Edited Minutes of Monetary Policy Committee Meeting (No. 4/2026)
21 and 26 August 2026, Bank of Thailand
Publication Date: 9 September 2026

Members Attendings

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

Economic and Inflation Assessment

The Thai economy was projected to expand broadly in line with the previous assessment, supported by the continued momentum of the technology and artificial intelligence (AI) cycle, which contributed to stronger-than-expected growth in merchandise exports and private investment. Private consumption, however, moderated relative to earlier projections as elevated living costs contributed to greater spending restraint among households. Consumption was expected to temporarily strengthen in the third quarter of this year, buoyed by government measures, before moderating in the fourth quarter as these measures expired. Looking ahead, private consumption was expected to recover in 2027, supported by lower living costs following declines in energy prices and a gradual improvement in household income.

Nevertheless, overall growth remained low and uneven. This reflected (1) continued strong growth in merchandise exports being concentrated in AI-related products, which had high import content, while exports of other products remained subdued, partly due to declining competitiveness; (2) improvements in private investment being driven mainly by technology-related sectors and data centers, which generated more limited spillovers to employment and domestic value added than previous investment cycles as these sectors were less labor-intensive and relied heavily on imports; and (3) SMEs continuing to face challenges in adjusting their business models amid persistent competitiveness pressures.

The Committee viewed that the technology and AI cycle would continue to support merchandise exports and related investment over the next one to two years. However, the benefits to the Thai economy could remain limited, depending on businesses' ability to integrate into supply chains, adopt technology to enhance productivity, and create greater value added. In addition, Thailand should maintain its competitiveness and attractiveness as a destination for foreign direct investment (FDI), which would help support economic growth. The Secretariat noted that the technology cycle was currently in the AI infrastructure build-out phase, as reflected in investment plans by leading technology companies and projects approved by the Board of Investment (BOI). These developments were expected to continue supporting merchandise exports and private investment for some time before gradually moderating as the technology cycle transitioned toward the AI adoption phase. Going forward, it would be important to monitor the extent to which the benefits of this transition spill over to other sectors of the economy, as well as the gains that Thailand could derive from the adoption of AI-related technologies.

The Committee expressed concern over private consumption, which remained under pressure from elevated living costs, a sluggish income recovery, and vulnerable balance sheets stemming from high household debt. The Committee noted that the Thai economy faced more frequent shocks in recent years, which weakened the financial positions of both businesses and households. In addition, concentrated economic growth resulted in only a gradual recovery in household income, while living costs increased substantially. The Committee therefore deemed it necessary to closely monitor household purchasing power amid an uneven economic recovery, particularly among low-income households.

Headline inflation was expected to increase temporarily due to supply-side factors, but by less than previously assessed. This lower trajectory was driven by reduced domestic energy prices from the second quarter, following declines in global crude oil prices and domestic energy price support measures, as well as lower-than-expected cost pass-through. However, headline inflation from late 2026 to early 2027 was expected to remain at a high level, partly owing to domestic energy prices and the impact of El Niño phenomenon on fresh food prices. Thereafter, headline inflation was expected to decline to a low level due to base effects and limited demand-side pressures amid economic growth below its potential. **Meanwhile, core inflation was projected to be lower than previously assessed**, reflecting lower-than-expected cost pass-through by businesses due to subdued domestic demand and easing cost pressures. This was consistent with (1) business survey results indicating an increased proportion of firms with no plans to raise prices[1] and (2) a decline in short-term inflation expectations. Medium-term inflation expectations remained anchored within the target range.

The Committee noted that uncertainty surrounding the conflict in the Middle East remained elevated and could prompt renewed upward pressure on global oil prices. The Committee noted that the decline in global oil prices in recent periods partly reflected inventory drawdowns in several countries to offset supply shortfalls, which left global oil reserves at depleted levels. Moreover, prolonged disruptions to energy transportation routes from the Middle East could lead to a renewed and sharp increase in global oil prices. The Secretariat explained that, although assumptions for global oil prices were revised downward, prices remained above pre-war levels. Additionally, elevated uncertainty surrounding the conflict was expected to continue exerting upward pressure on global energy prices for some time. Meanwhile, remaining global oil inventories could help cushion against sharp increases in oil prices for approximately one to three months. Thereafter, supply chain adjustments would require close monitoring. **The Committee deemed it necessary to closely monitor global energy price developments and outlooks, the financial status of the Oil Fuel Fund in stabilizing domestic energy prices, as well as their implications for inflation outlook going forward.**

<u>Financial Conditions and Financial Stability Assessment</u>

The Thai baht against the U.S. dollar moved broadly in line with regional currencies. Its movements were volatile, driven by geopolitical developments in the Middle East and shifting market expectations regarding the Federal Reserve's monetary policy trajectory. Since the beginning of the year, the baht was among the regional currencies that depreciated, reflecting Thailand's structural dependence on energy imports. Meanwhile, **Thai bond yields remained broadly stable** amid lower domestic inflation risks, despite rising bond yields in major economies. Some members noted that Thai bond yields remained at low levels and have declined relative to U.S. bond yields, partly reflecting the high share of domestic investors in the government bond market, which contributed to lower sensitivity to external

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[1] According to the Business Sentiment Index Special Survey (BSI Special), the share of firms reporting that they would "not raise prices" or would "lower prices" over the next three months relative to the increase in costs rose from 44 percent in June 2026 to 62 percent in August 2026.

factors in recent periods. Nevertheless, it was important to closely monitor bond yield developments, as the recent increase in demand was concentrated among certain investor groups, particularly financial institutions.

Overall credit has picked up, driven primarily by lending to large corporates. Part of this lending was in line with economic activity and associated with a new wave of investment. However, most of the increase was attributable to demand for working capital to support business liquidity, accommodate higher costs, and finance overseas acquisitions. **Nevertheless, SME loans continued to contract across almost all business sectors,** as financial institutions remained cautious in extending credit to high-risk borrowers. **Overall loan quality remained broadly stable**. However, the debt repayment ability of SMEs warranted close monitoring, particularly among existing vulnerable groups and borrowers with persistent financial difficulties who were currently under financial institutions' relief measures. **The Committee emphasized the role of the financial sector in supporting liquidity for high-potential SMEs.** In this regard, the Committee encouraged financial institutions to provide greater support for vulnerable borrowers and SMEs through targeted financial measures, while facilitating access to credit at appropriate costs for high-potential SMEs to support business adaptation and continued operations.

<u>Monetary Policy Consideration</u>

- **Under the prevailing monetary policy framework aimed at maintaining price stability, supporting sustainable economic growth, and preserving financial stability, the Committee agreed that maintaining an accommodative monetary policy stance, together with targeted financial measures, had helped support the economic recovery.** The Committee discussed the following key issues:
  - **Inflation was projected to be lower than previously assessed, owing to lower-than-expected energy prices and cost pass-through.** However, risks to inflation remained from high uncertainty surrounding the conflict in the Middle East.
  - **The economy was projected to expand broadly in line with the previous assessment,** supported by continued momentum from the technology and AI cycle. **Nevertheless, economic growth remained low and uneven.**
  - **Overall credit expanded, driven primarily by lending to large corporates, while SME loans continued to contract across almost all business sectors.** Financial institutions remained cautious in extending credit to high-risk borrowers.
- **The Committee viewed that monetary policy should remain accommodative to support the economic recovery, complemented by a coordinated policy mix to address structural economic challenges in a sustainable manner.** The implementation of accommodative monetary policy, in conjunction with fiscal policy and targeted financial measures, would help sustain household purchasing power and facilitate business adjustment in the short term. Looking ahead, however, policies should place greater emphasis on economic restructuring, productivity enhancement, and strengthening business competitiveness.
- **The Committee judged that although policy space remained, further monetary policy easing in a non-crisis environment might yield limited additional benefits**

relative to its potential side effects. This was because the transmission of monetary policy faced growing constraints. At the same time, maintaining interest rates at low levels for an extended period could generate unintended consequences and narrowing monetary policy space. Furthermore, structural economic challenges should be addressed through other government policies, including measures to strengthen business competitiveness and targeted financial measures, in order to maximize policy effectiveness.

- **The Committee discussed the risks associated with maintaining interest rates at a low level for an extended period, or a low-for-long environment**, noting that although there were currently no significant signs of financial stability risks building up, the side effects of keeping interest rates low for an extended period warranted close monitoring. These side effects included: **(1) the buildup of vulnerabilities in the economic and financial system.** Although low interest rates could support economic growth in the short term, they could also contribute to the buildup of financial stability risks, including excessive debt accumulation, which could weigh on economic growth in the long run, reflecting intertemporal trade-offs; and **(2) resource misallocation.** When interest rates, which represented the cost of capital, remained low, the minimum rate of return expected by firms and investors, or the hurdle rate, could also decline. This could encourage capital deployment in projects with low returns and productivity, thereby weighing on the economy's long-term growth potential.
- **The Committee viewed that preserving policy space remained important amid heightened economic uncertainty.** The economy could face risks from a range of factors, including geopolitical conflicts, trade protectionist measures, risks to the global financial system arising from the reassessment of technology and AI valuations, and fiscal risks in several countries. Given that the current policy rate was low relative to historical levels, the Committee viewed that it was important to preserve policy space to respond to unexpected shocks going forward.

<u>Monetary Policy Decision</u>

The Committee voted unanimously to maintain the policy rate at 1.00 percent.

The Committee deemed it appropriate to maintain the policy rate at this meeting. The Committee assessed that an accommodative monetary policy stance, coupled with targeted financial measures, had helped support the economic recovery. Nevertheless, developments surrounding the conflict in the Middle East, trade protectionist measures, and risks to inflation going forward warranted close monitoring.

Looking ahead, the Committee viewed that the current policy rate was appropriate to support the economic recovery, while inflation was projected to increase temporarily due to supply-side factors. The Committee would continue to monitor the inflation outlook and associated risks going forward.

Monetary Policy Group

9 September 2026