

KResearch raises Thailand's 2025 GDP growth forecast to 1.8%, supported by front-loading shipments before the US collects remaining tariffs although both the global and Thai economies remain subject to significant uncertainty

KResearch has raised its GDP growth forecast for the Thai economy in 2025 to 1.8 percent, supported by front-loading exports to the US, particularly electronics. Meanwhile, the smaller-than-anticipated slowdown in Thai shipments during the second half of 2025 has reduced the risk of Thailand slipping into a technical recession. Regarding the policy interest rate outlook for the remainder of 2025, it is expected that the Monetary Policy Committee (MPC) may cut the policy rate one more time this year amid short-term economic stimulus measures implemented by a new government.

Mr. Burin Adulwattana, Managing Director and Chief Economist of KASIKORN RESEARCH CENTER Co., Ltd. (KResearch), said, "The high uncertainty surrounding the global economy and the US President's recent interference with the Federal Reserve's independence have fueled market expectations of faster and steeper interest rate cuts, starting this September. Additionally, the volatility and uncertainty seen in the US government's economic policies have begun to dampen employment in the US and erode confidence towards the US dollar, leading to depreciation of nearly 10 percent so far this year."

Ms. Nattaporn Triratanasirikul, KResearch Deputy Managing Director, said, "KResearch has raised its 2025 economic growth forecast for Thailand to 1.8 percent, from the prior estimate of 1.5 percent, thanks to front-loading shipments to the US ahead of the implementation of tariff measures under Section 232 and transshipment tariffs. Meanwhile, the smaller-than-anticipated slowdown in Thai shipments during the second half of 2025 has reduced the risk of Thailand slipping into a technical recession. However, the Thai economy still faces risks from both direct and indirect effects of US tariffs, the slowdown in tourism, and domestic political factors that require close monitoring. Regarding the policy interest rate outlook for the remainder of 2025, it is expected that the Monetary Policy Committee (MPC) may cut the policy rate one more time this year amid short-term economic stimulus measures implemented by a new government."

Ms. Kevalin Wangpichayasuk, KResearch Deputy Managing Director, views that goods utilizing less than 50-percent local raw materials may face US transshipment tariffs. These include machinery, electrical appliances, textiles, and chemicals, which account for about 27 percent of Thai exports to the US. It is estimated that Thailand's effective tariff rate is likely around 26 percent – lower than Malaysia's but higher than Vietnam's and Indonesia's. Nearly half of Thai products exported to the US are subject to tariffs of higher than 19 percent. This poses an urgent challenge for strengthening the manufacturing sector to mitigate potential chain effects on businesses and workers.

Dr. Rujipun Assarut, Assistant Managing Director, added, "The impact of US import tariffs under Section 232 is expected to become more pronounced for Thailand. Currently, only 12.3 percent of Thai exports to the US are affected by these tariffs, but this proportion may increase to 19.5 percent following the implementation of import tariffs on semiconductors, anticipated around the fourth quarter of 2025. Semiconductors are set to face exceptionally high tariffs of 100-300 percent although electronic products containing semiconductors, such as hard drives and computers, will not yet be subject to these tariffs in the initial phase. The impact of such tariffs is projected to cause Thailand's semiconductor exports to shift from double-digit growth in 2025 to a contraction of approximately [-]4.8 percent in 2026, as the US market accounts for as much as 16.2 percent of Thailand's semiconductor exports."