No. 31/2026

Monetary Policy Committee's Decision 4/2026

Mr. Don Nakornthab, Secretary of the Monetary Policy Committee (MPC), announced the outcome of the meeting on 26 August 2026 as follows.

The Committee voted unanimously to maintain the policy rate at 1.00 percent.

Thailand's economic expansion continues to gain support from momentum in the technology and artificial intelligence (AI) cycle. Nevertheless, overall growth remains low and uneven. Meanwhile, inflation is projected to be lower than previously assessed, although it is expected to rise through the remainder of this year and into early next year. Overall credit growth has picked up, but SME loans continue to contract. Loan quality of SMEs and vulnerable households warrants close monitoring. The Committee assesses that an accommodative monetary policy stance, coupled with targeted financial measures, has helped support the economic recovery. The Committee therefore voted to maintain the policy rate at this meeting and will closely monitor developments surrounding the conflict in the Middle East, trade protectionist measures, and risks to inflation going forward.

The Thai economy in 2026 and 2027 is projected to expand broadly in line with the previous assessment. Merchandise exports and private investment have expanded faster than expected, supported by the technology and AI cycle. Meanwhile, private consumption has expanded more slowly than anticipated as households remain cautious in their spending amid rising living costs. Nevertheless, overall economic growth remains low and uneven. While exports and investment have benefited from momentum in the technology and AI cycle, these gains rely heavily on imported inputs and generate limited spillovers to the Thai economy. At the same time, SMEs continue to face adaptation challenges and intense competition.

Headline inflation in 2026 and 2027 is projected to be lower than previously assessed, mainly owing to global energy prices. Core inflation is expected to decrease slightly compared with the previous projection, reflecting lower-than-anticipated cost pass-through. Nevertheless, headline inflation is expected to rise through the first quarter of 2027 due to the effects of El Niño and gradual cost pass-through. Thereafter, inflation is expected to return to low levels, reflecting base effects and weak domestic demand amid below-potential economic growth. Medium-term inflation expectations remain anchored within the target range. Going forward, the Committee will monitor the uncertain developments surrounding the conflict in the Middle East, cost pass-through by firms, and medium-term inflation expectations.

The Thai baht against the U.S. dollar has been volatile, driven by geopolitical developments in the Middle East and shifting market expectations regarding the Federal Reserve's monetary policy trajectory. Meanwhile, Thai government bond yields have remained broadly stable despite rises in government bond yields in major economies. Overall credit has picked up, driven primarily by lending to large corporates. Part of this lending is associated with a new wave of investment, although most of it reflects demand for working capital. SME loans continue to contract, as financial institutions remain cautious in lending to high-risk borrowers. Although overall loan quality has remained stable, the debt repayment ability of SMEs and vulnerable households should continue to be monitored. The Committee encourages financial institutions to provide greater support to vulnerable groups and potential SMEs through targeted financial measures.

Under the prevailing monetary policy framework, which aims to maintain price stability, support sustainable economic growth, and preserve financial stability, the Committee views that the current policy rate is appropriate to support economic recovery. While inflation has temporarily increased due to supply-side factors, the Committee will continue to monitor its outlook and associated risks going forward.

Bank of Thailand

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Monetary Policy Strategy Office
Tel: +66 2283 6186, +66 2356 7872
E-mail: MPSO@bot.or.th