



Global and Thai Economic Update

Business Research

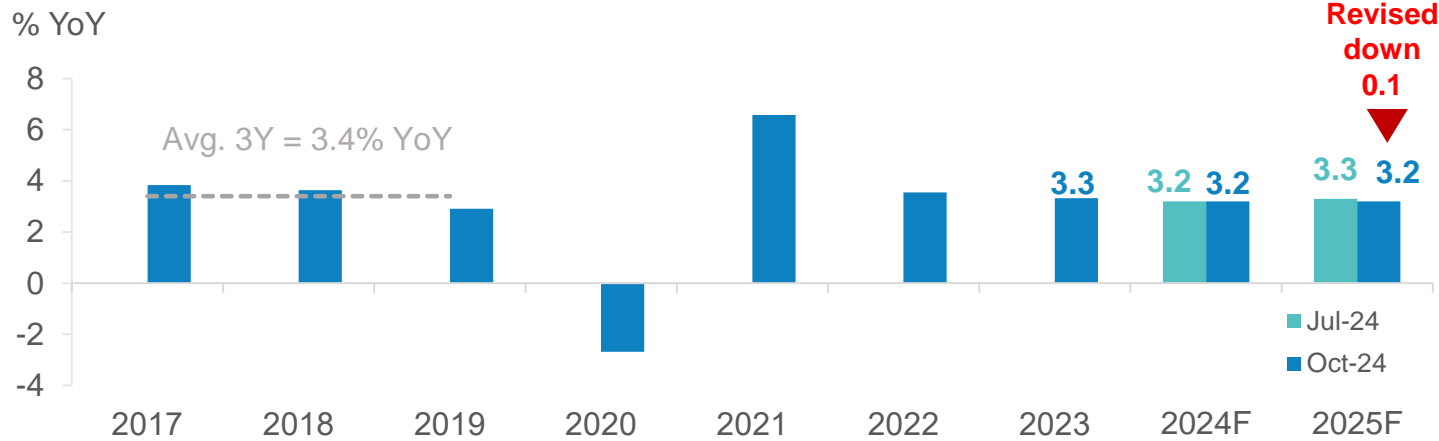
23 December 2024

Global Economic Outlook 2025



The IMF has slightly lowered its forecast for global economic growth to 3.2% in 2025. Growth is expected to remain stable as disinflation continues and monetary easing begins. However, the outlook is tilted to the downside amid escalating protectionist policies, deterioration in China's real estate sector, and heightened geopolitical tensions.

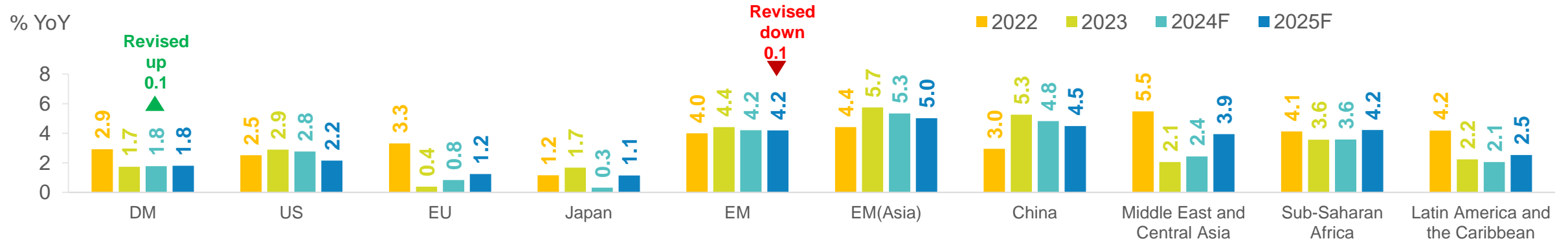
IMF Global GDP Forecast (as of Oct 2024)



Key Challenges in Global Economic Outlook

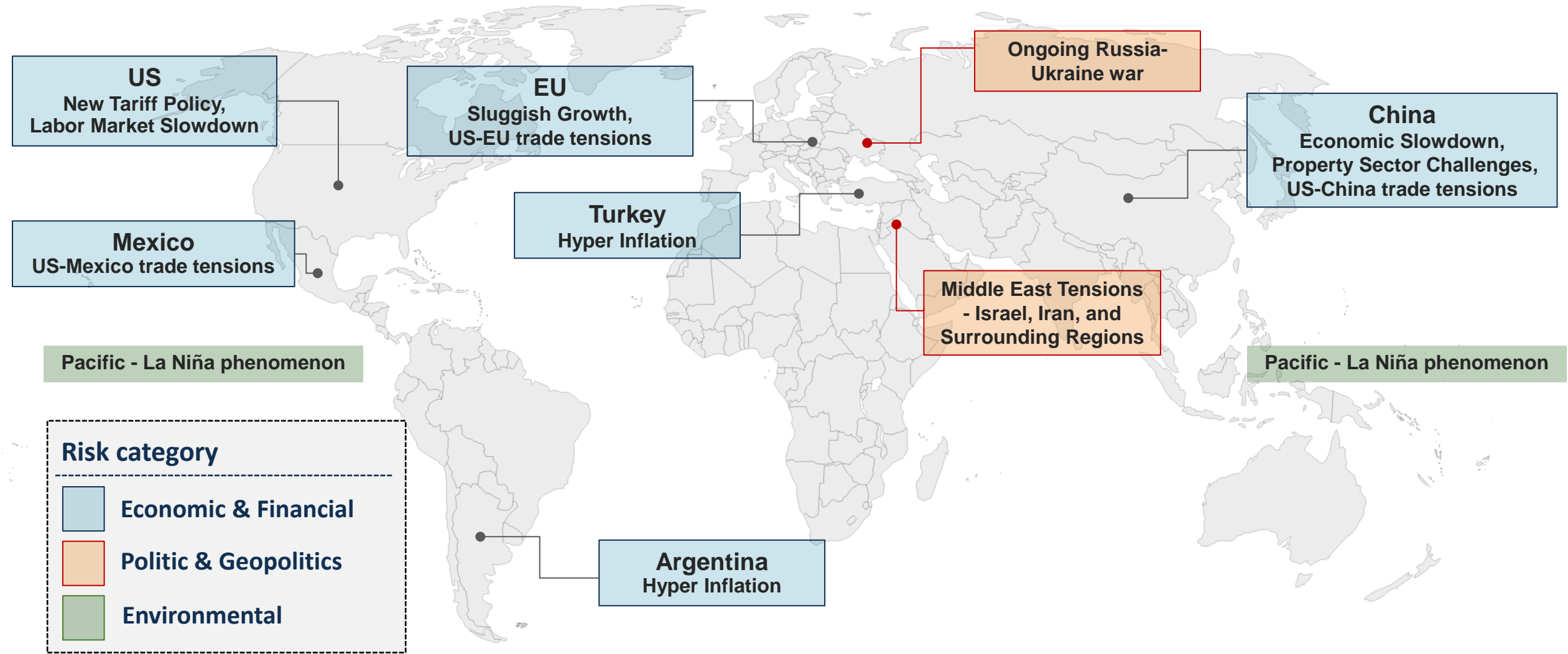
- 1 Protectionist policies would exacerbate trade tensions and disrupt supply chains
- 2 Deterioration in China's real estate sector generates negative spillovers to trading partners
- 3 Rising geopolitical tensions lead to volatile commodity prices and exchange rates

The global economy has remained resilient throughout the disinflationary process







The global economy faces a number of challenges in 2025, particularly economic risks stemming from tensions.

Global economic, financial, geopolitics and environmental risk map

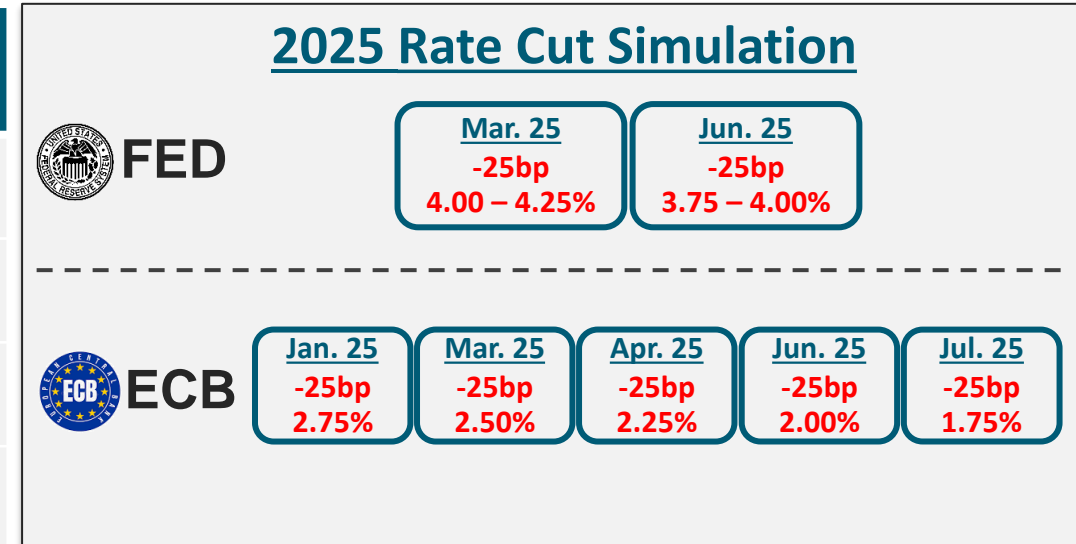


From rate cuts to tightening: How the world's leading central banks are positioning themselves for 2025

	 Federal Reserve	 European Central Bank	 Bank of Japan	 People's Bank of China
Macro backdrop	<ul style="list-style-type: none"> • Economic activity continues to expand at a solid pace (FOMC) • Labor market conditions have generally eased (FOMC) • Inflation progress toward 2% target, but still above comfort level (FOMC) 	<ul style="list-style-type: none"> • Economy struggling with weak growth momentum • Fiscal drag expected in 2025 • Political risks rising in key EU economies 	<ul style="list-style-type: none"> • Strong wage growth at 30-year high (2.7%YoY) • Consumption resilient despite downward revision on Q3 2024 • Core inflation remains strong at 2.3% and accelerating 	<ul style="list-style-type: none"> • Consumer spending remains weak (retail sales 3.0%YoY) • Weak property sector despite policy support • Industrial output steady but domestic demand softening
Key Challenge	<ul style="list-style-type: none"> • Higher inflation forecast than previously expected • Trump's proposed policies (tariffs, fiscal spending) risk higher inflation 	<ul style="list-style-type: none"> • US tariffs under Trump • Political uncertainty weighing on consumer, business and investor sentiment • Limited fiscal support available 	<ul style="list-style-type: none"> • Most severe labor shortages since early-1990s (Tankan) • Price pressures shifting from imported to home-grown • Current yen weakness 	<ul style="list-style-type: none"> • Risk of Trump tariffs on trade • Credit demand weak despite rate cuts • Persistent deflation pressures with CPI at 0.2%
Policy Stance	<ul style="list-style-type: none"> • Hawkish rate cut approach • Less aggressive easing than previously projected • Neutral rate revised up to 3.0% from 2.9% , expected after 2027 	<ul style="list-style-type: none"> • Moving away from fighting inflation towards supporting activity • Policy shift to easing with 25bp rate cut to 3.0% in Dec 2024 	<ul style="list-style-type: none"> • Hold rate at 0.25% (Dec 2025) • Further rate hikes likely as economic data improves • Moving to tighter policy with 2% inflation target in sight 	<ul style="list-style-type: none"> • Shifted to "moderately loose" monetary policy from "prudent" • More proactive fiscal policy promised • Focus on boosting consumption
What to expect?	<ul style="list-style-type: none"> • Only 50bps rate cut to 3.75-4.00% expected (down from 100bp cut) during 1H2025 • Tilted towards dovish rate cuts 	<ul style="list-style-type: none"> • ECB expected to cut deposit rate to 1.75% in 2025 • More aggressive rate cuts than currently priced into markets 	<ul style="list-style-type: none"> • 25bps rate hike expected in 1H2025 with possible further tightening • Yen expected to strengthen against dollar by end-2025 	<ul style="list-style-type: none"> • 50bps of policy rate cuts expected in 2025 • 100bps of RRR cuts or more through end-2025 • Larger fiscal deficit but stimulus likely short-lived

Global Central Banks' Monetary Policy Divergence: Fed, ECB, PBoC Cut while BOJ Tightens in 2025

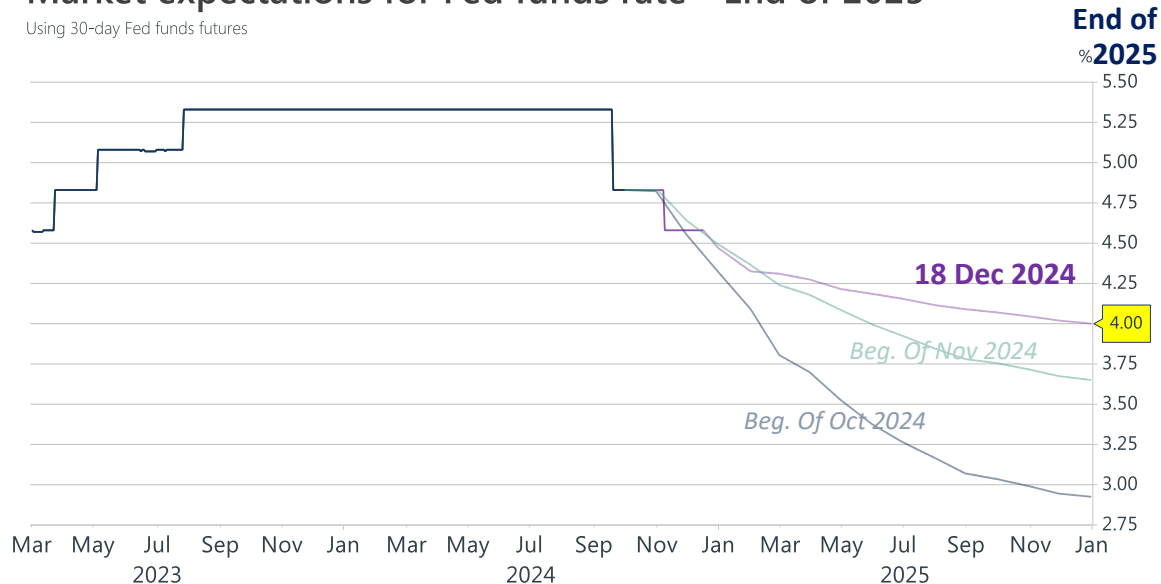
Economy	Policy Rate (%)	Possible Next Change	Forecast End – 2025 (%)	Next Meeting
US	4.25-4.50	-50bp (1H 25)	3.75 - 4.00	28 Jan 2025
Euro Zone	3.00	-100bp (1H 25)	1.75	30 Jan 2025
China (7D RP)	1.50	-20bp (1H 25)	1.00	-
Japan	0.25	+25bp (1H 25)	0.50	23 Jan 2025



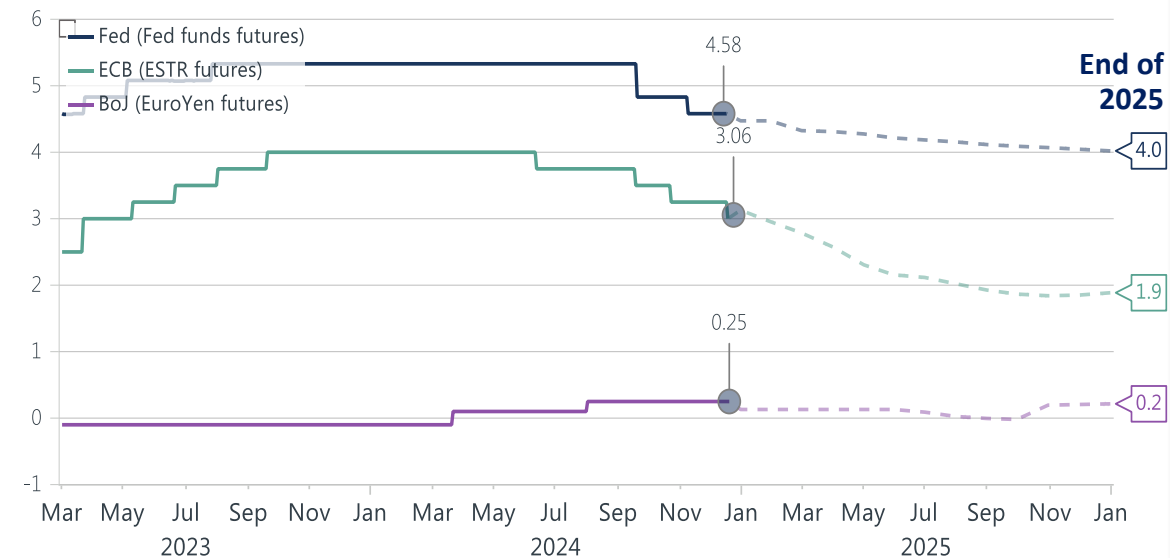
Market Expectation

Market expectations for Fed funds rate - End of 2025

Using 30-day Fed funds futures



Central banks' policy rates and market-implied rate trajectories





Thai Economic Outlook 2025

Thailand's economy is expected to grow by 2.6% in 2024 and 2.9% in 2025, mainly driven by expansion in public investment, private consumption and tourism, but exports will likely face headwinds from the trade war.

Key Indicators	2023 (A)	2024F		2025F		
		NESDC (Nov 24)	LH Bank (Nov 24)	BoT (Dec 24)	NESDC (Nov 24)	LH Bank (Nov 24)
GDP (%YoY)	1.9	2.6	2.6	2.9	2.3-3.3	2.9
Private Consumption (%YoY)	7.1	4.8	4.6	2.4	3.0	3.0
Government Consumption (%YoY)	-4.6	1.7	1.9	1.5	2.1	2.6
Private Investment (%YoY)	3.2	-0.5	-1.5	2.2	2.8	2.8
Public Investment (%YoY)	-4.6	2.4	2.0	5.1	6.5	5.7
Export of Goods (USD BOP) (%YoY)	-1.7	3.8	4.8	2.7	2.6	2.3
No. of Tourists (mn persons)	28.1	36.0	35.0	1.7	38.0	38.5
Headline Inflation (%YoY)	1.2	0.5	0.5	1.1	0.3-1.3	0.8
Dubai Oil Price (USD/bbl)	82.0	80.0	80.0	77.0	75.0-85.0	75.0
Policy Rate (%eop)	2.50	-	2.25	-	-	2.00
Exchange Rate (THB/USD)	35.0	35.4	34.0-35.0	-	34.5-35.5	34.5-35.5



Key Tailwinds:

- **Public investment is expected to accelerate due to timely budget approval and higher capital expenditure.** Public infrastructure investment is expected to help crowd in private investment.
- **Private consumption continues to grow at a moderate pace** on the back of the 2nd and 3rd phases of the cash handout scheme, as well as lower inflation and policy rate.
- **A recovery in tourism is supporting activity in the services sector**, and rapid growth in ASEAN tourist arrivals is helping to offset slowing growth in Chinese tourist arrivals.
- **Continued FDI inflows amid the US-China trade war**, supported by the growth in platform, software, data center, digital, semiconductor, EV, and E&E businesses.



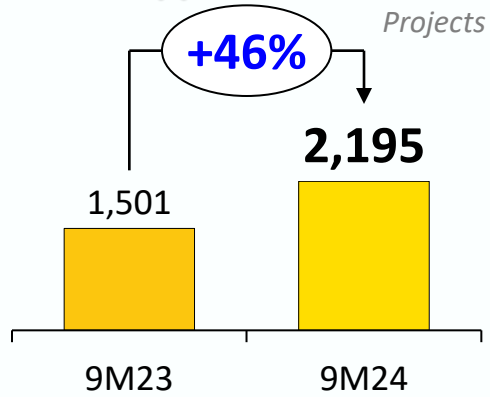
Key Headwinds:

- **Trump's trade war 2.0 will worsen global trade and disrupt global supply chains.** The key risk is exports of intermediate goods to China and exports to the U.S.
- **China's economic growth is likely to slow**, dampening exports to China and Chinese tourists.
- **Ongoing geopolitical risks** (Russia-Ukraine, Israel-Iran) are leading to volatility in commodity prices and currencies.
- **The household debt-to-GDP ratio remains high at 89.6% (as of 2Q2024).** This will pressure consumer spending.
- **The structural problem of exports with a low share of high-tech products** will limit export opportunities.

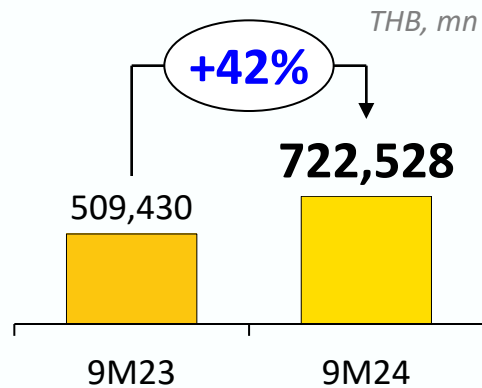
From Jan to Sep 2024, the number of BOI investment project applications and the total value of those applications saw significant growth, particularly in the electronics, digital, and automotive parts sectors.

The number of investment project applications in 9M24 increased by 46%YoY, while the total value of applications increased by 42%YoY. The main target industries were electronics, digital and auto parts. FDI applications were valued at THB 546,617 million, with the top three countries being Singapore, China and Hong Kong.

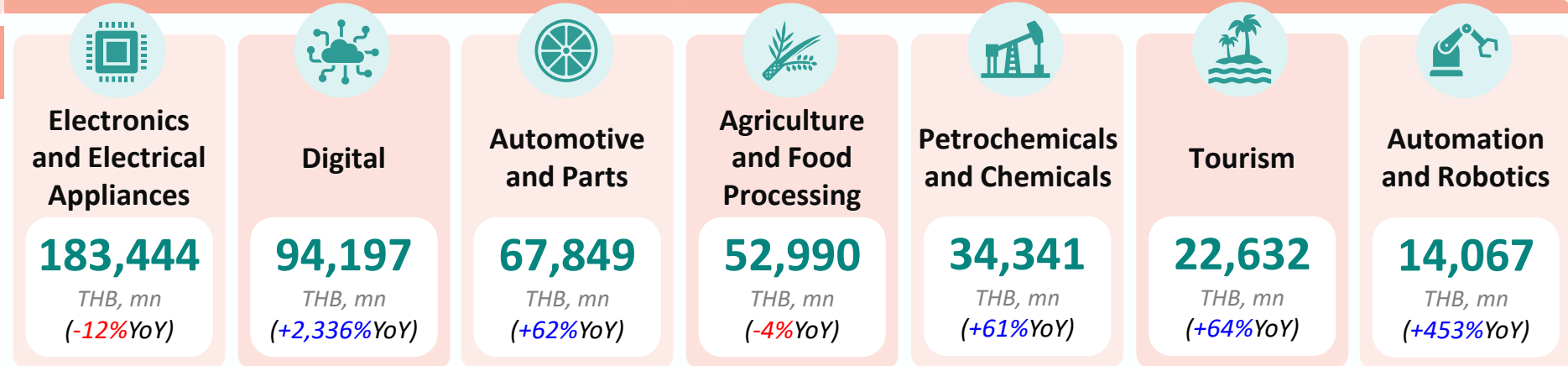
Investment Project Applications



Total Value of Applications



Targeted Industries



High-investment Businesses

1	Data Center	8	Projects	92,764	THB, mn
2	Advanced electronics production	15	Projects	19,856	THB, mn
3	Produce electronic circuit board (PCB)	55	Projects	61,302	THB, mn
4	Produce smart electronic devices	13	Projects	38,973	THB, mn
5	Produce automatic machinery	117	Projects	30,515	THB, mn
6	Produce electricity from renewable energy	351	Projects	85,369	THB, mn

FDI Applications

	1	Singapore
	2	China
	3	Hong Kong
	4	Taiwan
	5	Japan



Private consumption will be supported by the ongoing cash handouts, and the 2nd-3rd phases of the program are expected to boost economic growth (through private consumption) by around 0.3-0.6% in 2025.

Digital Wallet (Cash Handout) Scheme in 2024-2025



Phase 1

- ✓ Target: 14.5 million state welfare card holders and persons with disabilities
- ✓ Budget: THB144,376mn
- ✓ **Period: 25 Sep 2024 – 21 Nov 2024**

Phase 2

- ✓ Target: 4 million the age group of 60 years and older
- ✓ Budget: ~THB40,000mn
- ✓ **Period: Jan 2025 (around the end of the month, before Chinese new year)**

Phase 3

- ✓ Target: 13.6 million people (the remaining group who do not have a social security card and the elderly)
- ✓ Budget: ~THB140,000mn
- ✓ **Period: Apr-Jun 2025**

All types of products can participate in the project, with the **except the "negative list"**, which includes

- 1) Vice items such as government lottery tickets, alcoholic beverages, tobacco, cannabis, kratom
- 2) Luxury items such as gift cards, cash cards, gold, diamonds, gems, precious stones
- 3) Fuel and natural gas

Services are not included

Impact of Digital Wallet on economic (% to GDP) (estimated as of Aug 2024)

Period	NESDC	BoT
2024	0.3%	0.2-0.3%
2025	0.3%	0.6-0.7%
All schemes (Full budget)	0.6% (~THB400bn)	0.9% (THB450bn)

The "You Fight, We Help" project by the government will directly help low-income target groups who are struggling to repay their debts, and will contribute to increasing liquidity in the economy in the short term.



'You Fight, We Help' project

- ✓ **Propose:** to provide assistance to specific groups of retail debtors and SMEs.
- ✓ **Target group:** 1.9 million of small debtors and SMEs with a combined debt of about 890 billion baht
- ✓ **Period:** 3 years (Debtors can apply for the scheme from 12 December 2024 to 28 February 2025)

Measure 1: "Direct Payment, Retain Assets"

- ❑ Debtors pay at least 50%, 70%, 90% of the original instalments in the 1st, 2nd, 3rd year respectively, with the principal reduced and all suspended interest waived if conditions are met.

Measure 2: "Pay, Close, Finish"

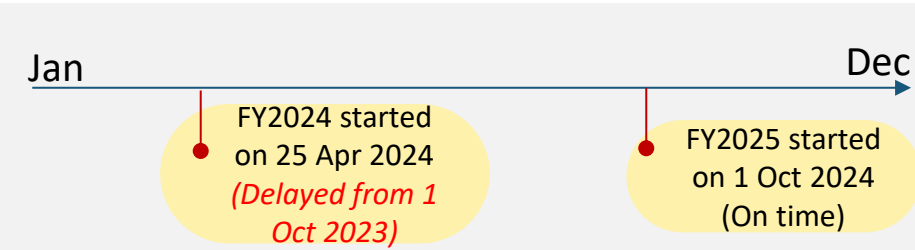
- ❑ Debtors with NPL status of more than 90 days as of 31 October 2024 and debt burden not exceeding 5,000 baht per account will pay off part of the debt and close the debt faster.



Loan Type	Credit Limit per bank
Home loan and/or Home for cash	<= 5 million baht
Car loan and/or Car for cash	<= 800,000 baht
Motorcycle loan and/or Motorcycle for cash	<= 50,000 baht
SME loans (Individual and Juristic Person)	<= 5 million baht
Credit card and personal loans including debt consolidation (excluding GH Bank home loans)	Can combine with home loan / refinance / car loan and motorcycle loan / motorcycle registration loan (any one type) under acceptable risk level. Total amount must not exceed specified limit

Public investment is expected to increase on the back of timely budget approval and higher capital expenditure compared to FY2024. Public infrastructure investment is also expected to help crowd in private investment.

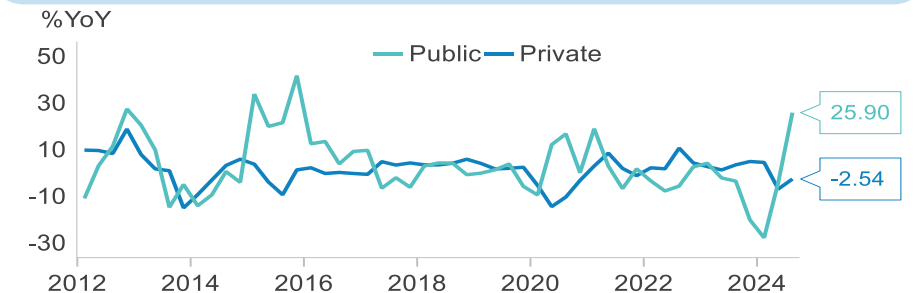
Enforcement of the 2025 fiscal budget is on time



Government Budget Expenditure FY2025

Categories	THB, trn
Consumption Expenditure	2.7 (+6.5%YoY)
Capital Expenditure	0.9 (+27.9%YoY)
Total Budget	3.75 (+7.8%YoY)

Public Investment and Private Investment

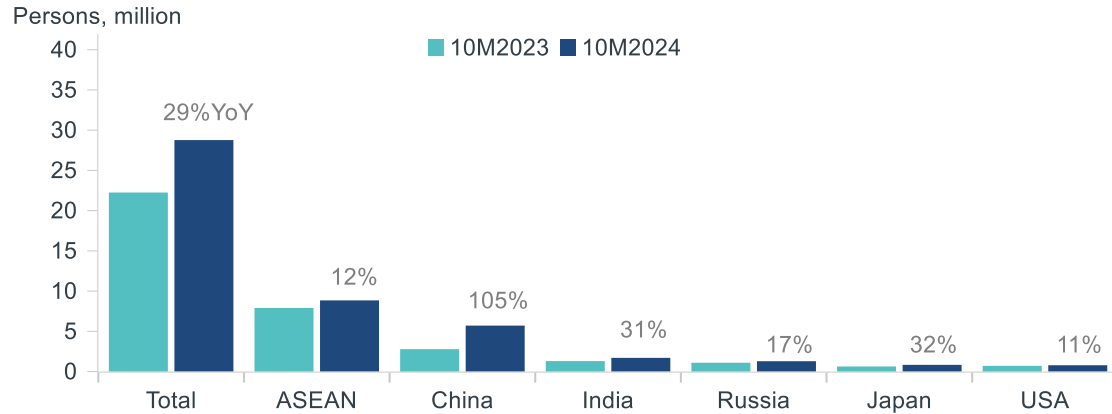


Public investment projects for 2025 includes 44 projects with a total value of 2.31 trillion baht.

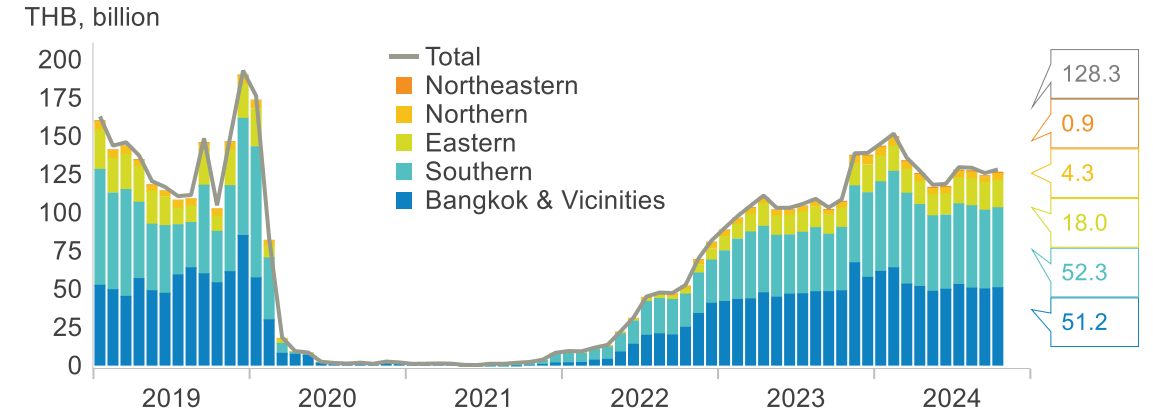
- **State Railway of Thailand (THB 661,060 mn):** Thai-Chinese High-Speed Rail Project Phase 2 (Nakhon Ratchasima-Nong Khai Section), Dark Red Line Commuter Train System (Rangsit-Thammasat University Section), Light Red Line (Siriraj-Taling Chan-Salaya), Dual track (Parknampoo-Denchai, Denchai-Chiangmai, Chumphon-Surat Thani, Surat Thani-Songkhla, Jira-Ubon Ratchathani, Hat Yai-Padang Besar)
- **Airports of Thailand Public Company Limited (THB 344,040 mn):** Suvarnabhumi Airport Development Project, Don Mueang Airport Development Project, Phuket Airport Development Project, Chiangmai Airport Development Project
- **Department of Highways (THB 119,053 mn):** Motorway No. 9 (Bang Khun Thian-Bang Bua Thong Section, Bang Bua Thong-Bang Pa-in Section), Motorway No. 5 (Rangsit-Bang Pa-in Section, Don Mueang Tollway Extension)
- **Port Authority of Thailand (THB 114,000 mn):** Khon Kaen Dry Port Project, Nakhon Ratchasima Dry Port Project, Klong Toey Port Development Project
- **Expressway Authority of Thailand (THB 28,600 mn):** Kathu-Patong Expressway Project, 3rd Stage Expressway System N2 (Chalong Rat-Outer Ring Road Expressway)
- **Department of Rural Roads (THB 16,641 mn):** Chaiyaphruek Road Expansion, Nonthaburi Province, Mekong Riverside Road (Thai-Lao Friendship Bridge - Phra That Phanom), Songkhla Lake Bridge Project

Foreign tourists are expected to increase to 38.5 million in 2025, as strong growth in Asian, Indian and Russian tourists helps offset the slow recovery from Chinese tourists.

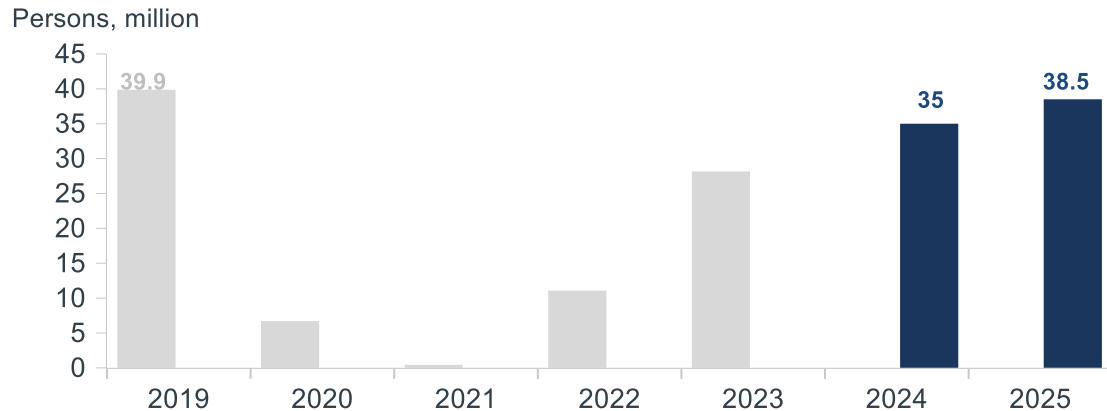
Number of foreign tourist arrivals



Income from foreign tourist arrivals in each region



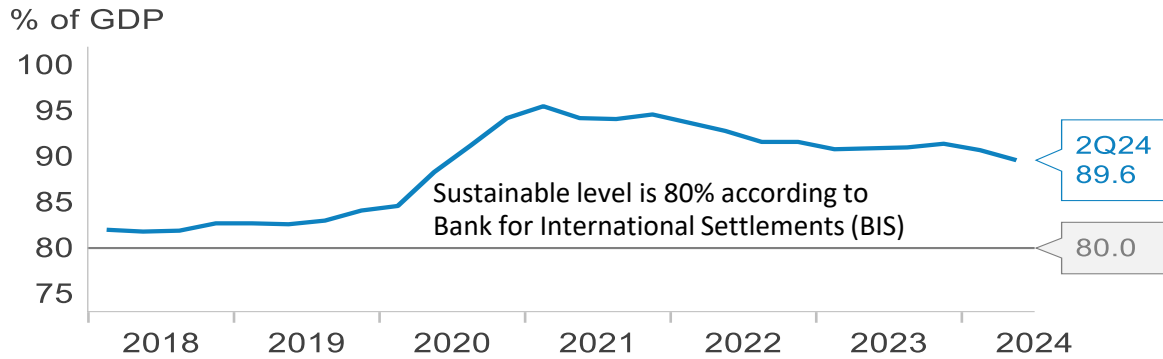
Foreign tourism outlook for Thailand



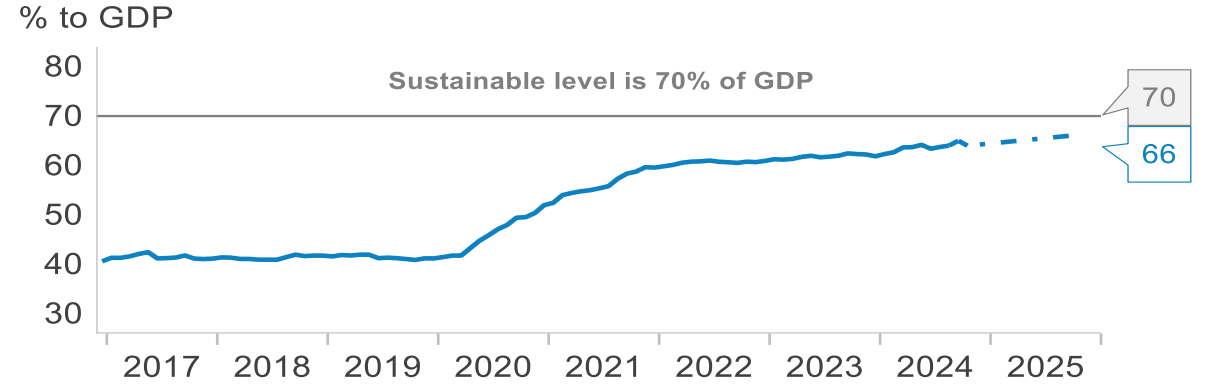
- ✓ Foreign tourist arrivals continue to grow, boosting revenues in all regions, especially in BKK and Southern.
- ✓ **Foreign tourist arrivals are expected to increase to 38.5 million persons in 2025, close to the pre-covid level of 39.9 million persons.**
- ✓ Chinese tourism is growing strongly at 105%YoY in the first 10 months of 2024, despite China's economic slowdown.
- ✓ Chinese tourists are likely to recover slowly as China's economy faces several headwinds, such as the property crisis and trade tensions.
- ✓ However, Asian, Indian and Russian tourists are trending upwards, which may partly offset the gradual growth in Chinese tourists.

High levels of household (consumer) and non-performing loans will weigh on household spending, while high public debt ratios (approaching the 70% threshold) may constrain government spending in the future.

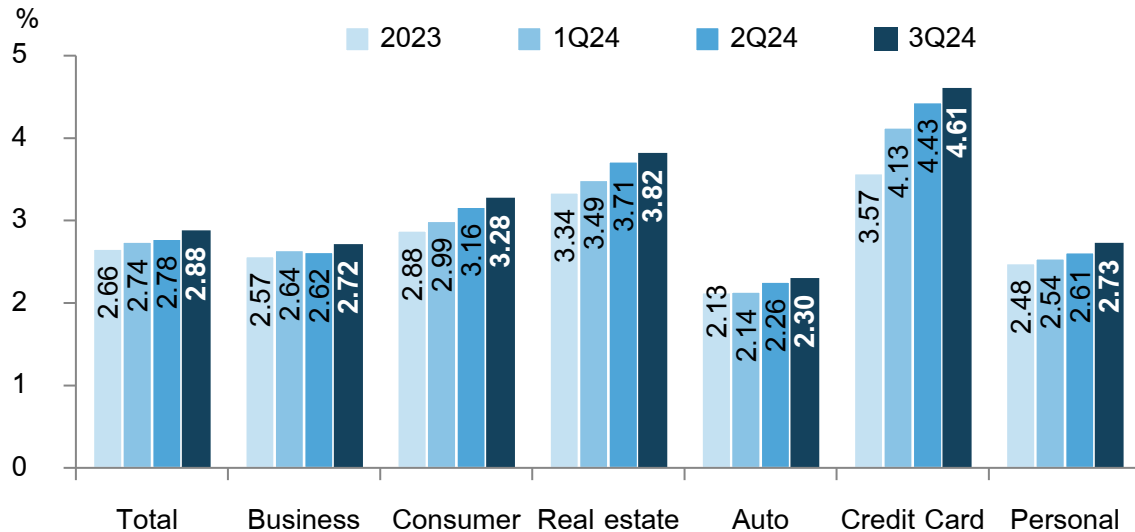
Household Debt (% to GDP)



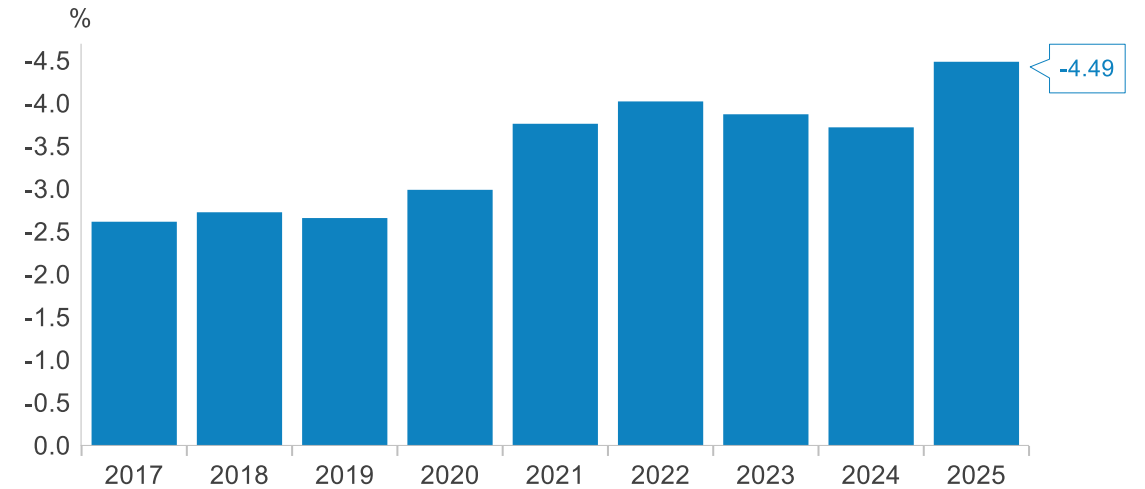
Public debt (% to GDP)



NPLs categorized by type of loan (% of total loans)



General Government Budget Deficit (% to GDP)



Raising the minimum wage to 400 baht (effective Jan 2025) will affect labor-intensive industries such as agriculture, construction, hotels and restaurants, especially small enterprises (with less than 50 employees).

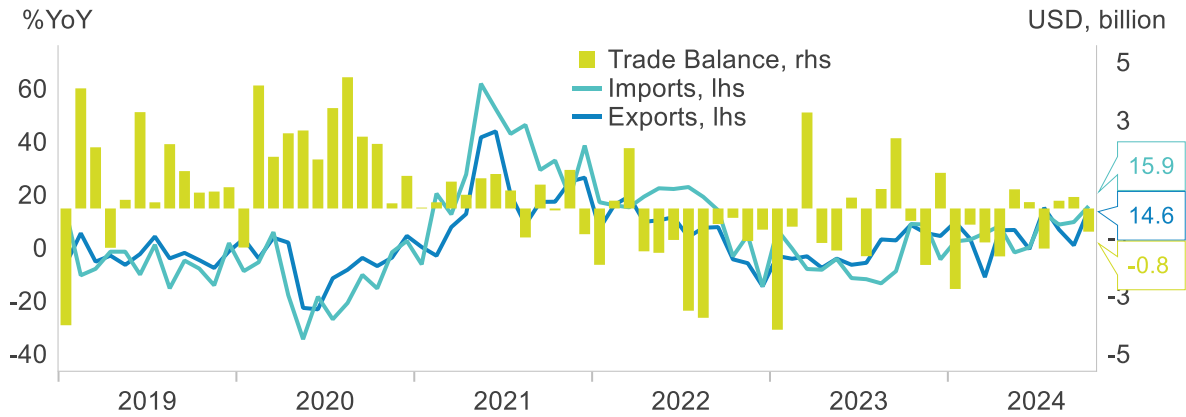
Number of employees by business sector

* are industries with a high proportion of workers receiving wages of less than 400 baht

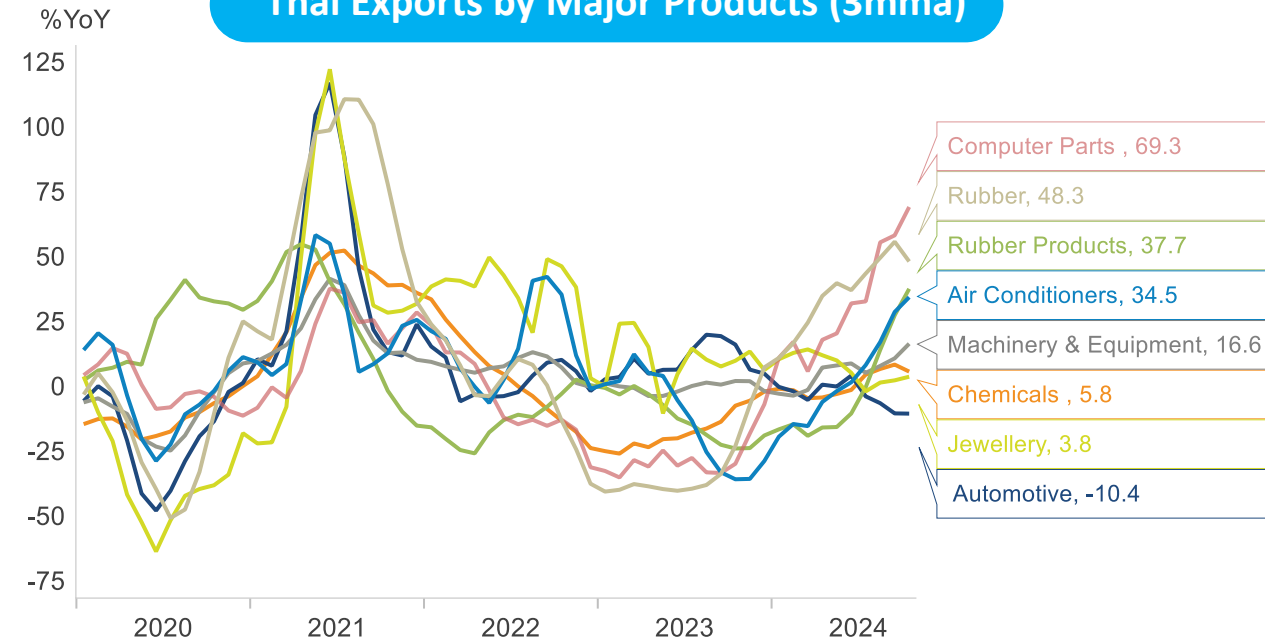
Industry	Total Employees (Million persons)	Enterprises with <50 employees		Enterprises with ≥50 Employees	
		Total Employees (Million persons)	Share of employees earning < 400 baht (%)	Total Employees (Million persons)	Share of employees earning < 400 baht (%)
Agriculture/Forestry*	0.08	0.02	53%	0.06	54%
Mining*	0.03	0.01	41%	0.02	23%
Manufacturing*	3.72	0.48	39%	3.24	37%
Construction*	0.54	0.21	40%	0.33	42%
Wholesale/Retail	2.23	0.88	31%	1.35	24%
Transportation	0.5	0.13	31%	0.37	23%
Hotels*	0.21	0.06	33%	0.15	13%
Food Services*	0.27	0.08	27%	0.19	33%
Telecommunication	0.17	0.05	6%	0.12	6%
Financial Services	0.3	0.03	17%	0.27	2%
Real Estate Services	0.22	0.11	19%	0.11	12%
Others	3.65	1.03	28%	2.6	26%
Total	11.9	3.09	36% (1.1 million persons)	8.82	33% (2.9 million persons)

Exports are facing significant challenges from US-China trade tensions, with front-loaded items such as computer parts, rubber products, air conditioners and machinery expected to decline in the coming period.

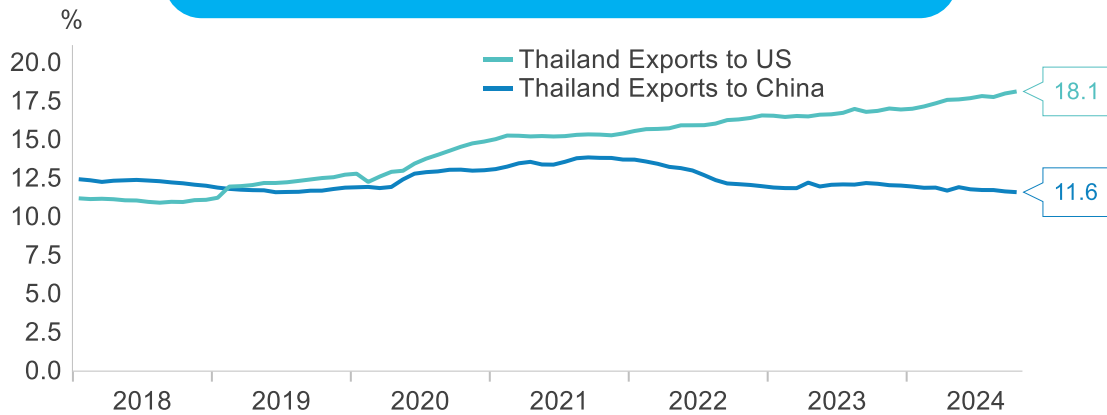
Thai Exports, Imports and Trade Balance



Thai Exports by Major Products (3mma)



Thai Exports to the US and China







- ✓ While Thailand's export value increased by 5.8% in the first 10 months of 2024, imports rose by 6.6%, resulting in a trade deficit of USD 6.8 billion.
- ✓ Exports face the biggest challenge from trade tensions between the US and China, both are major trading partners accounting for around 30% of total exports.
- ✓ Exports of some products, such as computer parts, rubber products, air conditioners and machinery, have been front-loaded to avoid tariffs. However, exports of these products are likely to fall in the next period.

The background is a dark blue composite image. On the left, a globe shows the Americas. Overlaid on the globe is a white network diagram with nodes and connecting lines. On the right, a hand holds a tablet displaying various data visualizations like bar charts and line graphs. The overall theme is global technology and data.

2025 Highlight Issues: US-China trade war and Implication to Thailand

Trump has announced his promises for his first 100 days in the White House. While some policies require congressional approval, others can be implemented by executive order, particularly extending the 2017 Tax Cuts and Jobs Act, reducing business regulations, and pushing for tariffs on Chinese imports.

Key Donald Trump's Policies








<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Taxation</p>	 <p>Lower/eliminate taxes and Increase tax credit</p> <ul style="list-style-type: none"> Extend the 2017 tax cuts that are set to expire at the end of 2025 indefinitely Lower Corporate tax rate from 21% to 15% imports Eliminate taxes on tips, overtimes, income taxes on Social Security benefits Repeal the green incentives in the Inflation Reduction Act (IRA) Others: Increase standard deduction, child tax credit, higher estate tax exemption, a tax break for closely held businesses 	<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Trade</p>	 <p>Raise import tariffs</p> <ul style="list-style-type: none"> +10-20% on all imports +60% tariffs on all imports from China revoke Permanent Normal Trade Relations (PNTR) for China
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Labor</p>	 <ul style="list-style-type: none"> Bring manufacturing jobs back to the US Raise wages for American workers. 	<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Immigration</p>	 <p>More restriction on immigration</p> <ul style="list-style-type: none"> Increase penalties for illegal entry and overstaying visas Reduce immigration and Deport unauthorized immigrants currently in the US
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Social Welfare</p>	<div style="display: flex; justify-content: space-between;"> <div data-bbox="140 878 267 999"> <p>Housing</p> <ul style="list-style-type: none"> Promote homeownership through tax incentives and support for first-time buyers </div> <div data-bbox="140 1099 267 1220"> <p>Healthcare</p> <ul style="list-style-type: none"> Bring down prescription drug costs and healthcare costs overall </div> <div data-bbox="738 878 1235 971"> <p>Inflation</p> <ul style="list-style-type: none"> Lower housing costs by cutting regulation and opening parts of federal lands for new home construction Help contain energy prices by lift hurdles plant construction and expand LNG exports/distribution </div> <div data-bbox="1133 863 1248 971"> </div> </div>	<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Energy & Envi</p>	<div style="display: flex; justify-content: space-between;"> <div data-bbox="1388 792 1490 913"> </div> <div data-bbox="1516 792 1923 992"> <p>Lift hurdles to oil and gas development as well as power plant construction.</p> <ul style="list-style-type: none"> Repeal the IRA subsidies for green technologies </div> <div data-bbox="1949 792 2076 906"> </div> <div data-bbox="2102 792 2458 949"> <p>Reverse restrictions on greenhouse gas emissions.</p> <ul style="list-style-type: none"> Expand LNG exports. </div> </div>
		<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Others</p>	<div style="display: flex; justify-content: space-between;"> <div data-bbox="1375 1056 1503 1178"> </div> <div data-bbox="1516 1056 2076 1249"> <ul style="list-style-type: none"> End US aid to Ukraine Settle the conflict in the Middle East Ensure other NATO members meet the requirement to spend at least 2% of GDP on defense. </div> <div data-bbox="2076 1049 2204 1170"> </div> <div data-bbox="2229 1056 2458 1206"> <ul style="list-style-type: none"> Allow input from the president on Fed policy. </div> </div>

Notes: The policies are prioritized by Trump's promises but have not yet been officially announced.

While tariffs to protect U.S. industry have focused primarily on strategic Chinese goods such as critical minerals, batteries, semiconductors, and EVs, Trump's trade policy is likely to lead to higher tariffs (up to 60%) on nearly all Chinese imports into the United States in 2025.

Trade War (2018-2024)

New Trade War

Industry	Product Group	Previous Section 301 Tariff Rate*	New Section 301 Tariff Rate (effective 27 Sep 2024)			New Possible Tariff Rate (MFN + 60%)
			2024	2025	2026	
 Electric Vehicles	Battery parts (non-lithium-ion batteries)	7.50%	25%			+10-35% = 60% (except EV)
	Electric vehicles	25%	100%			
	Lithium-ion electrical vehicle batteries	7.50%	25%			
 Solar cells	Solar cells (whether or not assembled into modules)	25%	50%			
 Machinery	Ship-to-shore gantry cranes	0%	25%			+35% = 60%
 Semiconductors	Semiconductors	25%		50%		+10% = 60%
 Batteries (for electronics)	Lithium-ion non-electrical vehicle batteries	7.50%			25%	+35% = 60%
 Rubber medical and surgical gloves, Facemask, Medical Equipment	Rubber medical and surgical gloves	7.50%		50%	100%	-
	Surgical and non-surgical respirators and facemasks	7.50%	25%		50%	+10% = 60%
	Disposable textile facemasks	7.50%		25%	50%	
	Syringes and needles (excluding enteral syringes)	0%	100%			-
	Enteral syringes (exempted in 2024 and 2025)	0%			100%	-
 Mining and Steels	Various critical minerals	0%	25%			+35% = 60%
	Steel and aluminum products	0% or 7.5%	25%			
	Permanent magnets	0%			25%	
	Natural graphite	0%			25%	

Notes: The tariff only applies to direct imports of the listed products from China, with an additional charge from the MFN (Most Favored Nation) tariff.

Donald Trump's second term could increase Thailand's trade risks in several areas. The main risks are 1) exports of intermediate goods to China and 2) exports of potentially higher tariffed products to the US.

1) Thai exports to China that are likely to be affected by U.S. import tariffs and the slowdown in the Chinese economy (indirect channel).

Products	TH exports to CN Jan - Sep 2023 (USD mn)	TH exports to CN Jan - Sep 2024 (USD mn)	%YoY
Intermediate Goods			
Rubber products	2,257	1,967	-12.9
Computer and parts	1,306	1,963	50.2
Plastic products	1,907	1,658	-13.1
Wood products	1,073	1,162	8.3
Machinery and parts	398	670	68.1
Final Goods			
Fruits and processed fruits	5,530	4,932	-10.8
Processed chicken	385	322	-16.2
Cosmetics, soaps and skin care products	217	246	13.7
Total 8 products	13,073	12,919	-1.2
% of Total TH Exports to CN		49.0%	
% of Total TH Exports		5.8%	

The increase in import tariffs on Chinese products will reduce Thailand's exports to China e.g., as rubber products, computers and components, plastic products, wood products, and machinery and components.

Thailand may export less consumer goods to China in line with China's economic slowdown such as fruits, fresh and frozen chicken, and cosmetics.

We found that the value of exports in this group to China in the first 9 months of 2024 was worth US\$ 12,919 million, or 5.8% of TH export value.

2) Thai exports to the U.S. that are likely to be affected by the increase in U.S. import tariffs (direct channel).

Products	TH exports to US Jan - Sep 2023 (USD mn)	TH exports to US Jan - Sep 2024 (USD mn)	%YoY
Solar panels	1,991	1,745	-12.4
Aluminium	247	362	46.6
Washing machine	228	231	1.3
Steels	69	58	-15.9
Total 4 products	2,535	2,396	-5.5
% of Total TH Exports to US		5.9%	
% of Total TH Exports		1.1%	

Donald Trump may raise import tariffs on the same group of products from the previous trade war, reducing Thailand's exports to the US, such as solar panels, aluminum, washing machines and steel.

We found that the value of exports of products in this group to the US in the first 9 months of 2024 was US\$ 2,396 million, or 1.1% of TH export value.

In addition to tariffs, Donald Trump may initiate a tougher investigation into countries that manipulate their currencies to gain a trade advantage over the U.S. However, based on the latest assessment criteria, Thailand is unlikely to be added to the list of currency manipulators.

Table 2. Major Foreign Trading Partners Evaluation Criteria

	FX Intervention			Current Account			Bilateral Trade
	Net Purchases (% of GDP, Trailing 4Q) (1a)	Net Purchases (USD Bil., Trailing 4Q) (1b)	Net Purchases 8 of 12 Months† (1c)	Balance (% of GDP, Trailing 4Q) (2a)	3 Year Change in Balance (% of GDP) (2b)	Balance (USD Bil., Trailing 4Q) (2c)	Goods and Services Surplus with United States (USD Bil., Trailing 4Q) (3)
Canada	0.0	0	No	-0.6	1.4	-13	40
Mexico	0.4	7	No	-0.3	-2.7	-6	153
China	0.5 — -0.1 *	82 — -27	Yes	1.4 **	-0.3	253	254
Germany	0.0	0	No	6.1	-0.4	273	86
United Kingdom	0.0	0	No	-3.3	-0.4	-110	-16
Japan	0.0	0	No	3.6	0.6	151	62
Korea	-0.6	-10	No	2.1	-2.5	35	41
Ireland	0.0	0	No	9.9	16.0	54	5
India	0.2	8	Yes	-0.9	-2.2	-32	50
Netherlands	0.0	0	No	10.1	5.0	113	-57
Switzerland	-16.7	-148	No	7.7	7.3	68	0
France	0.0	0	No	-0.8	0.8	-23	16
Taiwan	-0.4	-3	No	13.9	-0.6	105	48
Singapore	7.1	36	No ****	19.8	3.2	99	-28
Vietnam	1.5 ***	7	No	5.8	1.5	25	103
Italy	0.0	0	No	0.5	-3.4	12	46
Brazil	0.6	13	No	-1.4	0.5	-31	-23
Australia	-0.1	-1	No	1.2	-1.0	21	-32
Thailand	-0.6 ***	-3	No	1.4	-2.8	7	40
Belgium	0.0	0	No	-1.0	-2.4	-6	-16
Malaysia	-2.3 ***	-9	No	1.3	-2.9	5	25
Memo: Euro Area	0.0	0	No	1.6	0.0	254	107

Note: Current account balance measured using BOP data, recorded in U.S. dollars, from national authorities.

Sources: Haver Analytics; National Authorities; U.S. Census Bureau; Bureau of Economic Analysis; and U.S. Department of the Treasury Staff Estimates.

3 Key criteria for identifying currency manipulators in 2024

- 1 A bilateral surplus in goods and services with the United States of at least \$15 billion
- 2 Current account surpluses of at least 3% of GDP
- 3 Repeated net purchases of foreign exchange, in at least 8 out of 12 months, totaling at least 2% of an economy's GDP.

- Thailand was placed on the watch list in a 2020 report after meeting two out of three criteria, namely a current account surplus of more than 3% of GDP and a trade surplus with the US of more than \$20 billion.
- The latest report in 2024 shows that Thailand only meets one of the three criteria to be classified as a currency manipulator, which is that it has a trade surplus of \$40 billion with the US.

Despite the negative impact, a new trade war could also create opportunities through increased demand for substitute products. For the banking sector, it is critical to improve risk management, revise lending criteria to reflect higher risks, and develop tailored financial products to support SMEs and businesses affected by U.S. trade policies.

Trump's Key Trade Policies



- **Increased Import Tariffs:**
General import tariffs raised by 10% and tariffs on imports from China up to 60%.
- **China Industries at risk:**
 -  Electronics
 -  Machinery
 -  Furniture
 -  Apparel
 -  Steel
 -  Automotive & Auto parts
- **Thailand Industries at risk:**
 - China supply chain-integrated sectors
 -  Rubber products
 -  Plastic pellets
 -  Wood products
 -  Computers and components
 -  Machinery and Components
 - U.S. domestic protection sectors
 -  Solar cell panels
 -  Aluminum
 -  Washing machines
 -  Steel

Opportunities for business sectors



- **Increased demand for substitute products from China in the U.S. market** (e.g., processed agriculture (processed fruit, processed meat), auto parts, electronics and components, machinery and components, apparel, food and beverage).
- **Attracting Foreign Investment:** relocate production from China to ASEAN (e.g., automotive and parts, machinery, metals, and chemicals products).
- **Continued FDI inflows amid the US-China trade war** (e.g., software, data center, digital, semiconductor, EV, and E&E businesses).

Key Implication for the Banking Sector



- **Risk Management:** develop comprehensive risk assessment systems and implement risk analysis models to account for the impacts of U.S. trade policies.
- **Adjusting Lending Criteria:** consider revising loan criteria and reserves in line with increased risks, such as increasing the Loan-to-Value (LTV) ratio for high-risk industries.
- **Product and Service Development:** address customer needs in volatile conditions, especially for SMEs and micro-enterprises; e.g.,
 - low-cost, user-friendly foreign exchange risk insurance products.
 - Introduce special loans with favorable interest rates and extended grace periods.
 - In-depth consulting services to corporate and conglomerate clients.



2025 Highlight Issues:
China Property Crisis
and Implication to
Thailand



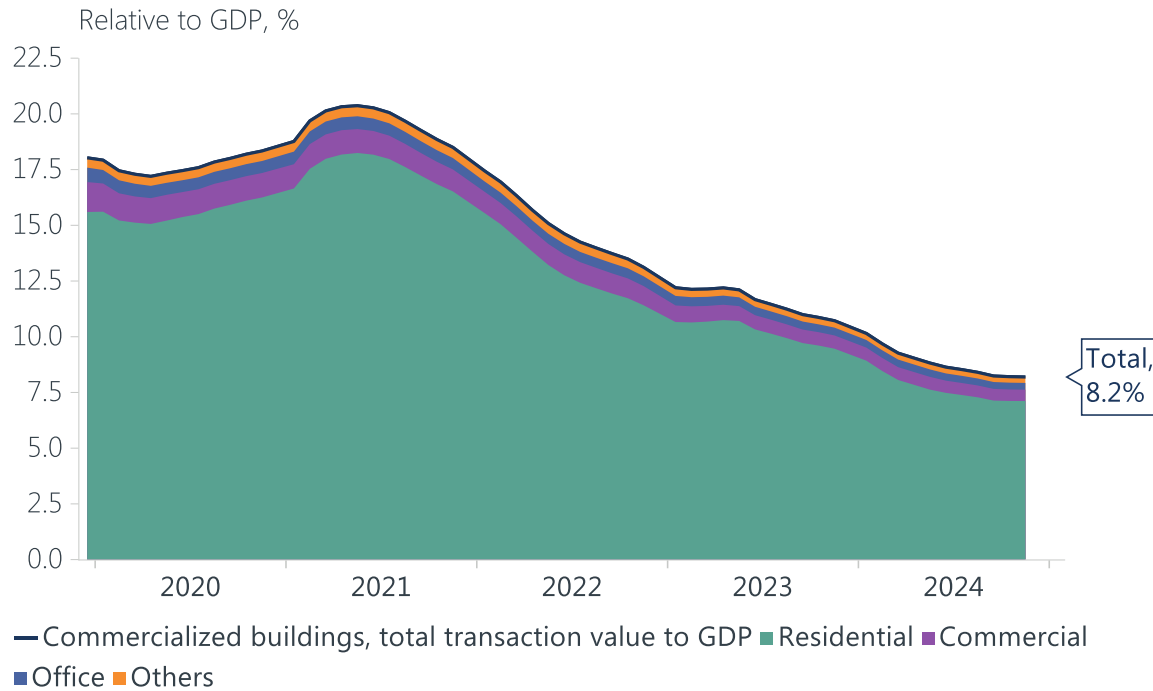
China's ongoing real estate crisis started in 2021 and hit hard in 2023. There are signs of a gradual recovery in 1H2024, but the current situation seems to be worsening with the latest declines in sales and construction indicators, falling home prices, and deteriorating developer and consumer confidence.

Real estate contribution to GDP falls significantly to 8.2% by Nov 2024.

The slump in real estate and construction growth is particularly pronounced in 2023. The trend is still rather negative, although there are signs of a recovery in the first half of 2024.

China real estate to GDP

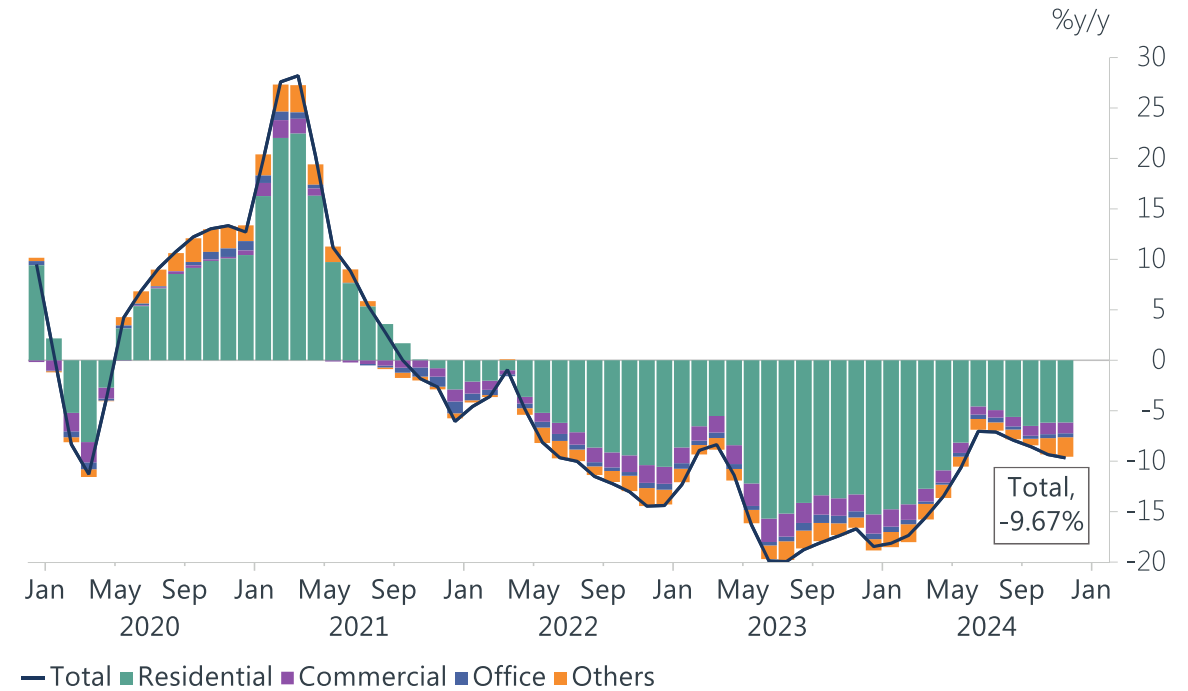
Monthly, 12mMA, as of Nov-24



Source: NBS

China real estate: construction growth contributions

Disaggregated, SA, monthly, 3mMA, as of Nov-24

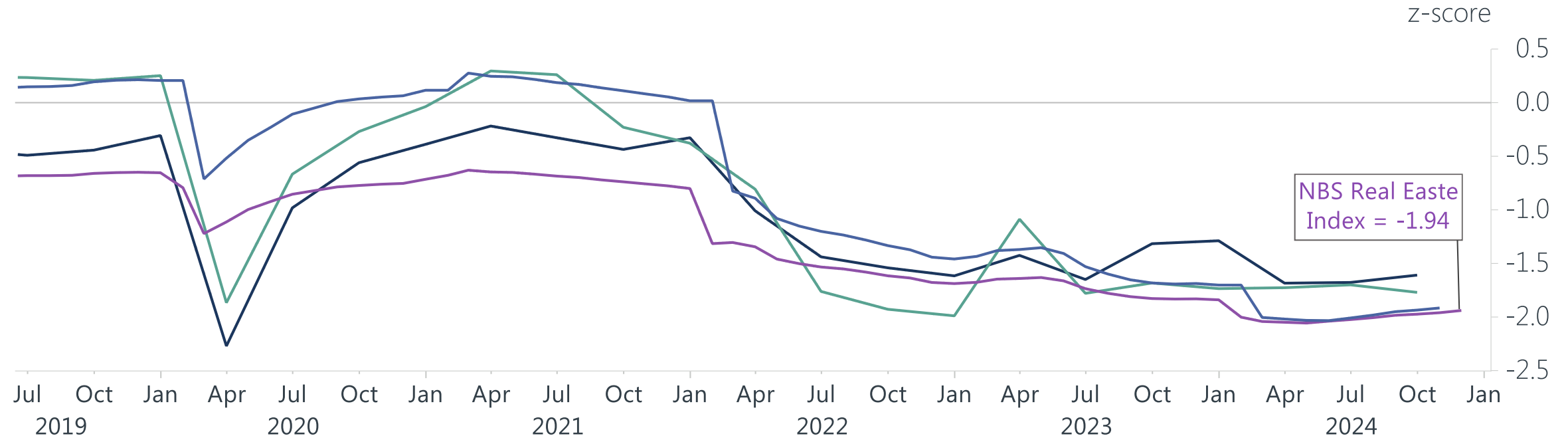


Source: NBS

The NBS Real Estate Climate Index has shown a consistent downward trend, indicative of a challenging market environment. Investment in real estate development is declining across all building types. Current trends indicate that the level of financial distress in China's real estate sector will persist but is likely to stabilize to some extent, thanks in part to the announced massive stimulus packages.

Chinese real estate climate






As of Nov-24



— NBS Business Climate Index - construction — NBS Business Climate Index - real estate services — NBS Real Estate Climate Index
 — SouFun-CREIS Real Estate Climate Index

Sources: NBS, CREIS, CFETS

Summary of Chinese Government Stimulus Measures – span across all aspects to restore confidence China Property Crisis

Policy	Details	Objectives	Expectation and Outcome
 Monetary	<ul style="list-style-type: none"> - Reduce the Reserve Requirement Ratio (RRR) by 50 bps (providing ~RMB 1 trillion long-term liquidity) - Cut short-term interest rate (OMO) by 20 bps to 1.5% - Cut medium-term interest rate (MLF) by 30 bps to 2.0% 	<ul style="list-style-type: none"> - Inject about 1 trillion RMB of liquidity into the banking system - Reduce the interest burden by about 150 billion RMB 	<ul style="list-style-type: none"> - A further rate cut of 25-50 bps is expected for the remainder of 2024 (especially for LPR (Loan Prime Rate), MLF, 7-day reverse repo rates)
 Fiscal	<ul style="list-style-type: none"> - Distribute money to vulnerable groups, approximately 4-5 million people - Support employment in new industry groups - Shanghai Municipal Government Announces 500 Million RMB Vouchers 	<ul style="list-style-type: none"> - Stimulate domestic consumption and confidence in employment and reduce the risk of unemployment among young people 	<ul style="list-style-type: none"> - The amount of money in circulation increases, spending improves, employment increases
 Real Estate	<ul style="list-style-type: none"> - Reduce the downpayment for a second home from 25% to 15% - Reduce mortgage rates by an average of 50 bps - Ease the requirements for purchasing real estate in major cities (increase quota, lower transaction cost) - Increase the credit line to support outstanding home purchases in the system from 60% to 100% 	<ul style="list-style-type: none"> - Stimulate demand side to increase second home purchases - Reduce interest burden - Increase project disbursement speed and facilitate local government requirements 	<ul style="list-style-type: none"> - Home prices are expected to stabilize and see a gradual recovery - Accelerate the disbursement and purchase of remaining home inventory in the system.
 Stock Market	<ul style="list-style-type: none"> - Approve 500 billion RMB to access PBOC's credit sources for non-bank financial institutions to buy shares - Approve 300 billion RMB for banks to lend to support listed companies to buy back shares - Plan to set up a Stock Stabilization Fund 	<ul style="list-style-type: none"> - Reassure the market and stabilize the market - Support the restructuring of Chinese companies and improve the quality of listed companies. 	<ul style="list-style-type: none"> - Chinese stock market stabilization (further injections into the markets are expected if they fail to support the market)
 Banking	<ul style="list-style-type: none"> - Assist 6 major banks increase Tier 1 capital (the first amount of capital held to support the risks of financial institutions) 	<ul style="list-style-type: none"> - Reduce systemic risk after the banking sector experienced a steady decline in net interest income and rising NPLs 	<ul style="list-style-type: none"> - 1 trillion RMB of government bonds may be issued to increase the size of bank funds

The protracted real estate crisis in China is anticipated to generate considerable ripple effects on Thailand's economy in 2025, affecting pivotal sectors such as tourism, exports, and real estate.

Key Impacts on Thailand



Tourism Sector

- Despite the end of COVID-19, **Chinese tourists are still slowly recovering; 3.5 million in 2023 and 7.0 million in 2024**, compared to 11.1 million in 2019.
- The reduction in Chinese tourist numbers will **directly affect revenue from tourism-related businesses** such as hospitality, retail, and local services.



Export Sector

- China is Thailand's main trading partner, **accounting for ~12% of Thai exports**.
- The sluggish Chinese economy has **weakened demand for Thai exports**.



Real Estate Sector

- Stricter capital controls in China and declining purchasing power among Chinese investors have already **dampened foreign demand for Thai properties**.
- **In 2Q2024, condominium sold units to foreigners decreased by 6% and total value dropped by 18%.**

Required Stimulations and Adaptations for Thailand Economy



Government

Economic Stimulation:

- **Debt Relief Programs:** Implement measures to tackle illegal loan sharks and provide debt relief to alleviate financial pressure on Thai citizens.
- **Energy Cost Reduction:** Pursue efforts to cut energy and electric train costs to support both businesses and consumers.

Investment and Fiscal Measures:

- **Investment Incentives:** Attract more investment in digital and green industries.
- **Government Spending:** Effectively manage the fiscal 2025-2026 expenditure budget.
- **Export Support:** Implement targeted measures to support export sectors affected by the Chinese slowdown.



Business Sector

Diversify Markets:

- Reduce reliance on Chinese tourists by **targeting other international markets** such as India or ASEAN countries.

Adjust Real Estate Strategies:

- **Attract foreign buyers from other regions**, such as India, Middle East, Europe, ASEAN, and North America.
- Focus more on affordable housing solutions to cater to domestic demand amidst high household debt.



Banking Sector

Strengthen Risk Management:

- **Monitor exposure** to sectors heavily reliant on Chinese investments or exports.
- **Tighten credit assessments** for real estate developers while offering tailored financial solutions.

Develop Products and Services:

- Provide **targeted loans or financial packages** to SMEs in tourism and export sectors.
- Develop **lending products** to address homebuyers with high debt burdens.

Thai Industry LHB Outlook 2024 (Sep24 Update)

Corporate Industry Outlook 2024-2025

Key Drivers

- **Private consumption continues to grow.** This is benefiting from the ongoing digital wallet project, lower inflation and already peaked interest rates.
- **Recovery of public and private investment** following the formation of the new government, supported by clarity on investment policy and timely approval of annual fiscal expenditure.
- **Continued growth in the tourism sector**, particularly rapid growth in ASEAN tourist arrivals, remains the key driver of economic growth.
- **Falling inflation and monetary policy easing** support global economic growth and Thai exports.

Key Risks

- **Domestic political uncertainty**, a further escalation of political risk cannot be ruled out. Political disruption could pose a downside risk to economic growth.
- **High levels of household debt** will discourage a recovery in spending.
- **Climate Change** affecting agricultural output in the 2024/25 crop year.
- **China's economic growth is likely to slow** due to the real estate crisis, dampening exports to China.
- **Ongoing geopolitical risks** (Russia-Ukraine, Israel-Iran, US elections) fuel volatility in commodity prices and Thai baht.
- **Exports are constrained by a low-tech export structure** and competition from Chinese exports.

Trends

- **Digitalization:** Digital Banking, Automation, and Cloud Services, Generative AI
- **Sustainability:** ESG, Green Economy, Climate Change, EVs, Solar Cell
- **Aging Society:** Generational Handover & Aging Population
- **Localism:** Consumers demanding the traceability of raw materials and more transparency

Industries with strong growth in 2024-2025 (Positive, Neutral+)

- Tourism and Related Sectors (Both Domestic and Foreign Tourists)
 - Hotel & Resort, Serviced Apartment, Restaurant, Money Exchange
 - Airline, Car Rental, Travel Agency
 - Private Hospital, Wellness and Healthcare, Spa
- Wholesale, Retail, Convenient store, Department store
- Freight (Air/Sea/Road)
- Food and Beverage, Agriculture (Poultry, Rubber), Seasoning, Prepared Meals and Dishes, Prepared Animal Feeds (Swine), Soap & Cosmetic
- Industrial Estate, Warehousing and Storage, Retail Space for Rent
- E-Commerce, ICT, Solar Cell, Software, Vending machine, Medical Instrument
- Electric wire, Engineering consultant, Architecture consultant, Interior & Decorators
- Water Collection – Air conditioning Treatment and supply
- Banking, Asset Management, Insurance, E-Payment, Auction
- Pawnshop, Credit card, Accounting, Financial consultant, Advertising & market research
- Employment Agencies, Residential Care, Exhibitions,
- Entertainment and Recreation, Education, Sports goods, Facility & Cleaning service

Industries with slow growth in 2024-2025 (Negative, Neutral-)

- Automobile (Production), Sale of Motor Vehicles & Motorcycles (Dealer)
- Construction, Construction Materials, Machinery Rental
- Real Estate (Condominium, Other Accommodation,), Office Space for Rent
- Paper and Packaging (Paper, Plastic, Glass, Can), Wired Telecommunication
- Manufacture of gas, Petro-chemical, Plastic, Refinery,
- Electric Power Generation, Transmission, and Distribution
- Electrical and Electronic Equipment, Appliance, Machinery and Equipment
- Repair of consumer electronics, Transport via Buses, Sports Activities
- Cooperative, Fund Management, Leasing, Securities Brokerage
- Agriculture (Palm Oil, Cassava, Starches, Sugar), Furniture
- Television Program Activities, Publishing Activities, Printing Ink
- Steel, Aluminum, Coal and Lignite, Metal Coating
- Pharmaceutical products
- Jewelry, Textiles, Apparels, and Leather Goods

End of Presentation

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