



ธนาคารแห่งประเทศไทย



รายงาน ภาวะและแนวโน้มธุรกิจ

Business Sentiment and Outlook Report

Quarter 1 / 2025

About this Report

Recognizing the importance of real business insights from all stakeholders, the Bank of Thailand (BOT) established the Business Liaison Program (BLP) in 2004. Under this program, BOT has gathered the qualitative and in-depth information from those directly engaged in the field, as well as spanning across various regions and industries. With the information obtained, the "Business Sentiment and Outlook Report" is published on a quarterly basis on the BOT website.

Annually, BOT collects information through phone / online interviews and field visits for over 800 entities nationwide. This process aims to exchange information on current and long-term issues relevant to each participant, covering small to large businesses, as well as associations, organizations, government agencies, and financial institutions. Then the information is used by BOT staff to supplement the quantitative data for evaluating economic conditions, making our analysis more comprehensive and well-rounded, supporting Monetary Policy Committee (MPC) and other BOT policy formulations.

Note: This report assesses the views of surveyed businesses and organizations in Q1 2025, which reflects real economic activity that occurred and certain economic indicators.

Views in this report reflect overall business views, may not necessarily align with macroeconomic indicators, and do not necessarily reflect the views of Bank of Thailand.

National Summary

(Survey result of business conditions across Thailand during 1 January – 31 March 2025)

Overall business conditions in Q1 2025 showed modest growth from the same period last year, driven by the tourism and export-oriented manufacturing sectors, while the trade and real estate sectors were pressured by weakened purchasing power.

Note: Information was gathered before the earthquake on March 28, 2025 and the US's announcement of reciprocal tariff on April 2, 2025.

Northern Region

Overall, businesses slightly expanded from the same period last year, mainly from the service and tourism sectors. This growth was due to an increase in the number of flights and local events. Furthermore, the delayed PM 2.5 incident also contributed to higher tourist arrivals. While, the trade sector contracted from weakened purchasing power, particularly purchasing power of farmers.

Central Region

Overall, businesses expanded from the same period last year, driven by the export-oriented manufacturing sector, supported by higher total order books. The tourism-related sector also expanded, owing to increased foreign tourist arrivals (excluded Chinese tourists). However, the trade sector was stable. Moreover, the construction sector was dragged by the weak condition of real estate businesses, due to weakened purchasing power and wealth effect.

Northeastern Region

Overall, businesses slightly declined from the same period last year, led by the trade and real estate sectors, due to weakened purchasing power. Moreover, the impact of the government stimulus campaigns was limited. While, the export-oriented manufacturing sector, such as food processing, had higher total order books.

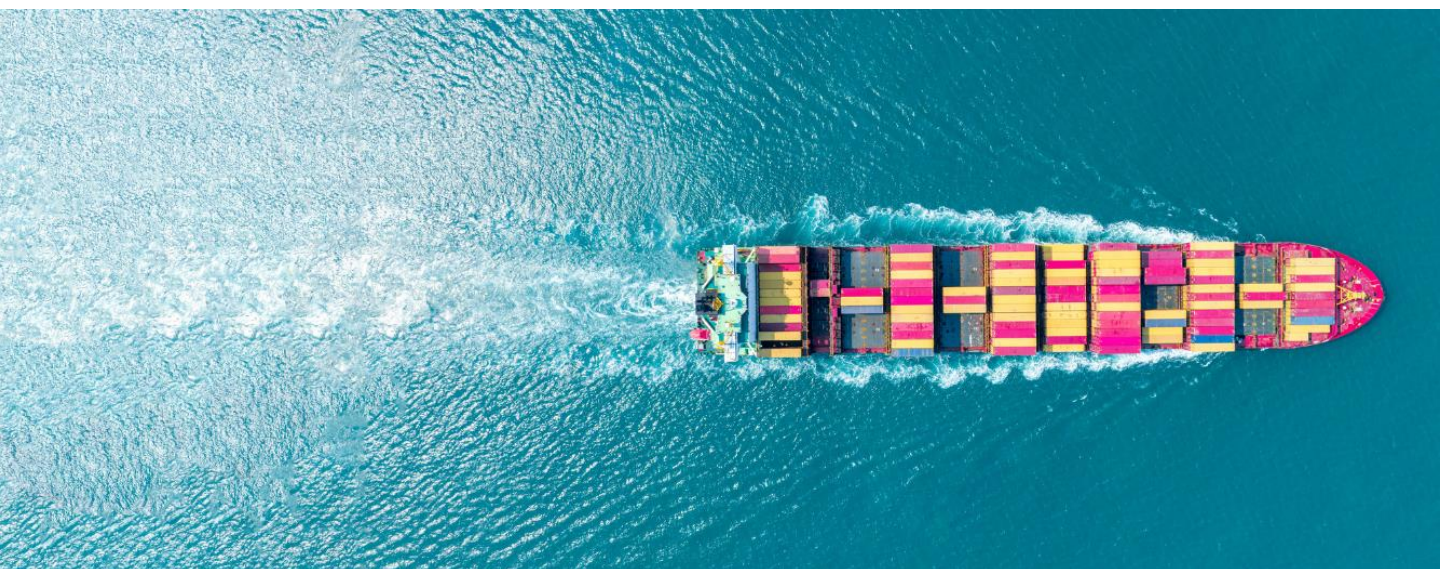
Southern Region

Overall, businesses slightly expanded from the same period last year, with continuously increased foreign tourist arrivals, as well as higher total order books in the export-oriented manufacturing sector such as processed rubbers and canned pet food. While, the real estate sector declined, due to decreased residential sales in most areas and across various price ranges, except in the tourism area.

Business outlook in Q2 2025 is expected to expand from the same period last year, due to accelerated exports, especially in food and electronics products and increased number of foreign tourists, excluded Chinese tourists.

Key issues to follow

- (1) Impact of uncertainty from the US trade policy
- (2) Impact of foreign tourists' safety concern, particularly among Chinese tourists
- (3) Impact of the recent earthquake
- (4) Impact of stimulus measures in the service and real estate sectors such as the 10,000 Baht handout (3rd phase), We Travel Together, the Loan To Value (LTV) relaxation and the reduction on property registration and transfer fee



The Impact of Trump 2.0

“New Crisis, New Reality: Reinventing Business Thinking”

In the past, Thailand has weathered numerous economic storms. Hopefully, it will be the same this time. However, the current US's reciprocal tariffs are completely different from other crises because **(1) Thailand economy remains fragile**, having recently recovered from the COVID-19 crisis and still dealing with structural issues. **(2) The immediate effects may be restricted and less severe than those of earlier crises, but the long-term and broad consequence are likely.** Tariff, like a pebble striking the surface of still water, cause an initial splash among exporters before spreading ripples across the economy. **(3) Uncertainty remains high**, making it difficult to predict how many

more rocks will be thrown, when, and how large they will be. Still, the US offers certain countries opportunity for negotiation, so the eventual scope and intensity of the final tariff remain unclear. For example, the recent tariff between the US and China have been temporarily cut to only 10-30% from 125-145% prior the agreement. However, only 2 weeks later, the judgement of US Trade Court towards the implementation of reciprocal tariffs is still ambiguous, highlighting the extreme uncertainty surrounding global economic and trade. Therefore, it is essential to assess the impacts and have business contingency plans that cover various scenarios.

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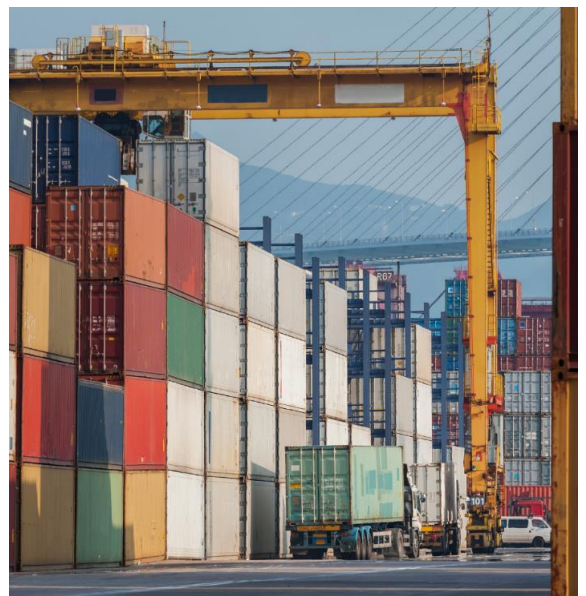
The relative tariff between Thailand and competitors are currently the most crucial factors

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Quantitative data for impact assessments may be delayed and untimely. Thus, Insights from businesses are essential for understanding both overall and sector-specific effects on the economy, as well as, leading to design of targeted and timely measures. Based on discussions with over 40 businesses during almost the past two months, it is expected to see an acceleration of export in the second quarter, as the US government announces 90-day grace period before the implementation of reciprocal tariffs, especially in food sector, such as canned tunas and pet foods, which have sufficient raw material stocks for additional orders. Meanwhile, other groups face constraints in production capacity and raw material availability, limiting their ability to scale up exports, such as electronic parts, air conditioners, and canned fruits. However, subsequent impacts will largely depend on the relative tariff between Thailand and its competitors, which is a key determinant of competitiveness. Ultimately, the severity of business impact will depend individually on profit margins, bargaining power with trading partners, and businesses' adaptability.

Therefore, most businesses currently wait and see. Their primary concern is if Thailand' negotiation fails to achieve tariff at a competitive level, the impacts could unfold through four key channels:

- (1) **Dependency on export markets: decline in exports to the US, with exporters facing intensified competition in other markets**, which would be seen obviously from mid-year onwards.
- (2) **Intense competition of foreign goods: local businesses will face intensified influx of foreign goods** as competitors will seek new export markets in order to replace a reduction export from the U.S. market, especially in apparels, furniture. Also, oversupply risks in air conditioners may arise due to foreign manufacturers relocating production to Thailand since Trump 1.0 era.
- (3) **Impacts to domestic supply chain and employment: if Thailand's relative tariff are significantly higher than competitors', long term shifts in production structures may occur**, which will affect domestic supply chain and employment as some businesses will shift orders or production bases out of Thailand.
- (4) **Global economic slowdown** is anticipated to adversely affect the prospect of international trade, investment and tourism.



Relocation orders or production bases could happen in the case, where Thailand’s tariff is significantly high comparable to competing countries, especially in multinational corporations (MNCs) in the electrical appliances and electronics sectors. With worldwide factories, headquarters can easily shift orders to produce in more cost-effective locations. However, the speed of shifting orders or production bases depends largely on the complexity of setting up and preparation of manufacturing processes, as well as the readiness of the destination country’s supply chain infrastructure.

“ The most concerning factor is Thailand negotiation fails to achieve tariff at a competitive level”

However, The economic impacts and businesses adaptabilities are varied by sectors, with details provided in the table below.

Risk level from reciprocal tariffs impact through sectors

Sector	Dependency on to the US and other markets (Direct export)	Intense competition of foreign goods (Import flooding)	Impacts to domestic supply chain and employment
Electrical appliances	● ● ●	● ● ●	● ●
Food	● ●	●	● ● ●
Automotive parts and tyres*	● ●	● ●	● ●
Electronics	● ● ●	●	●
Textiles and Apparels	●	● ● ●	● ● ●

Note: Only tires have been significantly impacted, while other automotive parts have been less affected, as their export volumes to the U.S. remain relatively modest.

- ● ● High risk
- ● Immediate risk
- Low risk

Export-affected sectors

Electrical appliances – Food – Automotive parts and tyres – Electronics



Electrical appliances

Reciprocal tariffs = 10%

Key channels of impact:

- 1) **Direct export to the US market:** Over 30% of Thailand's total electrical appliance exports are in the US, being the largest export market.
- 2) **Intense competition** from more foreign import goods both in the domestic market and SEA countries, which are the currently major export destination, particularly air conditions, that may face oversupply risks due to the relocation of foreign manufacturers to Thailand since Trump 1.0 era.
- 3) **Supply chain disruptions:** The sector relies heavily on local materials, while employment impacts are limited, especially for SMEs.

Business adaptability, especially when Thailand tariff is higher than competitors'

- 1) Product differentiation, aligned with consumer demand such as environmentally friendly products.
- 2) Reduction on raw material cost by sourcing from new lower-cost suppliers while maintaining existing quality standards to enable price competitiveness with other competitors, especially those in mid- to low-tier products.
- 3) Relocation of MNCs production bases to more cost-efficient destination (labor, energy, logistics, and relative tariff included) such as Vietnam or the US, which already has an established air conditioner manufacturing base.

Interesting issues

The relocation of air conditioner production bases may take over a year for setting up production and testing product quality, as products from different production bases may have varied specifications.



Food

Reciprocal tariffs = 10%

Key channels of impact:

- 1) **Severe impacts on domestic supply chains and employment** as this sector relies highly on local inputs and integrates deeply with local supply chains, including SMEs and a large number of farmers.
- 2) **Increased competition in non-US export markets** because of only partial dependency on the US market, particularly semi-commodity products with low profit margins, such as canned tuna and sweet corn. Meanwhile pet food, coconut products, and jasmine rice retain its competitiveness due to superior product quality.

Business adaptability, especially when

Thailand tariff is higher than competitors'

- 1) Reduction on production cost, for instance, resuming production in weekend instead of normal business days to get lower electricity rate.
- 2) Relocation of production base to more cost-efficient countries, such as Ghana and Seychelles, which are close to raw material sources. Ultimately, some large firms have already prepared for the plan.
- 3) Diversification into non-US markets, although this may be challenging for SMEs due to their limited bargaining power—particularly when all competitors are simultaneously seeking new markets.

Interesting issues

- 1) Tariff differences between Thailand and its competitors are the most important factors (Indonesia, Philippines, and Ecuador have lower tariff than Thailand). If the tariff rise to 36%, businesses would be unacceptable (10% tariff poses only minimal impacts) as profit margin of canned tuna and pet food are less than 10% and 10-20% respectively. So, businesses are currently wait and see.
- 2) Thai businesses in food sector demonstrate significant resiliency from 1) the production of global quality goods, which makes the products well-regarded among worldwide consumers in high-income groups. 2) low dependency on the US market 3) consistency on fulfilling orders and 4) more flexible payment terms such as offering credit terms.

Automotive parts and tyres

Reciprocal Tariffs = 25%

Key channels of impact:

- 1) **Direct export to the US market** is 47% of total export value in tyres.
- 2) **Intense domestic competition** due to an oversupply in tyres, driven by growing influx of foreign products and the relocation of foreign manufacturers to Thailand since Trump 1.0. In contrast, the automotive parts may not experience substantial competition from imported products.
- 3) **Supply chain disruptions**, given high proportion of local content usage. However, the effect on SMEs employment in Thailand is limited.

Business adaptability, especially when Thailand tariff is higher than competitors'

Tyres: MNCs relocate production bases to better cost-efficiency countries. Nevertheless, they would remain reliant on raw materials (rubber blocks) from Cote d'Ivoire, ASEAN, including Thailand.

Automotive parts:

- 1) Shifting to produce niche products such as components for three-wheeled vehicles or medical devices.
- 2) Expanding export market to Middle East, due to consumer's high purchasing power and growing demand.

Interesting issues

- 1) The US is no longer a primary export market, as most automotive producers established their production bases in Mexico since Trump 1.0 era. Thus, there may be a gradual shift of Thai orders to product and export via Mexico, but the effect will be trivial.
- 2) The US orders typically involve high-margin, model-specific products, which makes it difficult for buyers to switch suppliers. So, Thai exporters have both time and flexibility to adapt to any potential increase in tariff.

Electronics

Reciprocal tariffs are currently exempted

Key channels of impact:

- **Direct export to the US market** is 34% of total export value in electronics and machinery, being the largest export destination of Thailand.

Business adaptability, especially when Thailand tariff is higher than competitors'

- 1) MNCs in those price-sensitive goods—such as HDDs and electric appliance parts may consider relocating production to countries with better cost efficiency than Thailand.
- 2) Expanding revenue streams into service-based businesses, such as offering AI solutions.
- 3) Developing technologies that align the needs of a wider range of industries and expand into alternative markets.

Interesting issues

The speed of production relocation depends on the readiness of the supply chain in the destination country and the setting up process, which typically takes at least 6 months to a year. For example, computer parts can be relocated quickly due to extensive automation usage for production control, resulted in a fast setup. In contrast, machinery faces the shortage of both skilled labors and lands for new factories in other countries, making relocation more difficult.

Import flooding sectors



Textiles and Apparels

Reciprocal Tariffs = 10%

Key channels of impact:

●●● This sector has been facing intense competition more than 10 years. Thus, businesses that have survived until now have mostly adapted by shifting to mid-to-high-end markets, producing in small lots, or offering unique products. However, the current US reciprocal tariffs may lead to:

- 1) **Tougher competition** in both local and global markets, due to an influx of foreign goods.
- 2) **If intense competition persists without government legal safeguards**, it could significantly affect SMEs and employment. This industry includes over 120,000 SMEs and more than 400,000 jobs, respectively.

Nonetheless, the above represents only a preliminary assessment based on discussions with partial number of businesses. Still, a high degree of uncertainty remains — regarding the severity, timing, affected parties, and the adjustment period. Therefore, relevant authorities must consider targeted short-term measures for mitigating these effects, such as preventing measures for goods subrogation and strengthening import quality control. As well as, preparing businesses to adapt and remain competitive. This includes targeted financial measures that facilitate strategic transformation, along with non-financial support that enhances know-how and opportunity to access to high-potential or niche markets, especially in speeding up FTA agreement with trading partners. Meanwhile, businesses must proactively seek strategies to navigate and adapt to get through this situation.

Business adaptability, especially when Thailand tariff is higher than competitors'

- 1) Diversification into quality-focused markets such as EU.
- 2) Relocation of orders to more cost-efficient countries such as Vietnam.

Interesting issues

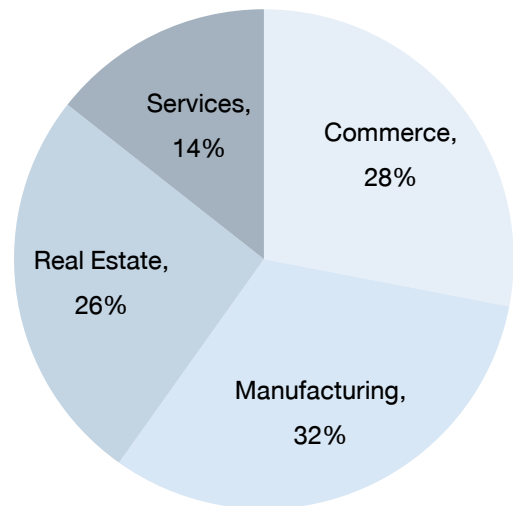
OEM (Original Equipment Manufacturer) businesses for global brands are unlikely to expand to new production bases. These firms regularly review and optimize their investment decisions and order allocations across countries that offer the best cost efficiency under acceptable quality standards for consumers. As a result, identifying alternative locations with comparable capabilities within a 3–4 year is highly challenging. While acceleration in FTA agreement could facilitate businesses to expand alternative markets for better risk diversification.

“High uncertainty still persists, so it is important to implement targeted measures along with proactive contingency plans by businesses to get through this current crisis.”

Appendix

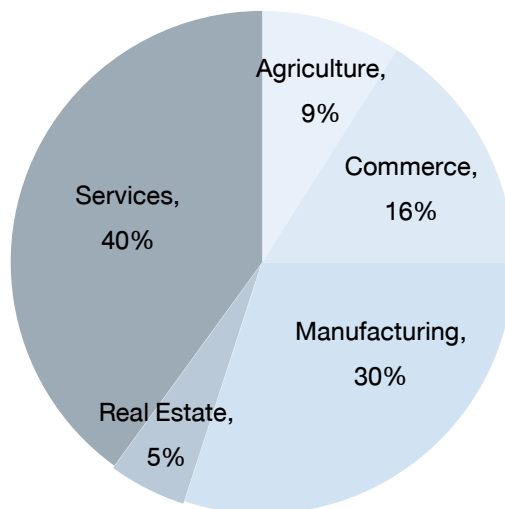
Composition of businesses participated in the BLP in Q1/2025

Survey result of 132 businesses nationwide on 1 January – 31 March 2025 (Q1/2025)



Note :The sample emphasizes the business sector, while the views of agriculture stakeholders are partly reflected in the manufacturing sector, for example, through the agro-manufacturing sector.

Thailand's economic structure



Source: NESDC, calculated by BOT



Other economic and financial data can be accessed from

Thai economic and financial condition report (Monthly)

<https://www.bot.or.th/en/thai-economy/state-of-thai-economy.html>

Monetary policy report

<https://www.bot.or.th/en/our-roles/monetary-policy/mpc-publication/Monetary-Policy-Report.html>

Inflation rate

<https://www.bot.or.th/en/thai-economy/economic-outlook.html>

Interest rate policy

<https://www.bot.or.th/en/our-roles/monetary-policy/mpc-publication/policy-interest-rate.html>

Foreign exchange rate

<https://www.bot.or.th/en/statistics/exchange-rate.html>

Fraud-related information

<https://www.bot.or.th/th/satang-story/fraud.html>

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