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FLASH

August 13, 2025

**The MPC unanimously delivered a 25-bps cut to 1.50%, citing efforts to ease financial conditions for vulnerable groups. Given still-elevated economic uncertainties and risks, an additional 1–2 rate cuts by 1Q26 are likely**

## Key Event:

### The MPC unanimously voted to cut the policy rate to alleviate the burden of vulnerable groups.

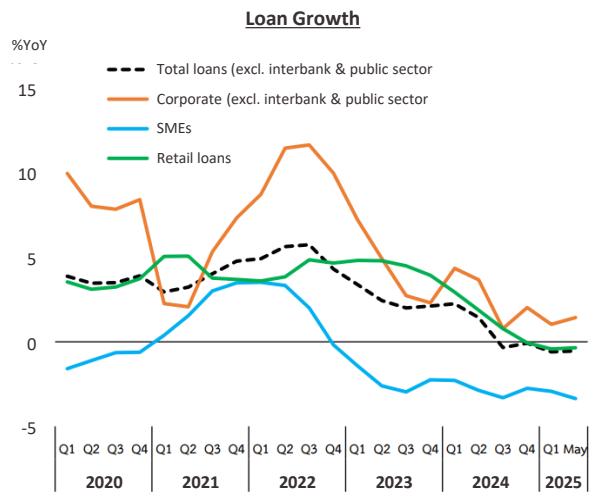
**The Monetary Policy Committee (MPC) unanimously voted to cut the policy rate by 25bps to 1.50%. The decision is in line with Krungsri Research's view and Reuters survey (23 out of 28 research houses).**

**According to the MPC's statement, the Thai economy is projected to expand close to the previous assessment.** 1H25 growth was driven by front-loaded exports and manufacturing production ahead of anticipated US tariffs. **However, momentum is expected to soften in 2H25 due to US trade policies and a decline in short-haul tourist arrivals amid stronger regional competition**. Private consumption is also expected to remain subdued due to weakening consumer confidence and income. Also, risks from transshipment tariffs and import flooding warrant close monitoring. **Headline inflation is forecast to remain subdued,** with falling raw food and energy prices—mainly due to supply-side factors.

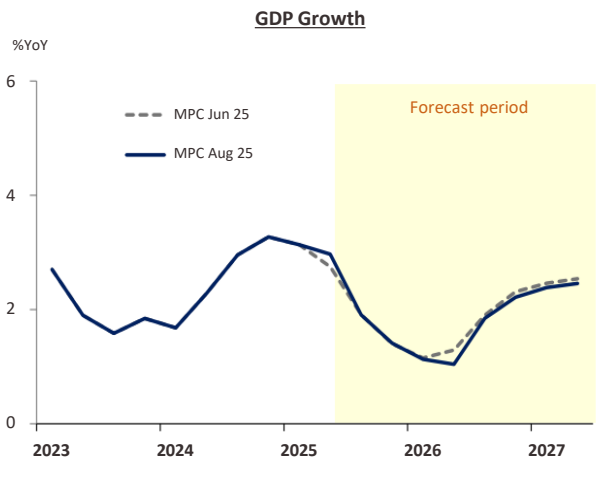
**Credit growth remains negative due to increased credit risks, which could exacerbate vulnerable groups of the economy, particularly in SMEs and low-income households.**

The monetary policy framework aims to maintain price stability, support sustainable growth, and preserve financial stability. **The Committee views that policy should remain accommodative to support the economy, while ensuring macro-financial stability and considering limited policy space.**

**Credit growth remains negative due to increased credit risks, particularly in SMEs and low-income households.**




**The economy is expected to face increasing impacts from U.S. trade policies in 2H25**




Note: 1) Data covers loans from financial institutions including commercial banks (and subsidiaries), SFIs, and non-banks that are not subsidiary of commercial banks
2) Firm size is defined through a combination of the Office of SMEs Promotion's criteria and credit lines

Source: BOT

## Krungsri Research View:

- **While the BOT claims policy space should be preserved, 1-2 additional rate cuts by the early 2026 appear likely, with no significant easing of downside risks in sight.**

**As we anticipated, the Committee cut its policy rate at this meeting, responding to mounting downside risks, mainly from U.S. trade policies, and sluggish transmission of monetary policy to the real economy**. This decision marks a shift from the Committee's earlier stance of *"preserving policy space*," indicating that the balance has tipped toward addressing growth concerns. **The move also fits neatly within the Committee's stated 'outlook-dependent approach' and its own projection of a slowing economy in the second half of 2025 and into 2026**.

**In the period ahead, while the BOT expects the rate cut to alleviate the burden on vulnerable groups by easing financial conditions, downside risks to growth are, in our view, unlikely to materially dissipate.** Consistent with the press release, the headwinds and risks we see include persistent credit contraction, higher *ex-post* real rates, political uncertainty, unresolved Thailand–Cambodia border tensions weighing on confidence and tourism, weaker post–front-loading exports, and potential further sectoral and transshipment tariffs.

**Krungsri Research thus continues to expect a further 1-2 cuts by 1Q26.** These headwinds warrant further easing, as even the press release concedes: *"The Committee viewed that monetary policy should be accommodative going forward to support the economy. At the same time, it is important to ensure macro-financial stability, while taking into account the limited policy space."*

The cautionary note aligns with the press conference, which reiterated that policy space remains increasingly important when policy rates lower, and that the monetary stance is considered sufficiently accommodative. **However, the sluggish response of the real economy, despite back-to-back cuts earlier this year amid mounting downside risks, raises the question of whether the Committee should now give more weight to supporting growth rather than preserving policy space.**

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