Q3/2025

SCB EIC

Outlook

Economic outlook 2025
as of Q3/2025

Thai economy faces external and internal headwinds-A key challenges for the new government to restore confidence, stimulate growth, and lay the groundwork for structural reform and investment upgrade amid global fragmentation

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Outlook Q3/2025

Executive summary

The global economy slows amid trade war uncertainties

- **The global economy is expected to slow in 2025–2026 due to trade war impacts,** with growth moderating to 2.5% and 2.4% in 2025 and 2026, respectively, down from 2.8% in the previous year. The outlook for this year has improved slightly compared to the previous assessment, following greater clarity in trade negotiations with the U.S. and accelerated global production and exports ahead of the implementation of U.S. counter-tariffs.
- **The global economy continues to face heightened uncertainty.** The U.S. may increasingly employ specific tariffs as a strategic weapon, while details regarding tariffs on transshipped goods remain unclear.
- **Global monetary and fiscal policies are expected to become more accommodative, providing greater support to the economy, particularly in major economies.** This will help alleviate pressures and mitigate the impacts of policy uncertainties under Trump 2.0, as well as address structural challenges facing the global economy.

The Thai economy faces both external and internal challenges under increasing fiscal constraints.

- **SCB EIC projects Thailand's economy to expand by 1.8% this year and 1.5% in 2026.** In the first half of this year, growth may average below 1%, with risks of a technical recession remaining.
- **Thailand's economy is finding it increasingly difficult to rely on external demand.** Exports are slowing due to the impact of the trade war, while the baht's appreciation, misaligned with economic fundamentals, is exerting pressure on competitiveness. Meanwhile, foreign tourist arrivals are recovering only gradually amid intensifying competition.
- **Domestic vulnerabilities are rising.** SMEs remain fragile, with average incomes still below pre-COVID levels and profitability subdued, while the number of zombie firms continues to increase. Labour market conditions have weakened, reflected in higher unemployment and declining household incomes. At the same time, fiscal constraints are limiting the scope for stimulus policies.
- **SCB EIC assesses that the MPC has room for one additional policy rate cut.**
- **SCB EIC expects the policy rate to be lowered to 1.25% this year, with one further cut early next year bringing it down to 1%.** This easing would help relax financial conditions in line with the outlook for slower Thai economic growth in the coming year.

Thailand has an opportunity to attract FDI in the wake of Trump's policies, but both businesses and the government must adapt.

- FDI in Thailand has the potential to expand, particularly in data center and food for the future.
  - **Traditional target industries**, such as electronics and automotive, will continue to expand but will face mounting pressures from trade policy uncertainties and capital flows returning to USMCA, Japan, and the EU, which benefit from trade agreements with the U.S. These factors will intensify competitive challenges and increase investment requirements.
- **Thailand must accelerate adjustments to attract foreign investment.**
  - **Thai businesses should enhance production standards**, develop clusters to integrate with international supply chains, and invest in new technologies and workforce skills.
  - **The government should accelerate regulatory reforms, reduce barriers, and establish an ecosystem** conducive to investment, alongside pursuing trade negotiations to strengthen investor confidence.

Thai Economy in 2025

Thailand's economy faces multifaceted challenges. External reliance is increasingly difficult, while domestic conditions remain fragile. These pose critical tasks for the new government in restoring confidence, stimulating the economy, and laying the foundation for structural reforms, including enhancing national investment amid a polarised global landscape.

Key forecasts

(Previous forecast)

GDP

(%YOY)

2025F	2026F
1.8	**1.5**
August (1.8)	August (1.5)

1. SCB EIC forecasts Thailand's economy to grow by 1.8% in 2025 and 1.5% in 2026. Growth in the second half may average below 1%, with risks of a technical recession.
2. Thailand's external dependence is increasingly strained. Exports are expected to slow due to trade wars. The baht's appreciation, misaligned with fundamentals, undermines competitiveness, while foreign tourist recovery remains sluggish amid intense competition.
3. Domestic fragility is intensifying, as reflected in vulnerable SMEs, average incomes still below pre-COVID levels, low profitability, and a rise in "zombie" firms. Unemployment is rising, incomes are falling, and fiscal constraints are limiting stimulus spending.

Policy rate (year-end)

(%)

2025F	2026F
1.25	**1.0**
August (1.5)	August (1.0)

1. SCB EIC expects the MPC to cut its policy rate by an additional 25 bps to 1.25% within this year, followed by another 25 bps reduction to 1.00% in early 2026. This easing stance aims to support financial conditions in line with Thailand's slowing economic growth outlook. Inflation is projected to remain below the lower bound of the monetary policy target range, while credit quality continues to deteriorate.
2. Financial conditions remain tight, as reflected by the real policy rate staying above its historical average, continued contraction in credit growth, and the baht index returning to levels seen prior to the 1997 crisis. Policy rate cuts will help cushion the economy, ease debt servicing burdens for borrowers, and facilitate the deleveraging process for both corporate and household sectors going forward.

Exchange rate (year-end)

(THB/USD)

2025F	2026F
31-32	**31.5-32.5**

1. The U.S. economic outlook remains a dominant factor influencing the strength of the baht. Markets are beginning to anticipate that the Fed may cut interest rates three times this year, with the terminal rate at 3%. External pressures weakening the baht are limited, such as political developments in France and Japan.
2. Persistently low oil prices will support Thailand's current account balance. Investors and businesses may increasingly convert USD into local currency, driven by expectations of a weaker U.S. dollar (instead of depositing in FCD accounts), following strong export revenues during the earlier frontload period. This factor may further strengthen the baht.
3. The baht is expected to trade within the range of 31.50–32.00 this month, and 31–32 THB/USD by year-end.

Source: SCB EIC analysis based on data from NESDC, OAE, NSO, EC, MOF, BOT, MOC, TAT, CEIC, and Bloomberg

Thai Economy in 2025

Positive factors

Economic stimulus measures and long-term structural reform policies of the new government

Negative factors

Political uncertainty in Thailand and discontinuity in fiscal stimulus

Potential escalation of Thailand-Cambodia conflict

Risk factors

Protectionist trade policies exert pressure on exports and investment

Tight financial conditions, high household debt, and limited access to retail credit increasingly impact the real economy, particularly through a sharp slowdown in private consumption

Thailand's manufacturing sector is recovering slowly, partly due to rising import pressure from Chinese goods and increased competition with Thai businesses

Rapid appreciation of the baht ahead of regional peers undermines competitiveness in exports and tourism

Source: SCB EIC analysis based on data from NESDC, OAE, NSO, EC, MOF, BOT, MOC, TAT, CEIC, and Bloomberg

Global Economy in 2025

The global economy in late 2025 and throughout 2026 will be increasingly affected by Trump 2.0 policies, though monetary and fiscal policies will continue to provide support.

Economic growth

- **The global economy is expected to slow in 2025–2026,** with growth declining to 2.5% and 2.4% respectively, from 2.8% the previous year. This year's outlook has slightly improved compared to the previous forecast, following clearer trade negotiations with the U.S. and accelerated global production/export activity ahead of the implementation of reciprocal tariffs.
- **The global economy continues to face high uncertainty.** The U.S. may increasingly use specific tariffs as strategic tools, while details of tariffs on transshipped goods remain unclear.

Inflation rate

- **Global inflation in 2025–2026** is expected to decelerate compared to previous periods, in line with the economic slowdown.
- **However, U.S. inflation risks accelerating** due to the imposition of tariff barriers.
- **China is likely to face persistent deflationary pressures** due to declining global demand for Chinese goods, oversupply conditions, and cautious domestic consumer spending.

Monetary policy direction

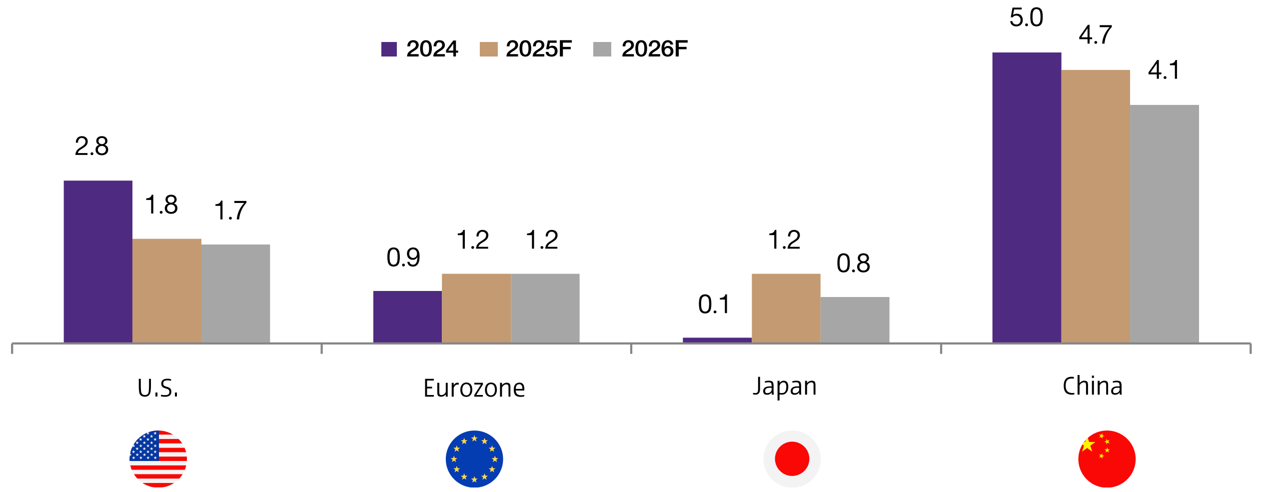
- **Major central banks are expected to ease monetary policy to support the economy** (except Japan).
- **The Fed is expected to cut interest rates by a total of 125 bps in 2025–2026** due to significant labour market weakness.
- **The current rate-cutting cycle by the ECB is nearing its end,** having already reduced 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** (with a total increase of 25 bps for the year) and may begin raising rates again in early 2026, once domestic wage negotiations and the impact of U.S. tariff barriers become clearer.

Source: SCB EIC analysis

Meter 1-5 in colors from left to right: red-worse/ yellow-moderate/ green-good

Economic growth in 2024-2026

Unit: %YOY



Positive factors

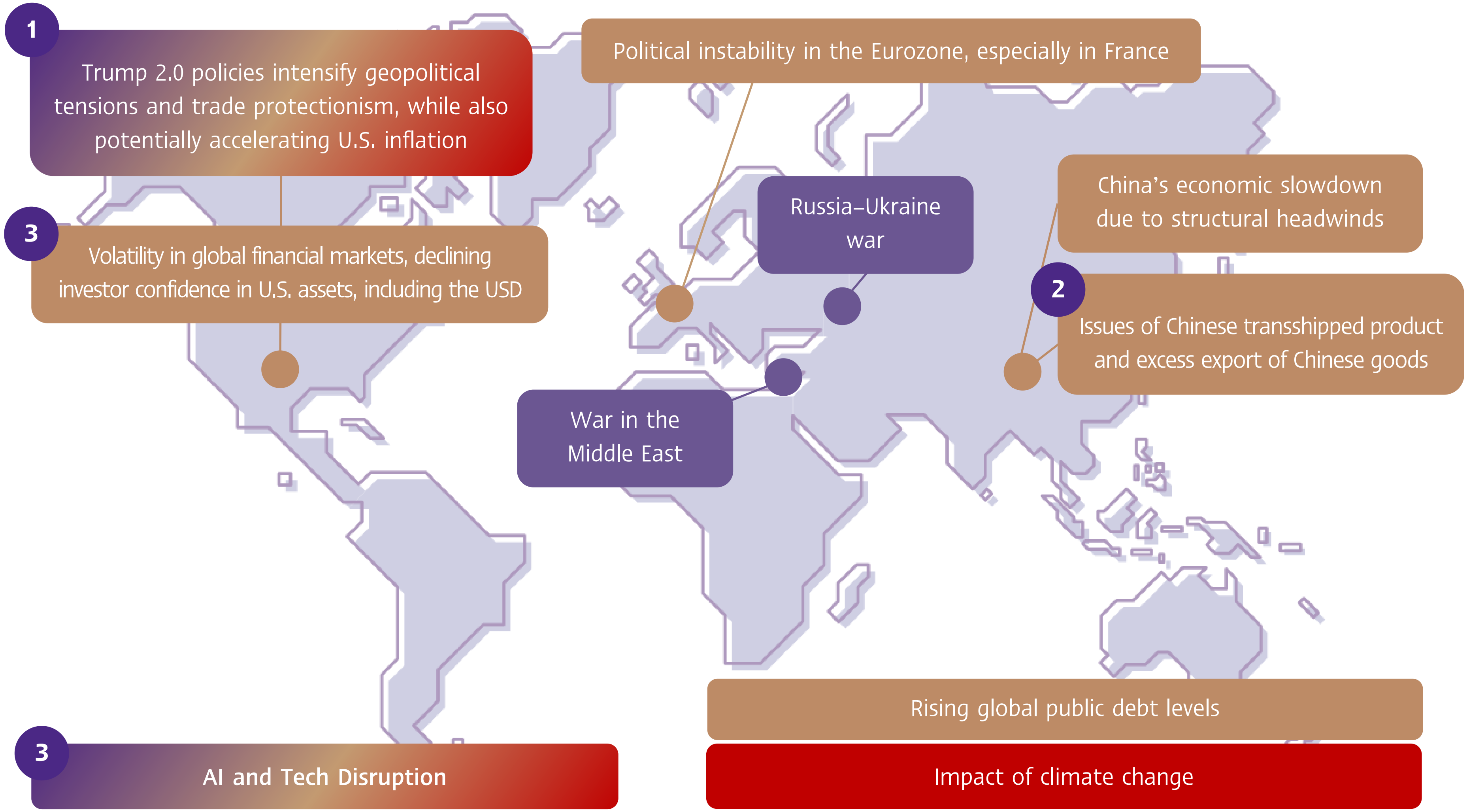
- Accelerated production and trade activities prior to the full impact of trade wars, particularly in electronics products that have not yet been subjected to tariff barriers
- Japan's economic recovery gaining momentum
- Governments in several countries are increasingly likely to implement fiscal stimulus measures to mitigate the adverse effects of Trump 2.0 policies
- Global inflation decelerating
- Policy interest rates expected to decline gradually
- Rising investment momentum and adoption of AI/Data center

Risk factors

- Trump 2.0 policies are intensifying geopolitical tensions and exacerbating global trade protectionism.
- China's manufacturing overcapacity has led to an influx of low-cost Chinese goods, intensifying competition across multiple countries.
- Heightened volatility in global financial and investment markets
- The wave of investment and adoption of AI and data centres is exerting downward pressure on labour demand.
- Protests and demonstrations in several regions, including France and Indonesia

Source: SCB EIC analysis

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

Source: SCB EIC analysis

Global Economy

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The global economy is expected to slow sharply in 2025–2026 **amid shifting trade regulations and rising risks,** before recovering moderately but remaining below past growth levels due to structural challenges such as demographics.

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

GDP Growth (%YOY)	2024	2025F		2026F	
		Aug 25	Sep 25	Aug 25	Sep 25
Global	2.8%	2.4%	2.5%	2.4%	2.4%
U.S.	2.8%	1.6%	1.8%	1.6%	1.7%
Eurozone	0.9%	1.2%	1.2%	1.2%	1.2%
Japan	0.1%	1.1%	1.2%	0.8%	0.8%
China	5.0%	4.7%	4.7%	4.1%	4.1%
India	6.7%	6.3%	6.4%	6.1%	6.1%
ASEAN-5*	5.4%	4.9%	4.9%	4.8%	4.8%

	2025	2026	Medium term
Trade fragmentation	Accelerate production and exports before U.S. import tariffs take full effect	Global trade growth remains subdued due to protectionist policies	Global trade shows some improvement but remains slower than in the past due to changing trade global landscape
Fiscal tightrope	**Fiscal policy supports the economy** in cushioning the impacts from Trump 2.0 policies		**Elevated public debt and rising fiscal risks** pose threats to stability, with growing concerns over potential credit rating downgrades
Enduring low rates	**Major central banks gradually cut policy rates,** providing support to the economy		**The rate-cut cycle comes to an end,** yet low interest rates continue to provide positive effects
Aging pressures	**Demographic shifts lead to slower labour force expansion, partly driven by ageing societies** The share of the global population aged over 65 is projected to rise to 16% by 2050 (from the current 10%)		
Technology catalyst	**Tech investment drives economic growth but also brings negative impacts, such as workforce downsizing**		**Productivity rises alongside tech investment, but** with workforce downsizing risk

Note: *ASEAN-5 refers to Indonesia, Malaysia, Singapore, the Philippines, and Vietnam.
Source: SCB EIC analysis based on data from IMF, World Bank, and Bloomberg.

Global trade and investment are expected to continue expanding, albeit at a slower pace, due to U.S. tariff barriers and heightened uncertainty. Protectionist policies are likely to persist at high levels.

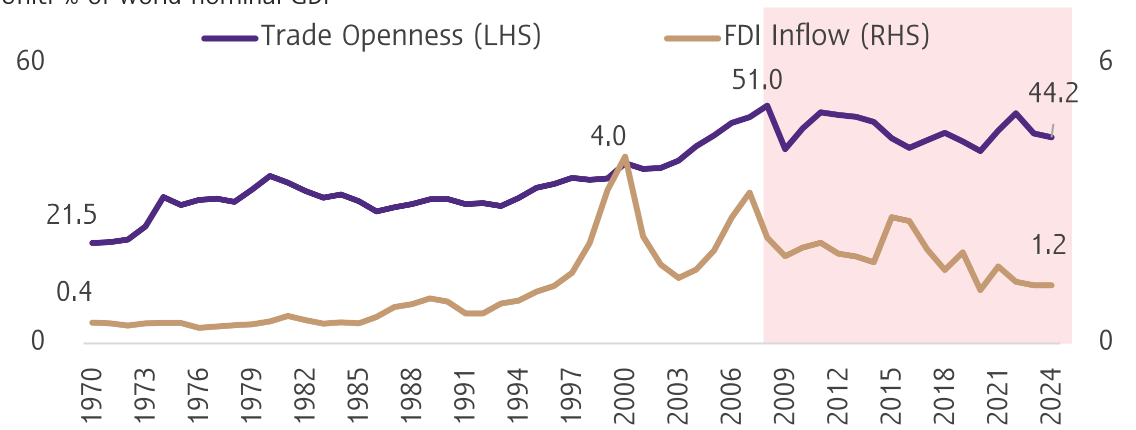
Global trade and services volume forecast by IMF as of July 2025

Unit: %YoY, including goods and services

- **IMF projects that global trade in goods and services will continue to slow in 2025–2026 before rebounding in 2027–2028.** However, growth will remain below the pre-COVID two-decade average of around 5%. The full impact of U.S. tariffs is expected to materialise in 2026.
- **The World Bank estimates that global trade in goods and services will slow to 1.8% in 2025** (down from 3.4% in 2024) **before picking up to 2.4% and 2.7% in 2026 and 2027,** respectively. The recovery in trade is expected to vary across countries.
- **Both the IMF and World Bank concur that global trade in the medium term will recover but grow at a slower pace than the pre-COVID period,** reflecting shifts in global trade rules and the effects of protectionist policies.

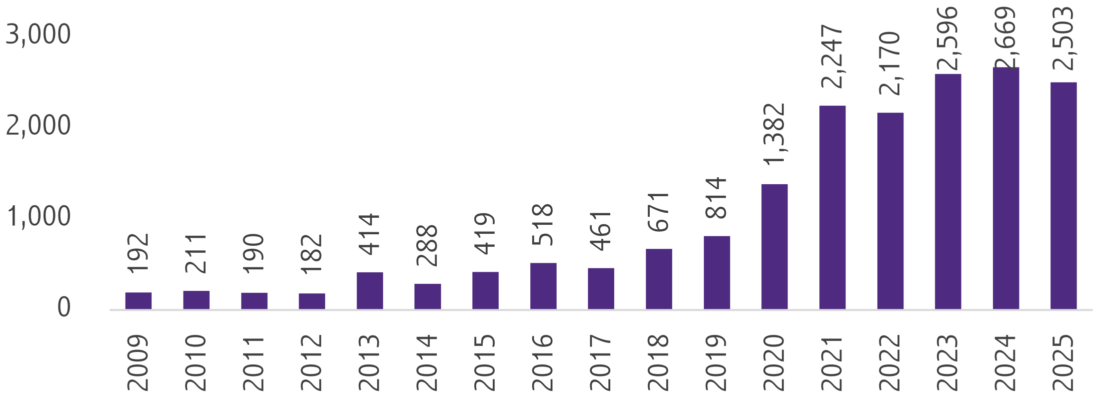
Share of global trade and FDI to world GDP

Unit: % of world nominal GDP



New discriminatory policies on global trade, industry, and investment

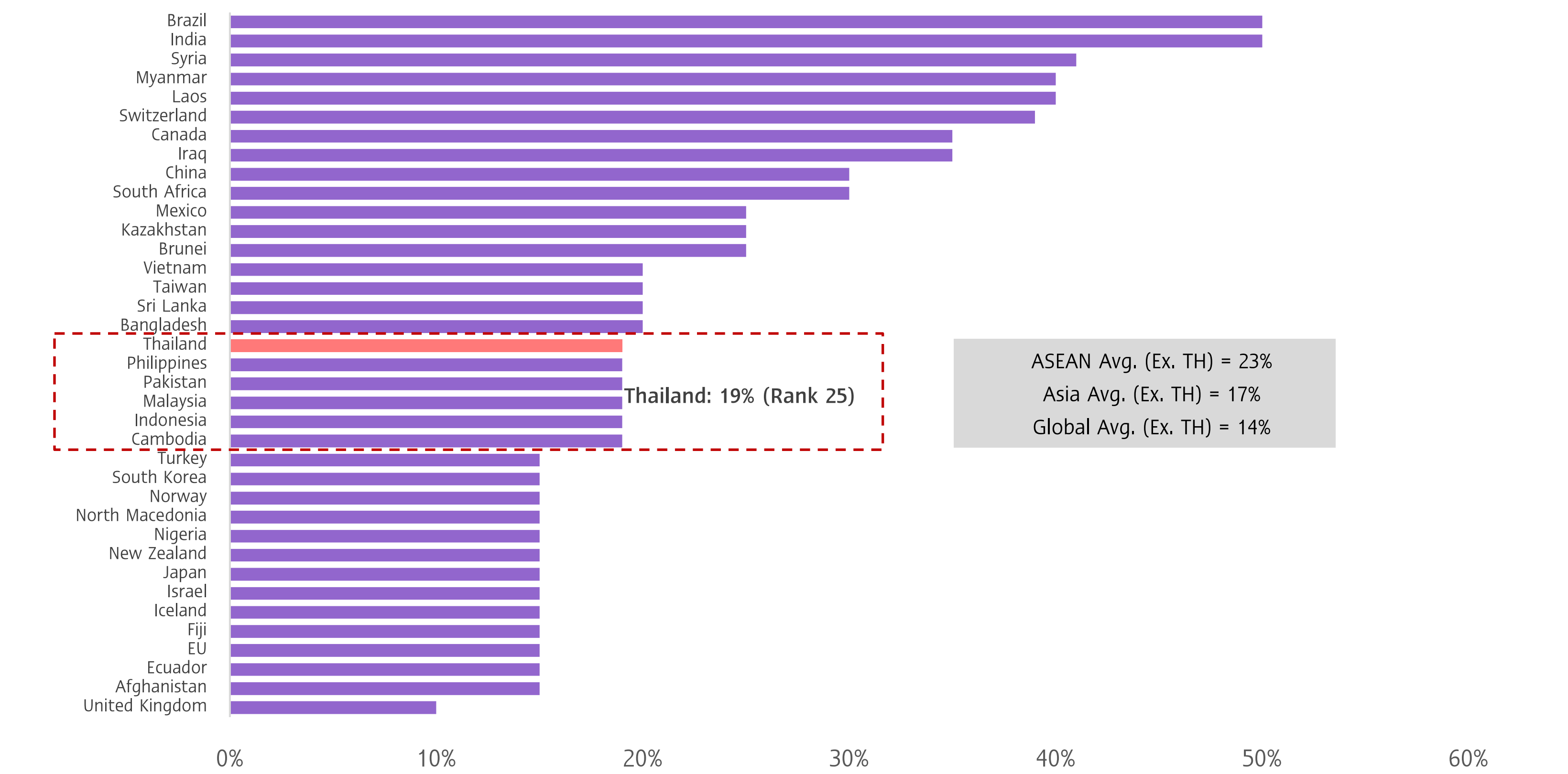
Unit: Number of new policies during 1 January – 28 September of each year



Source: SCB EIC analysis based on data from IMF, WTO, UNCTAD, World Bank, Global Trade Alert, and CEIC.

Although U.S. import tariff policies have become clearer, they remain highly complex. In addition, specific counter-tariffs targeting certain products or countries have yet to be finalised.

% U.S. Reciprocal Tariffs (38 out of 72 countries)



Countries	U.S. counter-tariff rate	Note: HTSUS Rate
All countries worldwide	HTSUS Rate + Reciprocal tariff Example: Thailand's average HTSUS rate of 3.5% + 19% = 22.5% (rates vary by product)	Harmonized Tariff Schedule of the United States (HTSUS): Tariff rates imposed by the U.S. on global imports, or **MFN rates**, averaging 3.6%.
Europe, Japan	If HTSUS Rate < 15% = Max 15%; If HTSUS Rate > 15% = HTSUS Rate	
Transshipment tariffs	HTSUS Rate + 40%	

U.S. import tariff policies comprise multiple frameworks.

1. Reciprocal tariff

Tariff rates of 15%–50% apply to 72 countries with large trade surpluses with the U.S., while a 10% rate applies to most other countries that either run trade deficits with the U.S. or have relatively small surpluses, such as Singapore.

2. Specific tariff (Sector/Country)

Tariff rates range from 25%–100%.

- **Products:** include steel, aluminum, copper (50%), automobiles and parts (25%), medicines (100%), and the steel content of certain products (50%).
- **Countries:** Brazil (40%), India (25%), China (20%), Canada (35%), and Mexico (25%) — applicable only to goods outside the USMCA framework.

3. Transshipment tariff

A 40% tariff rate will apply to transshipped goods, though details remain unclear.

- The U.S. may establish a minimum value-added threshold that the originating economy must obtain for goods exported to the U.S. to prevent trade circumvention.
- Minimum local or regional value chain requirements may also be introduced.

Tariff exemption

A 0% tariff rate applies to goods deemed essential to the U.S. economy but with limited or no domestic production capacity — such as LED bulbs, graphite, and certain pharmaceutical ingredients.

Source: SCB EIC analysis based on data from The White House and the United States International Trade Commission (USITC).

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The U.S. is likely to increasingly use specific tariffs as a strategic tool. Countries highly dependent on the U.S. market, such as Mexico, have begun planning to impose tariffs to Asian trading partners as a means of negotiating with the U.S.

U.S. import tariff policy remains uncertain. The U.S. may impose additional product-specific tariffs.

Products subject to announced or potential specific tariffs by the US

Patented pharmaceuticals (100%) (excluding companies that have already invested or established production facilities in the U.S.)

Heavy-duty trucks – 25%

Home improvement items such as kitchen cabinets and sinks – **50%**

Upholstered furniture – 30%

Announced on 26 September and effective from 1 October.
(Thai products at risk account for 1–2% of total Thai exports to the U.S.)

Semiconductors (tariffs may reach up to 300%, excluding companies planning to invest in the U.S.)

Wood and wood products

Commercial aircraft and jet engines

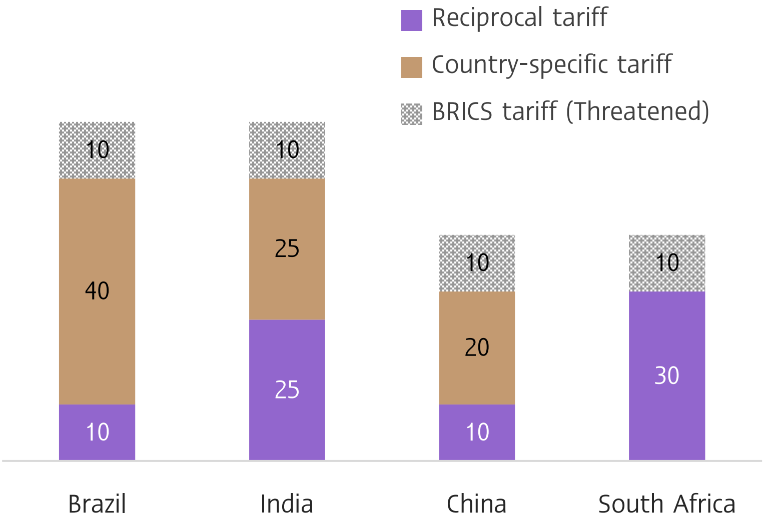
U.S. import tariff policy remains uncertain, pending Supreme Court ruling.
If ruled unlawful, Trump still has alternative options such as:

- **Section 232** of the Trade Expansion Act of 1962 – expanding sectoral tariffs
- **Section 122** of the Trade Act of 1974 – imposing a universal tariff of 15% for 150 days
- **Section 301** of the Trade Act of 1974 – imposing tariffs on countries with unfair trade

BRICS countries are at risks of facing higher U.S. import tariffs due to country-specific tariffs (currently averaging around 40%).

U.S. import tariff rates imposed on BRICS countries

Unit: %



Russia is already subject to U.S. trade and investment sanctions.

- **Trump has threatened to increase tariffs on BRICS countries by an additional 10%** on top of already high rates.
- **Measures to penalise countries trading with Russia are becoming clearer.** The U.S. has imposed an additional 25% tariff on India (effective 27 August).

Countries highly dependent on the U.S. may increase restrictions on Chinese or China-related products to negotiate lower import tariffs with the U.S.

Mexico plans to impose import tariffs on Asian countries

50%
Chinese products,
especially steel, automobiles and parts

10-50%
Products from countries with which Mexico has no trade agreements, such as South Korea and India
Covering over 1,400 items
(Thailand at risk)

Who's Next?

- **Mexico aims to promote domestic manufacturing and pass on the burden of U.S. import tariffs to Asian** trading partners by increasing import tariffs on countries **such as China, South Korea, and India. Additional Asian countries may also be targeted** to negotiate a reduction in tariffs on non-USMCA goods from the current rate of 25%.

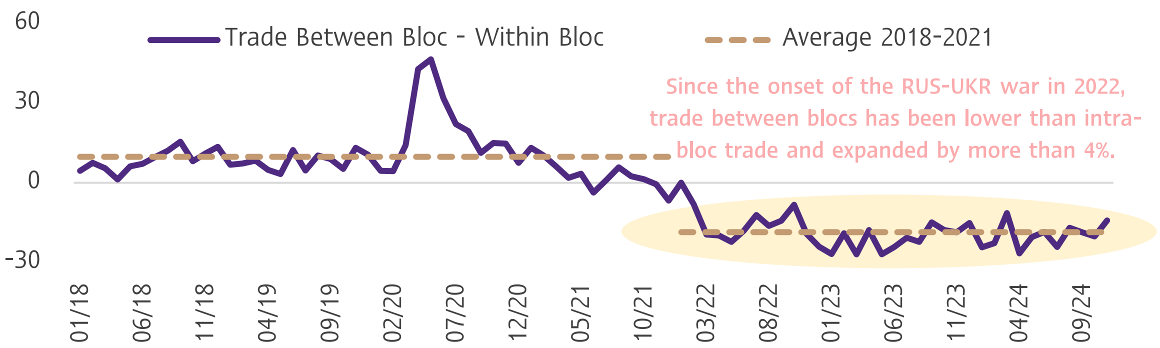
Source: SCB EIC analysis based on data from The White House, Goldman Sachs, FT, Bloomberg, CNBC, BBC, Xinhua, CNN, Reuters, and ReedSmith

Intra-bloc trade and trade with nonaligned countries are on the rise. Trade policy uncertainty has reached a historic high this year, exerting pressure on developing countries through heightened volatility.

Global trade is increasingly concentrated within blocs, while inter-bloc trade has declined.

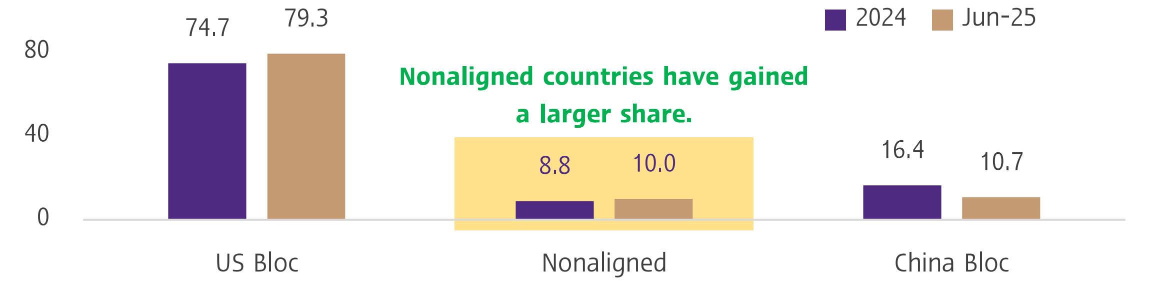
Trade divergence between blocs (East/West)* and within blocs, by WTO (April 2025)

Unit: Index



The U.S. has increased imports from bloc-aligned and nonaligned countries (by Capital Economics).

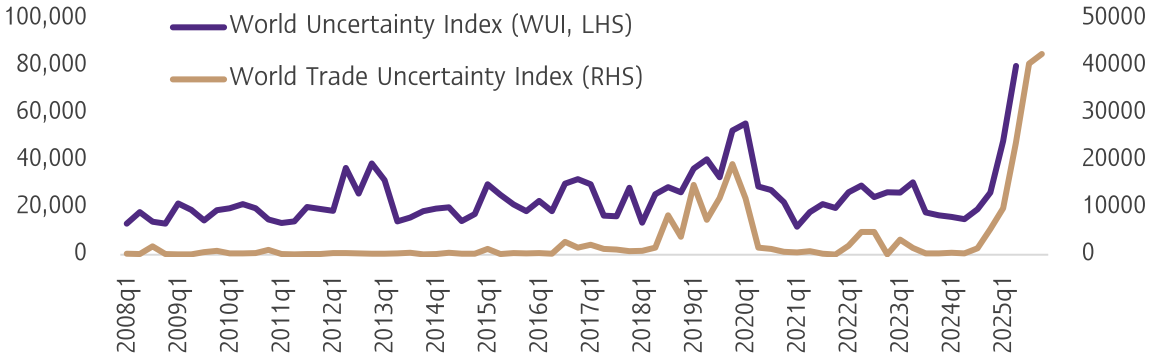
Unit: % share of imports from each bloc / total U.S. imports



Trade policy uncertainty reached a historic high in 2025.

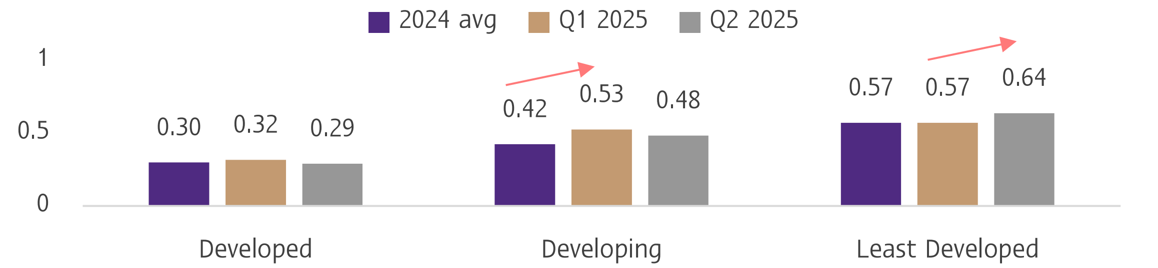
Global and trade policy uncertainty

Unit: Index



Trade policy uncertainty has caused greater trade volatility in developing countries

Unit: Volatility (coefficient of variation over a 3-month period)



- **Rising geopolitical tensions and protectionism have intensified trade policy uncertainty, leading to a slower global trade growth compared to historical trends.**
- **U.S. trade policy uncertainty has caused greater trade volatility in developing countries than developed ones,** due to their higher trade dependency, lower capacity to cope with unpredictable trade policies, and limited ability to attract foreign investment and adapt to changes in global trade and supply chains.

Note: WTO classifies countries into geopolitical blocs based on voting behaviour in the United Nations General Assembly.

Source: SCB EIC analysis based on data from World Trade Organization (WTO), UN Trade and Development (UNCTAD), and The World Uncertainty Index

Geopolitical challenges will intensify competition in FDI attraction in strategic industries, to integrate into evolving global supply chains and transition toward the modern economy, further accelerating the trend of Friendshoring / Nearshoring / Reshoring.

Challenges and Opportunities for Global Foreign Direct Investment in the Long Term

4 Challenges

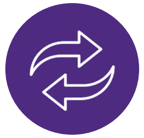
1. **Geopolitical tensions,** such as the U.S.–China and Russia–Ukraine conflicts, have led to diversion of investment in high-risk countries and greater protection of critical technologies.
2. **Global economic slowdown** and subdued global demand have caused investors to delay production expansion.
3. **Stricter investment regulations,** such as the U.S. tightening scrutiny of outbound investments by American firms, while China's anti-involution policy may influence corporate investment decisions.
4. **Trade policy uncertainty**, especially from higher U.S. import tariffs and potentially increased global trade protectionism, has led to exchange rate volatility,

4 Opportunities

1. **Policies to attract foreign investment**, particularly in strategic industries, such as the CHIPS Act in the U.S.
2. **Supply chain diversification** to reduce reliance on a single country, accelerating Friendshoring / Nearshoring.
3. **Investment in natural resources** to reduce dependence on China, e.g., rare earths and iron ore.
4. **Transition toward the Green & the Digital Economy.**

Strategic and Selective Investment

focusing on digital and green technologies through Friendshoring / Nearshoring.



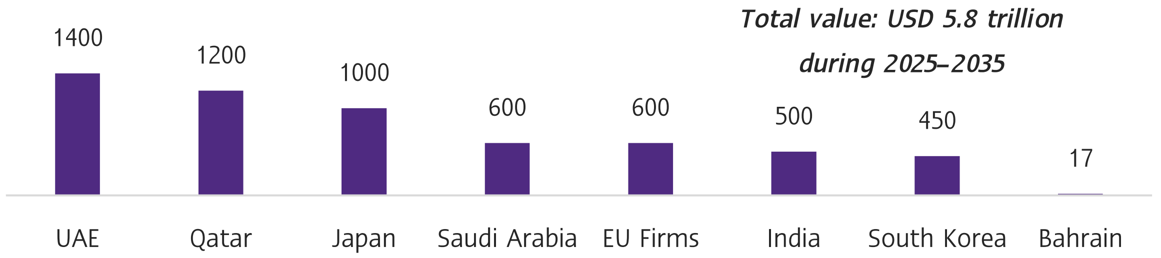
Investment Diversion

- **The U.S. and EU are slowing outward direct investment** but increasing Reshoring / Nearshoring.
- **China and BRICS are reducing investments in the West** but increasing investments in BRI, ASEAN, and the Global South (Friendshoring).

The U.S. trade and technology war is accelerating the relocation of production bases back to the U.S. Government policies, such as the CHIPS Act and enhanced tax incentives, are helping attract new investments into the U.S.

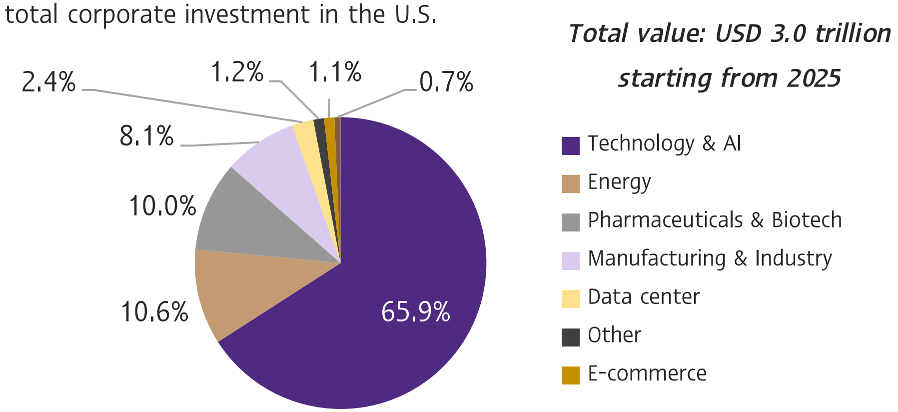
Long-term investment plans in the U.S. by various countries, partly driven by trade agreements with the U.S. this year.

Unit: USD Billion



Long-term investment plans in the U.S. by American and foreign firms are primarily focused on tech/AI, energy, and pharma.

Unit: % of total corporate investment in the U.S.



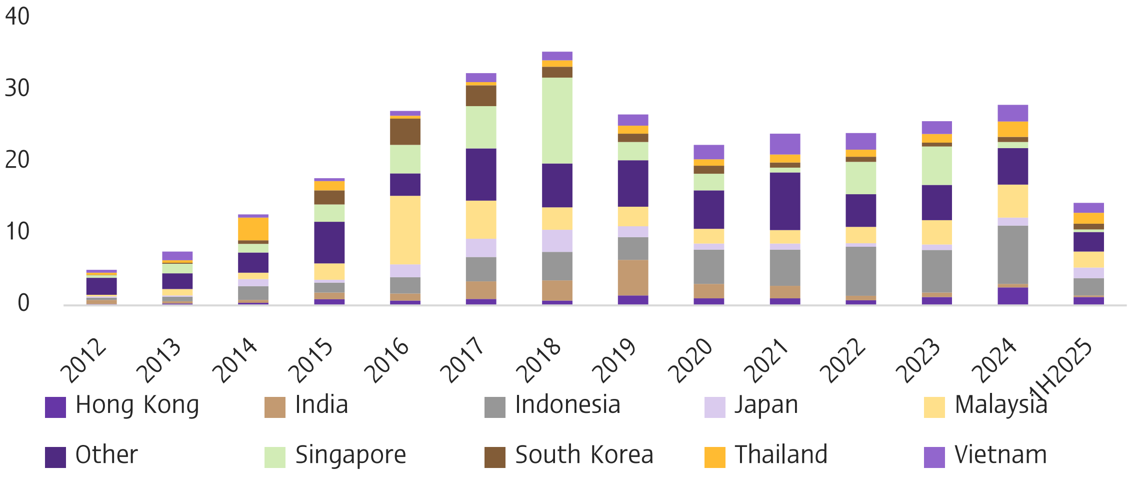
Source: SCB EIC analysis based on data from UNCTAD World Investment Report 2025, Kearney, The Conference Board, Oxford Academic, and The White House

China and foreign manufacturers continue to diversify risks from Western trade barriers, supporting the China+1 trend in Asia amid U.S. policy uncertainty and intensifying regional competition for FDI.

China continues to diversify its FDI into Asian countries, particularly Indonesia, Malaysia, Vietnam, and Thailand.

China's outward FDI (by home country)

Unit: USD Billion



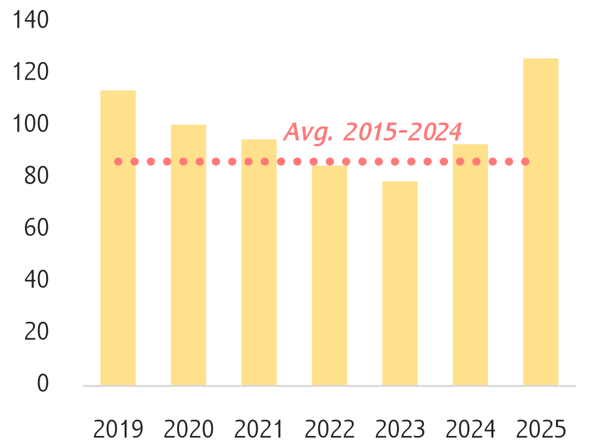
China has continued to diversify its FDI across Asia in H1 2025 due to several factors.

- **The Go Global policy** encourages Chinese SOEs and private firms to invest abroad in search of new markets, resources, and advanced technologies.
- **Policies supporting strategic investments,** such as in clean energy, semiconductors, and digital infrastructure.
- **Investment in the Belt and Road Initiative (BRI) continues to grow**, expanding by 20.7% YoY in H1 2025, accounting for 20–30% of China's total outward direct investment.

Vietnam and Malaysia have continued to approve increasing volumes of foreign investment applications in 2025. This partly reflects the trend of investment diversification into the Asian region.

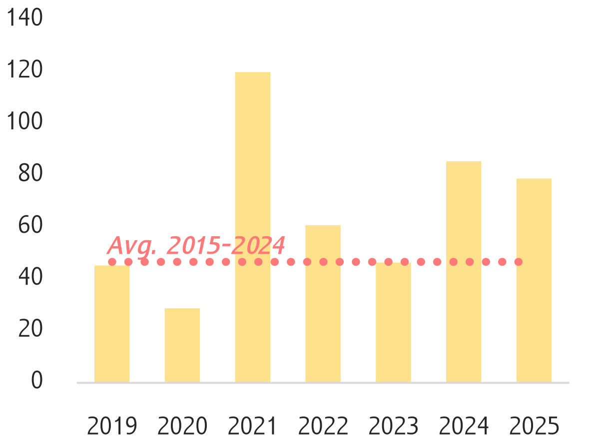
Approved global FDI in Vietnam

Unit: USD Billion, first 8 months YTD



Approved global FDI in Malaysia

Unit: MYR Billion, first 6 months YTD



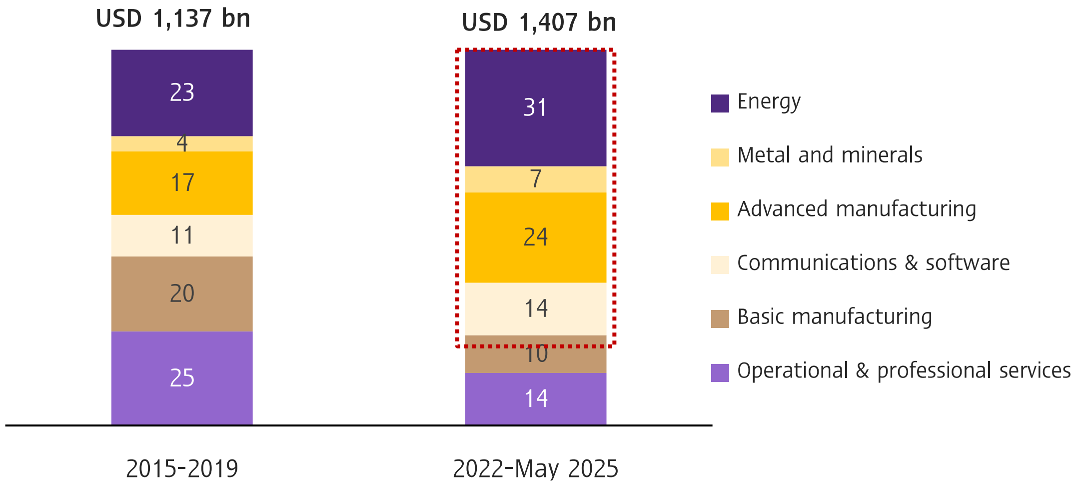
- **In 2025, the value of approved FDI in Vietnam and Malaysia remains elevated.**
- **This reflects ASEAN's continued role as a key FDI destination, partly driven by China's China+1** strategy amid U.S. protectionism, which is prompting firms to relocate from China to mitigate the impact of high tariffs.
- **Risks to monitor:**
  1) Uncertainty surrounding U.S. reciprocal tariffs on China may affect investor decisions regarding the relative attractiveness of investing in China versus other Asian countries for exports to the U.S.
  2) Intensifying competition to attract FDI, with regional countries accelerating productivity upgrades and seeking new trade agreements to expand export markets beyond the U.S.

Source: SCB EIC analysis based on data from Rhodium Group, Malaysian Investment Development Authority, Ministry of Planning and Investment of Vietnam, and CEIC

Global FDI trends focus on advanced manufacturing, ICT for digital transformation, and clean energy. The extent to which countries benefit economically depends on their readiness to accommodate investment, implement structural reforms, and adopt AI.

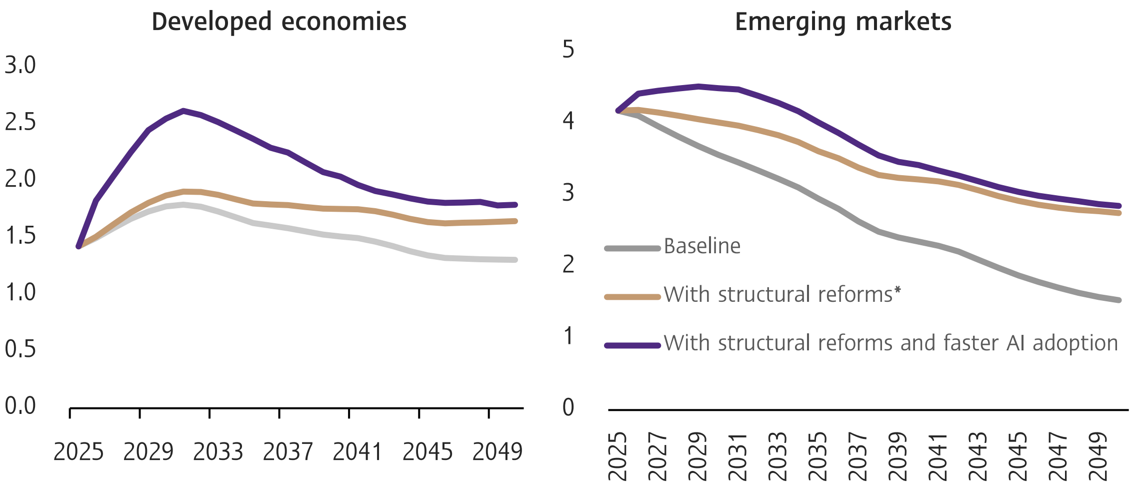
Share of global Greenfield FDI by sector

Unit: % of global Greenfield FDI value



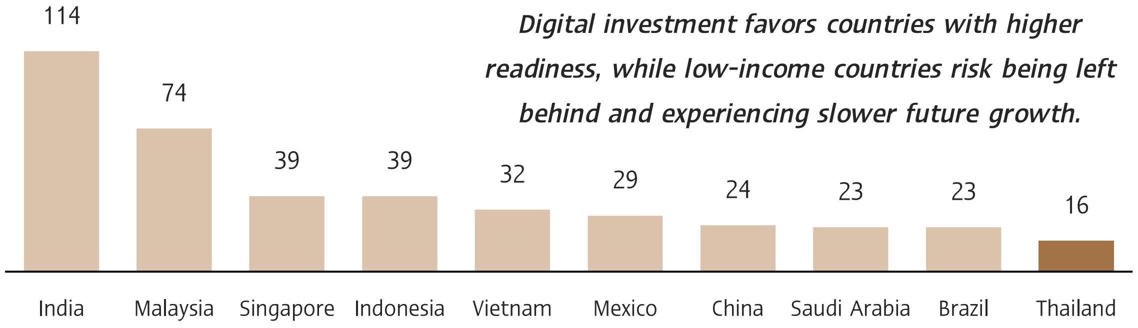
Projected economic growth of G20 economies by OECD (as of Sep 2025)

Unit: %



Digital Greenfield FDI in the Global South is concentrated in only a few countries.

Unit: USD Billion, cumulative data for 2020–2024



- **Global Greenfield FDI trends reflect a shift in sectoral investment direction**, transitioning from basic manufacturing to advanced manufacturing, ICT (e.g. semiconductors, data centers), and clean energy.
- **The benefits of FDI vary across countries depending on their digital investment infrastructure and capacity to adopt new technologies.** As a result, over 80% of digital Greenfield FDI in the Global South is concentrated in 10 countries, including India, Malaysia, and Singapore (Thailand also ranks in the top 10).
- **OECD estimates that if countries implement structural reforms and accelerate AI adoption, it could significantly enhance the economic potential of G20 nations.** Average GDP could increase by +0.6 ppt in developed economies and +1.1 ppt in emerging markets during 2025–2050.

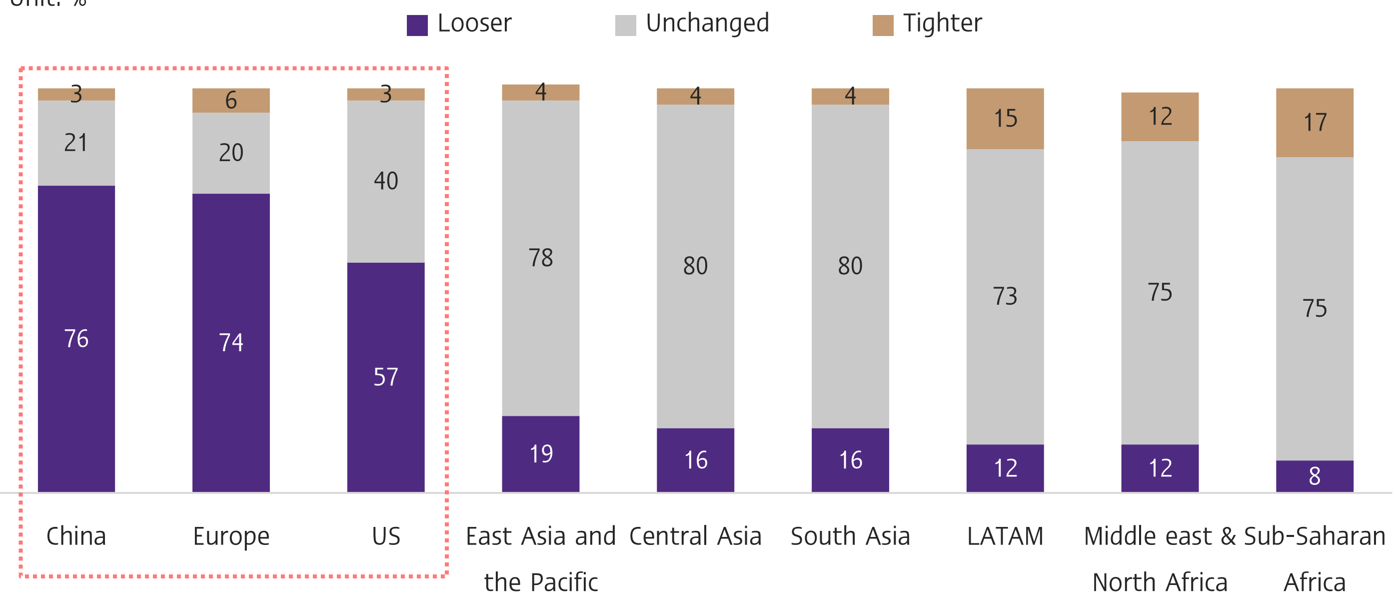
Note: * Structural reforms include enhancing competitive dynamics in product markets, mitigating labour shortages and improving economic governance.
Source: SCB EIC analysis based on data from FDI Intelligence, UNCTAD, and OECD

SCB EIC

Major governments are likely to further ease fiscal policy to support the economy amid the impact of Trump 2.0 and to reform their economies. This may pose fiscal sustainability risk in the future.

Chief Economists Survey: Global fiscal policy outlook over the next year* (as of Sep 2025)

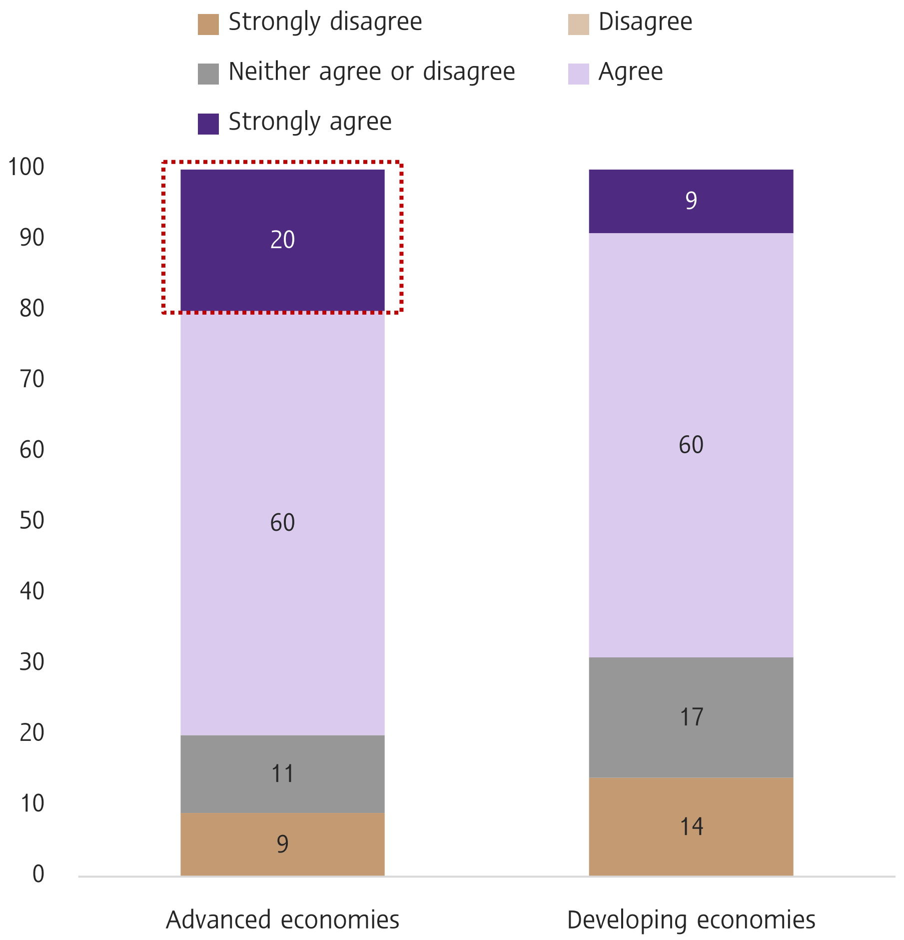
Unit: %



- **Large economies with remaining fiscal space are likely to further ease fiscal policy** to mitigate the impact of Trump 2.0 policies and to invest in infrastructure that enhances long-term potential. However, **countries with fiscal constraints or high public debt** may have limited room to implement additional stimulus measures.
- **A significant fiscal easing may raise concerns over future fiscal sustainability,** as global public debt levels have surpassed USD 100 trillion, leading to a substantial rise in interest payment burdens relative to government revenues and increasing sovereign credit rating risks.

Chief Economists Survey: Rising fiscal concerns in the year ahead**

Unit: %



Note: * Looking at the year ahead, what is your expectation for fiscal policy in the following geographies ?
** Looking to the year ahead, do you agree that debt sustainability will be a growing concern?
Source: SCB EIC analysis based on data from WEF Chief Economists Outlook (Sep 2025)

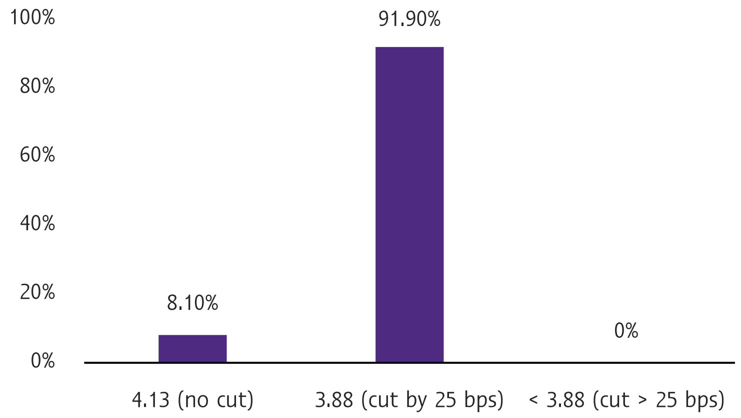
U.S. monetary policy s is expected to continue easing, with the Fed projected to cut rates by a total of 75 bps in 2025 and a further 50 bps in 2026, following a significant downward revision in labour market data.

U.S. non-farm payroll figures have deteriorated

Unit: New positions (thousands), monthly revisions

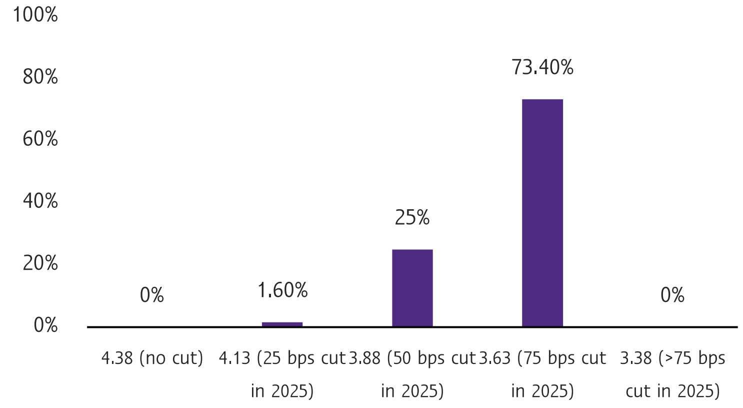
Fed Market Implied Rate for the October 2025 meeting

Unit: Market-implied probability (as of 25 Sep 2025)



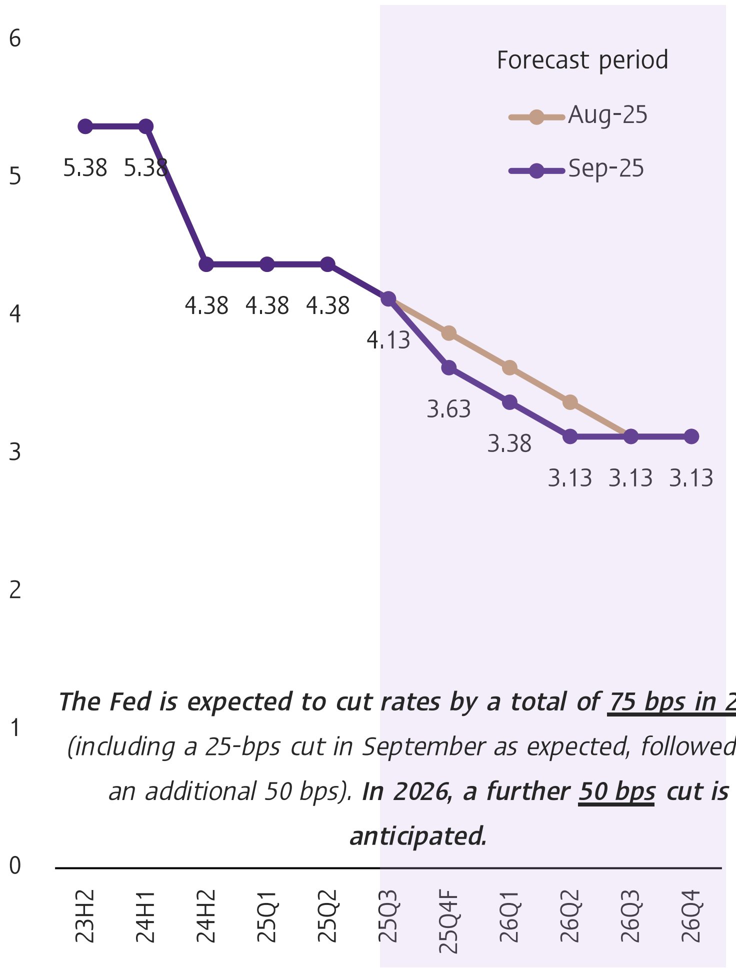
Fed Market Implied Rate (end of 2025)

Unit: Probability of Fed rate cut in 2025 (as of 25 Sep 2025)



U.S. policy rate forecast by SCB EIC

Unit: %, midpoint of the Federal Funds Rate range



The Fed is expected to cut rates by a total of <u>75 bps in 2025</u>** (including a 25-bps cut in September as expected, followed by an additional 50 bps). **In 2026, a further <u>50 bps</u> cut is anticipated.

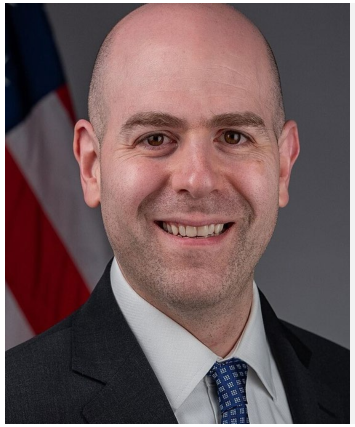
Source: SCB EIC analysis based on data from U.S. Bureau of Labor Statistics, Fed, CME, and Bloomberg

Trump continues to interfere with the Fed, pushing for faster and deeper cuts, and attempting to appoint more dovish FOMC members, undermining confidence in the U.S. financial system and the USD.

Several FOMC members will reach the end of their terms during the Trump 2.0 administration.

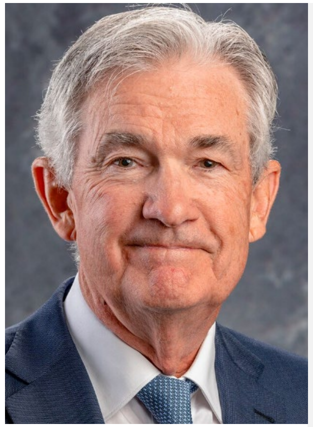
Current FOMC	Position	Term Expiry
Miran (replacing Kugler, who resigned early)	Governor	Jan 2026
Powell	**Chair**	**May 2026**
Powell	**Governor**	**Jan 2028**
Barkin	President	Jan 2028
Williams	President	Jun 2028
Daly	President	Oct 2028

Appointment of Miran to replace Kugler.



- **Trump nominated Stephen Miran** as Fed Governor to replace Adriana Kugler, who resigned.
- **Miran holds a dovish stance and has publicly stated his desire for the Fed to cut interest rates sooner.**
- His view on the terminal rate is lower than the FOMC consensus of 3–3.1%.

Trump and Bessent are accelerating the selection process for a new Fed Chair.



- **Powell's term as Fed Chair** will end in May 2026.
- **Trump and Bessent are expediting the selection of a more dovish Fed Chair** to diminish Powell's influence before his term ends.

Trump is attempting to remove Lisa Cook from her position.

- **Trump issued an order to dismiss Cook from her role as Fed Governor**, alleging she provided false information during a property purchase prior to her appointment.
- **Cook filed a lawsuit seeking protection and arguing** that removal must be based on a serious "cause".
- **If Trump succeeds, he will be able to appoint two new Fed Governors by May 2026.**

Trump continues to criticize the Fed, particularly Powell.

Donald J. Trump
@realDonaldTrump

Jerome "Too Late" Powell should have lowered rates long ago. As usual, he's "Too Late!"

Source: SCB EIC analysis based on data from Fed, Truth, Bloomberg, and various news agencies.

Global inflation is expected to stabilize, but could accelerate in the U.S. Monetary policy easing across countries may diverge depending on the impact of tariff on growth and inflation.

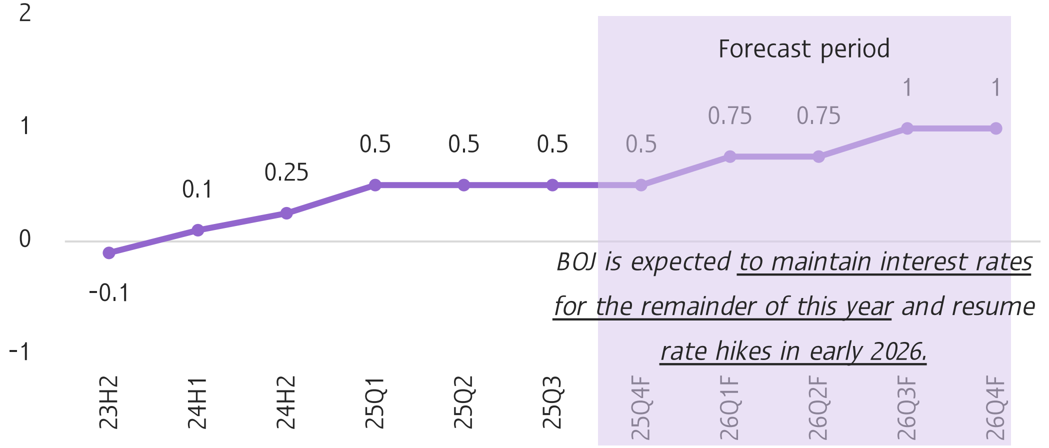
Inflation rates of major global economies

Unit: %

Economies	Target	CPI	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25
U.S. (PCE)	Headline & Core 2%	Headline	2.6	2.7	2.3	2.2	2.4	2.6	2.6	2.7
		Core	2.7	2.9	2.7	2.6	2.7	2.8	2.9	2.9
China (CPI)	Headline 2%	Headline	0.5	-0.7	-0.1	-0.1	-0.1	0.1	0.0	-0.4
		Core	0.6	-0.1	0.5	0.5	0.6	0.7	0.8	0.9
Eurozone (HICP)	Headline 2%	Headline	2.5	2.3	2.2	2.2	1.9	2.0	2.0	2.0
		Core	2.7	2.6	2.4	2.7	2.3	2.3	2.3	2.3
Japan (CPI)	Headline 2%	Headline	4.0	3.6	3.6	3.5	3.4	3.2	3.0	2.7
		Core	2.6	2.6	2.8	3.0	3.2	3.5	3.4	3.3

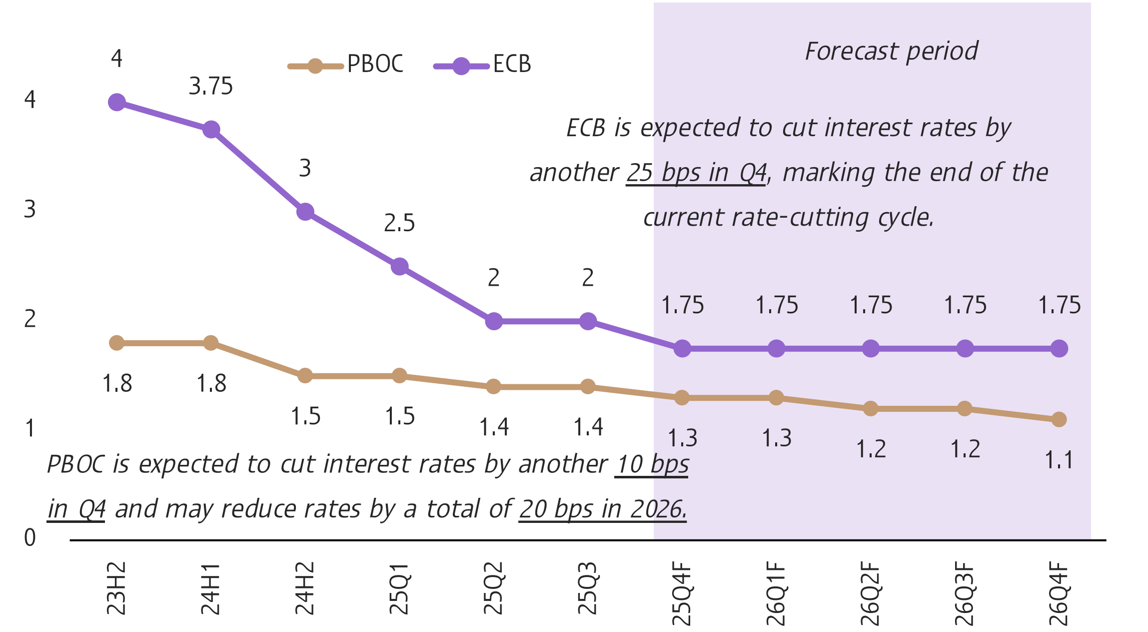
Policy rate forecast for Japan by SCB EIC

Unit: % per annum, Uncollateralized Overnight Call Rate



Policy rate forecast for the Eurozone and China by SCB EIC

Unit: %, Deposit Rate (ECB), 7-day reverse repo (PBOC)



- **ECB and PBOC may each cut interest rates once more in Q4 this year.** ECB is expected to reduce rates by 25 bps, ending the current easing cycle after the sectoral tariffs—especially on pharmaceuticals—become clearer. PBOC is likely to cut rates by 10 bps in response to broad-based economic slowdown.
- **BOJ is expected to hold rates for the rest of the year and resume hikes in 2026,** once the impact of Trump tariffs, political factors, and labour union wage negotiations become clearer between January and March 2026. (However, BOJ may raise rates by 25 bps before year-end if the yen depreciates, U.S. tariffs have a limited impact on corporate profits, political stability is maintained, and most firms raise wages faster than usual to attract new graduates.)

Source: SCB EIC analysis based on data from ECB, PBOC, BOJ, and CEIC

Thai economy

SCB EIC

SCB EIC projects the Thai economy to expand at a subdued pace of 1.8% and 1.5% in 2025 and 2026, respectively, due to external challenges, domestic vulnerabilities, compounded by heightened fiscal constraints.

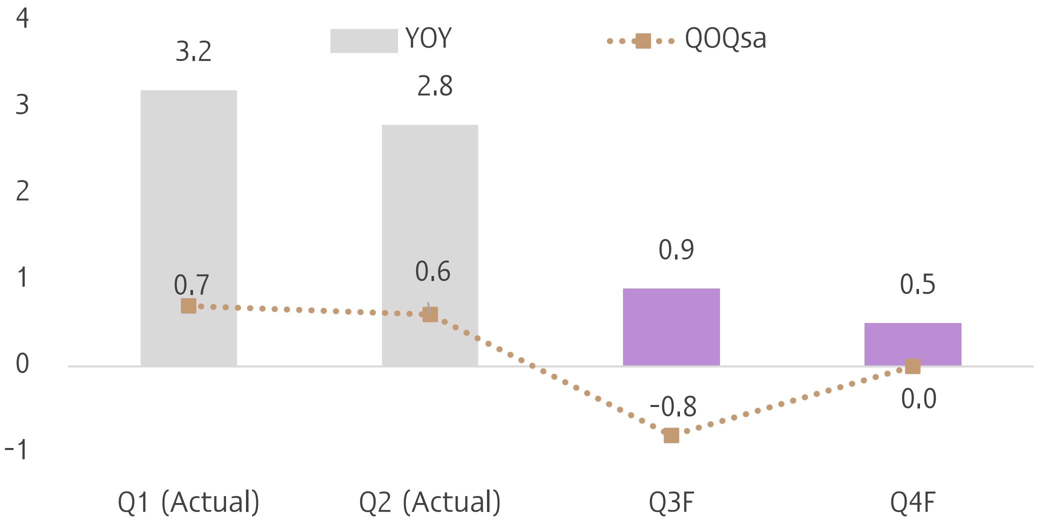
Baseline forecast for Thailand's economy in 2025–2026 by SCB EIC

Baseline scenario	Unit	2024	2025F		2026F	
			Aug25	Sep25	Aug25	Sep25
GDP	%YOY	2.5	1.8	1.8	1.5	1.5
Private consumption	%YOY	4.4	2.0	2.1	1.8	1.9
Public consumption	%YOY	2.5	1.7	1.7	1.0	1.0
Private investment	%YOY	-1.6	0.5	0.9	1.2	1.2
Public investment	%YOY	4.8	5.4	3.6	1.5	1.4
Merchandise exports value (USD BOP basis)	%YOY	5.8	3.0	5.3	-1.5	-1.9
Merchandise imports value (USD BOP basis)	%YOY	6.3	3.3	5.5	-0.8	-1.2
Number of foreign tourists	Million	35.5	32.9	32.9	34.1	34.1
Headline inflation rate	%YOY	0.4	0.2	0.1	0.2	0.1
Policy interest rate (year-end)	%	2.25	1.25	1.25	1.00	1.00

Source: SCB EIC analysis based on data from the National Economic and Social Development Council (NESDC)

Quarterly forecast for Thailand's economy in 2025 by SCB EIC

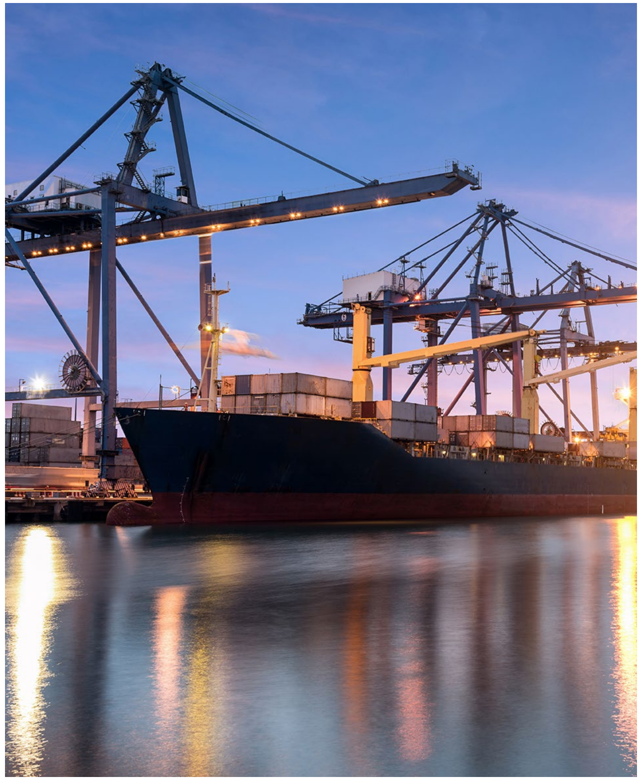
Unit: %YOY, %QoQsa



The Thai economy is expected to decelerate significantly from Q3 2025 and continue to slow in 2026 due to external challenges and domestic fragilities.

- **External demand is weakening,** making Thailand's foreign demand-dependent economic model increasingly difficult to sustain.
  - Trade wars are weighing on exports / Regional tourism competition is intensifying / Baht appreciation adds further pressure.
- **Domestic demand remains weak and fragile.**
  - Labour market conditions are deteriorating / Corporate recovery is slow with declining profits / Fiscal space is increasingly constrained.

External headwinds intensify making Thailand's external demand-dependent economic model increasingly difficult to sustain.



Merchandise exports growth begins to slow.

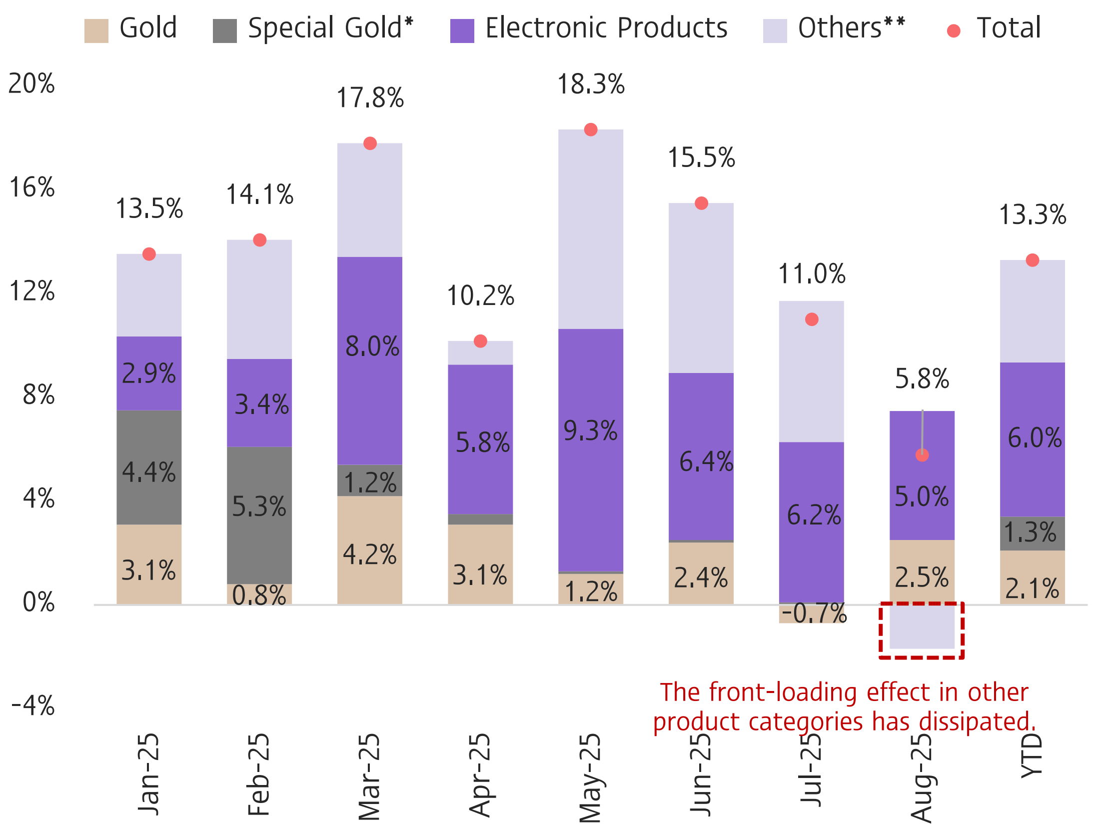
Baht appreciation exacerbates the impact of tariffs.

Regional tourism competition intensifies.

The Thai economy should slow significantly in H2, due to a sharp contraction in exports following the dissipation of temporary drivers, including the front-loading of electronics and other categories ahead of Trump tariffs, and the one-off gold export effect.

Contribution to Thai export growth in 2025 (monthly)

Unit: % Percentage Point (figures may contain minor discrepancies due to mathematical formula limitations)



Note: * Special Gold = Products classified under precious metals and items coated with other precious metals, including exports of mixed gold and small quantities of platinum to the Indian market for importers' tax benefits (effective Nov 2024 – Mar 2025)

** Others = Export Ex. Gold, Special Gold and Electronic Products

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

Growth rate of Thai merchandise export value in 2025

Unit: %YOY (figures in parentheses represent shares in 2024 and 8M2025)

	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	YTD
Overall Export									
Total Export	13.5%	14.1%	17.8%	10.2%	18.3%	15.5%	11.0%	5.8%	13.3%
Export excl. Gold (97.1%, 96.1%)	10.6%	13.7%	13.8%	7.2%	17.5%	13.4%	12.3%	3.3%	11.5%
Export excl. 3 Special Products (79.2%, 74.3%)	3.9%	5.6%	5.4%	1.2%	9.5%	8.4%	7.0%	-2.1%	4.9%
Three special products driving Thai exports in 2025									
Gold (2.9%, 3.9%)	148.9%	26.1%	269.5%	250.5%	55.9%	110.2%	-14.6%	144.0%	137.1%
Special Gold* (0.3%, 1.3%)	3,418.1%	4,159.6%	1,022.6%	280.4%	85.9%	66.1%	53.6%	3.0%	1,022.2%
Electronics (17.6%, 20.5%)	17.3%	21.6%	47.8%	34.4%	53.2%	33.5%	35.2%	28.3%	34.5%

Export value of the three special products supporting Thai exports this year and their top three trading partners

Unit: %YOY and %share of total export value of each product by country during the first 8 months of 2025

Products	Key Partner	2024 %YOY	8M24 %YOY	8M25 %YOY	8M25 %Share of Product
Gold	Switzerland	1.0	-12.0	159.9	43.8
	Cambodia	740.3	922.9	28.4	26.9
	Singapore	11.4	-43.5	73.8	13.5
Special Gold*	India	5,807.6	176.0	60,214.2	85.1
	Hong Kong	138.9	195.6	1,581.1	4.0
	Germany	25.1	28.5	49.6	2.7
Electronic	U.S.	20.9	25.3	38.5	41.4
	China	28.2	25.8	107.3	11.7
	Hong Kong	5.0	21.6	8.7	8.1

Thai exports expanded strongly during the first 8M2025 due to front-loading but are expected to contract in the remainder of the year. Although Thailand secured overall U.S. reciprocal tariff at 19%, it still faces multiple complex and uncertain forms of U.S. import tariffs.

Export value of Thailand's key products to the U.S.

Unit: % share of total exports to the United States in 2024, %YOY

Examples of products subject to sector-specific tariffs (>19%) (effective from March)

%YOY	Share of exports to the United States	Jun-25	Jul-25	Aug-25	YTD
Vehicle tyres	6.4%	19.7%	4.9%	-14.2%	6.6%
Automobiles, parts, and components	3.4%	-2.6%	-26.7%	6.7%	0.1%
Steel and steel products	2.1%	15.9%	25.6%	18.9%	10.4%

Products containing components listed under sector-specific tariffs

50% tariff imposed on the value of steel content
(effective: 1st round on 23 June, 2nd round on 18 August)

%YOY	Share of exports to the United States	Jun-25	Jul-25	Aug-25	YTD
Electrical appliances and components	3.2%	79.1%	7.0%	-16.4%	18.5%
Air conditioners and components	2.3%	50.3%	52.5%	-14.3%	48.9%
Refrigerators, freezers, and components	1.4%	94.4%	47.7%	36.7%	28.2%

Examples of products subject to reciprocal tariffs of 19% (effective from 7 August)

(From 2 April to 6 August, the U.S. imposed a 10% tariff)

%YOY	Share of exports to the United States	Jun-25	Jul-25	Aug-25	YTD
Electric transformers and components	3.8%	48.4%	41.6%	22.3%	29.8%
Gems and jewelry excluding gold	3.5%	6.8%	29.4%	-27.9%	11.7%
Textiles	2.2%	27.4%	8.8%	-5.0%	12.1%
Plastic products	1.9%	129.0%	93.9%	18.1%	56.0%
Canned and processed seafood	1.7%	-21.0%	-21.0%	-21.8%	0.7%

Examples of products not yet subject to additional U.S. import tariffs (under U.S. government review)

%YOY	Share of exports to the United States	Jun-25	Jul-25	Aug-25	YTD
Computers, equipment, and components	19.2%	118.0%	84.9%	65.8%	79.0%
Telephones, equipment, and components	8.5%	9.4%	24.4%	17.5%	10.0%
Electrical circuit boards	0.9%	36.9%	45.1%	34.6%	34.0%

Some insights from Thai exporters to the U.S. market in Q4/2025*

Electrical appliances | Air conditioners | Electronic components

Purchase orders are expected to decline

Stockpiling accelerated in H1; U.S. is expected to impose import tariffs on semiconductors in Q4/2025

Note: *Business sentiment data derived from in-depth interviews with business operators, exporters, and client relationship officers, conducted in Q3/2025

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

SCB EIC

Thailand's import value accelerated broad-based, with the majority sourced from China Particularly capital goods and consumer products, partly due to China's policy to reduce its reliance on the U.S. Import flooding is expected to intensify going forward.

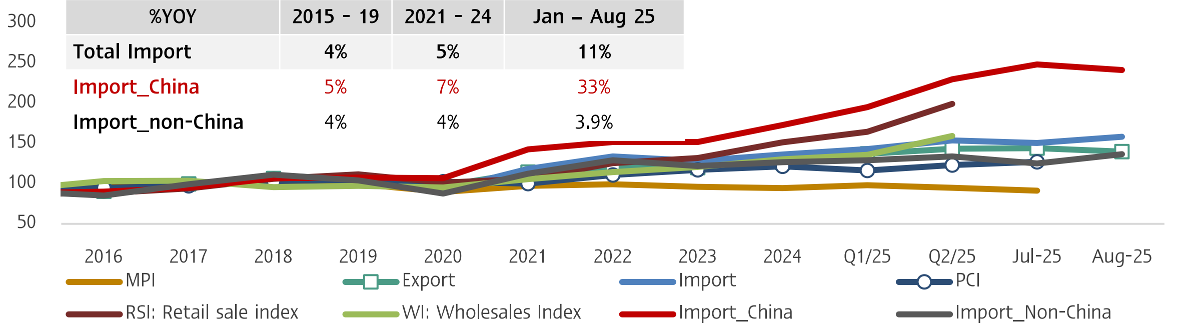
Thailand's import value by product category and major trading partners

Unit: %YOY (share in 2024) and % share of total import value of each product by country, 8M25

Category	%YOY			Ranking of import source countries (share of total import value of each product category in 8M25)				
	2024	8M24	8M25	1	2	3	4	5
Total import value	5.9%	4.3%	11.3%	China (30.5%)	Japan (8.8%)	Taiwan (6.7%)	U.S. (6.3%)	UAE (6.2%)
Fuel products (16%)	-6.6%	-4.6%	-7.4%	UAE (28.8%)	U.S. (13.6)	UAE (7.9%)	Malaysia (7%)	Qatar (7%)
Capital goods (25.4%)	11.7%	9.2%	22.1%	China (46.7%)	Japan (12%)	Taiwan (6.7%)	U.S. (6.1%)	Malaysia (3.6%)
Raw materials and intermediate goods (41.8%)	12.3%	9.5%	11.8%	China (26.2%)	Taiwan (11.2%)	Japan (9.6%)	South Korea (4.8%)	Malaysia (4.7%)
Consumer goods (11.5%)	6.6%	3.8%	12.6%	China (41.7%)	Vietnam (7.8%)	Indonesia (4.6%)	U.S. (4.4%)	Japan (3.4%)
Vehicles and transport equipment (3.9%)	-25.2%	-24.6%	3.6%	China (37.5)	Japan (25.2%)	U.S. (7.3%)	Indonesia (4.9%)	Vietnam (3.5%)
Arms, military supplies, and other goods (1.4%)	5.2%	0.6%	32.7%	China (32.8%)	Indonesia (20.6%)	U.S. (11.7%)	Japan (9.5%)	Malaysia (4%)

Thailand's international trade, consumption, and production indicators

Unit: Index_ Average 2015 - 2019 = 100



%YOY	2015 - 19	2021 - 24	Jan – Aug 25
Total Import	4%	5%	11%
Import_China	5%	7%	33%
Import_non-China	4%	4%	3.9%

China's export value by major trading partners

Unit: %YOY

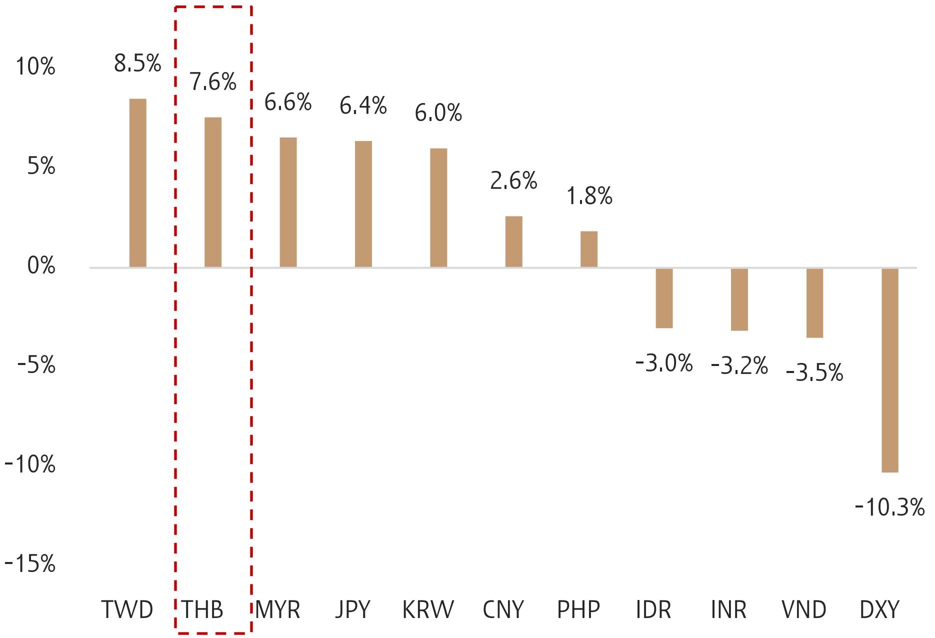
Country	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	YTD
Total China's Export	5.5	-2.3	12.2	7.9	4.5	5.6	7.1	4.3	5.8
U.S.	12.1	-9.8	9.1	-21	-34.5	-16.1	-21.7	-33.1	-15.4
EU	10.8	-11.5	10.3	8.3	12	7.6	9.2	10.4	7.7
Africa	6.6	-11.8	37	25.3	33.3	34.8	42.4	25.9	24.3
Asia	-0.5	9.8	11	13.8	11.4	11.4	12.9	14.6	10.5
ASEAN	3.2	8.8	11.6	20.8	14.8	16.8	16.6	22.5	14.5
Thailand	14.6	8.7	27.8	27.9	21.6	27.9	26	25	22.9
Vietnam	-0.5	36.2	18.9	22.5	22	23.8	27.9	31	21.9
Indonesia	10.9	-0.4	24.6	36.8	11	8.8	12	12.3	14.3
Philippines	-0.2	8.5	9.3	7	7.5	10.2	10.7	6.2	7.3
Malaysia	5.3	9.8	-2.7	14.9	5.2	9.9	-0.5	13	6.5
Singapore	-12.1	-17.6	-6.4	14.9	11.9	10.3	9.3	33	5.5

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

The Thai baht has appreciated against the U.S. dollar to its strongest level in four years, outperforming regional currencies. The baht index is now at its highest level since the 1997 financial crisis.

Changes in regional currencies exchange rates against the U.S. dollar

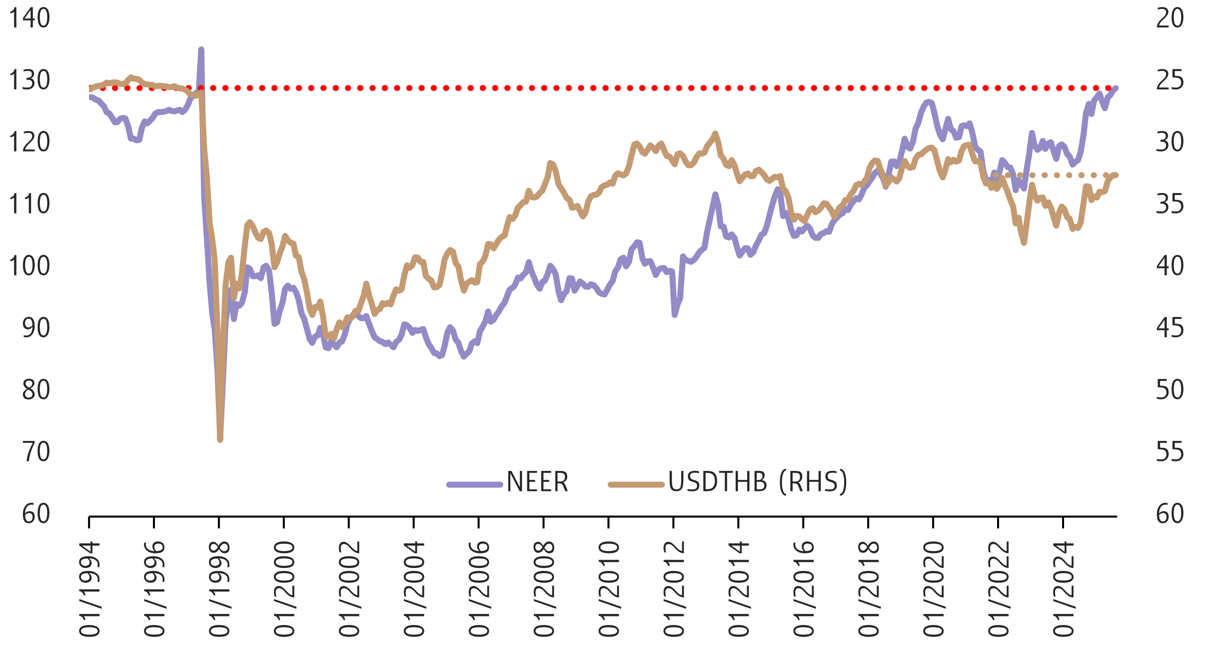
Unit: %YTD (as of 23 September 2025)



Source: SCB EIC analysis based on data from Bloomberg

Baht vs U.S. dollar and the Nominal Effective Exchange Rate (NEER) Index

Unit: Index 2012 = 100, USDTHB (RHS)



Source: SCB FM analysis based on data from Bloomberg

<u>Since the beginning of 2025</u>

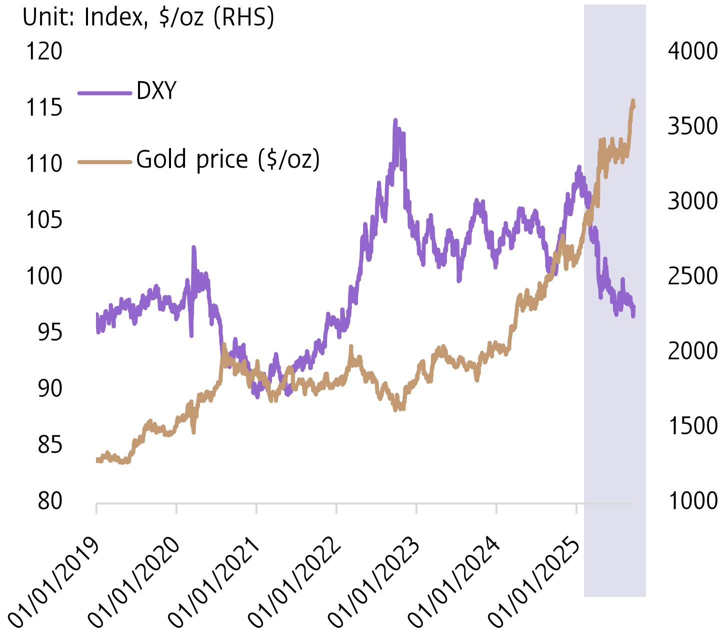
- **The U.S. dollar index (DXY) has depreciated by more than 10%, while emerging market currencies in Asia have shown highly divergent trends.**
    - **The Thai baht has appreciated by more than 7%,** leading regional currencies.
    - **Some regional currencies have weakened**, such as Indonesia and Vietnam, by approximately 3%.

- **Thailand's nominal effective exchange rate (NEER) has appreciated to levels close to those seen prior to the 1997 Asian financial crisis.**
- **Since 2005, the NEER has generally trended upward, with a brief depreciation after the Covid-19 crisis in line with U.S. Fed rate hikes, before rebounding strongly from late 2024.**

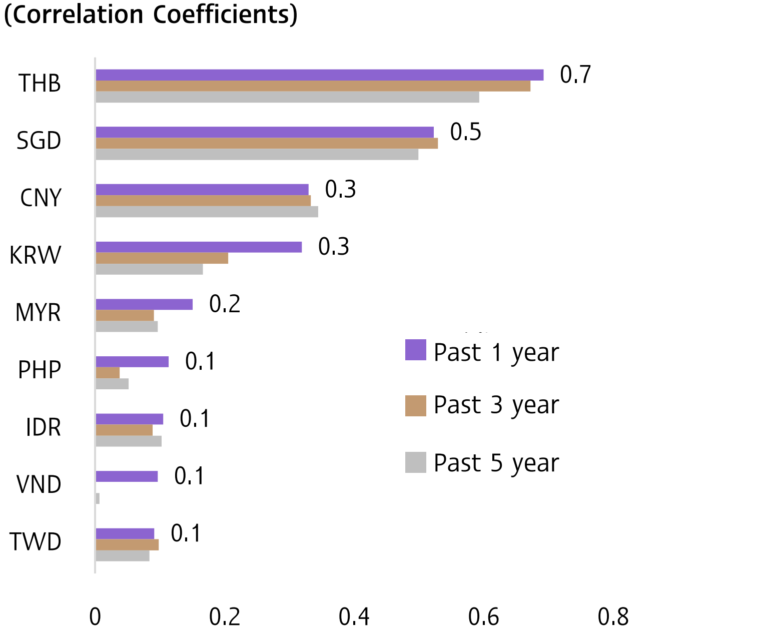
Source: SCB EIC analysis based on data from BOT, SCB FM, and Bloomberg

The baht has appreciated in line with the rapid depreciation of the U.S. dollar and record-high gold prices. Gold prices exhibit a stronger correlation with the baht than with other regional currencies. Notably, overnight gold trading may exert significant upward pressure on the baht, despite Thailand's persistent gold trade deficit.

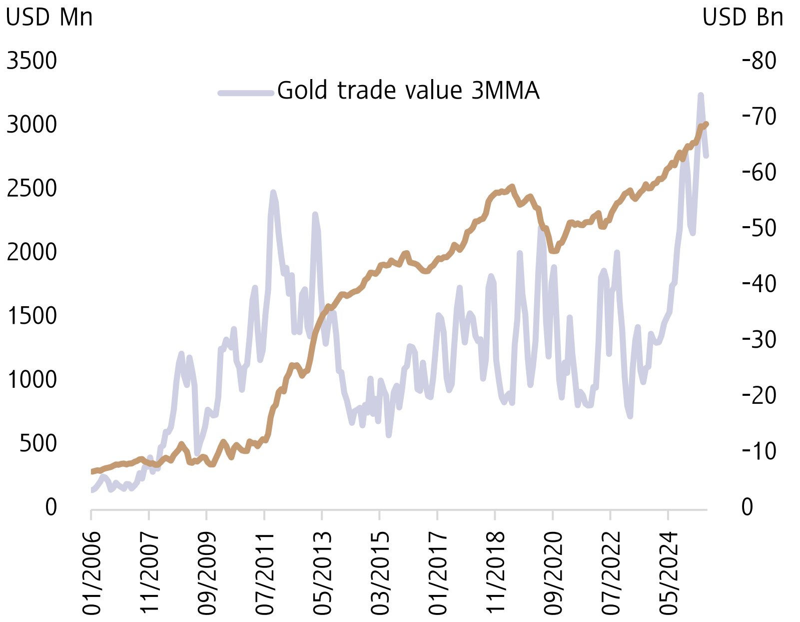
U.S. Dollar Index and global gold prices



Correlation between gold prices and regional currencies



Accumulated gold trade deficit and gold trade value



- **The rapid depreciation of the U.S. dollar and record-high gold prices have further accelerated and amplified the baht's appreciation.**
- **The correlation between gold prices and the baht is stronger than with other regional currencies.**
  - While the correlation for Emerging Asia currencies ranges from 0.1 to 0.3
  - The baht's correlation reaches as high as 0.7 and has continued to rise over the past 1, 3, and 5 years.

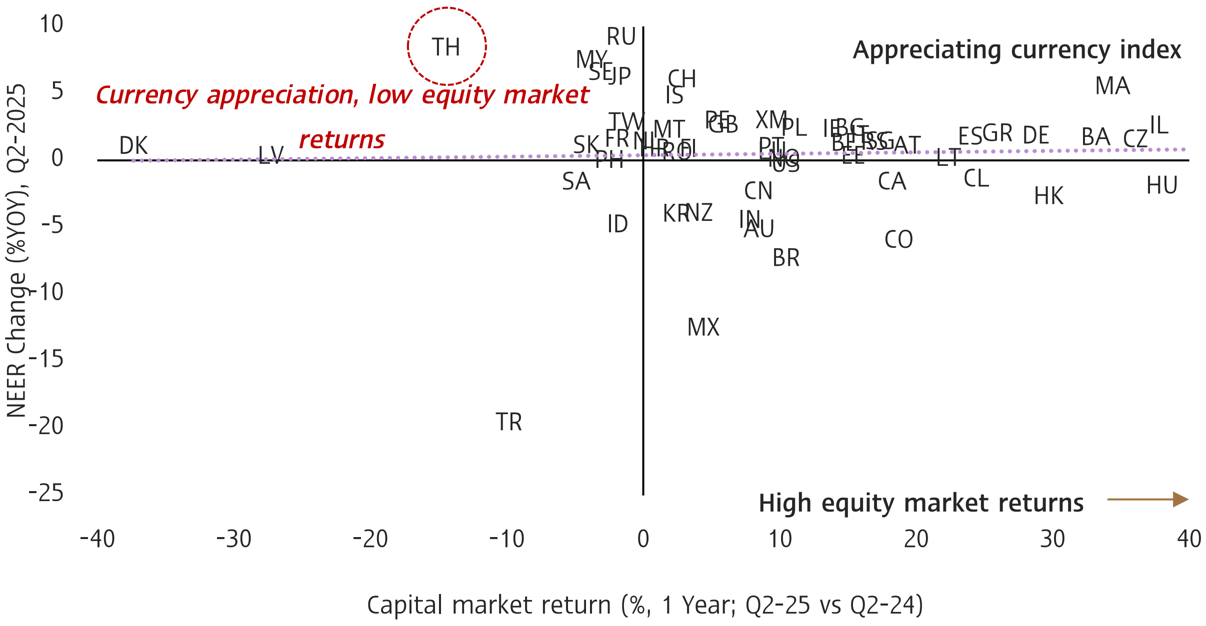
Although Thailand has accumulated a gold trade deficit, elevated gold transactions during certain market hours can significantly strengthen the baht.

- **Thailand runs a persistent gold trade deficit** due to the absence of domestic gold mines, necessitating imports.
- **Gold trading behaves like speculation in financial assets,** unlike commodities such as crude oil which are imported for production or consumption. Gold transactions tend to occur in response to high price volatility.
- **Gold prices are highly volatile during Thailand's overnight trading hours. Baht purchases during this period can significantly strengthen the currency** due to thin liquidity in the FX market.

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

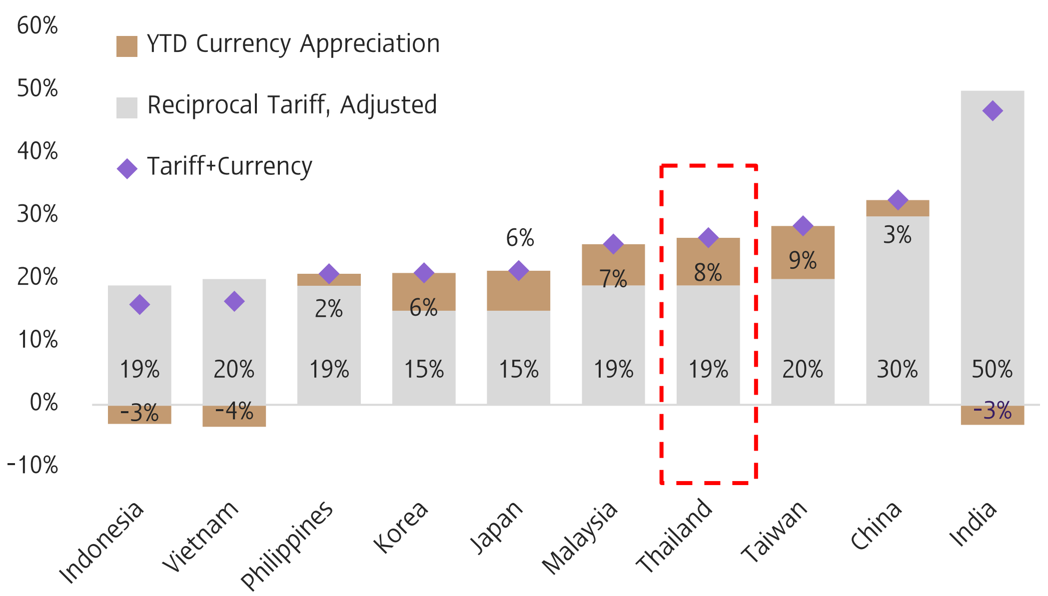
The baht's appreciation is misaligned with economic fundamentals. The currency may become a shock amplifier, exerting additional pressure on the Thai economy. A stronger baht will further undermine the competitiveness of Thai exports, compounding the impact of Trump-era tariffs.

Changes in the nominal effective exchange rate (NEER: Y-axis) and equity market returns (1-year, X-axis)



U.S. reciprocal tariffs including advantages/disadvantages from currency appreciation/depreciation

Unit: %Tariff + %YTD appreciation



Comparing Thailand with other countries:

- **The baht has appreciated more significantly than other currencies, while most countries' stock markets have delivered stronger returns.** This reflects investor confidence in better economic growth prospects in those countries, despite their currencies not appreciating as much.
- **The current strength of the baht may act as a shock amplifier, adding further strain to the Thai economy,** rather than serving as a shock absorber, especially given the already subdued growth outlook.

The baht's appreciation ahead of regional peers will inevitably erode the competitiveness of Thai exports.

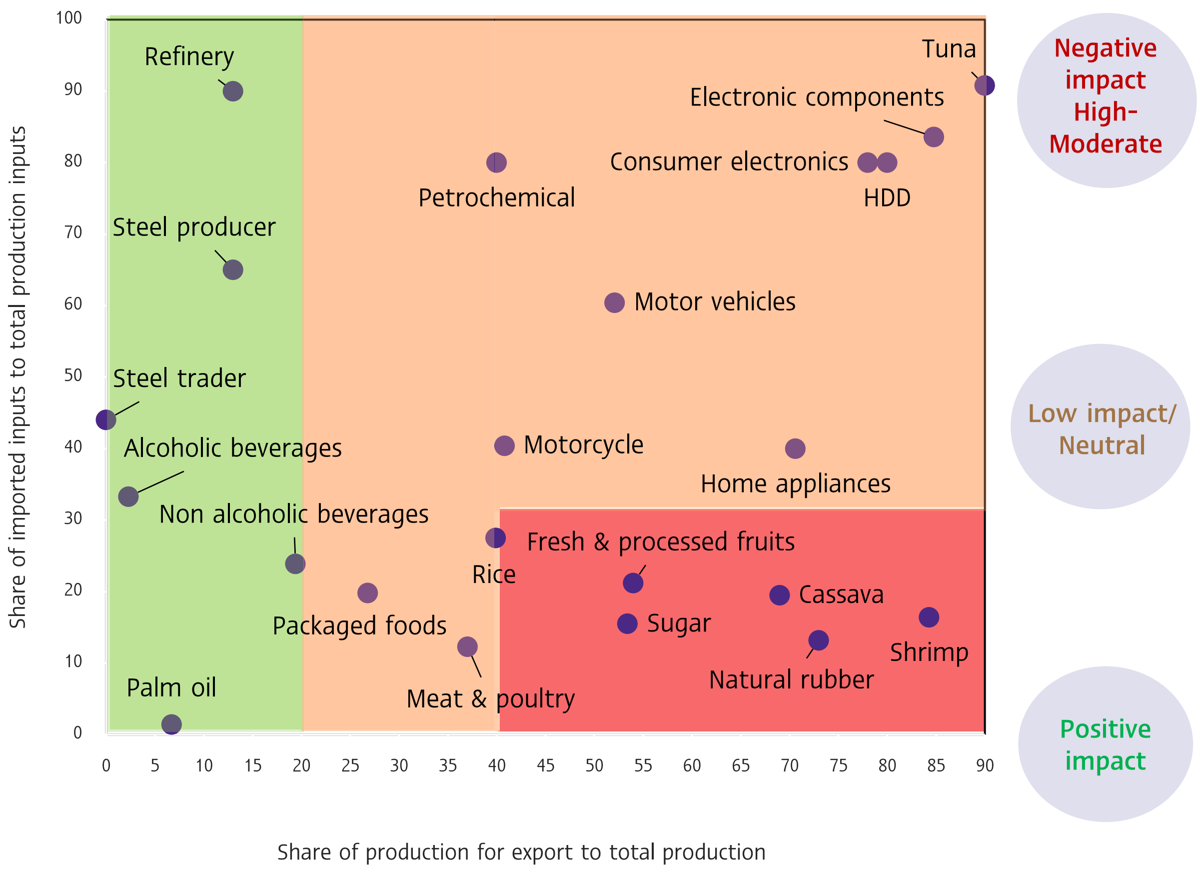
- **Thai exports are at a disadvantage compared to key competitors** such as Vietnam and Malaysia, which face similar U.S. tariff rates but whose currencies have not appreciated as much as the baht.
- **Thai exports still hold an advantage over Taiwan, China, and India,** as these countries are subject to significantly higher U.S. reciprocal tariffs than Thailand.

Source: SCB EIC analysis based on data from CEIC and BIS

The volatile and appreciating baht is expected to affect both the manufacturing and service sectors, with the degree of impact depending on the extent of export reliance and dependence on imported inputs.

Impact of baht appreciation on various industries

Unit: %



Sectors with declining price competitiveness

1. Export-dependent sectors with high domestic input usage and related businesses
   - Shrimp
   - Natural rubber
   - Cassava
   - Sugar
   - Rice
   - Fresh & Processed fruits
   - Logistics
2. Service sectors highly reliant on foreign income
   - Hotel
   - Inbound tour operator

Sectors with natural hedging

1. Export-oriented sectors with relatively balanced use of imported inputs
   - Tuna
   - Packaged foods
   - Petrochemical
   - E&E
   - Motor vehicles
   - Motorcycles
   - Solar PV
2. Service sectors reliant on foreign income with foreign currency-denominated costs or inputs in similar proportion
   - Airlines
   - Hospital

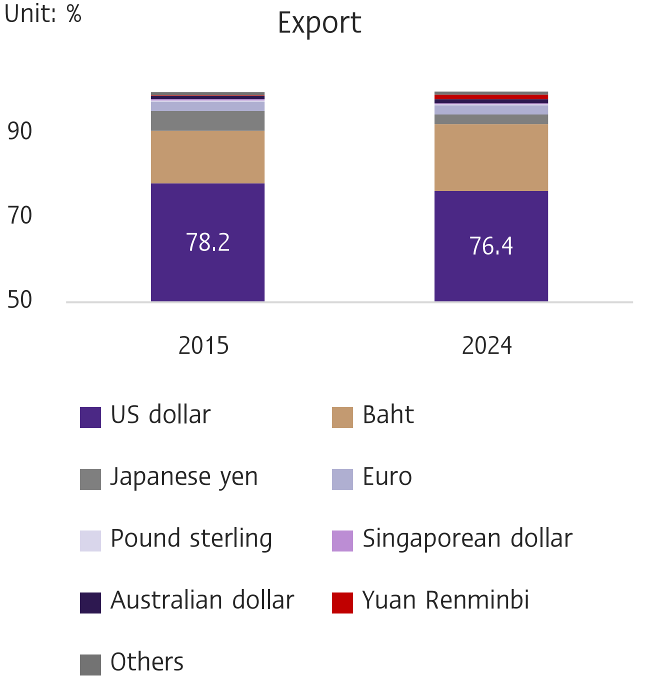
Sectors positively impacted

1. Sectors producing mainly for the domestic market but with relatively high reliance on imported inputs benefit from lower import costs, supporting net profit
   - Beverages
   - Steel producer & Steel trader
   - Refinery
2. Downstream businesses with primarily domestic revenue benefit from lower raw material costs, supporting net profit
   - Construction
   - Real estate
   - Power
   - Packaging
   - Wholesale & Retail and Restaurant

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

In the short term, Thai exporters have been affected by revenue conversion impact. Although BOT manages the exchange rate during periods of sharp appreciation, the interventions may be constrained by risks related to FX manipulation.

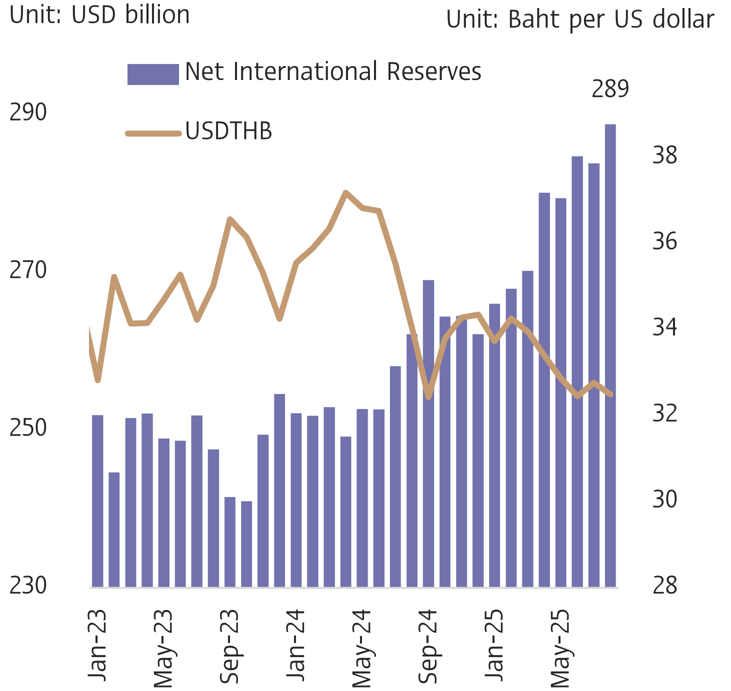
Payment structure for Thai exports by currency



The impact of baht appreciation against the USD is not limited to exporters to the U.S., but also affects businesses exporting to other markets.

- Although nearly one-fifth of Thai merchandise exports are destined for the U.S. market, over three-quarters of Thailand's international trade is settled in U.S. dollars.

International reserves and USD/THB exchange rate



BOT has intervened during periods of sharp baht appreciation, but the scale of intervention may not be as substantial when considering valuation changes.

- The increase in Thailand's international reserves may not fully reflect BOT's FX intervention, as valuation changes are also included in the reserve valuation.

Thailand's assessment under U.S. currency manipulator criteria

Currency manipulator criteria	June 2025 Report (Latest)	Nov 2025 Report (Next)
Period of Evaluation	Jan-Dec 24	Jul-Jun 25
(I) Current Account >3% GDP	2.1	3.7
(II) Trade Balance with U.S. >15 USD Bn (G&S)	45	54*
(III) One-sided net FX purchases at least 8 out of 12 months AND net FX purchases >2% of GDP	No 0.5% of GDP	?

BOT's ability to intervene in the FX market may be limited, as U.S. authorities closely monitor major trading partners for potential FX manipulation.

- **Thailand is not currently on the U.S. Treasury's Monitoring List,** but is at risk, having met 2 out of 3 criteria. The remaining criterion not yet met is net FX purchases exceeding 2% of GDP over at least 8 out of 12 months.

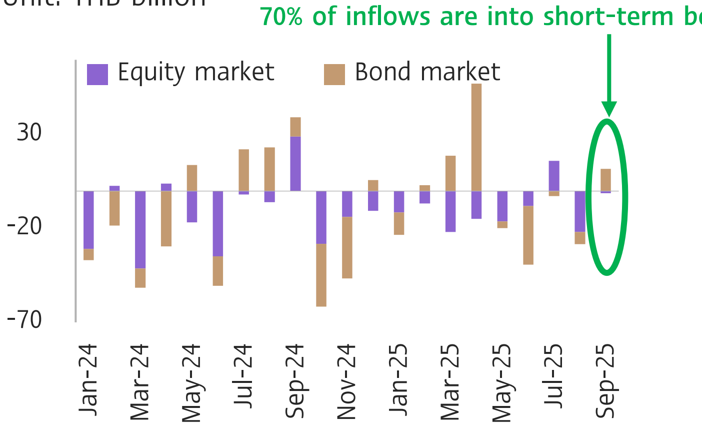
Note: *Goods trade balance only (Thailand recorded a service trade surplus of USD 0.14 billion in 2024)

Source: SCB EIC and SCB FM analysis based on data from BOT and the U.S. Department of the Treasury

Going forward, the Thai baht may continue to face appreciation pressure, primarily driven by U.S. economic indicators and the possibility of earlier-than-expected rate cuts by the Fed. Additional contributing factors include movements in gold prices and the conversion of export earnings from USD into baht following strong frontloaded export performance.

Capital flows into Thai financial markets

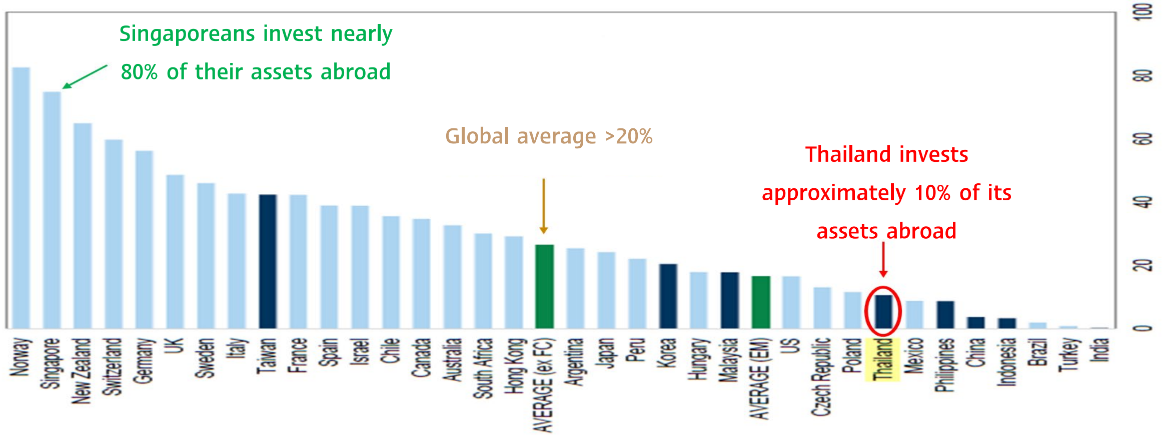
Unit: THB billion



THB (billion)	YTD	2024	2023	2022
Equity	-85.0	-148	-193	+196.9
Bond	+35.0	-70	-144	+46.8

Share of investment in foreign assets

Unit: %



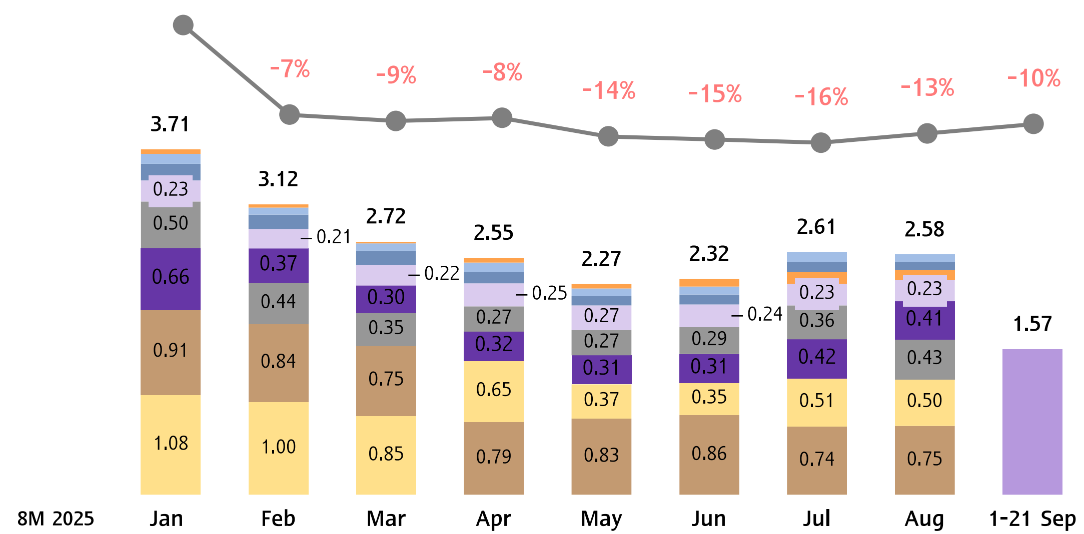
- SCB FM expects the baht to remain under persistent appreciation pressure due to:
  - **The U.S. economic outlook remains the dominant factor,** with markets increasingly expecting the Fed to cut interest rates up to three times this year in total, with the terminal rate around 3%.
  - **External depreciation pressures are limited,** such as political developments in France and Japan.
  - **Persistently low oil prices are expected** to support Thailand's current account balance.
  - **Investors and corporates may increasingly convert USD into local currency, reflecting expectations of a weaker U.S. dollar** (instead of holding FCD deposits). Given the strong export performance in recent periods, this factor may further strengthen the baht.
- **The baht is expected to trade within the range of 31.50–32.00 this month, appreciating to 31.0–32.0 by end-2025 and 31.5–32.5 by end-2026.**

Source: SCB EIC and SCB FM analysis based on data from Bloomberg

Overall, foreign tourist arrivals have been recovering, but spending is expected to become more cautious amid growing concerns over the global economy

Foreign tourist arrivals to Thailand totaled approximately **23.45 million**, representing a **7% year-on-year decrease** (as of 21 September 2025).

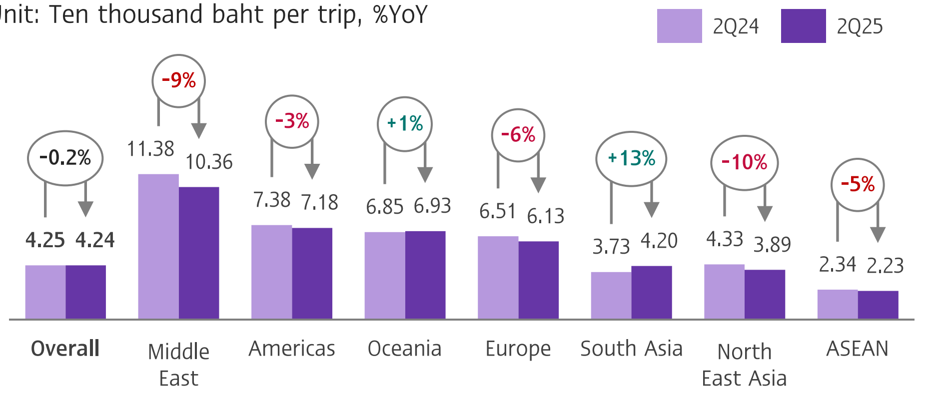
Unit: Million persons, %YoY



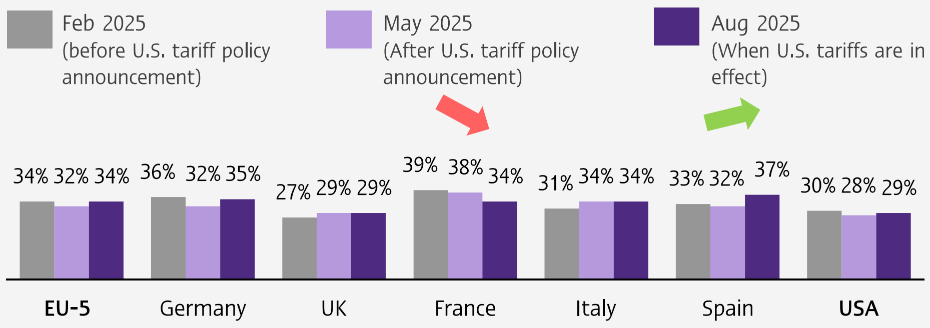
	8M 2025	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	
China	-35%	30%	-45%	-48%	-47%	-45%	-42%	-39%	-38%	Groups with declines but expected to recover
ASEAN	-9%	23%	-11%	-9%	-8%	-13%	-12%	-23%	-15%	
N.E Asia	-12%	14%	-5%	-15%	-20%	-21%	-25%	-17%	-14%	
South Asia	14%	14%	13%	16%	21%	15%	5%	19%	15%	Groups with growth and momentum to continue
Europe	15%	23%	18%	12%	25%	7%	6%	8%	9%	
Americas	8%	21%	12%	11%	10%	2%	-1%	2%	-1%	
Middle East	1%	13%	-7%	121%	12%	10%	-25%	-6%	3%	
Others	11%	27%	20%	3%	24%	11%	-1%	8%	0%	

Average spending of foreign tourists in Thailand in Q2 2025*

Unit: Ten thousand baht per trip, %YoY



Consumer sentiment toward travel spending over the next three months remains stable across many countries, despite clearer U.S. tariff policy. (Unit: % of respondents)



*The 2nd Progress Report (Jan–Jun) of the 2025 International Tourist Behavior Analysis Survey Project, Tourism Authority of Thailand (TAT)

** Mckinsey ConsumerWise Global Sentiment Data (Aug 25, n=3,448 / May 25, n=5.050 / Feb 25, n=5,080)

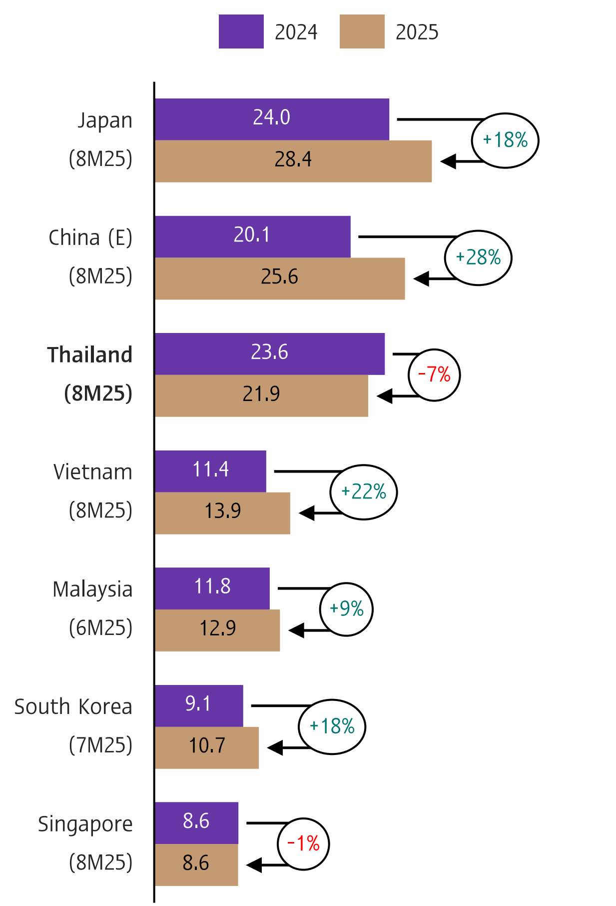
Question: You plan to treat yourself over the next 3 months. Which products/services do you expect to make more expensive purchases than normal?

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

Asia's tourism war is intensifying, and Thailand's targets overlap widely with competitors'. Thailand needs to accelerate various measures to attract more foreign visitors—even in strong markets.

Number of international tourists traveling to each country

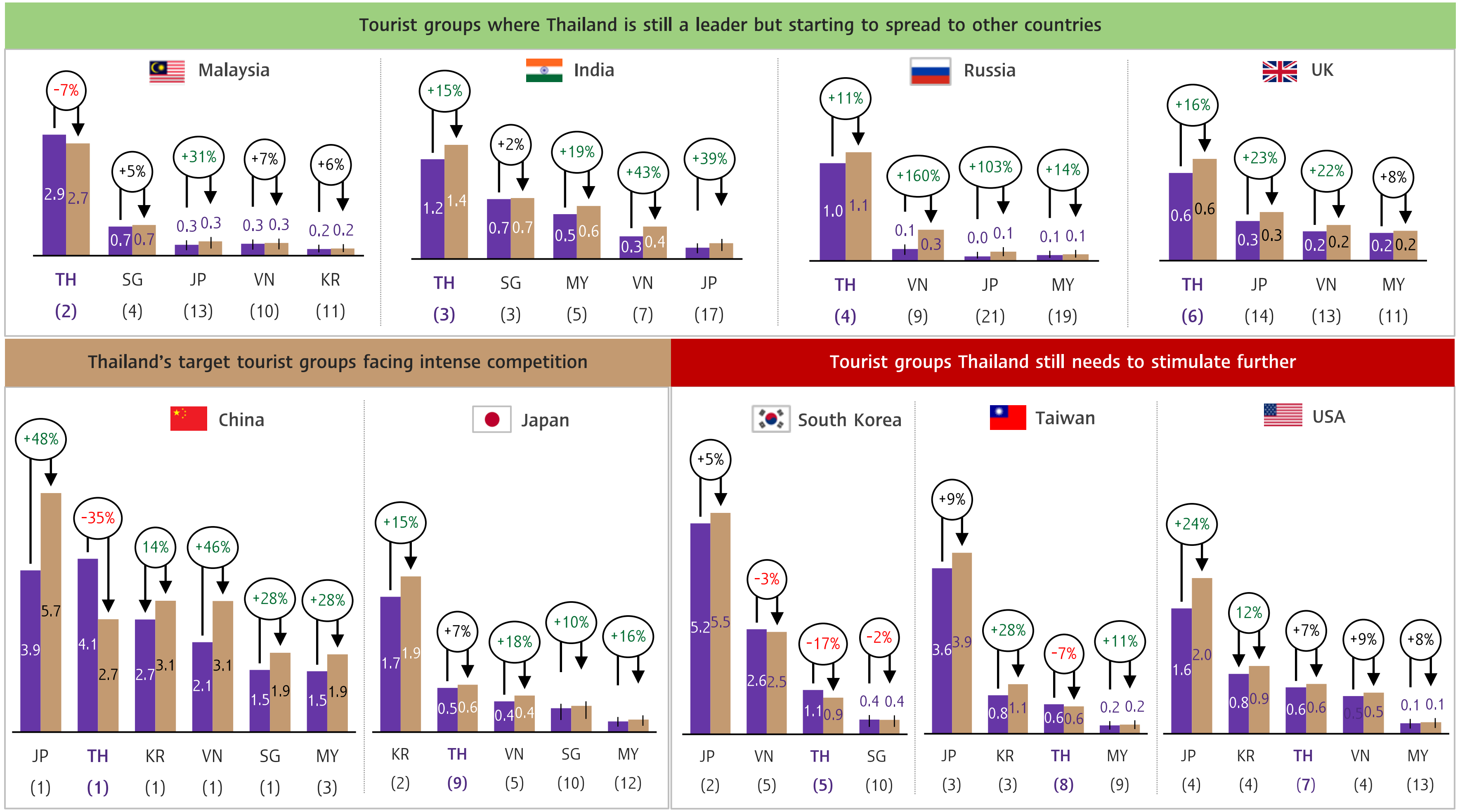
Unit: million people, %YoY



Number of tourists by nationality traveling to each country*

Unit: million people, %YoY

( ) indicates the ranking of tourists of that nationality visiting each country



Note: *Malaysia uses data for 6M2025

Source: SCB EIC analysis based on data from Ministry of Tourism and Sports and CEIC

Ongoing baht appreciation may diminish Thailand's tourism competitiveness, especially Viet Nam and China, whose currencies have depreciated against the baht and in key source markets where currencies have softened, such as India and China.

Exchange rate changes from the beginning of the year to 18 Sep 2025 (YTD) and their impact on Thailand's tourism sector

Unit: %YTD

Destination country currencies

Origin currencies of major international tourist groups visiting Thailand

		USD	THB	JPY	SGD	KRW	MYR	CNY	VND
High	INR	-3%	-10%	-9%	-9%	-11%	-9%	-5%	2%
High	USD		-7%	-7%	-6%	-6%	-6%	-3%	3%
High	CNY	3%	-4%	-4%	-4%	-4%	-4%		6%
Medium	JPY	7%	-1%		-1%	-0.1%	-0.2%	4%	11%
Medium	KRW	6%	-1%	0.1%	-1%		-0.03%	4%	10%
Medium	MYR	6%	-1%	0.2%	-0.2%	0.03%		4%	11%
Medium	GBP	8%	1%	2%	2%	2%	2%	6%	12%
Medium	TWD	9%	1%	2%	2%	2%	2%	6%	13%
Low	EUR	12%	5%	7%	7%	7%	7%	11%	18%
Low	RUB	31%	19%	22%	22%	28%	22%	29%	42%

(Positive values/green cells indicate the origin currency of tourists is stronger)

Exchange rate changes are likely to affect destination choices and spending of international tourists

- Vietnam (growth 22%YoY) and China (growth 28%YoY) **are gaining an advantage in attracting international tourists** due to weaker currencies compared to others
- **For travel to Thailand,** Russian and European tourists **are less affected** as their currencies remain stronger than the baht Tourists from India, USA, and China will be more affected due to weaker currencies compared to the baht
- **The appreciation of the baht against the USD more than other currencies may cause international tourists to be more cautious with spending,** especially on non-essential expenses during travel such as shopping and entertainment activities. Meanwhile, Thai operators may be affected when selling accommodations under long-term contract rates in foreign currencies, as the value decreases when converted back to baht.

Tourism measures that may help mitigate the impact of currency fluctuations

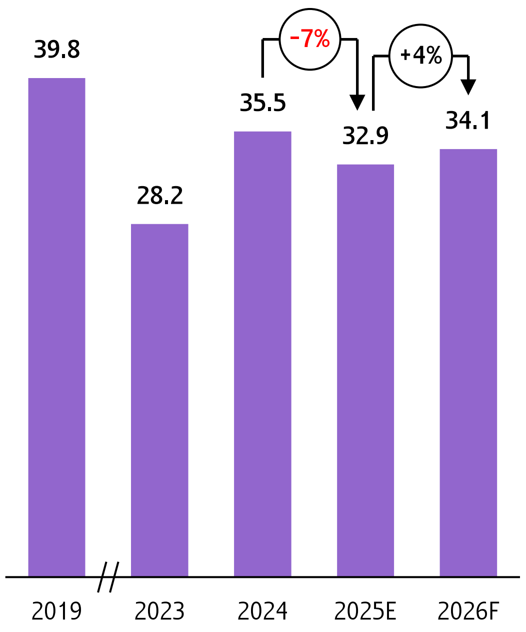
- Tourists from countries highly affected: Focus on promotions offering discounts/support for travel (accommodation, food, transportation)
- Tourists from countries moderately affected: Emphasize value-added products/services to encourage more spending (activities, shopping, food)
- Tourists from countries least affected: Consider targeted marketing to attract more tourists to Thailand

Source: SCB EIC analysis based on data from Tradingview and Tradingeconomics

SCB EIC maintains its international-tourist forecast at 32.9 million in 2025 and 34.1 million in 2026, while restoring Thailand's tourism remains a key policy challenge that will require continuous measures.

Forecast of international tourists visiting Thailand

Unit: million people



Key challenges for the government in restoring Thailand's tourism

Measures and policies requiring continuity

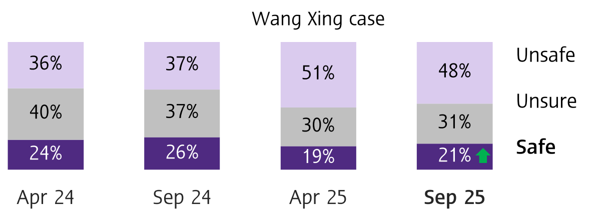
- **Visa measures to attract target tourist groups,** including visa exemptions and extended stays, as many countries have continuously implemented visa policies such as

The South Korean government introduced a visa exemption for Chinese tourists traveling in group tours for stays of up to 15 days, effective from 29 Sep 2025 to 30 Jun 2026.

- **Measures to build confidence and enhance safety for tourists,** even as Chinese tourists begin to ease their safety concerns

Survey on Safety Perceptions of Chinese tourists traveling to Thailand*

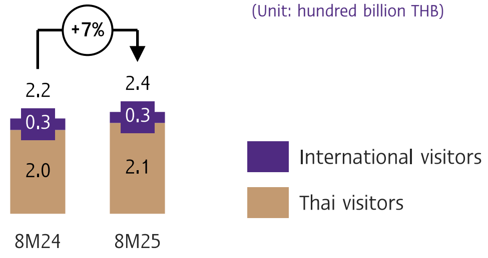
(Unit: % of respondents)



- **Promote tourism in secondary cities** to distribute income more widely to local communities

Revenue from tourist spending in secondary cities

(Unit: hundred billion THB)

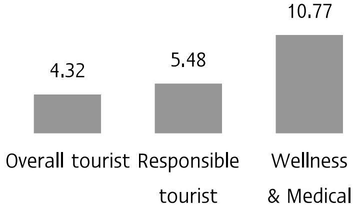


Additional measures and policies to consider

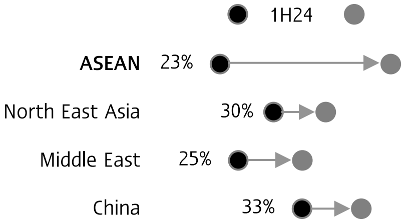
- **Build a tourism brand in niche markets with growth potential and high purchasing power,** such as Wellness & Medical tourism and sustainable tourism

Spending by each group of international tourists

(Unit: ten thousand THB per trip)**



Learning about authentic local experiences is gaining more interest among international visitors to Thailand**



- **Develop world-class, man-made attractions to continually draw tourists over the long term**—similar to many countries that use iconic built landmarks to forge unique identities and become top global destinations.

UAE Dubai: Palm Jumeirah - an artificial palm-shaped island and the Burj Khalifa - the world's tallest building

Singapore: Marina Bay Sands sky pool, Gardens by the Bay futuristic garden, and Universal Studios

China: Shanghai Disneyland, Shanghai Tower, Bird's Nest Stadium (Beijing National Stadium), Wangxiangu Fairy Valley

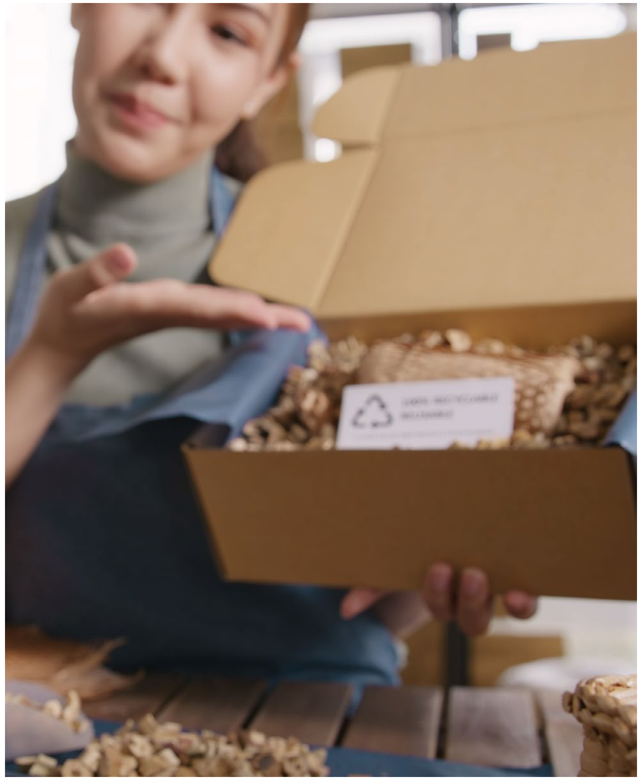
Note: *Data from Dragon Trail's Safety Perceptions survey of Chinese tourists traveling to each country

**Data from the 2nd Progress Report (Jan–Jun) of the International Tourist Behavior Analysis Survey Project 2025, Tourism Authority of Thailand

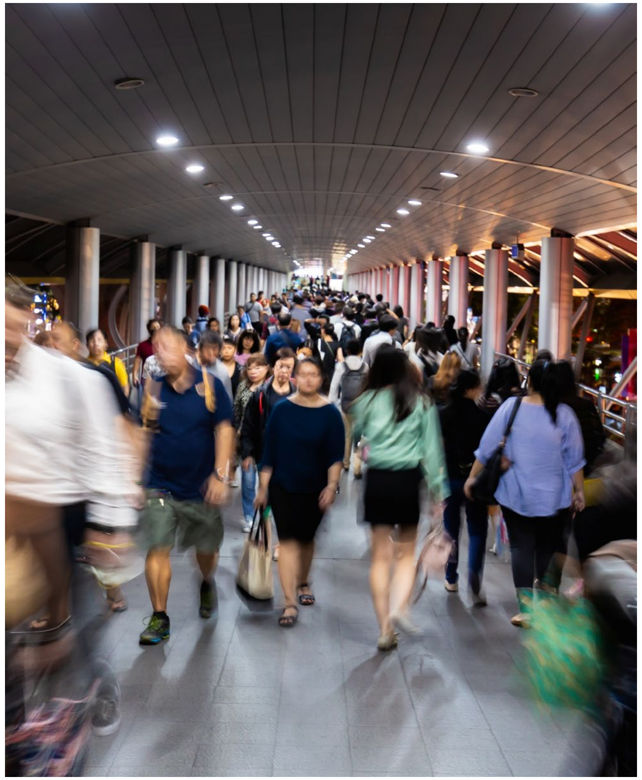
Source: SCB EIC analysis based on data from Ministry of Tourism and Sports

SCB EIC

Domestic vulnerabilities persist across businesses and households as well as fiscal constraints in the public sector.



Small businesses have yet to recover.



Labour market conditions deteriorate further.

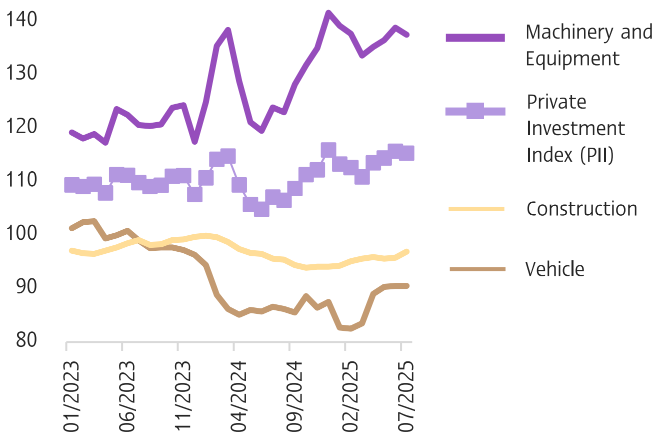
Fiscal constraints Heightens.

Private investment is expected to expand slightly this year from continued imports of machinery and capital goods, and thus the short-term impact on the Thai economy may be limited due to the high import content.

Private investment remains stable, while investment applications through BOI show an upward trend.

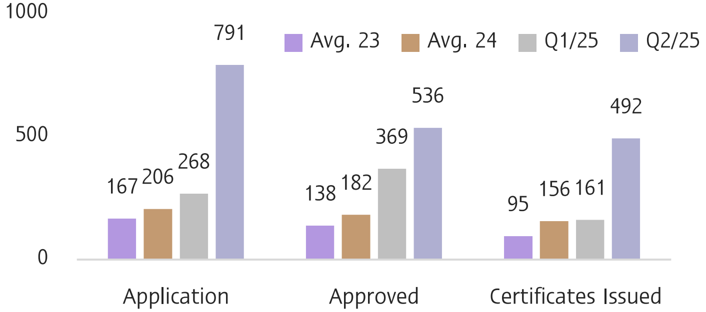
Private investment index and components

Unit: 2018=100, seasonally adjusted



Value of applications / approvals / investment promotion certificates issued by BOI

Unit: THB billion

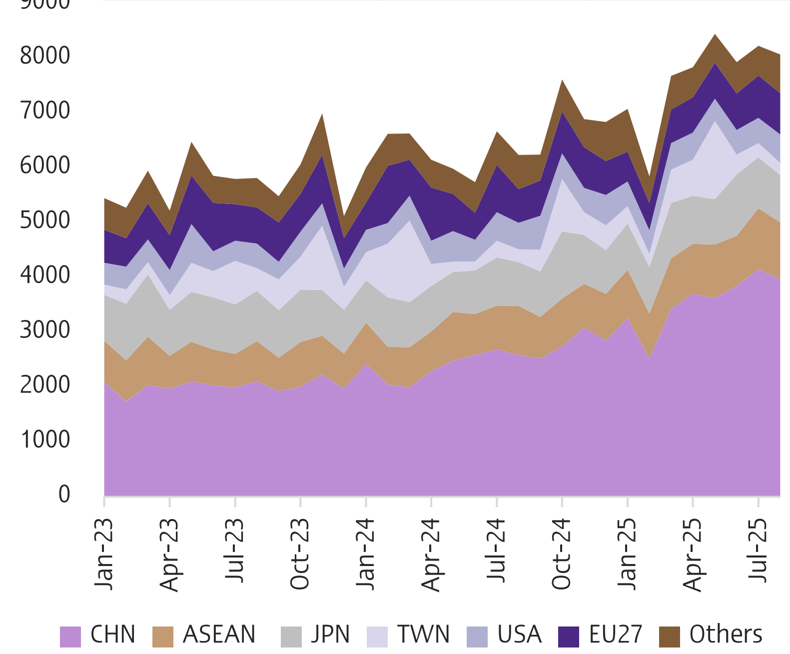


Imports of capital goods continue to grow strongly, with nearly half sourced from China.

Value of Thailand's capital goods imports

Unit: Mn USD

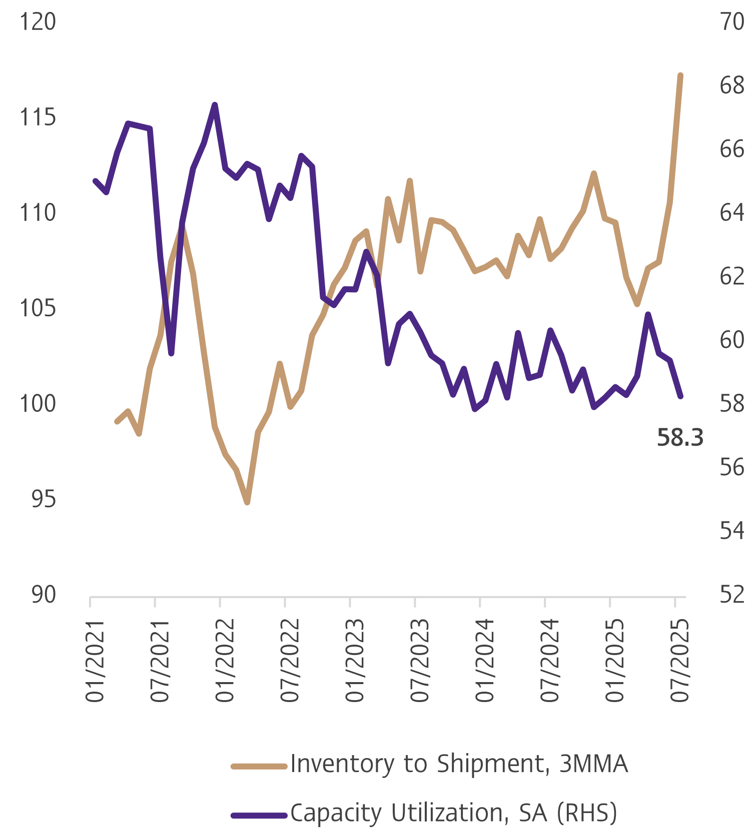
%YOY	2024	YTD 25
Total Capital Goods	**11.7**	**22.1**
China	25.2	49.1
(share, %)	(39.1)	(46.7)



Manufacturing investment remains limited, with low capacity utilisation and elevated inventory levels.

Inventory-to-shipment index and capacity utilisation rate

Index, sa (100 = 2021)



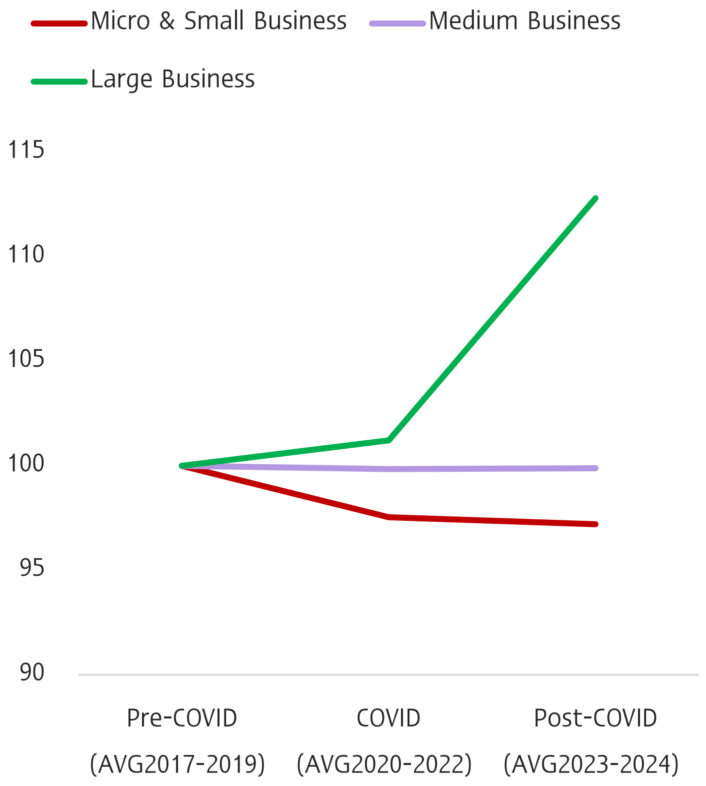
Source: SCB EIC analysis based on data from the Ministry of Commerce, BOI, OIE, and BOT

SCB EIC

The business sector, particularly SMEs, remains fragile. Revenue recovery is increasingly K-shaped, with the top 1% of firms continuing to expand their revenue share. Meanwhile, the proportion of zombie firms has accelerated in 2024, especially among medium and small-sized enterprises.

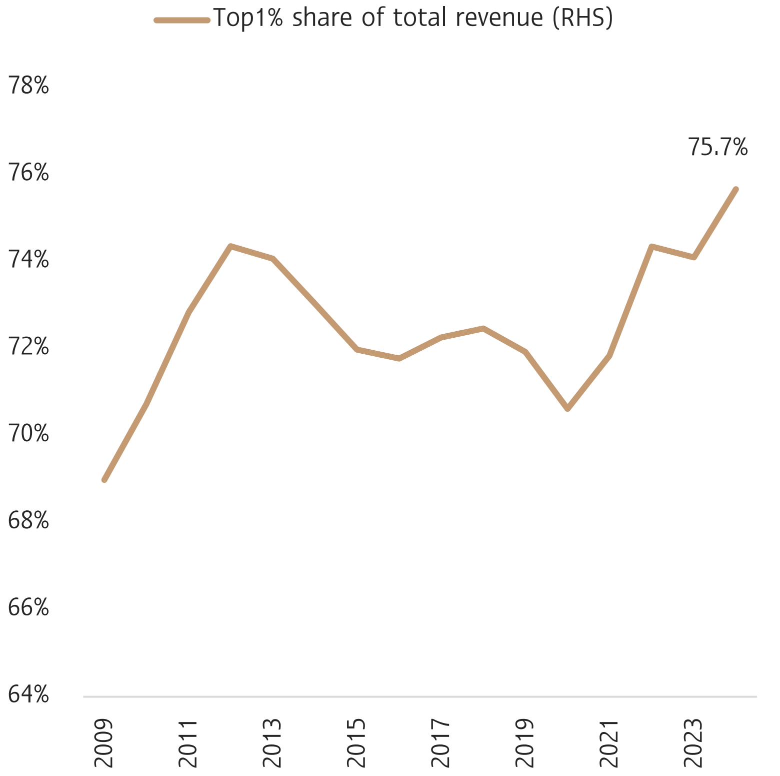
Average firm revenue by size

Unit: Index (average revenue per firm, 2017–2019 = 100)



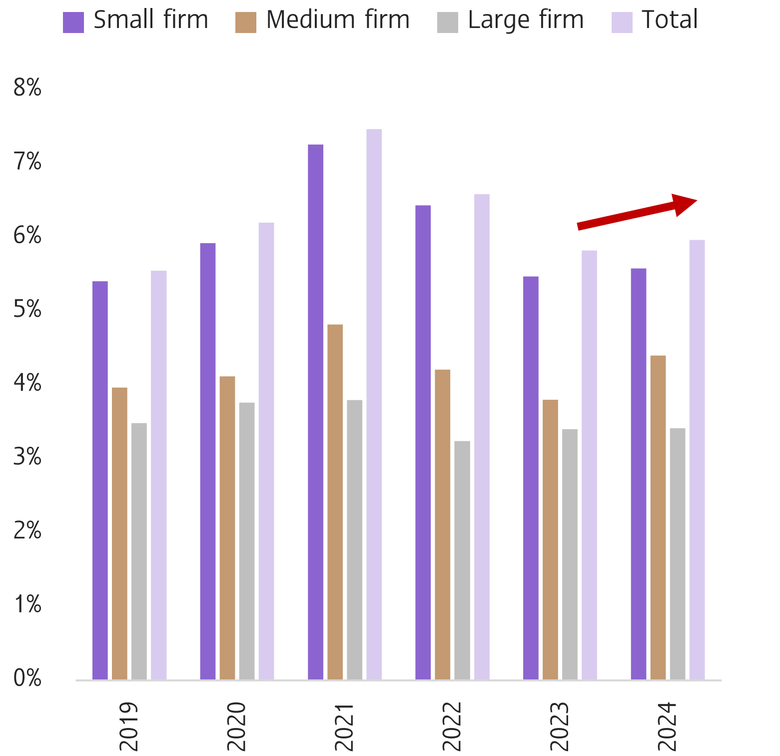
Share of business revenue in Thailand by firm size, 09–24

Unit: %



Share of zombie firms in Thailand

Unit: % of total firms



Note: (1) "Zombie firms" are defined as companies with an interest coverage ratio (ICR) below 1 for three consecutive fiscal years and with more than 10 years of operating history. (2) Large businesses are defined as those with annual revenue exceeding THB 500 million in manufacturing and THB 300 million in trade and services. Medium businesses are defined as those with annual revenue not exceeding THB 500 million in manufacturing and THB 300 million in trade and services. Small businesses are defined as those with annual revenue not exceeding THB 100 million in manufacturing and THB 50 million in trade and services.

Source: SCB EIC analysis based on data from the Department of Business Development

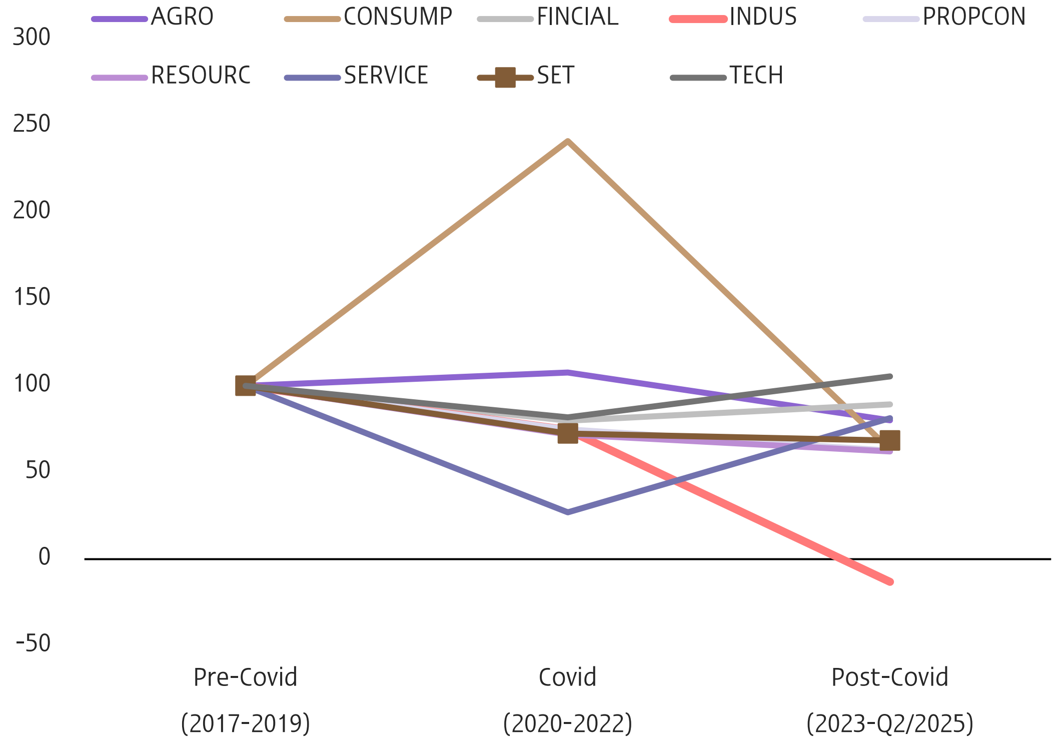
SCB EIC

Although listed businesses have recovered well post-COVID, profitability continues to decline whereas recovery varies across sectors. **Many industries still face cost pressures and have not regained pre-COVID profit levels.**

Profitability of listed businesses continues to weaken.

Average net profit margin of listed companies in the SET

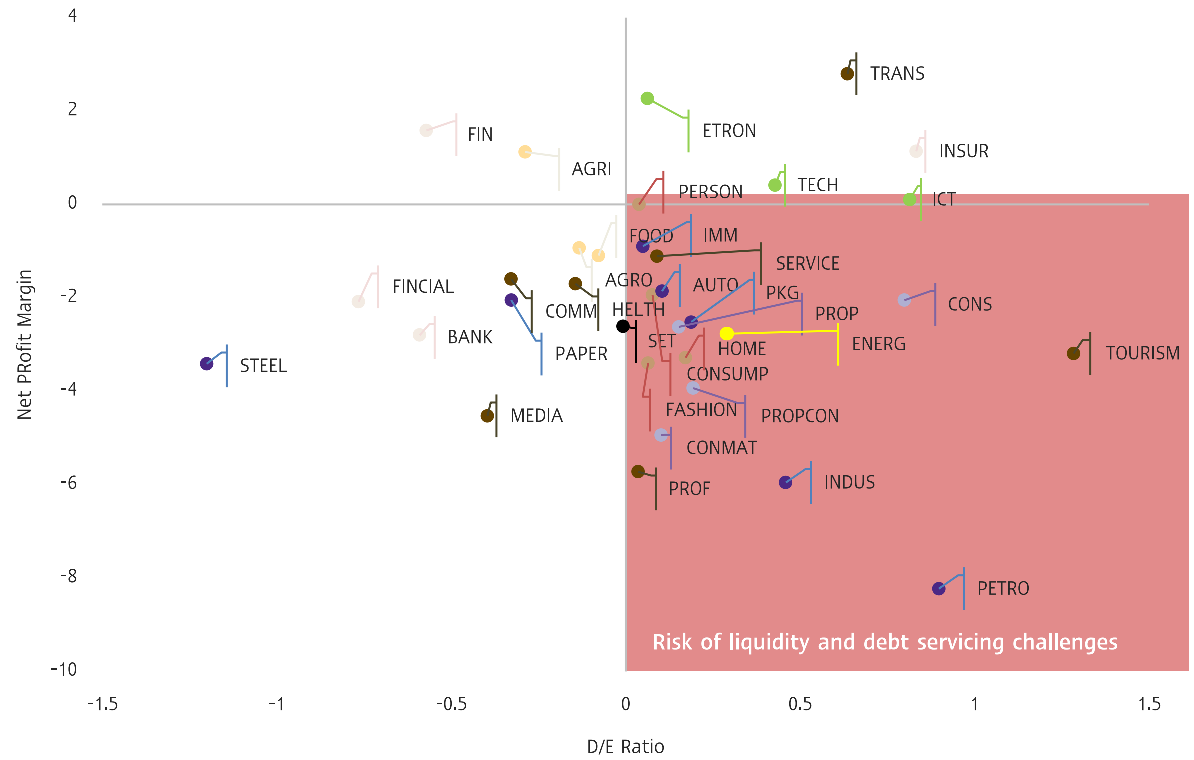
Unit: Index (average during 2017–2019 = 100)



Several sectors remain vulnerable due to high debt burdens and stagnant earnings.

Changes in average D/E ratio and net profit margin during Pre-COVID (2017–2019) and Post-COVID (2023–Q2/2025)

Unit: 0 represents SET average

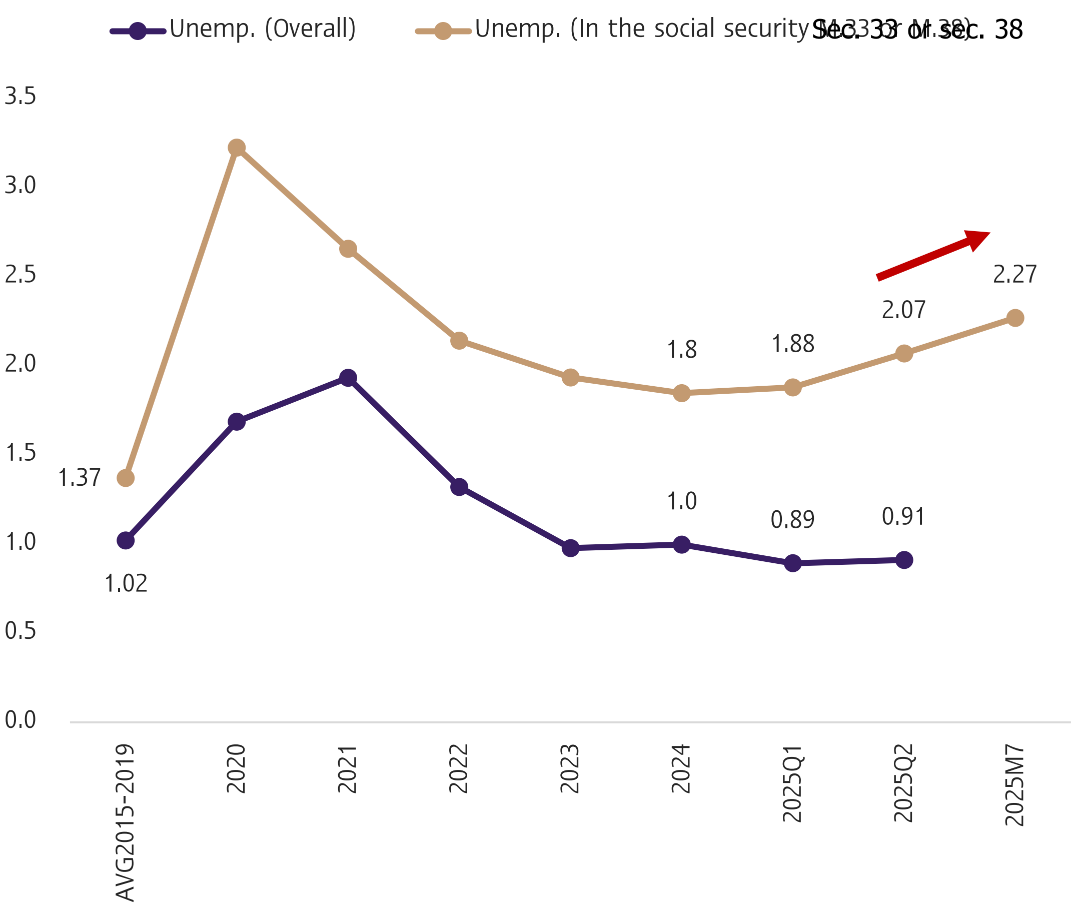


Source: SCB EIC analysis based on data from SETSMART

Thailand's labour market has become increasingly fragile this year, as reflected by (1) rising unemployment within the social security system and (2) accelerating unemployment among recent graduates…

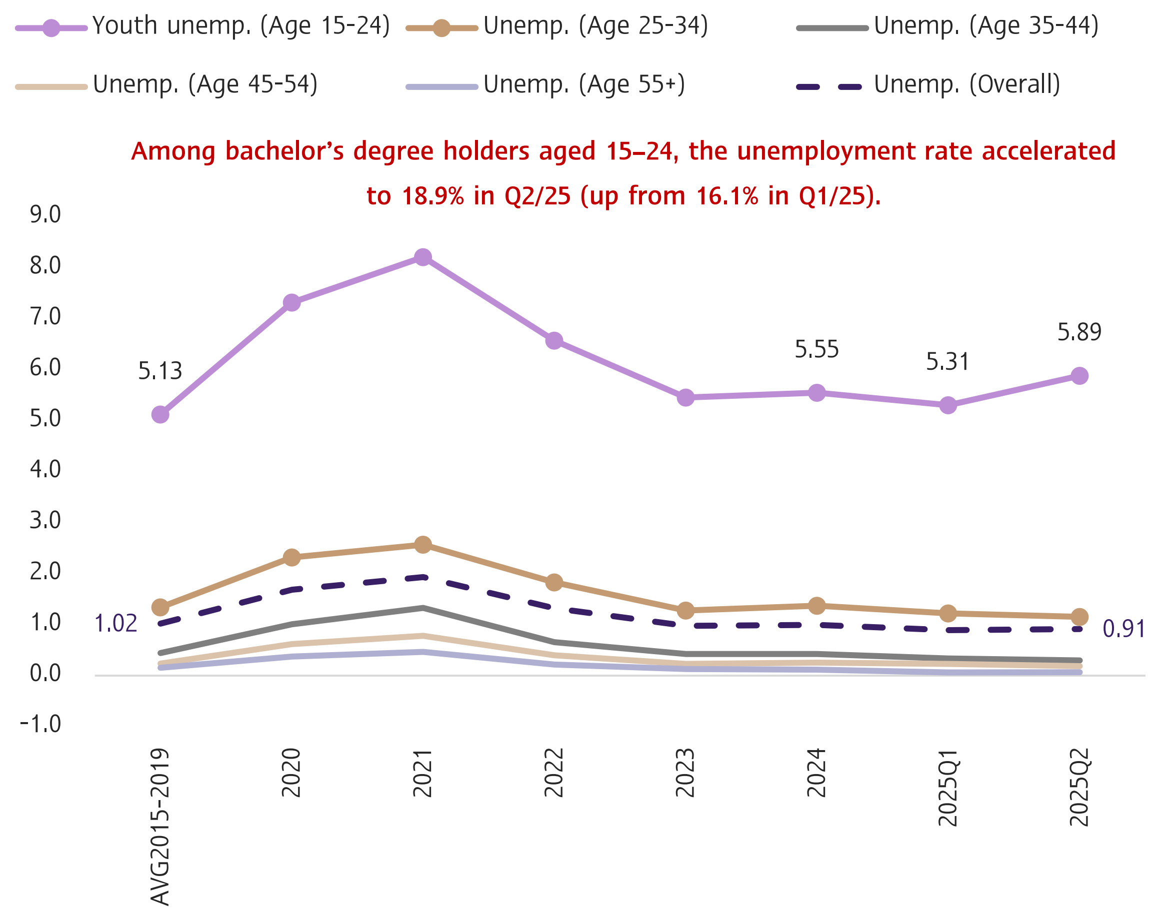
Unemployment within the social security system continues to accelerate, despite overall unemployment remaining stable.

Unit: %, of total labour force



Unemployment among recent graduates has increased during H1/2025.

Unit: %, of labour force by age group

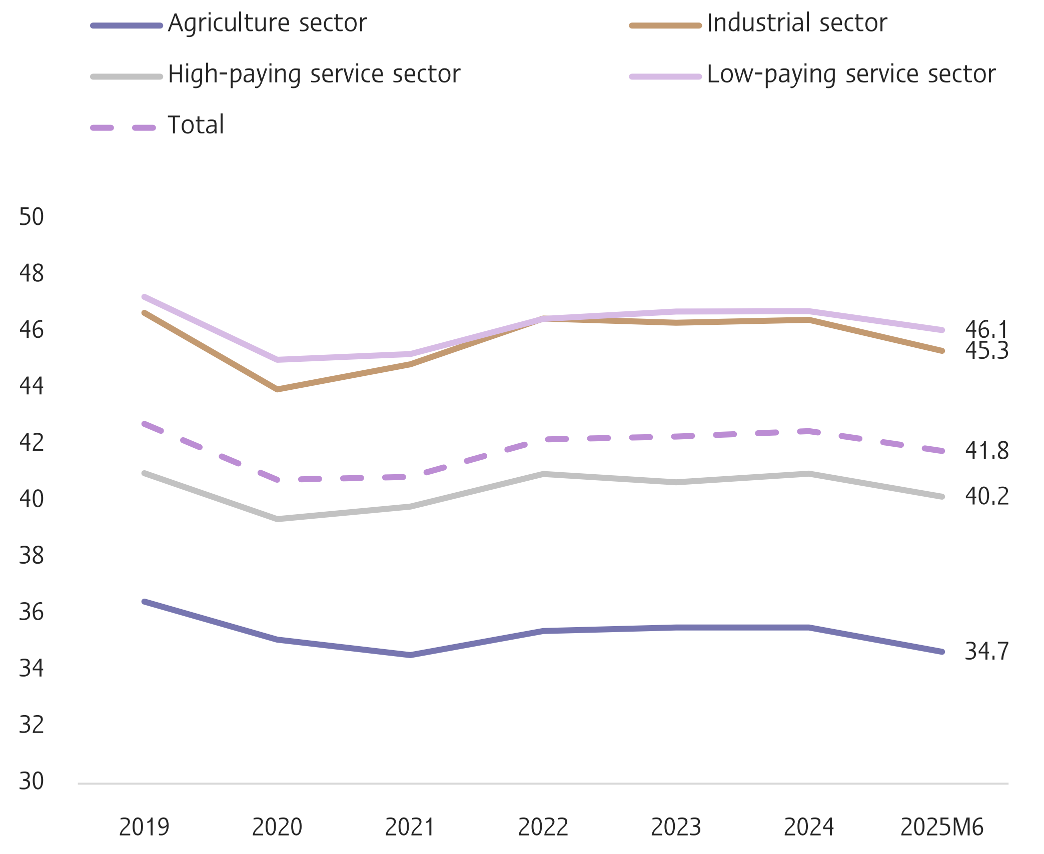


Source: SCB EIC analysis based on data from the National Statistical Office

…and (3) The decline in working hours across all employment groups has further delayed the recovery in Thai household income.

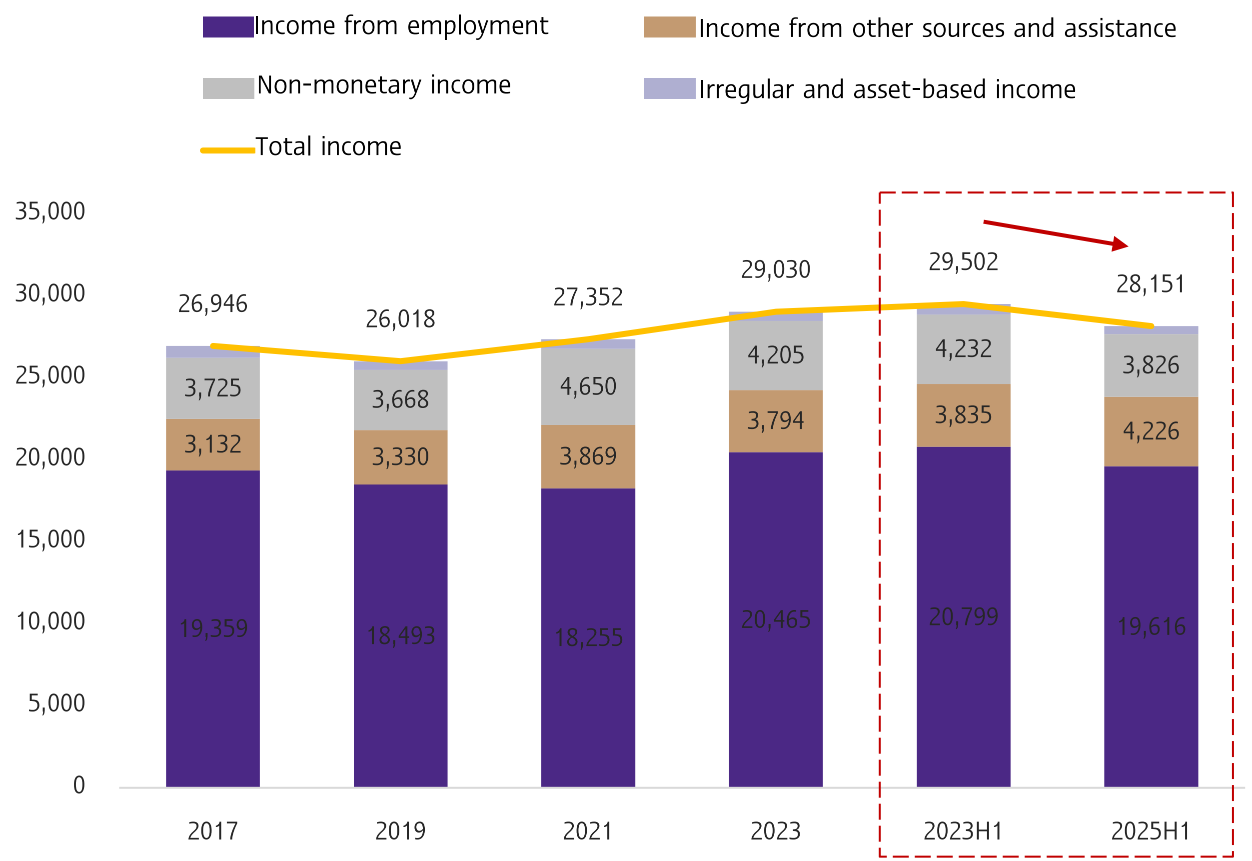
Average working hours declined across all production sectors in H1/2025.

Unit: Hours worked per week



Average household income declined in H1/2025, particularly income from employment.

Unit: Baht per household per month



Note: (1) Income from employment includes wages, salaries, net profits from business operations or agricultural activities. (2) Income from other sources and assistance includes gratuities, pensions, various welfare payments, severance or compensation, and support from individuals outside the household. (3) Non-monetary income includes imputed rental value of housing occupied without rent, value of goods and services including food and beverages received without purchase. (4) Irregular and asset-based income includes rental income from rooms/land and other assets (not operated as a business), interest from deposits, dividends from shares and other investments, and other income such as scholarships, gifts, and lottery winnings.

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

Employment in high- to medium-risk businesses has begun to decline gradually. Thai businesses face heightened risks from exports to the United States and intensified global market competition, including increasingly severe competition from China influx.

Employed Persons by Business Risk Level (Million Persons)	2024Q1	2024Q2	2024Q3	2024Q4	2025Q1	2025Q2	2025M7
1. High-risk businesses	4.6	4.5	4.6	4.7	4.9	4.8	4.6
2. Medium-risk businesses	4.1	3.9	3.5	3.6	3.9	3.8	3.4
3. Other Business Sectors	30.9	31.1	31.9	31.9	30.5	31.0	31.6
Total	**39.6**	**39.5**	**40.1**	**40.1**	**39.4**	**39.6**	**39.6**

- **Around 8–9 million employed persons (>20%) work in high- to medium-risk businesses and may be directly and indirectly affected by future U.S. tariff barriers** through reduced employment or working hours.
- **Employment in high- to medium-risk businesses has shown continuous signs of decline since the beginning of the year.**
  Employment data for July compared to H1/2025:
  - **Employment in high-risk businesses declined by 260,000 persons,** particularly in rubber, textiles, seafood (shrimp), and automotive industries.
  - **Employment in medium-risk businesses declined by 470,000 persons,** particularly in cassava, sugar, palm oil, pet food, commercial vehicles, steel, transportation, and logistics industries.

Business Sectors with Elevated Risk (H1/2025 Data)	Employed Persons (Million Persons)	Share of Employed Persons (%)	Average Real Income (Including Bonus and Overtime Pay)	Δ Employed Persons (25H1-24H1)	Δ Employed Persons (Jul25-25H1)
1. High-risk businesses	**4.86**	**12.3%**	**15,333**	**0.272**	**-0.257**
Rubber	2.23	5.7%	6,837	0.101	-0.375
Textiles	0.67	1.7%	12,374	-0.013	-0.062
Tyres and Automotive Parts	0.48	1.2%	18,013	0.031	0.075
Electronic Components	0.45	1.1%	17,076	0.081	0.086
Plastic Pellets and Plastic Products	0.30	0.8%	16,373	0.018	0.003
Shrimp	0.28	0.7%	11,409	0.032	-0.074
Automotive	0.14	0.4%	21,989	0.013	-0.012
Power Electronics	0.09	0.2%	16,009	-0.023	0.009
Consumer Electronics & HDD	0.08	0.2%	17,053	0.015	0.041
Home Appliances	0.07	0.2%	15,384	0.002	0.029
Steel	0.05	0.1%	16,147	0.015	0.024
2. Medium-risk businesses	**3.87**	**9.8%**	**14,638**	**-0.120**	**-0.471**
3. Other Business Sectors	**30.76**	**77.9%**	**16,087**	**-0.232**	**0.833**
Total	**39.50**	**100%**	**15,958**	**-0.080**	**0.105**

Note: (1) The data covers employed persons who are not employers, including private sector employees, government employees, state enterprise employees, self-employed individuals without employees, and group enterprises.
(2) Real income is calculated from total income (including income from private sector employees, government employees, and state enterprise employees), adjusted for inflation.
Source: SCB EIC analysis based on data from the National Statistical Office.

Thailand's headline inflation is expected to remain persistently low, primarily due to declining energy prices in line with the new government's cost-of-living relief measures, and pressure from low-priced foreign goods entering the Thai market.

Headline Inflation by Product Category

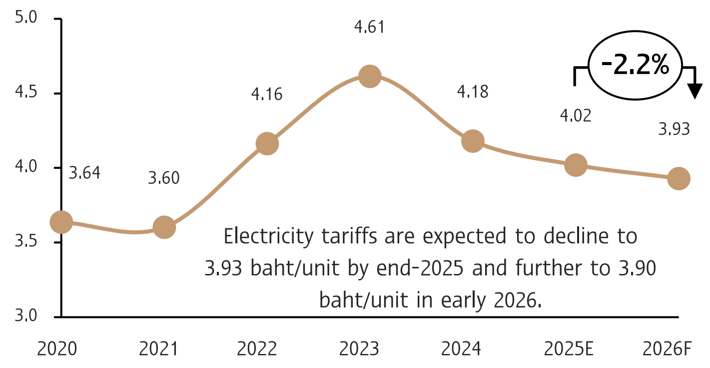
Unit: %

%YoY	Share	2024	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	YTD
All Items	100%	0.4%	0.8%	-0.2%	-0.6%	-0.2%	-0.7%	-0.8%	0.1%
Food and Non-Alcoholic Beverages	39.5%	0.8%	2.4%	1.6%	0.9%	1.6%	0.8%	-0.1%	1.4%
Fresh Food	17.4%	0.1%	1.9%	0.3%	-1.8%	-0.2%	-1.2%	-3.0%	-0.3%
Meat	3.0%	-6.9%	4.1%	8.4%	9.4%	8.5%	6.2%	3.9%	5.0%
Fresh Vegetables and Fruits	4.8%	2.3%	1.7%	-6.7%	-14.0%	-7.0%	-9.4%	-13.7%	-6.1%
Cooking Ingredients	1.2%	-0.6%	6.8%	6.2%	6.0%	4.6%	3.4%	2.6%	4.8%
Non-Alcoholic Beverages	3.4%	2.3%	3.7%	4.2%	4.4%	4.3%	4.5%	3.8%	3.9%
Prepared Food	16.7%	1.4%	2.4%	2.6%	3.4%	3.4%	2.5%	2.5%	2.8%
Clothing and Footwear	2.1%	-0.4%	-0.4%	-0.6%	-0.9%	-0.9%	-1.1%	-1.1%	-0.7%
Housing	24.6%	-0.2%	0.0%	-0.7%	-0.3%	-0.4%	-0.2%	-0.2%	-0.1%
Electricity, Fuel, Tap Water and Lighting	5.8%	-0.8%	0.1%	-2.8%	-1.4%	-1.4%	-1.4%	-1.4%	-0.7%
Medical Care and Personal Services	6.4%	0.1%	-0.6%	-0.7%	-1.1%	-0.8%	-1.1%	-0.9%	-0.8%
Vehicles, Transport and Communication	22.2%	0.4%	-0.4%	-3.0%	-3.4%	-3.2%	-3.9%	-2.7%	-1.8%
Recreation, Reading, Education and Religion	4.0%	0.5%	0.4%	0.7%	0.4%	0.5%	0.5%	0.5%	0.5%
Tobacco and Alcoholic Beverages	1.2%	1.2%	0.1%	0.1%	0.1%	0.0%	0.0%	-0.1%	0.2%
Core Consumer Price Index	70.4%	0.6%	0.9%	1.0%	1.1%	1.1%	0.8%	0.8%	0.9%

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

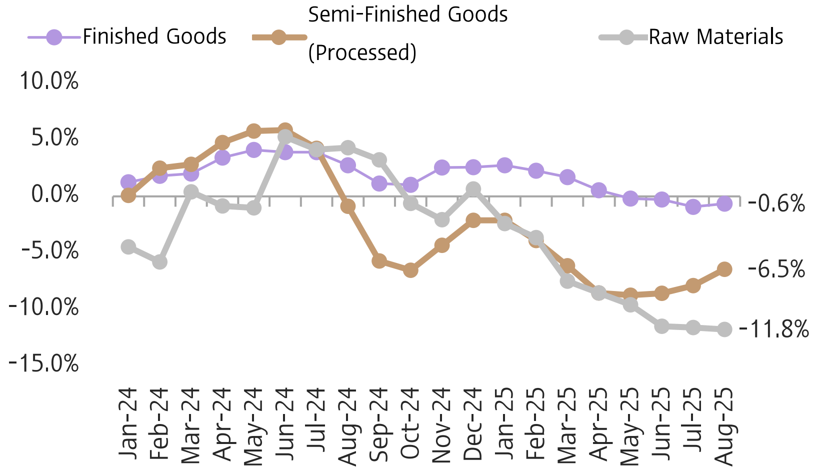
Average Electricity Tariff per Unit, 2020–2026 (SCB EIC Forecast for 2026)

Unit: Baht per Unit



Producer Price Index by Stage of Production

Unit: %YOY



- **Electricity tariffs declined more than expected,** driven by the new government's efforts to reduce living costs through electricity price cuts.
- **The Producer Price Index has been negative for six consecutive months,** particularly for raw materials.
- **The import of low-cost raw materials from abroad is expected to increase as businesses seek to reduce costs,** exerting downward pressure on domestic producers' selling prices.

Deflation Risk Increasing

- **Headline inflation has been negative for five consecutive months, raising the risk of deflation.**
  - The proportion of items with declining prices has increased to approximately 40% of the inflation basket.
  - Core inflation continues to expand but remains below 1%.
- **Businesses may face intensified price competition,** putting pressure on profit margins.

Concerns over delays in the FY2027 Budget are increasing due to the overlap between the timeline for the anticipated House dissolution in early 2026 and the FY2027 budget preparation period. This is compounded by risks of delayed budget disbursement.

Timeline of Political Events and FY2027 Budget Bill Preparation

	Sep. 25	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	May. – Jul.	Aug. - Sep.	Oct. 26
Thai Politics	Anutin Cabinet took office (late month)				House dissolution (late month)		General election	New Prime Minister, assumes office		
FY2026 Budget	Bill passed and enacted	FY2026 Budget implementation begins						→	→	→
FY2027 Budget		Begin drafting budget strategy		Government agencies prepare budget requests		Submit To the Cabinet		Resubmit to the Cabinet; House of Representatives reviews first reading	House reviews 2nd–3rd readings; Senate reviews; Enactment	FY2027 budget implementation begins

- **The FY2026 Budget Bill has already been enacted,** alleviating concerns over budgetary issues during late 2025 – 2026.
- **Government agencies may delay disbursement of investment projects** due to uncertainty over whether the government will dissolve the House in the next four months.

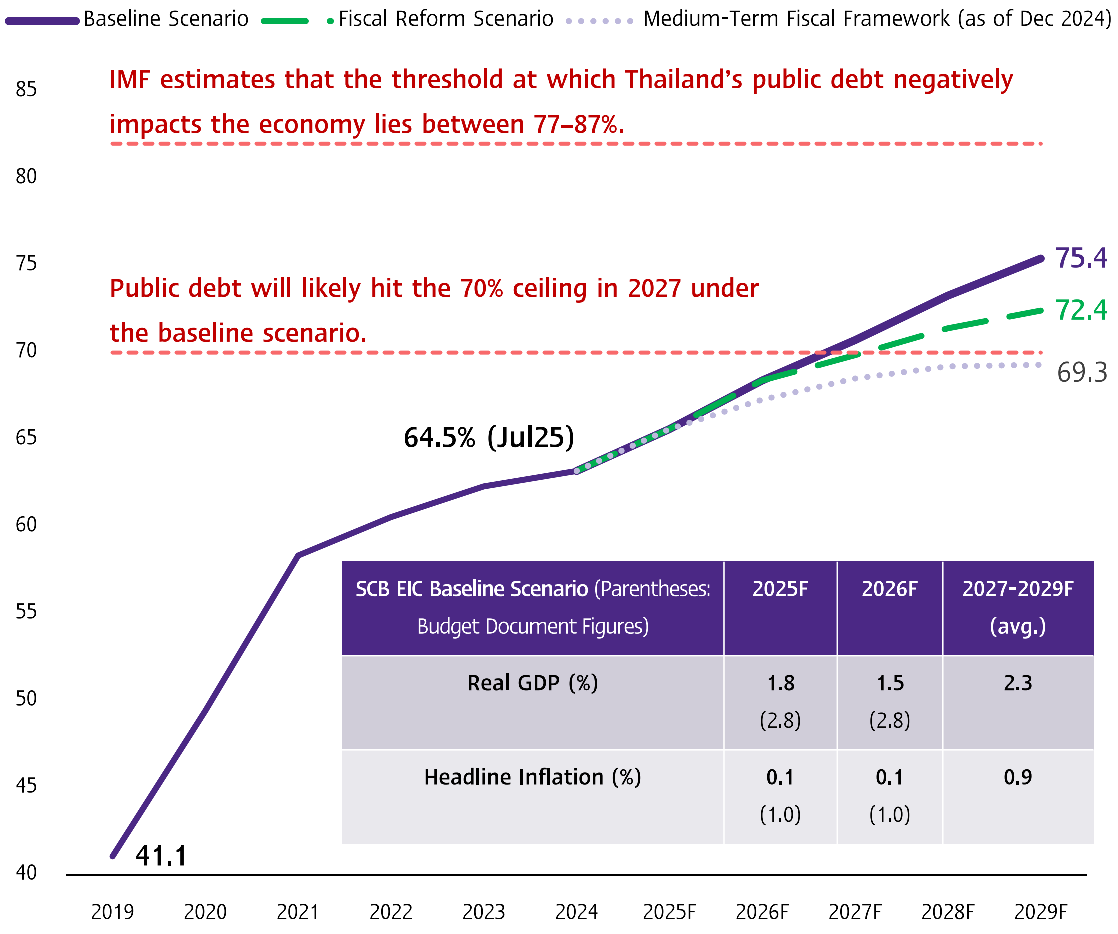
- **If the government dissolves the House within four months as outlined in the MOA timeline, the FY2027 Budget Bill process will overlap with the selection of a new Prime Minister, increasing the risk of delayed enactment.**
- This risk would be significantly reduced if the House is dissolved earlier or not at all.

Source: SCB EIC analysis based on data from the Ministry of Finance and the Bureau of the Budget

SCB EIC projects that public debt will exceed the 70% ceiling in 2027 and continue rising under assumptions of low economic growth and inflation. Fiscal reform could mitigate fiscal risks.

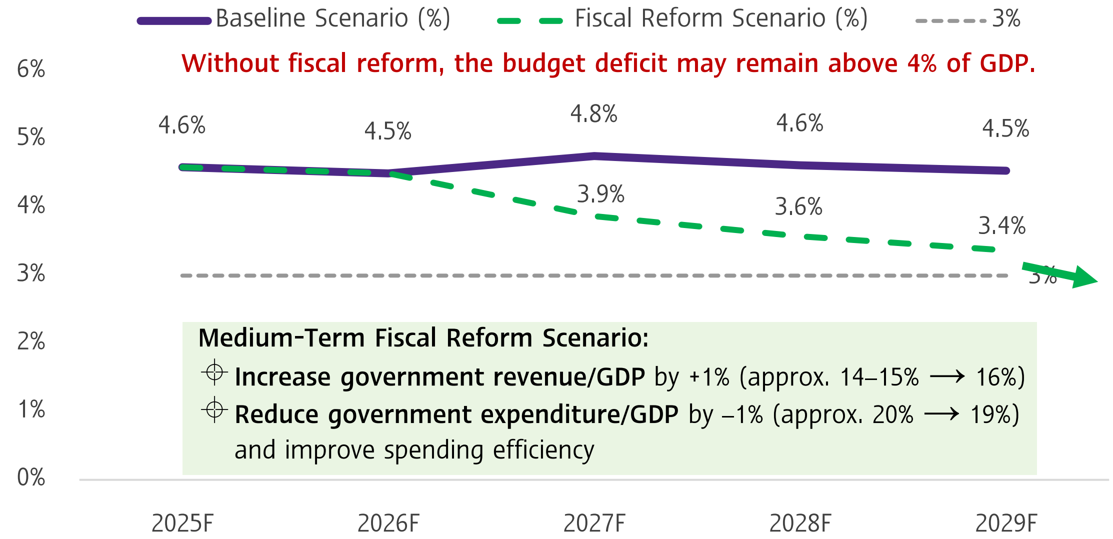
Thailand's Public Debt Forecast by SCB EIC

Unit: % of Nominal GDP, Fiscal Year



SCB EIC Baseline Scenario (Parentheses: Budget Document Figures)	2025F	2026F	2027-2029F (avg.)
Real GDP (%)	1.8 (2.8)	1.5 (2.8)	2.3
Headline Inflation (%)	0.1 (1.0)	0.1 (1.0)	0.9

Budget deficit assumptions: Baseline vs Fiscal Reform Scenario by SCB EIC (% of GDP)



Fiscal reform reduces medium-term fiscal risks.

Medium-Term Fiscal Reform Scenario:

- Temporarily raise the debt ceiling
- Target to reduce budget deficit to <3% of GDP

Expenditure Reform

1. Efficient Budget Utilisation
   - Reduce populist policies; target spending to high-impact groups
   - Allocate spending to restructure the economy
   - Reduce corruption and leakage
2. Cut unnecessary expenditures
3. Public-Private Partnership (PPP)

Revenue Reform

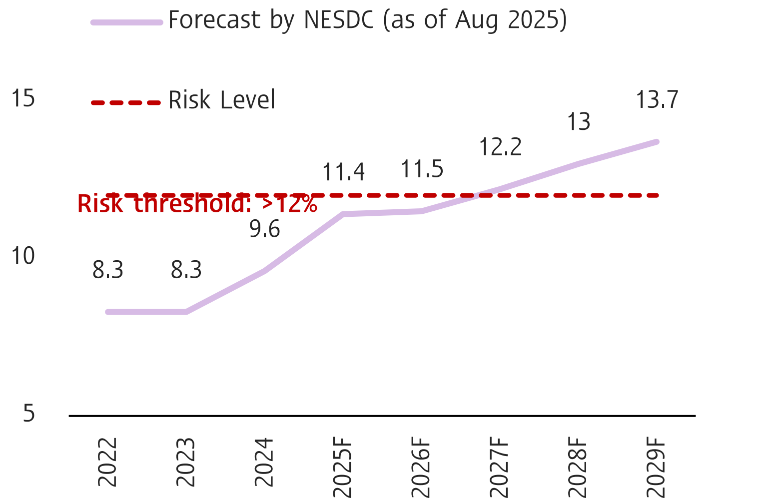
1. Enhance government revenue-generating capacity
   - Maximise revenue from public assets
2. Improve collection efficiency
   - Use digital systems to integrate data
3. Broaden the tax base
   - Incentivise formal tax participation

Source: SCB EIC analysis based on data from the Ministry of Finance, OECD, and IMF

Interest payments and obligations under Section 28 of the Fiscal Discipline Act are expected to increase. **The government may need to reduce other expenditures.** Such deterioration in fiscal position could raise the risk of a sovereign credit rating downgrade for Thailand in the medium term.

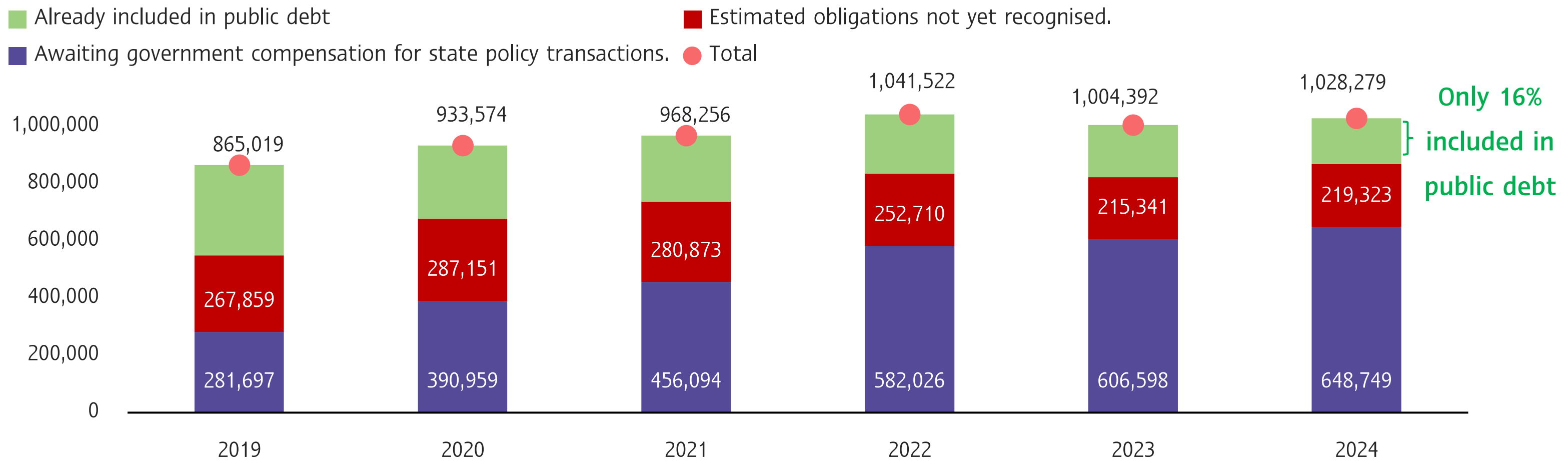
Interest burden may exceed credit rating investment thresholds

Unit: % of projected revenue, fiscal year



Obligations under Section 28 of the Fiscal Discipline Act are expected to increase. The majority (85%) are not yet included in public debt figures.

Unit: THB million, fiscal year



""**Debt servicing capacity**" is a key criterion in assessing fiscal strength, measured by the ratio of interest burden to government revenue. **If this ratio exceeds 12%, there is a risk of being classified as Non-investment Grade** (below investment grade)."

NESDC press release on Thai economic conditions (18 Aug 2025)

Credit rating agencies revised Thailand's sovereign outlook this year from Stable to Negative

Moody's (29 Apr 2025)

- **Fitch (24 Sep 2025)**

Key factors behind Fitch's downgrade of Thailand to Negative Outlook (24 Sep 2025)

increasing risks to Thailand's public finance outlook from prolonged political uncertainty combined with growth headwinds (slowing global demand, delayed tourism recovery, and household deleveraging)

Thailand's fiscal buffers have eroded (General govt gross debt 59.4% of GDP **close to BBB median** 59.6% (+25pp from pre-Covid)

Continued sizeable stimulus measures, repeated delays in planned consolidation and uncertainty on the fiscal strategy pose risks to MT fiscal outlook in the context of **modest economic growth and intensifying demographic pressures**

Source: SCB EIC analysis based on data from the Ministry of Finance, NESDC, Moody's, and Fitch

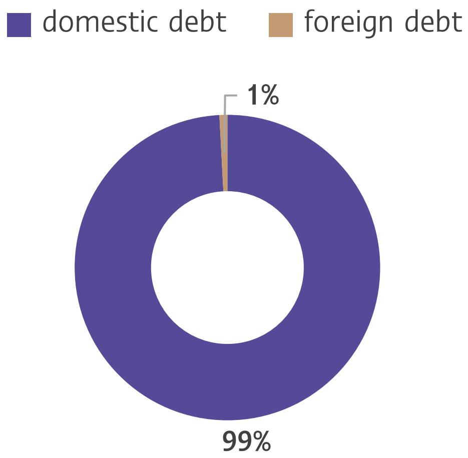
Certain fiscal indicators—such as the high share of domestic and long-term debt—and strong macroeconomic fundamentals continue to support Thailand's sovereign credit rating. If downgraded, Thailand would fall to BBB/Baa2, which remains within the investment grade category.

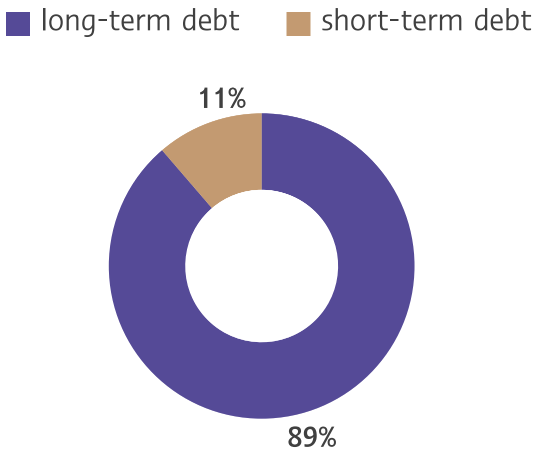
Sovereign credit ratings by credit rating agencies

S&P	Fitch	Moody's	Grade	
AAA	AAA	Aaa	Investment Grade	Prime
AA+	AA+	Aa1		High
AA	AA	Aa2		
AA-	AA-	Aa3		
A+	A+	A1		Upper Medium
A	A	A2		
A-	A-	A3		
BBB+	BBB+	Baa1		Lower Medium
BBB	BBB	Baa2		
BBB-	BBB-	Baa3		
BB+ to C	BB+ to C	Ba1 to C	Non-investment Grade	

The majority of public debt is domestic and long-term in nature

Unit: THB million, from total debt of THB 12.1 trillion as of end-July 2025





Macroeconomic factors supporting Thailand's credit rating

The Thai economy is supported by accommodative monetary policy

Low inflation and inflation expectations reflect the effectiveness of monetary policy

External stability remains strong, with the current account posting surpluses for three decades, albeit with signs of moderation

Most public debt is domestic, and the government retains borrowing capacity

Banks maintain strong financial positions despite high household debt

Source: SCB EIC analysis based on data from the Ministry of Finance, Fitch, Moody's, and S&P

The policy rate is expected to decline to 1% by 2026, driven by a slowing economic outlook and persistently tight financial conditions.

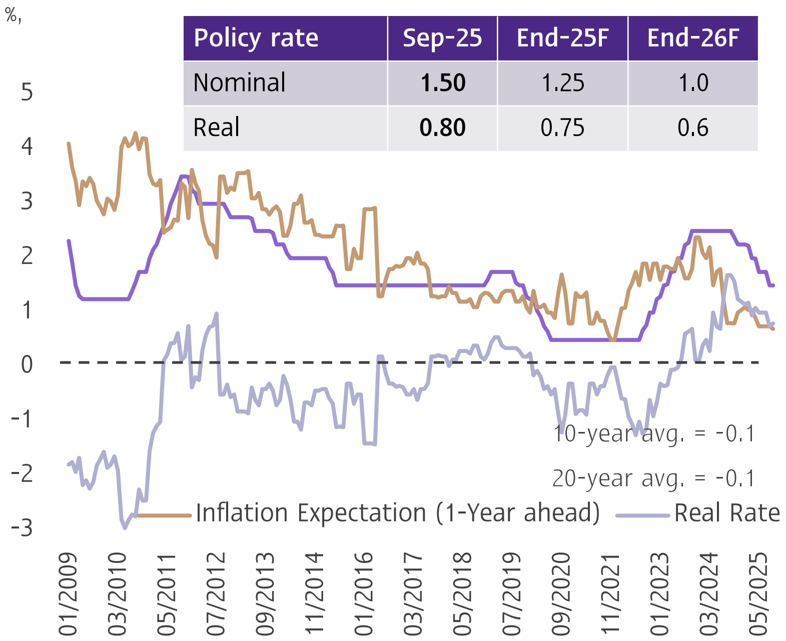
The MPC is expected to cut interest rates again this year due to the weakening economic outlook and tight financial conditions.

- **Monetary policy will need to remain accommodative.**
  - **Tight financial conditions,** particularly the rapid appreciation of the baht, may hinder Thailand's economic recovery in the medium term.
  - **The real policy rate** remains higher than historical averages.
  - **Persistently low inflation** may expose households to "debt deflation," increasing the risk of deflation.

Thailand's real policy rate remains elevated relative to historical levels.

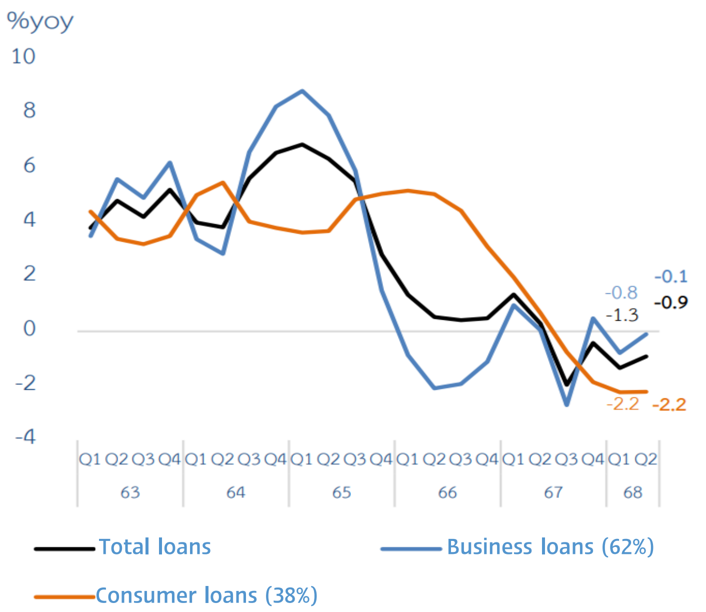
Thailand's Policy Rate Forecast

Policy rate	Sep-25	End-25F	End-26F
Nominal	**1.50**	1.25	1.0
Real	**0.80**	0.75	0.6



Overall credit continues to contract.

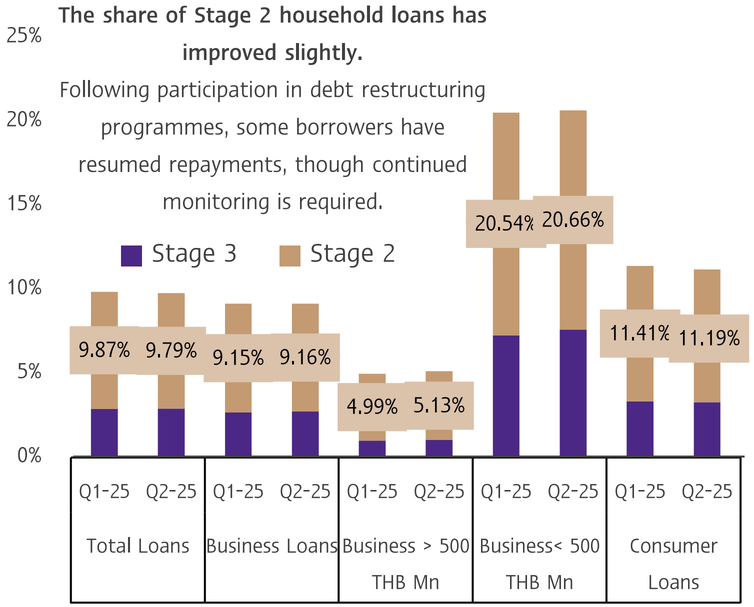
Credit growth by portfolio across the banking system and affiliated groups



Credit quality has yet to show improvement, particularly among SMEs.

Stage 2 and Stage 3 (NPLs) of commercial banks and affiliated groups

%, figures represent the combined proportion of Stage 2 and Stage 3 loans across each credit portfolio



Note: Inflation expectations are based on Bloomberg Median (2016–present); for pre-2016, actual headline inflation data one year ahead is used.

Source: BIS, BOT, and Bloomberg

The new government's economic policy should focus on the 3S: "Stabilize, Stimulate, Structural Reform."

Short-term policies	Medium-term policies
should aim to restore confidence and stimulate the economy.	should focus on laying the foundation to enhance competitiveness.

Short-term policies

should aim to restore confidence and stimulate the economy.

Clear and actionable goals and strategies should be announced
to build confidence among consumers, businesses, investors, and tourists.

Accelerate disbursement mechanisms,
both for investment budgets and relief measures for affected groups.

Stimulate economic
demand through spending measures that are targeted, timely, and temporary.

Ease financial conditions
by lowering interest rates and maintaining an appropriate exchange rate.
Policy support should include soft loans, transformation loans, credit guarantees, and debt restructuring.

Medium-term policies

should focus on laying the foundation to enhance competitiveness.

Enhance business support policies

- Ease of doing business / Regulatory Guillotine
- Expedite trade negotiations and conclude an agreement with the U.S., while advancing the EU FTA.
- Diversify export markets and strengthen local supply chains.
- Green : the Climate Change Act and tax incentives for green capital expenditure.

Advance economic restructuring

- Promote high-potential industries with competitiveness in the new global landscape.
- Upgrade workforce skills to align with global trends and improve job matching mechanisms.
- **Implement fiscal reforms** to ensure medium-term sustainability.

Proactive and systematic economic communication and coordination: Weekly press releases, PMO with dashboard, and stakeholder engagements.

Source: SCB EIC analysis

Thailand's FDI outlook post-Trump 2.0 may present opportunities
Businesses and the public sector must accelerate adaptation

SCB EIC

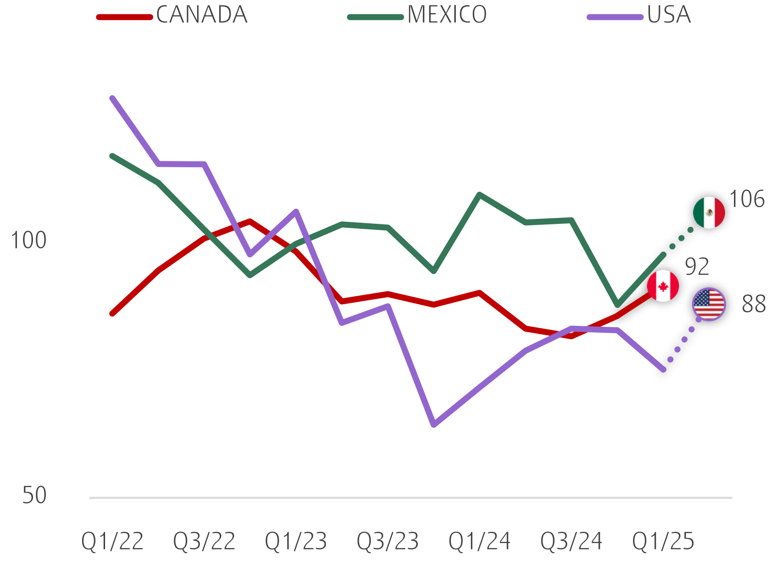
U.S. trade policy has contributed to increased foreign direct investment (FDI) inflows into the USMCA bloc, while investment in the ASEAN region remains volatile due to uncertainty surrounding U.S. trade policy.

Direction of Foreign Direct Investment (FDI) by Key Country

unit: Index SA average 2022 = 100

USMCA

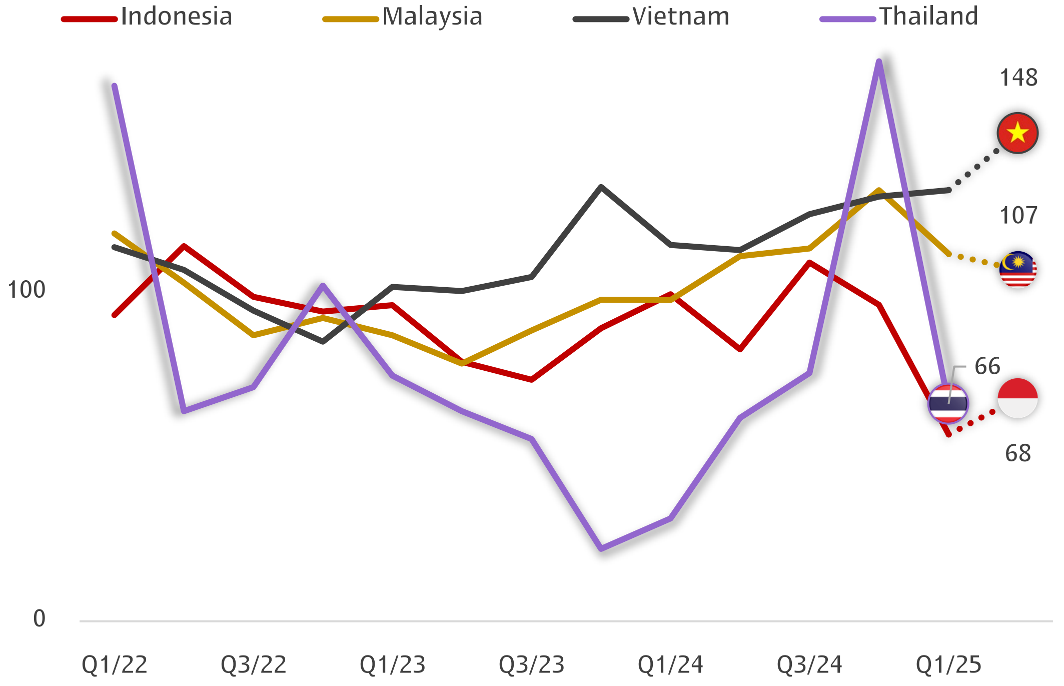
FDI accelerated following Trump's announcement of reciprocal tariff policies, reflecting investor confidence stemming from the import tariff exemptions granted to member countries.



Q2/25	%YoY	%QoQ_SA
USA	31%	80%
MEXICO	16%	15%

ASEAN

U.S. reciprocal tariff policies have yet to show a clear impact on FDI trends in ASEAN during Q2/2025. FDI in Indonesia and Vietnam continues to accelerate, though Chinese FDI may decelerate due to additional tariff measures, such as the 40% circumvention tariff.



	Q2/25	%YoY	%QoQ_SA
Total FDI	INDONESIA	-21%	+19%
	MALAYSIA	-2%	-4%
	VIETNAM	+30%	+13%
FDI from China	INDONESIA	-8%	-16%
	MALAYSIA	-33%	+13%

	Q1/25	%YoY	%QoQ_SA
Total FDI	Thailand	-24%	-61%
FDI from China	Thailand	-24%	-40%

Note: FDI data collection and reporting methodologies vary across countries. SCB EIC has analysed and processed these data to serve as proxy indicators reflecting investment trends and investor confidence. Details are as follows: Net Inflow – USA, Mexico, Thailand, and Indonesia; Income Inward – Canada; Registered Capital – Vietnam; Funds Inflow – Malaysia.

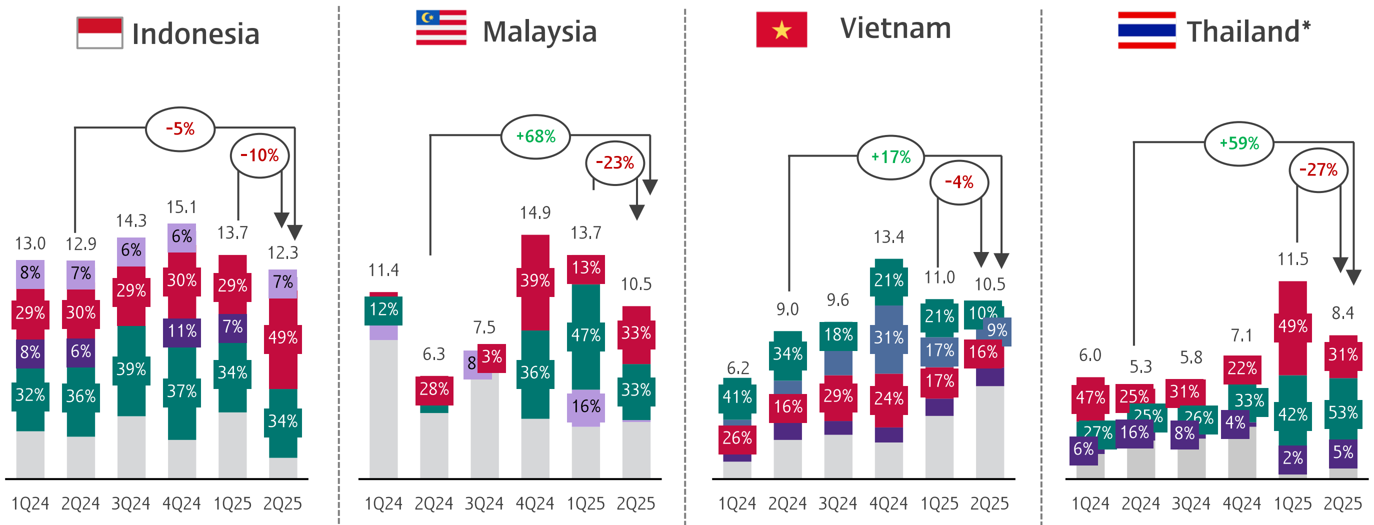
Source: SCB EIC analysis based on data from BOT and CEIC

The value of approved investment in ASEAN decelerated in Q2 2025, although overall levels remained robust. Thailand continues to face competition in attracting FDI from key sources such as China and Singapore into targeted industries.

ASEAN Approved Foreign Investment: Value and Key Examples in 2024–1H2025

Unit: USD billion, %

USA | China&HK | Japan | Singapore | Korea | Others



Indonesia
- Mining and processing, especially nickel & cobalt
- EV battery manufacturing
- Data Center, Cloud Service

Malaysia
- Advanced chip assembly and testing, wafer production
- Hyperscale Data Center, Cloud Service
- AI

Vietnam
- Chip assembly and testing, electronic device manufacturing
- Smartphone manufacturing
- Wind and solar power

Thailand
- PCB, chip, and smart device manufacturing
- EV parts and assembly, EV battery manufacturing
- Data Center, Cloud Service

Investment Promotion Policies of ASEAN Countries

	Indonesia	Malaysia	Vietnam	Thailand
Key Target Industry	- Mining and basic metal production - EV Battery	- Advanced electronics - Digital, AI - Chemical products - Medical devices	- High-tech manufacturing - Wind and solar power	- EV & parts - Advanced electronics - Digital - BCG
Tax Holiday: Up to 20 years	Up to 20 years	- Partial exemption for 5 years - 60% investment deduction for a period of 5 years	2–4 years + 50% tax reduction for an additional 4–9 years	Up to 13 years + 50% tax reduction for an additional 5 years
Land ownership	Leasehold rights for land up to 95 years	Leasehold rights for land up to 99 years	Leasehold rights for land ranging from 50 to 70 years	Foreign ownership permitted within industrial estates
FTA	5 agreements 24 countries	17 agreements 25 countries	17 agreements >60 countries	17 agreements 24 countries
Special Visa for High-Skill Workers	N/A	- EP up to 5 years - RP-T up to 10 years	N/A	- LTR Visa 10 years - Smart Visa 4 years

Strong advantage

THAILAND BOARD OF INVESTMENT

BOI revised investment promotion policies for several industries effective July 2025

- **Industries at risk from U.S. trade measures:** revised conditions for existing projects (e.g. automotive and electronics); promotion for new projects such as solar cell manufacturing, has been discontinued
- **Environmentally sensitive industries:** encouraged to locate within designated industrial estates, e.g. metal, chemical, and plastic production

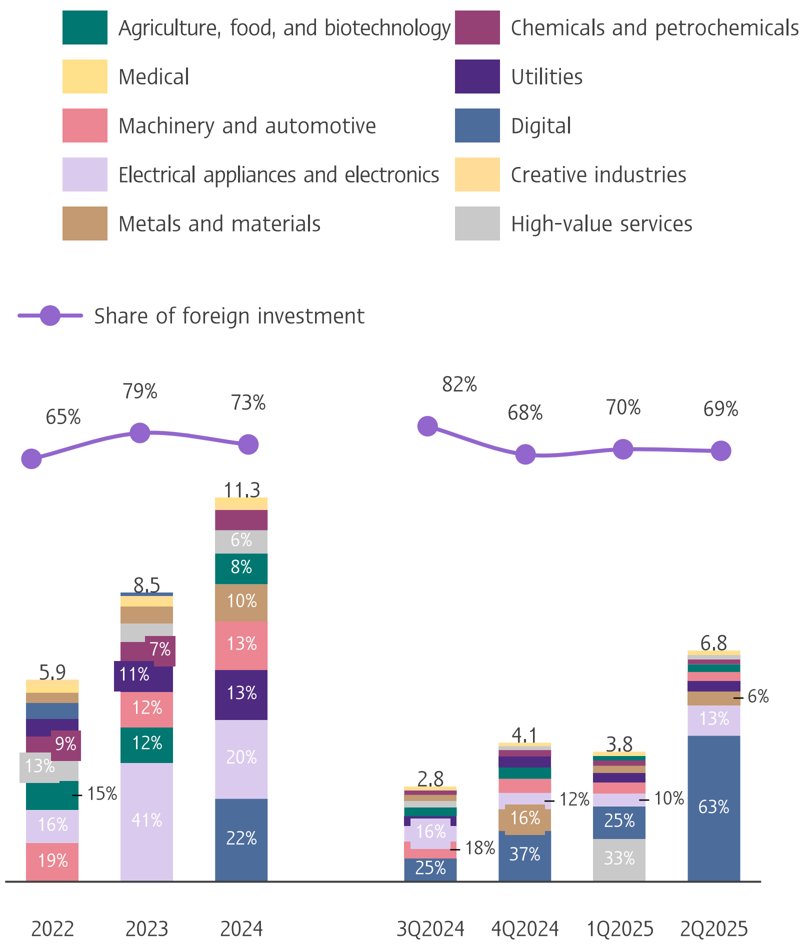
Note: *BOI-approved investment value

Source: SCB EIC analysis based on data from BOI, MIDA Malaysia, National Statistics Office of Vietnam, SETKAB Indonesia, and various news agencies

Singapore and China–Hong Kong will likely continue as the leading investors in Thailand, concentrating primarily on electronic components and automotive manufacturing.

Value of investment promotion applications (BOI Applications)

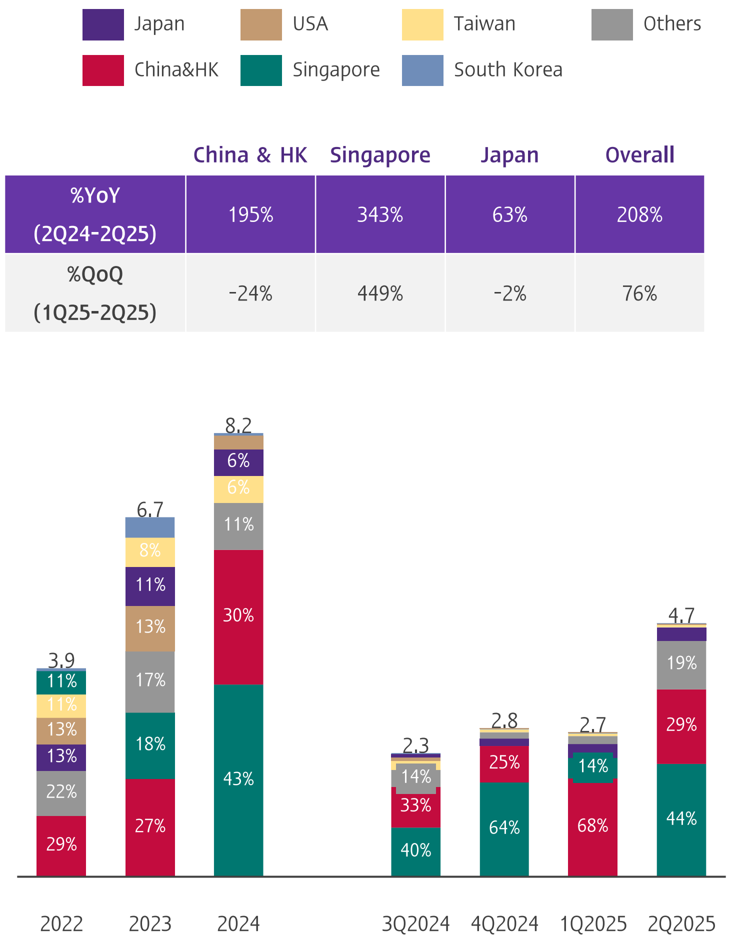
Unit: THB hundred billion, %

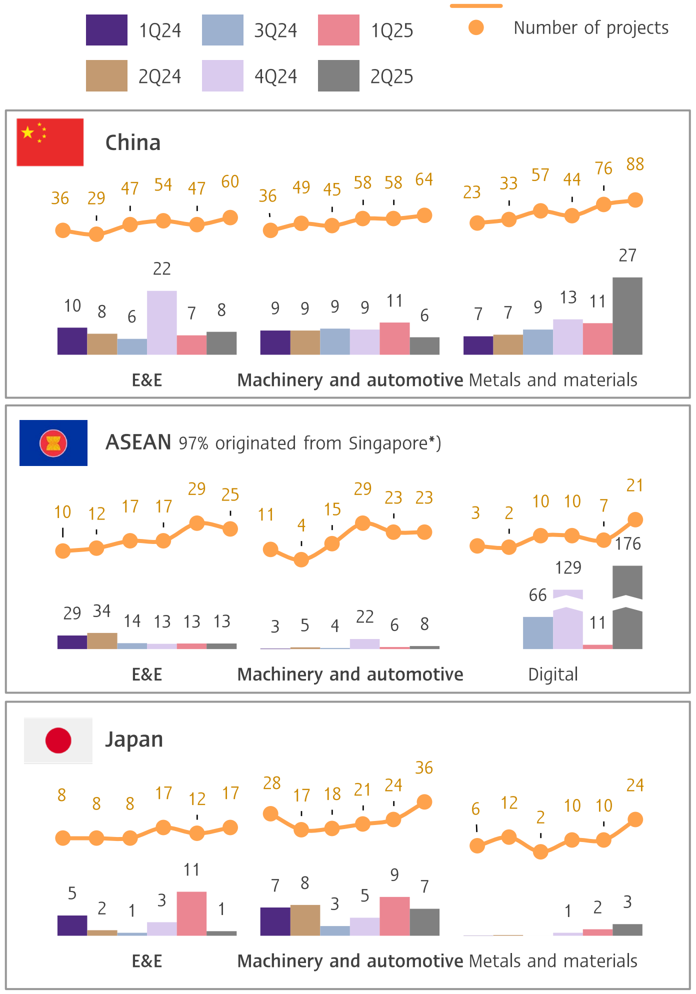


Value of foreign investment promotion applications and top-3 industries applying for investment promotion

Unit: THB hundred billion, %

	China & HK	Singapore	Japan	Overall
%YoY (2Q24-2Q25)	195%	343%	63%	208%
%QoQ (1Q25-2Q25)	-24%	449%	-2%	76%





Note: *Calculated from investment promotion application values during 2024–1H2025

Source: SCB EIC analysis based on data from BOI

Thailand remains a strong automotive and parts production base in ASEAN. However, its investment attractiveness may face increasing pressure from competitor countries' investment promotion policies and disadvantages in accessing U.S. and European markets.

Comparative analysis of investment promotion policies and automotive industry strengths across countries

	CIT w/o incentive	CIT Tax holidays		EV Incentive			Established EV Local production	EV Adoption in 2024	Local content Requirement	Special Market Access	Labor (wage/month)	Trump tariffs	Pros	Cons
		General	Priority project*	EV Sales subsidy	Reduction of import duties on EVs and parts	Excise tax / VAT								
THAILAND	20%	3 - 8 years	8-year exemption + 50% reduction for an additional 5 years	2022 - 27	0–20% (ICE 0–40%)	Excise 2% (ICE 8%)	MG, GWM, BYD, CHANGAN, GAC AION	15%	40% for extra tax holiday	Australia New Zealand JTEPA Peru, Chile	350–400 USD	19%	• Complete local supply chain • Strong export base • Fast-growing EV ecosystem	• Less attractive investment incentives • Higher labor costs than peers
INDONESIA	22%	5–20 years	20+ years	2023 - 26	Applicable only to manufacturers with plans to establish domestic production facilities	VAT 1% (ICE 11%)	Hyundai Wuling	6%	40%+ (2023), 60%+ (2027) 80%+ (2030)	IEU CEPA Australia CEPA	250–300 USD	19%	• Largest car market in ASEAN • Longest tax-holiday incentives • Rich nickel & cobalt reserves for EV battery	• Strict local-content requirements
VIETNAM	20%	2-year exemption + 50% reduction for 4 years, followed by CIT at 17%	4-year exemption + 50% reduction for 9 years, followed by CIT at 10%	Limited direct subsidies	0% 2020 - 24	Excise tax exemption during 2022–27; thereafter, rates range from 3–11%, previously 35–50%	VinFast (Local brand) BYD	18% Dominated by national EV brand	No specific requirement	EU, UK CPTPP	200–250 USD	20%	• Lowest CIT in ASEAN • Cheap labor costs • EU market access from FTA	• Early-stage local auto supply chain • Heavily reliance on imported contents
MEXICO	30%	∅	∅	Available in certain states	Exemption applies only to USMCA member group	Excise 0% (ICE 2% - 50%)	Tesla, GM, Ford, BMW	MEX 2% USA 10%	USMCA ROO Vehicle: 75% Battery: 70%	USMCA	450–600 USD	Exempt	• Direct access to US market ได้เปรียบไทยอย่างมาก โดยเฉพาะกลุ่ม Auto parts และยางล้อ	• High labor costs compared to ASEAN

Relative advantage of policies and key strengths compared to competitor countries	Strong advantage	Neutral	Limited advantage

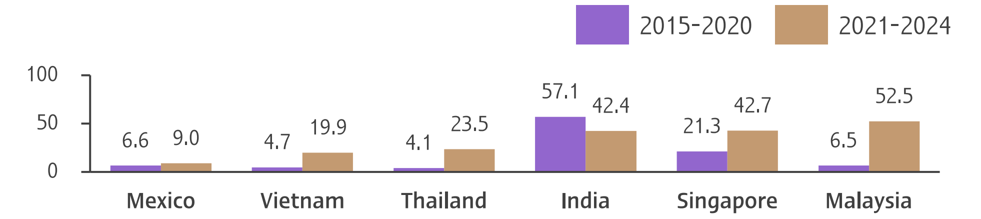
Note: (*) Priority project refers to investments in advanced technology, clean energy, and the EV industry(**) Share of value added from imported inputs and exported outputs linked to global supply chains (Backward + Forward linkages / Total auto industry VA). Countries with high % GVC reflect that they serve primarily as assembly hubs reliant on imported components, with limited domestic value creation.

Source: SCB EIC analysis based on data from BOI, The White House, Vietnam Incorporation, ASEAN Briefing, TiVA OECD, and IEA

Thailand's electrical and electronics (EE) industry is expected to advance toward upstream chip manufacturing, supported by a robust supply chain. However, it may face challenges from competitors such as Malaysia and Vietnam, which attract more front-end FDI.

Tech FDI relocations in 2015-2024*

Unit: USD billion



Since 2022, the implementation of the Chip Acts in the U.S. has prompted firms to relocate operations from China and expand investments into more allied countries through both friendshoring and nearshoring strategies.

Thailand's FDI promotion measures in Hi-Tech sectors compared with competitors

	Thailand	Malaysia	Vietnam
CIT incentive	• **BOI corporate income tax exemption for 8–13 years; chip-related projects:** 10–13 years; **IC/PCB:** 8–10 years	• PS (Pioneer Status) provides a 70% income tax exemption for a period of 5–10 years • ITA (Investment Tax Allowance) allows 60–100% deduction of capital expenditure (CapEx)	• CIT at 10% for 15 years for high-tech projects such as R&D, chip manufacturing, and AI data centres
Other additional measures	• PIT at 17% for foreign experts; expanded privileges for PCB-related activities • Exemption of import duties on machinery and raw materials • Promotion of the PCB industry across the entire value chain	• PIT at 15% for foreign experts • Temporary preferential CIT rate of 0%–10% for relocation projects or those with high capital expenditure (CapEx), applicable for 10–15 years	• Special privileges in Hi-Tech Park, including exemption from import duties and land rental fees for a period of 15–19 years

Relative advantage of policies and key strengths compared to competitor countries	Strong advantage	Neutral	Limited advantage

Large-scale tech-related FDI projects during 2021–2024		Competitive advantage in Hi-tech sectors						
		Production				Labor		
Country	TOP Sector/ FDI	Chip Front end[2]	Chip Back End[2]	Mid Product[3]	End Product[4]	Cost	Skill	Infrastructure
Singapore	**Sector** : Data center /AI /**EV Parts (Power /Chip) Company : TSMC, NXP,Apple, Alibaba, Accenture**							- Asia's data center hub - Focus on upstream chip manufacturing
Malaysia	Sector: Data center / AI / **Wafer / Chip Company: Google , Microsoft, AWS -Nvidia, Infineon**							-Penang cluster supporting advanced chip manufacturing
Vietnam	Sector: AI (R&D)/ data center /**Telecom /Chip Company: Nvidia, Foxconn, Amkor Samsung, Intel SpaceX**							- Has hi-tech parks - Attracts Nvidia to establish AI R&D
Thailand	Sector: Data center / AI/ **PCB / Chip/ EV parts Company: Google , Microsoft, AWS, Foxsemicon, Infineon ,HP, CATL**							- Continuous investment in new data centers - 5G network coverage exceeds 90% - Strong midstream segment
Mexico	Sector: Data center / AI / **Com & parts /IC /Chip Company: Google , Microsoft, Foxconn, QSM Intel, Quanta Computer**							- Boosted by nearshoring and USMCA - Focus on electronics manufacturing services (EMS)
India	**Sector: Telecom parts/ Chip assembly/Computer Company: Google, Analog devices, Foxconn,-Jabil, HP , ASUS**							- The ecosystem is still not conducive to upstream chip manufacturing, including energy and logistics.

Note: 1) Investment value in large-scale tech-related projects includes integrated circuits, printed circuit boards, semiconductors, data centres, cloud computing, electronic components, and EV batteries. 2) Chip front-end refers to chip design/manufacturing 3) Chip back-end refers to chip assembly/testing 4) Pioneer Status (PS) refers to tax incentive measures for FDI 5) Investment tax allowance (ITA) refers to tax benefits for deducting capital expenditures on machinery or equipment 6) PIT = Personal Income Tax

Source: SCB EIC analysis based on data from J.P. Morgan, Trade Map, UNCTAD, CEIC, and Bloomberg

Thailand's FDI outlook remains positive, particularly in industries aligned with future trends. In contrast, traditional target sectors such as E&E and automotive are likely to face increasing challenges due to production base relocation and intensifying competition from peer countries in attracting investment.

FDI Investment Outlook in Thailand for 2026 and the Medium Term

Industry Group		Target Source of Capital	Key Issues to Monitor / Opportunities and Challenges
Industries with continued and prominent FDI growth	▪ Data Center ▪ PCB ▪ Food for the future & Biotechnology	▪ Singapore ▪ U.S. ▪ Taiwan ▪ China	▪ **Investment trends among suppliers within the Tech value chain** ▪ **Application of advanced technologies to enhance value-added agricultural products,** such as functional foods, medical nutrition, and bioproducts ▪ **A key challenge for the future food industry lies in the midstream segment,** which remains underdeveloped in terms of functional compound and protein production. Meanwhile, the downstream segment still lacks sufficient research on active compounds derived from Thai raw materials and clinical testing results. ▪ **Readiness of clean water and electricity infrastructure** to support data centre development
Industries with potential for FDI expansion but experiencing a slowdown	▪ Semiconductor ▪ Automotive parts and tyres	▪ Japan ▪ U.S. ▪ China ▪ Taiwan	▪ **Establishing a production supply chain and enhancing workforce skills to upgrade the E&E industry** towards upstream semiconductor manufacturing ▪ **The imposition of targeted tariffs on semiconductor products** by the United States may adversely affect investment trends and nearshoring production relocation in the coming period ▪ **Expansion or relocation of production bases to the Americas,** particularly the United States, driven by U.S. Reshoring policies and as a risk mitigation strategy against trade protectionist measures

How should Thai businesses adapt to seize opportunities from FDI?

- **Enhance production capacity and standards to align with international norms:** Address global trade regulations to integrate with international supply chains of foreign investors
- **Adapt to environmental trends:** Increase the use of clean energy and reduce carbon emissions in production processes
- **Build partnerships:** Form clusters and seek partners within the value chain
- **Embrace technology transfer:** Prepare workforce skills and increase technology investment
- **Infrastructure-related businesses should prepare:** e.g., readiness of clean water and electricity in industrial estates to support data centres

In which areas should the government provide support?

- **Revise outdated or obstructive laws/regulations:** Adjust incentives to be appropriate and attractive for target industries
- **Streamline procedures and integrate systems:** Provide government services as a "One Stop Service"
- **Build an ecosystem:** Support Hi-tech investment, promote front-end R&D, AI, and strengthen the local supply chain
- **Accelerate trade negotiations:** Finalise trade agreements with the U.S. and push forward FTA talks including the EU FTA to attract investment and build investor confidence
- **Develop infrastructure to support investment, especially green and digital infrastructure,** to meet ESG investment needs and smart manufacturing

Source: SCB EIC analysis

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