





Monetary Policy Report

The Monetary Policy Report is prepared quarterly by staff of the Bank of Thailand with the approval of the Monetary Policy Committee (MPC). It serves two purposes: (1) to communicate to the public the MPC's consideration and rationales for the conduct of monetary policy, and (2) to present the latest set of economic and inflation forecasts, based on which the monetary policy decisions were made.

The Monetary Policy Committee

Mr. Sethaput Suthiwartnarueput Chairman

Mr. Piti Disyatat Vice Chairman

Mrs. Alisara Mahasandana Member

Mr. Paiboon Kittisrikangwan Member

Mr. Rapee Sucharitakul Member

Mr. Roongrote Rangsiyopash Member

Mr. Santitarn Sathirathai Member





Monetary Policy Committee

Under the Bank of Thailand Act, the Monetary Policy Committee (MPC) comprises the governor and two deputy governors, as well as four distinguished external members representing various sectors of the economy, with the aim of ensuring that monetary policy decisions are effective and transparent.

Monetary Policy Objective

The MPC implements monetary policy under the flexible inflation targeting regime. While regarding medium-term price stability as its primary objective, the MPC also aims at supporting sustainable, full-potential economic growth and preserving financial stability, attributing to long-term price stability and economic sustainability.

Monetary Policy Target

On December 24, 2024, the Cabinet approved the monetary policy target for 2025, which was mutually agreed between the MPC and the Minister of Finance to set the headline inflation within the range of 1–3 percent as the target for the medium-term horizon and for 2025.

In the event that average headline inflation in the past 12 months or a forecast of average headline inflation over 12 months ahead breaches the target range, the MPC shall send an open letter to the Minister of Finance to explain reasons for the breach of the target range, together with measures taken and estimated time to bring inflation back to the target. Furthermore, the MPC will write an additional open letter to the Minister of Finance every six months if average headline inflation based on the above criteria remains outside the target range.

Monetary Policy in Thailand

Monetary Policy Instrument

The MPC utilizes the 1-day bilateral repurchase transaction rate as the policy interest rate to signal the monetary policy stance.

The MPC has adopted the managed float exchange rate regime to stabilize and limit the volatilities in the exchange rate, as to let the baht reflect economic fundamentals

Evaluation of Economic Conditions and Forecasts

The Bank of Thailand takes into account information from all sources, the macroeconomic model, data from each economic sector, as well as surveys of large enterprises, together with small and medium-sized enterprises from all over the country, and various financial institutions to ensure that economic evaluations and forecasts are accurate and cover all aspects, both at the macro and micro levels.

Monetary Policy Communication

Recognizing the importance of monetary policy communication to the public, the MPC employs various channels of communication, both in Thai and English, such as (1) publishing a press statement at 14:00 and holding a press conference regarding the results of the meeting at 14:30 on the day of the Committee meeting, (2) publishing edited minutes of the MPC meeting two weeks after the meeting, and (3) publishing the Monetary Policy Report every quarter.





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Executive Summary

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Data in this report is as of 25 June 2025 (the day of the monetary policy decision) unless stated otherwise





Executive Summary of Monetary Policy Report Q2/2025

Economic growth, inflation, and financial stability

The Thai economy is projected to grow 2.3% in 2025 and 1.7% in 2026. Economic growth in the first half of 2025 has been stronger than previously expected, driven by strong export growth as a result of front-loading shipments as well as a continued expansion in electronics exports supported by the high-technology cycle such as Al-related products and data centers. The strong exports growth also generated positive spillovers to the manufacturing and services sectors.

Exports would face headwinds from US tariffs following the dissipation of front-loaded exports. Private consumption would expand at a slower pace in line with weakening income and declining consumer confidence. Foreign tourist arrivals would decline, but the increase in long-haul tourists with higher spending per trip is expected to support continued growth in tourism receipts (Box 1: Thailand's tourism outlook: key issues and challenges to be monitored). Meanwhile, some businesses would continue to face pressure from import flooding and shifting consumer behavior. Against this backdrop, businesses are trying to adapt in order to deal with these challenges and suggest the government to implement targeted support measures (Box 2: Business adaptation approaches – insights from interviews with Thai firms).

Headline inflation is projected to remain subdued mainly due to supply-side factors, averaging 0.5% in 2025 and 0.8% in 2026. The subdued inflation outlook is largely attributed to declines in energy and raw food prices, which together accounted for a significant share of the CPI basket, with energy price inflation expected to be negative for 2 consecutive years. Nevertheless, the low inflation seen is not indicative of broad-based price declines or deflation. Prices of some goods are still increasing, especially those regularly consumed by households—such as prepared food, cooking ingredients. Medium-term inflation expectations remain well-anchored within the target range of 1-3%.

Credit growth remains negative. This is partly due to declining credit demand and increased debt repayments amid a context of heightened economic uncertainties. Meanwhile, financial institutions remain cautious in lending to SMEs and households with elevated credit risks. Credit quality deteriorated further, especially SME loans and housing loans. Therefore, it is necessary

to closely monitor credit conditions and credit quality as well as their implications for economic activities going forward. On exchange rates, the baht remained volatile driven by global trade policy uncertainty and conflicts in the Middle-East. The US dollar has been on a depreciation trend due to concerns about the US economic outlook, resulting in regional currencies, including the baht, appreciating especially during episodes when concerns about global trade policy uncertainty subside.

Monetary policy decisions in Q2/2025

The Monetary Policy Committee (MPC) was in full agreement that monetary policy should remain accommodative to support the economy in the period ahead and that recent policy rate cuts provided some cushion against prevailing risks. At the MPC meeting on 25 June 2025, most committee members voted to maintain the policy rate at 1.75%, emphasizing the importance of timing and policy effectiveness under heightened uncertainties as well as the limited policy space. Meanwhile, one committee member voted to cut the policy rate by 25 bps to reduce interest burden and facilitate adjustments among those who were impacted by weakening economic activities.

The MPC views that economic growth and financial conditions are weighed down by several factors. Tighter financial conditions partly resulted from heightened credit risks among borrowers. In this context, monetary policy alone would have limited efficacy in addressing these issues; therefore, targeted measures in conjunction with business adaptation were deemed necessary. These include support schemes to facilitate business adaption by SMEs, measures to mitigate import flooding, and credit guarantee mechanisms.

Under the prevailing monetary policy framework, which seeks to maintain price stability, support sustainable growth, and preserve financial stability, the MPC assessed that the economic outlook remains highly uncertain and stands ready to adjust monetary policy to align with the economic and inflation outlook, and associated risks going forward.



The global economy is projected to slow down after the front-loading of exports in anticipation of US tariffs gradually ends.

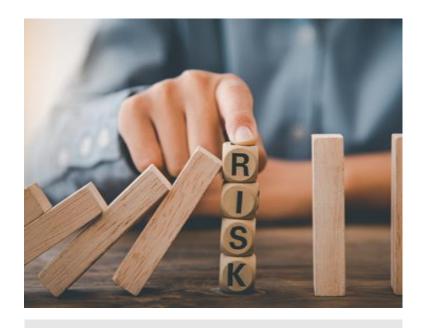


The global economy is slowing down.

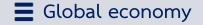
Manufacturing and exports have slowed down as the front-loading of exports gradually ends, while services remain a key growth driver.



Headline inflation is declining in many countries. Meanwhile, core inflation has remained stable and most central banks have continued to ease monetary policy.



While risks pertaining to the US-China trade war and global trade policy uncertainty have declined, geopolitical risks have increased from the Israel-Iran conflict.

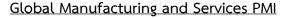


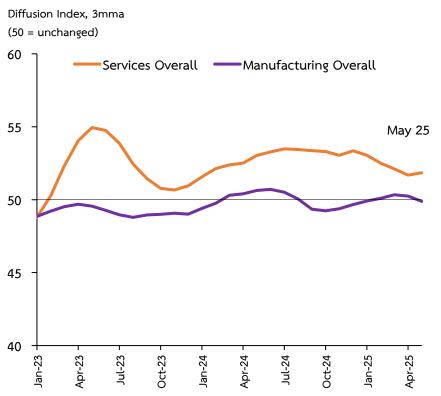


The global economy is projected to slow down due to a slowdown in manufacturing and exports after having accelerated earlier, while the services sector would remain a key growth driver in the period ahead.

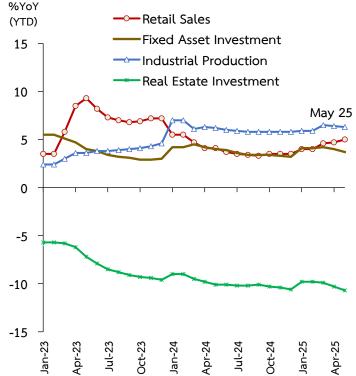
The services sector is still expanding, while manufacturing has slowed down after the dissipation of front-loaded exports to the US.

The Chinese economy is projected to expand on the back of private consumption supported by government measures, while manufacturing would slow down slightly. Decline in Chinese exports to the US would be offset by an increase in exports to other markets like ASEAN.

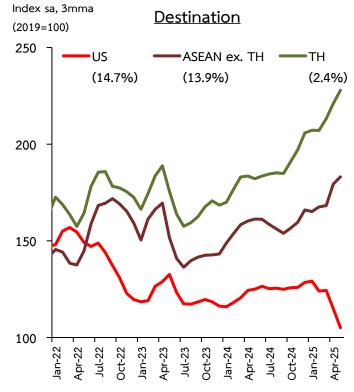




Key Chinese Economic Indicators



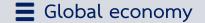
China's Export Distribution by



Source: S&P Global, BOT calculations

Source: CEIC, BOT calculations

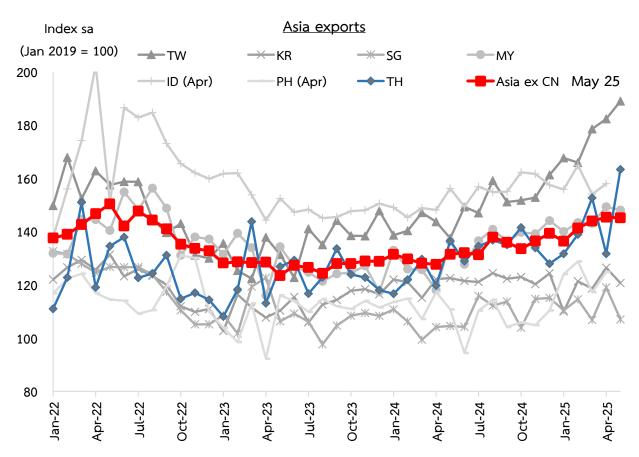
Note: () indicates the share of China's exports to each region in 2024. Source: CEIC. BOT calculations





Asian export growth remained positive in recent periods but would likely slow down after the front-loading gradually ends.

Asian export growth remained positive with Taiwanese and Thai exports benefiting from consistently strong demand for high-technology products Exports of high-technology productions would continue to grow, especially those related to AI and data centers





Note: Asia excl. China exports consist of MY, SG, JP, KR, TW, PH and ID. Technology products include integrated circuits (ICs) Source: CEIC, BOT calculations

and semiconductors, computers, electrical appliances, and telecommunication equipment. Source: CEIC, BOT calculations

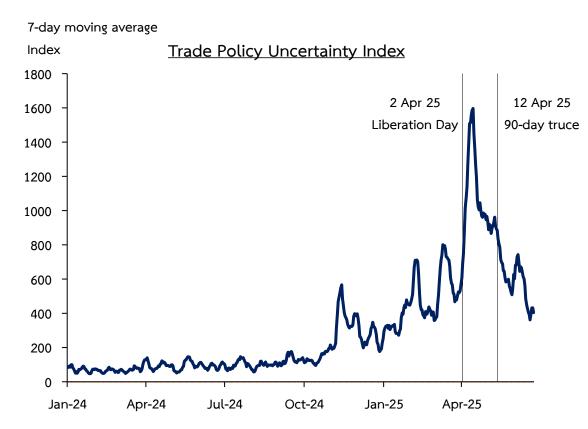


The global trade policy situation has improved but remains highly uncertain, thus it is necessary to monitor the development in US's stance after the 90-day pause on reciprocal tariffs end.

Global trade concerns have eased after US and China reached an agreement on tariffs.

		Implementation of import tariffs by the US
	Date	Policy action
	3 May 2025	25% tariff on auto parts ^{1/} import from all countries
	12 May 2025	US and China reached an agreement to reduce reciprocal tariffs to 10% for 90 days (resulting in 30% total tariffs on China)
Policies already announced	4 Jun 2025	Tariffs on metals and aluminum ^{1/} increased to 50%
(effective date) 9 - 10	9 - 10 Jun 2025	US and China agreed on principles and framework to ease trade tensions, with China agreeing to increase exports of rare earth minerals and US agreeing to relax restrictions on high technology products exports.
	17 Jun 2025	US and UK reached trade agreement
Policies not yet	9 Jul 2025	End of the 90-day pause on reciprocal tariffs, with tariffs being reset to the rates announced on 2 Apr
announced and remain highly uncertain Q2-Q4/20		Potential additional sectoral tariff ^{1/} on goods such as semiconductors, pharmaceutical drugs, copper, wood products, and critical minerals

Trade policy uncertainty has declined but remained higher than in the past as reflected in the Trade Policy Uncertainty Index.



Note: Data as of 23 June 2025

Source: Caldara, Iacoviello, Molligo, Prestipino, and Raffo (2020). "The Economic Effects of Trade Policy Uncertainty"

Note: ^{1/}Goods subject to tariffs under Section 232 of the US Trade Expansion Act. Data as of 23 Jun 2025.

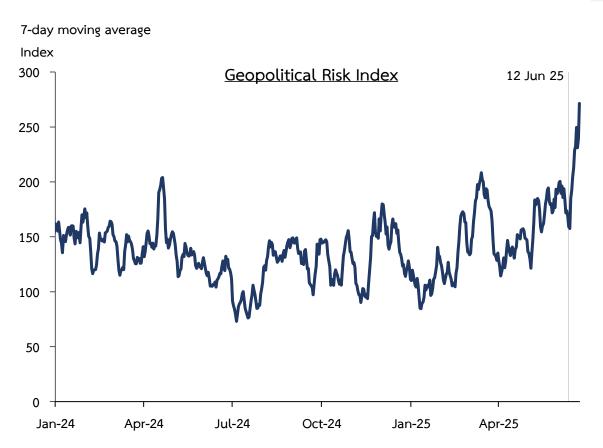
Source: various sources consolidated by BOT

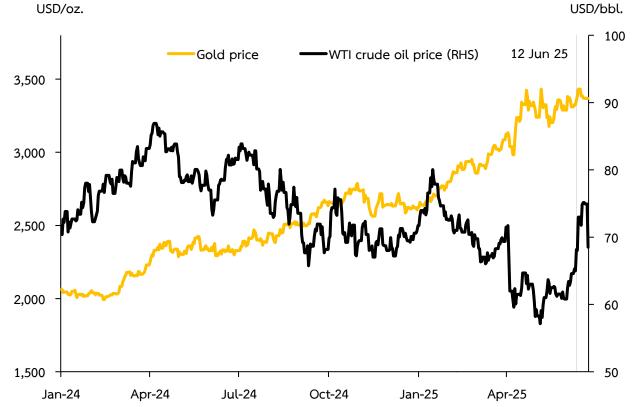


The global economic outlook is subject to additional risks from geopolitical tensions, particularly the Israel-Iran conflict, which escalated on 12 June 2025.

The Israel-Iran conflict escalated as reflected in the Geopolitical Risk Index

Growing concerns among financial market participants led to a short-term increase in crude oil prices before declining slightly in the following period.





Note: Data as of 23 Jun 2025

Source: Caldara, Dario and Matteo Iacoviello (2022), "Measuring Geopolitical Risk"

Note: Data as of 23 Jun 2025 Source: Bloomberg





Trading partner economies are projected to grow at a slower pace compared to 2024, due to US trade policies impacting global trade and the global economy

Assumption of trading partners' growth

%YoY	Share of exports in 2024 ^{1/} (%)	2024 ^{2/}	2025	2026
US	18.3	2.8	1.5	1.3
Euro area	6.9	0.8	1.1	0.8
Japan	7.7	0.2	0.9	0.7
China	11.7	5.0	4.5	4.2
Asia ^{3/}	20.5	4.3	3.3	3.4
Total ^{4/}	70.6	2.9	2.4	2.3

Note: These growth forecasts assume that the US imposes a 30% tariff on China and periodically grants exemptions from reciprocal tariffs but still imposes a 10% baseline tariff on other countries. For sectoral tariffs, 25% on automobile and auto parts and 50% on metals, aluminum, and electrical appliances containing metal and aluminum parts.

Trading partner economies are projected to slow down in 2025 and 2026 due to the impact of US tariffs, which are expected to impact growth throughout the two years despite trade tensions having eased somewhat. The US economy is expected to slow down markedly in the latter half of 2025 as businesses pass on the costs from higher tariffs to consumers. Meanwhile, other countries would benefit from front-loaded exports in the first half of 2025 before slowing down in the second half of the year and into 2026.

Risks to trading partners' outlook are skewed to the downside

Downside risks:

- 1) US tariffs and trade retaliations becoming more severe
- 2) Trading partner's growth turning out weaker than expected, especially China
- 3) Geopolitical tensions resulting in higher energy prices especially if conflicts in the Middle-East become more severe

Upside risks:

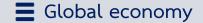
1) Growth among euro area economies turning out stronger than expected due to government spending being implemented sooner than expected

^{1/} Share of total Thai exports value to Thailand's key trading partners in 2024

^{2/} Outturn

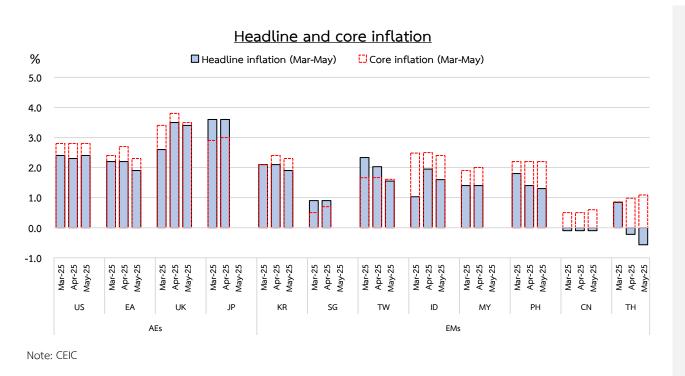
^{3/} Asia (excl. Japan and China) includes Singapore (3.4%), Hong Kong (3.6%), Malaysia (4.1%), Taiwan (1.6%), Indonesia (3.2%), South Korea (2.0%), and the Philippines (2.6%)

 $^{^{4/}}$ Including UK (1.4%) and Australia (4.1%)





Headline inflation declined in most countries while core inflation remained stable in many countries. It is expected that the ECB and Asian central banks would continue to cut rates in 2025.



Assumption of the Fed's monetary policy in 2025-2026

% at year end	2024*	2025	2026
Fed Funds Rate	4.25 – 4.50	4.00 - 4.25	3.25 - 3.50

Note: *Outturn

The Federal Reserve (Fed) maintained its policy rate at 4.25-4.50% at the FOMC Meeting on 19 Jun 2025. The policy rate has remained at this level since the beginning of the year. It is expected that the Fed would wait until the impact of US tariffs on the economy and inflation becomes clearer before cutting its policy rate once toward the end of the year when the impact of tariffs on inflation would have dissipated. It is also expected that the Fed would continue to cut rates three times in 2026.

The European Central Bank (ECB) cut its policy rate by 25 bps at the Governing Council Meeting on 5 June, bringing the policy rate to 2.00%, after headline inflation declined to levels close to the target and is likely to decline further throughout 2025. It is expected that the ECB would cut its policy rate one more time in the second half of 2025, bringing the policy rate to 1.75%, to boost economic growth after having been impacted by US trade policies.

Asian central banks would gradually cut their policy rates toward the neutral rate as inflation gradually declines toward the target range. However, some central banks, such as the Central Bank of the Republic of China, would keep their policy rate on hold as the economy is still able to expand.



Thailand's economic growth is projected to slow down, with additional risks stemming from external and domestic factors



Economic growth is projected to expand at a slower pace in the period ahead due to merchandise exports being significantly impacted by US tariffs and slowing private consumption.



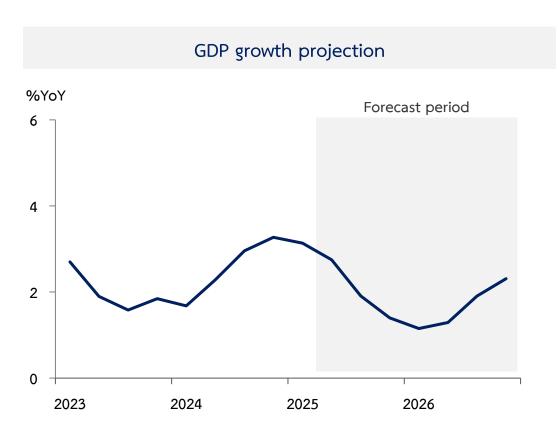
Thailand's economic outlook is subject to additional risks from external factors, namely the impact of trade policies that might be more severe than expected and geopolitical tensions, as well as domestic factors.



remain subdued mainly due to supply-side factors. Currently, low inflation has not led to a broad-based decline in prices.



Thailand's economic growth is projected to slow down. While growth outturns in the first half of 2025 were stronger than expected, it is expected that the impact of US tariffs on merchandise exports would become more significant and private consumption growth would expand at a slower pace in line with weakening income and consumer confidence.



Note: Based on the assumption that Thailand is subject to an 18% reciprocal tariff from the United States (half the rate announced by the US on 2 Apr 2025), while China is subject to a 30% tariff and other countries to a 10% tariff.

Economic projection

Growth (%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 US 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
Tourism receipt (trillion baht)	1.4	1.5	1.7

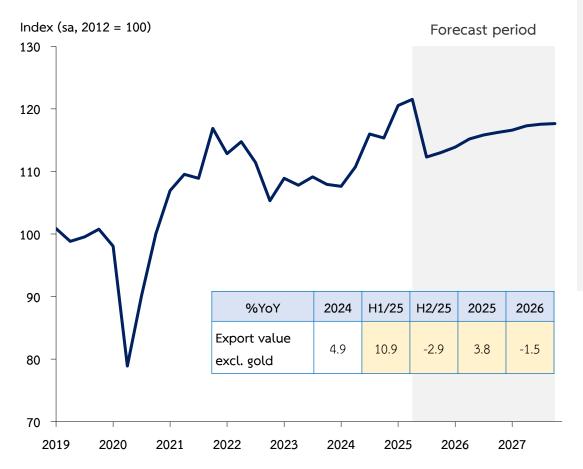
Note: * denotes outturn

Source: Office of the National Economic and Social Development Council (NESDC) and projections by Bank of Thailand



Merchandise exports would contract in the second half of 2025 and into 2026 due to global trade policy uncertainty. Nevertheless, merchandise export growth would be positive in the first half of 2025, driven by continued growth in electronics exports and front-loaded exports.

Projection of merchandise exports (excl. gold)



Source: Customs Department, Ministry of Commerce; BOT calculations and projections

- Thai merchandise exports growth would be positive in the first half of 2025 driven mainly by electronics exports, which benefited from relocation of production bases to Thailand, strong global demand for high-technology products, and the front-loaded exports of certain goods before the 90-days pause on reciprocal tariffs comes to an end.
- However, it is projected that exports would contract from the second half of 2025 onwards due to the impact of US tariffs, which would result in a slowdown in exports to the US market as well as in overall exports due to slowing global economic activities. There remains the need to monitor risks pertaining to US trade policies and retaliations from major economies as well as the result of trade negotiations between Thailand and the US, which remain highly uncertain.

Merchandise exports projection

%YoY	2024*	2025	2026
Export Value	5.8	4.0	-2.0
Export Volume	4.4	4.0	-2.0

Note: Based on the assumption that Thailand is subject to an 18% reciprocal tariff imposed by the United States (equivalent to half the rate announced by the US on 2 Apr 2025), while China is subject to a 30% tariff and other countries to a 10% tariff. *Outturn



Foreign tourist arrivals have been lower than previously expected, especially short-haul tourists due to safety concerns. Meanwhile, the number of long-haul tourists has continued to increase and their higher spending per trip would provide partial support to tourism receipts.

Projection of foreign tourist arrivals and tourism receipt

	2024*	2025	2026
Foreign tourists (million persons)	35.5	35.0	38.0
- Share of Chinese tourists	18.9%	12.6%	15.7%
- Share of long-haul tourists	28.9%	33.7%	32.2%
Tourist expenditure per trip (baht)	39,500	43,400	44,000
Tourism receipt (trillion baht)	1.40	1.52	1.67

Tourism outlook

- Foreign tourist arrivals in Q2/2025 declined due to safety concerns in Thailand and the uncertain global economic outlook, especially Chinese tourists and short-haul tourists. Meanwhile, the number of long-haul tourists also slowed during the low season.
- Foreign tourist arrivals forecast for 2026 has been revised up slightly on account of continued growth in tourism demand from long-haul tourists in line with global tourism demand. Meanwhile, the number of Chinese tourists would gradually recover as safety concerns ease but there remains the need to monitor risks from increased tourism competition in the region.
- Tourism receipts are projected to expand on the back of higher length of stays as well as the increasing number of long-haul tourists who typically have higher spending per trip such as tourists from Europe, the Middle East, and Australia.

Note: *Outturn, subject to historical revision



Businesses' view about Thailand's tourism outlook

- Foreign tourist arrivals in 2025 are likely to be lower than last year. The number of Chinese tourists would recover slowly despite the government implementing measures to improve Thailand's image as safety concerns typically take time before tourism confidence improves. Meanwhile, short-haul tourists would be affected by economic factors.
- Looking ahead, the tourism sector would continue to grow mainly driven by long-haul tourists, the number of which would benefit from increased flight routes and Thailand's marketing efforts among European and the Middle Eastern tourists who are higher spenders compared to the average tourist. This is expected to help offset the loss in tourism income from short-haul tourists considerably.



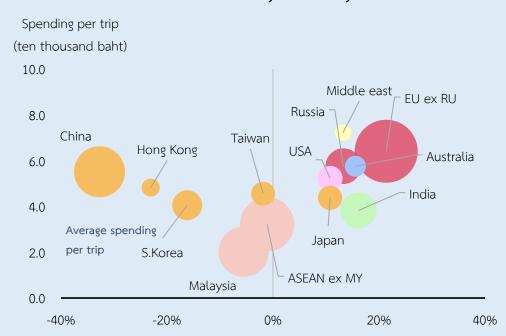
Box 1: Thailand's tourism outlook: key issues and challenges to be monitored

The tourism sector had continued to recover and served as a key growth driver for the Thai economy in 2024, but began to lose momentum in 2025. Foreign tourist arrivals in Thailand during the first 5 months of 2025 contracted by 3%^{1/} from the same period last year, contrast to the 12%^{2/} increase in overall tourist arrivals to the Asia-Pacific region. This is mainly attributed to short-haul tourists, especially Chinese tourists, who are traveling to Thailand less due to safety concerns. Nevertheless, in terms of tourist receipts, the slowdown was less marked because the number of long-haul tourists has grown significantly. These tourists tend to have higher spending per trip and are expected to continue rising in number (Chart 1), helping offset, to a certain extent, the revenue lost from the decline in short-haul tourists fairly well. That said, the distribution of tourism receipts might be relatively worse, as long-haul tourists mostly travel to major cities and a large share of their spending is concentrated on accommodations.

Besides safety concerns, the tourism sector is also affected by economic factors both directly through the income channel and indirectly through the confidence channel. However, the impact differs across tourist groups. Tourists from East Asian countries such as China, Japan, and South Korea are more sensitive to economic factors than tourists from other advanced economies. This is reflected in the number of short-haul tourists in the first 5 months of 2025, which contracted by 11% from the same period last year, while the number of long-haul tourists, most of whom are from advanced economies, continued to grow by 17%.

Behavioral factors present another key challenge, especially shifting spending patterns among foreign tourists. For instance, (1) some tourists have placed greater emphasis on accommodation and high-quality service since the COVID-19 pandemic. Hotel reputation and star rating of hotels became increasingly influential in accommodation decisions, in line with share of spending on hotels, which increased from 33% to 40% of total spending (Chart 2). Another shifting pattern lies in a (2) change in tourist demographics where the average age of tourists has fallen with higher share of younger generations especially Gen Z and Millennials who are typically seeking experiences and life rewards from tourism. Meanwhile, tourists in general care more about value-for-money as reflected in the falling share of spending on souvenirs although they still value hand-crafted goods and street food influenced by social media trends rather than restaurants and special activities, such as scuba diving and wellness tourism.

Figure 1: Number of tourists in the first 5 months of 2025 compared to the same period last year (%YoY), broken down by nationality



Note: size of circle indicates share of total foreign tourist arrivals in the first 5 months of 2025 Source: Ministry of Tourism and Sports, calculation by BOT

Note.

- ^{1/} Source: Economics Tourism and Sports Division of the Ministry of Tourism and Sports
- ^{2/} Source: United Nations World Tourism Organization (UNWTO), May 2025



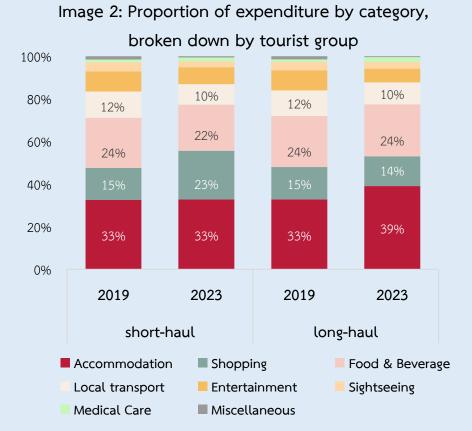
Box 1: Thailand's tourism outlook: key issues and challenges to be monitored

Besides the challenges faced by the tourism sector at large, a deeper look reveals that issues specific to each group of tourists come from idiosyncratic factors. Preliminarily, this could be divided into 2 groups:

1. High-potential group consists of long-haul tourists from Europe (e.g. Russia, UK, Germany), the Middle East and Australia (31% of foreign tourist arrivals in 2024). Over the recent periods, this group of tourists recovered quickly. Their numbers have surpassed pre-COVID levels since the first half of 2024 and have continued to grow in the first 5 months of 2025. Long-haul tourists have average spending that is 1.7 times^{3/} higher than that of short-haul tourists. Looking ahead, this group is likely to continue growing and has the potential to increase tourism receipts for Thailand.

However, at present, long-haul tourists remain concentrated in only 6 areas namely Bangkok, Phuket, Pattaya, Surat Thani, Chiang Mai, and Krabi ^{3/}. As such, It will be important to improve transportation infrastructure connecting major cities with surrounding provinces, develop tourist destinations to encourage dispersion, and create tourism experiences in secondary cities. These will help improve the attractiveness for repeat travel or increase the length of stay in Thailand, creating the opportunity for this group of tourists to experience multi-city travel, which is currently trending in global tourism.

2. Concerning group comprises mostly short-haul tourists from China, South Korea, Hong Kong, Taiwan and ASEAN countries (69% of foreign tourist arrivals in 2024). Of particular concern is the number of Chinese tourists, which remains significantly below pre-COVID levels. In the first 5 months of 2025, the number of Chinese tourists contracted by as much as 33%YoY, while short-haul tourists from other countries contracted by 3%YoY. Most tourists are now free independent travelers (FITs), with a corresponding decline in group tours. This is especially the case for Chinese tourists, whose share of group tours has fallen from 26% in 2019 to only 15% in Q1/2025^{4/}. Given this trend, it is likely that tourists will plan their trips closer to the actual travel dates and their decisions will be more influenced by social media and influencers^{5/}. This makes them more responsive to online trend and perception. Therefore, addressing safety concerns and building confidence are essential to attracting more short-haul tourists to Thailand.



Source: Ministry of Tourism and Sports, BOT calculation

Note:

^{3/} Source: Ministry of Tourism and Sports

Source: Final report of the 2019 Data Survey Project for In-Depth Analysis of Tourist Behavior, and 2025 Progress Report, Ministry of Tourism and Sports

5/ Source: Dragon trail sentiment survey report



Box 1: Thailand's tourism outlook: key issues and challenges to be monitored

Intensified competition in the region poses another challenge for the short-haul tourism market. Japan and Vietnam have gained market share among foreign tourists in the region compared to pre-COVID levels, currently holding 22% and 10% of the market share, respectively. In contrast, Thailand's market share has been halved to only 14%. This is partly reflected in the number of Chinese tourists traveling to Japan and Vietnam, which surged by 78%^{6/} in Q1/2025. Additionally, domestic tourism in China increased by 26%^{7/} after the Chinese government implemented measures to promote and develop local tourism destinations.

In summary, while the tourism sector had previously shown a strong recovery, it is now facing multifaceted challenges including global economic factors, safety concerns, change in tourists' behaviors, and intensified regional competition. Looking ahead, enhancing the competitiveness of Thailand's tourism sector, particularly through improving tourism-related infrastructure, is a key priority that should not be overlooked.

Note:

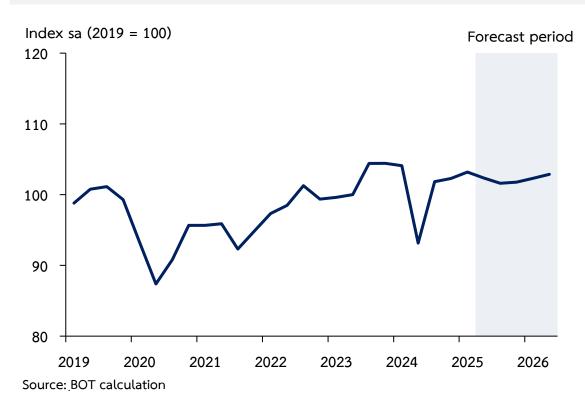
^{6/} Source: Japan National Tourist Organization and Vietnam National Statistics Office

^{7/} Source: The State Council Information Office, The People Republic Of China



Private investment resumed modest growth, supported by continued high level of new investment projects granted BOI privileges. However, the impact of trade policies on private investment over the coming period will need to be monitored.

Projection of private investment

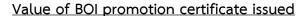


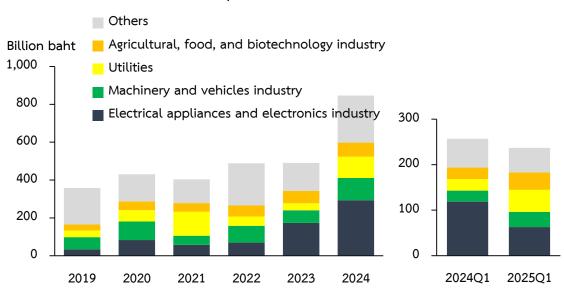
Private investment projection

%YoY	2024*	2025	2026
Private Investment	-1.6	1.7	0.9

Note: *Outturn

Value of BOI promotion certificate issued in Q1/2025 is close to the historical high seen in Q1/2024





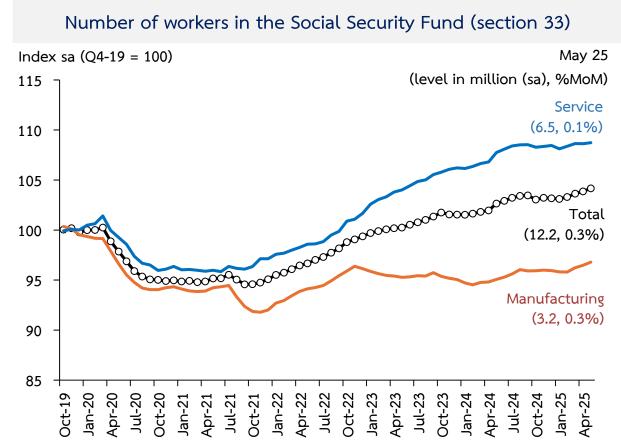
Source: BOI, BOT calculation

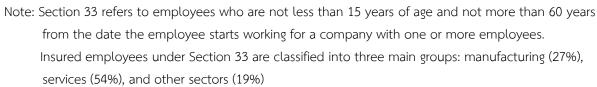
Electronics manufacturers have resumed their initial investment plans set at the beginning of the year, after delaying decisions following the announcement of reciprocal tariffs in Apr 2025. In contrast, most other businesses have continued investing in ongoing projects but have held off on new investments, awaiting the outcome of trade negotiations.

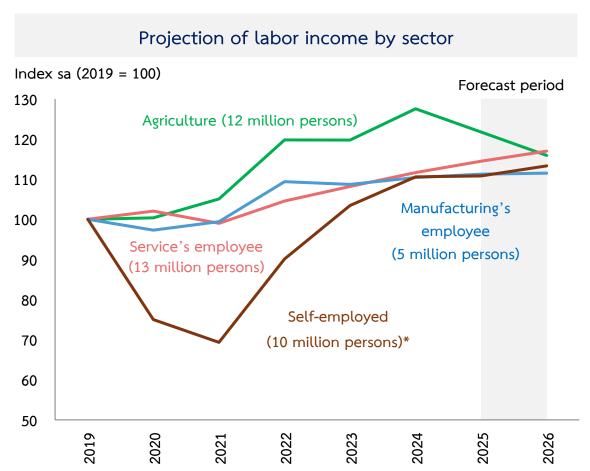
Note: information from interviews with 137 businesses across all regions of Thailand during the 21 Apr - 12 Jun 2025 period.



Non-farm income is projected to slow down in the period ahead, especially for workers in the manufacturing sector due to the impact of global trade policies. Meanwhile, farm income is expected to continue contracting due to falling agricultural prices.







Note: () denotes each sector's employees in 2023, *including employer

Source: National Statistics Office's Labor Force Survey and Household socio-economic survey

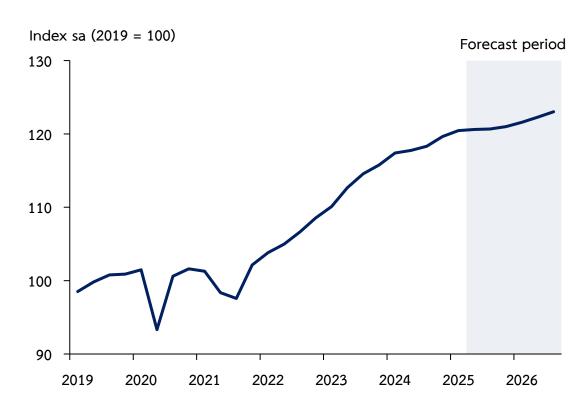
and Office of Agricultural Economics, BOT calculation and forecast

Source: Social Security Office, BOT calculation



Private consumption is projected to moderate, in line with declining income and consumer confidence.

Projection of private consumption

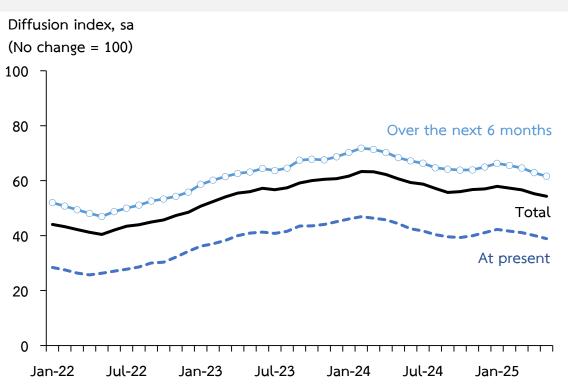


Private consumption projection

%YoY	2024*	2025	2026
Private consumption	4.4	2.0	1.7

Note: *Outturn

Consumer confidence



Source: UTCC Center for Economic and Business Forecasting, BOT calculation

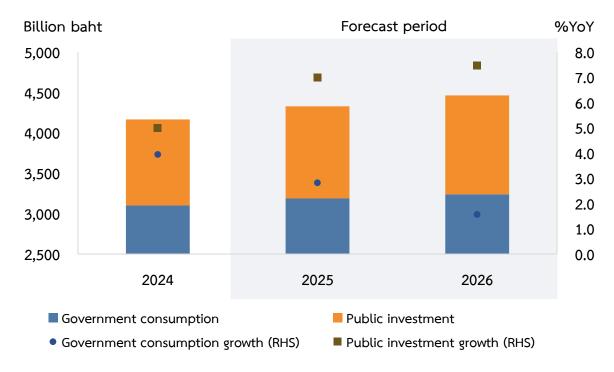
Consumers across all income groups would remain cautious in their spending, focusing on value-for-money purchases and spending less per transaction. This behavior is partly due to economic uncertainties and some consumers being impacted by lower asset prices (wealth effect).

Note: Information from interviews with businesses in O2/2025



Public expenditure is expected to maintain momentum in 2025 and 2026. Revisions to projects under "the central budget funds allocated for stimulating growth and strengthening economic resilience" have led to higher public spending.





Note: ^{1/}General government consumption and Public investment at current price (SNA definition) Source: NESDC, BOT calculation

Details of projects under the central budget and funds allocated for stimulating growth and strengthening economic resilience totaling 157 billion baht

Projects / Stimulus Measures		
Туре	Example of selected projects / measures	
1. Infrastructure	1.1 Water: Improving quality of water for consumption, improving water sources, developing water distribution systems and retention areas 1.2 Transportation: Road development and improvements, improving safety, addressing traffic problems and inaccessible areas	
2. Tourism	Developing and improving tourism destinations, amenities, improving safety, and promoting domestic tourism	
3. Mitigating impact on export sectors and lifting productivity	Loans for affected businesses, developing digital infrastructures	
4. Local economies, etc.	Enhancing potential of villages and local communities (SML Project), developing human capital in education	

Source: Cabinet decision on 24 Jun 2025

Public expenditure is projected to continue expanding in 2025 and 2026, driven by a high level of carryover spending from FY2024 budget, strong disbursements of the FY2025 budget, and increased investments by state-owned enterprises. Revisions to projects under "the central budget aimed at stimulating growth and strengthening economic resilience" are also expected to lead to more investment, which would have a more pronounced effect on economic growth.



Summary of economic forecast by component

Private consumption

Private consumption is projected to moderate. Spending on services, previously a key growth driver, is expected to slow down due to income pressures stemming from global trade policies and a slowdown in tourism. At the same time, deteriorating consumer confidence amid heightened uncertainties and elevated household debt are likely to weigh on private consumption in the period ahead.

Private investment

Private investment would return to modest growth after having contracted in 2024. Private investment growth would be supported by investment in new industries, particularly data centers and the electronics industry, in line with the increasing value of BOI promotion certificate issued in the previous period. However, global trade policy uncertainty is likely to weigh on private investment. Investment in the automotive industry and construction would recover slowly, corresponding to the recovery in auto loans and mortgage loans.

Merchandise exports

Merchandise exports are projected to expand in 2025, accelerating notably in the first half of 2025 driven by electronics exports due to strong growth in tech industry among trading partners, the relocation of production bases for high technology products to Thailand, and front-loading shipments ahead of the enforcement of US reciprocal tariffs. However, exports growth would slow down significantly in the second half of 2025. Merchandise exports are projected to contract in 2026 due to exports to the US being impacted by higher tariffs and an overall slowdown in exports in line with trading partners' economic conditions.



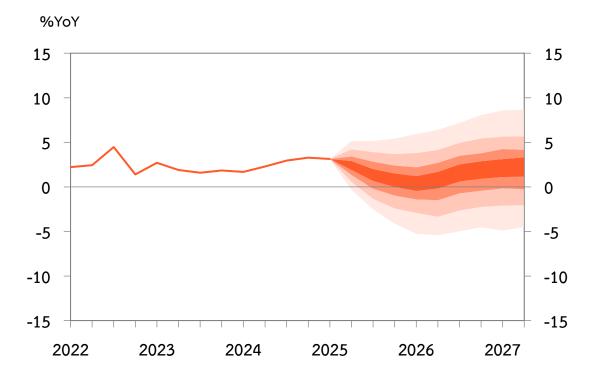
Services exports

Services exports would continue to expand. Tourism spending per head is projected to increase due to longer length of stays and shifts in spending pattern, resulting in a continued expansion in tourism receipts. However, foreign tourist arrivals are projected to slow to 35.0 million in 2025 before rising to 38.0 million in 2026 as safety concerns among Chinese tourists ease.



Risks to Thailand's economic outlook are skewed to the downside.





Upside risks:

• Stronger-than-expected electronics exports

Downside risks:

- Trade war and geopolitical tensions turning out to be more severe than expected, resulting in a slowdown in global economic growth as well as Thailand's economic growth
- Domestic political uncertainties
- Pockets of credit tightening affecting vulnerable households and SMEs more than expected

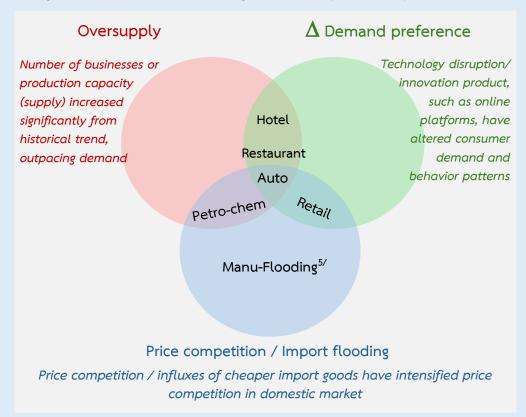


Box 2: Business adaptation approaches: insights from interviews with Thai businesses

The Thai economy faces challenges from both external and domestic factors. Although economic growth has continued at a gradual pace since the COVID-19 pandemic, Thai businesses still perceive that the operating environment in Thailand has become more difficult for many reasons such as slowing domestic demand and declining foreign tourist arrivals. These issues have exacerbated existing structural problems among businesses, which have become more apparent and severe recently. There are three key structural challenges faced by Thai businesses (Chart 1), summarized as follows:

- 1. Oversupply: Hotels face increased competition from new entrants operating at lower costs through online platforms such as Airbnb. In 2023, Airbnb offered nearly 200,000 rooms^{1/}, accounting for approximately 15% of total rooms supply, compared to 1.3 million rooms^{2/} in traditional hotels. The decline in foreign tourist arrivals—especially Chinese tourists who are the main customer group of hotels rated below three stars—has worsened the oversupply problem in the hotel industry in the recent period. Similarly, restaurants face intensified competition, with the number of new establishments doubling compared to the pre-COVID period. Restaurants are now easier to open, with low barriers to entry and the growth of food delivery platforms having transformed the competitive landscape in the food industry, especially post-COVID. Meanwhile, consumers' purchasing power has not kept pace with supply, as partly reflected by the modest 12% growth in number of visitors^{3/} since before the pandemic. This has led to oversupply problems in restaurants, especially in tourism areas.
- 2. Shifting demand preferences among consumers: In <u>retail sector</u>, online platforms have rapidly captured market share from offline retail channels. This is reflected in the share of e-commerce sales in total retail sales, which rose from 7% in 2019 to 25% in 2024^{4/}, intensifying competition in the retail market. As a result, large companies based in the capital and its vicinity had to expand by opening new branches in regional areas, competing with local small and medium-size businesses.
- 3. Price competition: Automobile and garment industries lost market share to imported goods, which compete through lower costs. For example, clothes imported from China are up to 20% cheaper than those produced locally in Thailand. The share of Chinese-imported clothing in Thailand's total sales has risen from 36% during the pre-COVID period to 44% in the first quarter of 2025.

Figure 1: Structural challenges currently faced by businesses



Note:

- 1/ Source: Airdna, calculated by BOT
- ^{2/} Source: OSMEP and NSO, calculated by BOT
- 3/ Number of visitors refers to the total of Thai and foreign tourists
- 4/ Source: Euromonitor
- ^{5/} influxes of cheaper import goods including electrical appliances, textiles and garments, iron and fabricated metals, and furniture



Box 2: Business adaptation approaches: insights from interviews with Thai businesses

Many businesses are prioritizing adaptation to enhance their capabilities and adjust their strategies in preparation for heightened uncertainties ahead. Their approaches vary depending on the severity of the problem, the size of the business, and their internal capabilities. Examples of how businesses in the four aforementioned sectors are approaching adaptation are as follows:

1) Hotels and Restaurants: Hotels are adapting by (1) increasing share of income from non-Chinese tourists—such as those from the European Union and India—in order to offset the decline in Chinese tourist arrivals amid safety concerns; (2) expanding its customer base to include other market segments, such as MICE (Meetings, Incentives, Conventions, and Exhibitions); (3) upgrading to high-value tourism over the longer term such as wellness tourism for medical purposes—including the use of stem cell treatments—and aesthetic services targeting anti-aging. These are services in which Thailand has strong capabilities and higher service standards compared to other countries in the region and thus have high growth potential over the longer-term; and (4) transitioning towards environmentally friendly operations (green operations), initially through low-investment measures such as installing cooling sheets and solar panels, in order to reduce operating costs and respond to the needs of environmentally conscious consumers. Adaptation in this area has not reached the level of constructing green buildings, which require environmentally friendly materials and therefore entail large investments, as the cost of constructing such buildings are 10-15% higher than conventional buildings.

Meanwhile, <u>restaurants</u> are adapting by (1) diversifying their income source to new customer segments to compensate for the declining income from existing customers—for example, by increasing sales of premium products; (2) emphasizing value-for-money in their marketing strategies, such as launching new lower-priced restaurant brands, revising menus to offer novelty and better value for consumers, and running discount campaigns more frequently; and (3) downsizing rental space to lower operating costs.

2) Retail: Large firms adapt mainly by (1) introducing new products with greater variety and higher quality to maintain market share by competing with imported goods, which may be lower in quality, and to respond to the rapidly changing consumer preferences through multiple sales channels, both online and offline; (2) creating differentiated customer experiences, such as hosting events or using artwork to decorate the interiors of department stores to attract customers; (3) offering additional services, such as providing personal shopping assistants; and (4) expanding new branches in both major and secondary cities. Meanwhile, smaller firms in regional provinces are adapting by differentiating themselves from larger competitors, focusing on niche products that are distinct from those found in major cities—such as local foods and products, agricultural products sourced directly from local farmers. These smaller firms also leverage online sales channels.

3) Automobile and auto parts: Firms in this industry are facing structural challenges on all three fronts. Auto parts businesses, which are mostly SMEs, tend to face greater difficulty in adjusting compared to larger firms. Currently, some companies are attempting to adjust their manufacturing models by transitioning from OEM (Original Equipment Manufacturing) production for major car manufacturers to REM (Replacement Equipment Manufacturing) production for the service and repair market. This shift requires the firms to seek out new export markets, especially in the Middle-East and Africa where demand remains strong and consistent. Some firms have transitioned into manufacturing products for other industries—such as medical equipment, agricultural machinery, electronics components, and rail systems—to offset the decline in domestic sales of internal combustion engine vehicles.

4) Textiles and garment: Most firms in this industry are SMEs, totaling over 200,000 firms. Some of these firms have managed to upgrade and become producers of high-value products, targeting the upper-middle to upper market segments, or focusing on small-lot items with unique characteristics such as athletic wear (e.g. yoga apparel, hockey jerseys), and designer or influencer-branded clothing. These strategies help them avoid direct competition with mass-market producers like Vietnam, Africa, and China, which specialize in lower-priced goods.



Box 2: Business adaptation approaches: insights from interviews with Thai businesses

In current context where the Thai economy is facing multifaceted challenges, adaptation by Thai firms is crucial for enhancing their competitiveness and building resilience against the many uncertainties ahead. However, adaptation by firms alone may not be sufficient. On the whole, businesses still require assistance from the government and relevant agencies in tandem to help sharpen their competitive edge (Table 1).

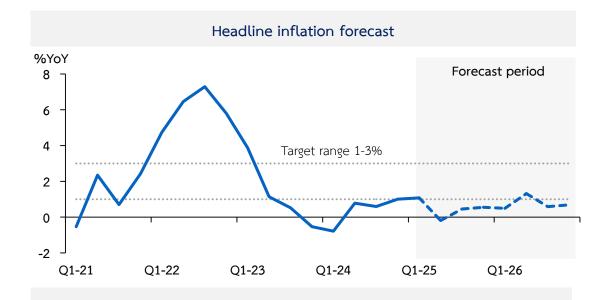
It is essential that government and relevant agencies implement well-targeted measures and foster a business environment that supports firms in their adaptation efforts. This includes promoting fair competition, developing business know-how and labor skills, and expanding market opportunities. While economic stimulus measures may help mitigate some of the short-term impacts, they are not substitutes for targeted measures that could sustainably address structural problems, which are the root cause of declining competitiveness among Thai firms.

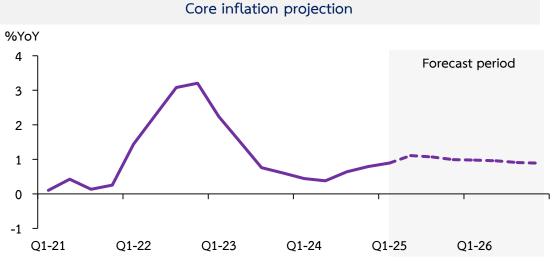
Table 1: Summary of assistance measures requested by businesses from the Government and relevant agencies

Measures Needed by Businesses	Details				
1) Measures commonly requested across business					
Relief from the impact of imported goods that lack quality standards and are illegal	 Strict enforcement of laws and inspections for product quality standards, border inspections to prevent goods falsely declared for custom benefits, in order to promote fair competition. 				
Developing business know-how and labor skills to enable transition towards other businesses	 Increase role of government agencies in providing advices to businesses Design joint curricula between businesses and universities 				
Supporting expansion of market opportunities	 Hasten progress in FTA negotiations, especially with the EU and the Middle East Facilitating business matching with foreign partners, and provide consultation 				
Loans for improving product quality standards and lowering costs	 Investment in new machineries Develop systems for managing the business, or for testing product quality standards 				
2) Sector-specific measures					
Review BOI tax incentives for investment (automotive industry)	 Impose domestic content requirements for raw materials and intermediate goods in order to create more value-added for Thai producers and the Thai economy Monitor whether firms are complying with requirements after receiving benefits 				
Concrete actions to address safety concerns and build tourism confidence (hotels and restaurants)	 Strict enforcement of laws and implementation of safety systems, such as installing CCTV cameras and ensuring logistics services comply with relevant regulations 				



Headline inflation is projected to remain subdued mainly due to low global energy prices.





Source: Ministry of Commerce, BOT calculation and forecast

Inflation forecast

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

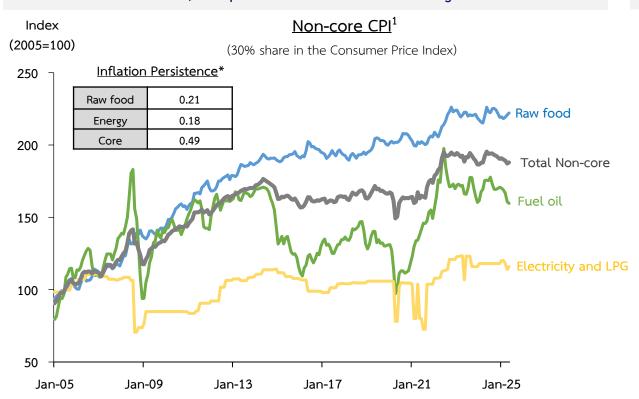
Note: *Outturn

- Headline inflation is projected to remain subdued in 2025 and 2026, mainly due to low energy prices caused by (1) declining global crude oil prices, despite some temporary increases in Q3/2025 triggered by escalating conflicts in the Middle East; and (2) government energy price subsidies for electricity bills and retail fuel prices.
- Core inflation in 2025 is projected to be higher than in 2024 due to cost
 passthrough to food prices, which have gradually risen in response to increasing
 input costs. However, core inflation is unlikely to accelerate significantly in
 2026 due to slower economic growth and declining energy prices.

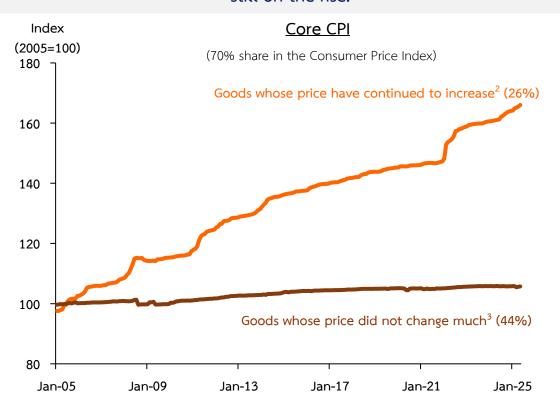


In the current context, low inflation does not threaten price stability nor hinder economic growth. It has been attributed to declining energy and raw food prices, which are typically temporary and do not lead to broad-based price changes. Meanwhile, prices of most everyday household items have continued to rise and thus cost of living remains high.

Energy and food prices have low persistence and can fluctuate rapidly; thus, the price shocks do not last long.



In the core CPI basket, prices of some everyday household items are still on the rise.



Note: () denotes weigh in CPI basket as of 2023; * Inflation persistence is represented by coefficient from the AR1 model estimated using monthly inflation data (%QoQ sa) during 2002-2025

Source: Ministry of Commerce, BOT calculation

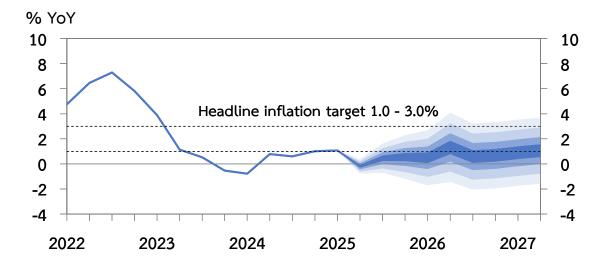
^{1/} Non-core CPI includes raw food, fuel oil, electricity, and cooking gas

^{2/} Goods whose price have continued to increase such as prepared food, cooking ingredients, non-alcoholic beverages; ^{3/} Goods whose price did not change much such as rent, automobile, cleaning products, personal care, apparel, and accommodation

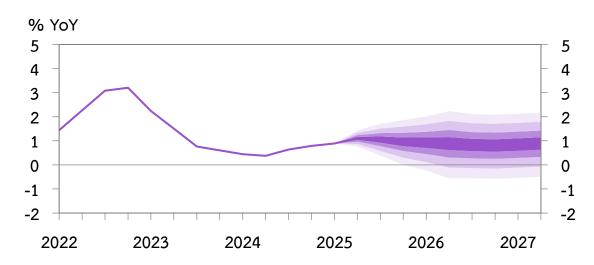


Risks to the inflation outlook for 2025 and 2026 are balanced.

Headline inflation forecast



Core inflation forecast



Upside risks:

Geopolitical tensions resulting in higher global oil prices

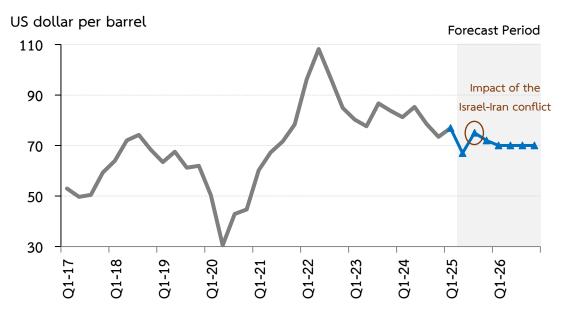
Downside risks:

- Trade war turning out to be more severe than expected, resulting in a slowdown in global economic growth as well as Thailand's economic growth
- Government subsidies to assist with living costs



Dubai crude oil price assumptions are revised down on account of the impact of US trade policies on the global economy and the gradual increase in oil supply from OPEC+ producers. However, the outlook for oil prices remain highly uncertain due to the Israel-Iran conflict.

Projected Dubai crude oil prices



Note: * Consider data until 24 Jun 2025, when Israel and Iran announced a halt to attacks

Projected Dubai crude oil prices

US dollar per barrel	2023*	2024*	2025	2026
Assumptions for average annual Dubai crude oil prices	82.1	79.7	73	70

In 2025, Dubai crude oil prices declined in Q2/2025 due to concerns over the impact of US trade policies on the global economy but are expected to increase temporarily in Q3/2025 because of the Israel-Iran conflict before gradually declining again. Nevertheless, the average Dubai crude oil prices is still expected to be lower than the previous year due to:

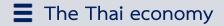
- (1) The impact of US trade policies on the global economy. Global economic growth would slow down and global oil demand would decline once the 90-day pause on reciprocal tariffs come to an end.
- (2) Continued and sharper increase in oil supply from OPEC+ producers after the group ramped up production by 0.4 million barrels per day in Q2/2025, which is higher than originally planned.
- (3) Continued increase in oil supply from non-OPEC producers especially the US

Oil prices are projected to decline in 2026 due to a continued increase in global oil supply from both OPEC+ and non-OPEC producers especially the US, while global oil demand would be impacted by US trade policies.

Risks to the Dubai crude oil prices outlook are balanced:

- Upside risks: Geopolitical tensions affecting energy infrastructure such as the Russia-Ukraine and Israel-Iran conflicts, as well as US sanctions becoming more severe or broadening
- Downside risks: Uncertainties pertaining to the global economy and trade war arising from US trade policies, planned increase in oil production among OPEC+ producers taking place sooner or turning out higher than expected; and oil supply from non-OPEC producers turning out higher than expected

Note: *Outturn





Summary of key forecast assumptions

Annual percentage change	2024*	2025	2026
Trading partners' growth (%YoY) ^{1/}	2.9	2.4	2.3
Fed funds rate (% at year-end)	4,25 - 4.50	4.00 - 4.25	3.25 – 3.50
Regional currencies (excl. China) vis-à-vis the US dollar (index) ^{2/}	166.1	166.4	166.6
Dubai crude oil prices (US dollar per barrel)	79.7	73.0	70.0
Farm income (%YoY)	6.7	-5.1	-4.8
Government consumption at current price (billion baht)	3,101	3,188	3,238
Public investment at current price (billion baht)	1,066	1,140	1,225

Note: 1/ weighted by each trading partner's share in Thailand's total exports

- Trading partners' growth in 2025 would be slower due weakening global economic growth as stemming from US tariffs, despite temporary support from front-loaded exports during the first half of the year. For 2026, trading partners' growth is expected to continue decelerating in line with slowing global trade, driven by higher US tariffs as well as the base effect from front-loading in the previous year.
- The Federal funds rate in 2025 would be slightly lower by 25 bps, as the Fed focuses on inflation containment during the initial phase of implementation of US tariffs. For 2026, the Federal funds rate is expected to be cut further to a terminal rate of 3.25-3.50% by the year-end, as inflation approaches the target.
- Regional currencies (excluding the Chinese yuan) would depreciate slightly in 2025 and 2026, in response to slower growth across regional economies due to the increasing impact of US tariffs from the second half of 2025 onwards. This trend is also attributed to the gradual monetary policy easing by the Fed.
- Dubai crude oil prices would increase temporarily in Q3/2025 due to the Israel-Iran conflict, before declining in Q4/2025. For 2026, Dubai crude oil prices would remain stable due to oil demand falling in tandem with slowing global growth and oil supply increasing from both OPEC and non-OPEC producers.
- Farm income (excluding government measures) in 2025-2026 would contract due to a sharp decrease in prices of white rice, rubber, durian, and sugar cane due to increased crop output from favorable weather conditions.
- Public expenditure at current prices in 2025 would be higher than the previous year in line
 with the annual budget plan and carried-over budget from the previous fiscal year. For 2026,
 public spending is expected to increase in line with the annual budget plan and revision to funds
 allocated for stimulating economic growth and strengthening economic resilience under the
 central budget totaling 157 billion baht.

^{2/} Increasing index represents depreciation, decreasing index represents appreciation

^{*} Outturn









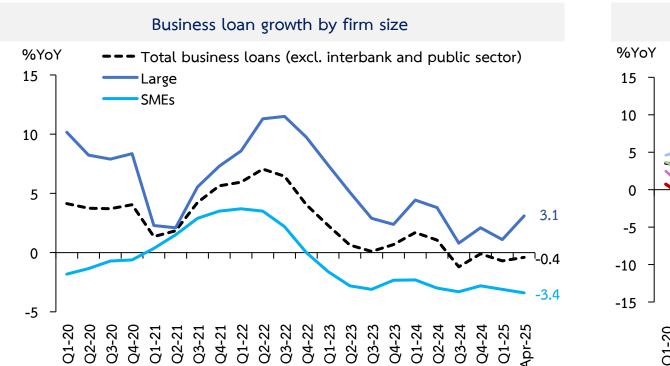


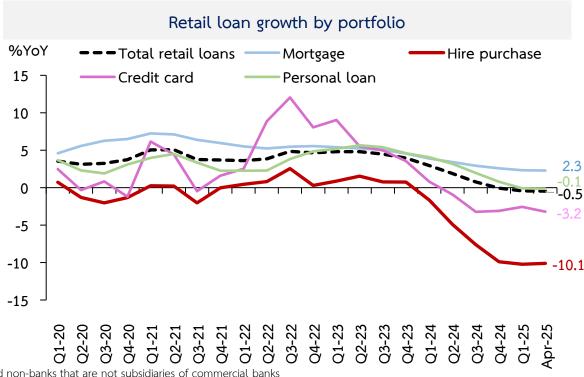
Credit growth contracted partly due to declining loan demand and cautious lending behavior amid increased credit risks. Meanwhile, credit quality of SME and housing loans remain to be closely monitored. Commercial bank interest rates and bond yields declined in line with the policy rate

The baht remained volatile and appreciated from the previous quarter driven by external factors especially global trade policies and geopolitical risks



Credit growth contracted partly due to declining loan demand among certain groups of borrowers and higher increased debt repayments. Meanwhile, SME and retail loans continued to contract amid heightened credit risk.





Note: (1) Data cover loans from financial institutions' system that 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:

For loans from commercial banks and subsidiaries, business's credit line per bank (excluding interbank) as of Apr 2025 is used to categorize large corporate (credit line > 500 million baht) and SMEs (credit line <= 500 million baht). For SFIs, OSMEP's criteria is used (based on income and employment).

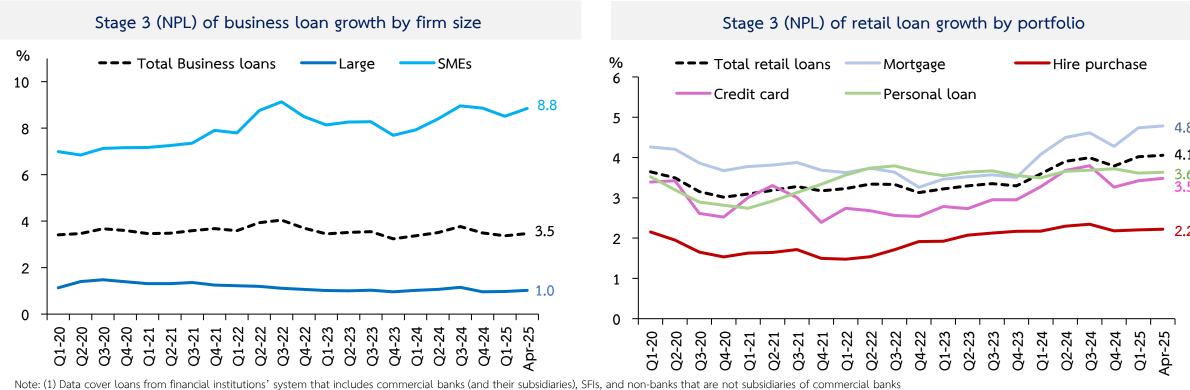
For non-banks, the data covers nano finance and personal loan for businesses under BOT supervision (excluding car title loans)

Source: Bank of Thailand

The contraction in business loans remained broadly unchanged, as some large corporates reduced loan demand and increased debt repayments. Meanwhile, SME loans and retail loans continued to contract due to heightened credit risks.



Credit quality of SME and retail loans continued to deteriorate especially housing loans and credit card loans.



(2) Definitions for each business loan size are as follows:

For loans from commercial banks and subsidiaries, business's credit line per bank (excluding interbank) as of Apr 2025 is used to categorize large corporate (credit line > 500 million baht) and SMEs (credit line <= 500 million baht). For SFIs, OSMEP's criteria is used (based on income and employment).

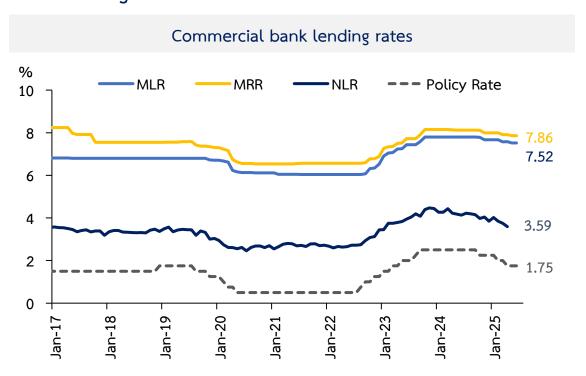
For non-banks, the data covers nano finance and personal loan for businesses under BOT supervision (excluding car title loans)

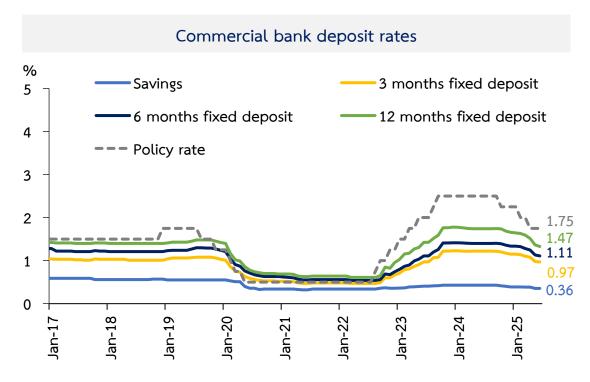
Source: Bank of Thailand

Overall credit quality is broadly unchanged. However, credit quality of SME loans deteriorated, especially among borrowers in the agricultural sector of SFIs as well as commercial bank borrowers who had previously undergone debt restructuring. Credit quality of retail loans also declined especially housing loans extended by SFIs to borrowers who had received debt assistance but continued to face repayment difficulties.



Commercial bank interest rates, declined in line with the policy rate cut at MPC Meeting No. 2/2025, both deposit and lending rates.





Note: (1) Monthly average of 14 commercial banks (data as of 24 Jun 2025)

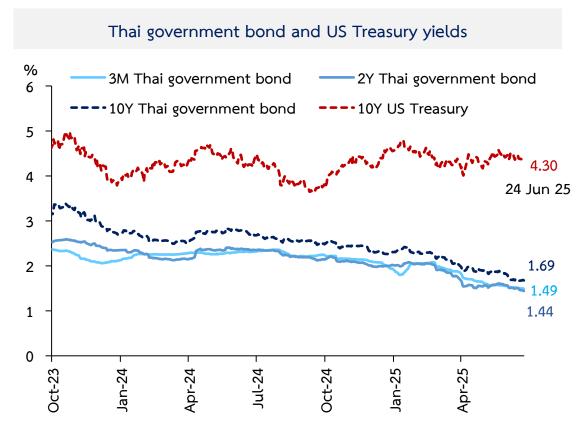
(2) NLR = new loan rate (data as of Apr 2025)

Source: Bank of Thailand

Commercial bank lending and deposit rates declined slightly overall, in line with the policy rate cut on 30 Apr 2025. The minimum lending rate (MLR) fell to 7.52% and the minimum retail rate (MRR) fell to 7.86%, reflecting a transmission of 42% on average from the three policy rate cuts combined (16 Oct 2024, 26 Feb 2025, and 30 Apr 2025) to the MLR, MRR, and the minimum overdraft rate (MOR). This transmission rate is close to the rate seen in past easing cycles, although the transmission was less effective at the latest meeting. Meanwhile, savings and fixed deposit rates also declined.

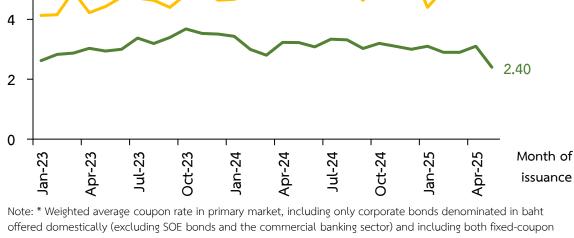


Thai government bond yields and financing costs in the corporate bond market declined overall.



Source: Thai BMA (data as of 24 Jun 2025)

Corporate bond yields (1Y < Tenor <=3Y)* By credit rating BBB group High yield May 25



and zero-coupon bonds.

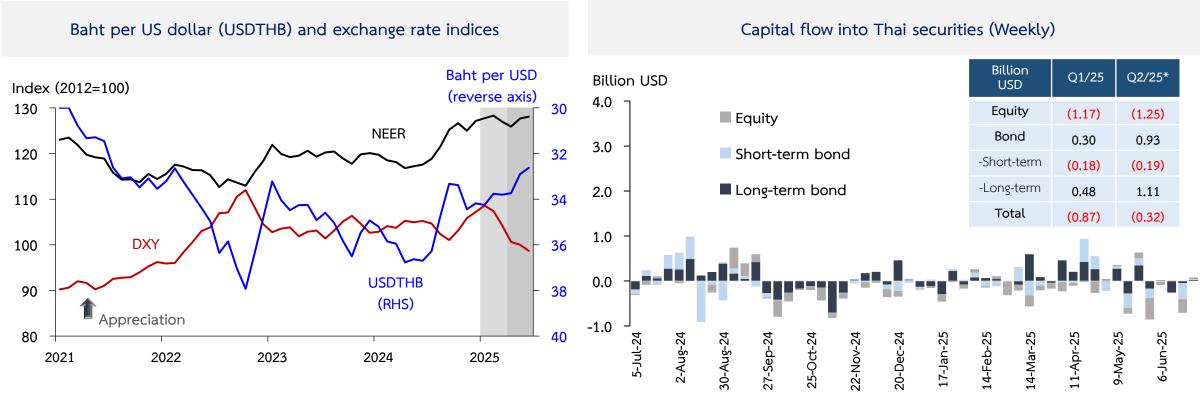
Source: Thai BMA, calculated by BOT

Government bond yields declined from the previous quarter, in line with the policy rate cut on 30 Apr 2025 as well as market expectations, which had already priced in further cuts by the MPC this year. Corporate bond yields declined overall. Yields among corporate bonds with credit rating of A and above have declined following the policy rate. Meanwhile, corporate bond yields among BBB-rated and high-yield groups remained largely stable, reflecting increased credit risks, especially among issuers deemed to be high-risk or those with weaker financial performance.

6



The baht remained volatile over the recent period and, on average, appreciated from the previous quarter driven by external factors particularly global trade policy uncertainty and geopolitical risks.



Note: Monthly average (as of 24 Jun 2025)

Source: Bank of Thailand and Bloomberg

Note: Weekly data, cumulative from the first trading day (*as of 24 Jun 2025)

Source: ThaiBMA

The baht against the US dollar exchange rate remained volatile due to global trade policy uncertainty and conflicts in the Middle East. The US dollar has continued to depreciate due to concerns about the US economic outlook, resulting in an appreciation of regional currencies including the baht especially during periods when global trade policy uncertainty eased. The nominal effective exchange rate (NEER) has been largely stable because the baht's movement has been in line with trading partners' and competitors' currencies. In Q2/2025, there continued to be net capital outflows from the Thai stock market due to concerns about Thailand's economic fundamentals, while other countries in the region have seen capital inflows into their stock markets. Nevertheless, the Thai bond market saw capital inflows, particularly into longer-term bonds, in line with regional bond markets. This inflow into bond markets was driven by monetary easing of most central banks.



Monetary Policy Decision: Summary of Key Considerations









Economic growth

Economic growth was strong in the first half of 2025 but is likely to slow down in the second half, with the outlook is subject to risks stemming from both external and domestic factors.

Inflation

Headline inflation is projected to remain subdued mainly due to supply-side factors and would not lead to a broadbased decline in goods prices.

Financial stability

Credit growth contracted partly due to lower loan demand among some groups of borrowers and heightened credit risks. Deterioration in credit quality remains to be monitored.

Monetary policy decision

The MPC kept the policy rate on hold, emphasizing the importance of timing and policy effectiveness; the MPC stands ready to adjust its monetary policy stance to align with the prevailing economic and inflation outlook and associated risks.

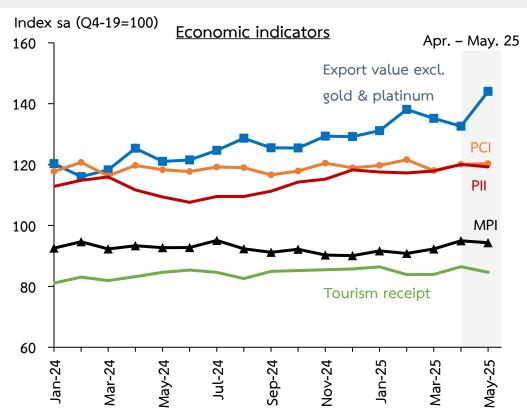
Economic growth

Inflation

Financial stability

Economic growth was stronger than expected in the first half of 2025, driven by the manufacturing sector and front-loaded exports. However, growth is projected to slow down and the outlook is subject to additional risks in the period ahead

Strong merchandise export growth in H1/2025 was driven by electronics exports and front-loading, yielding positive spillovers to related manufacturing and services sectors.

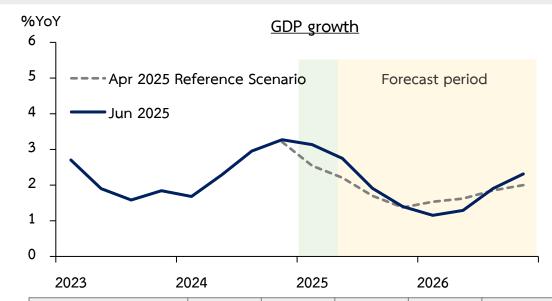


Note: PII = Private Investment Index, PCI = Private Consumption Index,

MPI = Manufacturing Production Index

Source: Bank of Thailand

Economic growth is projected to slow down in H2/2025 due to US tariffs, with the outlook subject to additional risks from geopolitical and domestic factors.



GDP (as of Jun 25)	2024*	H1/2025	H2/2025	2025	2026
%YoY	2.5	2.9	1.6	2.3	1.7
%QoQ sa	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 Apr 2025), while China and other countries are subject to reciprocal tariff of 30% and 10%, respectively.



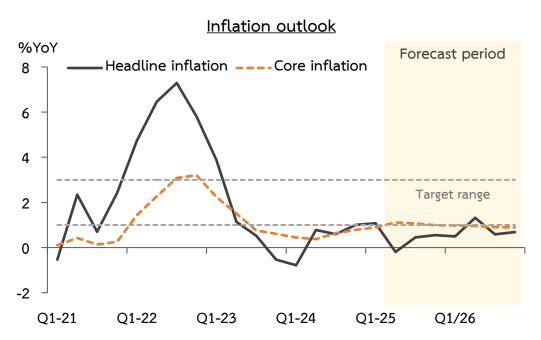
Economic growth

Inflation

Financial stability

Headline inflation is expected to remain subdued mainly due to supply-side factors and did not exhibit signs of deflation.

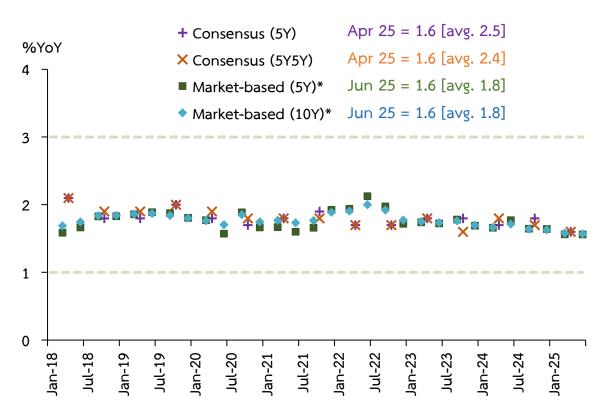
Headline inflation declined mainly due to falling energy prices, while core inflation remained stable.



%YoY	2024	2025	2026
Headline inflation	0.4	0.5	0.8
Core inflation	0.6	1.0	0.9

Source: Ministry of Commerce, forecast by BOT

Medium-term inflation expectations remain well-anchored within the target range.



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

Source: Asia Pacific Consensus Economics

Economic growth

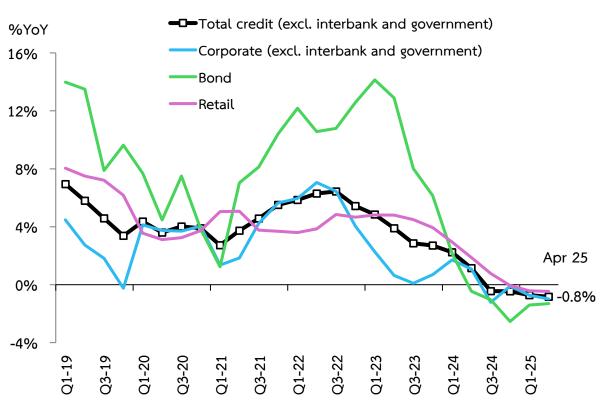
Inflation

Financial stability

Credit growth contracted and credit quality continued to deteriorate especially SME and housing loans.



Credit growth in the financial institutions' system

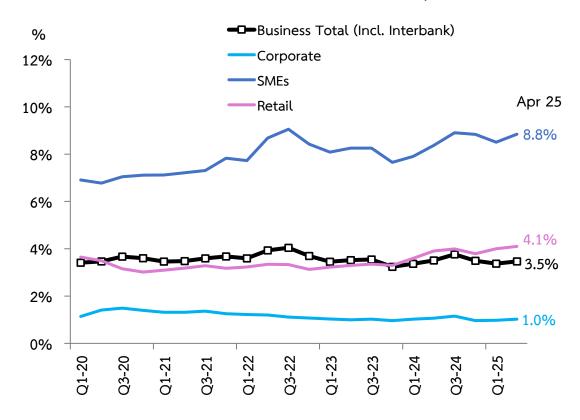


Note: Financial institutions' system includes commercial banks (and their subsidiaries), SFIs, and non-banks that are not subsidiaries of commercial banks

Source: Bank of Thailand

Credit quality must be monitored, especially SME loans and housing loans.

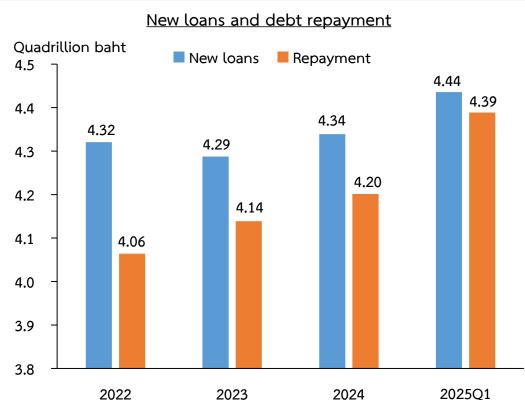
NPL Ratio in the financial institutions' system



Reasons for credit growth contraction include higher debt repayments, lower loan demand among some borrowers during periods of uncertainties, and more cautious lending by financial institutions to borrowers with high credit risks.

Credit growth contraction was partly due to higher debt repayments.

Meanwhile, new loans remained stable.

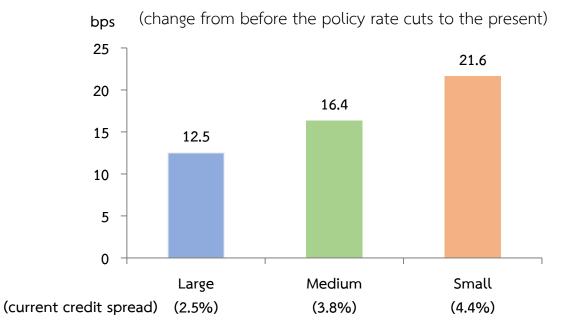


Note: Data are based on credit flow in the commercial banking system. Figures shown for each year represent quarterly averages.

Source: Bank of Thailand

Financing costs for SMEs remained high due to heightened credit risks.

Change in corporate credit spread of bank loans (median)



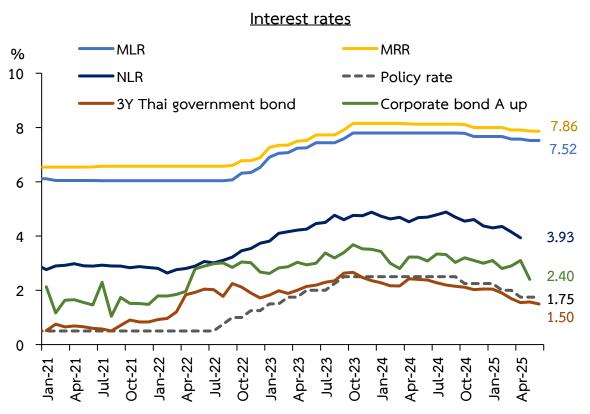
Note: Credit spread is calculated by taking the effective interest rate of each loan contracting and deducting it by the policy rate (risk-free rate). Size classification is based on OSMEP's definition where businesses are classified by income levels. Change in credit spread is from before the policy rate cuts (Jul-Sep 2024) to the present (Feb-Apr 2025) **Source:** Credit data of 14 commercial banks obtained from the RDT system, calculation by BOT



The MPC viewed that monetary policy should remain accommodative to support the economy going forward.

However, it is important to consider the timing and policy effective in the current context where uncertainties are high.

Recent policy rate cuts have mitigated risks to some extent.



Note: (1) Monthly average of 14 commercial banks (data as of 24 Jun 2025)

(2) NLR = new loan rate (data as of Apr 2025)

Source: Bank of Thailand, ThaiBMA

Issues to be monitored

- Credit growth and credit quality, particularly SME and housing loans
- Impact of global trade policies on external demand and domestic demand
- Additional risks stemming from:
 - (1) Geopolitical factors that could impact global energy prices as well as global economic growth
 - (2) Domestic political uncertainty



The MPC kept the policy rate on hold with most members emphasizing the importance of timing and policy effectiveness in the current context where uncertainties are high and policy space is limited

MPC Meeting No. 3/2025 (25 Jun 2025)

The MPC voted 6 to 1 to maintain the policy rate at

1.75%

Thailand's economic growth in the first half of 2025 was driven by the manufacturing sector and front-loaded exports, but growth is projected to slow down and the outlook is subject to additional risks from external and domestic factors. Inflation is projected to remain subdued mainly due to supply-side factors and would not lead to broad-based price declines. Medium-term inflation expectations remain well-anchored within the target range.

Credit growth contracted partly due to increased debt repayments and lower loan demand among certain groups of borrowers during periods of high uncertainties. Meanwhile, financial institutions remained cautious in lending to borrowers with high credit risks. There remains the need to monitor credit quality, especially SME and housing loans.

The MPC viewed that monetary policy should remain accommodative to support the economy going forward and that recent policy rate cuts have helped mitigate risks to some extent. However, most committee members voted to keep the policy rate on hold, emphasizing the importance of timing and policy effectiveness under heightened uncertainties as well as limited policy space. Meanwhile, one committee member voted to cut the policy rate by 25 bps to reduce interest burden and facilitate adjustments among those who were impacted by weakening economic activities.



Do and	0000	2024 —	2023				2024				2025
Percent	2023	2024 —	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
GDP growth	2.0	2.5	2.7	1.9	1.6	1.8	1.7	2.3	3.0	3.3	3.1
Production											
Agriculture	2.0	-1.1	6.4	1.7	1.2	-0.7	-2.8	-1.9	-1.0	1.1	5.7
Non-agriculture	2.0	2.9	2.4	1.9	1.6	2.1	2.1	2.7	3.2	3.6	2.9
Manufacturing	-2.7	-0.5	-2.7	-3.0	-3.4	-1.8	-2.8	0.4	0.3	0.3	0.6
Construction	-0.6	1.3	3.9	0.2	0.6	-8.7	-17.6	-5.6	15.2	18.3	16.2
Wholesales and retail trade	3.9	3.8	3.6	3.8	3.6	4.7	4.3	3.1	3.6	4.1	4.7
Transport and storage	8.8	9.0	12.8	7.7	7.4	7.2	9.4	8.1	9.2	9.0	5.4
Accommodation and food service	19.3	9.6	36.2	16.5	16.1	11.0	11.7	7.7	8.4	10.4	7.2
Information and communication	3.6	5.6	3.8	3.9	3.4	3.1	7.0	5.8	3.5	6.0	4.9
Financial intermediation	1.4	2.0	0.1	0.9	1.3	3.5	2.7	1.8	1.9	1.5	3.1
Real estate and renting	1.5	1.1	1.5	2.1	1.6	0.9	0.8	1.1	0.7	1.7	1.1

Source: Office of the National Economic and Social Development Board, National Statistical Office and Bank of Thailand



											BANK OF THAILAND
Davisant	2022	2024 -	2023				2024				2025
Percent	2023	2024 —	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
GDP growth	2.0	2.5	2.7	1.9	1.6	1.8	1.7	2.3	3.0	3.3	3.1
Expenditure											
Domestic demand	3.3	3.0	3.1	3.5	3.6	3.2	2.4	1.4	4.2	4.1	3.2
Private consumption	6.9	4.4	6.0	7.3	7.4	6.7	6.6	4.5	3.3	3.4	2.6
Private investment	3.1	-1.6	2.6	1.2	3.6	4.8	4.6	-6.8	-2.5	-2.1	-0.9
Government consumption	-4.7	2.5	-6.0	-4.5	-5.0	-3.1	-2.3	0.4	6.1	5.4	3.4
Public investment	-4.2	4.8	4.7	-1.9	-3.0	-19.6	-28.0	-4.2	25.2	39.4	26.3
Exports of goods and services	2.4	7.8	1.9	0.1	1.5	6.1	4.1	5.9	9.9	11.5	12.3
Exports of goods	-2.6	4.3	-5.4	-5.6	-2.4	3.9	-1.5	2.4	7.5	8.9	13.8
Exports of services	38.2	25.5	66.2	47.9	29.6	19.9	32.0	24.7	22.3	22.9	7.0
Imports of goods and services	-2.5	6.3	-0.5	-3.3	-9.8	4.5	5.7	1.1	10.3	8.2	2.1
imports of goods	-4.3	5.3	-3.8	-5.3	-11.3	4.2	3.6	-1.3	9.6	9.4	3.9
imports of services	5.5	10.3	13.6	4.9	-3.8	7.7	13.7	11.2	13.2	3.9	-4.3
Trade balance (billion, U.S. dollars)*	19.4	19.3	4.6	3.2	6.7	4.9	2.5	5.7	5.8	5.4	8.2
Current account (billion, U.S. dollars)*	7.4	11.1	3.6	-3.0	3.1	3.7	3.4	1.1	2.3	4.5	11.1
Financial account (billion, U.S. dollars)*	-11.9	-16.1	-0.4	-0.8	-6.2	-4.6	-5.1	-2.4	0.6	-8.0	-10.1
International reserves (billion, U.S. dollars)	224.5	237.0	224.5	218.2	211.8	224.5	223.4	224.3	243.0	237.0	245.3
Unemployment rate (%)	1.0	1.0	1.0	1.1	1.0	0.8	1.0	1.1	1.0	0.9	0.9
Unemployment rate, seasonally-adjusted (%)	n.a.	n.a.	1.0	1.0	1.0	0.9	1.0	1.0	1.0	1.0	0.9

Note: *Data may be subject to change in line with periodic revisions or changes to data collection methodologies

Source: Office of the National Economic and Social Development Board, National Statistical Office and Bank of Thailand

Real Effective Exchange Rate (REER)

Capital funds / Risk-weighted asset (%)

1/ Calculated by 'annualized standard deviation of return' method

^{2/} Daily volatility (using exponentially weighted moving average method)

Minimum Lending Rate (MLR)^{4/}

12-month fixed deposit rate^{4/}

Net profit (billion, Thai baht)

Loan to Deposit and B/E (%)

Return on assets (ROA) (times)

2. Financial institution sector 3/

Capital adequacy

Liquidity

Earning and profitability



106.8

7.01

1.51

20.7

70.0

1.2

87.5

49/54

Financial Stability Dashboard										ธนา	าคารแห่งประเทศไทย BANK OF THAILAND
	0000	0004 -	2023				2024				2025
Indicators	2023	2024 —	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
1. Financial market sector											
Bond market											
Bond spread (10 years - 2 years)	0.4	0.3	0.6	0.4	0.6	0.4	0.4	0.3	0.3	0.3	0.3
Equity market											
SET index (end of period)	1,415.9	1,400.2	1,609.2	1,503.1	1,471.4	1,415.9	1,377.9	1,301.0	1,448.8	1,400.2	1,158.1
Actual volatility of SET index 1/	11.8	11.3	12.0	11.6	10.2	13.2	10.0	10.5	12.7	11.3	17.1
Price to Earnings ratio (P/E ratio) (times)	18.4	19.3	19.3	18.0	20.3	18.4	18.1	17.1	18.0	19.3	15.8
Exchange rate market											
Actual volatility of Thai baht (%annualized)2/	9.1	8.2	10.9	7.9	8.0	9.4	8.6	6.4	7.9	9.8	7.9
Nominal Effective Exchange Rate (NEER)	119.8	121.1	120.3	119.8	119.8	119.2	118.8	117.2	121.8	126.2	127.6

106.1

6.56

1.15

19.4

60.0

1.0

90.6

^{4/} Average value of 6 largest Thai commercial banks (since July 2021)

104.4

7.00

1.40

19.5

74.0

1.3

92.0

104.1

7.04

1.49

19.9

65.0

1.1

92.4

102.4

7.25

1.65

20.1

53.0

0.9

91.0

100.9

7.25

1.65

20.1

68.0

1.1

90.1

100.0

7.25

1.65

19.9

76.0

1.3

89.7

103.6

7.25

1.65

20.5

71.0

1.2

89.2

106.7

7.11

1.49

20.4

67.0

1.1

88.3

104.3

7.25

1.65

20.1

251.0

1.1

91.0

102.8

7.11

1.49

20.4

282.0

1.2

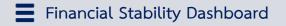
88.3

^{3/}Based on data of all commercial banks



Q4 	2025 Q1
	Q1
88.4	
88.4	
00.4	87.4
2.7	N.A.
3.8	4.0
4.3	4.7
2.2	2.2
3.3	3.4
3.7	3.6
6.8	7.7
0.7	0.7
4.1	5.5
1.7	1.7
2.5	2.6
	3.8 4.3 2.2 3.3 3.7 6.8 0.7 4.1 1.7

Note: ^{5/} Only listed companies on Stock Exchange of Thailand (median value); with data revisions





											BANK OF THAILAND
Indicators	2023	2024 —	2023				2024				2025
indicators	2023		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
5. Real estate sector										,	
Number of approved mortgages from commercial banks (Bangkok and Vicinity) ((units)										
Total	52,877	47,136	11,860	14,656	14,407	11,954	10,857	12,198	12,405	11,676	8,363
Single-detached and semi-detached houses	16,163	14,161	3,709	4,392	4,178	3,884	3,333	3,733	3,606	3,489	2,597
Townhouses and commercial buildings	16,065	12,687	3,906	4,456	4,299	3,404	3,158	3,339	3,209	2,981	2,391
Condominiums	20,649	20,288	4,245	5,808	5,930	4,666	4,366	5,126	5,590	5,206	3,375
Number of new housing units launched for sale (Bangkok and Vicinity) (units)											
Total	101,536	61,453	22,263	25,963	22,500	30,810	16,565	17,006	9,118	18,764	9,886
Single-detached and semi-detached houses	30,929	20,940	4,961	5,759	8,922	11,287	6,617	5,313	3,427	5,583	2,151
Townhouses and commercial buildings	21,577	12,582	5,395	5,306	6,259	4,617	4,071	3,800	3,157	1,554	1,562
Condominiums	49,030	27,931	11,907	14,898	7,319	14,906	5,877	7,893	2,534	11,627	6,173
Housing price index (2011 = 100)											
Single-detached houses (including land)	141.7	142.5	142.5	141.2	140.6	142.6	141.3	141.0	143.4	144.4	144.3
Townhouses (including land)	167.8	170.8	167.1	167.9	167.8	168.5	166.9	168.0	173.4	174.8	176.0
Condominiums	191.3	197.9	192.1	187.4	189.3	196.4	196.1	193.9	200.1	201.3	200.5
All residential	165.2	167.9	165.3	163.9	164.2	167.2	165.9	165.3	169.6	170.9	171.3
6. Fiscal sector										,	
Public debt to GDP (%)	61.7	63.8	61.3	61.6	62.3	61.7	63.6	63.3	63.2	63.8	64.6
7. External sector											
Current account balance to GDP (%)	1.5	2.3	2.8	-2.3	2.5	2.8	2.6	0.9	1.6	4.0	7.4
External debt to GDP (%) ^{6/}	39.0	35.1	39.4	37.9	37.9	39.1	37.6	37.3	37.9	35.1	N.A.
External debt (billion, U.S. dollars)	196.5	191.7	204.3	195.0	191.9	196.5	190.2	185.5	200.4	191.7	N.A.
Short-term (%)	41.3	43.8	40.5	40.8	42.1	41.3	42.4	43.4	43.7	43.8	N.A.
Long-term (%)	58.7	56.2	59.5	59.2	57.9	58.7	57.6	56.6	56.3	56.2	N.A.
International reserves / Short-term external debt (times) ^{7/}	2.4	2.5	2.2	2.3	2.2	2.4	2.4	2.4	2.4	2.5	N.A.
											!

^{7/} Short-term external debt used in calculation is short-term external debt less than 1 year remaining maturity

Note: ^{6/} Calculation follows the World Bank's methodology, external debt / summation of latest 4 quarters nominal GDP



Probability distribution of GDP growth forecast

0/	2025			2027					
% 	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
> 16	0	0	0	0	1	1	2	2	2
14.0-16.0	0	0	0	0	0	0	1	1	0
12.0-14.0	0	0	0	0	0	1	0	1	1
10.0-12.0	0	0	0	1	1	1	1	1	0
8.0-10.0	0	0	1	1	1	1	1	2	2
6.0-8.0	2	3	2	2	3	4	5	5	5
4.0-6.0	13	9	7	6	8	12	13	17	17
2.0-4.0	45	26	19	17	20	28	27	26	26
0.0-2.0	33	35	33	29	27	21	21	20	19
(-2.0)-0.0	6	21	22	24	19	16	15	14	14
(-4.0)-(-2.0)	1	6	10	12	11	9	8	7	7
(-6.0)-(-4.0)	0	1	3	4	5	4	3	3	3
(-8.0)-(-6.0)	0	0	1	1	2	1	1	1	1
< -8	0	0	1	3	3	2	2	3	2





Probability distribution of headline inflation forecast

Probability distribution o	of core inflation forecast
----------------------------	----------------------------

,																			
0/	2025	2026 2027								0/	2025			2026			2027		
%	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	%	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
> 10	0	0	0	0	0	0	0	0	0	> 5.5	0	0	0	0	0	0	0	0	0
9.0-10.0	0	0	0	0	0	0	0	0	0	5.0-5.5	0	0	0	0	0	0	0	0	0
8.0-9.0	0	0	0	0	0	0	0	0	0	4.5-5.0	0	0	0	0	0	0	0	0	0
7.0-8.0	0	0	0	0	0	0	0	0	0	4.0-4.5	0	0	0	0	0	0	0	0	0
6.0-7.0	0	0	0	0	0	0	0	0	0	3.5-4.0	0	0	0	0	0	0	0	0	0
5.0-6.0	0	0	0	0	1	0	0	0	1	3.0-3.5	0	0	0	0	0	0	0	0	0
4.0-5.0	0	0	0	0	4	1	2	2	3	2.5-3.0	0	0	0	1	2	1	1	1	2
3.0-4.0	0	0	1	3	10	5	6	7	8	2.0-2.5	0	1	3	4	6	5	5	5	6
2.0-3.0	0	1	7	10	18	12	13	15	17	1.5-2.0	2	12	14	14	14	13	13	13	14
1.0-2.0	0	21	25	22	23	21	22	23	24	1.0-1.5	67	42	31	26	22	22	22	22	23
0.0-1.0	29	52	36	29	21	24	24	24	23	0.5-1.0	31	36	32	27	23	24	24	24	24
(-1.0)-0.0	69	24	23	22	13	20	19	17	15	0.0-0.5	0	8	16	18	17	18	19	18	17
(-2.0)-(-1.0)	1	2	6	10	6	11	10	8	7	(-0.5)-0.0	0	0	4	7	10	10	11	10	9
< -2	0	0	1	3	2	5	5	4	3	< -0.5	0	0	1	2	6	6	6	5	5

