

Thailand

Bank of Thailand Cuts by 25bps

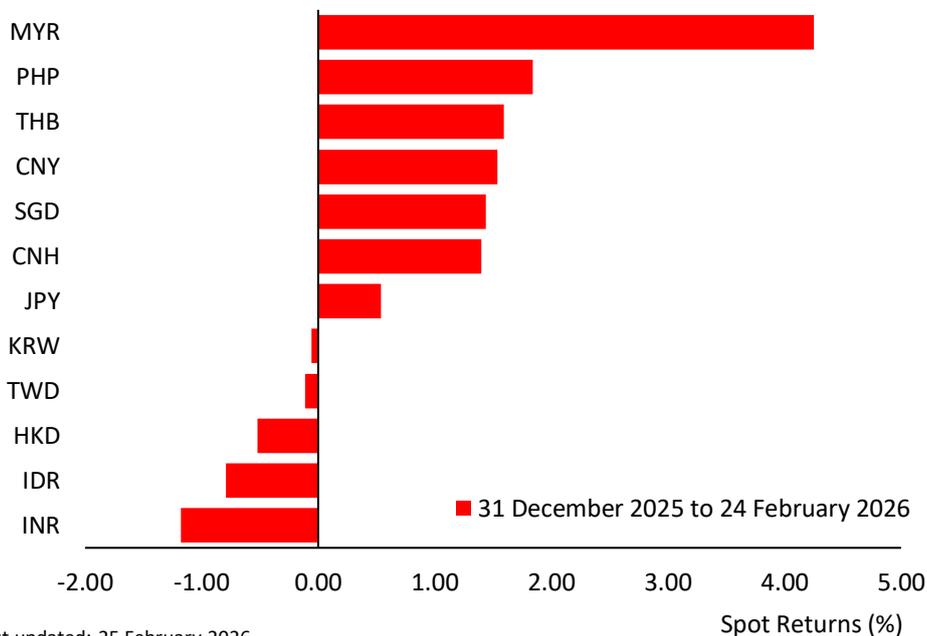
- Bank of Thailand (BoT) cut its policy rate by 25bps to 1.00%, surprising consensus and our expectations.
- On the fundamentals, BoT cautioned that growth is projected to “remain below its potential due to structural impediments and intensified competition.” On inflation, BoT sees further downside risk in 2026 and 2027.
- We add 25bp to our rate cut profile for 2026, taking the policy rate to 0.75%.

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Bank of Thailand (BoT) cut its policy rate by 25bps to 1.00%, surprising consensus and our expectations. The Monetary Policy Committee (MPC) voted 4-2 in favour of the decision. We judge that decision today was aimed at reining the strength in the currency (THB) which has continued to outperform regional peers, leading to tightening financial conditions. Indeed, BoT noted that THB strength hurts exporters and is concerned about the currency being misaligned with fundamentals. Year-to-date, as of 24 February 2026, the currency (THB) appreciation has been relatively strong, gaining 1.6% versus the USD.

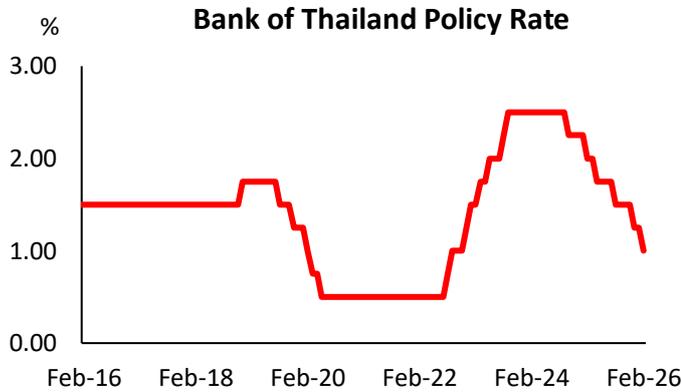
Selected Asia FX Against USD



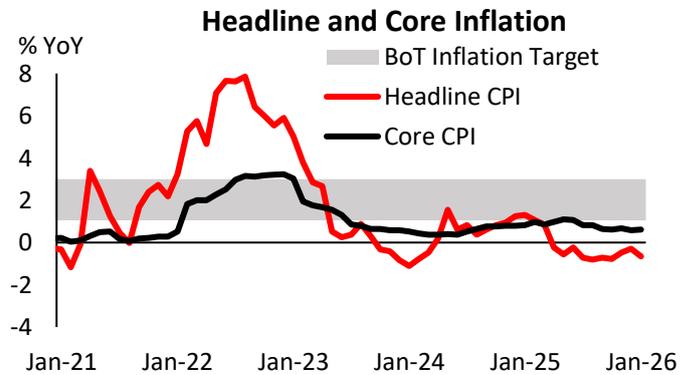
Last updated: 25 February 2026.
Source: Bloomberg, OCBC Group Research.

We judge the tone of the official policy statement remaining dovish. Indeed, Assistant Governor Don Nakornthab noted that today’s cut “is just a front-loaded cut” and that BoT “is not closing the door for rate cuts.” Additionally, the official policy statement noted that “the present level of the policy rate reflects a sufficiently accommodative monetary policy stance and aligns with the economic outlook.”

On the fundamentals, BoT noted that the better-than-expected 4Q25 GDP was driven by temporary factors at the end of the year and stronger-than-expected momentum in private investment and merchandise exports. BoT expects the underlying momentum to carry through into 2026 and 2027. Nevertheless, it cautioned that growth is projected to “remain below its potential due to structural impediments and intensified competition.” On inflation, BoT sees further downside risk in 2026 and 2027, due to lower energy prices, potential support from government measures, heightened competition and weak purchasing power. Nonetheless, the risks to deflation remain low, “as reflected in the absence of broad-based decline in goods and services prices.”



Source: Bank of Thailand, CEIC, OCBC Group Research.



Source: Bank of Thailand, Trade Policy and Strategy Office, CEIC, OCBC Group Research.

BoT noted that the transmission of previous monetary policy cuts “is still ongoing.” BoT also noted that interest rates in the banking system and financial markets have fallen in line with previous rounds of policy rate cuts and this has helped reduce financing costs for businesses and alleviate debt burden on households. However, borrowing costs remain elevated for SMEs with high credit risks, while overall credit remains in contraction.

The Committee assessed that financial conditions remained tight for exporters facing “intense price competition and low profit margins.” It further expressed “signs of exchange rate misalignment from economic fundamentals.” As such, it underscored the importance to “closely monitor baht movements and transactions that exert significant pressures on the currency, as well as to assess the effectiveness and adequacy of the regulatory measures on gold-related and other financial transactions that have already been implemented.”

The low growth and inflation environment, against a backdrop of still tight financial conditions, will keep the discussion of further rate cuts alive for this year. Although we continue to see many of the issues weighing on growth as structural and beyond the purview of monetary policy, there is still some room to support the cyclical growth cycle. We add 25bp to our rate cut profile for 2026, taking the policy rate to 0.75%.

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