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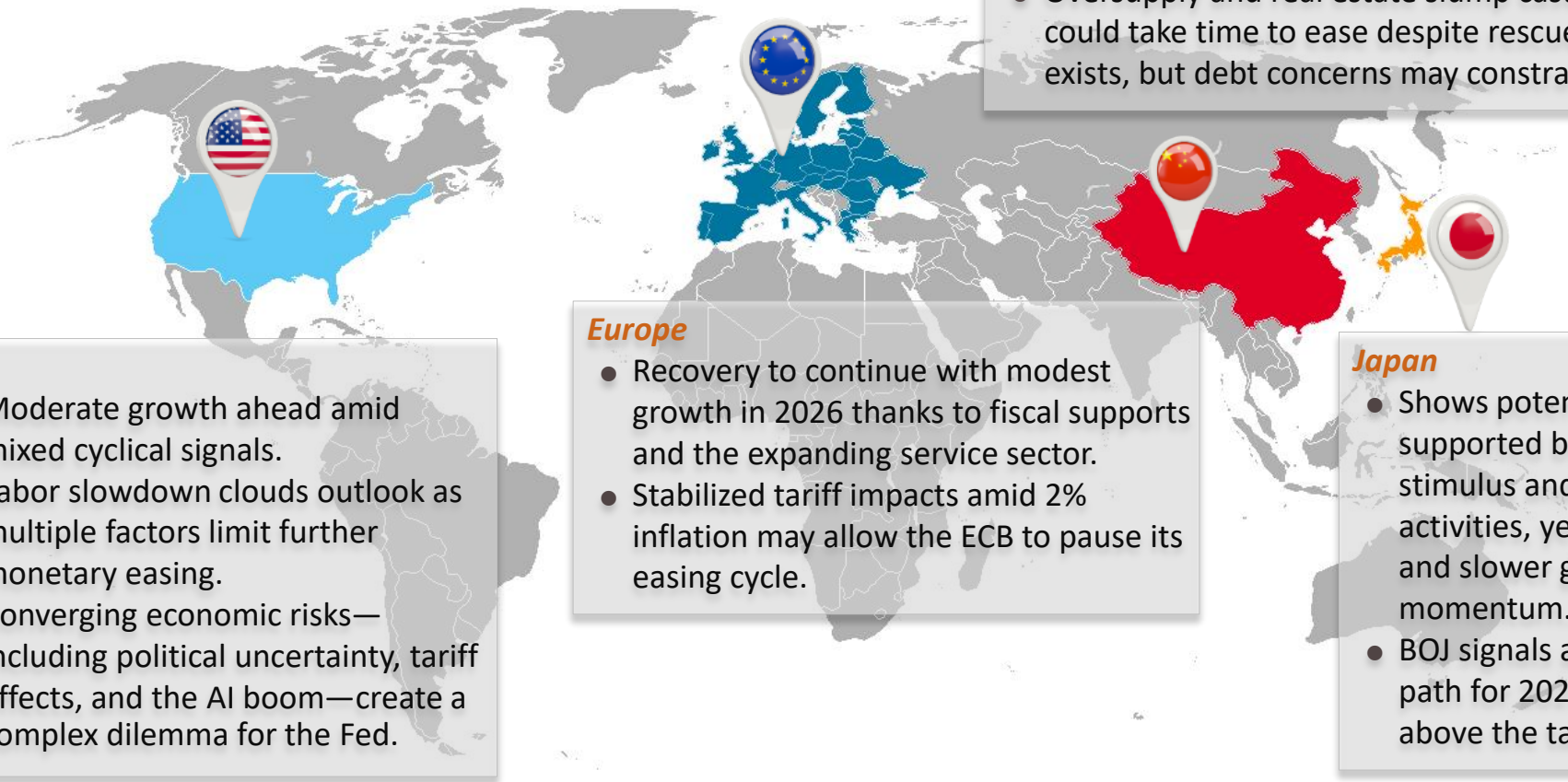
Economic Outlook 2026

December 2025



Krungsri Research

Global: Between light and shadow



China

- Key growth engines are losing steam, and external headwinds remain strong. Without substantial stimulus measures, the economy could further lose momentum.
- Oversupply and real estate slump cast a long shadow and could take time to ease despite rescue efforts. Policy space exists, but debt concerns may constrain bolder actions.

U.S.

- Moderate growth ahead amid mixed cyclical signals.
- Labor slowdown clouds outlook as multiple factors limit further monetary easing.
- Converging economic risks—including political uncertainty, tariff effects, and the AI boom—create a complex dilemma for the Fed.

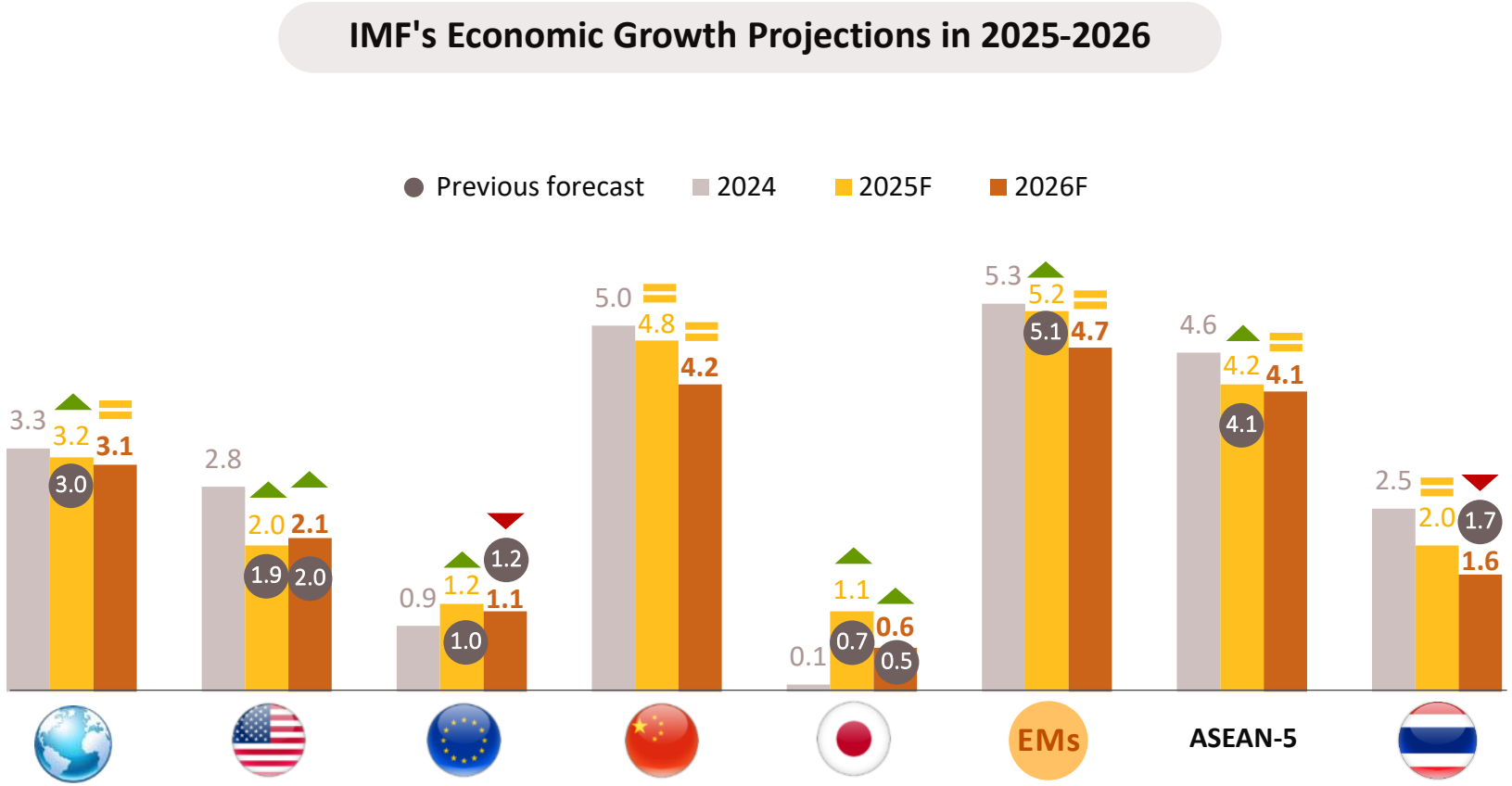
Europe

- Recovery to continue with modest growth in 2026 thanks to fiscal supports and the expanding service sector.
- Stabilized tariff impacts amid 2% inflation may allow the ECB to pause its easing cycle.

Japan

- Shows potential for recovery, supported by proactive fiscal stimulus and strong service activities, yet weak manufacturing and slower global demand will cap momentum.
- BOJ signals a cautious normalization path for 2026 as inflation remains above the target of 2%.

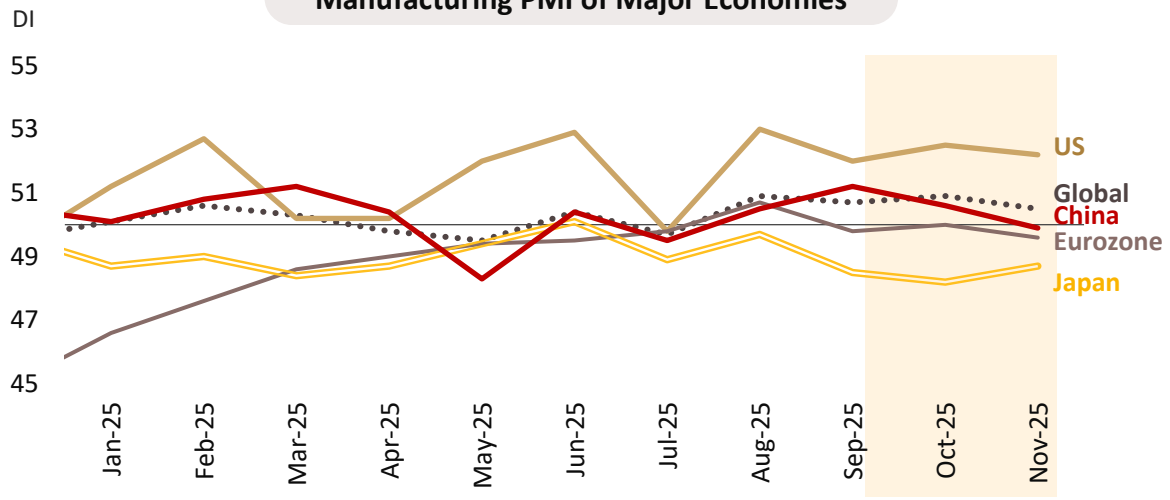
Dim global growth prospects: The IMF projects a slowdown in 2026, with risks skewed to the downside amid fading front-loading, prolonged uncertainty, and rising protectionism.



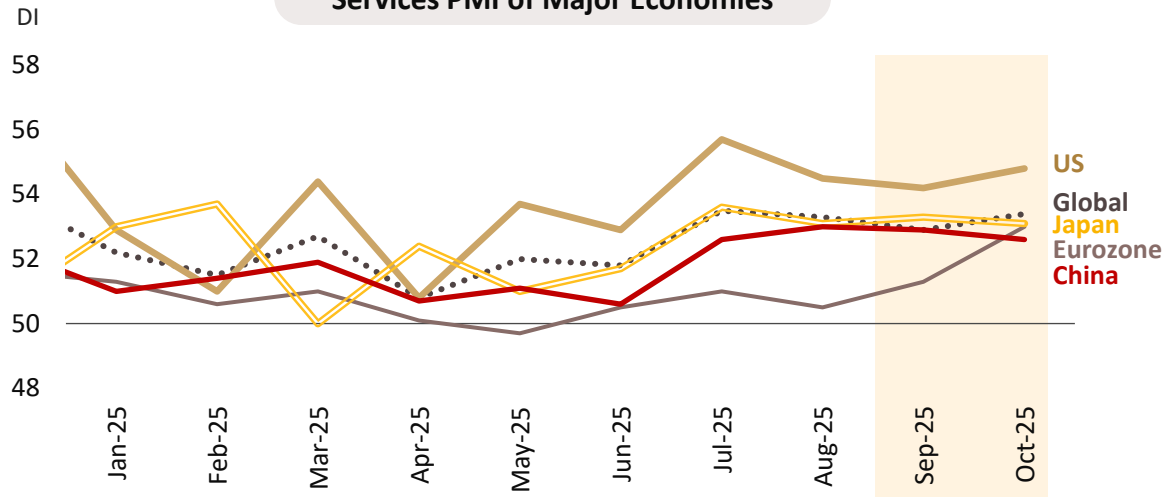
Notes: EMs: Emerging and Developing Asia
Source: IMF, World Economic Outlook (October 2025)

Global activity is expanding modestly, led by services, but tariff pressures may increasingly weigh on trade and manufacturing despite policy support.

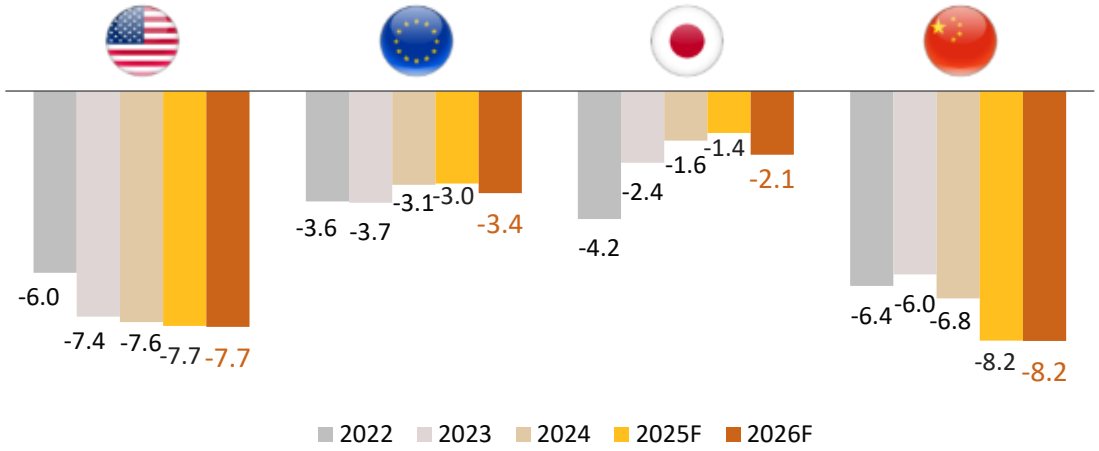
Manufacturing PMI of Major Economies



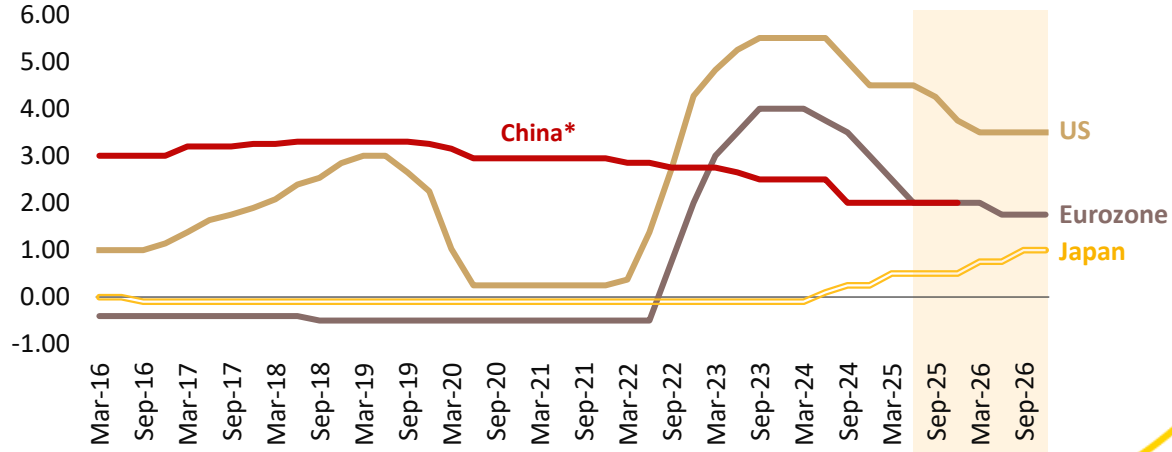
Services PMI of Major Economies



Fiscal Deficit Projections 2026 (% of GDP)



Policy Interest Rates (%)

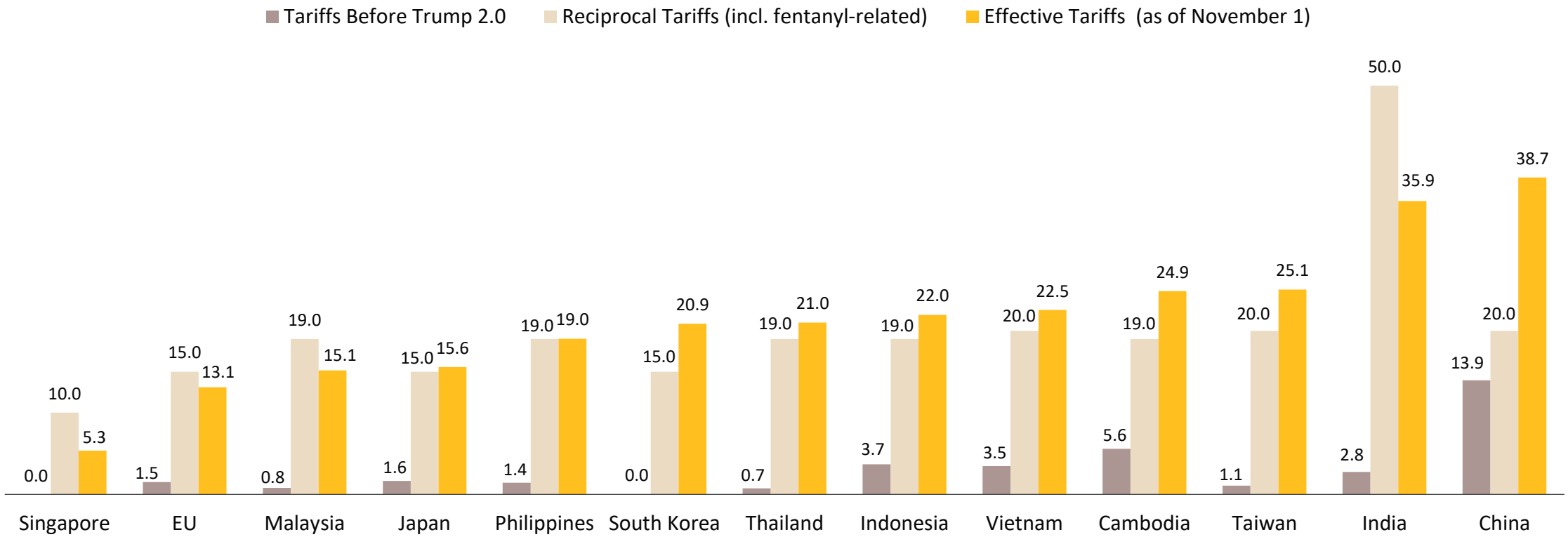


Source: J.P. Morgan and S&P Global PMI, IMF, Bloomberg, Krungsri Research

Note: *1-year lending rate (MLF)

U.S. Tariffs: Most countries see an effective tariff higher than reciprocal tariff rates; higher tariffs will likely dampen 2026 economic growth and affect global supply chains.

Reciprocal and effective tariffs vs. tariffs before Trump 2.0 (%)



Effective tariffs (as of November 1): The U.S. reduced a fentanyl-related tariff imposed on China by 10%, while continuing to impose higher reciprocal tariffs on imports from various countries (excl. some goods). Major countries have secured trade deals with the U.S., resulting in tariffs of around 15%-20% (Thailand: 19%). Moreover, the U.S. imposes a 50% tariff on imports of steel, aluminum, and copper; a 25% tariff on autos, auto parts, and medium and heavy trucks; and a 10%-25% tariff on lumber.

Source: The White House, WITS, Calculated by Krungsri Research

Although the IEEPA-based universal and reciprocal tariffs face legal challenges, Trump administration *can still resort to other tools, such as sector-specific tariffs* under Section 232.

Reciprocal tariffs, imposed under the International Emergency Economic Powers Act (IEEPA), are under legal dispute. On August 29, the U.S. Federal Circuit upheld the Court of International Trade's ruling that the Trump administration's reciprocal tariffs were unconstitutional. Nonetheless, reciprocal tariffs remain temporarily in effect, with **the Supreme Court granting a fast-track review starting in early November and a final ruling expected by mid-2026.** Even if struck down, the Trump administration can still resort to other tools, such as Sections 201, 301, and 232. Particularly, section 232 has already been implemented to impose industry-specific tariffs, currently 25% on autos and parts, and 50% on steel, aluminum, and copper, with potential expansion to other products. As such, U.S. tariff pressures are expected to persist in the foreseeable future.

Alternatives Tools to Reciprocal Tariffs

Legal Tool	Reason	Investigation Requirement	Duration Limit	Tariff Rate Limit
Section 232	**Threat to national security**	**Yes**	**None**	**None**
Section 201	Injury to domestic industry	Yes	4-8 years	50%. Phasedown required after one year.
Section 301	Discrimination against US businesses or violation of U.S. rights under trade agreements	Yes	4 years. May be extended with no maximum limit.	None
Section 122	**International payments problem**	**No**	**150 days. Can be extended with Congressional approval.**	**15%**
Section 338	**Discrimination against U.S. commerce**	**No**	**None**	**50%**

Ongoing Section 232 Investigations

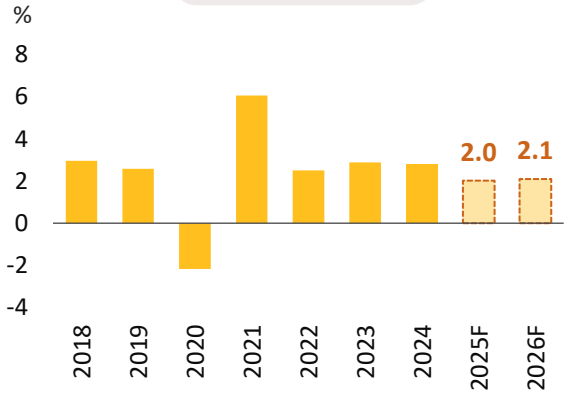
Goods	Investigation Status	Tariff
Autos and auto parts	**Effective April 3 and May 3**	**25%**
Steel and aluminum	**Effective June 4**	**50%**
Copper	**Effective August 1**	**50%**
Pharmaceuticals	**Originally set to be imposed in October, now suspended**	**100% on branded and patented drug**
Timber and lumber	**Effective October 14**	**10-25%; will be increased to 10-50%, starting January 1, 2026**
Medium and heavy trucks	**Effective November 1**	**25%**
Semiconductors	**Started April 1**	**100% (threatened)**
Critical minerals	Starting April 22	TBD
Commercial aircraft and jet engines	Starting May 1	TBD

Note: * Supreme Court of the United States (SCOTUS)
Source: MUFG, The White House, Capital Economics, Krungsri Research

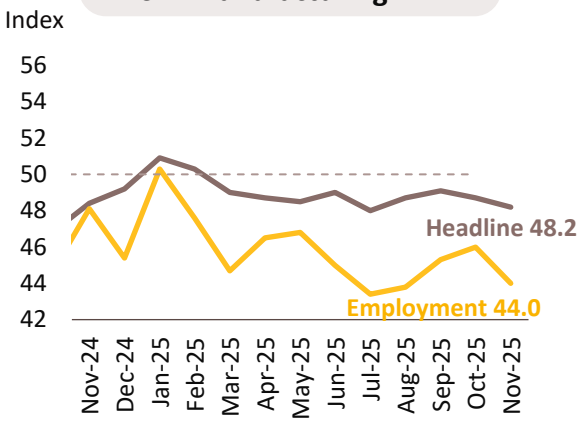
U.S.: Moderate growth ahead amid mixed policy and cyclical signals; labor slowdown clouds outlook as multiple factors limit further Fed easing.

The U.S. economy is expected to grow moderately at 2.1% in 2026, compared to 2.0% in 2025. Services activity, fiscal expansion, and recent rate cuts should continue to support growth. **However, overall momentum will be tempered by a weakening labor market and softer wage gains. A continued contraction in manufacturing activity and a further weakness in the property sector could further erode cyclical tailwinds.** Signs of a broader slowdown – amplified by the impact of tariff policies and risks of a renewed government shutdown – point to a gradual policy easing ahead, though sticky inflation may limit the Fed's ability to ease monetary policy.

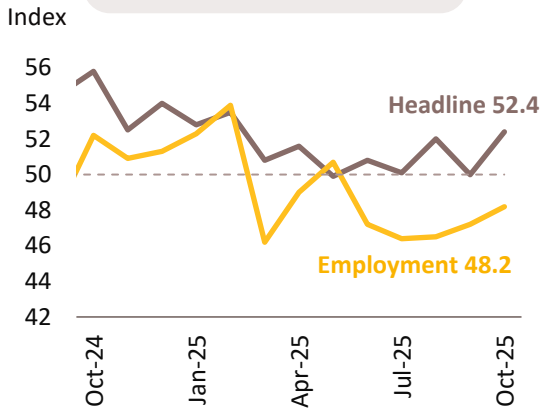
Real GDP*



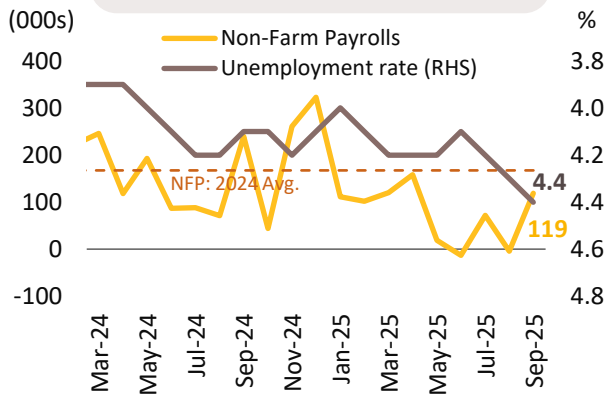
ISM Manufacturing PMI



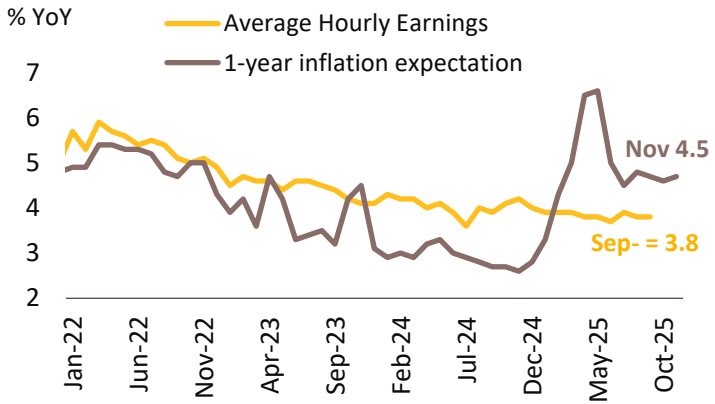
ISM Services PMI



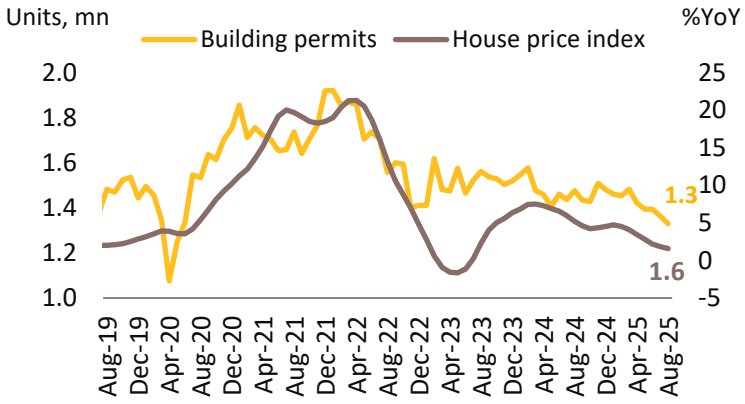
Payrolls and Unemployment



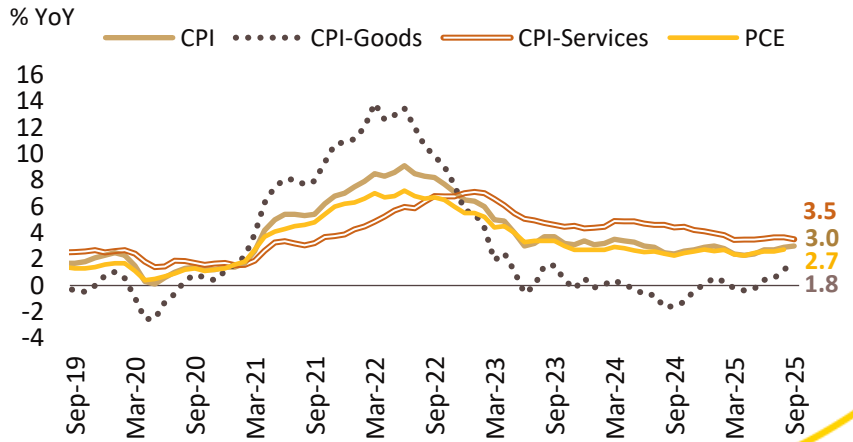
Wage and 1-Year Inflation Expectations



Building Permits and Home Price Index



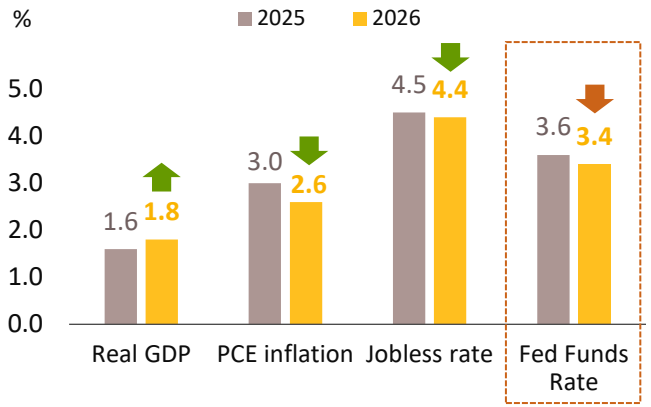
CPI, CPI-goods, CPI-services, and PCE price index



Source: IMF, Institute for Supply Management (ISM), Bureau of Labor Statistics, Census Bureau, Bloomberg, Krungsri Research

Converging economic risks—including political uncertainty, tariff effects, and the AI boom—create *a complex dilemma for the central bank.*

FOMC Economic Projections for 2026



FOMC Projection as of Sep 2025: A slow decline in the policy rate towards the 3% level that is considered neutral

Krungsri Research's view

- **Political Uncertainty:** The 43-day government shutdown was merely postponed until January 30th, meaning sustained political uncertainty will likely drag on business investment and job creation.
- **Tariff policies** are anticipated to be a net drag on the economy. They will fuel cost-push inflation (eroding purchasing power) and raise manufacturer input costs (squeezing profit margins), risking job losses in export and supply-chain sectors. Legal challenges to reciprocal tariffs and other tariffs could increase uncertainty and weigh on sentiment.
- **AI Correction Risk:** The AI boom poses a medium-to-high risk of a deep market correction due to high concentration and aggressive growth expectations. However, the risk of a systemic crisis is low as leading companies are insulated by robust cash flow and durable assets (unlike the leverage risk of the Dot-Com era).
- **Overall Economic Headwinds:** Despite some expansion in business investment, the overall outlook is weighed down by weak consumer spending, sluggish global trade, slowing job growth, and sticky inflation.
- **Policy Dilemma:** With most potential Fed chair candidates likely favoring pro-growth policy, we expect the Fed funds rate to decline modestly to 3.25%–3.50% in 2026. The outlook is highly uncertain: signs of a slowdown support cuts, but sticky inflation, boosted by tariffs and the AI boom, limits the Fed's ability to ease, creating a complex dilemma.

Feature	Dot-Com Bubble (Late90s)	AI Boom (2020s)	2020s Risk Profile
1. Financial Foundation	**Speculative:** Low Profit, Future Value.	**Solid:** Robust Cash Flow, Present Value.	**Low**
2. Capital Expenditure	**Lightweight:** Marketing/ Redundant Assets	**Heavy:** Durable GPUs/Data Centers.	**Medium**(Oversupply/ Asset Depreciation)
3. Market Concentration	**Diffuse Risk:** Many Small Firms	**Extreme:** Mag Seven/3-4 Cloud Service Providers	**High** (Concentration risk)
4. Productivity Impact	**Slow:** Multi-Year Lag	**Immediate:** Foundational GDP Growth.	**Low** (Tech is non-speculative)
5. Economic Disruption	**New Markets:** Connectivity/E-commerce	**Enterprise Automation:** Efficiency/Optimization.	**Medium** (Benefits Concentrated)
6. Overall Risk Summary	**Widespread Bust** & Financial Contagion	**Concentration Risk But Cash-Funded Growth**	**MEDIUM to HIGH** (High Market Risk / Low Systemic Risk)

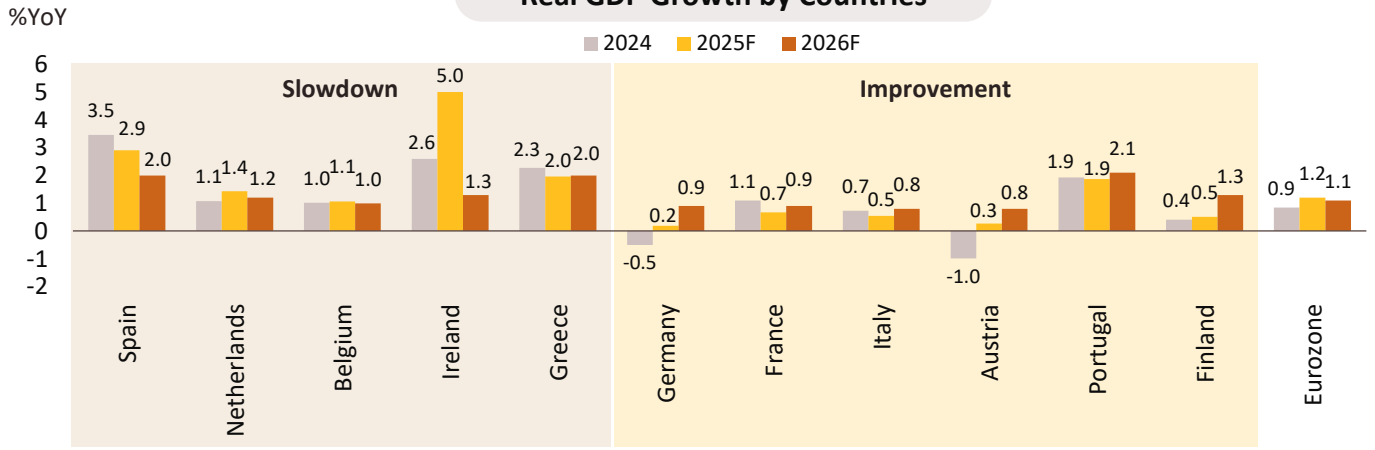
Source: Federal Reserves, Bloomberg, Reuters, CNBC, Krungsri Research

Candidate	Status & Probability	Key Background	Primary Policy Stance
Kevin Hassett	**Front-runner**	Director, National Economic Council; Former Chair of the Council of Economic Advisers.	**Pro-growth**, aligned with White House views, favors rate cuts.
Kevin Warsh	**Strong Contender**	Former Fed Governor (2006–2011).	Historically a policy hawk; Experienced in financial crises; **some openness on policy flexibility**
Christopher Waller	**Key Insider Pick** (Technically Strong)	Current Fed Governor	Data-driven economist, conventional Fed technocrat, supports **modest monetary easing**
Michelle Bowman	Shortlisted Finalist	Fed Governor, Current Vice-Chair for Supervision.	Focused on bank regulation and the banking industry; **regulatory relief**
Rick Rieder	Shortlisted Finalist	CIO for Global Fixed Income at BlackRock.	Financial markets expert focusing on bond markets and corporate/mortgage loan policy.

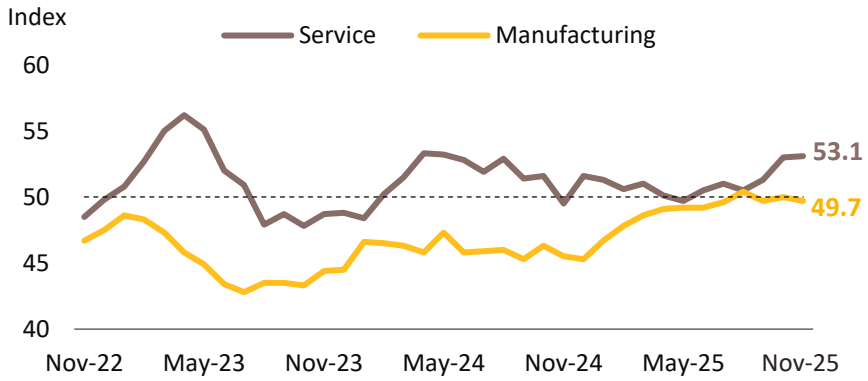
Eurozone: Recovery to continue with modest growth in 2026 thanks to fiscal supports and expanding service sector.

The eurozone economic recovery is projected to continue in 2026, albeit slowly, with GDP growth projected at 1.1%, compared to 1.2% in 2025, supported by improving performance in major countries, led by Germany, France, Italy, and Portugal. Tailwinds include looser fiscal policy in Germany and ongoing expansion in tourism and high-value-added services, including finance, real estate, information and communications technology, and professional services. However, persistent weakness in manufacturing activity and slowing global trade, exacerbated by ongoing geopolitical tensions and weak external demand, will continue to weigh on overall growth.

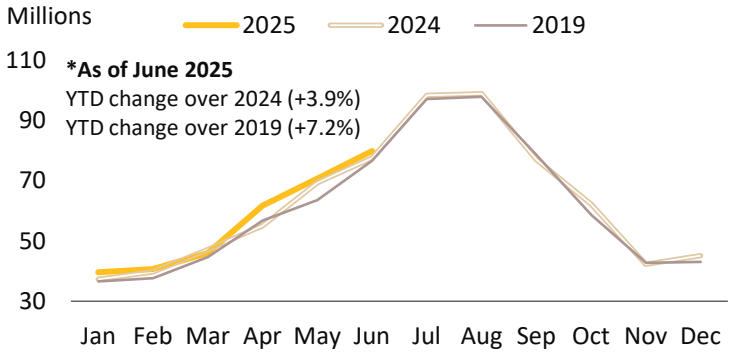
Real GDP Growth by Countries



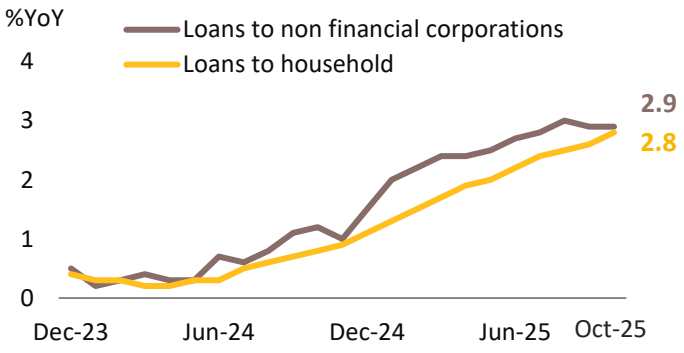
HCOB PMI



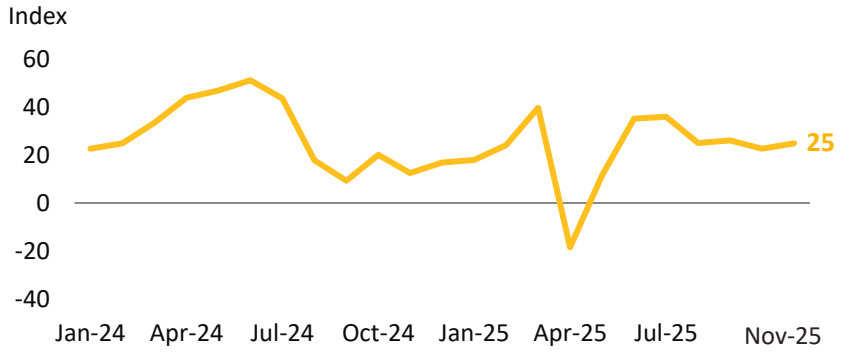
Europe Tourist Arrivals



Credit Growth



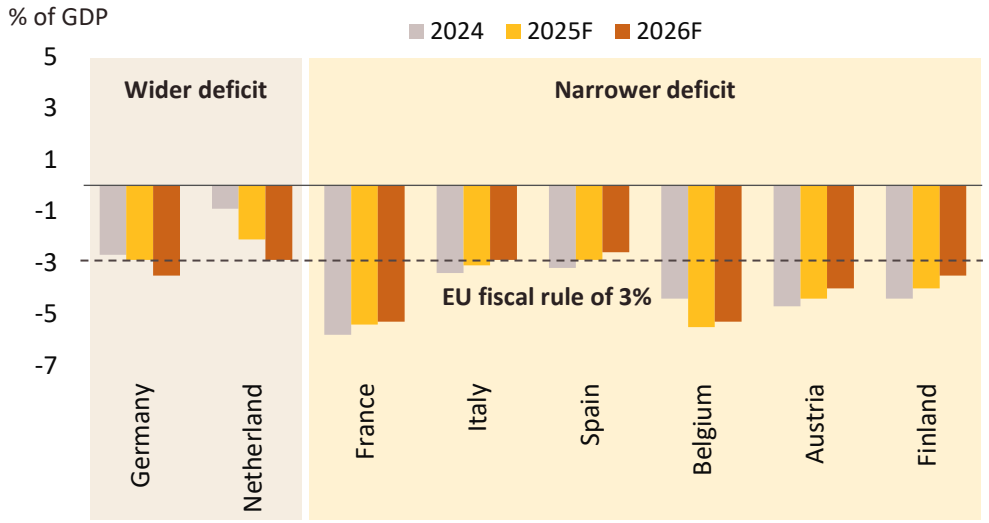
ZEW Economic Sentiment



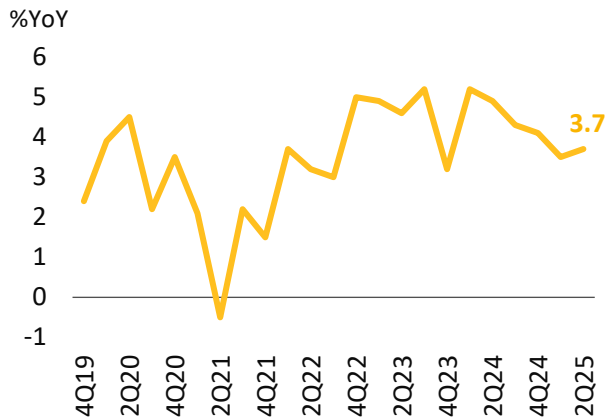
Source: ECB, CEIC, investing.com, Eurostat, European Union, Bloomberg, Krungsri Research

Stabilized tariff impacts amid 2% inflation may allow the ECB to pause its easing cycle.

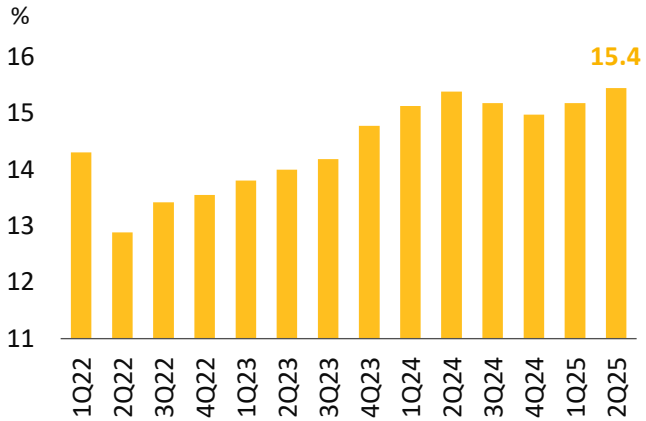
Budget Balance



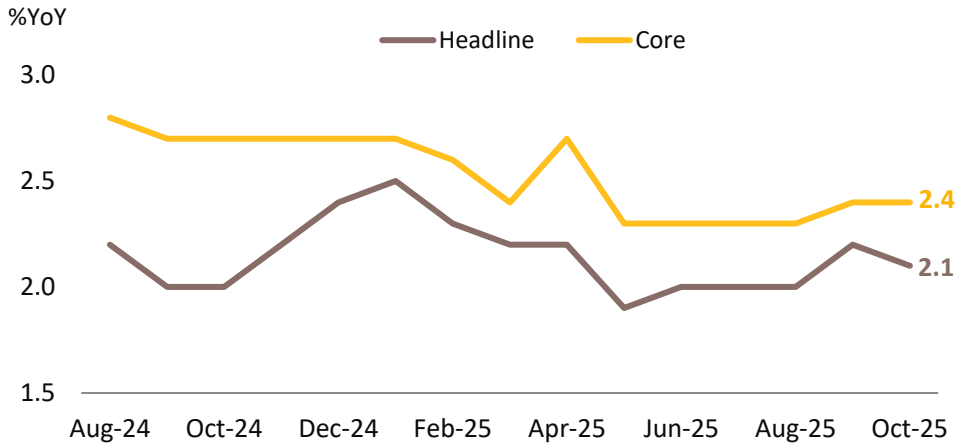
Wage Growth



Gross Household Saving Rate



Consumer Price Index



Source: ECB, CEIC, investing.com, Eurostat, European Union, Bloomberg, Krungsri Research

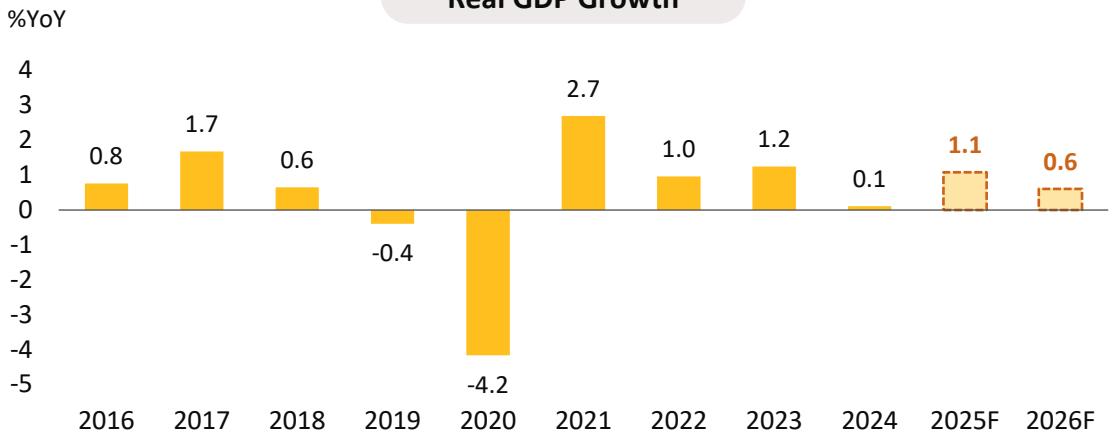
Krungsri Research's view

- **Limited tariff impact, but weak global demand still drags on growth.** Although U.S. tariffs on European goods are set at an average of 15%, lower relative to other regions, external demand will remain under pressure due to continued global trade fragmentation. We estimate that such tariffs would reduce EU long-term exports by approximately -0.78%, well below the global average decline of -2.71%.
- **Stabilized inflation, rising wages, and high savings, as well as lower borrowing costs, should help improve consumption in 2026.** While exports and manufacturing remain subdued, service sector growth will help underpin the economy in 2026.
- **Fiscal stimulus with caution**. Germany's expansionary fiscal stance will help support aggregate demand. However, fiscal constraints in other member states—particularly the political deadlock in France—may limit the scale and effectiveness of broader stimulus efforts.
- **Inflation near target suggests the ECB will pause its easing cycle.** As inflation is projected to hover around 1.8–2.0% in 2026, the ECB is likely to proceed cautiously with its monetary easing cycle. The policy rate is expected to preserve space for future stimulus in the event of sharper downside risks.

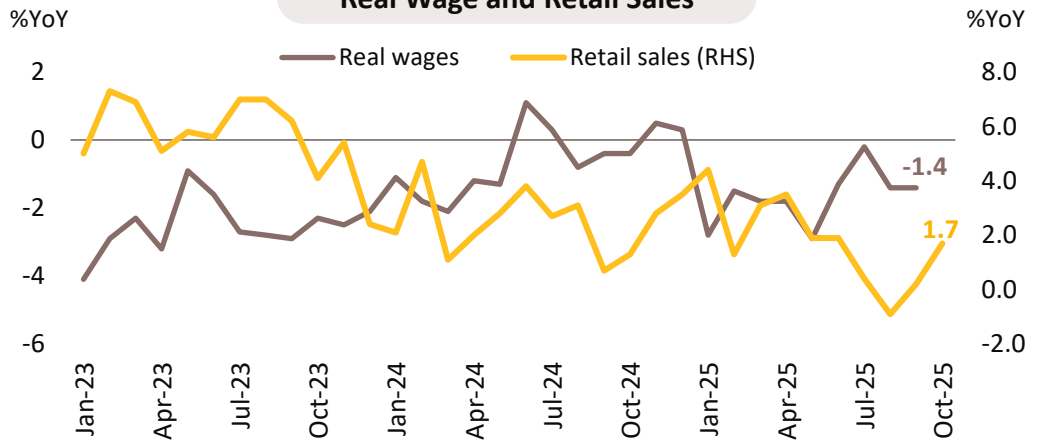
Japan: Shows potential for recovery, supported by proactive fiscal stimulus and strong service activities, yet weak manufacturing and slower global demand will cap momentum.

Despite a lower growth estimate in 2026, Japan's economy shows potential for recovery, supported by improving consumer sentiment and aggressive fiscal stimulus. The government's efforts to address cost-of-living pressures and promote sustainable wage growth are beginning to ease deflationary concerns. However, the growth momentum will be constrained by weak manufacturing activity and subdued external demand—particularly from the U.S. and China, which together account for over 40% of Japan's exports. Escalating trade tensions and uncertainty regarding U.S. trade policy pose further risks.

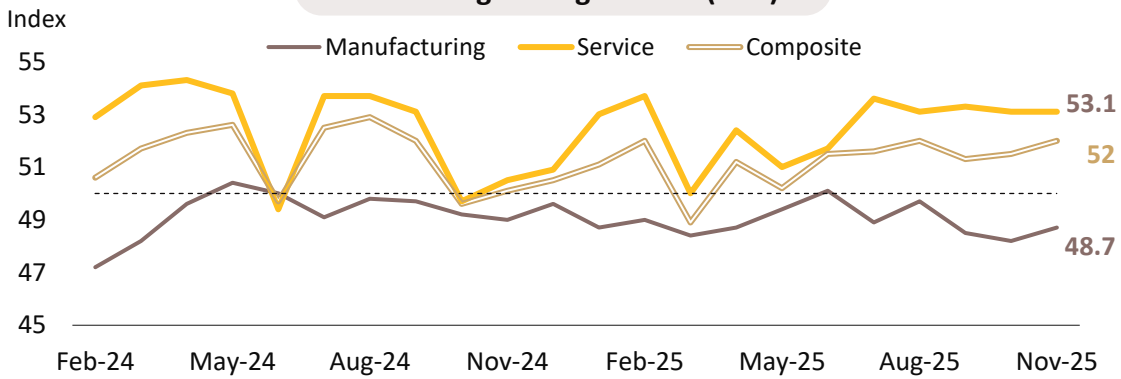
Real GDP Growth



Real Wage and Retail Sales



Purchasing Manager Index (PMI)



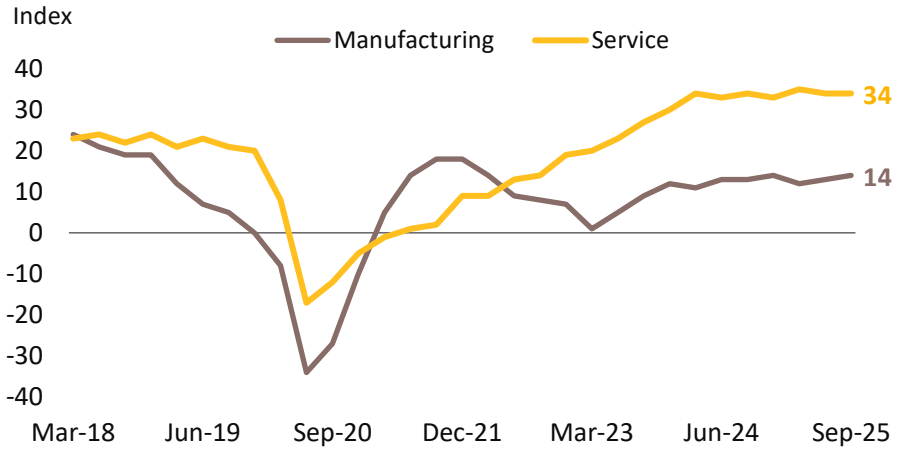
JPY 21.3 Trillion Stimulus Package

Responsible proactive fiscal policy on "Three central pillars"	
1	Countering inflation to ease the pressure on households. (JPY 11.7 trillion)
2	Investing in growth industries to sustain long-term competitiveness. (JPY 7.2 trillion)
3	Strengthening national security amid global economic and geopolitical uncertainty. (JPY 1.7 trillion)

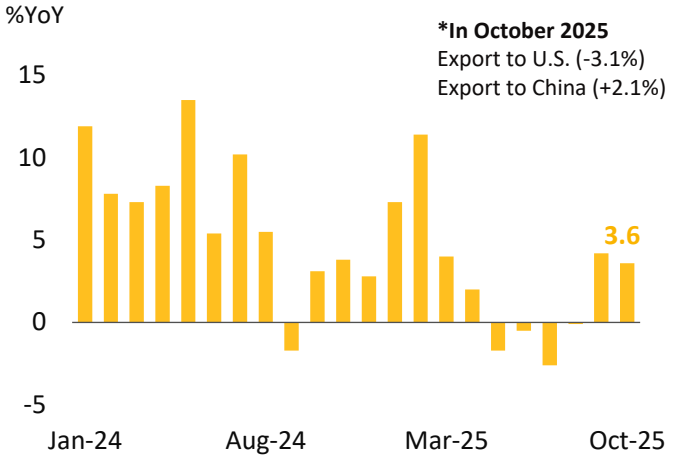
Source: Bank of Japan, CEIC, Investing.com, Krungsri Research

BOJ signals a cautious normalization path for 2026 as inflation remains above target of 2%.

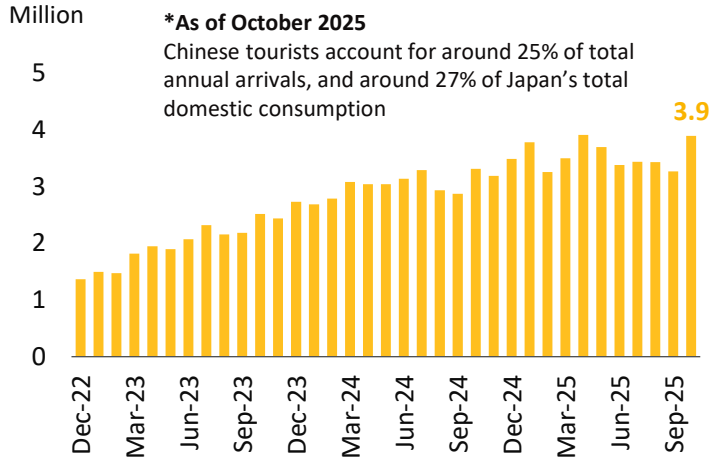
Business Confidence (Tankan Index)



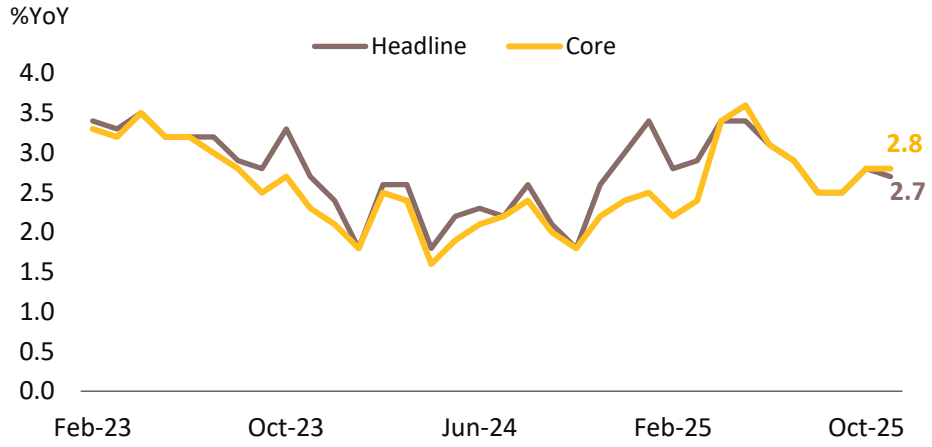
Export Growth



Tourist Arrivals



Tokyo Consumer Price Index



Source: Bank of Japan, CEIC, Investing.com, Krungsri Research

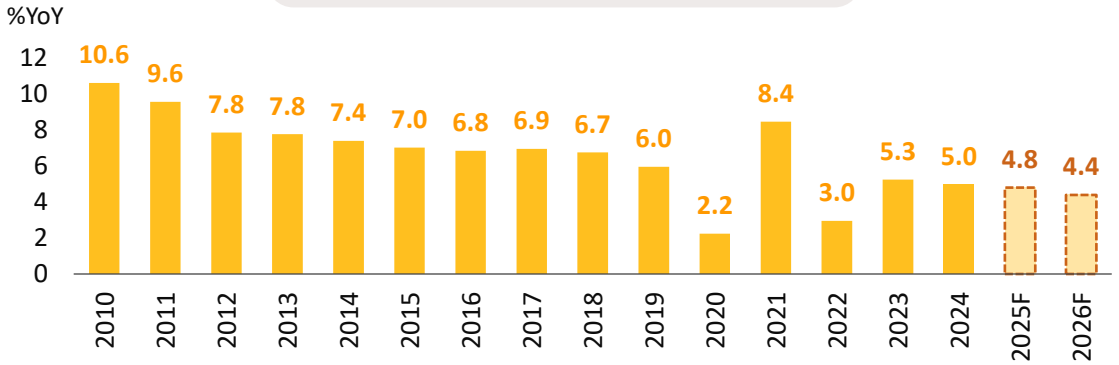
Krungsri Research's view

- **A weak yen and relatively lower tariff rates should limit the impact of U.S. tariff policy.** While exports and manufacturing could be affected, Japan is likely to face less disruption than other countries, as the average tariff on Japanese goods is 15%, lower than most other exporters. We estimate that, in the case of the U.S. imposing 15% tariffs, Japan's long-term export could decline by -2.25%, below the global average decline of -2.71%.
- **Fiscal support driving domestic demand.** The government approved a stimulus package totaling JPY 21.3 trillion, the largest since the pandemic, aiming to address rising prices, achieve a strong economy, and strengthen defense and diplomatic capabilities. This package is expected to boost near-term consumption while enhancing long-term competitiveness.
- **China-Japan tensions have escalated after PM Sanae Takaichi suggested Japan could deploy self-defense forces if China attacked Taiwan**. In response, Chinese airlines offer refunds for flights to Japan. This threatens Japan's outlook, as Chinese visitors made up nearly 19% of arrivals in 2024, risking a setback to the recovery.
- **BOJ policy normalization is likely but gradual**. With inflation staying above the 2% target and a gradual recovery underway, the Bank of Japan (BOJ) is expected to begin raising its policy rate in early 2026, though the pace of tightening will remain cautious given the fragile growth outlook.

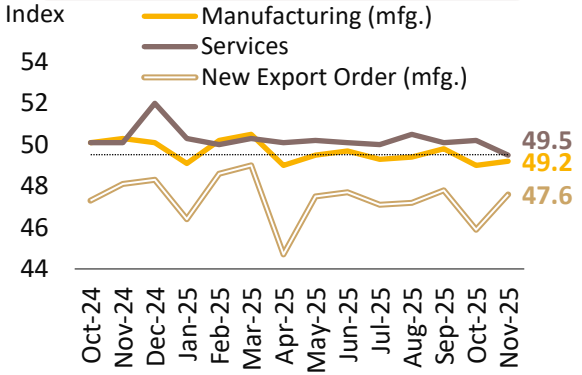
China: Key growth engines are losing steam, and external headwinds remain strong; without substantial stimulus measures, the economy could further lose momentum.

The economy has weakened. Manufacturing has shrunk for seven months, the longest streak in over nine years. Consumption may struggle to pick up in 2026, as the property crisis and a weak labor market weigh on wealth and income. Despite stimulus measures, especially trade-in subsidies and a recent stock market recovery, retail sales grew just 2.9% YoY in October, far below the 8-10% growth recorded during 2017-2019. Weakness in investment may persist due to still-weak demand and large excess supply. While the U.S.-China trade truce lasting until November 2026 may ease some pressures, prior gains from front-loading are likely to substantially wane. **Given these signals and ongoing structural issues, China needs to step up its efforts to boost consumption and targeted investment. Otherwise, growth could further decelerate from the projected 4.8% in 2025 to just 4.4% in 2026.**

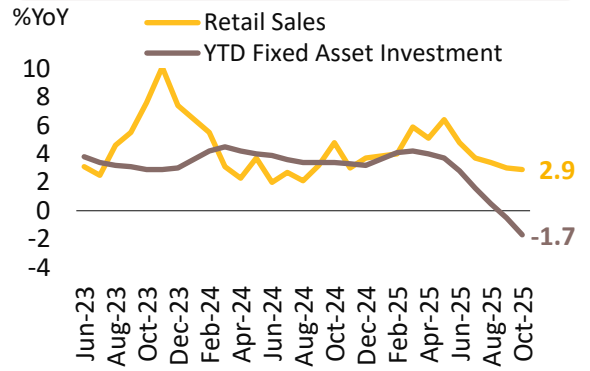
Real Gross Domestic Product (GDP)



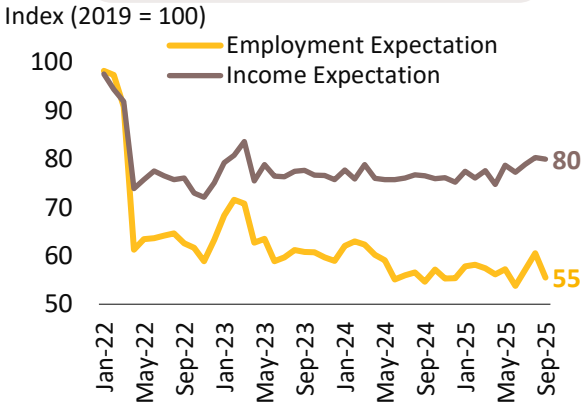
Purchasing Managers' Index (PMI)



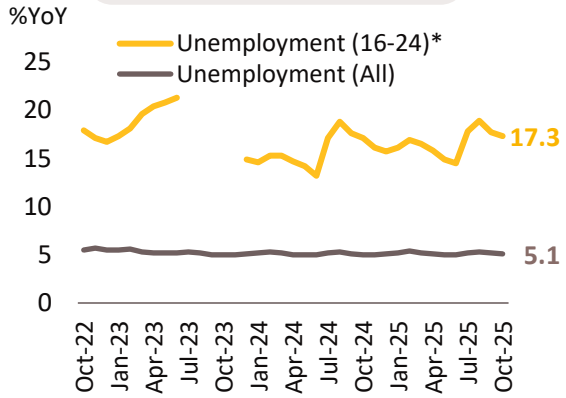
Retail Sales and Fixed Asset Investment



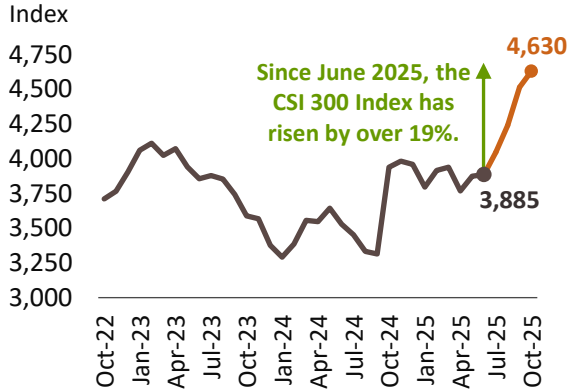
Consumer Confidence Index



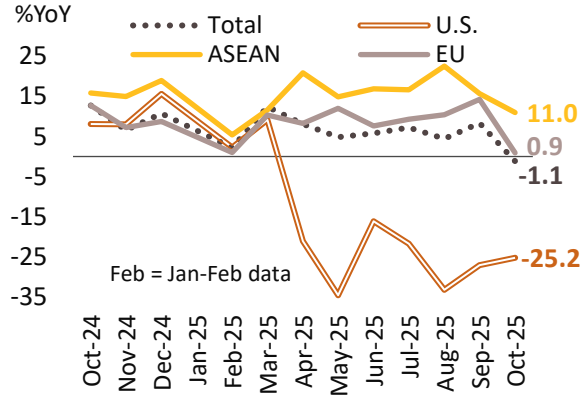
Unemployment



CSI 300 Index



Exports by Key Partners

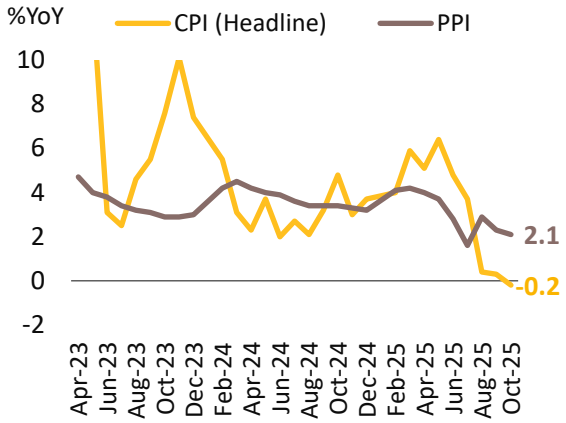


Source: IMF, NBS, Bloomberg, Reuters, CEIC and Krungsri Research

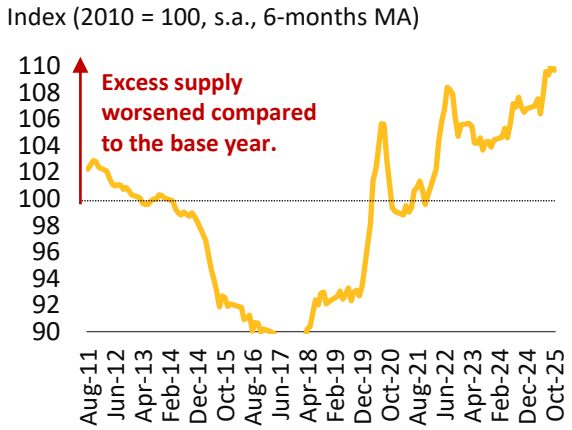
Note: * Since 2023, the definition of the unemployment rate for ages 16-24 (youth) was changed to exclude students.

Oversupply and real estate slump cast a long shadow and could take time to ease despite rescue efforts; policy space exists, but debt concerns may constrain bolder actions.

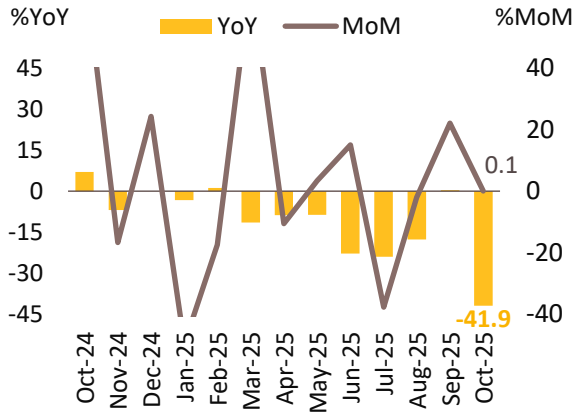
Price Indices



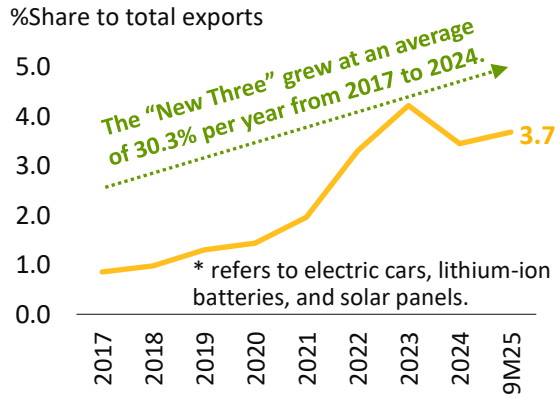
Excess Supply Index



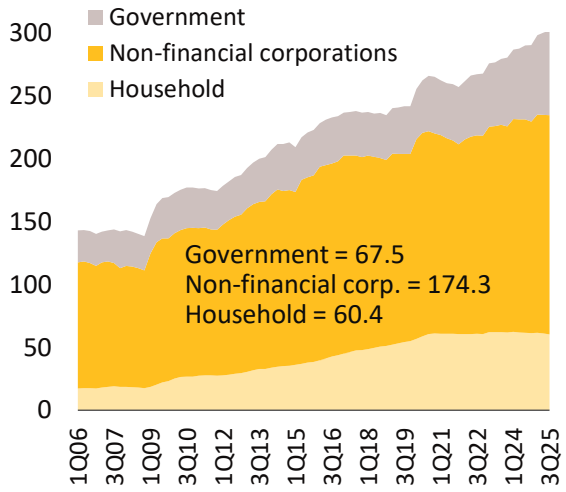
New Home Sales by Top 100 Developers



Exports of New Three Industries*



Debt to GDP Ratio (%)



Monetary Policy in November

Measures		Prev. (Nov 24)	Latest (Nov 25)
Reverse repo	7-day	1.5%	▼ 1.4%
	14-day	1.65%	1.65%
MLF	1-year	2%	2%
LPR	1-year	3.1%	▼ 3%
	5-year	3.6%	▼ 3.5%
RRR (by bank size)	Large	8%	▼ 7.5%
	Medium	6%	▼ 5.5%
	Small	5%	5%

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

Krungsri Research's view

- **Excess supply is likely to persist.** Plans to tackle intense price competition ("anti-involution") are underway, including prohibiting predatory pricing, controlling production capacity, and regulating local investment promotion. However, such efforts could also weigh on the economy in the short term. **Positive effects could take time to materialize, with signs of recovery unlikely to emerge in 1H26.**
- **Property crisis will drag on.** Despite ongoing measures, home sales continue to fall, while home prices have declined for nearly four years. Given persistent excess supply and liquidity pressures, **a meaningful recovery remains elusive.**
- **Trade tensions are easing, but downside risks remain.** The U.S. tariff reduction of 10% following the trade truce could reduce long-term export losses from -7.9% to -5.7%. However, tariffs on semiconductors and transshipment goods remain on the table and could further weaken exports' role in supporting growth in 2026.
- **Policy support is key.** The new Five-Year Plan emphasizes "new quality productive forces" (e.g., high-tech sectors) to support long-term growth, but some forces, such as the New Three, though growing, remain relatively small. Therefore, near-term consumption stimulus and monetary easing are needed. **However, concerns over local government "hidden debt" could deter large-scale measures.**



Thailand Economic Outlook 2026:

In the Shadow of Transition

Krungsri Research Forecasts for 2025-2026

Krungsri Research Forecast		2023	2024	2025F	2026F
GDP growth	YoY (%)	2.0	2.5	2.1	1.8
Private Consumption Expenditure	YoY (%)	6.9	4.4	2.8	2.2
Government Consumption Expenditure	YoY (%)	-4.7	2.5	0.8	0.7
Private Investment	YoY (%)	3.1	-1.6	2.1	1.5
Public Investment	YoY (%)	-4.2	4.8	6.6	3.5
Nominal Exports in USD (f.o.b.)	YoY (%)	-1.5	5.9	10.8	-1.8
Nominal Imports in USD (f.o.b.)	YoY (%)	-3.7	5.5	10.3	-0.5
Current Account Balance	USD, bn	8.5	11.6	16.5	15.0
Tourist Arrivals	Mn, persons	28.2	35.5	33.3	35.5
Headline Inflation	YoY (%)	1.2	0.4	-0.2	0.4
Policy Interest rate (end of period)	(%)	2.50	2.25	1.25	1.00
Dubai crude price - period average	USD/bbl	82	80	70	68

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

3Q25 GDP growth slowed sharply to 1.2% YoY from 2.8% in 2Q25, weighed down by softer exports, contracting public spending, and weaker tourism sector.

Weaker growth in 3Q25:

- **Demand side:** Contraction in public spending and exports of services; slowdown in exports of goods
- **Supply side:** Contraction in manufacturing and construction; slowdown in agriculture and tourism-related services

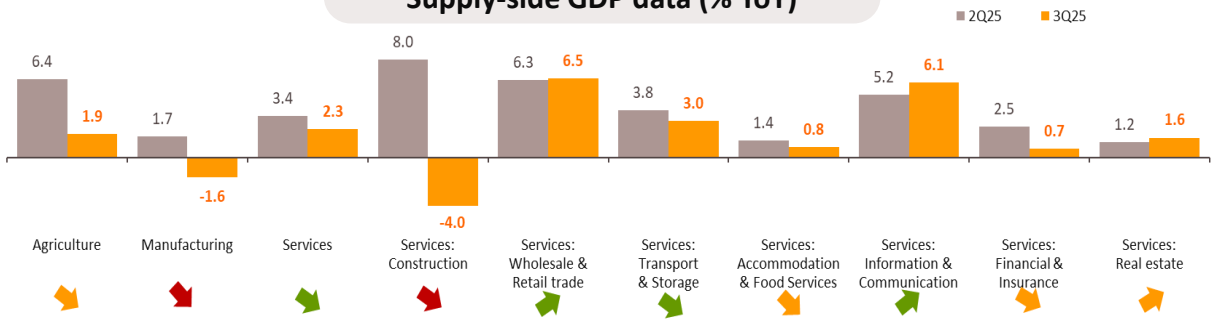
Key growth drivers in 3Q25:

- **Demand side:** Steady growth of private investment and private consumption
- **Supply side:** Growing wholesale & retail trade and information & communication sectors

GDP growth by expenditure (% YoY)

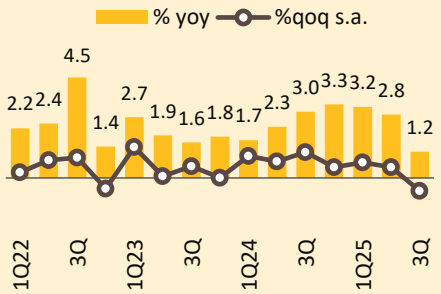


Supply-side GDP data (% YoY)



Source: NESDC, Krungsri Research

Thai GDP growth (%)



Components of Thai GDP growth

	% YoY			% QoQ sa	
	9M25	2Q25	3Q25	2Q25	3Q25
GDP	**2.4**	**2.8**	**1.2**	**0.5**	**-0.6**
Private consumption	2.6	2.6	2.6	0.2	0.2
Public consumption	0.3	2.2	-3.9	0.1	-2.4
Private investment	2.3	4.1	4.2	-3.0	5.3
Public investment	7.7	10.1	-5.3	5.0	0.8
Export of goods & services	10.1	11.2	6.9	1.2	0.4
Export of goods	12.9	14.3	10.8	3.4	1.5
Export of services	-1.7	-2.6	-10.7	-6.6	-5.7
Import of goods & services	5.8	10.9	4.6	5.1	-0.5
Import of goods	9.0	15.3	7.8	6.5	-0.3
Import of services	-6.1	-5.5	-8.6	-2.4	-2.1

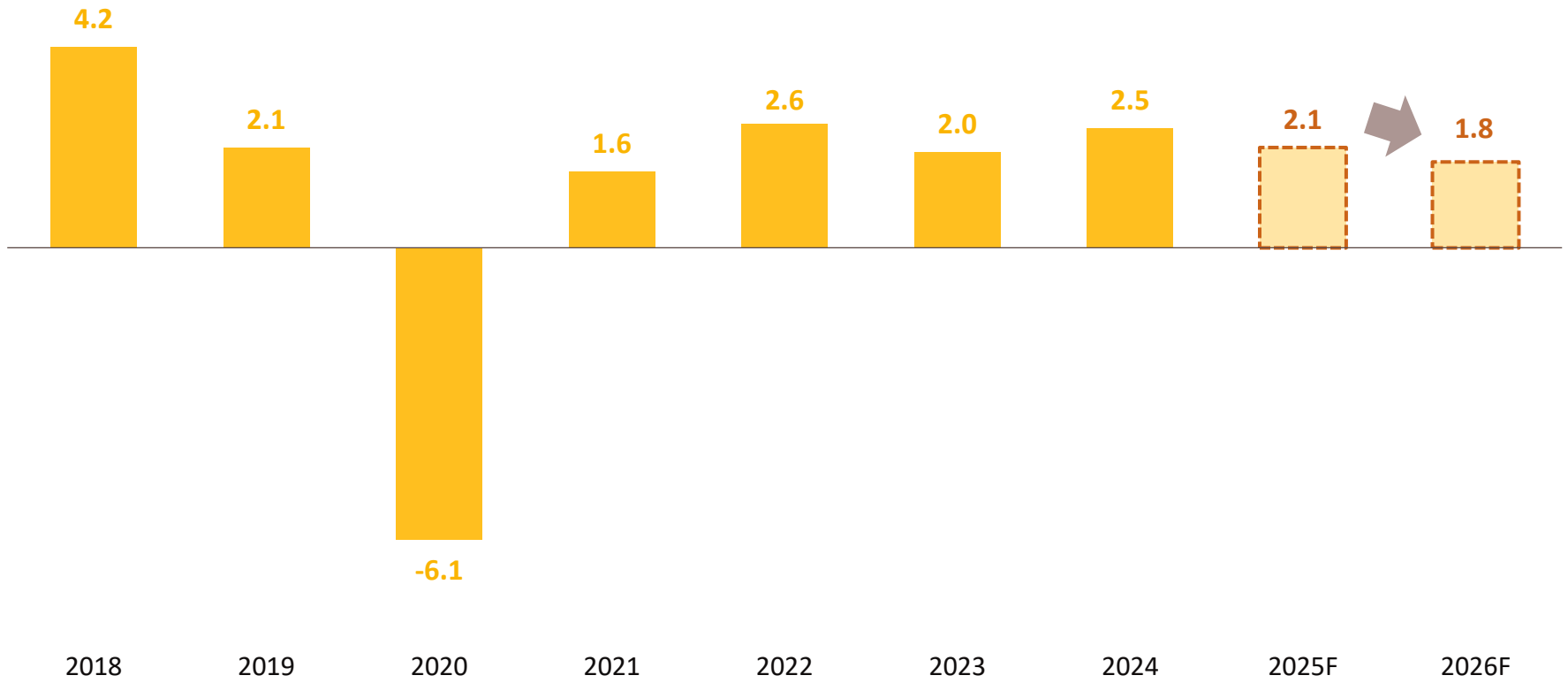
Krungsri Research's view

- **3Q25 GDP growth decelerated sharply to only 1.2% YoY from 2.8% in 2Q25,** with budget disbursement delays, falling public construction, softer growth of goods exports, and a deeper contraction in services exports. Private consumption growth held steady, but spending on the service sector grew at a slower pace amid weaker tourism and declining consumer sentiment.
- **3Q25 GDP came in below expectations,** due mainly to: (i) heightened political uncertainty during the quarter; (ii) a slower-than-expected tourism recovery; (iii) some tariff impacts; (iv) temporary factors, such as refinery maintenance shutdown and temporary factory closures for relocation; and (v) a sharp drop in errors and omissions.
- Looking ahead, although growth momentum is shifting from earlier export tailwinds (front-loaded effect) toward tariff headwinds following the U.S. tariff hikes implemented since August, **we expect that in 4Q25, clearer political direction, short-term stimulus measures, and improving tourism sector will help the economy avoid a technical recession.** Government stimulus measures, particularly the "Half-Half Plus Copayment" and "Tourism Tax Incentive" schemes, are expected to boost household spending and service activities in the final quarter, supporting a return to positive quarter-on-quarter growth after the contraction in 3Q25**. For the full year 2025, Krungsri Research maintains our GDP growth forecast at 2.1%.**

Thailand's 2026 economic growth likely to moderate, facing tariff pressure and political uncertainty.

In 2026, Thailand's economic growth is expected to soften compared with 2025. The full-year impact of US tariffs on key exports could weigh on export performance, while renewed political uncertainty from February through mid-year may constrain public spending, particularly the disbursement of capital budget, and dampen the overall economic activity, posing challenges to the country's broader growth prospects.

Forecast of Thai GDP Growth during 2025-2026 (%)



Source: NESDC, Krungsri Research

2026: Thailand in the Shadow of Transitions — Low Growth With Small Rays of Hope

- **Under the shadow of political and policy transitions, the Thai economic growth is expected to slow down to a 5-year low of 1.8% in 2026 from an estimated 2.1% growth in 2025.**
- **Thai exports are likely to weaken substantially** under both the full impact of U.S. tariffs and the resulting payback effect, pressured by global trade tensions and fragmented globalization.
- **Tourism is recovering slowly from the shadow of past disruptions** but is still below pre-Covid levels. Safety concerns continue to weigh on arrivals, though global tourism momentum supports the outlook.
- **Politics will play a key decisive role.** Timely government formation and policy continuity are crucial as political uncertainty may cast a long shadow.
- **Private consumption growth will soften as key drivers fade,** underscoring the need for new growth engines in this period of change.
- **Business investment may grow gradually.** Lingering global and domestic challenges keep investors cautious despite encouraging FDI and BOI data.
- MPC likely to cut policy rate to 1.00% by 1H26 amid weak momentum and tight credits, pointing to **policy easing under the shadow of subdued growth.**

Tailwinds

- **Stimulus measures** to support growth
- **Gradual recovery in tourism** to help improve employment
- Trends of **Foreign Direct Investment** amid greater regionalization
- Effect of previous **interest rate cuts** and debt-relief measures
- Growth in sectors aligned with **Megatrends**, e.g., Digital, Healthcare, and an Aged society
- **Sound economic stability**

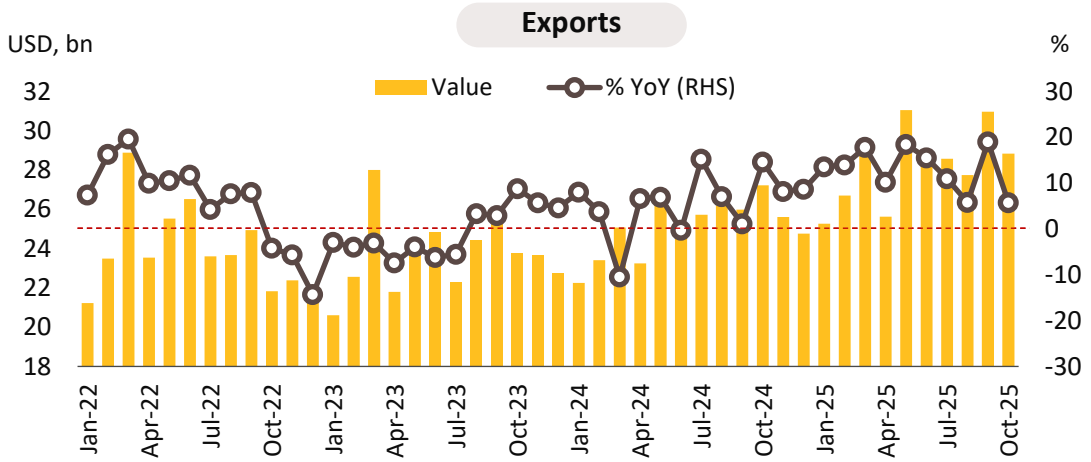
Headwinds

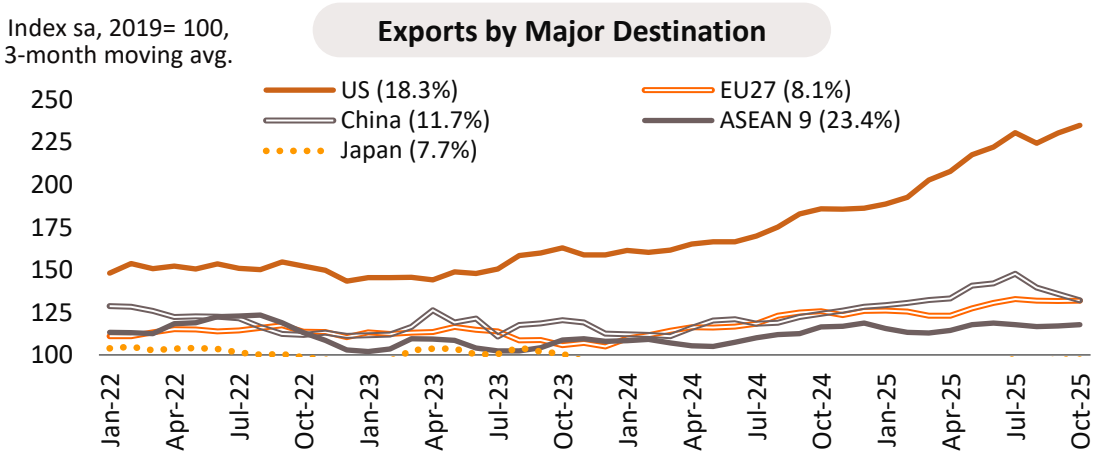
- Impacts of **U.S. tariffs,** trade wars, geoeconomic fragmentation, and geopolitical conflicts
- **Financial market volatility** amidst the uncertain policies of major global powers
- Impact of **domestic political transition** on public spending and FY2027 Budget Act.
- **Climate fluctuation**
- **Structural issues** such as elevated household debt, declining competitiveness in key industries, aged population, and shrinking workforce

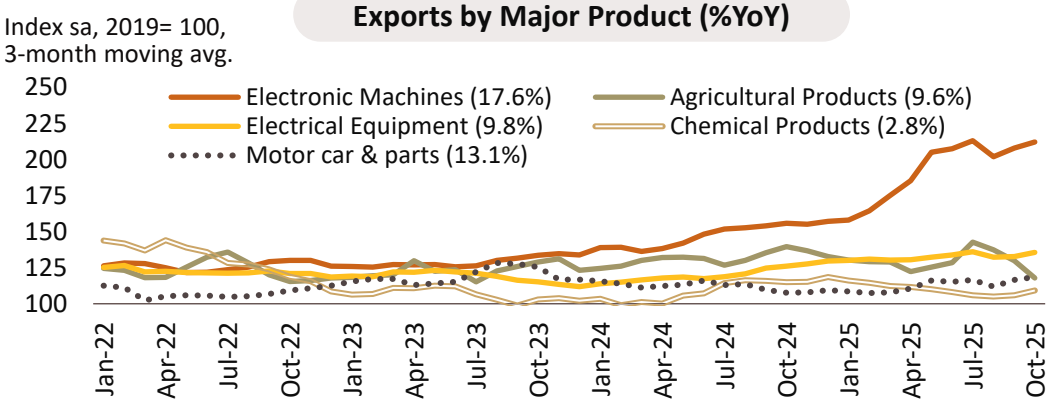
Source: Krungsri Research

Following abnormally high, front-loaded growth in 2025, *Thai exports* are likely to weaken in 2026 under both the full impact of U.S. tariffs and the resulting payback effect.

Although Thai exports are expected to lose momentum in the remainder of 2025, full-year growth is still projected to exceed earlier expectations, expanding by nearly 10%. This reflects (i) front-loading of orders ahead of tariff implementation and (ii) stronger demand for AI-related technology products, which has boosted shipments of electronics and components. **However, in 2026, the reciprocal tariff hike on Thai goods to 19% (since Aug-25) and the sectoral-specific tariffs are expected to exert pressure throughout the year**. Higher tariffs will erode Thailand's price competitiveness, particularly for sectors heavily reliant on U.S. demand. As a result, Thai exports in 2026 face a significant risk of contracting from the elevated levels seen in 2025.







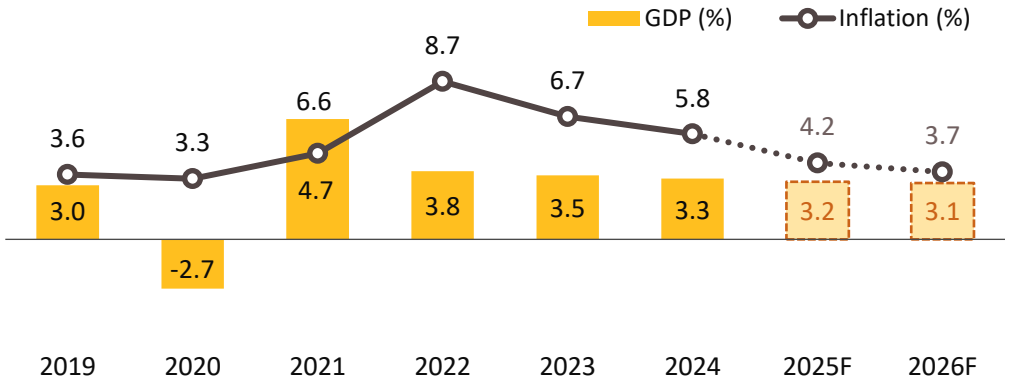


Note: (% share in 2024)
Source: MOC, Krungsri Research

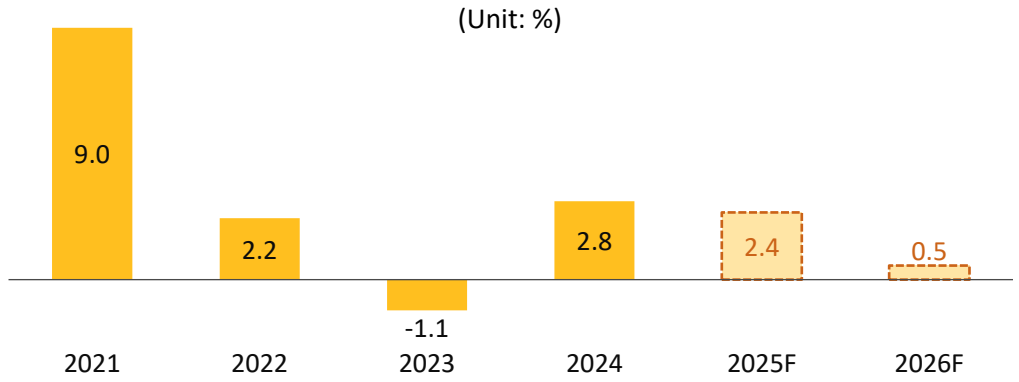
Exports are expected to face headwinds from U.S. tariffs and weaker global trade, although the tech sector may continue to provide some support.

The IMF projects global economic growth at 3.1% in 2026, a slight slowdown from the previous year, while the WTO forecasts global trade volume to expand by only 0.5%, decelerating from 2.4% in 2025. This reflects mounting pressure from intensifying trade protectionism, particularly the U.S. tariff measures, which are expected to have a more pronounced impact on exports in 2026. Nevertheless, continuing demand for technology and electronics products, driven by ongoing trends in digital transformation, AI, and semiconductors, should help cushion the tariff impacts on Thai exports. **Overall, export growth in 2026 is likely to weaken sharply after the strong expansion in 2025.**

World GDP Growth and Inflation Forecasts by IMF



World Merchandise Trade Volume Growth Forecast by WTO



Thai Exports by Major Product and Destination

Thailand: January-September's Export growth (% YoY)	World	U.S. (18%)	EU (8%)	Japan (8%)	China (12%)	ASEAN-5 (13%)	CLMV (10%)
Total	**+13.9**	**+28.6**	**+8.3**	**+1.6**	**+16.1**	**+6.4**	**+6.7**
Computer & parts (8.2%)	+64.5	+82.9	+32.7	+1.3	+129	+64.6	+39.5
Cars & parts (10.3%)	-0.7	-0.01	-10.5	-7.3	-29.5	-6.4	+17.6
Rubber products (4.7%)	+15.3	+6.6	+1.1	+20.0	+52	+5.8	+9.3
Plastic resin (2.9%)	-2.0	+2.4	+11.2	-1.1	-5.4	+2.8	+0.9
Electronic IC (2.9%)	+32.9	+35.3	-2.6	-5.5	+38.9	+16.9	+135.1
Chemical products (2.8%)	+0.3	+20.6	+62.2	-6.4	+3.7	-13.0	+5.1
Fresh, frozen & dried fruit (2.2%)	+4.0	-11.5	+15.5	+27.8	+3.4	+50.3	+11.5
Electrical appliances (1.8%)	+13.8	+13.6	+9.5	-1.5	+28.1	+7.4	+24.3
Rubber (1.7%)	+3.7	-14.1	-7.1	+19.5	+25.2	-10.6	+12
Plastic products (1.5%)	+15.8	+54.5	+0.9	+0.5	-2.5	+2.0	-0.8
Rice (2.1%)	-30.7	+7.2	+12.7	-36.4	+87.6	-73	+16.4
Preserved fish, crustaceans (1.3%)	-0.4	+0.7	+1.5	+2.5	+14.1	+10.8	-5.9
Sugar (0.8%)	+11.7	-30.8	-81.7	-25.0	+93.0	+34.2	-12.1
Tapioca products (1.0%)	-6.4	-6.5	-13.7	-14.2	+2.8	-28.4	-8.0

Source: IMF, WTO, MOC, Krungsri Research

Thailand recently agreed with trade framework with the U.S., but *significant concessions were made* for a 19% tariff, leaving Thailand with *tied hands in conducting trade policy.*

On Oct 26, 2025, the U.S. and Thailand agreed on a Framework for an Agreement on Reciprocal Trade. Within this framework, in exchange for a reciprocal tariff reduction and further exemptions on some goods, Thailand will eliminate tariffs on almost all U.S. goods, increase purchases of animal feed, energy, and aircraft, and broaden market access for certified meat, poultry, vehicles, medical devices, and pharmaceuticals. Separately, both nations also signed an MoU that allows for rare earth exploration and possible investment in the future. However, this trade deal might not be worth the cost. It could harm Thailand's domestic producers, given that we are exchanging to a considerable extent for a 19% tariff that did not exist before this administration, while also constraining our trade policy space.

Thailand's Key Offers

1. **Eliminating** tariffs on 99% of U.S. goods
2. Purchase of
   - **feed corn, soybean meal, and DDGS*** (USD 2.6 bn/year)
   - **Energy products** (USD 5.4 bn/year)
   - **80 U.S. aircraft** (USD 18.8 bn)
3. Expediting access for U.S. Food Safety and Inspection Service-certified **meat and poultry products**
4. Accepting **U.S. vehicles** manufactured to comply with U.S. federal motor vehicle safety and emissions standards
5. Accepting **U.S. FDA certificates** and prior marketing authorizations for medical devices and pharmaceuticals

U.S. Key Exchanges

1. Maintaining **a 19% reciprocal tariff** rate for imports of Thailand
2. To identify **additional products to be exempted** from reciprocal tariffs in the list set out in Potential Tariff Adjustments for Aligned Partners (PTAAP).



Note: *DDGS stands for Distillers Dried Grains With Solubles.

Source : The White House and USTR; compiled and calculated by Krungsri Research

More-give-than-get trade deal raises concerns for domestic producers and could lead to *"Twin Influx"*. Additional tariff exemptions and transshipment tariffs remain to be seen.

Given Thailand's various concessions in the trade deal, several issues need to be carefully considered. **First, we offer to increase the purchase of animal feed from the U.S.,** including soybean meal, feed corn, and DDGS, by USD 2,600 mn/year. This is substantial compared to the actual imports from the U.S. of such goods in 2024, which were only USD 63 mn, and about 32% higher than the total animal feed imports in 2024. **Second, eliminating tariffs on almost all U.S. goods** could lead to a surge in total imports from the U.S. This comes on top of the existing influx of Chinese goods and could lead to the "twin influx." **Third, the MoU on rare earths** also raises concerns about cost-effectiveness and potential environmental impacts. **Fourth,** even if the U.S. extends reciprocal tariff exemptions as set out in the PTAAP, the maximum coverage of goods to be exempted in sensitive sectors, including Agriculture, Food and Beverages, and Rubber and Plastics, accounts for only 15.2% of Thailand's sensitive-sector exports to the U.S. **Additionally, Thailand still faces a risk of transshipment tariffs in the coming period.**

Key Affected Agricultural Imports

Goods	2024 Imports (USD mn)		
	Total	U.S.	U.S. Share (%)
Soybean Meal	1,362	9.4	0.7
Feed Corn	534	0	0.0
DDGS*	72.1	53.6	74.3
Total	**1,968.1**	**63.0**	**3.2**

Potential Reciprocal Tariff Exemptions for Sensitive Sectors

Sector	2024 Export to the U.S. (USD mn)		
	Total	Potential Exemption (Maximum)	Share (%)
Agriculture Food and Beverages Rubber and Plastics	**10,940.6**	**1,665.8**	**15.2**

Potential "Twin Influx" in the Long Term

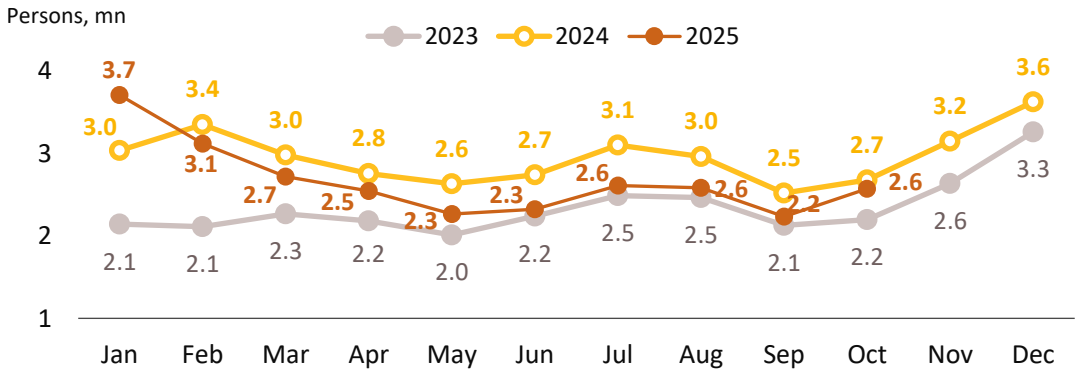
Sectors		Influx of Goods	
		From U.S. (expected long-term impact)	From China (% change 2019 vs. 2024)
	**Food and Beverages**	**156%**	**18%**
	**Agriculture**	**135%**	**62%**
	**Motor Vehicles and Transport Equipment**	**80%**	**125%**
	**Textiles, Leather and Footwear**	**52%**	**18%**
	**Rubber and Plastics**	**46%**	**56%**

Note: *DDGS stands for Distillers Dried Grains With Solubles.
Source : The White House, MoC, GTAP and WITS; compiled and calculated by Krungsri Research

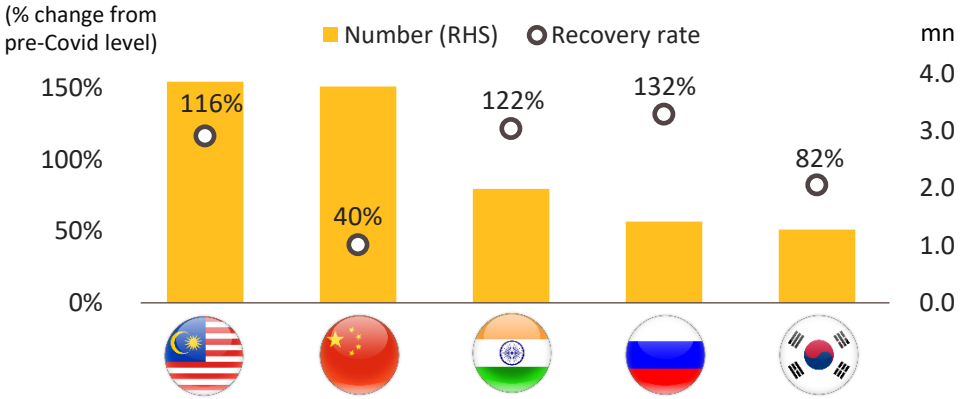
Tourism: 2025 arrivals fall; modest recovery expected in 2026, still below pre-Covid levels.

Although foreign tourist arrivals are expected to pick up in the final quarter of 2025 due to the high season, the recovery of Chinese tourists remains slow, with arrivals contracting by nearly -34% in the first ten months of 2025 and falling behind those from Malaysia as Thailand's largest source market. As a result, total foreign arrivals in 2025 are projected at 33.3 mn, marking the first annual decline since the post-pandemic recovery. **In 2026, international tourist arrivals are expected to gradually recover to around 35.5 mn,** generating tourism revenue of an estimated THB 1.64 trn, up from THB 1.53 trn in 2025. This reflects a gradual improvement in both visitor numbers and tourism income. **Nonetheless, foreign tourist arrivals in 2026 are expected to remain well below the pre-COVID level of 39.9 mn in 2019.**

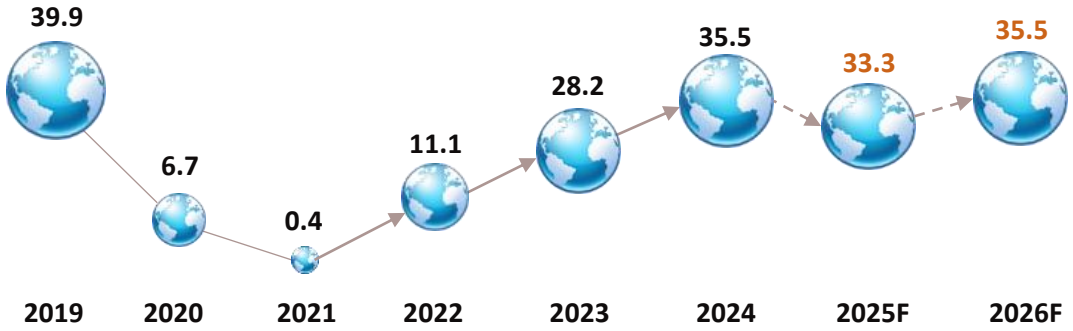
Foreign tourist arrivals fell -7.2% YoY during January-October



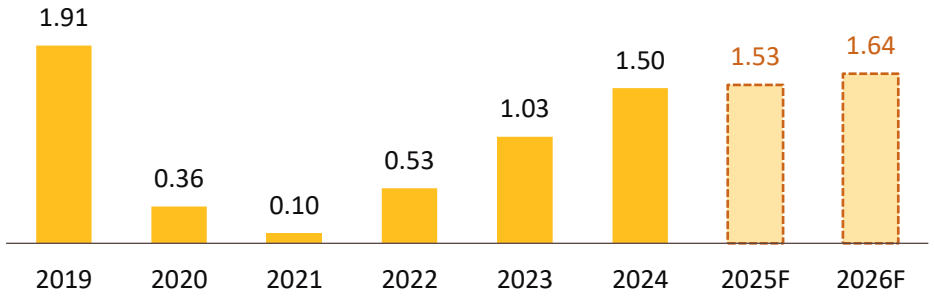
Top 5 tourist arrivals by country during January-October



Forecast for foreign tourist arrivals (mn persons)



Forecast for foreign tourist receipt (THB, trn)

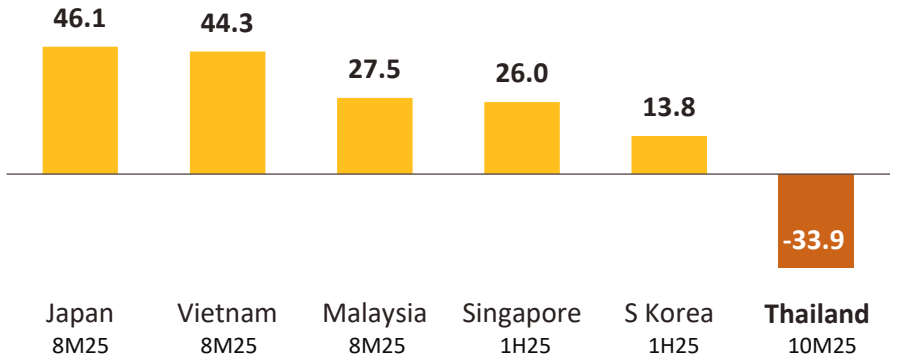


Source: MOTS, CEIC, Krungsri Research

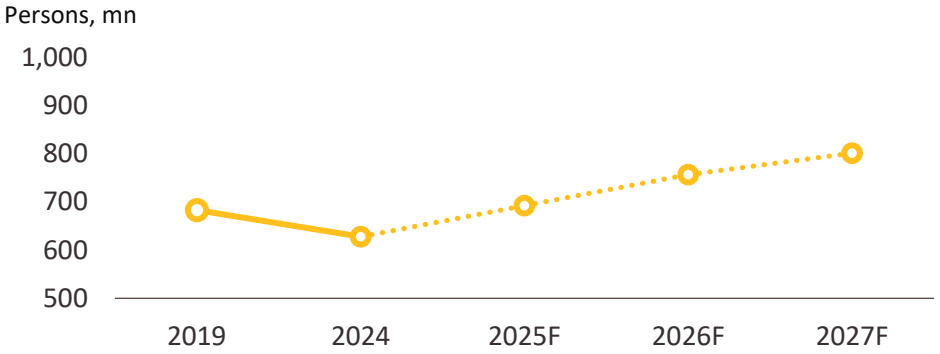
Safety concerns continue to weigh on Chinese arrivals, while global tourism momentum and new flight routes support Thailand's 2026 outlook.

Concerns over travel safety continue to weigh on Chinese tourists' willingness to visit Thailand, hindering the sector's recovery. In the first ten months of 2025, Chinese arrivals to Thailand fell more sharply than to competing destinations such as Japan and Vietnam, reflecting stronger regional competition and shifting post-pandemic travel preferences. Even so, **global tourism remains supportive.** The Pacific Asia Travel Association (PATA) projects Asia-Pacific tourist arrivals to reach 756 mn in 2026 and 800 mn in 2027, providing a positive backdrop for tourism-dependent economies. **Thailand's Winter Flight Schedule 2025/2026 also shows signs of improvement.** Although overall international flight frequencies remain slightly below last year's levels, key airports such as Suvarnabhumi are seeing increased flights from China. New routes, including Haikou–Udon Thani, as well as growing flight capacity from India, are expected to help diversify Thailand's source markets and partially offset the slow recovery of Chinese tourists.

Growth in Chinese tourist arrivals by country (%)



Forecast of foreign tourist arrivals into Asia Pacific



Source: 2025-2027 Mid-year update report, Pacific Asia Travel Association (PATA), CAAT, CEIC Krungsri Research

Comparison of Chinese airline in winter flight schedules 2024/2025vs. 2025/2026

Airport	Airlines (Winter 2024/2025)	Details (2024/2025)	Airlines (Winter 2025/2026)	Details (2025/2026)
Suvarnabhumi	124	(19 Chinese airlines)	127	(21 Chinese airlines)
Don Mueang	23	(6 Chinese airlines)	17	(3 Chinese airlines)
Phuket	72	(16 Chinese airlines)	68	(8 Chinese airlines)
Chiang Mai	34	(9 Chinese airlines)	30	(7 Chinese airlines)
Samui	4	(1 Chinese airline)	2	(No Chinese airlines)
U-Tapao	8	(2 Chinese airlines)	11	(3 Chinese airlines)

Note: Thailand's winter 2025 schedule, running from October 26, 2025 to March 28, 2026.

Political developments will play a decisive role in Thailand's economy in 2026; timely government formation and policy continuity remain crucial.

Short-Term Economic Policies (Quick-Big-Win)

1. **Stimulating the domestic spending and tourism** via the Half-Half Copayment Plus program (over THB40bn) and tourism tax incentives.
2. **Household debt resolution** through the Asset Management Company (AMC) mechanism.
3. **Supporting SMEs** and ensuring liquidity
4. **Enhancing investment in key industries** through initiatives such as the Thailand FastPass system to accelerate BOI-promoted investments.
5. **Promoting household savings** through instruments such as lottery-based savings bonds

Thailand political timeline



By end-January 2026

- End of 4-month term (as promised with People's Party)
- Expected House dissolution, followed by Campaign period and new vote

Expected by end-March 2026

- General Election held (within 45–60 days after dissolution)

Mid 2026

- Coalition negotiations
- Formation of a new government expected during May-July 2026

- Risk from political uncertainty starting February 2026
- Risk of delay in the FY2027 budgetary process

Krungsri Research's view

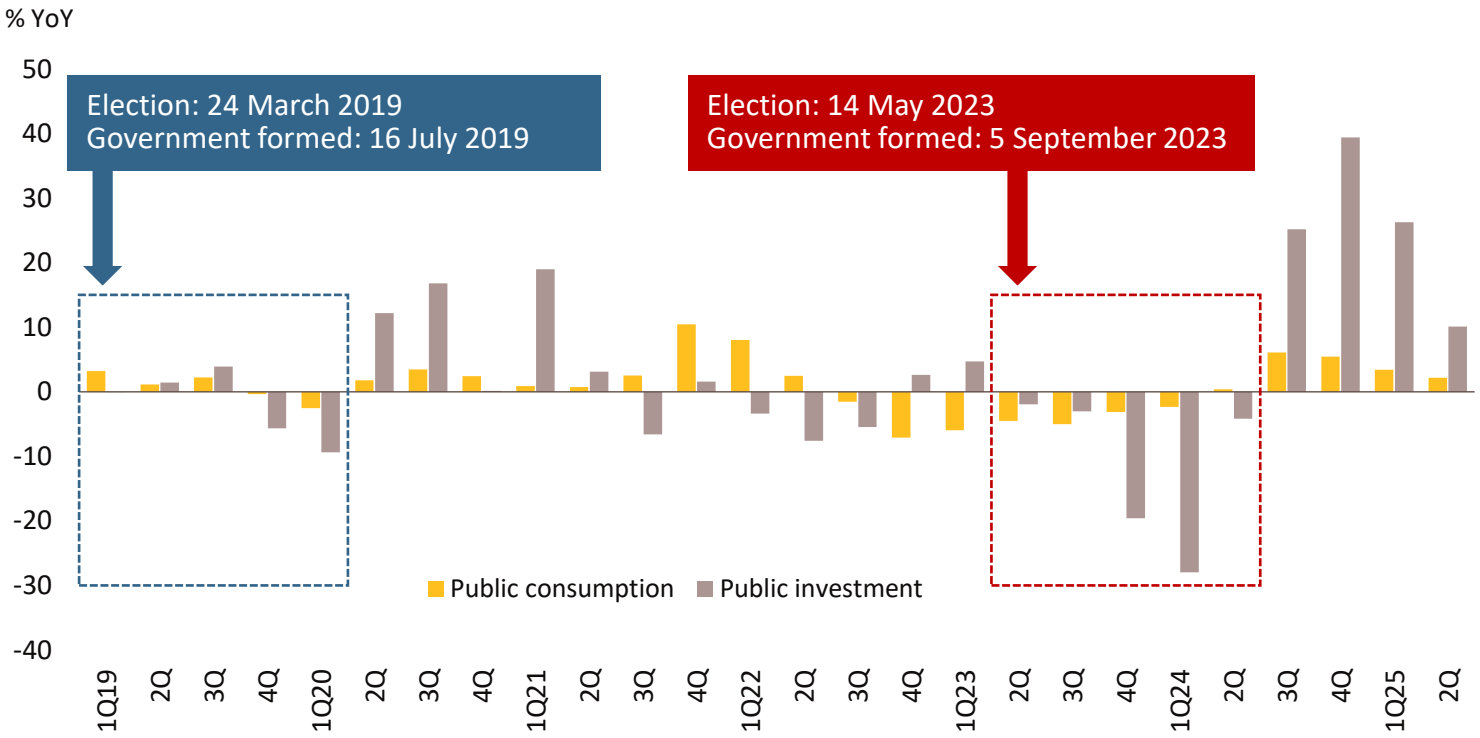
- **Politics** will continue to play a decisive role in Thailand's economic outlook.
- Following the expected dissolution of the House by the end of January 2026, the general election could be held by the end of March 2026.
- **Consequently, the timeliness of government formation and the continuity of policy implementation will be crucial in determining how effectively Thailand can navigate through the economic challenges of 2026.**

Source: THE STANDARD, Local press, Krungsri Research

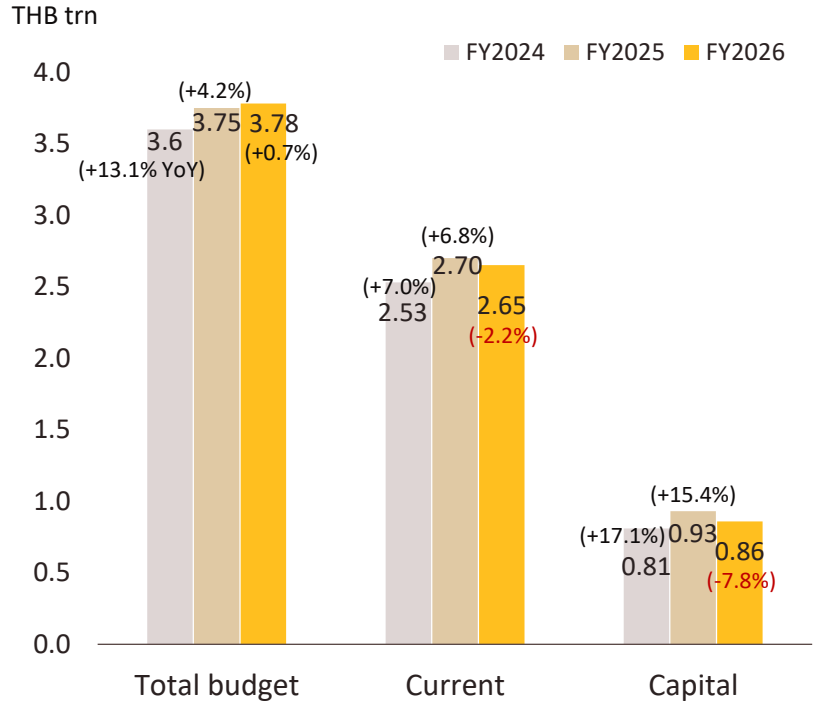
Public spending in 2026 could be at risk, as a prolonged caretaker government may postpone approval of the next fiscal year's budget.

Although both current and capital budget expenditures in FY2026 will decline from FY2025, overall spending is expected to increase due to the use of carry-over funds resulting from delayed disbursements in FY2025. However, in 2026, Thailand's economy could face the risk of losing fiscal momentum if the country enters an extended caretaker government period before and after the general election. Legal and institutional constraints during this phase typically prevent the government from introducing new policies or accelerating investment and spending programs, creating a temporary "fiscal gap" that weakens economic support. Historical patterns from the 2019 and 2023 election periods show that **government spending often slows noticeably, particularly through (i) delayed capital budget disbursement** caused by the postponed government formation, which affects the approval process for the annual budget bill; **and (ii) restricted disbursement of current budget,** which remains at essential levels with no new measures to support incomes or business confidence. **A similar environment in 2026 may once again weigh on economic activity and contribute to slower overall growth.**

Public consumption and public investment after elections



Fiscal budgetary in FY2026

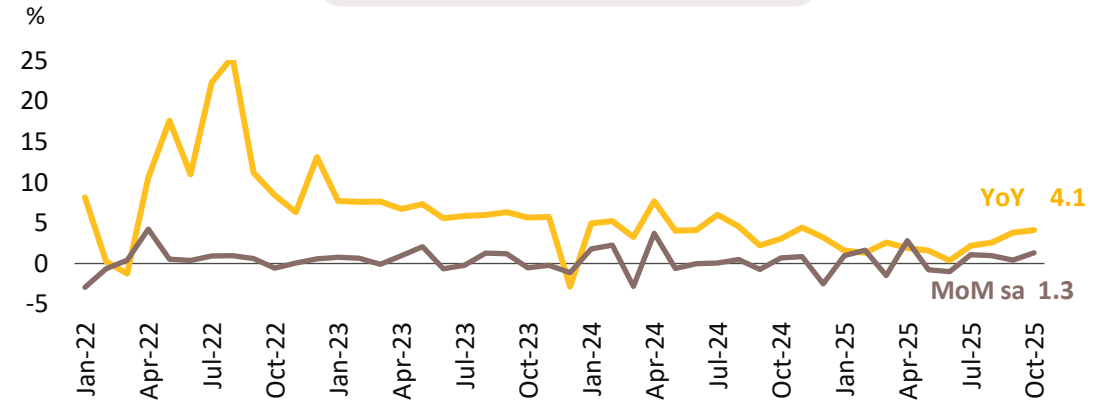


Source: MOF, Krungsri Research

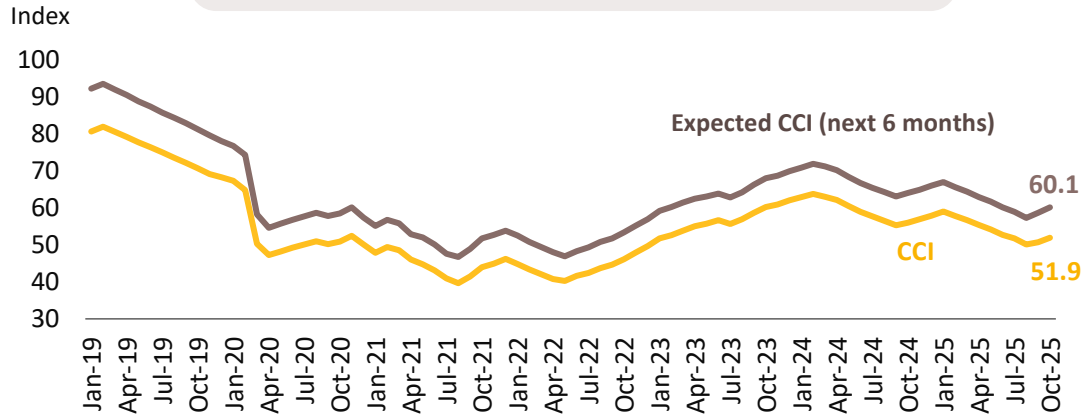
Private consumption is likely to face multiple headwinds in 2026 as key drivers ease.

In 2026, private consumption is expected to grow at a slower pace due to several headwinds. **(i) Diminishing fiscal support,** as the Co-payment Plus scheme is likely to end in early 2026, reducing momentum for household spending; **(ii) Low consumer confidence,** amid heightened concerns over renewed political uncertainty ahead of the general election in the year; **(iii) An uneven labor market recovery,** with the tourism sector to improve only gradually, and export-related sectors to weaken; **(iv) Still-weak farm incomes,** reflecting lower agricultural prices across several key commodities; and **(v) Structural constraints** from high household debt, which continue to weigh on purchasing power.

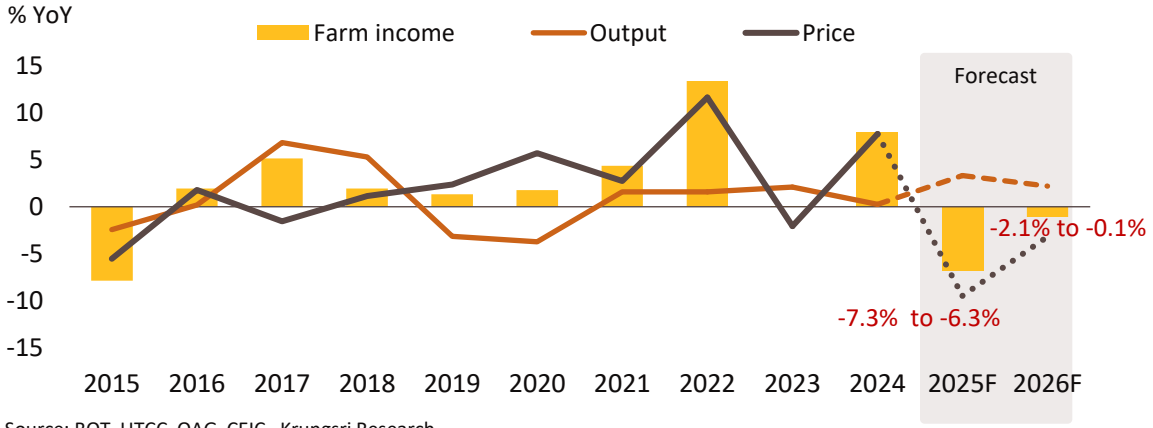
Private Consumption Index



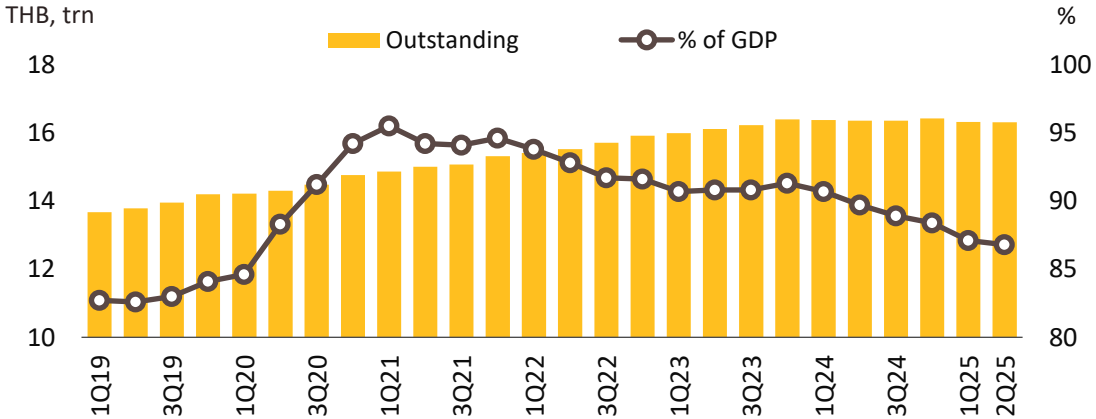
Consumer confidence improves but remains low



Farm income is expected to slightly decline in 2026 due to falling prices



Household debt remained high at 86.8% of GDP in 2Q25



Source: BOT, UTCC, OAG, CEIC, Krungsri Research

Liquid assets of households posted stagnate growth, suppressing Thailand's post-Covid consumption recovery.

Thailand's economy has been gradually recovering from the COVID-19 crisis, but the recovery has not been strong enough to boost household consumption. Over the past 3-4 years, spending has remained weak because households are still burdened by high debt and stagnant income that limit their ability to spend. This weak purchasing power reflects deeper structural issues, such as low income, unstable jobs, and household assets that are not growing fast enough to keep up with rising living costs. These issues continue to hurt consumer confidence and delay a full economic recovery.

Change in liquid assets of Thai households after Covid-19 (during 2021-2023)

Household income (Baht per month)	Unit: (Increase or Decrease) Baht per household per year			
	Bank deposits	Financial assets for investment	Other financial assets (e.g., gold, jewelry, receivables)	**Total liquid assets**
<10,000 (16%)	+439	-84	-236	**+120**
10,000-20,000 (33%)	+1,353	-51	+506	**+1,808**
20,000-30,000 (20%)	+7,840	+292	+2,157	+10,289
30,000-50,000 (18%)	+14,195	-699	+4,033	+17,529
50,000-100,000 (10%)	+16,224	+904	+11,831	+28,960
>100,000 (2%)	+18,752	**-64,824**	+20,245	-25,826
Total	+6,732	-1,440	+2,927	**+8,218**

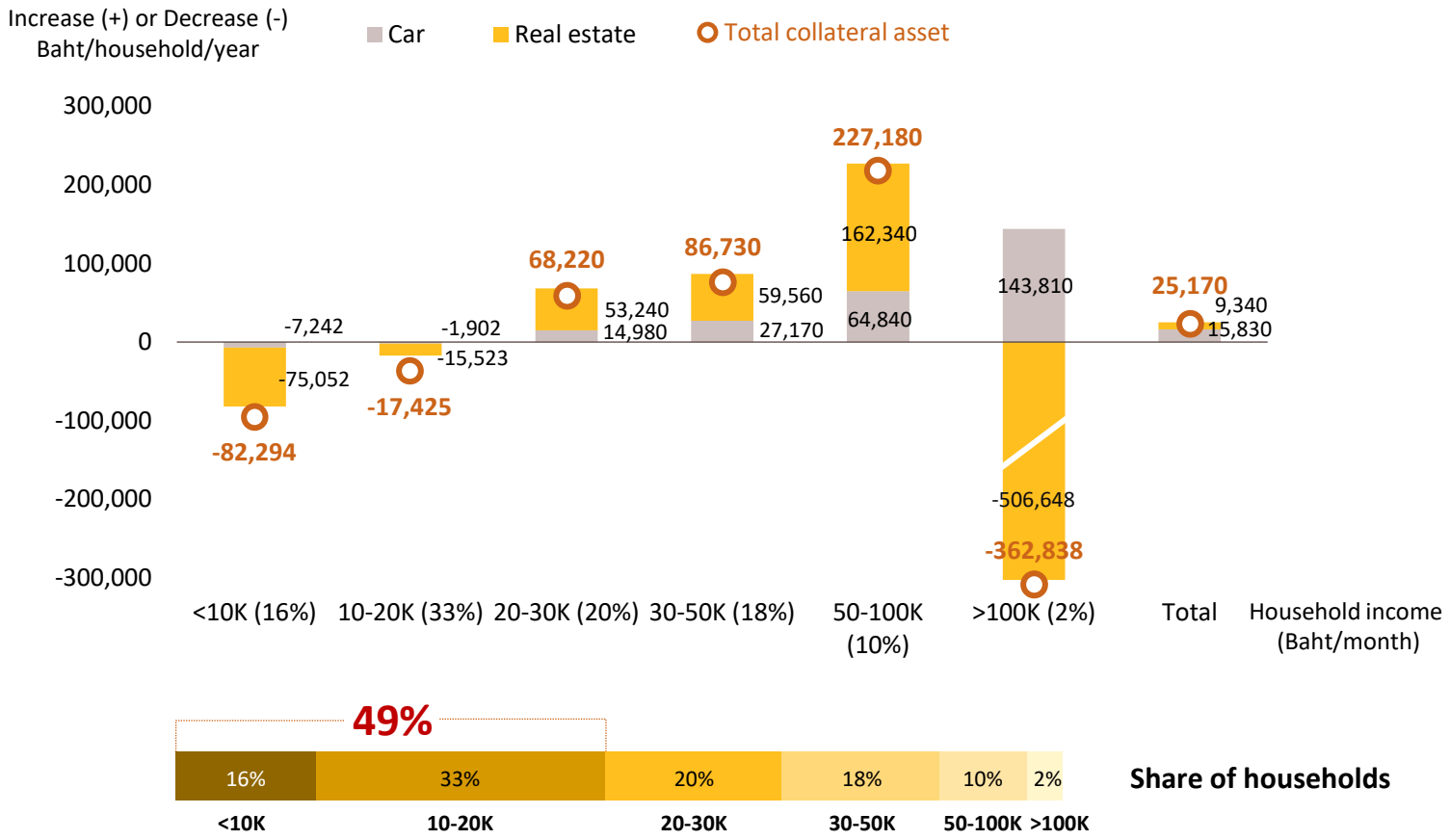
The latest survey after the Covid-19 pandemic by the National Statistical Office (NSO) during 2021-2023 showed that

- **Total liquid assets of Thai households increased only marginally post-Covid-19, with a fall in their financial assets for investment**.
  - Total liquid assets grew by merely an average of THB 8,218 per household per year.
  - Financial assets for investment declined by an average of THB -1,440 per household per year.
- **Low-income households' liquid assets saw almost no gains.** Among households earning below THB 20,000 per month, representing nearly half of all households, liquid assets expanded by less than THB 2,000 per household per year. **The lowest-income households (below THB 10,000 monthly income) saw an increase in liquid assets of only THB 120 per household per year.**
- **High-income households posted a loss in their financial assets.** Even among high-income households (above THB 100,000), liquid assets fell by approximately THB -25,826 per household per year, largely reflecting declines in investment portfolios amid subdued economic sentiment.

Note: The figures in parentheses () indicate the proportion of households in each income group out of the total number of households in Thailand from 2021 to 2023
Source : NSO, Krungsri Research

Post-covid change in households' collateral assets reflects vulnerability of low-income groups and the problem of lacking financial buffers.

Change in collateral assets of Thai households after Covid-19 (during 2021 to 2023)

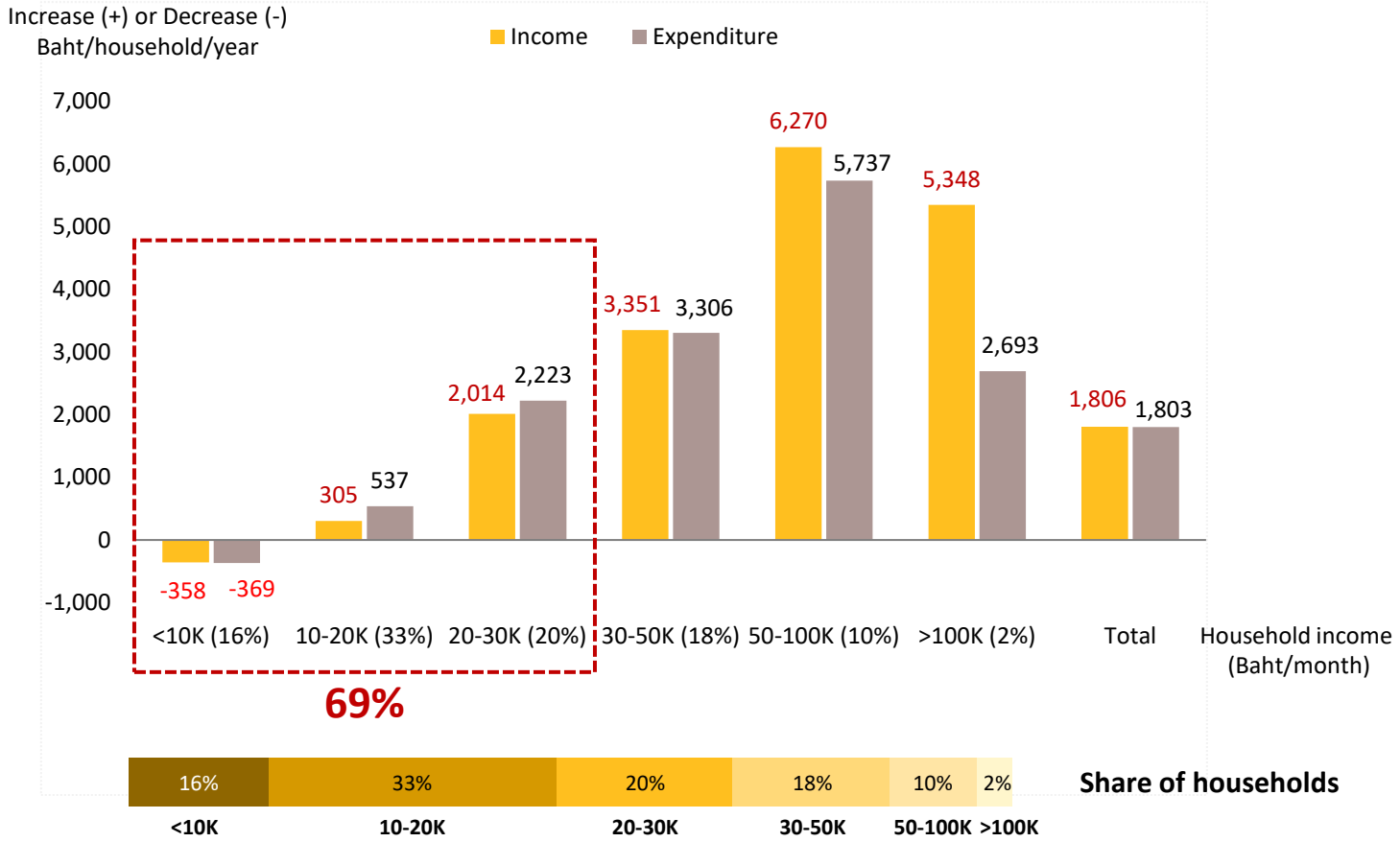


- **Assets that can be used as collateral, including real estate and vehicles, have also deteriorated after the Covid-19 pandemic.**
  - Lowest-income households (earning below THB 10,000 per month) experienced a decline in collateral assets of THB -82,294 per household per year.
  - Low-income groups (THB 10,000–20,000) lost approximately THB -17,425 per household per year.
  - High-income households faced an even sharper drop in real estate values, exceeding THB -500,000 per year, although vehicle values rose slightly.
- **Falling collateral assets of households reduce access to credit and weaken financial stability, increasing the risk of a more serious debt crisis if the situation continues.**
  - This is especially problematic for low-income households that are already struggling with structural issues such as stagnant income growth.

Note: The figures in parentheses () indicate the proportion of households in each income group out of the total number of households in Thailand from 2021 to 2023
Source : NSO, Krungsri Research

Weak income growth leaves Thai households with little room to save or spend, particularly those earning below 30,000 baht per month.

Changes in household income and expenditure after Covid-19 (during 2021-2023)



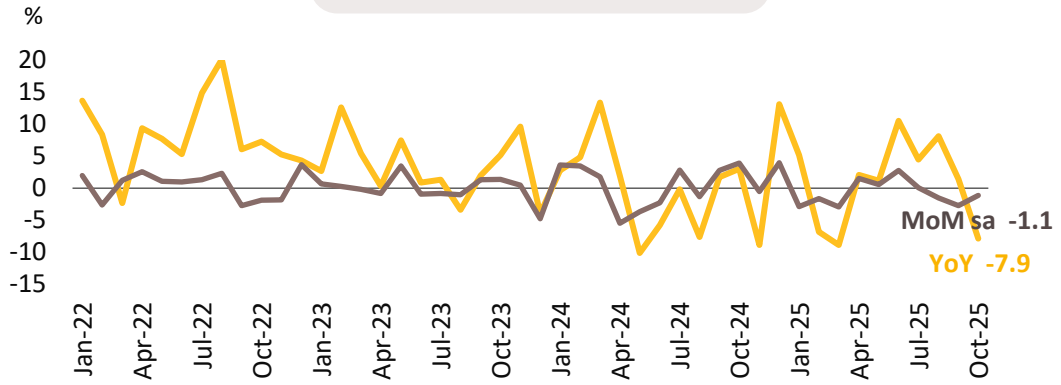
- **The biggest challenge remains low and stagnant income.**
- From 2021 to 2023, total income rose by an average of only THB 1,806 per household per year, almost matching the increase in expenses (THB 1,803).
- This left households with **minimal capacity for savings, spending, or borrowing.**
- **Approximately 69% of households**—those earning below THB 30,000 per month—have seen income growth consistently lagging behind rising expenditure.
- For the lowest-income households whose earnings are below THB 10,000 per month, **both income and expenditures have declined,** underscoring heightened financial stress.

Note: The figures in parentheses () indicate the proportion of households in each income group out of the total number of households in Thailand from 2021 to 2023
Source : NSO, Krungsri Research

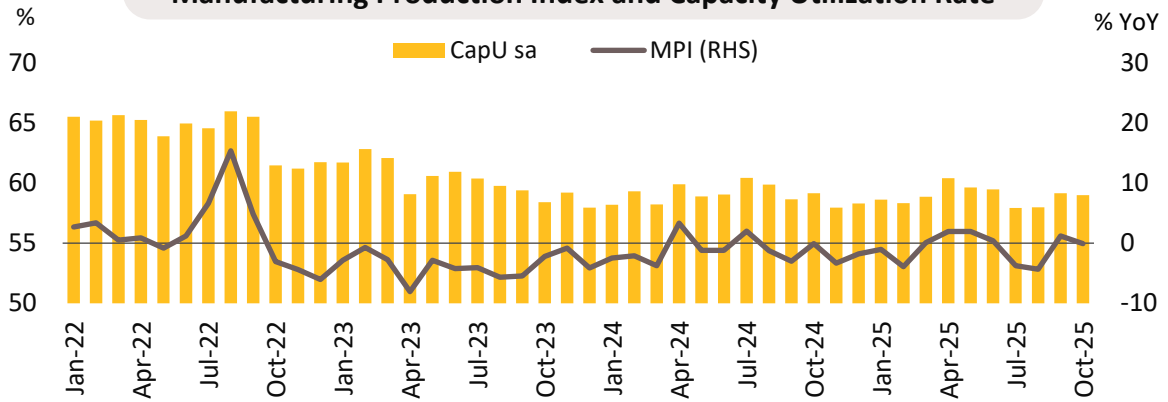
Private investment to grow at a gradual pace as global and domestic challenges persist.

Private investment in 2026 is expected to expand gradually, supported by several factors: (i) continued growth in FDI and investment in targeted industries benefiting from BOI incentives; (ii) ongoing relocation of production from China to Southeast Asia, from which Thailand may gain due to its strong infrastructure; and (iii) the recovery of tourism and related service sectors, which may boost investment in hotels, retail, logistics, and urban transport. **However, investment growth will remain constrained by**: (i) the full-year impact of U.S. tariff measures, which could pressure export-oriented manufacturing and delay capacity expansion; (ii) weaker domestic demand amid high household debt; and (iii) political uncertainty in an election year, which may postpone public investment and delay some investment decisions. **Overall, private investment is likely to grow in 2026, but the pace will be limited by external risks and structural domestic challenges.**

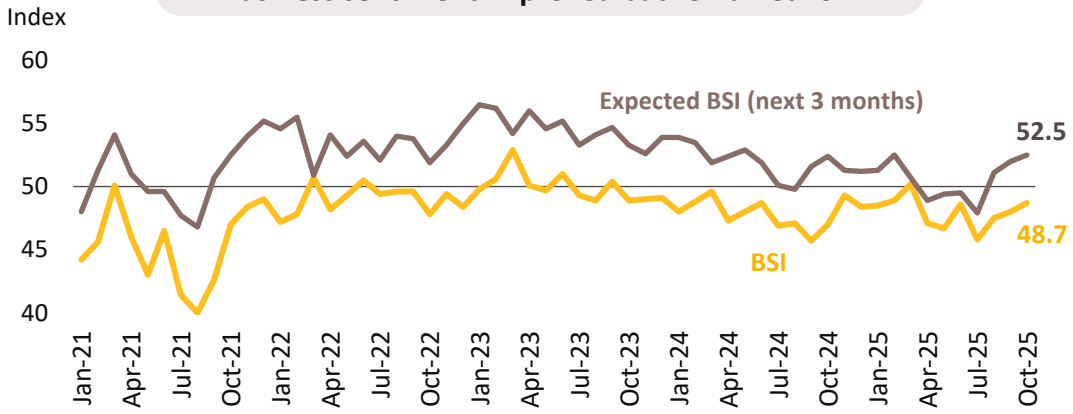
Private Investment Index



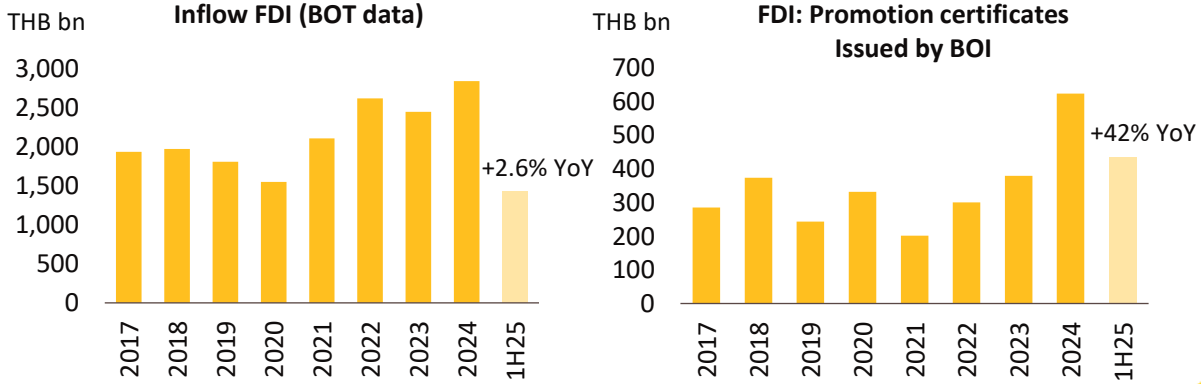
Manufacturing Production Index and Capacity Utilization Rate



Business sentiment improved but remained low



Positive Signs in Foreign Direct Investment (FDI)

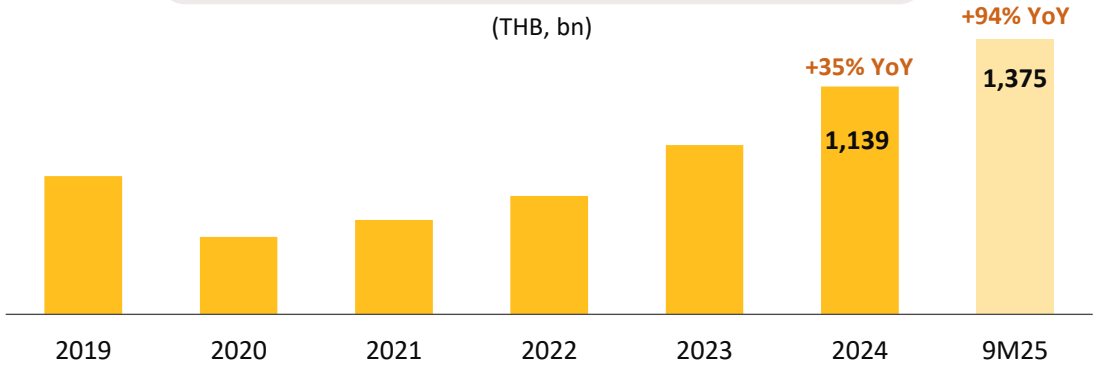


Source: BOT, BOI, OIE, Krungsri Research

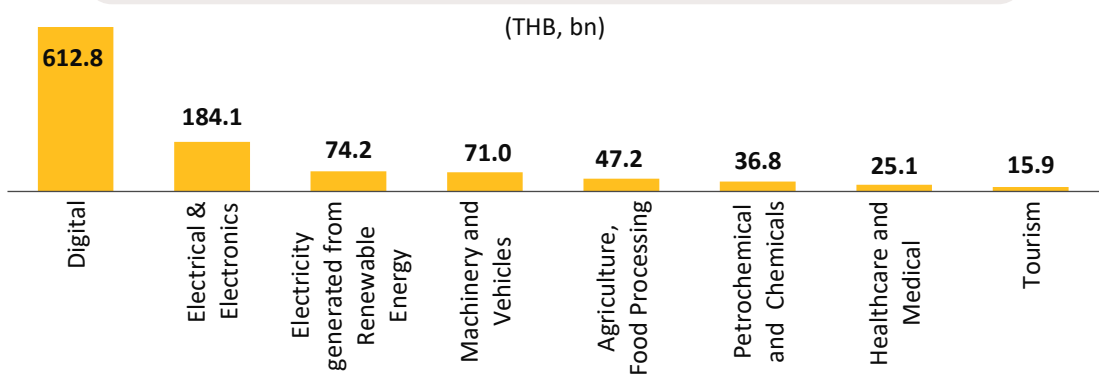
BOI applications surge, and ‘FastPass’ rollout is set to support private investment momentum.

Private investment continues to show positive momentum. In the first nine months of 2025, the Board of Investment (BOI) received applications for investment incentives with a total investment value of THB 1,375 bn (+94% YoY). **The three industries with the highest investments were Digital, Electrical & Electronics, and Electricity generated from renewable energy.** Foreign direct investment (FDI) applications for BOI incentives valued at THB985 bn (+82%), led by Singapore, Hong Kong, and China. Meanwhile, the BOI has approved with a total investment value of THB 1,115 bn (+49%). The investment value of promoted certificates, which are closely linked to actual investment, totaled THB 948 bn (+41%). In addition, the BOI introduced the ‘Thailand FastPass’ system to accelerate the implementation of around THB 480 bn in projects that received investment promotion during 2023–2025. Overall, despite the broader economic slowdown, private investment, particularly in technology and new energy industries, should be one of key economic drivers going forward.

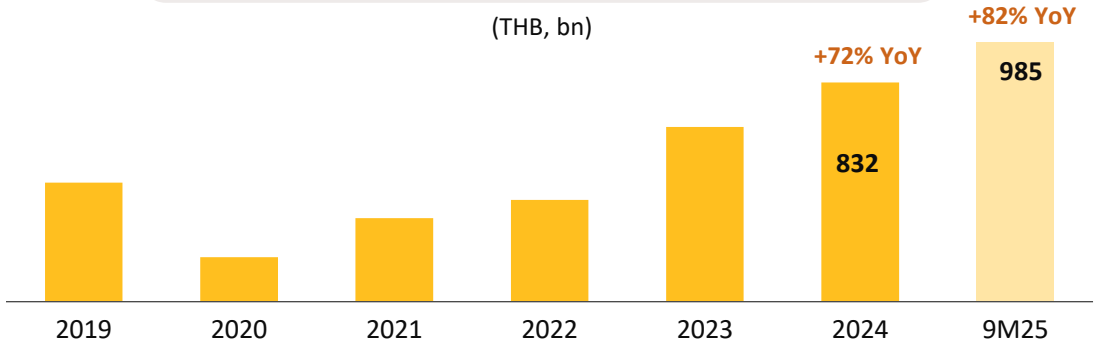
Total Applications for BOI Investment Incentives



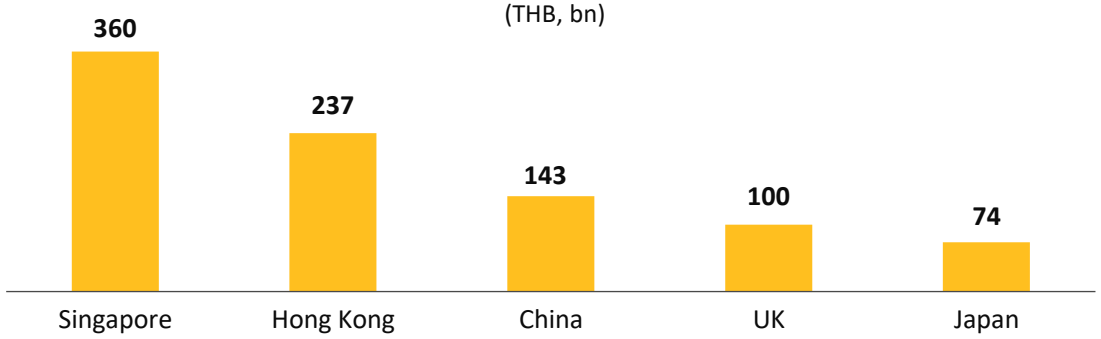
Applications for BOI Investment Incentives in 9M25 by sector



Total FDI Applications for BOI Investment Incentives



FDI Applications for BOI Investment Incentives in 9M25 by country



Source: BOI, Krungsri Research

Thailand’s strong infrastructure and incentives still bolster the investment attractiveness.

Foreign direct investment in Thailand will be supported by both strong infrastructure foundations and comprehensive investment incentives. Thailand demonstrates high infrastructure readiness for manufacturing, relatively effective technology adoption, and stable energy-related systems—key factors that reduce operational risks for investors. On the incentive front, Thailand offers broad and targeted measures, particularly those linked to strategic zones and special economic areas designed to match the needs of priority industries. Given that each country attracts different investor groups based on distinct strengths, Thailand is especially appealing to investors who prioritize infrastructure readiness and deep supply-chain integration.

Overall Investment Competitiveness of Each Country Across Three Dimensions

Countries showing relative strengths in each dimension		Factors	Indonesia	Malaysia	Philippines	Singapore	Thailand	Vietnam
Malaysia Thailand	Supply-side factors	Infrastructure (physical, energy, and digital)	W	S	VW	VS	M	W
		Labor Quantity (working age population and wage)	VS	W	M	VW	W	S
		Labor Quality (PISA, university quality, labor productivity)	W	S	VW	VS	M	W
		Technology (Tech adoption, R&D)	W	S	VW	VS	S	M
Indonesia Vietnam	Demand-side factors	Domestic market size (current population and income level)	VS	W	S	S	S	M
		Domestic market potential (urbanization rate)	S	S	S	W	M	VS
		External Demand (trade openness)	VW	M	W	VS	W	S
Singapore/Malaysia	Investment Climate	Institutional Factors (government effectiveness, rule of law, political stability, corruption)	W	S	VW	VS	M	M
Thailand/Indonesia		Investment Incentives	VS	S	VW	S	VS	W

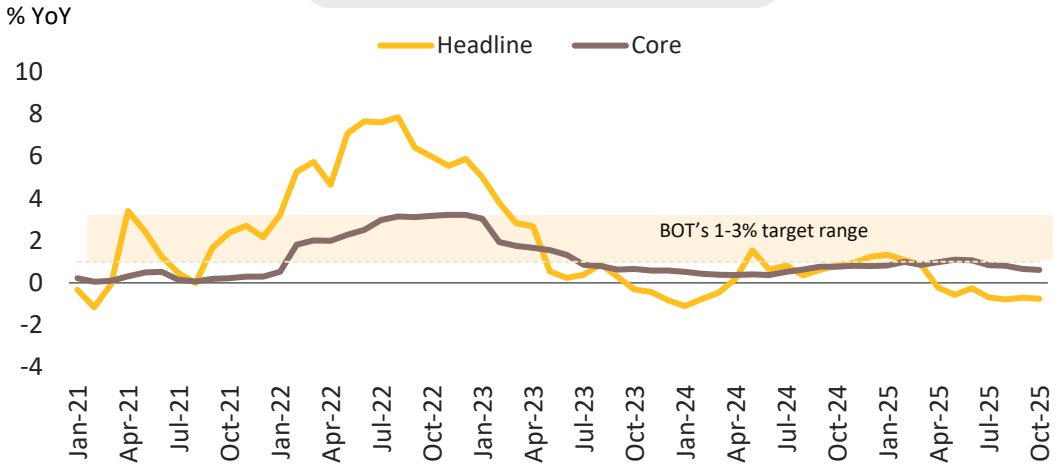
VS	S	M	W	VW
Very strong	Strong	Moderate	Weak	Very Weak

Color code for investment competitiveness

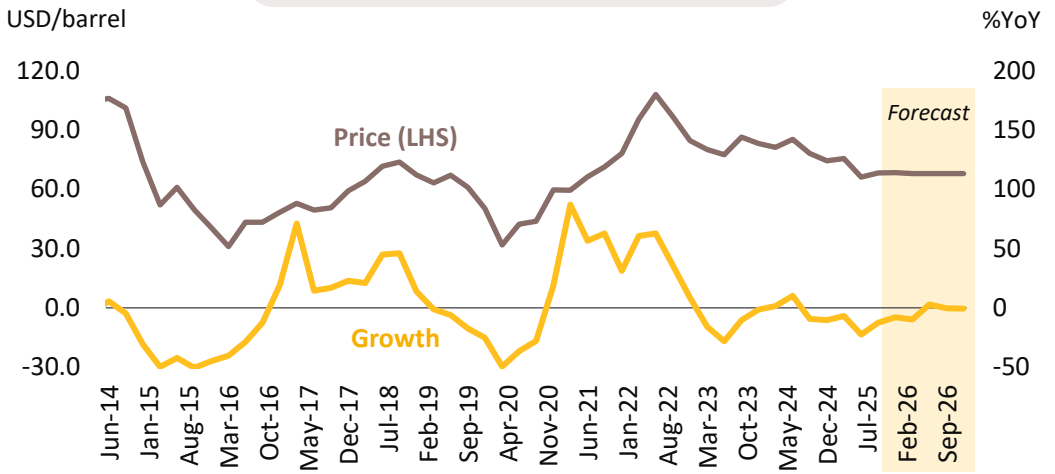
Source: Krungsri Research

Headline inflation may turn positive in 2Q26, but 2026 annual average will stay below the official target range.

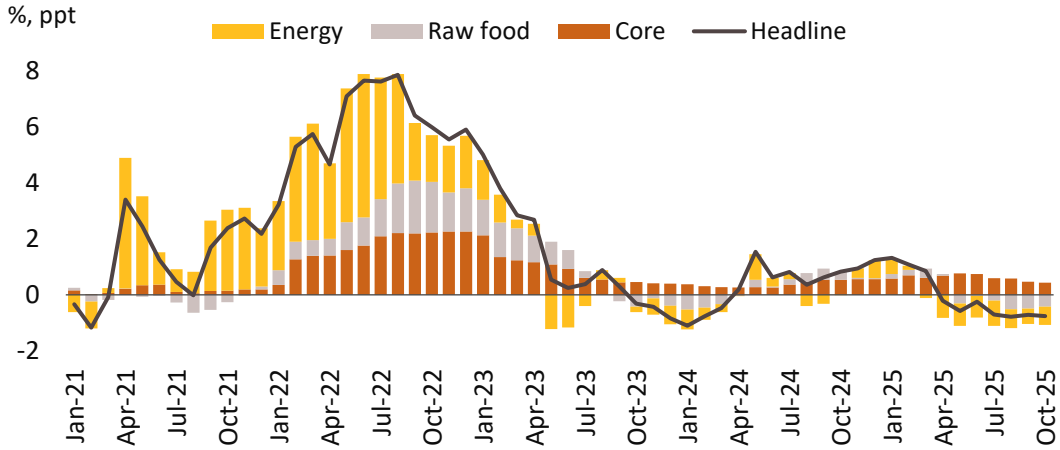
Headline and Core Inflation



Dubai Oil Price (% Increase)



Contribution of Inflation



Source: MOC, CEIC, Krungsri Research

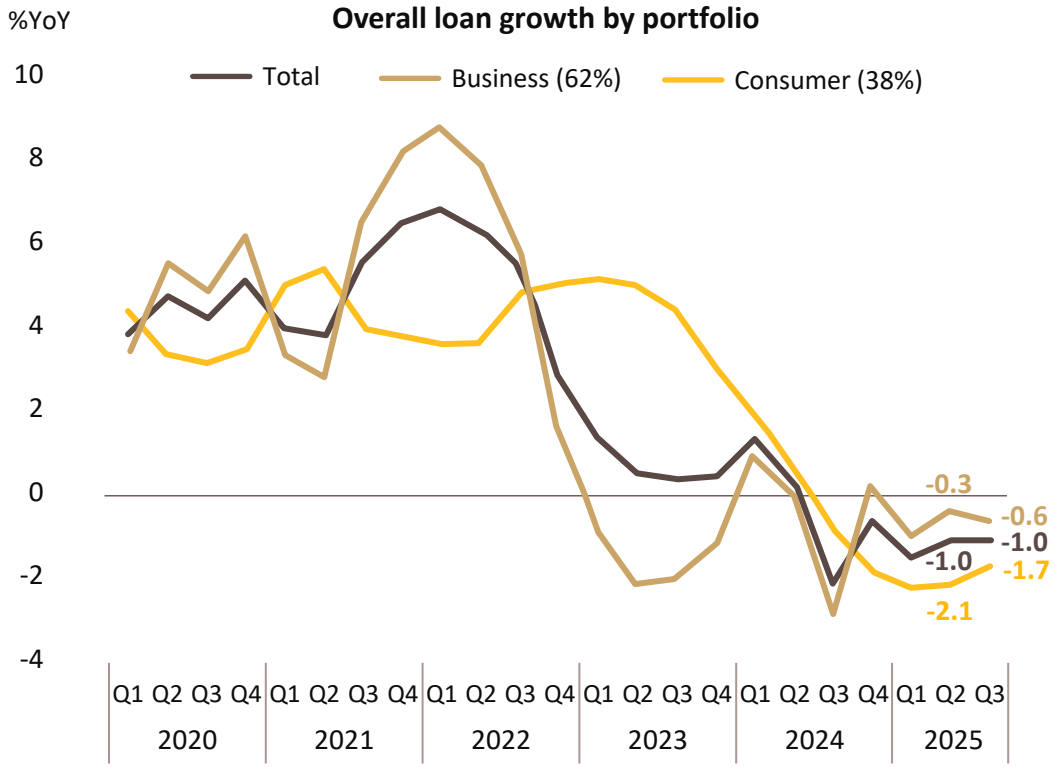
Krungsri Research's view

- **Headline inflation is expected to remain low in 2026,** gradually returning to positive territory around 2Q26.
- Inflationary pressures will stay muted due to several factors. (i) Dubai crude oil prices are projected to remain broadly stable compared with late 2025, limiting cost-push pressures from the energy sector. (ii) Ongoing government cost-of-living measures, particularly energy-related subsidies, will continue to cap increases in electricity and fuel prices. (iii) Domestic demand is likely to recover only gradually, weighed down by high household debt, soft labor-market conditions in tourism-related sectors, and lingering political uncertainty in an election year—all of which will restrain demand-pull inflation.
- **Overall, we forecast headline inflation at 0.4% in 2026, up from –0.2% in 2025, but still well below the BOT's 1-3% target range.**

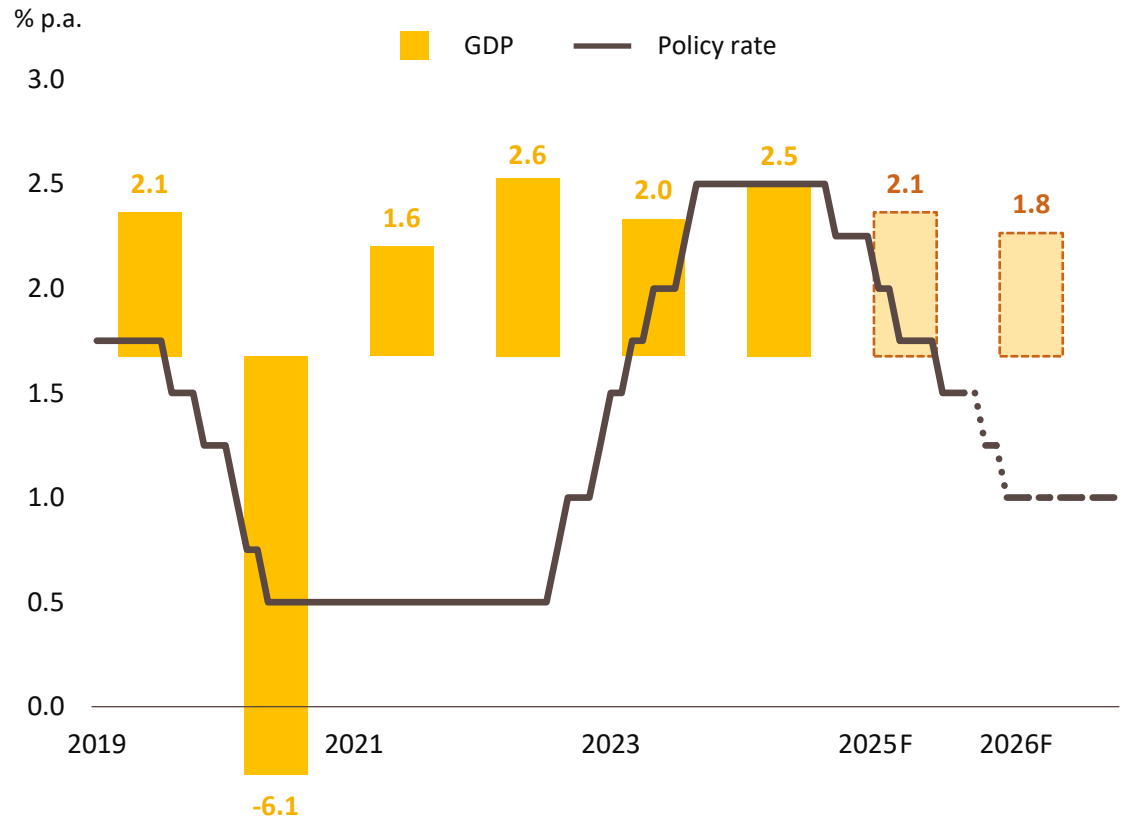
MPC expected to cut rate to 1.00% by 1H26 amid subdued growth and tight credit conditions.

We expect the MPC to cut the policy rate to 1.00% by the first half of 2026, as below-potential economic growth and rising downside risks create both the room and the need for further monetary easing. The case for additional rate cuts would become even stronger if signs of a political vacuum in 2026 emerge or if tariff-related pressures intensify, as both factors could erode confidence and weaken economic activity. Further easing would help support growth momentum, reinforce the MPC's credibility in maintaining its inflation-targeting framework, and alleviate credit constraints that have tightened due to earlier deleveraging measures. Importantly, 1H26 appears to be the most strategic window for policy easing, before mounting downside risks begin to weigh more heavily on private investment, weaken domestic sentiment, and further restrict Thailand's cyclical recovery.

Loan growth 1/



Thailand's GDP and Policy interest rate



Note: 1/ Bank loans are on full consolidation basis.
Source: BOT, Krungsri Research

KRUNGSRI RESEARCH

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