Thailand

25 April 2025

Preview: BoT likely in wait-and-watch mode

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- We expect Bank of Thailand (BoT) to keep its policy rate unchanged at 2.00% at its 30 April meeting. But consensus is increasingly spilt on the outcome.
- The decision, in our view, largely boils down to whether BoT will take a proactive approach or will adopt a wait-and-see stance.
- We are inclined towards the latter for reasons including export growth support in 1H25, a proactive approach from fiscal policy and the 25bp rate cut from BoT on 26 February serving as an insurance to near-term growth risks.

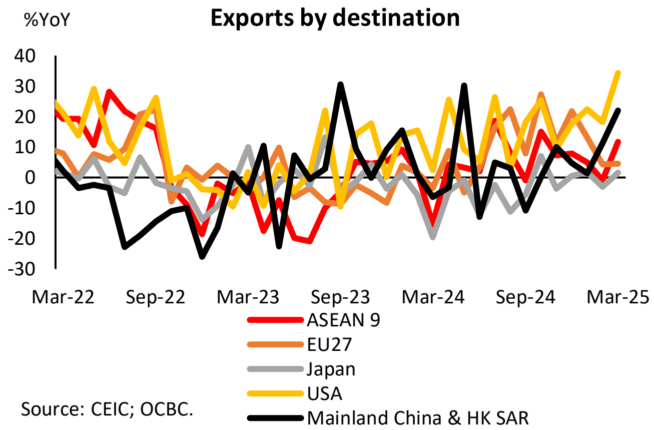
The upcoming 30 April decision from BoT has come down to the wire, with consensus increasingly divided between a hold and cut. The decision, we believe, boils down to whether BoT will take a proactive approach to the downside growth risks or adopt a wait-and-see stance.

We hold the view that BoT will opt to stay on hold at its 30 April for three main reasons. First, 1Q25 GDP growth likely held up and further front-loading of exports to the US will support growth in 2Q25; second, a more proactive approach from fiscal policy reduced the need for imminent monetary policy support and third, the 25bp rate cut from BoT on 26 February likely served as enough of an insurance to growth risks for now.

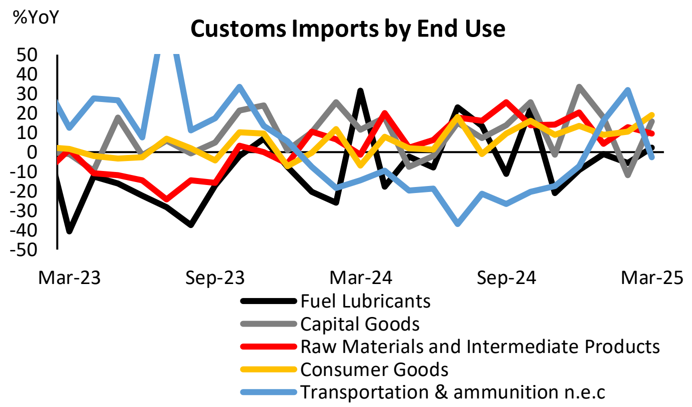
1) GDP growth holding up in the near-term

We estimate that 1Q25 GDP growth was modestly higher at 3.5% YoY versus 3.2% in 4Q24. This was mainly driven by higher export growth, driven by a front-loading of exports to the US. Customs export growth improved to 15.2% YoY in 1Q25 versus 10.5% in 4Q24. Within this, export growth to the US was up 25.4% YoY in 1Q25 versus 17.2% in 4Q24 while exports to Mainland China & HK SAR were higher by 12.0% YoY versus 4.9% in 4Q24. This offset slower export growth to other key destinations such as EU27 (7.2% from 19.9% in 4Q24) and Japan (0.1% versus 1.2%).

Meanwhile, import growth slowed to 7.4% versus 10.2% in 4Q24 underscoring the weakness in domestic demand conditions. However, it still implies a higher contribution from net exports to headline GDP growth.



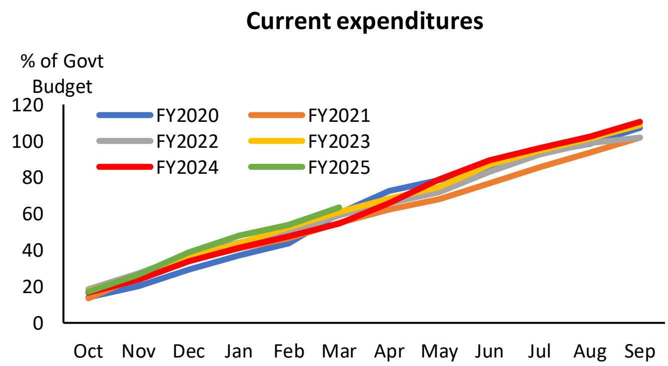
Source: CEIC; OCBC.



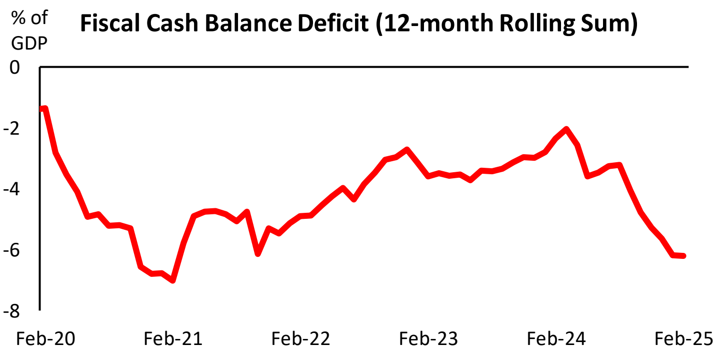
Source: MoC, CEIC, OCBC.

The other components of domestic demand were mixed in 1Q25. Growth in the private investment index eased to 0.4% YoY in January and February compared to 2.0% in 4Q24 while growth in the private consumption index slowed to 2.2% YoY versus 2.7% in 4Q24. The similar March data will be released on 30 April, coinciding with the BoT meeting, but we expect the monetary policy committee (MPC) will have this data as input for their policy decision.

Importantly, government spending was supportive of growth in 1Q25. Total expenditures rose by 37.5% YoY in 1Q25 versus 27.5% in 4Q24, driven by current and capital expenditures. Specifically, current expenditures rose by 25.5% YoY versus 20.5% in 4Q24 while capital expenditures were up by 190.4% versus 145.1% in 4Q24.



Source: CEIC, OCBC



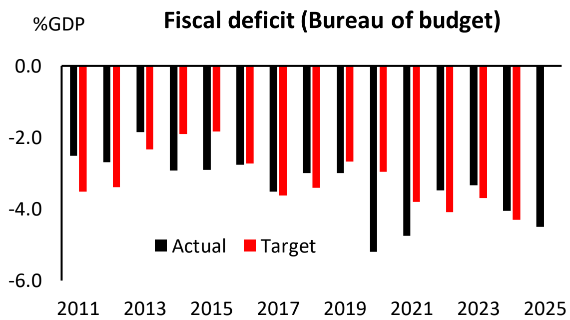
Source: Fiscal Policy Office, CEIC, OCBC

With near-term growth holding up, the urgency for BoT to lower its policy rate is reduced. The front-loading of exports to the US is likely to continue in 2Q25, albeit to a slightly lower degree given the 10% blanket tariff imposition on US imports.

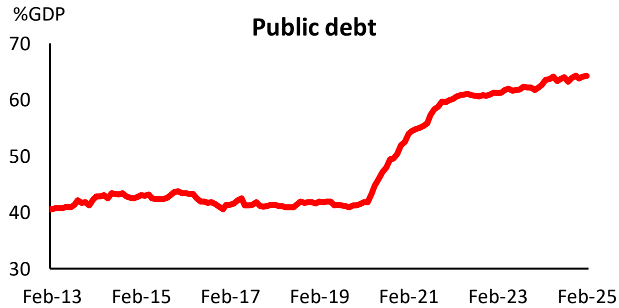
2) Fiscal policy stepping up

The government has indicated that it is ready to ramp up fiscal support in the face of significant downside risks to growth. The finance minister (FM) noted that GDP growth could be reduced by 1 percentage point (pp) due to the imposition of tariffs. The government has indicated that it is willing to introduce THB500bn (~2.6% of GDP) worth of stimulus measures. It remains to be seen how of this stimulus will introduce 'new money' into the economy rather than reallocate from various other plans or tap past savings. The FM noted that the sources of funding are under review and intergovernmental discussions are underway[1].

The fiscal deficit run rate has been higher for FY25 (i.e., October 2024 until September 2025) compared to the target of THB865.7bn (4.5% of GDP), based on the fiscal outturn through to February 2025. The fiscal deficit for period of October 2024 until February 2025 was THB792.4bn, i.e., 6.2% of GDP on a 12-month rolling sum basis, reflecting weaker revenue collections (0.7% YoY versus 4.9% in FY24) and higher expenditures (31% YoY versus 8.5% in FY24).



Source: CEIC; OCBC



Source: Bank of Thailand, CEIC, OCBC

There is some room to accommodate a modestly wider fiscal deficit for FY25, considering the fiscal deficit has been below target since FY22. The public debt to GDP ratio at 64.2% of GDP as of February 2025, remains below the 70% of GDP cap. The government is also bringing forward the debate on the FY26 budget to 28-30 May in a bid to increase fiscal support to growth beyond September. The FY26 budget is pegged to narrow marginally to 4.3% of GDP versus 4.5% in FY25, but accounts for higher expenditures.

Rules	Ratio/Threshold	Set by
Public Debt	Not to exceed 70% of GDP. This was raised from 60% in 2021.	FPC
Government Debt Service	Not to exceed 35% of the annual revenue.	FPC
Foreign Currency Public Debt	Not to exceed 10% of the total public debt	FPC
Foreign Currency Public Debt Service	Not to exceed 5% of the exports of goods and service	FPC
Deficit Borrowing	Not to exceed 20% of the expenditure budget and 80% of the budget for the principal repayments	Law (PDMA)
Capital Expenditure	No less than 20% of the annual budget and not less than the fiscal year budget deficit	Law (FRA)
Note: PDMA refers to the Public Debt Management Act. FRA refers to the Fiscal Responsibility Act. Source: World Bank, IMF.		

[1] Finance Ministry to inject over 500 billion baht to boost GDP above 1.8%, The Nation, 23 April 2025.

Counter-cyclical fiscal policies could be called upon sooner considering that the latest developments on Thailand-US tariff talks are not as encouraging. Thailand's tariff negotiations with the US seems to have been postponed, for reviewing issues[2]. Thailand's Deputy PM Phumtham Wechayachai is reported to have said that Thailand will not purchase a new fleet of F-16 fighter jets[3], while the PM noted that the economy is trying to safeguard agriculture interests[4]. Notwithstanding, Thailand has offered to increase imports from the US for certain products such as corn, LNG and ethane as well as tighten inspection rules for goods exports.

More fundamentally, a step up in fiscal policies over the near-term implies that monetary policy is afforded some wiggle room to wait-and-watch. Indeed, targeted fiscal policies to affected industries and cash handouts are more appropriate mechanisms to dealing with immediate impact of tariffs. Monetary policy could come into play as risks to growth become more broad-based.

3) BoT has bought itself some insurance for the near-term

Finally, the 25bp rate cut from BoT at its 26 February meeting has bought it some insurance against near-term risks. No doubt, while the global markets landscape has changed dramatically since 26 February, Thailand's financial conditions have likely not tightened materially. THB appreciated against USD since BoT's 26 February meeting, but the moves were broadly in line with most regional peers.

BoT will likely, however, revise its GDP forecasts for 2025 and 2026. BoT Assistant Governor Sakkapop Panyanukul specifically mentioned that the impact of tariffs "won't be negligible" and that the BoT would lower its 2025 GDP growth forecast from the current 2.5% YoY. He added that the impact from tariffs will be clearer in 2H25[5]. Our forecast is 2025 GDP growth of 2.0%, with risks skewed to the downside.

Importantly, we do not expect the impending personnel changes at the BoT to have a material impact on the course of monetary policy. The FM appointed a seven-member panel on 17 April to select the new BoT Governor. The current governor's term will end on 30 September and a new Governor must be selected at least 90 days before this date. Some of the names[6] reportedly contending for the role have strong technocratic backgrounds such as Roong Mallikamas, a BOT deputy governor, Sutapa Amornvivat, a former IMF economist, and Santitarn Sathirathai, an independent member of the rate panel.

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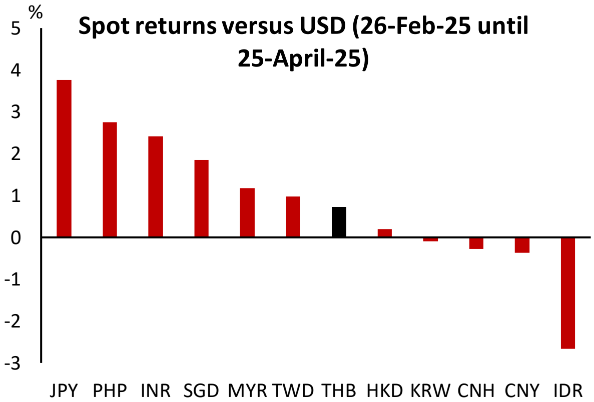
[2] Thai PM says US tariff negotiations postponed to review 'issues', Reuters, 22 April 2025.
[3] PM confirms US postponed tariff talks due to concerns over Thai proposals, The Nation, 22 April 2025.
[4] US tariff negotiations postponed to review 'issues', says Paetongtarn, Bangkok Post, 22 April 2025.
[5] US Tariff Risks to Delay Foreign Investments in Thailand: BOT, Bloomberg, 17 April 2025.
[6] Thailand Set to Start New Central Bank Chief Selection Process, Bloomberg, 27 March 2025.



Source: Bloomberg; OCBC.

Names	Background / Role
Bank of Thailand (BoT) Monetary Policy Committee	
Sethaput Suthiwartnarueput*	Chaiman (Internal)
Piti Disyatat	Vice Chairman (Internal)
Alisara Mahasandana	Member (Internal)
Paiboon Kittisrikangwan	Member (External)
Rapee Sucharitakul	Member (External)
Roongrote Rangsiyopash	Member (External)
Santitarn Sathirathai	Member (External)
Others	
Roong Mallikamas	BoT Deputy Governor
Sutapa Amornvivat	CEO Abacus Digital, Former IMF Economist
Ekniti Nitithanprapas	Director General, The Treasury Department, Ministry of Finance

Note: The Monetary Policy Committee comprises three internal members and four external members. *BoT Governor Sethaput Suthiwartnarueput's five-year term will end on 30 September 2025. Source: Bank of Thailand, various news agencies, OCBC.

Slower growth and more trade cuts to come

The outcome of the 30 April meeting remains a close call and is a product of our uncertain times. We expect ASEAN-5 central bank decisions over the next few months will set up to be close calls, with opinions within monetary policy committees becoming increasingly more divided.

Specifically for the BoT, we certainly see more room for monetary policy easing down the road. Specifically, we forecast a cumulative 50bps in rate cuts from BoT in 2H25, taking the policy rate to 1.50%. This terminal rate is higher than 0.50% during the pandemic.

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