



ธนาคารแห่งประเทศไทย
BANK OF THAILAND



Press Conference

Monetary Policy Committee Decision 1/2026

25 February 2026

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

- The Thai economy grew faster than previously assessed in 2025, but growth is projected to remain below potential and uneven across sectors.
- Downside risks to headline inflation increase relative to previous assessment.
- Overall credit continues to contract, the baht has appreciated, and SME and household liquidity remains tight.

Most members deem the policy rate cut will support the economic recovery and further alleviate debt burden as well as to anchor medium-term inflation expectations. Two members view that the current monetary policy stance remains consistent with the economic and inflation outlook, and the transmission of the 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. The Committee views that the present level of policy rate reflects a sufficiently accommodative monetary policy stance and aligns with the economic outlook.

However, with subdued economic growth, it is necessary to integrate policies from multiple fronts and other targeted financial measures to enhance productivity and strengthen competitiveness of the business sector.

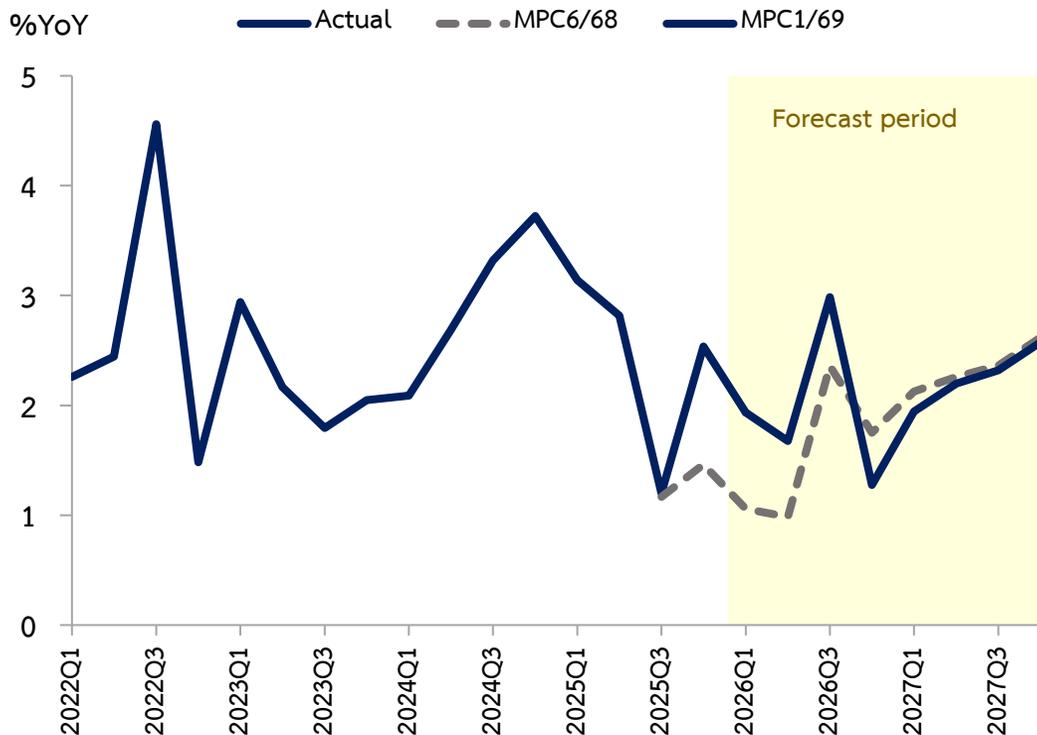


The Thai economy grew faster than expected but will remain below its potential and uneven across sectors

Although the Thai economy expanded more than previously assessed in Q4/25, growth in 2026 and 2027 is expected to be around 2.0 percent

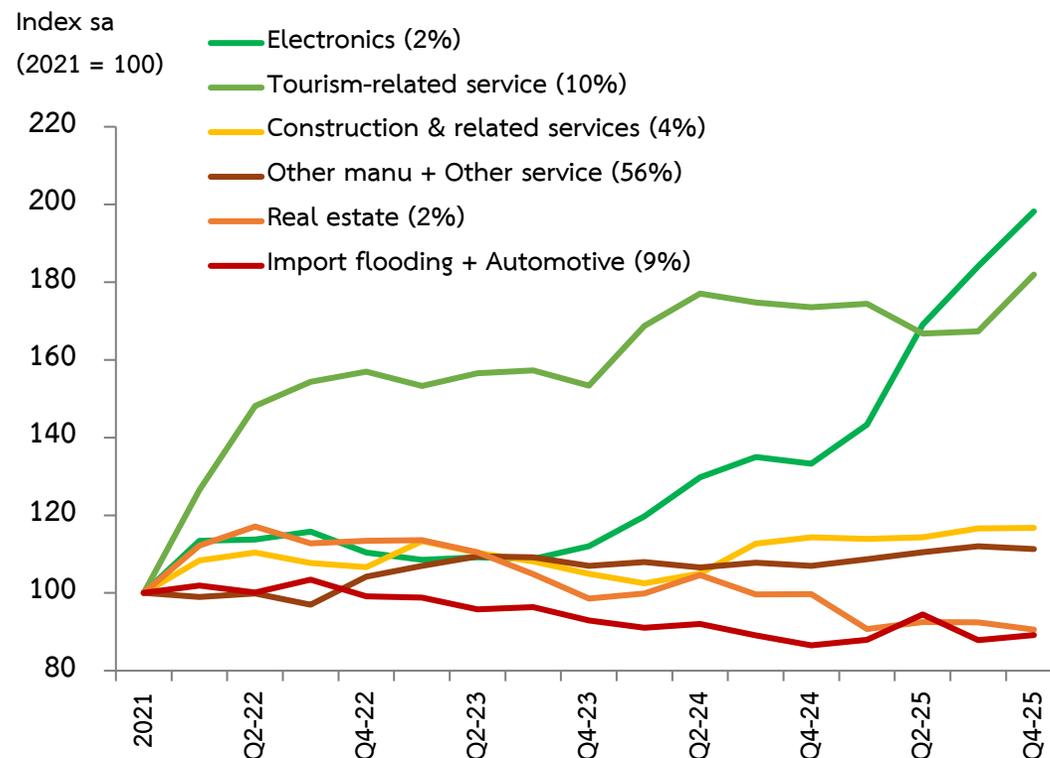
Going forward, economic growth remains below potential and uneven, reflecting structural impediments and intensified competition

Real GDP



Source: NESDC, BOT calculation

Recovery of Sectoral Economic Activities



Note: () indicates the share of GDP in 2024. Import flooding includes the production of electrical appliances, textiles and apparel, petrochemicals, steel and fabricated metals, and furniture. Other services exclude government services and the government lottery. Electronics data are based on VAT-based sales, while real estate data are based on the number of ownership transfers.

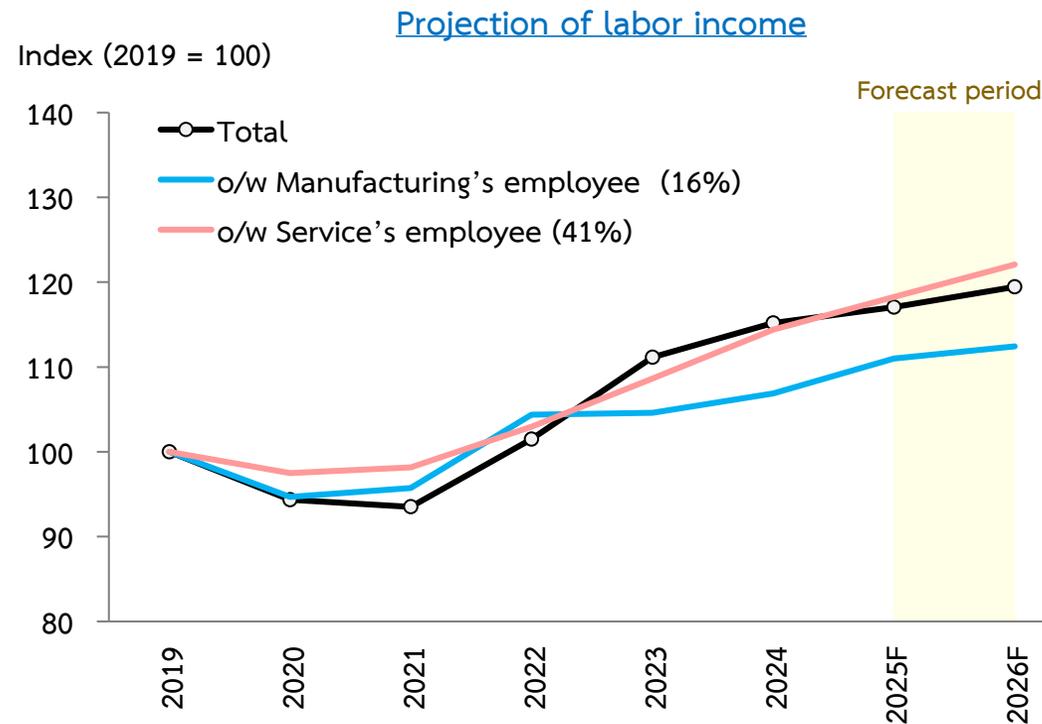
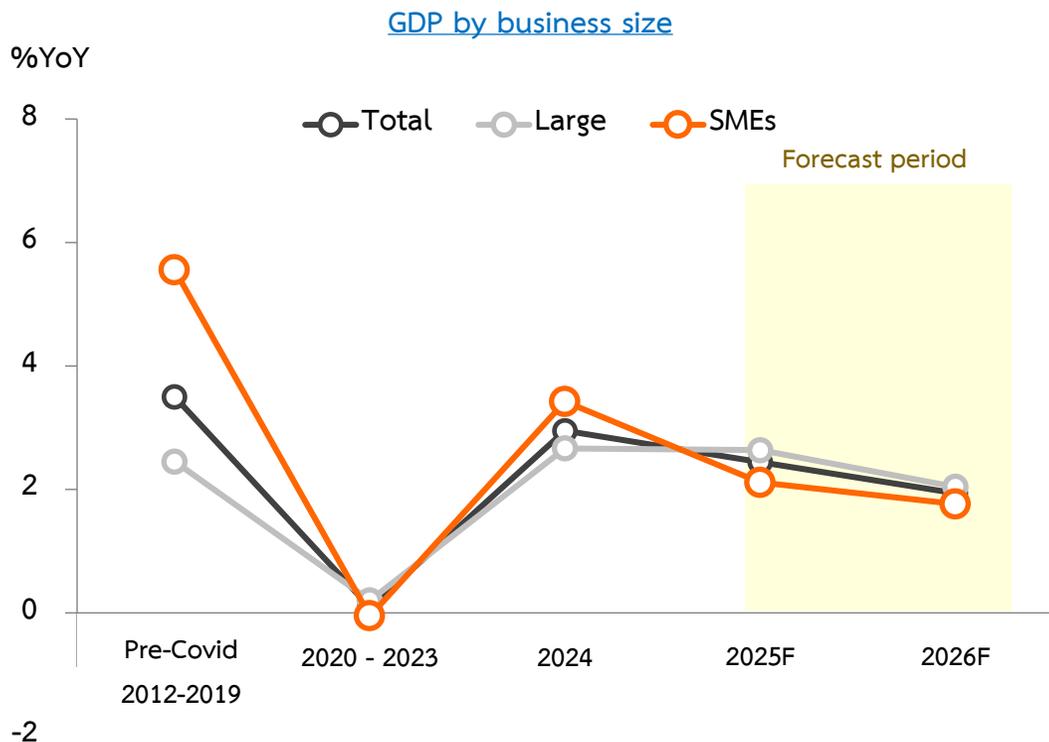
Source: NESDC, Revenue Department, Real Estate Information Center (REIC), and OIE; BOT calculation



Certain SMEs and households are pressured by structural impediments

SME growth tends to decelerate and remains below pre-COVID levels

Labor income is expected to grow at a slower pace, weighing on private consumption going forward



Note: F = Forecast

Source: Office of Small and Medium Enterprises Promotion, BOT calculation

Note: Labor income data from the national income accounts (NI), with the most recent data available up to 2024. F = Forecast, () share of labor income in 2024 based on NI data.

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

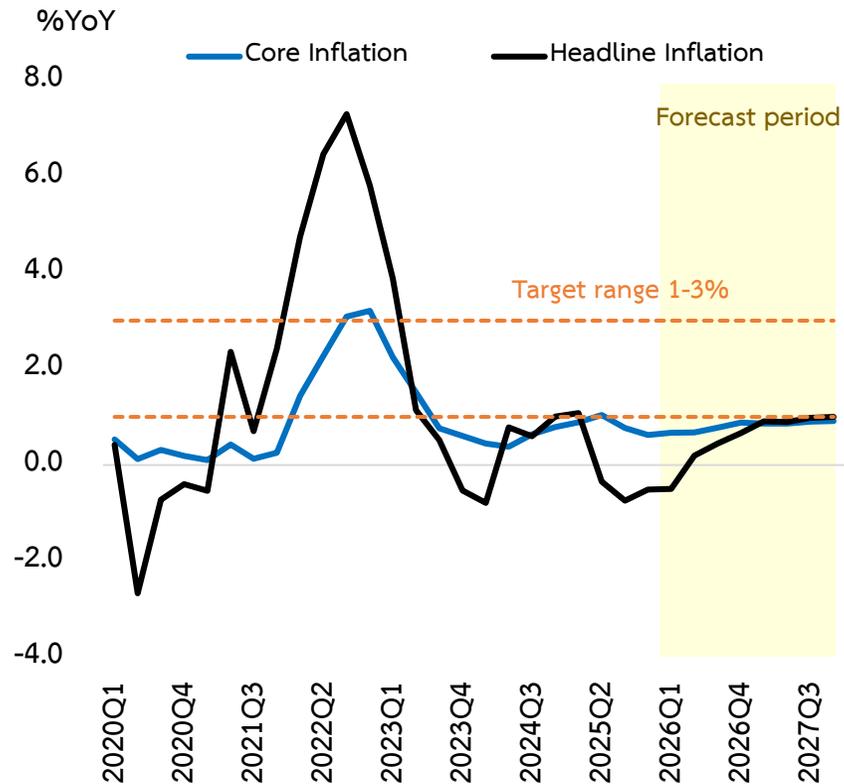
Downside risks to headline inflation increase relative to previous assessment due to downward trend in energy prices



Headline inflation is expected to return to the target range slower than anticipated from H1/27 to H2/27

Thai inflation is sensitive to global energy prices given Thailand's relatively high share of energy consumption and downward trend in global oil prices

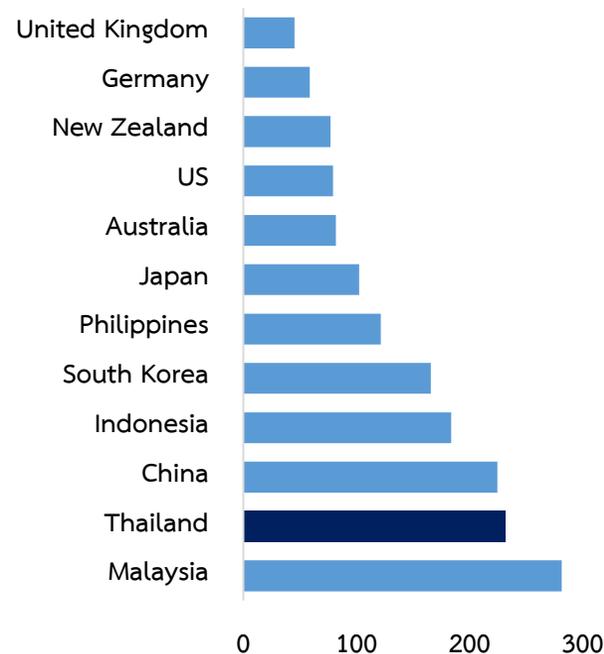
Inflation



Source: Ministry of Commerce, BOT calculation

Energy intensity

Tonnes of Oil Equivalent (TOE) Per millions USD

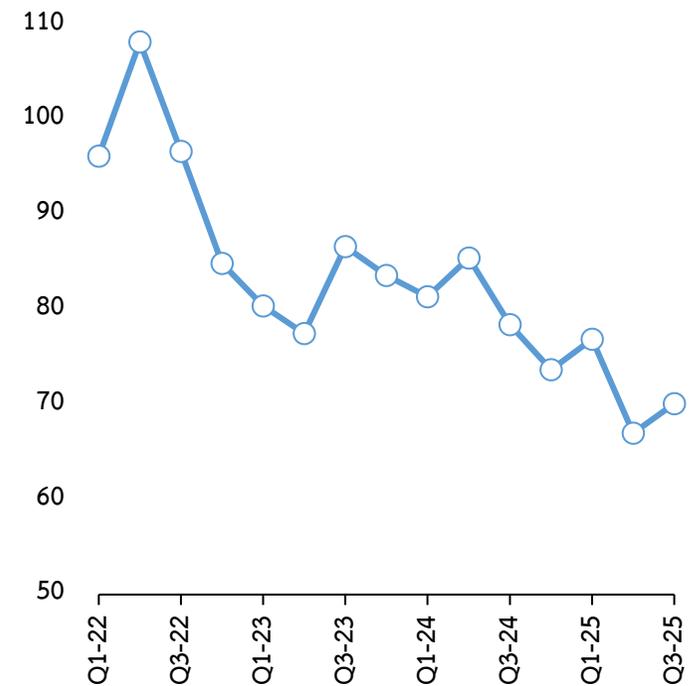


Note: calculated from primary energy consumption per GDP current price in year 2024

Source: Statistical Review of World Energy 2025 and World Bank, BOT calculation

Dubai crude oil price

USD/BBL



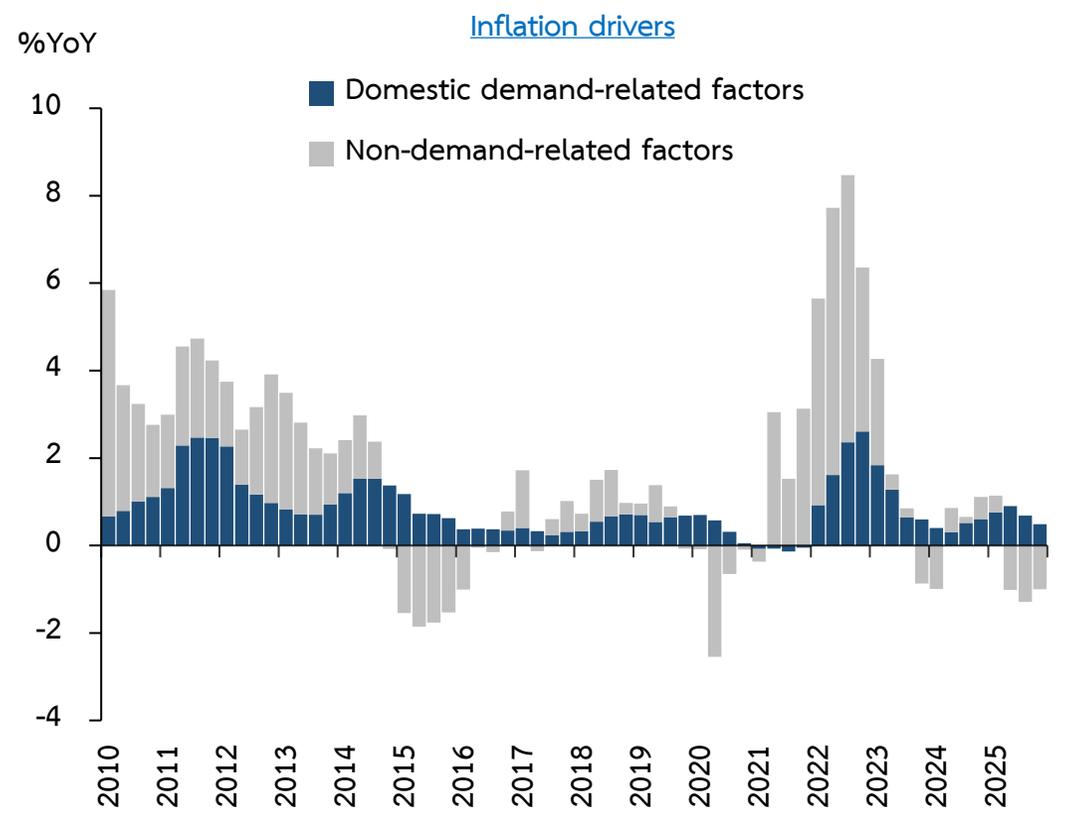
Source: Bloomberg, BOT calculation



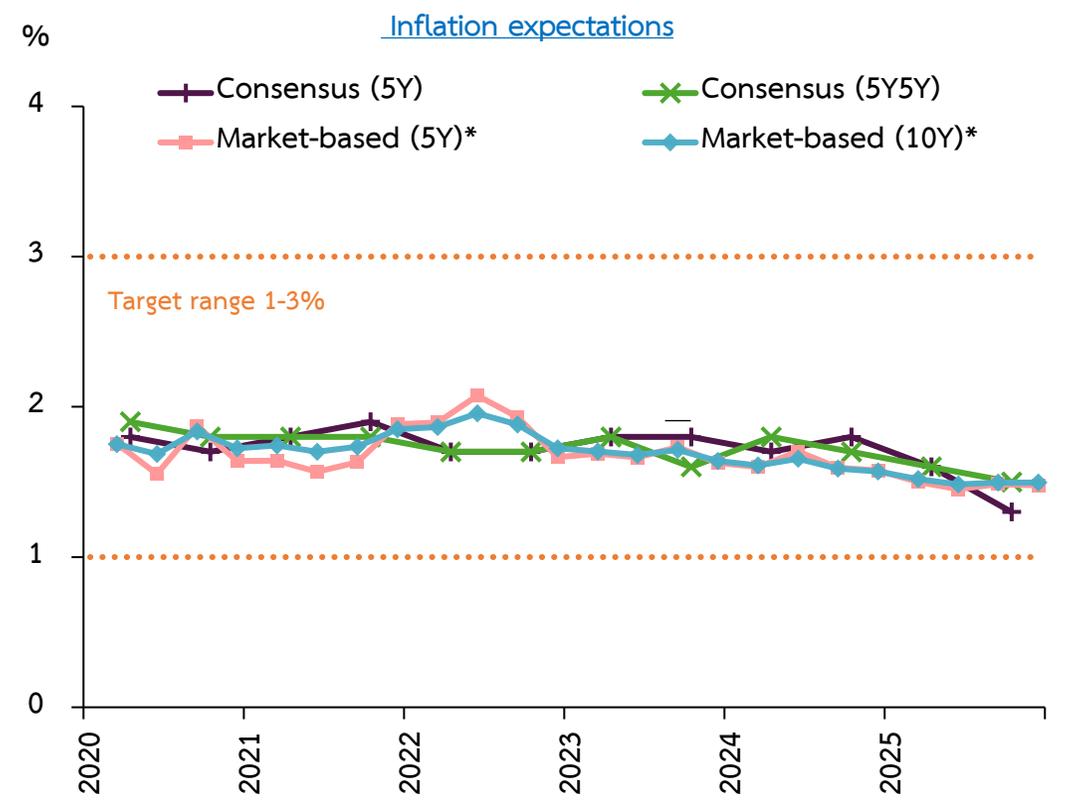
Demand-driven inflationary pressures are limited as the economic growth remains below its potential

Inflation is further pressured by intensified competition and weakened purchasing power

Medium-term inflation expectations of the private sector remain within the target range despite some recent softening



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



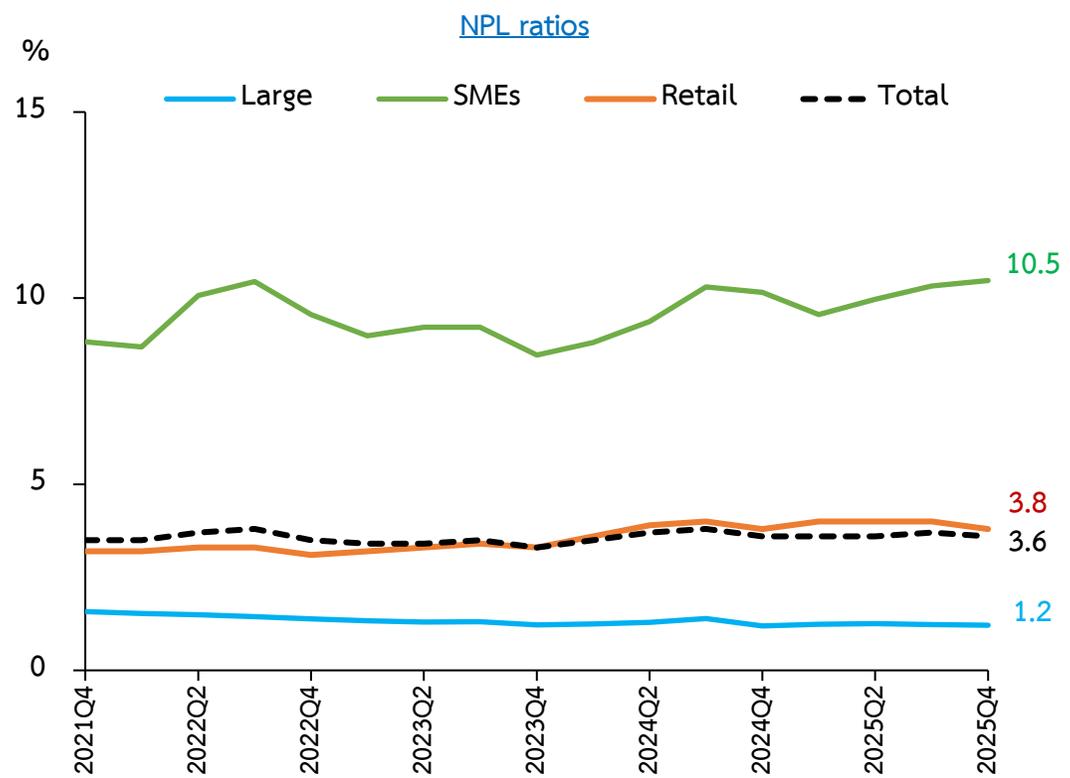
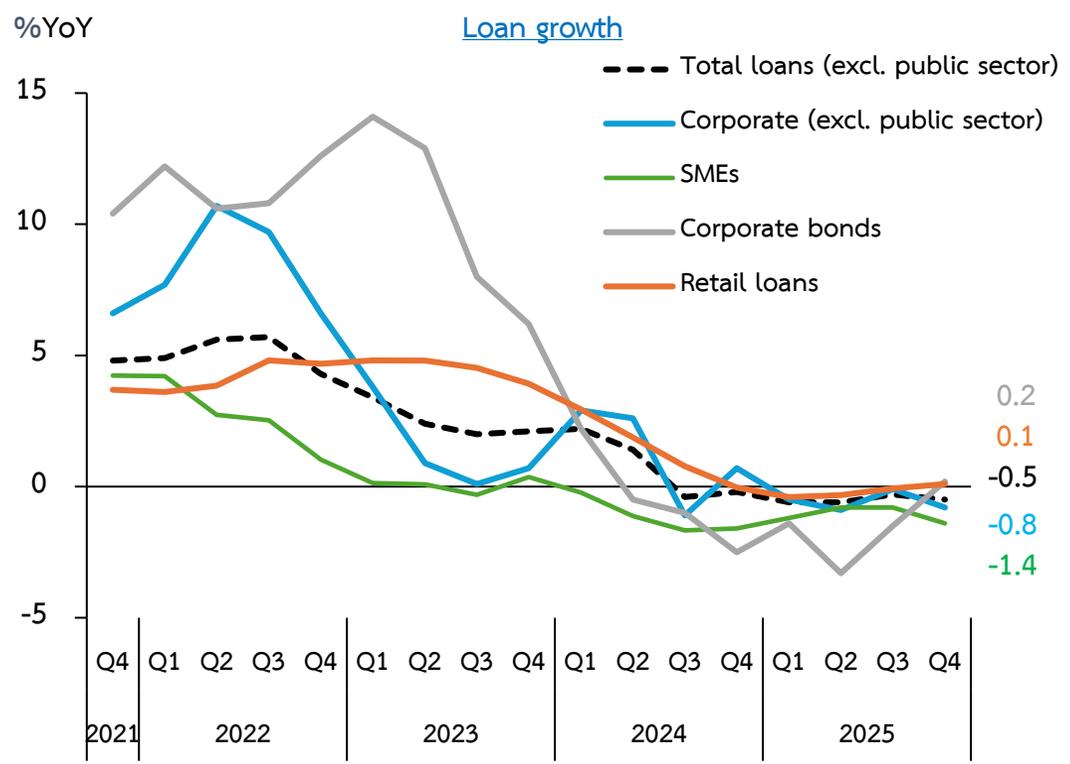
Source: Asia Pacific Consensus Economics, Ministry of Commerce, and BOT
Note: * Forecast based on affine term structure model using yield curve data and macroeconomics factors



Overall credit remains contracted, while the quality of SME loans warrants close monitoring

Credit continues to contract and is expected to grow at a slow pace, partly because financial institutions remain cautious in extending loans to new borrowers and to high-risk borrowers

Overall credit quality remains stable; however, the quality of loans extended to SMEs and vulnerable groups warrants close monitoring

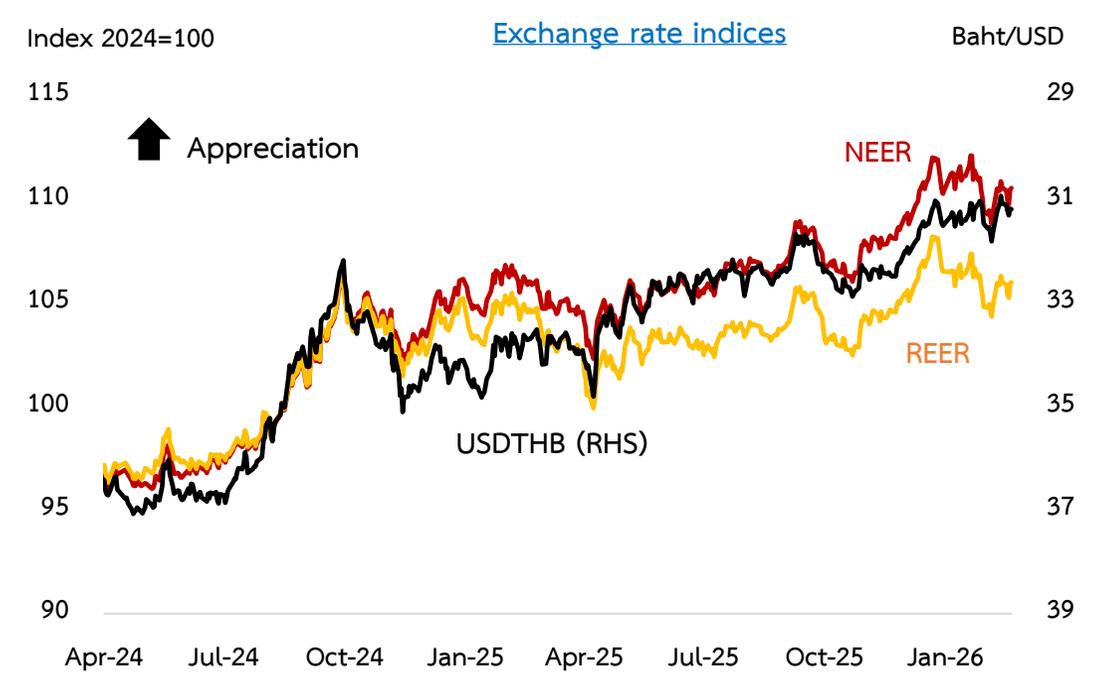


Note : (1) Credit data cover loans extended by commercial banks, including their affiliated, SFIs, as well as non-bank financial institutions under the supervision of the BOT.
 (2) Business loan sizes for commercial banks are classified based on the updated OSMEP definition, which considers revenue and employment together with credit lines. In contrast, loan classifications for SFIs and non-bank financial institutions under the supervision of the BOT follow the OSMEP definition based on revenue and employment.



The baht has continued to appreciate, exacerbating liquidity challenges for exporters, particularly SMEs

The Thai baht has appreciated

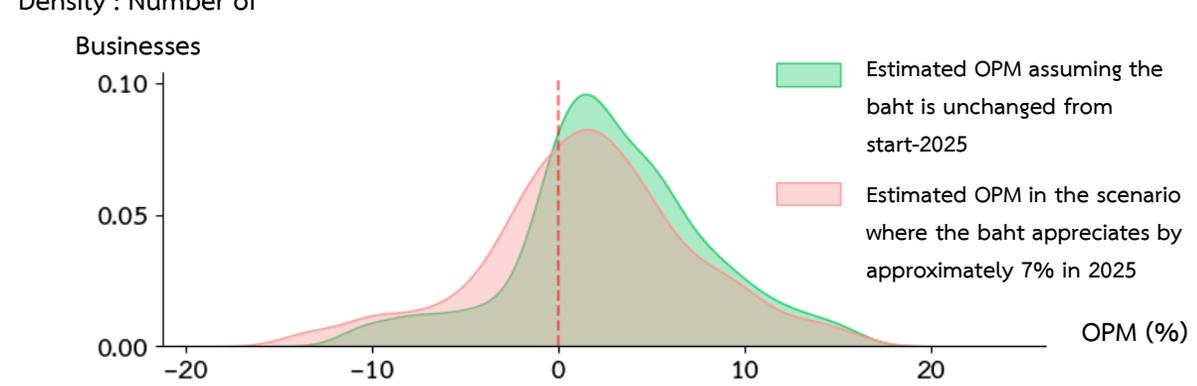


%change (+ means baht appreciation)	NEER	REER	USDTHB
2025 to date	4.6	1.2	10.0
Last MPC to date	0.3	-0.5	1.6

Note: Data as of 24 Feb 26
Source: Bloomberg, BOT calculation

The appreciation of the baht has exacerbated liquidity conditions for exporters, particularly in sectors producing exchange-rate-sensitive goods such as agricultural products, agro-manufacturing, and textiles and apparel

Estimated distribution of operating profit margins (OPM) at end-2025 for SMEs in exchange-rate-sensitive sectors*



Note: *Data cover 1,232 SMEs net exporters in exchange-rate-sensitive sectors out of 11,282 SME net exporters and roughly 400,000 SMEs that filed financial statements with the Department of Business Development and have not reported losses for the past three consecutive years. Exchange-rate-sensitive sectors include agriculture, agro-manufacturing, and textiles and apparel. The assessment reflects the impact of an estimated 7% baht appreciation in 2025, incorporating reductions in baht-denominated revenue exposure through natural and financial hedging and invoicing currency practices.

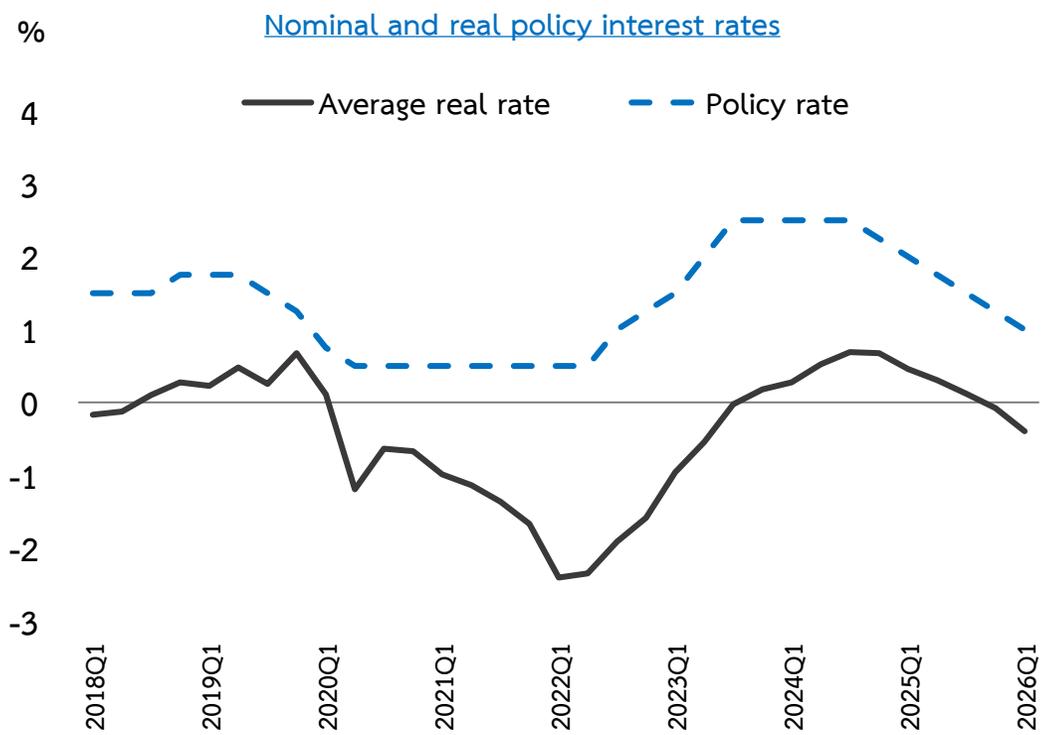
Source: Ministry of Commerce, Customs Department, Department of Business Development, Revenue Department, and BOT, BOT calculation.

- Foreign exchange regulatory measures
- Impose transaction limits and enhance standards for online gold-trading platforms
 - Strengthen the scrutiny of inbound FX transactions
 - Increase the revenue threshold exempt from repatriation requirements for exporters



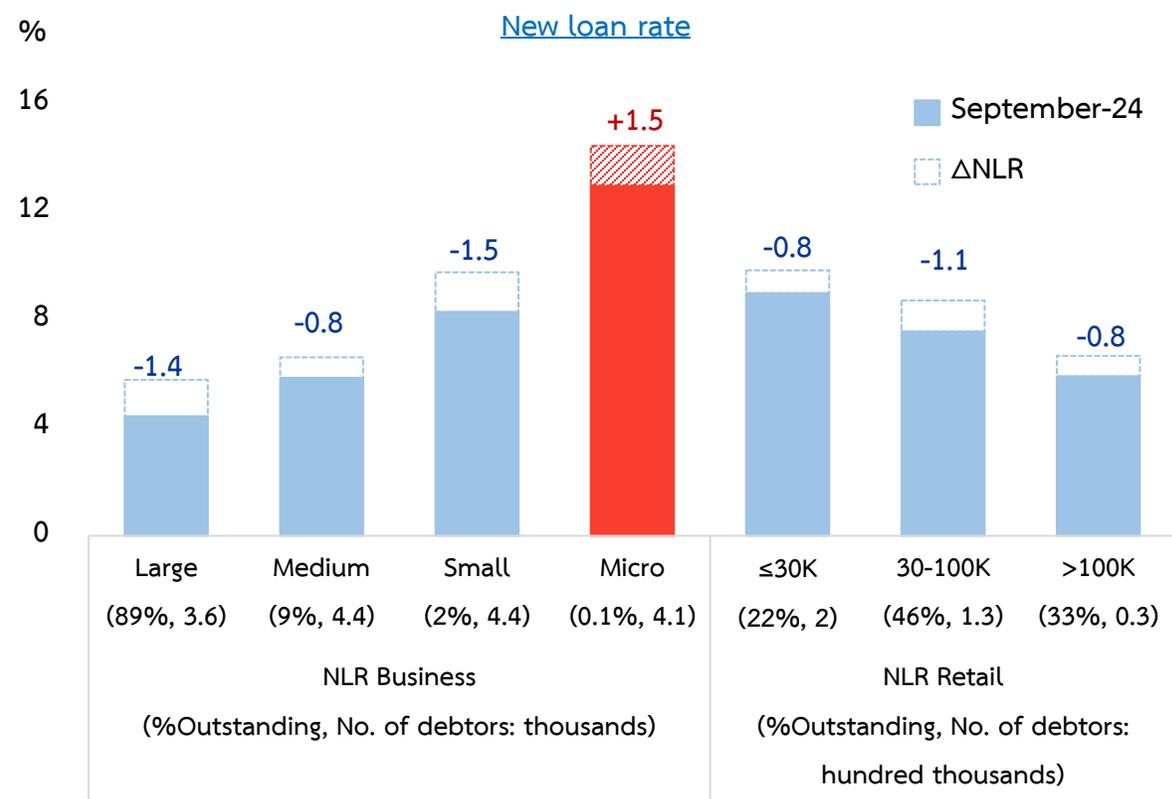
(1) ensure that financial conditions support economic recovery

Monetary policy stance is accommodative



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 professional forecasters, as well as Bank of Thailand's projection.
Source: BOT calculation

Interest-rate passthrough to vulnerable groups is limited due to elevated credit risks



Note: Changes in the new loan rate (ΔNLR) are calculated by comparing December 2025 with September 2024 (prior to the first policy rate cut). The NLR for commercial-bank loans is computed as a weighted average based on monthly outstanding balances, while retail loans exclude credit cards.
Source: RDT (cover only the commercial-bank system)



and (2) alleviate the debt burden of businesses and households

Interest rate cuts help repair balance sheets of businesses and households ...

... through reducing new loan rate (NLR) and debt burden of existing loans

Interest rate cuts help improve balance sheet conditions

Structural policies address income and competitiveness challenges

Increase in private consumption and investment

Improved credit quality
NPLs gradually decline and enhance commercial banks' capacity to extend new credit

Complement government policies enhance the transmission of economic stimulus measures

Key outcomes for the economy and price stability
return to potential faster; lower risk of inflation deviating from target

Reduction in banks' interest rates resulting from the recent 1.25% interest rate cuts

Loan Type	Interest Rate Change (%)	
	New Loans (NLR change)	Existing Loans (EIR change)
Business Loans		
Corporate	-1.35	-0.72
SMEs	-1.00	-0.68
Retail Loans	-0.93	-0.51

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: Credit data covers commercial banks, BOT calculation

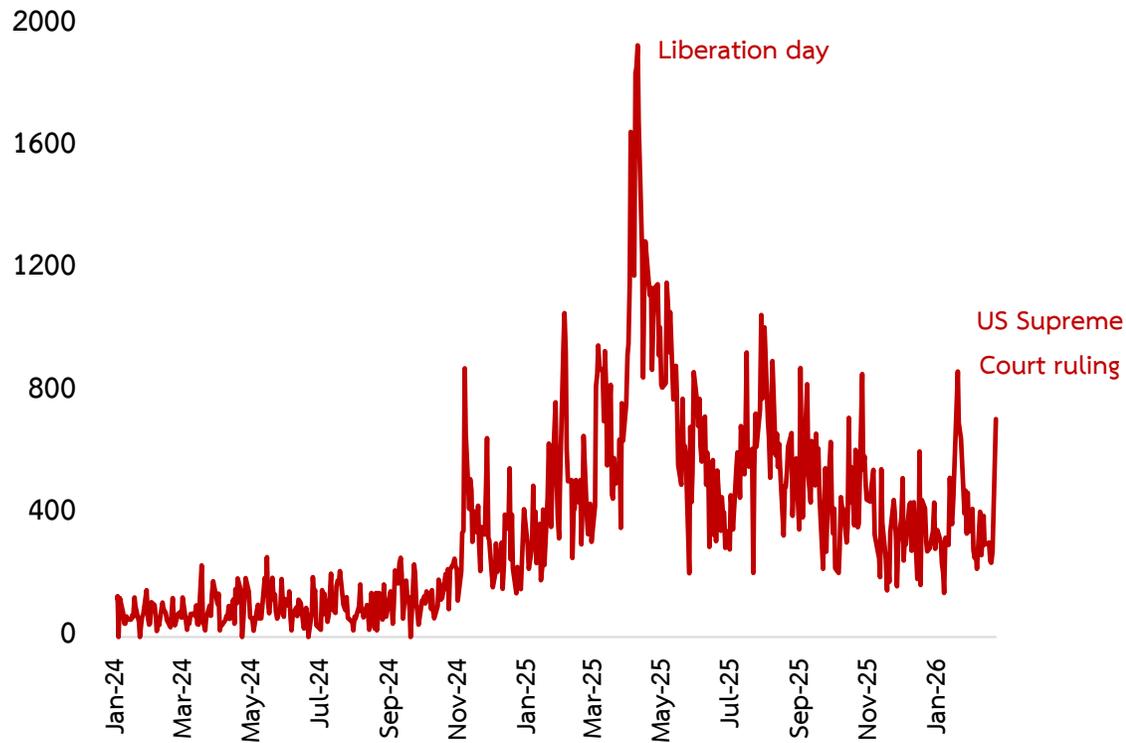


The Committee gives importance to financial stability and limited policy space and also views that the current policy rate at 1.0% remains sufficiently accommodative and consistent with the economic outlook

Global economic uncertainty remains elevated

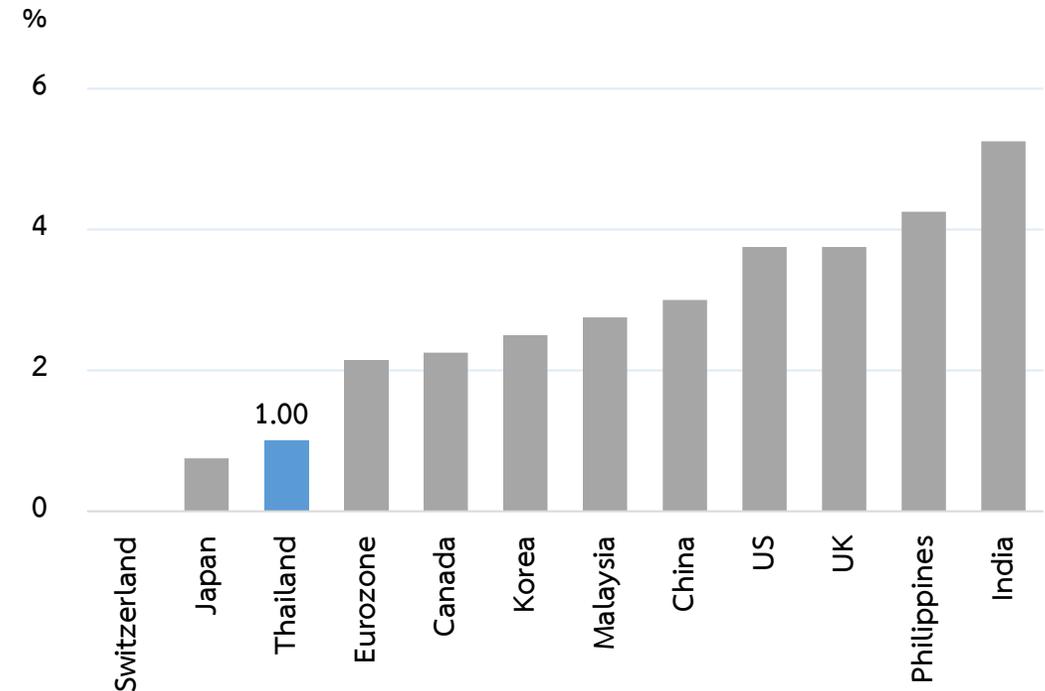
Thailand's policy rate is at low level compared to other countries

Trade policy uncertainty index



Source: Bloomberg as of 23 Feb 26

Current policy rate



Note: Data as of 25 Feb 26

Source: Bloomberg

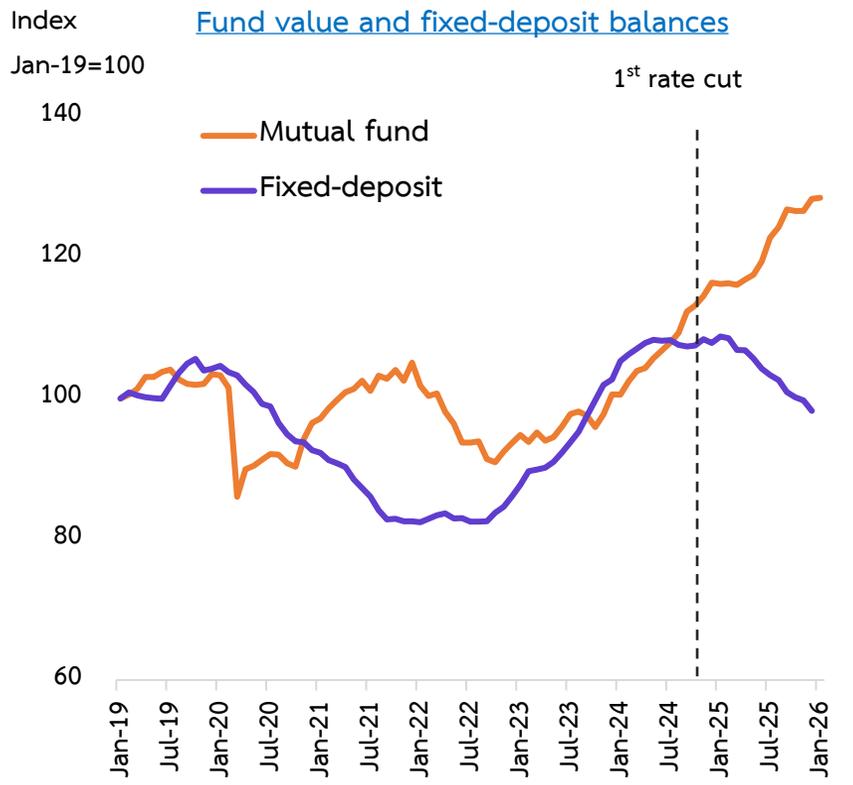
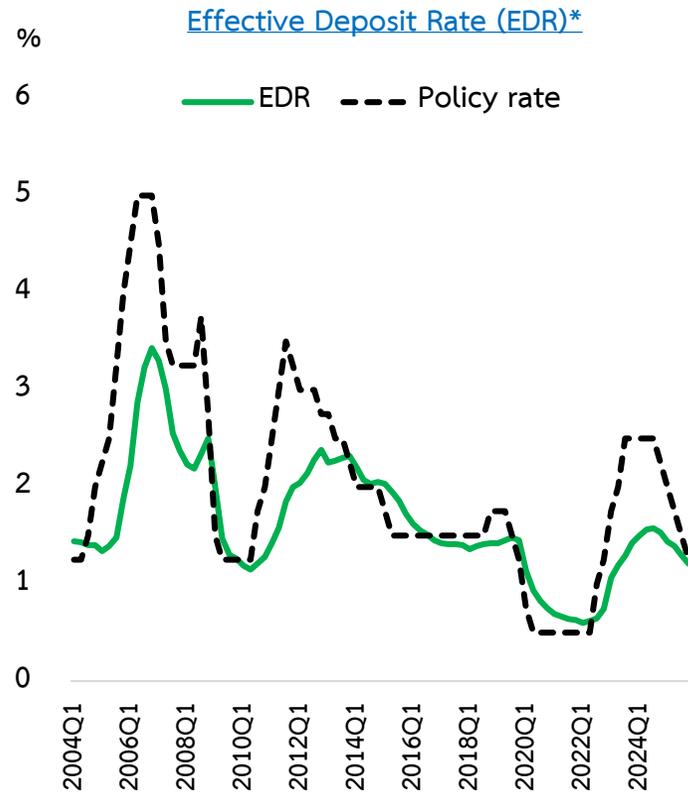
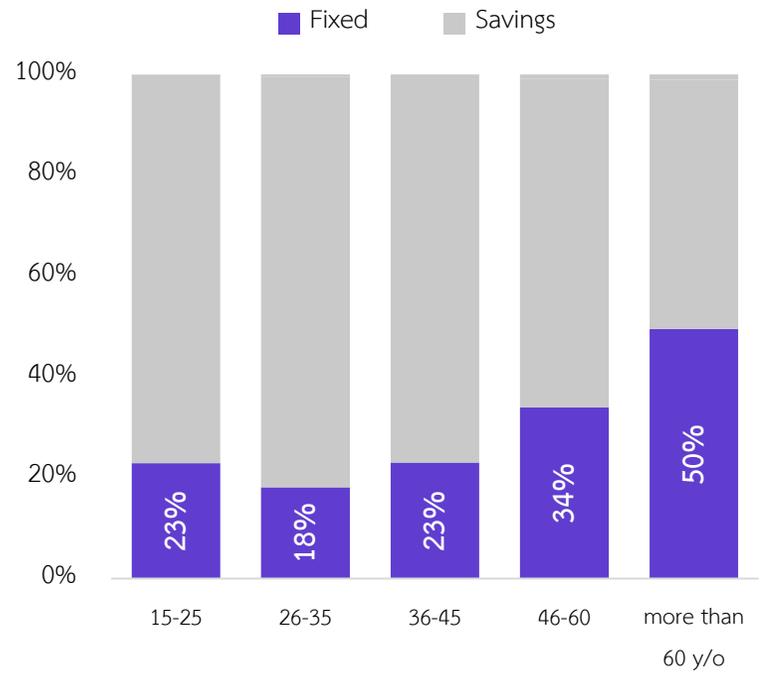


Low interest rates (1) affect returns for savers and induce search-for-yield behavior

More than half of retirees place their savings in fixed deposits

Deposit interest rates remain low compared to the past, prompting some savers to shift toward mutual funds in recent periods, which may heighten risks in financial market

Proportion of deposit balances by age group, classified by account type



Note: Personal deposit data cover commercial banks, finance companies, and all credit foncier companies, and represent the average values over the period June 2016 to December 2021

Source: DPA, BOT calculation

Note: *EDR is Effective Deposit Rate calculated by dividing commercial banks' interest expenses, as reported in their income statements, by the total volume of deposits in the commercial-banking system.

Source: BOT (as of 2025Q4)

Note: Mutual fund data cover both domestic and foreign funds—including MMF, Term fund, Mixed fund, Equity fund, Fixed fund others—while deposit data refer only to the commercial-banking system..

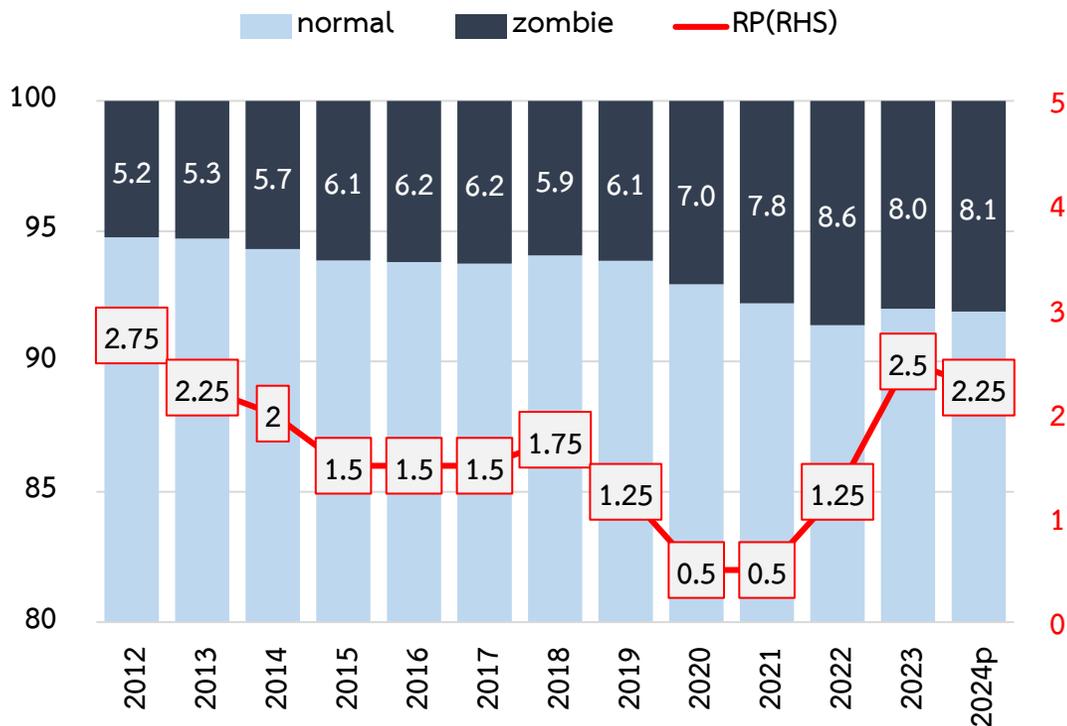
Source: AIMC and BOT



(2) could lead to inefficient resource allocation in the long run

The share of zombie-like firms has increased, particularly during prolonged periods of low interest rates

Proportion of zombie firms

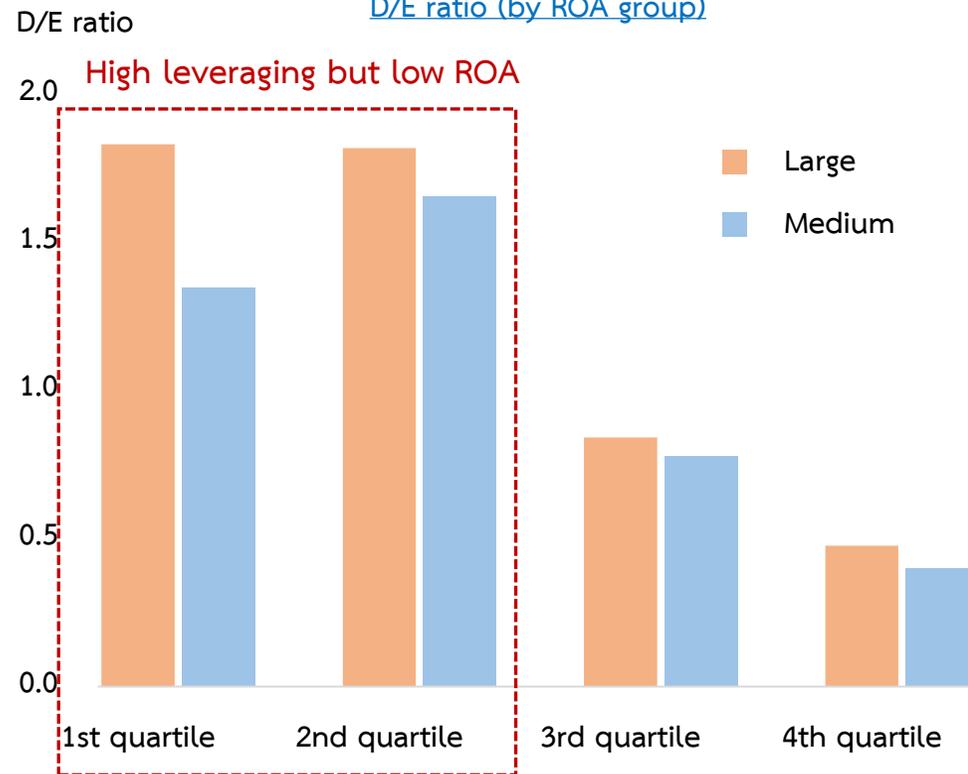


Note: Zombie-like firms refer to firms whose profits are insufficient to cover interest payments (ICR < 1) for at least three consecutive years and that have been established for no less than ten years.

Source: Department of Business Development, BOT calculation

Large firms benefit from low funding costs, which may lead to less productive investment

D/E ratio (by ROA group)



Note: D/E ratio shown here is the median value of each group, and ROA quartiles are calculated based on large and medium-sized firms classified according to OSMEP's revenue criteria.

Source: Department of Business Development (2023), BOT calculation



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.