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August 17, 2026

Despite Middle East headwinds, Thailand's 2Q26 GDP growth exceeded expectations at 1.9% YoY, 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.

Key event:

2Q26 GDP growth decelerated to 1.9% YoY from 2.8% in 1Q26, as the Middle East conflict weighed on domestic activity and caused the first current account deficit in 8 quarters. However, strong investment, growing exports, and inventory accumulation helped cushion the slowdown.

The NESDC officially reported that **Thailand's GDP grew 1.9% YoY in 2Q26**, exceeding Krungsri Research's expectation (+1.6%) and market consensus (+1.7%). However, the growth weakened from 2.8% in 1Q26. On a seasonally adjusted (s.a.) basis, the economy contracted -0.2% QoQ in 2Q26, following 0.6% growth in 1Q26.

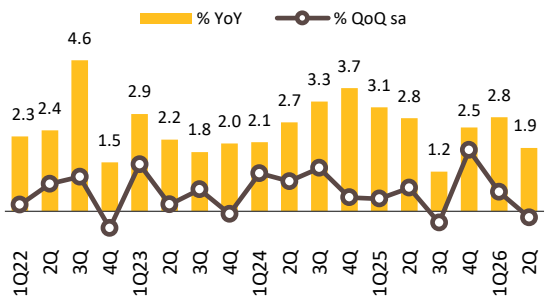
Growth in 2Q26 was weighed down by the escalating Middle East conflict, which dampened private consumption, public spending, and tourism activity, while also contributing to a deterioration in the current account balance. Private consumption growth slowed sharply (+1.9% YoY vs. +3.3% in 1Q26), reflecting weaker spending on services, non-durable goods, and durable goods, particularly vehicle purchases. **Public consumption** growth moderated (+0.2% vs. +3.4%) while **public investment** declined (-1.6% vs. +9.4%). Tourism activity softened, with foreign tourist arrivals declining to 6.8 million in 2Q26 from 9.3 million in 1Q26. In addition, **imports of goods and services** continued to surge (+24.2% vs. +21.4%), resulting in the first current account deficit in 8 quarters and acting as a drag on overall GDP growth.

Nonetheless, stronger investment, continued export expansion, and substantial inventory accumulation helped cushion the slowdown. Private investment growth reached its strongest level in 54 quarters (+13.4% vs. +10.1%), driven primarily by investment in machinery and equipment, particularly office equipment. **Exports of goods and services** remained a key growth driver (+12.5% vs. +12.4%), largely driven by continued expansion of merchandise exports (+14.1% vs. +15.5%) and a year-on-year growth of services exports (+5.1% vs. +0.3%), partly reflecting a low base following the March 2025 earthquake. Furthermore, **inventory accumulation**, especially in gold, crude oil and manufactured products, also provided significant support to 2Q26 GDP growth, with inventories increasing by THB 399 billion, compared with a drawdown of THB -52 billion in 2Q25**.**

On the supply side, 2Q26 GDP growth slowed across all major sectors. Agricultural output growth moderated (+1.5% YoY vs. +2.0% in 1Q26), mainly due to lower production of oil palm, paddy rice, and fishery products. **Industrial production growth softened** (+1.1% vs. +1.8%), reflecting near-stagnant manufacturing activity, despite stronger expansion in electricity and gas supply. **The services sector also decelerated** (+2.4% vs. +3.5%), mainly due to weaker growth in construction, wholesale and retail trade, and transportation and storage.

For full-year 2026, the NESDC projects GDP growth at a median of 2.2% (or the range of 2.0–2.5%), up from a previous median of 2.0% (range 1.5–2.5%), reflecting a limited negative impact from Middle East tensions alongside continuing investment momentum and additional support from government stimulus measures.

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 view:

Stronger-than-expected growth momentum and policy support improve growth prospects, but elevated external risks and El Niño-related headwinds limit the upside.

In 2Q26, Thailand's GDP growth slowed markedly from the previous quarter as heightened Middle East tensions pushed up living and production costs while raising safety concerns. These developments 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.

Looking ahead, we expect Thailand's economic outlook to improve, increasing the likelihood of an upward revision to our 1.9% GDP growth forecast made in May. The improved outlook reflects stronger-than-expected economic momentum and additional policy support, although part of the upside could be offset by weather-related headwinds and persistent external risks.

First, economic activity has outperformed expectations. A better-than-expected 2Q26 GDP outturn, robust export growth, and resilient private investment indicate improving underlying momentum. Exports continue to benefit from the global AI boom and electronics upcycle, while private investment has been supported by improving business sentiment following domestic policy continuity and rising BOI investment promotion applications.

Second, government policies could provide some uplift to growth. The THB 200 billion emergency borrowing decree for energy-transition projects may help stimulate related economic activity, while non-budgetary measures – including Thailand's FastPass scheme and BOI investment facilitation measures – should help accelerate project implementation. However, **the growth impact of the borrowing package may be constrained** by uncertainties surrounding project details, the typically modest capital budget disbursement rate of around 60-70% within a fiscal year, and the relatively high import content of several investment projects, such as solar panels and certain EV components.

Third, part of the upside could be offset by El Niño-related headwinds. Drier and more volatile weather conditions in 2H26 may weigh on agricultural output, farm incomes, and rural consumption, limiting the spillover from export and investment growth to broader domestic demand.

Nonetheless, downside risks remain significant. Key external uncertainties include **renewed escalation of Middle East tensions,** which could push up energy prices and tighten global financial conditions. In addition, **U.S. trade policy remains a source of risks,** particularly Section 301 investigations into excess-capacity concerns and heightened scrutiny of transshipment activities. As Thailand has been designated as a Tier-2 economy under the U.S. transshipment monitoring, additional trade restrictions or compliance requirements could weigh on Thailand's export and investment outlook. **We are currently reassessing our baseline outlook and expect to release our updated GDP forecasts by the end of this month.**

Despite a more favorable growth outlook, **we continue to expect the Monetary Policy Committee (MPC) to maintain the policy rate at 1.00% p.a. through the remainder of this year.** First, economic growth remains lackluster and below potential. Second, inflation may rise temporarily in the near term but is expected to gradually return to the BOT's target range by 1H27. Third, financial conditions remain tight, particularly for SMEs facing constrained access to credit. **Taken together, these factors suggest limited urgency for policy tightening and support an extended pause in the policy interest rate.**

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