

krungsri Research

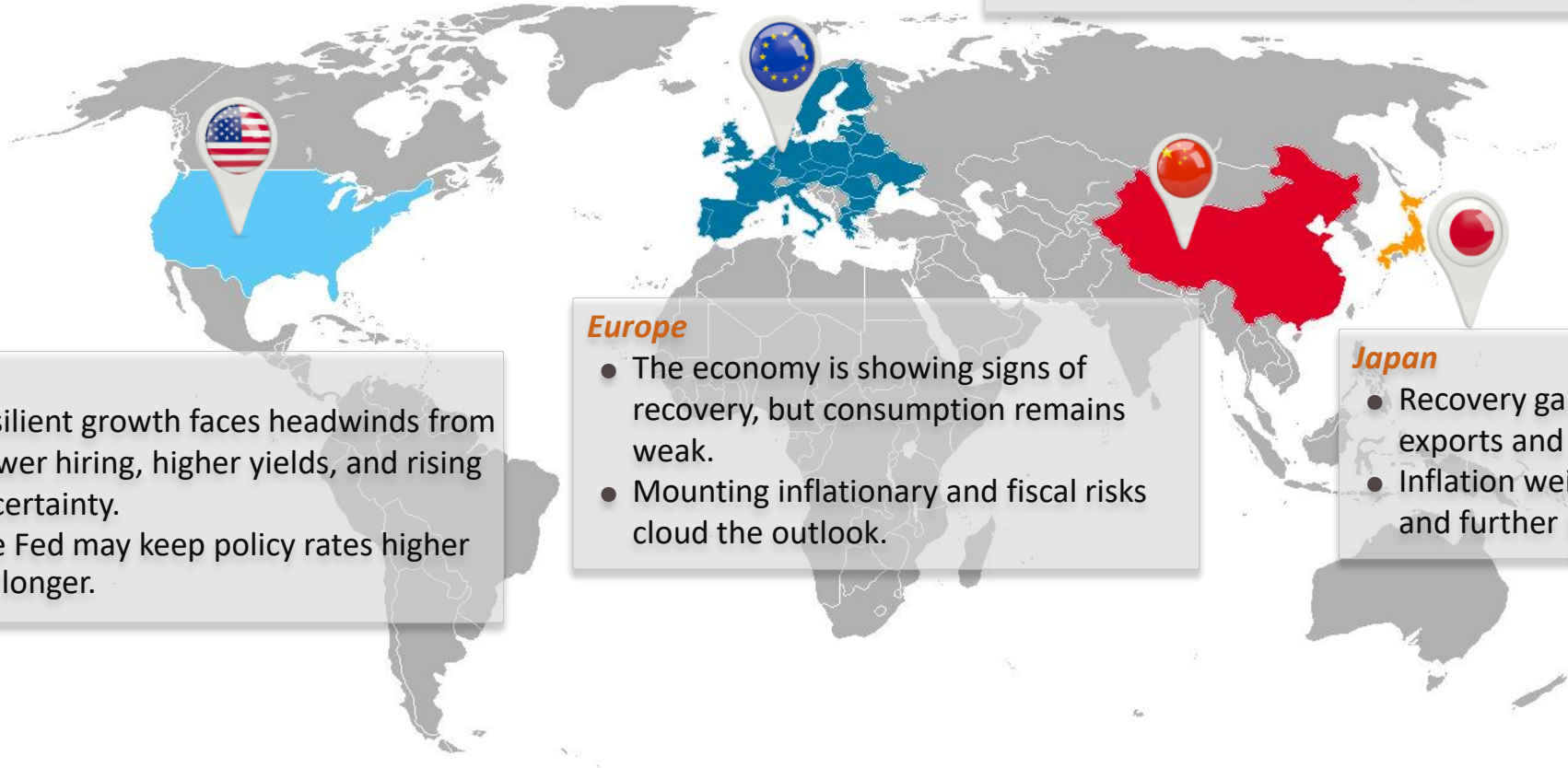
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MONTHLY ECONOMIC BULLETIN

October 2026

Krungsri Research

Global Economy: Carrying the weight of uncertainty in a high-pressure environment



China

- Contained trade tensions ease some concerns, as external demand continues to offset domestic weakness, while additional stimulus is likely to provide limited support.

U.S.

- Resilient growth faces headwinds from slower hiring, higher yields, and rising uncertainty.
- The Fed may keep policy rates higher for longer.

Europe

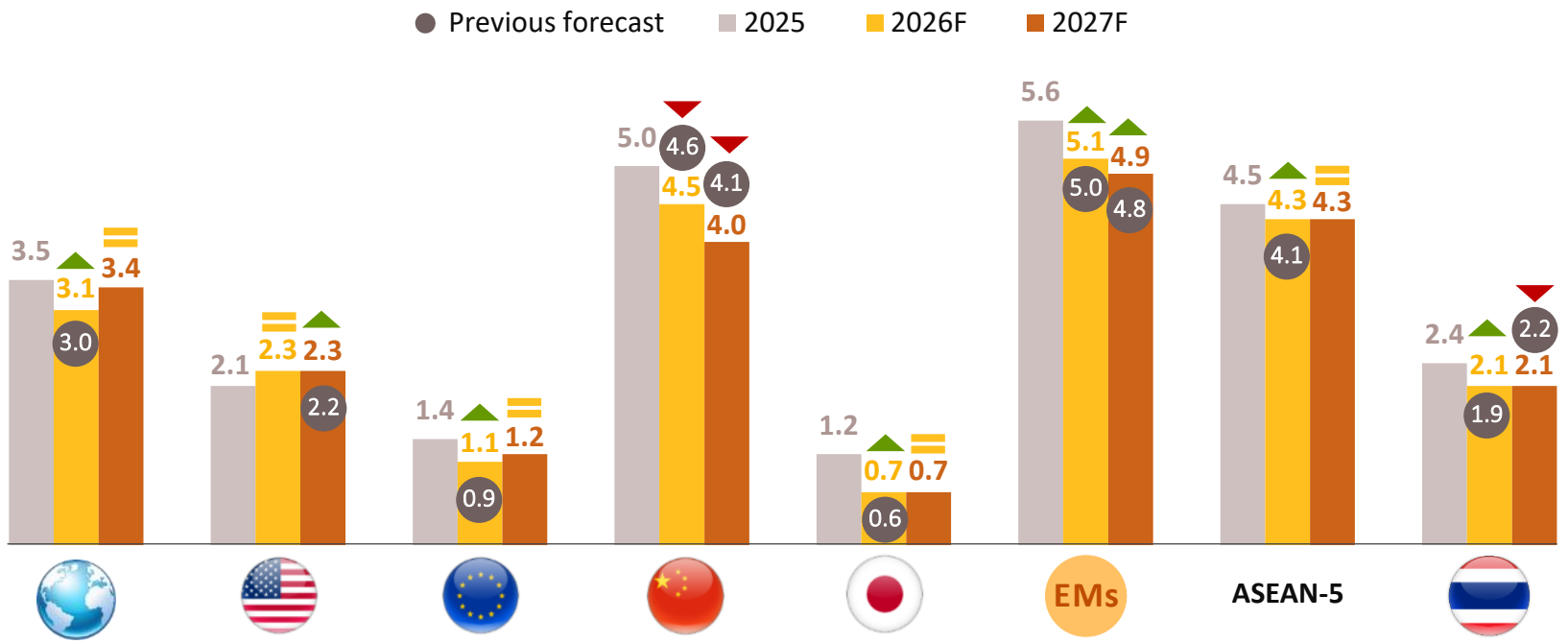
- The economy is showing signs of recovery, but consumption remains weak.
- Mounting inflationary and fiscal risks cloud the outlook.

Japan

- Recovery gains momentum in exports and investment.
- Inflation weighs on consumption, and further BOJ rate hikes loom.

IMF sees *global economy* remains resilient, supported by AI investment, but risks skewed to the downside especially from geopolitical tensions and a potential AI market correction

IMF's Economic Growth Projections in 2026-2027



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

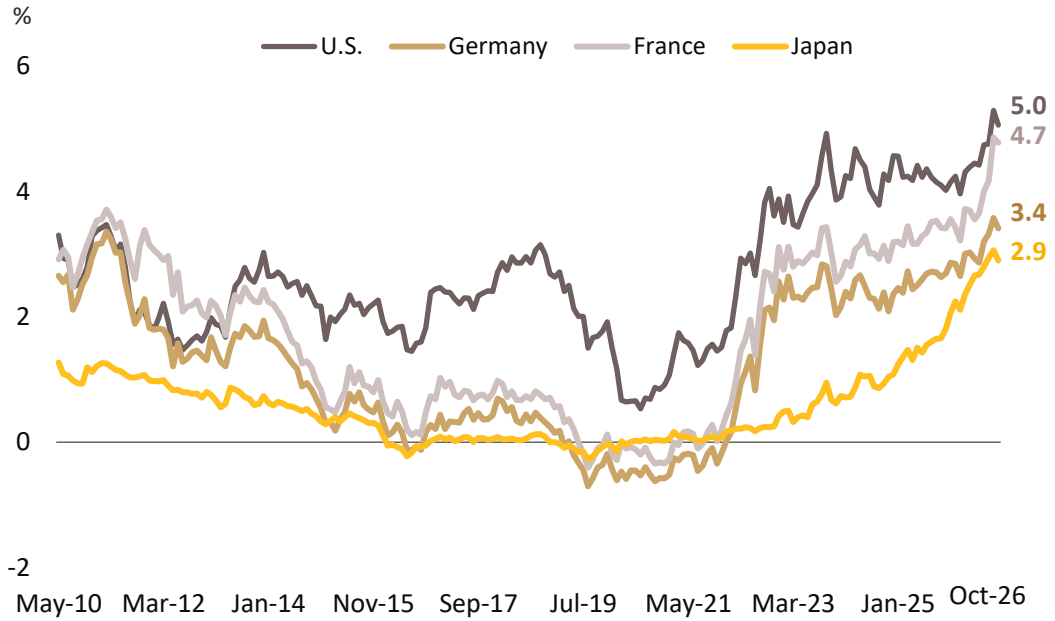
Geopolitical risks continue to keep oil prices elevated, fueling inflationary pressures, and increasing fiscal burdens across economies.

- **In mid October, crude oil prices remain elevated above USD 100 per barrel, nearing a six-month high.** Preliminary data from Kpler, a provider of global trade and vessel-tracking data, show that crude oil exports from the Arabian Gulf recovered to 18.5 million barrels per day as of October 1, exceeding the pre-conflict level of 18 million barrels per day. Also, the G7's release of a combined 100 million barrels from strategic oil reserves over four months is expected to help alleviate near-term supply disruptions. However, ongoing conflict and attacks on Middle Eastern shipping, alongside energy production remaining below pre-war levels, are expected to keep upward pressure on crude oil prices and inflation.
- **Persistent fiscal stimulus, inflation concerns, and AI-related financing demand have pushed up long-term bond yields, particularly in countries with high public debt and persistent deficits,** such as the U.S., Japan, and some countries in the Eurozone. U.S. public debt has reached a record USD 40 trillion (around 125% of GDP), while debt exceeds 100% of GDP in France, Italy, and Belgium and 200% in Japan, the highest public debt among G7 economies.
- **Higher bond yields will raise financing costs and increase financial market volatility,** undermining private-sector confidence and wealth. This could, in turn, dampen business investment and household spending. In addition, rising government interest expenses may further weaken already-fragile fiscal positions and reduce policy space. Together, these developments could pose headwinds to economic growth in the period ahead.

Dubai Oil Price



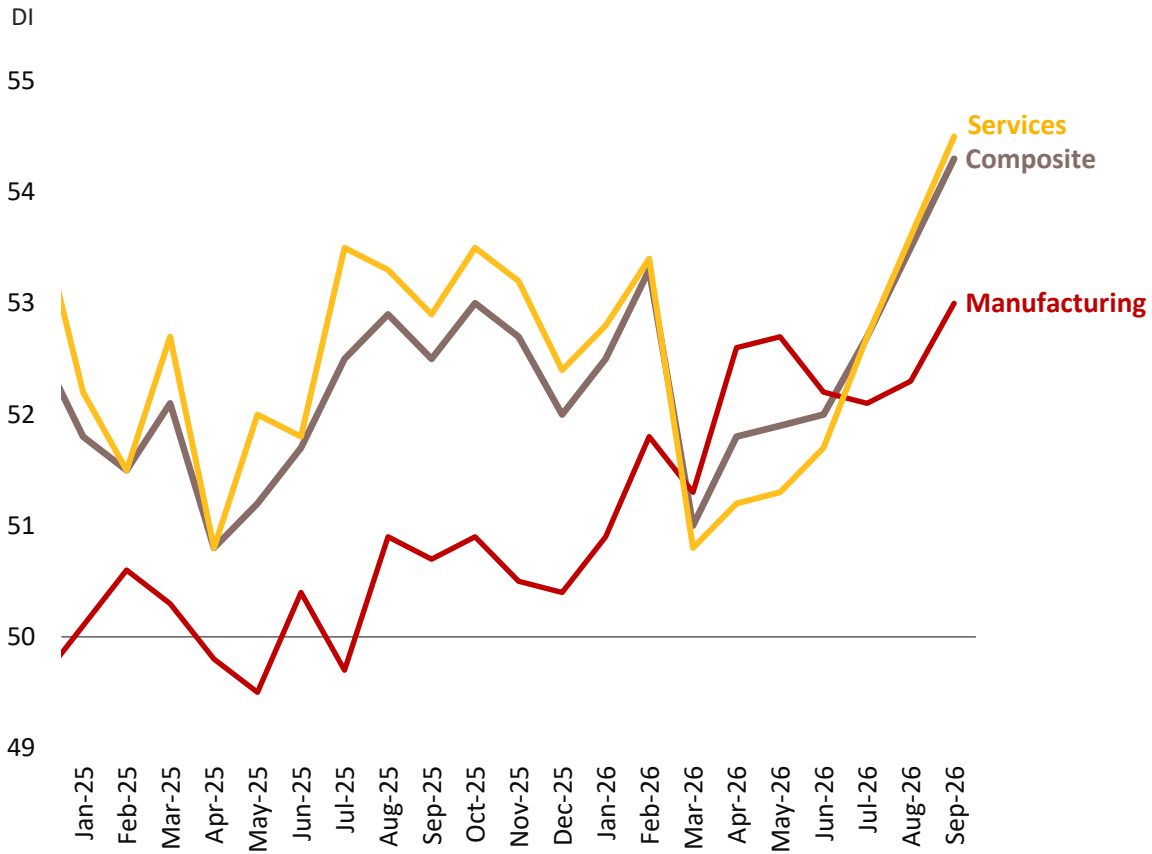
10-year Government Bond Yields



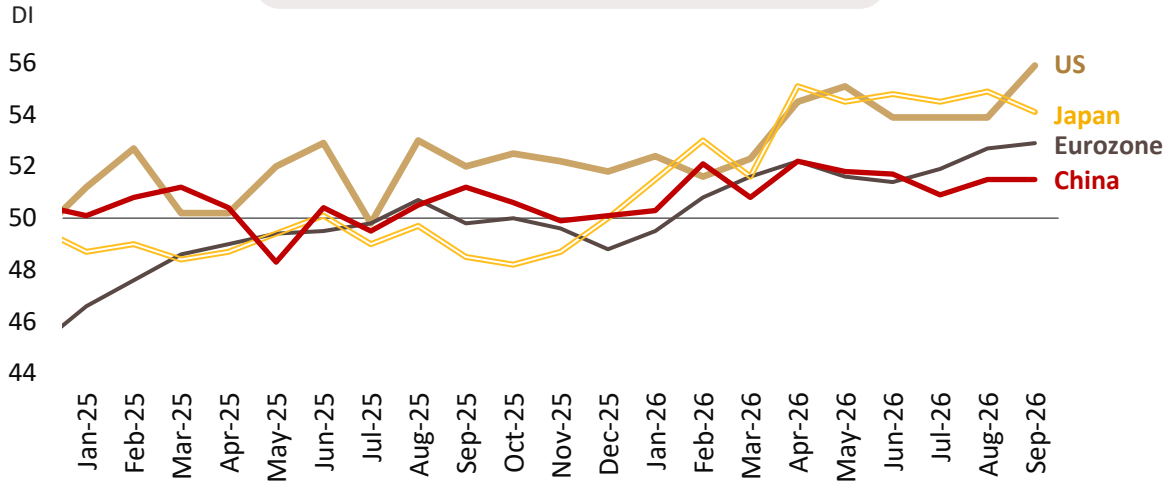
Source: CEIC, Investing.com and Krungsri Research

Global activity remains resilient, but geopolitical risks, inflationary pressures, and tighter financial conditions cloud the outlook.

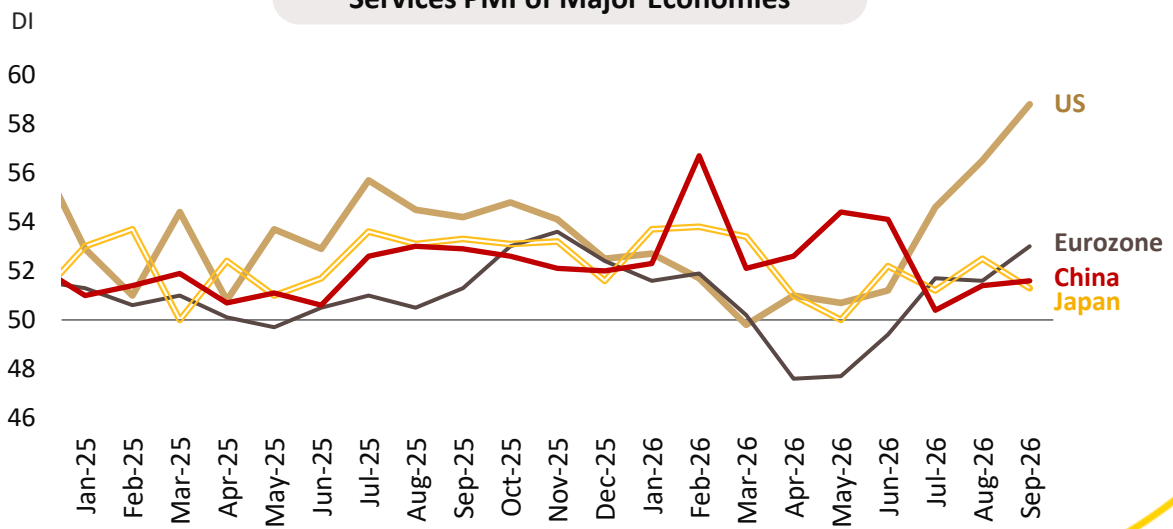
Global Composite, Manufacturing, and Services PMI



Manufacturing PMI of Major Economies



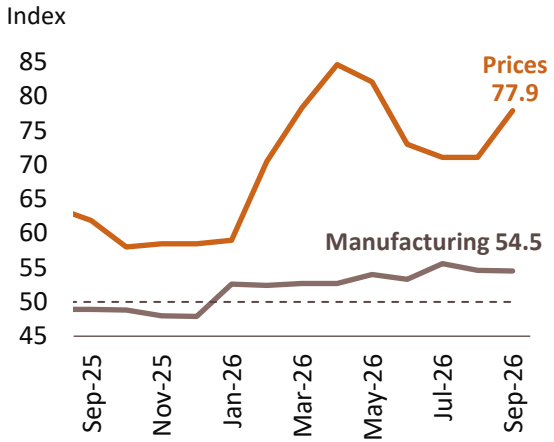
Services PMI of Major Economies



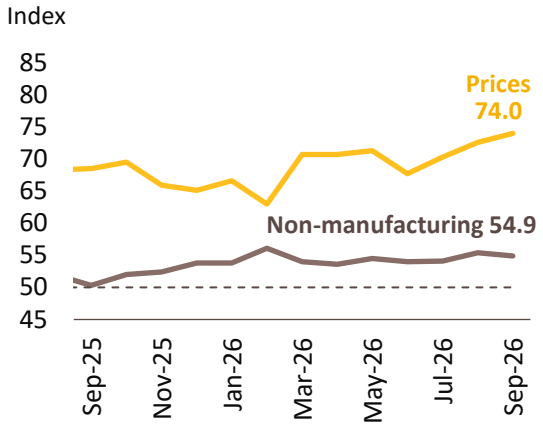
Source: J.P. Morgan and S&P Global PMI, Bloomberg, and Krungsri Research

U.S.: Resilient growth faces headwinds from slower hiring, higher yields, and rising uncertainty; the Fed may keep rates higher for longer.

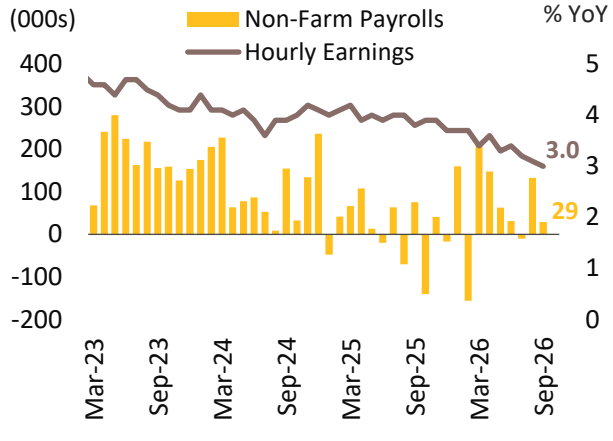
ISM Manufacturing PMI



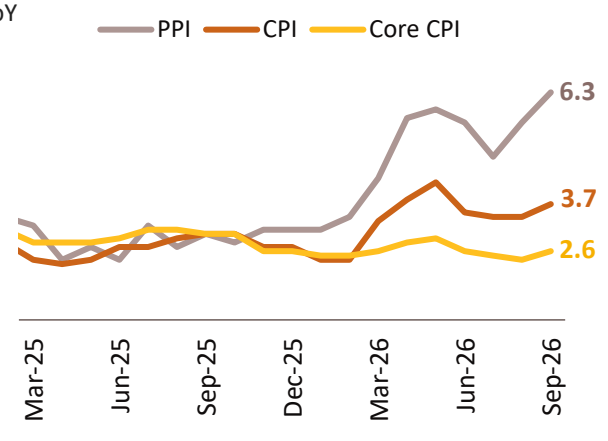
ISM Services PMI



Labor Market and Wage Growth



Inflation



Impact of Mid-term Election

Channel	Key Words	Potential Economic Impact
Fiscal Policy	Budget, taxes, deficit, spending	Delays fiscal measures and reduces policy visibility
Trade Policy	Tariffs, China, supply chains	Increases uncertainty for trade flows and delayed investment
Industrial Policy	CHIPS Act, AI, clean energy, incentives	Creates uncertainty over subsidies and corporate CapEx plans
Business Sentiment	Wait-and-see, policy uncertainty	Delays hiring, investment, and expansion plans
Politics	Gridlock, divided government	Slows major policy implementation

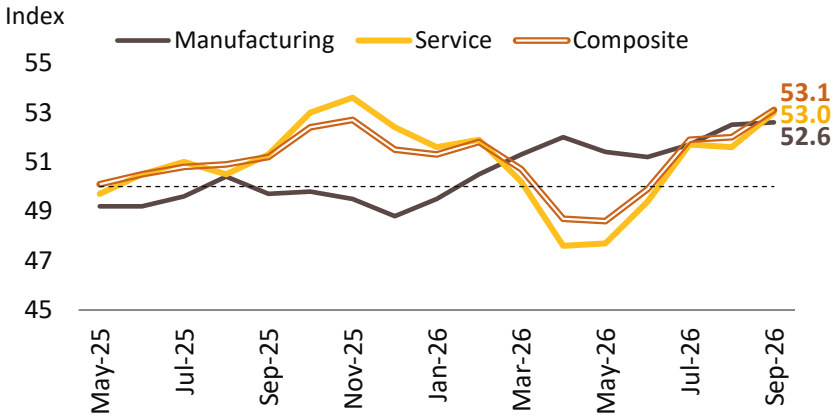
Source: ISM, BLS, BEA, Federal Reserve, Bloomberg, CEIC, and Krungsri Research

Krungsri Research's view

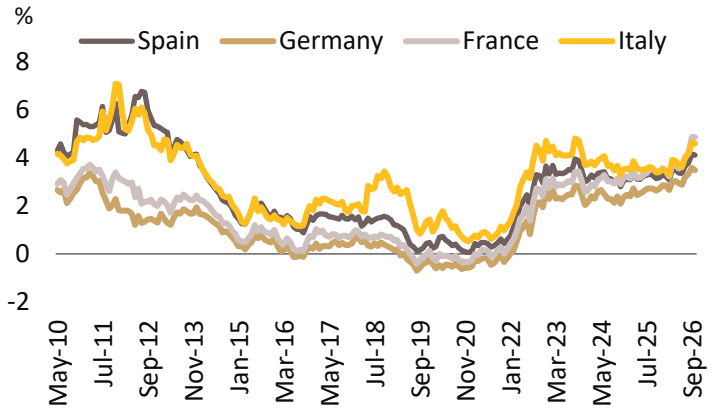
- **The U.S. economy remains on a moderate expansion path, although recent data point to a gradual loss of momentum.** Manufacturing and services activity remained in expansion territory in September. Nonetheless, payroll growth slowed markedly to 29K from 133K in August, while the unemployment rate held at 4.2%, suggesting that labor-market conditions are becoming less favorable.
- **Meanwhile, uncertainty surrounding the outlook has increased.** Rising Treasury yields, AI-related uncertainty and escalating Middle East tensions have weighed on sentiment, while **political uncertainty ahead of the 2027 midterm elections could complicate fiscal, trade, and industrial policy decisions and delay private-sector investment.**
- **Inflation remains above the Fed's target, but evidence of second-round inflation effects remains limited.** Although higher energy prices have added to inflationary pressures, slower payroll growth, and a gradually rebalancing labor market suggest that wage-price dynamics remain broadly contained.
- **Against this backdrop, the Fed may retain a tightening bias, with one additional 25bp rate hike still possible this year.** If delivered, the Fed Funds rate would rise to 4.00-4.25%, remaining well above policy rates in most major advanced economies. However, softer labor-market conditions, slower wage growth, and tighter financial conditions suggest limited scope for further rate hikes in 2027, with the Fed likely shifting toward a prolonged period of policy restraint rather than an extended tightening cycle.

Eurozone: The economy is showing signs of recovery, but consumption remains weak; mounting inflationary and fiscal risks cloud the outlook.

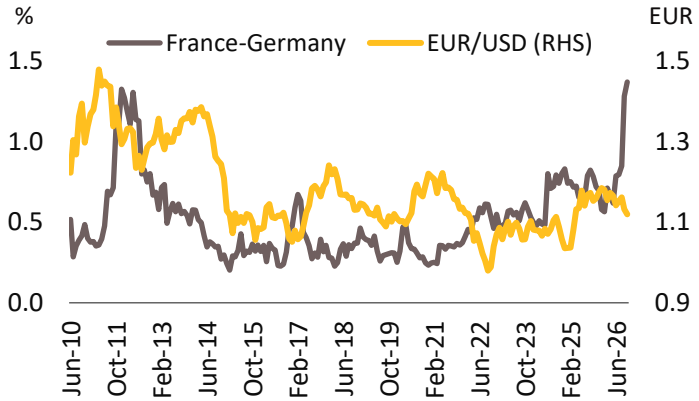
Purchasing Manager Index



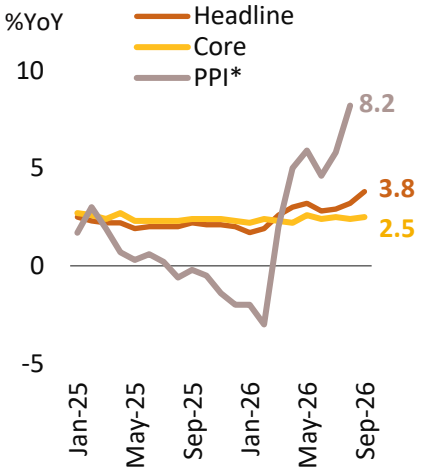
10-Year Bond Yields by Countries



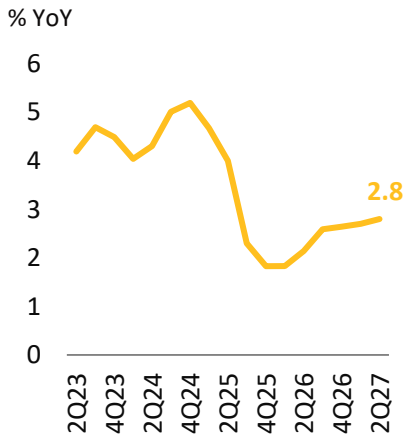
French-German bond yield spread vs Euro



CPI vs PPI



ECB Wage Tracker



Note*: August data

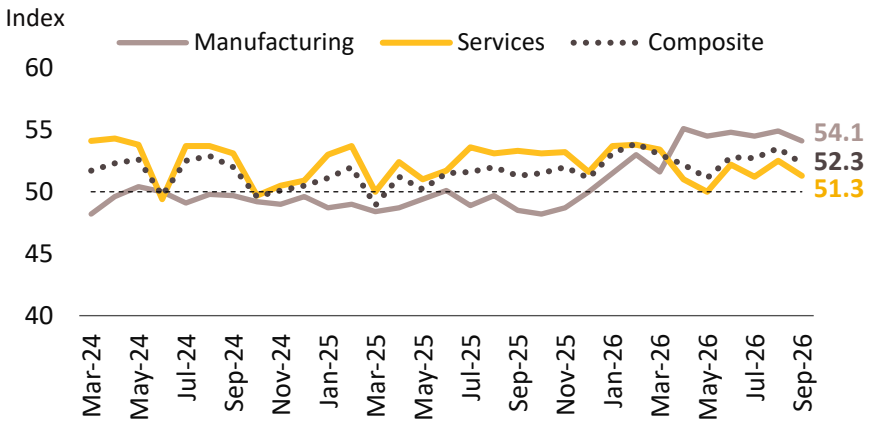
Source: ECB, CEIC, Capital Economics, Investing.com, Bloomberg, and Krungsri Research

Krungsri Research's view

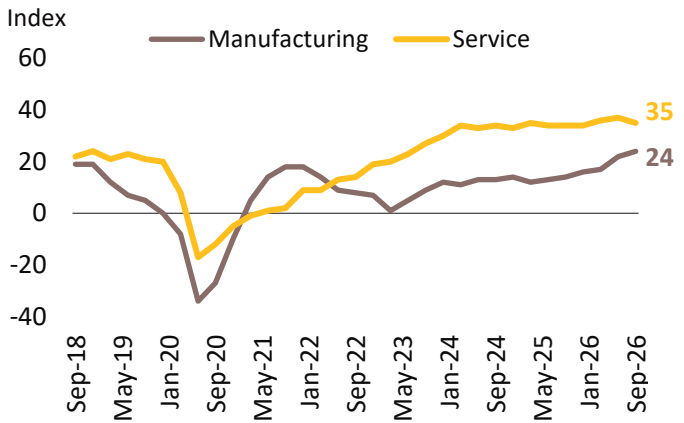
- **Growth is improving but remains uneven.** The composite PMI rose to its highest level in nearly three and a half years in September, driven by demand for AI and IT-related services. However, consumption remains subdued, with retail sales growth slowing to a nearly two-year low, as elevated energy costs stemming from the intensifying Middle East tensions have heightened concerns over inflation and the interest-rate outlook.
- **French bond sell-offs have raised concerns over sovereign debt contagion.** Persistent fiscal deficit and high public debt widened the 10-year French-German bond yield spread to near its highest level since the 2011-2012 eurozone debt crisis, while the euro against the U.S. dollar has weakened to a 16-month low. Although the proposed 2027 budget aims to narrow the fiscal deficit from 5.4% of GDP in 2026 to 5.0% in 2027, political uncertainty has cast doubt on its approval and the government's ability to restore fiscal stability.
- **Evidence of second-round inflation remains limited but is emerging.** Headline inflation rose to a three-year high of 3.8% YoY in September, while producer price inflation accelerated to 8.2% in August, its highest level since February 2023. Combined with tight labor market conditions and a modest increase of 2.8% YoY in the ECB's wage tracker for 1H27, labor cost pressures could intensify next year, increasing the risk of a second-round inflation effect across the eurozone economy**.**
- Against this backdrop, given the limited spillover effects from the recent bond sell-off across the blocs, **the ECB may raise the policy rate by a further 25 bps to 2.75% later this year** to contain inflationary pressures. However, the high-base effect may make the recent acceleration in inflation temporary, limiting the need for the ECB to continue raising interest rates next year.

Japan: Recovery gains momentum on exports and investment; inflation weighs on consumption and further BOJ rate hikes loom.

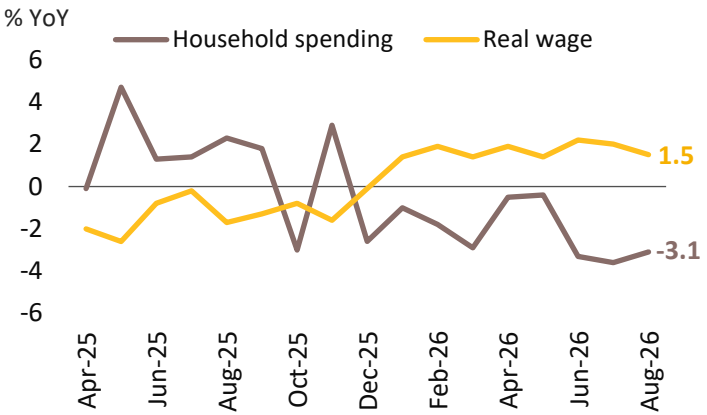
Purchasing Manager Index



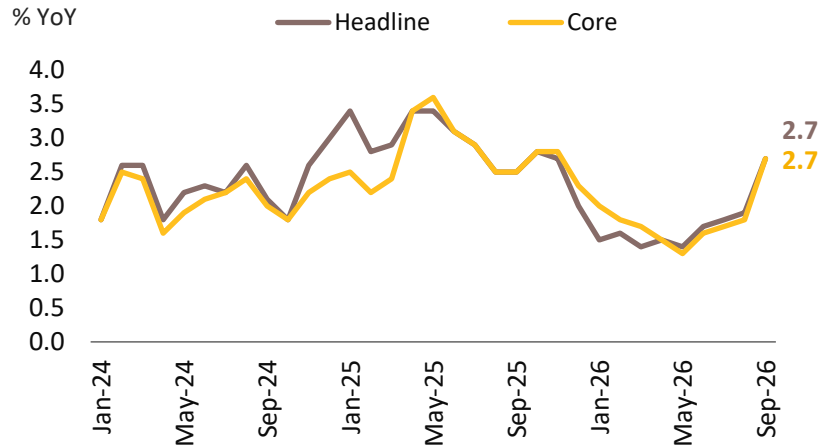
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Household Spending and Real Wage Growth



Tokyo CPI



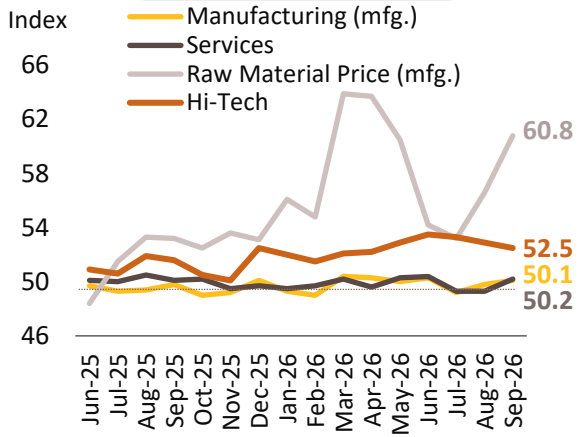
Source: Bank of Japan, Capital Economics, CEIC, Bloomberg, and Krungsri Research

Krungsri Research's view

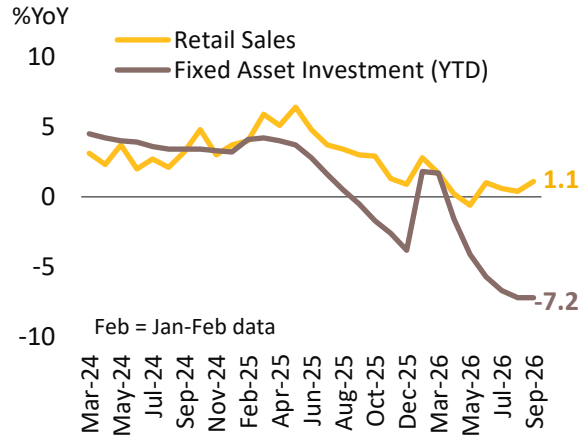
- **AI demand supports recovery, but inflation continues to weigh on consumption.** Although the composite PMI edged down in September, partly reflecting disruptions caused by the Kumamoto earthquake, it remained in expansionary territory, supported by resilient exports amid robust demand for AI-related chips and semiconductors. However, private consumption remains subdued as elevated inflation continued to erode purchasing power, despite improvements in real wages.
- **Japan's government plans to finalize the first five years of its 14-year, USD 2.3 trillion investment initiative by year-end,** prioritizing profitable sectors, future growth drivers, and industries critical to economic security. Meanwhile, it plans to cut the consumption tax on food and beverages from 8% to 1% for two years starting in April 2027 and provide targeted support to low- and middle-income households, while avoiding deficit-financing bonds to maintain fiscal discipline amid Japan's relatively weak fiscal position compared with other G7 economies.
- **Resilient economic activity and rising inflation risks are strengthening the case for further BOJ tightening**, despite rising Japanese government bond yields. The 3Q26 Tankan survey remained healthy, exports recorded their strongest growth in nearly three and a half years in August, and industrial production grew by 3.4% YoY. Meanwhile, Tokyo CPI inflation accelerated to a 10-month high of 2.70% YoY in September. Against this backdrop, **Krungsri Research expects the BOJ to raise its policy rate by 25 bps to 1.50% late this year, as rising inflation risks are likely to outweigh concerns over financial market stability.**

China: Contained trade tensions ease some concerns, as external demand continues to offset domestic weakness, while additional stimulus is likely to provide limited support.

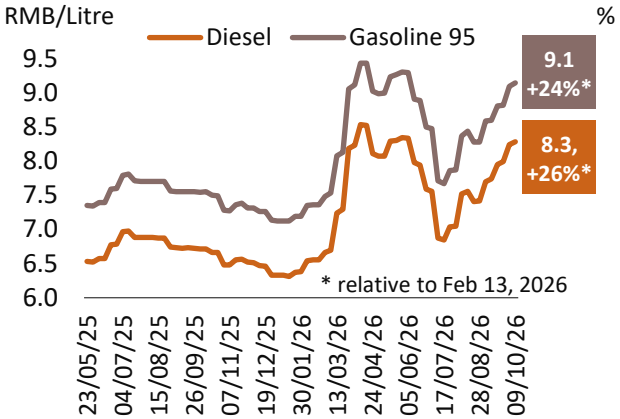
Official PMI (NBS)



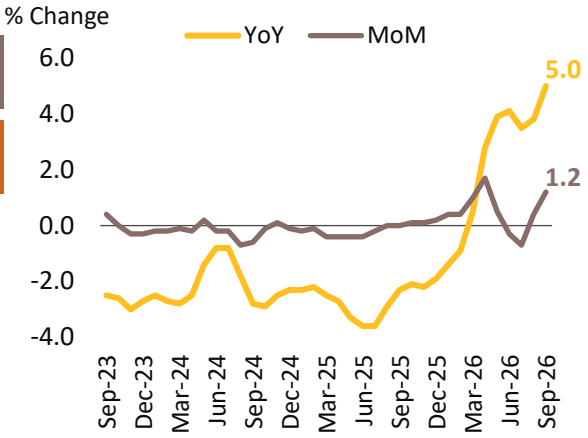
Retail Sales and Fixed Asset Investment



Domestic Fuel Prices



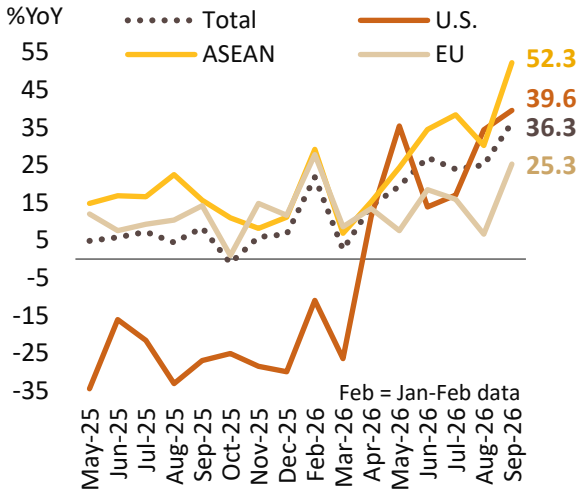
Producer Price Index



Industrial Profits (First Eight Months)

Sector	Profits (% YoY)	% of Total Industrial Employees
Total	18.8	100
Electronics & Communication	109.9	12.8
Electrical Machinery	-5.2	8.5
Automobile	-16.0	6.8
General Equipment	2.5	6.1
Special Equipment	-2.1	4.9
Fabricated Metal Product	-6.3	4.9
Non-Metallic Mineral Product	-46.7	4.6
Chemical Material & Product	51.0	4.5
Rubber & Plastic Product	-3.2	4.0
Garment & Apparel	-14.4	2.6

Exports to Key Partners



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

Krungsri Research's view

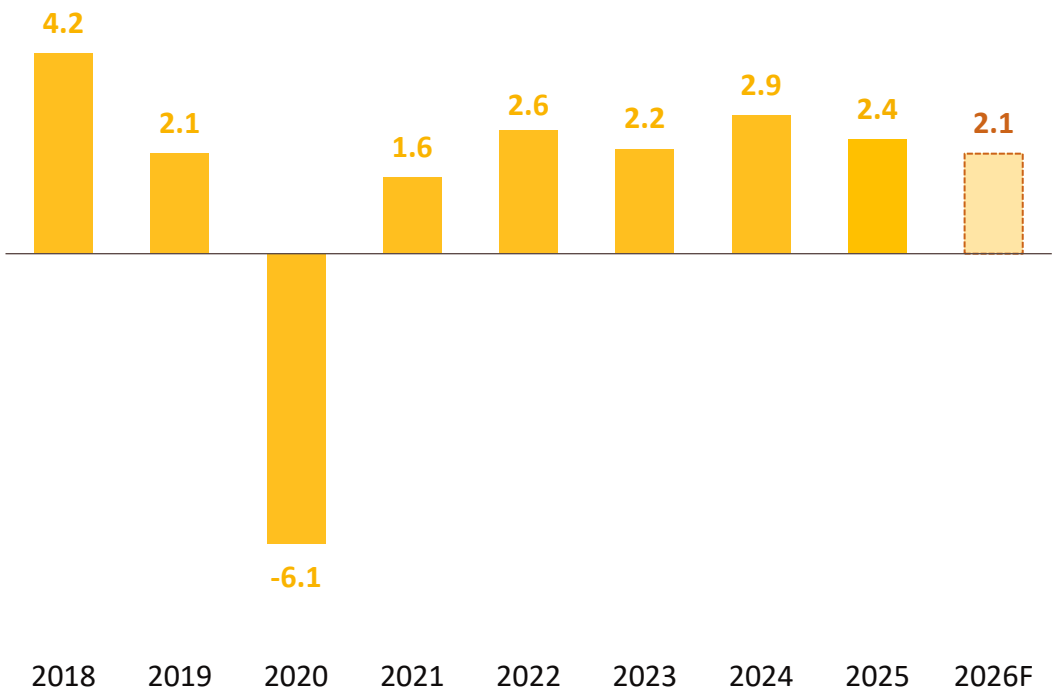
- **China's manufacturing and service sectors picked up in September.** However, domestic demand remains subdued. Moreover, as cost pressures re-emerge, producers could face narrower profit margins, affecting the labor market and, in turn, hurting the already-weak domestic demand. **Even with additional policy support, the economy still needs to depend heavily on exports, especially high-tech goods.**
- **The government moves to stimulate the economy.** It holds cultural and tourism events, alongside offering coupons and subsidies (CNY 310 mn). It also provides mortgage subsidies, cuts rates to support infrastructure investment, expands re-lending facility quotas, and allows local governments to tap unused bond quotas from previous years. **While the impact is likely to be limited, these measures should help keep growth on track to reach the 4.5-5.0% target this year.**
- **Trade tensions are being contained.** China and the U.S. extended the trade truce until January 10 and reduced tariffs on USD 30 bn of imports of each side, with 90% of goods receiving MFN rates. On the EU front, Chinese hybrid electric car exports will be halved, while China will reduce import duties on selected goods and expedite export licenses for rare earths and permanent magnets. **Given the recent signals, the likelihood of a full-blown trade war in the near term remains low.**

Thailand: Improving growth momentum faced headwinds from floods and external uncertainty, while manufacturing data overhaul revealed a stronger underlying economy.

- **GDP growth figure could be driven by both supportive policies and technical adjustments, though weather-related disruptions and external risks may weigh on the outlook.**
- **The manufacturing sector appeared stronger than the previous series indicated, reflecting improved coverage of electronics- and AI-related industries, which ultimately boost economic growth number.** Meanwhile, supportive policies include measures to stimulate private consumption and to relieve flood impacts.
- For key economic drivers, **private investment strengthened**, as reflected in rising FDI accumulation, led by electrical equipment, alongside strong BOI applications in AI and digital industries.
- **Thai exports gained momentum while import growth moderated, narrowing the trade deficit**, though gains remained concentrated in technology-related products.
- However, **Bangkok faced its most severe flooding since 2011. The economic impact is expected to be around 0.1-0.2% of GDP, while asset damage could be significantly larger**.
- **Tourist arrivals also fell amid September flooding**. Arrivals from East Asia partially recovered, while long-haul markets remained subdued due to high airfares and safety concerns.
- **Private consumption may be subdued** from smaller stimulus, elevated household debt, and limited financial buffers, despite flood-related reconstruction spending.
- Regarding the **policy rate outlook**, despite a more hawkish Fed, below-potential growth is expected to keep the Thai MPC on hold.

GDP growth figure could be driven by both technical adjustments and supportive policies, although weather-related disruptions and external risks may weigh on the outlook.

Forecast of Thai GDP Growth in 2026 (%)



Upside

- **Manufacturing Production Index (MPI) has been overhauled,** with the latest growth revised to +4.44% in August from +0.46% in July, reflecting improved coverage of electronics-and AI-related industries, **which eventually boost GDP growth figure**.
- **Additional supportive policies**
  i. Thai Chuay Thai Plus Phase 2 with budget of THB 40 bn to boost consumption during October-November, albeit smaller than the THB 175 bn allocated for Phase 1 (during Jun-Sep).
  ii. Other policies, including parts of THB 200 bn for Energy Transition program, under which related project proposals are beginning to emerge in October.
- **Flood recovery, rehabilitation, and relief measures**

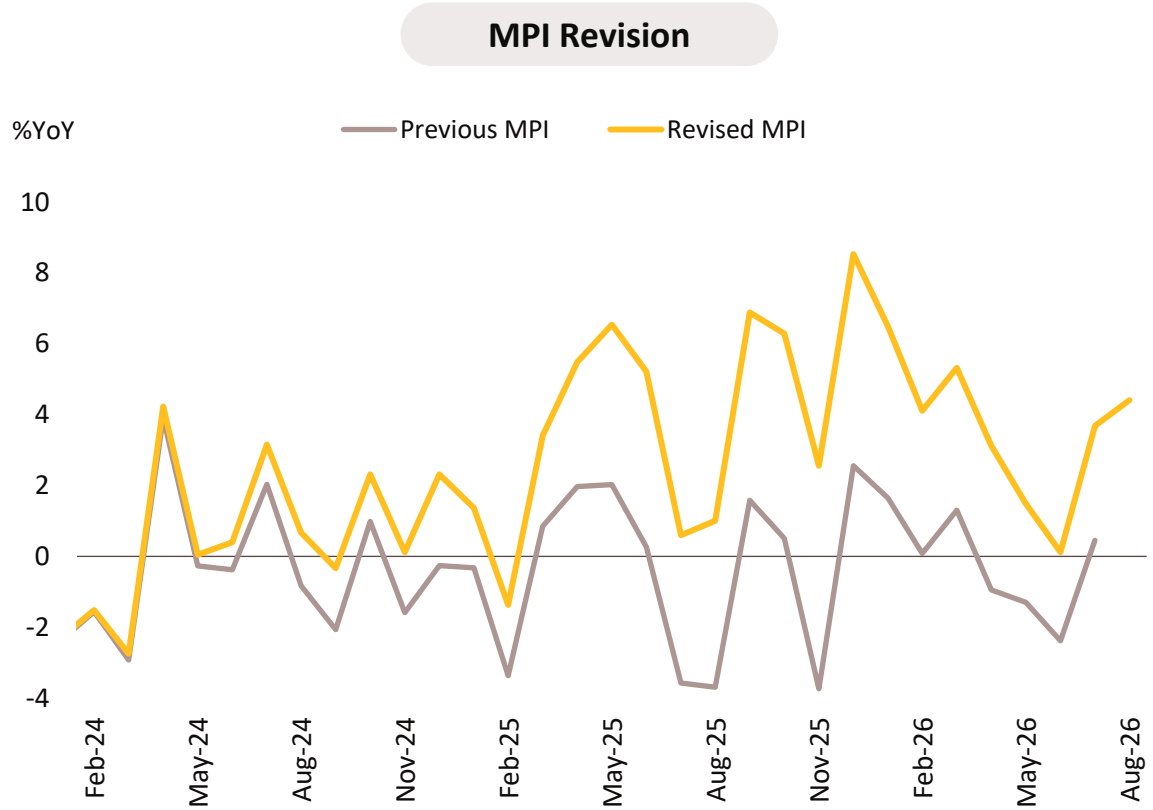
Downside

- **Flooding and El Niño-related headwinds**. Lost output and business disruptions from flooding in Bangkok and surrounding areas are estimated at 0.1-0.2% of GDP.
- **Renewed escalation of Middle East tensions**, pushing up energy prices and raising supply disruption concerns.
- **U.S. trade policy risks**, particularly Section 301 investigations into excess-capacity concerns and heightened scrutiny of transshipment activities.

Source: NESDC and Krungsri Research

Manufacturing sector appears stronger than indicated by the previous series, reflecting improved coverage of AI- and electronics-related industries, which eventually boost growth

The Ministry of Industry has recently overhauled the Manufacturing Production Index (MPI), a key indicator of economic activity, by expanding product coverage and updating sampling methods to better reflect Thailand's evolving industrial structure. The revision incorporates products such as **notebooks/laptops and optical transceivers** (which have never been previously included), and Uninterruptible Power Supply (UPS) units, while adding new factory samples in integrated circuits and other electronic components. As a result, **reported manufacturing production has been significantly stronger under the revised methodology since 2Q25.** The revised series appears more consistent with trends in exports, capital goods imports, and the growing importance of AI- and electronics-related industries. Given that the manufacturing sector accounts for 25-30% of Thailand's GDP, this revision could have important implications for assessing economic momentum.



Source: OIE and Krungsri Research

Key Revisions:

- **Expanding coverage, particularly for notebooks/laptops, optical transceivers, and integrated circuits**
- **Updating sampling to better reflect emerging sectors driven by the AI and electronics investment cycle**
- **Significant increases in the weight of these sectors:**

Category	Previous weight	Revised weight
■ Computers, Electronic, and Optical Instruments	9.27	9.77
• Computer and Accessories	3.10	3.45
• Notebook/ Laptop	n/a	0.36
• Optical Transceivers	n/a	0.14

- Therefore, the sectoral growth rates have been revised upward. For example, **in 2025, Computers, Electronic and Optical Instruments grew sharply by 55.8%, up from the previously reported 5.0%, while Computers and Accessories grew by 39.4%, compared with the previous 4.0%.**

Supportive policies include measures to stimulate private consumption, credit guarantee program, and investment in the energy transition.

Toward the end of 2026 and into early 2027, several supportive policy measures are expected to provide further support to the economy. **As Middle East tensions persist, the second phase of the Thai Chuay Thai Plus scheme is being rolled out during October–November, although the total subsidy is substantially smaller than in the first phase. Flood relief measures are also being implemented through direct cash assistance, disaster insurance, and financial support. Meanwhile, the SME Credit Boost initiative will transition into a longer-term credit guarantee scheme to further improve SME access to financing.** Over the medium term, the energy transition initiative is gaining traction, with organizations beginning to submit project proposals, although careful project screening will be essential to ensure project viability and effective resource allocation.

Current Measures

Thai Chuay Thai Plus Phase 2

Thai Chuay Thai Plus 60/40

- **Budget :** THB 30 bn (previously THB 120 bn)
- **Details :** THB 1,000 per eligible person for 2 months from October to November (previously THB 1,000/month for 4 months from June to September, totaling THB 4,000)

Welfare Card Top-up

- **Budget:** THB 10 bn
- **Detail:** Top up THB 700 to a total of THB 1,000 per eligible person for 1 month (October)

Flood Relief Measures

- **Flood Relief:** THB 9,000 per household in flood compensation, plus home repair assistance of up to THB 88,600 per unit (with a total budget of THB 4.7 bn)
- **Disaster Insurance:** THB 15 bn for group residential insurance premiums and THB 500 mn for group personal accident insurance premiums
- **Financial and Credit Measures:** Principal repayment moratoriums, interest waivers, and soft loans

Planned Economic Policies

Credit Guarantee Program

- **Objective :** Enhances access to financing for viable SMEs (transition from SME Credit Boost).
- **Funding :** Financed by contributions from commercial banks.
- **Details :** THB 100 bn in SME lending annually for five years, focusing on seven target industries under the Reinvent Thailand initiative.

THB 200 bn for Energy Transition

The projects have been reviewed by the screening committee and primarily include:

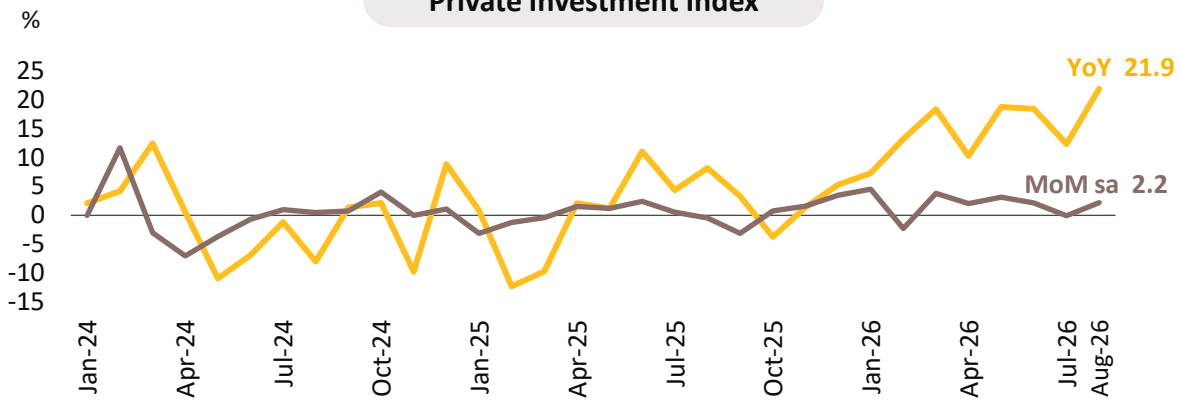
1. **Residential Solar Scheme:** Supports solar panel installation for 1 mn households, with a subsidy of THB 50,000 per household (THB 50 bn total)
2. **Public EV Support:** Promotes EV for public transport, particularly taxis and motorcycle taxis.
3. **EV Charging Infrastructure:** Expands charging stations to improve convenience and encourage EV adoption.
4. **Solar-Powered Agricultural Pumps:** Replaces fuel-powered pumps with solar-powered systems to reduce farmers' operating costs.
5. **Upskilling and Reskilling:** Among the public and small-scale technicians.

Source: The Cabinet, BOT, MOF, MOTS, and Krungsri Research

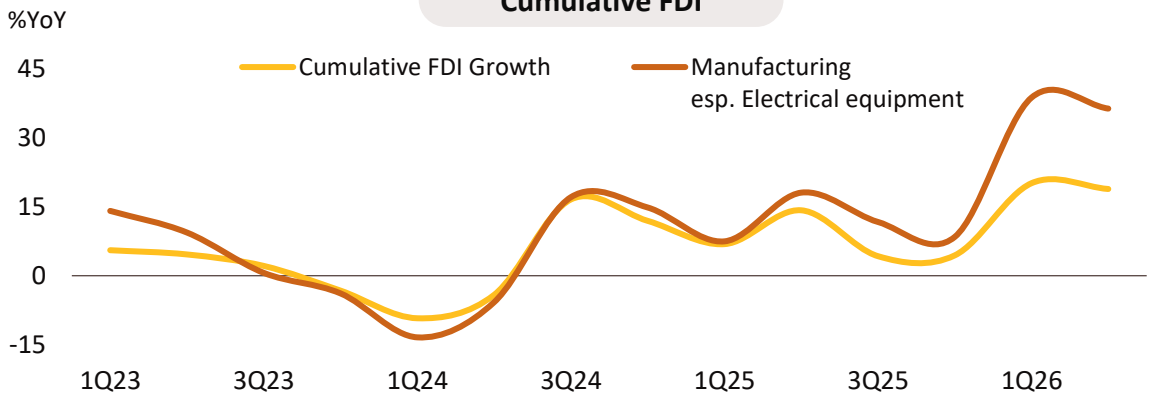
Private investment strengthens, as reflected in rising FDI accumulation, led by electrical equipment, alongside strong BOI applications in AI and digital industries.

Private investment momentum is expected to be a key growth driver, with growth of the Private Investment Index (PII) accelerating to 21.9% YoY in August. Rising cumulative FDI, particularly in manufacturing, points to stronger investment in electronic equipment. At the same time, BOI applications are particularly strong in AI and digital industries. Moreover, the THB 200 billion energy transition program and non-budgetary measures, including the Thailand FastPass initiative and BOI-to-IPO program, are expected to further support investment going forward.

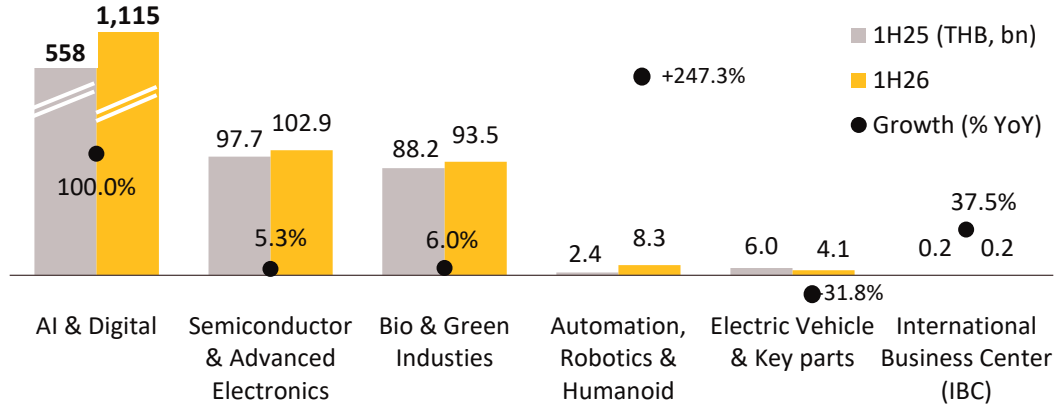
Private Investment Index



Cumulative FDI



Applications for BOI Investment Incentives in 1H26 by sectors



BOI FastPass to Accelerate Implementation

23
Companies

THB **700** bn
Investment Value

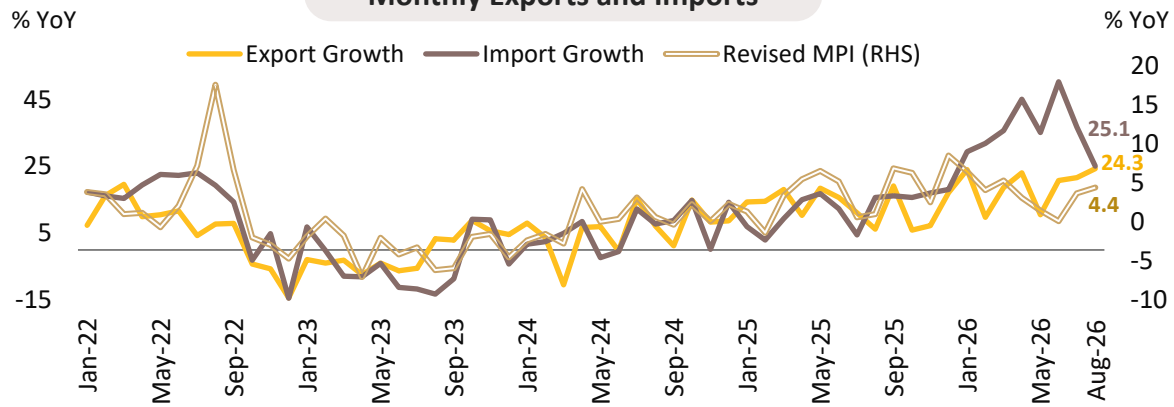
13,000
Decent Jobs

Source: BOT, BOI, and Krungsri Research

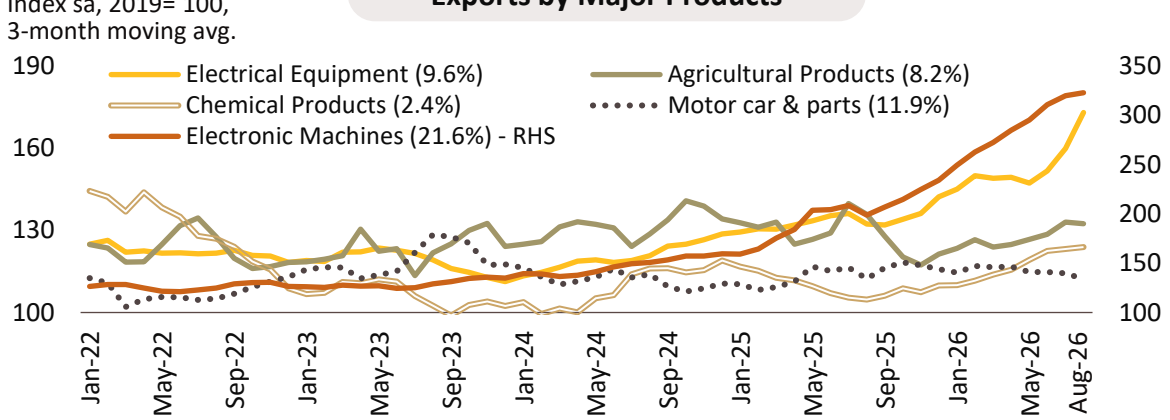
Thai exports gained momentum while import growth moderated, narrowing the trade deficit, though gains remained concentrated in technology-related products.

Exports are expected to remain a key growth driver alongside investment. In August, exports grew by 24.3% YoY, accelerating from 21.6% in July, led by electronics and electrical equipment. On the other hand, import growth moderated in August. Capital goods imports continued to expand, while growth of energy imports eased from its recent peak despite ongoing tensions in the Middle East. As a result, the trade deficit (Customs basis) narrowed to its lowest level so far this year, while the BOP-basis trade balance returned to surplus after adjustments, suggesting a more favorable contribution from net exports to GDP growth. **Going forward, persistent Middle East tensions, U.S. tariff uncertainty, and weak external demand could weigh on export growth.**

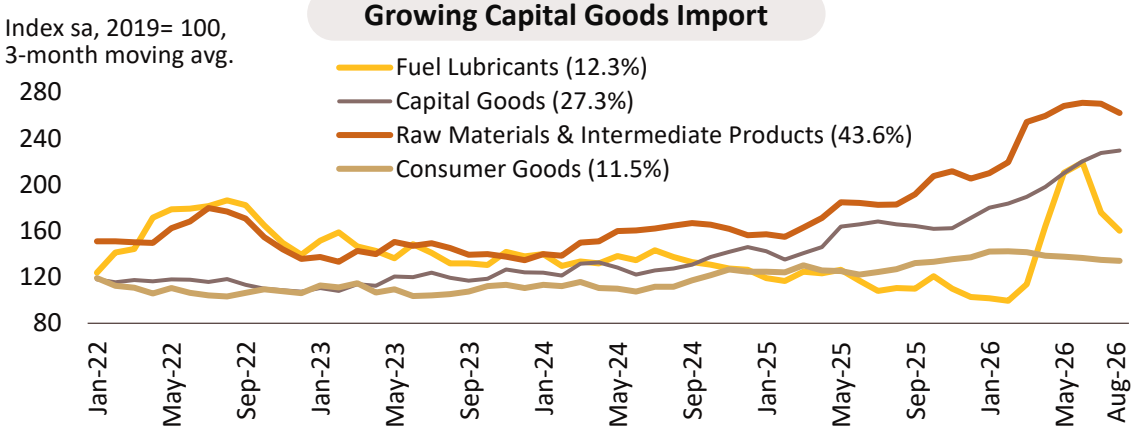
Monthly Exports and Imports



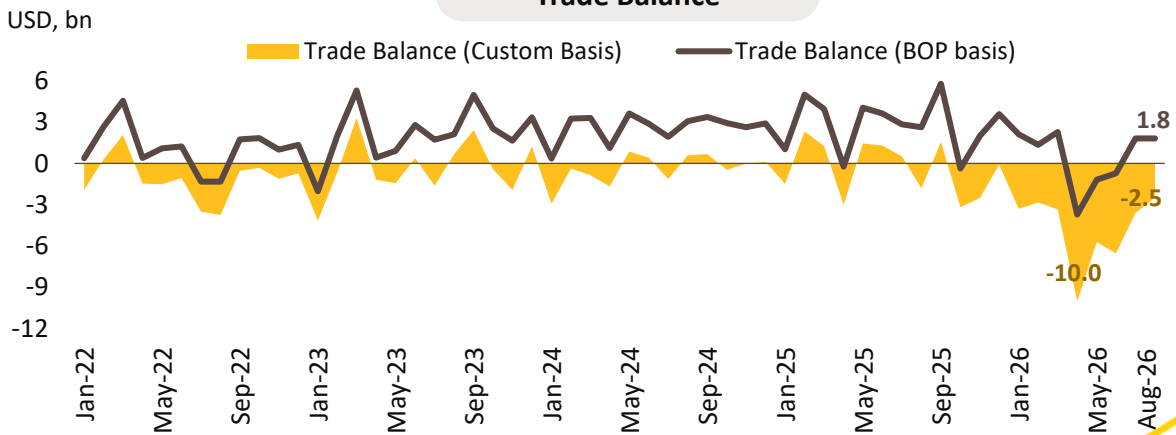
Exports by Major Products



Growing Capital Goods Import



Trade Balance

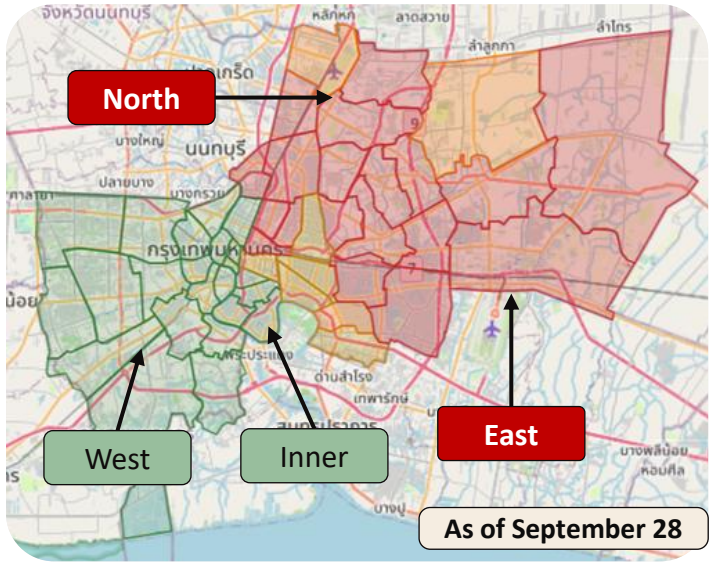


Source: MOC, OIE, BOT, CEIC, and Krungsri Research

Bangkok faces its *most severe flooding since 2011*; the economic impact is expected at around 0.1-0.2% of GDP, while asset damage could be significantly larger.

During September 25-26, widespread rainfall across Bangkok and surrounding provinces led to flooding in many parts of the capital, particularly in eastern and northern Bangkok. While floodwaters receded relatively quickly in some areas, others remained inundated for longer periods; however, flood conditions have since largely normalized. **These floods have primarily affected Bangkok, where economic activity is largely concentrated in services**, led by wholesale and retail trade. **We estimate that lost output and business interruptions** from the floods in Bangkok and the vicinity **could amount to THB 17.3-38.9 bn, or 0.1-0.2% of GDP. However, damage to physical assets is expected to be substantially larger at an estimated 0.56-0.76% of provincial capital stock.** If additional heavy rainfall occurs or flooding spreads to other key business areas, the economic impact could be larger than currently estimated.

Severity of Standing Floodwater



Major Sectors in Bangkok

Sector	% of Bangkok GPP
Wholesale and retail trade	23.4
Financial and insurance activities	14.9
Public administration	10.3
Manufacturing	10.2
Accommodation and food services	9.3
Information and communication	6.8
Transportation and storage	6.5
Total	**81.4**

Estimated Impacts of September's Floods in Bangkok and Vicinity

	Gross Provincial Product (GPP): % of Thai GDP	Lost output and Business Interruptions		Damage to Physical Asset
		Value (THB bn)	% of Thai GDP	% of Provincial Capital Stock
Bangkok	34.0	11.95-26.77	0.06-0.14	0.62-0.84
Vicinity*	13.3	5.41-12.13	0.04-0.06	0.46-0.62
Bangkok and Vicinity	**47.3**	**17.36-38.90**	**0.1-0.2**	**0.56-0.76**

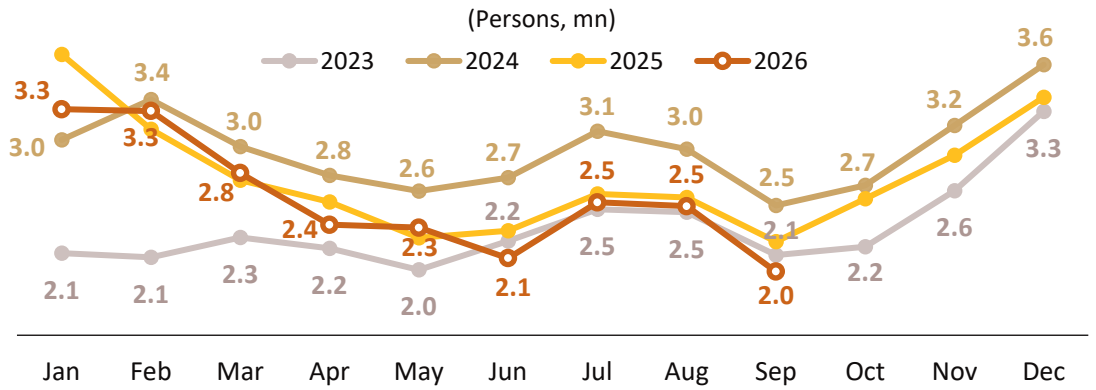
Source: Estimated by Krungsri Research
Note: * includes Sumut Prakarn, Pathum Thani, Sumut Sakhon, Nakhon Pathom, and Nonthaburi

Source: TTD, NESDC, DLT, OIC, and Krungsri Research

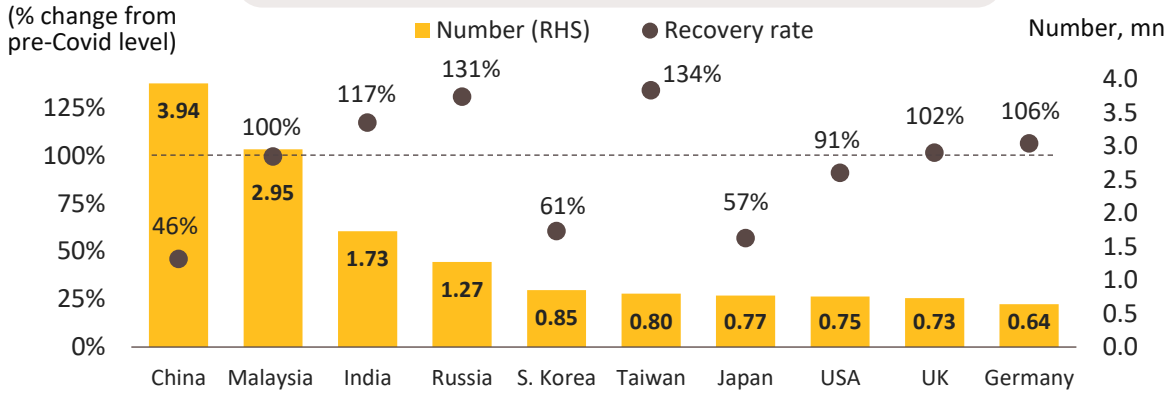
Tourist arrivals fell amid September flooding. Arrivals from East Asia partially recovered, while long-haul markets remained subdued due to high airfares and safety concerns.

In the first nine months of 2026, foreign tourist arrivals totaled 23.2 million. In September, arrivals declined to 2.0 million from 2.5 million in August, contracting -10.5% YoY, partly due to flooding in central and eastern Thailand. Arrivals from the Middle East remained above pre-conflict levels. Chinese arrivals continued to recover but remained at only around 46% of pre-pandemic levels, broadly in line with arrivals from South Korea and Japan. High airfares and travel safety concerns continue to weigh on long-haul markets, particularly Europe and the U.S. **Looking ahead, tourism warrants close monitoring as increasingly volatile weather conditions and the prolonged conflict in the Middle East could disrupt transportation and tourism activity.**

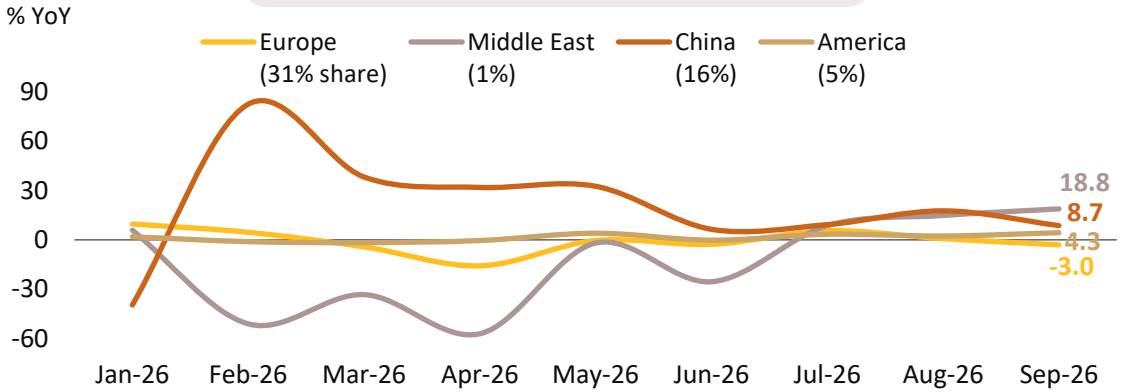
Foreign tourist arrivals in the first 9 months of 2026



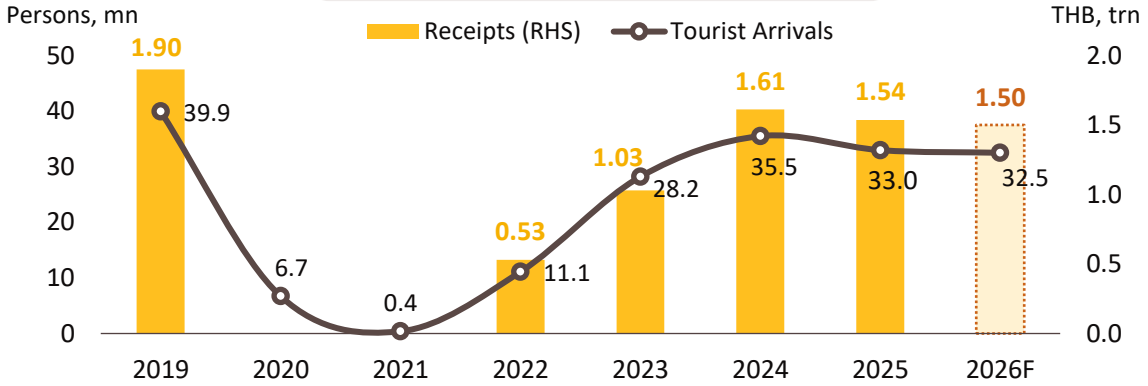
Top 10 tourist arrivals by country in Jan-Sep 2026



Long-haul and Chinese tourist arrivals



Annual Foreign Tourists and Receipts

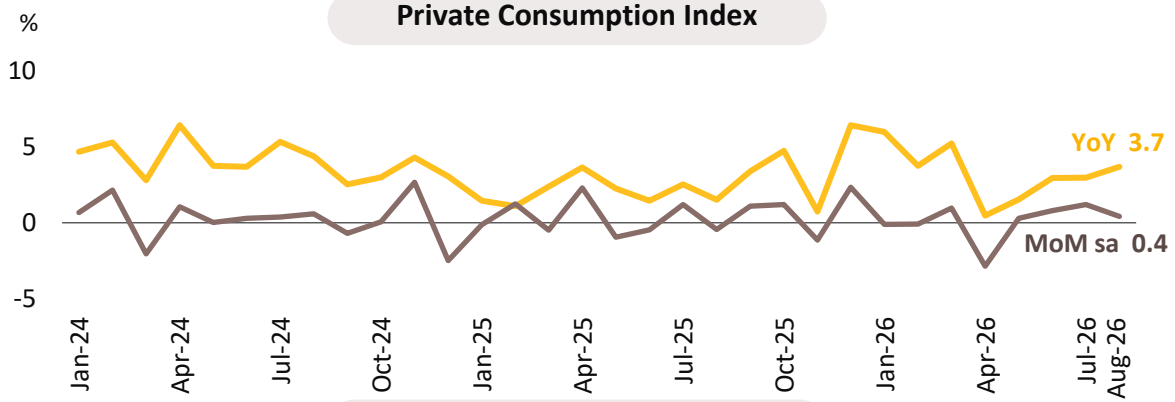


Source: MOTS, BOT, CEIC, and Krungsri Research

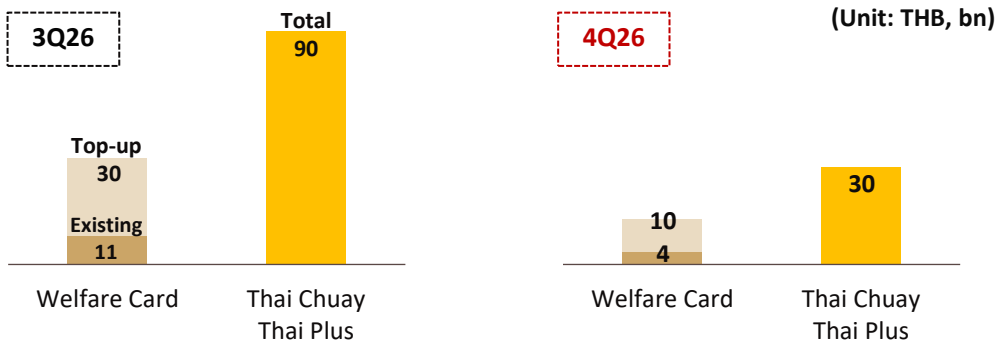
Private consumption may be subdued from smaller stimulus, still-high household debt, and limited financial buffers, despite flood-related reconstruction spending.

Although fiscal support and flood rehabilitation efforts could provide some support to private consumption, momentum is likely to soften as (i) the latest stimulus package is significantly smaller than the previous phase and (ii) underlying fundamentals remain weak, reflecting subdued income growth and elevated household debt. In August, growth in the Private Consumption Index (PCI) increased to 3.7% YoY in August from 3.0% in July, buoyed by stimulus measures. While the household debt-to-GDP ratio has declined to 85.2% of GDP in 2Q26 from 86.0% in 1Q26, debt remains elevated above the pre-pandemic level, constraining household finances. Also, business and auto loans to households continued to contract. **Going forward, fading stimulus support, elevated household debt, weak purchasing power, and the financial burden of flood-related damages are likely to weigh on private consumption.**

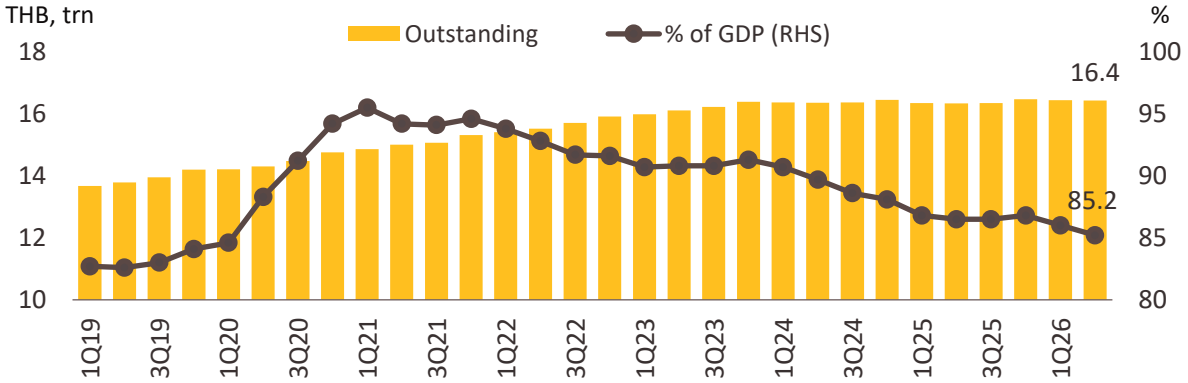
Private Consumption Index



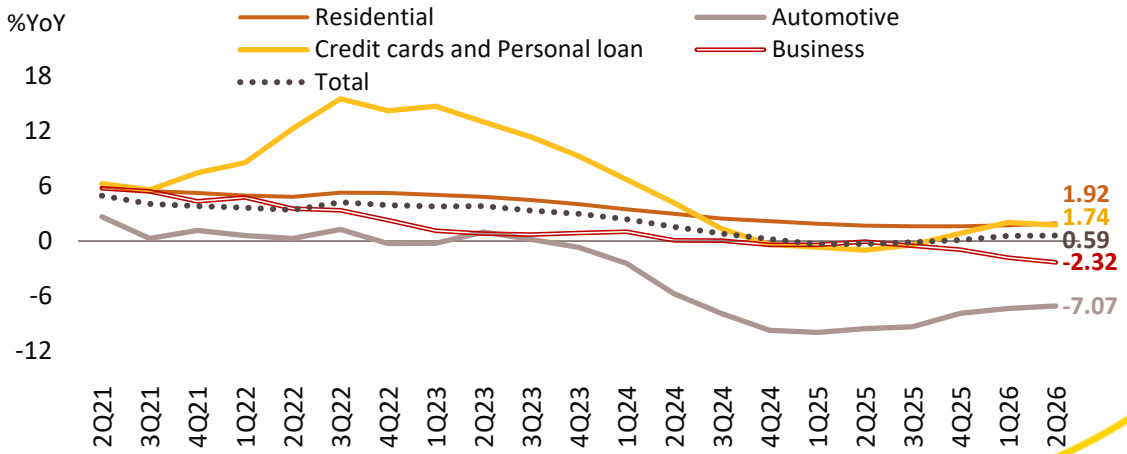
Smaller Scale of Government Stimulus in 4Q26



Household Debt Remains High

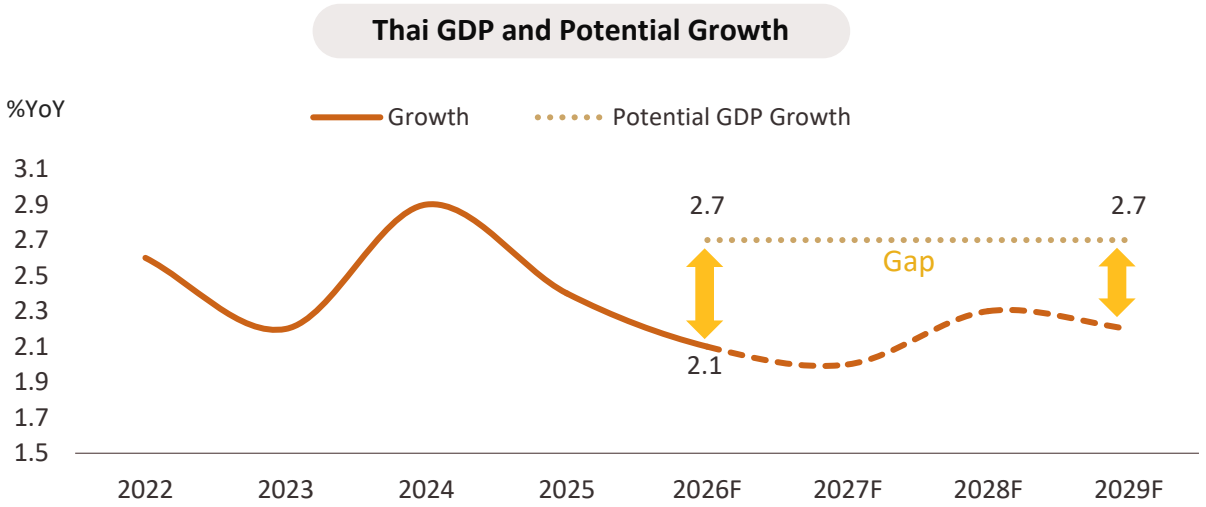


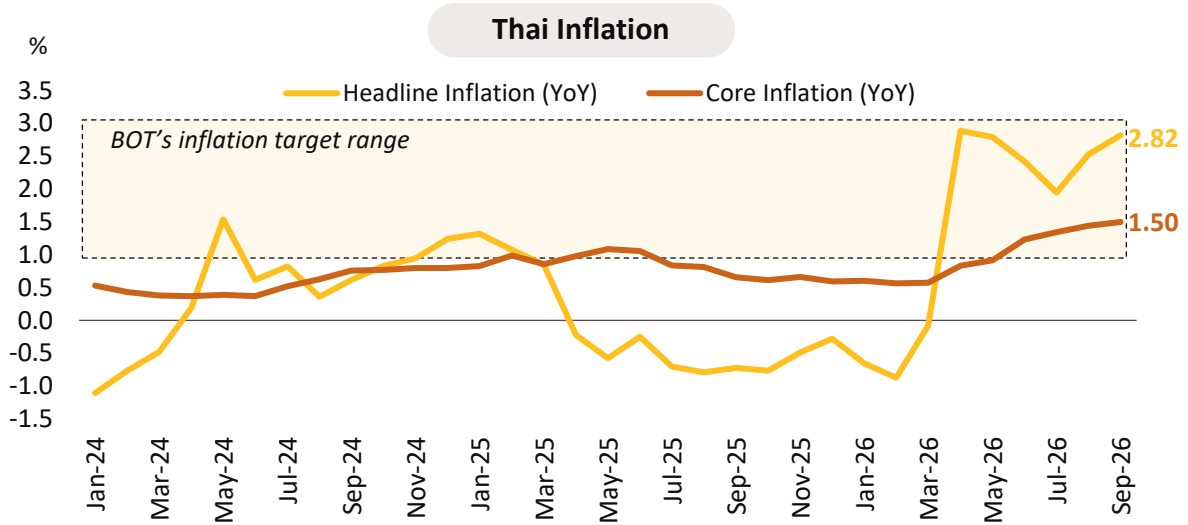
Loans to households in 2Q26



Source: BOT, The Cabinet, and Krungsri Research

Policy rate outlook: Despite a more hawkish Fed, below-potential growth is expected to keep the Thai MPC on hold.





Source: NESDC, BOT, MOC, CEIC, and Krungsri Research

Krungsri Research's view:

We expect the MPC to keep rates unchanged at 1.00% p.a. despite the Fed's more hawkish stance.

- **Below-potential growth argues against further tightening.** While exports and private investment have shown signs of improvement, overall economic activity remains uneven across sectors. Household purchasing power continues to be constrained by weak income growth and elevated household debt. **Flooding also disrupted economic activity and increased the financial burden on affected households and businesses.**
- **Inflation remains within the BOT's target range, limiting the need to follow the Fed's hawkish stance.** Headline inflation rose to 2.82% YoY in September, remaining within the BOT's 1-3% inflation target range. Core inflation was at 1.50%, with limited evidence of broad-based demand-driven price pressures**.** Unlike the U.S., Thailand is not facing persistent inflationary pressures or a meaningful risk of a wage-price spiral. As a result, the MPC has greater flexibility to keep policy settings supportive of growth.
- **External pressures from Fed tightening are manageable, allowing the MPC to focus on domestic conditions**. Although higher U.S. interest rates could contribute to exchange-rate volatility and capital flow fluctuations, Thailand's external position remains relatively resilient. Meanwhile, credit growth remains subdued and uneven across sectors. Together with contained inflation and a resilient external position, this allows the MPC to prioritize growth despite a more hawkish Fed.
- Meanwhile, amid an uneven sectoral recovery, **the BOT is likely to place greater emphasis on targeted measures rather than broad-based stimulus or policy-rate adjustments. This includes extending the SME Credit Boost program** through a permanent five-year credit guarantee scheme to improve financing access for viable SMEs.

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