Thailand's 2025 Economic Outlook

Fitch Rating: Thailand's Economic and Consumer Finance Outlook

April 1, 2025

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Executive summary

SCB EIC forecasts a slight slowdown in global economic growth to 2.6% this year as trade tensions escalate.

Monetary policies of major economies are expected to diverge. The Fed is expected to delay its anticipated 50bps rate cut. The ECB will proceed with rate cuts to support its weak economy. The BOJ will continue its path toward policy normalization.

SCB EIC projects Thai economic growth in 2025 to slow to 2.4% as merchandise export expected to lose momentum in 2H.

- **The tailwinds of the Thai economy in 2025 include tourism and government spending.**
- **Exports are set to slow this year** as Thailand grapples with significant risks from U.S. Tariff restriction schemes.
- **Thailand's economic recovery remains sluggish, ranking among the slowest globally** due to economic scars from COVID-19 and structural weaknesses in business sector, labor market, household sector, and fiscal sector.

SCB EIC anticipates 2 more rate cuts this year toward 1.5% due to tight financial conditions and escalating impacts from U.S. trade policies.

SCB EIC

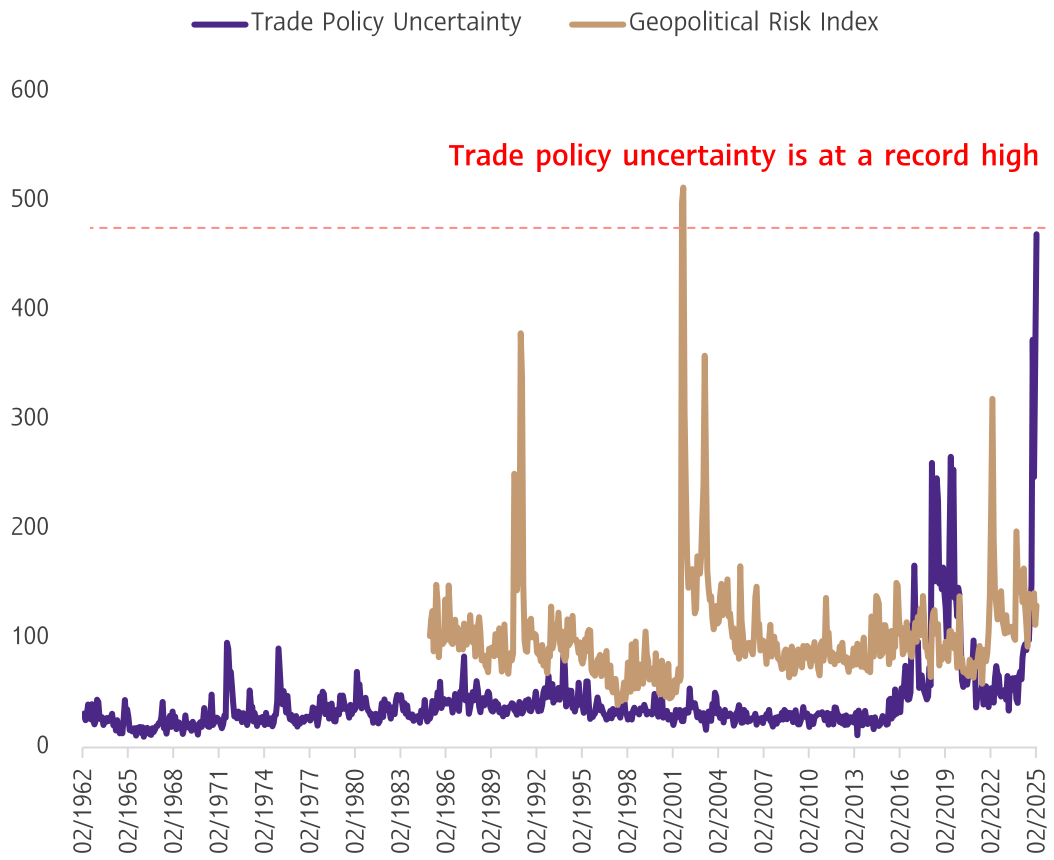
Global economic growth is expected to slow in 2025, mainly due to trade policy uncertainties, which significantly impact business decisions and investment strategies.

SCB EIC Forecast (March 2025)			
(%YOY)	2023	2024P	2025F
Global	2.8%	2.7%	**2.6%**
US	2.9%	2.8%	**1.9%**
Eurozone	0.4%	0.8%	**0.7%**
Japan	1.5%	0.1%	**1.2%**
China	5.4%	5.0%	**4.4%**
India	7.7%	6.4%	**6.4%**
ASEAN-5*	4.4%	5.3%	**5.0%**

SCB EIC projects global growth to slow to 2.6% in 2025
due to the impact of Trump 2.0 policies and retaliatory measures from trading partners.

Trade policy uncertainty and Geopolitical risk index

Unit : Index



Source: SCB EIC analysis based on data from IMF WEO (Oct 2024), Goldman Sachs, University of Michigan.

The U.S. may impose reciprocal tariffs, and adopt specific tariffs targeting products or countries, instead of the universal tariffs previously announced during the presidential campaign.

Trump announced during presidential campaign

Universal Tariffs

An average increase of 10%
may vary depending on countries
and products

60% Tariffs on China

Trump has announced recently

Reciprocal Tariffs

Increase tariffs to align with those imposed by other countries on U.S. goods
(potentially considering value-added taxes and non-tariff trade barriers)

Specific Tariffs

Products Specific

25% Steel Aluminum

25% Auto & Parts*

20% Medical

25% Semi-conductor

25% Agri

Regions Specific

Canada 25%

Mexico 25%

China 20%

In effect | Partially in effect | Likely | Unlikely

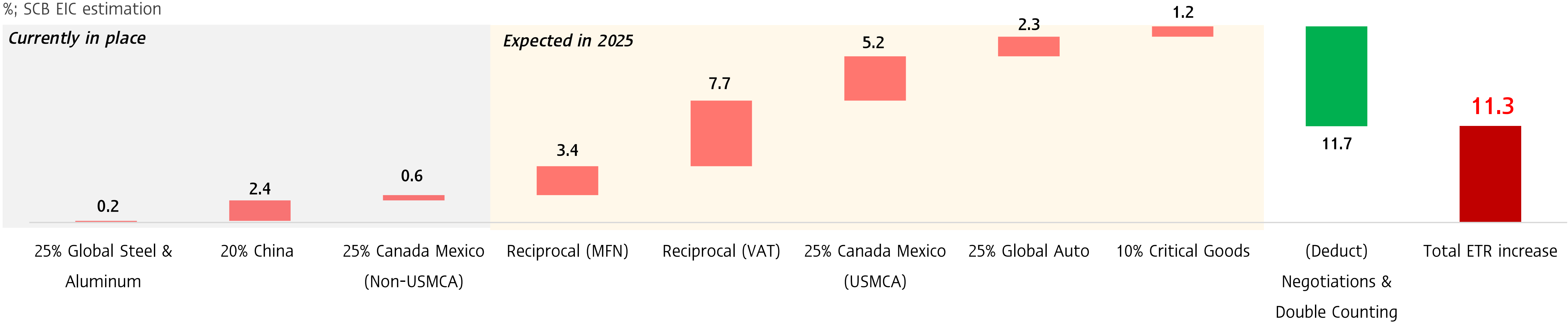
Note: Tariff of 25% on automobiles and certain automotive components (e.g., engines and transmissions) were announced on March 26, 2025, and will take effect from April 2, 2025 (excl. automotive components covered under the USMCA agreement).
Source : SCB EIC analysis based on data from the White House, Bloomberg, and Reuters

The Trump's new tariffs could lead to a net increase in the U.S. effective tariff rate by 11%, driven mostly by the "reciprocal" tariff scheme.

SCB EIC expects a baseline 11% increase in the U.S. effective tariff rate, potentially rising to 20% if negotiations with trading partners fail.

U.S. Effective Tariff Rate (ETR) under reciprocal and other tariff measures

%; SCB EIC estimation



With higher ETR and potential retaliations from U.S. trading partners, the global economy could shrink by over 1%, and inflation may become more persistent.

- **U.S. tariff policies and retaliation from other countries** would reduce global GDP and accelerate inflation in the medium term.
- **The U.S. economy would experience a smaller negative impact**, but inflation would rise more significantly.
- **U.S. trading partners are likely to impose retaliatory tariffs** at a lower rate on average due to weaker bargaining power.

Impacts of 11% increase in US ETR	
US Economy	-0.5%
US CPI	+1.1%
Global Economy	-1.3%
Global CPI	+0.5%

Most impacts will be observed in 2025-26

Year	2025	2026	2027
Q1		Peak	
Q2			
Q3			
Q4			

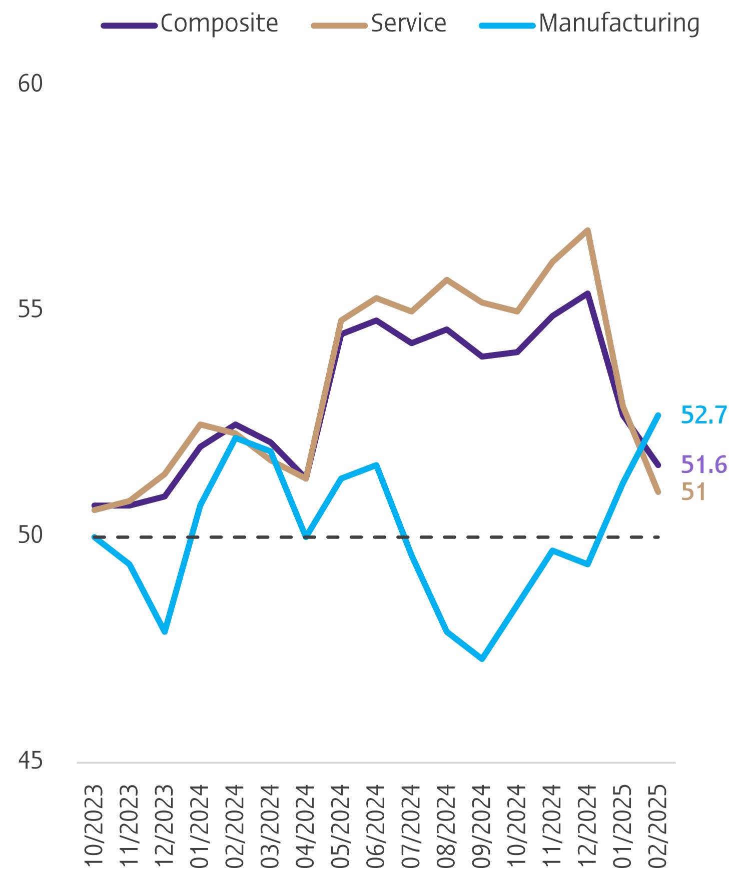
Source: SCB EIC analysis based on data from The White House, U.S. Customs and Border Protection, Goldman Sachs, Tax Foundation, and Capital Economics. Analytical framework based on the IMF and Goldman Sachs.

SCB EIC expects tariffs would put downward pressure on U.S. economic growth.

Recent U.S. economic data suggests a slowdown, particularly in the service sector.

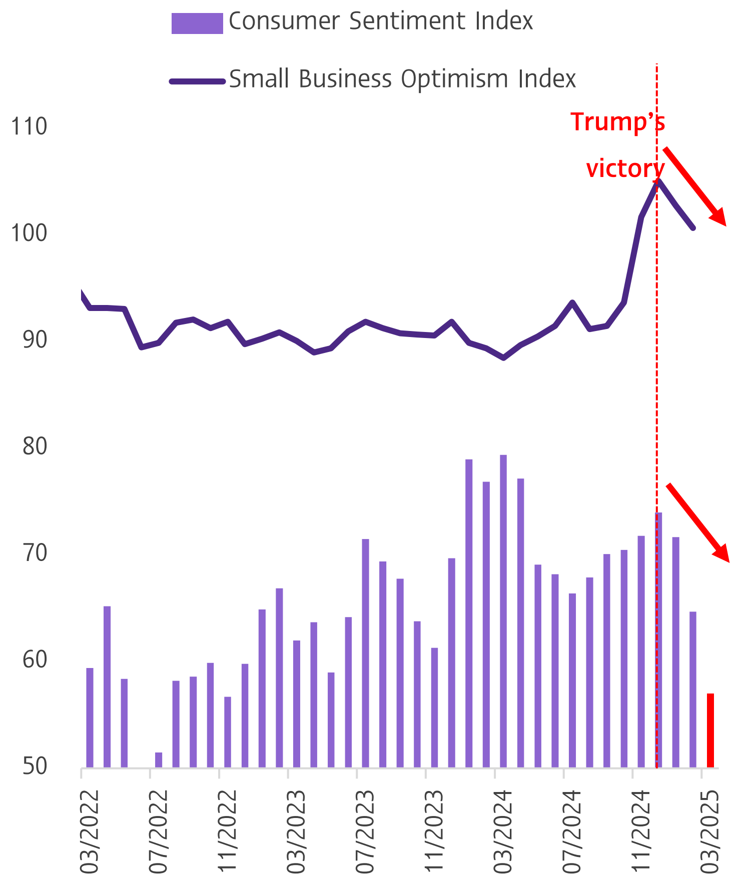
U.S. Purchasing Managers' Index (PMI)

Unit : Index, >50 Indicating expansion



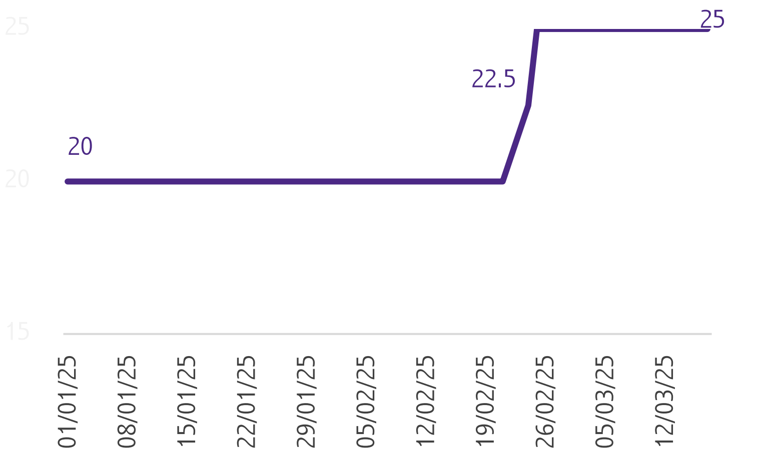
U.S. Sentiment Index

Unit : Index (1966=100 for consumer, 1986=100 for business)



U.S. recession probability over the next year

Index : % from Bloomberg



Policies to reduce the Impacts of Trump 2.0

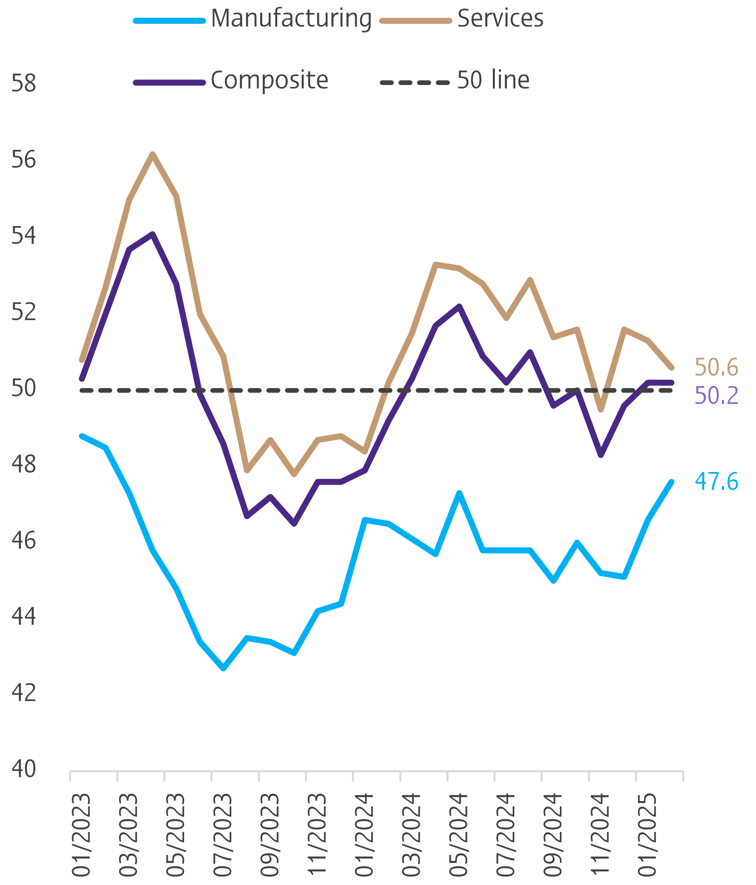
- **Income tax reductions to stimulate investment:** Extend the Tax Cuts and Jobs Act (TCJA) (IMF forecasts: +0.4% annually on the U.S. economy during 2025-2029)
- **Government deregulation to foster business activities**
- **"Drill baby, drill" initiative:** Supporting domestic oil drilling activities aimed at reducing energy costs and generating revenue through international sales.

Source : SCB EIC analysis based on data from S&P Global, U.S. Census Bureau, University of Michigan, National Federation of Independent Business, Bloomberg and CEIC

The eurozone economy shows improvement with easing inflation and declining interest rates, but faces challenges from U.S. tariffs and increased competition with Chinese products.

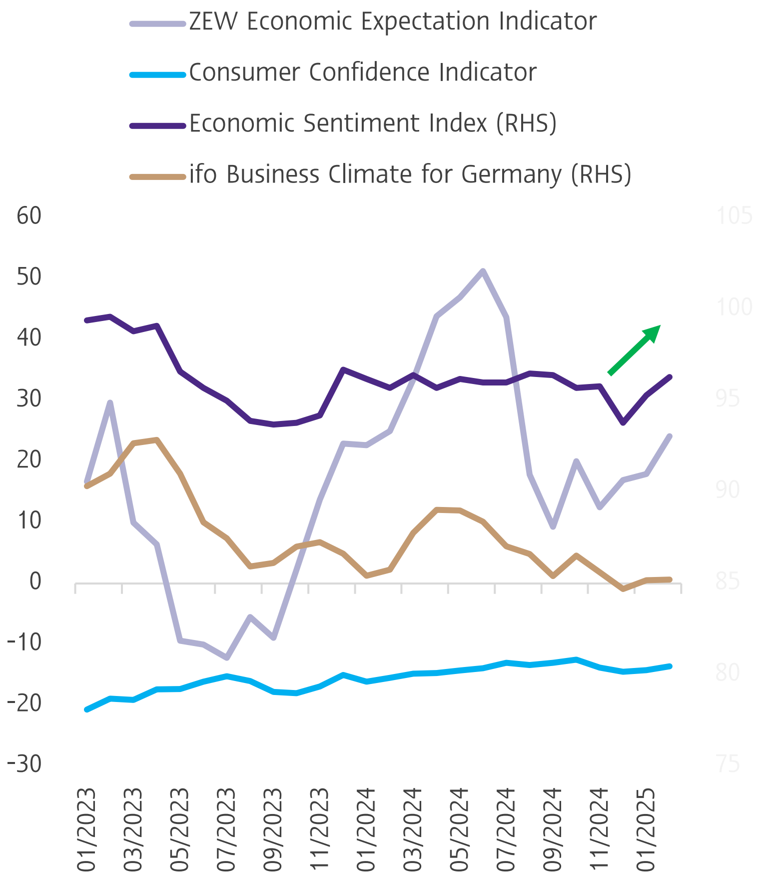
Eurozone Purchasing Managers' Index (PMI)

Unit : Index, >50 Indicating expansion



Eurozone economic sentiments

Unit : Index



Policies to reduce the Impacts of Trump 2.0

The German government plans to increase fiscal deficit by easing the "Debt Brake" to allocate additional funding for national defense.

Set up a €500 billion fund to invest in infrastructure over the next decade

France is likely to increase defense budget. The economy will benefit as a key production base for military equipment.

However, the net positive impact may be limited due to already high levels of public debt and fiscal deficit.

A ceasefire agreement in Ukraine would be beneficial for the eurozone due to lower production costs through reduced natural gas prices and boost confidence.

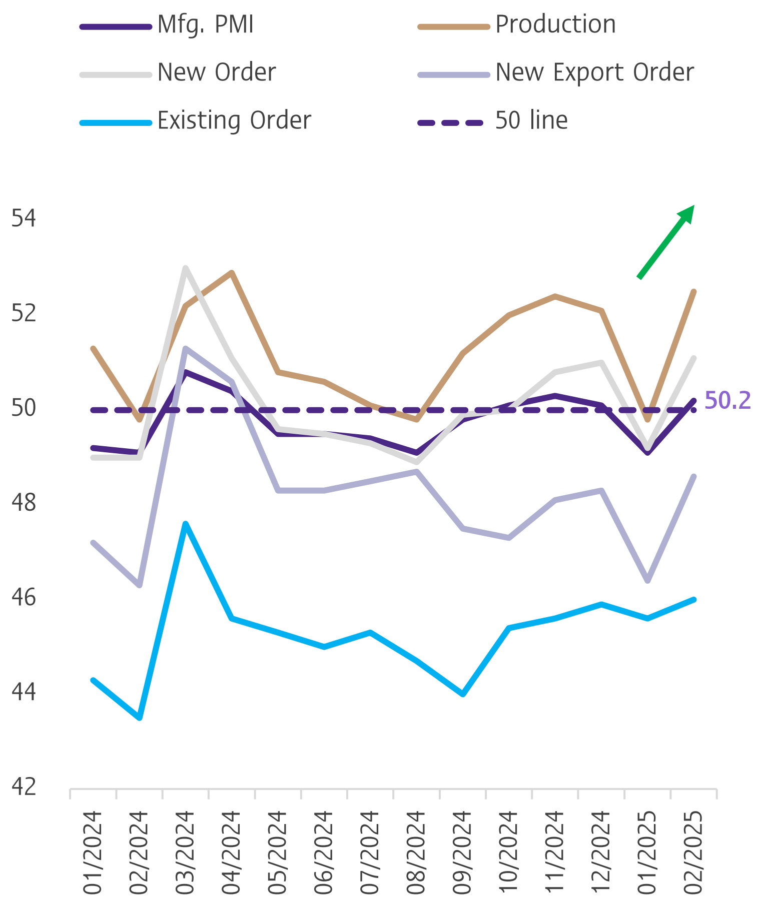
Source : SCB EIC analysis based on data from S&P Global, HCOB, European Commission, ifo Institute, Leibniz Centre, CEIC, Goldman Sachs, JP Morgan และ Bloomberg

The Chinese economy is likely to be significantly affected by U.S. tariffs.

However, additional fiscal stimulus measures are expected to support economic activity.

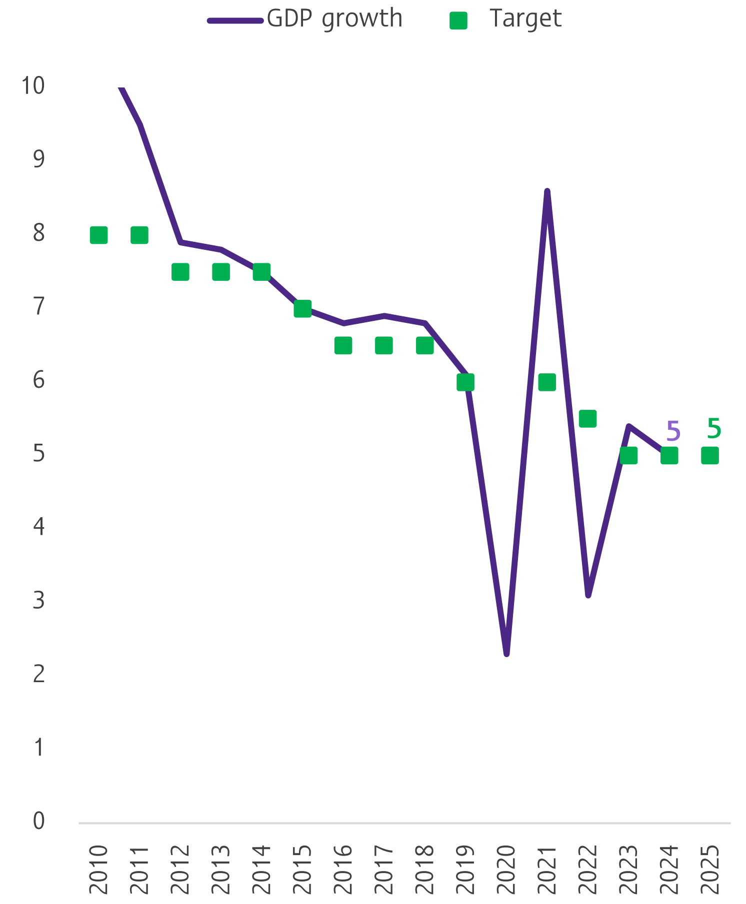
China Purchasing Managers' Index (PMI)

Unit : Index, >50 Indicating expansion



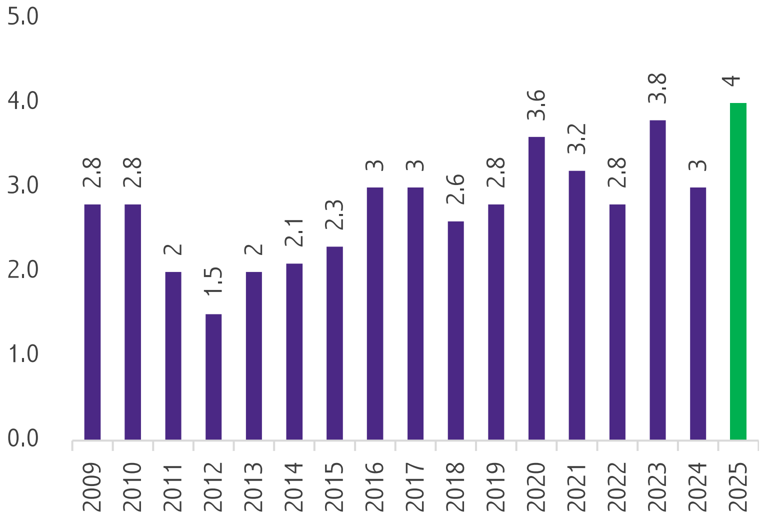
China targeted GDP growth by the government

Unit : %YOY



Planned fiscal deficit from the Chinese government

Unit : %GDP

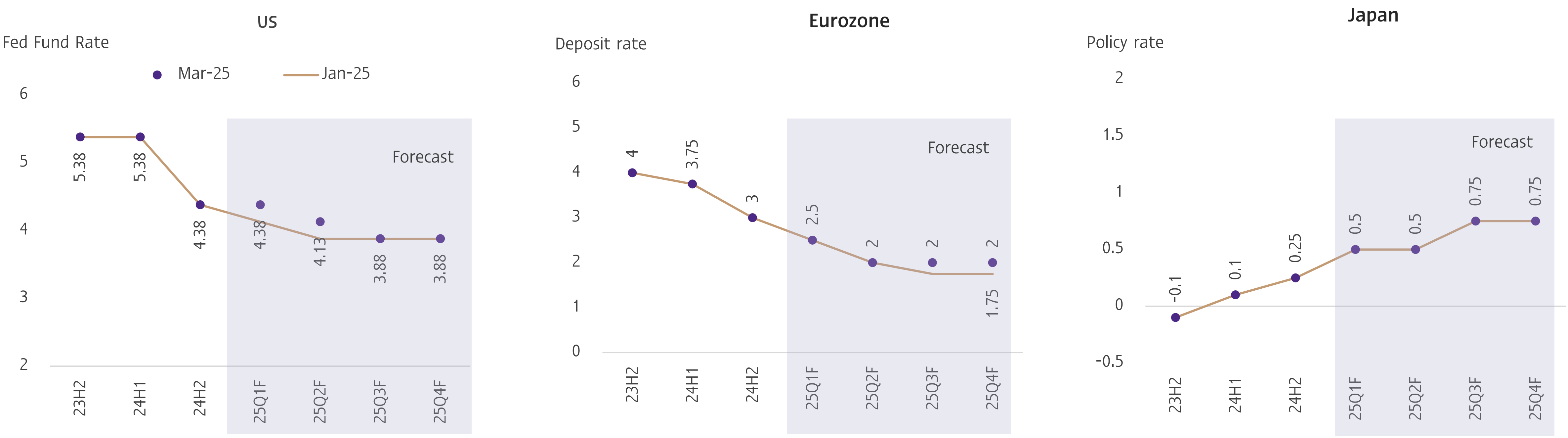


- **In 2025, the Chinese government plans a record fiscal deficit of 4% GDP.**
- **A large-scale stimulus package** aims to boost economic activity and domestic consumption.
- **China has embraced a more business-friendly stance,** consulting the private sector and announcing new plans to attract foreign investment.

Source : SCB EIC analysis based on data from National Bureau of Statistics, Bloomberg, Reuters และ CEIC

Monetary policies among major central banks are expected to diverge further with a higher uncertainty.

Policy rate of selected major economies in 2025 (by SCB EIC)



The Fed will cautiously cut interest rates due to the risk of resurging inflation. **The ECB** is expected to accelerate rate cuts to support the economy. Meanwhile, **the BOJ** is likely to raise interest rates further.

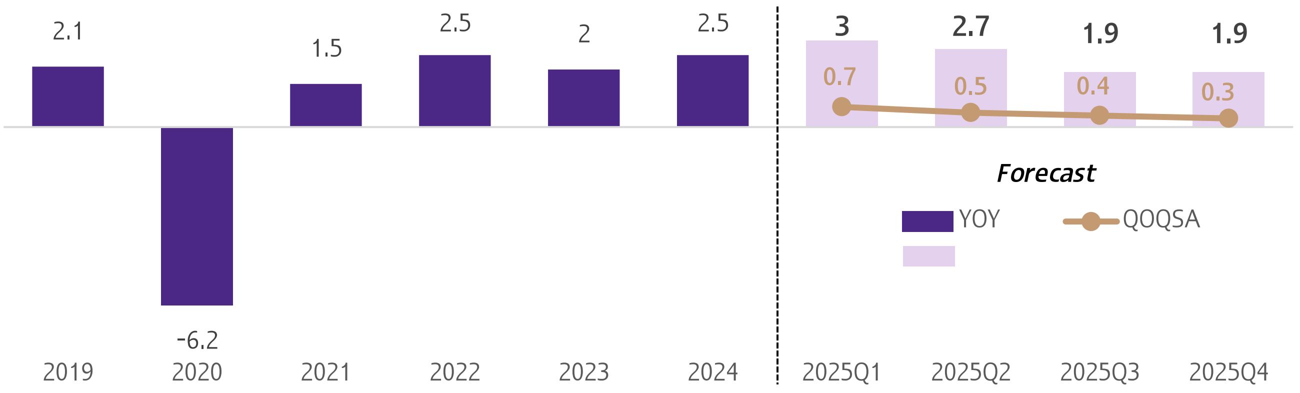
Source : SCB EIC analysis based on data from FED ECB, and BOJ

The Thai economy is projected to decelerate in 2025 with a GDP growth of 2.4% as merchandise export expected to lose momentum in 2H.

Thailand: SCB EIC Forecast (March 2025)		
%YOY *(unless otherwise stated)*	2024	2025F
GDP	2.5	2.4
Private Consumption	4.4	2.6
Government Consumption	2.5	1.4
Private Investment	-1.6	2.9
Government Investment	4.8	5.0
Export Value of Goods (USD, BOP)	5.8	1.6
Import Value of Goods (USD, BOP)	6.3	3.0
Number of International Tourists (Mn persons)	35.5	38.2
Headline Inflation Rate (%)	0.4	0.7
Core Inflation Rate (%)	0.6	0.8
Policy Interest Rate (End of Year; %)	2.25	1.5

The momentum of the Thai economy in 2025 will significantly decrease in 2H.

Thailand' Real GDP Growth (%)



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- **Service sectors** especially tourism
- **Government stimulus**, regular budget disbursements, and public investments
- **Private investment** recovery due to continued flow of Chinese FDI

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- **Exports of goods** as impacts from trade policy uncertainties kicks in
- **Manufacturing** facing a two-fold challenge from US protectionism and China flooding
- **Durable goods consumption** as credit standards remain tight

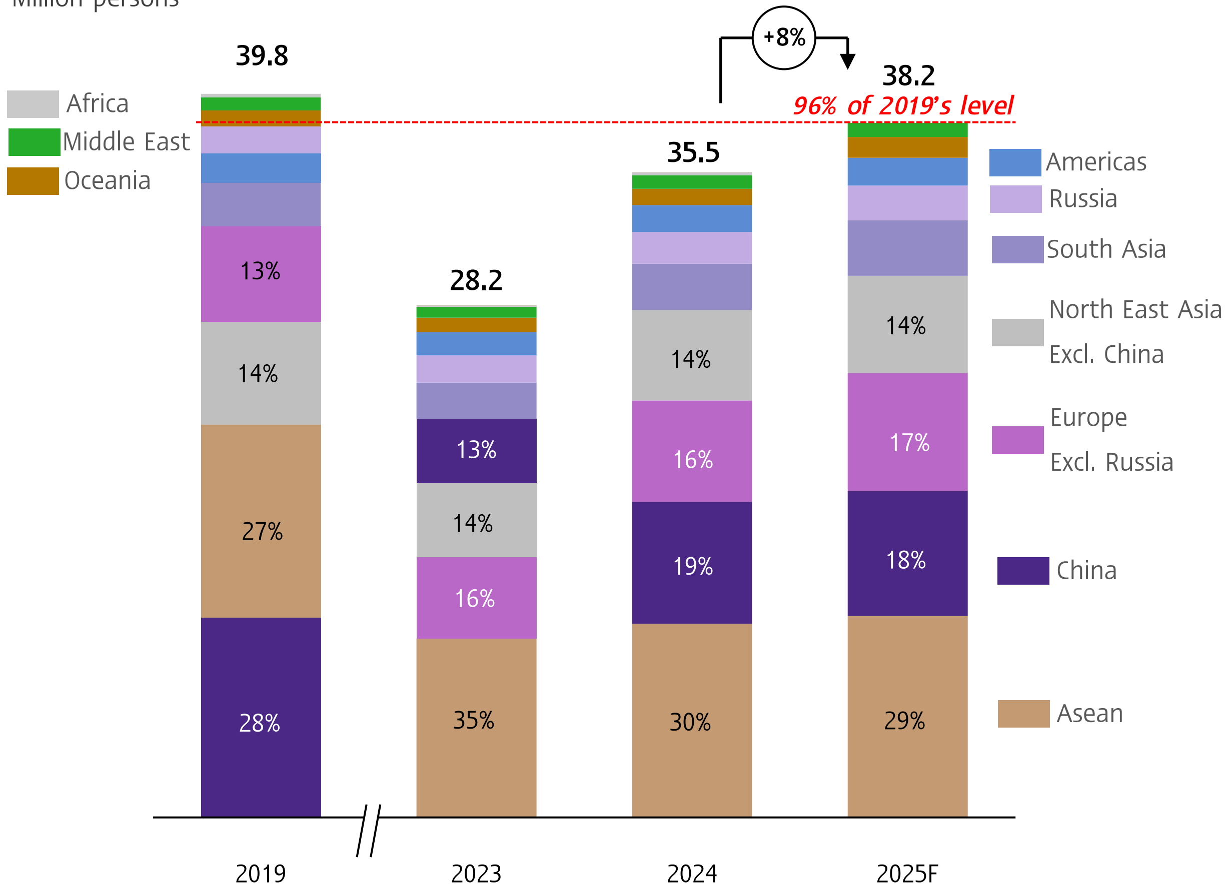
Source: SCB EIC analysis based on data from the Office of the National Economic and Social Development Council.

Tourism remains a key driver of the Thai economy as the number of foreign tourists is expected to nearly recover to the pre-pandemic level.

SCB EIC projects international tourist arrivals at 38.2 million in 2025.

Foreign tourist arrivals by nationality

Million persons



3 Key Differences in Thai Tourism Post-COVID

Composition of foreign tourists' nationality

Chinese tourists

28% — *2019*
18% — ***2024***

European *(excl. Russia)* **tourists**

13% — *2019*
17% — ***2024***

Spending & length of stay

Length of stay (day)

7.4 — *2019*
8.9 — ***2024***

Share of spending in accommodation

34% — *2019*
42% — ***2024***

Uneven recovery among tourist destinations

No. of flights *as of Jan 25* **(% of 2019)**

93 — *Thailand*
105 — ***Phuket***

Hotel occupancy rate *as of Jan 25*

78% — *Thailand*
92% — ***Phuket***

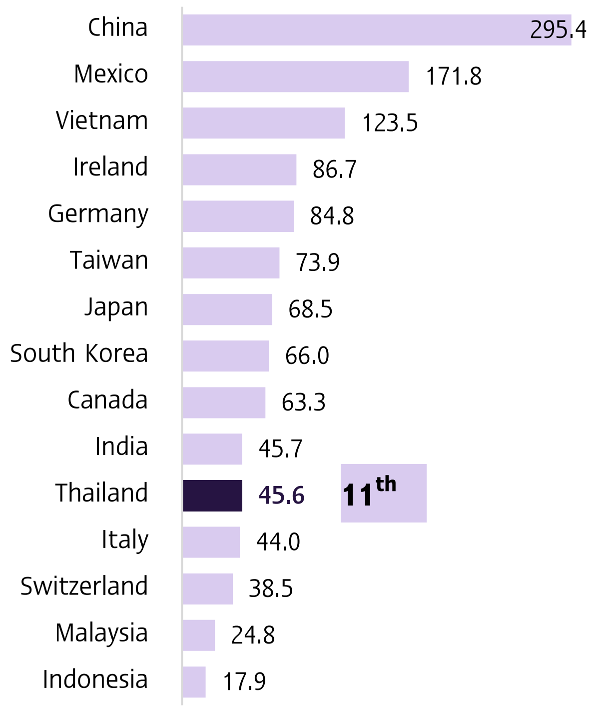
Source: SCB EIC Analysis based on The Ministry of Tourism and Sports and Bank of Thailand

Exports are set to slow this year as Thailand grapples with significant risks from U.S. Reciprocal Tariff scheme as well as other possible trade restrictions.

Due to Thailand's substantial trade surplus with the U.S. and significant tariff rate differentials, Thai exports might encounter increased tariff rates from US.

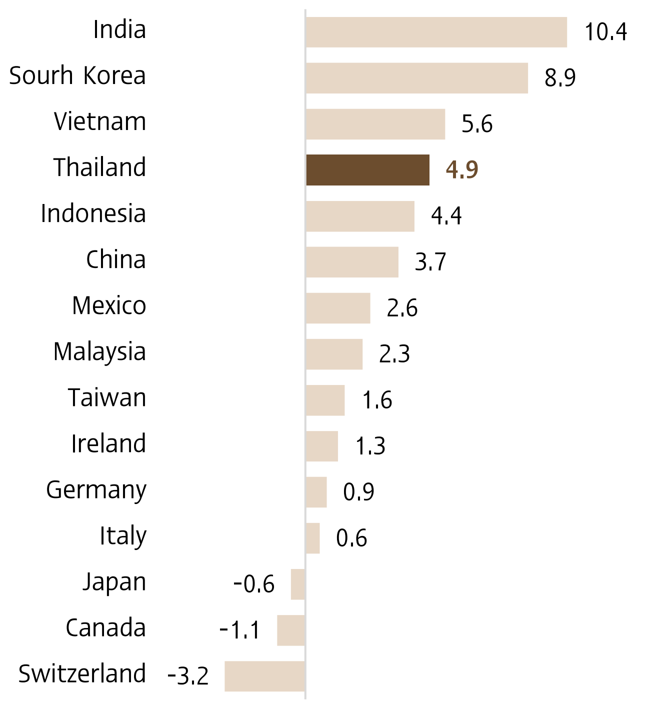
Top 15 Countries with trade surplus with the U.S. in 2024

USD Bn



Projected additional tariffs from the U.S. given the U.S. reciprocal tariff measures

%; SCB EIC's projections



SCB EIC projects a slowdown in merchandise export mainly in H2.

Export Value of Goods *(%YOY)*

	2025H1	2025H2
+	• Accelerating exports before tariff • Upward cycle of electronics • Mixed gold exports	• Upward cycle of electronics
−	• Losing competitiveness against Chinese products	• Losing competitiveness against Chinese products • Tariffs & trade war • High base effect
Thai Exports	**Robust growth, Continuing momentum**	**Low growth, Losing momentum**

Note: *According to data from WITS and WTO, only 94 product categories have been reported. Therefore, SCB EIC uses 94 categories (out of a total of 97 product categories).*

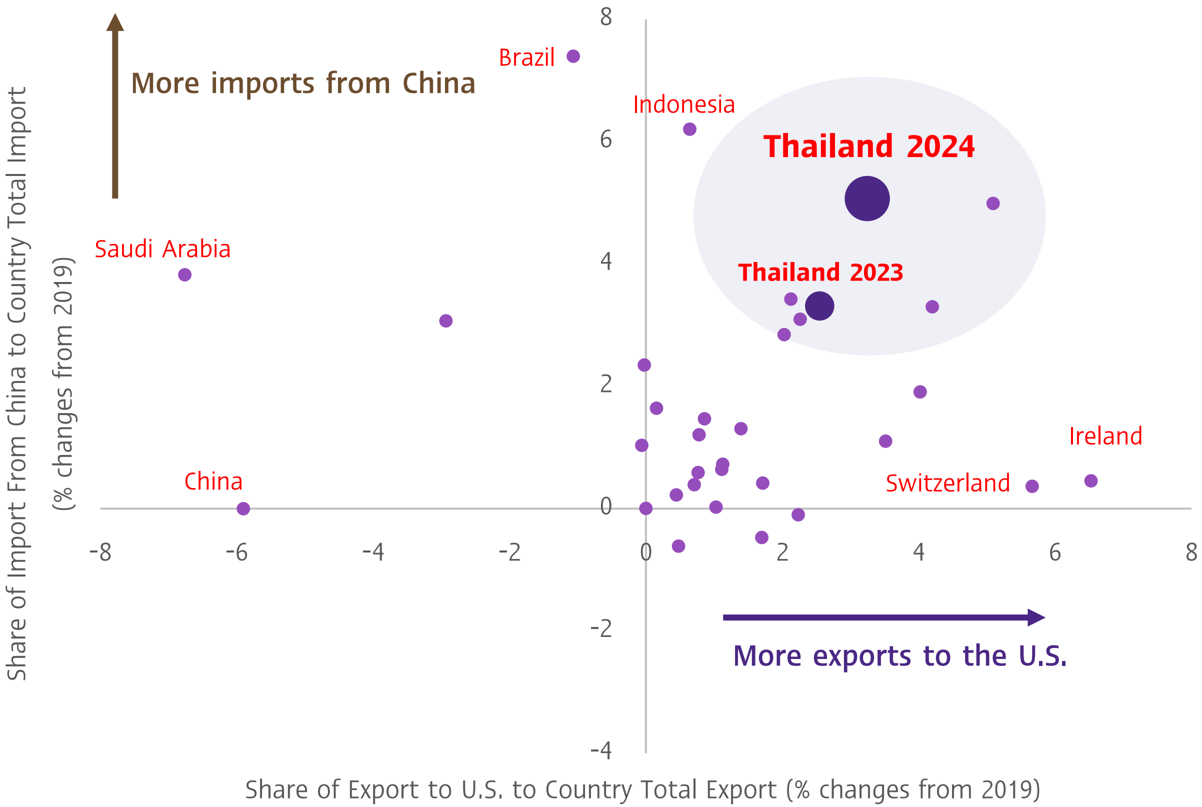
Source: SCB EIC analysis based on data from CEIC, WITS, WTO, Trademaps, and the U.S. Census Bureau.

The Thai economy could be significantly affected by the trade war, as Thailand has become more reliant on the U.S. market while also increasing imports from China.

Thai exports is increasingly reliant on the U.S. market, while share of Chinese import also increased.

Changes in exports to the U.S. and imports from China since 2019

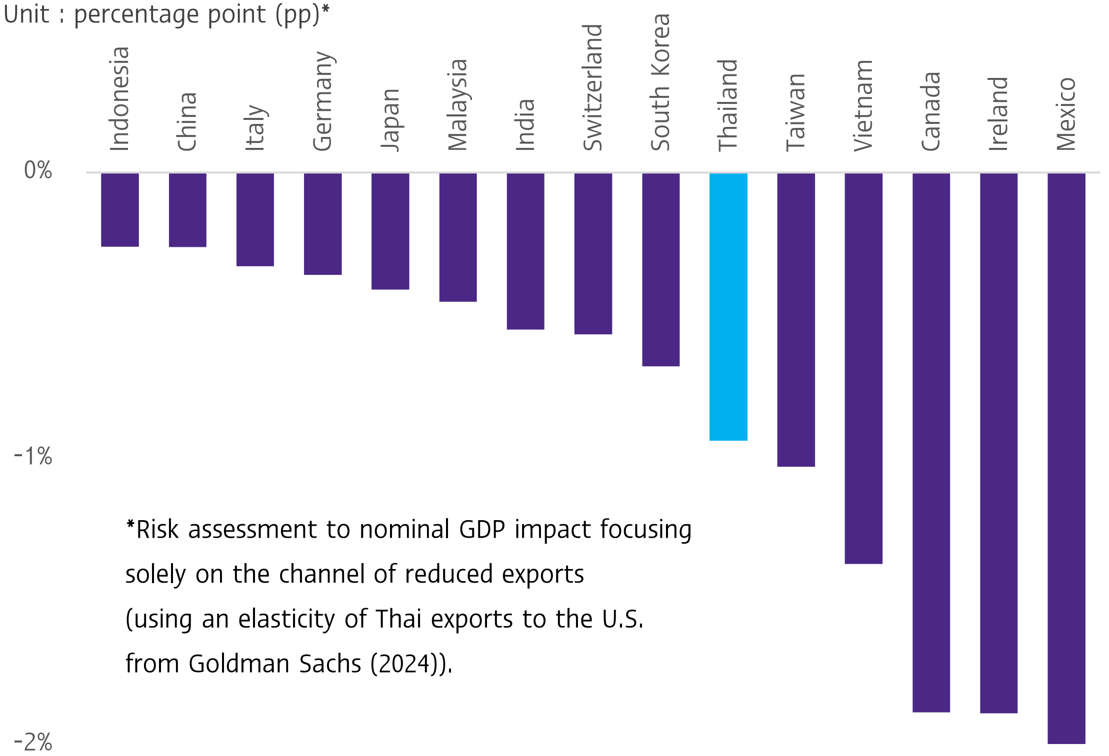
Top 30 economies with the largest GDP in the world



The Thai economy could be one of the U.S. trading partners that significantly affected by the trade war.

Estimated impacts on GDP from a 10% increase in the US import tariffs (by SCB EIC)

Unit : percentage point (pp)*



*Risk assessment to nominal GDP impact focusing solely on the channel of reduced exports (using an elasticity of Thai exports to the U.S. from Goldman Sachs (2024)).

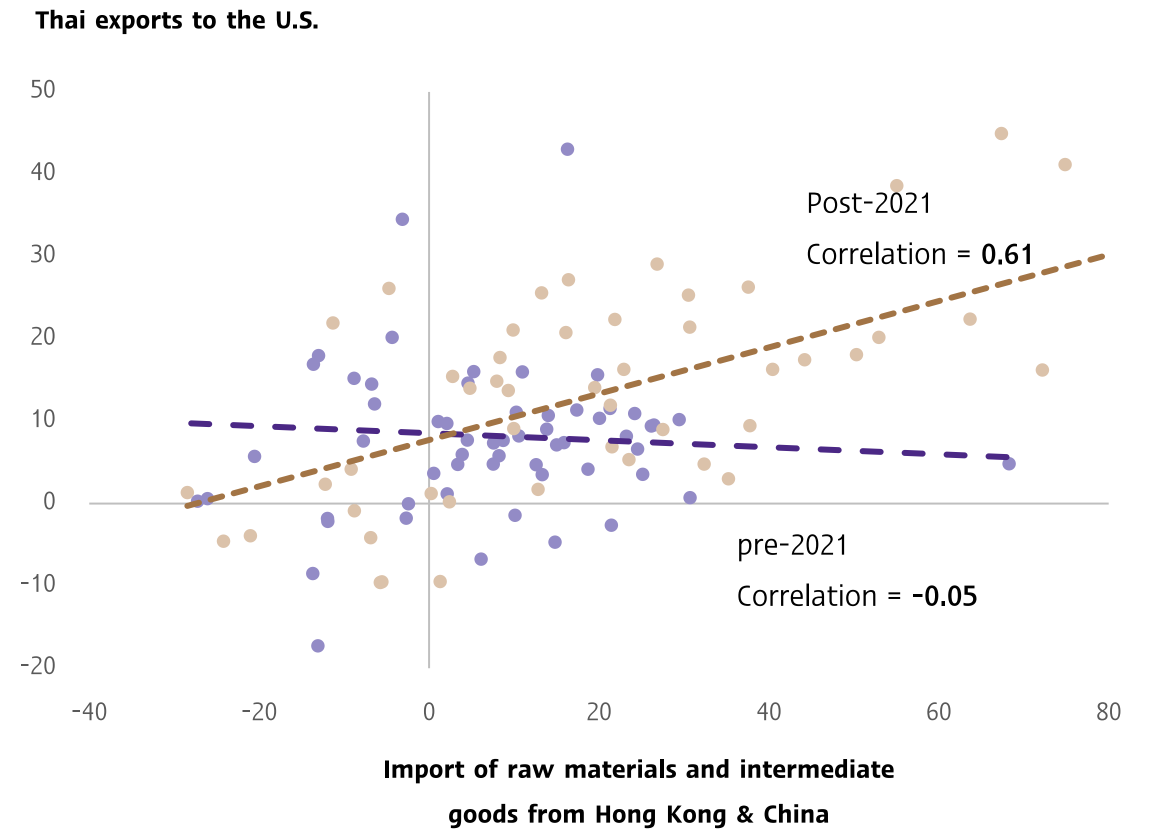
Source: Analysis by SCB EIC from data of Trademaps, U.S. Census Bureau, General Customs Administration of China, OECD, and Goldman Sachs (2024), Bank of Thailand.

The influence of Chinese imports on Thailand's export and manufacturing sectors has grown increasingly significant.

In previous years, Chinese businesses invested in Thailand partly to establish export bases for the U.S. market.

Correlation between imports from China/Hong Kong and Thai exports to the U.S.

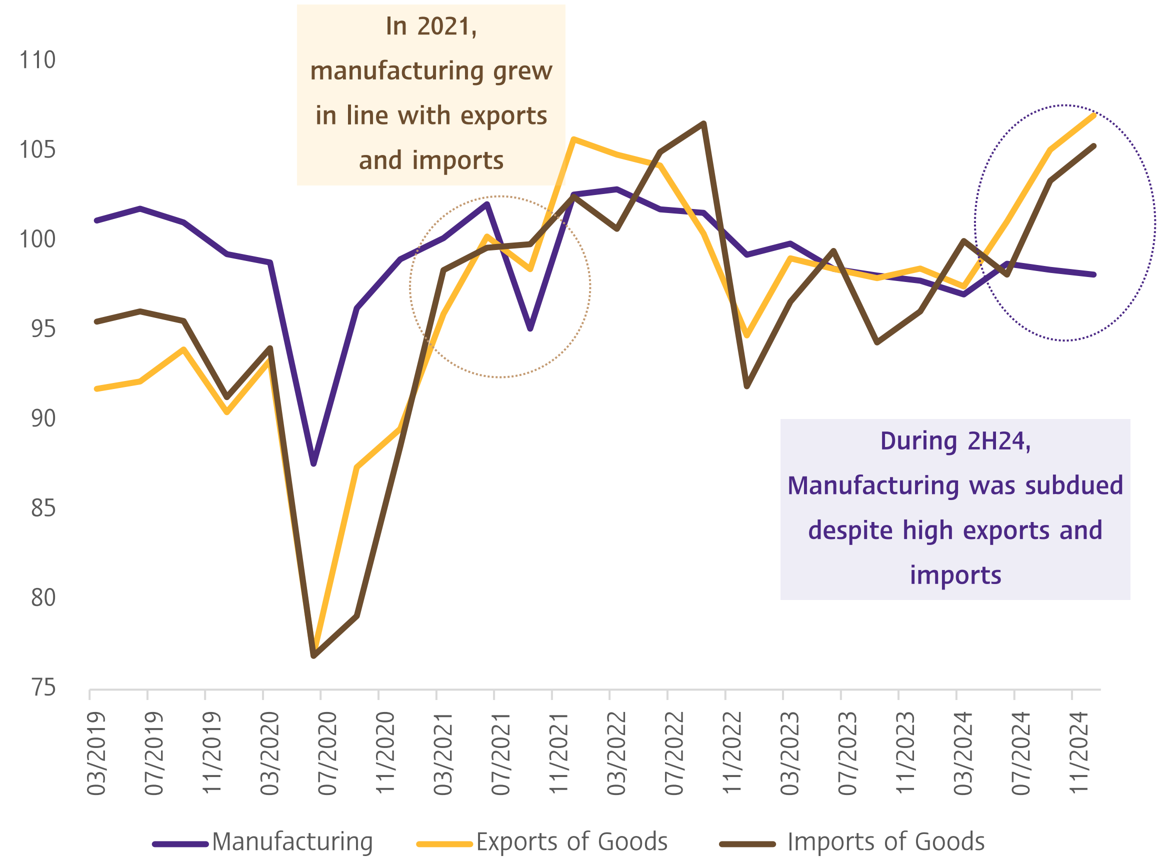
%YOY, monthly data 2016-2025, outliers are not shown



More recently, Chinese capital has increasingly entered Thailand to compete directly with local businesses in the domestic market.

Recent developments of Thai manufacturing, export, and import sectors

Index 2021 =100, sa (Based on GDP)



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

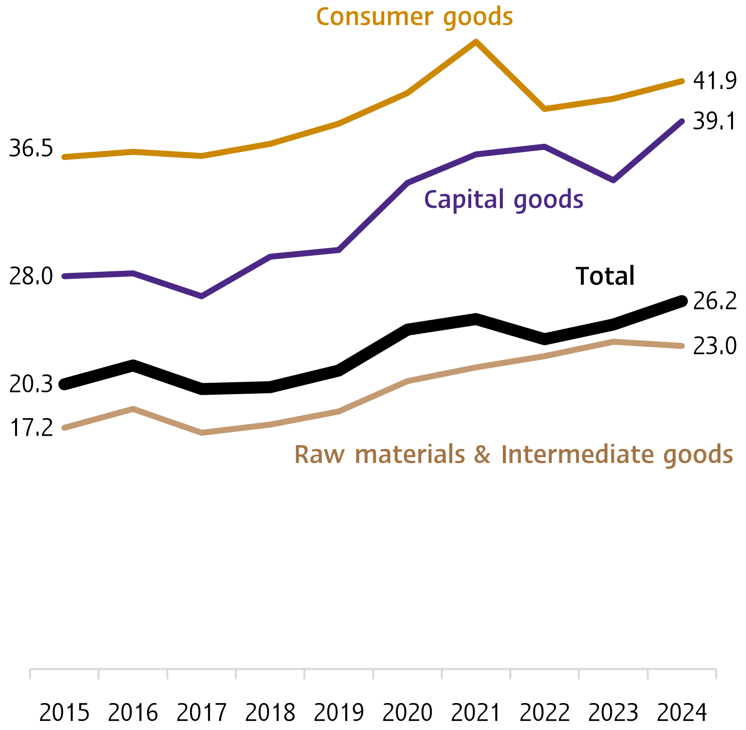
Private investment is expected to expand this year, primarily driven by the import of capital goods following the trend of direct foreign investment.

The proportion of capital goods imported from China increased alongside China's growing direct investment in Thailand.

Private investment is expected to recover only modestly in 2025.

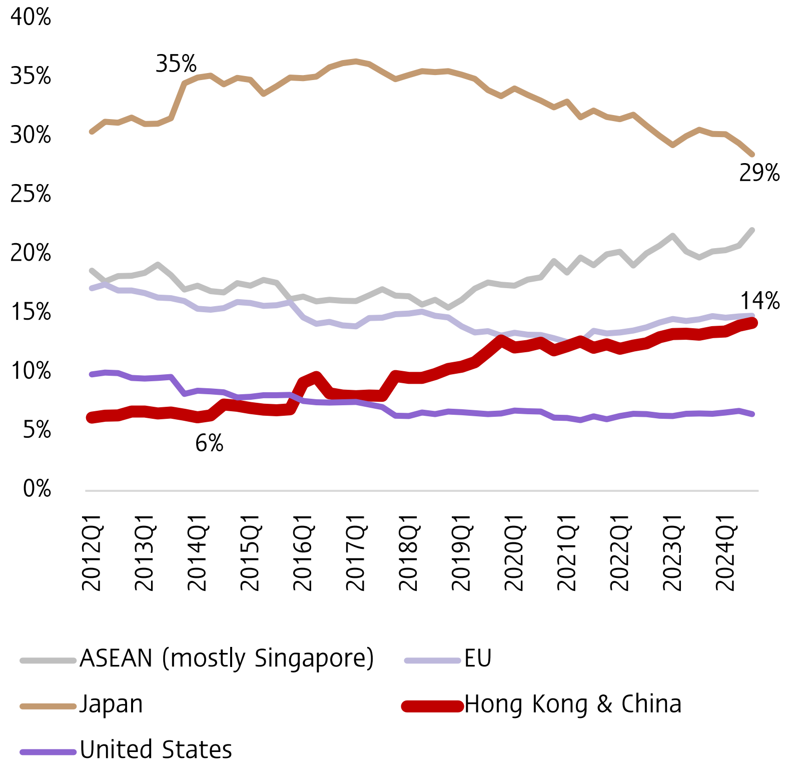
Thailand's imports from China

%total imports to Thailand (value in THB)



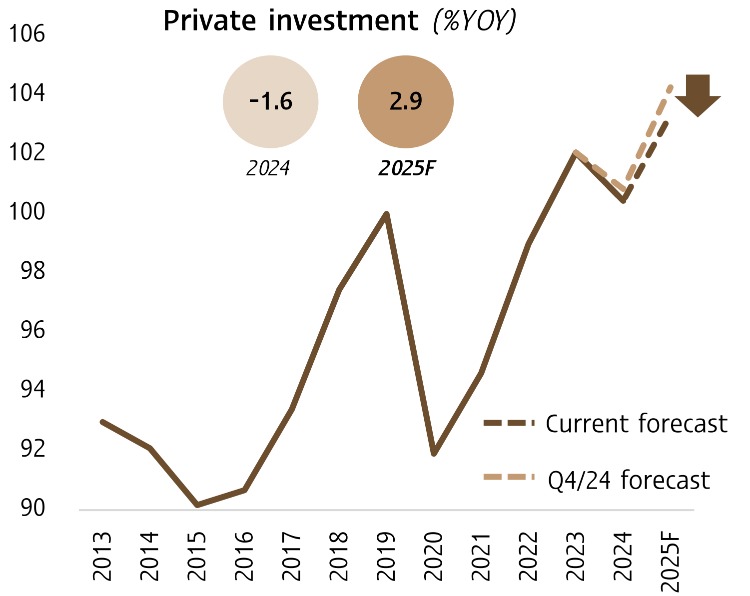
Foreign direct investment outstanding in Thailand

% of total outstanding FDI in Thailand



Thailand's Private investment Outlook

Index 2019 =100



In 2024: contracted more than expected
following domestic business vulnerability

In 2025, expand modestly from a low base.
The future growth mainly driven by foreign investments supported by BOI incentives

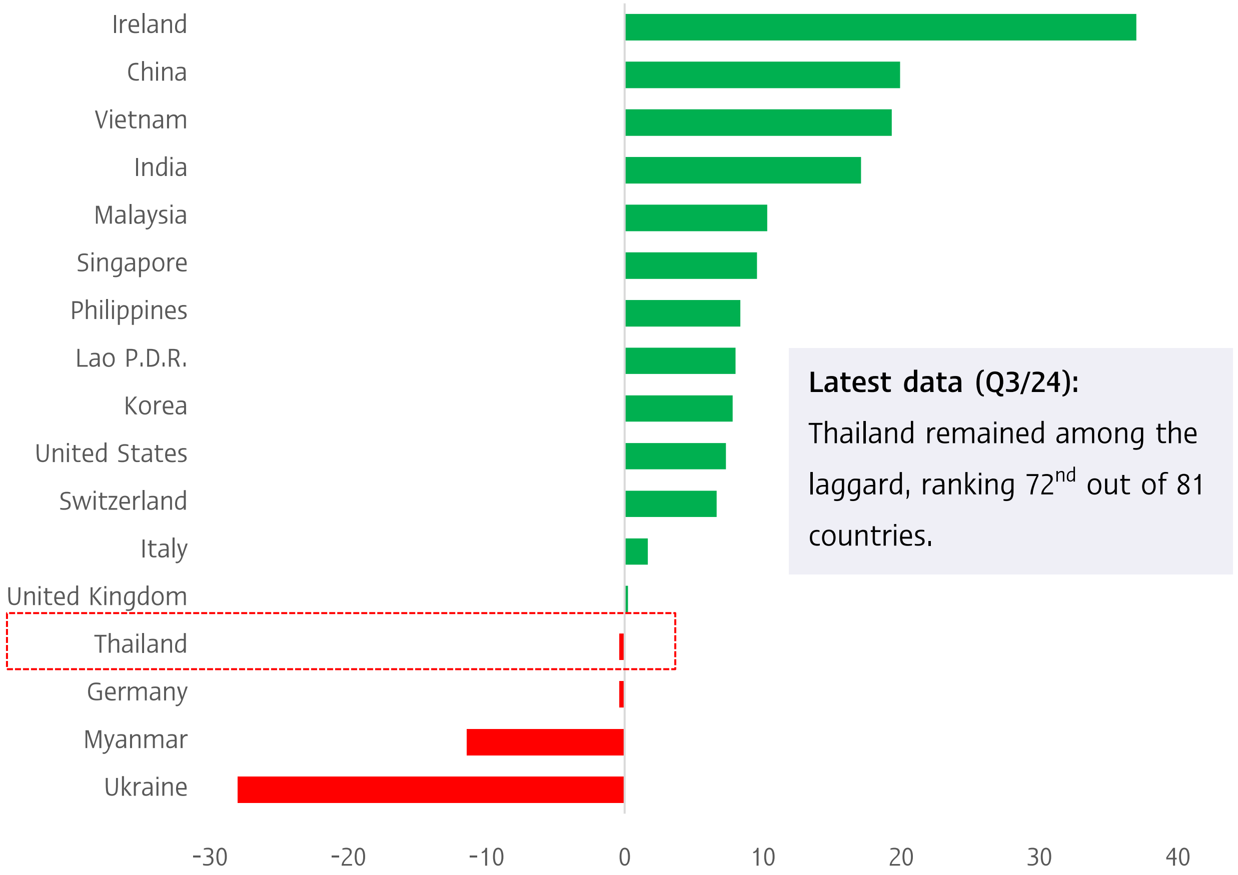
Source: SCB EIC analysis based on data from the Office of the National Economic and Social Development Council, Bank of Thailand, CEIC

Thailand's economic recovery has been sluggish due to economic scars from the pandemic and unresolved structural issues, which continue to hinder the country's long-term growth prospects.

By the end of 2023, Thailand economic recovery from COVID-19 ranked 162nd out of 189 countries globally.

The recovery of the economies after the COVID-19 crisis

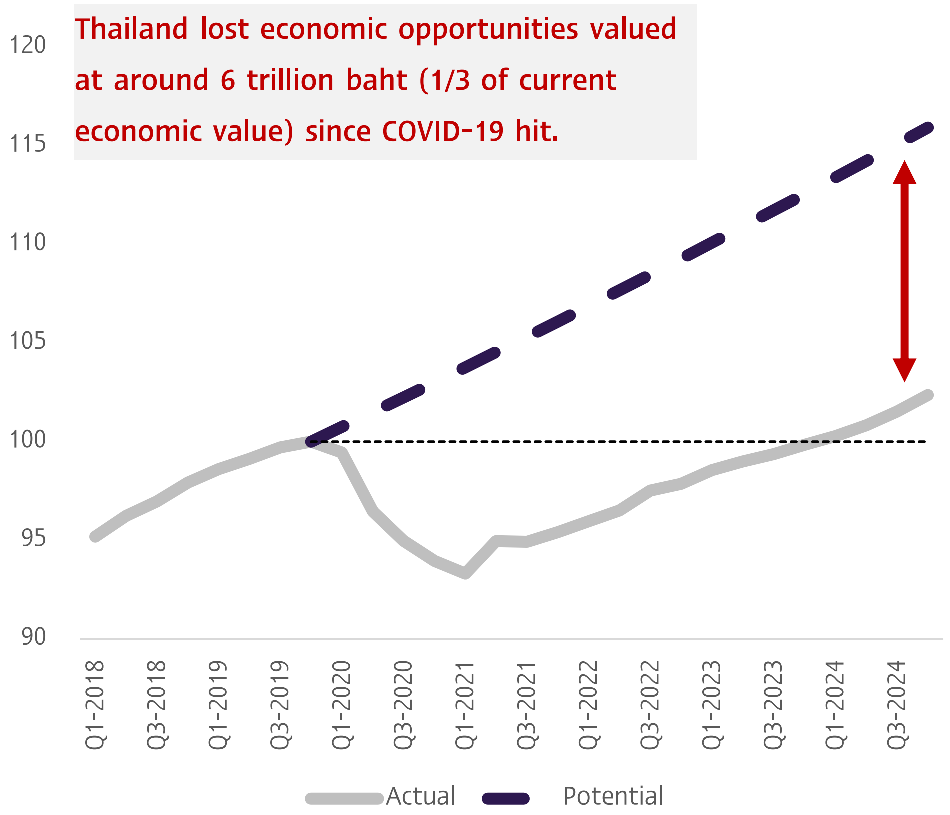
Rolling 4-quarter index as of Q4 2023 compared with Q4 2019



The Thai economy took over 4 years to return to its pre-COVID-19 level.

Thailand's GDP projections under the 3% potential growth

Rolling 4-quarter index (100 = Rolling sum as of Q4 2019)



Source: Analysis by SCB EIC based on data from the National Economic and Social Development Council (NESDC), National Statistical Office (NSO), Department of Business Development, and Ministry of Finance.

Labor market scarring: The overall Thai labor market has gradually recovered, but real wage remains significantly weaker than in the past along with higher share of informal workers.

Post-COVID labor market recovery experienced notably weaker real wage growth.

Unemployment Rate

(% labor force)

1.02% — *AVG2015-2019*

1.0% — ***2024***

Number of underemployed workers

(working less than 35 hours per week; persons)

278.8k — *AVG2015-2019*

192.3k — ***2024***

Average number of working hours

(hour per week)

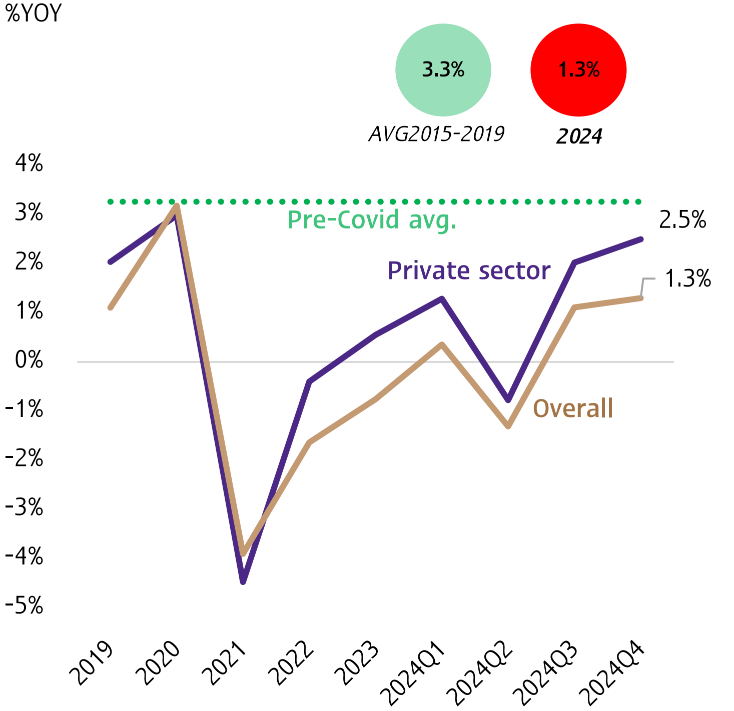
42.0 — *AVG 2015-2019*

42.5 — ***2024***

Average real wage growth

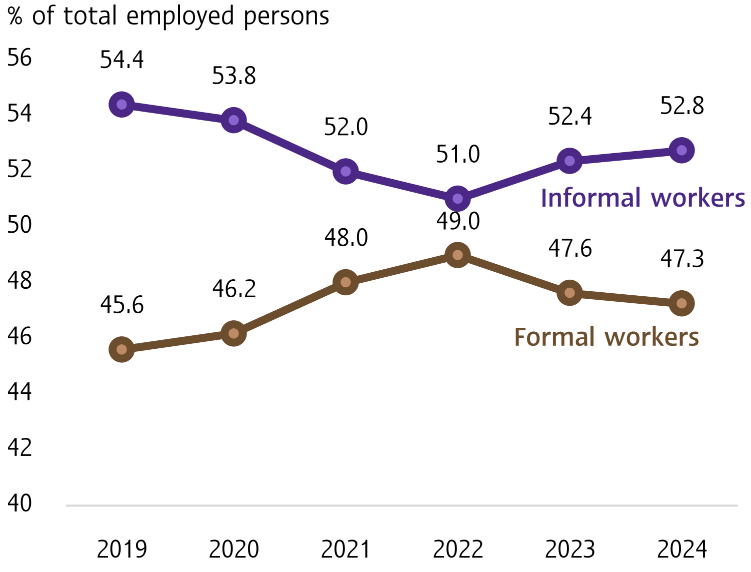
3.3% — *AVG2015-2019*

1.3% — ***2024***



Share of informal workers increased.

Share of informal workers



Average wage income

(baht per month; as of 2024)

16.2K — Formal workers

8.5K — Informal workers

Note: (1) Youth unemployment rate refers to the percentage of unemployed individuals aged 15–24 relative to the labor force within the same age group.

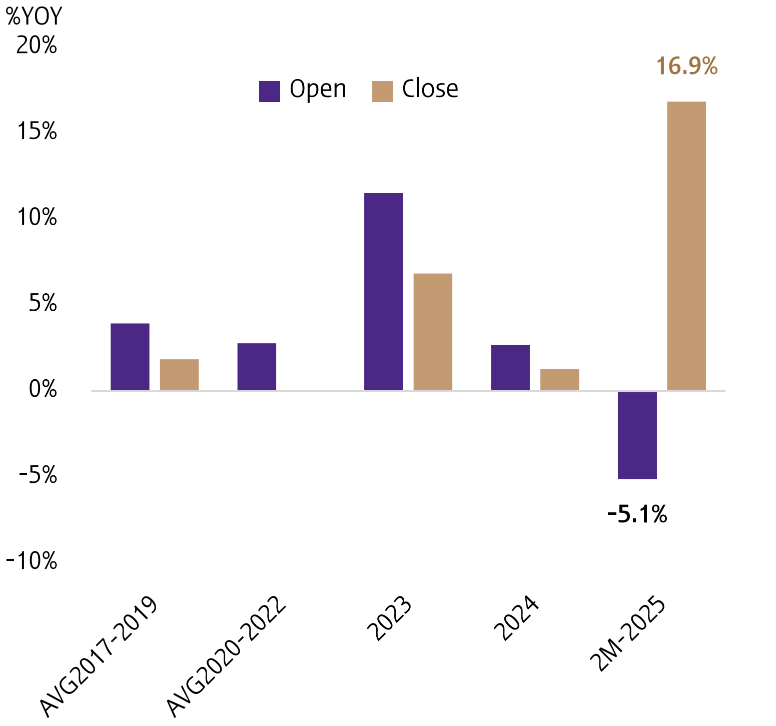
(2) Employees include those working in the private sector, government sector, and state-owned enterprises.

Source: Analysis by SCB EIC based on data from the National Statistical Office of Thailand.

Business scarring: Business closures are rising, income recovery is uneven, and 'zombie firms' remain more prevalent than pre-COVID.

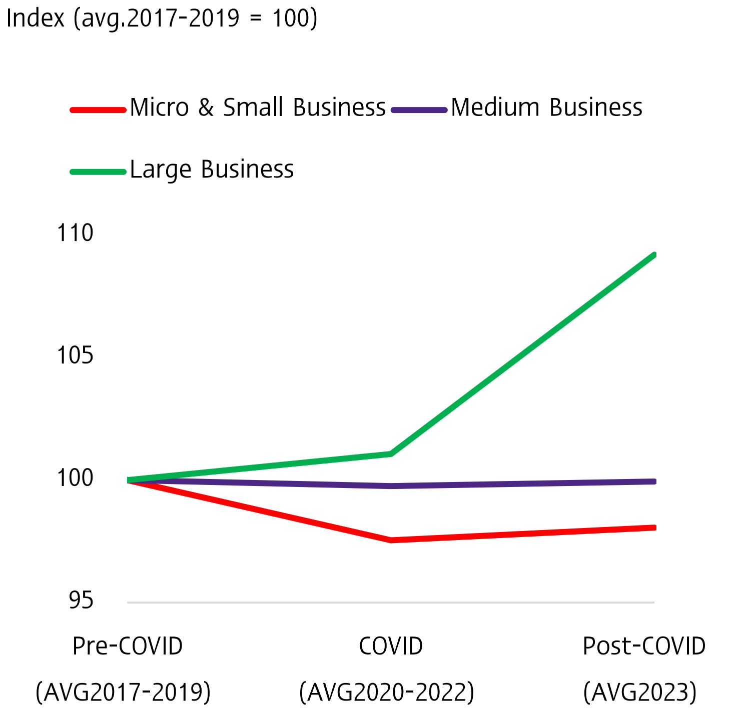
Higher business closures, lower openings

Numbers of business openings and closures



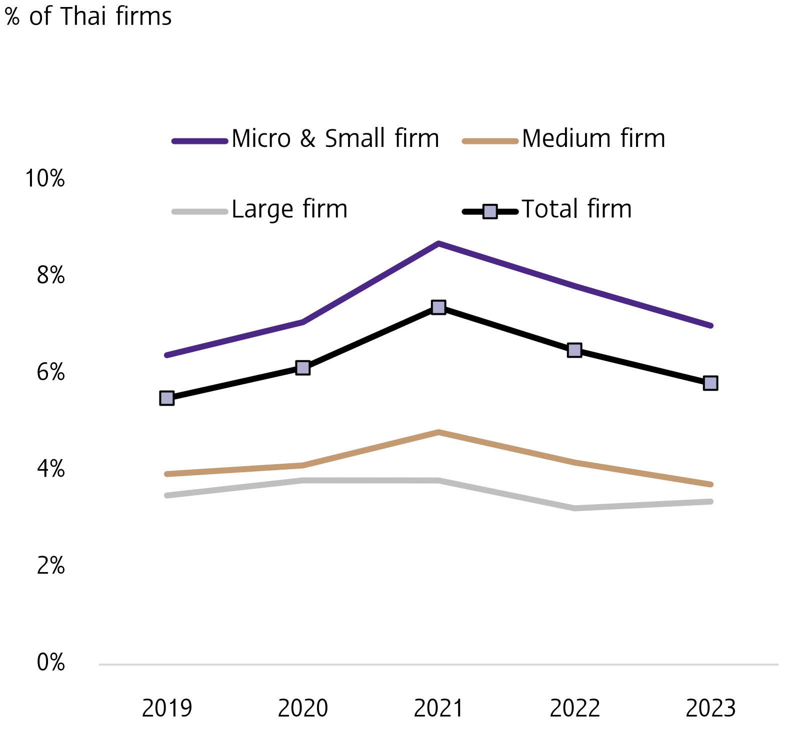
K-shaped recovery more pronounced

Average firm revenue, by size



Higher share of small "Zombie" firms

Share of "Zombie" Firms

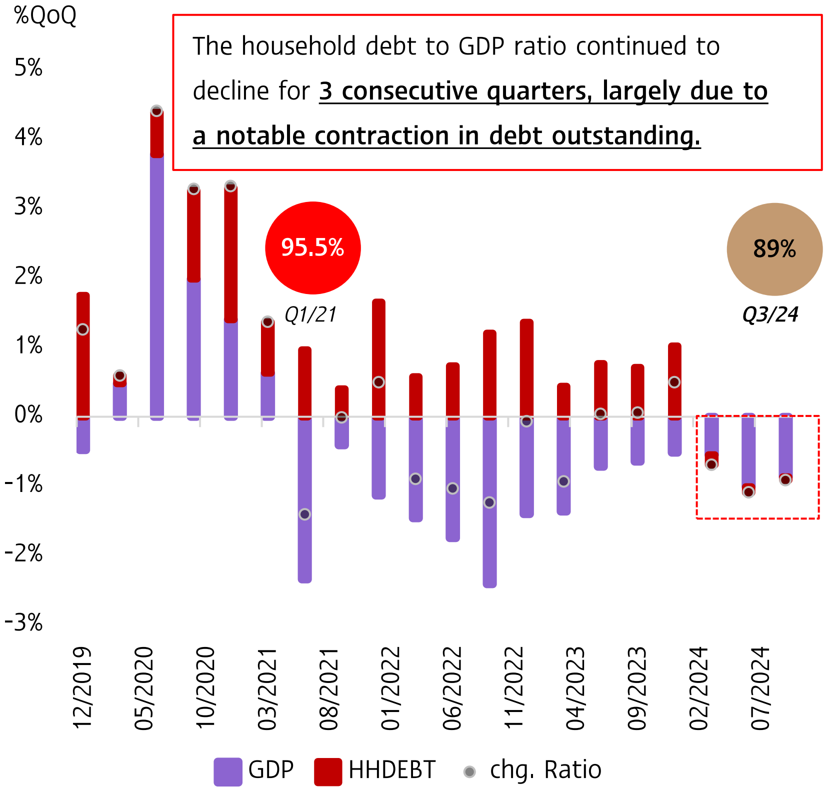


Note: (1) A "zombie firm" is defined as a company that has an interest coverage ratio (ICR) of less than 1 for three consecutive accounting periods and has been in operation for more than 10 years.
(2) **Large businesses** are defined as those with annual revenue exceeding 500 million baht for manufacturing or 300 million baht for trade and services.
Medium-sized businesses are those with annual revenue not exceeding 500 million baht for manufacturing or 300 million baht for trade and services.
Small businesses are defined as those with annual revenue not exceeding 100 million baht for manufacturing or 50 million baht for trade and services.
Source: Analysis by SCB EIC based on data from the Department of Business Development.

Household scarring: The ratio of Thai household debt to GDP has gradually declined but remains higher than pre-COVID levels, primarily due to a contraction in outstanding loans.

HH debt ratio fell below 90% largely due to contraction in debt outstanding.

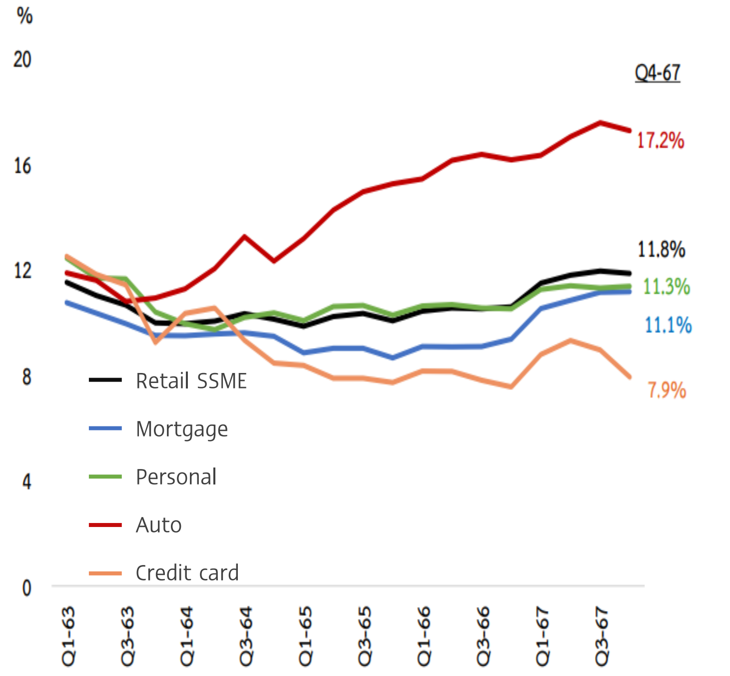
Contribution to change in household debt to GDP ratio



SM and NPL remain high especially for auto and mortgage.

SM+NPL for consumer loan under financial institution

Unit : %SM and NPL outstanding loan

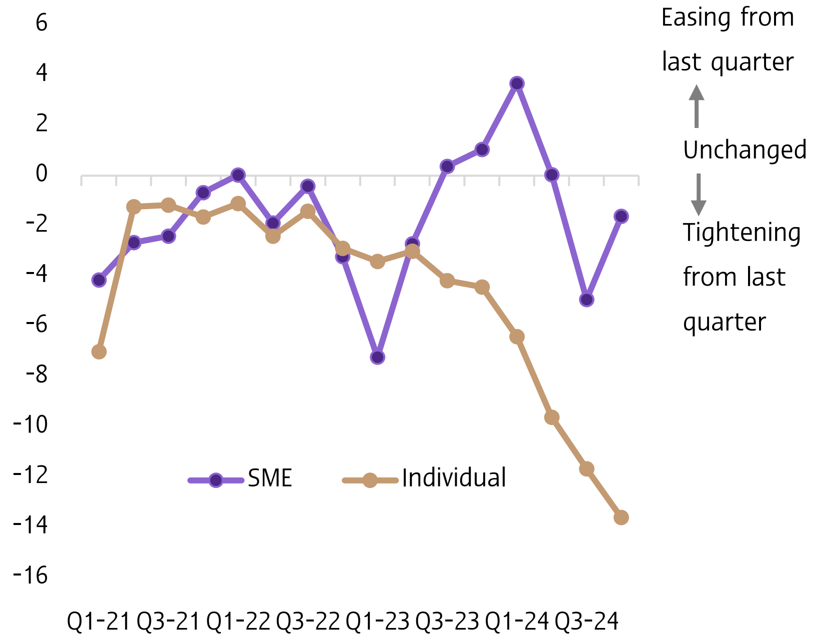


from Banking Sector Quarterly Brief (Q4 2024 and 2024) by the Bank of Thailand.

Credit standards continue to tighten.

Credit standards (survey by BOT)

diffusion index 4QMA, weighted average for individual loans



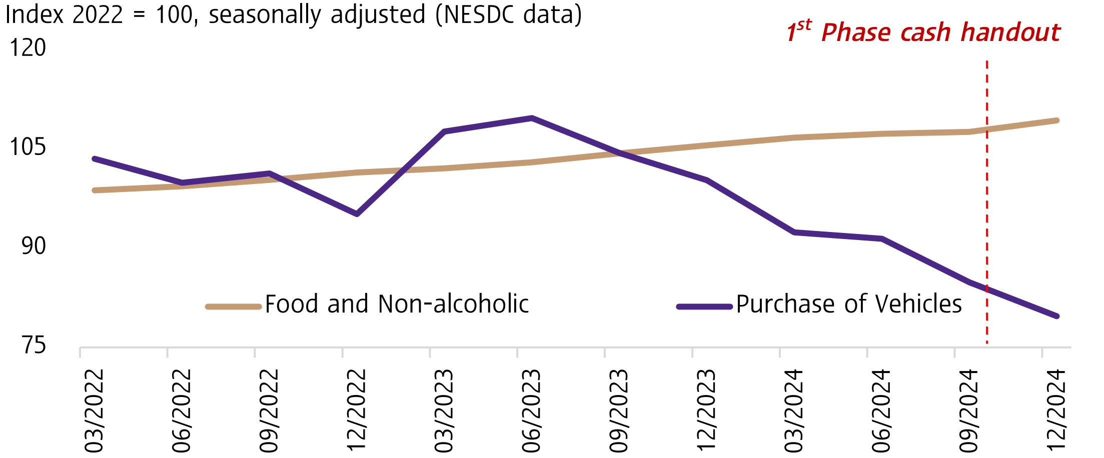
Note: The credit standard data is based on the Credit Conditions Survey by the Bank of Thailand. For individual lending standards, the figures are weighted averages based on the outstanding loan balance of each loan type in the respective quarter. Source: Analysis by SCB EIC using data from the Bank of Thailand and CEIC.

Private consumption growth is expected to slow to 2.6% in 2025 despite the anticipated government stimulus due mainly to weak demand for durable goods.

The 1st phase of the cash handout program in Q4/24 provided a modest boost to non-durable consumption.

Consumption expenditure, selected product categories

Index 2022 = 100, seasonally adjusted (NESDC data)

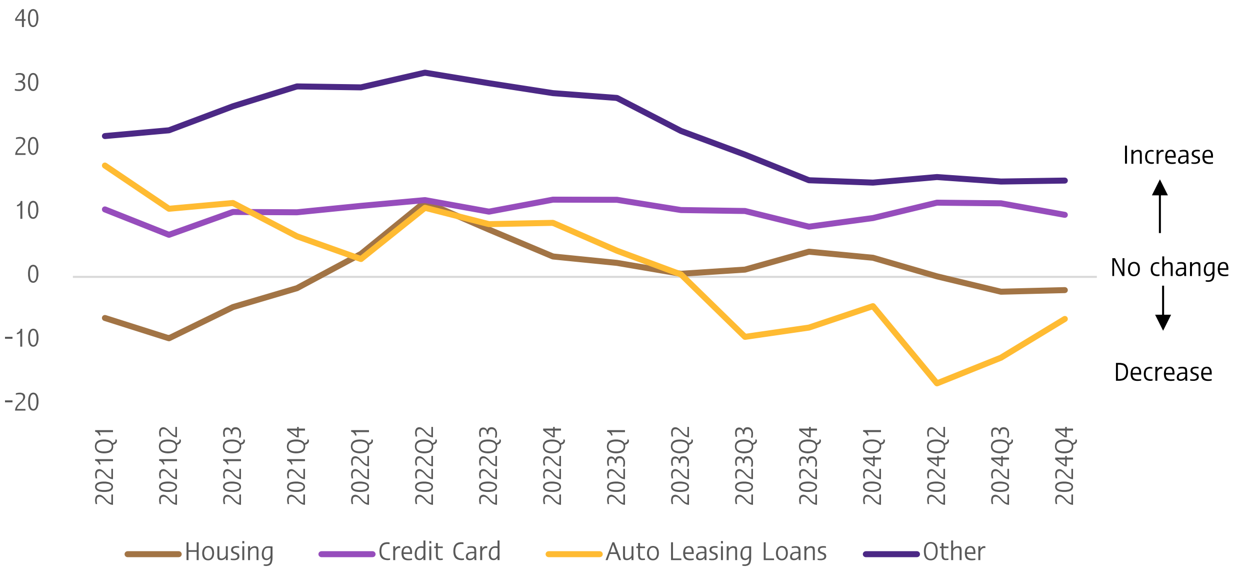


%YOY	2023	2024	Q3-24	Q4-24
Private Consumption	**6.9**	**4.4**	**3.3**	**3.4**
Durable	2.5	-8.4	-9.9	-9.5
Semi-durable	1.5	3.8	3.5	3.7
Non-durable	3.4	3.1	2.2	2.3
Food	3.4	3.5	2.8	3.2
Non-Food	3.5	2.7	1.5	1.5
Services	12.8	8.2	6.3	6.4

Given the fragile financial positions of households, spending on durable goods is expected to remain subdued this year.

Expected household loan demand for the next quarter

Diffusion Index, 4QMA; *Bank of Thailand's Credit Conditions Survey*



Loan demand is expected to rise, especially liquidity support, partly due to tighter access to other funding sources.

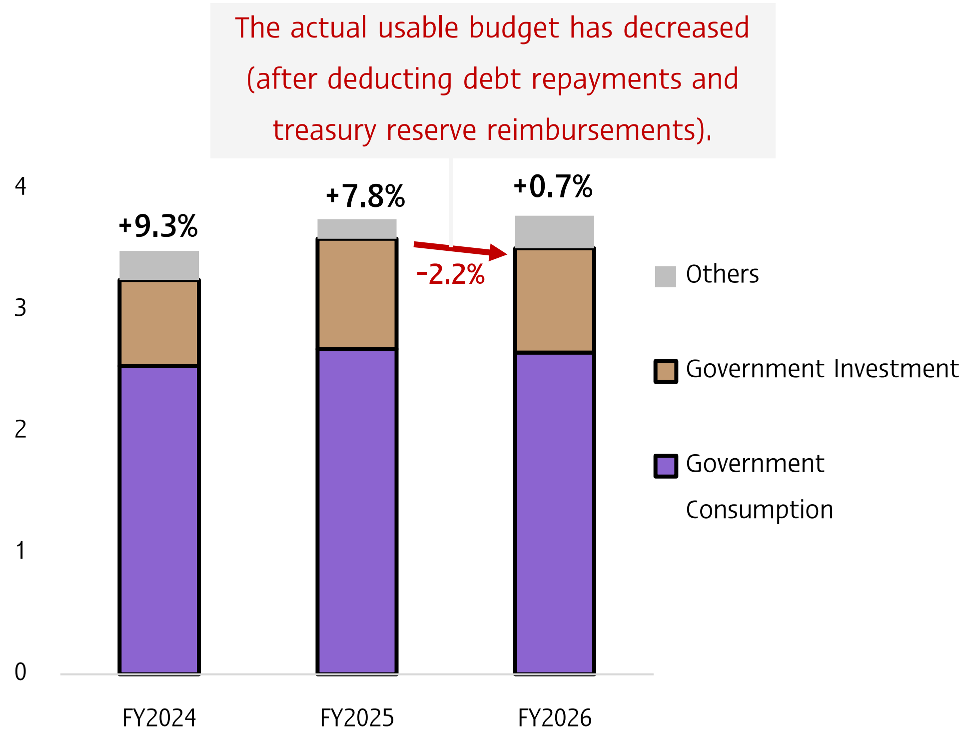
Source: SCB EIC analysis based on data from the Office of the National Economic and Social Development Council, Credit Conditions Survey by the Bank of Thailand

Fiscal scarring: Public debt has risen significantly from pre-COVID levels and is projected to approach the 70% debt ceiling within the next few years.

While the government is running a high deficit in FY2025, the budget framework will begin to reflect fiscal constraints over the medium term.

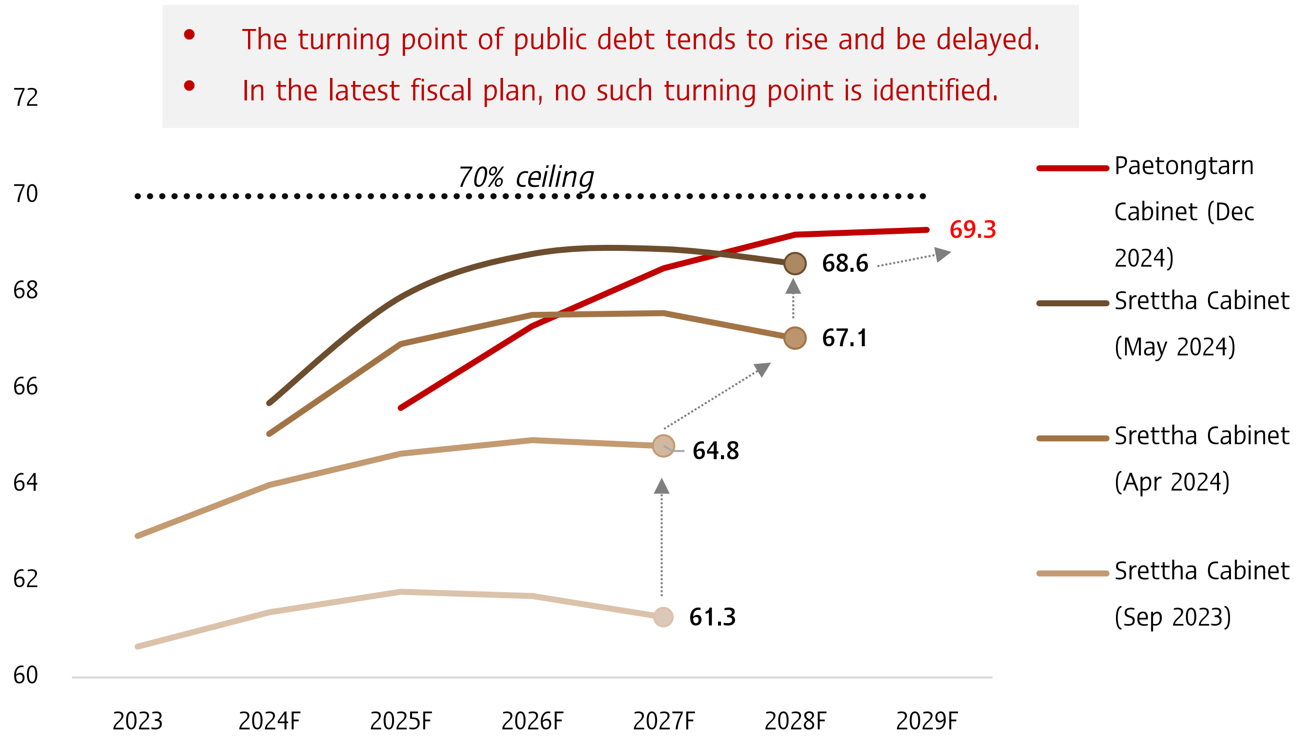
Comparison of the Annual Budget Expenditure Framework for 2024–2026 (Cabinet Resolution on January 7, 2025)

Trillion Baht



Public Debt Forecast Based on the Medium-Term Fiscal Plan by the Ministry of Finance

Public Debt %Nominal GDP, Fiscal Year



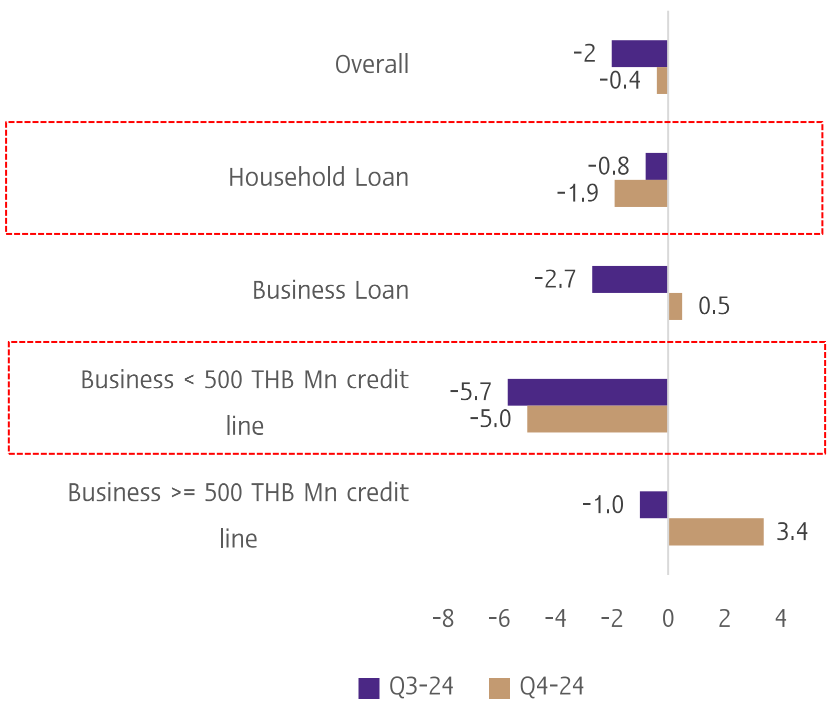
ที่มา : การวิเคราะห์โดย SCB EIC จากข้อมูลของกระทรวงการคลัง, สำนักเลขาธิการคณะรัฐมนตรี และสำนักงบประมาณ

Thailand's financial conditions remain tight, especially in segments with higher financial risk.

Credit contracted in the retail segment.

Credit growth in the commercial banking system

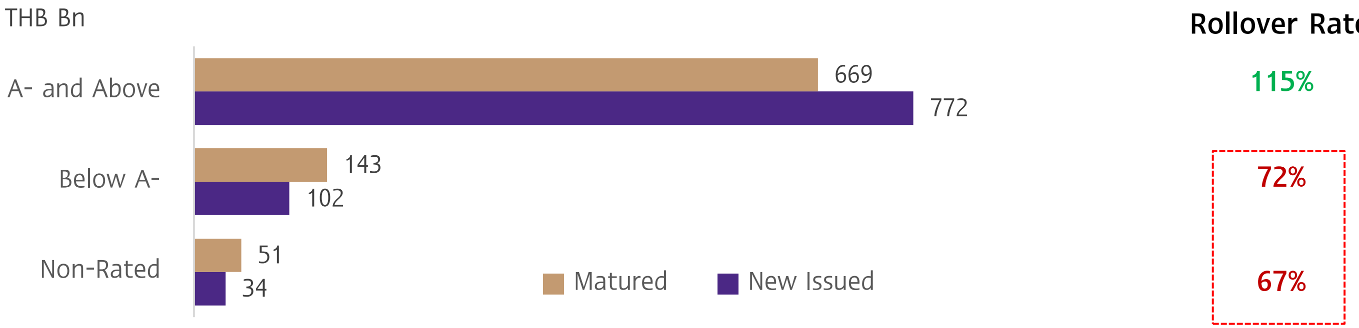
%YOY



Note: Figures are from Banking Sector Quarterly Brief (Q4 2024 and 2024) by the Bank of Thailand.

There are challenges faced by some of the firms in raising funds via the bond market.

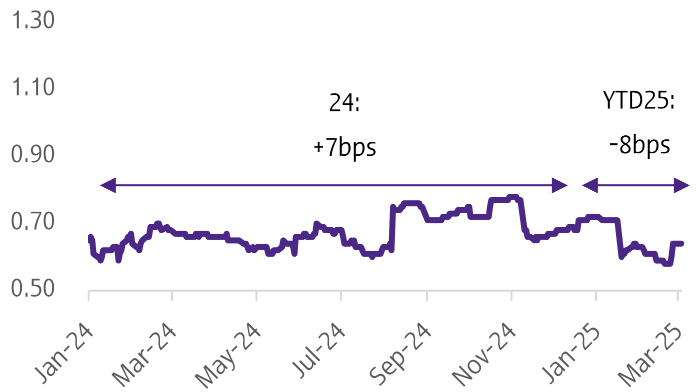
Value of newly issued and maturing corporate bonds in 2024 by credit rating



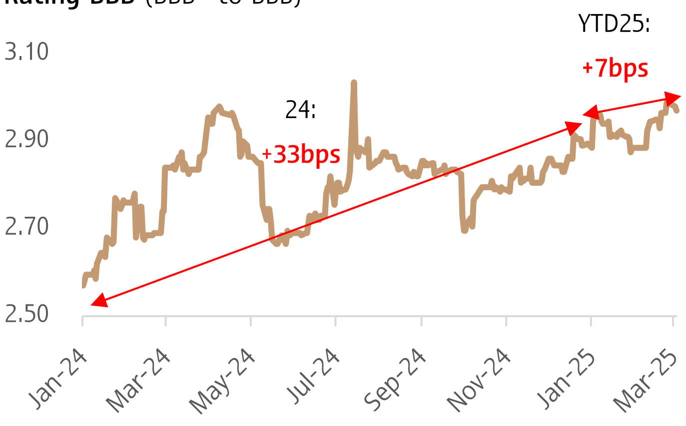
Credit spreads on Thailand's 5-year corporate bonds have started to widen among lower-rated issuers.

%, as of March 4, 2028

Rating AAA



Rating BBB (BBB+ to BBB)



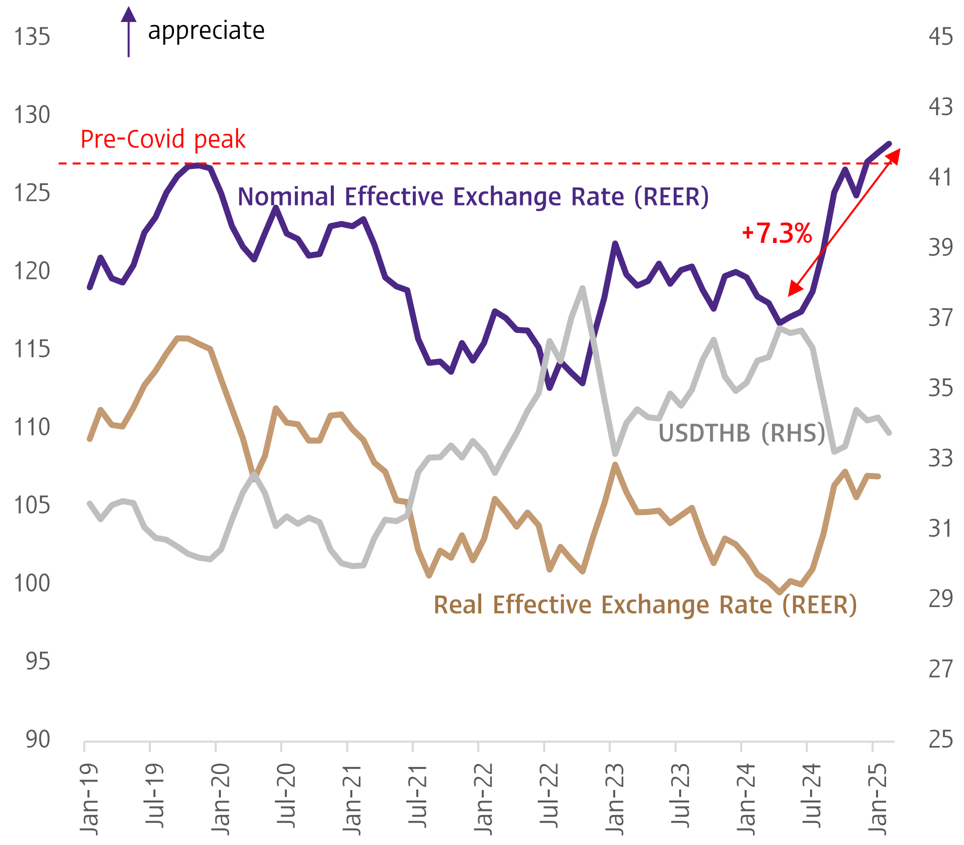
Source: Analysis by SCB EIC based on data from the Bank of Thailand and ThaiBMA.

The effective exchange rate index for THB has appreciated to the new high.

NEER saw 7% appreciation in the past 12 months

Effective exchange rate and USDTHB

Index 2012 = 100 (LHS), USDTHB (RHS)



The Baht has depreciated against the USD less than most regional currencies

Regional currencies exchange rates against USD

%change (as of Mar 5)

FX Outlook: The baht is projected to be 33.50 per U.S. dollar by the end of 2025

- **The weakening trend of the U.S. dollar index** suggests that capital may gradually flow into emerging markets (EM), with inflows into Europe acting as a catalyst.
- **U.S. tariffs may not cause a sustained strengthening of the dollar**, as the likelihood of short-term supply chain reallocation remains low.
- However, **in the short term, tariff-related risks may cause regional currencies, including the baht, to weaken at times.**
- **Domestic factors could also pose downside risks to the baht**, such as a potential export slowdown or continued capital outflows from the Thai stock market.

Source: SCB EIC and SCB FM analysis based on data from Bank of Thailand, Bloomberg, CEIC.

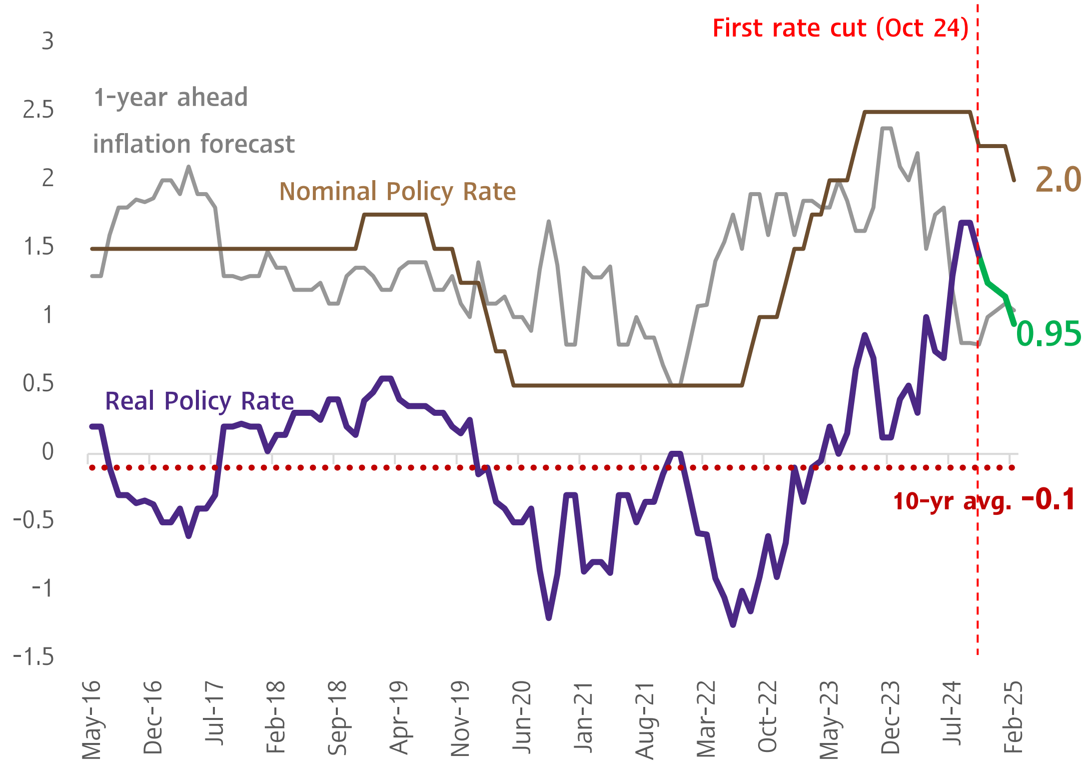
SCB EIC anticipates two more policy rate cuts this year to 1.5% due to sustained tight financial conditions and escalating impacts from U.S. trade policies on the Thai economy.

The two recent policy rate cuts have lowered the real interest rate to some extent, but it remains higher than the past level.

Although Thailand's policy rates are relatively low compared to other economies, GDP growth and inflation also remain low.

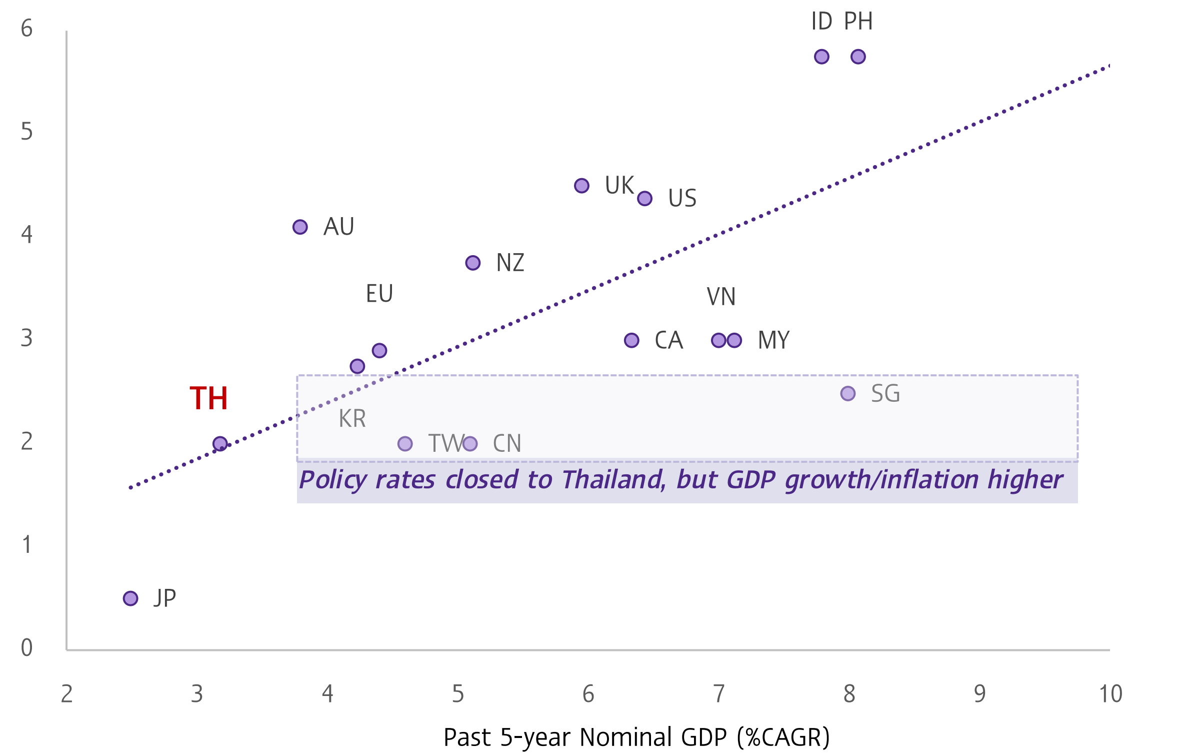
Real Policy Interest Rate

%, Calculated from 1-year Ahead Median Inflation Forecast Bloomberg median



Policy Rate and Nominal GDP growth for selected economies

Latest policy interest rate (%)



Source: SCB EIC analysis based on data from Bank of Thailand, Bloomberg, CEIC.

SCB EIC