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The MPC delivered a 25bps cut to 1.75% in response to downside risks, downward GDP revision, and downtrend in inflation. Its dovish tone paves the way for a more accommodative policy stance, with the pace and extent depending on tariff negotiations.

Key event:

The Monetary Policy Committee (MPC) voted 5:2 to cut the policy interest rate by 25bps.

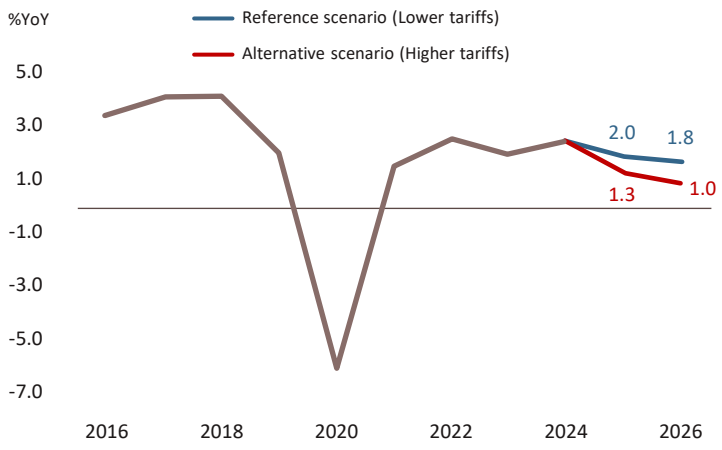
The MPC decided to lower the policy rate by 25bps to 1.75%, citing increased downside risks to Thailand's economy due to uncertainties surrounding trade policies of major economies, which are expected to become more evident in the second half of 2025, as well as a decline in tourist arrivals.

According to the MPC's statement, the Committee projects Thailand's GDP growth in 2025 to be around 2% if tariff negotiations are prolonged and US tariffs remain close to the current level of 10%. However, in the case of higher tariffs, the Thai economy is projected to fall to around 1.3%, depending on the global policy responses. It is therefore crucial to closely monitor global trade developments and their impacts on the Thai economy.

Headline inflation is expected at 0.5% in 2025, staying below the BOT's 1-3% target range due to falling oil prices and cost-of-living support measures from the government. With financial conditions still tight, most committee members agreed that a rate cut would help cushion downside risks and support the economy.

Under the monetary policy framework that aims to maintain price stability, support sustainable economic growth, and preserve financial system stability, **the Committee assesses that the economic outlook remains highly uncertain. Therefore, monetary policy will be adjusted appropriately in response to future developments in economic and inflation risks.**

Projected economic growth under different scenarios



Source: BOT

Krungsri Research view:

Mounting downside risks to growth prompted the BOT to deliver a dovish cut. Further cuts are likely, and the policy rate trajectory will depend on the progress of negotiations.

Aligning with the deepening downside risks to growth, major downward revisions of GDP growth from 2.9% to 2.0% (Reference Scenario), and a downtrend in inflation projected below the lower bound of 1%, the MPC has cut the policy rate by 25 bps. The BOT's rate cut is seen as a preemptive move to broader economic headwinds, driven by highly uncertain global trade policies. This decision is consistent with the dovish tone expressed in the February MPC minutes, which signaled a shift toward prioritizing growth amid persistently below-target inflation and easing concerns about financial stability—previously a key reason for holding rates. **Since then, the justification for a rate cut has become more pronounced, as downside risks to growth have mounted. This is especially relevant given the previously restrictive neutral rate of 2%, leading to tightened financial conditions.**

The Committee conveys a dovish tone with the cut, leaving the door open for further easing. The press release stated that *"The unpredictable nature of future global trade policies of major economies continues to pose significant challenges in assessing the economic and inflation outlook going forward."* Furthermore, at the press conference, the BOT did not rule out the possibility that this could mark the beginning of an easing cycle, given the worsening outlook amid heightened uncertainty, which could persist through the end of next year.

Looking ahead, given the dovish tone in the BOT's statement and press conference, Krungsri Research anticipates a possible follow-up rate cut in the June meeting, as prolonged uncertainty during negotiations could intensify pressure on Thailand's trade-dependent economy. In the second half of the year—when the MPC expects the impact of tariffs to begin materializing—the rate trajectory and terminal level will depend on the progress of negotiations.

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