Economic and Financial Outlook

ttb analytics

June 2025

Executive Summary

Global Economy

- From May to mid-June 2025, economic data continued to signal a global slowdown including US and Chinese economic data. Meanwhile, overall inflation pressures appear more controlled despite some remaining upside risks.
- Rising tensions in the Middle East have pushed oil prices higher due to fears of supply disruptions, particularly if the Strait of Hormuz, a key route for about 20% of global crude oil and LNG consumption, is closed. The tensions have eased after a ceasefire announced by US President Trump. However, Iran's nuclear program is only delayed, not dismantled, so the risk may return.
- For the policy rate, the central bank easing cycle continues, but some await clarity after tariff deadlines and developing geopolitical risks. The FOMC held rates at 4.25–4.50% as expected, with the 2025 median dot still implying two cuts. Meanwhile recent Asian central bank decisions have diverged, reflecting different priorities.

Thai Economy

- In April 2025, Thai economy improved from the previous month, driven by the manufacturing sector and related services. Private investment increased, mainly in machinery and equipment. The tourism sector slightly improved but remained contracted compared to the same period last year. Merchandise exports and private consumption, however, declined from the previous month.
- Headline inflation in May 2025 remained negative marking a second-consecutive month due to the falling prices of fresh food and energy items. Notably, trade balance (Custom basis) registered a deficit following a great expansion in imports leading to current account balance also decrease.
- MPC held the policy rate at 1.75% in the third meeting of 2025. MPC committee also projected Thailand's economy to grow modestly in 2025 and 2026 due to the better performance in the first half of 2025, however, growth is expected to slow in the latter half of the year due to the negative impact of tariffs on exports and a decline in private consumption.

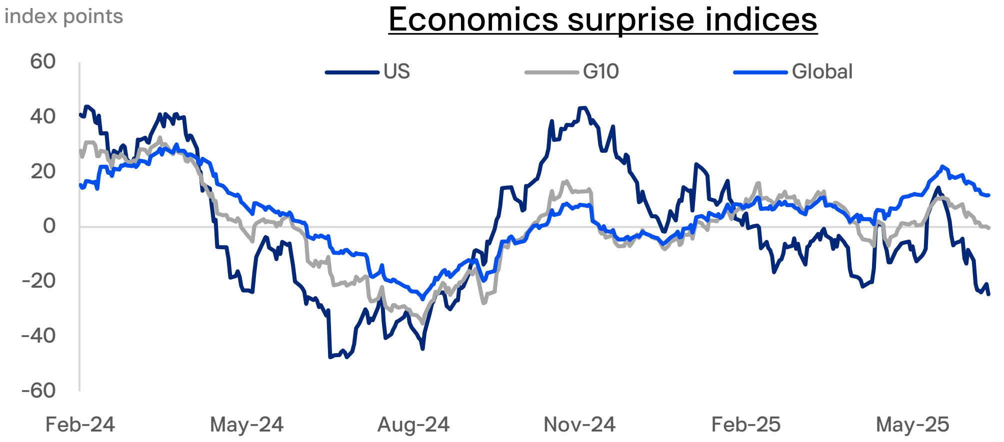
Financial Markets

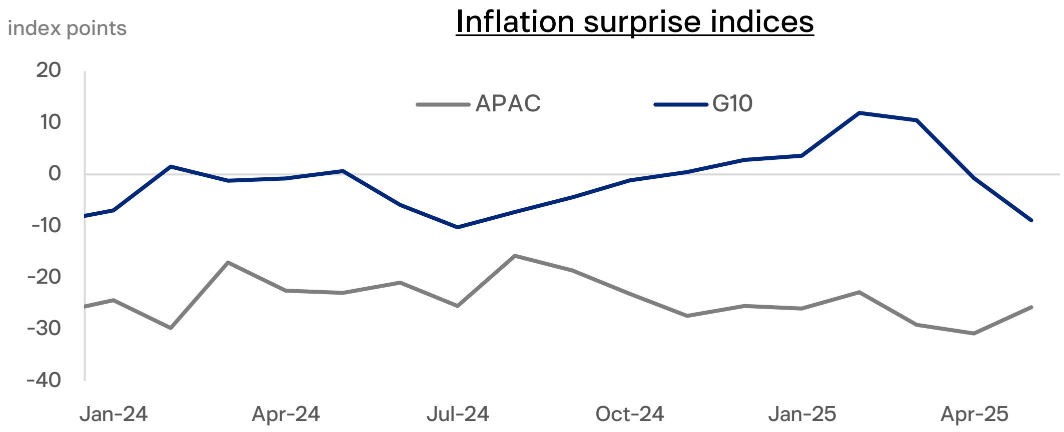
- Over the past month, US bond yields have declined across the curve, influenced by growing expectations of a Fed rate cut. Meanwhile, geopolitical tensions in the Middle East have increased demand for safe-haven assets, particularly long-term bonds, helping to compress term premiums. Thai bond yields have declined across the curve despite net bond outflows from foreign investors.
- The de-dollarization trend remained the primary driver in the FX market, despite a brief dollar uptick due to Middle East tensions. Meanwhile, the Thai Baht moved in line with the dollar's fluctuations.

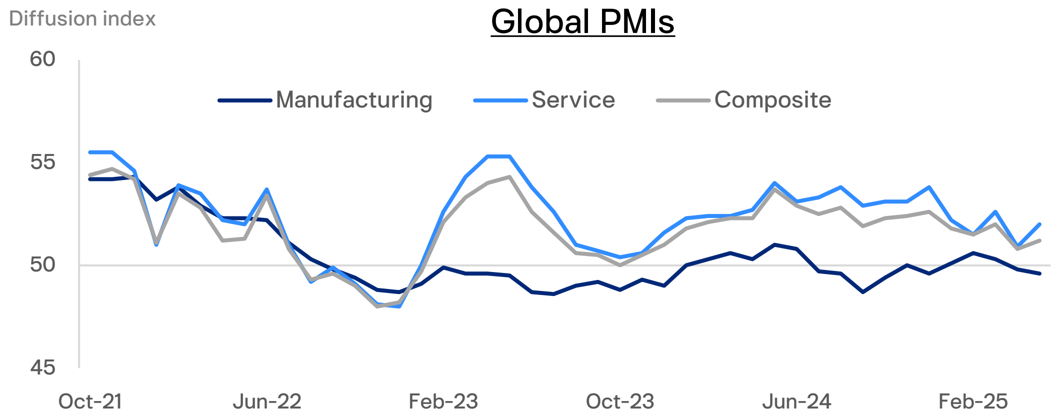
PART 1

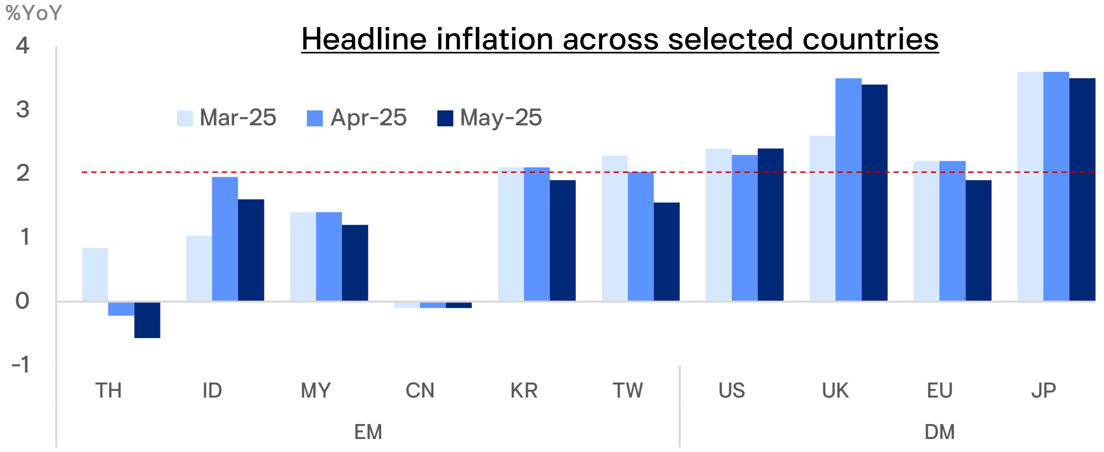
Global Economy

Recent economic data continued to signal a global slowdown. Meanwhile, overall inflation pressures appear more controlled despite some remaining upside risks.









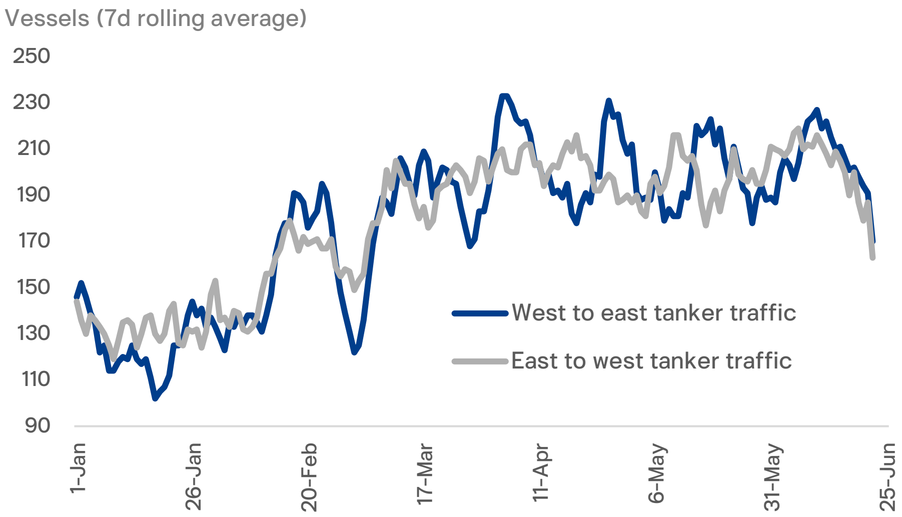
- The economic surprise index signals a global slowdown, with US data underperforming both G10 peers and the global average. Global composite PMI rose to 51.2 in May, boosted by services, while manufacturing contracted due to weak orders and trade uncertainty. China and some Southeast Asian economies were key drags. PMIs remain hard to interpret in short term, distorted by front-loading and unclear US trade policy.

- Price pressures remain broadly contained and tilted to the downside, with inflation close to central bank targets, except in the UK, where a rise in regulated household bills—an idiosyncratic factor—has pushed inflation higher. Nonetheless, some policymakers remain cautious about the potential inflationary impact of US tariffs. Additionally, tensions in the Middle East continue to pose upside risks to global inflation through higher oil prices, despite recent de-escalation.

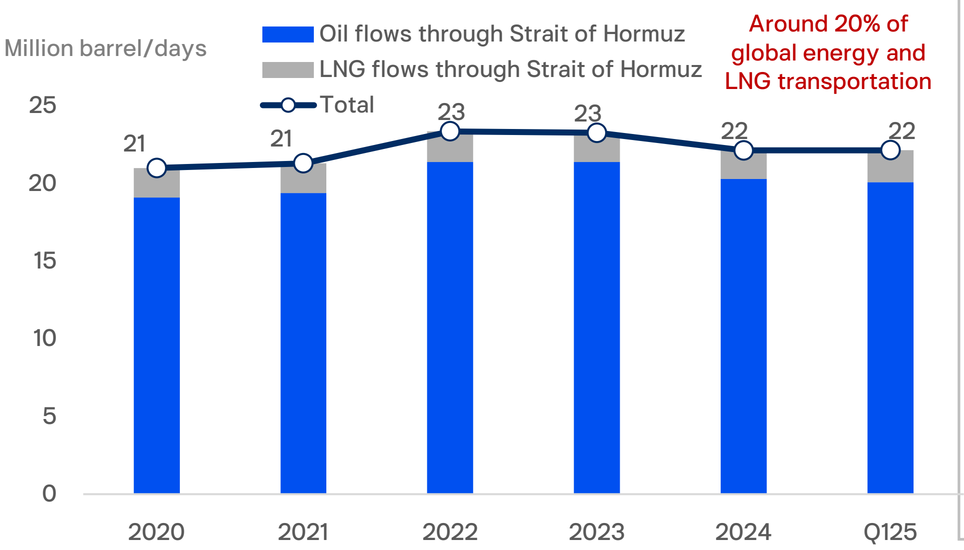
Source: Bloomberg, CEIC, ttb analytics (Data as of 24 June 25)

Middle East tensions threaten 20% of global oil supply, with Asia most exposed as the key export destination

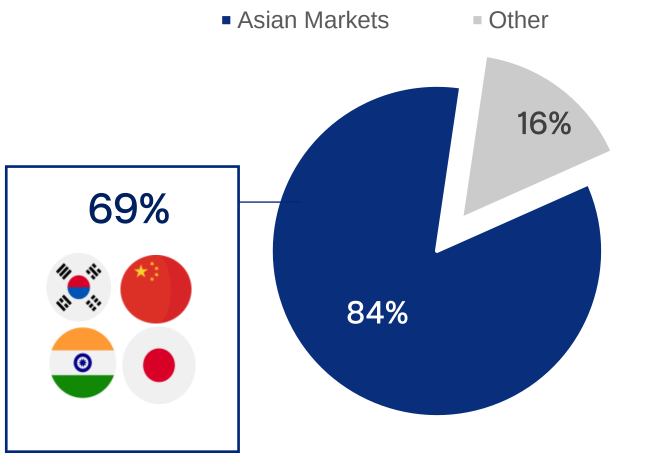
Daily Ship Crossing Through strait of Hormuz



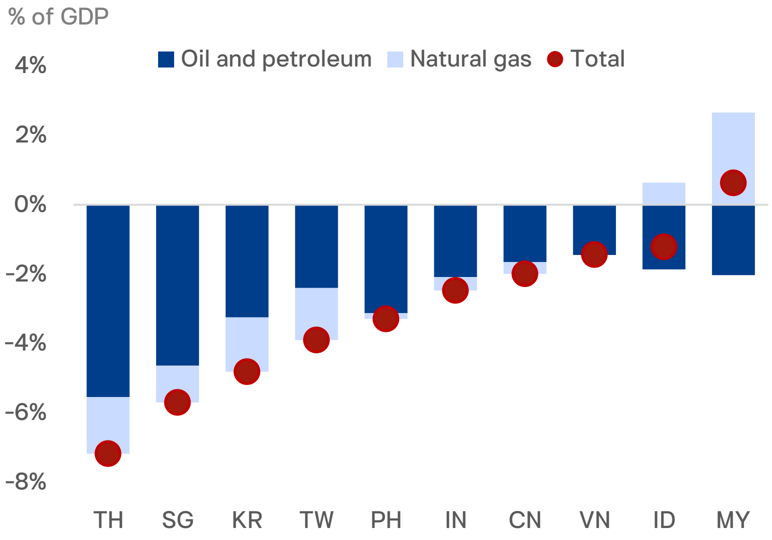
Volume of energy transported through the strait of Hormuz



Crude oil transported through the Strait of Hormuz by destination



Oil and gas net trade by selected Asian countries

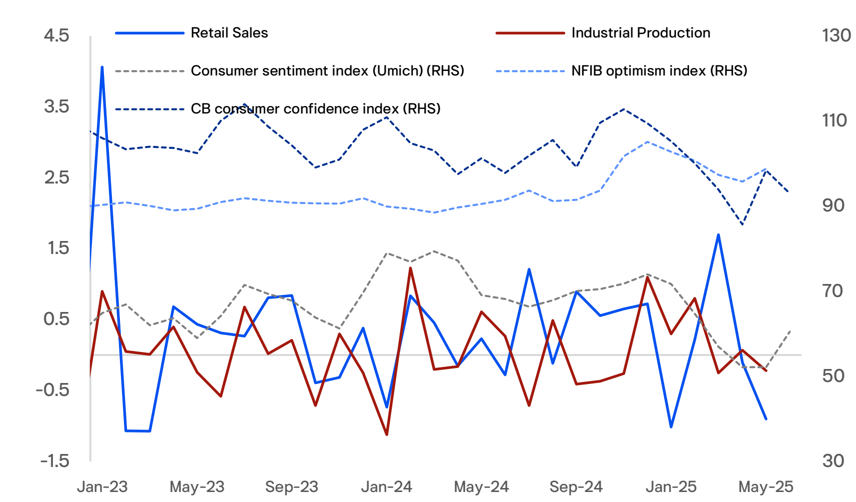


Source: Bloomberg, EIA, Trademap, ttb analytics (as of 23 Jun 25)

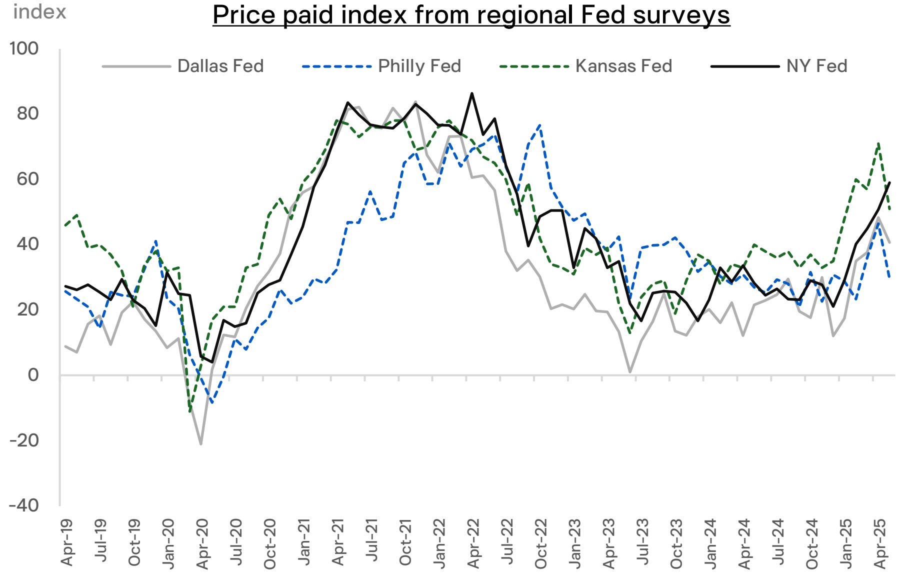
- Rising tensions in the Middle East have pushed oil prices higher due to fears of supply disruptions, particularly if the Strait of Hormuz, a key route for about 20 percent of global crude oil and LNG consumption, is closed.
- In 2024, most oil and gas passing through the Strait of Hormuz went to Asia, with China, India, Japan, and South Korea receiving 69% of the crude. Hence, this surge in oil prices could have a significant negative impact on Asian economies by increasing inflation and worsening current account balances because of their strong dependence on energy imports.
- Middle East tensions have eased after a ceasefire announced by US President Trump, accepted by Iran and Israel. However, Iran's nuclear program is only delayed, not dismantled, so the risk may return.

Despite the ongoing economic slowdown, the Fed's key indicators remain resilient, leading to a decision to keep rates unchanged at the June FOMC meeting

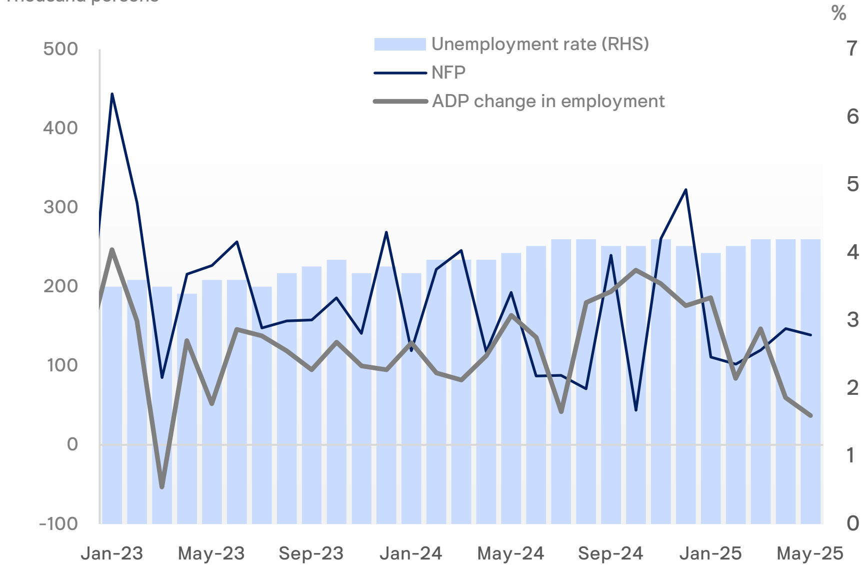
Retail Sales and other sentiment indices



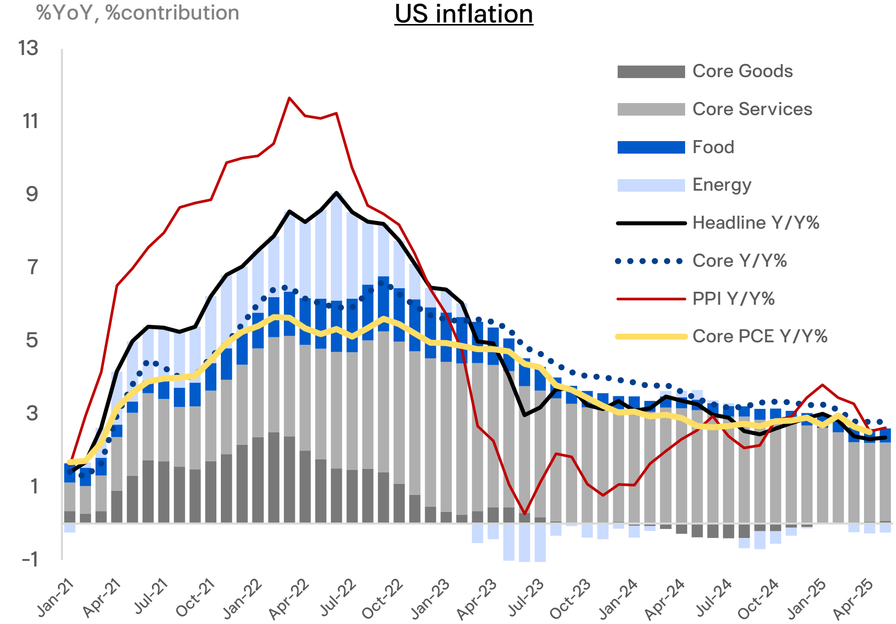
Price paid index from regional Fed surveys



US labor market



US inflation



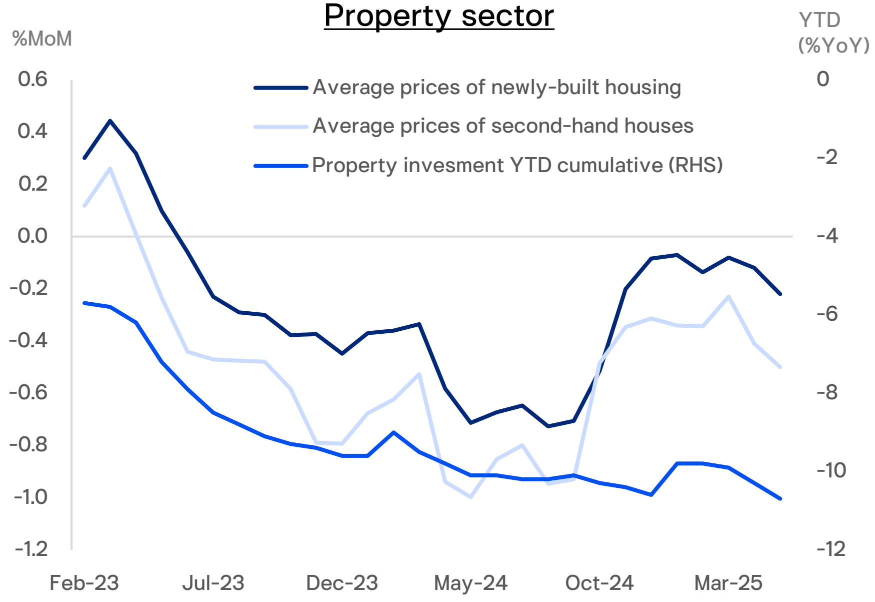
Source: Bloomberg, CEIC, ttb analytics (Data as of 26 June 25)

- Amid progress in trade talks and optimism over the US–China truce, soft data has shown modest improvement. However, recent hard data points to a slowdown. Retail sales fell 0.9% in May—the sharpest drop this year—with declines in over half of the categories, driven by growing consumer concerns over tariffs and personal finances. Meanwhile, industrial production also declined, the second drop in three months. In addition, Q1 GDP was further revised down to 0.5%, with consumer spending sharply cut to 0.5%.

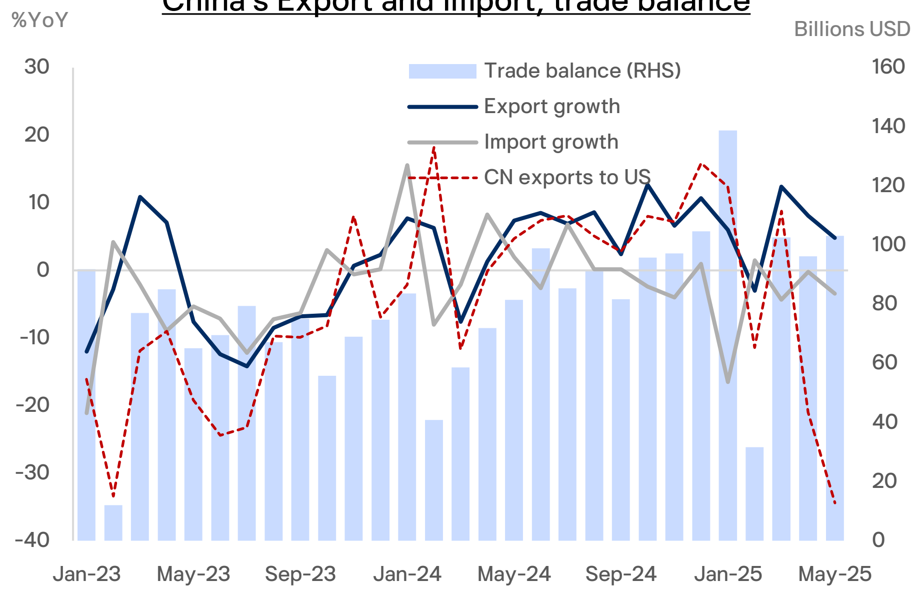
- For the Fed's key indicators, US CPI and PPI came in below expectations, signaling progress on inflation with limited impact from tariffs so far. Nonetheless, price pressures may build later as firms pass on higher costs. Job growth slowed slightly, with stronger-than-expected NFP but downward revisions, reflecting a still-resilient labor market.

Recent Chinese economic data continues to indicate an economic slowdown

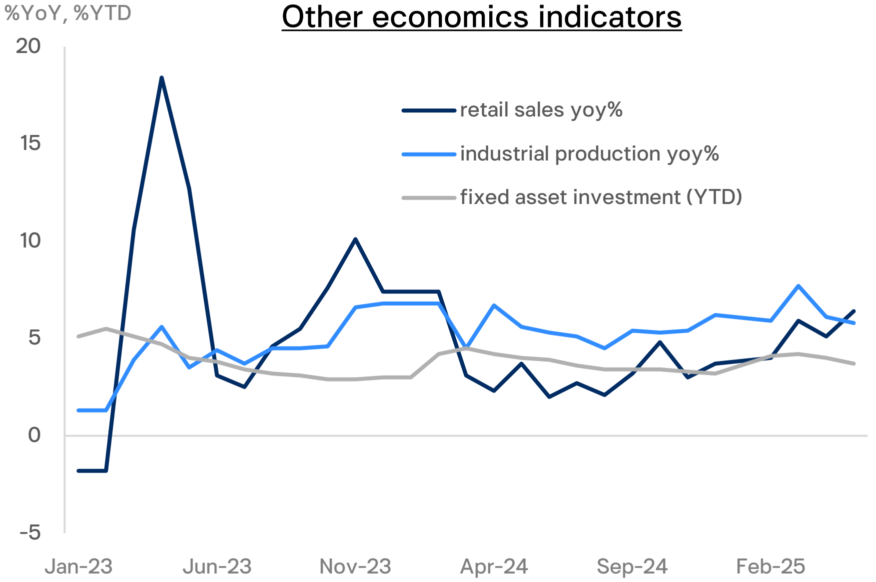
Property sector



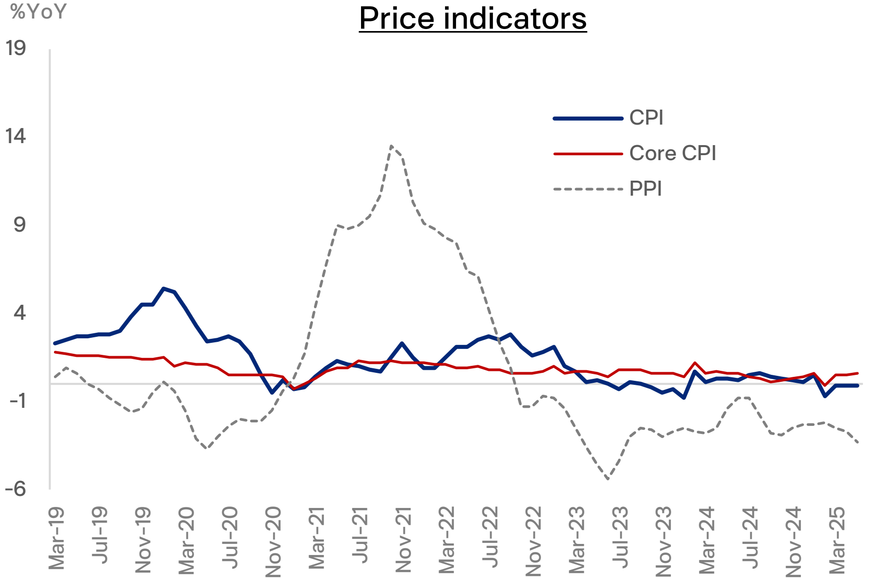
China's Export and import, trade balance



Other economics indicators



Price indicators



- China's property sector remains weak, with May new-home prices posting the sharpest drop in seven months. Property investment also fell 10.7% YoY, missing expectations and signaling the downturn isn't over.

- China's retail sales rose 6.4% in May, beating forecasts thanks to early online sales and appliance subsidies. However, the rebound may be short-lived as domestic demand remains fragile amid ongoing CPI and PPI deflation.

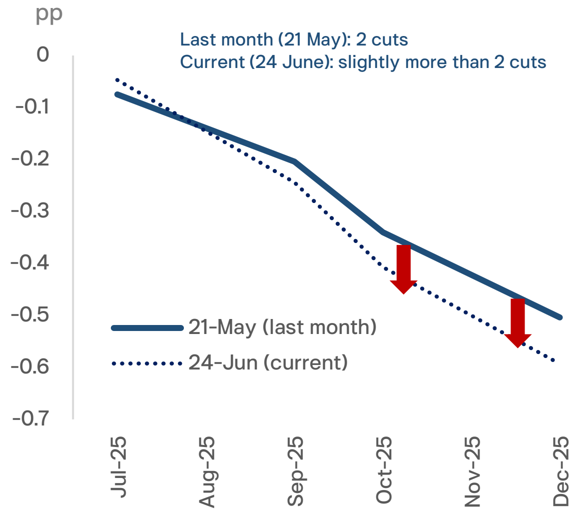
- Meanwhile, export growth, the main driver, slowed more than expected in May, falling below the 2024 monthly average and contributing to weaker industrial production and manufacturing investment. Export momentum is likely to decelerate further in the second half due to softer global demand and fading front loading effects.

Source: Bloomberg, CEIC, ttb analytics (Data as of 24 June 25)

Central bank easing cycle continues, but some await clarity after tariff deadlines and developing geopolitical risks

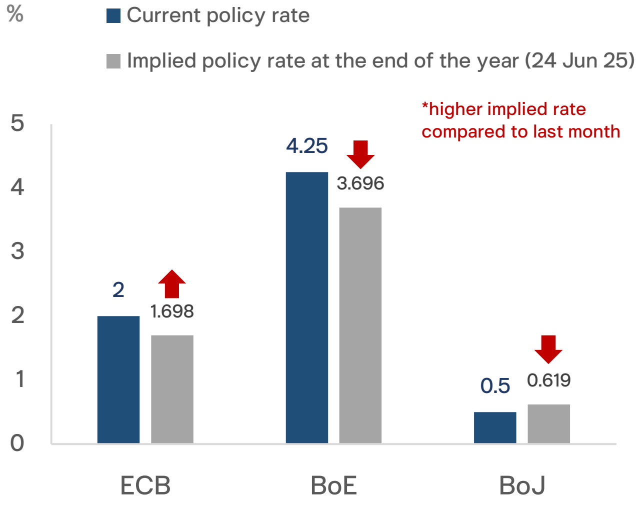
Expected policy rate changes by selected major central banks by the end of 2025

US policy-implied rate change



Notes: The implied policy rate are based on FFR

Implied rate changes by major central banks



Notes: The implied policy rate are based on OIS
ECB policy rate is deposit facility rate

Asian countries' expectations

Country	Current Policy Rate	Changes in policy rate in 2025 (bps)	Forecast policy rate at the end of 2025 (%)
MY	3.00	0	2.70
KR	2.5 ⬇	-50	2.10
ID	5.5	-50	5.15 ⬇
IN	5.5 ⬇	-100	5.35 ⬇
PH	5.25 ⬇	-50	5.00
TW	2.00	0	1.90 ⬇
VN	4.5	0	4.25 ⬇

Notes: Forecast policy based on Bloomberg weighted average

Latest Monetary Policy development

DM

- **The FOMC held rates at 4.25–4.50% as expected, with the 2025 median dot still implying two cuts.** Nonetheless, dot projections for 2026 and 2027 were raised higher to 3.6% and 3.4%, respectively. Fed comments show growing FOMC divide, with Bowman and Waller open to a July rate cut.
- **The ECB cut rates by 25bps as expected, kept a data-dependent stance, and lowered inflation forecasts.** GDP projections were mostly steady. Lagarde suggested current rates could mark the end of the cutting cycle, without confirming a pause.
- **The BoJ kept rates steady at 0.5% and announced plans to reduce JGB purchases** by JPY 200 billion quarterly from April 2026, after tapering JPY 400 billion monthly until March 2026. Meanwhile, Japan's economic assessment remains unchanged.
- **The BoE kept interest rates unchanged at 4.25%,** with a more divided vote than expected, as officials balanced a
- weakening labor market and sluggish growth against rising geopolitical tensions.

EM

- **The PBOC held its benchmark loan prime rates steady**, as easing tensions in the US-China tariff dispute reduced pressure for further stimulus. The one-year LPR stayed at 3%, and the five-year at 3.5%.
- **Recent Asian central bank decisions have diverged, reflecting different priorities**, with some choosing to wait for more clarity on the outcome of tariff deadlines and the effects of geopolitical risks.

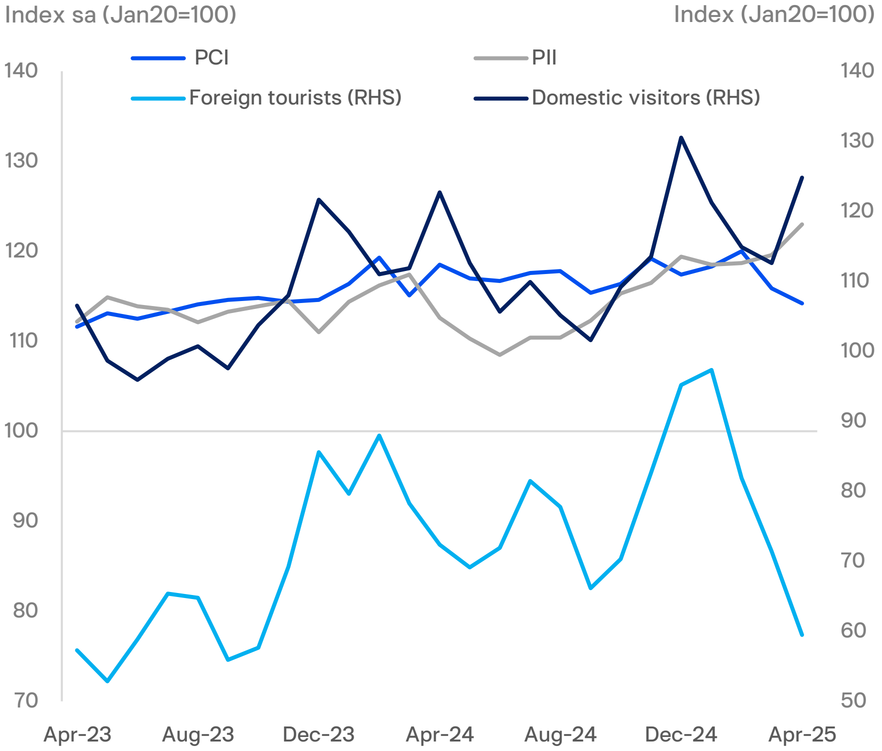
Source: Bloomberg, CEIC, ttb analytics (Data as of 24 June 25)

PART 2

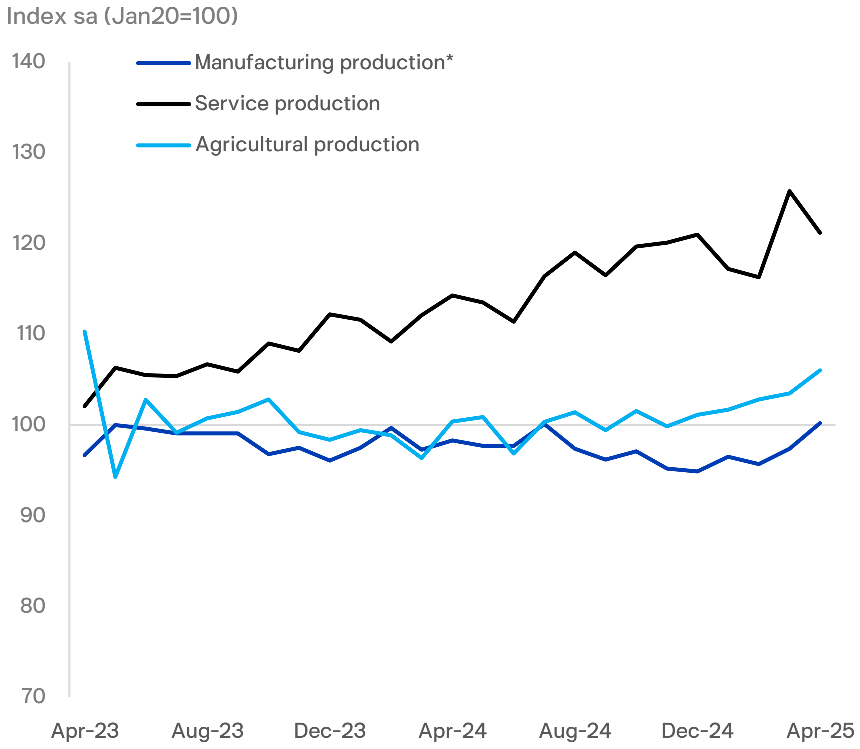
Thai Economy

In April 2025, Thailand economic activities improved from the previous month

Demand-side indicators



Supply-side indicators



- In Apr25, Thai economy improved from the previous month, driven by the manufacturing sector and related services. Private investment increased, mainly in machinery and equipment. The tourism sector slightly improved but remained contracted compared to the same period last year. Merchandise exports and private consumption, however, declined from the previous month.
- On the economic stability front, headline inflation in May25 remained negative for second consecutive month. Notably, trade balance (Custom basis) registered a deficit.

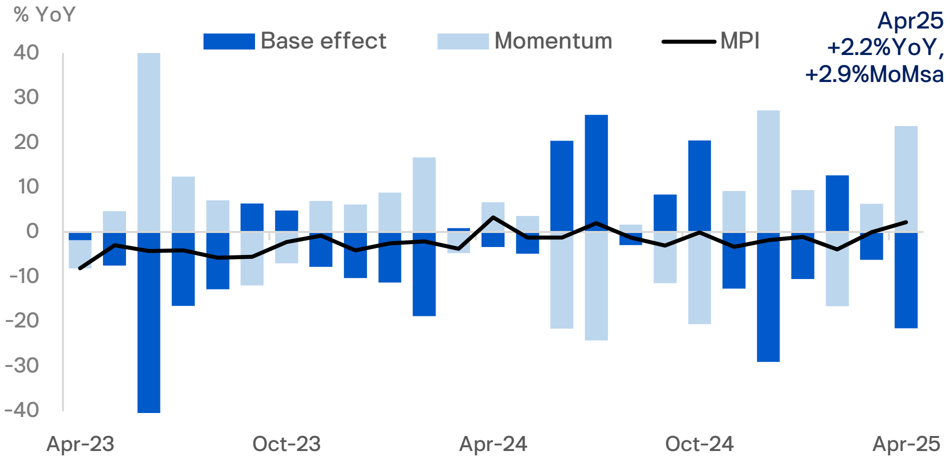
Leading Economic Index (sa) (Jan2020=100)

Leading Economic Index and Components (SA)	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25
Authorized Capital of Newly Registered Companies (Million Baht)	155.3	123.8	159.1	134.5	100.2	125.2	171.2	137.4	129.7	141.4	92.7	219.5	183.4
Construction Areas Permitted (1000 sq. m)	100.2	99.4	104.0	102.9	111.7	102.3	97.2	100.6	104.0	77.1	83.1	100.3	91.5
Export Volume index (exclude Gold)	114.6	113.2	112.2	114.9	119.4	115.4	115.2	119.3	118.5	120.1	126.2	123.4	120.7
Business Sentiment Index (3 months)	101.8	104.7	101.7	100.2	97.4	100.0	102.5	99.6	97.7	97.7	99.5	100.8	95.0
SET index	90.3	88.9	85.9	87.2	89.8	95.7	96.8	94.3	92.5	86.8	79.5	76.5	79.1
Oil Price Inverse Index (Dubai)	1.1	1.2	1.2	1.2	1.3	1.4	1.3	1.4	1.4	1.2	1.3	1.4	1.5

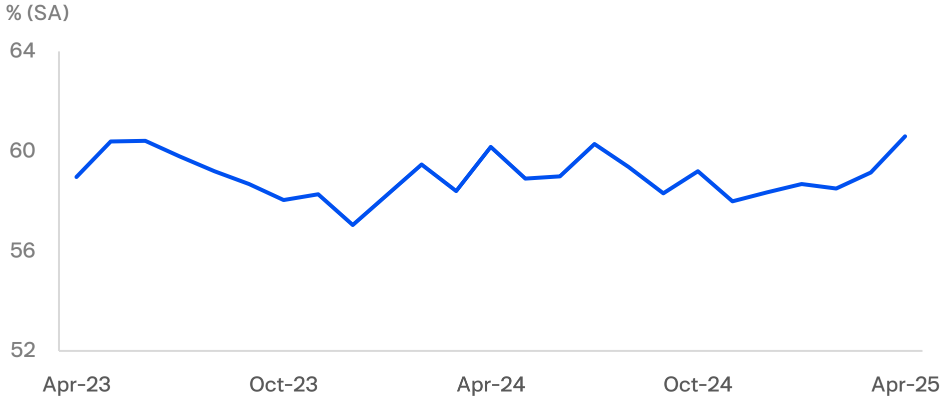
Source: Bank of Thailand and ttb analytics
Remark: *rebase Jan21 due to OIE new rebase data

Overall manufacturing production indicator improved continuously from the previous month

Manufacturing Production Index (MPI)



Capacity Utilization (CapU)



MPI by sector (base year 2021)

Contribution	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25
Food products (16.7%)													
Beverages (3.8%)													
Tobacco products (0.7%)													
Textiles (1.9%)													
Wearing apparel (1.6%)													
Leather products (0.8%)													
Paper products (2.1%)													
Coke and refined petroleum products (10.7%)													
Chemicals (8.8%)													
Pharmaceutical products (1.2%)													
Rubber and plastics products (8.8%)													
Other non-metallic mineral products (5.4%)													
Basic metals (3.4%)													
Fabricated metal products (2.3%)													
Computer and electronic products (9.4%)													
Electrical equipment (3.5%)													
Machinery and equipment (2.8%)													
Motor vehicles (11.2%)													
Other transport equipment (1.1%)													
Furniture (0.9%)													
Others (2.3%)													
MPI (%YoY)	3.3	-1.2	-1.2	2.0	-1.2	-3.0	-0.1	-3.3	-1.8	-1.1	-3.9	0.0	2.2

- As of Apr25, Manufacturing Production Index (MPI) increased from the previous month across several categories, particularly in passenger car, in line with improvement in passenger car sales. Production in some categories also increased due to inventory replenishment following an export surge in the preceding period. Moreover, concrete products also expanded aligning with private and public construction, as well as food products regarding to pet food production due to higher demand from abroad.

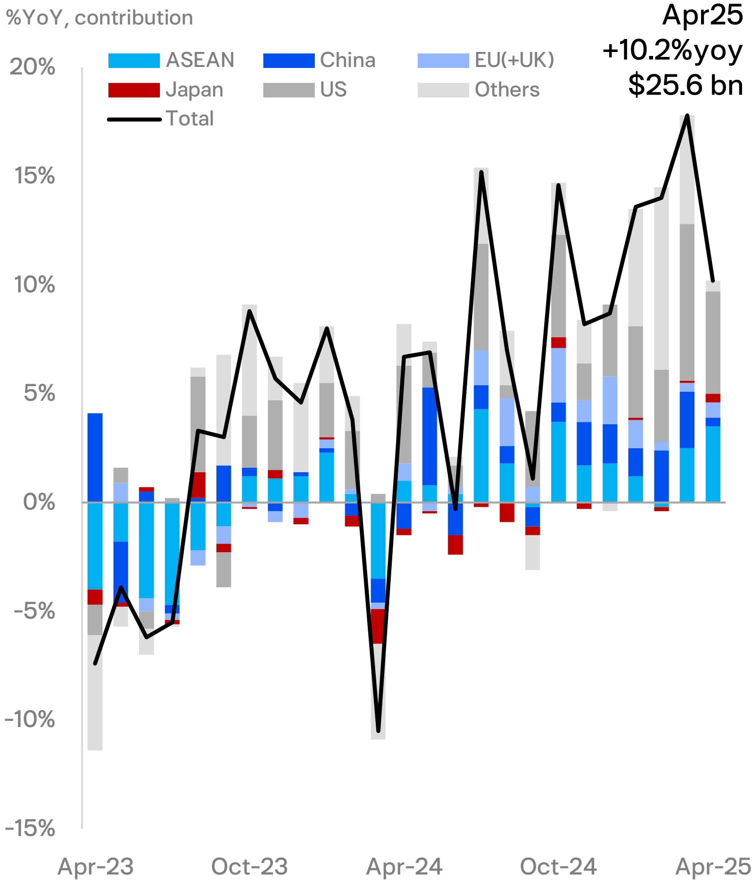
Source: The Office of Industrial Economics and ttb analytics.

Merchandise export in April showed a continued increase but slower pace, while import value growth appeared more solid

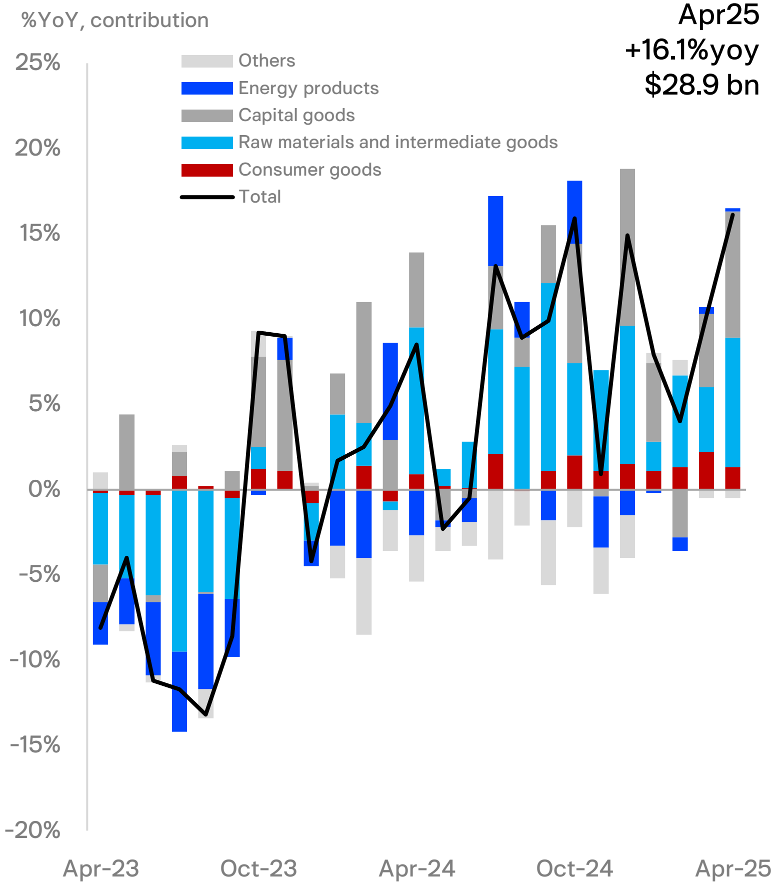
Exports value by product and destination

Unit: %YoY

	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25
Agri-agro products													
Rice	91.5%	-4.5%	96.6%	15.2%	46.6%	15.2%	10.1%	-20.6%	-8.5%	-32.4%	-34.2%	-23.4%	-44.1%
Rubber	36.2%	46.6%	28.8%	15.6%	64.8%	47.4%	32.6%	14.1%	48.5%	45.5%	35.7%	19.5%	22.5%
Tapioca products	-9.6%	-17.0%	-3.8%	55.4%	-11.5%	-29.2%	-30.5%	-6.3%	7.8%	-7.9%	-15.8%	-15.1%	-5.8%
Fresh, Frozen & Dried vegetable and Fruit	-25.1%	91.9%	-31.0%	-15.7%	2.9%	-14.0%	7.3%	33.8%	10.7%	-2.8%	8.3%	14.0%	-29.1%
Poultry	12.1%	3.5%	-1.9%	13.6%	5.1%	-0.4%	12.4%	12.0%	7.1%	12.3%	9.3%	5.1%	8.6%
Sugar	-10.4%	-44.3%	-52.1%	-38.9%	-13.6%	-8.9%	-11.8%	-21.3%	-29.9%	0.0%	27.3%	-26.8%	37.7%
Animal feeding	52.9%	39.2%	13.1%	26.6%	25.0%	21.5%	18.2%	18.1%	9.7%	12.9%	14.4%	12.5%	10.1%
Industrial products													
Motor Cars, Parts, Accessories	13.5%	-8.0%	-0.6%	-12.5%	-17.9%	-10.6%	-13.0%	-0.3%	-6.2%	-13.1%	2.7%	0.3%	-7.8%
Computer and parts	62.0%	44.5%	22.0%	82.6%	74.7%	25.5%	77.5%	40.7%	43.5%	45.0%	51.3%	80.2%	75.1%
HDD	85.2%	30.9%	4.4%	84.6%	112.2%	3.8%	124.9%	47.8%	18.0%	36.7%	45.1%	45.5%	40.4%
Integrated Circuits	-9.2%	-11.9%	-21.4%	-8.7%	-33.2%	1.2%	1.9%	3.9%	-2.6%	9.0%	24.8%	41.5%	39.0%
Air Conditioning Machine	12.9%	-7.7%	-8.5%	27.8%	15.2%	22.5%	44.9%	35.8%	28.7%	33.2%	32.8%	19.1%	1.2%
Refrigerating	2.2%	-14.1%	-1.9%	34.0%	11.6%	-17.8%	-6.6%	16.0%	-15.5%	-20.9%	4.4%	-1.5%	35.5%
Electronic Machines	25.5%	22.9%	8.3%	31.8%	13.9%	8.2%	29.6%	9.6%	12.8%	17.3%	21.6%	47.8%	34.4%
Plastic pallet	0.5%	-0.4%	-6.3%	6.9%	-3.3%	-5.2%	4.8%	2.2%	10.3%	4.1%	1.3%	7.6%	-5.6%
Chemical Products	16.4%	-3.2%	-5.5%	38.2%	12.5%	4.4%	18.7%	10.7%	20.1%	6.6%	19.5%	6.4%	8.7%
Machinery & Parts	58.8%	12.4%	7.2%	10.0%	23.0%	8.7%	43.0%	16.7%	35.6%	28.1%	21.5%	17.3%	-13.1%
Rubber Products	1.5%	-8.7%	-2.2%	13.8%	14.9%	15.7%	27.2%	24.8%	22.5%	19.9%	16.9%	17.7%	15.9%
Refined oil	-21.2%	-0.5%	2.8%	35.5%	1.0%	-29.8%	-21.4%	-16.3%	-33.7%	-4.3%	-3.6%	-8.0%	-3.6%
Jewelry ex gold	8.2%	3.9%	-4.3%	-6.5%	17.6%	-0.8%	-1.8%	24.3%	79.5%	148.8%	106.3%	69.8%	42.1%
Total export	6.8%	6.9%	-0.3%	15.2%	7.0%	1.1%	14.6%	8.2%	8.7%	13.6%	14.0%	17.8%	10.2%



Imports value by groups

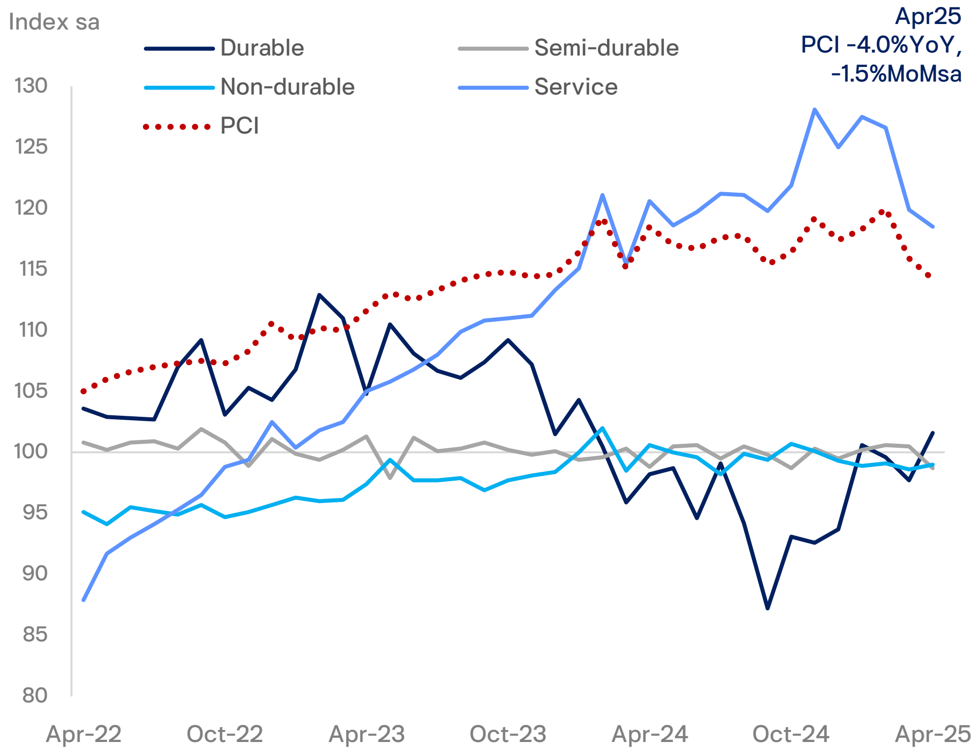


- Thailand's exports in Apr25 expanded by 10.2%YoY, marking the tenth consecutive month of growth. However, this growth was partly driven by the low base effect and support from front-loading effect due to accelerated imports of goods into the US ahead of the imposition of reciprocal tariffs. The key export products in April comprised computer and parts, HDD, and integrated circuits). Meanwhile, exports to key markets continued to expand, including the US, ASEAN, Japan, and China. On one hand, the value of imports increased remarkably which continuing from the previous month's growth and resulting in a trade deficit of USD 3.3 billions. (The first four months of 2025, trade deficit of USD 2.2 billions)

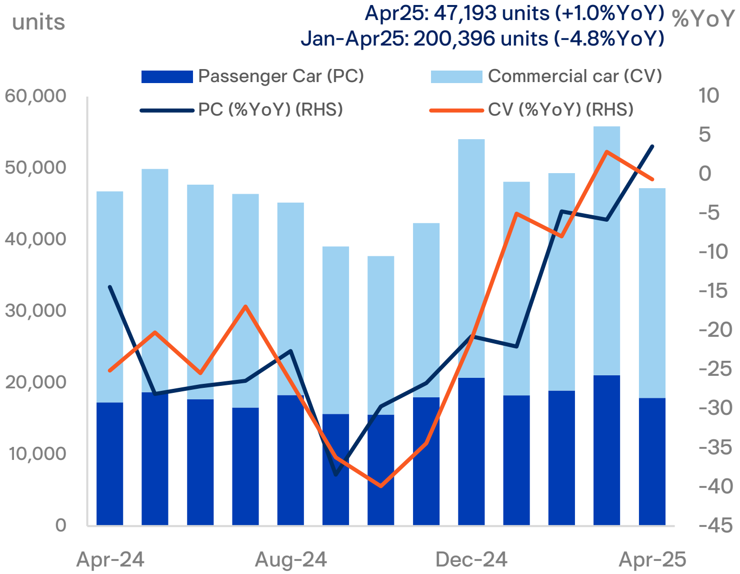
Source: Ministry of Commerce and ttb analytics Remark: Custom basis

Private consumption indicators continued to decline as mostly from service-related categories aligning with lower number of foreign arrivals

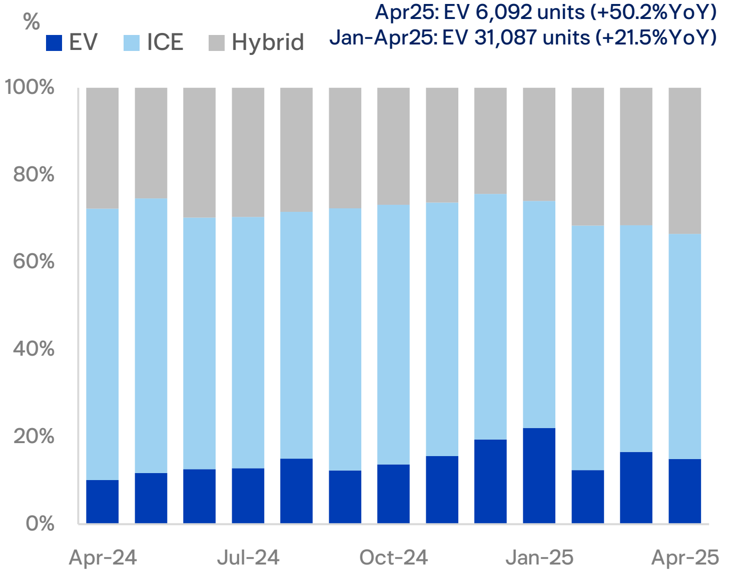
Private Consumption Indicators (SA)



Domestic car sales**

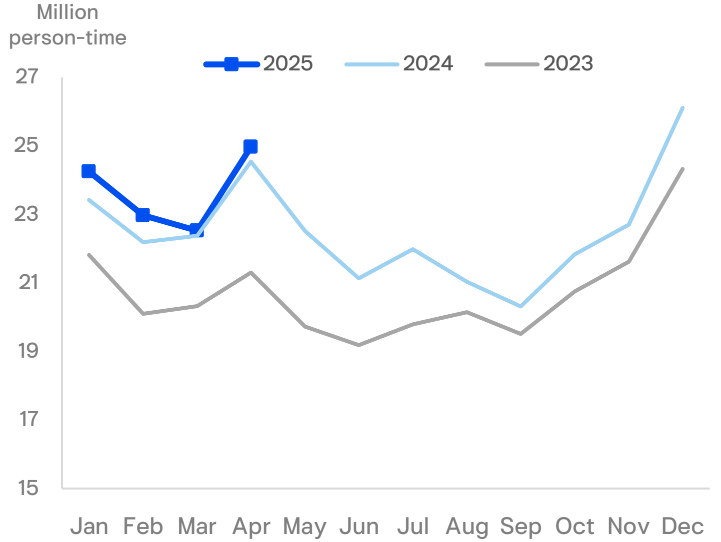


EV penetration of type 1 registration

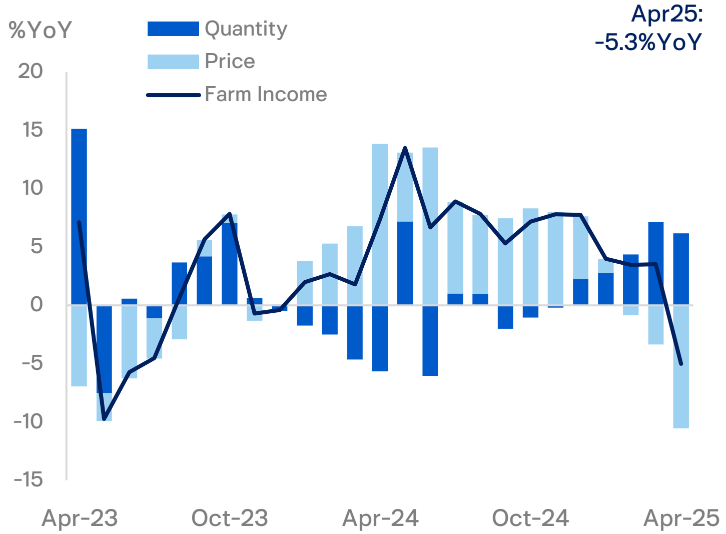


- Private consumption indicators decreased considerably from the previous month, mainly in services, particularly hotels and restaurants, in line with lower number of foreign tourists. Consumption of semi-durables also decreased. Meanwhile, purchase of durable goods improved which mainly due to low-base effect.

Thai domestic visitors*



Farm Incomes

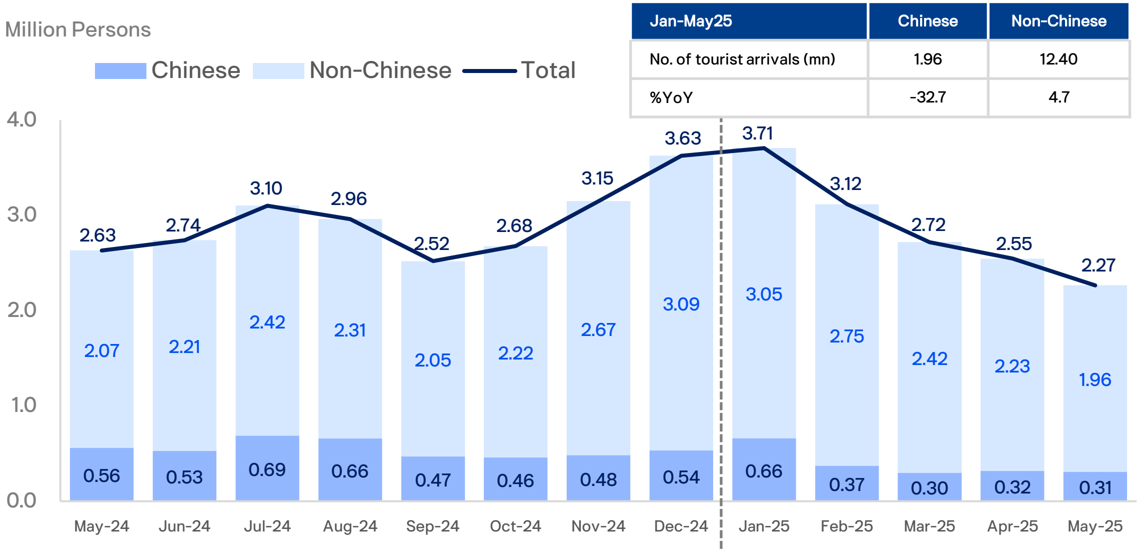


Source: Bank of Thailand, The Federation of Thai Industries, CEIC and ttb analytics
Remark: *Data not include replication in number of visitors **Commercial Vehicle (CV) * covering pickup, PPV and others commercial car, Passenger Car (PC) ** covering sedan and SUVS,

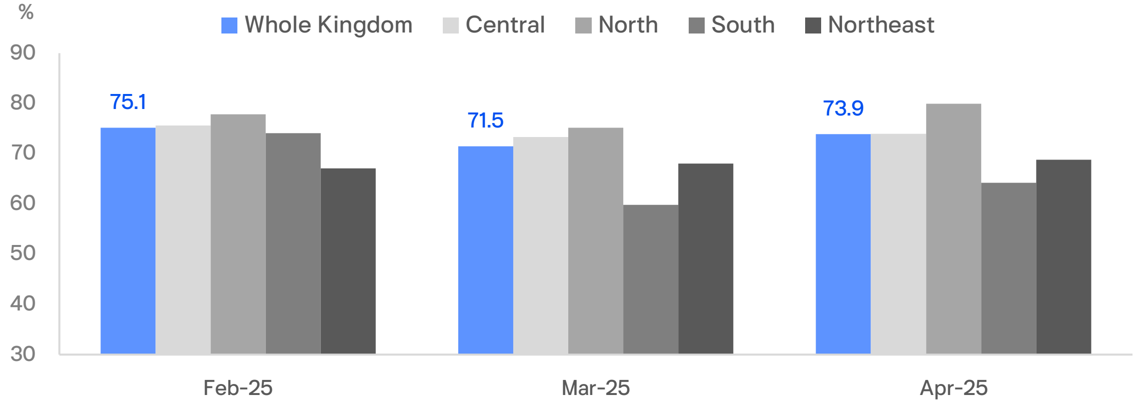
Foreign tourist arrivals in May slumped further for fifth consecutive month

Total Foreign Tourist Inbounds

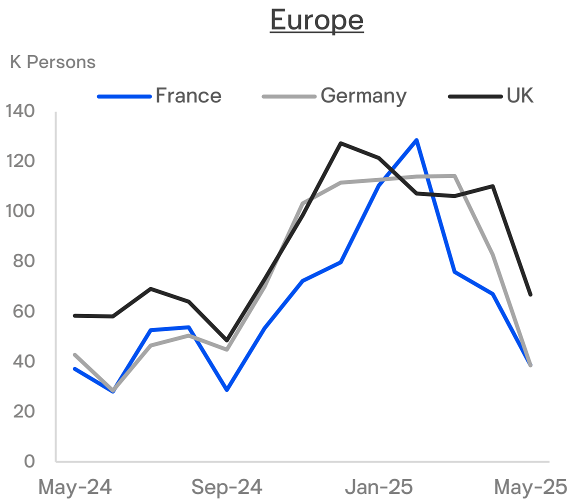
Jan-May25	Chinese	Non-Chinese
No. of tourist arrivals (mn)	1.96	12.40
%YoY	-32.7	4.7

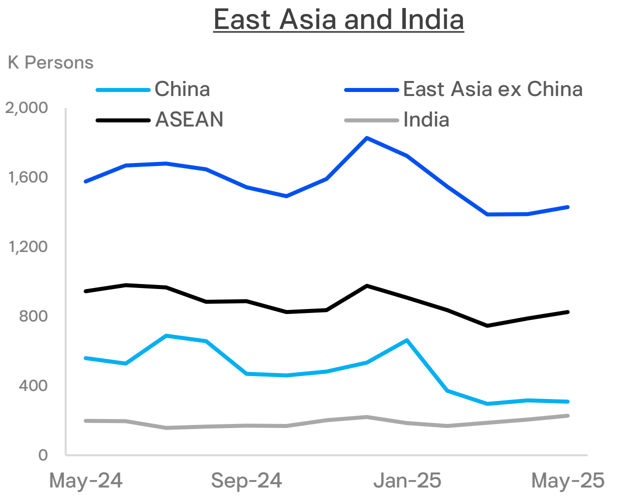


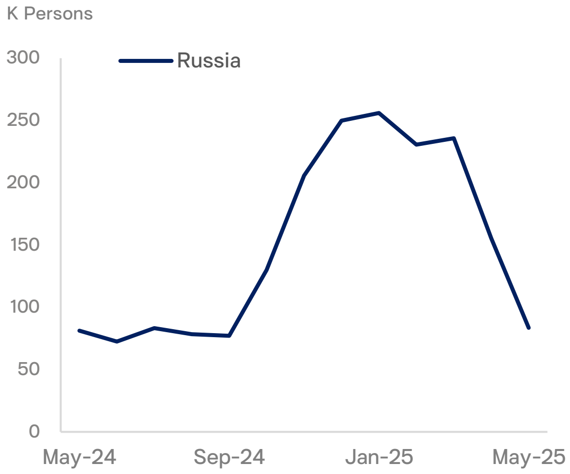
Accommodation Occupancy Rate by region

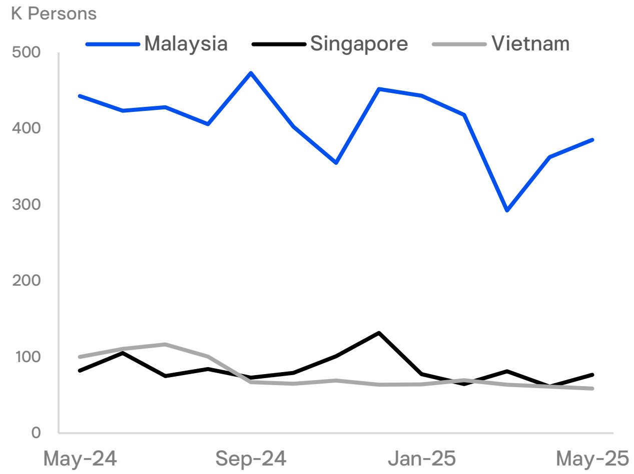


Foreign Tourist Inbounds by key regions







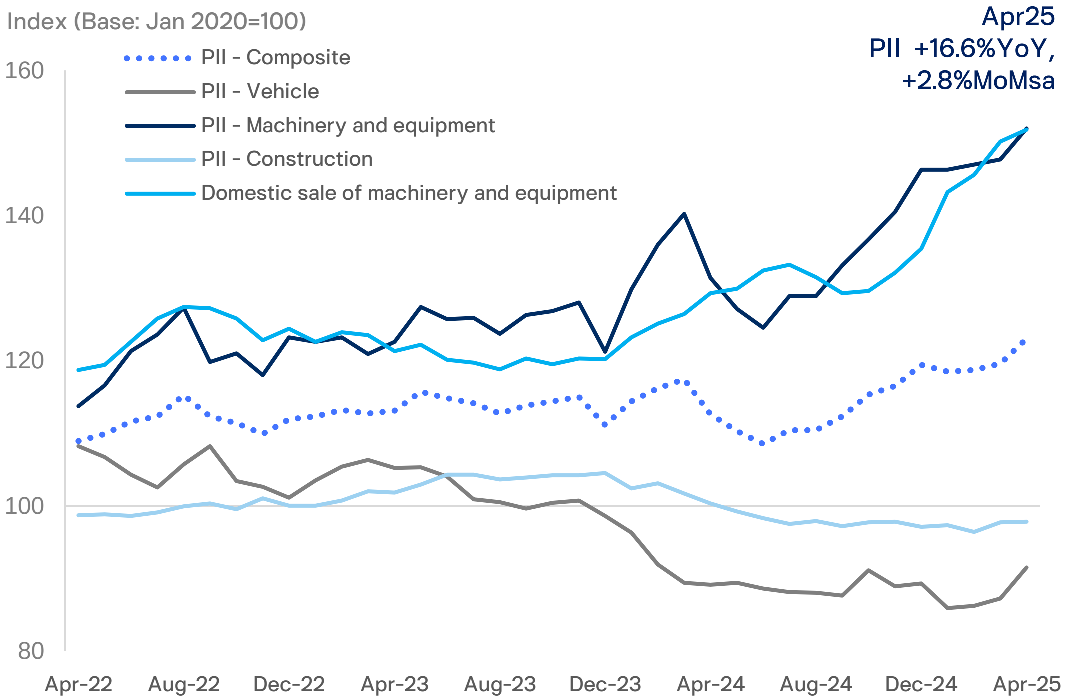


- In May25, foreign tourist arrivals was at 2.27 millions, slowed down further for fifth consecutive month. This figure showed a sharp decline across several nationalities. Chinese tourist arrivals remained relatively low, while tourist arrivals from other nations also declined significantly, regarding to low season periods.

Source: CEIC, TAT Intelligence Center and ttb analytics

Private investment indicators increased in almost categories, mainly in machinery and equipment investment; while BSI dipped sharply amid prevailing uncertainties

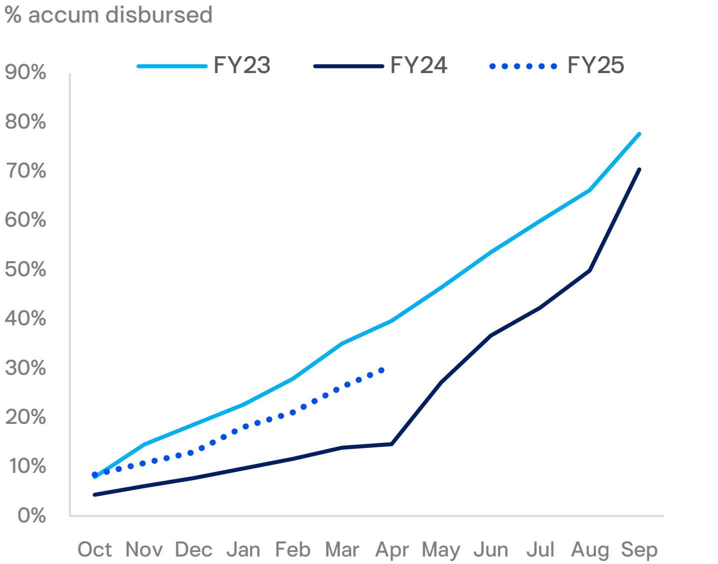
Private Investment Indicators (SA)



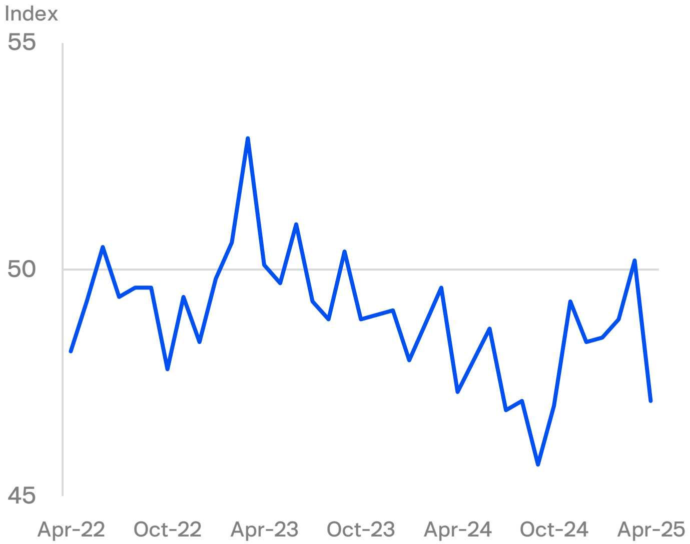
- Private investment increased, mainly in machinery and equipment, while vehicle investment also improved, reflected by higher passenger and commercial vehicle registrations. Additionally, government investment spending continued to expand.
- In April, the BSI plummeted, from both the non-manufacturing and the export-oriented manufacturing sectors. Specifically, the manufacturing index fell sharply, especially the production sub-indices. The uncertainty eroded respondents' confidence in export-oriented manufacturing industries.

Unit registration (Nationwide)

Accumulated govt capital budget disbursement



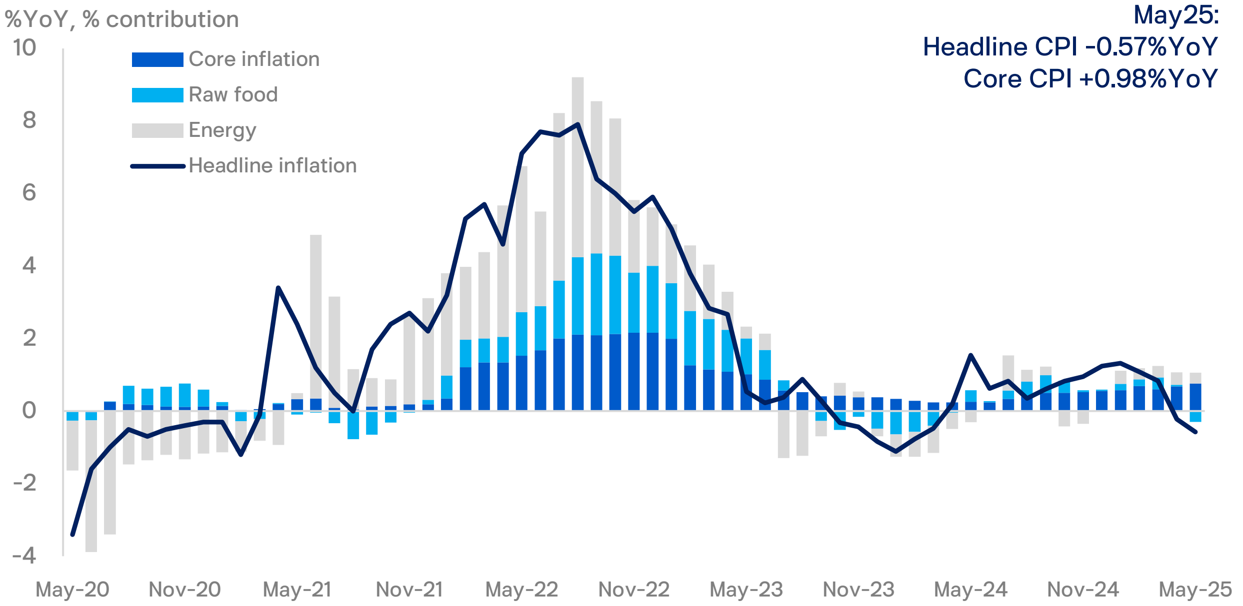
Business Sentiment Index (BSI)



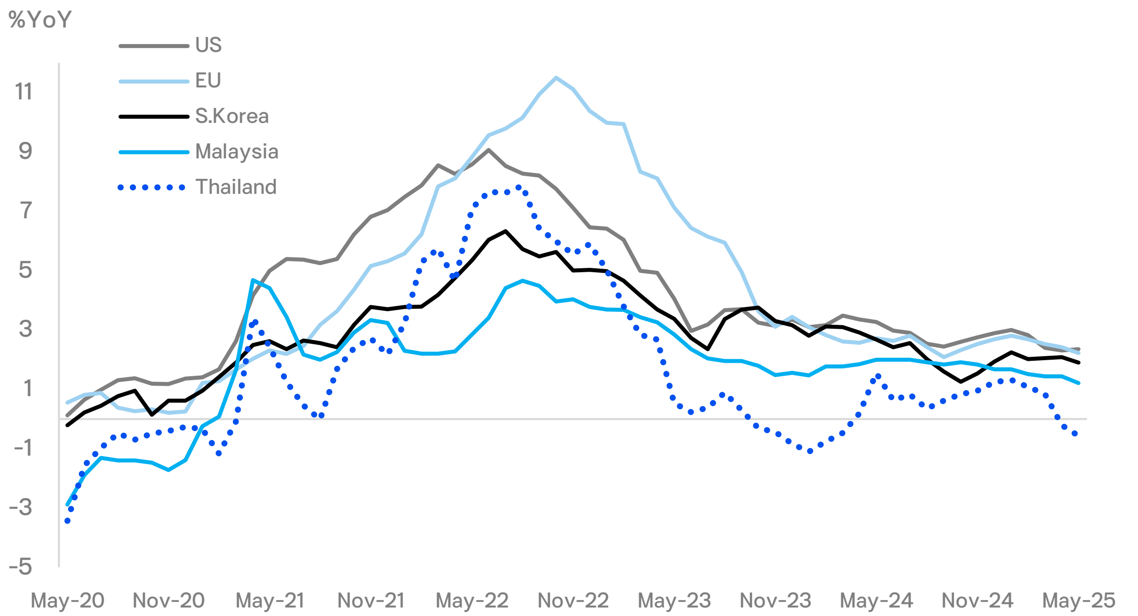
Source: Bank of Thailand and ttb analytics.

Inflation turned negative in May, marking the second consecutive month of decline

Thailand's inflation contribution to growth



Headline inflation in selected countries



Price change in top categories

%YoY	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25
Headline inflation	1.54	0.62	0.82	0.36	0.62	0.83	0.94	1.24	1.32	1.08	0.84	-0.22	-0.57
Raw food	1.51	0.19	1.10	1.92	2.32	1.64	0.24	0.17	0.97	1.13	1.90	0.30	-1.76
Prepared food	0.60	0.68	1.54	1.81	2.38	2.33	2.27	2.33	2.53	2.68	2.37	2.61	3.41
Meat and Poultry	-3.61	-3.34	-2.20	-1.16	-0.68	0.33	0.59	0.25	0.41	1.39	3.04	5.04	5.39
Eggs and dairy products	3.47	4.06	2.88	1.66	1.43	1.44	-0.50	-0.95	-0.53	0.45	-0.46	-1.94	-1.52
Utilities	8.42	-3.29	-3.29	-3.31	1.44	1.45	1.45	1.44	1.47	1.45	0.06	-2.84	-1.42
Energy	7.14	2.43	1.77	-3.10	-2.56	-0.08	2.72	5.01	4.25	1.23	-0.93	-6.73	-6.58
Core inflation	0.39	0.37	0.52	0.63	0.76	0.77	0.80	0.80	0.83	0.99	0.86	0.98	1.09

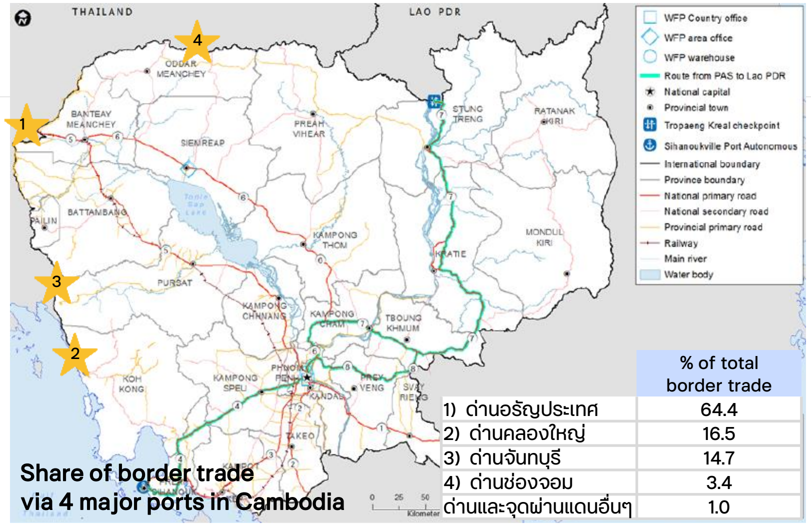
- The headline inflation (CPI) contracted by 0.57%YoY in May25, compared to the month earlier of 0.22%YoY decrease. The main factor came from the falling prices of fresh food items, particularly fresh vegetables and fresh fruits as the weather conditions are more favorable for production. Moreover, the prices of energy prices, including electricity, gasohol, and benzene fuel, also decreased following the global energy prices. The core inflation increased by 1.09%YoY, accelerating from 0.98%YoY in April 2025.
- Overall, Thailand's inflation for the first five months of 2025 increased by 0.48%YoY and the core increased by 0.95%YoY.

Source: Ministry of Commerce, CEIC and ttb analytics

The impact of the conflict between Thailand and Cambodia on trade activity has been limited

1. Trade

Total border trade value between Thailand and Cambodia in 2024 was **THB 174.5 bn**, which accounted for **18% of total border trade or 0.9% of GDP**



	% of total border trade
1) ด่านอรัญประเทศ	64.4
2) ด่านคลองใหญ่	16.5
3) ด่านจันทบุรี	14.7
4) ด่านช่องจอม	3.4
ด่านและจุดผ่านแดนอื่นๆ	1.0

Share of border trade via 4 major ports in Cambodia

Thailand border export to Cambodia (2024) THB 141.8 bn (or accounted for 44.1% of total Thailand exporting to Cambodia)

Major export products via border
1) Beverage
2) Motorcycle and parts
3) Engine
4) Auto and parts
5) Machinery

Major Thailand export products, 2024 (MOC)

	Export value to Cambodia (THB bn)	% of TH export to Cambodia	% share of product export to Cambodia as total export
1) Gold and precious stone	106.8	33.01	16.7
2) Fuel	54.7	16.9	15.1
3) Sugar	17.2	5.31	13.0
4) Vehicle	16.2	5.01	1.4
5) Machinery	15.0	4.62	0.9
Others	113.7	35.1	-

Thailand border import from Cambodia (2024) THB 32.7 bn (or accounted for 89.4% of total Thailand importing from Cambodia)

Major import products via border
1) Vegetable (inc. tapioca)
2) Cable/wire
3) Aluminum scrap
4) Apparel
5) Electronic parts

Major Thailand import products, 2024 (MOC)

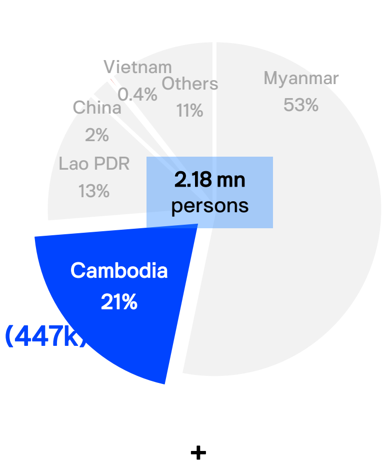
	Import value from Cambodia (THB bn)	% of TH import from Cambodia	% share of product import from Cambodia as total import
1) Aluminum	9.4	21.7	4.7
2) Vegetable (Tapioca)	8.1 (6.8)	18.7	16.6
3) Electrical machinery	6.7	15.4	0.3
4) Gold and precious stone	5.4	12.5	0.7
5) Steel	2.1	4.9	0.7
Others	11.5	26.7	-

2. Labor

Number of authorized migrant workers*

1 million workers are from Cambodia

35.8% of Cambodia workers from construction sector, 14.5% retail and wholesale, 12.4% agri and livestock



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The official estimated illegal Cambodian workers in Thailand is approximately 500k

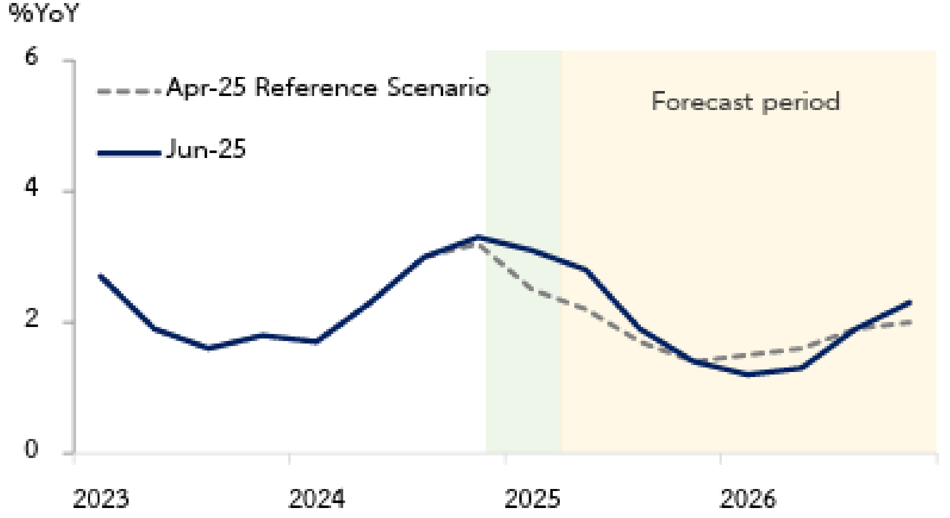
*Including permanent, seasonal and round-trip workers

- The impact of the conflict between Thailand and Cambodia on trade is expected to be limited, as both countries rely on border trade for only 175 billion baht approx., which accounts for just 0.9% of GDP. Moreover, the impact on labor is also expected to be limited, partly due to Thailand's advantage in higher wage levels. As for tourism, the impact is likewise expected to be minimal, since Thailand runs a service deficit in tourism with Cambodia.

Source: Trademap, MOC, DFT, MOTS, MOL, CEIC and ttb analytics

The MPC voted 6 : 1 to maintain the policy rate at 1.75%, despite the growing concern of economic slowdown ahead

GDP growth projection



MPC Jun 25	2024	H1/25	H2/25	2025	2026
GDP (%YoY)	2.5	2.9	1.7	2.3	1.7
GDP (%QoQ)	0.8	0.6	0.1	0.3	0.6

Note: Under the assumption that U.S. reciprocal tariff is applied to Thailand at the rate of 18 percent (half of the announced rate on 2 April 2025), 30 percent for China and 10 percent for other countries.

MPC Macroeconomic projection (as of Jun 25)

Annual percentage change	2024*	2025	2026
GDP growth	2.5	2.3	1.7
Domestic demand	3.0	2.1	1.6
Private consumption	4.4	2.0	1.7
Private investment	-1.6	1.7	0.9
Government consumption	2.5	1.2	0.5
Public investment	4.8	6.0	6.1
Exports of goods and services	7.8	4.2	-0.5
Imports of goods and services	6.3	2.5	-0.3
Current account (billion, U.S. dollar)	11.1	11.0	13.0
Value of merchandise exports (%YoY)	5.8	4.0	-2.0
Value of merchandise imports (%YoY)	6.3	5.3	-1.9
Number of foreign tourists (million persons)	35.5	35.0	38.0
Tourism Receipt (trillion baht)	1.4	1.5	1.7
Dubai crude oil price (U.S. dollars per barrel)	79.7	73.0	70.0
Headline inflation	0.4	0.5	0.8
Core inflation	0.6	1.0	0.9

Note: * Outturns

- The Monetary Policy Committee (MPC) voted 6 : 1 to maintain the policy rate at 1.75% in the third meeting of 2025. Most committee members voted to maintain the policy rate at this meeting, giving importance to the timing and effectiveness of monetary policy amid high uncertainties and limited policy space.
- MPC committee also projected Thailand's economy to grow modestly, with forecasts of 2.3% in 2025 and 1.7% in 2026 (influenced by the imposition of U.S. reciprocal tariffs—18% on Thai goods and 10% on others). The economy performed better than expected in the first half of 2025, however, growth is expected to slow in the latter half of the year due to the negative impact of tariffs on exports and a decline in private consumption. Headline inflation is projected to move within lower-bound of central bank target, mainly due to stable energy and food prices.

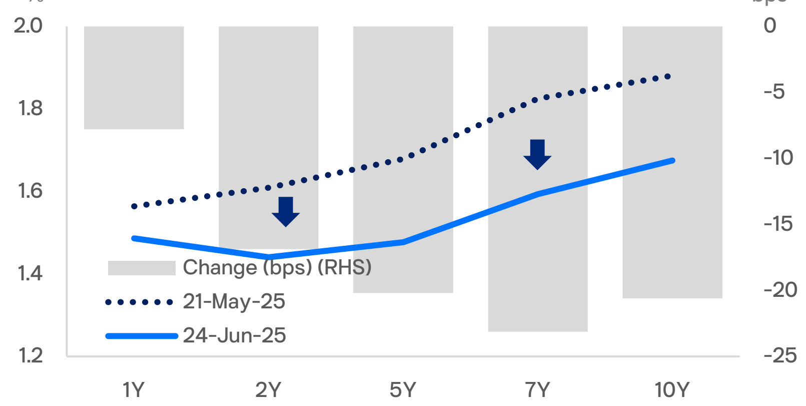
Source: Bank of Thailand

PART 3

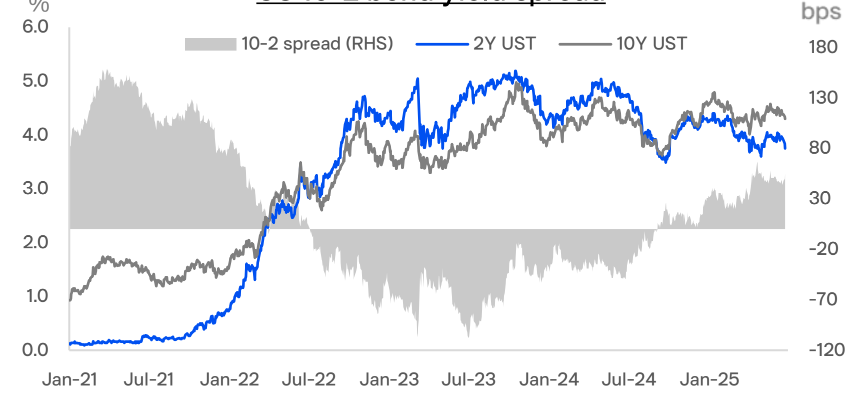
Financial Market

US yields fell on Fed cut hopes and safe-haven demand; Thai yields dropped despite foreign outflows

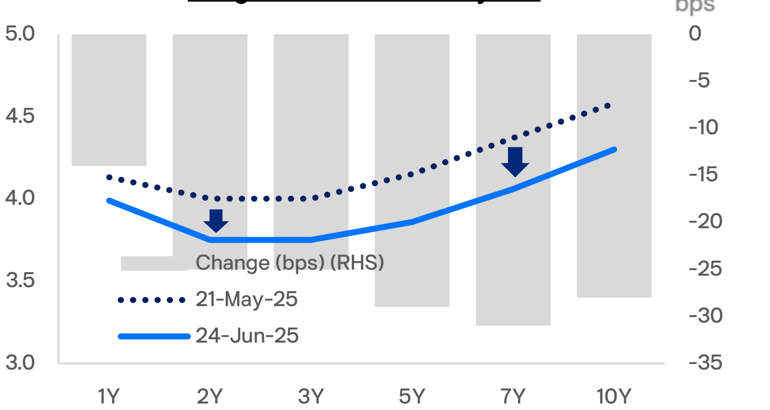
Thailand government bond yield



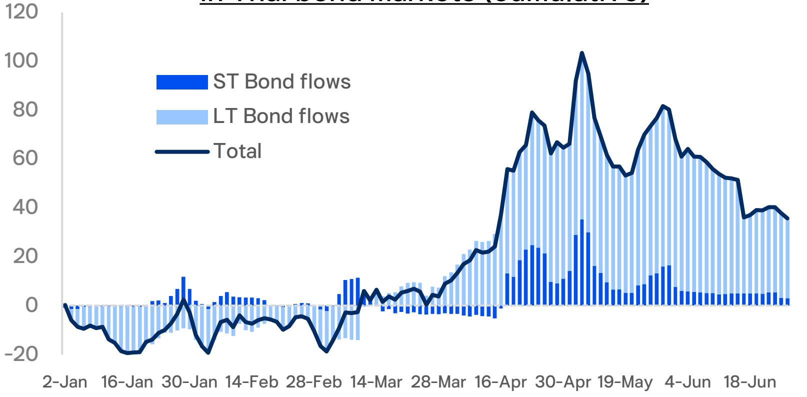
US 10-2 bond yield spread



US government bond yield

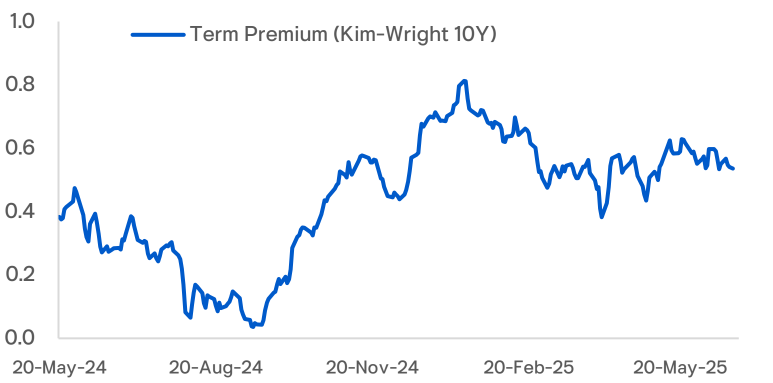


Foreign portfolio flows
in Thai bond markets (cumulative)



Bond volatility

US Treasury Premium



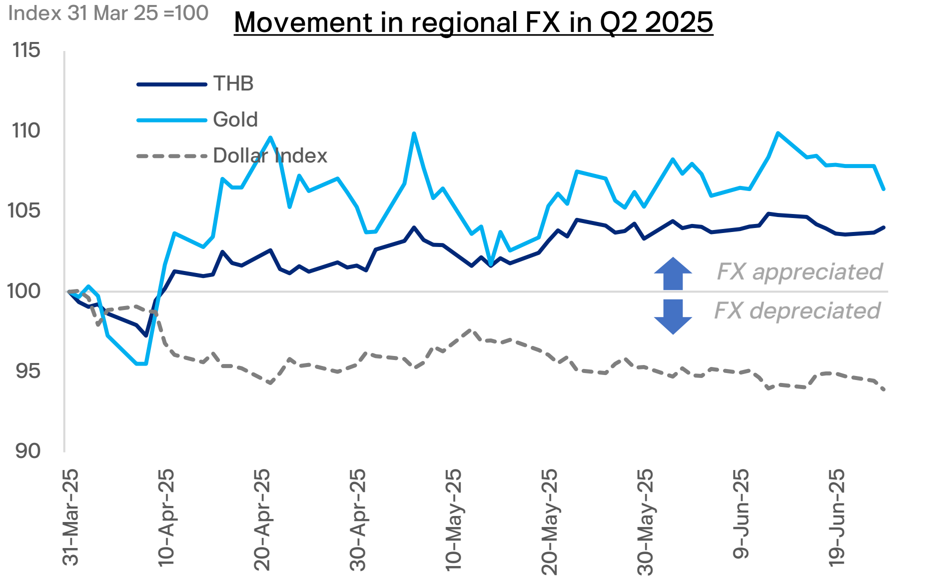
- Over the past month, US bond yields have declined across the curve, influenced by growing expectations of a Fed rate cut. This outlook has been shaped by mixed messages from Fed officials, with some expressing openness to a July cut, along with signs of slowing economic momentum. Meanwhile, geopolitical tensions in the Middle East have increased demand for safe-haven assets, particularly long-term bonds, helping to compress term premiums. Despite these factors, bond market volatility has remained subdued, unlike the heightened reactions seen during events such as the US Liberation Day tariffs or major election outcomes.

- Thai bond yields have declined across the curve despite net bond outflows from foreign investors. Domestic demand for long-term bonds remains strong, driven by expectations of a 50-bps cut in the Bank of Thailand's policy rate by year-end, amid concerns over political instability and a weaker-than-expected tourism outlook.

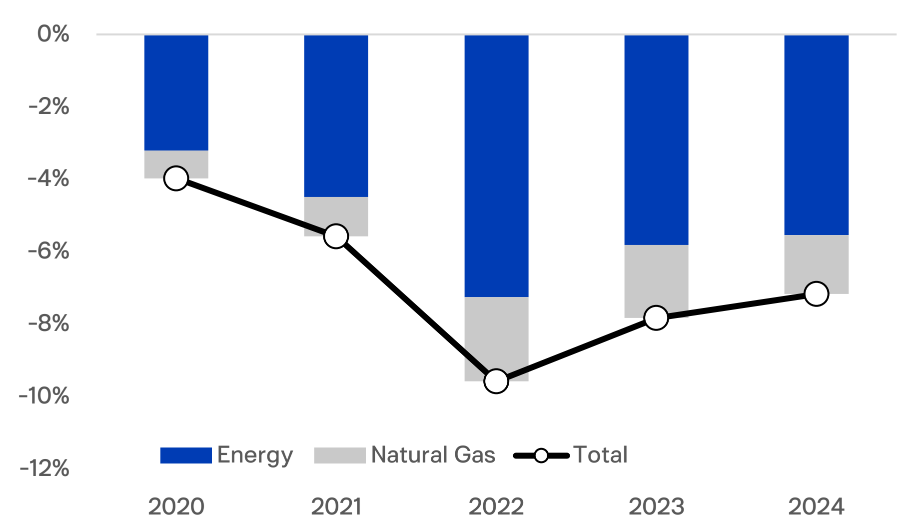
Source: Bloomberg CEIC and ttb analytics (Data as of 24 June 25)

The de-dollarization trend remained the primary driver in the FX market, despite a brief dollar uptick due to Middle East tensions. Meanwhile, the Thai Baht moved in line with the dollar's fluctuations.

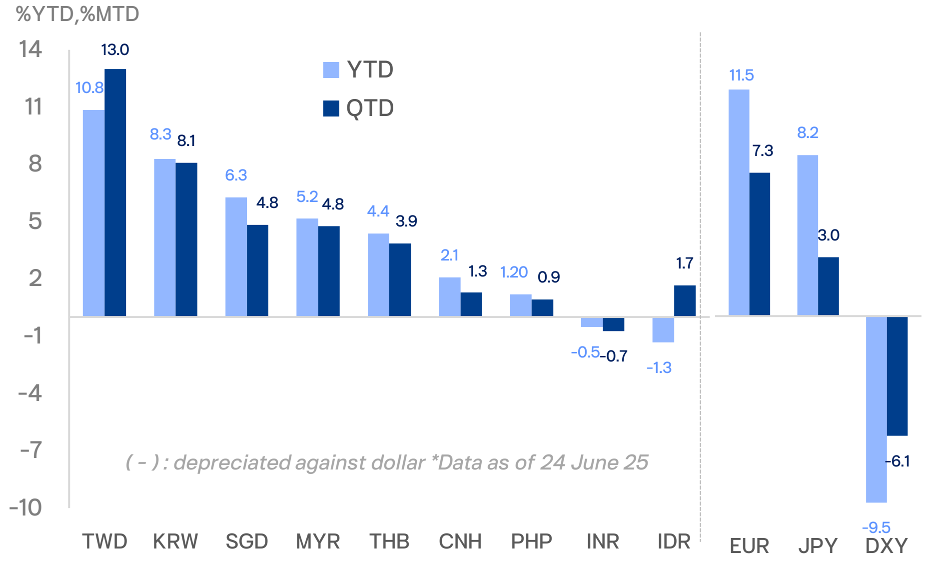
Movement in regional FX in Q2 2025



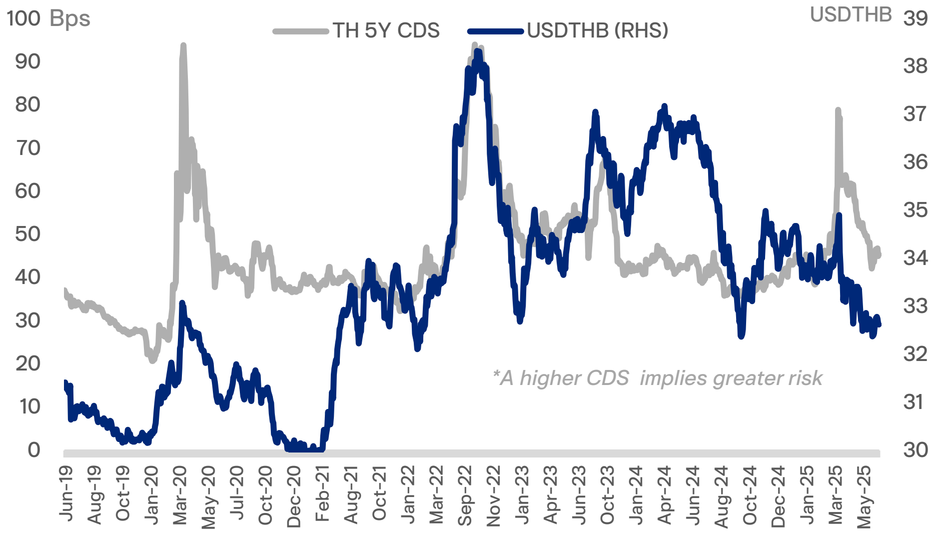
Thailand oil and gas net trade



Selected FX spot return against US dollar



Relationship between Thai baht and Thailand CDS



- The dollar index briefly rose above 99.00 level on safe-haven demand amid Middle East tensions, before easing as risks de-escalated. Meanwhile, mixed Fed signals and recent data raised the odds of a rate cut this year. The Thai baht moved in line with regional currencies, tracking dollar movements. During heightened Middle East tensions, it weakened to the 33.00 level before slightly recovering. A drop in gold prices over the past month from record highs, despite geopolitics, also added pressure on the baht.
- In the second half of the year, the Thai baht is expected to trend toward appreciation, supported by the ongoing de-dollarization theme, weaker US economic data, and expectations of Fed rate cuts. However, upside risks remain. These include the potential reemergence of Middle East tensions, as the baht tends to be sensitive to oil prices, and domestic political uncertainty, which markets have not yet fully priced in as reflected in Thailand's CDS levels.

Source: Bloomberg, CEIC and ttb analytics (Data as of 24 June 25) ttb | a·n·a·l·y·t·i·c·s