



No. 29/2025

Monetary Policy Committee's Decision 4/2025

Mr. Sakkapop Panyanukul, Secretary of the Monetary Policy Committee (MPC), announced the outcome of the meeting on 13 August 2025 as follows.

**The Committee voted unanimously to cut the policy rate by 0.25 percentage point from 1.75 to 1.50 percent, effective immediately.**

The Thai economy in 2025 and 2026 is projected to expand close to the previous assessment. Nevertheless, U.S. trade policies will exacerbate structural problems and weaken competitiveness. Additionally, certain sectors of the economy have become more vulnerable, particularly SMEs. Headline inflation remains subdued due to supply-side factors. The Committee views that monetary policy should be more accommodative to some extent to ensure that financial conditions are conducive to business adjustment and to help alleviate the burden of vulnerable groups. Therefore, the Committee voted unanimously to cut the policy rate by 0.25 percentage point at this meeting.

The Thai economy in 2025 and 2026 is projected to expand close to the previous assessment. Growth expanded in the first half of 2025 owing to exports of electronics, front-loaded shipments to the U.S., and manufacturing production. Going forward, the economy is expected to slow down in the second half of the year due to U.S. trade policies, both directly and indirectly, and a decline in short-haul tourist arrivals as a result of intensified regional competition. These developments will affect income for SMEs, employees and self-employed workers. Private consumption is expected to be subdued due to weakening consumer confidence and income trajectory. It is necessary to closely monitor the impact of transshipment tariffs and competition with merchandise imports.

Headline inflation is projected to remain subdued. Raw food prices decline due to favorable weather conditions boosting supply, while energy prices trend downward in line with global crude oil prices. However, the decline in prices has not been widespread across goods and services, as reflected in core inflation which remains stable and close to previous



assessment. Subdued headline inflation partly prevents further upward pressure on living costs and business expenses.

Credit growth remains negative due to increased credit risks, particularly in SMEs and low-income households, alongside heightened debt repayments and reduced credit demand by large businesses amid heightened economic uncertainty. Credit quality has continued to deteriorate, especially in SME and housing loans. The baht appreciated against regional currencies, while Thai government bond yields declined due to the expectations regarding the economic outlook. The Committee deems it necessary to monitor credit growth and movements of the baht, which could have implications for economic activity. The Committee also supports financial measures aimed at reducing funding costs and alleviating debt burdens for vulnerable groups.

The prevailing monetary policy framework seeks to maintain price stability, support sustainable growth, and preserve financial stability. The Committee views that monetary policy should be accommodative going forward to support the economy. At the same time, it is important to ensure macro-financial stability, while taking into account the limited policy space.

Bank of Thailand

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