



ธนาคารแห่งประเทศไทย  
BANK OF THAILAND



Press Conference  
Monetary Policy Committee Decision 6/2568

17 December 2025

Sakkapop Panyanukul

Assistant Governor, Monetary Policy Group



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. It is necessary to monitor deflation risks going forward.
- Overall credit continues to contract, and credit quality of vulnerable groups still deteriorated. SMEs face liquidity challenges stemming from both limited credit access and the strengthening of the Thai baht.

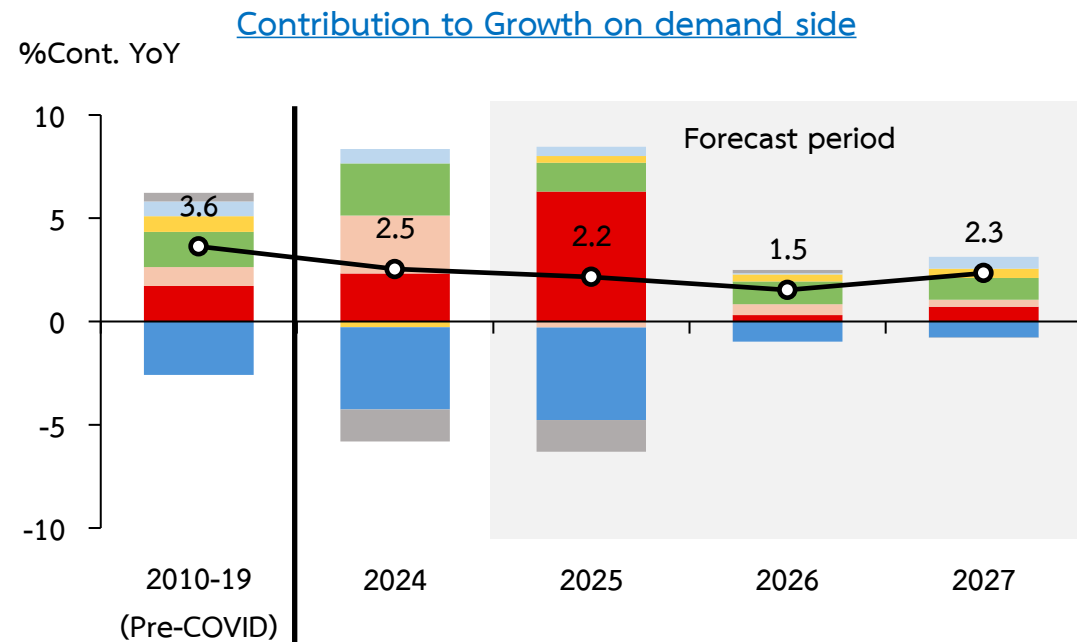
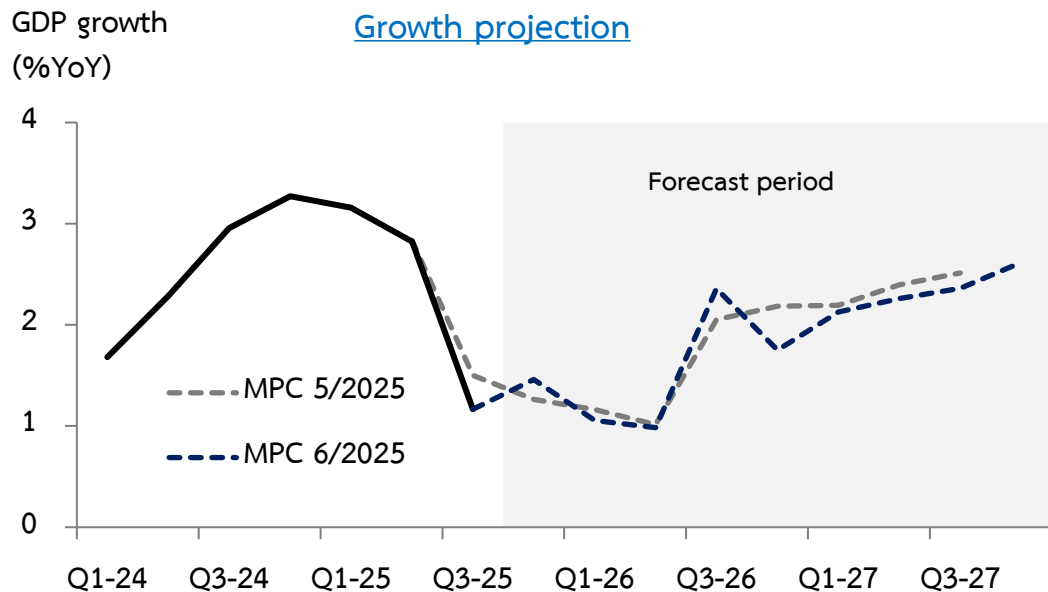
The Committee assesses that monetary policy should be accommodative, given apparent economic slowdown and heightened risks, in order to ensure that financial conditions support economic recovery and alleviate debt burden of vulnerable groups and enhance the effectiveness of other financial measures and government policies.



# Economic growth is expected to slow down in 2026 and 2027.

Economic activity in the second half has slowed partly due to temporary factors in the manufacturing sector, a decline in short-haul tourist arrivals, and flooding in the south.

Looking ahead, economic growth softens due to private consumption slowdown in line with income and the impact of US tariffs, while tourism continues to recover gradually.



**Flooding in the south is projected to have a prolonged impact until early next year and is expected to reduce GDP growth by 0.1–0.2 percentage point, mainly through the services sector.** The adverse impact includes estimated reduction of 200,000 foreign tourists, particularly from Malaysia.

- Export of Goods
- Private Consumption
- Import
- Stock & Stat
- Export of Services
- Private Investment
- Public Spending
- GDP

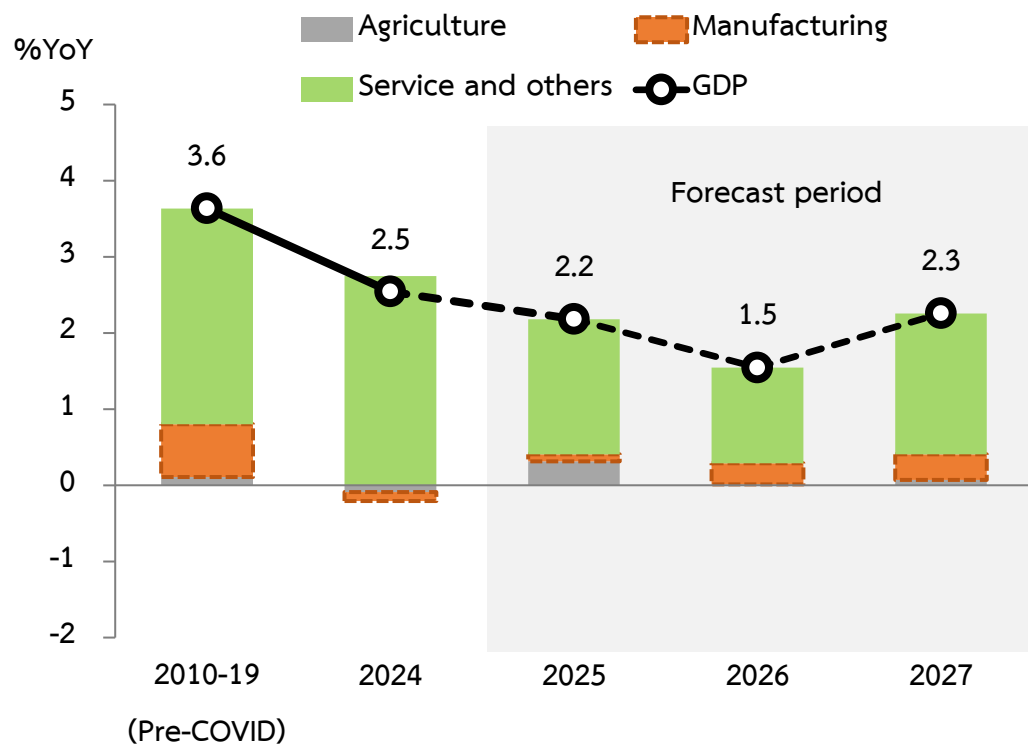
Source: NESDC, BOT calculation



# The economy is expected to recover but remains below potential.

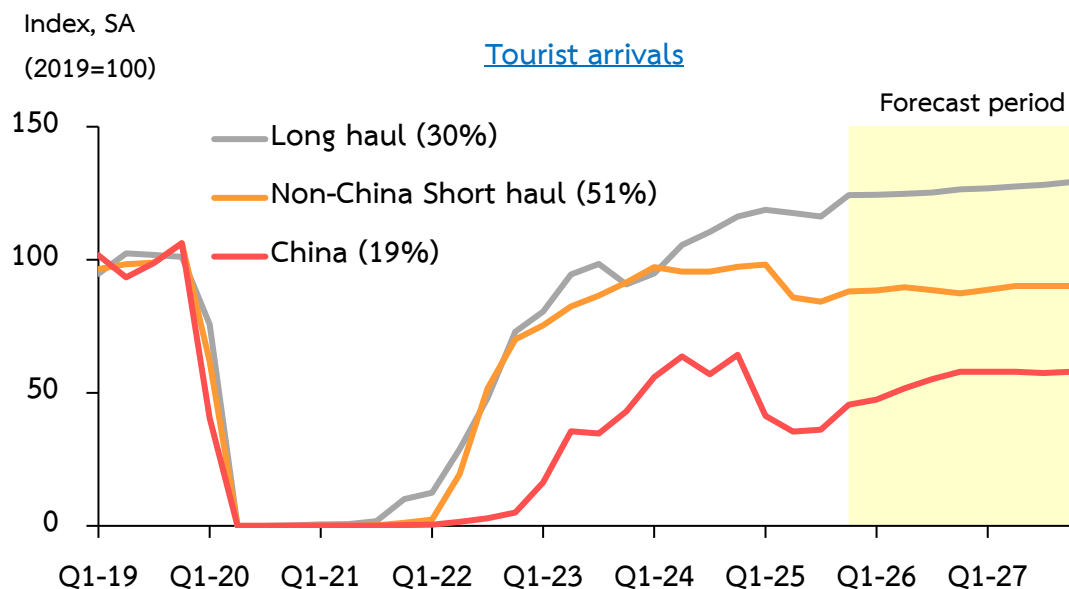
Economic recovery in 2027 is primarily driven by the services sector, while merchandise exports and manufacturing will remain under pressure from U.S. tariffs and heightened competition.

Contribution to Growth on supply side



Source: NESDC, BOT calculation

Tourism continues to recover gradually in 2026 and 2027



	MPC Dec 25	2024	2025 <sup>F</sup>	2026 <sup>F</sup>	2027 <sup>F</sup>
Number of tourists (millions)		35.5	33.0	35.0	36.0
<i>o/w China</i>		6.7	4.4	6.0	6.6

Source: Ministry of Tourism and Sports, BOT calculation .

( ) is share in total tourist arrivals in 2024.

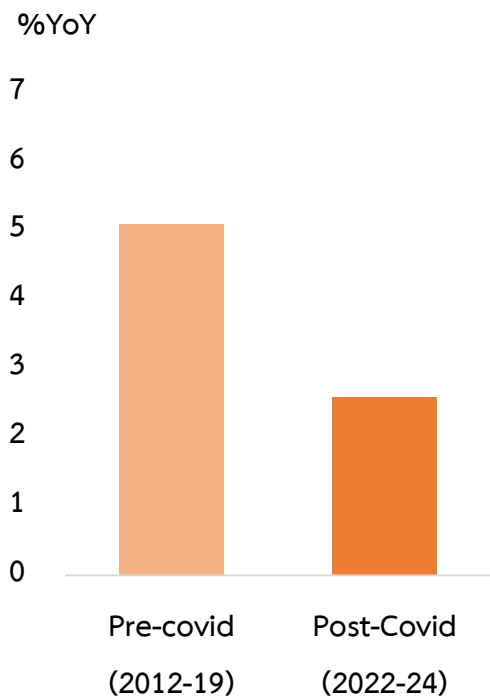


## Some SMEs and households remain vulnerable

SMEs continue to face intense competition, limited access to credit, and baht appreciation.

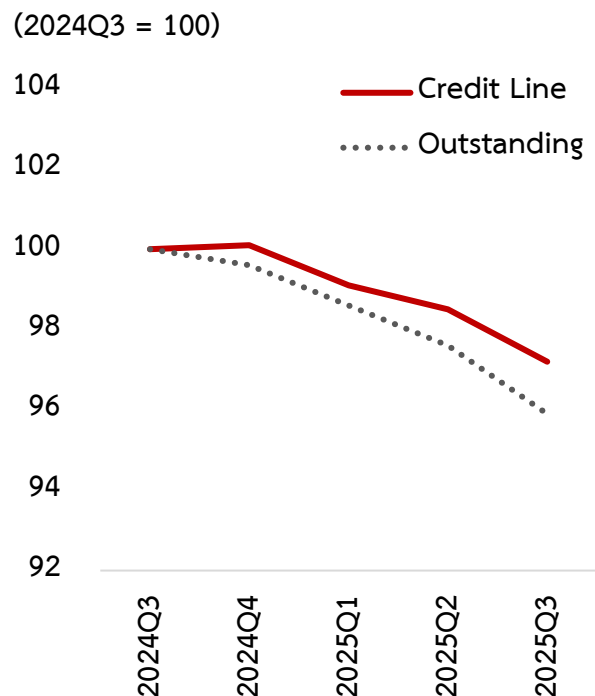
Labor income is expected to grow at a subdued pace, exerting pressure on private consumption going forward.

GDP growth of SMEs



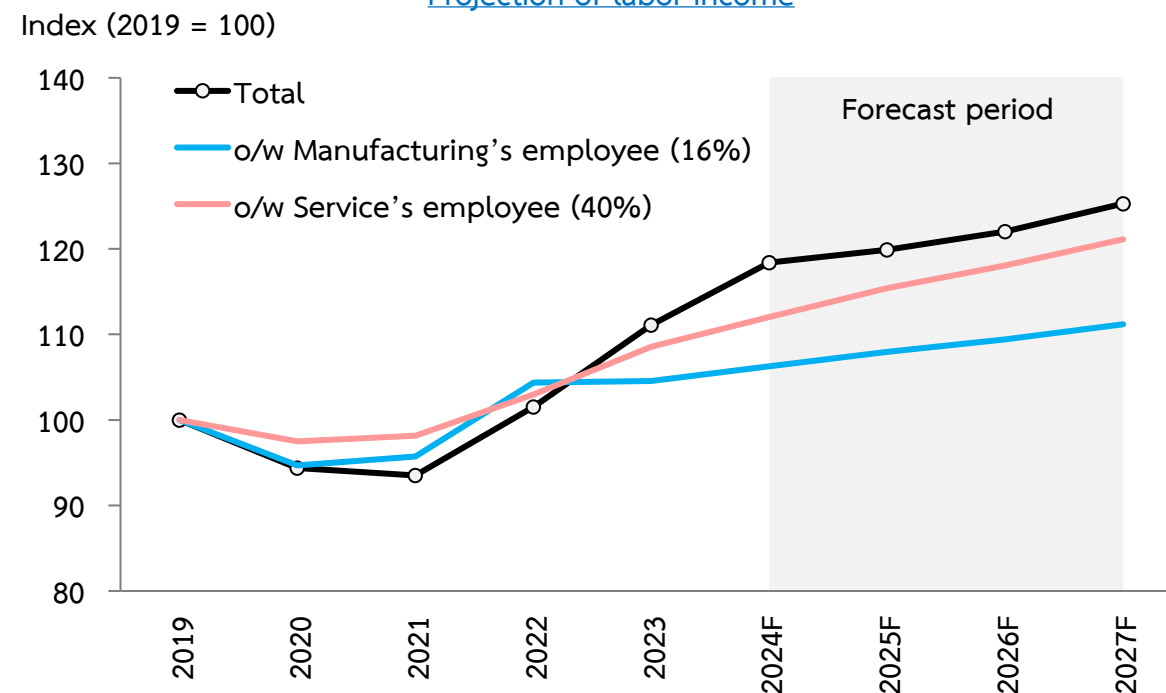
**Source:** Office of Small and Medium Enterprises Promotion (data as of Dec 25), BOT calculation.

Credit line & Outstanding loan of SMEs



**Note:** Data covers commercial bank, excluding affiliated companies and subsidiaries.  
**Source:** BOT

Projection of labor income



**Note:** Labor income data from the national income accounts, with the most recent data available up to 2023. F = Forecast, ( ) share of labor income in 2023 based on NI data.

**Source:** NESDC, National Statistics Office, Office of Agricultural Economics, BOT calculation and forecast.

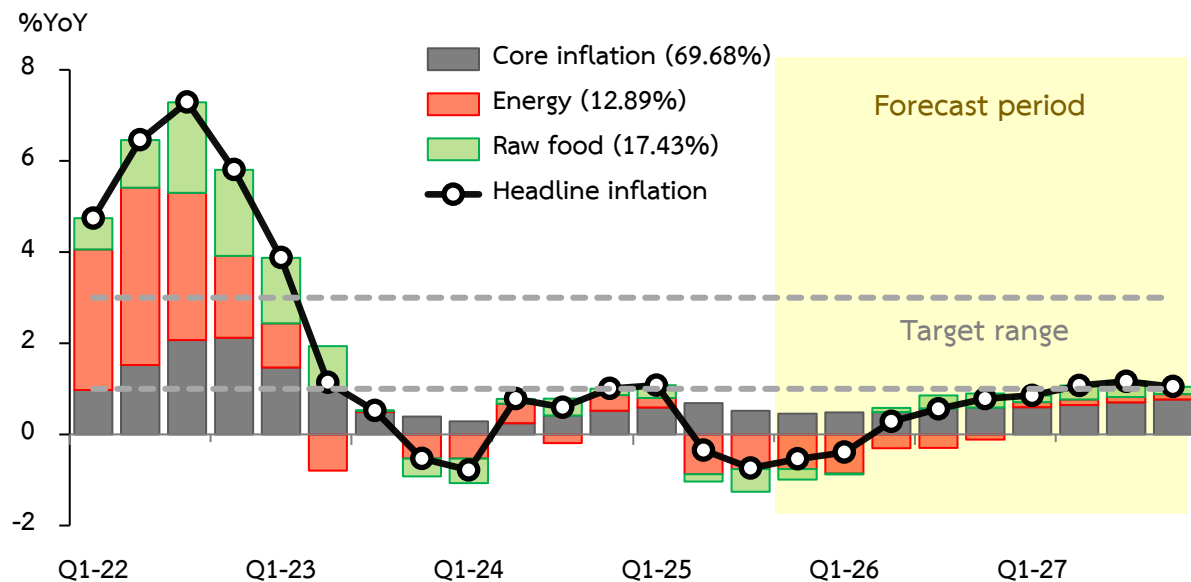


# Inflation is expected to remain subdued due primarily to energy and raw food prices.

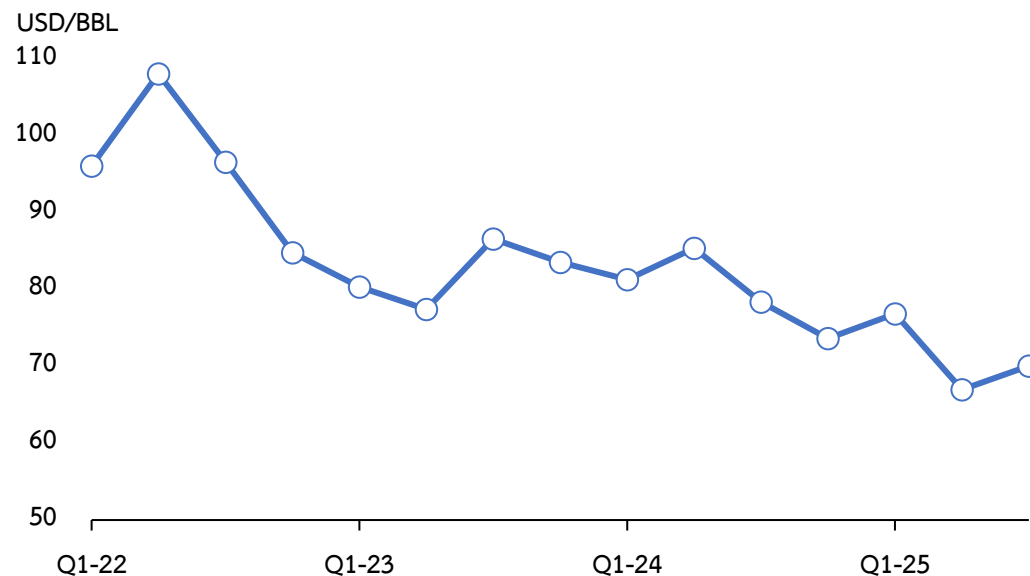
Inflation is expected to stay below the lower bound of the target range and returns to the range in Q2/27.

Crude oil prices continue to decline due to increased global supply

Inflation



Dubai crude oil price



%YoY	2024	2025 <sup>F</sup>	2026 <sup>F</sup>	2027 <sup>F</sup>
Headline Inflation	0.4	-0.1	0.3	1.0
Core Inflation	0.6	0.8	0.8	1.0

Note: <sup>F</sup> Forecast

Source: Ministry of Commerce, BOT calculation

USD/BBL	2024	2025 <sup>F</sup>	2026 <sup>F</sup>	2027 <sup>F</sup>
MPC Oct 25	79.6	70	65	-
MPC Dec 25		70	63	66

Note: <sup>F</sup> Forecast

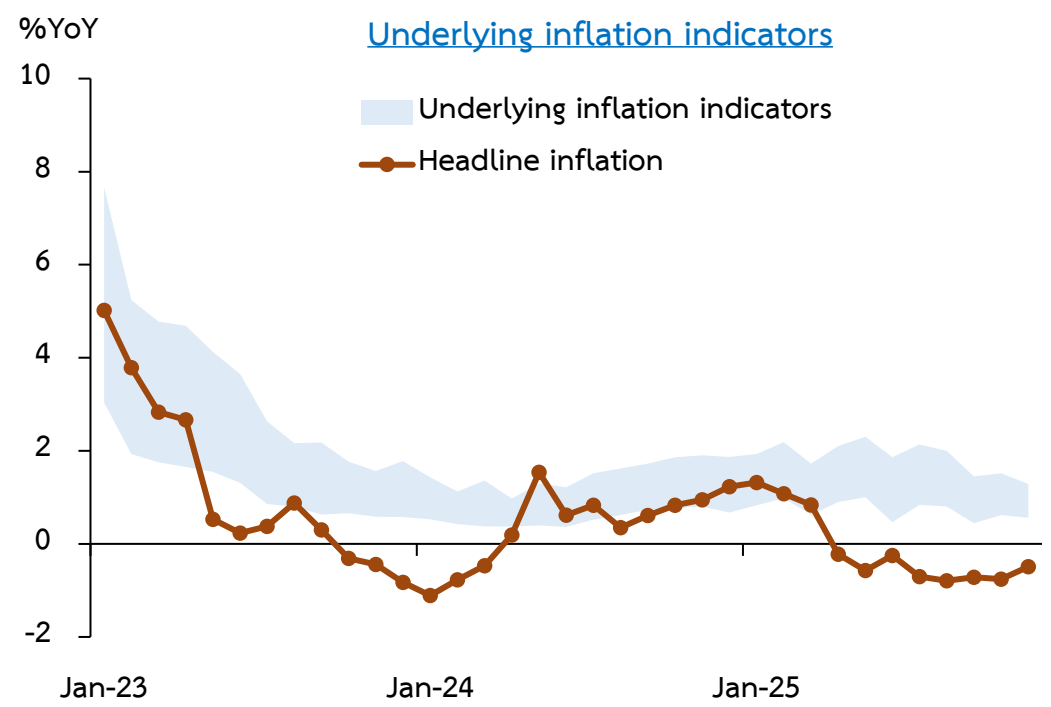
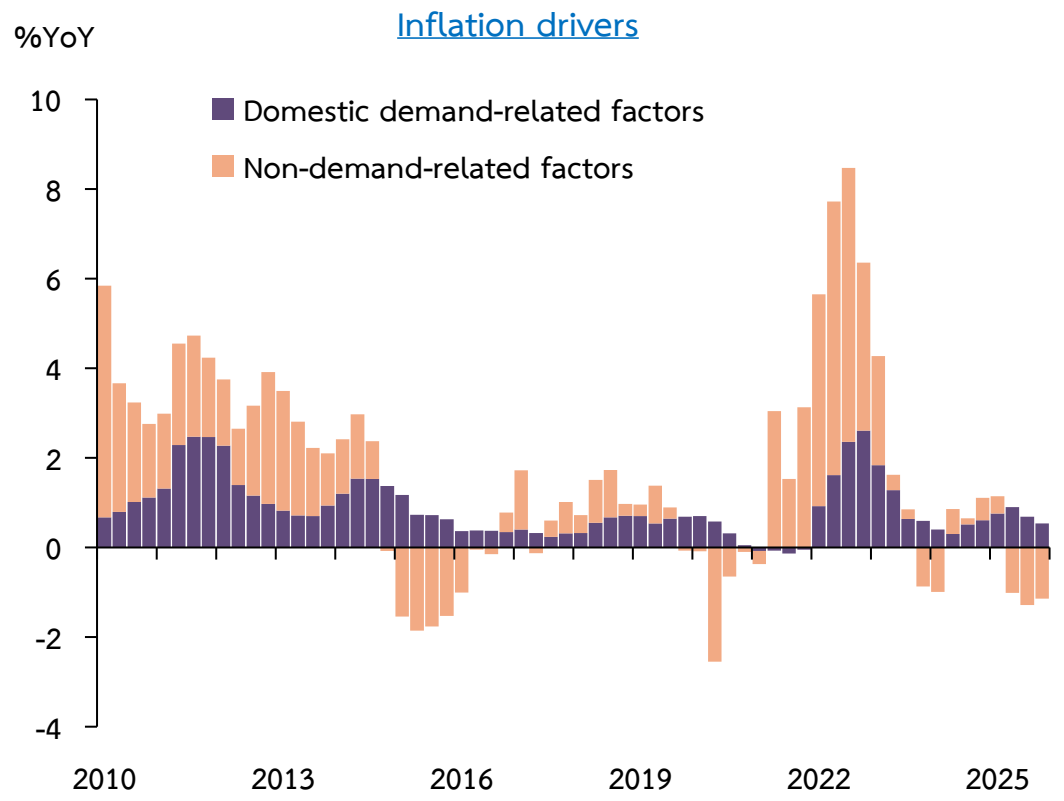
Source: Bloomberg BOT calculation



# Demand-driven inflationary pressures remain limited amid subdued economic growth, while underlying inflation indicators are broadly stable.

Demand-driven inflation has decreased given subdued purchasing power, but remains positive.

Underlying inflation indicators, reflecting co-movement and persistence of price changes, remain within the target range but deflation risks need to be monitored.



**Note:** The shaded area represents the range between the maximum and minimum values of 5 inflation trend indicators, comprising: (1) Core inflation; (2) Core inflation excluding government cost-of-living support measures and housing rent, which is less volatile; (3) Trimmed mean CPI, which excludes items with the most extreme price changes; (4) Sticky CPI, which better reflects inflation trends after removing prices that change very frequently, based on Apaitan et al. (2018); and (5) Inflation adjusted for temporary volatility factors, derived from a model following Stock and Watson (2015).

Source: BOT calculation. Reference: Mahedy & Shapiro (2017), "What's Down with Inflation?" Federal Reserve Bank of San Francisco

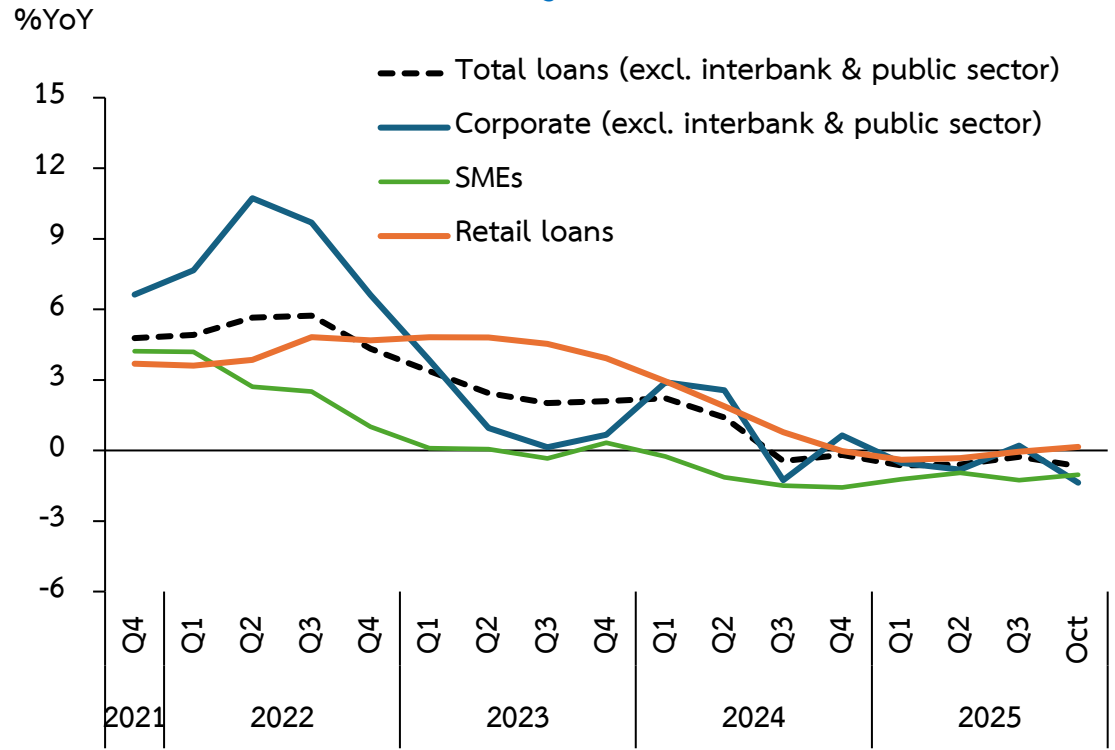


# Credit growth remains negative due to economic conditions and financial institutions' cautious lending to high-risk borrowers.

Overall credit growth remains contracted, partly reflecting subdued private spending and investment, while financial institutions remain cautious in extending credit to SMEs.

Quality of SMEs' loans and housing loans needs to be monitored.

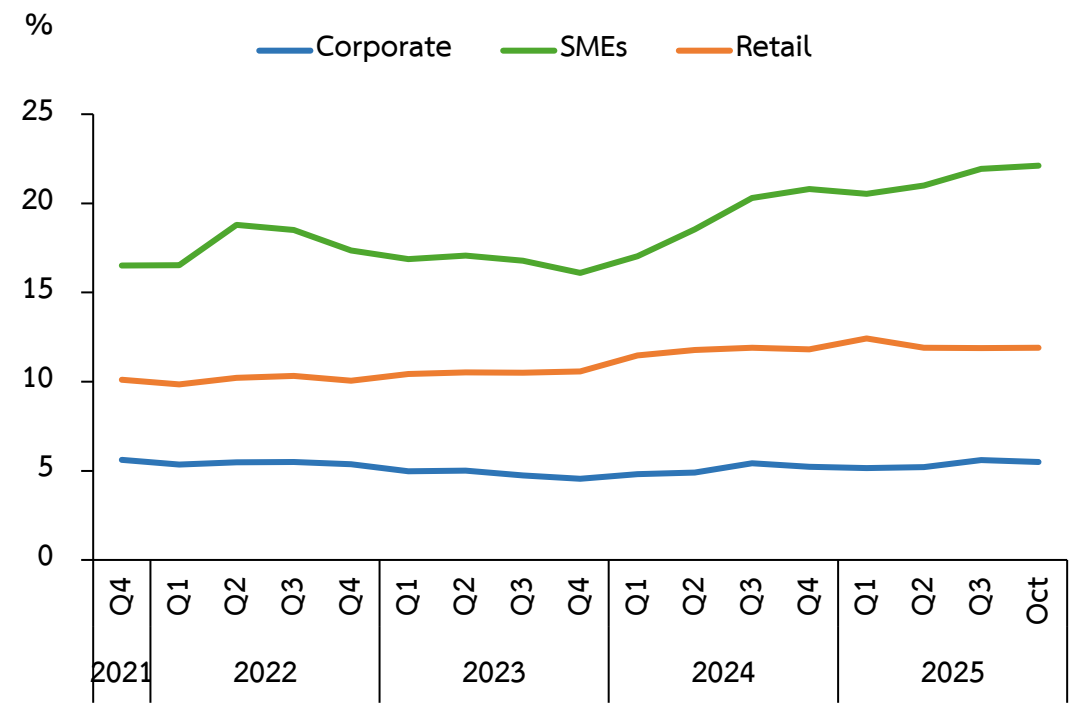
Loan growth



Source: BOT

**Note:** Financial institutions including commercial banks (and subsidiaries), SFIs, and non-banks that are not subsidiary of commercial banks. For retail loans, the coverage includes commercial banks (and subsidiaries), SFIs, and non-banks under regulation. For business loans, business size is defined through a combination of the Office of SMEs Promotion's criteria and credit lines.

SM and NPL ratios



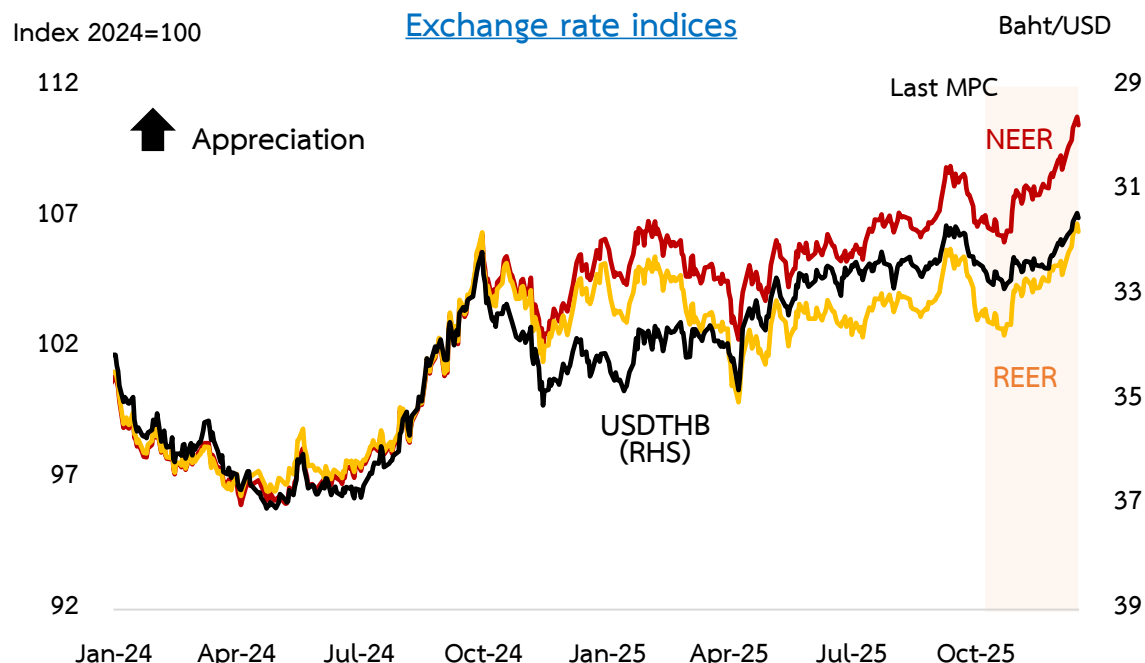




## Appreciation of the baht has affected exporters, particularly SMEs

The Thai baht has appreciated against the U.S. dollar, ranking among the strongest in the region.

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.



%change (+ means baht appreciation)	NEER	REER	USDTHB
2025 to date	4.1	1.1	8.2
Last MPC to date	3.2	2.9	3.2

Note: Data as of 16 Dec 25

Source: Bloomberg, BOT calculation

### Measures currently being implemented

- Tighten the guidelines and require commercial banks to strictly verify documents before processing FX transactions related to gold by examining every transaction.

### Measures in progress

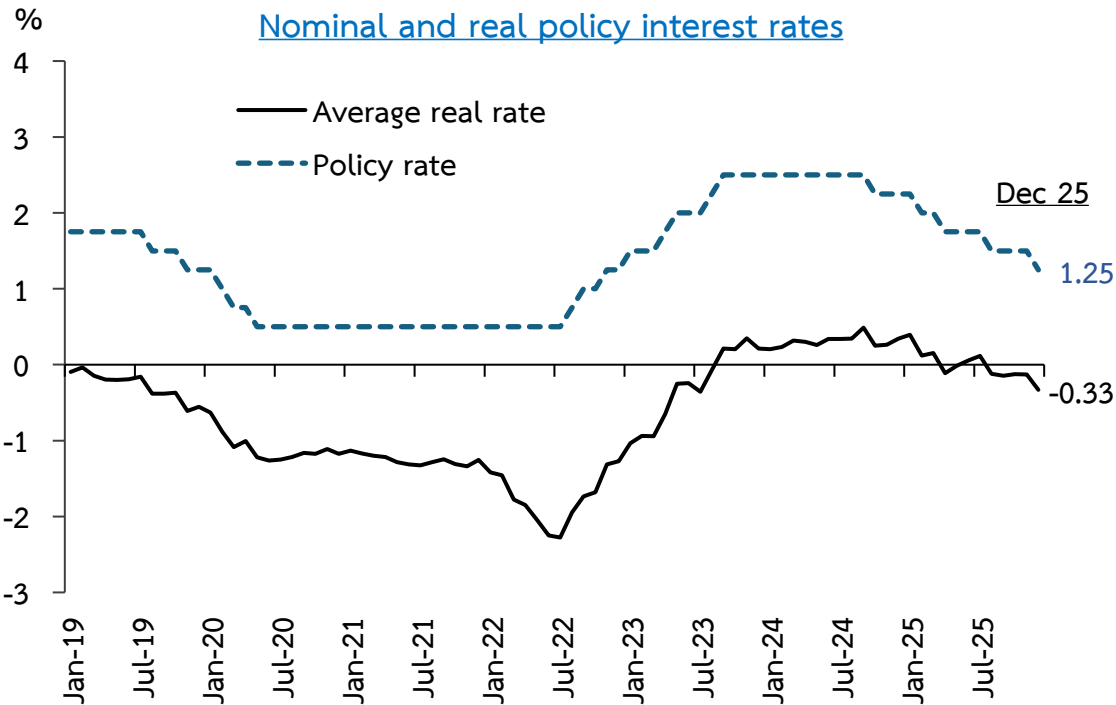
- Require major gold trading businesses to report detailed information on gold transactions.
- Conduct inspections of FX sale transactions to prevent inflows that are undesirable or unrelated to normal business operations.

# Monetary policy can be more accommodative to ensure that financial conditions support economic recovery.



Monetary policy remains accommodative, consistent with the recent policy rate cuts.

Policy rate cuts help reduce new loan rate (NLR) and debt burden of existing loans. However, tightening financial conditions faced by SMEs and vulnerable groups stem from increased credit risk.



**Reduction in banks' interest rates resulting from the recent 1.0% interest rate cuts**

Loan Types	Interest Rate Change (%)	
	New Loans (NLR change)	Existing Loans (EIR change)
Business Loans		
Corporate	-1.2	-0.6
SMEs	-0.8	-0.5
Retail Loans	-0.3	-0.4

**Note:** The average real rate is calculated by subtracting inflation expectations from nominal policy rate. Inflation expectations include one-year-ahead expectations from businesses, households, and economic experts, as well as five-year-ahead expectations from professional forecasters.

**Note:** (1) New loan rate (NLR) change and effective interest rate (EIR) change are calculated by comparing Oct 2025 and Sept 2024 (2) Retail loans exclude credit card (3) EIR is calculated on existing loans benchmarked to floating rates

Source: BOT calculation

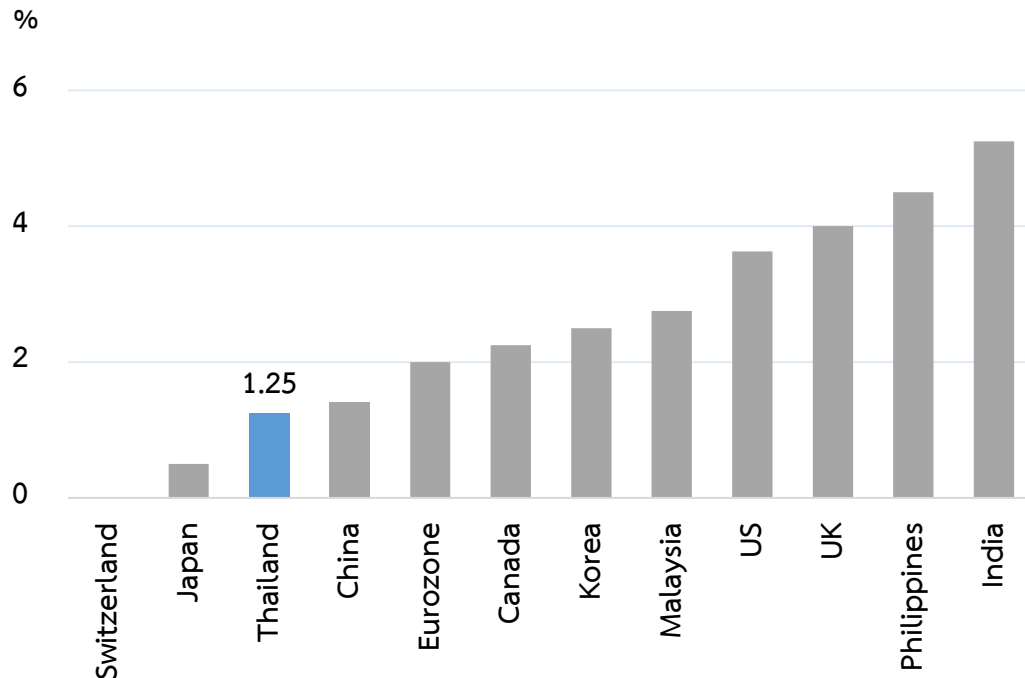
Source: Credit data covers commercial banks, BOT calculation



More accommodative monetary policy stance enhances effectiveness of other financial measures and government policies. Going forward, monetary policy should consider preserving long-term stability and limited policy space.

Thailand's policy rate remains low compared to other countries.

Current policy rate



- Risks to monitor going forward
- Developments in U.S. trade policies
  - Loan growth and the appreciation of the baht
  - Deflationary risks

Note: Data as of 17 Dec 25

Source: Bloomberg



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.



Annual percentage change	2024*	2025	2026	2027
GDP growth	2.5	2.2	1.5	2.3
Domestic demand	3.0	2.3	1.6	2.3
Private consumption	4.4	2.4	1.9	2.0
Private investment	-1.6	2.0	2.2	2.8
Government consumption	2.5	0.3	0.0	1.6
Public investment	4.8	7.1	0.8	5.7
Exports of goods and services	7.8	8.7	1.2	1.5
Imports of goods and services	6.3	6.8	1.5	1.2
Current account (billion, U.S. dollar)	11.6	14.0	12.0	13.0
Value of merchandise exports (%YoY)	5.9	12.0	0.6	1.7
Value of merchandise imports (%YoY)	5.5	13.3	1.3	1.5
Number of foreign tourists (million persons)	35.5	33.0	35.0	36.0
Tourism receipt (Trillion baht)	1.4	1.4	1.5	1.6
Dubai crude oil price (U.S. dollar per barrel)	79.6	70.0	63.0	66.0
Headline inflation	0.4	-0.1	0.3	1.0
Core inflation	0.6	0.8	0.8	1.0

**Note:** \* Outturns