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BANK OF THAILAND

Press Conference

Monetary Policy Committee Decision 4/2025

13 August 2025

Sakkapop Panyanukul

Assistant Governor, Monetary Policy Group

The Committee voted unanimously to cut the policy rate by 0.25 percentage point from 1.75 to 1.50 percent

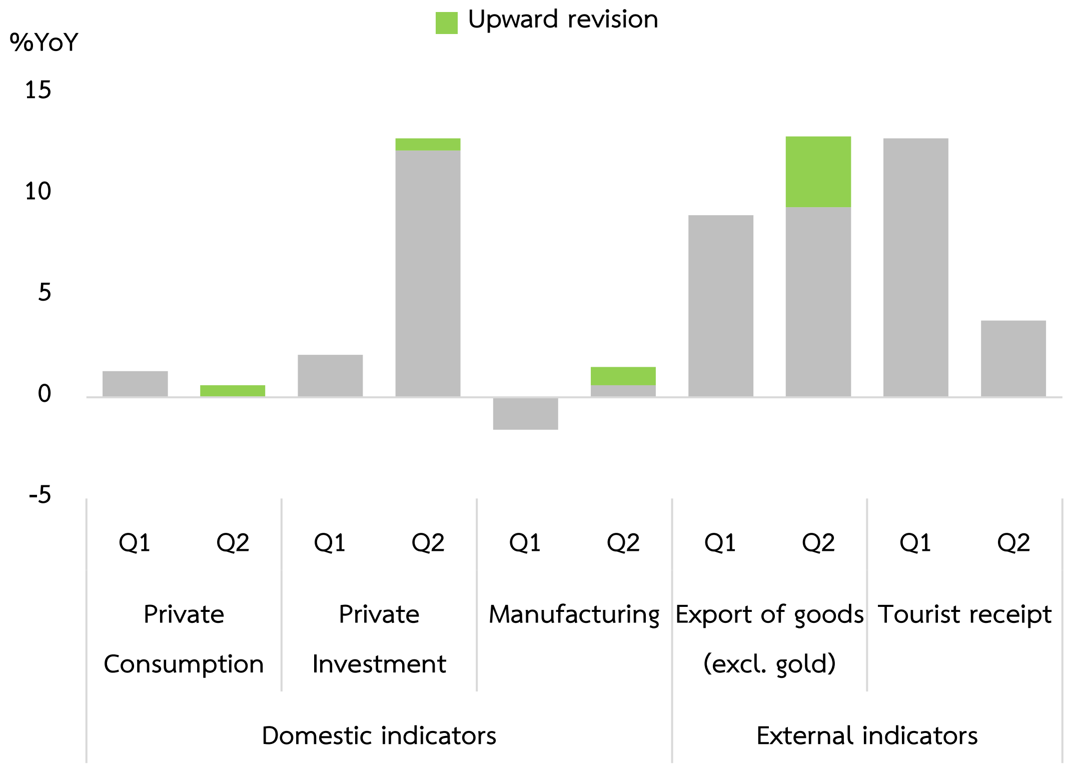
- The Thai economy is projected to expand in 2025 and 2026 close to the previous assessment. Nevertheless, U.S. trade policies will exacerbate structural problems and weaken competitiveness. Furthermore, certain sectors of the economy, particularly SMEs, have become more vulnerable.
- Headline inflation is projected to remain subdued due to supply-side factors. The decline in prices has not been widespread across goods and services.
- Credit growth remains negative due to increased credit risks, alongside increasing debt repayments and falling credit demand by large businesses. Meanwhile, credit quality has continued to deteriorate.

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. The Committee therefore voted unanimously to cut the policy rate by 0.25 percentage point at this meeting.

The Thai economy is expected to grow more than anticipated in H1/25

Merchandise exports and manufacturing indicators expanded more than expected in Q2/25

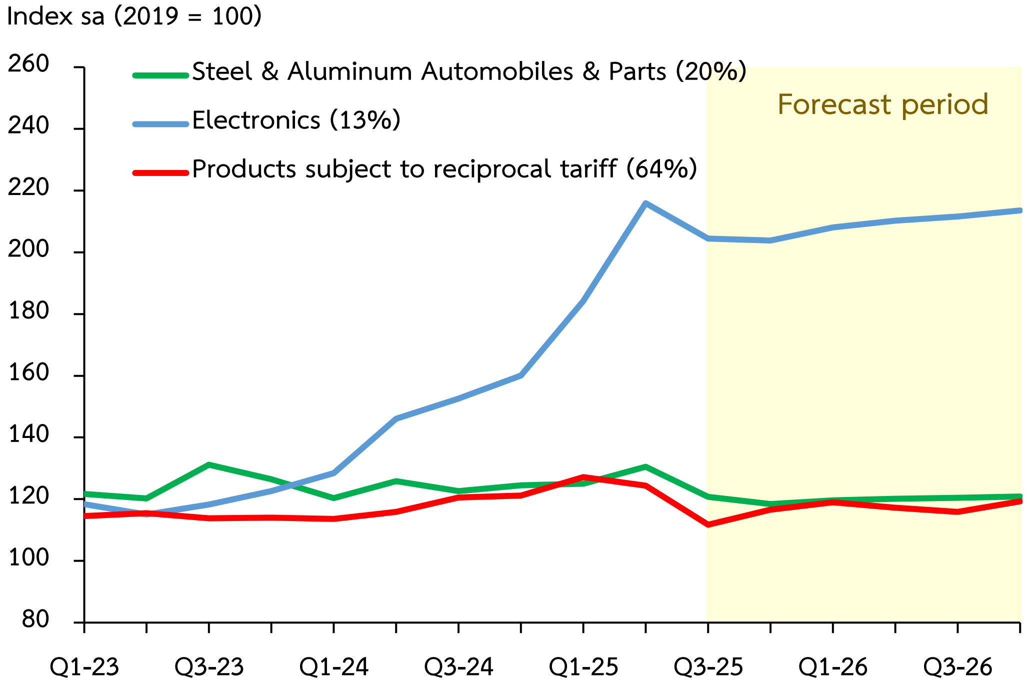
Economic indicators for H1/25



Note : Grey bars represent projections as of MPC 3/2025, while the green bars reflect upward revisions made as of MPC 4/2025.

Exports are expected to moderate due to the impact of tariffs. However, tech-related products continue to show sustained momentum

Merchandise exports (excluding gold)

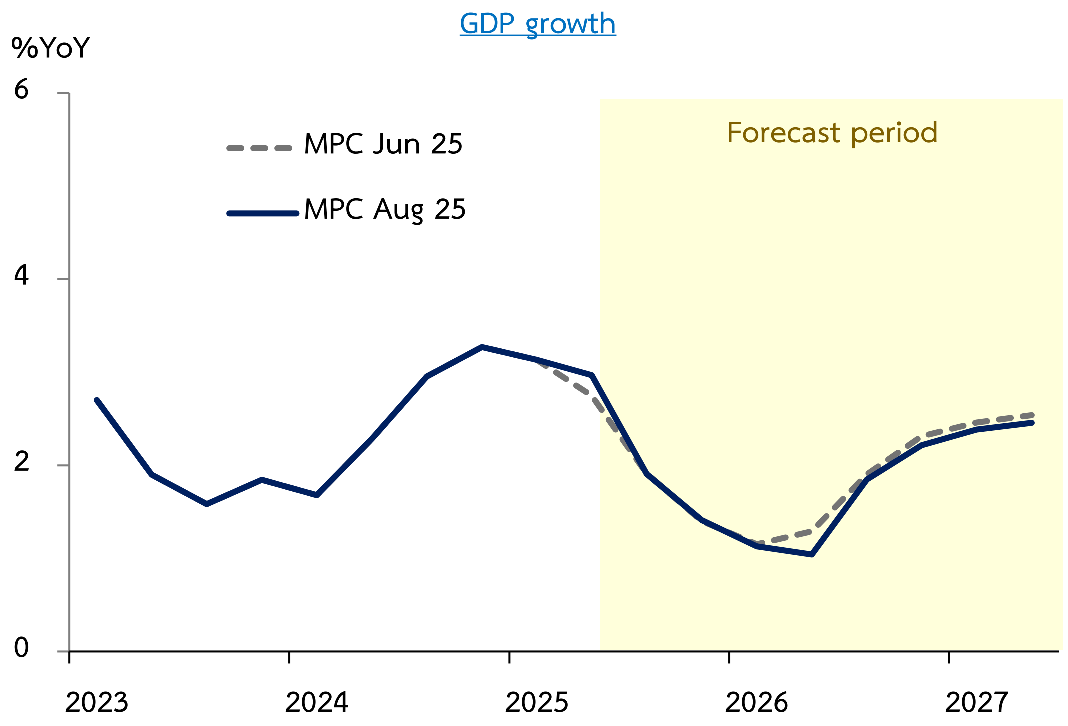


Note: ( ) indicates the share of export value relative to total exports in 2024

Source: Customs Department and Ministry of Commerce, BOT calculation

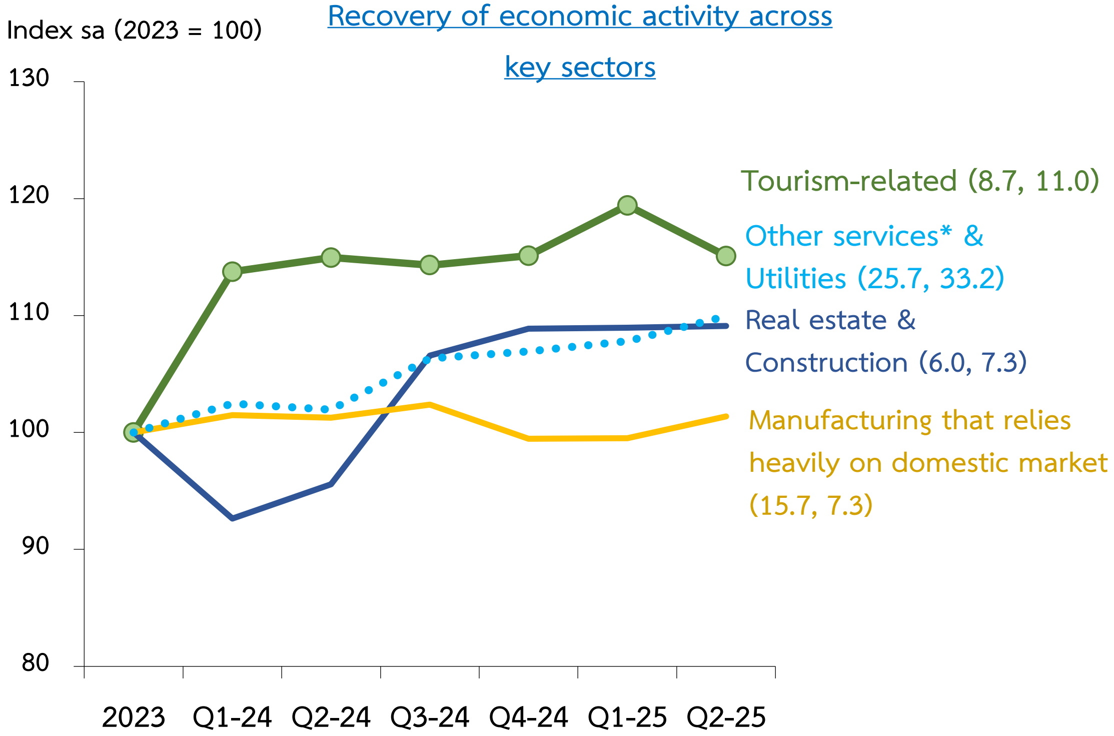
The economy is expected to slow down in H2/25

The economy is expected to face increasing impacts from U.S. trade policies in H2/25



Source: NESDC, BOT calculation

Support from other economic drivers, particularly tourism, is expected to soften



Note: ( ) indicates the share of GDP and total employment,

* graph excludes government services and government lottery

Manufacturing that relies heavily on domestic market includes automotive, food and beverages, petroleum, construction materials and others

Source: OIE and Revenue Department, BOT calculation

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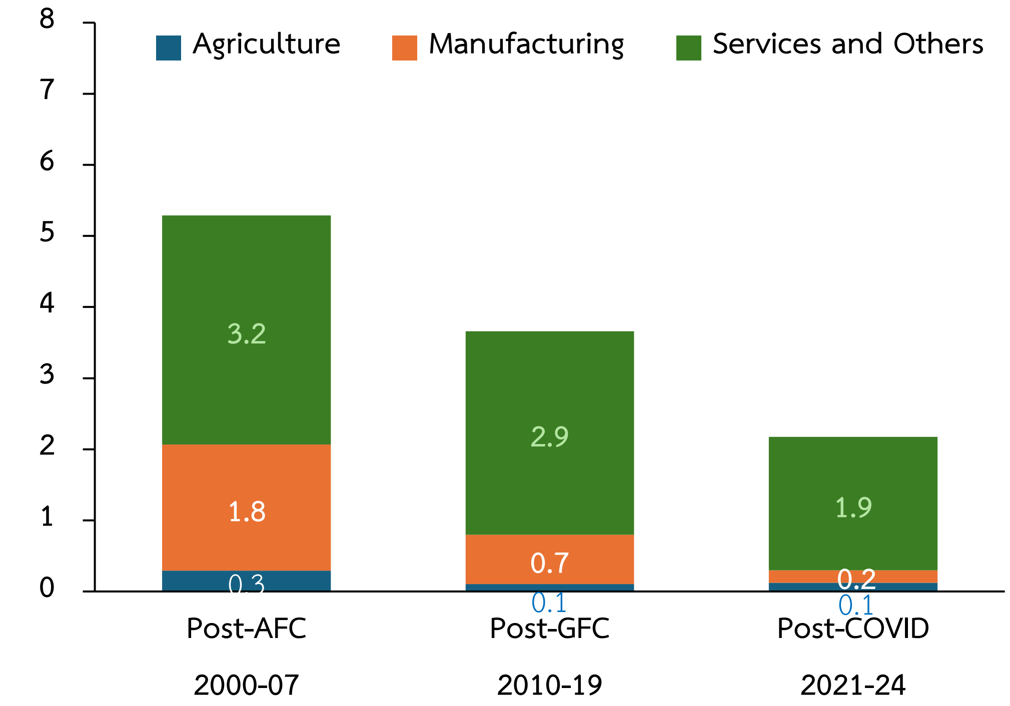
U.S. trade policies will exacerbate structural problems and weaken competitiveness. Furthermore, certain sectors become more vulnerable, particularly SMEs.

Manufacturing growth continues to slow

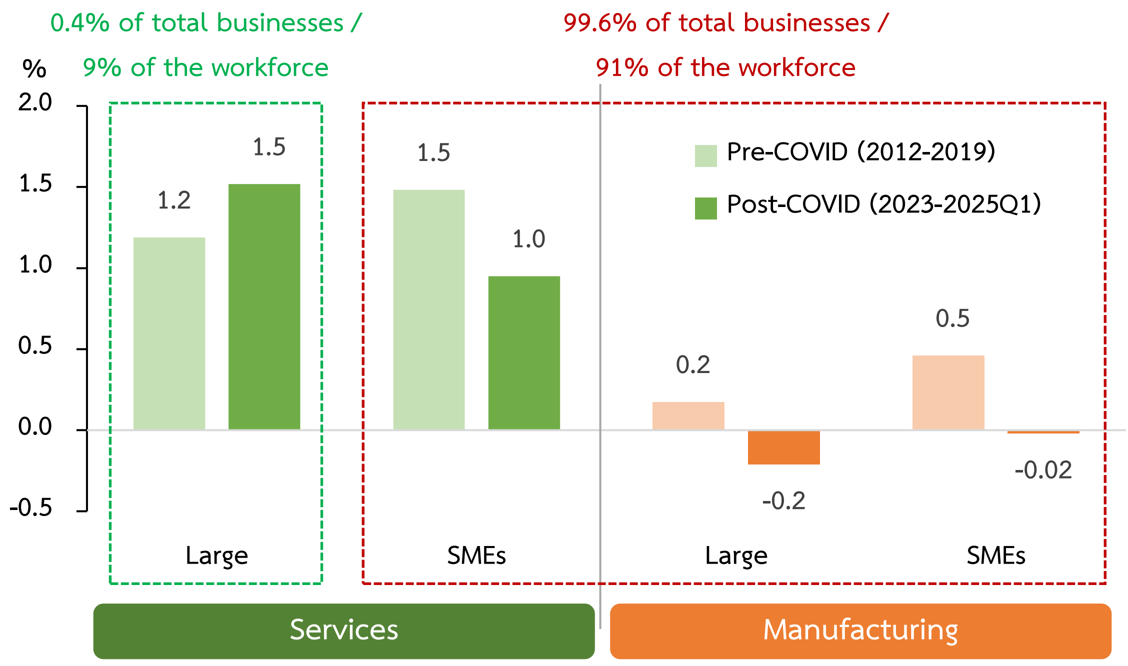
Contribution to GDP growth (supply-side)



Source: NESDC, BOT calculation

Businesses, particularly SMEs, continue to face challenges in adapting amid intensified competition

Contribution to GDP growth (Pre- vs Post-COVID)



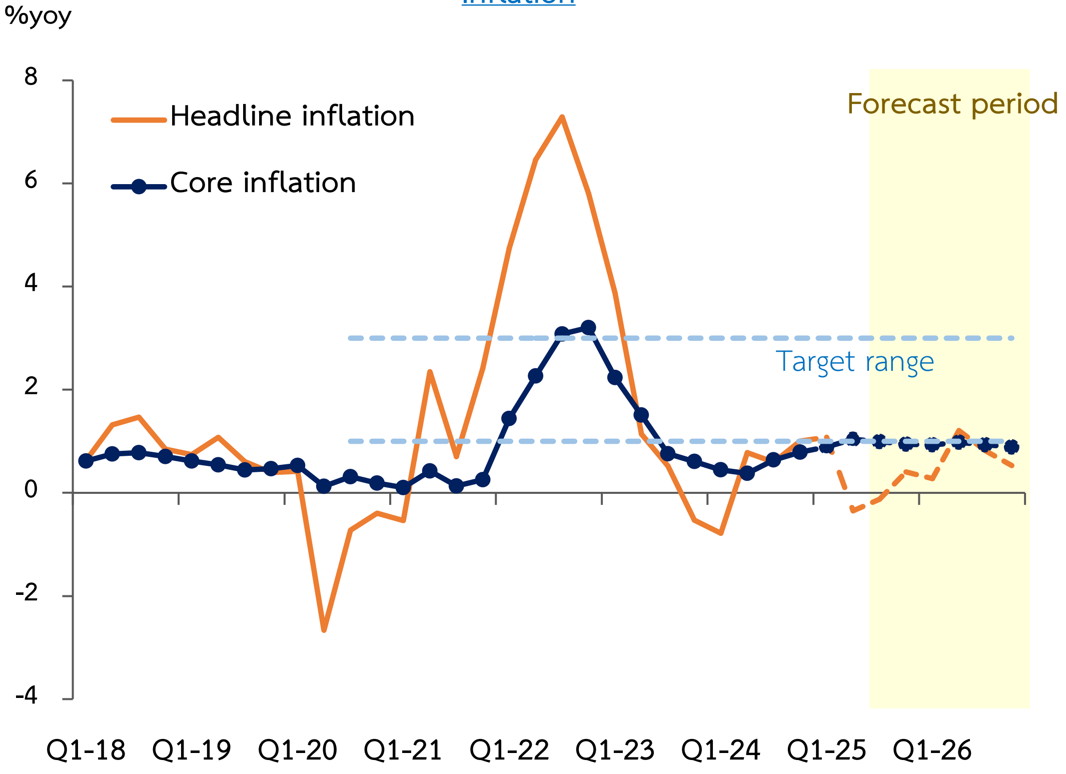
Note: Excluding agriculture, mining, and electricity generation sectors, workforce figures also exclude agricultural employment

Source: OSMEP, BOT calculation

Inflation remains subdued due to supply-side factors, not indicative of concerning demand-side pressures

Headline inflation declines
due to lower energy and raw food prices

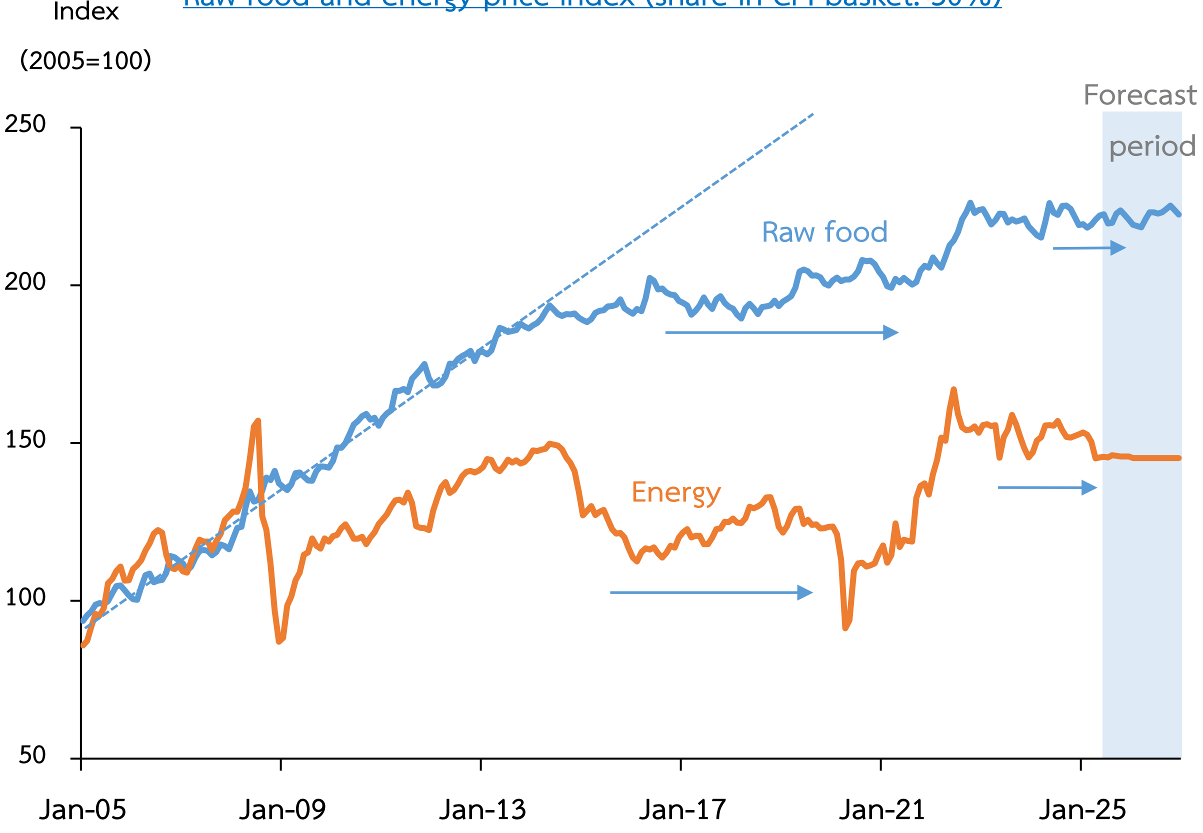
Inflation



Source: Ministry of Commerce, BOT calculation

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

Raw food and energy price index (share in CPI basket: 30%)



Source: Ministry of Commerce, BOT calculation

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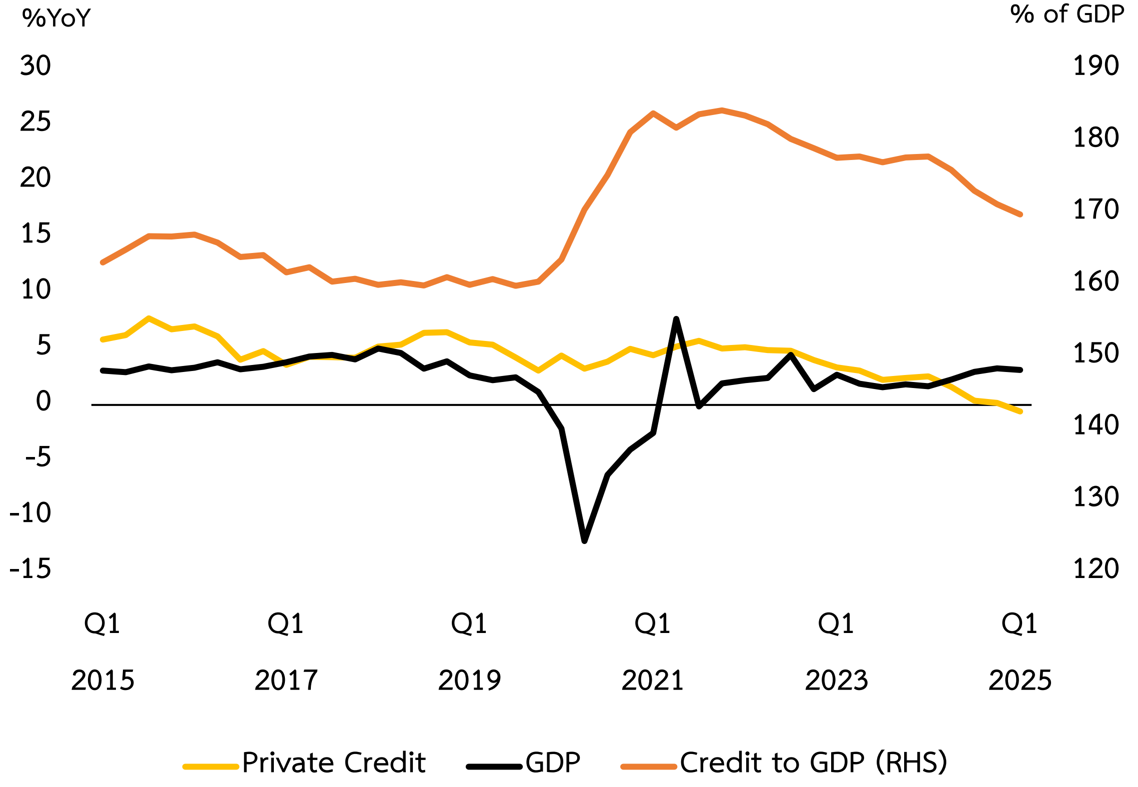
Overall credit slows down consistent with ongoing debt deleveraging from COVID support measures

COVID support measures contributed to private sector debt growth despite economic contraction

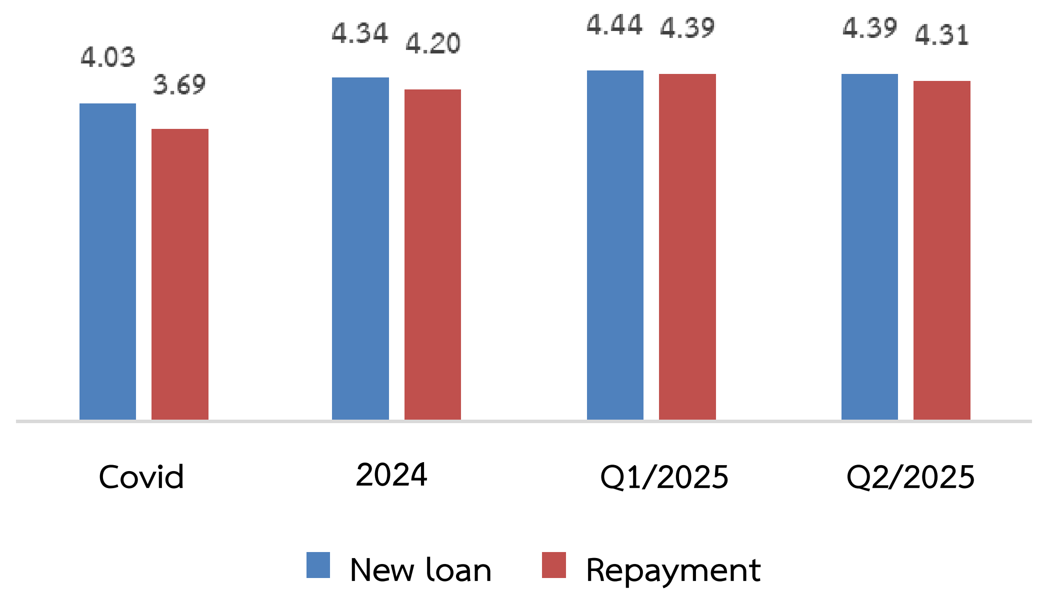
Outstanding loans decreased primarily due to debt repayments. Meanwhile, new loans remained stable

Private Sector Debt and Economic Growth



Source: NESDC, BOT

Quarterly average total loans (trillion baht)

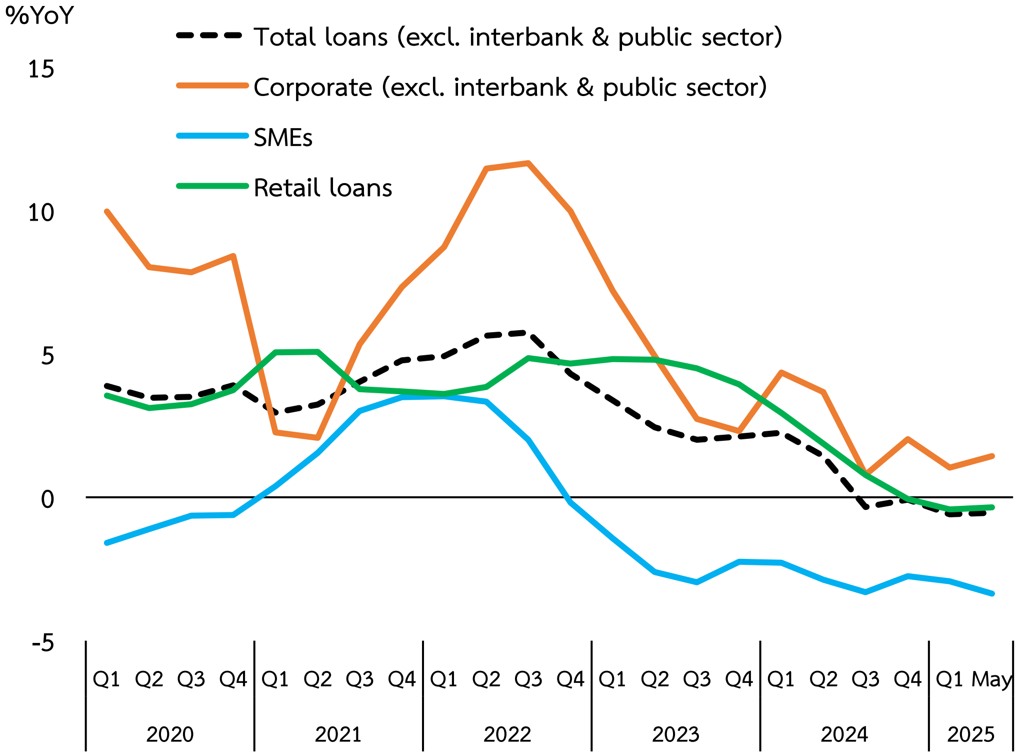


Source Loan Movement Summary, BOT

Credit growth remains negative due to increased credit risks, particularly in SMEs and low-income households

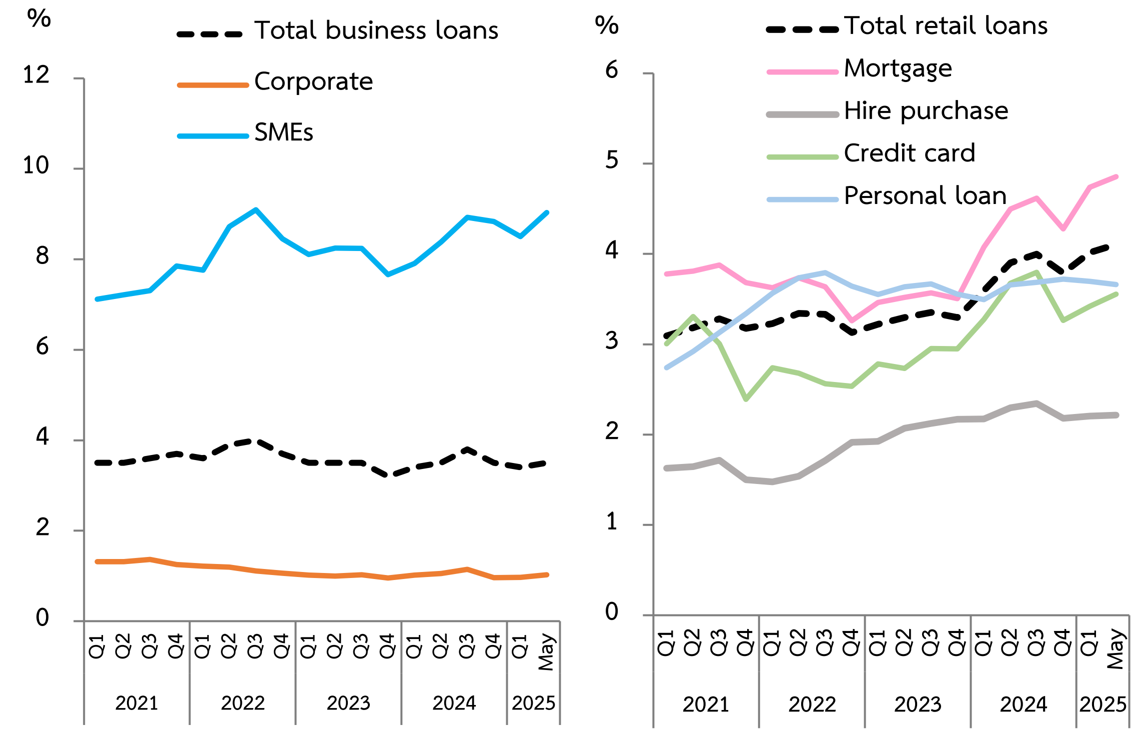
Credit growth is expected to contract this year

Loan growth



Credit quality has continued to deteriorate, especially SME and housing loans

NPL ratios



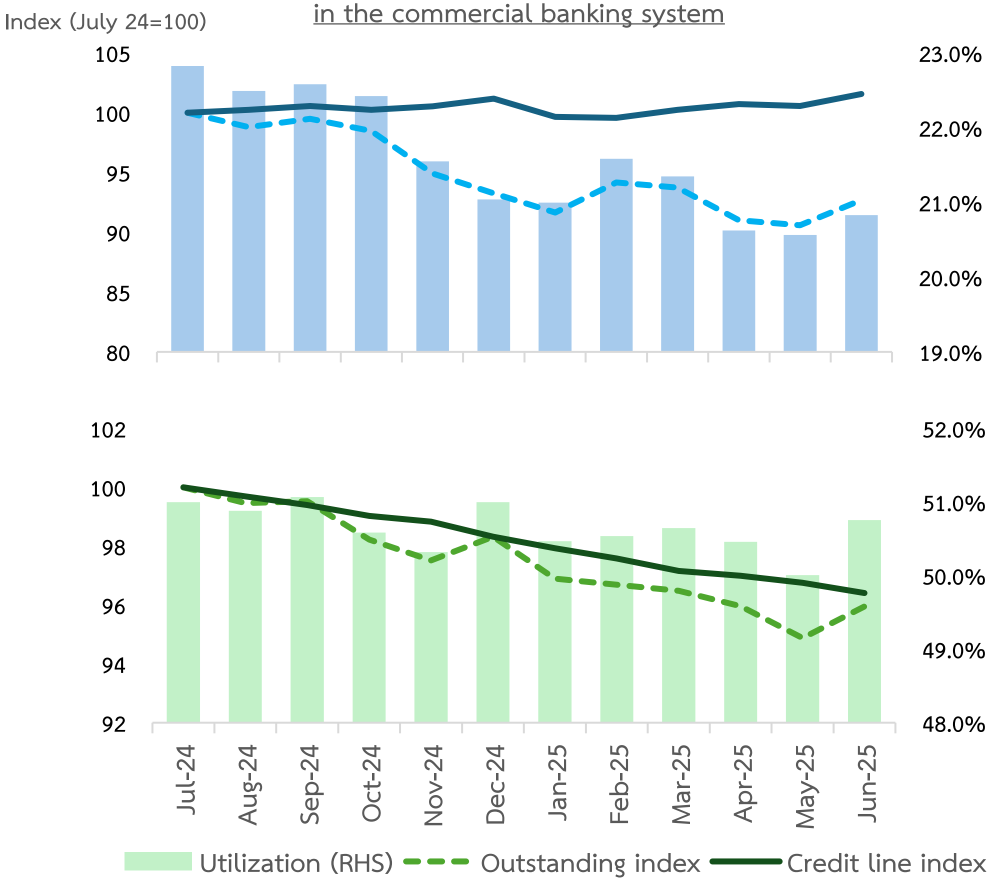
Note: (1) Data covers loans from financial institutions including commercial banks (and subsidiaries), SFIs, and non-banks that are not subsidiary of commercial banks

(2) Firm size is defined through a combination of the Office of SMEs Promotion's criteria and credit lines

Negative loan growth could exacerbate vulnerable groups of the economy

Financial institutions have reduced SME credit lines

Credit utilization of overdraft (OD) facilities by corporates (top) and SMEs (bottom) in the commercial banking system



Note: Utilization = credit line drawdown / credit line, covering overdraft (OD) business loans in the commercial banking system

Financial institutions exercised caution in lending to high-risk groups

- SME loans: While financial institutions have not obviously tightened underwriting credit standards, they have become more cautious in extending new credit to high-risk borrowers.
- Retail loans: Financial institutions slightly tightened credit standards for high-risk borrowers.

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.
The Committee therefore voted unanimously to cut the policy rate by 0.25 percentage point at this meeting.

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.