

Thailand

Linger ing weakness; dovish BoT

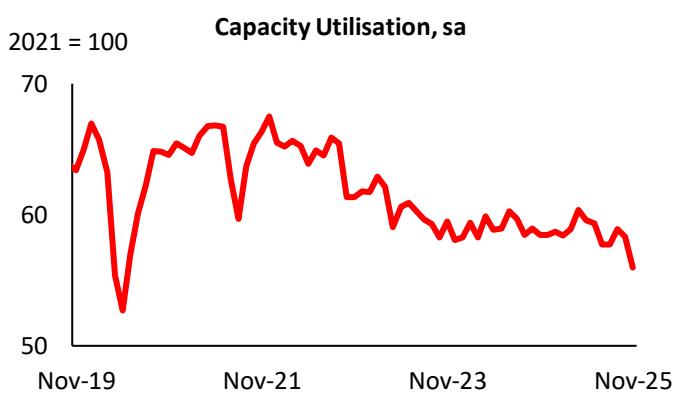
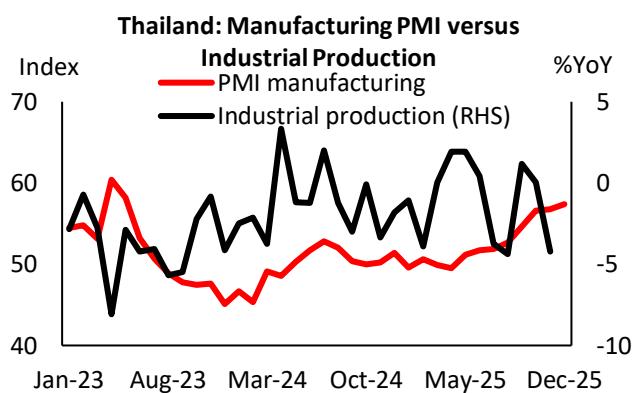
- Manufacturing PMI rose to 57.4 in December from 56.8 in November but the disconnect between the PMI reading and industrial production growth in recent months has been more obvious.
- The activity data for November remained mixed and we estimate that 4Q25 GDP growth is tracking 1.0% YoY versus 1.2% in 3Q25. The elections on 8 February will be in focus, which will be conducted alongside the referendum on the constitution.
- The minutes of Bank of Thailand's (BoT) 17 December meeting showed that the BoT is distinctly dovish, in our view. While our baseline view is for a prolonged pause from BoT in 2026, the door for further easing is clearly open.

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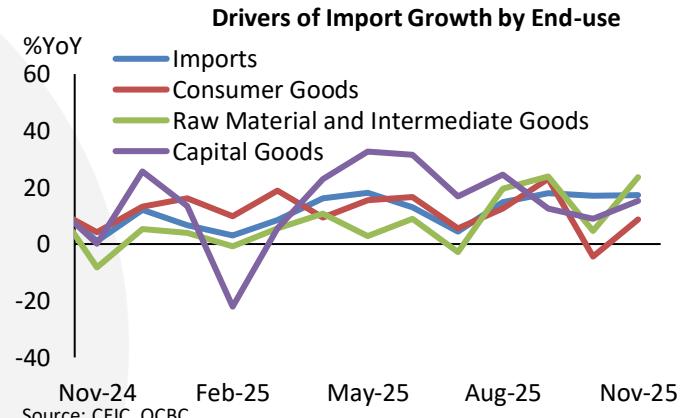
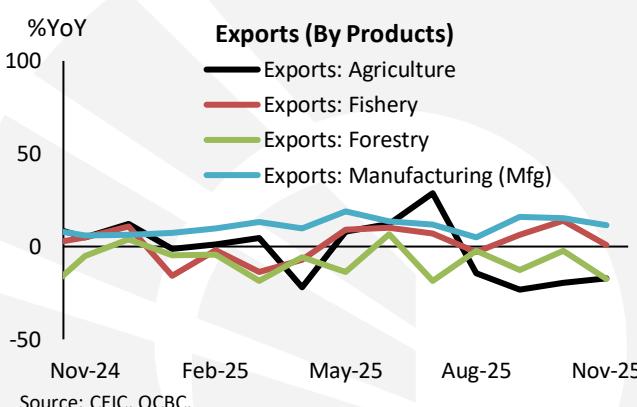
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Manufacturing PMI rose to 57.4 in December from 56.8 in November but the disconnect between manufacturing PMI and industrial production has become more obvious in recent months. Indeed, the manufacturing PMI reading has been above the expansion-contraction threshold of 50 for eight consecutive months to December, while industrial production contracted by 1.2% YoY during May-November 2025. Capacity utilisation also fell to 56% in November, on a seasonally adjusted basis, from 58.3% in October. The weakness in November was in part due to the floods in the Southern region.



More fundamentally, economic growth remains uneven across sectors. This was further noted in the minutes of the BoT's 17 December which cited "growth remained concentrated among large firms and in only certain sectors — such as large businesses in the tourism sector and exporters in the electronic products segment." This was further corroborated by November export data. Export growth remained broadly unchanged at 5.5% YoY in November (October: 5.3%) driven mainly by the electronics sector (51.4% YoY in November from 46.8% in October) while growth in other sectors was mixed. Import growth was also steady at 17.3% (October: 17.1%) but the drivers were more broad-based compared to October supported by raw materials, capital goods and consumer goods.

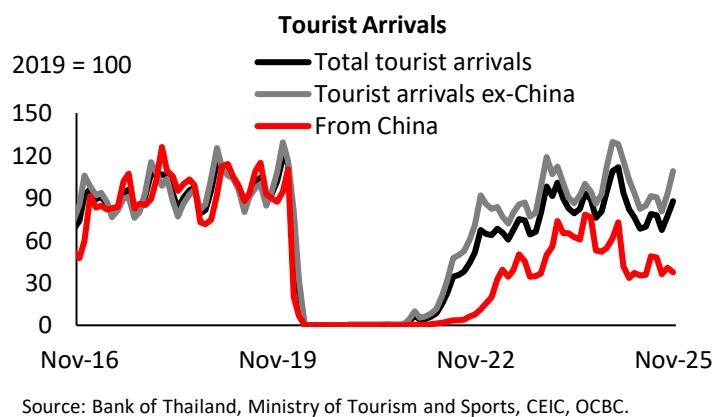
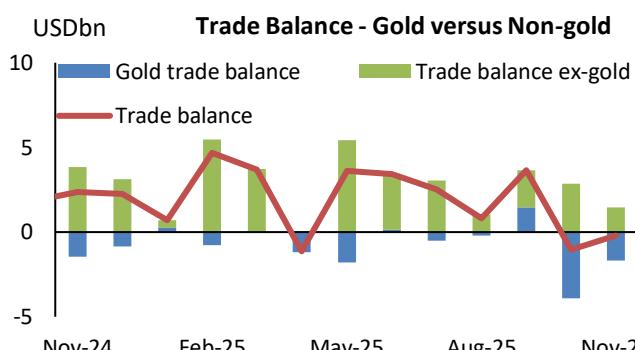


The trade deficit narrowed to USD0.2bn from USD1.0bn in October. However, gold continued to exert a large influence on the trade balance. Excluding gold, the trade balance remained in a surplus which narrowed to USD1.5bn from USD2.9bn in October. BoT mentioned in the minutes of its 17 December meeting that “foreign exchange transactions related to financial assets had increased in share, especially forward foreign exchange transactions by gold traders, which had risen significantly.” It added that “during certain periods, such transactions accounted for as much as 20 percent of total daily foreign exchange trading, contributing to increased baht volatility.” BoT has taken certain measures to enhance the monitoring of FX transactions, effective 29 December 2025.

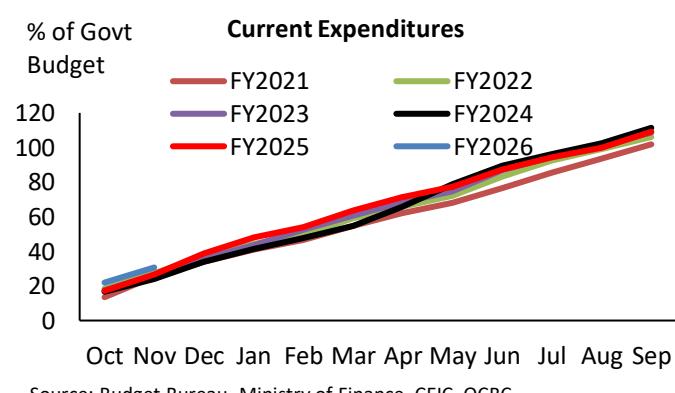
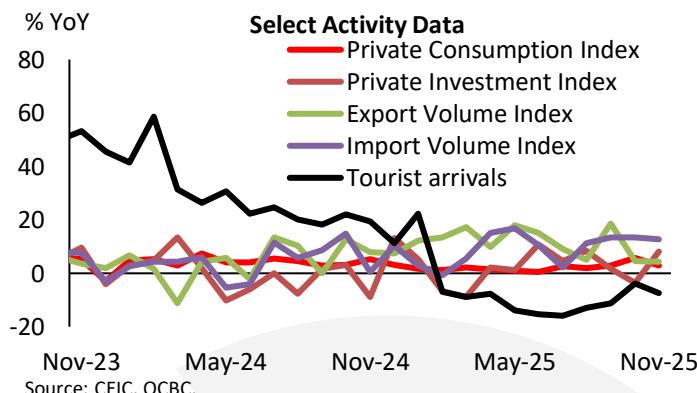
“Clarification of Procedures Regarding Foreign Currency Transactions with Customers”, effective 29 December 2025		
Gold related measures	Mandatory Evidence for FX Transactions	Commercial banks are now required to request evidence of sales abroad for every foreign currency transaction related to gold. This is to ensure the transactions are for legitimate trade or investment purposes.
	Documentation Timeline	Supporting documents, such as billing records and gold customs declarations, must be provided on the trade date or within two business days after the foreign currency is delivered.
	Large Transaction Reporting	Banks must report all non-resident foreign currency transactions of USD200,000 and above to the BOT.
	Daily Online Trading Reports	Banks are required to report gold trading transactions conducted via digital platforms on both a per-day and per-transaction basis.
Verification checks	No shortcuts on ‘Know Your Business’	These pertain to transactions over USD200k and four categories including real estate investment, digital assets, other capital transfers and miscellaneous purposes such as those not categorised elsewhere.
Property and Digital Asset Documentation	Property	For incoming payments of USD200k or more intended for property investments, banks must perform a full document verification on the trade date or no later than the settlement date.
	Digital Assets	Banks are required to call for additional evidence showing the source of the digital assets or the source of the funds used to purchase them.

Source: Bank of Thailand, Thai Examiner, The Nation, Bangkok Post, OCBC.

The net services, income and transfers balance remained in a deficit of USD0.6bn in November, albeit narrowing slightly from USD1.6bn in October. Tourist arrivals remained weak, dropping 7.5% from a year ago in November, versus -3.9% in October. Tourist arrivals from Mainland China remained lacklustre. However, early signs point to a modest turnaround in January and February 2026 during the Lunar New Year holidays. The Tourism Authority of Thailand forecasts 36.7mn tourist arrivals in 2026 compared to 33.4mn in 2025.



Meanwhile, the domestic demand picture remained mixed. There was some improvement in the private investment index, which registered growth of 8.2% YoY in November compared to -3.6% in October. This still brings the average growth to 2.1% YoY for October and November compared to 5.0% in 3Q25. By contrast, growth in the private consumption index slowed to 2.8% YoY from 5.7% in October. Average growth was 4.2% in October and November versus 2.4% in 3Q25.



Government spending dropped by 8.9% YoY in November after rising 27.1% YoY in October but was up 15% YoY in October and November (3Q25: 3.0%). The disbursement rates for current and capital expenditures also remained historical levels. The expenditures patterns for December suggest a slowdown likely reflecting the government's announcement of the dissolution of parliament (see *Thailand: Parliament dissolved paving the way for elections, 5 January 2026*). The FY26 budget (i.e. October 2025 to September 2026) was passed into law but political developments could prove an overhang until the elections are done and dusted.

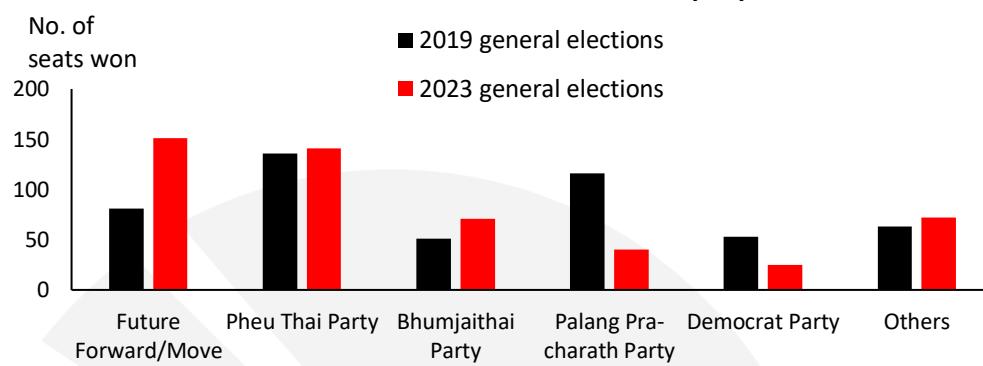
Election day is set for 8 February 2026, and the constitutional referendum will also be held on the same day. The government will ask voters to cast an additional ballot on whether they support drafting a new constitution to replace the current charter, following a cabinet decision signed by caretaker Prime Minister Anutin Charnvirakul on 23 December 2025. Registration for the referendum, for voters both in and outside of Thailand, runs from 3–5 January.

The outcome of the general elections in 2026 will likely have direct implications for economic policies. Our base case is for GDP growth to be stable at 2% in 2026 and 2027 but above BoT's growth forecast of 1.5% in 2026 and 2.3% in 2027. GDP growth has languished at rates significantly lower than regional peers in recent years as the lack of clear policy direction and external headwinds exacerbate structural issues such as slowing consumption from elevated household debt levels and an ageing population, stalled competitiveness gains and inconsistent infrastructure spending.

We see three likely scenarios following the elections. The first scenario would be that the elections produce a clear outcome allowing for the formation of a majority government. This would be a positive outcome and likely provide greater policy clarity, while allowing for better implementation of economic policies by the incoming government. This outcome could potentially present upside risks to our GDP growth baseline forecasts.

The second scenario would be that the elections do not produce clear political outcomes. This would be comparable to Thailand's recent election history. The wrangling over political alliances in 2019 and 2023 proved tedious, weighing on economic growth. This outcome presents downside risks to our baseline forecast. The third scenario is that a fragile coalition is negotiated following the elections which could complicate economic policy making, potentially slowing much needed structural reforms. Similar to scenario two, this outcome would present downside risks to our baseline forecasts.

Thailand: No. of Seats Won in the Lower House by Key Political Parties



Source: Bangkok Post, The Nation, OCBC.

In terms of monetary policy implications, BoT kept the door open for rate cuts at its 17 December meeting. Indeed, the minutes of the 17 December meeting showed that the MPC remains distinctly dovish in its bias. While our baseline is for BoT to remain on a prolonged pause through 2026, growth disappointments and persistently tighter financial conditions will tip BoT towards additional rate cuts. Indeed, the minutes of the 17 December meeting noted that "monetary policy could be more accommodative to ensure that financial conditions support economic recovery and alleviate the debt burden of vulnerable groups as well as enhance the effectiveness of other financial measures and government policies."

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