

THAILAND

FX & Rates	1Q26F	2Q26F	3Q26F	4Q26F
USD/THB	31.9	31.7	31.5	31.3
THB 1D Repo	1.00	1.00	1.00	1.00
Economic Indicator	2023	2024	2025F	2026F
GDP (%)	2.0	2.5	2.0	1.8
CPI (avg y/y %)	1.2	0.4	-0.1	-0.3
Unemployment Rate (%)	1.3	1.0	1.0	1.0
Current Account (% of GDP)	1.5	2.2	2.1	2.3
Fiscal Balance (% of GDP)	-2.3	-2.4	-4.5	-4.3

ECONOMY

Domestic demand and tourism to support growth

The 3Q25 GDP outturn confirmed that the strong 1H25 performance was not sustainable. Growth slowed sharply to 1.2% y/y in 3Q25, less than half of the 2.8% y/y in 2Q25, with GDP contracting by 0.6% q/q sa—the first sequential decline in nearly three years. The payback from earlier front-loaded manufacturing production and exports ahead of U.S. tariff changes, which had lifted 1H25 growth to 3.0% y/y, is now evident. A temporary contraction in government spending, manufacturing, and merchandise exports was the main drag in 3Q25, partly offset by still-expanding services and resilient, albeit moderating, private consumption.

Looking ahead, we expect the economy to slow further in 1H26, following the deceleration anticipated for 4Q25, despite the announced fiscal stimulus packages. Private domestic demand and tourism should remain key growth drivers in 2026 amid softening merchandise exports, as the boost from front-loaded shipments to the U.S. fades. We expect real GDP growth to ease to 0.5% y/y in 1Q26, from an anticipated 0.8% y/y expansion in 4Q25. We maintain our full-year 2026 growth forecast at 1.8%, down from the projected 2.0% in 2025, implying that momentum remains weak into 1H26 before a mild recovery later in the year as the drag from U.S. trade measures and earlier front-loading gradually wanes, with domestic demand providing only a partial offset. We remain slightly more optimistic than the authorities and the IMF; the NESDC expects growth of 1.7% in 2026 (vs. the BOT and IMF estimates of 1.6%). The 4Q25 and full-year 2025 GDP data will be released on 16 Feb 2026.

At the same time, the growth mix is shifting toward domestic rather than external drivers, aided by a gradual rebound in the tourism sector. Key growth drivers are private consumption and government spending, particularly public investment. The FY2026 budget continues to allocate a sizeable 23% of total spending to public investment (vs. 25% in FY2025), which, along with a strong pipeline of BOI-approved projects, should support private investment in the auto and electric vehicle (EV) sector, smart electronics, high-end tourism, and bio-industries over the next 6–12 months. In the near term, the government's fiscal stimulus packages should help lift activity from 4Q25 through 1Q26, but are unlikely to fully offset the external shock.

In addition, recent flooding in the central and southern regions is expected to disrupt economic activity, particularly in tourism and related services. Overall, near-term risks remain tilted to the downside, including the impact of U.S. tariffs, deflation risks, natural disasters, and potential disruptions associated with the political transition in 1H26.

On the price front, disinflation remains the dominant theme. The quarterly GDP deflator has remained in negative territory since 1H25, at -1.12% y/y in 3Q25, signaling economy-wide price weakness that extends beyond the already-weak headline CPI. We expect headline CPI to average -0.1% y/y in 2025 and slip further to -0.3% in 2026, broadly in line with the anticipated soft-growth trajectory. This contrasts with the BOT's latest projections of 0.0% and 0.5% in 2025–26, with inflation returning to the 1–3% target band only by early 2027. Against this backdrop of subdued price pressures, external stability remains broadly sound, supported by a current account surplus.

CENTRAL BANK

Biased toward easing

We maintain our view that the BOT will deliver a further 50 bps of easing, through a 25-bps cut at the December 2025 meeting, followed by another 25-bps reduction in 1Q26, bringing the policy rate to 1.00%, which we regard as the likely terminal rate in this cycle.

That said, the timing and extent of easing in 2026 could be delayed to later meetings, as the BOT has stressed the importance of calibrating both the timing and effectiveness of rate cuts given limited policy space. Conversely, if downside risks intensify and financial conditions are assessed to have tightened further, the MPC could opt for more pre-emptive easing, with the policy rate potentially drifting toward the pandemic-era low of around 0.50%. We continue to view this as a tail-risk scenario rather than our base case.

CURRENCY

Gradual downward trajectory for USD/THB

The THB's strong rally this year has persisted despite a slowdown in domestic growth and subdued tourism activity. Instead, the currency – Asia's second-best performer with a 6.6% year-to-date gain against the USD – has been buoyed by its close correlation with rising gold prices, sustained foreign inflows into local bond markets, and a persistent current account surplus. Notably, the BOT has intervened in the FX market to curb excessive volatility, reiterating that the THB should be weaker to better reflect underlying economic fundamentals.

Looking ahead, we expect USD/THB to continue its gradual downward trajectory, underpinned by broad-based USD softness as the Fed advances its rate-cutting cycle into 2026. However, our baseline scenario of a cumulative 50bps in BOT rate cuts through 1Q26, coupled with the likelihood of further FX intervention, suggests two-way volatility will remain a feature of the pair. As such, our revised USD/THB forecasts are 31.9 for 1Q26, 31.7 for 2Q26, 31.5 for 3Q26, and 31.3 for 4Q26.

