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FLASH

June 25, 2025

The MPC kept the policy rate unchanged at 1.75%, citing limited policy space. Amid elevated uncertainties, a 25–50 bps rate cut is expected over the remainder of the year, supported by the BOT's "ready to adjust" stance.

Key event:

The MPC voted 6:1 to maintain the policy rate to preserve policy space for potential future shocks.

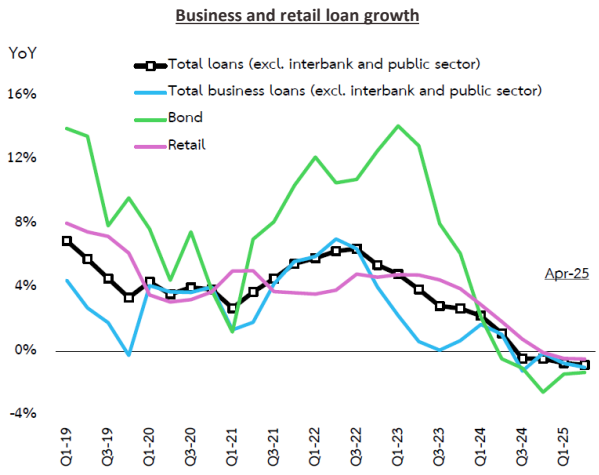
The Monetary Policy Committee (MPC) decided to hold the policy rate at 1.75%, as the Committee deems that the previous rate cuts should be sufficiently accommodative to support the economy.

According to the MPC's statement, the Thai economy is expected to grow by 2.3% in 2025—revised up from 2.0% at the last meeting—and 1.7% in 2026, assuming the US imposes an 18% reciprocal tariff on Thai goods (vs. 10% on other countries). Nevertheless, the economy is expected to lose momentum in 2H25, as exports are facing headwinds from US tariffs as well as geopolitics and domestic factors. **Headline inflation is expected to remain subdued** at 0.5% in 2025 and 0.8% in 2026, staying below the BOT's 1–3% target range primarily due to supply-side factors.

Overall credit growth remains negative as financial institutions remain cautious in lending, especially to SMEs and low-income households, due to heightened credit risk. Combined with weaker business loan demand and rising debt repayment burdens.

Under its monetary policy framework aimed at maintaining price stability, supporting sustainable growth, and preserving financial stability, **the Committee assesses the economic outlook as highly uncertain and stands ready to adjust monetary policy going forward to align with the economic and inflation outlook and associated risks.**

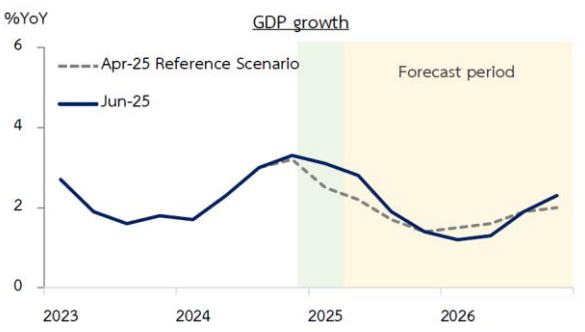
Overall credit growth continues to contract



Note: Data covers loans from financial institutions including commercial banks (and subsidiaries), SFIs, and non-banks that are not subsidiary of commercial banks Firm size is defined through a combination of The Office of SMEs Promotion's criteria and credit lines

Source: BOT

Thai economy was stronger-than-expected in the first quarter. However, looking ahead, the economy is expected to slow down.



MPC Jun 25	2024	H1/25	H2/25	2025	2026
GDP (%YoY)	2.5	2.9	1.7	2.3	1.7
GDP (%QoQ)	0.8	0.6	0.1	0.3	0.6

Note: Under the assumption that U.S. reciprocal tariff is applied to Thailand at the rate of 18 percent (half of the announced rate on 2 April 2025), 30 percent for China and 10 percent for other countries.

Krungsri Research view:

- **Citing limited policy space, the BOT delivered a hold amid uncertainties. With its "ready to adjust" approach, we expect one or two rate cuts could follow later in 2025, once uncertainties and risks have become more materialized.**

The decision to hold at this meeting appears driven by the need to preserve limited policy space following back-to-back cuts in February and April 2025. In the press release, the MPC reiterated the *"importance of the timing and effectiveness of monetary policy amid high uncertainties and limited policy space*.**" At the press conference, the BOT confirmed that the Committee remains ready to adjust monetary policy in line with the evolving economic outlook and associated risks**. That said, the BOT also pointed out that the projected growth slowdown is mainly driven by supply-side factors, which monetary easing is ill-equipped to address.

In fact, apart from external headwinds, domestic political risks also loom large and are not included in the baseline scenario. The current slim majority of the ruling coalition and ongoing legal challenges could increase the likelihood of delays in passing the FY2026 budget bill and key stimulus measures.

There are signs supporting the decision for further easing for the remainder of 2025. Projected sharply slowing economic growth (expected to decelerate to only 0.1% QoQ in 2H25), tightened financial conditions (as evidenced by persistent credit contraction), below-target inflation (projected at 0.5% in 2025), brewing domestic political tensions, and global trade policy uncertainties all argue in favor of further easing.

Krungsri Research expects that one to two rate cuts may eventually occur in subsequent meetings in 2025, once these downside risks become more tangible, and if the BOT intends to deliver a rate cut "at the most effective timing" at all. This is because the longer the delay, the more likely it is that the so-called effective timing will come into question—particularly given the already sluggish transmission to the real economy.

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