, Andrea Prestipino, and Andrea Raffo (2020), "The Economic Effects of Trade Policy Uncertainty," Journal of Monetary Economics, 109, pp.38-59; Hites Ahir, Nicholas Bloom, and Davide Furceri (2022), "The World Uncertainty Index"; and the Chief Economist Survey, April 2025, by the World Economic Forum (survey of 38 Chief Economists worldwide).

The U.S. government is pushing ahead with import tariff policies and accelerating trade negotiations despite facing legal authority constraints. This has heightened trade policy uncertainty but also reflects a lower likelihood of worst-case scenarios, as Trump’s power may be limited.

U.S. import tariff policies since early 2025*



The court is reviewing Trump’s tariff authority, adding to policy uncertainty.



The situation after the 90-day negotiation period remains highly uncertain, but the U.S. is likely to use product-specific tariffs more extensively. Trading partners are therefore focusing on product-level negotiations to protect key domestic industries.

Timeline of US Tariffs

4 June

- Requests trading partners to submit their best trade deals to the U.S.

11 June

The U.S. Court of Appeals has ruled that Trump's tariff measures can remain in effect and will expedite its decision on the overreach issue by July.

8 July

- After the suspension period, the U.S. may impose reciprocal tariffs at rates set on Liberation Day.
- Deadline for the EU to request negotiations with the U.S. to reduce product-specific tariffs by 50%

14 July

End of the EU's suspension period for retaliatory tariffs against the U.S.

12 Aug

End of the temporary import tariff reduction period between the U.S. and China

End of the temporary import tariff reduction period between the U.S. and China

- Concluding negotiations within 90 days is unlikely (historically, it has taken an average of 1.5 years*), but the U.S. has indicated it may extend negotiations with 18 key partners engaging in good faith.
- However, there remains a risk that the U.S. will reimpose retaliatory tariffs at maximum rates, which would heavily impact Asian countries due to high tariffs and their export dependence. Meanwhile, the U.S. economy may face higher inflation, while many countries could experience deflationary pressure from cheap Chinese goods.

Future tariff negotiations are likely to focus more on product-specific tariffs.

Legal uncertainties may lead the U.S. to rely more on product-specific tariffs.

Steel & Aluminum

25% → 50%

No reduction of the 10% universal tariff

Reduction of product-specific tariffs

25% → 0%
 25% → 10%

Limited to the first 100,000 units per year

The UK opens its domestic market, such as for beef and ethanol

55% tariff on China; 10% by China on the U.S.

Eases export controls on magnets and rare earths for the U.S.

Negotiations with the UK reflect that other countries can negotiate to reduce product-specific tariffs.

Many countries are prioritizing product-specific tariff negotiations to protect strategic industries.

May use U.S. investment as leverage in negotiations

Focus on labor-intensive industries

Establishes a special negotiation team covering trade and investment issues

Note: A study by the Peterson Institute for International Economics (PIIE) found that the U.S. takes an average of 18 months from the start of negotiations to signing agreements, and 45 months from the start of negotiations to the agreements taking effect.

Source: SCB EIC analysis based on data from Bloomberg, Reuters, and the Peterson Institute for International Economics.

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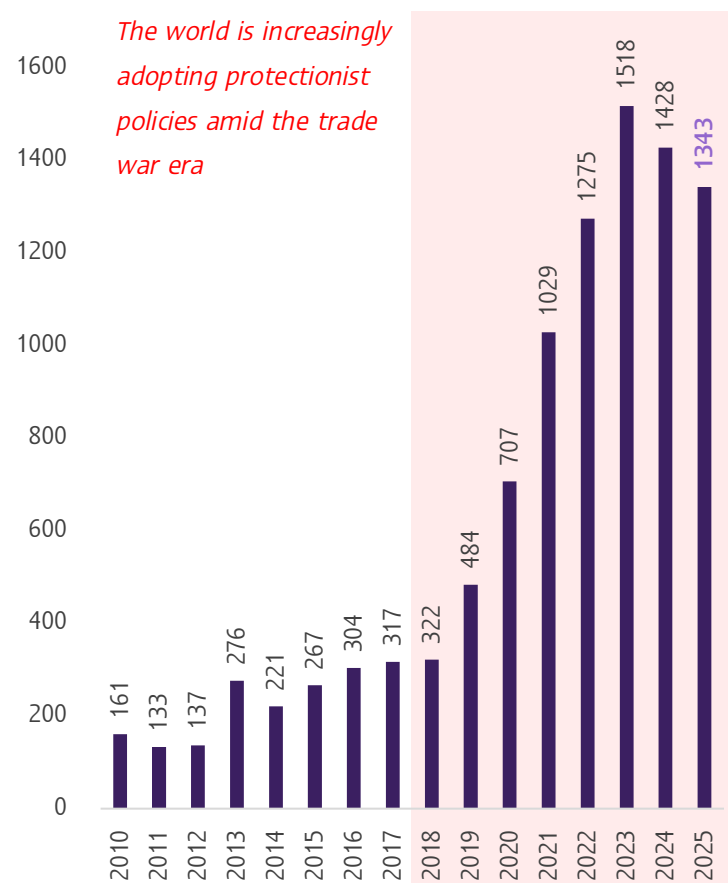
Channels for assessing the economic impact of the trade war

Direct impact		Indirect impact	
U.S. economy	Supply-side impact	Other economies	Demand-side impact
	Demand-side impact		Supply-side impact
U.S. customs	<ul style="list-style-type: none"> ↑ Import tariffs ↑ Prices ↓ Consumption ↓ Economic growth 		<ul style="list-style-type: none"> ↓ U.S. imports ↓ Exports ↓ Economic growth ↓ Prices
Retaliatory tariffs from other countries	<ul style="list-style-type: none"> ↑ Tariffs on U.S. goods ↑ Relative prices ↓ Exports ↓ Economic growth 		<ul style="list-style-type: none"> ↑ Tariffs on U.S. goods ↑ Prices/inflation ↓ Consumption ↓ Economic growth
		<ul style="list-style-type: none"> ✕ 1. Higher uncertainty 2. Surge in foreign goods inflows 3. Declining confidence 4. Declining wealth 5. Difficulties in conducting appropriate monetary policy 6. Shifts in efficiency and competitiveness across countries 	

Uncertainty will impact the global economy through various channels, particularly trade and domestic/foreign investment. Businesses worldwide are slowing down or canceling some investment plans, while confidence in new investments has dropped sharply.

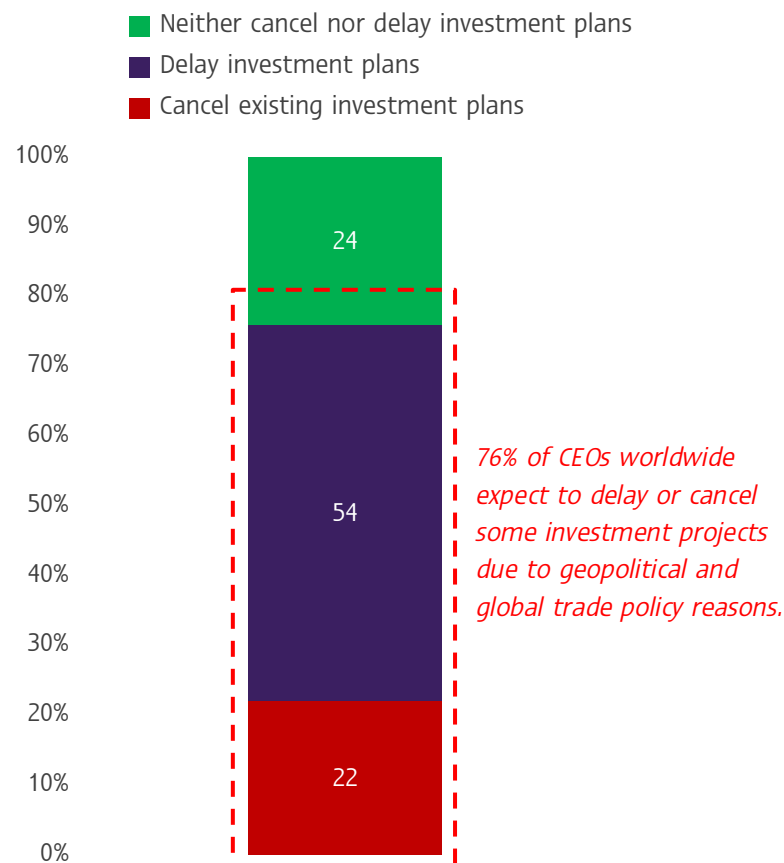
New discriminatory policies on global trade and industries

Unit: Number of new policies during January 1 – June 17 each year



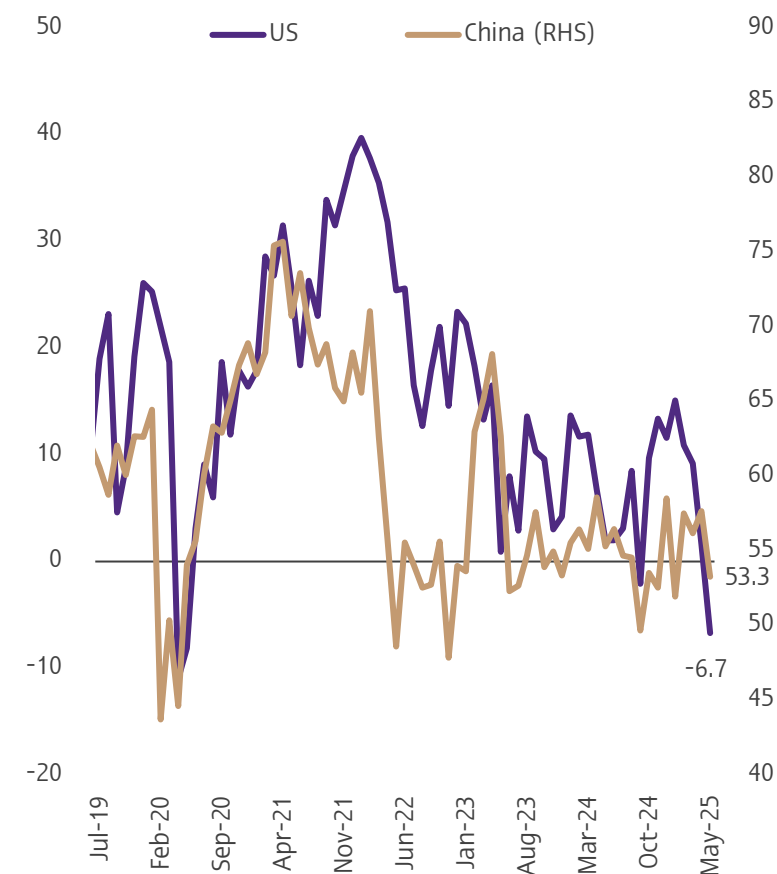
Global CEO Outlook Survey by EYP (May 2025)

Unit: % of CEOs surveyed



Business confidence in future investment*

Unit: U.S. index > 0 (LHS), China index > 50 (RHS) indicates expansion



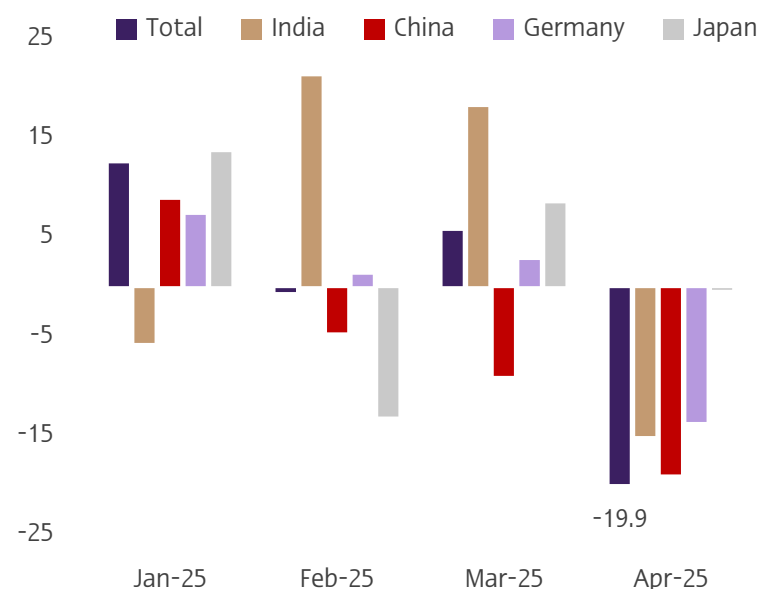
Note: U.S.: Empire State Manufacturing Survey on future capital expenditures by New York manufacturers; China: Cheung Kong Graduate School of Business survey on business sentiment regarding future fixed asset investment.

Source: SCB EIC analysis based on data from Global Trade Alert and the Global EY-Parthenon CEO Outlook Survey, May 2025 (survey of 1,200 CEOs worldwide).

Global trade activity indicators are starting to slow, with U.S. imports and new orders declining. Meanwhile, business investment confidence in the U.S. and China is weakening, which may affect employment and consumption going forward.

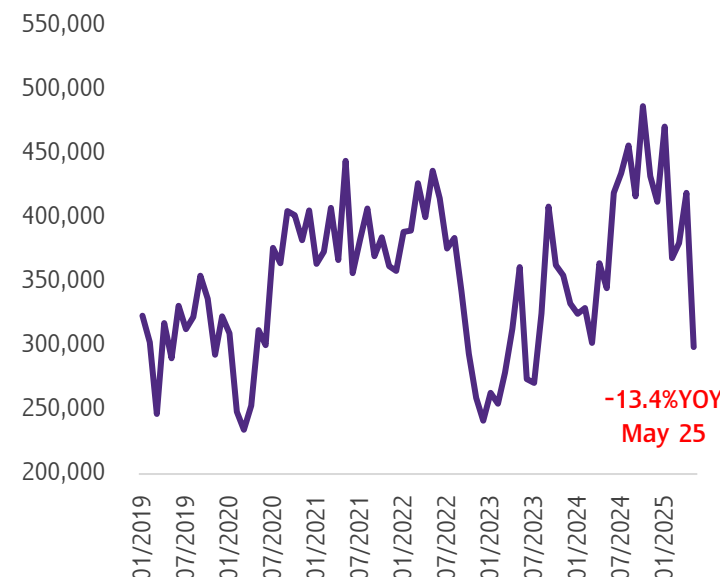
U.S. imports from major trading partners fell sharply in April 2025

Unit: %MOM



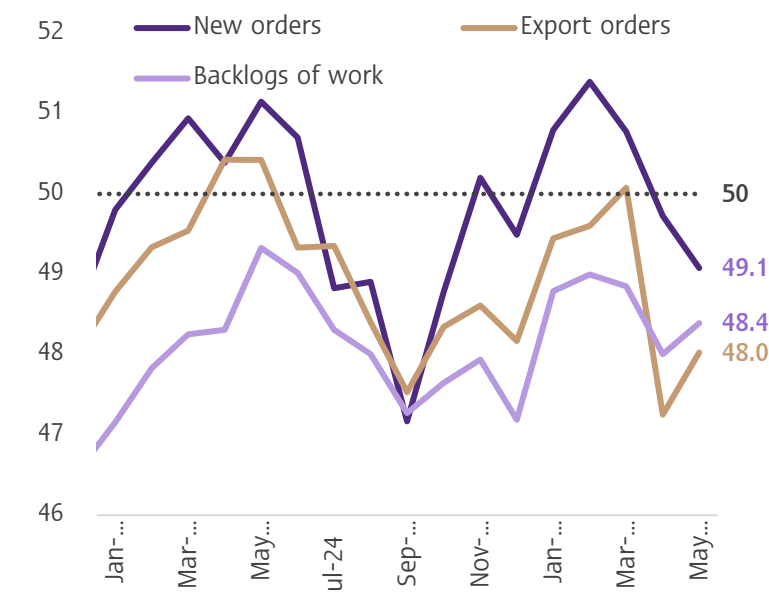
Loaded inbound containers at the Port of Long Beach

Unit: TEU (20-foot container capacity)



Global Manufacturing PMI by Key Components

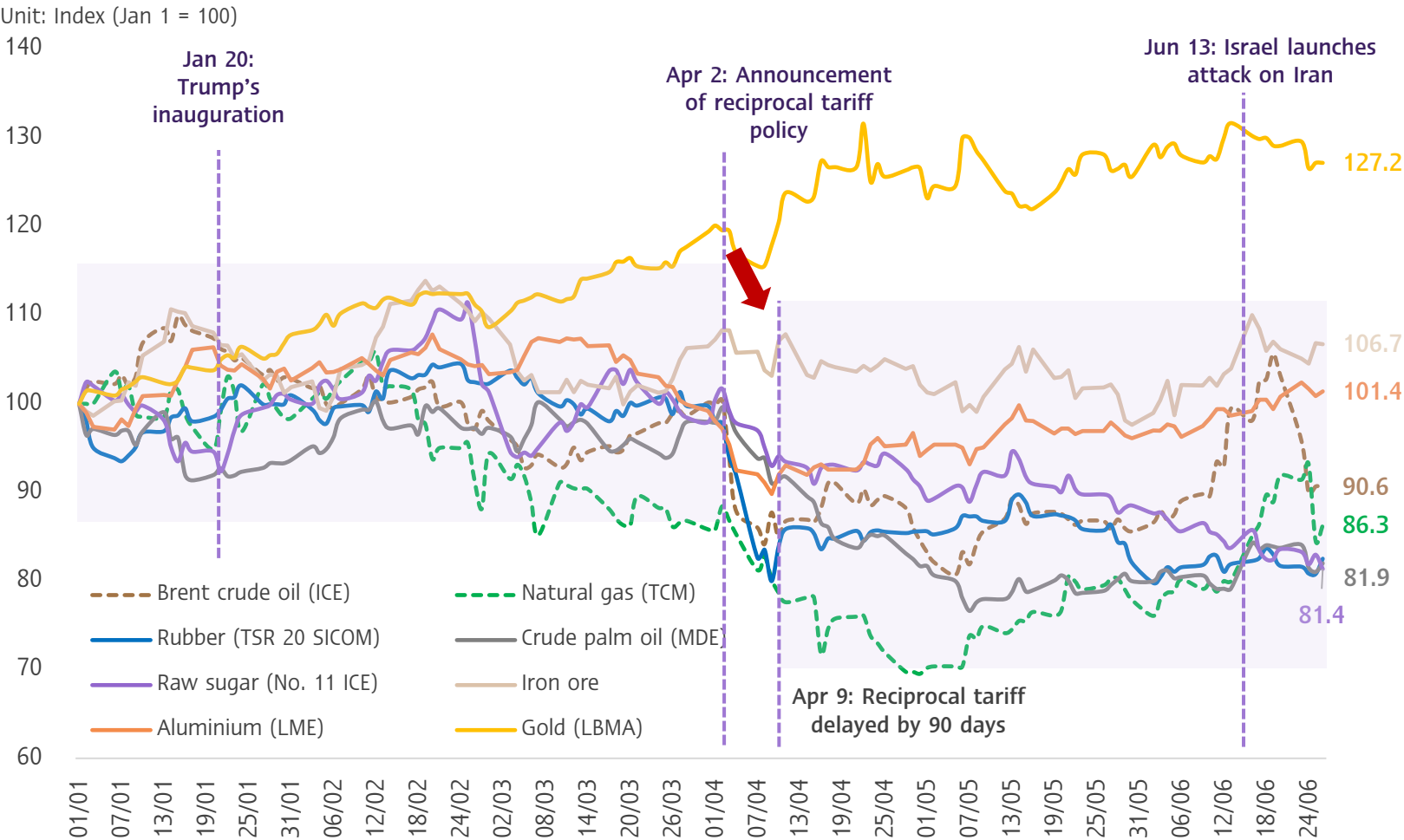
Unit: Index > 50 indicates expansion



- Global trade is starting to show signs of slowing. Front-loading of imports is weakening, and U.S. imports from major trading partners fell sharply in April. Global PMI new orders and export orders indices have contracted, in line with declining inbound container volumes at U.S. ports, reflecting that Trump's tariffs are beginning to impact global trade. U.S. imports may see a temporary uptick in June following a provisional agreement with China.
- The WTO estimates that global merchandise trade volume will contract by -0.2% in 2025 before expanding by 2.5% in 2026, slowing from 2.9% in 2024 (data as of April 2025).
- Global trade and economic policy uncertainty is affecting business confidence in the U.S. and China going forward.
- Although signs of a global economic slowdown are becoming clearer in trade and investment, the impact may subsequently transmit to consumer purchasing power and labor markets.

Global commodity prices (excluding gold) have clearly declined following Trump's announcement of retaliatory tariffs. However, going forward, the Israel-Iran conflict poses an upside risk to energy and agricultural prices.

Global Commodity Price Index 2025 (daily)

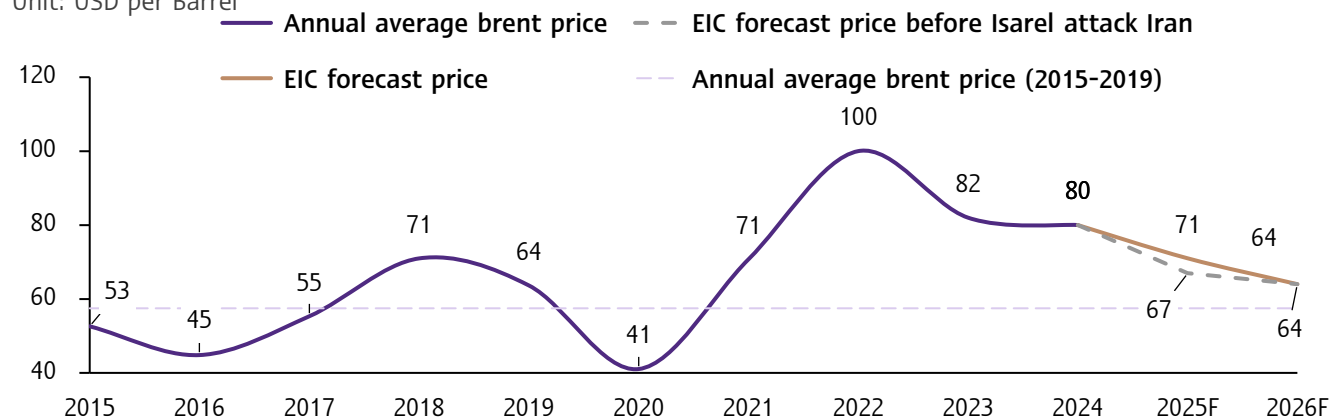


- Global commodity prices in energy, agriculture, and metals have clearly declined following Trump's announcement of retaliatory tariffs, as markets price in the anticipated impact of a global economic slowdown.
- Declining global commodity prices have reduced energy and metal costs for businesses but will pressure agricultural prices and Thai farmers' incomes.
- However, the Israel-Iran conflict remains a key risk that could push up global energy commodity prices, which would in turn raise prices of energy-linked agricultural products such as rubber and palm oil.

Crude oil prices in H2/2025 through 2026 are facing “supply-led disinflation,” with prices gradually declining due to supply increases outpacing demand absorption capacity amid geopolitical risks.

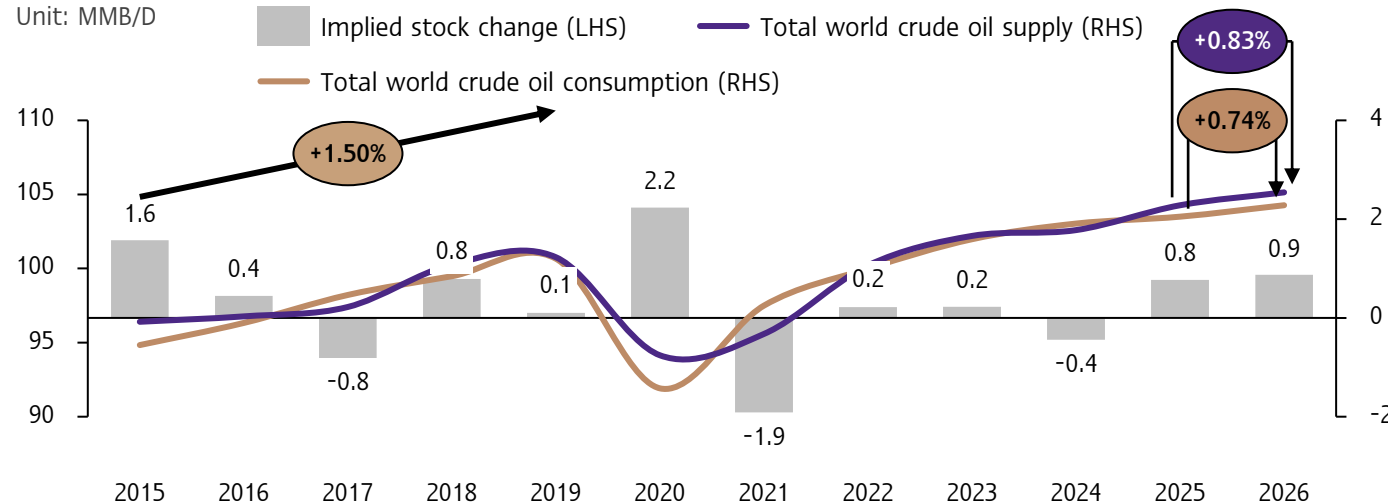
Brent oil price

Unit: USD per Barrel



Global oil demand & supply

Unit: MMB/D



Oil demand and supply

Demand

- Growth is slowing continuously and remains below the long-term pre-COVID average, mainly due to post-pandemic normalization and a slowing global economy.
- The 2025 oil demand forecast has been revised down from 103.9 mb/d to 103.5 mb/d, reflecting slower global GDP growth at 2.3% in 2025.
- Oil demand in 2026 is projected at 104.27 mb/d.

Supply

- Global oil supply is expected to increase to 104.27 mb/d in 2025, driven by non-OPEC+ producers as crude oil production rises in countries across the Americas.
- OPEC+ increased supply beyond its planned levels by 135,000 b/d to 411,000 b/d in May, triple the original plan.
- In 2026, the market will continue to face pressure from a supply overhang. Demand will recover but remain insufficient to absorb new production capacity, keeping oil prices in a soft market.
- Oil supply in 2026 is projected at around 105.1 mb/d.

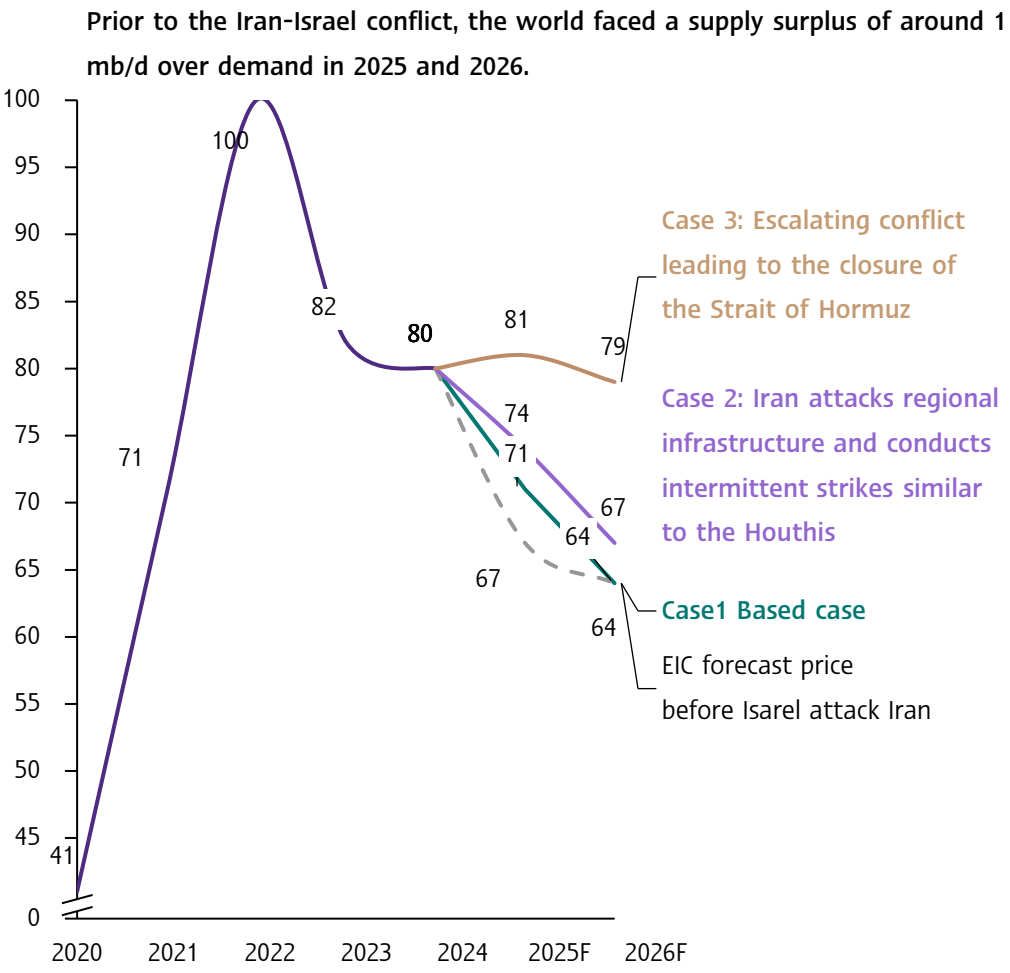
Risk

- (-) Uncertainty over OPEC+ production increases
- (+) Uncertainty from the Russia-Ukraine war affecting sanctions on Russia
- (-) Uncertainty over global tax and trade policies
- (+) Escalating tensions between Iran and Israel in the negotiations to revive the JCPOA (Iran Nuclear Deal)

In H2/2025, baseline oil prices may rise temporarily before gradually declining in 2026, in line with OPEC’s previously announced plan to increase production by around 1 mb/d.

Annual Average Brent oil price

Unit: USD per Barrel










Scenario	Price Impact (USD/bbl)	Supply shock (M.barrel /day)	Q1/ 2025	Q2/ 2025	Q3/ 2025	Q4/ 2025	Avg 2025	Avg 2026
1. Localized conflict (Base case)	4	0.2-0.3	75	66.7	73	70	71	64
2. Iran attacks regional infrastructure and conducts intermittent strikes similar to the Houthis	25	2	75	66.7	83	73	74	67
3 Closure of the Strait of Hormuz and sanctions on Iran	60	15	75	66.7	103	79	81	79

	2025	2026
Case 1: Localized conflict driven by stockpiling to hedge against geopolitical risks Case 2: Iran attacks regional oil infrastructure, causing a temporary supply shock in 2025, with intermittent Houthi-style attacks continuing in 2026 Case 3: Iran closes the Strait of Hormuz. In this scenario, Brent crude prices could immediately surge to USD 120–130 per barrel in the short term. The likelihood of this case is very low (~5%). Western countries impose sanctions on Iran as punishment, but China continues to import Iranian oil.	Short-term supply shock lasting around 1–2 months A risk premium of around USD 10 emerges, but facilities resume operations shortly thereafter. Closure of the Strait of Hormuz for one month, causing a short-term supply shock of around 15 mb/d. Strategic reserves are then used to alleviate the shock. In the following year, the supply shock decreases to 1 mb/d due to sanctions on Iran, while China continues to import Iranian oil.	No supply shock, with OPEC increasing production as previously announced by around 1 mb/d Intermittent Houthi-style attacks occur quarterly, creating a risk premium of around USD 5, similar to past events. Supply shock of around 1 mb/d due to sanctions on Iran

SCB EIC expects the global economy to continue slowing due to trade protectionism and geopolitical issues, even though hard data has not yet deteriorated clearly. Global inflation is likely to gradually decline in line with economic conditions, except in the U.S., which faces a risk of high inflation.

Global Economic Outlook for 2025–2026 by SCB EIC (as of June 2025)

GDP Growth (%YOY)	2023	2024	2025F		2026F
			Apr 25	Jun 25	
 Global	2.8%	2.8%	2.2%	2.3%	2.3%
 US	2.9%	2.8%	1.3%	1.5%	1.5%
 Eurozone	0.4%	0.8%	0.7%	0.7%	1.1%
 Japan	1.5%	0.1%	0.8%	0.9%	0.9%
 China	5.4%	5.0%	4.1%	4.5%	3.9%
 India	7.7%	6.4%	6.0%	6.2%	6.4%
 ASEAN-5	4.4%	5.3%	4.6%	4.6%	4.7%

- The global economy is likely to slow significantly in 2025–2026 due to the trade war and rising uncertainty, as well as country-specific issues such as structural problems in China, COVID-19 scars, and geopolitical tensions.
- Global inflation in 2025–2026 is likely to ease in line with economic conditions and global oil prices, with Eurozone inflation returning to the 2% target. The exception is U.S. inflation, which remains at risk due to tariff barriers.

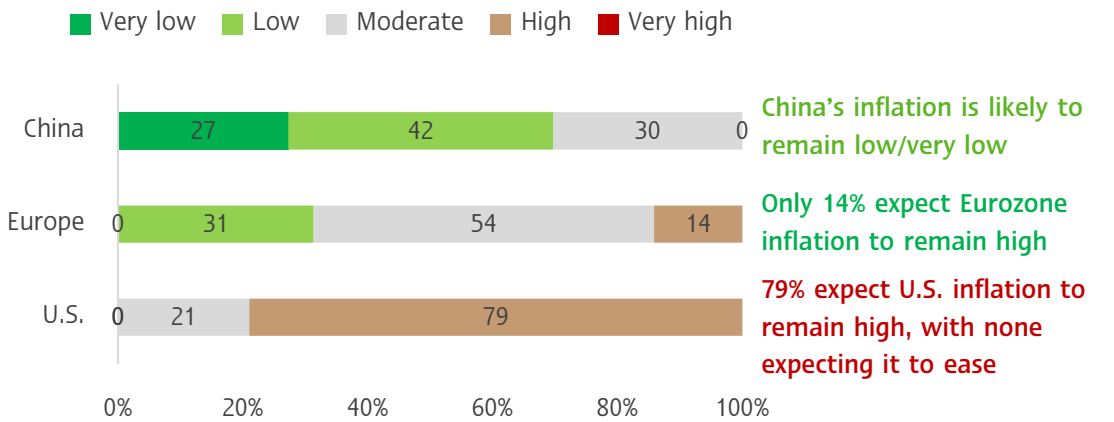
Inflation rates in key countries

Unit: %

Economy	Target	Type	Post-COVID peak	Jan-25	Feb-25	Mar-25	Apr-25	May-25
US (PCE)	Headline & Core 2%	Headline	7.2	2.5	2.6	2.3	2.1	
		Core	5.6	2.7	2.9	2.7	2.5	
China (CPI)	Headline 2%	Headline	5.4	0.5	-0.7	-0.1	-0.1	-0.1
		Core	1.5	0.6	-0.1	0.5	0.5	0.6
Eurozone (HICP)	Headline 2%	Headline	10.6	2.5	2.3	2.2	2.2	1.9
		Core	5.7	2.7	2.6	2.4	2.7	2.3
Japan (CPI)	Headline 2%	Headline	4.4	4.0	3.6	3.6	3.5	
		Core	4.3	2.6	2.6	2.8	3.0	

Chief Economist Survey by WEF (May 2025) on inflation in H2/2025

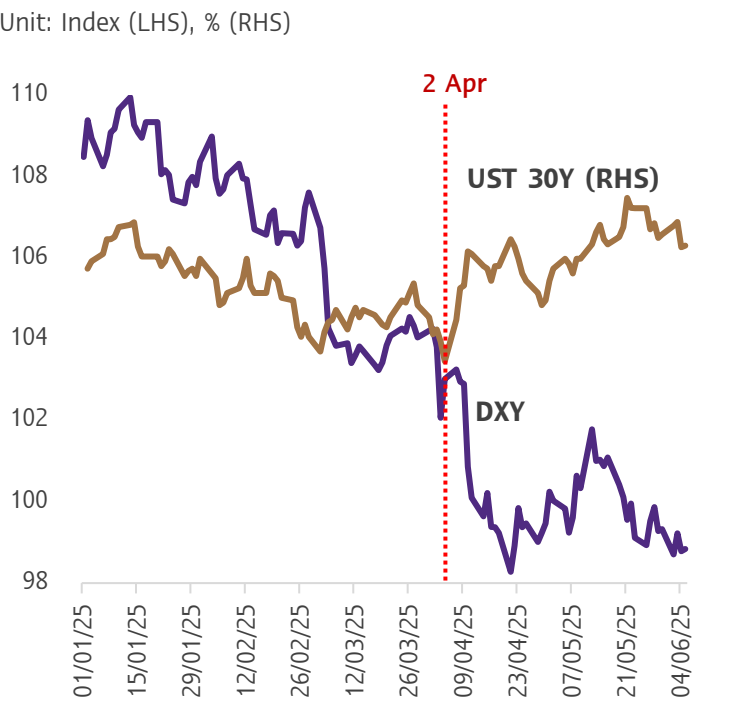
Unit: % of Chief Economists surveyed



**Global financial markets are volatile, and confidence
in investing in U.S. assets is declining.**

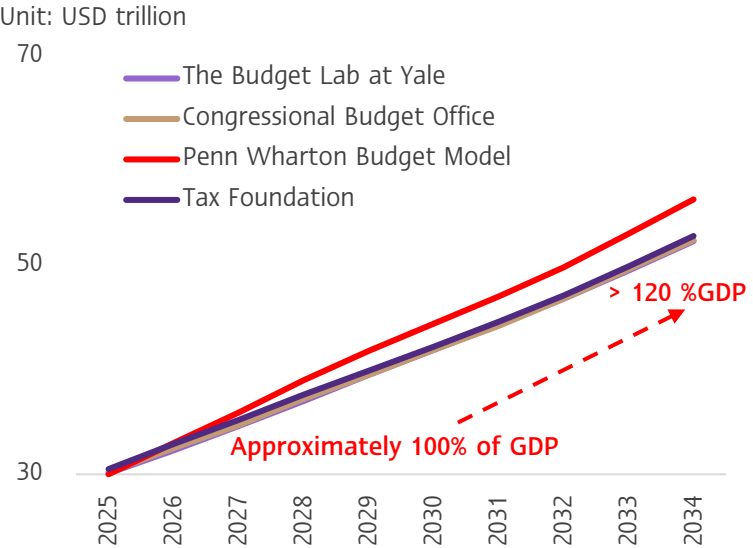
Trump 2.0 policies are undermining confidence in the U.S. dollar and U.S. assets, increasing global risks related to exchange rates and international investment.

The U.S. Dollar Index (DXY) and 30-year U.S. Treasury yield (UST 30Y)



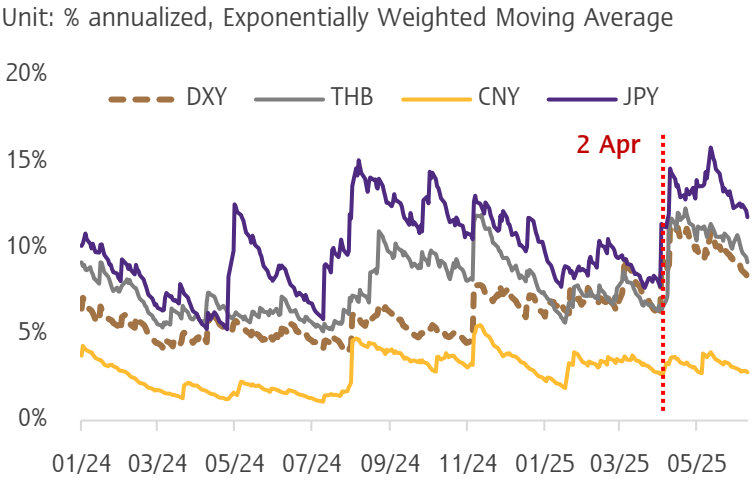
The weakening of the U.S. Dollar Index (DXY), which contrasts with the upward movement in long-term U.S. Treasury yields, reflects declining investor confidence in U.S. assets. This stems from financial markets' assessment that U.S. assets carry higher risks due to economic policy uncertainties, which have subsequently led to a higher degree of uncertainty surrounding monetary policy.

Forecasts of U.S. Public Debt by Various Research Agencies



- Moody's downgraded the U.S. credit rating from the highest level due to fiscal concerns.
- Trump 2.0 will further increase public debt through a high fiscal deficit, alongside a major domestic tax cut under the One Big Beautiful Bill Act (OBBBA).
- U.S. assets face higher risks if OBBBA passes the Senate, as Section 899 would allow the U.S. to tax the passive income of foreign companies investing in the U.S. at a rate of up to 20% of annual income. This could reduce the attractiveness of investing in U.S. assets.
- Confidence in institutional systems and the independence of the Fed has declined.

Regional currency volatility has increased following Liberation Day.

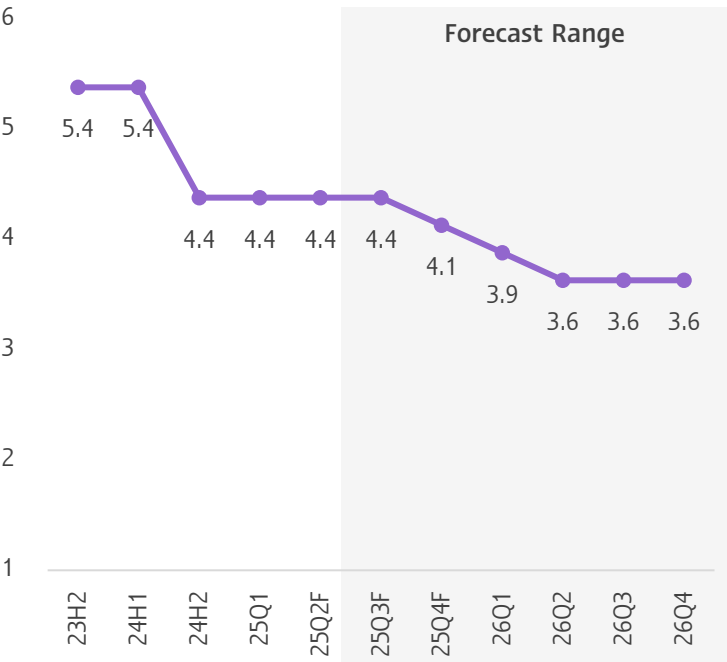


Potential future de-dollarization trends.	
1	The USD may become less important as a safe haven, while other major currencies such as the EUR, JPY, and CHF will play a greater role.
2	The attractiveness of U.S. assets has declined due to efforts to tax the passive income of foreign investors investing in the U.S
3	The USD and U.S. assets may experience greater volatility, particularly in response to U.S. fiscal data.
4	The U.S. may attempt to devalue the USD during tax negotiations with trade partners while trying to maintain the currency's global significance.

Major central banks are likely to ease monetary policy (except Japan) in response to slowing economic growth and inflation, but the degree of easing will vary depending on trade war risks and remains highly uncertain.

Forecast of U.S. Policy Interest Rates by SCB EIC

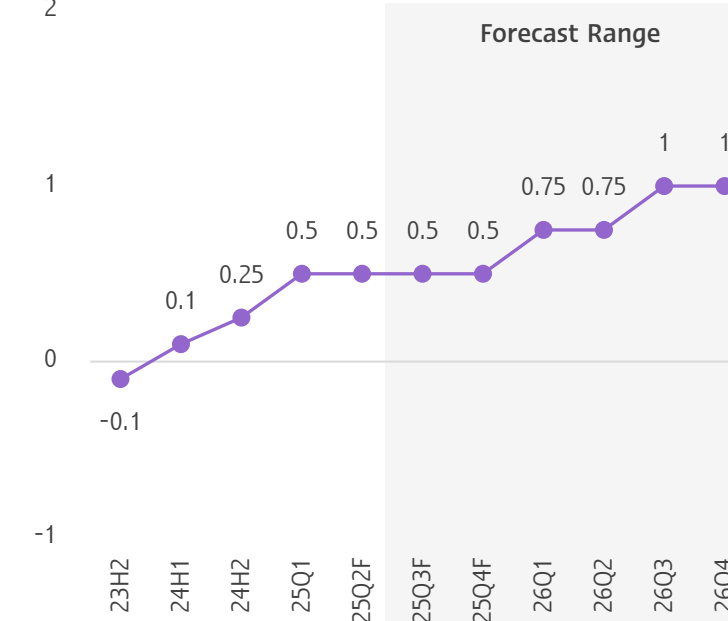
Unit: % per year



- The Fed is likely to cut interest rates by only 25 bps in 2025 and 50 bps in 2026. The U.S. economy is expected to slow moderately during 2025–2026, while inflation risks remain due to tariff policies and economic stimulus measures.

Forecast of Japan's Policy Interest Rates by SCB EIC

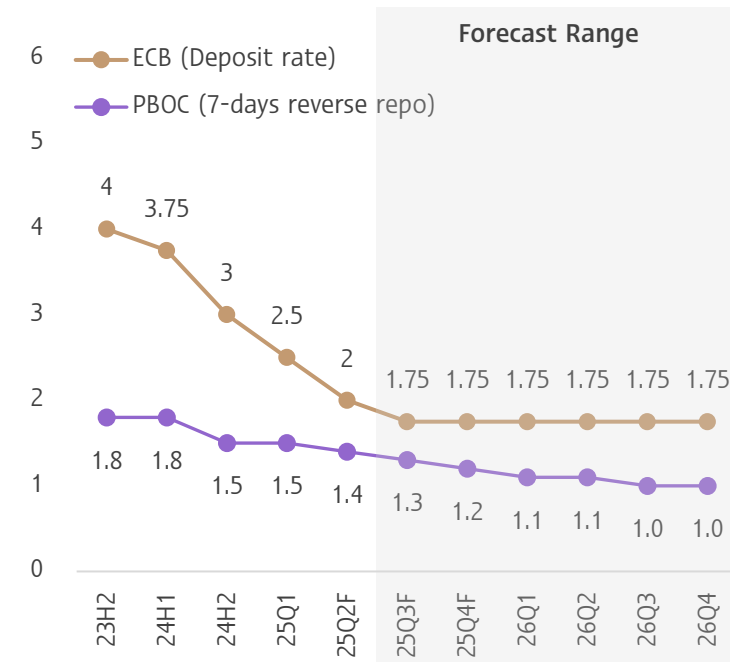
Unit: % per year



- The BOJ is likely to keep interest rates unchanged in the second half of the year, resulting in a total rate hike of only 25 bps for this year (previously expected at 50 bps), due to economic concerns amid high uncertainty, particularly regarding exports to the U.S.
- The BOJ is expected to resume rate hikes early next year, following this year's labor union wage negotiations, which have contributed to a positive wage and inflation cycle.

Forecast of China and Eurozone Policy Interest Rates by SCB EIC

Unit: % per year



- The ECB's rate-cutting cycle is nearing its end, with rates having already been reduced by 100 bps and a further 25 bps cut likely within this year.
- The PBOC is likely to cut interest rates by only 30 bps this year (previously expected at 50 bps) due to the temporary 90-day tariff suspension between the U.S. and China, while still signaling continued monetary easing. In 2026, the PBOC is likely to cut rates further to 1%.



Thai economy

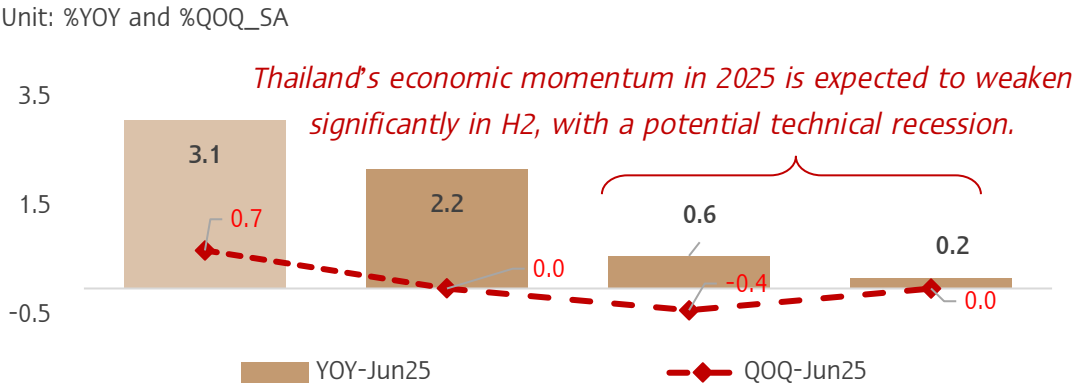
Thai economy continues to grow at a low rate due to the trade war, and domestic vulnerabilities.

The impact of the trade war, heightened uncertainty, economic scars, and fiscal constraints are exerting pressure on the Thai economy, which is likely to expand at a low rate over the next two years. In particular, growth may average below 1% in the second half of this year.

Thai economic forecast for 2025–2026 under the baseline scenario (as of June 2025) by SCB EIC.

Medium-term outlook (Baseline)	Unit	2024	2025F			2026F
			Mar	Apr	Jun	
GDP	%YOY	2.5	2.4	1.5	1.5	1.4
Private consumption	%YOY	4.4	2.6	2.2	2.0	2.1
Government Consumption	%YOY	2.5	1.4	1.4	1.8	1.0
Private Investment	%YOY	-1.6	2.9	0.3	-2.2	-0.2
Government Investment	%YOY	4.8	5.0	5.0	5.8	1.5
Export Value of Goods (USD, BOP)	%YOY	5.8	1.6	-0.4	-0.1	-0.8
Import Value of Goods (USD, BOP)	%YOY	6.3	3.0	1.5	0.8	-0.2
Number of International Tourists	Million	35.5	38.2	36.7	34.2	35.7
Headline Inflation Rate	%YOY	0.4	1.0	0.5	0.5	0.4
Policy Interest Rate (End of Year)	%	2.25	2.0	1.25	1.25	1.00

Thai economic forecast for 2025 by quarter (as of June 2025) by SCB EIC



Thai economic outlook under various scenarios (as of June 2025)

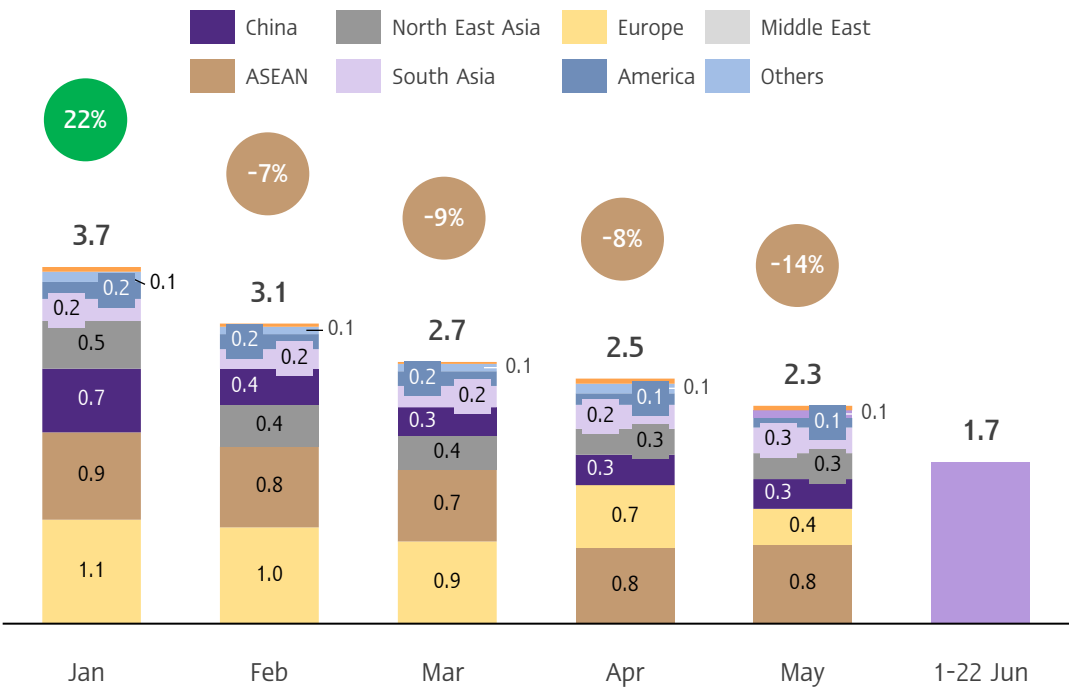
Scenario	Assumption: US Tariffs	2025F (%YOY)
Low tariffs	Negotiations successful: Imposition of 10% universal tariff	2.0%
Baseline	Partial tariff reduction through negotiations: Universal tariff and reciprocal tariffs reduced by half of the announced rates; specific tariffs reduced	1.5%
Worse	Trade negotiations fail: Full implementation of all types of tariffs as announced on Liberation Day Escalation of conflict in the Middle East	0.8%

International tourist arrivals to Thailand are expected to decline this year, after having been a key driver of growth.

Foreign tourist arrivals to Thailand continued to decline, particularly from China. Reinforcing confidence in safety and promoting new travel destinations are key to returning Chinese tourists to Thailand.

Thailand had welcomed approximately 16.04 million international tourists, decrease of -4.2%YoY (as of June 22, 2025).

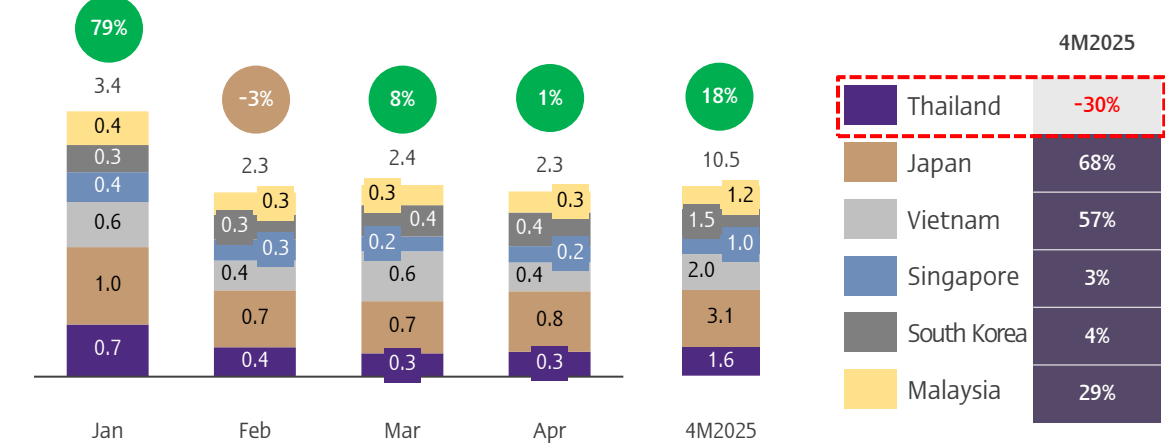
Unit: Million persons, %YOY



The top five source countries visiting Thailand between January 1 and June 22, 2025 were Malaysia (2.19 million), China (2.17 million), India (1.13 million), Russia (1.02 million), and South Korea (0.75 million).

Number of Chinese tourists visiting Thailand declined, contrary to the upward trend of Chinese tourists traveling to other destinations in Asia.

Unit: Million persons, %YOY



Two key challenges to recover Chinese tourist arrivals

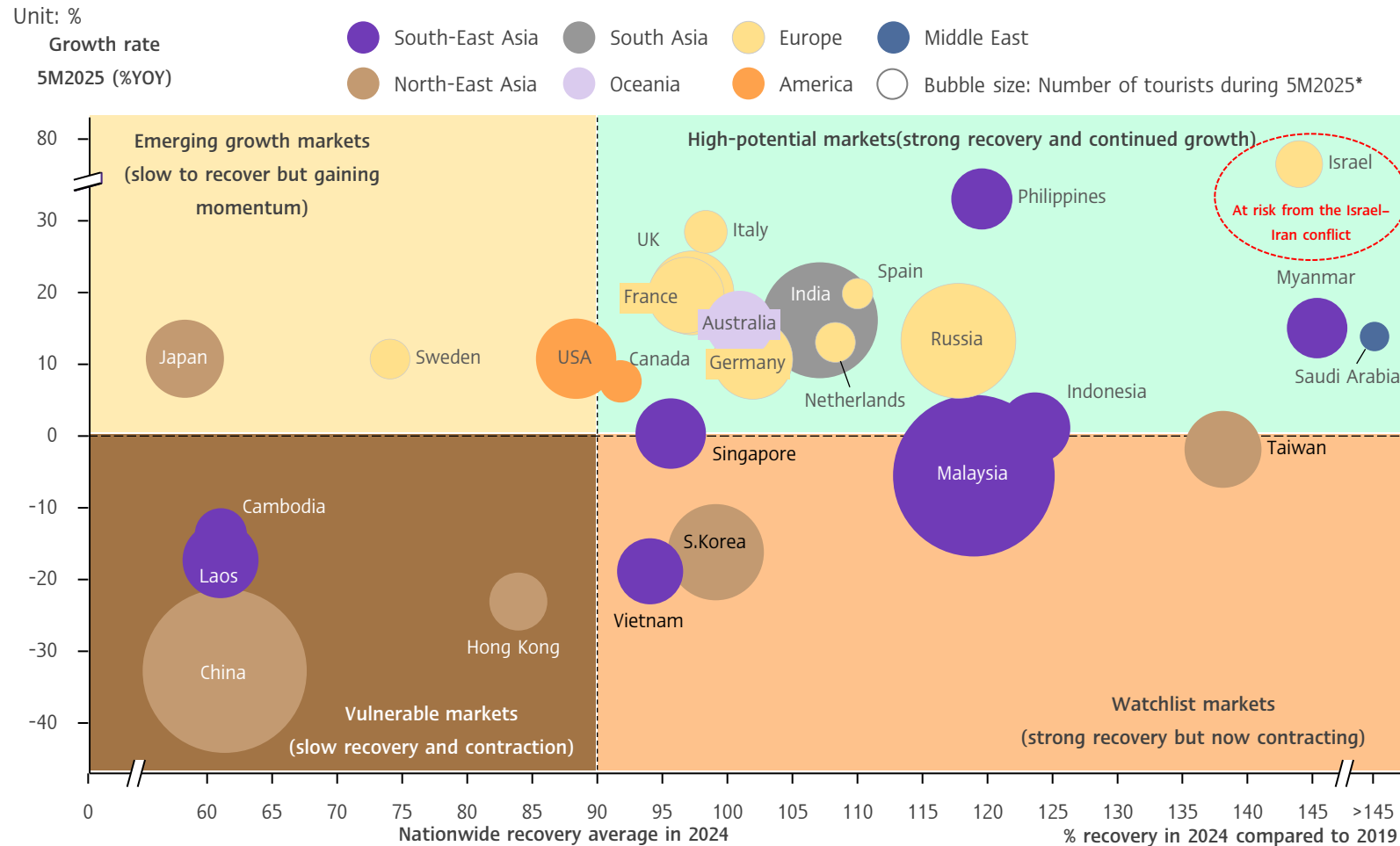
- 1 Safety perception:** According to a Dragon Trail survey conducted in April 2025, safety perceptions for Thailand have declined. 51% of respondents seen Thailand "Unsafe", up from 37% in the September 2024 survey.
- 2 New niche destinations** are among the key factors influencing Chinese tourists' choice of overseas travel, according to a China Trading Desk survey in Q1/2025.

Examples of government initiatives already implemented	Additional measures the government may consider
<ul style="list-style-type: none">Invited tour companies and KOLs to Thailand to rebuild confidence and explore new travel destinationsIntroduced new travel routes and experiencesPromoted year-round tourism through music and food festivals	<ul style="list-style-type: none">Enhance real-time communication channels for Chinese tourists to report incidents or request assistanceCollaborate with Chinese OTAs to create "Thailand Safe Trip" packages in new travel routes, and develop features that allow users to specifically review safety aspects

Note: * Results from the China Outbound Travel Sentiment Survey in Q1/2025 by China Trading Desk.
Source: SCB EIC analysis based on data from the Ministry of Tourism and Sports, Jing Daily, and Dragon Trail.

Tapping into high-potential segment, such as Indian, European, Middle Eastern, and Australian, can give an opportunity to boost tourism revenue as they tend to spend more and stay longer. Other segments still need proactive measures.

Growth in international tourist arrivals to Thailand*



Spending and length of stay (1Q2025)

	Average spending (per person/trip)	Average length of stay
China	41,400 baht	8 days
ASEAN	22,000 baht	5 days
North-East Asia	36,000 baht	7 days
India	38,000 baht	6 days
Europe	63,000 baht	17 days
Oceania	63,000 baht	14 days
Americas	68,000 baht	14 days
Middle East	94,000 baht	12 days

Types of measures

High-potential markets	<ul style="list-style-type: none"> Focus on continuous tourism promotion Coordinate with airlines to increase flights to support growth
Emerging growth markets	<ul style="list-style-type: none"> Launch discount campaigns and promote budget-friendly travel in Thailand, as these markets are just recovering from economic challenges
Watchlist markets	<ul style="list-style-type: none"> Promote new destinations to stimulate tourism, particularly among re-visit segments
Vulnerable markets	<ul style="list-style-type: none"> Focus on proactive measures such as discount promotions in collaboration with airlines, touragents, hotels, and OTAs

High-potential markets

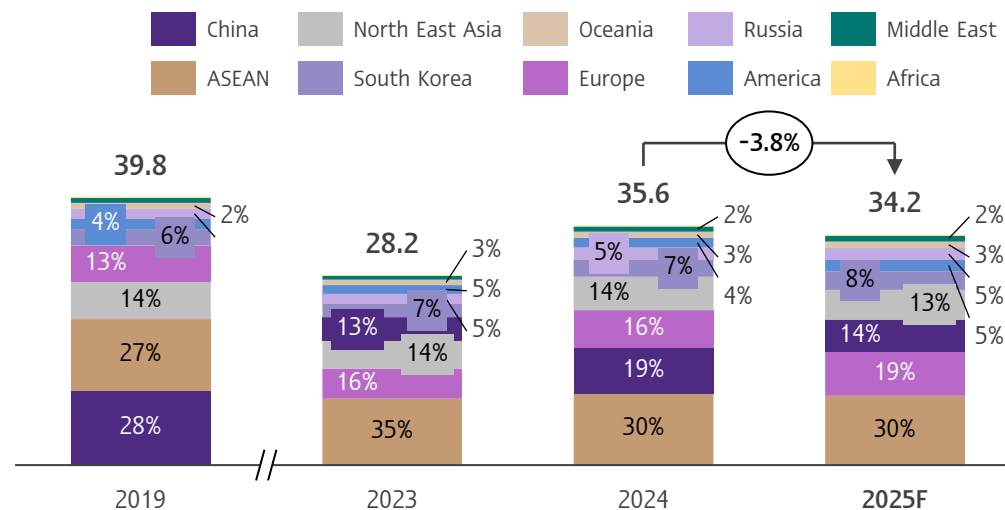
Note: *Includes only countries with over 200,000 tourist arrivals to Thailand in 2024, covering 27 countries in total.

Source: SCB EIC analysis based on data from the Ministry of Tourism and Sports and the 2025 Survey Project on International Tourist Behavior Analysis, Round 1 (Jan-Mar).

SCB EIC revised international tourist arrivals forecast in 2025 down from 36.7 million to 34.2 million, with challenges from the ongoing tourism war, cautious spending among global travelers, and the need to develop new travel destinations.

Forecast for foreign tourists traveling to Thailand in 2025

Unit: Million persons



The current situation may pose risks to Thailand's tourism sector.



The war between Israel and Iran has resulted in Israeli and Iranian tourists being unable to travel to Thailand due to airport and airspace closures. Moreover, tourists from high-risk areas such as Jordan, Lebanon, and Iraq will also be affected by temporary flight cancellations announced by several airlines.



The temporary closure of certain border checkpoints between Thailand and Cambodia has restricted cross-border travel for tourists from both countries.



The spread of COVID-19 and respiratory infections in Thailand and several other countries around the world may lead to a short-term slowdown in travel to Thailand.

Three key challenges affecting international tourist arrivals.



1 Tourism war: Intensifying competition among countries to attract international tourists.

- Several countries have gradually introduced visa waiver measures to attract target tourist groups. For example, Vietnam expanded visa exemptions for European, Japanese, and South Korean tourists this year, while China added visa waivers for travelers from the Middle East.
- Tourism promotion through international influencers is on the rise. For example, South Korea partnered with 2,800 content creators worldwide to promote tourism, while China sponsored trips for global travelers to showcase the "Real China."



2 Cautious spending among global travelers amid a slowing global economy, driven by uncertainty over U.S. tariff policies and ongoing inflationary pressures.

- Per-trip spending by some groups of international tourists to Thailand began to decline in Q1 2025, particularly among visitors from North-East Asia, Europe, Oceania, and the Americas.
- Declining consumer spending trend in the period ahead.



Over 50% of Europeans indicated that news of tax increases has led them to change or prepare to change their spending behavior, particularly in the category of international flights (McKinsey ConsumerWise EU-5 sentiment data, May 2025).



Americans are showing a clear tendency to cut back on summer travel spending (June–August) following the government's tax policy announcement (2025 Deloitte Summer Travel Survey: Right-Sized American Summer, Mar–Apr 2025).




3 Lack of new attractions: Government is gearing up to develop new man-made destinations in collaboration with the private sector as well as enhancing convenience and safety in existing destinations.

Note: Tourist spending figures are based on data from the Survey Project on International Tourist Behavior Analysis in 2024 and the first round of 2025 (January–March).


Source: SCB EIC analysis based on data from the Ministry of Tourism and Sports, McKinsey, and Deloitte.

Government tourism promotion programs are expected to boost Thai tourism from Q3 onward. Key initiatives will focus on reviving the Chinese market, tapping into new tourist segments, and stimulating domestic travel.


Key initiatives under the 10.05 billion baht tourism promotion budget from the economic stimulus package

- 


Travel Thailand Half-Half” program with a budget of 1.76 billion baht
Subsidizes hotel and restaurant expenses for 500,000 entitlements, with registration starting on July 1

 - Each person can claim up to 5 entitlements, with accommodation subsidies of up to 3,000 baht per room per night, and restaurant and service subsidies of up to 500 baht for one entitlement.
 - 50% subsidy for secondary cities/weekday travel; 40% for weekends in major cities.
- 


Thailand Summer Blast–China & Overseas Market Stimulus Plan” with a budget of 750 million baht

 1. **Support for charter flights from China and other markets to Thailand with a budget of 350 million baht**, providing a subsidy of 350,000 baht per flight for 1,000 flights from 15 secondary Chinese cities to Bangkok, Phuket, Chiang Mai, Chiang Rai, Pattaya, Krabi, and Samui.
 2. **Joint promotions with commercial flights of domestic and international airlines with a budget of 250 million baht.**
 3. **Stimulate the incentive travel market and summer camp groups with a budget of 150 million baht.**
- 

OTA Support Program with a budget of 800 million baht

 - Joint promotions with over 20 Thai and international OTA platforms to stimulate FIT travel
 - Reduce costs for tourism-related business, such as gross profit (GP) fees that Thai hotels must pay to OTAs
- 

Confidence Rebuilding and Image improving Program for Thai tourism

 - Public relations plan to boost Thailand’s tourism industry
 - Campaigns to generate travel interest among high-potential tourist segments
- 

Other initiatives

 - Develop travel routes connecting major and secondary cities (Department of Highways) with a budget of 3 billion baht
 - Enhance tourist safety with a budget of 1.1 billion baht, including CCTV installation in key tourist cities
 - Promote travel distribution to major and secondary cities

Policy recommendations for Thailand’s tourism sector in the short, medium, and long term

Short term
<ul style="list-style-type: none">• Develop a comprehensive tourism Super App covering all traveler needs, including travel information, translation functions, emergency contact services with police and hospitals, and integration with other services such as domestic public transport, ride-hailing/car rental, local tour bookings, restaurant services, and e-wallet payment options.• Address tourist fraud issues seriously, such as implementing a preliminary fare calculation system for public transport using GPS tracking before service begins, enabling real-time fraud reporting via the Super App, and imposing stricter penalties for tourist fraud cases.• Develop new travel routes and create online content targeting younger travelers, such as set-jetting routes from Thai films and series (including Y series), Thai-pop experience routes, cafe-hopping and creative street routes, digital detox and mindfulness retreat routes for wellness, and adventure hiking routes.
Medium and long term
<ul style="list-style-type: none">• Develop world-class man-made attractions to sustainably draw tourists over the long run, such as Disneyland, Universal Studios, or Aquaventure Waterpark in Dubai.• Improve public transport systems to provide convenient access to secondary city attractions for FIT travelers, including train services and bus routes connecting to natural tourist sites.• Establish a clear positioning for Thai tourism to align future development plans between the public and private sectors, strengthen the country’s ability to target specific tourist segments, and enhance global awareness. Potential positioning could include Health & Wellness and Sustainability.

The trade war has begun to negatively impact global trade.
**Thai exports are expected to decline in the second half
of the year and continue into next year.**

U.S. tariff barriers have begun to affect global trade, with varying impacts across countries.

Negative effects are already evident for trading partners that primarily export goods subject to U.S. specific tariffs, while those exporting goods not yet subject to tariffs are less affected.

Export indicators of various countries to the U.S.

Unit: %YoY

Economies	%YOY	Jan-25	Feb-25	Mar-25	Apr-25	May-25
Japan	Total Export to US	8.1	10.5	3.1	-1.8	
	Vehicle Motors	21.8	13.9	4.1	-4.8	
	Parts of Motor Vehicles	-13.4	0.9	-10.7	-5.0	
	Steels	-12.8	3.9	-16.6	-29.0	
	Electrical Machinery & Machinery	4.4	7.7	0.7	1.8	
South Korea	Total Export (25 Day)*	5.0	11.1	3.8	1.5	-6.8
	Passenger Cars	3.4	42.7	3.7	0.2	-11.7
	Automotive Parts	0.5	2.6	-2.9	1.3	-14.9
	Steel Products	12.9	3.7	-15.7	2.5	-19.7
	Semiconductors	28.1	10.0	13.2	18.9	17.2
Vietnam	Total Export to US	4.3	34.2	32.3	34.0	36.1
	Electrical Products & Parts	22.4	47.3	74.5	84.3	74.6
	Machine & Equipment	4.7	47.4	30.0	33.3	20.3
	Textile	5.8	22.6	20.6	23.3	16.9
Taiwan	Total Export to US	0.7	65.6	39.8	29.5	87.4
	Electronic Products	2.2	79.1	46.7	32.6	115.3

Thailand's export value by product category and key trading partners

Unit: %YoY

Items	2025Q1	Feb-25	Mar-25	Apr-25	YTD
Total (100%)	15.2%	14.0%	17.8%	10.2%	14.0%
Total (ex. gold) (97.1%)	12.8%	13.6%	13.8%	7.2%	11.4%
1. Agriculture (9.6%)	-1.4%	-1.6%	-0.5%	-19.6%	-7.3%
2. Agro (7.8%)	2.0%	9.9%	-5.7%	9.1%	3.8%
3. Manufacturing (79%)	19.4%	17.2%	23.5%	16.6%	18.7%
4. Mining and fuel (3.6%)	-6.6%	-11.5%	-9.0%	-13.2%	-8.3%
Economies	2025Q1	Feb-25	Mar-25	Apr-25	YTD
US (18.3%)	25.4%	18.2%	34.3%	23.8%	25.0%
Electronic Products	12.4%	7.8%	61.8%	29.9%	30.2%
Vehicle & Parts	-2.5%	11.8%	-0.7%	-3.9%	7.9%
Steels	11.1%	5.4%	-9.0%	13.8%	0.6%
China (11.7%)	19.5%	22.4%	22.2%	3.2%	14.3%

Implications for global trade in the second half of 2025

- The impact of Trump's tariff policy will depend on each country's level of dependence on export goods.
 - Countries that rely heavily on exports of goods already subject to specific tariffs—such as automobiles (25%) and steel (50%)—may be severely affected. These include Japan and South Korea, where automobile exports account for 36.0% and 33.5% of total exports to the U.S., respectively.
 - Countries that rely on exports of goods not yet subject to specific tariffs—such as most electronic products (0%)—are likely to be less affected. These include Taiwan and Vietnam, where electronics account for 78.8% and 50.4% of total exports to the U.S., respectively, and both have low shares of automobile and steel exports.
- Global trade will slow and affect all countries once the U.S. fully implements specific tariffs and imposes reciprocal tariffs after the negotiation period ends.

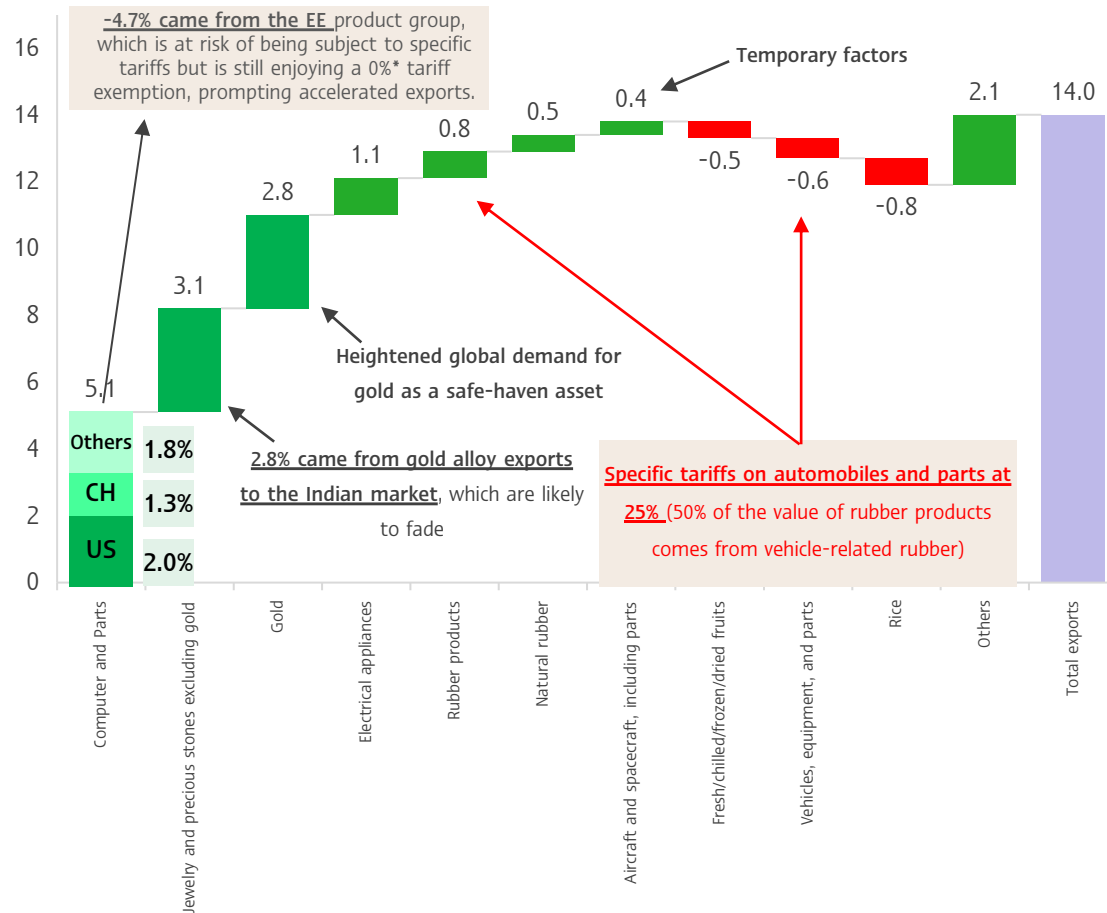
Note: *South Korea's export data is preliminary; therefore, product-level data for May has not yet been released. However, South Korea's exports to the U.S. have already contracted for two consecutive months, by -7.0% in April and -8.1% in May, due to its high reliance on steel and automotive exports to the U.S.

Source: SCB EIC analysis based on data from CEIC, Korea Customs Service, Vietnam Customs, Ministry of Finance (Japan), Ministry of Finance (Taiwan), and the Ministry of Commerce (Thailand).

Thai exports are expected to slow in Q2 and contract in the second half of this year, as most of the supporting factors in Q1 were temporary. Thailand faces heightened risks due to its reliance on export products that may soon be subject to specific tariffs and the uncertainties surrounding global trade policies.

Contribution to Thai export growth in the first four months of 2025

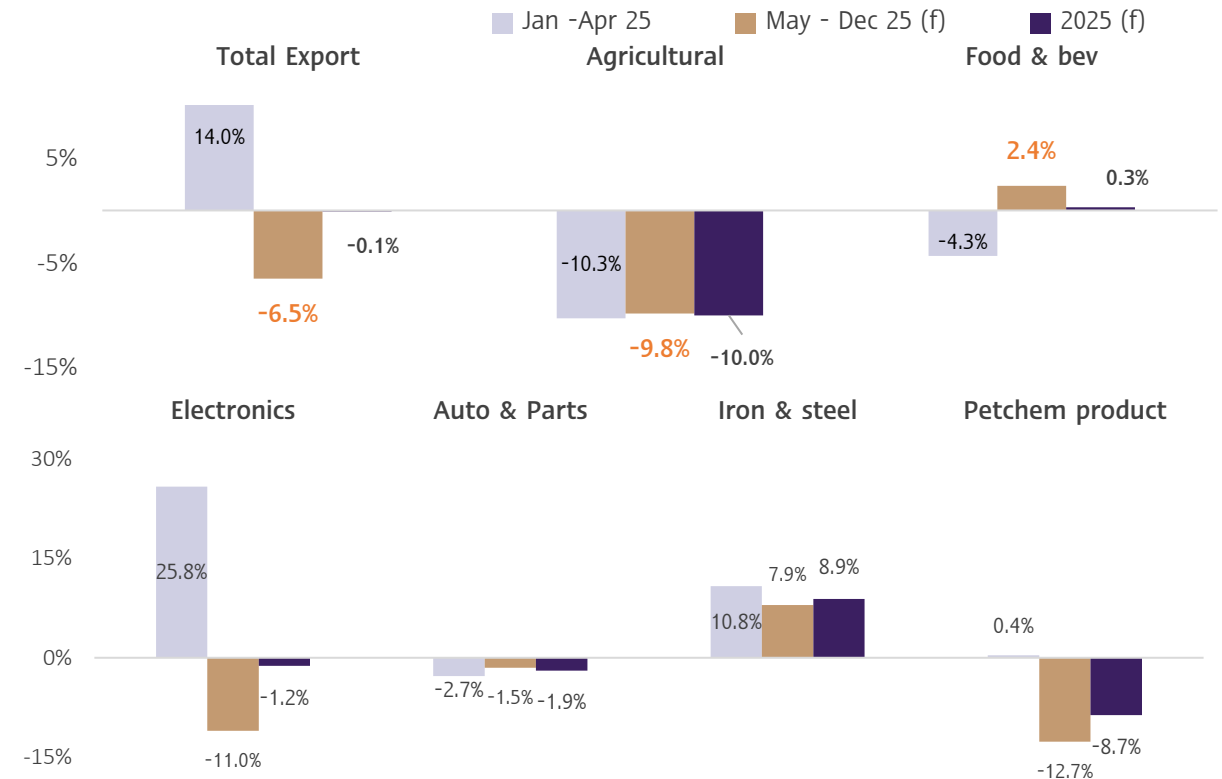
Unit: Percentage point



Forecast for Industrial Product Exports in 2025

Unit: %YTD and %YOY

Exports of industrial products are expected to contract during the last eight months of 2025, with signs of a slowdown in orders for electronic products starting to emerge, while petrochemical products face price pressure due to declining global crude oil prices.



Note: Most electronic products are subject to a 0% tariff, including computers and components, communication equipment, semiconductors, and integrated circuit boards, according to The White House announcement as of April 11, 2025.

Source: SCB EIC analysis based on data from the Ministry of Commerce and The White House.

Momentum from private investment is expected to weaken through next year, driven by subdued domestic demand, uncertainty surrounding U.S. trade policy, and tight financial conditions.

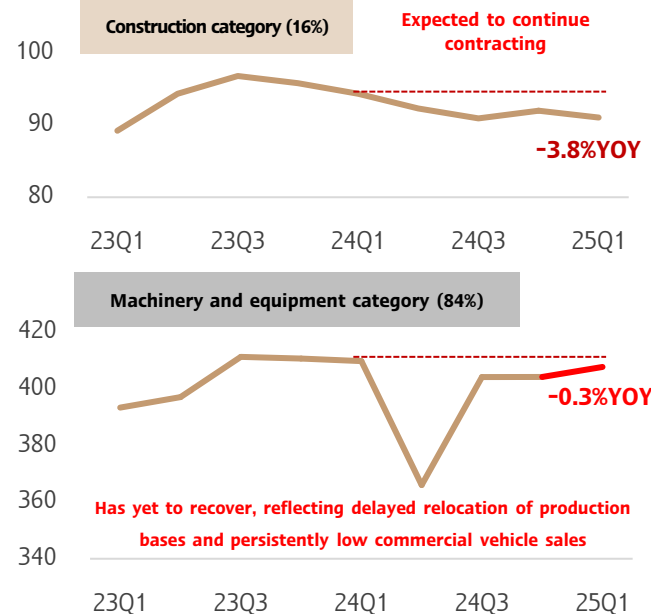
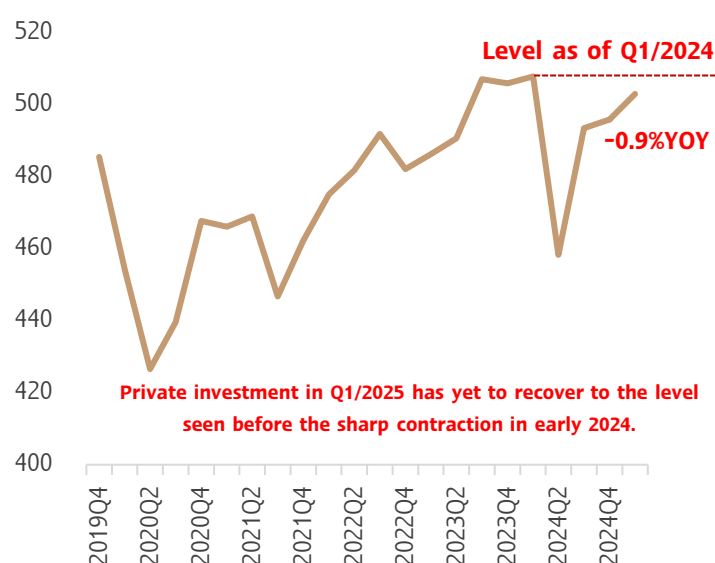
Thai private investment is expected to continue contracting into next year, as uncertainty over U.S. trade policy delays momentum from foreign direct investment.

Private investment is expected to continue contracting into next year.

- **Uncertainty has risen significantly due to U.S. trade policy**, prompting businesses to delay investments, particularly in relocating production from China to Thailand for exports to the U.S.
- **Domestic demand remains weak**, causing businesses to either postpone investment or adopt a more cautious investment approach.
- **Financial conditions remain tight**, and the financial market environment is not conducive to business fundraising.
- **Private investment in Q1/2025 has yet to recover to pre-downturn levels seen before the sharp contraction in early 2024.**

Real private investment (seasonally adjusted)

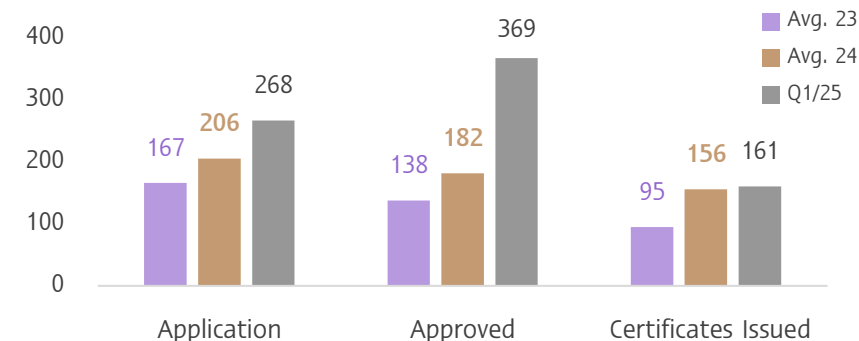
Unit: Billion THB



Investment promotion applications have not yet been affected in Q1/2025.

Value of investment promotion applications submitted to the BOI

Unit: Billion THB



Looking ahead, momentum from BOI-supported investment may soften.



Businesses with approved BOI promotion may delay investment due to uncertainty over U.S. trade policy and the progress of Thailand's trade negotiations.



Investment promotion policies will become more stringent for foreign businesses to protect the interests of Thai enterprises and labor.

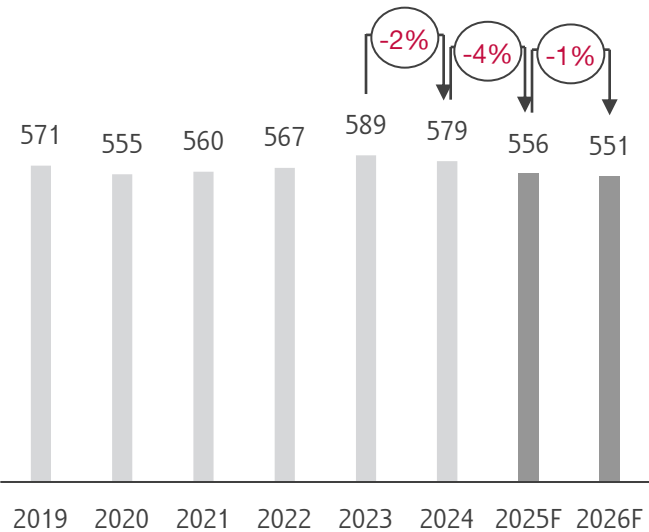
(BOI Board resolution, May 19, 2025)

- (1) Greater focus on SMEs
- (2) Suspension of promotion for industries facing oversupply
- (3) Stricter scrutiny of local content usage by foreign businesses
- (4) Revisions to conditions for employing foreign labor

Private construction is projected to continue contracting in 2025 and 2026, pressured by the limited launch of new residential projects and an oversupply of office space.

Value of Private Construction

Unit: Billion Baht

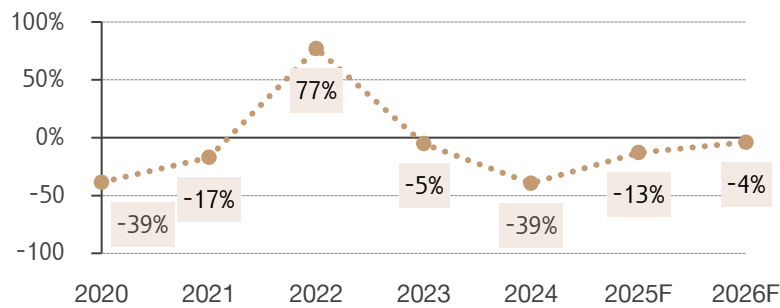


The value of private construction is projected to continue contracting in 2025–2026.

- Pressured by the continued decline in new residential project launches and an oversupply of office space.
- The area of residential and other construction permit applications contracted sharply in 2024 and is projected to continue declining, reflecting a slowdown in private construction activity going forward.

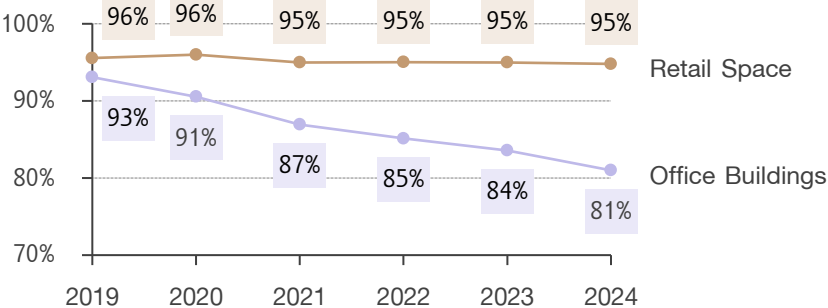
Growth Rate of Newly Launched Residential Projects in BMR

Unit: %YOY



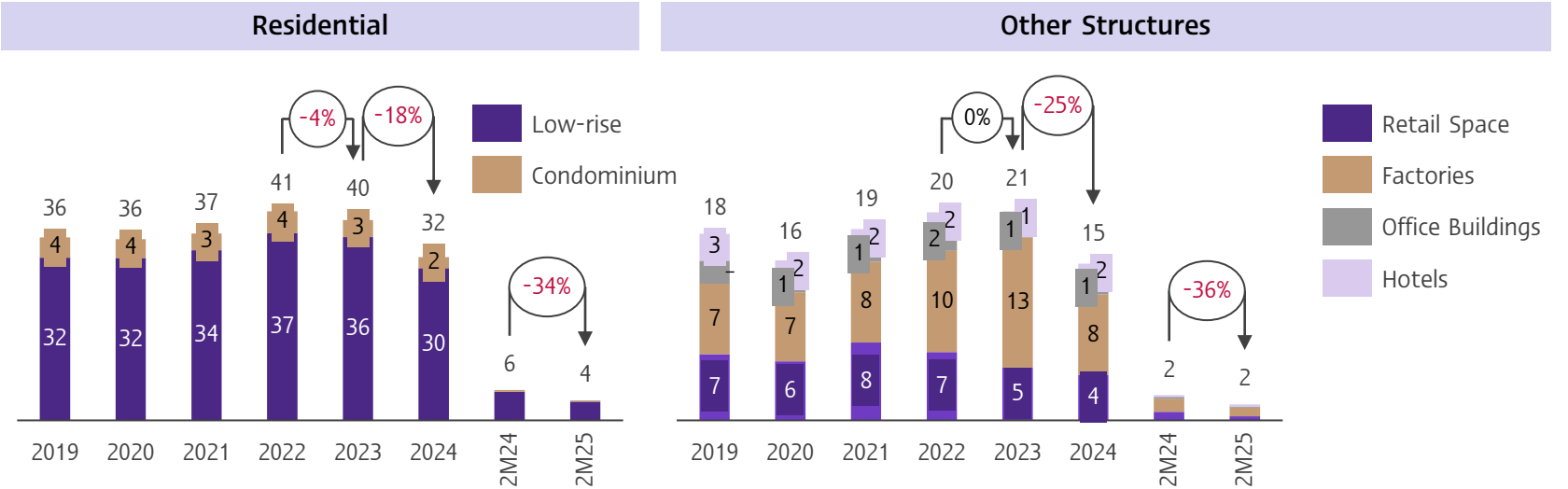
Occupancy Rate of Retail Space and Office Buildings in BMR

Unit: %



Nationwide Construction Permit Area

Unit: Million Square Meters

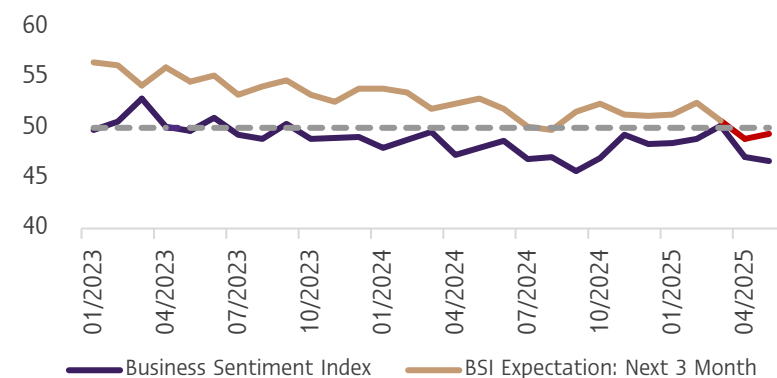


Declining business confidence, tighter access to financing, and signs of increased reliance on informal lending among SMEs reflect a worsening investment outlook and rising vulnerabilities.

Business confidence has declined markedly since April

Business Sentiment Index (BSI by BoT) as of April 2025

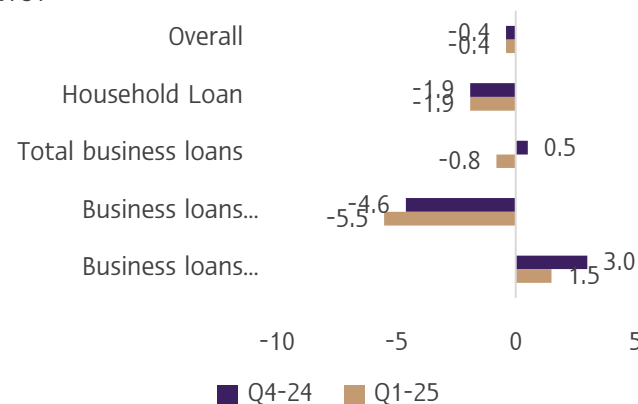
Unit: Diffusion index (<50 indicates deterioration, >50 indicates improvement)



Conditions in the bond market and financial sector are not conducive to private sector fundraising

Growth of business lending

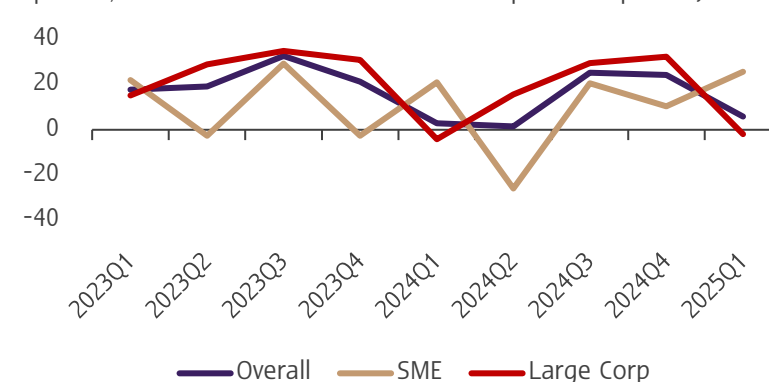
Unit: %YOY



Large businesses have begun to show declining credit demand, while SMEs are increasingly turning to informal lending sources

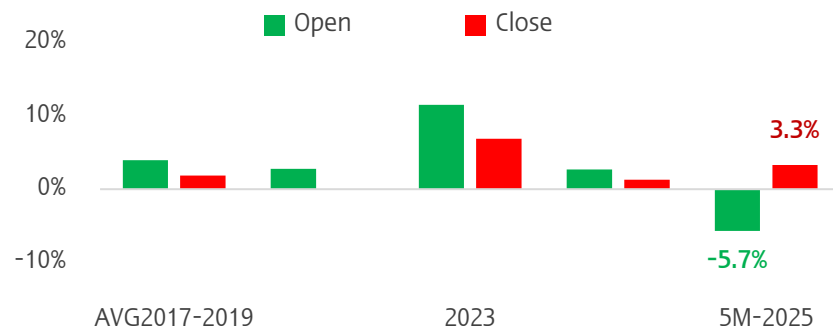
Business loan demand (BoT survey)*

Unit: Diffusion index (<0 indicates a decrease from the previous quarter, >0 indicates an increase from the previous quarter)



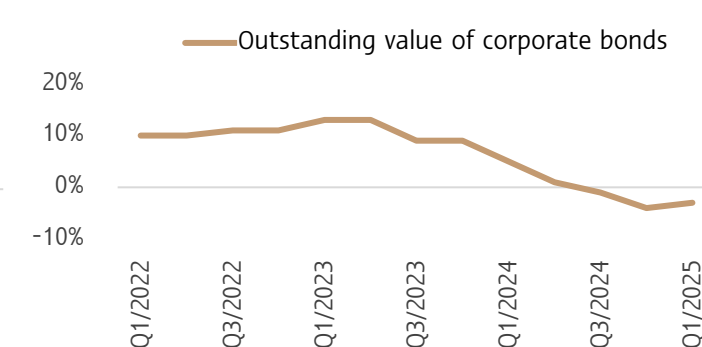
Number of business openings and closures in Thailand

Unit: %YOY



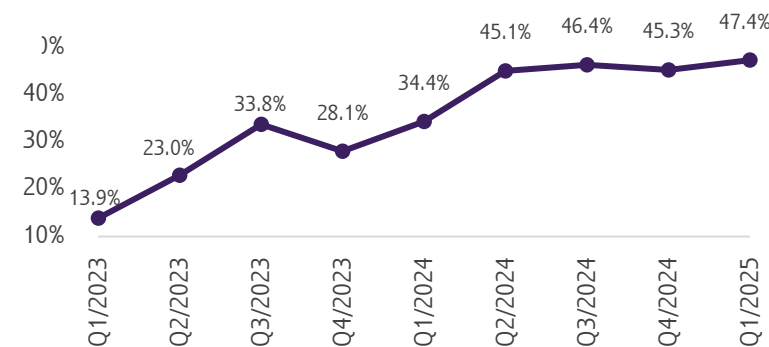
Growth of corporate bonds

Unit: %YOY



Proportion of informal funding sources among SMEs (Source: OSMEP, 2025)

Unit: %



Note: *Results from the Credit Conditions Survey by BoT.

Source: SCB EIC analysis based on data from BoT, OSMEP, Department of Business Development, and OSMEP.

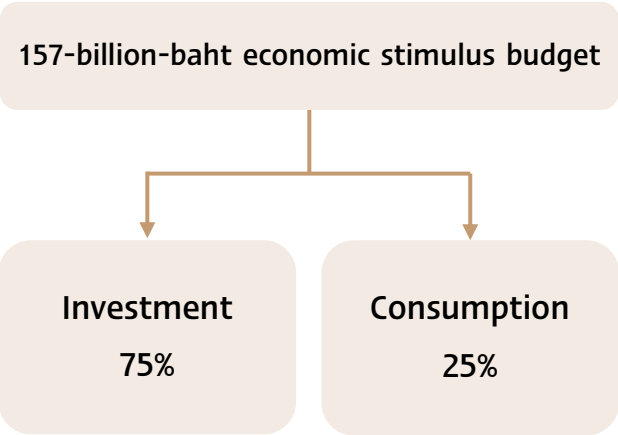
Fiscal constraints are increasing

Phase 3 of the digital wallet scheme postponed; replaced by a 157-billion-baht stimulus plan. SCB EIC views the new plan as more cost-effective but highlights the need for effective project execution.

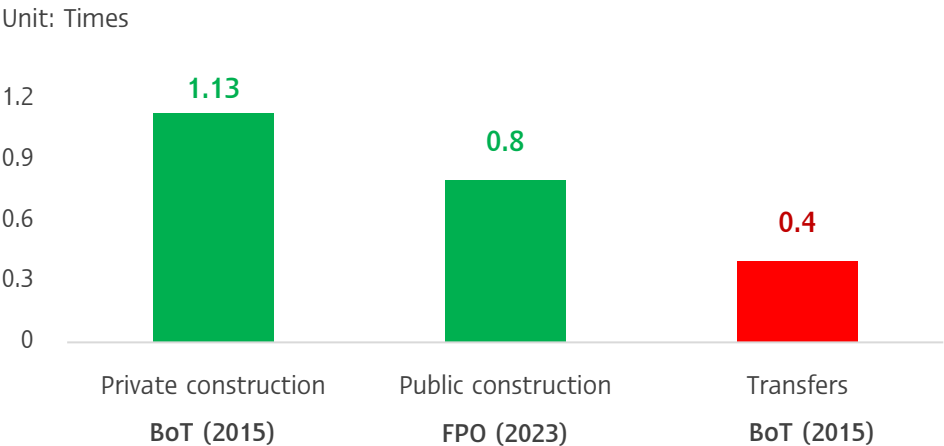
Estimated timeline for the implementation of the 157-billion-baht economic stimulus plan based on preliminary information (by SCB EIC)

157-billion-baht stimulus budget	2025Q2	2025Q3	2025Q4	2026Q1	2026Q2
Digital Wallet Phase 3 (original plan)	Cabinet approved the project / Funds injected into the economy				
New economic stimulus plan Infrastructure / Tourism /Productivity enhancement / Community economy	Agencies propose projects Cabinet approval	Budget Bureau allocates funds Project bidding / commencement	Funds injected into the economy		

Assumptions on the allocation of the stimulus budget (by SCB EIC)



Study on Thailand’s fiscal multiplier



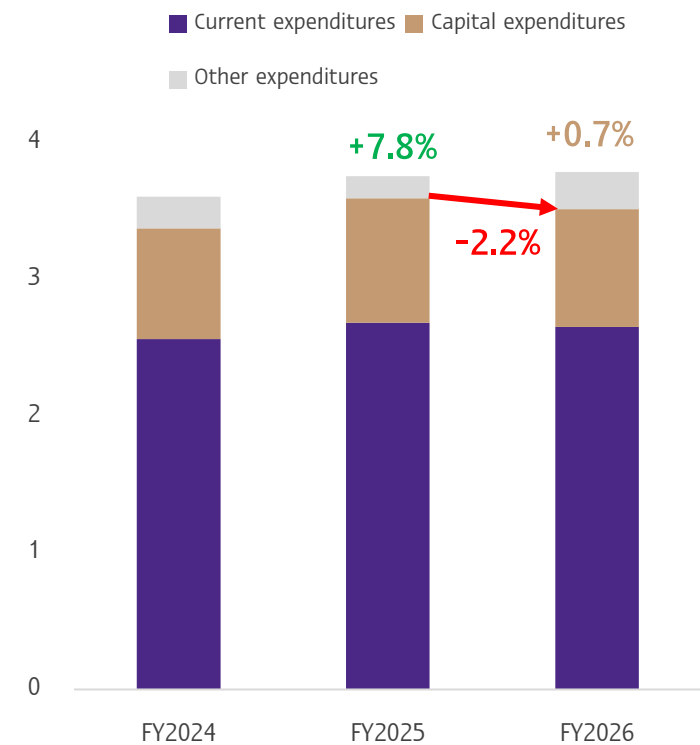
More cost-effective than direct cash handouts
Reduces credit rating risk to some extent

Slower economic impact; project effectiveness may be limited by rushed proposal, selection, and implementation

Fiscal constraints are intensifying amid weakening economic prospects. Public debt may hit the 70% ceiling sooner, and Moody's has begun revising Thailand's credit outlook downward due to this factor. Fiscal reform must be accelerated to deliver tangible results.

Budget framework for fiscal year 2026

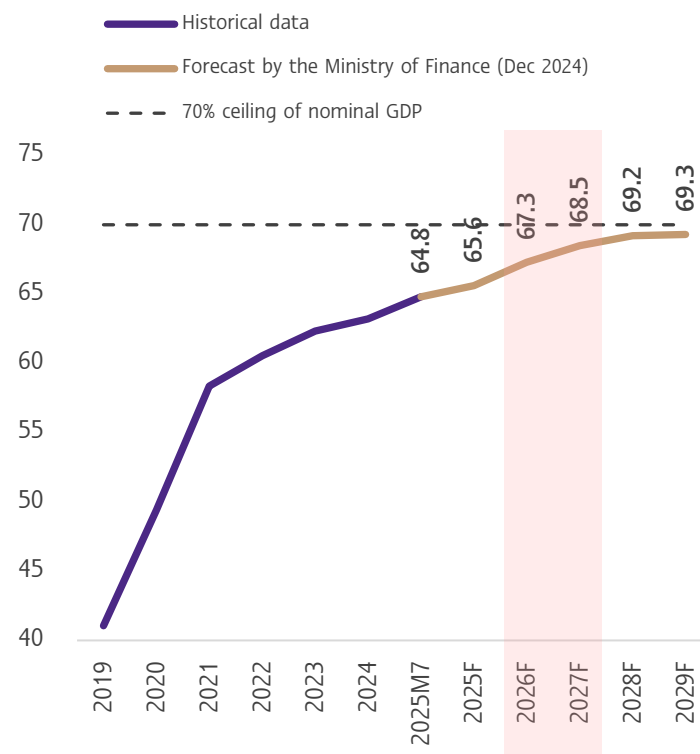
Unit: Trillion baht



The fiscal year 2026 expenditure framework (excluding debt repayment and treasury reserve reimbursement) declines by -2.2%YOY

Thailand's public debt forecast by the Ministry of Finance and SCB EIC

Unit: % of nominal GDP, fiscal year



SCB EIC estimates that public debt may reach the 70% ceiling during 2026-2027 if the fiscal plan is not revised to align with the current context of slower economic and inflation growth.

Latest credit rating outlook for Thailand by Moody's and S&P

THA	Moody's (29 Apr 2025)	S&P Global (2 Jun 2025)
Action	<ul style="list-style-type: none"> Rating maintained at Baa1 Outlook revised to Negative 	<ul style="list-style-type: none"> Rating maintained at BBB+ Outlook maintained at Stable
Rationale	<ul style="list-style-type: none"> Thailand's economic potential has declined, further pressured by U.S. tariffs Fiscal stability has weakened; the government may need to increase spending to support the economy 	<ul style="list-style-type: none"> Economic growth projected at 2.3% in 2025 and 2.6% in 2026 Tourism and public investment will help support the economy Digital wallet budget may be reallocated to investment

Guidelines for Thai fiscal reform

- Enhance efficiency of public spending**, reduce unnecessary expenditures, prevent corruption, focus on investments that enhance long-term economic potential, and implement policy evaluation
- Reform government revenue collection**. Thailand's tax-to-GDP ratio remains low. Start by broadening the tax base, reducing leakages, and considering adjustments to certain tax rates once the economy recovers.
- Promote investment through public-private** partnerships in infrastructure projects with transparency and efficiency.

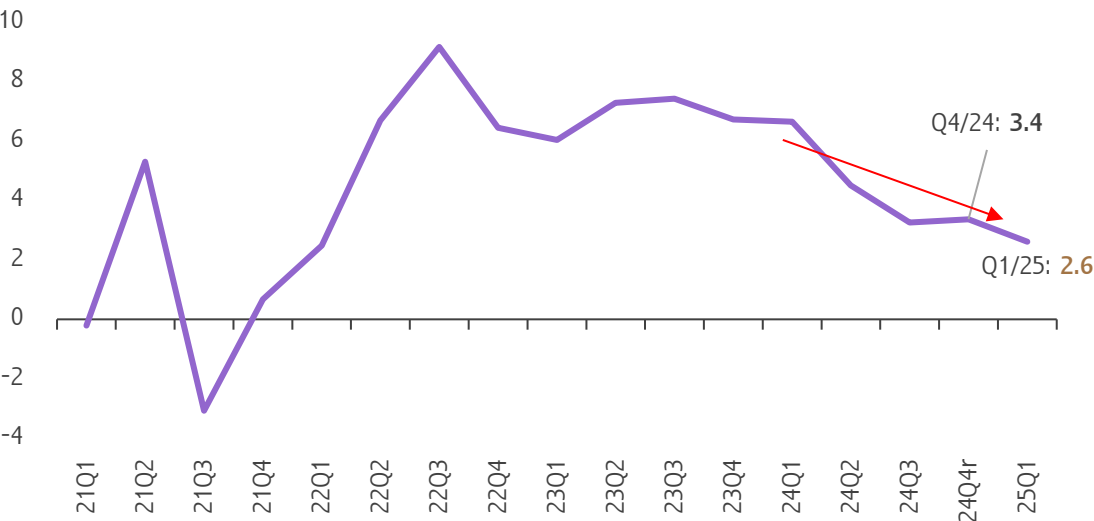
Private consumption will slow significantly due to tight financial conditions, high household debt, and vulnerabilities in the labor market.

Private consumption will continue to slow going forward, reflecting a sharp decline in consumer confidence, coupled with the government's delay in the remaining phase of the digital wallet scheme.

Private consumption slowed on a broad-based basis in Q1/25 and is projected to slow further, reflecting a sharp decline in consumer confidence amid economic uncertainty.

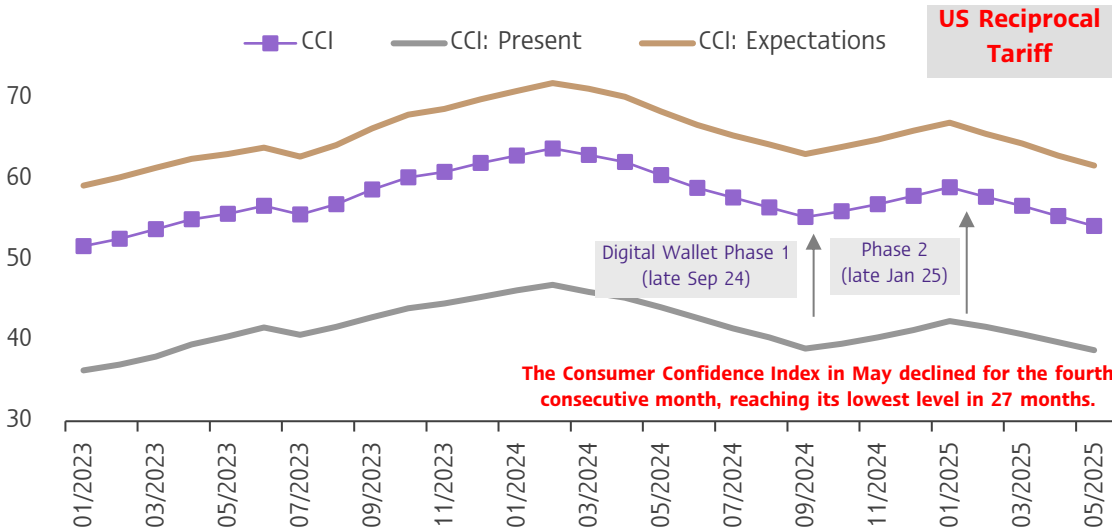
Real Private Consumption

Unit: %YOY



Consumer Confidence Index by the University of the Thai Chamber of Commerce

Unit: Index



Components (%YOY)	2023	Q1-24	Q2-24	Q3-24	Q4-24	Q1-25
Durable	2.5	-6.7	-6.5	-9.9	-9.5	-1.4
Semi-durable	1.5	3.4	4.3	3.5	3.7	0.9
Non-durable	3.4	4.7	3.6	2.2	2.3	1.9
Food	3.4	4.3	3.7	2.8	3.2	2.8
Non-Food	3.5	5.2	3.6	1.5	1.5	0.8
Services	12.8	13.7	6.0	6.3	6.4	4.5

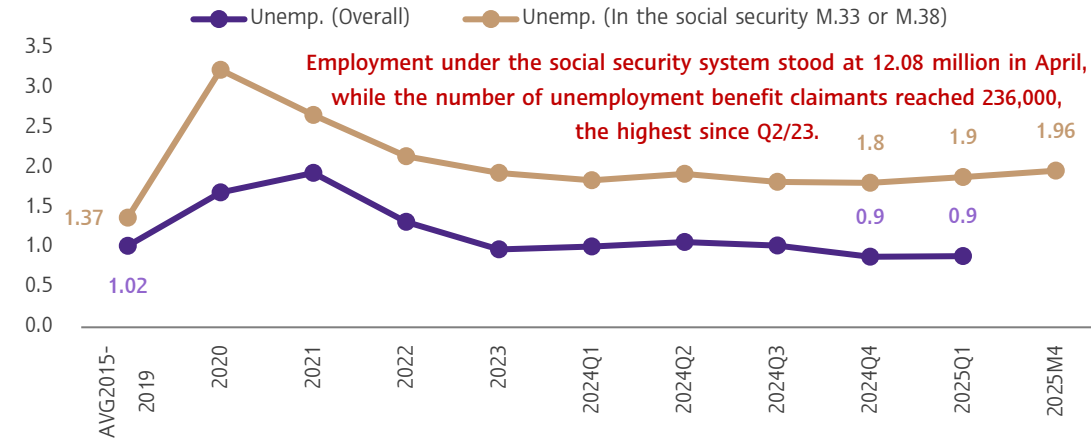
Consumption of durable goods continued to decline despite a sharp contraction last year.

Consumption of non-durable goods and services slowed, partly due to the much smaller consumption stimulus from the Digital Wallet Phase 2 compared to the first phase.

Thailand's labor market is increasingly fragile, with rising unemployment among new graduates and under the social security system, while employment continues to decline, especially in agriculture and manufacturing. More workers are also shifting to informal employment.

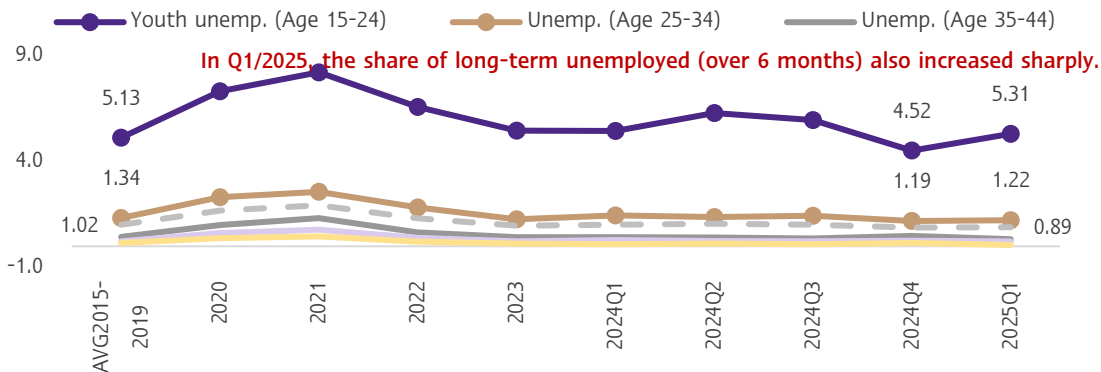
Unemployment under the social security system rose in Q1/2025, while the overall rate remained stable.

Unit: %, of labor force



Unemployment among new graduates and those aged 25-34 rose again in Q1/2025.

Unit: %, of labor force in each age group



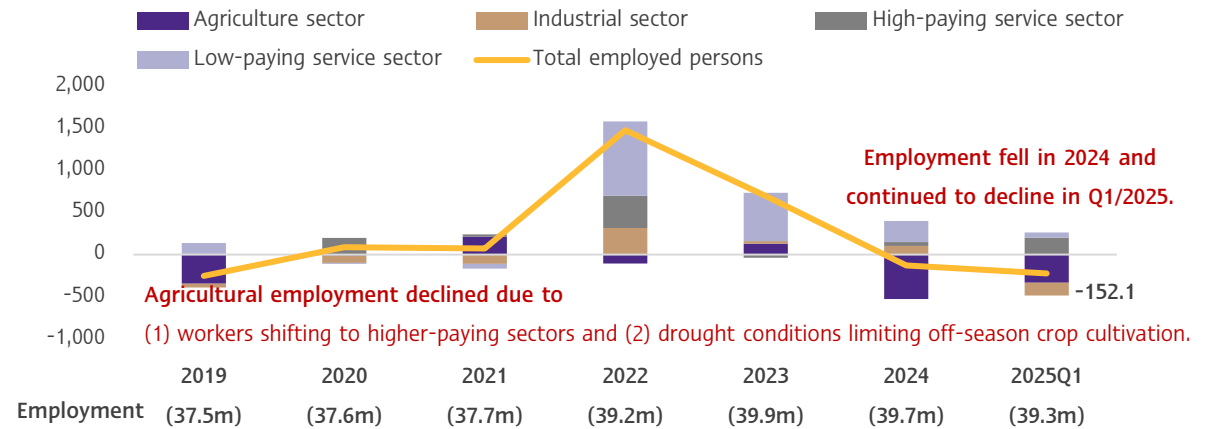
Note: (1) High-paying service sector refers to service sectors where employees earn an average monthly income of over 17,000 baht, including transportation, communications, finance and insurance, health and social work, education, public administration, defense, technical, professional, and scientific services. Low-paying service sector refers to service sectors where employees earn an average monthly income of up to 17,000 baht, including real estate, hotels, restaurants, wholesale, retail, support services, entertainment, domestic employment, and other services.

(2) Unemployment rate (in the social security M.33 or M.38) refers to the unemployment rate among employees under the Social Security Act Section 33 who resigned or exited the Section 33 system.

Source: SCB EIC analysis based on data from the National Statistical Office.

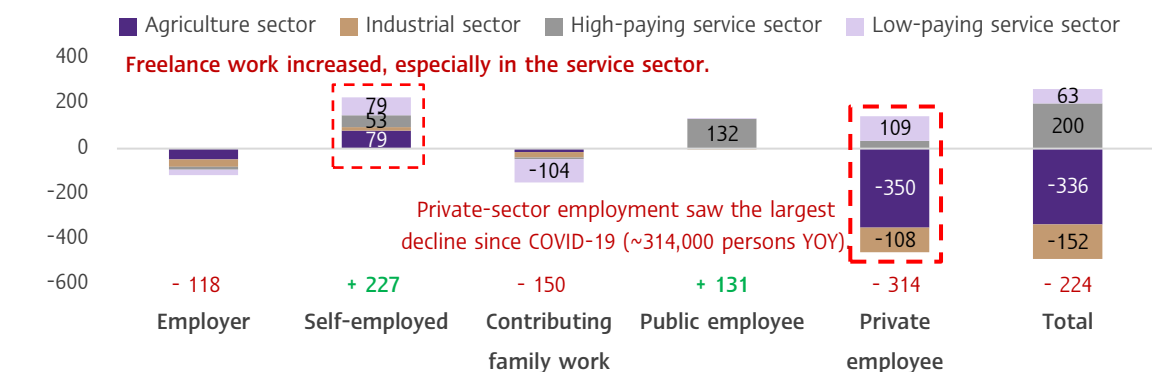
Total employment declined, with the industrial sector seeing the sharpest drop since before COVID-19.

Unit: Thousand persons, change in employment (YOY)



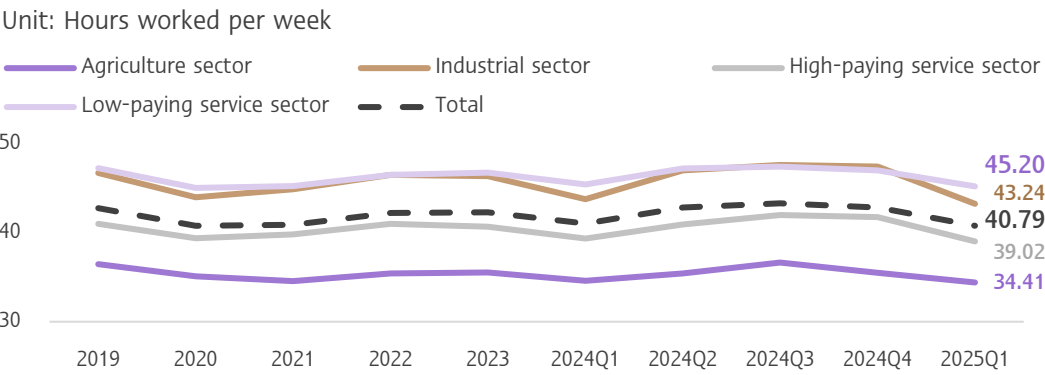
Private-sector employment in agriculture and industry declined, while more Thais shifted to freelance work.

Unit: Thousand persons, change in employment (Q1/2024 vs Q1/2025)

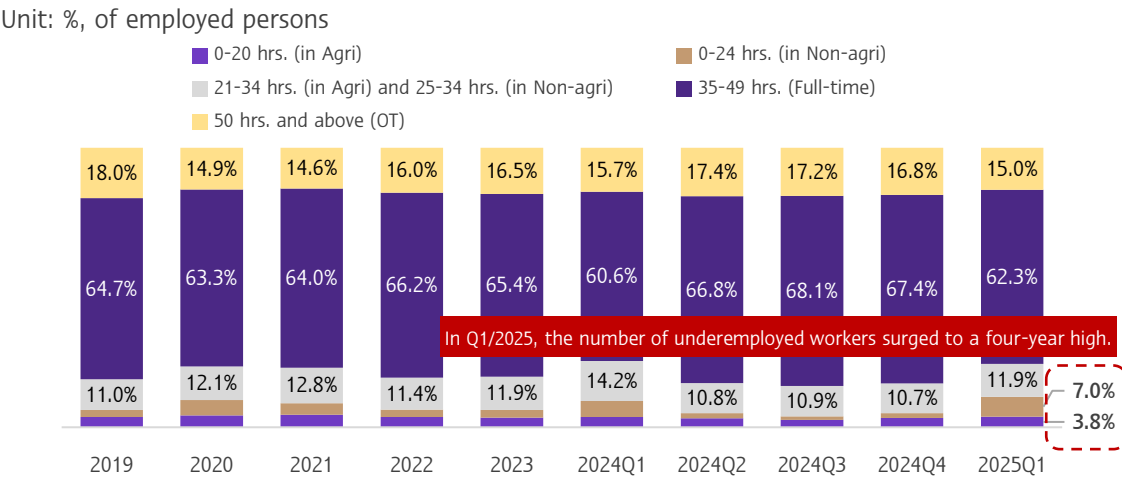


Average working hours declined across all sectors, while industrial and service sector wages began to contract. Meanwhile, the share of underemployed workers rose to the highest level in four quarters.

Average working hours declined across all sectors in Q1/2025.

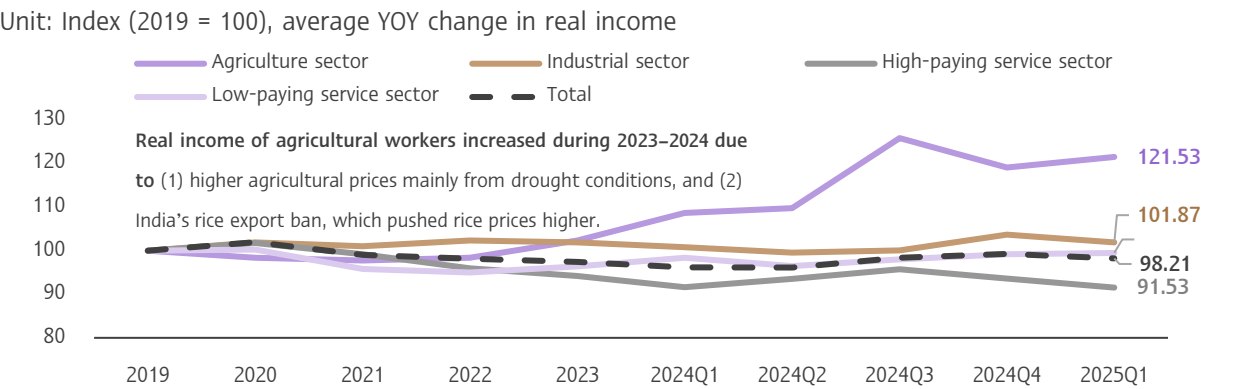


The share of underemployed workers rose to the highest level since Q1/2021, while full-time and overtime employment declined.



Note: (1) Real income includes income from private-sector employees, government employees, and state enterprise employees, adjusted for inflation.
(2) High-paying service sector refers to service sectors where employees earn an average monthly income of over 17,000 baht, while low-paying service sector refers to those where employees earn up to 17,000 baht per month.
(3) Underemployed workers are those working 0–34 hours per week; full-time workers are those working 35–49 hours per week; and overtime workers are those working 50 hours or more per week.
(4) Underemployed (visibly underemployed) refers to workers in agriculture working 0–20 hours per week and non-agricultural workers working 0–24 hours per week.
Source: SCB EIC analysis based on data from the National Statistical Office.

Real income (including OT and bonuses) of employees in the industrial and high-paying service sectors has slowed since COVID-19.

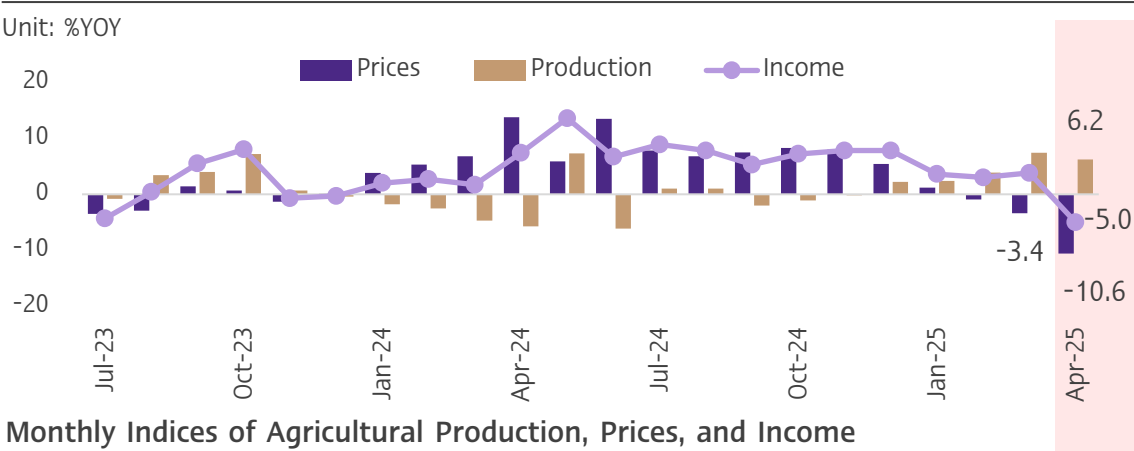


Real wage (2025Q1)	Agriculture	Industrial	High-paying service	Low-paying service	Total
THB/month	8,209	15,008	21,257	13,443	15,948

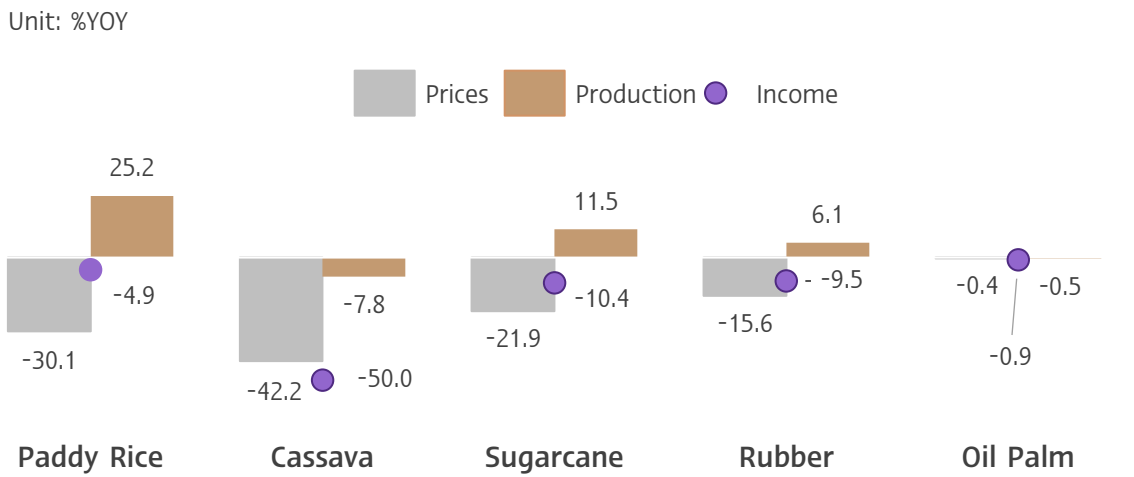
- Average working hours declined across all sectors in Q1/2025 and remained below pre-COVID levels.
- Real income has recovered slowly, particularly for workers in the industrial and high-paying service sectors.
- Underemployment rose by 14.4% YOY in Q1/2025 (4.27 million persons), accounting for 10.8% of employed persons—the highest share since Q1/2021—while the shares of full-time and overtime workers declined.

Agricultural income contracted in April for the first time in 15 months due to a sharp decline in agricultural prices. In 2025, agricultural income is expected to decline again on price effects, posing an additional constraint on private consumption this year.

Monthly Indices of Agricultural Production, Prices, and Income



Monthly Indices of Agricultural Production, Prices, and Income by Commodity, April 2025



Forecast of Agricultural Income Growth in 2025 (by SCB EIC)

Unit: %YOY

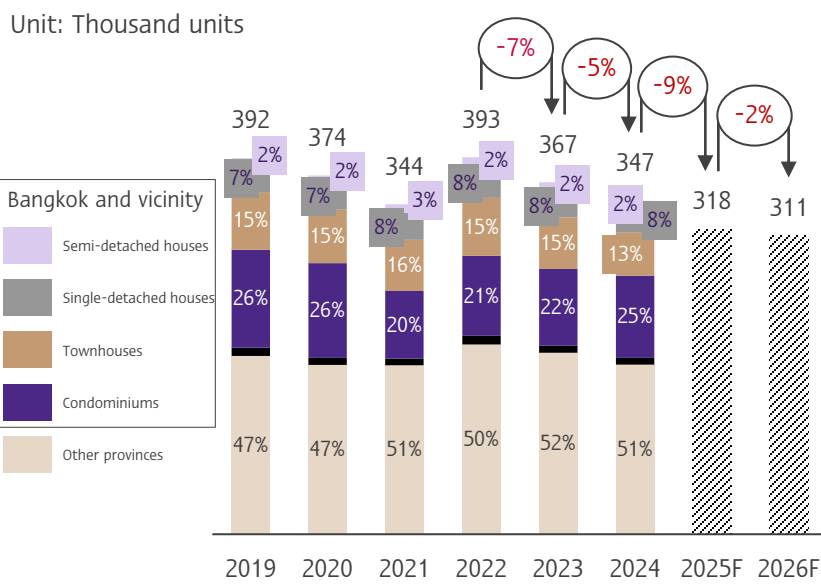
Year	2023	2024	2025F	4M25
Income Index	0.0	6.7	-2.9	1.5
Price Index	-2.1	7.7	-4.7	-3.5
Production Index	2.1	-1.0	1.8	4.8

Agricultural income in 2025 is projected to decline due to falling agricultural prices, while production volumes are expected to recover. Agricultural income is a key factor for private consumption, with around 12 million workers (2024) relying on this sector for their livelihoods.

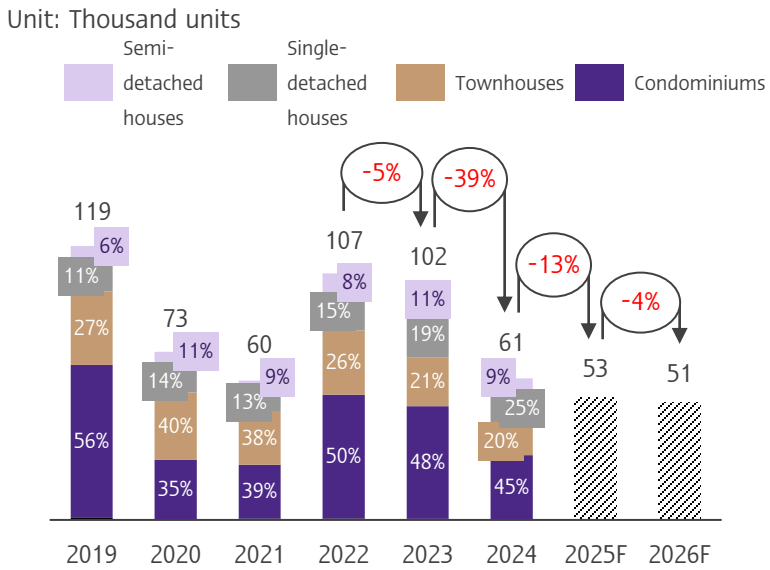
Supporting Factors for Production	Factors Pressuring Prices Downward	Risk Factors
<ul style="list-style-type: none">Easing drought conditions have helped increase the production of paddy rice, cassava, sugarcane, rubber, and oil palm.Water levels in dams in the Central and Northern regions are higher than last year, boosting the production of dry-season crops such as off-season rice.Plant disease outbreaks have eased, such as cassava mosaic disease and the new rubber leaf fall disease, supporting higher cassava and rubber production.	<ul style="list-style-type: none">Rising global rice stocks and India's removal of its rice export restrictions have led to lower rice prices.The economic slowdown in China and the U.S. is weighing on global demand-driven agricultural prices, with cassava, rubber, and sugarcane prices likely to decline.Declining oil prices from last year are putting downward pressure on energy-linked agricultural prices, such as sugarcane and rubber.	<ul style="list-style-type: none">Uncertainty in the global economic environmentOutbreaks of crop diseasesGeopolitical risksChanges in agricultural policies of competitor countriesWeather variability

The housing market in 2025 is expected to contract, with headwinds outweighing supporting factors for both purchasing demand and new project launches. In 2026, the housing market is expected to remain unable to recover.

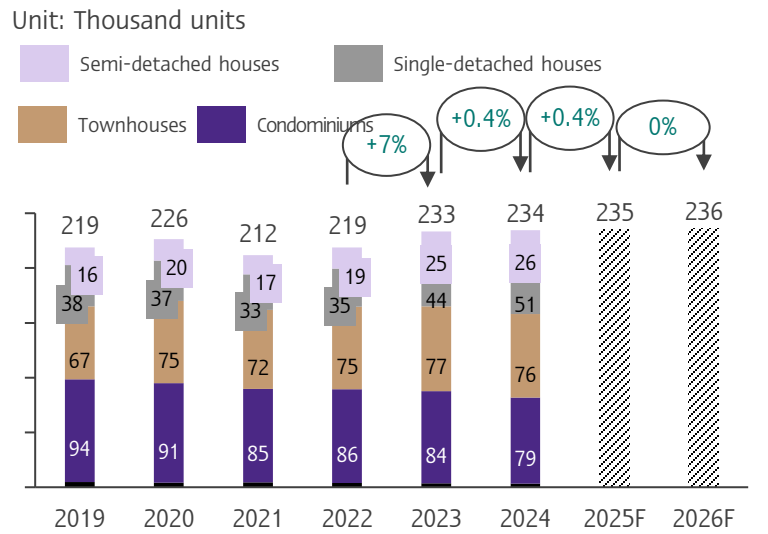
Nationwide residential ownership transfer units



Newly launched residential projects in Bangkok and vicinity

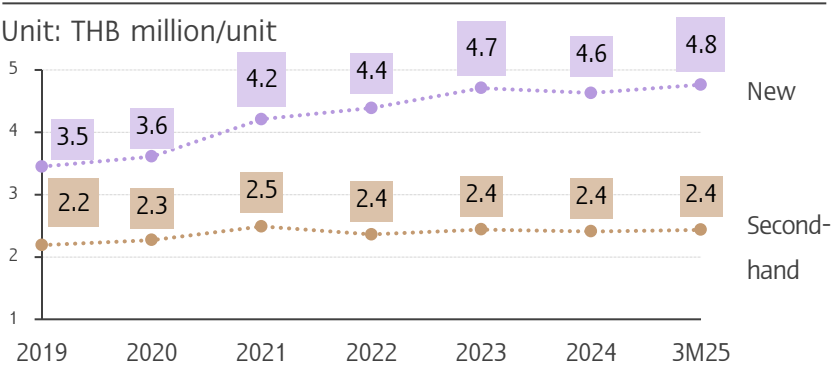


Accumulated unsold residential units in Bangkok and vicinity



It will take around 4 years to clear the inventory (assuming no additional new project launches).

Average transfer price of residential units in Bangkok and vicinity



Headwinds:

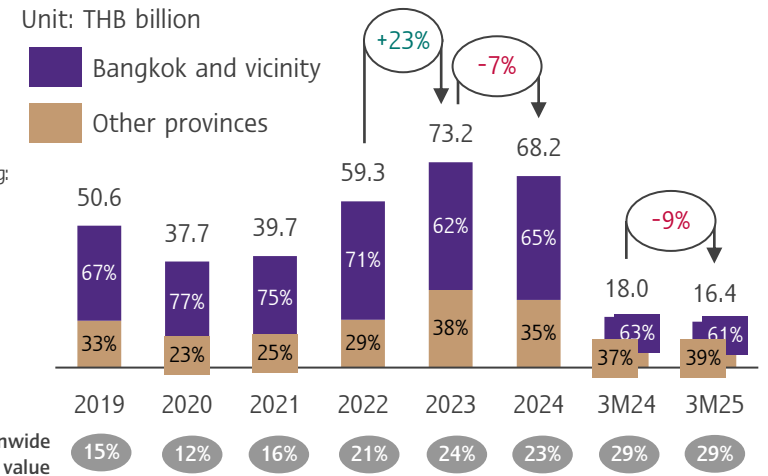
- The condominium market still requires buyer confidence to recover following the earthquake.
- Domestic purchasing power has yet to recover significantly.
- Middle- to lower-income groups continue to face constraints in accessing credit.
- The slowdown in the global economy and China has affected foreign purchasing power.
- New home prices remain high due to land and construction costs.

Supporting factors: The interest rate is likely to decline, alongside government measures, including:

- LTV relaxation (1 May 2025 – 30 June 2026)
- Reduction of transfer and mortgage registration fees for residential units priced not exceeding THB 7 million (22 April 2025 – 30 June 2026)

Recommendation: Stimulate purchasing power among groups that still have potential, such as investors and those seeking to purchase a second home or more, through measures such as extending the reduction of transfer and mortgage registration fees for residential units across all price ranges, and reducing the land and building tax.

Condominium transfer value by foreign buyers



Share of nationwide condominium transfer value

Headline inflation remains negative, driven by a continued decline in energy prices and slowing domestic demand. Inflation is expected to remain negative in Q2, with the average inflation rate projected to stay below the 1% target range at 0.5% in 2025 and 0.4% in 2026, respectively. The risk of war in the Middle East remains a key factor to monitor.

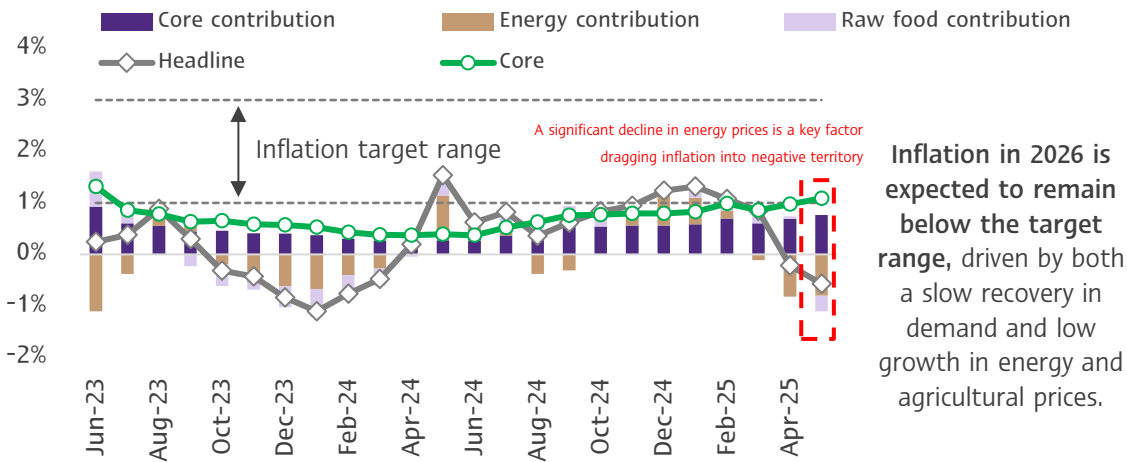
Headline Inflation by Product Category

Unit: %

%YoY	Share	2024	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	YTD
All items combined	100%	0.4%	1.2%	1.3%	1.1%	0.8%	-0.2%	-0.6%	0.5%
Food and non-alcoholic beverages	39.5%	0.8%	1.3%	1.8%	2.0%	2.4%	1.6%	0.9%	1.7%
Fresh produce	17.4%	0.1%	0.2%	1.0%	1.1%	1.9%	0.3%	-1.8%	0.5%
- Meat	3.0%	-6.9%	-0.6%	-0.9%	0.5%	4.1%	8.4%	9.4%	4.3%
Cooking ingredients	1.2%	-0.6%	2.2%	3.3%	5.2%	6.8%	6.2%	6.0%	5.5%
Non-alcoholic beverages	3.4%	2.3%	3.3%	3.2%	3.3%	3.7%	4.2%	4.4%	3.8%
Prepared food	16.7%	1.4%	2.3%	2.5%	2.7%	2.4%	2.6%	3.4%	2.7%
Apparel and footwear	2.1%	-0.4%	-0.5%	-0.2%	-0.3%	-0.4%	-0.6%	-0.9%	-0.5%
Residences	24.6%	-0.2%	0.4%	0.4%	0.5%	0.0%	-0.7%	-0.3%	0.0%
Electricity, fuel, water, and lighting	5.8%	-0.8%	1.4%	1.5%	1.5%	0.1%	-2.8%	-1.4%	-0.3%
Medical and personal care	6.4%	0.1%	-0.4%	-0.5%	-0.5%	-0.6%	-0.7%	-1.1%	-0.7%
Transportation and communications	22.2%	0.4%	2.7%	2.1%	0.5%	-0.4%	-3.0%	-3.4%	-0.9%
Recreation, Education, and Religion	4.0%	0.5%	0.4%	0.4%	0.4%	0.4%	0.7%	0.4%	0.5%
Tobacco and alcoholic beverages	1.2%	1.2%	0.8%	0.8%	0.3%	0.1%	0.1%	0.1%	0.3%
Core consumer price index	70.4%	0.6%	0.8%	0.8%	1.0%	0.9%	1.0%	1.1%	0.9%

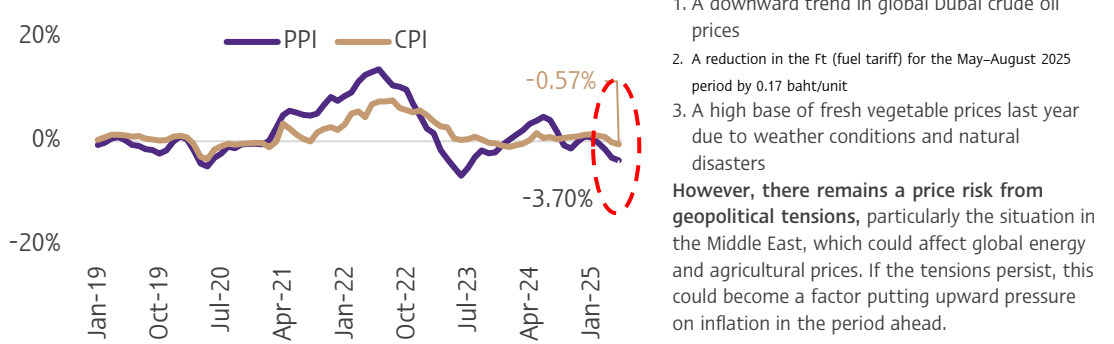
Sources of Thailand's inflation growth

Unit: %YOY



Producer and consumer price indices

Unit: %YOY

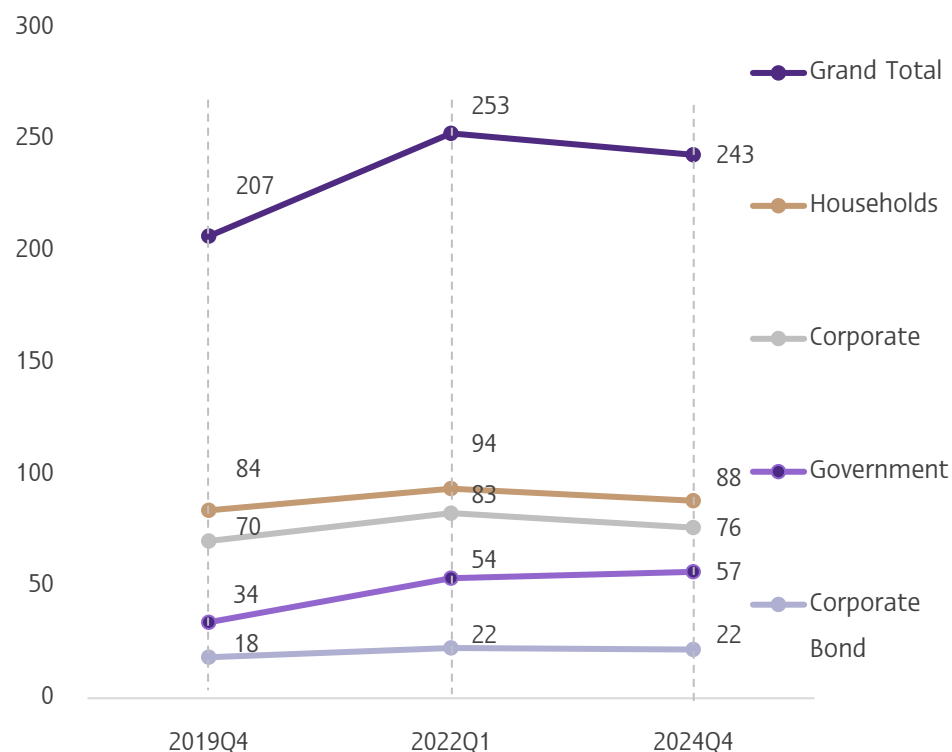


The Thai economy will remain in a deleveraging phase over the next 2–3 years, aiming to reduce the risks from a significantly higher debt-to-GDP ratio following the impacts of COVID-19. Low growth in retail lending and cautious household spending will add further pressure on domestic demand.

Thailand's private sector debt-to-GDP ratio is gradually declining amid low debt growth, while public debt-to-GDP is rising due to sluggish GDP growth.

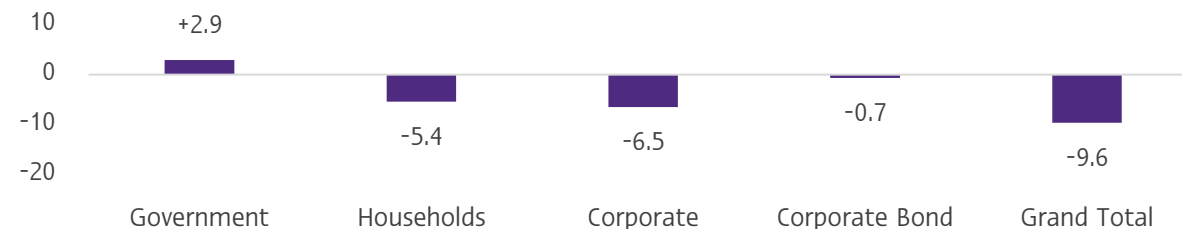
Share of debt and outstanding debt securities by type to GDP

Unit: %GDP



Change in debt-to-GDP ratios after COVID-19 (Q1/2021 vs Q3/2024)

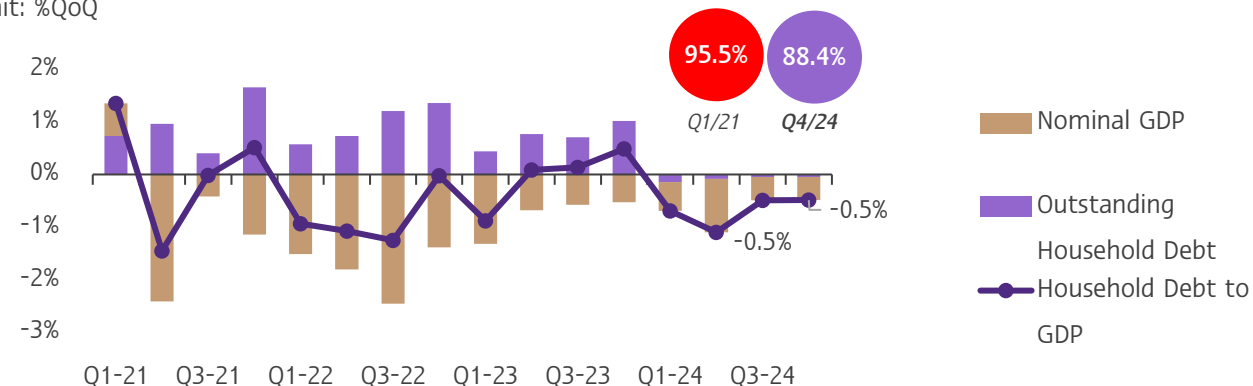
Unit: %GDP



The decline in the household debt-to-GDP ratio is driven by a contraction in outstanding household debt.

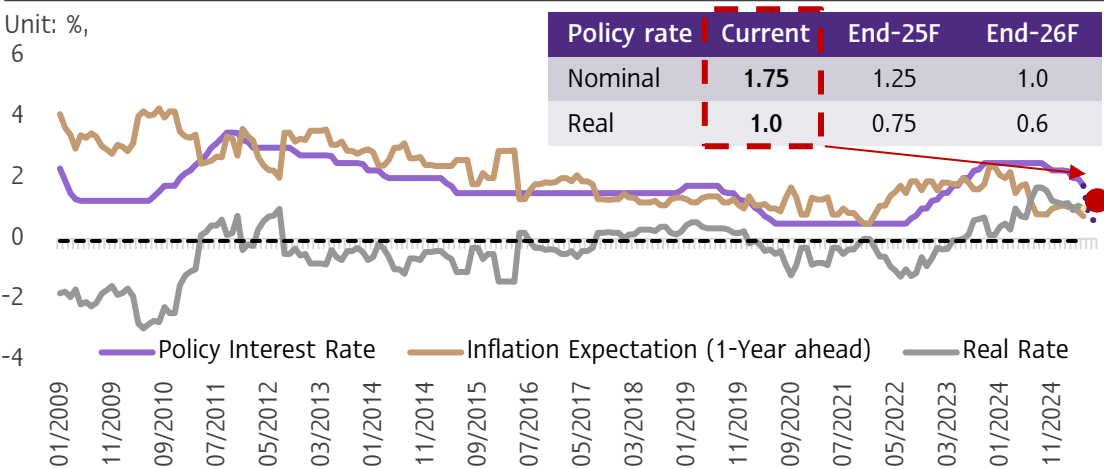
Change in household debt-to-GDP ratio

Unit: %QoQ

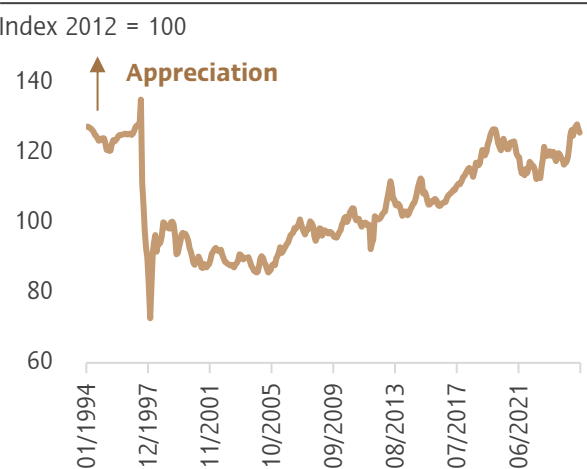


Thai interest rates are expected to continue declining, reflecting a fragile economic outlook, low inflation, and financial vulnerabilities stemming from deteriorating credit quality.

SCB EIC's Policy Rate Forecast for Thailand



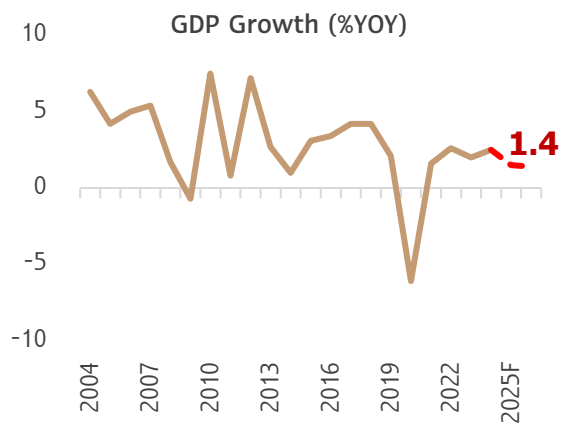
Nominal Effective Exchange Rate



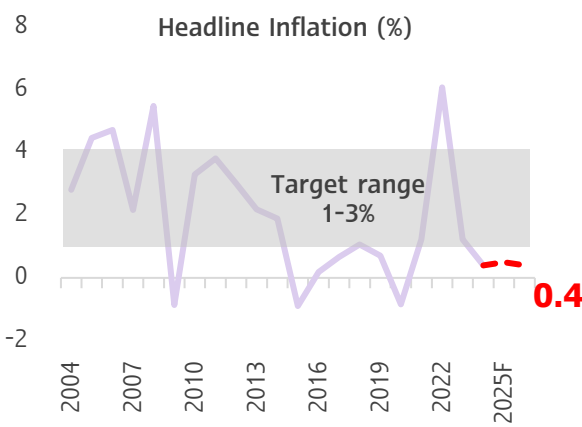
Thailand's policy rate continues to decline.

- Thailand's policy rate is expected to remain on a downward trend going forward to support the economy and facilitate the household debt deleveraging process, while low interest rates may not stimulate household debt accumulation as seen in the past.
- The Israel-Iran conflict may create short-term uncertainty for the interest rate downtrend if the situation escalates to the point where rising commodity prices begin to exert upward pressure on inflation.

GDP growth below potential



Low inflation



Credit quality is gradually deteriorating.

Share of distressed debt (SM + NPL) in business and retail loans

Unit: % of outstanding loans

	Q4/24	Q1/25
Total loans	9.76	9.87 ↑
Business loans	9.09	9.15 ↑
Credit line > THB 500 million	5.14	5.05
Credit line ≤ THB 500 million	19.69	20.62 ↑
Consumer loans	11.21	11.41 ↑

NPLs and SM are increasing.

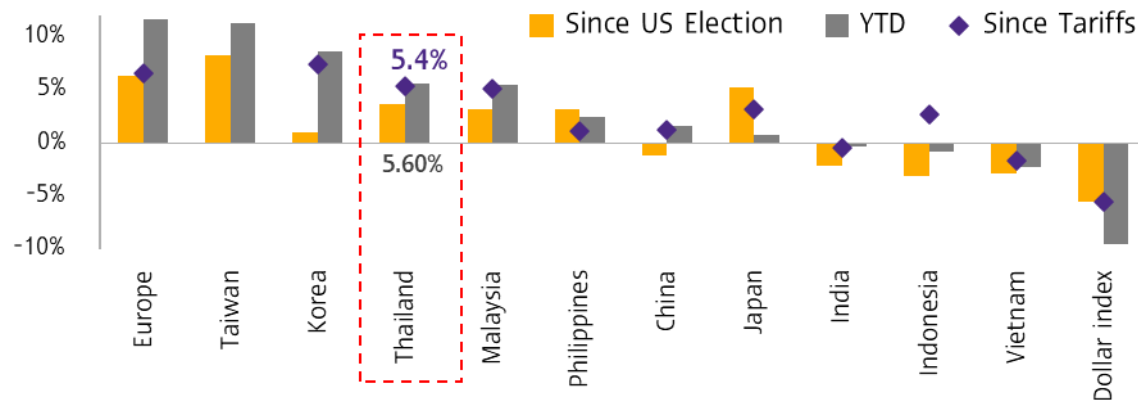
- Bad debt is rising while overall loan outstanding is declining.
- The increase in bad debt is mainly driven by SME loans and housing loans.

Note: Inflation expectation from Bloomberg Median (2016–present); for the period before 2016, actual headline inflation data for the following year is used.
Source: NESDC, BIS, BOT, and Ministry of Commerce.

The baht has appreciated along with other regional currencies due to capital inflows into the region and the weakening of the U.S. dollar index, as the market's view on U.S. assets has deteriorated amid rising risks and uncertainties surrounding the U.S. economic outlook.

Exchange rate changes of each currency against the U.S. dollar

Unit: % (data as of 17 June 2025)



Currency Historical Volatility (1-month realized vol)

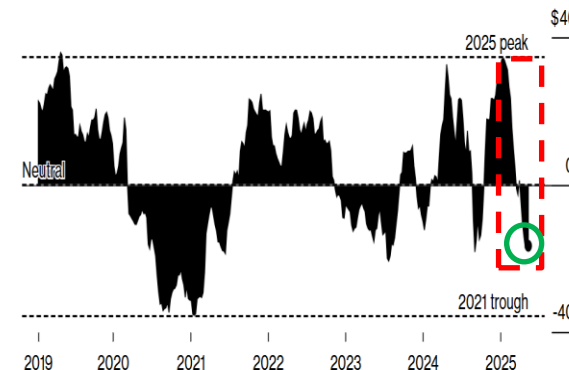
Unit : Index



The baht has appreciated along with other regional currencies, driven primarily by external factors.

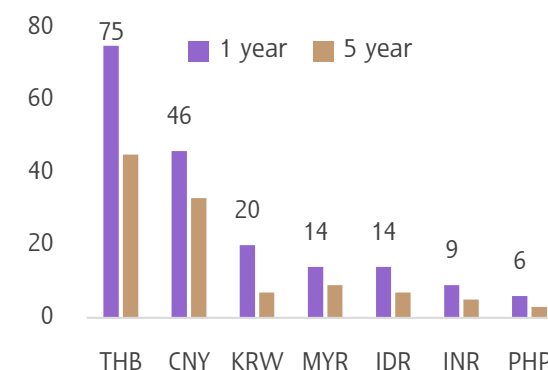
Aggregate USD position,

Unit: Billion USD (Non-commercial traders)



Correlation between gold prices and regional currencies

Unit: %

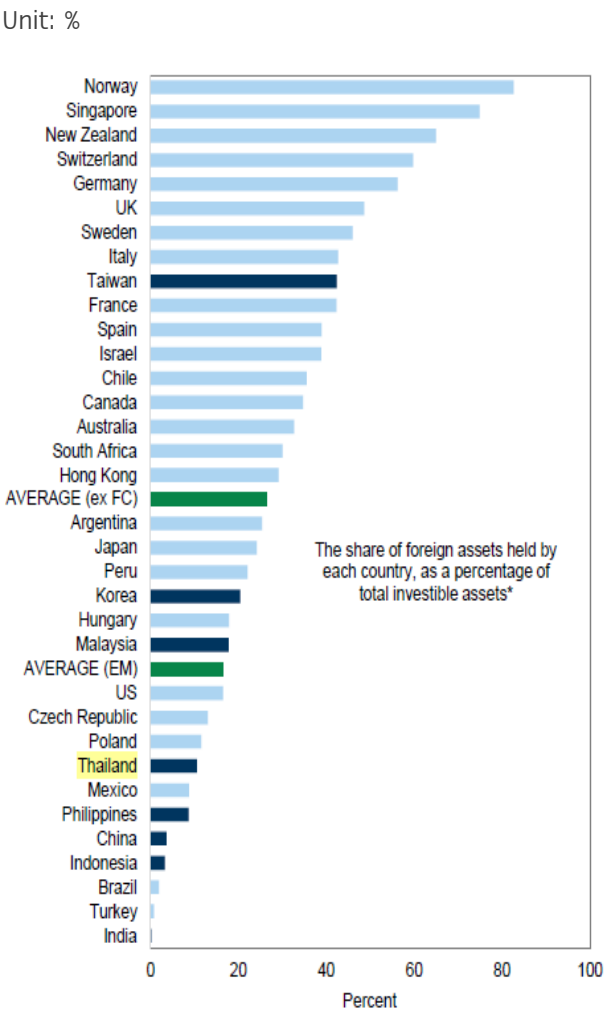


- The U.S. dollar index has weakened due to (1) Trump's intermittent threats to raise import tariffs, (2) concerns over the U.S. fiscal deficit, and (3) some weaker U.S. economic data.
- Regional currencies have appreciated due to capital inflows and trade agreements.
- Gold prices have rebounded at times due to rising war risks in the Middle East.
- Capital has flowed into the Thai bond market, with some flows driven by currency speculation.

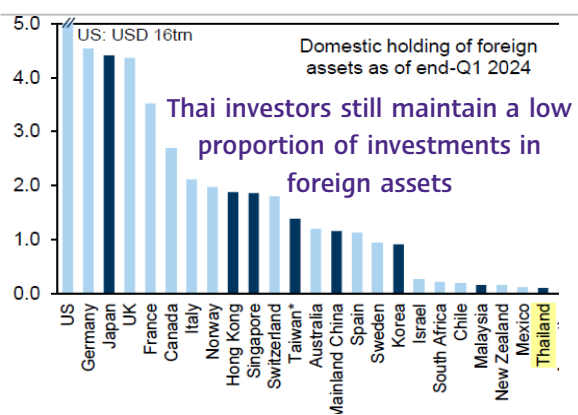
The baht has, however, weakened at times due to uncertainty over tariffs following a ruling by the U.S. trade court that Trump's import tariff measures are unlawful.

The baht is likely to continue appreciating, driven by the weaker U.S. dollar cycle and capital outflows from the United States. However, the baht may not strengthen rapidly, as Thailand’s foreign investment proportion has remained low in the past, suggesting that repatriation flows back to Thailand will likely be limited.

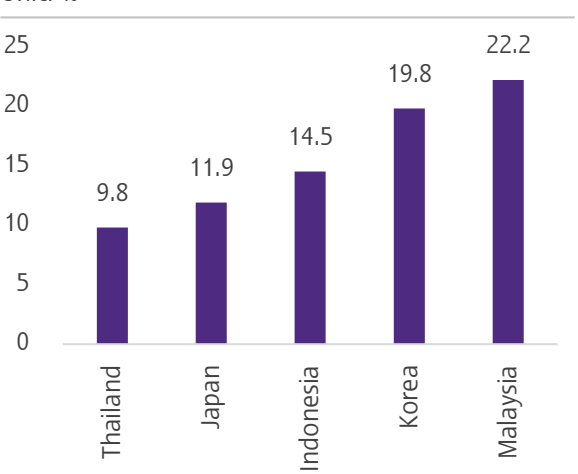
% of foreign assets held by each country



The value of foreign asset holdings



Foreign Holdings in LCY Govt Bonds

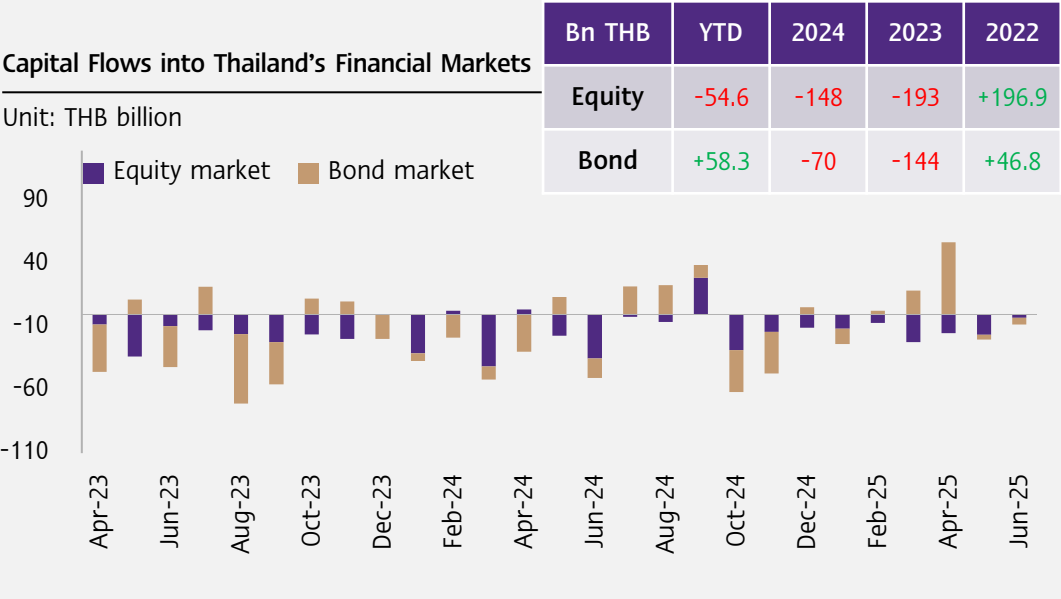


The baht is projected at 31.50–32.50 by year-end, but may weaken at times due to tariff-related news.

- The weakening U.S. dollar cycle will be the main factor supporting baht appreciation this year, as reflected in foreign investors’ sell-off of U.S. assets.
- Capital is likely to flow into Europe and Asia, as investors expect Asian central banks to continue cutting interest rates and the U.S. dollar to continue weakening.
- However, Thailand’s repatriation flows are likely to remain lower than in other countries in the region, as the value of Thai holdings in U.S. assets (equities and bonds) is still low.

Capital Flows into Thailand’s Financial Markets

Unit: THB billion

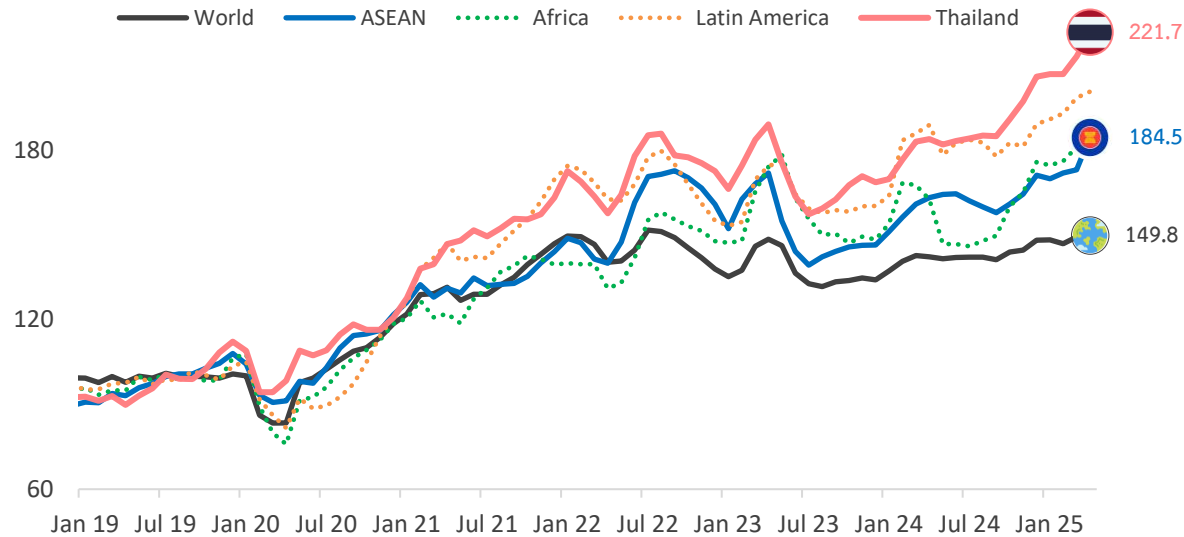


Thailand's manufacturing sector is recovering slowly due to worsening flooding issues in China. Close attention is also needed on the outcome of trade negotiations with the United States, which may impact or benefit certain industries.

Thailand has become a key destination for China's export disposal, with export value to Thailand posting the highest growth in ASEAN and outpacing the global average. Thailand's imports from China have continued to accelerate, resulting in the highest trade deficit with China in over two years.

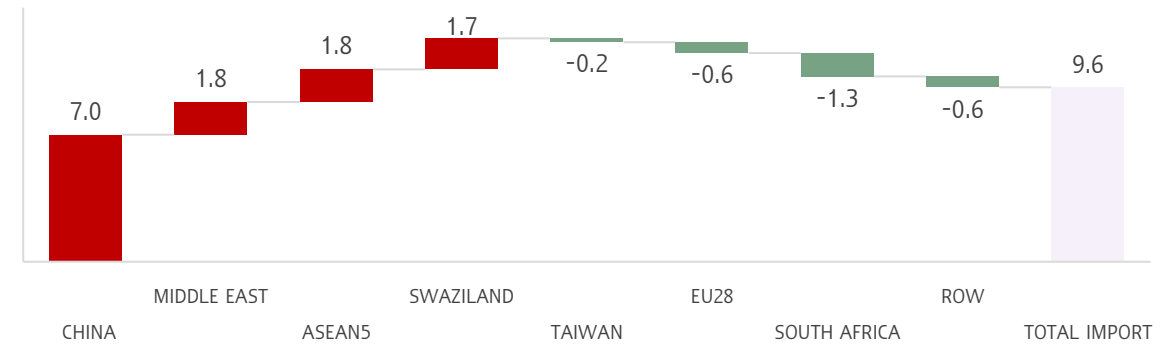
Export Value Index by Country and Region

Unit: Index sa 3mm_ Average 2019 = 100



Contribution to Thai Import Growth in the First Four Months of 2025

Unit: Percentage point



Thailand's Trade Balance by Country

Unit: USD Million

	2019	2020	2021	2022	2023	2024	Jan - Apr 25	%YTD
World	10,016	25,483	5,131	-13,605	- 3,435	- 6,356	- 2,251	-61%
% Nominal GDP	1.8%	5.1%	1.0%	-2.7%	-0.7%	-1.2%		
Major trade deficit								
CHINA	-21,101	-19,988	-29,288	-36,337	-36,653	-45,365	- 19,233	40%
SOUTH AFRICA	- 5,449	- 6,116	- 7,498	- 9,003	-13,074	-17,595	- 5,713	-25%
SWITZERLAND	- 2,070	2,263	- 7,767	-13,672	-11,771	-13,140	- 3,945	-8%
JAPAN	- 8,673	- 4,878	-10,659	- 9,821	- 6,601	- 5,449	- 1,868	-6%
Major trade surplus								
USA	14,066	19,574	27,571	29,791	29,046	35,428	13,995	32%
INDIA	3,659	2,796	5,897	7,023	5,973	7,700	4,242	99%
CLMV		12,055	14,007	15,238	11,371	13,405	4,134	3%
EU28	2,770	3,543	5,040	6,571	3,755	6,711	3,217	81%
HONG KONG	8,737	9,287	8,733	7,350	8,485	4,664	1,783	-41%
SINGAPORE	1,290	2,028	1,719	2,082	2,112	2,969	899	24%

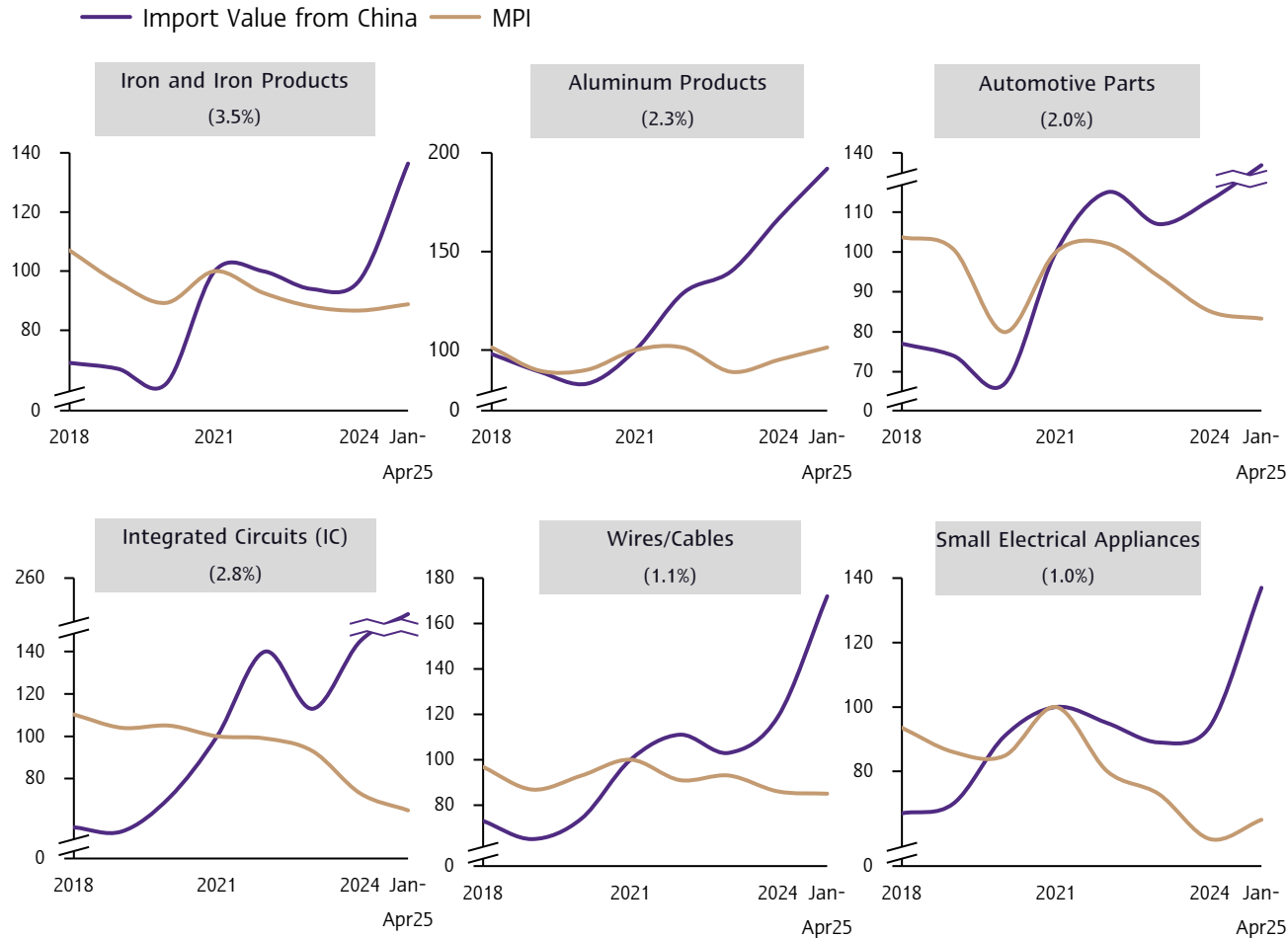
China export growth	%CAGR 2019 - 24	Q1/25	Apr 25
		%YOY	
World	7%	6%	8%
ASEAN	10%	8%	21%
Thailand	14%	18%	28%
Malaysia	14%	3%	15%
Vietnam	11%	16%	23%
Indonesia	11%	12%	37%

Source: SCB EIC analysis based on data from CEIC and the Ministry of Commerce.

The influx of Chinese goods has pressured the recovery of the industrial sector, with consumption and export-oriented production increasingly being replaced by imported goods. This reflects a weakening linkage between domestic production activities and both domestic and external demand.

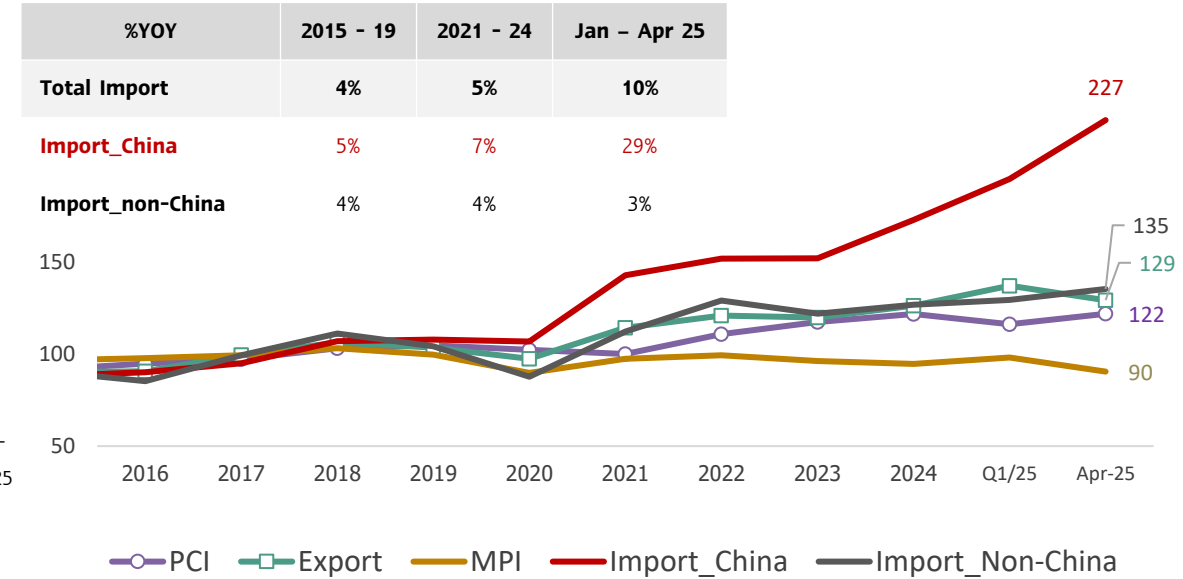
The influx of imports from China has pressured the recovery of Thailand's manufacturing sector.

Unit: Index 2021 = 100 and (%) Share of Domestic Value Added in Production



The Relationship Between Thailand's Trade, Consumption, and Production Indicators

Unit: Index_ Average 2015 - 2019 = 100



Correlation		Export	Private Consumption Index (PCI)
MPI	2015 - 2020	0.91	0.81
	2021 - 2024	-0.51	-0.60
Import from China	2015 - 2020	0.85	0.87
	2021 - 2024	0.98	0.77

The influx of imports and the risks associated with business activities that generate low value added for the Thai economy have contributed to the slow recovery of Thailand’s manufacturing sector, while some producers may face increasingly stringent trade barriers.

Factors Driving the Influx of Imports from China

1 China’s economic slowdown has led to excess inventory in the market

- : Chinese businesses have accelerated the disposal of surplus goods to overseas markets.
- : FTA facilitate easier and lower-tariff imports into Thailand.

2 The Growth of Cross-Border E-Commerce Businesses and Platforms

- : 30% of goods traded via e-commerce channels in Thailand are imported products.
- : The growth of foreign platforms such as SHEIN and TEMU creates limited value added for the Thai economy, as they have not yet invested in or established operational bases within the country.

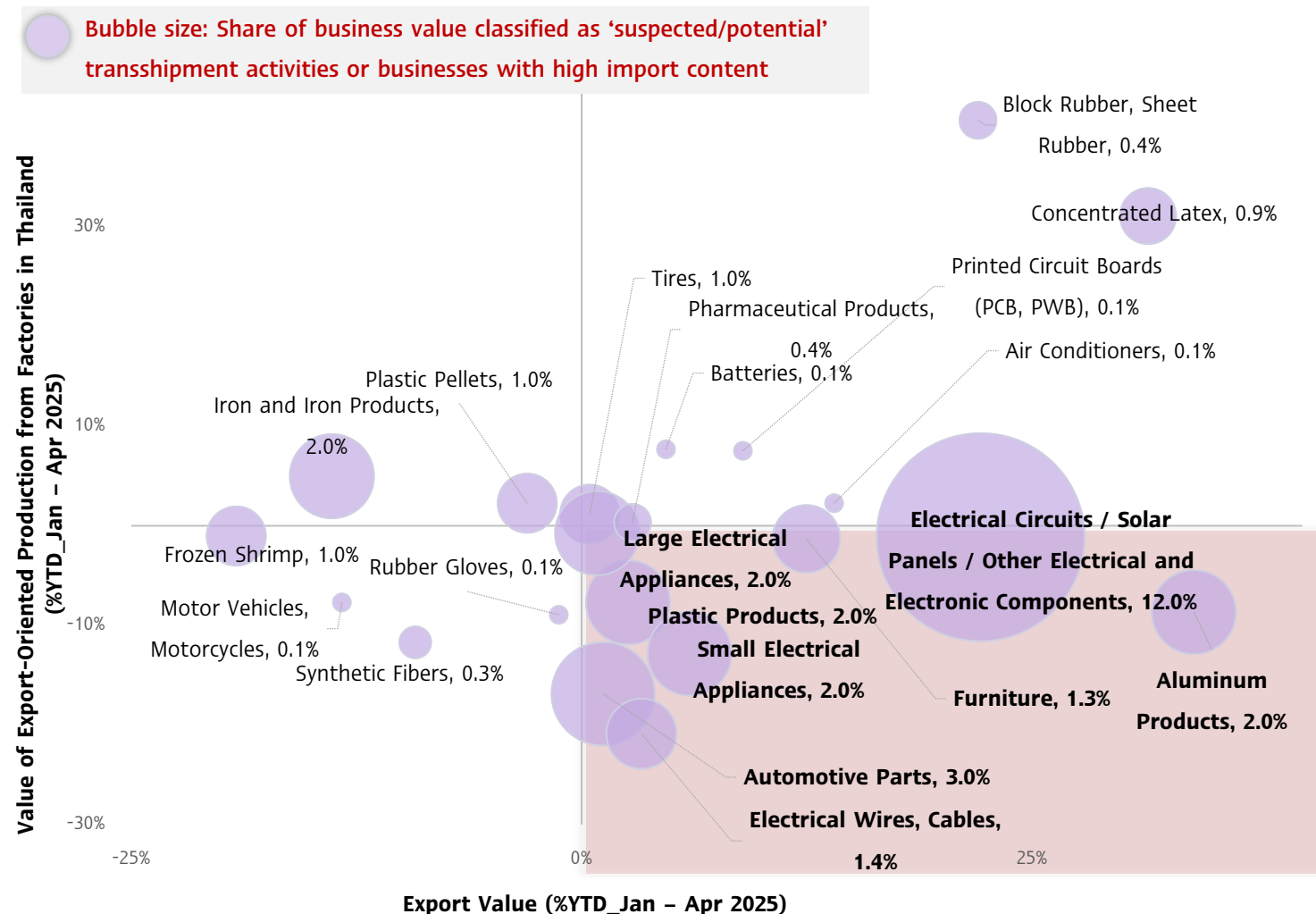
3 Risks from Transshipment Activities and Businesses with High Import Content

	Transshipment Businesses	Businesses with High Dependence on Imported Raw Materials																												
Business Characteristics	<p>Businesses that use Thailand as a transit point to export goods to third countries for the purpose of declaring origin, without actual production taking place in Thailand.</p> <table><thead><tr><th>%YOY</th><th>Value of Export-Oriented Production from Domestic Factories</th><th>Export Value of Goods (Excluding Gold)</th></tr></thead><tbody><tr><td>2019 - 22</td><td>+11.3%</td><td>+5.3%</td></tr><tr><td>2023</td><td>-2.0%</td><td>-0.8%</td></tr><tr><td>Jan 24 - Apr 25</td><td>-0.5%</td><td>+7.5%</td></tr></tbody></table> <ul style="list-style-type: none">• The growth of the export sector and domestic export-oriented production activities has become increasingly misaligned since 2023, which may be due to the growing influence of transshipment businesses on the Thai economy.	%YOY	Value of Export-Oriented Production from Domestic Factories	Export Value of Goods (Excluding Gold)	2019 - 22	+11.3%	+5.3%	2023	-2.0%	-0.8%	Jan 24 - Apr 25	-0.5%	+7.5%	<p>Businesses that conduct actual production in Thailand but have a high dependence on imported raw materials and components.</p> <p><u>Growth of Import Value from China</u></p> <table><thead><tr><th>Category</th><th>2016 - 19</th><th>2020 - 24</th><th>Jan - Apr 25</th></tr></thead><tbody><tr><td>Total import from China</td><td>3%</td><td>16%</td><td>23%</td></tr><tr><td>Capital goods</td><td>1%</td><td>15%</td><td>40%</td></tr><tr><td>Intermediate goods</td><td>4%</td><td>18%</td><td>19%</td></tr></tbody></table> <ul style="list-style-type: none">• The continued expansion of capital goods and intermediate goods imports from China may reduce domestic value added within the production chain.	Category	2016 - 19	2020 - 24	Jan - Apr 25	Total import from China	3%	16%	23%	Capital goods	1%	15%	40%	Intermediate goods	4%	18%	19%
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Impacts on the Thai Economy and Business Sector	<ul style="list-style-type: none">• Creates Low Value Added for the Thai Economy• Creates unfair competition with domestic producers due to cost advantages and tax privileges.• Thai producers may face increasingly stringent non-tariff measures, such as detailed origin inspections, random checks, and quarantines at destination ports, which complicate export processes and inevitably increase hidden costs.																													

Note: Preliminary processing or minor alterations to goods to make them appear as if they are produced in a new country, even though the primary raw materials or nearly all of the goods are imported.
Source: SCB EIC analysis based on data from Priceza Insights, the Ministry of Commerce, the Customs Department, the Department of Industrial Works, and the Office of Industrial Economics.

Transshipment activities and businesses with high dependence on imported raw materials are concentrated in several key Thai industries, particularly in electrical circuits and solar panels, aluminum and plastic products, as well as automotive parts.

The mismatch between Thailand's export growth and domestic production for export shipments



SCB EIC Investigation



5% of manufacturing businesses are 'suspected/potential' transshipment activities or businesses with high dependence on imported raw materials.

: Equivalent to 3,000 establishments nationwide based on 2023 data

: Up from the 1% average during 2014–2019

Policy implications:

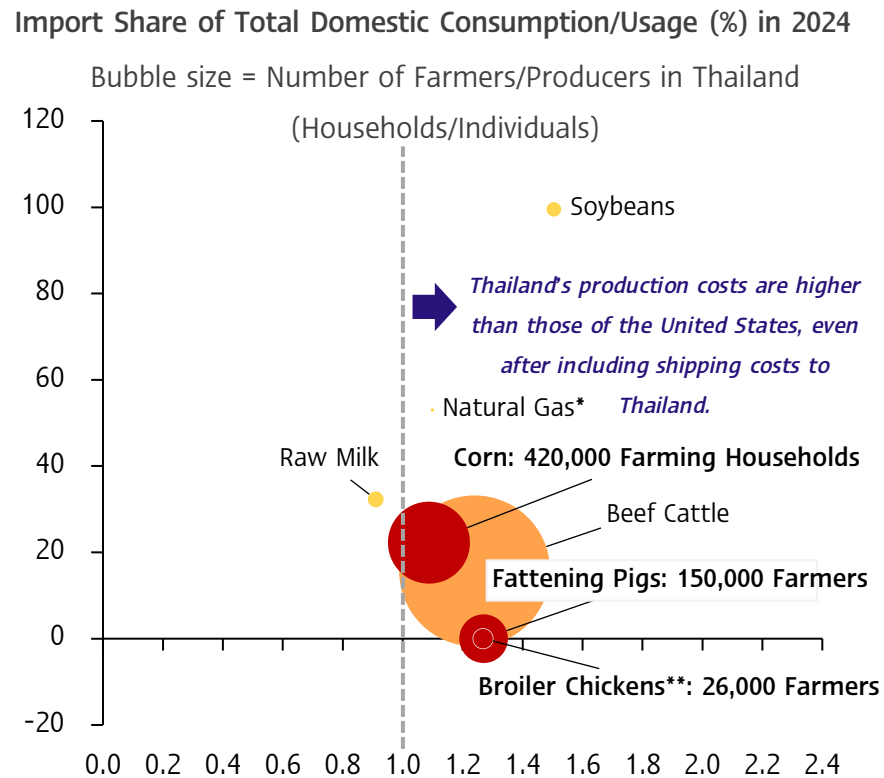
- **Adjusting Investment Promotion Plans** (BOI in Progress)
 - : Enforcing and rigorously monitoring the proportion of local content used
 - : Setting adequate conditions for the transformation of primary raw materials into new products
- **Develop an In-Depth Factory Vetting System** to Assess Actual Production Capacity Against Export Value
- **Protective Measures and Competitiveness Enhancement for Local Producers**, such as Providing Knowledge and Enforcing Anti-Dumping Measures Rigorously

Investigation methodology*

- Data from over 75,000 registered companies in the industrial sector during 2015–2024
- Risk assessment of transshipment activities and businesses with high dependence on imported raw materials, based on three financial ratios:
 - 1) Cost ratio, 2) Inventory turnover ratio, and 3) Revenue-to-fixed asset ratio

Negotiations with the United States are expected to impact certain Thai industries if Thailand must open its market to the US unconditionally. Products likely to be affected include corn, pork, and chicken, which are highly sensitive due to Thailand’s higher production costs and the fact that domestic production already meets consumption demand.

Indicator of Industry Sensitivity to Market Liberalization



Ratio of Production Costs in Thailand to Production Costs in the United States (Including Shipping to Thailand), 2024

Sensitivity of Domestic Industries to Market Liberalization for the United States Without Import Conditions (Worst-Case Scenario)

Products	Trade Restriction Measures on US Products	Sensitivity Level***	Description
Corn	Import Tariff: 73%	High	Thailand's production costs are higher than those of the United States. Current import levels are low. Market liberalization without import conditions would negatively impact 420,000 farming households but would benefit animal feed producers.
Pork and Offal	Tariff: 40%, Import Ban: Ractopamine	High	Thailand's production costs are significantly higher than those of the United States. Thailand relies entirely on domestic production. Market liberalization would negatively impact 150,000 farming households and pig feed producers.
Chicken and Offal	Tariff: 30%–40%, Ban: Avian Influenza (HPAI)	High	Thailand's production costs are significantly higher than those of the United States. Thailand relies entirely on domestic production. Unconditional market liberalization would negatively impact domestic producers.
Beef and Offal	Tariff: 30%–50%, Ban: Ractopamine	Medium	Although Thailand's production costs are significantly higher than those of the United States, Thailand already imports beef. Market liberalization would intensify competition for premium beef producers.
Natural Gas	Import Quota Control	Low	Although Thailand's production costs are higher than those of the United States, Thailand relies on imports for approximately 53%, and the government prioritizes the use of domestically sourced natural gas. As a result, there is no impact on producers.
Soybeans	No Restrictions	Low	Although Thailand's production costs are significantly higher than those of the United States, Thailand relies on imports for nearly 99%, mainly from Brazil, where soybeans are cheaper and have higher protein quality than those from the United States.
Dairy Products	Tariff: 5%–30%	Low	Thailand's production costs are lower than those of the United States. Thailand imports about 30% of its dairy products, particularly skimmed milk powder from Australia and New Zealand, for production and re-export to ASEAN markets.
Temperate Fruits and Crops (e.g., Apples, Cherries, Wheat)			The impact is relatively limited, as there are few producers in Thailand due to the climate being unsuitable for cultivation.

Note: *The ratio of natural gas production costs is calculated based on gas prices announced by the ERC compared to US gas export prices plus shipping costs in 2024.** The US poultry production cost is estimated using the ratio of chicken to pig farming costs in Thailand multiplied by the US pig production cost, as the US does not disclose chicken farming cost data.*** Sensitivity levels are assessed based on 1) the ratio of production costs in Thailand to US production costs including shipping to Thailand, 2) the import share of domestic consumption, 3) the number of domestic producers, and 4) other relevant factors.

Source: SCB EIC analysis based on data from USDA, Trade Map, OAE, and CEIC.

**Overall, business conditions continue to face increasing risks,
but certain subsegments within each business category still
have growth opportunities.**

Business conditions continue to face increasing risks, particularly among groups that rely on exports to the United States and China, and those dependent on domestic purchasing power, which is recovering slowly—especially in the housing and automobile markets. Groups facing a surge in Chinese imports are experiencing intensifying challenges, while those related to the tourism sector are seeing rising negative factors that are weighing on recovery prospects.

Business Outlook for 2025 and Forward-Looking Risks

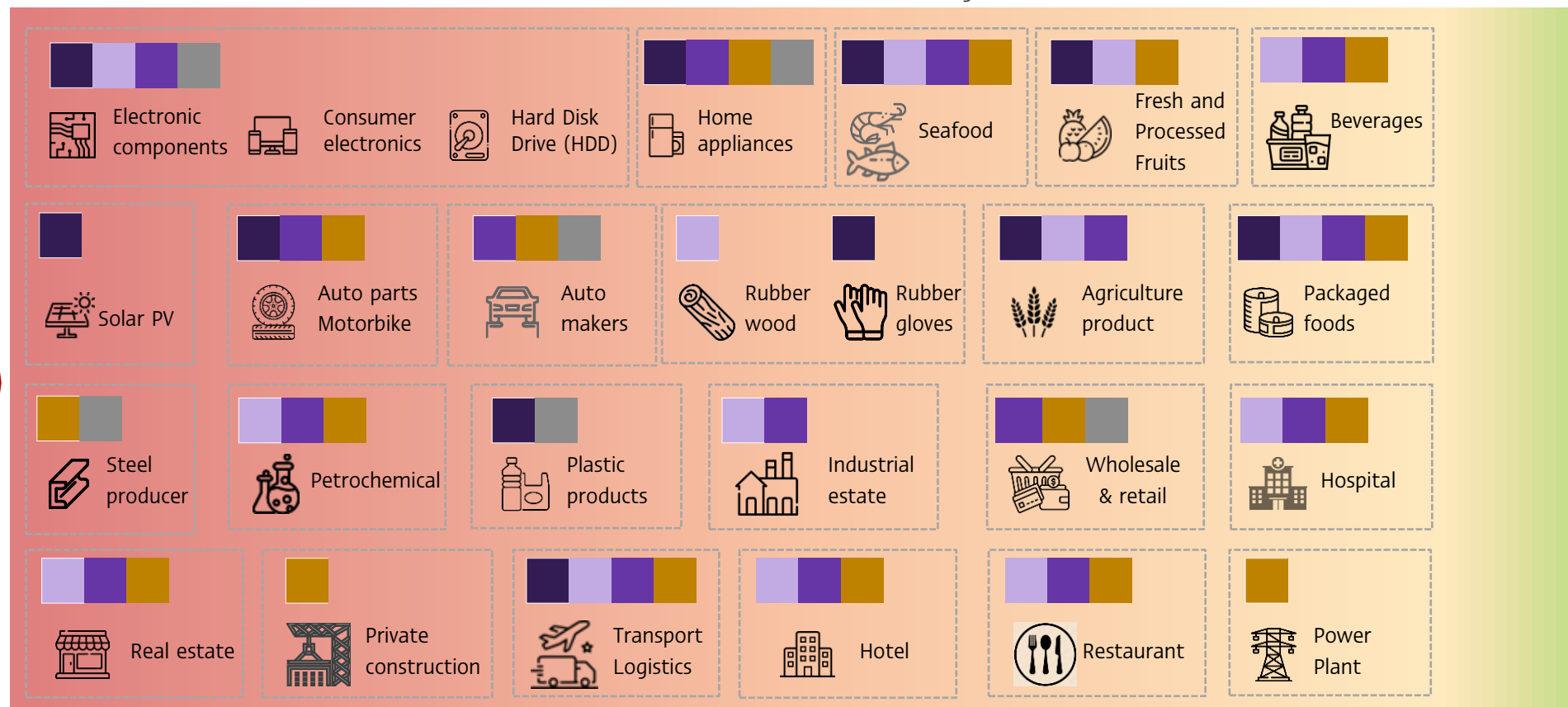
Key Business Risks to Monitor

Uncertainty of Trump Policy and the Outcomes of Trade Negotiations with the US

Geopolitical Issues in Various Countries and the Global Economic Slowdown

The Influx of Chinese Goods and Competitiveness

Fragility of Domestic Purchasing Power



Export to US / US Economic slowdown

Export to China / China Economic slowdown

Global economic slowdown (excl. US and China)

Domestic market slowdown

China influx

Although the business sector faces numerous challenges, including economic risks and the impacts of global megatrends disrupting businesses, certain subsegments within each business category still have growth opportunities. At the same time, there are subsegments that require close monitoring.

Cautious subsegment*	Industry	High-potential growth/Resilience subsegment*
<ul style="list-style-type: none"> Hotels and restaurants heavily reliant on Chinese tourists Tour operators primarily serving Chinese group tours Guesthouses and homestays 	Hospitality	<ul style="list-style-type: none"> Hotels reliant on revenue from tourists with growing arrivals from India, Europe, and the Middle East Hospitals catering to medical tourism Hotels or hospitals providing specialized wellness services with unique offerings or expertise
<ul style="list-style-type: none"> Producers and exporters of fresh, chilled, frozen shrimp and processed shrimp primarily for the US market Processed seafood/fishery products linked to illegal fishing and human trafficking 	Food & Beverage	<ul style="list-style-type: none"> Premium food and beverages, such as cage-free and organic chicken Food and beverages aligned with emerging trends, including sustainability, health & wellness, and biotech, such as plant-based products, functional foods, medical foods, and novel foods
<ul style="list-style-type: none"> Pet food and pet accessory manufacturers primarily reliant on the US market 	Agriculture product	<ul style="list-style-type: none"> Agricultural producers capable of meeting global sustainability demands, such as rubber and palm oil produced from deforestation-free areas and smart agriculture
<ul style="list-style-type: none"> Manufacturers of automotive parts primarily related to powertrain systems, such as exhaust pipes and fuel tanks Exporters of automotive parts with key trading partners in the United States or Japan Minor brand automobile manufacturers 	Automotive	<ul style="list-style-type: none"> Manufacturers and exporters of replacement automotive parts (REM)
<ul style="list-style-type: none"> HDD manufacturers for laptops High-tech product manufacturers, such as chips and computers, primarily exporting to the United States 	E&E	<ul style="list-style-type: none"> Manufacturers of power electronics products
<ul style="list-style-type: none"> Manufacturers of single-use plastic packaging Fossil fuel-based power generation businesses, particularly coal 	Oil & gas Petrochemical Power	<ul style="list-style-type: none"> Sustainable fuel and bio-naphtha used as feedstock for petrochemicals Renewable energy power plants, particularly solar and wind power
<ul style="list-style-type: none"> Residential properties priced below THB 5 million Construction contractors primarily reliant on income from residential construction Flat steel manufacturers Medium- and small-sized operators of rental retail space/office space 	Real estate Construction Building Material	<ul style="list-style-type: none"> Strong real estate and construction businesses, focusing on projects with high potential
<ul style="list-style-type: none"> Large bus service providers primarily serving Chinese tour groups 	Transport & Logistics	<ul style="list-style-type: none"> Built-to-suit warehouses

Indicators: 1.) Sensitivity to economic factors, including fluctuations in domestic purchasing power, external demand, and impacts from geopolitics and trade wars 2.) Competitiveness compared to peers 3.) Challenges and opportunities from key megatrends, including sustainability, health & wellness, new technology, and demographic changes
Source: SCB EIC analysis.

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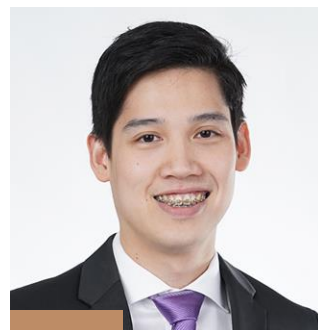
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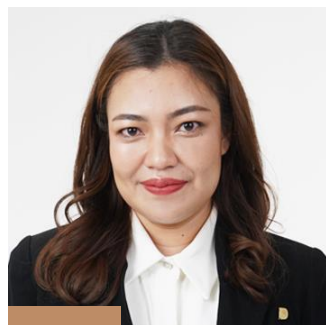
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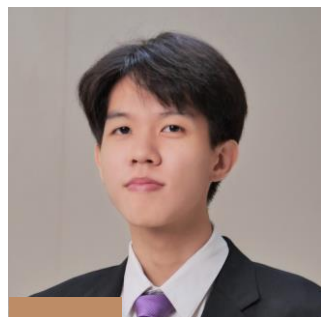
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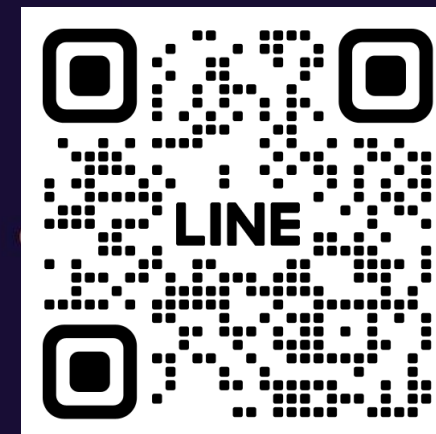
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