

Thailand

25 June 2025

BoT keeps policy rate on hold

- Bank of Thailand (BoT) kept its policy rate unchanged at 1.75%, in line with consensus and our expectations. The Monetary Policy Committee (MPC) voted 6-1 in favour to maintain the policy rate.
- BoT stated that previous policy rate cuts have provided some cushion against prevailing risks. It also stressed the importance to the timing and effectiveness of monetary policy as uncertainties remained high.
- The official policy and accompanying press statements are consistent with a dovish stance. We continue to expect a 25bp cut from BoT in 4Q25, taking the policy rate to 1.50%.

Bank of Thailand (BoT) kept its policy rate unchanged at 1.75% at its 25 June meeting, in line with consensus and our expectations. The Monetary Policy Committee (MPC) voted 6-1 in favour of the decision, suggesting a largely unanimous decision. One member voted for a 25bp rate cut.

In justifying the decision, BoT said that “previous policy rate cuts have provided some cushion against prevailing risks” and underscored the “importance to the timing and effectiveness of monetary policy amid high uncertainties and limited policy space.” Nevertheless, BoT maintained that monetary policy should stay accommodative to support the economy ahead.

On growth, the BoT revised higher its 2025 GDP growth forecasts to 2.3% (lower tariff scenario: 2.0%) due to “stronger-than-expected outturn in the first quarter and leading economic indicators in the second quarter.” Our assessment for some time now has been that 1H25 GDP growth was supported by frontloading of exports to the US, and that BoT had room to save its bullets for when slower growth hits.

This will likely be the case in 2H25. BoT expects economic growth to slow to 1.7% in 2H25, down from 2.9% in 1H25 due to headwinds from US tariffs and slowing private consumption. We peg 2025 GDP growth at 2.0%, underscoring a similar sharp slowdown in 2H25 from 1H25. For 2026, economic growth has been further reduced to 1.7%, down from 1.8% under its lower tariff scenario.

The tourism sector which has been a key engine of economic growth is facing challenges, on account of fewer tourists from China. The projected numbers of tourist arrivals for 2025 have been revised lower to 35mn, roughly in line with

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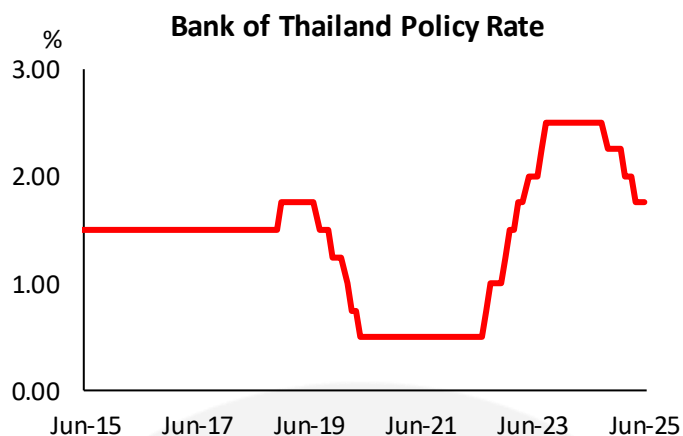
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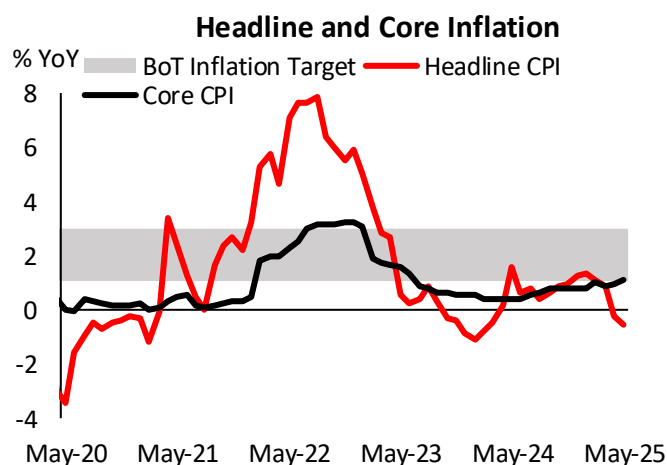
2024 tourist arrivals of 35.5mn. Tourist arrivals for 2026 are then expected to grow by ~8.6% to 38mn.

Meanwhile, headline inflation is expected to be at the low end of the BoT's 1-3% target range. BoT maintains its headline inflation for 2025 and 2026 to remain subdued at 0.5% and 0.8%, respectively (OCBC: 0.9% and 2.0%). BoT's 2025 core inflation is modestly higher at 1.0% (previous: 0.9%), while 2026 core inflation remains unchanged at 0.9%. This assessment is similar to our view. However, if geopolitical tensions rise and higher oil prices are sustained, we see upside risks to inflation and pressures on the current account balance (see ASEAN-5 & India: Dealing with volatile oil prices, 25 June 2025).

The room for BoT to cut further from here is limited, in our view. The pressure on BoT to cut, however, is unlikely to be alleviated given the relatively anaemic growth outlook. In addition, Assistant Governor Sakkaop Panyanukul shared that the MPC "sees a slim chance of a technical recession" but did not include domestic political uncertainty into its current economic projections. The upshot is that the statement is consistent with a dovish stance, and we continue to expect a 25bp cut from BoT in 4Q25, taking the policy rate to 1.50%.



Source: Bank of Thailand, CEIC, OCBC.



Source: Bureau of Trade and Economic Indices, CEIC, OCBC.

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