

Monthly Economic Report

August 2025

Monthly Economic Report Vol.2 No. 8 August 2025



ศูนย์วิจัยกสิกรไทย
开景研究中心 KASIKORN RESEARCH CENTER



Global economic highlights

1

On August 1, 2025 President Trump announced modified Reciprocal tariffs on dozens of US trade partners, ranging from 10% to 41%



Business Today

2

The US economy is poised to slow amid increasing tariff cost pass-through and declining inventory buildup



Adobe Stock

3

Japan and the EU secured 15% US tariffs to shield key industries, boosting sentiment despite a fragile outlook



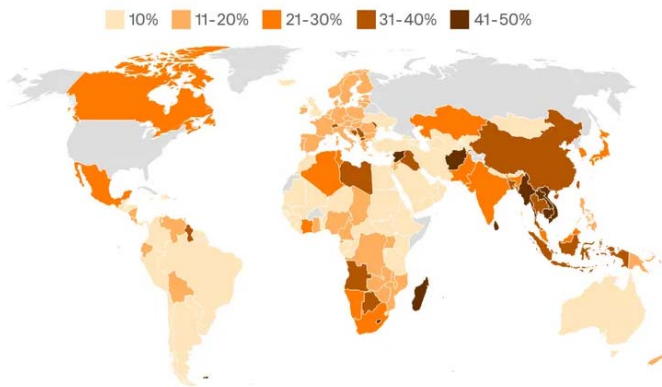
The Guardian

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On August 1, 2025, President Trump announced modified Reciprocal tariffs on many of US trade partners, ranging from 10% to 41%

Each country has negotiated trade agreements with varying tariff rates, depending on their level of access to the US market and other negotiated conditions

US Reciprocal tariffs as of August 1, 2025



Tariff rate	Countries	Explanation
10%	iAustralia, UK, Singapore	- Baseline rate for partners with which the US has a trade surplus or no significant deficit
15%	Japan, South Korea, EU	- Key strategic partners with which the US has a trade deficit - Reached certain deal that US accepted
18-20%	Thailand (19%), Indonesia (19%), Vietnam (20%)	-Mid-tier partners with which the US has a large trade deficit - Reached certain deal that US accepted
25% and over	India (25%) Switzerland (39%) Laos (40%)	- Agreement has not been reached - Showing no effort to negotiate

All transshipped goods face 40% US tariff

Source: Axios, KResearch as of 1August 2025

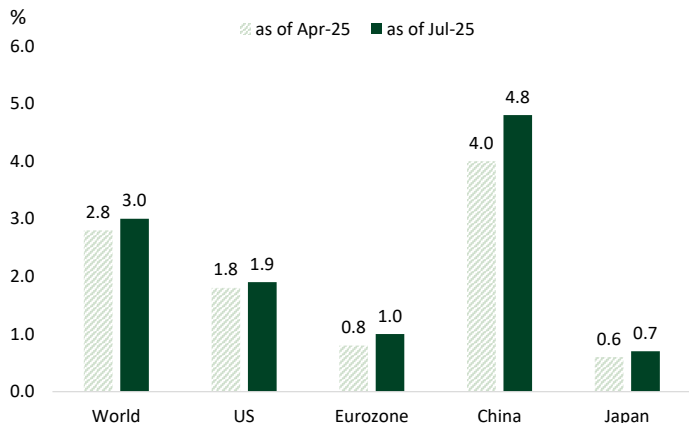
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Despite lower tariffs than in April, the global economy faces elevated risks and is likely to slow in 2H25

The IMF raised its 2025 GDP forecast for major markets, driven by front-loading and reduced tariff rates

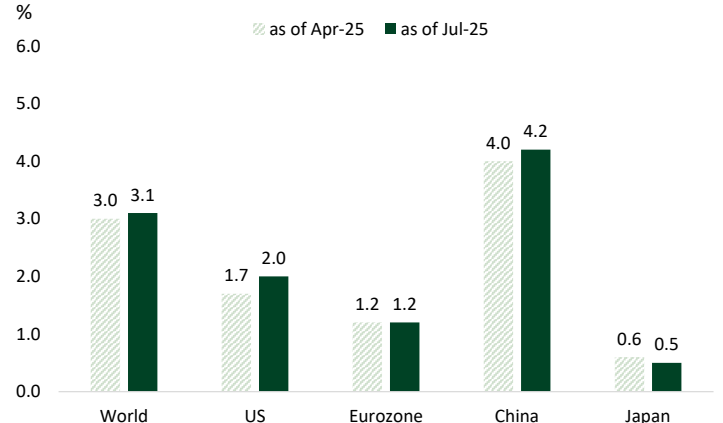
IMF's GDP projection in 2025



Source: IMF, KResearch

Despite the upward revision, the IMF sees continued downside risks heading into 2026

IMF's GDP projection in 2026

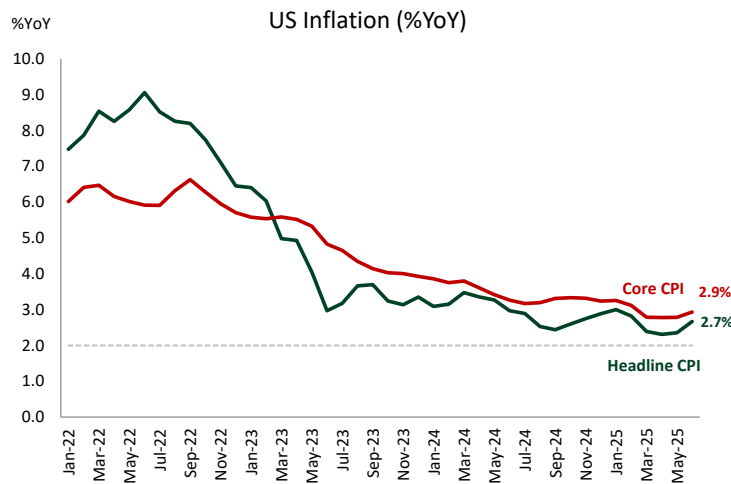


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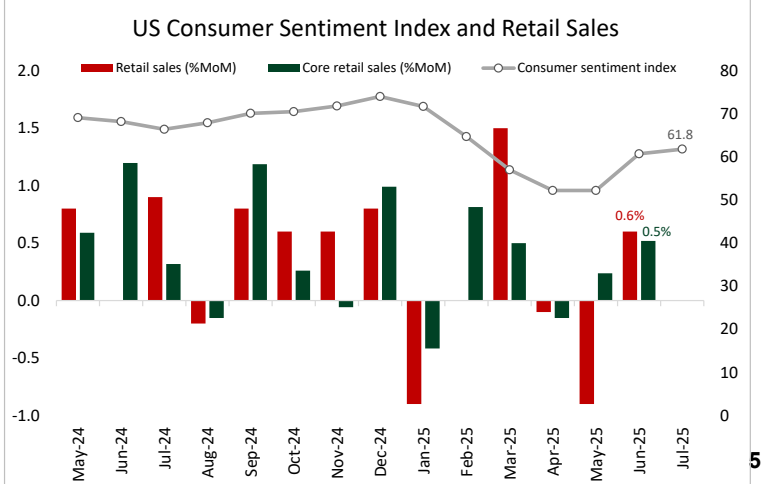
US inflation started to feel tariff effect in June 2025, while consumer spending remained resilient, as reflected in improved sentiment and retail sales

US inflation in June 2025 hit a five-month high, driven by tariff-related cost increases in certain goods



Source: CEIC

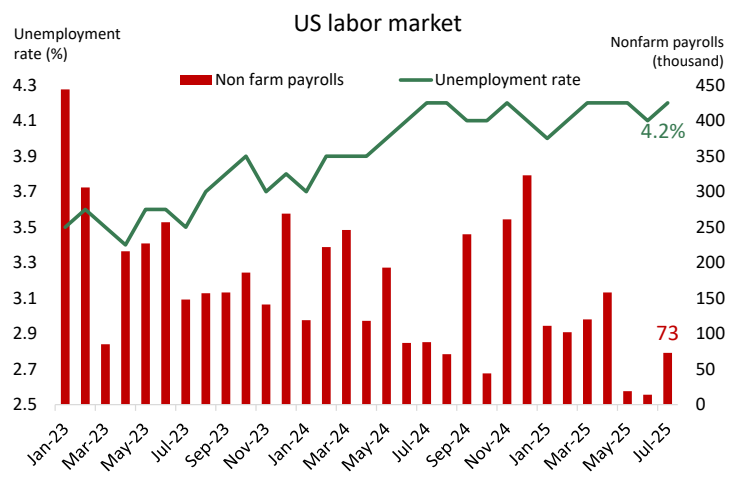
US consumer sentiment improved in July, though inflation expectations remain elevated



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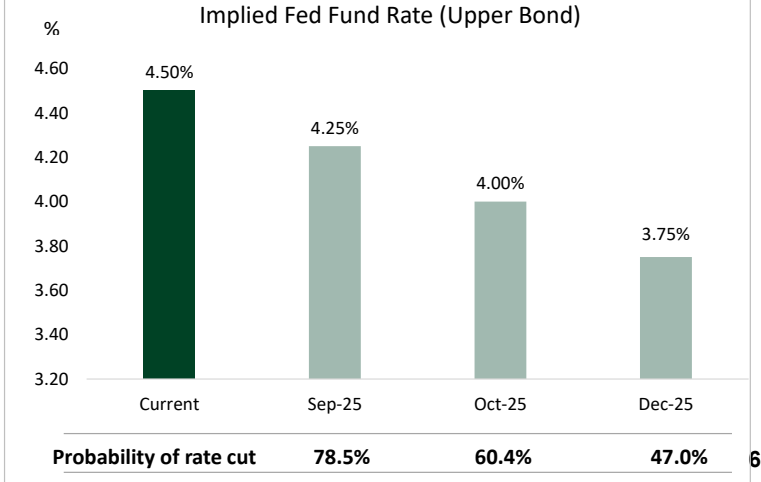
Following a disappointing US jobs report, markets are currently pricing in three Fed rate cuts starting in September, while KResearch anticipates two cuts

Nonfarm payrolls rose by less than expected in July, and the unemployment rate edged up



Source: CEIC, CME FedWatchTool as of Aug 4, 2025

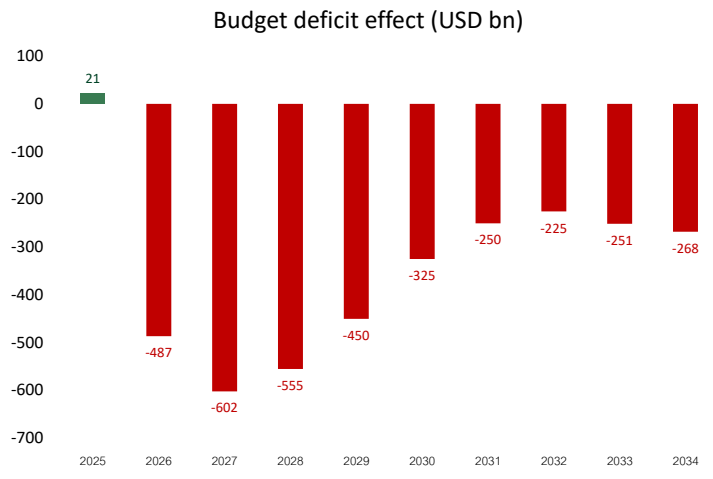
Markets are increasingly pricing in the possibility that the Fed could implement up to three interest rate cuts this year



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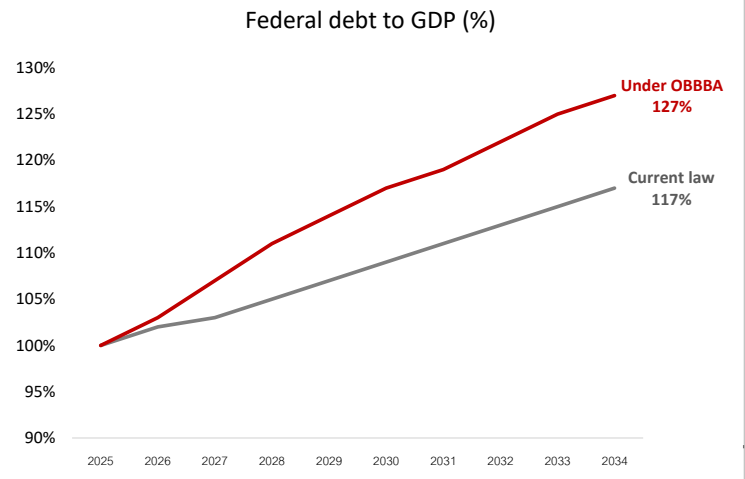
The One Big Beautiful Bill Act (OBBBA), signed into law on July 4, 2025, is expected to significantly increase the US debt-to-GDP ratio

The OBBBA is projected to increase the federal deficit by \$3.4 trillion over the next decade



Source: Committee for a Responsible Federal Budget, KResearch

The OBBBA is projected to significantly increase the national debt, potentially reaching 127% of GDP in 10 years



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The EU's 15% tariff deal with the US has lifted market sentiment, though its economic recovery remains fragile

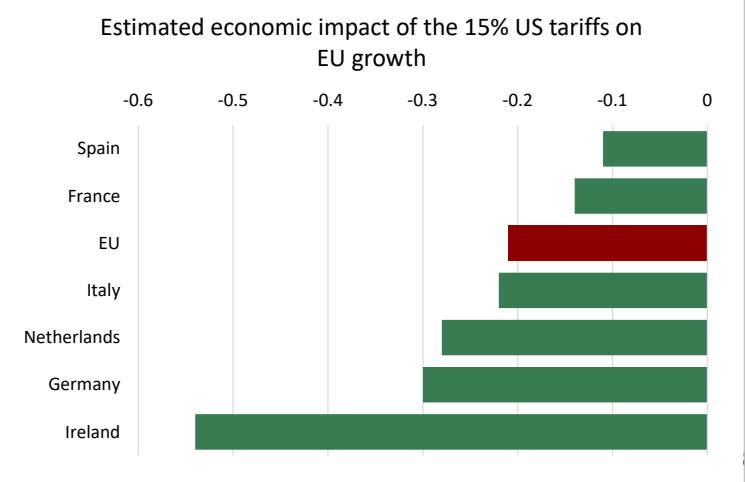
The US has reached a trade deal EU, considered the largest among its key trading partners, as it covers all 27 countries

EU-US trade deal	
Key deal	Details
Tariff changes	-15% import tariffs on EU goods better than threatened 30, including on autos and auto parts, pharmaceuticals, and semiconductors - 50% tariff on steel & aluminum - 0% tariff on most US exports
Commitments	- \$750 billion purchase in US energy - \$600 billion investment in the US by 2028, addition to the over \$100 billion EU already invest in the US every year - To purchase significant amounts of US military equipment
Market access	- To remove significant tariffs, including the elimination of all EU tariffs on US industrial goods exported to EU - To address barriers for US industrial, agricultural exports

Note: The deal requires approval from all 27 EU member states, each with varying interests and degrees of dependence on exports to the US

Source: The White House, Capital Economics

Germany is among the top EU beneficiaries of the trade deal's tariff cut from 30%



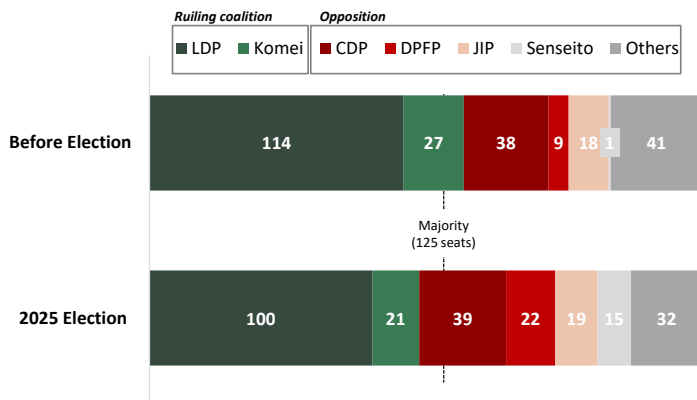
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Japan will be subject to a 15% US tariff starting August 1, which may help reduce economic uncertainty despite ongoing policy turbulence

Japan enters political turmoil as LDP coalition loses upper house majority, triggering legislative gridlock

Seat distribution in Japan upper house



Source: The White House, Statista, KResearch

Japan secured lower tariff rates compared to other key US trading partners, but at potential cost to domestic industries

Japan-US Trade Deal

Key deal	Details
Tariff Changes	<ul style="list-style-type: none"> - 15% reciprocal tariff replaces threatened 25% tariffs on Japanese goods - Tariffs on Japan's auto sector—over a quarter of its US exports—will be reduced from 27.5% to 15%
Investment Commitment	To invest \$550 billion in US strategic industries
Market Access	<ul style="list-style-type: none"> • To increase imports of US i.e. rice, corn, soy and fertilizer (Japan keeps 770,000-ton duty-free rice quota, but increase imports from US by 75%) • To purchase 100 Boeing aircraft and defense equipment • To accept US automotive standards (removes non-tariff barriers)

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Thai economy highlights

1

The US set a 19% reciprocal tariff on Thailand, a favorable rate that keeps it competitive within ASEAN



Bangkok Post

2

Thai GDP has been slightly revised up to 1.5% due to an improved export outlook despite being weighed down by tourism



KResearch

3

Tensions with Cambodia have disrupted border trade but impact on overall Thai exports remains limited



BBC

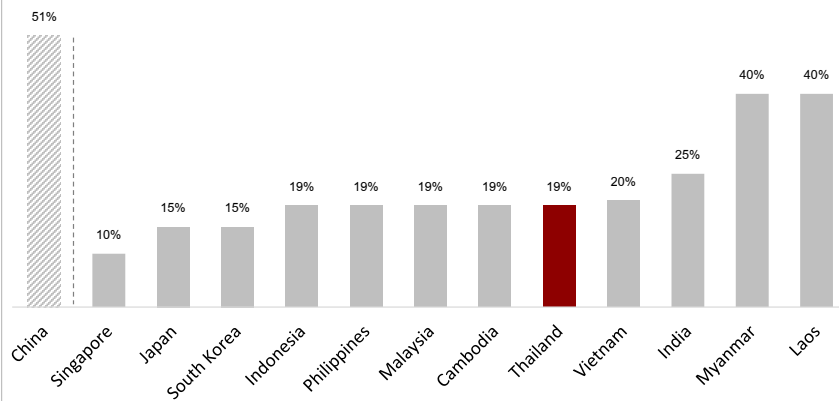
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19% US tariffs have improved Thailand's export outlook in 2H25, with less contraction and full year revised up to 3.4%

The US reduced reciprocal tariff on Thailand from 36% to 19%, aligning it with rates for other ASEAN countries

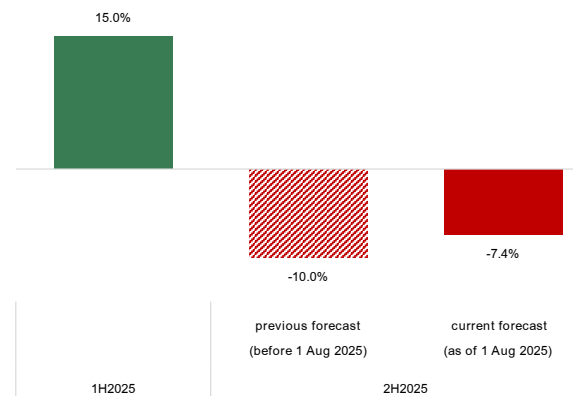
Reciprocal tariffs of Thailand and other countries in region (as of 1 August 2025)



Source: The White House, KResearch
Note: China's tariff rate had accumulated since Trade War 1.0

Improved tariff rate is expected to narrow Thai export contraction to -7.4% from -10.0% in 2H25

Export growth forecast (%YoY)



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Among Thailand's top 15 exports to the US, nearly 70% of the export value falls under Section 232 or is exempt from reciprocal tariffs, though additional Section 232 tariffs remain a risk

Top 15 products US imports from Thailand	Reciprocal tariffs	Thailand's reliance on US imports (Share of Thailand's exports to US by product)
1) Telephone set		14%
2) Computer (incl. HDDs)		12%
3) Vehicle tire		6%
4) Air conditioner		4%
5) Electrical transformers		4%
6) Special electrical machines		1%
7) Vehicle parts		2%
8) Video camera		2%
9) Jewellery		2%
10) Solar cell		3%
11) Printer		1%
12) Rice		1%
13) Pet foods		2%
14) Electronic integrated circuits		1%
15) Refrigerators		1%

Source: Trademap, The White House, KResearch
Note: 1) Data as of 5M25

2) The US Executive Order exempts products listed under Section 232 and Annex II from Reciprocal Tariff Increases

Top 15 products account for **56%** of total Thailand exports to US

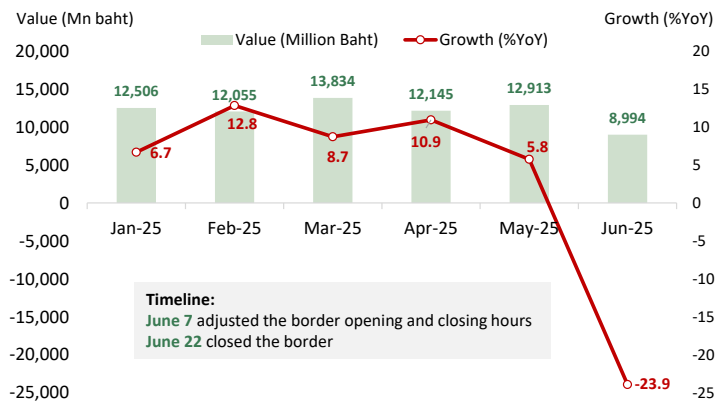
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Tensions between Thailand and Cambodia have reached the peak, disrupting border trade; however, the impact on Thailand's overall exports remains minimal

Border exports to Cambodia declined significantly in June following the boarder closure by Thai authorities

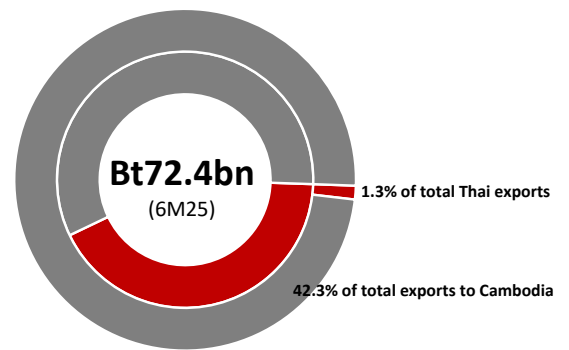
Thailand's Cross-border Exports to Cambodia



Source: CEIC, BOT

Most Thai-Cambodian trade is cross-border, but it represents a small portion of total trade

Share of Thailand's Cross-border Exports to Cambodia



Top export products:

- 1) Beverage
- 2) Internal combustion engine
- 3) Mineral and fuel products

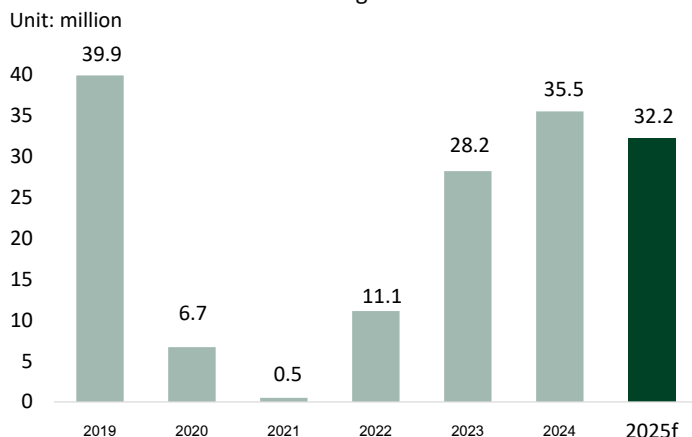
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The number of foreign tourist arrivals in Thailand is expected to decline from 34.5 million to 32.2 million in 2025

No. of foreign tourists arriving in Thailand is projected to decline for the first time in 5 years

Number of foreign tourist arrivals



Source: MOT, forecasted by KResearch

A rise in Indian and Russian tourist arrivals may be insufficient to offset the decline in Chinese visitors

Top 5 tourist Markets for Thailand

Nationality	1H25	
	Persons	%YTD
Malaysia	2,299,897	-5.6
China	2,265,556	-34.1
India	1,183,899	13.7
Russian Federation	1,034,759	12.4
South Korea	772,107	-16.4
Total	16,685,466	-4.7

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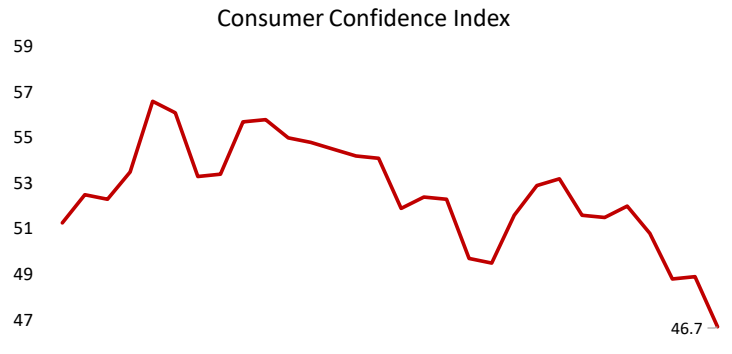
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Retail sentiment and consumer confidence weakened amid heightened domestic and external risks

The retail sector fell to a 42-month low due to economic uncertainty, rising living costs, and weak purchasing power



Consumer confidence remains weak due to a sluggish domestic economy, rising household debt, and a slowdown in tourism



Source: CEIC, MOC, FETCO, BOT, KResearch

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Thai GDP has been slightly revised up to 1.5%, supported by an improved export outlook despite being weighed down by tourist numbers

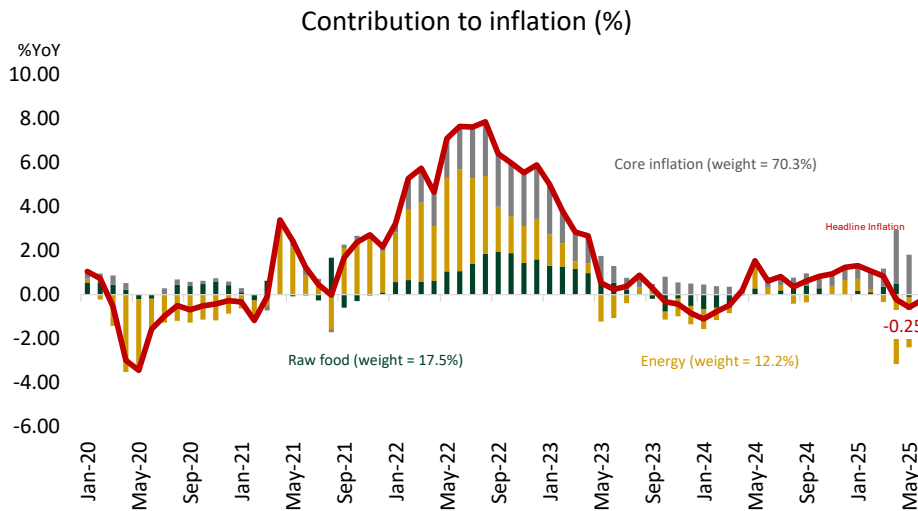
Key Indicators (%YoY except otherwise stated)	2024	2025f	2025f
		Previous estimate	Current estimate
GDP	2.5	1.4	1.5 ↑
Private consumption	4.4	2.0	2.0
Public consumption	2.5	1.5	1.5
Investment	0.0	0.8	0.7 ↓
- Private	-1.6	-0.5	-0.5
- Public	4.8	6.0	5.0 ↓
Exports (Customs based in USD)	5.4	1.5	3.4 ↑
Imports (Customs based in USD)	6.3	2.2	3.3 ↑
Headline inflation	0.4	0.3	0.3
Average Dubai crude oil price (USD/Barrel)	79.7	66.0	68.0 ↑
No. of international tourist arrivals (Mn persons)	35.5	34.5	32.2 ↓

Source: NESDC, MOC, MOTs, forecasted by KResearch as of August 1, 2025

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Thailand's inflation remained in negative territory for the third consecutive month in June, raising concerns over a potential deflationary trend



Supply-side factors mainly pressured inflation



Crude oil prices stayed below last year's levels despite June's Middle East conflict



Prices of fresh vegetables, fruits, rice, and durian fell from last year's high base

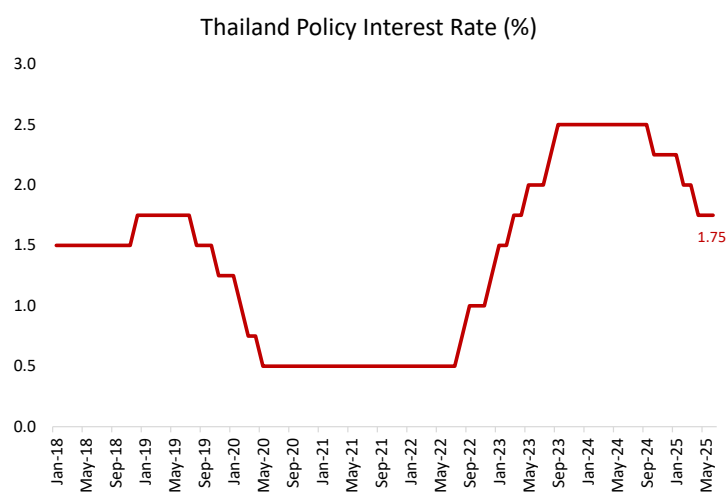
Source: MOC

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KResearch anticipates at least one additional policy rate cut starting in October 2025

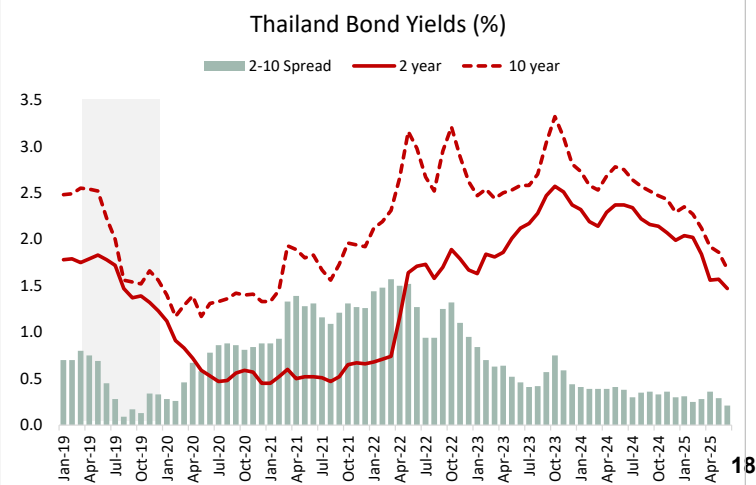
We expect the easing cycle to potentially extend into 1H26



Source: CEI, BOT

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A weaker economic outlook has pushed bond yields down, causing short- and long-term yields to converge



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