

# Monthly Economic Report

March 2025

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ศูนย์วิจัยกสิกรไทย  
开泰研究中心 KASIKORN RESEARCH CENTER



## Global economic highlights

1

**The renewed trade war is the primary threat to the global economy, with its full implications yet to unfold**



Bangkok post

2

**EM currencies recently rose with a weaker USD and higher gold, though volatility persists**



Financial Time

3

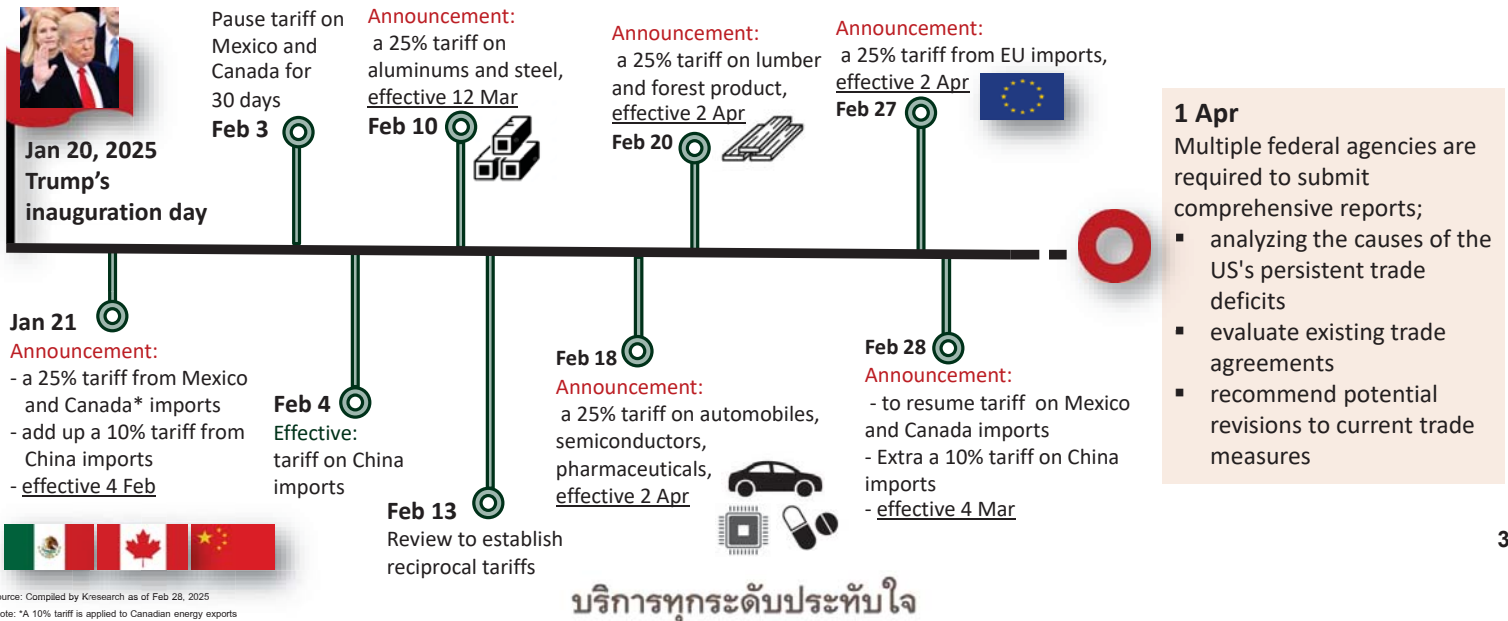
**The oil market is bearish due to easing geopolitical tensions, lower demand, potential supply increases**



Daily News Egypt

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## Trump is moving forward with plans to impose tariffs on Mexico and Canada while the EU is reportedly next in line

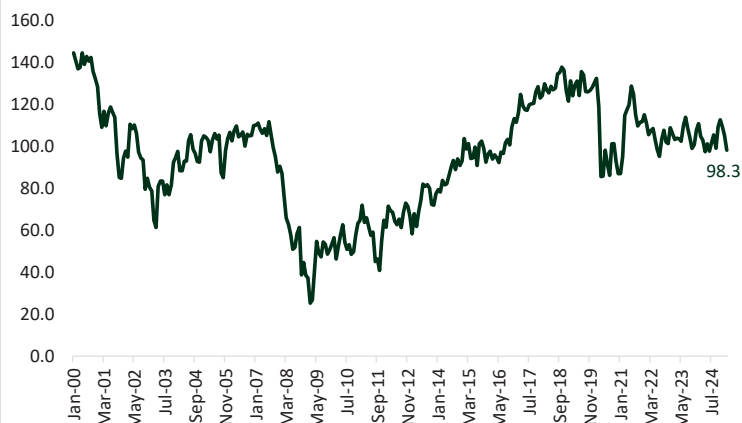


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## US consumer spending remains robust, though nascent signs suggest potential moderation

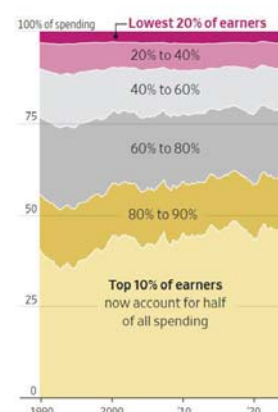
The US consumer confidence index in Feb 2025 dropped to an 8-month low due to Trump policies and inflation concerns

US Consumer Confidence Index



US consumer spending is largely driven by the wealthiest households, benefiting from market gains

Share of consumer spending by income



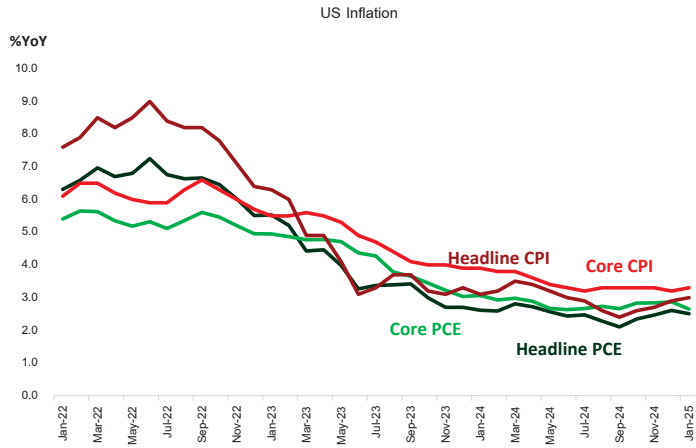
Less affluent households continue to struggle with persistent inflation and high interest rates.

**Note:** The top 10% of earners are households making about \$250,000 a year or more which account for 49.7% of all spending

4

## Markets are currently pricing in two rate cuts by the Fed this year, but Trump policies have complicated the outlook

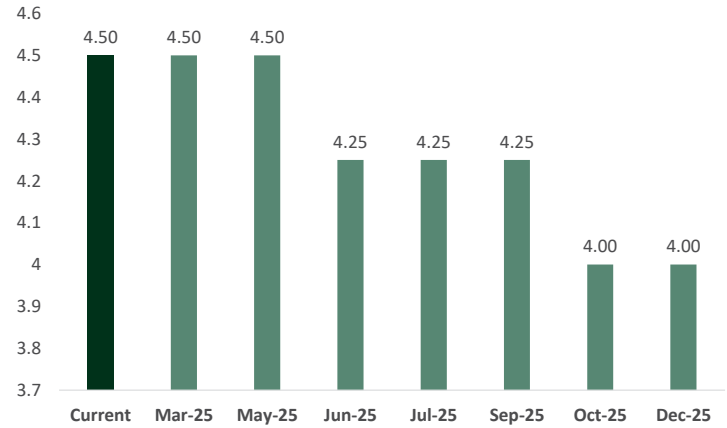
### US headline and core inflation edged up in January 2025



Source: CEIC, CME Fed Watch Tool as of Feb 26, 2025

### Markets are currently pricing in two rate cuts by the Fed this year

#### Federal Reserve Meeting- policy rate cut probability



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## Gold prices have recently increased, while the US dollar has weakened, as markets brace for the potential economic impact of looming tariffs

### Uncertainty over US tariffs on key trading partners has driven investors to seek safer assets like gold

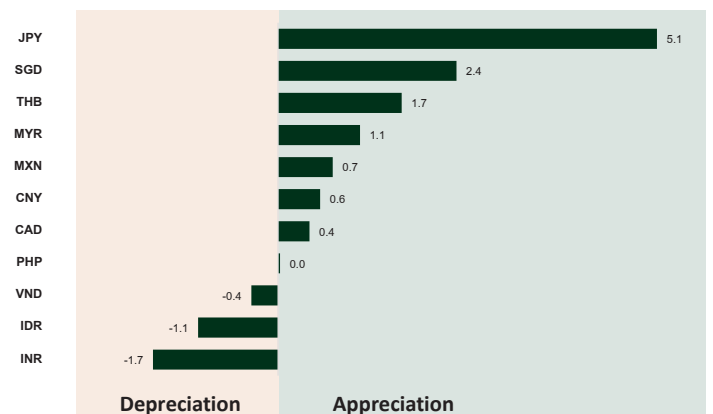
#### Dollar index and gold price



Source: Bloomberg

### The Thai baht is one of the fastest appreciating currencies year-to-date

#### EM currencies movement year-to-date

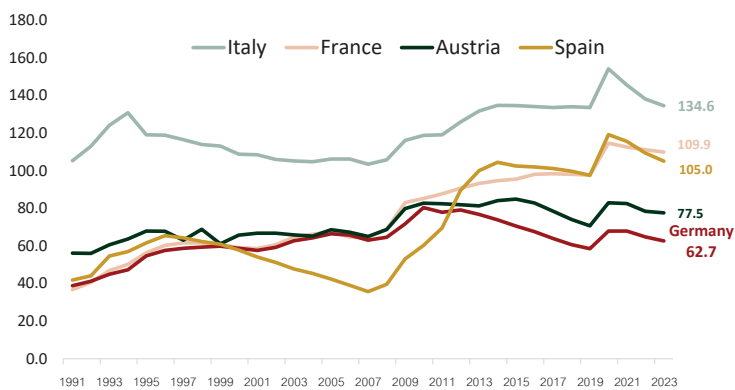


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## Germany's new coalition aims to ease the debt brake to boost public investment, but structural challenges, Chinese competition, and US tariffs may continue to weigh on the economy

### Germany has the lowest public debt of the large eurozone economies

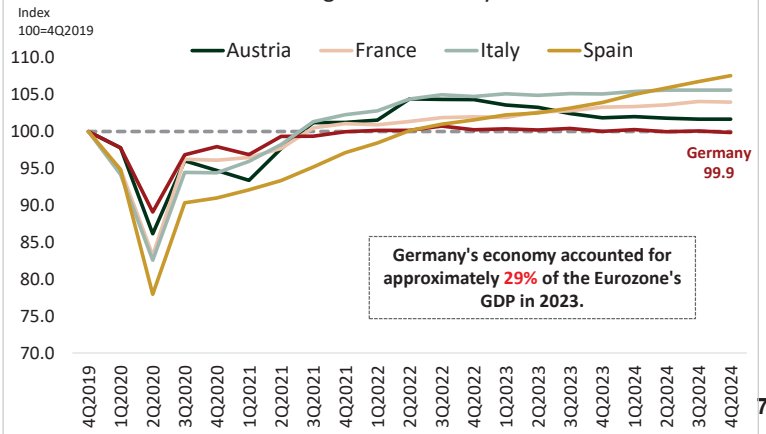
% Government debt to GDP



Source: IMF, CEIC, Tradingeconomics

### The German economic growth has been anaemic since 2019, mainly dragged by sluggish manufacturing sector

GDP growth recovery



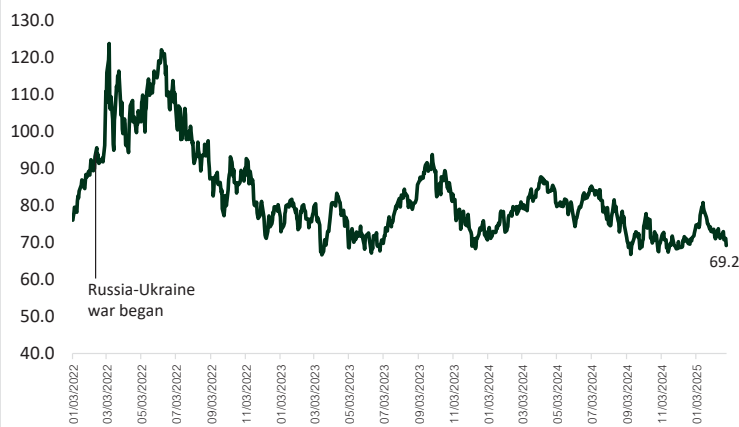
Germany's economy accounted for approximately 29% of the Eurozone's GDP in 2023.

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## A Russia-Ukraine peace deal may stabilize oil prices but will not significantly boost oil flows, while declining global demand and rising US production continue to pressure prices

### Oil prices have steadily fallen from their peak of around \$80 in January 2025

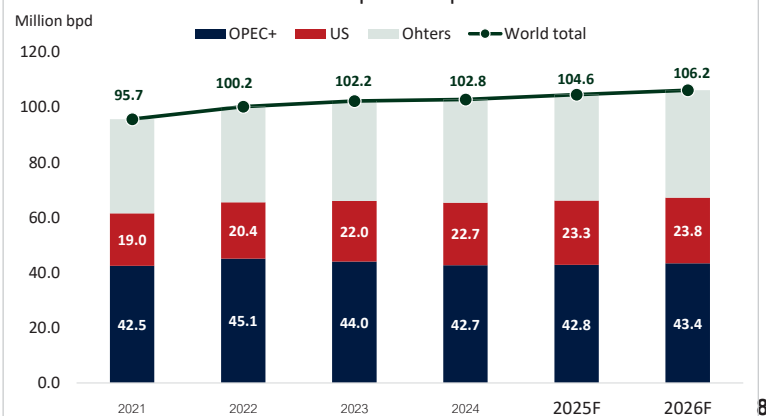
WTI crude oil price (dollar per barrel)



Source: CEIC, EIA Short-Term Energy Outlook, Feb 2025  
Note: oil price as of 25 Feb 2025

### Global crude oil output is set to rise due to increasing non-OPEC production

Global crude oil and liquid fuel production outlook



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## Thai economy highlights

1

*KResearch maintains the GDP growth forecast for 2025 at 2.4%, slightly down from 2.5% in 2024*



NationThailand

2

*Thai inflation in January 2025 accelerated mainly due to low base. KResearch maintains 2025 inflation forecast at 0.7%*



KResearch

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*The BOT cut the rate to 2.00% in its February meeting. KResearch expects to see one more rate cut this year*



Bangkok Post

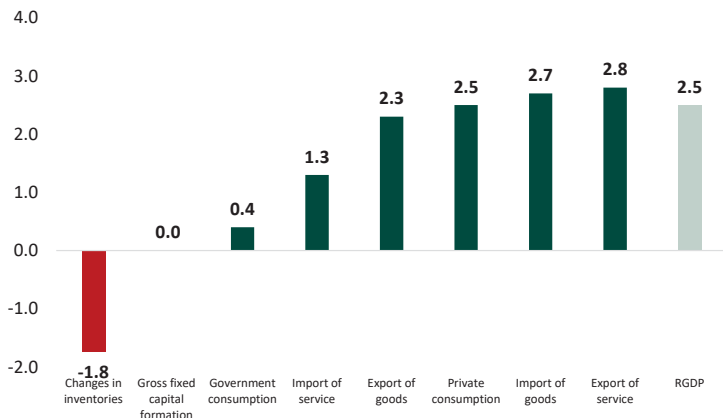
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9

## Thailand's GDP grew 2.5% in 2024, slightly less than our projected 2.6%

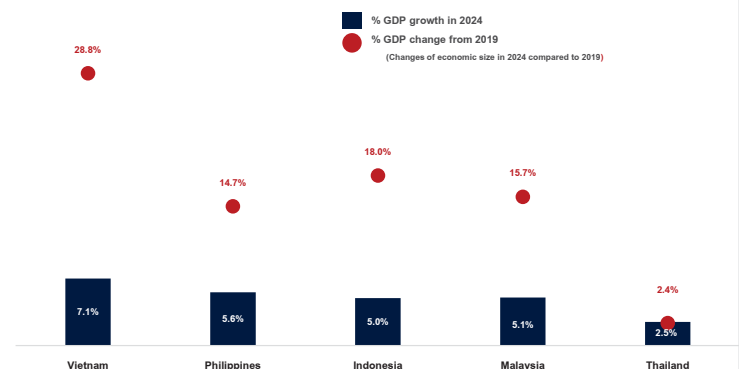
The Thai economy in 2024 grew slightly below our forecast, mainly due to a larger-than-expected inventory contraction

Contribution to GDP growth in 2024 (%)



Thailand's economic recovery has lagged behind other countries in the region

Real GDP regional comparison in 2024



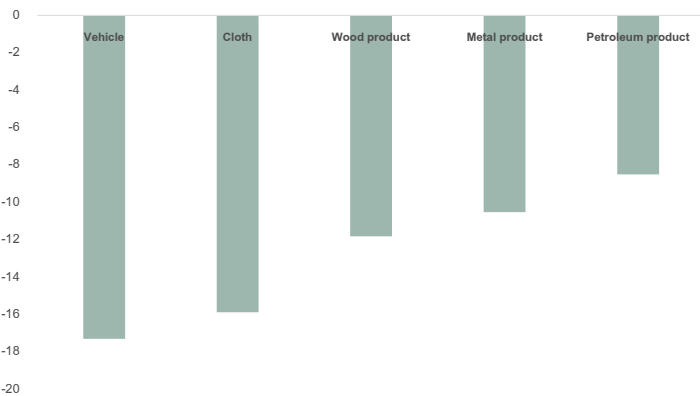
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10

## The lower-than-expected inventories in 4Q24 signal a mismatch between exports and domestic production

Thailand's industrial inventory was mainly dragged by automotive and apparel sectors

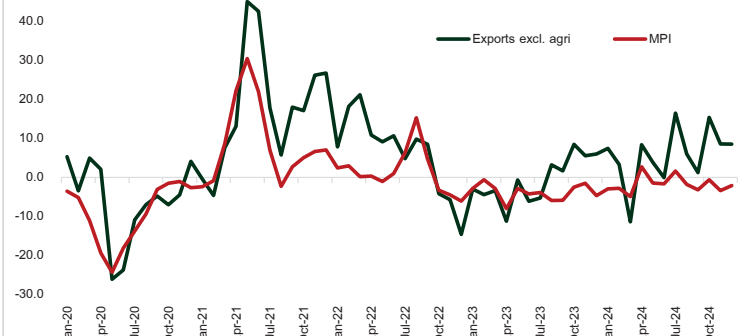
Industrial inventory in 4Q2024 (%YoY)



Source: MOC, OIE

Thailand's manufacturing sector has been sluggish despite a robust export growth

Manufacturing exports and domestic production growth (%YoY)



11

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## Thailand's economy is forecast to slightly slow to 2.4% in 2025 with uncertain global backdrop

Key Indicators (%YoY except otherwise stated)	2023	2024	2025f (as of Dec 2024)	2025f (as of Feb 2025)
GDP	2.0	2.5	2.4	2.4
Private consumption	6.9	4.4	2.4	2.4
Public consumption	-4.7	2.5	3.6	2.5
Investment	1.2	0.0	2.6	2.7
- Private	3.1	-1.6	2.0	2.5
- Public	-4.2	4.8	5.5	5.0
Exports (Customs based in USD)	-0.8	5.4	2.5	2.5
Imports (Customs based in USD)	-4.2	6.3	3.4	3.4
Headline inflation	1.2	0.4	0.7	0.7
Average Dubai crude oil price (USD/Barrel)	82.0	79.7	76.0	76.0
No. of international tourist arrivals (Mn persons)	28.2	35.5	37.5	37.5

Source: NESDC, MOC, MOTs, forecasted by KResearch

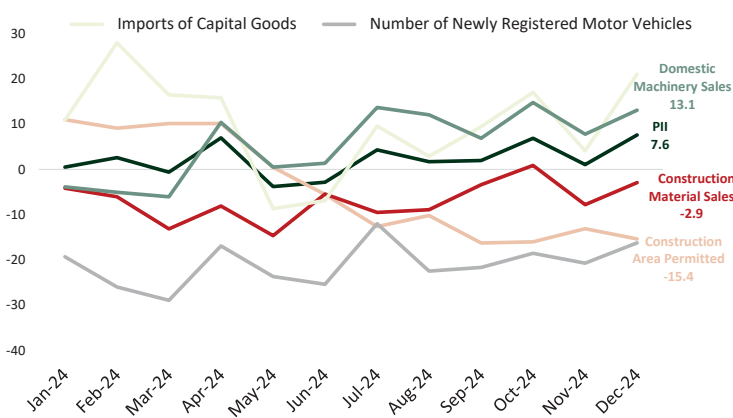
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12

## Private investment is expected to accelerate in 2025, driven by foreign investment inflows and a low base from the previous year

### Machinery investment has surged, while construction investment remains a drag

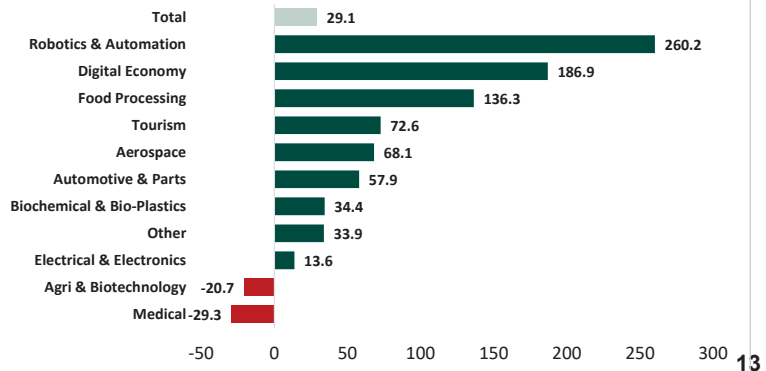
Private Investment Index (%YoY)



Source: BOT, BOI

### Thailand has seen an increase in BOI application value, especially in robotics, data center, and tourism

Investment value of BOI-approved applications by Industry (%YoY)

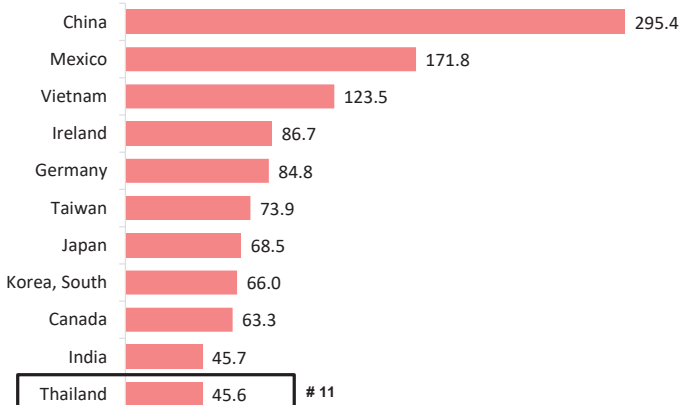


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## Thailand has the highest measure of “tariff” against US imports in ASEAN. As such, Thailand looks vulnerable to US reciprocal tariff hikes

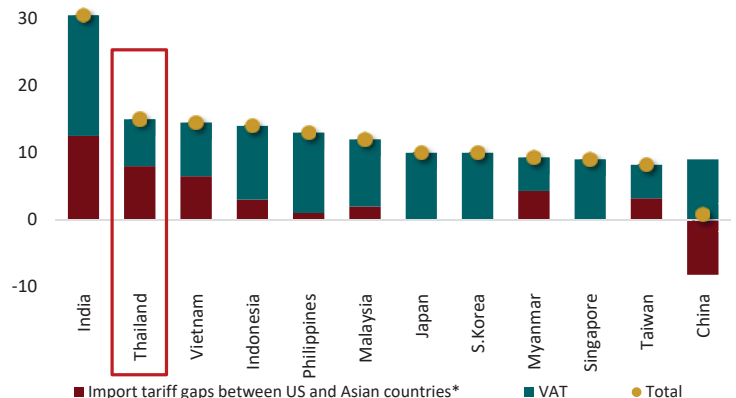
### Thailand is ranked 11<sup>th</sup> among countries with the highest trade surplus with the US

Trade surplus against the US in 2024 (billion dollar)



### Thailand faces the highest risk of US reciprocal tariffs among ASEAN countries

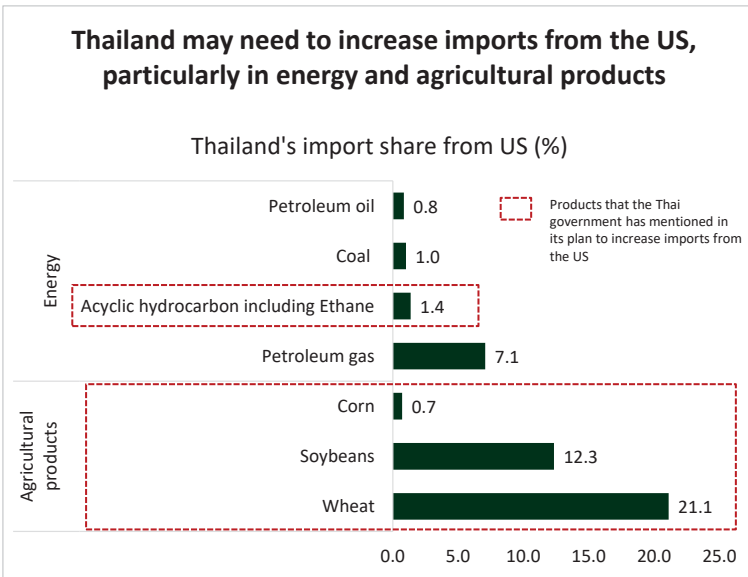
Import tariff gaps between US and partners, VAT (%)



Source: United States Census Bureau, WTO, Aseanbriefing.com, Tradingeconomics.com, PwC.com, Capital Economics  
\*Import tariff gaps between US and Asian countries = MFN rate of each countries - US MFN

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# Thailand may need to increase imports from the US, especially for products that have not yet been widely opened to the US market, to reduce its trade surplus with the US



Source: WTO, Trademap using 2023 data

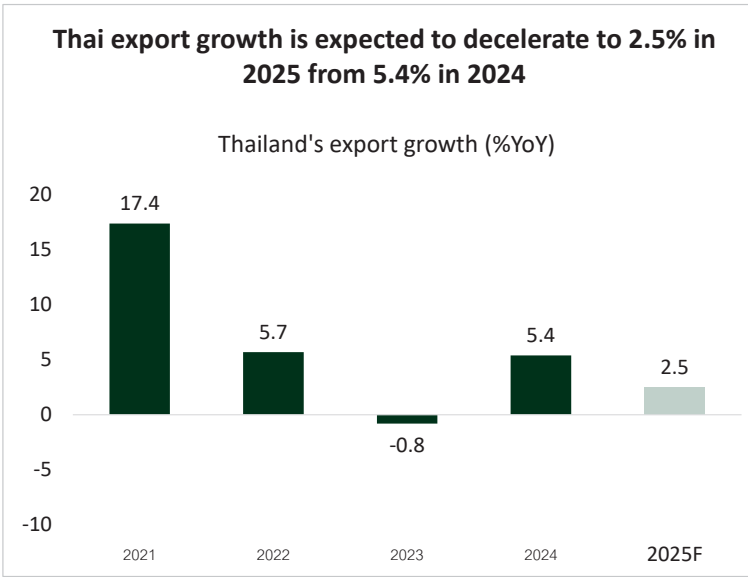
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## Lesson from India: US-India trade deal approach following allegations of India's unfair tariff practices

Trade deal	Details/products
Bilateral trade goal	Double bilateral trade value to 500 billion dollar by 2030 (Mission 500)
Increase imports of US interested industries	<b>Agricultural products:</b> almonds, walnuts, soybeans <b>Technology</b> semiconductors, quantum computing <b>Medical equipment:</b> MRI machines, pacemakers <b>Energy</b> Natural gas and fuel oil <b>Defense</b> drones, fighter jets (F-35)
Tariff Reduction	Harley Davidson bike, bourbon whiskey and Californian wine

15

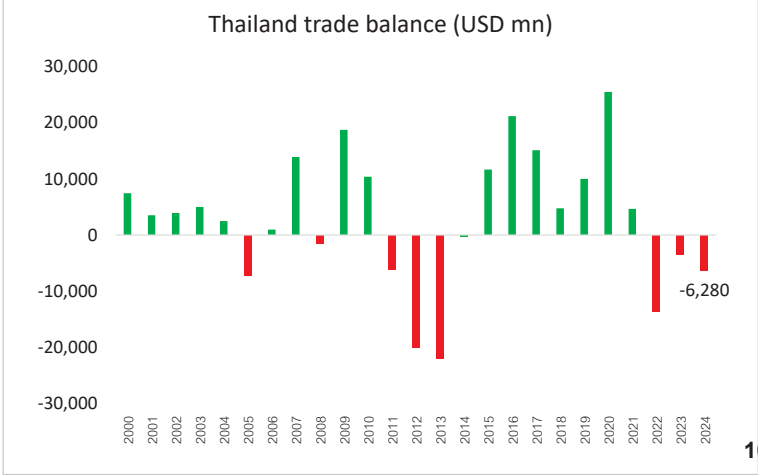
# Thai exports in 2025 are likely to falter due to the renewed trade war, despite some support from frontloading and the ongoing electronics upcycle



Source: MOC, forecasted by KResearch as of Jan 2025

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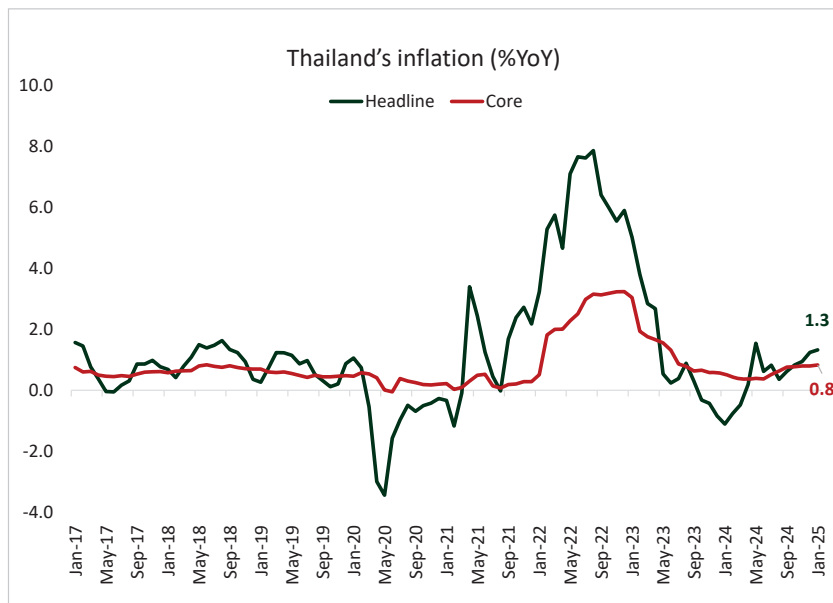
## Thailand could pose a trade deficit for the fourth consecutive year in 2025



16



## Thai inflation accelerated but is expected to decline after the low base effect in Q1 fades. We still maintain our 2025 inflation forecast at 0.7%



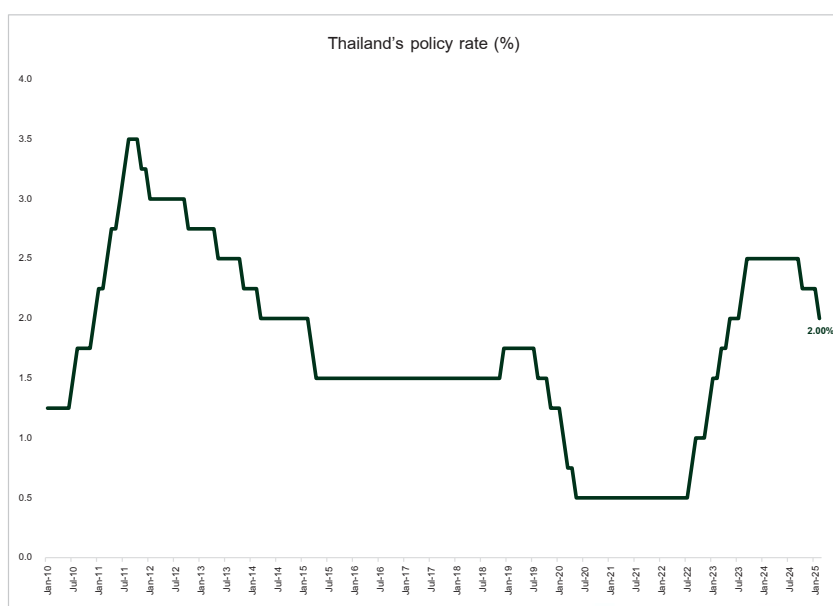
Source: MOC

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- Thailand's headline inflation rose to 1.32% YoY in January 2025, while core inflation increased to 0.83% YoY, primarily driven by the low base effect.
- KResearch maintains 2025 headline inflation forecast at 0.7%.
  - Inflation is expected to decline after the Q1 2025 low base effect fades
  - Government measures to reduce energy prices, along with lower global crude oil prices
  - Core inflation will be pressured by weak domestic demand and high household debt

17

## The BOT cut the rate to 2.00% in its February 2025 meeting. KResearch expects to see one more rate cut this year



Source: MOC

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- The Bank of Thailand's MPC cut the policy rate by 0.25% to 2.00%, giving more weight to economic risks amid weaker growth and uncertainty from US trade policies.
- The rate cut aims to ease financial tightening, especially for SME loans, and is partly driven by the recent rapid appreciation of the Thai baht.
- KResearch expects one more rate cut later this year, but not immediately, pending upon Q1 2025 GDP data and clearer effects from US trade policies.

18

