



ttb analytics

August 2025



### **Executive Summary**





#### Global Economy

- In August 2025, the global economy grew more than expected; nonetheless, a payback period is likely in the H2. Meanwhile, global inflation remains generally subdued. Tariff negotiations offered some clarity on rates, though the overall impact remains uncertain.
- Despite the robustness in US economy, recent US labor data has raised concerns about the economy's momentum heading into the H2. Meanwhile, China's
  economy is showing signs of slowdown in H2, with further policy support likely in Q4.
- For monetary policy, The Fed is likely to resume its easing cycle after weak July labor data and Powell's speech in Jackson Hole, while Asian central banks lean toward steeper cuts as tariff impacts are about to emerge.



#### Thai Economy

- In June 2025, Thai economic indicators continued to soften from the previous month. The tourist arrivals were relatively stable regarding to border conflicts and low-season effect. Manufacturing production indicator also soften aligning with merchandise exports. Meanwhile, private investment increased, as mainly from machinery and equipment. On the other hand, headline inflation in July 2025 remained negative for fourth consecutive month, while core inflation decelerated.
- In Q2/25, GDP growth decelerated from the previous quarter but above market expectation. Gross fixed capital formation, and imports of goods and services accelerated, merchandise exports also remained solid, meanwhile, private consumption showed signs of slowdown. Additionally, the NESDC revised up its GDP forecast for The Thai economy in 2025, which is expected to expand 2% (within the range of 1.8-2.3%).
- The Monetary Policy Committee (MPC) voted unanimously to cut the policy rate to 1.50%, due to the weakening economic growth and persistently low inflation going forward. Specifically, GDP growth in the second half of the year is expected to decelerate. This reduction is to address growing economic vulnerabilities and provide financial relief to specific groups, particularly SMEs and low-income households.



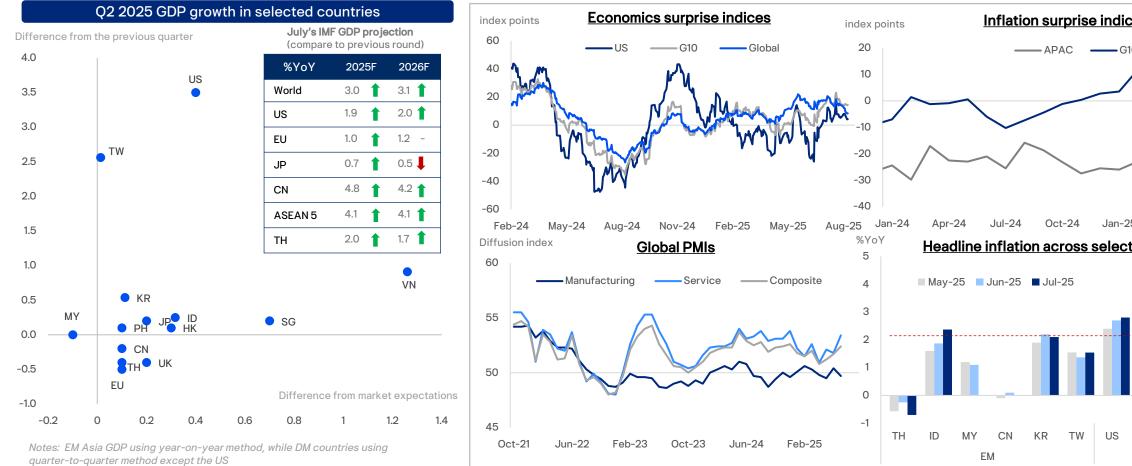
#### **Financial Markets**

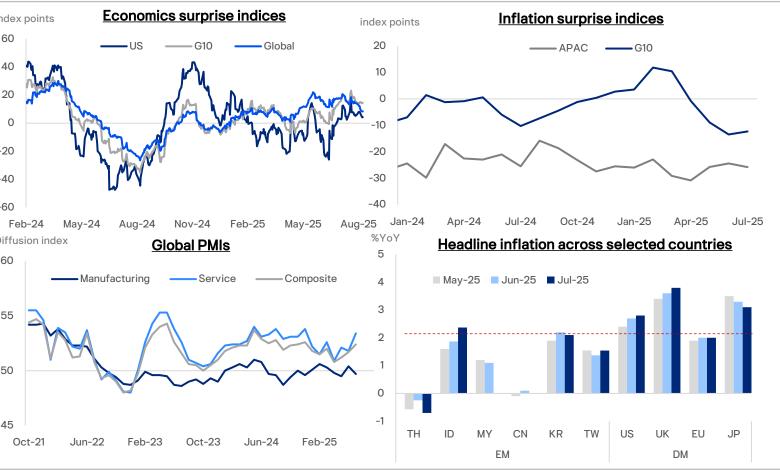
- US bond yields declined in a bull steepening move, led by a sharp drop in short-term rates, as markets increasingly priced in a potential Fed rate cut in September. Similarly, Thai bond yields declined further across the curve after the MPC cut the policy rate by 25bps to 1.50%.
- The dollar softened on the month, slipping back below the 100 handle, as softer labor market data and a dovish tone from Powell at Jackson Hole weighed on sentiment. Meanwhile, the Thai baht broadly strengthened in line with major and regional peers. In the first half of August, the baht traded within a narrow range, as evidenced by a decline in realized volatility.



### The global economy grew more than expected; nonetheless, a payback period is likely in the H2. Meanwhile, global inflation remains generally subdued



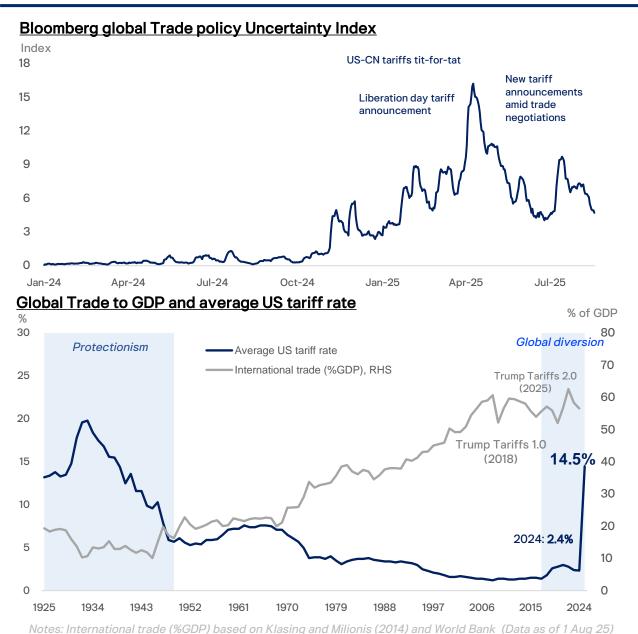




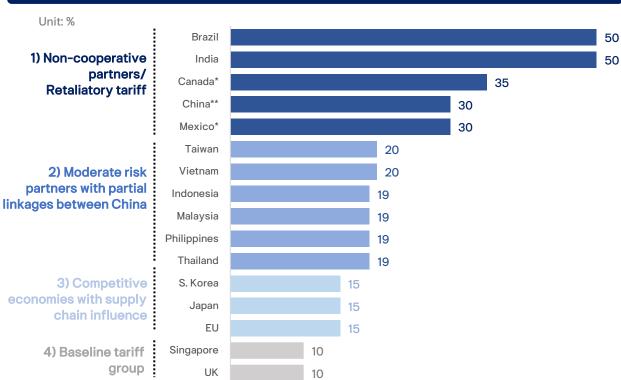
- The global economy showed resilience, as many countries' GDP growth in H1 exceeded expectations, thanks to front-loading effects before tariff enforcement. Meanwhile, the July IMF WEO revised up its 2025 world GDP forecast, with several key countries receiving upgrades.
- Recent economic data over the past month remained robust, as reflected in PMI figures and the surprise index. Meanwhile, inflation pressures continued to be contained in both emerging and developed markets—except in the US, and some spikes were observed in countries like the UK and Japan due to domestic-specific factors.

### While tariff rates became clearer after the deadline passed, their impact remains uncertain





Source: Bloomberg, PIIE, White House, Global Trade Alerts, Our world in data and ttb analytics



Trump tariff 2.0 US tariff rate in selected countries (effective Aug7, 2025)

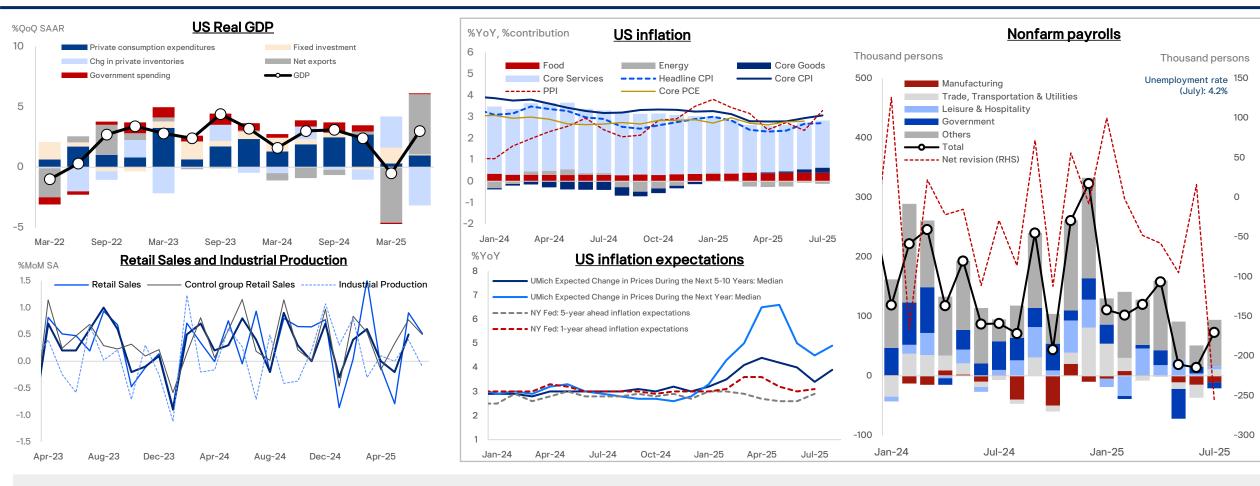
- 1) >30%: Less cooperative in trade talk, US national security risk
  2) 19-20%: Countries linked to global supply chains benefiting from
- 2) 19-20%: Countries linked to global supply chains benefiting from tariff avoidance or transshipment
- 3) 15%: Strong relationship with US with some disputes
- 4) 10%: Strong relationship with US, US gain trade surplus, small economies

Note: \*Under USMCA agreement

\*\*China trade truce extends 90 days

# Despite a robust Q2 GDP, recent US labor data has raised concerns about the economy's momentum heading into the H2



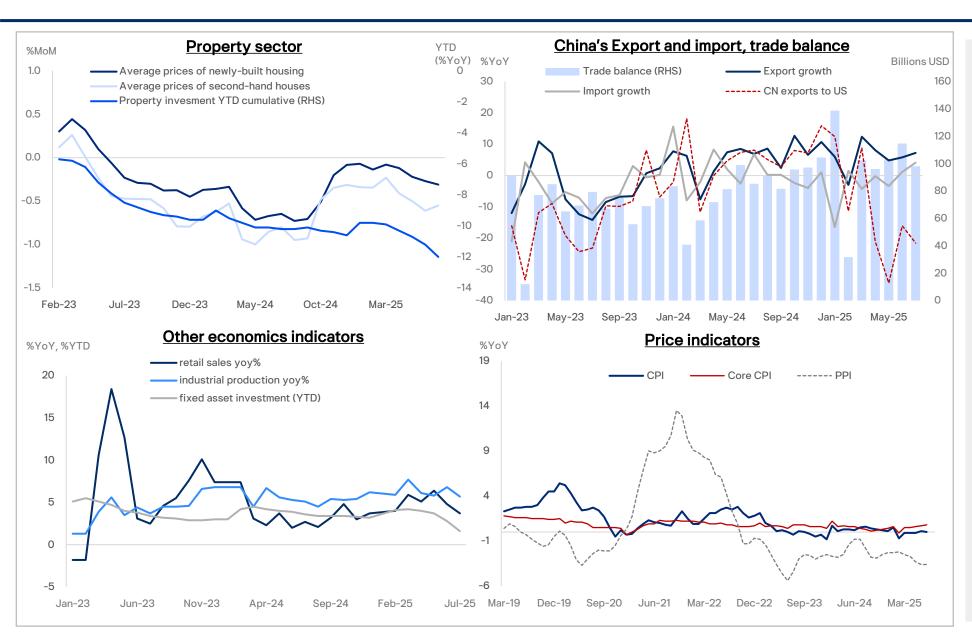


- US GDP grew 3% in Q2, outperforming expectations and rebounding strongly from a 0.5% contraction in Q1. The surge was largely driven by a sharp decline in imports, which
  helped narrow the trade deficit. Meanwhile, recent economic data—particularly retail sales, a key gauge of consumer spending—continues to exceed forecasts, even as other
  indicators begin to show a more mixed outlook.
- Fed-watched indicators are showing signs of change. Nonfarm payrolls slowed more than expected, with sharp downward revisions casting doubt on labor market strength. Meanwhile, inflation data remains contained despite an upward trend. Some Fed officials see the impact of recent tariff hikes as temporary. However, PPI came in above expectations, indicating that cost pass-through may still be underway. Consumer inflation expectations also remain notably high.

Source: Bloomberg CEIC and ttb analytics

### China's economy is showing signs of slowdown in H2, with further policy support likely in Q4



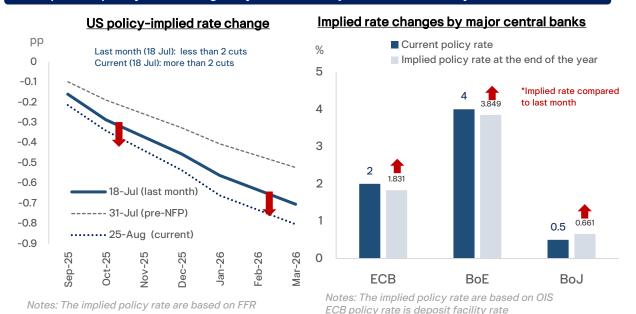


- China's economic momentum weakened in July, with retail sales rising just 3.7%, missing expectations of 4.6%, as consumer spending remained sluggish despite government support measures. Industrial production grew 5.7% yearon-year, below the 6% forecast and down from 6.8% in June. Meanwhile. fixed asset investment—a gauge of capital spending-rose only 1.6%, well short of the expected 2.7%, pointing to broader softness across the economy.
- Meanwhile, the property sector shows no sign of recovery despite recent stimulus measures. New home prices fell 0.31% in July, the sharpest drop in nine months. Second-hand home prices declined 0.55%, slightly less than in June.
- Nonetheless, China's exports rose 7.2% in July-the fastest pace since April and above the expected 5.6% despite high US tariffs. While shipments to the U.S. fell 22%, stronger exports to the rest of the World helped offset the decline.

### The Fed is likely to resume its easing cycle after weak July labor data and Powell's speech in Jackson Hole, while Asian central banks lean toward steeper cuts as tariff impacts are about to emerge



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



#### Asian countries' expectations

Country	Current Policy Rate	Changes in policy rate in 2025 (bps)	Forecast policy rate at the end of 2025 (%)
MY	2.75	-25	2.60 👢
KR	2.50	-50	2.15
ID	5.00 🎩	-100	4.70 👢
IN	5.50	-100	5.25 👢
PH	5.25	-50	4.80 👢
TW	2.00	0	1.90
VN	4.50	0	4.40

Notes: Forecast policy at the end of 2025 based on Bloomberg weighted average

#### Latest Monetary Policy development



The Fed held rates steady at 4.25–4.50% as expected in July, despite two dissenting votes in favor of cuts. The FOMC minutes cited concerns over inflation risks. Given weak labor data in July and Powell's guidance at Jackson Hole, the Fed is likely to cut the policy rate at the upcoming meeting.



The ECB is likely to delay its final rate cut, awaiting the impact of US tariffs, while the July meeting kept rates unchanged and reaffirmed a data-dependent stance.



The BoJ kept rates unchanged at 0.5% in July while raising its inflation outlook. Despite soft data and tariff headwinds, markets still price in one more hike this year on elevated inflation.



 The BoE cut its policy rate by 25bps to 4% in August by a narrow vote. However, stronger-than-expected data and persistent inflation are likely to keep rates on hold at least through the upcoming meeting.



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The PBOC kept its loan prime rates for both 1-year and 5-year terms unchanged. Nonetheless, the recent slowdown in economic momentum could prompt further easing in both monetary and fiscal policy in the second half of the year.

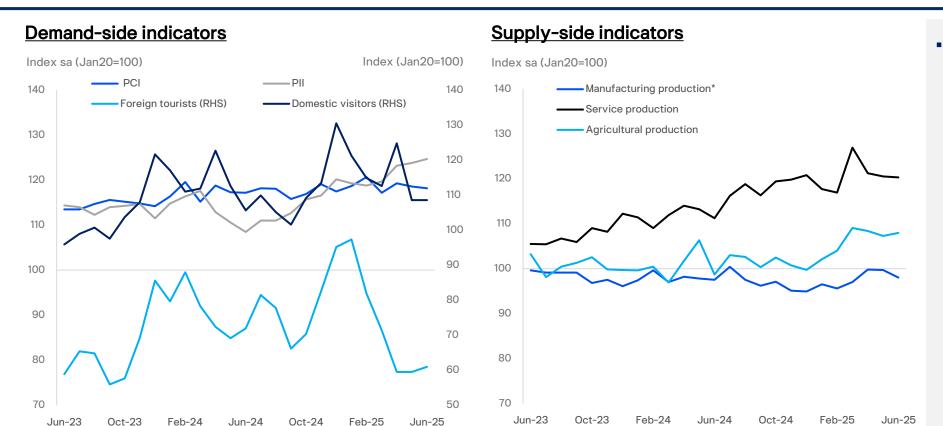


Asian central banks have adopted a more dovish stance to support growth amid the impact of U.S. tariffs in the second half of the year.



### In June 2025, Thailand economic activities soften from the previous month





In Jun25, Thai economy continued to soften from the previous month, due to a slowdown in activity across several sectors. The tourist arrivals were relatively stable regarding to border conflicts and low-season effect. Manufacturing production indicator soften across several categories aligning with merchandise exports, which shown an accelerating expansion in the preceding periods. On the economic stability front, headline inflation in Jul25 remained negative for fourth consecutive month. Notably, trade balance (Custom basis) registered a surplus.

Leading	a Economic	Index (sa	a) (Jan2020=10	0)
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Leading Economic Index and Components (SA)	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25
Authorized Capital of Newly Registered Companies (Million Baht)	159.1	134.5	100.2	125.2	171.2	137.4	129.7	141.4	92.6	219.4	183.3	108.0	103.2
Construction Areas Permitted (1000 sq. m)	104.0	102.9	111.7	102.3	97.2	100.6	104.0	77.1	83.1	100.3	83.9	99.7	98.4
Export Volume index (exclude Gold)	111.9	114.7	118.4	115.4	115.2	119.1	118.9	120.5	127.0	124.3	122.1	132.7	126.4
Business Sentiment Index (3 months)	101.8	100.2	97.4	100.0	102.5	99.6	97.7	97.7	99.5	100.8	95.0	97.8	97.2
SET index	85.9	87.2	89.8	95.7	96.8	94.3	92.5	86.8	79.5	76.5	79.1	75.9	72.0
Oil Price Inverse Index (Dubai)	1.2	1.2	1.3	1.4	1.3	1.4	1.4	1.2	1.3	1.4	1.5	1.6	1.4

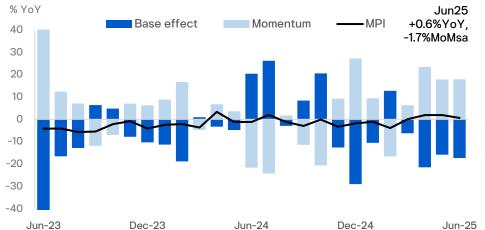
Source: Bank of Thailand and ttb analytics

Remark: \*rebase Jan21 due to OIE new rebase data

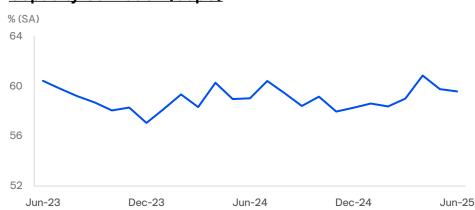
### Overall manufacturing production indicator weakened due to a slowdown in domestic activities



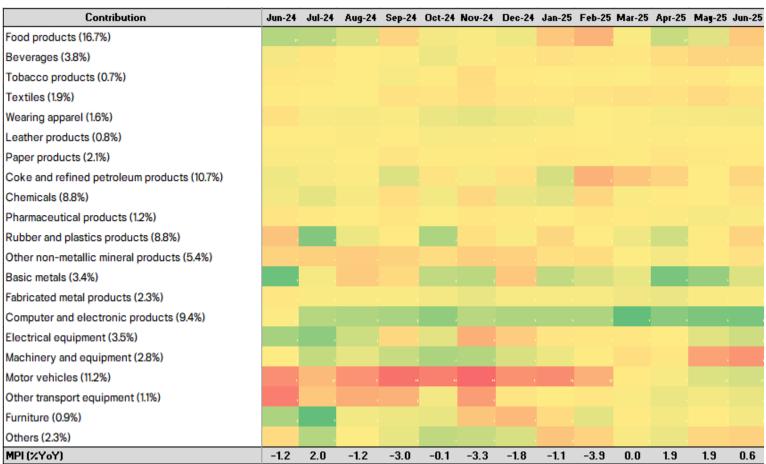




#### **Capacity Utilization (CapU)**



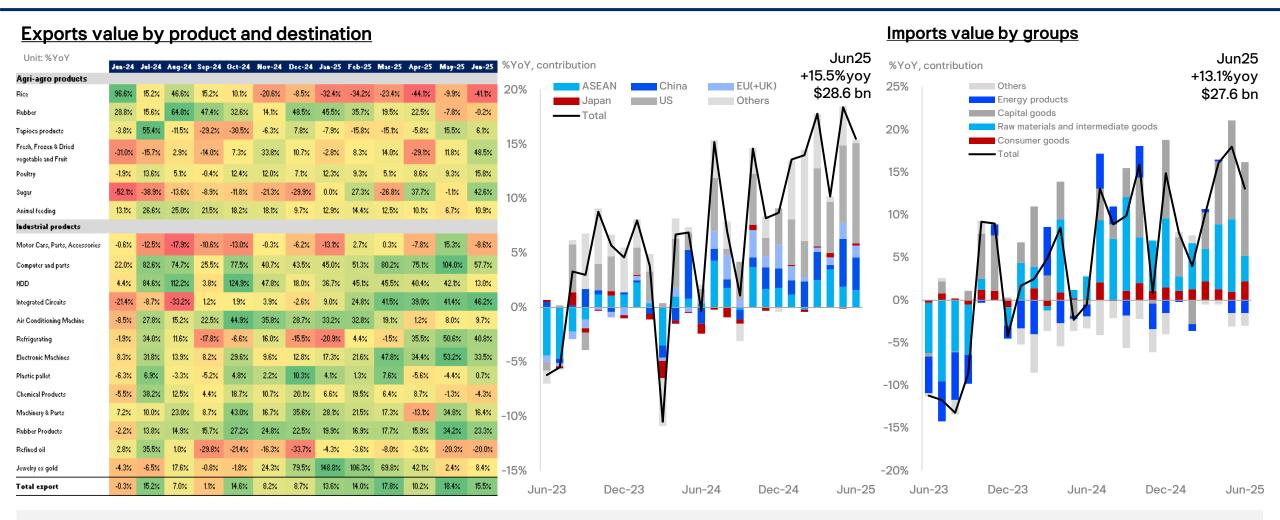
#### MPI by sector (base year 2021)



As of Jun25, Manufacturing Production Index (MPI) soften led by lower production in petroleum products due to a slowdown in tourism activities, the production of beverage also declined, particularly in carbonated soft drinks and ready-to-drink coffee. This was attributed to some manufacturers temporarily halting production for maintenance. Meanwhile, the production of automotive, especially passenger cars, continued to increase which supported by rising domestic sales and low-base effect last year.

# Merchandise export during first half of 2025 saw a strong growth fueled by continued front-loading shipment to cushion tariff impact





• Thailand's exports in Jun25 expanded remarkably by 15.5%YoY, marking the twelfth consecutive month of expansion. This growth was partly driven by the ongoing front-loading effect due to accelerated imports of goods into the US ahead of the imposition of reciprocal tariffs. Moreover, rising global digital demand and agricultural products also fueled export growth. Meanwhile, exports to key markets continued to expand across major partners including the US, China, EU and CLMV. On one hand, the value of imports continued to increase but slower pace, due to lower imports of raw materials and intermediate goods including energy products, which resulting in a trade surplus of USD 1.1 billions. (The first half of 2025, trade deficit of USD 62.2 millions)

# Thailand successfully negotiated a reduction in the US reciprocal tariff, relatively similar rate across peers, which mainly offering expanding market access for US agricultural products

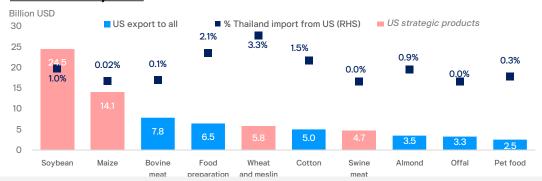
Thailand's Initial proposals to the US

Proposals	Products/Actions
Reduction of import tariffs on US Goods to 0% for over 10,000 items (aligned with Thailand's existing FTA partners)	Could be substituted by US import
1.1) Products that Thailand cannot produce domestically	Auto and parts*, medical device*, electrical machinery*
1.2) Products that Thailand produces insufficiently to meet demand	Soybean*, maize*, dairy products*
1.3) Products that Thailand already needs to import but currently imports in small quantities from the US	Natural gas (already has a 0% MFN rate)
2. Greater market access for US agricultural products (average MFN applied rate of 27%)	More imported from the US
2.1) Non-competitive US products	Tilapia, longan, durian*, duck*, lamb*
2.2) Competitive US products (Propose 2 conditions; a) import quotas b) Reduce tariff to 0% with grace period of 3-5 years)	Soybean, maize, swine excluded offal (no more than 1% of total domestic consumption or 10-15 thousand tons/year*)
3. Increased imports from the US to reduce trade deficit	To reduce trade surplus with the US by 70% within 5 years (from 35.5 bn to less than 11 bn) and to balance it within 7-8 years
3.1) Thailand aims to purchase around 100 Boeing aircraft over the next 10 years to replace aging fleets	Pharmaceuticals and Aircraft
3.2) Targeting imports crude oil about 10% of total import needs	Crude oil (120,000 b/d), starting in 2026
3.3) Thailand has signed an import agreement with import LNG about 20% of total import needs	LNG (1 million ton), starting in 2026
4. Stricter oversight of transshipment and origin fraud	Requiring local content of around 40-50% (RVC>40% with low China's import content e.g., rice, natural rubber, animal feeding, preserved tuna, jewelry)*
5. Long-term investment in the US	Energy and processed agricultural industries
6. Streamlining Import-Export and Business Procedures	To simplify documentation and regulatory processes to facilitate business operations

Top 5 major agricultural products imported from China and Australia, 2024

Imported from China	Import value, 2024 (USD bn)	Imported from Australia	Import value (USD bn)
1. Apple, pear	0.24	1. Wheat and meslin	0.19
2. Grape	0.22	2. Bovine meat	0.18
. Preserved fish incl. caviar	0.20	3. Milk and cream	0.07
I. Other vegetable	0.14	4. Malt	0.05
. Other sugar	0.14	5. Cheese and Curd	0.04

### Top 10 US agricultural products export to all countries and share from Thailand, 2024



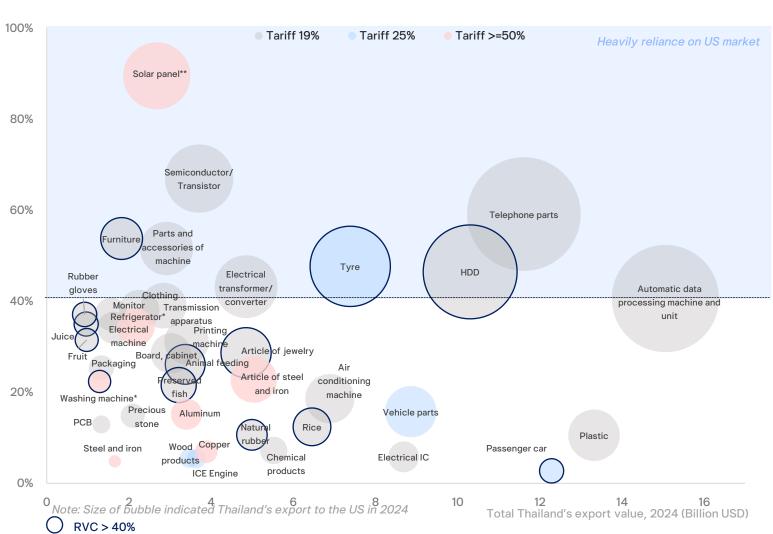
Thailand has recently submitted a revised trade proposal to the US, with the objective of minimizing US reciprocal tariff rate announced in the Liberation day. The proposal outlines a strategic plan to reduce Thailand's trade surplus with the US by 70% over the next five years. Key measures include increasing imports of US agricultural goods, energy products, and aircraft in particularly. Thailand also aims to lower non-tariff barriers and streamline related procedures to improve trade flexibility and competitiveness. As a result, Thailand has successfully negotiated a reduction in the US reciprocal tariff from 36% to 19%, relatively similar across ASEAN countries, which officially took effect at midnight on Aug 6.3

Source: Trademap, MOC and ttb analytics (As of 8 Aug 2025) Remark; \*estimated by ttb analytics

# Thailand' US tariff outcome in line with peers, although further details on RVC criteria and level are yet unclear. RVC threshold exceeding 50% could disrupt some major exports



#### Thailand's export value and proportion of US market dependency, 2024



Group 1: Reciprocal tariff 19% (93.2%)
Other export goods

Group 2: Tariff 25% (1.3%) Automotive, auto parts

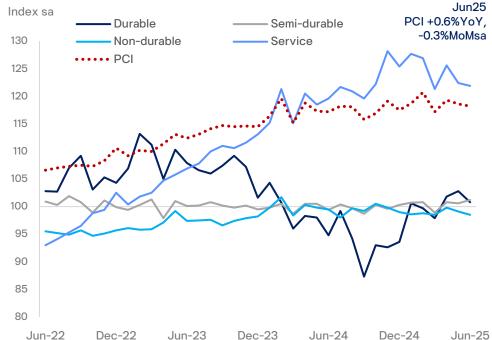
Group 3: Tariff >=50% (5.5%)
Steel, Iron, Aluminum, Copper, products of steel

- Although Thailand receives import tariff rates and productspecific tariff rates comparable to its ASEAN peers, the US requirement regarding Regional Value Content (RVC) remains highly uncertain. Clarity may depend on future trade agreements with China, which are currently postponed for another 90 days (expected to conclude around November).
- Nevertheless, Thai industrial products—especially electronics that heavily rely on the US market and lack clarity on local content proportions, have low domestic value-added, or involve significant imports from China—remain at risk of being subject to high import tariffs. This could potentially undermine their competitiveness in the future.

### Private consumption indicators declined from the previous month across several categories

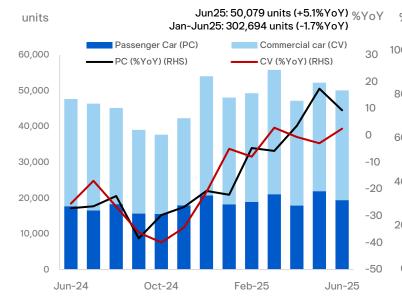




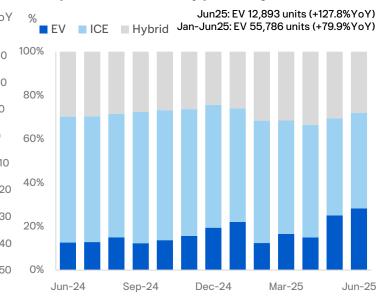


 Private consumption indicators decreased from the previous month across several categories. Spending on services fell due to reduction of foreign tourist spending, as well as non-durable goods consumption, which also fell due to lower sales of fuel, consumer products, and alcoholic beverages. Moreover, spending on durable goods decreased, following a decline in car sales after a surge in deliveries earlier.

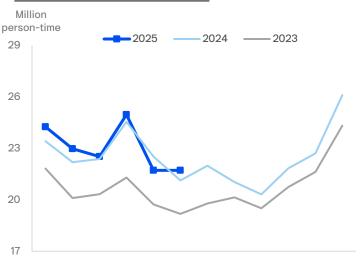
#### Domestic car sales\*\*



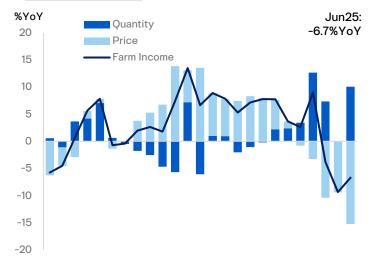
#### EV penetration of type 1 registration



#### Thai domestic visitors\*



#### **Farm Incomes**



Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec

Jun-23 Dec-23

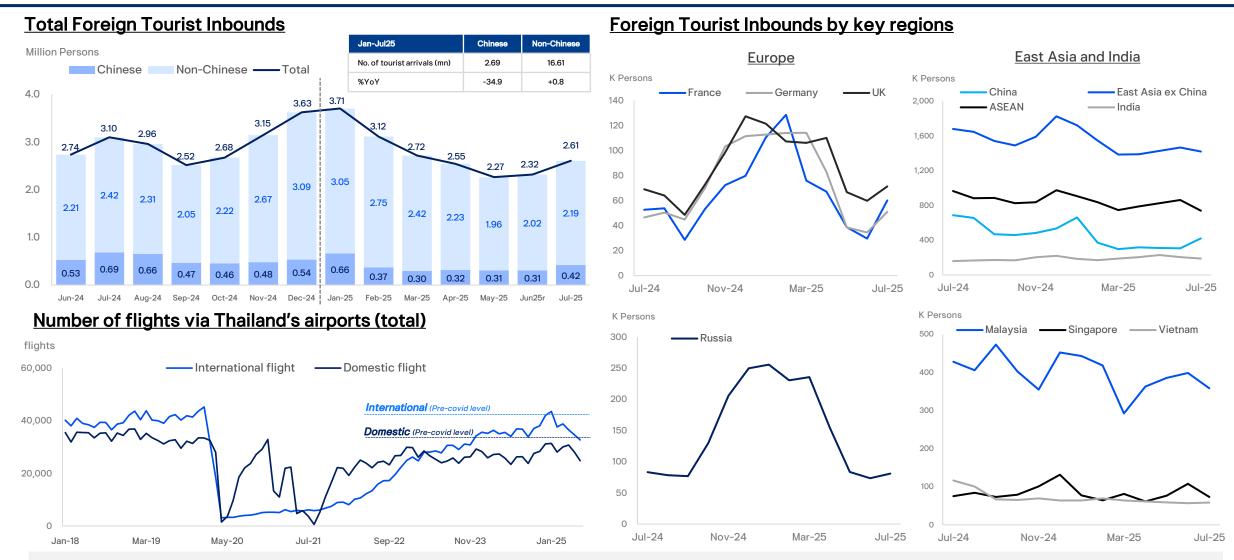
Jun-24

Dec-24

Jun-25

# Foreign tourist arrivals in July rebounded from the revised down figure last month, tourists from ASEAN countries slumped to 17-month low due to elevated border conflict



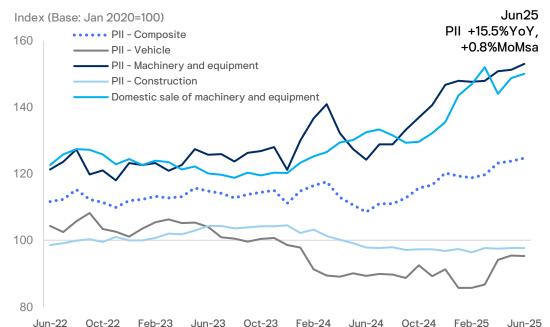


• In Jul25, foreign tourist arrivals was at 2.61 millions, rebounded from the revised down figure last month. This figure showed a sharp increase across several nationalities such as tourists from North-East Asia, Europe, as well as China. Meanwhile, tourists from ASEAN countries slumped to 17-month low, as mainly due to elevated Thailand-Cambodia border conflict.

# Total investment indicators bounced back aligning with improving business confidence figures after 90-day grace period of US tariff statement



#### **Private Investment Indicators (SA)**

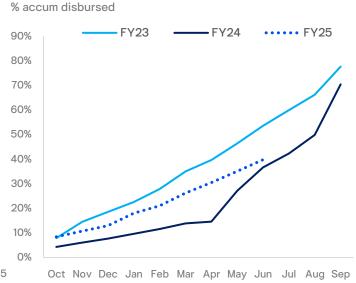


- Private investment continued to grow, driven by increased spending on machinery and equipment, while government expenditure expanded, supported by increased disbursements from the central government and investment by state-owned enterprises.
- Overall BSI increased slightly but remained below the bar, driven mainly by the non-manufacturing index particularly in tourism-related businesses as foreign tourist arrivals fell sharply. Confidence of respondents in the export-oriented industries such as the electronics and food improved. This was partly due to an export acceleration during the 90-day grace period.

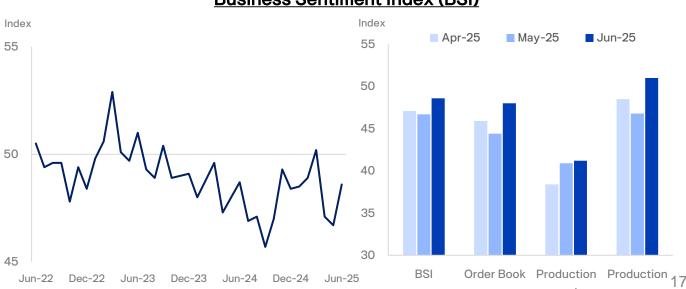
#### **Unit of housing registration (Nationwide)**



#### Accumulated govt capital budget disbursement



#### **Business Sentiment Index (BSI)**

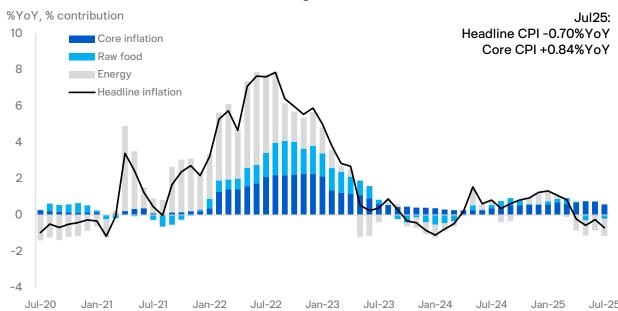


### July's inflation remained negative for the fourth consecutive month, triggering deflation concerns while core inflation decline to 6-month low

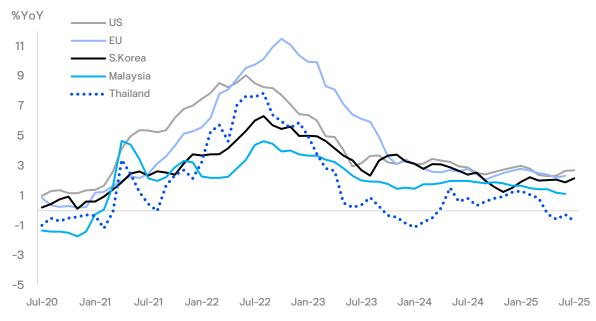


18

#### Thailand's inflation contribution to growth



#### **Headline inflation in selected countries**



#### Price change in top categories

%YoY	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25
Headline inflation	0.82	0.36	0.62	0.83	0.94	1.24	1.32	1.08	0.84	-0.22	-0.57	-0.25	-0.70
Raw food	1.10	1.92	2.32	1.64	0.24	0.17	0.97	1.13	1.90	0.30	-1.76	-0.23	-1.23
Prepared food	1.54	1.81	2.38	2.33	2.27	2.33	2.53	2.68	2.37	2.61	3.41	3.40	2.53
Meat and Poultry	-2.20	-1.16	-0.68	0.33	0.59	0.25	0.41	1.39	3.04	5.04	5.39	4.98	4.18
Eggs and dairy products	2.88	1.66	1.43	1.44	-0.50	-0.95	-0.53	0.45	-0.46	-1.94	-1.52	-3.94	-3.46
Utilities	-3.29	-3.31	1.44	1.45	1.45	1.44	1.47	1.45	0.06	-2.84	-1.42	-1.41	-1.36
Energy	1.77	-3.10	-2.56	-0.08	2.72	5.01	4.25	1.23	-0.93	-6.73	-6.58	-6.31	-7.33
Core inflation	0.52	0.63	0.76	0.77	0.80	0.80	0.83	0.99	0.86	0.98	1.09	1.06	0.84

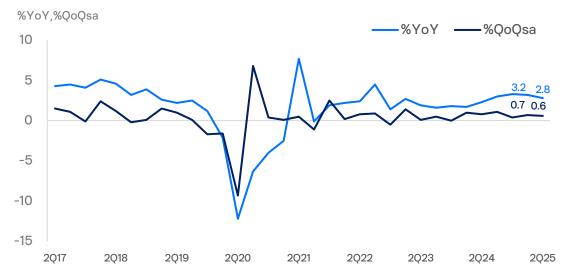
- The headline inflation (CPI) contracted by 0.7%YoY in Jul25, deeper contraction than the previous month of 0.25%YoY decrease. The main factor came from the falling prices of fresh food items, particularly fresh vegetables, fresh fruits and eggs. Moreover, the prices of energy prices also decreased following the global energy prices including electricity price regarding to government subsidy measures. However, price of some products mark higher e.g., non-alcoholic beverage and ready-made food. The core inflation increased by 0.84%YoY, decelerated from 1.06%YoY in Jun25.
- Overall, Thailand's inflation for the first-seven month of 2025 increased by 0.21%YoY and the core increased by 0.95%YoY.

Source: Ministry of Commerce, CEIC and ttb analytics

# GDP growth in Q2/2025 marked a slightly slowdown but stronger than expected, supported by temporarily growth of exports and investment



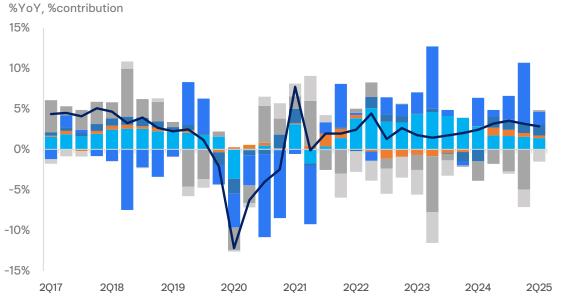
#### Real GDP growth



#### **GDP** growth composition (%yoy)

% compared to	0000	2024	2023				20	2025			
previous year	2023		Q2	Q3	Q4	Q1	Q2	Q3r	Q4r	Q1r	Q2
GDP	2.0	2.5	1.9	1.6	1.8	1.7	2.3	3.0	3.3	3.2	2.8
Private consumption (59%)	6.9	4.4	7.3	7.4	6.7	6.6	4.5	3.3	3.4	2.5	2.1
Private investment (18%)	3.1	-1.6	1.2	3.6	4.8	4.6	-6.8	-2.5	-2.1	-0.9	4.1
Government consumption (17%)	-4.7	2.5	-4.5	-5.0	-3.1	-2.3	0.4	6.1	5.4	3.4	2.2
Public investment (8%)	-4.2	4.8	-1.9	-3.0	-19.6	-28.0	-4.2	25.2	39.4	26.3	10.1
Export of goods (54%)	2.6	4.3	-5.6	-2.4	3.9	-1.5	2.4	7.5	8.9	13.8	14.3
Import of goods (50%)	-4.3	5.3	-5.3	-11.3	4.2	3.6	-1.3	9.6	9.4	3.9	15.3
Export of Service (5%)	38.2	25.5	47.9	29.6	19.9	32.0	24.7	22.3	22.9	7.0	2.7
Import of Service (9%)	5.5	10.3	4.9	-3.8	7.7	13.7	11.2	13.2	3.9	-4.3	-5.9

#### GDP component and its contribution

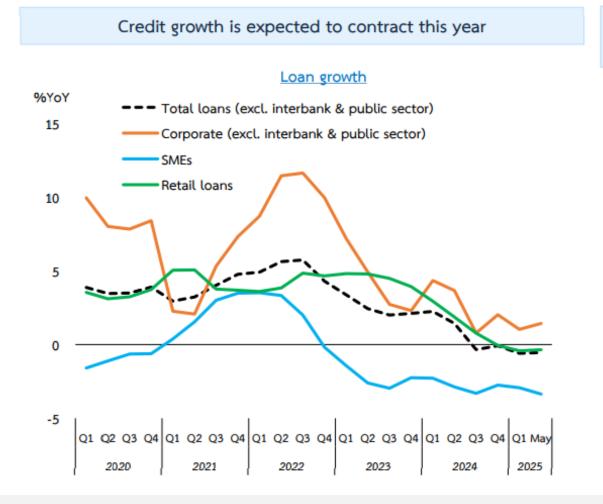


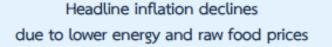
- Private consumption
  Government consumption
  Total investment
  Net exports
  Change in inventory
  Statistical discrepancy
  GDP growth (CVM)
- In Q2/25, Thai economy rose by 2.8%YoY, decelerated from 3.2%YoY in Q1/25 or +0.6%QoQsa, but above market expectation of 2.5%YoY. Gross fixed capital formation, and imports of goods and services accelerated, merchandise exports also remained solid, meanwhile, private consumption showed signs of slowdown.
- The NESDC revised up its GDP forecast for The Thai economy in 2025, which is expected to expand 2% (within the range of 1.8-2.3%) slowing down from 2.5% in 2024.

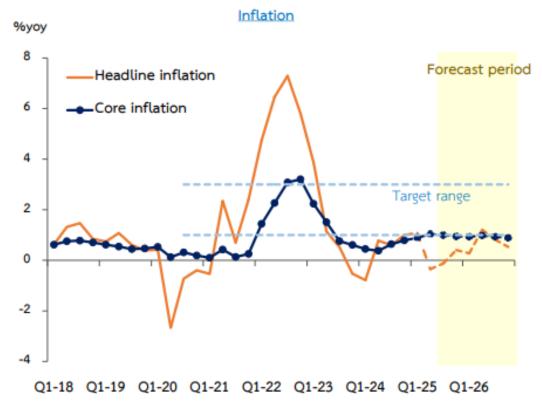
Source: NESDC, ttb analytics Remark: (.) indicates share to GDP

# MPC cut its benchmark interest rate to 1.50%, marking the lowest in more than two years, to shore up a slowing economy hit by US tariffs and low inflation going forward









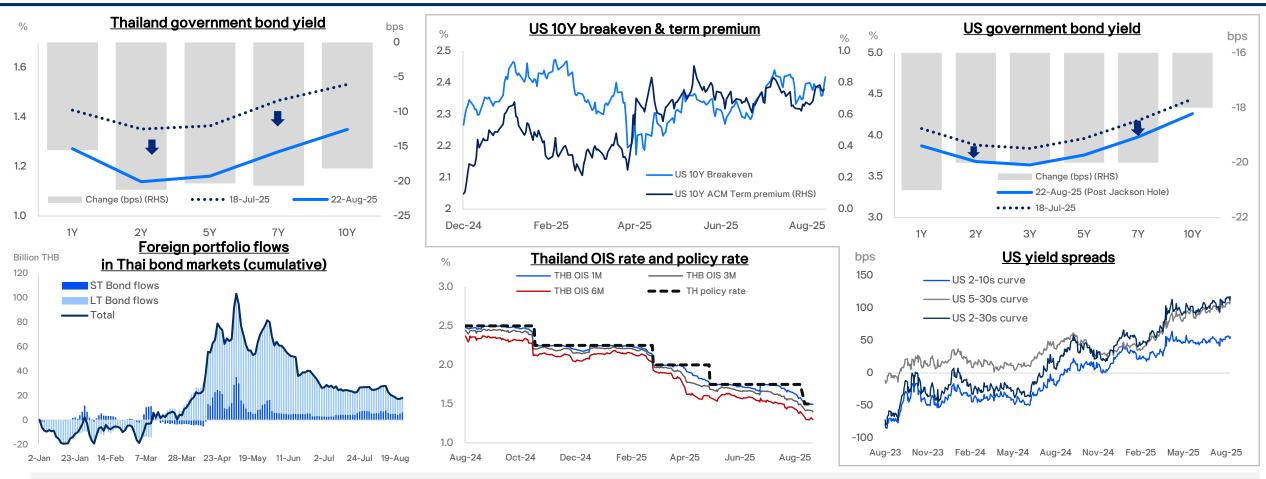
• The Monetary Policy Committee (MPC) voted unanimously to cut the policy rate by 0.25 percentage point from 1.75% to 1.50%, effective immediately due to the weakening economic growth and persistently low inflation going forward. Specifically, GDP growth in the second half of the year is expected to decelerate due to US trade policies, both directly and indirectly, and a decline in short-haul tourist arrivals as a result of intensified regional competition. This reduction is to address growing economic vulnerabilities and provide financial relief to specific groups, particularly SMEs and low-income households.

Source: Bank of Thailand



### Bond markets respond to growing expectations of policy rate cuts

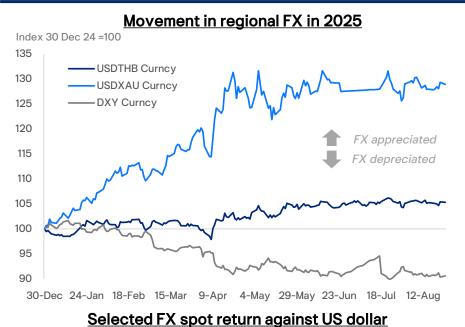


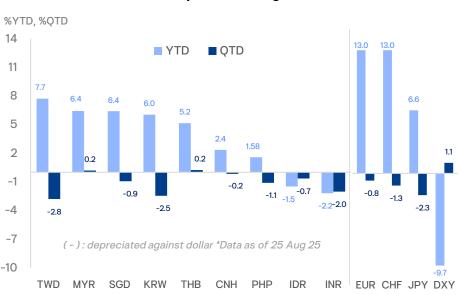


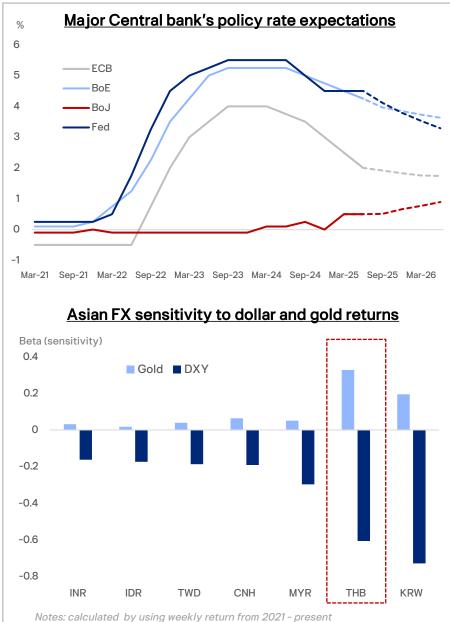
- Over the past month, US bond yields declined in a bull steepening move, led by a sharp drop in short-term rates, as markets increasingly priced in a potential Fed rate cut in September. The shift was driven by weaker-than-expected NFP data with sizable downward revisions and a dovish tone from Chair Powell at Jackson Hole. Amid signs of economic slowdown, the yield curve continued to steepen, with front-end rates declining further. Long-term yields, however, may show only a modest decline, as markets remain cautious about persistent inflation risks from tariffs and ongoing fiscal concerns.
- Similarly, Thai bond yields declined further across the curve after the MPC cut the policy rate by 25bps to 1.5%. Meanwhile, in August, foreign bond flows turned negative, partly due to profit-taking. Looking ahead, yields may trend lower as markets increasingly price in a lower terminal rate, driven by subdued domestic demand and the impact of tariffs—reflected in upcoming OIS movements.

# The dollar weakened on soft NFP data and Powell's dovish tone, while the baht firmed alongside regional peers









- The dollar softened on the month, slipping back below the 100 handle, as softer labor market data and a dovish tone from Powell at Jackson Hole weighed on sentiment. That said, on a quarterly basis, the index still holds modest gains, reflecting broader resilience earlier in the period. Meanwhile, the Thai baht broadly strengthened in line with major and regional peers. In the first half of August, the baht traded within a narrow range, as evidenced by a decline in realized volatility.
- expected to persist, albeit at a slower pace than in H1. The outlook remains pressured by rising Fed rate cut expectations and growing concerns over threats to Fed independence. For the Thai baht, despite a slowing domestic economic outlook, appreciation pressure remains in place—driven largely by broad-based dollar weakness. Given the baht's high sensitivity to USD movements, it stands to benefit from this environment. Resilient gold prices also continue to provide additional support, reinforcing the currency's strength, particularly in Q4.

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