

**Edited Minutes of Monetary Policy Committee Meeting (No. 4/2025)  
8 and 13 August 2025, Bank of Thailand  
Publication Date: 27 August 2025**

**Members Attending**<sup>1</sup>

Sethaput Suthiwartnarueput (Chairman), Piti Disyatat (Vice Chairman), Alisara Mahasandana, Paiboon Kittisrikangwan, Rapee Sucharitakul, and Santitarn Sathirathai

**Economic and inflation assessment**

The Thai economy in 2025 and 2026 was projected to expand broadly in line with the previous assessment. Growth in the first half of 2025 was supported by merchandise exports and manufacturing activity. Looking ahead, the economy was expected to moderate relative to the first half of the year, reflecting the impact of U.S. trade policies. These measures would exacerbate structural challenges and weigh on Thailand's competitiveness. Moreover, a decline in short-haul tourist arrivals was expected to render certain sectors—particularly SMEs—increasingly vulnerable.

The Thai economy continued to expand in the first half of 2025, with merchandise exports benefiting from the upturn in technology cycle—particularly in electronics—as well as front-loaded exports to the United States ahead of the implementation of reciprocal tariff measures. The strong export performance, in turn, had positive spillovers to related manufacturing sectors.

Looking ahead, the Thai economy was expected to slow in the second half of 2025 and to expand below potential in 2026. Key contributing factors included: **(1) merchandise exports were anticipated to weaken due to both direct and indirect impacts of U.S. trade policies, as well as the front-loading of exports in the first half of the year.** Although reciprocal tariff rates imposed on Thailand were not markedly different from those applied to peer economies, the substantial increase in U.S. import tariffs was expected to dampen U.S. import demand and global trade activity. Additional risks stemmed from the potential enforcement of transshipment tariffs, with criteria such as regional value content (RVC) remaining unclear. Border tensions were expected to have a limited impact on the overall economy, with the primary effect observed in reduced border trade during the third quarter; **(2) manufacturing production was weighed down by intensified competition**, both from import flooding—which could worsen as other countries sought new markets—and from increased domestic market access granted to U.S. products. While the overall economic impact of U.S. imported products was assessed to be modest, certain sectors such as agriculture and agro-manufacturing—which encompassed a large number of producers and workers—were expected to face heightened pressure; **(3) tourism was projected to expand at a slower pace**, particularly due to a decline in short-haul tourist arrivals amid intensified regional competition. Although long-haul tourists with higher spending per visitor were expected to provide partial support to tourism receipts, the benefits were likely to be concentrated among large businesses, such as high-end hotels. This reflected the spending behavior of these tourists, who tended to focus on in-hotel relaxation and spend less outside

---

<sup>1</sup> Roongrote Rangsiyopash resigned from the Monetary Policy Committee, effective on 1<sup>st</sup> July 2025.

their accommodation; and **(4) private consumption and investment were expected to soften, in line with the weakening trend in labor income**, which reflected the outlook for exports, production, and tourism. This was particularly evident among self-employed workers, who represented a significant share of the service sector.

**The Committee assessed that the impact of trade policies remained difficult to quantify. Although Thailand faced reciprocal tariff rate that was not disadvantageous relative to competitors, the newly imposed higher tariff levels could affect merchandise exports, the potential relocation of production bases, and future investment decisions.** Firms across various industries indicated a slowdown in advance orders. However, the decline was broadly in line with expectations and consistent with the earlier front-loading of exports. For example, in the food and beverage industry, advance orders had softened but were expected to gradually recover in the fourth quarter following inventory clearance. Meanwhile, the electronics industry continued to receive advance orders in line with the ongoing expansion of the electronics cycle. Some Committee members assessed that the export outlook was more likely to exhibit a gradual slowdown rather than a sharp contraction in the third quarter, as projected by the Secretariat. This view was based on the observation that Thailand's tariff treatment was not significantly different from that of its trading partners and competitors. As such, the actual impact was expected to drag on and unfold gradually, reflecting the pace of adjustment within the export sector.

**The Committee expressed concern over the prospect of a slowdown in key economic drivers, which could result in growth falling below potential in the future.** These included: (1) merchandise exports, which were increasingly affected by U.S. trade policies and intensified domestic competition due to import flooding; (2) tourism, where both the number and composition of foreign visitors had shifted, particularly with a decline in short-haul tourists. This limited the distribution of tourism income to small businesses; and (3) private consumption, which had softened in line with declining labor income. **These factors were expected to compound existing structural challenges.** Economic growth continued to be driven by a narrow set of business segments, with benefits concentrated among large businesses. **The Committee assessed that vulnerabilities had increased in certain sectors, particularly among SMEs**, which could have broader implications for employment and household income. This could, in turn, lead to constraints on debt servicing capacity and access to credit going forward.

**The Secretariat reported on developments pertaining to SMEs, which had come under mounting pressures from intensifying competition**, particularly from import flooding. At the same time, weakening domestic demand had further weighed on business conditions. SMEs also continued to face higher borrowing costs relative to larger firms and encountered difficulties in accessing credit, thereby constraining their ability to expand or upgrade their businesses. Information obtained from business operators indicated that most SMEs had primarily undertaken defensive adjustments, such as cost reduction and downsizing. By contrast, proactive strategies, including business model transformation aimed at enhancing competitiveness, remained limited. The Committee viewed that SMEs had become an increasingly vulnerable segment of the economy, with potential spillover effects on employment and household income, as well as possible implications for debt-servicing capacity.

**Headline inflation was projected to remain subdued, driven mainly by supply-side factors.**

This reflected: (1) a decline in raw food prices, particularly fruit prices, which fell as favorable weather conditions had boosted supply, alongside weaker fruit exports amid heightened competition from other countries; and (2) a downward trend in energy prices, in line with rising global crude oil supply. Nevertheless, prices of other goods and services in the core inflation basket had not declined broadly. This was reflected in core inflation, which was expected to remain stable and close to the previous assessment. Medium-term inflation expectations remained anchored within the target range.

**The Committee assessed that subdued headline inflation had not posed an obstacle to economic expansion and, in fact, had contributed to easing upward pressure on living costs for households and operating expenses for businesses.** However, risks remained that inflation could be further suppressed by weakening domestic demand, which warranted close monitoring. The Committee discussed the conduct of monetary policy under conditions where inflation persisted at low levels due to supply-side factors. Members broadly agreed that monetary policy had limited efficacy in influencing inflation under such circumstances. Some members further noted that, under the flexible inflation targeting framework, the primary objective was to ensure the anchoring of medium-term inflation within the target range, and to maintain inflation at low and stable levels over time. It was not imperative for inflation to always remain within the target range. In this regard, the key considerations for monetary policy were the underlying sources and drivers of inflation, as well as their implications for medium-term inflation expectations.

**The Committee noted that subdued inflation outturn may have partly reflected limitations in measurement. It was observed that certain components in the consumer price index (CPI) exhibited minimal or no change over extended periods.** These were typically items for which comprehensive data collection was challenging and where quality adjustments were difficult to capture. Examples included the housing rental category, which largely reflected older rental units and was therefore difficult to reprice. The Committee therefore requested the Secretariat to engage with the relevant agencies to explore ways to improve the CPI so that it more accurately reflects the prices of goods and services faced by consumers.

**Assessment of Financial Conditions and Financial Stability**

**Interest rates in the commercial banking system declined** in line with the recent policy rate cuts. **Thai government bond yields also fell** amid expectations of a slowdown in the Thai economy. **The baht appreciated against the U.S. dollar**, primarily due to dollar depreciation following the release of weaker-than-expected U.S. economic data, coupled with growing concerns over U.S. fiscal sustainability stemming from the government's budget and tax cut plans.

**Overall credit continued to contract**, mainly due to reduced credit demand from large corporates amid heightened economic uncertainty and elevated borrower credit risks. The credit quality of SME and housing loans continued to deteriorate. SMEs remained vulnerable due to tight liquidity conditions and high debt burdens, while also facing higher financing costs relative to large corporates. Data from financial institutions indicated that interest rates on new SME loans remained elevated and declined less than those for large corporates, partly due to higher relative credit risks.

**The Committee expressed concerns over the vulnerabilities of SMEs, stemming from tight liquidity and increasing economic pressures**, and inquired whether financial institutions had tightened their lending standards. There were concerns that deteriorating credit quality could affect financial institutions' lending decisions, thereby limiting SMEs' access to funding necessary for adjustment and potentially impairing their ability to continue their businesses. The Secretariat reported that financial institutions had not broadly tightened underwriting standards or imposed widespread credit restrictions. Rather, they had become more cautious in extending new loans based on borrowers' risk profiles. For example, while underwriting standards for SME loans had not been explicitly tightened, institutions increasingly focused on lending to lower-risk SMEs and had exercised greater caution in lending to small businesses lacking collateral or with insufficient collateral coverage. **The Committee emphasized the need to closely monitor credit developments and movements in the baht, which could further exacerbate challenges faced by the business sector, particularly SMEs.**

#### **Monetary Policy Consideration**

- **Under the prevailing monetary policy framework aimed at maintaining price stability, supporting sustainable growth, and preserving financial stability, the Committee discussed the following key issues:**
  - **The Committee assessed that, although the overall economy was projected to expand in line with previous assessments, the outlook remained subject to multiple headwinds, and vulnerabilities in certain sectors had become more pronounced.** The impact of U.S. trade policies was expected to be prolonged and could exacerbate existing structural challenges and competitiveness issues. In addition, momentum from tourism and private consumption was likely moderating. Many SMEs also faced additional pressures from intensified competition and uneven economic expansion.
  - **The Committee viewed that headline inflation remained low due to energy and raw food prices.** However, there were no indications of a broad-based decline in the prices of goods and services. Therefore, inflation was not considered a central factor in monetary policy deliberation.
  - **The Committee expressed concerns over SMEs' debt-servicing capacity and access to credit.** Elevated credit risks could prompt financial institutions to adopt more cautious lending practices, which may have implications for future economic activity through macro-financial linkages. The Committee assessed that credit growth was likely to remain subdued, due to ongoing debt deleveraging by businesses and households, reduced credit demand amid economic uncertainty, and cautious lending practices by financial institutions toward higher-risk borrowers.
- **After evaluating all three policy objectives, the Committee deemed that monetary policy could be further accommodated to some extent, in order to ensure that financial conditions remained conducive to business adjustment and to partly alleviate burdens on vulnerable groups, without posing risks to long-term financial stability.** Additional points discussed included:

- **The Committee viewed that a policy rate cut would help ease burdens and support business adjustment to some extent. Nevertheless, monetary policy alone was not deemed sufficient to fully restore economic and credit expansion. It needed to be complemented by measures aimed at addressing structural constraints and credit access challenges faced by SMEs.** Examples included credit guarantee mechanisms and initiatives to support SMEs in adapting and enhancing their competitiveness.
- **The Committee judged that monetary policy easing under current conditions would not significantly increase financial stability risks. Nonetheless, future monetary policy formulation should take into account the need to safeguard medium-term financial stability.** In this regard, the policy rate should not remain excessively low for an extended period, in order to avoid the buildup of long-term vulnerabilities, including excessive household and corporate borrowing, erosion of saving incentives, and investments that may not yield commensurate economic returns. Furthermore, the persistently low interest rates could induce search-for-yield behavior and fuel asset price bubbles, thereby raising systemic risks in the future. In addition, the Committee also noted the diminishing effectiveness of monetary policy in a low interest rate environment, and its limited efficacy in addressing structural impediments. A holistic policy mix was therefore deemed necessary, encompassing structural reforms, fiscal policy, monetary policy, and targeted financial measures, to support the capacity of businesses to adapt to changes in the evolving global trade and supply chain landscape.
- **Some Committee members emphasized the importance of preserving the limited policy space** to cushion against unforeseen events, given the continued high level of uncertainty ahead.

### **Monetary Policy Decision**

**The Committee voted unanimously to cut the policy rate by 0.25 percentage point from 1.75 to 1.50 percent, effective immediately.**

The Committee assessed that, although the Thai economy in 2025 and 2026 was projected to expand broadly in line with the previous assessment, U.S. trade policies would exacerbate structural problems and weaken competitiveness. Additionally, certain sectors of the economy had become more vulnerable, particularly SMEs. Headline inflation remained subdued due to supply-side factors. The Committee viewed that monetary policy should be further accommodated to some extent, to ensure that financial conditions remained conducive to business adjustment and to help alleviate burdens on vulnerable groups. Therefore, the Committee voted unanimously to cut the policy rate at this meeting. Going forward, the Committee viewed that monetary policy should remain accommodative to support the economy. At the same time, it was important to ensure macro-financial stability, while taking into account the limited policy space.

Monetary Policy Group  
27 August 2025