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Monetary Policy Committee's Decision 5/2026

Mr. Don Nakornthab, Secretary of the Monetary Policy Committee (MPC), announced the outcome of the meeting on 28 October 2026 as follows.

The Committee voted unanimously to maintain the policy rate at 1.00 percent. One MPC member was unable to attend the meeting.

The Thai economy continues to gain momentum on the back of the technology and artificial intelligence (AI) cycle. Nevertheless, overall growth remains below potential and the benefits remain concentrated. Meanwhile, inflation is projected to rise temporarily this year due to supply-side factors. Overall credit growth has picked up, driven by large corporate loans, 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 amid uneven growth. The Committee therefore voted to maintain the policy rate at this meeting. Nevertheless, the heightened inflation risks stemming from oil prices and El Niño warrant close monitoring, as they could intensify cost pass-through going forward.

The Thai economy is projected to expand by 2.4 percent in 2026 and 2.1 percent in 2027, supported by stronger-than-expected momentum in merchandise exports and private investment associated with the technology and AI cycle. Nevertheless, benefits from these activities remain largely concentrated among businesses and labors in related manufacturing and service sectors. Private consumption continues to be constrained by elevated household debt, fragile labor market conditions and weak purchasing power, particularly among low-income households facing cost-of-living pressures. Meanwhile, the number of foreign tourist arrivals is expected to decline amid higher oil prices. Overall economic growth remains below its potential. At the same time, SMEs continue to face adaptation challenges and intense competition.

Headline inflation is projected to average 2.1 percent in 2026 and 1.3 percent in 2027. Inflation is expected to rise through the remainder of this year and into early next year, driven by energy prices and the effects of El Niño. Thereafter, inflation is expected to return to low levels due to base effects and weak domestic demand amid low economic growth, partly



reflecting structural impediments in the economy. Core inflation is projected to average 1.2 percent in 2026 and 1.3 percent in 2027. Medium-term inflation expectations remain anchored within the target range. Going forward, the Committee will monitor upside risks to inflation arising from heightened uncertainty surrounding the conflict in the Middle East, limited capacity of energy price subsidies, cost pass-through by firms and implications for core inflation, as well as medium-term inflation expectations.

The Thai baht has depreciated against the U.S. dollar following a shift in market expectations toward a more restrictive U.S. monetary policy outlook. The continued increase in oil prices amid concerns over the situation in the Middle East also contributes to exchange rate pressures. Meanwhile, Thai government bond yields have slightly risen in line with developments in global financial markets. Nonetheless, borrowing costs on private sector loans, which are the primary source of financing for the Thai private sector, have remained broadly stable and consistent with the policy rate. Overall credit growth has picked up, driven by large corporate loans, primarily reflecting demand for working capital to support liquidity and meet higher operating costs, as well as financing needs associated with a new wave of investment. In contrast, SME loans continue to contract across most sectors, as financial institutions remain cautious in extending credit to higher-risk borrowers. Overall loan quality has remained stable. Nevertheless, debt repayment ability of SMEs and vulnerable households warrants close monitoring going forward.

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 the inflation outlook and surrounding risks, as well as the effects of low interest rates on long-term macro-financial stability.

Bank of Thailand

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