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BANK OF THAILAND

Monetary Policy Forum 2/2026

8 July 2026

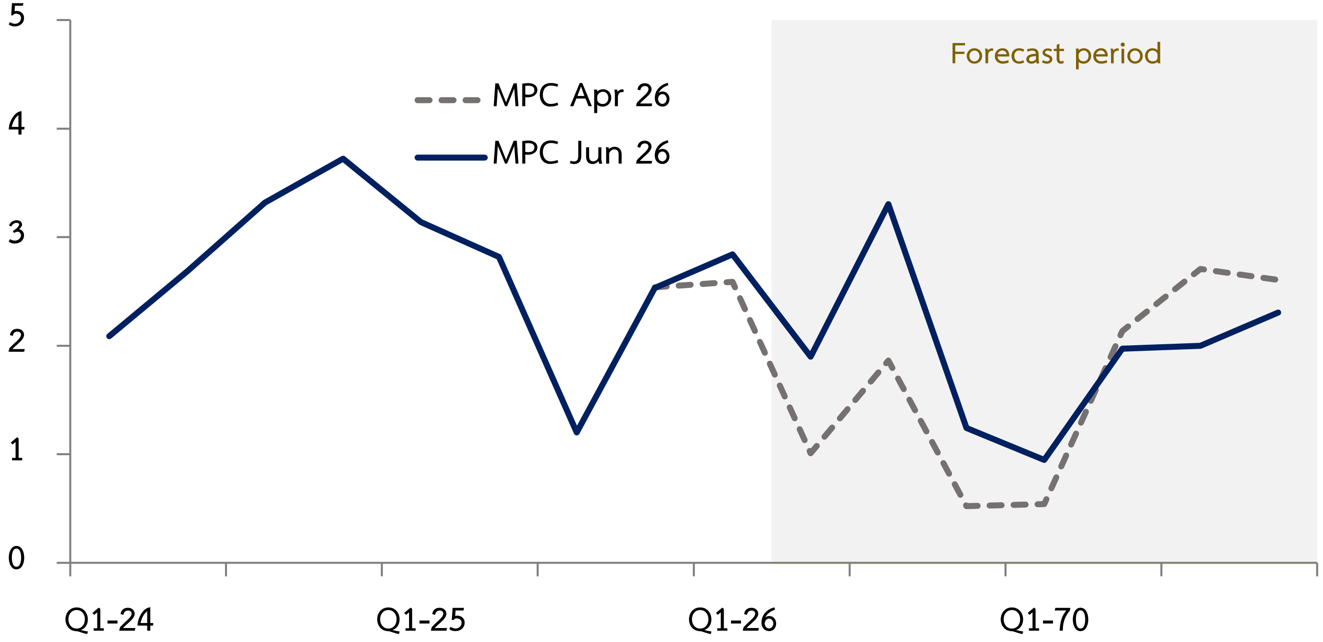
(Economic projections as of 24 June 2026)

Economic growth is stronger than anticipated due to (1) lower-than-expected war impacts (2) technology and AI cycle and (3) government measures, but overall economy remains subdued and uneven

Economic Forecast (GDP)

%YoY	2025	2026F	2027F
MPC Apr 26	2.4	1.5	2.0
MPC Jun 26		**2.3**	**1.8**
*MPC Jun 26 excluding government measures**		*1.8*	*2.1*

Economic forecast comparison by quarter (GDP)



Note: F = Forecast, * Government measures refer to the measures mitigating the impact of energy crisis under the THB 400 billion emergency borrowing decree

Source: NESDC; estimated by Bank of Thailand

The global and Thai economies have adapted better than expected, while the latest developments show positive signs

Global: The economy grew better than expected despite the war in ME

- Global economy is more resilient than expected from
  - (1) Industrial cycle (AI infrastructure and energy transition)
  - (2) The impact of the war has been smaller than expected, owing to adjustments on both the demand and supply sides
  - (3) Government measures in several countries to mitigate the impacts of higher energy prices

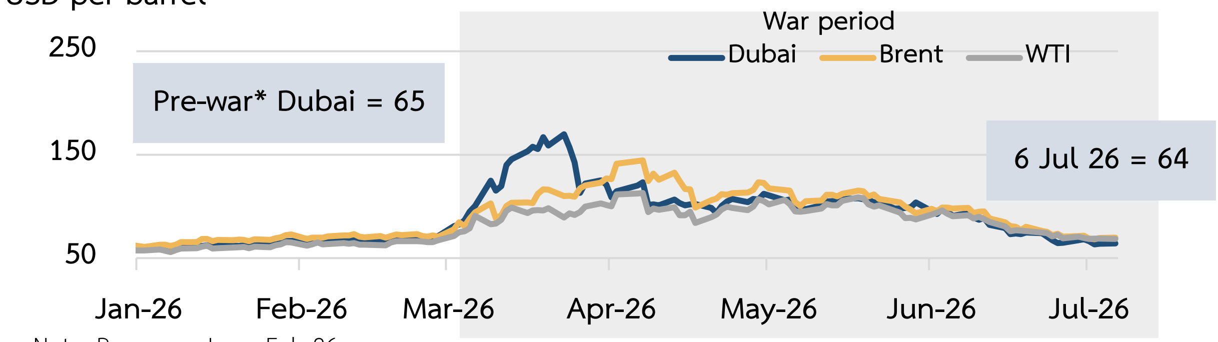
Thai: Large corporates have adjusted better while SMEs face constraints in their abilities to adjust

- **Supply-side adjustments:** diversifying import sources / adjusting shipping routes
- **Cost pass-through to consumers:** Domestic cost pass-through is limited due to weak purchasing power in sectors such as hotel, real estate, and automobile, whereas export products have greater flexibility in price adjustment.
- More evidence of uneven recovery
  - Liquidity in **smaller firms** have tightened markedly, while **larger firms** retain some liquidity.
  - **Only few sectors are expanding strongly:** (1) Electronics and AI-related sectors (2) Sectors temporarily benefiting from government measures, such as retail and restaurant businesses

Source: Business Liaison Program (BLP) interviews, conducted during 22 Apr – 12 Jun 2026, covering 134 firms

Oil prices have declined following the temporary 60-day ceasefire and the easing of restrictions to transit the Strait of Hormuz

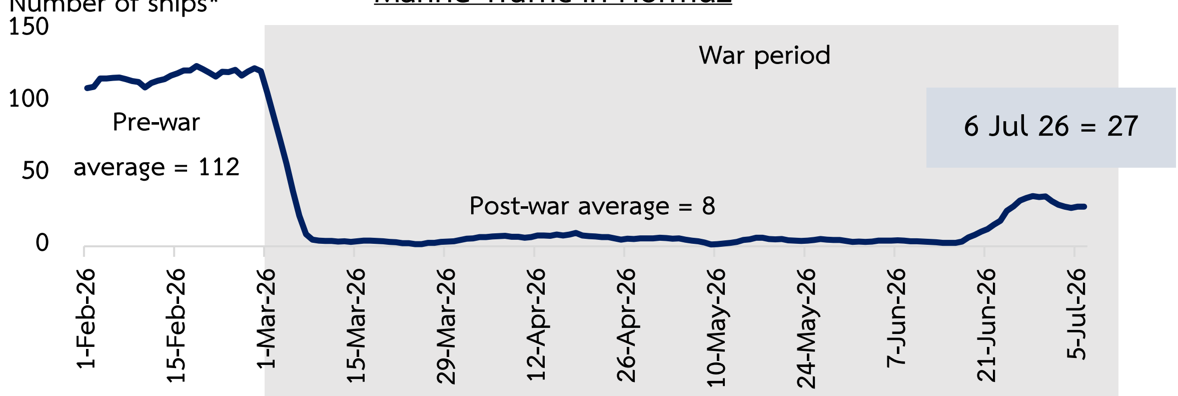
Crude oil spot price



Note: Pre-war = Jan – Feb 26

Source: Bloomberg

Marine Traffic in Hormuz



Note: * Number of vessels transiting the strait (7-day trailing average), covering container, dry bulk, general cargo, and tanker vessels. **Source:** Bloomberg

Although a ceasefire agreement has been signed, uncertainty remains elevated on several fronts—both regarding the details and the modalities for implementing the agreement—as well as on nuclear-related issues.

Private consumption in 2026 is expected to slow down due to the war's impact on income and the cost of living. However, the government measures will help sustain the consumption growth at a pace close to the previous year, while growth in 2027 will slow due to high base effects

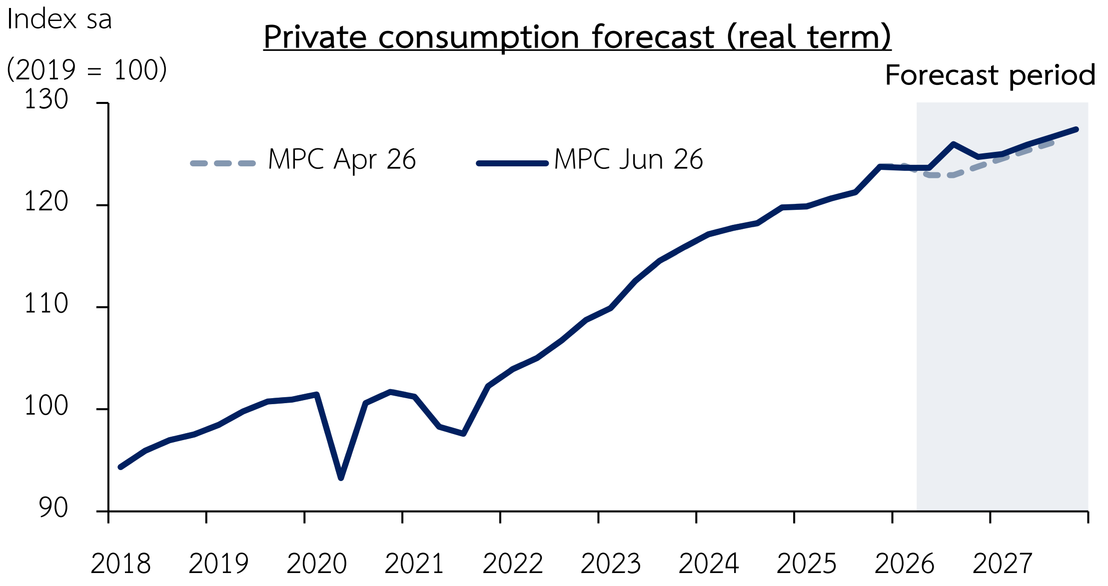
Household purchasing power is under pressure from the slowing trend in incomes, owing to the effects of the war and El Niño

%YoY	2015–19	2025F	2026F	2027F
Total income	4.7	1.6	1.1	1.9
Employee income (59%)	4.1	3.2	1.8	1.7
Self-employed income (31%)	8.0	1.3	1.7	2.9
Net farm income (10%)	0.3	-6.6	-5.9	-0.3
Total income (real term)	4.3	1.8	-1.7	0.5

Note: ( ) Labor income shares based on the National Income Account, which are net of costs.
F = Forecast

Source: NESDC and OAE data; calculated and forecast by BOT.

Private consumption in 2026 is temporarily boosted by government measures, particularly in Q3, before moderating from Q4 onwards as the effect of cash transfers gradually dissipate



Private consumption forecast

%YoY	2025	2026F	2027F
MPC Apr 26	2.7	1.6	1.9
MPC Jun 26		2.6	1.4

Note: F = Forecast

Source: Forecast by BOT

Further analysis of the impact on consumption can be found in the Monetary Policy Report Q2/2026, Box: The Response of Private Consumption to Rising Prices

Merchandise exports are expected to continue expanding, driven by demand from the tech and AI cycle, including the expansion of production bases in Thailand, consistent with the continued growth of private investment

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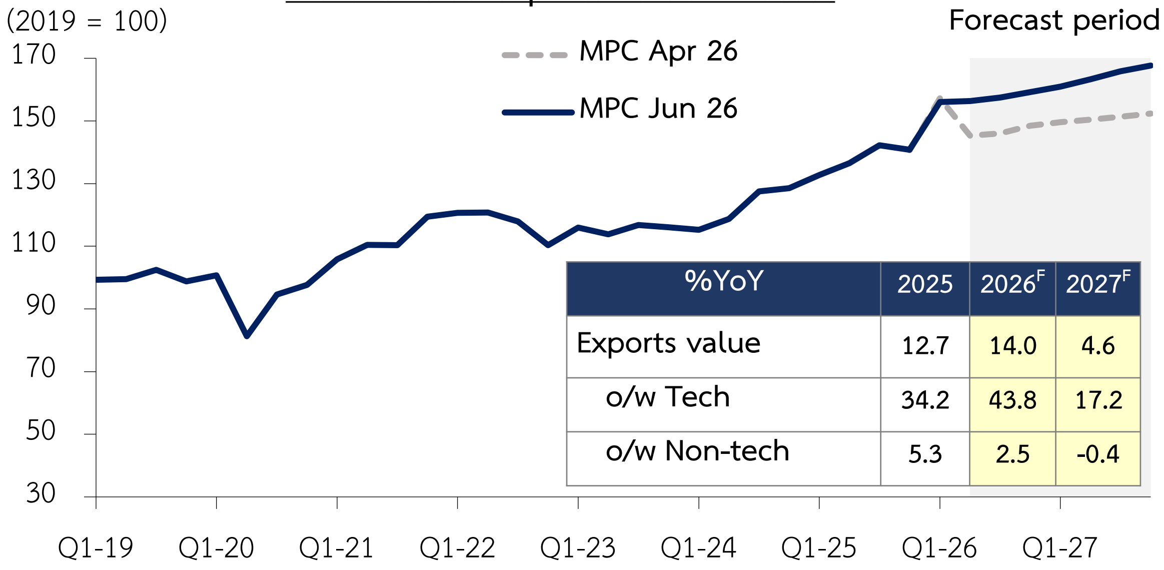
Merchandise exports are expected to continue expanding, driven mainly by technology products

Index sa
(2019 = 100)

Merchandise exports value forecast



%YoY	2025	2026F	2027F
Exports value	12.7	14.0	4.6
o/w Tech	34.2	43.8	17.2
o/w Non-tech	5.3	2.5	-0.4

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

Forecast investment of global Hyperscaler*

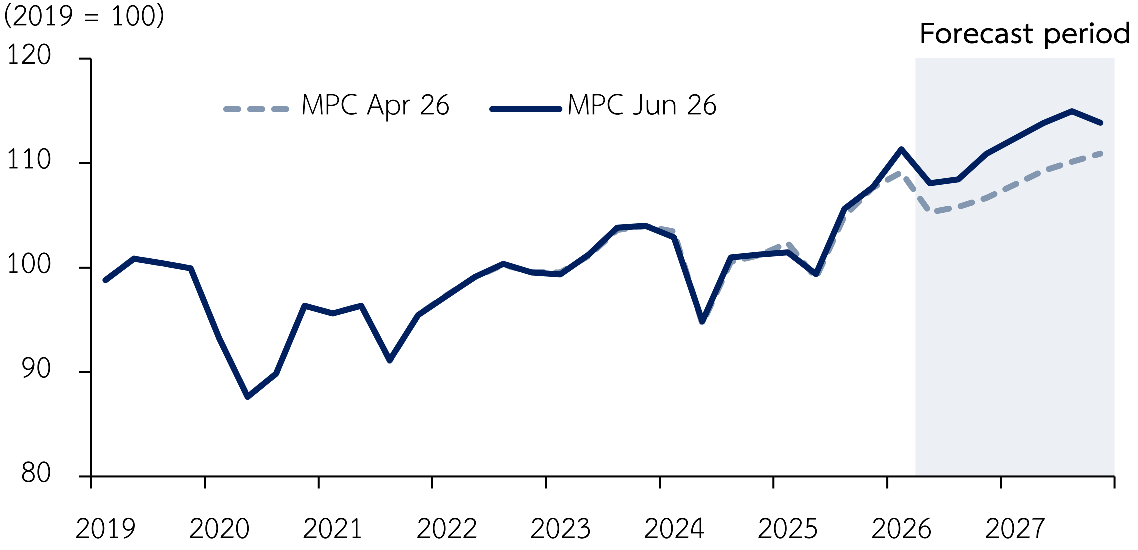
USD bn	2025	2026F	2027F
As of Apr 26	412	673	790
As of Jun 26		757 (+84% YOY)	920 (+22% YOY)

Note: F= Forecast
* Hyperscalers include 5 companies: Amazon, Google, Meta, Microsoft, and Oracle
Source: Factset, Goldman Sachs Global Investment Research (forecast as of Jun 26 compared with Apr 26)

Private investment continues to expand, driven by the expansion of production bases and rising investment in tech industries, including data centers

Index sa
(2019 = 100)

Private investment forecast (real term)



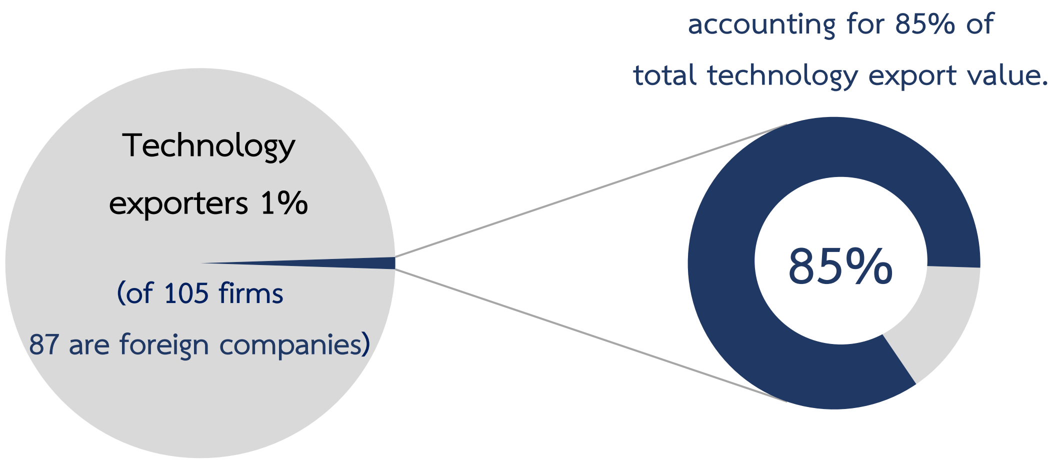
Private investment forecast

%YoY	2025	2026F	2027F
MPC Apr 26	3.5	3.0	2.6
MPC Jun 26		6.0	3.6

Note: F = Forecast and private investment as a share of GDP in 2025 = 16.5%.
Source: Forecast by BOT

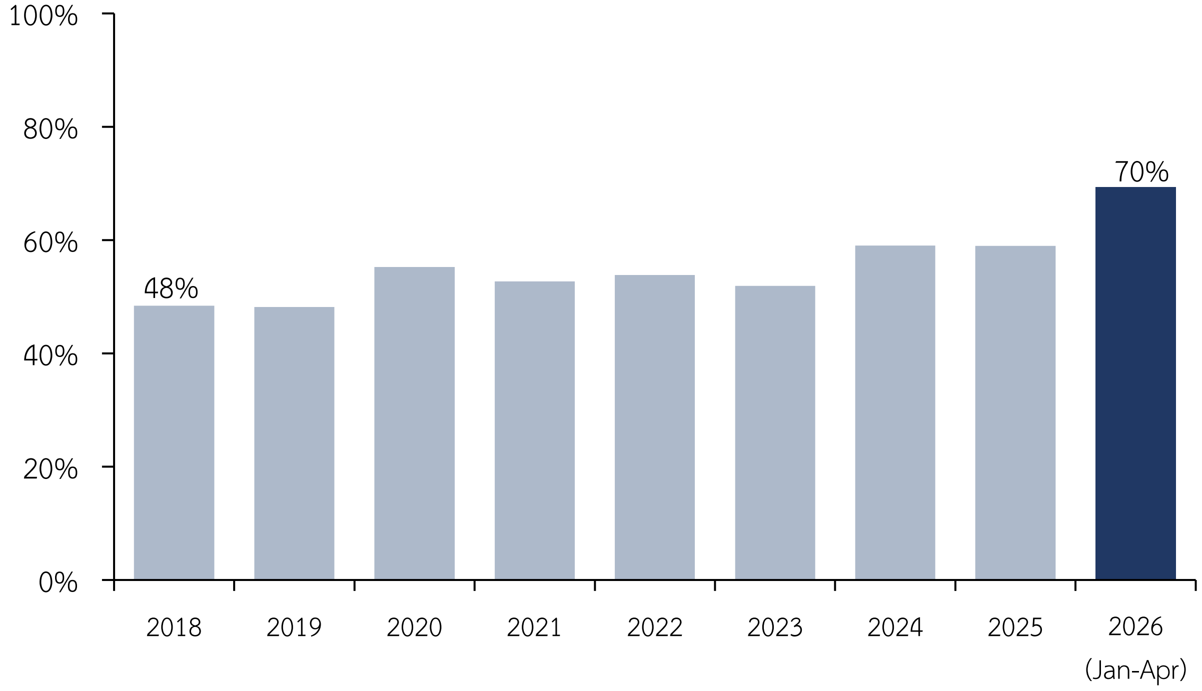
However, the strong growth in technology exports is concentrated among a few large exporters and is increasingly reliant on imported inputs, suggesting the positive spillovers to the economy are likely to be smaller than before

Number of exporters and technology export value



Source: Thai Customs, calculated by BOT

Average Import content*



Source: Thai Customs, calculated by BOT

Note: *Calculated from the ratio of imported electronic components and electrical appliances to technology exports, for the top 1% of firms by technology export value only

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The Thai economy in 2026 will expand in line with exports, investment, and short-term effects of government measures, but will slow in 2027 owing to high base effects, despite continued momentum from exports and investment

Macroeconomic projection

Annual percentage change	2025	2026F	2027F
GDP growth	2.4	2.3	1.8
Domestic demand	2.8	2.8	1.8
Private consumption	2.7	2.6	1.4
Private investment	3.5	6.0	3.6
Government consumption	0.6	0.2	0.3
Public investment	8.9	3.1	3.9
Exports of goods and services	9.3	10.2	3.9
Imports of goods and services	6.8	11.2	2.1
Current account (billion, U.S. dollars)	17.4	0.0	8.0
Value of merchandise exports (%YoY)	12.7	14.0	4.6
Value of merchandise imports (%YoY)	13.0	20.2	2.2
Number of foreign tourists (million persons)	33.0	33.0	35.5
Tourism receipt (trillion baht)	1.4	1.5	1.6

Note: F = Forecast

Source: NEDSC, calculated and forecast by BOT

Summary of economic risks

The issues to monitor are as follows:

1. The continuity of the technology and AI cycle, which supports Thailand's exports and investment
2. Developments in the war, which could affect global crude oil prices and headline inflation pressures, as well as household purchasing power. Despite recent positive signs, developments warrant close monitoring, as uncertainties remain regarding implementation of the agreement
3. The effects of government measures on consumption and investment

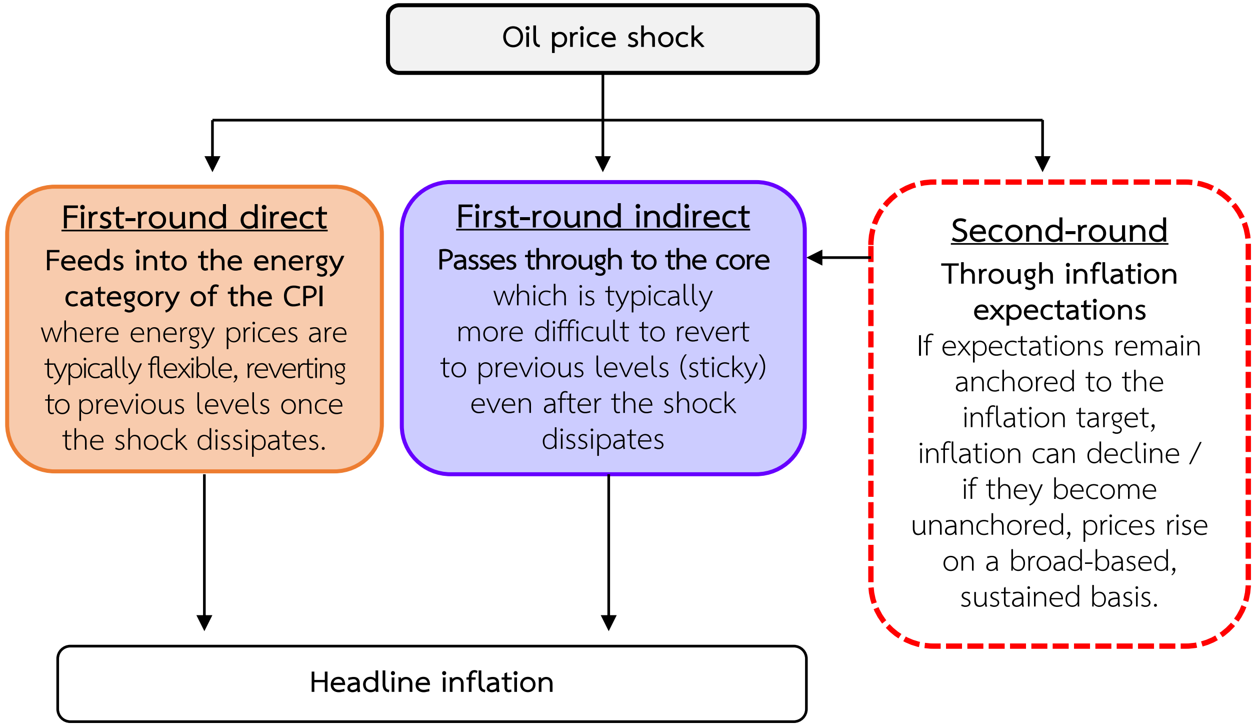
Further analysis of Thailand's current account balance can be found in the Monetary Policy Report Q2/2026, Box: Developments in Thailand's Current Account Balance: Structural Changes and the Impact of the Middle East War

Inflation

- Headline inflation will rise temporarily this year in line with energy prices and cost pass-through, before declining next year.
- The price increases remain concentrated in the energy category and other categories affected by higher raw material costs (first-round effects). At the same time, there are no signs of broad-based, sustained price increases or of inflation expectations becoming unanchored (second-round effects).

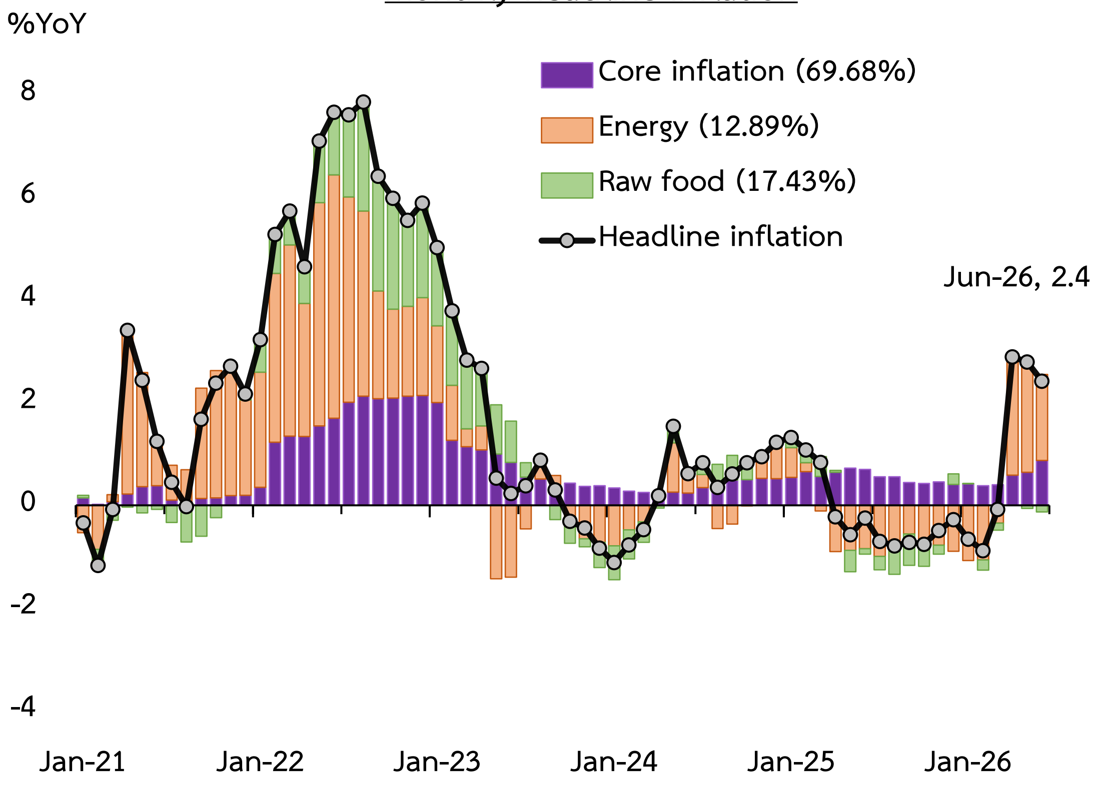
The rise in inflation stems from direct first-round effects, as oil prices pass through to the energy category of the CPI. Energy prices can revert quickly to previous levels once the shock dissipates, unlike the indirect pass-through to the core category, which tends to persist

Transmission channels of higher energy prices:
(1) first-round effects (direct and indirect); (2) second-round effects



The rise in inflation stems mainly from the energy category (direct first-round effects), which can revert to previous levels once the shock dissipates

Monthly headline inflation



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

Source: Ministry of Commerce, calculated by BOT

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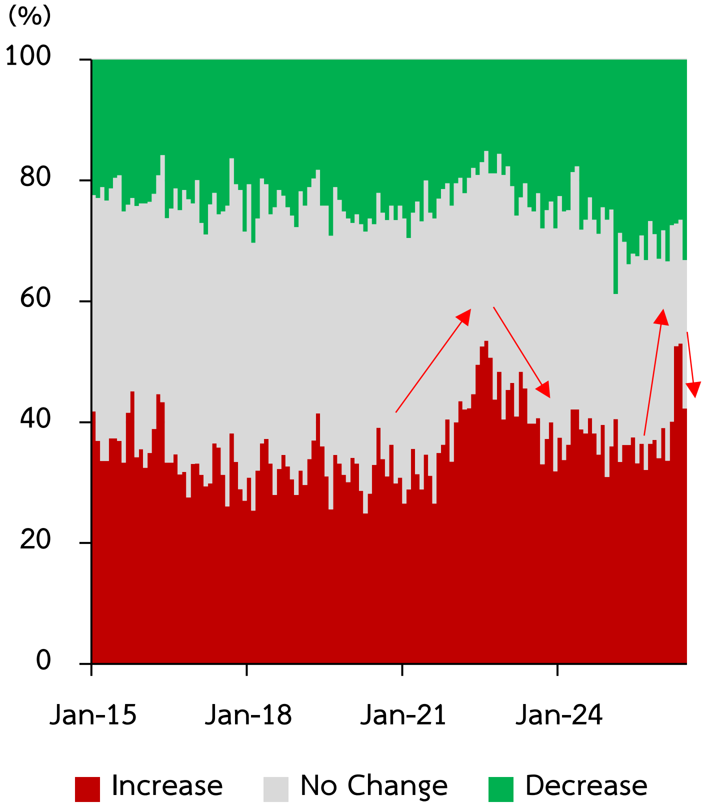
The latest data indicate that the pattern of energy cost pass-through resembles that of the Russia-Ukraine episode in 2022, with price increases not becoming broad-based or sustained, consistent with an environment of intense business competition for limited purchasing power

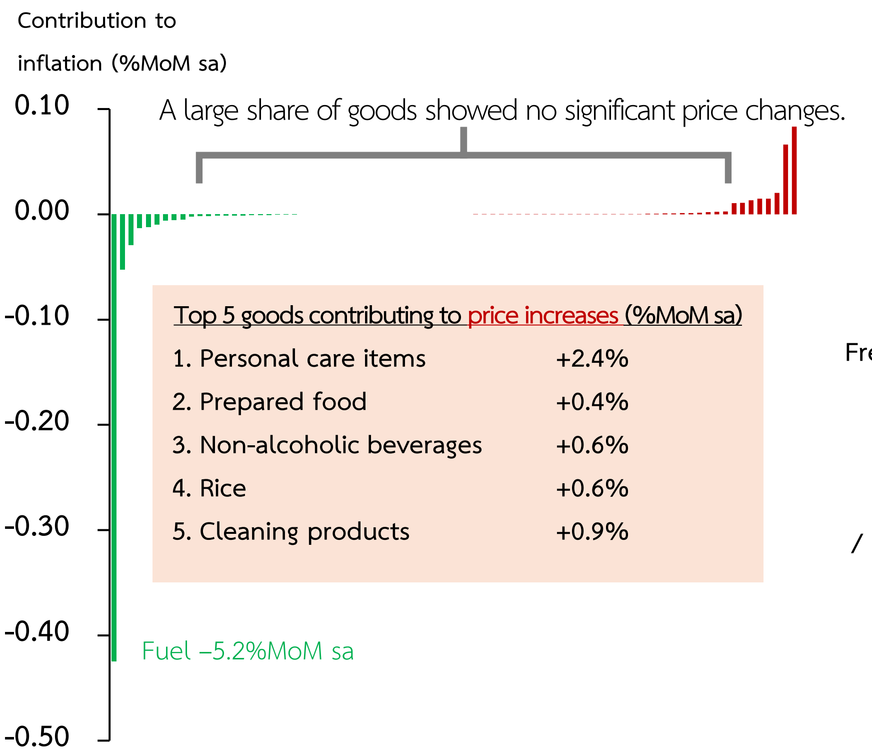
The latest data show a decline in the share of items in the CPI basket with price increase



Note: Share of %MoM changes, calculated from item-level inflation **Source:** Ministry of Commerce, calculated by BOT

Nevertheless, the price increases have not been broad-based

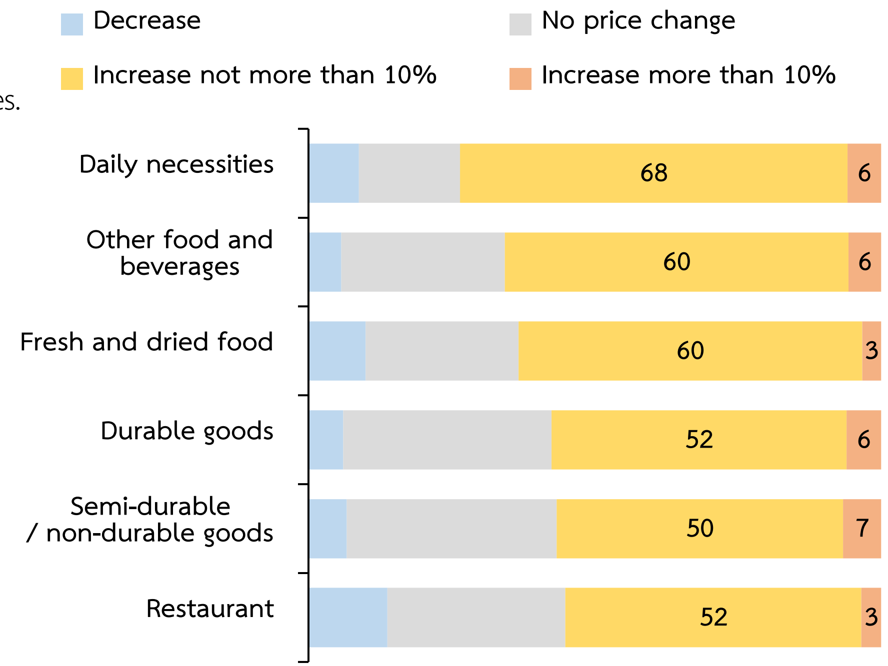
Changes in prices of goods and services by consumption share (June 2026)[1/]



Note: 1/ Calculated from sub-category inflation across 89 sub-categories
Source: Ministry of Commerce, calculated by BOT

Over the next 3 months, most businesses expect to raise prices by no more than 10%, consistent with the easing situation and partly because some had already raised prices beforehand

Expected price adjustments over the next three months (from a survey of retail businesses)



Note: Figures show the percentage of respondents
Source: Retailer Sentiment Index Survey, May 2026.

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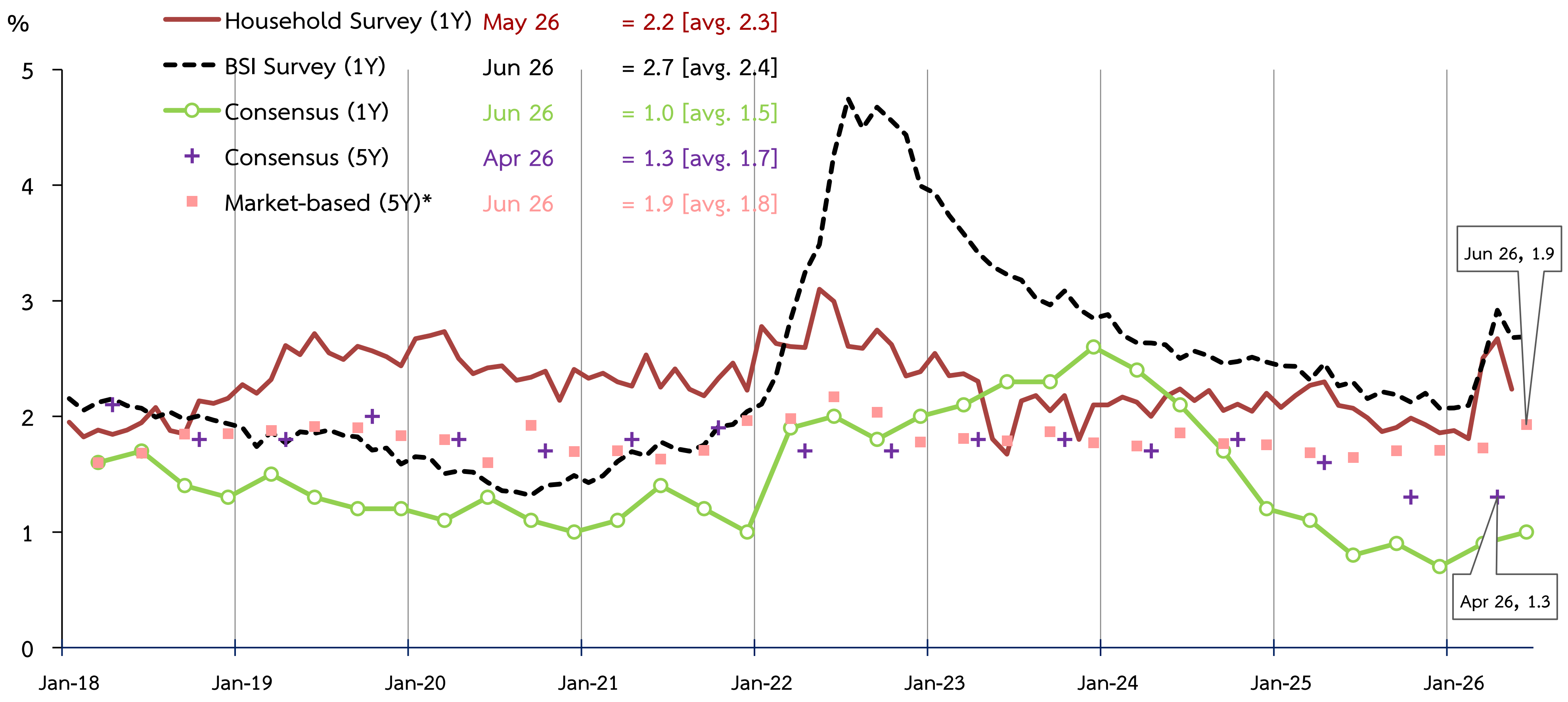
Medium-term inflation expectations remain anchored within the target range

Long-term inflation expectations remain within the target range,
while short-term inflation expectations have begun to decline



Note: [ ] denotes the average since January 2018; *estimated using affine term structure model based on yield curve and macroeconomic factor

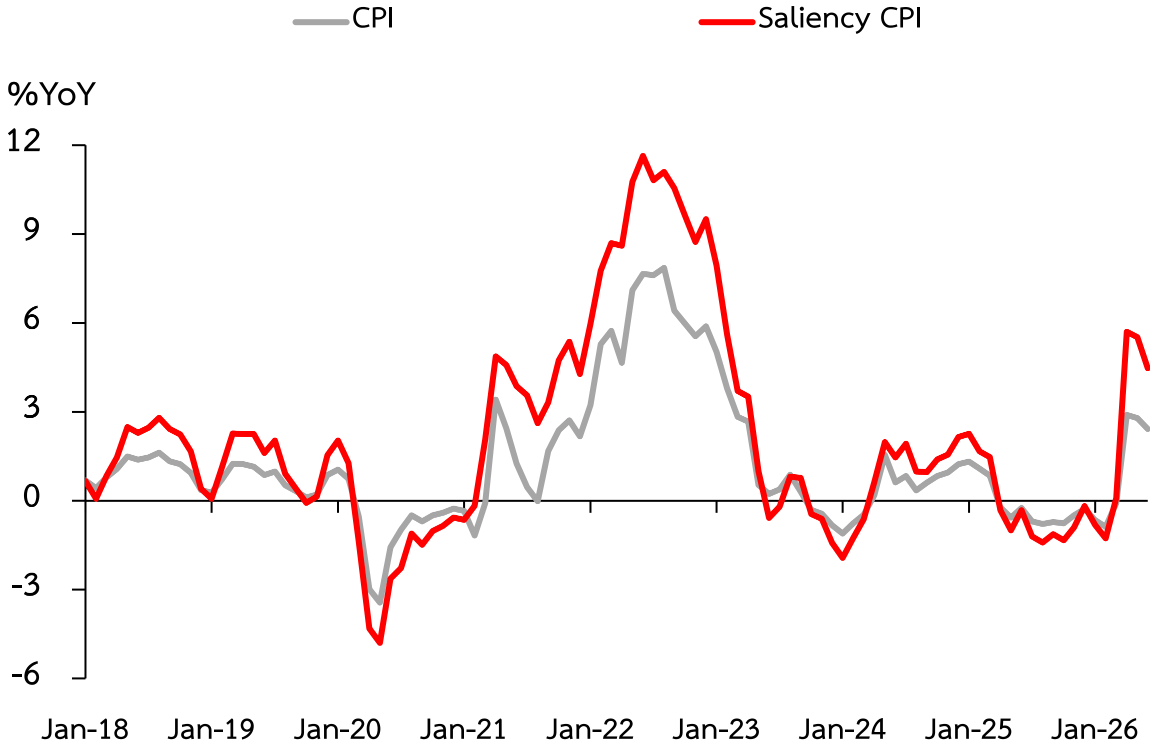
Sources: Asia Pacific Consensus Economics, Business Sentiment Survey (BOT), Consumer Confidence Index (Ministry of Commerce)

Beyond aggregate inflation expectations, the BOT monitors behavioral and granular group-level inflation expectations, which may signal shifts in inflation expectations and wage demands

Saliency-based inflation index: reflecting behavior whereby consumers remember and are sensitive to the prices of frequently purchased goods, such as food

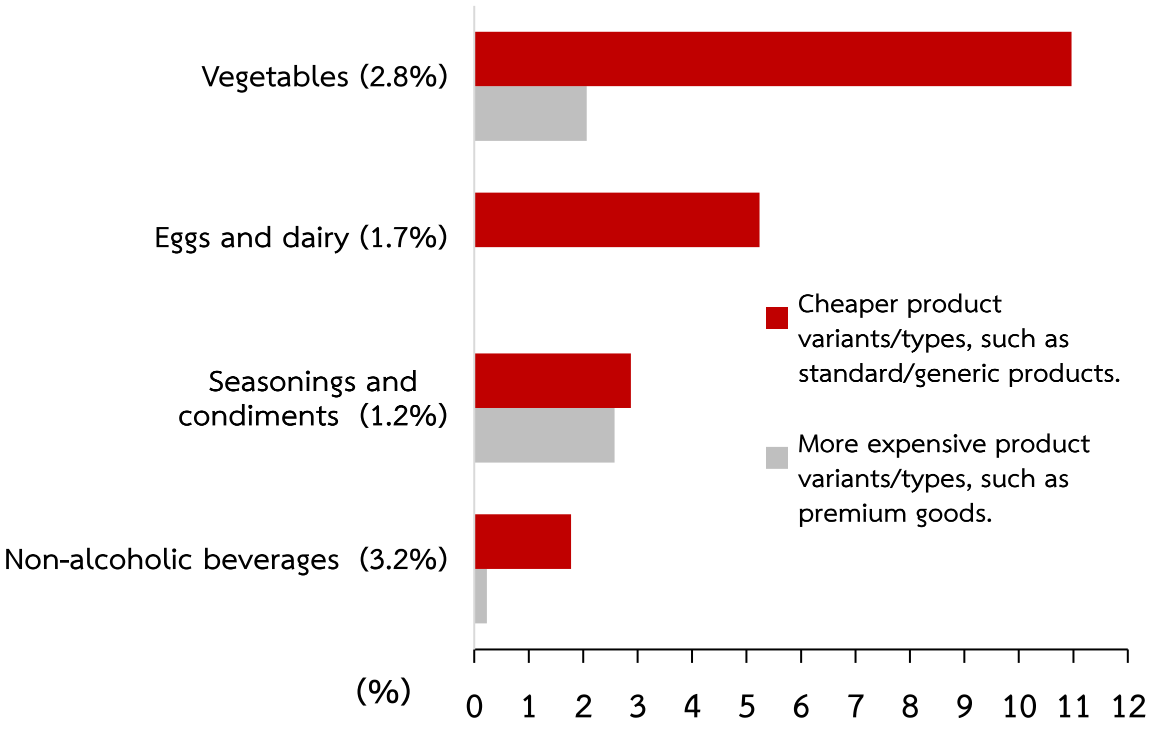
Cheapflation index: which are typically consumed by low-income households, reflecting inflation inequality and the risk of uneven inflation expectations

Saliency-based inflation index



Mechanism: Even if headline inflation declines, an elevated price index for frequently purchased goods may lead consumers to perceive inflation as persistently high, influencing their future inflation expectations. **Calculation:** Goods purchased more than once a month by consumers, accounting for approximately half of the CPI by weight (194 out of 464 items). **Source:** Ministry of Commerce, calculated by BOT

Price changes of cheaper varieties versus more expensive varieties



Mechanism: Cheaper product variants typically have a higher share of raw material costs or thin margins, resulting in higher pass-through than more expensive variants. **Calculation:** Online prices are categorized into cheaper/more expensive variants (unit prices below/above the median), and accumulative price growth is calculated for the period February–May 2026. **Source:** Online supermarket prices and the Ministry of Commerce.

Financial conditions

- The baht was broadly stable, depreciating mainly in line with the direction of the US dollar, while some regional currencies were volatile and depreciated rapidly owing to additional country-specific factors.
- Overall credit expanded at a low rate, driven mainly by lending to large corporates, while SME credit continued to contract owing to caution in credit approval. On the lending rate side, overall loan rates held steady in line with the policy rate.

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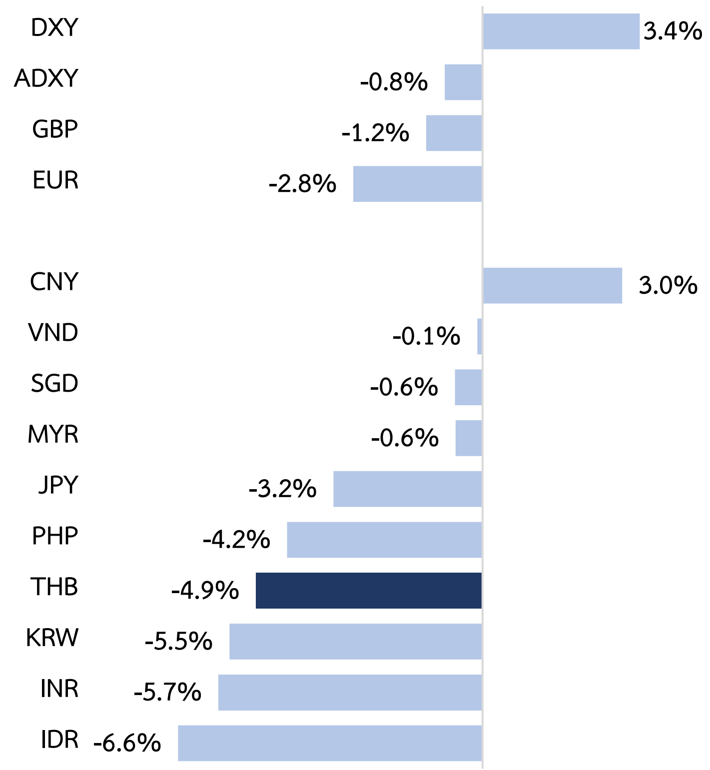
Regional currencies are likely to be volatile due to the direction of US monetary policy and country-specific factors.

The baht and regional currencies depreciated in line with the appreciation of the US dollar, with some currencies depreciating significantly owing to country-specific factors.

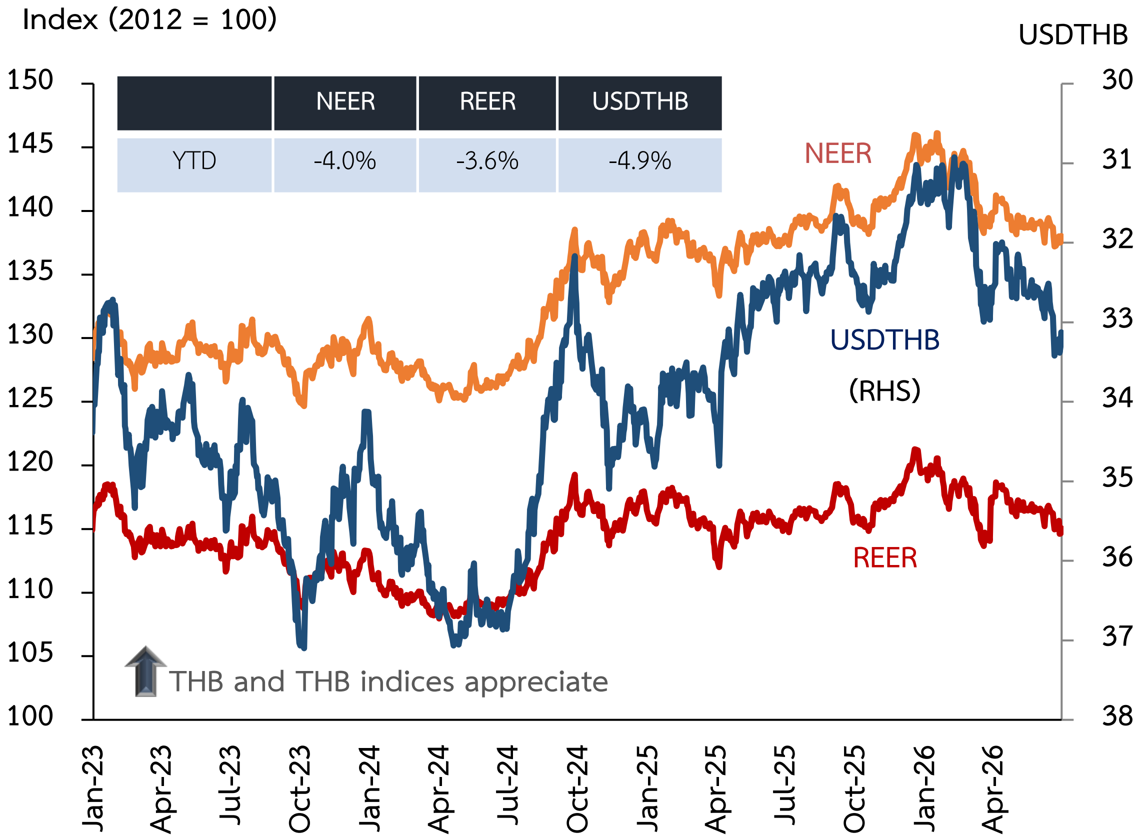
The baht has depreciated since the beginning of the year and has remained stable.

Changes in exchange rates against USD (YTD)



Source: Reuters and Bloomberg, calculated by Bank of Thailand (as of 3 Jul 2026)

Changes in the baht indices



Source: Reuters and Bloomberg, calculated by Bank of Thailand (as of 3 Jul 2026)

Note: YTD calculation as of 3 Jul 2026

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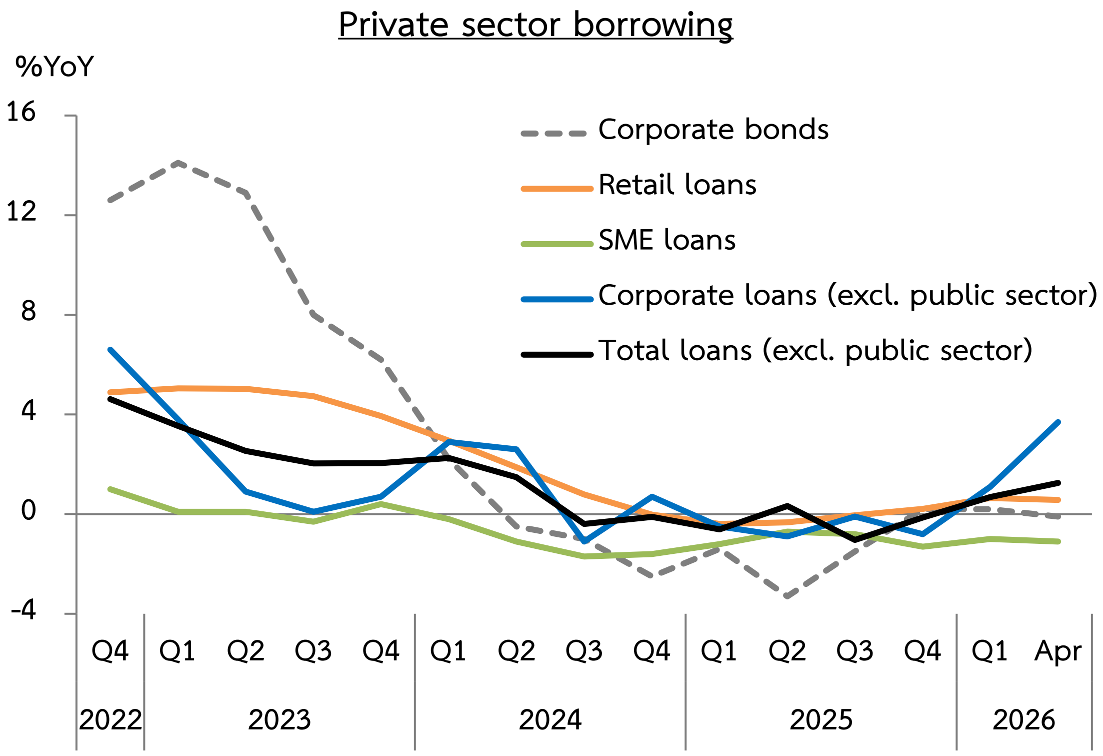
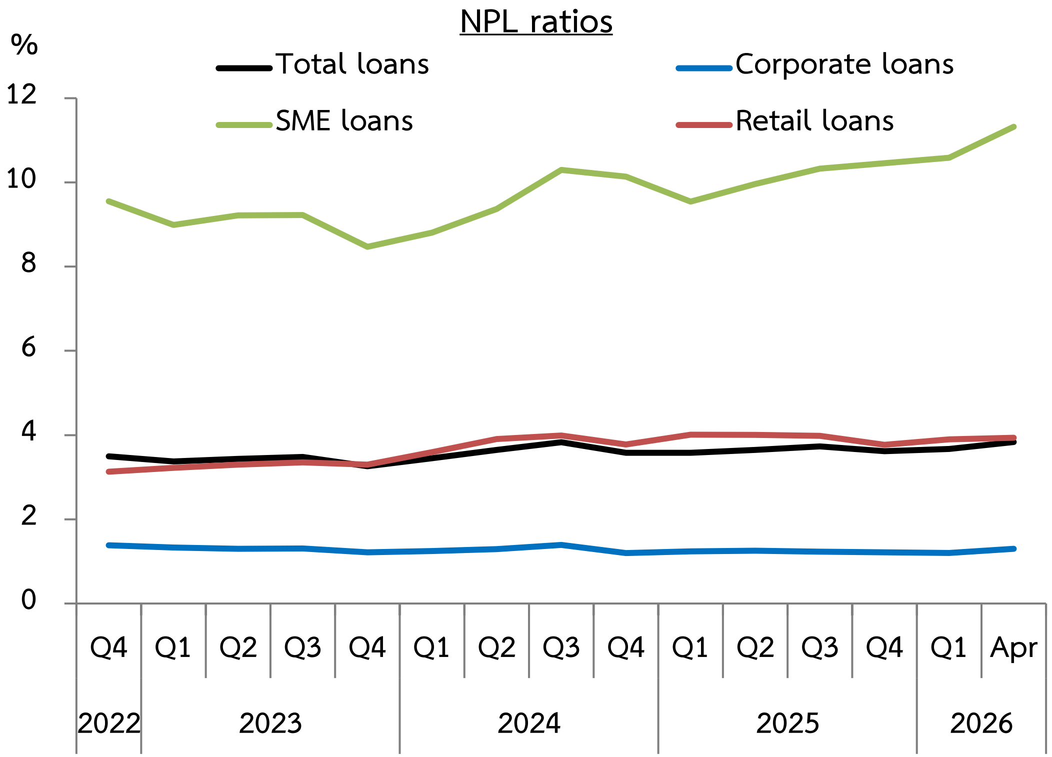
Financial institutions remain cautious in lending to high-risk borrowers; Needing to continue monitoring loan quality among SMEs and vulnerable households

Overall credit expands at a low rate, driven primarily by large corporate borrowers, while SME loans continue to contract



Although overall credit quality has remained stable, debt repayment ability of SMEs and vulnerable households warrant close monitoring



Note: (1) Credit data cover loans extended by commercial banks, including their affiliated, SFIs, as well as non-bank financial institutions under the supervision of BOT.
(2) Business loan sizes for commercial banks are classified based on the updated Office of Small and Medium Enterprises Promotion (OSMEP) definition, which considers revenue and employment, together with credit lines. In contrast, loan classifications for SFIs and non-bank financial institutions under the supervision of the BOT follow the OSMEP definition based on revenue and employment.

Source: Bank of Thailand

Monetary policy

- Maintaining the policy rate at its current accommodative level, in a context where inflation has risen temporarily while medium-term inflation expectations remain anchored within the target range, helps support the economic recovery
- Addressing economic challenges sustainably requires a combination of policies: an accommodative monetary policy stance alongside targeted financial measures, fiscal policy, and structural economic reforms to raise potential and enhance competitiveness.

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Appropriate monetary policy must take into account the inflation context

Context of rising inflation		Appropriate monetary policy
1. Supply-driven inflation	Prices in some categories have risen temporarily, concentrated in related categories rather than becoming broad-based—the general price level has not risen. Moreover, households and businesses expect that inflation is likely to ease of its own accord	Look through
2. Demand-driven inflation	Prices have risen on a broad-based basis, consistent with an economy growing beyond potential—the general price level has risen, as businesses have been able to raise prices supported by expanding demand	Countercyclical stabilization
3. Unanchored inflation expectations	Prices have risen on a broad-based and sustained basis, the shock has dissipated more slowly than expected, and businesses and households have adjusted their price/wage expectations at a magnitude and frequency inconsistent with fundamentals, such as costs and purchasing power.	Recalibration to re-anchor expectations

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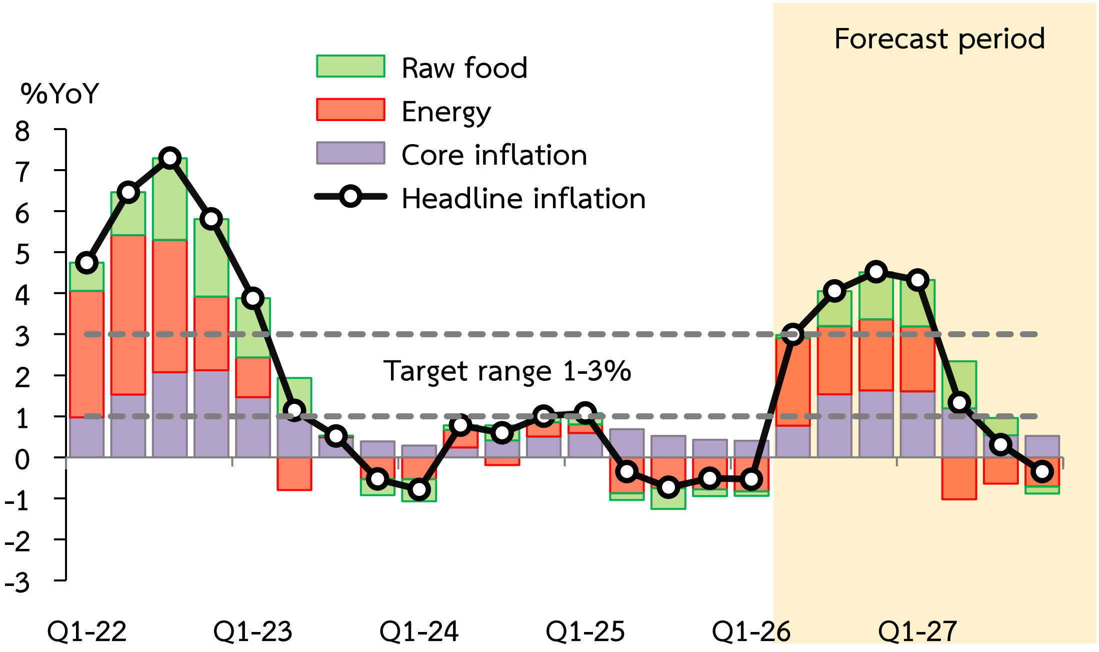
Inflation has risen temporarily and is likely to decline, while the growth of the Thai economy remains low

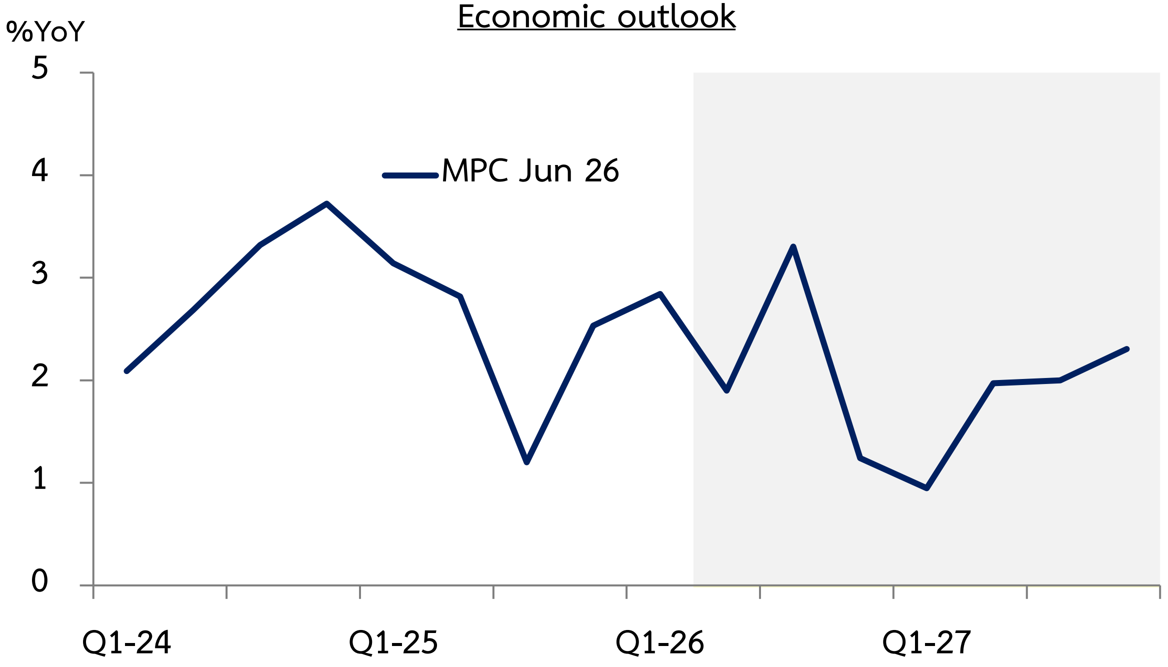
Inflation outlook



CPI (%YoY)	2025*	2026^{F}	2027^{F}
MPC Jun 26 projection	−0.1	2.8	1.4

Note: * = actual data and F = Forecast

Economic outlook



GDP (%YoY)	2025*	2026^{F}	2027^{F}
MPC Jun 26 projection	2.4	2.3	1.8

Note: * = actual data and F = Forecast and %QoQ sa average between 2010-2019 = 0.8%

Monetary policy should give weight to maintaining price stability, alongside fiscal and financial measures to help mitigate the economic impact

Monetary policy: Accommodative with vigilance

Accommodative monetary policy supports the economy by looking through the current rise in inflation, but consideration must be given to inflation risks and to keeping medium-term inflation expectations anchored.

Fiscal policy: Mitigate economic risks

- Mitigate short-term economic impacts, including cost-of-living support measures and *Thai Chuay Thai Plus* co-payment scheme
- Prioritize improvements in long-term productivity and structural economic transformation

Financial measures: Direct and target fragile groups

- Address debt issues among vulnerable groups e.g., debt resolution program (*Pid Nee Wai, Pai Tor Dai*)
- Strengthen liquidity and enhance SME potential e.g., *SMEs Credit Boost* and *SMEs Secure+* program

Further reading on financial measures can be found in the Monetary Policy Report Q2/2026, Box: The BOT's Targeted Financial Measures in the Recent Period