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August 26, 2026

The MPC kept the policy rate unchanged at 1.00% p.a. Given the policy stance assessed as accommodative, we maintain our call for the policy rate to be held throughout 2026, with targeted financial measures and economic reforms taking center stage over further policy rate moves.

Key Event:

The Committee voted unanimously to maintain the policy rate at 1.00% p.a. to nurture uneven recovery amid below-potential economic growth.

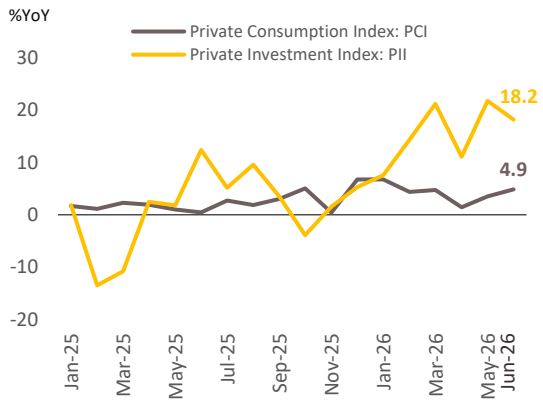
At its meeting on August 26, the Committee voted unanimously (7–0) to maintain the policy rate at 1.00% p.a., viewing that an accommodative policy stance, together with targeted financial measures, remains appropriate to support the economic recovery. The decision was in line with market consensus, with 30 of 32 research houses expecting a hold, according to the Reuters survey.

The Thai economy is expected to expand broadly in line with previous estimates in 2026-2027. Merchandise exports and private investment have performed better than expected, supported by the technology and AI cycle, while private consumption has remained weaker amid cautious household spending and rising living costs. Nevertheless, growth remains low and uneven, as gains from exports and investment are highly import-dependent, limiting their spillovers to the broader economy. Meanwhile, SMEs continue to face adaptation challenges and intensifying competition.

On the price stability front, headline inflation is projected to be lower than previously assessed, mainly due to lower global energy prices, while core inflation is also revised down slightly amid weaker-than-expected cost pass-through. Inflation is expected to rise through 1Q27 amid El Niño and gradual cost pass-through, before easing thereafter due to base effects and weak domestic demand. However, medium-term inflation expectations remain anchored. Going forward, inflation developments will depend on uncertainties surrounding the Middle East conflict, cost pass-through, and inflation expectations.

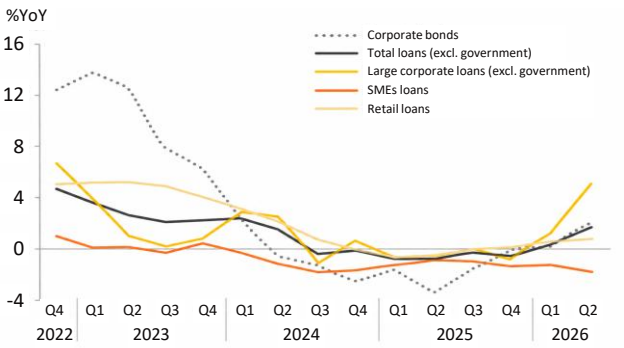
Regarding financial conditions, credit growth has improved, driven mainly by large corporate lending, while SME loans continue to contract amid cautious lending to high-risk borrowers. Overall loan quality remains stable, but debt repayment ability among SMEs and vulnerable households warrants close monitoring. Targeted financial measures should provide support to potential SMEs and vulnerable groups.

Demand-Side Key Indicators



Source: BOT, Krungsri Research

Credit Growth



Note:
1) Loans consists of commercial bank lending, including SFIs and non-banks under BOT regulation.
2) Business loan sizes are categorized by OSMEP's revised definition, combining revenue, employment, and credit lines. Meanwhile, SFI and non-bank loans under BOT regulation utilize the OSMEP criteria based solely on revenue and employment.

Source: BOT

Krungsri Research View:

- **We maintain our call for the MPC to hold the policy rate at 1.00% p.a. throughout 2026. With the current stance assessed as already accommodative, monetary policy effectiveness increasingly hinges on targeted measures to improve credit access to viable-but-vulnerable groups and structural reforms, rather than the level of the policy rate itself.**

Akin to our previous assessment, the Committee unanimously held the policy rate unchanged at 1.00% p.a. for the third consecutive meeting, assessing that the economy remains on a recovery path, underpinned by the technology and AI upcycle. Having said that, the uneven nature of the recovery continues to result in "*low economic growth*." **The divergence is evident on two fronts: 1) strength in investment and exports versus softness in consumption; and 2) a revival in overall credit versus a retreat in SME lending.**

As credit access among vulnerable groups remains a concern, **the Committee is placing greater emphasis on encouraging financial institutions to extend greater support through targeted financial measures,** including measures to address debt problems among vulnerable groups, as well as the SME Credit Boost and SME Secure Plus programs to improve liquidity and raise productivity. At the press conference, **Mr. Don Nakornthab further underscored the role of fiscal policy** in addressing near-term constraints, alongside structural reforms to lift the economy's growth potential. **In parallel, the Committee assesses the current monetary policy stance as already "accommodative."** As stated in the press release, *"The Committee assesses that an accommodative monetary policy stance, coupled with targeted financial measures, has helped support the economic recovery."*

On the external front, rising global bond yields and USD volatility add to uncertainty from U.S. tariff policy and the Middle East conflict. The Committee, however, assessed **Thailand's external stability as sound, with government bond yields reflecting market dynamics and the Thai Baht moving broadly in line with regional currencies.**

As things stand, these considerations suggest that the policy challenge increasingly lies in policy effectiveness rather than the level of the policy rate itself. Taken together with the BOT's assessment of *"below-potential economic growth"* and benign demand-pull inflationary pressures, we reiterate our previous view that the MPC will keep the policy rate unchanged at 1.00% p.a. for the remainder of 2026.

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