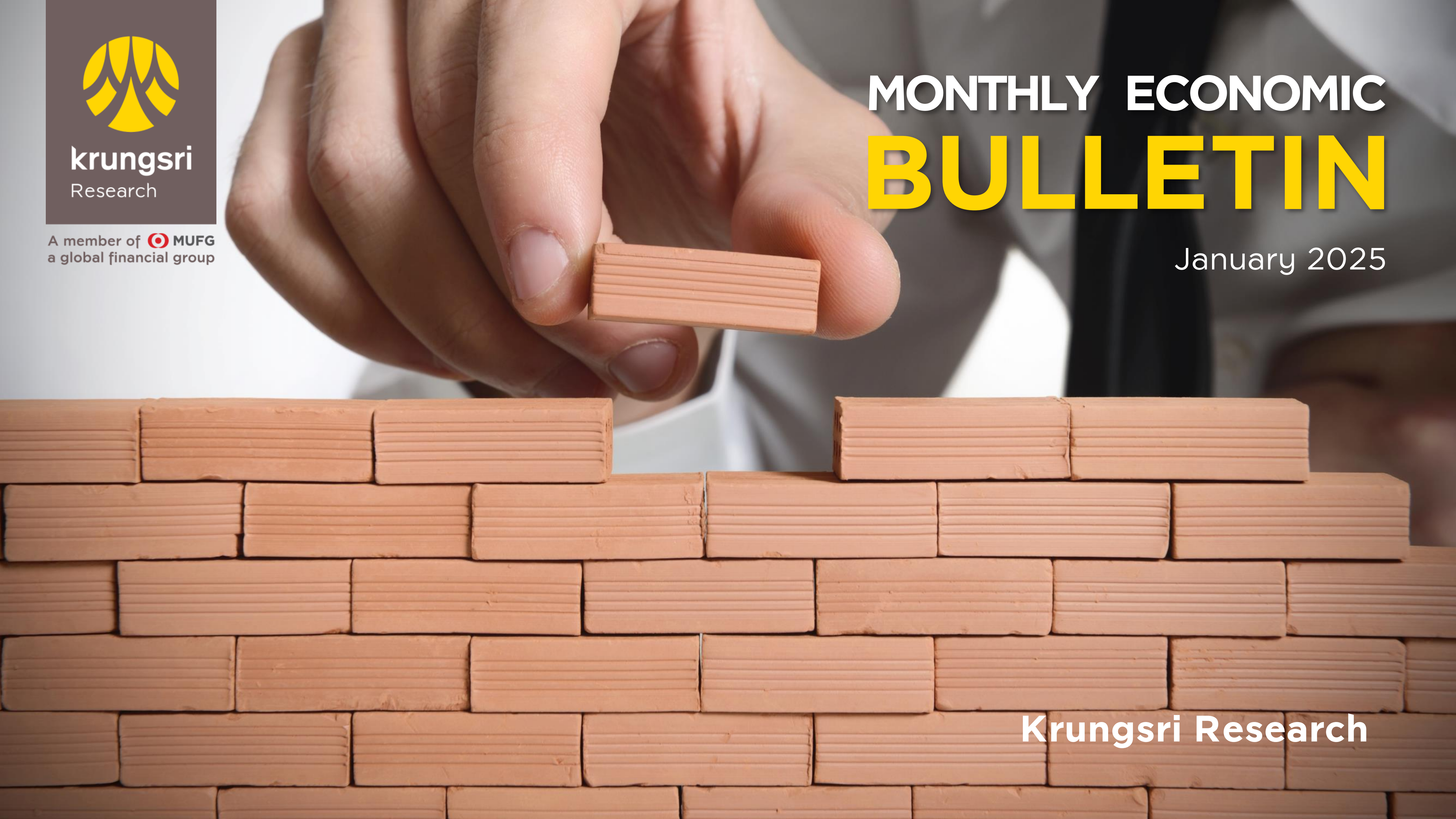
krungsri
Research

A member of MUFG
a global financial group

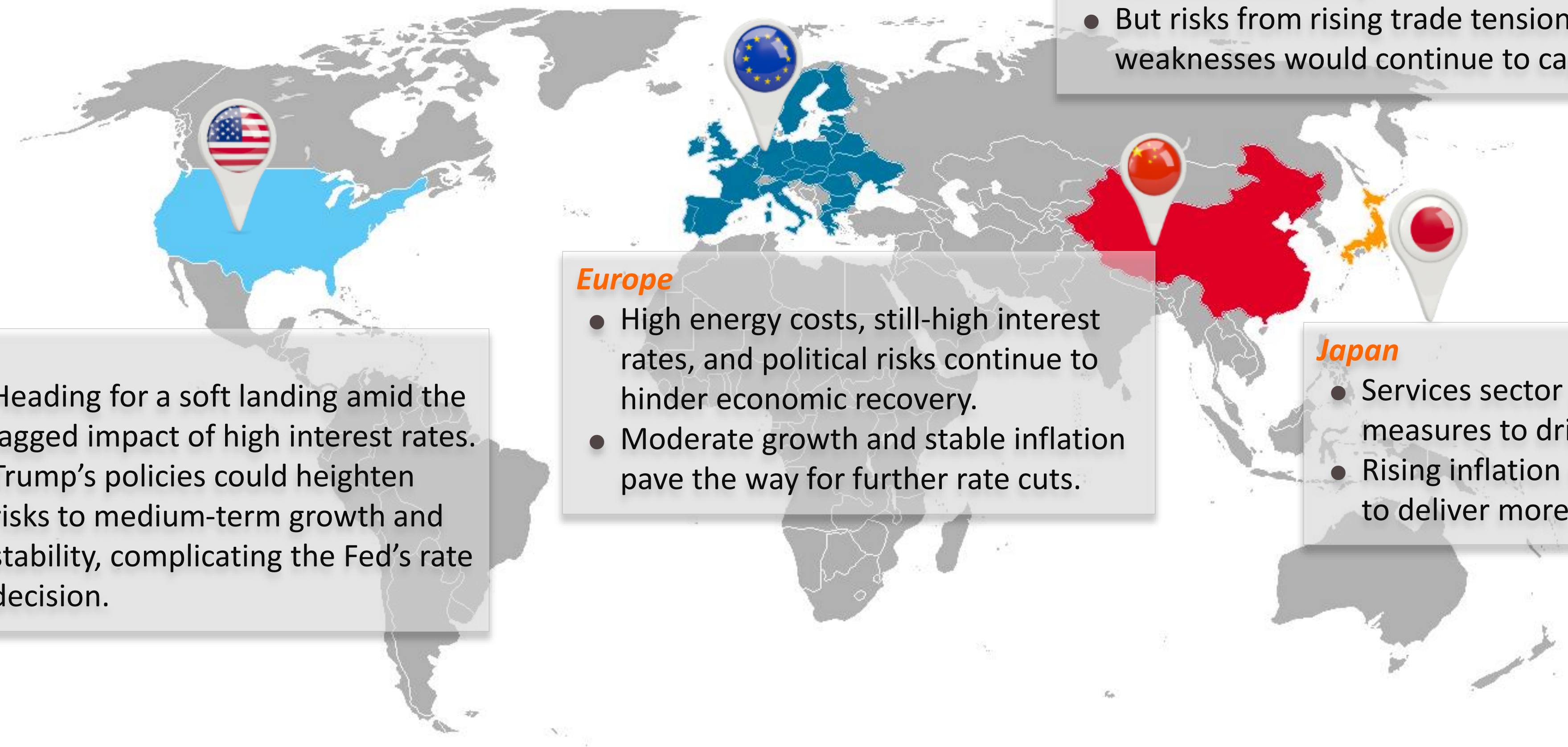
MONTHLY ECONOMIC BULLETIN

January 2025



Krungsri Research

Global: Protectionism, Risk Prevention, and Precarious Recovery



China
- Broader targeted stimuli could help to support the domestic economy.
- But risks from rising trade tensions and structural weaknesses would continue to cap growth.

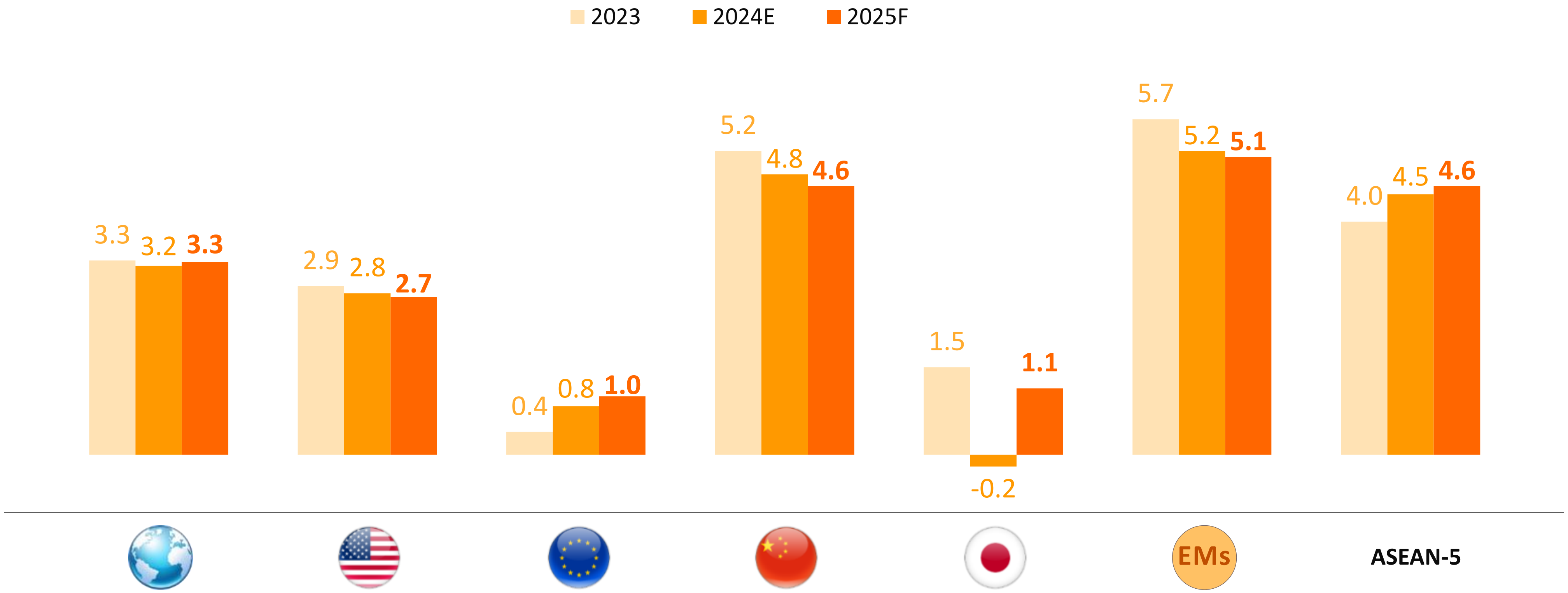
Europe
- High energy costs, still-high interest rates, and political risks continue to hinder economic recovery.
- Moderate growth and stable inflation pave the way for further rate cuts.

US
- Heading for a soft landing amid the lagged impact of high interest rates.
- Trump's policies could heighten risks to medium-term growth and stability, complicating the Fed's rate decision.

Japan
- Services sector and government measures to drive recovery.
- Rising inflation might allow the BOJ to deliver more rate hikes in 2025.

Global economy expected to see sub-par growth again in 2025 amid structural headwinds; there is downside risk amid policy uncertainty

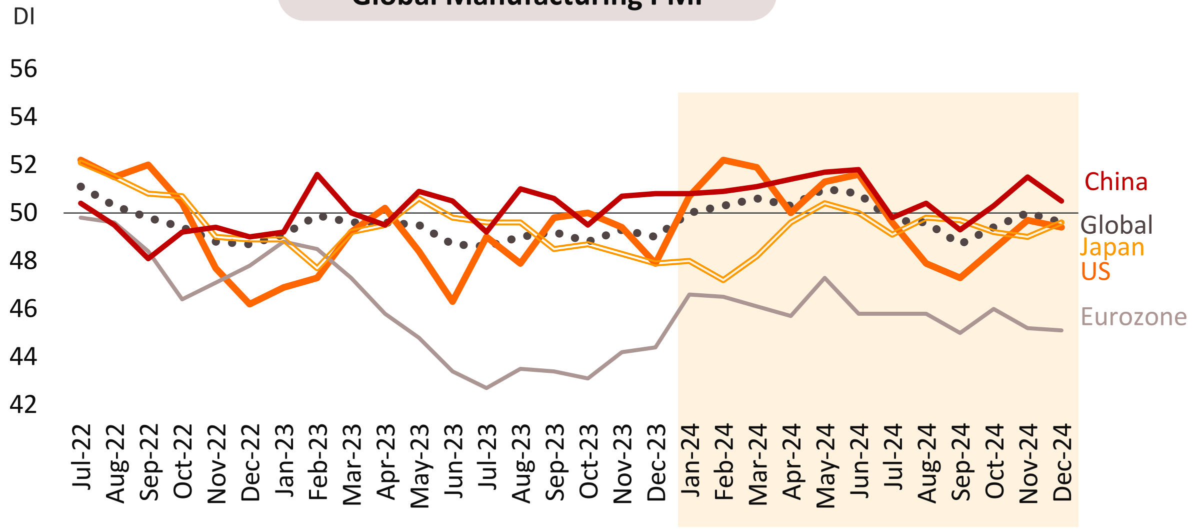
Economic growth projections for global and major economies (%)



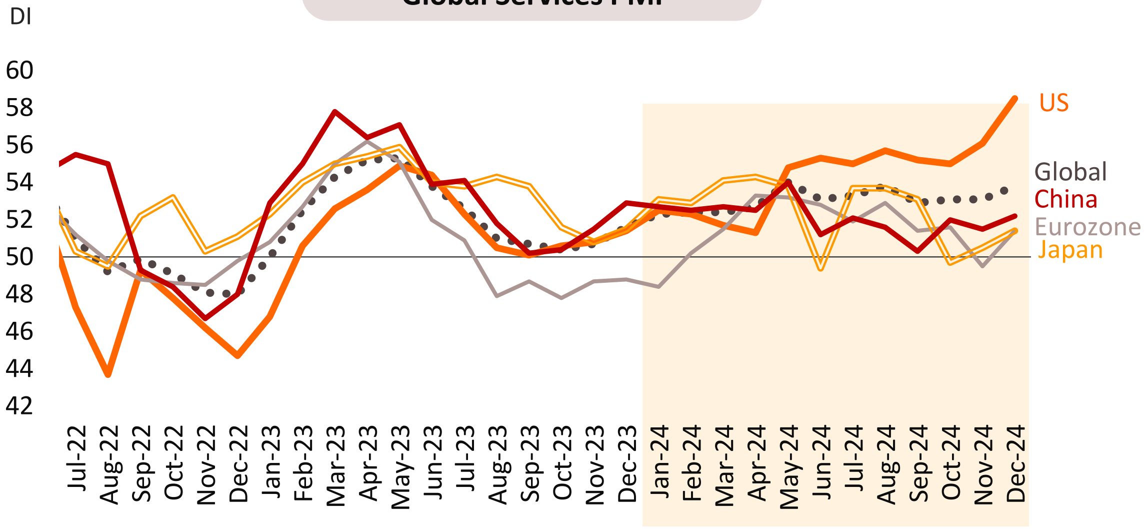
Notes: EMs: Emerging and Developing Asia
Source: IMF, World Economic Outlook (January 2025)

Global manufacturing weakness offset by an expanding services sector; key themes for 2025 are policy uncertainty and stalled disinflation, complicating monetary policy decision

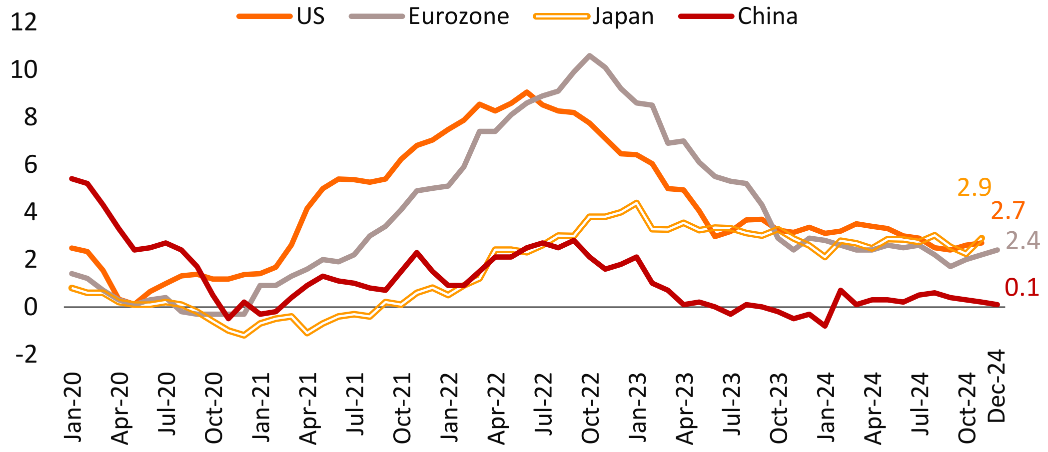
Global Manufacturing PMI



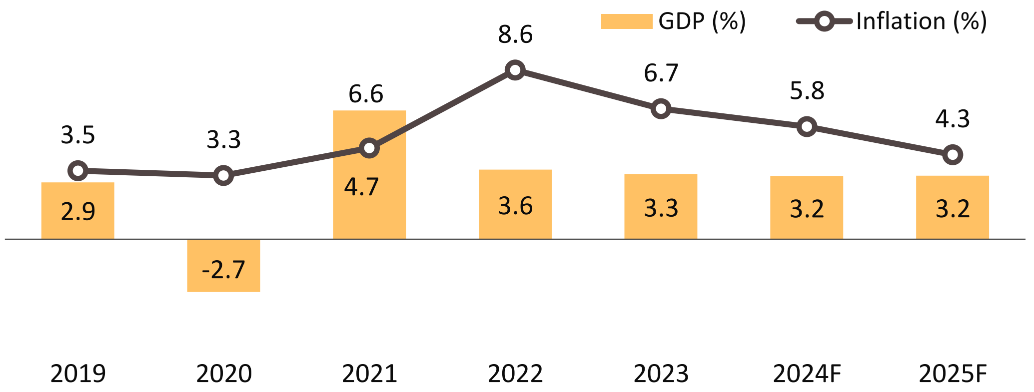
Global Services PMI



Headline inflation in major countries (% YoY)



World GDP Growth and Inflation (IMF)

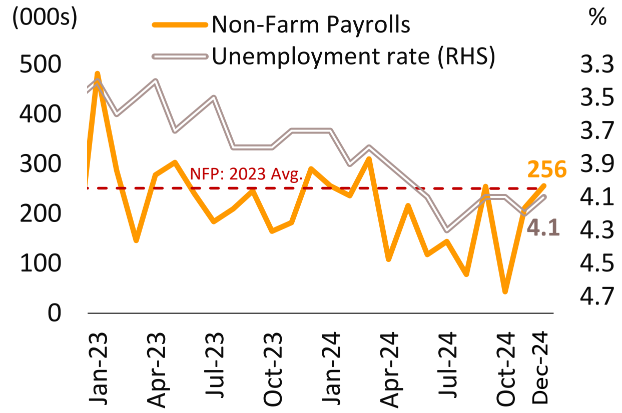


Source: S&P Global PMI, IMF, Bloomberg, CEIC, Krungsri Research

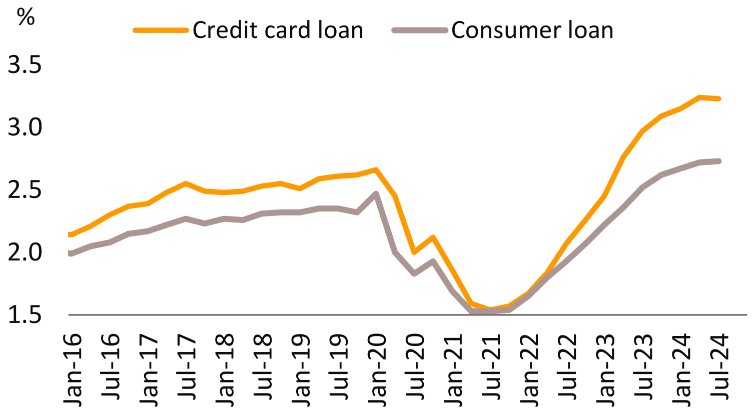
krungsri Research

US: Heading for a soft landing amid lagged impact of high interest rates; Trump's policies could heighten risks to medium-term growth and stability, complicating Fed's rate move

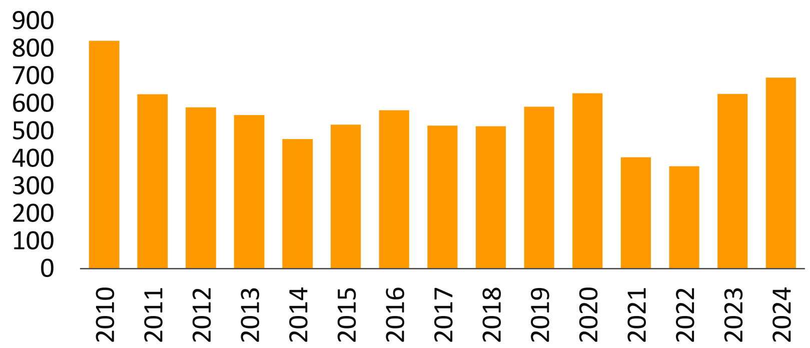
Payrolls and Unemployment



Delinquency rates in consumer and credit card loans



S&P Global Corporate Bankruptcy Filings



Trump's policies	Growth trend	Inflation trend	Risks
Reduce tax rates	Higher ↑	Higher ↑	Bubble/fiscal risks
Reduce regulations	Higher ↑	Higher ↑	Bubble/stability risks
Reduce immigrants	Lower ↓	Higher ↑	Labor shortage
Increase tariffs	Lower ↓	Higher ↑	Stagflation risk
Increase fossil fuels	Uncertain	Lower ↓	Environmental risk
Increase digital assets	Higher ↑	Higher ↑	Bubble risk

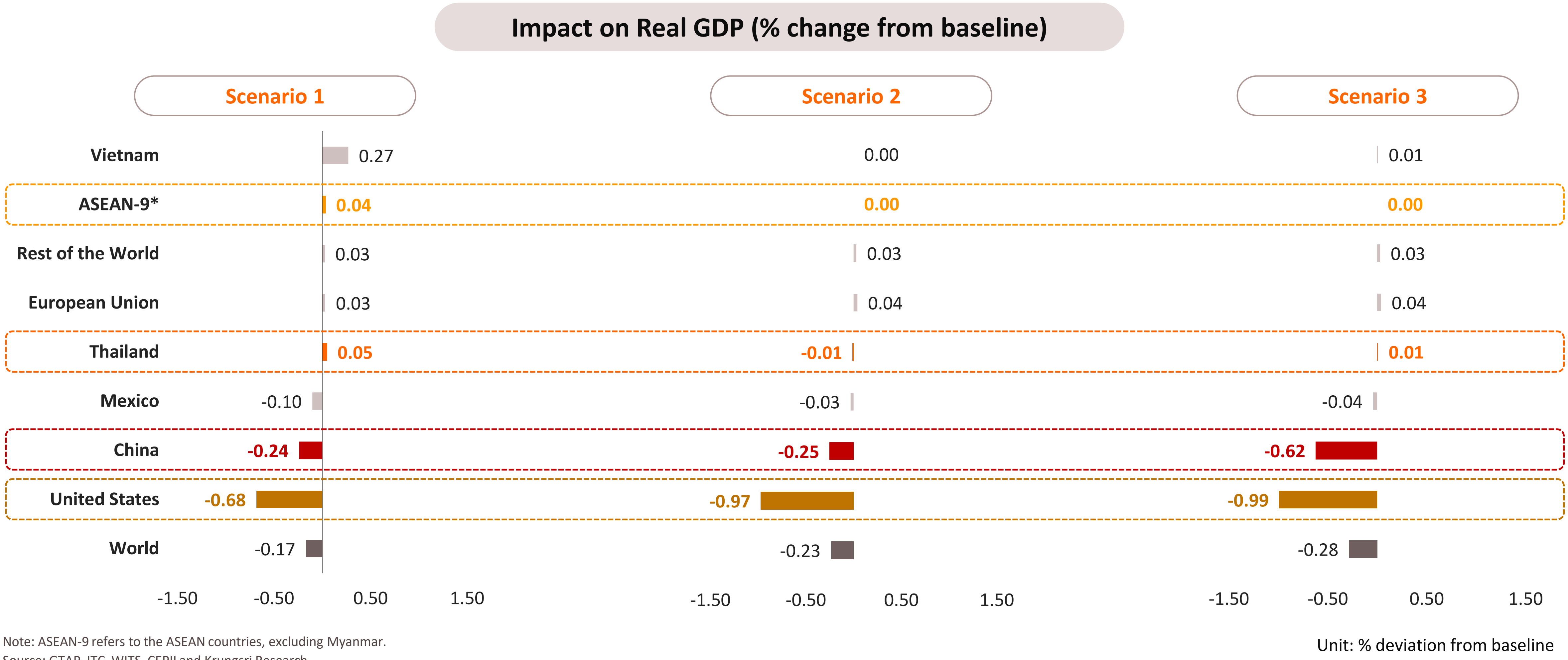
Source: BLS, St. Louis Fed, Capital Economics, Bloomberg, Krungsri Research

Krungsri Research's view

- **The strong employment data, expanding services sector, positive wealth effect, and the Fed's views, suggest the Fed will maintain key interest rates at the next meeting on January 28-29. However, the US faces downside risks from high interest rates and uncertainty surrounding Trump's policies.**
- **Growing concerns about the economic outlook include** (i) a drop in the Consumer Confidence Index in January, (ii) a rise in corporate debt refinancing, (iii) the highest number of bankruptcy filings in 14 years; and (iv) higher delinquency rates, particularly in credit card and auto loans which have reached 10-year highs.
- **Trump's proposals for harsh tariff hikes and immigration policy could harm growth in the medium-to-long term**. However, his key policies relating to tax cuts, deregulation, and digital assets could boost economic growth in the near term.
- **Given these factors, Krungsri Research expects the US to cut policy rates by another 75bps to 3.50-3.75% by the end-2025, to mitigate downside risks to the economy and financial sector. Trump's announcement of major policies would be a key signal of the degree of the Fed's cautious move.**

The US would suffer more from Trump's tariff proposal than China and Rest of World

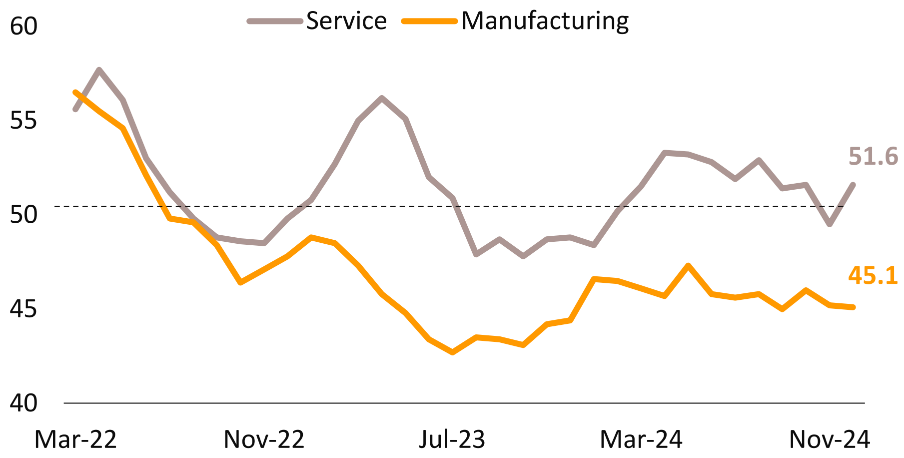
Scenario 1: US imposes 60% tariff on all Chinese goods
Scenario 2: US imposes 60% tariff on all imports from China and 20% on all imports from other countries
Scenario 3: Combination of Scenario 2 plus China retaliates by imposing 60% tariffs on all US goods



Note: ASEAN-9 refers to the ASEAN countries, excluding Myanmar.
Source: GTAP, ITC, WITS, CEPII and Krungsri Research

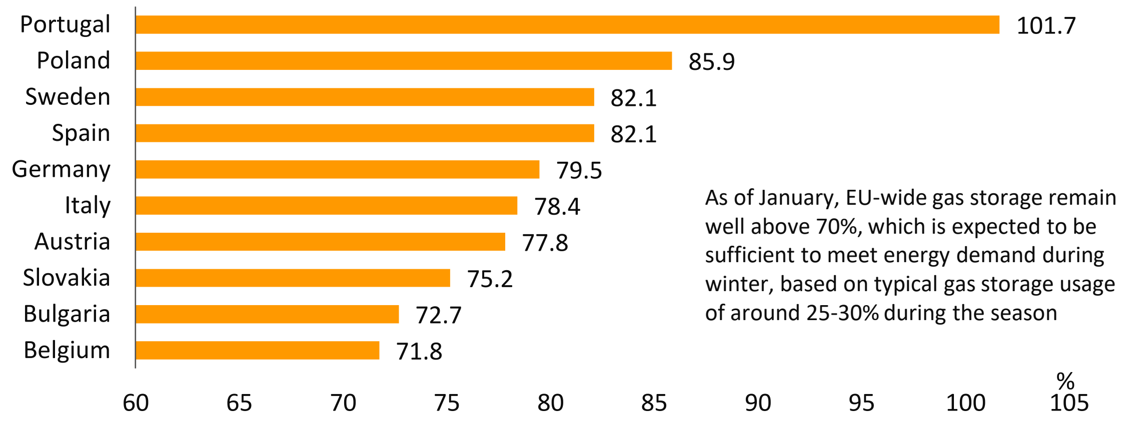
Eurozone: High energy costs, still-high interest rates, and political risks continue to hinder economic recovery, paving the way for further interest rate cuts

Purchasing Manager Index (PMI)

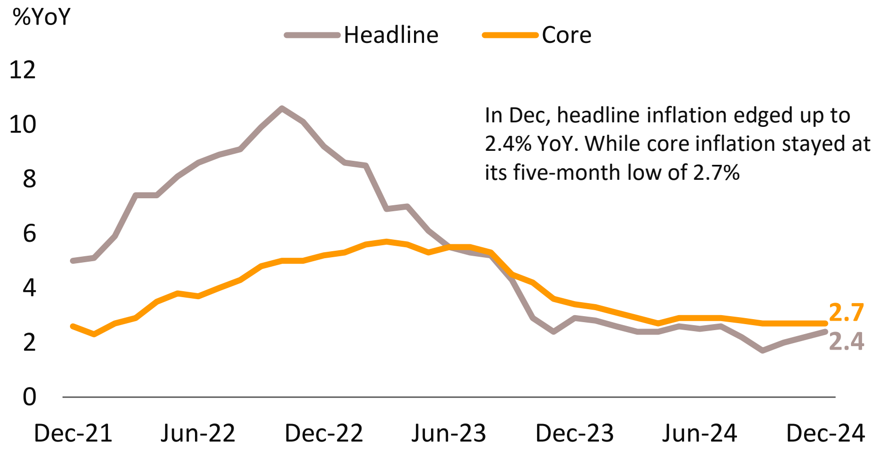


Gas storage capacity by country

(As of January 2025)



Consumer Price Index (CPI)



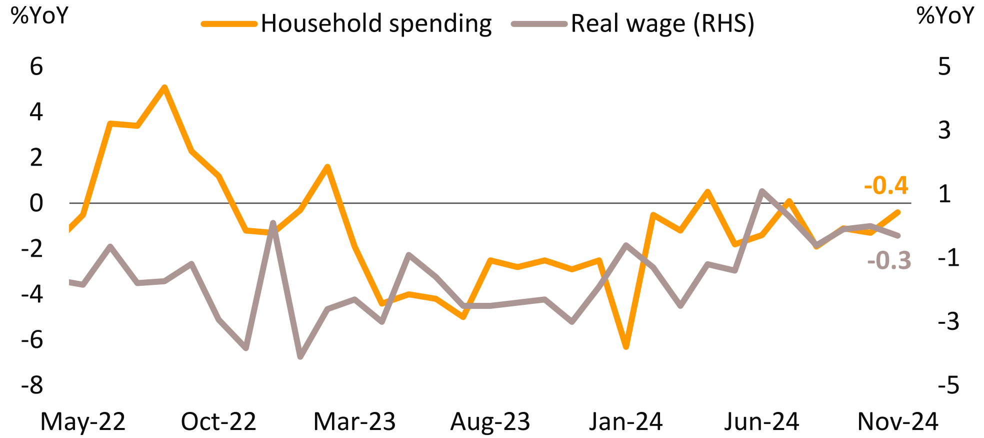
Source: ECB, CEIC, investing.com, Eurostat, Bloomberg, Krungsri Research

Krungsri Research's view

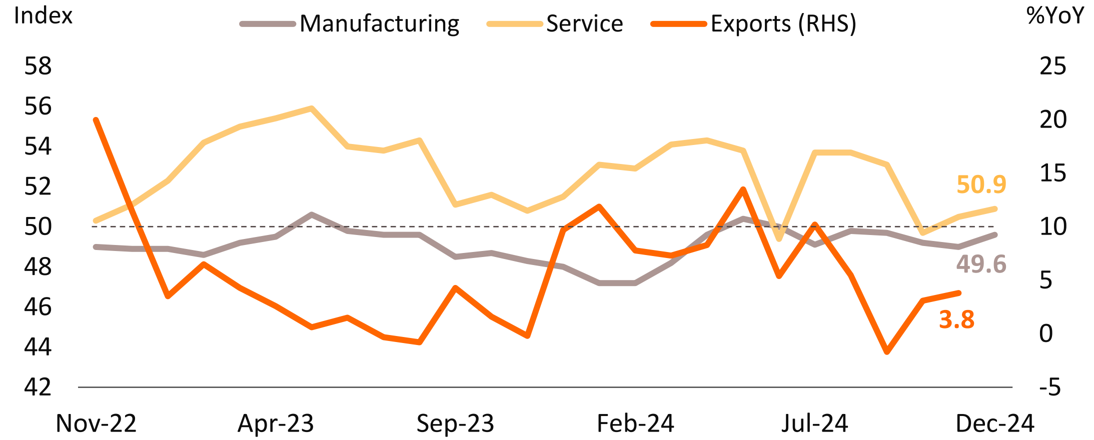
- **High energy costs and still-high interest rates continue to dampen economic activity.** Additionally, there is rising risk in Germany, the EU's largest economy, due to a surge in bankruptcies. These challenges are exacerbated by rising trade tensions, ongoing Russia-Ukraine war, and political risks.
- **Energy prices remain high although the risk of an energy crisis is low.** By November 2024, EU-wide gas storage had exceeded 95%, surpassing the regulatory target of 90% to ensure sufficient supply for the winter months. However, the shift to non-Russian energy sources has driven up costs, further eroding the competitiveness of key industries such as automotive and chemicals.
- **Political upheaval in Germany and France, the EU's two largest economies which contribute over 41% of its GDP, poses a significant threat to Europe's economic recovery.** German Chancellor Olaf Scholz lost a no-confidence vote, dissolving parliament ahead of snap elections on February 23. Similarly, French Prime Minister Michel Barnier was ousted in a parliamentary no-confidence vote. This leadership vacuum risks derailing efforts to address mounting deficits and declining competitiveness across the bloc.
- **More rate cuts ahead.** Moderate economic growth and stable inflation are expected to provide scope for further interest rate cuts. Krungsri Research forecasts the European Central Bank (ECB) will reduce the policy rate by another 100bps to 2.00% by the end of 2025 to mitigate risks of a sharper economic slowdown.

Japan: Services sector and government measures drive recovery while rising inflation may allow the BOJ to deliver more interest rate hikes in 2025

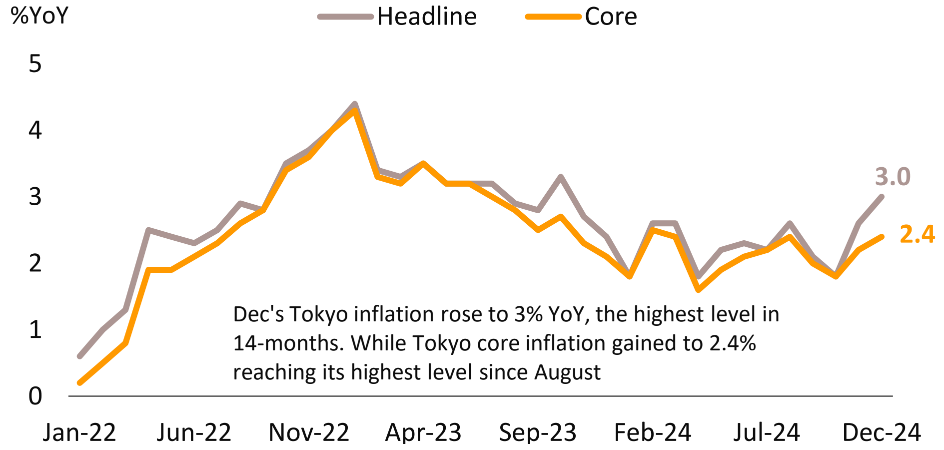
Real Wage Growth and Household Spending



PMI and Exports



Tokyo Consumer Price Index



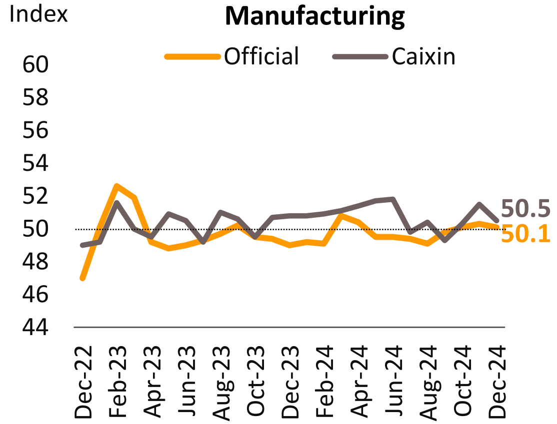
Source: Bank of Japan, CEIC, Investing.com, Krungsri Research

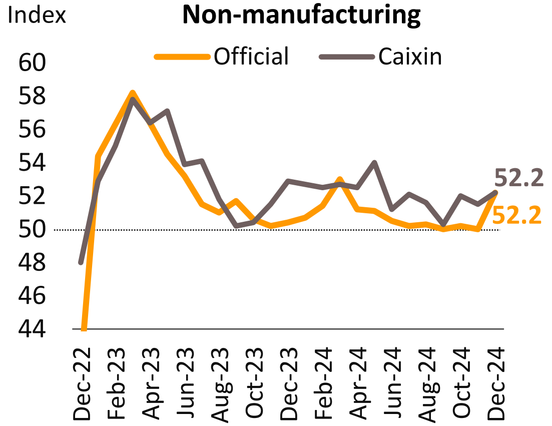
Krungsri Research's view

- **Japan's economic recovery in 2025 is to be driven by several key factors:** (i) strong momentum in wage growth and rising confidence, as firms recognize the need to continue raising wages in 2025 to address structural labor shortage; (ii) expansion in the services sector fueled by improving demand and business growth; (iii) JPY39 trn economic package, aimed at reducing living costs, supporting low-income households, and stimulating investment.
- **However, recovery would remain fragile, with sluggish manufacturing and exports** due to slower economic growth in key trading partners like the US and China, higher competition in the automotive sector, and escalating trade war risks. The government cautions against potential risks from Trump's policies, which could directly or indirectly affect the economy and heighten financial market volatility.
- **Rising inflation and economic recovery could prompt the BOJ to raise interest rates further in 2025.** However, given subdued economic growth and uncertainty surrounding US trade policies, the BOJ is expected to adopt a cautious approach. We expect the BOJ to raise the policy rate by 50bps to 0.75% by the end of 2025 to support the slow recovery.

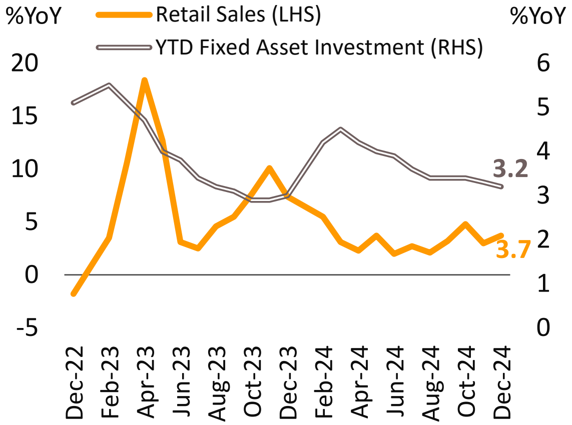
China: Broader targeted stimuli could help support the domestic economy, but risks from rising trade tensions and structural weaknesses would continue to cap growth

Purchasing Managers' Index (PMI)

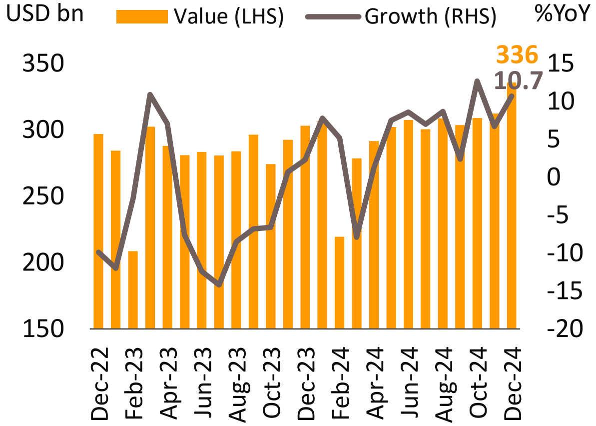




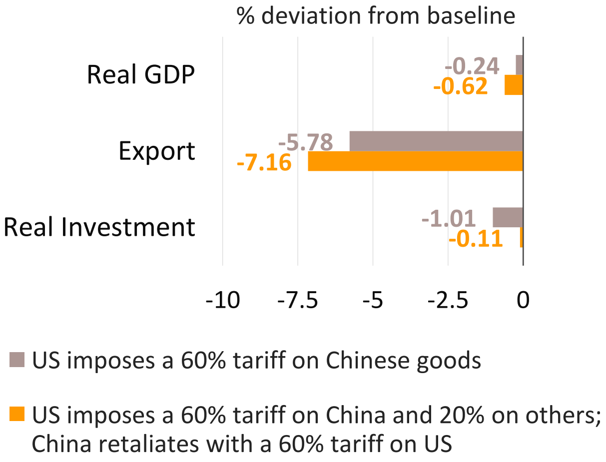
Retail Sales and Fixed Asset Investment



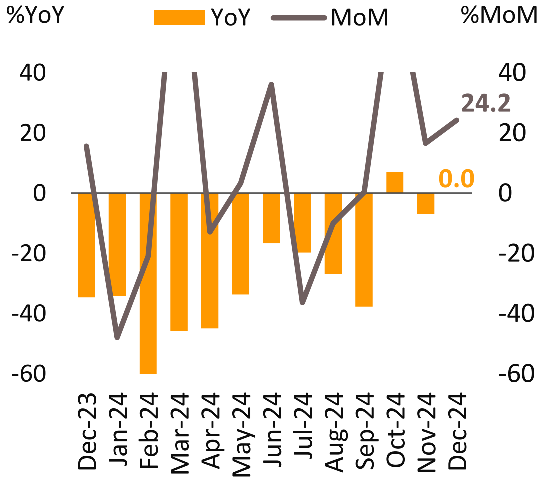
Exports



Potential Impact of US Tariff Hikes



New Home Sales by Top 100 Developers



Source: NBS, CEIC, Bloomberg, Nikkei Asia, China Real Estate Information Corp. and Krungsri Research

Krungsri Research's view

- **The economy remains fragile.** The service sectors will continue to support growth and consumption should improve in 1H25. However, manufacturing is still vulnerable to oversupply, and front-loaded gains in exports will wane. **Coupled with existing structural issues, these might slow Chinese GDP growth from 5% in 2024 to 4.8% in 2025,** although new targeted stimulus should help to mitigate some risks.
- **The government signaled a shift from "prudent" to "moderately loose" monetary and fiscal policies in 2025.** Recently, the government announced it would broaden trade-in programs to cover additional goods**. While these may support growth, they could raise government debt and hurt economic stability in the future.**
- **Trade tensions could intensify.** Trump is likely to expand trade protectionism with tariff hikes and/or a universal tariff. The final tariff rates could be lower than his initial threat of 60% on all imports from China. Instead, **Trump might use tariff threats to secure preferential trade deals with China, like the 2020 phase-one deal.**
- **The real estate sector is showing early signs of stabilization.** Given several rescue measures (e.g., reducing downpayment, allowing mortgage refinancing, relaxing homebuyer eligibility checks, reducing deed taxes), **the positive momentum is expected to continue, and prices might gradually bottom out in 1H25.**

krungsri Research

Thailand: Recovery in key economic drivers faces challenges; stimulus measures only provide temporary boost

- **2025: Year of normalization and a temporary rebound amid structural headwinds and policy uncertainty.**
- **Normalized public spending** and continued momentum will help support economic growth.
- **Private investment growth** is likely to recover in 2025 but limited by weak sentiment and challenges in attracting FDI.
- **Tourism remains a key driver of economic growth,** with foreign tourist arrivals expected to reach pre-pandemic levels in 2025. Safety fears become a current concern for Chinese tourists, although this is expected to be only temporary.
- **Exports are expected to grow modestly** supported by recovering demand for electronic products but would slow down from last year due to structural problems and escalating US-China trade tensions.
- **Private consumption would see a temporary boost from stimulus measures.** Consumption growth would slow to 3% amid several headwinds.
- **Headline inflation should remain low this year,** close to the lower end of the BOT's target range.
- **We expect a 25bps cut in policy rate** in 2025 to support economic recovery and alleviate tight financial conditions.

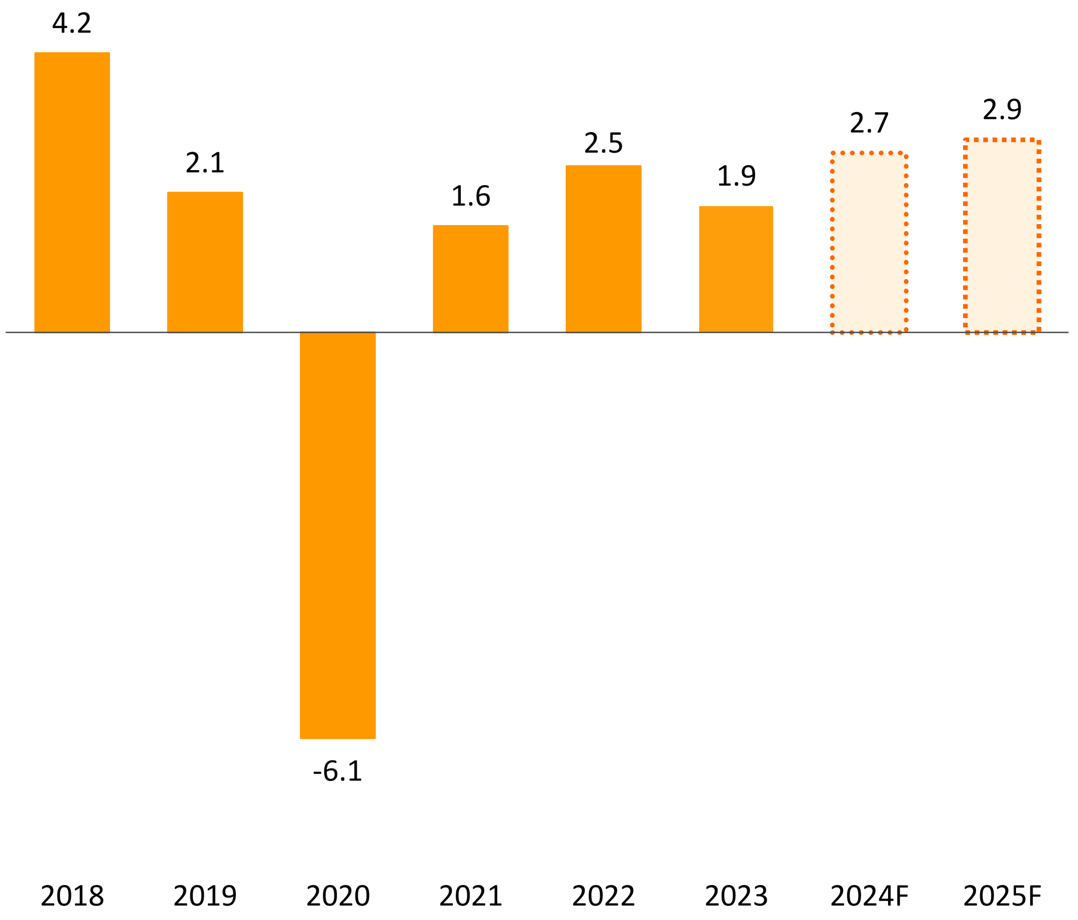
Krungsri Research Forecasts for 2024-2025

Krungsri Research Forecast		2023	2024F	2025F
GDP growth	YoY (%)	1.9	2.7	2.9
Private Consumption Expenditure	YoY (%)	7.1	4.8	3.0
Government Consumption Expenditure	YoY (%)	-4.6	2.0	2.2
Private Investment	YoY (%)	3.2	-1.5	2.9
Public Investment	YoY (%)	-4.6	2.5	5.8
Nominal Exports in USD (f.o.b.)*	YoY (%)	-1.5	3.9	2.7
Nominal Imports in USD (f.o.b.)*	YoY (%)	-3.8	4.7	3.5
Current Account Balance	USD, bn	7.4	9.0	10.5
Tourist Arrivals	Mn, persons	28.2	35.5	40
Headline Inflation	YoY (%)	1.2	0.4	1.0
Policy Interest rate (end of period)	(%)	2.50	2.25	2.00
Dubai crude price - period average	USD/bbl	82	80	78

Source: NESDC, BOT, MOC, MOTS, Bloomberg, Krungsri Research

2025: Year of normalization and a temporary rebound amid structural headwinds and policy uncertainty

Thailand's GDP growth and forecast (%)



Upside

- Normalized public spending and stimulus measures
- Recovery in tourism and employment
- Investment relocation amid rising trade tension, regionalization, ASEAN dynamism
- Food security and gains in related sectors
- Thailand's sound economic fundamentals (high foreign reserves, relatively low external debt, and resilient banking sector)

Downside

- Structural headwinds, e.g. high household debt, weaker competitiveness, demographics
- Rising trade protectionism, geo-economic fragmentation and lingering geopolitical risk
- Sub-par global growth and volatile financial markets amid uncertain economic policy
- Impact of climate fluctuation, including floods
- Domestic political risk and policy uncertainty

Source: NESDC, Projection by Krungsri Research

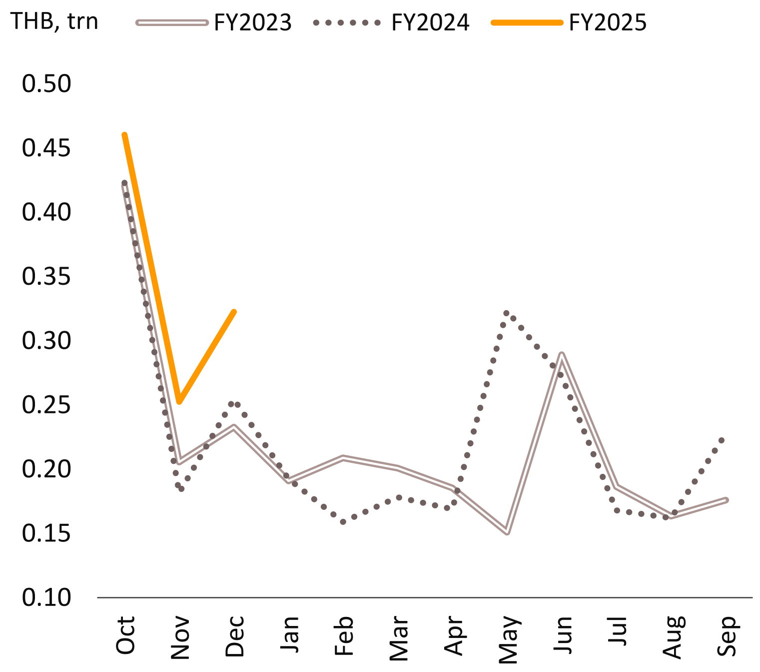
Normalized *public spending* and continued momentum will support economic growth

Disbursement of FY2025 budget should return to normal and be a key driver of economic growth in 2025. In the first quarter of FY2025 (October-December 2024), disbursement of the current budget had increased by 20.7% YoY to THB1.04 trn or 38.3% of the budget. Disbursement of the capital budget had surged 145.2% YoY to THB 0.13 trn or 13.4% of the annual capital budget. The cabinet recently approved FY2026 budget framework, setting total budget expenditures at THB3.78 trn, a 0.7% increase from FY2025. The FY2026 budget will register THB 0.86 trn deficit or -4.3% of GDP, signaling continued reliance on fiscal stimulus to support economic activity while managing public finances.

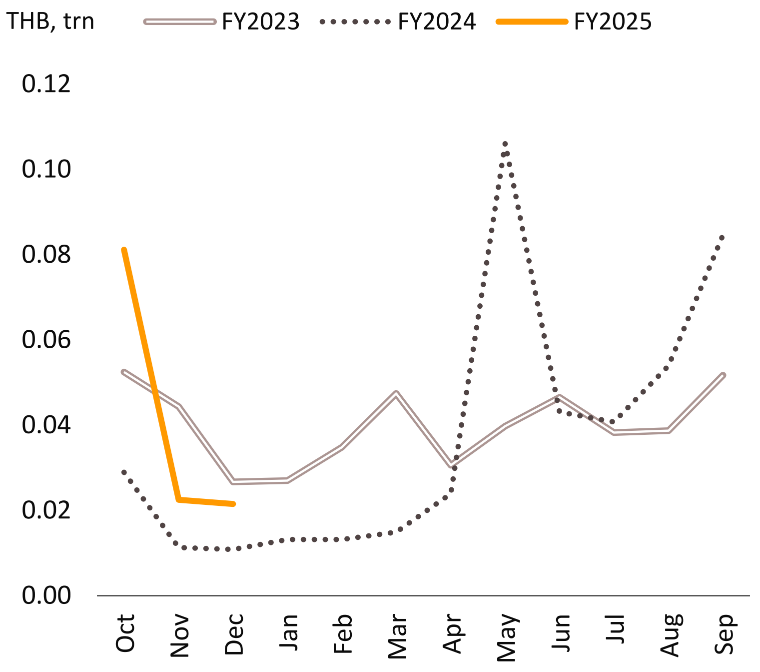
Fiscal plan

Fiscal year (THB, trn)	2024	2025	2026*
Expenditures	3.60	3.75	3.78
% YoY	13.1	4.2	0.7
- Current	2.53	2.70	2.65
% YoY	7.0	6.8	-2.2
- Capital	0.81	0.93	0.86
% YoY	17.1	15.4	-7.8
Fiscal balance	-0.81	-0.87	-0.86
% of GDP	-4.3	-4.5	-4.3

Disbursement of current expenditure



Disbursement of capital expenditure



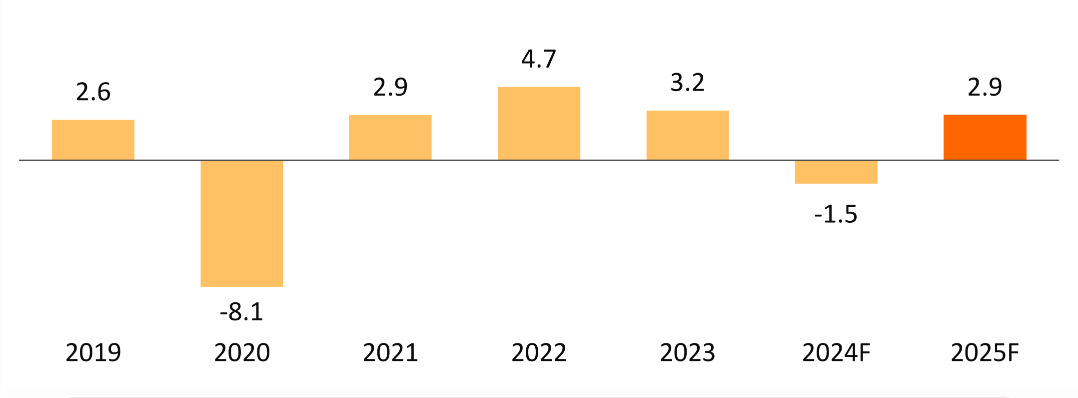
Note: * preliminary from the cabinet (approved as of January 7, 2025)

Source: MOF, the cabinet, Krungsri Research

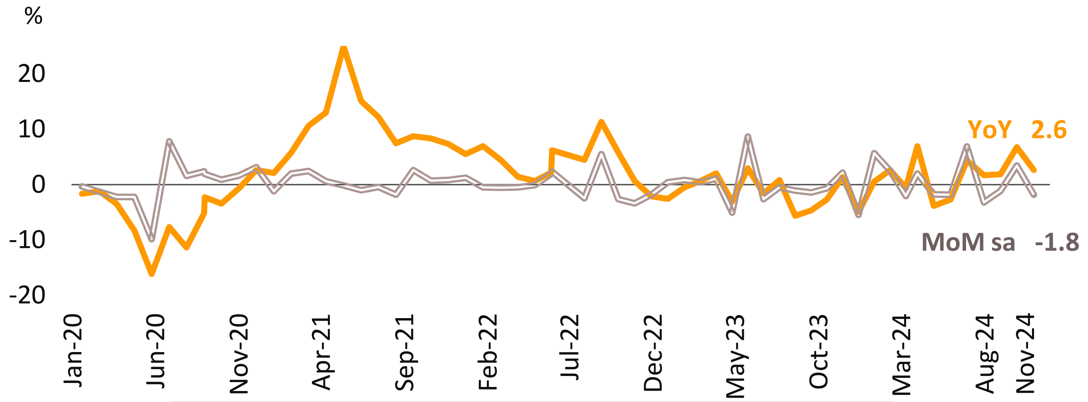
Private investment growth should positive in 2025 but limited by weak sentiment and challenges in attracting FDI

Private investment is expected to rebound in 2025, growing by 2.9% after a -1.5% contraction in 2024, driven by several factors: (i) accelerating public investments should induce private investment, (ii) a 35% increase in BOI-approvals for incentives to a 10-year high of over THB 1.14 trn, and (iii) new investment commitment from 12 companies in the Eastern Economic Corridor (EEC), exceeding THB150 bn, mainly in data centers and the semiconductor industry. However, Thailand faces a new challenge with the 15% Global Minimum Tax, effective January 1, 2025, for multinational enterprises (MNEs) with annual revenues of over EUR750 m. The measure might prompt MNEs to review their investment decisions. This also poses a challenge for the country that has relied on low tax rates to attract foreign investment.

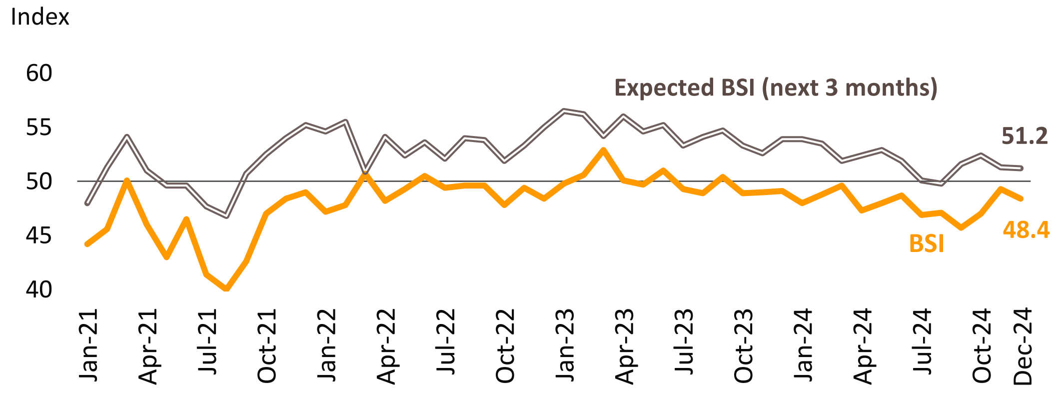
Forecast for private investment growth (%)



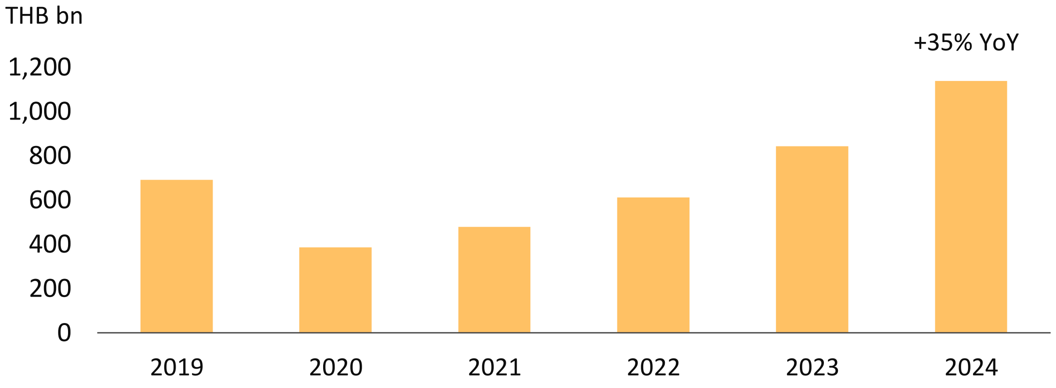
Private investment dropped slightly in November



Business Sentiment Index remains low but shows signs of recovery



Total applications for BOI investment incentives



Source: BOT, BOI, Krungsri Research

krungsri Research

Global Minimum Tax (effective Jan 1, 2025): A challenge for attracting foreign investment

Minimum tax rate of 15% for MNEs with consolidated annual revenues of at least EUR 750 m (approx. THB 26 bn) in 2 out of the last 4 accounting periods

Objective:

- Promote fairer taxation of global businesses
- Prevent tax revenue losses to other countries with similar laws
- Align with international (OECD) standard

Participants:

- Thailand joins 28 countries in implementing GMT for accounting period 2024 including (but not limited to) Australia, Canada, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Japan, New Zealand, South Korea, Spain, Sweden, The Netherlands, Turkey, UK, and Vietnam.
- Malaysia, Singapore, Indonesia, and Hong Kong plan to adopt similar laws in 2025.

Firms that might be affected:

- Around 1,000 large established MNEs that are receiving BOI/other tax incentives, especially in the S-curve industries.

Programs to mitigate impact of Global Minimum Tax

- **BOI's support programs**

  I. **To apply 10% corporate income tax rate.** The BOI plans to allow promoted companies to choose **a 50% reduction in the corporate income tax rate** instead of a full tax exemption, effectively **doubling the incentive period,** but not exceeding 10 years. This aims to align the company's Effective Tax Rate (ETR) closer to 15% annually, reduce additional tax liability, and extend the duration of benefits;

  II. **Program to enhance competitiveness:** The BOI will seek budget allocation as a temporary relief measure for those affected while awaiting new legislation from the Ministry of Finance (MOF). Support will be provided through the Competitiveness Enhancement Fund for investments or expenses aimed at boosting competitiveness, such as costs for research and technology development, workforce development, efficiency improvements through modern technology, investment in environmentally friendly technologies, and achieving international standards, etc.

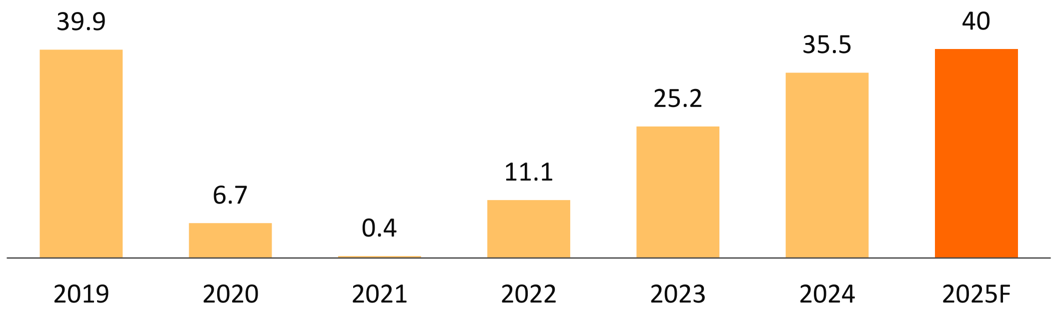
- The MOF and the BOI are collaborating to draft new legislation to implement a **"Refundable Tax Credit"** mechanism in Thailand, as recommended by the OECD.

Source: BOI, Krungsri Research

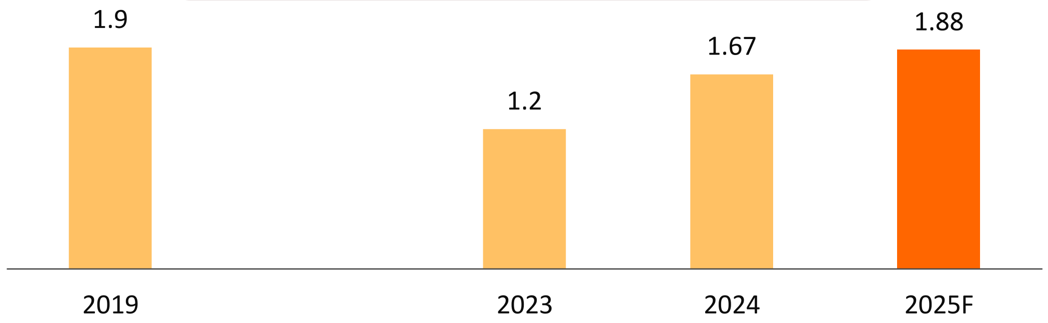
Tourism remains a key economic driver, with foreign tourist arrivals projected to reach pre-pandemic level in 2025; safety fears become a current concern for Chinese tourists

In 2025, foreign tourist arrivals are expected to return to pre-Covid level of 40 m from 35.5 m in 2024. **Revenue from international tourists is projected to increase from THB 1.67 trn in 2024 to THB 1.88 trn in 2025**, a notch below pre-Covid level (98% of the pre-pandemic revenue). Supporting factors include visa-free schemes, rising demand, expansion of airline routes, and higher flight frequencies. In 2024, tourist arrivals from China was slower than expected at only 6.7 m or 61% of pre-Covid levels, while arrivals from Malaysia, India and Russia have exceeded pre-pandemic levels. Following reports of the abduction of a Chinese actor in Thailand and his subsequent rescue early this year have raised safety fears for some Chinese tourists during Lunar New Year holidays, although this concern is expected to be temporary.

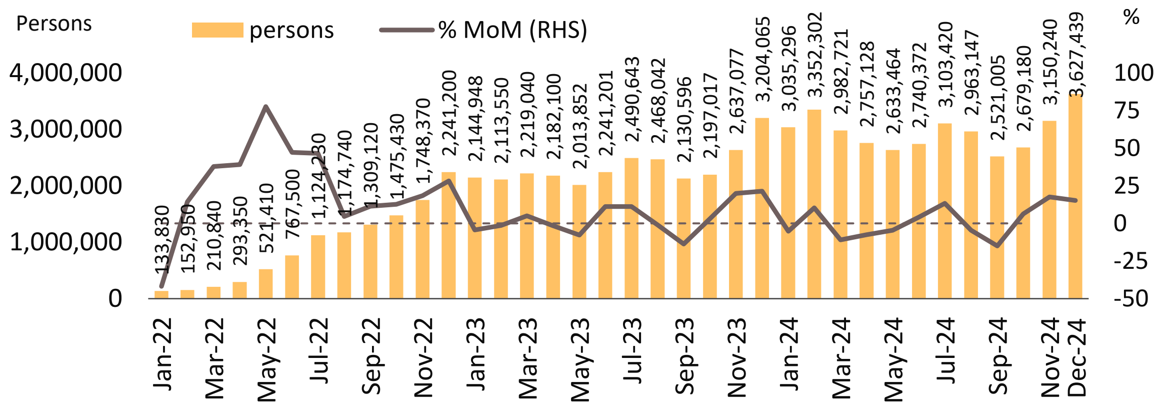
Forecast for foreign tourist arrivals (m persons)



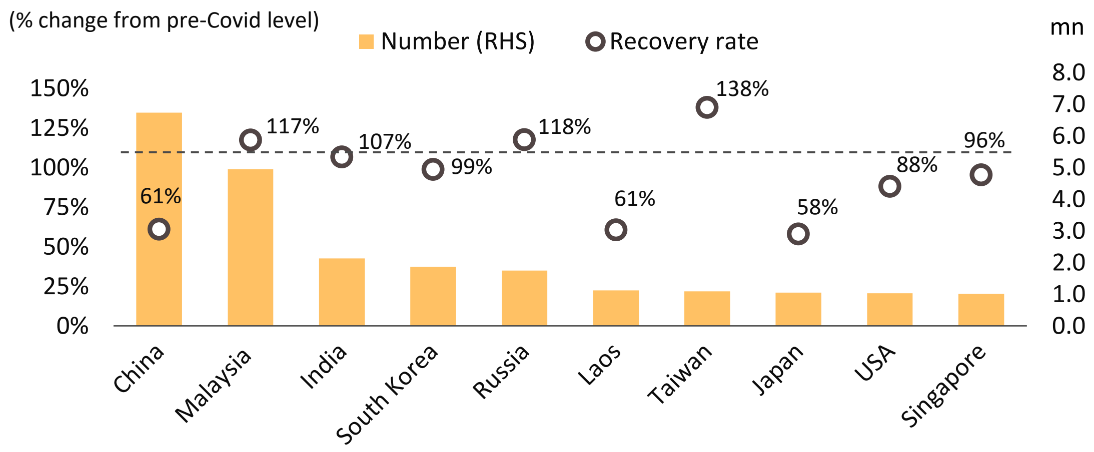
Forecast for foreign tourist receipts (THB, trn)



Foreign tourist arrivals reached 35.5 mn in 2024



Top 10 tourist arrivals by country in 2024



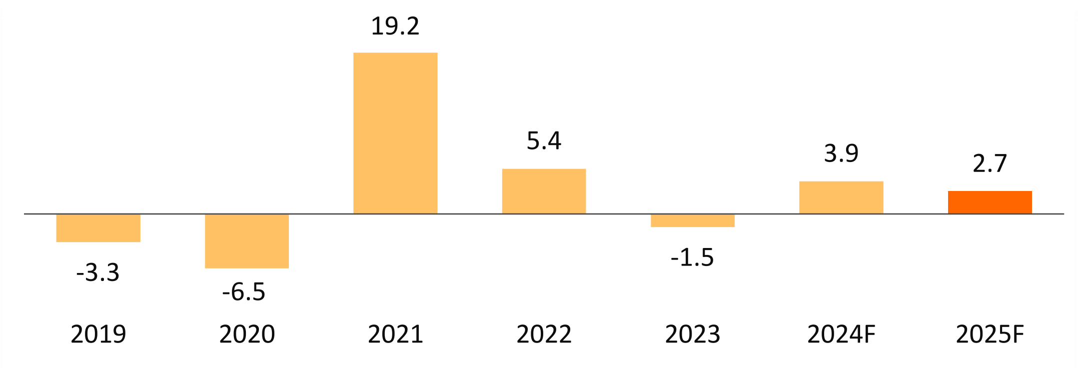
Source: MOTS, CEIC, Krungsri Research

krungsri Research

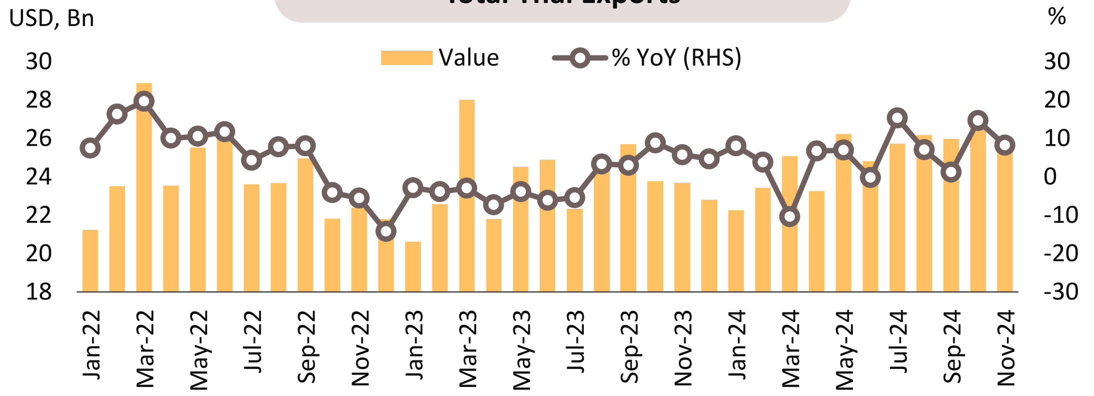
Exports should grow modestly amid structural challenges in manufacturing sector and rising trade tensions

Exports growth could exceed the projected 3.9% in 2024, partly driven by accelerating imports from several trading partners amid uncertainty over Trump's economic policies. Looking ahead, **Thailand's export growth is expected to slow to around 2.7% in 2025** because of structural issues such as a decline in competitiveness of Thai industries and uncertainty in global markets. In addition, trade tensions between major economies like the U.S. and China will remain a major headwind. However, exports would still be supported by the gradual expansion of the global economy, growth in the digital economy, and rising activity in the tourism and services sectors, which are driving demand for electronics, food, and agricultural products.

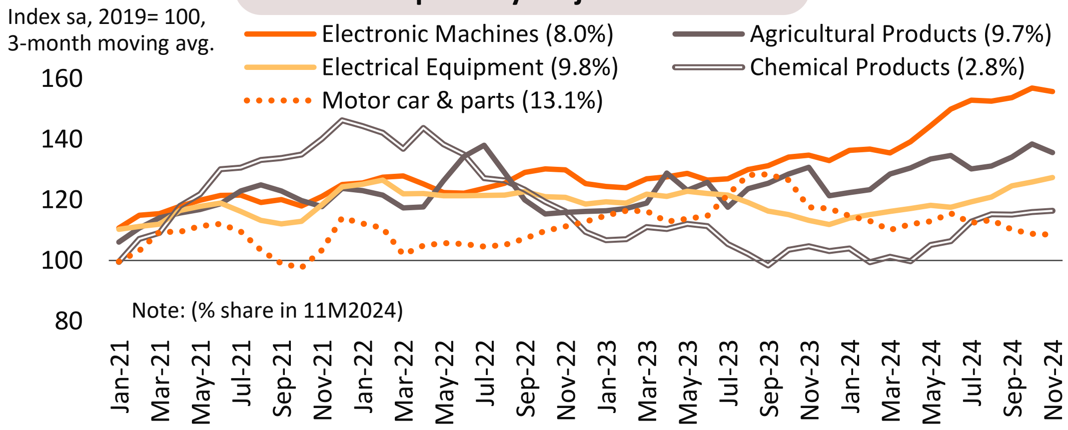
Forecast for Export Growth* (%)



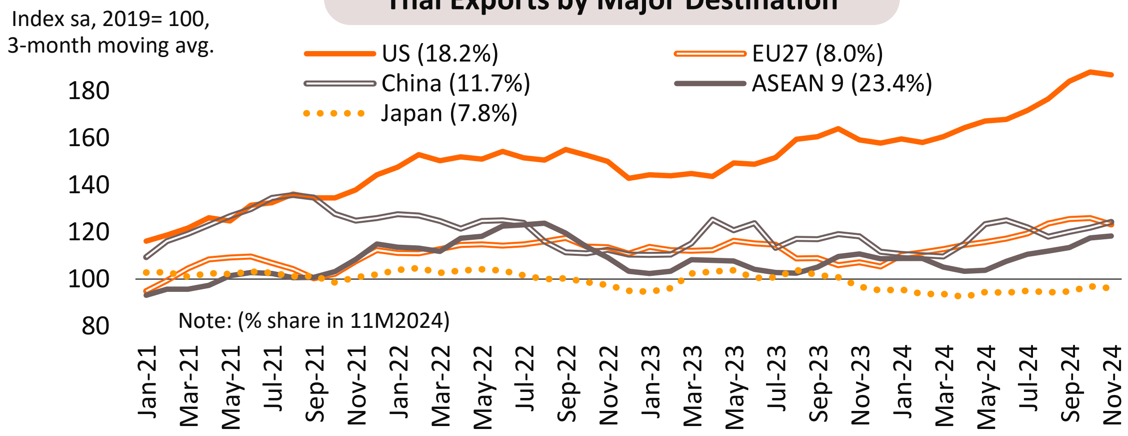
Total Thai Exports



Thai Exports by Major Product



Thai Exports by Major Destination



Note: * based on BOT data
Source: MOC, CEIC, Krungsri Research

Exports might benefit from recovering demand for electronic products but continue to face challenges from escalating US-China trade tensions

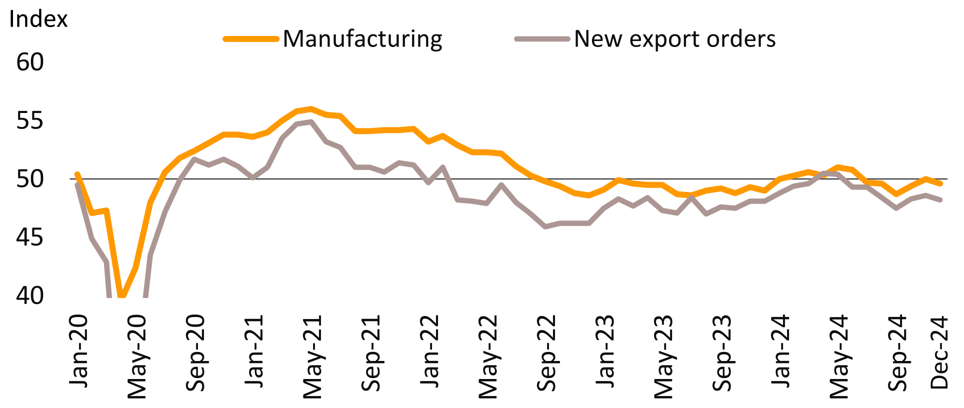
In the first 11 months of 2024, Thai exports grew 5.1% YoY led by agricultural products which expanded by 7.3% (including rubber and rice), agricultural industrial products (canned & processed seafood and pet food) which expanded by 3.9%, and industrial products (computers & components, rubber products, chemical products and electrical appliances) which expanded by 5.5%. However, exports of key industrial goods continued to contract, including cars & parts, integrated circuits, and plastic resin. Weak global manufacturing activity and the risk of escalating US-China trade tensions could weigh on Thai exports in 2025.

Thai Exports by Major Product and Destination

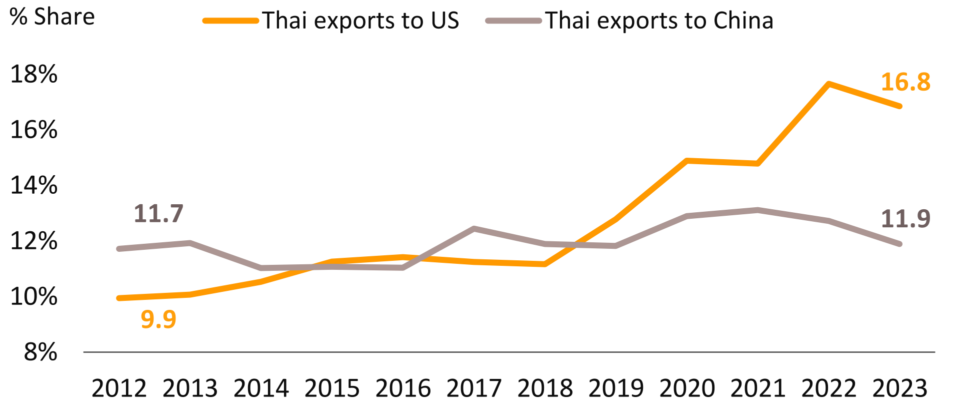
Thailand: Jan-Nov's export growth (% YoY)	World	US (17%)	EU (8%)	Japan (9%)	China (12%)	ASEAN-5 (14%)	CLMV (9%)
Total	**+5.1**	**+13.3**	**+8.0**	**-5.8**	**+2.2**	**-0.8**	**+12.0**
Cars & parts (10.9%)	-3.2	+28.2	-7.5	-2.4	-16.2	-14.3	-1.7
Computer & parts (6.3%)	+37.5	+46.7	+62.4	+3.4	+64	-6.2	+14.0
Rubber products (4.7%)	+6.2	+6.4	+9.4	-2.8	+2	+6.2	+11.1
Electronic IC (3.4%)	-11.1	-33.6	-21.7	-35.1	-10.8	-6.6	-3.3
Plastic resin (3.1%)	-1.8	+24.6	-5.6	+0.9	-11.9	+8.3	+3.7
Chemical products (2.8%)	+3.3	-2.9	+8.0	-15.3	+11.9	+2.1	+0.3
Fresh, frozen & dried fruit (2.0%)	-6.7	-7.4	+18.8	+11.8	-8.6	-9.3	+69.5
Electrical appliances (1.9%)	+2.1	-0.2	+1.8	+3.0	+23.0	+0.5	+1.6
Rice (1.8%)	+28.9	+24.8	+20.0	+9.4	-7.3	+18	+10.4
Plastic products (1.5%)	+8.3	+34.1	+12.9	-2.6	+2.2	+5.2	-2.5
Rubber (1.3%)	+35.8	+59.5	+57.9	+69.4	+4.1	+38.7	+147
Tapioca products (1.3%)	-16.9	+28.7	+18.4	-4.4	-33.3	+52.7	-8.1
Preserved fish, crustaceans (1.2%)	+10.3	+5.2	+23.0	-10.1	-10.5	-3.5	+0.9
Sugar (1.2%)	-31.9	-34.8	-73.8	+42.1	-12.4	-54.8	+24.3

Note: (% share in 2023)
Source: MOC, CEIC, Krungsri Research

Global Manufacturing PMI and New Export Orders



Thai Exports to the US and China (%share)

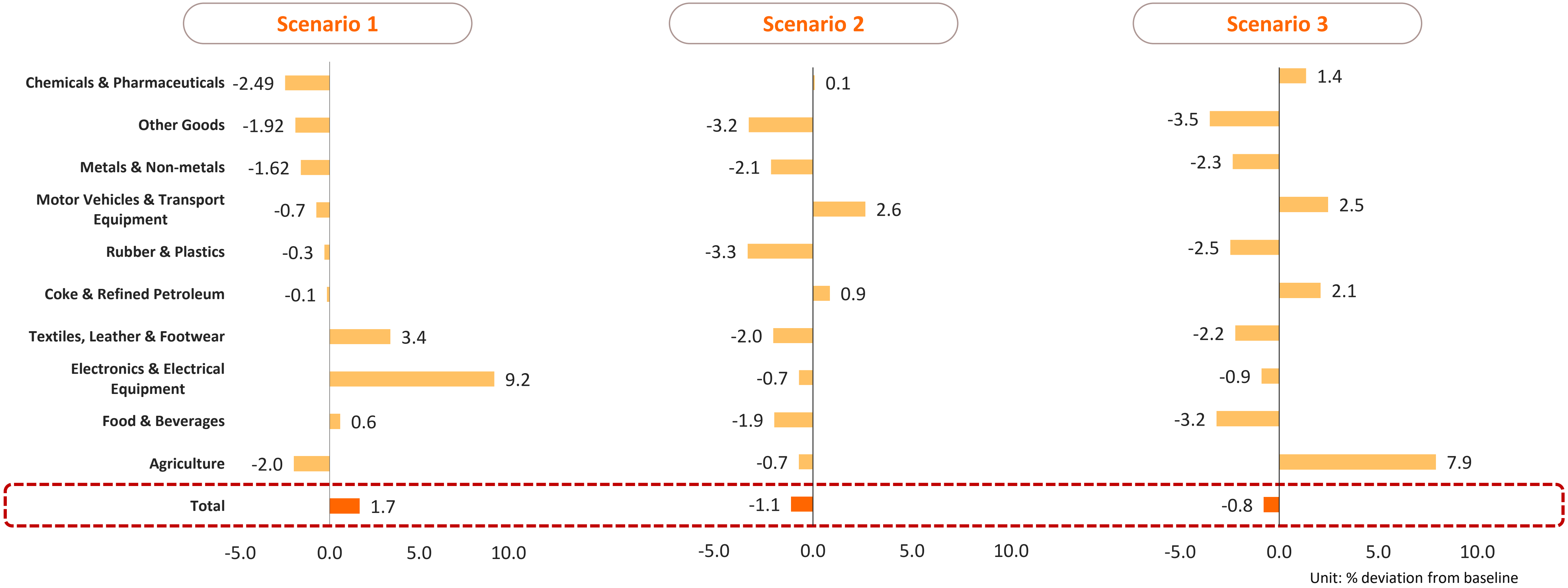


krungsri Research

Trump's tariff proposal: Gains would be concentrated in some export sectors, many industries would be hurt.

Scenario 1: US imposes 60% tariff on all Chinese goods
Scenario 2: US imposes 60% tariff on all imports from China and 20% on all imports from other countries
Scenario 3: Combination of Scenario 2 plus China retaliates by imposing 60% tariffs on all US goods

Impact on Thai Exports (% change from baseline)

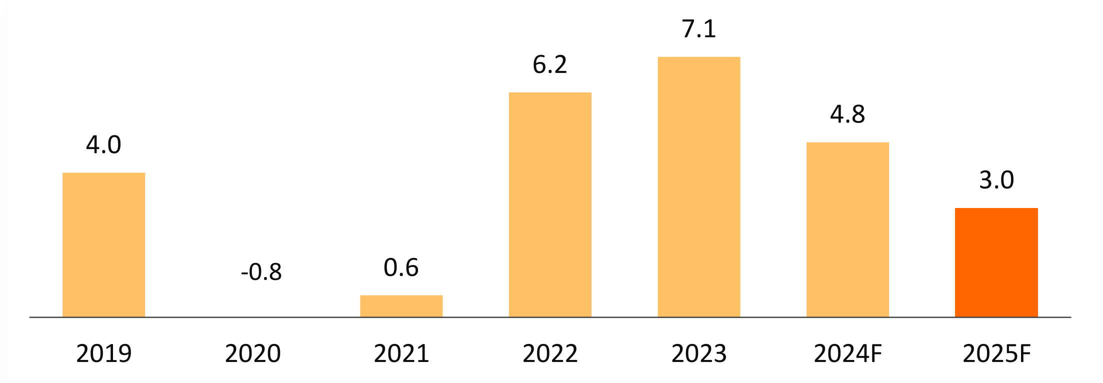


Source: GTAP, ITC, WITS, CEPII and Krungsri Research

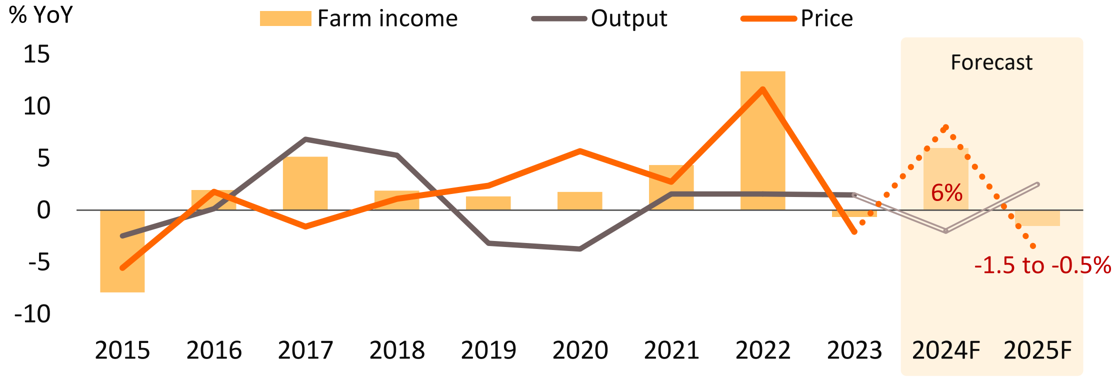
Private consumption to get temporary boost from stimulus measures; growth may slow to 3% in 2025 amid several headwinds

In 1Q25**,** the government introduced measures to stimulate spending, including a personal income tax deduction under the Easy-E-Receipt program (eligible spending capped at 50,000 baht per person during Jan 16 – Feb 28). It will also provide 10,000 baht per person cash handout to approximately 4 million senior citizens who register through the government app, with disbursements targeted in late January. These measures are expected to provide a temporary boost to private consumption amid the slow recovery in consumer confidence, weaker farm income, and high household debt levels. **In 2025, we project private consumption growth would decelerate to 3% from estimated 4.8% in 2024**.

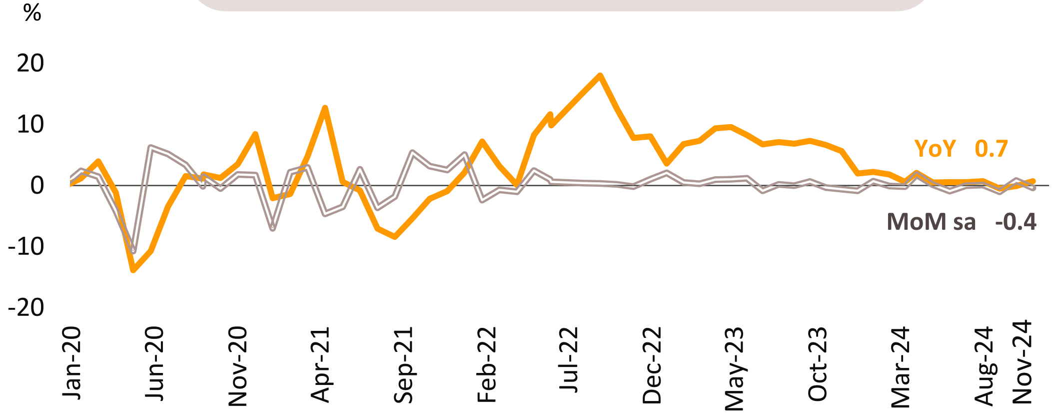
Forecast for private consumption growth (%)



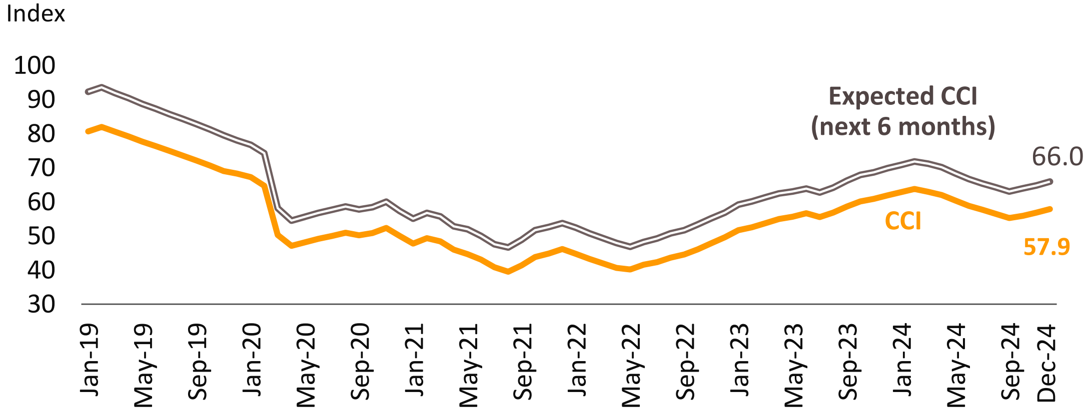
Farm income is expected to drop in 2025 due to falling prices



Private consumption dropped in November after end of cash handouts worth THB 140 bn



Consumer confidence improved but remain below pre-Covid level

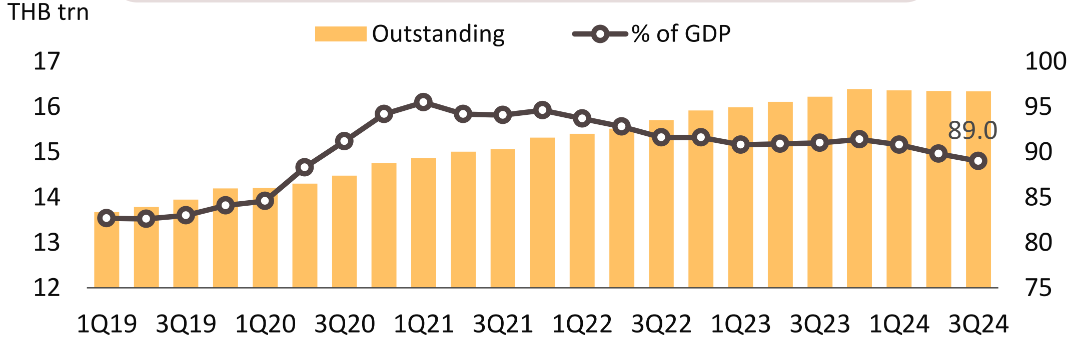


Source: BOT, OAE, UTCC, CEIC, Krungsri Research

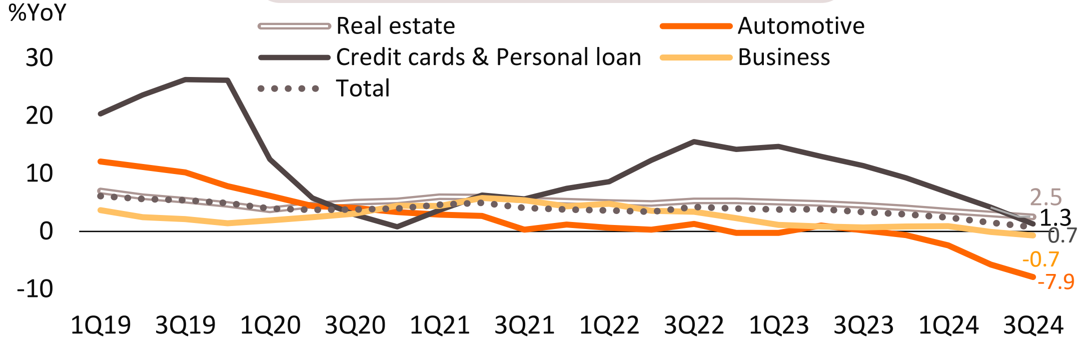
Thai household debt remained high at 89% of GDP in 3Q24; *Khun Soo, Rao Chuay* program to help reduce debt burden

Thailand's household debt grew only 0.7% YoY in 3Q24. Despite slowing from a peak of 95.5% in 1Q21 and 89.8% in 2Q24, **household debt-to-GDP ratio remained high at 89.0% in 3Q24 .** Auto loans fell (-7.9% YoY), while growth of real estate loans and credit card & personal loans continued to decelerate. On debt quality, non-performing loans (NPLs) at Thai commercial banks stood at THB 519.1 bn in 3Q24 and rising to 2.88% of total loans from 2.66% at end-2023. NPLs for credit card segment rose from 3.57% of total loans at end- 2023 to 4.61% at end-3Q24. Real estate NPLs rose from 3.34% to 3.82% in the same period. Auto loans NPLs only inched up from 2.13% to 2.30% but could accelerate in the next period; this is reflected in the Significant Increase in Credit Risk (SICR or Stage 2) group, which reached a new high of 15.7% of total loans at end-3Q24 from 14.39% at end-2023. **However, household debt is likely to gradually drop in the next period following the launch of *Khun Soo, Rao Chuay* program.**

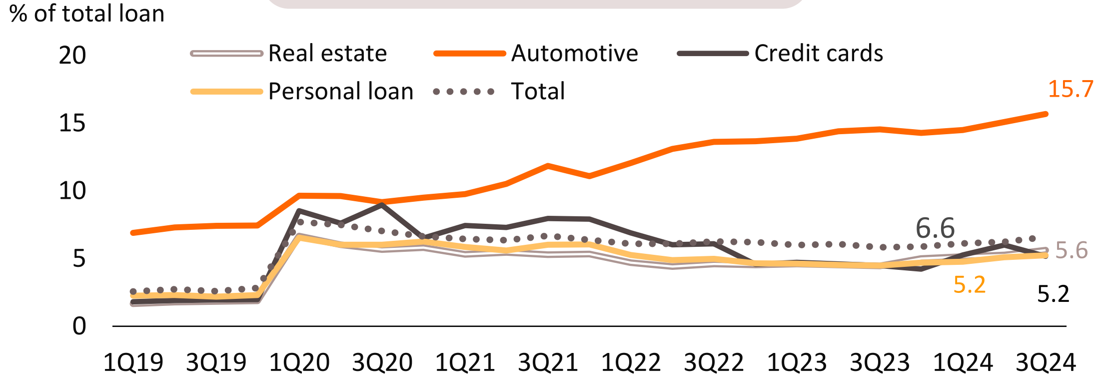
Household debt remained high at 89.0% of GDP in 3Q24



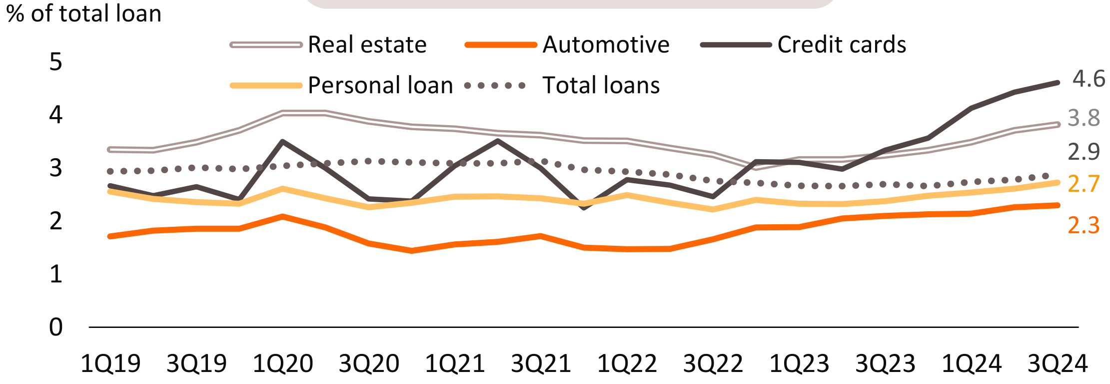
Household debt growth by portfolio



Stage 2* - Consumer Loans



NPL (Stage 3) - Consumer Loans



Note: Stage 2 = the debt is overdue for more than 30 days but less than 90 days
Source: BOT, Krungsri Research

krungsri Research

Thailand introduces new measures to ease household debt burden for vulnerable groups

Thailand has launched a household debt relief program aimed at helping vulnerable groups, but it will take time to resolve the problem. The authorities have introduced the ‘Khun Soo, Rao Chuay’ or ‘You Fight, We Help’ household debt relief program to assist vulnerable groups, featuring two main schemes: (i) ‘Pay direct, keep your assets’ scheme is offered to those with outstanding home, automobile and small business loans; and (ii) ‘Pay, close, complete’ scheme to those with NPLs up to THB 5,000 each (see table for details). Registration for the program will open between 12 December 2024, and 28 February 2025. The program targets 1.9 million borrowers with to total debt of THB 890 billion, representing 5.5% of total household debt. While it aims to ease financial pressure and address rising NPL risks, especially in auto loans, Thailand needs long-term solutions such as income growth and productivity improvements to address the structural issues of high household debt which is now at nearly 90% of GDP.

The ‘Khun Soo, Rao Chuay’ or ‘You Fight, We Help’ program

1. ‘Jai Trong Kong Sup’ or **‘Pay direct, keep your assets’**	
Cut instalments and suspend interest for 3 years	Qualifying debts (total indebtedness as at 31 October, 2024)
• Year 1: Pay 50% of instalment value	• Home loans (up to THB 5m)
• Year 2: Pay 70% of instalment value	• Auto loans (up to THB 0.8m)
• Year 3: Pay 90% of instalment value	• Motorcycle loans (up to THB 50,000)
If debtors meet these repayment conditions, interest suspension will be made permanent	• SME business loans (up to THB 5m)
	• Personal loans and credit card debts: If auto/home loans meet these conditions, they are eligible for inclusion (subject to caps).

Terms and conditions

- Debts have to have been agreed before 1 January, 2024.
- As at 31 October 2024, the debtor must have been: (i) in arrears for 31-365 days, or (ii) not in arrears or in arrears for less than 30 days but have previously been in arrears for more than 30 days and applied for debt restructuring since 1 January, 2022.
- Debtors cannot apply for new loans or credit in their first 12 months in the scheme.
- The National Credit Bureau will be informed of the individual’s enrolment in the scheme.

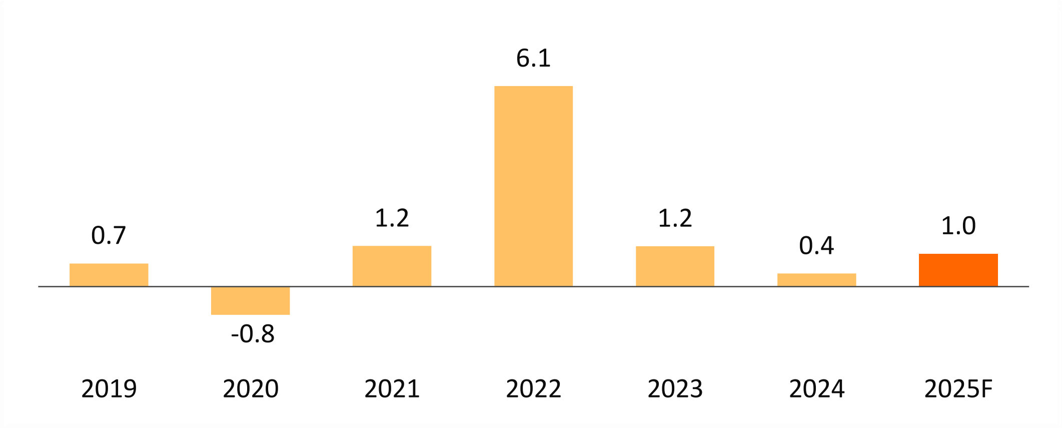
2. ‘Jai Pid Job’ or **‘Pay, close, complete’**

- This allows debtors to restructure and clear their debts quicker.
- For all types of debts, the total outstanding amount (including interest) must not exceed THB 5,000.
- The debt should have been at least 90 days in arrears as at 31 October, 2024.

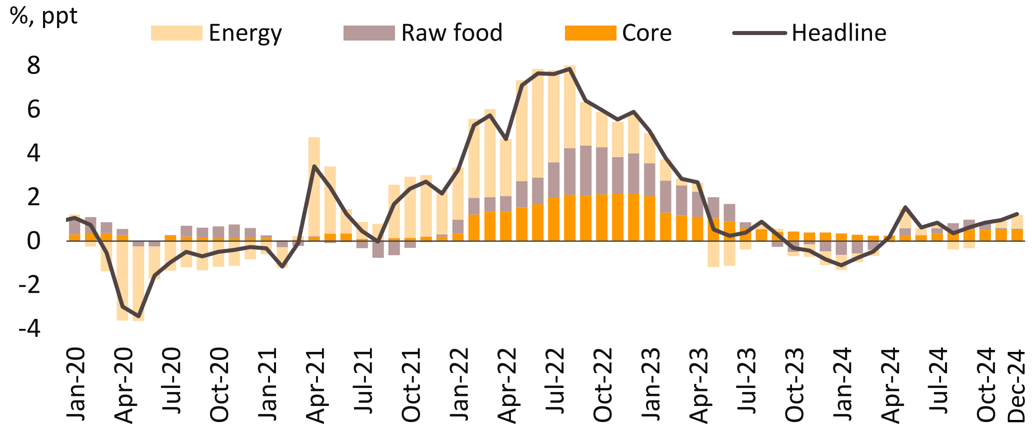
Source: BOT, Krungsri Research

Headline inflation should remain low in 2025, near lower-end of target range

Headline inflation projection (%)



Contributors to inflation



Policies expected to affect inflation trends

Policy		Details
Minimum wage	**Up 7-55 THB/Day**	Increase by an average of 2.9% from 2024 (to THB 337 – 400 a day)
Energy subsidy policies *(assuming their extension throughout 2025)*	**Electricity fee**	Down THB 0.03 to THB 4.15 a unit since Jan 2025
	Diesel price	Capped at THB 33 a liter (vs THB 31.9 average in 2024)
	LPG price	Capped at THB 423 per 15-kilogram cylinder (same as 2024)

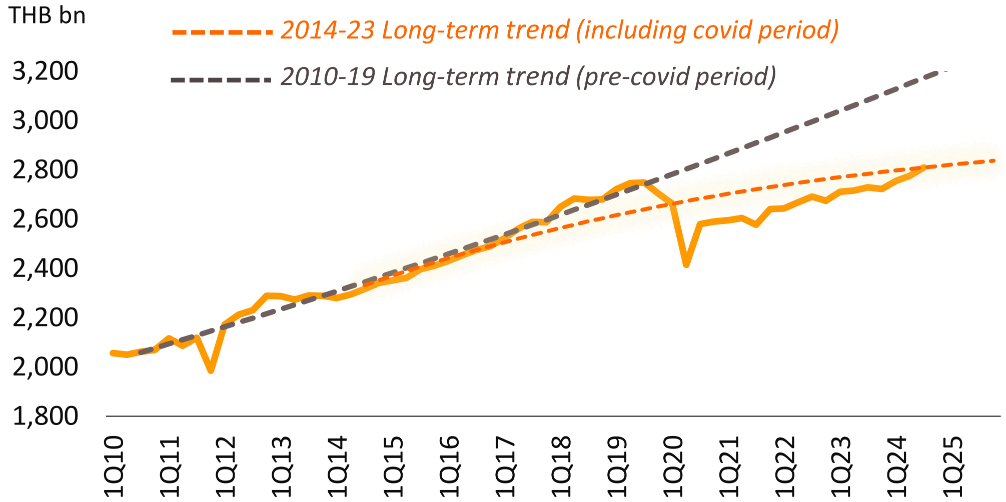
Source: MOC, Krungsri Research

Krungsri Research's view

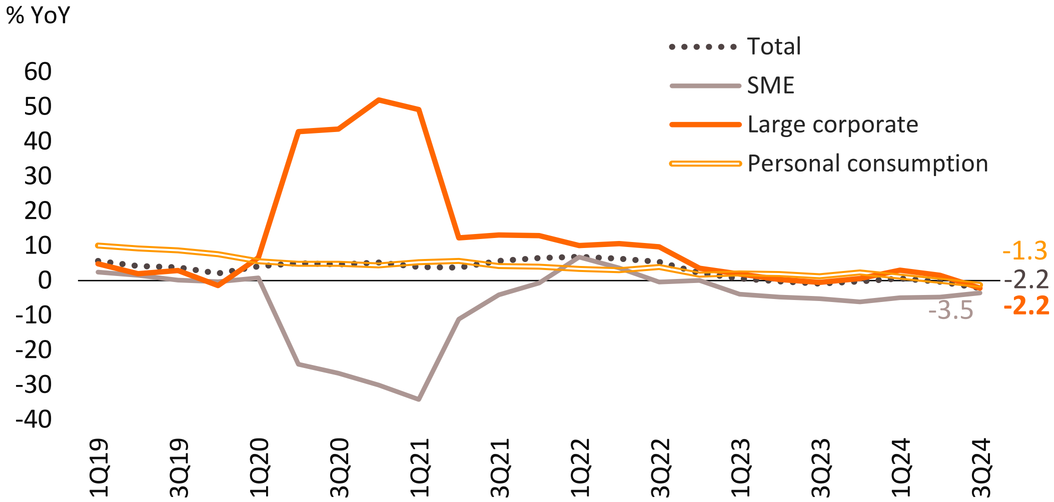
- **Headline inflation is projected to rise to 1.0% in 2025 from 0.4% in 2024,** given higher domestic fuel prices and improving domestic demand supported by private consumption, tourism, and government spending.
- However, inflation would remain low, close to the lower end of the BOT's 1-3% target range because (i) global crude oil price is projected to average USD 78 a barrel in 2025 against USD 80 in 2024, and (ii) the government might introduce energy cost subsidies such as capping electricity fees, diesel prices, and LPG prices, to ease cost of living and support price stability.
- Minimum wage will increase by 2.9% (average) in 2025 to THB 337-400 a day. The Ministry of Commerce (MOC) estimates this will push up inflation by only 0.15-0.3 ppt in 2025.

Policy interest rate: A 25bps cut to 2.00% is possible to support economic recovery and alleviate tight financial conditions

Thailand’s GDP Trends*



Commercial banks’ total credit



Krungsri Research’s view

- **At the meeting on December 18, 2024, the Monetary Policy Committee (MPC) voted unanimously to keep policy rate at 2.25%,** noting that Thailand’s economy faces challenges from stronger external competition and heightened uncertainty over policies in major economies.
- At the press release, the Committee acknowledged higher near-term uncertainties, emphasizing that future policy decisions will be tailored to evolving economic conditions and financial stability risks. This conveyed the sense of **a dovish hold while ‘preserving the bullets’** to address rising uncertainties. Looking ahead, while policy rate adjustment decisions in 2024 appeared to be influenced more by household debt considerations, factors without explicit targets, **we still expect the MPC to reduce policy interest rate by 25 bps to 2.0% at the next meeting on 26 February.** This would bring the rate into the neutral range of around 2%.
- **The combination of subsiding household debt, sub-par economic growth, and subdued inflationary pressures, support the case for a less restrictive monetary policy.** This is further emphasized in the dovish tone in the statement pointing to “heightened uncertainty going forward and deems it necessary to monitor economic growth and inflation outlook in deliberating monetary policy going forward”. The anticipated rate cut aims to mitigate downside risks arising from policy uncertainty in major economies, ease domestic financial conditions, and nurture Thailand’s economic recovery.

Note: calculated by Krungsri Research
Source: NESDB, BOT, Krungsri Research

Key factors in 2025: Growth to pick up following normalized public spending, stimulus measures, and tourism recovery; but there are still structural challenges and external risks

Major factors affecting Thai economy	2024	2025
Recovering tourism activity and employment		
Rising public spending and economic stimulus measures		
Investment relating to normalized disbursement of government budget		
Impact of high interest rates worldwide, including Thailand		
Risk of climate fluctuation (such as La Niña)		
Domestic political uncertainty		
Escalating trade tensions, geopolitical risk and fragmented globalization		
Losing competitiveness and rising imports from China		
Domestic structural headwinds (high household debt, demographic challenges)		

Negative impact Positive impact

Source: Krungsri Research

KRUNGSRI RESEARCH

Pimnara Hirankasi, Ph.D.	**Head of Research Division and Chief Economist**

Macroeconomic Team

• Sujit Chaivichayachat	Head of Macroeconomic Research Team
• Wanicha Direkudomsak	Senior Economist
• Churailuk Pholsri	Senior Economist (Forecasting)
• Thansin Klinthanom	Senior Economist
• Krittabhorn Sirichaichingkun	Economist
• Supasyn Itthiphatwong	Economist

Industry Team

• Taned Mahattanalai	Head of Industry Research Team
• Poonsuk Ninkitsaranont	Senior Analyst (Healthcare, Mobile Operators)
• Piyanuch Sathapongpakdee	Senior Analyst (Transport & Logistics)
• Thian Thiumsak	Senior Analyst (Energy, Petrochemicals)
• Chaiwat Sowcharoensuk	Senior Analyst (Agriculture)
• Narin Tunpaiboon	Senior Analyst (Power Generation, Modern Trade, Chemicals, Medical Devices)
• Puttachard Lunkam	Senior Analyst (Construction Contractors, Construction Materials, Hotels, Industrial Estate)
• Patchara Klinchuanchun	Senior Analyst (Real Estate)
• Prapan Leenoi	Analyst (ESG)
• Supawat Choksawatpaisan	Analyst (Automobile, Electronics & Electrical Appliances)
• Rapeepoom Lapmak	Analyst (Agriculture, Food & Beverages)

Analytics and Intelligence Team

• Pimnara Hirankasi, Ph.D.	Acting Head of Analytics and Intelligence Research Team
• Nathanon Ratanathamwat	Senior Researcher
• Narichaya Satafang	Researcher
• Parinya Mingsakul	Researcher
• Chanatta Thararos	Researcher

MIS and Reporting Team

• Thamon Sernsuksakul	Information Analyst
• Chirdsak Srichaiton	Information Analyst
• Wongsagon Keawuttung	Information Analyst

Subscribe Us

For research subscription, contact ***krungsri.research@krungsri.com***