Thailand Monthly Economic Monitor

22 April 2025

WORLD BANK GROUP

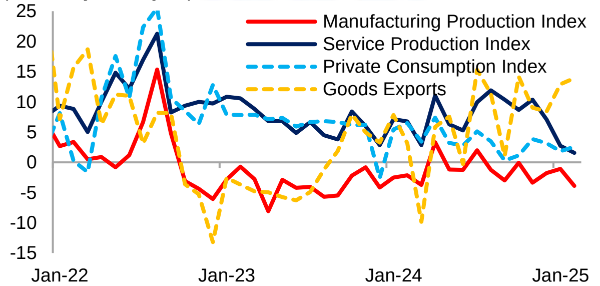
Thailand's economic activity showed mixed signals in February. Steady consumption and strong exports were offset by a sharp contraction in private investment due to rising uncertainty. Goods exports remained a key driver, bolstered by robust shipments to the US and China, in part due to frontloading amid rising global trade uncertainties. However, mounting risks from global trade uncertainty are a concern. The tourism recovery softened, influenced by seasonal factors and a decline in Chinese arrivals. Additionally, the recent earthquake may negatively impact future tourist numbers. Inflation continued to decline in March, prompting further monetary easing. Financial markets weakened as risk-off sentiment and policy uncertainty eroded investor confidence, resulting in Thai baht depreciation despite a strong current account surplus.

Economic activity showed mixed signals, with stable private consumption and strong exports offset by a sharp decline in private investment amid rising uncertainty. In February, private consumption expanded modestly, supported by the ongoing recovery and fiscal stimulus. The third phase of the Digital Wallet (THB 10,000 cash transfers to 3 million elderly) was implemented but high household debt and tighter credit standards continued to weigh on spending. Goods exports maintained strong growth, partly due to accelerated shipments amid rising global trade uncertainty (Fig. 1). However, ongoing uncertainty weighed on sentiment; private investment index contracted sharply, mirroring declines in consumer confidence and continued weakness in manufacturing output (Fig. 2). The recent earthquake in Myanmar and northern Thailand has added further uncertainty regarding the extent of infrastructure damage and potential impacts on tourism.

Tourist arrivals, particularly from China, softened. In February, tourist arrivals declined by 6.9 percent year-on-year, reaching 87 percent of pre-pandemic levels (Fig. 3). While most tourist arrivals from major sources have surpassed pre-pandemic levels, Chinese arrivals remained below and dropped by 40 percent year-on-year to 35 percent of the pre-pandemic levels. The slowdown was driven by the timing of the Lunar New Year, which took place earlier in late January. The Ramadan also weighed on arrivals from key markets (e.g. Malaysia, Indonesia, India, and the Middle East). Additionally, the recent earthquake may dampen arrivals in April, as uncertainty about the extent of the damage could affect tourist confidence.

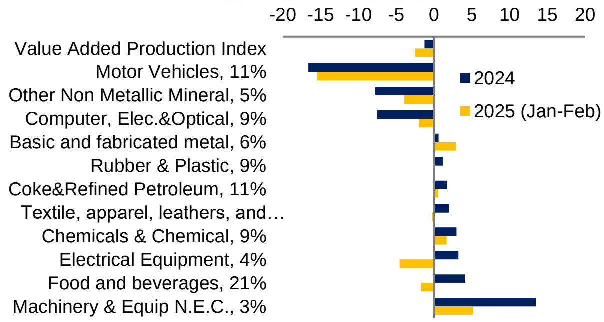
Thailand's goods exports continued to strengthen in February, driven by strong exports to the US and China. Goods exports continued double-digit growth for two consecutive months at 13.9 percent year-on-year in February, the highest in four months. Manufacturing exports, including agro-manufacturing, electrical appliances, rubber, chemical, and electronics contributed to the solid expansion. This improvement

Figure 1: Goods exports remained solid while manufacturing contracted
(Percent, year-on-year)



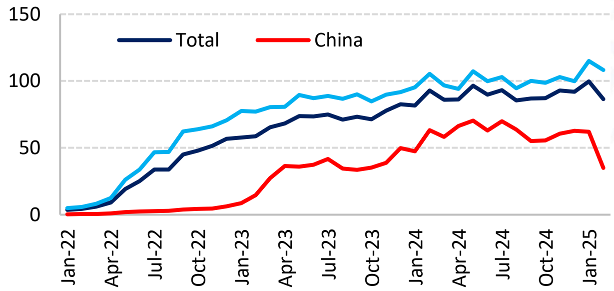
Source: Haver Analytics; CEIC; World Bank staff calculations.

Figure 2: Industrial production, particularly motor vehicles, contracted sharply
(Value added production index, Percent, year-on-year)



Source: CEIC; World Bank staff calculations

Figure 3: Tourism declined in February
(Tourist arrivals, percent of the 2019 level)



Source: CEIC; World Bank staff calculations.

was supported by accelerated exports to the US and China, due to frontloading amid rising global trade uncertainties (Fig. 4). Meanwhile, exports to Japan and ASEAN started to contract.

Global trade policy uncertainty poses a significant risk to Thailand's export-driven economy. With exports to the US accounting for 18 percent of total exports (about 10 percent of GDP), the country remains highly exposed to shifts in trade policy and global economic activity. Uncertainty surrounding unfolding trade measures is expected to weigh on both exports and investment. A slowdown in major markets—particularly the US, China, or the EU—could dampen demand for Thai goods and services, including tourism, with knock-on effects on business investment. The recent decline in the global Manufacturing Purchasing Managers' Index (PMI) also signals weaker export demand in the months ahead.

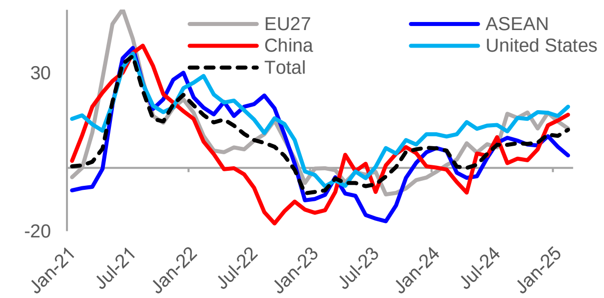
Inflation declined for the third consecutive month in March due to falling energy prices and weak domestic demand. In March, headline inflation fell to 0.8 percent, remaining below the Bank of Thailand's (BOT) 1–3 percent target range for two consecutive month and remaining the lowest among ASEAN (Fig. 5). The decline was broad-based, driven by lower fuel, utility, and medical costs, alongside core inflation dropping to 0.9 percent, reflecting softer domestic demand. Energy price inflation contracted for the first time in five months due to falling global oil prices and lower electricity tariff rates. Given anchored inflation expectations, BOT has lowered the policy rate twice since October 2024, to 2.0 percent to alleviate household debt-servicing pressure amid recent tightening credit standards. Additionally, the BOT also implemented eased macroprudential policies, including relaxing mortgage loan-to-value ratios.

The central government's fiscal deficit widened as increased spending outpaced stronger tax collection. In the first five months of FY 2025 (October-February), the central government's fiscal deficit (GFS basis) widened 6.7 percent of GDP, higher than 4.4 percent same period last fiscal year, due to accelerated current and capital spending (Fig. 6). Fiscal revenue reached its highest level since 2020, supported by higher collection from personal income tax, VAT, and fuel excise tax—reflecting the termination of the diesel tax cut in April last year. However, the increase in spending outpaced revenue gains, as both current and capital budget execution accelerated.

The Thai baht depreciated in April as global markets shifted to a risk-off mode, despite the highest current account surplus in five years. In the first week of April, the baht's nominal effective exchange rate (NEER) depreciated by 1.5 percent, in line with other major ASEAN currencies (Fig. 7). The US announcement of reciprocal tariffs increased policy uncertainty surrounding global trade. As a result, the baht depreciated despite an improved current account surplus. The

Figure 4: Exports to major trading partners continued to expand

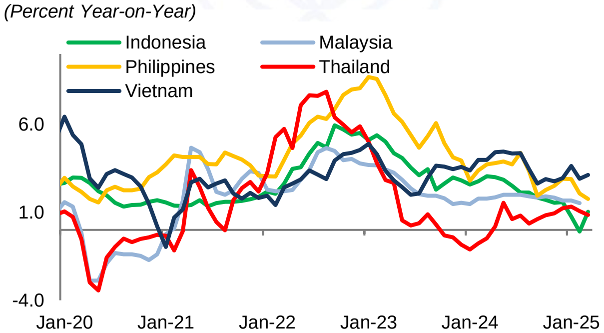
(Percent, 3mma, year-on-year)



Source: CEIC; **World Bank staff calculations.**

Figure 5: Inflation remained the lowest among emerging market peers

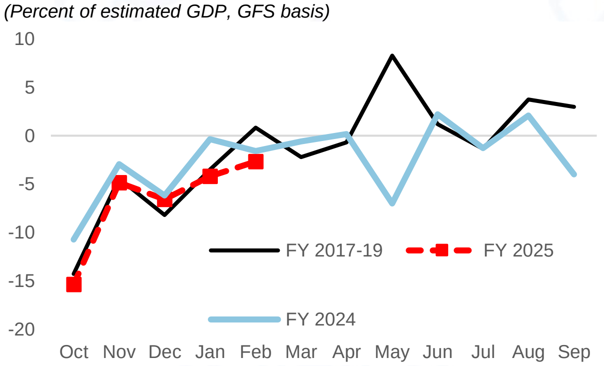
(Percent Year-on-Year)



Source: CEIC; **World Bank staff calculations.**

Figure 6: The fiscal budget deficit widened

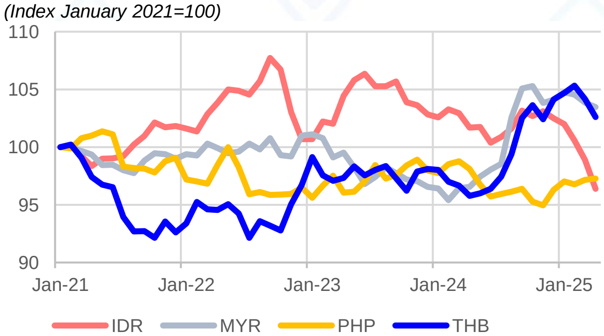
(Percent of estimated GDP, GFS basis)



Source: CEIC; **World Bank staff calculations.**

Figure 7: THB NEER depreciated on general US dollar strength

(Index January 2021=100)

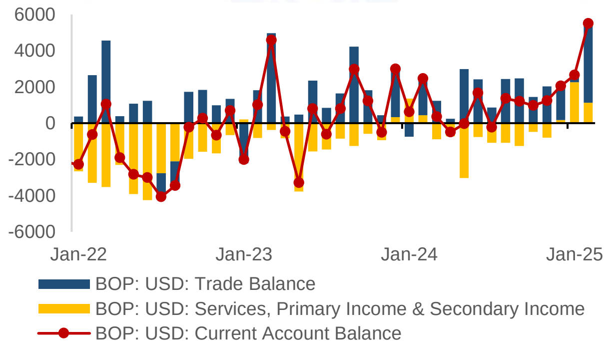


Note: **Average of the first 7 days for April**

Source: CEIC; **World Bank staff calculations.**

current account surplus rose to USD 5.5 billion (13 percent of GDP)—the highest level since the pandemic—driven by a stronger goods trade balance and lower fuel import bills (Fig. 8). Investor sentiment remained weak. The Thai stock market index declined by 7.2 percent in the first week of April, continuing a four-month downward trend amid global uncertainty and a subdued domestic recovery. The 5-year government bond yield fell by 12 basis points during the same period. Foreign portfolio investment saw net outflows from the equity market, partially offset by net inflows into government bonds.

Figure 8: The current account surplus reached a post-2020 high
(USD million)



Source: CEIC; **World Bank staff calculations.**

News Highlights:

- Second 'You Fight, We Help' phase may aid 1.7m debtors. (Bangkok Post, Link).
- Thailand maps out strategy for tariff negotiations in US. (Bangkok Post, Link).
- Thailand aims for over 3percent growth with B150bn stimulus (Bangkok Post, Link).

Issues to Watch:

- Trade: How will potential US trade policy changes affect the Thai economy?
- Tourism: Will the recent earthquake and trade policy uncertainty affect the tourism outlook?
- Fiscal: Will the government roll out the remaining THB 10,000 cash handout?

Prepared by Warunthorn Puthong (Economist). For further questions, please email wputhong@worldbank.org

Selected Economic and Financial Indicators

	2024	2024				2024		2025		
		Q1	Q2	Q3	Q4	Nov	Dec	Jan	Feb	Mar
GDP and Inflation (%YoY)										
GDP growth (real)	2.5	1.7	2.3	3.0	3.2					
Contribution to GDP growth:										
Private consumption	2.6	3.6	2.8	2.1	1.9					
General Government consumption	0.4	-0.3	0.1	1.0	0.8					
Gross fixed capital formulation: Private	-0.3	0.8	-1.2	-0.5	-0.4					
Gross fixed capital formulation: Public	0.3	-1.9	-0.3	1.8	1.6					
Net Exports of goods and services	1.3	-0.8	3.4	0.2	2.4					
Change in Inventory	0.0	-0.1	-2.6	-1.7	-2.7					
Residual and errors	-1.7	0.4	0.0	0.1	-0.4					
GDP, nominal (USD Billion)	527	130	123	133	142					
GDP, nominal (THB Billion)	18579	4,623	4,521	4,616	4,819					
Consumer Prices Index: Headline	0.4	-0.8	0.8	1.0	1.0	1.0	1.2	1.3	1.1	0.8
Consumer Prices Index: Core	0.6	0.5	0.4	0.4	0.8	0.8	0.8	0.8	1.0	0.9
Output Indicators										
Manufacturing Production Index (%YoY)	-1.2	-2.8	0.3	-0.8	-1.7	-3.3	-1.8	-1.1	-3.9	
Capacity Utilisation (%)	59.0	61.0	58.3	58.8	57.7	58.2	56.5	59.9	59.0	
Farm Production Index (%YoY)	-1.0	-2.9	-1.5	0.0	0.3	-0.1	2.1	2.8	3.7	
Service Index (%YoY)	8.2	5.6	7.9	10.7	8.5	10.1	6.6	2.9	1.7	
Labor Market										
Unemployed workers (Thousand Persons)	402.2	407.7	429.1	413.9	358.2					
Unemployment rate (%)	1.0	1.0	1.1	1.0	0.9					
Underemployment/1 (Thousand Persons)	192.4	191.5	162.4	191.9	223.6					
Underemployment (%)	0.5	0.5	0.4	0.5	0.6					
Balance of Payments (USD million)										
Current account	11,089	3,407	1,120	2,328	4,235	1,229	2,046	2,657	5,490	
Current account (% of GDP)	2.1	2.6	0.9	1.8	3.0	2.8	4.7	6.0	12.5	
Trade Balance	19,274	2,495	5,655	5,773	5,351	2,023	1,882	404	4,366	
Exports of goods (%YoY)	23	-0.5	4.3	8.9	10.6	9.1	8.4	12.9	13.9	
Imports of goods (%YoY)	25	2.6	0.8	11.3	10.7	2.3	13.4	7.5	4.1	
Service, primary and secondary Income	-8,184	912	-4,535	-3,445	-1,116	-794	165	2,253	1,124	
Tourist Arrivals (Thousand Persons)	35,546	9,370	8,131	8,588	9,457	3,150	3,627	3,709	3,119	
Financial account	-16,148	-5097.2	-2380.2	550.9	-9221.8					
Financial account (% of GDP)	-3.0	-3.9	-1.9	0.4	-6.5					
Foreign direct Investment, net	2,429	1,301	-854	-514	2,496					
Portfolio flows	-19,977	-4,494	-3,052	-1,874	-10,557					
Others Investments	562	-1,779	1,661	2,286	-1,606					
Central Government Budget (Fiscal Year, THB billion)/2										
Revenue	3,432	698	953	1,019	762	231	277	271	219	
Expenditure	4,014	737	1,023	1,069	1,185	308	383	337	261	
Central Government balance	-582	-39	-70	-50	-423	-77	-106	-67	-43	
Central Government balance (% of GDP)	-3.1	-0.8	-1.6	-1.1	-8.8					
Public debt (% of GDP)	63.2	63.6	63.3	63.2	63.8	64.3	63.8	64.1	64.2	
Financial Markets Indicators										
Policy rate (%)	2.25	2.50	2.50	2.50	2.25	2.25	2.25	2.25	2.00	2.00
M2 (%YoY)	2.30	1.7	2.4	2.3	2.7	2.7	2.4	2.8	2.5	-
Household Debt (% of GDP)	-	90.7	89.7	88.9						
SET Index	1,400	1,378	1,301	1,449	1400	1,428	1,400	1,315	1,204	1,158
Thai government bond yield, 10 year (%)	2.25	2.50	2.66	2.47	2.25	2.29	2.25	2.30	2.17	2.06
Foreign exchange reserve and FX forward position (USD billion)	262	253	253	269	262	264	262	266	268	270
USD/THB, end of period	33.99	36.47	36.85	32.29	34.0	34.29	33.99	33.65	34.08	33.93
THB NEER, average	121.0	118.8	117.2	121.8	126.3	125.0	127.1	127.7	128.3	127.0

1/ Underemployment accounts for workers who are occupied less than 35 hours per week and are available for additional work (defined by BOT).
2/ Fiscal Year 2025 begins in October 2024 and ends in September 2025, Fiscal Balance according to GFS.

Source: Office of the National Economic and Social Development Council, Bank of Thailand, Office of Industrial Economics, Ministry of Industry National Statistical Office of Thailand, Fiscal Policy Office, Public Debt Management Office, Haver Analytics.