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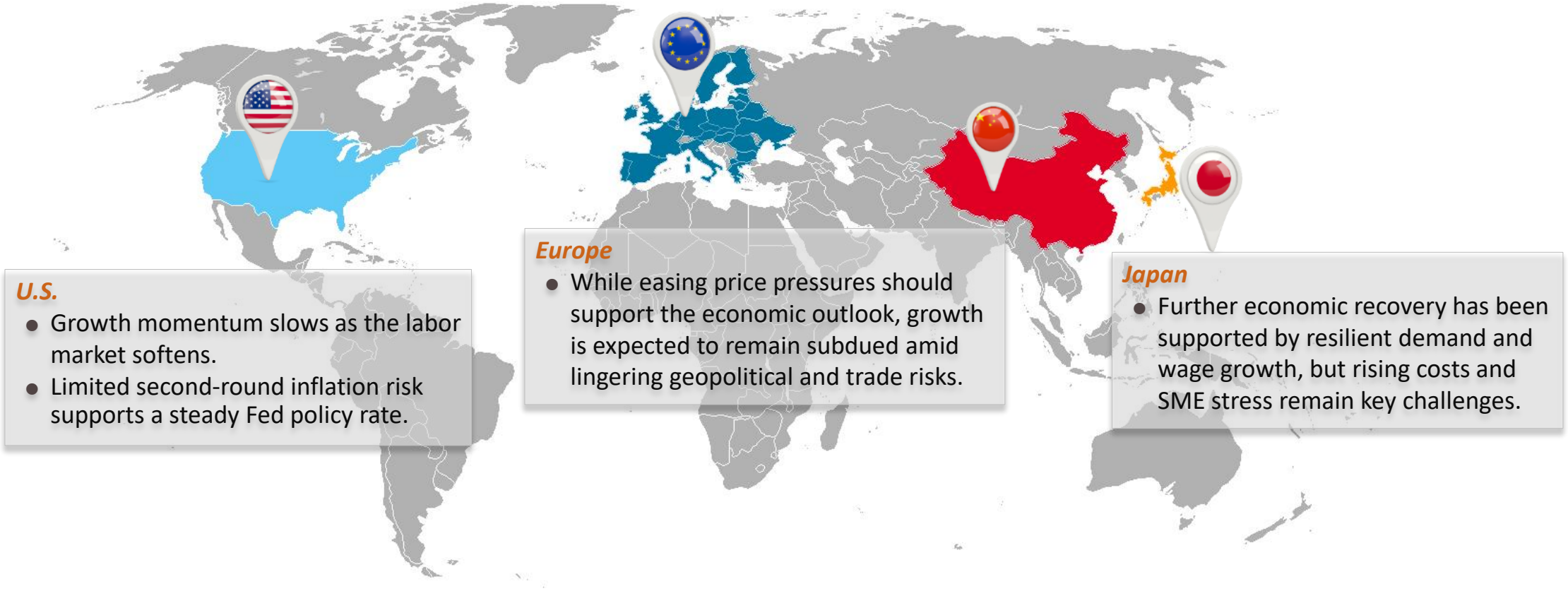


MONTHLY ECONOMIC BULLETIN

July 2026

Global: The illusion of a geopolitical deal gives way to growth and inflation risks

China
- Robust exports continue to underpin growth.
- Structural challenges remain a key drag on the economy.



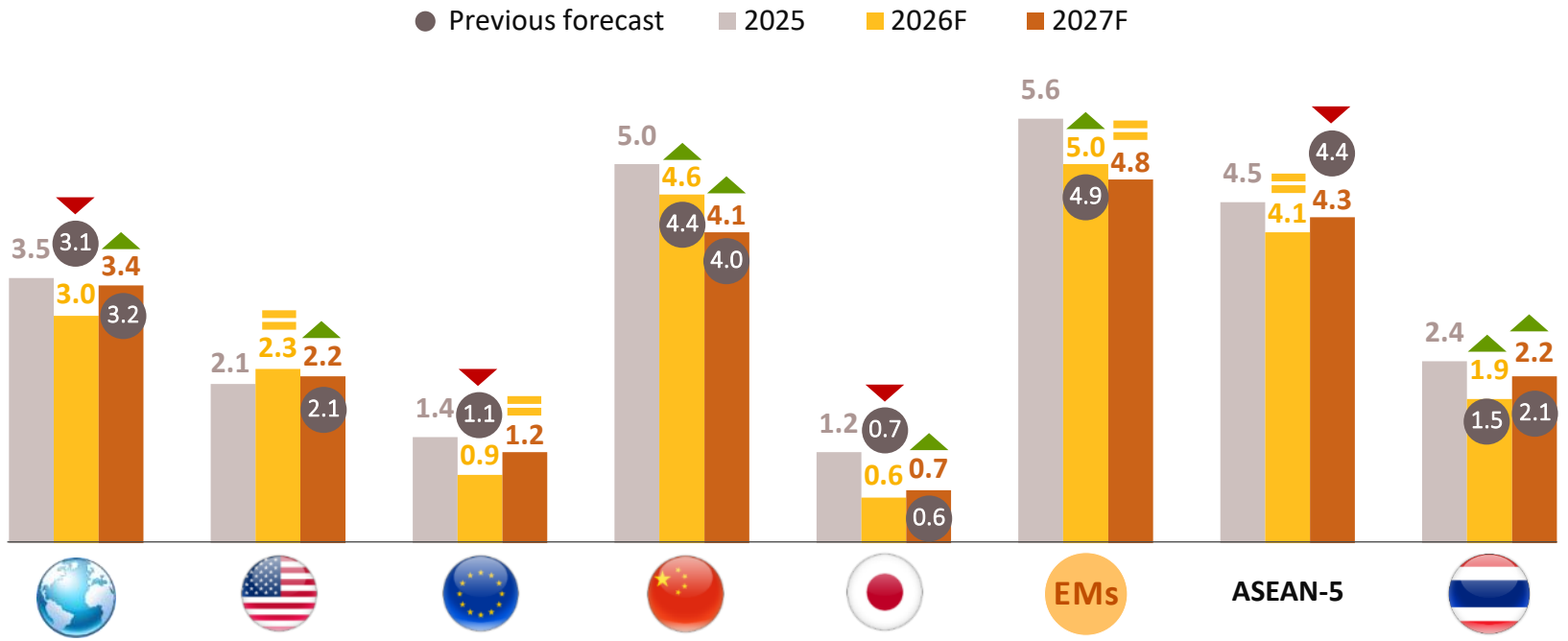
U.S.
- Growth momentum slows as the labor market softens.
- Limited second-round inflation risk supports a steady Fed policy rate.

Europe
- While easing price pressures should support the economic outlook, growth is expected to remain subdued amid lingering geopolitical and trade risks.

Japan
- Further economic recovery has been supported by resilient demand and wage growth, but rising costs and SME stress remain key challenges.

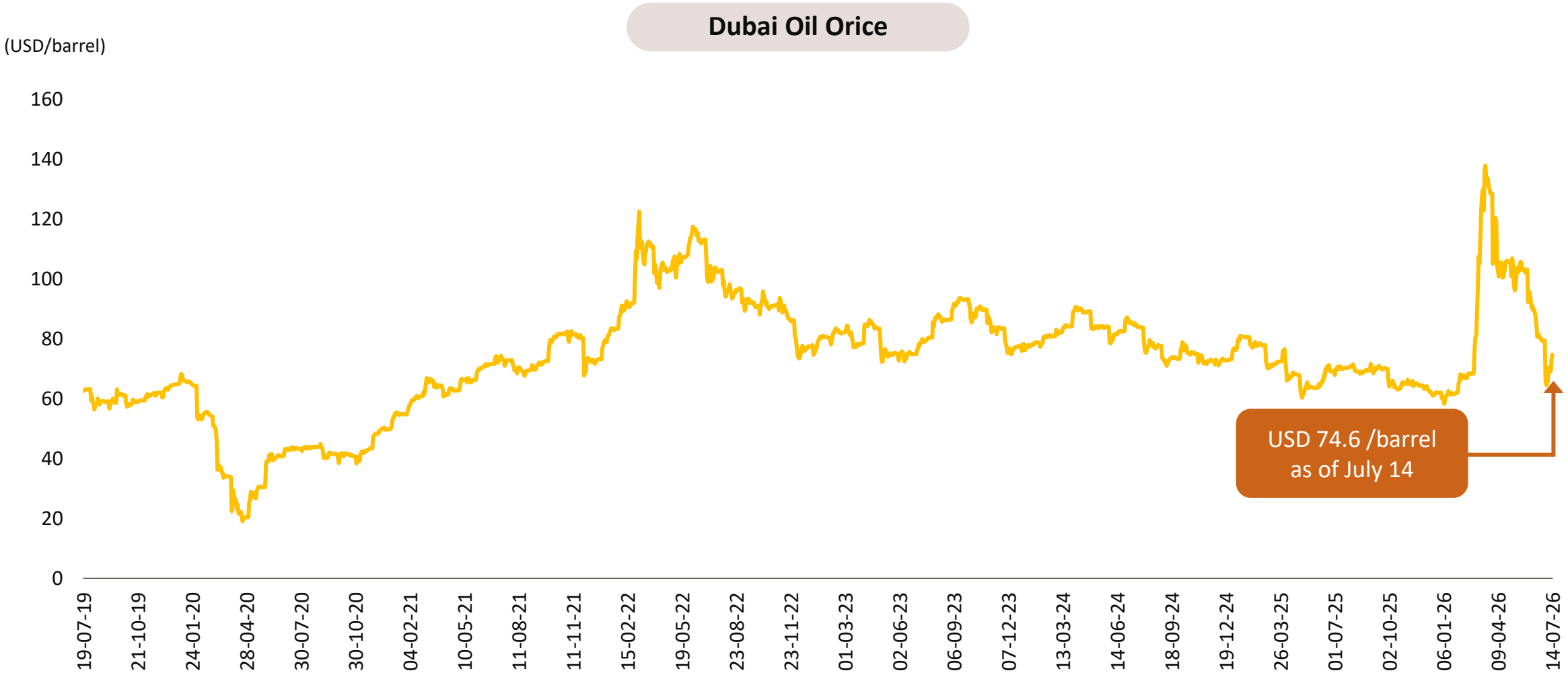
Global outlook: The IMF sees global growth slowing as war-driven shocks continue to exert pressure, while robust AI demand help lift the outlook for certain economies.

IMF's Economic Growth Projections in 2026-2027



Notes: EMs: Emerging and Developing Asia
Source: IMF, World Economic Outlook (July 2026)

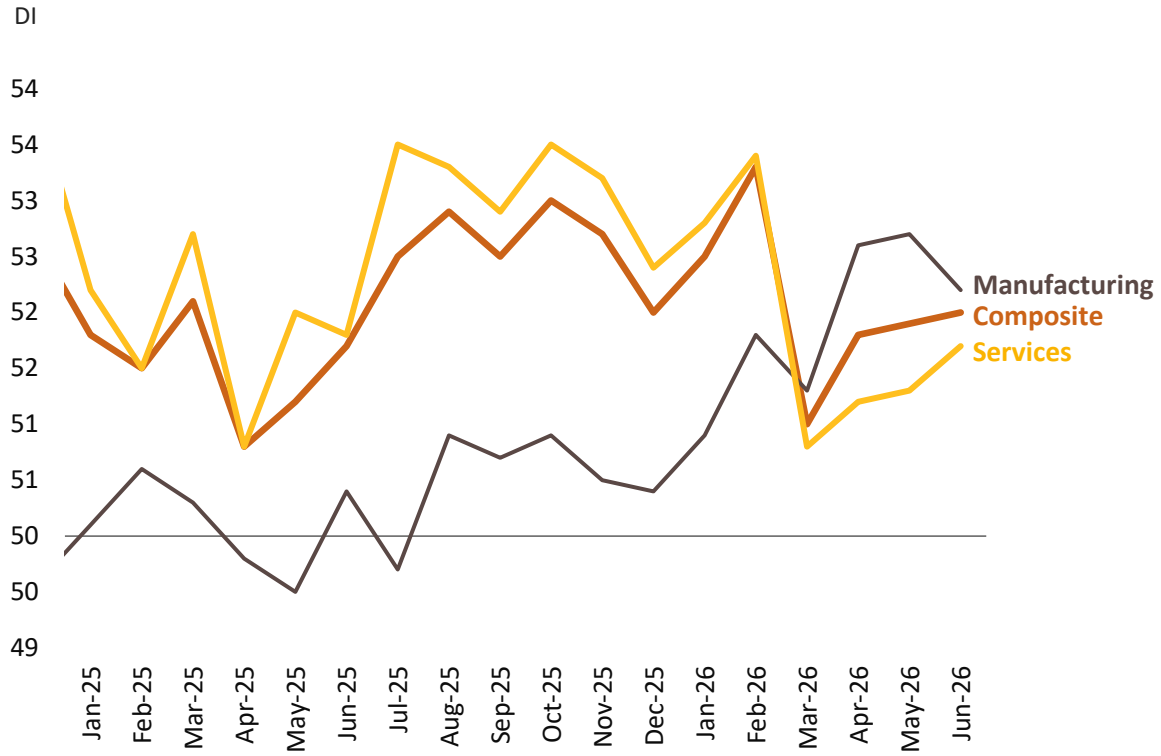
Dubai oil price rebounded amid heightened uncertainty over energy flows following escalating U.S.-Iran attacks in the Strait of Hormuz.



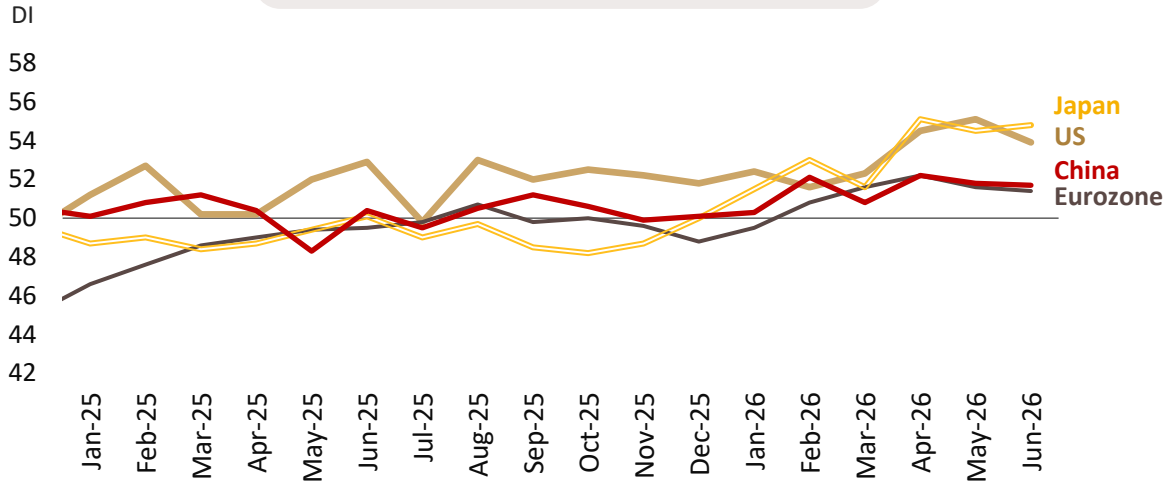
Source: Investing.com and Krungsri Research

Global manufacturing is losing momentum, while services remain below pre-conflict levels; weak labor markets and sluggish global trade continue to constrain the outlook.

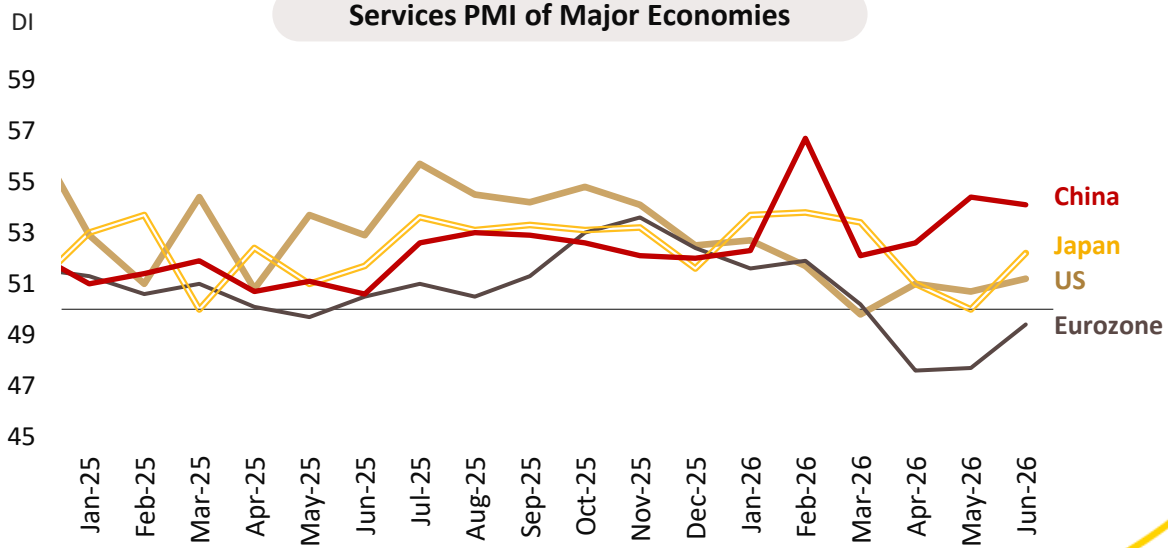
Global Composite, Manufacturing, and Services PMI



Manufacturing PMI of Major Economies



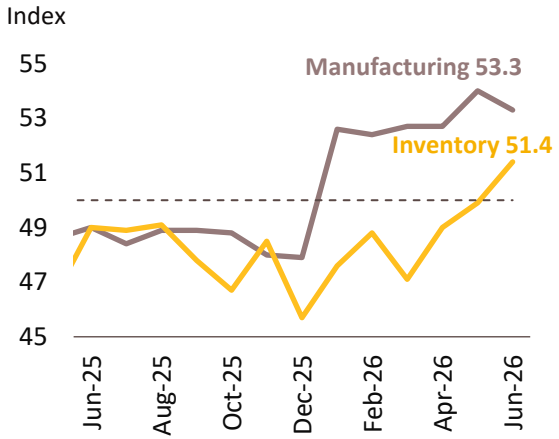
Services PMI of Major Economies



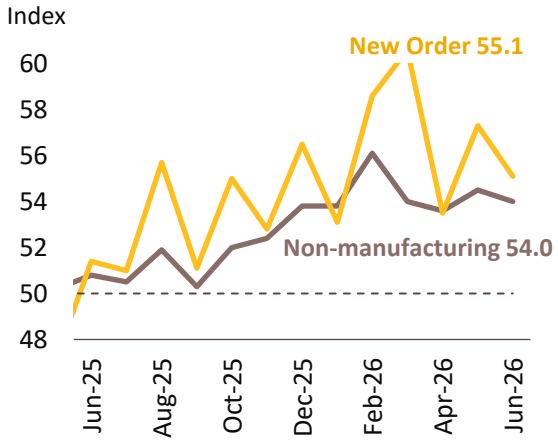
Source: J.P. Morgan and S&P Global PMI, Bloomberg, and Krungsri Research

U.S.: Growth momentum slows as labor market softens; limited second-round inflation risk supports a steady Fed policy rate

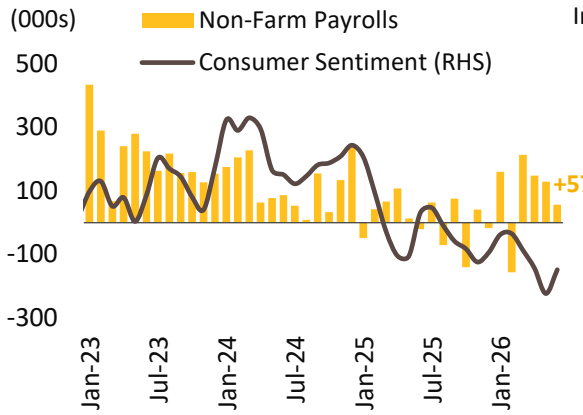
ISM Manufacturing PMI



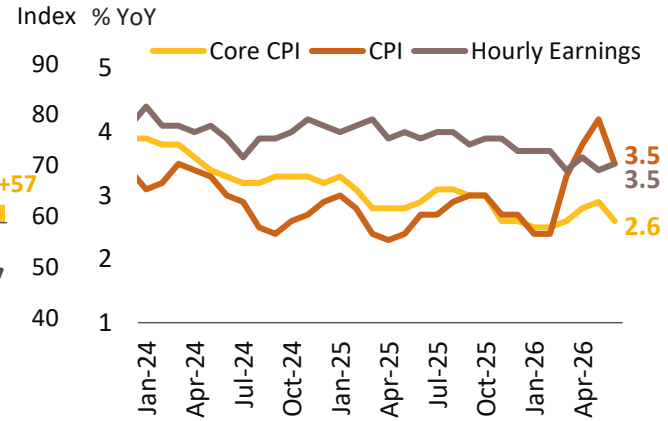
ISM Services PMI



Payrolls and Sentiment



Inflation, Wage Growth, Real Income



Kevin Warsh's Policy Views and Outlook

Policy Area	Expected Outlook under Kevin Warsh	Implication
Communication strategy	**Less forward guidance; greater emphasis on incoming economic data**	**More uncertainty around the timing and pace of policy actions**
Growth-inflation trade-off	Prioritize price stability over supporting short-term growth	Rates could remain high for longer if inflation risks linger
Balance sheet policy	Preference for a smaller Fed balance sheet and reduced reliance on QE	Tighter financial conditions
Interest rate policy	**Open to lower rates if inflation improves, but cautious about premature easing**	**Higher bar for easing; cuts possible, but likely cautious**

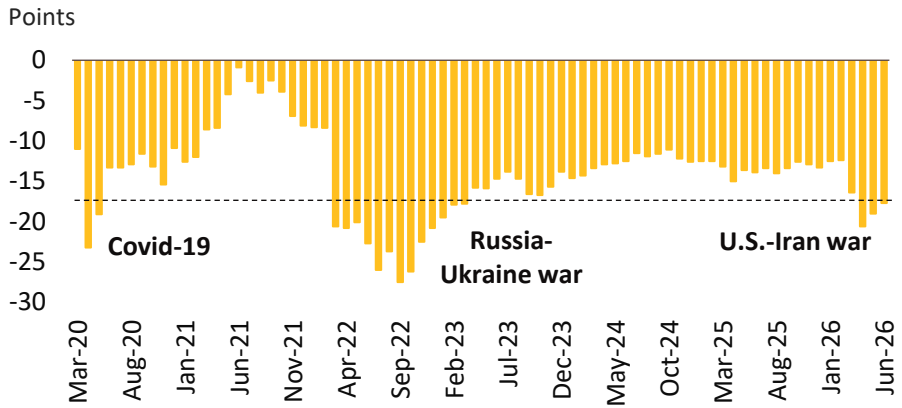
Source: ISM, BLS, BEA, Reuters, Bloomberg, CEIC, and Krungsri Research

Krungsri Research's view

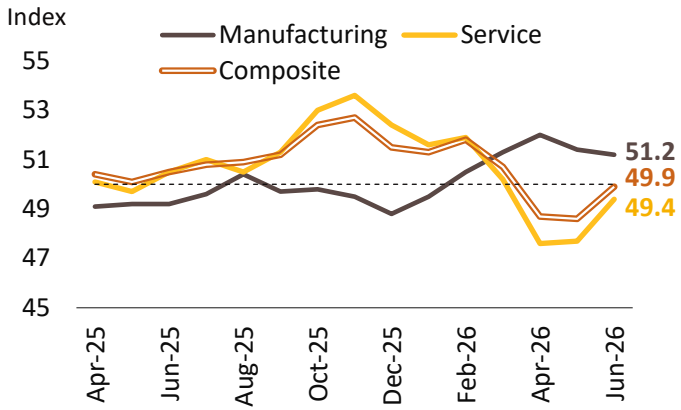
- **U.S. economic growth is gradually losing momentum** and is expected to moderate further in 2H26. Softer labor market conditions, slowing income growth, restrictive financial conditions, and rising geopolitical uncertainty weigh on domestic demand, though AI-related investment continues to support business spending.
- **The labor market has continued to soften.** Nonfarm payrolls increased by 57,000 in June, well below expectations, while prior-month gains were revised lower. The unemployment rate remained at 4.2%. Consumer sentiment improved in June from its record low, supported by moderating gasoline prices; however, renewed Middle East tensions could weigh on sentiment going forward.
- **Moderating wage growth and easing underlying price pressures suggest limited risks of broad-based second-round effects.** However, inflation remains above the Fed's 2% target amid tariff pass-through, higher energy prices related to Middle East tensions, and strong AI-related investment demand.
- **Under Fed Chair Kevin Warsh, monetary policy is expected to become more strongly data-dependent.** Lingering inflationary pressures could keep rates high for longer and leave the possibility of further tightening if inflation reaccelerates. While Warsh has reiterated the Fed's commitment to its 2% inflation target, he has indicated that lower rates are appropriate once inflation is firmly under control. **Given limited risks of broad-based second-round effects, we expect the Fed to keep the policy rate unchanged at 3.50–3.75% this year.**

Eurozone: While easing price pressures should support the economic outlook, growth is expected to remain subdued amid lingering geopolitical and trade risks.

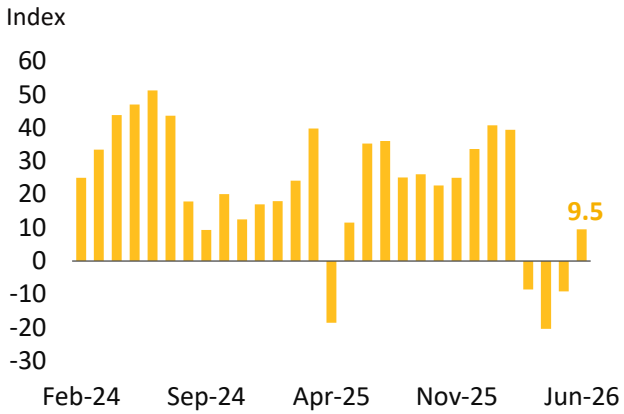
Consumer Confidence



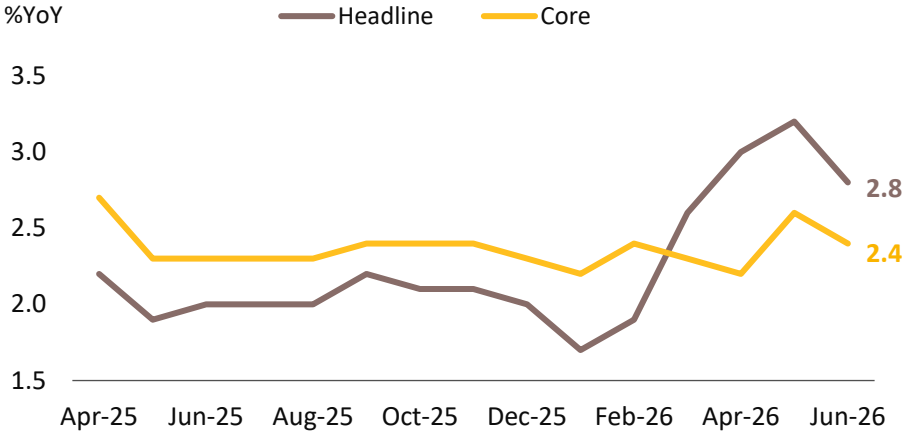
Purchasing Manager Index



ZEW Economic Sentiment



Consumer Price Index



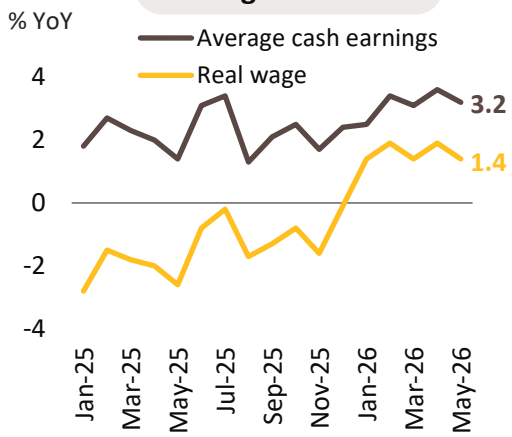
Source: ECB, CEIC, Eurostat, Capital Economics, Investing.com, Bloomberg, and Krungsri Research

Krungsri Research's view

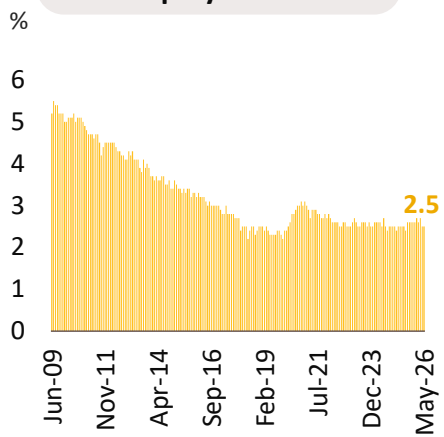
- **The eurozone economy is expected to recover modestly in 2H26**, supported by easing energy prices, which have reduced cost-push inflation. Headline inflation eased to 2.8% YoY in June from 3.2% in May, while business sentiment and consumer confidence improved modestly. However, consumer confidence remains below its long-term average, suggesting only a gradual recovery in household spending. A renewed escalation in the Middle East tension could weigh on the growth outlook.
- **Recent heatwaves underscored the growing importance of climate-related risks**. Nevertheless, the near-term economic impact is likely to be limited, as the shock was temporary and agriculture, the sector most affected, accounts for only 1.7% of the Eurozone's gross value added (GVA).
- **European manufacturers are expected to remain under pressure from Chinese competition.** While the EU–China trade dialogue in June may modestly slow China's market share gains, it is unlikely to materially narrow China's trade surplus with the EU or alter competitive dynamics, given the EU's limited appetite for broad trade restrictions, concerns over Chinese retaliation, adherence to WTO rules, and the gradual pace of supply chain diversification.
- Against this backdrop, **Krungsri Research expects the ECB to keep its policy rate unchanged for the rest of the year**, as easing energy prices and limited second-round inflationary pressure support a cautious policy stance.

Japan: Further economic recovery has been supported by resilient demand and wage growth, but rising costs and SME stress remain key challenges.

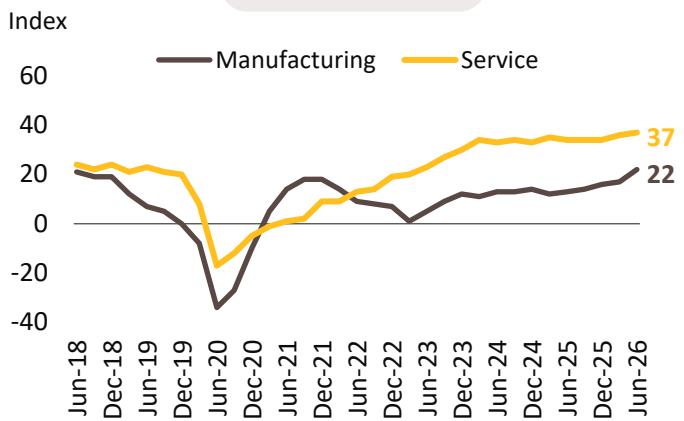
Wage Growth



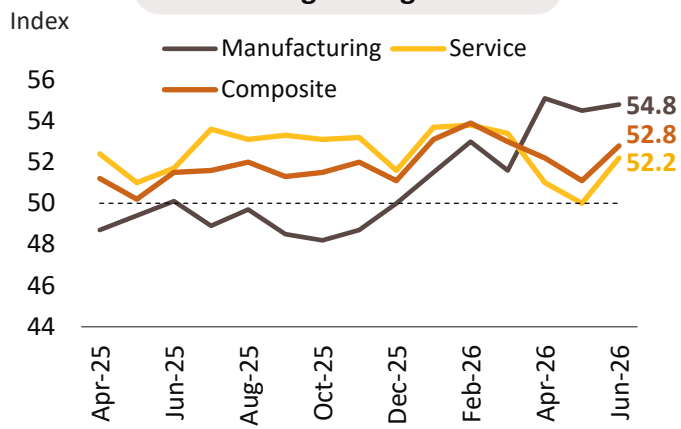
Unemployment Rate



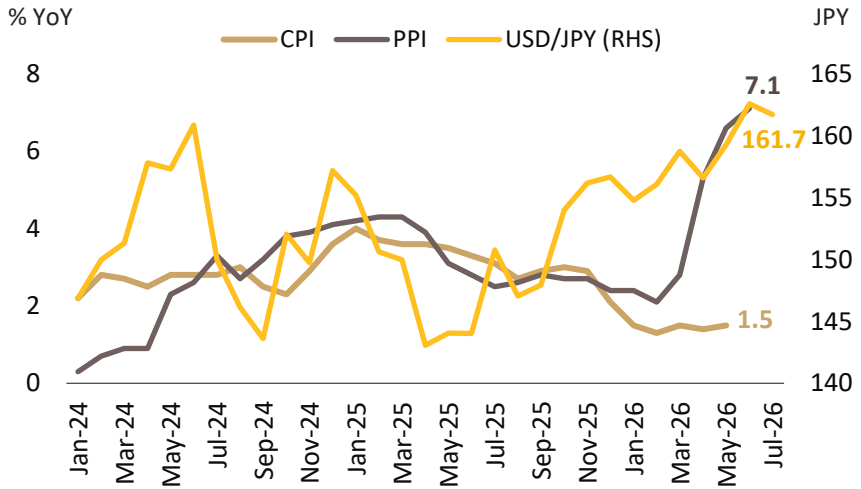
Tankan



Purchasing Manager Index



CPI, PPI, and Japanese Yen



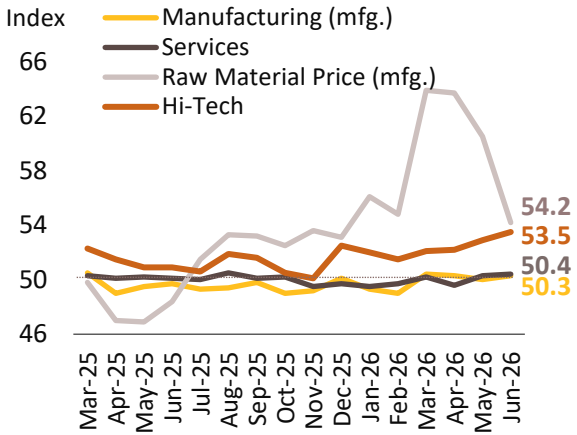
Source: Bank of Japan, Capital Economics, CEIC, Bloomberg, and Krungsri Research

Krungsri Research's view

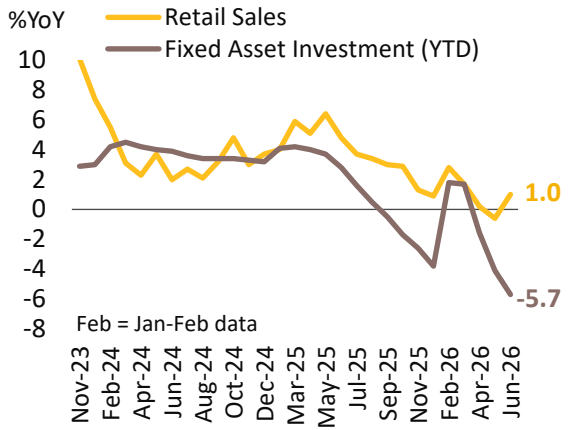
- **Japan's economy is expected to maintain steady growth in 2H26,** supported by resilient domestic demand and improving business sentiment for a fifth straight quarter. Amid population decline and ageing, labor shortages remain, keeping wage growth above pre-pandemic levels. As a result, private consumption is expected to moderate rather than contract.
- **Underlying inflation is likely to strengthen** as higher producer costs and the weakest yen in nearly four decades are expected to pass through to consumer prices in the coming quarters. Business surveys, including the Tankan and the manufacturing PMI, show that firms are raising selling prices more frequently, while five-year inflation expectations have risen to 2.6% in June, breaking record highs, indicating an increase in underlying inflation pressures.
- **SMEs are expected to remain under pressure**. According to Tokyo Shoko Research (TSR), corporate bankruptcies exceeded 5,300 cases in 1H26, the highest in 12 years and the fifth consecutive annual increase, reflecting pressures from high input costs, the weak yen, labor shortages, and rising borrowing costs. However, the overall economic impact remains limited, as the stress is concentrated among SMEs. Around 90% of bankrupt firms employed fewer than 10 workers, and most had paid-in capital of less than JPY 10 million.
- Against this backdrop, Krungsri Research expects underlying inflation to continue strengthening, **prompting the BOJ to further normalize monetary policy through additional policy rate hikes** to maintain price stability and prevent inflation from becoming more entrenched.

China: Robust exports continue to underpin growth, while structural challenges remain a key drag on the economy.

Official PMI (NBS)



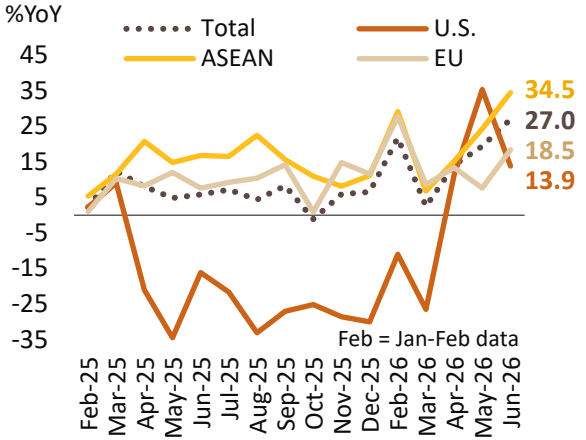
Retail Sales and Fixed Asset Investment



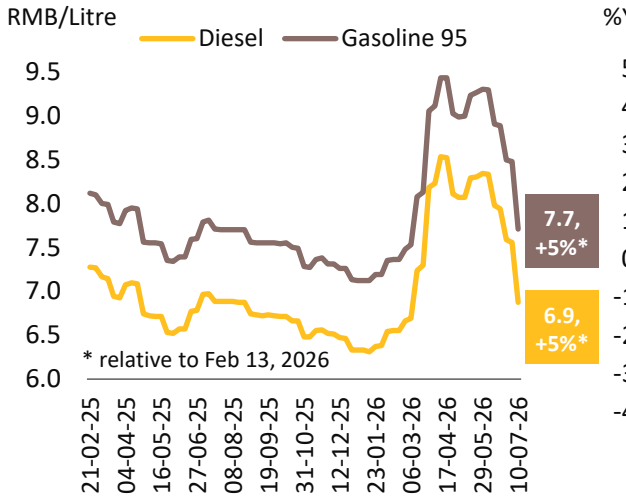
Industrial Profits (First Five Months)

Sector	Profits (% YoY)	% of Total Industrial Employees
Total	18.8	100
Electronics & Communication	103.9	12.7
Electrical Machinery	-13.7	8.4
Automobile	-19.8	6.8
Fabricated Metal Product	-12.4	4.9
Non-Metallic Mineral Product	-48.9	4.7
Chemical Material & Product	71.6	4.5
Garment & Apparel	-11.4	2.6

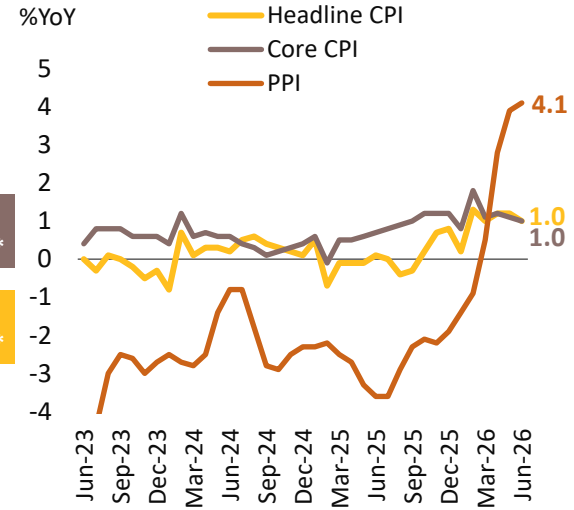
Exports to Key Partners



Domestic Fuel Prices



Consumer and Producer Price Indices



Source: NBS, Bloomberg, Reuters, CEIC, and Krungsri Research

Krungsri Research's view

- **China's economy shows mixed signals.** Manufacturing continues to expand, especially in hi-tech sectors, benefiting from the global electronics upcycle. However, consumption and investment remain fragile, while corporate profits in many industries continue to decline. **Without a meaningful recovery in the property sector and an easing of price competition, the economy is likely to remain heavily reliant on exports.**
- **Trade remains a key growth driver,** with robust export growth, thanks to hi-tech demand. However, the economy's increasing reliance on trade heightens its exposure to trade policy uncertainty. With the U.S. Section 122 tariff expiring in late July, the new Section 301 tariffs targeting forced labor and excess capacity are likely to follow. **We expect the effective tariff rate to return to a level broadly in line with the reciprocal tariff prior to its invalidation by U.S. Supreme Court.**
- **The impact of the energy crisis remains but has begun to subside.** In early July, domestic fuel prices are still 5% above pre-conflict levels, down from 28-30% in early April, in line with softer upstream and midstream PPI (-0.3% MoM in June). However, firms are struggling to pass on costs to consumers. **Any renewed escalation in the Middle East conflict could reignite cost pressures, further squeezing firms amid intense price competition and thin profit margins.**

Thailand: Signs of a new investment cycle emerge as lower-income households face stagflation risks.

- **Private consumption receives temporary support from stimulus measure** while high living costs, weak income growth, and elevated household debt continue to constrain spending.
- **Stagflation risks arise from the combination of higher inflation and stagnant income growth.** While overall risks appear limited, they could vary across income groups. Stagflation risks loom for lower-income households though debt-free groups keep consumption contained.
- **Tourism remains a key driver of Thailand's current account,** although the recovery is softening amid weak long-haul demand despite improving arrivals from the Middle East.
- **Thai exports has slowed relative to import growth with uneven export performance,** while tariff risks cloud the export outlook in 2H26.
- **Investment momentum is strengthening, supported by robust FDI, policy continuity, and AI industries, potentially marking the start of Thailand's new investment cycle.**
- **Public spending improved** in the first seven months of FY2026, but limited fiscal space constrains further stimulus.
- Despite evolving global rate cycles, **the BOT's policy trajectory remains guided by domestic conditions. We expect no change in the policy rate through 2026.**

Krungsri Research Forecasts for 2026

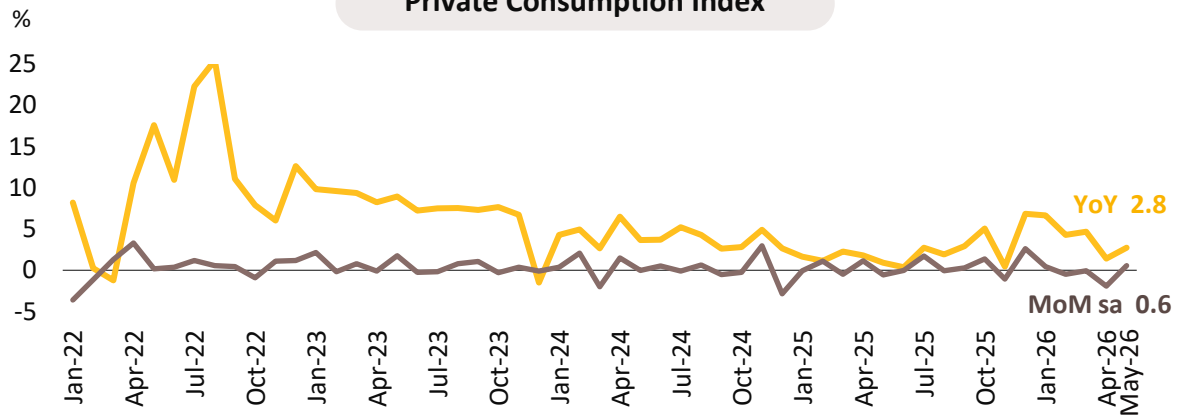
Krungsri Research Forecast		2024	2025	2026F
GDP growth	YoY (%)	2.9	2.4	1.9
Private Consumption Expenditure	YoY (%)	4.4	2.7	2.0
Government Consumption Expenditure	YoY (%)	2.6	0.6	1.0
Private Investment	YoY (%)	-1.9	3.5	3.5
Public Investment	YoY (%)	4.5	8.9	2.7
Nominal Exports in USD (f.o.b.)*	YoY (%)	5.9	12.7	9.8
Nominal Imports in USD (f.o.b.)*	YoY (%)	5.5	13.0	15.0
Current Account Balance	USD, bn	11.6	17.7	5.2
Tourist Arrivals	Mn, persons	35.5	33.0	32.5
Headline Inflation	YoY (%)	0.4	-0.1	2.7
Policy Interest rate (end of period)	(%)	2.25	1.25	1.00
Dubai crude price - period average	USD/bbl	80	68	90

Source: NESDC, BOT, MOC, MOTS, Bloomberg, and Krungsri Research

Private consumption receives temporary support from stimulus measure, while high living costs, weak income growth, and elevated household debt continue to constrain spending.

Household spending rebounded in the short term, with the Private Consumption Index (PCI) rising 2.8% YoY in May from 1.4% in April, driven mainly by stronger purchases of passenger vehicles, particularly EV demand amid concerns over high fuel prices. Consumer Confidence Index (CCI) also improved to 50.7 in July, supported by the Thai Chuay Thai Plus scheme and easing external pressures. **However, household debt in 1Q26 remained elevated at 85.9% of GDP, though moderating from 86.7% in 4Q25, still above the pre-pandemic level of 82.7%. Looking ahead, government stimulus is expected to provide only temporary support to consumption through September.** Thereafter, high living costs, weak income growth, elevated household debt, and post-stimulus payback effects are likely to weigh on household spending.

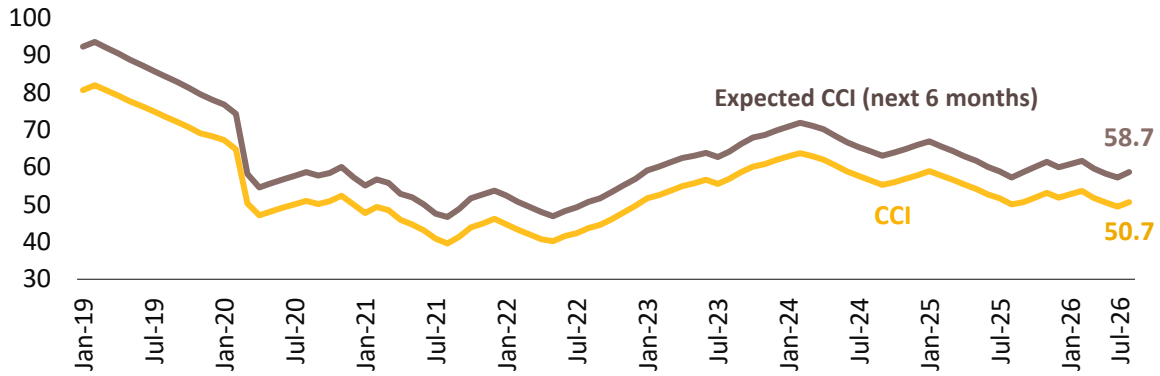
Private Consumption Index



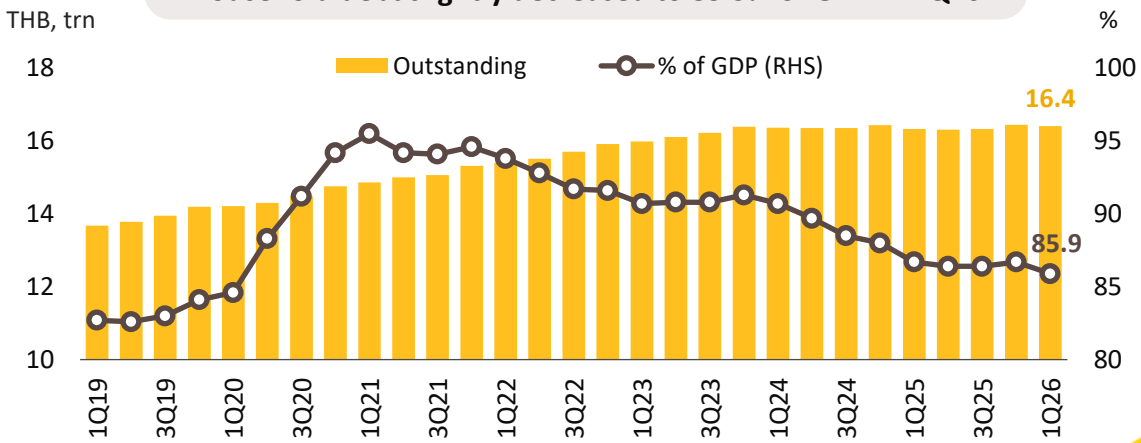
Thai Chuay Thai Plus in June 2026

Summary	Actual	Government's Target
Total participants (persons)	26,040,623	30,000,000
Total Expenses (THB, mn) - Government Subsidy - Participant co-payment	43,218 24,812 18,407	50,000
Usage (%)	99.6	-
Spending per person (THB/month)	1,660	1,666

Consumer Confidence Index (CCI)



Household debt slightly decreased to 85.9% of GDP in 1Q26

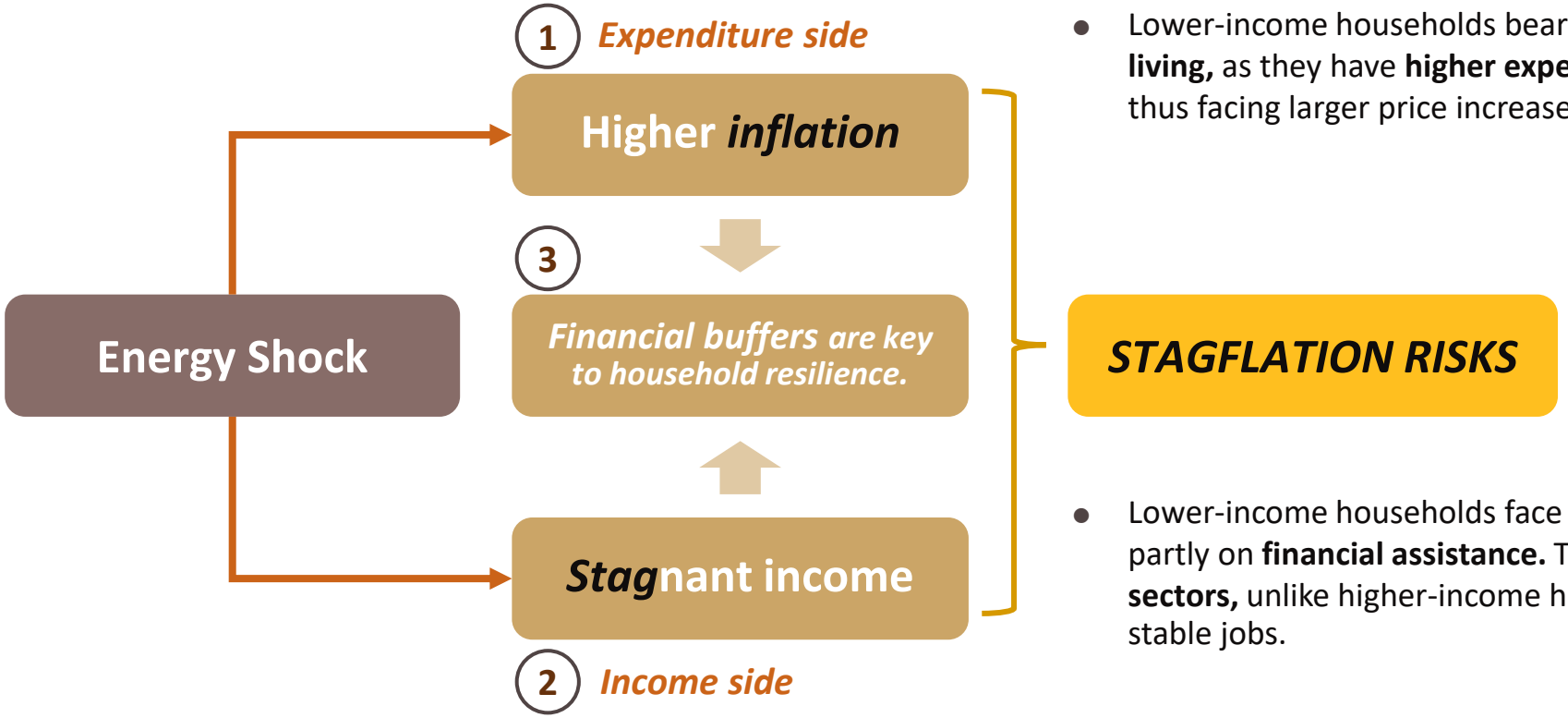


Source: BOT, The Cabinet, UTCC, and Krungsri Research

Stagflation risks arise from the combination of higher inflation and stagnant income growth; while overall risks appear limited, they could vary across income groups.

Since the Middle East conflict escalated in late February, global energy prices have increased substantially, potentially posing "stagflation" risks to already fragile economies. For Thailand, such risks to the overall economy appear limited, as the economy is still able to expand and an upward trend of inflationary pressure is limited by subdued domestic demand. **However, at the household level, the stagflation risks might be unevenly distributed across income groups.** Thus, we **examine the impact of the energy shock across income levels on (i) household expenditure** (spending category) **and (ii) household income** (real income growth and occupation). **Household financial buffers are also considered** to reflect household's capacity to absorb shocks, which will be assessed through excess income (defined as monthly income minus expenditure) and debt burdens.

Impact of Energy Shock on Household Finances and Risks of Stagflation



- Lower-income households bear **disproportionately higher costs of living,** as they have **higher expenditure weights on food and energy**, thus facing larger price increases during shocks.

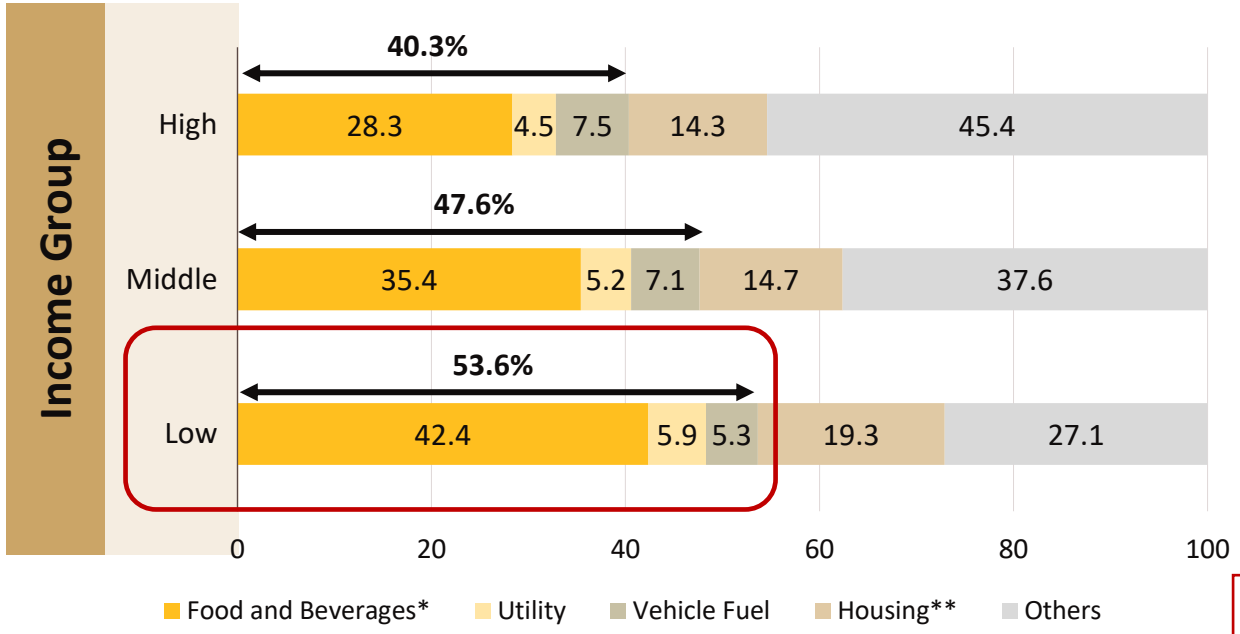
- Lower-income households face **negative real income growth** and rely partly on **financial assistance.** They tend to work in **shock-sensitive sectors,** unlike higher-income households, who tend to work in more stable jobs.

Source: Krungsri Research

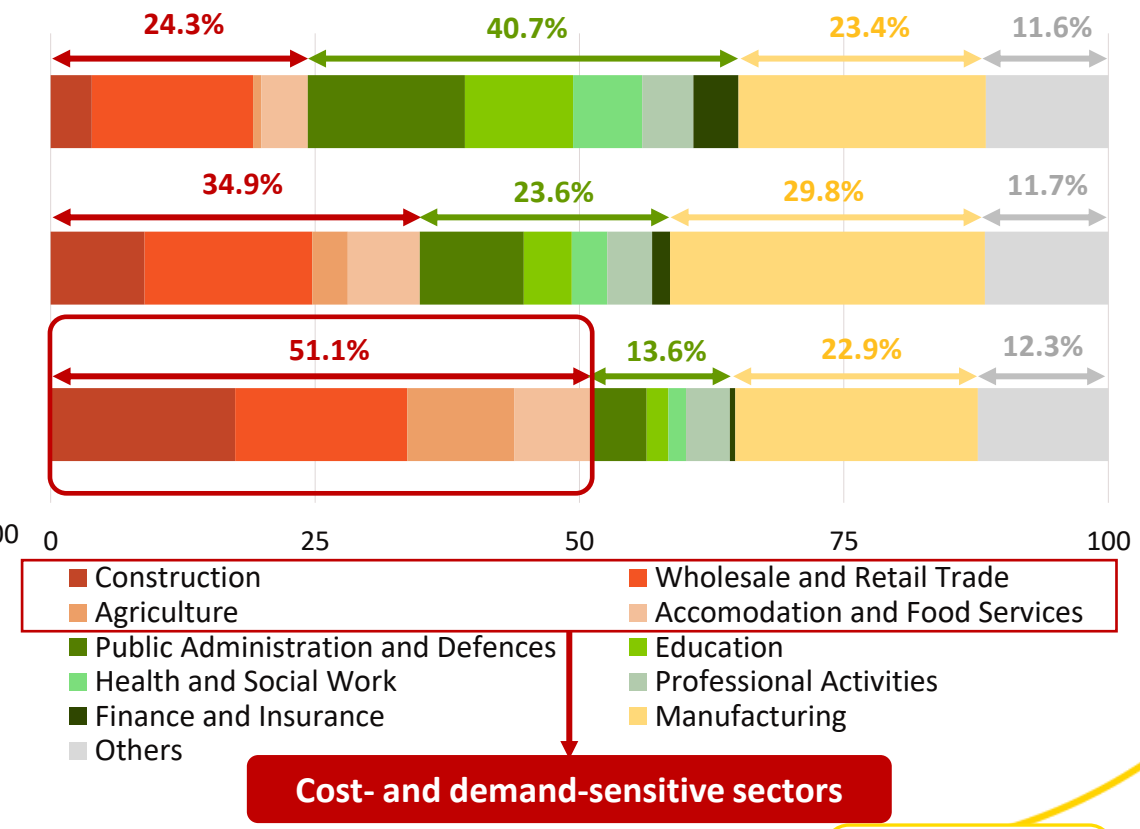
Income and expenditure: Lower-income groups are more exposed to the energy shock due to higher food and energy spending, stagnant income growth, and vulnerable jobs.

Given the current household spending structure, **the direct and immediate impact of the energy shock would weigh more on higher-income households, particularly through vehicle fuel expenses**. However, over time, the indirect impact from higher input costs, combined with the phasing out of price controls and subsidies, is likely to spill over into the prices of other items, especially food. **In the subsequent phase, lower-income households would face a more severe impact as food and energy take a larger portion of the consumption basket.** Apart from struggles on the expenditure side, **low-income households also face pressure on purchasing power[1/], rely on government financial assistance to some extent[2/], and are mainly engaged in highly sensitive sectors** such as construction, domestic trade, agriculture, and accommodation and food services. This is in stark contrast to high-income households, whose members are mainly concentrated in more stable sectors, including public administration, education, health, professional services, and finance.

Household Spending Structure in 2025 by Income Group (% Share)



Employment Structure in 2025 by Income Group (% Share)



Note: *excl. alcoholic beverages, ** excl. utility

[1/] Over the past decade, low-income households recorded average nominal income growth of 1.9%. However, excluding government financial assistance, income growth slowed to 1.7%, implying weak real income growth. As these households also face higher inflationary pressures, their real income growth will be even lower.

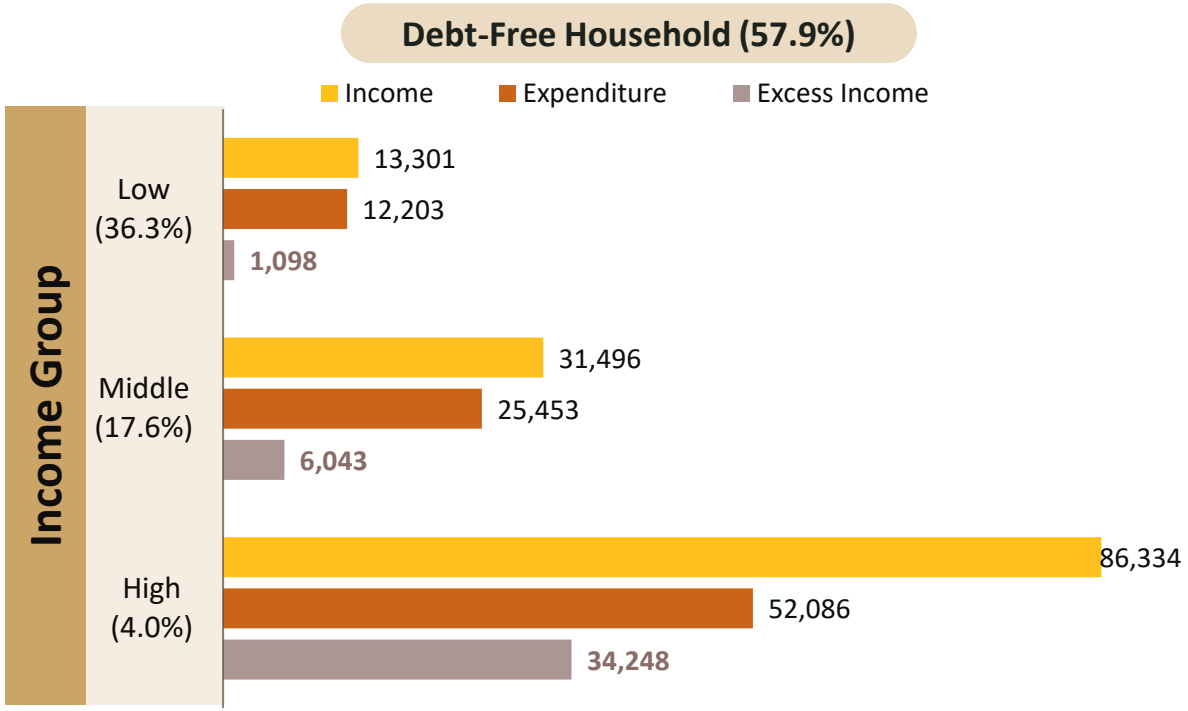
[2/] accounts for 5.6% of their income in 2025, up from 3.6% in 2015

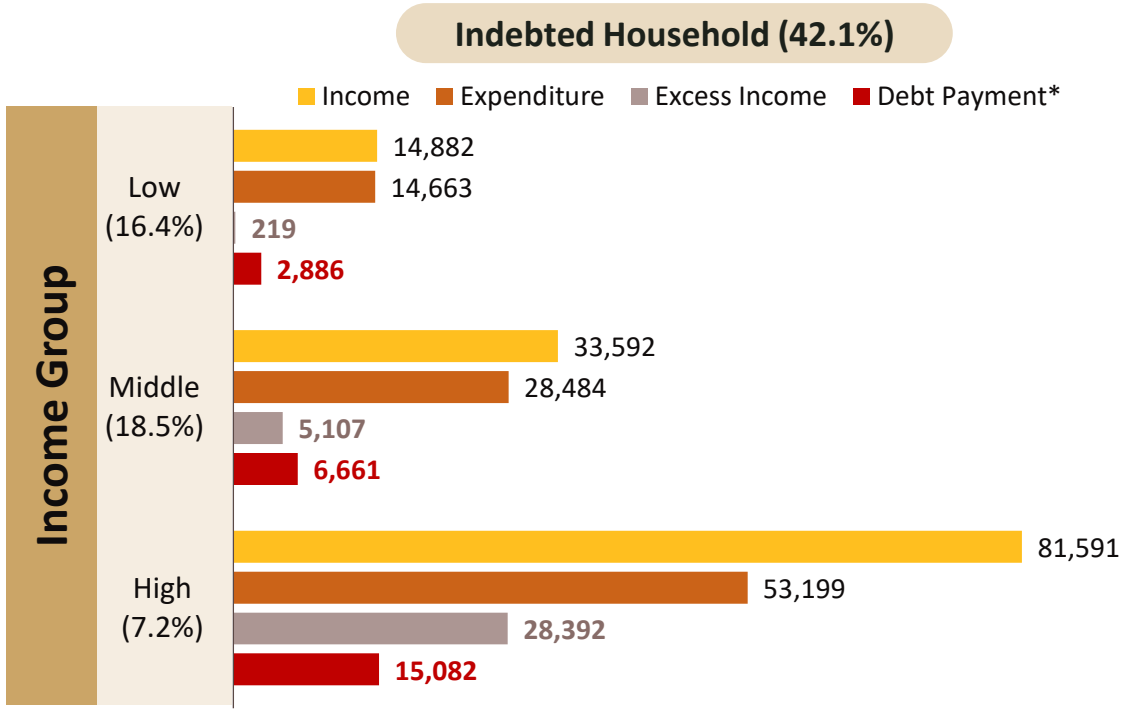
Source: NSO; calculated by Krungsri Research

Financial buffers: Lower-income households have very limited buffers to absorb shocks and adjust consumption, thus prone to repeating a debt cycle.

Financial buffers, measured by excess income or the difference between income and expenditure, **enable households to cushion the impact of shocks for a certain period of time. Such capacities, however, differ across income groups and debt obligations.** Irrespective of debt burdens, **lower-income households hold very limited buffers to absorb price volatility and income shocks**. For indebted households, the financial buffers are even lower, especially among low- and middle-income groups. **At the same time, lower-income households possess limited capacity to adjust consumption in response to shocks,** as their expenditures are concentrated largely on essential items such as food and energy. They may consequently be compelled to sell assets, draw down savings, or take on additional loans, thereby **reinforcing a persistent debt cycle.**

Household Income, Expenditure and Debt Payment in 2025 (Baht/Month)





Note: % in brackets = share of total households
* Debt payment includes principal and interest, and part of it may overlap with expenditure.
Source: NSO; calculated by Krungsri Research

Stagflation risks loom for lower incomes, while debt-free groups keep consumption contained

Taken together, lower-income households are being squeezed by insufficient income growth ("stagnant") and expenditure pressures ("inflation"). In other words, they are more exposed to "stagflation" risks, with limited financial buffers to absorb shocks and a tendency to repeat the debt cycle. This, in turn, exerts additional pressure on aggregate consumption, given that indebted low- and middle-income households account for 34.0% of total household spending and 34.9% of total households. On the brighter side, debt-free middle- to high-income households still take a sizable 29.2% of total spending. If indebted high-income households are included, such a share would increase to 46.2%. **In conclusion, while higher-income spending helps support aggregate consumption during stagflation, it masks the severity of the impact on lower-income households.**

Stagflation Impact on Households

Expenditure side

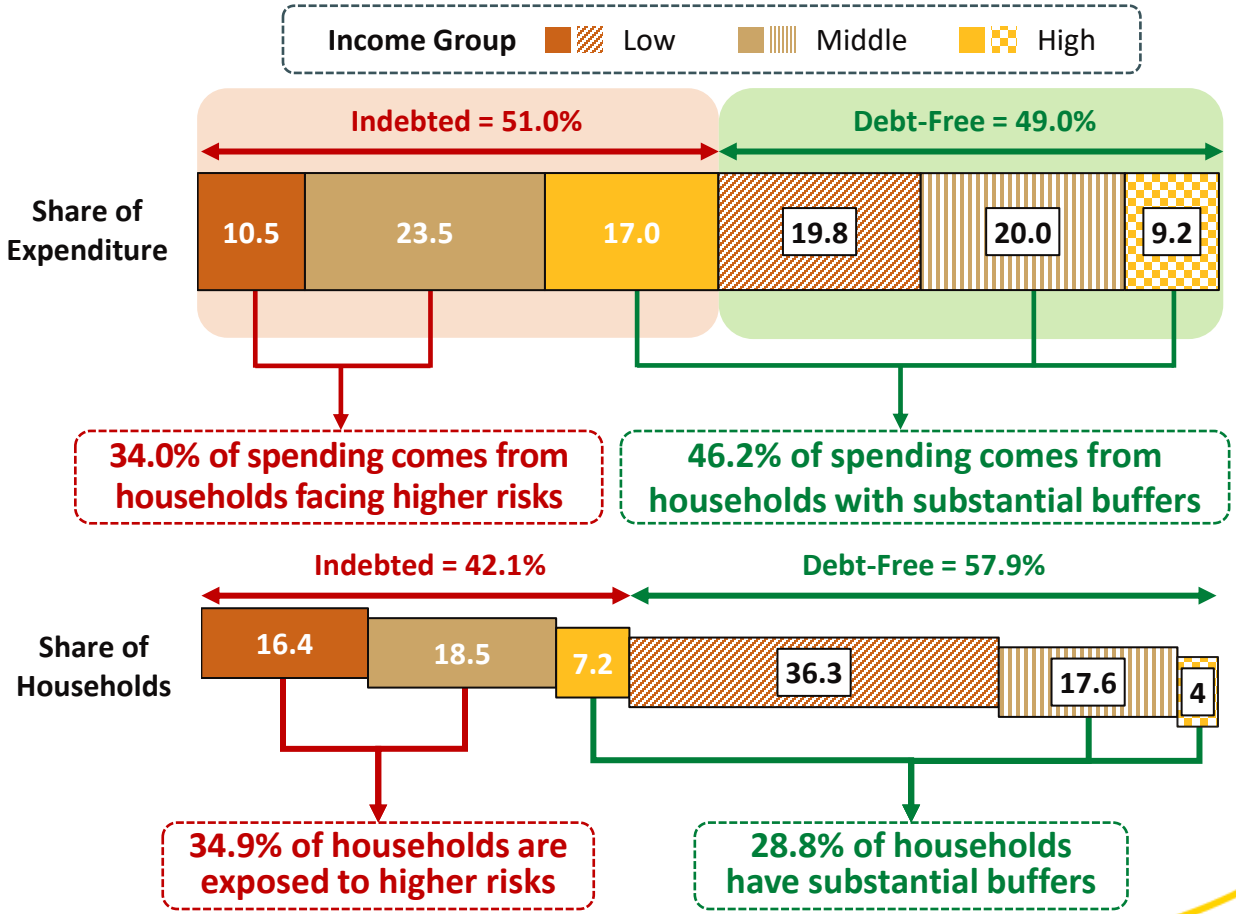
- The impact of indirect costs and input shortages is likely to emerge with a lag.
- Government support may gradually dissipate.

Indebted low income — ***Indebted households have the lowest cushions***

- More than half of workers in low-income households are employed in sectors highly vulnerable to cost shocks and weaker demand.

Income side

Expenditure and Number of Households in 2025 (% of Total)

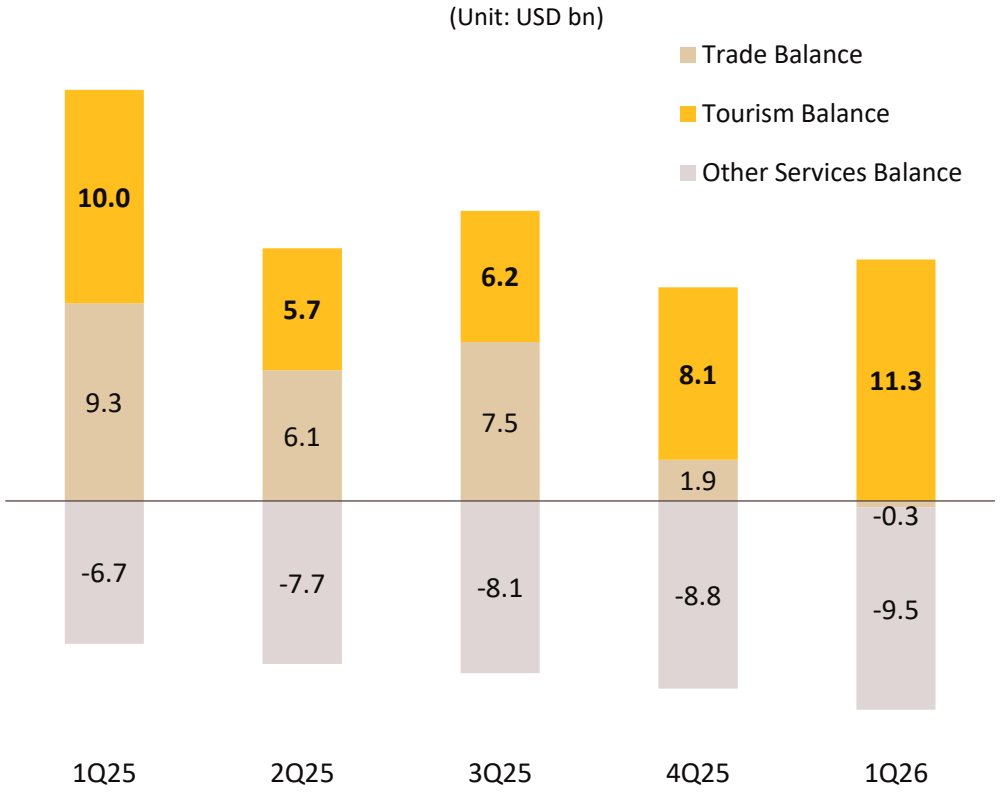


Source: NSO; calculated by Krungsri Research

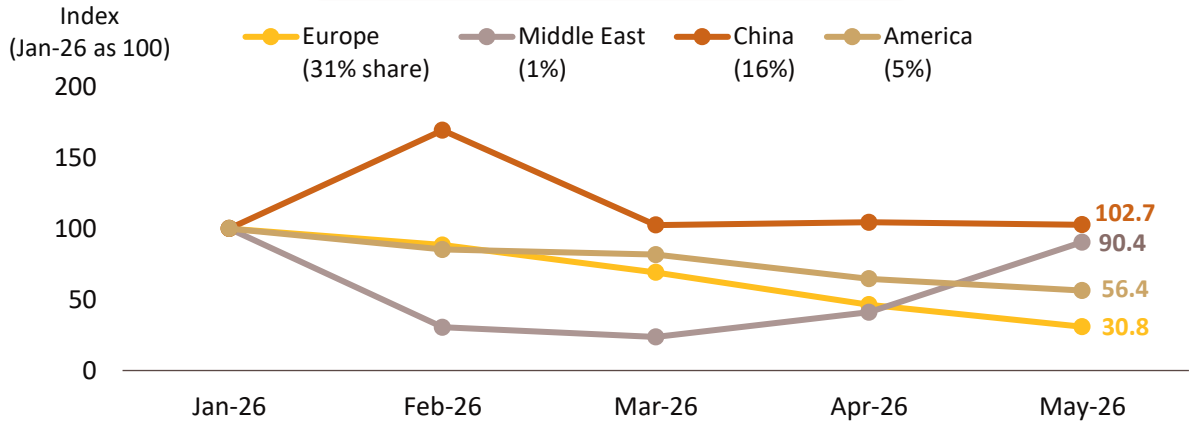
Tourism remains a key driver of Thailand's current account, although the recovery is softening amid weak long-haul demand despite improving arrivals from the Middle East.

Tourism remains a key driver of Thailand's current account, with the tourism surplus offsetting deficits in other services. In May 2026, Thailand welcomed 2.34 mn foreign visitors, slightly down from 2.36 mn in April. While arrivals from most markets have largely recovered, Chinese tourist arrivals in the first five months of this year remained at less than half of their pre-COVID levels. Arrivals from the Middle East recovered to the pre-conflict level, but long-haul tourists, particularly from Europe and the U.S., would still be weighed by elevated aviation costs and concerns over transit disruptions and travel safety. Moreover, Thailand faces increasing competition from Vietnam in attracting Chinese tourists. Therefore, **Krungsri Research expected 32.5 mn foreign tourist arrivals in 2026, as the recovery has begun to moderate.**

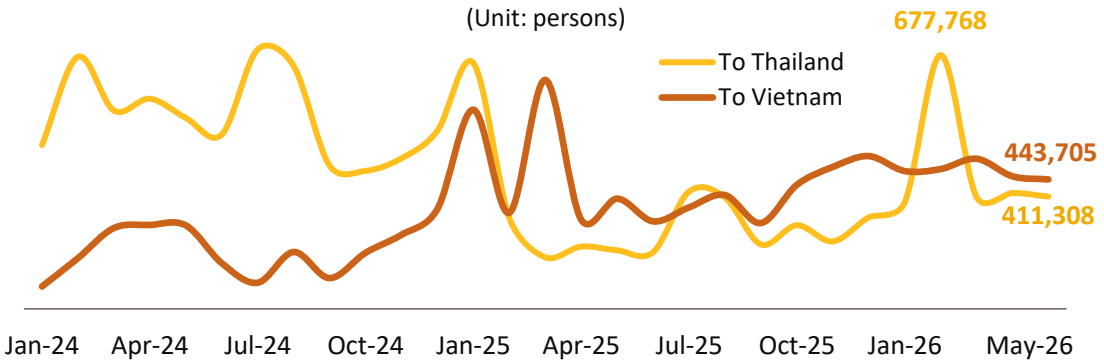
Tourism in Current Account



Long-haul and Chinese tourist arrivals



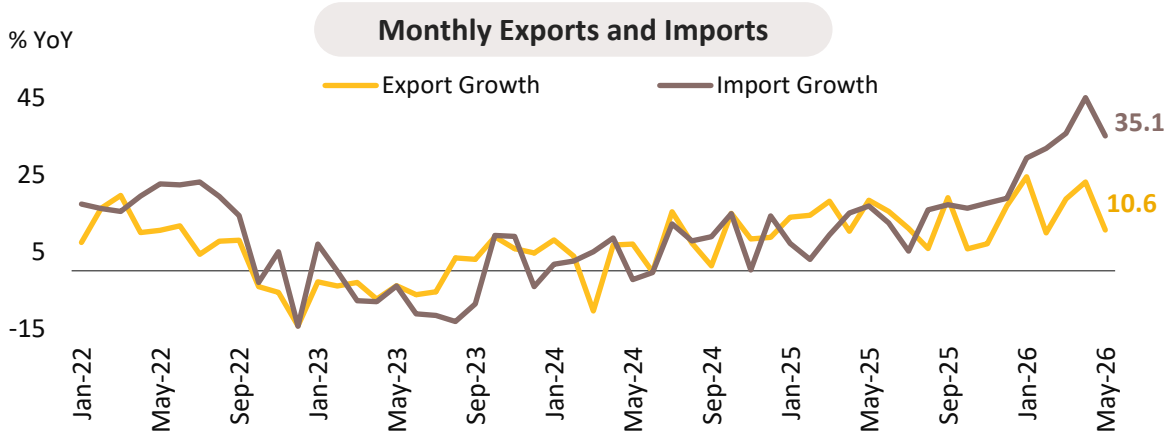
Competition for Chinese tourists

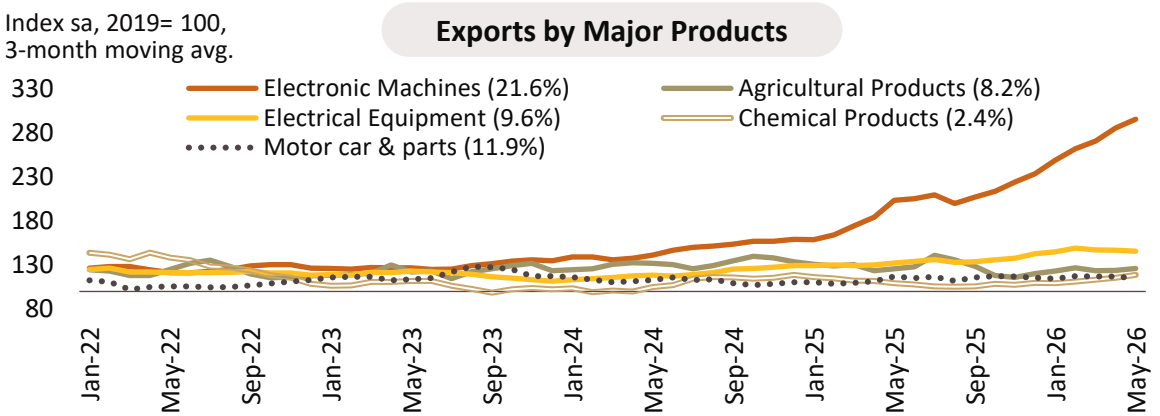


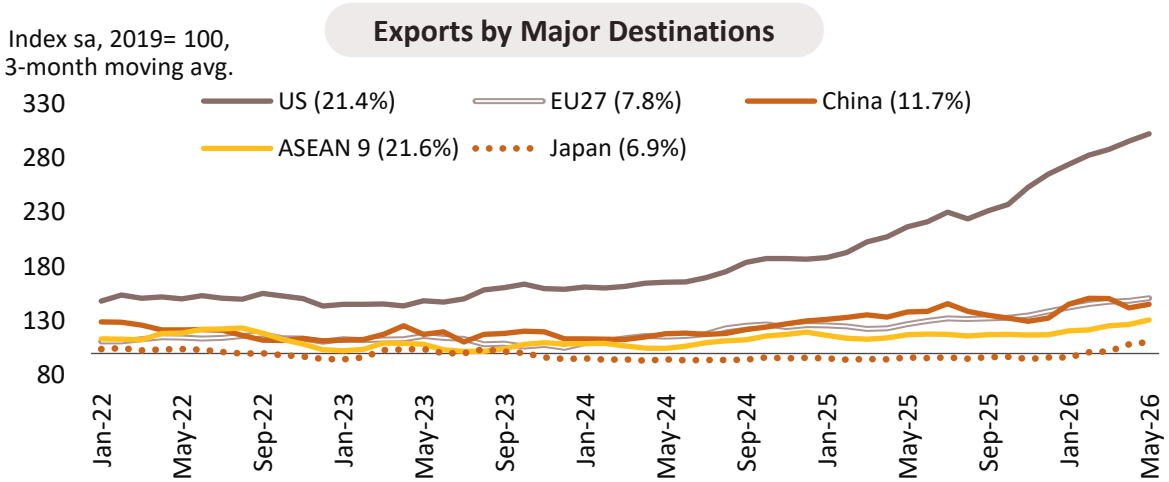
Source: MOTS, CEIC, and Krungsri Research

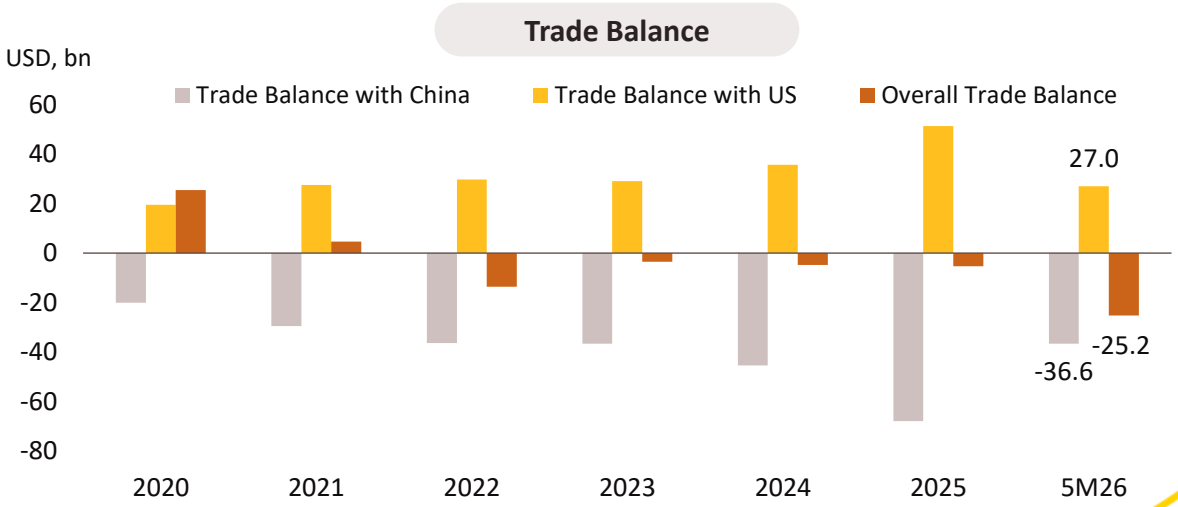
Thai exports has slowed relative to import growth with uneven export performance, while tariff risks cloud the export outlook in 2H26.

Exports grew 10.6% YoY in May, while imports, despite moderating slightly to 35.1%, continued to outpace exports. Export growth was driven primarily by electronics and electrical equipment, with shipments expanding across all major markets, including the U.S., ASEAN, China, the EU27, and Japan. Although AI boom, electronics upcycle, and front-loading ahead of U.S. tariff measures continues to support exports, the upside is likely to be temporary amid the ongoing Section 301 investigations on the forced-labor merchandise imports and the excess production capacity, alongside lingering Middle East tensions, and subdued external demand. **Consequently, export growth is expected to weaken over the remainder of the year.**







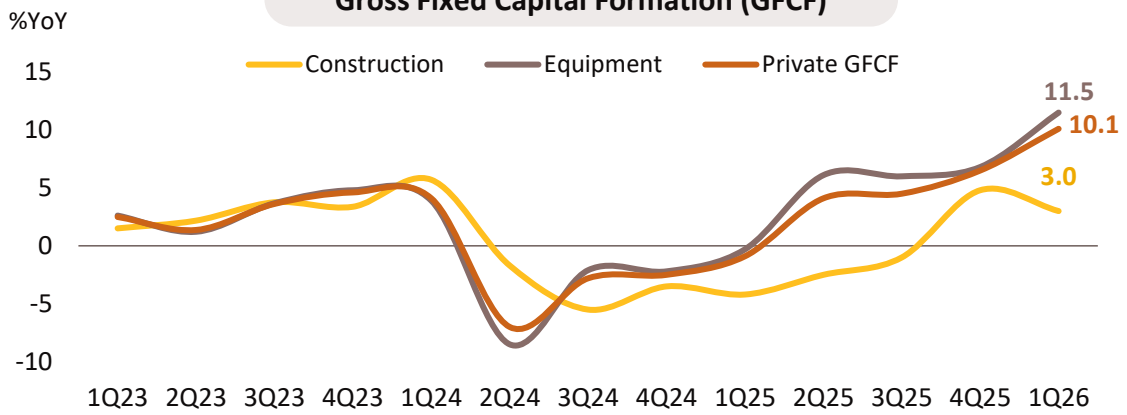


Source: MOC, CEIC, and Krungsri Research

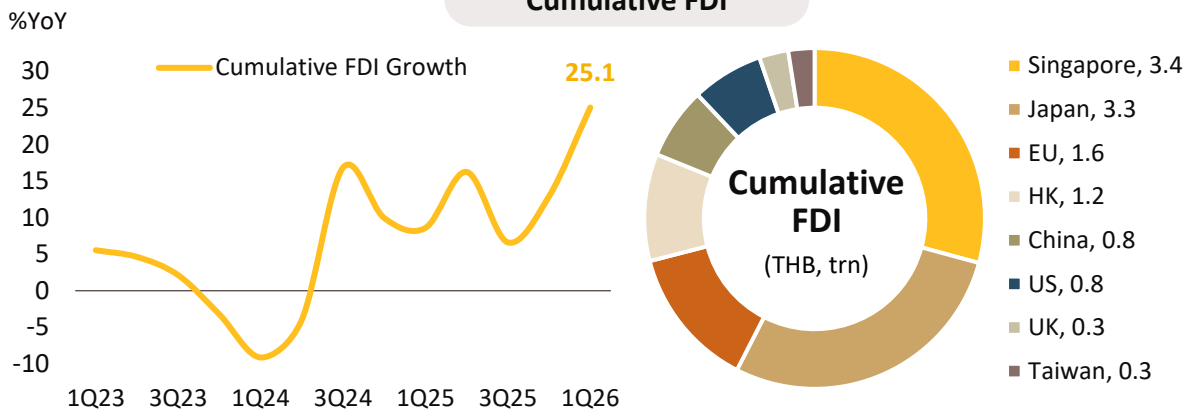
Strengthening investment momentum supported by FDI, and the policy continuity, potentially marking the start of Thailand's new investment cycle.

Private sector gross fixed capital formation (GFCF), particularly in machinery and equipment, has expanded at a stronger pace, especially after the election and the signs of policy continuity. Foreign direct investment (FDI) has remained robust, with cumulative investment applications exceeding THB 3.0 trillion, while net FDI inflows in 1Q26 were concentrated in the manufacturing and finance & insurance sectors. Meanwhile, accelerating capital goods imports, especially machinery and equipment, point to improving investment momentum. **Overall, rising private investment, foreign investment, and capital goods imports suggest that a new investment cycle may be emerging.**

Gross Fixed Capital Formation (GFCF)



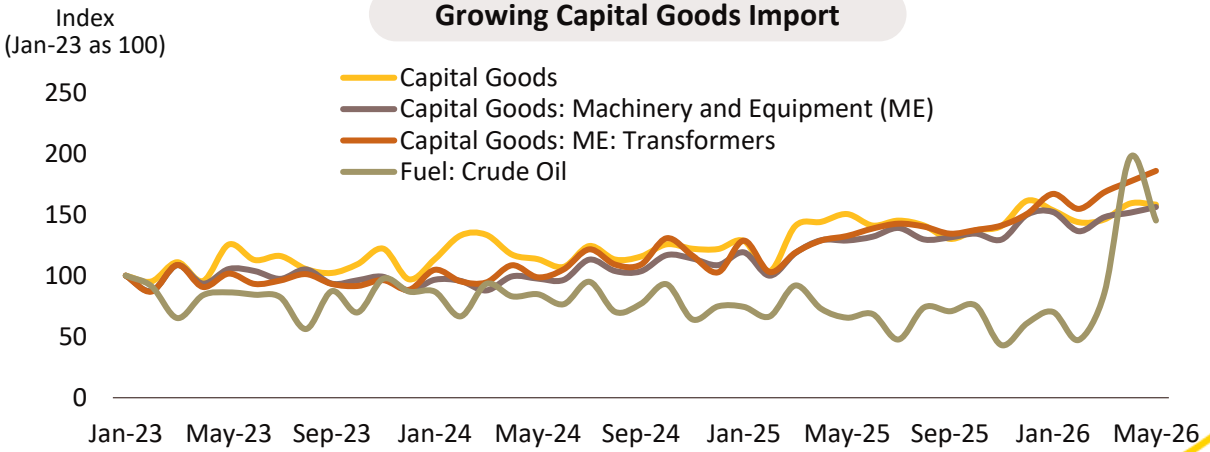
Cumulative FDI



Cumulative FDI by sectors



Growing Capital Goods Import

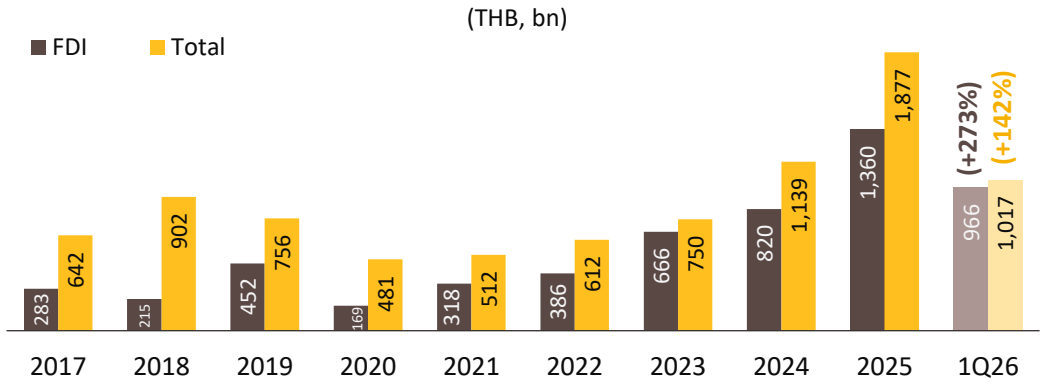


Note: Manufacturing mainly consists of Automobile, Electrical Appliances, and Coke & Refined Petroleum Products.
Source: MOC, NESDC, BOT, BOI, and Krungsri Research

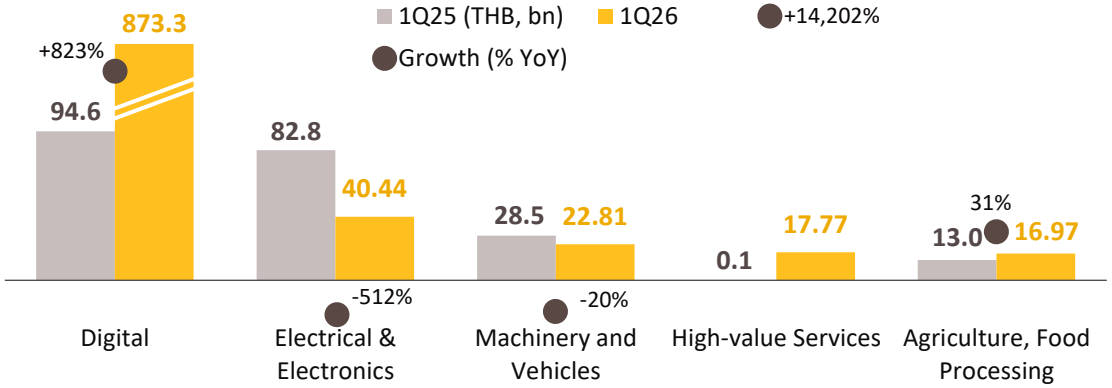
Investment promotion applications continued to strengthen, driven by digital infrastructure and electronics.

BOI investment applications reached THB 1.02 trillion in 1Q26, surging 142.4% YoY, driven primarily by data centers and cloud services. Applications for BOI investment incentives by foreign investors rose to THB 966 billion (+273% YoY), led by Singapore, the U.K., and Japan. Besides, the government has declared 2026 the Year of Investment, led by **the Thailand FastPass initiative, which has attracted over THB 223 billion in projects, alongside nearly THB 1 trillion in other promoted investments** in line with digital infrastructure and electronics trend.

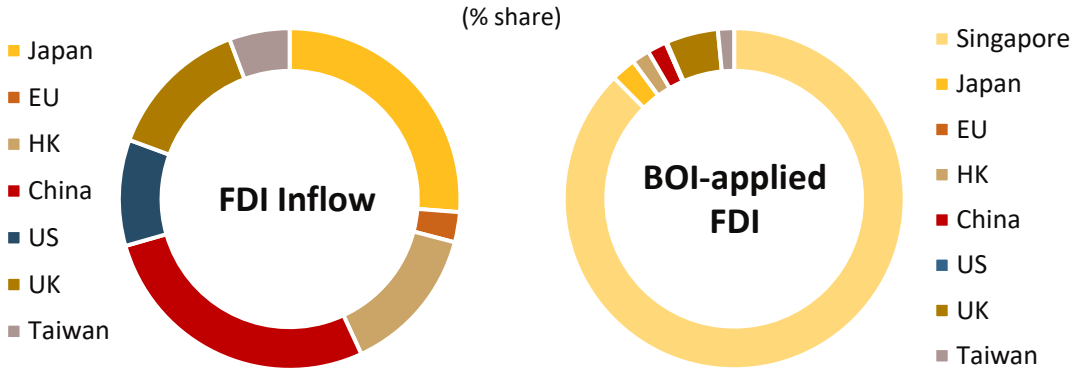
Total Applications for BOI Investment Incentives



Applications for BOI Investment Incentives in 1Q26 by sector



Investment by countries in 1Q26



Thailand FastPass Scheme: Total Investment worth THB 223 bn

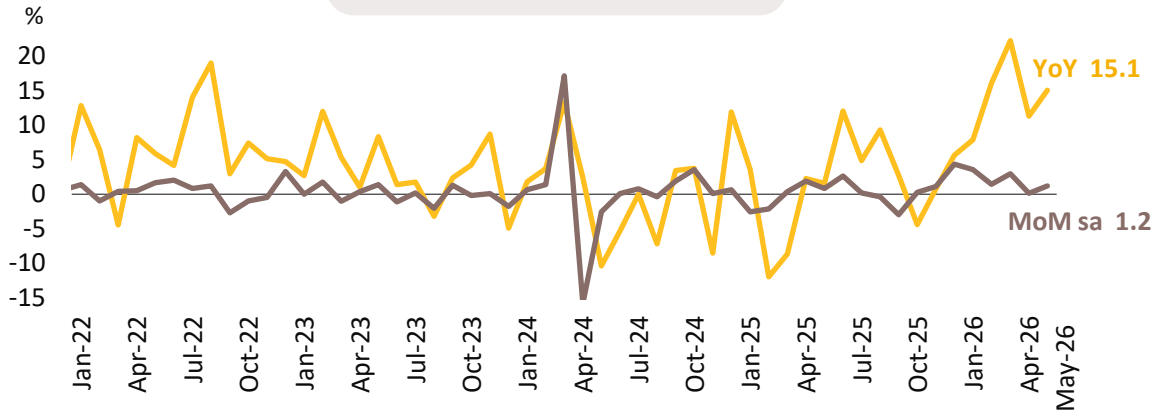
	Sectors	Value (THB mn.)
Phase 1 (16 projects)	- Biotech - Next Generation Automotive - Aircraft Parts - Advanced Electronics - Data Centers - Logistics Services	170,000
Phase 2 (9 projects)		52,104
Other megaprojects	- TikTok System - Skyline Data Center and Cloud Services - Bridge Data Centres IIO	842,350 46,869 24,619

Source: BOI, BOT, CEIC, and Krungsri Research

Private Investment has been volatile amid concerns over prolonged Middle East tensions, but the medium-term outlook shows signs of recovery.

Business investment continued to strengthen, with the Private Investment Index (PII) accelerating to 15.1% YoY in May from 11.3% in April, reflecting growth across vehicles, machinery & equipment, and construction. Forward-looking indicators also improved, with the expected Business Sentiment Index (BSI) rising to 48.0 and the BSI rebounding to 46.1 in June. Looking ahead, leading alternative indicators such as industrial land sales point to the possible emergence of a new investment cycle. However, investment growth is likely to remain somewhat constrained by weak domestic demand, geopolitical uncertainties, and risks associated with U.S. tariff policy.

Private Investment Index

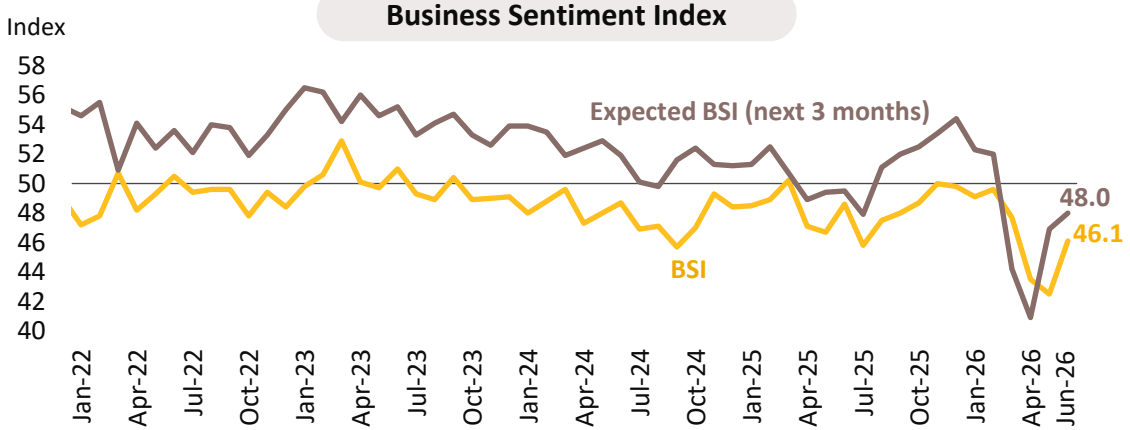


Private Investment Index by category

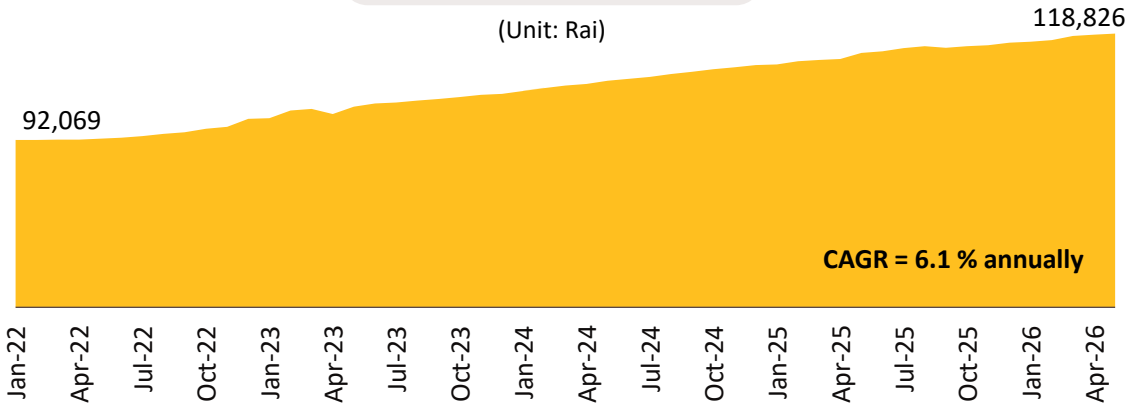
%YoY*	2024												2025												2026					
	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	
Private investment																														15.1
Vehicle																														2.9
Machinery and Equipment																														24.1
Construction																														7.8

**Green > 0%, Red < 0% / Darker green (red) indicates stronger (weaker) momentum*

Business Sentiment Index



Industrial Land Sales

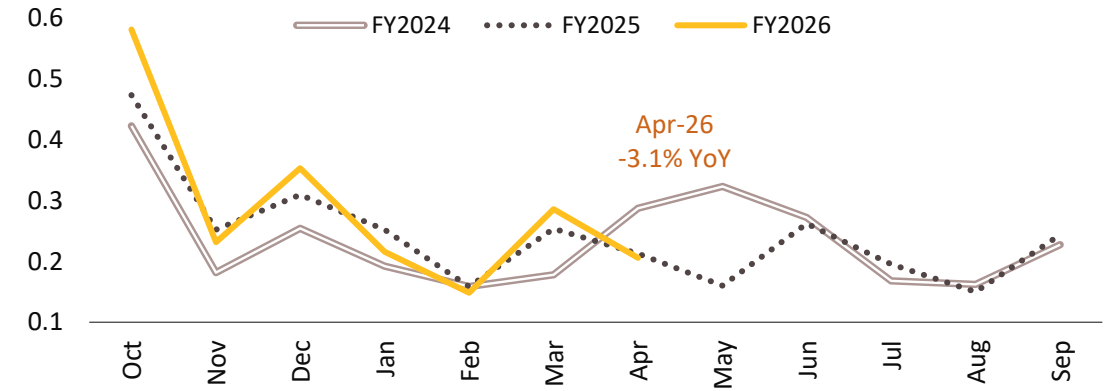


Source: BOT, IEAT, and Krungsri Research

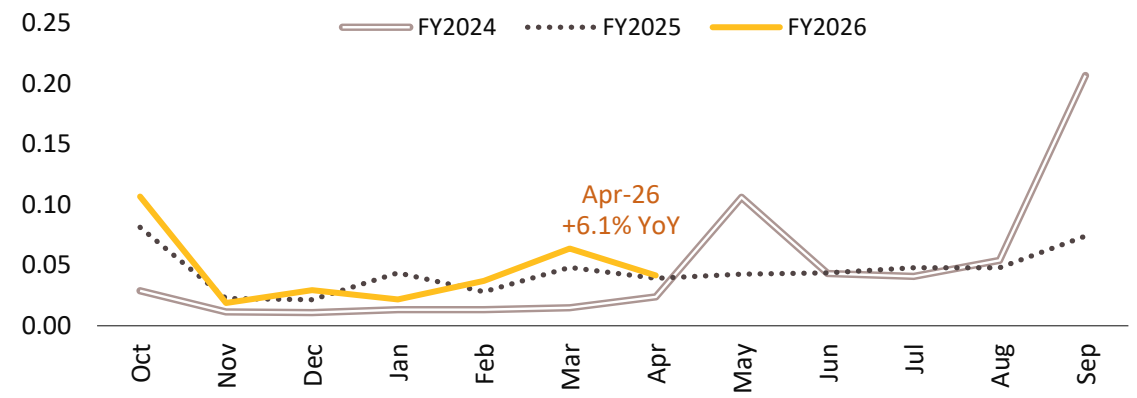
Public spending improved in the first seven months of FY2026, but limited fiscal space constrains further stimulus.

In the first seven months of FY2026 (October 2025–April 2026), current and capital budget disbursements increased by 5.8% and 12.4% YoY, respectively, reflecting accelerated public spending and continued policy implementation. Besides, the FY2027 budget is under usual preparation despite the election period early this year. The Constitutional Court's approval of the THB 400 billion emergency decree supports the government's THB 200 billion energy transition program, though its effectiveness and economic impact warrant monitoring. **Meanwhile, public debt is approaching the statutory ceiling, leaving limited fiscal space for additional stimulus.**

Disbursement of Current Budget



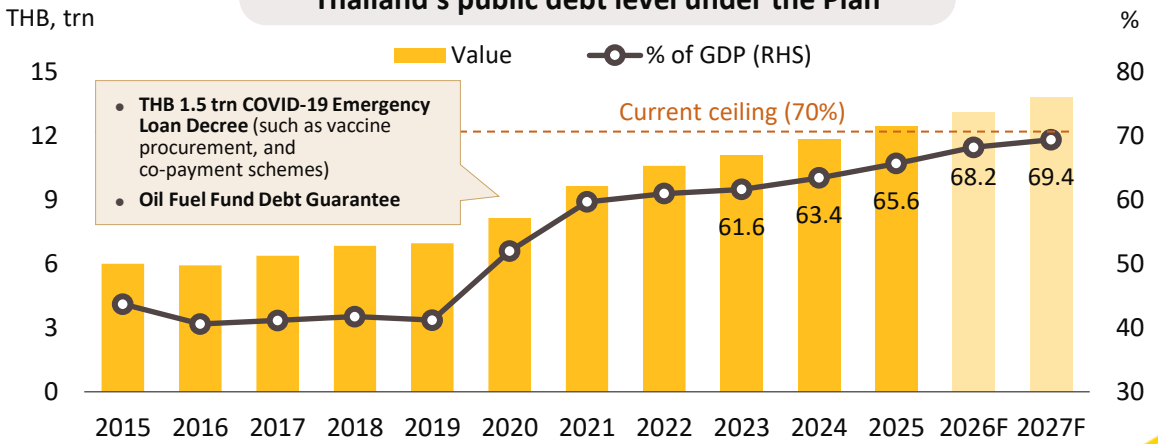
Disbursement of Capital Budget



THB200 bn Energy Transition Projects

Key Plans	Potential Projects
Accelerate the clean energy transition	Expand renewable energy, upgrade the power grid, and improve energy efficiency to reduce emissions.
Strengthen the EV ecosystem	Promote EV adoption and expand charging and battery-swapping infrastructure.
Upskill and reskill the workforce	Develop future-ready skills of people, labor, and entrepreneurs.

Thailand's public debt level under the Plan



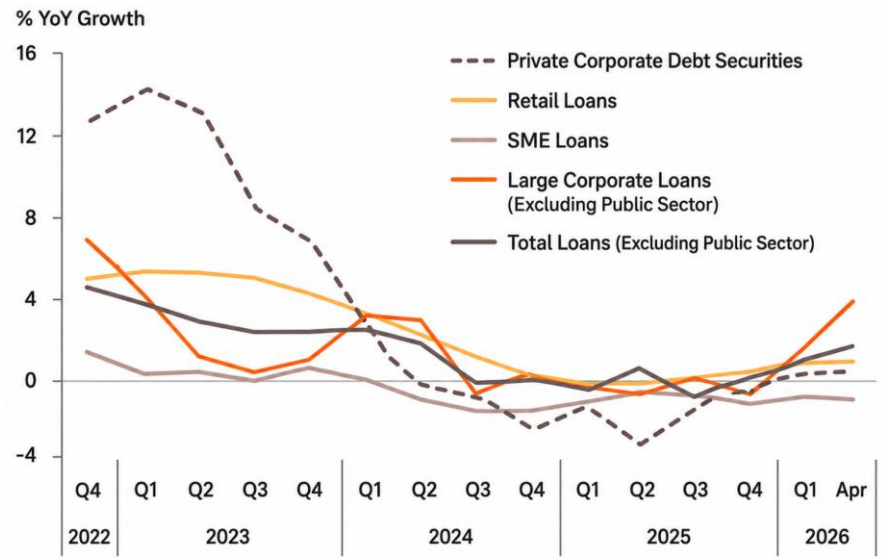
Source: MOF, Krungsri Research

Despite evolving global rate cycles, *the BOT's policy trajectory* remains guided by domestic conditions; we expect no change in the policy rate through 2026.

BOT's Economic Projection

	As of April		As of June	
Unit: %	2026F	2027F	**2026F**	**2027F**
GDP growth	1.5	2.0	**2.3**	**1.8**
Headline inflation	2.9	1.5	**2.8**	**1.4**
Core inflation	1.6	1.5	**1.5**	**1.4**

Credit Growth



Source: BOT, and Krungsri Research

Krungsri Research's view:

As anticipated, the MPC delivered a unanimous decision to maintain the policy rate at 1.00% at the June meeting. Under the BOT's policy framework, the Committee judged that ***"the current policy rate is appropriate to support economic recovery,"*** based on the following considerations:

- **Economic growth** forecast for 2026 was raised upward from 1.5% to 2.3% to incorporate the effects of fiscal stimulus, while **the Committee noted the low and uneven nature of the recovery.**
- **Inflation appears to be taking center stage in the BOT's reaction function.** Although headline inflation may temporarily rise above the BOT's target range in 2H26, the spike could be short-lived, with inflation expected to return to target by 2027. **The MPC is likely to look through the supply-driven overshoot**, given limited evidence of persistent pass-through effects and still well-anchored medium-term inflation expectations.
- **Financial conditions are assessed as mixed across groups. The Committee continued to flag sluggish credit growth,** particularly among vulnerable households and SMEs, consistent with its assessment of a low and uneven economic recovery. The BOT reiterated the need for targeted financial measures, encouraging financial institutions to continue supporting vulnerable borrowers, as highlighted in the statement.

On balance, the MPC judged that the current policy setting remains appropriate amid evolving economic conditions. **Krungsri Research expects that the balancing act between the BOT's objectives will keep the MPC on hold, with the policy rate remaining at 1.00% p.a. throughout 2026.** Despite evolving policy rate cycles from regional peers and the U.S., Thailand's sound external stability continues to support the BOT's policy stance guided by domestic economic conditions rather than external pressures.

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