

Monetary Policy Forum 2/2025

9 July 2025

(Economic projections as of 25 June 2025)





Economic outlook

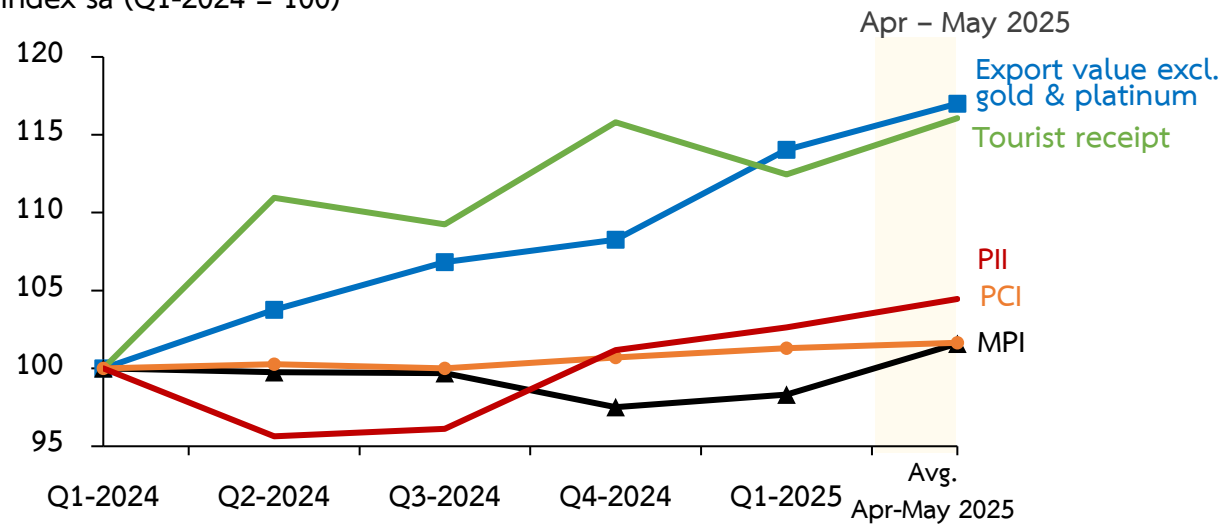
- Thailand's economic growth in the first half of 2025 was driven by manufacturing production and front-loaded exports. Economic growth is projected to moderate in the second half of 2025 and into 2026 due to exports being impacted by US tariffs and a slowdown in private consumption.



Thailand's economic growth in the first half of 2025 was driven by manufacturing production and front-loaded exports. Nevertheless, growth is projected to slow down going forward.

Economic indicators in Q2/2025

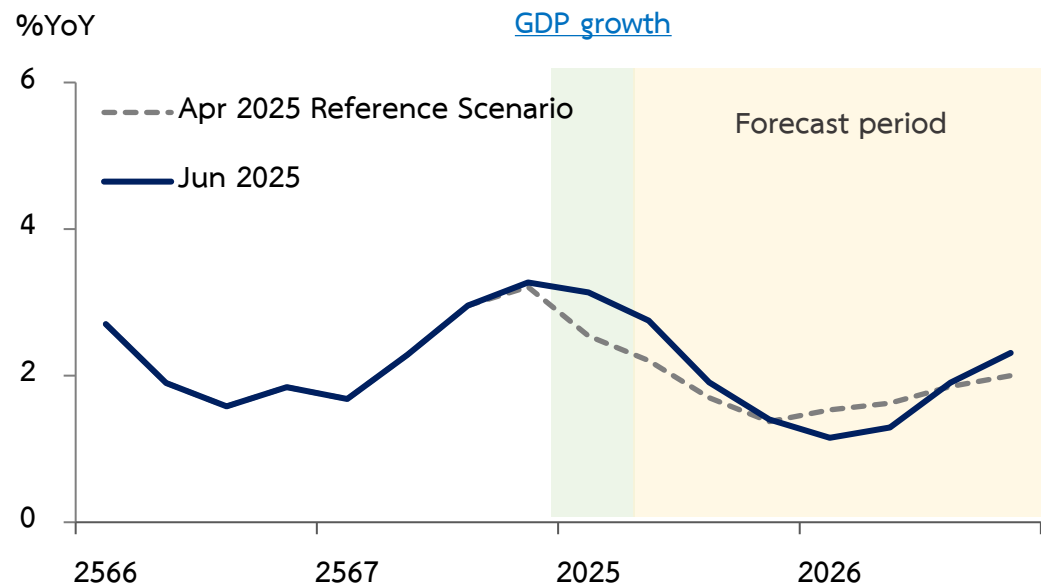
Index sa (Q1-2024 = 100)



Economic indicators in H1/2025 (%YoY)	Q1-2025	Apr	May	Avg. Apr - May
Value of merchandise exports excl. gold and platinum	9.0	6.7	17.5	12.1
Manufacturing Production Index (MPI)	-1.6	1.9	1.9	1.9
Private Investment Index (PII)	2.1	12.3	7.9	10.1
Private Consumption Index (PCI)	1.3	0.2	1.4	0.8
Tourism receipt	12.8	14.0	-0.1	7.0

Source: OIE, BOT

GDP growth in 2025 is projected to be higher than previously anticipated due to stronger-than-expected outturns in H1/2025, although growth is likely to slow down in the period ahead



MPC Jun 2025	2024	H1/2025	H2/2025	2025	2026
GDP (%YoY)	2.5	2.9	1.6	2.3	1.7
GDP (%QoQ)	0.8	0.6	0.1	0.3	0.6

Note: This forecast assumes Thailand is subject to 18% reciprocal tariff from the US (half of the rate announced on 2 April 2025), while China and other countries are subject to 30% and 10% reciprocal tariff, respectively.

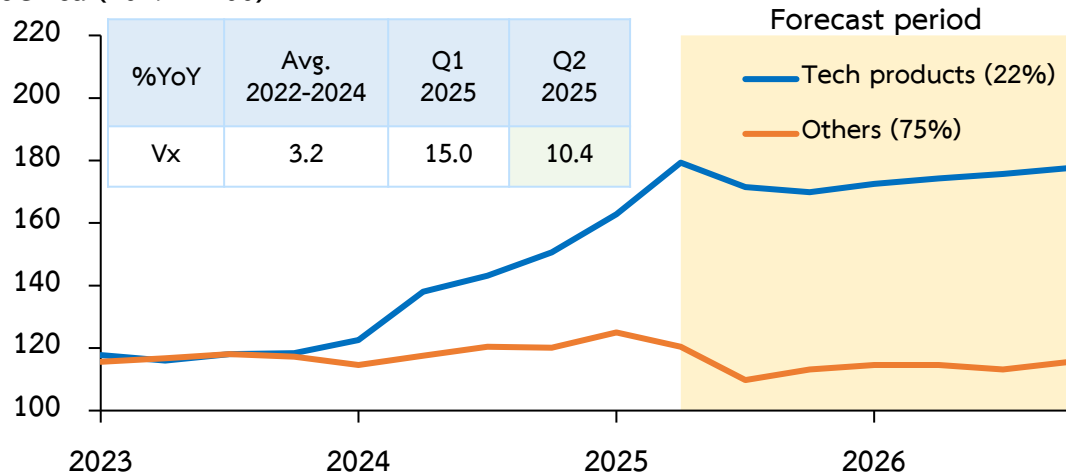


Merchandise exports are projected to contract sharply in H2/2025 due to the impact of US tariffs. Uncertainties in global trade policies remain to be monitored.

Merchandise exports in Q2/2025 have been driven by electronics exports and front-loading

Exports value by product excl. gold

Index sa (2019 = 100)



Note: () share of total exports value in 2024

Tech products include electronics and machinery; Others do not include gold

Source: Thai Customs, Ministry of Commerce, BOT calculation

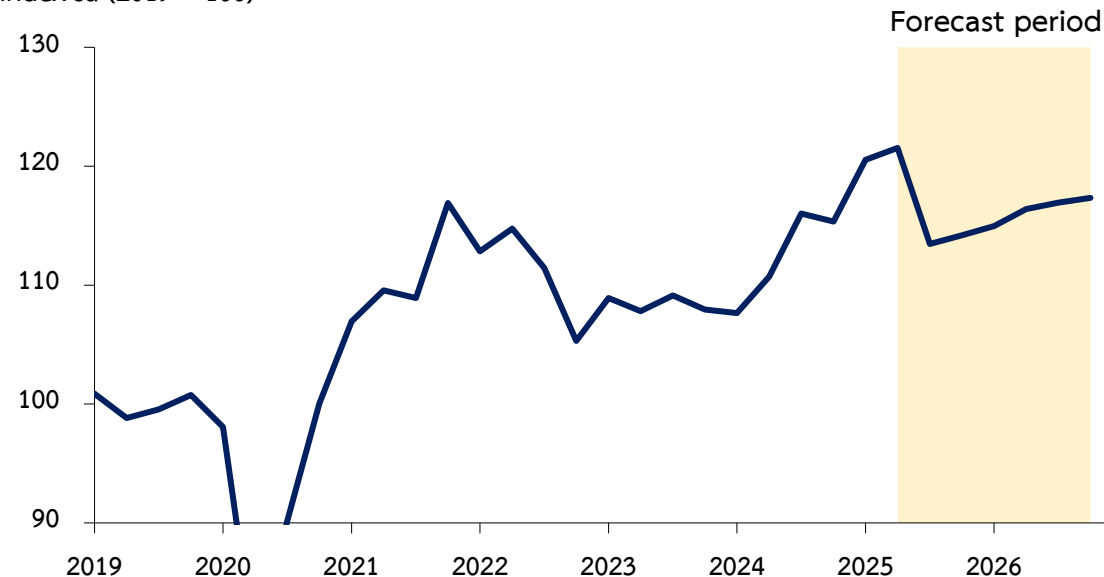
Projected global demand for data center

%YoY	2025	2026
BCG	15	17
McKinsey	-	26
IDC	18	18
JLL	14	14

Source: Boston Consulting Group (BCG), McKinsey, International Data Corporation (IDC), Jones Lang LaSalle (JLL)

Projection of merchandise exports excl. gold

Index sa (2019 = 100)



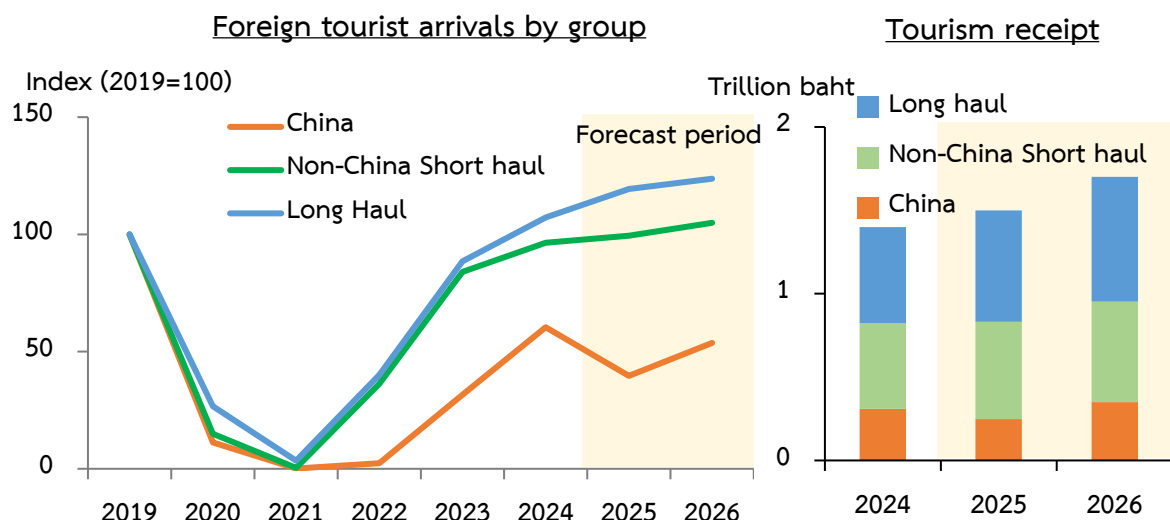
%YoY	2024*	H1/2025	H2/2025	2025	2026
Vx	5.8	12.6	-4.0	4.0	-2.0
Vx ex. Gold	4.9	10.9	-2.9	3.8	-1.5
Vx ex. Gold (%QoQ sa)	1.9	2.5	-3.4	-0.5	0.7

Note: *Outturn



Despite lower foreign tourist arrivals, tourism receipt would still expand supported by higher spending per trip especially among long-haul tourists.

Higher share of long-haul tourists would help support tourism receipt.
Long-haul tourists spend 1.7 times more than short-haul tourists.



Tourism receipt projection

MPC Jun 2025	2024	2025 ^f	2026 ^f
Tourism receipts (trillion baht)	1.4	1.5	1.7
Spending per head ('000 baht)	39.5	43.4	44.0
Foreign tourist arrivals (million persons)	35.5	35.0	38.0
o/w long-haul tourists	10.6	11.8	12.2
Chinese tourists	6.7	4.4	6.0

Note: f = forecast

Source: Ministry of Tourism and Sports, forecast by BOT

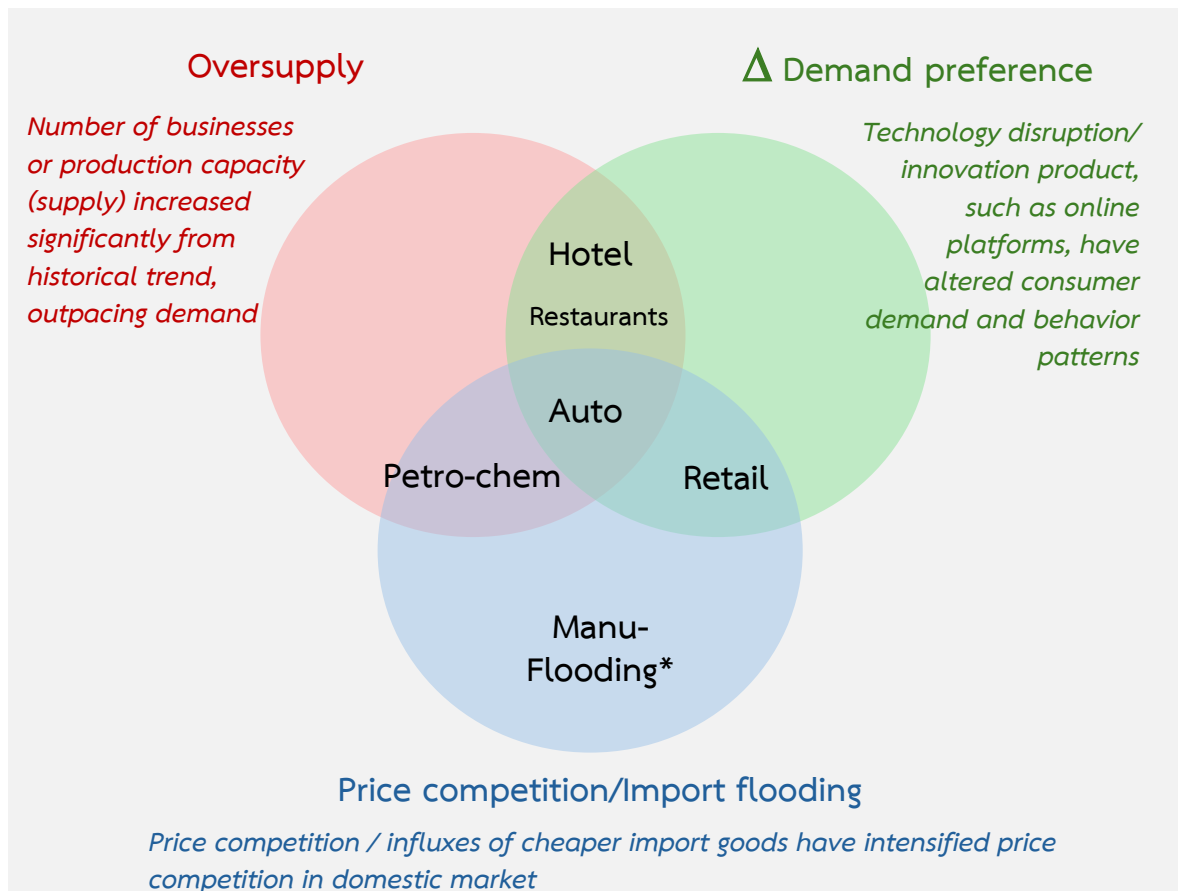


- The decline in the number of Chinese tourists has started to stabilize but restoring tourist's confidence on safety would take time.
- Foreign tourist arrivals in Thailand are projected to grow 3.5% on average in 2025-2026, which is lower than the projected growth in global tourism (average 2025-2026 = 5%) partly due to rising competition.
- While tourism receipt is projected to grow overall, the benefits might not be broad-based.
 - For long-haul tourists, spending on accommodation accounts for almost 40% of their total spending (compared to short-haul tourists who spend about one-third on accommodation and 1.6 times more on shopping than long-haul tourists)
 - 90% of long-haul tourists concentrated their visits in the 6 main cities.



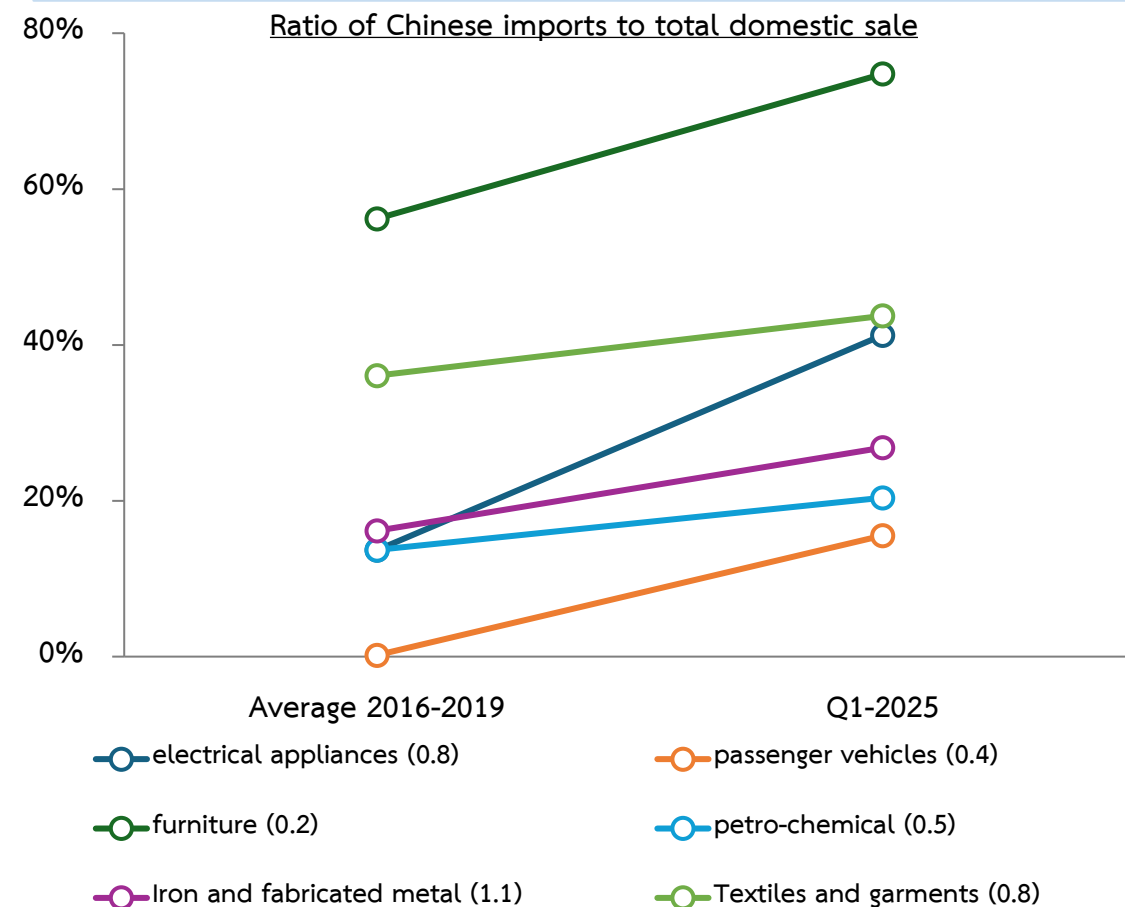
The structural challenges faced by the Thai economy are multi-faceted, as reflected in the hardships experienced by both businesses and households

Structural challenges currently faced by businesses



Note: *influxes of cheaper import goods including electrical appliances, textiles and garments, iron and fabricated metals, and furniture

While sales figures in many sectors continue to grow, Thai goods continue to lose their market share to foreign competition



Note: () share of value-added to GDP

Source: Thai Customs, OIE, BOT calculations



Economic forecast

	%YoY	2024*	2025	2026
GDP Growth		2.5	2.3	1.7
Domestic demand		3.0	2.1	1.6
Private consumption		4.4	2.0	1.7
Private investment		-1.6	1.7	0.9
Government consumption		2.5	1.2	0.5
Public investment		4.8	6.0	6.1
Export volume of goods and services		7.8	4.2	-0.5
Import volume of goods and services		6.3	2.5	-0.3
Current Account (billion U.S. dollars)		11.1	11.0	13.0
Value of merchandise exports (%YoY)		5.8	4.0	-2.0
Value of merchandise imports (%YoY)		6.3	5.3	-1.9
Number of foreign tourists (million persons)		35.5	35.0	38.0
Tourism receipt (trillion baht)		1.4	1.5	1.7

Note: * = Outturn

Source: Office of the National Economic and Social Development Council, forecast by BOT

Summary of risks to the economic outlook

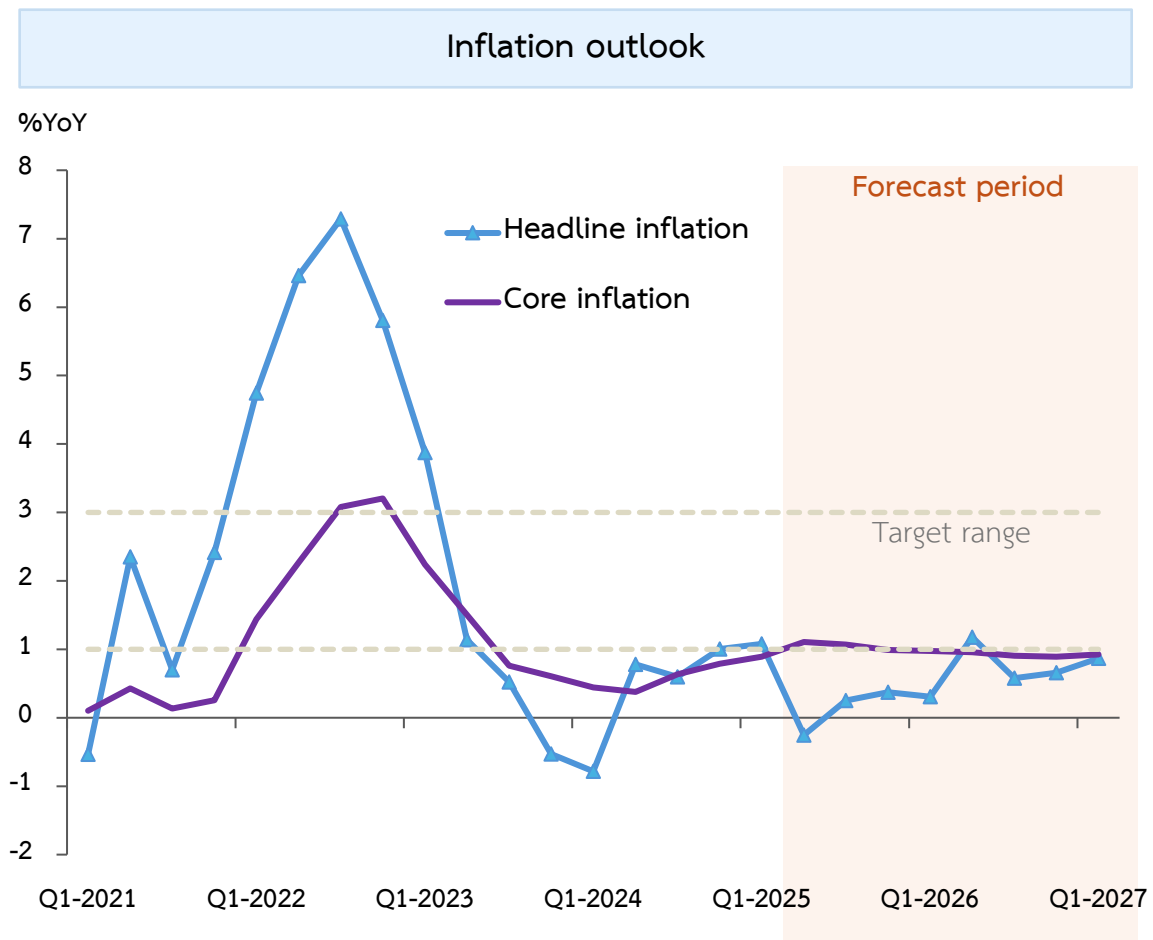
Risks to the economic outlook are skewed to the downside for both 2025 and 2026, and must be monitored as follows:

1. Developments pertaining to ongoing trade negotiations (trade war) and geopolitical tensions
2. Domestic political uncertainties
3. Pockets of credit tightening that might affect vulnerable groups and SMEs more than expected



Inflation

- Low inflation has been attributed to declines in energy and raw food prices. However, this has not led to a broad-based decline in prices of other goods, as reflected in prices of goods regularly consumed by households which continue to rise steadily, in line with the higher cost of living.



Source: Ministry of Commerce, forecast by BOT

Headline inflation is projected to remain subdued due to declining energy and raw food prices.

%YoY	2024	2025	2026
Headline inflation	0.4	0.5	0.8
Core inflation	0.6	1.0	0.9
Energy prices	0.1	-3.2	-1.3
Raw food prices	0.1	1.2	1.6

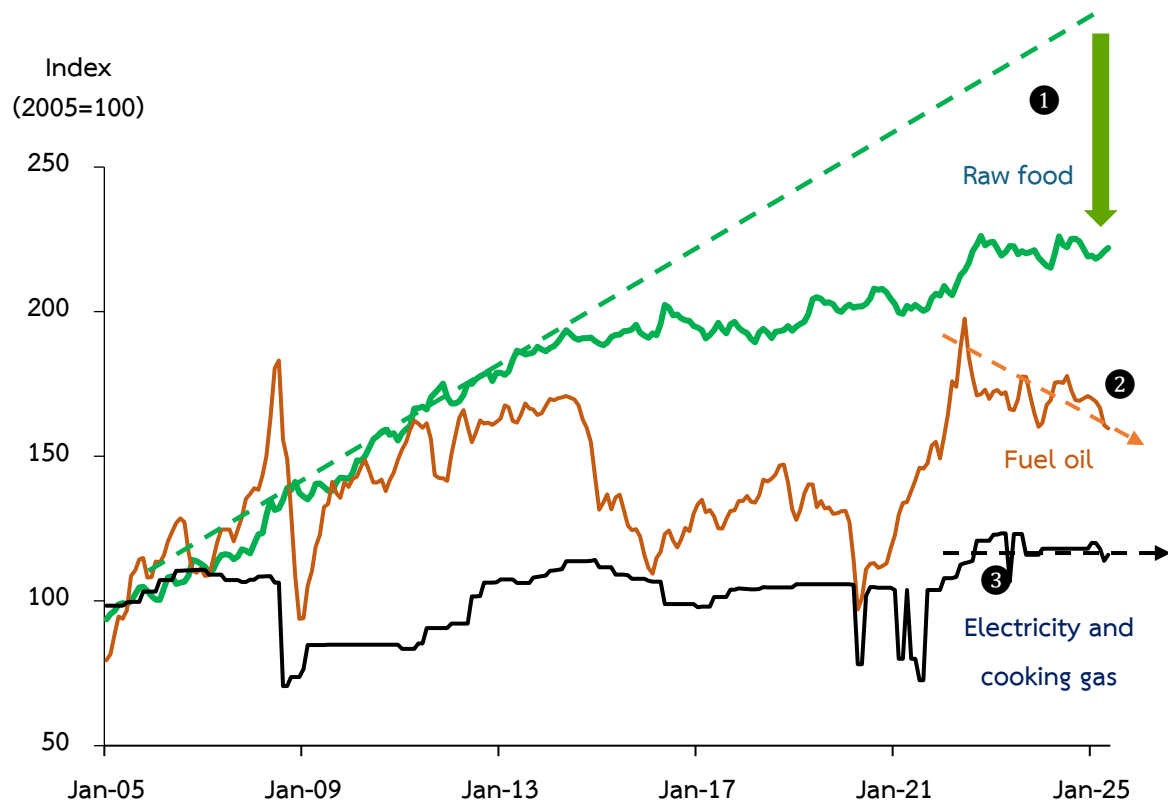
Source: Ministry of Commerce, forecast by BOT

Risks to the inflation outlook is balanced	
Upside risks	Geopolitical tensions could result in higher global oil prices
Downside risks	Trade war more severe than expected Government subsidies to help with the cost of living



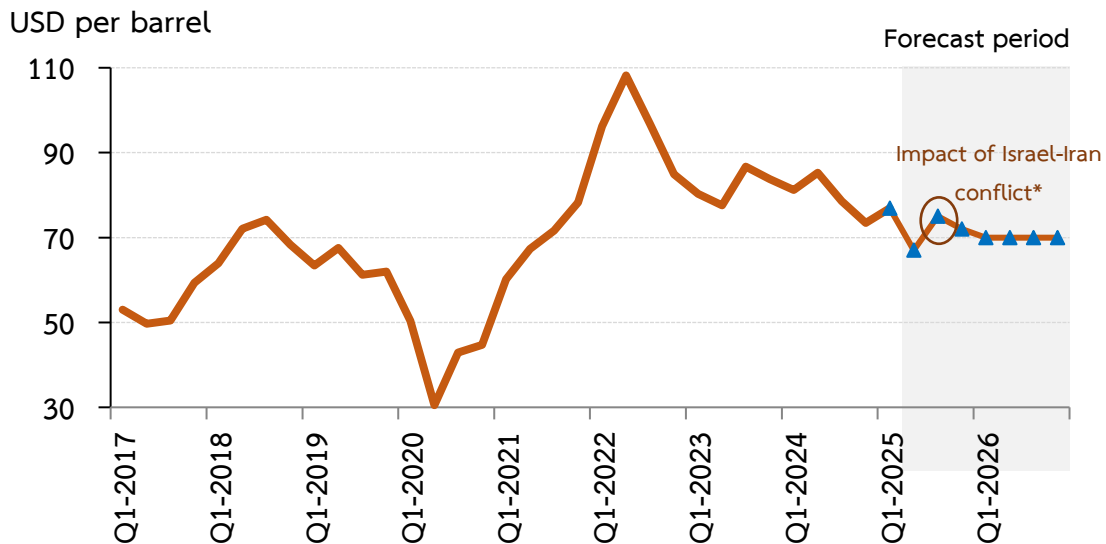
Low inflation is mostly limited to energy and raw food prices ...

Energy and raw food prices (1) did not accelerate like in the past
(2) declined and (3) were price capped



Source: Ministry of Commerce, calculation by BOT

Dubai crude oil prices continued to decline since 2022



Note: *Data as of 24 June 2025 when Israel and Iran announced the ceasefire

Dubai crude oil prices

	2022	2023	2024	2025*	2026*
Yearly average Dubai crude oil prices (\$ / barrel)	96	82	80	73	70

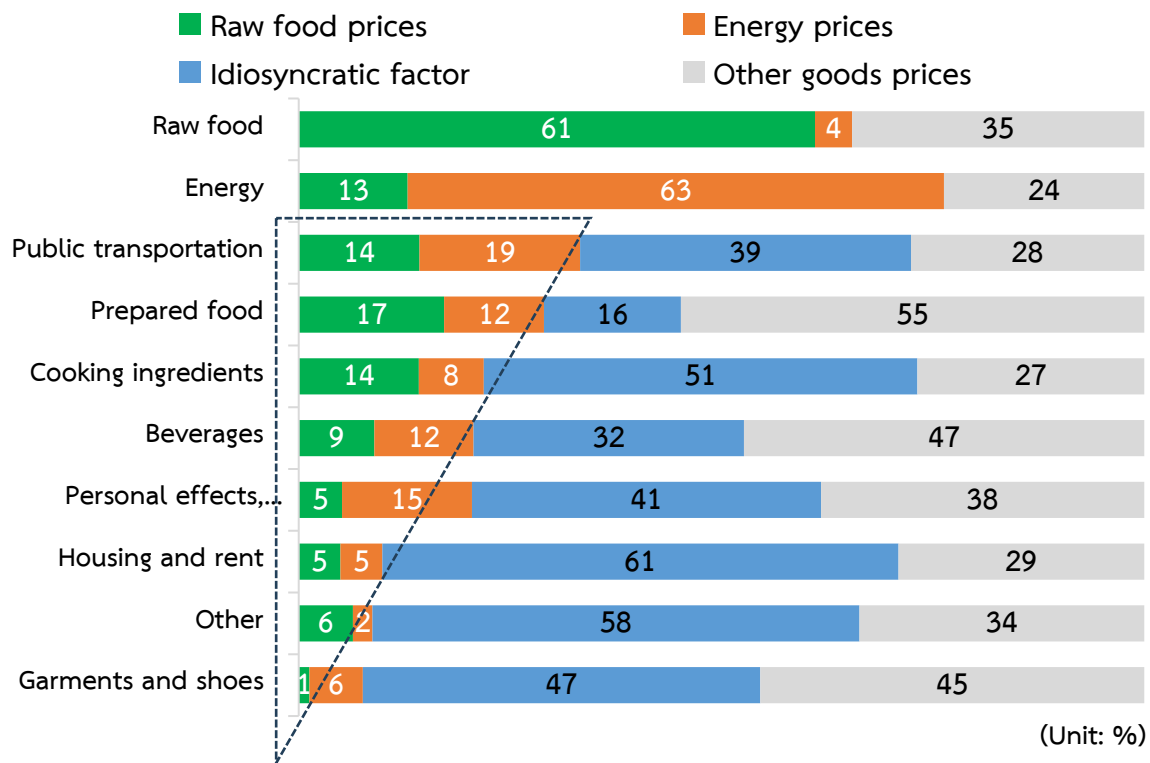
Note: *forecast



... And has not led to a broad-based decline in prices of other goods as reflected in the prices of goods regularly consumed by households, which have continued to rise steadily in line with higher cost of living.

Prices in each goods category were less affected by energy and raw food prices compared to idiosyncratic factors

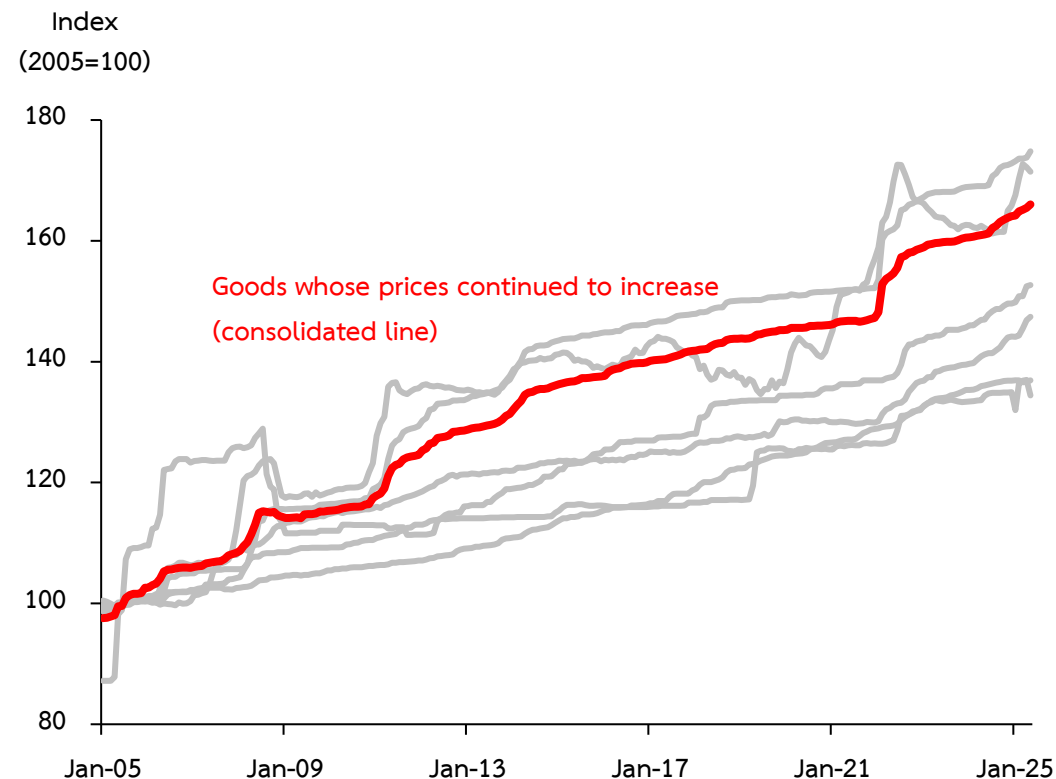
Source of price volatility in each good category



Note: Calculated using variance decomposition technique, which utilizes generalized forecast error variance decomposition in the 1-year period ahead based on monthly inflation data (%YoY) of goods and services in 19 categories

Source: PIER aBRIDgEd article “Thai inflation dynamics: A view from disaggregated price data” by Manopimoke et al. (2022) (Thai version only), calculation by BOT

Prices of goods that people consume regularly remain on an upward trajectory



Note: Goods whose prices have continued to increase (gray line) (Share in CPI = 26%) are mostly goods regularly consumed by households such as prepared food, cooking ingredients, and non-alcoholic beverages

Source: Ministry of Commerce, calculation by BOT



Financial conditions

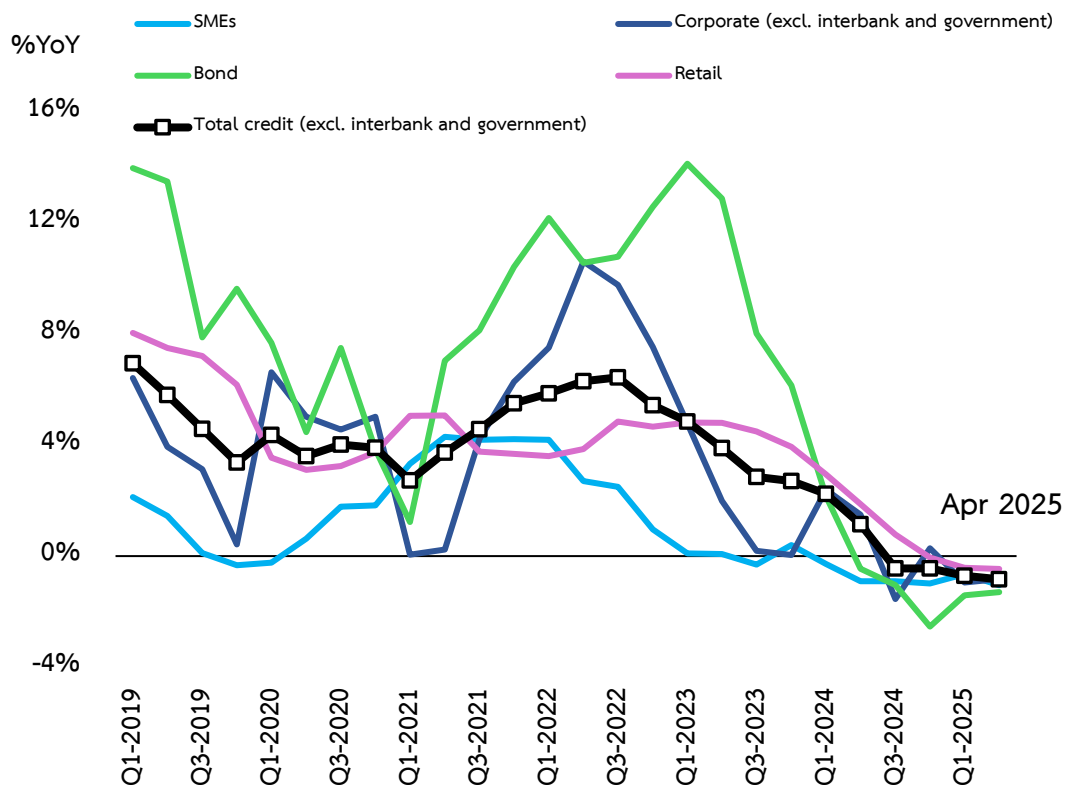
- Financial conditions remain tight, and credit quality is still deteriorating
- The baht remained volatile and appreciated from the previous quarter due to external factors, in line with regional currencies



Private credit continued to contract, partly due to debt repayments and lower credit demand. Financial institutions remain cautious in lending to high-risk borrowers. Credit quality has yet to improve.

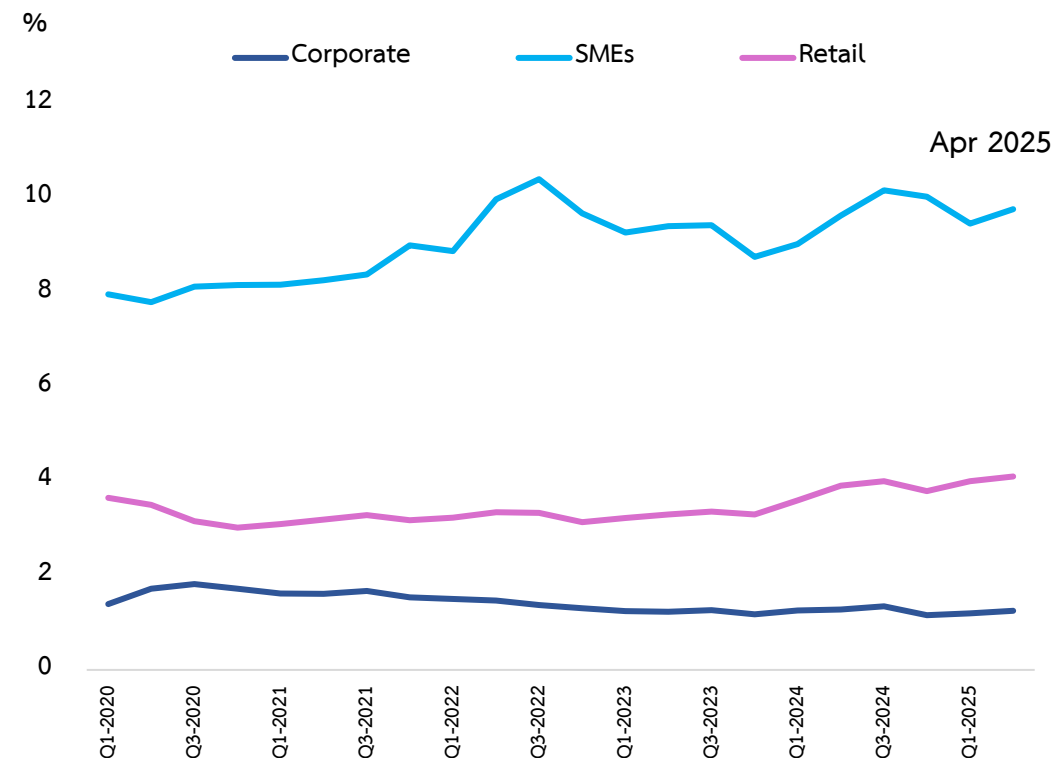
Private credit continued to contract

Credit growth in the financial institutions' system



Credit quality deteriorated further, especially in SME loans and housing loans

NPL Ratio in the financial institutions' system



Note: (1) Financial institutions' system includes commercial banks (and their subsidiaries), SFIs, and non-banks that are not subsidiaries of commercial banks

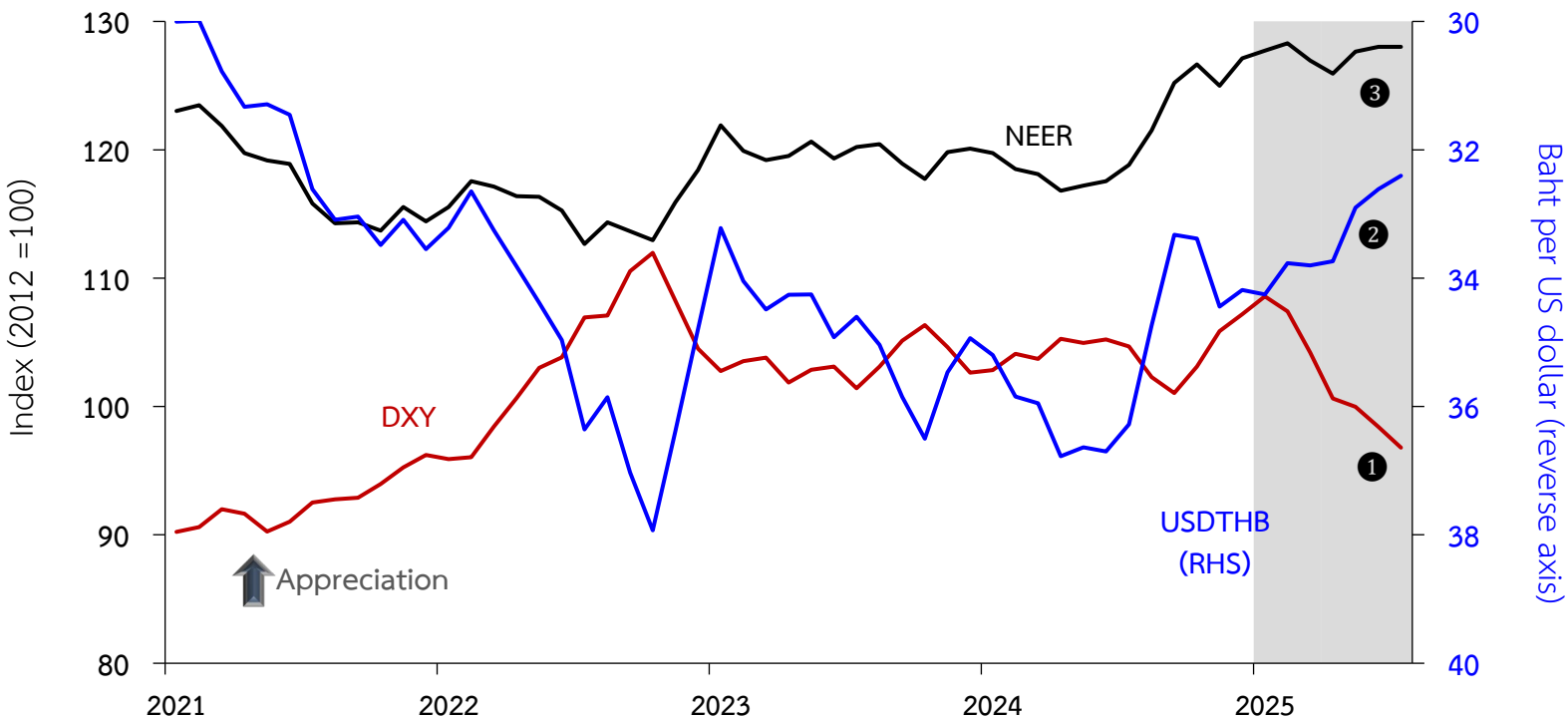
(2) Definition of each business loan size is as follows: For loans from commercial banks and subsidiaries, OSMEP's criteria are used (based on income and credit line obtained from commercial banks) where corporate are businesses with maximum credit line per commercial bank higher than 500 million baht, while SMEs are businesses with maximum credit line per commercial bank not exceeding 500 million baht. For SFIs, OSMEP's criteria are used (based on income and employment). For non-banks (nano finance and personal loan for businesses under BOT supervision that are not car title loans), all loans are SMEs.



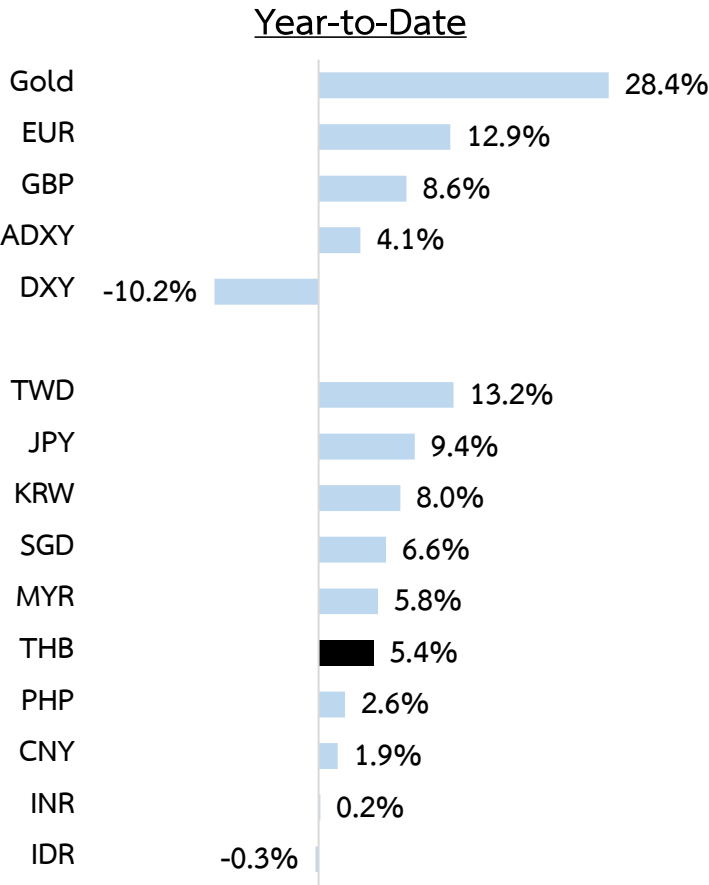
The baht remained volatile and appreciated from the previous quarter (on average) due to external factors, in line with regional currencies

The US dollar exhibited a weakening trend amid expectations of further cuts to the Fed funds rate due to concerns about the US economic outlook. As a result, regional currencies, including the baht, appreciated against the US dollar.

Major currencies and regional currencies appreciated with the baht's appreciation being quite moderate compared to other currencies



Note: monthly average (as of 4 July 2025)
Source: Bank of Thailand, Bloomberg



Note: Data as of 4 July 2025
Source: Bank of Thailand, Bloomberg



Monetary policy

- Monetary policy should remain accommodative to support the economy
- Timing and effectiveness of monetary policy are important considerations amid heightened uncertainties:
 - There is a need to consider available policy space to respond to unexpected shocks.
 - Effectiveness of monetary policy is constrained by low interest rates and heightened economic uncertainties. Prevailing economic challenges partly stem from declining competitiveness and shifting consumer preferences.



The MPC stands ready to adjust monetary policy to align with the economic and inflation outlook and associated risks, in combination with other policy tools

Issues being monitored by the MPC

- Impact of trade war
- Geopolitical risks and domestic factors
- Credit growth and credit quality

Additional financial measures by BOT

“Khun Soo, Rao Chuay” Phase 2 (Jul – Sep 2025)

- “Jai Trong Kongsap” (expanded)
 - Expanded eligibility to cover more debtors
- “Jai Pid Job” (expanded)
 - Raised repayment ceiling for various loan categories
- “Jai Tad Ton” (new)
 - Assistance for eligible debtors with unsecured loans

Link to more information about [“Khun Soo, Rao Chuay” Phase 2](#)