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KResearch projects Thailand's GDP growth to slow to 2.4 percent in 2025 amid weaker tourism and export momentum

Mr. Burin Adulwattana, Managing Director and Chief Economist of KASIKORN RESEARCH CENTER (KResearch), said, "The return of President Donald Trump has led to heightened uncertainty in global investment and trade. Of particular concern are the proposed import tariff policies, awaiting clarification in early 2025. This development has raised anxiety about the potential for a global economic downturn reminiscent of the 1930s. Additionally, the 'America First' policy could disrupt the global order, posing risks to international organizations such as the World Trade Organization (WTO) and the North Atlantic Treaty Organization (NATO).

Ms. Nattaporn Triratanasirikul, KResearch Deputy Managing Director, said that Thailand's economy is expected to grow by 2.4 percent in 2025, slightly below the projected 2.6-percent growth for 2024. This slowdown is primarily attributed to waning momentum in tourism while tourist arrivals are presently approaching pre-Covid levels. Likewise, export growth is expected to decelerate due to the trade war, which directly affects the US market and indirectly impacts other markets where Thailand competes head-on with Chinese goods. Nevertheless, public investment in 2025 is expected to post higher growth than that reported for 2024, thanks to steady budgetary disbursements, while private investment is set to improve compared to the contraction seen in 2024, in line with FDIs entering the automotive and electronics industries. However, risks to the Thai economy remain high due to uncertainties surrounding the trade war and the slowdown in major global economies, particularly China. Additionally, Thailand's manufacturing sector may face increased competition from Chinese products amid eroding competitiveness.

Ms. Kevalin Wangpichayasuk, KResearch Deputy Managing Director, is of the view that situation within the Thai industrial sector may not improve significantly in 2025 amid several downside risks, including the potential trade war under Trump 2.0, which may hurt exports and production. Additionally, certain government measures are likely to affect costs, while structural issues may cause consumers to be more careful about their spending. Meanwhile, the sectors that will recover more slowly are small to medium-sized businesses, with the risk of a decline in the number of manufacturers in industries such as automotive, electronics, chemicals, metals, and fashion. Meanwhile, although the number of entrepreneurs in the trade and service sectors may increase, they are likely to experience challenges in sustaining their businesses.

Ms. Thanyalak Vatcharachaisurapol, KResearch Deputy Managing Director, added that loans at domestically registered commercial banks may see slower growth by approximately 0.6 percent in 2025, compared to the 1.8-percent growth projected for 2024, amid hefty household debt that continues to cause retail loan growth to shrink, while close attention must be paid to both non-performing retail and SME loans. KResearch has analyzed business loan data from the National Credit Bureau (NCB) database of corporate debtor accounts, which consists of anonymized statistical data. The analysis revealed five key findings: 1) Debt incurred by Thai businesses has deteriorated since late 2023 to early 2024, following the end of financial relief measures introduced during the pandemic period; 2) Smaller businesses are facing more severe debt problems; 3) All types of financial institutions offering loans are experiencing more pronounced impacts from non-performing loans (NPLs); 4) A deep dive into the chronic debt (existing business accounts with NPLs over the past three years) shows growing concerns for small and medium-sized enterprises (SMEs); and 5) Key business sectors facing NPL problems include real estate, wholesale and retail trade, accommodation and food services, and manufacturing. These reflect immediate challenges such as weakened consumer purchasing power, intense competition, uneven business recovery, and structural issues like declining competitiveness. According to a survey of SME operators conducted in late November 2024, promoting sustained economic growth to generate positive effects on business income is seen as a sustainable solution.

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