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Thailand's 1Q26 GDP surprised on the upside at 2.8% YoY, supported by temporary factors. While 2026 growth could gain from stronger-than-expected 1Q growth and pending fiscal stimulus, it is weighed down by external risks, particularly the Middle East tensions.

Key event:

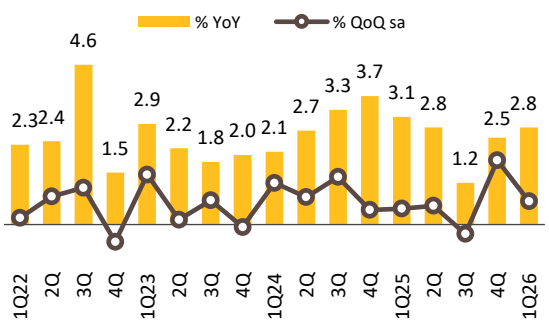
1Q26 GDP growth expanded by 2.8% YoY or 0.7% QoQ s.a., mainly driven by a temporary rise in domestic and external demands and an inventory accumulation. Surging imports led to the first trade deficit in 14 quarters, weighing negatively on growth contribution.

The NESDC officially reported that **Thailand's GDP growth reached a three-quarter high at 2.8% YoY in 1Q26**, exceeding Krungsri Research's expectation (+2.3%) and the market consensus (+2.2%). The growth rate also increased from +2.5% in 4Q25. On a seasonally adjusted (s.a.) basis, the economy expanded by 0.7% QoQ in 1Q26, continuing but moderating from 1.9% growth in 4Q25.

The stronger-than-expected growth in 1Q26 reflected a temporary increase in demand from both domestic and external markets. Private consumption growth (+3.2% vs. +3.3% in 4Q25) was mainly supported by spending on non-durable and durable goods, such as front-loading demand for EVs ahead of subsidy expiration and the surge of BEV demand as a response to higher oil prices. **Exports of goods and services** accelerated (+12.6% vs. +5.9% in 4Q25), largely due to front-loading effects in merchandise exports amid tariff uncertainties (+15.5% vs. +8.7%). **Private investment growth also rebounded** (+10.1% vs. +6.5%), particularly in machinery and equipment investment, supported by improved political clarity following the election. **Public consumption growth** also improved (+3.4% vs. +1.3%). **Furthermore, changes in inventories,** particularly in gold and manufacturing products, (a THB 176 bn rise in 1Q26 vs. a THB -123 bn drop in 1Q25) provided a significant year-on-year growth to 1Q26 GDP. **However, imports of goods and services** surged by +21.1% (vs. +9.5% in 4Q25) while the country's trade balance posted the first deficit in 14 quarters, weighing negatively on GDP growth. **Overall, a temporary rise in domestic and external demands and an inventory accumulation were the key drivers in 1Q26.**

On the supply side, 1Q26 GDP performance showed expansion in all major categories. Agricultural output expansion improved (+1.2% vs. +0.6% in 4Q25) due to higher production of sugarcane, rubber, and fruits, but lower agricultural prices caused farm income to decline. **Industrial production increased** (+1.8% vs. +0.9%) supported by refined petroleum and export-related manufacturing, **while the service sector continued to expand** (+3.6% vs. +3.5%), driven by transportation and storage, accommodation and food service activities, and information and communication. **For the full year 2026, the NESDC has projected GDP growth at a median of 2.0% (or the range of 1.5%–2.5%), taking into account both the negative impact of the Middle East tensions and the positive impact of government stimulus measures.**

Thailand's GDP Growth (%)



Source: NESDC

Thailand's GDP Growth by Component

	% YoY			% QoQ sa	
	2025	4Q25	1Q26	4Q25	1Q26
GDP	**2.4**	**2.5**	**2.8**	**1.9**	**0.7**
Private Consumption	2.7	3.3	3.2	1.4	0.4
Public Consumption	0.6	1.3	3.4	4.9	1.0
Private Investment	3.5	6.5	10.1	2.7	4.0
Public Investment	8.9	13.3	9.4	20.3	-10.3
Export of Goods & Services	9.3	5.9	12.6	2.4	7.3
Export of Goods	11.9	8.7	15.5	1.9	8.4
Export of Services	-1.5	-5.4	1.0	5.3	3.7
Import of Goods & Services	6.8	9.5	21.1	4.8	8.7
Import of Goods	9.8	12.8	25.4	5.8	9.6
Import of Services	-4.7	-2.7	5.2	3.2	4.0

Krungsri Research view:

Thailand's 1Q26 growth was lifted by temporary factors but is set to slow sharply from 2Q26. Despite policy support from 3Q26, rising costs and supply disruptions from Middle East tensions cloud the outlook, leaving policy on hold amid inflation–growth trade-offs.

Thailand's GDP growth in 1Q26 came in above expectations, driven by several temporary and front-loaded factors. First, exports were buoyed by front-loading ahead of uncertain U.S. tariff policy, following the cancellation of the 19% reciprocal tariff in February and the imposition of a 10% tariff based on Section 122 during February-July. **Second,** private consumption was partly supported by front-loaded purchases of EVs. **Third,** private investment accelerated, reflecting improved political stability after the formation of a majority government in parliament following the election. **Finally,** inventory accumulation—particularly in gold and some manufacturing products—also contributed to the upside surprise.

Looking ahead, these tailwinds are set to unwind, leaving the economy more exposed to external shocks. Escalating Middle East tensions have driven energy price spikes and supply disruptions, significantly raising cost pressures. As a result, **GDP growth is expected to slow sharply, with a risk of quarter-on-quarter contraction in 2Q26,** as higher costs compress demand across consumption, investment, exports, and tourism. Surging imports will further drag on the country's trade balance and overall growth.

Recently, the government has planned to introduce additional stimulus measures to support domestic demand under the Emergency Loan Decree. The Thai Chuay Thai Plus program, including the co-payment scheme, is expected to help boost private consumption during June–September. **While 2026 GDP growth could gain some support from better-than-expected 1Q26 GDP data and forthcoming fiscal stimulus, it remains weighed down by external risks, particularly the ongoing tensions in the Middle East. Our GDP forecast is currently under review and is expected to be released within this month.**

From a monetary policy perspective, the uptrend in inflation this year, together with incoming fiscal stimulus, reinforces our view that the Monetary Policy Committee (MPC) is unlikely to cut the policy rate. At the same time, despite the upside surprise in 1Q26 GDP data, weakening growth momentum, a negative output gap, and downside risks to the outlook limit the case for rate hikes. As such, **the MPC is expected to maintain its policy rate this year, navigating the trade-off between rising inflation and softening growth.**

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