ธนาคารแห่งประเทศไทย
BANK OF THAILAND

Monetary Policy Report Q1/2025

Monetary Policy Report

The Monetary Policy Report is prepared quarterly by staff of the Bank of Thailand with the approval of the Monetary Policy Committee (MPC). It serves two purposes: (1) to communicate to the public the MPC's consideration and rationales for the conduct of monetary policy, and (2) to present the latest set of economic and inflation forecasts, based on which the monetary policy decisions were made.

The Monetary Policy Committee

Mr. Sethaput Suthiwartnarueput	Chairman
Mr. Piti Disyatat	Vice Chairman
Mrs. Alisara Mahasandana	Member
Mr. Paiboon Kittisrikangwan	Member
Mr. Rapee Sucharitakul	Member
Mr. Roongrote Rangsiyopash	Member
Mr. Santitarn Sathirathai	Member

Monetary Policy in Thailand

Monetary Policy Committee

Under the Bank of Thailand Act, the Monetary Policy Committee (MPC) comprises the governor and two deputy governors, as well as four distinguished external members representing various sectors of the economy, with the aim of ensuring that monetary policy decisions are effective and transparent.

Monetary Policy Objective

The MPC implements monetary policy under the flexible inflation targeting regime. While regarding medium-term price stability as its primary objective, the MPC also aims at supporting sustainable, full-potential economic growth and preserving financial stability, attributing to long-term price stability and economic sustainability.

Monetary Policy Target

On December 24, 2024, the Cabinet approved the monetary policy target for 2025, which was mutually agreed between the MPC and the Minister of Finance to set the headline inflation within the range of 1–3 percent as the target for the medium-term horizon and for 2025.

In the event that average headline inflation in the past 12 months or a forecast of average headline inflation over 12 months ahead breaches the target range, the MPC shall send an open letter to the Minister of Finance to explain reasons for the breach of the target range, together with measures taken and estimated time to bring inflation back to the target. Furthermore, the MPC will write an additional open letter to the Minister of Finance every six months if average headline inflation based on the above criteria remains outside the target range.

Monetary Policy Instrument

The MPC utilizes the 1-day bilateral repurchase transaction rate as the policy interest rate to signal the monetary policy stance.

The MPC has adopted the managed float exchange rate regime to stabilize and limit the volatilities in the exchange rate, as to let the baht reflect economic fundamentals

Evaluation of Economic Conditions and Forecasts

The Bank of Thailand takes into account information from all sources, the macroeconomic model, data from each economic sector, as well as surveys of large enterprises, together with small and medium-sized enterprises from all over the country, and various financial institutions to ensure that economic evaluations and forecasts are accurate and cover all aspects, both at the macro and micro levels.

Monetary Policy Communication

Recognizing the importance of monetary policy communication to the public, the MPC employs various channels of communication, both in Thai and English, such as (1) publishing a press statement at 14:00 and holding a press conference regarding the results of the meeting at 14:30 on the day of the Committee meeting, (2) publishing edited minutes of the MPC meeting two weeks after the meeting, and (3) publishing the Monetary Policy Report every quarter.

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Data in this report is as of 30 April 2025 (the day of the monetary policy decision) unless stated otherwise

Executive Summary of Monetary Policy Report Q1/2025

Economic growth, inflation, and financial stability

Global trade tensions have intensified more than previously anticipated and remain at an early stage, marked by a high degree of uncertainty. Thus far, the economic impact had materialized primarily through weakened consumer and business confidence. Meanwhile, the impact on trade activities has yet to become fully evident, partly due to the front-loading of imports and exports ahead of the implementation of higher tariff rates. **Looking ahead, trade policies are likely to exert a more pronounced influence on the global economy, potentially inducing long-term structure shifts in global trade and production patterns, thereby reducing overall efficiency over time.**

The Thai economy is projected to expand at a slower pace than previously anticipated, with increased downside risks arising from global trade policies and a decline in the number of foreign tourist arrivals. Economic growth in the first quarter of 2025 is assessed to be lower than previously projected due to a decline in Chinese tourist arrivals amid safety concerns. At the same time, demand-side indicators continue to expand, supported by merchandise exports and private consumption. However, the recent increase in merchandise exports is attributed to inventory drawdowns, suggesting that the positive spillovers to industrial production may be limited in the period ahead. From the second half of 2025 onwards, global trade policies are expected to have a more pronounced impact on the Thai economy.

Given the high uncertainty surrounding global trade policies, the MPC has called for economic assessments under multiple scenarios. For example, in a scenario where trade negotiations have prolonged and US import tariffs remain at levels close to current rates, the Thai economy is projected to grow by approximately 2.0% in 2025. In an alternative scenario where trade tensions escalate and US import tariffs are higher, economic growth is projected at approximately 1.3% in 2025. The actual economic outcome, however, would depend on the specific trade policies implemented and the degree of adaptations by various countries. The Committee therefore emphasizes the need to closely monitor global trade developments and their impacts on the Thai economy. Addressing these challenges and mitigating the impact of trade policies would require a combination of complementary measures aimed at enhancing efficiency and competitiveness of the private sector.

Headline inflation is expected to fall below the target range mainly due to supply-side factors, including global crude oil prices and government measures. However, there are no signs of deflation as core inflation is expected to remain stable and medium-term inflation expectations remain anchored within the target range. Global trade policies could result in a greater influx of lower-priced imported goods, which might place additional pressure on domestically produced goods. Meanwhile, global production would have a higher costs over the long term, potentially resulting in higher inflation globally. The overall inflation outlook is still uncertain.

Financial conditions remain tight, with a slightly contraction in overall loan growth and a continued deterioration in loan quality, particularly for housing loans and business loans in sectors facing structural challenges. In addition, global trade policies might exert further strain on the financial positions of businesses and households. Meanwhile, financial institutions remain adopted more cautious lending practices. It is therefore essential to closely monitor credit risks and macro-financial linkages going forward, particularly in business sectors adversely impacted by global trade policies.

Monetary policy decisions in Q1/2025

The Monetary Policy Committee (MPC) cut the policy rate twice at the meetings on 26 February 2025 and 30 April 2025 from 2.25% to 1.75%. A majority of the Committee members deemed it appropriate to lower the policy rate given the weaker growth outlook and heightened downside risks.

At the latest meeting, most Committee members assessed that lowering the policy rate would help ease financial conditions in line with the heightened risks on the economic outlook. The policy rate cut would make financial conditions more suitable for the changing trajectory of the economy and inflation in the period ahead. The other 2 Committee members who voted to maintain the policy rate concurred with the other members that monetary policy should be eased in line with the weakening economic outlook. However, given the high degree of uncertainty, they recommended maintaining the policy rate to preserve the already-limited policy space for more effective use when the situation becomes clearer.

Under the prevailing monetary policy framework, which seeks to maintain price stability, support sustainable growth, and preserve financial stability, **the Committee assessed that the economic outlook remains highly uncertain and will deliberate monetary policy going forward to align with the economic and inflation outlook and associated risks.**

The global economy is projected to slow down mainly due to US trade policies.

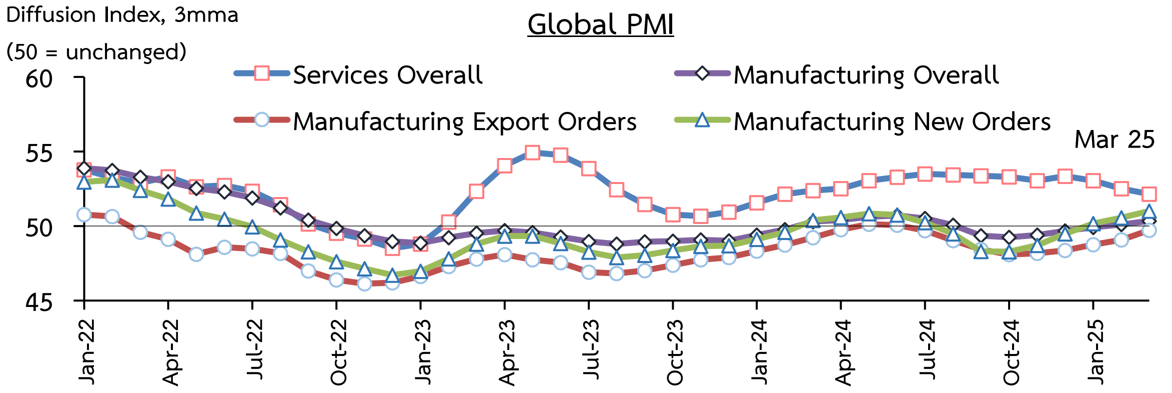
In Q1/2025, the global economy is on an expansionary trajectory, primarily driven by the services sectors. The manufacturing sectors have improved, partly due to front-loading production for exports ahead of the implementation of US tariffs.

Reference Scenario (Lower Tariffs): The global economy is projected to slow down. The US economy would decelerate due to weaker consumption and investment, while other economies would be impacted through reduced exports and lower confidence.

Alternative Scenario (Higher Tariffs): The global economy is projected to slow down significantly. The US economy would enter a technical recession, while the Chinese economy would experience a substantial slowdown, in line with other economies affected through exports and investments.

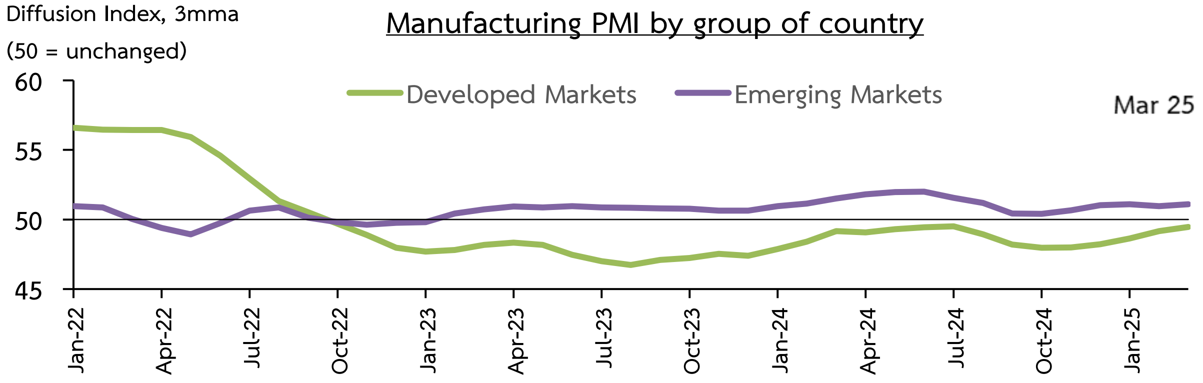
In Q1/2025, the global economy has driven by the services sectors as well as front-loading in manufacturing and exports prior the effective of the US tariffs. Looking ahead, exports are expected to decline following the expiration of the 90-day pause on reciprocal tariffs.

The global economy continues to be driven by the services sector, as reflected in the services PMI. Meanwhile, manufacturing has seen improvements from front-loading production for exports to the US in anticipation of higher tariff.



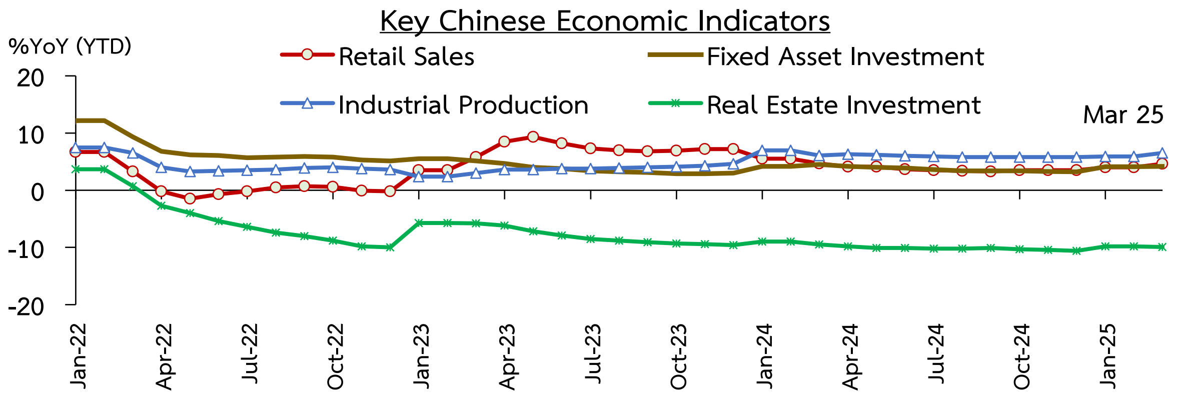
Source: S&P Global, BOT calculations

Manufacturing production in major economies improves slightly from front-loading production ahead of higher tariff.



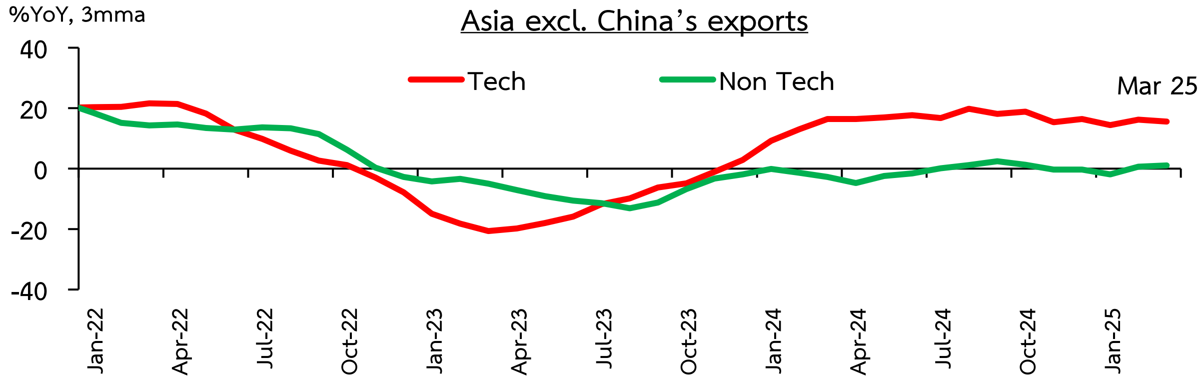
Note: Developed Markets and Emerging Market follows S&P Global, Source: CEIC, BOT calculations

The Chinese economy improves somewhat after the government continuously implements economic stimulus measures, while the real estate sector remains weak.



Source: CEIC, BOT calculation

Asian merchandise exports expand, particularly technology products. However, exports are likely to decline in the period ahead due to US tariffs.



Note: Asia excl. China Tech exports consists of MY, SG, JP, KR, TW and PH. For other exports consist of MY, SG, JP, KR, TW, PH and ID
Source: CEIC, BOT calculations

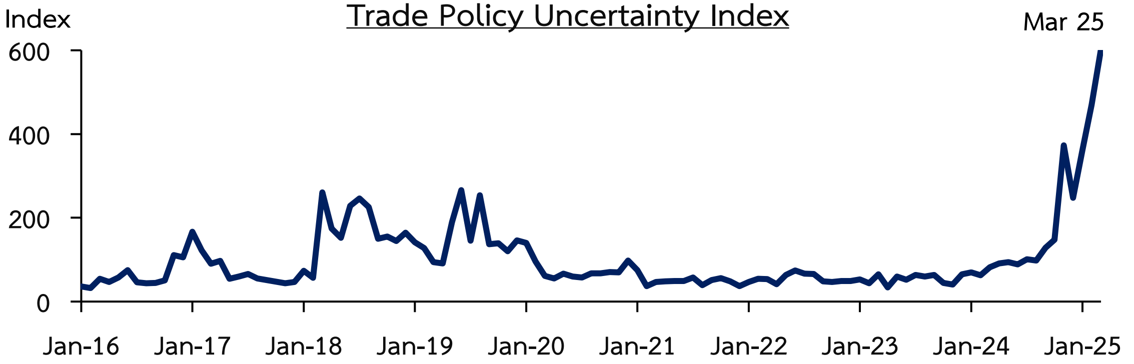
US trade policies under the Trump administration remain highly uncertain.

Summary of key US trade policies

	Implementation of tariffs on imported goods by the US	
	Date	Policy action
Policy that already announced (effective date)	4 Feb 2025	Tariff on goods from China (10%)
	4 Mar 2025	Tariff on goods from Canada and Mexico that do not fall under the USMCA[1/] (25%) and additional tariff on goods from China (10%)
	12 Mar 2025	Tariff on metals and aluminum[2/] from all countries (25%)
	3 Apr 2025	Tariff on automobiles goods[2/] from all countries (25%)
	5 Apr 2025	Baseline tariff on all countries (10%) and revealed reciprocal tariff on a country-by-country basis[3/]
	9 Apr 2025	90-day pause for reciprocal tariff and additional tariffs on goods from China (totaling 145%[4/])
	13 Apr 2025	Temporary suspension for reciprocal tariffs on electronics goods
	3 May 2025	Tariff on auto-parts goods[2/] from all countries (25%)
Policy that not yet announced and remain highly uncertain	Jul 2025	End of 90-day pause on reciprocal Tariffs
	Q2-Q4/2025	Potential addition sectoral tariff[2/] on goods such as semiconductors, rubber, copper, wood products, and critical minerals

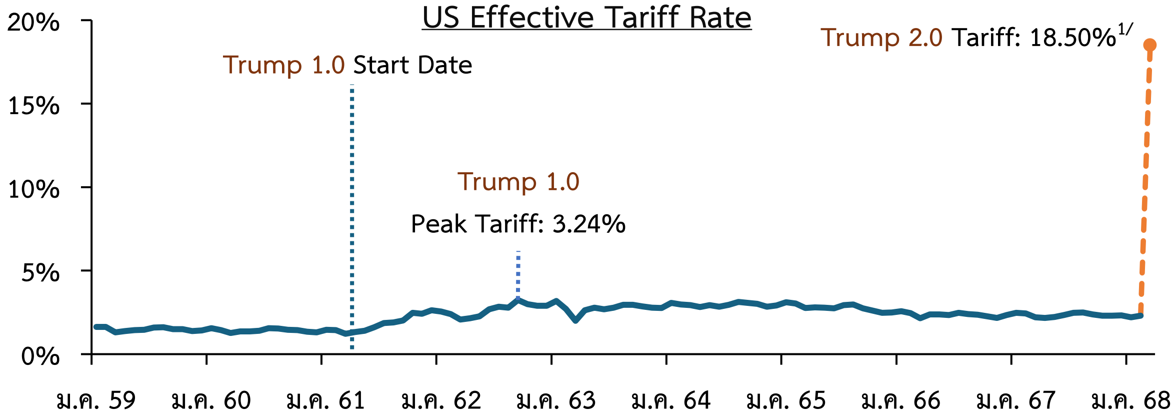
Note: [1/]USMCA is the United States-Mexico-Canada Agreement, [2/]Goods subject to tariffs under Section 232 of the US Trade Expansion Act, [3/]Goods already subject to tariffs or being investigated under Section 232 are not subject to Reciprocal Tariff, [4/]Tariff already announced 20% + Reciprocal Tariff 125% = 145%, Source: Various sources consolidated by BOT

Trade uncertainties increased significantly as reflected by Trade Policy Uncertainty Index



Source: Caldara, Iacoviello, Molligo, Prestipino, and Raffo (2020). “The Economic Effects of Trade Policy Uncertainty”

The latest round of trade policies (Trump 2.0) is expected to have a more pronounced negative impact on the global economy and the US economy compared to the previous round (Trump 1.0) due to the significant increase in tariffs



Note: [1/]Calculated by using the US import value in 2024 and tariff rates in “Lower Tariffs Scenario”

Source: United States International Trade Commission (USITC)

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The economic and inflation outlook is assessed under multiple scenarios to reflect the high uncertainty of US trade policies. The two selected scenarios are presented as following:

	Reference Scenario (Lower Tariffs)	Alternative Scenario (Higher Tariffs)
Situation	**Negotiations between the US and other countries are prolonged and delayed.** The US periodically grants exemptions from reciprocal tariff to its trading partners, with China receiving exemptions starting from Q3/2025. The situation remains highly uncertain at least until the end of 2026.	**All countries can negotiate and reduce the reciprocal tariff they are subject to by half starting from Q3/2025.** The US economy undergoes a technical recession in 2025.

Assumptions	• Tariff by country:
	  • **US reduces tariff on China to 54%**[1/] starting from Q3/2025
	  • **Reciprocal Tariff delayed periodically, but 10% Baseline Tariff continues to apply for all countries <u>including Thailand</u>**
	• **25% Sectoral Tariff** applied to metals, aluminum, and automobile
		• Tariff by country
		  • **All countries can negotiate and reduce their reciprocal tariff by half** starting from Q3/2025
		  • **China: 72.5%**[2/]
		  • **Thailand: 18%**[3/]
		  • **25% Sectoral Tariff** applied to metals, aluminum, and automobile

Note: [1/] 54% is calculated from 10% tariff on China (4 Feb) + 10% (4 Mar) + 34% (Reciprocal Tariff)

[2/] 72.5% is calculated from [10% tariff on China (4 Feb) + 10% (4 Mar) + 125% (Reciprocal Tariff)] ÷ 2

[3/] 18% is calculated from 36% reciprocal tariff on Thailand ÷ 2

Trading partners economies are projected to expand at a slower pace due to US trade policies affecting global trade and the global economy.

Assumption of trading partners' growth

%YoY	Share of exports in 2024[1/] (%)	2024[2/]	Lower Tariffs Scenario		Higher Tariffs Scenario	
			2025	2026	2025	2026
US	18.3	2.8	1.4	1.1	1.0	0.5
Euro area	6.9	0.8	0.8	0.9	0.7	0.8
Japan	7.7	0.1	1.0	0.6	0.9	0.5
China	11.7	5.0	4.4	4.1	4.0	3.9
Asia[3/]	20.5	4.3	3.3	3.3	3.1	3.2
Total[4/]	70.6	2.9	2.4	2.2	2.1	1.9

Note: [1/] Share of total Thai exporting values to 13 key trading partners in 2024
[2/] Actual data
[3/] Asia (excl. Japan and China) includes Singapore (3.4%), Hong Kong (3.6%), Malaysia (4.1%), Taiwan (1.6%), Indonesia (3.2%), South Korea (2.0%), and the Philippines (2.6%)
[4/] Including UK (1.4%) and Australia (4.1%)

Lower Tariffs Scenario

Trading partner economies are projected to expand at a slower pace in 2025 and 2026 due to the impact of US tariffs throughout both years. The US economy is expected to slow down due to weak domestic consumption from higher inflation and investments coming to a halt due to trade policy uncertainties. Meanwhile, other economies are affected primarily through exports and confidence channels. However, euro area economies would receive some offsetting benefits from infrastructure investment and defense spending. Likewise, China would receive some offsetting benefits from domestic stimulus measures implemented by the Chinese government.

Higher Tariffs Scenario

Trading partner economies are projected to slow down significantly due to the impact of US tariffs. The US economy is likely to enter a technical recession in the second half of 2025 following the weakening domestic consumption and investment. The Chinese economy is projected to slow down markedly due to the impact on exports, despite some offsetting benefits from government stimulus measures. Meanwhile, other economies are also anticipated to slow down more than in the Lower Tariffs Scenario, being affected primarily through exports and investment.

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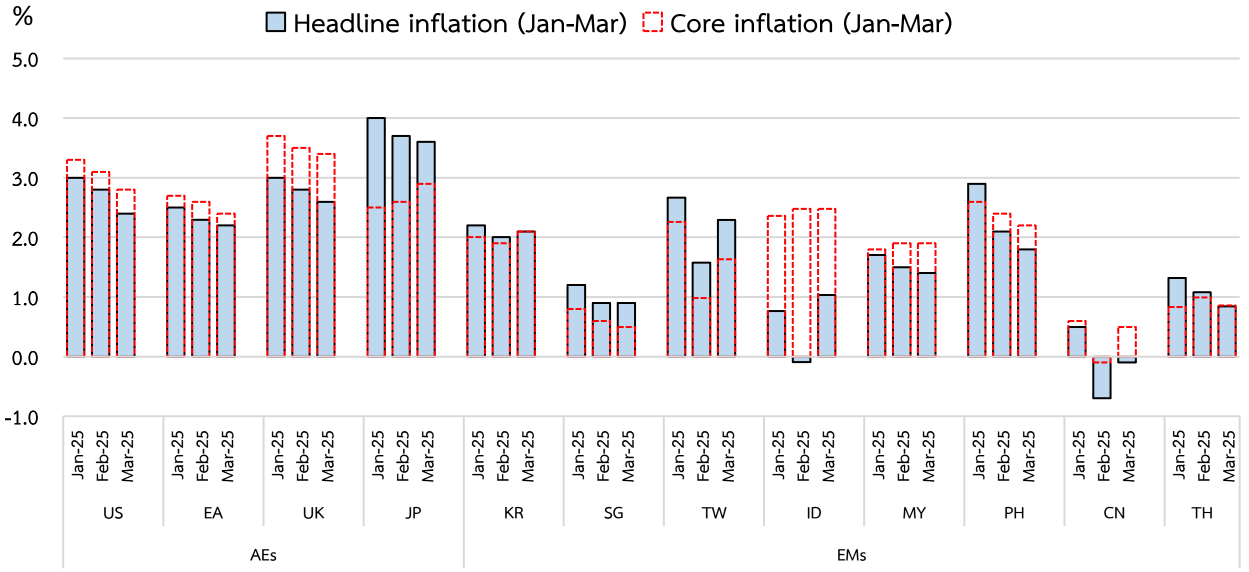
In Q1/2025, headline inflation declined in most countries while core inflation remained stable in many countries. It is expected that the Fed, the ECB, and Asian central banks would continue to cut rates in 2025.

Headline and core inflation



Note: CEIC

Expectations of the Fed's monetary policy in 2025-2026

% at year end	2024*	Lower Tariffs Scenario		Higher Tariffs Scenario	
		2025	2026	2025	2026
Fed Funds Rate assumption	4.25 – 4.50	3.75 – 4.00	3.25 - 3.50	2.75 - 3.00	2.75 - 3.00

Note: *Actual data

Monetary policy decisions in Q1/2025

- **The Federal Reserve (Fed)** held its policy rate at 4.25-4.50% at the FOMC Meeting on 18 Mar 2025. The policy rate has been held since the beginning of the year, underpinned by strong growth in the US economy and the need to wait-and-see until trade policies become clearer.
- **The European Central Bank (ECB)** cut its policy rate by a cumulative 50 bps in Q1/2025 and by another 25 bps at the Governing Council Meeting on 17 Apr 2025, bringing the policy rate to 2.25%. The decisions were underpinned by declining inflation in energy and services prices.
- **Asian central banks** gradually cut their policy rates toward the neutral rate as inflation gradually declined toward the target range. However, some central banks, such as the Central Bank of the Republic of China and Bank Negara Malaysia, still held their policy rate.

Lower Tariffs Scenario

The Fed is expected to gradually cut rates toward the neural rate by a cumulative of 50 bps in 2025 and by another 50 bps in 2026.

Higher Tariffs Scenario

The Fed is expected to cut rates more sharply than in the Lower Tariffs Scenario, with a cumulative cut of 150 bps in 2025 to support the US economic growth, which has slowed down significantly due to the more pronounced impact of trade policies compared to the Lower Tariffs Scenario.

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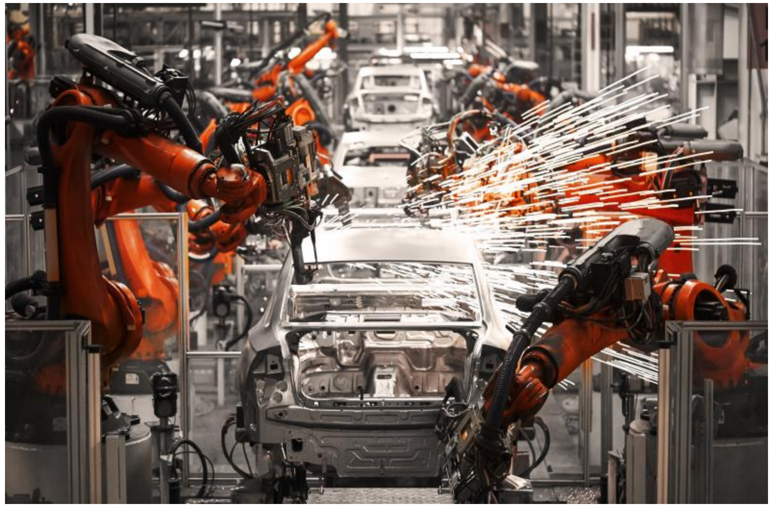
The Thai economy is projected to expand at slower pace, with risks from global shocks that are highly uncertain. Therefore, the economic and inflation outlook is assessed under multiple scenarios.



The Thai economy in Q1/2025 is expected to grow at a slower rate in line with a moderation in foreign tourist arrivals. In Q2/2025, private investment is likely to be affected by heightened uncertainties surrounding global trade policies. Meanwhile, merchandise exports are anticipated to be notably impacted starting in Q3/2025.

Economic outlook is assessed under multiple scenarios. This report presents two selected scenarios namely the Lower Tariffs Scenario, in which prolonged negotiations lead the US to periodically grants exemptions for the 10% baseline tariffs; and the Higher Tariffs Scenario, in which all countries can negotiate and reduce Reciprocal Tariffs by half.

In both scenarios, headline inflation is expected to fall below the target range mainly due to supply-side factors, including global crude oil prices and government measures. Meanwhile, core inflation is expected to remain stable and medium-term inflation expectations are anticipated to remain anchored within the target range.

Key economic developments: GDP growth in Q1/2025 is expected to slow down due to lower foreign tourist arrivals. Meanwhile, trade policies of major economies pose key risks that would impact growth in the period ahead, and they remain highly uncertain.

Summary of key developments

- **The Thai economy in Q1/2025 is expected to grow at a slower-than-expected pace.** This is mainly due to the decline in the number of Chinese tourists stemming from safety concerns. The lower number of tourist arrivals is likely to weigh on the overall tourism outlook in 2025. Manufacturing also slowed, partly due to temporary factors in the palm oil and petrochemical industries.
- **The earthquake on 28 March 2025 did not have significantly impact on the economic outlook.** It is expected that the earthquake has only short-term impact on consumer confidence for condominium segment.
- **Trade policies of major economies are key risks.** Trade policies remain highly uncertain, including US trade policies, retaliations from US trading partners, and negotiations between US and various countries to lower tariffs.

Impact of recent trade policies would be severe and prolonged

- **Trade tensions, which has brought about a shift in trade policies of major economies, is part of the broader geopolitical tensions.**
- **The imposition of the tariffs is one of the rebalancing tools** used for further negotiations on various issues.
- **This current round of rebalancing presents a global shock** that is highly uncertain and would significantly alter economic fundamentals, production, and global trade. Adaptation requires time and thus the impact would be prolonged and likely to be a permanent changes.
- **The outcome of these changes remain highly uncertain, creating the difficulty of impact assessment.** Therefore, multiple scenarios are developed for assessing the economic outlook to support the policy decision.

Impact of US trade policies on the Thai economy would become more evident from the second half of 2025.

Timeline of events that would affect growth and inflation

Weak start
Q1/2025

GDP growth in Q1/2025 is slower than expected from tourism sector. While the global trade policies have yet significantly affected the Thai's economy.

Storm is coming
Q2/2025

Heightened uncertainties:
- Increased volatility in financial markets
- Temporary front-loaded exports
- Investment decisions halted due to uncertainties

Into the Storm
H2/2025 onwards

Direct and indirect impacts of tariffs become more evident, affecting the global economy and global trade, including Thailand

After the Storm
Medium-to-long term

End-game is highly uncertain. It is expected that the global economy would be less efficient, with weaker growth, higher inflation, and reduced reliance on the US

Inflation declines from energy prices

In the short-term, the impact on the global economy is not as severe as previous global shocks.
The global economy is likely to continue expanding in the 2025.

%YoY	Global Financial Crisis 2009	COVID-19 2020	IMF projection for 2025 (as of Apr 2025)
World GDP	-2.1	-3.0	2.8
World trade volume	-11.2	-4.2	0.8

Source: IMF

The impact of trade policies would materialize through many channels such as a decline in exports, intensified competition, delayed investments, or relocation of production bases.

Impact passthrough

- **A decline in exports** both direct exports of goods to the US (18% of total Thai exports, accounting for 1.6% of GDP) such as agricultural and agro-manufacturing products, electrical appliances, and auto parts, and indirect exports to the US through the global supply chain.
- **Intensified competition:** US trade policy may compel Thai products to compete more directly with those of other countries diverted from the US market to third countries, including Thailand. This would likely increase import competition, exerting pressure on Thai manufacturing sectors that have yet to fully recover.
- **Delayed investments** due to global trade policy uncertainties resulting in a deterioration in business confidence. Relocation of production bases out of Thailand may occur if the tariffs imposed on Thailand are higher than other countries.
- US trade policies could lead to **slower global economic growth**, which would impact global demand for goods and services as well as Thai tourism in the period ahead.

Approach to assessing the impact

- To assess the implications of US trade policy on Thailand's economic outlook, three complementary approaches are employed:

  (1) **Estimation based on the exposure of affected sectors** using economic, trade, investment data and other statistics

  (2) **Econometrics model** including the BOT Macroeconometric Model (BOTMM), the Global Trade Analysis Project (GTAP) model, in conjunction with other models

  (3) **Discussions with businesses through the Business Liaison Program (BLP)** to obtain insights on latest developments and potential adjustments of businesses in each sector. The BOT also exchanges views on economic developments and outlook with financial institutions.

Assumptions under each scenario would affect Thailand's growth and inflation outlook. This report presents the two selected scenarios as following:

Situation and assumptions under the 2 selected scenarios

- Reference Scenario (Lower Tariffs): Negotiations between US and various countries remain prolonged and delayed. **The US continues to defer the implementation of reciprocal tariffs periodically but maintains the baseline tariff of 10 percent on all countries, including Thailand.** Under this scenario, US economic growth would slow down due to higher inflation and **the Fed** is assumed to focus on containing inflation, by gradually reducing its policy rate by 50 bps per year to 3.25-3.50% by the end of 2026. **Crude oil prices** would temporarily increase in Q3/2025 as the market concerns about trade tensions wane. However, due to fundamental factors, oil prices would decline from Q4/2025 in tandem with the slowing global economy and increasing oil supply from both OPEC and non-OPEC producers.
- Alternative Scenario (Higher Tariffs): **All countries successfully negotiate with the US to reduce reciprocal tariffs by half starting from Q3/2025, while Thailand remains subject to an 18% reciprocal tariff.** Under this scenario, the US economy is expected to enter a technical recession in 2025, prompting **the Fed** to cut its policy rate more aggressively to 2.75-3.00% by the end of 2025 to support the economy. **Global crude oil prices** would continue declining as the global economy slows down.
- Both scenarios assume the same path for government expenditure. In 2025, government expenditure would increase in line with the annual fiscal budget framework and carry-over budget from the previous fiscal year. In 2026, government expenditure would be higher than the previous year in line with the annual fiscal budget and investment by state-owned enterprises.

Key forecast assumptions used in assessing 2 selected scenarios

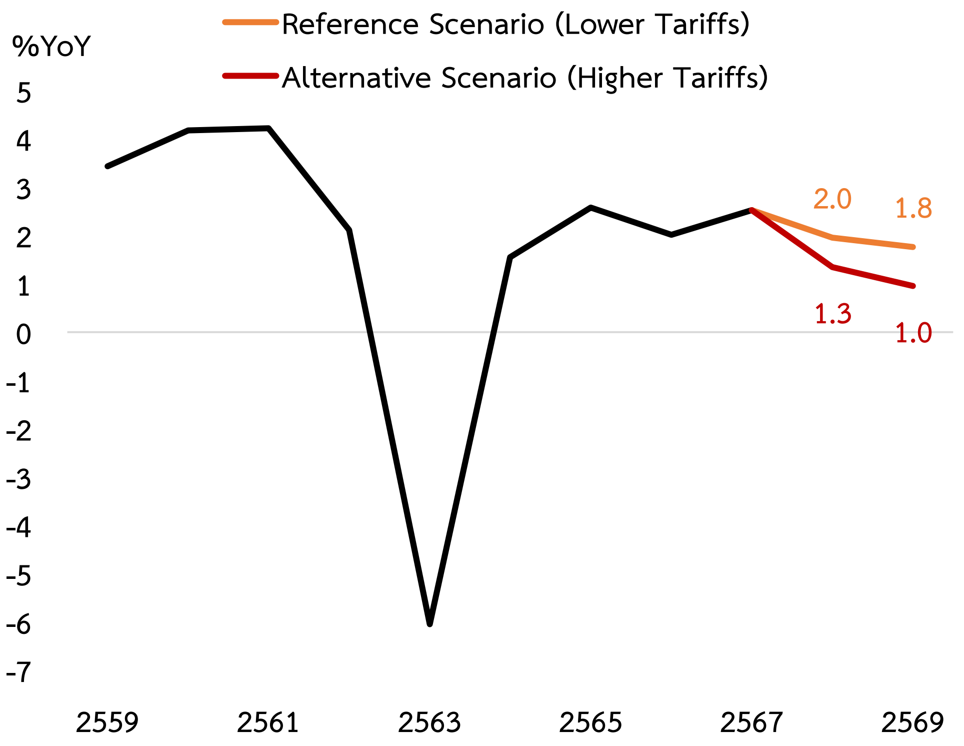
Annual percentage change	2024*	Reference Scenario (Lower Tariffs)		Alternative Scenario (Higher Tariffs)	
		2025	2026	2025	2026
Trading partners' growth[1/] (%YoY)	2.9	2.4	2.2	2.1	1.9
Fed funds rate (% at year end)	4.25 – 4.50	3.75 – 4.00	3.25 – 3.50	2.75 – 3.00	2.75 – 3.00
Dubai crude oil prices (U.S. dollar per barrel)	79.7	71	68	68	60
Government consumption at current price (billion baht)	3,101	3,174	3,224	3,174	3,224
Public investment at current price (billion baht)	1,066	1,141	1,172	1,141	1,172

Note: [1/] weighted by each trading partner's share in Thailand's total exports
* Denotes outturn

More details about the Lower Tariffs Scenario and Higher Tariffs Scenario available in Chapter 1

The Thai economy is projected to grow at a slower pace primarily due to the impact of US trade policies. It should be noted, however, that actual outcome may diverge considerably from the scenarios presented, given the high level of uncertainty.

GDP growth projection



Growth (%YoY)	2024*	Reference Scenario (Lower Tariffs) 2025	Reference Scenario (Lower Tariffs) 2026	Alternative Scenario (Higher Tariffs) 2025	Alternative Scenario (Higher Tariffs) 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 volume of goods and services	7.8	1.9	-0.9	0.1	-4.4
Import volume of goods and services	6.3	0.6	-0.6	-1.3	-3.8
Current account (billion US 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 (US 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: * denotes outturn

Merchandise exports are expected to slow down, reflecting due to US trade policies and slowing global economic growth. The impact of trade policy uncertainties on exports must be monitored in the period ahead.

Merchandise export projection

%YoY	2024*	Lower Tariffs Scenario		Higher Tariffs Scenario	
		2025	2026	2025	2026
Export value	5.8	0.8	-2.8	-1.3	-7.0
Export volume	4.4	0.7	-2.7	-1.3	-6.7

Note: * denotes outturn

- **Thai merchandise exports are expected to expand during the first half of 2025.** In Q1/2025, exports grow by 15% mainly due to an acceleration in electronic exports to the US market, partly reflecting front-loaded exports ahead of the implementation of the US tariffs, as well as an acceleration in gold and platinum exports driven by temporary factors. In Q2/2025, certain export categories would still expand due to an additional front-loaded exports to the US after the 90-day pause for Reciprocal Tariff was announced.

- **However, export is likely to contract from the latter half of 2025 onwards, with the extent of the impact depending on the US tariff rate, as outlined in the following selected scenarios:**

1) **Lower Tariffs Scenario: Merchandise exports would slow down in 2025 and contract in 2026,** primarily due to the decline in exports to the US market. Meanwhile, exports to other markets are expected to moderate, especially exports of intermediate goods to China and ASEAN for further processing into final goods destined for the US. Overall exports would also slow down in tandem with slowing global economic growth. Export goods that would have high exposure are automobiles and auto parts because they face higher tariffs than other goods and are exported mostly to the US. Export prices are expected to decline in tandem with agricultural prices due to excess supply in the global market, as well as declining prices of petroleum products in line with the slowing global economy.

2) **Higher Tariffs Scenario: Merchandise exports would contract in both 2025 and 2026**. This is due to the impact of increased US tariffs on Thailand, which are higher than those imposed on competitors, exacerbating the competitiveness problems in certain goods especially agro-manufacturing, electrical appliances, machinery and equipment. Overall exports outlook would also be impacted by the significant slowdown in global economic growth and intensified competition in the global market. Exports prices are expected to largely decline as prices of oil and petroleum products fall sharply in tandem with slowing global growth.

- **It is necessary to monitor the risks pertaining to US trade policies, retaliation measures of major economies, and the result of trade negotiation between Thailand and the US, which remains highly uncertain.**

Box 1: Impact of US trade policies under Trump 2.0 on Thailand's international trade

Shift in US trade policies remains highly uncertain, but it is expected that the impact on Thailand's international trade would be more pronounced in the latter half of 2025. There are also possibilities that the impact will be more prolonged and severe compared to the US-China trade tensions in 2019. During the 2019 episode, the US raised tariff only on China, resulting in around 20% increase in the real effective tariffs on Chinese goods[1]. That year, the value of Thai merchandise exports contracted by 3.3%. However, the impact of current US trade policy might not be as severe as the 2009 Global Financial Crisis, where there was a broad-based decline in economic activities, with Thai merchandise exports contracting sharply by 13%.

Overall, Thailand's international trade would be impacted through exports and imports. Exports would be impacted through 3 channels: **(1) direct impact on exports to the US market; (2) indirect impact through the supply chain ultimately exported to the US market; and (3) impact from slowing trading partners' demand** as the global economy slows down. For imports, Thai businesses would be affected by intensified competition from imported goods. Among these channels, the direct export channel to the US is likely to have the largest impact on GDP. The extent of the impact in each channel depends on the level of US tariff rates imposed on trading partners and the scale of retaliatory measures from other countries. This is reflected in the Lower Tariffs Scenario and Higher Tariff Scenario (Table 1) as follows:

Note: [1] Reference from The Peterson Institute for International Economics (PIIE)

Table 1: The impact of US trade policy on exports under two selected scenarios

One-year impact (%)	Reference Scenario (Lower Tariffs)		Alternative Scenario (Higher Tariffs)	
	Impact on total export [on export to the US]	Impact on GDP	Impact on total export [on export to the US]	Impact on GDP
1. Direct impact on exports to the US market[1/]	-2.9 [-22]	-0.3	-6.3 [-48]	-0.6
o/w Product affected by Sectoral Tariff	-1.0 [-34]		-1.0 [-34]	
o/w Product affected by Baseline Tariff and Reciprocal Tariff	-2.4 [-22]		-7.0 [-67]	
2. Indirect impact through the supply chain ultimately exported to the US market[2/]	-0.3	-0.1	-0.6	-0.2
3. Impact from slowing trading partners' demand	-0.9	-0.1	-1.4	-0.2
Total impact	-4.1	-0.4	-8.3	-1.0

Note: [1/] The direct impact considers only Thai exports to the US excluding electronics, since they are not yet subject to tariffs. The estimation is based on price elasticity using the GTAP model, where a 1% increase in the effective tariff rate would result in a 2% decrease in Thai exports to the US. (The effective tariff rates for Thailand under the Lower Tariffs Scenario and Higher Tariffs Scenario are 9.3% and 24%, respectively.)
[2/] Indirect impact through the supply chain includes only exports of raw materials and intermediate goods (excluding electronics) to China and ASEAN, which are used in production for export to the US.

Box 1: Impact of US trade policies under Trump 2.0 on Thailand's international trade

Impact on exports

Under the assumptions that businesses cannot adjust by diverting exports to other markets to substitutes for exports to the US, Thai merchandise exports in the Lower Tariffs Scenario would contract by 4.1%, contributing to a 0.4 percentage point decline in GDP that mainly due to the decline in exports to the US. This is especially the case for goods affected by the additional 25% Sectoral Tariff namely metals, automobiles and auto parts[2]. It is assessed that the value of these goods exports to the US would decline by 34%, while the value of other goods exports would decline by 26%[3] as some businesses are still able to absorb the increased costs. In addition, Thai exports would also be affected indirectly through exports of intermediate goods to China and ASEAN which are used in the production of final goods that are exported to the US, particularly rubber and rubber products, and parts for electrical appliances.

Meanwhile, under the Higher Tariffs Scenario, where all the Reciprocal Tariffs on all countries are halved from the rate announced on 2 April 2025, the value of Thai exports would significantly decline by 8.3%, contributing to a 1.0 percentage point decline in GDP, as a result of exports to the US decreasing around 50%. In addition, Thailand would still face higher tariffs than many countries, especially those in the region, such as Malaysia and Indonesia. Thus, the prices of Thai export goods would be higher than those of competitors. This would impact the price competitiveness of Thai exports, particularly for agro-manufacturing products as well as electrical appliances and machinery[4], which have high dependency on the US market (more than 25% of their total exports market). In addition, consumers of these products are price-sensitive, and producers are unable to lower sale prices considerably to absorb higher costs from higher tariffs. Hence, these products are likely to receive a significant impact from the tariffs. Moreover, **Thai exports would also be indirectly affected by intensified competition from other countries looking to divert exports to various markets as a substitute for lower exports to the US.**

Impact on imports

The impact of US tariffs is more pronounced for China than other countries, as well as the impact from measures to prevent the flooding of cheap Chinese goods via e-commerce platforms. As such, it is expected that Chinese exports to the US would decline significantly, with high possibilities that those Chinese goods would be diverted to other markets to substitute the loss in exports to the US. **Under the Lower Tariffs Scenario, it is expected that almost one-third of Chinese goods that were previously exported to the US would instead be exported to various countries including Thailand[5].** This would exacerbate Thai competitiveness problem, especially in textiles and apparels, furniture, electrical appliances, and metals goods, which is a key structural challenge faced by Thai businesses. **Thai imports are expected to increase by 0.7%. This impact would be higher at 1.2% under the Higher Tariffs Scenario as China struggles more from less exports to the US market due to higher tariffs[6].**

Looking ahead, **the Thai export outlook is subject to downside risks from US tariffs, which remain highly uncertain.** Other risks include the Sectoral Tariffs on other key export goods of Thailand that are currently exempted from tariffs such as electronics and semi-conductors, which rely heavily on the US market. There remains a need to monitor the progress of trade negotiations between the US and Thailand, and other competitors, as well as trade retaliation measures of other countries that could further impact Thailand's international trade.

Note: [2] Exports of metals, automobiles and auto parts to the US constitute 2.4% of total exports. (Total exports to the US constitute 18.3% of total exports.)
[3] Due to the 10% Baseline Tariffs
[4] Exports of agro-manu products, electrical appliances, and machinery to the US constitute 6% of total exports.
[5] Chinese goods that the US might not import and therefore might be exported to other countries are worth USD 126 bn.
[6] The Lower Tariffs Scenario and Higher Tariffs Scenario assume that the US would impose 54% and 72.5% tariff on China, respectively.

Private investment is expected to contract in 2025 due to increased uncertainties related to the impact of US tariffs.

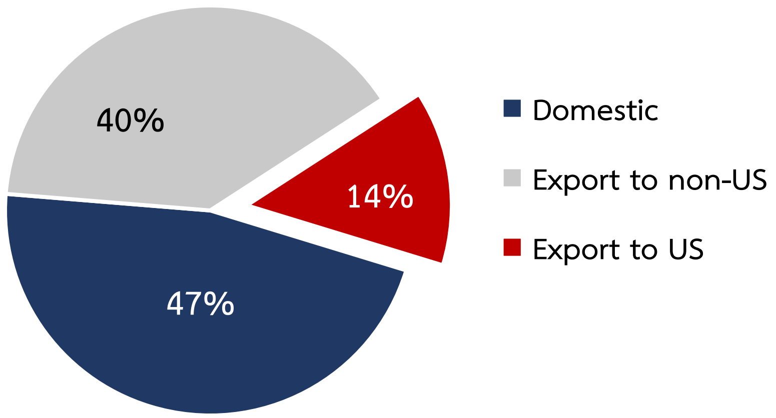
Private investment projection

%YoY	2024	Lower Tariffs Scenario		Higher Tariffs Scenario	
		2025	2026	2025	2026
Private investment (Real Term)	-1.6	-1.0	0.6	-4.1	-0.7

Note: 2010-2019 average growth = 0.8%

- In both scenarios, private investment would be affected by uncertainties related to US tariffs, prompting businesses to adopt a 'wait-and-see' approach from Q2/2025 onwards.
- In the Higher Tariffs Scenario, private investment is likely to contract for 2 consecutive years as Thailand becomes a less attractive investment destination due to the higher tariffs it faces compared to other countries.

The value of investment in fixed assets of companies exporting to the US accounts for 14% of the total investment in fixed assets
(calculated only in the manufacturing sector)



Note: CPFS Data from Department of Business Development (DBD), 2020-2023 average
Source: DBD, BOT calculation

Businesses' view on the investment outlook

- **Businesses are awaiting clarity once the 90-day pause on tariffs ends** before making production and investment decisions, with a focus on cost-efficiency.
- Some firms in the electronics and electrical appliances industries **have postponed their plans for new investments previously scheduled.**
- **The relocation of production lines** can typically be completed within 6 months to 2 years, depending on the industry.

Source: Interviews with 18 businesses during 27 Mar – 16 April 2025.

Foreign tourist arrivals are expected to slow down mainly due to a lower number of Chinese tourists as a result of safety concerns. In the period ahead, the tourism industry would be further affected, especially among income-sensitive tourists.

Projection of foreign tourist arrivals and tourism receipt

	2024*	Lower Tariffs Scenario		Higher Tariffs Scenario	
		2025	2026	2025	2026
Foreign tourists (million persons)	35.5	37.5	40.5	37.0	39.0
% of 2019 figure	89%	94%	101%	93%	98%
Tourism receipt (trillion baht)	1.40	1.52	1.66	1.49	1.60

Note: * Revised outturn

Tourism outlook in the period ahead

- Foreign tourist arrivals in Q1/2025 declined primarily due to a lower number of Chinese tourists as a result of safety concerns, following multiple incidents that took place during the beginning of the year. Meanwhile, the number of tourists from other countries continued to grow, particularly long-haul tourists, driven by recovering demand among trading partners.
- Foreign tourist arrivals are projected to slow down over the next 2 years. The number of Chinese tourists is likely to contract in 2025 and recover slowly in 2026 due to ongoing safety concerns. Meanwhile, global economic factors would influence the recovery in tourist numbers to varying degrees. Under the Lower Tariffs Scenario, foreign tourist arrivals and tourism receipts would expand at a slightly slower pace, in line with slowing global growth. Meanwhile in the Higher Tariffs Scenario, the impact of global economic factors would be more pronounced, affecting travel decisions among income-sensitive tourists such as those from China and ASEAN, and could also result in lower spending on non-essential items such as shopping.

Businesses' views on the tourism outlook

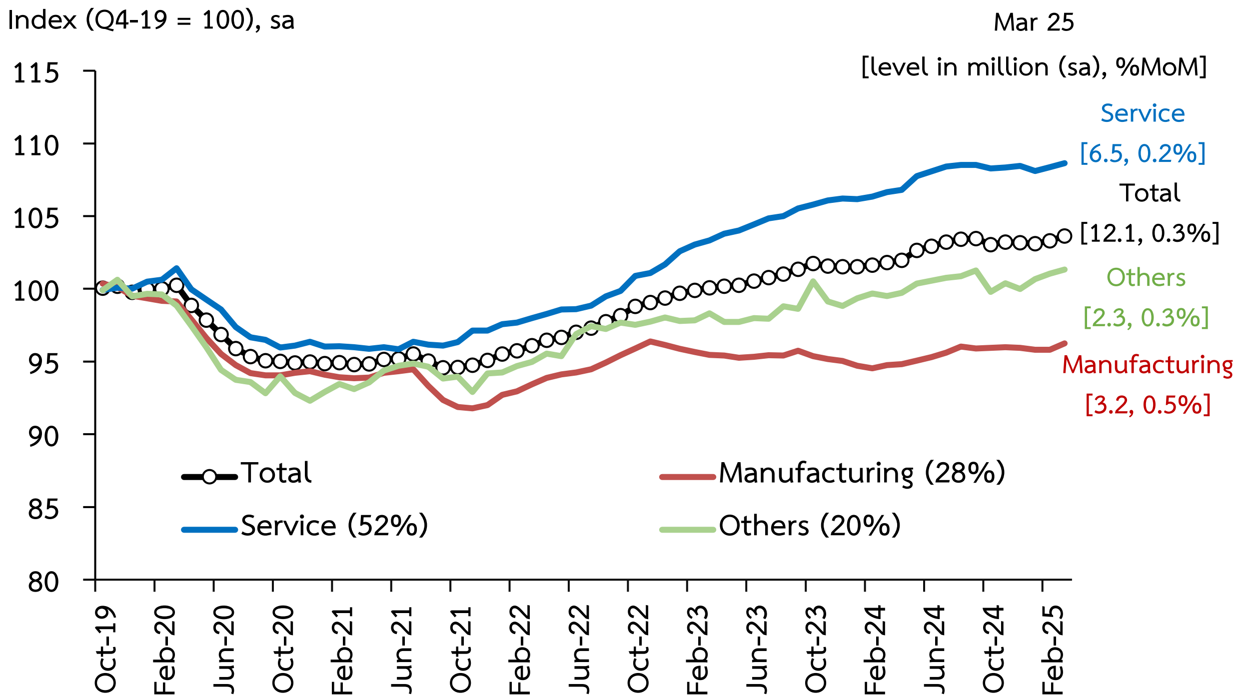
- **Overall, foreign tourist arrivals in 2025 would be higher than last year** especially long-haul tourists such as Europeans, as well as high-potential markets like India. This is in line with the opening of more flight routes and increased flight frequency.
- **However, the recovery in the number of Chinese tourists must be closely monitored.** Businesses view that the recovery would take time and depend on the recovery in tourists' confidence and safety measures implemented by the Thai authorities. Overall, businesses remain concerned that **global trade policies** could result in a global economic slowdown, which would in turn impact tourism demand in the period ahead.

Labor market conditions improved slightly in Q1/2025 but are expected to be affected by the slow recovery in tourism and the impact of global trade policies.

Labor market conditions improved slightly in Q1/2025

Approximately 10% of the labor force would be impacted by the slow recovery in tourism, while another 10% are subject to risks pertaining to global trade policies

Number of workers contributing to the Social Security Fund (section 33)



Note: 1. Section 33 refers to employees who are not less than 15 years of age and not more than 60 years from the date the employee starts working for a company with one or more employees

2. Numbers in ( ) denote the share to total number of workers in section 33.

Source: Social Security Office, BOT calculation

Number of workers at risk of being affected

Channel of impact	Number of workers[1/]	Share of total workforce
Export sector[2/]	4.2 million (including those employed in wholesale and goods transportation)	11%
Import flooding[3/]		
Service sector[4/]	Employee: 1.6 million Self-employed: 2.7 million	11%

Note: [1/] Number of workers in manufacturing and related service sectors, covered only employees

[2/] Includes canned food, frozen food, electrical appliances, automotive parts and tires, machinery, and electronics

[3/] Includes textiles and apparel, furniture, electrical appliances, machinery, automotive parts, chemicals, and plastics

[4/] Includes tourism and related services

Source : NSO, BOT calculation and assessment

Private consumption growth is expected to slow down due to declining income, despite support from spending among high-income households.

Private consumption projection

%YoY	2024*	Lower Tariffs Scenario		Higher Tariffs Scenario	
		2025	2026	2025	2026
Private consumption	4.4	3.0	2.0	2.5	1.5

Note: * outturn

Source: NESDC, BOT calculation

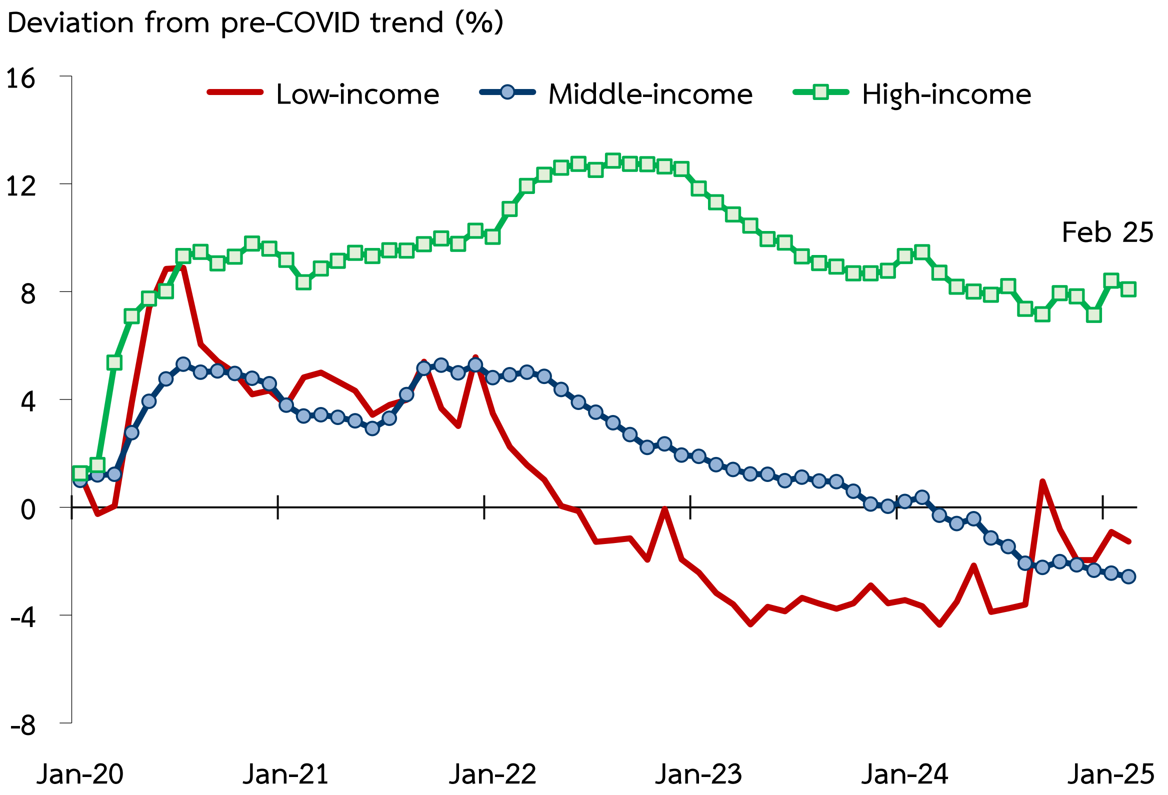
- Lower Tariffs Scenario: **Private consumption would grow at a slower pace in 2025 and 2026** as income is affected by global trade policies and the slow recovery in tourism. However, private consumption would still be supported by spending among high-income households, as reflected in the level of excess savings, which remains available.
- Higher Tariffs Scenario: **Private consumption growth would face more pressure** compared to the Lower Tariffs Scenario. There would be less support from spending among high-income households, whose income would likely see a decline due to the impact of more severe US trade policies.

Businesses' views on the consumption outlook

- Consumers are more price-sensitive, opting to buy goods that are more value-for-money or sold in bundles, and more willing to accept lower quality products that are cheaper.
- Spending on expensive food and beverages declines, frequency of restaurant visits decreases, and spending on luxury goods diminishes.

Source: Interviews with businesses during 1 Mar – 16 Apr 2025

Excess savings by income group



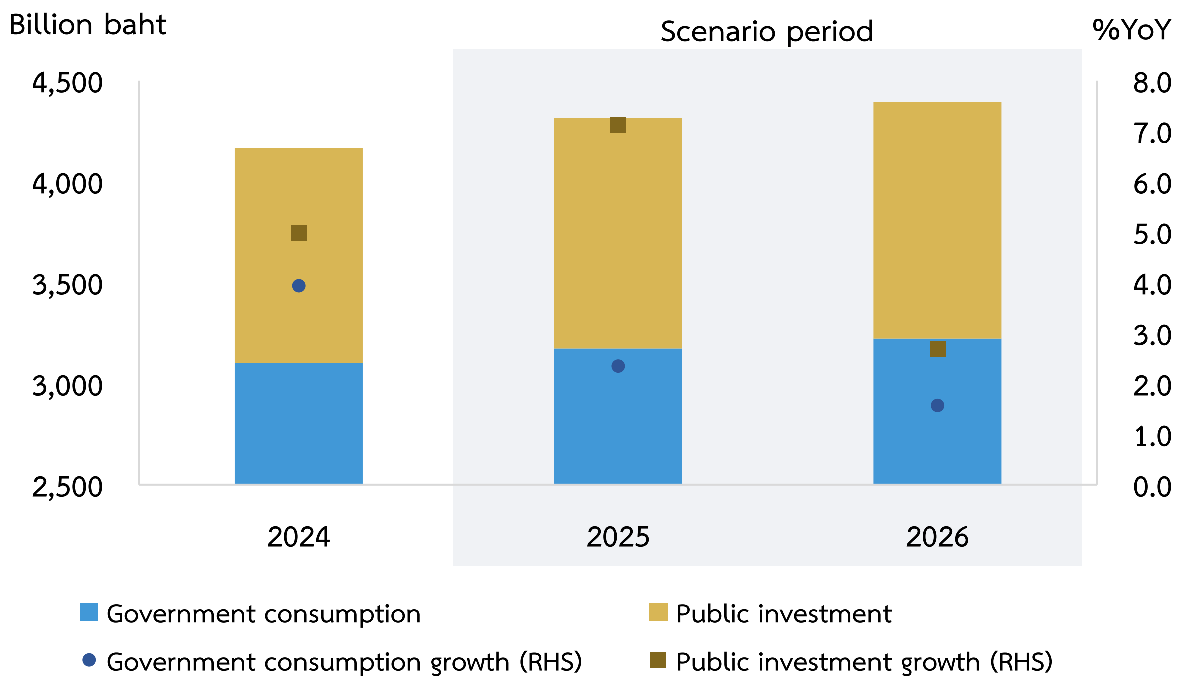
Note: (1) Deposit balances in commercial banks and SFIs are categorized by income groups as follows: Low-income = up to 100,000 THB per account, Middle-income = 100,000 to 1,000,000 THB per account and High-income = over 1,000,000 THB per account

(2) Pre-COVID trend is calculated from data between 2016 and 2019

Source: Bank of Thailand

Public expenditure is expected to retain momentum in 2025 before slowing down in 2026. The assessment under both scenarios adopts the same assumptions for public expenditure based on the fiscal budget.

Public Expenditure[1/]



Note: [1/]General government consumption and Public investment at current price (SNA definition)
Source: NESDC, BOT calculation

- **Public expenditure is expected to see strong growth in 2025** due to high spending being carried over from the FY2024 and allocated under the FY2025 budget, as well as robust budget disbursements for SOE investments.
- **However, public expenditure is expected to grow at a slower pace in 2026** due to budget allocation for replenishing the treasury balance.

Detail of economic stimulus programs in 2025 under the central budget (expenditure for boosting growth and strengthening economic resilience)

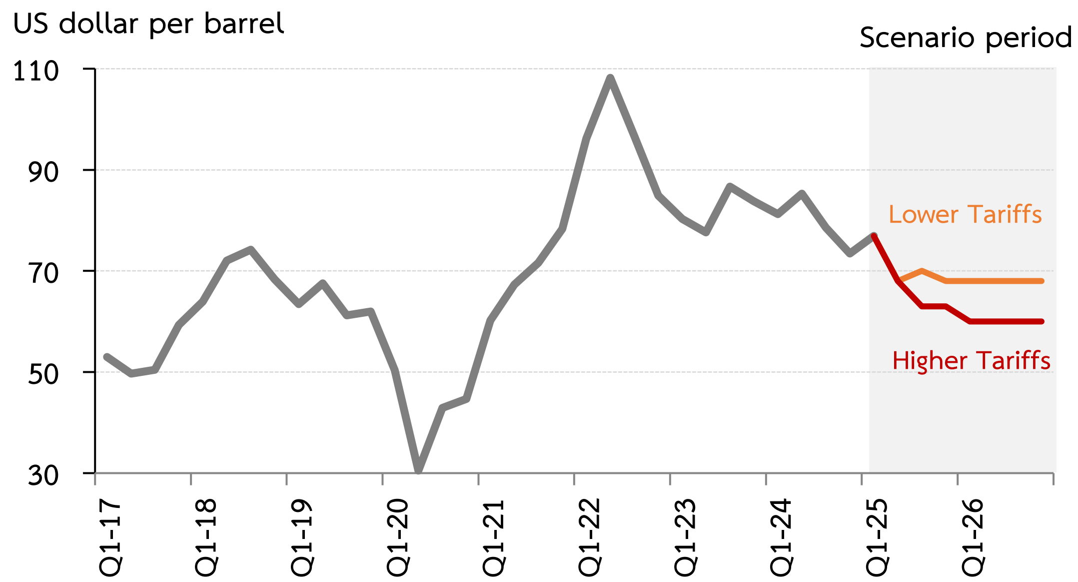
Program	Amount[1/] (billion baht)	Conditions
Cash handout for senior citizens	29.9[2/]	- 10,000 baht cash transfer through PromptPay to people over the age of 60 - Target: 2.99 million recipients between 27 Jan – 28 Apr 2025

Note: [1/]Source of funding is expenditure under the central budget allocated for boosting growth and building resilience of the Thai economy in FY2025 totaling 187.7 billion baht
[2/]Ministry of Finance press release on 29 Apr 2025

For the remaining expenditures under the central budget allocated for boosting growth and strengthening economic resilience, there is still a need to monitor the implementation of programs that would be utilizing these funds.

Dubai crude oil prices assumptions for 2025 and 2026 have been revised down on account of concerns about the impact of US trade policies on the global economy and the gradual increase in oil supply from OPEC+ producers. However, the outlook for oil prices remains highly uncertain.

Projected Dubai crude oil prices



US dollar per barrel	2024*	Lower Tariffs Scenario		Higher Tariffs Scenario	
		2025	2026	2025	2026
Assumptions for average annual Dubai crude oil prices	79.7	71	68	68	60

Source: BOT forecast

Dubai crude oil prices are likely to decline in 2025 and 2026 due to:

(1) **Concerns about the impact of US trade policies on the global economy** following the announcement of Reciprocal Tariffs by the US, which could lead to a slowdown in global growth and global oil demand.

(2) **A continued increase in oil supply from OPEC+ producers,** as the group have decided not to extend their voluntary production cuts by 2.2 million barrels per day, which would result in a gradual increase in crude oil supply from Q2/2025 onwards.

(3) **A likely increase in oil supply from non-OPEC producers,** particularly the US

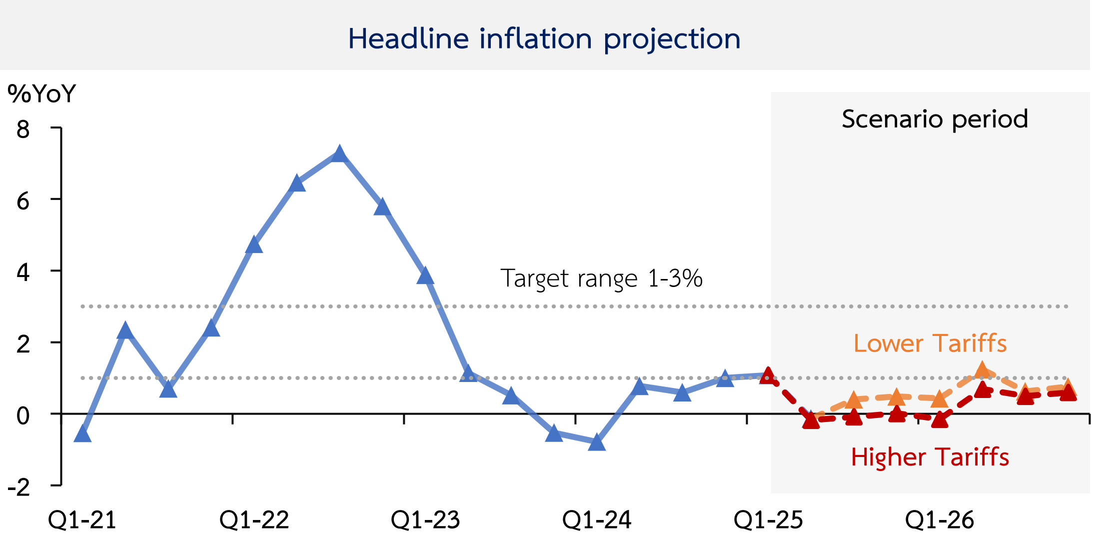
Lower Tariffs Scenario

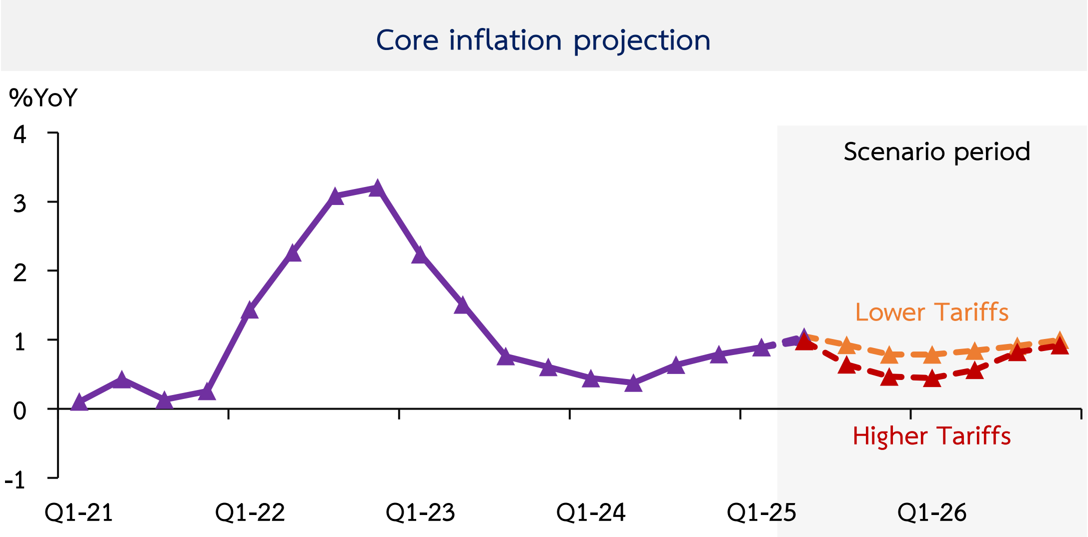
Crude oil prices are expected to increase temporarily in Q3/2025 as market concerns about the severity of trade tensions ease. However, **crude oil prices are expected to decline in Q4/2025 and remain stable through the end of 2026** due to fundamental factors, including declining crude oil demand from the global economic slowdown and gradually increasing supply from both OPEC and non-OPEC producers.

Higher Tariffs Scenario

Crude oil prices are expected to continue declining and fall more sharply than in the Lower Tariffs Scenario due to the significant slowdown in global economic growth and the impact of more severe trade policies in 2026, which would result in global oil demand continuing to gradually decrease.

Headline inflation is expected to fall below the target range in 2025 and 2026 under both scenarios due to energy prices falling in tandem with global oil prices and government energy subsidies.





Source: Ministry of Commerce, BOT calculation and forecast

Inflation projection

%YoY	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

Note: * outturn

- **Headline inflation is expected to fall below the target range in 2025 and 2026** primarily on account of energy prices falling in line with global crude oil prices due to the global economic slowdown as a result of US tariffs. Declining headline inflation can also be attributed to energy subsidies from the Thai government including subsidies for electricity bills and retail oil prices. Under the **Higher Tariffs Scenario**, headline inflation would be lower than in the Lower Tariffs Scenario due to a sharp drop in global energy prices and retail oil prices.
- **Core inflation is expected to be higher than in 2024** following the gradual pass-through of the higher food prices, which would gradually increase in tandem with the cost of raw food. However, core inflation will likely be stable in 2025 and 2026 due to the economic slowdown and lower energy prices. Under **the Higher Tariffs Scenario**, core inflation would be lower than in the Lower Tariffs Scenario due to the sharper slowdown in economic activities.

Financial conditions remain tight. Credit growth contracted slightly while financing costs declined somewhat. Exchange rate movement has been volatile due to external factors.

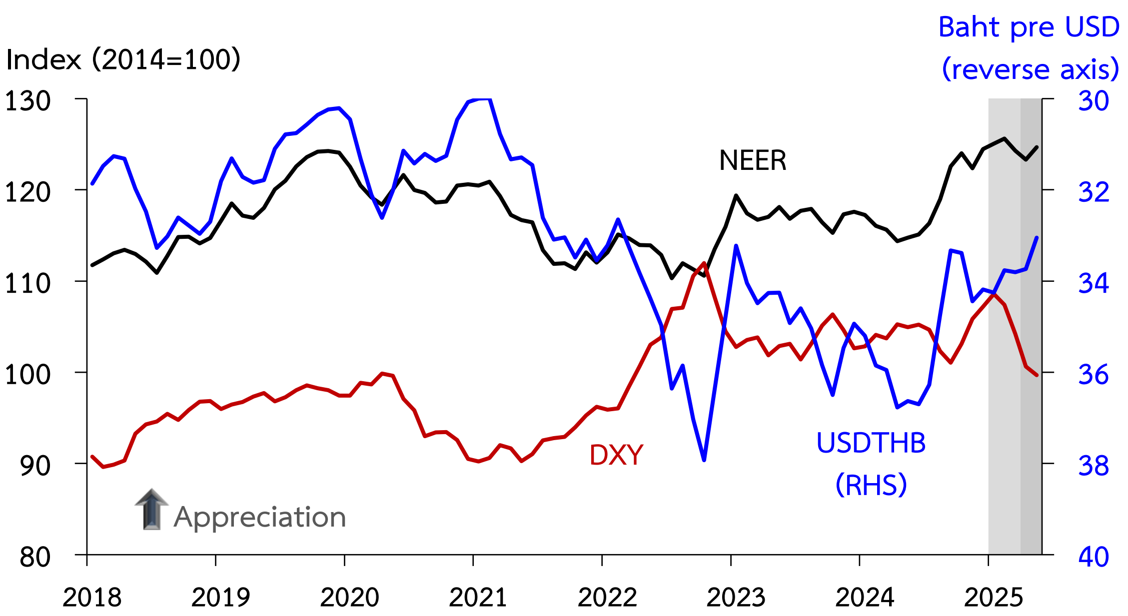
The baht exchange rate in Q1/2025 averaged close to the previous quarter but experienced higher volatility in Q2/2025 primarily due to external factors, especially the highly uncertain global trade policies

Commercial bank interest rates and bond yields declined in line with the policy rate

Credit growth slowed down. Credit quality of business loans has remained stable, but credit quality of retail loans has deteriorated.

The baht exchange rate in Q1/2025 averaged close to the previous quarter but experienced higher volatility in Q2/2025 primarily due to external factors, especially the highly uncertain global trade policies.

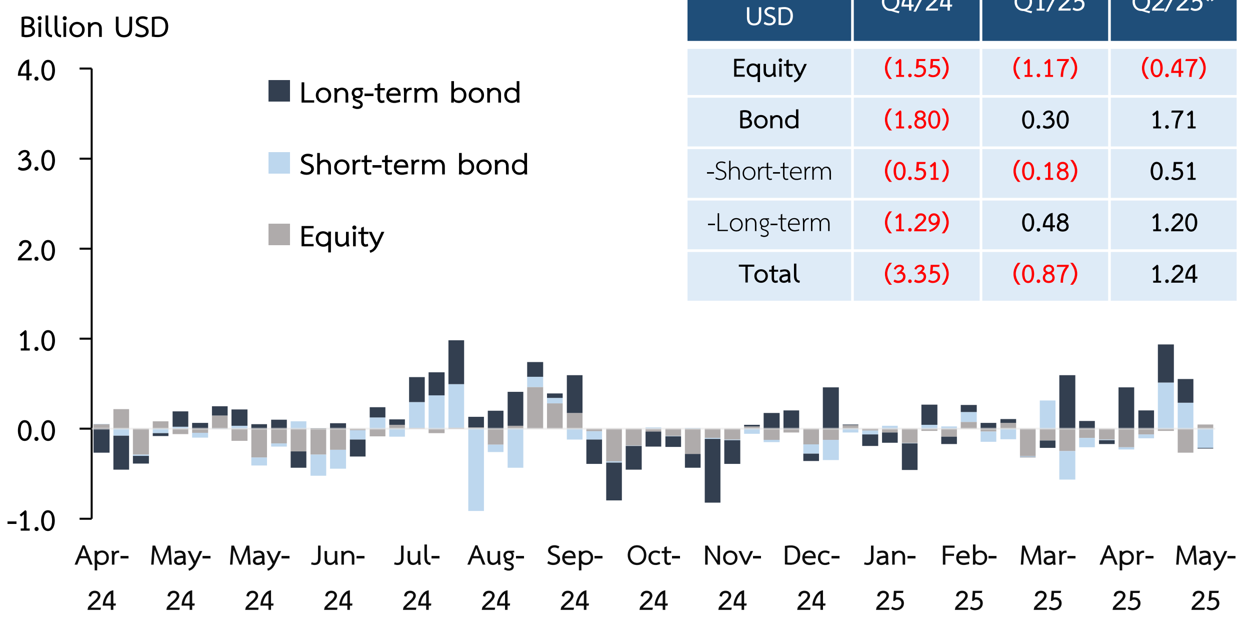
Baht per U.S. dollar (USDTHB) and exchange rate indices



Note: Monthly average (as of 2 May 2025)

Source: Bank of Thailand and Bloomberg

Capital flow into Thai securities



Billion USD	Q4/24	Q1/25	Q2/25*
Equity	(1.55)	(1.17)	(0.47)
Bond	(1.80)	0.30	1.71
-Short-term	(0.51)	(0.18)	0.51
-Long-term	(1.29)	0.48	1.20
Total	(3.35)	(0.87)	1.24

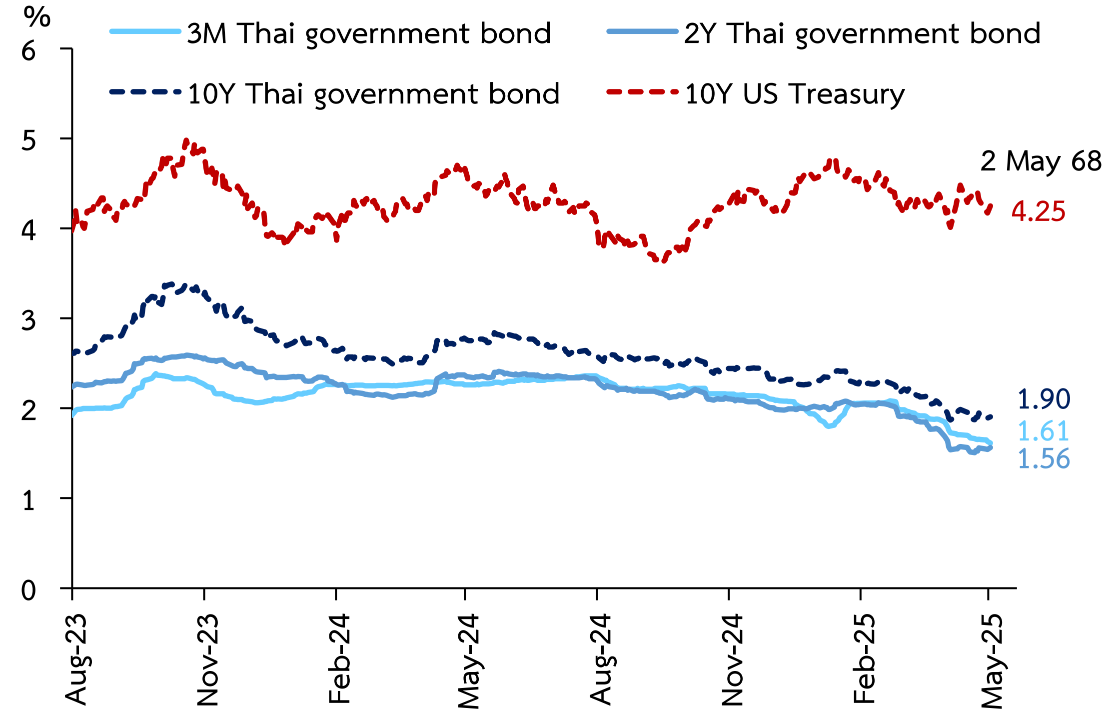
Note: Weekly data, cumulative from the first trading day (*as of 2 May 2025)

Source: ThaiBMA

In Q1/2025, the baht averaged 33.94 per US dollar, close to the previous quarter. The baht's movement was driven by the implementation of accommodative monetary policy among major central banks as expected, as well as developments related to US trade policy that were largely in line with market expectations. **However, in Q2/2025, the baht experienced higher volatility and appreciated from the previous quarter** due to uncertainties surrounding the Reciprocal Tariff and the US dollar's depreciation from concerns about the US economic outlook. In Q1/2025, there were net capital outflows from the stock market and net capital inflows into the bond market, in line with other regional markets due to concerns about the impact of US trade policy. **The nominal effective exchange rate in Q1/2025 and Q2/2025 averaged 125.0 and 124.0, respectively,** reflecting the baht's stronger appreciation relative to trading partners' and competitors' currencies.

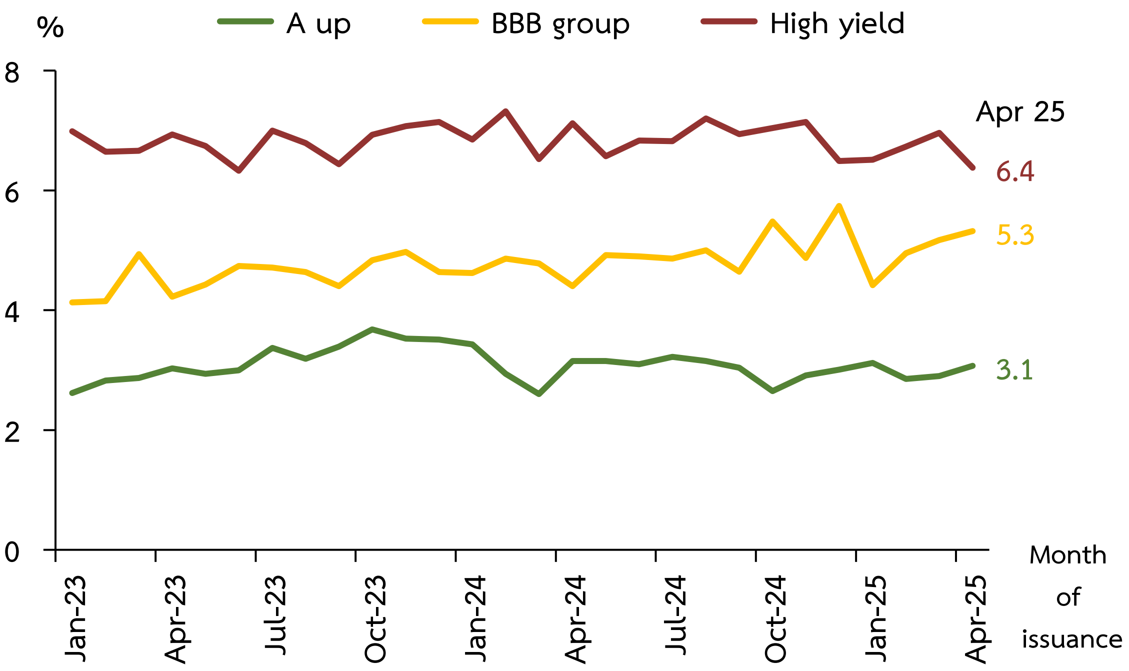
Thai government bond yields declined, while financing costs in the corporate bond market remained largely stable.

Thai government bond and US Treasury yields



Source: Thai BMA (data as of 2 May 2025)

Corporate bond yields (1Y < Tenor <=3Y)*
By credit rating



Note: * Weighted coupon rate in primary market, including only corporate bonds denominated in baht offered domestically (excluding SOE bonds and the commercial banking sector) and including both fixed-coupon and zero-coupon bonds.
Source: Thai BMA, calculated by BOT

Both short-term and long-term government bond yields declined from the previous quarter, in line with the policy rate cut on 26 Feb 2025 and the market having already priced in the policy rate cut on 30 Apr 2025 prior to the meeting date. **Corporate bond yields were stable overall.** Yields among BBB and high-yield groups remained high, driven primarily by idiosyncratic factors of some issuers. Meanwhile, investors remain cautious in investing in bonds of risky issuers. Moody's revision of credit rating for Thai government bonds to a negative outlook on 29 Apr 2025 had limited impact on the Thai bond market, with government bond yields not seeing significant changes across all tenors.

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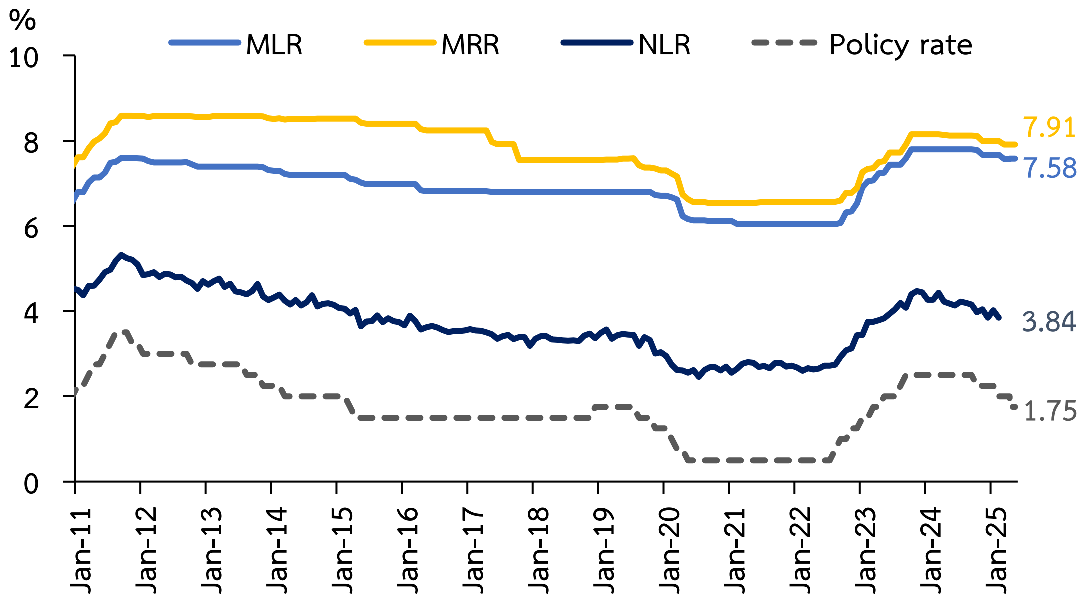
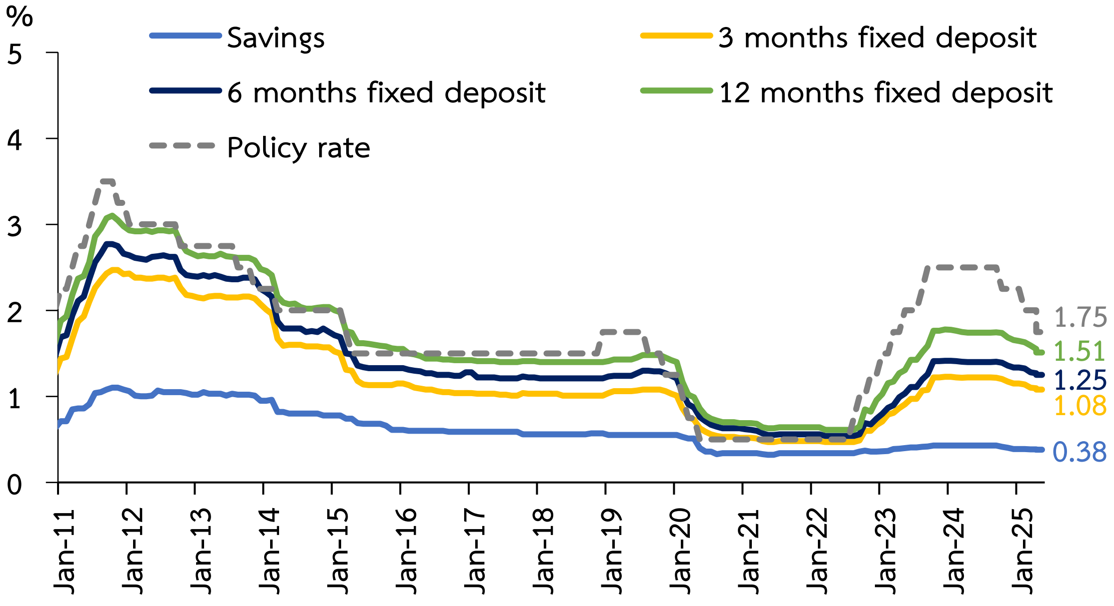
Commercial bank interest rates declined in line with the policy rate cut in the previous meeting, both deposit and lending rates.

Commercial bank lending rates



Commercial bank deposit rates



Note: (1) Monthly average of 14 commercial banks (data as of 2 May 2025)

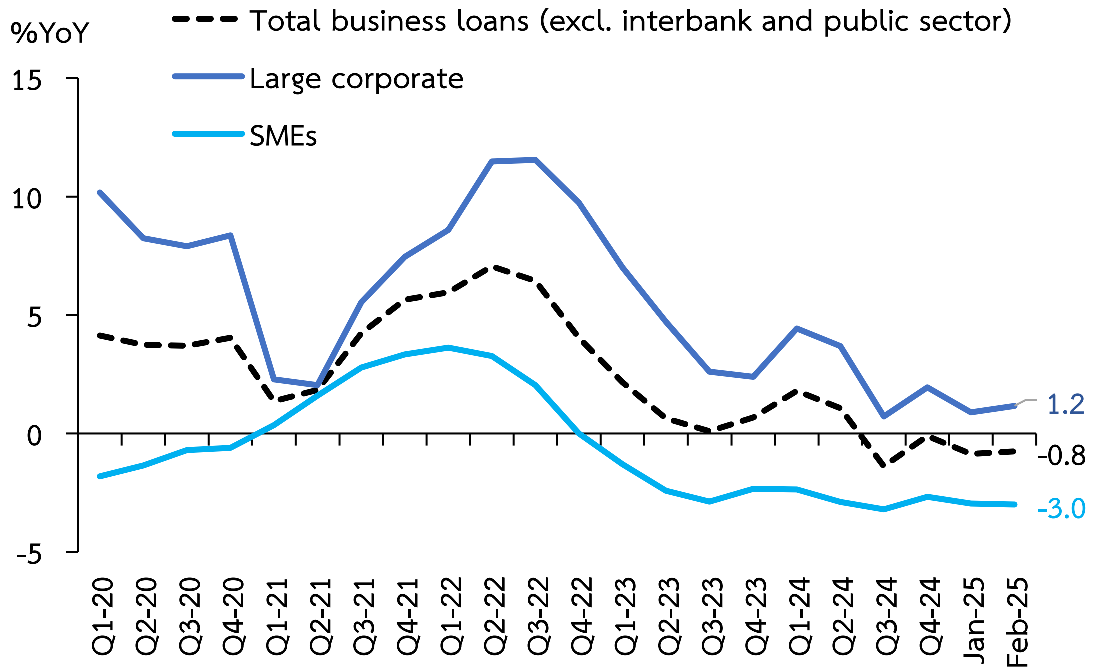
(2) NLR = new loan rate (data as of Feb 2025)

Source: Bank of Thailand

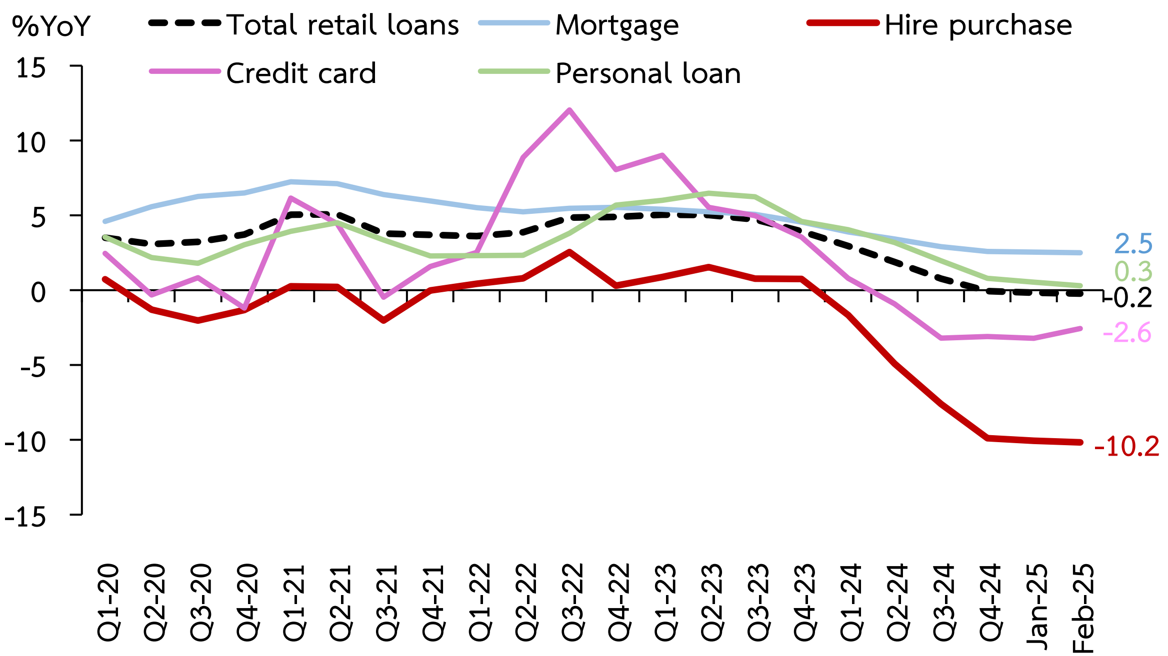
Commercial bank lending and deposit rates declined overall in line with the policy rate cut on 26 Feb 2025. The minimum loan rate (MLR) fell to 7.58% and the minimum retail rate (MRR) fell to 7.91%, reflecting a transmission of about 50% from the two policy rate cuts combined (16 Oct 2024 and 26 Feb 2025). Saving and fixed deposit rates also declined. The new loan rate (NLR) as of end-Feb 2025 fell to 3.84%. It is also expected that commercial banks would lower their interest rates further following the MPC's decision to cut the policy rate on 30 Apr 2025.

Business loan growth overall contracted in line with the previous quarter, while retail loan growth contracted slightly.

Business loan growth by firm size



Retail loan growth by portfolio



Note: (1) Data covers loans from financial institutions' system that 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).

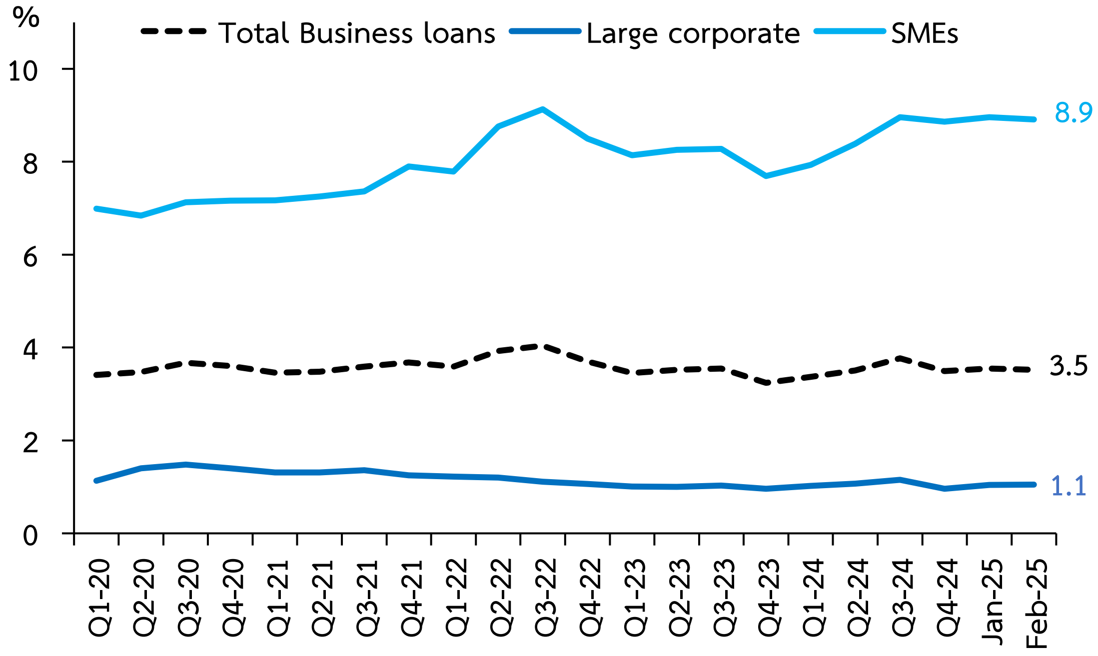
For non-banks, the data covers nano finance and personal loan for businesses under BOT supervision (excluding car title loans)

Source: Bank of Thailand

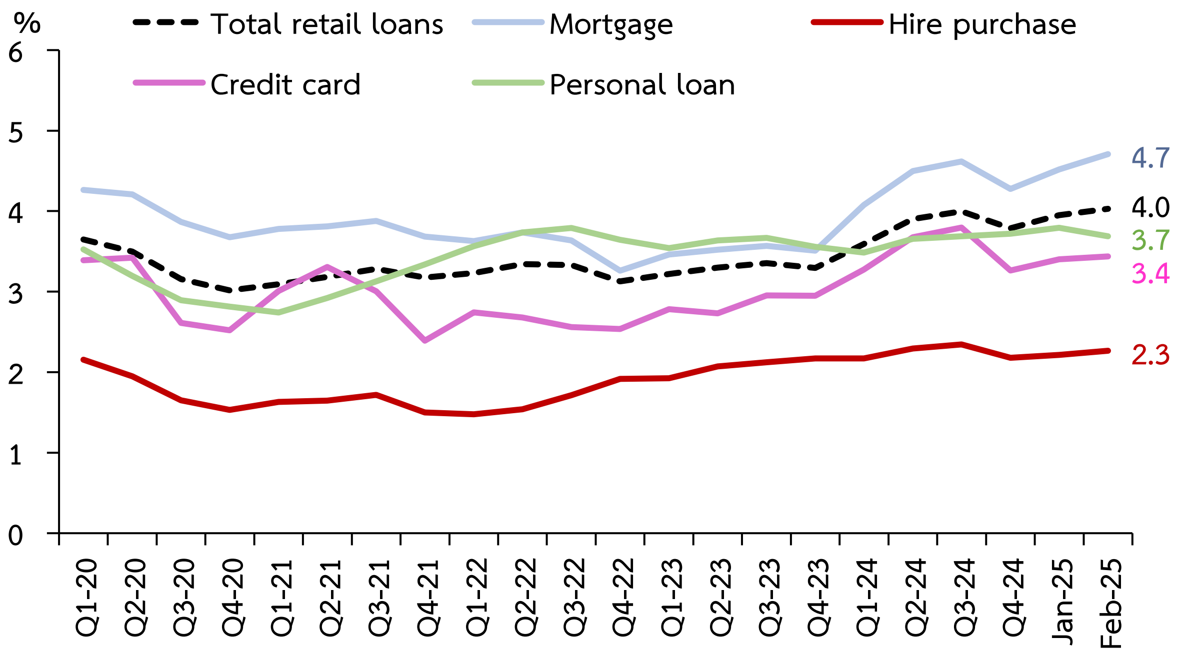
Business loan growth continued to contract, with SME loan growth remaining negative across all sectors. Meanwhile, **retail loan growth contracted** due to decreased auto loans as banks have lent out less under current conditions where borrowers' risks are elevated. Moreover, credit card loans declined because of lower spending via credit card compared to the previous period.

Credit quality of business loans remained stable, while credit quality of retail loans deteriorated especially mortgage loans.

Stage 3 (NPL) of business loans by firm size



Stage 3 (NPL) of retail loans by portfolio



Note: (1) Data covers loans from financial institutions' system that 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 car title loans)

Source: Bank of Thailand

Credit quality of business loans remained largely stable. NPLs among SME loans declined mainly due to debt restructuring among specialized financial institutions (SFI). NPLs among retail loans increased, especially mortgage loans in which most of the borrowers are those who have previously entered debt assistance programs and could not repay their debts on time. Meanwhile, NPLs of personal loans declined partly due to financial institutions managing the credit quality of their lending portfolio.

Monetary Policy Decision: Summary of Key Considerations

Economic growth

The growth outlook has worsened with increased downside risks from global trade policies and declining foreign tourist arrivals. The impact of trade policies is expected to be more pronounced in H2/2025, but uncertainties remain high.

Inflation

Inflation is projected to fall below the target range, primarily due to lower energy prices and government measures.

Financial stability

Credit growth contracted slightly, and credit quality continued to deteriorate. Global trade policies might put additional pressure on the financial positions of businesses and households.

Monetary Policy Decision

The MPC cut the policy rate to ensure that monetary policy is consistent with the latest economic assessment, accommodates the increased downside risks, and helping adjust financial conditions better suit the changing growth and inflation outlook.

Developments in US trade policies and retaliations by major economies are expected to lead to significant changes in the economic, financial, and global trade landscape. Recent developments are just the beginning stages and have been highly uncertain, with impacts expected to stretch over the period ahead.

Q1-Q2/2025: Storm is Coming

- No clear impacts
- High uncertainties

H2/2025 onwards: In the Storm

- Impacts are more evident
- Downside risks are high and there might be unexpected shocks
- Economic policies should put a premium on stability to prevent excessive slowdown or volatilities

End game: After the Storm

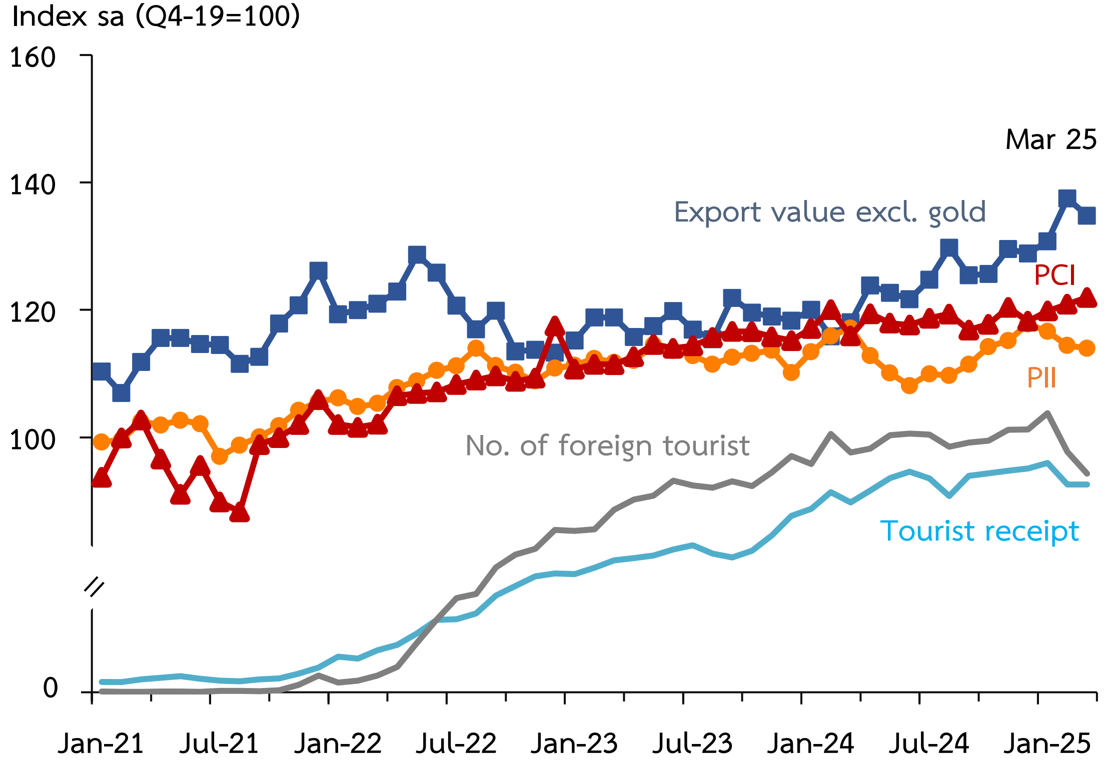
- End state unclear
- What is expected:
  - Global economy is less efficient (slower growth, higher inflation)
  - Global economy is less dependent on the US compared to the past

The Thai economy is expected to expand at a slower pace and is subject to increased downside risks. Looking ahead, the outlook remains highly uncertain due to global trade policies.

GDP growth in Q1/2025 turned out lower than expected due to tourism, especially the lower number of Chinese tourists

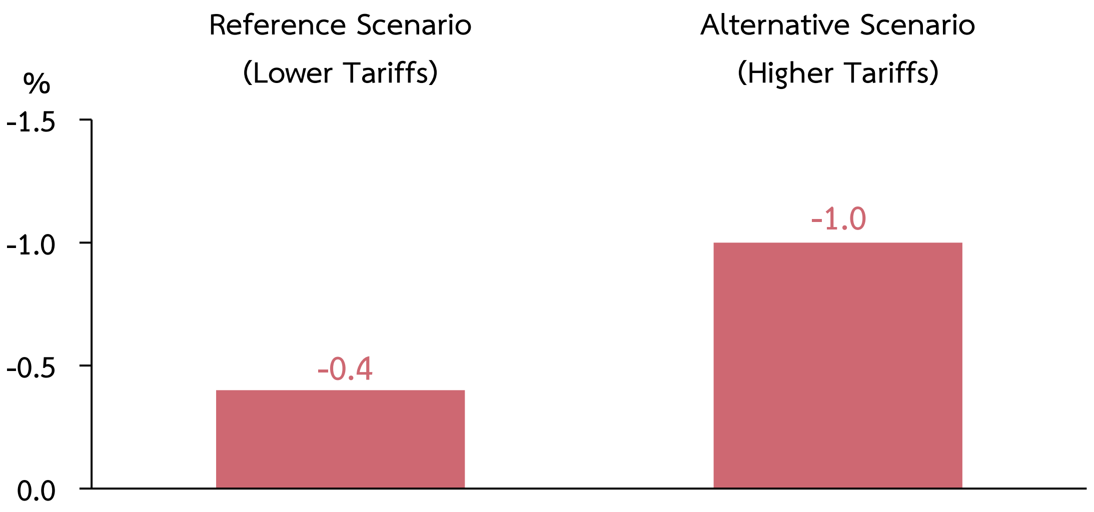
Downside risks have increased from global trade policies, which remain highly uncertain

Demand-side economic indicators



Note: PCI = Private Consumption Indicator, PII = Private Investment Indicator
Source: Bank of Thailand

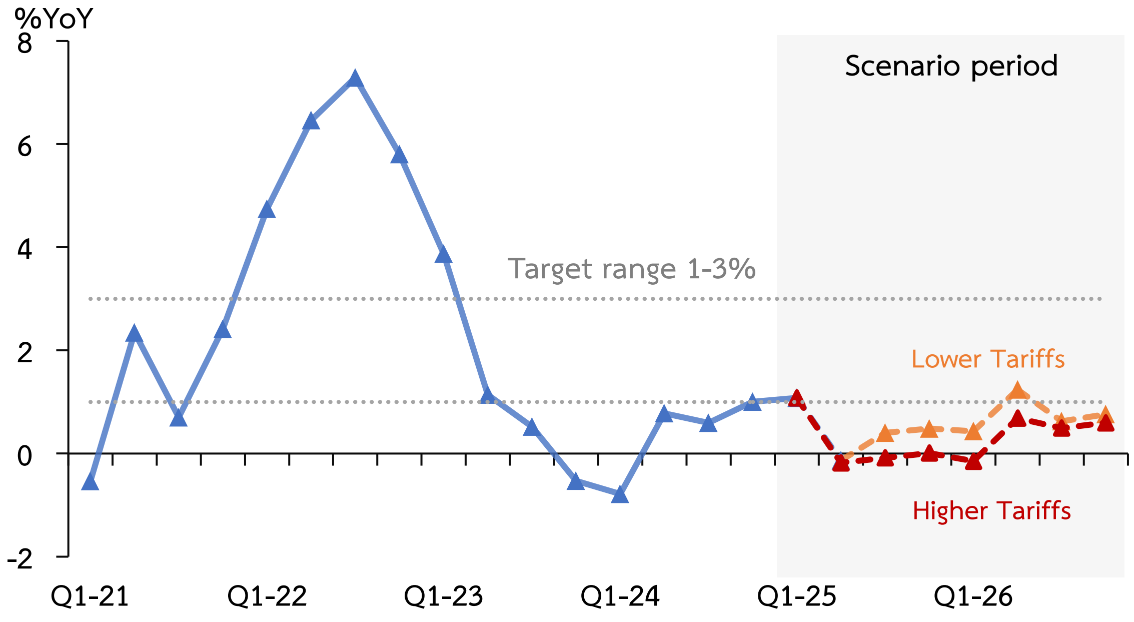
Assessment of the impact of tariffs on GDP
(overall impact within a 1-year period)



Note: Estimated by Global Trade Analysis Project (GTAP) model in conjunction with the Bank of Thailand's Macroeconometric Model (BOTMM) and other econometric models.
Source: Calculated by Bank of Thailand

Headline inflation is expected to fall below the target range due to lower energy prices. Meanwhile, medium-term inflation expectations remain well-anchored within the target range.

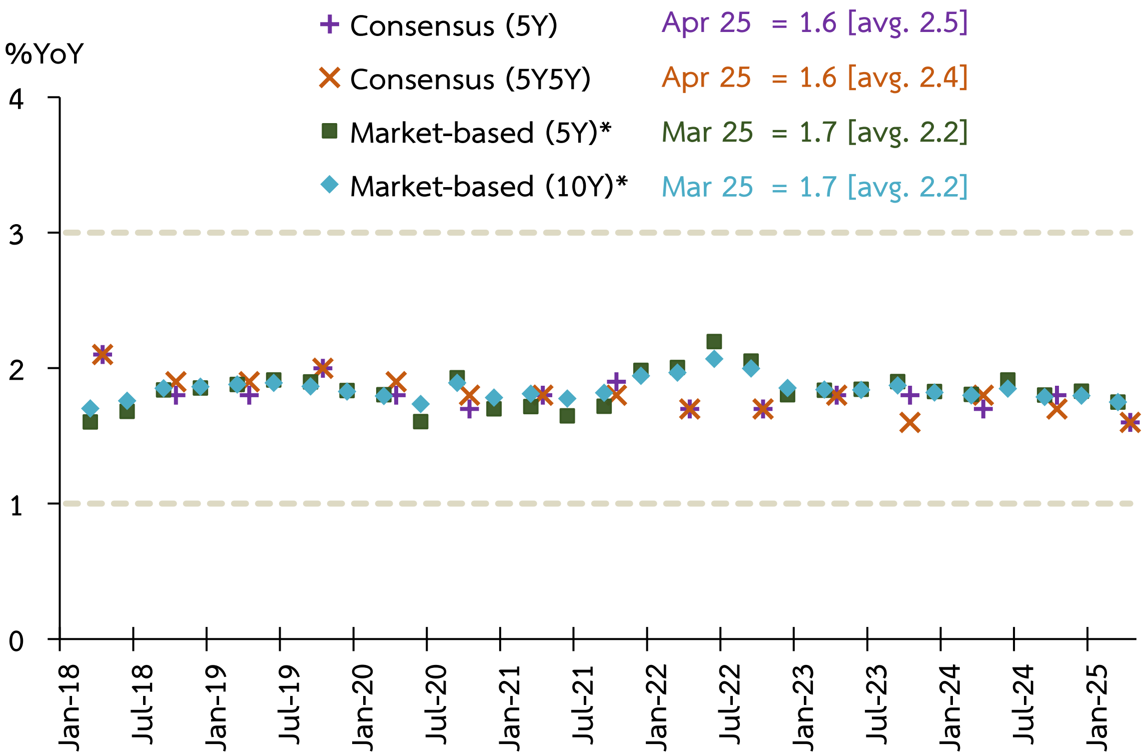
Headline inflation projection



%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
Dubai crude oil prices	79.7	71	68	68	60

Source: Ministry of Commerce, assessment by BOT

Inflaiton expectations



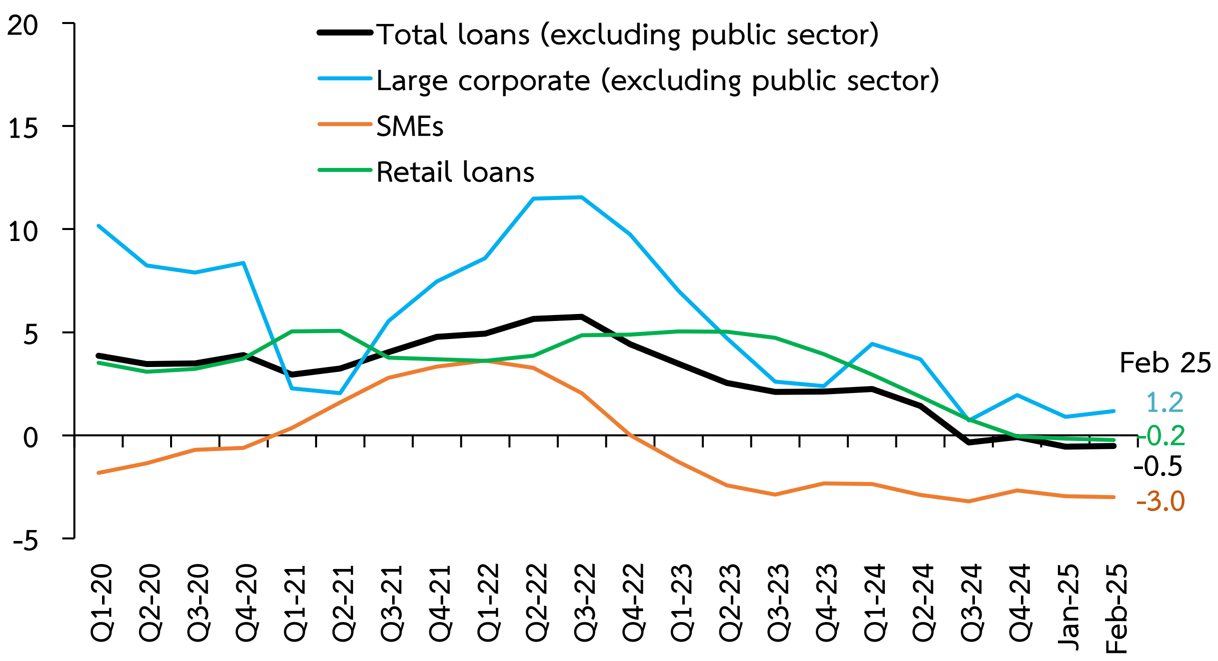
Note: *estimated using the affine term structure model with yield curve data and macroeconomic factors

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

Financial conditions remain tight. Credit growth contracted slightly, and credit quality has not yet improved, especially for SMEs and retail mortgage loans.

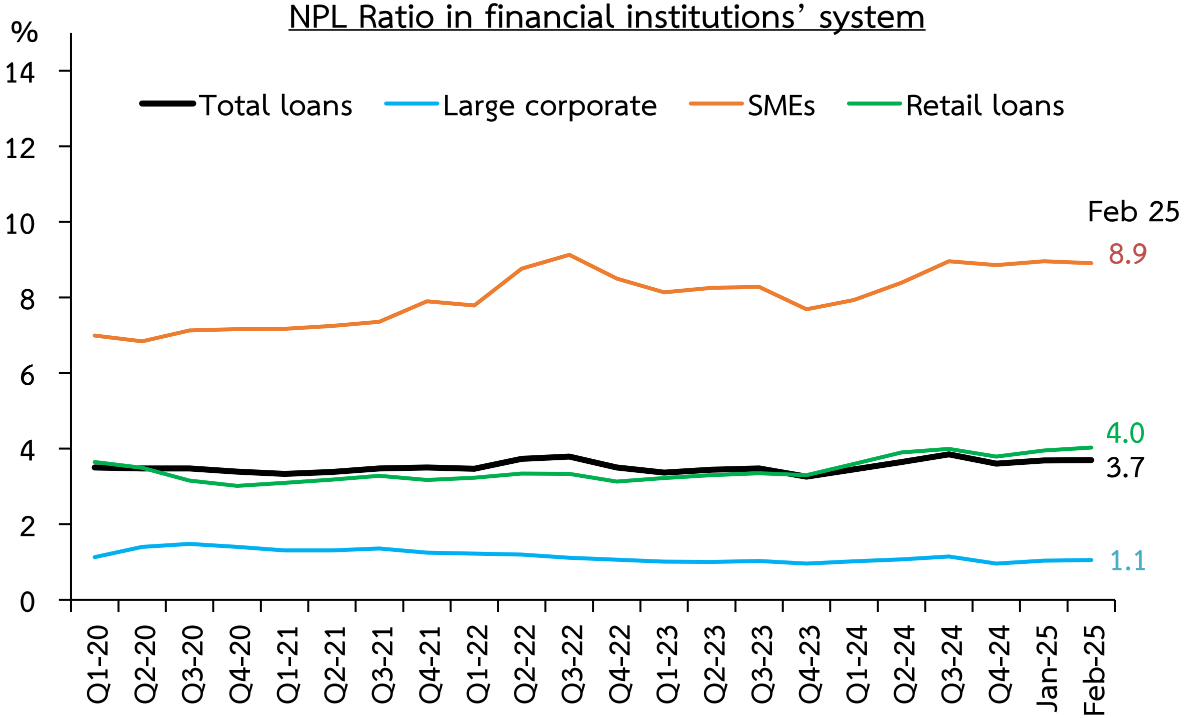
Credit growth continued to contract, especially SMEs loans

Loan growth in financial institutions' system



There remains the need to monitor credit quality of mortgage and business loans of borrowers who are facing structural challenges

NPL Ratio in financial institutions' system



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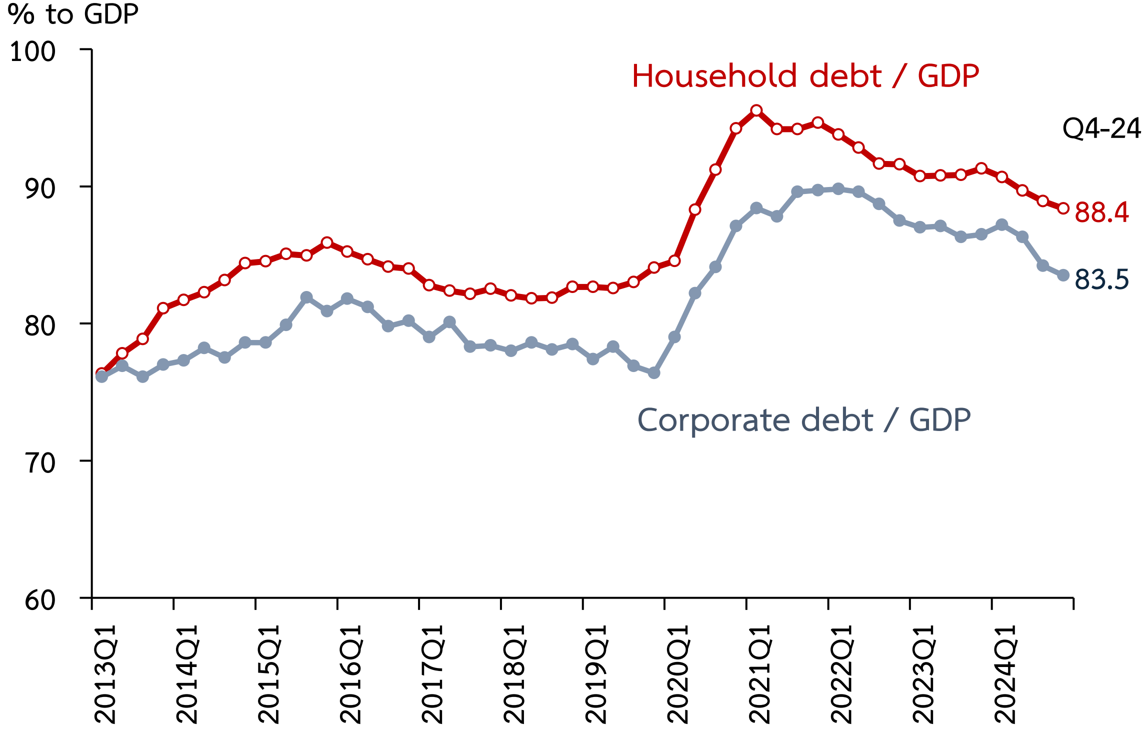
For non-banks, the data covers nano finance and personal loan for businesses under BOT supervision (excluding car title loans)

Source: Bank of Thailand

Long-term financial stability risks have declined, while a mix of measures have been implemented to address problems in a targeted manner.

Household debt to GDP in Thailand has gradually declined

Household debt to GDP ratio & Corporate debt to GDP ratio



Source: Bank of Thailand and NESDC

BOT and other related agencies continue to implement measures to address problems in a targeted manner

Measure implemented by BOT in the recent period

- **Responsible Lending measures** such as offering debt restructuring to debtors at least once before they become NPL and at least once after they become NPL**,** debt consolidation measure, and persistent debt measure.
- **Debt clinic** for retail borrowers; **Debt exit fast lane** to assist mediation between debtors and lenders, and **Debt Doctor** to give advice to debtors
- **"Khun Soo, Rao Chuay" Program,** the registration of which has been extended until 30 June 2025[1/] (as of 15 Apr 2025, there are 530,000 participants with outstanding debt totaling 385 billion baht)
- **BOT temporarily relaxes LTV rules** for new mortgage loans from 1 May 2025 to 30 June 2026[2/] to support the real estate sector, which should help address the high inventory problem to some extent.

Note: [1/]News: Extending the registration period for the "Khun Soo, Rao Chuay" Program (in Thai)
[2/]News: BOT temporarily relaxes LTV rules (in Thai)

The MPC has cut the policy rate to ensure the monetary policy stance is consistent with the latest economic outlook and accommodates the increased downside risks, as well as to ensure that financial conditions are appropriate given the changing growth and inflation outlook.

MPC Meeting No. 1/2025 (26 Feb 2025)	MPC voted 6 to 1 to cut the policy rate by 25 bps to 2.00%

Most Committee members voted to cut the policy rate to ensure that financial conditions are suitable for the growth and inflation outlook and financial stability risks, as well as to provide cushion against the marked increase in downside risks. Meanwhile, one member voted to keep the policy rate on hold, placing greater emphasis on preserving policy space for heightened uncertainties in the period ahead.

See more: Monetary Policy Committee's Decision 1/2025

MPC Meeting No. 2/2025 (30 Apr 2025)	MPC voted 5 to 2 to cut the policy rate by 25 bps to 1.75%

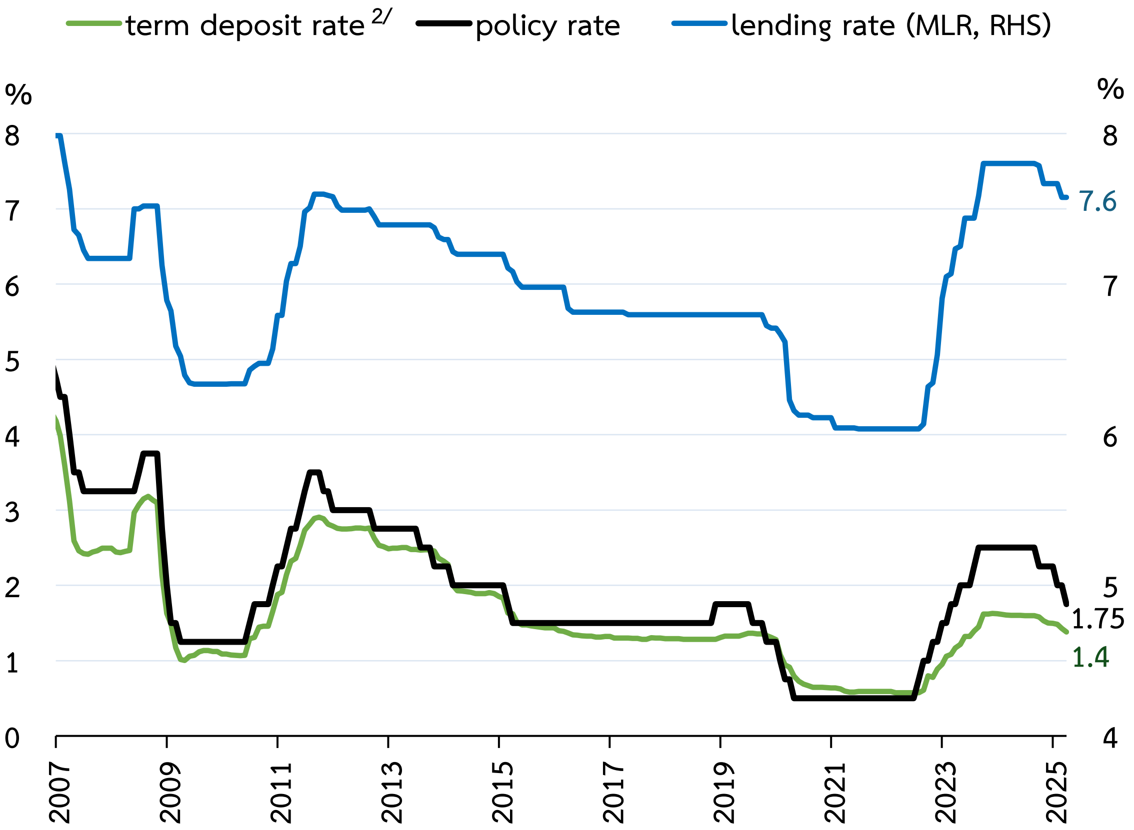
Most Committee members voted to cut the policy rate to be consistent with the worsening economic outlook, to cope with the increased downside risks, and to align financial conditions with the changing economic and inflation outlook. Meanwhile, two Committee members voted to keep the policy rate on hold to preserve the already limited policy space for more effective use later.

See more: Monetary Policy Committee's Decision 2/2025

The MPC assessed that the economic outlook remains highly uncertain and will deliberate monetary policy going forward to align with the economic and inflation outlook and associated risks

Monetary policy deliberation in the period ahead will be outlook dependent, taking into account limited policy space.

Policy rate and Commercial bank lending rates[1/]



Note: [1/]Average rates of 14 commercial banks

[2/]Average fixed deposit rates for 3, 6, 12, and 24 months.

Source: Bank of Thailand

- Recent policy rate cuts have helped ease financial conditions to support the worsened economic outlook and cushion against downside risks to some extent.
- Under heightened uncertainties, monetary policy easing must consider the timing that would maximize policy effectiveness
- Monetary policy deliberation in the period ahead must take into account the limited policy space, especially if unexpected shocks or tail risks materialize.

Percent	2023	2024	2023				2024			
			Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
GDP growth	2.0	2.5	2.7	1.9	1.6	1.8	1.7	2.3	3.0	3.2
Production										
Agriculture	2.0	-1.0	6.4	1.7	1.2	-0.7	-2.8	-1.9	-1.0	1.2
Non-agriculture	2.0	2.9	2.4	1.9	1.6	2.1	2.1	2.7	3.2	3.5
Manufacturing	-2.7	-0.5	-2.7	-3.0	-3.4	-1.8	-2.8	0.4	0.3	0.2
Construction	-0.6	1.3	3.9	0.2	0.6	-8.7	-17.6	-5.6	15.2	18.3
Wholesales and retail trade	3.9	3.8	3.6	3.8	3.6	4.7	4.3	3.1	3.6	3.9
Transport and storage	8.8	9.0	12.8	7.7	7.4	7.2	9.4	8.1	9.2	9.0
Accommodation and Food Service	19.3	9.5	36.2	16.5	16.1	11.0	11.7	7.7	8.4	10.2
Information and Communication	3.6	5.5	3.8	3.9	3.4	3.1	7.0	5.8	3.5	5.7
Financial intermediation	1.4	2.0	0.1	0.9	1.3	3.5	2.7	1.8	1.9	1.5
Real estate and renting	1.5	1.1	1.5	2.1	1.6	0.9	0.8	1.1	0.7	1.8

Source: Office of the National Economic and Social Development Board, National Statistical Office and Bank of Thailand

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Percent	2023	2024	2023				2024			
			Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
GDP growth	2.0	2.5	2.7	1.9	1.6	1.8	1.7	2.3	3.0	3.2
Expenditure										
Domestic demand	3.3	3.0	3.1	3.5	3.6	3.2	2.4	1.4	4.2	4.1
Private consumption	6.9	4.4	6.0	7.3	7.4	6.7	6.6	4.5	3.3	3.4
Private investment	3.1	-1.6	2.6	1.2	3.6	4.8	4.6	-6.8	-2.5	-2.1
Government consumption	-4.7	2.5	-6.0	-4.5	-5.0	-3.1	-2.3	0.4	6.1	5.4
Public investment	-4.2	4.8	4.7	-1.9	-3.0	-19.6	-28.0	-4.2	25.2	39.4
Imports of goods and services	-2.5	6.3	-0.5	-3.3	-9.8	4.5	5.7	1.1	10.3	8.2
imports of goods	-4.3	5.3	-3.8	-5.3	-11.3	4.2	3.6	-1.3	9.6	9.4
imports of services	5.5	10.3	13.6	4.9	-3.8	7.7	13.7	11.2	13.2	3.9
Exports of goods and services	2.4	7.8	1.9	0.1	1.5	6.1	4.1	5.9	9.9	11.5
exports of goods	-2.6	4.3	-5.4	-5.6	-2.4	3.9	-1.5	2.4	7.5	8.9
exports of services	38.2	25.5	66.2	47.9	29.6	19.9	32.0	24.7	22.3	22.9
Trade balance (billion, U.S. dollars)*	19.4	19.3	4.6	3.2	6.7	4.9	2.5	5.7	5.8	5.4
Current account (billion, U.S. dollars)*	7.4	11.1	3.6	-3.0	3.1	3.7	3.4	1.1	2.3	4.2
Financial account (billion, U.S. dollars)*	-11.9	-16.1	-0.4	-0.8	-6.2	-4.6	-5.1	-2.4	0.6	-9.2
International reserves (billion, U.S. dollars)	224.5	237.0	224.5	218.2	211.8	224.5	223.4	224.3	243.0	237.0
Unemployment rate (%)	1.0	1.0	1.0	1.1	1.0	0.8	1.0	1.1	1.0	0.9
Unemployment rate, seasonally-adjusted (%)	n.a.	n.a.	1.0	1.0	1.0	0.9	1.0	1.0	1.0	1.0

Note: *Data may be subject to change in line with periodic revisions or changes to data collection methodologies

Source: Office of the National Economic and Social Development Board, National Statistical Office and Bank of Thailand

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BANK OF THAILAND

Indicators	2023	2024	2023 Q1	2023 Q2	2023 Q3	2023 Q4	2024 Q1	2024 Q2	2024 Q3	2024 Q4
1. Financial market sector										
Bond market										
Bond spread (10 years - 2 years)	0.4	0.3	0.6	0.4	0.6	0.4	0.4	0.3	0.3	0.3
Equity market										
SET index (end of period)	1,416	1,400	1,609	1,503	1,471	1,416	1,378	1,301	1,449	1,400
Actual volatility of SET index [1/]	11.8	11.3	12.0	11.6	10.2	13.2	10.0	10.5	12.7	11.3
Price to Earnings ratio (P/E ratio) (times)	18.4	19.3	19.3	18.0	20.3	18.4	18.1	17.1	18.0	19.3
Exchange rate market										
Actual volatility of Thai baht (%annualized) [2/]	9.1	8.2	10.9	7.9	8.0	9.4	8.6	6.4	7.9	9.8
Nominal Effective Exchange Rate (NEER)	119.8	121.1	120.3	119.8	119.8	119.2	118.8	117.2	121.8	126.2
Real Effective Exchange Rate (REER)	104.3	102.8	106.1	104.4	104.1	102.4	100.9	100.0	103.6	106.7
2. Financial institution sector [3/]										
Minimum Lending Rate (MLR) [4/]	7.25	7.11	6.56	7.00	7.04	7.25	7.25	7.25	7.25	7.11
12-month fixed deposit rate [4/]	1.65	1.49	1.15	1.40	1.49	1.65	1.65	1.65	1.65	1.49
Capital adequacy										
Capital funds / Risk-weighted asset (%)	20.1	20.4	19.4	19.5	19.9	20.1	20.1	19.9	20.5	20.4
Earning and profitability										
Net profit (billion, Thai baht)	251.0	282.0	60.0	74.0	65.0	53.0	68.0	76.0	71.0	68.0
Return on assets (ROA) (times)	1.1	1.2	1.0	1.3	1.1	0.9	1.1	1.3	1.2	1.1
Liquidity										
Loan to Deposit and B/E (%)	91.0	88.3	90.6	92.0	92.4	91.0	90.1	89.7	89.2	88.3

Note: [1/] Calculated by 'annualized standard deviation of return' method
[2/] Daily volatility (using exponentially weighted moving average method)
[3/] Based on data of all commercial banks
[4/] Average value of 6 largest Thai commercial banks (since July 2021)

Indicators	2023	2024	2023				2024			
			Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
3. Household sector										
Household debt to GDP (%)	91.3	88.4	90.7	90.8	90.8	91.3	90.7	89.7	88.9	88.4
Financial assets to debt (times)	2.6	2.7	2.8	2.7	2.6	2.6	2.7	2.7	2.7	2.7
Non-Performing Loans (NPLs) of financial institutions (%)										
Consumer loans	3.3	3.8	3.2	3.3	3.4	3.3	3.6	3.9	4.0	3.8
Housing loans	3.5	4.3	3.5	3.5	3.6	3.5	4.1	4.5	4.6	4.3
Auto leasing	2.2	2.2	1.9	2.1	2.1	2.2	2.2	2.3	2.3	2.2
Credit cards	3.0	3.3	2.8	2.7	3.0	3.0	3.3	3.7	3.8	3.3
Other personal loans	3.5	3.7	3.5	3.6	3.7	3.5	3.5	3.6	3.7	3.7
4. Non-financial corporate sector[5/]										
Operating profit margin (OPM) (%)	7.2	7.3	7.3	7.3	7.8	6.8	7.9	7.8	6.9	6.8
Debt to Equity ratio (D/E ratio) (times)	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
Interest coverage ratio (ICR) (times)	4.8	4.5	4.9	4.5	5.3	3.9	5.3	4.7	4.0	4.2
Current ratio (times)	1.8	1.7	1.8	1.8	1.8	1.7	1.7	1.7	1.8	1.7
Non-Performing Loans (NPLs) of commercial banks (%)	2.6	2.5	2.7	2.7	2.7	2.6	2.7	2.6	2.7	2.5

Note: [5/] Only listed companies on Stock Exchange of Thailand (median value); with data revisions

Indicators	2023	2024	2023 Q1	2023 Q2	2023 Q3	2023 Q4	2024 Q1	2024 Q2	2024 Q3	2024 Q4
5. Real estate sector										
Number of approved mortgages from commercial banks (Bangkok and Vicinity) (units)										
Total	52,877	47,136	11,860	14,656	14,407	11,954	10,857	12,198	12,405	11,676
Single-detached and semi-detached houses	16,163	14,161	3,709	4,392	4,178	3,884	3,333	3,733	3,606	3,489
Townhouses and commercial buildings	16,065	12,687	3,906	4,456	4,299	3,404	3,158	3,339	3,209	2,981
Condominiums	20,649	20,288	4,245	5,808	5,930	4,666	4,366	5,126	5,590	5,206
Number of new housing units launched for sale (Bangkok and Vicinity) (units)										
Total	101,536	61,453	22,263	25,963	22,500	30,810	16,565	17,006	9,118	18,764
Single-detached and semi-detached houses	30,929	20,940	4,961	5,759	8,922	11,287	6,617	5,313	3,427	5,583
Townhouses and commercial buildings	21,577	12,582	5,395	5,306	6,259	4,617	4,071	3,800	3,157	1,554
Condominiums	49,030	27,931	11,907	14,898	7,319	14,906	5,877	7,893	2,534	11,627
Housing price index (2011 = 100)										
Single-detached houses (including land)	141.7	142.5	142.5	141.2	140.6	142.6	141.3	141.0	143.4	144.4
Townhouses (including land)	167.8	170.8	167.1	167.9	167.8	168.5	166.9	168.0	173.4	174.8
Condominiums	191.3	197.9	192.1	187.4	189.3	196.4	196.1	193.9	200.1	201.3
All residential	165.2	167.9	165.3	163.9	164.2	167.2	165.9	165.3	169.6	170.9
6. Fiscal sector										
Public debt to GDP (%)	61.7	63.8	61.3	61.6	62.3	61.7	63.6	63.3	63.2	63.8
7. External sector										
Current account balance to GDP (%)	1.5	2.3	2.8	-2.3	2.5	2.8	2.6	0.9	1.6	4.0
External debt to GDP (%)[6/]	39.0	35.1	39.4	37.9	37.9	39.1	37.6	37.3	37.9	35.1
External debt (billion, U.S. dollars)	196.5	191.7	204.3	195.0	191.9	196.5	190.2	185.5	200.4	191.7
Short-term (%)	41.3	43.8	40.5	40.8	42.1	41.3	42.4	43.4	43.7	43.8
Long-term (%)	58.7	56.2	59.5	59.2	57.9	58.7	57.6	56.6	56.3	56.2
International reserves / Short-term external debt (times)[7/]	2.4	2.5	2.2	2.3	2.2	2.4	2.4	2.4	2.4	2.5

Note: [6/] Calculation follows the World Bank's methodology, external debt / summation of latest 4 quarters nominal GDP

[7/] Short-term external debt used in calculation is short-term external debt less than 1 year remaining maturity

Pursuing Sustainable Economic Well-Being

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