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Monetary Policy Committee's Decision 1/2026

Mr. Don Nakornthab, Secretary of the Monetary Policy Committee (MPC), announced the outcome of the meeting on 25 February 2026 as follows.

**The Committee voted 4 to 2 to cut the policy rate by 0.25 percentage point from 1.25 to 1.00 percent, effective immediately. Two members voted to maintain the policy rate at 1.25 percent.**

The Thai economy grew faster than previously assessed in the fourth quarter of 2025. Nevertheless, economic growth is projected to remain below potential in 2026 and 2027 and uneven across sectors, reflecting structural impediments and intensified competition. Looking ahead, downside risks to headline inflation are expected to increase relative to previous assessment in line with the downward trend in energy prices, potentially additional government measures, and limited demand-side pressures given below-potential growth. Overall credit continues to contract, the baht has appreciated, and SME and household liquidity remains tight.

Most committee members voted to cut the policy rate by 0.25 percentage point, from 1.25 to 1.00 percent, to ensure that financial conditions remain supportive of economic recovery and to further alleviate debt burdens for SMEs and households, as well as to anchor medium-term inflation expectations amid heightened downside risks. Meanwhile, two committee members voted to maintain the policy rate at 1.25 percent, viewing that the current monetary policy stance remains consistent with the economic and inflation outlook. In addition, the transmission of previous policy interest rate cuts to the economy is still ongoing. Going forward, the Committee gives importance to safeguarding medium-term financial stability as well as preserving the limited monetary policy space amid heightened uncertainties. The Committee views that the present level of the policy rate reflects a sufficiently accommodative monetary policy stance and aligns with the economic outlook. However, subdued economic growth stemming from structural factors cannot be exclusively addressed by monetary policy. It is necessary to integrate policies from multiple fronts to enhance productivity and strengthen competitiveness of the business sector as well as other targeted financial measures.



The Thai economy in the fourth quarter of 2025 grew faster than expected due partly to temporary factors at the end of the year, and partly to stronger-than-expected underlying momentum, particularly in private investment and merchandise exports, which is expected to carry through into 2026 and 2027. Nevertheless, economic growth going forward is expected to remain below its potential due to structural impediments and intensified competition. Although merchandise exports and private investment are expected to perform better than earlier assessed, they remain concentrated mainly in technology-related sectors and generate less value added to the economy compared with the past. Meanwhile, private consumption is projected to slow down from 2025. Looking ahead, it is necessary to monitor uncertainties surrounding U.S. tariff measures, the 2027 budget delay, and the adjustment of SMEs, which continue to face challenges from heightened competition, limited access to credit, and the appreciation of the Thai baht.

Headline inflation in 2026 and 2027 faces increased downside risks relative to the previous assessment, in line with the downward trend in energy prices and potentially additional government measures. It is also pressured by heightened competition and weak purchasing power. Headline inflation is projected to gradually return to the target range later than previously assessed, shifting from the first half of 2027 to the second half. Core inflation is also projected to be slightly lower than previously assessed and remain at a low level. However, deflationary risks remain low, as reflected in the absence of broad-based decline in goods and services prices. Medium-term inflation expectations have declined slightly but remain within the target range. The Committee therefore deems it necessary to closely monitor deflationary risks.

Interest rates in the banking system and financial markets have declined in line with previous policy rate cuts, helping reduce financing costs and alleviate debt burdens for businesses and households. However, borrowing costs continue to increase for SMEs with high credit risks, while overall credit remains contracted. This partly reflects financial institutions remain cautious in extending loans to new borrowers and to high-risk borrowers. The Committee deems it necessary to closely monitor the transmission of monetary policy as well as credit growth and supports further targeted financial measures to help vulnerable groups.

The Thai baht has appreciated against the U.S. dollar given the U.S. Federal Reserve's policy interest rate outlook and Thai specific factors. The appreciation has tightened financial conditions for exporters, particularly for products facing intense price competition and low profit margins. The Committee expresses concern over signs of exchange rate misalignment from economic fundamentals. Therefore, it is necessary to closely monitor baht movements and transactions that exert significant pressures on the currency, as well as to assess the effectiveness and adequacy of the regulatory measures on gold-related and other financial transactions that have already been implemented.

The prevailing monetary policy framework seeks to maintain price stability, support sustainable growth, and preserve financial stability. The Committee views that the present level of the policy interest rate reflects a sufficiently accommodative monetary policy stance and aligns with the economic outlook, while being conducive to the gradual return of inflation to the medium-term target range. At the same time, it is important to closely monitor the implications of a low policy rate for the build-up of medium-term financial imbalances, while giving importance to the limited policy space.

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