



# Monetary Policy Forum 4/2025

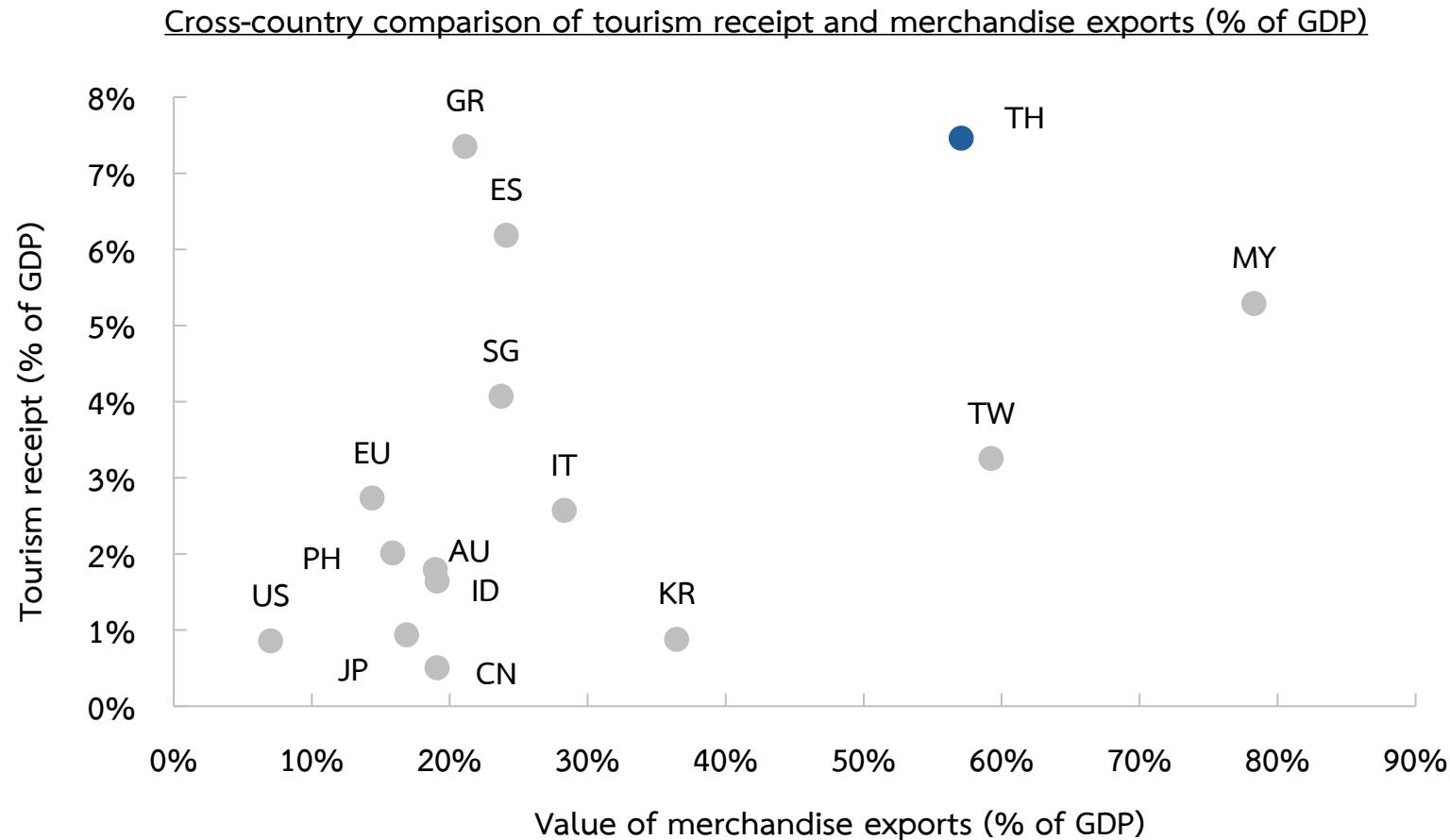
7 January 2026

(Economic projections as of 17 December 2025)



## Overview of the Thai economy

The Thai economy is more reliant on merchandise exports and tourism compared to other economies.



**Note:** All data points are for the year 2024, except for tourism receipts of EU, ID, IT, and JP where 2019 (pre-COVID) data was used because 2024 data was not available.

**Source:** CEIC, Office of the National Economic and Social Development Council (NESDC), calculation by BOT

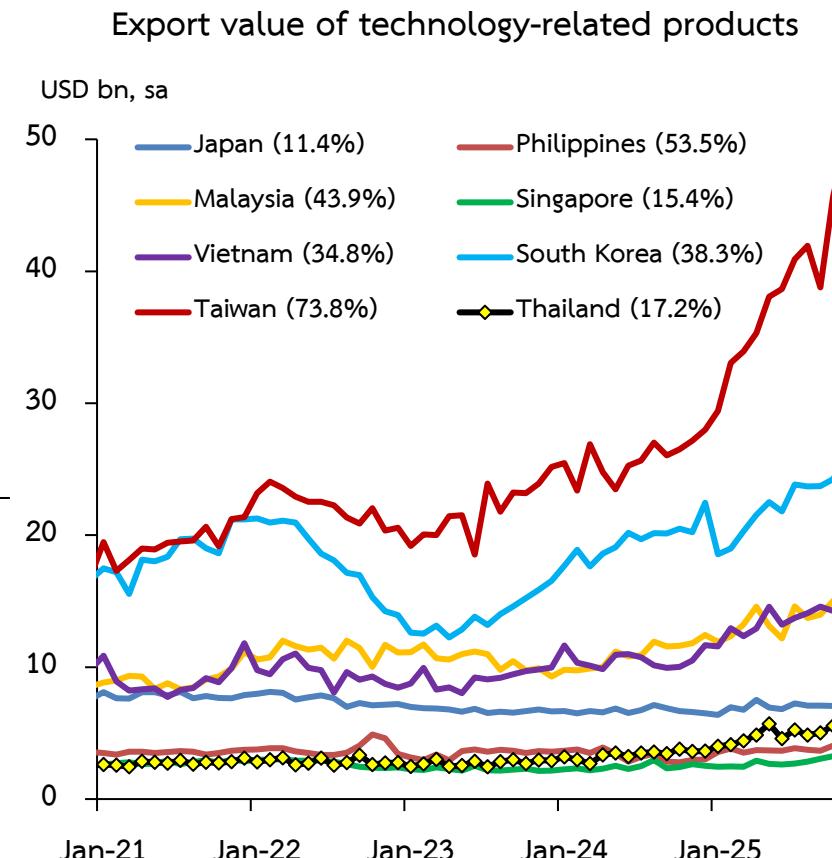
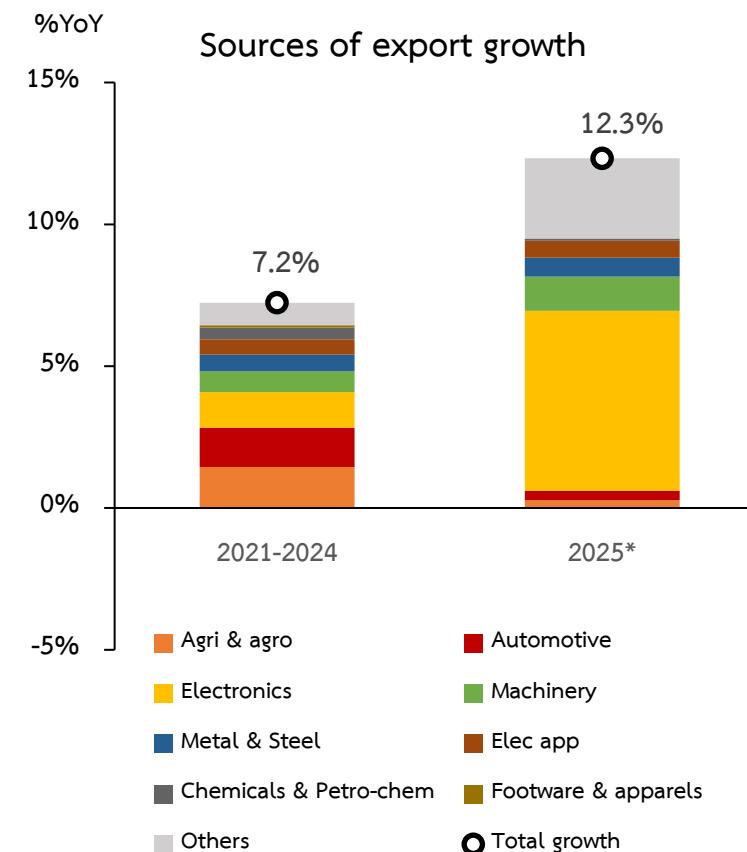
# Overview of the Thai economy

The Thai economy is facing structural headwinds and deteriorating competitiveness.

Strong export performance is no longer a key engine of growth as in the past.

Compared with peers, Thailand has benefited marginally from the growth of technology-related products

Meanwhile, competition from imported goods has continued to intensify

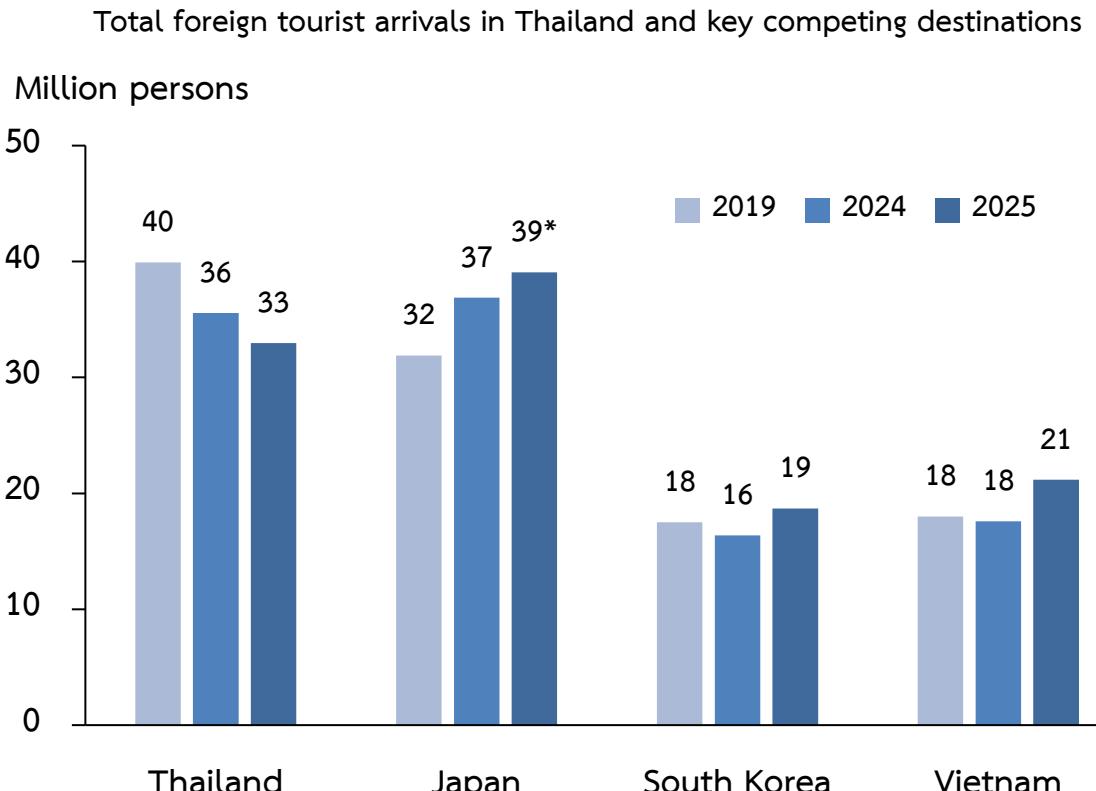


Note: \* Data covers the first 11 months of 2025 and is relative to the same period of the previous year  
 Source: Thai Customs, calculation by BOT

Note: ( ) = share of technological goods exports to total exports value in 2025 (YTD) Source: Thai Customs, calculation by BOT  
 Source: CEIC and Thai Customs

## The Thai economy is facing structural headwinds and deteriorating competitiveness.

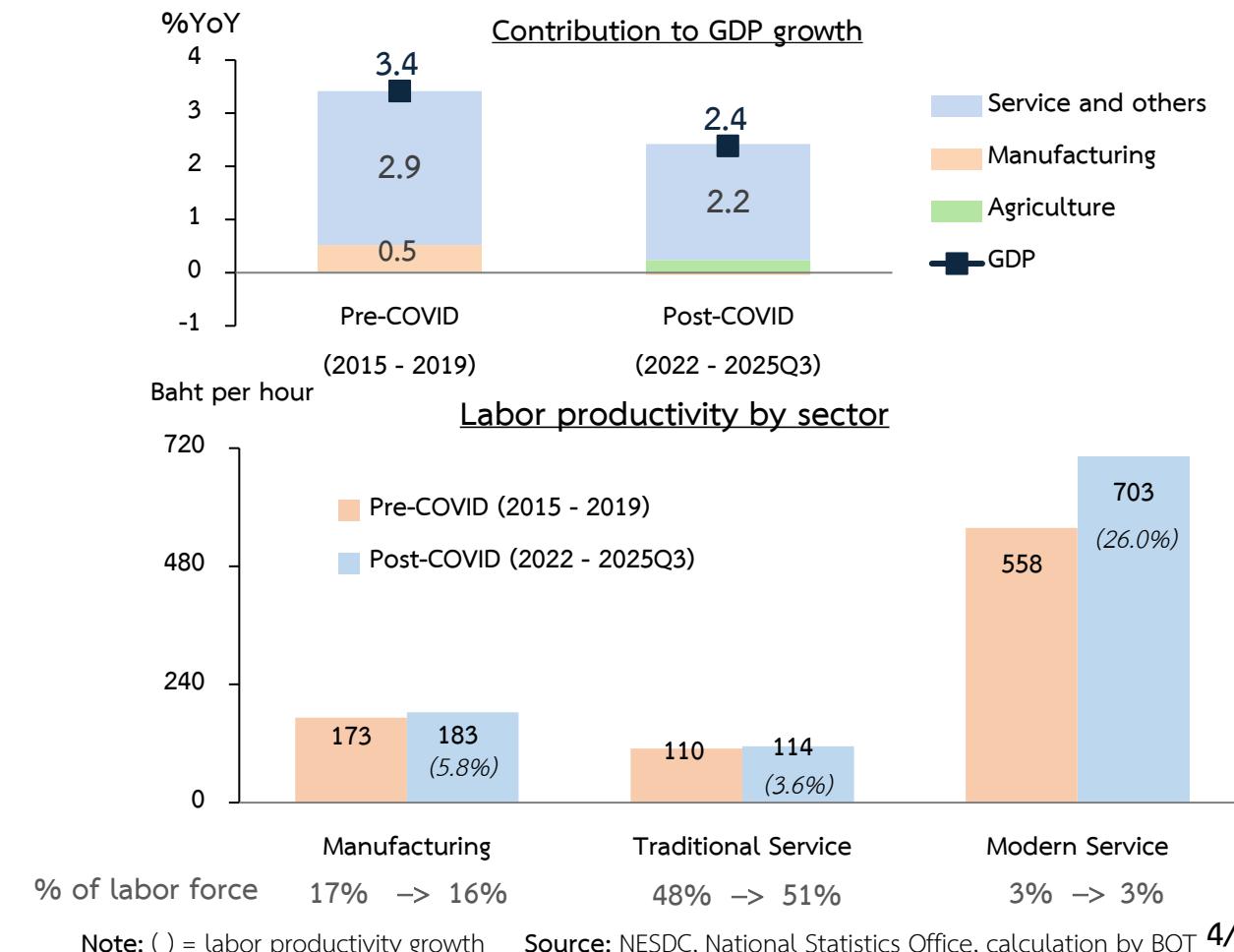
Tourist arrivals to Thailand have declined, while those to key competing destinations in Asia have risen markedly above pre-pandemic levels



Note: 2025 data through November

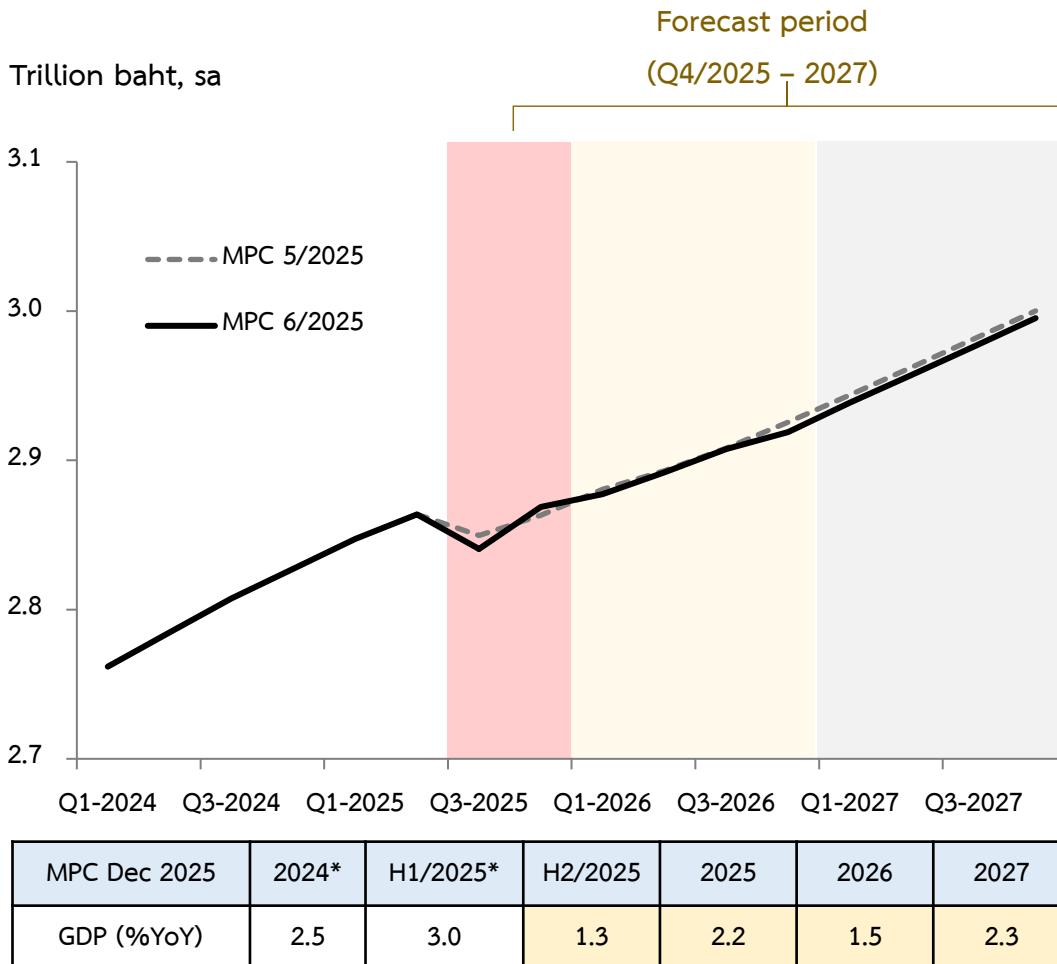
Source: CEIC (definition of tourist arrival varies across countries)

The services sector has replaced manufacturing as a key growth driver, with rising employment, but remains concentrated in traditional service activities with relatively low productivity and growth.



# Looking ahead, structural headwinds and heightened competition will continue to weigh on the Thai economy, resulting in a slower and below-potential growth.

## Growth projection



Note: \* Outturn

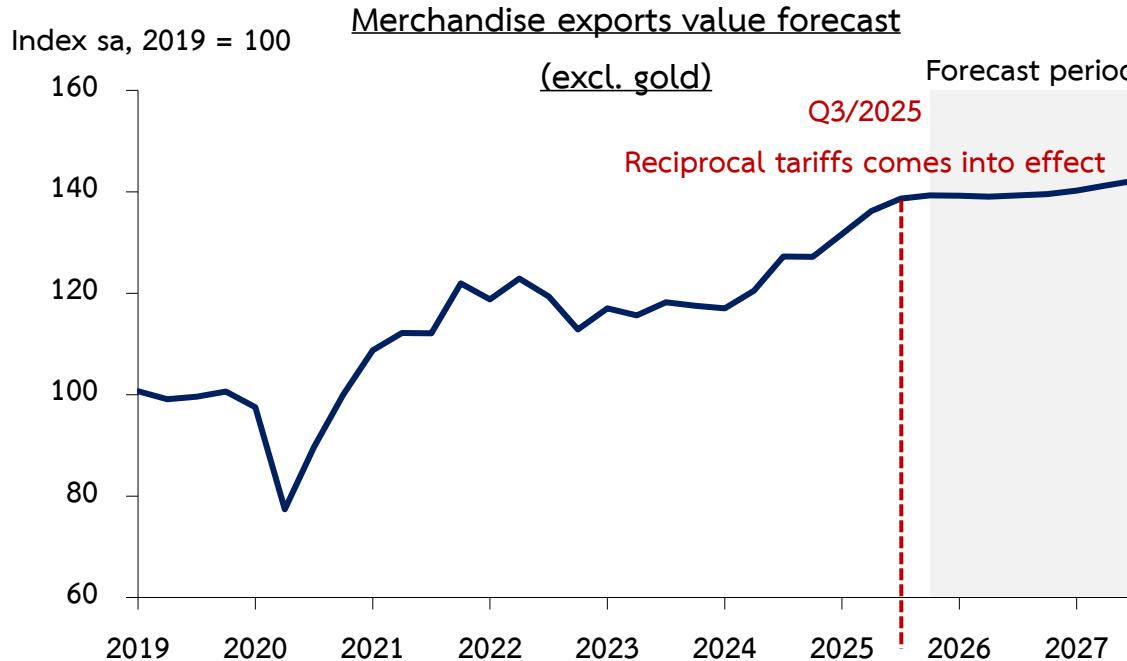
Source: Office of the National Economic and Social Development Council (NESDC), calculation by BOT

| Time period | Growth outlook  |
|-------------|---|
| H2/2025     | Growth is expected to moderate, partly reflecting a slowdown in manufacturing due to temporary factors, a decline in short-haul tourist arrivals, and flood-related disruptions.  |
| 2026        | Growth is projected to moderate, driven by weak private consumption in line with weaker income growth, merchandise exports impacted by tariffs, and fading of fiscal support due to delays in the FY 2027 budget following the dissolution of parliament. Meanwhile, tourism would gradually recover. |
| 2027        | Economic activity is expected to recover but remain below its potential supported by a rebound in public spending and a recovery in tourism, while merchandise exports and the manufacturing sector would remain under pressure from structural headwinds and heightened competition.                 |

## Merchandise exports are expected to moderate reflecting the impact of U.S. tariffs,

a gradual waning of momentum in the electronics sector and competitiveness challenges.

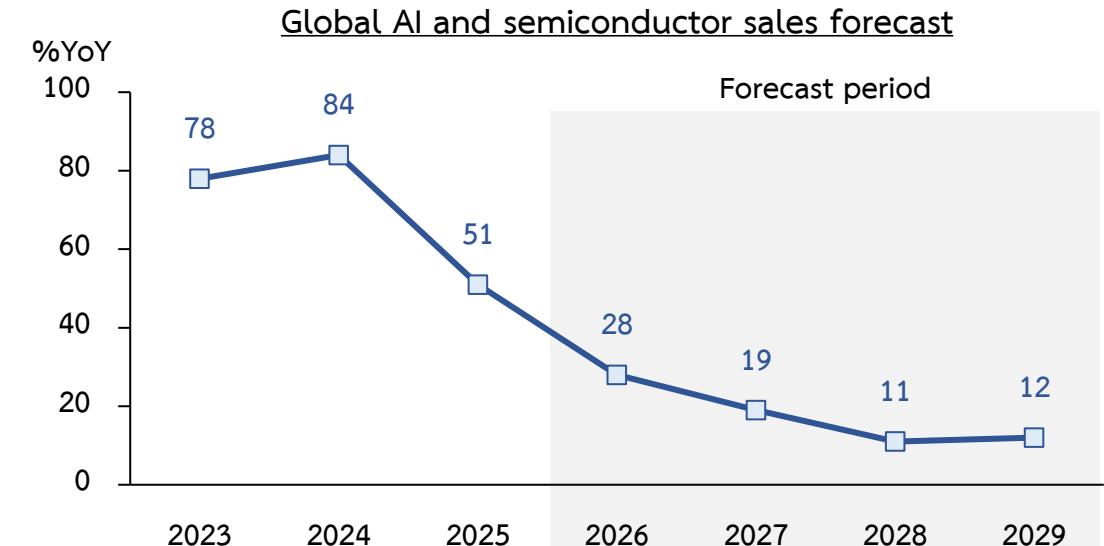
Merchandise exports growth would slow as the impact of tariffs gradually materializes.



| %YoY                                   | 2024* | H1/2025* | H2/2025 | 2025 | 2026 | 2027 |
|--|-------|----------|---------|------|------|------|
| Merchandise exports value              | 5.9   | 15.0     | 9.1     | 12.0 | 0.6  | 1.7  |
| Merchandise exports value (excl. gold) | 5.0   | 12.7     | 9.3     | 11.0 | 2.1  | 1.7  |

Source: Thai Customs, Ministry of Commerce, calculation and forecast by BOT

Thailand's electronics exports are expected to moderate in line with the global electronics cycle.



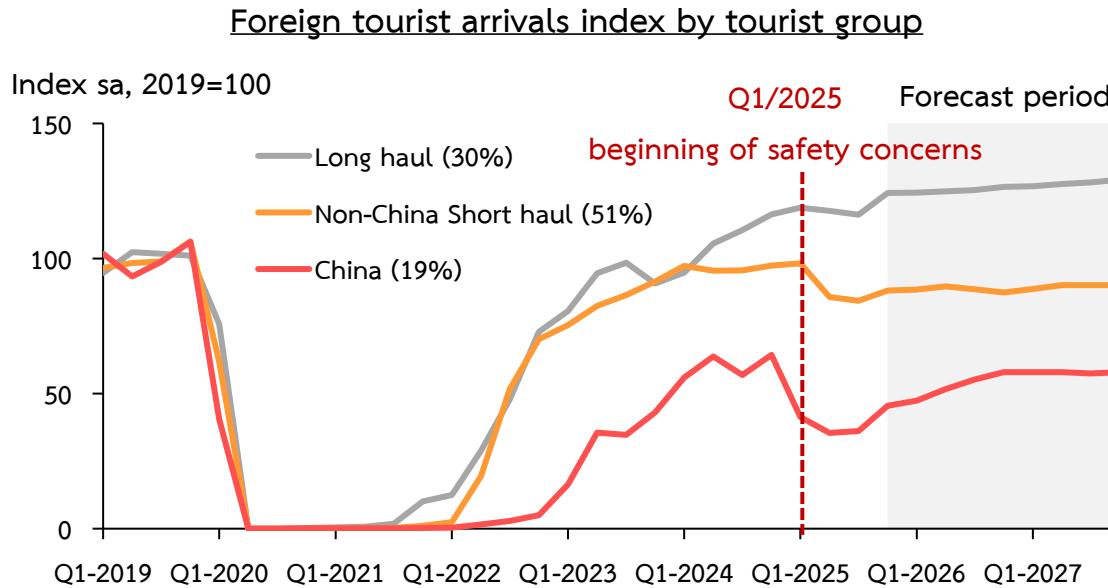
Source: Gartner

### Issues to be monitored:

- The appreciation of the baht has weighed on liquidity conditions, particularly for SME exporters, and consequently dampen export performance, especially in price-competitive and low margins segments, such as agricultural and processed food products.
- Global trade policy uncertainty

## Foreign tourist arrivals are expected to recover in 2026-2027 amid heightened competition from other countries in the region.

Foreign tourist arrivals would gradually recover in 2026-2027, led by a continued recovery in Chinese tourists.



| MPC Dec 2025                               | 2024* | 2025 | 2026 | 2027 |
|--|-------|------|------|------|
| Foreign tourist arrivals (million persons) | 35.5  | 33.0 | 35.0 | 36.0 |
| o/w Chinese tourist                        | 6.6   | 4.4  | 6.0  | 6.6  |
| Tourism receipt (trillion baht)            | 1.4   | 1.4  | 1.5  | 1.6  |

Source: Ministry of Tourism and Sports, forecast by BOT

Foreign tourist arrivals from China would continue to recover.

Total foreign tourist arrivals could reach 33-35 million in 2026

- Arrivals from Malaysia are expected to decline due to the floods in Southern Thailand, and tourist sentiment warrants close monitoring, going forward.
- Chinese arrivals are expected to continue recovering, with upside potential from (1) improved Thailand–China diplomatic relations and (2) heightened China–Japan tensions.

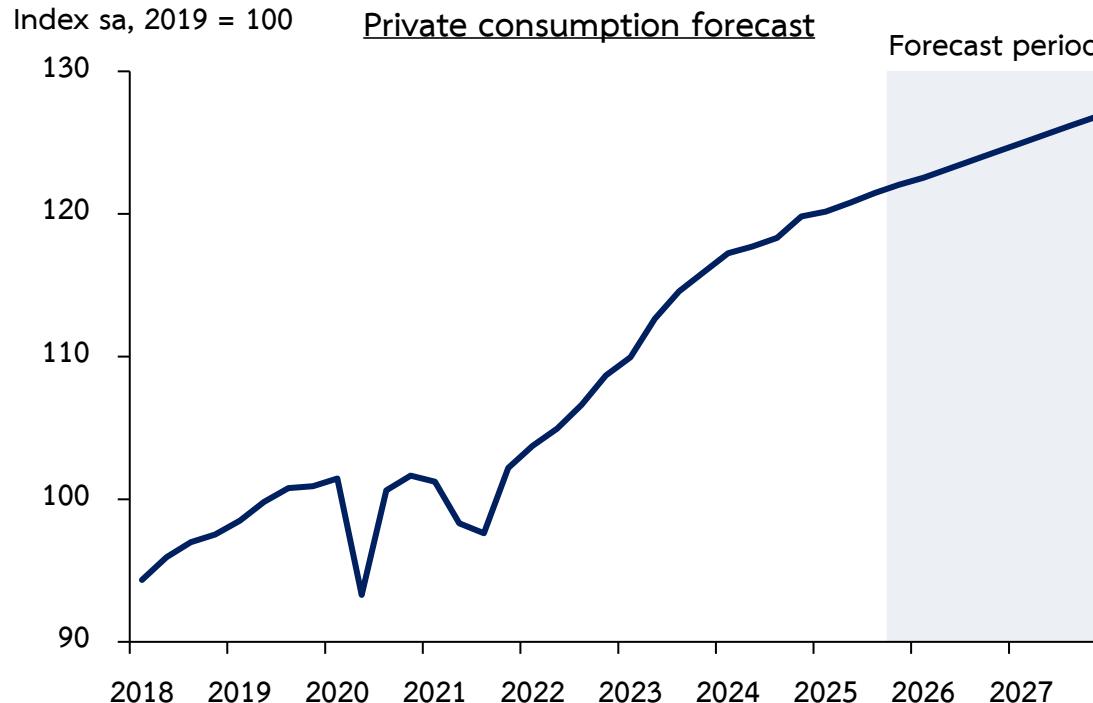
Source: Interview with Thai Hotels Association and businesses (BLP) in the services sector between 14 Oct – 2 Dec 2025

Issues to be monitored:

- The impact of baht appreciation on tourism spending, particularly by short-haul tourists. Continued baht appreciation could also exacerbate competitiveness challenges.

## Private consumption is expected to moderate in line with labor income.

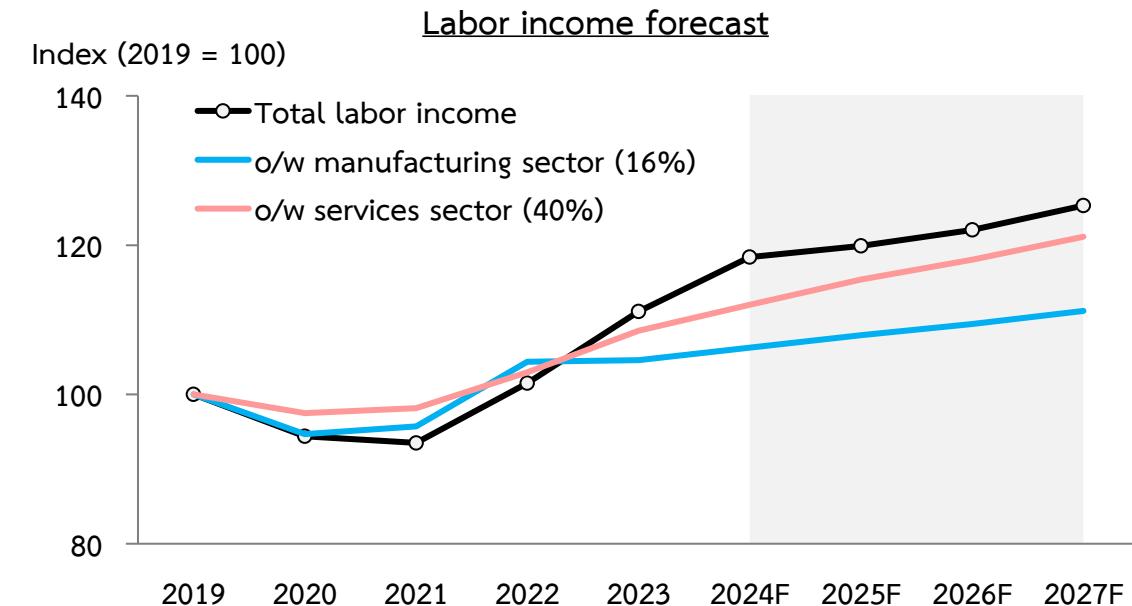
Private consumption growth would slow down.



| %YoY                | 2024* | 2025 | 2026 | 2027 |
|---------------------|-------|------|------|------|
| Private consumption | 4.4   | 2.4  | 1.9  | 2.0  |

Note: \*Outturn

Consumption remains constrained by low and uneven income growth as well as elevated household debt.



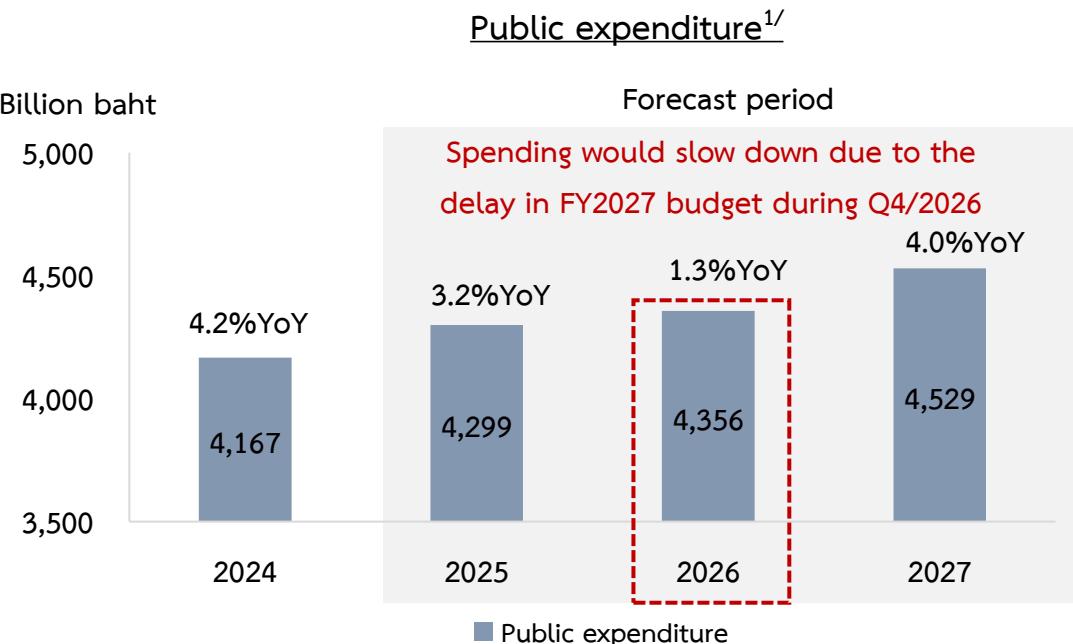
Note: Labor income data from latest National Income (NI) available through 2023:

F = forecast, ( ) = share of total labor income in 2023 based on NI

Source: Office of the National Economic and Social Development Council (NESDC), National Statistics Office, Office of Agricultural Economics, calculations and forecasts by BOT

## Public expenditure is expected to slow down due to delays in the FY2027 budget and fiscal consolidation measures.

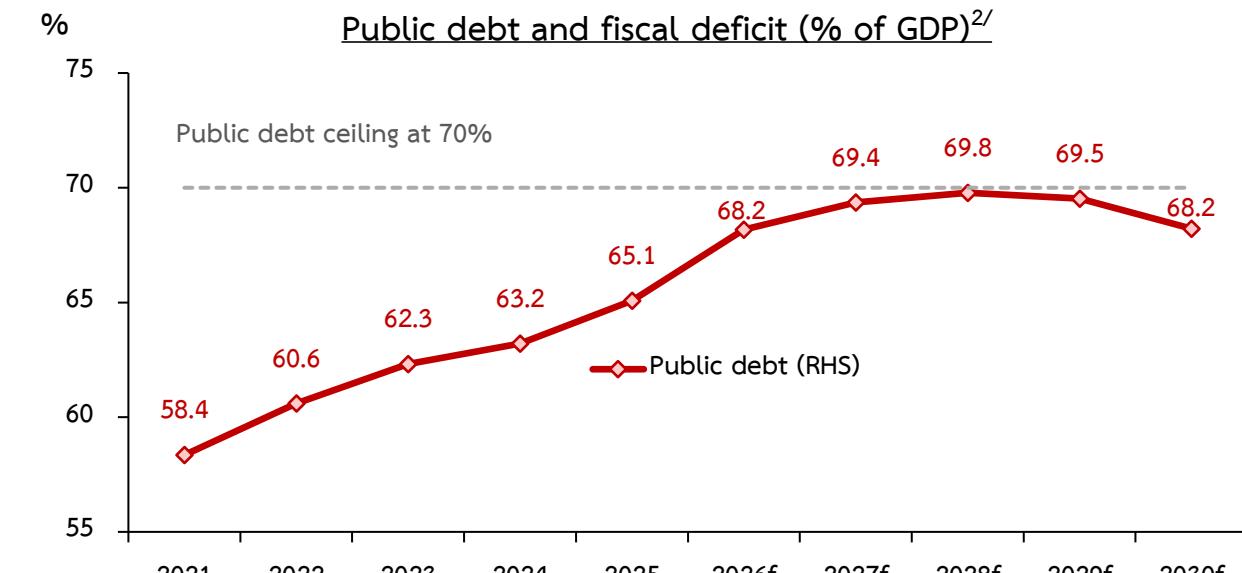
Public expenditure in 2026 is expected to moderate due to a likely delay of around one quarter in the FY2027 budget, although disbursement is likely to accelerate in the subsequent quarter.



Note: <sup>1/</sup>Public expenditure at current prices from System of National Accounts (SNA)

Source: NESDC, assessment by BOT

Over the longer term, public expenditure is expected to slow down in line with fiscal consolidation to ensure public debt sustainability.



| FY                 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026f | 2027f | 2028f | 2029f | 2030f |
|--------------------|------|------|------|------|------|-------|-------|-------|-------|-------|
| Fiscal deficit/GDP | -4.7 | -3.4 | -3.3 | -4.0 | -4.8 | -4.4  | -3.9  | -3.3  | -2.7  | -2.1  |

Note: <sup>2/</sup>Fiscal balance does not include borrowing under Emergency Decree

Source: FPO, Medium-Term Fiscal Framework for 2027-2030



## Economic forecast as of December 2025

## Economic forecast

| %YoY                                  | 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  |
| Export volume of goods and services   | 7.8   | 8.7  | 1.2  | 1.5  |
| Import volume 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  |
| Foreign tourists (million persons)    | 35.5  | 33.0 | 35.0 | 36.0 |
| Tourism receipts (trillion baht)      | 1.4   | 1.4  | 1.5  | 1.6  |

## Summary of risks to the growth outlook

Risks to the growth outlook are skewed to the downside for both 2026 and 2027. Key risks to be monitored include:

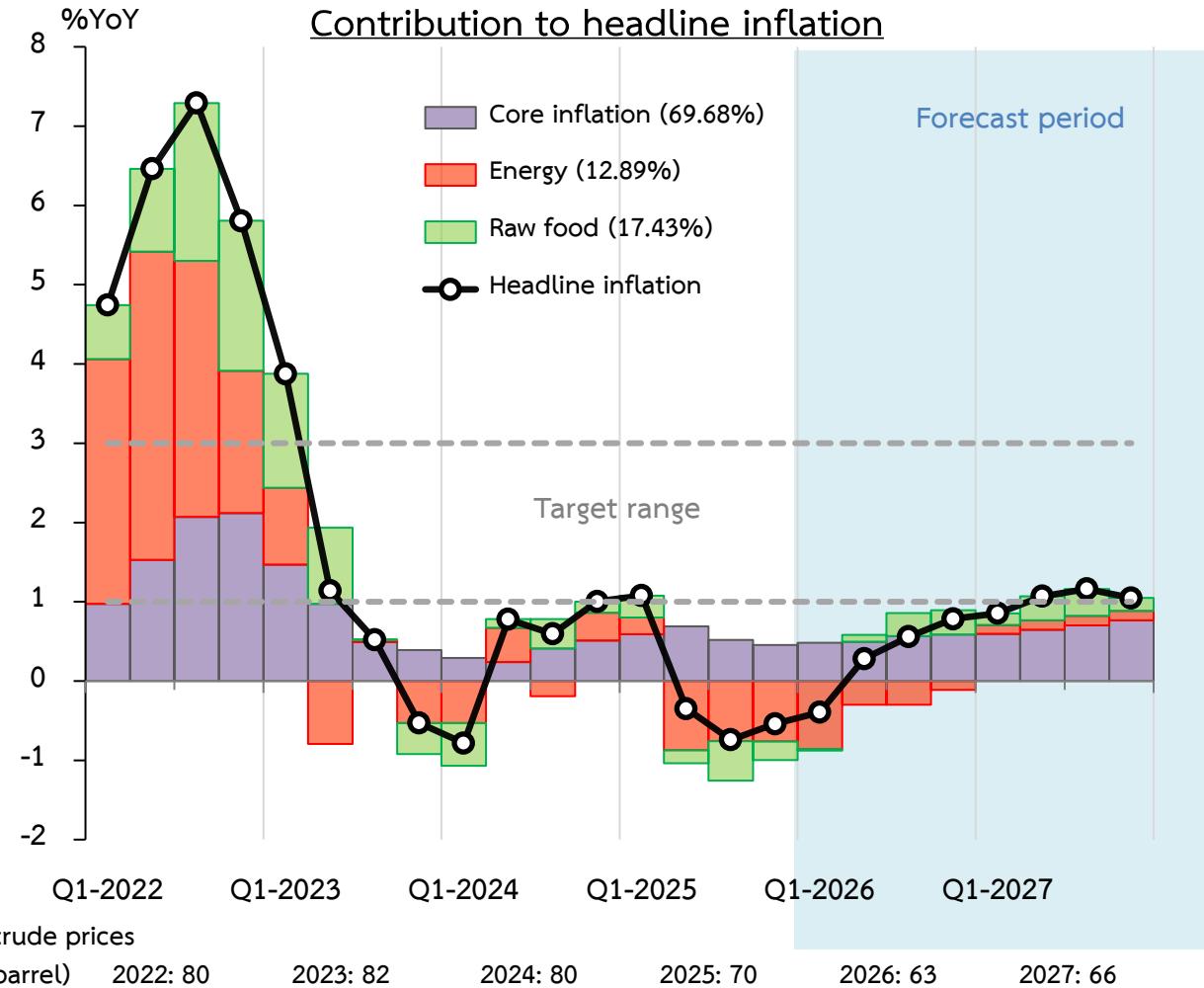
1. Potential implementation of additional U.S. tariff measures
2. Delays in the FY2027 budget process
3. Business sector adjustments, particularly among SMEs that continue to face competitiveness challenges and limited credit access

## Inflation

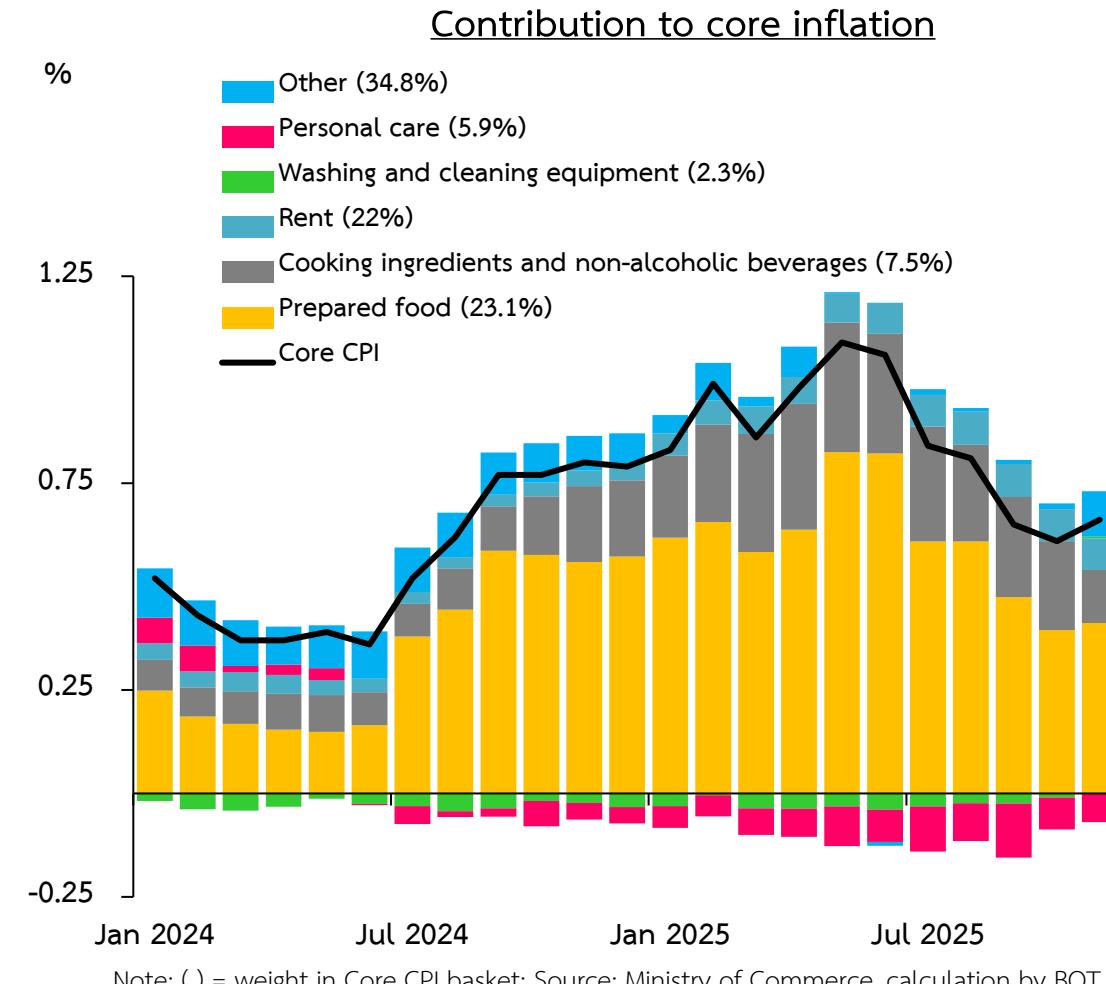
- Headline inflation is expected to remain low, mainly due to supply-side factors while demand-pull pressures are limited.
- Deflation risks remain low, as reflected by stable forward-looking inflation indicators and medium-term inflation expectations that are still well-anchored within the target range.
- Headline inflation is projected to return to the target range in the first half of 2027.

# Headline inflation remains low due to supply-side factors, particularly energy and raw food prices. Core inflation remains positive across several components.

Energy and raw food prices are key contributors to low headline inflation.

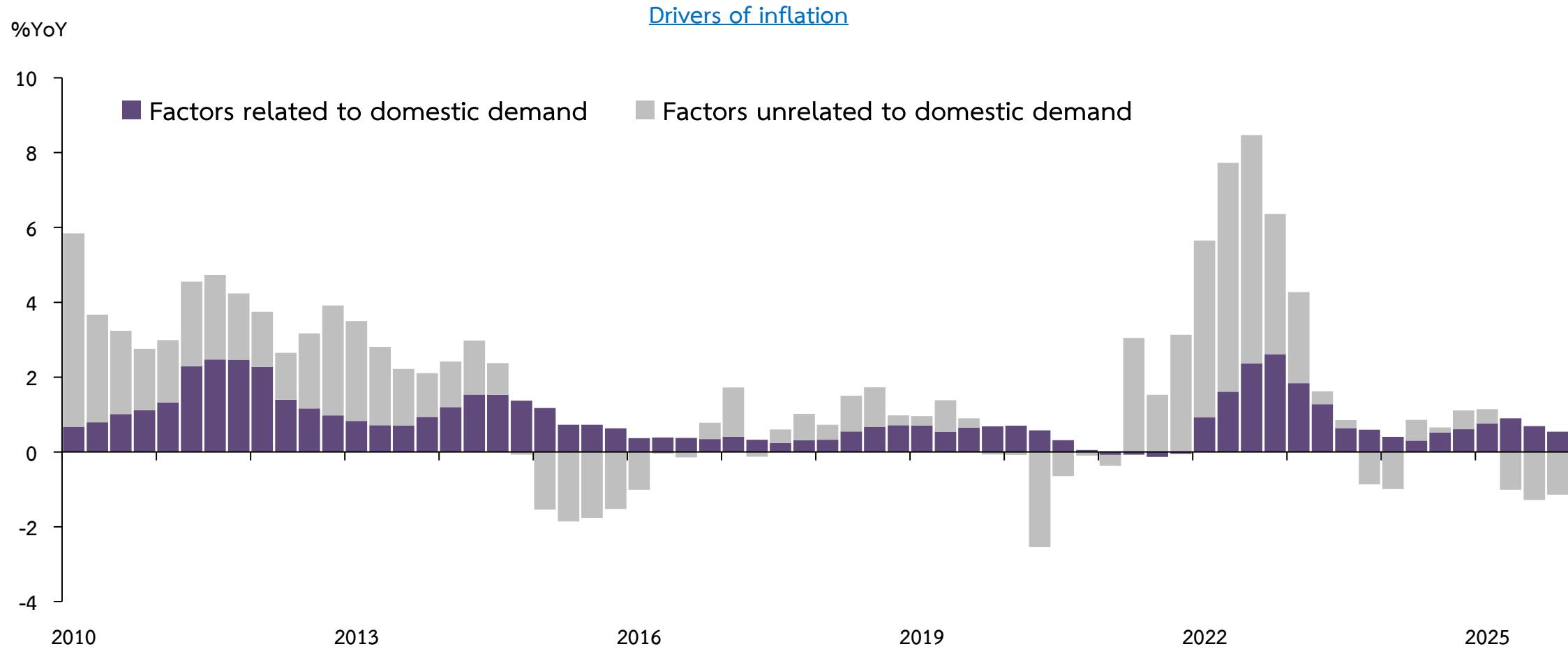


Core inflation remains positive, albeit at low levels due to (1) slower cost pass-through of input price in prepared food category and (2) heightened competition in certain product categories.



Besides heightened competition in certain product categories, contributing to low core inflation, demand-pull pressures remains subdued in an environment where economic growth is below potential.

Demand-pull inflationary pressure is limited,  
but it is not the main driver of low inflation, compared with supply-side factors.



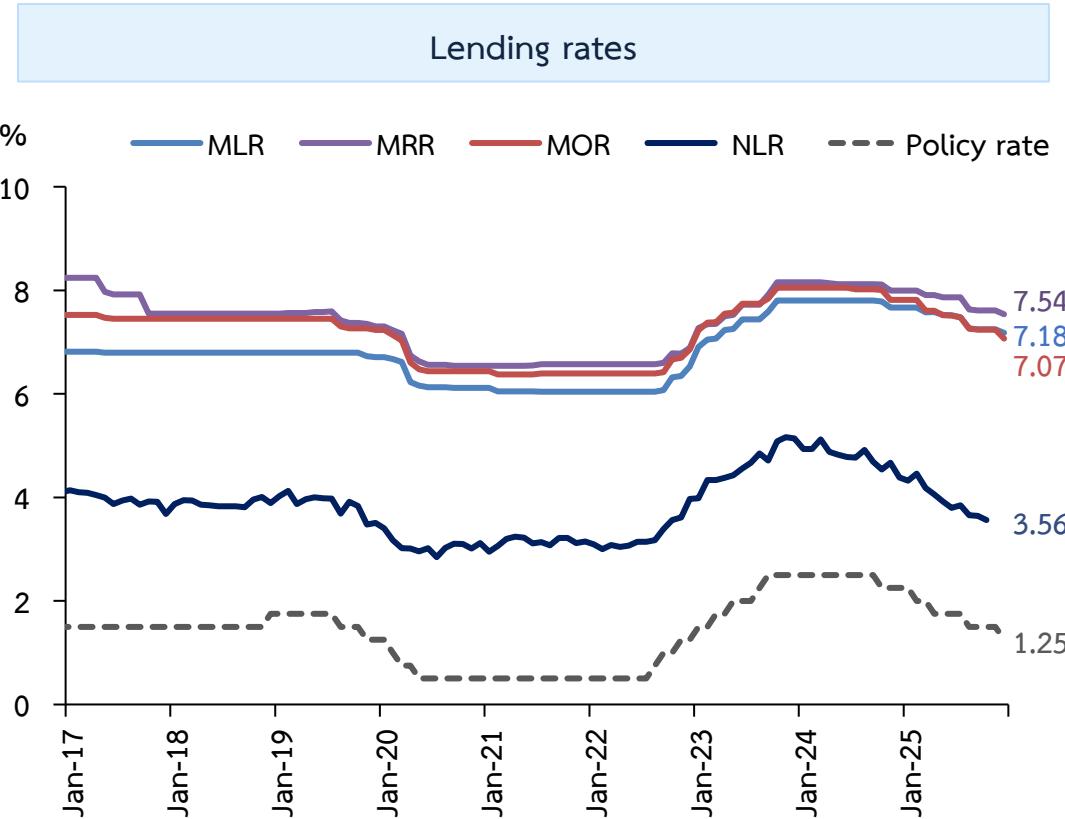
Source: calculation by BOT using methodology from Mahedy & Shapiro (2017), "What's Down with Inflation?" Federal Reserve Bank of San Francisco



## Financial conditions

- Interest rates in the money market and the banking system have declined in line with latest policy rate cuts. However, credit growth continues to contract, partly due to high credit risks.
  - BOT is pursuing the “SMEs Credit Boost” program to help share credit risk from new loans to businesses, particularly potential SMEs.
- The baht has appreciated more than other regional currencies, driven by the U.S. monetary easing and Thailand-specific factors. This has negatively affected exporters, especially SMEs.
  - BOT has stepped up its supervision of foreign exchange transactions, both gold-related and non-gold-related, and is considering measures to address transactions that could exert significant pressure on the baht.

Commercial bank interest rates have gradually declined, following the policy rate cut in December.



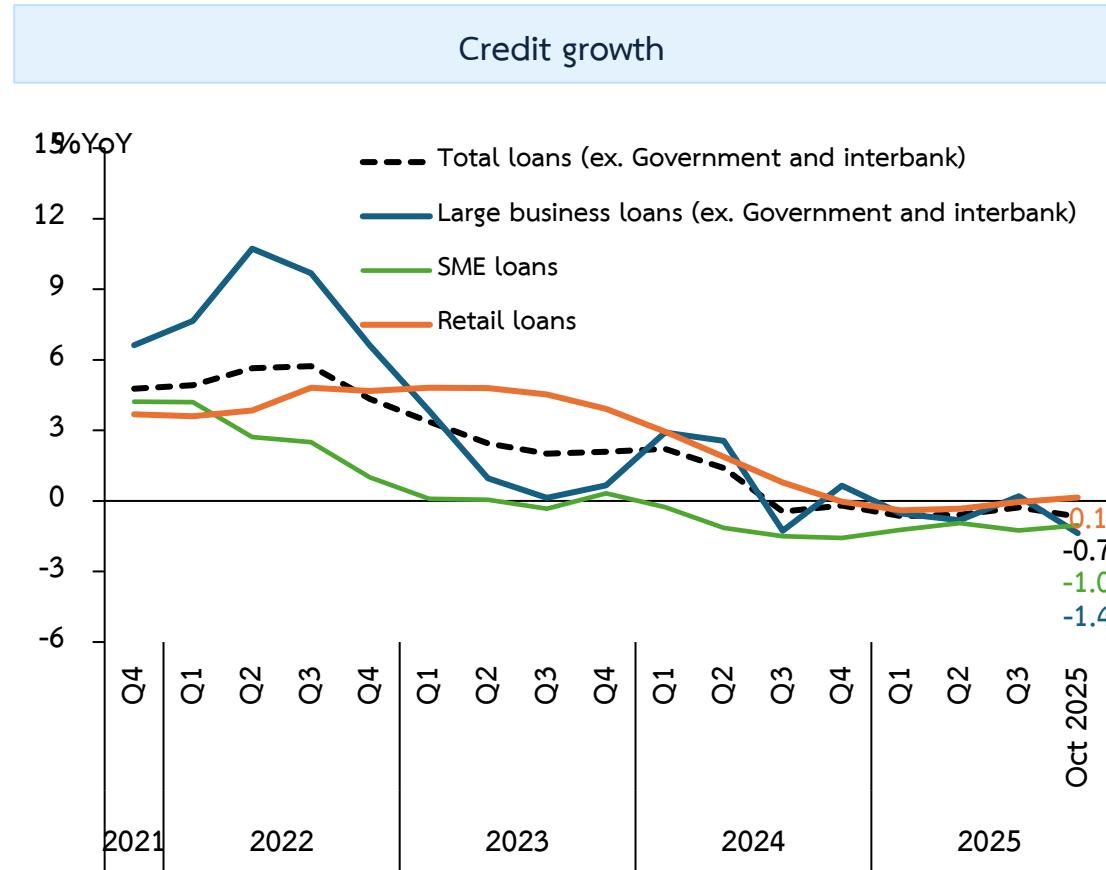
Note:  
(1) Monthly average loan rates of 14 commercial banks (data as of 30 December 2025)  
(2) NLR = new loan rate (data as of Oct 2025)

#### Monetary policy transmission to commercial bank interest rates\*

- Overall, commercial banks have reduced lending rates. The transmission from the policy rate to MLR, MRR, and MOR averaged at 40%.
- Commercial banks have maintained interest rates on savings accounts, which account for the largest share of deposits. For banks that have reduced their fixed deposit rates, the transmission from the policy rate is also 40% on average.

Note: The 6 domestic systemically important banks (D-SIBs), consisting of BBL KTB KBANK SCB BAY TTB, gradually announced a reduction in their lending rates as of 22 Dec 2025

Overall credit growth remains negative. The BOT has continued to implement targeted measures, including those aimed at addressing NPLs among retail borrowers and facilitating new loans to SMEs.



Note:

(1) Data covers loans from financial institutions, which includes commercial banks (and subsidiaries), SFIs, and non-banks that are not subsidiaries of commercial banks; (2) Definition for each business loan size is as followed: (i) commercial banks not including subsidiaries –OSMEP's criteria are used in conjunction with credit lines to categorize large corporates (credit line > 500 million baht) and SMEs (credit line <=500 million baht); (ii) SFIs –OSMEP's criteria are used; (iii) Non-banks – uses nano finance and personal loans for businesses under BOT supervision (excluding car title loans); (3) Data for retail loans include loans of commercial banks and their subsidiaries, SFIs, and non-banks under BOT supervision.

### “Pid Nee Wai, Pai Tor Dai” Program

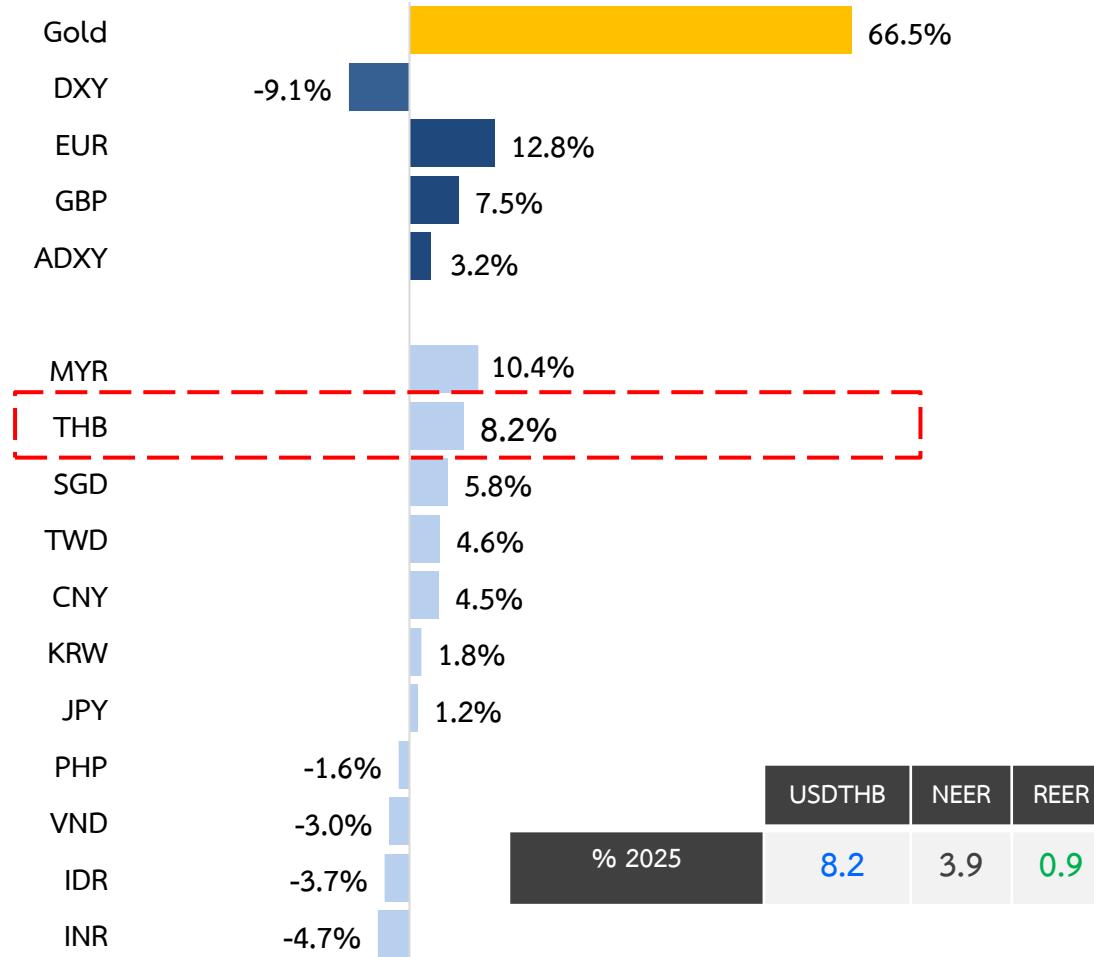
- This program provides ad-hoc targeted assistance to retail debtors. Asset management companies will purchase retail NPLs from the original creditors and restructure them, offering more lenient repayment terms to reduce debtors' burden.

### “SMEs Credit Boost” Program

- This program provides a targeted credit guarantee mechanism to help share the risk burden from lending to businesses amid heightened credit cost, thereby offering opportunities for businesses with strong potential to access financing.

# The baht appreciated, driven by a weaker U.S. dollar and higher gold prices.

The baht strengthened  
more than other regional currencies.



Factors affecting the baht exchange rate

Depreciation of the U.S. Dollar

Stronger-than-expected current account balance

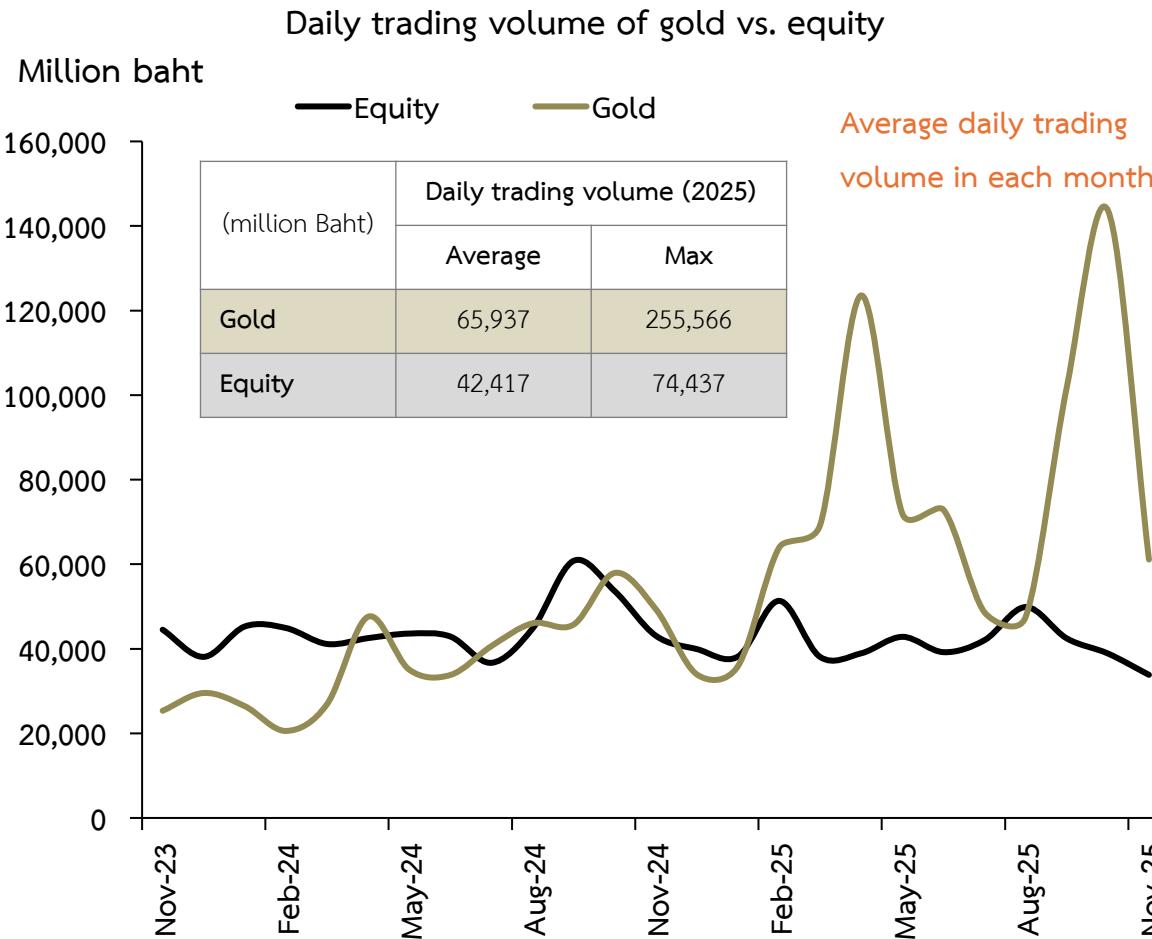
Capital inflow to Thai bonds and stocks,  
especially during the fourth quarter

Rising gold prices

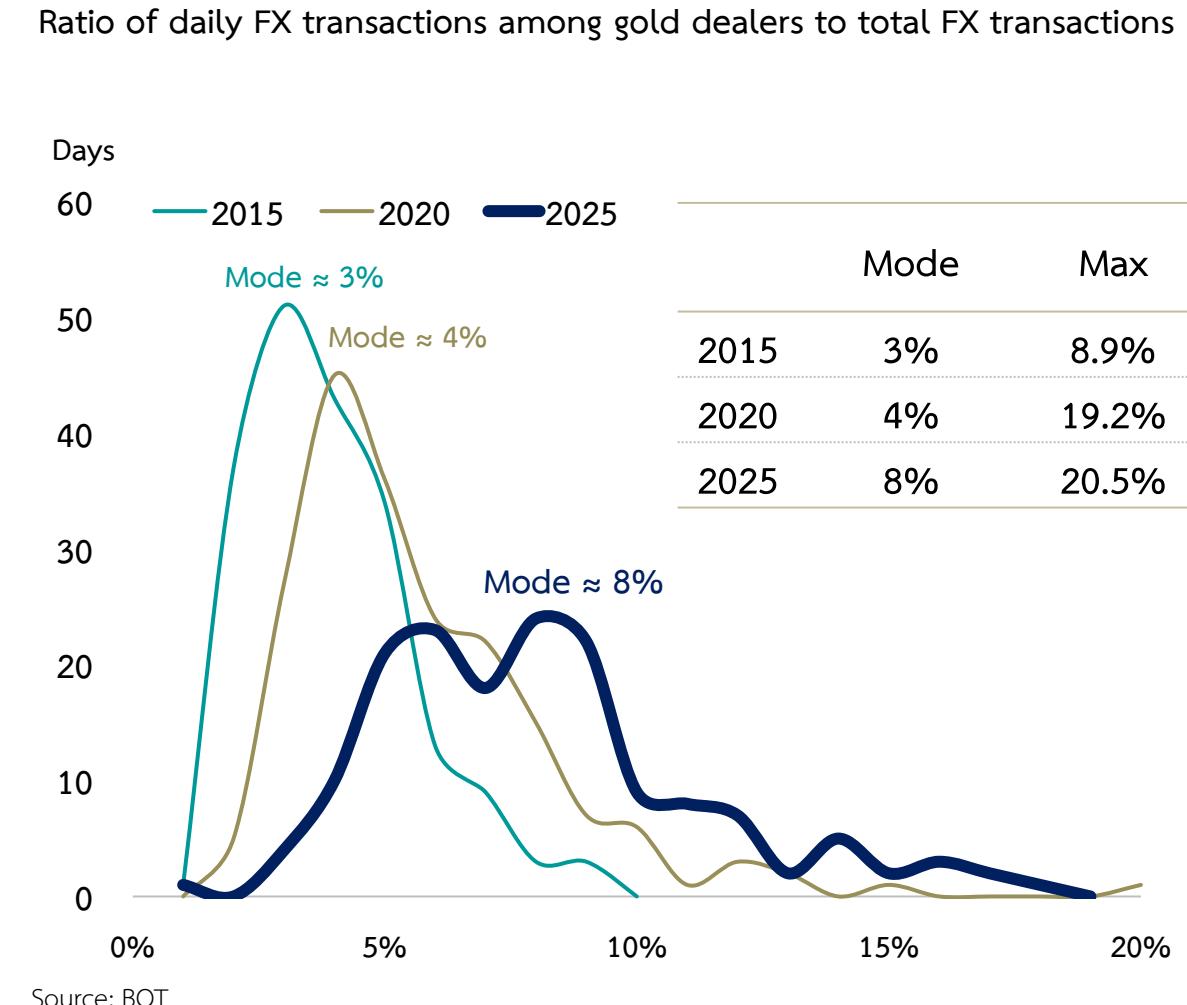


# The share of FX transaction among gold dealers has increased in line with gold trading volume in the domestic market.

Gold trading volume has risen to level close to equity trading volume.



The share of FX transactions among gold-related businesses has also increased.



## FX transactions by gold businesses have been among the key factors contributing to the baht's appreciation in the recent period.

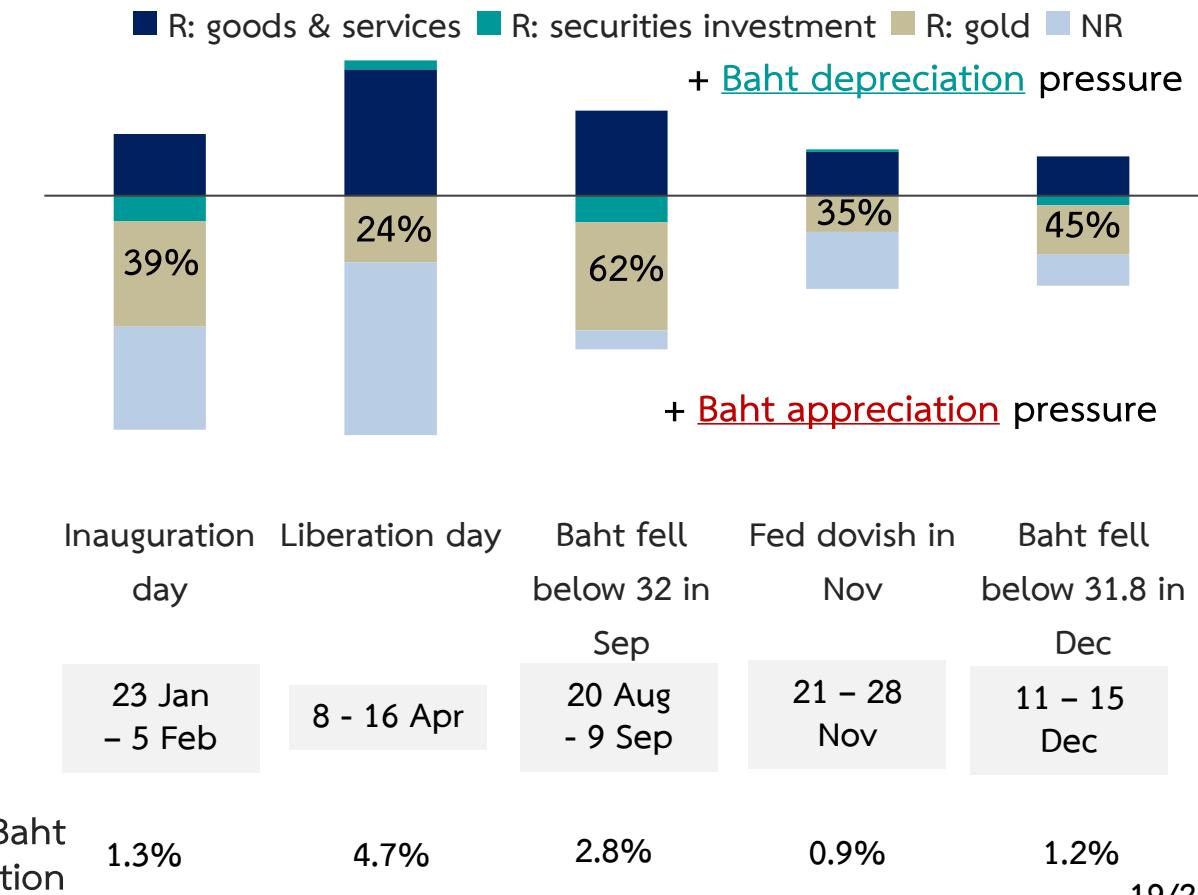
Imports and exports of gold result in FX transactions, which in turn contribute to exchange rate volatility.

Gold-related FX transactions led to baht appreciation in some instances.

Volume of gold exports and imports



Net FX transactions by different groups





## Monetary policy decision

- **Monetary policy stance remains accommodative to support the economic recovery** amid a slowing outlook, with risks tilted to the downside. An accommodative monetary policy stance enhances the effectiveness of ongoing financial measures and government policies.
  - Policy rate adjustments alone are insufficient to address pockets of tight financial conditions faced by specific groups and broader structural challenges in economy.
- **Monetary policy deliberation requires a medium-term perspective:**
  - Safeguarding financial stability by reducing risks from the accumulation of imbalances in the financial system.
  - Preserving the limited policy space to respond to unexpected shocks that may arise in the future.



The MPC voted to cut the policy rate to ensure overall financial conditions do not impede the economic recovery.

### Supporting arguments for the latest policy rate cut:

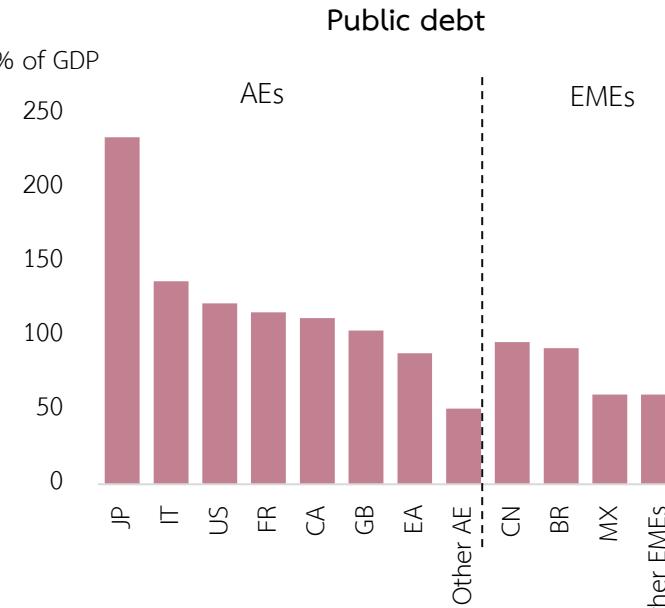
- **Consistent with the slowing economic outlook and risks tilted to the downside.** The policy rate cut also helps reduce risks of inflation remaining low due to demand-side factors.
- **Enhances the effectiveness of other policies**, including financial measures and government policies.
- **Does not contribute to financial stability risks over the longer-term**, as businesses and households remain cautious in accumulating new debt and making investment decisions, while financial institutions continue to exercise caution in lending to high-risk borrowers.

# Policy rate adjustments going forward should consider the accumulation of imbalances in the financial system and the limited policy space to respond to unexpected shocks.

Financial stability risks under a prolonged low interest rate environment:

|            |  |
|------------|--|
| Households | <b>Derail household deleveraging:</b> Household debt in Thailand has gradually declined but remains high   |
|            | <b>Search for yield &amp; underpricing of risks:</b> Fixed deposits in commercial banks have started to decline, while investment in mutual funds have increased |
| Businesses | <b>Overleveraging of large firms:</b> Risks of overleveraging remain low but warrant close monitoring among large corporates                                     |

Investor sentiment remains sensitive to prices of risky assets in the global financial market and fiscal sustainability concerns in countries with high public debt.



Note: Data as of April 2025

Source: World Economic Outlook, IMF

# Addressing Thailand's economic and financial challenges requires a combination of policy tools across multiple fronts.

## Economic policies to ease the impact of cyclical factors

### Targeted financial measures

- **Resolve debt:** “Khun Soo, Rao Chuay”, “Pid Nee Wai, Pai Tor Dai”
- **Increase new loan:** credit guarantee for SMEs

### Other economic policies

- Measures to ease impact of reciprocal tariffs
- Targeted stimulus measures to boost short-term growth

## Structural reforms

- Develop financial infrastructures: Your Data / Risk-Based Pricing
- Enhancing economic potential by promoting investment and uplifting competitiveness: Thailand FastPass

## Monetary policy

Support the economic recovery in the short-term;

Facilitate structural adjustments and safeguarding economic and financial stability over the medium-term