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Krungsri Research revises Thailand's 2026 GDP growth forecast down to 1.9% amid external risks and structural constraints, though stimulus measures help to provide some support.

Key event:

Temporary factors boosted 1Q26 economic growth, but growth is expected to slow to 1.9% in 2026 amid sluggish consumption, a fragile tourism recovery, moderating exports, and rising imports.

Although Thailand's economy expanded by a stronger-than-expected 2.8% YoY in 1Q26, the main growth drivers were largely temporary factors, including front-loading exports amid uncertainty over U.S. import tariff, accelerated EV purchases, the recovery in private investment following the election, and inventory accumulation. In addition, sharply higher imports resulted in Thailand's first trade deficit in 14 quarters, reflecting the impact of escalating tensions in the Middle East, which began to weigh on the Thai economy toward the end of the first quarter.

Krungsri Research expects Thailand's economy to grow by 1.9% in 2026, slowing from 2.4% in 2025. Although government stimulus measures are expected to support growth in the second half of the year, pressures from geopolitical conflicts, uncertainty surrounding U.S. trade policy, and domestic structural constraints are likely to weaken overall economic momentum compared with the previous year.

- **Private consumption is projected to record its slowest growth in four years**, mainly due to rising living costs driven by higher energy prices, while household income—particularly farm income—continues to grow at a subdued pace. High household debt also remains a constraint on purchasing power.
- Meanwhile, **the tourism recovery is expected to remain gradual**, with foreign tourist arrivals projected to decline for a second consecutive year due to higher travel costs and safety concerns linked to Middle East tensions, particularly among long-haul travelers from Europe, the U.S., and the Middle East, alongside intensifying regional tourism competition.
- Although **exports expanded strongly in the first quarter, export growth is expected to moderate over the remainder of the year** amid softer global demand and risks of more stringent U.S. tariff measures, both in terms of tariff rates and product coverage. At the same time, **imports are likely to accelerate further due to higher costs and geopolitical uncertainty**, placing additional pressure on the trade balance and weighing on economic growth.
- **Private investment is expected to remain relatively resilient**, supported by record-high BOI investment applications in 2025, continued growth in foreign direct investment (FDI), and the Thailand FastPass initiative, which is expected to help attract further investment into the country. Nevertheless, prolonged tensions in the Middle East, global economic uncertainty, and structural challenges will remain key headwinds going forward.

Regarding monetary policy, although inflationary pressures are expected to rise and could exceed the official target range, weak domestic demand is likely to limit the effects of second-round inflation. In addition, credit growth remains subdued despite lower real interest rates. As a result, the Monetary Policy Committee (MPC) is expected to maintain the policy rate at 1.00% throughout the remainder of the year to help support economic growth.

Krungsri Research view:

Thailand's economy faces mounting risks despite stronger-than-expected 1Q growth and some support from stimulus measures. Geopolitical tensions, trade uncertainty, and structural constraints continue to weigh on the outlook.

In the view of Krungsri Research, although Thailand's economy expanded more strongly than expected in the first quarter of this year, and government stimulus measures may help support growth from mid-year onward, **the Thai economy continues to face risks from both external factors and domestic structural constraints.** Given these factors, Krungsri Research has revised its 2026 economic outlook to reflect three key developments:

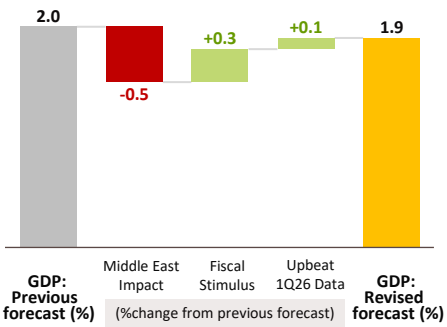
1) **stronger-than-expected 1Q economic growth**, which provides an upside contribution to the forecast;
2) **additional support from the Emergency Loan Decree** aimed at mitigating the impact of the energy crisis;
3) **the effects of Middle East tensions**, which have pushed up energy and transportation costs and weighed on consumption, investment, exports, and tourism.

Nevertheless, if Middle East tensions become more prolonged or escalate further, or if global trade protectionist measures intensify, Thailand's economy could slow more than currently anticipated.

Looking ahead, Thailand's economy continues to face several key challenges: (1) geopolitical tensions, particularly in the Middle East, which could prolong the energy crisis and heighten risks of supply chain disruptions; (2) uncertainty surrounding U.S. trade policy; (3) fiscal constraints and risks of a slowdown in spending (Payback effects) after stimulus measures expire; (4) El Niño, which may adversely affect agricultural output and farm income; and (5) structural challenges, including weakening manufacturing competitiveness, high household debt, an aged society, and a shrinking labor force. **Although external risks are affecting economies globally in a similar manner, Thailand's domestic structural constraints could amplify the economic impact relative to peers. Against this backdrop, prudent and effective economic policy implementation, alongside sufficient flexibility to manage uncertainty, will remain crucial in sustaining Thailand's growth momentum going forward.**

Forecast of Thai GDP Growth in 2026 (%)

Unit: %	2024	2025	2026F
GDP growth	**2.9**	**2.4**	**1.9**
Private consumption	4.4	2.7	2.0
Public consumption	2.6	0.6	1.0
Private investment	-1.9	3.5	3.5
Public investment	4.5	8.9	2.7
Exports (in USD)	5.9	12.7	9.8
Imports (in USD)	5.5	13.0	15.0
Tourist arrivals (mn)	35.5	33.0	32.5
Headline inflation	0.4	-0.1	2.7



Source: Krungsri Research

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