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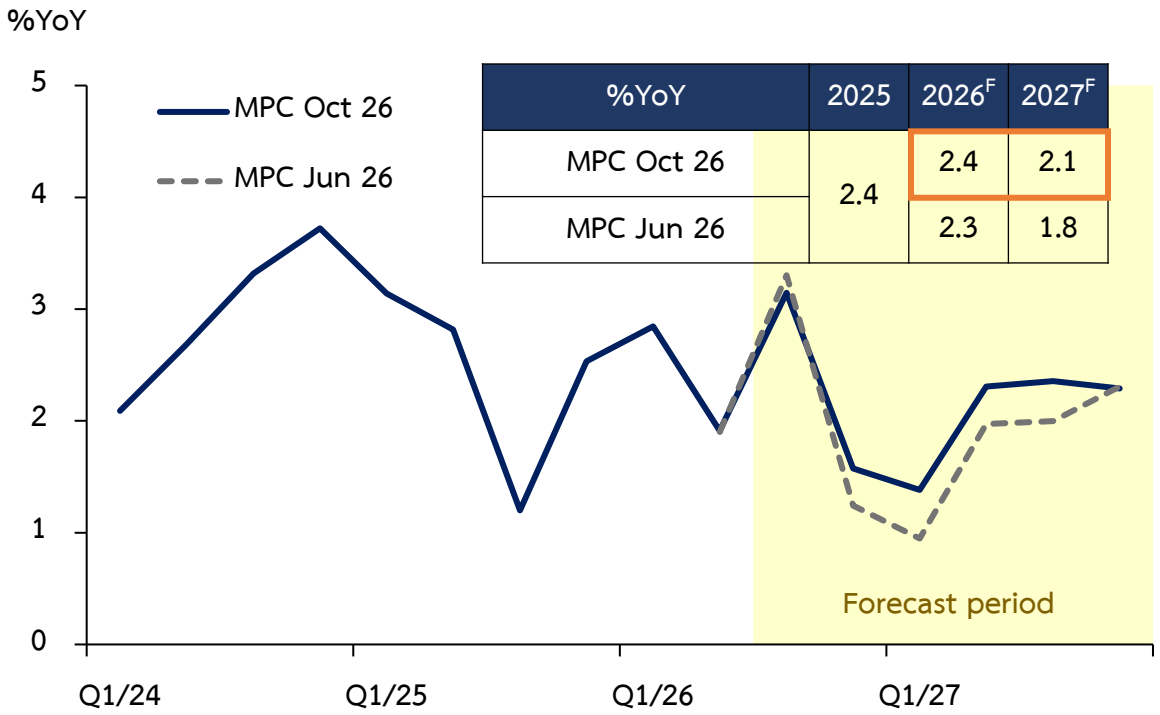
Monetary Policy Forum 3/2026

11 November 2026

(Economic projections as of 28 October 2026)

Economic growth is stronger than anticipated, supported by continued momentum from the technology and AI cycle. Nevertheless, economic growth remains below potential and uneven

Economic forecast comparison by quarter (GDP Growth)



%YoY	2025	2026F	2027F
MPC Oct 26	2.4	2.4	2.1
MPC Jun 26		2.3	1.8

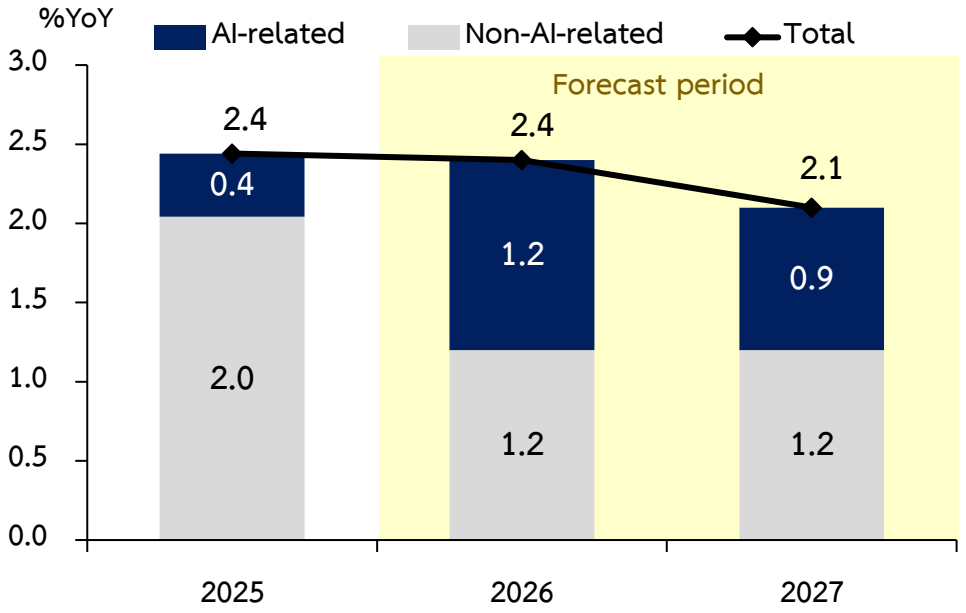
- **Merchandise exports and private investment are projected to expand, but the benefits remain concentrated.**
- **Consumption is recovering but** continues to face pressures from fragile labor market conditions and weak purchasing power.
- SMEs and households, particularly vulnerable groups, continue to face pressures from **high funding cost, cost of living, debt burden and intense competition.**

Note: F = Forecast

Source: NESDC; estimates by the Bank of Thailand based on historical GDP figures, which have not incorporated the latest Manufacturing Production Index (MPI) revision.

Approximately half of Thailand's economic growth is driven by AI-related activities

Contributions to economic growth (GDP)



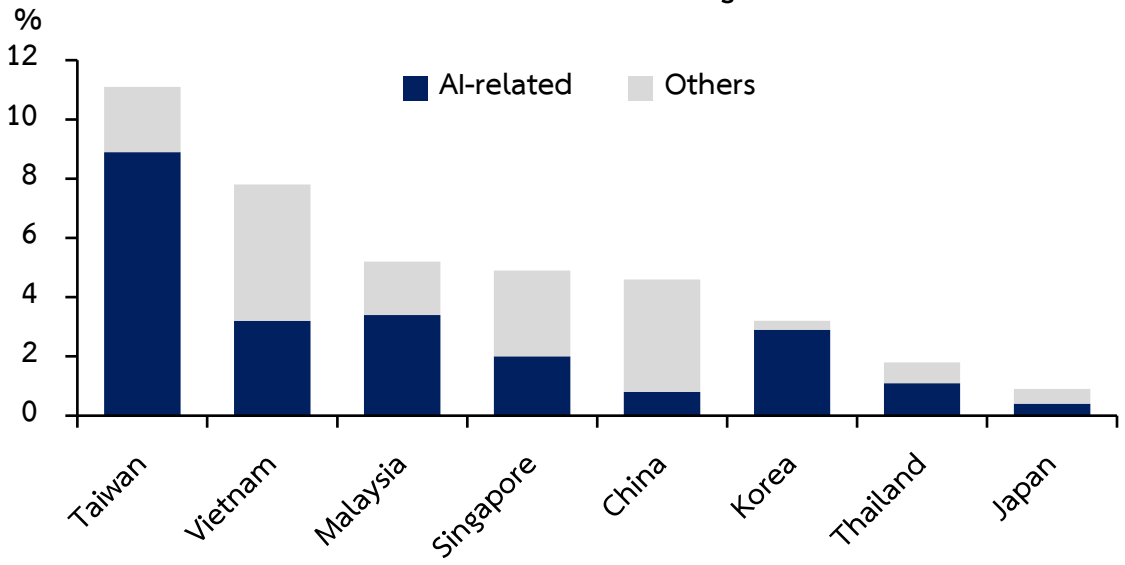
Note: AI-related benefits to GDP are calculated from Social Accounting Matrix (SAM) through 2 channels including:

1) AI-related merchandise exports and their subsequent effects on private investment by businesses involved in the production and export of such goods.
2) Private investment in services related to the AI cycle, such as data centers, cloud services, and data hosting, with actual investment trends estimated based on BOI investment promotion approval data during 2024–2026Q2.

Source: Thai Customs and BOI, calculated by BOT

The main growth engine of the global and Thai economies is the continued expansion in AI-related demand. However, it is important to monitor (1) leverage risks arising from financing activities and (2) uncertainties related to ongoing wars

AI contribution to real GDP growth in 2026



Source: Goldman Sachs as of 14 Sep 26

Growth Forecast %YoY	2025	2026^{F}	2027^{F}
Hyperscaler Capex*	73	96 (84)	37 (22)
Trading Partner Economies	3.1	3.1 (2.8)	2.7 (2.6)

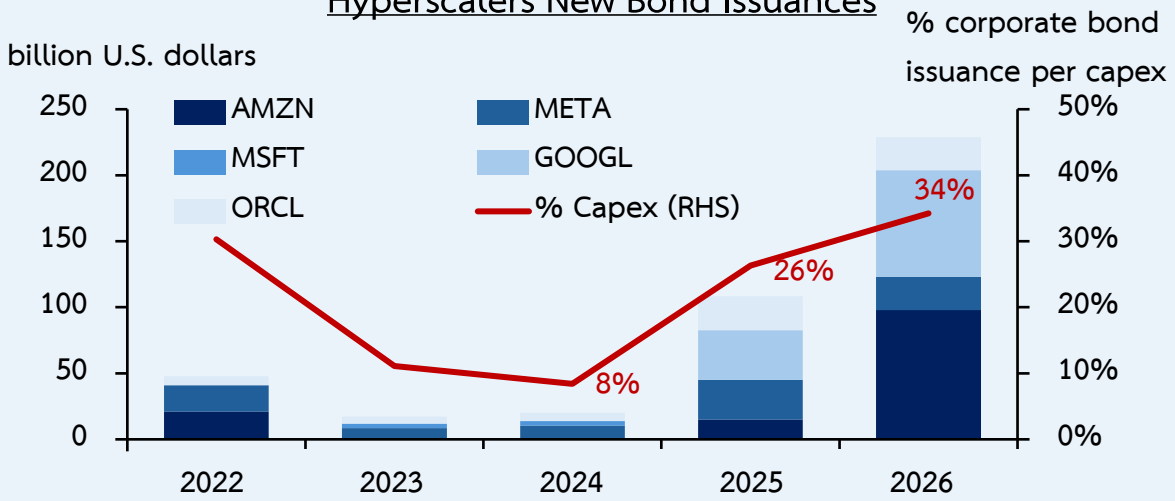
Note: ( ) = MPC as of Jun 26 * Hyperscalers include 5 companies: Amazon, Google, Meta, Microsoft and Oracle

Source: Bloomberg and Goldman Sachs, calculated by BOT

Issues to monitor

(1) Hyperscalers are increasingly relying on corporate bond financing, raising leverage risks if the interest rates remain elevated for an extended period.

Hyperscalers New Bond Issuances



Note: 2026 data are as of 19 Oct. The 2026 % Capex assumes that hyperscalers' monthly corporate bond issuance for the remainder of the year will be equal to the year-to-date monthly average.

Source: Bloomberg and Goldman Sachs, calculated by BOT

(2) Uncertainties from wars

- **In the short term, crude oil and refined petroleum product prices are expected to remain elevated, reflecting a war premium** amid concerns over the conflicts, uncertainties surrounding oil supply, and low global oil inventories that remain close to stress levels.
- **However, going forward, crude oil prices are expected to decline but remain above pre-war levels.**

Private investment is on the rise and is expected to increase further, in line with investment in AI-related activities

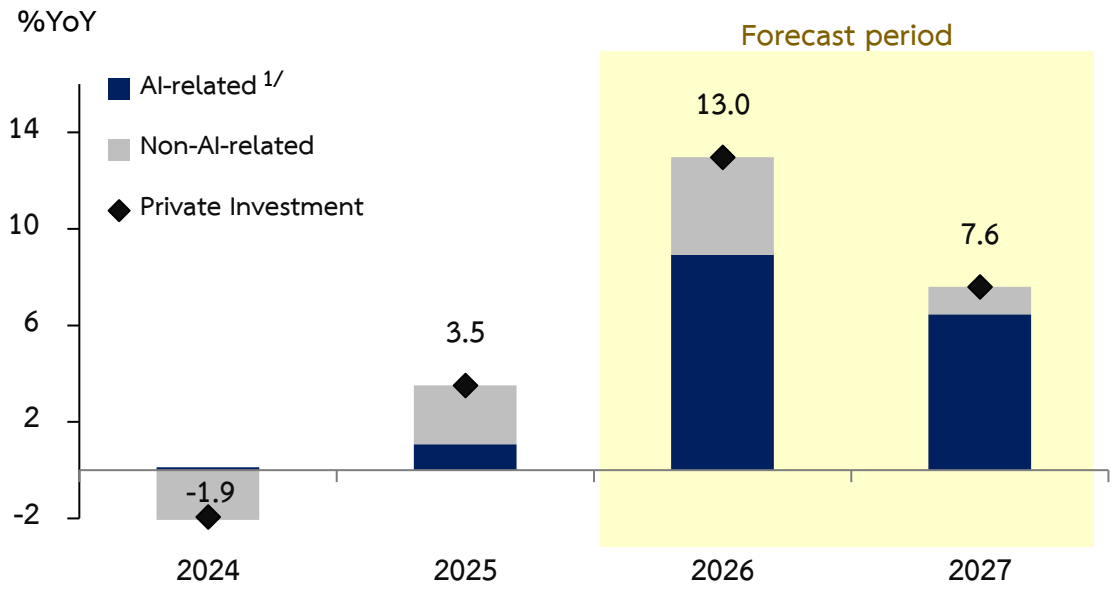
Private investment forecast

%YoY	2025	2026^{F}	2027^{F}
MPC Oct 26	3.5	13.0	7.6
MPC Jun 26		6.0	3.6

Note: F = Forecast

Source: NESDC, forecast by BOT

Contributions to private investment growth



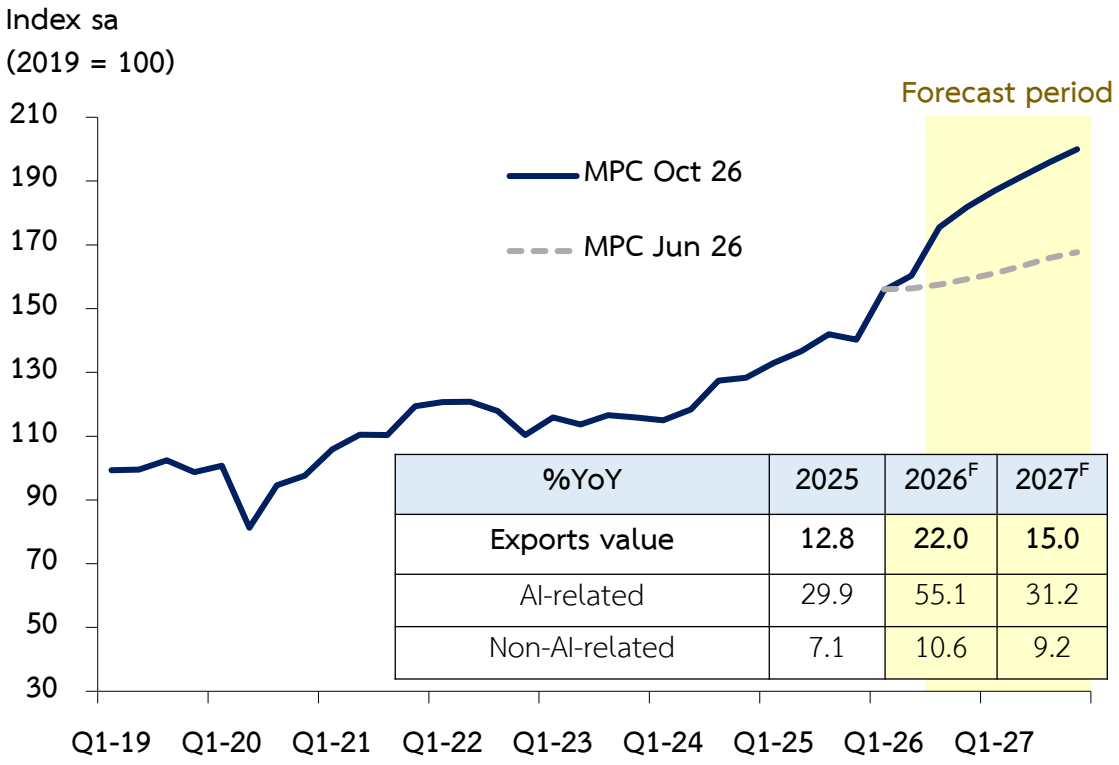
Note: F = Forecast

1/ AI-related activities are classified based on activities applying for BOI investment promotion, including electronics, machinery, metal products, data centers, data hosting services, cloud services, and cooling systems for data centers.

Source: NESDC, forecast by BOT

Merchandise exports are expected to continue expanding at a stronger-than-anticipated pace, but remain concentrated in a few AI-related products

Merchandise exports value forecast



%YoY	2025	2026^{F}	2027^{F}
Exports value	12.8	22.0	15.0
AI-related	29.9	55.1	31.2
Non-AI-related	7.1	10.6	9.2

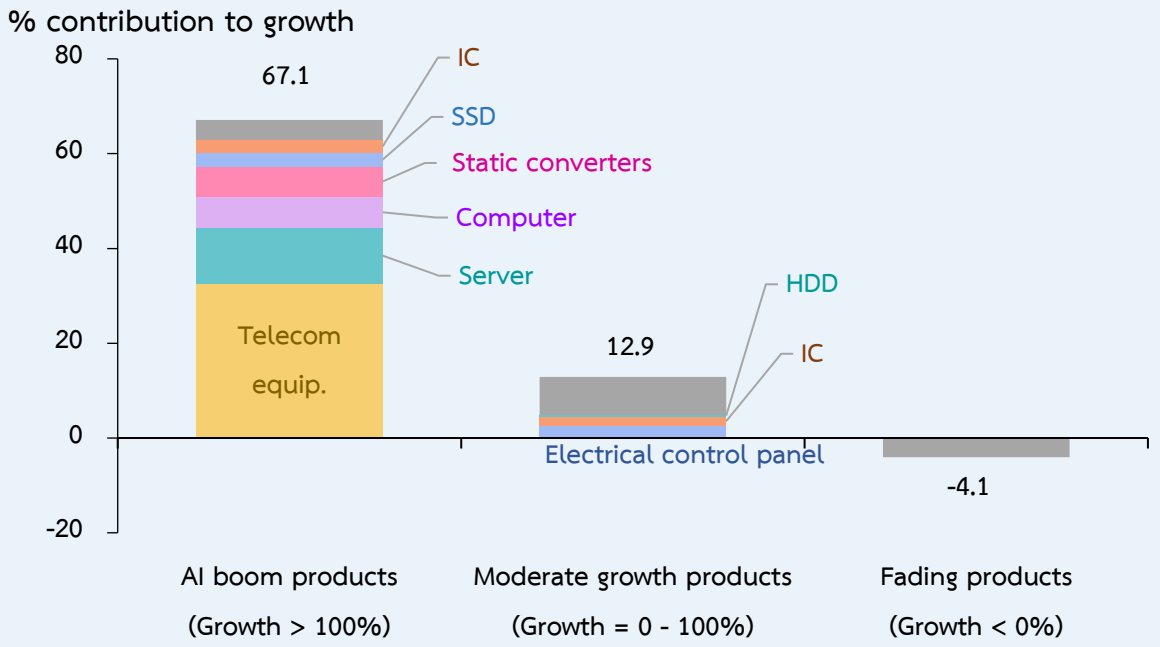
Source: Thai Customs, Ministry of Commerce, calculation and forecast by BOT

For further analysis of how the AI cycle benefits the Thai economy, see the Monetary Policy Report Q3/2026, Box: "The Impact of the AI Cycle on Thai Exports and the Economy."

The 77% YoY growth in AI-related* exports was driven by:

- Existing export products: 76%
- New export products: 1%

Contribution to export growth among existing export products



Note: Calculated using data for the first eight months of 2025 and 2026, with 2022 as the reference year
Source: Thai Customs, calculated by BOT

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The global and Thai economies remain in the infrastructure build-out and AI development phases, with mass adoption and the productivity gains yet to materialize

Phases of AI Benefits to the Economy

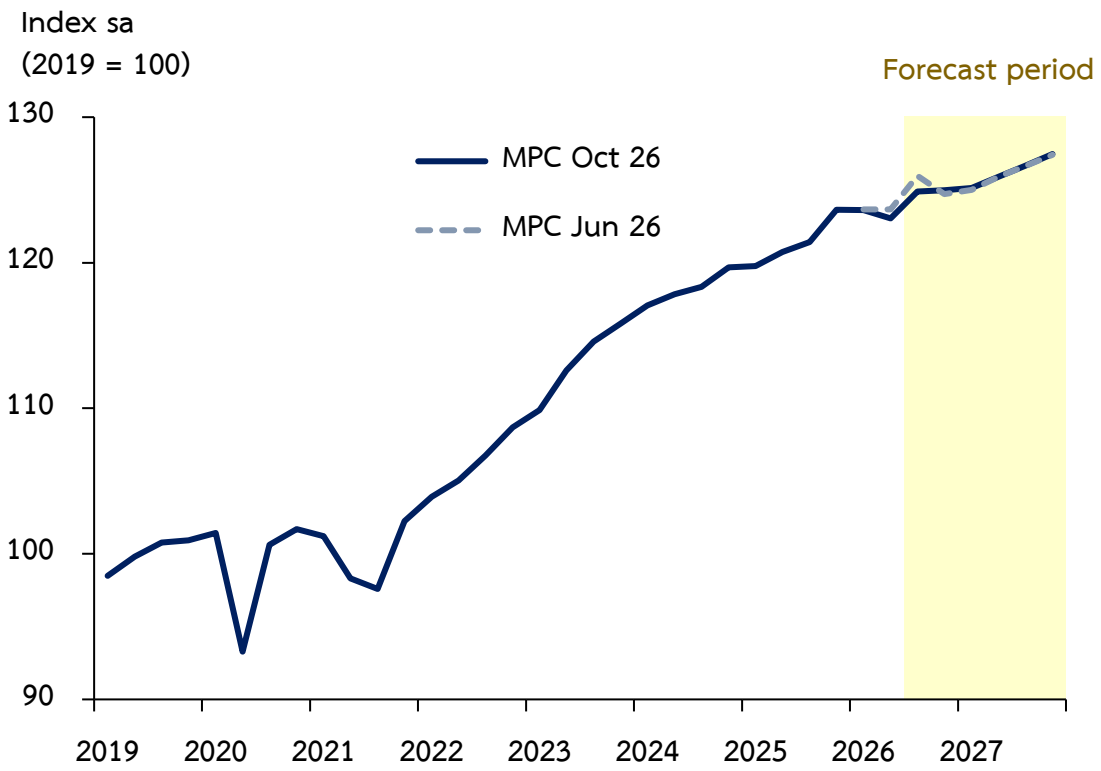
	PHASE 1 Infrastructure Build-out	PHASE 2 AI Development	PHASE 3 Early Adoption	PHASE 4 Mass Adoption
Global	• Demand for hardware and data center construction surges	• Competition for AI leadership reinforces Phase 1	• AEs have higher AI adoption rates than EMs	The global economy, including Thailand, has yet to reach this phase. The IMF estimates that this phase could raise annual GDP growth by approximately 0.5–1.0% in AEs and 0.2–0.8% in EMs.
Thai	• Exports and investment accelerate, but spillover benefits remain limited, as most manufacturing is concentrated in midstream and downstream products (e.g., PCBs, HDDs, and network equipment) with high import content	• The number of AI platform and AI service developers remains limited and development is still at an early stage, resulting in more users than developers.	• The benefits remain concentrated among large corporates and high-potential SMEs, as workers lack AI skills and AI adoption costs remain high.	

Investment Story → Productivity Story

"Investment comes early, but productivity gains take time"

Private consumption is expected to recover gradually, supported by a modest improvement in labor income, but growth remains below historical levels

Private consumption forecast



Private consumption forecast

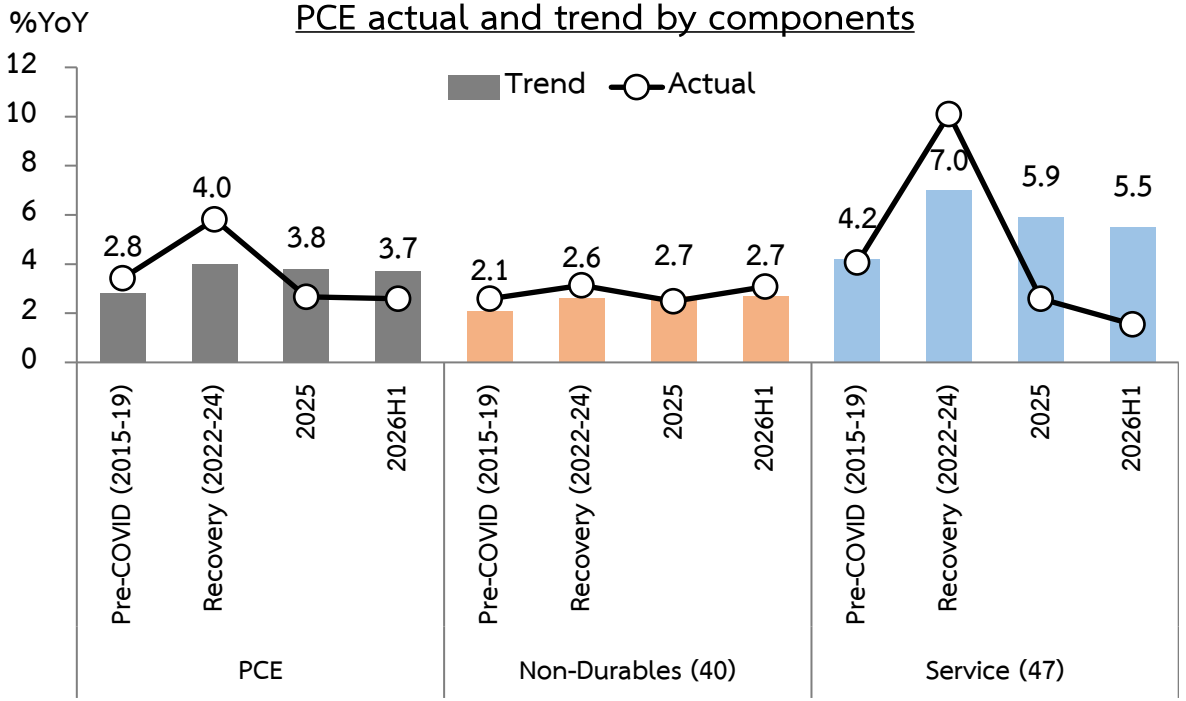
%YoY	2015–19	2025	2026^{F}	2027^{F}
Private consumption	3.4	2.7	2.3	1.7
(Exclude government measures)			1.6	2.4

Note: F = Forecast

Source: Forecast by BOT

Private consumption continues to expand but at a slower pace, with growth recently falling below trend as households remain cautious about spending, particularly on services

PCE actual and trend by components



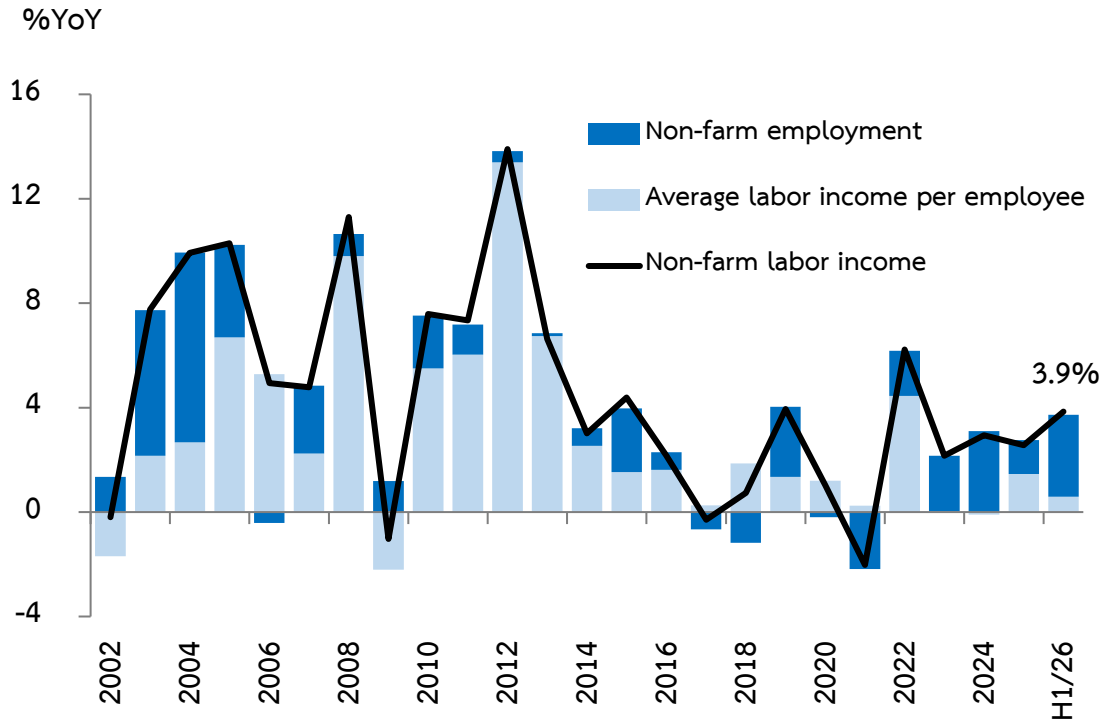
Note: The line chart shows average growth rates of actual PCE in each period, while the bar chart shows average trend growth estimated using a Kalman filter to remove short-term fluctuations.

( ) indicate 2025 consumption weights. Semi-durable and durable goods, with a combined weight of 13%, are omitted

Consumption remains under pressure from fragile labor market conditions amid heightened economic uncertainties

Labor market conditions remain fragile. Recent labor income growth has been driven mainly by higher employment, while wage growth remains modest. Looking ahead, labor absorption capacity is expected to be lower than that of historical levels.

Contribution to non-farm labor income growth



Source: National Statistical Office, calculated and forecast by BOT

Labor income projection

%YoY	2015-19	2025^{F}	2026^{F}	2027^{F}
Labor income	4.7	1.7	1.7	2.3

Note: F = Forecast; Labor includes employees, self-employed workers, and farmers
Source: NESDC and OAE, calculated and forecast by BOT

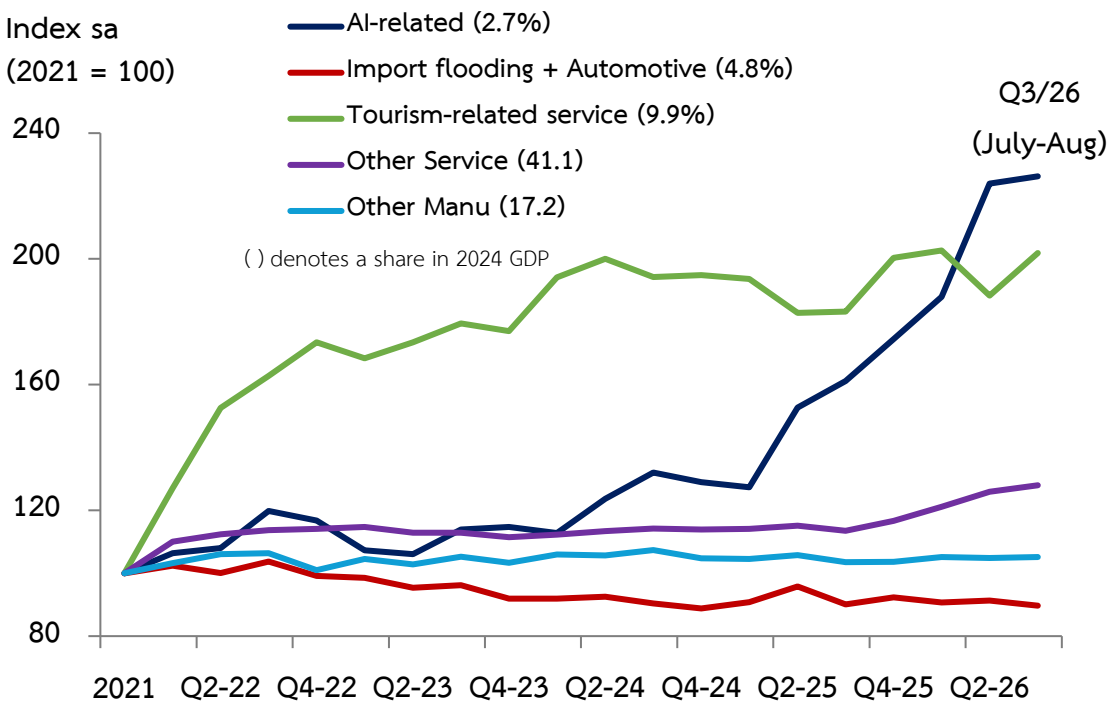
For further analysis of factors weighing on private consumption, see the Monetary Policy Report Q3/2026
BOX: "Private Consumption: Weaker Momentum and the Outlook"

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The Thai economy continues to gain momentum from the technology and AI cycle, but the benefits remain concentrated

The Thai economy has become increasingly K-shaped, as spillovers to other economic activities remain limited

Economic activities across sectors



Note:
- AI-related group refers to manufacturing sectors associated with goods used in data center operations, such as electronics, electrical equipment, machinery and equipment, as well as service sectors related to data centers, cooling systems, and the wholesale of electronic equipment and components.
- Import flooding group refers to sectors including electrical appliances, textiles and apparel, petrochemicals, iron and fabricated metals, and furniture
- Tourism-related group refers to sectors including hotels, restaurants, passenger transport, souvenir retail, arts & entertainment, and spa & wellness services

Sources: NESDC, NSO, Revenue Department, REIC, and OIE, calculated by the Bank of Thailand

Macroeconomic projection

Annual percentage change	2025	2026^{F}	2027^{F}
GDP growth	2.4	2.4	2.1
Domestic demand	2.8	3.8	2.6
Private consumption	2.7	2.3	1.7
Private investment	3.5	13.0	7.6
Government consumption	0.6	0.8	0.2
Public investment	8.9	2.1	2.3
Exports of goods and services	9.3	15.8	10.4
Imports of goods and services	6.8	16.6	8.8
Current account (billions of U.S. dollar)	29.0	0.0	18.0
Value of merchandise exports (%YoY)	12.8	22.0	15.0
Value of merchandise imports (%YoY)	13.4	33.0	10.0
Number of foreign tourists (million persons)	33.0	32.0	34.5
Tourism receipt (trillion baht)	1.4	1.5	1.6

Note: F = Forecast *Data have been revised from 2025 onward

Source: NESDC, forecast by BOT

Issues to monitor

1. Continued momentum in the technology and AI cycle
2. Prolonged geopolitical tensions
3. Tightening global financial conditions which impact financing costs

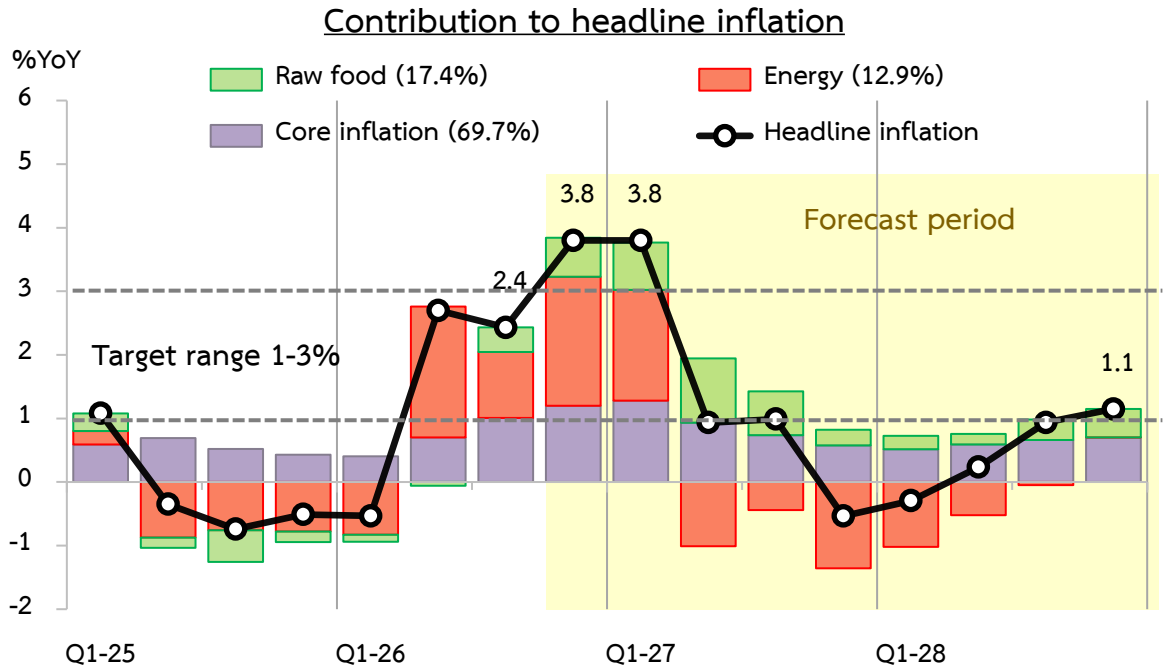
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Inflation

- Headline inflation rose temporarily this year due to supply-side factors, before moderating to a low-level owing to base effects and weak domestic demand associated with subdued economic growth, which partly reflected structural challenges.
- There are no signs that inflation expectations are becoming de-anchored. Moreover, price increases remain concentrated in the energy category, as weak demand plays a role in containing broader and persistent pass-through.

Inflation is expected to rise temporarily, but geopolitical risks and the limited capacity of energy price subsidies warrant close monitoring

Inflation is expected to remain temporarily elevated due to energy and raw food prices

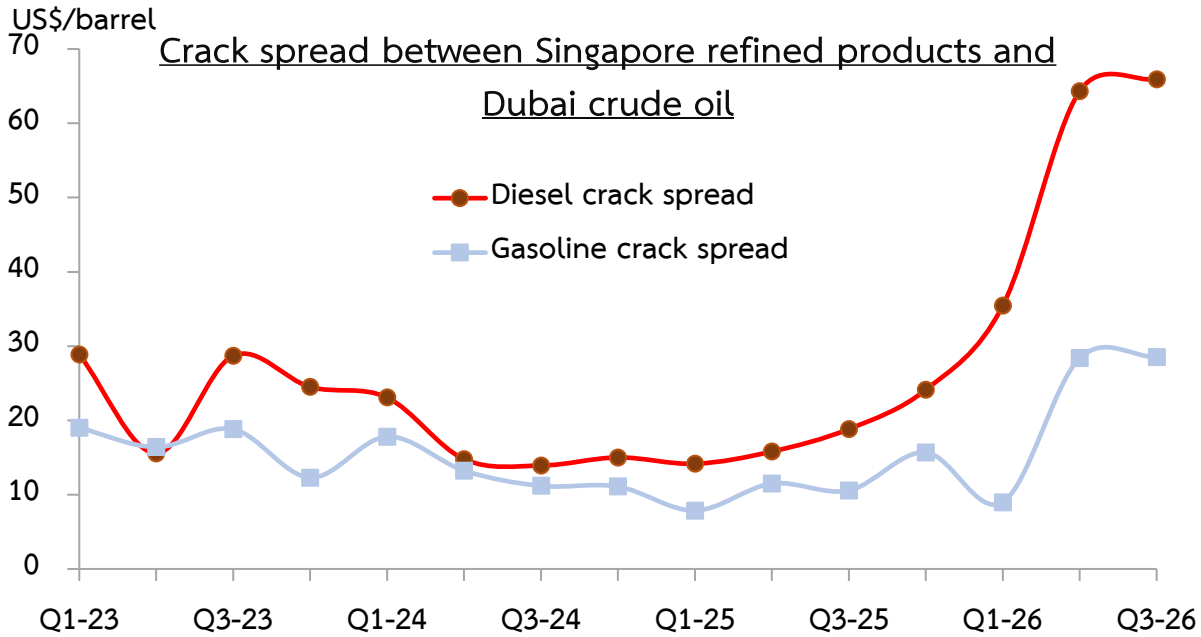


Forecast (%YoY)	2026^{F}	2027^{F}
Headline Inflation	2.1 (2.8)	1.3 (1.4)
Core Inflation	1.2 (1.5)	1.3 (1.4)

Note: ( ) denotes the forecast as of MPC Jun 2026

Source: Ministry of Commerce, forecast by the Bank of Thailand

Singapore refined oil prices rose due to tight global supply, resulting in domestic retail oil prices exceeding previous assessments.



Projections of global oil prices and domestic retail oil prices

	H1/26	H2/26^{F}	2026^{F}	2027^{F}
Dubai crude oil price (US$/bbl)	92	94	93	76
Singapore diesel refined oil prices (US$/bbl)	142	161	151	114
Domestic retail diesel price (baht/liter)	36.1	40.4	38.3	37.3

Note: F = Forecast

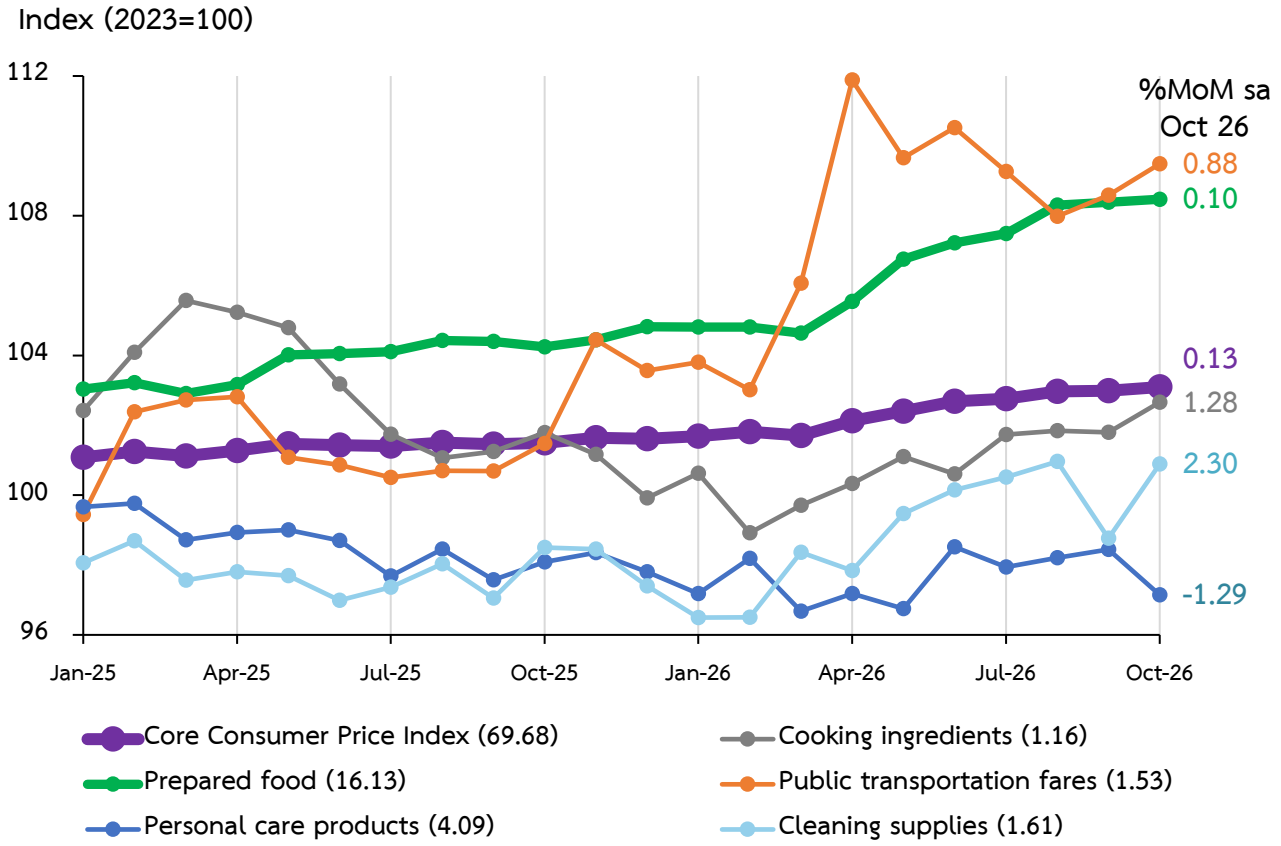
Sources: Bloomberg PEIT and EPPO, calculation and forecast by the Bank of Thailand

Cost pass-through to core inflation has continued, but remains limited amid subdued economic activity, with no signs of broad-based and persistent price increases

Prices in the core inflation basket have continued to rise. However, cost pass-through has begun to moderate in prepared food, which carries a significant weight in the basket.

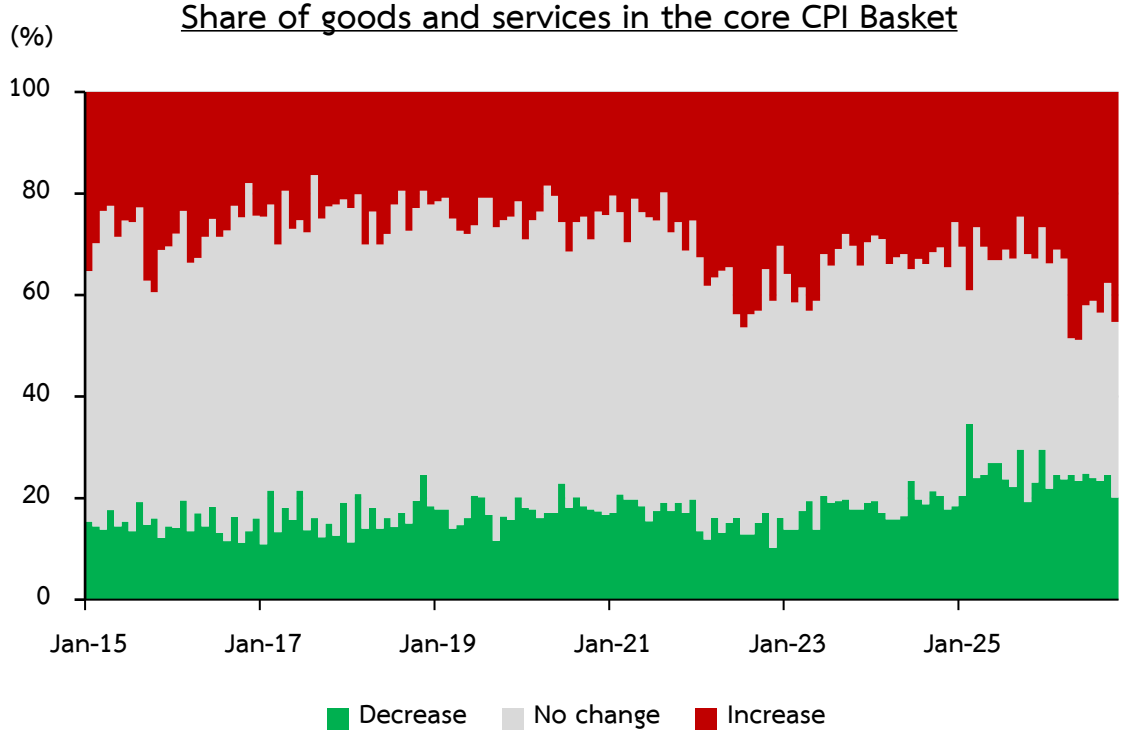
The share of items with price increases in the core inflation basket has recently stabilized, reflecting that cost pass-through is neither broad-based nor persistent.

Price index of core inflation



Note: ( ) represent the weights of goods and services in the CPI basket based on the 2023 base year.
Source: Ministry of Commerce, calculated by BOT

Share of goods and services in the core CPI Basket



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

Underlying inflation indicators increased as expected, driven by earlier cost pass-through. Meanwhile, medium-term inflation expectations remain anchored within the target range

Underlying inflation indicators have increased gradually, driven by cost pass-through.

Medium-term inflation expectations remain anchored within the target range, despite short-term inflation expectations fluctuating in line with recent inflation outturns

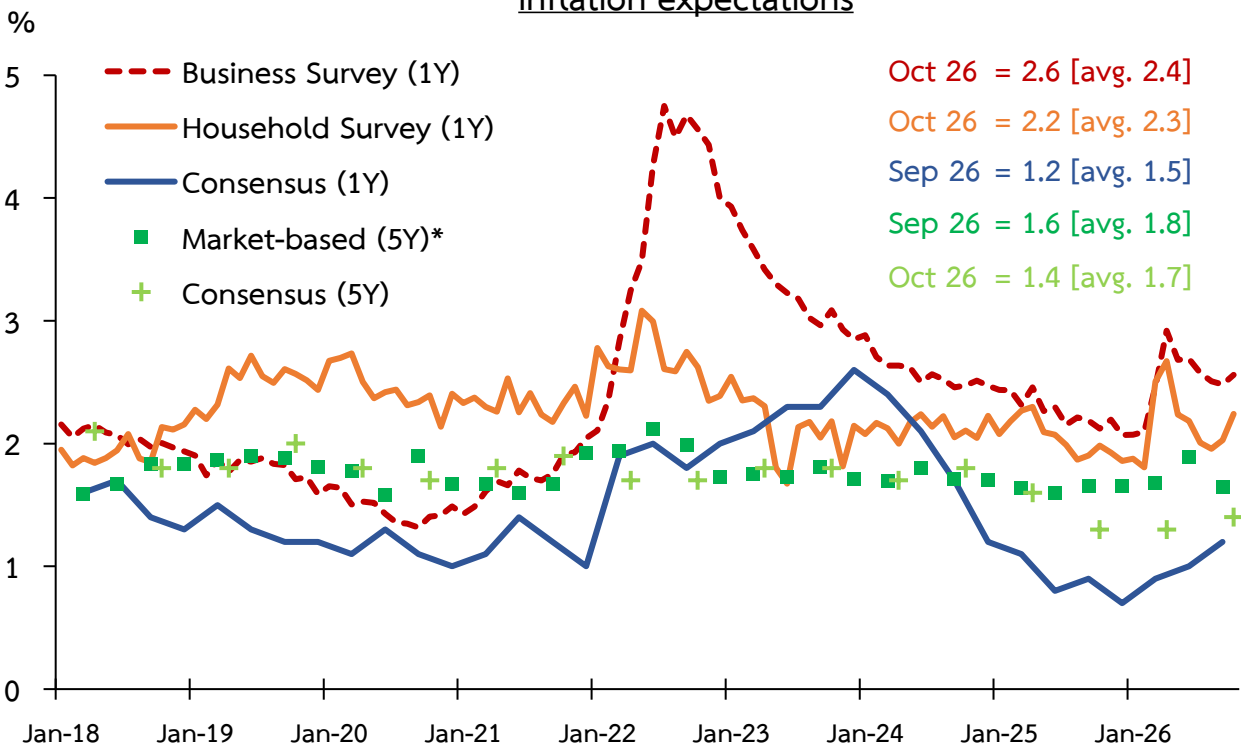
Underlying inflation indicators

Indicators	2025						2026									
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
Core CPI	0.8	0.8	0.7	0.6	0.7	0.6	0.6	0.6	0.6	0.8	0.9	1.2	1.3	1.4	1.5	1.6
Core CPI (ex rent & subsidies)	1.0	0.9	0.7	0.7	0.7	0.6	0.5	0.5	0.5	0.8	0.9	1.3	1.5	1.6	1.7	1.8
Trimmed mean CPI	0.9	0.8	0.7	0.7	0.6	0.5	0.5	0.4	0.7	1.2	1.4	1.4	1.5	1.8	2.0	2.4
Sticky-price CPI	1.3	1.2	0.9	0.9	0.7	0.7	0.8	0.9	1.0	1.3	1.3	1.7	1.8	1.9	1.9	2.1

Note: Mean +/- > 1.5 S.D.; Mean +/- 0.5-1.5 S.D.; Mean +/- < 0.5 S.D.

Note: Calculated from %YoY of monthly indicators / Trimmed mean CPI excludes goods and services whose prices changed the most (top 10%) and the least (bottom 15%) by weight in the CPI basket / Sticky-price CPI is calculated from goods and services whose prices are adjusted less often than the basket average (once every 4.8 months) based on the methodology used by Bryan and Meyer (2010).
Source: Ministry of Commerce, calculated by BOT

Inflation expectations



Note: [ ] denote the average since January 2018; *Estimated using an affine term structure model incorporating yield curve data and macroeconomic factors.
Sources: Asia Pacific Consensus Economics, Business Sentiment Survey (BOT), Consumer Confidence Index (Ministry of Commerce)

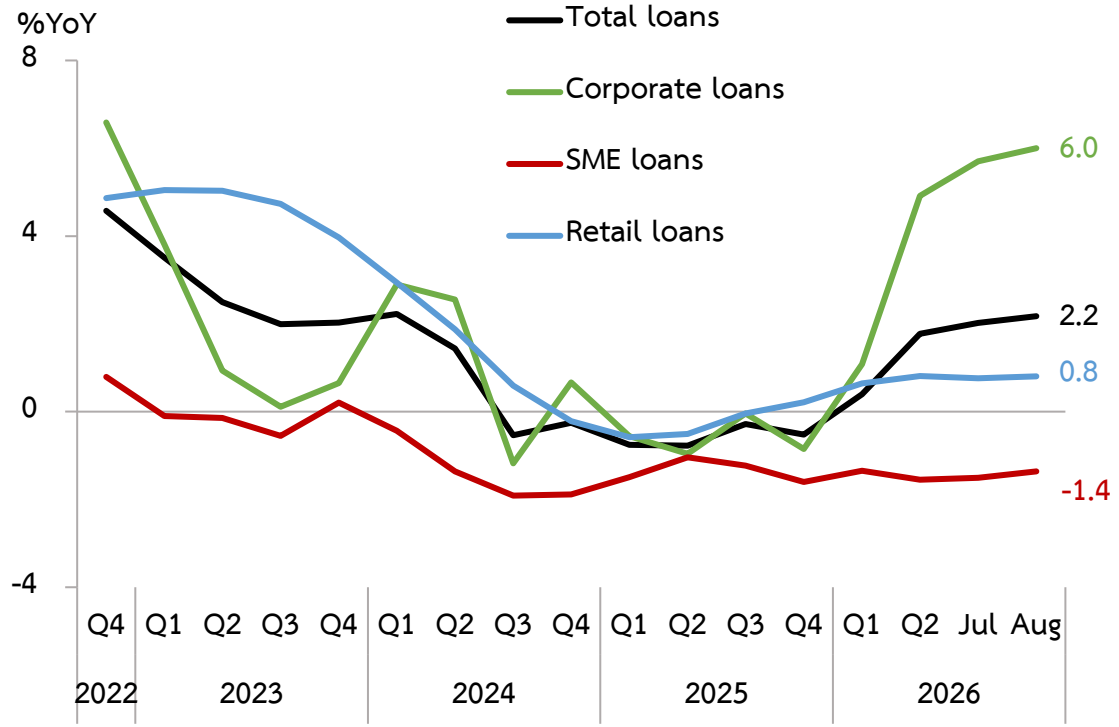
Financial conditions

- Overall credit growth was mainly supported by large corporate loans, while SME loans continued to contract as financial institutions remained cautious toward high-risk borrowers.
- The baht weakens relative to regional peers, reflecting Thailand's greater reliance on energy imports. Nevertheless, Thailand's strong external stability helps mitigate the impact of volatility in global financial conditions.

Overall credit growth was mainly supported by large corporate loans, while financial institutions remained cautious toward high-risk borrowers

Large corporate lending continues to expand, driven by liquidity demand to cushion against higher costs and partly to fund new investment cycles. Meanwhile, SME loans continued to contract.

Private sector borrowing



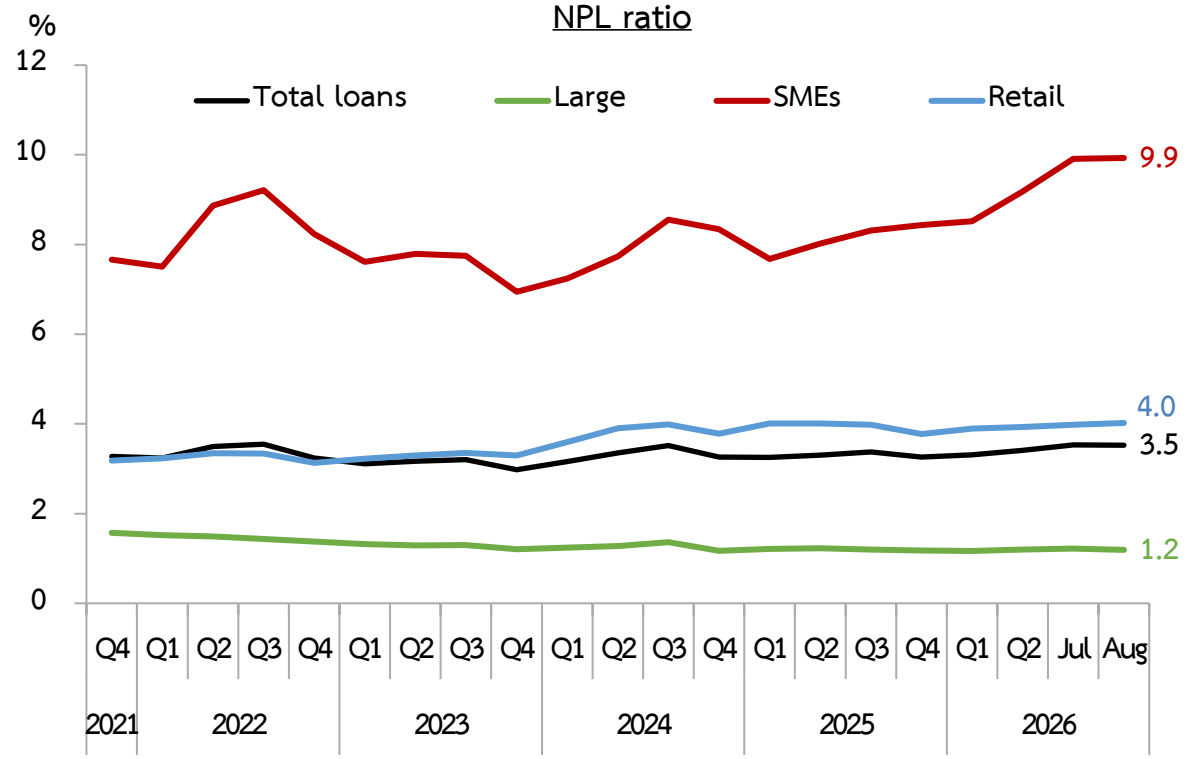
Note: (1) Loans cover commercial banks (including their subsidiaries), specialized financial institutions (SFIs), and non-banks under the BOT's supervision, excluding public sector loans.

(2) Business size is classified according to the revised definition of the Office of Small and Medium Enterprises Promotion (OSMEP), which considers annual revenue and employment alongside credit lines, whereas loans from SFIs and BOT-supervised non-banks follow the OSMEP definition based on revenue and employment.

Source: Bank of Thailand

Although overall credit quality has remained stable, the NPL ratio for SMEs remains elevated.

NPL ratio



Note: (1) Loans cover commercial banks (including their subsidiaries), specialized financial institutions (SFIs), and nonbanks under the BOT's supervision, excluding public sector loans.

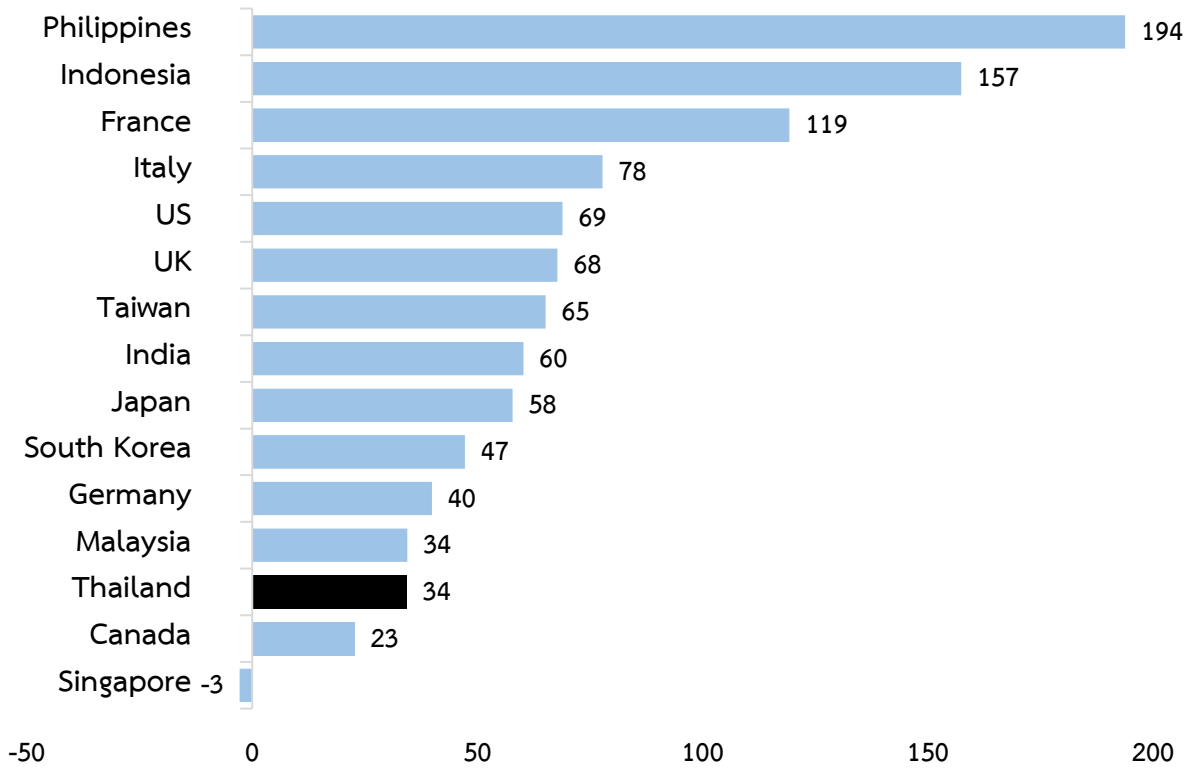
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Source: Bank of Thailand

Tighter global financial conditions had a limited impact on private sector borrowing costs

Thai government bond yields have increased, but by less than those in other economies

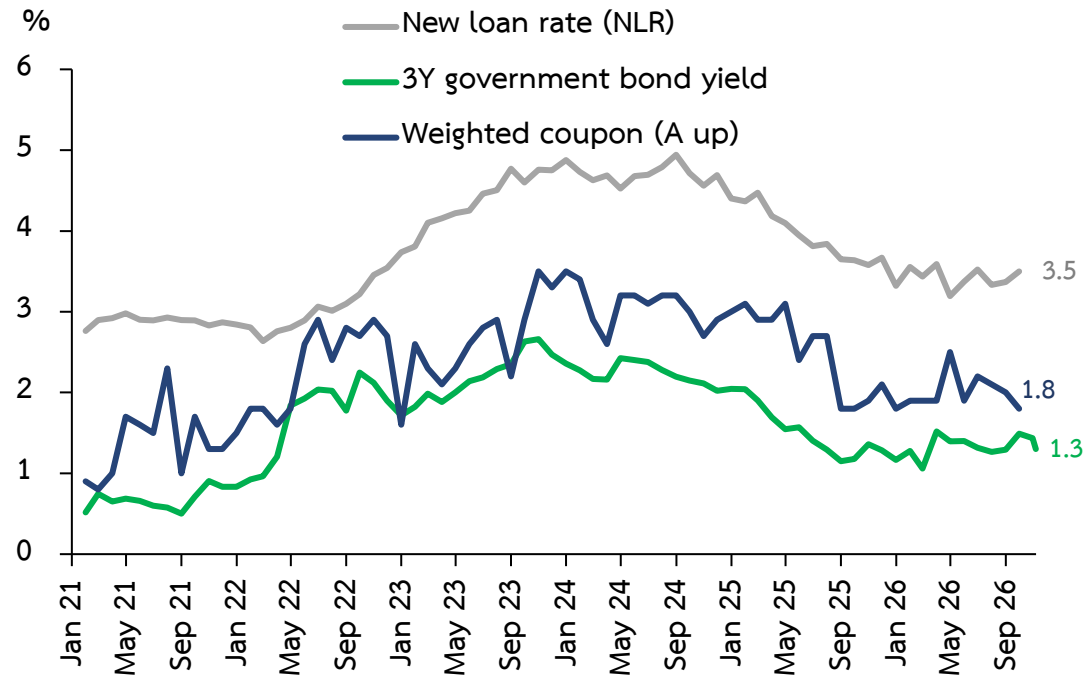
10Y yield change (YTD)



Source: Bloomberg, data as of 6 Nov 2026

Overall private sector borrowing costs have remained stable in line with the policy interest rate.

Costs of borrowing



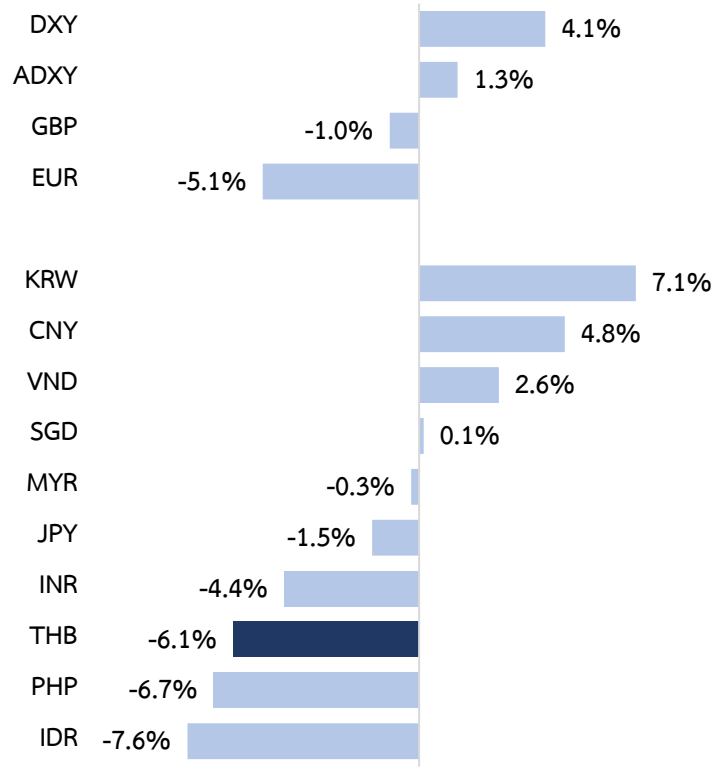
Note: (1) Government bond yield as of 6 Nov 2026
(2) Weighted average coupon as of Sep 2026
(3) New loan rate (NLR) data as of Sep 2026

Source: Bank of Thailand and ThaiBMA

The Thai baht weakens relative to regional peers. Nevertheless, Thailand's external stability remained strong

The baht weakens relative to regional peers, reflecting Thailand's greater reliance on energy imports

Changes in exchange rates against USD (YTD)



Sources: Reuters and Bloomberg, calculated by Bank of Thailand (data as of 6 Nov 2026)

Thailand's strong external stability, together with a low share of foreign investor holdings, helped mitigate the impact of volatility in global financial conditions.

External stability indicators

	Criteria	KR	TH	PH	ID	IN	MY
Current account to GDP (%)	-2%	18.8	0	-4.8	-1.6	-1.5	2.1
Billion USD		*(421.9)*	*(0)*	*(-24.3)*	*(-23.5)*	*(-61.5)*	*(11.5)*
External debt to GDP (%)	< 80%	39.9	36.3	31.6	30.6	20.8	71.6
Billion USD		*(812.8)*	*(214.8)*	*(154.9)*	*(453.4)*	*(778.2)*	*(370.9)*
Gross international reserves to short-term debt (%)	*>100%*	215.6	247.2	421.2	200.0	233.3	66.3
Billion USD		*(427.4)*	*(279.2)*	*(104.7)*	*(145.6)*	*(726.0)*	*(132.6)*

Note: Reserves to short-term-debt ratios are based on the latest available figures for 2025; the current account uses 2026 forecasts; external debt and international reserves data are as of Q2 2026.

Sources: Bank of Thailand, IMF, Bloomberg, CEIC

Foreign investor holdings in the Thai equity and bond markets

NR Holding	Bonds	Equities
% Market Cap	6.9	25.0

Source: Bank of Thailand (data as of 30 Sep 2026)

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Monetary Policy

- Accommodative monetary policy has helped support the economic recovery. However, upside risks to inflation and risks to macro-financial stability arising from a prolonged low-interest-rate environment (low for long) warrant close monitoring, even though no significant signs of risk accumulation are currently observed.
- Monetary policy should be accompanied by targeted financial measures to support the economic recovery, alongside policy coordination with fiscal and other government policies to address underlying structural challenges.

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Accommodative monetary policy remains appropriate to support the economic recovery. However, a prolonged low-interest-rate environment could lead to a buildup of risks to macro-financial stability

1. Macro-financial vulnerabilities

Increased macro-financial vulnerabilities: Although a low interest rate helps support the economy in the near term, it encourages **excessive debt accumulation** and **search-for-yield behavior** more than appropriate. An **underpricing of risks** can erode market prudence and lead to a **buildup of vulnerabilities**, thereby amplifying the impact of shocks and prolonging the economic recovery

2. External vulnerabilities

Greater external stability risks: Amid a continued tightening monetary policy by major central banks, a prolonged low interest rate environment could further **accumulate financial stability risks**. This could affect international capital flows as well as exchange rate movements and volatility, particularly in the event of a shock that erodes investor confidence in the country's economic stability.

3. Resource misallocation

Resource misallocation: Excessively low financing costs may impair **the market selection mechanism for business efficiency and risk**, such as by facilitating the emergence/survival of **zombie firms**. Moreover, prolonged low financing costs reduce the minimum expected rate of return required by firms and investors (the hurdle rate), potentially leading to **investment in low-return, low-productivity projects.**

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Accommodative monetary policy should be accompanied by fiscal policy and targeted financial measures to support the economy in the short term and to address underlying structural challenges

Monetary Policy

Monetary policy remains accommodative to support economic growth, while inflation outlook and surrounding risks and the effects of low interest rates on long-term macro-financial stability warrant close monitoring

Fiscal Policy

- Mitigate short-term economic impacts
- Prioritize improvements in long-term productivity and structural economic transformation

Financial measures

- Address debt issues among vulnerable groups
  e.g., debt resolution programs (Pid Nee Wai, Pai Tor Dai)
- Strengthen liquidity and enhance SME potential e.g.,
  Credit Boost / Credit Portal / Alternative Data Exchange