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Monetary Policy Committee's Decision 6/2025

Mr. Sakkapop Panyanukul, Secretary of the Monetary Policy Committee (MPC), announced the outcome of the meeting on 17 December 2025 as follows.

The Committee voted unanimously to cut the policy rate by 0.25 percentage point from 1.50 to 1.25 percent, effective immediately.

The Thai economy in 2026 and 2027 is projected to moderate from the first half of 2025. Private consumption is forecasted to slow down in line with income, and merchandise exports have begun to experience impacts of U.S. trade policies. Meanwhile, tourism is likely to gradually recover going forward. Headline inflation remains subdued primarily due to energy and raw food prices. Demand-driven inflationary pressures are limited given economic growth remains below potential. Overall, credit continues to contract, and credit quality of vulnerable groups still deteriorates. SMEs face liquidity challenges stemming from both limited credit access and the strengthening of the Thai baht.

The Committee assesses that, given apparent economic slowdown as well as heightened risks, monetary policy can be more accommodative to ensure that financial conditions support economic recovery and alleviate debt burden of vulnerable groups as well as enhance the effectiveness of other financial measures and government policies. The Committee therefore votes to cut the policy rate by 0.25 percentage point at this meeting.

The Thai economy is projected to expand by 2.2, 1.5, and 2.3 percent in 2025, 2026, and 2027, respectively. The economy in the second half of this year has slowed down due to temporary factors in the manufacturing sector, a decrease in short-haul tourists, and flooding in the south that is projected to have a prolonged impact until early next year. For 2026, the economy is expected to soften relative to this year due to private consumption slowdown in line with moderation in income merchandise exports which will be affected by U.S. tariffs. Meanwhile, tourism is projected to gradually recover. The economy will recover in 2027 but will remain below potential, driven mainly by the services sector, with exports and the manufacturing sector continuing to face intense competition. Going forward, it is necessary



to monitor additional risks from U.S. trade policies, delays in the 2027 budget process, and business sector adaptation, particularly for SMEs that continue to face competition and limited access to credit. The Committee views that Thailand's low economic growth is partly a result of structural factors. It is therefore necessary to integrate policies from multiple fronts to enhance the competitiveness of the business sector.

Headline inflation is revised down from previous projections to be at -0.1, 0.3, and 1.0 percent in 2025, 2026, and 2027, respectively. Headline inflation is expected to gradually return to the target range by the first half of 2027. Subdued inflation is primarily due to lower global energy prices and government subsidies to alleviate living costs as well as limited demand-driven pressures. However, deflationary risks remain low, reflected by absence of broad-based declines in goods and services prices. The Committee will closely monitor deflationary risks. Core inflation is expected to remain stable at 0.8, 0.8, and 1.0 percent in 2025, 2026, and 2027, respectively. Medium-term inflation expectations have declined slightly but remained anchored within the target range.

Interest rates in the banking system and financial markets have declined in line with previous policy rate cuts, helping reduce financing costs and ease debt burdens for businesses and households. However, overall credit growth remains contracted, partly reflecting subdued private spending and investment amid heightened uncertainty. Financial institutions also remain cautious in extending credit to high-risk borrowers, particularly SMEs and low-income households. The Committee will continue to closely monitor credit growth and support further targeted financial measures to assist vulnerable groups.

The Thai baht has appreciated against the U.S. dollar, ranking among the strongest in the region, following changes in market expectations regarding the U.S. Federal Reserve's policy interest rate outlook and Thailand-specific factors. The Committee agrees to escalate the close monitoring of baht movements and consider approaches to manage foreign exchange transactions that exert significant pressures on the baht.

The prevailing monetary policy framework seeks to maintain price stability, support sustainable growth, and preserve financial stability. The Committee deems that monetary policy should be accommodative to support economic recovery and will monitor economic and financial developments and risks. The Committee stands ready to adjust

monetary policy as appropriate in line with evolving economic and inflation outlook. 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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