FLASH

SCB EIC



Household Debt-to-GDP Ratio Declines, but Risks Remain Elevated; Weak Labor Market and Flooding Further Strain Debt-Servicing Capacity

15 October 2026

Household Debt-to-GDP Ratio Declines, but Risks Remain Elevated; Weak Labor Market and Flooding Further Strain Debt-Servicing Capacity

KEY SUMMARY

Household Debt-to-GDP Ratio Fell to 85.2% in Q2 2026 and Is Expected to Decline Further to 83.5-84.5% by Year-End, but Household Financial Vulnerabilities Remain Unresolved.

Household Debt-to-GDP Ratio Fell to 85.2% in Q2 2026, the Lowest in 25 Quarters. Household debt stood at THB 16.43 trillion, growing by only 0.59% YoY and marking a third consecutive quarter of subdued growth. As nominal GDP expanded faster than household debt, the decline in the debt-to-GDP ratio reflects arithmetic effects rather than a meaningful improvement in households' debt-servicing capacity.

The Decline in Household Debt Primarily Reflects Tighter Credit Access Rather Than an Improvement in Household Financial Health.

Household Debt Growth Continues to Be Driven Primarily by Consumer Credit, while education and business loans remain in contraction, suggesting that household borrowing is still concentrated in consumption rather than income-generating activities that support future earnings. In addition, access to formal credit remains constrained. Commercial bank lending contracted by 2.3% YoY for the ninth consecutive quarter, whereas lending by state-owned financial institutions and specialized financial institutions expanded, supported by government assistance programs. As a result, some households have increasingly turned to alternative funding sources with easier access and more flexible terms, particularly savings cooperatives (+4.8% YoY) and pawnshops (+16.9% YoY), both of which continue to post robust growth.

Household Risks Are Shifting from Rapid Debt Accumulation to Liquidity Preservation and Debt Servicing Capacity Amid Increasingly Fragile Incomes. The deterioration in labor market conditions, reflected in rising unemployment, shorter working hours, and uneven real wage recovery, has further weakened household financial resilience. Recent flooding has compounded these pressures, disrupting employment and income generation, particularly among vulnerable households.

1. **Unemployment Accelerated in August**, with the unemployment rate rising to 1.2%, the highest level in 26 months. Meanwhile, the unemployment rate among Social Security Section 33 insured workers remained elevated at 2.46%. Youth unemployment (ages 15-24) also increased sharply, reaching 6.9%.
2. **Employment Quality Remains Under Pressure.** In H1/2026, the number of underemployed workers (working fewer than 35 hours per week) increased by 7.4% YoY, while the number of workers in quasi-unemployment rose 4.9% YoY. In addition, average working hours declined 0.4% YoY, highlighting persistent weakness in labor market conditions and income-generating capacity.
3. **Real Wages Show a More Pronounced K-Shaped Divergence Between Formal and Informal Workers.** Real wages among formal-sector workers edged up by 0.8%, while real wages in the informal sector contracted by more than 10% in Q2 2026 compared with 2024 levels, highlighting a widening income gap and uneven recovery across the labor market.
4. **September-October Flooding Has Further Exacerbated Household Vulnerabilities.** SCB EIC estimates that around 1.69 million workers have been affected by the recent floods, with the impact concentrated primarily in Bangkok and surrounding areas. Those most affected are service-sector workers and informal workers who rely on daily wages, leaving their incomes and debt-servicing capacity particularly vulnerable to disruption.

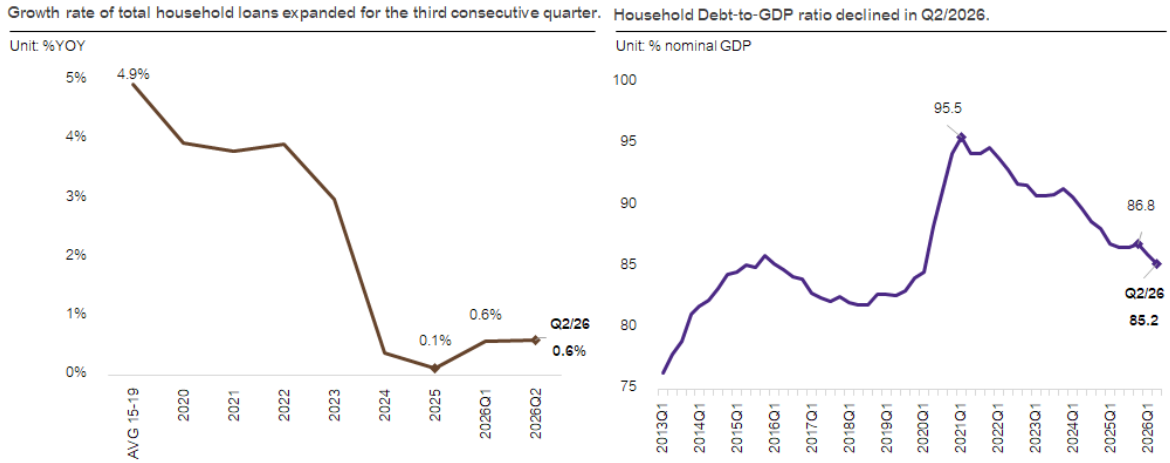
Therefore, the continued decline in the household debt-to-GDP ratio is unlikely to signal an easing of household financial risks. Instead, the current deleveraging

cycle is largely constraint-driven, reflecting tighter credit access rather than stronger household balance sheets. At the same time, risks are increasingly shifting toward liquidity constraints and debt-servicing capacity among vulnerable households, amid a still-weak labor market and the adverse impact of recent flooding.

Thai Household Debt-to-GDP Ratio Continued to Decline in Q2 2026.

Thai Household Debt-to-GDP Ratio Continued to Decline in Q2 2026. Household debt stood at THB 16.43 trillion, expanding by just 0.6% YoY, broadly unchanged from the previous quarter. As a result, the household debt-to-GDP ratio fell further to 85.2%, the lowest level in 25 quarters. This also marked the third consecutive quarter of subdued household debt growth (Figure 1).

Figure 1: Household Debt Growth Remained Subdued for a Third Consecutive Quarter, While the Household Debt-to-GDP Ratio Continued to Decline in Q2 2026.

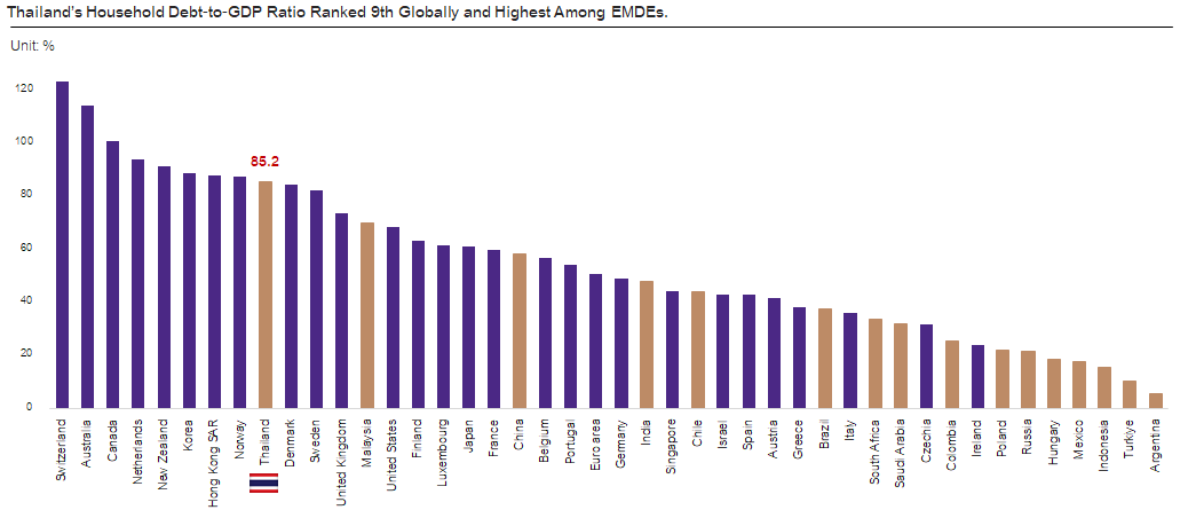


Source: Bank of Thailand

Thai household debt growth remained subdued amid still-tight financial conditions. Access to credit for retail borrowers continued to be constrained as financial institutions maintained strict lending standards. At the same time, households became more cautious in their spending and borrowing amid a slow income recovery, indicating that Thai households remain in a phase of debt deleveraging. Meanwhile, stronger nominal GDP growth contributed to a further decline in the household debt-to-GDP ratio during the quarter (Figure 1).

Despite this decline, Thailand continues to have the highest household debt-to-GDP ratio among Emerging Market and Developing Economies (EMDEs) and ranks 9th among 44 countries worldwide for which comparable data are available[1] (Figure 2).

Figure 2: Thailand's Household debt to GDP ratio continued to decline in Q2 2026 but remained the highest among EMDEs.



Source: Bank of Thailand and BIS

Overall household debt in Thailand continued to be driven primarily by consumer lending in Q2 2026, increasing by 1.4% YoY, unchanged from the previous quarter. In particular, real estate loans, which account for the largest share of outstanding household debt at around 35%, continued to grow for a second consecutive quarter, rising 1.9% YoY. Meanwhile, growth in other consumer loans (excluding credit card loans and personal loans under the Bank of Thailand's supervision) and Credit card and BOT-regulated personal loans moderated slightly but remained relatively strong at 4.4% YoY and 1.7% YoY, respectively.

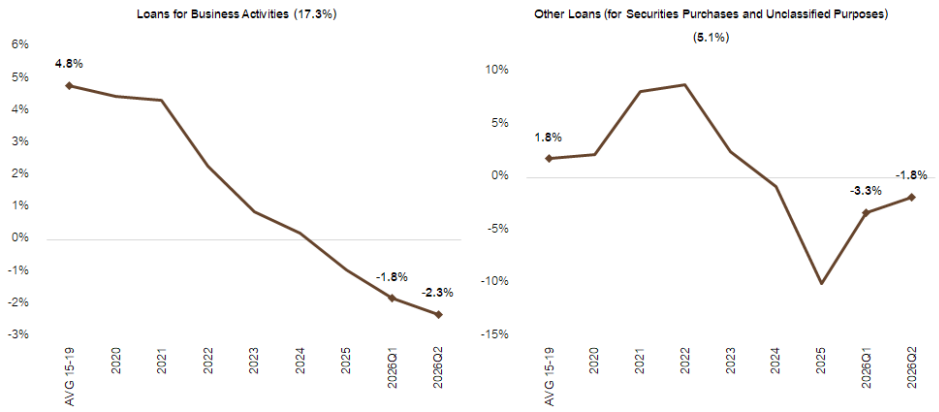
Vehicle purchase and Hire-Purchase Loans Remained in Contraction, although the pace of decline continued to moderate, falling 7.1% YoY. Education loans also remained weak, contracting 1.8% YoY. In addition, business-related household loans continued to shrink and recorded a steeper contraction of 2.3% YoY, while other loans (including loans for securities purchases and unclassified lending) declined 1.8% YoY. These trends suggest that household borrowing for business activities, investment, and future income generation has yet to recover (Figure 3).

The Persistently Weak Growth in Household Debt Is Consistent with Trends by Lender Type, with Credit from Private Financial Institutions Continuing to Contract. This reflects ongoing caution in lending

practices, particularly among commercial banks and credit card, leasing, and personal loan companies, which together account for nearly half of total household debt. Lending by commercial banks declined by 2.3% YoY in Q2 2026, marking the ninth consecutive quarter of contraction, while lending by credit card, leasing, and personal loan providers registered only modest growth of 0.3% YoY during the quarter (Figure 4).

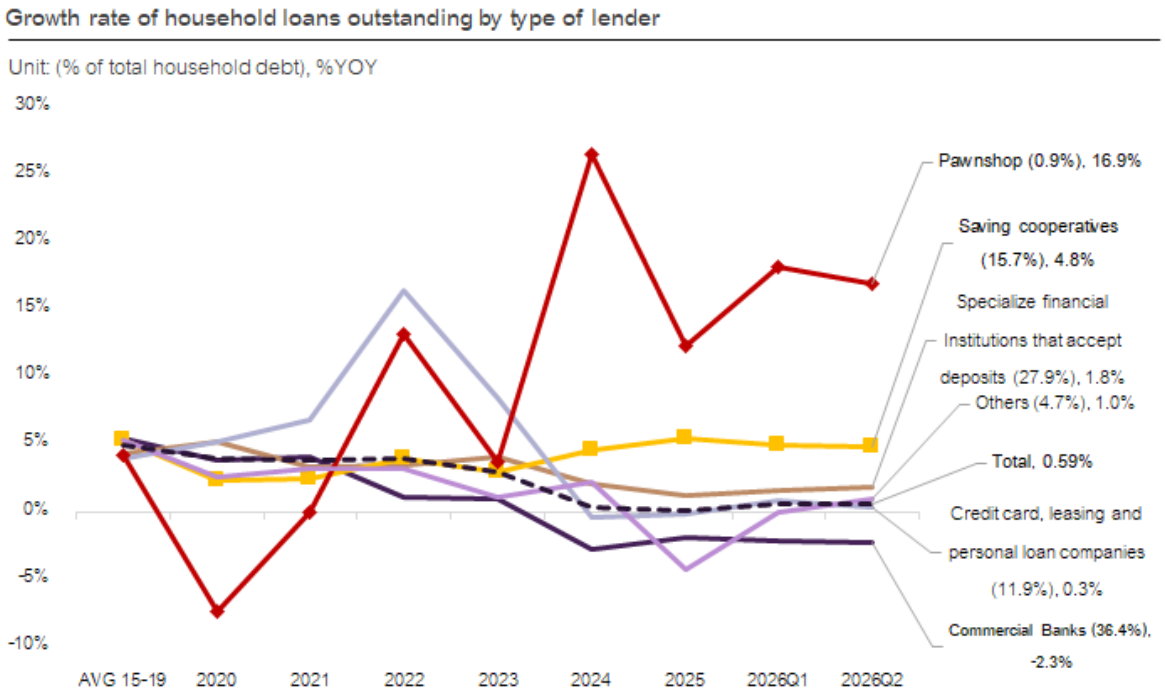
Figure 3: Household Debt Growth in Q2 2026 Continued to Be Driven Primarily by Consumer Lending.





Source: Bank of Thailand

Figure 4: Household Borrowing from Savings Cooperatives and Pawnshops Remained Elevated.



Source: Bank of Thailand

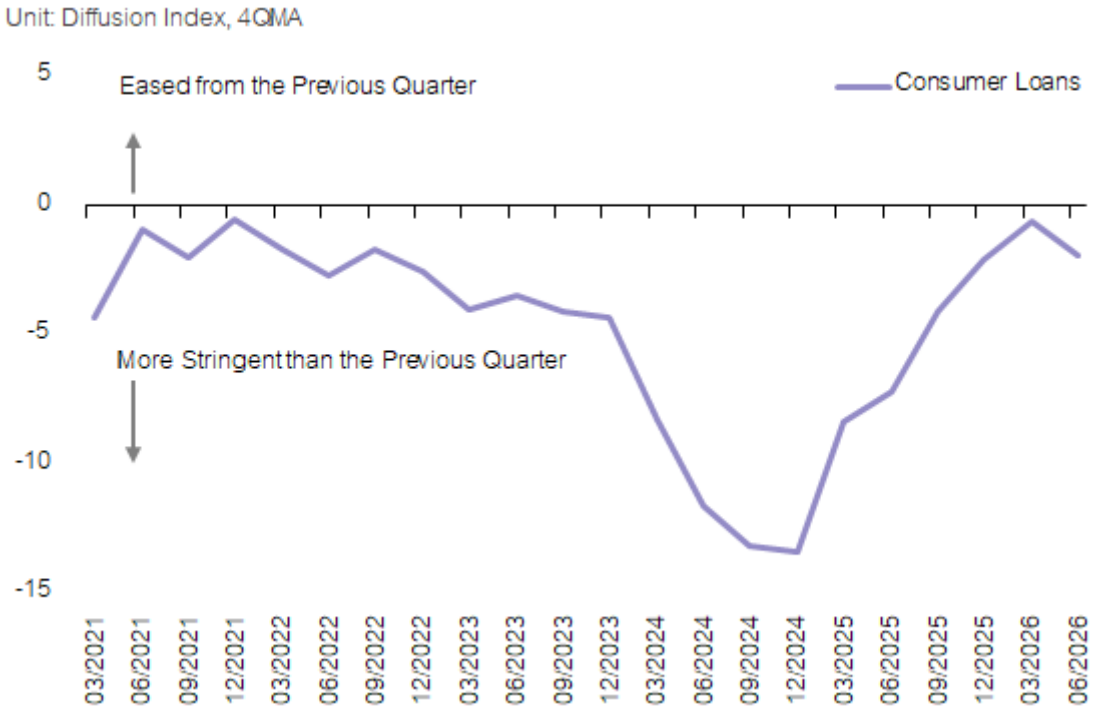
However, household debt growth continued to be supported by lending from specialized financial institutions and state-owned financial institutions, which expanded by 1.8% YoY. This was partly driven by government support measures aimed at sustaining economic activity. Meanwhile, borrowing from savings cooperatives and pawnshops remained elevated, despite some moderation, growing by 4.8% YoY and 16.9% YoY, respectively. These trends suggest that households continue to rely on financing sources that offer easier access and more flexible lending conditions, rather than on mainstream financial institutions, which have maintained relatively stringent lending standards (Figure 4).

SCB EIC Expects Thailand's Household Debt-to-GDP Ratio to Decline Further, but Risks to Household Financial Persist.

Looking ahead, SCB EIC expects Thailand's household debt-to-GDP ratio to continue declining, reaching approximately 83.5-84.5% by end-2026.

The projected decline will be driven by **(1) persistently tight household credit conditions, as financial institutions continue to maintain stringent lending standards**. As a result, households are likely to face ongoing difficulties in accessing new credit, keeping household debt growth subdued (Figure 5). These constraints may also encourage some households to rely more heavily on alternative funding sources that offer greater flexibility and easier access than mainstream financial institutions, despite their higher borrowing costs or shorter loan tenors.

Figure 5: Financial Institutions Continue to Tighten Consumer Lending Standards.



Source: Bank of Thailand

(2) Nominal GDP Growth Is Accelerating Due to Higher Inflation. As nominal GDP, the denominator of the household debt-to-GDP ratio, expands more rapidly, the ratio is expected to decline relatively quickly in numerical terms. Inflation accelerated to 2.8% in September, marking the sixth consecutive monthly increase, driven by persistently elevated oil prices amid ongoing uncertainty surrounding the Middle East conflict,

higher fresh food prices caused by adverse weather conditions, and rising prepared food prices as producers gradually passed through higher production costs to consumers.

As a result, the decline in the household debt-to-GDP ratio is being driven largely by nominal GDP growth outpacing the growth of household debt, rather than by a meaningful improvement in households' debt-servicing capacity. Consequently, a lower debt-to-GDP ratio does not necessarily imply that underlying household financial risks have eased.

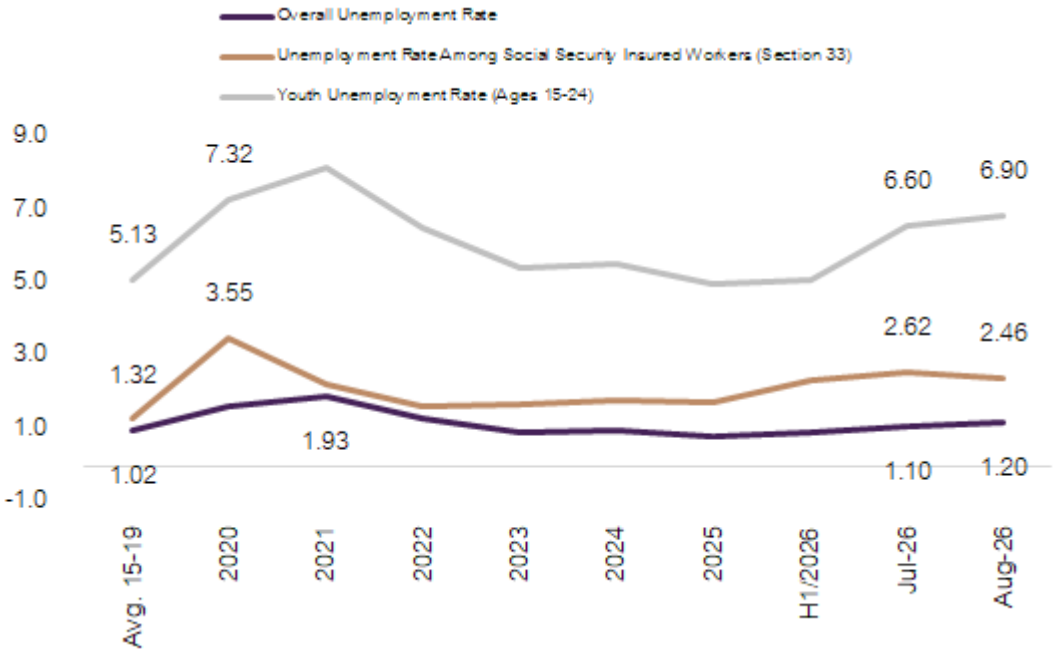
Household Debt-to-GDP Ratio Declines Despite a Weakening Labor Market, Increasing Pressure on Household Incomes and Debt Servicing Capacity.

Labor market indicators in the first half of 2026, together with the latest data for July-August, point to growing fragility in employment, working hours, and incomes, increasing liquidity risks for households, particularly those with unstable or irregular sources of income.

1. **Unemployment Continued to Accelerate:** The number of unemployed people in H1/2026 increased by 9.8% YoY to 397,000, pushing the overall unemployment rate up to 0.94% of the labor force. Meanwhile, the unemployment rate among Social Security Section 33 insured workers rose to 2.37%. Youth unemployment (ages 15-24) also remained elevated at 5.14%, highlighting the labor market's limited capacity to absorb new entrants amid heightened economic uncertainty and the persistent challenges faced by young workers in securing employment.

   Recent data also indicate a continued weakening of labor market conditions. The overall unemployment rate rose further to 1.1% in July and 1.2% in August, the highest level in 26 months. Meanwhile, the youth unemployment rate accelerated to 6.9%, the highest in more than four years. Unemployment among Social Security Section 33 insured workers also remained elevated at 2.62% and 2.46% in the first two months of Q3 2026, respectively, likewise marking the highest levels in over four years (Figure 6). These trends underscore the continued deterioration of labor market conditions and growing pressure on household incomes and debt-servicing capacity.

Figure 6: Thailand's Unemployment Rate Has Continued to Rise Since the Beginning of 2026.



Source: SCB EIC analysis based on data from the National Statistical Office and the Social Security Office.

2. **Working Hours Have Declined**: Another indicator of labor market fragility is the deterioration in employment quality. During the first half of 2026, the number of underemployed workers (working fewer than 35 hours per week) increased by 7.4% YoY to 8.2 million people. Meanwhile, the number of quasi-unemployed workers (working 0-20 hours per week in the agricultural sector or 0-24 hours per week in the non-agricultural sector) rose by 4.9% YoY to 3.3 million people. Average working hours also declined by 0.4% YoY to 42.4 hours per week.

   These trends suggest that a substantial share of workers is employed below their full potential, resulting in fewer working hours and lower income generation, thereby increasing household financial vulnerability.

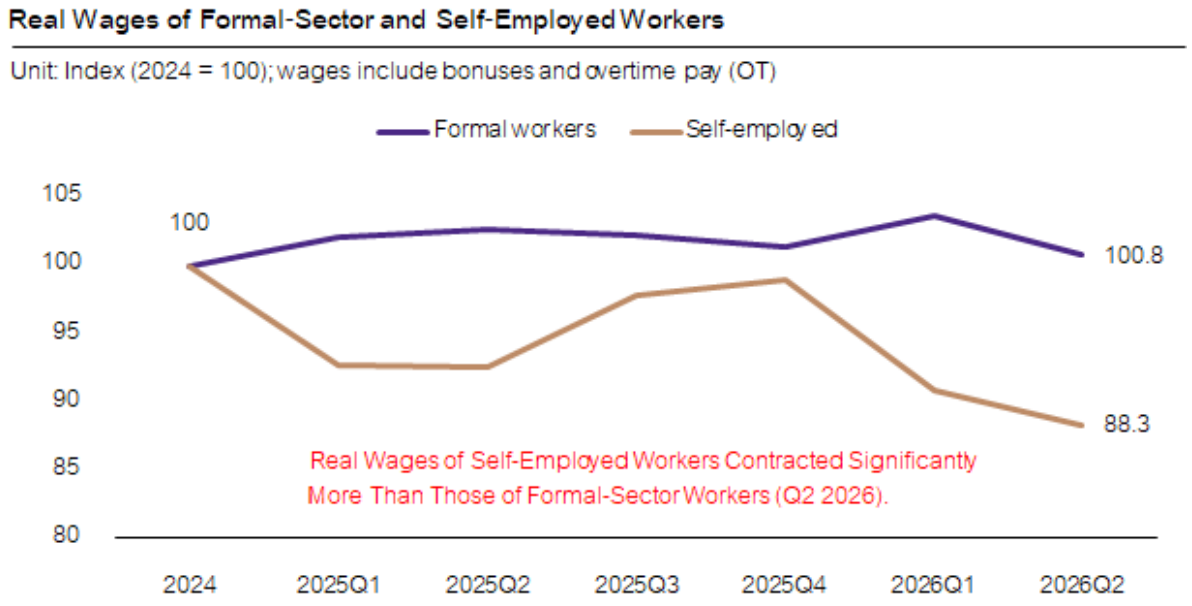
3. **Wage Growth Has Weakened in Some Segments, While Higher Inflation Is Eroding Real Wages**: During the first half of 2026, average overall wages (including bonuses and overtime pay) declined by 0.4% YoY to THB 16,299.5 per month. The contraction was driven primarily by self-employed and informal workers, whose average earnings fell 2.2% YoY to THB 16,458.8 per month. In contrast, wages among formal-sector employees continued to increase modestly, rising 0.9% YoY to THB 16,193.2 per month.

   SCB EIC Expects Real Wages to Remain Under Pressure Throughout the Remainder of 2026, as inflation accelerates while wage growth lags. Moreover, the recovery in real wages has become increasingly K-shaped. Real wages among formal-sector workers have remained broadly stable, whereas

real wages for self-employed and informal workers were more than 10% lower in Q2 2026 compared with 2024 levels (Figure 7).

This divergence highlights the heightened vulnerability of informal workers, who typically lack stable income streams and social protection. As a result, they are more exposed to rising living costs and income volatility, weakening their ability to absorb economic shocks and maintain debt-servicing capacity.

Figure 7: The Recovery in Real Wages Has Become Increasingly K-Shaped Between Formal-Sector and Self-Employed Workers.



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

September-October Flooding Has Further Exacerbated Short-Term Income and Liquidity Vulnerabilities.

According to the Department of Disaster Prevention and Mitigation (DDPM), approximately 1.48 million Thai households, representing 6% of households nationwide, were affected by the recent flooding between 16 September and 7 October 2026. As of 7 October, more than 1.15 million households remained impacted by the floods.

SCB EIC estimates that as many as 1.69 million workers were affected by the recent flooding (based on conditions as of 2 October 2026, when the flooding was at its most severe before gradually easing). The impact was concentrated primarily in Bangkok and surrounding provinces, particularly Samut Prakan and

Bangkok, where an estimated 445,000 and 420,000 workers were affected, respectively. Other heavily affected provinces included Nakhon Nayok, Pathum Thani, Chon Buri, Chachoengsao, Prachin Buri, and Phra Nakhon Si Ayutthaya. The flooding disrupted workers' ability to travel to their workplaces, while businesses and retail establishments in affected areas were forced to suspend operations temporarily, resulting in lost working hours and, in some cases, a risk of job losses (Table 1).

Table 1: SCB EIC Estimates That Eight Provinces Recorded the Highest Share of Households Affected by the Recent Flooding.

Province (Estimated as of 2 Oct 2026)	% of Households Affected	Number of Workers Affected	Income (Including OT and Bonuses) (THB per Person per Month)
Nakhon Nayok	53.4%	69,121	15,803
Samut Prakan	35.3%	445,385	15,905
Pathum Thani	27.9%	263,944	18,546
Chon Buri	17.2%	157,259	21,106
Chachoengsao	14.1%	60,941	16,701
Prachin Buri	13.8%	49,086	18,516
Phra Nakhon Si Ayutthaya	13.5%	61,396	16,533
Bangkok	10.7%	420,216	21,507

Source: SCB EIC analysis based on data from the National Statistical Office and the Department of Disaster Prevention and Mitigation (DDPM).

Workers Most Vulnerable to the September-October Flooding Are Service-Sector and Informal Workers Paid Daily. Their incomes are often disrupted immediately by flood-related disruptions, while expenses related to transportation, food, housing, and repairs of flood-damaged property rise simultaneously. These pressures further burden self-employed and informal workers, whose earnings had already been declining prior to the floods. As a result, this group faces an elevated risk of short-term debt repayment difficulties due to weakened income and liquidity conditions.

In conclusion, the continued decline in the household debt-to-GDP ratio is not a sign that Thailand's household debt problem has eased. The ratio is falling quickly in numerical terms amid constrained credit access and an uneven recovery in household incomes, rather than reflecting a clear improvement in debt-servicing capacity. A weak labor market and higher living costs continue to weigh on household finances, and the flooding has compounded the strain, leaving some households facing sudden income disruption and higher expenses.

Therefore, although SCB EIC expects Thailand's household debt-to-GDP ratio to decline to 83.5-84.5% by end-2026, liquidity and debt-servicing risks warrant close monitoring. These risks are particularly acute among vulnerable households with limited capacity to absorb economic shocks. Targeted and timely short-term support measures will therefore be essential to help preserve liquidity and prevent temporary cash flow constraints from evolving into longer-term debt repayment problems.

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