



ธนาคารแห่งประเทศไทย
BANK OF THAILAND



Monetary Policy Forum 1/2026

13 May 2026

(Economic projections as of 29 April 2026)



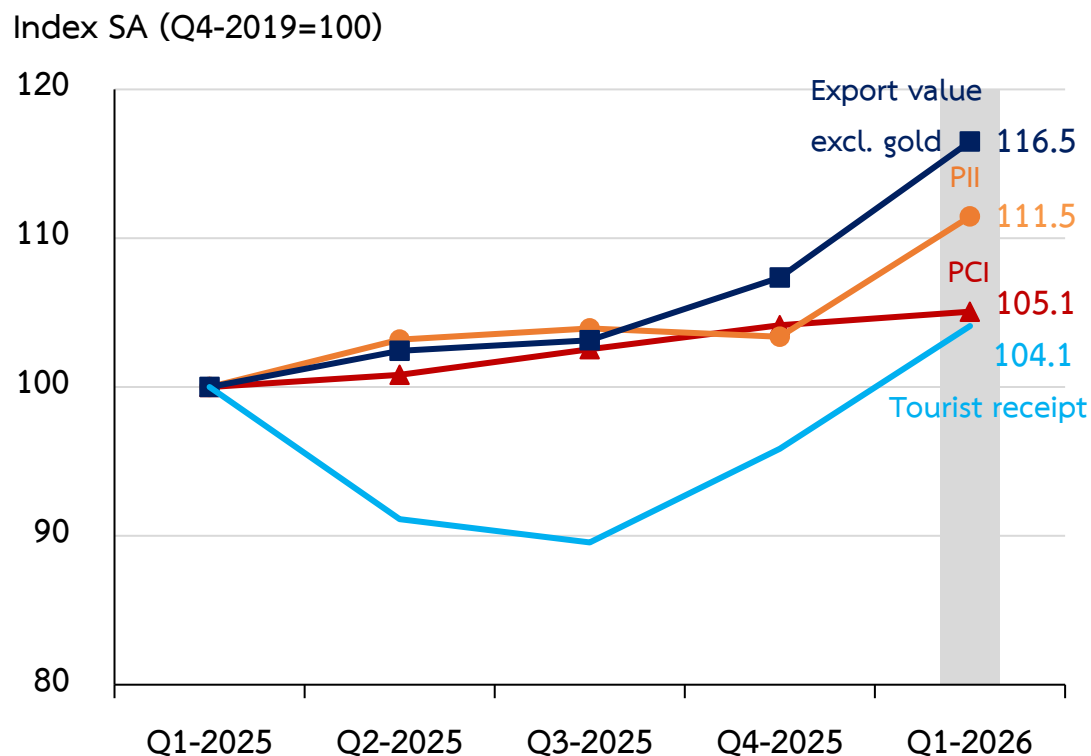


Prior to the Middle East war, economic indicators pointed to stronger-than-expected growth, but the war led to a surge in global energy prices and disruptions in logistics and transportation

Economic growth in Q1/2026 is projected to be stronger than previously assessed, driven by domestic demand and merchandise exports

Thailand has been significantly affected due to (1) high reliance on energy imports and (2) substantial rise in the regional oil prices that are the primary reference for refined oil prices in Thailand

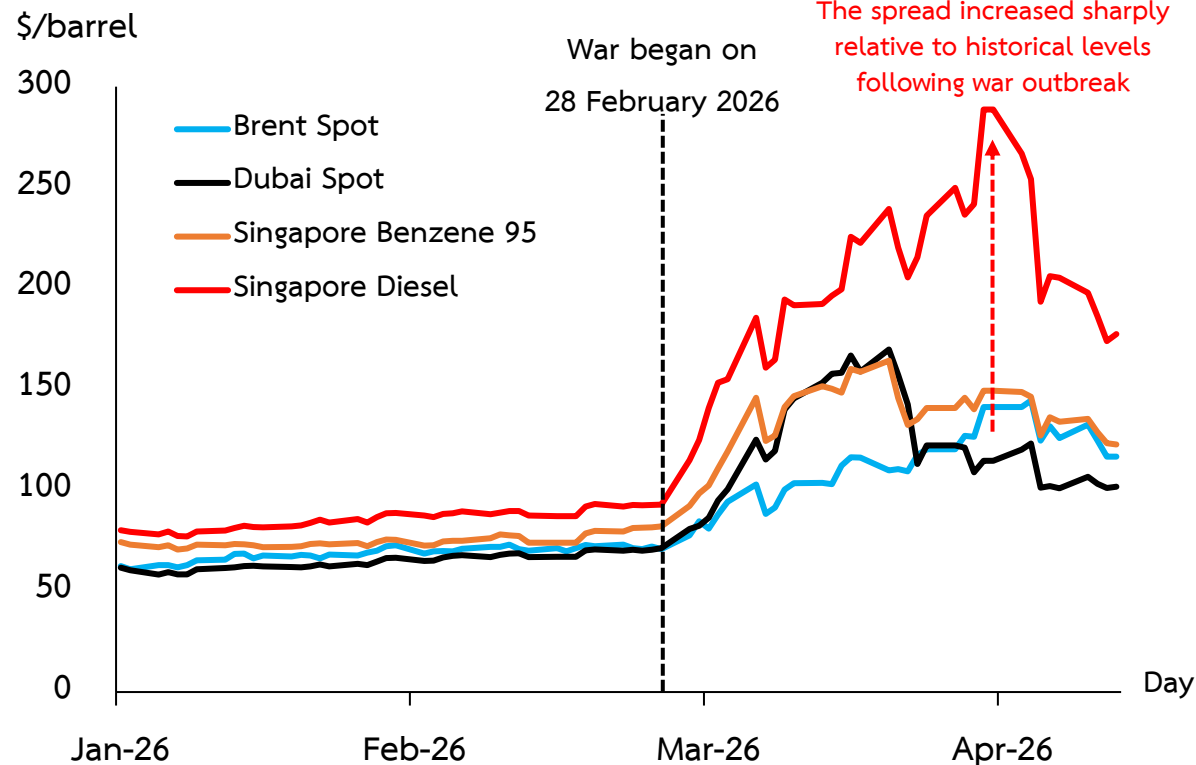
Demand-side economic indicators



Note: PCI = Private Consumption Indicator, PII = Private Investment Indicator

Source: BOT

Singapore refined oil prices vs. crude oil prices



Source: Bloomberg, calculation by BOT



The situation remains highly uncertain, depending on the severity and duration of the war

Under the base case, the conflict is expected to ease by H1/2026; supply disruptions are expected to persist throughout 2026 in a worse case

Dubai crude oil prices are projected to peak in Q2/2026 before gradually declining, although year-end prices are expected to remain above pre-war levels

Issue	Assumption (base case)	Assumption (worse case)
War timeline	The conflict is expected to ease by the end of H1/2026	The conflict is expected to prolong throughout 2026
Strait of Hormuz	Shipping is expected to be disrupted until the end of H1/2026 before normalizing in H2/2026	Shipping disruptions are expected to continue, although partial transit through the Strait of Hormuz may be possible during H2/2026
Oil price	Prices are projected to remain elevated in H1/2026 and gradually ease in H2/2026, while remaining above pre-war levels	Prices are projected to remain elevated for an extended period before gradually moderating in 2027
Supply disruptions	The situation is expected to gradually ease in line with developments in the conflict	Supply chains are expected to face significant pressures

Dubai crude oil prices assumption



Note: data as of 21 Apr 2026

USD per barrel	2024	2025	2026 ^F	2027 ^F
Dubai crude oil prices (annual average)	79.6	69.4	100.0	80.0

Note: F = forecasts

Source: forecasts by BOT



Thailand relies heavily on energy and commodities from the Middle East; consequently, rising energy and input costs are exerting pressure on businesses and weighing on long-haul tourist arrivals

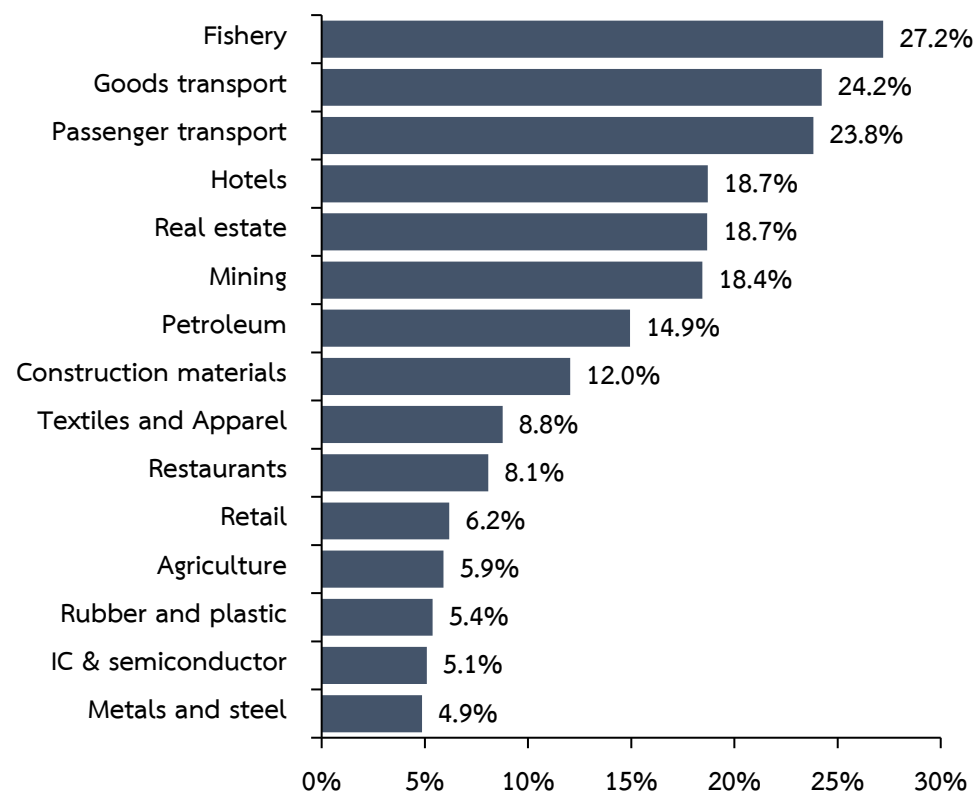
- Thailand relies on energy imports at around 7% of GDP
 - Crude oil imports from the Middle East account for 2.9% of GDP, compared with about 1% of GDP for other Asia-Pacific countries*
- Thailand is highly reliant on imports from the Middle East for several commodities, notably naphtha (90%), urea (71%), crude oil (59%) and helium (57%)
- Around 11% of total foreign tourist arrivals could be affected, including:
 - Middle East (1.2 million persons = 4% of total foreign tourist arrivals)
 - Europe (1.9 million persons = 6%)
 - Other long-haul (0.3 million persons = 1%)

Note: * ASEAN CN KR JP and TW

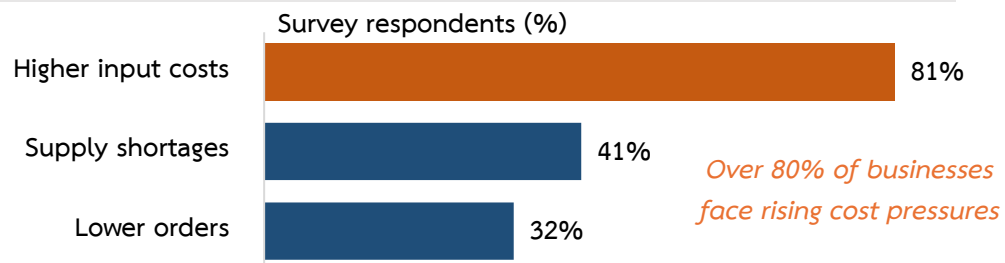
Sources: Trade Map, Thai Customs, Immigration Bureau, Ministry of Tourism and Sports

Higher energy prices have raised business costs, with varying impacts across sectors depending on energy dependence

Share of energy and fuel costs to total costs



The impact of the US-Iran war on businesses

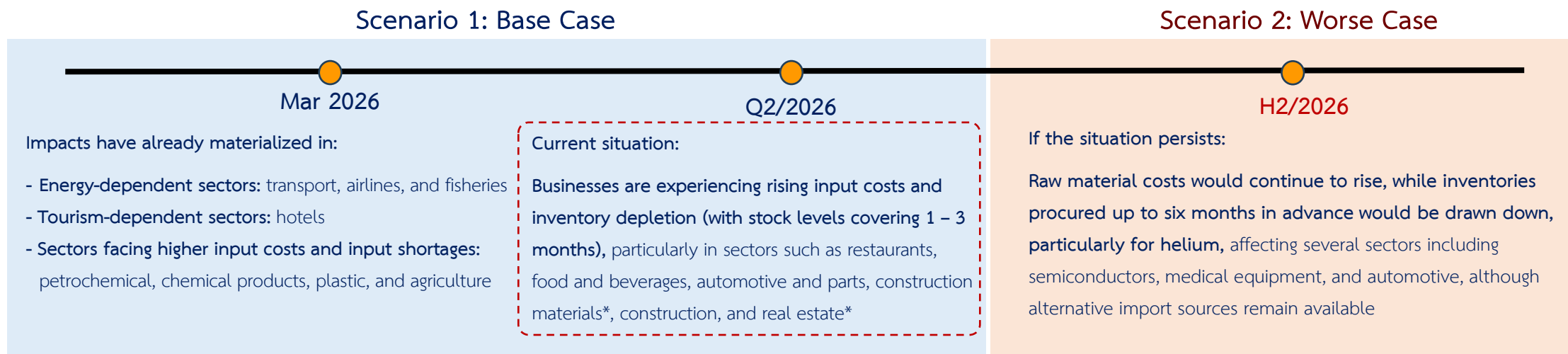


Source: Special business sentiment survey with 217 total respondents (data as of 27 Apr 2026)

Sources: Industrial Census, and Business Trade and Services Census from the National Statistics Office and Thailand Input-Output Table from the Office of the National Economic and Social Development Committee (NESDC), calculations by BOT



On the ground: impacts on businesses would become more evident in Q2/2026



Note: * sectors whose business conditions and liquidity were already impaired prior to the war

Business adjustment strategies:

- (1) Production:** shift toward higher-margin or fast-selling products/ consolidate orders to reduce shipping frequency/ switch to lower-cost inputs/ seek alternative supply sources/ scale down production
- (2) Sales:** shorten contract duration to better track input cost trends/ explore alternative markets
- (3) Cost pass-through:** most firms would pass through no more than 20% of cost increases; however, firms facing significant cost increases and panic buying may pass through more than 20%

Post-war recovery: some sectors, such as hotels, are expected to recover relatively quickly, within 6 months

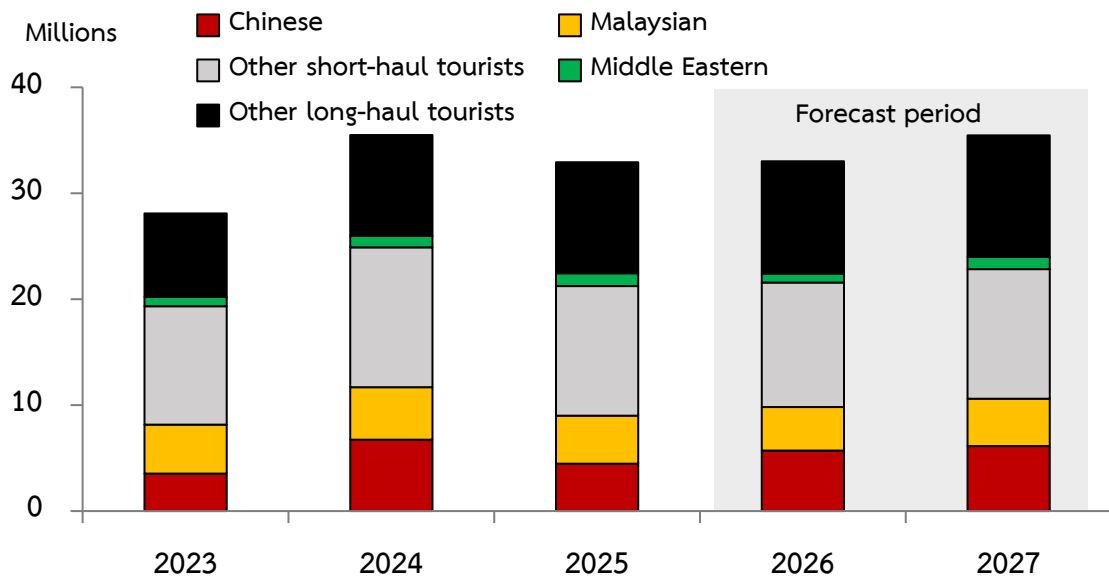


Tourism and private consumption are expected to slow due to the impact of the war

Long-haul tourist arrivals are projected to decline due to travel constraints; short-haul arrivals soften amid higher travel costs, while Chinese arrivals continue to expand

Private consumption is weighed down by higher costs of living and a weakening income outlook, resulting in slower growth

Foreign tourist arrivals by nationality



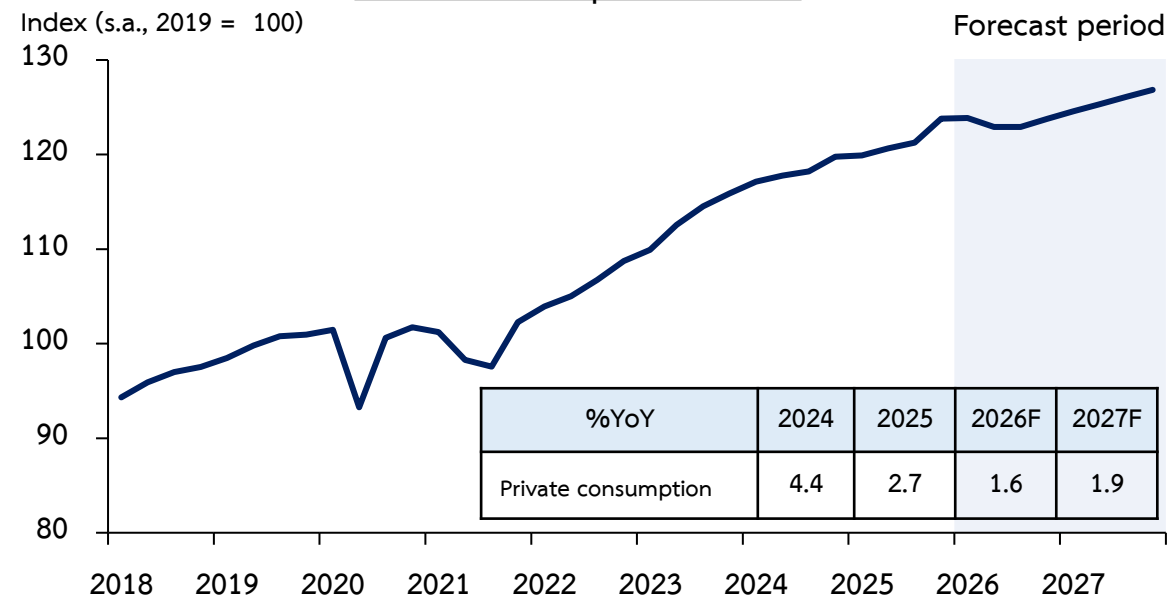
MPC Apr 2026	2024	2025	2026 ^F	2027 ^F
Foreign tourist arrivals (million persons)	35.5	33.0	33.0	35.5
o/w from China	6.7	4.5	5.7	6.1
o/w from the Middle East	1.1	1.2	0.8	1.1
Spending per head (thousand baht)	39.0	41.7	43.9	44.4
Tourism receipts (trillion baht)	1.4	1.4	1.45	1.57

Note: F = forecast; Middle East include those from Israel and Iran
Source: Ministry of Tourism and Sports; calculations and forecasts by BOT

Labor income forecast (%YoY)	2015-2019	2025 ^F	2026 ^F	2027 ^F
Total labor income	4.7	1.6	-0.3	2.7
Employee income (59%)	4.1	3.2	0.9	2.3
Self-employed income (31%)	8.0	1.3	-0.3	3.8
Farm income (10%)	0.3	-6.6	-8.5	1.5

Note: F = forecast; () share of total labor income from national income account, which already accounted for input costs

Private consumption outlook



Sources: NESDC, Office of Agricultural Economics; calculations and forecasts by BOT

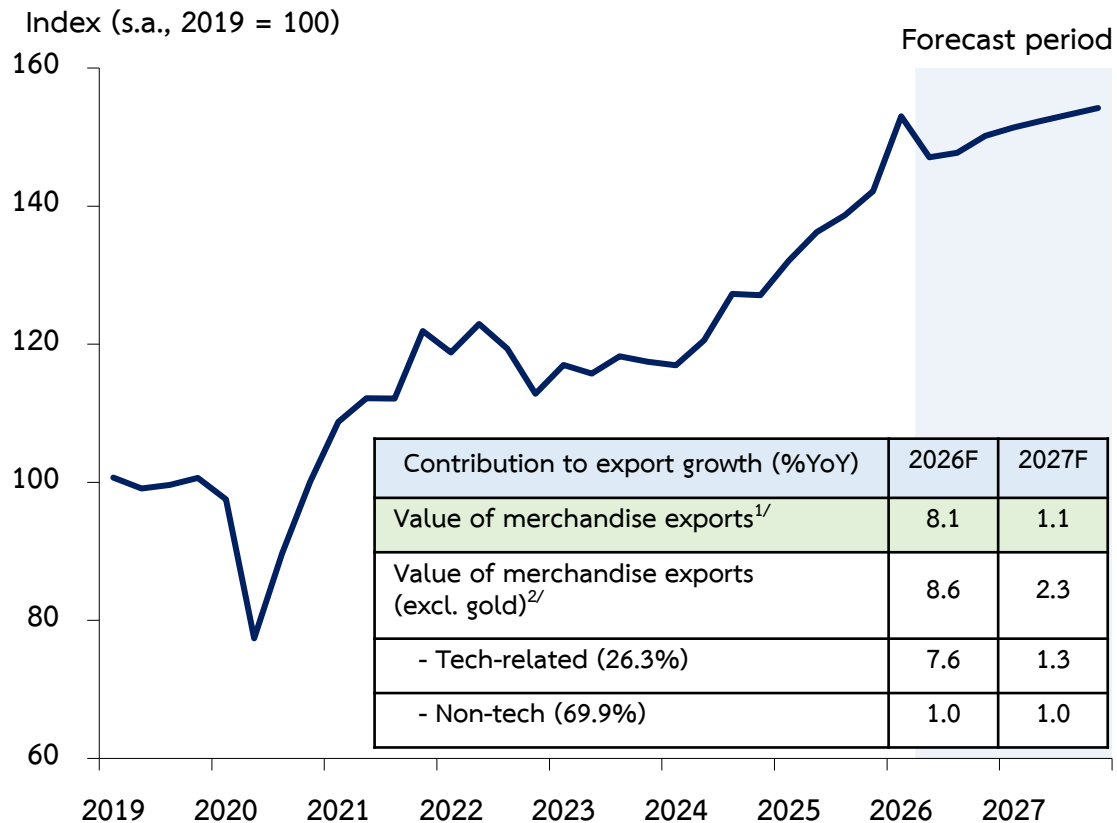


Merchandise exports are projected to increase, driven by tech-related goods, while private investment continues to be underpinned by the technology sector

Merchandise exports are projected to grow strongly, driven by tech-related goods in line with robust data center demand, while non-tech exports are expected to remain weak and impacted by the war

Private investment continues to expand on the back of investment in the electronics and digital sectors, but is expected to temporarily slow down in the near term due to the war

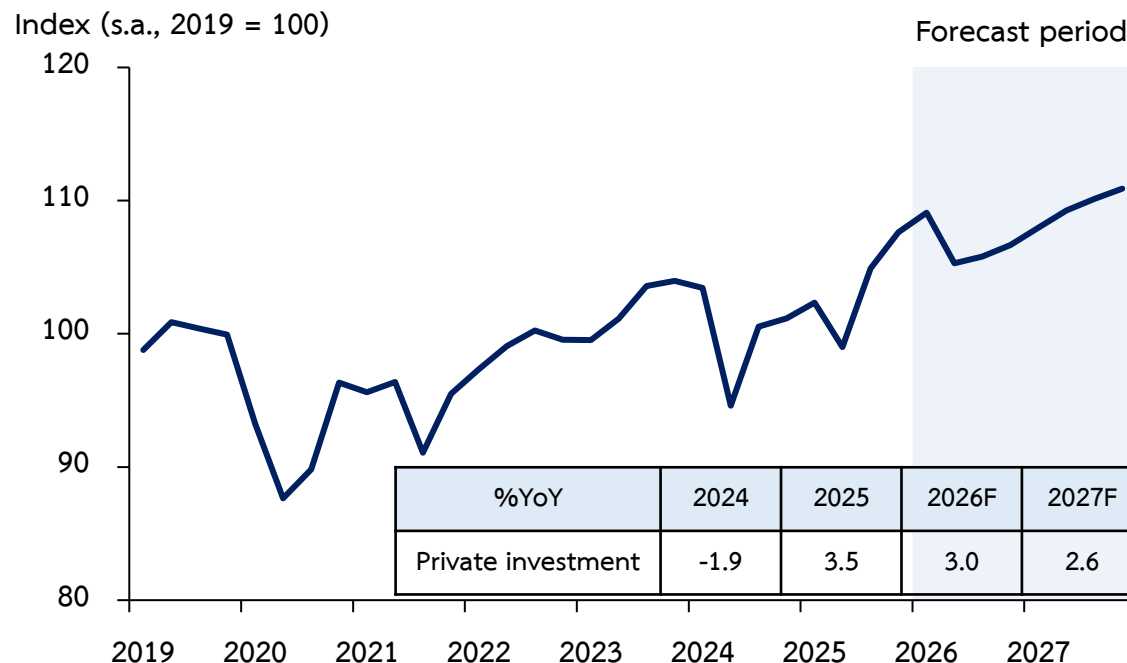
Merchandise exports (excluding gold) forecast



Note: F = forecast; ^{1/}BOP basis; ^{2/}Custom basis

Sources: Thai Customs, Ministry of Commerce, calculations and forecasts by BOT

Private investment forecast



Note: F = forecast

Source: forecasts by BOT

Additional analysis on FDI and investment in Monetary Policy Report Q1/2026

(Box: Thailand's FDI outlook and benefits)



The government has been formed earlier than expected, and thus the FY2027 budget is expected to come into effect as planned

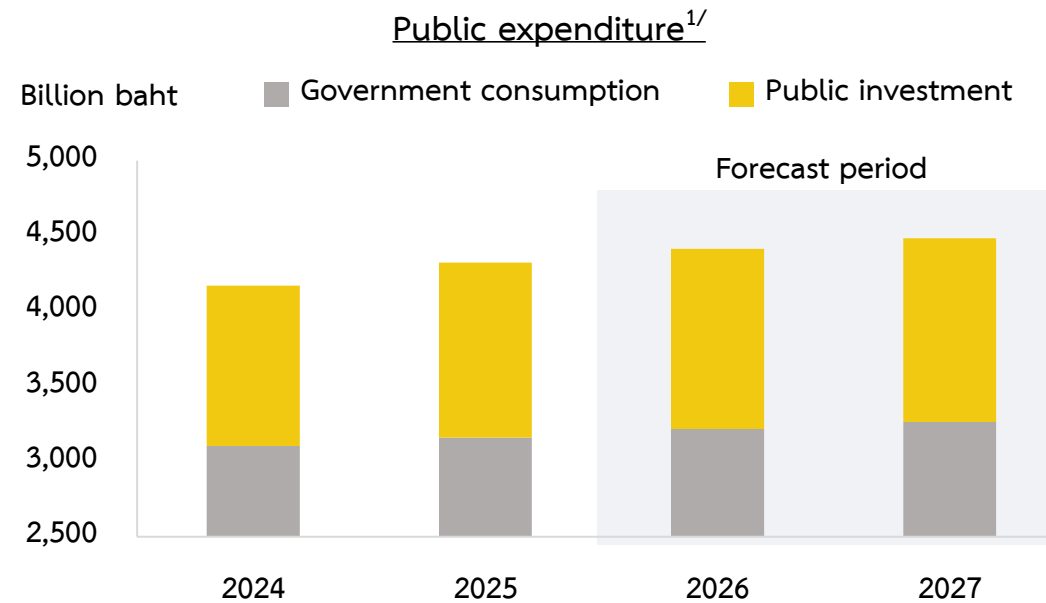
Public expenditure is projected to increase in 2026, as the Fiscal Year 2027 Budget is expected to be expedited and enacted within the normal timeframe

Timeline of FY2027 budget process compared to MPC Feb 2026

- Government formation completed 1 month ahead of expectation
- Budget formulation and approval completed 1 month earlier than expected

FY2027 budget timeline

FY2026 budget						FY2027 budget
Apr 2026	May 2026	Jun 2026	Jul 2026	Aug 2026	Sep 2026	Oct 2026
Government announces policy	Budget bureau considers details / Cabinet approves draft Budget Bill		Parliament considers FY2027 budget and submit draft Budget Bill for Royal endorsement before coming into effect			



Note: F = forecast; ^{1/}Government consumption and public investment at current prices as defined in System of National Account (SNA)

%YoY (real terms)	2025	2026F	2027F
Public expenditure	3.0	0.5	0.4
• Government consumption	0.6	0.0	0.3
• Public investment	8.9	1.5	0.6



The economy is expected to slow down due to the war's impact; however, additional stimulus measures could result in higher-than-expected growth in 2026

Macroeconomic projections (base case)

%YoY	2025	2026 ^F	2027 ^F
GDP growth	2.4	1.5	2.0
Domestic demand	2.8	1.6	1.7
Private consumption	2.7	1.6	1.9
Private investment	3.5	3.0	2.6
Government consumption	0.6	0.0	0.3
Public investment	8.9	1.5	0.6
Export volume of goods and services	9.2	5.9	1.4
Import volume of goods and services	6.7	6.2	0.9
Current account (billion US dollars)	15.9	7.0	8.0
Value of merchandise exports (%YoY)	12.7	8.1	1.1
Value of merchandise imports (%YoY)	13.0	11.2	0.7
Foreign tourist arrivals (million persons)	33.0	33.0	35.5
Tourism receipt (trillion baht)	1.4	1.4	1.6

Note: ^F = forecast

Source: Office of the National Economic and Social Development Committee, forecasts by BOT

Summary of risks to the growth outlook

Risks to growth are skewed to the downside for both 2026 and 2027 with issues to be monitored as follow:

1. A more prolonged-than-anticipated war, along with additional U.S. trade policy measures
2. Rising input costs straining firms' liquidity, with potential implications for employment
3. Impacts from government economic stimulus measures

The additional economic stimulus measures of THB 400 billion

Preliminary estimates suggest that stimulus measures could result in higher GDP growth in 2026, around 0.6 percentage point above the base case, while lowering GDP growth in 2027 by about 0.4 percentage point due to base effects. Meanwhile, inflation is expected to be marginal, as domestic demand remains fragile amid intensified competition.



Inflation

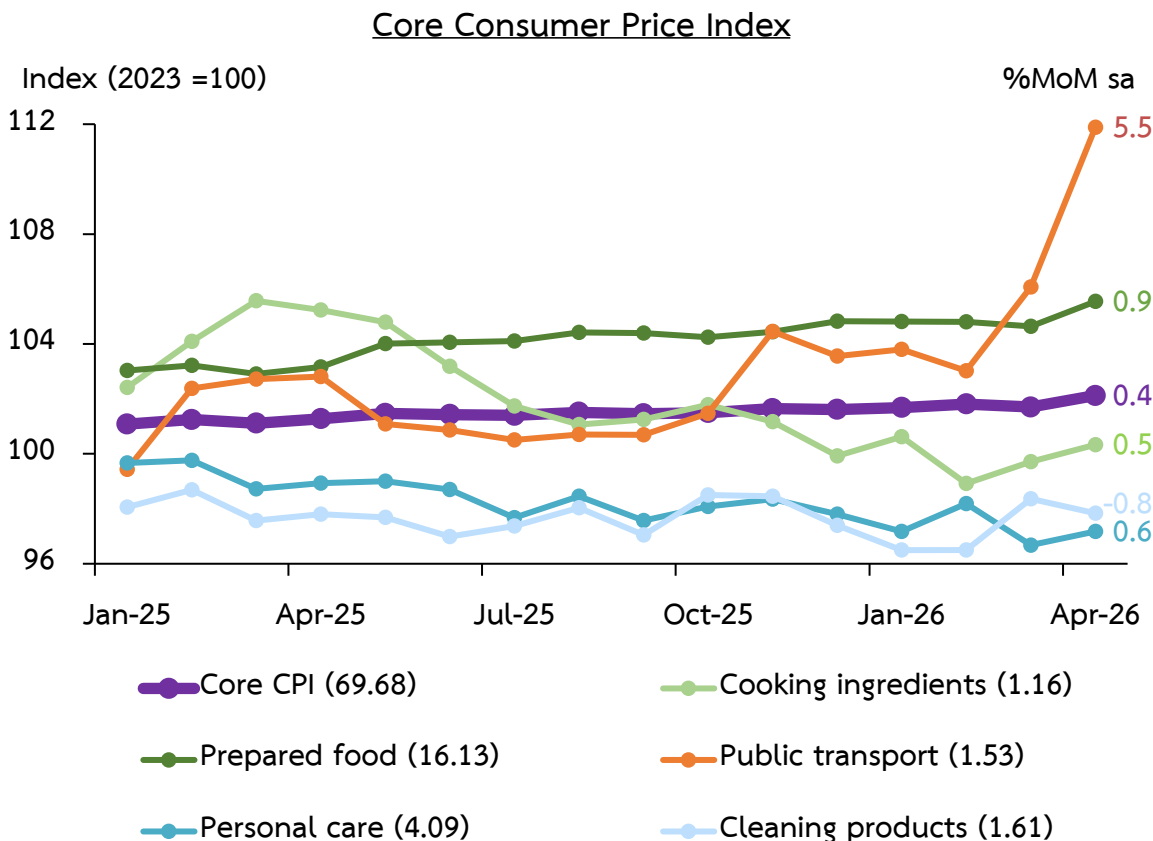
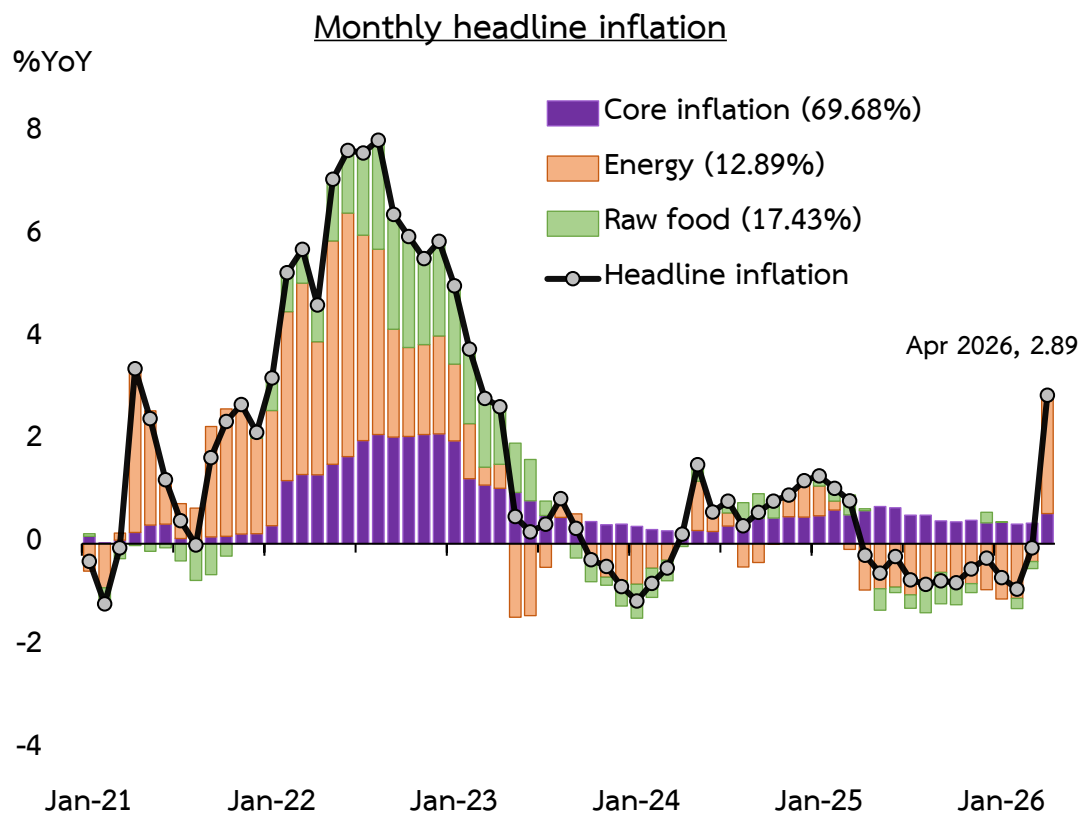
- Headline inflation is expected to increase in 2026, driven by rising energy prices and cost pass-through, before declining in 2027 as supply-side pressures subside
- There is limited risk that prices of goods and services would increase persistently and broadly, embedding in the economy due to unanchored inflation expectations (i.e. second-round effects)
- Looking ahead, it is important to closely monitor businesses' price setting behavior and medium-term inflation expectations



Latest data indicate that higher inflation is driven by rising energy prices, while energy cost pass-through is evident in certain goods and services that are directly affected

Headline inflation in April 2026 accelerated in the energy category

Energy cost pass-through is observed in categories directly affected by energy prices, namely public transportation



Note: () = weight in CPI basket (base year = 2023)

Source: Ministry of Commerce, calculation by BOT

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Source: Ministry of Commerce, calculation by BOT

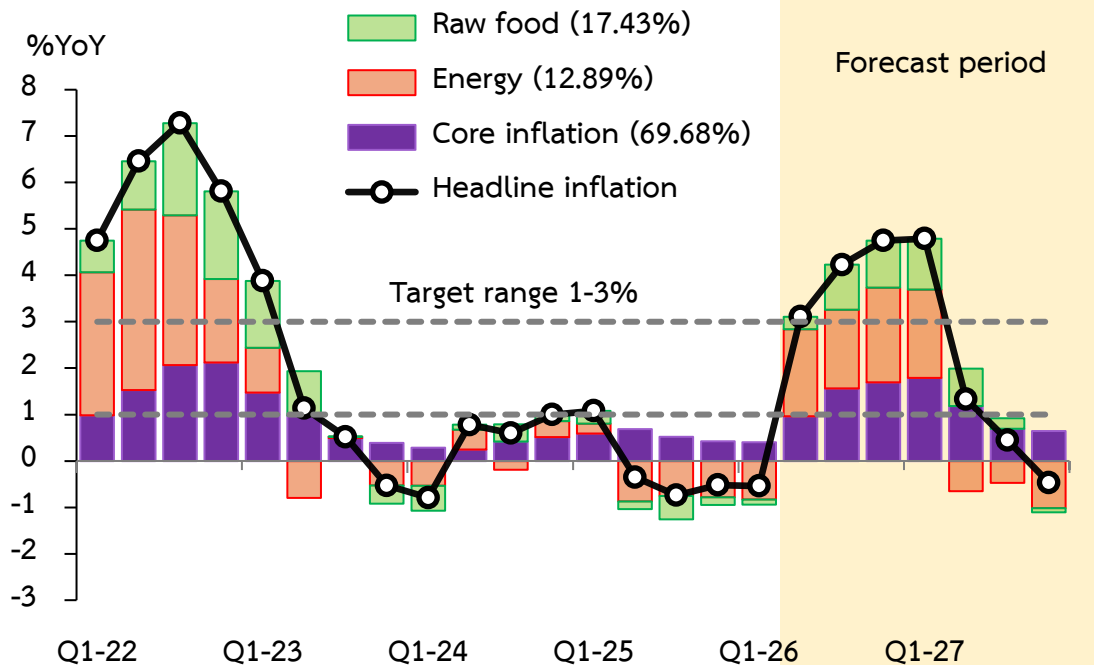


Looking ahead, inflation is expected to increase temporarily in 2026, driven by energy prices and cost pass-through, while the risk of second-round effects is limited

Headline inflation is expected to rise in 2026 and stay above the target range for 3-4 quarters, while core inflation is expected to increase only modestly, as purchasing power remains weak

The risk of second-round effects from higher inflation in Thailand is limited due to both structural and cyclical factors

Quarterly headline inflation forecast



- The structure of Thai labor market constrains the risk of a wage-price spiral.
 - A share of salaried employees in Thai labor market is relatively low, accounting for only 47% of total employment in 2025.
 - Workers' bargaining power is limited, and there is an absence of wage indexation mechanism.
 - Labor supply is relatively elastic.
- Medium-term inflation expectations remain anchored within the target range.
- Subdued growth and fragile balance sheets of households and SMEs have resulted in limited demand-pull inflationary pressures.

Note: () denote the weight of goods and services in the CPI basket (base year 2023)

Source: Ministry of Commerce, BOT calculation



In the period ahead, there remains a need to monitor (1) firms' price-setting behavior in passing through higher energy costs to other goods categories

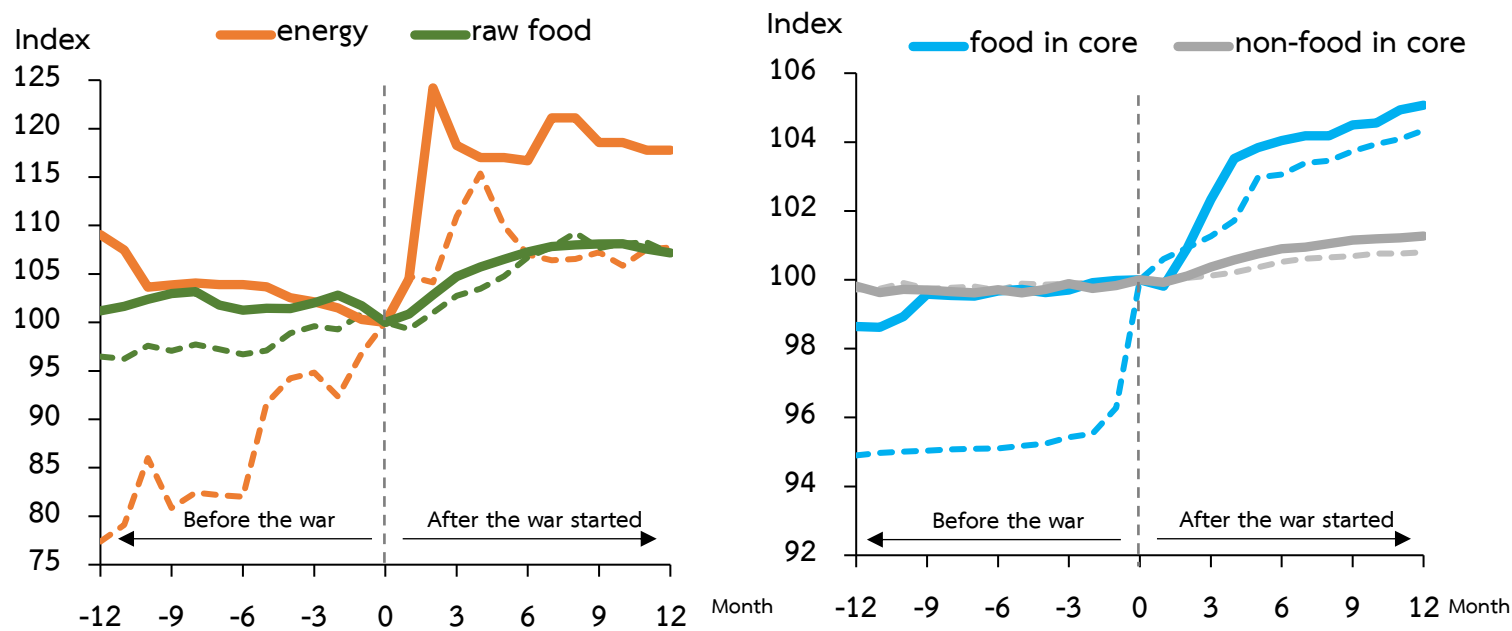


The BSI survey conducted by the BOT found that **most firms would raise prices by no more than 20%**, whereby price increases would be lower than cost increases due to limited purchasing power and intense competition

Source: Preliminary data (approximately 150 respondents) from Special BSI survey conducted by BOT in Apr 2026 asking how much firms would raise prices relatively to the increased cost over the next 3 months

Energy cost pass-through during periods of high oil price

CPI during the US-Iran War (bold) vs during the Russia-Ukraine War (dotted)



- 1) Higher costs have prompted firms to pass through costs more frequently to maintain profit margins, compared with the past when cost pass-through typically occurred during regular pricing cycles (e.g. once or twice a year).
- 2) Broad-based cost increases have also led to more gradual pass-through by many firms, with the pace varying across sectors depending on buffers such as inventories and profit margins.
- 3) Oil prices constitute a salient shock, as they are highly visible to the public and directly affect economic behavior. Elevated oil prices heighten attention among producers, competitors, and consumers alike, leading to a shared perception of cost pressures and facilitating price adjustments. This underscores the importance of closely monitoring salient shocks that occur frequently or have prolonged impacts.

Note: The CPI base periods are set to February 2026 and February 2022 (index = 100) for the US-Iran War and the Russia-Ukraine War, respectively. For the US-Iran War, data from the second month onwards are forecasted

Source: Ministry of Commerce, calculations by BOT

Additional analysis in Monetary Policy Report Q1/2026

(Box: Impact of the Middle East War on Inflation in Thailand)

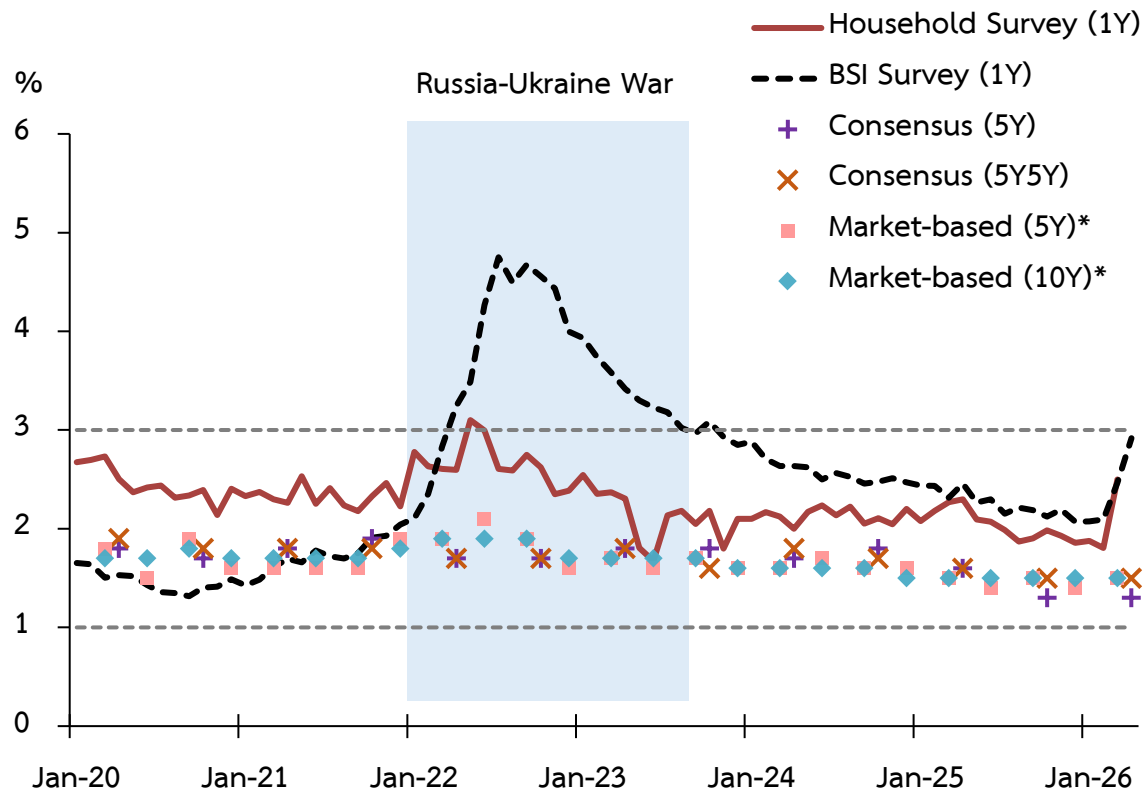


and (2) medium-term inflation expectations, which reflect risks of persistently high inflation

Short-term inflation expectations have risen but are expected to decline in line with oil price movements, as observed in 2022, while medium-term inflation expectations remain stable within the target range

Inflation risks must be monitored through underlying inflation indicators

Inflation expectations



Underlying inflation indicators

Underlying inflation indicators	2021	2022	2023	2024	2025	2026			
						Jan	Feb	Mar	Apr
Core CPI	0.2	2.5	1.3	0.6	0.8	0.6	0.6	0.6	0.8
Core CPI (ex rent & subsidies)	0.3	3.1	1.5	0.7	1.0	0.5	0.5	0.5	0.9
Asymmetric trimmed mean CPI	0.7	3.8	1.9	0.9	0.9	0.5	0.4	0.7	1.2
Sticky-price CPI	0.1	3.5	2.2	0.7	1.0	0.8	0.9	1.0	1.3
MUCSVO Trend	1.2	2.1	1.6	0.8	0.3	0.0			

Note:

- Increased by more than 1.5 SD from average
- Increased by 0.5-1.5 SD from average
- Below average or increased by less than 0.5 SD from average

Source: Ministry of Commerce, calculation by BOT

Note: Yearly data are calculated from average %YoY increase of monthly indicators, except for MUCSVO which is quarterly data. Monthly data are calculated from %YoY of monthly indicators, except for MUCSVO which is quarterly data. / Asymmetric trim excludes goods and services whose price changed the most (top 10%) and the least (lowest 15%) in the CPI basket / Sticky-price CPI is calculated from goods and services whose price are adjusted less often than the average (once every 4.8 months) based on the methodology used by Bryan and Meyer (2010) / MUCSVO trend is calculated using methodology used by Stock and Watson (2015)



Financial conditions

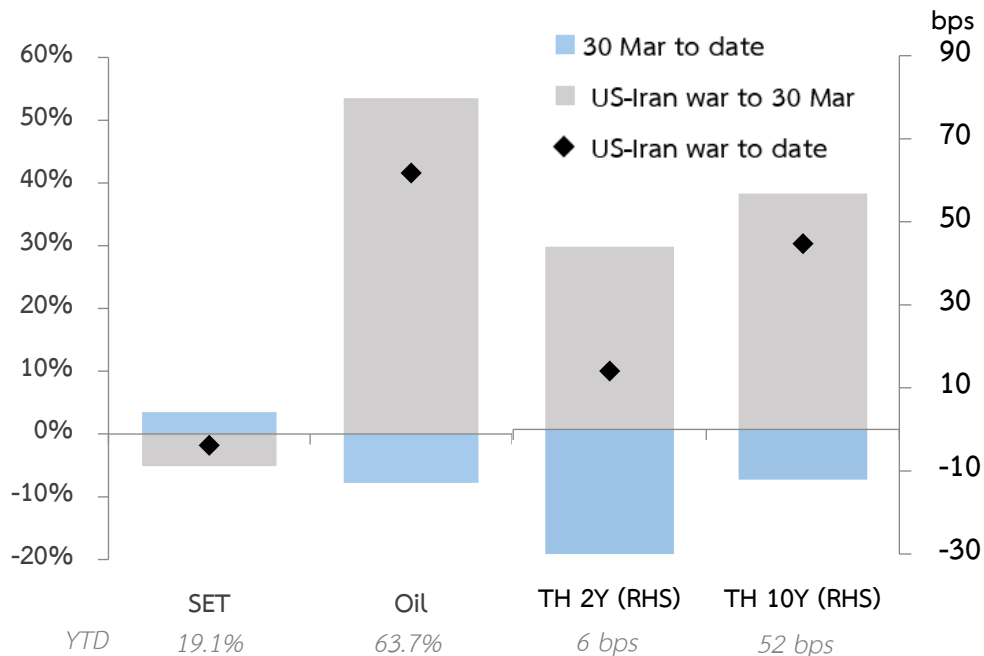
- Asset prices have been volatile recently
 - Thai government bond yields have increased
 - The baht has depreciated more than regional currencies, partly due to Thailand's high reliance on oil imports
- Commercial bank lending rates have declined in line with the policy rate cut at the MPC Meeting in February 2026. Credit growth is projected to remain subdued, as financial institutions remain cautious in extending credit and are currently assessing the impacts of the war



Asset prices have been volatile due to the war but have recently shown some corrections

Thai government bond yields have increased in line with global market movements

Changes in asset prices and bond yields



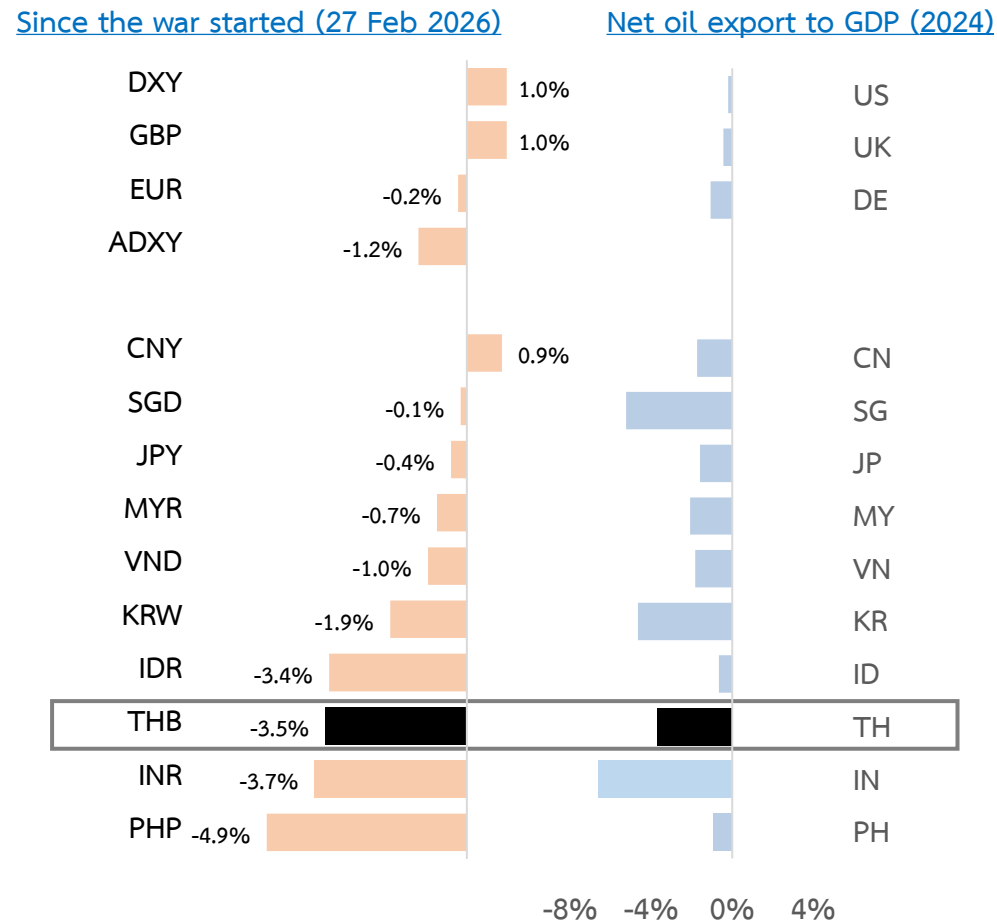
Source: Bloomberg as of 8 May 2026

Risks to be monitored:

- Investors' view on elevated fiscal burden due to additional government borrowing
- Selling pressures from foreign investors and mutual funds, particularly during periods of sharp increases in yields

The baht has depreciated, reflecting Thailand's high dependence on energy imports

Exchange rate movements relative to other currencies



Sources: Bloomberg, Trade Map, and BOT's staff calculation (as of 8 May 2026)

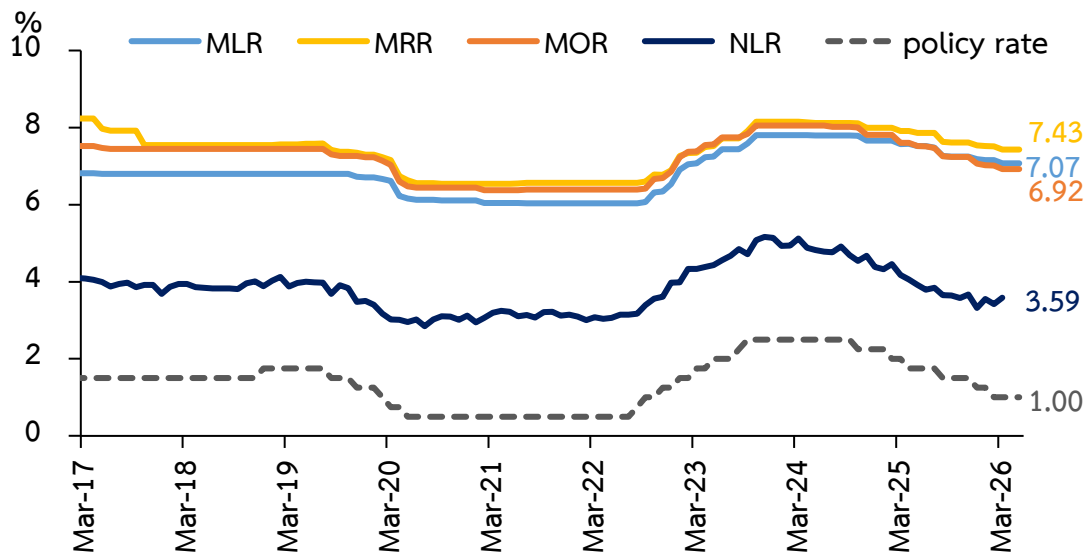


Commercial bank lending rates have been declining in line with recent policy rate cuts, while credit growth is expected to remain subdued as financial institutions remain cautious in extending credit

Commercial bank interest rates have gradually declined in line with the policy rate cut at MPC Meeting 1/2026 in February

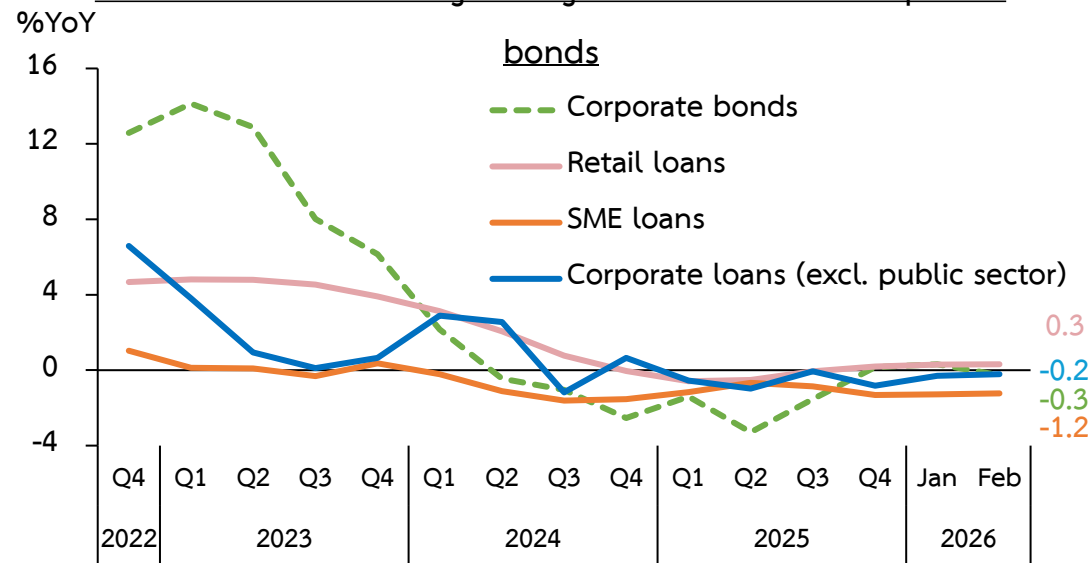
Credit growth is expected to remain subdued in 2026 while financial institutions closely monitor debt serviceability of (1) war-affected borrowers and (2) existing vulnerable groups

Commercial bank lending rates



Note: (1) Monthly average deposit and lending rates of 14 commercial banks as of 8 May 2026
(2) New loan rate is as of Mar 2026

Private sector borrowing through bank loans and corporate bonds



Note: (1) Loan data of commercial banks including SFIs and non-banks under BOT supervision
(2) Loan size classification based on OSMEP's revised definitions, which consider income and employment as well as contract size; SFIs and non-banks under BOT supervision is based on OSMEP's definition, which consider income and employment

Policy transmission to commercial bank interest rate rates after the policy rate cut at MPC Meeting 1/2026

- Transmission to lending rates (MLR, MRR, MOR) is 39% on average
- Overall, commercial banks kept savings rates unchanged, which apply to the bulk of deposits, while most banks lowered fixed deposit rates across all maturity by 5-25 bps

- Commercial banks remain cautious in extending credit and focus on supporting existing borrowers or loans with collateral
- Financial institutions are closely monitoring developments related to the war, particularly the impact of prolonged supply disruptions, and have provided liquidity support to affected borrowers





Monetary policy

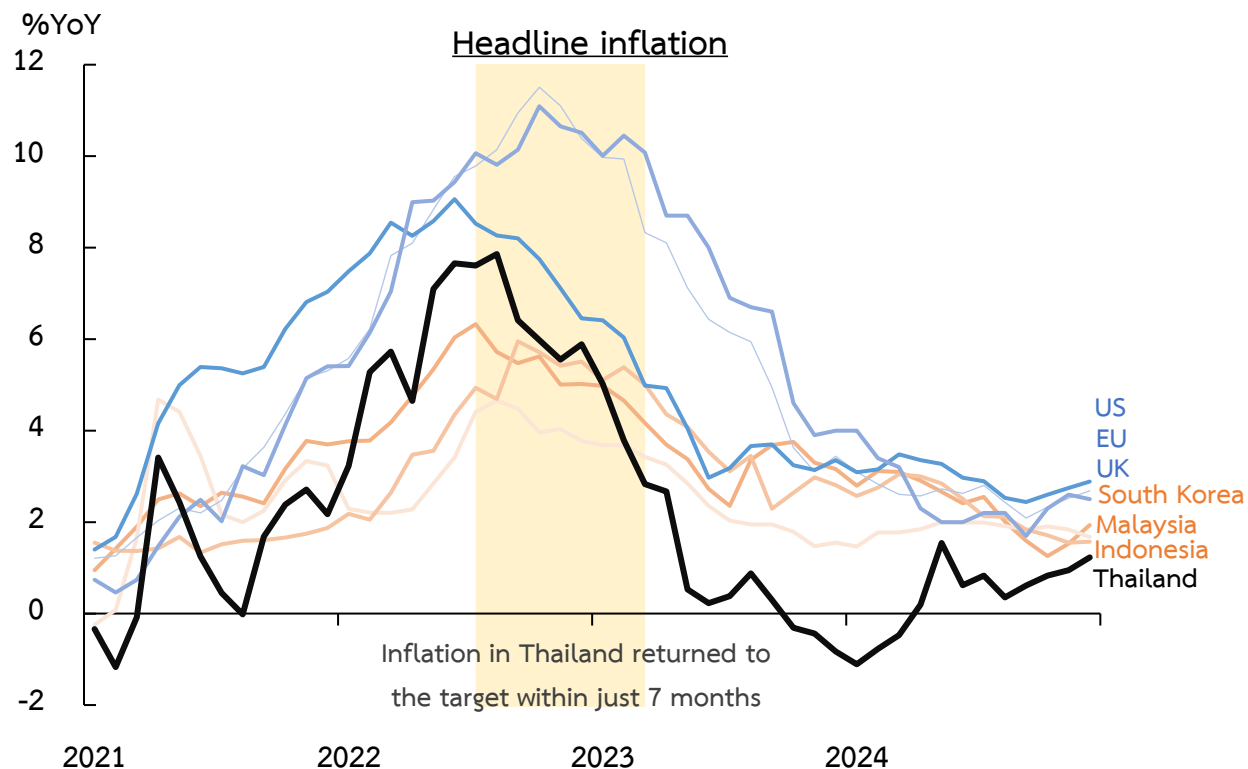
- Monetary policy should take into account the sources of inflation and should not respond to supply-side factors that have raised inflation this year but are expected to subside next year, while the current policy rate remains appropriate to support the economic recovery
- There remains the need to closely monitor inflation developments and medium-term inflation expectations, given heightened uncertainties and inflation risks



Maintaining the policy rate at this meeting is robust to various economic and inflation scenarios

Thailand's disinflation process has proceeded rapidly, allowing time for further assessment of developments and impacts

A policy rate hike or cut at this meeting could pose additional risks to the economy or inflation going forward



Source: Bank for International Settlements

Rate hike

Hiking the policy rate in a context where inflation is expected to be temporarily elevated would weigh on the economy, particularly businesses and households that are still in recovery and already vulnerable.

Rate cut

Cutting the policy rate amid heightened geopolitical uncertainty could increase inflation risks and affect medium-term inflation expectations.



Looking ahead, the MPC will continue to monitor the impact of the war as well as other developments affecting inflation risks going forward

MPC Meeting No. 2/2026

(29 April 2026)

MPC voted unanimously (6:0) to keep the policy rate on hold at

1.00%

The Committee assesses that the current policy rate remains appropriate to support a slowing economy and navigating heightened uncertainty, while the increase in inflation is driven by supply-side factors. The Committee therefore voted to maintain the policy rate at this meeting and will closely monitor inflation developments and medium-term inflation expectations.

The Committee considers the current policy rate of 1.00% to remain at an appropriate level to support economic recovery. While inflation is assessed to increase temporarily from supply-side factors, uncertainties remain elevated. The Committee will therefore closely monitor the impacts of the war and other factors on inflation risks going forward.

Risks to be monitored

1. Inflation expectations and firms' price setting behavior
2. Broad-based and persistent increases in prices of goods and services
3. Government stimulus measures
4. Supply disruptions that could affect the manufacturing sector and employment