

Monetary Policy Forum 3/2025

22 October 2025

(Economic projections as of 8 October 2025)





Economic outlook

Thailand's economic growth is projected to slow down in 2025 and 2026 as expected.

- In the first half of 2025, the economy grew by 3%YoY, driven by front-loaded manufacturing production and exports to the US.
- In the second half of 2025, growth would slow down due to some manufacturing sectors being affected by temporary factors and exports starting to be affected by US tariffs. Meanwhile, tourism would recover at a gradual pace.
- For 2026, economic growth is expected to remain subdued. Exports would be impacted by US tariffs, meanwhile tourism and manufacturing sectors would face stronger competition from abroad.

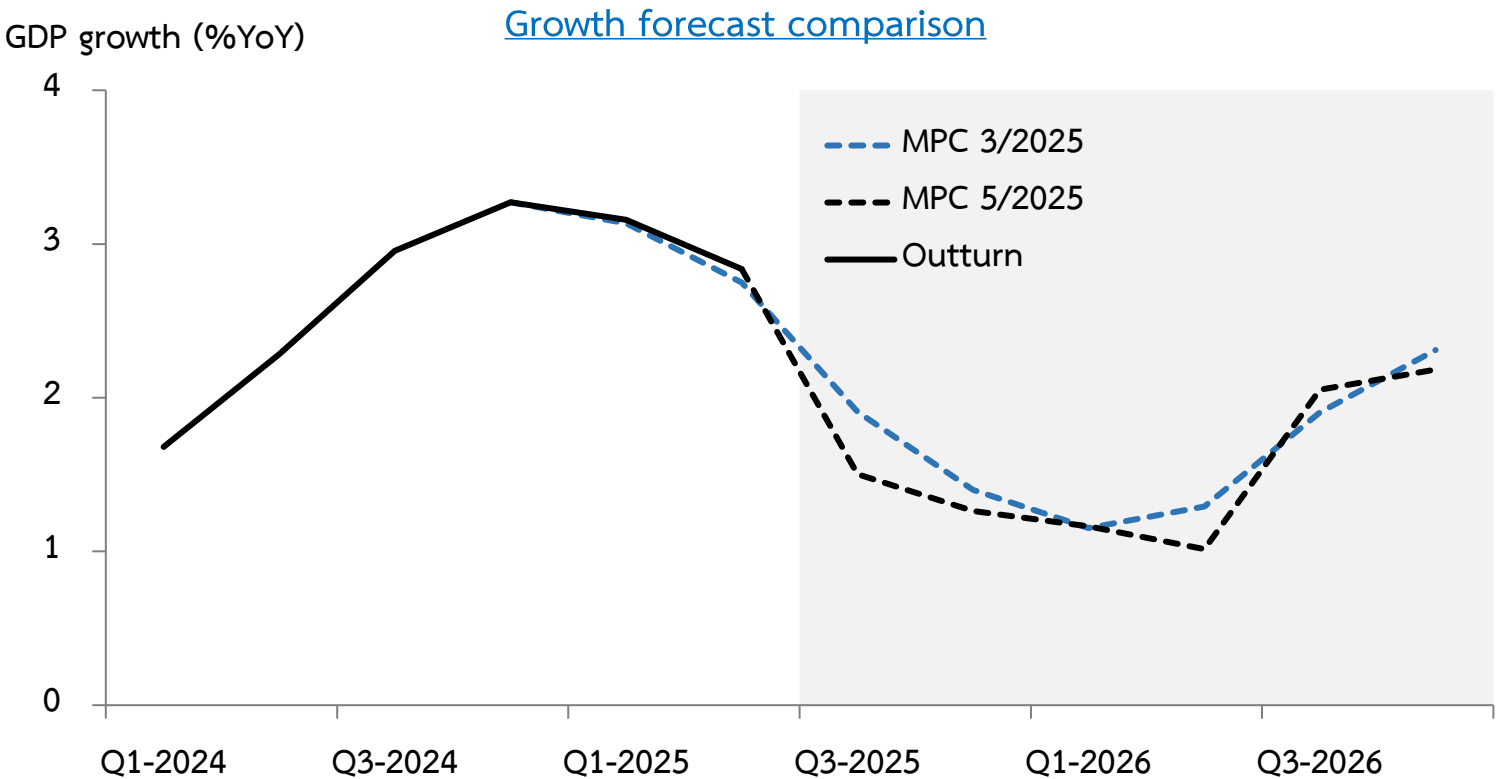


Growth outturns in the first half of this year were in line with expectations,
but would likely slow down in the period ahead.

Thailand's growth forecast

Real GDP as of MPC Oct 2025	2024	H1-2025	Q3-2025 ^F	Q4-2025 ^F	2025 ^F	2026 ^F
%YoY	2.5	3.0	1.5	1.3	2.2	1.6
%QoQ sa	0.8	0.6	-0.5	0.5	0.3	0.5

Note: F = forecast



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

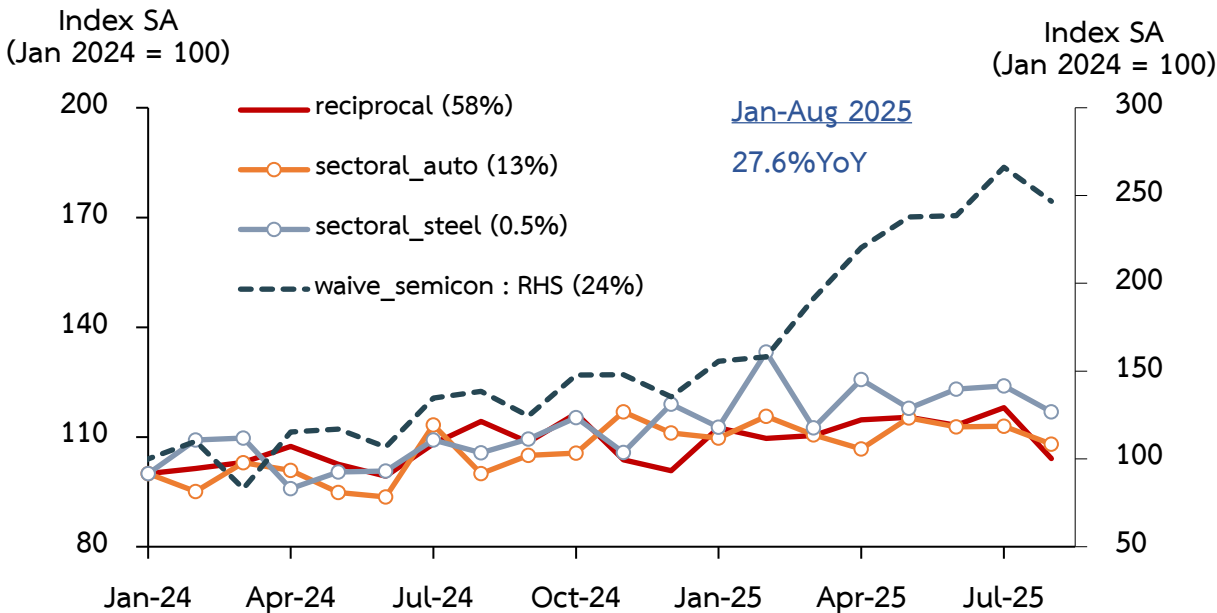


Merchandise exports in the second half of 2025 are projected to slow down due to the impact of US tariffs. However, electronics exports would continue to expand.

Merchandise exports have been driven primarily by electronics exports

Merchandise exports are projected to contract next year due to the impact of US tariffs

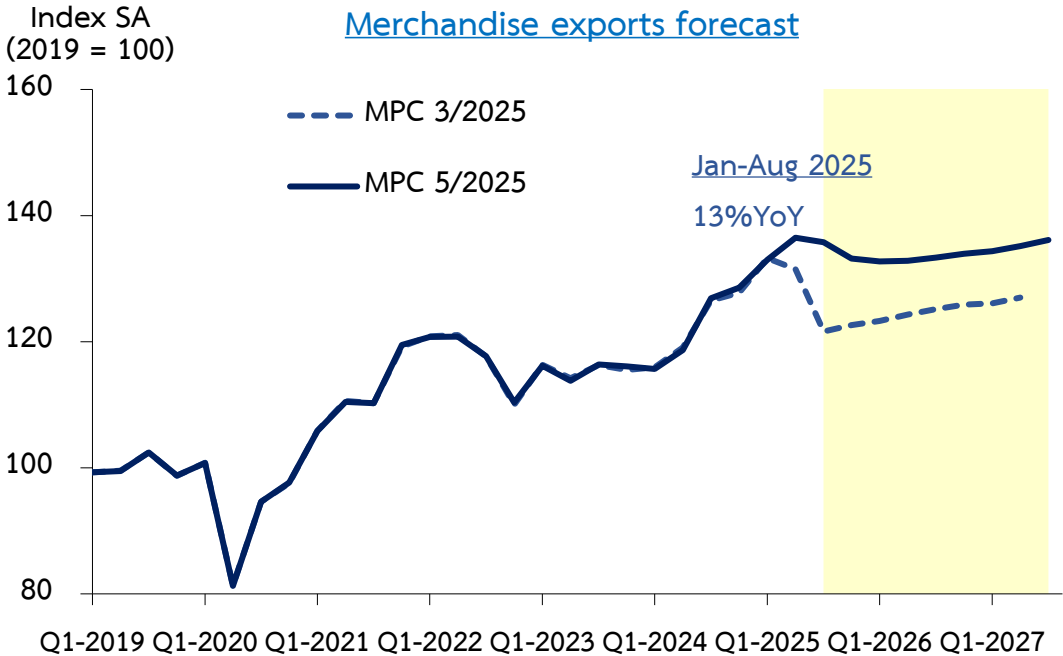
Value of Thai exports to the US by tariff type



Note: () = share of exports to the US in 2024

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

Merchandise exports forecast



Exports value (%YoY)	2024*	H1-2025*	H2-2025 ^F	2025 ^F	2026 ^F
MPC Oct 2025	5.9	15.0	5.3	10.0	-1.0

Note: * = Outturn, F = Forecast

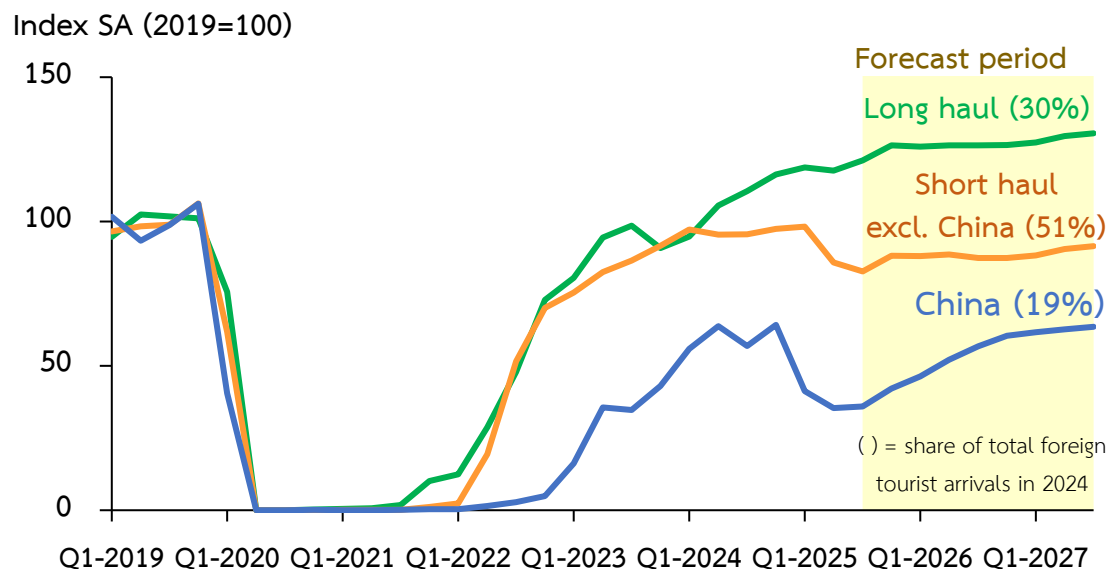
Source: Thai Customs and Ministry of Commerce, calculation by BOT



Tourism is projected to gradually recover. The number of long-haul tourists has continued to increase together with a gradual return of Chinese tourists.

The tourism sector is gradually recovering as reflected by increases in seat capacity

Foreign tourist arrivals by nationality



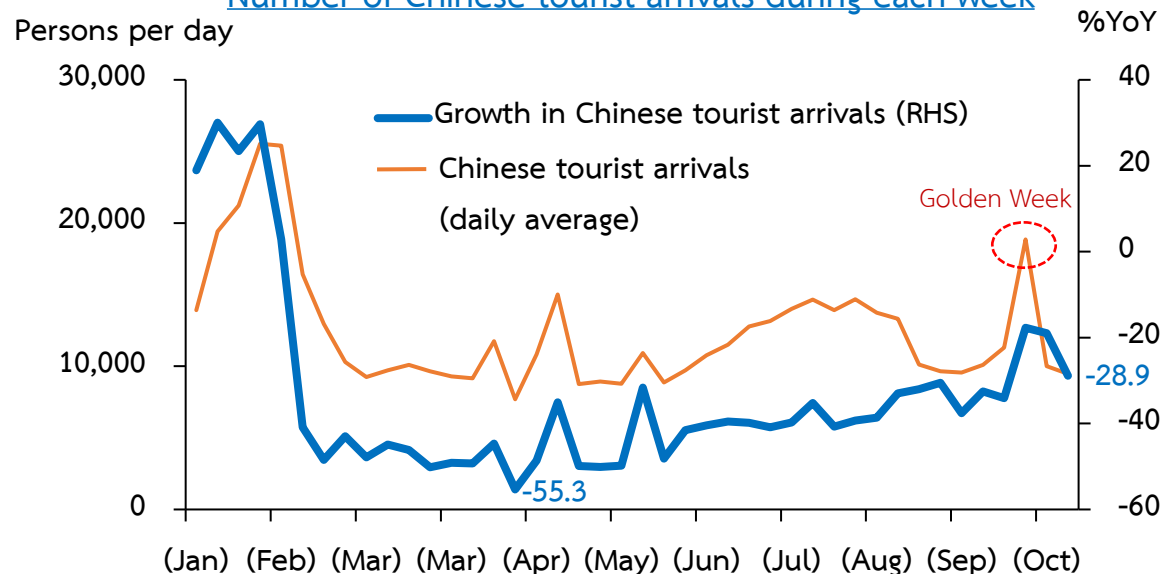
MPC Oct 2025	2024	2025 ^F	2026 ^F
Tourism receipts (trillion baht)	1.4	1.4	1.5
Spending per visitor ('000 baht)	39.0 ^R	42.5	43.8
Foreign tourist arrivals (million persons)	35.5	33.0	35.0
o/w long-haul tourists	10.6	11.9	12.3
o/w Chinese tourists	6.7	4.4	6.0

Note: R = Revised, F = Forecast

Source: Ministry of Tourism and Sports, forecast by BOT

The number of Chinese tourists gradually recovered as safety concerns eased

Number of Chinese tourist arrivals during each week



Week number 1 5 9 13 17 21 25 29 33 37 41



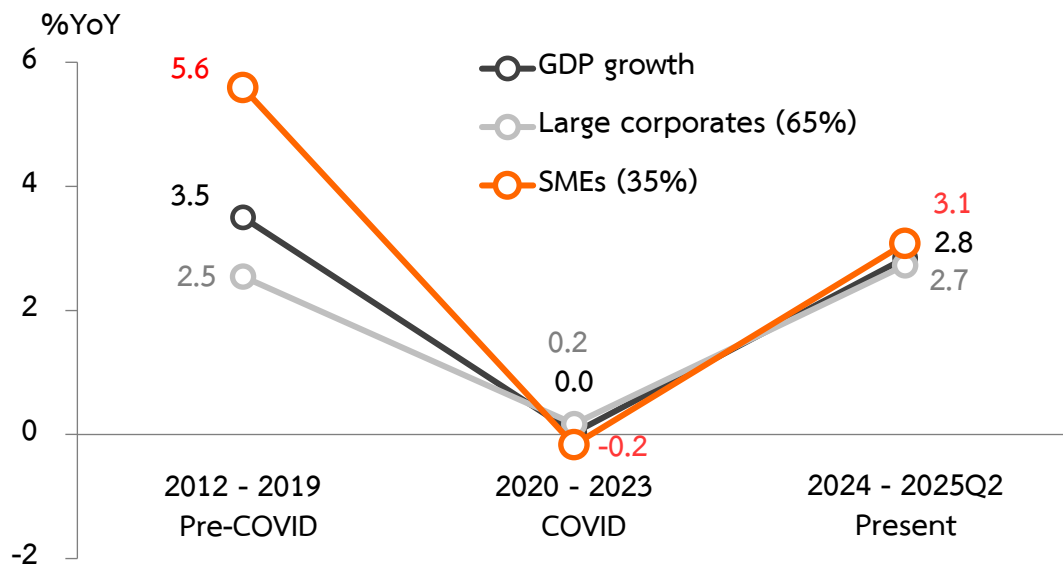
Businesses' views about Thailand's tourism outlook

- Foreign tourist arrivals are expected to recover in Q4-2025 driven by the recovery in Chinese tourist arrivals as well as measures to improve Thailand's reputation.
- The continued appreciation of the baht is concerning, as it could lead to lower tourism spending and further pressure on Thailand's competitiveness and business operations.



Overall, the economy has continued to expand but growth has been driven less by SMEs compared with the past as SMEs still face challenges from structural headwinds and intensified competition.

Contribution to GDP growth by business size



Note: () = share of GDP

Source: OSMEP, calculation by BOT

Economic forecast as of October 2025

Economic forecast				
	%YoY	2024*	2025	2026
GDP growth		2.5	2.2	1.6
Domestic demand		3.0	1.7	1.8
Private consumption		4.4	2.1	1.8
Private investment		-1.6	0.3	1.4
Government consumption		2.5	0.8	0.6
Public investment		4.8	5.1	6.5
Export volume of goods and services		7.8	7.3	-0.3
Import volume of goods and services		6.3	4.3	0.4
Current account (billion US dollars)		11.6 ^R	16.0	13.0
Value of merchandise exports (%YoY)		5.9 ^R	10.0	-1.0
Value of merchandise imports (%YoY)		5.5 ^R	10.2	0.0
Foreign tourists (million persons)		35.5	33.0	35.0
Tourism receipts (trillion baht)		1.4	1.4	1.5

Note: * = Outturn

R = Revised data

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

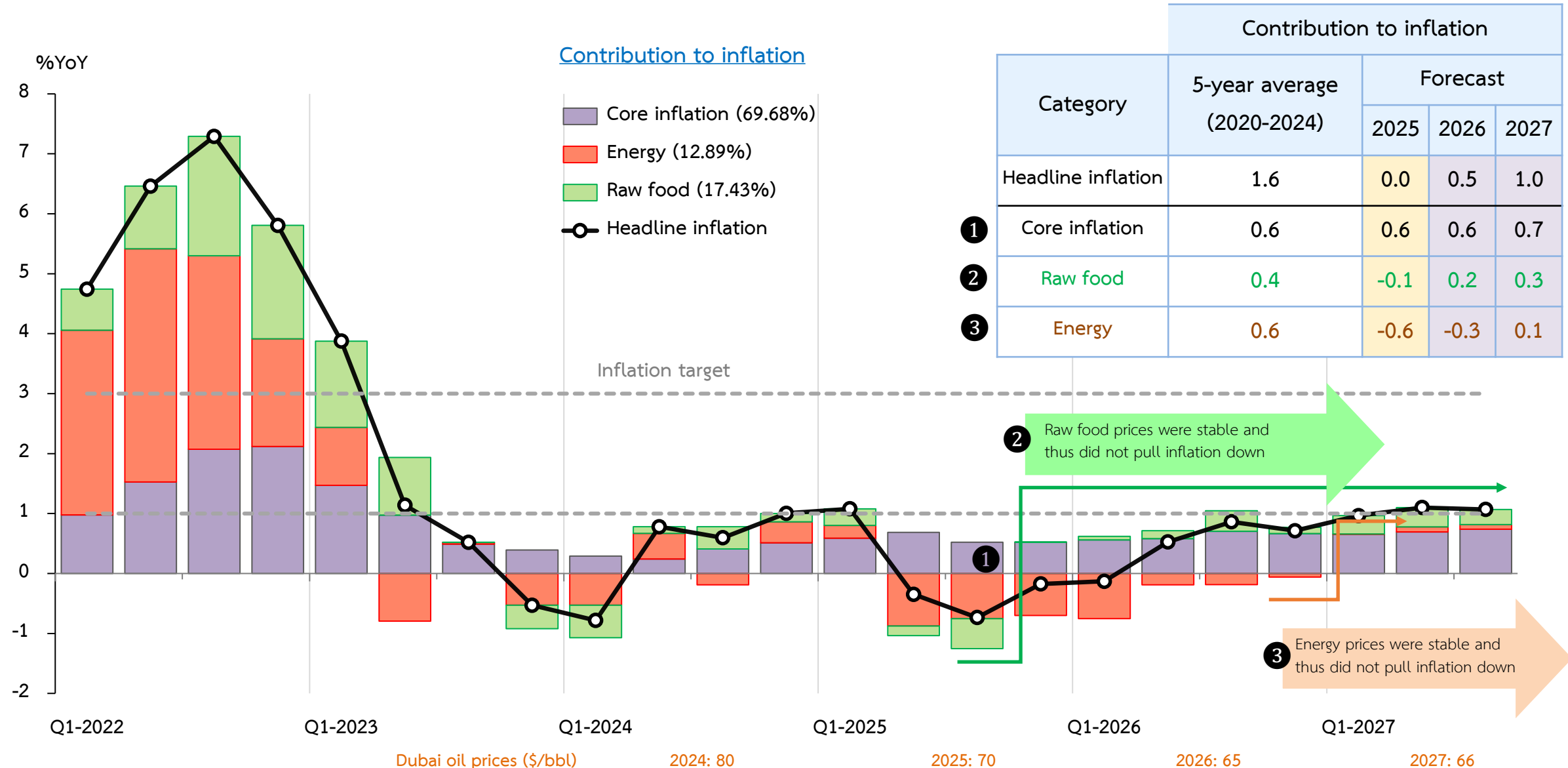


Inflation

- Headline inflation is expected to turn positive in Q2-2026 and return to target range in early 2027
- Risks of deflation in Thailand remain low because:
 - 1) Current low inflation is primarily driven by price declines in only certain categories of goods, while prices of other goods did not decline in a continuous and broad-based manner
 - 2) Underlying inflation indicators remained broadly stable and in line with level observed in previous periods
 - 3) Medium-term inflation expectations remain well-anchored



Headline inflation is expected to turn positive in Q2-2026 and return to target range in 2027

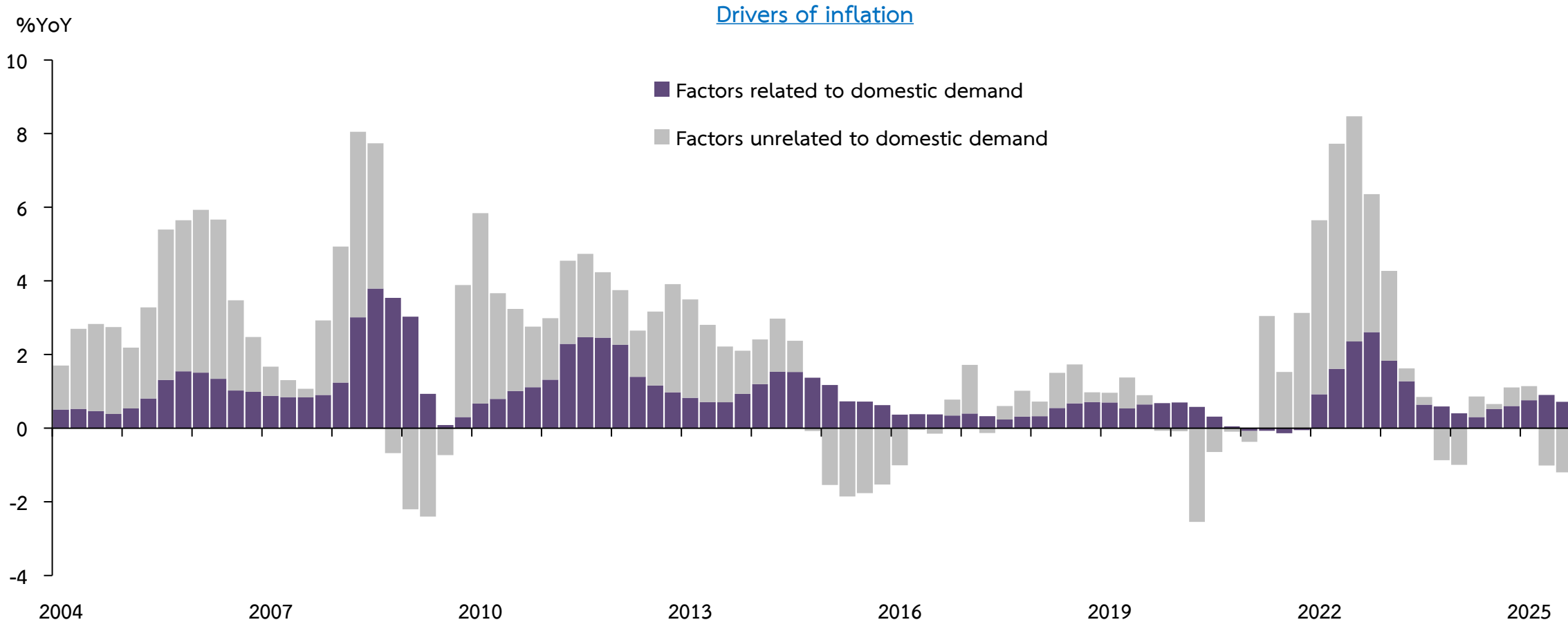




Low inflation is not indicative of deflation because

(1) price declines were concentrated among certain goods...

Downward pressure neither reflected nor was driven by domestic demand but primarily stemmed from (1) lower crude oil prices due to higher oil output from OPEC+ producers and (2) decline in vegetable and fruit prices as supply increased under favorable weather conditions



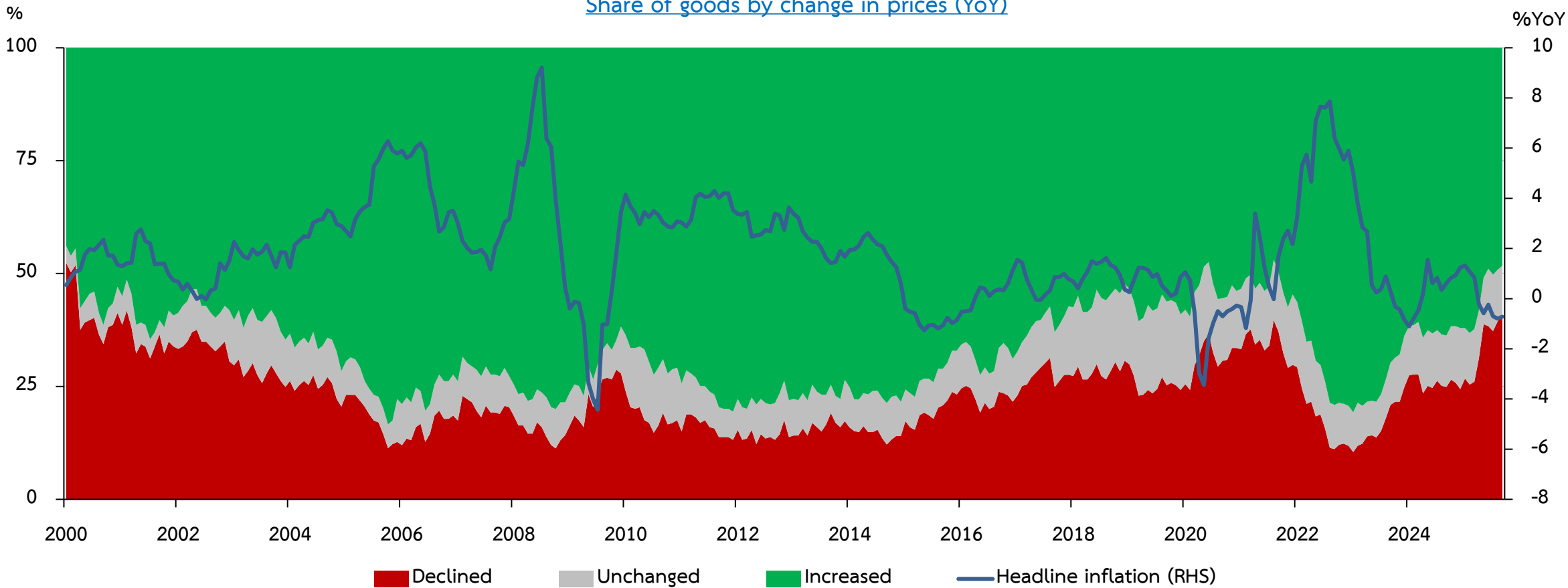
Source: Calculation by BOT based on methodology by Mahedy & Shapiro (2017), “What’s Down with Inflation?” Federal Reserve Bank of San Francisco



...prices of other goods and services did not decline in a continuous
and broad-based manner

Share of goods and services whose prices declined was about 40%, closed to historical average

Share of goods by change in prices (YoY)



Source: Ministry of Commerce, calculation by BOT



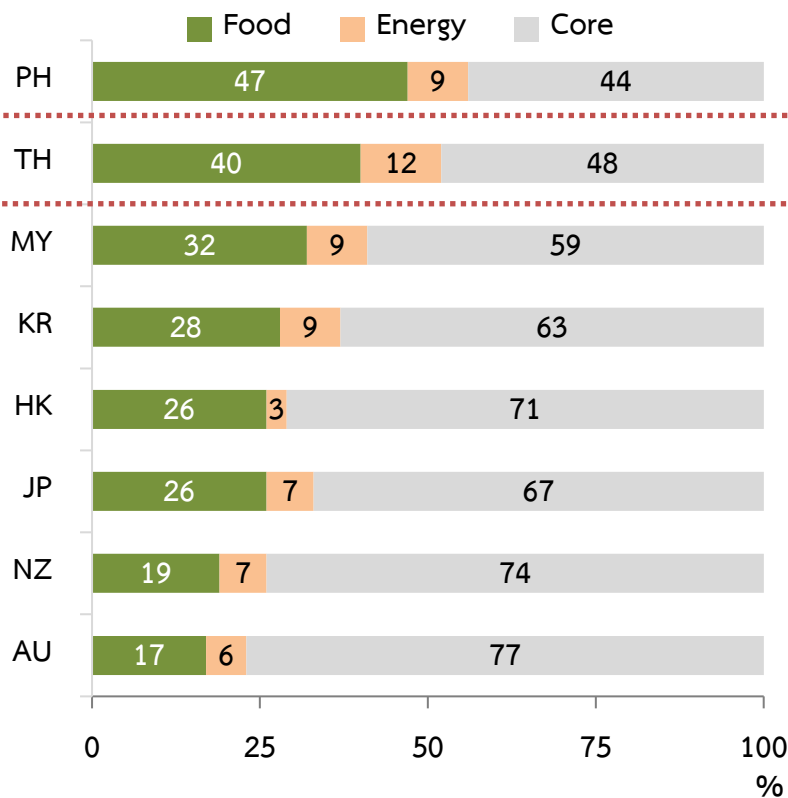
The relatively large share of food and energy prices in Thailand's CPI basket compared to other countries' is a structural factor that results in Thailand's relatively low inflation

(1) Share of energy and food prices in Thailand's CPI basket is high

(2) Food prices in Thailand are relatively low compared to other countries

(3) The energy price trend has not accelerated due to increased shale oil production. Moreover, Thai government subsidized domestic energy prices during certain periods

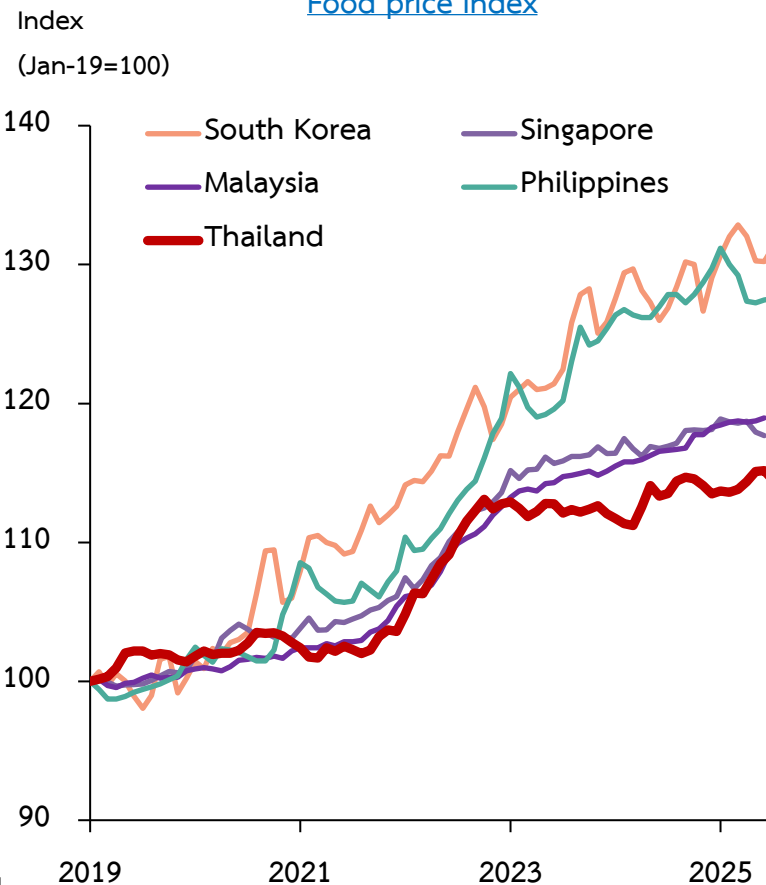
CPI basket composition



Note: The food category includes raw food, cooking ingredients, prepared food, and non-alcoholic beverages for ease of comparison with other countries

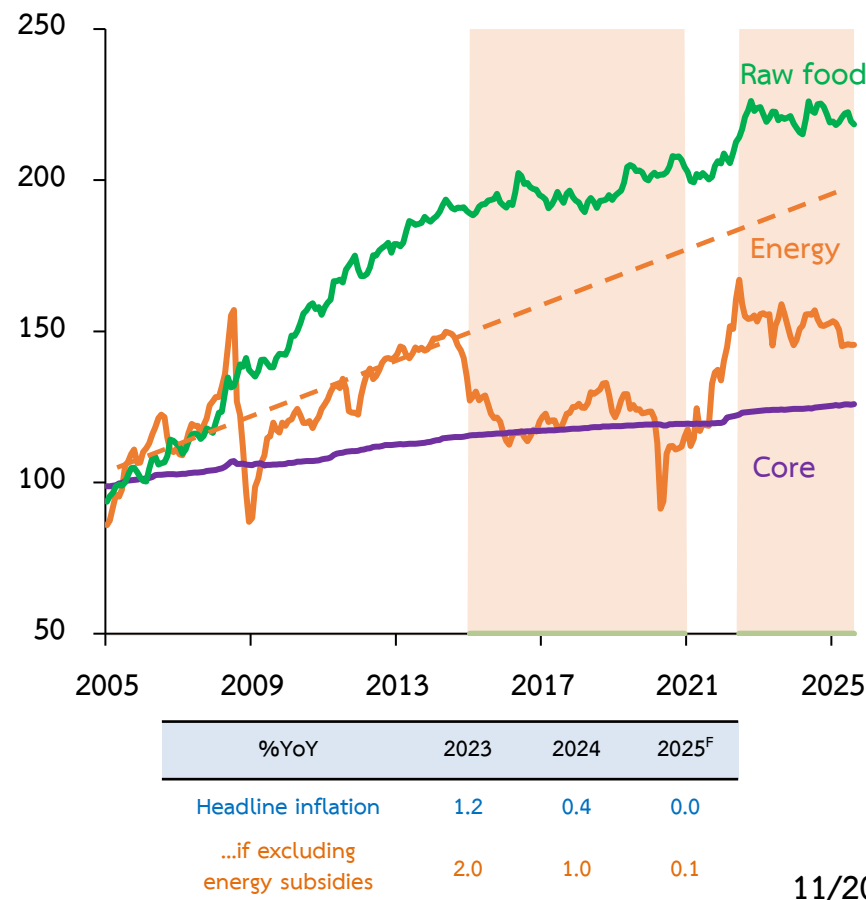
Source: CEIC, National Data, and Ministry of Commerce, calculation by BOT

Food price index



Source: CEIC and Ministry of Commerce, calculation by BOT

Index Food, Energy, and Core inflation indices
(2005=100)



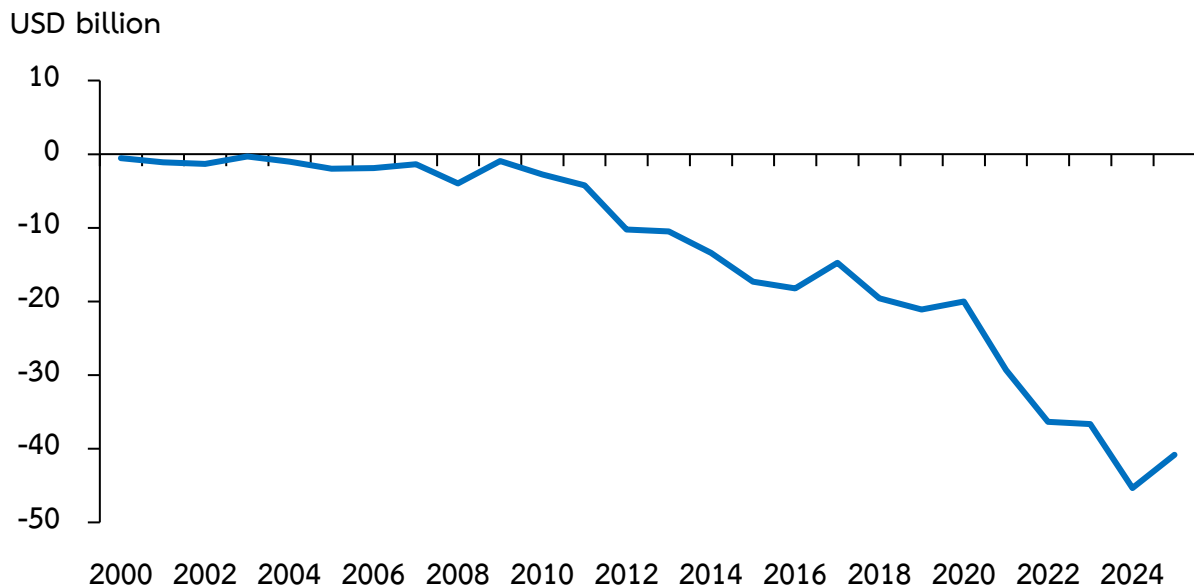


Price competition has contributed to Thailand's prolonged low inflation

On average, prices of Chinese imports are lower than those of imports from other countries.
This has contributed to Thailand's low inflation through intensified price competition.

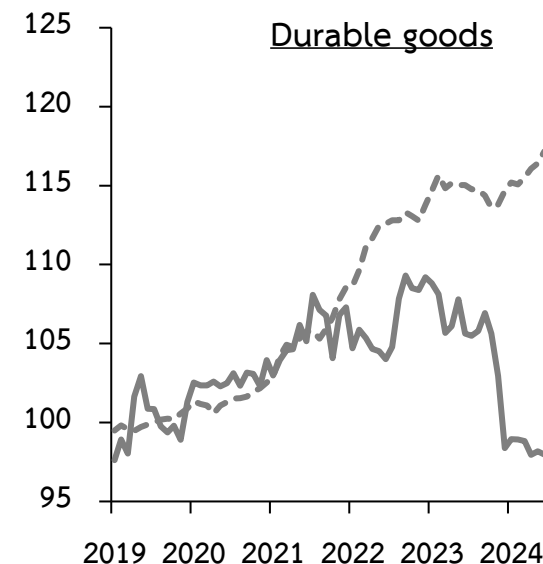
Thailand's trade balance with China

Thailand has recorded a sustained trade deficit with China since 2000

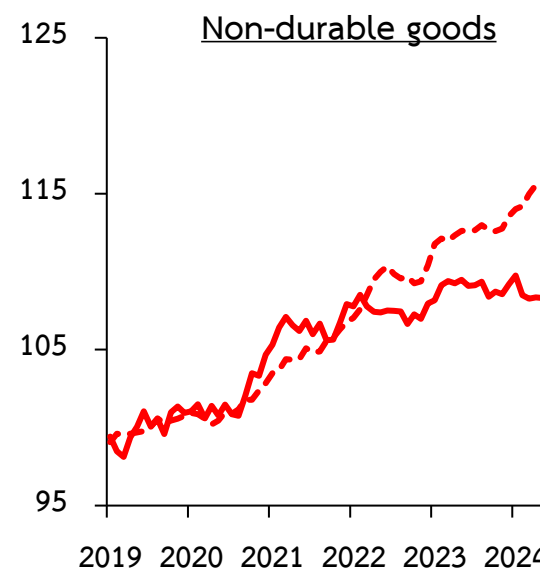


Chinese imports price index (bold line) versus overall imports price index (dashed line)

Index (2019=100)



Index (2019=100)





(2) Underlying inflation indicators remain largely stable close to historical trend; and (3) medium-term inflation expectations remain well-anchored

Most underlying inflation indicators such as core inflation and trimmed mean inflation were consistent with historical averages

Underlying inflation indicators

%YoY	2024												2025								
	1	2	3	4	5	6	7	8	8	10	11	12	1	2	3	4	5	6	7	8	9
Core CPI	0.5	0.4	0.4	0.4	0.4	0.4	0.5	0.6	0.8	0.8	0.8	0.8	0.8	1.0	0.9	1.0	1.1	1.1	0.8	0.8	0.7
Core CPI (excl. rent & subsidies)	0.6	0.5	0.4	0.4	0.5	0.4	0.6	0.8	0.9	0.9	1.0	1.0	1.0	1.2	1.0	1.2	1.3	1.2	1.0	0.9	0.7
Trimmed mean	0.6	0.5	0.6	0.6	0.9	0.8	1.0	1.0	1.0	1.1	1.1	1.2	1.1	1.1	1.1	0.9	1.0	1.1	0.9	0.8	0.7
Sticky price CPI	0.9	0.7	0.6	0.6	0.6	0.5	0.7	0.8	0.9	0.9	0.9	0.8	0.9	1.1	1.0	1.0	1.3	1.4	1.3	1.2	1.0

Note:

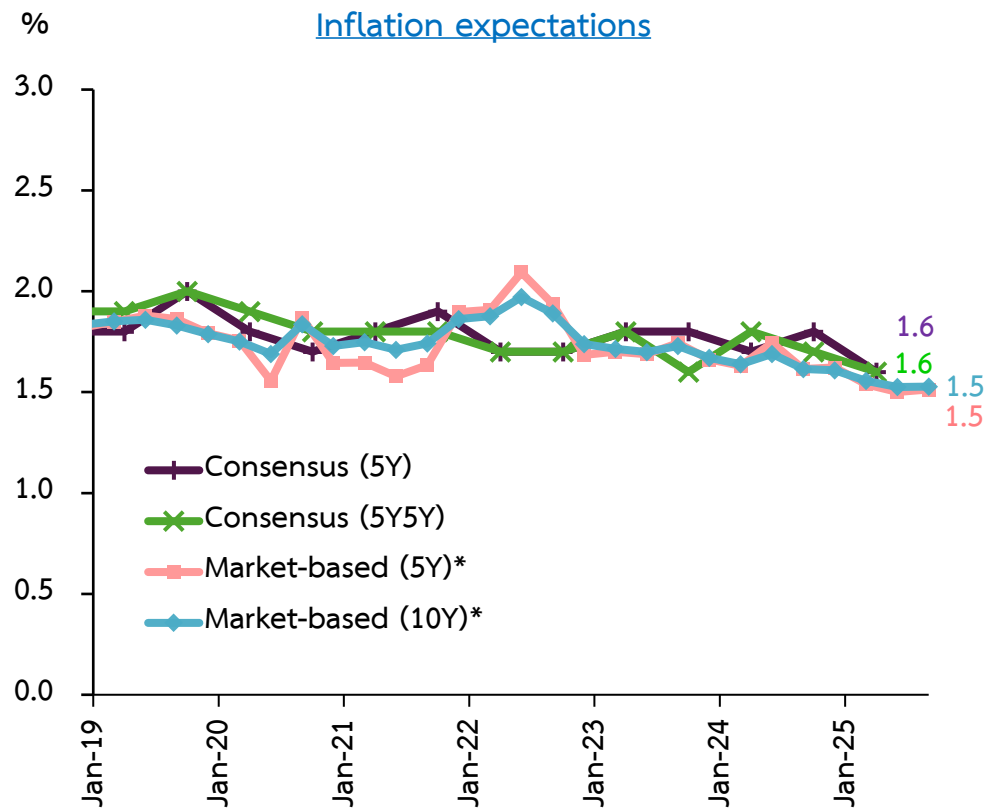
- Deviation from mean > 1 S.D.
- Deviation from mean 0.5-1 S.D.
- Deviation from mean < 0.5 S.D.

Note: Trimmed mean inflation is calculated by excluding goods and services whose prices exhibited the largest and smallest change (10% and 15% of weight in CPI basket, respectively); Sticky price CPI is calculated from goods and services whose frequency of price changes are less than once every 4.8 months, which is the average frequency of price changes in goods and services in the CPI basket according to Apaitan et al. (2018)

Source: Ministry of Commerce, calculation by BOT

Medium-term inflation expectations remain well-anchored within the 1-3% target range

Inflation expectations



Note: * The estimates are derived using an affine term structure model, incorporating yield curve data and macroeconomic variables.

Source: Asia Pacific Consensus Economics, Ministry of Commerce, and BOT



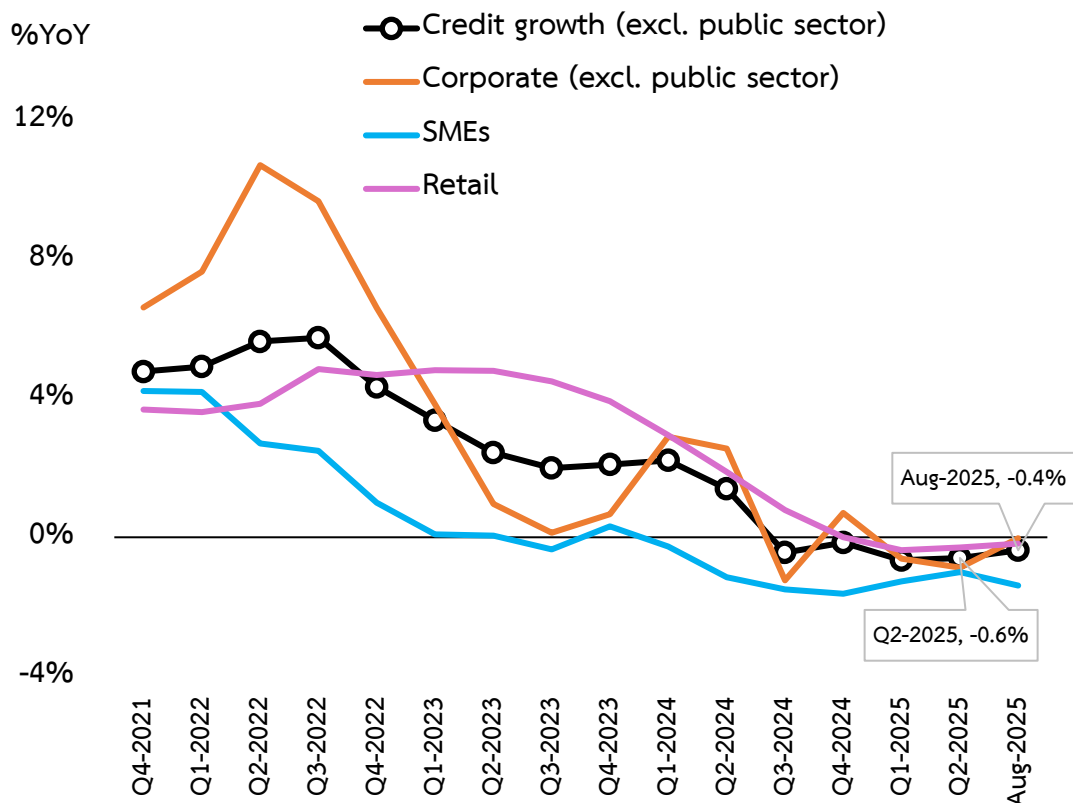
Financial conditions

- Credit growth contracted due to (1) lower credit demand from large corporates amid economic uncertainties; (2) banks exercising caution when lending to borrowers with high credit risks especially SMEs and low-income households; and (3) debt repayments
- The baht underwent volatile movements and appreciated from the previous quarter, driven by external factors

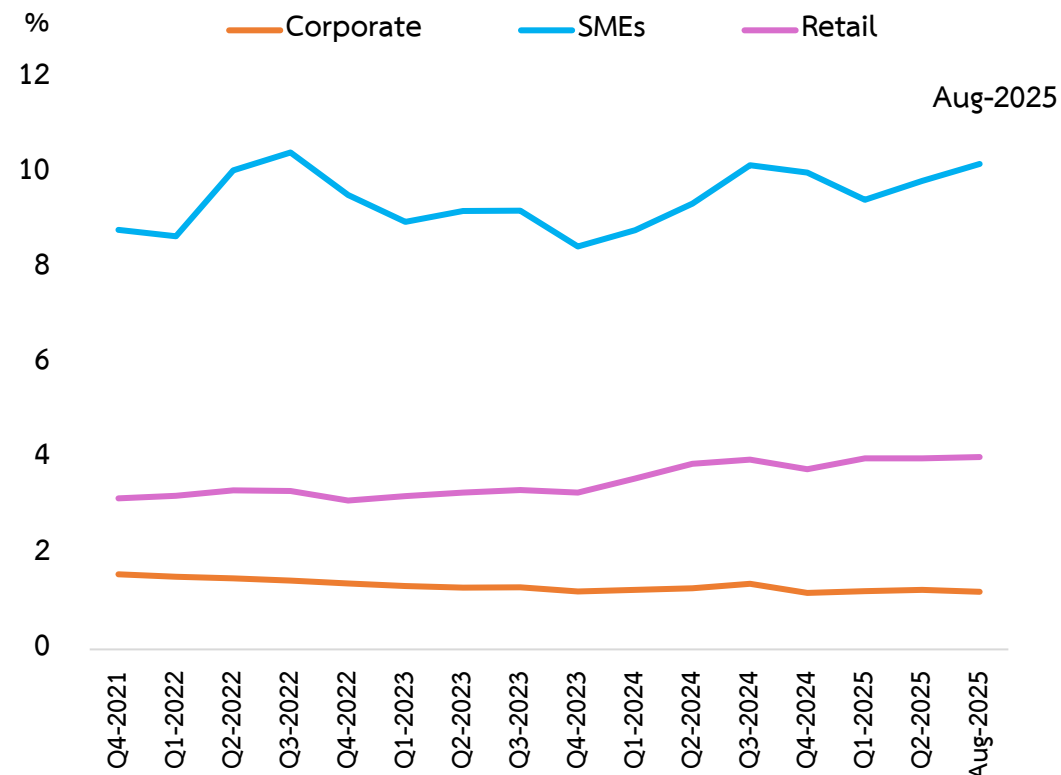


Credit growth remained negative. Credit quality continued to deteriorate, especially among SMEs.

Credit growth in the financial institutions' system



NPL ratio in the financial institutions' system

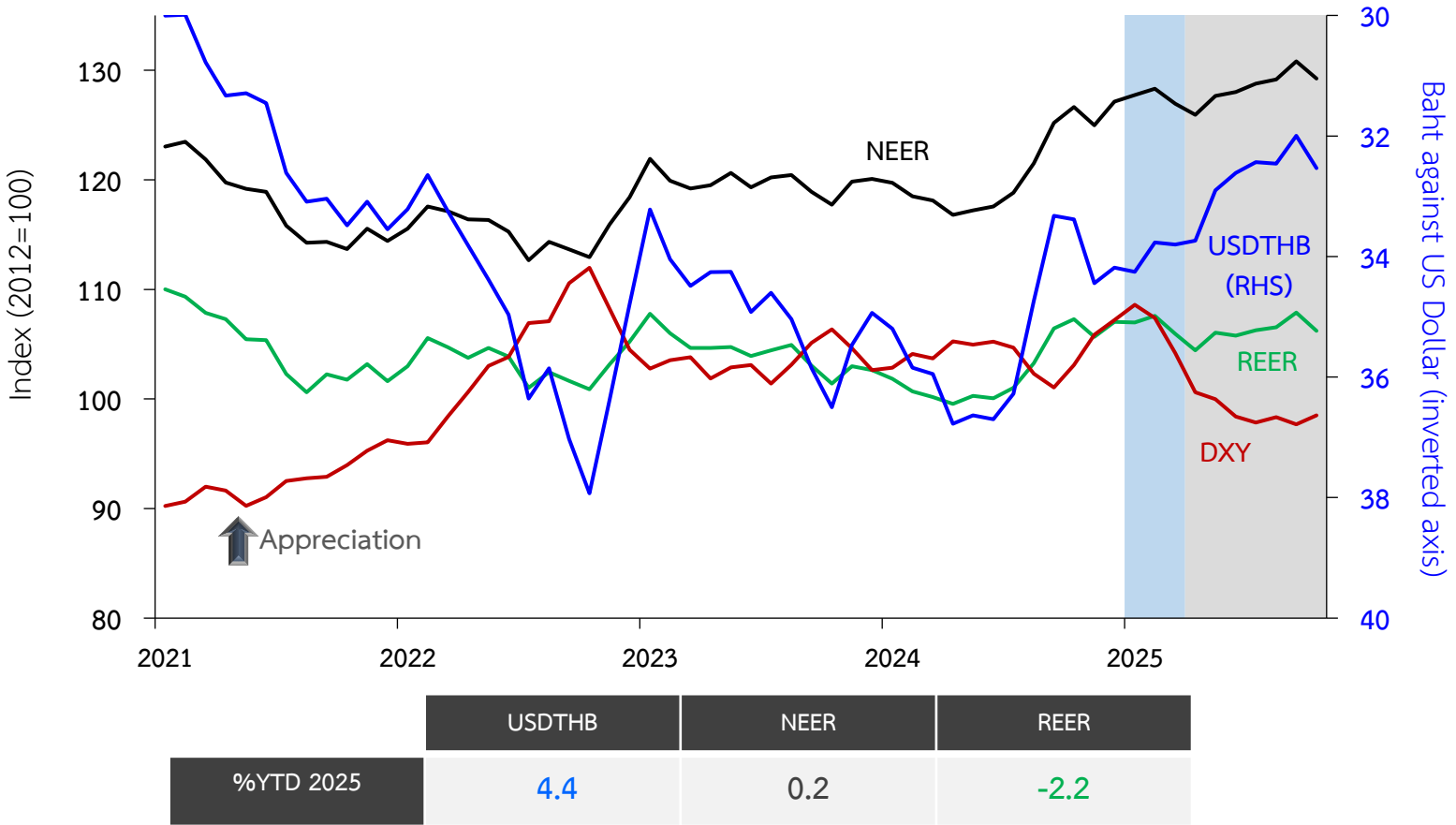


- Note:** (1) The financial institutions' system includes commercial banks (and their subsidiaries), SFIs, and non-banks that are not subsidiaries of commercial banks
(2) Definitions for each business loan size are as follows: (i) commercial banks not including businesses within the same group – OSMEP's 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 – dataset covers 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



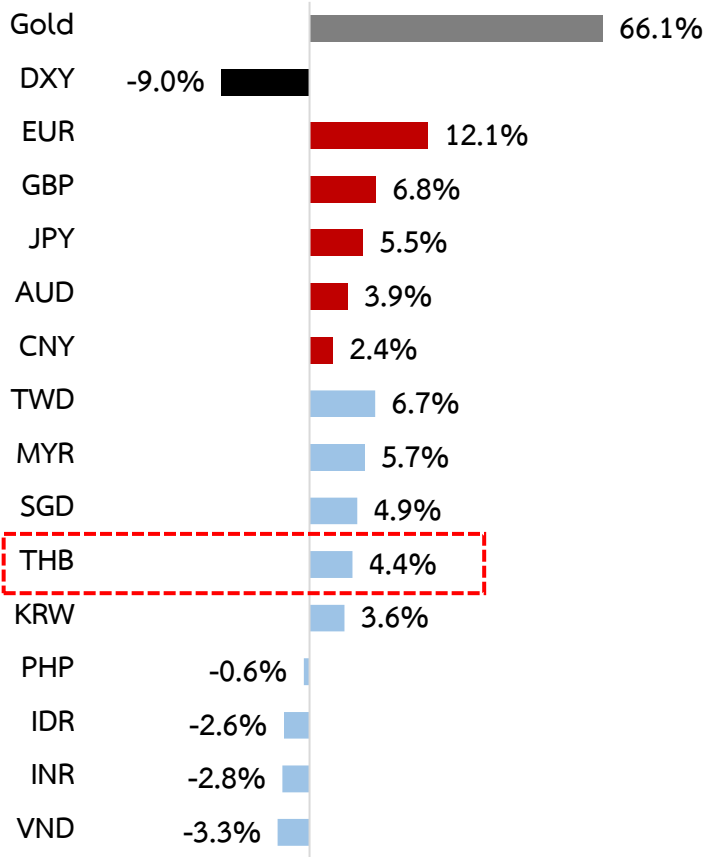
The baht appreciated on average primarily due to a more dovish monetary policy stance in the US

Baht per US dollar (USDTHB), Nominal Effective Exchange Rate (NEER), and US dollar Index (DXY)



Major currencies and regional currencies appreciated, with the baht's appreciation ranking around the middle among peers

Year-to-Date



Note: Data represent average values as of 17 Oct 2025

Source: Bank of Thailand, Bloomberg

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Source: Bank of Thailand, Bloomberg



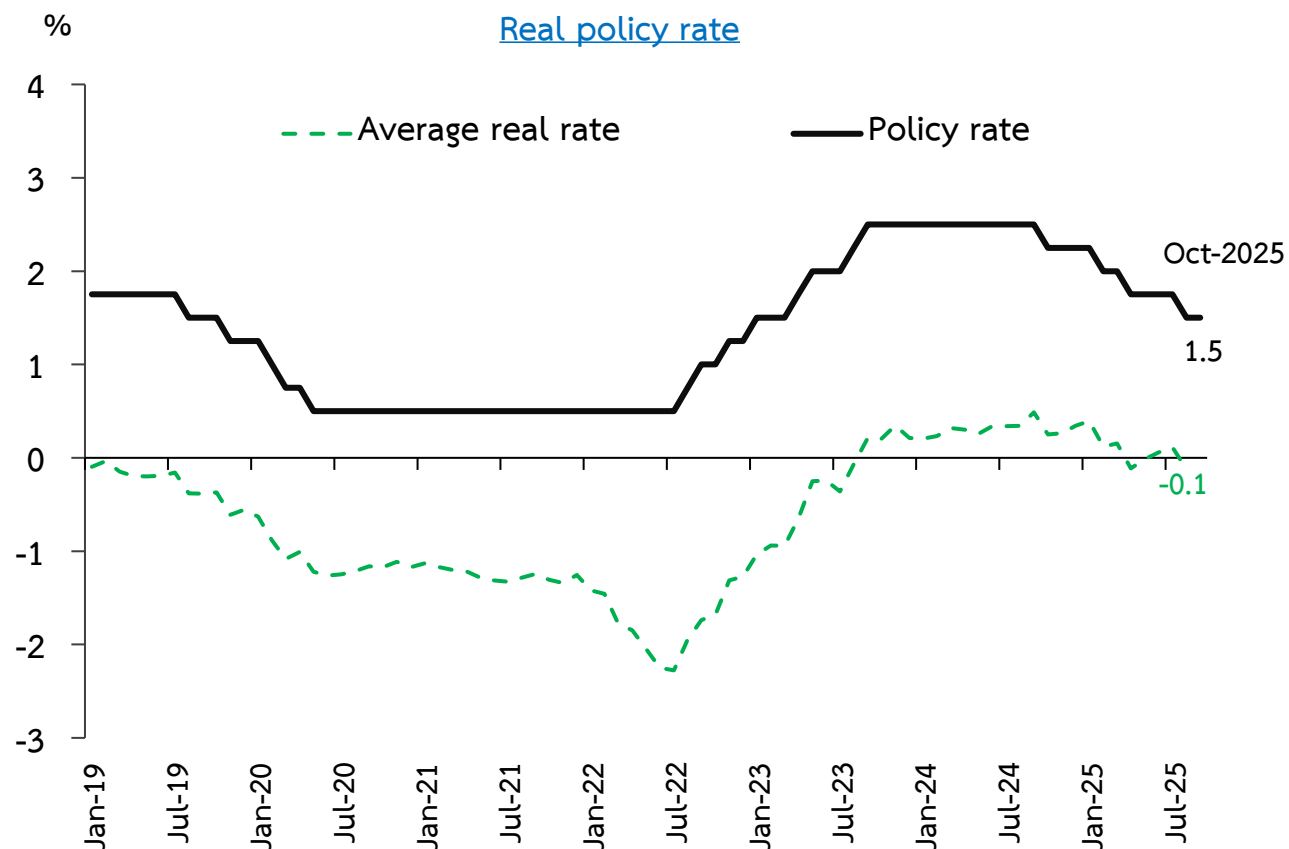
Monetary policy

- Monetary policy should be accommodative to support the economy. The recent policy rate cuts have helped provide cushion against risks to some extent and are still in the process of transmitting their effects to the economy.
- Most Committee members viewed that monetary policy decision needs to give due consideration to the timing and effectiveness given the limited policy space, and stand ready to evaluate and adjust the policy rate so that it is appropriate to the evolving economic and inflation outlook.
- Some Committee members viewed that monetary policy could be eased further to support the economic recovery.



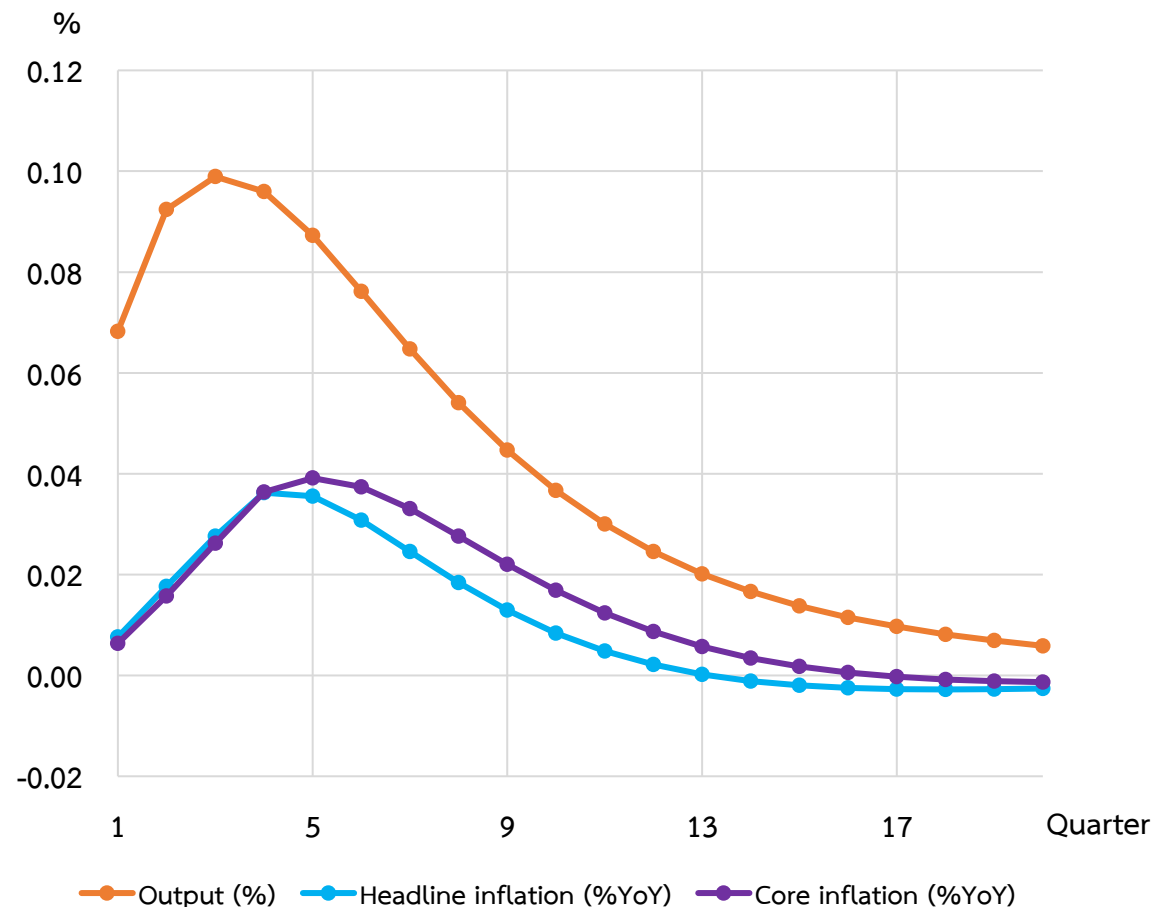
The effects of monetary easing are still in the process of being transmitted to the real economy

Current monetary policy stance is accommodative



Note: Average real rate is calculated by subtracting the inflation expectation from the policy rate. Inflation expectations used for such calculation includes the 1-year ahead inflation expectation of Thai businesses, households, and professional forecasters, and the 5-year ahead inflation expectations of professional forecasters (5Y5Y).

Monetary policy transmission to the economy and inflation would peak at approximately 4-6 quarters



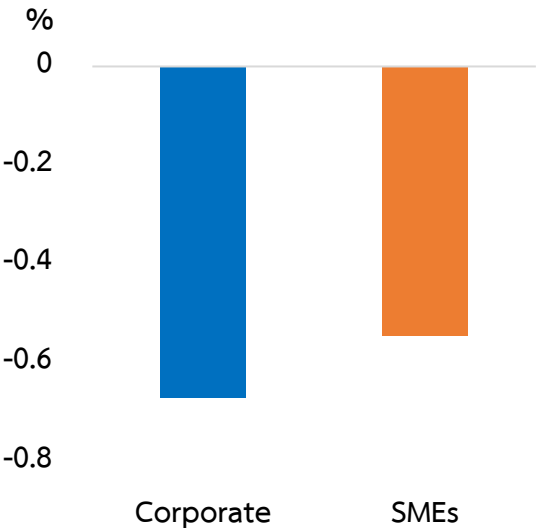
Note: Effects of 100 bps policy rate cut based on the BOT's Semi-structural New Keynesian Model



Addressing challenges faced by SMEs requires monetary policy as well as targeted financial measures and initiatives to improve productivity

Lower policy rate helped alleviate SMEs' debt burden to some extent, although the effect is limited compared to large corporates

Decline in the effective interest rate (EIR) of business loans from last 4 policy rate cuts

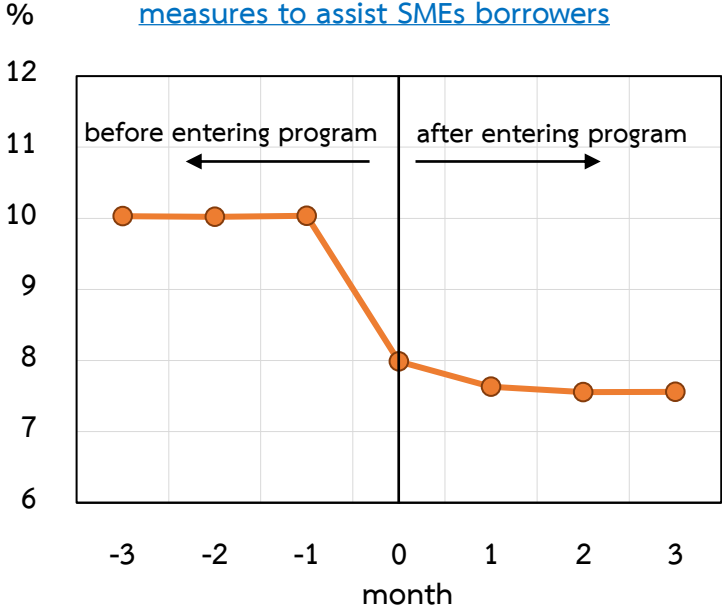


Note: Δ EIR calculation is from Sep 2024 to Aug 2025, which would reflect the effects of 100 bps cumulative policy rate cuts

Source: Credit data from the Regulatory Data Transformation (RDT) project (covering only commercial banks), calculation by BOT

Targeted financial measures can help alleviate SMEs' debt burden

EIR change resulting from measures to assist SMEs borrowers

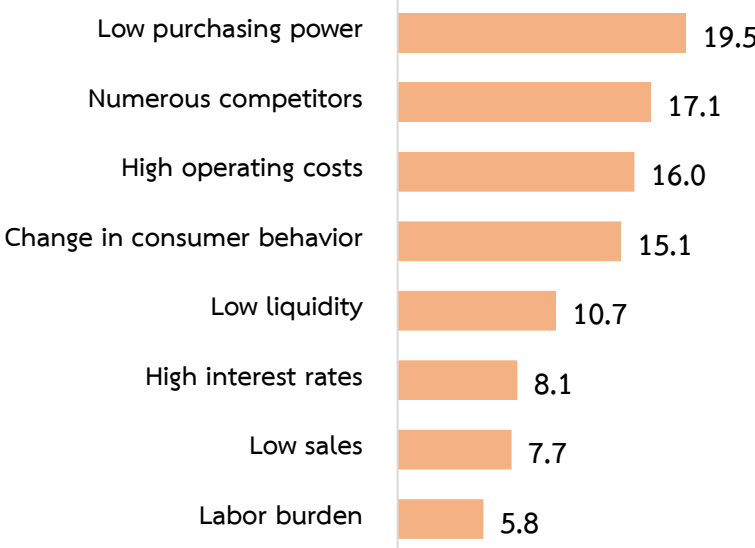


Note: EIR is calculated from contract-level data of SMEs participating in Khun Soo Rao Chuay (Jai Trong Kong Sup) program for at least 4 months. Only contracts with a reduced interest burden, including those benefiting from 3-year debt moratorium, were included in the calculation.

Source: RDT project (covering only commercial banks)

The key solutions to SME problems are capacity building and competitiveness enhancement

Factors contributing to financial problems and debt burden of SMEs in Q2-2025



Note: Share of survey respondents

Source: Result of OSMEP survey on MSMEs' debt situation and business performance in the second quarter of 2025



Addressing Thailand's economic and financial challenges requires a mix of policy tools

Monetary policy

Monetary policy should remain accommodative
to support economic growth.

Meanwhile, monetary policy should also give due
consideration to the risks ahead and safeguarding
financial stability over the medium-term

Exchange rate measures

Ensure the baht's movement is more in line with
economic fundamentals

Financial institutions' measures

- Addressing debt appropriately for different groups of debtors (good debtors / debtors facing difficulties / debtors with NPLs)
- Consider implementing additional financial measures such as soft loans for business adaptation and uplifting competitiveness
- Consider establishing AMC's to handle bad debts, ensuring that financial institutions can continue to perform their financial intermediary roles without interruption