

KResearch maintains its 2025 GDP growth forecast at 2.4%, but negative factors from the Thai economy and trade-war risks could potentially result in lower-than-expected GDP growth for 2025

KResearch views that the Thai economy may encounter several adverse factors in 2025, potentially causing the manufacturing sector to contract for the third consecutive year. Tourism is anticipated to provide only limited support for economic recovery. Given these challenges, KResearch maintains its GDP growth forecast for 2025 at 2.4 percent. However, as trade wars could have a greater impact than previously estimated, 2025 GDP may grow lower than the prior estimate. Amid import tariff hikes and changes in US foreign policy over the past two months, the global economy will have to brace for uncertainty surrounding international relations and a new round of financial restructuring in the near future.

Mr. Burin Adulwattana, Managing Director and Chief Economist of KASIKORN RESEARCH CENTER (KResearch), is of the view that amid the challenges of the persistent US trade deficit and rising public debt, a solution that is increasingly being discussed in 2025 is the Mar-a-Lago Accord. This is similar to the Plaza Accord of 1985, which was previously implemented by the US. The Mar-a-Lago Accord's primary objective is to weaken the US dollar in order to enhance the competitiveness of the US export sector, restore US manufacturing, and reduce the US debt burden. Additionally, allied countries that rely on US security protection may be required to hold 100-year US government bonds.

Meanwhile, Mr. Rujipun Assarut, KResearch Assistant Managing Director, said that ongoing trade wars may lead to increased competition in the global automotive market, worsening global car oversupply and driving down global car prices. Major global automotive producers, such as Japan, Germany, and South Korea, will likely diversify their car export markets while also investing in production facilities in the US to serve the local market in order to mitigate the impact of US tariff hikes. Increased competition in the global automotive market is expected to exacerbate global car oversupply, which currently sees production exceeding sales by 16 percent. Additionally, global car prices are expected to decline except in the US, as Chinese automakers are likely to continue their price-driven strategy there. The intensified competition is also expected to hurt Thai exports and, in turn, the automotive manufacturing sector, which currently relies heavily on exports for up to 67 percent of Thailand's total car production.

Ms. Kevalin Wangpichayasuk, KResearch Deputy Managing Director, added that the impact of Trump's tariff hikes could drag down Thai industrial production, risking a contraction of approximately 1.0

percent in 2025. Thailand also may not be able to rely on tourism as much as in previous years. Manufacturers and exporters of electronics and electrical appliances will be directly affected by the tariff increases and reduced purchase orders from the US, as they are heavily dependent on the US as a key export market. Meanwhile, shippers of automobiles, steel, and aluminum products will face indirect impacts from intensified competition amid the global economic slowdown. Consequently, low-skilled workers in the manufacturing sector will be at risk of income loss, with medium- to large-scale electronics and automotive factories already showing signs of additional closures. The situation is expected to become even more challenging when the US announces reciprocal tariffs in early April. Additionally, Thailand's reliance on tourism as an economic driver will likely be lower than in previous years, following a decline in tourist arrivals from its two main markets – China and Malaysia. Intense competition to attract tourists and a shift in travel behaviors will also make it difficult for the foreign tourism market in Thailand to return to or exceed pre-pandemic levels.

Ms. Nattaporn Triratanasirikul, KResearch Deputy Managing Director, elaborated that if Thailand is subject to an additional 10-percent reciprocal tariff, Thai GDP may be reduced by 0.3 percent. This impact has already been factored into the 2025 GDP forecast of 2.4 percent. However, if Thailand were to face an additional 25-percent US tariff, its GDP growth is projected to be decreased by 0.6 percent. As a result, the current forecast for the Thailand's economic growth at 2.4 percent may be at risk of falling, but growth may remain above 2.0 percent. Furthermore, Thailand's economic growth in 2H25 is expected to stagnate on a quarter-on-quarter basis due to the effects of trade wars, the high base of the previous year, and weakening economic momentum.

Meanwhile, Ms. Thanyalak Vacharachaisurapol, KResearch Deputy Managing Director, views that the uncertain economic outlook may lead to a downward trend in interest rates both domestically and internationally. However, the Thai private sector planning to raise funds should remain wary of the cost of fund mobilization that may not decrease as much as expected. This is due to the fact that domestic investors are still showing signs of caution, causing the spread of several groups of debentures to increase. Regarding the Thai Baht, it is likely to move within the range of THB33.0-34.5/USD in 2Q25, with a chance of short-term strengthening due to the potential rise in gold prices and Fed's interest rate cuts. Meanwhile, loans at the Thai commercial banks have begun to show signs of recovery, but this is partly because of a shift from the bond market. Therefore, KResearch expects overall loan growth to remain

moderate at 0.6 percent. SME and auto hire purchase loans may continue to shrink, in line with the uncertain business situation and purchasing power. Meanwhile, the recent relaxation of LTV (Loan-to-Value) measures may contribute an additional 0.1-0.2 percent to housing loan growth forecast for 2025, up from the previous estimate of 0.5 percent.
