Edited Minutes of Monetary Policy Committee Meeting (No. 5/2026)

22 and 28 October 2026, Bank of Thailand
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Members Attending

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

Member Absent

Suwannee Jatsadasak

Economic and Inflation Assessment

The Thai economy gained stronger-than-expected momentum, supported by the technology and artificial intelligence (AI) cycle with robust growth in exports of electronics and computer parts, as well as continued expansion in private investment in technology-related sectors. Strong export growth helped improve the trade balance, despite higher energy imports in recent months due to the conflict in the Middle East. The current account was projected to be balanced in 2026 and record a surplus in 2027.

Nevertheless, overall growth remained below its potential and uneven, with growth projected at 2.4 percent in 2026 and 2.1 percent in 2027. This reflected the following developments and outlook:

(1) Improvements in merchandise exports and private investment were expected to yield limited benefits to the Thai economy, as data center-related investment was far less labor-intensive. Moreover, AI-related exports had high import content, reaching 68 percent among the top 1 percent of exporters in the first eight months of 2026.

(2) Private consumption continued to be constrained by elevated household debt, fragile labor market conditions, and weak purchasing power, particularly among low-income households facing higher cost of living. Despite additional government stimulus measures, household spending remained cautious and was mainly concentrated on necessities, resulting in a downward revision in private consumption relative to earlier projections.

(3) The projection of tourist arrivals was revised downward to 32.0 million and 34.5 million in 2026 and 2027, respectively, mainly due to lower short-haul tourist arrivals as higher oil prices increased travel costs. Nevertheless, tourism receipts were projected to remain broadly in line with the earlier assessment, supported by higher spending per trip resulting from longer average stays, as well as higher food and accommodation expenses.

The Committee expressed concern over the K-shaped recovery of the Thai economy, with growth concentrated in sectors related to the technology and AI cycle. As these activities tended to be import-intensive, they generated limited domestic value added and required less employment. The spillover benefits to the labor market and household income were largely confined to businesses and workers in the related manufacturing and service sectors. The Committee viewed that, going forward, the assessment of economic conditions should place greater weight on indicators of how broad-based the recovery was across economic sectors, alongside macro-level indicators.

The Committee discussed the implications of the revision to the Manufacturing Production Index (MPI) for the economic outlook. The Office of Industrial Economics (OIE) had expanded the coverage of factories and products to better reflect export trends and the current structure of the industrial sector. The Secretariat explained that the revised MPI was used to assess quarter-on-quarter economic momentum going forward. However, the calculation of year-on-year economic growth remained subject to uncertainty, depending on the official revision of historical data by the National Economic and Social Development Council (NESDC) in November. The Committee deemed that improvements to other economic indicators should continue to be monitored and promoted, such as the Consumer Price Index (CPI), so that the consumption basket better reflects households' actual cost of living.

Headline inflation was projected to rise temporarily due to supply-side factors, but by less than previously assessed, averaging 2.1 percent in 2026 and 1.3 percent in 2027. Inflation from the remainder of this year through early next year was expected to increase, driven by higher energy prices and El Niño effects, before moderating to a low level owing to base effects and weak domestic demand associated with subdued economic growth, which partly reflected structural challenges. The inflation outlook was revised downward from the previous projection, reflecting energy price subsidy despite higher global oil prices. Core inflation was projected to average 1.2 percent in 2026 and 1.3 percent in 2027, in line with weak domestic demand. Medium-term inflation expectations remained anchored within the target range. Upside risks to inflation warranted close monitoring, stemming from elevated uncertainty surrounding the conflict in the Middle East, financial constraints on the Oil Fuel Fund, the impact of El Niño in 2027, and greater-than-expected cost pass-through by businesses, which could put upward pressure on core inflation. Medium-term inflation expectations should also be monitored.

The Committee considered that upside risks to inflation should be closely monitored as the conflict in the Middle East remained highly uncertain and global oil prices could increase again. Moreover, the mounting financial constraints on the Oil Fuel Fund could reduce its capacity to absorb oil price volatility, resulting in higher domestic energy prices going forward. **The Committee deemed that developments and the outlook of global energy prices, as well as the Oil Fuel Fund's capacity to cushion domestic energy prices and the implications for inflation going forward, should be closely monitored.**

Financial Conditions and Financial Stability Assessment

The Thai baht depreciated against the U.S. dollar following a shift in financial market views toward a tighter monetary policy stance by the Federal Reserve, together with rising oil prices amid concerns over the conflict in the Middle East. The baht depreciated more than regional currencies, reflecting Thailand's economic structure and its heavy reliance on energy imports. **Thai government bond yields rose slightly** in line with developments in global financial markets. Nonetheless, borrowing costs on private sector loans, which are the primary source of financing for the Thai private sector, remained broadly stable and consistent with the policy rate. Global financial market volatility had a limited impact on Thailand due to its strong external stability, as reflected in international reserves of around 280 billion U.S. dollars, equivalent to 2.5 times short-term external debt. Moreover, foreign ownership of Thai financial assets remained relatively low, accounting for only 25 percent in the equity market and 7 percent in the bond market. The Committee deemed it necessary to

monitor the baht's movement, which could be volatile amid external uncertainties, as well as corporate bond funding costs, which could increase if global financial conditions tighten.

Overall credit growth had picked up, driven by lending to large corporates. This partly reflected liquidity needs arising from higher operating costs, as well as financing for projects related to the new wave of investment. In contrast, SME loans continued to contract across most sectors, reflecting financial institutions' caution in extending credit to higher-risk borrowers. **Overall loan quality remained stable**. Nevertheless, the debt-servicing capacity of SMEs and vulnerable households warranted close monitoring going forward.

The Committee viewed that access to funding remained uneven across business sectors. Credit expanded mainly among large corporates, while SMEs continued to face financial constraints and limited access to funding, suggesting that the economic recovery and credit growth had not yet spread evenly across all sectors. Overall credit quality nevertheless remained stable. **The Committee viewed that assistance to borrowers should focus on targeted financial measures** tailored to match the problems of each borrower group, particularly SMEs and vulnerable households, in order to address financial difficulties without creating adverse side effects on long-term financial stability.

Monetary Policy Considerations

- **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:
    - **The economy was projected to grow faster than previously assessed,** with better-than-expected momentum from merchandise exports and private investment related to the technology and AI cycle. However, the benefits to the Thai economy remained limited. **Economic growth thus remained below potential and uneven.**
    - **Inflation was projected to rise temporarily owing to supply-side factors.** However, risks to inflation remained, stemming from heightened uncertainty surrounding the conflict in the Middle East, financial constraints on the Oil Fuel Fund, and cost pass-through by businesses.
    - **Overall credit expanded, driven mainly by large corporate loans, while SME loans in almost all business sectors continued to contract.** Financial institutions remained cautious in extending credit to high-risk borrowers. While the baht depreciated against the U.S. dollar, and Thai government bond yields rose slightly in line with developments in global financial markets, Thailand's external stability remained sound.
- **The Committee viewed that monetary policy should remain accommodative to support the economy, which continued to expand below potential, while a coordinated policy mix was needed to assist vulnerable groups and address economic problems in a sustainable manner.** One member emphasized that monetary policy is a macro-level tool with the primary role of managing aggregate demand and overall economic stability, and cannot directly resolve structural

problems, inequality, or SMEs' limited access to liquidity. The Committee agreed that an accommodative monetary policy stance, coupled with targeted financial measures, helped support the economic recovery, which remained low and uneven. Nevertheless, fiscal policy and other government policies should play a key role in addressing the economy's structural challenges by enhancing productivity and strengthening business competitiveness, thereby supporting sustainable long-term growth.

- **The Committee discussed the risks associated with maintaining the interest rates low for long.** Although there were currently no significant signs of a buildup in financial stability risks, potential side effects should be monitored. These included: **(1) the buildup of vulnerabilities in the macro-financial system** from excessive debt accumulation by businesses and households, as well as search-for-yield behavior, whereby a prolonged low-interest-rate environment could make it difficult for households and savers to earn adequate returns and encourage a shift toward riskier assets, potentially leading to an underpricing of risk; and **(2) resource misallocation,** as prolonged low financing costs reduce the minimum rate of return required by firms and investors (the hurdle rate), which may potentially lead to investment in low-return, low-productivity projects, and thereby undermining the economy's long-term growth potential.
- **The Committee viewed that maintaining a low policy rate amid global monetary policy divergence, with major central banks continuing to tighten their monetary policy, could contribute to a further buildup of financial stability risks**. Such risks could affect international capital flows, exchange rate movement and volatility, as well as domestic investors' behavior, particularly in the event of a shock to investor confidence. At present, there were no significant signs of vulnerability stemming from capital flows or exchange rate depreciation, and Thailand's external stability remained strong. Nevertheless, these developments warranted close monitoring.

Monetary Policy Decision

The Committee voted unanimously to maintain the policy rate at 1.00 percent. One member was absent from this meeting.

The Committee assessed that an accommodative monetary policy stance, coupled with targeted financial measures, had helped support the economic recovery amid uneven growth. The Committee therefore voted to maintain the policy rate at this meeting. Nevertheless, the heightened inflation risks stemming from oil prices and El Niño warranted close monitoring, as they could intensify cost pass-through going forward.

Looking ahead, the Committee viewed that the current policy rate was appropriate to support economic recovery. While inflation temporarily increased due to supply-side factors, the Committee would continue to monitor the inflation outlook and surrounding risks, as well as the effects of low interest rates on long-term macro-financial stability.

Monetary Policy Group
11 November 2026