

**Edited Minutes of Monetary Policy Committee Meeting (No. 1/2026)
19 and 25 February 2026, Bank of Thailand
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Members Attending¹

Vitai Ratanakorn (Chairman), Piti Disyatat (Vice Chairman), Suwannee Jatsadasak, Paiboon Kittisrikangwan, Santitarn Sathirathai, and Charl Kengchon

Economic and Inflation Assessment

The Thai economy in the fourth quarter of 2025 grew faster than previously assessed, driven partly by temporary factors toward the end of the year. These included (1) a greater-than-expected impact from government stimulus measures including the Khon La Khrueng Plus co-payment scheme, the additional allowance under the State Welfare Card program, and the Tiew Dee Mee Khuen tourism campaign, and (2) front-loaded purchases of electric vehicles (EVs) ahead of the expiration of the EV 3.0 subsidy scheme. **In addition, the economy benefited from stronger-than-expected momentum,** particularly in merchandise exports and private investment, which were expected to continue supporting economic activity in 2026 and 2027.

Nevertheless, going forward, the Thai economy was projected to expand below its potential and unevenly across sectors as it was weighed down by structural factors and intensifying competition that continued to erode the competitiveness of the manufacturing sector. In the tourism sector, Thailand had also begun to lose market share to regional peers. Moreover, the financial conditions of SMEs and certain household groups remained fragile. Looking ahead, **(1) merchandise exports** were expected to perform better than previous assessed. However, export growth remained concentrated in electronics, machinery, and electrical appliances, which generated limited value added. The recent U.S. Supreme Court ruling that struck down tariff measures under the IEEPA² was assessed to have a limited positive impact on Thai exports, as effective tariff rates applicable to Thai products changed insignificantly. Potential additional tariffs, however, warranted monitoring given Thailand's sizable trade surplus with the U.S. **(2) Private consumption** was expected to expand in line with improving income, albeit at a slower pace as the temporary boost from government measures at the end of 2025 subsided. **(3) Private investment** was expected to improve, supported by foreign direct investment (FDI) following the acceleration of projects approved by the Board of Investment (BOI). However, it remained concentrated in technology-related industries, while investment in other sectors was expected to soften amid heightened economic uncertainty. **(4) The tourism sector** was projected to recover gradually, with foreign tourist arrivals in 2026 and 2027 expected to remain at 35 million and 36 million, respectively.

¹ Rapee Sucharitakul resigned from the Monetary Policy Committee, effective on 1st January 2026.

² On 20 February 2026, the U.S. Supreme Court ruled that the International Emergency Economic Powers Act (IEEPA) did not authorize the imposition of tariffs, thereby striking down the tariff measures enacted under this Act. The U.S. government subsequently shifted to Section 122 of the Trade Act of 1974, which applied on a temporary basis. As a result, Thailand's effective tax rate declined from 16.5 percent to approximately 14.4 percent. Looking ahead, the United States might consider additional actions under Section 301, particularly against countries running sizable trade surpluses with the U.S., including Thailand, which was among the 15 countries with the largest surpluses (the "Dirty 15").

The Committee inquired whether the stronger-than-expected economic outturn in the fourth quarter of 2025 was attributable to temporary or underlying factors that could sustain growth momentum, noting that distinguishing between the two was crucial for outlook assessment. The Committee also sought clarification on the projection of merchandise export growth in 2026, which was higher than the previous assessment and other agencies' forecasts. **The Secretariat** explained that part of the stronger-than-expected outturn in the fourth quarter of 2025 was driven by underlying momentum in merchandise exports and private investment, which was expected to carry over into 2026. However, as the distinction between temporary and underlying factors could only be assessed to a limited extent, the Secretariat would continue to monitor developments and their implications for income and private consumption once the temporary effects dissipate. Regarding the upward revision of the export forecast, it reflected stronger exports of technology products driven by rising global demand for artificial intelligence (AI) and data centers, as well as recent production-base expansions by certain firms. These drivers were expected to continue at least through the first half of 2026. Furthermore, these technology products were not affected by tariff measures, as they were exempt from U.S. import tariffs. **Some Committee members expressed concern about the risk of Thailand being subject to additional tariffs and non-tariff measures**, given that the country was on the U.S. watchlist of economies with the sizable trade surplus. If Thailand were to face higher tariff rates than competing countries, the competitiveness of Thai exporters could be adversely affected.

The Committee expressed concern regarding Thailand's engines of growth going forward, given weakening competitiveness. The Committee noted that (1) the manufacturing sector faced increasing pressure from intensifying competition, while private investment driven by foreign direct investment (FDI) generated lower value added compared to the past, as most new investment remained concentrated in technology-related products with high import content. The Committee emphasized the need to encourage greater use of local content and Thai labor, and to closely monitor the nature of such investments whether they were upstream, midstream, or downstream, in order to assess their implications for domestic supply chains. **(2) The services sector, particularly tourism, had experienced declining competitiveness**, as many countries were promoting tourism as a new engine of growth to offset the slowdown in manufacturing. **(3) The fiscal sector was expected to provide less support to the economy** in line with the medium-term fiscal framework aimed at reducing the fiscal deficit as part of fiscal consolidation to preserve fiscal discipline. **The Committee agreed that Thai businesses would need to enhance efficiency and competitiveness**, including by raising productivity, integrating into emerging supply chains, and leveraging technology to support sustainable economic growth.

Headline inflation in 2026 and 2027 was projected to decline slightly and face increased downside risks compared with the previous assessment, reflecting energy price trends and potential additional government measures. Global energy prices were expected to continue trending downward, and Thailand's inflation rate was highly sensitive to fluctuations in global energy prices as the country had a higher energy intensity relative to other countries. Moreover, potential additional energy-subsidy measures could further lower domestic energy prices. Inflation was also dampened by heightened competition and subdued purchasing power amid economic growth that remained below potential. These factors were expected to delay the return of inflation to the target range compared with the previous assessment, shifting from the first half of 2027 to the second half of the year. Core inflation was projected to be slightly

lower than previously assessed and remain at a low level. However, the risk of deflation remained limited, as the declines in the prices of goods and services were not broad-based, while medium-term inflation expectations remained anchored within the target range.

The Committee expressed concern about headline inflation remaining below the target range and returning to the target range more slowly than previously assessed. Medium-term inflation expectations, while still within the target range, had also declined in recent periods. Some Committee members, however, noted that the flexible inflation targeting framework served as a policy communication framework to anchor medium-term inflation expectations of businesses and households. In the short term, inflation tended to be driven largely by supply-side factors such as energy prices. Consequently, reductions in the policy interest rate would have limited effectiveness in helping inflation return to the target range.

Assessment of Financial Conditions and Financial Stability

Interest rates in the banking system declined in line with previous policy rate cuts. However, funding costs for certain groups, such as micro SMEs, remained elevated due to credit risk and an increase in borrowing through high-interest lending products. **Credit continued to contract**, driven by lower demand from large corporates following a slowdown in investment amid heightened economic uncertainty. Financial institutions also remained cautious in extending credit to new borrowers and high-risk groups, particularly SMEs and vulnerable households. **Credit quality deteriorated among SMEs.** The decline in the overall non-performing loan (NPL) ratio in the fourth quarter of 2025 was partly due to year-end management by financial institutions. Going forward, it remained necessary to monitor the quality of SME loans and housing loans since NPL ratios in these segments continued to be elevated.

The Committee expressed concern over the continued contraction in credit and the rise in funding costs for micro SMEs arising from increased borrowing through high-interest products. The Committee inquired whether these developments stemmed from existing borrowers who faced higher credit risk, which limited their access to credit, or from an expansion of lending to new borrowers who had previously relied on informal finance. **The Secretariat reported that most borrowers obtaining loans through high-interest products were new borrowers**, reflecting strategic shifts by certain commercial banks in expanding their customer base through products such as micro finance³ and nano finance⁴, which carried interest rates close to the ceiling of at 28–33 percent per annum. Meanwhile, most existing borrowers continued to receive interest rates broadly consistent with previous levels. **The Committee deemed it necessary to closely monitor credit developments and the transmission of monetary policy, and supported targeted financial measures to assist vulnerable groups**, such as the credit guarantee mechanism (SMEs Credit Boost).

Volatility in global financial markets increased amid uncertainty surrounding U.S. tariff measures and geopolitical risks, particularly following the U.S. Supreme Court’s ruling to strike down tariff measures enacted under the IEEPA. In contrast, the Thai equity index outperformed regional

³ Micro finance refers to unsecured loans to individuals or juristic persons for income-generating purposes with a credit limit not exceeding 200,000 baht per borrower and an interest rate ceiling of 28 percent per annum.

⁴ Nano finance (regulated retail loans for income-generating activities) refers to unsecured loans to individuals for income-generating purposes, with a credit limit not exceeding 100,000 baht per borrower and an interest-rate ceiling of 33 percent per annum.

markets as investors anticipated that the election results would ensure government stability and policy continuity. Meanwhile, **the baht continued to appreciate against the U.S. dollar and showed signs of exchange rate misalignment from economic fundamentals** given the U.S. Federal Reserve's policy interest rate outlook and Thai specific factors. The appreciation of the baht exacerbated liquidity pressures for exporters through the conversion channel, as their export revenues declined when converted into baht. The impact was particularly pronounced for SMEs, most of which lacked adequate foreign exchange hedging, and for those in low margin sectors such as textiles and apparel, agricultural products, and food and beverages. The appreciation of the baht has also adversely affected exporters through the price competition channel, particularly for substitutable goods such as commodities. In addition, the proportion of manufacturing firms experiencing a decline in purchase orders due to baht appreciation has increased.

The Committee expressed concerns over signs of exchange rate misalignment from economic fundamentals, which exacerbated liquidity pressures on exporters, particularly SMEs with fragile financial positions and limited access to credit. A continued appreciation of the baht could further compel businesses to reduce costs and potentially affect employment. **The Committee deemed it necessary to closely monitor baht movements and transactions that exerted pressure on baht appreciation, as well as to assess the effectiveness and adequacy of implemented measures related to gold transactions and other financial transactions.** The measures undertaken by the Bank of Thailand in recent period included (1) gold-related measures, including revising operation practices and scrutinizing foreign exchange rate conducted by gold trading businesses⁵ and regulating gold-trading transactions on online platforms⁶, which took effect on 1 March 2026, and (2) other measures, such as monitoring foreign exchange transactions, particularly inbound baht flows, to mitigate appreciation pressure on the baht.

Monetary Policy Consideration

- **Under the prevailing monetary policy framework aimed at maintaining price stability, supporting sustainable growth, and preserving financial stability, the Committee agreed that monetary policy should remain accommodative to support economic recovery.** The Committee discussed the following key issues:
 - **Headline inflation faced more downside risks and was expected to return to the target range more slowly than previously assessed** due to downward trend in energy prices and potential additional government measures. Additionally, demand-driven inflationary pressures were limited amid the economic growth that remained below potential.

⁵ Financial institutions are required to verify evidence of gold sales with foreign counterparties for every transaction. Additionally, invoices and gold export declarations must be inspected within two business days from the date the foreign currency is remitted by the gold trader.

⁶ The oversight of gold transactions via online platforms includes: (1) setting a maximum trading limit of 50 million baht per person, per day, per platform; (2) establishing specific terms and conditions for gold trading on these platforms; and (3) requiring enhanced reporting of aggregate transaction data and significant individual transactions.

- **The overall Thai economy grew faster than expected but remained below its potential and uneven across sectors**, reflecting structural impediments and intensified competition.
- **Credit continued to contract, while SMEs loans quality deteriorated.** Liquidity conditions for businesses, particularly SMEs, remained tight due to both limited access to credit and the appreciation of the baht.
- **Most Committee members agreed to cut the policy rate at this meeting to ensure that financial conditions remained supportive of business adjustments.** A low level of policy interest rate would help encourage financial institutions to extend more credit and would alleviate the debt burden of SMEs and households. **The Committee also placed importance on the increasing downside risks to the inflation outlook**, noting that policy rate cuts would help anchor medium-term inflation expectations and facilitate the gradual return of headline inflation to the target range. Meanwhile, there remained an absence of significant signs indicating systemic financial stability risks, as most businesses continued to be cautious regarding debt accumulation and investment. Financial institutions also exercised prudence in extending credit to high-risk borrowers.
- **Two Committee members viewed that the policy interest rate at 1.25 percent was consistent with the economic and inflation outlook, and the transmission of the previous policy interest rate cuts to the economy was still ongoing. They also placed importance on the timing and the limited policy space** to cushion against unexpected shocks given the heightened uncertainty stemming from global trade policies and geopolitical risks, most notably the recent escalation in the Middle East. In addition, it was necessary to consider the risks of maintaining the policy rate at a low level for an extended period, which could have contributed to the buildup of financial vulnerabilities and posed risks to long-term economic and financial stability. **One Committee member** noted that although lowering interest rates, which were already at very low levels, could somewhat ease the burden on debtors, it could adversely affect household savings and induce excessive risk-taking investments. The member emphasized that the policy interest rate was a blunt macroeconomic instrument, therefore, its implementation should be guided by overall economic conditions and long-term financial stability rather than sectoral distributional effects.
- **The Committee viewed that the policy interest rate at 1.00 percent per annum was sufficiently accommodative and consistent with the economic outlook, while also enhancing the effectiveness of government measures.** Nevertheless, the Committee deemed it important to monitor the side effects of maintaining a low interest rate on returns of the savers and the risk build-up on medium-term financial stability, such as search-for-yield behavior and inefficient capital allocation under a prolonged low-interest-rate environment.
- **The Committee deemed that the subdued economic growth stemming from structural factors cannot be exclusively addressed by monetary policy. It was necessary to integrate policies from multiple fronts** such as measures to enhance

productivity, strengthen business competitiveness, and targeted financial measures aimed at easing liquidity constraints faced by SMEs and households.

Monetary Policy Decision

The Committee voted 4 to 2 to cut the policy rate by 0.25 percentage point from 1.25 to 1.00 percent. Two members voted to maintain the policy rate.

Most committee members agreed to cut the policy rate to ensure that financial conditions remained support economic recovery and to further alleviate the debt burden of SMEs and households, as well as to anchor medium-term inflation expectations amid heightened downside risks. Meanwhile, two members viewed that the current monetary policy stance remained consistent with the economic and inflation outlook. In addition, the transmission of the previous policy interest rate cuts to the economy was still ongoing. The Committee agreed that the subdued economic growth stemming from structural factors could not be exclusively addressed by monetary policy. It was necessary to integrate policies from multiple fronts to enhance productivity and strengthen competitiveness of the business sector as well as other targeted financial measures.

The Committee viewed that the present level of the policy interest rate reflected a sufficiently accommodative monetary policy stance and aligned with the economic outlook, while being conducive to the gradual return of inflation to the medium-term target range. At the same time, it was important to closely monitor the implications of a low policy rate for the build-up of medium-term financial imbalances, while giving importance to the limited policy space.

Monetary Policy Group
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