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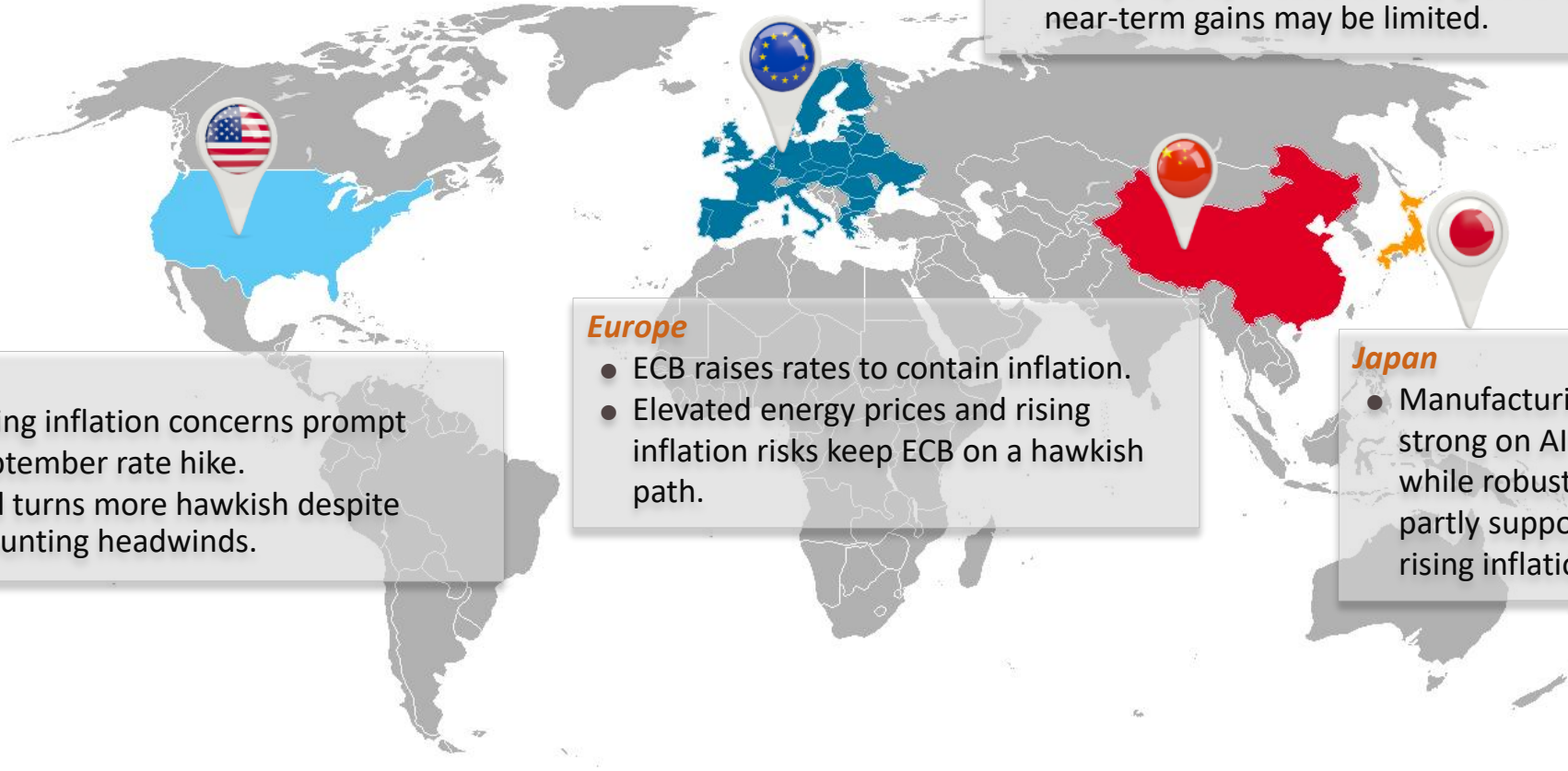
MONTHLY ECONOMIC BULLETIN

September 2026



Krungsri Research

Global: Striving to maintain growth momentum amid multiple headwinds



China

- External trade remains the major growth driver amid weak domestic momentum.
- New property measures may gradually lift sentiment, but near-term gains may be limited.

U.S.

- Rising inflation concerns prompt September rate hike.
- Fed turns more hawkish despite mounting headwinds.

Europe

- ECB raises rates to contain inflation.
- Elevated energy prices and rising inflation risks keep ECB on a hawkish path.

Japan

- Manufacturing and exports remain strong on AI investment demand, while robust wage growth could partly support consumption amid rising inflation pressures.

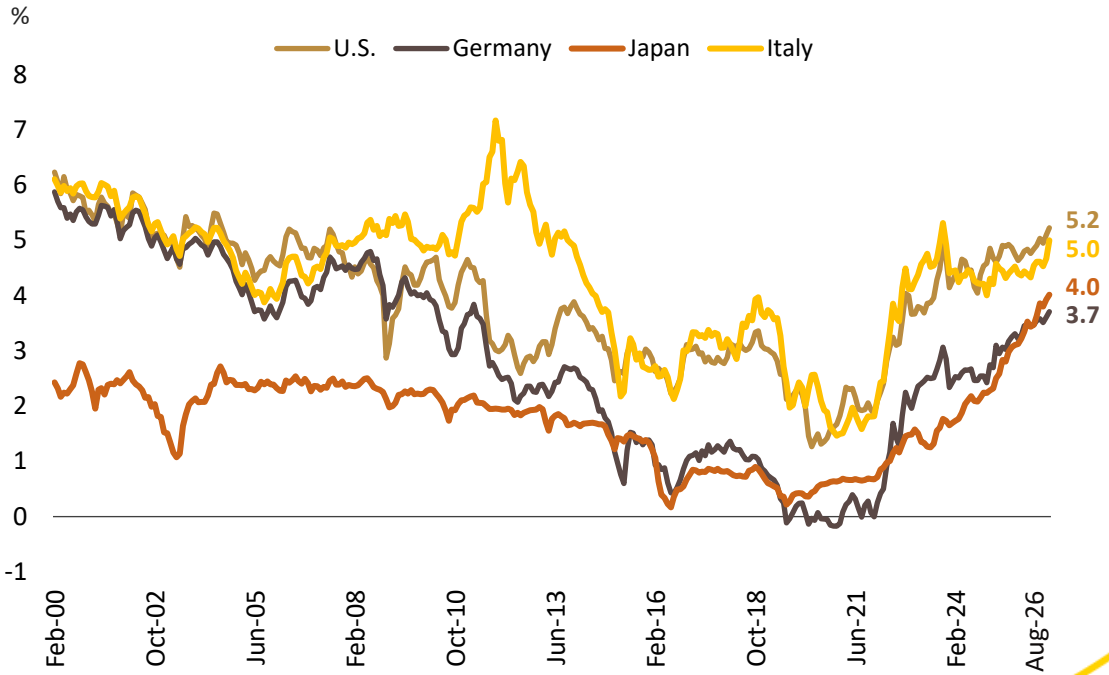
Global economy and financial markets confront a twin shock from escalating geopolitical tensions and surging bond yields.

- **Crude oil prices have surged above USD 100 per barrel to a 3-month high during mid-September**, as key energy transportation routes in the Middle East face mounting risks. These include the temporary closure of Saudi Arabia's East-West Pipeline, which accounts for around 4% of global oil supply, and the Houthi forces' expanding control over several strategically important areas along the Red Sea coast. Prolonged disruptions could further tighten global oil supply and keep energy prices elevated for an extended period.
- **Rising inflation risks from a potentially prolonged Middle East conflict, alongside growing expectations of higher policy rates, AI businesses' fundraising, and fiscal challenges in several countries, have triggered a global sell-off in bond markets** and driven a sharp rise in government bond yields. The sharpest increases in yields have been seen in the US, Germany, Italy, and Japan, with 30-year yields reaching their highest levels in decades.
- **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



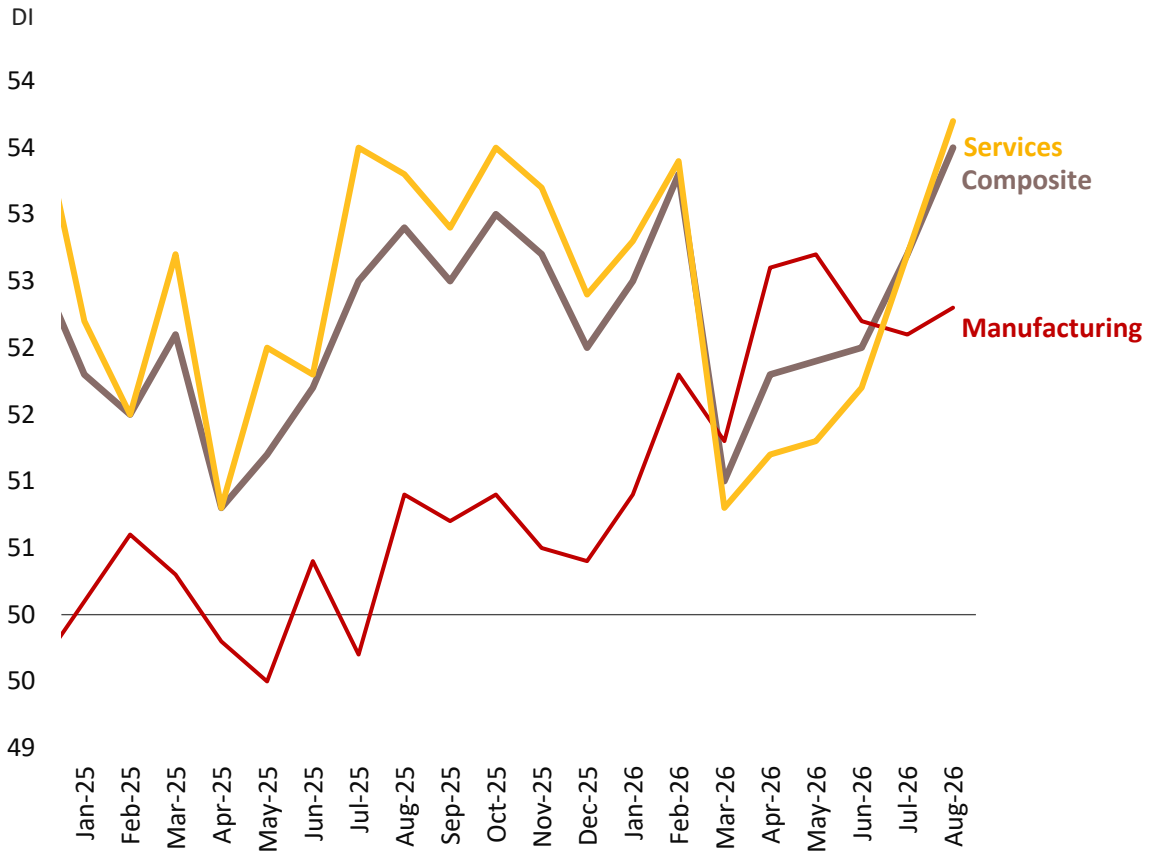
30-year Government Bond Yields



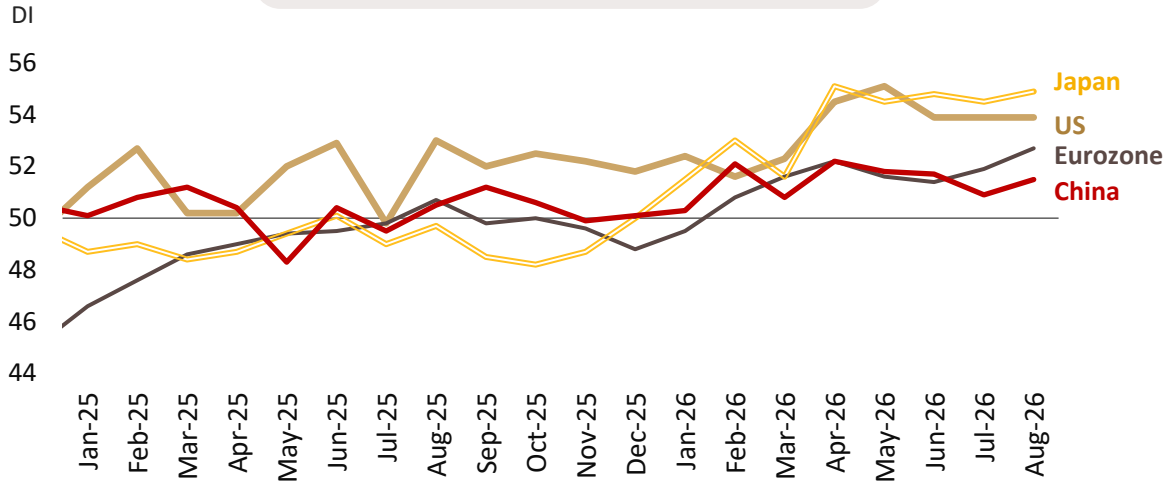
Source: CEIC, Investing.com and Krungsri Research

Global activity: Growth remains driven by services, while rising geopolitical tensions, tariff uncertainty, and tighter financial conditions weigh on prospects

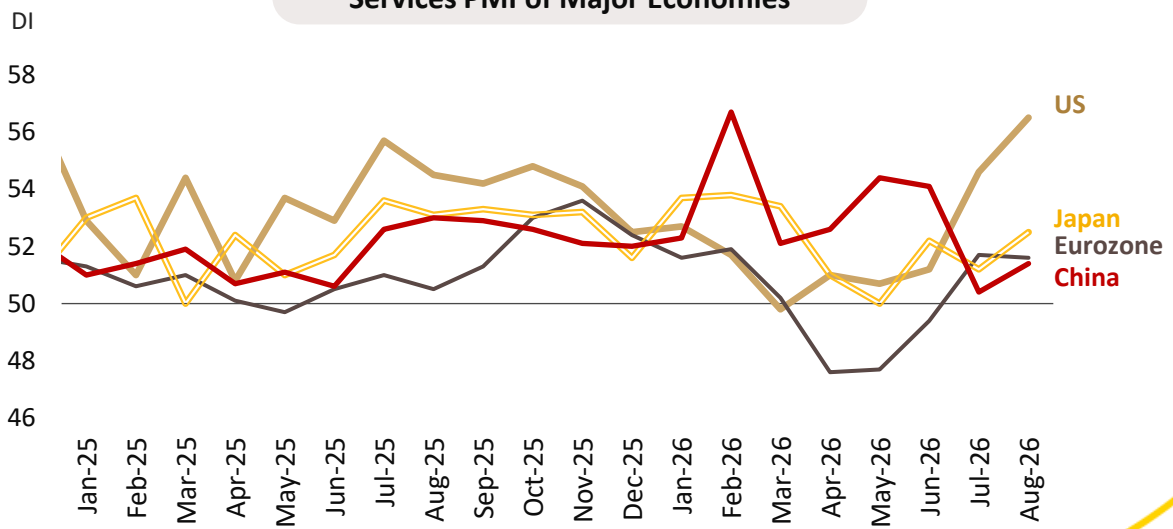
Global Composite, Manufacturing, and Services PMI



Manufacturing PMI of Major Economies



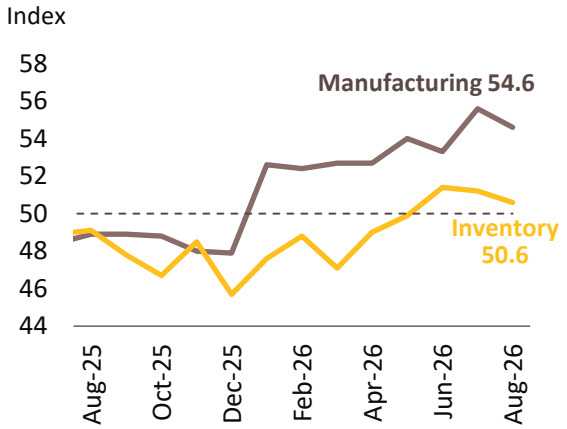
Services PMI of Major Economies



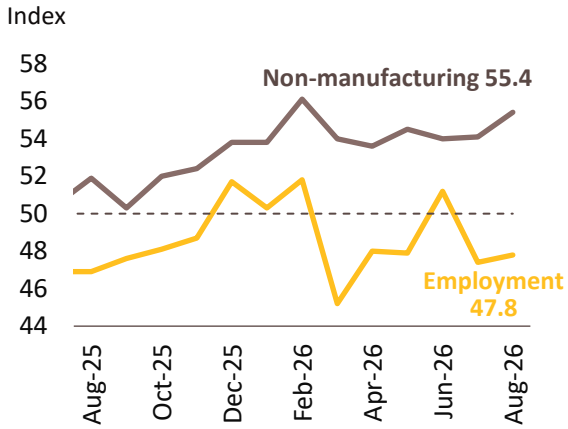
Source: J.P. Morgan and S&P Global PMI, Bloomberg, and Krungsri Research

U.S.: Rising inflation concerns prompt September rate hike; Fed turns more hawkish despite mounting headwinds

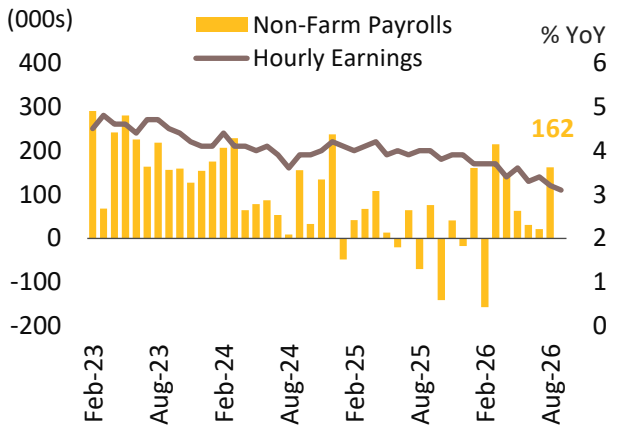
ISM Manufacturing PMI



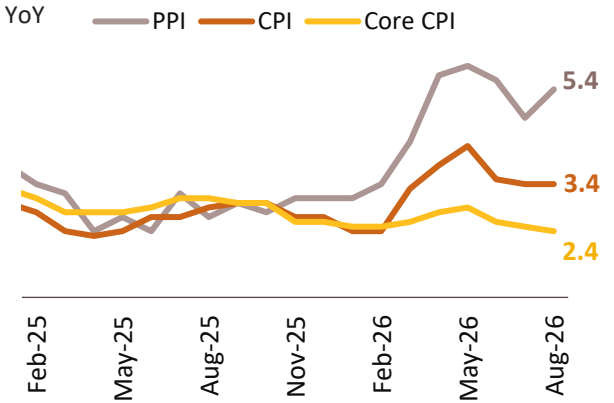
ISM Services PMI



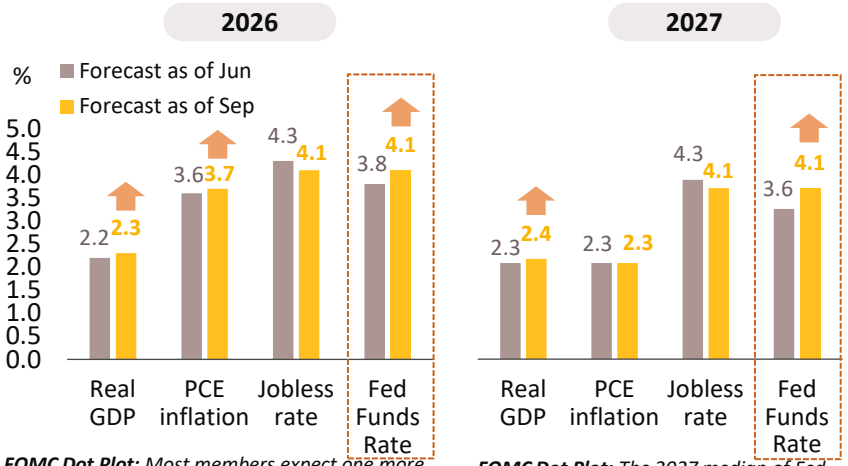
Labor Market and Wage Growth



Inflation



FOMC Economic Projections for…



FOMC Dot Plot: *Most members expect one more hike over the reminder of the year.*

FOMC Dot Plot: *The 2027 median of Fed funds rate is 4.1%, unchanged from 2026.*

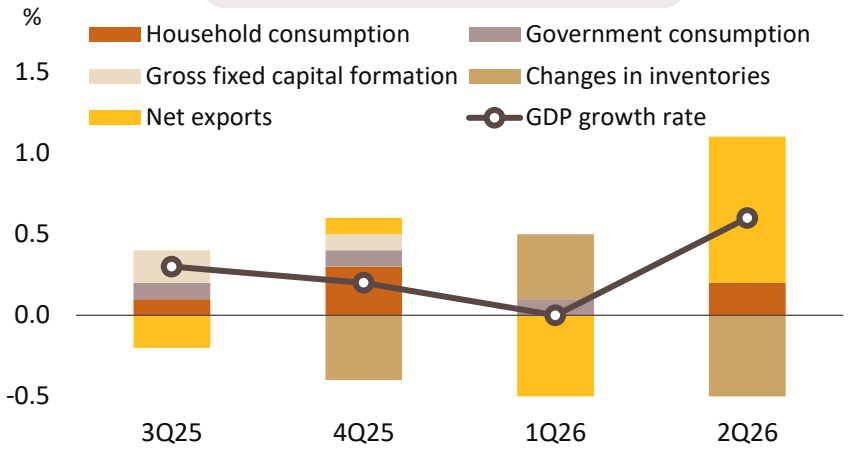
Source: ISM, BLS, BEA, Federal Reserve, Bloomberg, CEIC, and Krungsri Research

Krungsri Research's view

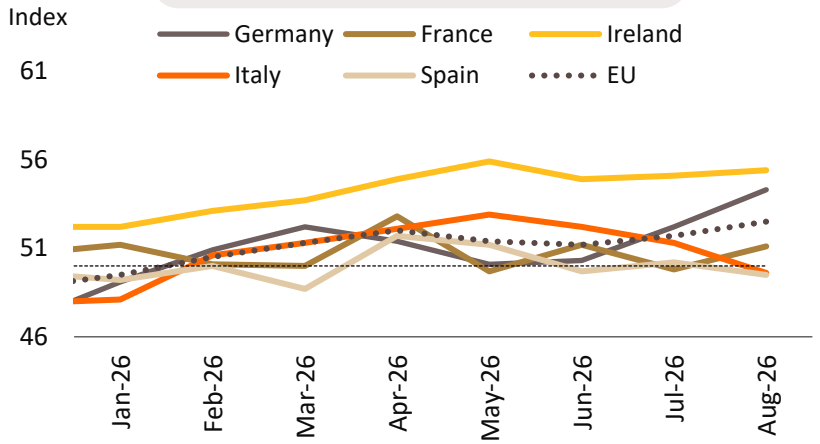
- **The U.S. economy continued to expand, though some forward-looking indicators suggest growth may moderate in coming quarters**. Resilient services activity, a healthy labor market, and AI-related investment have continued to underpin growth. Nonfarm payrolls increased more than expected in August. The ISM Services Index remained in expansion territory for several consecutive months.
- Nonetheless, **moderating wage growth, limited household savings buffers, renewed cost pressures, and elevated bond yields,** which have contributed to tighter financial conditions, could weigh on growth momentum going forward. In addition, August manufacturing activity lost momentum from July's pace, with lower inventory, softer new orders, declining order backlogs, and a weaker employment index.
- **Inflation remains above the Fed's 2% target, and inflation risks have increased following the recent surge in oil prices. The Fed remains concerned that inflation is returning to target too slowly**, although easing core inflation (to a more than five-year low of 2.4% YoY in August) and slowing wage growth (to the weakest pace since mid-2021 of 3.1% YoY) **suggest limited second-round inflation effects.**
- **The balance of risks has shifted toward inflation given renewed energy-price shocks and resilient growth. With these concerns, the Fed raised rates by 25bps in September to 3.75-4.00% and signaled a bias toward further tightening, with most policymakers projecting another rate hike by year-end. This implies the Fed prioritizes restoring price stability over supporting growth and the labor market.**

Eurozone: ECB raises rates to contain inflation; elevated energy prices and rising inflation risks keep ECB on a hawkish path.

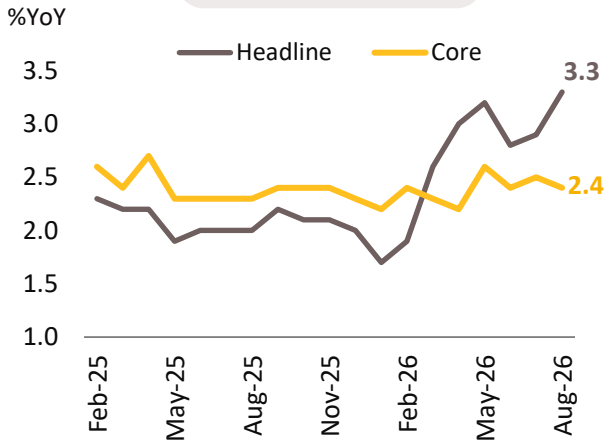
Decomposition of GDP Growth



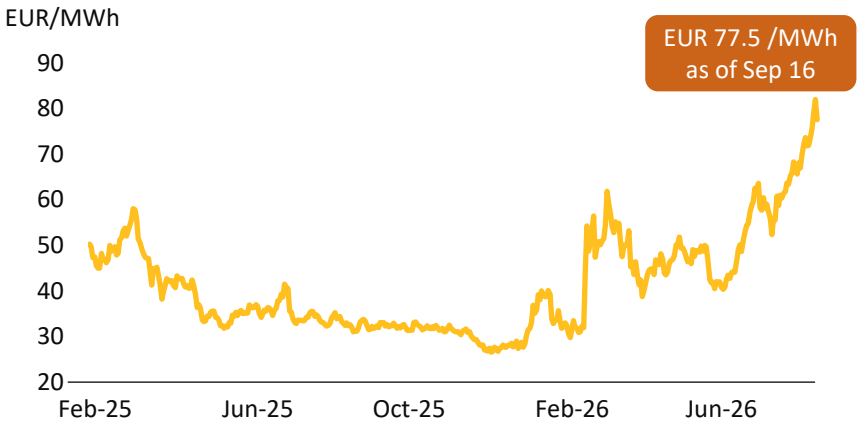
Manufacturing PMI by Countries



CPI



EU Natural Gas Price



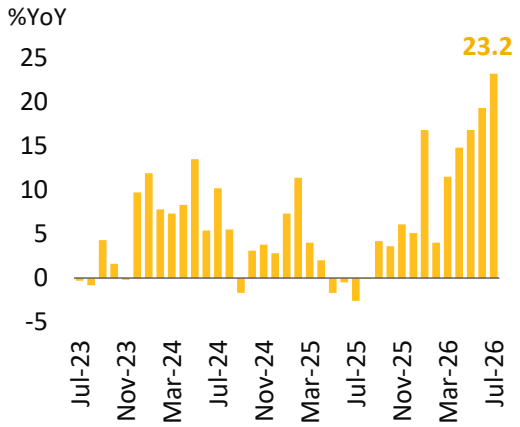
Source: ECB, CEIC, Capital Economics, Investing.com, Bloomberg, and Krungsri Research

Krungsri Research's view

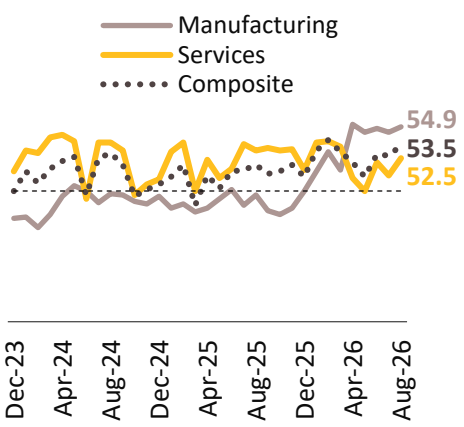
- **Exports and manufacturing have been key drivers of the Eurozone economy, but the strength of the rebound should be interpreted with caution.** In 2Q26, exports surged by 3.4% QoQ, with net exports contributing 0.9 percentage points to GDP growth. However, export performance was boosted by Ireland's highly volatile multinational sector, particularly pharmaceuticals, technology, and intellectual property. Meanwhile, the Eurozone manufacturing PMI rose to a four-year high of 52.7 in August, supported by stronger new orders and rebounding export demand. Despite these encouraging signs, growth remains uneven across member states.
- **Rising inflationary pressures could constrain the recovery of the domestic economy.** Ongoing disruptions to energy supplies from the Middle East are likely to keep energy prices elevated through the remainder of 2026. Headline inflation rose to a 35-month high of 3.3% YoY in August, while natural gas prices climbed to a 3½-year high. Higher energy and input costs could erode real household incomes and dampen consumption and corporate investment.
- **The ECB raised its policy rate by 25 bps to 1.25% p.a. on September 11** to contain second-round inflation effects amid renewed increases in global energy prices. **The ECB President noted that inflation could remain elevated** if energy supply disruptions persist, with the onset of the European winter later this year and potential El Niño-related effects posing additional upside risks to food prices. **While wage growth (+3.4% YoY in 1Q26) and core inflation (+2.4% YoY in August) remain contained, rising oil prices are adding inflationary pressure and increasing the likelihood of an ECB rate hike later this year.**

Japan: Manufacturing and exports remain strong on AI investment demand, while robust wage growth could partly support consumption amid rising inflation pressures.

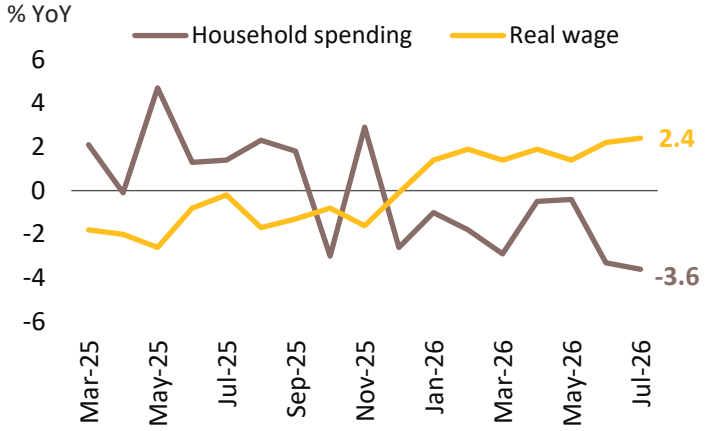
Export



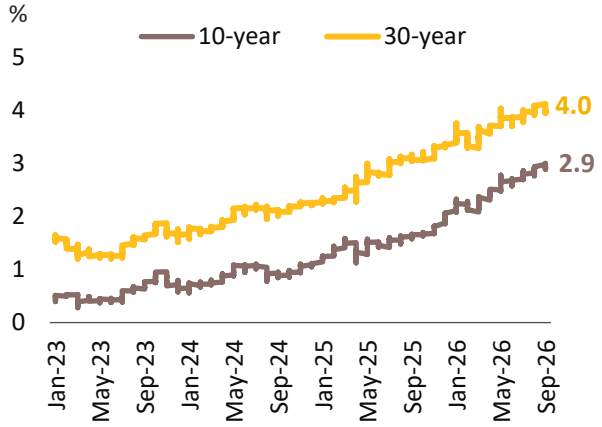
PMI



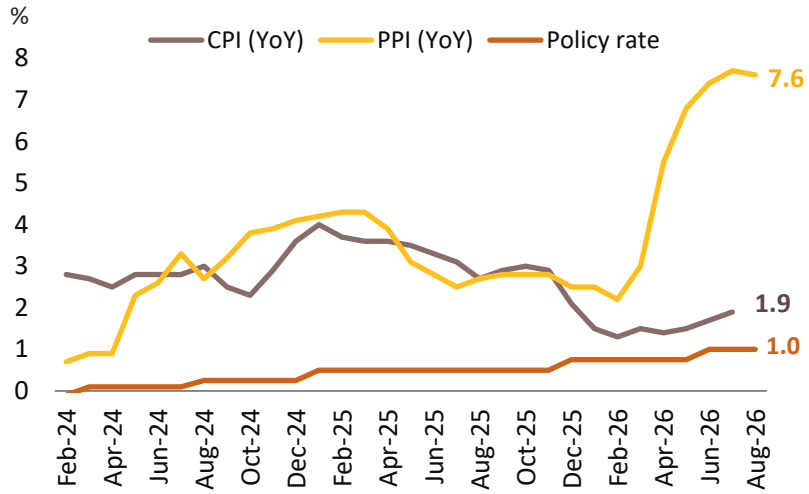
Household Spending and Real Wage Growth



Japan Government Bond Yields



CPI, PPI, and Japanese Yen



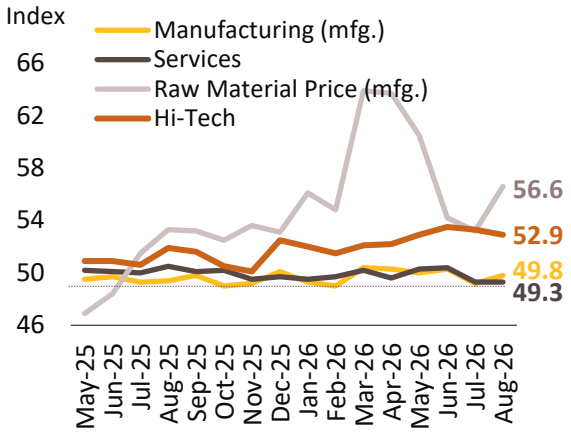
Source: Bank of Japan, Capital Economics, CEIC, Bloomberg, and Krungsri Research

Krungsri Research's view

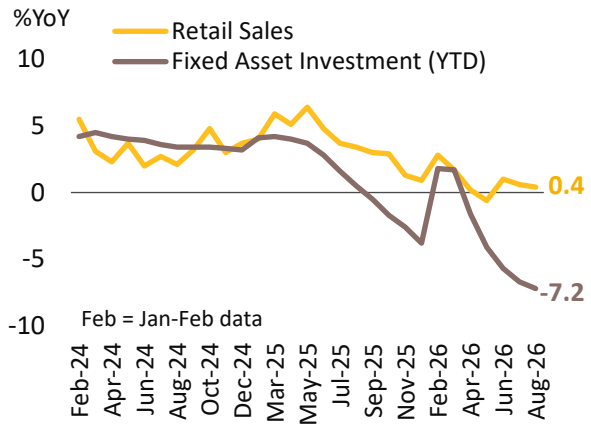
- **AI demand continues to support manufacturing and exports.** July exports grew by 23.2% YoY to a record JPY 11.5trn, marking the strongest growth since October 2022, driven by the weaker yen and strong AI-related semiconductor demand. This is consistent with the manufacturing PMI, which continued to expand for the eighth consecutive month in August, driven by the fastest increase in new export orders since January 2018, continued employment growth, and business confidence rising to a six-month high.
- **Strong wage growth and government support should partly help underpin consumption in 3Q26**. Real wage growth remained positive for the seventh consecutive month in July, rising 2.4% YoY, reflecting the impact of the 5.01% wage increase agreed under the Shunto negotiations, as well as a 6.3% increase in summer bonus payments, and energy subsidy measures. This could partly support domestic consumption, but the recovery is likely to remain weak amid persistent inflationary pressures through year-end.
- **Fiscal concerns have kept Japan's 10-year government bond yield near its 30-year high.** While the BOJ is expected to raise interest rates further to contain inflation and curb yen depreciation, the direct impact on the economy is likely to remain limited, as most private-sector debt is in the form of bank loans.
- **Krungsri Research expects the BOJ to raise its policy rate by 25 bps to 1.25% p.a. at its September meeting**, for three main reasons: (i) to support the yen; (ii) to contain the risk of second-round inflation effects; and (iii) to strengthen confidence in the monetary policy direction and reduce the inflation risk premium, which could help ease selling pressure on longer-term Japanese government bonds.

China: External trade remains the major growth driver amid weak domestic momentum; new property measures may gradually lift sentiment, but near-term gains may be limited.

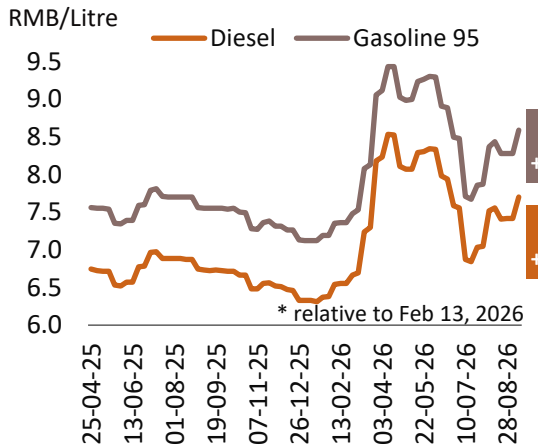
Official PMI (NBS)



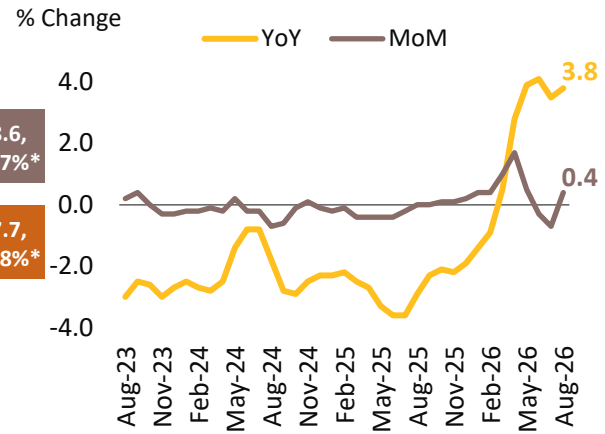
Retail Sales and Fixed Asset Investment



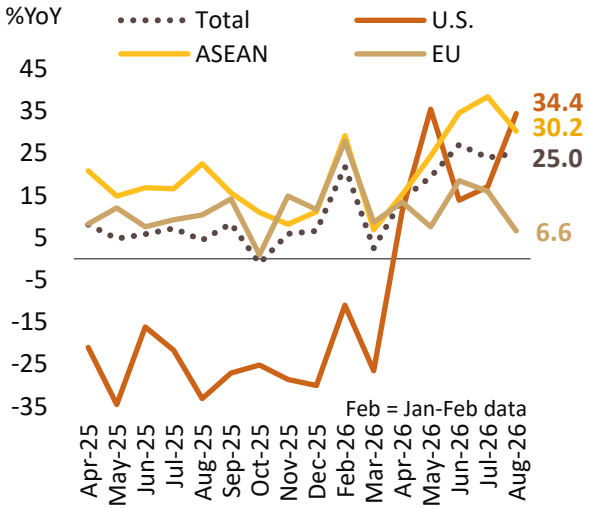
Domestic Fuel Prices



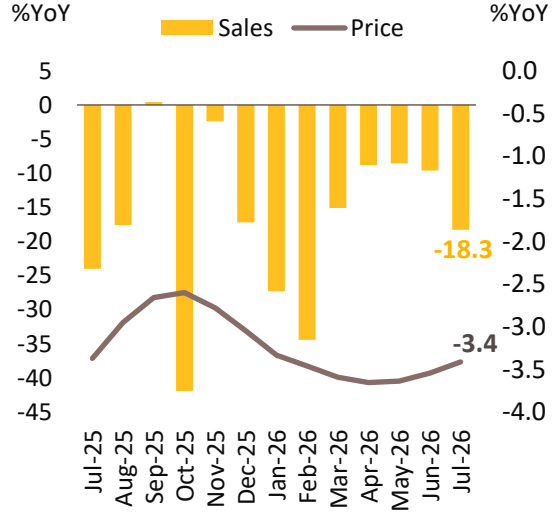
Producer Price Index



Exports to Key Partners



New Home Sales and Price



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

Krungsri Research's view

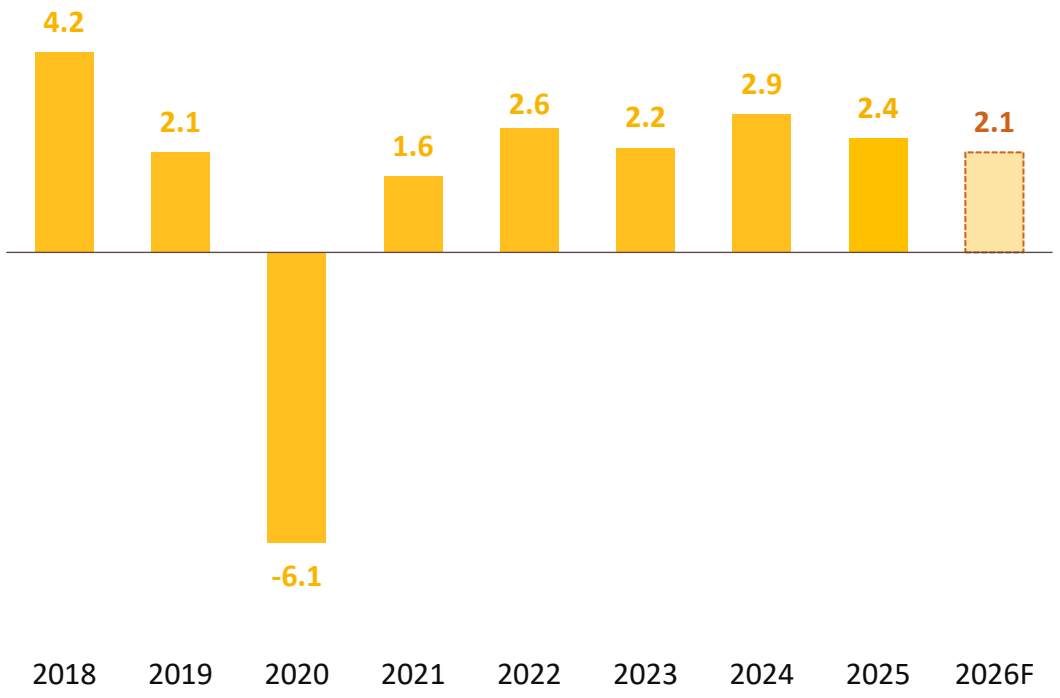
- **China's manufacturing sector shows some improvement,** driven by robust external demand for high-tech goods. However, domestic demand remains subdued, **leaving the economy heavily reliant on exports.** With China's trade surplus remaining sizable (USD 119 bn in August), **trade tensions could re-intensify and prompt further protectionist measures, potentially weighing on export momentum.**
- **The Middle East re-escalation reignites cost pressures,** as shown in the raw material price PMI, domestic fuel prices (17-18% above pre-conflict levels), and producer prices (PPI). Moreover, firms still have limited ability to pass on costs to consumers (upstream and midstream PPI +2.9% YoY in the first eight months vs. downstream PPI -1.1%). **Thus, this renewed escalation will further squeeze firms already experiencing intense price competition, weak domestic demand, and thin profit margins.**
- **The property downturn drags on,** with new home sales and prices still falling. Meanwhile, authorities have revised new home loan regulations, requiring down payments and mortgages to be released to developers only upon completion, while extending the maximum repayment terms to 40 years. **These are expected to gradually restore confidence, but near-term benefits may be limited as the stock of unfinished projects remains large, and developers may face tighter liquidity.**

Thailand's economic outlook is improving, driven by investment momentum and export growth. External headwinds and El Niño pose downside risks.

- **2026 growth outlook has been revised up to 2.1% from 1.9% in the previous forecast,** driven by stronger momentum and greater policy continuity, but external headwinds—including renewed Middle East tensions and U.S. tariff uncertainty—along with domestic constraints such as weakening consumption after stimulus measures expire and El Niño risks remain.
- **Regarding economic momentum, private investment outlook is bolstered by BOI-approved projects and rising cumulative FDI,** with capital goods imports signaling machinery and equipment investment.
- **Thai export growth may gain further support from the electronics upcycle and AI-driven investment**, although growth remains uneven. **U.S. tariffs pose downside risks, as Section 301 measures could raise tariffs on Thai goods toward previous reciprocal tariff levels,** while the "Great Transshipment Scam" report adds uncertainty over potential additional tariffs on Thailand.
- **Tourism remains a key growth driver. Chinese arrivals improve slightly while long-haul recovery warrants monitoring amid high aviation costs and safety concerns.**
- **Stimulus measures are providing a temporary boost to private consumption,** but momentum may fade in 4Q26 amid weak incomes and thin financial buffers.
- **El Niño could weigh on growth outlook through lower agricultural output and supply-chain disruptions.**
- **Inflation may temporarily exceed the target range in 4Q26.** Elevated oil prices and pass-through risks warrant monitoring amid renewed Middle East tensions.
- **MPC voted unanimously to maintain the policy rate at the August meeting. Targeted financial measures and economic reforms are taking center stage over further policy rate moves.**

2026 growth outlook has been raised to 2.1% from 1.9% in the previous forecast, driven by stronger momentum and greater policy continuity, but external headwinds remain.

Forecast of Thai GDP Growth in 2026 (%)



Upside

- **Economic momentum with robust private investment and continued export expansion**
- **Domestic policy support**, particularly the THB 200 billion emergency borrowing decree for energy-transition projects, though the upside remains limited by :
  - i. the typically modest capital budget disbursement rate of around 60-70%
  - ii. the relatively high import content of several investment projects, such as solar panels and certain EV components
  - iii. uncertainties surrounding project details
- **Non-budgetary measures** including Thailand's FastPass scheme and BOI investment facilitation measures

Downside

- **El Niño-related headwinds**, weighing on agricultural output, farm incomes, and rural consumption.
- **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

Krungsri Research Forecasts for 2026

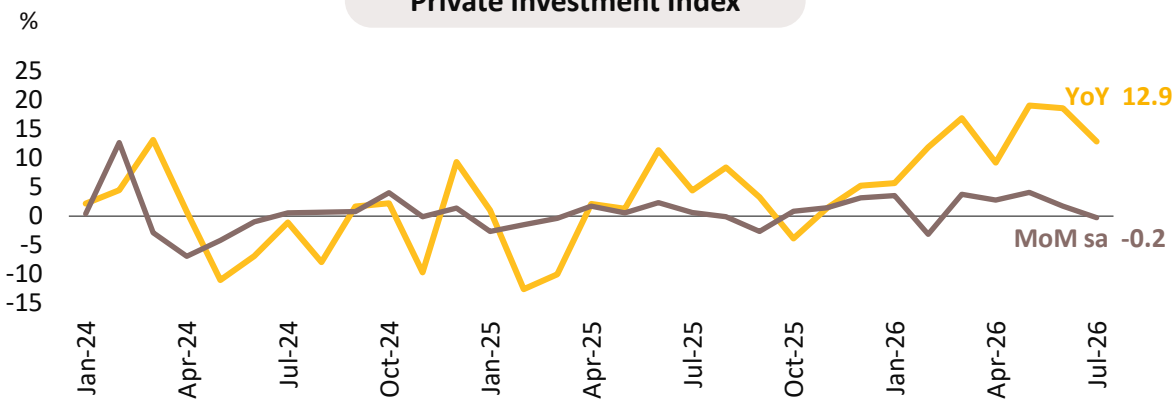
Krungsri Research Forecast		2024	2025	1H26	2026F
GDP growth	YoY (%)	2.9	2.4	2.4	2.1
Private Consumption Expenditure	YoY (%)	4.4	2.7	2.6	2.4
Government Consumption Expenditure	YoY (%)	2.6	0.6	1.8	1.0
Private Investment	YoY (%)	-1.9	3.5	11.6	8.6
Public Investment	YoY (%)	4.5	8.9	3.8	2.7
Nominal Exports in USD (f.o.b.)	YoY (%)	5.9	12.8	17.6	14.0
Nominal Imports in USD (f.o.b.)	YoY (%)	5.5	12.5	38.0	23.5
Current Account Balance	USD, bn	11.6	17.4	-16.3	-6.4
Tourist Arrivals	Mn, persons	35.5	33.0	15.9	32.5
Headline Inflation	YoY (%)	0.4	-0.1	1.1	2.0
Policy Interest rate (end of period)	(%)	2.25	1.25	1.00	1.00
Dubai crude price - period average	USD/bbl	80	68	91	88

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

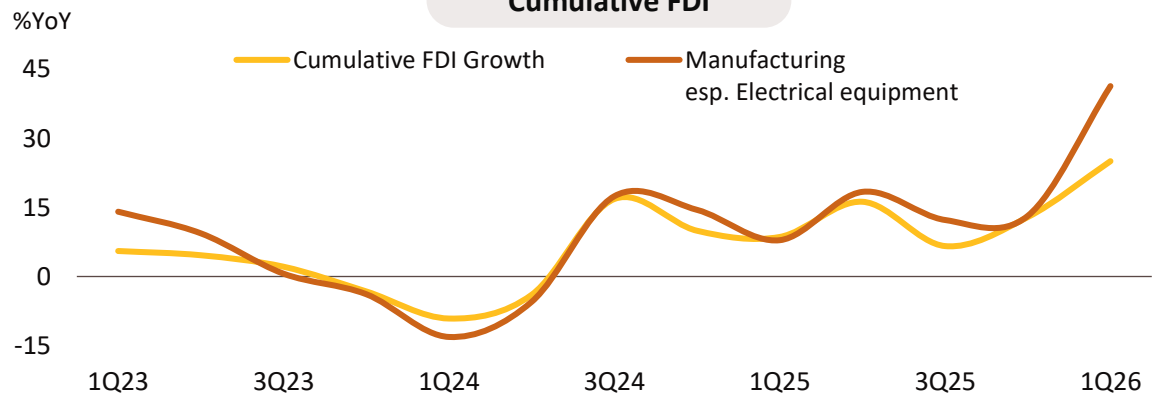
Private Investment outlook is bolstered by BOI-approved projects and rising cumulative FDI, with capital goods imports signaling machinery and equipment investment.

Private investment momentum is expected to be a key growth driver. The Private Investment Index (PII) grew 12.9% YoY in July. Rising cumulative FDI, particularly in manufacturing, is consistent with stronger investment by export-oriented businesses benefiting from the electronics upcycle and data center investment. **BOI investment applications continued to surge, with issued investment promotion certificates helping accelerate project realization. Meanwhile, capital goods imports, especially machinery and equipment, continue to signal medium-term investment momentum.** Although stricter screening of data center projects to enhance domestic value creation and manage resource use may weigh on near-term investment, it should promote more sustainable growth over the medium to long term. The government is also prioritizing strategic sectors, with short- to long-term plans to increase the total investment to 30% of GDP within three years.

Private Investment Index



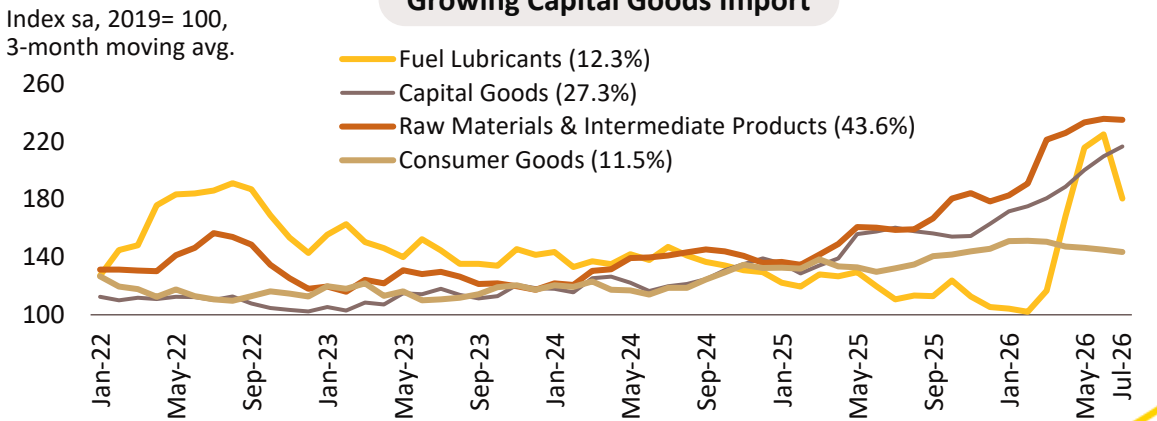
Cumulative FDI



BOI Investment Promotion Certificates in 1H26 by sectors



Growing Capital Goods Import

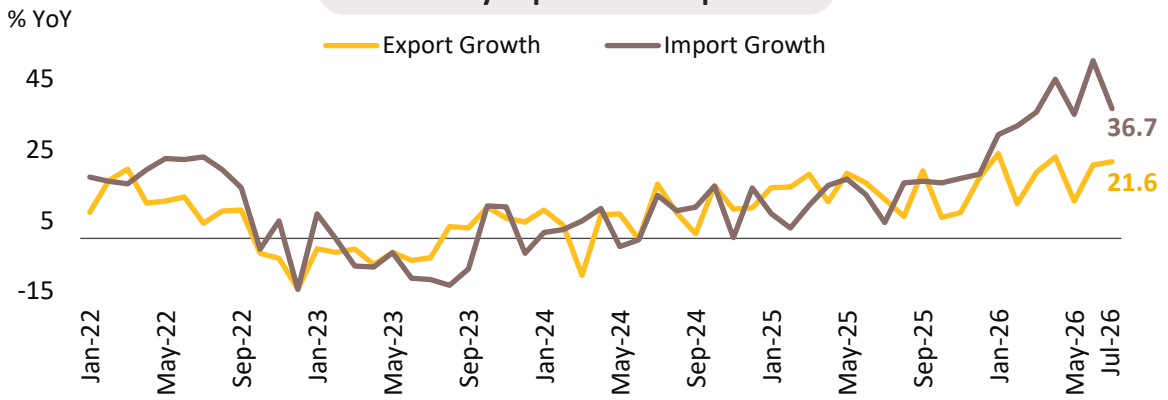


Source: BOT, BOI, MOC, and Krungsri Research

Thai export growth may benefit from the electronics upcycle and AI-driven investment, although growth remains uneven.

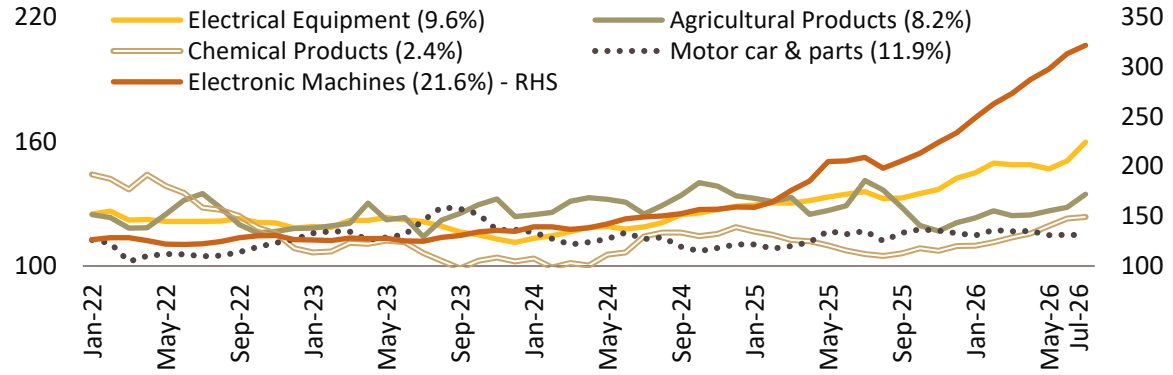
Exports were a key growth driver in 1H26 and are projected to continue expanding in 2H26. In July, exports grew by 21.6% YoY vs. 19.3% in June, led by electronics and electrical equipment. For the first seven months, data processing machines recorded strong export growth to the U.S. and ASEAN-5, while motor cars & parts exports to China also expanded strongly. Meanwhile, agro-industrial exports posted a contraction (-3.5% YoY), and agricultural exports declined (-2.5%). Looking ahead, lingering Middle East tensions and weak external demand could further weigh on Thailand's export growth.

Monthly Exports and Imports



Exports by Major Products

Index sa, 2019= 100,
3-month moving avg.



Source: MOC, CEIC, and Krungsri Research

Thai exports by major product and destination

Thailand: January-July's Export growth (% YoY)	World	U.S. (24%)	EU (9%)	Japan (7%)	China (12%)	ASEAN-5 (13%)	CLMV (8%)
Total	**+18.2**	**+41.7**	**+20.0**	**+14.1**	**+9.1**	**+27.6**	**-6.4**
Data processing machines (14.3%)	+50.2	+75.0	+38.2	+24.0	-13	+140.4	+47.5
Precious stones and jewellery (7.8%)	+13.5	-22.5	+23.0	+32.7	-11	+49.9	-61.2
Motor cars, parts and accessories (7.8%)	+1.5	+14.3	+21.0	+44.5	+91	-24.4	+12.7
Teleprinters, telephone sets (5%)	+167.5	+143.8	+53.8	-6.6	+655.0	+847.1	+11.8
Rubber products (4.2%)	+4.7	-12.5	+37.7	+18.0	+9.3	+12.3	+7.2
Machinery and parts thereof (3.4%)	+17.7	+42.5	-9.9	+13.1	-15.3	+26.3	+19.8
Electronic integrated circuits (3.3%)	+15.2	+13.2	+21.8	+15.4	+54.0	+36.4	-9.1
Polymers of ethylene, propylene (2.3%)	+5.8	+0.8	+4.8	+24.5	-6.0	-0.5	-5
Chemical products (2.3%)	+8.9	+19.5	+2.6	+21.3	+5.5	+19.0	-5.6
Electrical transformers (1.9%)	+35.0	+38.9	+4.5	-23.9	+18.3	+65.6	+43.7
Iron and steel and their products (1.9%)	+13.6	+33.0	+36.7	+10.7	-6.3	+9.1	+8.0
Plastic products (1.5%)	+16.7	+28.0	+16.3	+4.5	+30.8	+9.1	-1.5
Rubber (1.2%)	-9.4	-20.0	+1.0	-6.6	-27.0	+15.1	+40.0
Rice (1.0%)	-17.3	-6.2	-0.5	-67.8	-49.7	+68.7	N/A
Prepared or preserved fish (0.9%)	-1.2	+1.0	-1.7	-7.9	N/A	N/A	N/A

U.S. tariffs pose downside risks, as Section 301 measures could raise tariffs on Thai goods toward previous reciprocal tariff level, while the "Great Transshipment Scam" report adds uncertainty over potential additional tariffs on Thailand.

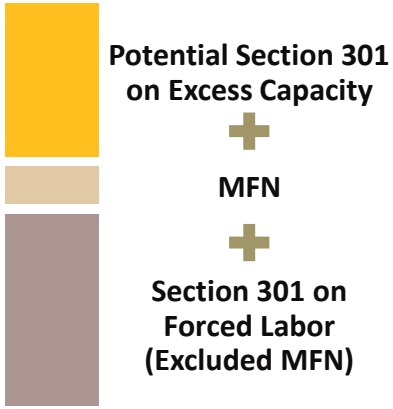
- **Thailand became subject to a 12.5% Section 301 tariff related to forced-labor import concerns when the Section 122 tariff expired,** applied on top of the Most-Favored-Nation (MFN) tariff rate, with certain exemptions such as food, fuels, and fertilizers. In addition, **ongoing Section 301 investigations into excess production capacity could lead to further tariff increases,** posing downside risks to Thai exports, manufacturing, and supply chains. Taken together, **these measures could raise Thailand's effective tariff burden to a level broadly comparable to the previous reciprocal tariff.** Across ASEAN, Section 301 measures could have uneven impacts, with Thailand, Vietnam, and Singapore potentially facing the highest tariff rates, followed by Indonesia, Malaysia, and the Philippines.
- Transshipment-related tariffs remain another ongoing risk. **Thailand's Tier-2 classification in the U.S. "The Great Transshipment Scam" report could amplify risks beyond ongoing Section 301 investigations.** Tier 2 includes major transit and manufacturing hubs deeply integrated with China, with greater potential for trade rerouting, including Indonesia, Malaysia, Vietnam, and Thailand.

Potential Additional U.S. Tariffs and Risks to Thailand

Section	Policy Purpose	Scope	Targeted products	Thailand Risk Level
301	Structural imbalance: Excess supply allegation	Country-specific	Countries with high trade surplus against the U.S.	**High**
201	Safeguard (import surge)	Sector-specific	Electrical appliances, solar components, and selected manufacturing sectors	**High**
338	Retaliation (extreme cases)	Country-specific	Countries with high trade surplus against the U.S.	**Moderate**
232*	National security	Strategic sectors	Strategic sectors such as semiconductors, electronic components	**Moderate**

*For Thailand, existing Section 232 tariffs already cover autos and auto parts (25%), steel and aluminum (50%), copper (50%), lumber (10-25%), and trucks (25%).

Source: The White House, WITS and Krungsri Research



Possible Countries:

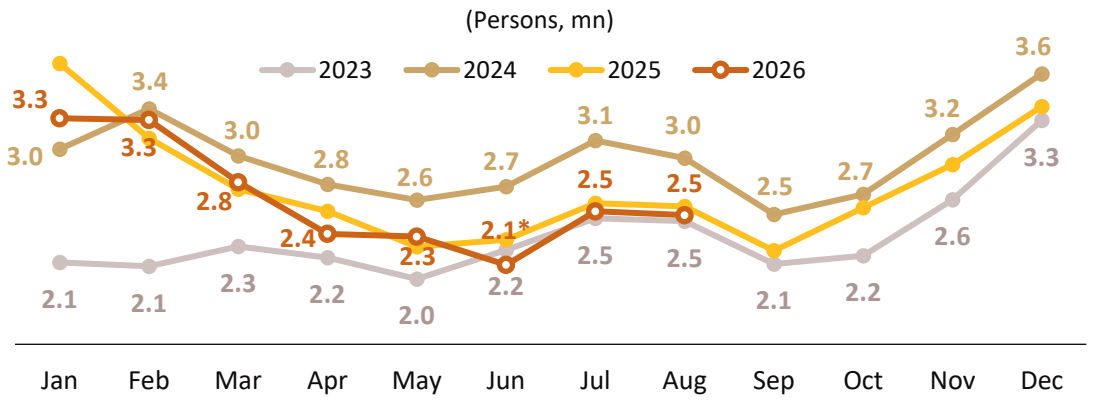


Note: Section 301 on Forced labor
***12.5%** tariff rate* for China, Singapore, Vietnam, and Thailand
***10.0%** tariff rate* for Indonesia and Malaysia

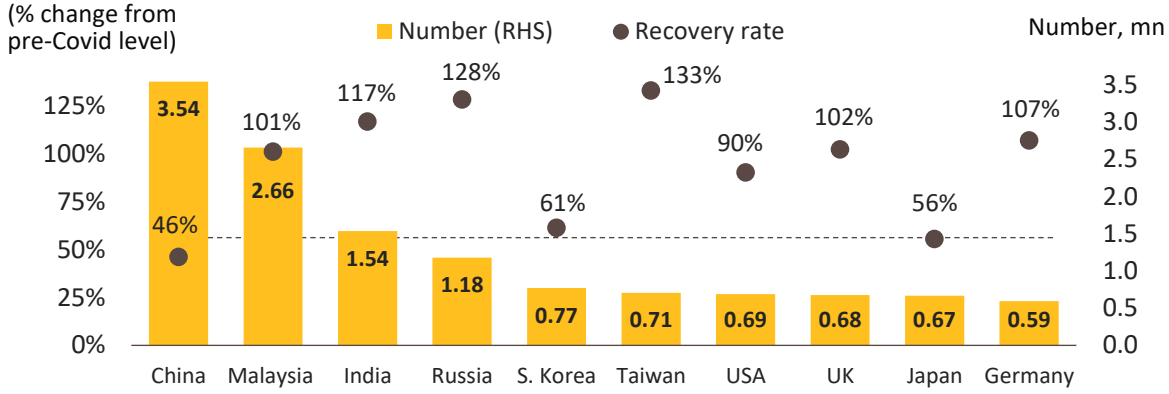
Tourism remains a key growth driver. Chinese arrivals improve slightly while long-haul recovery warrants monitoring amid high aviation costs and safety concerns.

In the first seven months of the year, foreign tourist arrivals totaled 21.2 million, broadly on track to reach our full-year forecast of 32.5 million. In August 2026, arrivals held steady at 2.5 million. Arrivals from the Middle East have surpassed pre-conflict levels, and Chinese arrivals have continued to recover. However, Chinese arrivals remain below pre-COVID levels, weighing on the overall tourism recovery. High airfares and travel safety concerns continue to affect long-haul markets, particularly Europe and the U.S. **Looking ahead, the tourism sector continues to be an important growth driver, although its contribution to growth depends on the pace of recovery during the rest of this year.**

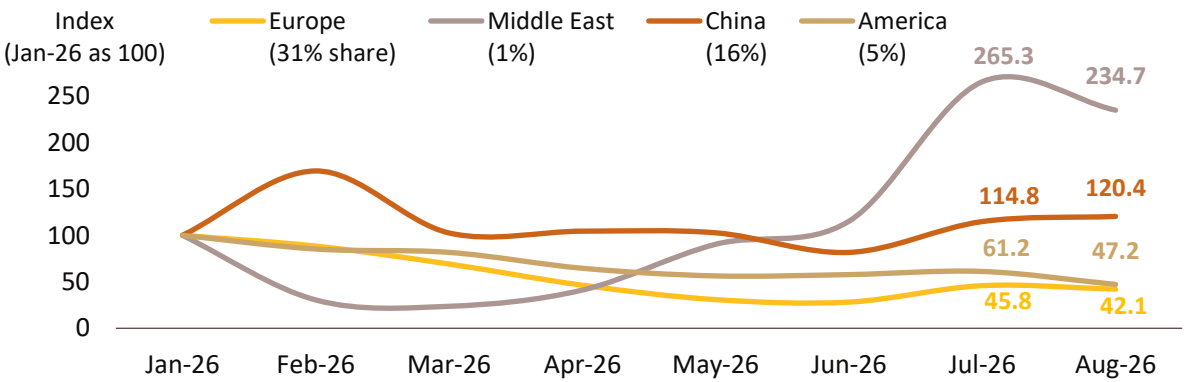
Foreign tourist arrivals in the first 8 months of 2026



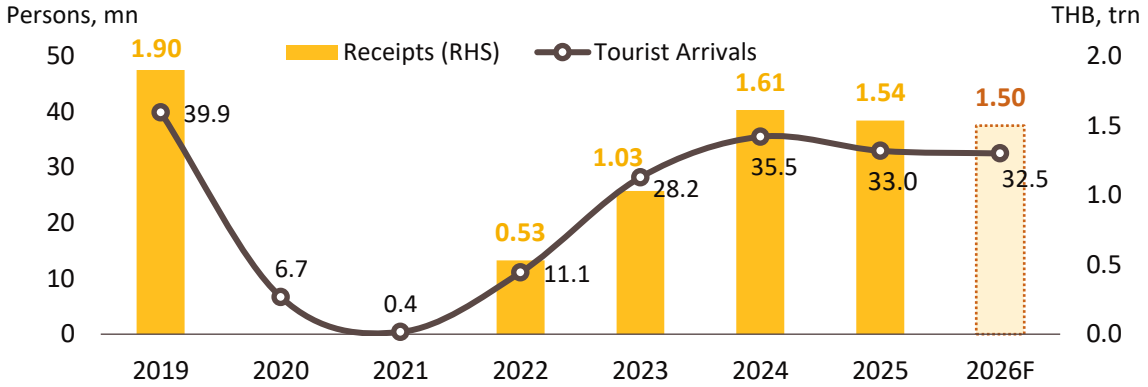
Top 10 tourist arrivals by country in Jan-Aug 2026



Long-haul and Chinese tourist arrivals



Annual Foreign Tourists and Receipts

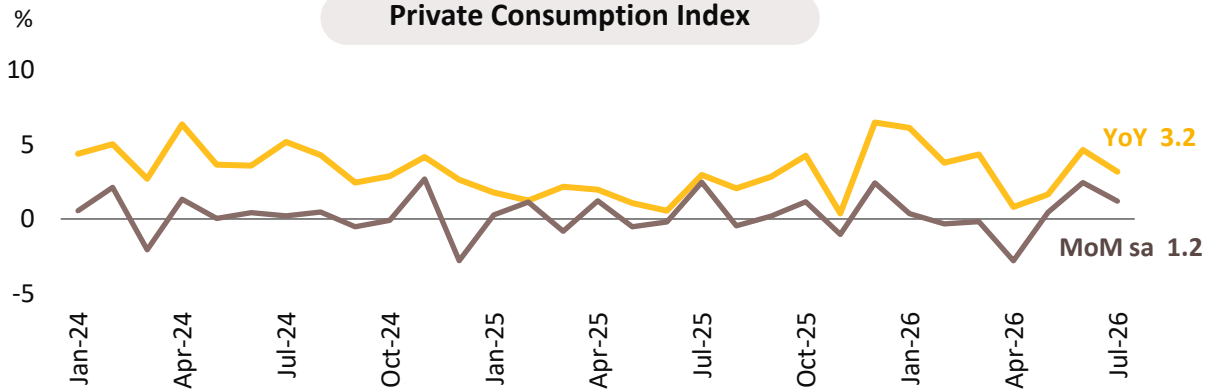


Note: *Preliminary estimate for total tourist arrivals in June
Source: MOTS, CEIC, BOT, and Krungsri Research

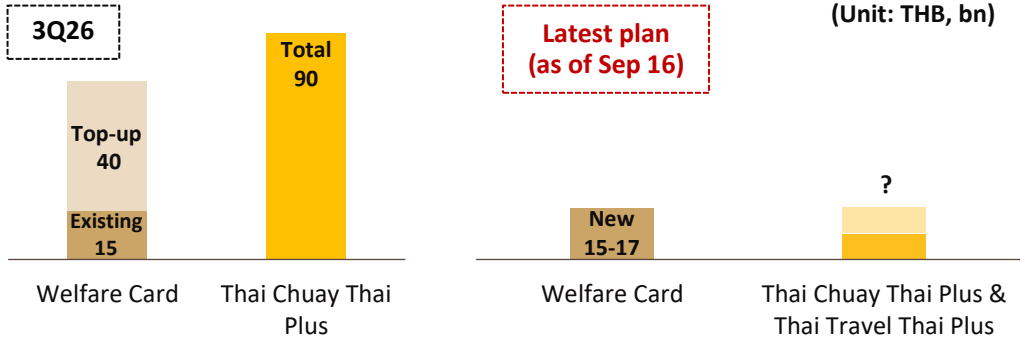
Private consumption: Gains from government support are likely to be short-lived; momentum may fade in 4Q26 due to weak incomes and thin financial buffers.

Private consumption is receiving a temporary boost from stimulus measures, but momentum is likely to moderate as these supports fade. Further support will depend on the details of the Thai Chuay Thai Plus scheme in 4Q26 and the potential rollout of Thai Travel Thai Plus next year. With around THB 40bn in budget left, compared with THB 120bn already disbursed, fiscal support for consumption is likely to be more limited. Meanwhile, the growth of Private Consumption Index (PCI) slowed to 3.2% YoY in July from 4.6% in June. Overall income contracted slightly by -0.3% in 2Q26, with self-employed income declining by -2.0%. Financially constrained households (0-24k monthly income) also have limited financial buffers, with only THB 1,260 per month for debt-free households and THB 480 per month for indebted households, leaving them highly vulnerable to future shocks. Therefore, fading stimulus, sluggish income growth, and elevated household debt are likely to weigh on consumption going forward.

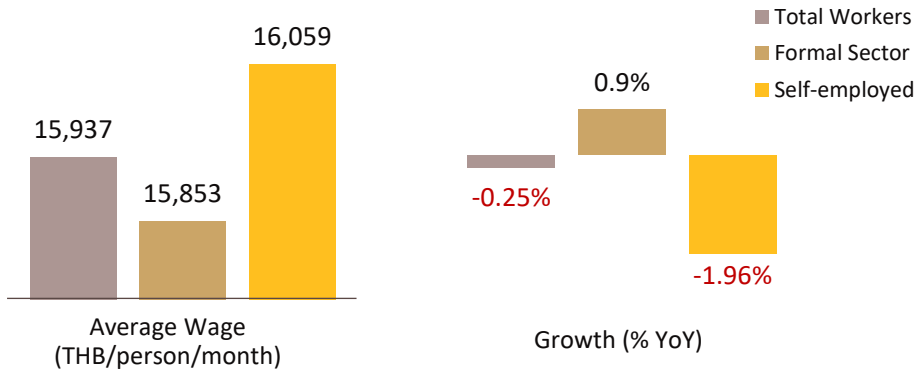
Private Consumption Index



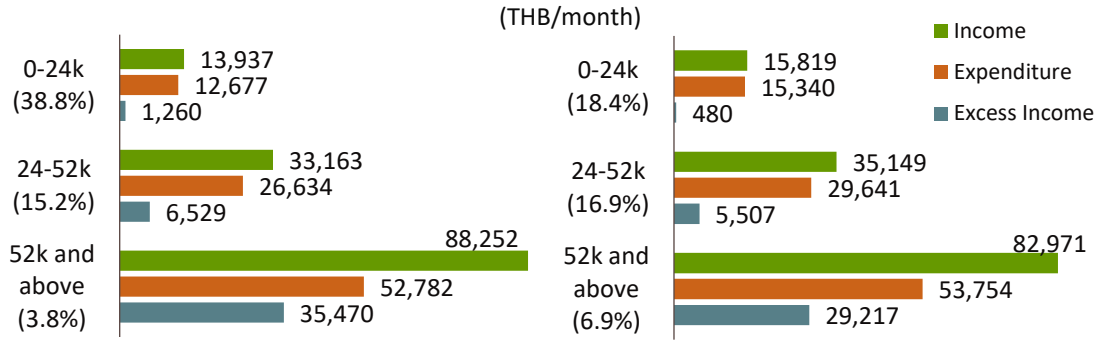
Smaller Scale of Government Stimulus in 4Q26



Income of Workers contracted slightly in 2Q26



Household Income, Expenditure and Debt Payment in 2025



Debt-Free Household (57.8%) | **Indebted Household (42.2%)**

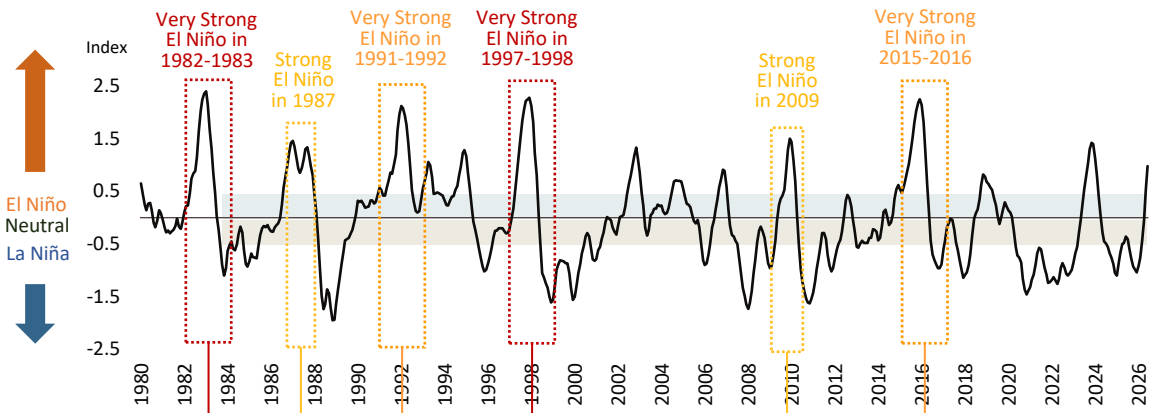
Source: BOT, The Cabinet, NESC, NSO, and Krungsri Research

Note: % in brackets = share of total households

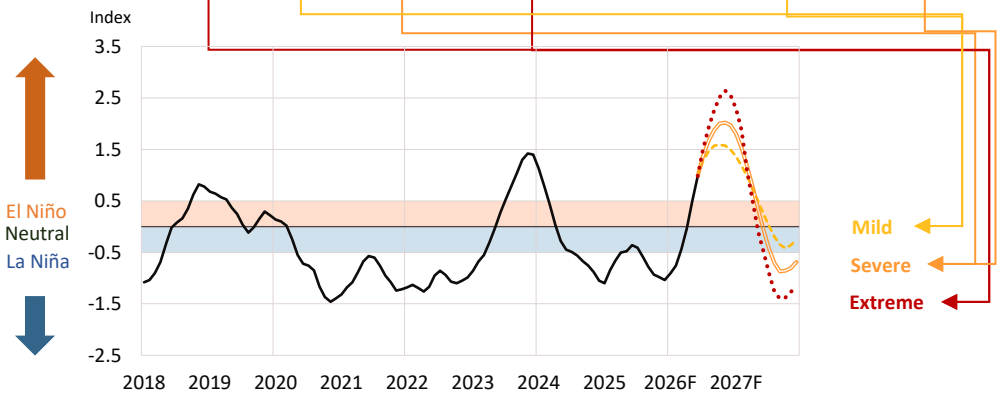
El Niño could weigh on growth through lower agricultural output and supply-chain disruptions.

El Niño is expected to affect Thailand from late 2026, with more severe impacts in 2027. It could weigh on GDP through lower agricultural output and supply-chain disruptions, while also adding to inflationary pressures by tightening agricultural and agro-industrial supply.

Historical Relative Oceanic Niño Index

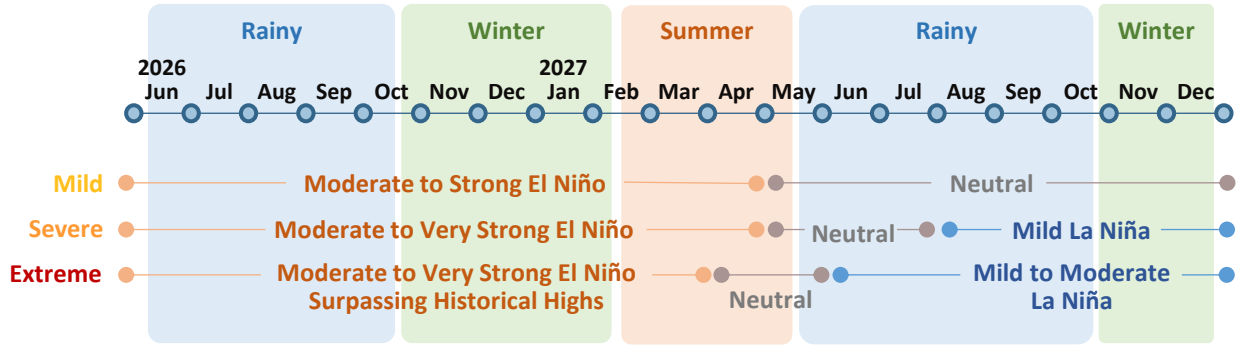


Relative Oceanic Niño Index Forecast



Source: National Oceanic and Atmospheric Administration, forecasted by Krungsri Research
Note: index > +0.5, meaning the rain is less than normal level (El Niño); index < -0.5, meaning the rain is more than normal level (La Niña)

Seasonal 2026-2027 Periods Affected by the RONI Index in Each Scenario



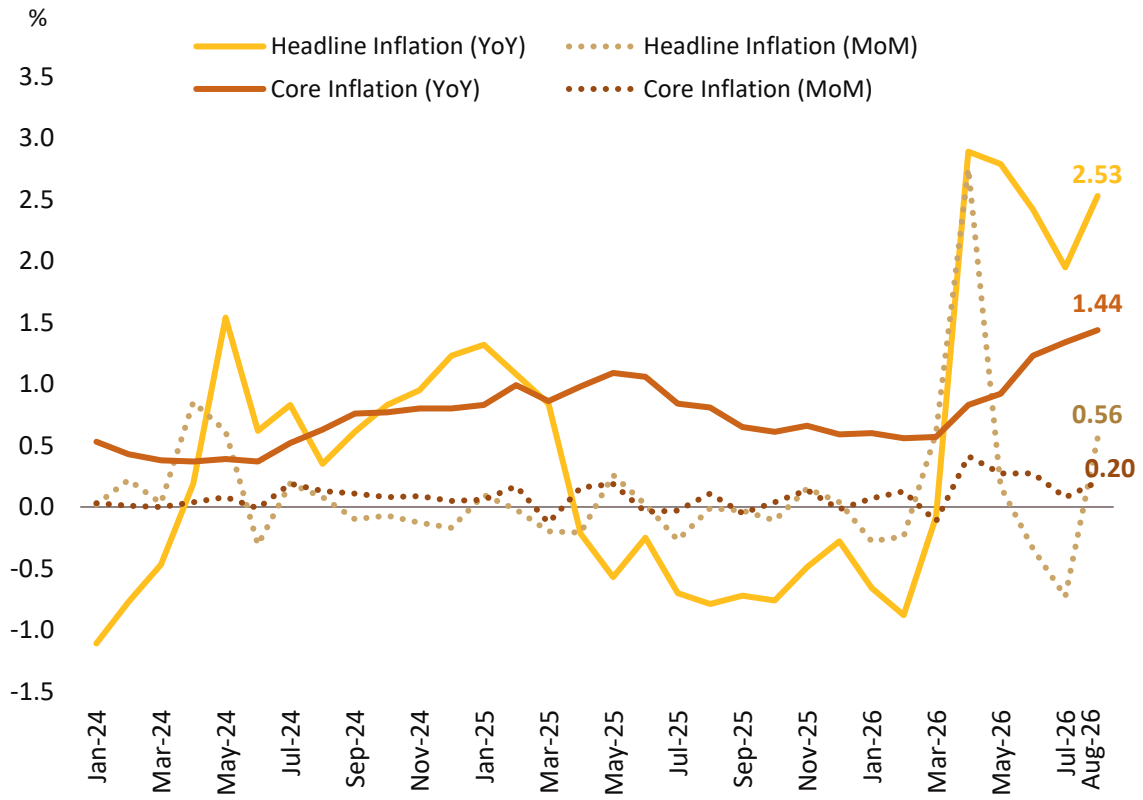
Source: Thailand Meteorological Department and Krungsri Research

- El Niño is expected to begin affecting Thailand's economy in the final quarter of 2026, with an estimated impact of around **-0.19 percentage points on GDP growth in 2026**. Its effects are expected to become more pronounced in 2027, which could be a year of more extreme weather conditions, before weather patterns gradually transition toward **La Niña** thereafter.
- The impact is likely to be most visible in agricultural production, particularly **rice, sugarcane, cassava, rubber, and oil palm**, which are highly vulnerable to drought and remain important inputs for a wide range of downstream industries. As reflected in the **2021 Input–Output Table compiled by the National Economic and Social Development Council (NESDC)**, disruptions to these agricultural commodities could extend beyond the farm sector through broader production and supply chains.
- Beyond its impact on overall economic activity, El Niño could also add to **inflationary pressures**. Lower agricultural output may tighten supply across production chains, potentially raising prices of agricultural commodities and agro-industrial products.

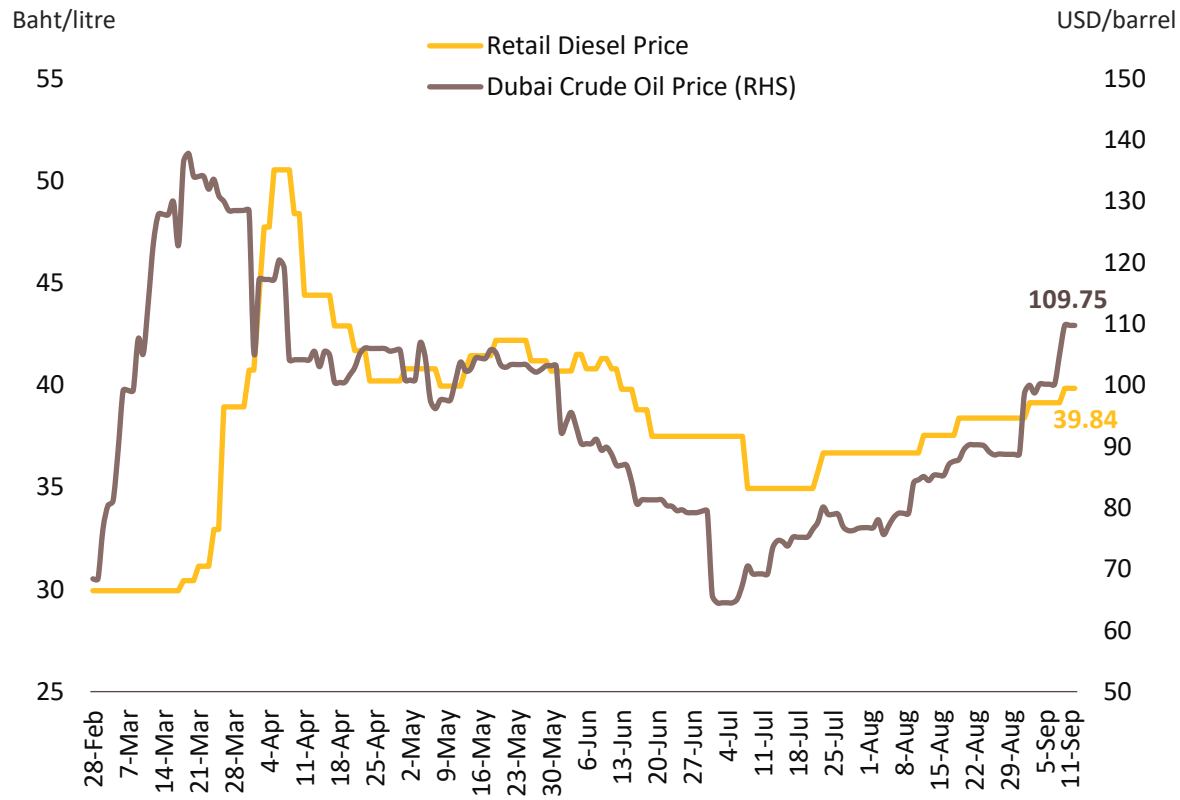
Inflation may temporarily exceed the target range in 4Q26; Elevated oil prices and pass-through risks warrant monitoring amid renewed Middle East tensions.

Headline inflation warrants monitoring as global oil prices continue to pose upside risks. **In August 2026, headline inflation rebounded to 2.53% YoY from 1.95% in July, driven by higher energy prices amid heightened Middle East tensions. Meanwhile, core inflation continued to rise to 1.44% YoY, although the month-on-month increase was less pronounced than at the onset of the conflict.** Further increases in core inflation could be constrained by a potential loss of consumption momentum following fading gains from stimulus measures. **Going forward, supply constraints, elevated commodity prices, and El Niño risks could push inflation higher in 4Q26, depending on the conflict's trajectory.**

Headline and Core Inflation



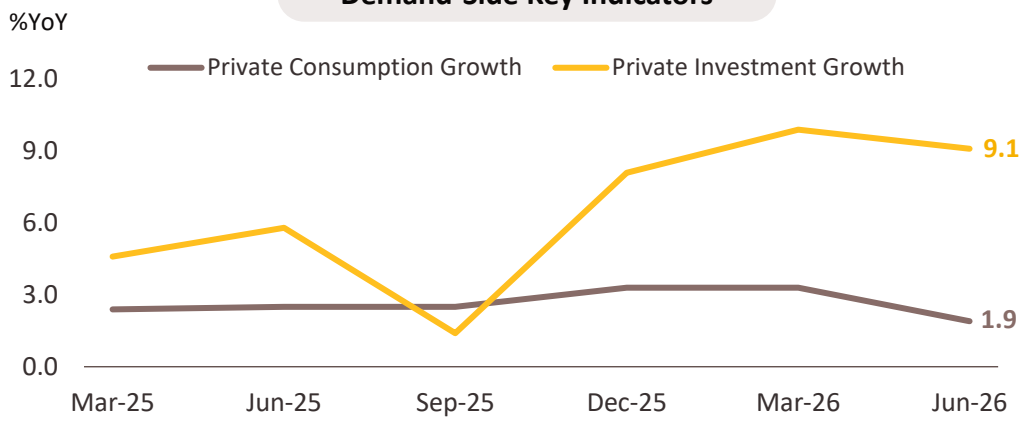
Domestic Diesel Price and Dubai Crude Oil Price



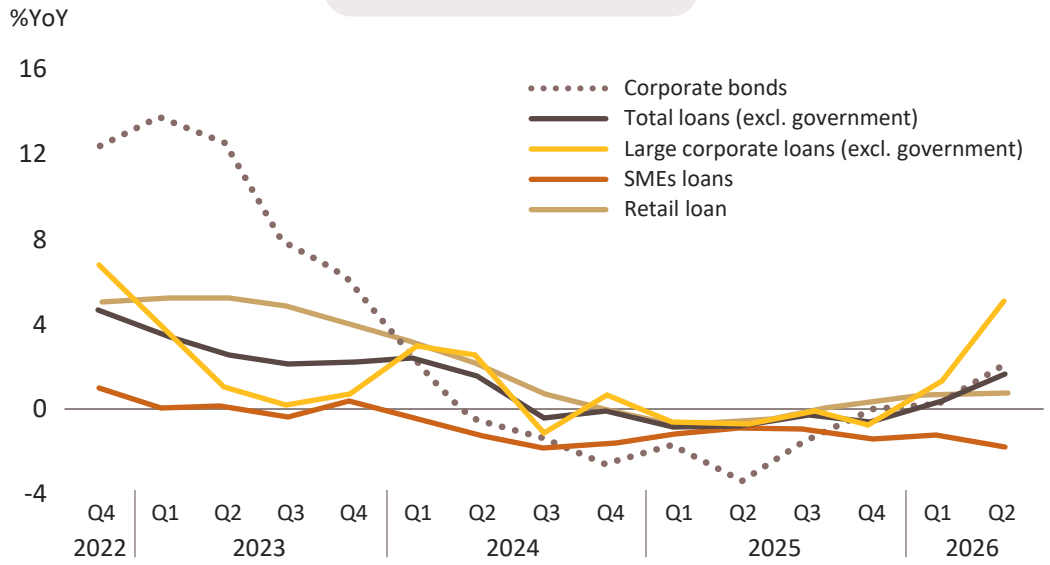
Source: MOC, MOE, BOT, and Krungsri Research

MPC voted unanimously to maintain the policy rate; targeted financial measures and economic reforms taking center stage over further policy rate moves.

Demand-Side Key Indicators



Credit Growth



Source: BOT, and Krungsri Research

Krungsri Research's view:

At the meeting on August 26, the MPC voted unanimously to maintain the policy rate at 1.00% p.a. to nurture uneven recovery amid below-potential economic growth.

- **The Thai economy is expected to expand broadly in line with previous estimates in 2026-2027.** Despite better-than-expected growth of exports and investment, overall economic growth remains low and uneven amid weak private consumption**.**
- **The BOT expected headline inflation to temporarily rise** through 1Q27 amid El Niño and cost pass-through, before easing thereafter due to base effects and weak domestic demand. Meanwhile, medium-term inflation expectations remain anchored.
- **Regarding financial conditions**, credit growth has improved, while SME loans continue to contract amid cautious lending to high-risk borrowers. Debt repayment ability among SMEs and vulnerable households warrants close monitoring.

We maintain our call for the policy rate to be held at 1.00% p.a. throughout 2026, with targeted financial measures and economic reforms taking center stage over further policy rate moves.

- Against this backdrop, the uneven nature of the recovery continues to result in *"low economic growth."* **The divergence is evident on two fronts: 1) strength in investment and exports versus softness in consumption; and 2) a revival in overall credit versus a retreat in SME lending.** Therefore, the MPC is placing greater emphasis on encouraging financial institutions to extend greater support through targeted financial measures.
- **These considerations suggest that the policy challenge increasingly lies in policy effectiveness rather than the level of the policy rate itself.** Taken together with the BOT's assessment of *"below-potential economic growth"* and benign demand-pull inflationary pressures, Krungsri Research reiterates the previous view that the MPC will keep the policy rate unchanged at 1.00% p.a. for the remainder of 2026.

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