



No. 6/2025

Monetary Policy Committee's Decision 1/2025

Mr. Sakkapop Panyanukul, Secretary of the Monetary Policy Committee (MPC), announced the outcome of the meeting on 26 February 2025 as follows.

The Committee voted 6 to 1 to cut the policy rate by 0.25 percentage point from 2.25 to 2.00 percent, effective immediately. One member voted to maintain the policy rate.

The Thai economy is projected to expand slower than anticipated, owing to structural impediments in manufacturing production as well as competition from imported goods, despite support from domestic demand and tourism. The economy is also subject to heightened risks from trade policies of major economies. Most members voted to cut the policy rate by 0.25 percentage point at this meeting to align financial conditions with the economic and inflation outlook as well as financial stability, and to better cope with increasing downside risks to the economy. One member voted to maintain the policy rate due to greater emphasis on preserving monetary policy space to deal with heightened uncertainties going forward.

The Thai economy slowed more than expected in 2024 due to large inventory rundown, although domestic demand, tourism, and merchandise exports continued to expand. Looking ahead, the economy is projected to grow slower than anticipated, due to the manufacturing sector that faces structural problems and intense competition from imported goods, especially in automotive, petrochemical, and construction materials industries. Meanwhile, the services sector is expected to expand. Domestic demand is projected to grow, driven by private consumption, while merchandise exports are likely to increase on the back of technology products and agro-manufacturing products. The Committee sees a need to monitor manufacturing production, which could continue to face pressures — in particular, SMEs that are under intense competition — as well as the impact of trade policies of major economies on the Thai economy.



Headline inflation is expected to stabilize around the lower bound of the target range due to supply factors — in particular, the expected downward trend in global crude oil prices — as well as structural factors such as intense price competition from imported goods. The inflation rate at this level is not indicative of future deflation but instead helps alleviate high costs of living and business expenses. Meanwhile, medium-term inflation expectations remain within the target range. Nevertheless, there are downside risks to inflation due to the global crude oil prices outlook and potential domestic energy price subsidies.

Financial conditions remain tightened, although loan growth and credit quality showed signs of stabilizing. However, SME loans, particularly in industries facing structural problems, continued to contract. Retail loan growth slowed down due partly to slower income recovery and elevated debt burden. The Committee judges that the lower policy rate helps ease financial conditions without affecting long-term financial stability risks. The Committee also recognizes a need to monitor the outlook of loan growth and credit quality of vulnerable groups, as well as implications for economic activities. Meanwhile, the volatility of baht against the US dollar increased mainly due to uncertainties in policies of major economies. The Committee will closely monitor developments in the financial markets and movements of the baht.

The prevailing monetary policy framework seeks to maintain price stability, support sustainable growth, and preserve financial stability. The Committee deems that the lower policy rate is consistent with the current assessment of the economic outlook and remains robust to risks going forward. In addition, the slower economic outlook is a result of structural problems which require policies to increase economic competitiveness and enhance potential growth. The Committee will closely monitor developments in financial and economic outlook.

Bank of Thailand

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