Thailand

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Thailand: October data shows still weak growth momentum

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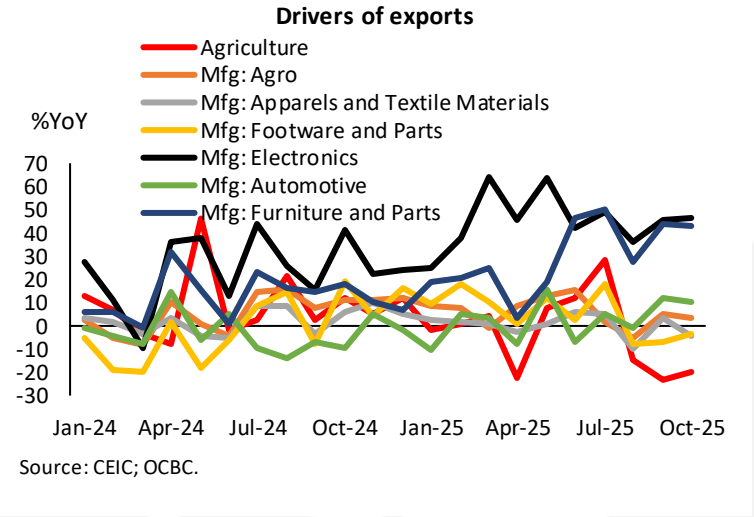
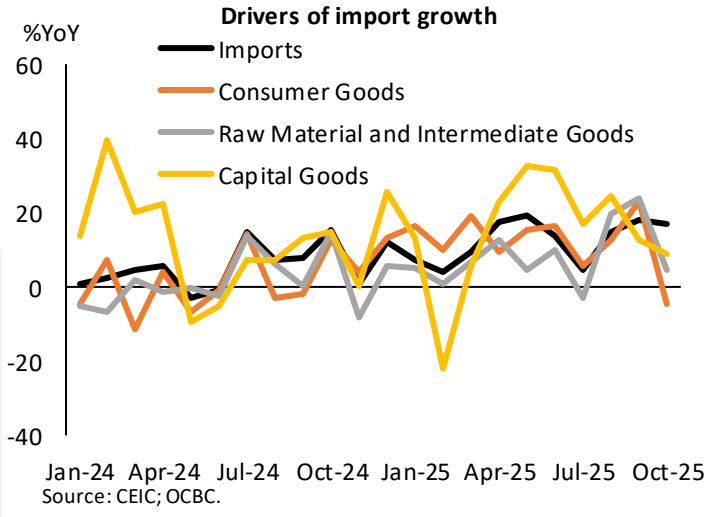
- The activity data for October showed that 4Q25 started off on still weak footing.
- Export growth slowed while domestic demand conditions were mixed. The outlook for the rest of 4Q25 is further complicated by weather disruptions.
- We expect the Bank of Thailand (BoT) to deliver a 25bp rate cut at its 17 December meeting and maintain a prolonged hold through 2026.

The economic data for October suggests that growth momentum started 4Q25 on still weak footing. On the external front, export growth slowed to 5.3% YoY October from 19.2% in September while resilient headline import growth of 17.1% in October (September: 18%) masks a large jump in gold imports even as other import drivers were subdued. As a result, the trade balance shifted to a deficit of USD1.0bn from a surplus of USD3.6bn in September.

Manufactured goods exports (15.2% YoY in October from 15.9% in September) remained the predominant driver of exports in October. Within this category, electronics products (46.8%YoY in October from 45.9% in September) and electrical appliances (14.2% from 11.6%) exports were strong in October versus September while, exports of automotives (10.6% from 12.1%), machinery and equipment (7.1% from 14.8%) as well as textiles & apparel (-4.8% from 3.3%) slowed in October versus September. Among non-manufactured goods exports, agriculture exports dropped to -19.5% (September: -23.2%).



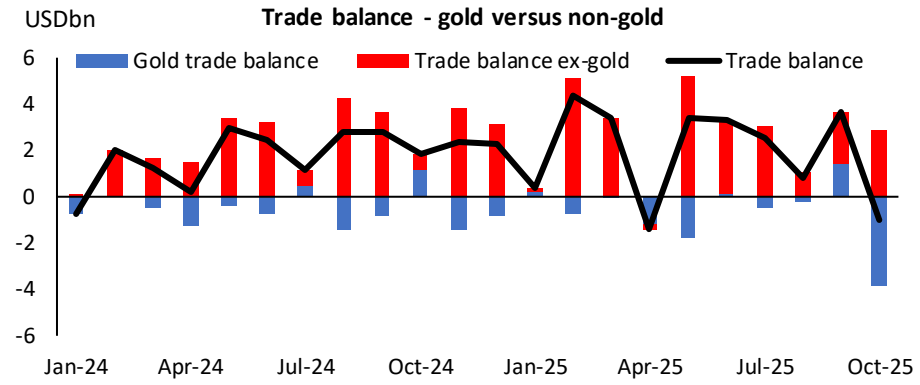
Source: CEIC; OCBC.



Source: CEIC; OCBC.

By contrast, import growth was resilient at 17.1%YoY in October versus 18.0% in September. However, much of this resilience was driven by gold imports. Excluding gold, import growth slowed sharply to 3.9%YoY from 22.7% in September. This corroborates slower import growth across key end-use categories in October. Specifically, consumer goods imports growth worsened to -4.5%YoY in October from +23% in September, raw materials and intermediate goods imports slowed to 4.6% YoY from 23.9% while capital goods imports eased to 9.0% YoY (September: 12.5%).

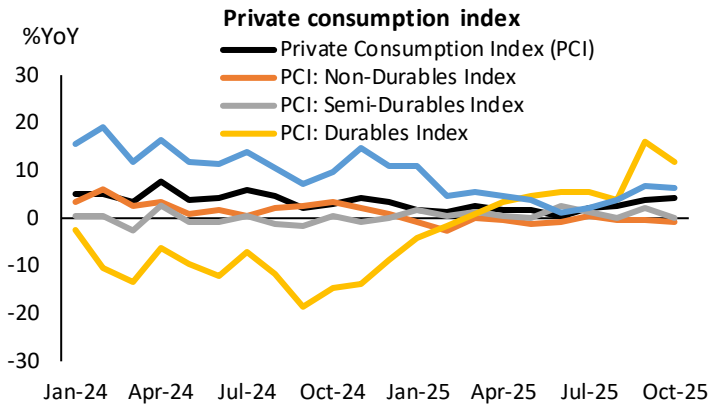
The trade balance shifted to a deficit of USD1.0bn in October from a surplus of USD3.6bn in September. However, excluding gold, the trade balance dynamics shift significantly. The trade balance excluding gold shows that a trade surplus of USD2.7bn was sustained for October from USD2.2bn in September.



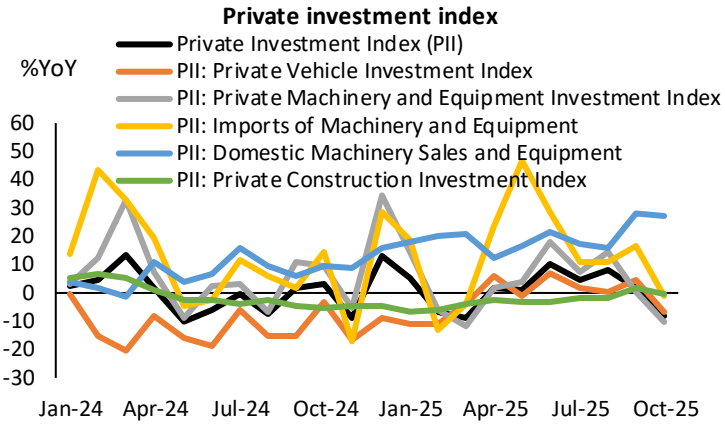
Source: CEIC; OCBC.

Imports (excluding gold) largely corroborate the mixed domestic demand picture. The private investment index (PII) declined by 7.9% YoY in October from 1.4% in September led by broad-based declines across key sub-indices including vehicles, machinery and equipment as well as construction. Meanwhile, the private consumption index (PCI) improved to 4.1% YoY from 3.7% in September. However, all key sub-indices registered poorer growth in October versus September including durable consumption (11.9% from 16%), non-durable consumption (-0.8% from -0.3%), semi-durable consumption (0.1% from 2.0%) and services (6.4% from 6.6%). This suggests to us that the October improvement in PCI could prove hard to sustain for the remainder of 4Q25.

By contrast, government spending picked up sharply to 27.1% YoY in October from 1.9% in September. Within this, capital (31.4% YoY from -12.6% in September) and current (26.4% YoY from 7.2% in September) expenditures improved in October versus September, with disbursement rates higher than FY25. Notably, October is the first month of the fiscal year 2025-26, which ends in September 2026, where the full year fiscal deficit is set at THB860bn (4.4% of GDP).



Source: CEIC; OCBC.



Source: CEIC; OCBC.

The data shows that 4Q25 started on relative weak footing and the outlook could be further complicated by weather disruptions. Floods during November have added to downside risks to growth. The finance minister, Ekniti Nitithanprapas, noted that the economic cost of the floods was about 0.1pp of GDP. The impact has already started to show in the data. October industrial production fell to -0.1% YoY from 1.2% in September while capacity utilisation fell further to 58.25% from 58.45% in September.

The Southern part of the country was most impacted in November, with Hat Yai, Songkhla being hit the hardest. The Southern region accounted for 7.3% of GDP (2024). The government announced various relief measures to facilitate rehabilitation efforts including THB50bn in guarantees for Small and Medium Enterprises, THB100bn in low-interest loans and corporate tax refunds worth THB60bn by end-2026. For Hat Yai, specifically, measures include a one-year moratorium in principal and interest payments up to THB1mn for commercial and state banks, interest payment waivers for personal loans worth THB100k for three months, among other measures.

Our long-held view has been that the BoT has room for another 25bp rate cut in the current easing cycle. We believe that BoT can deliver this 25bp rate cut at its 17 December meeting. The growth backdrop remains challenging, as discussed above, while the inflation backdrop is still supportive of further monetary policy easing. Indeed, headline CPI remained negative at -0.5% YoY in November 2025 for an eighth consecutive month. Although food inflation picked up to 0.5%YoY from 0.2% in October, the negative reading for transportation CPI deepened to -2.6%YoY from -2.4% in October. Core CPI edged modestly higher to 0.7% YoY from 0.6% in October.

Beyond the 25bp rate cut that we expect at the 17 December meeting, we see additional rate cuts hitting up against concerns of preserving policy space as well as questions of monetary policy efficacy amid structural challenges (see OCBC

Global Outlook 1H26: *Can 2026 pull off another hat-trick of surprising on the upside? Page: 131).* That said, further rate cuts cannot be ruled out if GDP growth continues to disappoint. Our base case is for GDP growth to be stable at 2% in 2026, similar to 2025.

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