

# Thailand Economics

## As good as it gets

Thailand's 1Q25 GDP growth of 3.1% y-y outstripped our 2.6% estimate. An export spike was the key reason for the beat. Domestic factors remained relatively weak. Despite lifting our 2025F estimate to 1.9%, we expect GDP growth to lose momentum from 2Q25F onward.



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### Strong 1Q25 GDP growth on external factors

Thailand's 1Q25 real GDP growth was reported at 3.1% y-y, a slight decline from 3.3% y-y in 4Q24. That beat our estimate of 2.6% y-y, mainly due to external factors. US\$ exports grew 15.6% y-y while imports rose only 6.3% y-y. Imports of services, which include freight costs, fell 2.7% y-y, which we believe was due to falling freight rates. Exports of services, which include tourism income, grew 8% y-y against only 2% y-y growth in tourist arrivals for 1Q25. On the domestic side, things were soft. Private consumption growth decelerated to 2.6% y-y from 3.4% in 4Q24. Private investment growth was at -1% y-y vs. -2% in 4Q24. Government investment jumped 26% y-y but from the very low base in 1Q24, when budget approval was still delayed.

### GDP growth revisions

The stronger-than-expected external factors and some degree of US tariff reprieve lead us to raise our GDP growth estimates to 1.9/1.8% from 1.5/1.4% in 2025-26F. However, our expectation of decelerating growth in the following quarters remains intact as we expect a clearer impact from US tariffs to be felt down the road. The Thai economy has suffered from domestic weakness, and external factors have been the key boosters to growth. And these external factors are now at risk from US tariffs.

### US tariffs are the wildcard

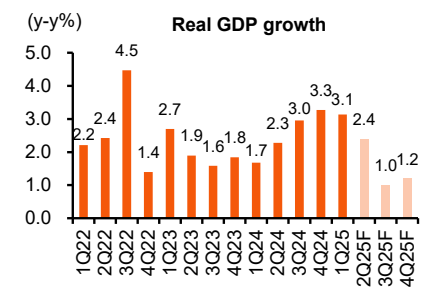
Thailand got a reprieve with the 90-day delay from April of US tariff implementation. The tariff on Thailand is 36%, but it is 10% during the 90-day pause. This has resulted in exports accelerating during the period. The 15.6% y-y jump in exports in 1Q25 implies a contraction in 2H25F. The US tariffs are the key wildcard to our forecasts, which would have potential upside if the tariff on Thailand is cut to 15% or below. Anything above that level would pose a risk to both exports and FDI flows, both in the short and long term. Assuming a tariff on China of 30%, 15% on Thailand (with Vietnam no lower than Thailand), and 10% on India, we do not expect a major change to FDI flows in search of new destinations. A 5% gap between Thailand and India may not be enough to alter the flows from Thailand to India.

### Domestic economic outlook remains dim

Thailand's domestic economy is very weak. On the monetary front, banks remain strict in their lending, implying that the money supply creation mechanism isn't working. The Bank of Thailand is reluctant to cut the policy rate more aggressively as a low rate isn't highly effective when banks don't lend. On the fiscal side, the government is reluctant to do significant stimulus spending given already high public debt at 64% of GDP. It only has a budget of Bt157bn (0.8% of GDP) left to stimulate the economy. The borrowing decree of Bt500bn (2.5% of GDP) would only materialize if there is no US tariff reprieve.

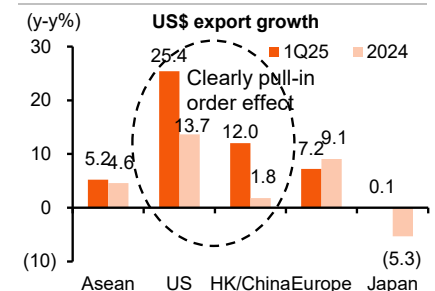
### ECONOMIC MONITOR

#### GDP Growth To Decelerate



Sources: NESDC, Thanachart estimates

#### Export Acceleration Ahead Of Tariff



Source: Bank of Thailand

Note: These countries/region are Thailand's top five export destinations

#### GDP Forecasts

% growth	2024	2025F	2026F
	(%)	(%)	(%)
<b>Real GDP growth</b>	<b>2.5</b>	<b>1.9</b>	<b>1.8</b>
Private consumption	4.4	2.5	2.0
Private investment	(1.6)	4.4	2.4
Government investment	4.8	1.0	3.1
Export (nominal US\$ growth)	5.7	2.6	(6.3)
Import (nominal US\$ growth)	6.6	1.5	(4.3)
Export of services (nominal baht growth)	28.8	2.2	2.5
Import of services (nominal baht growth)	13.6	(0.9)	1.5
Current account (% to GDP)	2.1	3.3	2.4

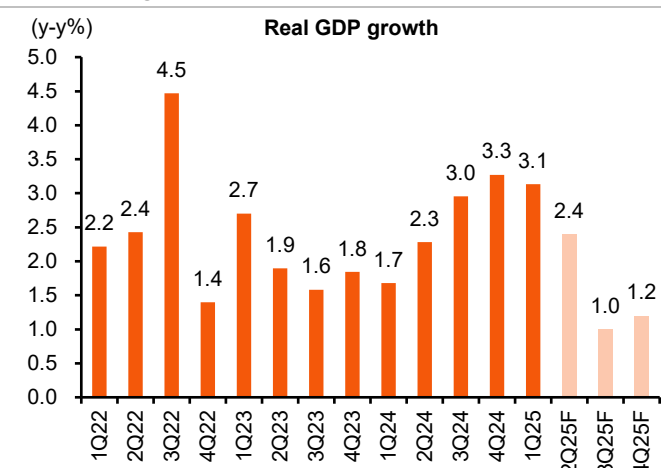
Sources: NESDC, Thanachart estimates

## Ex 1: GDP Revisions

% growth	2022	2023	2024	2025F		2026F		2027F	
				New	Old	New	Old	New	Old
	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)
<b>Real GDP growth</b>	<b>2.6</b>	<b>2.0</b>	<b>2.5</b>	<b>1.9</b>	<b>1.5</b>	<b>1.8</b>	<b>1.4</b>	<b>2.5</b>	<b>2.3</b>
Private consumption	6.2	6.9	4.4	2.5	2.5	2.0	2.0	2.5	2.5
Private investment	4.6	3.1	(1.6)	4.4	2.9	2.4	2.4	2.7	2.7
Government investment	(3.9)	(4.2)	4.8	1.0	2.4	3.1	3.1	2.3	2.4
Exports (nominal US\$ growth)	5.4	(1.5)	5.7	2.6	(0.9)	(6.3)	(6.3)	0.2	(1.7)
Imports (nominal US\$ growth)	14.0	(3.8)	6.6	1.5	(0.3)	(4.3)	(4.8)	0.7	(0.8)
Export of services (nominal baht growth)	68.5	43.9	28.8	2.2	1.0	2.5	2.5	3.0	3.0
Import of services (nominal baht growth)	18.7	3.7	13.6	(0.9)	1.2	1.5	1.5	1.5	1.5
Current account (% of GDP)	(3.2)	1.4	2.1	3.3	2.5	2.4	1.8	2.8	2.0
Headline CPI	6.1	1.2	0.4	1.0	1.1	1.2	1.2	1.5	1.5
Bt/US\$ – average	35.1	34.8	35.3	33.9	34.2	34.5	34.5	34.5	34.5
Policy rate	1.25	2.50	2.25	1.50	1.50	1.25	1.25	1.25	1.25

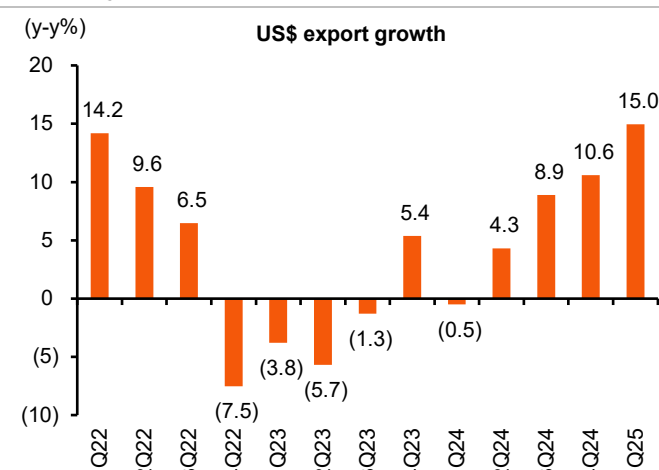
Sources: NESDC, Bank of Thailand, Ministry of Commerce, Bloomberg, Thanachart estimates

## Ex 2: Strong 1Q25 GDP Soon To Lose Momentum



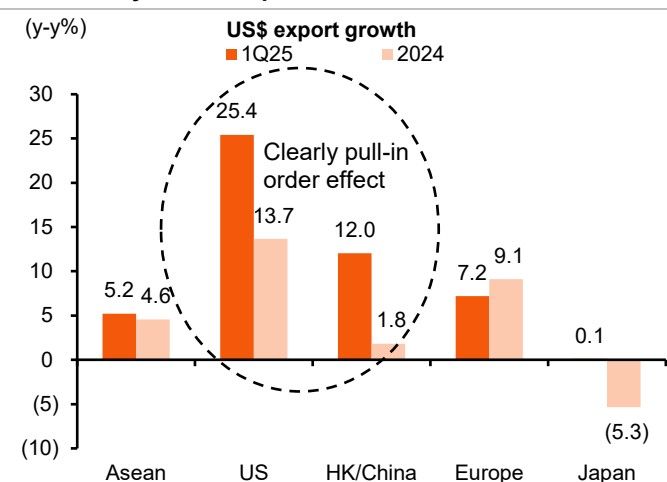
Sources: NESDC, Thanachart estimates

## Ex 3: Key Driver Was Export Acceleration



Source: Bank of Thailand

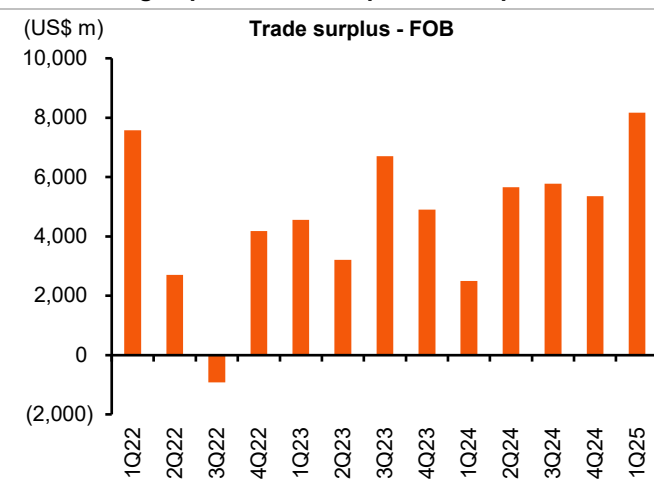
## Ex 4: Likely Pull-in Exports Ahead Of Tariff



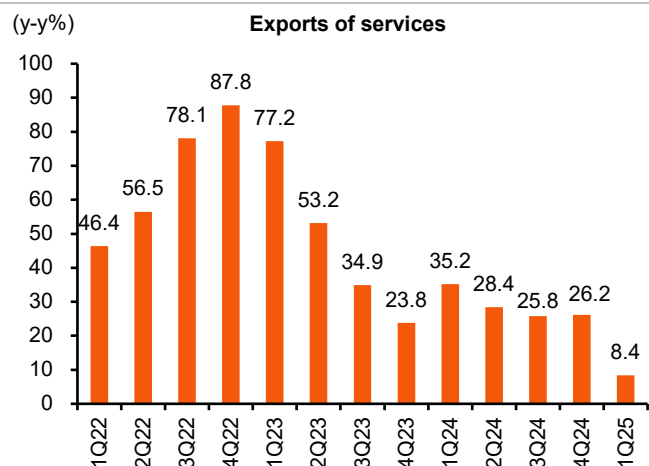
Source: Bank of Thailand

Note: These countries/region are Thailand's top five export destinations.

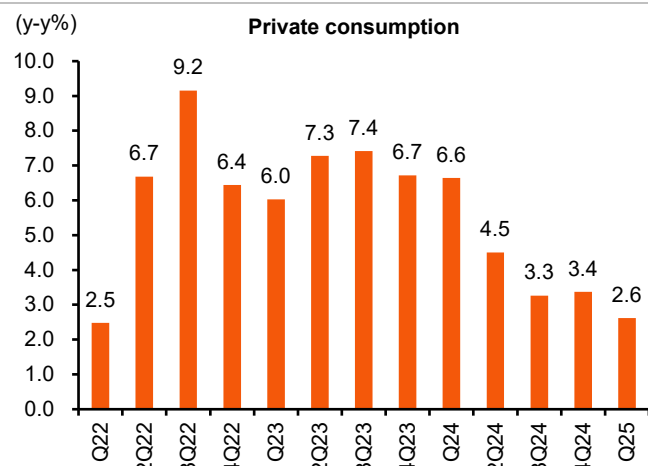
## Ex 5: Strong Exports Pushed Up Trade Surplus



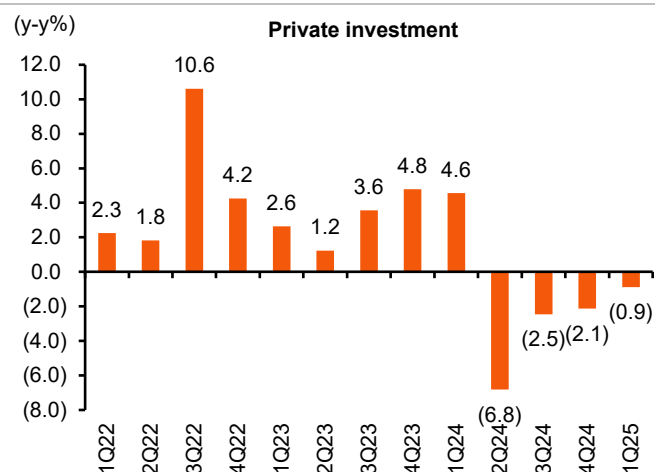
Source: Bank of Thailand

**Ex 6: Slow Exports Of Services From Slow Tourism**

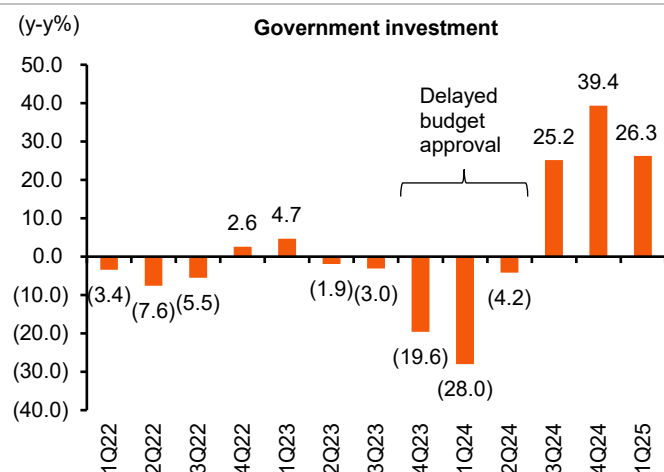
Source: NESDC

**Ex 7: Decelerating Private Consumption**

Source: NESDC

**Ex 8: Property And Auto Dragged Private Investment**

Source: NESDC

**Ex 9: Gov't Investment Jumped From A Low Base**

Source: NESDC

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