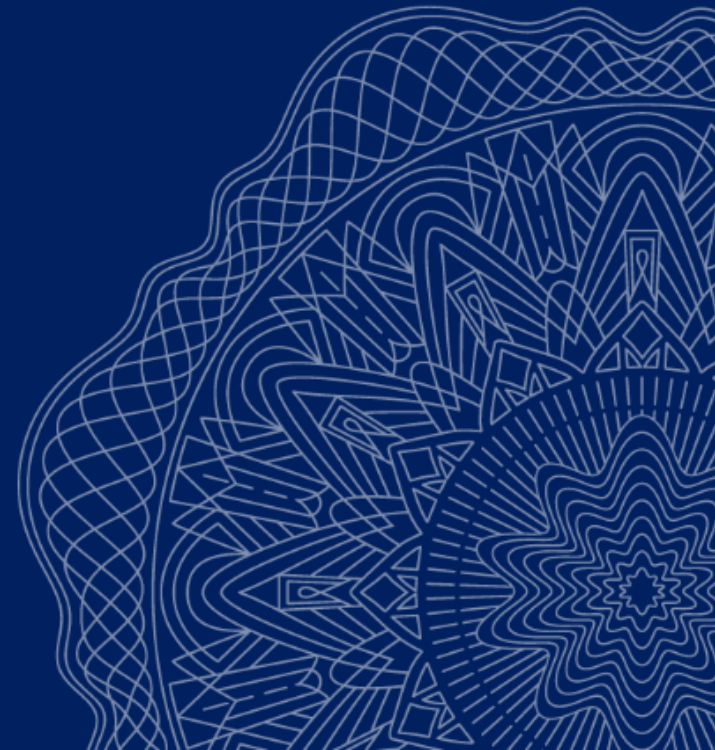


# Monetary Policy Forum 1/2025

14 May 2025

(Economic projections as of 30 April 2025)





## Economic outlook

The Thai economy is projected to grow at a slower pace than anticipated, with increased downside risks arising from unpredictable global trade policies.



## Tariff uncertainty is high

### Summary of latest trade policies: US and key trading partners

- Sectoral tariffs 25% for steel, aluminum and automobiles\*
  - Goods still under consideration for 25% tariffs include semiconductors, pharmaceuticals, copper, lumber articles, and critical minerals
- Universal baseline tariff 10%\*\* for all countries except Canada and Mexico
  - Reciprocal tariffs have been suspended for 90 days (until 8 July 2025). Reciprocal tariff for Thailand = 36%.
- Tariffs for specific countries
  - US imposed 25% additional tariffs on Canada and Mexico for goods that do not qualify under the USMCA agreement.
  - US temporarily reduced tariffs on Chinese goods from 145% to 30%\*\*\*, while China reduced retaliatory tariffs on the US goods from 125% to 10% for 90 days (until 12 Aug 2025)

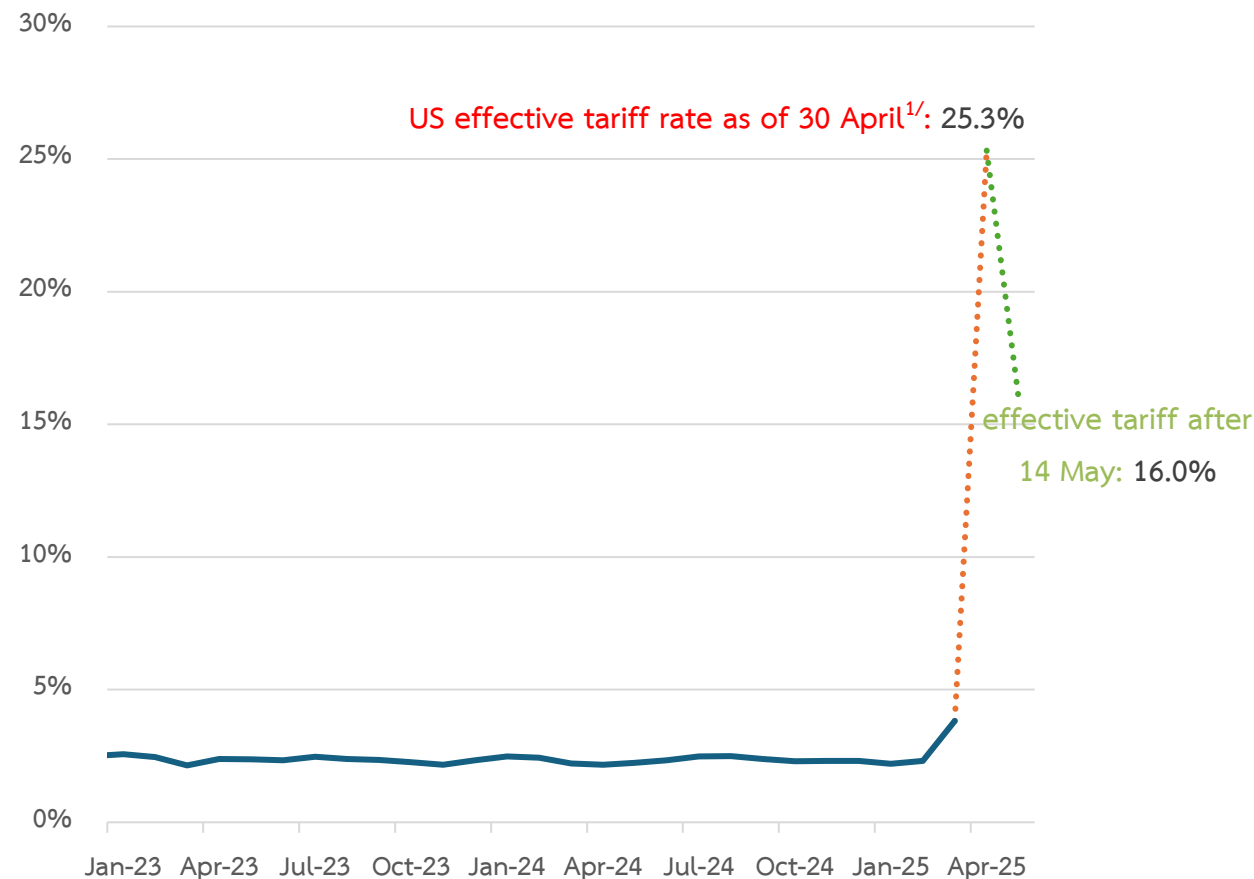
**Note:** \* Goods subject to 25% tariffs under Section 232. These goods are exempted from additional reciprocal tariffs. The tariff for auto parts will take effect on 3 May.

\*\* Minimum reciprocal tariff announced on 2 April. Country-specific tariffs exceeding 10% are temporarily suspended for 90 days.

Reciprocal tariffs do not apply to goods already subject to tariffs or investigation under Section 232.

\*\*\* 20% tariff on all goods, with no exemptions, justified by drug trafficking concerns plus 10% reciprocal tariffs, exempting goods already subject to tariffs or investigation under Section 232.

### US effective tariff rate



Note: <sup>1/</sup> Calculated from US import value in 2024 and effective tariffs as of May 13.

Source: United States International Trade Commission (USITC), calculated by BOT



## Scenarios and assumptions for US Tariffs (as of 30 Apr 2025)

	Reference Scenario (Lower Tariffs)	Alternative Scenario (Higher Tariffs)
Scenario	Negotiations are prolonged and delayed. The US periodically grants exemptions from reciprocal tariffs to its trading partners, with China receiving partial exemptions starting in Q3/2025. The situation remains highly uncertain at least until the end of 2026.	All countries are able to negotiate and reduce the reciprocal tariffs they are subject to by half starting from Q3/2025. The US economy is likely to enter a technical recession this year.
Assumption on tariff rates (starting Q3/2025)	<ul style="list-style-type: none"><li>• All countries, including <u>Thailand</u>: 10% universal tariff</li><li>• China: 54%</li><li>• Sectoral tariffs: 25% (Auto &amp; Parts, Steel &amp; Aluminum)</li></ul>	<ul style="list-style-type: none"><li>• All countries: half of current reciprocal tariffs</li><li>• China: 72.5%</li><li>• Thailand: 18%</li><li>• Sectoral tariffs: 25% (Auto &amp; Parts, Steel &amp; Aluminum)</li></ul>



## Economic forecasts under different scenarios

%YoY	2024*	Reference Scenario (Lower Tariffs)		Alternative Scenario (Higher Tariffs)	
		2025	2026	2025	2026
GDP Growth	2.5	2.0	1.8	1.3	1.0
Domestic demand	3.0	2.2	1.5	1.4	0.9
Private consumption	4.4	3.0	2.0	2.5	1.5
Private investment	-1.6	-1.0	0.6	-4.1	-0.7
Government consumption	2.5	1.2	0.5	1.2	0.5
Public investment	4.8	6.2	1.4	6.2	1.4
Export of goods and services	7.8	1.9	-0.9	0.1	-4.4
Import of goods and services	6.3	0.6	-0.6	-1.3	-3.8
Current Account (billion U.S. dollars)	11.1	13.0	14.0	11.0	9.0
Value of merchandise exports (%YoY)	5.8	0.8	-2.8	-1.3	-7.0
Value of merchandise imports (%YoY)	6.3	1.0	-2.5	-0.8	-5.7
Number of foreign tourists (million persons)	35.5	37.5	40.5	37.0	39.0
Dubai crude oil prices (U.S. dollar per barrel)	79.7	71.0	68.0	68.0	60.0
Headline inflation	0.4	0.5	0.8	0.2	0.4
Core inflation	0.6	0.9	0.9	0.7	0.7

Note: \* Actual data



## Impact of tariffs varies across sectors

- Affected export goods include **processed foods, electrical appliances, machinery, auto parts including tires, and metals**, with varying degrees of impact
- Unaffected export goods (no tariffs imposed yet) include **electronics**

Export goods	Current tariff	% of value added to GDP	% produced for exports	Sector characteristics	Adaptability of businesses if tariffs are higher or different from competitors <sup>1/</sup>
- Processed foods	10%	0.7%	76%	<ul style="list-style-type: none"> <li>High local content</li> <li>More than 12,000 firms are SMEs, with strong linkages to the agricultural sector</li> <li>Employs 270,000 workers</li> <li>Long supply chains</li> </ul>	Adaptation is challenging, particularly for SMEs, due to limited bargaining power, high competition, and difficulties in finding and penetrating new markets. Those able to adapt are predominantly large corporations that can cut costs or relocate production abroad.
- Auto parts including tires	25%	1.6%	50%	<ul style="list-style-type: none"> <li>700 auto parts exporters are Thai firms (70% of firms, 40% of exports value) / 25 Tires exporters are foreign firms<sup>2/</sup> (20% of firms, 60% of exports value)</li> <li>3,400 firms are SMEs</li> <li>Employs 400,000 workers</li> </ul>	Adaption is difficult for auto parts businesses. Those able to adapt are switching to manufacture medical equipment or niche market products such as parts for 3-wheeled vehicles.
- Electrical appliances	10%	0.8%	77%	<ul style="list-style-type: none"> <li>200 exporters are foreign firms (50% of all firms, 75% of exports value)</li> <li>5,000 firms are SMEs</li> <li>Employs 140,000 workers</li> </ul>	If tariffs imposed on Thailand are significantly higher than those on competitors, electrical appliances businesses would relocate their production bases within one year. Some firms already have factories in the US.

<sup>1/</sup> From interviews with businesses  
<sup>2/</sup> All exporters in that sector with more than 50% foreign ownership.

## Impact of tariffs varies across sectors

There are significant concerns for sectors facing higher competition from imported goods such as **apparel and textiles, furniture, and electrical appliances (especially for small appliances)**

Goods affected by import flooding	Current tariff	% of value added to GDP	% of imports to total in domestic market	Sector characteristics	Adaptability of businesses if tariffs are higher or different from competitors <sup>1/</sup>
- Apparel and textiles	10%	0.8%	44%	<ul style="list-style-type: none"> <li>- Faced high competition for more than 10 years</li> <li>- More than 120,000 firms are SMEs</li> <li>- Employs 430,000 workers</li> </ul>	<ul style="list-style-type: none"> <li>- SMEs producing goods for middle to low-end markets would face significant challenges.</li> <li>- <b>Paths to survival:</b>  <b>(1) Strict enforcement of law and inspections,</b> including measures to prevent tariff circumvention, ensure product quality standards, and control cross-border flows.   <b>(2) Produce goods for high-end / niche markets</b> such as products with unique identity or customization. This should be <b>supported by measures including special financing for adaptation and capacity building to aid product development and market expansion.</b> </li> </ul>
- Furniture		0.2%	74%	<ul style="list-style-type: none"> <li>- Faced higher competition starting 3-4 years ago</li> <li>- More than 12,000 firms are SMEs</li> <li>- Employs more than 150,000 workers</li> </ul>	
- Electrical appliances		0.8%	37%	<ul style="list-style-type: none"> <li>- 5,000 firms are SMEs</li> <li>- Employs 140,000 workers</li> </ul>	

<sup>1/</sup> From interviews with businesses

## Inflation

Headline inflation is projected to fall below the target range due to energy prices and government subsidies, while core inflation is expected to remain stable.

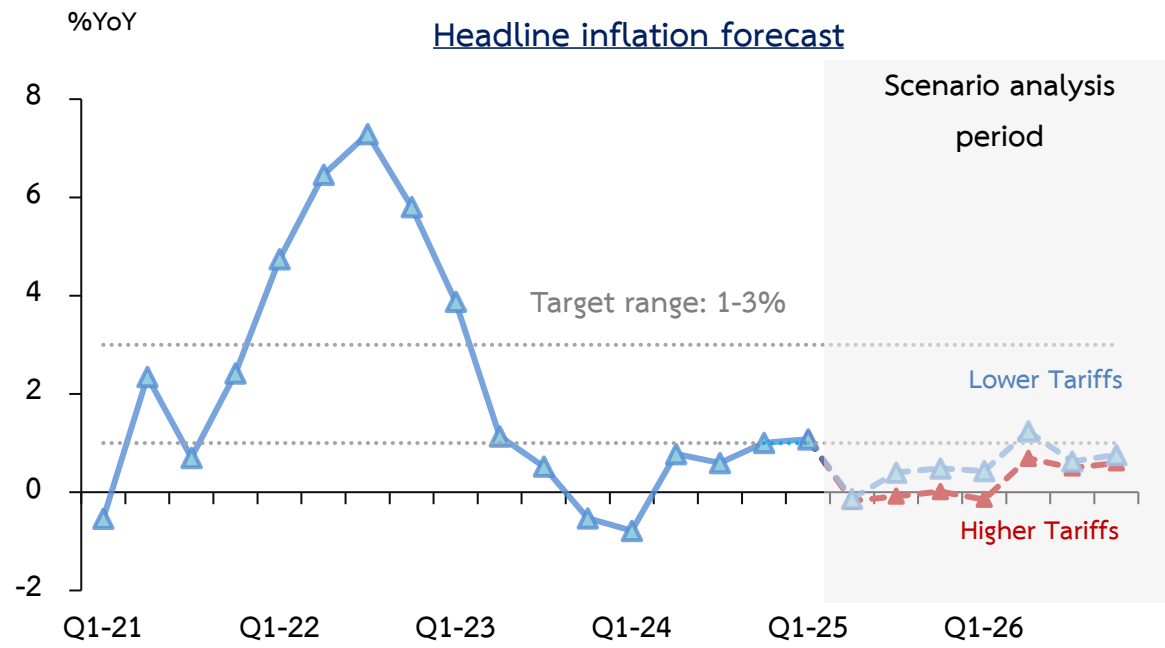
Inflation expectations remain well-anchored within the target range.



Inflation is projected to fall below the target range primarily from the energy component.

Medium-term inflation expectations remain well-anchored within the target range.

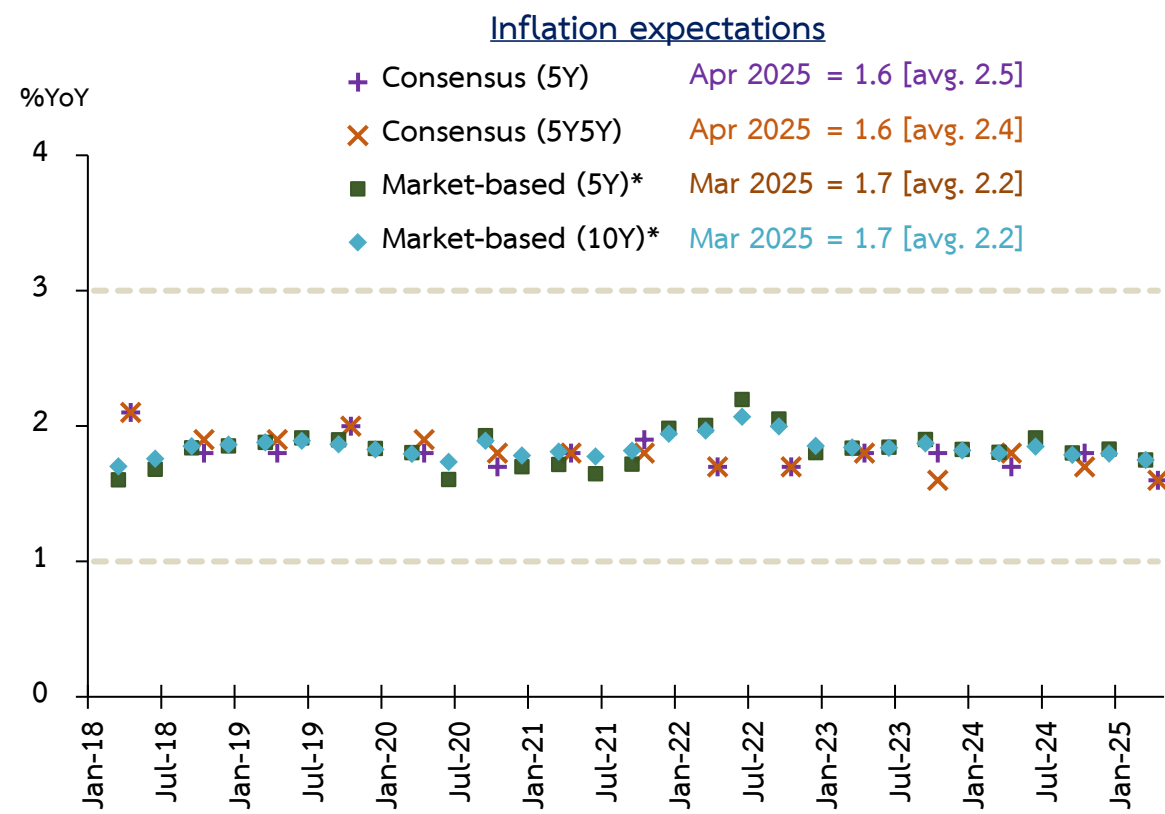
Inflation forecast is revised down mainly due to falling global oil prices and energy price subsidies.



%YoY, USD/bbl	2024*	Reference Scenario (Lower Tariffs)		Alternative Scenario (Higher Tariffs)	
		2025	2026	2025	2026
Headline inflation	0.4	0.5	0.8	0.2	0.4
Core inflation	0.6	0.9	0.9	0.7	0.7
Dubai crude oil prices	79.7	71	68	68	60

Source: Ministry of Commerce, forecasted by BOT

Medium-term inflation expectations remain well-anchored within the target range.



Note: \*estimated using the affine term structure model with yield curve data and macroeconomic factors

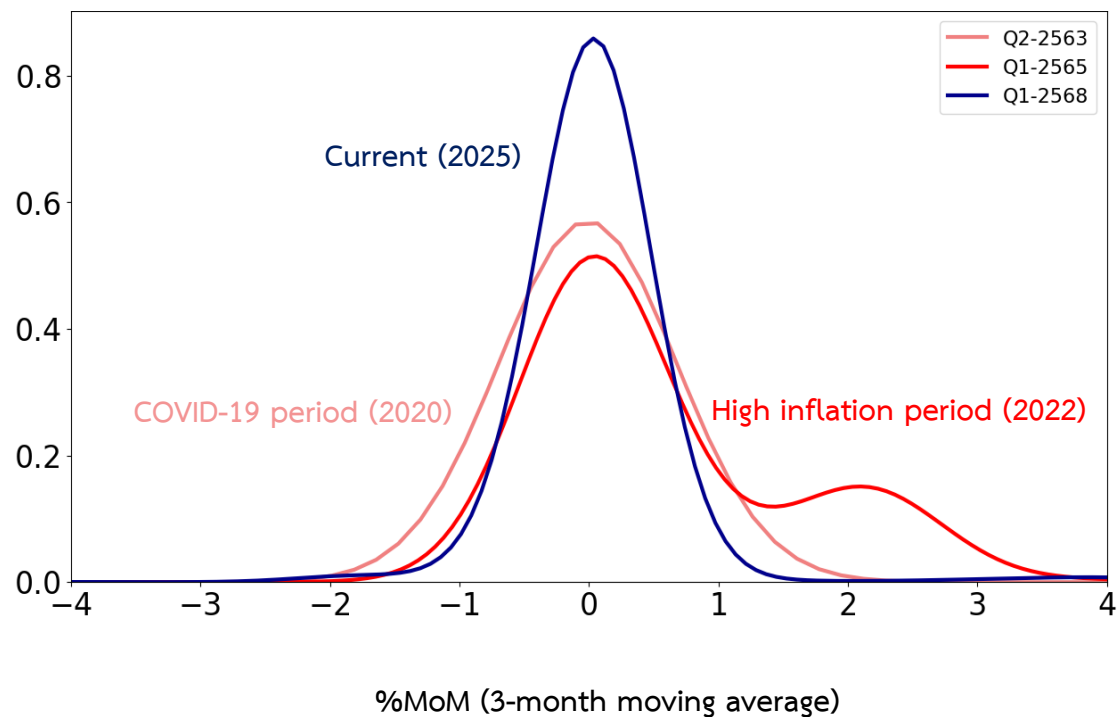
Source: Asia Pacific Consensus Economics, Business Sentiment Survey (BOT), Consumer Confidence Survey (Ministry of Commerce)



# There are no signs of a broad-based decline in prices of goods and services that would indicate deflation.

The sub-categorical distribution of price changes remains normal, with neither overall upward or downward skew, nor does it reflect any demand issues.

Distribution of price changes (in core CPI basket)



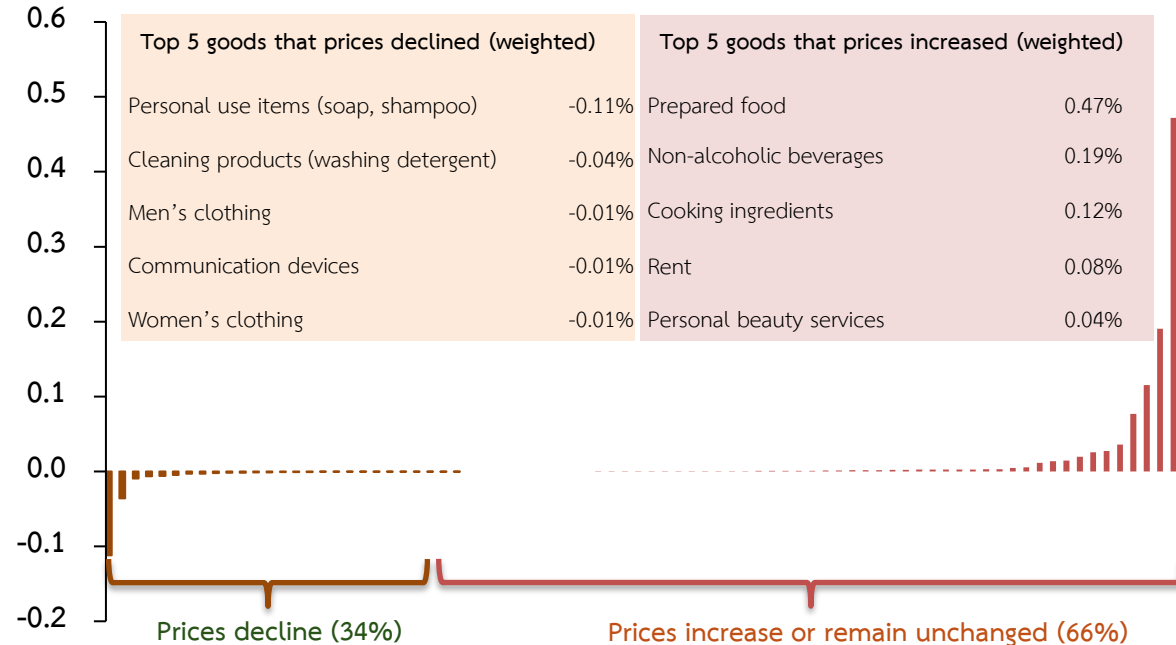
Source: Ministry of Commerce, calculated by BOT

Prices in the core CPI basket have not seen a broad-based decline, with two-thirds of goods and services prices either increased or remained unchanged.

Price changes in core CPI (Apr 2025)

Contribution to

%YoY



Source: Ministry of Commerce, calculated by BOT

Note: calculated from core inflation at the 4-digit code level (80 categories in total)



## Financial conditions

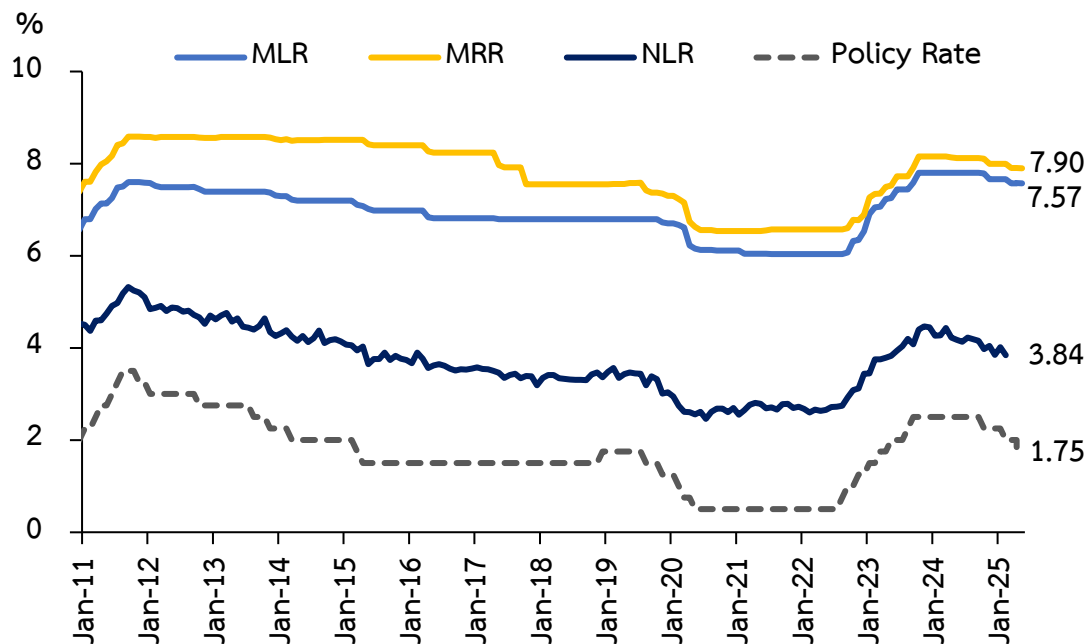
Financial conditions remain tight;  
the risks arising from macro-financial linkages should be monitored.



The recent policy rate cuts helped ease financing costs.

Meanwhile, exchange rate movements have been volatile, primarily driven by global trade policies.

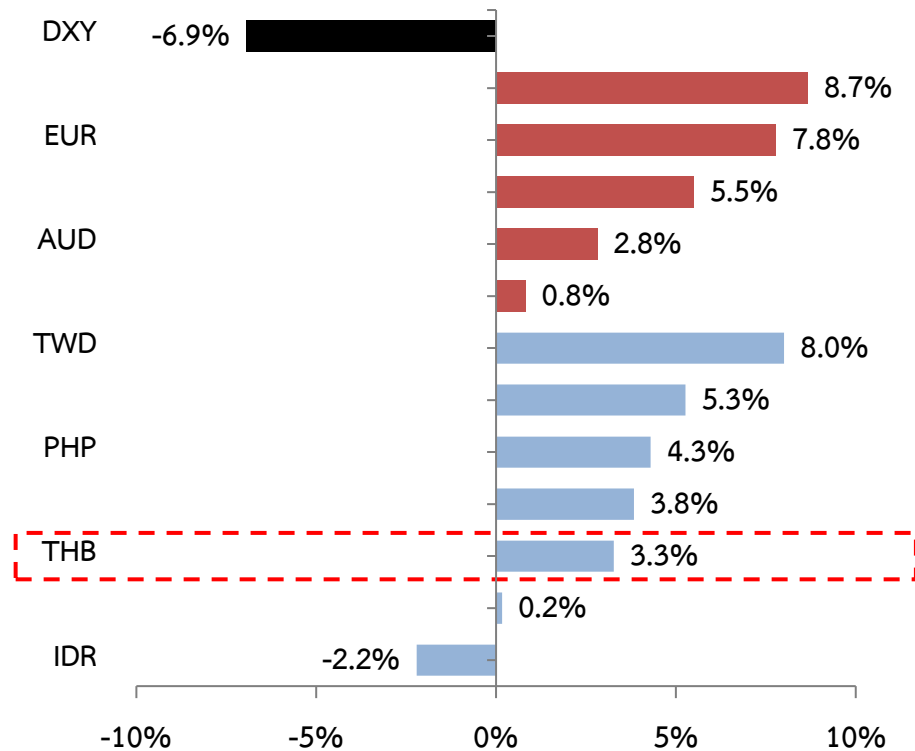
Lending rates have continued to decline  
in line with the policy rate.



**Note:** (1) Monthly average deposit and lending rates of 14 commercial banks (data as of 9 May 2025)  
(2) New loan rate (NLR) (data as of Feb 2025)

**Source:** Bank of Thailand

The baht has been volatile in line with the movement of the U.S. dollar,  
which was driven by concerns from its economic outlook.



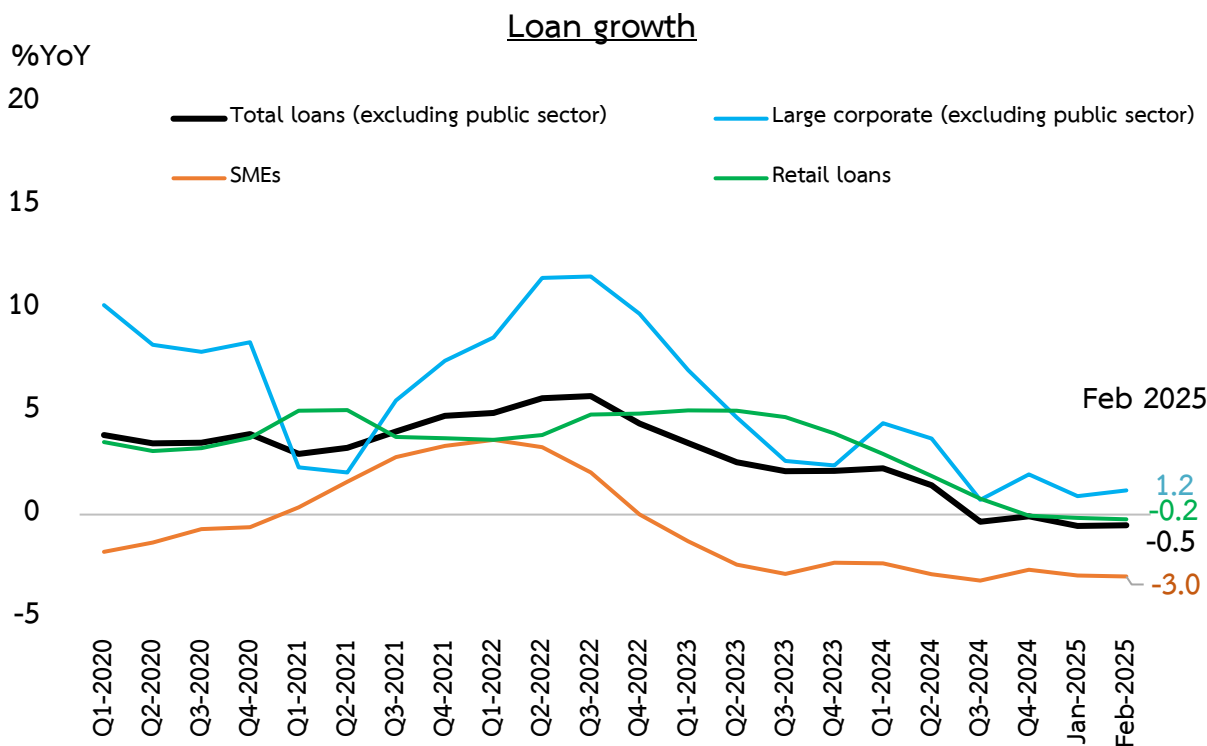
**Source:** Data as of 9 May 2025

**Source:** Bank of Thailand and Bloomberg

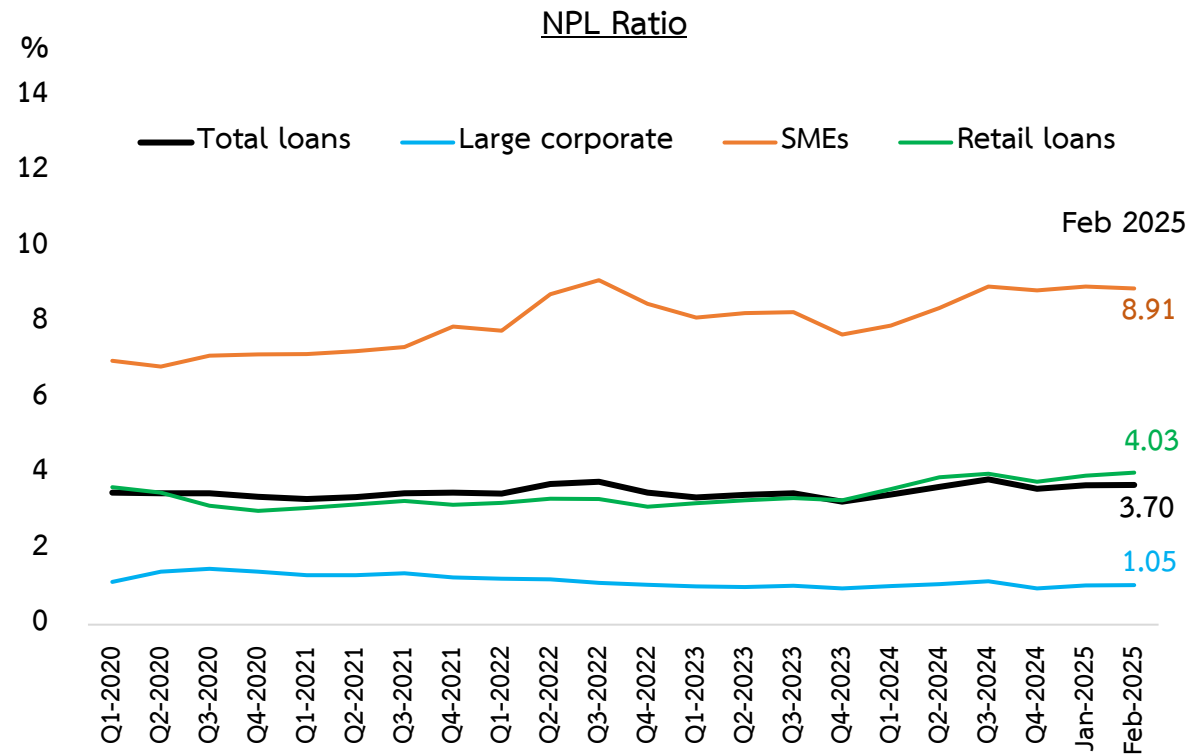


# Overall loan growth continues to contract, and credit quality has not improved.

Overall loan growth slightly contracted; the contraction is more prominent for SME loans.



Loan quality is still deteriorating.



**Note:** (1) The financial system includes commercial banks (and their subsidiaries), SFIs, and non-banks that are not subsidiary of commercial banks

(2) Definition for each business loan size is as follows:

For loans from commercial banks and subsidiaries, business's credit line per bank (excluding interbank) as of Feb 2025 is used to categorize large corporate (credit line > 500 million baht) and SMEs (credit line <= 500 million baht).

For SFIs, OSMEP's criteria is used (based on income and employment).

For non-banks, the data covers nano finance and personal loan for businesses under BOT supervision (excluding title loans)

(3) Loan quality for nano finance: data as of Dec 2024, as the data for January and February 2025 have not yet been reported.



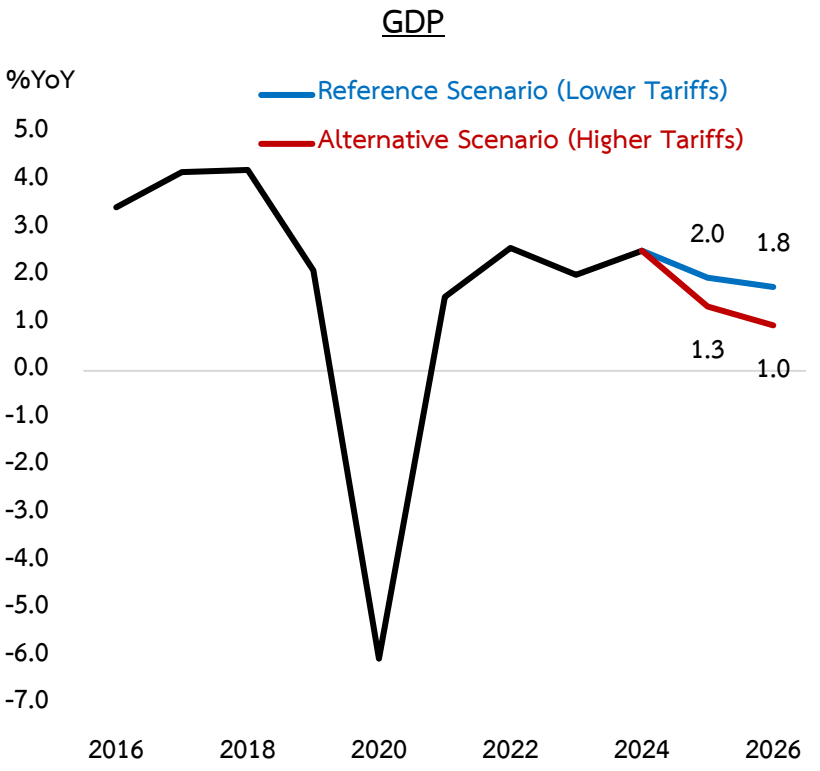
## Monetary policy decision

The policy rate was lowered to be consistent with the worsening economic outlook,  
to cope with the increased downside risks,  
and to align financial conditions with the changing economic outlook.

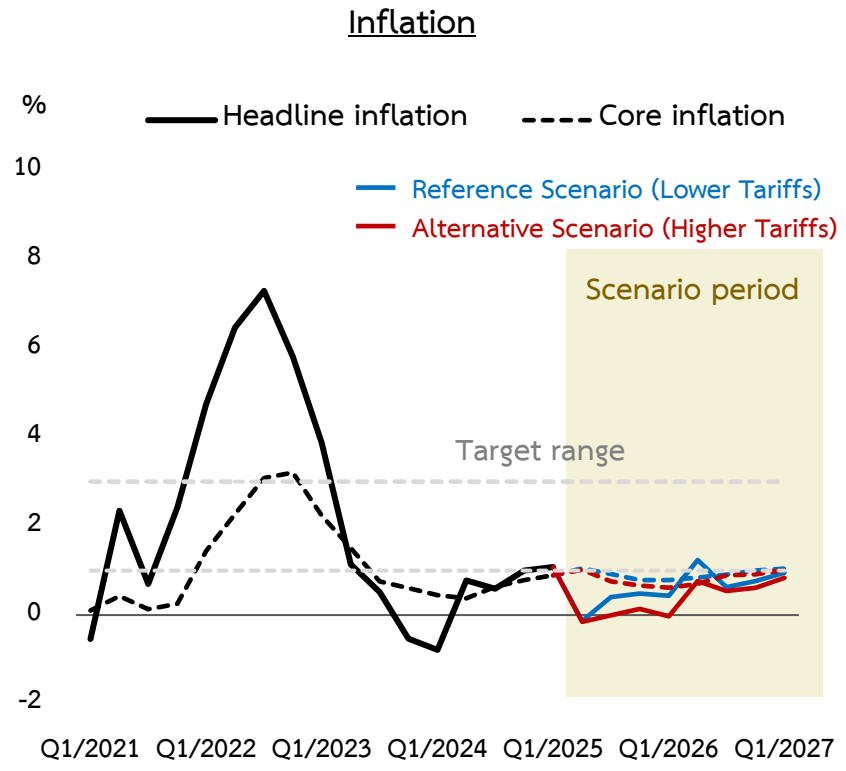
The Thai economy is likely to slow down with rising downside risks and high uncertainties ahead.

Inflation has declined due to supply-side factors and government energy subsidies.

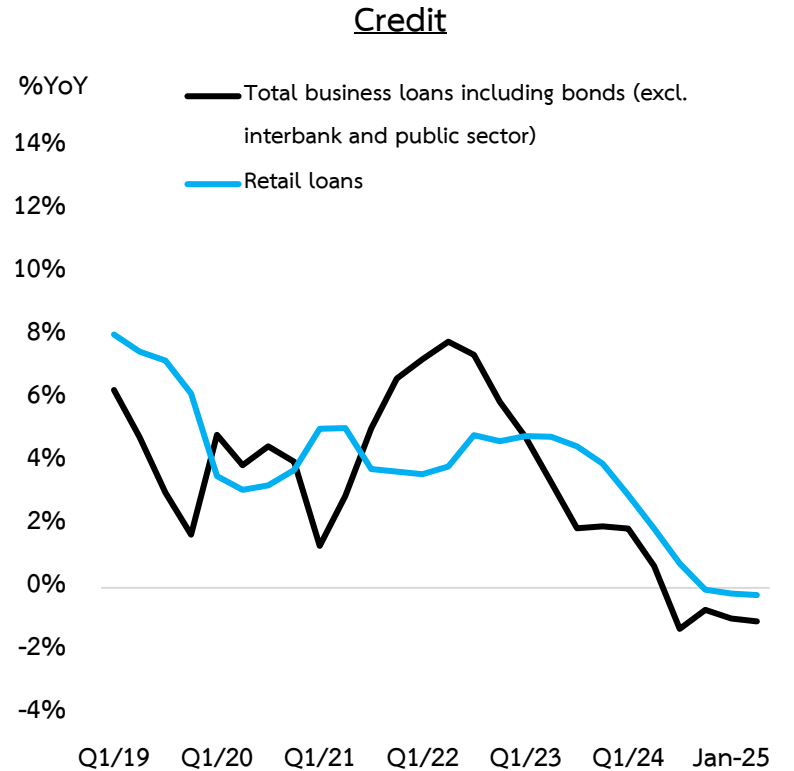
Overall financial conditions remain tight, with slight contraction in aggregate loans.



Source: NESDC, calculated by BOT



Source: Ministry of Commerce, calculated by BOT



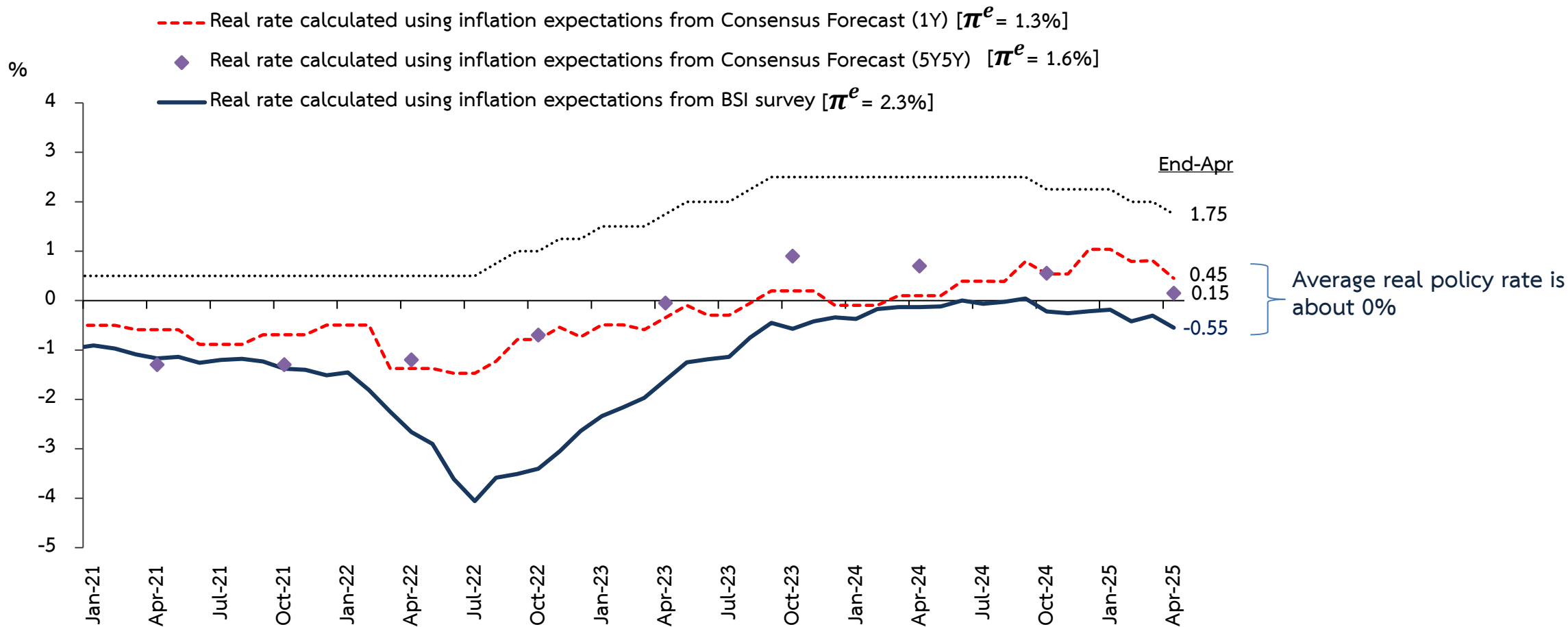
Note: Loans in the financial system which include commercial banks (and their subsidiaries), SFIs, and non-banks that are not subsidiary of commercial banks  
Source: BOT



## Monetary policy deliberation remains outlook-dependent

The policy rate is accommodative, providing buffers against future risks to some extent.

Real policy rate, based on different measures of inflation expectations, has declined and remains accommodative in line with the lower policy rate.







## Measures to mitigate the impact of trade policies and issues to be monitored

### Impact mitigation measures

- **Accommodative monetary policy** that is consistent with the economic outlook and risks, including tail risks
- **Normal functioning of the Thai financial markets**
- **Effective intermediation roles for financial institutions**
  - Prevent circumstances where tight financial conditions increase borrowing costs well beyond the credit risk profiles of borrowers, which would hinder real sector activities
  - Provide assistance to debtors through debt restructuring

### Issues to be monitored

- **Results of trade negotiations**
  - Implications for the global economy, especially US and China
  - Sectoral impacts within the Thai economy, especially export and manufacturing sectors
- **Long-term impact**
  - Adaptability of businesses, such as cost reduction, manufacturing efficiency improvements, and market expansion
  - Changes in global supply chains such as relocation of production bases
  - Improve engines of growth in both manufacturing and services sectors