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The MPC voted 5 to 2 to maintain the policy rate at 1.50%, while two members voted to lower the rate to 1.25%.

- **The majority deemed the current monetary policy stance to be accommodative**, emphasizing the importance of timing and policy effectiveness amid limited policy space.
- **The minority judged that monetary policy could be further eased** to support economic recovery and alleviate liquidity problems and debt burdens among vulnerable groups.

The Thai economy should slow in the second half of 2025, as the export sector begins to feel the impact of Trump's tariffs.

- **The economy in Q3 is expected to slow, weighed down by the export sector, which has begun to be affected by U.S. tariff measures**, while industrial production has also weakened due to temporary factors. The MPC projects that Thai GDP growth in the second half of 2025 will be below 2%YoY.
- **The MPC revised up its export growth forecast for this year significantly to 10%YoY (from 4.0%YoY in the June meeting), in line with actual data.** However, the positive impact on the overall economy is limited, as the import growth forecast was also raised substantially to 10.2%YoY (from 5.3%YoY in the June meeting).
- **The MPC assessed that the tourism sector and domestic demand have already slowed.** Accordingly, it revised down its projection for foreign tourist arrivals in 2025 from 35 million in the June meeting to 33 million (Figure 1) and lowered its forecast for domestic demand growth from 2.1%YoY to 1.7%YoY. Nevertheless, the MPC expects both drivers to gradually improve going forward and has already incorporated the government's new economic stimulus measures, scheduled for implementation in Q4, into this economic projection.
- **The overall outlook for the Thai economy remains broadly unchanged from the June meeting.** The MPC slightly revised down its GDP growth projections from 2.3%YoY and 1.7%YoY in the June meeting to 2.2%YoY and 1.6%YoY in 2025 and 2026, respectively.

Figure 1: BOT's Economic Outlook for 2025–2026 (as of October 2025)

Projections by BOT (%YoY)	MPC Oct 25		MPC Jun 25	
	2025F	2026F	2025F	2026F
GDP Growth Rate	2.2%	1.6%	2.3%	1.7%
Domestic Demand	1.7%	1.8%	2.1%	1.6%
Export Value	10.0%	-1.0%	4.0%	-2.0%
Import Value	10.2%	0.0%	5.3%	-1.9%
Headline Inflation	0.0%	0.5%	0.5%	0.8%
Number of Foreign Tourists (million persons)	33.0	35.0	35.0	38.0

Source: BOT

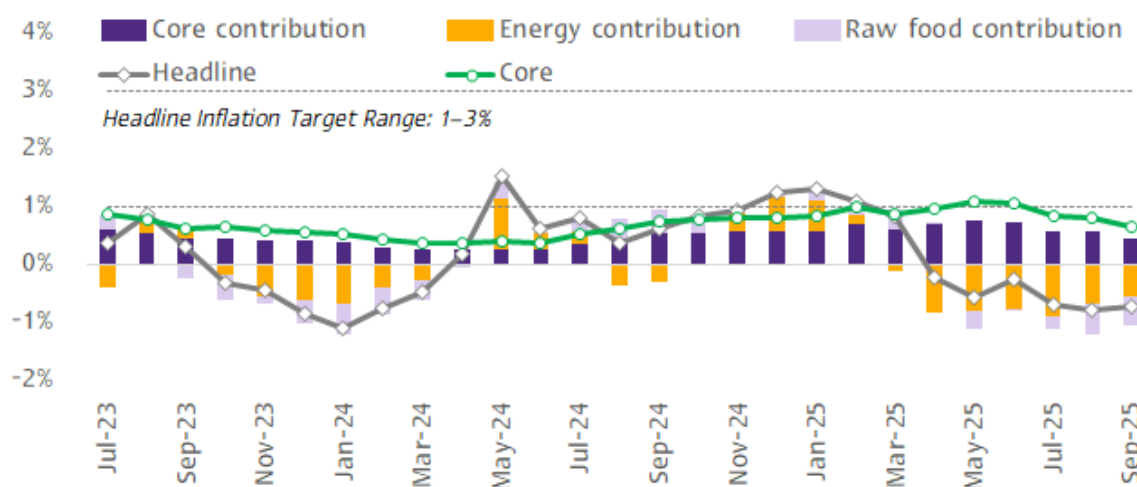
The MPC revised down its inflation forecast for this year to 0% and expects inflation to remain below the target range throughout 2026. The committee will closely monitor the risk of deflation.

- **The MPC significantly revised down its headline inflation forecasts** for 2025 and 2026, expecting inflation to decline to 0.0% and 0.5%, respectively. This marks a downward revision from the June meeting's projections of 0.5% and 0.8%, respectively, reflecting supply-side factors such as lower energy and raw food prices (Figure 2).
- **The MPC expects headline inflation to remain below the target range throughout next year** while expects the headline inflation to return to the lower bound of the target range at 1% in early 2027, in line with global crude oil prices, which are projected to stabilize after a period of continuous decline.
- **The MPC affirmed that Thailand has not yet entered a deflationary state** but will monitor the risk more closely. The committee judges that Thailand is not in a deflationary state because (1) core inflation has not declined sharply or rapidly, with projections of 0.9% for both 2025 and 2026; (2) majority of the product prices have not fallen; and (3) long-term inflation expectations remain within the target range.

Figure 2: Headline Inflation Has Remained Negative for Six Consecutive Months

Sources of Thailand's Inflation

Unit: %YOY



Source: SCB EIC analysis based on data from the Ministry of Commerce

Overall financial conditions remain tight, while financial conditions for SMEs continue to be a concern.

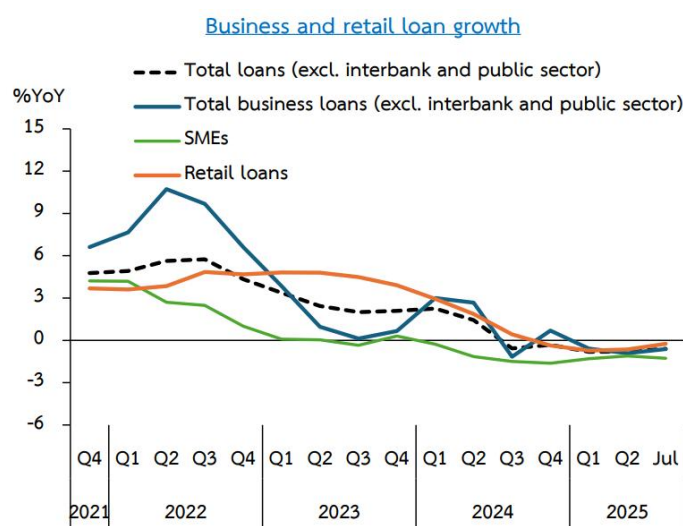
- **Thailand's overall financial conditions remain tight.** Credits continue to contract slightly, partly due to weaker credit demand and debt repayments by large corporates, while overall credit quality has not deteriorated significantly.
- **SMEs continue to face tight financial conditions, as reflected by both domestic and external indicators.** Domestically, SME loans have contracted, and credit quality has deteriorated, evidenced by a continued rise in the NPL ratio. Externally, export-oriented SMEs have been affected by the appreciation of the baht, which has reduced their revenue in baht terms. The impact is particularly severe among SME exporters, as (1) over 80% of them do not hedge against exchange rate risks, and (2) SME exporters already operate with relatively low profit margins.
- **The MPC affirmed that monetary policy needs to be "accommodative,"** but emphasized the importance of timing and the effectiveness of monetary policy transmission amid limited policy space and heightened future uncertainties.

IMPLICATIONS

SCB EIC expects the MPC to deliver another policy rate cut in the December meeting because:

- **Credit contraction has continued across-the-board (Figure 3), reflecting weakening credit demand, which could further slow economic activity in the future.** This is particularly evident among large corporations, indicating subdued business confidence. Some of these firms still have access to credit but have chosen to reduce financial risks on their balance sheets by borrowing less or repaying existing loans. This may signal a potential decline in private investment going forward, suggesting that monetary policy may need to play a greater role in supporting the economy.

Figure 3: Credit Continues to Contract Across All Business Sizes, Including Large Corporates



Source: BOT

Note: Financial institutions including commercial banks (and subsidiaries), SFIs, and non-banks that are not subsidiary of commercial banks. For retail loans, the coverage includes commercial banks (and subsidiaries), SFIs, and non-banks under regulation. For business loans, business size is defined through a combination of the Office of SMEs Promotion's criteria and credit lines.

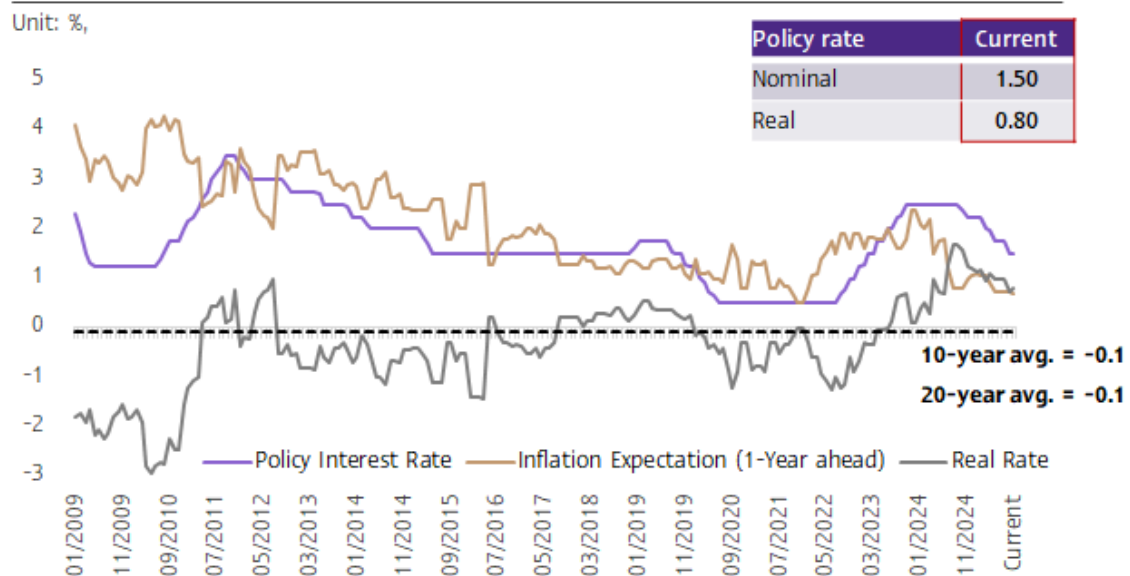
- **The real policy rate remains high compared to historical levels.** Using the one-year-ahead inflation expectation of around 0.7% (rather than the long-term 5–10 year expectation of around 1.5–1.6%), Thailand's real policy rate stands at approximately +0.8%, while the historical average real rate has typically hovered around 0% (Figure 4). This suggests that the current policy rate remains relatively high compared to Thailand's economic outlook for next year, which is expected to expand at a much slower pace than in the past—only 1.5%YoY according to SCB EIC's forecast, or 1.6%YoY based on the BOT's latest projection.
- **Going forward, expected persistently low inflation in Thailand could lead households to face a “debt deflation” situation, thereby prolonging the fragility of domestic demand.**

- Household debt levels remain high. Since the beginning of 2024, during the ongoing household deleveraging process, headline inflation has averaged only 0.2% (Figure 5), lower than in previous deleveraging episodes. Low inflation has not supported the debt reduction process, as the nominal value of money remains unchanged, meaning the real value of household debt has not declined.
- A prolonged period of low headline inflation could eventually push the Thai economy toward deflation, as the slow decline in household debt—coupled with an insufficient increase in price levels to reduce the real debt burden—would further constrain household spending and overall domestic demand.

For the monetary policy outlook, SCB EIC maintains its assessment that the policy rate will be lowered to 1.25% in the December meeting and further reduced to 1.0% in early 2026. The Thai economy is expected to continue slowing through the first half of 2026, as fragilities in the business and household sectors will keep weighing on domestic demand. Moreover, Thailand's financial conditions remain tight and inconsistent with the economy's growth rate, which is well below its potential. Therefore, SCB EIC expects the MPC to cut the policy rate once more in December and again in early next year, to allow monetary policy to help mitigate vulnerabilities in the Thai economy going forward.

Figure 4: Thailand's Real Policy Rate Remains Above the Historical Average of Around 0%

Thailand's Policy Rate, by SCB EIC



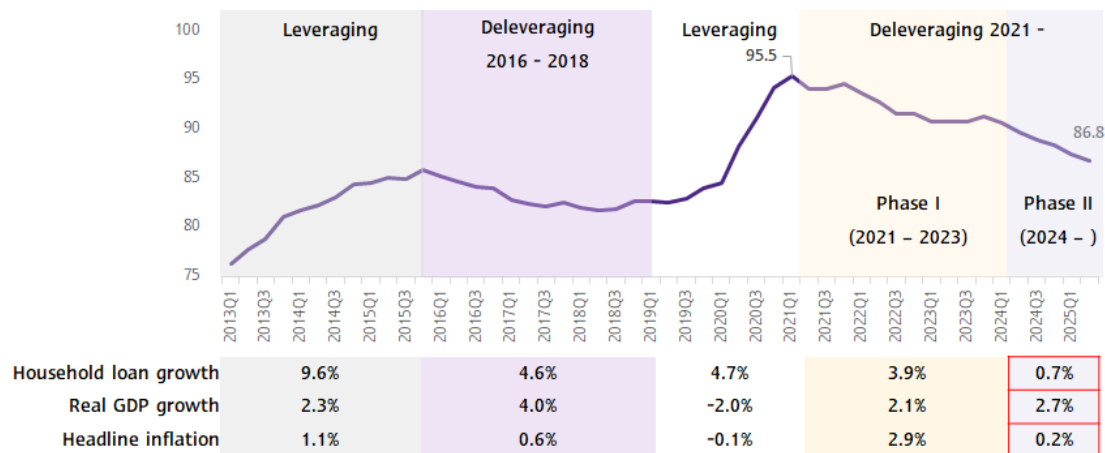
^{/1} Based on one-year-ahead inflation expectations as of October 2025

Source: SCB EIC analysis based on data from Bloomberg

Figure 5: The Current Household Deleveraging Cycle Is Occurring Amid Prolonged Low Inflation in Thailand

Changes in Household Debt-to-GDP Ratio and Thailand's Economic Developments in Each Household Deleveraging Cycle

Unit: %nominal GDP



Note: Economic variables (%YoY) are presented as quarterly averages.

Source: SCB EIC analysis based on data from BOT, NESDC, and the Ministry of Commerce

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Author

NOND PRUEKSIRI (nond.prueksiri@scb.co.th)

SENIOR ECONOMIST

MACROECONOMICS RESEARCH

YUNYONG THAICHAROEN, Ph.D.

Chief Economist and Sustainability Officer

THITIMA CHUCHERD, Ph.D.

HEAD OF MACROECONOMICS RESEARCH

POONYAWAT SREESING, Ph.D.

SENIOR ECONOMIST

NOND PRUEKSIRI

SENIOR ECONOMIST

VISHAL GULATI

SENIOR ECONOMIST

KUSALIN CHARUCHART

ECONOMIST

NATHAPONG TUNTICHIRANON

ECONOMIST

PAKKAPON TONTIWICH

ECONOMIST

PAWAT SAWAENGSAI

ECONOMIST



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