

Macro Note

Thailand: Disinflation persisted in Aug 25

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- Headline CPI stayed in negative territory, falling 0.79% y/y in Aug (Jul: -0.70% y/y), driven by lower raw food prices, electricity tariffs, and energy costs. The print was slightly weaker than consensus (Reuters: -0.70% y/y). Core inflation eased to 0.81% y/y from 0.84% y/y in Jul.
- On the latest print, we leave headline CPI at 0.4% for 2025 and 0.6% for 2026, noting a pronounced downside risk skew.
- That said, following the 25-bps policy rate reduction in Aug, we anticipate further monetary policy accommodation via an additional 25-bps cut in Dec 25. This would bring the policy rate to 1.25% by year-end, with a subsequent 25-bps reduction in 1Q26, lowering the benchmark rate to 1.00%— which we view as the likely terminal rate.

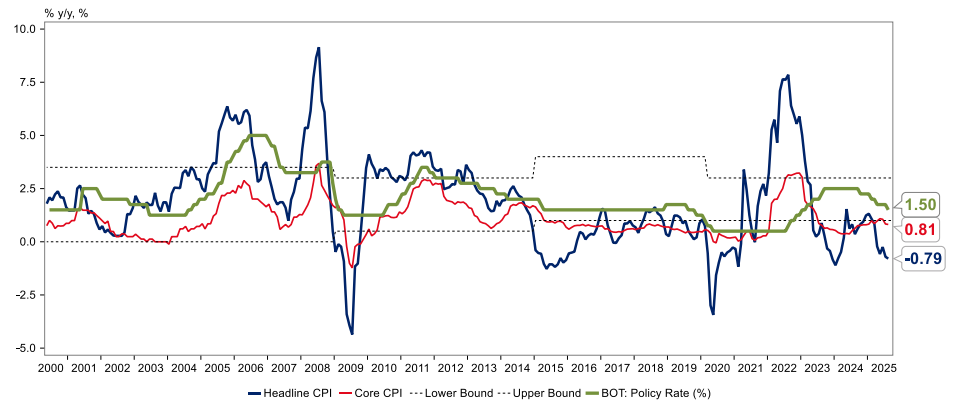
Supply-side factors and interventions continue to keep headline inflation negative in Aug 25

Thailand's disinflation deepened in Aug as declines in raw food, fuel, and regulated electricity tariffs kept headline prices in negative territory. Headline CPI fell 0.79% y/y (-0.01% m/m), from -0.70% y/y in Jul, undershooting the Reuters consensus (-0.70% y/y) and our estimate. Core CPI (excluding fresh food and energy) eased to 0.81% y/y from 0.84% in July,

For the eight months of 2025, headline CPI has averaged 0.08% y/y and core 0.94% y/y—both firmly below the BOT's 1.0%-3.0% target range and broadly hovering near the lower bound since mid-2023, with a brief move above 1.0% in May 2025. Headline inflation has remained negative since Apr 2025, reflecting persistent supply-side disinflation (food/energy/electricity) and subdued domestic demand conditions.

CPI inflation rates (% y/y) in Aug 25

Source: Macrobond, UOB Global Economics & Markets Research



On composition, disinflation remains predominantly supply- and administered-price-driven. Improved weather and harvests pushed fresh vegetables (-14.9% y/y) and fruits (-13.3% y/y) sharply lower, with eggs/dairy at -3.72% y/y; on the non-food side, transport & communications fell 2.73% y/y, with fuels down 7.63% y/y and electricity charges lower on policy support, while the housing basket was -0.23% y/y even as rents edged up within the category. Offsetting pockets of stickiness came from processed foods and beverages—ready-to-eat meals (+2.54% y/y), meats (+3.36%), non-alcoholic beverages (+3.83% y/y), condiments (+2.58% y/y), sugar products (+1.58% y/y), and cereals (+0.36% y/y)—keeping core inflation modestly positive.

Developments of CPI inflation in Aug 25

Source: CEIC, UOB Global Economics & Markets Research

| % y/y | Weight | Jul-24 | Aug-24 | Sep-24 | Oct-24 | Nov-24 | Dec-24 | Jan-25 | Feb-25 | Mar-25 | Apr-25 | May-25 | Jun-25 | Jul-25 | Aug-25 |
|---|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Headline CPI | 100.0 | 0.82 | 0.36 | 0.62 | 0.83 | 0.94 | 1.24 | 1.32 | 1.08 | 0.84 | -0.22 | -0.57 | -0.25 | -0.70 | -0.79 |
| Food & Non Alcoholic Beverages | 39.6 | 1.27 | 1.82 | 2.25 | 1.94 | 1.28 | 1.27 | 1.78 | 2.03 | 2.35 | 1.63 | 0.89 | 1.64 | 0.84 | -0.08 |
| Rice, Flour & Cereal | 3.4 | 3.44 | 3.13 | 1.35 | 0.28 | 0.86 | 1.43 | 1.91 | 0.69 | 1.21 | 1.71 | 2.23 | 0.78 | 0.78 | 0.36 |
| Meats Poultry & Fish | 7.4 | -2.20 | -1.16 | -0.68 | 0.33 | 0.59 | 0.25 | 0.41 | 1.39 | 3.04 | 5.04 | 5.39 | 4.98 | 4.18 | 3.36 |
| Eggs and Dairy Products | 1.7 | 2.88 | 1.66 | 1.43 | 1.44 | -0.50 | -0.95 | -0.53 | 0.45 | -0.46 | -1.94 | -1.52 | -3.94 | -3.46 | -3.72 |
| Vegetables and Fruits | 4.9 | 4.24 | 6.12 | 8.17 | 4.68 | -0.44 | -0.38 | 1.90 | 1.50 | 1.66 | -6.72 | -14.05 | -7.00 | -9.43 | -13.71 |
| Seasoning and Condiments | 1.2 | -1.12 | -0.62 | -0.39 | 0.02 | 1.84 | 2.21 | 3.30 | 5.21 | 6.82 | 6.20 | 5.96 | 4.56 | 3.42 | 2.58 |
| Non Alcoholic Beverages | 3.4 | 1.79 | 2.08 | 2.36 | 2.85 | 3.26 | 3.35 | 3.18 | 3.26 | 3.66 | 4.24 | 4.41 | 4.32 | 4.51 | 3.83 |
| Sugar & Sweet Products | 0.9 | 2.80 | 2.89 | 2.55 | 3.19 | 2.45 | 1.84 | 2.01 | 2.03 | 2.06 | 1.91 | 2.10 | 2.05 | 1.97 | 1.58 |
| Prepared Food | 16.7 | 1.54 | 1.81 | 2.38 | 2.33 | 2.27 | 2.33 | 2.53 | 2.68 | 2.37 | 2.61 | 3.41 | 3.40 | 2.53 | 2.54 |
| Non Food & Beverages | 60.4 | 0.50 | -0.68 | -0.55 | 0.03 | 0.70 | 1.21 | 1.00 | 0.40 | -0.18 | -1.45 | -1.51 | -1.45 | -1.72 | -1.22 |
| Apparel & Footwears | 2.1 | -0.54 | -0.59 | -0.66 | -0.49 | -0.51 | -0.51 | -0.19 | -0.32 | -0.43 | -0.56 | -0.91 | -0.88 | -1.08 | -1.07 |
| Housing & Furnishing | 24.5 | -0.84 | -0.89 | 0.35 | 0.41 | 0.41 | 0.39 | 0.43 | 0.50 | 0.00 | -0.67 | -0.30 | -0.35 | -0.23 | -0.23 |
| Medical & Personal Care | 6.3 | -0.38 | -0.03 | -0.11 | -0.61 | -0.36 | -0.36 | -0.53 | -0.52 | -0.63 | -0.72 | -1.05 | -0.80 | -1.08 | -0.93 |
| Transport & Communication | 22.2 | 2.01 | -1.00 | -1.78 | -0.28 | 1.38 | 2.71 | 2.09 | 0.53 | -0.41 | -2.97 | -3.38 | -3.23 | -3.87 | -2.73 |
| Recreation, Reading, Education and Religion | 4.0 | 0.61 | 0.62 | 0.65 | 0.58 | 0.48 | 0.37 | 0.45 | 0.45 | 0.42 | 0.66 | 0.44 | 0.50 | 0.47 | 0.48 |
| Tobacco & Alcoholic Beverages | 1.2 | 1.85 | 1.85 | 1.32 | 0.03 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Core Consumer Price Index | 70.3 | 0.52 | 0.63 | 0.76 | 0.77 | 0.80 | 0.80 | 0.83 | 0.99 | 0.86 | 0.98 | 1.09 | 1.06 | 0.84 | 0.81 |
| Raw Food and Energy | 29.7 | 1.37 | -0.14 | 0.33 | 0.94 | 1.21 | 2.06 | 2.28 | 1.18 | 0.71 | -2.70 | -3.83 | -2.82 | -3.82 | -4.11 |
| Raw Food | 17.5 | 1.10 | 1.92 | 2.32 | 1.64 | 0.24 | 0.17 | 0.97 | 1.13 | 1.90 | 0.30 | -1.76 | -0.23 | -1.23 | -2.99 |
| Energy | 12.2 | 1.77 | -3.10 | -2.56 | -0.08 | 2.72 | 5.01 | 4.25 | 1.23 | -0.93 | -6.73 | -6.58 | -6.31 | -7.33 | -5.55 |

According to the Ministry of Commerce (MOC), headline inflation is likely to remain negative in Sep as further reductions in the automatic tariff adjustment (Ft) rate (to 15.72 satang/unit) lower the electricity tariff to 3.94 baht/unit, fresh produce supply remains ample, and major retailers continue to maintain promotions. Upside risks are concentrated in select food items (pork, coconut milk, tamarind, coffee, salt, vegetable oil) and potential volatility in crude prices amid disruptions to Russian refinery capacity; nevertheless, the official 2025 headline CPI forecast remains 0.0%-1.0% (midpoint 0.5%)¹, implying subdued underlying pressures with core hovering

¹ In Aug, the MOC's main assumptions remained unchanged, including (1) an economic growth rate in the range of 1.3%-2.3%, (2) an annual average of Dubai oil prices of 63-73 USD/barrel, and (3) the average of the USD/THB exchange rate in the range of 33.5-34.5

around 1.0% y/y. The MOC maintained its inflation forecast for 2025 within a range of 0.0% to 1.0% (midpoint: 0.5%).

In addition, the authorities continue to judge deflation risks as remote, emphasizing that core inflation remains in positive territory.

We retain our full-year headline CPI forecasts at 0.4% for 2025 and 0.6% for 2026 following the Aug print. That said, the risk skew is to the downside: supply-side disinflation (fresh food, fuel, and regulated electricity tariffs) has persisted longer than assumed, pass-through remains muted amid a soft demand backdrop and a still-negative output gap, and core inflation is hovering near 1.0%.

We would consider a downward revision if (i) core drifts durably below 1%, (ii) administered electricity charges are reduced further or extended beyond our base case, or (iii) growth under-shoots, reinforcing disinflation through slack in labor and product markets. Upside risks are comparatively contained and center on a sustained rebound in global energy, weather-related food shocks, exchange-rate depreciation, or policy adjustments (e.g., subsidy rollbacks or wage hikes). We will reassess the profile as incoming data clarifies these drivers.

Demand-side indicators paint mounting deflationary pressures

We view that textbook deflation—a broad-based, persistent decline in the general price level driven by deficient demand—does not characterize Thailand's current CPI dynamics. Price declines remain concentrated in energy, regulated electricity tariffs, and raw food, while core inflation is still in positive territory. That said, demand-side gauges point to ongoing disinflationary pressure: the GDP deflator has softened, bank credit growth to households and SMEs is subdued, consumer-loan NPL ratios remain elevated, and the Private Consumption Index (PCI) has lost momentum. Taken together, these indicators suggest lingering demand shortfalls even as supply- and administered-price factors dominate the headline.

As a result, we see a case for additional, pre-emptive monetary easing to forestall debt-deflation dynamics. With headline inflation near or below zero, the ex-ante real policy rate has drifted higher, tightening real financial conditions and raising debt-service burdens. A calibrated rate cut would help re-anchor inflation expectations within the BOT's 1.0%–3.0% target band, support household and SME cash flows, and reduce the risk that disinflation becomes entrenched via weaker spending and balance-sheet repair (with the key assumption of the absence of material upside shocks, including energy prices, weather-related food spikes, or policy rollbacks in administered prices).

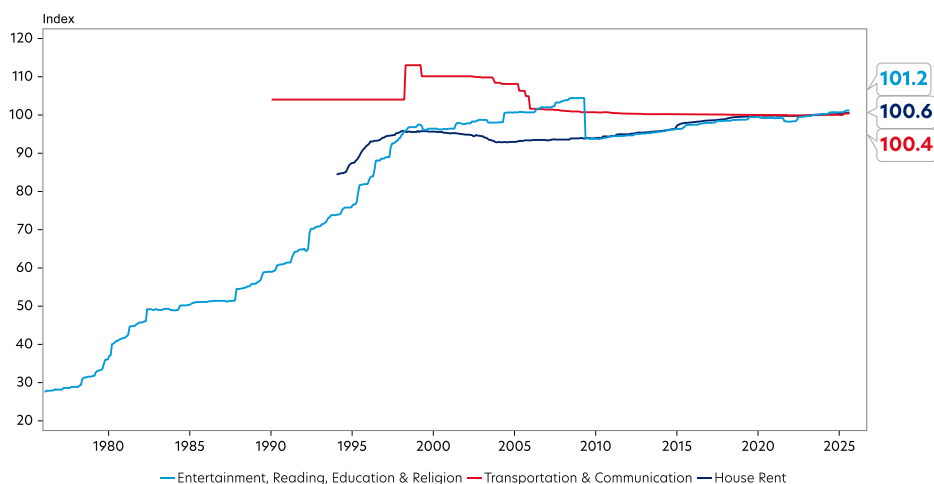
Separately, the Aug MPC minutes (BOT MPC Minutes: [Link](#)) reaffirm **that the BOT will not respond mechanically to headline disinflation.** The MPC judged that the current negative prints are largely supply- and administered-price driven (fuel and regulated electricity) and therefore not a binding constraint on growth; if anything, they ease cost pressures via a real-income channel for households and lower operating costs for firms. As such, the reaction function places greater weight on the activity and credit outlook, as well as financial stability considerations, rather than on the headline CPI in isolation.

The minutes also flag potential measurement issues that may be dampening the signal from reported inflation. Several CPI subcomponents exhibit unusual stickiness due to data collection frictions and limitations to quality adjustment. In particular, the rent category is skewed toward older units and contracts, making it difficult to reprice, which may understate effective housing-cost dynamics.

In response, the MPC asked the Secretariat to work with relevant agencies to refine CPI compilation—improving coverage, repricing frequency, and quality-adjustment methods—so that measured inflation better reflects the prices actually faced by consumers and the transmission of monetary policy.

Developments of some of CPI Indices

Source: Macrobond, UOB Global Economics & Markets Research



We shared the BOT’s concern about the persistent low inflation rate due to limitations in measurement as reflected by no movement, particularly in the categories of house rent, transportation & communication, and travel & leisure, which together occupy a large share in the CPI basket.

That said, we expect the MPC to hold in Oct, delivering a “dovish pause” thanks to a complete transmission from the Aug 25bps policy-rate cut. The pass-through to banks’ quoted lending rates (e.g., MRR/MLR) has been swift, lowering nominal borrowing costs for households and SMEs. With headline inflation still around zero and core near 1.0%, the ex-ante real policy rate remains restrictive; a pause in Oct under the new Governor as the MPC chair allows the central bank to gauge the impact on credit conditions, activity, and inflation expectations before taking further steps, while continuing to echo its concerns on the policy space (Bloomberg: Bank of Thailand Says Limited Room Left For Easing: [Link](#))

With downside risks to the near-term outlook, our baseline is for the BOT to resume easing with a 25bps cut in Dec 2025 and a further 25bps reduction in 1Q26, primarily to cushion a still-negative output gap, support the credit impulse, and re-anchor inflation durably within the 1-3% target band.

Please click on the links to access:

- Press Release by the MOC: [Link](#)

Our forecast

| % | 8 Sep | 4Q25 | 1Q26 | 2Q26 | 3Q26 |
|-------------------|-------|-------|-------|-------|-------|
| BOT 1-D Repo Rate | 1.50% | 1.25% | 1.00% | 1.00% | 1.00% |

Source: Global Economics & Markets Research (as of 8 September 2025)

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