

Thailand

1 July 2025

PM suspended, uncertainties remain

- The constitutional court voted 7-2 to suspend PM Paetongtarn Shinawatra from office until a petition seeking her removal is deliberated.
- This suspension exerts further downside risk to a growth outlook already mired in uncertainty from US tariffs.
- The real question is what next and that needs to be answered sooner rather later. If the uncertainty persists, there is a case for further rate cuts from the Bank of Thailand (BoT).

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The constitutional court voted 7-2 to suspend PM Paetongtarn Shinawatra from office until a petition seeking her removal is deliberated. Market reaction was mixed – USDTHB jumped to 32.621 before coming off to 32.47 at the time of writing, while the Securities Exchange of Thailand jumped ~1.4% but reversed some gains subsequently. Just hours before, the PM reshuffled her cabinet as the Bhumjaithai party officially withdrew from the ruling coalition on 19 June 2025 (see Political risks dominate headlines, 19 June 2025). Paetongtarn Shinawatra has 15 days to submit a clarification to the constitutional court.

Reshuffled ministries	
Position	Name
Minister of Interior	Phumtham Wechayachai
Minister Attached to the Prime Minister's Office	Suchart Tancharoen
Minister of Higher Education, Science, Research, and Innovation	Sudawan Wangsuphakijkosol
Minister of Agriculture and Cooperatives	Atthakorn Sirilatthayakorn
Minister of Commerce	Jatuporn Buruspat
Deputy Minister of Commerce	Chantawit Tantasith
Deputy Minister of Interior	Dej-is Khaothong
Minister of Labor	Pongkawin Juangroongruangkit
Minister of Culture	Paetongtarn Shinawatra
Minister of Education	Narumon Pinyosinwat
Deputy Minister of Education	Linthiporn Varinwatchararoj
Deputy Minister of Education	Thewan Liptapanlop
Deputy Minister of Public Health	Anucha Sasomsub
Deputy Minister of Public Health	Chaichana Dechdecho

Source: The Government Public Relations Department, OCBC.

We have seen this movie of political uncertainty before. The Constitutional Court dismissed Paetongtarn Shinawatra's predecessor Srettha Thavisin on 14 August 2024. This would be the second dismissal of a prime minister in less than a year. Rewinding the clock eleven years, Paetongtarn Shinawatra's aunt, Yingluck Shinawatra was removed from office in a similar manner. The previous occasions have suggested that the Deputy PM will likely become the interim PM until a successor is finalised. The Deputy Prime Minister Suriya Juangroongruangkit is now the interim PM.

Selected Timelines	
7-May-14	Constitutional Court dismissed PM Yingluck Shinawatra. Niwatthamrong Boonsongpaisan appointed as Acting PM.
22-May-14	Military Coup led by General Prayut Chan-o-cha.
Aug-14	General Prayut Chan-o-cha officially appointed as Prime Minister following royal endorsement.
Mar-19	Conclusion of 2019 Thai General Elections
11-Jun-19	PM Prayut Chan-o-cha appointed for second term, after royal endorsement.
May-23	Conclusion of 2023 Thai General Elections.
Aug-23	The Pheu Thai party formed a coalition government. PM Srettha Thavisin elected as Prime Minister following royal endorsement
14-Aug-24	Constitutional Court dismissed PM Srettha Thavisin. Phumtham Wechayachai appointed as Acting PM.
18-Aug-24	PM Paetongtarn Shinawatra succeeds as the next PM of Thailand following royal endorsement
Jun-25	Leaked audio recording between Thai PM Shinawatra and former Cambodian premier Hun Sen.
	Coalition Partner Bhumjaithai party left Pheu Thai-led ruling coalition.
1-Jul-25	Constitutional Court suspends PM Paetongtarn Shinawatra. Suriya Juangroongruangkit appointed as Acting PM.

Source: Various news agencies, OCBC.

The immediate aftermath of these court decisions is usually heightened uncertainty regarding policy continuity. The sustainability of the government and its associated policies will need to be addressed sooner rather than later. Despite the mixed market reaction, we see this move as exacerbating prevailing uncertainties related to the economic outlook. As we have said before, the timing could not be more inconvenient. The Thai finance minister is in the US to negotiate on reciprocal tariffs, originally pegged at 36%. He hopes to bring it down to 10%¹.

¹ Thailand requests US to cap reciprocal tariff at 10%, says Finance Ministry. The Nation, 30 June 2025.

Our view is that this suspension exerts further downside risk to a growth outlook already mired in uncertainty from US tariffs. 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. 1Q25 GDP growth slowed to 3.1%YoY from 3.3% in 4Q24, we peg GDP growth at 1.6% for the remainder of the year.

This could be even lower if political uncertainty impacts government spending. Past precedence has showed that economic growth momentum tends to slow sharply during times of political uncertainties driven by lower government and investment spending. This coupled with weakness in exports as under our baseline in 2H25 will be a double whammy for the economy.

If the uncertainty persists, there is a case for further rate cuts from the BoT. Our baseline is for another 25bp rate cut from BoT in 4Q25. However, if political uncertainty persists, we do not rule out an additional 50bps in rate cuts from BoT, taking the policy rate to 1.00%.

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