

## Thailand

6 October 2025

### Weak growth and inflation mix continues

- Headline inflation was negative for a sixth consecutive month at -0.7% YoY in September from -0.8% in August.
- The activity data for August suggested limited improvements to the growth outlook. The PM announced a new set of fiscal measures to help boost growth.
- We expect another 25bp cut from the Bank of Thailand (BoT) at its 8 October meeting. The tone of the statement will be important to gauge the scope for additional rate cuts.

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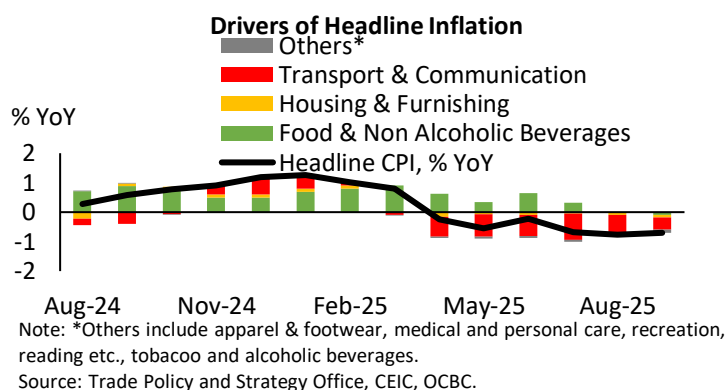
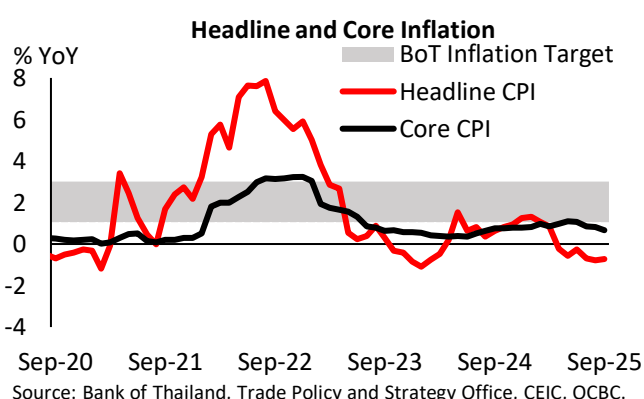
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Headline inflation was negative for a sixth consecutive month at -0.7% YoY in September from -0.8% in August (Consensus: -0.6%; OCBC: -0.4%). Core inflation eased to 0.7% YoY from 0.8% in August underscoring anaemic domestic demand conditions.

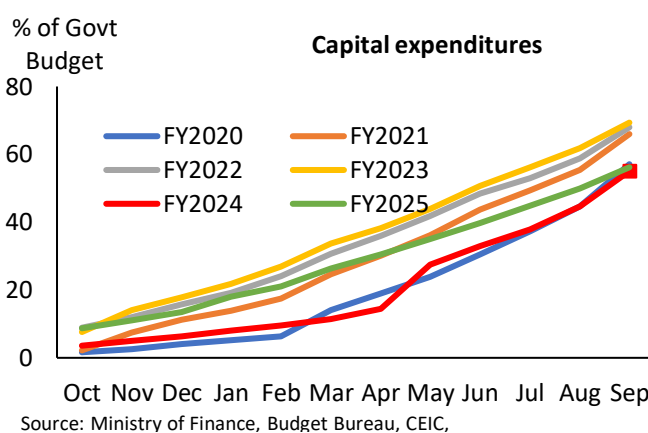
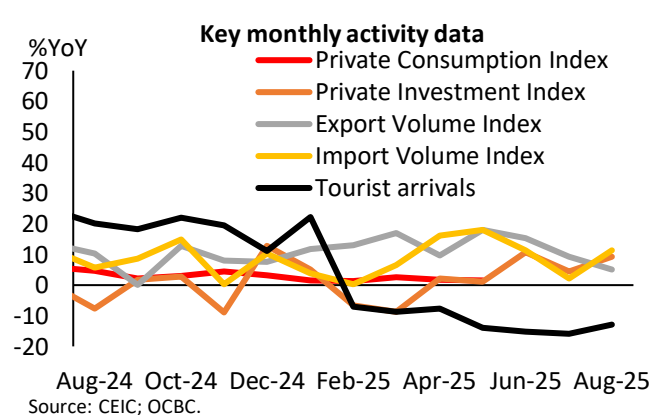


The drivers of headline inflation were broad-based with food inflation dropping further to -0.2% from -0.1% in August as lower inflation for rice, meats and dairy, products weigh on the broader food price index. Housing inflation fell further to -0.4% YoY from -0.2% in August along with clothing and footwear (-1.4% from -1.1%) as well as personal care (-1.4% from -0.9%) inflation. Transportation inflation was modestly higher at -1.9% YoY from -2.7% in August but was negative, nonetheless.

The outlook for headline inflation remains low and well below BoT's 1-3% target range. With year-to-date headline CPI averaging 0%, we downgrade our 2025 CPI forecast to -0.1% from 0.9%. This reflects our expectation that retail fuel and food prices will be maintained at low levels to reduce cost of living pressures. In fact, the government has already cut retail fuel prices by 50 satang per litre

(effective 4 October)<sup>1</sup> and selling pork at a lowered price of THB100 for 2kgs for throughout October<sup>2</sup>. Meanwhile, the weakness in core inflation will persist underscoring poor domestic demand conditions.

Indeed, this was corroborated by the August activity data. On the domestic front, private sector demand showed limited signs of improvement. Although the private investment index rose by 9.2% YoY from 4.5% in July, it dipped 0.2% MoM sa from 0.6% in July. The private consumption index rose by 1.9% YoY in August from 2.0% in July, with spending on non-durables and semi-durables worsening from July.



On the fiscal side, expenditures growth remained weak at in August (-8.3% YoY) and September (-26.0%) after rising by 16.5% in July. Based on Ministry of Finance data, the realisation of the FY25 budget for capital expenditures was 56.2%, similar to recent years reflecting some issues associated with the absorptive capacity of executing ministries as well as political uncertainties. Current expenditures were slightly higher than budgeted. The growth rates of current and capital expenditures dropped to 23.8% YoY and -32.1% in September from -7.4% and -10.9% in August, respectively.

The new finance minister announced a 'five pillar' plan on 29 September to bolster growth in 4Q25. These pillars include short-term stimulus via a state welfare card holders and co-payment scheme. State welfare card holders, 13mn, will receive as a subsidy of THB2000 in a single instalment. This will cost THB22bn and funded by unspent funds from the previous year budget.

A co-payment scheme under which the government will contribute THB2400 for taxpayers and THB2000 for non-taxpayers, with citizens topping up THB2000, is also expected to boost spending. This will cost THB40bn. The co-payment

<sup>1</sup> Thai fuel prices to fall by B0.50 a litre, Bangkok Post, 3 October 2025.

<sup>2</sup> Low-priced pork campaign to help consumers, farmers, Bangkok Post, 3 October 2025.

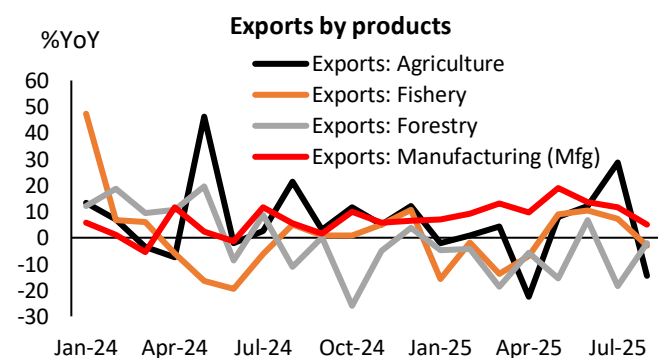
scheme is expected to be submitted to cabinet this week, with public registration open from 20-26 October. Individuals should be able to start using the scheme from 29 October. This is expected to cost THB40bn<sup>3</sup>. The finance minister believes these measures can boost growth by 0.2-0.4pp in 4Q25.

The government is also providing tax incentives to secondary cities to boost tourism prospects. The other four pillars are designed to target household debt, enhance SME support, raise savings levels and incentivise investments. The pillar for household debt is expected to involve setting up an asset management company to address bad retail debt<sup>4</sup>.

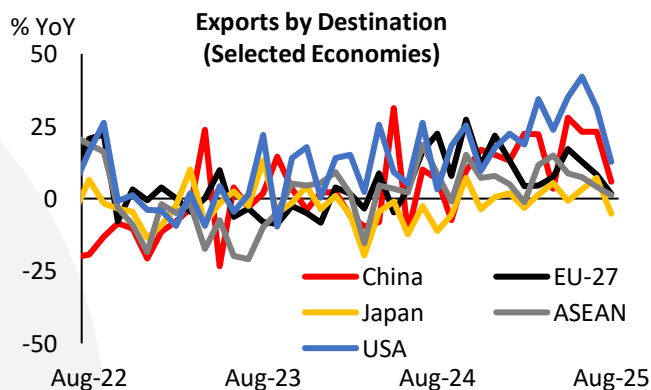
The supply side of the economy was also weak. The agriculture production index slowed to 0.6% YoY from 8.1% in July, industrial production dropped to -4.2% YoY from -3.7% in July while the service production index slowed further to 1.5% from 3.1% in July.

These measures are also timed to provide some counter-cyclical support to economic growth from weakening external demand conditions. Export growth slowed to 5.5% YoY in August from 9.7% in July while import growth picked up to 14.7% YoY from 4.5% in July. This resulted in the trade surplus narrowing sharply to USD0.8bn from USD2.5bn in July.

On the export front, the drivers were broad-based. Agriculture export growth dropped to -14.5% YoY in August from 28.8% in July, while manufacturing export growth slowed to 5.0% from 11.7% in July. Within this, electronics export growth at 36.4% YoY from 49.1% moderated slightly but underscored the strength in the current electronics upcycle. Automotive growth, by contrast, dropped to -1.1% from 4.8% in July while machinery and equipment growth slowed to 7.6% from 21% in July. The slowdown in exports was driven by the volume rather price effects.



Source: CEIC; OCBC.



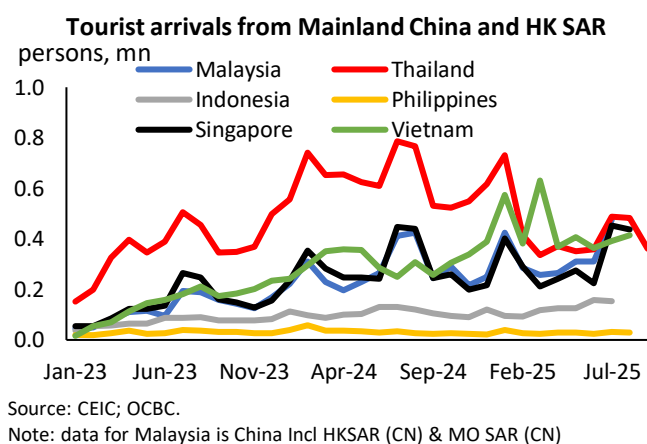
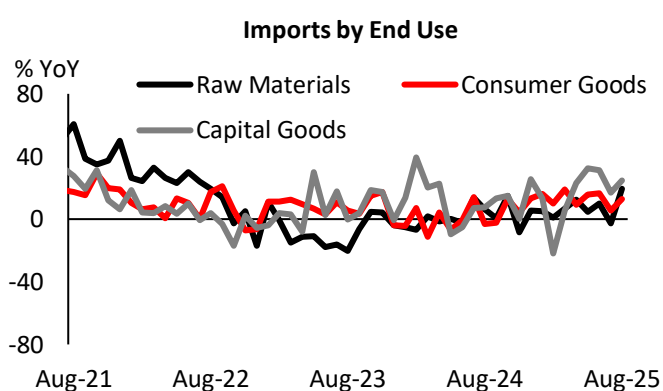
Source: Bank of Thailand, CEIC, OCBC.

<sup>3</sup> Thai Government Unveils 60 Billion Baht Stimulus Package for 33 Million Citizens, The Nation, 29 September 2025.

<sup>4</sup> Planned bad debt firm to cover 3.8m debtors, Bangkok Post, 3 October 2025.

By destination, exports to the US slowed to 12.8% YoY from 31.4% reflecting the impact of higher tariffs effective 7 August. Exports to other key destinations including Mainland China (5.9% from 23.1%), EU (1.6% from 8.3%) and Japan (-5.3% from 7.1%) also slowed in August compared to July.

The jump in import growth to 14.7% YoY from 4.5% in July is somewhat surprising considering the underlying weakness in domestic demand conditions. Consumer, capital and intermediate goods import growth picked up strongly in August versus July. That said, the 3-month moving average pace of imports slowed to 11.4% YoY from 12.1% in July.



The narrowing of the trade surplus and the wider deficit on the 'services, primary and secondary income' account led to the current account deficit tipping into a deficit of USD1.5bn from a surplus of USD2.4bn. Tourist arrivals continued to contract by 12.8% YoY in August and 11.3% in September from -15.9% in July. Thailand continues to lose ground to its ASEAN peers in terms of attracting tourists from Mainland China, which dropped further to 31.6% YoY in September from 37.7% in August and -38.9% in July.

The August and available data for September suggest that growth momentum remained poor in 3Q25. We do not expect a large boost to growth from the announced measures and broadly remain comfortable with our full year 2025 GDP growth forecast of 1.8%. The PM has noted that Parliament will be dissolved in four months, i.e. late January 2026. We expect the election and subsequent choice of PM to take up 1H26, with a new government to take the helms in 2H26 provided the election outcomes are clearer than recent elections. This implies that the weakness in economic growth momentum could sustain into 2026.

In terms of monetary implications, we have pencilled in another 25bp rate from BoT at its 8 October meeting. The path beyond that will depend on the tone of

the statement and the BoT's conviction around the efficacy of monetary policy under the new BoT Governor, Vitai Ratanakorn.

In terms of policy implications, we expect another 25bp rate cut from BoT for the rest of the year, bringing the policy rate to 1.25% by year-end. The risk is that GDP growth slows more sharply than is pencilled into official forecasts, leading to deeper rate cuts from BoT.

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