Q4/2025

SCB EIC

Outlook

Economic outlook 2025-2026 as of Q4/2025

SCB EIC expects Thailand's economy to grow by 1.5% in 2026, the lowest in three decades (excluding crises). Raising 7 key questions that shaping Thailand's economic outlook.

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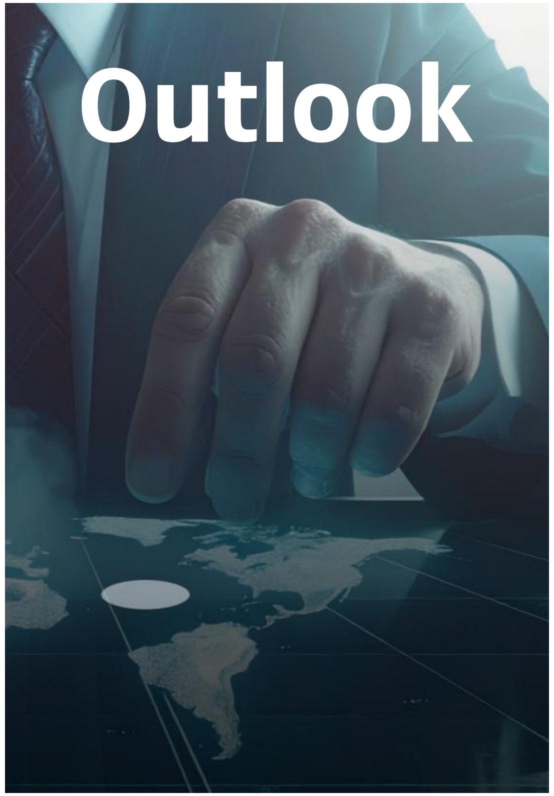

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Thai Economy in 2025-2026

Thailand's economic expansion is set to remain persistently subdued; in 2026, growth could fall below 2% for the first time in three decades, excluding crisis periods.

Key forecasts

(Previous forecast)

GDP

(%YOY)

2025F	2026F
2	**1.5**
Nov (2.1)	Nov (1.5)

- SCB EIC expects Thailand's economy to continue expanding at a subdued pace in 2025 and 2026, at 2% and 1.5%, respectively. In 2026, almost all growth engines are projected to weaken, particularly exports, which are likely to contract amid the trade war, and private consumption, which is expected to remain sluggish in line with the slow recovery in household incomes.
- The business sector remains fragile, particularly SMEs, which continue to face intense competition, as reflected in declining revenue shares and profit margins.
- The fiscal sector faces constraints as public debt approaches the 70% ceiling, weighing on the government's capacity to deploy expansionary fiscal spending.

Policy rate (year-end)

(%)

2025F	2026F
1.25	**1.0**
Nov (1.25)	Nov (1.0)

- SCB EIC assesses that the MPC has room to cut the policy rate once more within H1/2026 to 1.0% to further ease financial conditions. This is in line with expectations of a slowdown in the Thai economy, inflation remaining below the lower bound of the target range for another year, and deteriorating credit quality.
- Financial conditions remain tight, as reflected in the real policy rate staying above its historical average, continued credit contraction, and the baht index appreciating back to pre-1997 crisis levels. A policy rate reduction would help support economic activity, ease debt-servicing burdens, and facilitate the deleveraging process for both corporates and households.

Exchange rate (year-end)

(THB/USD)

2025F	2026F
31.5-32.0	**33-34**

- The baht may appreciate slightly further towards the end of 2025, in line with its typical year-end strengthening trend, amid a weakening U.S. dollar index.
- In 2026, the baht may revert to a depreciating trend, as the U.S. dollar index is expected to strengthen on the back of capital inflows into the U.S., particularly AI-related investment. At the same time, the Thai economy is likely to weaken amid heightened political uncertainty, while gold prices are projected to continue rising but at a slower pace. Additionally, the government is pursuing policy measures to reduce the correlation between gold prices and baht movements.

Source: SCB EIC analysis based on data from the National Economic and Social Development Council, Office of Agricultural Economics, National Statistical Office, Election Commission of Thailand, Ministry of Finance, Bank of Thailand, Ministry of Commerce, Tourism Authority of Thailand, CEIC, and Bloomberg.

Thai Economy in 2025

Positive factors

- Economic stimulus measures and the government's economic restructuring policy.
- More accommodative monetary policy.

Risk factors

- Heightened political uncertainty in Thailand has led to discontinuity in fiscal stimulus measures and policy implementation.
- A potential escalation of Thailand–Cambodia tensions.
- The outlook for negotiations with the U.S. and clarity on transshipment tariffs.
- Natural disasters.

Negative factors

- A global economic and trade environment that is likely to decelerate.
- Tight financial conditions and elevated household debt are weighing on private consumption.
- The baht's rapid appreciation relative to regional peers is undermining the competitiveness of the export and tourism sectors.
- Rising competition from imported goods, particularly from China, is intensifying pressures on domestic producers.
- Political uncertainty may weigh on investment and government spending.

Source: SCB EIC analysis based on data from the National Economic and Social Development Council, Office of Agricultural Economics, National Statistical Office, Election Commission of Thailand, Ministry of Finance, Bank of Thailand, Ministry of Commerce, Tourism Authority of Thailand, CEIC, and Bloomberg.

Global Economy in 2026

The global economy in 2026 is expected to be increasingly affected by Trump 2.0 policies, while it will continue to be supported by AI-related investments as well as accommodative monetary and fiscal policies.

Economic growth

- **The global economy is expected to decelerate in 2026, as the impact of U.S. tariff measures becomes more pronounced,** with growth slowing to 2.5% from 2.7% in 2025. This reflects (1) U.S. import tariffs that are set to impact global trade following front-loading earlier this year; (2) AI investments, which will continue to provide a partial buffer to economic activity; and (3) accommodative monetary and fiscal policies, albeit with limited capacity to further support growth.
- **The global economy continues to face elevated uncertainty,** stemming from U.S. trade policy, geopolitical tensions, and potential price corrections in AI-related asset.

Inflation rate

- **Global inflation in 2026 is expected to moderate in line with the economic slowdown;** however, there is a risk that U.S. tariffs could keep U.S. inflation above the Fed's target for a prolonged period.
- **China is likely to continue facing deflationary pressures,** driven by weakening global demand for Chinese goods, excess supply, and cautious domestic consumer spending.

Monetary policy direction

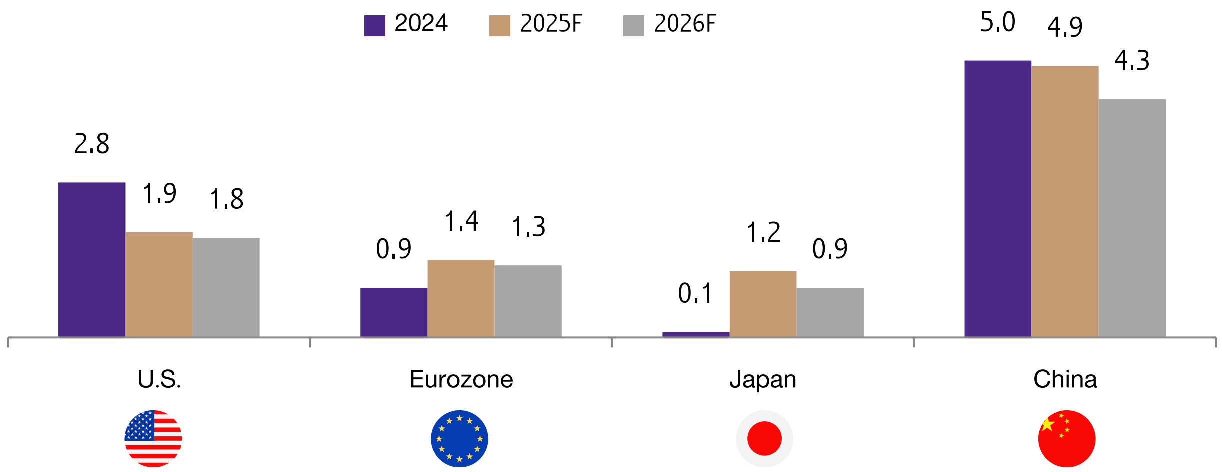
- **Major central banks are pursuing accommodative monetary policies** to support economic activity (with the exception of Japan).
- **The Fed is likely to have limited room for further rate cuts, with a cumulative reduction of around 50 bps expected in 2026,** reflecting a more pronounced weakening in the labour market, despite lingering inflation risks.
- **The ECB's rate-cutting cycle has come to an end** after cumulative cuts of as much as 200 bps, with the policy rate expected to be held at 2% throughout 2026.
- **The BOJ is expected to raise the policy rate to 1.25% by mid-2026,** following clearer outcomes from domestic wage negotiations.

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

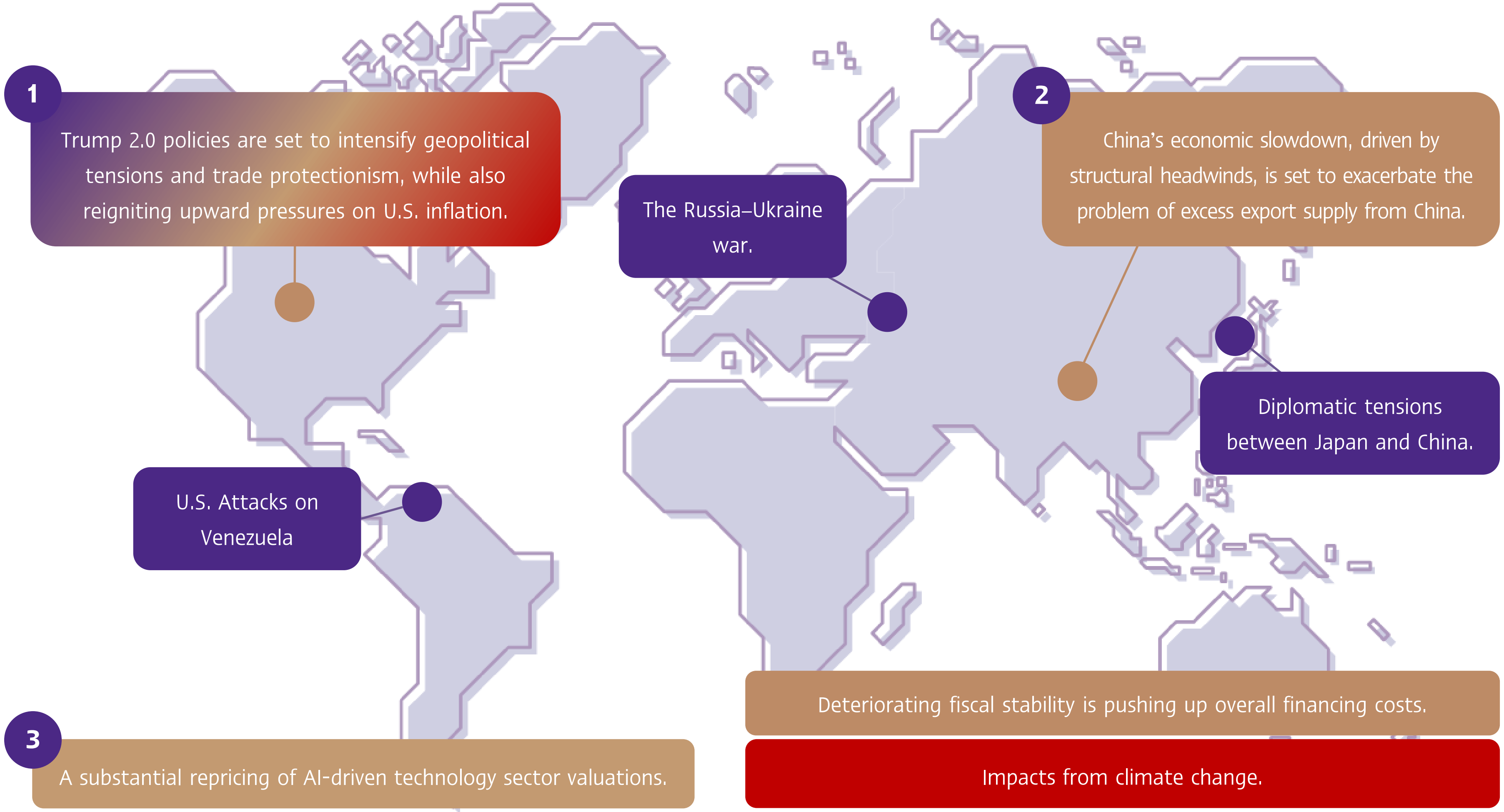
- AI and digital investment trends—particularly in the U.S.—are boosting demand for electronic products and driving investment in data centres.
- Expansionary fiscal policy in major economies remains a critical pillar supporting economic activity.
- Inflation has eased, while monetary policy among major central banks remains accommodative.

Risk factors

- The impact of U.S. tariffs will become more pronounced once the effects of front-loaded exports to the U.S. dissipate.
- Fiscal sustainability concerns given high debt levels may drive investors to demand higher yields on sovereign bonds.
- Structural challenges in the global economy—including slower growth in the labour force, as well as rising barriers to trade, investment, and cross-border labour mobility—are weighing on potential global growth.

Source: SCB EIC analysis

Global economic headwind & risk map in 2026



Global economic headwind & risk categories in 2026

- **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 2026

Source: SCB EIC analysis

Global Economy

The global economy in 2026 remains resilient to shocks; however, its capacity to withstand additional pressures is becoming increasingly limited.

AI Investment
continues to serve as a key driver for global economic growth.

U.S. tariffs
are expected to have a more pronounced impact on global trade.

Fiscal and monetary policies
provide support to the economy, but available policy space remains limited.

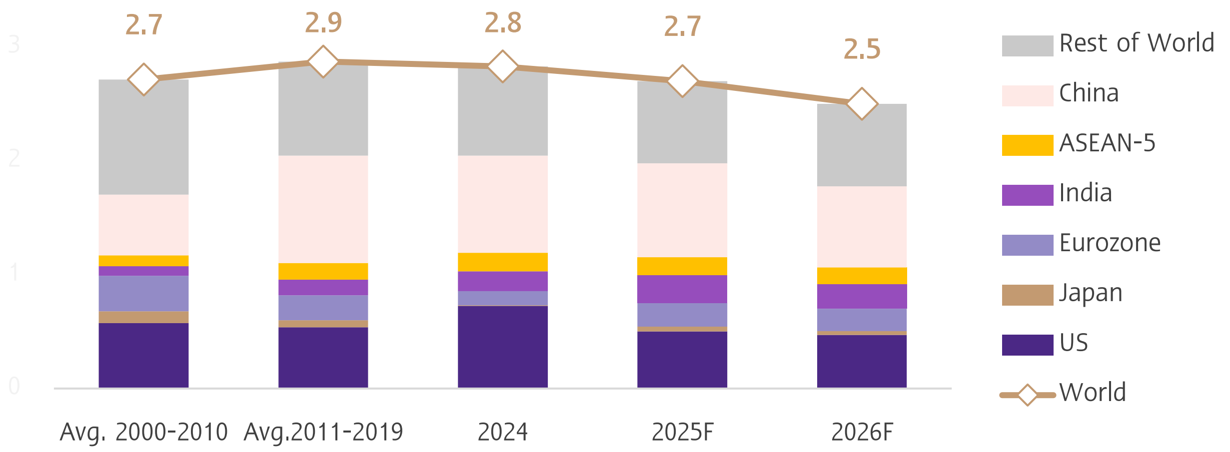
While the global economy in 2025 has proved more resilient to U.S. tariffs than anticipated, growth is expected to slow in 2026 due to the more pronounced impact of U.S. tariffs.

Global Economic Outlook by SCB EIC

Global GDP (%YOY)	2024	2025F		2026F	
		Sep-25	Dec-25	Sep-25	Dec-25
Global	2.8%	2.5%	2.7%	2.4%	2.5%
U.S.	2.8%	1.8%	1.9%	1.7%	1.8%
Eurozone	0.9%	1.2%	1.4%	1.2%	1.3%
Japan	0.1%	1.2%	1.2%	0.8%	0.9%
China	5.0%	4.7%	4.9%	4.1%	4.3%
India	6.7%	6.4%	7.0%	6.1%	6.2%
ASEAN-5*	5.4%	4.9%	5.2%	4.8%	4.9%

Contribution to Global GDP growth

Unit: %YOY



Positive Factors

- **AI/Digital investment trends,** particularly in the U.S., stimulate demand for electronic products and data center investments.
- **Expansionary fiscal policies** in major economies help sustain economic activity.
- **Monetary policies of major central banks remain accommodative** in line with declining inflation rates.

Negative Factors

- **U.S. tariffs will have a clearer impact** after the front-loading effect on exports fades.
- **Fiscal stability concerns and high public debt** may increase financial costs for countries.
- **Structural economic issues,** including slower labor force growth and trade/investment restrictions, as well as limited labor mobility, reduce global economic growth potential.

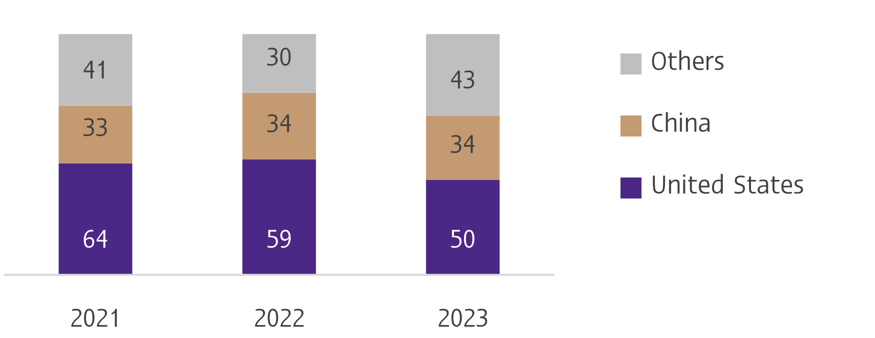
Note: *ASEAN-5 includes Indonesia, Malaysia, Singapore, the Philippines, and Vietnam.
Source: SCB EIC analysis based on data from IMF, World Bank, and Bloomberg

AI investment will remain a critical driver of global economic growth in 2026, especially for the U.S., which aims to strengthen AI capabilities as a key economic engine and maintain global dominance.

The United States continues to maintain an advantage over China in AI capabilities, which is a strategic industry for both nations.

Number of AI research papers ranked among the world's Top 100 most cited*

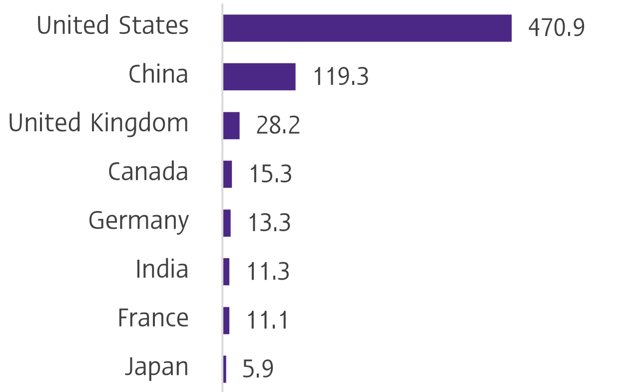
Unit: number of research papers



The private sector, particularly in the U.S., places significant emphasis on AI/Tech investment.

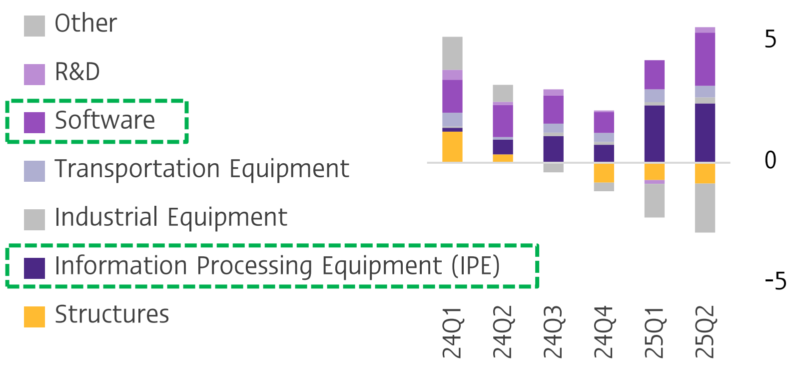
Cumulative private sector investment in AI during 2013–2024

Unit: Billion USD



Contribution to U.S. gross fixed investment

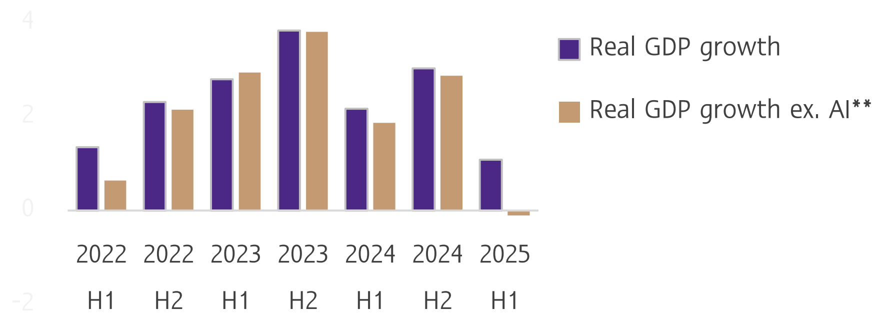
Unit: %YOY



AI/Tech investment remains a key driver for the U.S. economy, supporting growth during H1/2025.

U.S. GDP growth under different scenarios

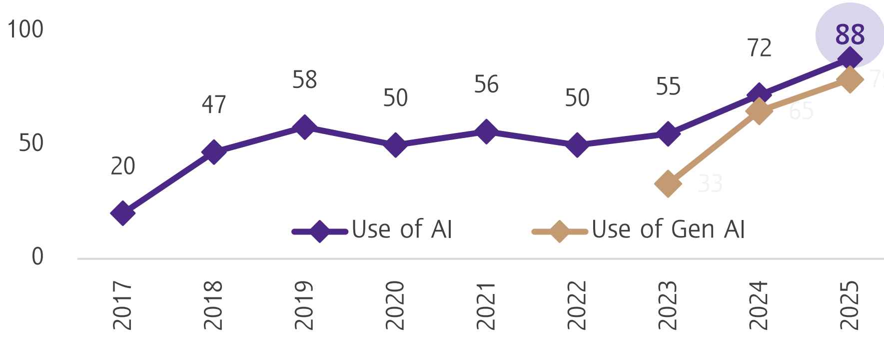
Unit: %YOY, annualized



Global demand for AI remains robust, expanding from experimental stages to scaling and piloting phases.

Proportion of AI adoption among global organizations and advancement levels in 2025

Unit: %, based on a survey of approximately 2,000 organizations worldwide by McKinsey



31 % in Scaling phase & 30% in Piloting phase

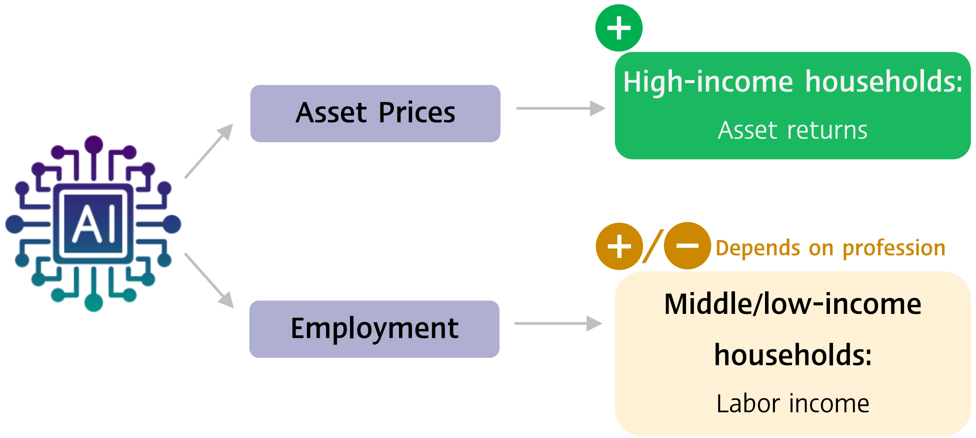
AI investment is expected to continue with low bubble risk.

- Hyperscaler CAPEX is projected to grow by 33% in 2026 (forecast by J.P. Morgan).
- Low data center vacancy rates reflect genuine demand.
- AI investments are primarily funded through corporate liquidity rather than borrowing.
- AI companies continue to demonstrate strong performance, unlike during the Dot-com era.

Note: *The number of research papers may exceed 100 annually due to joint research by institutions from multiple countries.
** Real GDP growth ex. AI covers Real GDP growth excluding information processing equipment and software investment.
Source: SCB EIC analysis based on data from The 2025 AI Index Report by The Stanford Institute for Human-Centered AI (HAI), McKinsey, and Bureau of Economic Analysis.

AI is amplifying K-shaped wealth effects on U.S. households through rising asset prices, while employment impacts remain uncertain but is expected to intensify as adoption scales.

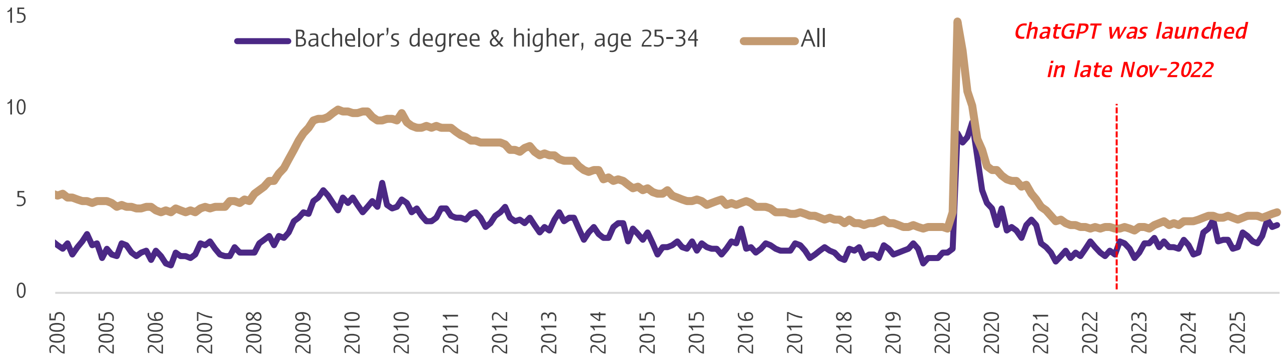
AI is beginning to impact U.S. households in a K-shaped manner, primarily through asset price channels.



Currently, AI has not had a clear negative impact on the U.S. labor market; however, signs suggest this trend may become more evident if AI adoption continues to expand.

U.S. unemployment rate

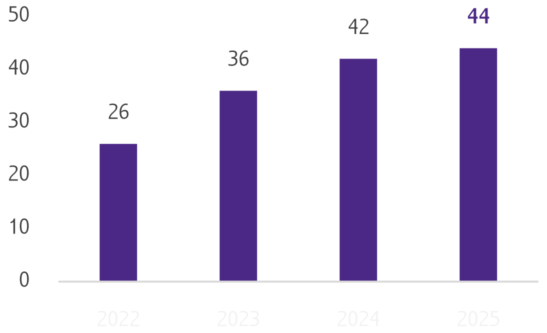
Unit: %



The rise in Tech/AI asset prices acts as both a growth driver and a risk factor, supporting consumption among high-income groups while posing potential risks from market corrections.

Share of S&P 500 market capitalization attributed to AI (Source: J.P. Morgan)

Unit: %

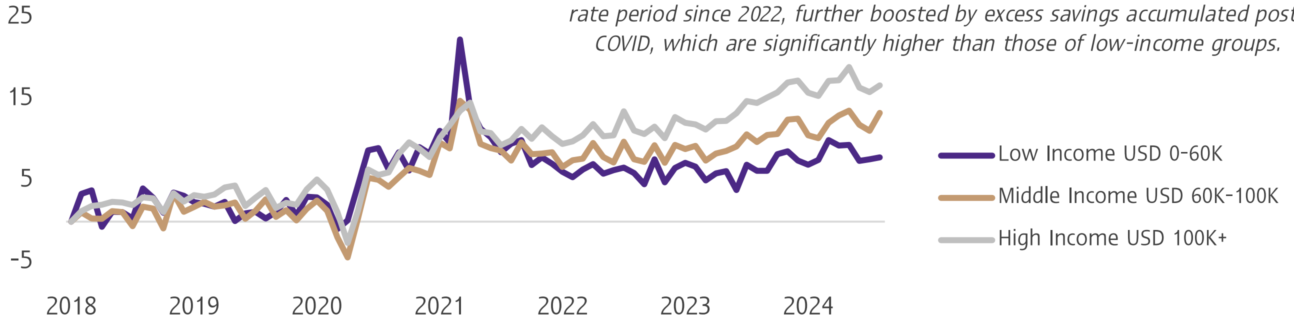


The top 20% of U.S. households hold up to 85% of U.S. equities (including mutual fund holdings).
The S&P 500 index has risen approximately 20% over the past year, driven largely by AI-related stocks.

U.S. consumer spending by income group (Source: Federal Reserve and Numerator)

Unit: %YOY, Exclude motor vehicles

U.S. household consumption has been driven by high-income earners, supported by housing values and investment returns during the high-interest-rate period since 2022, further boosted by excess savings accumulated post-COVID, which are significantly higher than those of low-income groups.



Note: AI, as defined by J.P. Morgan, refers to stocks of 30 companies in the S&P 500, including NVIDIA, Microsoft, Apple, Alphabet, and Amazon.
Source: SCB EIC analysis based on data from Federal Reserve Board, Numerator, J.P. Morgan, and Bloomberg.

AI and digital technologies will serve as key new drivers for global trade, investment, and economic growth amid increasing restrictions on traditional trade and investment patterns.

Electronics Manufacturers → **AI Service Providers, Data Centers** → **Private Sector Adopting AI**

Trade in electronics gains significant benefits.

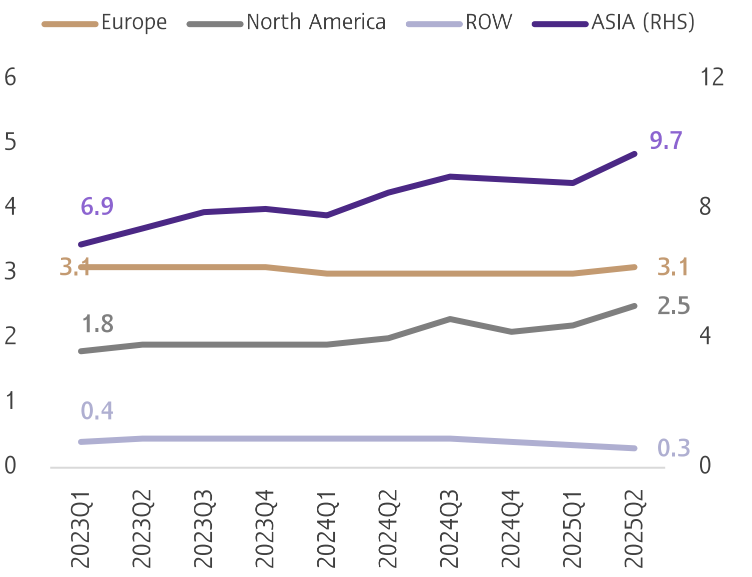
Investment is expected to grow, driven by rising demand for digital services.

AI will enhance productivity, but outcomes will vary depending on readiness levels.

Asia-Pacific benefits significantly due to its strong production and export of electronic goods.

Regional trade in AI-related goods by WTO

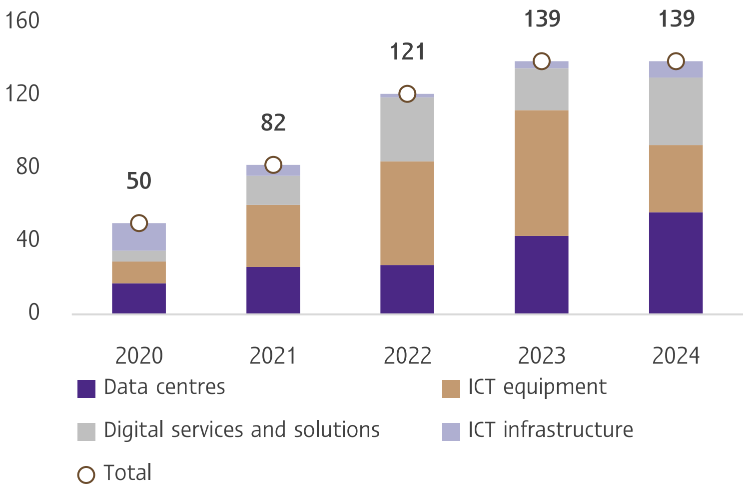
Unit: % of global merchandise trade value



Investment in the digital economy continues to expand, with AI service providers accelerating cross-border data center investments.

Greenfield projected in digital economy by UNCTAD

Unit: Billion USD

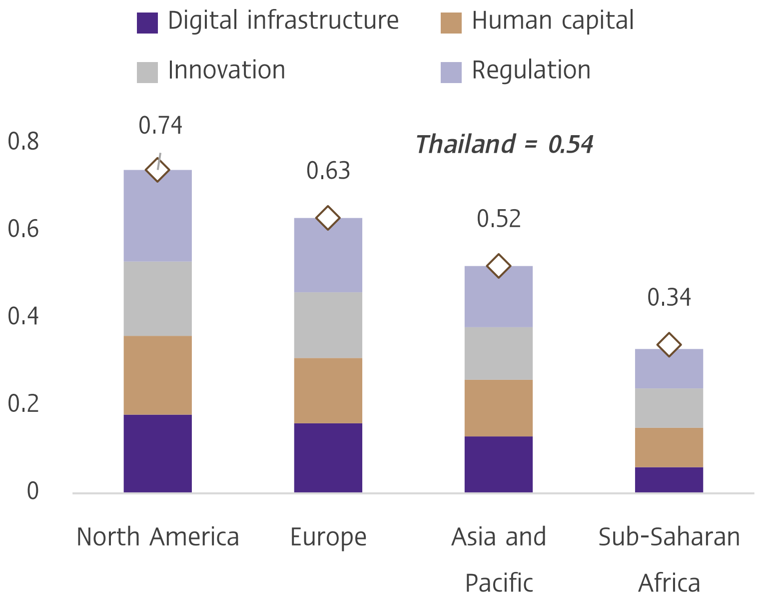


IMF estimates that **digital service trade will grow at an average rate of 39%** between 2025 and 2040, nearly twice the growth rate of industrial goods trade (22%).

High-income regions with greater readiness for AI adoption will benefit more from AI advancements.

Artificial Intelligence Preparedness Index by IMF

Unit: Index, regional averages



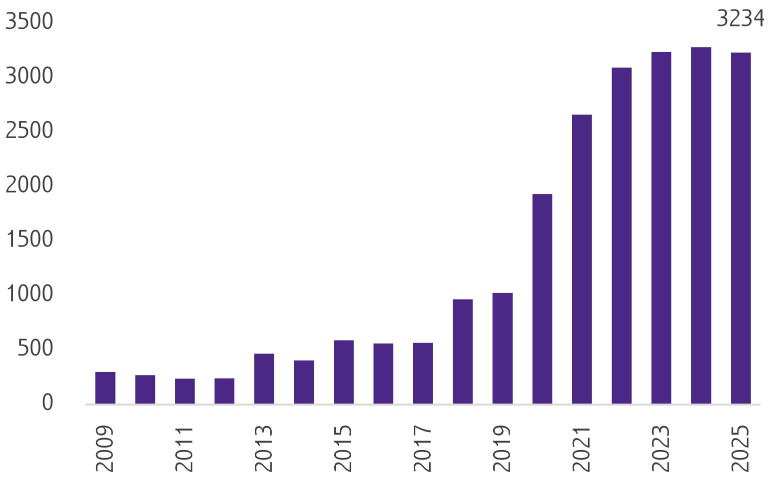
Source: SCB EIC analysis based on data from WTO, OECD, CEIC, UNCTAD, and IMF.

Recent trade and investment restrictions have accelerated the trend of deglobalization, prompting businesses to adapt by reshoring production to the U.S. or relying on supply chains closer to target markets.

The trend of protectionism continues to rise.

New global trade and investment restriction policies

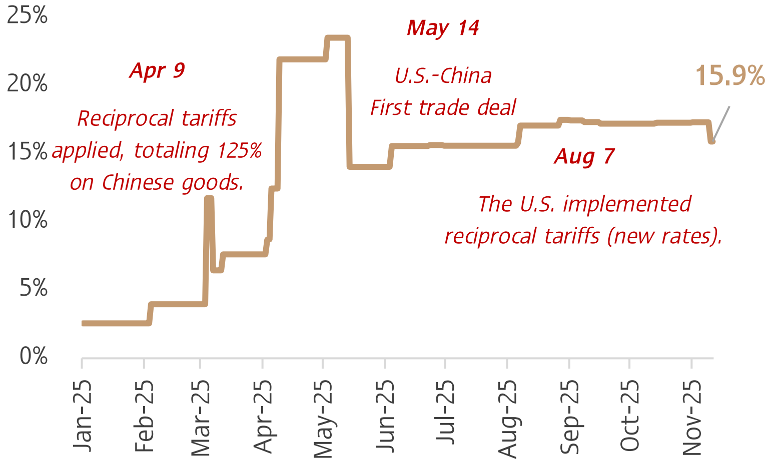
Unit: Number of policies from Jan 1 – Dec 8 each year



U.S. import tariffs on goods have risen significantly.

Average U.S. import tariffs on global goods by WTO

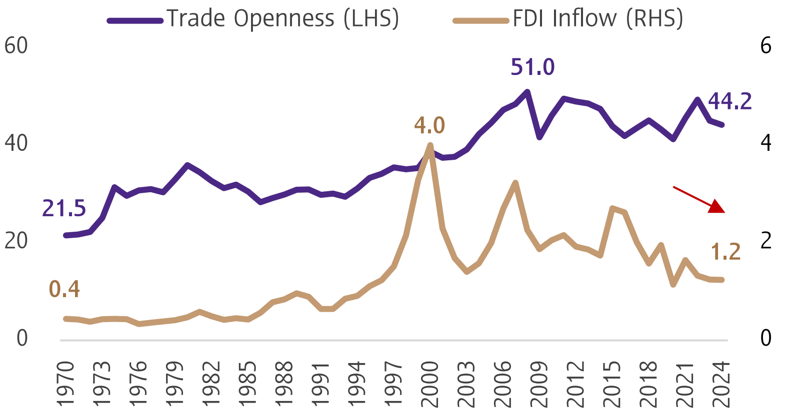
Unit: %, weighted by U.S. import value



The share of international trade and investment is declining.

Trade and FDI as a share of global GDP

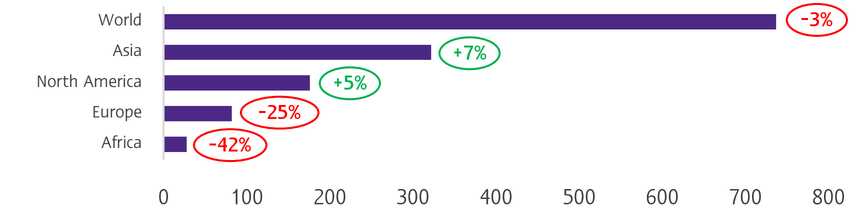
Unit: % of global nominal GDP



Businesses are increasingly relying on regional or nearby suppliers and relocating production back to the United States.

FDI inflows by region in 1H2025

Unit: Billion USD, Growth 1Q24-1Q25 (%)



33% — **Nearshoring (local) Supplier** to reduce supply chain uncertainty *(McKinsey Survey 2025)*

43% — **Reshoring to the U.S.** within the next three years: plans to relocate production bases / increase the share of production in the U.S. *(McKinsey Survey 2025)*

62% — **Long-term reshoring strategy** increasing R&D and reducing reliance on specific overseas suppliers *(Kearney Reshoring Survey 2025)*

+39%YOY — **Number of companies citing reshoring to the U.S.** to be closer to the market (Reshoring Initiatives, Q1/2025)

Source: SCB EIC analysis based on data from Global Trade Alert, Yale Budget Lab, WTO, UNCTAD, McKinsey, Kearney, and Reshoring Initiative.

U.S. trade negotiations increasingly reflect its objectives and constraints, aiming to restrict China through international cooperation while managing its own reliance on Chinese rare earth elements.

U.S. tariff-setting partly reflects geopolitical principles.

Effective U.S. tariff rates by country

Unit: %, figures in parentheses indicate reciprocal tariffs

Country	Effective tariff rate	Reciprocal tariff	Group
India	32.7	(50)	Political Factors
Brazil	30.2	(50)	Political Factors
China	22.1	(47.6)	Political Factors
Indonesia	18.0	(19)	Trade surplus with the U.S.
Vietnam	15.8	(20)	Trade surplus with the U.S.
Thailand	15.4	(19)	Trade surplus with the U.S.
Switzerland	15.2	(15)	Trade surplus with the U.S.
Korea	14.6	(15)	Trade surplus with the U.S.
Italy	12.3	(15)	Trade surplus with the U.S.
Japan	12.3	(15)	Trade surplus with the U.S.
Germany	11.7	(15)	Trade surplus with the U.S.
Malaysia	11.5	(19)	Trade surplus with the U.S.
France	10.1	(15)	Trade surplus with the U.S.
UK	7.3	(10)	Trade deficit with the U.S. or membership in USMCA.
Mexico	5.4	(30)	Trade deficit with the U.S. or membership in USMCA.
Canada	4.8	(35)	Trade deficit with the U.S. or membership in USMCA.
Singapore	4.0	(10)	Trade deficit with the U.S. or membership in USMCA.

Mexico's high dependence on the U.S. suggests it may adopt protectionist measures against China or other countries perceived as competitors by the U.S., to maintain trade relations and negotiate lower U.S. import tariffs. For example, imposing tariffs on Asian goods in 2026 at rates of 5–50%.

The U.S. employs trade negotiations to exert pressure on partners through various means, such as non-tariff barriers (NTBs) and cooperation agreements.

Tariff measures

Elimination of most U.S. import tariffs.

Non-tariff measures

Acceptance of U.S. regulatory standards and opening markets for U.S. goods in sectors such as automobiles, meat, and pharmaceuticals.

Increase in import quotas and investment opportunities in the U.S.

Suspension of discriminatory digital service taxes on U.S. companies.

Stricter domestic law enforcement, including protection of intellectual property, labor rights, and environmental standards.

Trade and investment cooperation

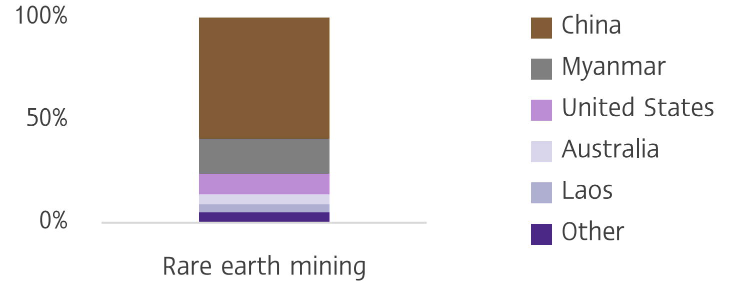
Trade and investment cooperation, including economic security and enforcement of trade rules (potentially aimed at restricting and reducing reliance on Chinese supply chains, such as rare earth agreements and transshipment tariffs).

Strategic industrial cooperation, such as shipbuilding, security, and nuclear collaboration (Japan and South Korea).

The interim U.S.-China agreement reflects the U.S.'s significant reliance on rare earth elements from China.

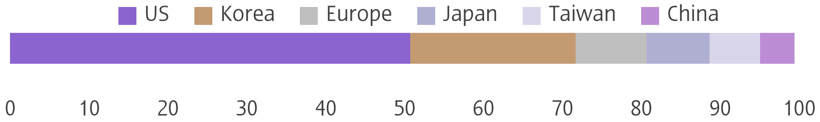
Global share of rare earth mining and processing

Unit: % of global production



Global semiconductor market share by headquarters country

Unit: %



U.S. commitment: (Effective until November 10, 2026)

- **Reduction of tariffs on Chinese goods to an average of 47.6%** from 57.6% (including Trump-era tariffs and average product-specific rates) and **lowering tariffs on fentanyl-related** products to 10% from 20%.
- **Suspension of investigations into the shipbuilding industry.**

China commitment:

- **Imposition of a 10% tariff on U.S. goods.**
- **Postponement of rare earth export control plans, though export licenses remain required.**

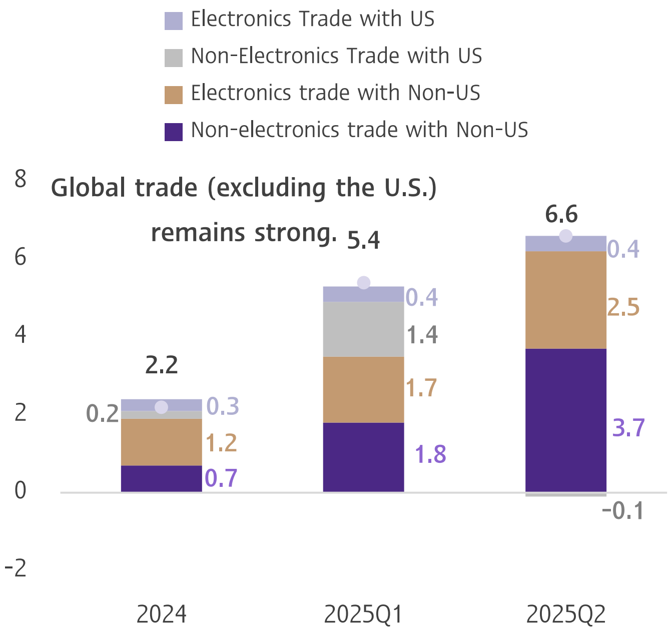
Source: SCB EIC analysis based on data from OECD, Bloomberg, The White House, Global Trade Alert, and International Energy Agency.

Global trade this year continues to grow strongly, driven by accelerated exports to the U.S., global electronics shipments, and trade outside U.S. markets.

Exports of electronics and trade in non-U.S. markets continue to expand robustly.

Contributions to growth: value of global merchandise exports

Unit: % (WTO, Oct 2025)

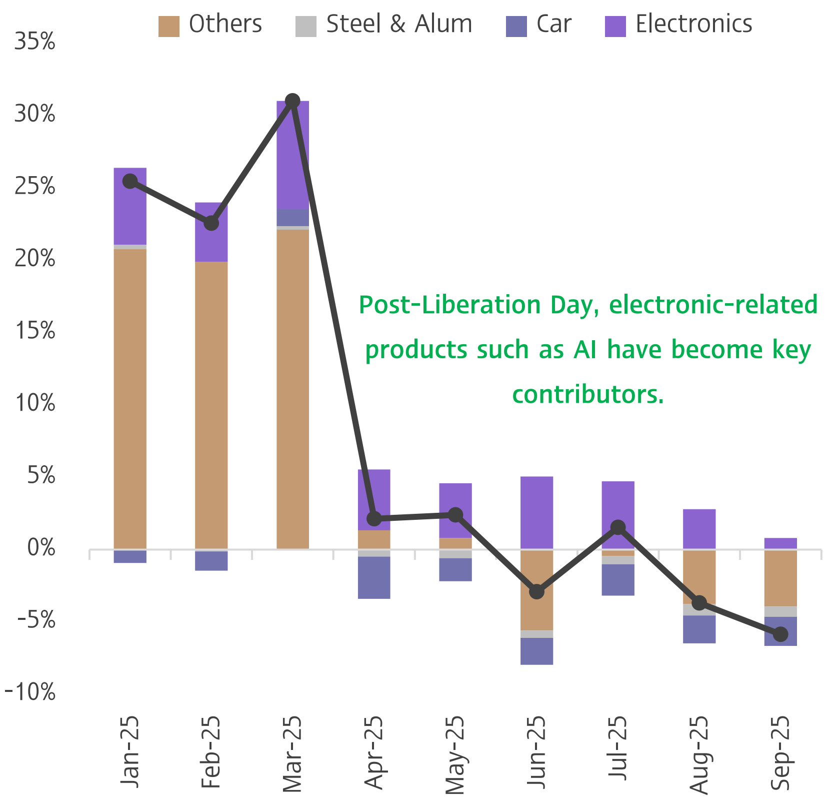


Contributions to growth	2024	2025Q1	2025Q2
Asia Electronics	1.2%	1.5%	2.1%

Front-loading of exports to the U.S. continued to grow, with most shipments related to electronics.

U.S. contribution to growth in value of goods imported

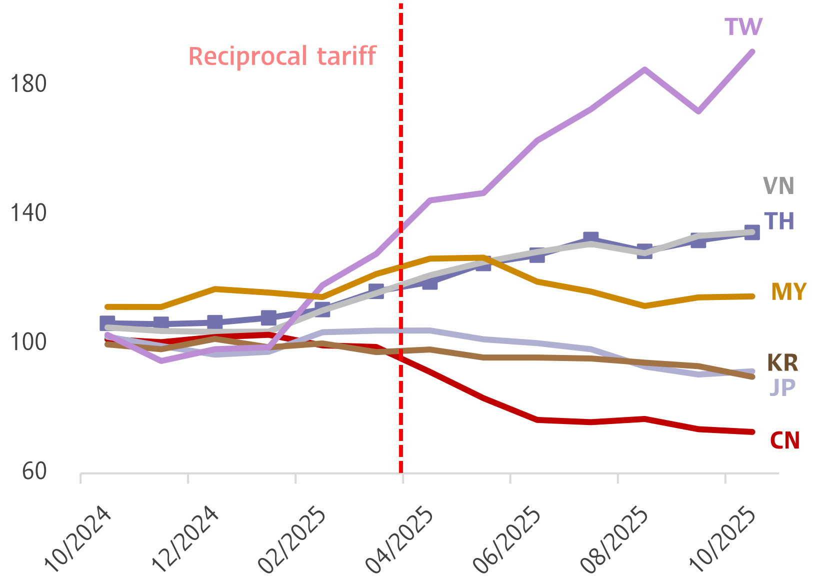
Unit: %YOY



Asian economies reliant on electronics (excluding China) continue to see export growth to the U.S., unlike countries dependent on steel and automotive exports.

Value of merchandise exports to the U.S. by countries in the region

Index 2024 = 100, SA, 3MMA, USD



- **Taiwan's exports surged significantly** due to semiconductors.
- **Exports from Thailand and Vietnam accelerated,** driven by electronics and related categories (>50% of exports to the U.S.).
- **Exports from Japan and South Korea declined** in automotive categories (one-third of exports to the U.S.) due to specific tariffs imposed since H1/2025.
- **China's exports** began to decline following Trump's election victory.

Source: SCB EIC analysis based on data from WTOs, Trade Map, and U.S. Census Bureau.

Global trade growth will slow in 2026, with risks from import flooding and transshipment tariffs, partly due to China's economic model that remains heavily reliant on manufacturing and exports.

Global trade in 2026 is expected to slow, following a decline in Asian trade after front-loading exports to the U.S. this year.

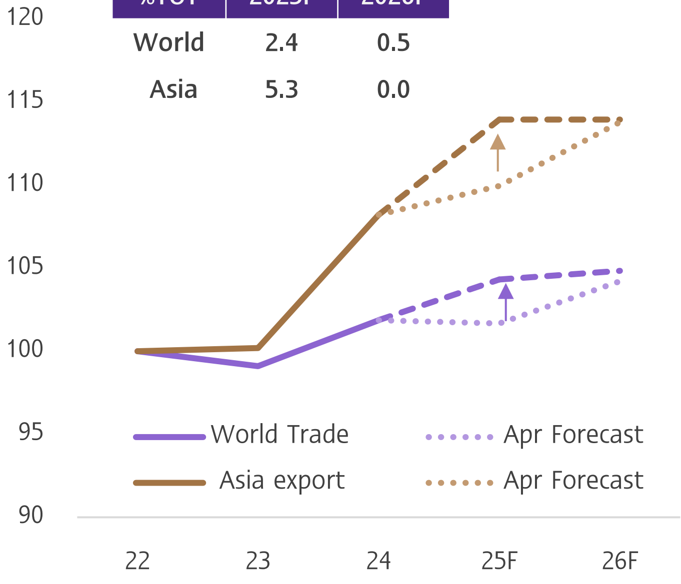
Asian exports may face risks from transshipment tariffs and sectoral tariffs on electronic goods.

China's total export value continues to grow strongly this year despite a sharp contraction in the U.S. market, posing ongoing risks of import flooding from Chinese goods.

Volume of merchandise exports by region

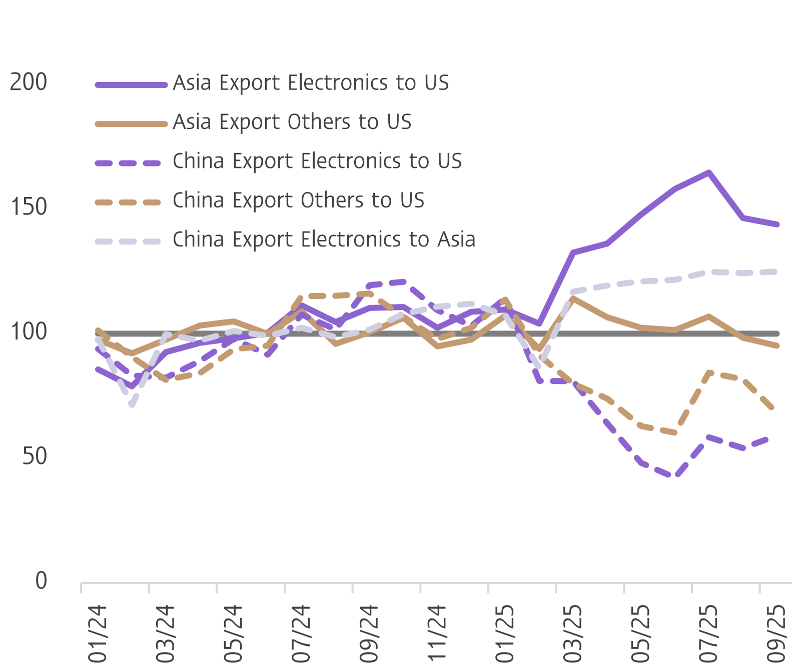
Unit: Index (2022 = 100), estimated by WTO

%YOY	2025F	2026F
World	2.4	0.5
Asia	5.3	0.0



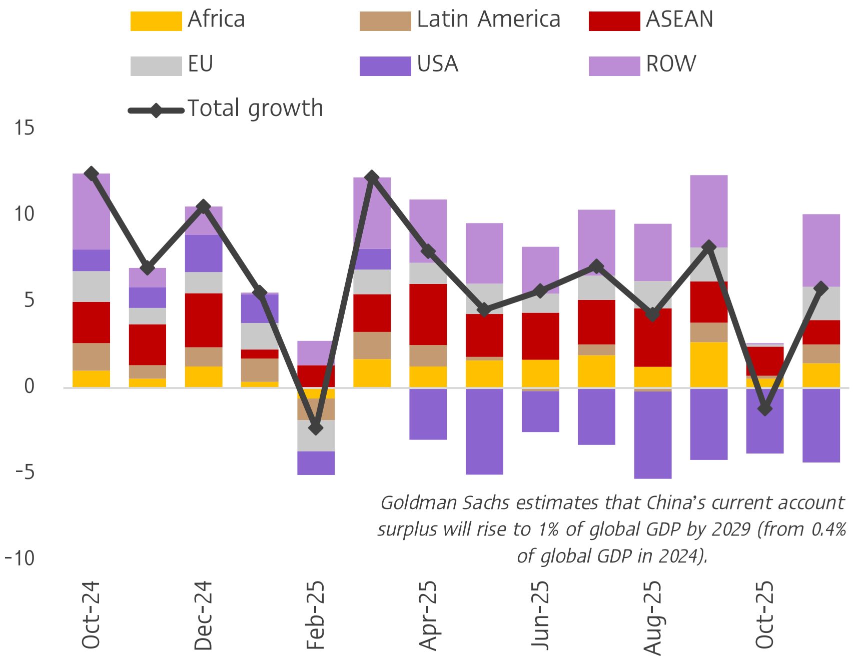
Volume of tech merchandise exports of China and Asia*

Unit: Index (AVG 2024=100) *Asia = JP KR TW VN MY TH IN



Sources of growth in China's merchandise export value, by market

Unit: %YOY



Goldman Sachs estimates that China's current account surplus will rise to 1% of global GDP by 2029 (from 0.4% of global GDP in 2024).

The impact of U.S. tariffs on global trade will become more pronounced in 2026, as global trade in 2025 remains supported by front-loading.

The Chinese government continues to prioritize "industrial production and exports" as key economic drivers. Going forward, China's exports may expand due to three factors:

(1) **Export of capital goods** driven by investments in BRI projects and Chinese firms abroad.

(2) **Rerouting goods** subject to U.S. tariffs to other countries, which may pose transshipment tariff risks.

(3) **Export of low-cost consumer goods,** which may lead to import flooding risks for China's trading partners.

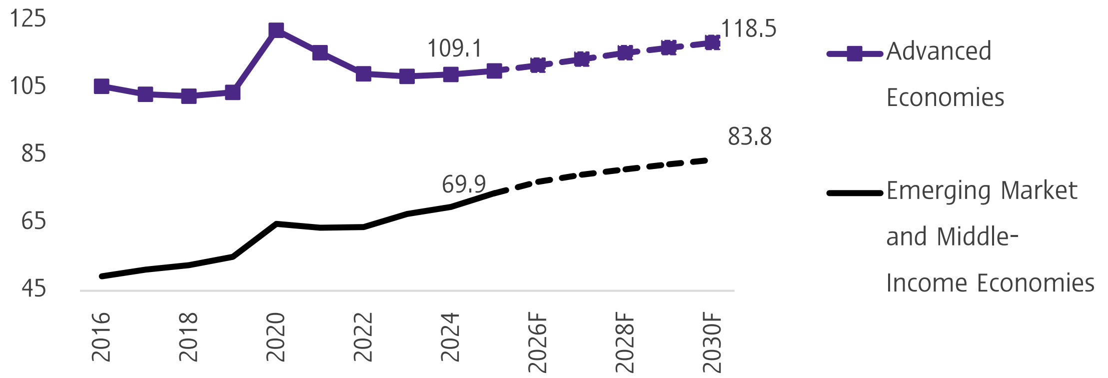
Source: SCB EIC analysis based on data from WTO, Goldman Sachs, and General Administration of Customs of China.

Monetary and fiscal policies will continue to support the global economy in 2026; however, fiscal policy will face constraints due to higher borrowing costs compared to the past, driven by elevated public debt levels.

Global public debt remains elevated across both high-income and middle-income economies.

Public debt-to-GDP ratio

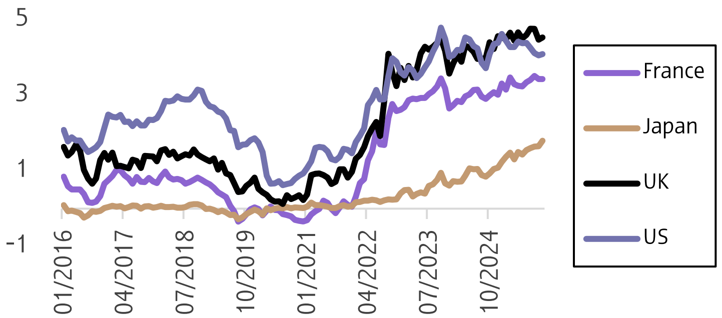
Unit: % of GDP; definition: General Government Gross Debt, IMF



Government financing costs in major economies will remain high despite gradual interest rate cuts by central banks.

10-year government bond yields of major economies

Unit: %

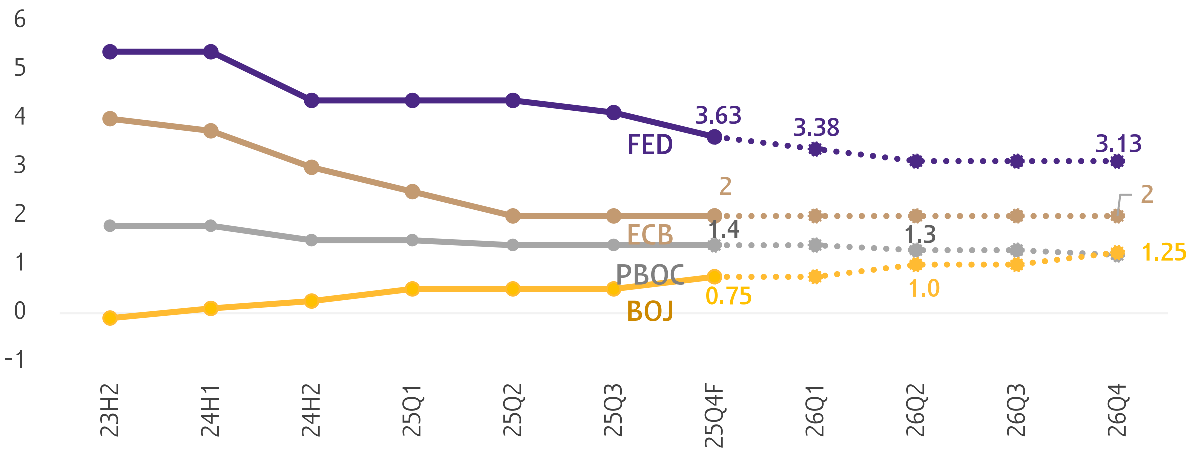


Implications for the global economy:
- Governments have limited fiscal space to manage emerging risks.
- Potential emergence of fiscal-financial adverse feedback loops.
- Higher funding costs may crowd out private sector investment.

Major central banks (except Japan) are adopting a more accommodative monetary policy stance compared to the previous year.

Headline inflation and projected policy rates of major central banks, by SCB EIC

Unit: %



Inflation in advanced economies remains above central bank targets.

2025	Inflation (%)	Target	Aug	Sep	Oct	Nov
U.S.	Headline (PCE)	2%	2.7	2.8		
China	Headline	2%	-0.4	-0.3	0.2	
EU	Headline	2%	2.0	2.3	2.1	2.2
Japan	Headline	2%	2.7	2.9	3.0	

Implications for the global economy:
- **Additional support** from monetary policy is limited due to inflationary pressures, leaving little room for further rate cuts.
- **Global monetary easing is less pronounced than in the pre-COVID period,** particularly in the U.S., which may constrain consumption and investment.
- **Monetary policy divergence** may increase volatility in global financial markets, especially in exchange rates and capital flows.

Source: SCB EIC analysis based on data from BIS, IMF, Bloomberg, and CEIC.

Four key global economic risks to watch in 2026

U.S. trade policy

- **The U.S. may impose transshipment tariffs as well as product-specific tariffs across multiple categories,** such as semiconductors, critical minerals, and commercial aircraft.
- **Supreme Court ruling** on the Trump administration's authority under IEEPA to impose retaliatory tariffs
- **U.S. midterm elections (Nov 2026):** if Democrats secure a majority in the U.S. House of Representatives, policy uncertainty under the Trump administration would increase.

Geopolitical factors

Prolonged global conflicts

- **The U.S. has significantly scaled back its support for NATO and Europe,** particularly its stance on defending Ukraine, which could heighten uncertainty surrounding the resolution of the Russia–Ukraine war.
- **Japan–China diplomatic tensions** over Taiwan security issues could lead to more severe trade disruptions if the conflict escalates.

Global financial markets

- **The risk of a correction in AI/Tech asset prices** could weigh on AI investment and dampen consumer purchasing power through the wealth effect.
- **Concerns over fiscal sustainability in major economies could raise borrowing costs** through higher government bond yields, as seen in the UK and France following government policy announcements that undermine fiscal stability.

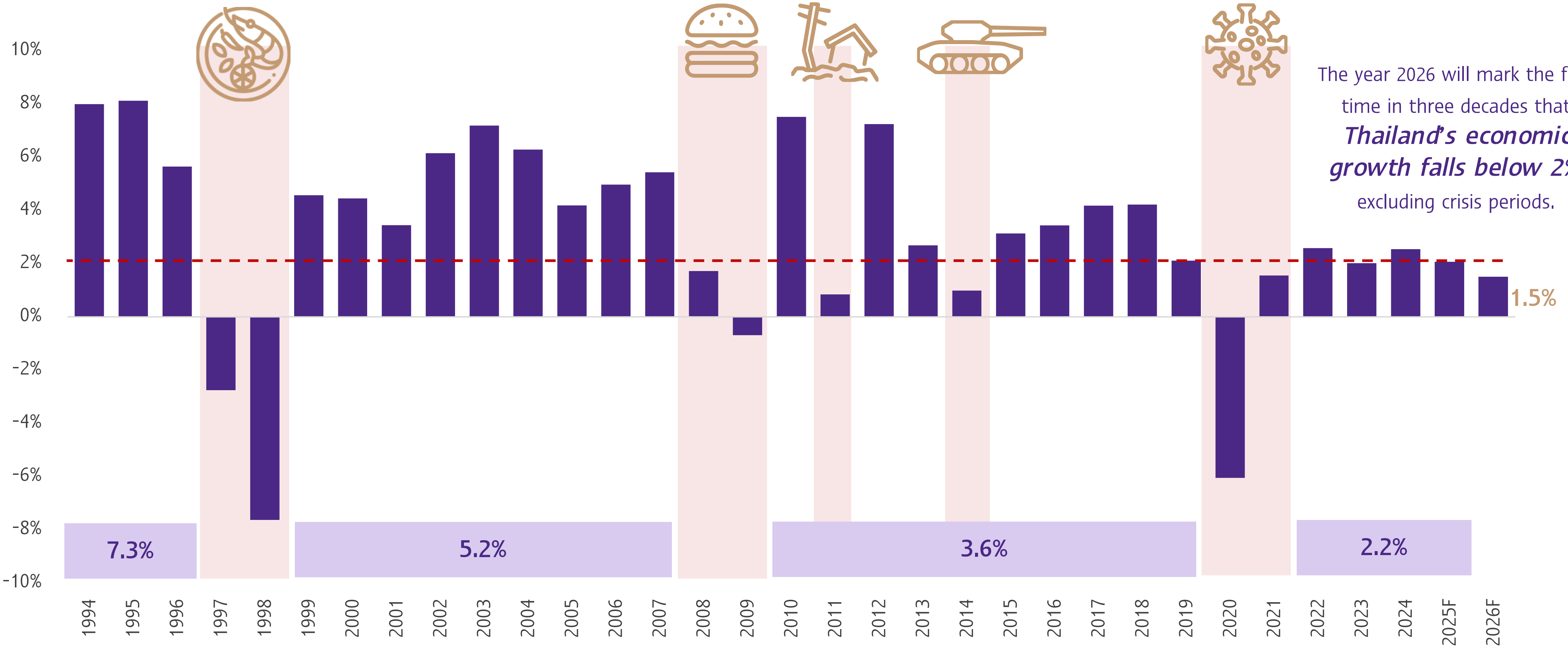
Climate change

- **Natural disasters are becoming more frequent and severe, causing greater economic damage**—particularly in countries highly exposed to extreme weather events (such as storms, heatwaves, and floods).
- **Low-carbon product standards regulations in certain markets** could raise exporters' costs.

Source: SCB EIC analysis based on data from the IMF and various news agencies.

Thai economy

When was the last time
Thailand's economy grew by less than 2% year-on-year?



The year 2026 will mark the first time in three decades that *Thailand's economic growth falls below 2%,* excluding crisis periods.

Thailand's average economic growth has been declining continuously and is expected to remain around 2% in the coming years.

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

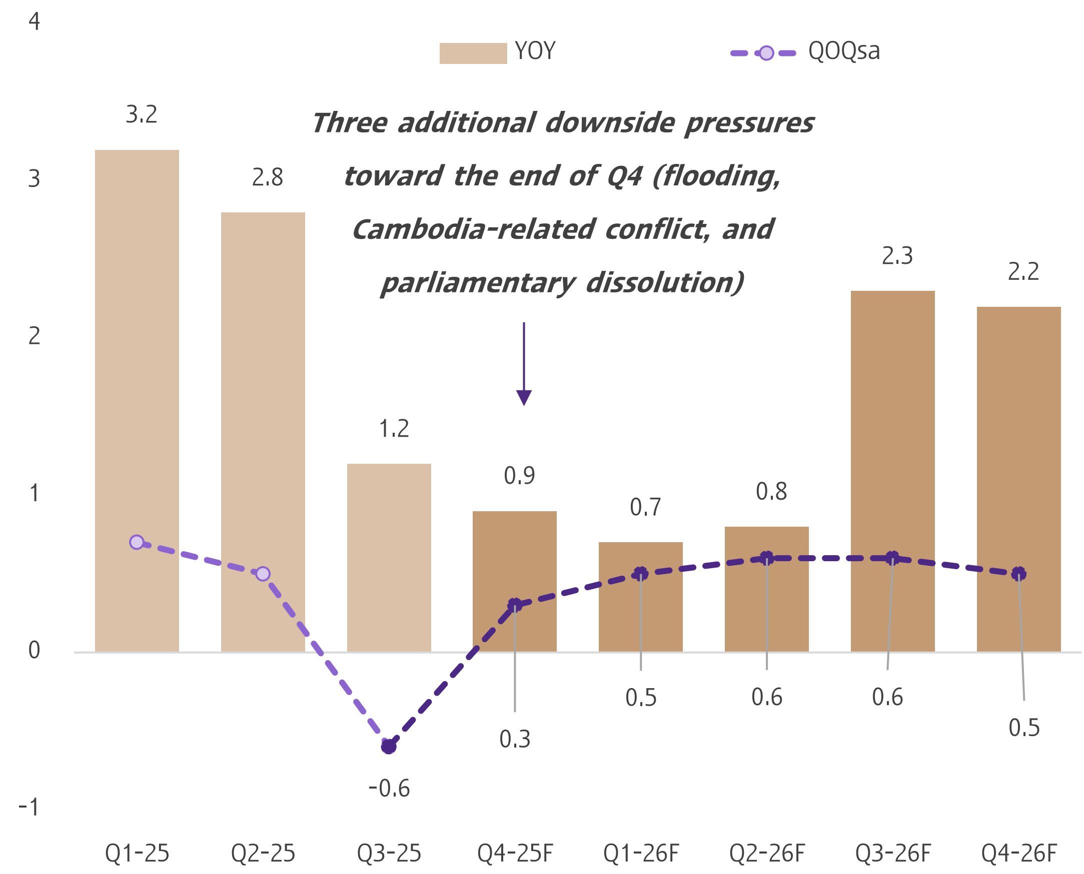
SCB EIC projects Thailand's economic growth to slow to only 1.5% in 2026, with most growth drivers weakening, particularly exports. The economy is expected to remain subdued throughout the first half of 2026.

Thailand's Economic Outlook for 2025–2026: Baseline Scenario by SCB EIC

Baseline scenario	Unit	2024	2025F		2026F	
			Nov 25	Dec 25	Nov 25	Dec 25
GDP	%YOY	2.5	2.1	2.0	1.5	1.5
Private consumption	%YOY	4.4	2.6	2.5	1.9	1.9
Government consumption	%YOY	2.5	0.7	0.7	1.3	1.3
Private investment	%YOY	-1.6	1.9	1.6	1.2	1.0
Public investment	%YOY	4.8	6.2	6.2	3.2	3.2
Export value (USD BOP)	%YOY	5.8	10.7	10.7	-1.5	-1.5
Import value (USD BOP)	%YOY	6.3	10.8	10.8	-1.2	-1.2
Foreign tourist arrivals	Million	35.5	32.9	32.9	34.1	34.1
Headline inflation	%YOY	0.4	-0.1	-0.1	0.2	0.2
Policy interest rate (year-end)	%	2.25	1.25	1.25	1.00	1.00

Thailand's quarterly economic forecast for 2025–2026 by SCB EIC

Unit: %YOY, %QoQsa



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

Seven key questions
shaping Thailand's economic outlook in 2026

1. How do trade wars and external competition affect Thailand?
2. How will consumption be affected by fragile incomes and high household debt?
3. Can investment continue to expand amid multifaceted uncertainties?
4. Will tight financial conditions improve?
5. How does political uncertainty affect fiscal policy and the economy?
6. Is structural reform the solution—and if initiated, how sustainable will it be?
7. Which businesses can move forward—and how should they adapt to survive?

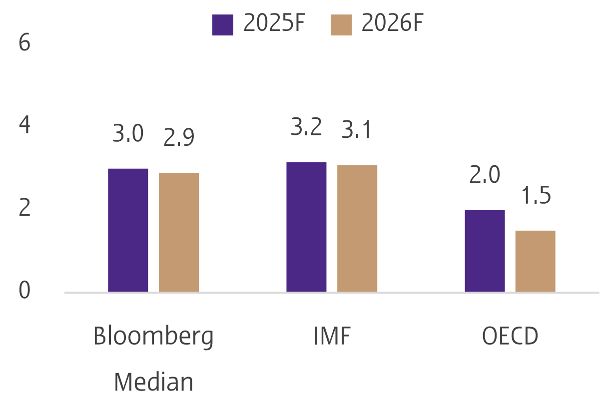
How do trade wars and external competition affect Thailand?

Merchandise export value in 2026 is expected to contract, in line with a slowdown in global trade, as the front-loading effect in the U.S. market fades and base effects turn less supportive, while downside risks may intensify, including the possibility of additional U.S. import tariffs.

Global economy and trade are slowing as the impact of import tariffs becomes more pronounced (delayed effect in 2025).

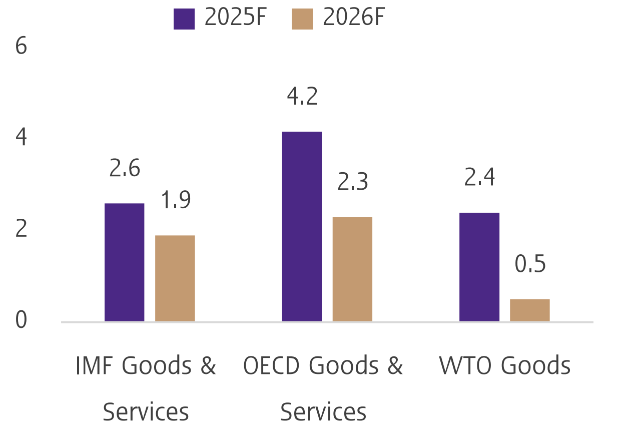
Global economic forecast for 2025–2026

Unit: %



Global trade volume forecast for 2025–2026

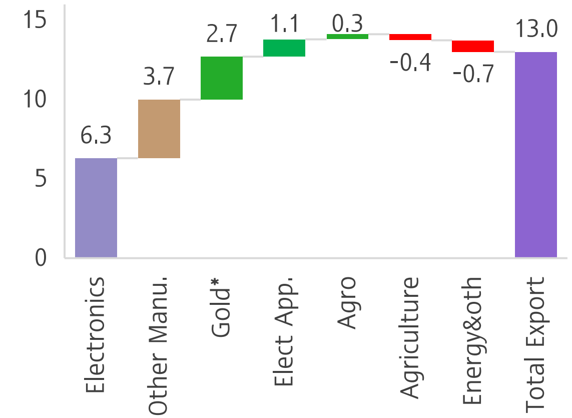
Unit: %



Gold exports are a key driver this year but do not generate significant added value for Thailand's economy.

Contributions to growth of Thailand's export value (10M/2025)

Unit: % Percentage Point



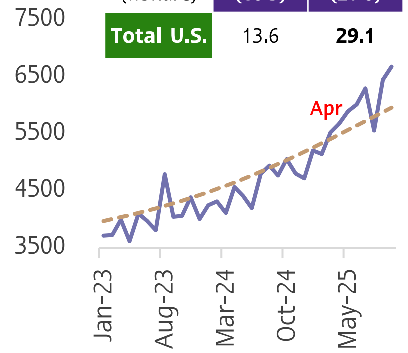
Gold exports* expanded by 84.2% in the first 10 months of 2025, supported by

- Global demand for gold to hedge against heightened risks
- Gold prices have risen sharply
- Special factors supporting gold exports to India in Q1

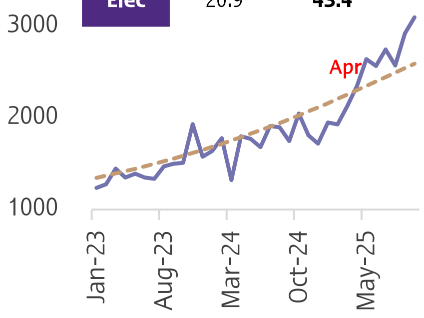
The front-loading effect in the U.S. market is starting to fade following the surge in exports in 2025.

Thailand's merchandise export value to the U.S. (seasonally adjusted) and trend

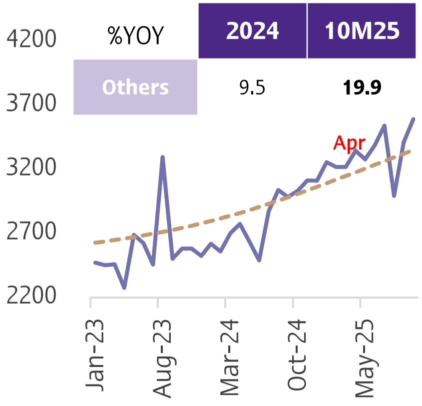
%YOY (%Share)	2024 (18.3)	10M25 (20.8)
Total U.S.	13.6	**29.1**



%YOY	2024	10M25
Elec	20.9	**43.4**



%YOY	2024	10M25
Others	9.5	**19.9**



Thailand's export value is likely to contract in 2026 due to several pressures

- **High base effect,** especially from strong growth of 15% in H1/2025.
- **U.S. import tariffs on Thai goods have increased significantly** from an average of 3.9% to 22.9% (19% + 3.9%)**
- **Chinese goods have become more competitive in the U.S. market** after the U.S. and China agreed to reduce retaliatory tariffs at elevated rates for one year.
- **Global competition intensifies** as countries diversify away from U.S. markets.

Negative risk factors

- **Additional U.S. import tariffs,** such as specific product tariffs and transshipment tariffs (>19%).
- **High uncertainty over Thailand-U.S. trade agreements,** particularly due to Thai-Cambodian tensions, which may delay negotiations or lead to higher tariffs on Thai goods.
- **Renewed U.S.-China tensions could negatively** impact global economy and trade.

( ) share of Thai export to U.S. (10M2024, 10M2025)

Note: *Gold = unworked gold and other precious metals and articles clad with precious metals. **U.S. import tariffs = Reciprocal Tariffs + MFN Tariffs (tariffs previously imposed by the U.S. prior to Liberation Day). The MFN rate of 3.9% is based on WTIS data for 2023.

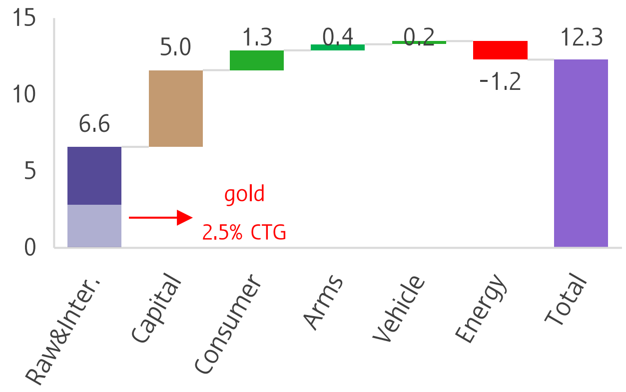
Source: SCB EIC analysis based on data from Ministry of Commerce (MOC), WITS, Bloomberg, OECD, WTO, and CEIC.

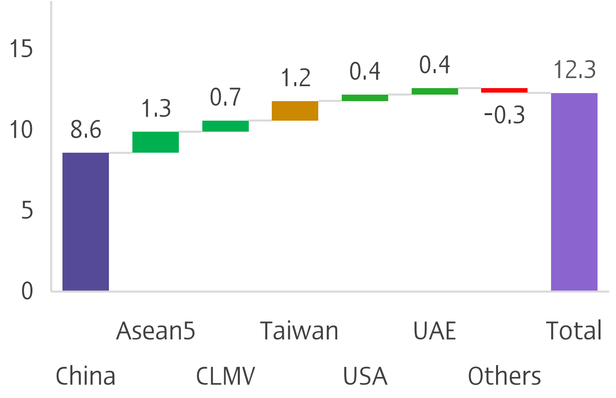
Thailand's import value in 2026 is expected to contract in line with exports, particularly for electronics-related goods. However, increased influx of goods from China and the U.S. may lead to a continued trade deficit.

Since early 2025, Thailand's exports have grown significantly, driven by electronics and gold shipments.

Sources of growth contribution to Thailand's import value during 10M25

% Percentage Point**, 2025 YTD

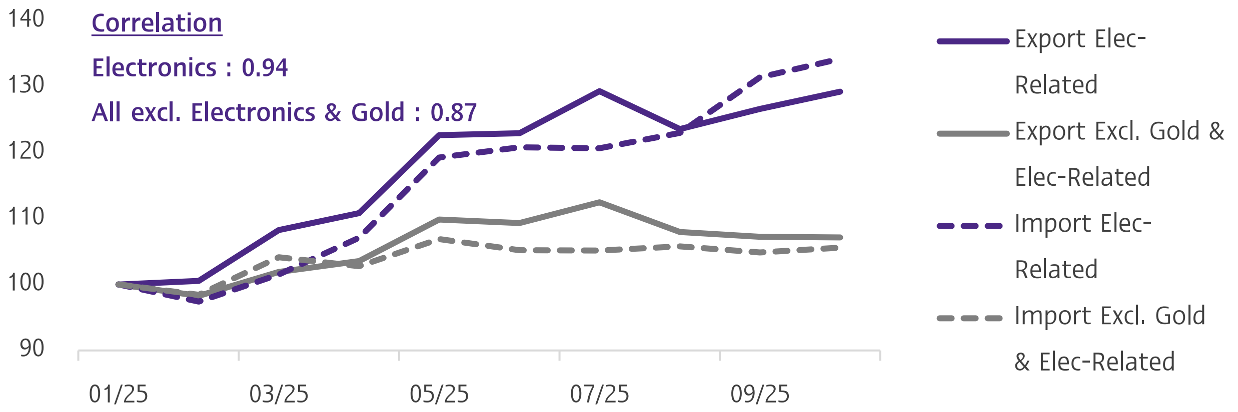




Import value is highly correlated with export value, especially for electronics

Thailand's import value

Unit: Index (Jan 2025 = 100), 3MMA



Competitiveness of U.S. goods in the Thai market is expected to increase significantly.

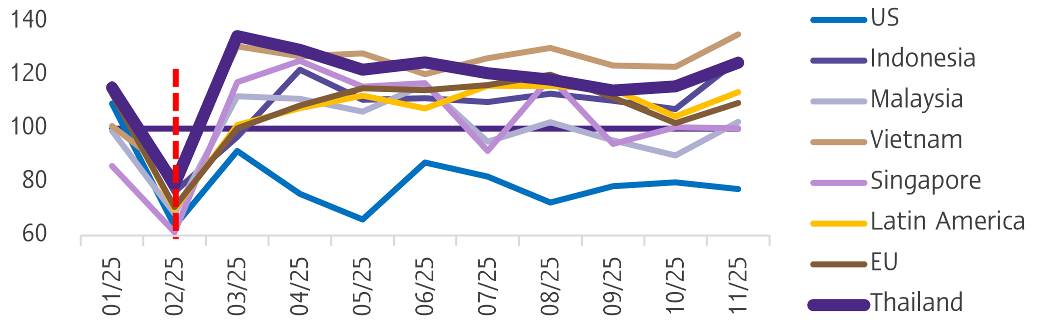
ASEAN countries' import tariffs on U.S. goods (WITS, 2023)

% MFN avg.	Cambodia	Thailand	Vietnam	Malaysia	Philippines
All Products	12.9	9.9	9.2	5.8	5.8
Capital goods	13.5	4.6	3.9	3.2	2.1
Consumer Goods	15.0	18.0	16.6	7.7	9.2
Intermediate Goods	8.2	4.6	5.8	5.3	4.2
Raw Materials	7.8	12.2	8.5	6.6	8.2

Chinese goods continue to flood into Thailand (second only to Vietnam) following U.S. retaliatory tariffs.

China's export value by major trading partners

Unit: Index (AVG 2024 = 100)



Trade balance (M. USD)	2024	10M2025
Total	-4,783.0	-3,866.190
U.S.	35,615.8	41,332.9
India	6,064.4	8,124.4
China	-45,337.4	-53,987.3
Taiwan	-15,927.9	-15,505.3

10M25 : Thailand's import value expanded strongly; despite solid export growth, Thailand recorded a large trade deficit of USD 3,866 million.

2026 : Thailand is expected to maintain a persistent trade deficit.

* Data on a customs basis

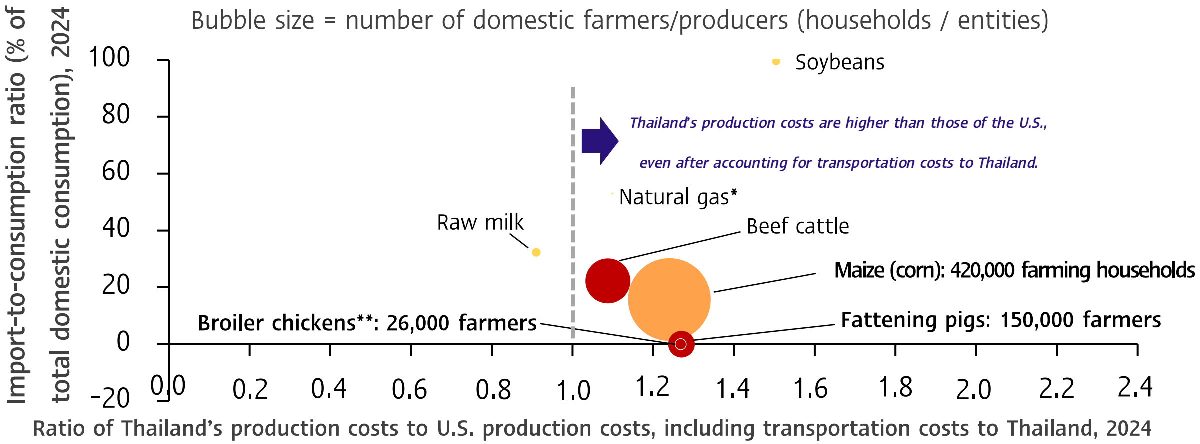
Source: SCB EIC analysis based on data from Ministry of Commerce, WITS, CEIC, and Trade maps.

Thailand's economy remains exposed to risks from trade negotiations with the U.S. The joint statement indicates a high level of market opening. Any delays or lack of clarity in negotiations could adversely affect exporters and domestic producers.

Negotiations toward a Thailand–U.S. trade agreement are likely to be delayed and remain highly uncertain. The preliminary framework entails relatively binding commitments on Thailand's side, posing risks to exports and domestic producers.

Issue	Thailand (Joint statement)	Vietnam (Joint statement)	Malaysia (Trade agreement)	Cambodia (Trade agreement)
Market access and tariff exemptions	Elimination of import tariffs on U.S. goods (99% coverage).	Granting near-complete special market access.	**Conditional opening,** such as phased liberalization, quota systems, or maintaining MFN tariffs on certain goods.	Immediate full market opening (100%).
Non-tariffs barriers	• **Thailand agreed to more extensive NTB reforms than Vietnam,** including digital trade liberalization and labor rights protection.		• **Malaysia signed stricter and more binding agreements compared to Cambodia,** which remains classified as a low-developed country.	
Special trade commitments	• Purchases of U.S. agricultural products • Purchases of U.S. energy products • Purchases of Boeing aircraft	• Purchases of U.S. agricultural products • Purchases of U.S. energy products • Purchases of Boeing aircraft	• Purchases of U.S. energy products • Purchases of Boeing aircraft • Investment in the U.S.	• Purchases of Boeing aircraft to develop Cambodia's aviation industry

Indicators of Thai industries' sensitivity to trade liberalisation with the U.S.



Product	Level	Impact (framework agreement as of 26 Oct 2025)
Meat and poultry products	High	Accelerating market liberalisation for meat and poultry products certified by U.S. domestic authorities would severely undermine the competitiveness of Thai producers, with adverse impacts across the entire supply chain.
Agricultural products	Med	Agricultural products that Thailand would purchase amounting to USD 2.6 billion per year largely overlap with goods that Thailand already imports. In 2024, Thailand imported USD 2.0 billion worth of these products.
Natural gas/crude oil/Ethane	Low	Thailand prioritises the use of domestically sourced natural gas and energy feedstocks, while domestic natural gas supply is declining. Crude oil and ethane, meanwhile, are products that Thailand already imports in large proportions.

Note: * The share of natural gas production costs is compared using domestic gas prices announced by the ERC against U.S. gas export prices plus transportation costs in 2024. ** U.S. production costs are estimated by applying the ratio of poultry farming costs to swine farming costs in Thailand to U.S. swine production costs, as the U.S. does not disclose poultry production cost data.

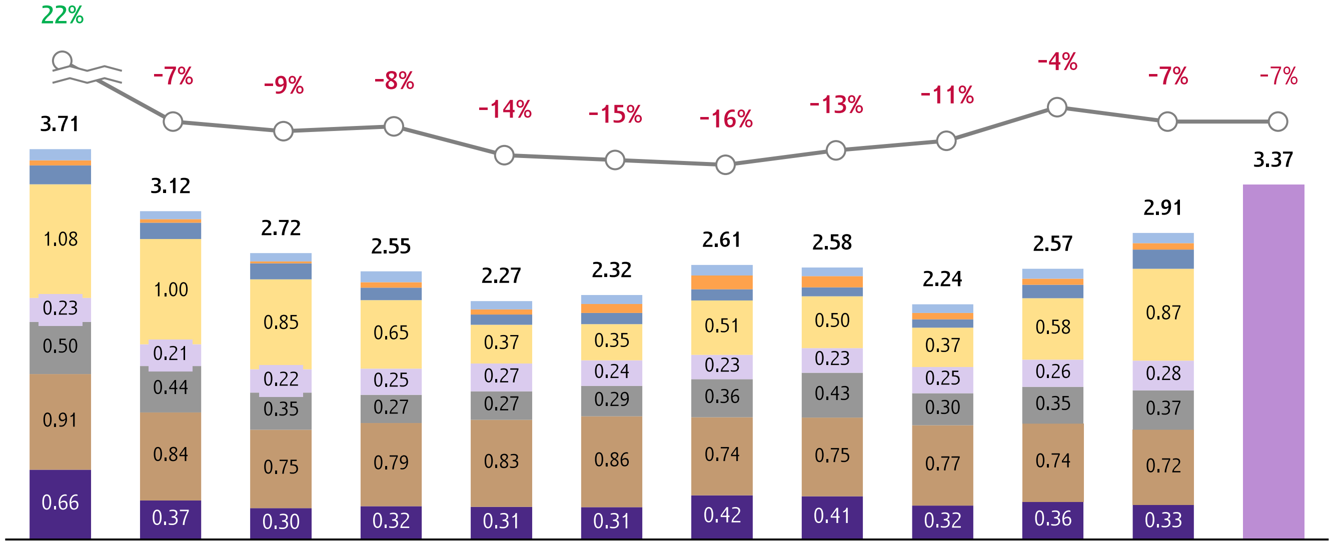
Source: SCB EIC analysis based on data from Bloomberg, U.S. White House, Trade Map, OAE, and CEIC.

SCB EIC

Foreign tourist arrivals to Thailand in 2025 reached 32.97 million and expected to be 34.1 million in 2026. However, tourism sector continues to face challenges, particularly due to the relatively slow recovery of Chinese tourists.

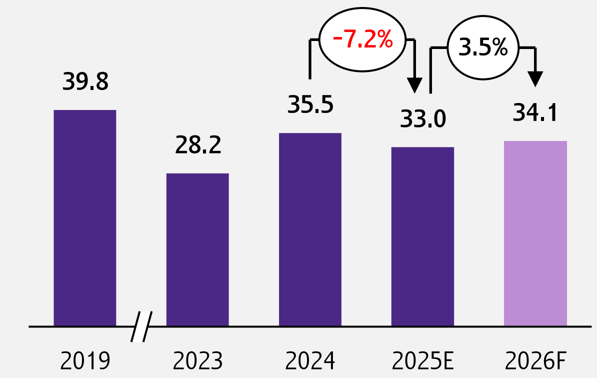
A total of foreign tourist arrivals to Thailand marking a -7.23% year-on-year decline

Unit: Million persons, %YoY



(% of Total)	11M 2025	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
China (14%)	-34%	30%	-45%	-48%	-47%	-45%	-42%	-39%	-38%	-32%	-22%	-32%	Groups that remain contracted
ASEAN (30%)	-10%	23%	-11%	-9%	-8%	-13%	-12%	-23%	-15%	-14%	-10%	-14%	
N.E Asia (13%)	-13%	14%	-5%	-15%	-20%	-21%	-25%	-17%	-14%	-19%	-8%	-13%	
Others (4%)	8%	27%	20%	3%	24%	11%	-1%	8%	0%	-5%	4%	1%	Groups with growth but experiencing slowdowns
Americas (5%)	7%	21%	12%	11%	10%	2%	-1%	2%	-1%	-2%	8%	4%	
Middle East (2%)	1%	13%	-7%	121%	12%	10%	-25%	-6%	3%	-2%	6%	5%	
Europe (23%)	13%	23%	18%	12%	25%	7%	6%	8%	9%	7%	7%	6%	Groups with sustained growth
South Asia (9%)	16%	14%	13%	16%	21%	15%	5%	19%	15%	18%	22%	15%	

Forecast of international tourist arrivals in 2026 (unit: million)



In 2026, foreign tourist arrivals are expected to improve, supported by continued growth in key potential markets such as Europe, the Middle East, and India with the launch of new flight routes. However, tourism sector remain facing several challenges.

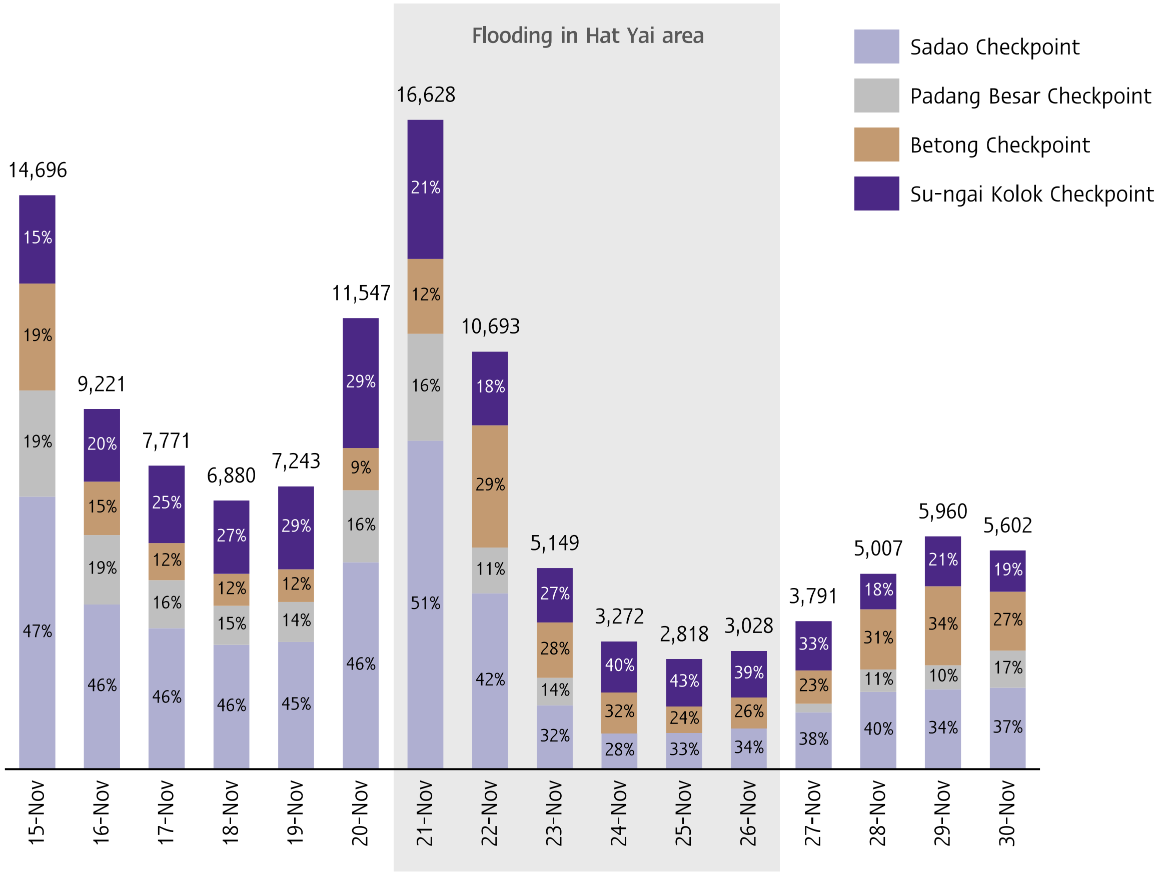
- **The recovery of Chinese tourist arrivals remains gradual,** constrained by ongoing safety concerns and intensified tourism war
- **The conflict between Thailand and Cambodia may raise safety concerns among some international tourists planning to visit Thailand,** following travel advisories issued by several governments, including USA, UK, and Australia, urging their citizens to avoid high-risk areas.

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

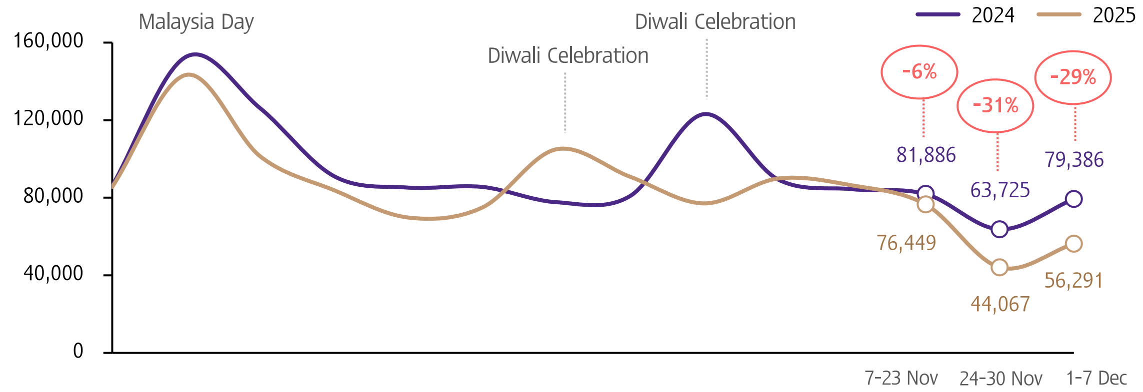
Flooding in Songkhla has slowed Malaysian tourist arrivals, while Krabi, Yala, and Satun may benefit from increased opportunities to attract Malaysian tourists during Songkhla's recovery period.

Flooding in southern Thailand has disrupted travel by Malaysian tourists, around 80% of whom enter Thailand via land routes.

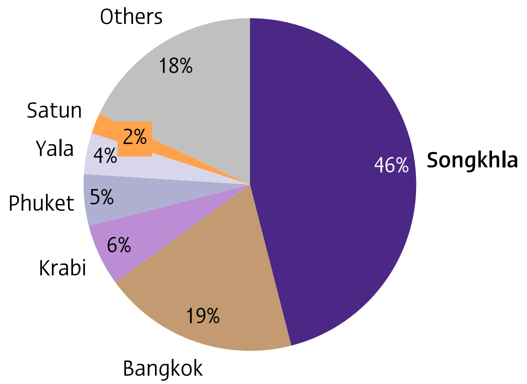
Daily Malaysian tourist arrivals via land checkpoints (unit: persons)



Weekly arrivals of Malaysian tourists to Thailand (unit: persons, %YoY)



Provinces where most Malaysian tourists visited during 10M25 (Unit: %)



(* For Bangkok and Phuket, most Malaysian international-tourists enter Thailand by air)

- **More than 85% of hotel businesses in Songkhla have been damaged by flooding,** with estimated losses of approximately THB 3 billion, according to Hat Yai–Songkhla Hotel Association,
- **Tourism businesses in Songkhla are expected to gradually resume operations after the New Year 2026;** however, the restoration of tourist confidence is likely to take longer.
- **Southern provinces have launched campaigns to attract Malaysian tourists during Songkhla's recovery period,** including Phatthalung Krabi and Trang. Krabi and Trang have strong potential to capture Malaysian tourist demand as they rank among the most popular destinations after Songkhla anddemonstrate high supply readiness.

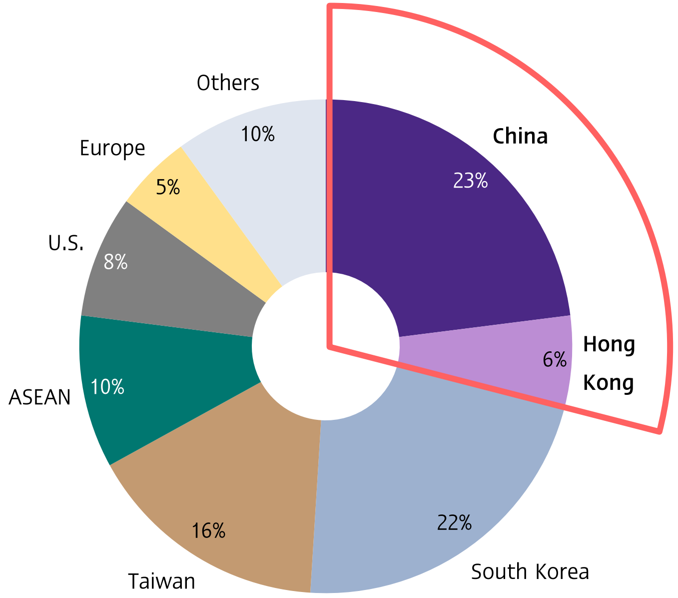
Source: SCB EIC analysis based on data from the Ministry of Tourism and Sports and Travellink.

Chinese tourist travel to Japan has slowed significantly due to geopolitical tensions, with a growing trend of diversifying to other destinations.

Geopolitical tensions between China and Japan are likely to affect tourism across multiple countries, following the Chinese government's advisory warning citizens of 'serious safety risks' when traveling to Japan.

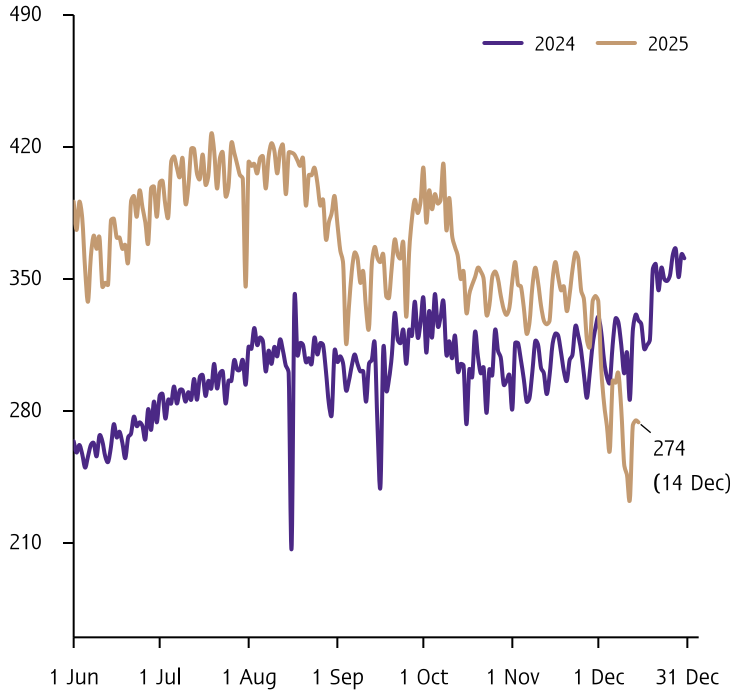
Chinese and Hong Kong tourists are the main tourist groups of Japan (Unit: %)

- Chinese and Hong Kong tourists made approximately 10.2 million trips to Japan during the first 10 months of 2025, representing 28%YoY growth and accounting for around 30% of total tourist arrivals to Japan.



Flights between China and Japan (unit: flights per day)

- Since early December, flights between Japan and China have shown a steady decline, particularly flights from Shanghai, Jiangsu, and Shandong to Osaka, Tokyo, and Nagoya, as well as group tour segments.



Flights between China and other routes showing growth (Unit: %YoY)

- Flights from China to Malaysia, Australia, UAE, and the UK showed strong growth in December compared to November, while flights to Thailand remained stable.

	Average daily flights 1-14 Dec 25	Flight change rate (%YoY)		
		Oct-25	Nov-25	1-14 Dec-25
Japan	274	12%	12%	-12%
South Korea	272	2%	9%	6%
Thailand	229	-21%	-17%	-17%
Malaysia	158	12%	20%	24%
Singapore	136	4%	12%	12%
Vietnam	132	31%	26%	20%
Australia	49	-4%	5%	19%
UAE	34	21%	28%	36%
UK	25	-7%	3%	7%

"Flights with increased frequency compared to %YoY in November 2025

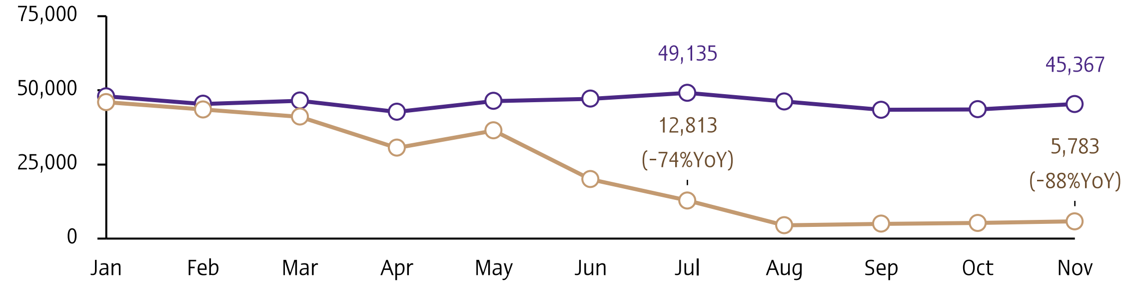
Source: SCB EIC analysis based on data from Japan National Tourist Organization and CEIC.

Thailand-Cambodia border conflict has mainly affected travel between the two countries. Moreover, advisories from several governments warning against travel to high-risk areas could weigh on some international tourist sentiment, alongside economic factors.

Impact of the Thailand–Cambodia situation on Thailand's tourism

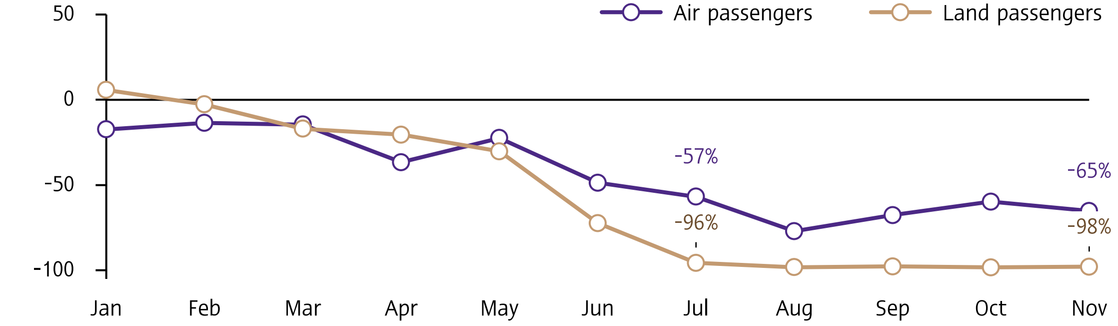
Number of Cambodian tourists visiting Thailand (unit: persons)

- Cambodian tourist arrivals to Thailand in 2025 are projected to decline significantly, with an overall decrease of -54% YoY.



Inbound Cambodian passenger traffic to Thailand (Unit: %YoY)

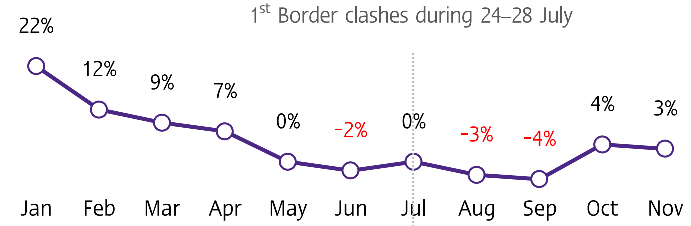
- Air travel has continued uninterrupted, while land border checkpoints have remained closed since July 2025.



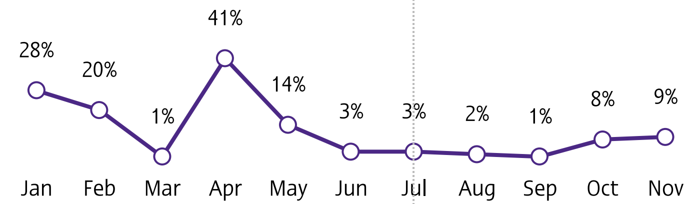
Trend of international tourist arrivals to Thailand following the Thailand–Cambodia border situation (Unit: %YoY)

- **The number of international tourists from countries whose governments issued travel advisories to avoid areas near the Thailand–Cambodia border has declined,** driven by multiple factors including economic conditions.

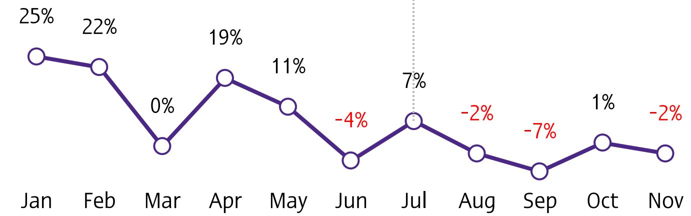
U.S.: (Jul 25)
Thailand – Level 2: Exercise Increased Caution
Thailand-Cambodia Border – Level 4: Do Not Travel



UK: (Updated Dec 10)
Thailand-Cambodia border – Advise against all but essential travel



Australia: (Updated Dec 10)
Thailand – Level 2: Exercise a high degree of caution
Thailand-Cambodia Border – Level 4: Do Not Travel



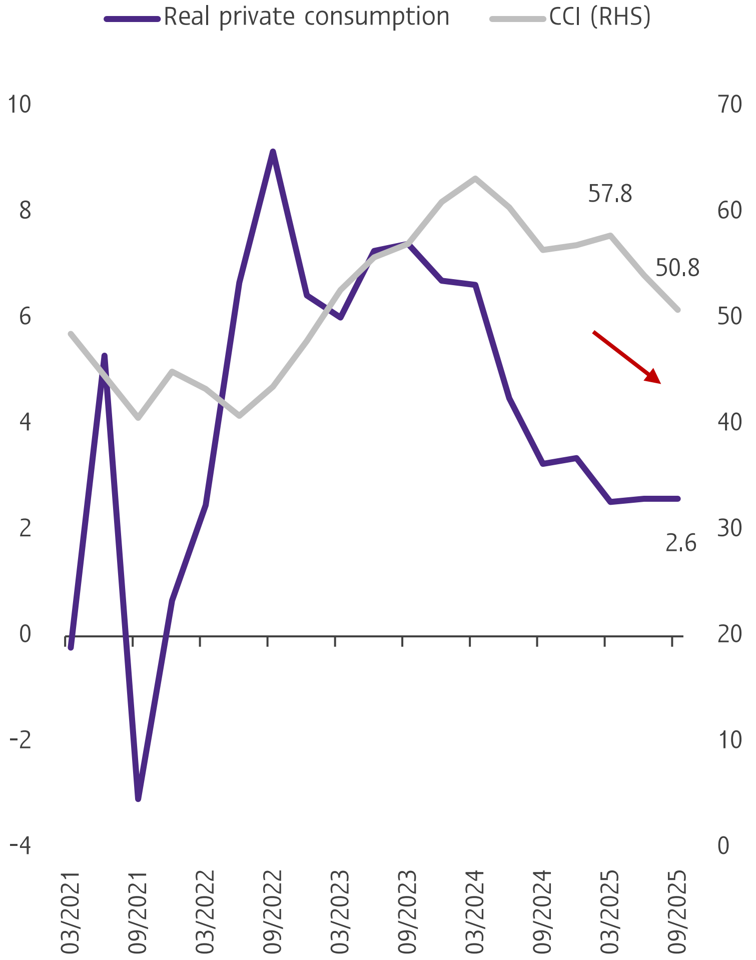
Source: SCB EIC analysis based on data from the Ministry of Tourism and Sports, CAAT and Travellink

How will private consumption be affected by fragile incomes and household debt?

Private consumption has weakened in recent periods and is expected to continue slowing in 2026, primarily due to (1) slow recovery in household income.

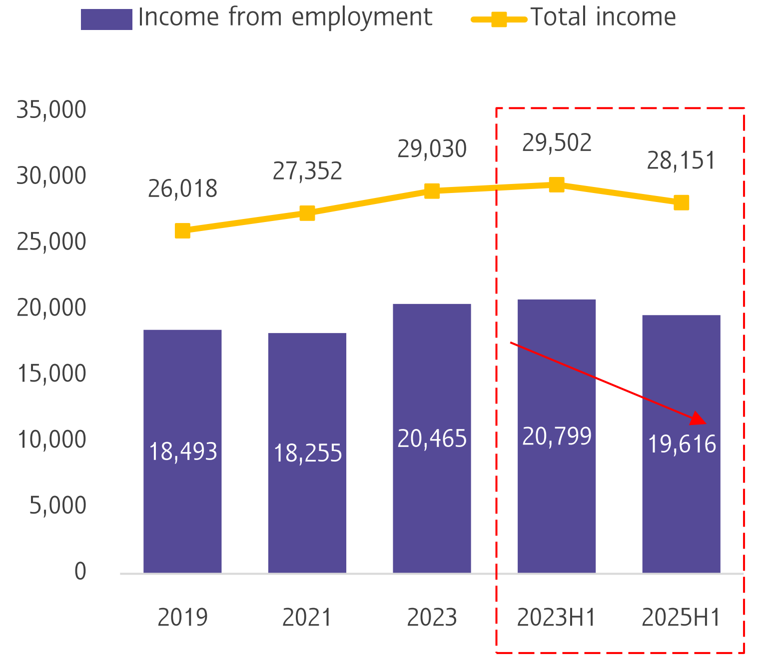
Private consumption growth has declined significantly in 2025.

Unit: Index



Average household income in Thailand has decreased (National Statistical Office).

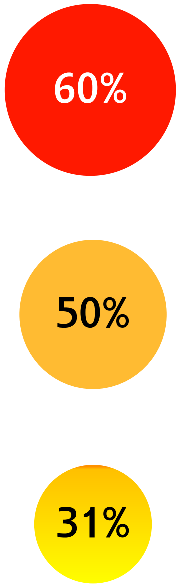
Unit: Baht per household per month



- Real income (including bonuses and overtime) for employees during the first nine months of 2025 has gradually recovered but remains below pre-COVID levels.
- SCB EIC Consumer Survey 2025 reveals:
  - 70% of consumers report unchanged or reduced income.
  - 90% report unchanged or increased expenses compared to the previous year.
  - About one-third experience income growth slower than expense growth.

Proportion of consumers facing income insufficiency relative to expenses by income group:

Unit: % of respondents, SCB EIC Consumer Survey 2025



		Income per month
60%	**Income group <30,000 THB/month: 60% face income insufficiency,** particularly those earning <15,000 THB.	<30,000 THB.
50%	**Income group 30,000–50,000 THB/month: 50% face income insufficiency.**	30,000 – 50,000 THB.
31%	**Income group >50,000 THB/month: 31% face income insufficiency. Some groups show increased risk,** with a higher proportion facing frequent issues compared to the 2024 survey, notably among those earning 100,000–200,000 THB.	> 50,000 THB.

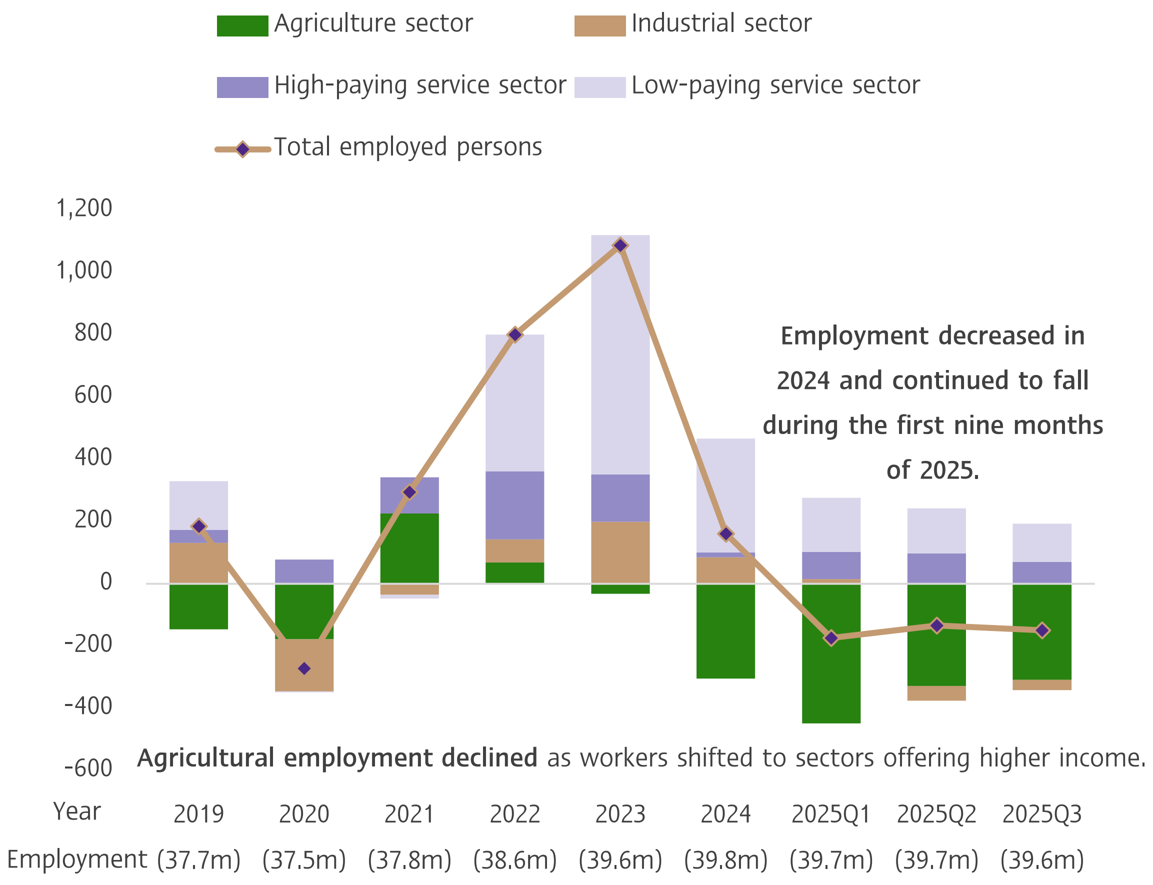
Income group earning less than THB 50,000 per month: More than half face income insufficiency relative to expenses, posing liquidity risks and requiring reliance on additional credit.

Source: SCB EIC analysis based on data from the National Statistical Office, the Office of the National Economic and Social Development Council, and SCB EIC Consumer Survey 2025 titled “ซื้อง่าย จ่ายไหวไหม?” conducted during August 20 – September 3, 2025 (sample size: 1,631 respondents).

(2) The labor market is weakening, as reflected by declining employment, driven by low economic growth. This exacerbates the slowdown in labor productivity, highlighting structural challenges from an aging society and economic scars left by COVID-19.

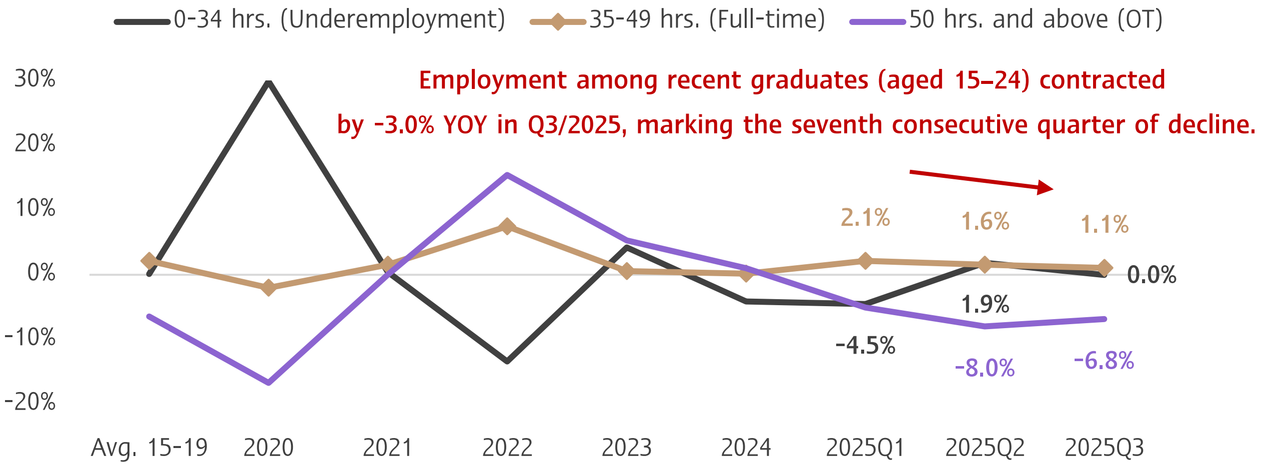
Employment contracted this year, with industrial sector jobs experiencing the sharpest decline since the post-COVID recovery.

Unit: Thousand persons; change in employed persons (rolling sum of four quarters compared to the same period of the previous year).



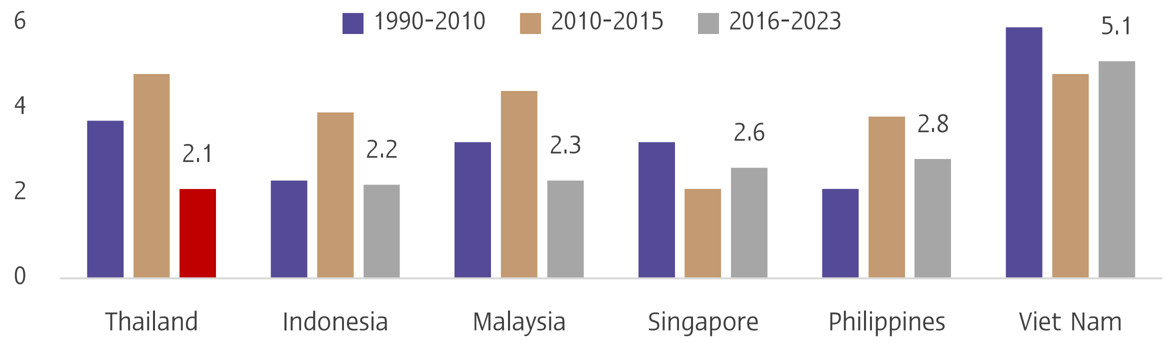
Full-time employment continues to decline, while overtime work remains at low levels.

Unit: %YOY



Thailand's labor productivity has slowed, reflecting structural challenges and lingering impacts from COVID-19 (OECD).

Unit: Average annual growth rate, %

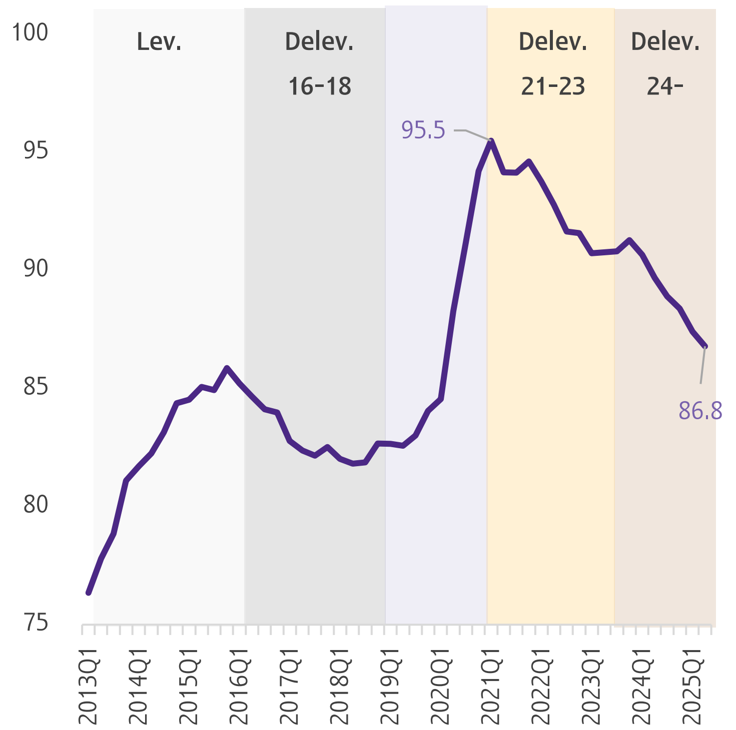


Source: SCB EIC analysis based on data from the National Statistical Office and OECD Economic Surveys: Thailand 2025, OECD (2025).

(3) Household debt-to-GDP ratio continues to decline amid credit contraction, while debt burden remains high and repayment risks are spreading to middle- and high-income groups. This forces households to cut spending for debt reduction (Deleveraging).

Household debt-to-GDP ratio

Unit: %nominal GDP

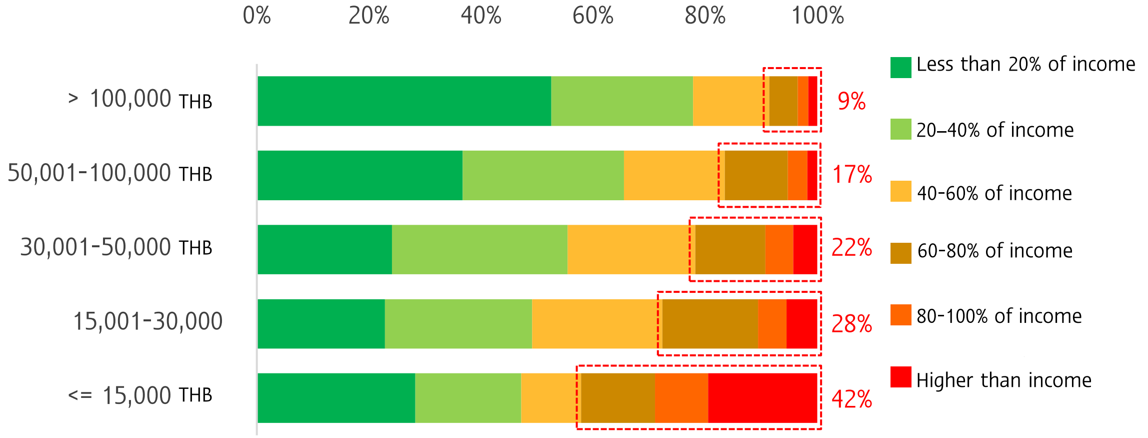


						YTD
HH loan	9.6%	4.6%	4.7%	3.9%	0.7%	-0.3%
Real GDP	2.3%	4.0%	-2.0%	2.1%	2.7%	2.4%
Inflation	1.1%	0.6%	-0.1%	2.9%	0.2%	-0.1%

Note: Economic variables (%YOY) represent quarterly averages.

Distribution of Debt Service Ratio (DSR) by income group.

Unit: % of respondents with debt

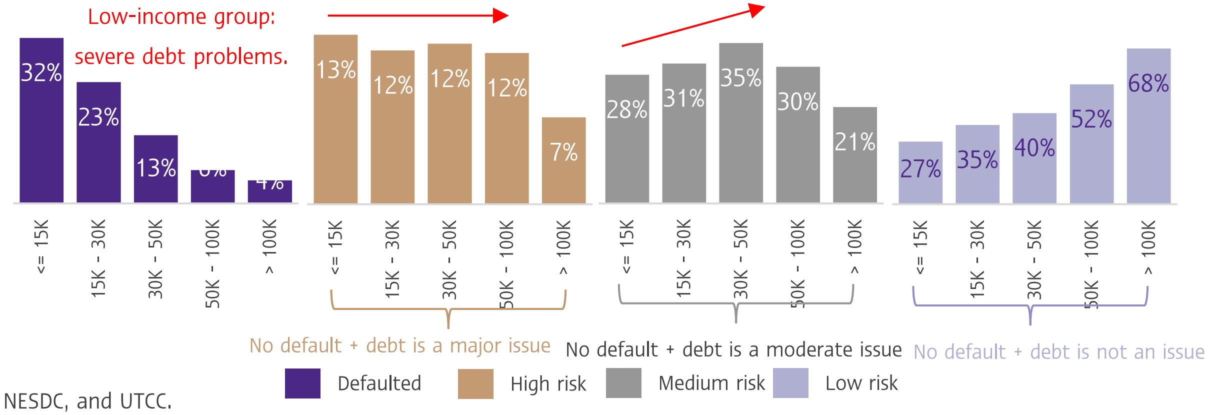


- Income group <THB 50,000/month: One-third have DSR >60%.
- Income group <THB 15,000/month: Around 20% have DSR >100% (monthly debt burden exceeds income).

Risk levels of debt default and debt-related concerns across five income groups.

Unit: % of respondents with debt

Debt default risk is spreading from low-income groups to middle- and high-income groups.



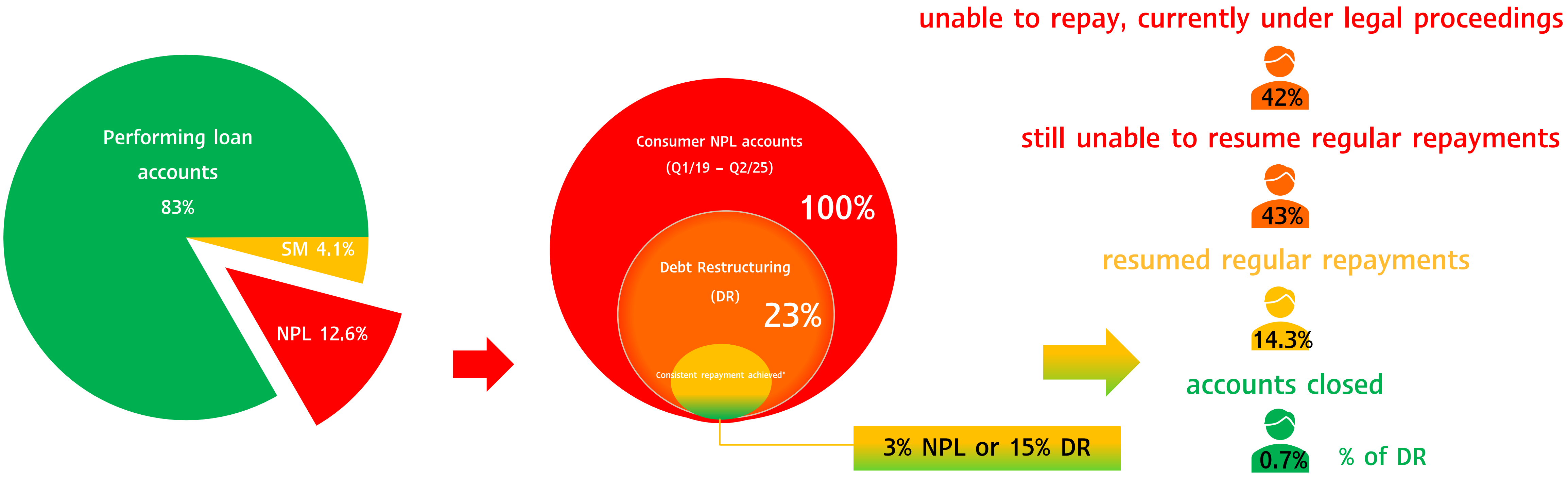
Middle- to high-income groups:

- Most continue to repay debt normally but are increasingly concerned about debt issues.
- Reflecting rising default risk in the near future and pressure on consumption.

Source: SCB EIC analysis based on data from Bank of Thailand (BOT), BIS, CEIC, Bloomberg, NESDC, and UTCC.

(4) Debt restructuring remains limited and uneven. SCB EIC's analysis of credit bureau data shows that only one in four NPL accounts underwent debt restructuring after COVID-19, and just 15% of these successfully resumed regular repayments.

Consumer loan data: 92.6 million accounts (100%) Q1/2019 – Q2/2025	Debt Restructuring outcomes (Debt Restructuring: DR) Q1/2019 – Q2/2025



- **Most DR cases (85%) failed to restore regular repayments,** reflecting borrower circumstances beyond restructuring assistance.
- **Banks/SFIs achieved higher DR success, mainly for mortgage and commercial debt;** DR for hire-purchase/unsecured loans was less successful.
- **Non-bank institutions provided limited DR support with lower success rates than banks/SFIs.**

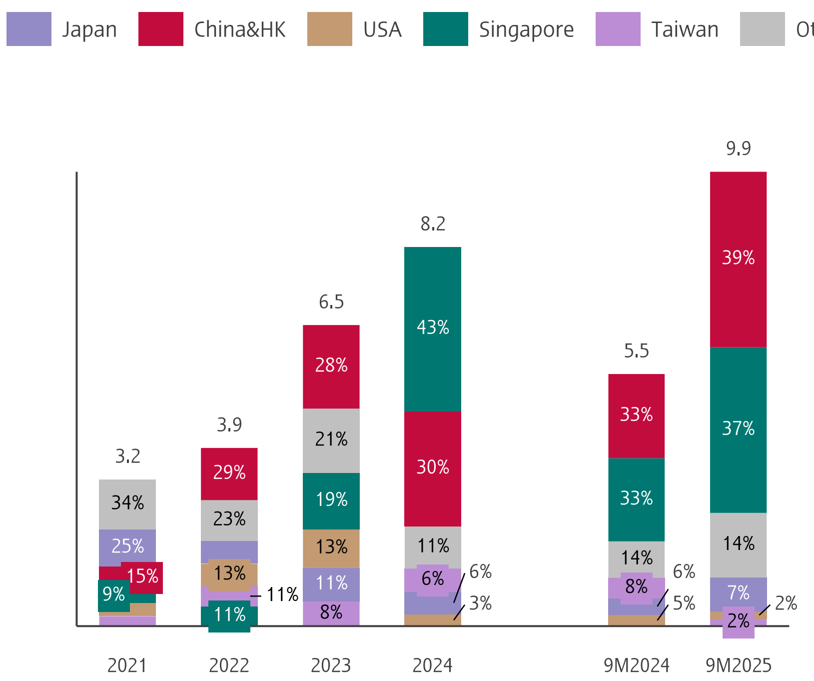
Source: SCB EIC analysis based on data from the Credit Bureau.

Can private sector investment continue to expand amid multiple dimensions of uncertainty?

Thailand has an opportunity to develop a "new investment engine from FDI," particularly in data centers, E&E, and automotive industries, which serve ASEAN markets and position Thailand as a key global production base.

Foreign investment promotion application values continue to rise following U.S. tariff policy announcements.

Unit: THB hundreds of billions

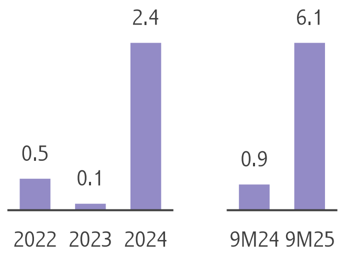


- China and Singapore have become major sources of investment (previously Japan).
- Industrial estate operators indicate early signs of a recovery in foreign investment.
- BOI is actively targeting expanded investment from the U.S., Europe, Japan, China, and South Korea.

Industry | **Value of investment promotion applications** (Unit: THB billions) | **Supporting Factors**

Digital

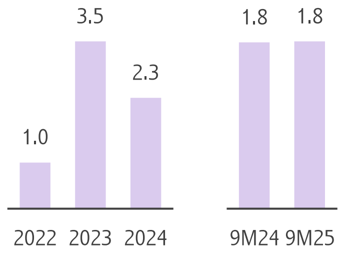
- Data center
- Cloud service



- Growth in AI/ML adoption
- Increasing popularity of online platforms
- Thailand's infrastructure readiness

E&E

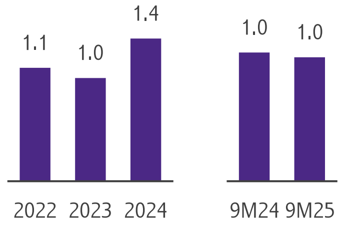
- Multilayer Ceramic Capacitor for electronic devices
- Chip assembly and testing
- Printed circuit boards (PCB)
- High-complexity PCB



- Avoidance of trade restrictions and U.S. CHIPS Act implications.
- Growth in data centers, EVs, and AI.
- Investments by major chip manufacturers attract supply chain partners to Thailand.

Machinery and Automotive

- EV battery cells
- Electric vehicle components and assembly
- EV charging stations



- Automotive and parts production base with a complete value chain.

Source: SCB EIC analysis based on data from Bank of Thailand (BOT) and Board of Investment (BOI).

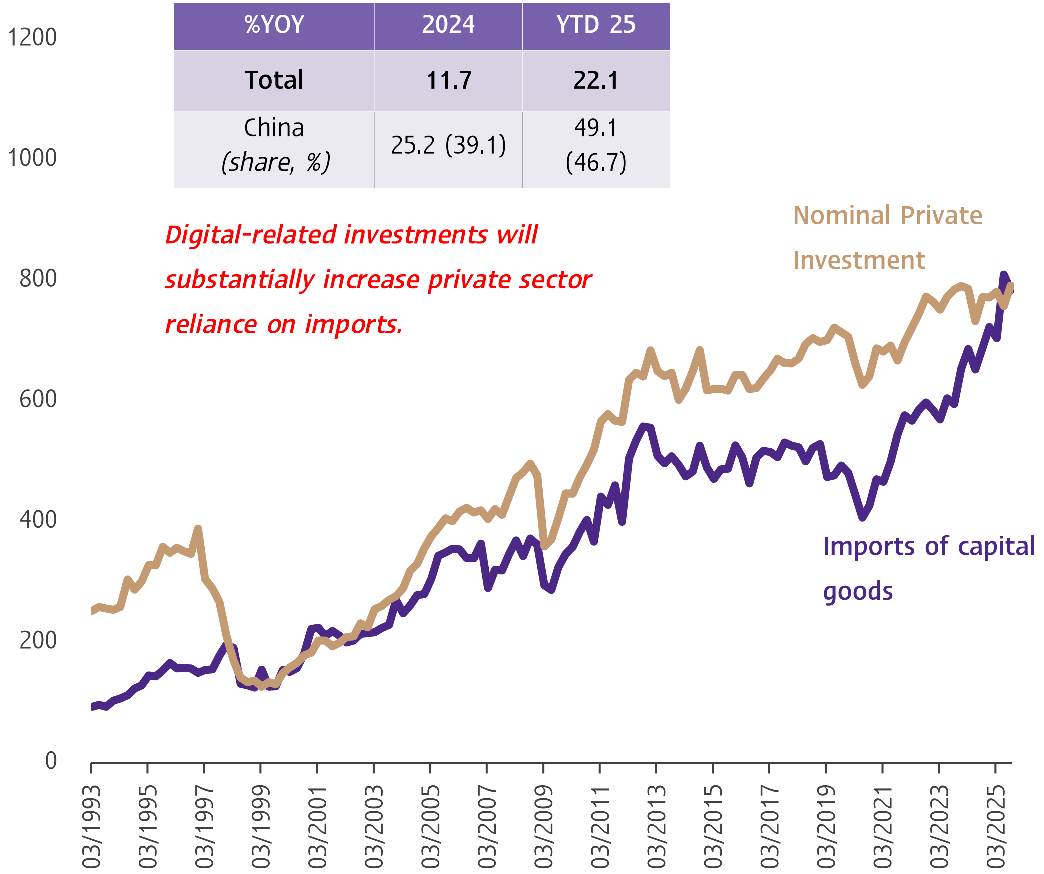
Private sector in 2026 is expected to expand primarily through imports of machinery and capital goods; however, the positive impact on the economy may be limited due to Thailand's significantly higher import content compared to the past.

Digital-related investments will substantially increase private sector reliance on imports.

Value of private investment and imports of capital goods in Thailand

Unit: THB billions – investment/imports

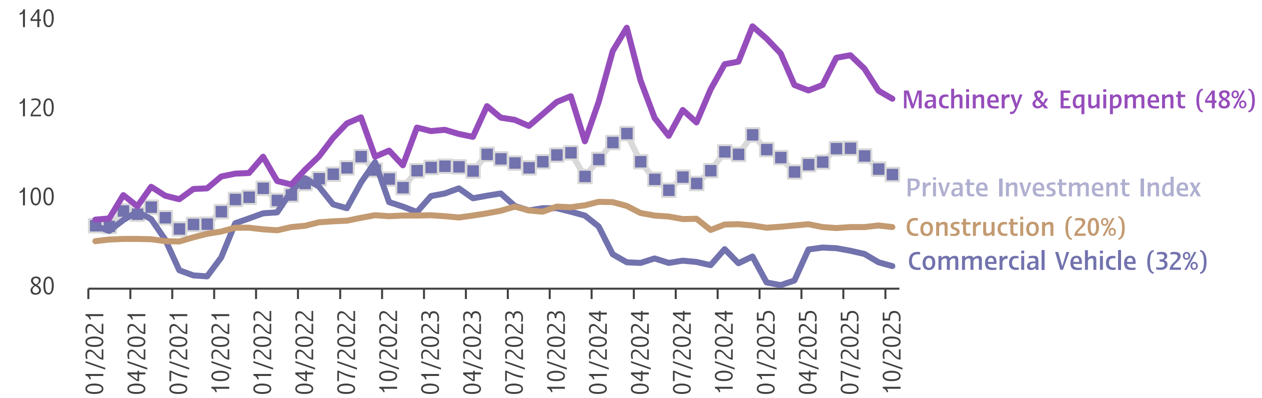
%YOY	2024	YTD 25
Total	**11.7**	**22.1**
China *(share, %)*	25.2 (39.1)	49.1 (46.7)



Investment in construction and commercial vehicles remains at a low level, reflecting weak domestic demand.

Private Investment Index and Components by BOT

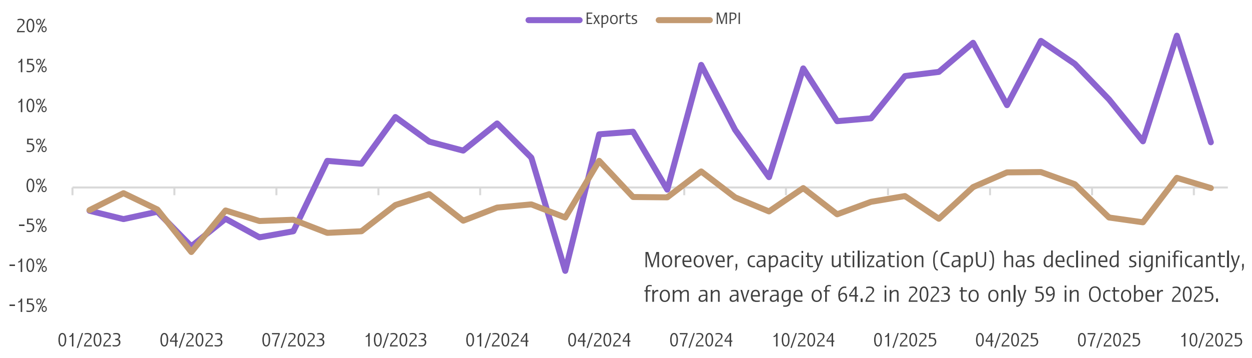
Unit: 2018=100, seasonally adjusted, ( ) share of private investment



Thailand's manufacturing sector has not expanded in line with export growth.

Manufacturing Production Index (MPI) and exports

Unit: %YOY

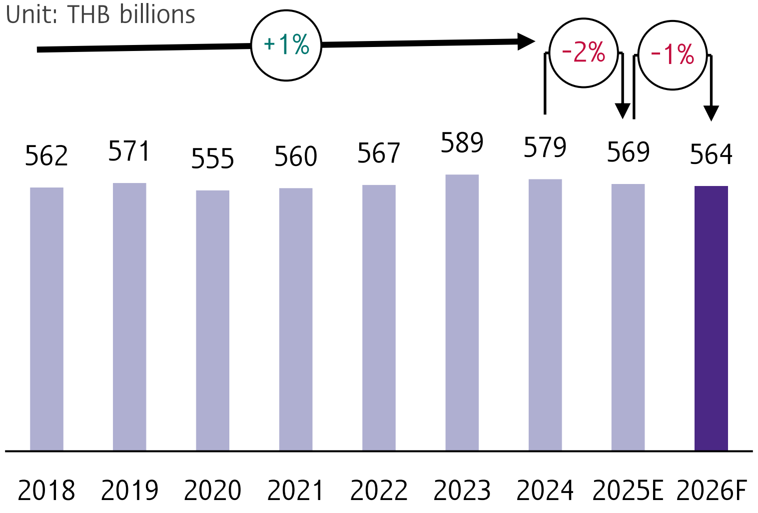


Moreover, capacity utilization (CapU) has declined significantly, from an average of 64.2 in 2023 to only 59 in October 2025.

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

Private sector construction value in 2026 is projected to keep contracting, with the residential market still unable to rebound.

Private sector construction value

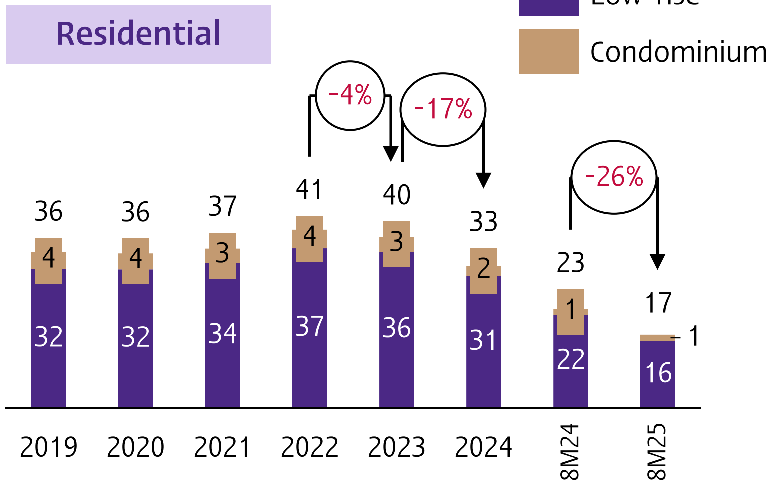


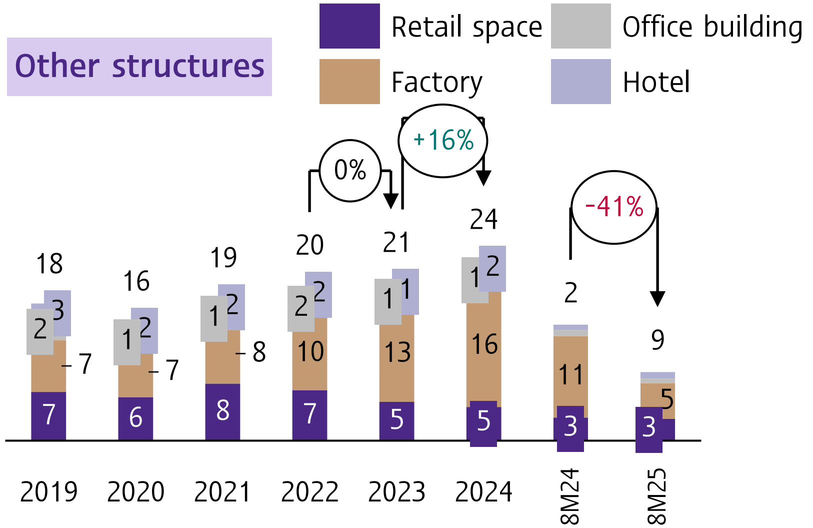
Private sector construction value in 2026 is expected to continue contracting, as the residential market remains unable to recover. Although construction of other structures, such as factories, shows signs of growth, it is insufficient to support overall private sector construction value.

Private sector construction activities face significant challenges going forward.

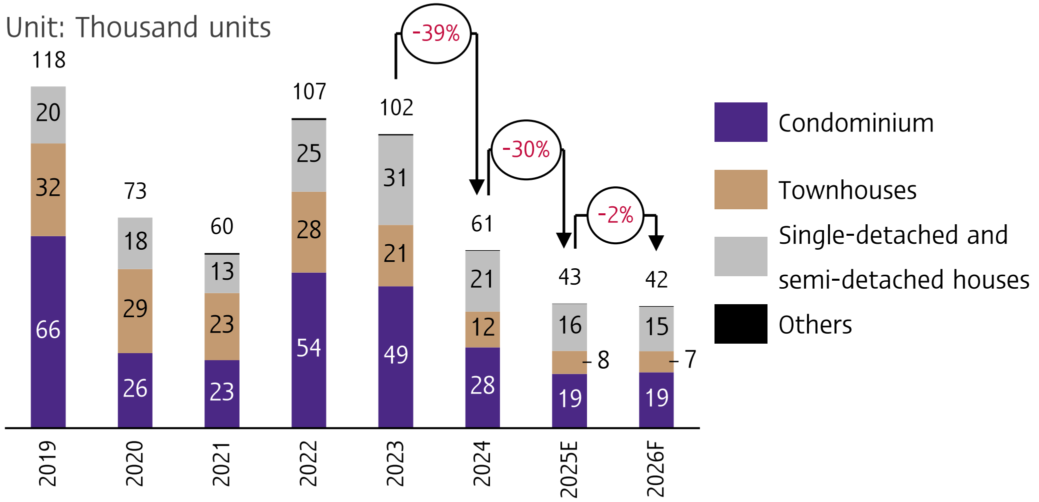
- Residential building permit areas have continued to decline sharply since 2023.
- Permit areas for other structures have yet to recover comprehensively.

Nationwide building permit area





New residential units launched in Bangkok and metropolitan areas.



New residential project launches in 2026 are expected to continue declining, as developers remain cautious due to persistently high unsold inventory levels.

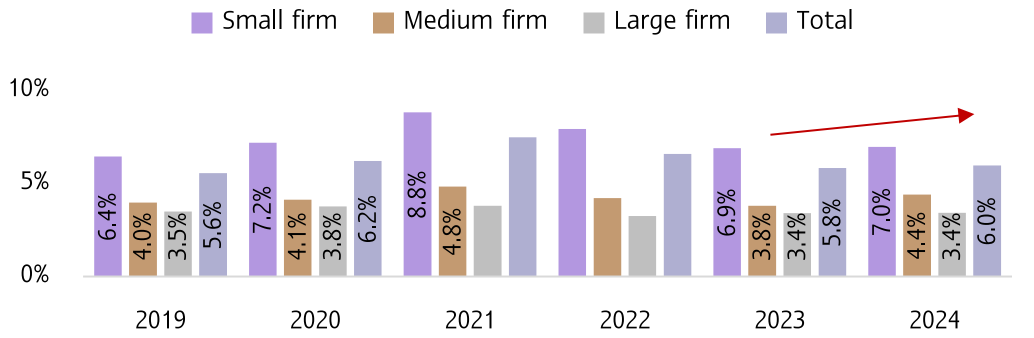
Source: SCB EIC analysis based on data from the Office of the National Economic and Social Development Council, REIC, and AREA.

SCB EIC

Private sector investment remains under pressure from a weak domestic economy. New firm openings have contracted, small firms are recovering slowly, and many large firms remain vulnerable due to high debt burdens and stagnant profits.

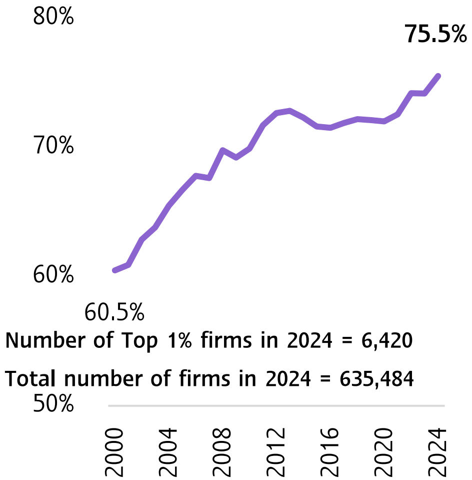
The proportion of “zombie firms” has risen again, particularly among medium-sized and small firms.

Unit: % of all firms



Revenue share of Thailand’s Top 1% firms

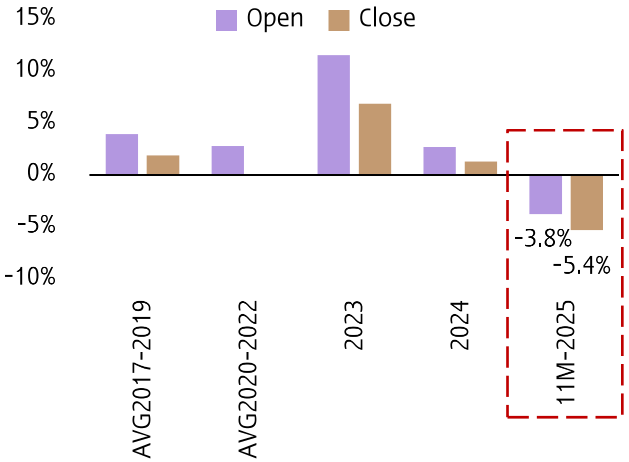
Unit: %



- Number of Top 1% firms in 2024 = 6,420
- Total number of firms in 2024 = 635,484

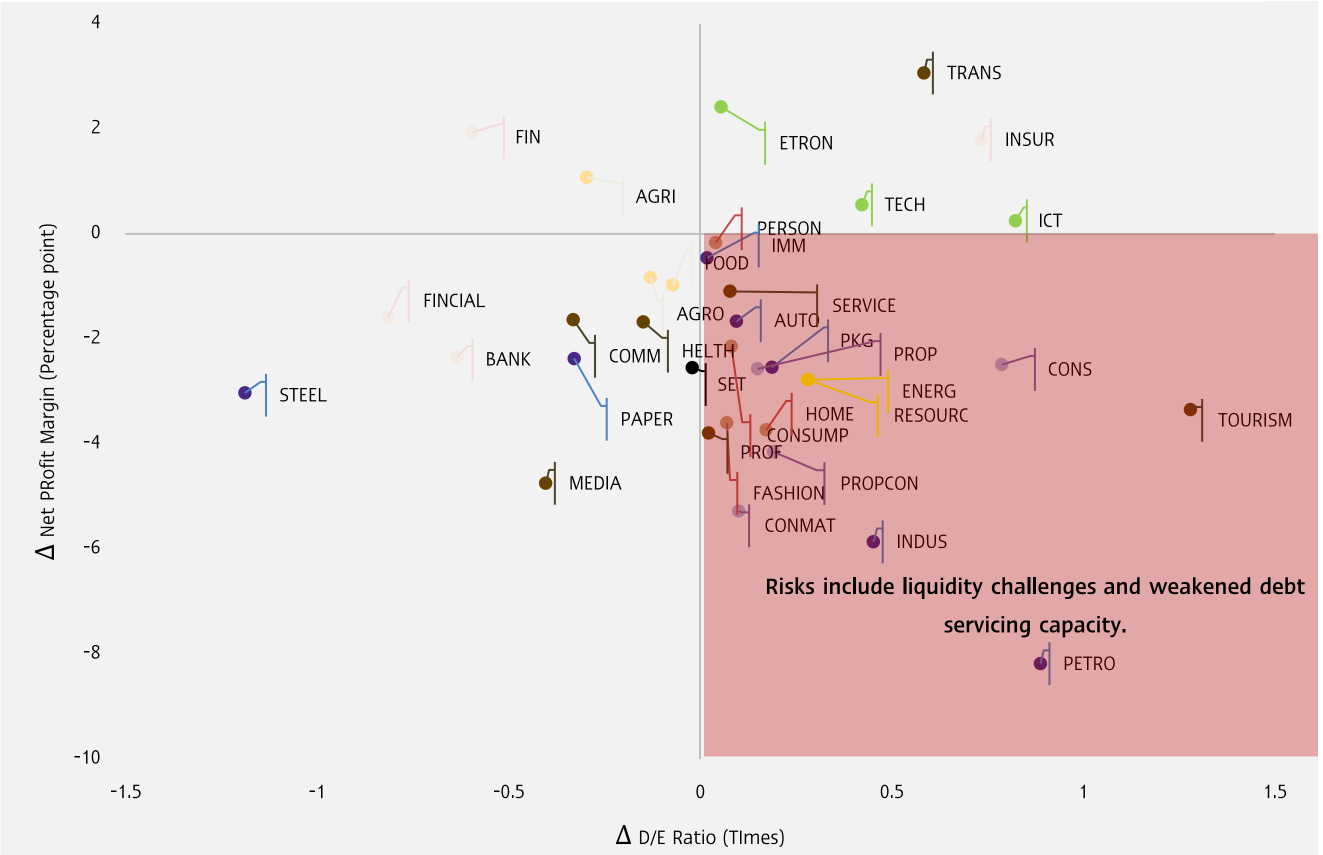
Number of firm openings and closures in Thailand

Unit: %YOY



Several business sectors listed on the stock exchange remain vulnerable due to high debt burdens and stagnant profitability.

Changes in D/E Ratio and Net Profit Margin of SET-listed companies by business sector, comparing Pre-COVID (2017–2019) with Post-COVID (2023–Q3/2025).



Note: (1) Definition of “Zombie Firms”: Firms with an Interest Coverage Ratio (ICR) below 1 for three consecutive fiscal years and operating for more than 10 years. (2) Large businesses: annual revenue > THB 500 million for manufacturing and > THB 300 million for trade/services; Medium businesses: annual revenue ≤ THB 500 million for manufacturing and ≤ THB 300 million for trade/services; Small businesses: annual revenue ≤ THB 100 million for manufacturing and ≤ THB 50 million for trade/services.

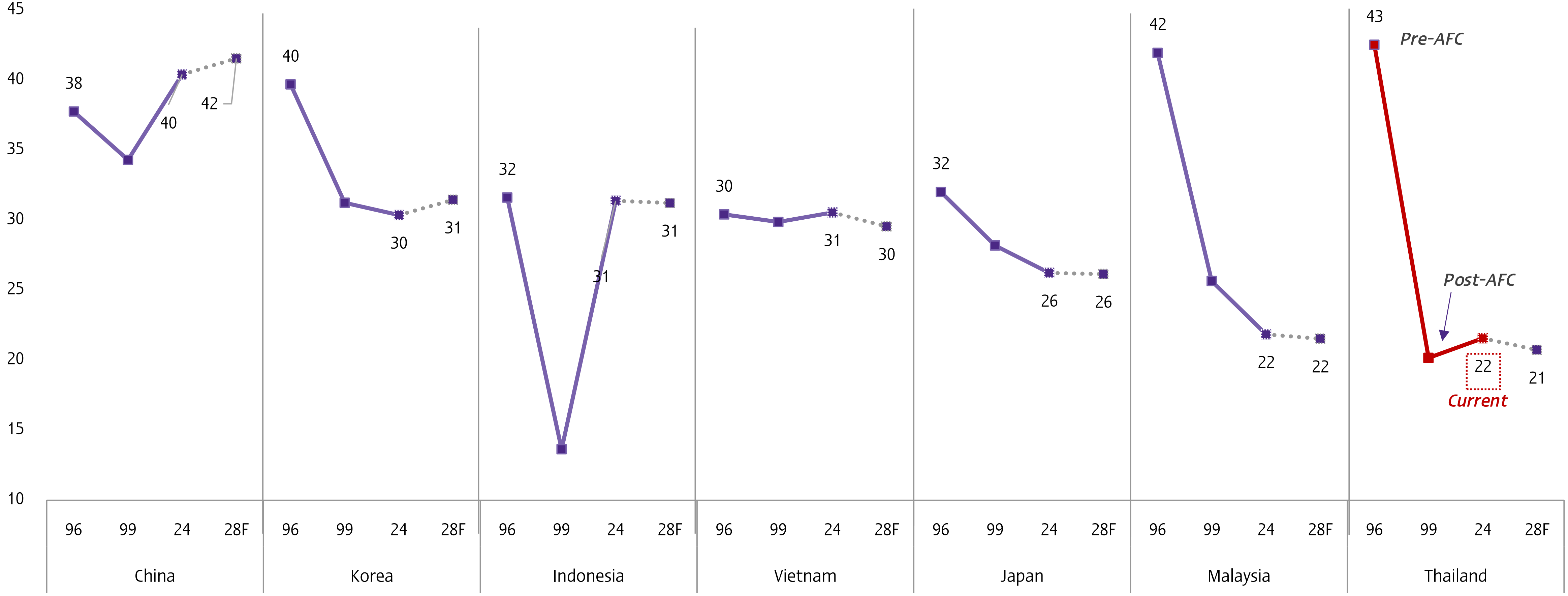
Source: SCB EIC analysis based on data from the Department of Business Development and SET.

Thailand's private sector investment faces long-standing structural issues that require urgent resolution, as reflected by the declining total investment ratio and being the lowest in the region.

Thailand's total investment ratio remains the lowest in the region, showing no recovery from the Asian Financial Crisis and continuing on a downward trend.

Total investment-to-GDP ratio for regional countries and IMF projections

Unit: total nominal investment as % of nominal GDP, including public and private investment



Source: SCB EIC analysis based on data from Ministry of Commerce, NESDC, BOT, and IMF.

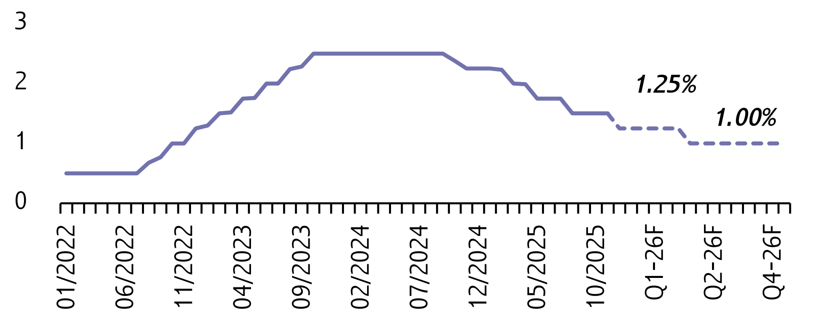
Will the current tight financial conditions improve?

The policy interest rate is expected to gradually decline to 1% by mid-next year and remain low until 2027 to support an economy projected to experience prolonged low growth.

Thailand's monetary policy will become more accommodative.

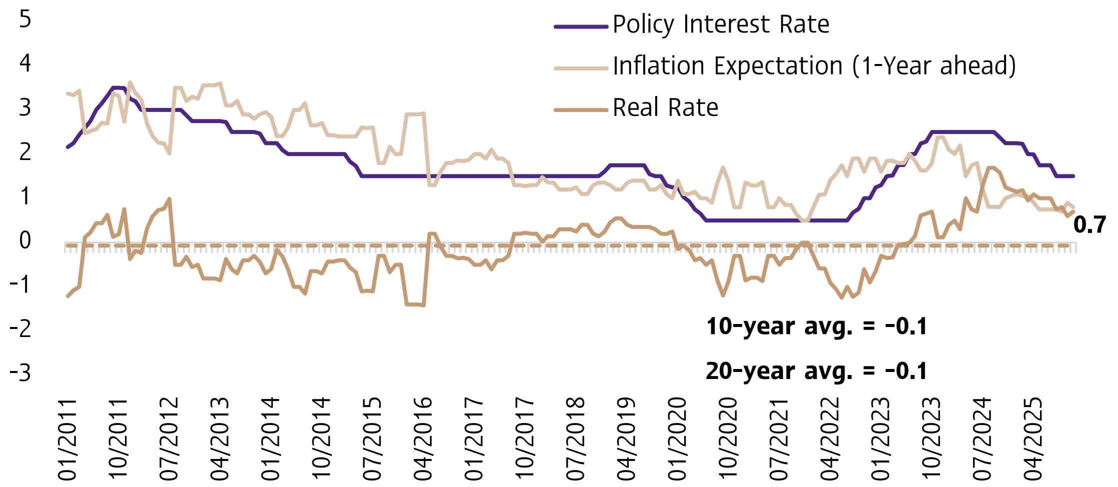
- **Monetary policy may need to provide greater support to the economy going forward,** as Thailand's growth remains subdued until H1/2026 amid heightened uncertainty, particularly political instability following the dissolution of parliament.
- **Broad-based credit contraction** reflects weakening loan demand, potentially leading to further economic slowdown. Households and SMEs continue to face tight financial conditions.
- **Headline inflation will remain below target throughout 2026 and stay subdued for some time, potentially causing households to experience "Debt Deflation,"** further weakening domestic demand amid high debt burdens.
- **Monetary easing will complement government financial measures** by reducing debt burdens and financing costs for households and SMEs.

SCB EIC forecast for Thailand's policy interest rate



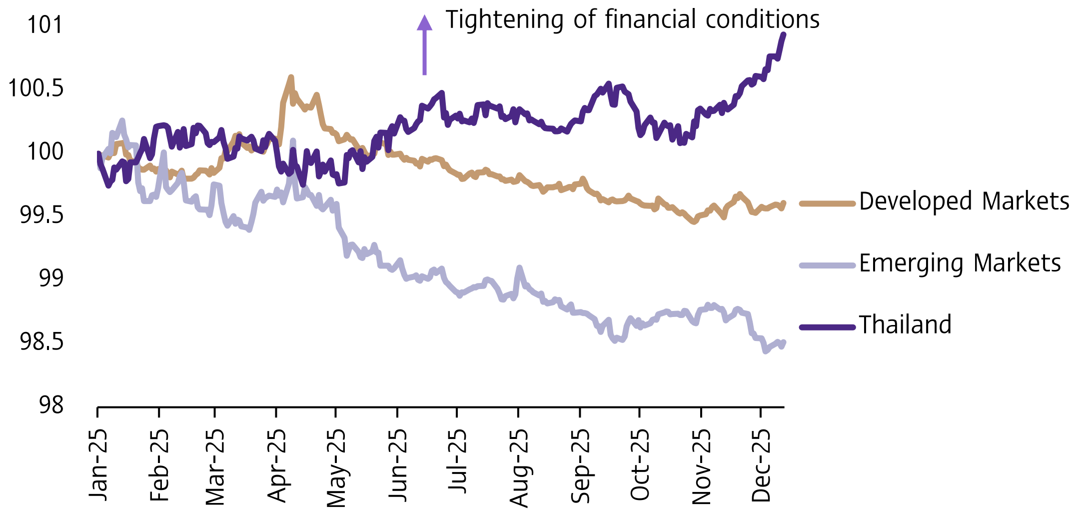
Thailand's real policy interest rate

Unit: %



Thailand's financial conditions index compared to global trends

Unit: Index, End-2024 = 100; compiled by Goldman Sachs Research



Note: Inflation expectations based on Bloomberg Median (2016–present); prior to 2016, actual one-year-ahead inflation data was used.
Source: SCB EIC analysis based on data from BOT, CEIC, Bloomberg, Goldman Sachs Research, NESDC, and Ministry of Commerce.

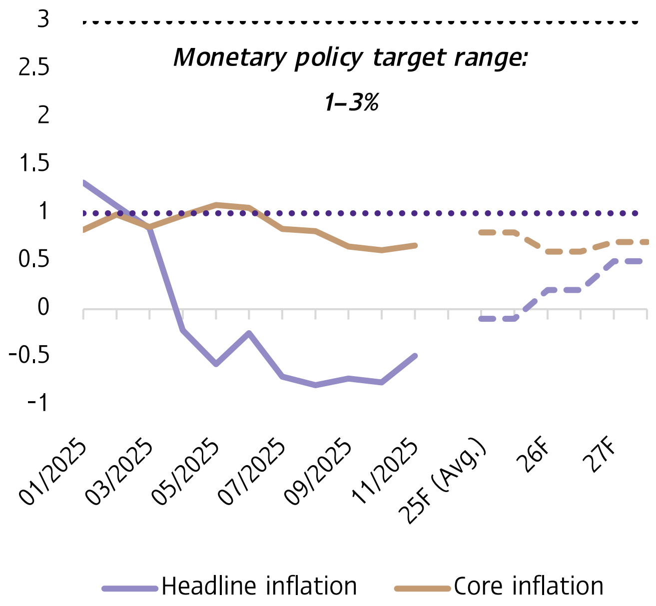
Thailand's inflation rate is expected to remain low over the next two years, **reflecting weak domestic demand and exerting pressure on business profitability and household income growth.**

Thailand's inflation is expected to remain close to 0% next year

Thailand's inflation rate and forecast by SCB EIC

Unit: %

	2025F	2026F	2027F
Headline Inflation	-0.1	0.2	0.5

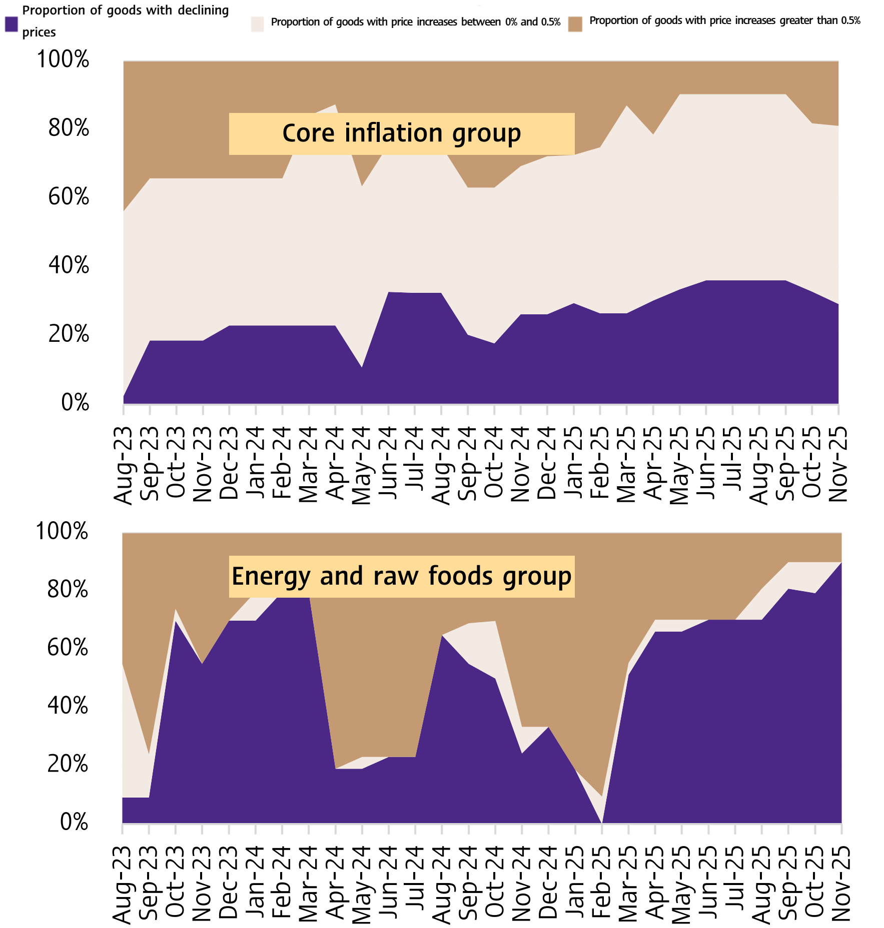


Headline inflation has been negative for eight consecutive months and is likely to remain negative until the end of Q1/2026.

Prices of most goods and services in the inflation basket have grown by less than 0.5%.

Proportion of price changes for goods and services in the inflation basket

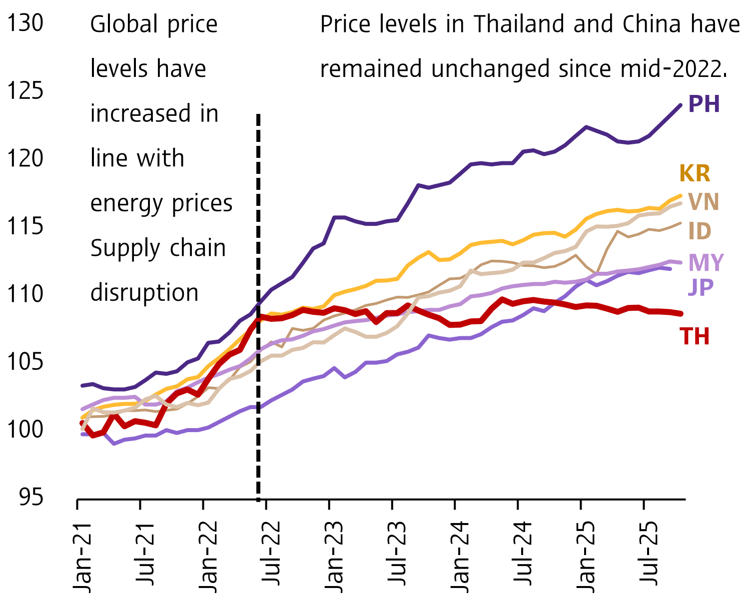
Unit: %



Thailand's CPI trends closely follow China's.

Thailand's Consumer Price Index compared to Asia-Pacific countries

Index 2020 = 100



Reasons why Thailand's consumer prices are lower than regional peers may include:

1) Weak domestic demand.
2) Increased imports of low-cost goods from abroad.

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

Tight household financial conditions persist amid fragile balance sheets, though new relief measures are expected to stabilize debt quality near-term.

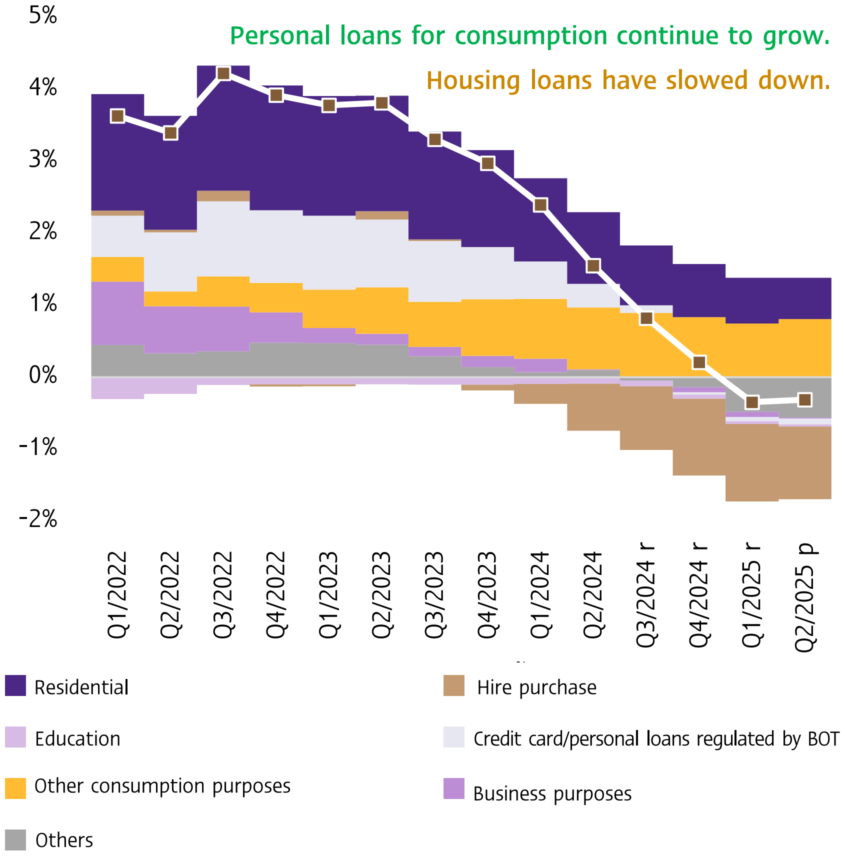
Household debt has contracted across almost all loan categories, except for consumer loans.

Household loans are trending downward, particularly from commercial banks, while loans from SFIs and cooperatives continue to expand.

Overall household loan quality in the banking system remains stable, but Stage 2–3 debt ratios remain elevated.

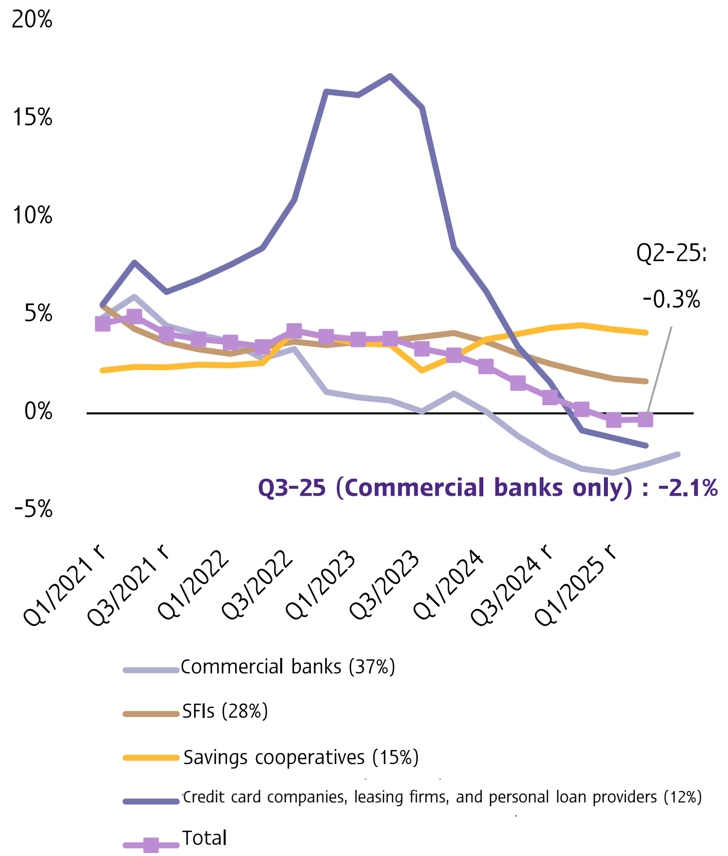
Household loans by loan type

Unit: %YOY



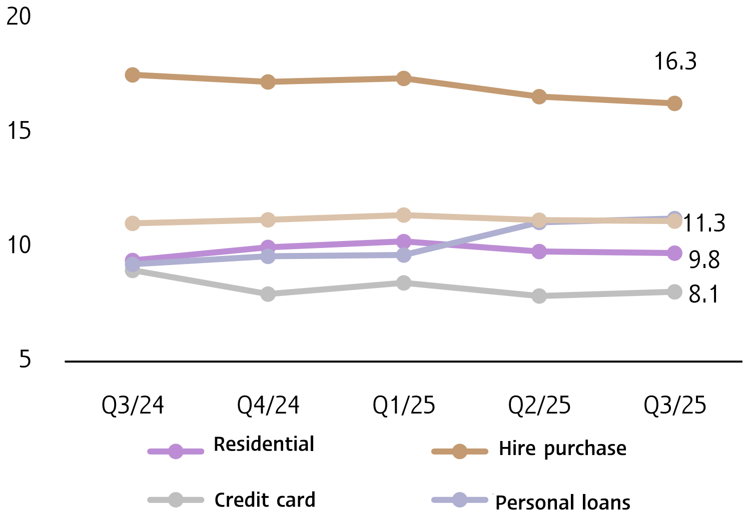
Household loans by lender type

Unit: %YOY, ( ) share of total outstanding household loans



Consumer loans classified as Stage 2 and Stage 3 within the banking system.

Unit: % of outstanding loan balance for each category



Looking ahead, household loan quality is expected to remain stable due to:

- **Financial measures** aimed at resolving existing non-performing loans by reducing repayment burdens, enabling households to resume debt servicing.
- **Increased caution by financial institutions**, with stricter household lending standards in recent periods.

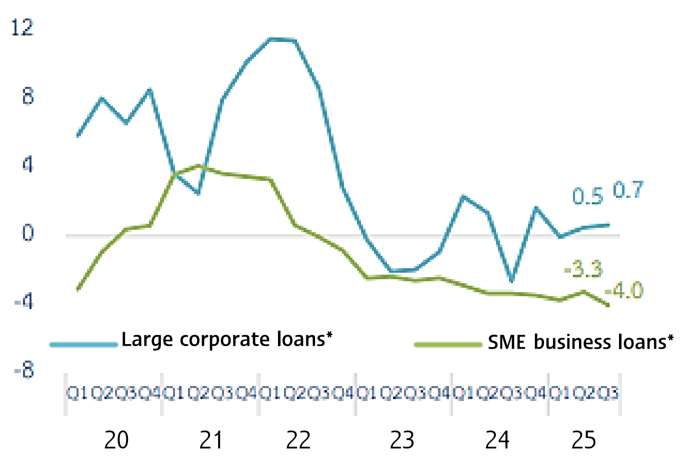
Source: SCB EIC analysis based on data from Bank of Thailand (BOT).

Business loans are contracting, and SMEs' financial conditions will remain tight due to deteriorating loan quality, with the effectiveness of additional loan guarantee measures yet to be determined.

Business loans continue to contract for both large corporations and SMEs, while loans from SFIs have started to slow down.

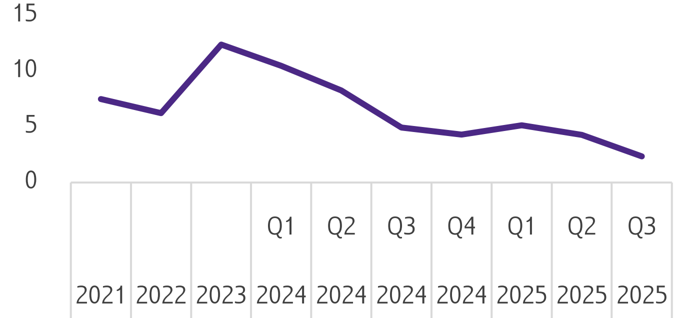
Business loan growth by size

Unit: %YOY, (commercial banks only)



Total business loans from SFIs

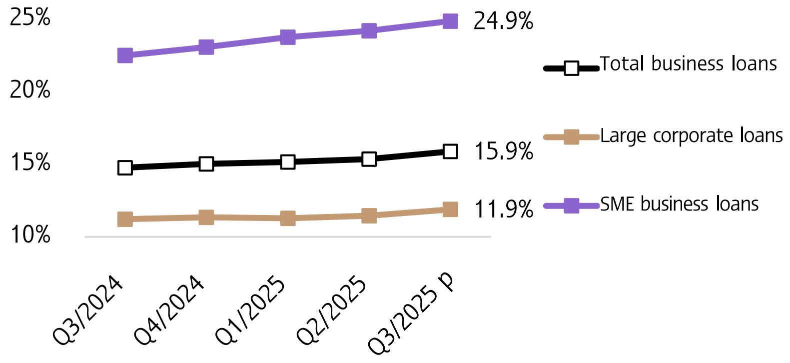
Unit: %YOY



Business loan quality has deteriorated, particularly for SMEs, with nearly one-fourth of SME loans classified as Stage 2 & 3.

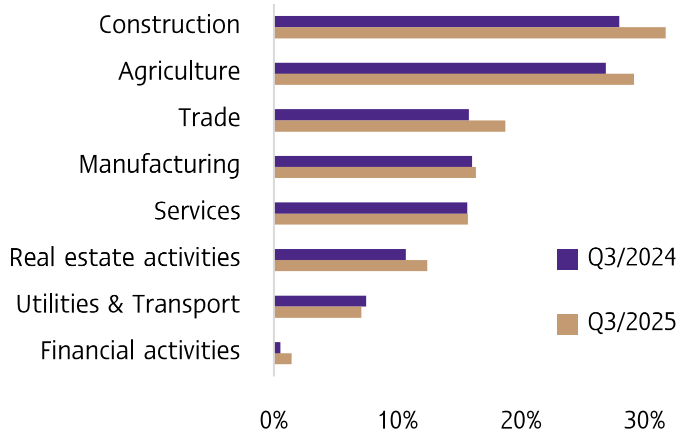
Stage 2 & 3 business loans in the commercial banking system

Unit: % of outstanding loan balance (excluding financial businesses)



Stage 2 & 3 business loans in the commercial banking system by industry sector

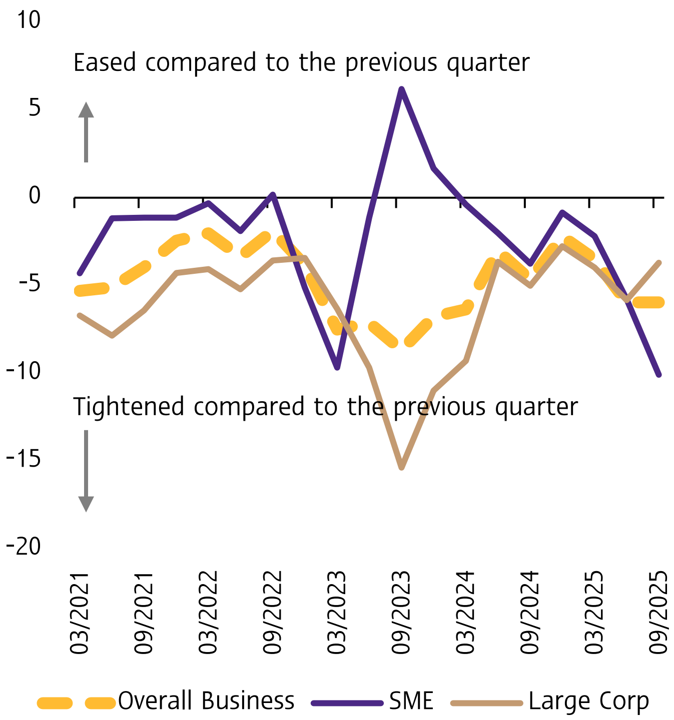
Unit: % of outstanding loan balance per sector



Lending standards remain stringent, especially for SMEs

Financial institutions lending standards

Unit: Diffusion Index, 4QMA (Source: Credit Conditions Survey)



Source: SCB EIC analysis based on data from Bank of Thailand (BOT).

Targeted financial measures introduced by the government and BOT to assist households facing debt problems and SMEs under tight financial conditions.

Household measures focus on resolving outstanding debt quality issues.

Dec24	Jun25	Sep25	Dec25

Responsible Lending Guidelines and Sustainable Debt Resolution Measures

	You Fight, We Help I (คุณสู้เราช่วย I)	You Fight, We Help II (คุณสู้เราช่วย II)	Quick Debt Settlement for Financial Recovery (ปิดหนี้ไว ไปต่อได้)
• Debt resolution before and after becoming non-performing loans (NPLs) • Resolving chronic debt • Ensuring fair interest rates	• Mortgage/auto loans classified as NPL for less than one year or regular loans previously restructured since 2022. • New loans not allowed in the first year; flagged in NCB system. • Settlement measures: debt burden < THB 5,000 per account.	• Mortgage/auto loans classified as NPL for more than one year or regular loans previously restructured since 2022. • New consumer loans not allowed in the first year (excluding business loans). • Settlement measures: debt burden < THB 10,000 per account (unsecured) and < THB 30,000 per account (secured).	• Unsecured NPL debt < THB 100,000 per account. • Settle bad debt and clear credit history.

Additional measures in H2/25

Financial measures for SMEs aim to improve access to credit.

Quick Big Win financial measures for SMEs (as of Dec 2, 2025)

Financial Measures for SMEs	Programme / Agency	Approach
SME Loan Guarantee	**SMEs Quick Big Win** TCG, THB 50 billion	• Waiver of guarantee fees for the first three years. • Expanded use of Credit/TCG Score to determine guarantee fees for individual borrowers.
	Extension of the PGS 11 programme (with remaining budget from the previous year)	
Soft Loans SMEs	**GSB Revive Thai Business –** Government Savings Bank, THB 100 billion	• Financial institutions to offer loans at interest rates not exceeding 3.5% for the first two years (GSB provides funding to institutions at 0.01%). • Sub-measures categorized by purpose: Mitigation, Reinvent Thailand, Transformation, Tourism.
	Adjustment of SME D Bank Loan Scheme THB 20 billion	• More flexible lending criteria to accommodate Micro-SMEs and large SMEs.

Low-interest loans from other SFIs for SMEs in various sectors (BAAC, GHB, Islamic Bank)

Export insurance and revolving credit facilities to support exporting SMEs (EXIM Bank)

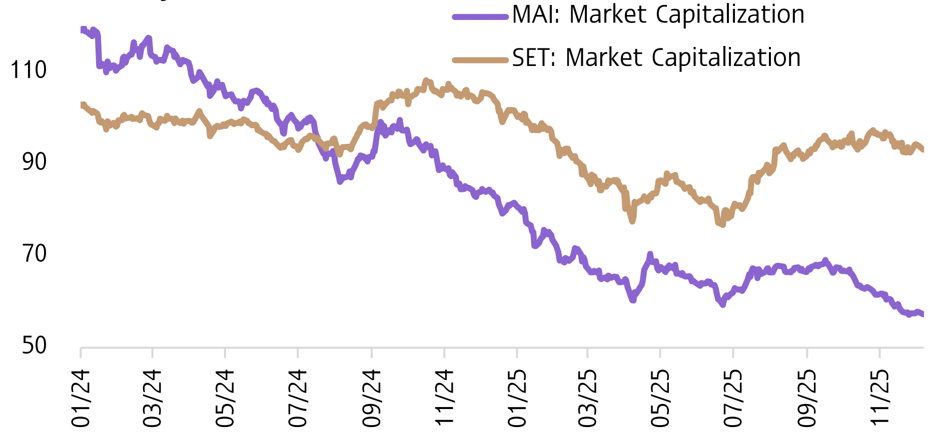
Source: SCB EIC analysis based on data from BOT and FPO.

Bond and equity market conditions remain challenging for corporate fundraising, as demand higher risk premiums. This results in widening spreads and declining valuations for some sectors.

Capital market access for Thai equity issuers remains challenging.

Thai stock market capitalization

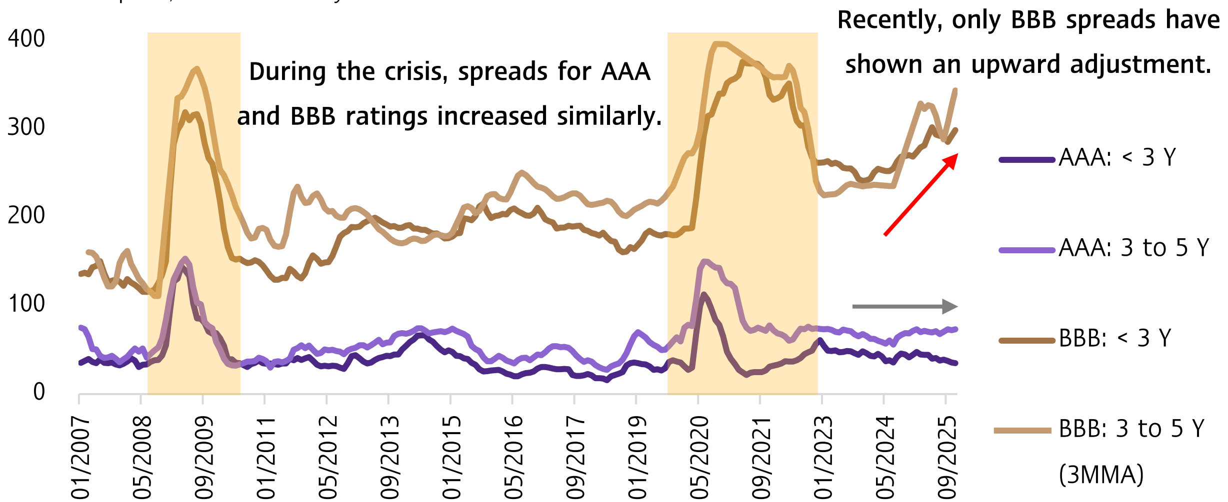
Unit: Index Average 2024 = 100



Lower-rated businesses face higher funding costs and relatively low rollover rates.

Credit spreads of Thai corporate bonds have widened significantly for lower-rated categories.

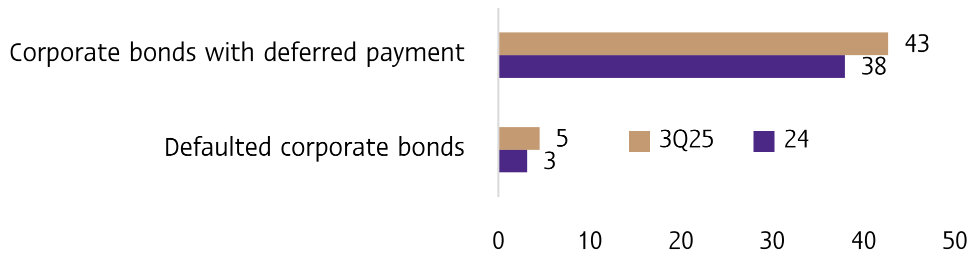
Unit: basis point, Time to Maturity



The value of deferred/defaulted bonds in 9M25 has already exceeded the total for 2024.

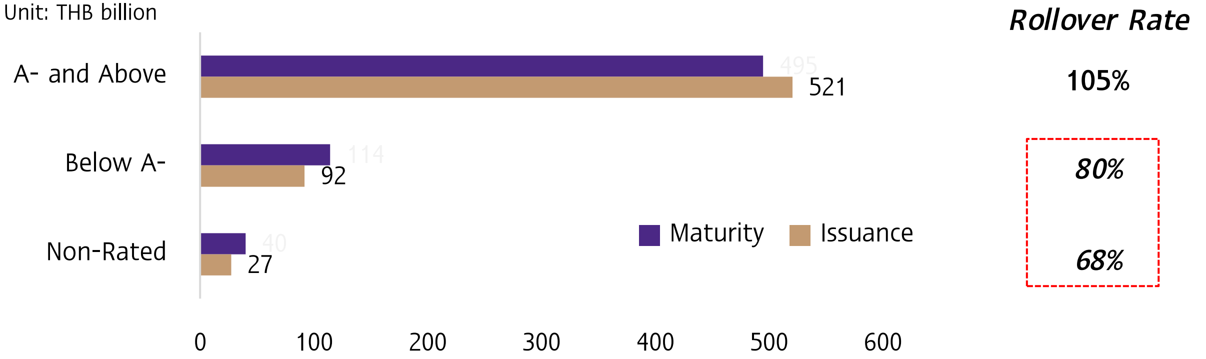
Value of corporate bonds deferred or in default

Unit: THB billion



Value of newly issued and maturing corporate bonds from the beginning of the year to Q3/2025, categorized by credit rating.

Unit: THB billion



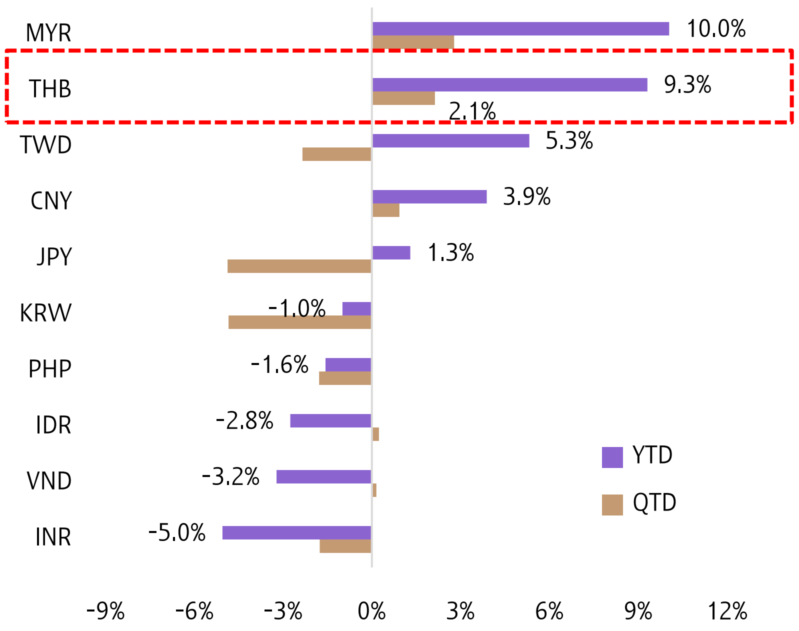
Source: SCB EIC analysis based on data from SET, ThaiBMA, and CEIC.

The Thai baht has rebounded to lead regional currencies in appreciation, this may serve as another factor exerting downward pressure on Thailand’s inflation via increased imports of cheaper goods.

The Thai baht has strengthened to outperform regional currencies since Q4/2025.

Changes in regional exchange rates against the USD.

%YTD Appreciation, as of Dec 12, 2025



The Thai baht has strengthened in line with the weakening U.S. dollar index (DXY), partly due to policy rate cuts by the U.S. Federal Reserve (Fed). Since Q4, the baht has appreciated more than nearly all major regional currencies, except the Malaysian ringgit (MYR).

SCB FM’s outlook on the Thai baht against the U.S. dollar in 2026.

- In the medium to long term (from Q2/2026 onward), the Thai baht is expected to depreciate.

External factors

1. **The U.S. dollar index is expected to strengthen,** driven by capital flows, including FDI potentially moving into the U.S., which would lead to a smaller current account deficit.
2. **Concerns over potential interference with the Fed are likely to ease,** thereby reducing risk concerns toward U.S. assets. In addition, the Fed’s monetary policy stance is expected to remain largely unchanged, even if a new Fed Chair with a more dovish perspective is appointed.

Domestic / idiosyncratic factors

1. **The Thai economy is expected to weaken, alongside heightened political uncertainty.** In addition, concerns over a potential downgrade of Thailand’s credit rating could undermine confidence among global investors.
2. **Thailand may benefit less from the AI investment trend than other regional economies,** as it remains less competitive in technology, and Thai products are not well aligned with investment needs related to this trend. As a result, capital that is expected to flow into Asian markets (such as Taiwan and South Korea) may enter Thailand only to a limited extent, with minimal impact on the baht.
3. **Gold prices are expected to rise at a slower pace in 2026.** In addition, the BOT has sought to reduce the correlation between the baht and gold prices, suggesting that the supportive effect on the baht next year may diminish.

The Thai baht–U.S. dollar exchange rate is expected to be in the range of 33.00–34.00 by end-2026.

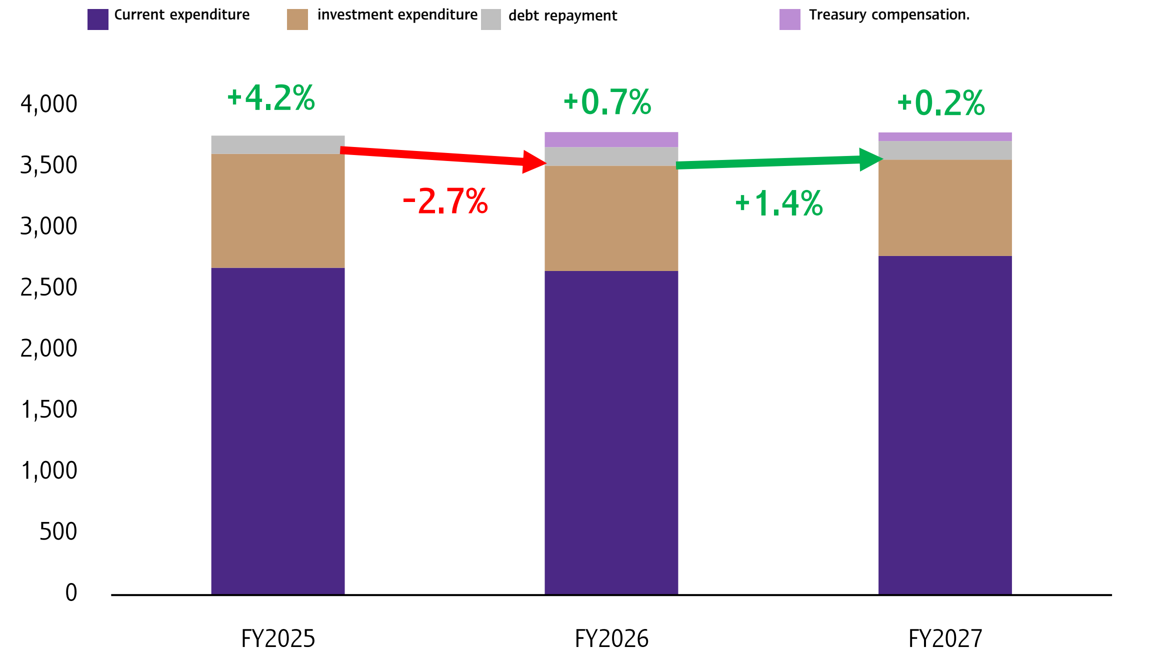
Source: SCB FM and SCB EIC analysis based on data from Bloomberg, CEIC, and BOT.

How does political uncertainty affect fiscal policy and the economy?

In 2026, the economy will continue to be supported by the government spending, although somewhat slower. Public construction value is projected to grow by only 1% from 4% last year.

Structure of annual budget expenditure (Cabinet resolution dated Nov 25, 2025)

Unit: THB billion



FY26

- Overall budget growth slows down
- Budget excl. debt repayment and treasury compensation decreases.
- Overall disbursement rate at 92.3% (up from 90.9% in FY2025)
- Carry-over expenditure increased by +24.1%

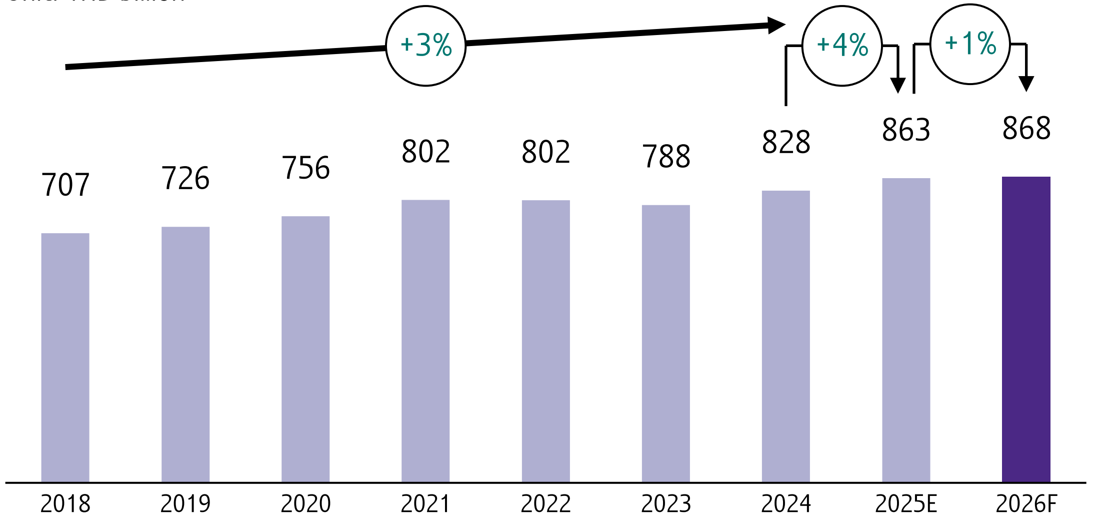
FY27

- Overall budget growth slows down
- Budget excl. debt repayment and treasury reimbursement accelerates
- Carry-over expenditure will likely contract

* The new government may revise the draft Budget Act.

Public construction value

Unit: THB billion



Cumulative disbursement rate of investment budgets for major spending agencies	End-of-September		End-of-November	
	2024	2025	2024	2025
Department of Highways	80%	80%	3.5%	2.7%
Department of Rural Roads	67%	89%	3.3%	2.8%
Royal Irrigation Department	74%	87%	7.0%	9.5%
Department of Public Works and Town & Country Planning	44%	38%	4.7%	6.3%
Overall central agencies	66%	71%	9.4%	12.2%

Source: SCB EIC analysis based on data from Government House, NESDC, and Ministry of Finance.

Ongoing mega projects are progressing. Although new projects are planned for bidding or construction in 2026, political uncertainty may pose risks of delays or cancellations.

Selected ongoing projects	Project value (THB billion)
Bangkok–Nakhon Ratchasima section of Bangkok–Nong Khai high-speed rail	179
Orange Line MRT (Western section: Bang Khun Non–Cultural Center)	140
Laem Chabang Port Phase 3 (Marine construction)	84
Purple Line MRT (Southern section: Tao Poon–Rat Burana)	78
Northern double-track railway (Den Chai–Chiang Rai–Chiang Khong)	73
Map Ta Phut Industrial Port Phase 3 (Section 1)	64
Northeastern double-track railway (Ban Phai–Mukdahan–Nakhon Phanom)	55
Double-deck expressway (Ngam Wong Wan–Rama IX)	34
Bang Khun Thian–Ban Phaeo Motorway, including Bang Khun Thian–Ekkachai section and Ekkachai–Ban Phaeo section	29
Double-track railway Phase 2 (Khon Kaen–Nong Khai)	29
Chalong Rat Expressway extension (Chatuchot–Lam Luk Ka)	19
Motorway No. 7 extension to U-Tapao Airport	4.5

Examples of new projects Expected to commence bidding/construction in 2026	Project value (THB billion)
Nakhon Ratchasima–Nong Khai High-Speed Rail	341
Double-track railway Phase 2 (3 sections: Chumphon–Surat Thani, Surat Thani–Hat Yai Junction–Songkhla, Hat Yai Junction–Padang Besar)	104
Phuket Expressway, Phases 1 and 2	63.5
Intercity Motorway M8, Nakhon Pathom–Pak Tho–Cha-am section Phase 1: Nakhon Pathom–Pak Tho	54.6
Don Mueang Airport Expansion Phase 3	36.0
Elevated Expressway Phase 2, Ngam Wong Wan–Rama IX section	34.8
Chalong Rat Expressway–Outer Ring Road (Eastern section) Stage 3 Northern Route, Phase 1 (formerly Section N2)	13.7
Suvarnabhumi Airport Passenger Terminal – Eastern Expansion	12.0

Source: SCB EIC analysis based on data from the Mass Rapid Transit Authority of Thailand (MRTA), State Railway of Thailand, Ministry of Transport, Airports of Thailand PLC, and various news agencies.

An earlier dissolution of parliament may affect investment budget disbursement in 2026 but will alleviate risk of significant delay in the FY2027 Budget Act, as the transition period overlap the budget preparation period.

Political timeline and FY2027 budget process

Investment budget disbursement in 2026 may slow during the government transition period

The FY2027 Budget Act is likely to be announced with only minor delays, as the budget preparation period overlaps with the formation of the new government

Baseline Scenario	Oct 25	Nov	Dec	Jan 26	Feb	Mar	Apr	May – Jun	Jul	Aug - Sep	Oct
Politics			Dissolution of the Parliament		General Election		New Prime Minister	New Government assumes office (May)			
FY2070 Budget Process	Cabinet approved the budget framework.			Submit proposal to the Cabinet				Cabinet approval; House of Representatives considers first reading		House considers second and third readings; Senate review; **publication in Royal Gazette**	**Delay of 1–2 months**

The new government is expected to assume office in May

New government should be formed 5 months after dissolution

- Dissolution of Parliament
  - **2 months** (as stipulated by legal framework)
- Election
  - **2 months** (Election Commission certifies results within 60 days; parliament convenes within 15 days)
- New Prime Minister
  - **1 months** (historical timeline)
- Full assumption of duties

Parliament dissolved on Dec 12, earlier than the original schedule (late Jan 2026)

Dissolution occurred 1.5 months earlier than planned

Impact on government spending (compared to previous outlook)

- **No impact in 2025 :** Year-end period
- **Negative impact in 26H1 :** Disruption in the investment disbursement acceleration and fewer stimulus measures
- **Positive impact in 26H2 :** FY2027 Budget Act delayed by only 1–2 months

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

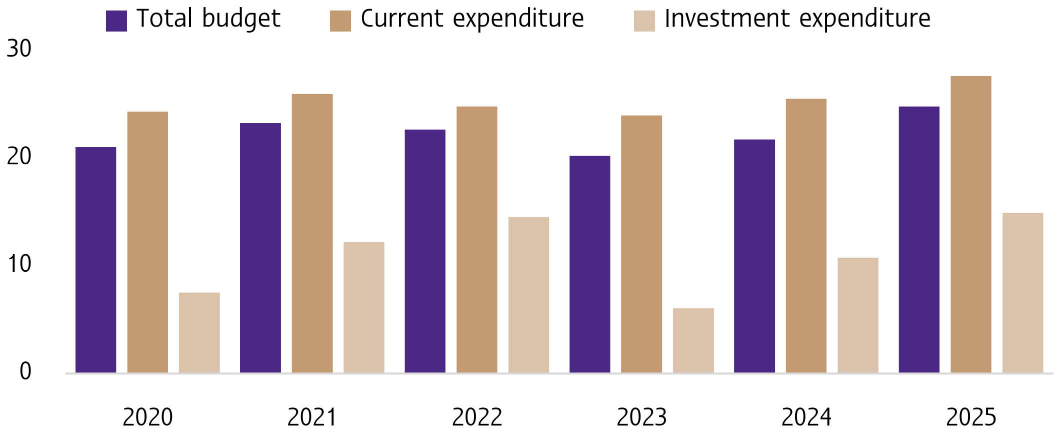
Years with general elections typically disrupt the budgeting process for the following fiscal year, resulting in lower-than-normal investment disbursement. For FY2027, delays are expected to be minimal, supported by accelerated disbursement measures from FY2026.

Historical investment disbursement rate (compiled by NESDC)

Fiscal Year	Date of enactment	Number of days delayed	Investment disbursement (%)
2555	8 Feb 2012	130 days	66.6
2556	-	Normal	67.8
2557	11 Oct 2013	10 days	65.8
2558	-	Normal	65.3
2559	-	Normal	73.3
2560	-	Normal	70.5
2561	-	Normal	70.5
2562	-	Normal	70.2
2563	26 Feb 2020	149 days	66.3
2564	-	Normal	70.9
2565	-	Normal	73.7
2566	-	Normal	77.7
2567	26 Apr 2024	209 days	70.4
2568	-	Normal	65.2
Average investment disbursement rate: Normal start			70.5
Delayed start			67.3

Disbursement rate in Nov 2025 exceeded normal levels, reflecting accelerated spending prior to parliament dissolution

Unit: %, cumulative for Oct–Nov, which are the first two months of the fiscal year



- **Accelerated disbursement measures for FY2026 under the Anutin administration are clear and concrete:**
  - Temporary relaxation of certain procurement regulations
  - Use accelerated disbursement targets as KPIs for agencies in specific cases (e.g., training and seminar budgets)
- **Measures to expedite carry-over budget disbursement from FY2025, to be completed by Q2/FY2026**
- **Measures to accelerate investment budget disbursement for state-owned enterprises:**
  - Require SOE boards to set disbursement as KPIs for executives
  - Ministries to monitor progress to ensure targets are met

Source: SCB EIC analysis based on data from Bureau of the Budget, NESDC, Ministry of Finance, and Government House.

Political uncertainty affects the transition to a new government and public spending, depending on several factors such as border unrest with Cambodia impacting elections and the review of the FY2027 Budget Bill in line with new government policies.

Scenario	Government transition	Public spending		Economic impact
		Investment budget for 2026	FY2027 Budget Act	
Baseline	**5 months to appoint a new Prime Minister by early May** (2+2+1 months)	Disbursement below normal levels	Delay of 1–2 months	
Better	**3–4 months to appoint a new Prime Minister (early April)** (faster election certification and PM vote)	Slightly below normal disbursement	Budget enacted on time	(+) Slight improvement in investment and consumption confidence
Worse	**>6 months to appoint a new Prime Minister in H2/2026** (delayed election and PM vote)	Considerably below normal disbursement	Delay >3 months	(-) Discontinuity in government economic support (-) Delayed/less favorable negotiations with the U.S. (-) Reduced investment and consumption confidence (-) Increased risk of credit rating downgrade

Election risk factors

- **Border conflicts with Cambodia**
  Impact on election date / post-election complaints
- **Political and related courts rulings**
  e.g., case of 44 MPs from former Move Forward Party
- **Election results** affecting government formation timeline

Risk factors for delay in FY2027 Budget Act enactment

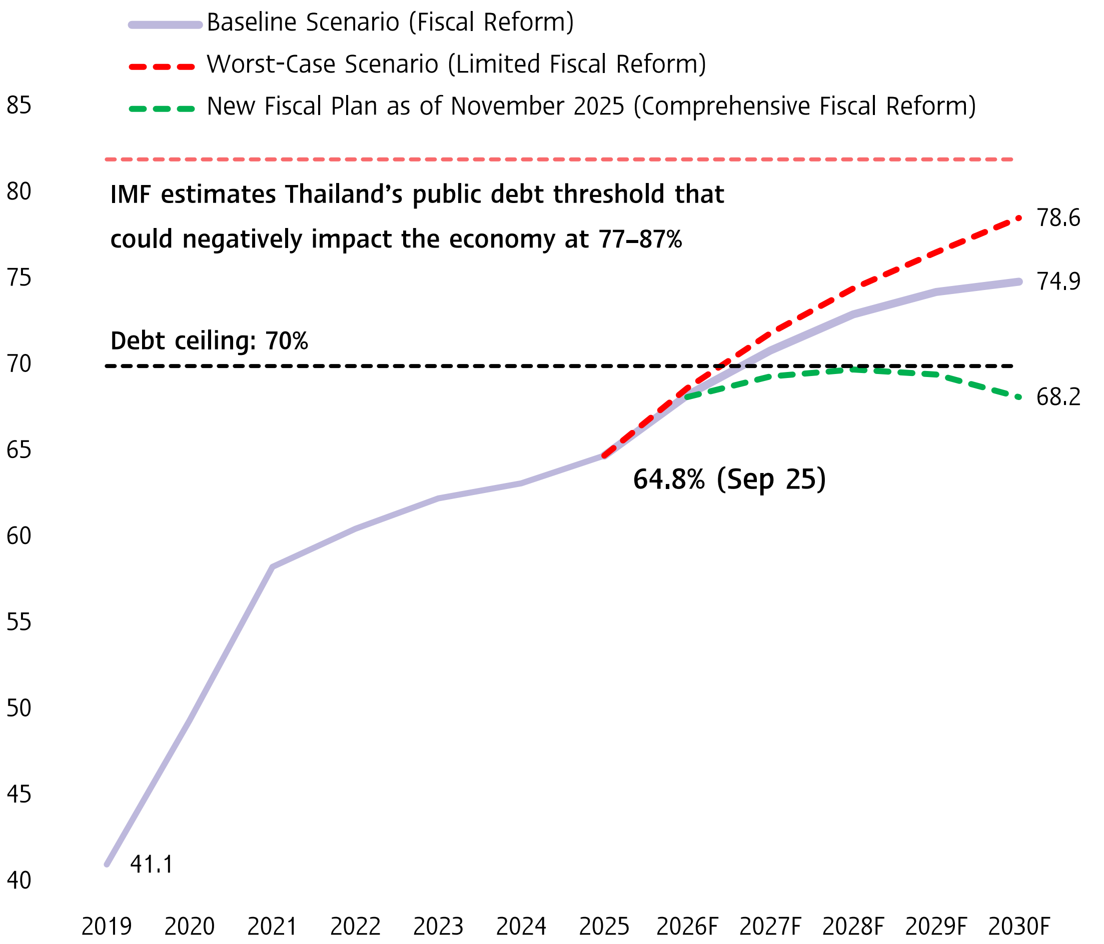
- **Duration of new government transition**
- **Review of the FY2027 Budget Bill in line with the new government's policy direction**

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

Public spending faces increasing constraints due to the urgent need for fiscal reform, as public debt approaches the 70% ceiling and faces threats of credit rating downgrades.

Thailand's public debt forecast by SCB EIC as of November 2025

Unit: % of nominal GDP, fiscal year



Credit rating outlook for Thailand in 2025

Outlook for the Thailand's credit rating revised from Stable -> Negative

- Moody's (29 Apr 2025)
- Fitch (24 Sep 2025)

S&P maintained Stable Outlook (13 Nov 2025)

Fiscal issues:
Rising fiscal deficit and public debt

Economic issues: Low short-term GDP growth and declining long-term potential

Fiscal reform measures under the new medium-term fiscal plan (November 2025)

1 Revenue reform

1. **Improve collection efficiency** – Expand tax base and develop Big Data systems.
2. **Enhance revenue generation** – Manage state enterprise assets.
3. **Tax restructuring**
   - Gradually increase VAT to 10%
   - Revise personal income tax structure and reduce deductions
   - Adjust other taxes

2 Expenditure reform

1. **Ensure cost-effective budgeting** – Maximize efficiency and effectiveness.
2. **Seek co-investment sources** such as PPP and Thailand Future Fund.
3. **Active debt management**
   - Reduce interest cost impact
   - Restructure debt
   - Allocate debt repayment budget appropriately

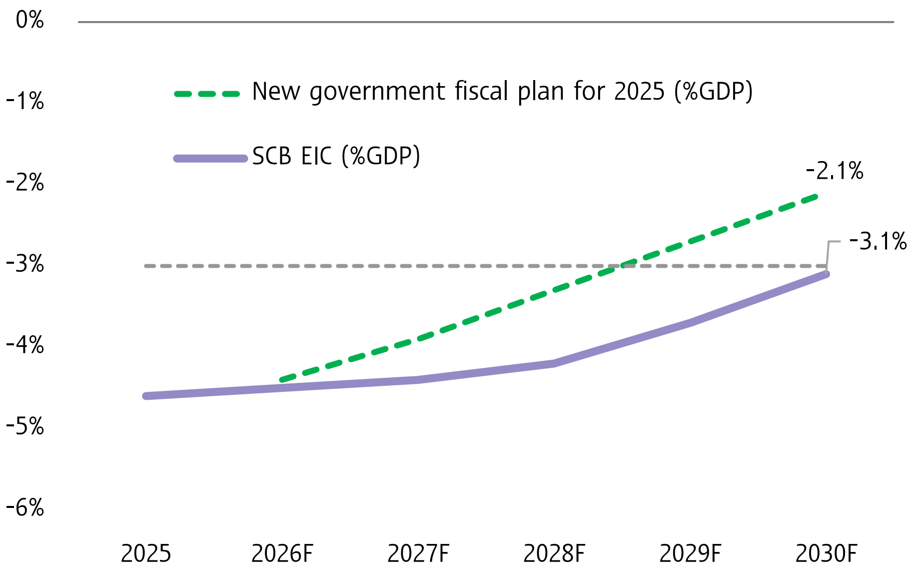
3 Strengthen discipline

1. **Revise fiscal rules**
   - Reduce central budget size
   - Increase debt repayment allocation
   - Tighten new contingent liabilities
2. **Control quasi-fiscal measures under Section 28**
   - Limit project approvals to 32% of annual expenditure
   - Avoid approving subsidies that do not drive reformation, esp. in agricultural sector.

Source: SCB EIC analysis based on data from Ministry of Finance, NESDC, IMF, Moody's, Fitch, and S&P Global Ratings.

SCB EIC assesses that reducing the fiscal deficit will occur gradually, constrained by economic and political factors. Aggressive deficit reduction could further weaken Thailand's already low growth outlook.

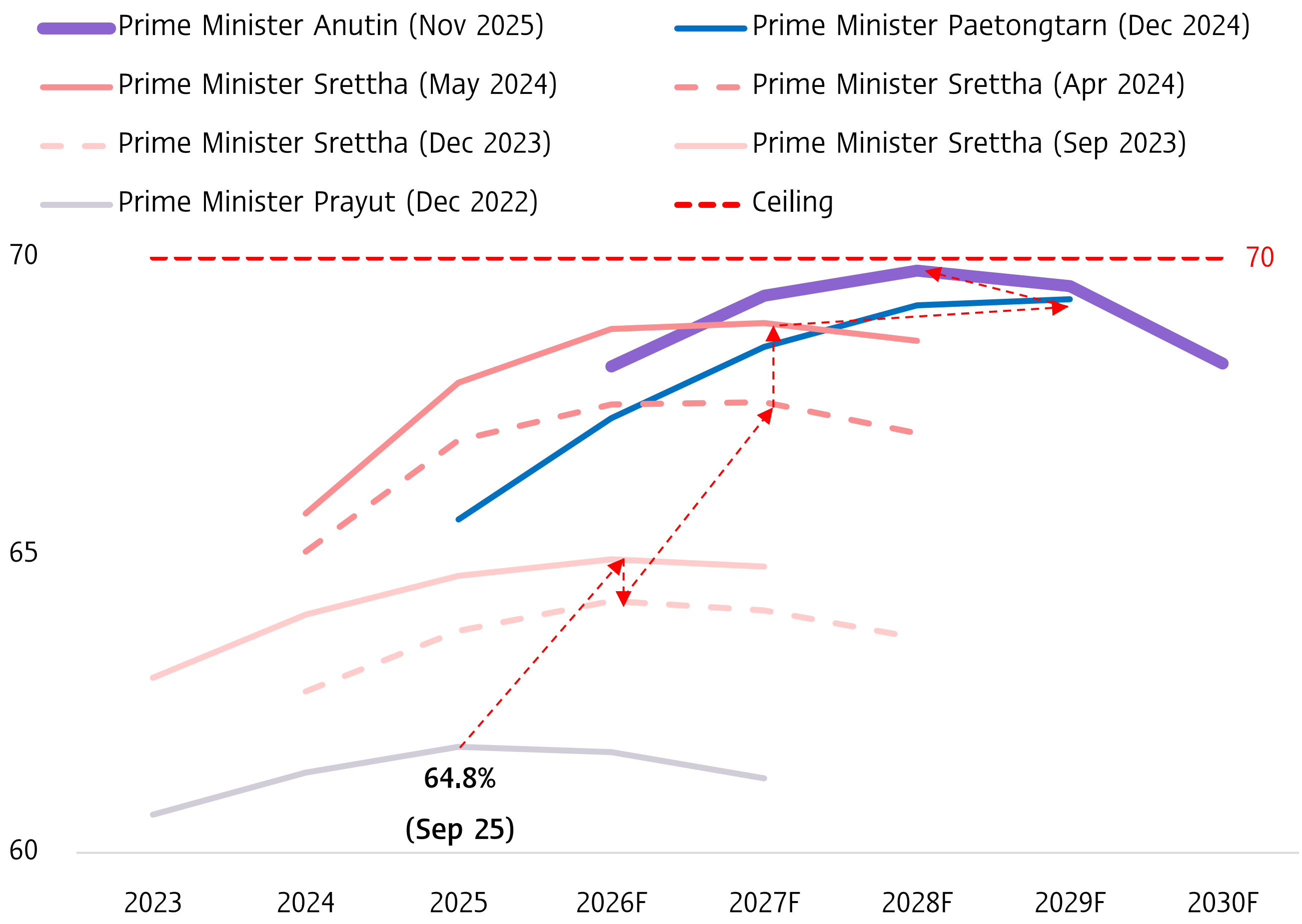
Fiscal deficit and economic assumptions : Ministry of Finance vs. SCB EIC



SCB EIC baseline scenario (fiscal plan as of Nov 25 in parentheses)	2026F	2027-30F (avg.)
Real GDP (%)	1.5 (1.7)	2.3 (2.8)
Headline Inflation (%)	0.2 (0.5)	0.9 (1.2)

The government will face political constraints in implementing strict fiscal reforms, as reflected in past execution of fiscal frameworks

Unit: % of nominal GDP, fiscal year data based on various versions of the Medium-Term Fiscal Framework



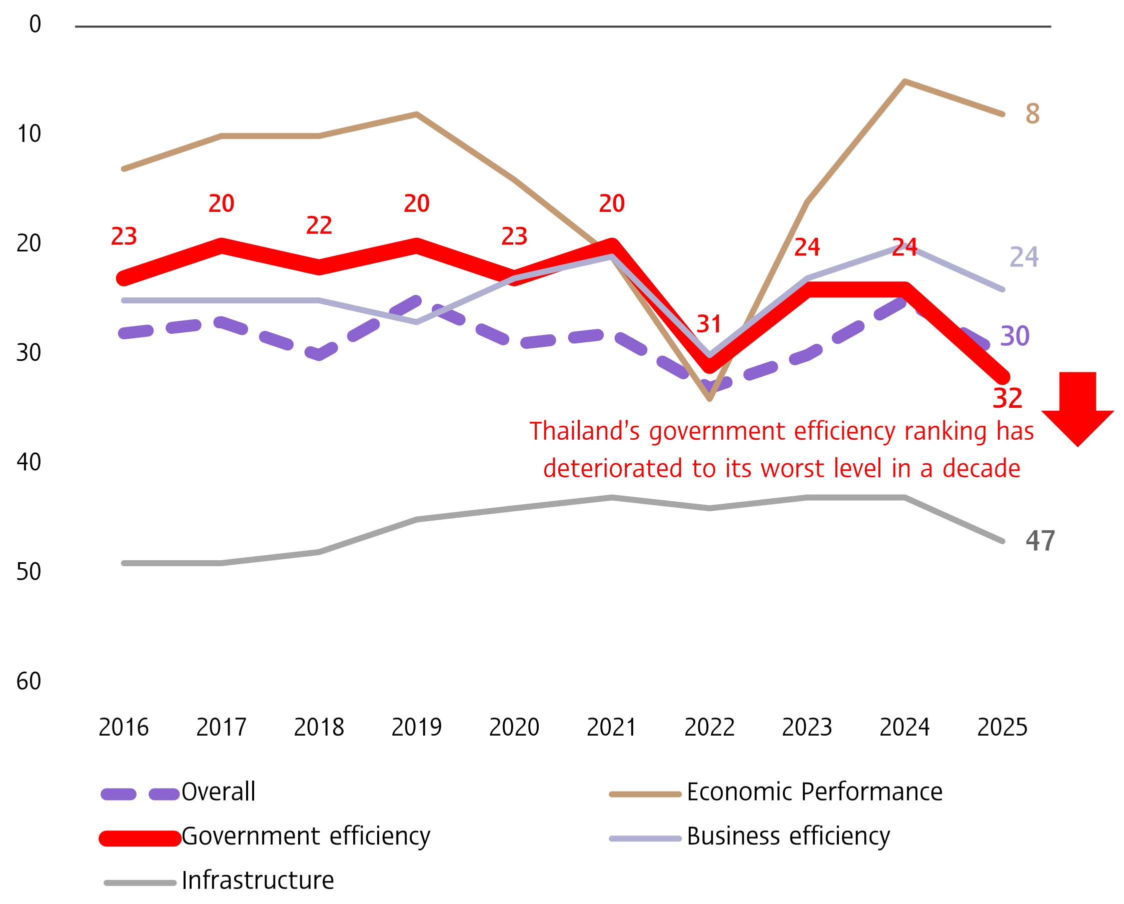
Source: SCB EIC analysis based on data from Ministry of Finance and NESDC.

Structural reform is the way forward—once initiated, how sustainable will it be?

SCB EIC

Thailand faces challenges in competitiveness and innovation development, which has progressed slowly and is now being overtaken by competitors

Thailand's Competitiveness Ranking for 2016–2025



Thailand's innovation development is slow, with competitors overtaking and catching up rapidly

Global Innovation Index

Ranking within ASEAN	2016 (Ranking among 128 countries)	2025 (Ranking among 139 countries)
1	6	5
2	35	34
3	52	44
4	59	45
5	74	50
6	88	55

Thailand ranks low in Institutions and Human Capital & Research

Source: SCB EIC analysis based on data from IMD World Competitiveness Ranking, TMA, and WIPO Global Innovation Index Report

Elevating economic potential is essential and urgent; government economic policy should focus on the 3S: "Stabilize, Stimulate, Structural Reform"

Short-term policies

Restore confidence and stimulate the economy

Build confidence

Among consumers, businesses, investors, and tourists

Accelerate disbursement mechanisms

Expedite disbursement of investment budgets and disaster relief

Stimulate economic demand

Spending stimulus measures (Targeted / Timely / Temporary)

Reduce financial stress

Lower interest rates and maintain appropriate exchange rate levels

Soft loans / Transformation loans / Loan guarantees / Debt restructuring

Medium- to long-term policies

Establish a foundation to enhance competitiveness

Enhance policies supporting the business sector

- Ease of doing business / Regulatory Guillotine
- Expedite negotiations to conclude trade agreements with the U.S. and advance the EU FTA
- Identify new markets and support local supply chains
- Green: Climate Change Act + Tax incentives for green capital expenditure

Restructure the economy

- Promote industries with potential to compete globally
- Upgrade workforce skills to meet global trends + Job matching
- **Fiscal reform** to ensure medium-term sustainability

Source: SCB EIC analysis.

SCB EIC

Establish a central committee acting as PMO to drive regulatory reform, streamline business operations in Thailand, promote competitiveness, and enhance economic development

Current Thai laws exceed 100,000 provisions

Act (Primary Legislation)
>1,400

Subordinate Legislation
>100,000

License
>7,000

Key legal challenges for business operations in Thailand

- Redundant, outdated, and conflicting regulations
- Processes and procedures misaligned with current conditions
- Inconsistent enforcement
- Increased risk of corruption in expediting processes

Government license review project (TDRI study, 2019)

Pilot study of 1,094 legal processes (from 16 ministries and 47 departments)

- 39% eliminated
- 43% improved
- 4% consolidated & created new
- 15% retained

Implementing legal guillotine could save private sector costs of THB 133,816 million per year (equivalent to 0.8% of GDP)

Political Leadership

What needs to be done?

- Collaborate with the private sector end-to-end
- Establish common KPIs with clear targets
- Ensure transparency and trackable outcomes
- Continuous evaluation and improvement

Source: SCB EIC analysis based on data from the draft blueprint for public-private collaboration on “New Dynamics for Thailand’s Economic Future”

Reinvent Thailand: Public-private collaboration to address national challenges, initiating structural reform policies and driving innovation and technology to enhance Thailand's economic potential

Reinvent Thailand (A Platform for co-creation & execution) (Sep 2025)

ธนาคารแห่งประเทศไทย
BANK OF THAILAND

Private sector	Public sector	Financial sector
Key driver for adaptation, seeking new opportunities, and fostering innovation	Support and create an environment conducive to business adaptation	Enhance resource allocation efficiency for businesses

Six key priority sectors critical to the economy, employment, and enabling SMEs to connect with the New S-Curve for value creation

1. Agri & Food Processing
2. Automotive
3. Smart Electronics
4. Medical & Wellness
5. Tourism
6. Retail & Trading

- 47% SMEs
- 55% of business sector employment
- 64% of total business revenue
- 43% of exporters

Three national-level indicators

- GDP growth reflecting sustainable development
- Improved competitiveness of Thailand relative to other countries
- Reduction in the size of Thailand's informal economy

Outcomes: 1) Upgrade products and enhance sustainability 2) R&D and technological innovation 3) Increase local content in supply chains

Examples of ongoing projects

1. Elevating the role of the financial sector in supporting the economy
   - Unlock credit access and reduce reliance on informal debt through risk-based pricing mechanisms
2. Revitalizing the automotive and parts industry
   - Enhance competitiveness and create added value through Greenly Made by Thai (GMBT) certification

Source: SCB EIC analysis based on data from the Ministry of Finance and various government agencies.

Achieving sustainable economic reform is challenging and requires multiple contributing factors

Economic Reform

Key Success Factors

- **Political Commitment & Continuity:** Strong and consistent political support.
- **Institutional & Bureaucratic Capacity:** Create a central team (Performance Management Office: PMO). Strengthen enforcement & reduce discretion.
- **Right Economic Design:** Focus on key problems. Tie rewards to performance.
- **Social Legitimacy:** Build public support that reforms are fair. Protect households/SMEs in transition.
- **Credibility Signals:** Show progress clearly (Transparent dashboards). Adopt external anchors (FTAs, OECD alignment).

Source: SCB EIC analysis.

Which businesses can move forward,
and how should they adapt to survive?

Five key factors shaping business direction in 2026

1

Volatility in global trade supply chains

- **Uncertainty in U.S. tariff policies requires close monitoring:** Specific tariffs and circumvention duties impact business revenue/margins and create uncertainty for FDI investment

2

Fragility of household purchasing power

- **Household purchasing power and credit constraints** continue to weigh on recovery in durable goods consumption, particularly automobiles and housing

3

Uncertainty in government policies

- **Policy uncertainty** affects businesses, especially those reliant on economic stimulus measures and public investment budgets
- **Declining business** confidence may delay investment plans

4

Intensified competition domestically and internationally

- **Domestic competition**
  - Margins declining for both large firms and SMEs
  - Increased participation from foreign players
- **Global competitiveness weakening** compared to rivals such as ASEAN, India, and Mexico

5

Accelerating and intensifying megatrends

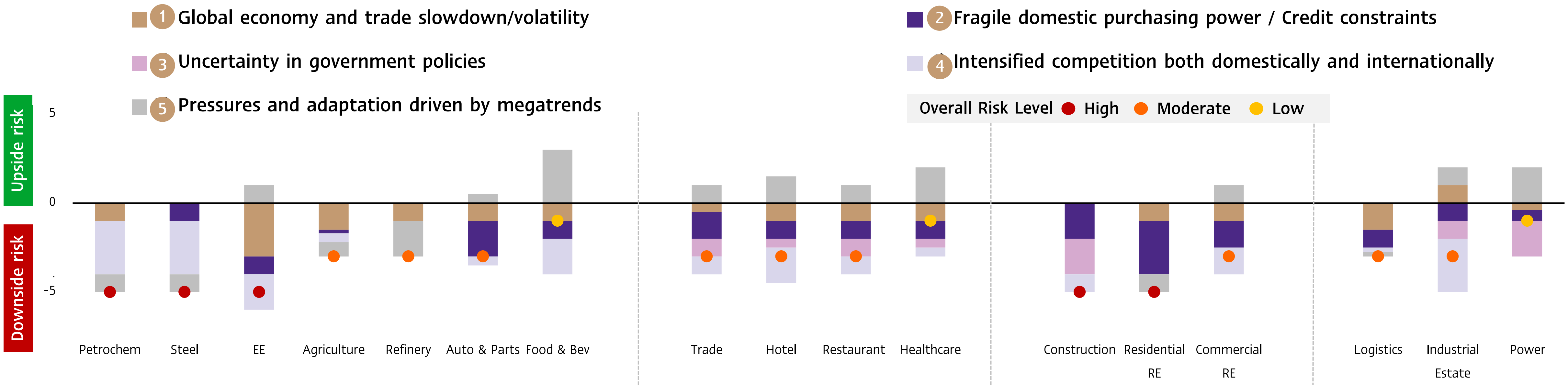
- **Demographic shifts** and rapid changes in consumer behavior risk missed business opportunities if adaptation is slow
- **Technology disruption** challenges outdated or non-responsive business models
- **Pressure to accelerate net-zero** commitments requires businesses to adapt swiftly

Source: SCB EIC analysis.

Thai businesses continue to face multiple downside risks: manufacturing pressured by trade slowdown and intense competition; services and real estate constrained by weak demand and policy uncertainty. However, adaptation to megatrends can partially mitigate negative impacts

Supporting and constraining factors for key Thai business sectors in 2026

Unit: Risk and opportunity scores, where +5 indicates major growth drivers in 2026 and –5 indicates major growth pressures in 2026



Specific issue

Manufacturing

(-) Global economic slowdown pressures demand in electronics, petrochemicals, and agricultural products

(-) U.S. Sector-specific tariffs increase export costs for electronics and automotive categories

(-) ntensified competition domestically and internationally, especially in petrochemicals, steel, electrical appliances, and automotive

(-) Fragile domestic purchasing power continues to weigh on automotive sector recovery

(-) Net zero and climate risks: Environmental policies impact high-carbon businesses such as refineries, petrochemicals, and steel, while extreme weather disrupts agricultural output

(+) Industries capable of upgrading to advanced technology, sustainability, clean energy, and future food

Trade & Services

(-) Fragile domestic purchasing power reduces consumer spending on tourism and luxury goods

(-) Uncertainty in consumption stimulus policies

(-) Intensified competition, particularly in tourism ("Tourism war"), and market penetration by imported goods affecting retail sector

(+) Structural adaptation aligned with health, digital, and sustainability trends

Construction & Real estate

Construction

(-) Delays in government budget approvals

(-) Foreign contractors entering price competition

Real estate

(-) Oversupply issues (Office & Retail)

(-) Slow recovery in purchasing power and stricter lending standards weigh on housing market recovery

(+) Strategic adaptation such as high-quality projects, prime locations, and sustainability practices

Infrastructure

(-) Slowing global demand pressures export logistics and foreign investment

(-) Political uncertainty undermines business and investor confidence

(-) Transition costs toward a low-carbon society

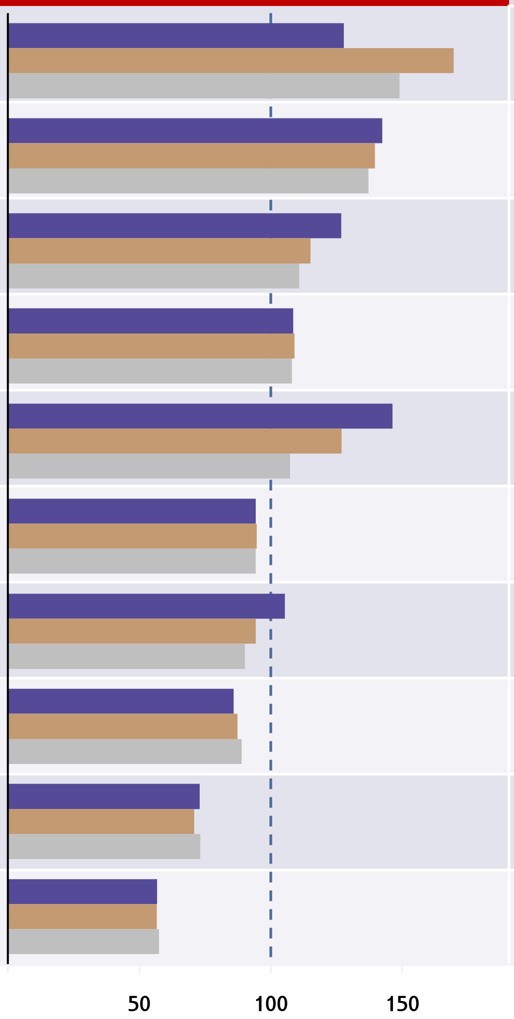
(+) Clean energy and high-tech business sectors

Source: SCB EIC analysis.

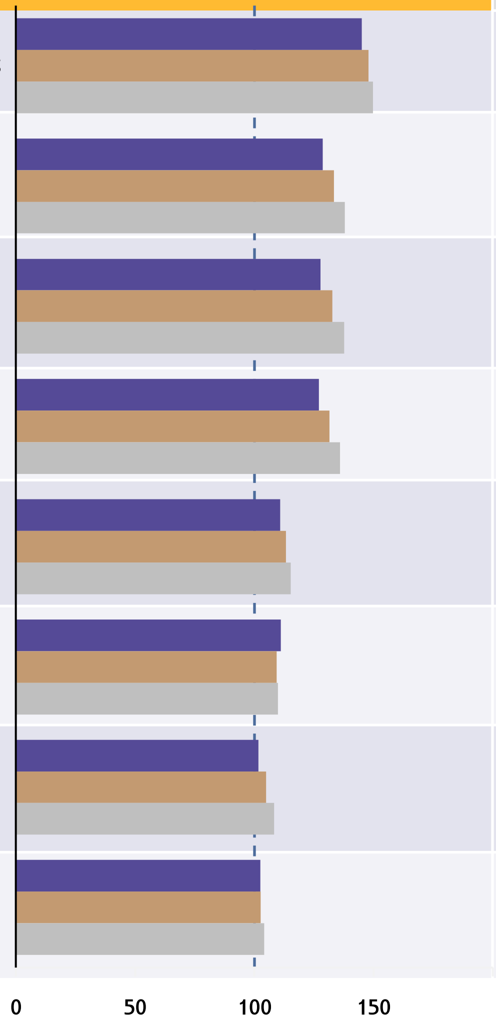
Negative risks outweigh positive factors, resulting in an overall business outlook for 2026 that remains subdued. Sectors facing significant slowdown and high risk include manufacturing (electronics, automotive, petrochemicals, steel) and real estate, which continues to stagnate.

Business growth outlook and risk assessment for 2026

Businesses likely to slow down or contract and face considerable risk	Risk	Groups requiring special attention
E&E	High	Computers, electronic components, and electrical appliances
Agri products	Moderate	Sugar, Rubber, Palm oil
Petrochemical	High	Olefins (PE, PP)
Construction	High	Contractors for public and private construction projects
Refinery	Moderate	Refined products (excluding jet fuel)
Steel producer	High	Flat steel producers
Residential RE	High	Residential properties priced below THB 5 million
Commercial RE	Moderate	Office rental space
Auto OEM	High	Internal combustion vehicle manufacturers, especially pickup trucks
Car Dealer	High	Small-scale dealers, particularly secondary brands and pickup trucks



Businesses with growth potential but requiring close risk monitoring	Risk	Groups requiring special attention
Logistics	Moderate	Logistics providers serving high-risk manufacturing sectors
Hospital	Low	-
W&R	Moderate	Convenience stores and non-grocery retail, particularly fashion products
F&B	Low	Seafood (especially shrimp), fresh and processed fruits
Industrial estate	Moderate	Industrial estates outside the EEC zone
Power	Low	Coal-fired power plants
Restaurant	Moderate	-
Tourism & Hotel	Moderate	Tourism businesses heavily reliant on Chinese tourists



Risk level
- High
- Moderate
- Low

- 2024
- 2025E
- 2026F

Source: SCB EIC analysis.

SCB EIC

Although many businesses remain highly exposed to risks, certain subsegments that adapt effectively can still grow and capitalize on megatrend opportunities

Examples of business adaptation

1 ธุรกิจที่นำนวัตกรรม/เทคโนโลยีใหม่ ๆ มาใช้พัฒนาสินค้า/บริการที่สร้างมูลค่าเพิ่ม

- **E&E** : Manufacturers in AI-related supply chains, such as high-capacity HDDs, advanced PCBs, smart home appliances, and electrical components for EVs
- **Automotive** : Automakers and parts suppliers developing xEV models for domestic and export markets
- **Digital** : Data center and Cloud services
- **Warehouse** : Smart warehouse
- **Petrochemical** : High-value specialty chemicals, such as engineering plastics and medical-grade plastics

2 Businesses aligned with modern consumer trends and sustainability

- **F&B** : Functional food and beverage addressing health and sustainability, such as medical foods, plant-based diets, future foods (e.g., lab-grown meat, alternative proteins), and F&B businesses utilizing by-products for value creation
- **Hospitality** : Service businesses catering to wellness tourism
- **Agri products** : Integrated agricultural producers meeting sustainability standards, e.g., rubber and palm oil from deforestation-free areas
- **Power** : Electricity producers with renewable energy (RE) power purchase agreements domestically and internationally
- **Logistics** : Providers of green and sustainable logistics, robotic systems, and autonomous vehicles for transportation

3 Businesses targeting high-growth potential markets

- **Tourism** : Operators and hotels targeting high-growth tourist segments from India, Europe, and the Middle East
- **Automotive** : Manufacturers expanding export market share in the Middle East, Europe, and Latin America, while improving spare parts and tire quality to meet rising demand for maintenance and extended vehicle lifespans globally

Source: SCB EIC analysis.

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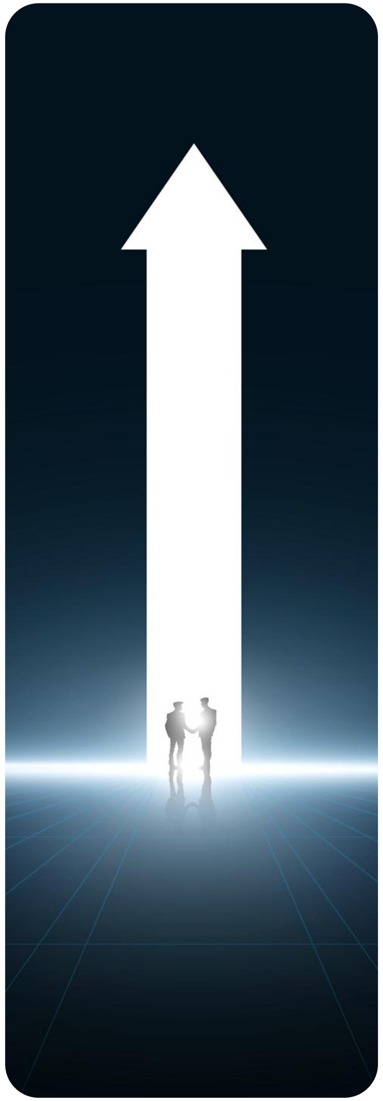
Entrepreneurs can adopt the READY strategy to adjust and prepare for multidimensional challenges, while seizing growth opportunities in a rapidly evolving business landscape.



R-Repositioning

- **Develop products that better meet market needs and enhance value added,** in order to strengthen competitiveness in both export markets and against imported goods.
- **Diversify export markets** to reduce risks arising from excessive reliance on any single market.
- **Assess the business's competitive positioning in line with** evolving megatrends and changes in global supply chains, and adjust operational processes to enhance flexibility, such as through lean operations and agile management.

E-ESG principle

- **Establish a clear ESG roadmap and integrate its objectives into corporate strategy,** such as developing green products and low-carbon logistics.
- **Adapt to new ESG-related regulations,** including preparing for sustainability disclosure requirements.
- **Penetrate markets and target segments that place a high emphasis on ESG,** such as the EU market or Gen Z consumers, who increasingly prioritise sustainability-focused brands.

A-Alliance

- **Seek supply-chain** partners to co-develop products or form clusters to jointly access markets or enhance bargaining power with suppliers.
- **Explore partnership opportunities or mergers and acquisitions** to optimise the business portfolio, including gaining access to technology transfer.
- **Collaborate to develop new solutions**, such as building shared platforms, in order to unlock new business opportunities.

D-Digitalization

- **Enhance production efficiency** by investing in technology and improving work processes (digital channels, AI, and automation).
- **Link digital KPIs to the organisation's strategic objectives,** such as leveraging omni-channel approaches to integrate online and offline services and increasing customers' digital adoption rates.
- **Deploy AI or advanced analytical tools** to analyse customer behaviour, improve production processes, and strengthen proactive risk management.

Y-Youthfulness

- **Foster an organisational culture that is proactive, highly agile, and continuously adaptable.**
- **Encourage creativity and out-of-the-box thinking to drive ongoing development and innovation.**
- **Develop reskilling and upskilling plans** to ensure employees are well prepared to cope with new technologies and emerging challenges.
- **Be ready to diversify into new businesses** to reduce reliance on a single revenue stream.

Source: SCB EIC analysis.

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