

**Edited Minutes of Monetary Policy Committee Meeting (No. 2/2026)  
24 and 29 April 2026, Bank of Thailand  
Publication Date: 13 May 2026**

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

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

**Economic and Inflation Assessment**

**Before the war in the Middle East began, economic indicators suggested stronger-than-expected momentum. The Thai economy in the first quarter of 2026 was expected to expand at a higher rate than previously assessed in the February meeting.** Private consumption continued to grow from the previous quarter, partly reflecting temporary factors related to the fulfillment of electric vehicles (EVs) as the EV 3.0 scheme concluded at the end of last year. Private investment remained supported by foreign direct investment (FDI), while merchandise exports grew faster than expected, driven mainly by demand for technology-related products. Under such developments, the Thai economy was projected to expand by 2.3 percent for the full year of 2026, reflecting the strength of the recovery prior to the war.

**Nevertheless, the war in the Middle East affected the economy through higher cost burdens on the business sector and a weakening of household purchasing power.** The impact of this war differed from past episodes in several aspects, namely, (1) global energy prices increased significantly and were not expected to return to pre-war levels throughout the projection horizon, as energy supply declined substantially due to the closure of the Strait of Hormuz—a key transportation route—and the damage to energy infrastructure, (2) the impact was broad-based, transcending the spike of energy prices. The war impacted travel and logistics, as well as causing shortages of certain raw materials, and (3) Asian economies, including Thailand, were more severely affected than others due to their relatively high dependence on energy and commodity imports from the Middle East.

**Under the baseline scenario in which the situation eases within the first half of 2026, the Thai economy in 2026 and 2027 was expected to expand at a slower pace of 1.5 and 2.0 percent, respectively.** Specifically, **(1) private consumption** was expected to slow in line with a rising cost of living and declining income prospects, despite targeted government support measures for affected and vulnerable groups, such as financial support for the transportation sector and temporary increases in spending allowances through the State Welfare Card program; these projections did not yet include the impact of potential additional government measures. **(2) Tourism sector** was affected by travel constraints and higher transportation costs, particularly for tourists from the Middle East, Europe, and Malaysia, resulting in foreign tourist arrivals in 2026 and 2027 declining by 2.0 and 0.5 million from the previous projections, to 33.0 and 35.5 million, respectively. **(3) Private investment** tended to expand, supported by foreign direct investment (FDI), particularly in the electronics sectors and data center related activities; however, investment prospects going forward faced high uncertainty, which could lead some businesses to reassess or delay investments in order to evaluate the impact of the war. **(4) Merchandise exports**

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<sup>1</sup> Santitarn Sathirathai resigned from the Monetary Policy Committee, effective on 2<sup>nd</sup> April 2026.

were projected to continue expanding, supported by sustained demand for technology-related goods, despite a decline in exports to the Middle East. **Going forward, the economic outlook faced heightened risks.** It was necessary to monitor risks from a potential prolonged war and supply disruptions, which could have a severe impact on manufacturing and employment. Meanwhile, additional fiscal measures could lead to higher economic growth in 2026 than currently assessed, but growth would decline in 2027 due to the dissipation of stimulus effects and a higher base effect.

**Regarding the war impact on the business sector, the effects differed across industries.** Information obtained from the Business Liaison Program (BLP) indicated that some businesses had already been affected since March, including energy-intensive sectors such as transportation, airlines, and fisheries; tourism-related sectors such as hotels; and industries facing shortages of raw materials, such as petrochemicals and plastics. Meanwhile, some businesses were expected to experience impacts in the second quarter after existing inventories (covering 1–3 months) were depleted, including food, automotive, and construction materials. Nonetheless, some sectors experienced positive spillovers, such as electric vehicles (EVs), supported by concerns over rising oil prices. **Consequently, businesses adjusted through several channels,** including (1) production adjustments to reduce costs, such as switching to lower-cost alternative inputs and reducing working days to lower labor costs, (2) sales adjustments to increase revenue, such as pursuing new markets—for example, hotels focusing more on short-haul and domestic tourists. (3) passing on rising costs, and (4) maintaining liquidity by increasing cash holdings and delaying large investment expenditures. **Some Committee members expressed concerns regarding the ability of businesses—especially SMEs—to pass on rising costs.** They questioned whether an inability to pass these costs through to consumers might lead to business closures. The Secretariat informed that weak purchasing power had forced some firms to only partially pass through costs, necessitating alternative adjustments. For example, some hotels were holding prices steady while offering more complimentary to increase sales. While there was currently no evidence of widespread closures, the Secretariat noted that risks could escalate should the war persisted into the second half of the year.

**The Committee inquired about the impact of potential additional fiscal measures on the economic outlook.** The Secretariat explained that the size and composition of such measures remained uncertain. Under the assumption of a fiscal package amounting to 300 billion baht, covering transfer measures to mitigate impacts and investment measures to support the energy transition, the Thai economy in 2026 could expand by around 0.5–0.7 percentage points above the baseline, but would decline by around 0.5 percentage points in 2027 due to the dissipation of stimulus effects and a higher base effect. **The Committee maintained that consumption-based stimulus offered only transient economic support. Instead, policy should prioritize on structural transformation and the preservation of fiscal space given the prevailing global uncertainty.** With the full impact of the war in the Middle East on the Thai economy still unfolding, the Committee advised against broad consumption stimulus that could limit future fiscal flexibility. Priority should instead pivot toward accelerating the energy transition. By promoting fuel efficiency and clean energy, Thailand can better insulate itself against future energy price shocks.

**Headline inflation was projected to increase, averaging 2.9 percent in 2026, before declining to 1.5 percent in 2027.** Headline inflation was expected to rise from -0.5 percent in the first quarter of this year, driven by higher energy prices, stronger cost pass-through, and upward pressures on fresh food prices due to a potentially more severe El Niño phenomenon. The headline inflation trajectory would exceed the upper bound of the target range of 3.0 percent from the second quarter of 2026, before gradually declining in 2027 as supply-side factors ease. **Core inflation in 2026 and 2027 was expected to be 1.6 and 1.5 percent, respectively,** reflecting higher cost pass-through to goods and services prices. However, price increases were not expected to be broad-based or persistent, as businesses' ability to pass on costs was constrained under weak demand conditions. **Medium-term inflation expectations remained anchored within the target range.** While short-term inflation expectations (one-year ahead) from the survey of businesses increased somewhat, medium-term inflation expectations (five-year ahead) from market-based measures and the survey of analysts were still broadly unchanged.

**The Committee inquired about cost pass-through and the risk of second-round effects of price increases under the current context.** The Secretariat assessed that cost pass-through would mainly reflect higher costs, and that the risk of second-round effects was limited. The survey results from around 150 firms indicated that most firms expected to raise prices by no more than 20 percent of cost increases. The extent of price adjustments varied across sectors, with larger increases observed in sectors experiencing significant cost increases or stronger demand, such as plastics, chemicals, cooking oil, and airlines. Meanwhile, some firms were unable to raise prices due to pre-existing contracts or intense competition amid weaker demand. The risk of second-round effects in Thailand was limited due to (1) a relatively flexible labor market structure and low bargaining power of workers, reducing the likelihood of a wage-price spiral, (2) well-anchored medium-term inflation expectations, and (3) limited demand-side pressures, in line with subdued economic growth. **Nevertheless, the Committee agreed that inflation developments and risks should be closely monitored, especially (1) energy prices and supply shortages due to the prolonged closure of the Strait of Hormuz, (2) potentially higher-than-expected cost pass-through, and (3) rising inflation expectations.**

### **Financial Conditions and Financial Stability Assessment**

**Asset prices and exchange rates were volatile due to uncertainty surrounding the war in the Middle East.** Thai government bond yields increased in line with global market movements, reflecting concerns over inflation and a potential rise in the supply of government bonds. Meanwhile, the baht depreciated, reflecting Thailand's relatively high dependence on energy imports from the Middle East, as well as heightened concerns over the war and expectations regarding monetary policy in advanced economies. Nonetheless, asset prices gradually returned to levels close to those prior to the war, despite elevated and volatile global oil prices. This reflected market expectations that the war may not be prolonged and that its overall impact was likely to be limited.

**Overall credit growth was expected to remain subdued in 2026.** Financial institutions continued to exercise caution in lending, focusing on supporting existing borrowers or extending secured loans, while assessing the potential impacts of the ongoing war. **Overall asset quality remained broadly stable in recent periods.** However, it was important to closely monitor the impacts of the war on borrowers' liquidity and debt serviceability, particularly among those directly affected by rising energy and raw material costs, those already

vulnerable from the COVID-19 period, and those with limited ability to pass higher costs through to prices. Interest rates in the banking system declined in line with previous policy rate cuts. Nevertheless, lending rates for small and micro SMEs remained elevated, reflecting higher credit risk and the greater utilization of higher-interest-rate financing products.

### **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 the current policy rate remained at an appropriate level amid elevated uncertainty.** The Committee discussed the following key issues:
  - **Inflation was expected to increase from supply-side factors.** Risks of second-round effects on Thai inflation were limited, and medium-term inflation expectations were anchored within the target range. **Nevertheless, there were upside risks to inflation,** therefore inflation developments and medium-term inflation expectations should be closely monitored.
  - **The economy was expected to slow down due to the impact of the war in the Middle East amid heightened risks,** particularly if the war intensified and became prolonged, leading to supply disruptions. Such developments could adversely affect manufacturing and employment in the period ahead. However, should the government implement additional fiscal measures, economic growth in 2026 could turn out higher than expected.
  - **Credit growth was expected to remain subdued,** as financial institutions were assessing the impacts of the war and continued to exercise caution in lending. Meanwhile, the baht depreciated in line with regional currencies, consistent with underlying economic fundamentals.
- **The Committee discussed the role of monetary policy in addressing inflation volatility arising from supply-side factors.** Some Committee members noted that, under a flexible inflation targeting framework, monetary policy should consider the sources of inflation and avoid an unnecessary response to supply-driven inflationary pressures, given its limited effectiveness in managing such pressures, in both periods of rising and declining inflation. Nevertheless, in the context of heightened inflation risks, the Committee deemed it appropriate to closely monitor developments in energy prices, potential prolonged shortages of raw materials, higher-than-expected cost pass-through by businesses, and possible increases in medium-term inflation expectations.
- **The Committee considered the current policy rate of 1.00 percent to be appropriate and robust given the economic and inflation outlook across various scenarios.** The Committee assessed that raising the policy rate in the absence of clear signs of inflationary risks could place additional burdens on vulnerable businesses and households that remained in the process of adjustment. Conversely, reducing the policy rate under the current context of heightened uncertainty stemming from

geopolitical tensions could increase the risk of unanchored medium-term inflation expectations, potentially damaging the economy's long-term stability.

- **The Committee viewed that addressing challenges and mitigating the impacts of the war in the Middle East required a coordinated policy mix**, including monetary policy, fiscal policy, and targeted financial measures. Policy efforts should strike a balance between alleviating short-term economic impacts and supporting long-term structural adjustment. Such measures included encouraging businesses to enhance productivity, strengthen competitiveness, and build resilience to future energy price volatility. Furthermore, policymakers should exercise due care regarding the effectiveness and limited policy space of both monetary and fiscal policies.

### **Monetary Policy Decision**

**The Committee voted unanimously (6-0) to maintain the policy rate at 1.00 percent.**

The Committee deemed it appropriate to maintain the policy rate at this meeting as Thailand's economic expansion was projected to moderate due to the war in the Middle East. Meanwhile, inflation was expected to increase due to supply-side factors before declining next year as supply-side pressures gradually ease.

Looking ahead, the Committee viewed that the current policy rate remained at an appropriate level to support economic recovery. However, as inflation risks increased, the Committee would closely monitor inflation developments and medium-term inflation expectations.

Monetary Policy Group  
13 May 2026