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April 29, 2026

The MPC holds the policy rate at 1.00%, viewing policy adjustment as a risk to growth–inflation dynamics, while noting that maintaining the current stance preserves. We maintain our view that the policy rate will remain on hold throughout 2026.

Key Event:

The Committee voted unanimously to maintain the policy rate at 1.00% amid growing concerns over inflation arising from the Middle East war.

At its meeting on April 29, the Monetary Policy Committee (MPC) voted 6-0 to maintain the policy rate at 1.00%, viewing that the current policy stance remains appropriate to support a slowing economy while preserving policy flexibility under uncertainty. The decision is a full consensus, with all 28 research houses expecting a hold, according to the Reuters survey.

The MPC assesses that Thailand's economic growth is losing steam in 2026–2027, due to the impact of the Middle East war. The GDP growth trajectory is on a downward trend, with growth at 2.4% in 2025, forecast at 1.5% in 2026, and the 2027 projection at 2.0%. **Private consumption** is expected to soften amid weaker income prospects and rising living costs, while **foreign tourist arrivals** could decline due to higher costs and travel constraints. However, **exports** are likely to remain relatively resilient, supported by global demand for technology-related products.

On the price stability front, headline inflation is projected to rise sharply to 2.9% in 2026 from -0.5% in 1Q26, mainly driven by higher global energy prices and cost pass-through effects. Inflation is expected to temporarily exceed the upper bound of the target range at 3% before gradually easing to 1.5% in 2027 as supply-side pressures subside and weak demand conditions limit cost pass-through. **The Committee viewed that uncertainty remains elevated, and they will continue to closely monitor the impact of the war and other factors on inflation risks.**

Regarding financial conditions, overall credit growth remains subdued as financial institutions continue to exercise caution toward high-risk borrowers, though interest rates in the financial system have gradually declined following previous policy rate cuts.

BOT's Economic Projection

Unit: %	2025	As of December		As of April	
		2026F	2027F	2026F	2027F
GDP growth	2.4	1.5	2.3	1.5 =	2.0 ▼
Private consumption	2.7	1.9	2.0	1.6 ▼	1.9 ▼
Public consumption	0.6	0.0	1.6	0.0 =	0.3 ▼
Private investment	3.5	2.2	2.8	3.0 ▲	2.6 ▼
Public investment	8.9	0.8	5.7	1.5 ▲	0.6 ▼
Exports (in USD)	12.7	0.6	1.7	8.1 ▲	1.1 ▼
Imports (in USD)	13.0	1.3	1.5	11.2 ▲	0.7 ▼
Tourist arrivals (mn)	33.0	35.0	36.0	33.0 ▼	35.5 ▼
Headline inflation	-0.1	0.3	1.0	2.9 ▲	1.5 ▲
Core inflation	0.8	0.8	1.0	1.6 ▲	1.5 ▲

Source: BOT

Krungsri Research View:

As cost pressures intensify, the Committee's focus has shifted toward inflation. While a rate hike would weigh on vulnerable groups, a rate cut would elevate inflation risks. On this basis, we maintain our view that the BOT will hold the policy rate throughout 2026.

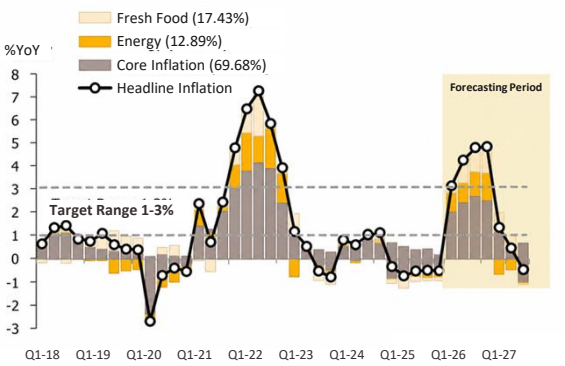
The Committee's decision to maintain the policy rate reflects mounting concerns over inflationary pressures arising from the Middle East conflicts, which *"increase business costs and erode household purchasing power,"* as highlighted in the statement. In it, the statement further notes that *"the current policy rate remains at an appropriate level to support economic recovery. While inflation is expected to rise temporarily due to supply-side factors, uncertainties remain elevated."* **This underscores the Bank of Thailand's preference to keep the policy stance unchanged amid heightened uncertainty surrounding cost-push inflation dynamics and suppressed growth prospects.**

Of particular note, Thailand's inflation profile remains predominantly supply-driven, while demand-side pressures remain subdued. In a higher-cost environment, monetary policy is not designed to directly offset price increases arising from cost-push factors. Rather, its primary role is to contain second-round effects, whereby initial cost pressures feed into inflation expectations and risk triggering a wage–price spiral.

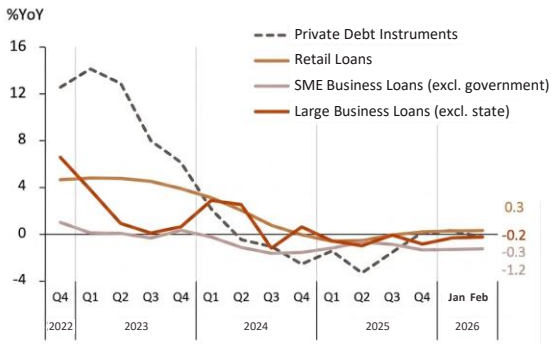
Despite rising inflationary pressures, Krungsri Research maintains the view that the BOT will hold the policy rate for the remainder of the year. This assessment rests on three factors. First, inflation remains within the target range (projected at 2.9% for 2026). Paradoxically, the conflicts have contributed to inflation converging toward the BOT's target. Although inflation is projected to remain above the upper bound of the target range (3%) for some time, the Committee views that *"price increases are expected to be neither broad-based nor persistent, given limited cost pass-through under weak demand conditions."* **Second, economic activity remains anemic, and as noted in the press conference, GDP growth has been revised down from a pre-war (internal) assessment of 2.3% to 1.5% for 2026.** Also, the current persistently negative output gap implies limited pass-through of cost pressures, reflecting the contained risk of meaningful second-round effects. In contrast to the Russia–Ukraine crisis period, when recovering demand and a 0.50% policy rate provided scope for policy normalization during supply-side shocks. **Third, credit growth remains subdued** despite lower real interest rate, driven by higher inflation trajectory.

Considered jointly, these factors reinforce our ex-ante view that the policy rate will remain on hold through year-end. Absent any extreme scenarios, either a sustained overshoot of inflation well above target or clear signs of de-anchoring inflation expectations, there is limited justification for rate adjustment in the current environment.

Contribution of Inflation



Credit Growth



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