Q3/2026

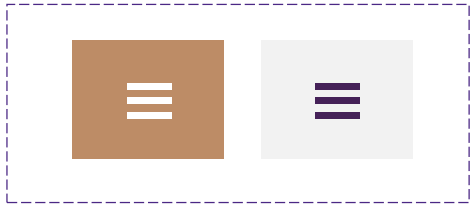
SCB EIC

Outlook

Economic outlook 2026-2027
as of Q3/2026

SCB EIC expect the Thai economy to gain further momentum, driven by a new investment cycle and stronger exports. Yet the recovery remains uneven and increasingly K-shaped, benefiting certain industries, businesses, and workers.

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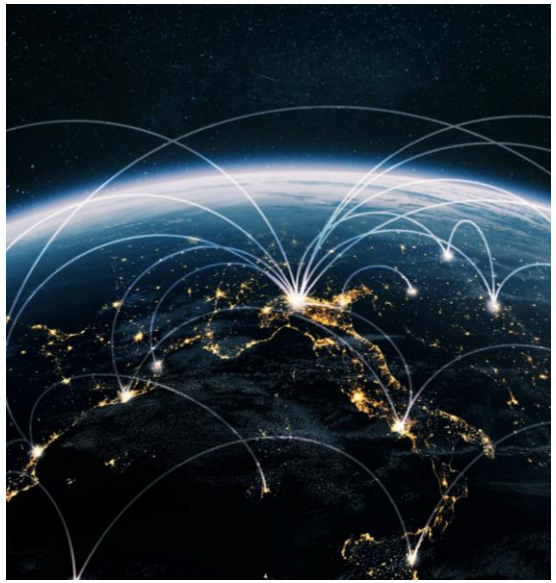
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Global Outlook : One Bright Spot, Two Mounting Headwinds

AI remains a key driving force supporting the global economy amid geopolitical challenges. Page 14

Geopolitics remains a key risk, with the conflict in the Middle East escalating again while the United States is preparing another round of tariff increases. Page 20

Global financial conditions have tightened, with government bond yields rising sharply amid increasing inflation risks. Page 28

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Thai Outlook : Growth Improves, but Recovery Remains Uneven

Thailand's economy is improving, but growth remains concentrated. Page 33

Businesses and households remain vulnerable, with benefits from the recovery unevenly distributed. Page 54

Thai financial conditions remain tight
Thai financing costs face pressure from tighter global financial conditions Page 63

Thai Economy in 2026-2027

SCB EIC expects the Thai economy to gain stronger growth momentum from a new investment cycle and exports. However, the recovery remains uneven, with an increasingly pronounced K-shaped pattern across multiple dimensions, as the benefits are concentrated in only certain industries, businesses, and groups of workers.

Key forecasts

(Previous forecast)

GDP
(%YOY)

2026F	2027F
2.2	2.1
Aug (2.2)	*Aug (2.1)*

SCB EIC projects the Thai economy to expand by 2.2% in 2026 and 2.1% in 2027, driven primarily by the global AI investment cycle, which will support electronics exports and foreign direct investment in digital and technology sectors.

However, despite stronger economic growth, Thailand's recovery is becoming increasingly K-shaped across multiple dimensions, as robust investment and export growth remain highly import-dependent and have relatively limited linkages to the domestic economy. As a result, income and employment gains are concentrated mainly in industries and businesses linked to electronics exports and foreign investment, while many households and SMEs continue to face vulnerabilities in terms of income, debt, and access to credit.

Policy rate (year-end)
(%)

2026F	2027F
1.00	1.00
Aug (1.0)	*Aug (1.0)*

SCB EIC expects the MPC to maintain the policy rate at 1% through end-2027, as the Thai economy continues to grow below its potential and the recovery remains uneven. Headline inflation continues to be driven primarily by supply-side factors, particularly energy and fresh food prices, and is expected to gradually decline over the remainder of 2026, with the full-year average remaining within the inflation target range.

Looking ahead, targeted financial measures, including debt restructuring and improving SMEs' access to credit, alongside measures to enhance income-generating capacity and productivity, will play a key role in boosting liquidity and supporting the Thai economy.

Exchange rate (year-end)
(THB/USD)

2026F	2027F
32.8-33.8	33.5-34.5

The Thai baht was volatile over the past month, moving in line with global crude oil prices and market expectations of Fed rate hikes after U.S. inflation came in higher than expected, raising the likelihood of further Fed rate hikes.

Looking ahead, SCB FM expects the Middle East conflict to intensify and become more prolonged, while the risk of potential U.S. tariff hikes on imports from Thailand could exert further depreciation pressure on the baht.

Next year, the U.S. dollar index may continue to strengthen. Meanwhile, the Thai economy remains subject to high risks, while Thailand's policy rate is likely to remain low, potentially exerting further depreciation pressure on the baht.

Source: SCB EIC analysis based on data from NESDC, Office of Agricultural Economics, National Statistical Office, Election Commission of Thailand, Ministry of Finance, BOT, Ministry of Commerce, Tourism Authority of Thailand, CEIC, and Bloomberg

Thai Economy in 2026-2027

Positive Factors

- THB 400 Billion Emergency Borrowing Decree
- Private investment and Thai electronics exports supported by the global electronics cycle

Negative Factors

- Renewed escalation of conflict in the Middle East is keeping global energy prices elevated
- Impacts of El Niño, particularly on the agricultural sector
- Benefits from electronics investment and exports remain concentrated and highly import-dependent, limiting the overall gains to the broader economy
- Tight financial conditions and high debt burdens continue to weigh on private consumption

Risk Factors

- A prolonged Middle East conflict could keep global oil prices elevated for an extended period
- Additional U.S. import measures, particularly those related to excess capacity and trans-shipment concerns, together with potential pressure for Thailand to further open its market to U.S. products

Source: SCB EIC analysis based on data from the Office of the National Economic and Social Development Council (NESDC), the Office of Agricultural Economics (OAE), the National Statistical Office (NSO), the Election Commission of Thailand (ECT), the Ministry of Finance, the Bank of Thailand (BOT), the Ministry of Commerce, the Tourism Authority of Thailand (TAT), CEIC, and Bloomberg.

Global Economy in 2026-2027

Despite inflationary pressures from the Middle East conflict, the global economy is expected to continue expanding in 2026, supported by AI investment and demand for electronics.

Economic growth



- The global economy is expected to continue expanding by 2.5% in 2026, partly supported by momentum from AI-related investment and trade, as well as economic stimulus measures worldwide. However, the prolonged and intensifying conflict in the Middle East will continue to weigh on the global economy.
- In 2027, the global economy is expected to expand by 2.6%, supported by investment in AI infrastructure and energy prices that are likely to gradually decline.

Inflation rate



- Global inflation is expected to remain elevated in 2026, in line with energy and commodity prices affected by the ongoing war.
- In 2027, global inflation is expected to remain elevated before gradually declining. A severe El Niño episode will slow the decline in inflation, particularly in Asia, while global energy prices are expected to gradually fall if the situation in the Middle East eases.

Monetary policy direction

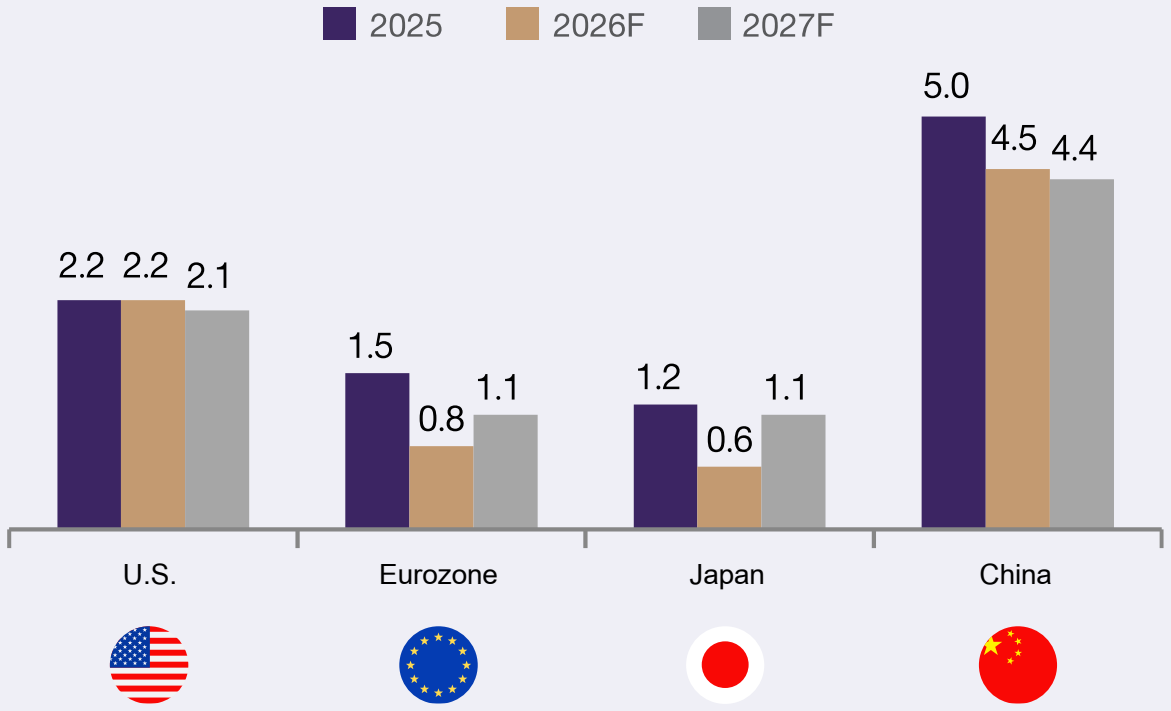


- Major central banks worldwide are adopting tighter monetary policy, but have yet to enter a full-fledged rate-hiking cycle.
- The Fed is expected to raise the policy rate to 3.75–4.00% by end-2026 amid elevated inflationary pressures, while the U.S. economy continues to expand at a solid pace.
- The ECB is expected to maintain its policy rate at 2.5% throughout 2026, following two rate hikes aimed at anchoring inflation expectations.
- The BOJ is expected to raise its policy rate to 1.25% by end-2026 to ease pressure on the yen, while inflation is likely to rise.

Source: SCB EIC analysis

Economic growth in 2025-2027

Unit: %YOY



Positive Factors

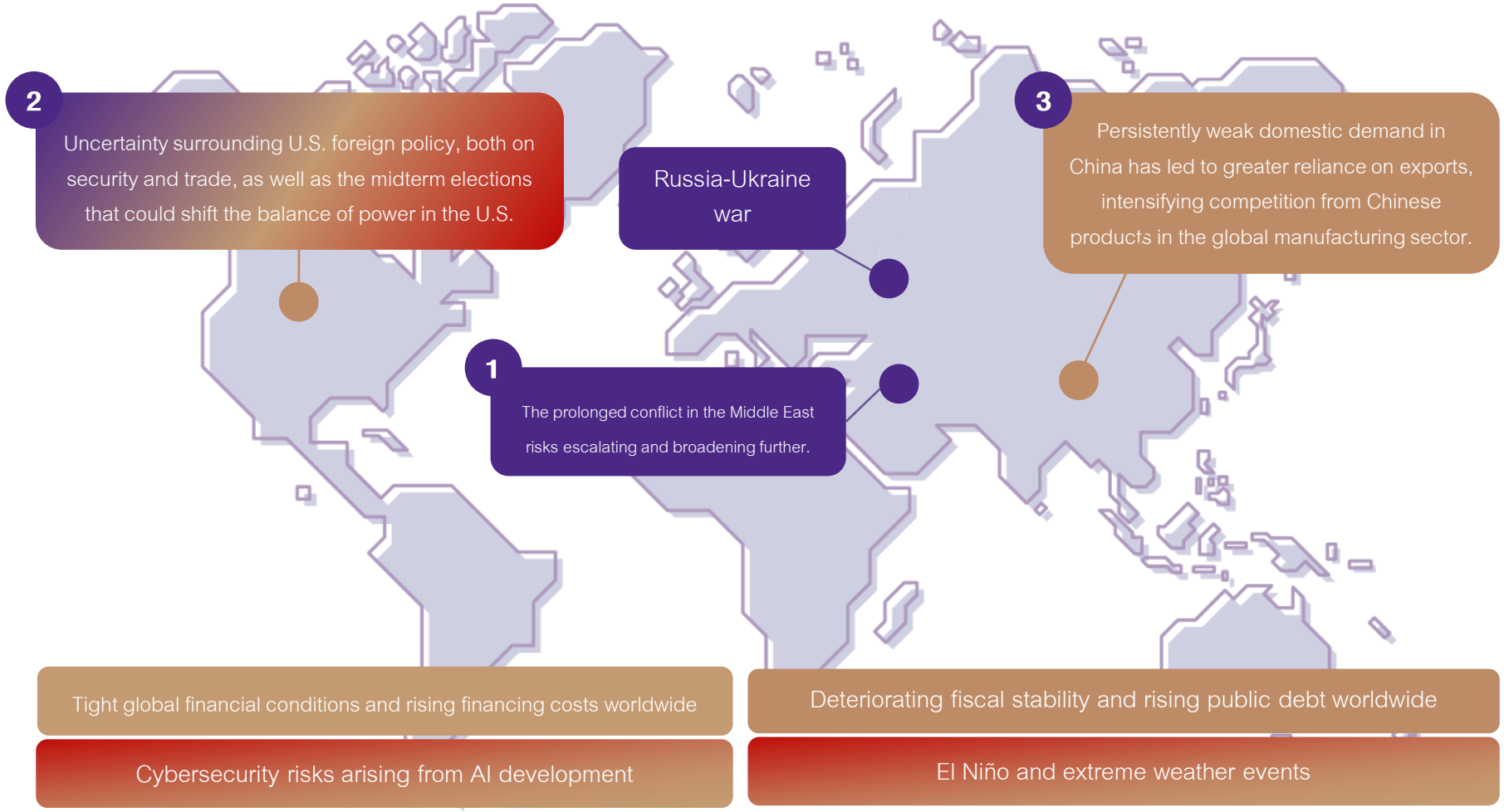
- **Rapid growth in AI technology and infrastructure investment** is supporting stronger global trade and investment activity, while Asia-Pacific economies are benefiting from rising demand for machinery and electronic equipment.
- Government stimulus measures, with many countries running fiscal deficits to support growth or mitigate the impact of higher energy prices, are helping sustain private consumption.

Risk Factors and Headwinds

- **The prolonged situation in the Middle East** is keeping global energy prices elevated, putting pressure on both consumption and production.
- **Tighter global financial conditions,** driven by higher government bond yields amid inflation risks, a more restrictive monetary policy stance, and concerns over public debt.
- **Uncertainty surrounding U.S. import tariff measures,** as the United States may raise import tariffs to increase government revenue.
- **Extreme climate events, including a potentially very strong El Niño episode.**

Source: SCB EIC analysis

Global economic headwind & risk map in 2026



Global economic headwind & risk categories in 2026

- Politics & Geopolitics & Wars
- Economy & Finance
- Societal

Note

1 2 3

Are 3 major risks to the world's economy with high probability and significant impact in 2026

Source: SCB EIC analysis

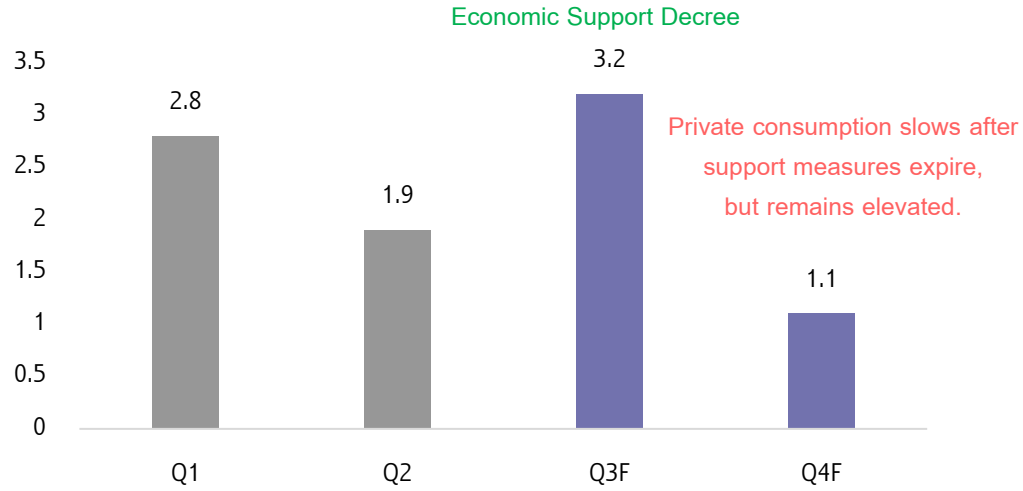
SCB EIC forecasts Thailand's economy to grow by 2.2% in 2026 and 2.1% in 2027, supported by private investment and digital and electronics exports, although gains remain concentrated and increasingly import-dependent.

SCB EIC Thailand Economic Outlook 2026-2027 (as of Sep 2026)

Baseline	Unit	2025	2026F	2027F
Real GDP	%YOY	2.4	2.2	2.1
Private Consumption	%YOY	2.5	2.6	1.6
Government Consumption	%YOY	0.6	1.3	1.2
Private Investment	%YOY	3.5	9.0	4.9
Public Investment	%YOY	8.9	3.8	2.4
Export of Goods (Value) (USD, BOP basis)	%YOY	12.7	16.0	5.5
Import of Good (Value) (USD, BOP basis)	%YOY	13.0	28.0	4.8
International Tourist Arrivals	Million	33.0	32.5	34.2
Headline Inflation	%YOY	-0.1	1.9	1.0
Policy rate (End-year)	%	1.25	1.00	1.00

SCB EIC Thailand Economic Forecast 2026 (Quarterly)

Unit: %YOY, percentage point

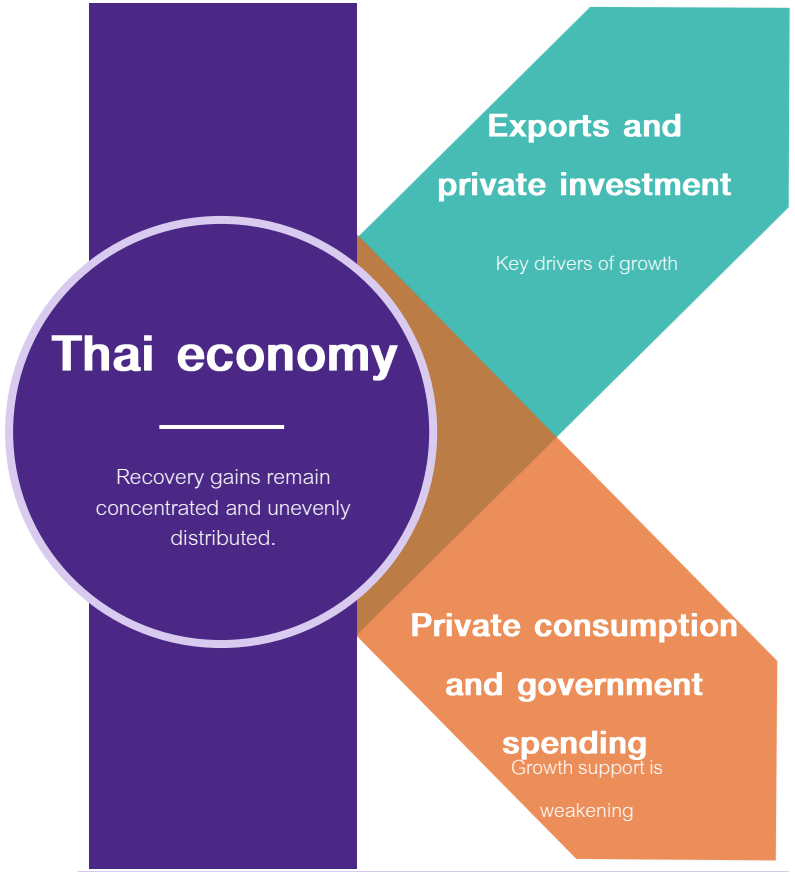


Key Risks to Monitor in H2/2026

- **Middle East tensions** have re-escalated and may persist, putting pressure on oil prices and inflation.
- **U.S. Section 301 tariffs** pose risks to Thailand through tighter excess-capacity measures and stricter transshipment scrutiny.
- **Super El Niño 2026** could hurt agricultural output, with greater downside risks if conditions become more severe or prolonged than expected.

Source: SCB EIC analysis based on data from the National Economic and Social Development Council and the Bank of Thailand.

Thailand's economic recovery is improving, but remains multi-dimensional and K-shaped.



Spillover effects remain limited due to high import intensity, COVID scars, and accumulated structural challenges.

Sector K

Divergence across industries

E&E / Tech / New supply chain

Traditional / Domestic-oriented

Firm K

Divergence across business sizes

Large firms / Linked to the new economy

SMEs / Reliant on domestic demand / Facing intense competition from imports

Labor & Household K

Divergence across labor groups and households

Labor

Formal-sector workers with rising wages

Informal-sector workers with declining wages

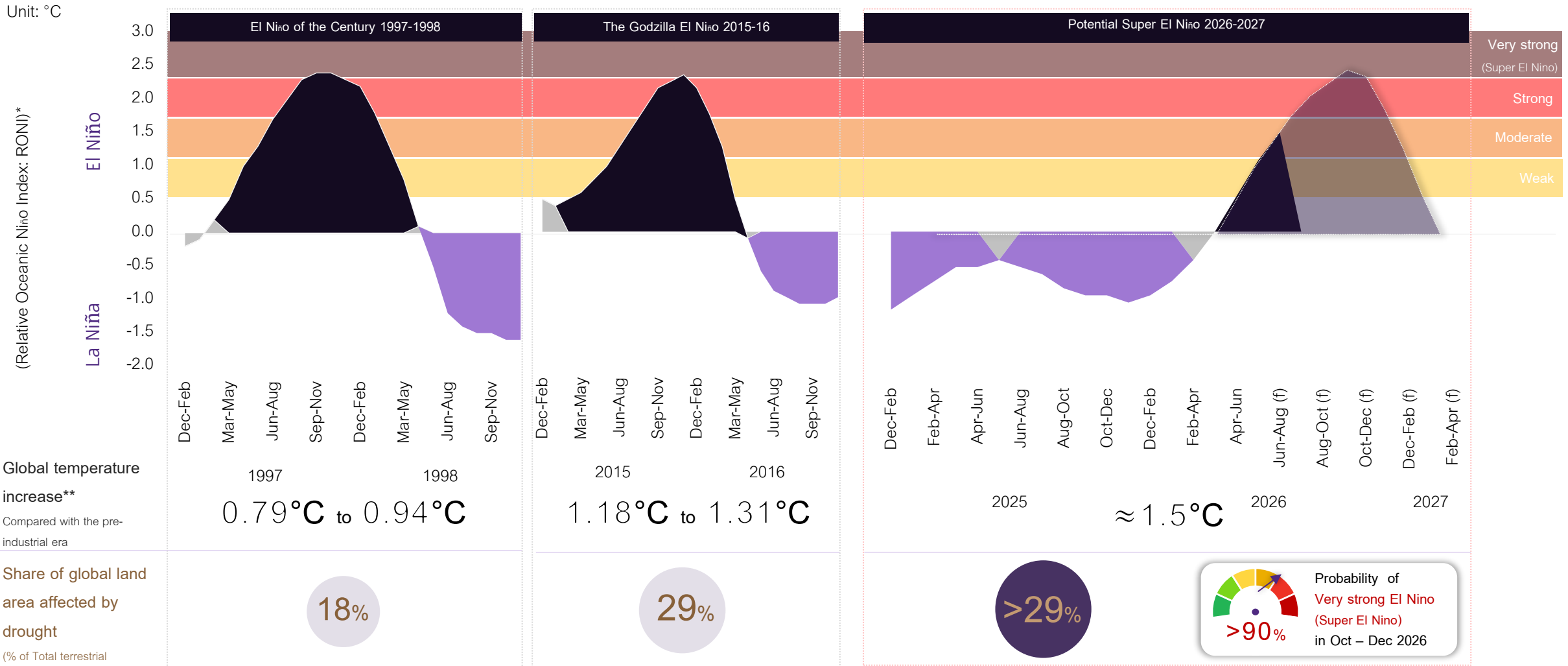
Households

Higher-income households with stronger financial buffers

Lower-income households / High debt burden

El Nino 2026-2027 is likely to intensify into a severe event (Super El Nino), with global warming amplifying its impacts beyond past episodes.

Relative sea surface temperature index in the equatorial Pacific Ocean.



Note: (*) A new ENSO (El Niño-Southern Oscillation) index, calculated by comparing sea surface temperatures in the equatorial Pacific with average temperatures across the global tropics, helping reduce distortions caused by global warming. (**) Based on Global Surface Temperature Anomaly data and projections from the NASA GISTEMP v4 dataset and the Met Office central forecast. (***) Share of terrestrial tropical areas across continents and islands within the tropics.

Source: SCB EIC analysis based on data from NOAA and WMO, and on El Niño impact research referenced from the 2019 study "Coupling of El Niño Events and Long-Term Warming Leads to Pervasive Climate Extremes in the Terrestrial Tropics.

Global Outlook : One Bright Spot, Two Mounting Headwinds

1



AI

AI remains a key driver supporting the global economy amid geopolitical challenges.

- The U.S. remains the leader in AI across investment, technology, and business adoption.
- China is accelerating AI development at lower cost, focusing on industrial applications to enhance productivity.

2



Geopolitics

Middle East tensions have intensified again, while the U.S. prepares a new round of tariffs.

- Global energy markets have tightened again, with Middle East crude exports likely to stay subdued.
- The U.S. plans additional Section 301 tariffs on excess capacity and Section 232 measures on electronics.

3



Financial conditions

Government bond yields have risen sharply amid growing inflation risks.

- Governments may issue more debt to finance elevated fiscal deficits.
- Rising global inflation risks are putting pressure on tighter monetary policy.



AI remains a key driving force supporting the global economy amid geopolitical challenges.

The United States is focusing on maintaining its leadership in AI. Through both technology investment and business adoption of AI applications.

China is accelerating its rise as an AI leader and expanding AI adoption across industrial sectors. AI development costs in China are significantly lower than those in the U.S.

The global economy is supported by AI-driven investment and limited energy price impacts, but renewed Middle East tensions and stalled progress on the Strait of Hormuz agreement have increased uncertainty.

SCB EIC Global Economic Forecast (as of Aug 2026)

GDP (%YOY)	2025	2026F		2027F	
		Jun	Aug	Jun	Aug
Global	*2.8*	2.5	2.5	2.6	2.6
US	*2.2*	2.2	2.2	2.1	2.1
Euro Area	*1.5*	0.8	0.8	1.1	1.1
Japan	*1.2*	0.6	0.6	1.1	1.1
China	*5.0*	4.5	4.5	4.4	4.4
India	*7.0*	6.4	6.4	6.8	6.8
ASEAN-5*	*5.5*	4.7	5.1	4.9	5.1

Tailwind (+)

- **AI Investment boom & Digital infrastructure** driving global trade growth despite increasing trade restrictions.
- **Fiscal supports** helps growth but raises fiscal stability concerns in some countries.

Headwind (-)

- **Continued Hormuz closure** keeps global inflation elevated.
- **Additional U.S. tariffs** to be announced.
- **Financial market volatility** amid global monetary policy uncertainty.

How AI Benefits Are Distributed Across the Global Economy

AI benefits vary by countries' roles in the value chain and level of adoption.

AI Supply chain

Rare earth and energy producers

China dominates upstream raw material processing.

Electronics manufacturers

- ***Upstream chip producers*** *such as Taiwan and South Korea* ***stand to benefit significantly.***
- ***Mid-to-downstream chipmakers and chip packaging, assembly & testing providers*** *Export beneficiaries, including Thailand and Malaysia.*

AI and data center providers

Investment is expected to expand in line with growing demand for digital services.

AI Adoption

Private sector AI adopters

AI helps improve productivity.

Outcomes vary depending on readiness and adoption capability.

Government sector

Government strategies can accelerate nationwide AI adoption while managing associated risks.

AI Impacts

Long Term

\+ *The productivity gains from AI will take time to be fully realized.*

Short Term

\+ *Higher-income households gain from asset appreciation, but face risks of overvalued asset prices.*

\+ / − Depends on job type.

AI-driven labor substitution or augmentation impacts labor income for middle- and lower-income households.

Note: *ASEAN-5 comprises Indonesia, Malaysia, Singapore, the Philippines, and Vietnam.

Source: SCB EIC analysis based on data from the IMF, World Bank, CEIC, and Bloomberg.

Global AI and data center investment remains concentrated in countries with strong capabilities in developing advanced AI technologies, led by U.S. and Chinese hyperscalers.

AI Products and Services of Major Players by Country

(Top 13 companies by market capitalization, end-2025)

Company	Compute	Infrastructure	Data tools	Models	Applications
Alphabet (Mag 7)	●	●	●	●	●
Amazon	●	●	●	●	●
Apple	●	○	●	●	●
Meta	○	○	●	●	●
Microsoft	○	●	●	●	●
NVIDIA	●	●	●	●	●
Tesla	○	○	○	○	●
Alibaba	●	●	●	●	●
Tencent		●	●	●	●
TSMC	●				
Samsung	●			○	●
SK Hynix	●				
ASML	●				

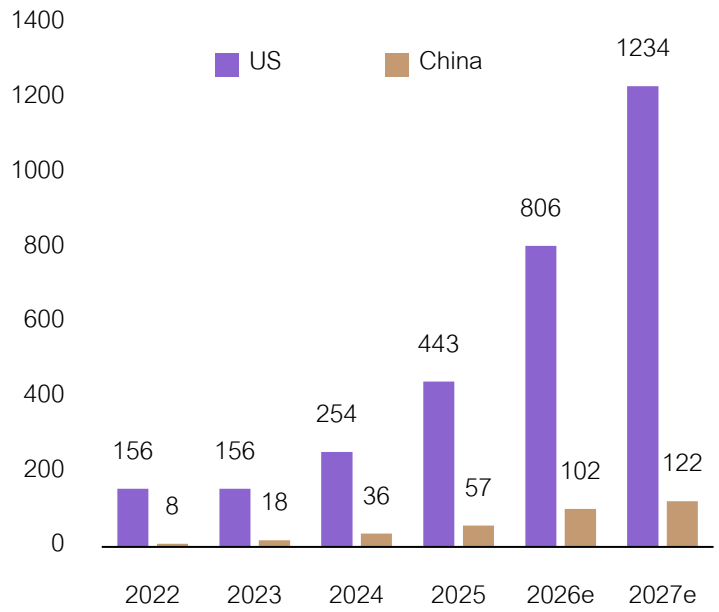
● Marketed product or service
○ Used internally only

Note: Alphabet, Amazon, Apple, Meta, Microsoft, NVIDIA, and Tesla (the Magnificent 7) account for approximately 33% of the S&P 500. Alibaba and Tencent represent 16% of the Hang Seng Index, TSMC accounts for 35% of the TAIEX, while Samsung and SK Hynix make up more than 50% of the KOSPI.

China's private-sector AI investment remains far below that of the U.S., but government support plays a key role in driving AI investment.

AI investment by U.S. and Chinese technology companies

Unit: USD Billion, Source: Goldman Sachs Investment Research



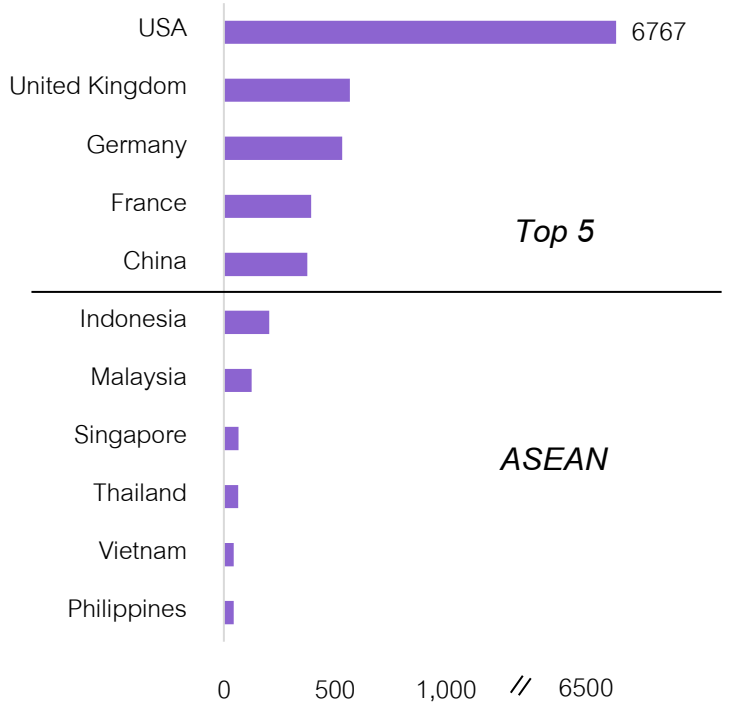
US : Amazon, Microsoft, Google, Meta and Oracle
China : Alibaba, ByteDance, Tencent and Baidu

AI investment is expected to continue growing through 2027, although at a slower pace, supported by demand for electronics and digital infrastructure.

Data center investment is concentrated in a few countries, with the U.S. having the largest number of facilities.

Number of Data Centers: Top 5 Countries vs. ASEAN

Unit: Number of Data Centers, Source: Data Center Map



Most global data center investment is located in the U.S., **creating pressure on energy supply and power grids** that could constrain future AI capacity expansion.

Source: SCB EIC analysis based on the World Development Report 2026 (The Promise of Artificial Intelligence), Goldman Sachs Investment Research, and Data Center Map.

The U.S. remains well ahead of developing economies in digital and AI adoption, particularly among businesses. Large enterprises are rapidly scaling up AI use, with labor market impacts becoming increasingly evident.

Share of Firms Using Digital and AI Technologies in 2026

Unit: % of Survey Respondents

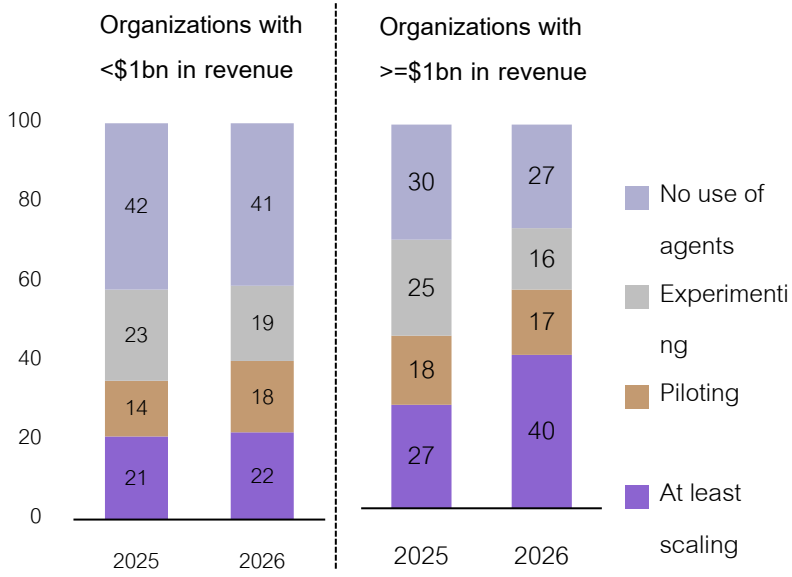
(Source: World Bank, World Development Report 2026)



Note : AI adoption: Share of firms that have adopted any AI technology

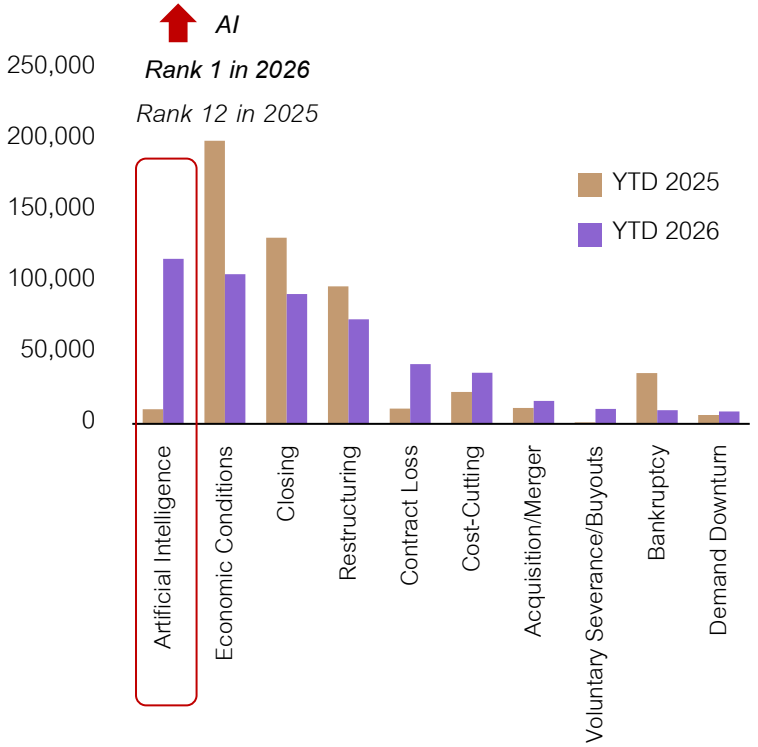
Global Adoption of AI Agents Across Organizations

Unit: % of survey respondents (Source: McKinsey Survey 2026)



Main Reasons for Job Cuts in the United States

Unit: People, YTD through Aug. (Source: Challenger, Gray & Christmas)



Thailand lags the U.S. and developing-market peers in digital and AI adoption.

Productivity and business impacts may vary going forward.

AI agent adoption has accelerated among large enterprises in 2026.

Adoption increased from 27% to 40%, mainly for software coding.

Adoption among small businesses remains steady at around 22%.

AI adoption is starting to reshape the U.S. labor market.

Through job reductions and slower hiring. Particularly in occupations most exposed to AI substitution.

Source: SCB EIC analysis based on data from Challenger, Gray & Christmas, the World Bank, and McKinsey's The State of AI in 2026.

China is advancing AI through state-led strategies to upgrade industry and strengthen technological self-reliance. China's leading AI models are becoming increasingly competitive with their U.S. counterparts, while offering significantly lower development costs.

China integrates AI into its 15th Five-Year Plan, focusing more on AI adoption and applications than on developing frontier models.

AI is a key driver of investment in China. The Chinese government is accelerating the development of domestic AI technologies.

AI is a core part of China's 15th Five-Year Plan, with a focus on adoption over frontier model development.

AI + STRATEGY

- Focus on applying AI rather than developing frontier models.
- In industrial production development and quality-of-life improvement.

SIX NETWORKS under the 15th National Development Plan

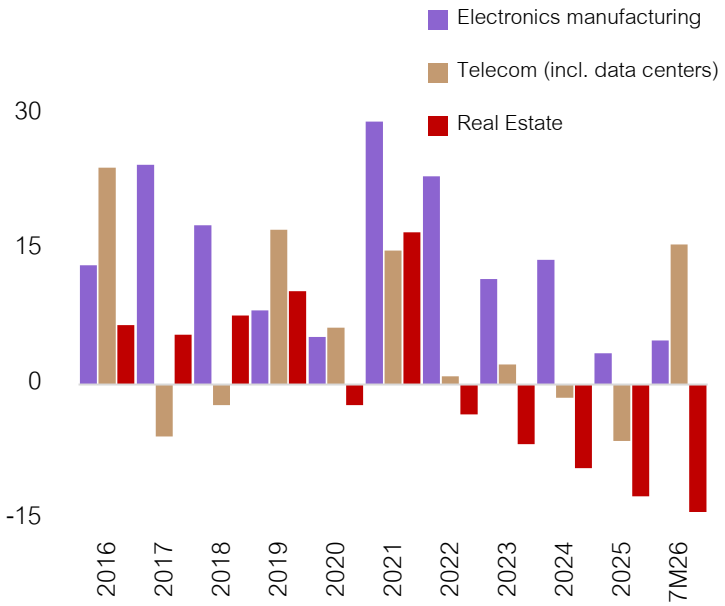
- **Six infrastructure systems**, including water, transportation infrastructure, computing, logistics, and gas pipelines, to support the expansion of AI infrastructure and data centers.
- Targeting 90% AI adoption by 2030.

EAST DATA / WEST COMPUTE

- Leverage the energy and land advantages of Western China to support computing workloads from the economic hubs in Eastern China.
- Reducing costs and improving the efficiency of national AI infrastructure.

China's Fixed Asset Investment by Key Sector

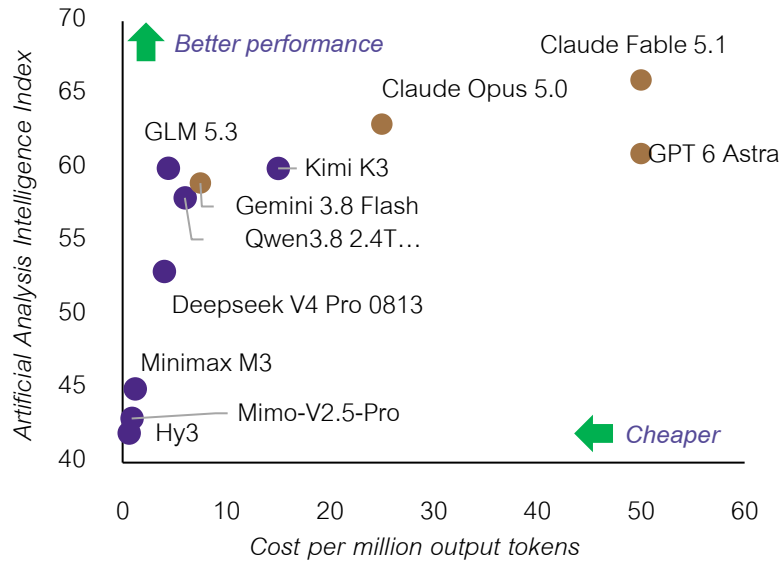
Unit: %YOY YTD



Telecommunications and data center investment is accelerating in line with the AI boom, helping to offset the impact of the sluggish real estate sector. Chinese hyperscalers invest significantly less than their U.S. counterparts, while government support promotes greater adoption of domestic technologies.

Capabilities and Development Costs of U.S. and Chinese AI Models

Source: Artificial Analysis, OpenRouter (data as of 4 Sep 2026)



U.S. restrictions on access to advanced semiconductor chips have pushed China to accelerate the development and optimization of its own AI models. This is achieved by reducing computing power and memory requirements. As a result, Chinese open-source models are easier to deploy at scale and are more cost-effective.

Source: SCB EIC analysis based on data from the National Development and Reform Commission (NDRC) of China, the State Council of China, Bloomberg, the National Bureau of Statistics of China, CEIC, Artificial Analysis, and OpenRouter.

AI adoption in China's industrial sector supports export-oriented manufacturing and is expected to further strengthen the country's competitiveness and economic growth going forward.

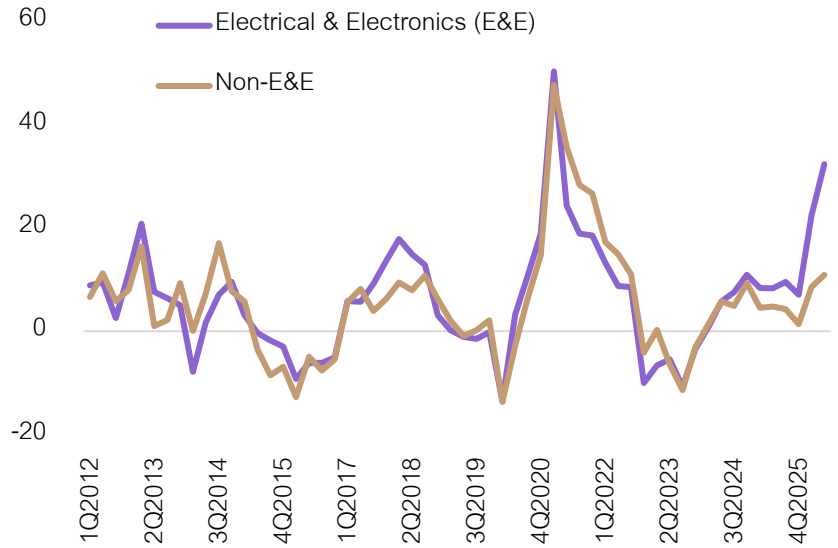
China's role as a production base for electronics and AI-related products supports export growth amid the AI upcycle.

China is accelerating the adoption of industrial robots, which will help support its reliance on export-oriented manufacturing going forward.

Implications of AI investment in China for the Chinese economy

China's merchandise exports

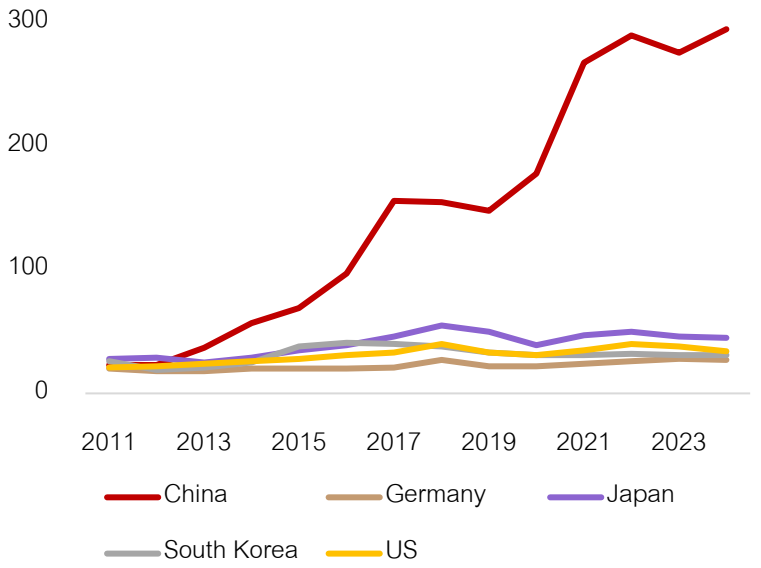
Unit: %YOY



E&E is defined using HS Codes 84 (Industrial Machinery) and 85 (Electrical Equipment)

New industrial robot installations worldwide, by country

Unit: Thousand Unit (Source: International Federation of Robotics)



AI adoption in China's industrial sector may impact the labor market.

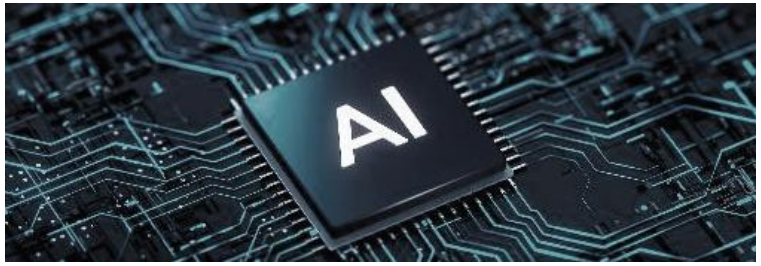
In the short term, AI may replace certain categories of workers, such as entry-level employees, where unemployment rates are already relatively high.

Investment in data centers and electronics manufacturing in China is expected to continue growing.

Government support policies, along with sufficient energy production capacity and available land for investment, will help partially offset the slowdown in consumer spending and the real estate sector.

China continues to rely on exports and is becoming more competitive.

This enables China to produce high-tech products at lower costs, contributing to a continued trade surplus.



China benefits from the AI upcycle through its position as the world's manufacturing hub for electronics and hardware.

The global expansion of data centers is driving demand for electronic components, grid equipment, and batteries, where China has competitive advantages in both cost efficiency and manufacturing capacity.

China is increasingly emphasizing the use of industrial robots in the manufacturing and logistics sectors.

- **In the short term,** demand for low-skilled workers and gig economy workers is expected to decline, putting pressure on employment and income levels.
- **In the longer term,** it will help offset the decline in the workforce resulting from an aging population.

Source: SCB EIC analysis based on data from GACC, International Federation of Robotics, and UN



Geopolitical uncertainty remains high, driven by escalating tensions in the Middle East and the prospect of further U.S. tariff increases.

Global energy markets have become tight again.

Crude oil exports from the Middle East remain at low levels.

The United States is preparing to announce additional tariffs. Section 301 measures related to concerns over excess capacity.

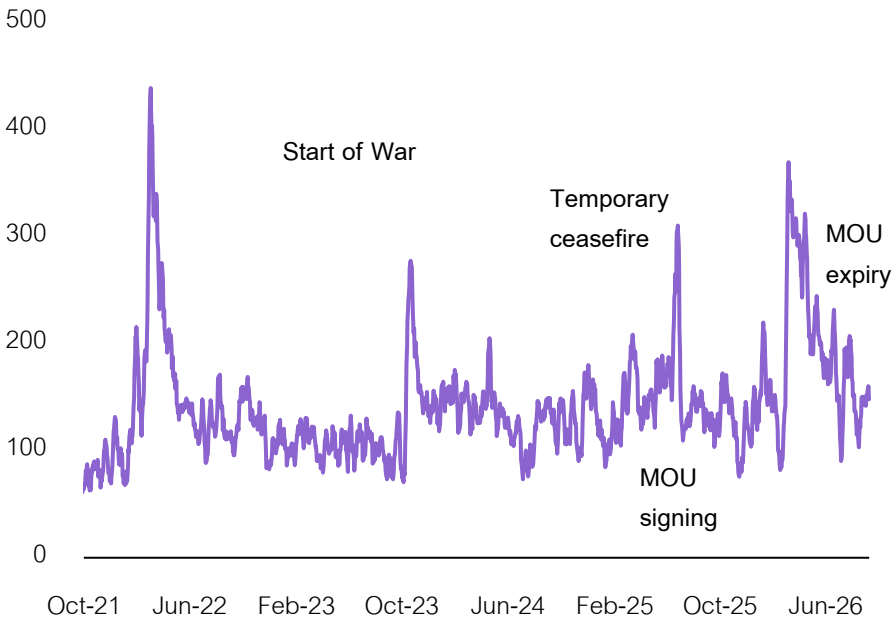
The Middle East conflict has intensified again following renewed clashes between the U.S. and Iran in early September. The conflict is likely to remain prolonged and highly uncertain.

Global geopolitical risks are rising again. Middle East tensions remain uncertain, and progress on reopening the Strait of Hormuz remains limited.

Geopolitical Risk Index

Unit: avg. 1985-2019 =100, 7-day moving avg.

Source: Caldara Et. Al. (2021)



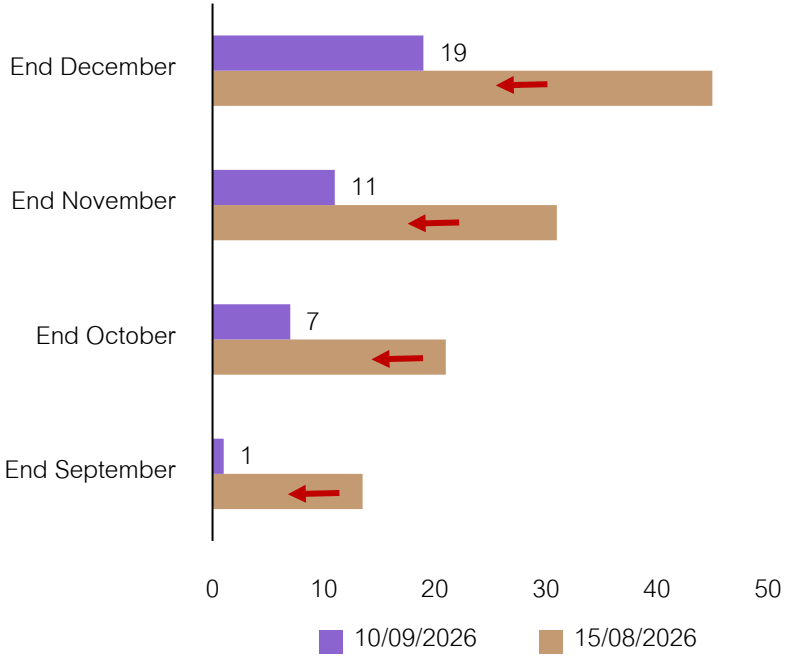
Latest Developments in the Middle East Conflict

- **The conflict has escalated** after the U.S. attacked an Iranian oil tanker near Kharg Island (Sep 8), prompting Iran to retaliate by striking U.S. bases in the region.
- **Houthi forces launched the most severe attacks on energy infrastructure** in years along the Saudi Arabia-Yemen border.
- **Shipping traffic through the Strait of Hormuz has fallen to its lowest level since May** following direct U.S.-Iran clashes (Sep 8).
- **Brent crude oil prices have risen above USD 100 per barrel again**, increasing the risk of persistently elevated global inflation.

Chances of normal Strait of Hormuz reopening by year-end have fallen sharply.

Probability of the Strait of Hormuz reopening by end-2026

Unit: %Probability (from Polymarket) as of 10 Sep 2026



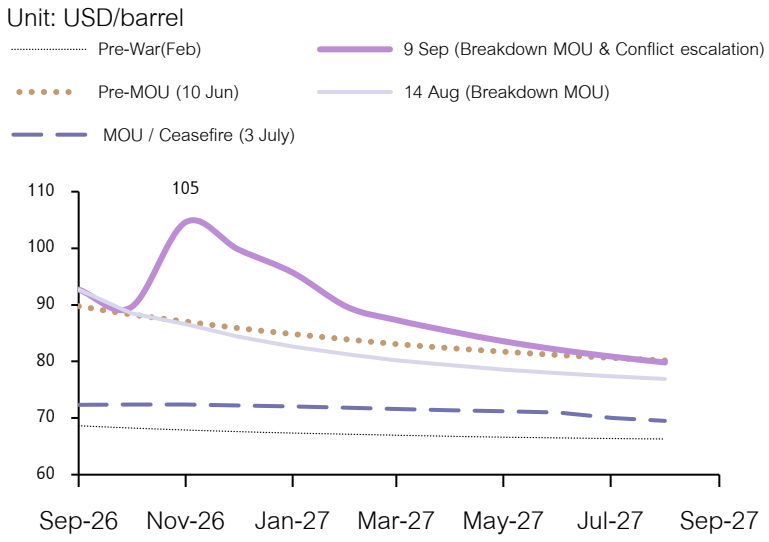
Source: SCB EIC analysis based on data from Caldara, Dario, and Matteo Iacoviello (2021), Bloomberg, Reuters, and Polymarket

Global oil prices have been volatile and risen in H2 following the escalation of the conflict. Oil inventory levels warrant close monitoring, although they remain above minimum levels, while shipping route adjustments have helped ease market tightness to some extent. Looking ahead, the risk of a broader conflict remains a key concern.

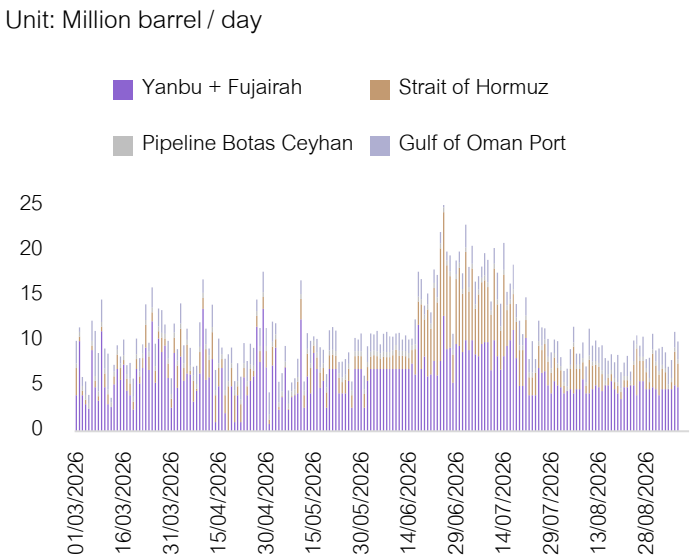
Global oil delivery prices have risen
following the escalation of the Middle East conflict

Energy shipments through the Strait of Hormuz remain low.
Transportation via pipelines and other ports in the region has helped ease the disruption, but the broadening conflict remains a key risk.

Forward curve (9 Sep) surged following the escalation and broadening of the conflict



Oil shipment volumes in the Middle East conflict area

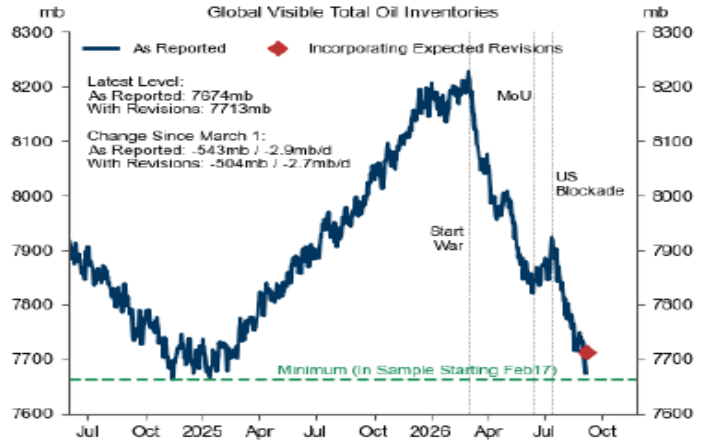


- **Oil prices in early September rose from August levels** as the U.S.-Iran conflict intensified and tensions spread to the Red Sea.
- **The backwardated forward curve** reflects market concerns over current and near-term oil supply tightness more than longer-term risks.
- **Spot and near-term delivery prices have fallen below pre-MOU levels but remain above August levels,** suggesting markets still expect supply tightness to ease in the near future despite ongoing risks ahead.

- **Oil shipments through the Strait of Hormuz remain at low levels. Oil producers and exporters in the Gulf states continue to seek alternative transport routes,** such as pipelines in Saudi Arabia, the UAE, and Egypt (Bocas-Ceyhan and SUMED), but capacity additions are limited to only 3.8 million barrels per day by 2027.
- **However, tensions are likely to intensify further, raising the risk of disruptions to alternative shipping routes and putting additional upward pressure on oil prices.**

Scenarios (Sep 2026)	Energy transportation outlook in the conflict area (Hormuz Straits + Yanbu + Fujairah)	Brent Price avg. 2026 (USD/bbl)	Brent Price avg. 2027 (USD/bbl)
Better	Gulf supply to exceed pre-war levels by 1 MBD, or 5%, in 2027	<85	70
Base	Energy transportation to recover to more than 80% of pre-war levels in Q4/26 and more than 90% in 2027	90	80
Adverse	Energy transportation to recover to 80% of pre-war levels in 2027	90-100	90-100

Visible oil inventories have declined rapidly but remain above the minimum level required to meet oil demand (Global Operational Minimum : 4.2 mb)



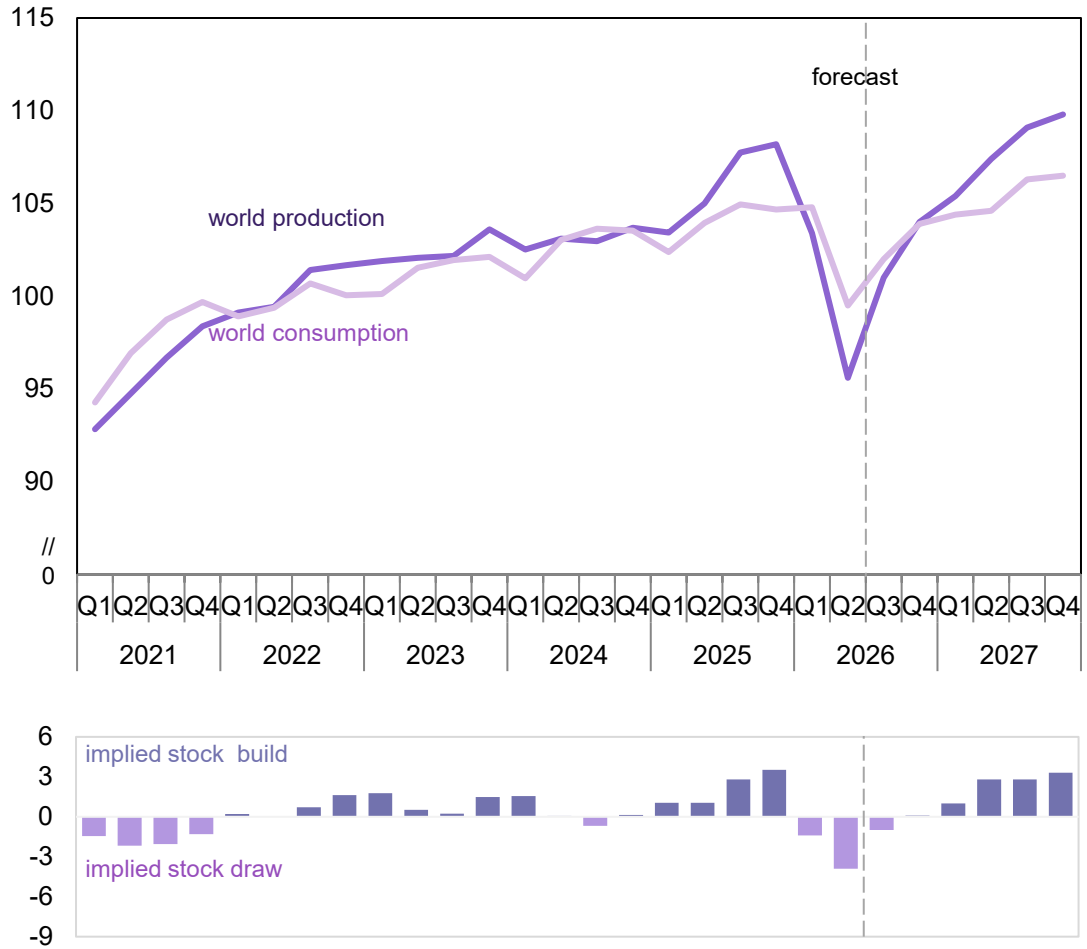
- **Visible oil inventories have fallen to 7.7 billion barrels but remain above the minimum oil demand threshold (Global Operational Minimum of 4.2 billion barrels).** This suggests there is still a buffer to absorb risks from tightening conditions in the global oil market during Q4.
- **China is reducing oil imports and drawing on domestic inventories,** while controlling oil exports to ensure adequate domestic supply.

Source: SCB EIC analysis based on data from Reuters, HSBC, Goldman Sachs Investment Research, CEIC, and Bloomberg

Global oil demand is expected to continue growing gradually in 2027, but the recovery in production capacity among Gulf countries and rising Non-OPEC production could push supply growth above demand growth.

Global oil demand & supply (Goldman Sachs, as of 7 Sep 2026)

Unit: MB/Day



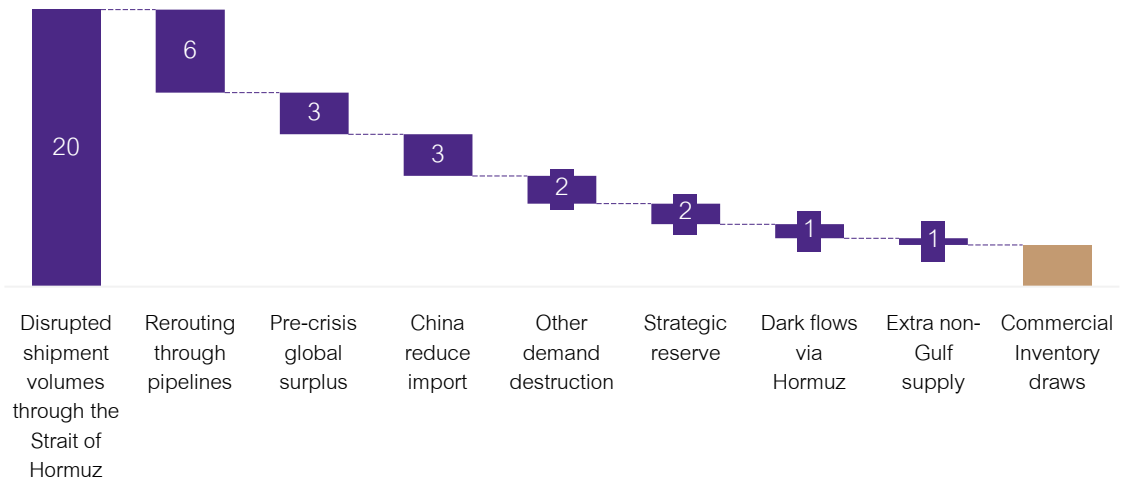
Global Oil Market Outlook 2027: Supply Growth Outpaces Demand	
Supply	• Non-OPEC+ production continues to expand, led by the U.S., Brazil, Guyana, Argentina, Canada, and the UAE, which are not constrained by OPEC production quotas. • As geopolitical tensions gradually ease, production capacity and transport routes are expected to recover by more than 1 million barrels per day. However, costs remain higher due to the use of alternative pipelines and ports.
Demand	Demand continues to grow, but at a slower pace than supply, mainly due to: • The fragility of the global economy following conflicts, with global GDP growth slowing compared with historical levels. • Energy demand continues to grow but faces multiple headwinds. Including the energy transition, EV adoption in China and Europe, and higher energy efficiency.
Risk	(-/+) Uncertainty surrounding OPEC+ production increases. (+) Uncertainty related to wars and geopolitical tensions. (-) Global tariff and trade policy uncertainty. (+) A rebound in China's oil imports and inventory stockpiling.

Source: SCB EIC analysis based on data from Goldman Sachs, IEA, EIA, and Bloomberg

Lower oil imports by China have helped ease tightness in the global oil market. China's oil import demand will be a key factor shaping the direction of global oil prices going forward.

Easing effect to reduce imbalance from Hurmuz blockage

Unit: Million barrels per day

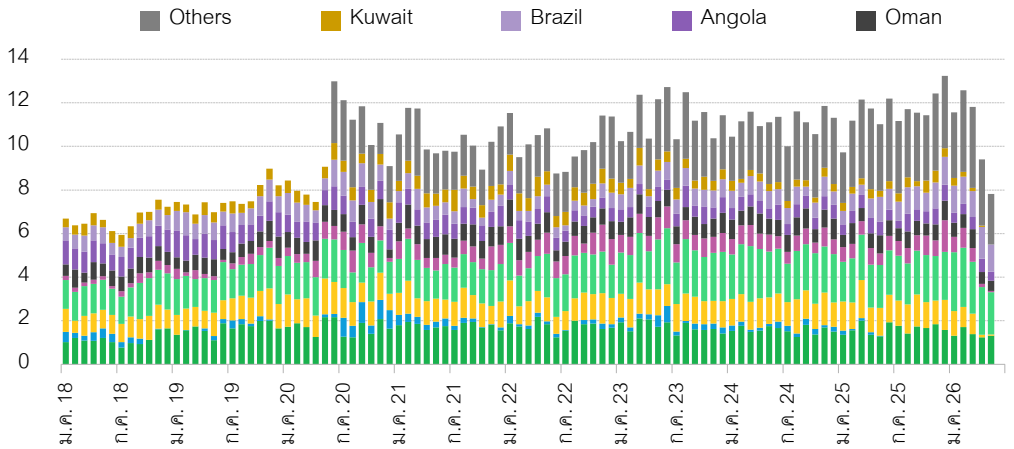


The market had previously been concerned that the closure of the Strait of Hormuz could disrupt more than 20 million barrels per day of oil supply. However, global oil prices did not surge as sharply as anticipated, partly due to China's buffer.

- **China's oil imports declined by around 3 million barrels per day** from normal levels. Together with drawdowns from commercial oil inventories and strategic reserves, this has helped ease the global supply-demand imbalance in the short term.
- **If China increases its oil imports again, this could affect energy prices going forward** (China may increase imports when global oil prices decline and as it seeks to strengthen energy security).

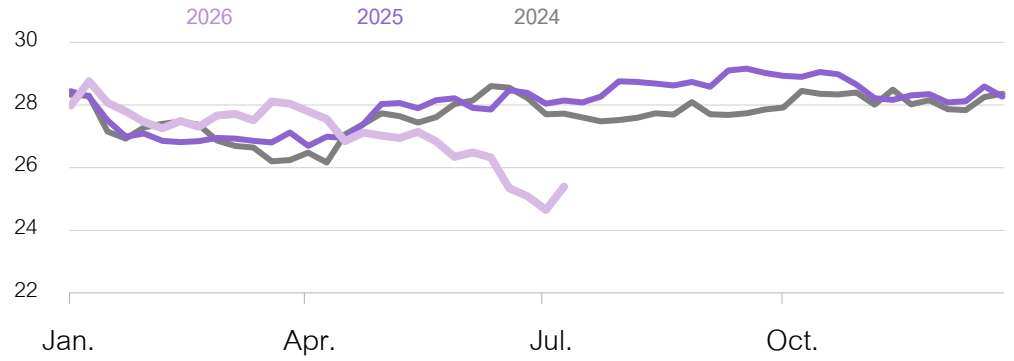
China's crude import

Unit: Million barrels per day



China's crude inventory at port weekly

Unit: Million metric ton



Source: SCB EIC analysis based on data from Bloomberg

The U.S. may impose additional import tariffs going forward to offset revenue losses from refunds of duties collected under IEEPA.

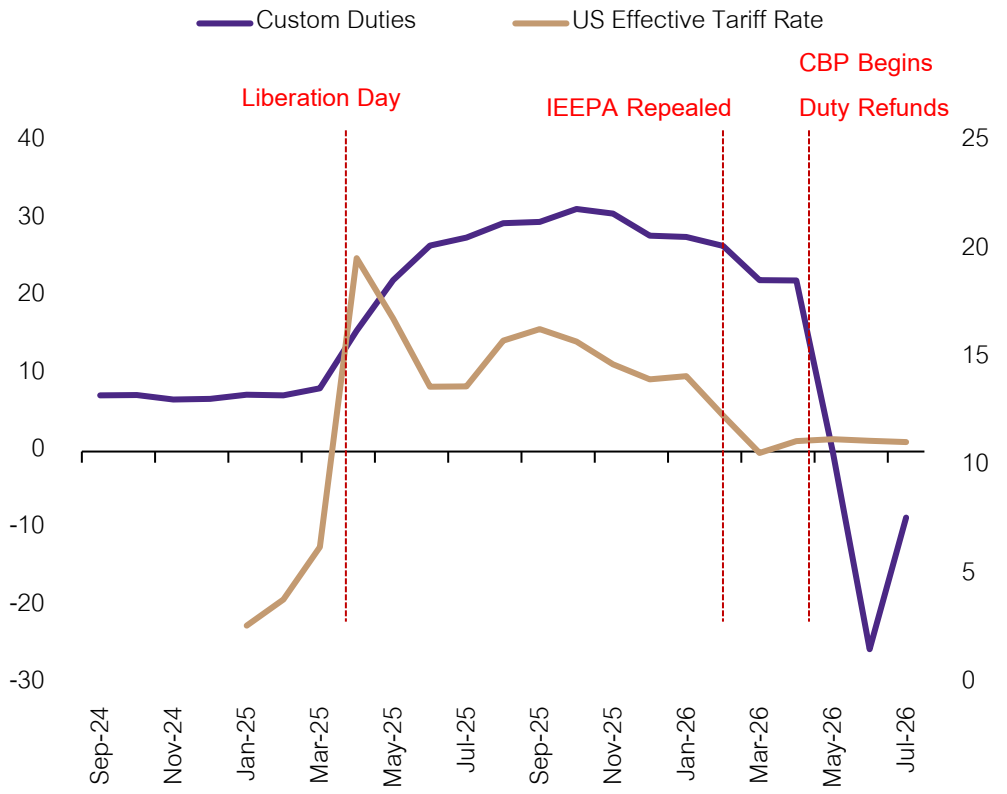
U.S. tariff treatment is likely to vary by trade status and bilateral relations, taking into account trade balances and strategic partnerships.

Country Group	IEEPA / Reciprocal tariff	Section 301 Forced labor	Great transshipment scam
Strategic Allies	e.g., EU, JP, TW, KR, CA, MX **Tariff rates of 10%-15%,** with special arrangements for certain products	e.g., EU, JP, TW, KR, CA, MX **Combined MFN tariff of 10%-12.5%,** with special arrangements for some products	**The U.S. has relatively limited concerns over transshipment** among diversified and legitimate technology partners (Tier 1). A 50% tariff under Sec. 338 remains possible.
	0% tariff rate for goods covered under the USMCA		
Cooperative Countries / ART Members	MY, KH, ID **Tariff rates of 10%-20%**	MY, KH, ID **10% tariff,** likely below the rate applied to China	**The U.S. will monitor countries highly linked to China** (Tier 2) or benefiting from U.S. trade agreements (Tier 3). **An ART agreement may ease some pressure.**
Countries Integrated with China's Supply Chain	VN, TH **Tariff rates of 19%-20%**	VN, TH **12.5% tariff,** with possible increases under reviews such as excess capacity	**The U.S. will apply stricter scrutiny** to Tier 2 countries with strong China links across materials, manufacturing, and logistics, **especially those without ART agreements.**
Countries Targeted for Political Reasons	China, India, and Brazil: 25%-50%	India 10%; China and Brazil 12.5%	**The U.S. views Brazil as a China-linked manufacturing base** (Tier 2), while India is seen as a diversified manufacturing base (Tier 1).
Other Countries	**15%-40%,** depending on the country.	12.5% tariff	**U.S. scrutiny may be more limited** for smaller Tier 3 countries lacking major supply-chain advantages such as labor costs or trade preferences.

The Supreme Court ruling requiring refunds of IEEPA-related duties to businesses may reduce government revenue and could lead to additional tariff increases.

U.S. customs duty revenue and effective tariff rate.

Unit: USD Billion, % (RHS)



Source: SCB EIC analysis based on data from USTR, CEIC, The Great Transshipment Scam report (The White House), and U.S. Customs and Border Protection.

Despite U.S. trade restrictions on China, China's trade surplus continues to rise, driven by exports to other regions and ASEAN.

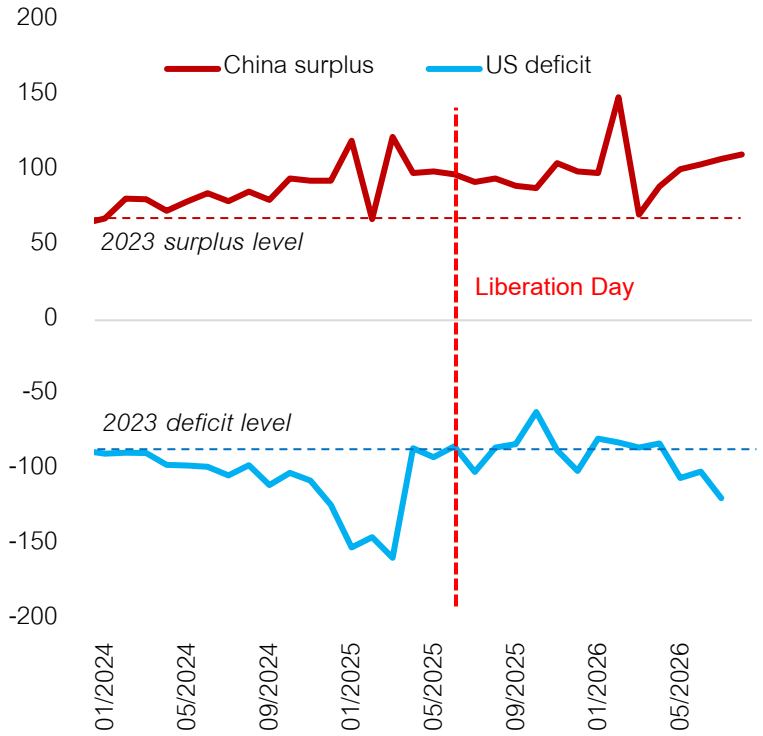
The U.S. trade deficit has narrowed one year after Liberation Day, while China's trade surplus continues to increase.

The U.S. has reduced overall imports, but electronics imports remain strong, driven by AI investment.

China's exports remain strong, despite weakening exports to the U.S. market.

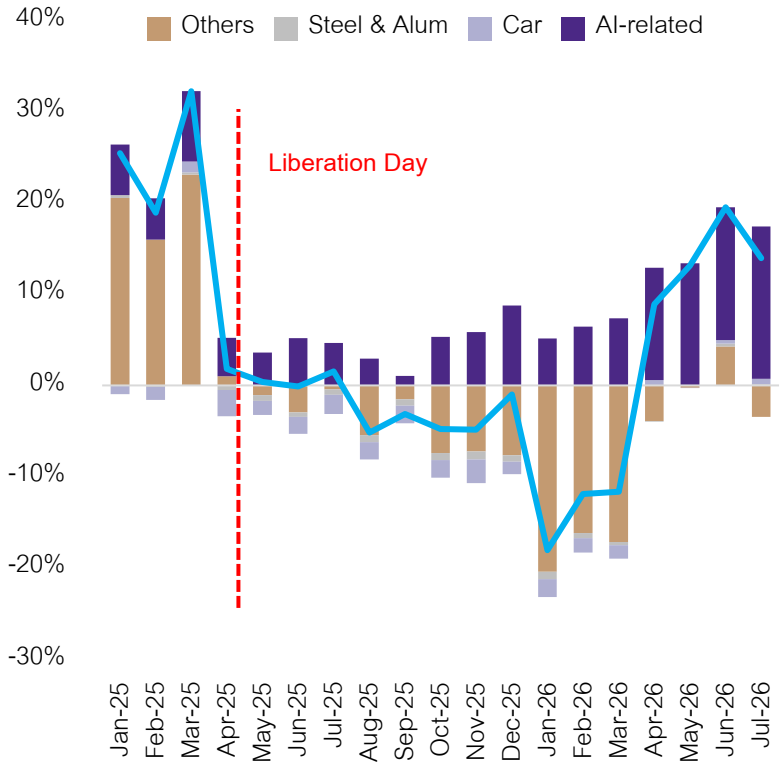
U.S. and China Trade Balance with the World

Unit: USD billion, trade balance with the world economy



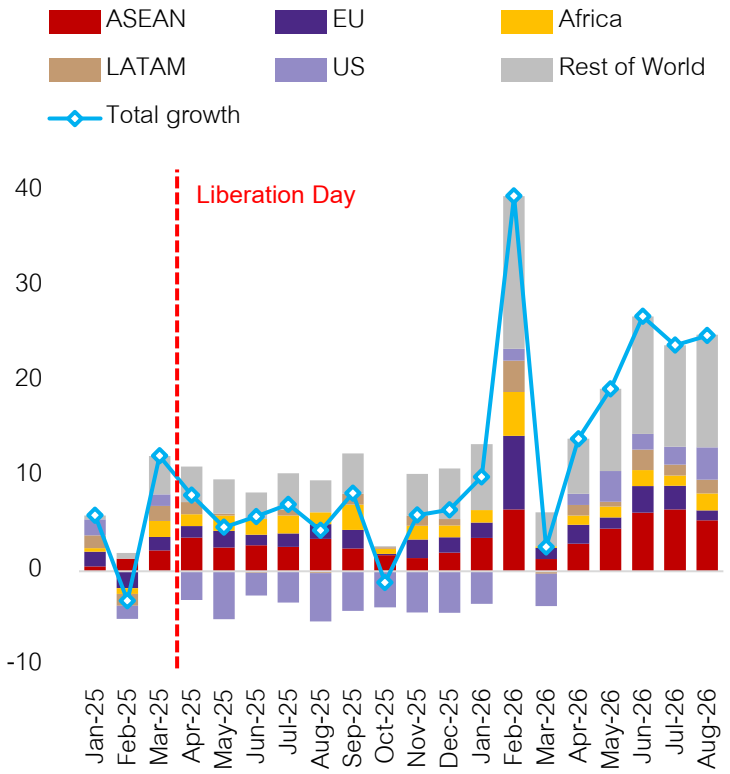
Sources of Growth in U.S. Import Value by Product Category

Unit: %YOY



Sources of Growth in China's Export Value by Market

Unit: %YOY

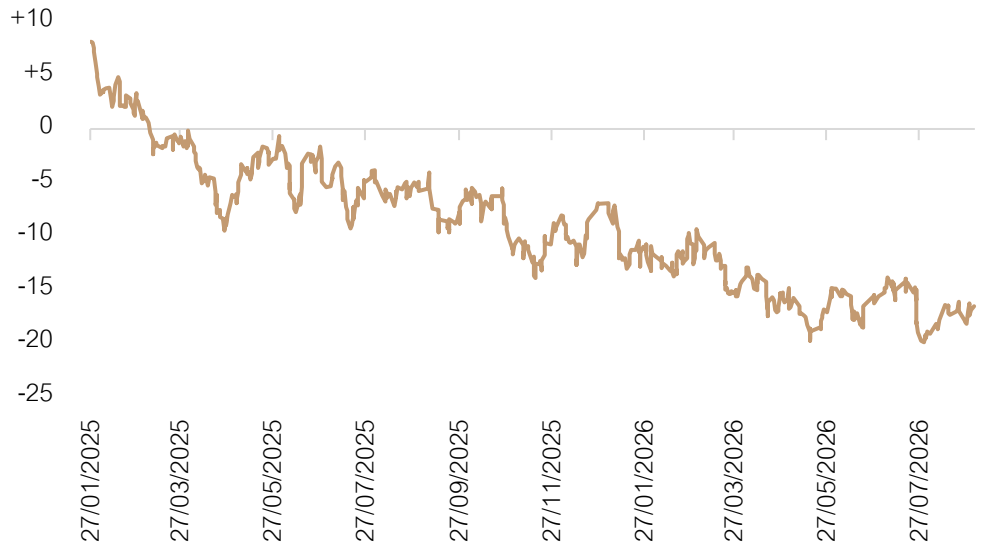


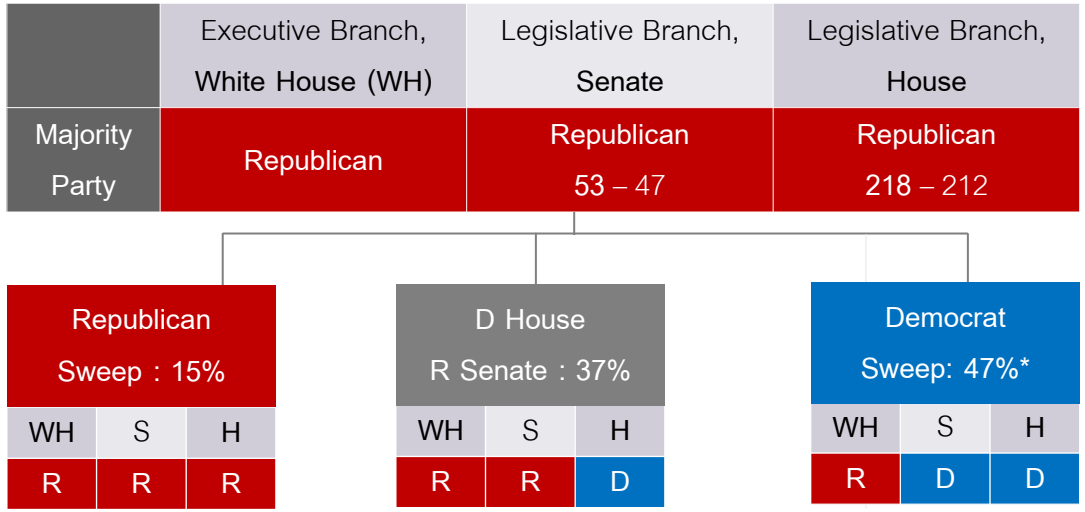
Source: SCB EIC analysis based on data from the WTO, Trade Map, U.S. Census Bureau, and the General Administration of Customs of the People's Republic of China.

Midterm Elections are increasing uncertainty over U.S. policy direction. With Trump administration approval falling sharply, the opposition may regain control of Congress, making policy implementation more uncertain.

Trump administration net approval has declined significantly.

Unit: (+) : Net approval %, (-) Net disapproval %, 7-day polling average





Reasons Republicans may struggle to retain their congressional majority.

- **The prolonged war with Iran has led to higher living costs in the U.S.**, particularly retail fuel prices. Americans had already viewed affordability as a key economic concern even before the war.
- **Support among Trump's voter base has begun to decline, and some may choose not to vote** (voter turnout in midterm elections is typically significantly lower than in presidential elections).

Tariffs (Sec. 301/232/122)	The administration can continue using delegated authority to impose tariffs.	No major change, as reclaiming authority would require a two-thirds majority.	No major change for the same reason.
Foreign Policy	The administration can act independently, except where additional funding is required.	No major change.	No major change.
Budget	Budget approval is relatively smooth when one party controls both chambers.	Budget negotiations become harder, raising shutdown risks, though Senate allies remain.	Budget negotiations become more difficult, with the highest risk of a government shutdown.

Reasons Republicans may struggle to retain their congressional majority.

Source: SCB EIC analysis based on data from YouGov, The Economist, Bloomberg, Bipartisan Policy Center, RealClearPolitics, and Kalshi.



Global financial conditions have tightened, with government bond yields rising sharply amid increasing inflation risks.

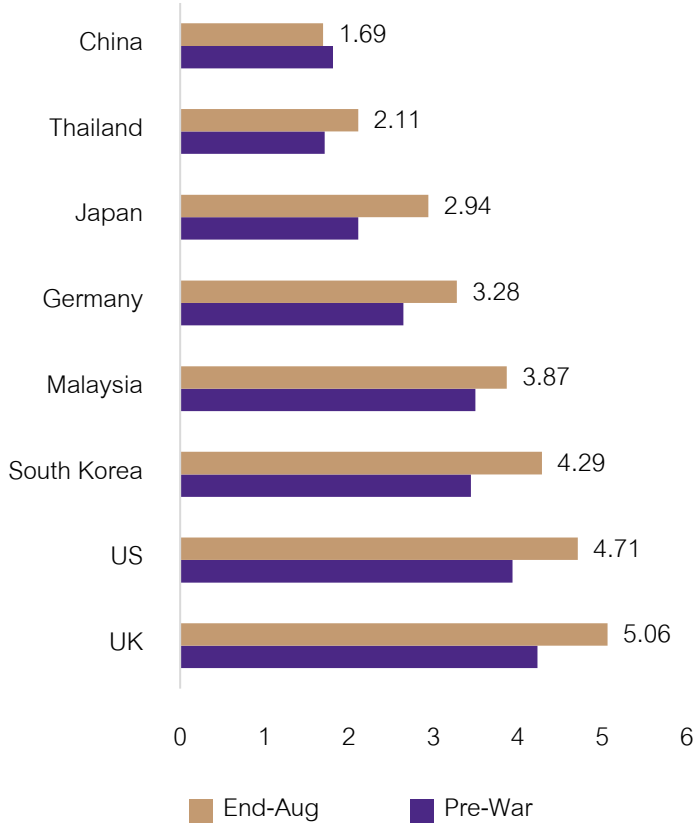
Both businesses and governments have high funding needs, with businesses requiring investment in AI while governments continue to run large fiscal deficits.

Rising global inflation risks are putting pressure on monetary policy to become more restrictive.

Government bond yields have risen sharply as bond investors regain concerns over inflation risks. Escalating Middle East tensions and Super El Nino are adding inflationary pressure, especially in ASEAN.

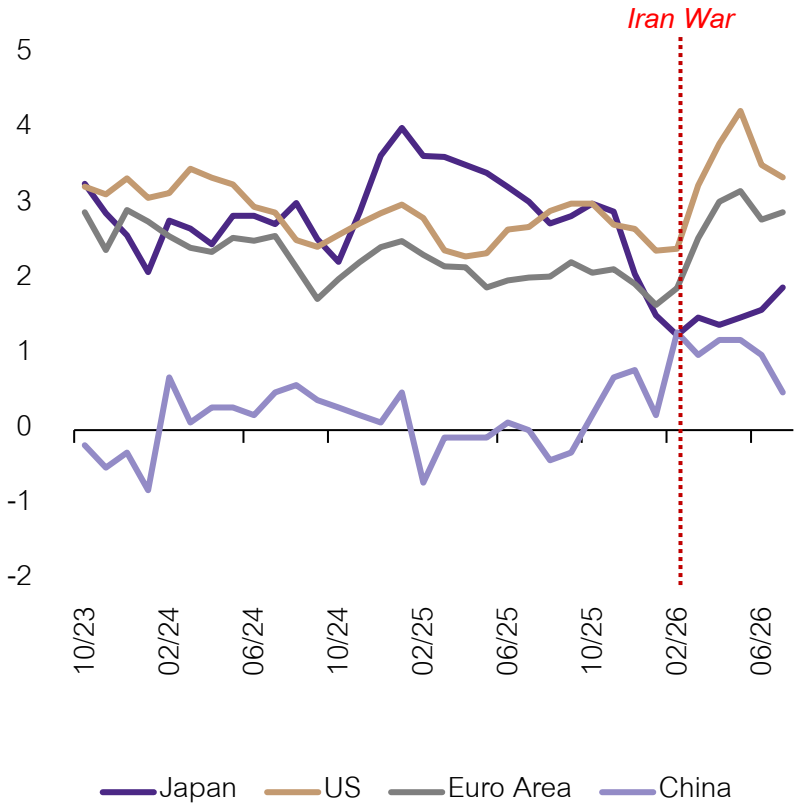
Selected 10-Year Government Bond Yields

Unit: %, data as of Aug 31, 2026



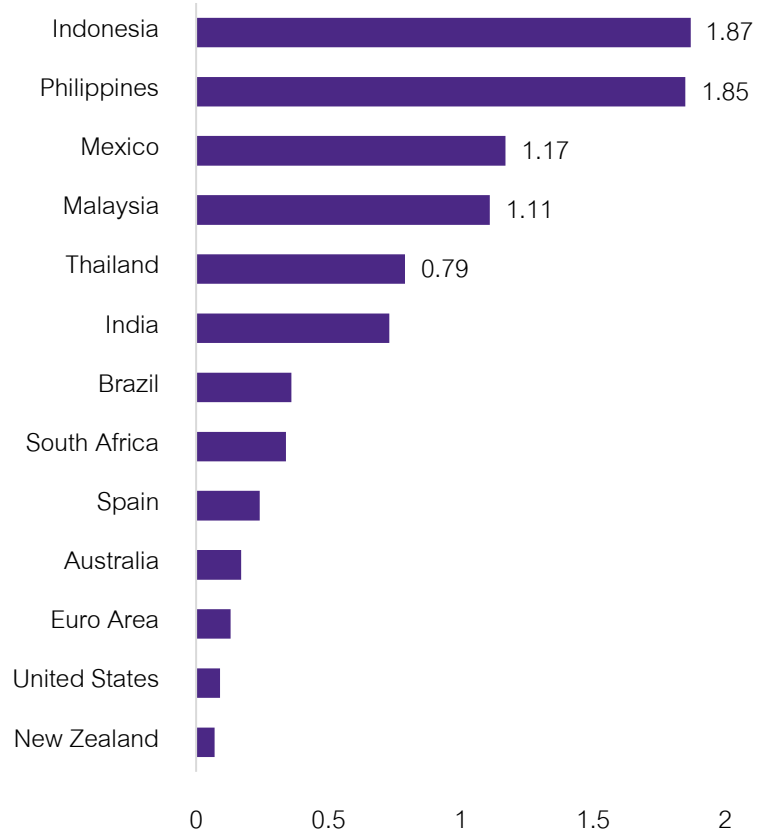
Inflation Rates of Major Economies

% (latest data through Jul 2026)



Estimated Impact of El Niño on Headline Inflation

Unit: percentage points (Source: Bloomberg Economics)



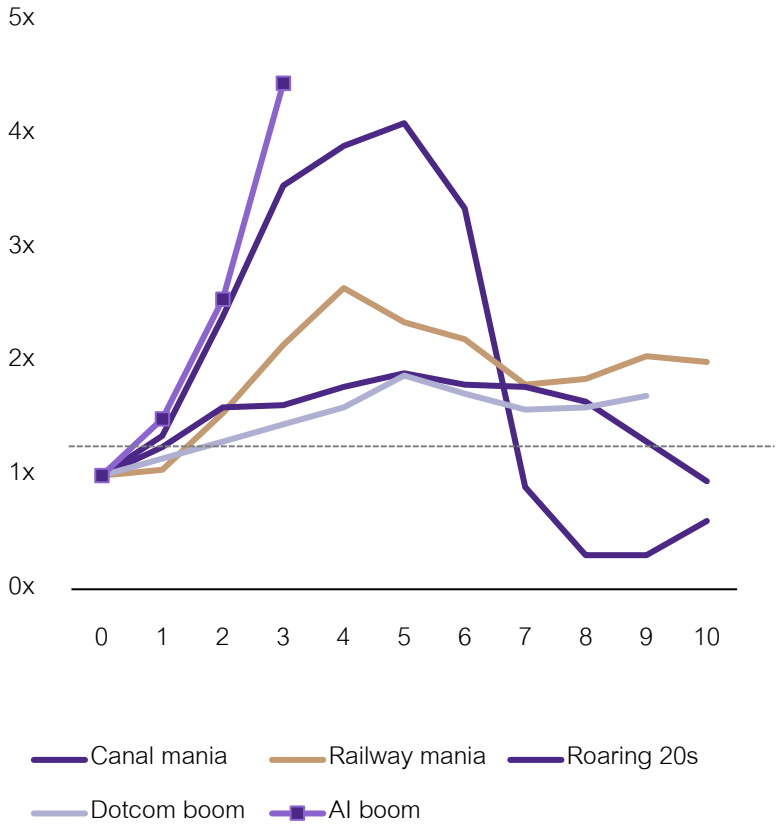
Source: SCB EIC analysis based on data from Bloomberg and CEIC.

The AI investment boom, alongside large fiscal deficits, is driving both private and public sectors to raise more funds through debt markets, pushing global bond issuance higher.

AI investment compared with past major technology investment booms

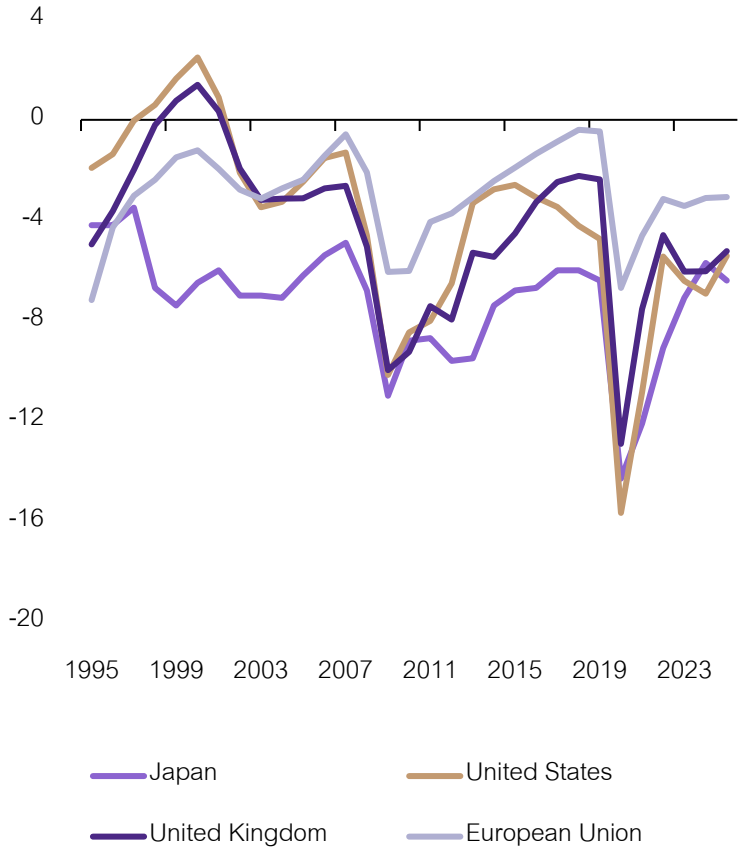
Unit: Multiple of spending relative to the investment cycle trough

(Source: Rungcharoenkitkul, 2026)



Fiscal balances of major economies

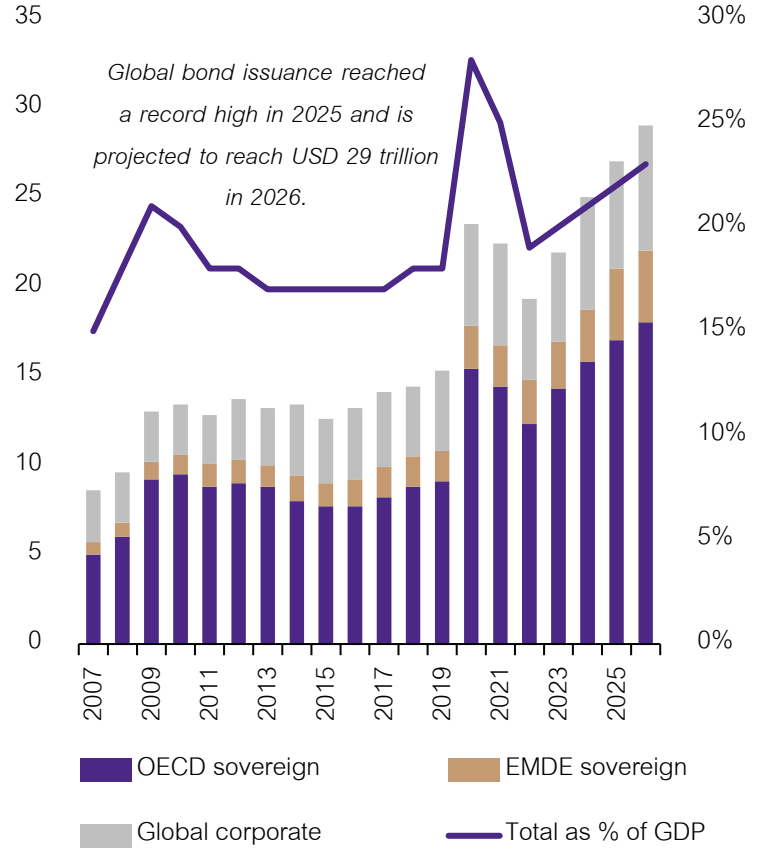
Unit: % Nominal GDP (Source: IMF)



Global sovereign and corporate bond issuance

Unit: USD Trillion, %share of global GDP

(Source: OECD Global Debt Report 2026)



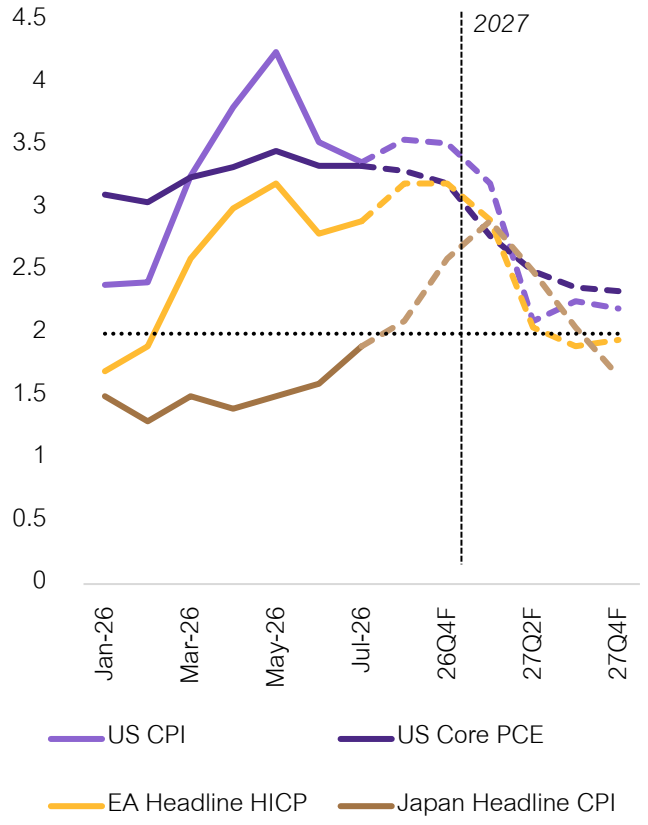
Source: SCB EIC analysis based on data from the IMF, OECD, and BIS.

Rungcharoenkitkul, P. (2026). The AI investment race (BIS Working Papers No. 1367). Bank for International Settlements. https://www.bis.org/publ/work1367.htm

Monetary policy in major economies is turning more restrictive, but a full new rate-hiking cycle is not yet expected as inflation pressures should gradually ease with improving supply conditions.

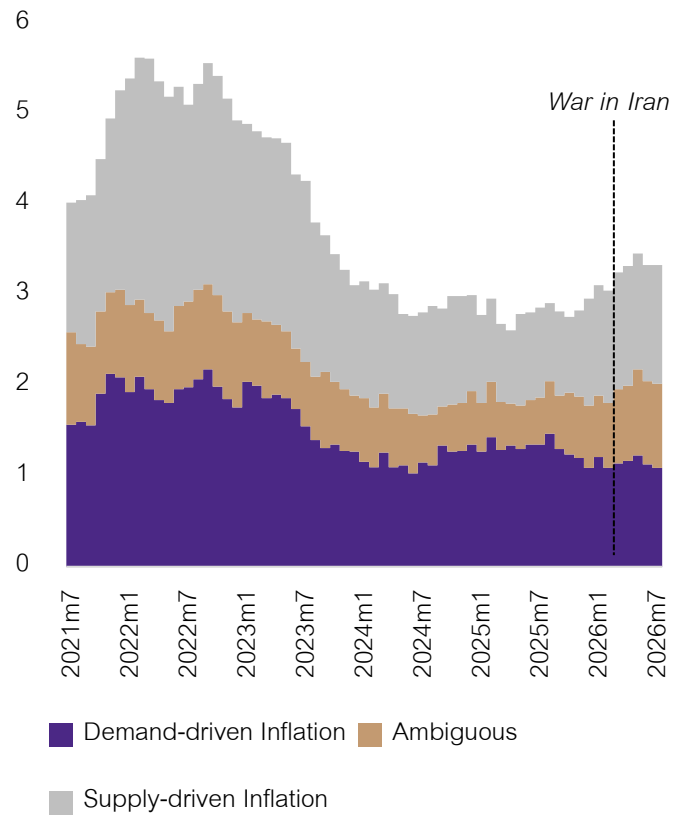
Inflation Forecasts for Major Economies

Unit: %, Bloomberg survey median



Drivers of Higher U.S. Core PCE Inflation

Unit: %YOY, Federal Reserve Bank of San Francisco



Fed Likely to Hike Rates Once to 3.75-4.00%

The Fed is likely to raise rates amid rising inflation risks. Renewed Middle East tensions, continued U.S. economic growth, and a stable labor market support this outlook. **This is not yet a full tightening cycle**, but aims to strengthen market confidence and anchor inflation expectations.

ECB Raised Rates by 25 bps to 2.5% (Sep 10)

In response to inflation pressure from higher energy prices, while maintaining a data-dependent policy approach.

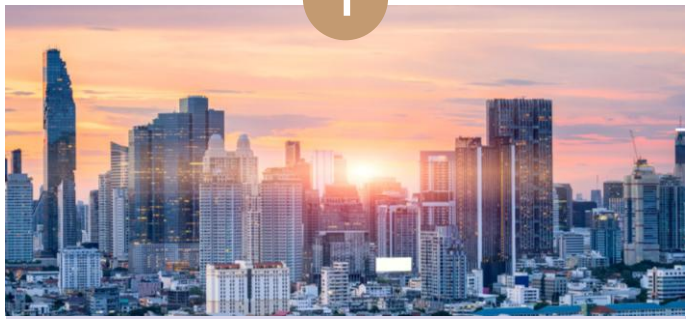
BOJ Likely to Raise Rates Once More to 1.25%

The BOJ is expected to accelerate rate hikes to address high inflation and yen weakness, supporting financial market stability, with more frequent hikes ahead.

Source: SCB EIC analysis based on data from Bloomberg, the Federal Reserve Bank of San Francisco, the Fed, ECB, BOJ, and CEIC.

Thai Outlook : Growth Improves, but Recovery Remains Uneven

1



Concentrated growth

Stronger economic growth, but with gains concentrated in certain sectors

- Private investment and exports are the key growth drivers, but are concentrated in electronics and AI-related sectors, which have high import content, limiting the positive spillovers to the broader economy.
- Private consumption is expected to slow as the impact of economic stimulus measures fades.

2



Uneven vulnerability

Businesses and households remain vulnerable

- Renewed tensions in the Middle East are putting pressure on already vulnerable households and businesses, particularly SMEs facing a slow income recovery, intense competition, and low profitability.
- The labour market is weakening, with wages recovering slowly, particularly among self-employed workers. Low-income households have limited financial buffers and are becoming increasingly reliant on government assistance.

3



Tight financial conditions

Thailand's financing costs face pressure from tight global financial conditions

- Thai government bond yields have risen, while lending to large corporates has grown strongly and SME lending has continued to contract.
- The MPC is expected to maintain the policy rate at 1% through 2027, helping support an economy where growth remains uneven and below potential.



Thailand’s economy is improving, but growth remains concentrated.

Strong private investment and exports, but high imports limit economic gains.

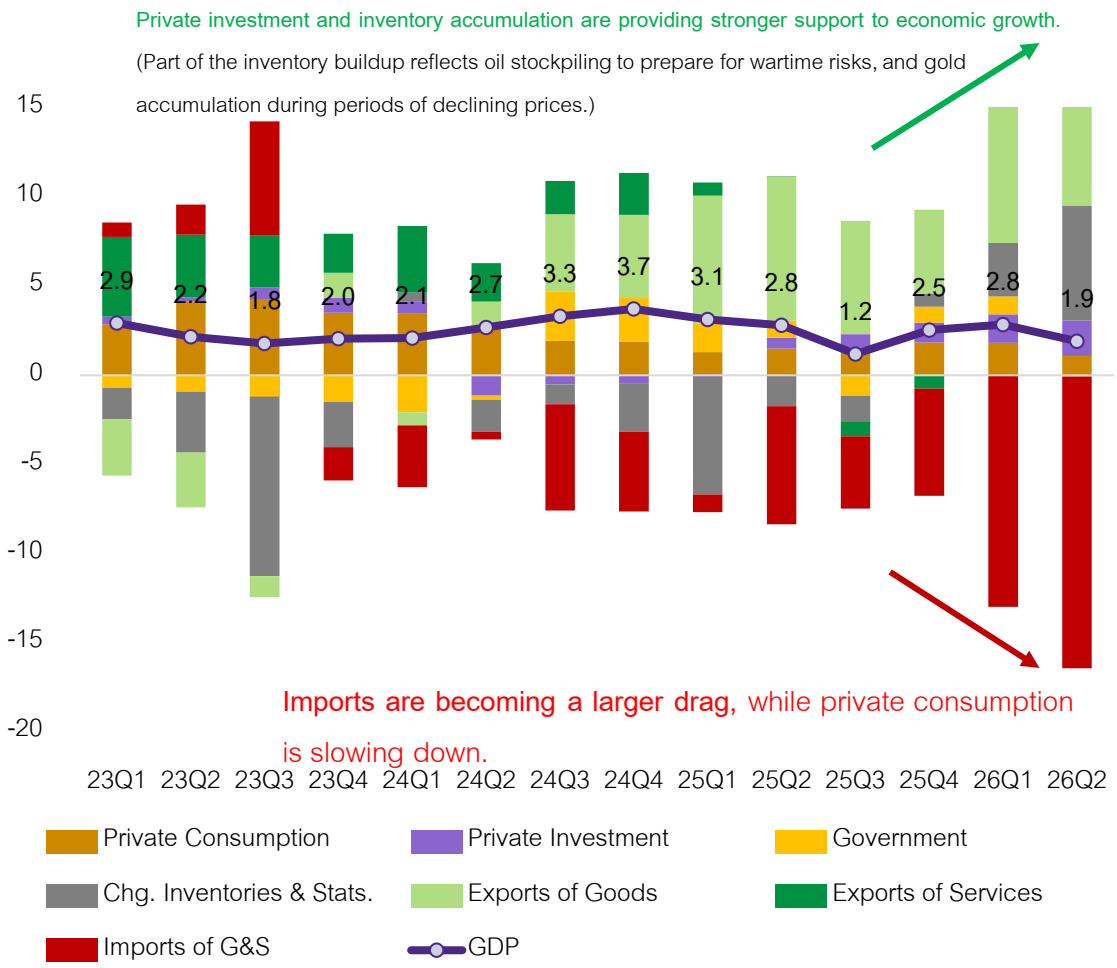
Thailand’s economy is driven by private investment and exports, but gains remain concentrated in AI-related sectors.

Private consumption is likely to moderate in Q4/2026 as stimulus measures come to an end.

Thailand's economy is receiving stronger support from private investment for a third consecutive quarter, amid drag from net exports and slowing private consumption.

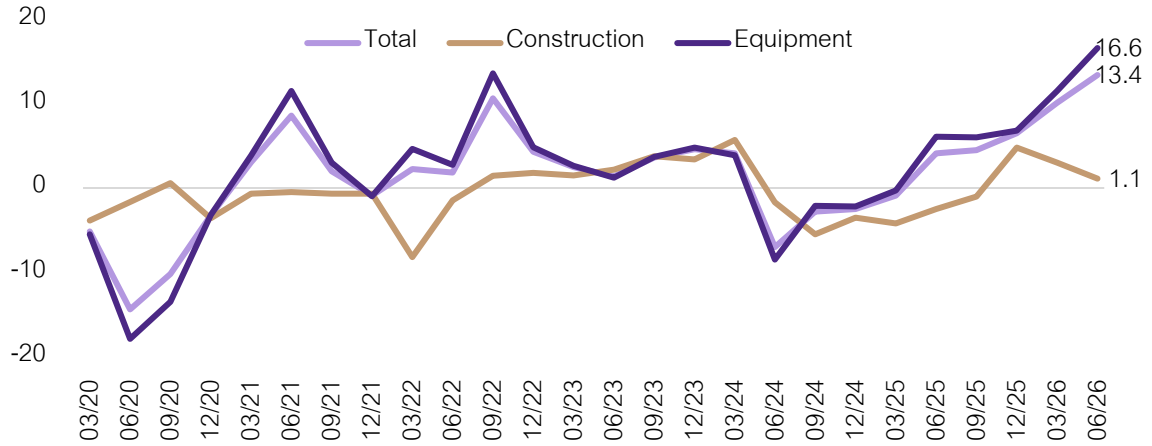
Contribution to GDP Growth (Expenditure Side)

Unit: %YOY (NESDC)



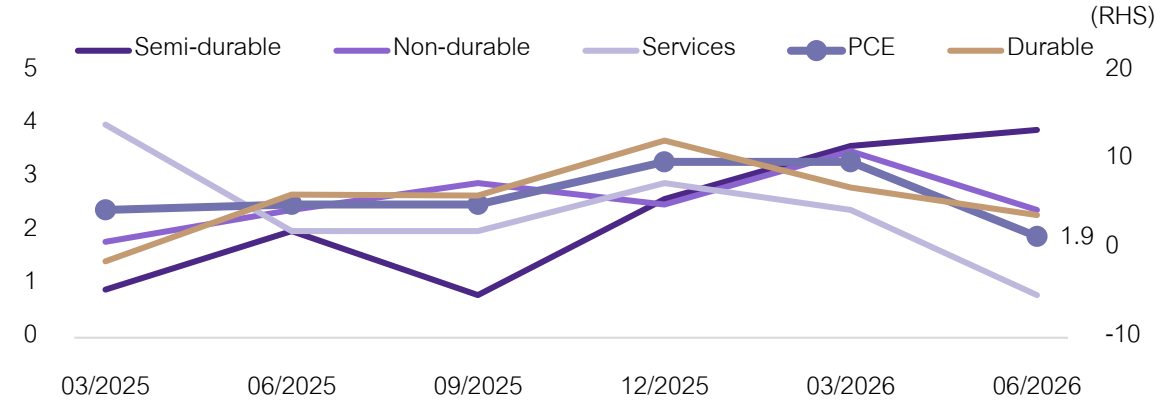
Private investment has accelerated continuously for three consecutive quarters.

Unit: %YOY, CVM (NESDC)



Private consumption is slowing across almost all components.

Unit: %YOY (NESDC)

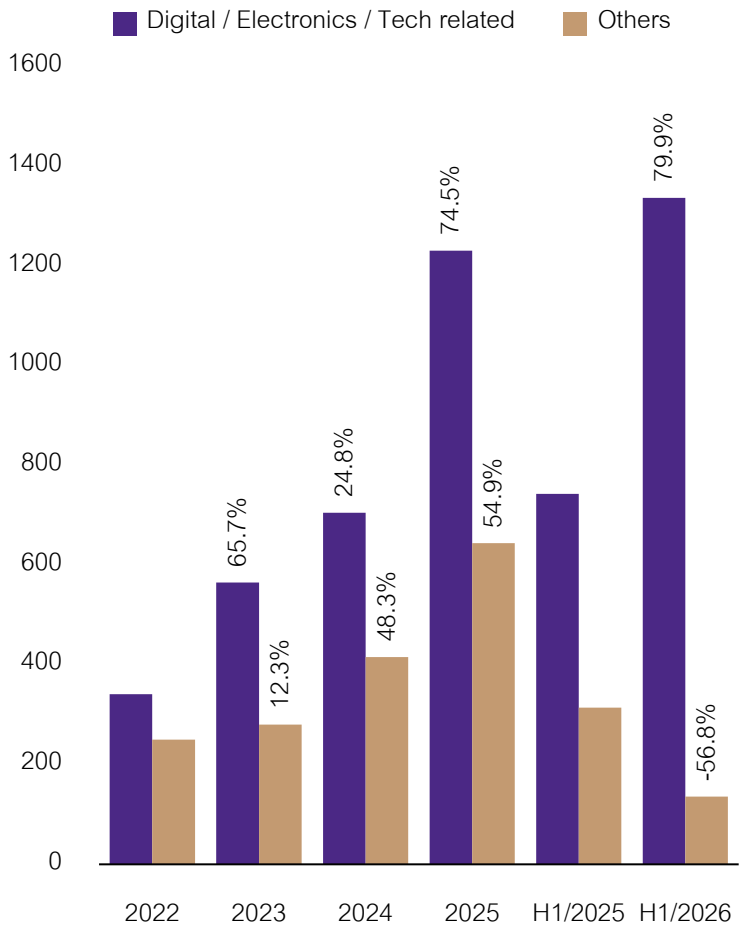


Source: SCB EIC analysis based on data from the National Economic and Social Development Council and the Bank of Thailand.

Private investment will be a key growth driver going forward, particularly foreign investment, though most capital is concentrated in electronics and digital-related industries.

Value of BOI investment promotion applications

Unit: THB billion, %YOY



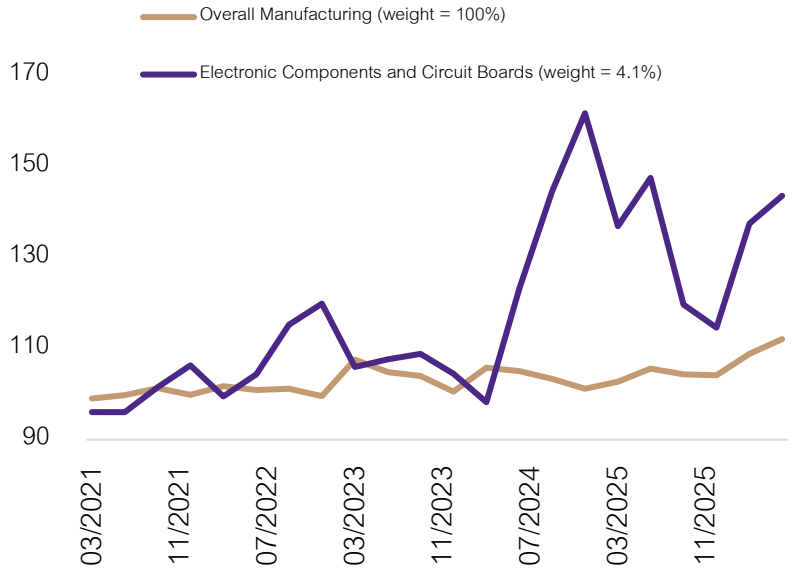
Estimated realized investment from BOI projects

Unit: THB hundred billion and%YOY (BOI and NESDC estimates)



Finished goods inventories have risen, particularly in the electronics sector.

Unit: Index, 2021 = 100



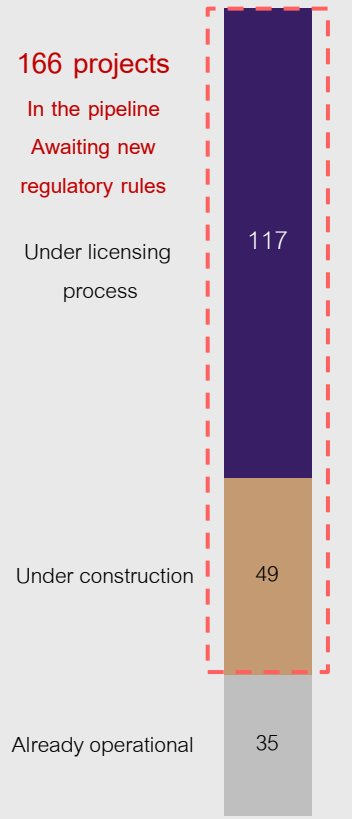
- **Finished goods inventories in the electronics sector remain elevated. Meanwhile, global demand for these products remains strong.** This reflects favorable business conditions, as well as inventory buildup to hedge against potential geopolitical risks.
- **In Q2/2026, Thailand increased crude oil stockpiling to prepare for war-related risks** and accumulated more gold following a decline in prices.

Source: SCB EIC analysis based on data from the National Economic and Social Development Council, BOI, and the Office of Industrial Economics.

The government has temporarily paused approvals for new data center projects to establish an appropriate regulatory framework after rapid investment growth in recent years. Nonetheless, data centers remain a significant opportunity for businesses across the related supply chain.

Status of Data Center Projects in Thailand

Unit: Projects



Benefits and Concerns from Data Center Investment in Thailand

Construction phase

Share of Cost / Expenditure



Construction (10%-15%)	IT Hardware & Servers* (40%-50%)	Power System (20%-25%)	Cooling (15%-20%)	Networking (5%-8%)	Safety (5%-8%)

Key Beneficiaries

- **Land & Site Developers:** industrial estates and real estate developers.
- **Civil & Structural Construction:** Data center design engineers/architects, general contractors, and construction material suppliers.
- **Specialized System Integrators & MEP:** Mechanical, electrical, plumbing (MEP), precision cooling, and security system contractors, along with telecom operators.
- **Electronics & IT Hardware:** Producers of electrical equipment and cooling systems, server and HDD manufacturers, and IT and networking equipment producers and importers.

Key Concerns

- **Limited Local Value Capture:** The use of local content remains relatively low, as the majority of capital expenditure is concentrated in servers and IT hardware, which still rely heavily on imports from overseas.
- **Specialized system installation still relies on foreign experts,** limiting local participation mainly to basic construction and assembly activities with relatively lower value relative to the overall project budget.
- **Safety and environmental impacts,** particularly for data centers located near communities.
- **Risk of Grid Over-Investment:** Massive power requests submitted by individual data center raise the risk of over-building grid infrastructure.

Operation phase



Power & Utilities (40%-60%)	Facilities Maintenance (20%-35%)	Staffing (15%-25%)	IT Software (5%-10%)	Others (3%-5%)

- **Utility providers:** metropolitan/provincial electricity authorities, private power producers, industrial water suppliers, and telecommunications operators.
- **Digital solution providers:** Developers of software, data center management system providers, IT service providers, and managed service providers.
- **Facilities Management & Operations:** Building operations, maintenance (O&M), and physical security service contractors

- **Grid stability** could be affected by massive electricity usage, and power tariffs may rise if higher generation costs are passed on to consumers.
- **Water availability may become a concern** because of large cooling-water requirements, potentially competing with agricultural and community use and increasing drought risks.
- **Limited Direct Job Creation:** Direct employment creation is relatively limited compared with investment value, and most positions require specialized skills.
- **Environmental impacts may arise** from cooling-system heat, noise from cooling equipment, and air pollution from backup generators.

Note: *For colocation data centers, these costs are borne by customers.

Source: SCB EIC analysis based on data from BOI, NESDC, Uptime, and McKinsey.

The government is shifting its policy from aggressively attracting data center investment toward selecting projects that create greater value-added and stronger long-term linkages with the Thai economy, with clearer new regulations expected by late September.

Thailand's data center investment promotion policy has continued to evolve in response to changing conditions.

2015

BOI began granting investment incentives to Data Center service providers (A1 category).

July 2025 - July 2026

BOI continuously adjusted conditions, including:

- Power Usage Effectiveness (PUE) criteria
- Encouraging data centers to locate outside the EEC area
- Promoting knowledge transfer to Thai personnel and setting targets for Thai executives in management positions

July 2026

BOI established a subcommittee to assess energy-related aspects of Data Center projects.
(New projects must be approved by the subcommittee before applying for investment promotion.)

Aug 2026

The Cabinet approved the establishment of a Data Center Board.
To oversee and regulate the national Data Center ecosystem.

4 Sep 2026

The Data Center Board held its first meeting.

- Temporary pause on construction and project approvals.
- Four specialized subcommittees were established to develop Data Center evaluation criteria.

New criteria are expected to be finalized by September 2026.

Potential Data Center Regulatory Policies Under Government Consideration

Economic Dimension

Strengthen domestic supply-chain linkages.

- Set targets for participation by local businesses, Thai-made products, and Thai employment. Through tiered incentives tied to investment and job creation targets.
- Promote domestic production of advanced equipment to meet Data Center demand.

Infrastructure Dimension

Assess energy and water-use efficiency.

- Establish stringent requirements on energy and water efficiency, such as PUE and WUE standards.
- Encourage the use of renewable energy.
- Establish dedicated electricity tariffs and capacity reservation requirements to reduce the risk of overinvestment in power infrastructure.

Land Use and Building Dimension

Define zoning areas and building standards.

- Designate zoning areas based on the availability of power, water, and connectivity, while limiting the number of large projects in certain locations.
- Establish dedicated building standards for Data Centers.
- Set minimum distances from communities and implement noise and heat control measures.

Environmental Dimension

Minimize environmental impacts.

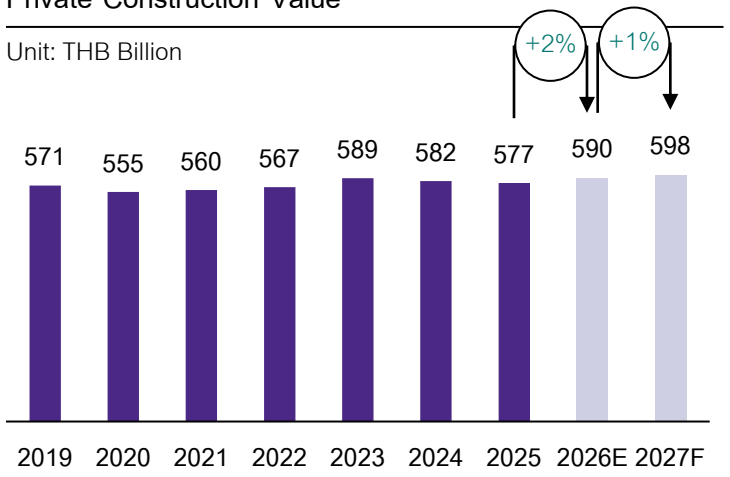
- Enforce rigorous Environmental Impact Assessment (EIA) requirements.
- Provide additional incentives for Green Data Centers.
- Require annual reporting on energy, water, and renewable energy usage, along with detailed disclosure of community and environmental impacts.

Source: SCB EIC analysis based on data from BOI, NESDC, and various news agencies.

Private construction value is expected to remain flat in 2027. Construction permit areas remain below historical levels, weighing on construction activity, while higher building material prices continue to pressure costs.

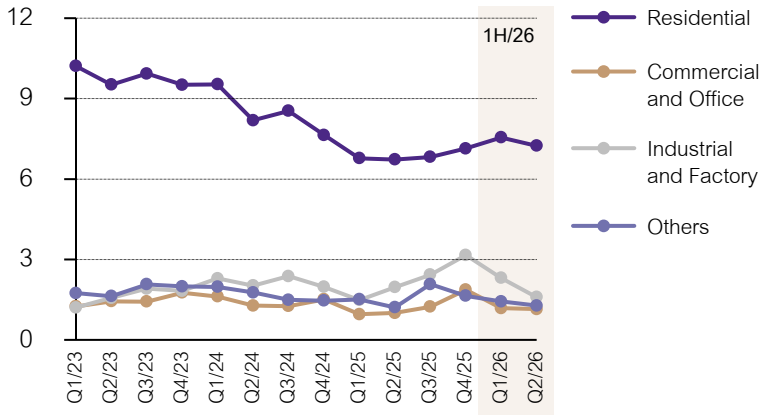
Private Construction Value

Unit: THB Billion

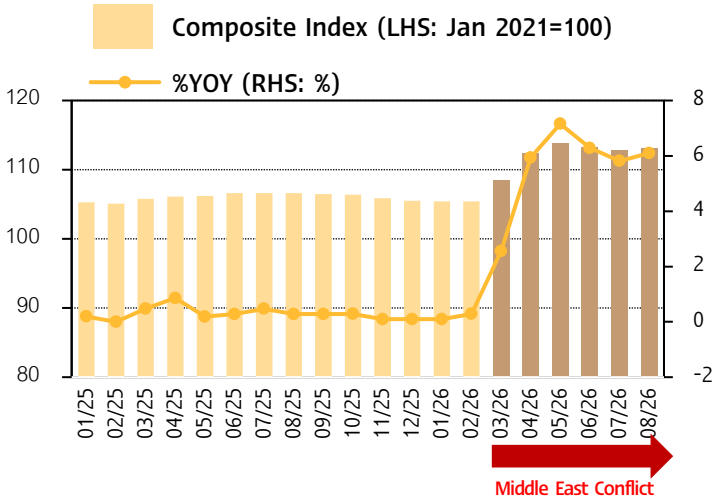


Nationwide Permitted Construction Area

Unit: Million Square Meters

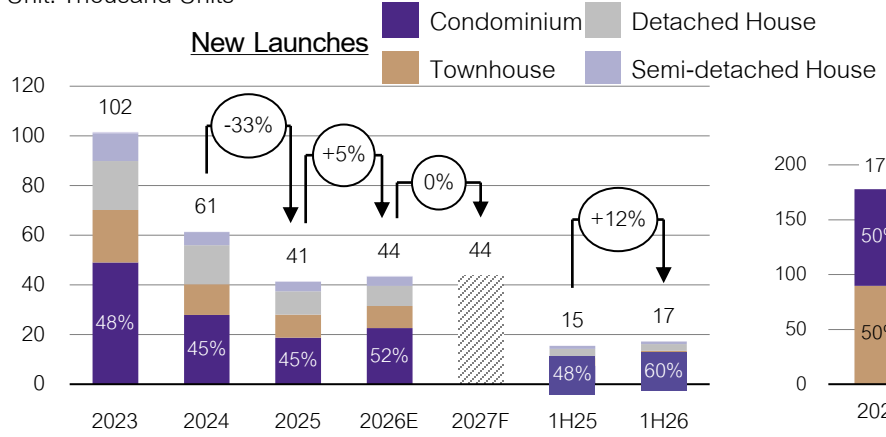


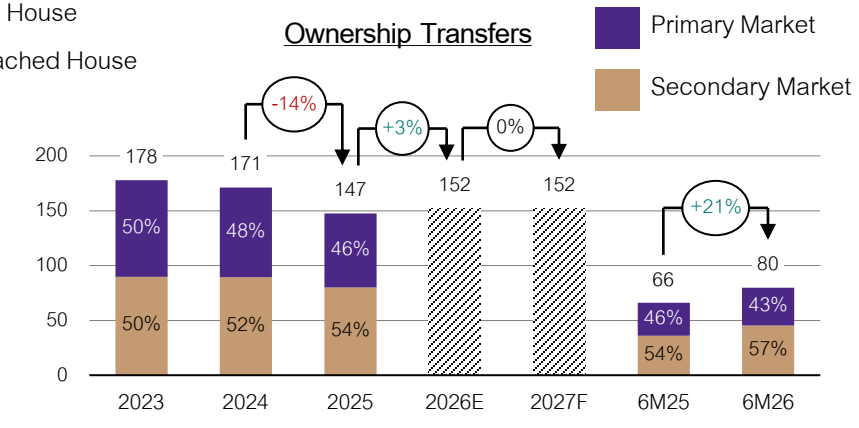
Construction Material Price Index



Residential Units in Bangkok Metropolitan Area

Unit: Thousand Units





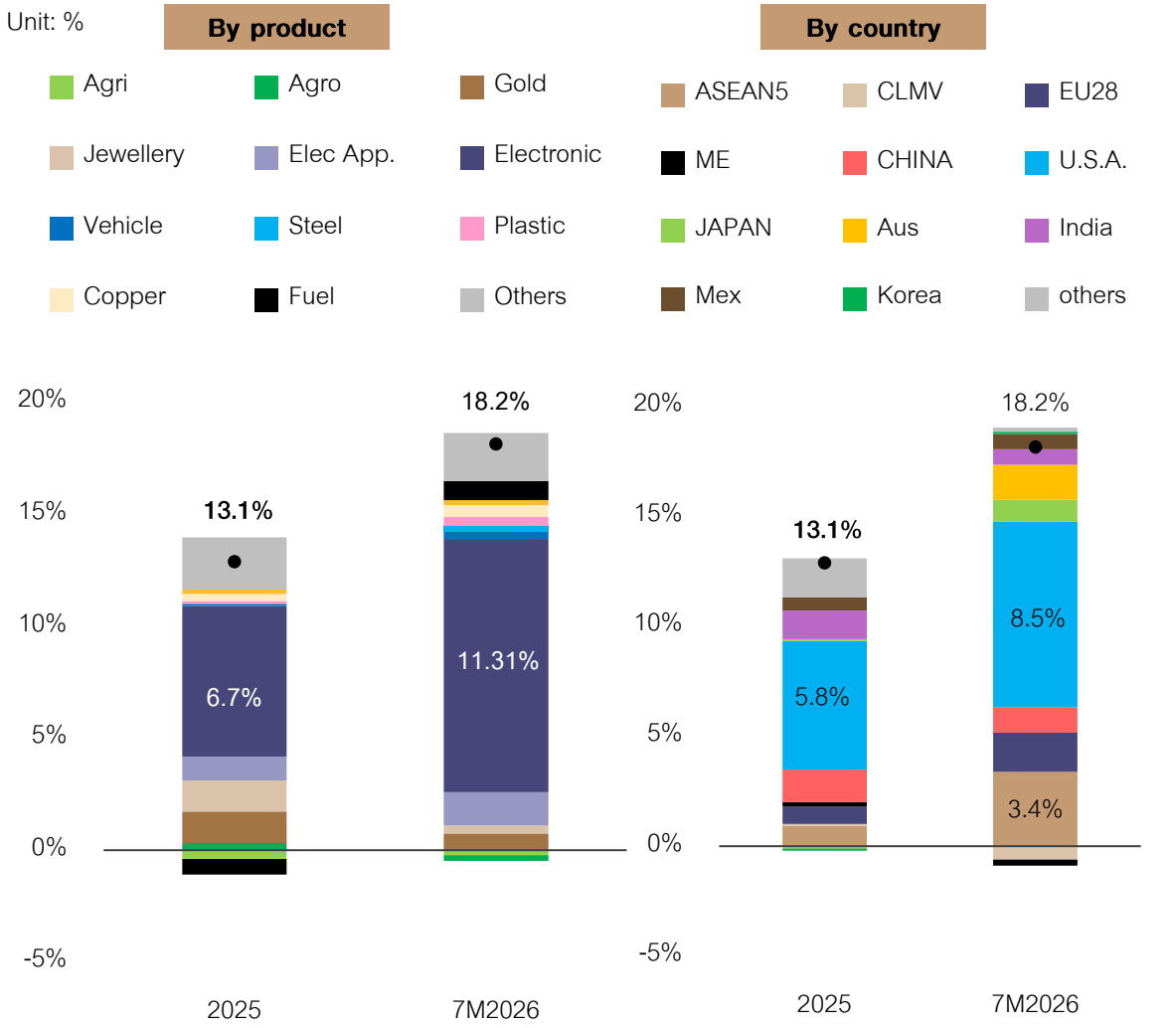
Residential construction in 2026 and 2027 continues to face headwinds.

- Residential transfers in 2026-2027 are expected to grow mainly due to a rising share of secondary-home transactions. Growth in transfers during 1H/2026 was driven by a low base and accelerated transfers ahead of the expiry of transfer and mortgage fee reduction measures on 30 June 2026.
- New project launches in 2027 are expected to remain flat, mainly driven by condominium projects, which continue to face competition from the secondary housing market, weighing on new project launches.

Source: SCB EIC analysis based on data from the National Economic and Social Development Council (NESDC), REIC, and the Ministry of Commerce.

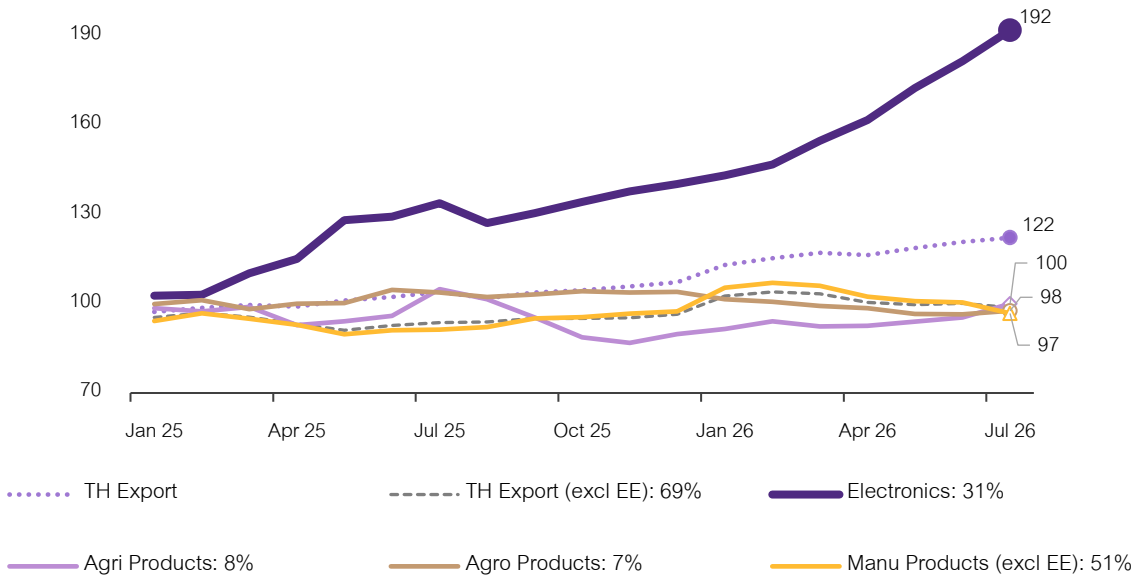
SCB EIC forecasts Thai exports to grow strongly by 16% in 2026, becoming a key driver of the economy, though growth is increasingly concentrated in electronics and the U.S. market.

Contribution to Growth of Thailand's Exports by Product and Destination Market



Thai exports in 7M26 were driven by electronics and other products, while agricultural and processed agricultural products contracted, partly due to intensifying competition in global markets.

Thai Export Value Index



Jan-Jul 2026	Total Export	Agri	Agro	Manu excl. EE	EE	Total excl. EE
%YTD	+18%	-2%	-3%	+10%	+43%	+8%
%CTG		-0.2%	-0.3%	+5%	+13%	

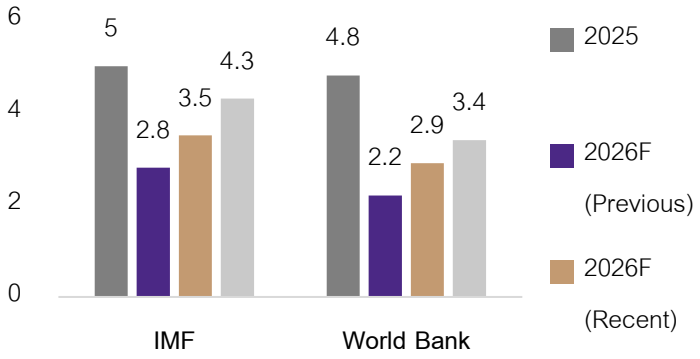
Source: SCB EIC analysis based on data from the Ministry of Commerce, CEIC, and the Ministry of Trade, Industry and Energy.

Thai exports in 2027 are expected to see broader-based growth. Electronics will remain the key driver, while agricultural products are likely to improve, supported by elevated prices amid tight supply conditions.

Thai exports in 2027 are expected to see broader-based growth, with electronics remaining the key growth driver.
Meanwhile, agricultural exports are expected to recover, supported by higher prices and tighter supply conditions.
However, U.S. Section 301 tariffs remain a key risk to exports in certain industries. Particularly rubber, auto parts, machinery, and equipment.

Global Trade Volume Forecast for 2026

Unit: %YOY

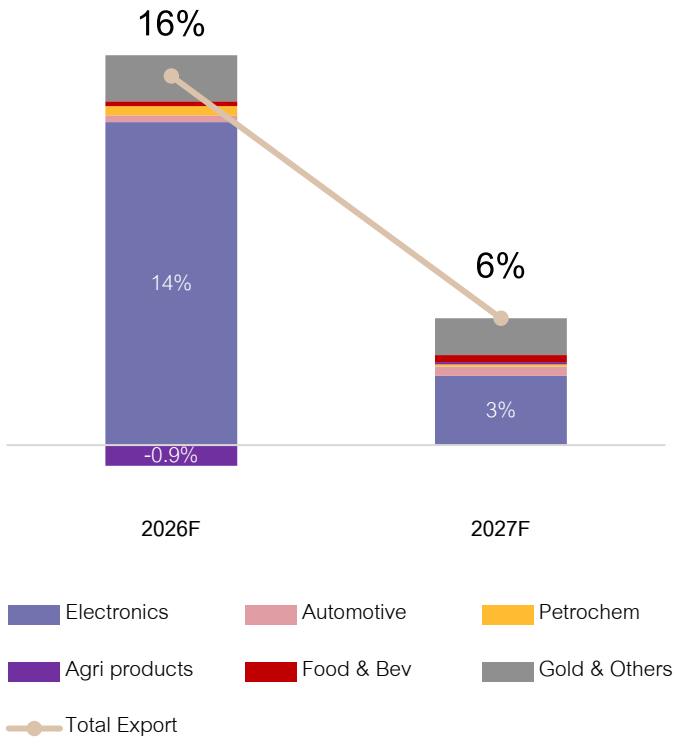


The IMF and World Bank have raised their forecasts for global trade volume in 2026.

- AI-related trade is stronger than expected.
- U.S. import tariffs are lower than expected, while negotiations on new trade agreements are progressing.
- Trade diversion and supply-chain adjustments have strengthened global trade resilience.

Thailand Export Value Forecasts for 2026 and 2027

Unit: % Contribution to growth (Stacked)
% YoY growth (Line)



Outlook for Key Export Products in 2027

Electronics

Continued expansion, though moderating from the high base in 2026.

- Investment by technology companies has accelerated significantly in recent years.
- Demand for electronic products and electrical appliances continues to grow alongside the global economic expansion.

Auto & Parts

Modest growth with downside risks.

- Uncertainty in demand within Middle Eastern markets.
- Risks from Section 301 tariff measures related to excess capacity. Particularly tires and auto parts.
- Competition from Chinese automakers is expected to intensify across key markets.

Agriculture

Moderate recovery, with prices serving as the key supporting factor.

- Global agricultural supply is likely to remain tight due to El Niño impacts.
- Thailand is expected to face a smaller impact on production than Indonesia and Malaysia, which are facing additional pressure from wildfires.
- Thailand may benefit from higher agricultural commodity prices, especially for rubber and palm oil.

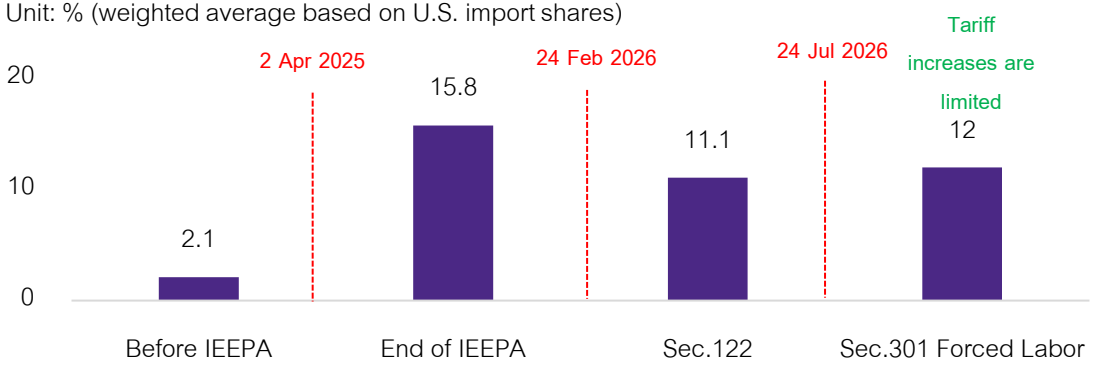
Source: SCB EIC analysis based on data from CEIC and the Ministry of Trade.

Thai exports face limited impact under Section 301 forced-labor measures. However, the U.S. is likely to impose additional Section 301 tariffs on other issues to pressure Thailand to accelerate trade agreement negotiations.

Thai exports face limited impact under Section 301 forced labor measures.

Average U.S. Import Tariff on Thai Goods under WTO Rules

Unit: % (weighted average based on U.S. import shares)



Exempt from both Section 301 and Section 232 import tariffs (63% of Thai exports to the U.S.).

Such as semiconductors and electronics

Certain agricultural and food products

These products cannot be sufficiently produced domestically and are important to supply chains and manufacturing, such as **electronics (52.3% of Thai exports to the U.S. in 7M2026).**

Exempt from Section 301 tariffs but subject to other tariffs such as Section 232 (9% of Thai exports to the U.S.).*

Such as
- Such as passenger vehicles and auto parts
- Steel, aluminum, and copper
- Wood, wood products, and wooden furniture
- Commercial aircraft, jet engines, and components

Subject to a 12.5% tariff under Section 301 labor-related measures (28% of Thai exports to the U.S.).*

Such as
- Such as gems and jewelry
- Apparel
- Seafood and processed seafood products
- Rice
- Animal feed

The U.S. is likely to use additional Section 301 tariffs on other issues to pressure Thailand to expedite a trade agreement.

- Thailand's trade surplus with the U.S. increased, ranking 5th in 7M26 (compared with 10th in 2024 and 7th in 2025).
- Thailand risks facing higher additional U.S. tariffs than many trading partners, as it is one of 16 countries under investigation for Structural Excess Capacity.
- The U.S. is expected to announce the initial tariff rate in September, giving Thailand an estimated 1-2 month window to negotiate with the United States. Before the U.S. announces the final tariff rate (based on the Section 301 forced labor timeline).
- Additional Section 301 tariffs remain highly uncertain, as the U.S. can still launch investigations into other issues.

As Thailand has not yet reached a trade agreement (ART) with the U.S. SCB EIC expects additional U.S. import tariffs on Thailand under Section 301 to occur in two stages.

Step 1: Significantly higher than current tariff levels. The U.S. may announce substantially higher tariffs on Thai imports to encourage Thailand to accelerate a trade agreement.

Step 2: Returning to a level close to the previous 19%. Thailand reaches an ART agreement and faces an overall U.S. tariff rate of around 19%, similar to the level before IEEPA was revoked.

The severity of the impact depends on two key factors.

The time required to reach an agreement exceeds the timeframe set by the United States. If Thailand takes more than 1-2 months to reach an agreement, it may face higher tariff rates than regional competitors for a period of time.

The final tariff rate imposed by the U.S. on Thailand. If Thailand faces higher tariff rates than key competitors in export markets, there is a risk of losing market share.

Thailand may face significant trade-offs in reaching a trade agreement. *Thailand may need to accept more U.S. conditions, which could affect certain domestic producers and industries.*

Note: * Based on an interview with Dr. Kirida Bhaopichitr on the Money Chat program, "How Should Thailand Respond? The U.S. Is Poised to Raise Tariffs Further, Not Just 12.5%: Will Thailand Adapt or Fall Behind?"

Source: SCB EIC analysis based on data from the Ministry of Commerce, Global Trade Alert, USTR, and The White House.

In addition, Thai exports face a higher risk of U.S. scrutiny after Thailand was classified as Tier 2 in The Great Transshipment Scam report. Thai exports also face the risk of tariffs on electronics under Section 232 and potential trade-offs arising from an ART agreement.

Thailand is classified as Tier 2: Scale Leaders, Significant Economic Integration with China, according to The Great Transshipment Scam report. In other words, a group of countries with high levels of Chinese transshipment and strong supply-chain linkages with China.

Implications for Thai Trade

Rule of Origin: Thai manufacturers that rely on raw materials or production inputs linked to China may need to find alternative supply chains, resulting in higher production costs.

Additional Trade Penalties: Thailand may face trade-restrictive measures and be subject to additional import tariffs.

Increased Compliance Requirements: Thai exporters and products may face stricter scrutiny of shipping routes and production capacity, potentially causing delays.

Agreement on Reciprocal Trade (ART)

A bilateral trade agreement framework of the U.S. government **that grants trading partners preferential tariff treatment in the U.S. market in exchange for market opening, regulatory reforms, and commitments related to economic security.** Under such arrangements, the U.S. typically seeks commitments from partner countries in areas such as:

Open the market to U.S. products.
Reduce or eliminate tariffs on U.S. goods and lower non-tariff barriers.

IP / regulatory reform
Strengthen intellectual property protection and reform regulations to reduce barriers to U.S. businesses.

Economic Security Alignment
Cooperate with the United States on investment screening and the prevention of transshipment practices or tariff circumvention.

Labor / Forced Labor
Strengthen restrictions on imports produced using forced labor.

Open Digital Trade
Reduce restrictions on digital trade, such as refraining from imposing digital taxes that discriminate against U.S. companies.

U.S. purchases
Increase imports from the U.S., such as energy, agricultural products, and aircraft.

Watch for potential U.S. tariffs on imported electronics under Section 232 in the future.

- Certain electronic products are currently subject to a 25% import tariff* (under Section 232; effective 15 Aug 2026), while most semiconductor products remain exempt.
- Going forward, the U.S. is likely to expand the scope of Phase 2 semiconductor tariffs by late 2026, extending from AI chips to servers, laptops, and gaming consoles. However, significant uncertainty remains due to concerns over the potential impact on domestic AI investment.

Potential Benefits for Thailand from ART with the U.S.

- **Lower import tariffs:** Indonesia, Malaysia, and the United Kingdom have ART arrangements and receive a 10% tariff under Section 301 forced labor measures (compared with Thailand's 12.5%).
- **Thai products may receive broader tariff exemptions,** similar to competitors that already have ART agreements.
- **Reduce the risk of additional tariff measures:** such as Section 301 actions related to Structural Excess Capacity.

Potential Risks for Thailand from ART with the U.S.

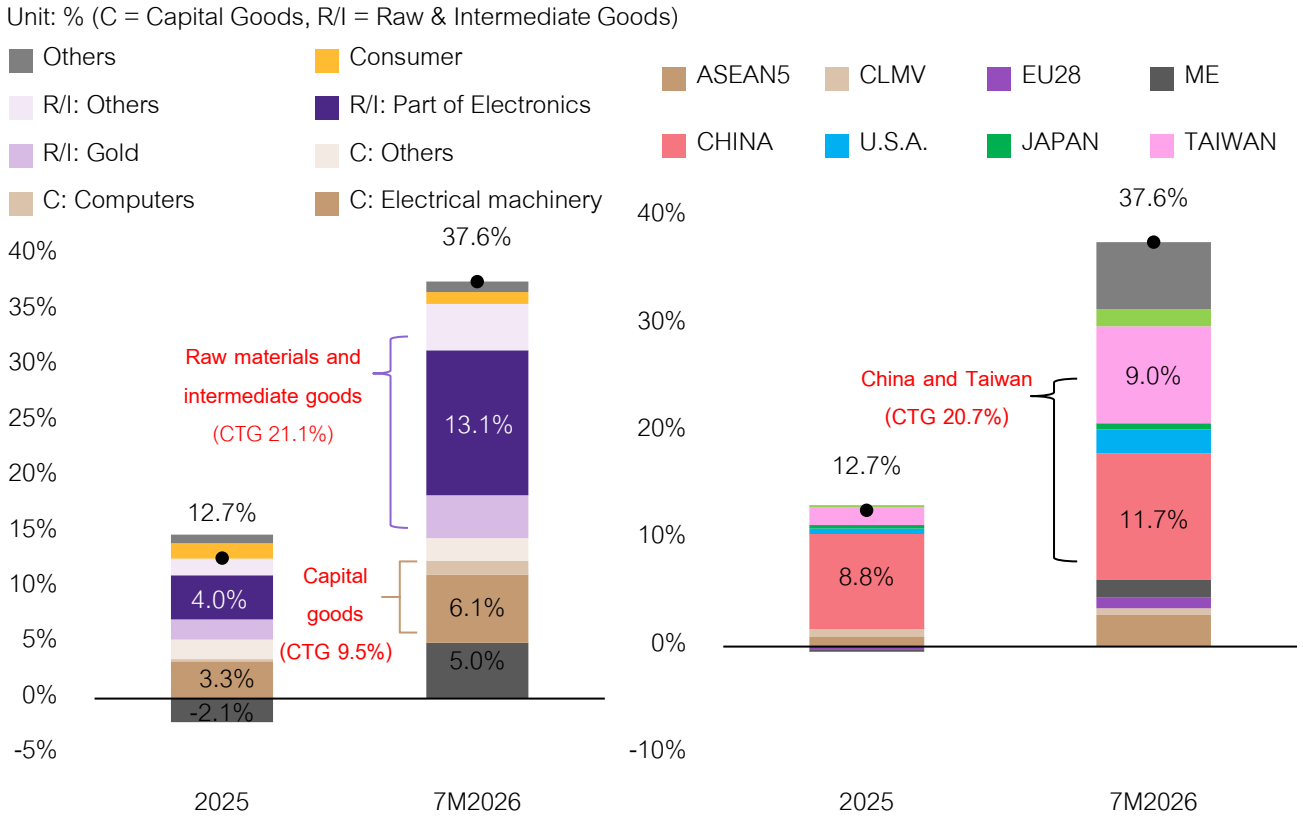
- **Thailand faces a higher risk of a widening trade deficit** as a result of greater market access for U.S. products.
- **Domestic producers may face stronger competitive pressure,** particularly in sectors that have traditionally been protected, such as agriculture.
- **Relations with other trading partners** could be affected, as Thailand may face pressure to align more closely with U.S. interests when implementing FTAs.

Therefore, under an ART agreement, Thailand should adopt a gradual approach to market liberalization to allow domestic producers time to adjust in the short term. At the same time, Thailand should open its market to U.S. products that are not sufficiently produced domestically, or that serve as raw materials and capital goods that strengthen supply chains and reduce production costs.

Note: *The U.S. has imposed a 25% Section 232 tariff on certain advanced semiconductor products, particularly high-performance computing chips such as NVIDIA H200 and AMD MI325X. However, products used in specific applications, such as U.S.-based data centers and research & development activities, may remain exempt.
Source: SCB EIC analysis based on data from the Ministry of Commerce, foreign customs authorities, and the White House.

Strong export growth does not provide significant support to the Thai economy, mainly because of heavy reliance on imports, putting pressure on the trade balance and current account balance, which are likely to remain in deficit this year.

Contribution to Growth of Thailand's Imports by Product and Market



Thailand's import value in 2026 is projected to grow by as much as 28% (previous forecast: 16.9%).

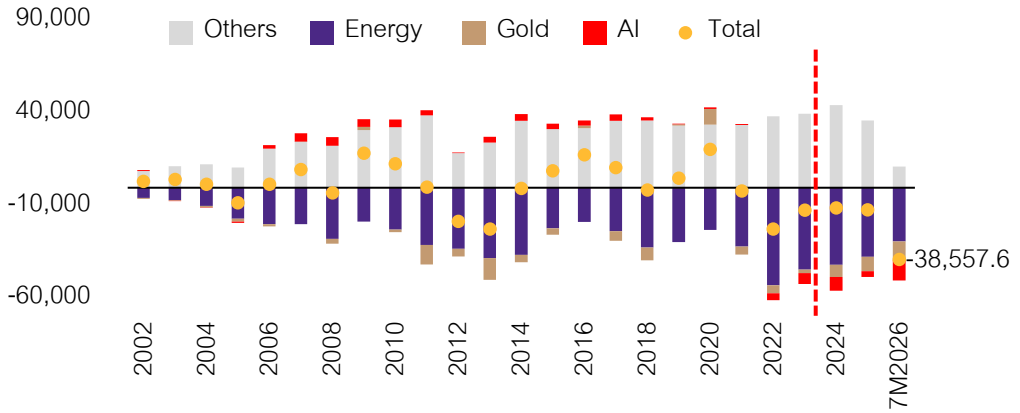
Main reasons:

1) **Imports for production and exports**, particularly electronics-related products.

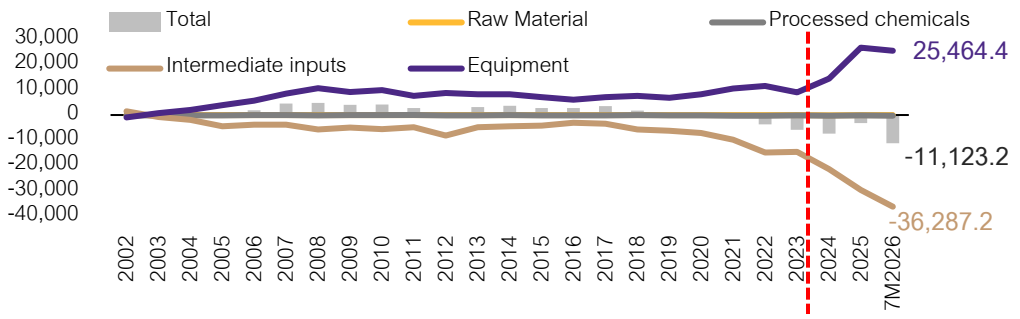
2) **Imports of capital goods**, in line with rising investment trends.

3) **Impacts from geopolitical conflicts** have increased freight costs and prices of energy-related goods.

Thailand's Trade Balance (Customs Basis) (Million USD)



Thailand's Trade Balance (Customs Basis) (Million USD)



Thailand's trade deficit in AI-related products has widened this year because imports of certain products have increased significantly.

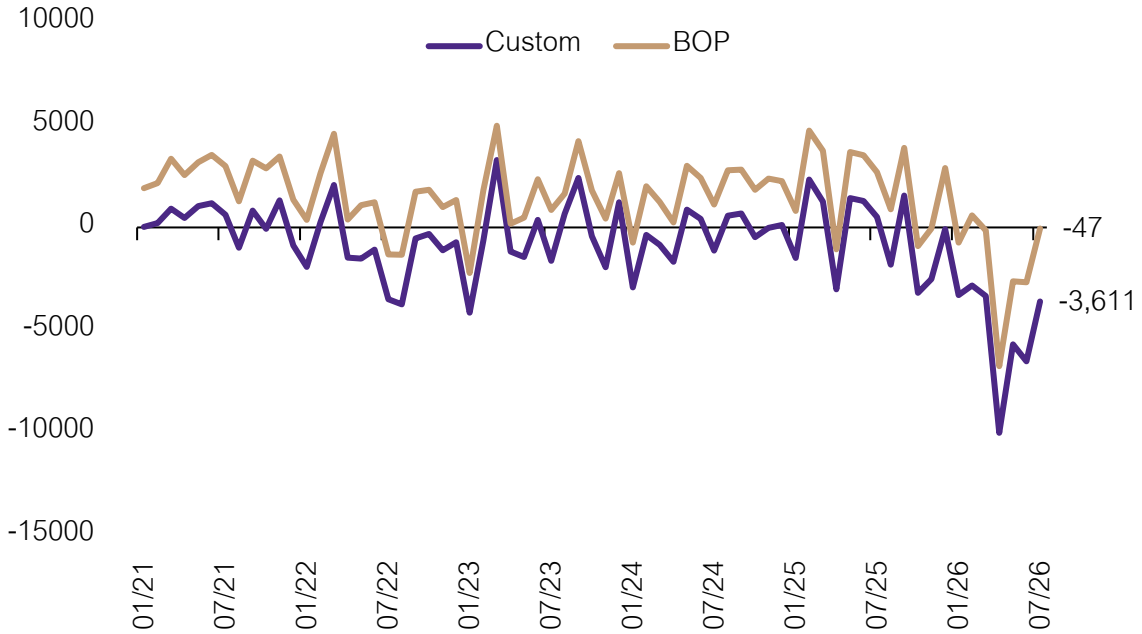
- **Trade deficit in Intermediate Inputs**, especially processors, controllers, and electronic circuits.
- **Trade surplus in Equipment**, including data communication and networking devices, and computer storage devices such as HDDs.

Source: SCB EIC analysis based on data from the Ministry of Commerce, Trade Map, UNCTAD, and the WTO.

The trade balance and current account balance are likely to remain in deficit simultaneously this year, due to (1) the impact of the Middle East conflict and (2) new structural factors causing higher import penetration of goods and services.

Thailand's trade balance improved in July, but the cumulative deficit remained high in 7M26.

Unit: Million USD (Ministry of Commerce and Bank of Thailand)

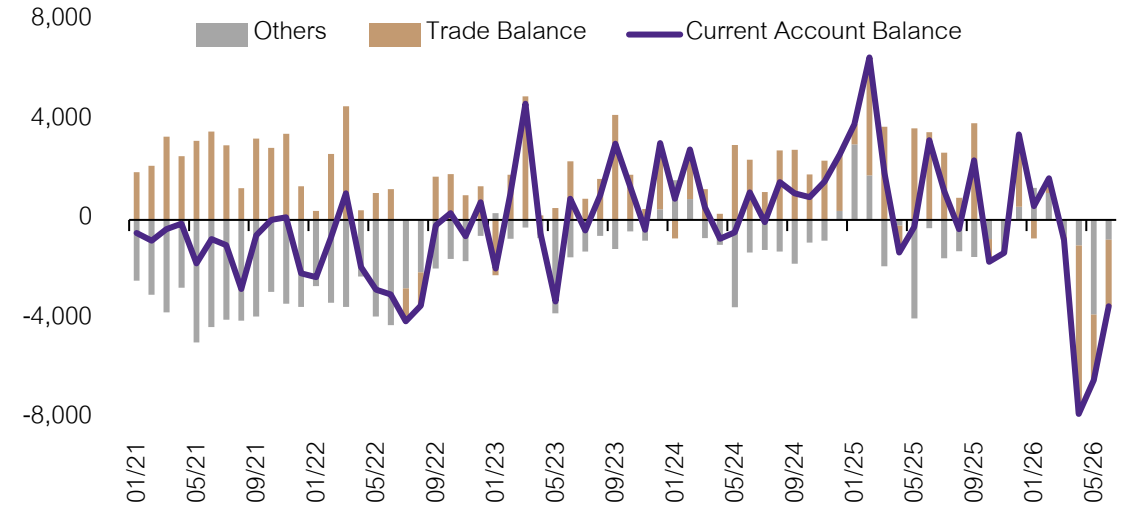


Mn USD	May-26	Jun	Jul	YTD	2026F (%GDP)
Trade Balance (Customs Basis)	-5,711.4	-6,534.7	-3,610.5	-35,354.5	n.a.
Trade Balance (BOP)	-2,632.3	-2,673.8	-46.9	-12,425.3	-1.2% to -1.7%
Current Account Balance (BOP)	-6,431.6	-3,473.8	-1,558.8	-17,837.2	-2.5% to -3%

Source: SCB EIC analysis based on data from the Ministry of Commerce and the Bank of Thailand.

The current account balance improved in July, but is still expected to record a large deficit for the full year.

Unit: Million USD (Bank of Thailand)



- In July, both the trade balance and current account balance remained in deficit, but improved during the temporary ceasefire period. However, the risk of a wider deficit has increased as the conflict has intensified and may become prolonged.
- The trade balance and current account balance show signs of running simultaneous deficits this year, with the trend expected to continue into 2027.

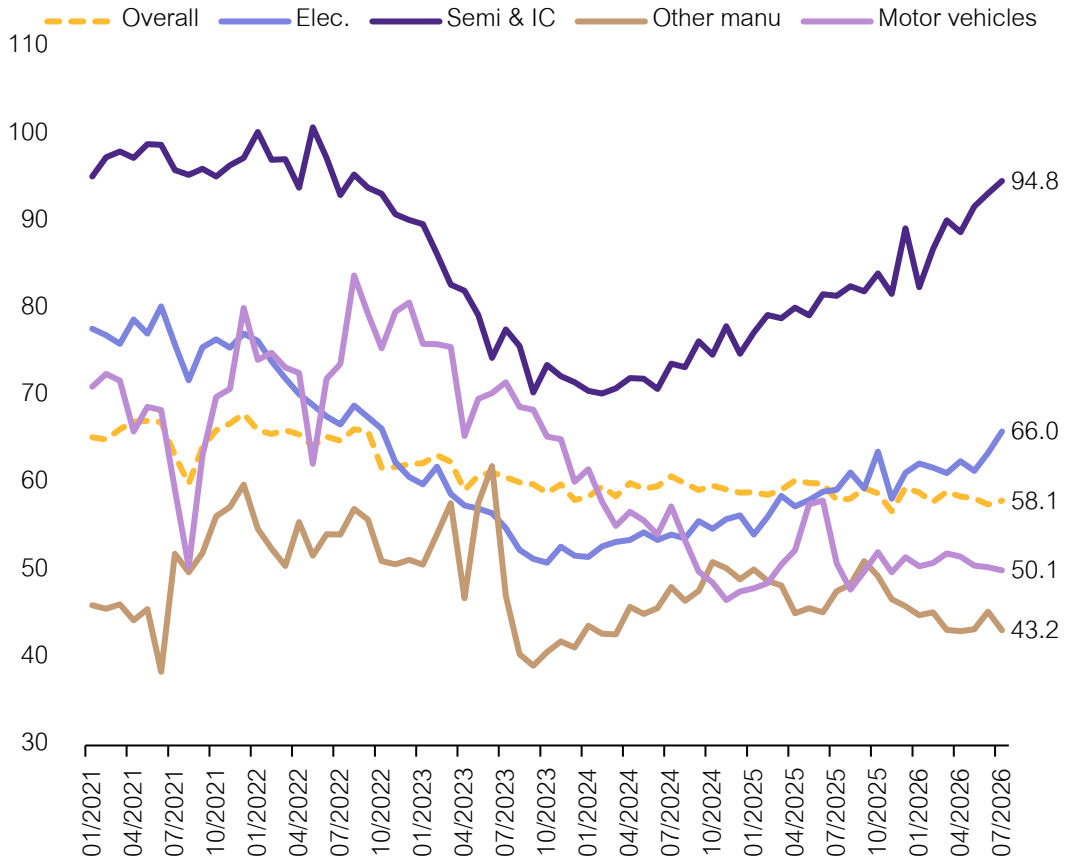
1. Impact of the Middle East conflict, including higher energy imports, increased tourism costs, rising transportation costs, and a slowdown in the global economy.

2. Thailand's structural trend shows higher import penetration through: (1) production, exports, and investment in the digital and electronics sectors, which rely heavily on imported raw materials and machinery; and (2) increased use of foreign digital services, such as subscriptions.

Although exports and private investment have become the main drivers of the economy, the benefits remain concentrated in a few industries, particularly the digital and electronics sectors, resulting in an uneven recovery across the manufacturing sector.

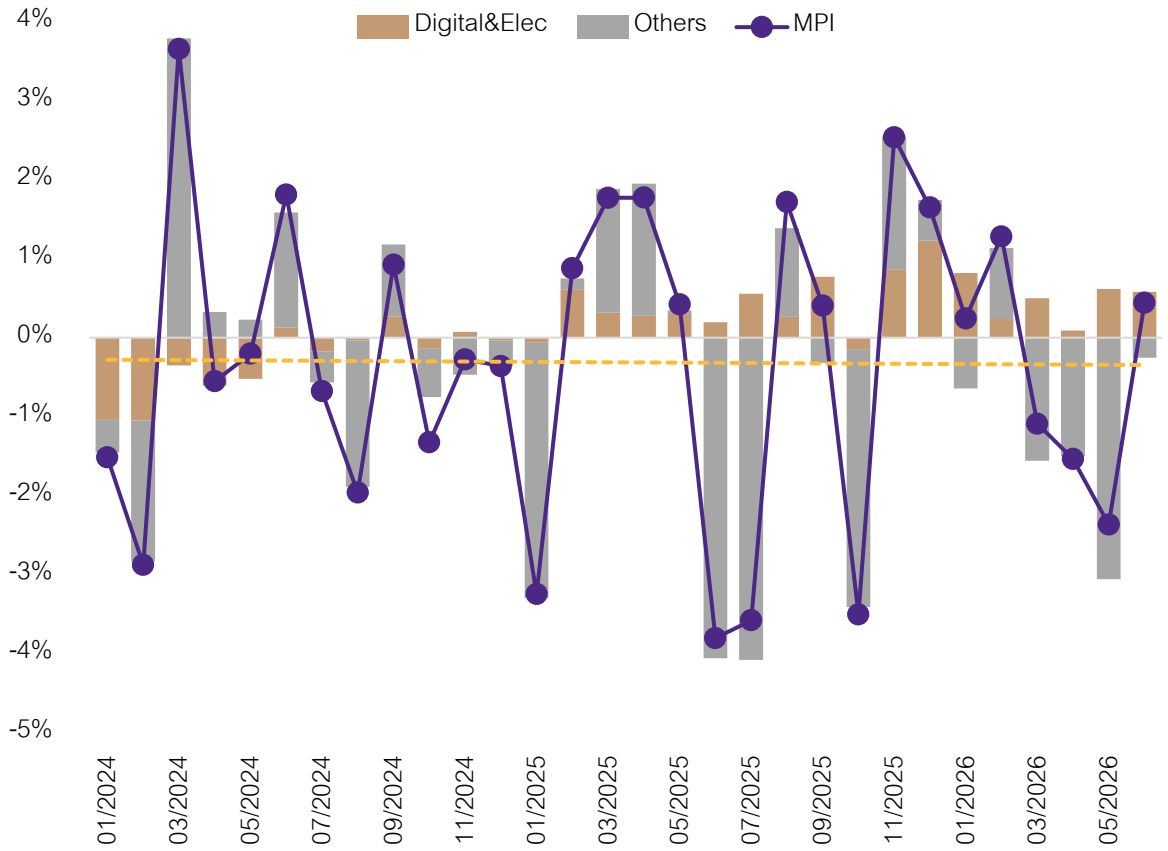
Capacity utilization in the electronics sector continues to recover, while production capacity utilization in other industries remains weak.

Unit: % (FTI)



Industrial Production Index (MPI) remains weak, while the digital and electronics sectors continue to support overall manufacturing activity.

Unit: % contribution to change, seasonally adjusted (the sum of the two components may not equal the overall figure in some months) (OIE).

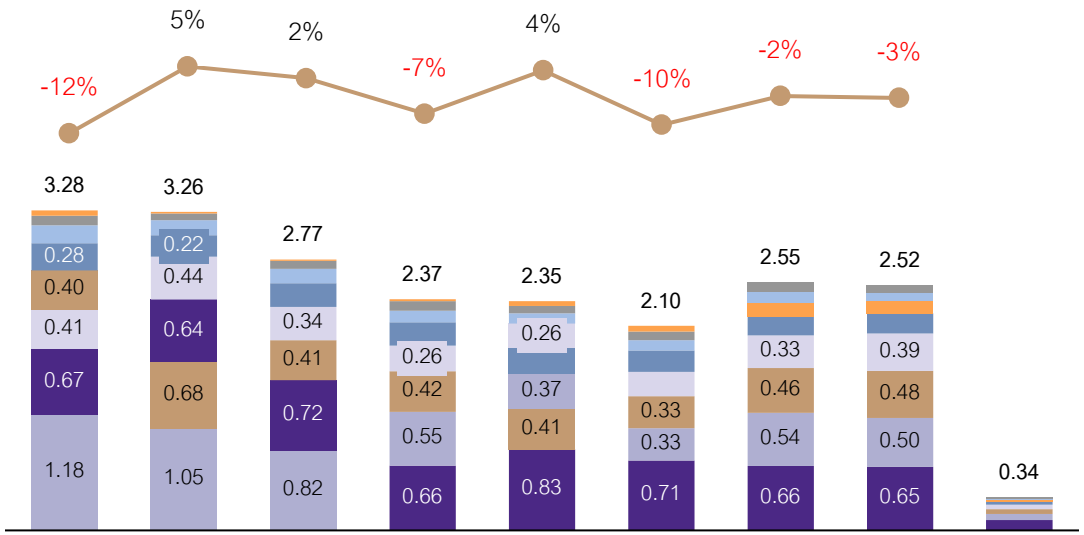


Source: SCB EIC analysis based on data from the Office of Industrial Economics (OIE) and the Federation of Thai Industries (FTI).

In 2026, Thailand has already welcomed more than 21.2 million foreign tourists, with several tourist groups showing stronger recovery, while Asian tourists remain vulnerable. Nevertheless, tourist spending continues to increase

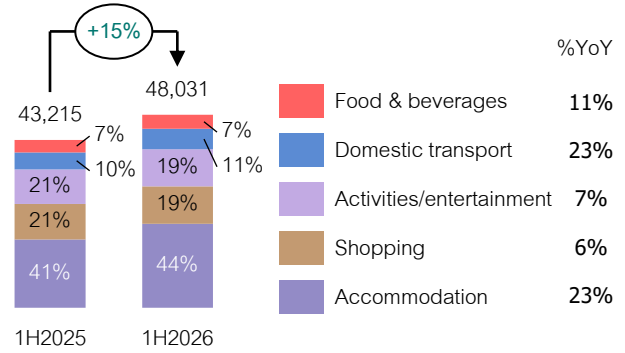
Foreign tourist arrivals in Thailand in 2026

Unit: Million persons, %YoY



			8M2026	Jan	Feb	Mar	Apr	May	Jun*	Jul	Aug	1-5 Sep
Groups with continued growth		China (16%)	16%	-40%	82%	38%	32%	33%	7%	9%	18%	
Groups with strong recovery		Americas (5%)	1%	2%	0%	-2%	-2%	4%	-1%	3%	3%	
		Europe (31%)	1%	10%	5%	-4%	-6%	0%	-4%	6%	1%	
		Others (3%)	-2%	-5%	-7%	7%	-5%	-4%	1%	0%	1%	
		Middle East (1%)	-9%	6%	-51%	-33%	-57%	-2%	-27%	9%	15%	
Vulnerable groups		South Asia (8%)	-1%	23%	6%	9%	-2%	-3%	-9%	-15%	-10%	
		N.E Asia (13%)	-8%	-18%	0%	-3%	-4%	-5%	-14%	-8%	-10%	
		ASEAN (23%)	-14%	-23%	6%	6%	-2%	0%	-17%	-11%	-13%	

Foreign tourist spending based on the TAT survey (Unit: THB/person/trip)



Foreign tourist arrivals in Q4 are expected to gradually increase as the high season begins

- \+ **Winter Schedule flights are increasing,** largely driven by flights from India and Europe.
- \+ **Upcoming events and festivals,** such as the Lantern Festival, Tomorrowland Thailand and EDC Thailand.
- \- **Prolonged conflicts in the Middle East,** which affect travel costs and the economies of several countries.
- \- **Tourism war in Asia,** including Vietnam, Malaysia and Japan, which are stepping up marketing efforts and adding more flights.

Note: *Data during 22-25 Jun 2026 are preliminary estimates

Source: SCB EIC analysis based on data from the Ministry of Tourism and Sports, TATIC and AOT.

The tourism war across Asia remains intense, as many countries aggressively reshape their strategies to attract high-value visitors amid increasing volatility in international tourist arrivals

The tourism war in Asia remains intense across Japan, Thailand, Vietnam, South Korea and Malaysia

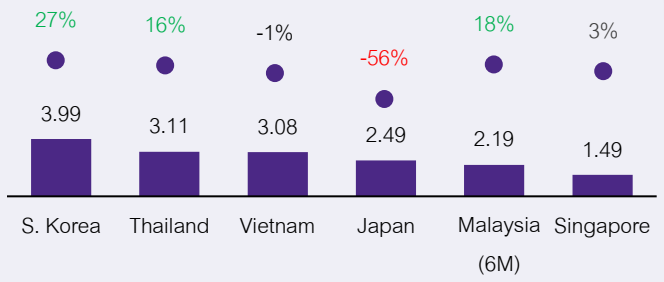
Foreign tourist arrivals by country (7M26)	Number (million persons)	Growth compared to the previous year (%YoY)								Market share in East Asia*	
	YTD	%YTD	Jan	Feb	Mar	Apr	May	Jun	Jul	2025	1H26E
Japan	24.5	-2%	-5%	6%	3%	-6%	-4%	-7%	0%	17.8%	17.2%
Thailand	18.7	-3%	-12%	5%	2%	-7%	4%	-10%	-2.5%	13.7%	13.2%
Vietnam	13.9	14%	19%	18%	1%	23%	16%	15%	7%	8.8%	10%
S. Korea	12.8	20%	0%	26%	27%	19%	20%	23%	21%	7.9%	8.7%
Malaysia (6M)	12.8	0%	-8%	20%	0%	1%	-3%	-5%		11.1%	10.5%

Competition for Thailand's key target tourist markets is likely to intensify from Asian competitors.

Chinese tourists

Chinese tourists increasingly diversified their destinations across countries during 7M.

Unit: Million persons, %YoY



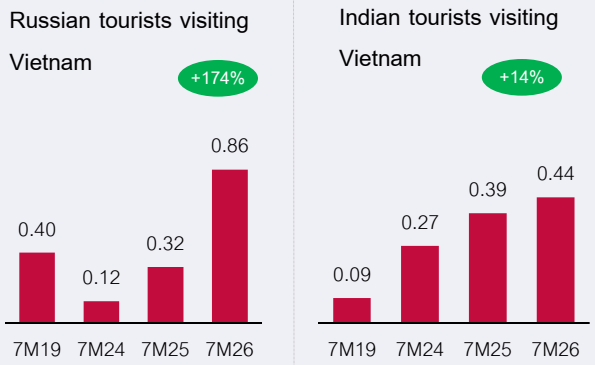
Share of Chinese tourists

S. Korea	Thailand	Vietnam	Japan	Malaysia (6M)	Singapore
36%	17%	22%	10%	19%	21%

Russian and Indian tourists

Vietnam has emerged as a key competitor to Thailand.

Unit: Million persons, %YoY



Note: Estimated based on foreign tourist arrivals across 11 East Asian countries.

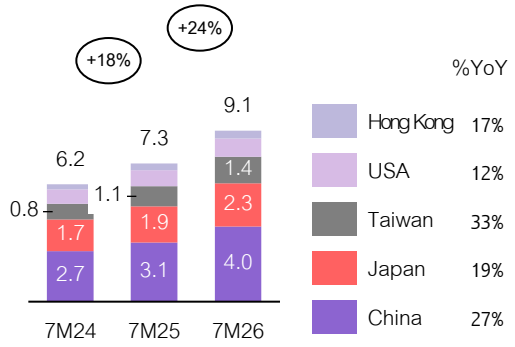
Source: SCB EIC analysis based on data from the Ministry of Tourism and Sports, CEIC and Yanolja Research.

South Korea's tourism continues to expand strongly even amid the Middle East crisis.

- Tourist arrivals have shown strong growth.

Top 5 foreign tourist markets visiting South Korea

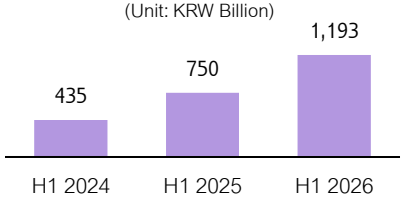
(Unit: Million persons, %YoY)



- Strong soft-power trends are attracting tourists, particularly through K-Pop and K-Drama.
- Growth in medical tourism (K-Beauty).

Cosmetic surgery spending by foreign visitors

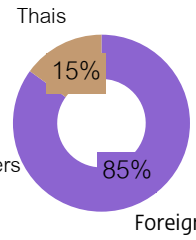
(Unit: KRW Billion)



Events and soft-power trends are another key driver attracting tourists to Thailand.

- Large-scale music festivals

Share of Tomorrowland Thailand ticket buyers (150,000 tickets)



Including Malaysia, Singapore, Australia, Europe and the U.S.

- International concerts in Thailand, including K-pop and Chinese artists with large fan bases, with more than 250–300 concerts and fan meetings by international artists held in Thailand annually.
- Thai soft power, such as Lisa, T-Pop, and Boys' Love & Girls' Love series, which have fan communities worldwide across Asia, South America, Europe and North America.

Uncertainty surrounding foreign tourist arrivals has prompted Thailand to broaden its strategy beyond toward the Visitor economy, aiming to become a destination for visitors with more diverse purposes.

The Visitor economy concept is being adopted to attract foreign visitors by deepening existing specialized services to better address the specific needs of different visitor segments.



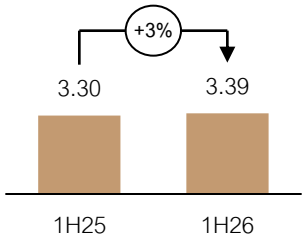
Examples of the Visitor economy by purpose

- Leisure visitor
- MICE
- Medical & Wellness
- Education
- Concert
- Sport
- Film & Series
- Business
- VFR (visit friends & relatives)
- Long-term stay

Each foreign visitor segment generates relatively high revenue for the country.

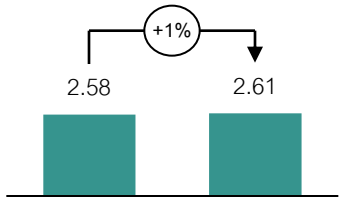
MICE

Revenue from foreign event participants (THB ten billion)



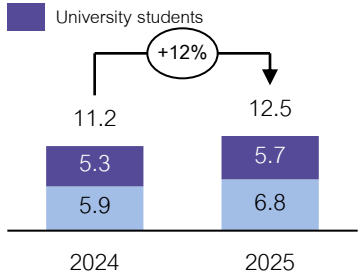
Medical tourism

Revenue from foreign patients* (THB ten billion)



Education

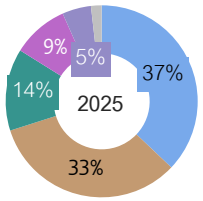
Number of foreign students (ten thousand persons)



Examples of countries adopting the Visitor economy concept and revenue shares by visitor purpose

Australia

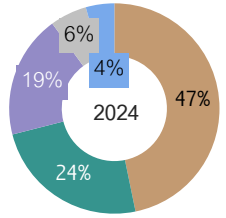
THRIVE 2030:
The Re-imagined Visitor Economy



- Enhance visitor experiences.
- Generate economic benefits and distribute income across regions.

UK

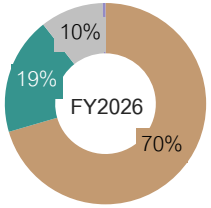
VisitBritain, VisitEngland



- Promote British film and television to stimulate travel.
- Enhance destination management.

New Zealand

Tourism Policy Statement 2026



- Stimulate demand through marketing.
- Upgrade supply to enhance both quality and visitor experiences.

Holiday | Education ** | Business | VFR | Employment | Others

Additional policies Thailand may consider through public-private collaboration to advance the Visitor economy

Strategy	Current policies	Additional policies to consider
Creating greater value from visitors	• Target high-value segments such as Wellness, Sport/Events and MICE.	• Develop a Visitor Intelligence Platform that integrates data from government agencies and businesses for strategic planning and coordination.
Developing the supply side to meet the needs of each visitor segment	• Develop new tourist attractions and promote sustainable tourism.	• Adopt destination management coupled with infrastructure development.
Distributing tourism income to local economies	• Promote secondary cities and community-based tourism destinations.	• Co-develop products and services with local businesses to better attract visitors.

Note: *Calculated based on four major hospital groups: BDMS, BH, BCH and PR9. **For Australia, only stays of less than six months are included.
Source: SCB EIC analysis based on data from the Ministry of Tourism and Sports, UK Tourism, Australia, and Ministry of Business Innovation & Employment New Zealand.

Government spending has received an additional boost from the THB 400 billion emergency borrowing decree, but its role will gradually diminish due to increasingly evident fiscal constraints, reflected in the contraction of the 2027 public investment budget framework and public debt approaching the ceiling.

Assumptions for disbursement of funds under the THB 400 billion borrowing decree

THB billion	Disbursement (%)	Original FY2026	Revised	Original FY2027	Revised
Relief program	198 (99%)	198	198 ▬	-	- ▬
Transition program	190 (95%)	76	32 ⬇	114	158 ⬆
Total	388 (97%)	274	230 ⬇	114	158 ⬆



Relief program

- Thai Help Thai Plus and welfare card top-up program (Jun-Sep 2026)
- Remaining funds may be used to extend existing measures by 1-2 months (Q4)

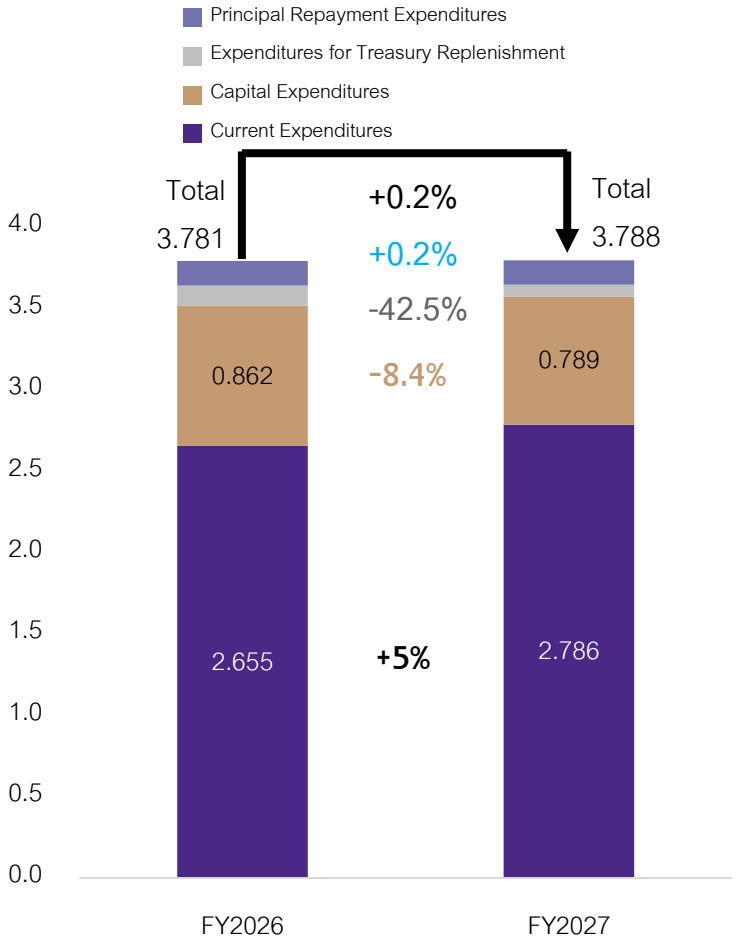


Transition program

- Details remain unclear
- Expected to support household solar systems and public EV transportation
- Part of the budget may be reallocated to the relief program.

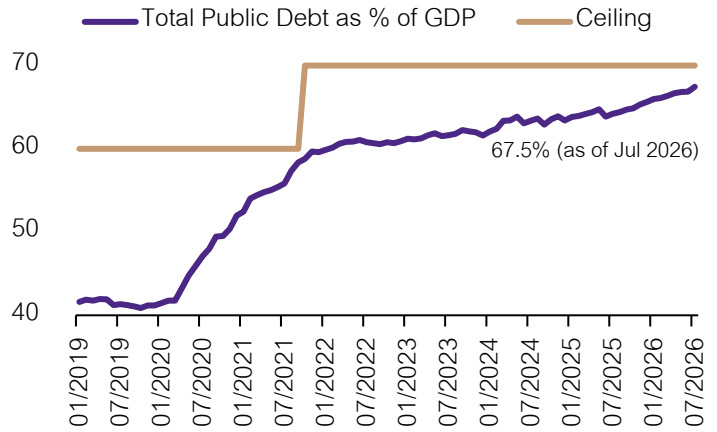
Expenditure budget framework for fiscal years 2026-2027

Unit: THB trillion



Public debt is projected to rise and approach the 70% ceiling in 2027.

Unit: %GDP

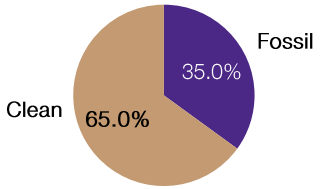
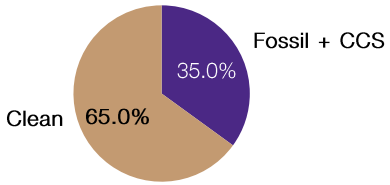
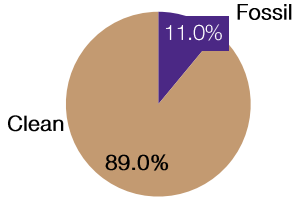
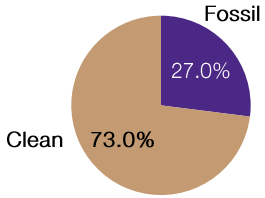
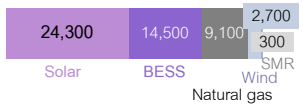
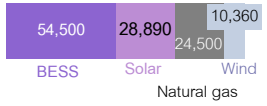
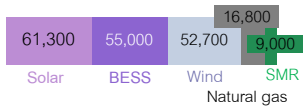
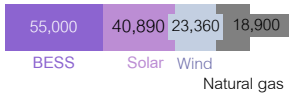


Fiscal Constraints	Thailand's Fiscal Rules	FY27 Budget
Budget Deficit Financing	Not exceeding 20% of the budget plus 80% of principal repayment expenditures	About THB 90 billion remaining
Principal Repayment Expenditures	Not less than 4% of the budget	4%
Capital Expenditure Ratio	Not less than 20% of the budget	20.8%
	Not less than the budget deficit financing amount	Slightly higher (around THB 1.2 billion)

Source: SCB EIC analysis based on data from the Government, the Office of the National Economic and Social Development Council (NESDC), the Comptroller General's Department, and the Bureau of the Budget.

Draft PDP 2026 targets at least 65% clean electricity and expands energy infrastructure to achieve Net Zero This implies sustained high investment in power grids and clean power plants in both the short and long term (2027-2050)

Government proposes 4 options for the PDP plan

	Option 1 (base case)	Option 2 Net zero with CCS	Option 3 Net zero with RE	Option 4 Net zero with RE + CCS
Estimated power generation mix				
GHG emissions	51.5 million tonnes	19.1 million tonnes	16.6 million tonnes	19.1 million tonnes
Additional generation capacity (MW)	50,900 	118,250 	194,800 	138,150 
Average electricity tariff (Baht/unit)	3.8267	3.8859	3.8297	3.8364
Government investment in power grid	THB 360 billion		THB 700 billion	THB 500 billion

Power infrastructure development policies under Draft PDP 2026

- Liberalize Third Party Access (TPA) and Direct Power Purchase Agreements (Direct PPA) for data centers and large electricity users pursuing carbon reduction targets.
- Develop Smart Grid electricity networks
- Develop Virtual Power Plant (VPP) and Demand Response (DR) markets to improve power generation and electricity consumption efficiency
- Support development of SMR nuclear power, CCS, and hydrogen

Implications for the economy and industry

- Increase public sector (state enterprise) investment in power grids by at least THB 360 billion during 2026-2050: Upgrade the power grid into a Smart Grid to support Direct PPA, Third Party Access (TPA), and Demand Response (DR)
- Increase private-sector investment in power generation continuously throughout 2027-2050. During 2027-2037 (10 years), investment in clean energy power plants is estimated at around THB 1.1 trillion, while replacement gas-fired power plants are expected to attract about THB 300 billion in investment.
- Attract investment in digital and green industries such as data centers, semiconductors, green electronics & smart devices, and electric vehicles (EVs), supported by a reliable power supply, a rising share of clean electricity in the grid, and the introduction of direct clean electricity trading through Direct Power Purchase Agreements (Direct PPA).
- Reduce electricity price volatility by lowering dependence on imported natural gas. Under the Net Zero RE and RE+CCS scenarios, greater use of domestic gas resources and increased generation from clean energy sources integrated with energy storage systems are expected to enhance energy security and stabilize electricity costs.

Key measures to drive PDP 2026 toward achieving its targets

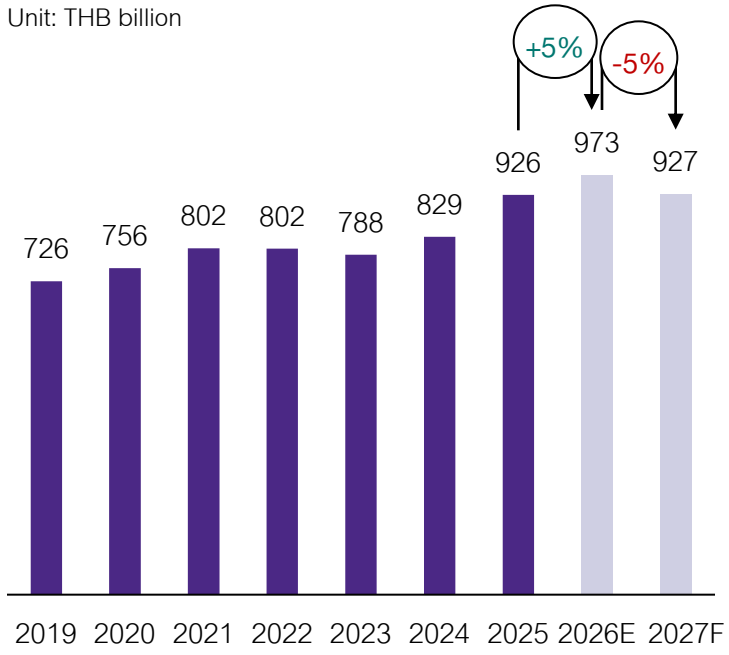
- Establish KPIs and a cross-agency implementation mechanism for the PDP to ensure targets are achieved consistently and to enable timely responses to factors affecting power generation both domestically and internationally.
- Enable private-sector participation in energy infrastructure projects through PPP schemes to attract private investment and reduce the government's fiscal burden, particularly for Smart Grid projects, Battery Energy Storage Systems (BESS), and SMR power plants.
- Revise laws, standards, and regulations to support the development of emerging technologies, including establishing regulatory frameworks for energy storage systems, Demand Response (DR) programs, and developing standards and regulations for Small Modular Reactor (SMR) nuclear power plants.
- Develop Green Finance mechanisms and an Energy Transition Fund to attract both domestic and international investors to support energy transition investments.
- Develop domestic clean energy technology industries and supply chains, including batteries, Smart Grid devices, and nuclear technologies.

Source: SCB EIC analysis based on the Draft PDP 2026 and examples of energy infrastructure development in the United States, Singapore, South Korea, and Denmark.

Public investment disbursement is expected to continue through the remainder of FY2026. However, public construction activity in 2027 is likely to face pressure from the significantly reduced FY2027 capital expenditure budget ceiling.

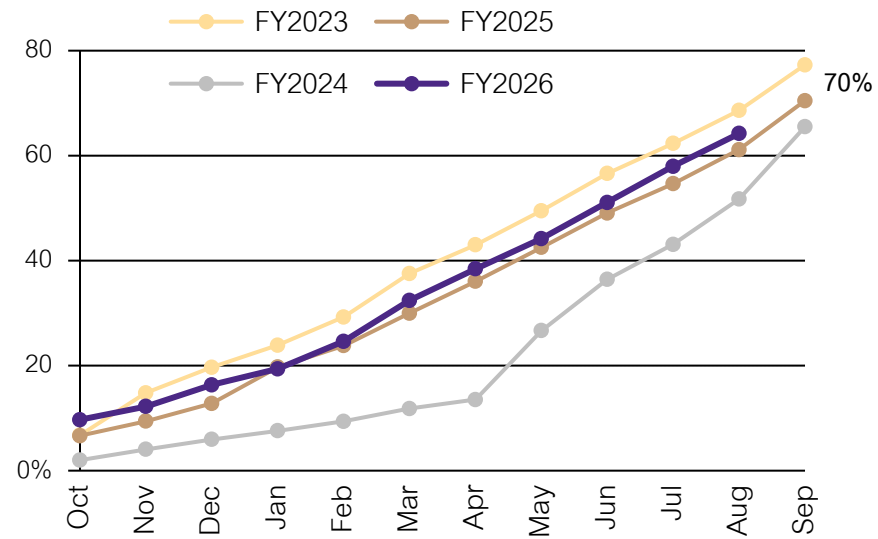
Projected Value of Public Construction (SCB EIC)

Unit: THB billion

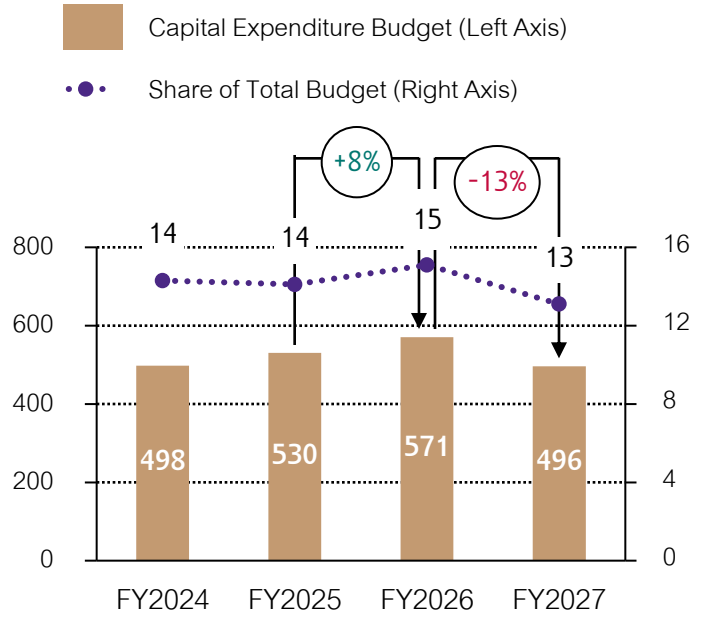


Cumulative Capital Budget Disbursement Rate of Central Government Agencies

Unit: %



Government Capital Expenditure Budget Framework



- **During the remainder of FY2026, capital budget disbursement is expected to continue.** The earlier-than-scheduled completion of the FY2027 budget process should support continued disbursement in Q4.
- **However, the support from public investment in 2027 is expected to weaken,** in line with the FY2027 capital expenditure budget framework, which has been reduced by 13%.

Examples of mega projects expected to be tendered during the remainder of 2026 and in 2027
Bangkok-Nong Khai High-Speed Rail: Phase 2 (Nakhon Ratchasima-Nong Khai)
Double Deck Expressway (Ngam Wong Wan-Rama 9)
Double-Track Railway Phase 2: Chumphon-Surat Thani, Surat Thani-Hat Yai Junction-Songkhla, and Hat Yai-Padang Besar
Phuket Expressway Phase 1 (Kathu-Patong Section)
Suvarnabhumi Airport Capacity Expansion Project for the Eastern Passenger Terminal Area

Source: SCB EIC analysis based on data from the Office of the National Economic and Social Development Council (NESDC), the Comptroller General's Department, and the Bureau of the Budget.

Private consumption has started to weaken despite short-term support from government measures. The sustainability of the recovery will depend on purchasing power as funds from the THB 400 billion emergency decree are gradually exhausted.

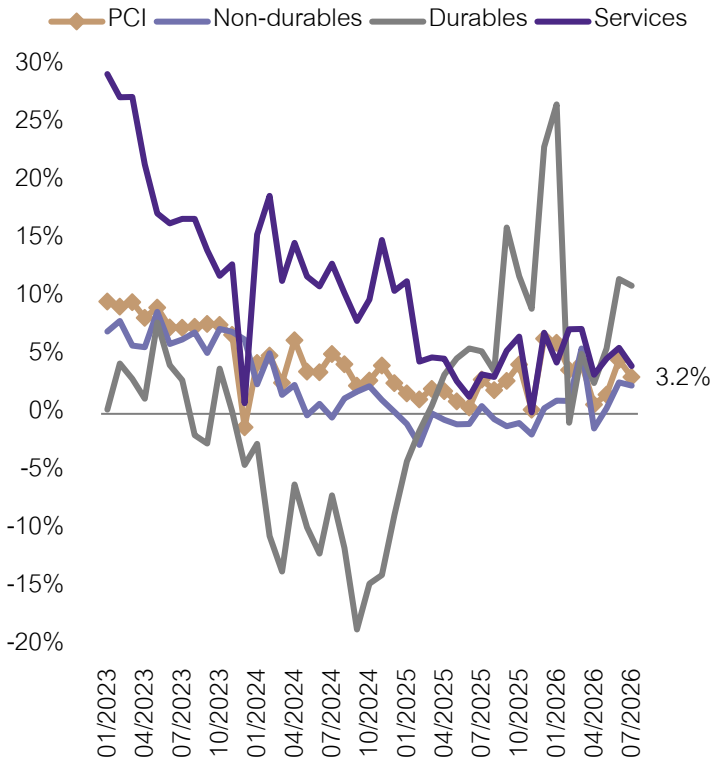
The Private Consumption Index (PCI) began to slow in early Q3 despite support from spending stimulus measures, while durable goods consumption continued to show solid growth.

Although private consumption continues to expand, consumer spending signals remain weak, with the Retail Sales Index contracting for three consecutive months.

Current consumer confidence has declined due to concerns over living costs, debt burdens, and the economy. However, future confidence has improved following government support measures and the “Thai Chuay Thai Plus” program.

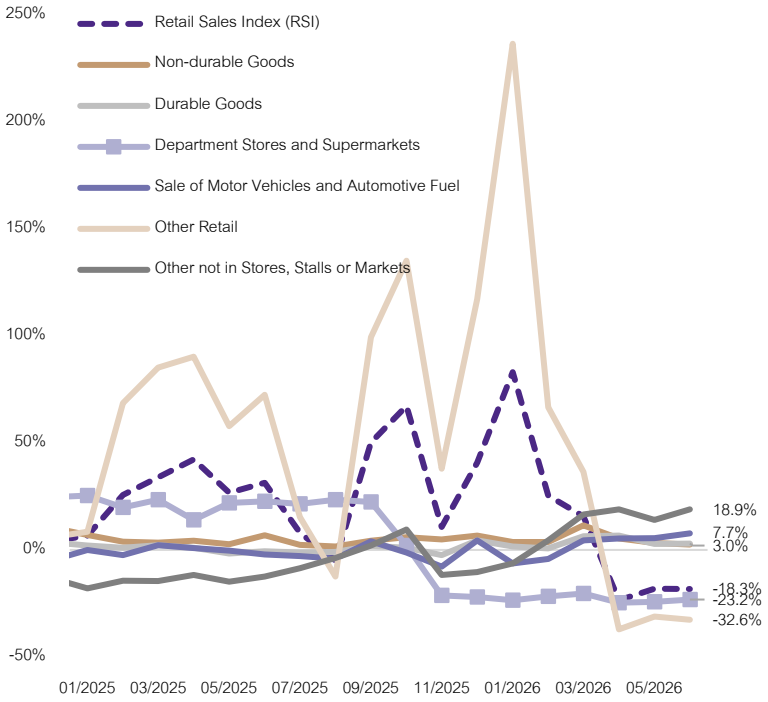
Private Consumption Index (PCI) Begins to Slow

Unit: % YoY (BOT)



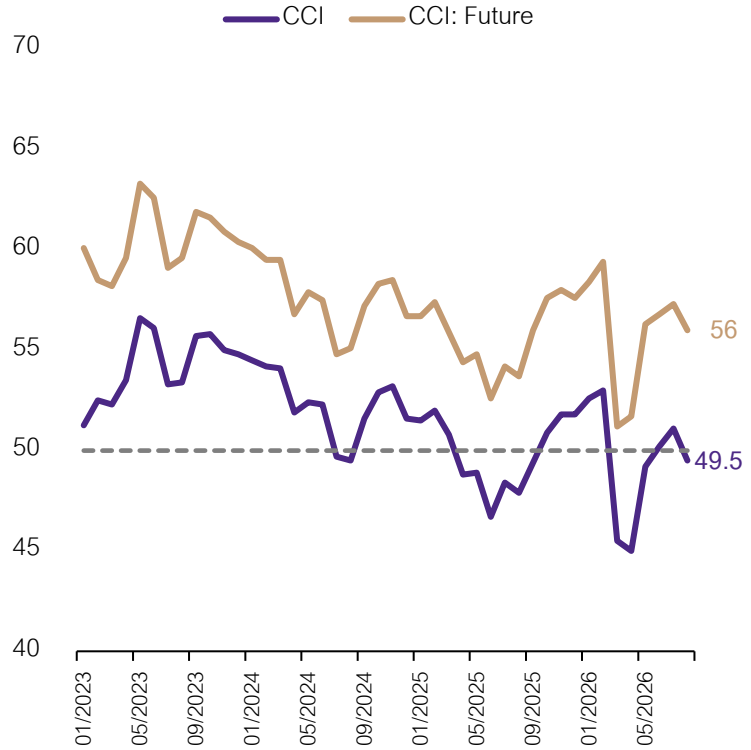
Retail Sales Index (RSI) Contracts for Three Consecutive Months

Unit: % YoY (BOT)



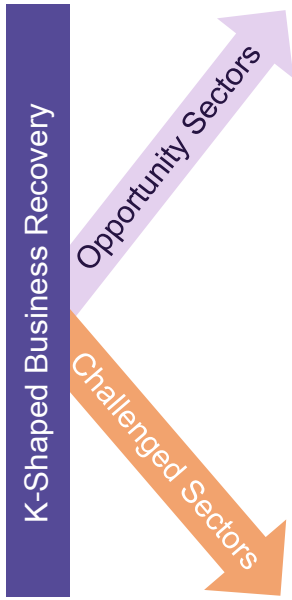
Consumer Confidence Declined for the First Time in August 2026

Unit: Index; Above 50 Indicates Expansion (Ministry of Commerce)



Source: SCB EIC analysis based on data from the Bank of Thailand (BOT) and the Ministry of Commerce.

K-shaped Business Recovery remains concentrated in sectors linked to AI, Green Transition, and Consumer Trends, while some industries continue to face challenges from economic uncertainty and limited capacity for structural transformation.



Digital & AI related / Future industries

- IC/Semiconductor/ PCB Computer & parts/HDD Power electronics
- Biotechnology / Genomics
- Data center Cloud Services Provider
- AI/ Cybersecurity solutions

Supporting Green Transition

- Power (Renewable) & Energy storage
- Auto (xEV & ecosystem)
- Sustainable fuel (e.g. SAF)
- Green logistics
- CCUS as a service Waste management & Recycling

Supporting Global Connectivity

- Smart Eco Industrial estate
- Smart Warehouse

Supporting Consumer Lifestyle Trend

- Functional/Medical food /Alternative protein
- Healthcare Wellness (Preventive, Gastronomy Tourism) Senior care services & devices
- Grocery retail E-commerce Health & Beauty retail

Energy intensive / Carbon-exposed

- Commodity Petrochemical
- Power (Conventional)
- Refinery
- Coal
- Steel
- Auto (ICE)

US Tariff (Sec.301: Excess capacity)

- Tire & Rubber products
- Auto Parts
- Machinery & equipment

Purchasing Power-Reliant / Stimulus-Dependent

- Residential / Commercial Real Estate
- Construction
- Non-grocery retail
- Building materials

Climate reliant & Competitiveness

- Agri products
- Seafood products (esp., Low-value added)

Source: SCB EIC analysis



Businesses and households remain vulnerable, with benefits from the recovery unevenly distributed.

The prolonged Middle East conflict continues to put pressure on energy prices, driving up inflation and increasing business costs.

SMEs are becoming more vulnerable. Revenue recovery remains slow, competition is intensifying, and profit margins remain low.

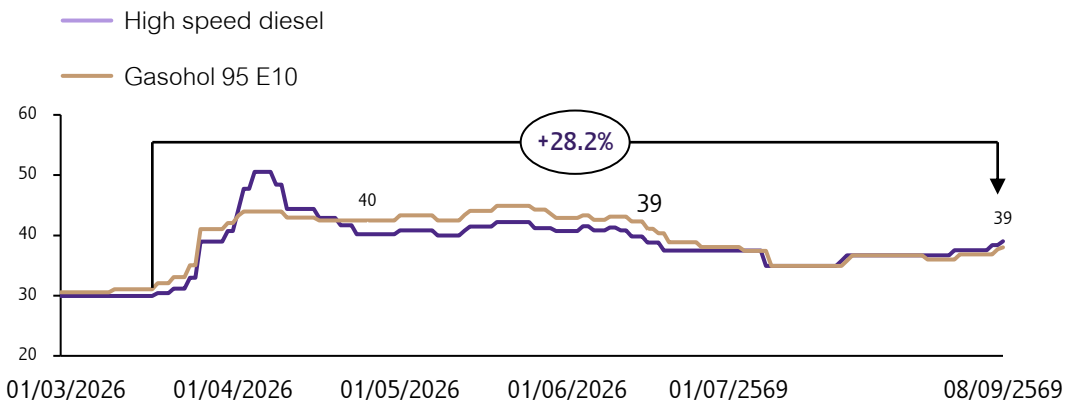
The labor market is weakening.

Further straining low-income households.

Domestic fuel prices are expected to remain elevated in line with crude oil prices, and are unlikely to return to pre-war levels in 2027 due to the Oil Fund's still-high debt burden.

Domestic Retail Fuel Prices from the Pre-war Period to 8 Sep 2026

Unit: Baht per litre



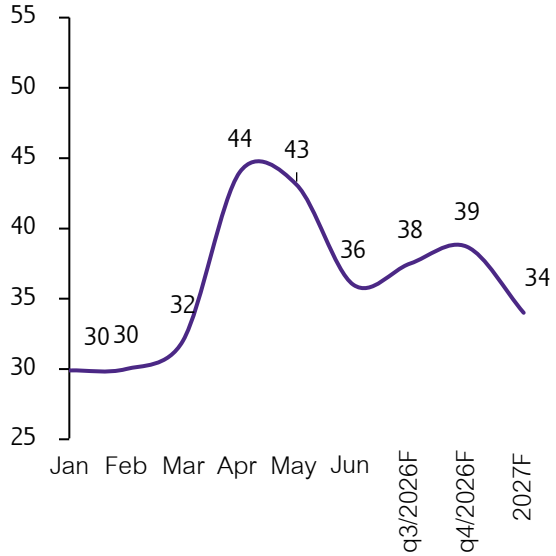
Fuel Price Structure as of 11 Sep 2026

Unit: Baht per litre

UNIT: BAHT/LITRE	EX-REFIN.	DISCOUNT	EXCISE TAX	M. TAX	OIL FUND	CONSV. FUND	WHOLESALE (WS)	VAT (WS)	WS&VAT	MARKETING MARGIN	VAT (MM)	RETAIL
ULG95	28.83		7.50	0.75	4.55	0.05	41.68	2.92	44.60	3.25	0.23	48.08
GASOHOL95 E10	28.39		6.75	0.68	-2.37	0.05	33.49	2.34	35.84	3.04	0.21	39.09
GASOHOL91	27.98		6.75	0.68	-2.37	0.05	33.08	2.32	35.40	3.11	0.22	38.72
GASOHOL95 E20	27.66		6.00	0.60	-5.77	0.05	28.54	2.00	30.53	3.32	0.23	34.09
GASOHOL95 E85	25.87		1.13	0.11	-2.60	0.05	24.56	1.72	26.27	3.51	0.25	30.03
H-DIESEL	35.78	-2.40	6.92	0.69	-5.80	0.05	35.24	2.47	37.71	1.99	0.14	39.84
H-DIESEL B20	36.43	-2.40	5.95	0.60	-10.06	0.05	30.57	2.14	32.71	1.99	0.14	34.84

Forecast of Domestic High-speed Diesel (HSD) Retail Prices in 2026

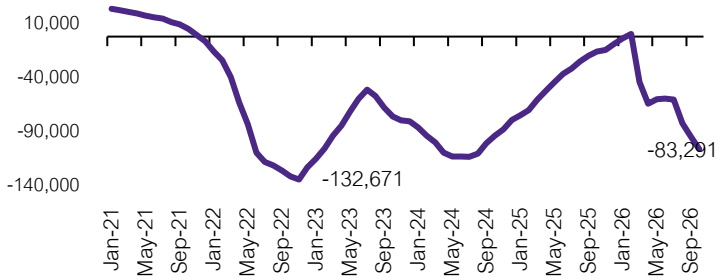
Unit: Baht per litre



- **The cumulative Oil Fund balance (as of 6 Sep) stood at -THB 83.291 billion.** The Fund continues to face outstanding borrowing requirements since mid-July following the rise in oil prices.
- **If tensions in the Middle East remain prolonged and oil prices stay elevated through year-end, average diesel prices this year are expected to remain at around THB 38-39 per litre.** The Oil Fund may need to continue subsidizing prices by approximately THB 5-10 per litre (equivalent to a burden of about THB 387 million per day). Even if conditions improve after year-end, the Oil Fund balance is projected to remain at a cumulative deficit of about THB 128 billion by year-end.

Oil Fund Status as of 6 Sep 2026

Unit: THB million



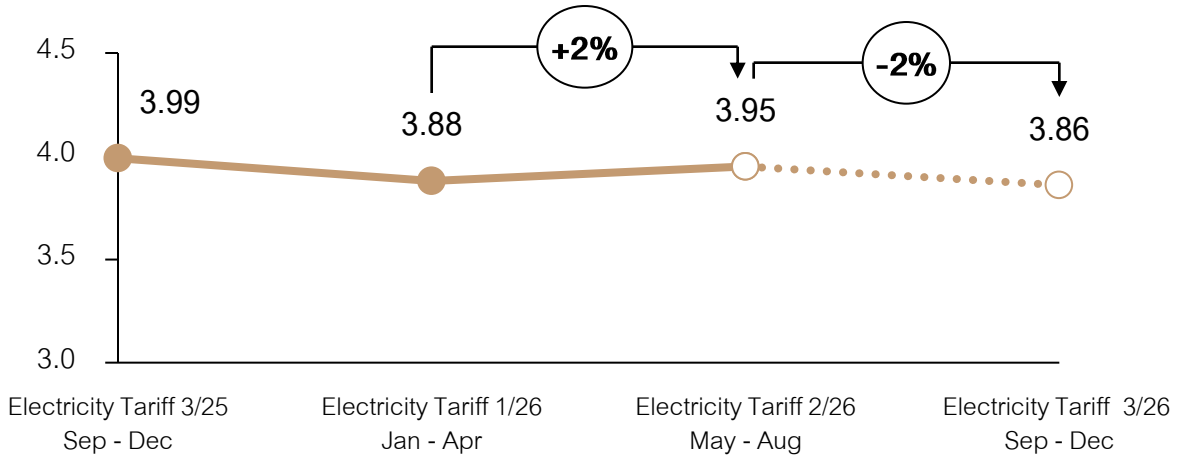
As of 6 Sep 2026 (THB mn)	
Net balance	-83,291
Oil account	-43,552
LPG account	-39,739

Source: SCB EIC analysis based on data from EPPO, DOEB, the Ministry of Energy, EXAT, and various news agencies.

The government continues to implement measures to control electricity and LPG prices. Together with the Oil Fund mechanism and retail fuel price management, these measures have helped limit the pass-through of global energy prices to the energy component of inflation and other goods categories.

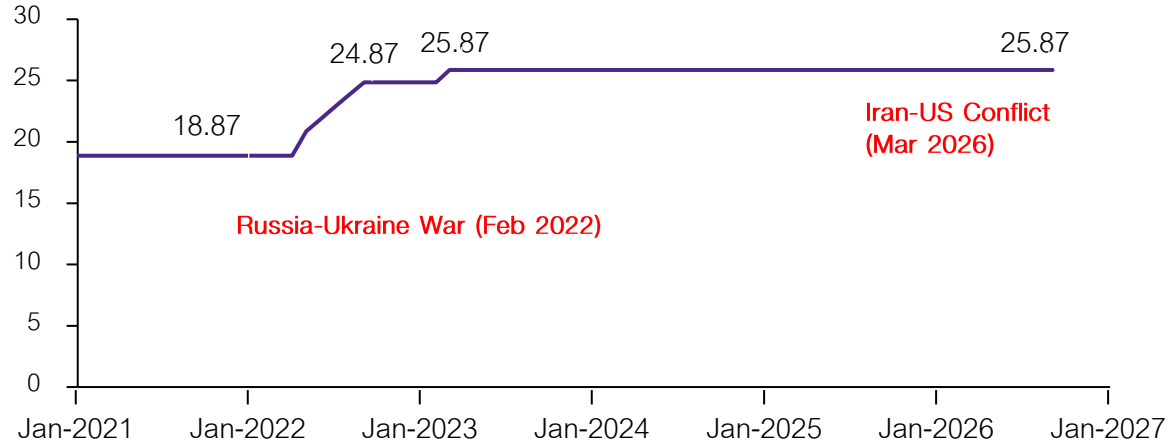
Electricity tariffs have declined following adjustments to the tariff structure (particularly the base tariff), despite persistently high natural gas costs.

Unit: Baht per unit



LPG prices have remained stable due to subsidies provided through the Oil Fund (LPG account deficit of THB 39 billion).

Unit: Baht per kilogram



The electricity tariff for Sep-Dec stands at THB 3.86 per unit, down 2% from the May-Aug period, driven by the following factors:

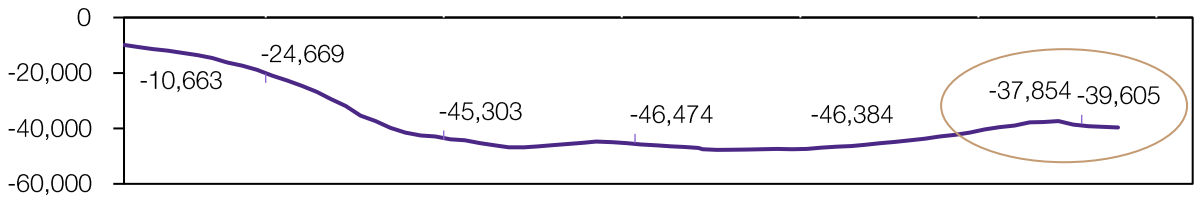
(1) **Electricity tariff stabilization through a reduction in EGAT debt burden (AF charge) by THB 31.268 billion.**

(2) **Recovery of utility clawback charges**, providing THB 16.127 billion in support for electricity costs and reducing the Ft charge by 25.04 satang per unit (from THB 4.20 per unit to THB 3.95 per unit).

(3) (3) **Reduction of the average base electricity tariff by 9 satang, from THB 3.7833 to THB 3.6933 per unit,** in accordance with the resolution of the National Energy Policy Council (NEPC). For residential customers, this adjustment excludes public electricity-related expenses from the base tariff calculation.

LPG Price Subsidies through the Oil Fund

Unit: Baht



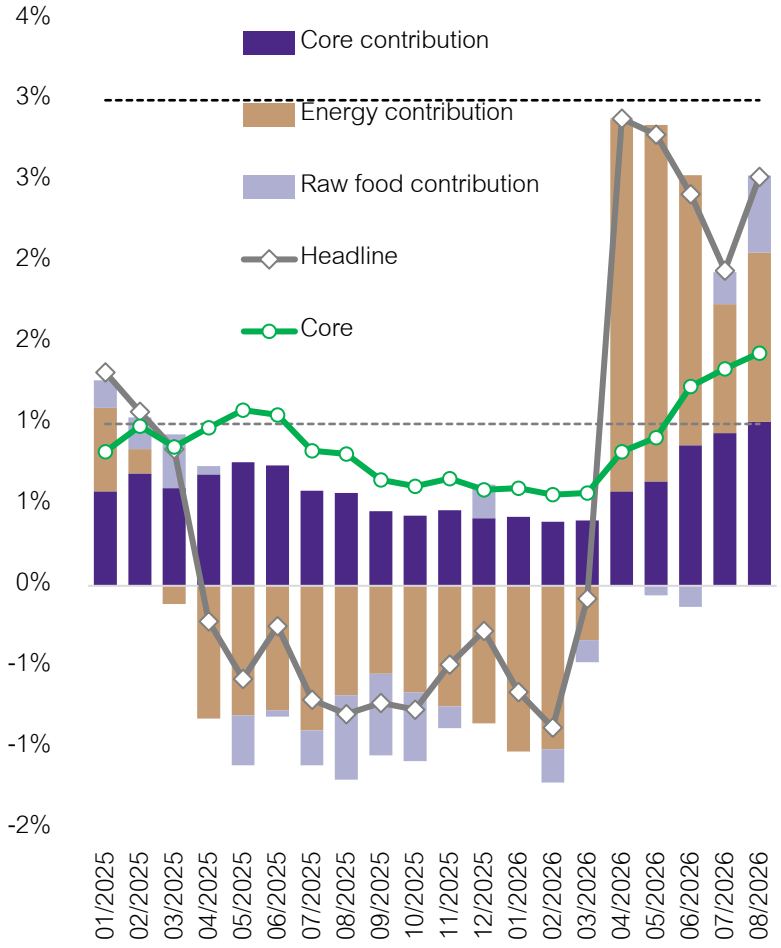
In the short term, the government is expected to continue maintaining LPG price controls. However, **if geopolitical conflicts persist, LPG prices in Thailand may gradually increase** as the burden on the Oil Fund continues to rise, limiting the government's ability to keep prices unchanged. This would be similar to the period following the Russia-Ukraine war, when LPG prices were gradually allowed to rise after prolonged government subsidies.

Source: SCB EIC analysis based on data from EPPO, DOEB, the Ministry of Energy, ERC, and various news agencies.

SCB EIC assesses that cost pass-through to consumer prices will occur gradually going forward, reflected in the steady increase in core inflation, while the gap between producer and consumer prices remains significantly elevated.

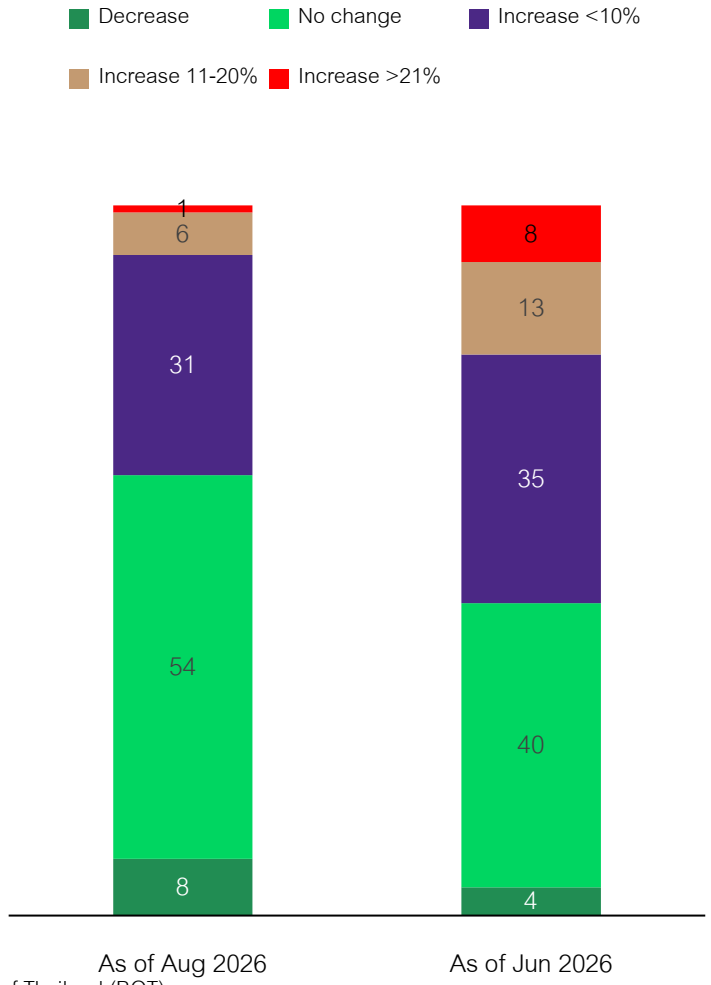
Thailand's Inflation and Its Components

Unit: % Contribution and % YoY



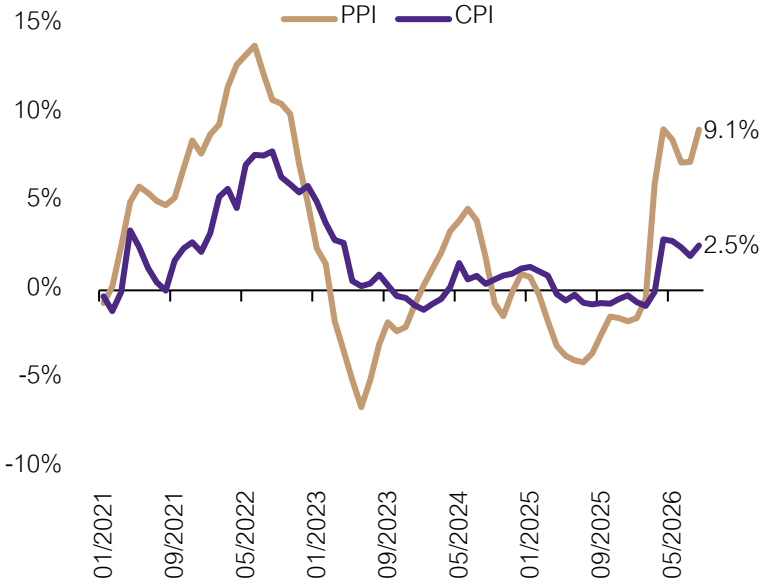
Business Price Adjustment Expectations in Response to Rising Costs Within the Next 3 Months

Unit: % of approximately 300 respondents, BSI Special Survey by BOT



The wide gap between producer and consumer inflation is expected to be gradually passed through.

Unit: %YOY



Inflation Forecasts for 2026 and 2027

	As of Aug 2026	As of Sep 2026
2025	-0.1%	
2026F	1.7%	1.9%
2027F	0.8%	1.0%

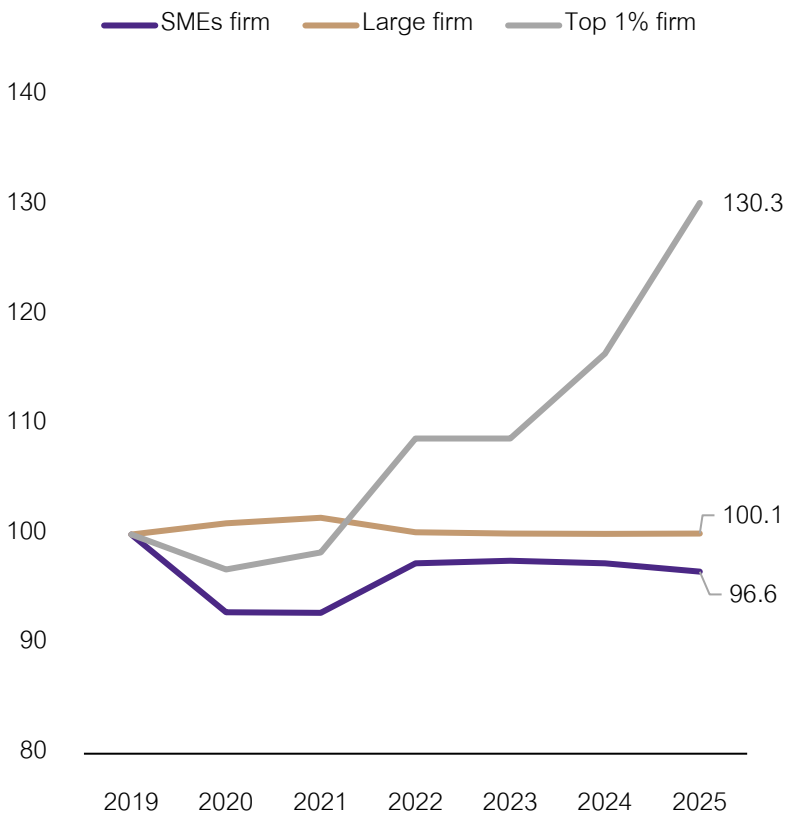
Source: SCB EIC analysis based on data from the Ministry of Commerce and the Bank of Thailand (BOT).

K-shaped Business Dynamics: Rising business costs continue to pressure firms, particularly SMEs, which are recovering slowly and benefiting only modestly from economic expansion.

SMEs: Slower Revenue Recovery

Business Revenue Recovery Index in 2025

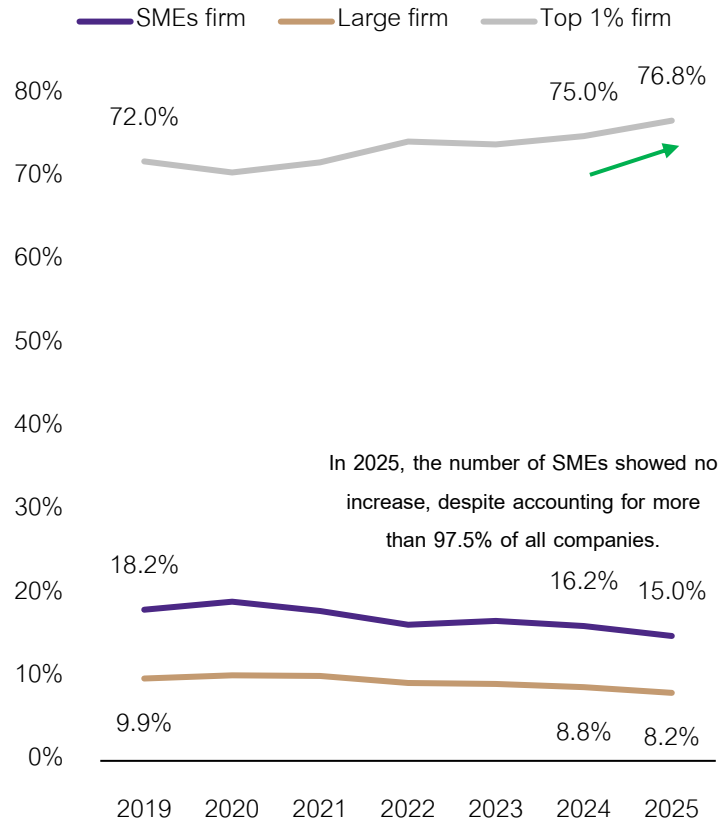
Unit: Index (2019=100)



Declining Revenue Share, Intensifying Competition

Revenue Share of Thai Businesses by Firm Size

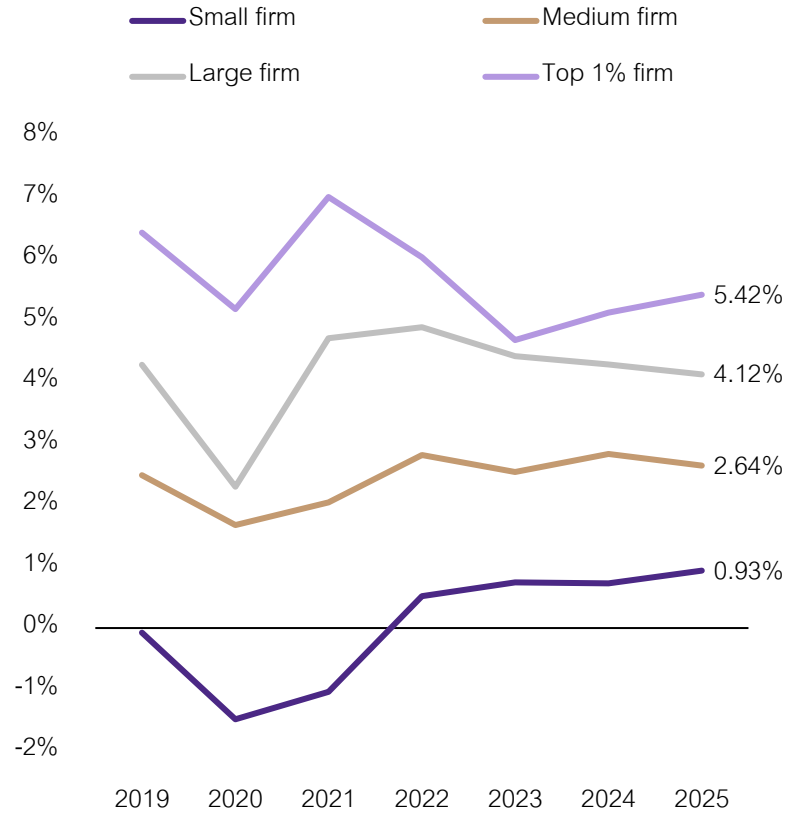
Unit: % of Total Revenue



Limited Profitability

Net Profit Margin by Firm Size

Unit: %

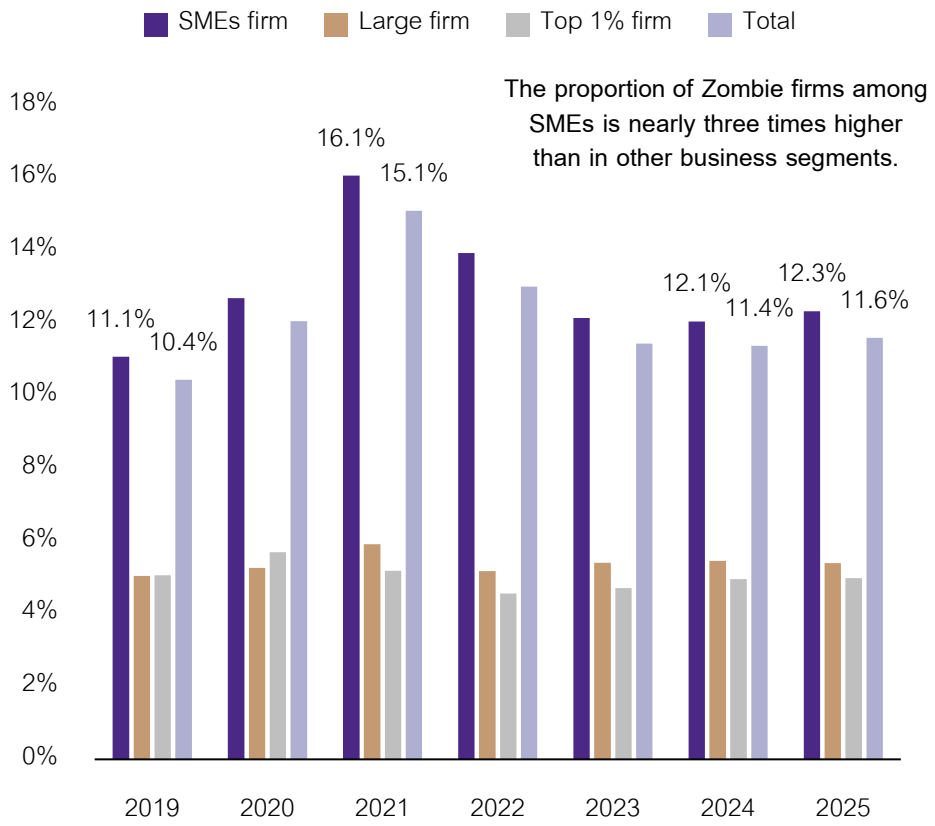


Source: SCB EIC analysis based on data from the Department of Business Development (DBD).

SMEs are increasingly at risk of becoming Zombie firms, particularly in the real estate, accommodation, and restaurant sectors.

The share of Zombie firms in Thailand increased in 2025, especially among SMEs.

Unit: %

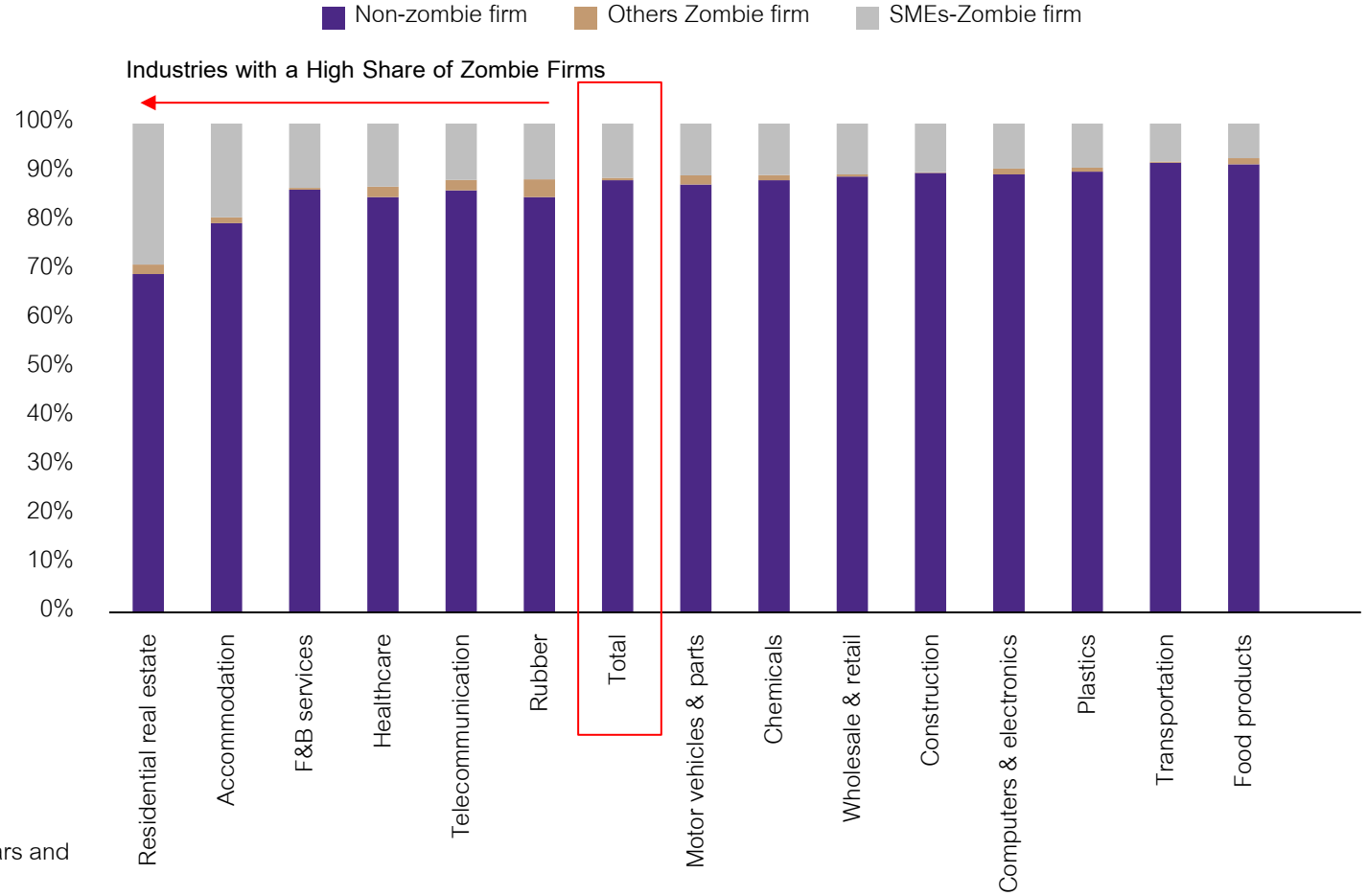


SCB EIC Definition of a "Zombie Firm":

A company with an Interest Coverage Ratio (ICR) below 1 for two consecutive fiscal years and that is more than three years old.

SMEs in residential real estate, accommodation, and restaurant businesses exhibit a relatively high share of Zombie firms.

Unit: %

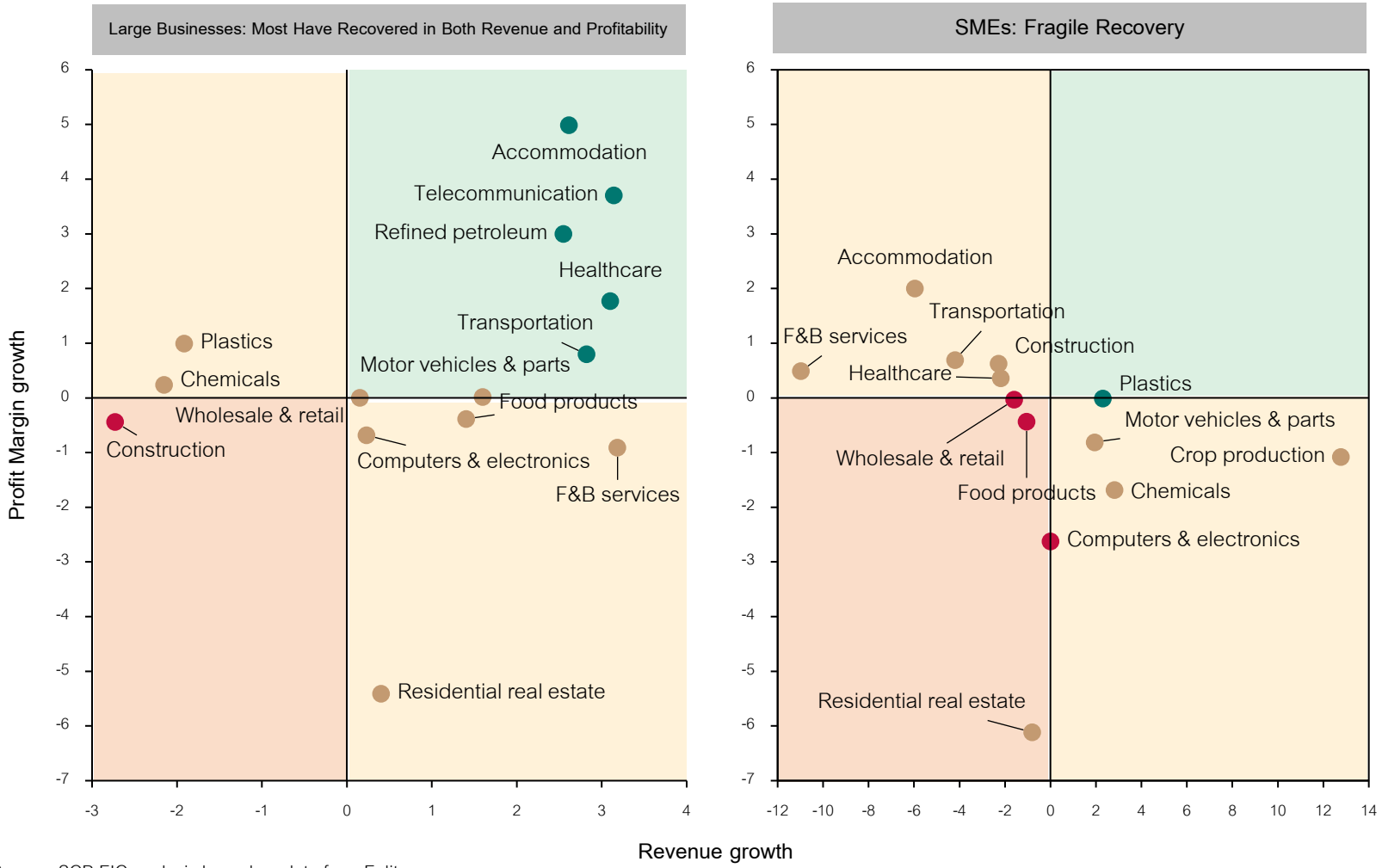


Source: SCB EIC analysis based on data from the Department of Business Development (DBD).

Most large businesses continue to maintain revenue and profit growth, while many SMEs still face pressure from rising costs and intense competition. As a result, the recovery remains uneven, and some businesses have seen revenue recover while profits have yet to follow.

Revenue and Profit Recovery: Large Firms vs SMEs

Unit: Revenue (% change in 2025 vs. 2022-24 CAGR), Profit Margin (% change in 2025 vs. 2022-2024 average)



- **Most large businesses have recovered in both revenue and profitability,** supported by competitive advantages in scale, access to capital, and the ability to adapt to major trends such as Digitalization, Green Transition, EV adoption, and evolving Consumer Trends. These sectors benefit from strong investment capacity and well-established ecosystems.
  Nevertheless, some industries continue to face pressures from economic conditions and rising costs, particularly real estate and construction.

- **Most SMEs remain in a fragile recovery phase, with slower growth in revenue and profits,** constrained by high costs, competitive pressures, and limited ability to adapt.
  SMEs should focus on cost management while strengthening competitiveness through technology adoption, productivity enhancement, product development, and market differentiation.

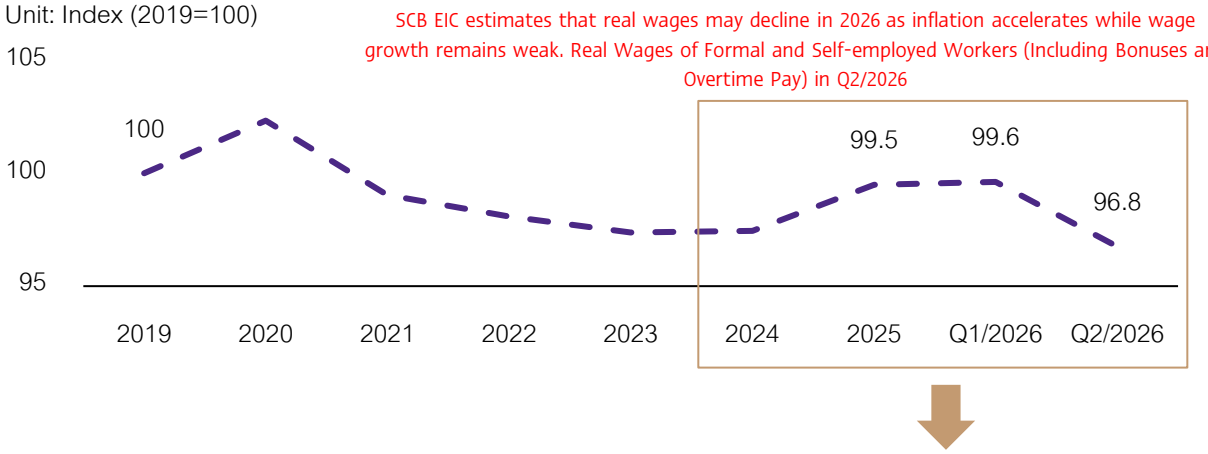
Source: SCB EIC analysis based on data from Enlite.

K-shaped Labor Market: Labor market conditions weakened noticeably in H1/2026, as reflected by deterioration across nearly all labor market indicators. Wage recovery remains slow, particularly among self-employed workers.

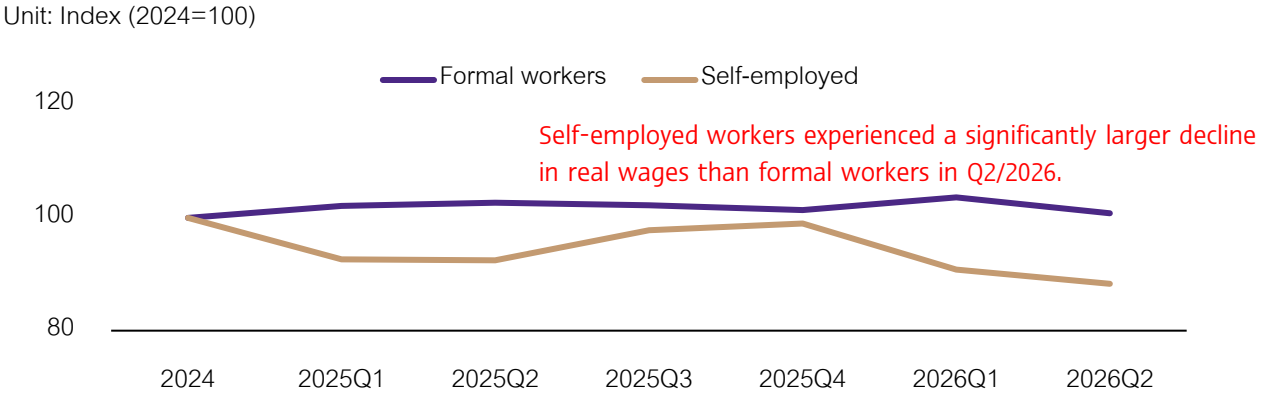
Thailand's labor market in H1 2026 has shown increasing signs of fragility (National Statistical Office).

	Key Indicators of Thailand's Labor Market Conditions	Unit	H1/25	H1/26 (Jul26)	Δ
Unemployment	Number of Unemployed Persons	Hundred Thousand Persons	3.62	3.97	+9.8%
	Overall Unemployment Rate	% of Labor Force	0.90	0.94 (1.1)	+0.04pp
	Unemployment Rate among Section 33 Social Security Insured Workers	% of Social Security-Covered Workers	2.07	2.37 (2.62)	+0.30pp
	Youth unemployment (Aged 15-24)	% of Labor Force in the Age Group	5.60	5.14	-0.46pp
Working Hours	Underemployed Workers (<35 Hours per Week)	Million Persons	7.66	8.23	+7.4%
	Quasi-Unemployed Workers (0-20 Hours/Week in Agriculture or 0-24 Hours/Week Outside Agriculture)	Million Persons	3.17	3.33	+4.9%
	Working Hours	Average per Week	42.57	42.42	-0.4%
Wages	Average Wage of All Workers (Including Bonuses and Overtime Pay)	Baht per Month	16,363.24	16,299.5	-0.4%
	Average Wage of Formal Workers (Including Bonuses and Overtime Pay) (1)	Baht per Month	16,052.39	16,193.2	+0.9%
	Average Wage of Self-employed Workers (Including Bonuses and Overtime Pay) (2)	Baht per Month	16,830.46	16,458.8	-2.2%

Real wages of formal workers (including bonuses and overtime pay) in Q2/2026 fell to their lowest level since the COVID-19 crisis.



Self-employed workers experienced a significantly larger decline in real wages than formal workers in Q2/2026.



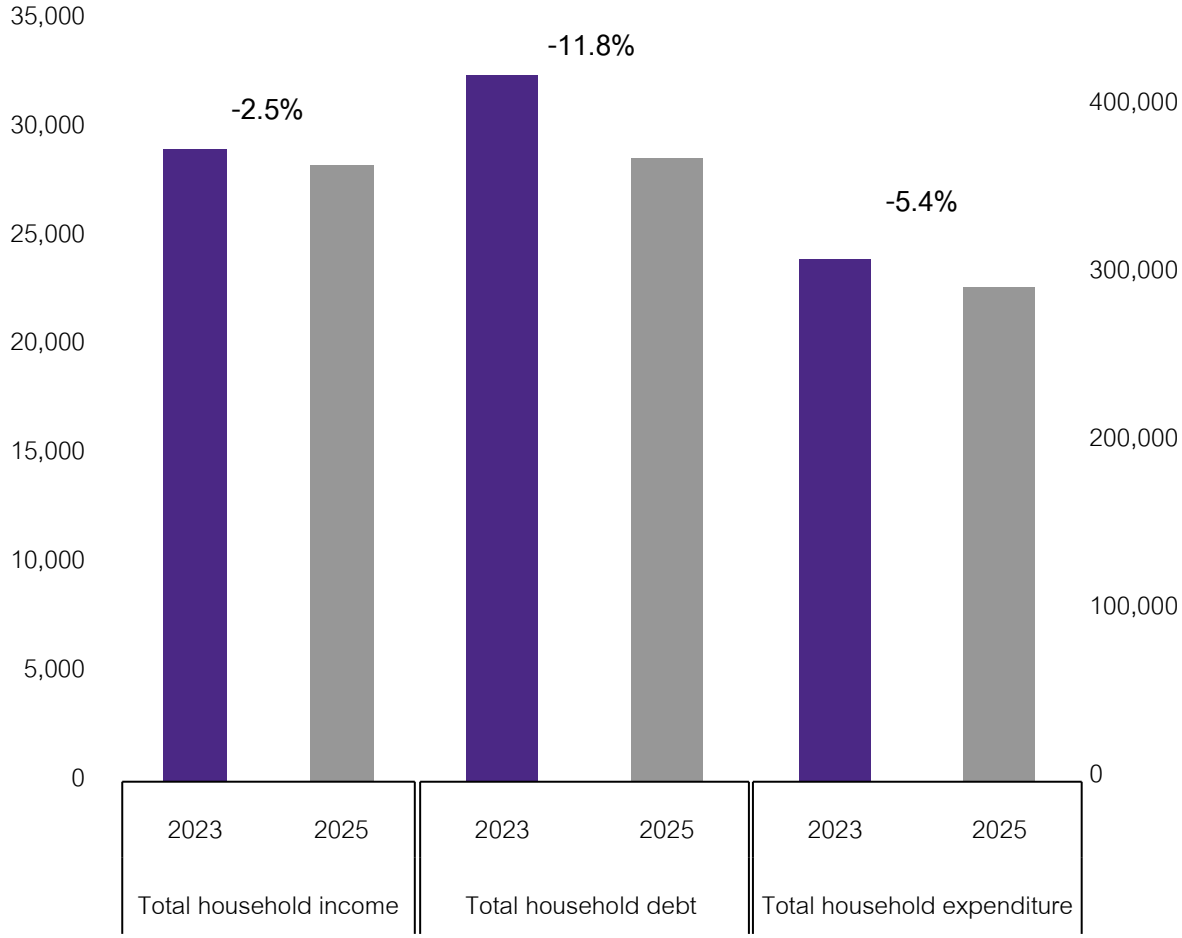
Note: (1) Formal workers include private-sector employees, state enterprise employees, and government employees.
(2) Self-employed workers refer to own-account workers and self-employed individuals outside formal employment arrangements.
(3) Formal-sector wages include compensation in both the public and private sectors, while self-employed income covers sole proprietors without employees and unpaid family workers.

Source: SCB EIC analysis based on data from the National Statistical Office (NSO), the Department of Business Development (DBD), and the Department of Industrial Works (DIW).

K-shaped Household Recovery: Thai households remain vulnerable, with declining incomes, especially among lower-income groups and those increasingly dependent on government assistance.

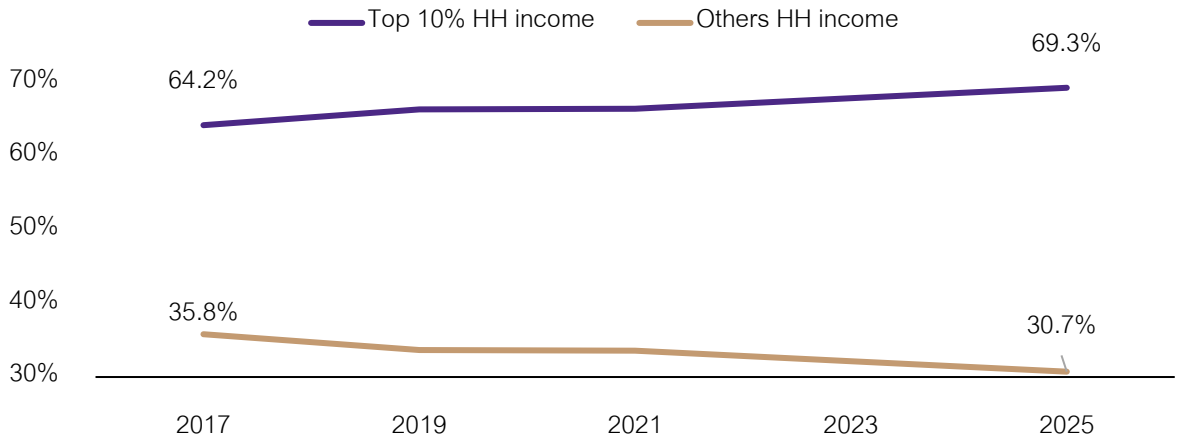
Household income and debt have declined, leading households to reduce spending in 2025.

Unit: Baht per household per month and household debt (Baht/household, RHS), based on National Statistical Office data.



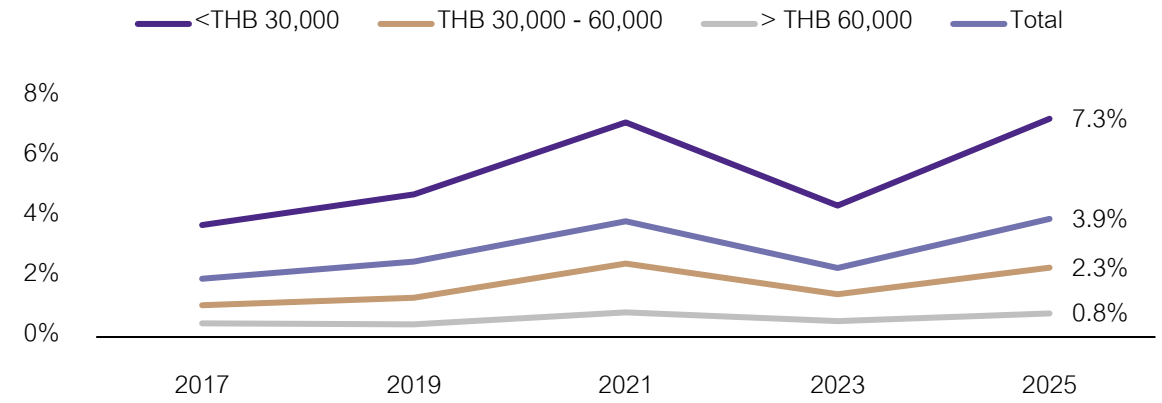
The income share of the top 10% of households has continued to increase.

Unit: % of total household income, based on National Statistical Office data.



Government assistance as a share of household income has risen significantly, particularly among low-income households.

Unit: % of total income, Baht per month, based on National Statistical Office data.



Source: SCB EIC analysis based on data from the National Statistical Office (NSO).



Thai financial conditions remain tight

Thai financing costs face pressure from tighter global financial conditions

Monetary policy remains accommodative, with the MPC keeping the policy rate low

Thai government bond yields have risen, prompting large corporates to turn to commercial bank borrowing

Large corporate loans are growing strongly, while SME lending continues to contract

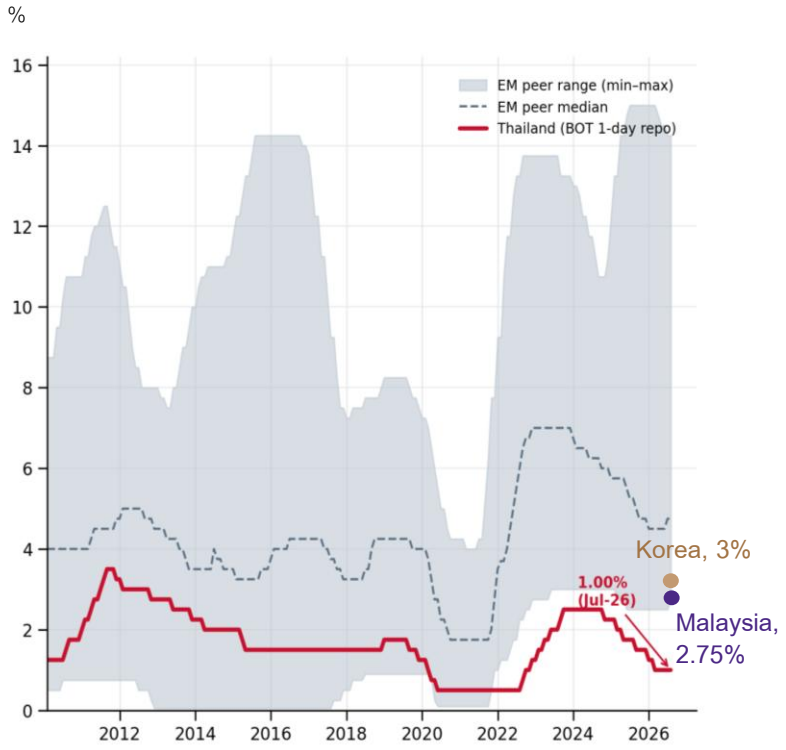
The MPC is likely to maintain the policy rate at 1% through 2027

Supporting an economy where growth remains uneven and below potential

Despite Thailand having the most accommodative monetary policy stance among EMs, tighter global financial conditions have begun to spill over into Thai financial conditions through rising Thai government bond yields.

Thailand's policy rate is the lowest among EMs

Thailand's policy rate compared with selected EMs**

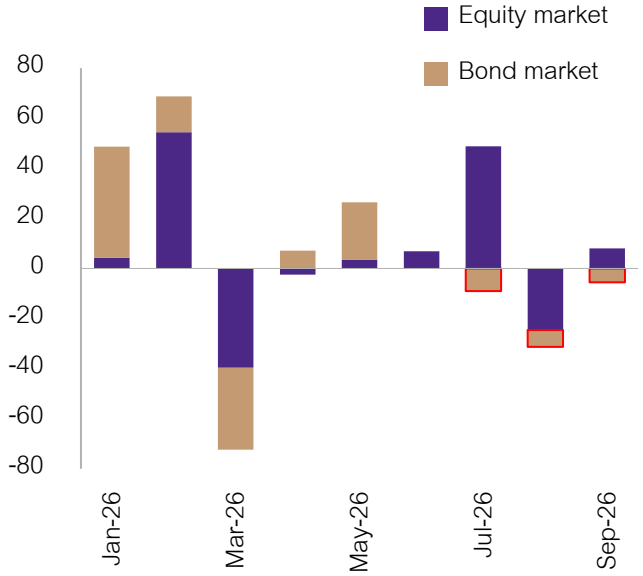


**EM peers: China, India, Indonesia, Malaysia, Philippines, Korea, Brazil, Mexico, South Africa, Poland, Hungary, Czechia, Chile, Peru, Colombia (excl. hyperinflation-era Türkiye/Argentina/Russia).

Foreign investors have begun selling Thai bonds since June

Foreign investors' net purchases of Thai securities

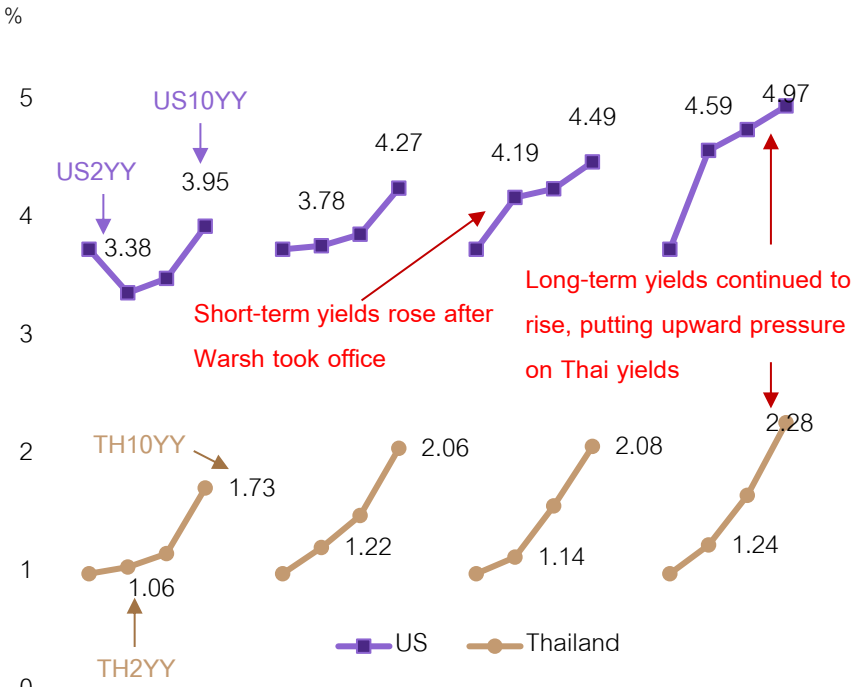
THB billion, data as of Sep 10, 2026



THB billion	1-10 Sep	YTD	2025
Equity	+8	+59	-107
Bond	-6	+7	+70

Persistently higher U.S. bond yields have begun to put upward pressure on Thai yields

U.S. and Thai yield curves following the outbreak of the Middle East war



Tenor	1D 2Y 5Y 10Y	1D 2Y 5Y 10Y	1D 2Y 5Y 10Y	1D 2Y 5Y 10Y
Major events	Pre-War (Feb 27)	FOMC Hold (Mar 18)	Warsh 1st FOMC (Jun 17)	Major Escalation (Sep 10)

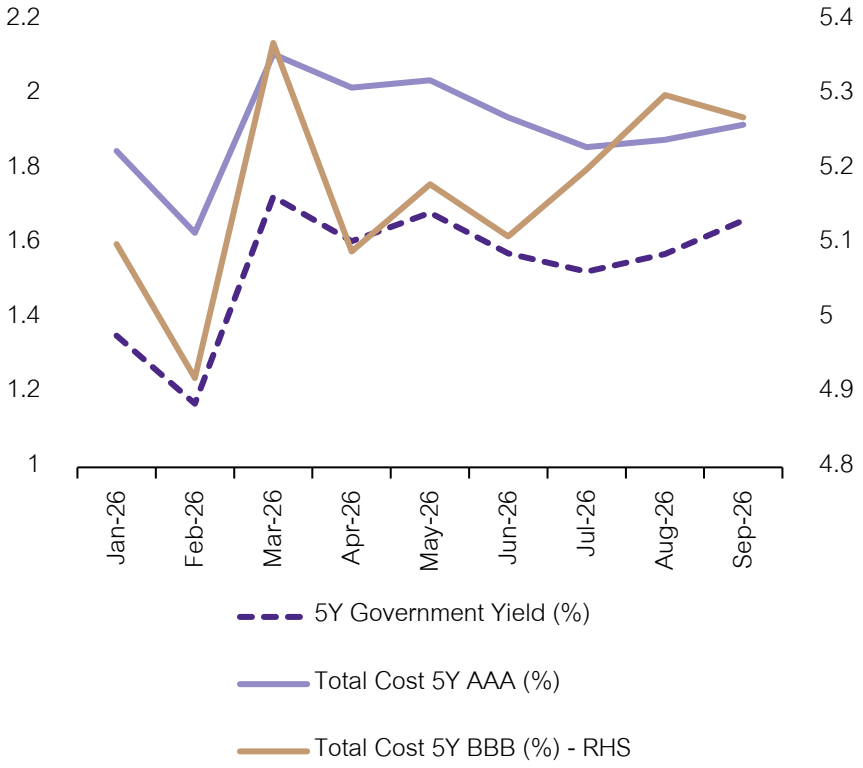
Source: SCB EIC analysis based on data from SET, ThaiBMA, CEIC, Bloomberg and BOT.

Higher bond yields in Thailand have prompted some businesses to reduce or postpone bond issuance, while the corporate bond market remains concentrated among high-quality issuers.

Corporate bond issuance costs have risen in line with government bond yields

5-year borrowing costs in the corporate bond market by credit rating

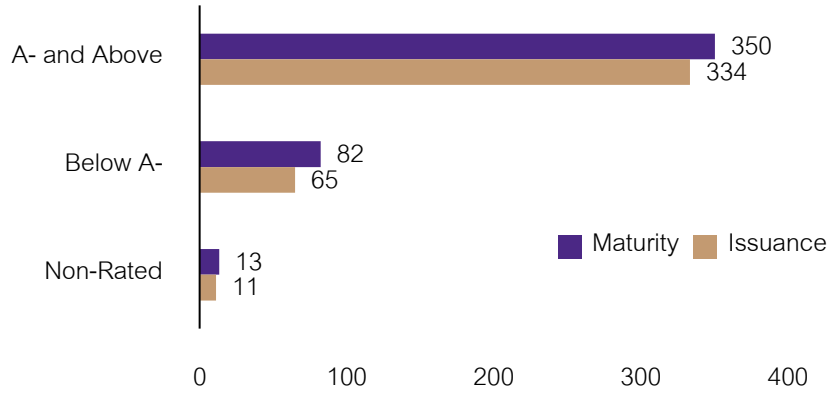
Unit: % (government bond yield plus credit spread)



Rollover rates declined among highly rated issuers. Partly due to reduced or postponed bond issuance among businesses able to borrow more cheaply from commercial banks

Corporate bond issuance and maturities in Q2/2026 by credit rating

Unit: THB billion

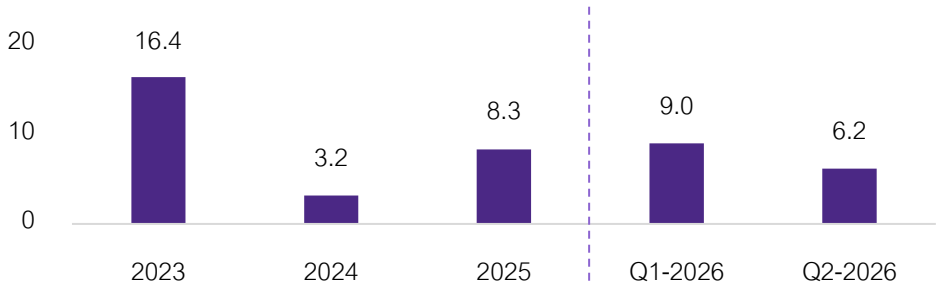


Rollover Rate

2Q26	1Q/26	2025
95%	104%	109%
79%	74%	82%
84%	70%	77%

Value of defaulted corporate bonds

Unit: THB billion



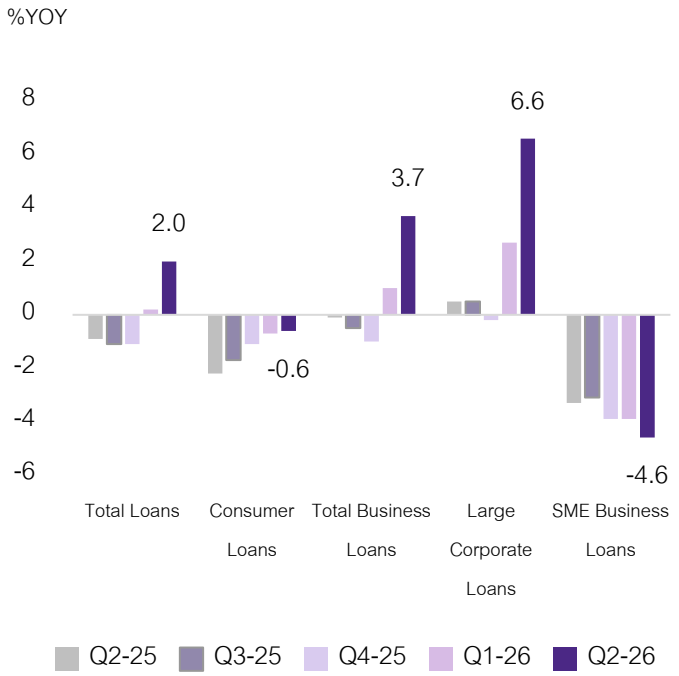
Defaults declined as debt restructuring increased, but remained above last year's level

Source: SCB EIC analysis based on data from BOT, ThaiBMA and Bloomberg.

Large corporates have therefore increasingly relied on commercial bank borrowing, particularly for working capital liquidity, while SME lending continues to contract amid elevated credit risk.

SME lending contracted further

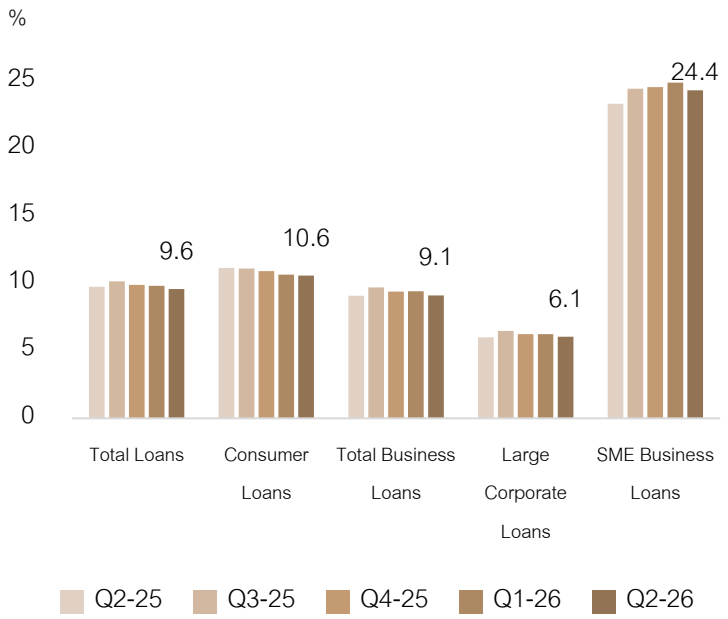
Commercial banking system loans, including subsidiaries



Loans	SMEs	Non-SMEs	Total Business
2Y Growth (7M24-26)*	-8.8%	+3.1%	+1.4%

Nearly 1 in 4 SME loans are classified as Stage 2–3

Share of Stage 2 and Stage 3 loans in the commercial banking system, including subsidiaries

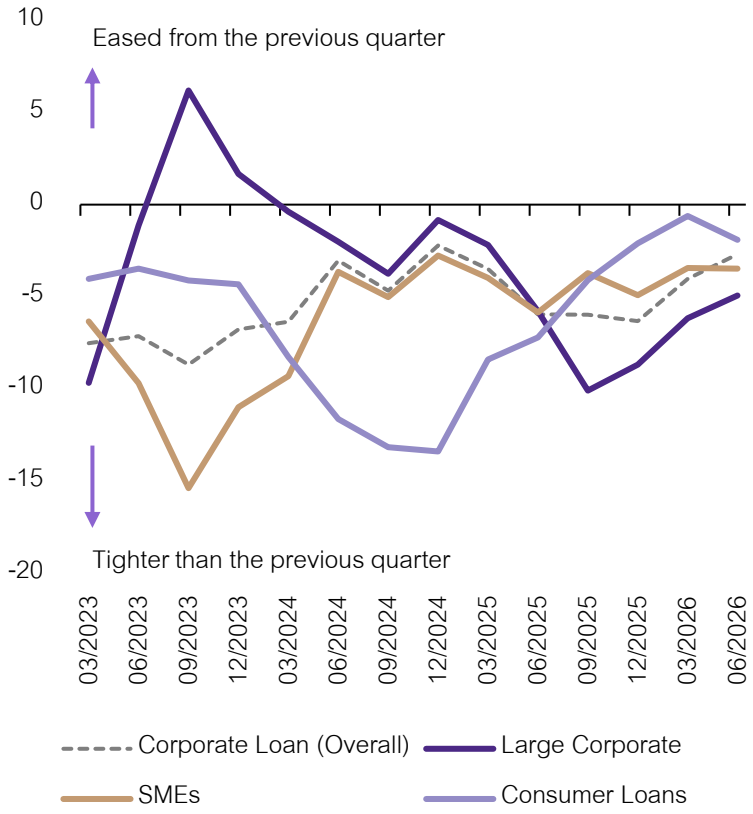


- **The share of Stage 2 and Stage 3 loans has gradually declined somewhat,** partly reflecting borrower assistance measures that have helped slow migration into NPLs.
- **Commercial banks continue to manage NPLs** through both NPL sales and debt restructuring, helping reduce overall asset-quality pressures.

Financial institutions' lending standards remain tight

Commercial banks' lending standards

Unit: Diffusion Index, 4QMA



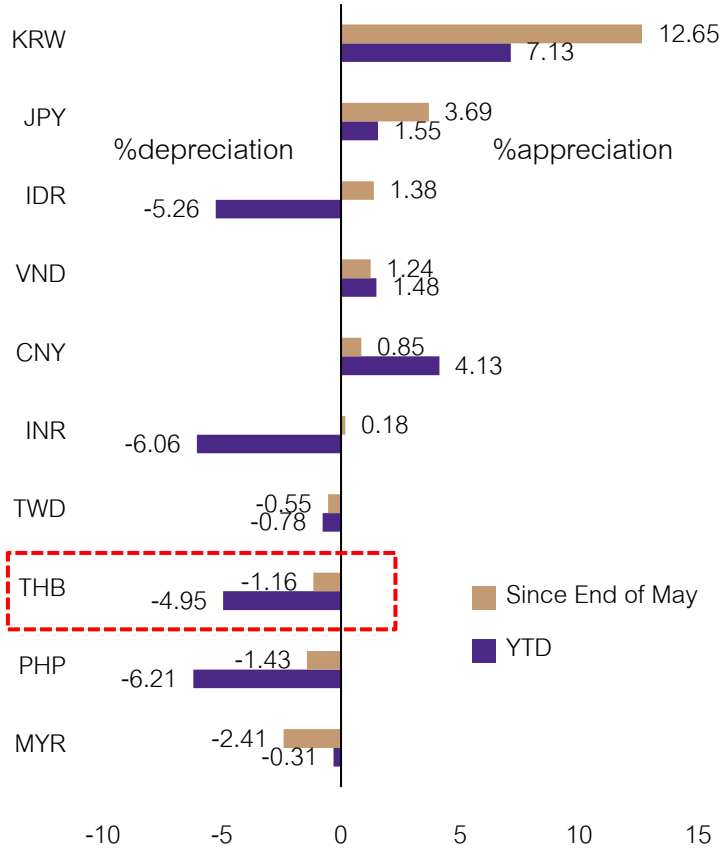
Note: *Comparable SME loan outstanding data are available from Jul 2026.
Source: SCB EIC analysis based on data from ThaiBMA, CEIC and BOT.

The Thai baht has depreciated more than regional currencies, particularly those of economies with large trade surpluses, while its depreciation against the U.S. dollar remains limited, providing little support to exporters' income through FX conversion.

The baht is among the region's largest depreciators

Changes in Asia-Pacific currencies

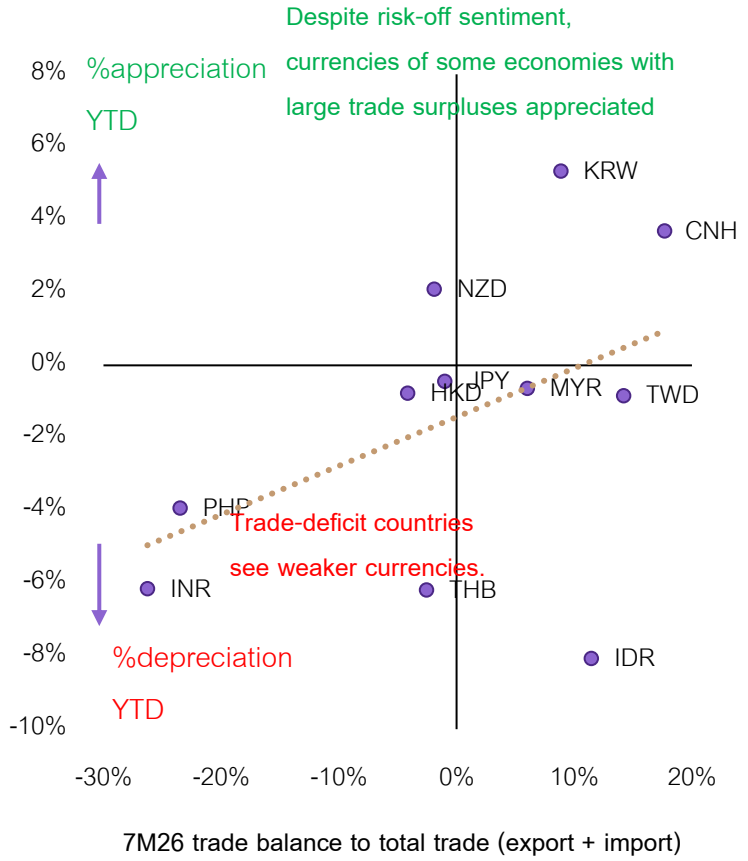
% as of Sep 10



The baht has weakened against regional currencies, partly due to the trade deficit

Currency performance and trade balance to total trade

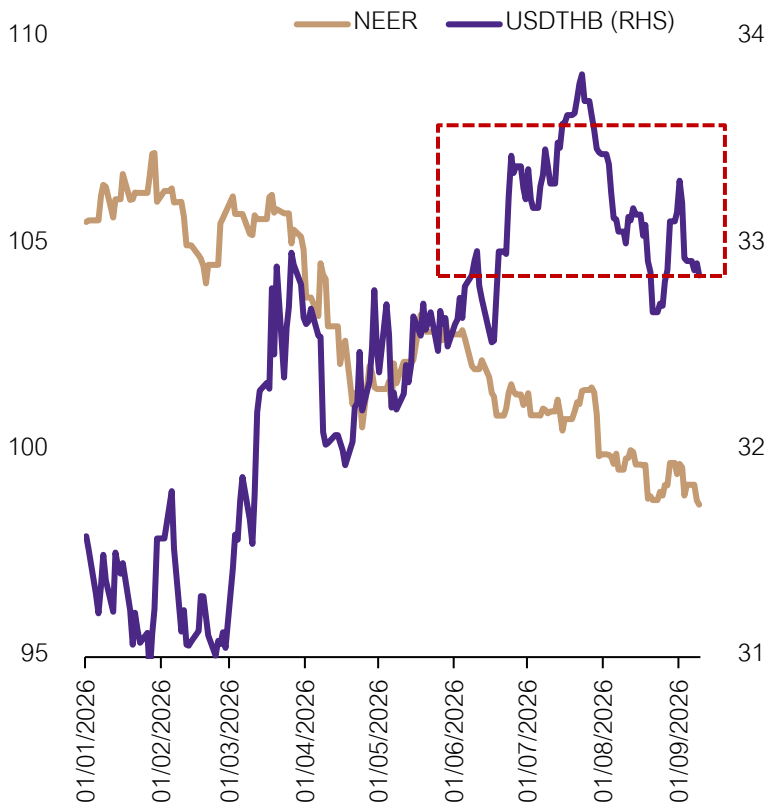
as of end of June or July 2026



The baht against the USD remains within a narrow range and may therefore provide limited improvement in exporters' FX conversion.

USDTHB and NEER

%YOY as of Sep 10



Source: SCB EIC analysis based on data from Bloomberg.

SCB EIC expects the MPC to maintain the policy rate at 1% throughout 2026–2027 amid heightened uncertainty. In addition, the BOT will increasingly use other targeted financial measures to address structural problems in the financial system.

Maintain the policy rate at 1% throughout 2026–2027

Potential side effects of low interest rates

Underpricing of risk / search-for-yield
Creates pockets of vulnerability to financial system stability

TH-US nominal rate differential
The baht could become volatile amid high uncertainty over U.S. monetary policy

Macroprudential measures
Contain specific risks to financial stability

Managing baht volatility
High international reserves provide room to manage the currency during episodes of rapid baht depreciation

Limitations of using the policy rate to address economic problems

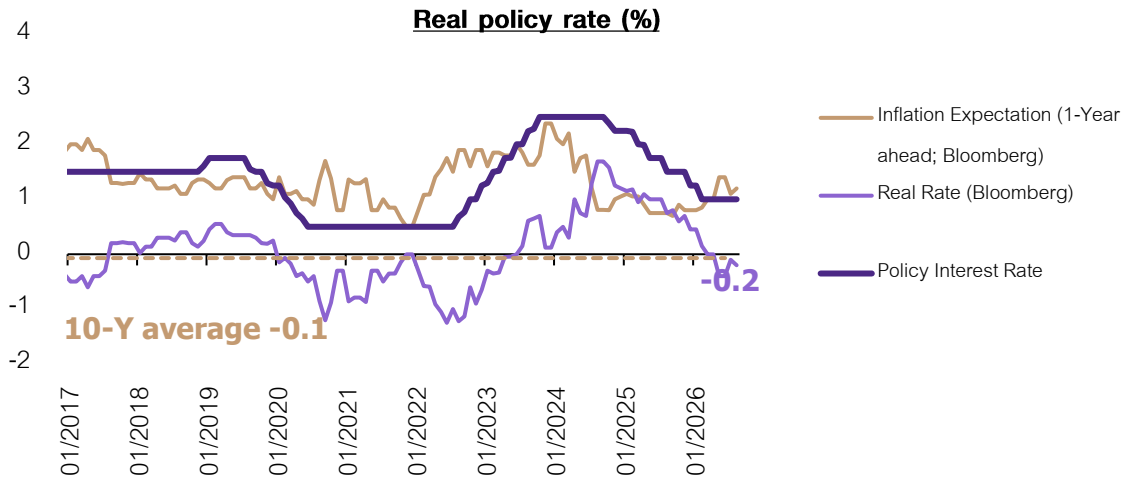
Households remain vulnerable amid uneven growth and high debt burdens
The policy rate may be a "blunt tool" with limited ability to address specific problems

SMEs face tight financial conditions, including credit access constraints, credit risk and asset-quality problems

Targeted financial measures
Debt restructuring measures for retail borrowers / SMEs to address existing debt problems

Measures to improve SMEs' access to credit through low-interest loans / credit guarantees

Thailand's real policy rate has gradually declined toward its historical average



In the past, the MPC maintained low interest rates for an extended period, but inflation risks are now higher

Period	Policy Rate	GDP growth	CPI Inflation
15Q3 – 18Q3	1.5%	3.8%	0.4%
20Q3 – 22Q2	0.5%	1.9%	0.2%
2026F – 2027F* (SCB EIC forecast)	**1.0%**	**2.2%**	**1.5%**

Note: Inflation expectations are based on the Bloomberg median from 2016 onward. For the period before 2016, actual one-year-ahead inflation is used as a reference.
Source: SCB EIC analysis based on data from BOT, NESDC, Ministry of Commerce and Bloomberg.

From a K-shaped recovery to a broad-based recovery

Transform concentrated growth into growth that creates broad-based opportunities



1 Strengthen new economic growth engines

- **Create greater domestic value added** from FDI and industries of the future
- **Attract high-value activities** such as R&D, Design and Services into Thailand
- **Develop workforce skills and local supply chains to support new industries**

2 Extend the benefits to the broader economy

- **Link large corporates and FDI with Thai SMEs**
- **Reduce financing, technology and standards constraints** to facilitate SMEs' market access
- **Expand clusters and infrastructure** into regional areas

3 Support groups that have yet to adapt

Viable groups
- Restructure debt, raise productivity and open up new markets
- Reskill and upskill toward high-growth sectors

Highly vulnerable groups
- Support adaptation or exit from businesses that are no longer competitive
- Strengthen the social safety net to support the transition



El Niño 2026-2027

Hotter, Drier, and Potentially More Severe than in Previous Episodes

Part 1: Why the 2026–2027 El Nino matters now?

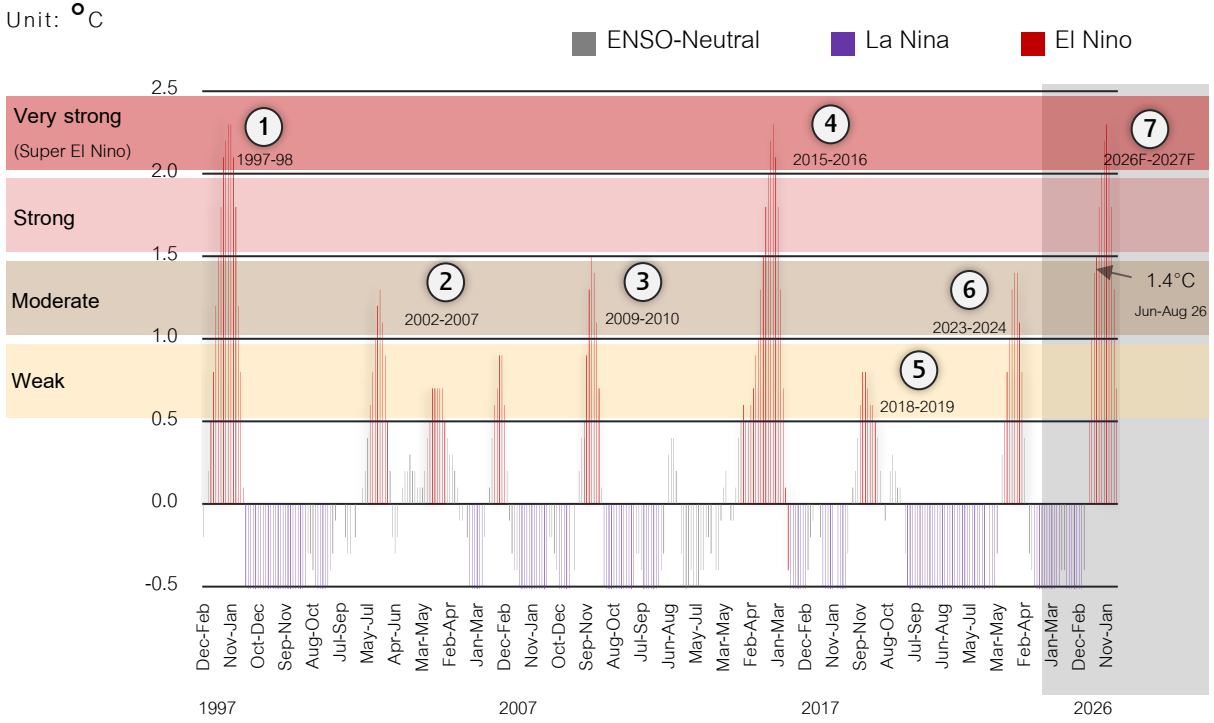
Part 2: How and when El Nino will affect Thailand

Part 3: Which businesses are exposed and why?

Part 4: What policy actions are needed?

SCB EIC

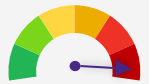
El Nino is a naturally occurring cyclical phenomenon. The 2026-2027 episode has the potential to develop into a very strong event, while global warming may further intensify drought impacts beyond historical levels.



- El Niño is a cyclical natural phenomenon that typically occurs every 3-5 years.
  It occurs when sea surface temperatures in the equatorial tropical Pacific Ocean become warmer than normal.
  This alters global temperature and rainfall patterns, increasing the risk of extreme weather events.
- El Niño has occurred seven times over the past 30 years.
  Three of the seven events reached Super El Niño (Very Strong El Niño) intensity.

El Niño 2026-2027 has the potential to develop into a very strong event.
Its impacts could become more severe as global temperatures continue to rise.
This may increase the risk of widespread and prolonged drought.
It may also contribute to more frequent El Niño occurrences.

Super El Nino	Increase in Global Surface Temperature*	Share of Global Land Area Affected by Drought**
1997-1998 El Nino of the Cen	0.79°C - 0.94°C	18%
2015-2016 The Godzilla El Ni	1.18°C - 1.31°C	29%
2026-2027 Potential Super El Nino	≈1.5°C	>29%

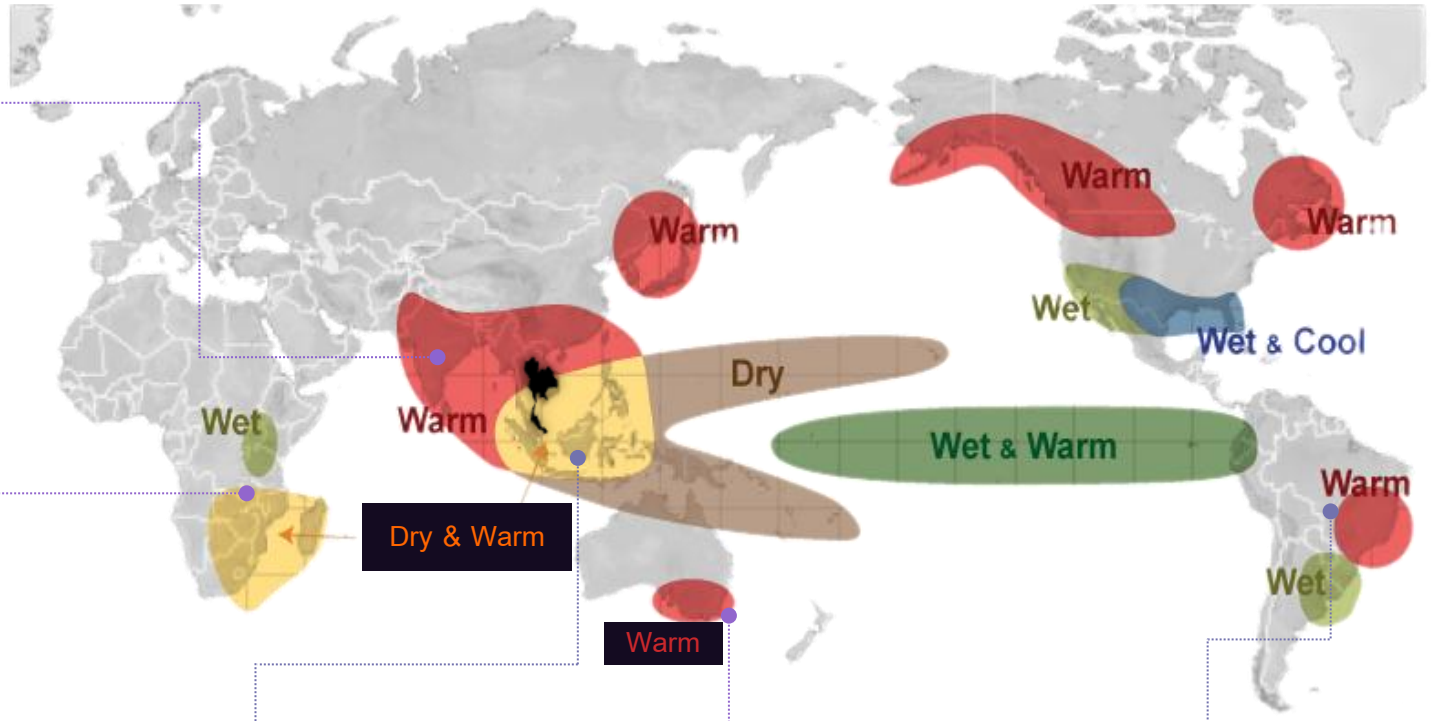


Probability of
Very strong El Nino (Super El Nino)
in Oct – Dec 2026

Note: (*) Based on observed and projected Global Surface Temperature Anomalies from the GISTEMP v4 dataset published by NASA and the Met Office central forecast. (**) Share of tropical land areas located across continents and islands within the tropics.
Source: SCB EIC analysis based on data from NOAA, WMO, and the study “Coupling of El Niño Events and Long-Term Warming Leads to Pervasive Climate Extremes in the Terrestrial Tropics” (2019).

El Nino 2026-27: Global climate & Crop impact

(Dec – Feb)



INDIA

At Risk of Severe Drought and Extreme Heat Conditions

- Heatwaves and drought conditions are becoming more frequent
- The risk of hot-dry extremes is increasing across affected areas

Agricultural products expected to be affected

Rice, Sugar

AFRICA

One of the regions facing the highest crop production risks

- At high risk of severe drought, particularly in Southern Africa
- There is a greater than 50% probability of agricultural drought during critical growing periods

Agricultural products expected to be affected

Maize (Corn), Wheat, Feed Grains

SOUTHEAST ASIA

Risks from Concurrent Drought and Extreme Heat Conditions

THAILAND
Accumulated drought conditions
Extreme heat

VIETNAM
Drought and water shortages
Saltwater intrusion

INDONESIA
Drought and heat
Rising risk of wildfires and haze

Agricultural products expected to be affected

Rice, Sugar, Palm oil

AUSTRALIA

At risk of drought, rising temperatures, and severe wildfires

- Weather conditions are expected to be hotter and drier than normal
- Elevated risks across key agricultural areas in the eastern part of the country

Agricultural products expected to be affected

Wheat

SOUTH AMERICAN

Impacts vary across regions

- Northern areas are expected to be "hotter and drier"
- Some southern areas may experience increased rainfall

Agricultural products expected to be affected

Soybeans, Maize (Corn)

El Nino 2026–2027 could trigger a "Regional Crop Shock," particularly in Africa and India, increasing the risk of lower **rice and grain production** across key agricultural growing regions.

Historical El Nino yield impact (GEOGLAM)	
Global crop	-1% to -2% Could decline by 20%-40% in certain crops and regions.
- Rice	-1.0% to -1.5%
- Wheat & Maize	In line with the trend

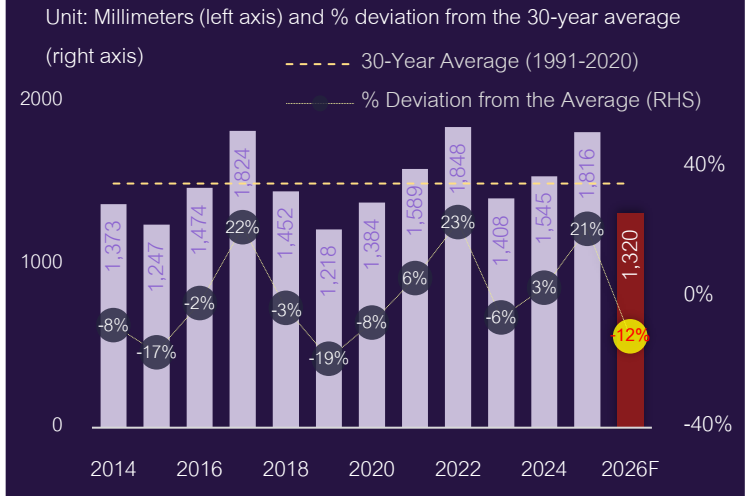
FAO forecast agri production 2026/27:***	
Wheat	-3.8%YOY (810.9 Mt)
Coarse grains	-1.2%YOY (1,619 Mt)

Source: SCB EIC analysis based on data from 1) Reuters, "How India's Below-Average September Rainfall Fuels Concern About Crops" (Sep 2026); 2) "ENSO's Influence on Co-occurring Hot-Dry and Hot-Wet Extremes Across Global Croplands" (Gurazada et al., Mar 2026); 3) "From Forecast to Risk: An Anticipatory Analysis of the 2026-27 El Niño" (JRC Publication, Jun 2026); 4) "El Niño 2026-2027: Anticipated Climate and Agricultural Yield Impacts" (GEOGLAM, Jun 2026); and 5) El Niño Live, together with data from NOAA and WMO, and findings from the 2019 study "Coupling of El Niño Events and Long-Term Warming Leads to Pervasive Climate Extremes in the Terrestrial Tropics."

SCB EIC

Thailand faces the risk of "below-normal rainfall during the hottest year on record," increasing the likelihood of severe drought in some areas, particularly in the Northeast and North, while the South may face tightening water supply conditions.

Average Annual Rainfall in Thailand*



Impacts of El Niño

Drought

- Nationwide rainfall is projected to fall to the lowest level in six years. Rainfall is expected to become more intermittent and decline markedly. From Q4/2026 through Q1/2027.

Dry Conditions Extreme Heat

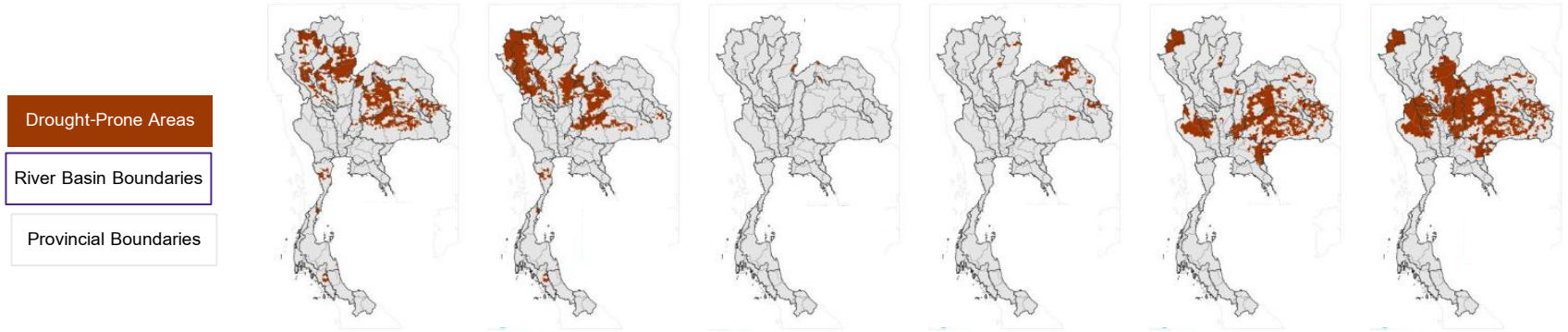
- 2027 could become the hottest year on record.
  Projected annual average temperature: 28.5°C
  Projected annual average maximum temperature: 34.5°C

Available Water Supply Under Stress

- Extreme heat during the dry season accelerates water consumption and evaporation. Increasing the risk of water stress. Particularly in areas with limited water reserves.

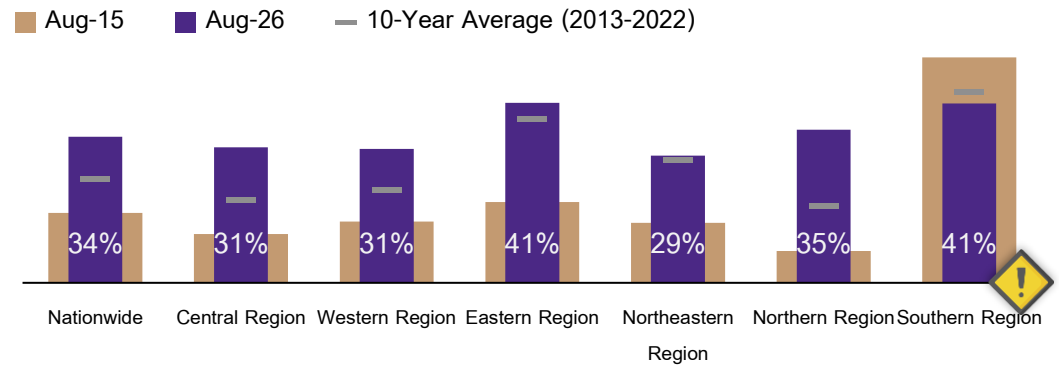
Areas at Risk of Drought Based on Rainfall Conditions during September 2026-February 2027

El Niño 2026-2027 is expected to increase drought risk in specific areas and periods rather than trigger nationwide drought conditions across Thailand simultaneously.



	Sep 26	Oct 26	Nov 26	Dec 26	Jan 27	Feb 27
Covered Provinces	39	34	4	17	32	37

Share of Usable Water Storage in Large Reservoirs Nationwide



The overall risk of water shortages for household consumption and business use remains relatively low.

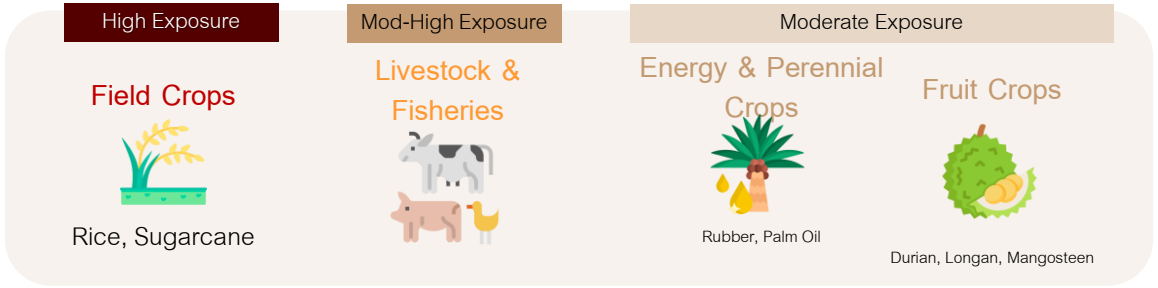
As usable water storage in large reservoirs nationwide remains higher than during the severe 2015 drought.

However, the "Southern Region" remains an area that requires close monitoring. Due to usable water storage remaining below the historical average, combined with a high concentration of water-dependent businesses, particularly tourism and hospitality sectors.

Source: SCB EIC analysis based on data from the September 2026 Drought Risk Area Forecast Report, prepared by the Hydro-Informatics Institute (HII) and the National Water Data Center.

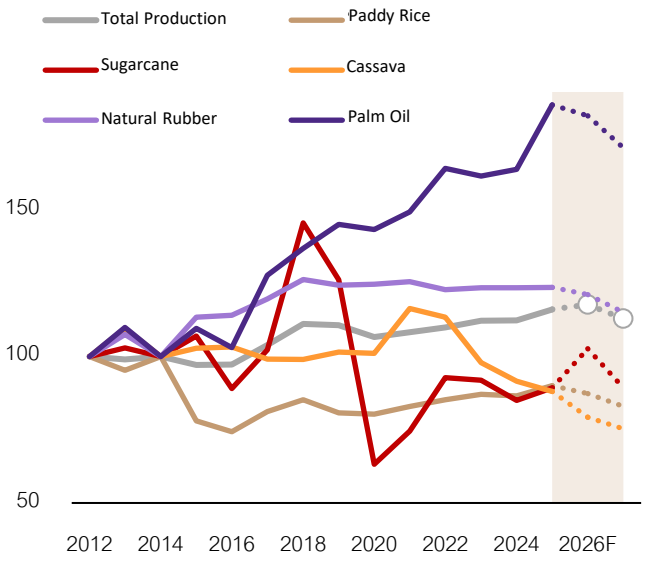
Thailand's major economic crop output in 2026/2027 is expected to decline broadly, but agricultural prices remaining elevated due to lower supply should help cushion the impact and provide some support to farm incomes.

Risk Outlook for Different Agricultural Commodities



Index and Forecast of Thailand's Economic Crop Production, 2026-2027

Unit: Index 2012 = 100

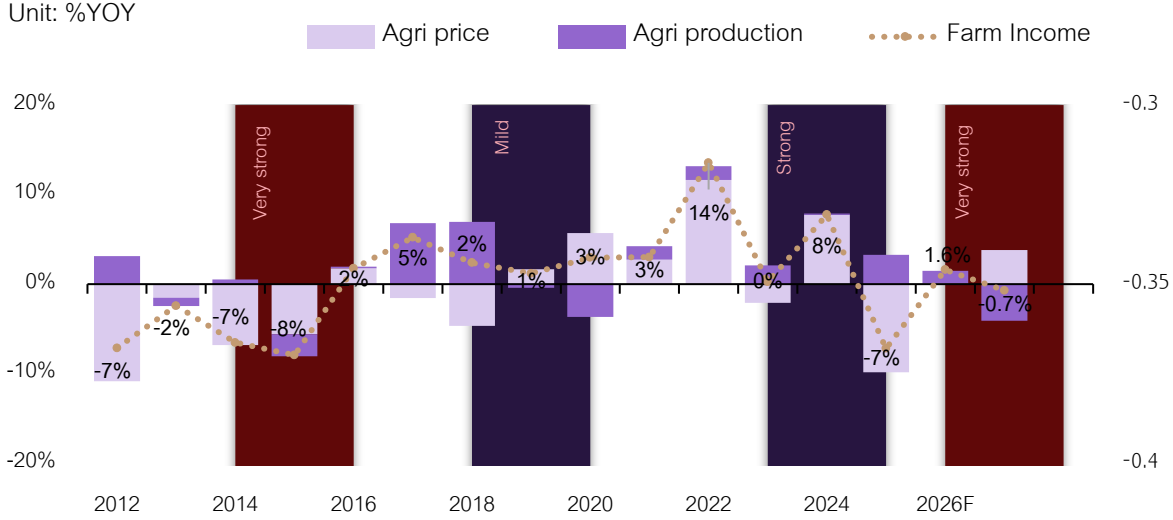


	2016	2026F	2027F
Paddy Rice	27.4 (-13%)	34.5 (-3%)	32.1 (-7%)
Sugarcane	94 (-11%)	106 (+15%)	92 (-13%)
Fresh Cassava Roots	31.2 (-4%)	24.2 (-10%)	24.7 (+2%)
Natural Rubber	4.3 (-2%)	4.7 (-2%)	4.5 (-5%)
Palm Oil	11 (-8%)	19 (-5%)	18 (-6%)

Million tonnes

Growth in Agricultural Production Volume, Agricultural Prices, and Farm Income

Unit: %YOY



	2015-2016	2025	2026-2027F
Farm income	-3.2%	-7.1%	+0.4%
Average Price	-2.0%	-9.8%	+1.9%
Production Volume	-1.2%	+3.4%	-1.4%



El Niño 2026-2027 is expected to cause a sharper average decline in agricultural output than during the 2015-2016 episode. However, elevated agricultural commodity prices are likely to partially offset the impact, supported by (1) energy crop prices that move in line with global oil prices, and (2) reduced agricultural supply resulting from lower production volumes, which should help sustain prices for certain agricultural products.

Source: SCB EIC analysis based on data from the Office of Agricultural Economics (OAE) (forecast as of Aug 2026).

El Nino risks affect businesses through five key dimensions: dependence on agricultural raw materials and water, sensitivity to temperature, exposure related to business location, and the ability to pass through higher costs.

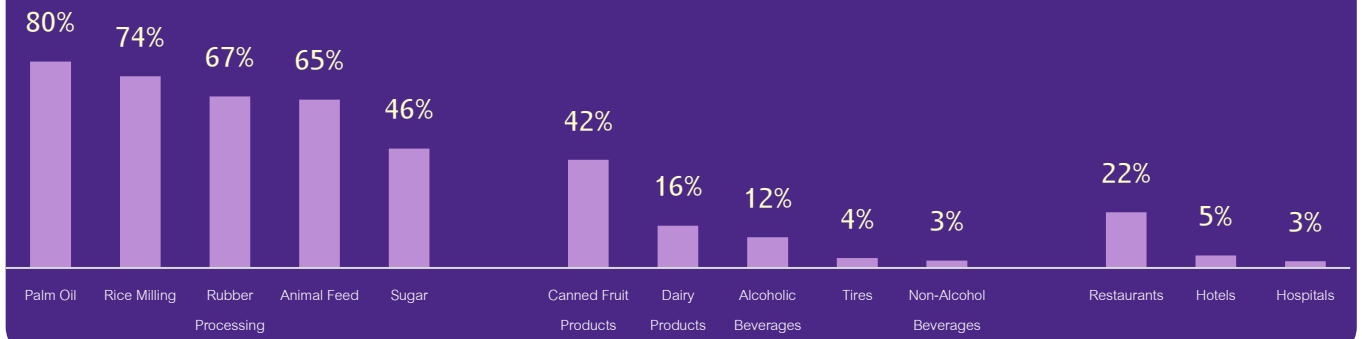
El Nino 2026-2027: Business Impact Risk Assessment Framework

PHYSICAL EXPOSURE	1	Raw material risk	Degree of reliance on agricultural raw materials affected by changes in quantity and quality.
	2	Water dependency	Degree of dependence on water for production and business operations.
	3	Heat stress	Sensitivity to high temperatures and extreme heat conditions.
BUSINESS IMPACT	4	Location exposure	Degree of business concentration in drought- and water-stress-prone areas such as the Northeast, North, and South.
	5	Pricing power	Ability to pass rising costs through to selling prices.

Businesses face El Niño risks through different channels. Agricultural processing industries are vulnerable to raw material shortages, while some service sectors may face water-use constraints in certain locations.

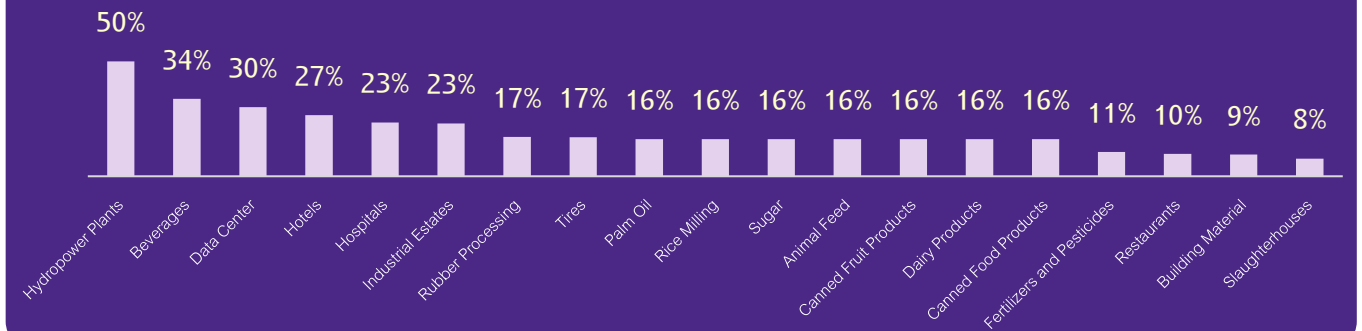
1 Share of Agricultural Raw Material Dependency by Business Type

Unit: % of Total Production Cost



2 Importance of Water Management to Business Operations

Unit: % of Total Natural Resource Management Costs



Note: Calculated using the 2021 IO-Table and Bloomberg ESG Score's Water Management Issue Weighting, which reflects the financial materiality of water-related issues compared with other environmental factors.

Source: SCB EIC analysis based on data from NESDC, Bloomberg, the Department of Provincial Administration, and the Department of Industrial Works.

El Nino creates varying levels of risk across industries. Businesses with high dependence on agricultural raw materials and water face the greatest risks from rising costs and uncertainty in input supply and pricing.

Summary of El Nino Risk Assessment and Business Adaptation Strategies

Very High-Risk Businesses, Very Severe Impact

Businesses that rely heavily on agricultural products as key inputs are highly exposed to uncertainty in supply volume, quality, and raw material prices, while facing limited ability to pass higher costs on to customers.

Rice & Rice Milling	Sugar	Palm Oil	Animal Feed	Fresh & Processed Fruits



High-Risk Businesses, Severe Impact

Impacts from raw material volume and quality may vary, but businesses may face higher water management and utility costs.

Rubber Processing	Seafood Processing	Data center	Hydropower Plants



Moderate-Risk Businesses, Manageable Impact

Indirectly affected by higher raw material and utility costs, while service continuity may be affected by localized water stress conditions.

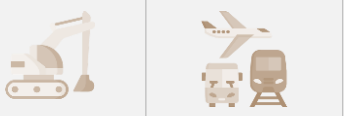
Food & Beverage	Industrial Estates	Hospitals	Hotels	Restaurants



Low-Risk Businesses, Limited Impact

Higher temperatures may affect workers and reduce productivity.

Construction	Transportation



Very Low-Risk Businesses, No Material Impact

Low dependence on agricultural raw materials and water resources.

Electronics	Automotive



* Businesses in the Southern Region face a higher risk of water stress than those in other regions.

Business Adaptation Strategies

1. **Supply Chain Resilience**
   - Diversify suppliers and sourcing locations.
   - Expand the use of forward purchase agreements.
   - Increase buffer stock levels for critical raw materials.
2. **Water Resilience**
   - Develop Water Stress Maps to identify high-risk locations and periods.
   - Expand backup water sources, improve water storage systems, and adopt Reduce-Reuse-Recycle (3R) practices.
3. **Cost Management**
   - Review cost structures and pricing strategies to determine appropriate cost pass-through measures.
   - Use long-term contracts for highly volatile commodities.
4. **Product & Market Adaptation**
   - Adjust product mixes toward goods that require fewer raw materials or have lower supply risks.
   - Increase value-added products to preserve margins.
   - Diversify into markets and countries with lower supply-chain risks.

Source: SCB EIC analysis.

El Nino 2026-2027 is expected to primarily affect areas with recurring drought conditions, with the impact on Thailand's economy estimated at around -0.2 to -0.4 percentage points.



Prolonged Regional Stress

- Overall water reserves remain adequate to meet water demand, despite entering an El Niño period, supported by favorable cumulative rainfall during Q1-Q3/2026.
- Drought risks remain concentrated in areas with recurring droughts, particularly the Northeastern, Northern, and Eastern regions.
- Some areas in the Southern Region may face water stress during the early dry season, highlighting persistent location-specific vulnerabilities.

Strong+ El Nino period

Oct 26 – Apr 27

Average Rainfall in 2026 1,320 mm

-12% compared with the 30-year average

Share of Usable Water Storage

40%

of total capacity in large reservoirs nationwide As of early Nov 2026 (start of the dry season)

Projected Average Temperature in 2027

28.5°C

Estimated Impact of El Niño on Thailand's GDP in 2026 and 2027

Unit: % of GDP and CPI (combined impact for 2026 and 2027)

GDP Growth

-0.2 to -0.4 ppt

- Lower agricultural output and more vulnerable farm incomes
- Slower production capacity in selected industries
- Weaker confidence and slower investment growth

Inflation Growth

0.3 to 0.6 ppt

- Fresh food and food prices are expected to increase
- Production costs, particularly agricultural raw materials, are expected to rise
- Water and electricity management costs are expected to increase

Note: The El Niño impact assessment is based on the CLIMADA model and reflects the estimated average combined impact over 2026-2027.
Source: SCB EIC analysis based on data from the Office of the National Economic and Social Development Council (NESDC), ETH Zurich, and NOAA.

Shift from “Relief Measures” to “Proactive Risk Management,” alongside “Accelerating Resilience Building,” to help Thailand’s agricultural sector adapt sustainably to increasingly volatile climate conditions.

“Government Policy Directions to Address El Niño and Strengthen Long-Term Climate Resilience”

Short Term

- Prevent and Mitigate Impacts
- Maintain Economic Stability and Water and Food Security

Long Term

- Climate-Resilient Agriculture & Economic Resilience to Reduce Vulnerability to Climate Risks

1 PREPARE



Develop Localized Weather Early Warning Systems by Area and Agricultural Commodity

- Integrate rainfall, water storage, soil moisture, and cultivated area data
- Identify high-risk areas in advance, both inside and outside irrigation zones

Integrated Climate Database and Smart Early Warning System

- Use weather forecasts and location-specific farming recommendations to provide advance alerts to farmers through mobile platforms

2 PROTECT



Proactive Water Management

- Adjust water release plans based on rainfall, water levels, and demand conditions
- Expand backup water sources and water reuse systems, particularly in industrial sectors and industrial estates

Develop Water Infrastructure

- Expand water storage capacity and develop Smart Irrigation systems Such as soil moisture sensors, water-level monitoring systems, and real-time water distribution systems

3 ADAPT



Accelerate communication and awareness to support crop planning adjustments

- Promote low-water-use crops and adjust planting calendars during El Niño years
- Enhance awareness campaigns and provide early warnings

Promote Adaptation to Climate Variability

- Develop drought- and heat-tolerant crop varieties
- Adjust production structures to align with water availability and local risk conditions

4 INSURE



Mitigate Economic Impacts on Living Costs and Purchasing Power

- Measures to address supply shortages and provide post-disaster agricultural compensation
- Provide targeted liquidity support to affected households and SMEs

Strengthen Economic Resilience and Food Security

- Develop Crop Insurance Programs (U.S., India, CAD)
  - Weather Index Insurance Compensation linked to weather variability indicators
  - Area-yield insurance Compensation triggered when yields fall below local averages

Source: SCB EIC analysis.



How satisfied are you with this analysis?

YOUR OPINION IS IMPORTANT TO US

Please take a 7-question survey to help improve SCB EIC's analysis

Click to take the survey

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