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MONTHLY ECONOMIC BULLETIN

August 2026

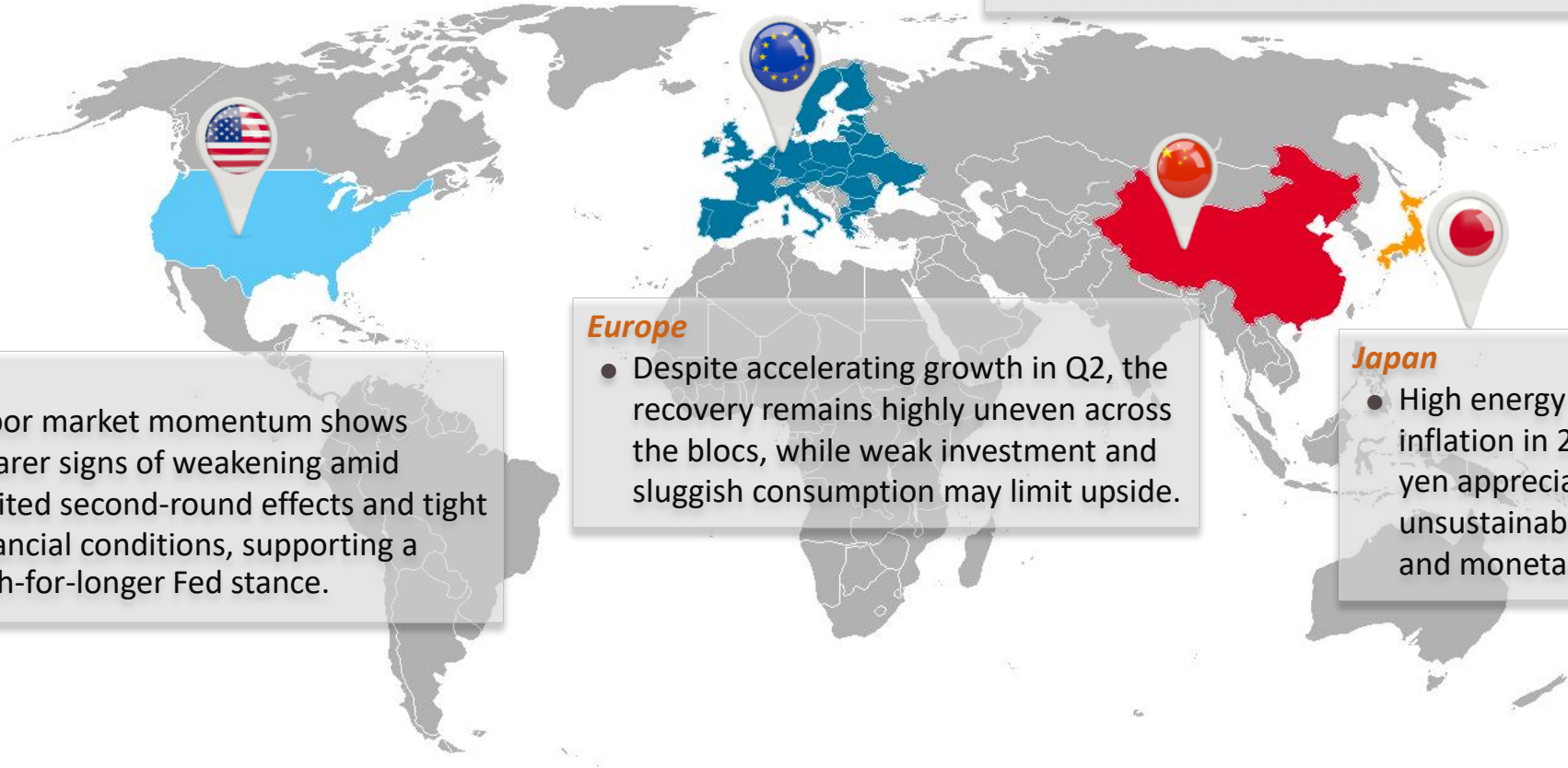


Krungsri Research

Global: The conflict playbook - escalation, de-escalation, negotiation, and economic risks

China

- Trade and government support should help stabilize growth for the remainder of this year amid weak domestic demand and structural hindrances.



U.S.

- Labor market momentum shows clearer signs of weakening amid limited second-round effects and tight financial conditions, supporting a high-for-longer Fed stance.

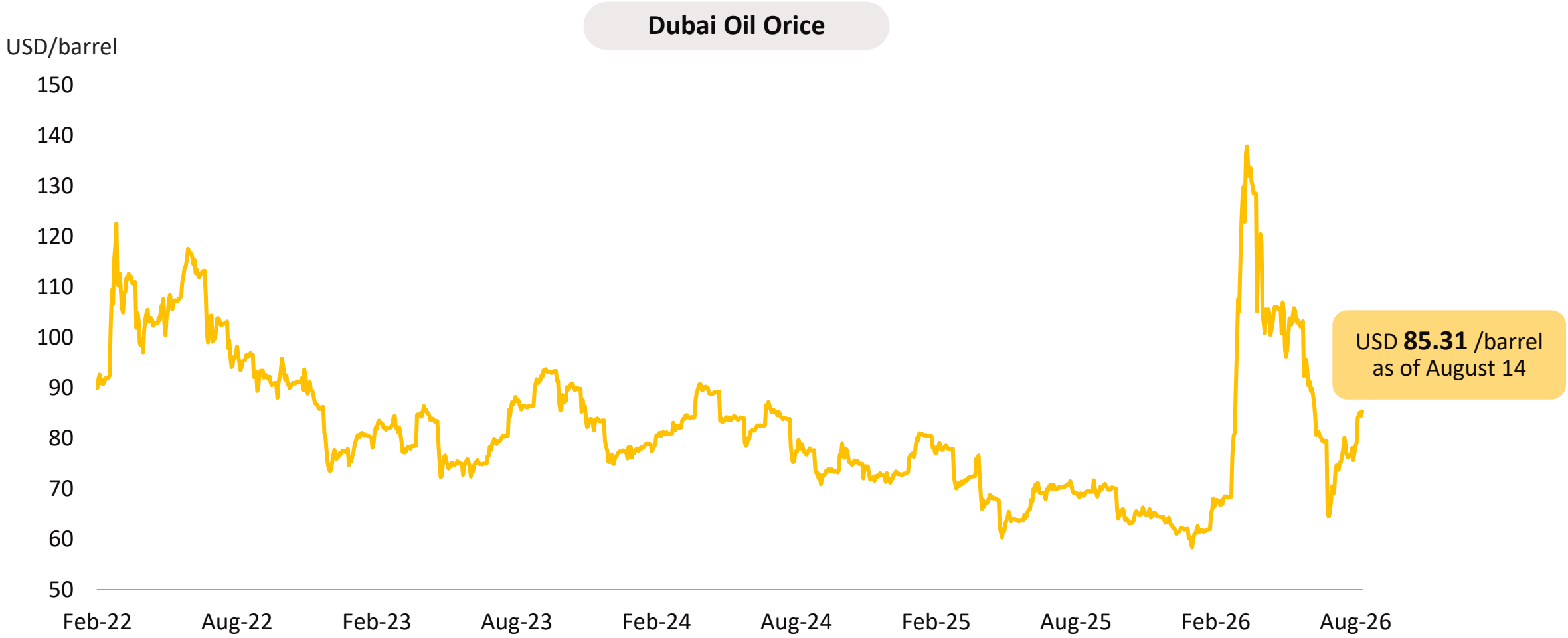
Europe

- Despite accelerating growth in Q2, the recovery remains highly uneven across the blocs, while weak investment and sluggish consumption may limit upside.

Japan

- High energy prices could fuel inflation in 2H26, while the recent yen appreciation may prove unsustainable amid high public debt and monetary policy uncertainty.

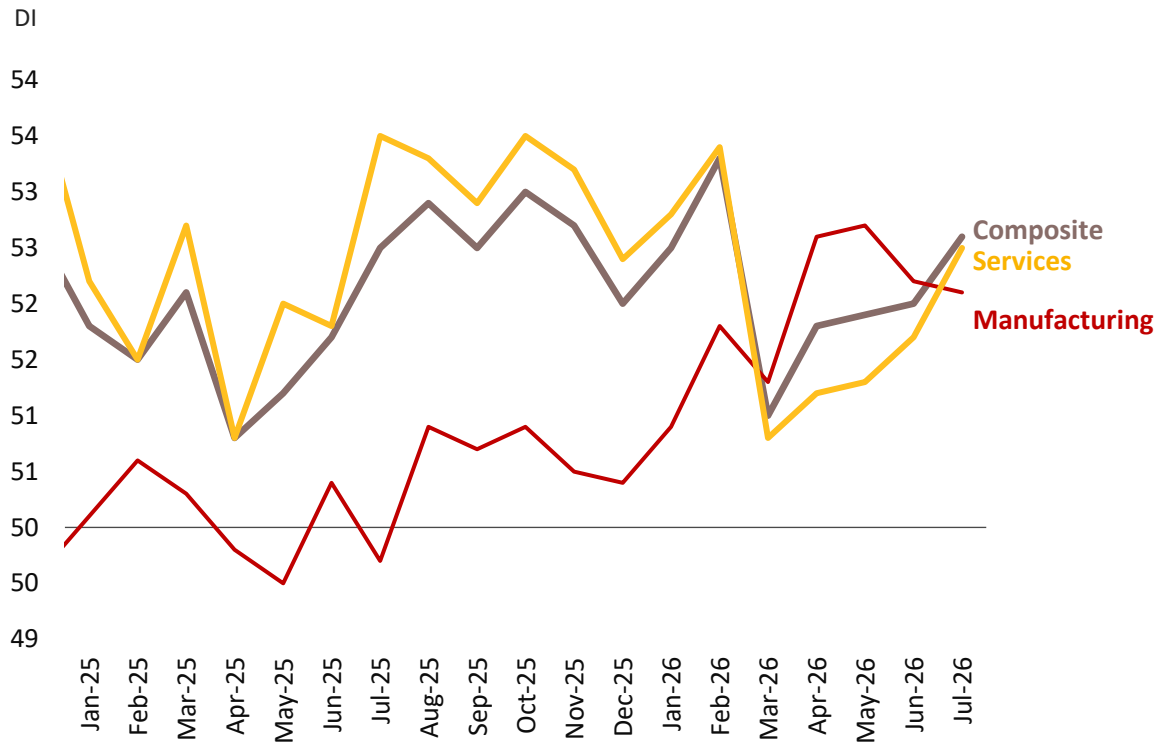
Prolonged U.S.-Iran tension and the Strait of Hormuz closure may keep energy prices elevated, amid growing concerns over further supply disruption.



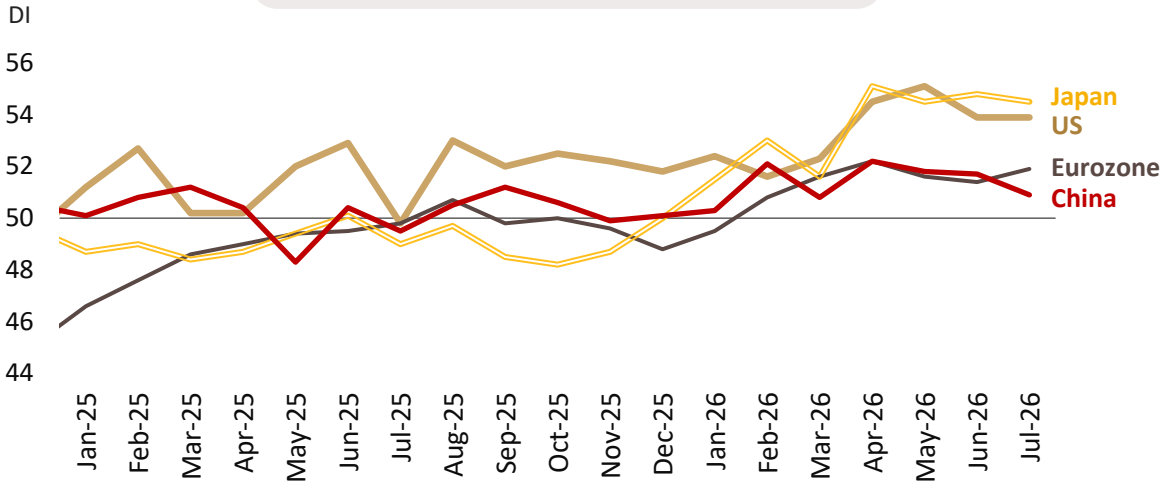
Source: Investing.com and Krungsri Research

Global manufacturing reached its weakest pace since March amid fading inventory support, while a rebound in services activity may reflect temporary FIFA-related spending.

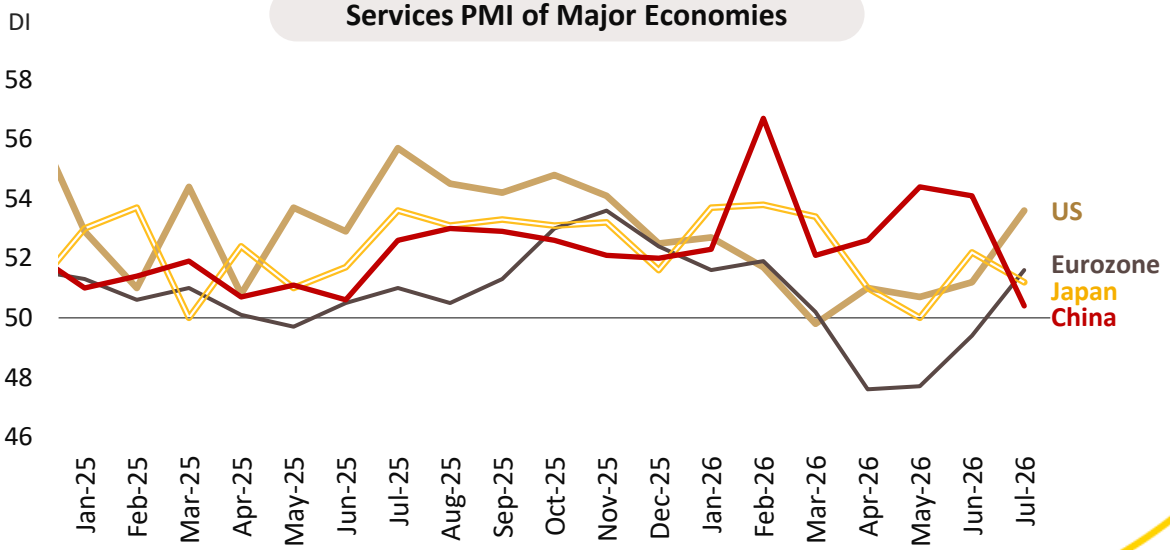
Global Composite, Manufacturing, and Services PMI



Manufacturing PMI of Major Economies



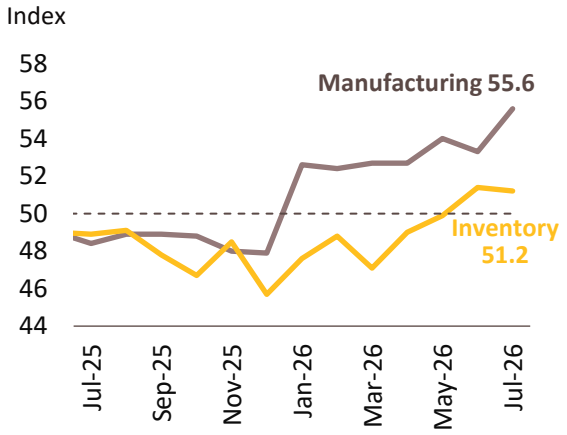
Services PMI of Major Economies



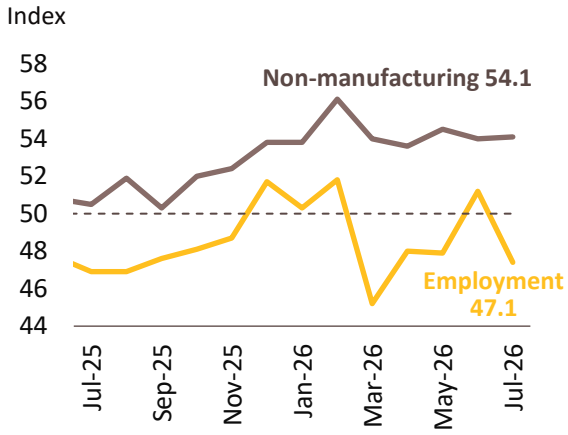
Source: J.P. Morgan and S&P Global PMI, Bloomberg, and Krungsri Research

U.S.: Labor market momentum shows clearer signs of weakening amid limited second-round effects and tight financial conditions, supporting a high-for-longer Fed stance.

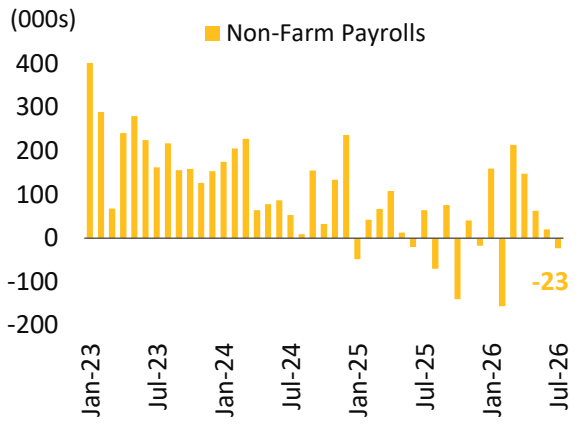
ISM Manufacturing PMI



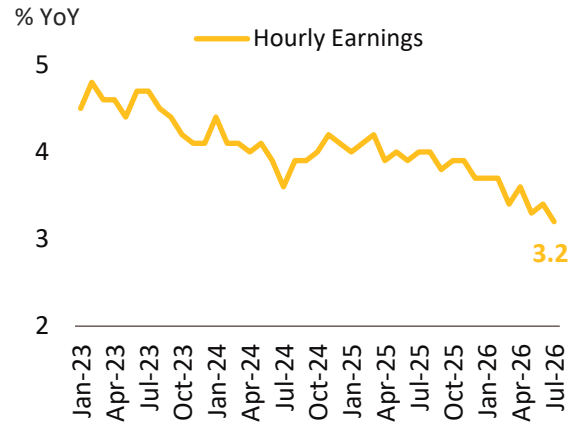
ISM Services PMI



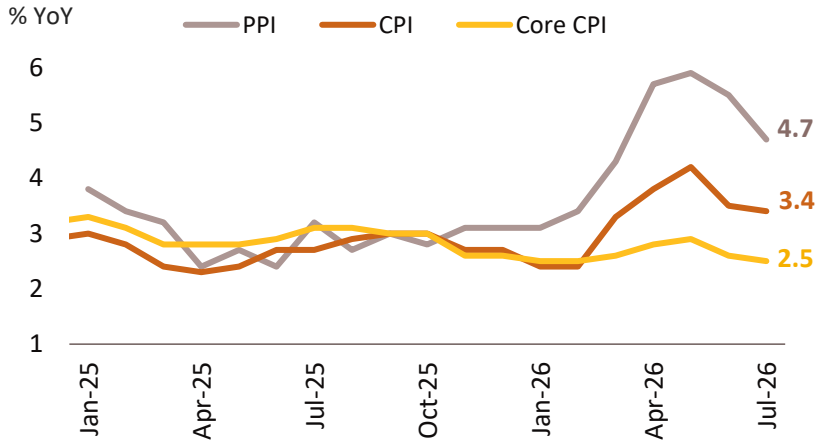
Labor Market



Wage Growth



Inflation



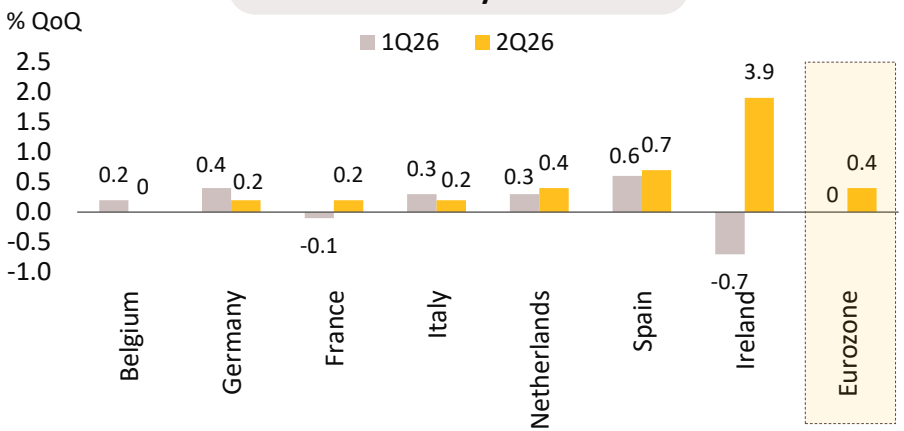
Source: ISM, BLS, BEA, Reuters, Bloomberg, CEIC, and Krungsri Research

Krungsri Research's view

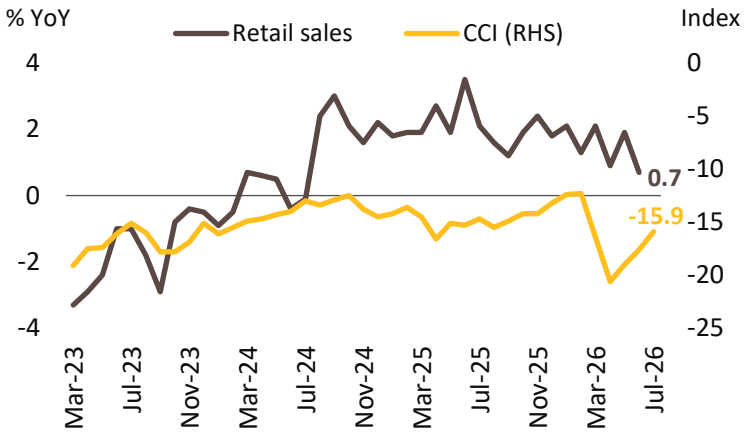
- **The U.S. economy remains resilient, but signs of moderation are emerging.** Despite fiscal tailwinds, wealth effect, and AI-driven investment, GDP growth slowed from 2.1% in 1Q26 to 1.5% in 2Q26. **The labor market is weakening,** with July payrolls falling by 23,000, combined with downward revisions to previous months. **The plunge in the ISM Services Employment Index** raised concerns about income and consumption ahead.
- **Inflation is gradually cooling, though above the Fed's 2% target** with elevated input-cost pressures stemming from tariffs, energy prices, and supply constraints. Headline inflation eased from a peak of 4.2% YoY in May to 3.4% in July. During the same period, core inflation eased from 2.9% to 2.5%.
- **Evidence of second-round inflation effects remains limited** due to 1) moderating core inflation, 2) decelerated wage growth (to 3.2% YoY, the weakest pace since 2021), easing concern over a wage-price spiral; and 3) inflation expectations remain broadly stable, suggesting no clear signs of de-anchoring.
- **High bond yields are keeping financing costs elevated**, restraining interest-sensitive sectors. Combined with softening labor-market momentum, tighter financial conditions are likely to contribute to a gradual moderation in domestic demand going forward.
- **The Fed is likely to maintain a high-for-longer stance.** The FOMC's recent communications suggest they remain focused on inflation risks. Yet, weakening payroll growth, the contraction in the services employment index, and limited second-round inflation effects reduce the case for rate hikes. As a result, we still expect the FOMC to maintain the Fed Funds Rate at 3.50-3.75% p.a. through the remainder of 2026.

Eurozone: Despite accelerating growth in Q2, the recovery remains highly uneven across the blocs, while weak investment and sluggish consumption may limit upside.

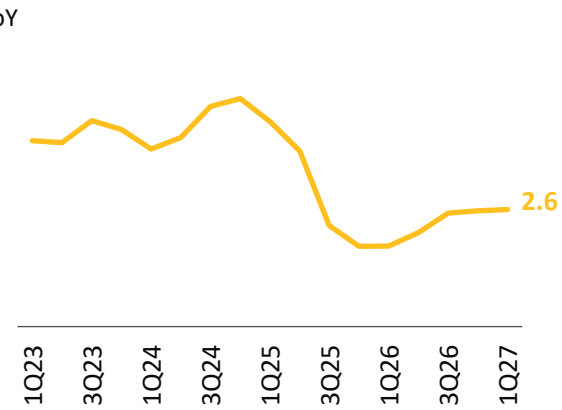
GDP Growth by Countries



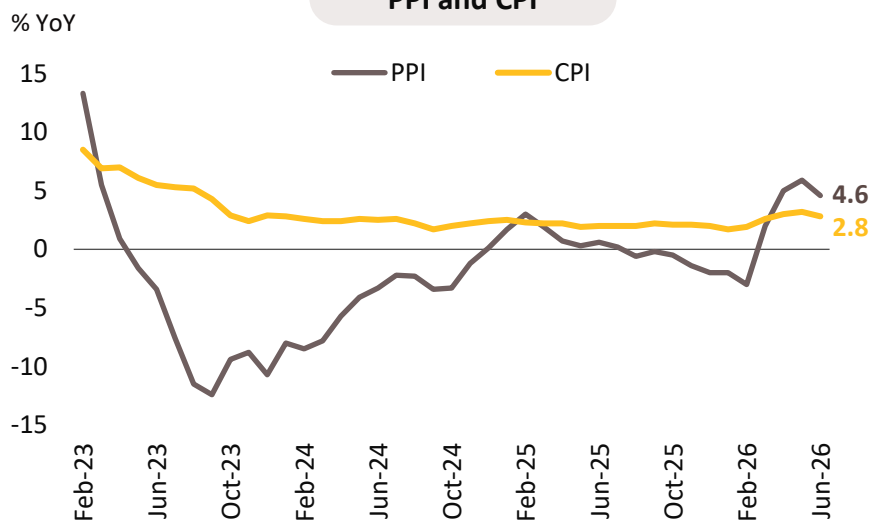
Retail Sales and Consumer Confidence Index



Wage Tracker



PPI and CPI



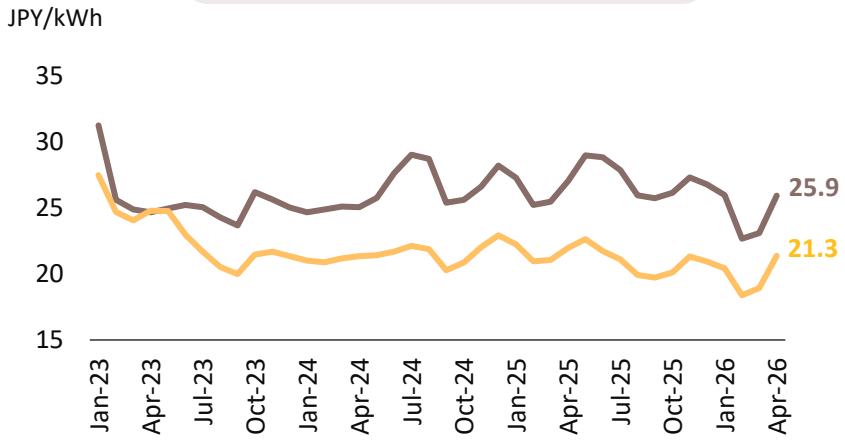
Source: ECB, CEIC, Capital Economics, Investing.com, Bloomberg, and Krungsri Research

Krungsri Research's view

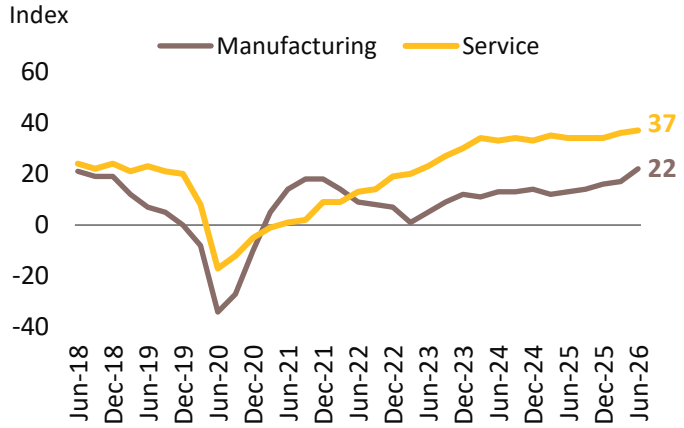
- **Despite the impact of Middle East tensions, Eurozone GDP growth accelerated to 0.4% QoQ in 2Q26 from 0% in 1Q26, outperforming expectations and driven largely by net exports rather than domestic demand.** However, growth remains highly uneven across member states, with Spain and Ireland leading the expansion while Germany and France posted only modest 0.2% gains.
- **Domestic demand remains weak**, with household consumption likely to slow, as reflected in subdued retail sales and persistently low consumer confidence, amid elevated living costs and tighter financial conditions. Looking ahead, the Eurozone should continue to grow modestly, but weak investment and sluggish domestic demand suggest limited upside without stronger support from the region's major economies.
- **Inflationary pressures are expected to remain elevated in 2H26**, driven by ongoing energy supply disruptions in the Middle East, while high natural gas prices (+74% YoY in July) are likely to increasingly pass through to household electricity and gas prices. Second-round inflation risks, although still limited, are becoming more evident, with PPI remaining at 4.6% in June and the 1Q26 ECB Wage Tracker reaching its highest level since 2Q25.
- Accordingly, **the ECB is expected to raise interest rates by at least one more time in the remainder of 2026**, despite the trade-off between containing inflation and supporting an economy that continues to grow modestly.

Japan: High energy prices could fuel inflation in 2H26, while the recent yen appreciation may prove unsustainable amid high public debt and monetary policy uncertainty.

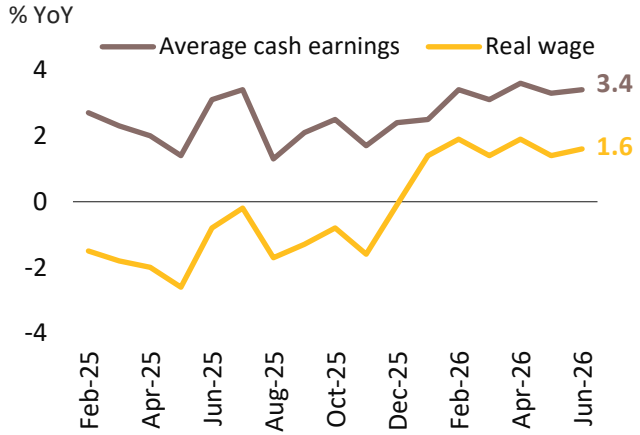
Average Electricity Retail Price



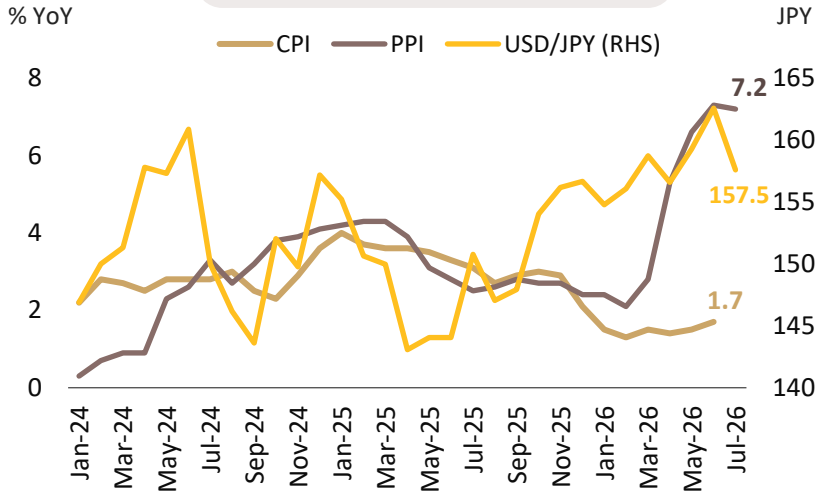
Tankan



Real Wage Growth



CPI, PPI, and Japanese Yen



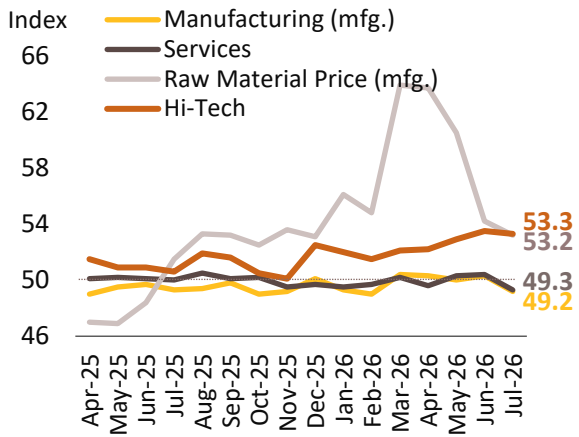
Source: Bank of Japan, Capital Economics, CEIC, Bloomberg, and Krungsri Research

Krungsri Research's view

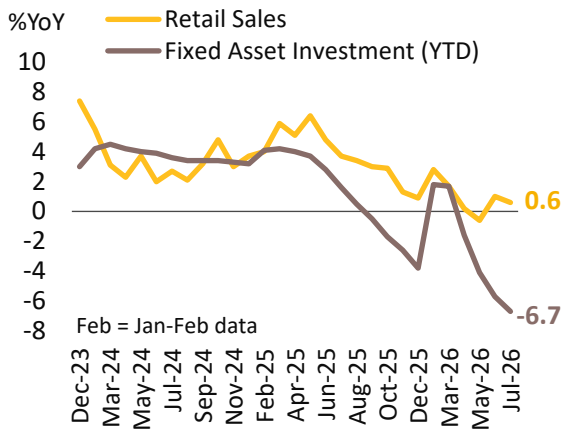
- **Inflation is expected to remain elevated in 2H26,** as energy prices stay high amid persistent Middle East supply disruptions. While government energy-price measures should provide temporary relief, their impact is likely limited as higher energy costs gradually pass through to electricity and utility prices. Combined with tight labor-market conditions and robust wage growth, **this could increase the risk of the second-round inflation effect ahead**.
- **Amid higher costs of living, consumption is likely to slow only moderately,** supported by improving consumer confidence and robust wage growth. In addition, government stimulus measures, together with the planned cut in food consumption tax from 8% to 1% for two years from April 2027, should further support domestic demand. **However, the tax cut could add pressure on Japan's already deteriorating fiscal position, with no clear funding source identified**.
- **Meanwhile, interest-rate differentials and Japan's economic fundamentals are expected to keep the yen under depreciation pressure**. Coordinated Japan-US intervention may provide only temporary support, as pressure on the yen continues to reflect Japan's underlying fundamentals, including government debt of around 202% of GDP and uncertainty over the monetary policy outlook.
- Against these backdrops, **Krungsri Research expects the BOJ to raise its policy rate by 25 bps at the September 17–18 meeting to 1.25%**, helping curb yen depreciation and contain second-round inflation pressures.

China: Trade and government support should help stabilize growth for the remainder of this year amid weak domestic demand and structural hindrances.

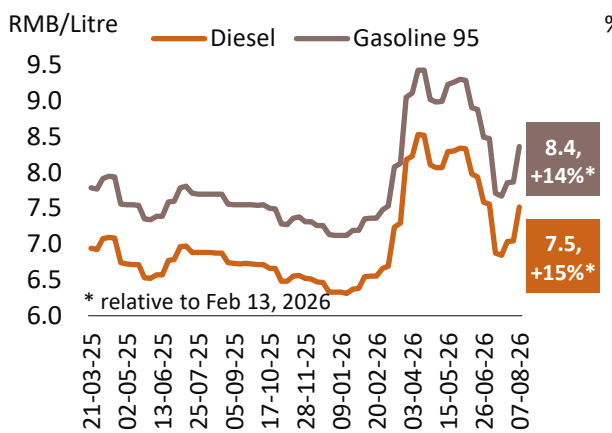
Official PMI (NBS)



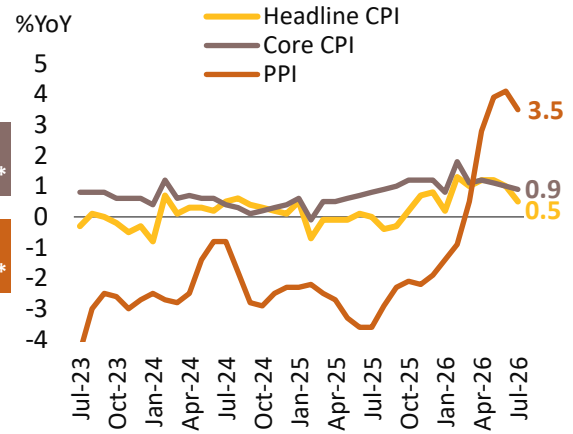
Retail Sales and Fixed Asset Investment



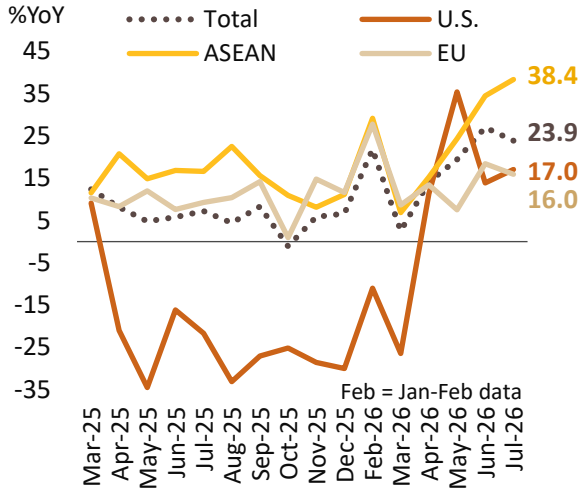
Domestic Fuel Prices



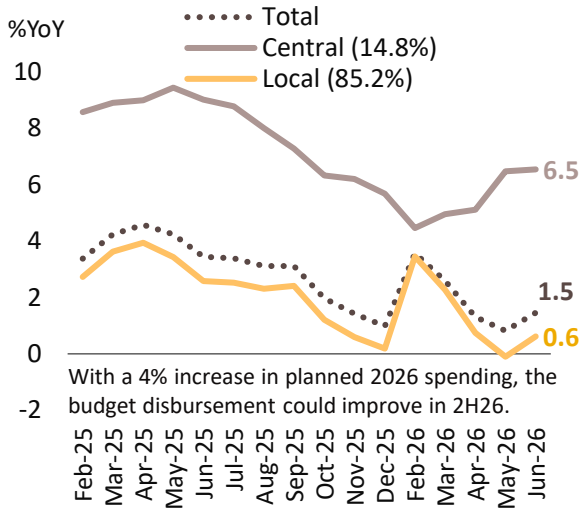
Consumer and Producer Price Indices



Exports to Key Partners



Public Expenditure (YTD)



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

% in brackets = % of total public expenditure

Krungsri Research's view

- **China's economy sends mixed signals.** Manufacturing slips back into contraction, while consumption and investment remain subdued. Although energy cost pressures have softened (upstream and midstream PPI: -0.9% MoM in July), intense competition continues to weigh on profit margins. **On the positive side, robust exports, especially hi-tech goods, should continue to underpin growth amid weak domestic demand.**
- **The trade war is expected to continue but be contained.** On one side, U.S. tariffs may rise but are unlikely to exceed the level agreed by both sides, which could be around 20-30%. On the other side, export and import controls, especially on high-tech and military-related goods, will still be key tools for both parties to maintain leverage, whether for symbolic or practical outcomes. **With limited escalation, exports should remain resilient and remain a key growth driver, at least for 2H26.**
- **The government is prioritizing spending on budgeted projects** over new bazooka subsidies. **The "Six Networks" infrastructure projects** (e.g., water, power, telecommunication, computing) are estimated to exceed CNY 7 trn this year. This comes alongside **additional efforts to curb overcapacity**, including a consumption tax on lithium-ion batteries and efficiency standards for solar manufacturing. **Quasi-fiscal measures** (CNY 800 bn) are also planned **to fund strategic areas**.

Thailand: Economic momentum and policy support improve growth prospects but recurring external risks cloud the growth outlook.

- **2Q26 GDP growth decelerated to 1.9% YoY, weighed by Middle East tensions, but growth exceeded expectations, driven by investment, exports, and inventory accumulation.**
- **The overall 2026 outlook has improved** on stronger momentum and policy support, **which could lead to an upward revision of our forecast,** though external risks and weather-related headwinds remain.
- **Medium- to long-term policy support** remains available, but uncertainty persists over implementation details.
- **Private Investment remained robust,** supported by machinery and equipment spending, FDI, and the electronics upcycle.
- **Thai exports, despite high growth, remained uneven** and continued to lag import growth. A 12.5% Section 301 forced-labor tariff replaces Section 122, with **potential Section 301 tariffs on the excess-capacity issue** posing further downside risks to Thai exports. **Thailand and ASEAN** may face broadly similar tariffs to the previous reciprocal tariffs. **Thailand's Tier-2 classification in the U.S. "The Great Transshipment Scam"** report could amplify risks beyond ongoing Section 301 investigations.
- **Tourism shows signs of recovery** despite high aviation costs and safety concerns, with stronger Middle Eastern arrivals.
- **Private consumption strengthens on temporary stimulus support**, but the outlook remains uncertain amid high living costs, weak income growth, and elevated household debt. In particular, the lower-income group has flat real earnings and fragile jobs.
- **Inflation remains elevated amid Middle East tensions and still-high oil prices.** Gradually rising core inflation warrants monitoring for cost pass-through to consumer prices.
- **The BOT's policy stance remains focused on domestic conditions,** with no immediate need to follow other central banks' tightening cycles.

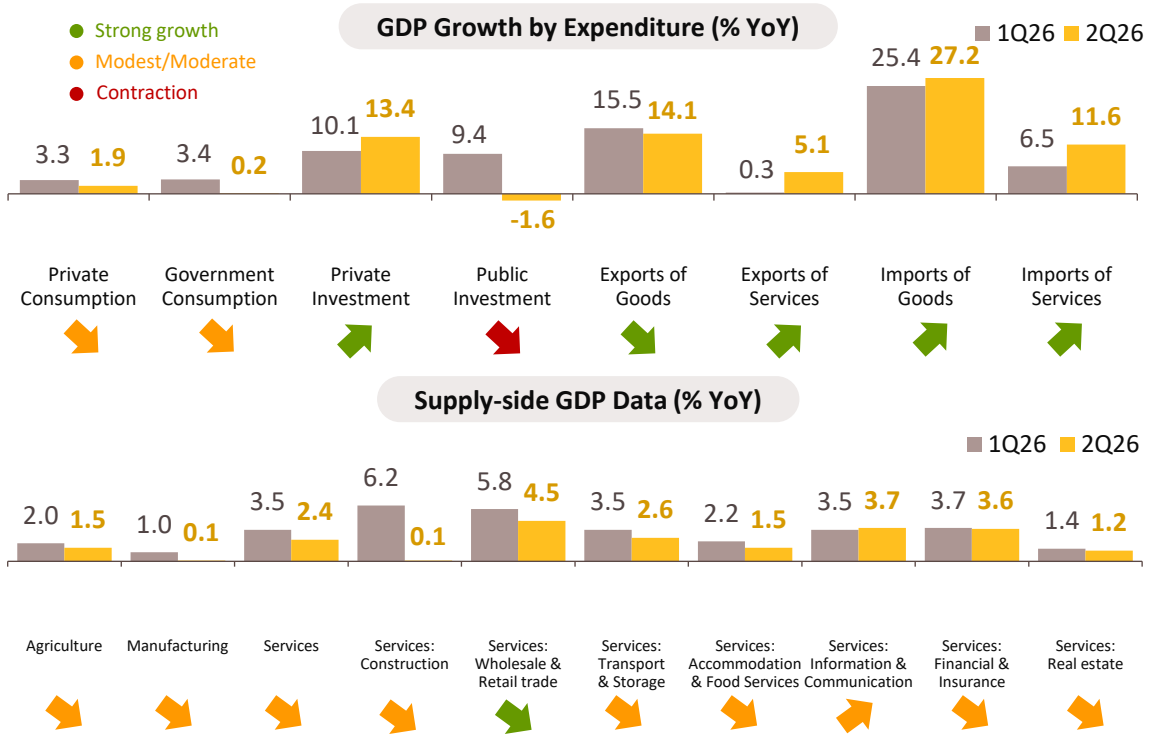
2Q26 GDP growth decelerated to 1.9% YoY, weighed by the Middle East tension, but growth exceeded expectations driven by investment, exports and inventory accumulation.

Key growth drivers in 2Q26:

- **Demand side:**
  1) Stronger private investment
  2) Growing goods exports
  3) Inventory accumulation
  4) Rebounding services exports, reflecting a low base following the March 2025 earthquake
- **Supply side:** Growth of Wholesale & retail trade, information & communication, Financial & Insurance

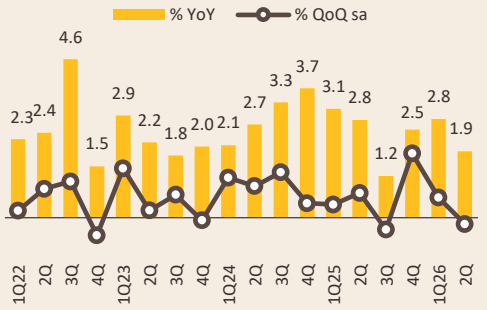
Weak or slower growth in 2Q26:

- **Demand side:**
  1) Slower private consumption
  2) Weaker public consumption
  3) Contraction of public investment
  4) Surging imports, causing the first current account deficit in 8 quarters
- **Supply side:** Near-stagnant manufacturing and construction, and weaker growth of agriculture



Source: NESDC, and Krungsri Research

Thailand's GDP Growth (%)



Source: NESDC

Thailand's GDP Growth by Component

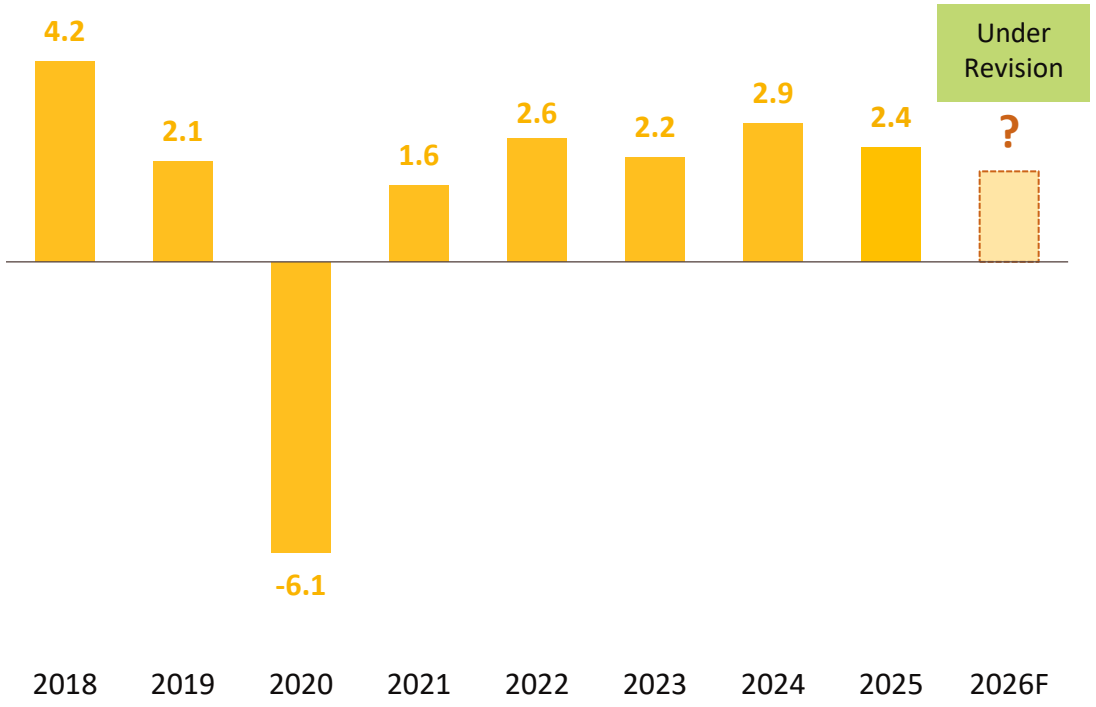
	% YoY			% QoQ sa	
	2025	1Q26	2Q26	1Q26	2Q26
GDP	**2.4**	**2.8**	**1.9**	**0.6**	**-0.2**
Private Consumption	2.7	3.3	1.9	0.4	-0.5
Public Consumption	0.6	3.4	0.2	0.8	-2.3
Private Investment	3.5	10.1	13.4	3.6	2.5
Public Investment	8.9	9.4	-1.6	-10.8	-7.3
Export of Goods & Services	9.3	12.4	12.5	7.0	2.3
Export of Goods	11.9	15.5	14.1	8.2	2.3
Export of Services	-1.5	0.3	5.1	3.1	1.0
Import of Goods & Services	6.8	21.4	24.2	9.2	7.2
Import of Goods	9.8	25.4	27.2	9.8	8.4
Import of Services	-4.7	6.5	11.6	5.2	3.1

Krungsri Research's view

- **2Q26 GDP grew by +1.9% YoY**, exceeding Krungsri Research's expectation (+1.6%), and the market consensus (+1.7%). The Middle East tensions weighed on domestic consumption, increased business costs, dampened tourism activity, and led to a surge in imports, resulting in the first current account deficit in 8 quarters. Nevertheless, growing exports, continued investment expansion, and a sharp inventory build-up helped cushion the slowdown in overall 2Q26 growth. On a quarter-on-quarter (s.a.) basis, GDP growth contracted -0.2% QoQ in 2Q26, following +0.6% QoQ in 1Q26.
- **On the supply side**, 2Q26 GDP growth slowed across all major sectors. Agricultural output growth moderated. Industrial production growth softened, reflecting near-stagnant manufacturing activity, despite stronger expansion in electricity and gas supply. The services sector also decelerated, mainly due to weaker growth in construction and transportation and storage.
- **For the full year of 2026, the NESDC has projected GDP growth at a median of 2.2%,** reflecting a limited negative impact from Middle East tensions alongside continuing investment momentum and additional support from government stimulus measures.
- **Looking ahead, growth momentum and policy support improve growth prospects, but elevated external risks and El Niño-related headwinds limit the upside.**

Overall 2026 outlook has improved on stronger momentum and policy support, which could lead to an upward revision of our forecast, though external risks and weather-related 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 tightening global financial conditions.
- **U.S. trade policy risks**, particularly Section 301 investigations into excess-capacity concerns and heightened scrutiny of transshipment activities.

Source: NESDC and Krungsri Research

Medium- to long-term policy support remains available but uncertainty persists over implementation details.

Economic momentum faces uncertainty ahead. First, the boost from stimulus measures may fade in 4Q26. Although the Thai Travel Thai Plus scheme could support spending, its THB 1.75–2.0 billion budget is substantially smaller than the THB 120 billion Thai Chuay Thai Plus. **Second, medium- to long-term policy support remains available, but greater clarity is needed**, particularly regarding the THB 200 billion energy transition investment program, including initiatives such as rooftop solar. These measures and other long-term policies could provide additional support to both consumption and investment. The government has recently set targets for average GDP growth of 3% or more and investment to reach 30% of GDP by 2029. **However, their economic impact will depend on implementation details, the pace of disbursement (with capital expenditure typically disbursed at only around 60–70%), and particularly the large import content of the potential investment projects, which could accelerate imports and widen the country's trade deficit.**

THB 400 bn Emergency Loan

THB 200 bn for the Middle East Impact Mitigation

Thai Chuay Thai Plus 60/40

- Budget : THB 120 bn
- Participants : 86.8% from target (26.08 out of 30 mn)

Welfare Card

- Budget : THB 50-60 bn
- Participants :
  - Pre-screening 12.70 mn
  - Post-screening 9.51 mn

Remaining Budget : THB 40 bn

Thai Travel Thai Plus

- Expected Budget : THB 1.75-2 bn

Others

- Expected remaining Budget : THB 38 bn

THB 200 bn for Energy Transition

1) Accelerate the clean energy transition

Expand renewable energy, upgrade the power grid, and improve energy efficiency to reduce emissions.

Example: Solar Rooftop Program — expected budget of THB 60 bn, providing grants of THB 50,000 per household to support 500,000–1 mn households.

2) Strengthen the EV ecosystem

Promote EV adoption and expand charging and battery-swapping infrastructure.

3) Upskill and reskill the workforce

Develop future-ready skills of people, labor, and entrepreneurs.

Recent Development

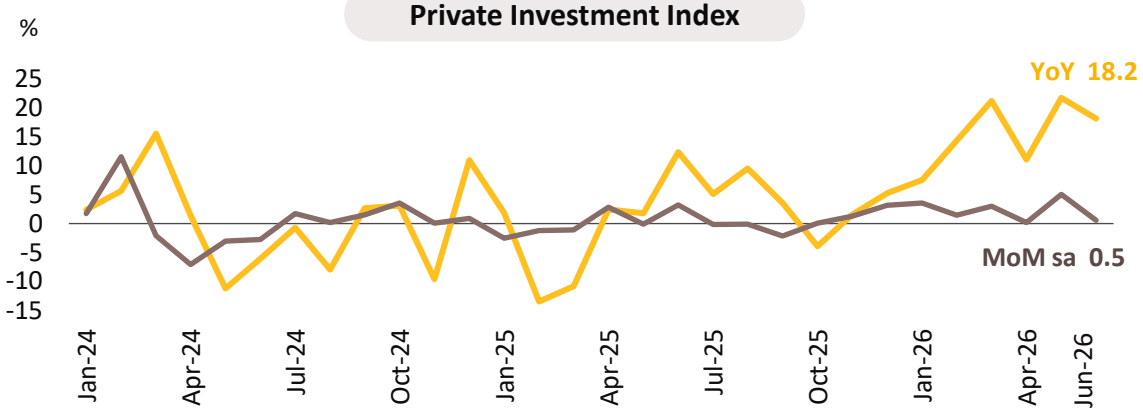
- Establishing **five committees**
  1) **Investment & industry transformation Hub**
  2) **AI & Digital Hub**
  3) **Green Economy**
  4) **Financial Hub**
  5) **Medical Investment Hub**
- Setting **"Quick Big Win" plans for 6 months** to address immediate constraints, **"Big Win" plans for 2 years** to strengthen regulations, infrastructure, and the investment ecosystem, and a **"Long Win" plan for 4 years**.
- **Targeting average GDP growth at 3% plus and raising the country's total investment to 30% of GDP by 2029**.

Source: The Cabinet, Local Press, and Krungsri Research

Private Investment remained robust, supported by machinery and equipment spending, FDI, and the electronics upcycle.

The Private Investment Index (PII) continued to post double-digit growth of 18.2% YoY in June, down from 21.7% in May, supported by investment in machinery and equipment. For 1H26, PII grew by 15.5%. This was consistent with improving investment among export-oriented businesses, benefiting from the electronics upcycle and data center investment, alongside accelerating cumulative FDI, particularly in manufacturing. Data center projects face stricter screening to ensure domestic value creation and to better manage resource use, which may slow investment in the near term but support more sustainable growth over the medium to long term. **Meanwhile, accelerating capital goods imports, particularly machinery and equipment, provide a positive signal for medium-term investment momentum.**

Private Investment Index

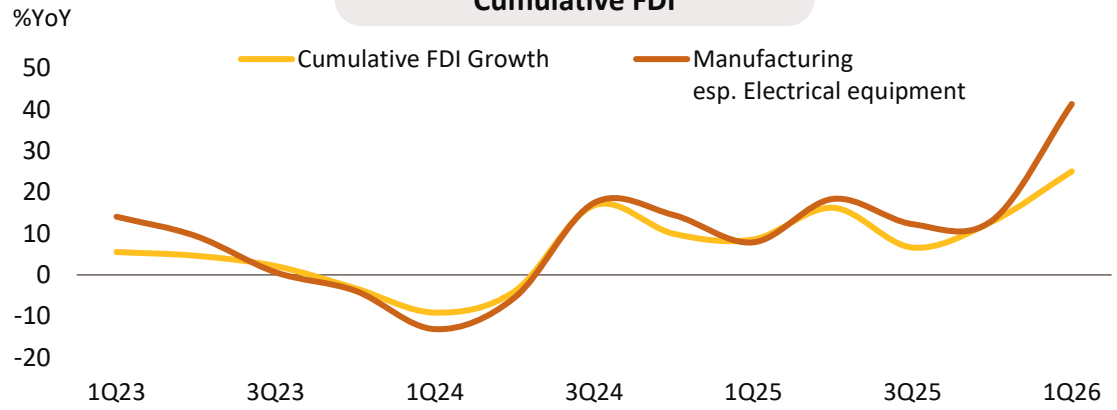


Private Investment Index by category

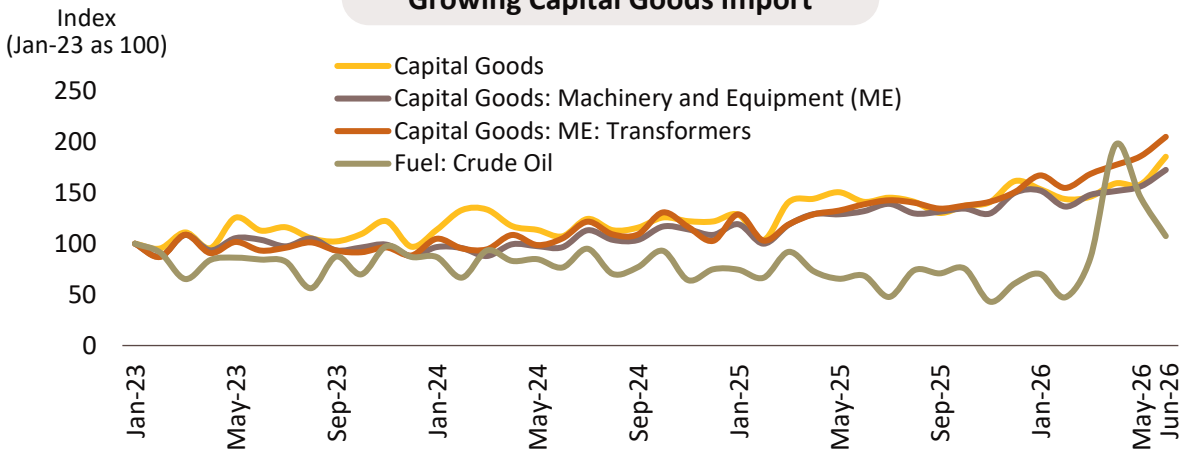
%YoY*	2024												2025												2026						
	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	
Private investment																															18.2
Vehicle																															1.7
Machinery and Equipment																															30.2
Construction																															8.1

**Green > 0%, Red < 0% / Darker green (red) indicates stronger (weaker) momentum*

Cumulative FDI



Growing Capital Goods Import

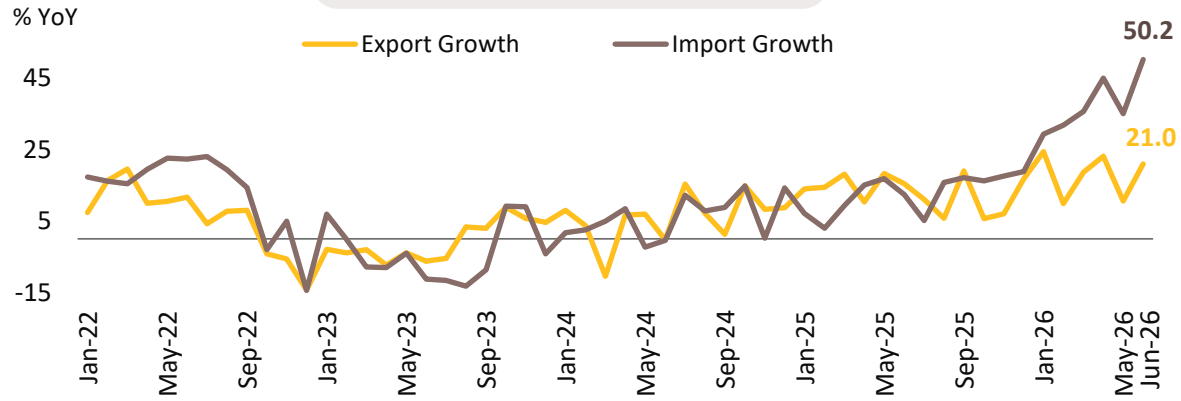


Source: BOT, MOC, and Krungsri Research

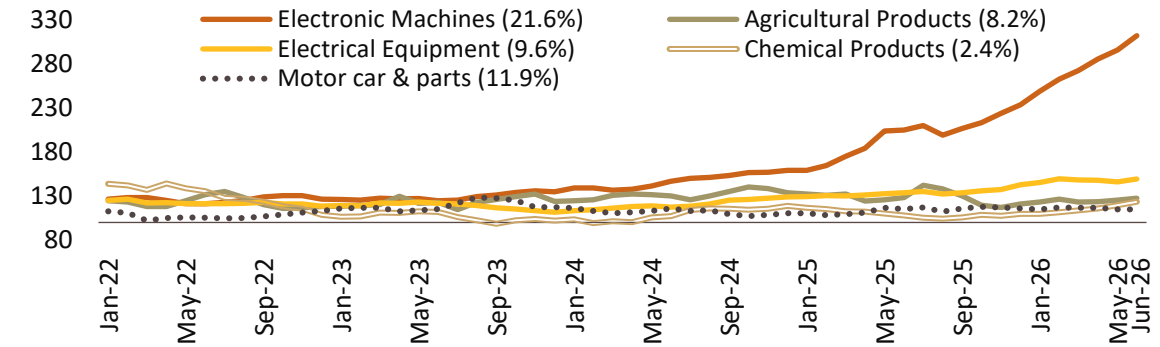
Thai exports, despite high growth, remained uneven and continued to lag import growth.

Exports rose 21.0% YoY in June (+17.6% in 1H26), led by electronics and electrical equipment, while imports continued to outpace exports, increasing 50.2%. Export growth was driven primarily by electronics and electrical equipment, with shipments expanding across all major markets, including the U.S., ASEAN, China, the EU27, and Japan. **However, following the expiry of the Section 122 tariff on July 24, 2026, Thailand faces a 12.5% Section 301 tariff related to forced-labor concerns, alongside ongoing investigations into excess production capacity, increasing downside risks to exports.** Although the AI boom and the electronics upcycle should continue to support exports, tariff uncertainty, lingering Middle East tensions, and weak external demand are expected to weigh on export growth going forward.

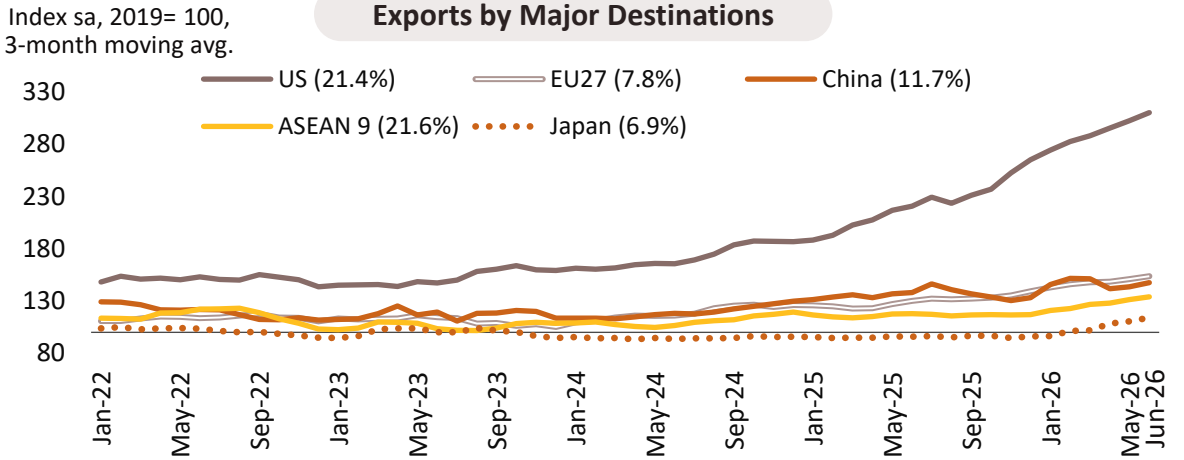
Monthly Exports and Imports



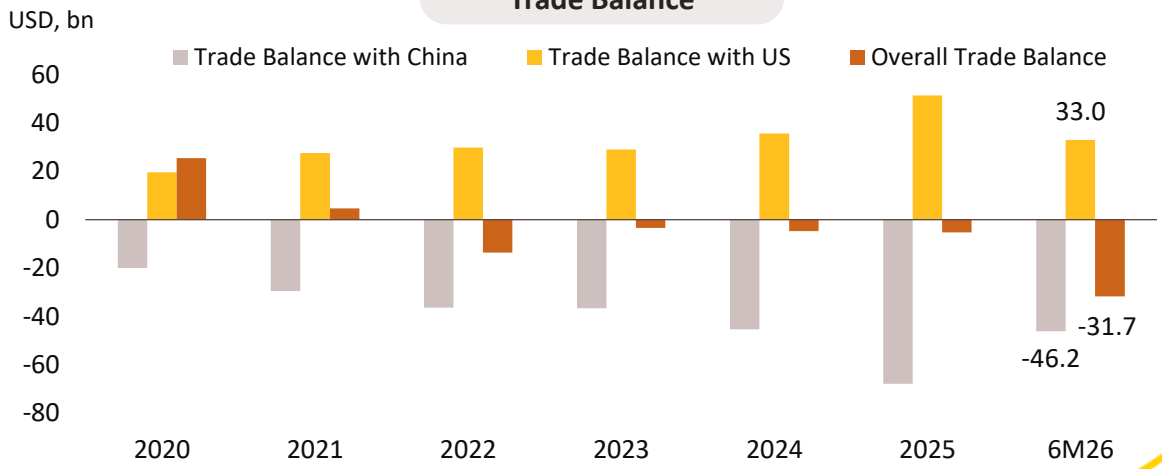
Exports by Major Products



Exports by Major Destinations



Trade Balance



Source: MOC, CEIC, and Krungsri Research

U.S. tariffs: A 12.5% Section 301 forced-labor tariff replaces Section 122, with potential Section 301 tariffs on excess capacity posing further downside risks to Thai exports.

- **Following the ruling against the IEEPA (Reciprocal Tariffs) in February and the expiration of Section 122 (10% broad-based tariffs) in July, other tariffs such as Section 232 (product-specific) and Section 301 tariffs remain in place for 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.** Meanwhile, transshipment-related tariffs remain another ongoing risk for Thailand.

Potential Additional U.S. Tariffs and Risks to Thailand

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

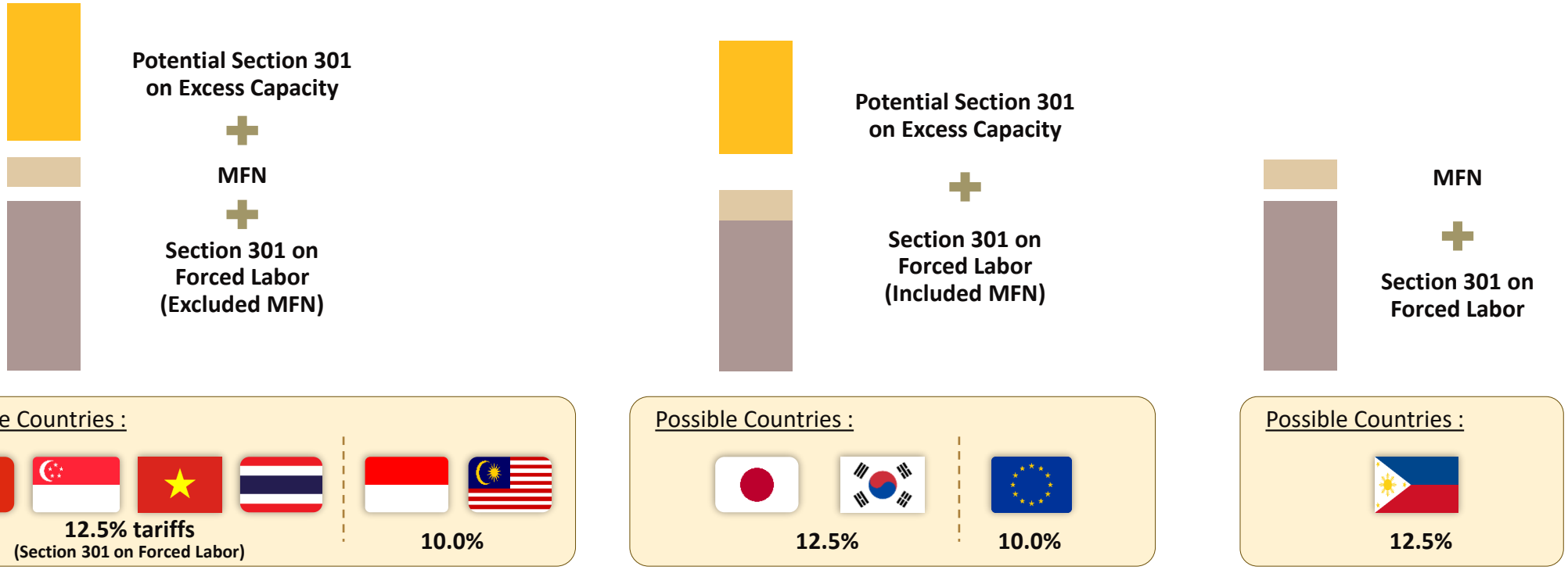
*For Thailand, existing Section 232 tariffs already cover autos and auto parts (25%), steel and aluminum (50%), copper (50%), lumber (10-25%), and trucks (25%).

Source: The White House, WITS and Krungsri Research

Thailand and ASEAN may face broadly similar tariffs to the previous reciprocal tariffs

- **For the Section 301 risks, a 12.5% forced-labor-import tariff has been applied on top of the MFN rate since July 24, 2026, with exemptions for certain products such as food, fuels, and fertilizers. Separately, the excess-capacity investigation targets structural overcapacity and manufacturing overproduction across 16 major economies, including Singapore, Thailand, and China. Potentially affected Thai sectors include rubber products (6.3% of U.S. exports), machinery (5.7%), and motor vehicles and auto parts (2.6%).**
- **Apart from Thailand, several ASEAN economies—including Singapore, Vietnam, Indonesia, and Malaysia—are also subject to excess-capacity investigations.** 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.

Potential Additional Tariff Section 301 Scenarios on Excess Capacity



Source: USTR and Krungsri Research

"The Great Transshipment Scam": Greater classification and tier-based targeting could heighten downside risks beyond Section 301 trade investigations.

- **The White House released a report titled "The Great Transshipment Scam," alleging that China is using a "shadow trade network" across third countries to circumvent U.S. tariffs.** These networks reportedly involve final-stage manufacturing, logistics platforms, processing routes, free-trade zones, and re-export hubs, allowing China-linked goods to enter the U.S. market under a new declared country of origin, rather than being directly identified as Chinese-origin products.
- **Countries are classified into three tiers based on their transshipment risk and integration with Chinese supply chains**: **Tier 1** comprises economies with strong industrial bases, diversified trade, and robust customs controls, including the EU, India, Japan, South Korea, and Taiwan; **Tier 2** includes major transit and manufacturing hubs deeply integrated with China, with greater potential for trade rerouting, including Indonesia, Malaysia, Vietnam, and Thailand; and **Tier 3** covers smaller economies with weaker customs enforcement and hence may be more susceptible to be used as transshipment hubs, e.g., Cambodia and the Philippines.
- **Nevertheless, the report identifies targeted high-risk sectors, including Thai exports of key manufactured products such as thermostats (HS 903210)**, which are concentrated in Ayutthaya–Samut Prakan, an "Ugly Sister City" counterpart to Minneapolis–St. Paul in the U.S.

The Great Transshipment Scam Classification

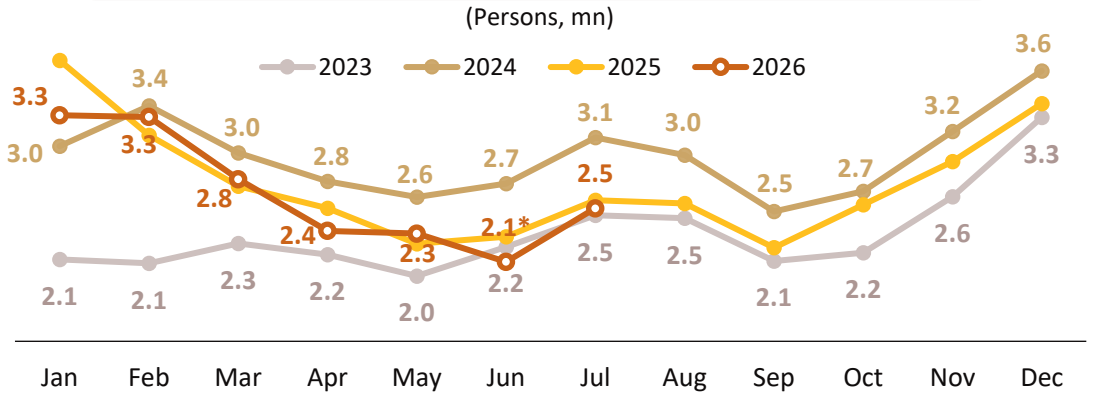
Tier	Label	Criteria	Transshipper Examples
Tier 1	**Diversified Scale Leaders**	High-volume trade hubs with broad industrial bases where transshipment risk blends into massive, legitimate exports to the U.S.	Canada, European Union, India, Israel, Japan, Mexico, South Korea, Taiwan
Tier 2	**Scale Leaders, Significant Economic Integration with China**	Significant transshipment volumes driven by deep operational ties to China across manufacturing, input sourcing, and regional logistics networks.	Brazil, Indonesia, Malaysia, **Thailand,** Turkey, Vietnam
Tier 3	**Small, Opportunistic Chinese Targets**	Smaller economies leveraging specific structural or enforcement loopholes (e.g., free zones, low costs, trade access) for targeted Chinese rerouting.	Bangladesh, Cambodia, Georgia, Laos, Myanmar, Panama, Peru, Philippines, Singapore, Sri Lanka, Switzerland

Source: The White House

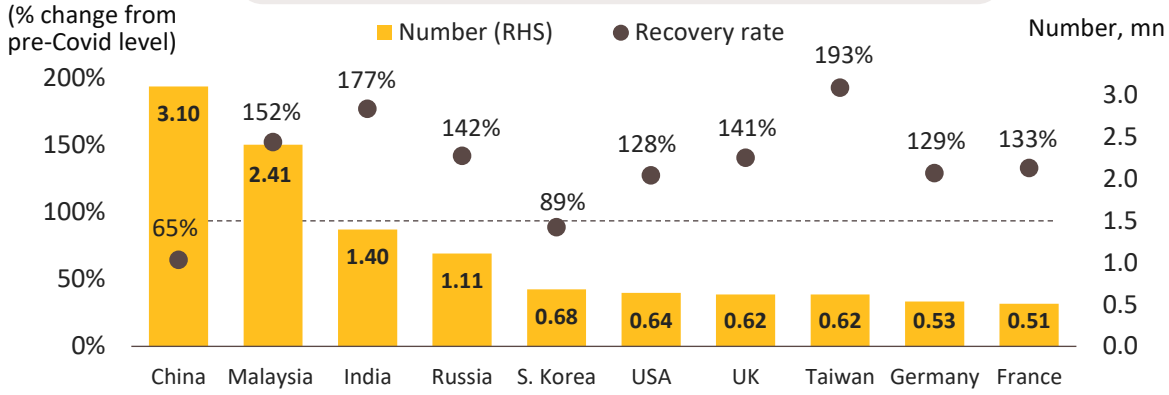
Tourism shows signs of recovery despite high aviation costs and safety concerns, with stronger Middle Eastern arrivals.

In July 2026, Thailand recorded 2.54 million foreign arrivals, up from 2.14 million in June. For 1H26, foreign arrivals totaled 16.2 million. Although most markets have broadly recovered, Chinese and South Korean arrivals in the first seven months remained below pre-COVID levels. **Despite high airfares and travel safety concerns, Middle Eastern arrivals strengthened significantly**, while Chinese arrivals surpassed pre-conflict levels. Long-haul markets, particularly Europe, also show early signs of recovery. **Tourism remains a key contributor to the country's current account balance**, with the tourism surplus offsetting deficits in other services accounts.

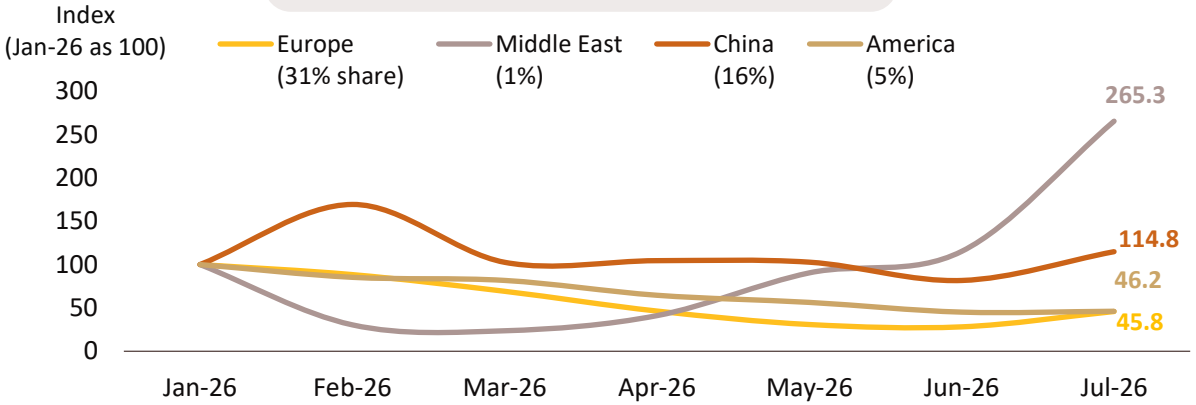
Foreign tourist arrivals recovered to 3-month high of 2.5 mn in Jul



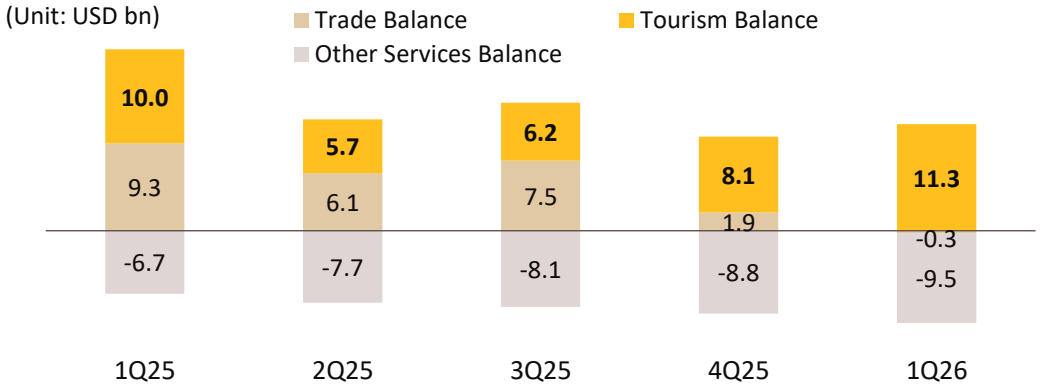
Top 10 tourist arrivals by country in Jan-Jul 2026



Long-haul and Chinese tourist arrivals



Tourism in Current Account

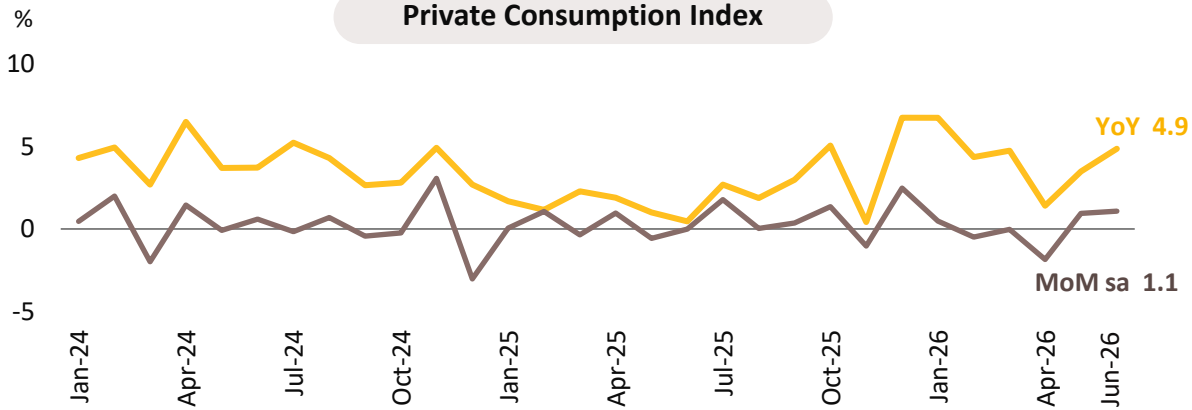


Note: *Preliminary estimate for total tourist arrivals in June
Source: MOTS, CEIC, and Krungsri Research

Private consumption strengthens on temporary stimulus support, but the outlook remains uncertain amid high living costs, weak income growth, and elevated household debt.

Household spending continued to recover, with the Private Consumption Index (PCI) rising 4.9% YoY in June from 3.5% in May, driven mainly by stronger consumer goods sales following the launch of stimulus measures, including Thai Chuay Thai Plus and the State Welfare Card program, starting from June to September. For 1H26, PCI rose by 4.2%. The Consumer Confidence Index (CCI) gradually improved to 51.8, supported by the stimulus measures and lower global oil prices. Meanwhile, household debt edged down to 85.9% of GDP in 1Q26 from 86.7% in 4Q25, but still above the pre-pandemic level of 82.7%. **Looking ahead, existing stimulus measures should support consumption through 3Q26, but payback effects may follow, while the 4Q26 stimulus remains uncertain.** Thereafter, high living costs, weak income growth, and elevated household debt are likely to constrain household spending.

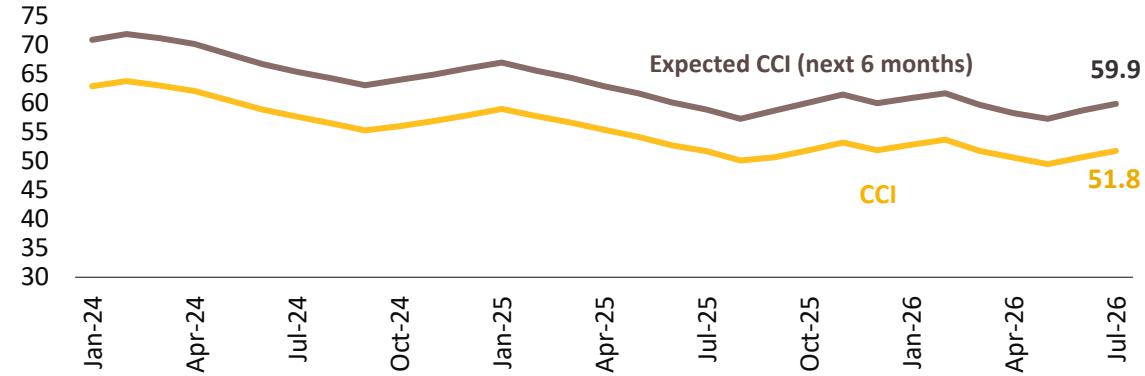
Private Consumption Index



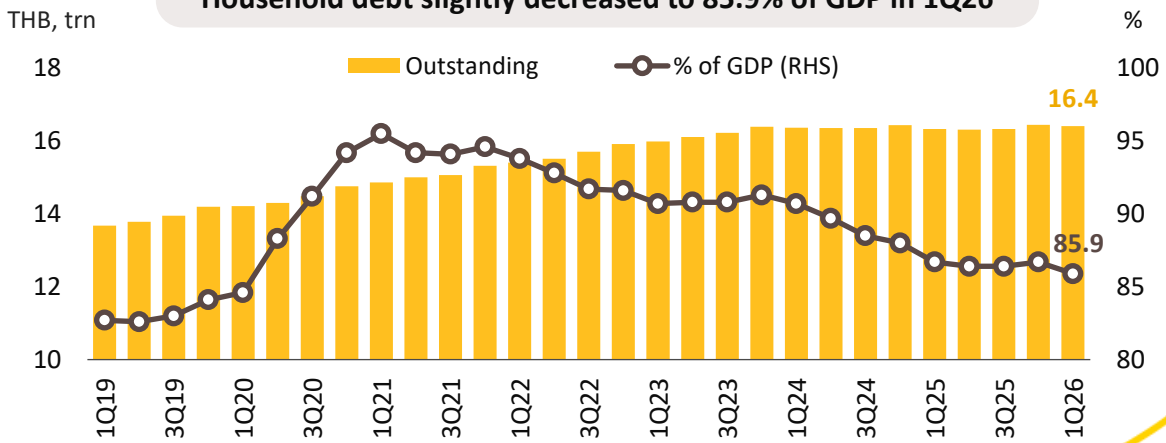
Thai Chuay Thai Plus in the First Half

Summary	Actual		Government's Target
	June	July	
Total participants (persons)	26,040,623	26,040,623	30,000,000
Total Expenses (THB, mn)	43,218	42,225	50,000
- Government Subsidy	24,812	24,790	
- Participant co-payment	18,407	18,434	
Usage (%)	99.6	97.3	-
Spending (THB/person/month)	1,660	1,622	1,666

Consumer Confidence Index (CCI)



Household debt slightly decreased to 85.9% of GDP in 1Q26

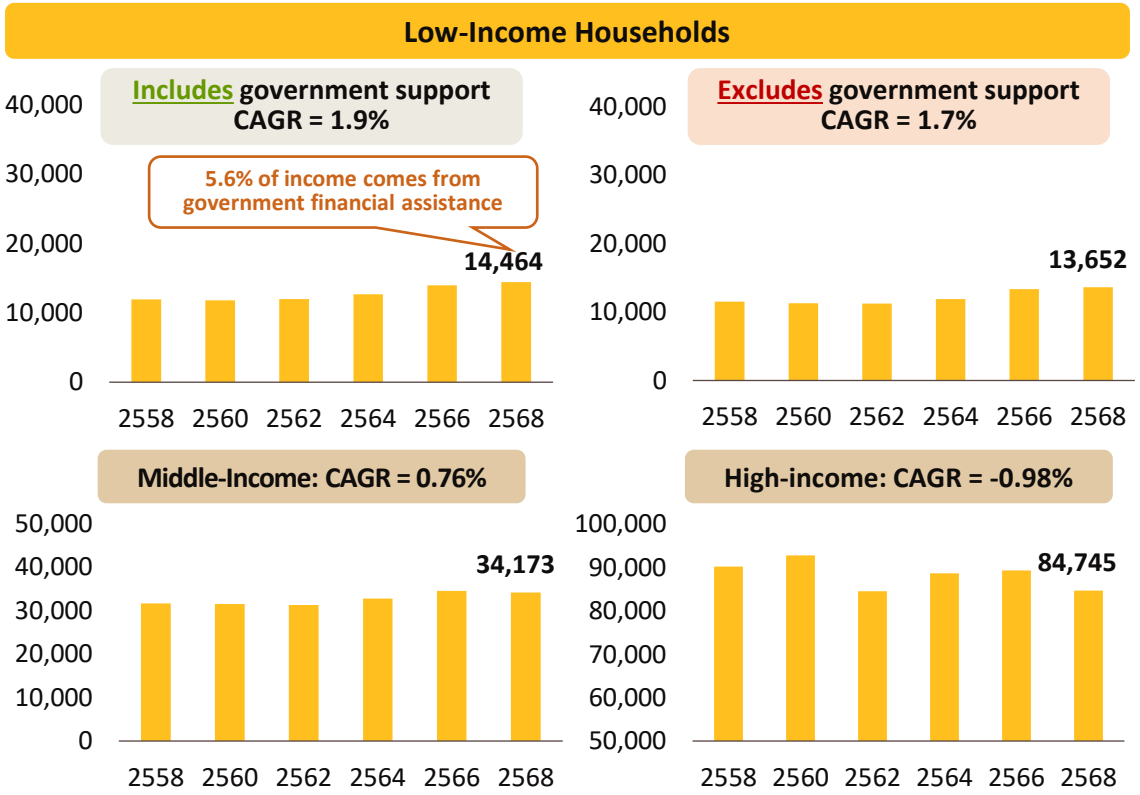


Source: BOT, The Cabinet, UTCC, and Krungsri Research

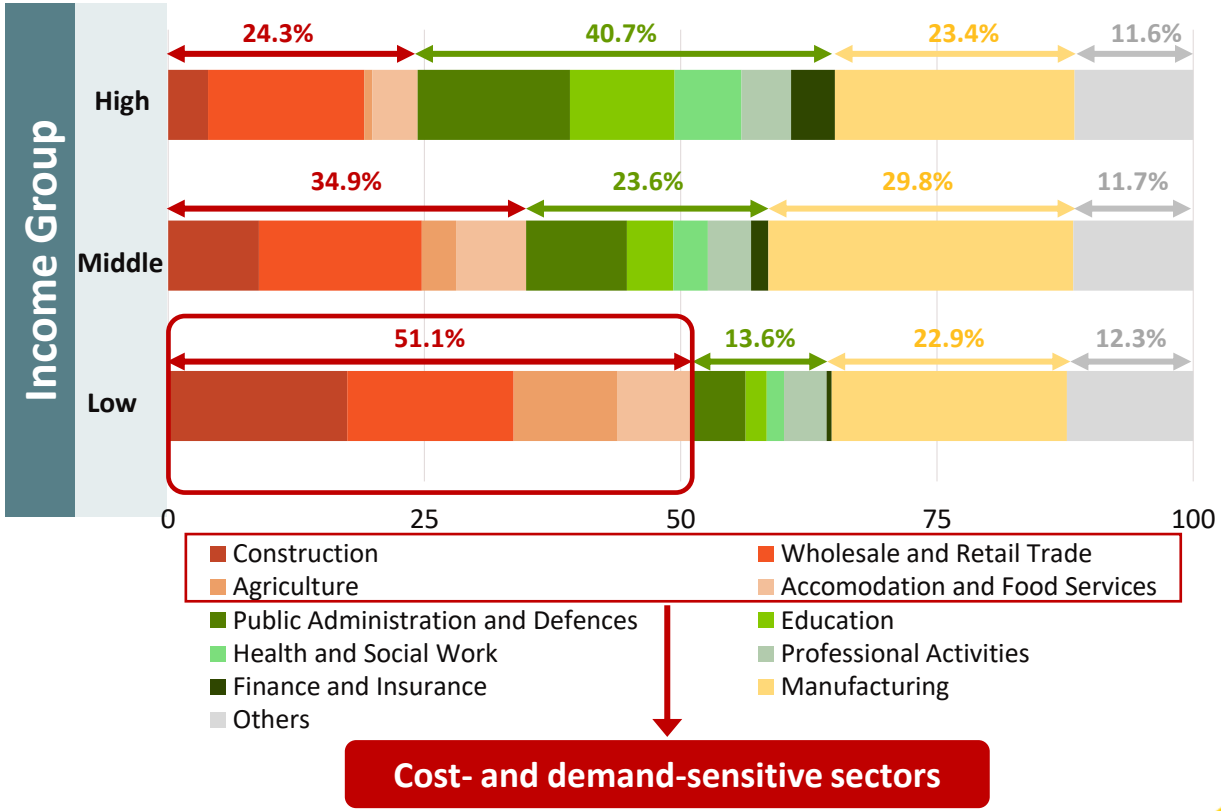
Stagnant income: Lower-income group has flat real earnings and fragile jobs.

- **Over the past decade, real income growth[1/] has eroded across almost all income groups, weakening purchasing power.** Even though low-income households recorded the fastest nominal income growth at 1.9%, reliance on government financial assistance rose substantially. **Excluding this unsustainable support, nominal income growth would drop to 1.7%, slightly higher than average inflation (1.0%), implying weak real income growth.** Moreover, as low-income households face higher inflationary pressures from shocks, their actual real income growth will be even lower.
- Furthermore, as more than half of workers in low-income households are employed in cost- and demand-sensitive sectors**, such as construction, domestic trade, agriculture, and accommodation and food services, this leaves them highly vulnerable.** In contrast, 40.7% of high-income earners are mainly engaged in more stable jobs, including public administration, education, health, professional services, and finance.

Average Household Income in 2025 by Income Group (Baht/Month)



Employment Structure in 2025 by Income Group (% Share)

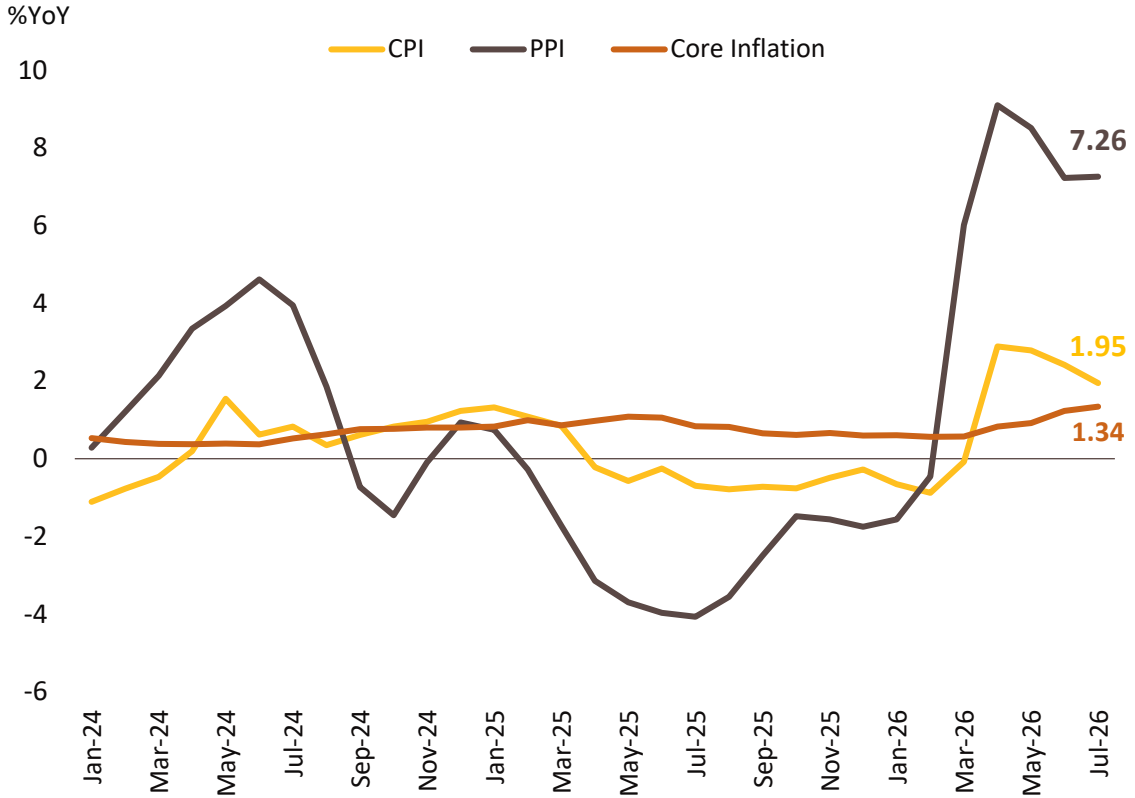


Source: NSO; calculated by Krungsri Research
Note: 1/ Real income growth = nominal income growth - inflation

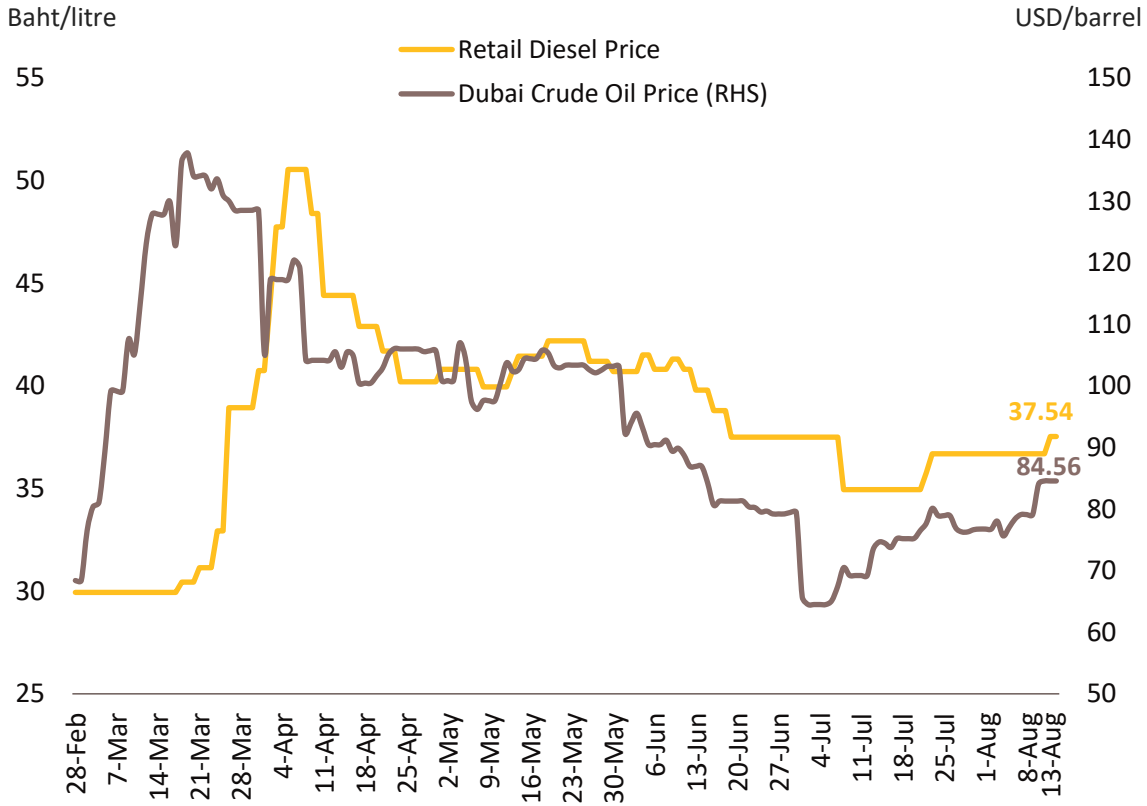
Inflation remains elevated amid Middle East tensions and still-high oil prices; gradually rising core inflation warrants monitoring for cost pass-through to consumer prices.

In July 2026, headline inflation eased to 1.95% YoY from 2.42% in June, mainly due to lower energy prices following the decline in global crude oil prices, as well as lower fresh food prices, particularly meat amid higher supply, and vegetables due to a high base effect. Looking ahead, supply constraints, high commodity prices, and impacts of El Niño risks could push inflation up from 3Q26 onward**. The wide gap between PPI and consumer inflation suggests potential cost pass-through, while rising core inflation warrants monitoring amid weak domestic demand.**

Limited pass-through effect from PPI to CPI



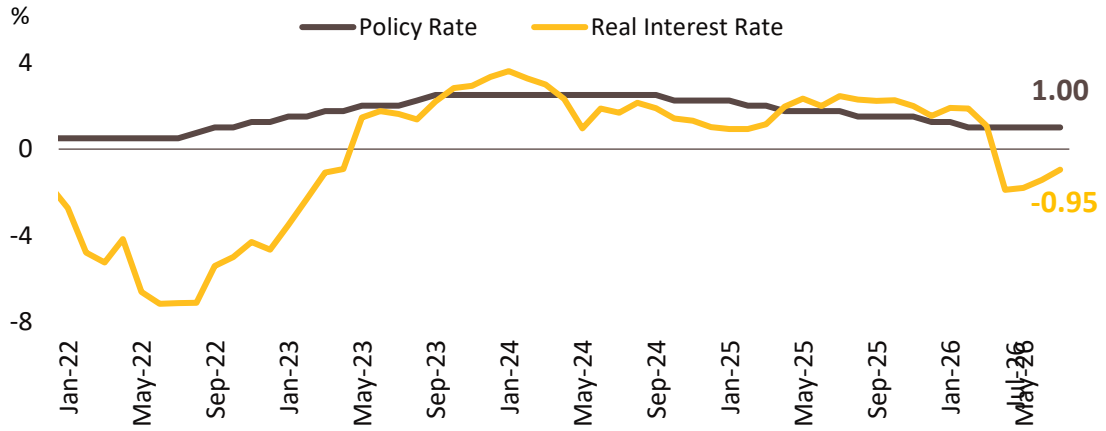
Domestic Diesel Price and Dubai Crude Oil Price



Source: MOC, MOE, BOT, and Krungsri Research

BOT's policy stance remains focused on domestic conditions, with no immediate need to follow other central banks' tightening cycles.

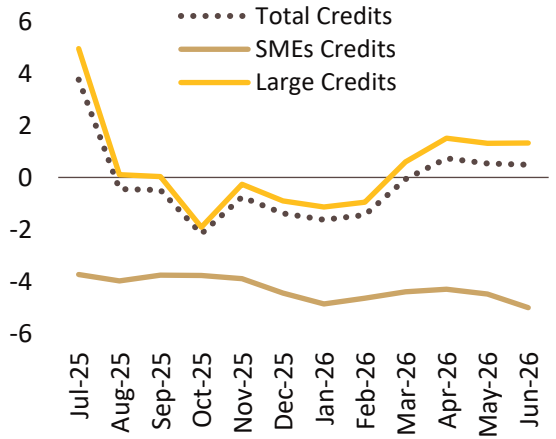
Policy interest rate



BOT's Economic Projection

	As of June	
Unit: %	**2026F**	**2027F**
GDP growth	**2.3**	**1.8**
Headline inflation	**2.8**	**1.4**
Core inflation	**1.5**	**1.4**

Credit Growth



Source: BOT, and Krungsri Research

Krungsri Research's view:

At the June meeting, the MPC delivered a unanimous decision to maintain the policy rate at 1.00% as anticipated. :

- Under the BOT's policy framework, the Committee judged that **"the current policy rate is appropriate to support the still-subdued and uneven economic recovery, while looking through temporary, supply-driven inflation pressures."** The BOT expected headline inflation to temporarily rise to 2.8% in 2026 before easing to 1.4% in 2027, with limited second-round effects and inflation expectations remaining anchored within the 1–3% target range. Meanwhile, the BOT projected the economy to grow by 2.3% in 2026 and 1.8% in 2027. However, the recovery is expected to remain uneven, while SME credit continues to contract amid cautious lending, keeping financial conditions tight for vulnerable households and businesses.
- Against this backdrop, **the policy rate is expected to remain accommodative in the near term** to support the recovery and ease debt-servicing burdens, while structural constraints and targeted credit weaknesses will require a coordinated mix of fiscal, financial, and monetary measures.
- **As inflation remains largely supply-driven, with economic slack still evident and second-round effects contained, Krungsri Research expects the BOT to maintain a balanced policy stance by keeping the policy rate unchanged at 1.00% p.a. throughout 2026.** However, the BOT could recalibrate its policy stance if inflation becomes broad-based and persistent, inflation expectations become unanchored, or demand-pull inflation emerges.

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