

The background of the slide features a stylized image of the Statue of Liberty, with its torch and crown visible. The statue is set against a backdrop of the American flag, with its stars and stripes clearly visible. The overall color palette is dominated by the red, white, and blue of the flag, with a slight blue tint in the sky area.

# **Trade War Update: Implications for Thailand**

**U.S. TARIFFS  
AHEAD**

**LH Bank Business Research  
28 May 2025**



# **U.S. Trade War 2025: Executive Summary (Data as of 26 May 2025)**



On 2 April 2025, the US government announced the implementation of Reciprocal Tariffs on more than 75 countries including Thailand. The measure takes effect on 9 April, following the introduction of a 10% baseline tariff on 5 April. Currently, the tariff has been suspended for 90 days to allow each country the opportunity to engage in negotiations with the United States.

Latest Update on Trump’s Tariff (data as of 16 Apr) ⚠️

1 Apr

- USTR released the “**2025 National Trade Estimate Report on Foreign Trade Barriers**,” highlighting significant trade barriers faced by the US in various countries, including Thailand.
- Thailand’s key non-tariff barriers (NTBs) implemented against US products included restrictions on biofuel imports, import licensing requirement on various products, food safety inspection fees and some restrictions on imported meat, etc.

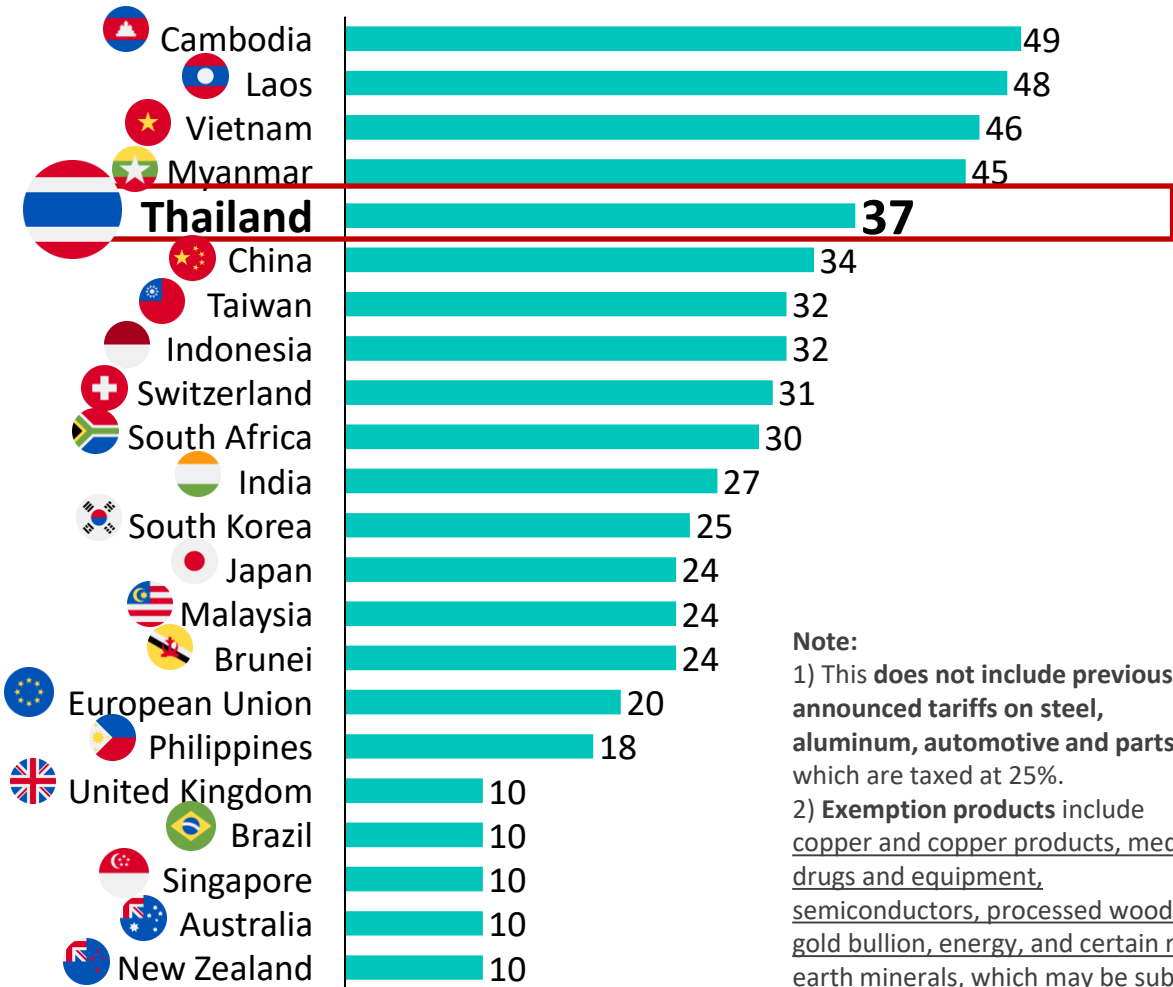
2 Apr

- **The US government announced a reciprocal tariff on more than 75 countries** with significant trade surpluses against US, effective 9 April 2025.
- In addition, the **US government announced a baseline tariff of 10% on imports from all countries, effective 5 April 2025** and repeal the "De Minimis" rule, which exempted imports valued under \$800 from tariffs for goods from China and Hong Kong, effective 2 May.
- **Thailand will face a reciprocal tariff of 37%**, following other ASEAN countries like Cambodia (49%), Laos (48%), Vietnam (46%), and Myanmar (45%).

9 Apr

- **The U.S. government has announced a 90-day suspension of the reciprocal tariff**, excluding China. The measure is set to resume on 9 July.

US Reciprocal Tariffs (%) imposed to selected countries

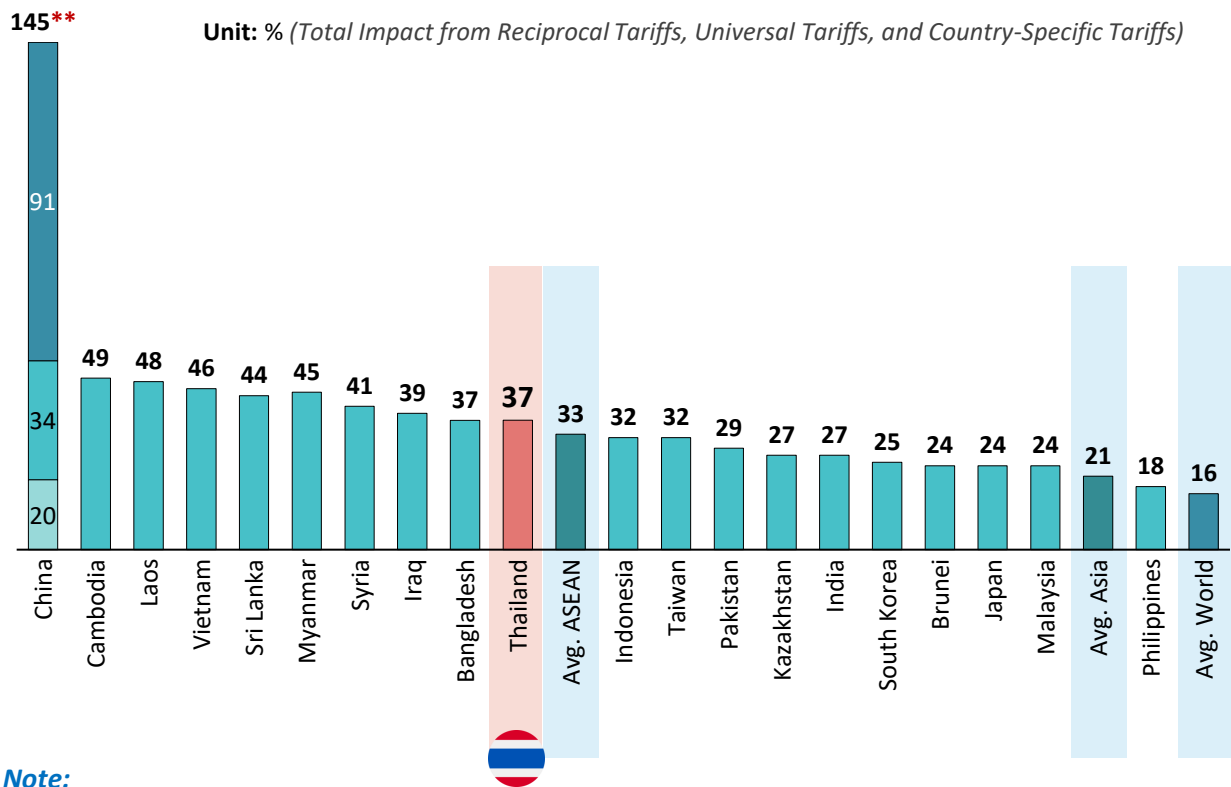


**Note:**  
 1) This **does not include** previously announced tariffs on steel, aluminum, automotive and parts, which are taxed at 25%.  
 2) **Exemption products** include copper and copper products, medical drugs and equipment, semiconductors, processed wood, gold bullion, energy, and certain rare earth minerals, which may be subject to future tariff announcements.

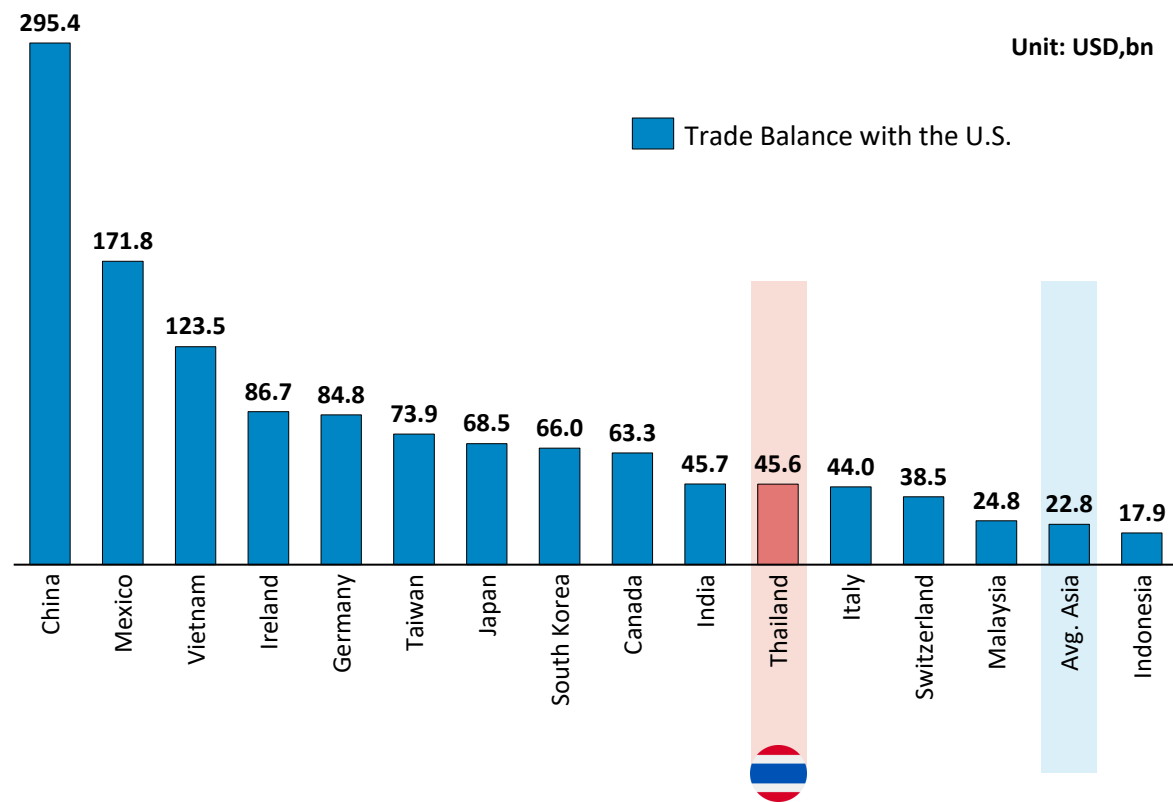
The U.S. has raised tariffs on Asian countries by an average of 21%, higher than the global average of 16%. This is because U.S. retaliatory tariff rates are calculated based on the size of the trade deficit with each country, and the US has a large trade deficit with Asian countries.

➤ In particular, the US has imposed relatively high tariffs on Thailand, reaching 37%. This places Thailand in the top 20 of 185\* trading partners worldwide and 10th in Asia, behind China, the CLMV, Sri Lanka, Syria, Iraq and Bangladesh.

Top 20 Asia economies likely to face additional Trump tariffs



Top 15 countries with highest trade surplus with the US in 2024



Note:  
\* The number 185 economies does not include Mexico and Canada, as these two countries are currently exempt from the USMCA.  
\*\* China's 145% tariff rate consists of 50+41% (announced on 8-10 April 2025), 34% (announced on 2 April 2025) and an additional 10% + 10% (announced on 4 February and 4 March 2025 respectively).

# What does Trump want to achieve with these tariffs?

Tariffs have been used by many countries for centuries, but they can act as a double-edged sword. While they can help boost domestic industries, consumers can end up paying higher prices as a result.

## Curb the flow of fentanyl and illegal immigration to the US

- This is the primary reason he said that he **enacted 20% tariffs on China and why he has threatened 25% tariffs on Mexican and Canadian imports.**

## Bring manufacturing jobs back to the United States

- Trump campaigned heavily on making the US the manufacturing hub it had been decades ago. As Trump routinely reminds companies: **If you make products in America, you pay no tariffs.**

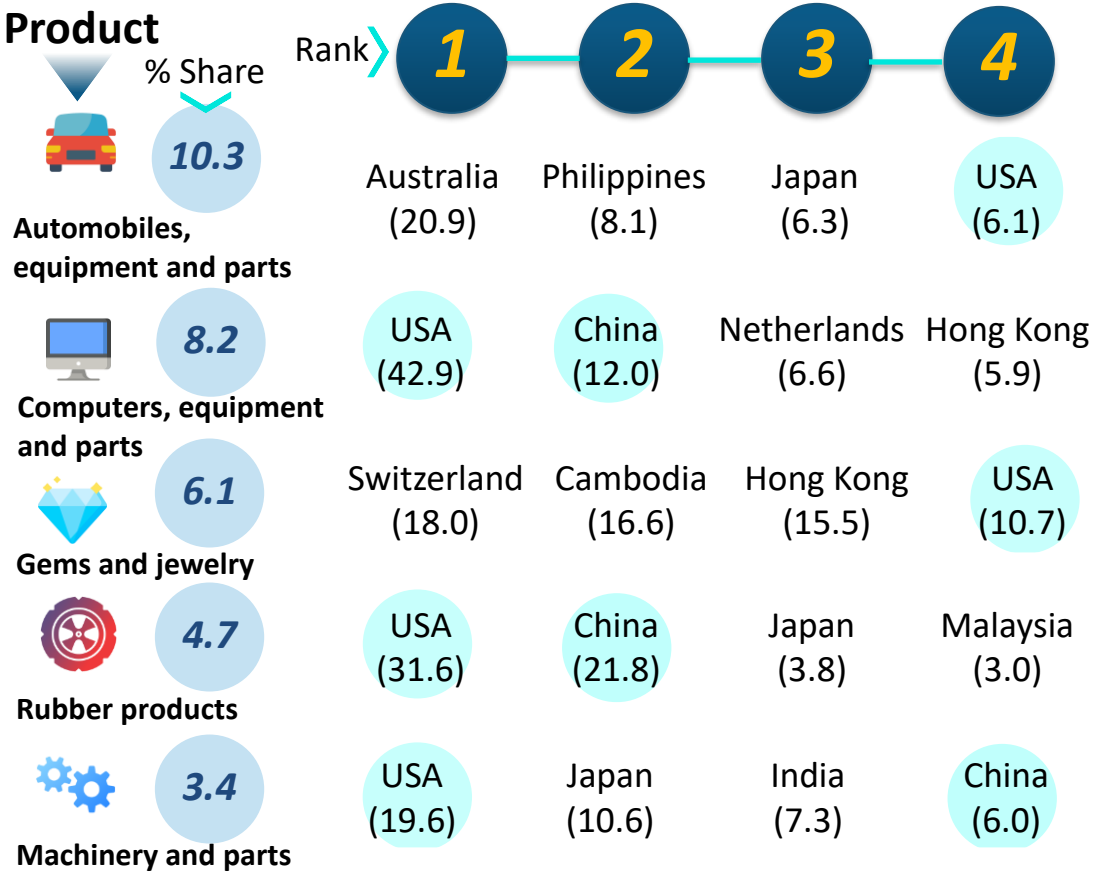
## Pay down debt and reduce taxes

- Trump's goal is to essentially **replace income taxes with tariff revenue**, which he aims to put in part toward paying down the nation's debt.

## Restore fairness

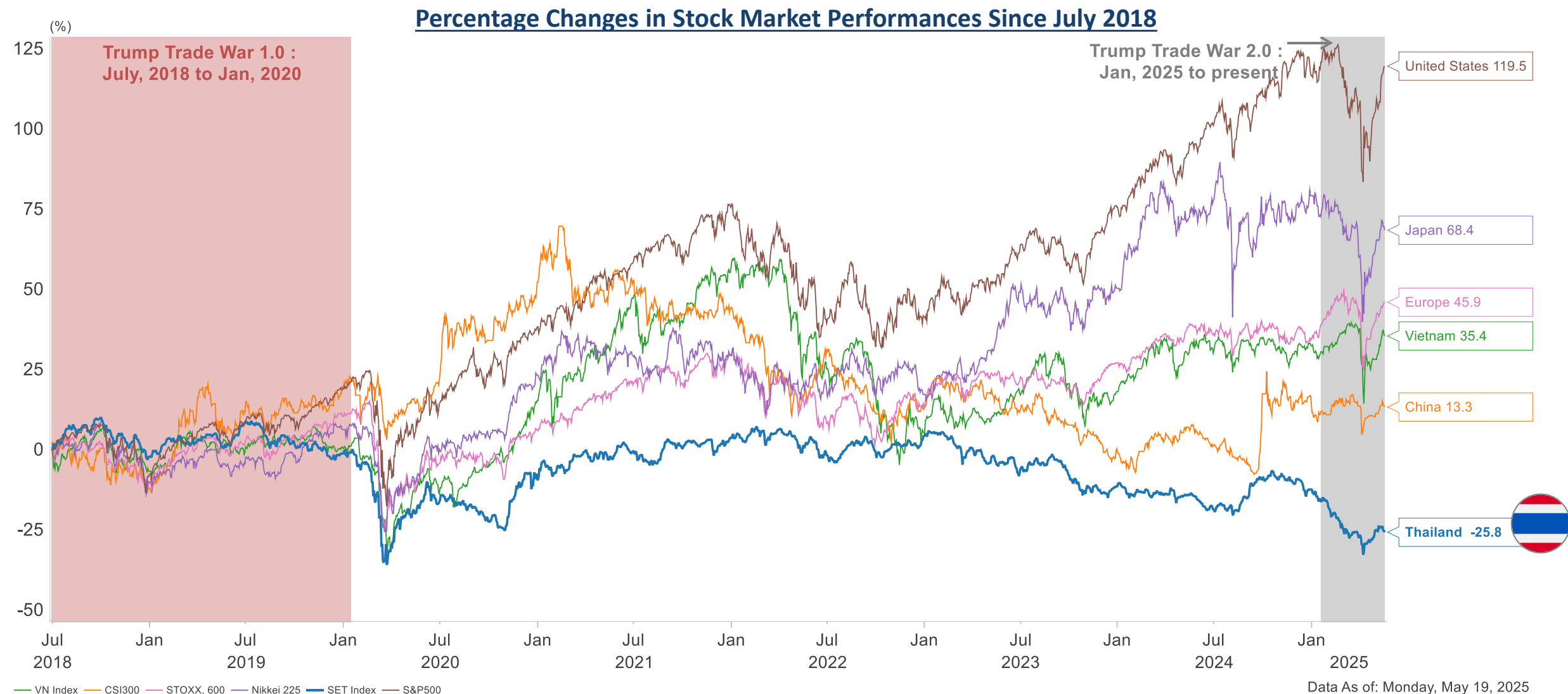
- In Trump's view, **the United States is being "ripped off"** by countries with higher tariff rates on US-made products or countries with which the US runs a trade deficit, meaning nations from which America imports more than it exports.

Looking at Thailand's top 5 export products in 2024 that will be affected due to their high export share to the US, these include **automobiles, computers, gems and jewelry, rubber products, and machinery and parts**. In addition, products exported to China and other major export markets are expected to be indirectly affected by the economic slowdown in these trading partners affected by the US tariff increases.



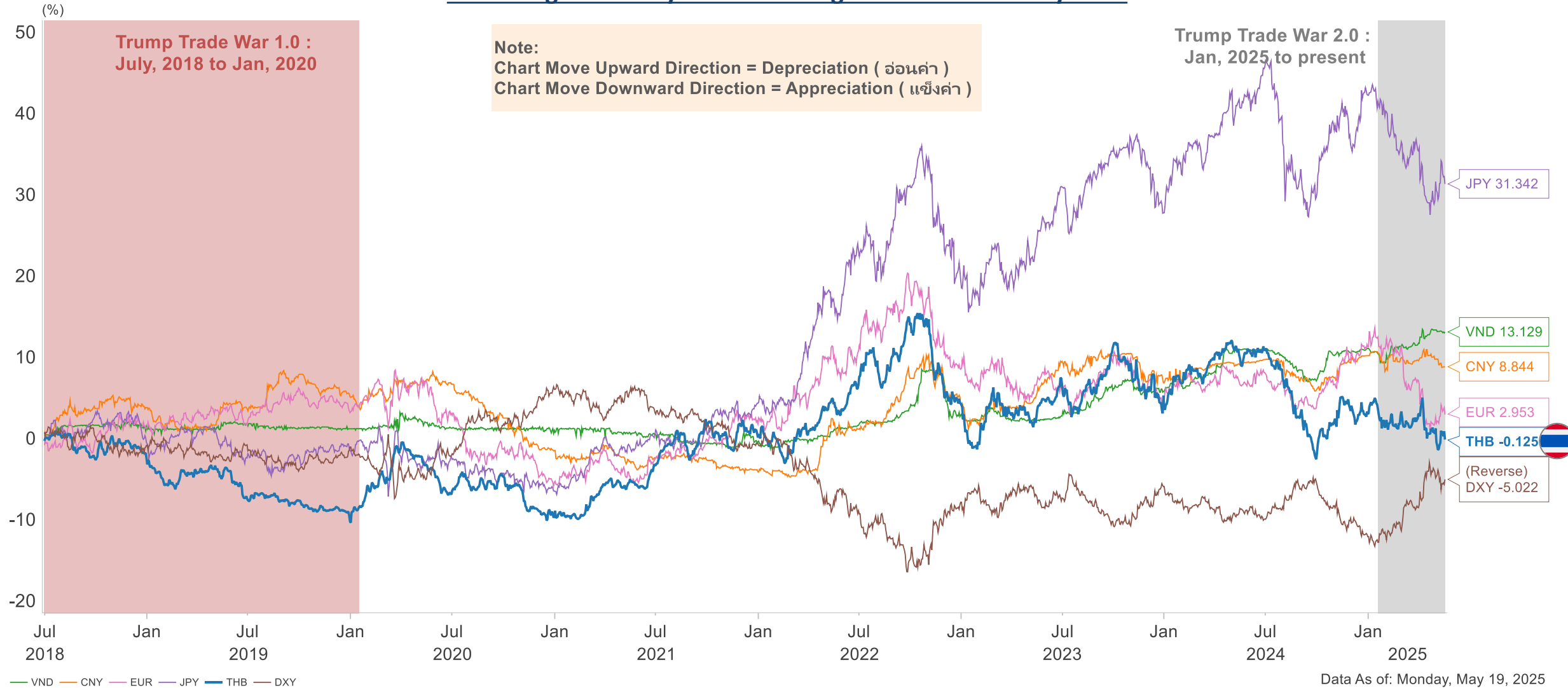
**Note:** The numbers in brackets represent the share of the export value of the product.

**Stock Market:** During Trump Trade War 1.0 (July 2018 to Jan 2020), global stock markets experienced only mild corrections. In comparison, Trump Trade War 2.0 (from early 2025) has generated more pronounced short-term market volatility, largely in response to policy uncertainty.



**Currency:** During Trump Trade War 1.0 (July 2018 to Jan 2020), THB remained relatively stable and even appreciated against the USD. In Trump Trade War 2.0 (from early 2025), THB initially depreciated before strengthening after the 90-day tariff pause. Meanwhile, JPY and EUR have sharply appreciated as the DXY has significantly depreciated.

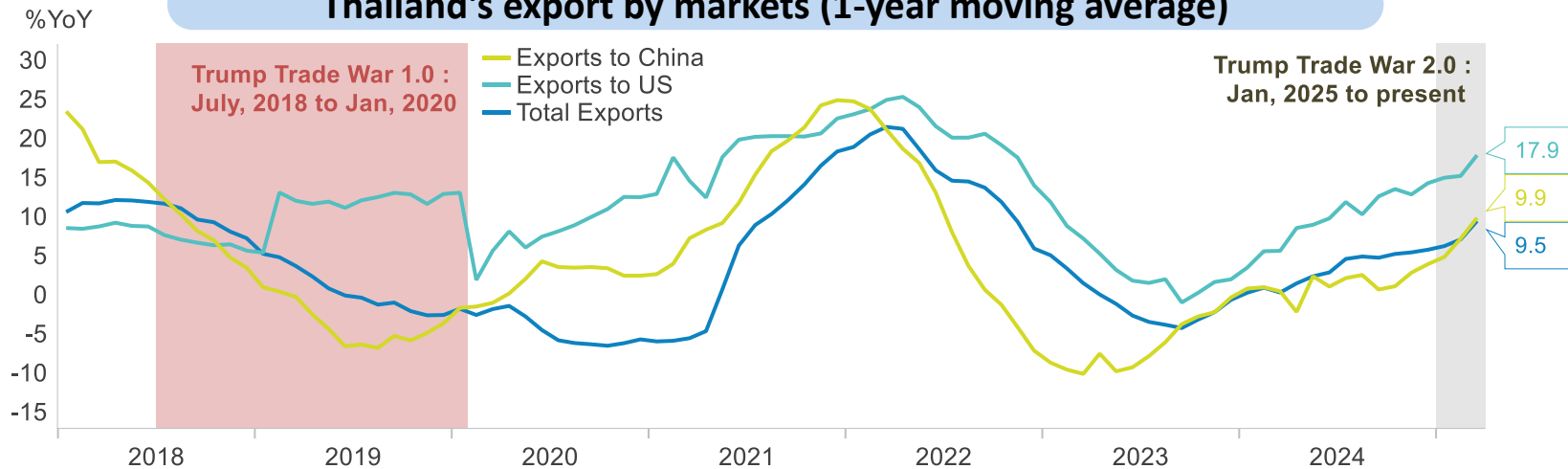
### Percentage Currency Movement Against USD Since July 2018



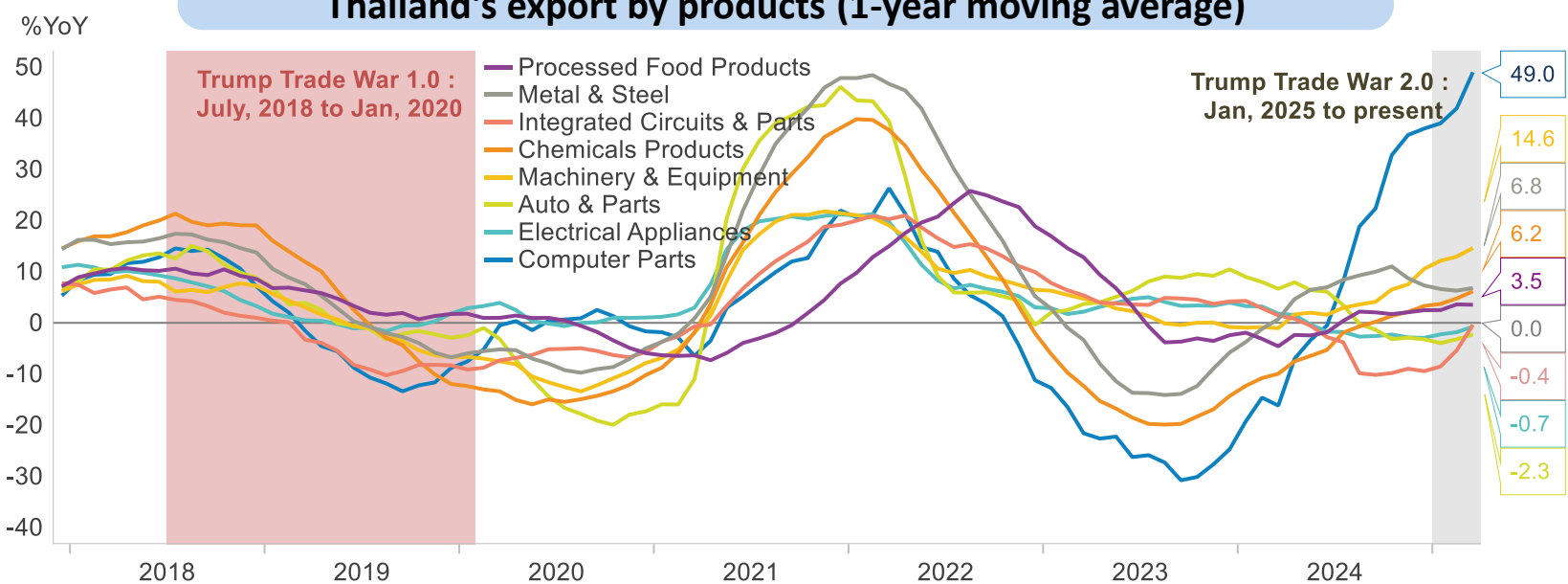
Source: LH Bank Business Research Analysis based on data from Macrobond (data as of 19 May 2025)

**Exports:** Trade war 1.0 had a significant impact on Thailand's exports, especially for products where Thailand is part of the Chinese supply chain. Trade war 2.0 has recently led to a surge in imports, especially of computers and parts.





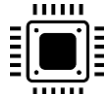

Thailand's export by markets (1-year moving average)



Thailand's export by products (1-year moving average)



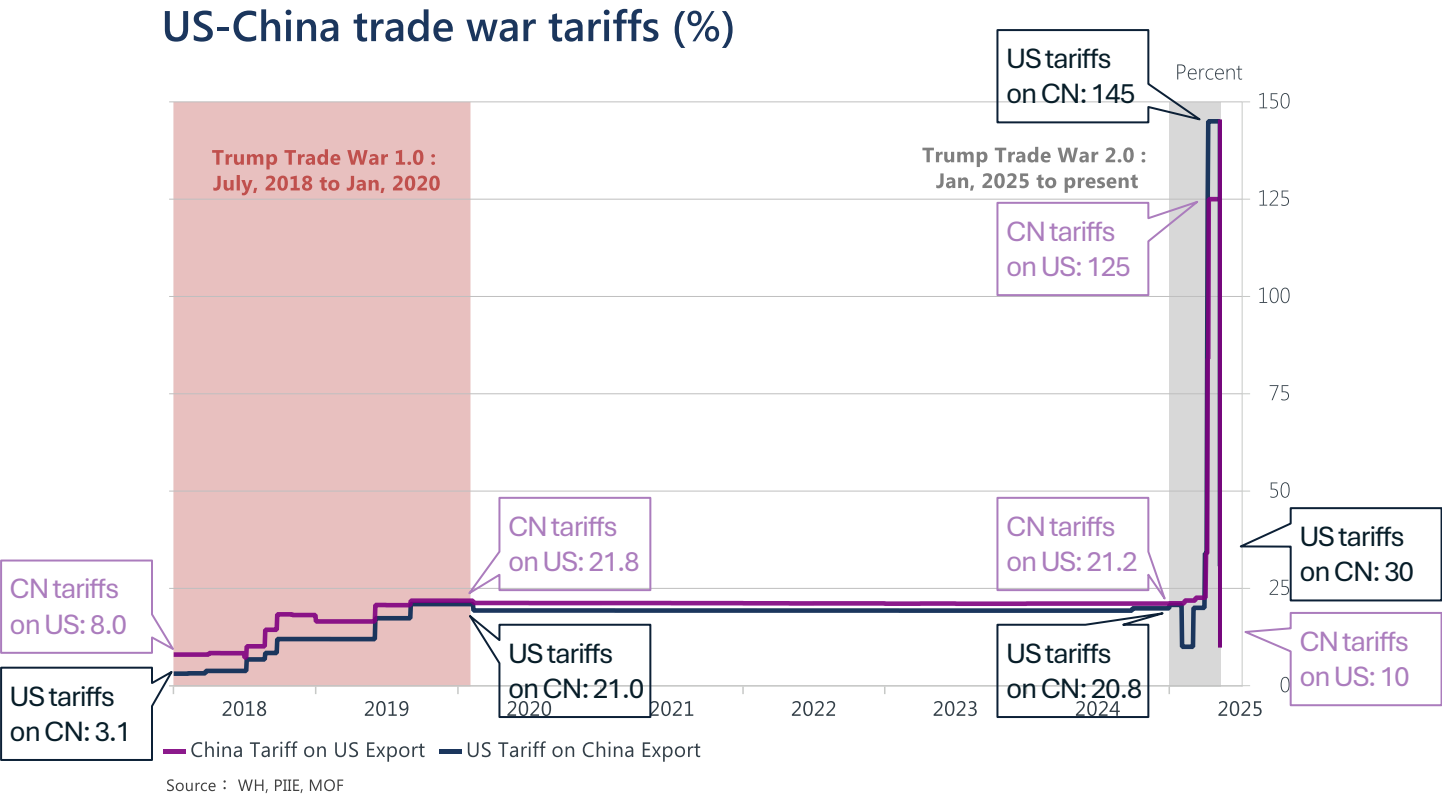
**Key Affected Sectors due to Trump Trade War 1.0**  
(All CN products subject to a **25% tariff** imposed by the US.)

|  |   |   |
|--|---|---|
| <br><b>Computers and Components</b><br>HS code: 8473<br>TH Exports: <b>-6.2%YoY</b> | <br><b>Automotive and Auto parts</b><br>HS code: 8708<br>TH exports: <b>-1.2%YoY</b>     | <br><b>Machinery and Components</b><br>HS code: 8467-8479<br>TH exports: <b>-3.1%YoY</b> |
| <br><b>Chemical Products</b><br>HS code: 2901-2942<br>TH Exports: <b>-3.5%YoY</b>   | <br><b>Integrated Circuits and Parts</b><br>HS code: 8542<br>TH exports: <b>-7.3%YoY</b> | <br><b>Metal and Steel</b><br>HS code: 7208-7217<br>TH exports: <b>-1.8%YoY</b>          |

**Key Lessons Learned**

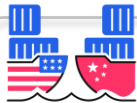
- The first round of the US-China trade war had a significant impact on Thailand's exports, with total export value contracting on average by **-0.6%YoY**.
- Computer parts, chemical products and integrated circuits were the main product groups affected by the previous U.S. tariff hike.
- The recovery in exports was uneven across product groups. Computer parts and electrical appliances recovered relatively quickly, partly due to a surge in demand during the COVID-19 period.

**New Trade War Timeline:** The new U.S.-China trade war began in early Feb 2025. The U.S. raised tariffs on Chinese goods to 145%, while China retaliated with a 125% tariff on U.S. goods. On 12 May, both countries concluded the trade negotiation with significant tariff reductions for an initial 90-day period.



**Implication to Thailand**

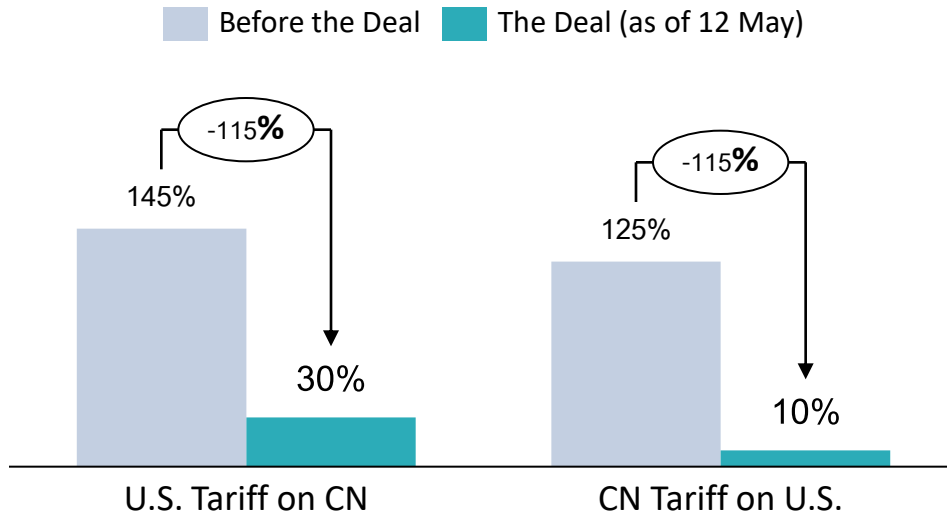
*Thailand is indirectly impacted by US tariffs on China's imports. It is possible that goods from China will surge into other markets besides the US (China Flooding). However, Thailand has an opportunity to benefit from trade diversion by exporting goods to the U.S. as substitutes for Chinese products.*



**U.S.-China Trade War 2.0 Timeline**

- 4/2/2025 U.S. announced to impose **10% import tariff** to China goods
- 4/3/2025 **[Effective] 10% more tariff** on China's goods (Total = 20%)
- 10/3/2025 **[Effective] Retaliation tariff** to US for agricultural and food products with 10-15%
- 2/4/2025 U.S. announced on the implement of **10% Baseline tariff** (eff. 5 Apr) and **Reciprocal tariffs** (eff. 9 Apr); For China, 34%
- 4/4/2025 China imposed **retaliation tariff** to US import goods for 34% (eff. 10 Apr)
- 8/4/2025 US announced a **50% increase in reciprocal tariffs** following China's retaliatory measures.
- 9/4/2025 China increased **retaliation tariff** to US for 84% // US increased **tariffs** to China to 125% (Total = 145%)
- 10/4/2025 China increased **retaliation tariff** to US for 125% (eff. 12 Apr) + **Rare earth and critical mineral export control** to US
- 10/4/2025 US blocked Chinese tech and AI firms from **semiconductors**
- 1/5/2025 China suspends export licenses for **certain rare earth compounds and high-purity graphite** to U.S. buyers + Chinese airlines canceled or postponed Boeing orders
- 1/5/2025 U.S. export controls on **advanced manufacturing equipment and quantum computing technology** to China
- 12/5/2025 **U.S. and China concluded the temporary trade deal.**

## US-China Trade Deals (as of 12 May) - The U.S. and China agreed to significantly reduce tariffs for an initial 90-day period. New tariff rates will effective 14 May.



### Implication to Thailand

- Thailand is indirectly impacted from temporary relief of U.S.-China trade war pressures. However, this agreement is a pause rather than a resolution, creating continued uncertainty for Thailand's export sector.
- Thailand's China-related supply chain may restructure as manufacturers pivot production away from US markets toward other destinations.
- There is still a risk of Chinese products flooding the Thai market.

### Summary of U.S.-China Reciprocal Tariff Negotiations in Geneva, Switzerland (10-12 May 2025)



#### U.S. Remaining Tariffs and NTBs

- **Lowered tariffs from 145% to 30%.**
- **Other tariffs remain in place:** Including 1) 20% tariff related to fentanyl concerns, 2) 10% baseline reciprocal tariff, 3) 25% tariff on automotive and parts, 4) 25% tariff on Steel and Aluminum, 5) Others imposed under the Biden administration and Section 301 such as solar panel, EVs, etc.
- De minimis tariff rate will be reduced from 120% to 54% for packages valued under USD 800, while maintaining a fixed fee of USD 100 per package.



#### China Remaining Tariffs and NTBs

- **Lowered tariffs from 125% to 10%.**
- **Suspend on NTBs imposed to U.S.** including 1) export restrictions to U.S. on rare earth minerals, 2) import restrictions on certain U.S. agricultural products, and 3) anti-dumping investigation into DuPont.
- Remove U.S. companies from China's "Unreliable Entity List" and "Export Control List".
- Resume taking delivery of US-manufactured aircraft (Boeing case).

## Other Trade Deals (as of 12 May) - The U.S. and UK also concluded their trade deal on 8 May, while trade negotiations with some countries, such as Japan, have made significant progress and may be concluded soon.



### US-UK Trade Deal (Concluded 8 May 2025)

#### U.S.

- **10% baseline reciprocal tariff remain in place.**
- **Lowered 25% tariff on Steel and Aluminum to 0%.**
- Set import quota on UK cars (100,000 units) will be subject to 10% tariff; additional cars subject to 25%.
- Imposed tariff-free quota for 13,000 metric tons of UK beef exports to U.S.
- Committed to giving preferential treatment in any future Section 232 tariff (pharmaceuticals, semiconductors).

#### United Kingdom (UK)

- **Lowered 19% tariff on U.S. ethanol to 0%,** with a 1.4-billion-liter quota.
- Imposed tariff-free quota for 13,000 metric tons of U.S. beef exports to UK.
- Committed to removing various NTBs that restricted American products
- UK's 2% Digital Services Tax on U.S. tech companies remain in place.

Note: \* As of 14 May, India reversely signals potential retaliatory tariffs against the U.S. following Trump's attempts to intervene in India-Pakistan conflicts.

\*\* Countries with news or official announcements regarding trade negotiations with the U.S.

### Other On-going Trade Negotiations:

#### U.S.-Japan

1<sup>st</sup> round: 16 Apr  
2<sup>nd</sup> round: 1 May



**U.S. imposed reciprocal 24% tariffs to Japan.**

#### **Japan:**

- ✓ Proposed to increase agricultural imports from the U.S., particularly focusing on corn imports.
- ✓ Proposed to reduce trade surplus with the U.S.
- ✓ Requested U.S. to reduce tariffs on automotive and parts, and steel and aluminum

#### U.S.-India\*

1<sup>st</sup> round: Apr  
2<sup>nd</sup> round: 9 May



**U.S. imposed reciprocal 26% tariffs to India.**

#### **India:**

- ✓ Proposed to reduce tariff gap with U.S. to less than 4% (from 13%).
- ✓ Proposed 0% tariffs on 60% of U.S. imports in first phase.
- ✓ Offered preferential access for nearly 90% of goods from U.S.
- ✓ Proposed "future-proof" deal with forward most-favored-nation clause giving U.S. automatic benefits from any future Indian trade deals.

#### U.S.-EU



**U.S. imposed 50% reciprocal tariffs to EU on 25 May** (20% on 2 Apr).  
**However, the effective date was extended from 1 Jun to 9 Jul.**

#### **EU:**

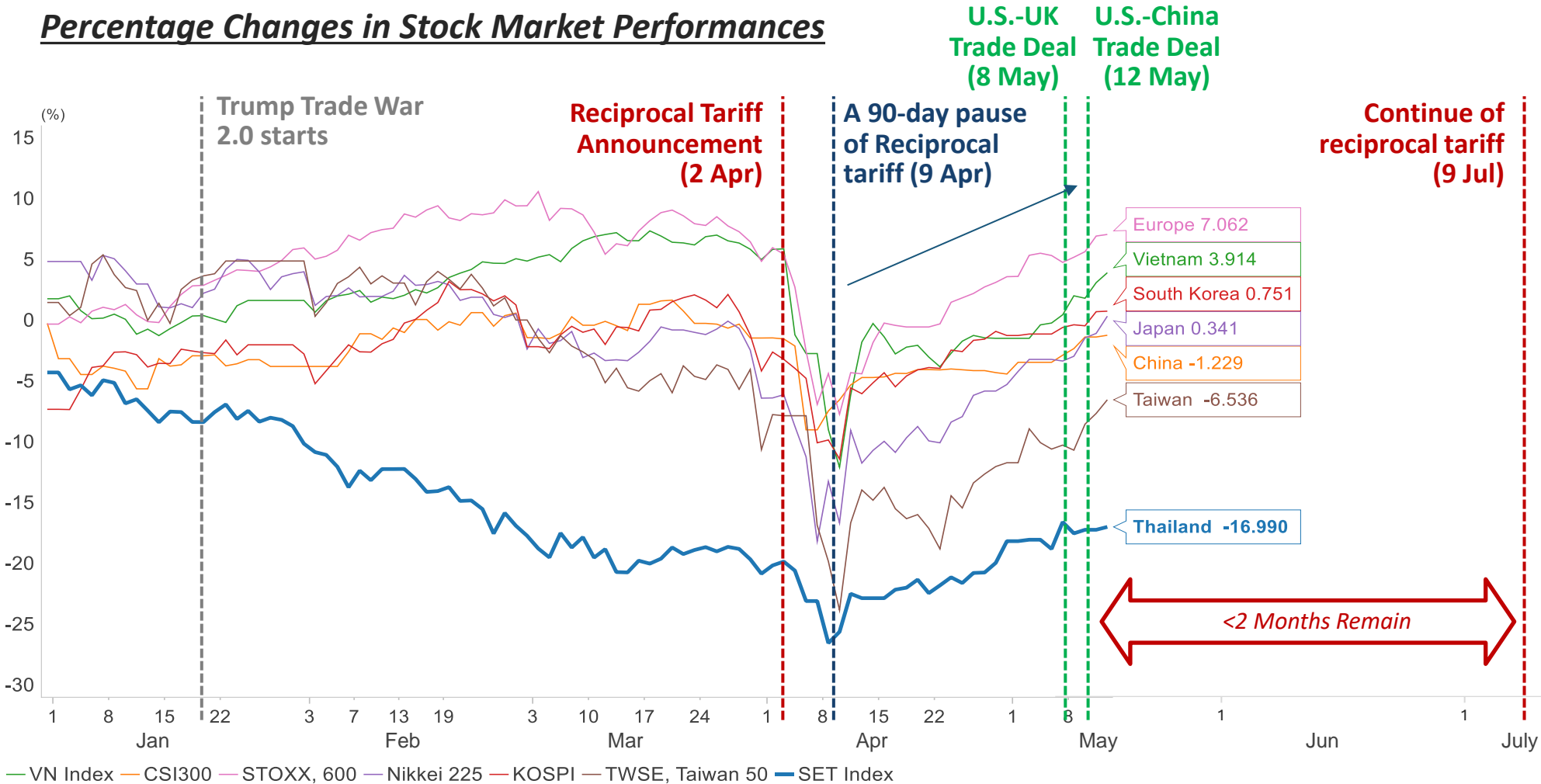
- ✓ Announced a 90-day suspension of its retaliatory tariffs on US goods, following Trump's decision to temporarily reduce or pause his tariffs.
- ✓ Proposed 'common ground' negotiation where the U.S. and EU have aligned interests, rather than only escalate only tariff measures.

#### Others\*\*

*On-going: Canada, Mexico, South Korea, Australia, Switzerland, Vietnam, Indonesia, Malaysia, Israel, Saudi Arabia, Argentina, Cambodia, Thailand.*

Since the announcement of a 90-day pause of reciprocal tariff on 9 Apr, global stock markets have rebounded, reflecting eased concerns over economic uncertainty. There remain approximately less than 2 months for countries to negotiate with the U.S. before the reciprocal tariffs are reinstated on 9 Jul. For Thailand, the schedule of negotiation have not yet been confirmed.

## Percentage Changes in Stock Market Performances



## When will Thailand negotiate with U.S. ?

- **2 Apr:** US imposed 37% reciprocal tariff on TH.
- **6 Apr:** PM Paetongtarn Shinawatra issued two official statements outlining government's short- and long-term response measures.
- **18 Apr:** TH received official confirmation of 23-Apr negotiation date with U.S.
- **23 Apr:** The negotiations scheduled were postponed indefinitely, with the U.S. requesting Thailand to review and revise their proposals before proceeding.
- **9 May:** Deputy PM and Minister of Finance, Pichai Chunhavajira, confirmed that TH submitted its proposal to both USTR and directly to US Treasury Secretary Scott Bessent, with expectations to schedule formal discussions within the next 1-2 weeks.

# Thailand has proposed a five-point plan to the United States, which aims to reduce Thailand's trade surplus with the US by 50 % within five years and strengthen strategic cooperation in the future.

## Key elements of Thailand's 5-point proposal to the U.S.

### 1. Strengthen Thai-US cooperation in the processed food industry:

Focus on developing the food processing industry by leveraging the strengths of both countries, particularly importing agricultural products from the US as raw materials for processing and exporting to global markets.

|  | U.S. Export Goods         | Processed Products in Thailand | Key End Markets           |
|--|---------------------------|--------------------------------|---------------------------|
|  | Beef, Pork, Poultry       | Marinated meats, frozen meals  | Asia-Pacific, Middle East |
|  | Alaska Pollock, Salmon    | Canned, frozen seafood         | Japan, EU, ASEAN          |
|  | Almonds, Walnuts, Berries | Snacks, dried fruit packs      | China, ASEAN, Middle East |
|  | Whey, Cheese              | Dairy snacks, bakery products  | ASEAN, China              |
|  | Corn, Potato              | Snacks, bakery ingredients     | Asia, Australia           |

### Strategic reasons for Thailand as a processing base:

- ✓ Thailand has strong capabilities in meat processing, marination, seafood processing, and the production of ready-to-cook (RTC) and ready-to-eat (RTE) products.
- ✓ Thailand is strategically located to access ASEAN and Asia Pacific markets.
- ✓ Thailand has a strong reputation for food safety with facilities certified to GMP, HACCP and Halal standards.

**2. Increasing imports from the US:** Thailand plans to increase imports of essential goods including energy resources (crude oil, LNG, ethane), aircraft and parts, weapons and military equipment, and agricultural products such as corn, soybeans, and beef, in respond to domestic economic needs.

**3. Market opening and reduction of trade barriers:** A 14% reduction in MFN import tariffs on 11,000 products and the reduction of non-tariff barriers (NTBs) are key cooperation objectives. In addition, Thailand proposes to reduce quotas and restrictions while opening markets to US products such as cherries, apples, wheat, corn and meat products.

**4. Strict enforcement of rules of origin:** Thailand commits to enforce rules of origin to address the problem of third country goods being falsely labelled as "Made in Thailand" and exported to the US. This will include increased monitoring to maintain the reputation of Thai products in the US market.

**5. Promoting Thai investment in the United States:** The Thai government supports the expansion of private sector investment in the US over the next 4 years, particularly in the energy sector, such as LNG investment projects in Alaska.

# US imposes latest tariffs on solar imports from Southeast Asian countries, including Thailand

**For Official Announcement, please refer to**

<https://www.trade.gov/final-affirmative-determinations-antidumping-and-countervailing-duty-investigations-crystalline>

**Business Research  
29 April 2025**



On 21 April 2025, the US Department of Commerce announced plans to impose tariffs on solar cells from Cambodia, Malaysia, Thailand, and Vietnam. Thailand could face tariffs as high as 799.55%, potentially affecting USD 2,398 million in exports to the US market.

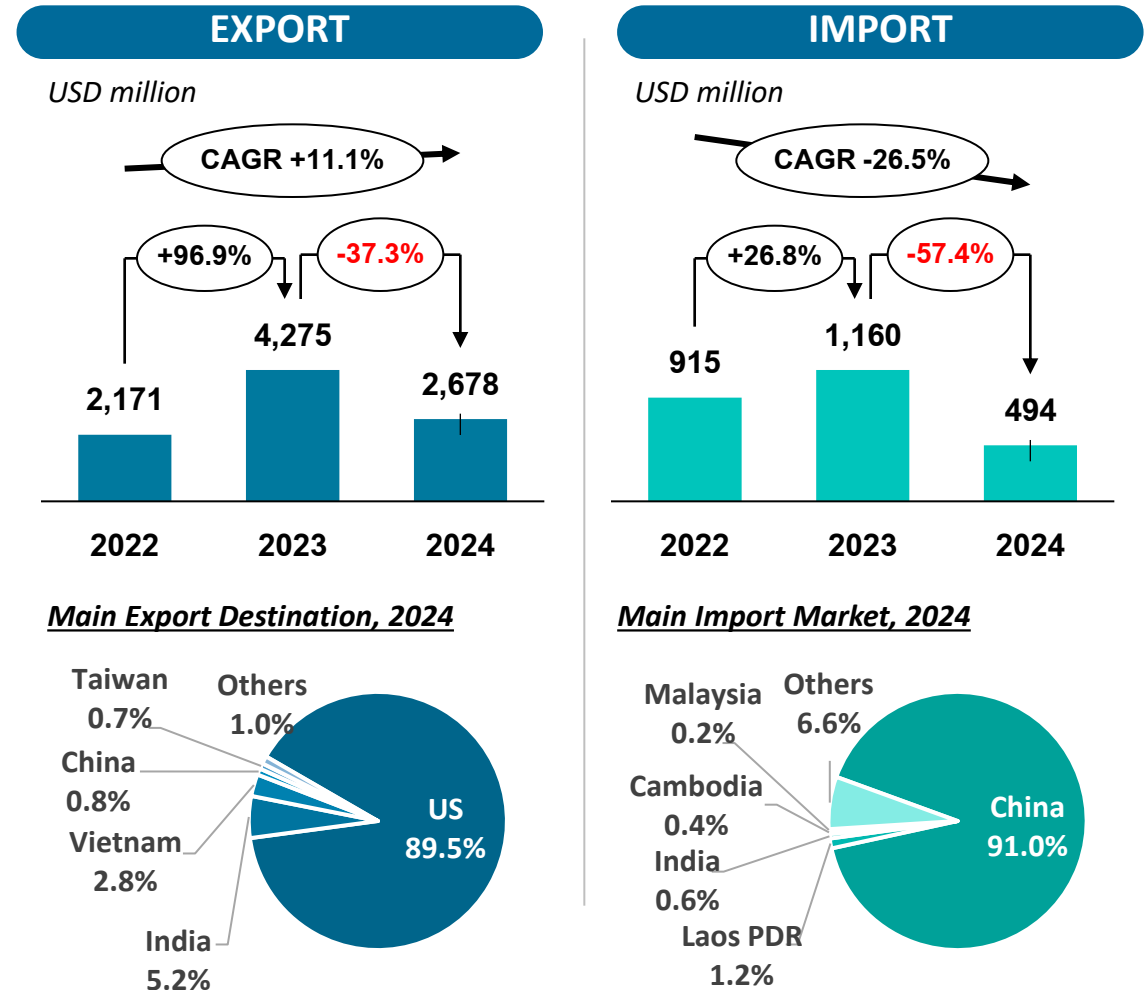


### **US Department of Commerce's Latest Final Affirmative Determinations in AD&CVD Investigations on Solar Cell**

- The investigation focused on crystalline photovoltaic cells (solar cells) imported from four ASEAN countries.
- This report may lead to the imposition of AD (anti-dumping) and CVD (countervailing duty) tariffs on these countries **following the US ITC's final determination on 2 June, with the tariffs becoming effective on 9 June:**
  - **Cambodia: up to 3,403.96%**  
(AD rate at 125.37% / CVD rate at 534.67-3,403.96%)
  - **Thailand: up to 799.55%**  
(AD rate at 114.5-202.9% / CVD rate at 263.74-799.55%)
  - **Vietnam: 542.64%**  
(AD rate at 58.07-271.28% / CVD rate at 68.15-542.64%)
  - **Malaysia: up to 168.80%**  
(AD rate at 8.59-81.24% / CVD rate at 14.64-168.80%)
- Three solar manufacturers in Thailand – Trina Solar Science & Technology (Thailand) Ltd., Sunshine Electrical Energy, and Taihua New Energy (Thailand) Co. Ltd. – may face tariffs of 799.55%, while other companies may face tariffs of 263.74%.

Note: \* covered HS854142 and HS854143.

### Thailand's Solar Cell Export and Import Value 2022-2024\*



**US tariffs will impact Thai solar manufacturers, particularly exporters. However, the local market might benefit from this situation. Strategic responses should include diversifying export markets, shifting to domestic demand, and developing green financing solutions to support the industry's transition.**

### — Negative Impacts

- **Market Share Loss on Exports:** Such high tariffs will make Thai solar products much less competitive in the US market. US importers may shift orders to competitors or domestic manufacturers instead.
- **Production Relocation:** solar manufacturers, especially the three Chinese targeted companies, would be directly impacted and may decide to relocate their manufacturing and assembly plants to other countries, such as Indonesia or India, to avoid the tariffs.

### + Initial solutions to mitigate impacts

- **Government Response:** Thai government may engage in negotiations with the US to mitigate the tariffs, particularly by addressing the issue of misdeclaration of origin by Chinese companies.
- **Shifting to Domestic Demand:** There is still room for growth in the solar panel market in Thailand, particularly in solar rooftop and solar farm businesses. The government should encourage the local adoption of solar rooftop systems and renewable energy projects to create stable demand for Thai entrepreneurs, partially offsetting losses from the US market.

### Implications for Thai Businesses



Thai businesses should **diversify export markets** and expand into new alternative market such as India, Japan, etc., as well as **shift the production to response for domestic market** instead.



**The price level of solar panels and inverters is likely to decrease. This could benefit domestic renewable energy producers as well as local users,** including households and private sectors, who wish to install solar rooftop systems.

### Implications for Thai Banking Sector

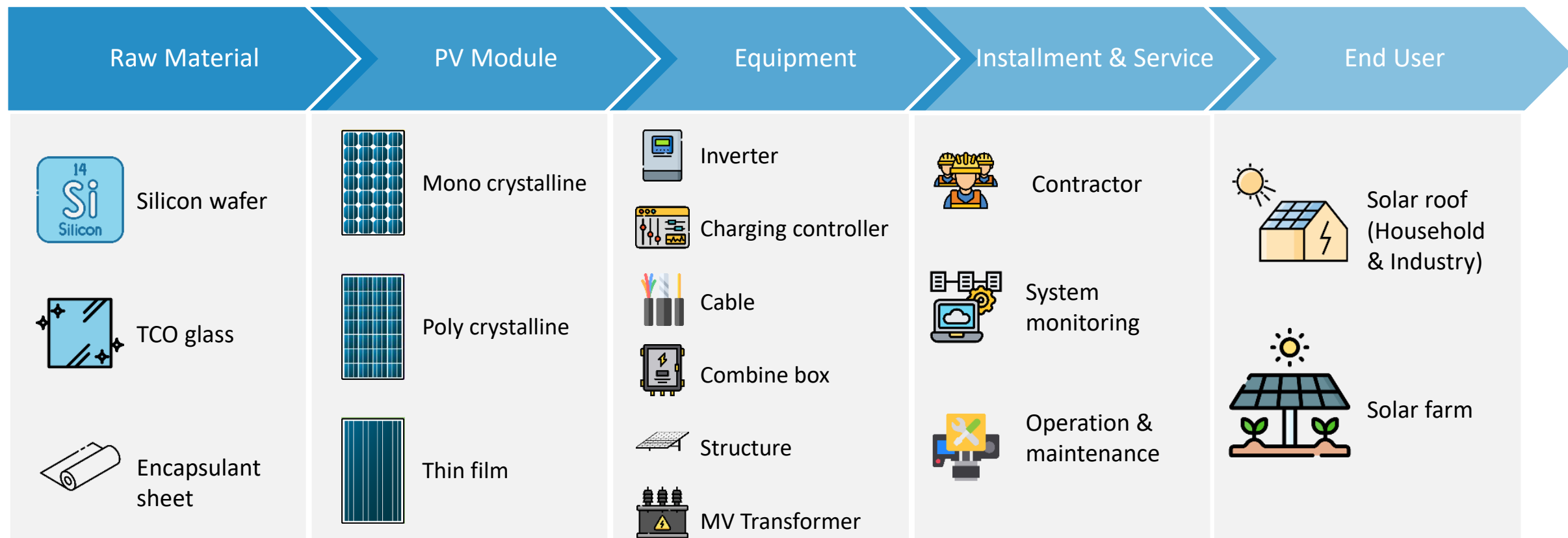


**Assess the risks and vulnerabilities of their loan portfolios,** particularly for related industries on exports to the US.



**Providing green loans and financing programs to help reduce upfront costs and promote wider adoption of solar technology** such as low-interest loans, installment plans, and long-term project financing.

# Thailand's Solar Cell Value Chain: Overview



## Local manufacturer



## Local manufacturer



## Foreign manufacturer



## Local company



## Foreign company



## Solar power producer



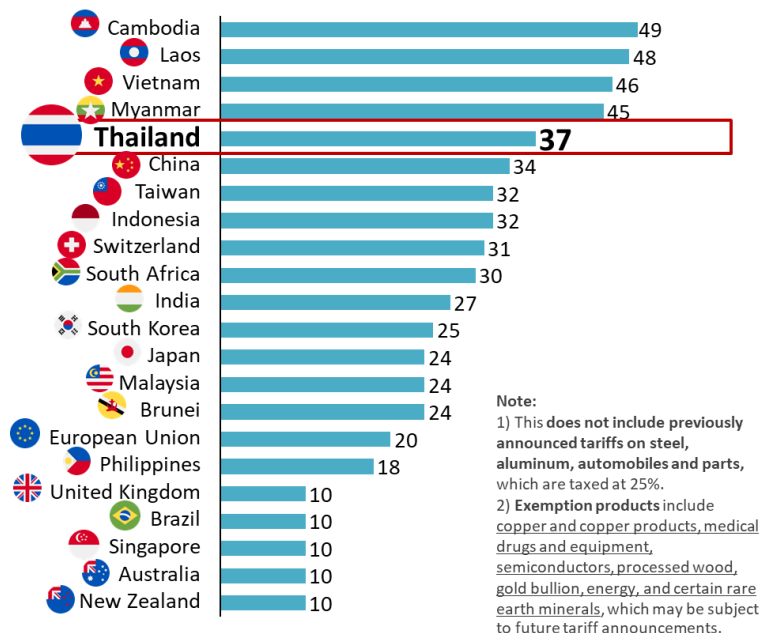


# Reciprocal Tariff: Analysis for Thailand

Tariffs

# US Reciprocal Tariff: Analysis on Impact to Thailand Economy

US Reciprocal Tariffs (%) imposed to selected countries



- The impact of the United States' reciprocal tariff measures has significantly affected Thailand's trade sector.
- Apart from reducing Thailand's exports to the US market, Thailand may lose market share to competing countries and face indirect consequences.

## 1 Direct Impact to Thailand's exports to the U.S. market (-)

- Particularly **Steel and Steel Products, Aluminum and Aluminum Products**, for which the U.S. is the top export market, **automotive and parts**, and other **key export products to the U.S. market** (including electrical appliances, integrated circuit, computers, HDDs, machinery and equipment, rice, processed seafood, rubber products, and plastic products).

## 2 Indirect Impact via Supply Chain Linked to China (-)

## 3 Indirect Impact from the Risk of Chinese Products Flooding (-)

## 4 Impact from Global Economic Slowdown (-)

## 5 Impact from Trade Diversion (-/+)

## 6 Impact from Investment Relocation and Reshoring (-/+)

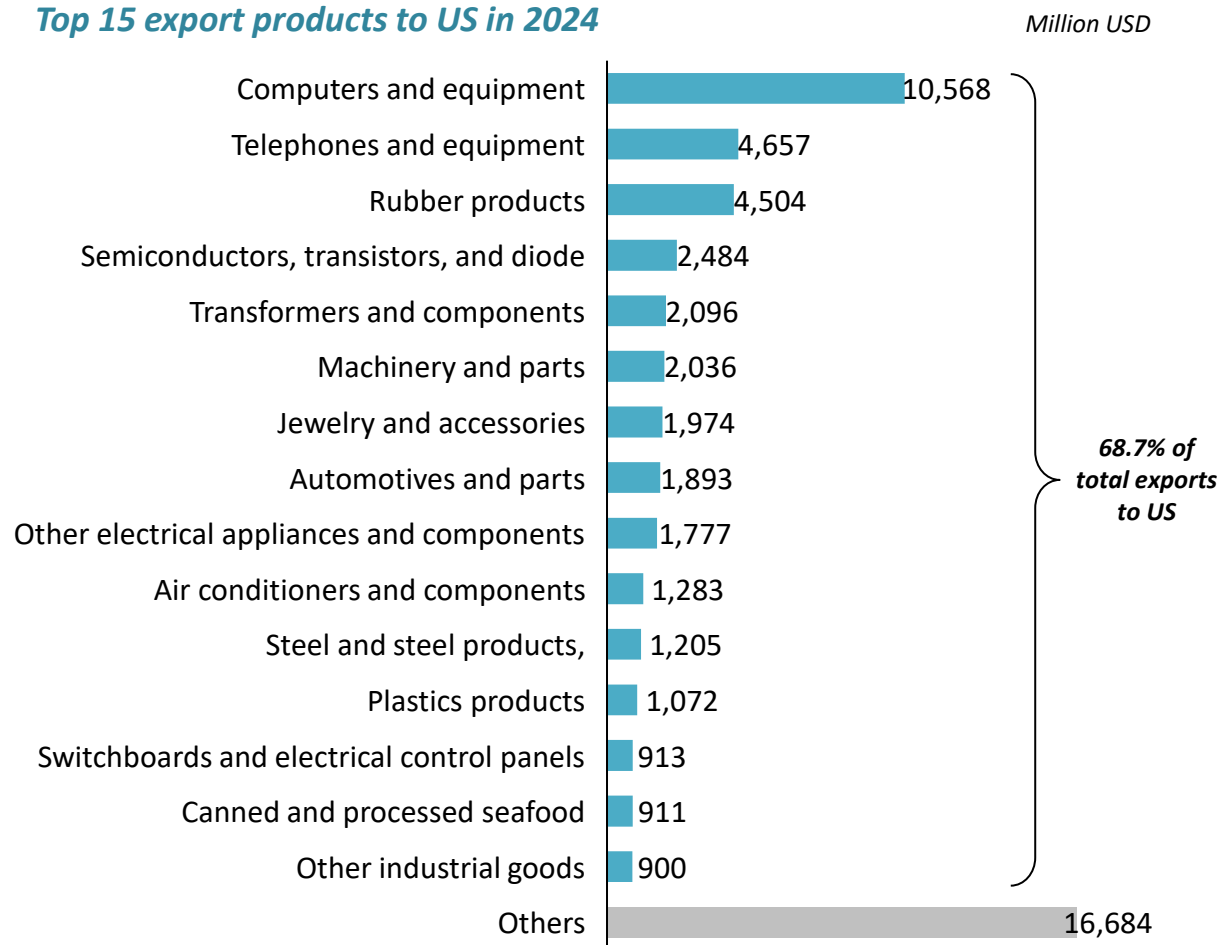
- Reducing Thailand's exports.
- Disruption Thailand's manufacturing sectors.
- Tightening competitiveness in domestic and ASEAN market from Chinese goods.
- Reducing future investment inflows to Thailand.
- Shifting of trade structures (*opportunity to increase exports to US for some products and risk to lose a market share to competing countries.*)

# The U.S. tariff measures are expected to affect Thailand's export sector across several products, particularly steel and aluminum products, automotive and parts, and key products exported to the US.



In 2024, Thailand exported USD 54,956 million to the US, accounting for 18.3% of total exports, which amounted to USD 300,529 million.

## Top 15 export products to US in 2024



## Direct Impact



### Steel and Aluminum Products

Increasing Tariff

**+25%**

Starting 12 Mar 2025

TH Export Value  
(mn USD) (2024)

**1,205**



Possibility of China's low-priced steel and aluminum surging into Thailand.



### Automotive and Parts

**+25%**

Starting 2 Apr 2025

**1,893**



May also affect Thailand's exports to countries like Mexico and Japan, which use Thai components to produce vehicles for the US market.



### All Products

(excl. specific products)

**+10%**

Starting 5 Apr 2025



### Reciprocal Tariff

(TBA, but may be all products subject to 10% baseline tariff)

**+37%**

Starting 9 Apr 2025

**Reducing Thailand's price competitiveness to competitors with lower or no reciprocal tariffs.**

## Indirect Impact

- **Global Economic Slowdown** creates tension for Thailand's exports.
- **Risk of market flooding** from Chinese products, especially in electronics and automotive sectors.
- **China-related Supply Chain Disruptions** affecting key sectors such as rubber, computers, machinery, and plastics.
- **China's Economic Slowdown** due to the trade war affects Thailand's exports to China, especially consumer goods like fruits and cosmetics.

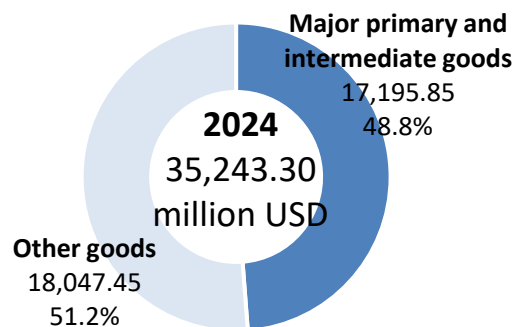
China is one of the countries critically affected by Trump's tariffs. The Chinese supply chain might be disrupted, leading to a reduction in Thailand's exports to China, while Chinese products are likely to be diverted to other markets, particularly ASEAN and Thailand.

### Impact via Supply Chain Linked to China

- Thailand's exports to China, **particularly primary and intermediate goods**, will decrease due to China's supply chain disruption from US tariff.
- Products that will be most affected are those reliant on the Chinese market, such as cassava products, wood and wood products, copper and copper products, etc.



#### Share of major primary and intermediate goods export to China

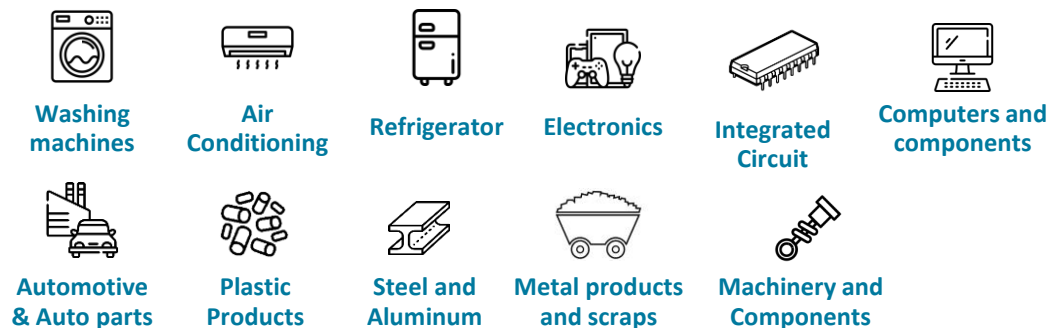


| Products   | TH exports to CN 2024 (USD mn) | % of total TH exports |
|--|--------------------------------|-----------------------|
| Rubber products                                    | 3,098.28                       | 21.8                  |
| Computer and parts                                 | 2,954.08                       | 12.0                  |
| Plastic resin                                      | 2,245.10                       | 25.5                  |
| <b>Cassava products</b>                            | <b>1,609.69</b>                | <b>51.4</b>           |
| Rubber   | 1,498.71                       | 30.0                  |
| <b>Wood products</b>                               | <b>1,490.86</b>                | <b>43.2</b>           |
| Chemical products                                  | 1,428.86                       | 17.0                  |
| <b>Copper and articles thereof</b>                 | <b>1,154.54</b>                | <b>29.8</b>           |
| Machinery and parts                                | 885.71                         | 8.6                   |
| Aluminum products                                  | 830.02                         | 25.2                  |
| <b>Total 10 products</b>                           | <b>17,195.85</b>               | <b>20.2</b>           |
| <b>% of Total 10 products exports to CN (2024)</b> |                                | <b>48.8%</b>          |
| <b>% of Total TH exports (2024)</b>                |                                | <b>5.7%</b>           |

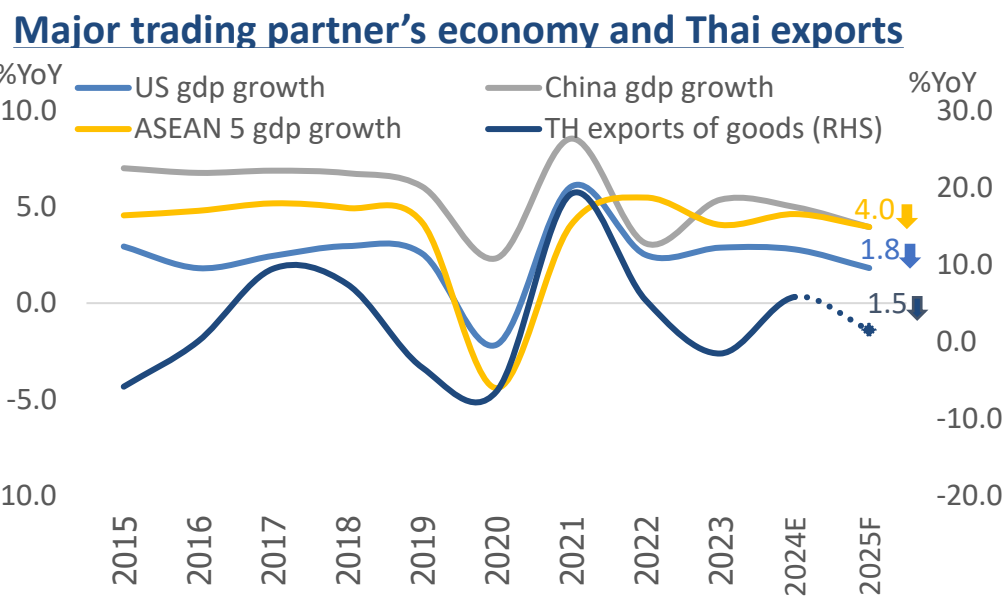
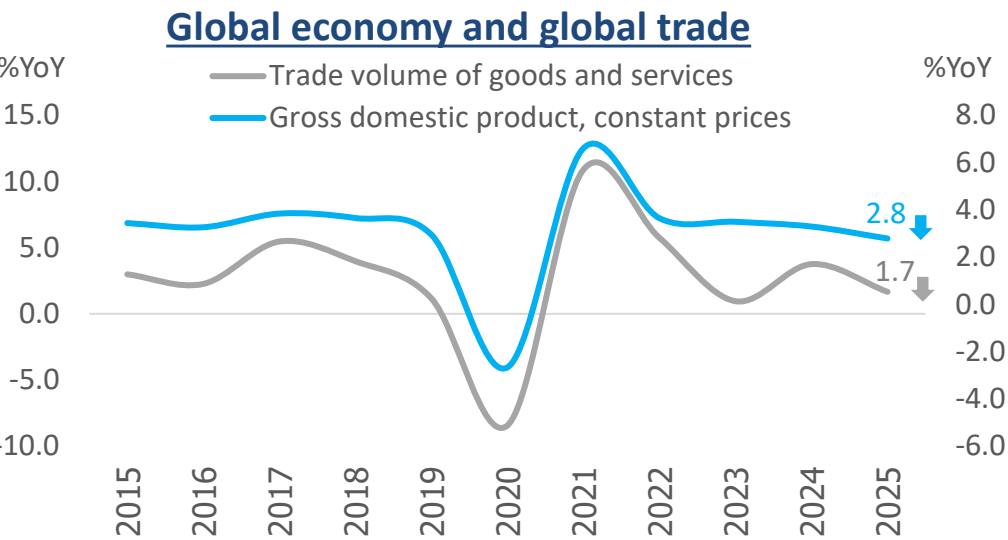
### Impact from the Risk of Chinese Products Flooding

- Domestic and regional competition in ASEAN will intensify**, as manufacturers face increasing market share competition from cheap Chinese goods.
- Chinese goods currently account for approximately 26.3%** of Thailand's total import value.
- During 2019-2024, Chinese exports to Thailand have significantly increased by over 1.6 times**, with a compound annual growth rate (CAGR) of approximately 9.9%, especially in electrical machinery and components, machinery and parts, chemicals, electrical circuits, metal ores and scrap metal, as well as plastic products.

#### *Thailand's Potential Impacted Sectors*



The global economy and global trade tend to move in the same direction. The downward trend in partner economies could weigh on Thai exports, potentially limiting the momentum of Thailand's economic recovery.



| Country | Key economic challenges in 2025   |
|---------|---|
| US      | <ul style="list-style-type: none"> <li>Rising inflation &amp; sticky interest rates</li> <li>High public debt &amp; fiscal uncertainty</li> <li>Labor market mismatch</li> <li>Geopolitical risks &amp; supply chain rebalancing</li> </ul> |
| China   | <ul style="list-style-type: none"> <li>Weaker consumer confidence</li> <li>Property sector crisis</li> <li>Deflationary pressures</li> <li>Declining birth rate &amp; aging population</li> </ul>   |
| ASEAN   | <ul style="list-style-type: none"> <li>Infrastructure &amp; energy constraints</li> <li>Capital outflows &amp; FX volatility</li> <li>Political instability in some countries (e.g., Myanmar)</li> <li>Climate Vulnerability</li> </ul>     |

- **Thailand's exports are strongly linked to the economies of its major trading partners:** Thailand's export performance closely follows the GDP trends of the US, China and the ASEAN economies.
- **The economies of Thailand's major trading partners are also facing domestic challenges,** with the increase in US reciprocal tariffs exacerbating the situation.
- **An economic slowdown in Thailand's trading partners would significantly affect exports of key product groups** such as automobiles, parts and components, computers and related equipment, electrical appliances and components, electronic circuits, refined oil, jewelry, chemicals and plastic pellets. This is reflected in Thailand's export forecast, which is expected to grow by only 1.5%YoY.

The intensified tariff retaliation between the US and China may provide an opportunity for Thailand to increase exports of certain products to the US as substitutes for Chinese goods. These include mobile phones and components, computers and components, and car tires.

#### List of products in which Thailand has a comparative advantage



- **Mobile phones, including smart phones and other telephone devices**, which account for 12.5% of Thailand's exports to the US, are subject to a 37% tariff. By comparison, Vietnam, which has the second largest market share, faces a higher tariff of 46%. This difference may be enough to encourage US importers to shift more orders to Thailand.



- **Computers and related equipment**, which account for 11.1% of Thailand's exports to the US, are another product category where Thailand has a tariff advantage over Vietnam.

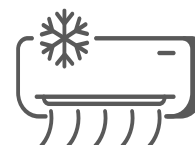


- **Car tires**, which account for 6.4% of Thailand's exports, are another product where Thailand enjoys a competitive advantage over Vietnam. This advantage is supported by Thailand's abundance of raw materials and its established expertise in tire manufacturing.

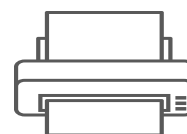
#### List of products in which Thailand has no comparative advantage



- **Jewelry and gems** - Thailand may lose market share in the jewelry and gems segment to countries with more favorable tariff rates, such as Japan, China and India. However, Thailand's strengths in product quality and craftsmanship could help it retain its share in the high-end segment, where customers prioritize quality over price.



- **Air conditioners** - These products will face higher US tariffs than those from South Korea, which may weaken Thai competitiveness, especially in the premium air conditioner market where it competes directly with Korean products.



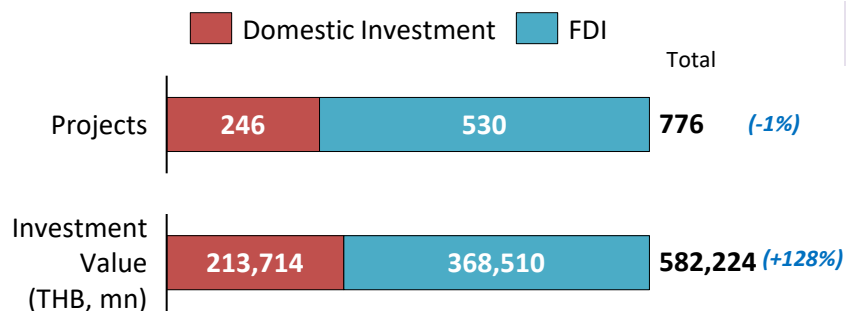
- **Printers** - Thailand is at a tariff disadvantage vis-à-vis Malaysia, which could have a negative impact on long-term export performance, especially if Malaysia continues to expand production capacity and improve product quality.



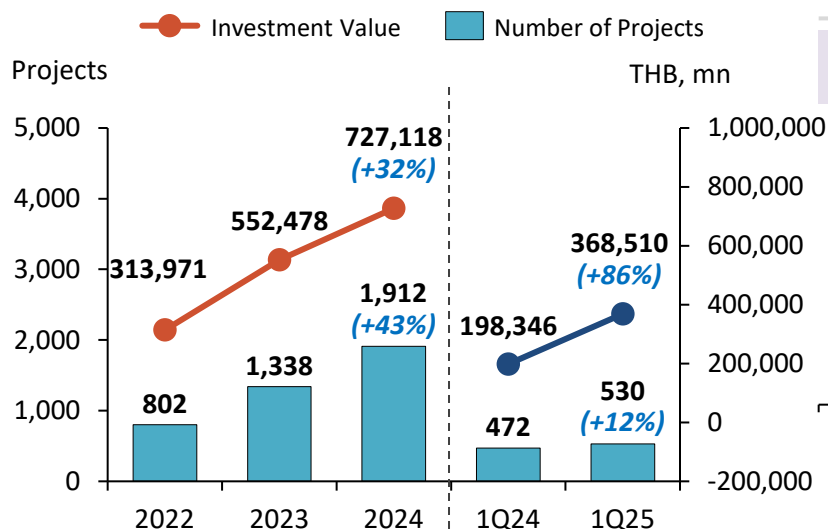
- **Rice**, a key agricultural export for Thailand, is subject to higher tariffs than Indian and Pakistani rice, which could reduce Thailand's price competitiveness in the US market.

In 1Q2025, the approval of foreign direct investment (FDI) promotion showed significant growth, with an increase of 128%YoY, representing a total investment value of THB 582,224 million, even though the number of approved projects was quite stable from the previous year. Digital, E&Es, and Machinery & Transport Equipment are the top 3 sectors.

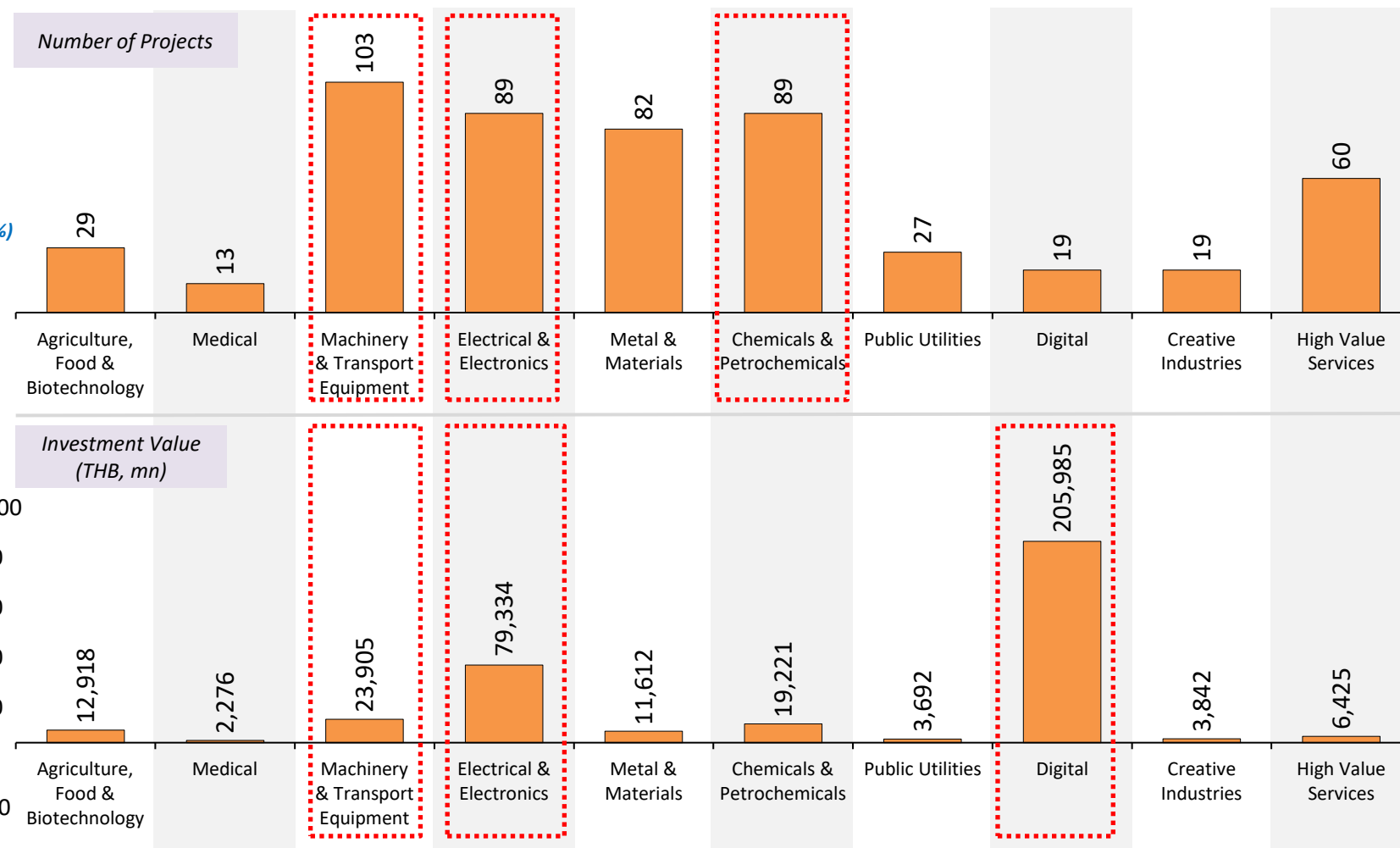
### BOI Projects Approval in 1Q2025



### FDI Projects Approval



### FDI Projects Approval by Industrial Category in 1Q2025



# Key Implication for Thai Industries



## Electrical appliances and components

- The US tariff disadvantage may render Thai products uncompetitive and **result in significant market share losses in the US market.**
- Thai producers also face rising competition due to trade diversion from **China Flooding.**



## Automotives and parts

- **The flooding of Chinese electric vehicles (EVs).**
- **The economic slowdown in China and Japan** impact Thai firms.
- **Chinese EV manufacturers may relocate to Thailand** as a base for exports to the US market.



## Petrochemicals and plastics

- Thai industry may face **intense pressure from China's excess production capacity and product dumping.**
- **Global economic slowdown** dampens demand in downstream industries, further decreasing demand for petrochemicals and plastics.



## Steel, aluminum, and related products

- Thai producers are at **risk from China's aggressive dumping** of low-priced steel and aluminum.
- **The global industrial slowdown** may further reduce demand.



## Computers, equipment, and components

- Cost increases from these suppliers may raise production expenses for Thai firms, **weaken Thailand's competitiveness.**
- The industry also **faces a surge in Chinese products being redirected to ASEAN region.**



## Machinery and components

- **Benefit from importing high-tech machinery.**
- **Thai manufacturers**, especially those producing general-purpose machinery, **will face heightened price competition** from Chinese machinery.



## Agricultural products and processed food

- **Exports to US market decrease**, especially processed seafood and rice.
- **Exports to China market decrease**, e.g., fresh/processed fruits and cassava products, due to China's economic slowdown.



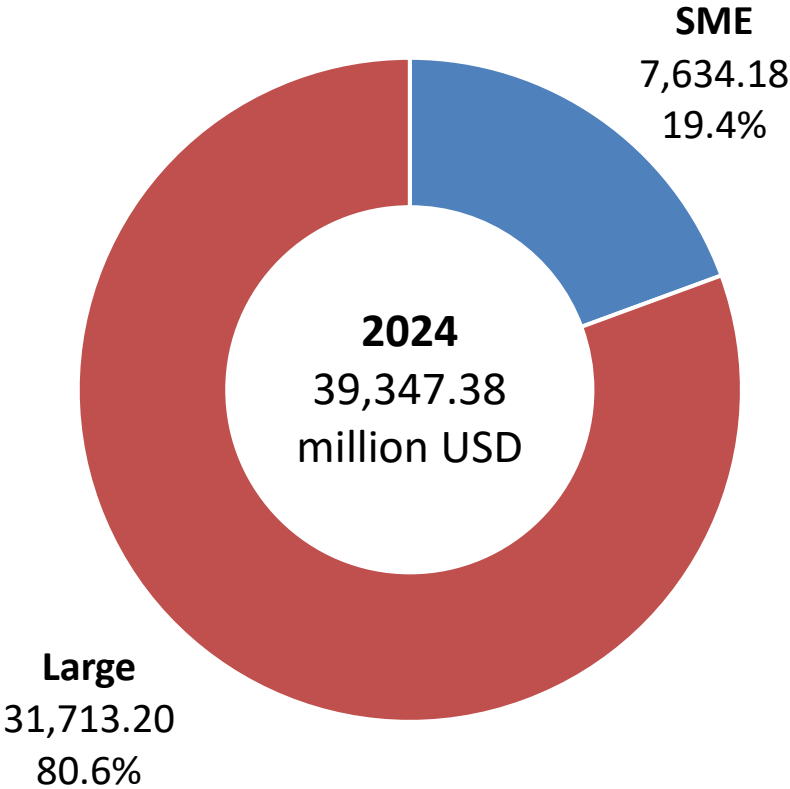
## Rubber and rubber products

- **Lower demand on tires and rubber parts** in automotive sector.
- Competitors like Vietnam are also affected by US tariffs, potentially leveling the playing field.
- **Thai producers should brace for the surge of Chinese products.**

# Key Implication for Thai SMEs

SME exports in certain products show a high dependency on the US market, including electrical equipment and parts, furniture, articles made of stone, plaster, cement, asbestos, mica, or similar materials, as well as aircraft, spacecraft, and related parts.

## Share of SME Export Value to The US



## Top 15 SME Export to The US

| Rank  | HS Code | Products   | SME Export to the US | % of SME Export to the US | % of the U.S market to Global |
|-------|---------|--|----------------------|---------------------------|-------------------------------|
| 1     | 85      | Electrical Equipment and parts                         | 3,229.51             | 42.3                      | 51.6                          |
| 2     | 71      | Jewelry  | 854.39               | 11.2                      | 15.8                          |
| 3     | 84      | Machinery and parts                                    | 845.51               | 11.1                      | 24.7                          |
| 4     | 94      | Furniture  | 434.75               | 5.7                       | 62.6                          |
| 5     | 39      | Plastic and plastic products                           | 301.74               | 4.0                       | 24.3                          |
| 6     | 73      | Iron or steel thereof                                  | 196.88               | 2.6                       | 26.6                          |
| 7     | 87      | Automotive and parts                                   | 176.97               | 2.3                       | 16.9                          |
| 8     | 68      | Of plaster, cement, asbestos, mica or similar objects  | 95.89                | 1.3                       | 51.9                          |
| 9     | 90      | Optical parts and accessories                          | 93.35                | 1.2                       | 16.4                          |
| 10    | 44      | Wood and Wood products                                 | 89.85                | 1.2                       | 7.7                           |
| 11    | 19      | Preparations of cereals, flour, starch or milk         | 89.62                | 1.2                       | 18.2                          |
| 12    | 88      | Aircraft, spacecraft, and parts thereof                | 83.80                | 1.1                       | 40.6                          |
| 13    | 76      | Aluminium products                                     | 79.74                | 1.0                       | 8.8                           |
| 14    | 20      | Preparations of vegetables, fruit, nuts or other parts | 74.72                | 1.0                       | 13.8                          |
| 15    | 95      | Toy, games and sports requisites                       | 74.23                | 1.0                       | 33.0                          |
| Other |         |  | 913.23               | 12.0                      | 5.6                           |
| Total |         |  | 7,634.18             | 100.0                     | 19.4                          |

# Thailand's GDP update and the outlook revised down to negative by Moody's

The reciprocal tariffs can have a significant negative impact on global economic activity and trade, while the impact of the US tariffs could reduce Thailand's GDP growth to 1.9%YoY (base case), despite Thailand's efforts to negotiate with the US.

### + Initial solutions to mitigate risks

- **Trade Negotiations:** Pressures on multiple countries to lower tariffs, potentially leading to fairer global trade and increased trade volumes in the long term.
- **Re-shoring (to the US):** Higher import costs may shift production back to the US, creating jobs and benefiting the US and countries in the US supply chain (such as Mexico, Canada, India, and Vietnam).

### – Negative Impacts

- **The impact of the reciprocal tariff remains uncertain**, as the US and its trading partners are likely to engage in intense negotiations in the coming weeks, aiming to reduce or even reverse the tariff increases in exchange for concessions.
- **Rising trade policy uncertainty will slow investment** in export-oriented manufacturing in the short term until policy clarity emerges.
- **The increase in import tariffs would accelerate inflation in the US** and make it more likely for the Fed to tighten monetary policy.
- **A previous IMF study cited that a universal 10% increase in US tariffs, accompanied by retaliatory measures from the Euro area and China, could reduce US GDP by 1% and global GDP by approximately 0.5% through 2026.**

### Downside Risks to Thailand's Economy from the reciprocal tariff

| Tariff impacts   | Impact value (USD,mn) | % to TH exports to US | % to TH total exports | % to TH GDP         |
|--|-----------------------|-----------------------|-----------------------|---------------------|
| a) The US increase the tariff rate of <u>10%</u> on all import goods.  | 3,198                 | 5.5                   | 1.0                   | 0.6                 |
| b) The US reduced reciprocal tariffs to <u>15%</u> on all import goods   | 4,797                 | 8.3                   | 1.6                   | 0.9<br><i>Base</i>  |
| c) The US reduced reciprocal tariffs to <u>25%</u> on all import goods   | 7,994                 | 13.8                  | 2.6                   | 1.5                 |
| d) The US imposed a <u>37%</u> import tariff on all imported goods due to unsatisfactory reciprocal treatment. | 11,832                | 20.4                  | 3.8                   | 2.2<br><i>Worst</i> |

- In our base case, the Thai government will make its best effort in negotiations to reduce the US trade deficit, including lowering Thailand's import tariffs on US goods and increasing imports of agricultural products and energy from the US. As a result, import tariffs are expected to decrease to 15%.
- We reiterate our forecast that the Bank of Thailand will cut its policy rate by an additional 50bps in 2025F.

Thailand's economy is expected to grow by 1.9 % in 2025 (base case), driven mainly by an expansion in public investment. However, risks from the ongoing trade war will continue to weigh on private investment and exports.

| Key Indicators                   | 2025F       |                   |                         |                                |                             |
|----------------------------------|-------------|-------------------|-------------------------|--------------------------------|-----------------------------|
|                                  | 2024<br>(A) | NESDC<br>(May 25) | BoT<br>(Apr 25)<br>Base | BoT<br>(Apr 25)<br>Alternative | LH Bank<br>(May 25)<br>Base |
| GDP (%YoY)                       | 2.5         | 1.3-2.3           | 2.0                     | 1.3                            | 1.9                         |
| Private Consumption (%YoY)       | 4.4         | 2.4               | 3.0                     | 2.5                            | 2.2                         |
| Government Consumption (%YoY)    | 2.5         | 1.3               | 1.2                     | 1.2                            | 1.3                         |
| Private Investment (%YoY)        | -1.6        | -0.7              | -1.0                    | -4.1                           | -1.1                        |
| Public Investment (%YoY)         | 4.8         | 5.5               | 6.2                     | 6.2                            | 6.5                         |
| Export of Goods (USD BOP) (%YoY) | 5.8         | 1.8               | 0.8                     | -1.3                           | 1.5                         |
| No. of Tourists (mn persons)     | 35.5        | 37.0              | 37.5                    | 37.0                           | 37.0                        |
| Headline Inflation (%YoY)        | 0.4         | 0.7-1.7           | 0.5                     | 0.2                            | 0.8                         |
| Dubai Oil Price (USD/bbl)        | 79.3        | 65.0-75.0         | 71.0                    | 68.0                           | 70.0                        |
| Policy Rate (%eop)               | 2.25        | -                 | -                       | -                              | 1.25                        |
| Exchange Rate (THB/USD)          | 34.2        | 33.5-34.5         | -                       | -                              | 35.0-35.5                   |



### Key Tailwinds:








- **Public investment is expected to accelerate** due to timely budget approval and higher capital expenditure.
- **A recovery in tourism is supporting activity in the services sector**, and rapid growth in European tourist arrivals is helping to offset slowing growth in Chinese tourist arrivals.
- **Private consumption continues to grow at a moderate pace** on the back of lower inflation as well as lower policy rate.
- **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, are expected to remain strong.










### Key Headwinds:

- **Trump's trade war 2.0 will worsen global trade and disrupt global supply chains.** Reciprocal tariffs will weigh on exports to the US and on exports of intermediate goods to China.
- **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 88.0% (as of 4Q2024)**, which will pressure consumer spending.
- **Flooding of China's goods is affecting exports and domestic production**, especially in the metal, electrical appliances, automotive, and textile industries.
- **Rollover risk has increased** as the cost of issuing new debentures is higher during the interest rate upcycle.
- **The recent earthquake is likely to have a short-term impact on tourist arrivals and household spending.**

Thailand's economy grew by 3.1%YoY in the first quarter of 2025, down slightly from the previous quarter. On a seasonally adjusted quarter-on-quarter basis, the economy expanded by 0.7% from the fourth quarter of 2024.

| Expenditure Side:<br>Export of goods and public investment expanded favorably.      |                        |                   |                   |
|---|------------------------|-------------------|-------------------|
|   | Indicator              | 4Q/2024<br>(%YoY) | 1Q/2025<br>(%YoY) |
|    | GDP                    | 3.3               | 3.1               |
|    | Private consumption    | 3.4               | 2.6               |
|    | Government consumption | 5.4               | 3.4               |
|    | Private investment     | -2.1              | -0.9              |
|    | Public investment      | 39.4              | 26.3              |
|   | Export of goods        | 8.9               | 13.8              |
|  | Export of services     | 22.9              | 7.0               |

| Production Side:<br>Agriculture, Hotels and food services and construction sectors<br>accelerated from the previous quarter |                                       |                   |                   |
|---|---------------------------------------|-------------------|-------------------|
|   | Sector                                | 4Q/2024<br>(%YoY) | 1Q/2025<br>(%YoY) |
|    | Agriculture                           | 1.1               | 5.7               |
|    | Wholesale & Retail Trade              | 4.1               | 4.7               |
|    | Manufacturing                         | 0.3               | 0.6               |
|    | Financial and Insurance<br>Activities | 1.5               | 3.1               |
|    | Hotels and Food Services              | 10.4              | 7.2*              |
|   | Transportation                        | 9.4               | 5.4*              |
|                                        | Construction                          | 18.3              | 16.2*             |

Note: \* Is represents slower growth

## Moody's revision of Thailand's outlook to negative reflects growing concerns about the country's slowing economic momentum, mounting fiscal pressures and vulnerability to global trade dynamics.

| Year | S&P Rating (Outlook)     | Moody's Rating (Outlook) | Fitch Rating (Outlook) |
|------|--------------------------|--------------------------|------------------------|
| 1990 | A- (Stable)              | A2 (Stable)              | N/A                    |
| 1992 | A- (Negative Watch)      | A2 (Stable)              | N/A                    |
| 1994 | A- (Stable)              | A2 (Stable)              | N/A                    |
| 1996 | A (Stable)               | A2 (Stable)              | N/A                    |
| 1997 | A (Negative Watch) → BBB | A2 → Baa3 (Negative)     | N/A                    |
| 1998 | BBB- (Negative)          | Ba1 (Stable)             | BB+ (Positive)         |
| 1999 | BBB- (Stable)            | Ba1 (Positive)           | BB+ (Positive)         |
| 2000 | BBB- (Stable)            | Baa3 (Stable)            | BBB- (Stable)          |
| 2003 | BBB (Positive)           | Baa1 (Stable)            | BBB (Stable)           |
| 2006 | BBB+ (Stable)            | Baa1 (Stable)            | BBB+ (Stable)          |
| 2008 | BBB+ (Negative)          | Baa1 (Negative)          | BBB+ (Negative)        |
| 2010 | BBB+ (Stable)            | Baa1 (Stable)            | BBB+ (Stable)          |
| 2014 | BBB+ (Stable)            | Baa1 (Stable)            | BBB+ (Stable)          |
| 2019 | BBB+ (Positive)          | Baa1 (Positive)          | BBB+ (Positive)        |
| 2020 | BBB+ (Stable)            | Baa1 (Stable)            | BBB+ (Stable)          |
| 2024 | BBB+ (Stable)            | Baa1 (Stable)            | BBB+ (Stable)          |
| 2025 | BBB+ (Stable)            | Baa1 (Negative)          | BBB+ (Stable)          |

Moody's has revised Thailand's credit outlook to 'negative' from 'stable', while affirming the country's Baa1 government bond, local currency debt and foreign currency commercial paper ratings.

Moody's expects Thailand's real GDP growth to slow from 2.9%YoY >> 2.0% in 2025.

### Key reasons for the negative outlook:

- **Increased uncertainty over US trade policy**, particularly the risk that the US may impose additional tariffs on Thai exports after the current 90-day grace period expires. This poses a serious threat to Thailand, which is deeply integrated into global and regional supply chains.
- **Thailand's weakening fiscal position**, as slowing economic growth could further deteriorate the government's fiscal position, especially with rising expenditures in the post-COVID period.

### Credit strengths supporting the Baa1 rating:

- **Moderately strong institutional framework** supporting macroeconomic and monetary policy effectiveness.
- **Deep domestic financial markets**, with most government debt denominated in Thai baht and held domestically.
- **High levels of international reserves**, which provide a solid buffer against external shocks.
- **Low risk of capital outflows** and strong policy effectiveness in managing economic and financial stability.

# End of Presentation

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# LH BANK BUSINESS RESEARCH



**Thanapol Srithanpong, Ph.D.**  
Head of Business Research



**Nuttachat Viroonhausava**  
Senior Industrial Specialist



**Cheawchan Srichaiya**  
Senior Industrial Specialist



**Watcharapan Niyom**  
Senior Industrial Specialist



**Sri-Ampai Ingkhakitti**  
Senior Industrial Specialist



**Taratnon Sritongterm**  
Senior Economist



**Wilanda Disorntetiwat**  
Senior Economist



**Nawatch Hansuvech**  
Senior Thematic Specialist

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