mni

All Signal, No Noise

MARKET ANALYSIS

MNI Bank of Thailand Preview – October 2025

Meeting Date: Wednesday, 8 October 2025

Announcement Time: 08:00 BST/14:00 ICT

Link To Statement: https://www.bot.or.th/en/our-roles/monetary-policy/mpc-meeting.html

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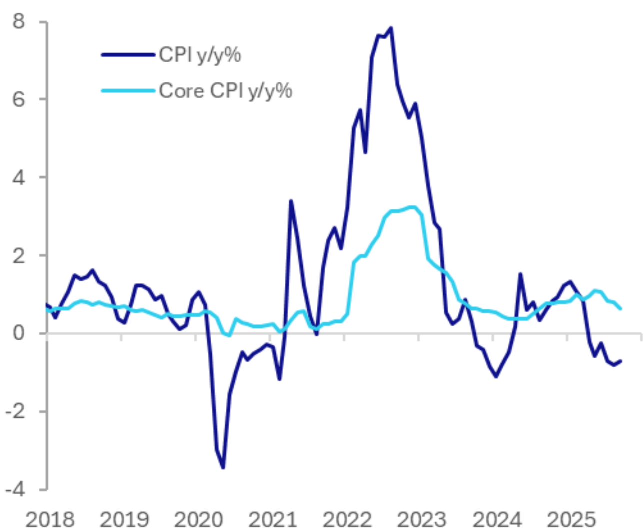
MNI POV (Point Of View): New Governor Likely To Cut

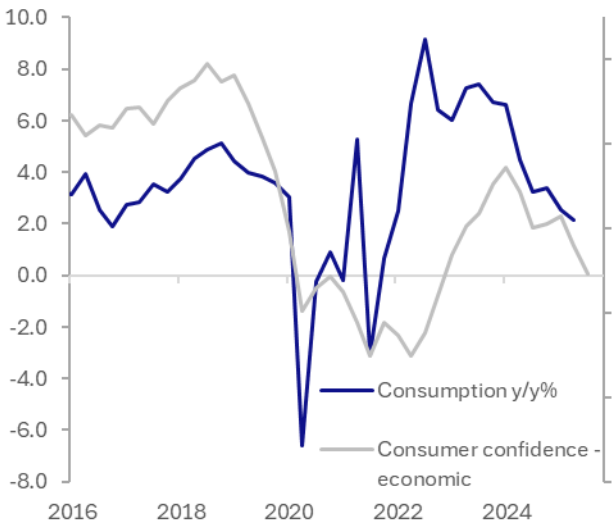
The new Bank of Thailand Governor Vitai took over on October 1 and in his inaugural speech said that he would adopt accommodative monetary policy in order to support growth in line with the August statement's "monetary policy should be accommodative going forward to support the economy". The government often pressured his predecessor Sethaput to cut rates and Vitai has said that he will ensure the central bank's independence. Given his tone, lacklustre data and continued THB strength, it is likely that rates will be cut 25bp to 1.25% on Wednesday 8 October but decisions are made by an MPC vote and preferences to use limited policy space at another time have previously resulted in delays to easing. 19 of the analysts surveyed by Bloomberg expect a 25bp cut with 1 forecasting 50bp and 6 believing policy will be on hold. The BoT cut rates 25bp in August.

Figure 1: Inflation below 1-3% BoT band



Source: MNI – Market News/LSEG

Figure 2: Weak consumption outlook



Source: MNI – Market News/LSEG

Inflation was lower than expected in September with both headline and core holding below the bottom of BoT's 1-3% target band. Headline rose 0.1pp to -0.7% y/y, while core fell 0.1pp to +0.7% y/y, the lowest in just over a year despite 100bp of easing begun in October 2024. The Commerce Ministry expects CPI inflation of around 0% in Q4. S&P Global noted in the September PMI that supplier discounts reduced costs and that they were passed on to customers. Weak underlying inflation implies that domestic growth remains subdued.

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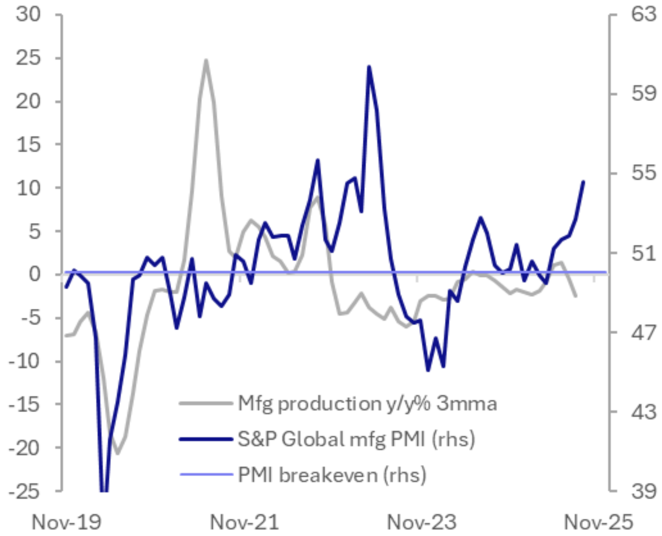
Consumer confidence has been impacted by recent political instability with it falling in August to its lowest level since December 2022. It is signalling that private consumption growth is likely to slow further in Q3 after moderating to 2.1% y/y in Q2 from 2.5%. Weak income growth and a drop in tourist arrivals are also weighing on spending. Competition from other countries in the region as well as the stronger baht have weighed on tourism with arrivals down 12.8% y/y in August and -7.2% YTD compared to the year to August 2024. Fiscal support approved this week for households is likely to take time given that elections are supposed to be held before April. BoT Governor Vitai has said that he wants the central bank to coordinate with the government to boost growth.

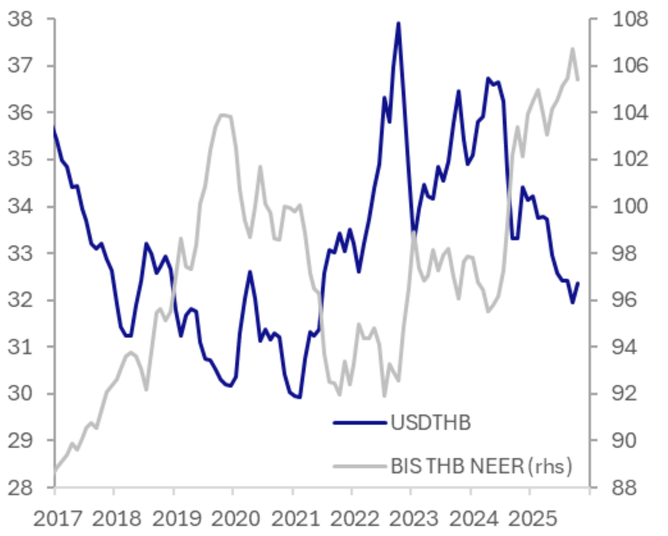
Q2 GDP growth slowed to 2.8% y/y from 3.1% with domestic demand up 2.9% y/y after 3.2%. It is forecast to moderate further over H2 driven by weaker tourist numbers and payback following the frontloading of exports to the US in H1, although August shipments remained elevated. Export growth has turned over but continues at a robust rate with the 3-month average at 10.5% y/y in August and running at double digit rates to the US and remaining solid to much of ASEAN but slowing to China and the EU. Import growth has moderated but the 3-month average was still 11% y/y signalling some demand growth but it may also be impacted by China rerouting exports to the US via other countries.

Figure 3: PMI signalling better activity



Source: MNI/LSEG/Bloomberg Finance L.P.

Figure 4: THB strong but may be stabilising



Source: MNI – Market News/LSEG

Business indicators are mixed with manufacturing production falling 4.2% y/y in August but capacity utilisation stabilising. The September S&P Global PMI rose to 54.6 from 52.7, the strongest in ASEAN, driven by higher domestic orders and hiring. Confidence reached a two-year high but BoT's September business confidence was not as positive but did stabilise with orders off the July lows. Private lending continues to contract, which has been an area of concern for BoT for some time.

The stronger baht has tightened financial conditions. While USDTHB has stabilised since the 13 August meeting and the BIS THB NEER is down 0.2%, they are down 2.9% y/y and up 2.0% y/y respectively. BoT reiterated in August that it is monitoring FX developments given their "implications for economic activity". Also the government has voiced concerns about baht volatility.

New Governor Vitai is likely to want to confirm his pro-growth credentials at his first decision with a 25bp rate cut this month but that doesn't mean he'll do the same again at the 17 December meeting. Given even more limited policy space if rates are reduced to 1.25%, the MPC may decide to watch and wait then and allow its previous easing to feed through to the economy while monitoring local political and global developments.

Bank of Thailand August 2025 Meeting Statement

The Committee voted unanimously to cut the policy rate by 0.25 percentage point from 1.75 to 1.50 percent, effective immediately.

The Thai economy in 2025 and 2026 is projected to expand close to the previous assessment. Nevertheless, U.S. trade policies will exacerbate structural problems and weaken competitiveness. Additionally, certain sectors of the economy have become more vulnerable, particularly SMEs. Headline inflation remains subdued due to supply-side factors. The Committee views that monetary policy should be more accommodative to some extent to ensure that financial conditions are conducive to business adjustment and to help alleviate the burden of vulnerable groups. Therefore, the Committee voted unanimously to cut the policy rate by 0.25 percentage point at this meeting.

The Thai economy in 2025 and 2026 is projected to expand close to the previous assessment. Growth expanded in the first half of 2025 owing to exports of electronics, front-loaded shipments to the U.S., and manufacturing production. Going forward, the economy is expected to slow down in the second half of the year due to U.S. trade policies, both directly and indirectly, and a decline in short-haul tourist arrivals as a result of intensified regional competition. These developments will affect income for SMEs, employees and self-employed workers. Private consumption is expected to be subdued due to weakening consumer confidence and income trajectory. It is necessary to closely monitor the impact of transshipment tariffs and competition with merchandise imports.

Headline inflation is projected to remain subdued. Raw food prices decline due to favorable weather conditions boosting supply, while energy prices trend downward in line with global crude oil prices. However, the decline in prices has not been widespread across goods and services, as reflected in core inflation which remains stable and close to previous assessment. Subdued headline inflation partly prevents further upward pressure on living costs and business expenses.

Credit growth remains negative due to increased credit risks, particularly in SMEs and low-income households, alongside heightened debt repayments and reduced credit demand by large businesses amid heightened economic uncertainty. Credit quality has continued to deteriorate, especially in SME and housing loans. The baht appreciated against regional currencies, while Thai government bond yields declined due to the expectations regarding the economic outlook. The Committee deems it necessary to monitor credit growth and movements of the baht, which could have implications for economic activity. The Committee also supports financial measures aimed at reducing funding costs and alleviating debt burdens for vulnerable groups.

The prevailing monetary policy framework seeks to maintain price stability, support sustainable growth, and preserve financial stability. The Committee views that monetary policy should be accommodative going forward to support the economy. At the same time, it is important to ensure macro-financial stability, while taking into account the limited policy space.

Click here for August meeting minutes

Sell-Side Analyst Views

ANZ (-25bp): "We expect the BoT's monetary policy committee, chaired for the first time by newly appointed Governor Vitai Ratanakorn, to reduce the policy rate by 25bp to 1.25% at its forthcoming meeting (Wednesday 8 October at 15:00 SGT). This move would continue the easing cycle following the unanimous rate cut in August.

- Recent economic data indicates that Thailand's growth momentum is faltering. Indicators for August reflect weaker output in both agriculture and industry, while exports to the US slowed materially. Tourist arrivals have also remained subdued.
- The strength of the THB has been a headwind for export and tourism competitiveness.
- Meanwhile, upcoming September inflation data (Monday 6 October) will likely show headline inflation still in negative territory.
- Governor Vitai's recent comments expressing support for accommodative monetary policy to foster sustainable economic expansion has also enhanced expectations of policy action. Our baseline projection anticipates a terminal policy rate of 1.0%, by the first quarter of 2026."

Bank of New York (-25bp): "Market consensus and the rhetoric from Governor Vitai suggest a likely 25bp rate cut to 1.25%. The October meeting will be chaired by new governor. Governor Vitai said that he will pursue an accommodative monetary policy to support growth. We have reservations about the effectiveness of monetary policy to boost growth, and all eyes will be on fresh government stimulus."

DBS (-25bp): "Thai fixed income markets are pricing in 25 to 50bps worth of total policy rate cuts over the next three to six months, implying that it is a matter of time before rates are lowered to support the economy, even if not in October to preserve policy space. We see potential for the stilldovish BOT to deliver a 25bps reduction to 1.25% in October. The new BOT Governor, Vitai Ratanakorn, who took office on October 1 and supports accommodative monetary policy, will lead the upcoming review, at a time when Thai economic conditions have softened since the August decision.

- As of the latest August data, goods export growth has eased to its slowest pace in nearly a year, due to higher US reciprocal tariffs compared to the pause period. Manufacturing output fell sharply for two consecutive months. Services production appeared to be under downside pressure. Private consumption continues to face challenges from weakened consumer confidence, which has fallen to a 32-month low. Foreign tourist arrivals continue to linger below 2024 numbers due to challenges from the Chinese market.
- Headline inflation, which likely remained below the BOT's 1-3% target in September 2025, would provide room for further monetary accommodation.
- Lower interest rates could also ease appreciating pressures on the Thai baht amid external headwinds."

Goldman Sachs (-25bp): "We expect the Bank of Thailand (BOT) to reduce its policy rate by 25bp to 1.25% at its meeting next week (Bloomberg consensus: 1.25%).

- Real GDP growth slowed somewhat in Q2 mainly due to higher imports and weak domestic consumption. The BOT's July assessment showed a slowdown in private investment and service sector activity amid falling foreign tourist arrivals.
- In its August meeting, the BOT unanimously voted for a 25bp cut and was particularly attentive to supporting vulnerable groups like SMEs, which remain under pressure from the continued fall in short-haul tourists and intensifying import competition. Given that growth has largely evolved in line with the BOT's assessment and its emphasis on monetary policy "remaining accommodative", we think the BoT will cut the policy rate by 25bp again.
- The new governor, Vitai Ratanakorn, known for a dovish policy stance, assumed his post on 1st October. That said, we think the risk to our call is skewed towards the hawkish side, since incumbent MPC members may view the August cut as pre-emptive, and may prefer to keep rates unchanged to preserve the limited policy space for unforeseen events, given the still high level of uncertainty ahead."

MUFG (-25bp): "We expect the BoT to deliver a 25bps rate cut, bringing the benchmark rate down to 1.25%. The BoT appears poised to shift toward a more accommodative stance, reflecting growing concerns over Thailand's prolonged economic slowdown.

- Export sentiment in Thailand has deteriorated. Domestically, Thailand's growth momentum continues to falter. Private consumption was flat month-on-month, and private investment contracted by 0.2%mom. Tourist arrivals fell 12.8%yoy in August, reaching just 74.4% of preCOVID August 2019 levels. Credit growth remains subdued, especially in SME and personal consumption, underscoring weak demand-side dynamics.
- Thailand's inflation remains in prolonged deflation, keeping real policy rates elevated relative to the 2015–2019 pre-COVID average. This provides the BoT with room to ease further.
- The upcoming meeting also marks the first policy decision under new Governor Vitai, and a rate cut would signal his dovish leanings. However, with markets largely pricing in the October rate cut, the immediate impact on the Thai baht may be contained. We expect the baht to remain around 32.50 against the US dollar."

Scotiabank (-25bp): "Most forecasters expect the Bank of Thailand to cut its benchmark rate by 25bps to 1.25% on Wednesday. A minority expect a hold, and one outlier thinks the BoT could upsize. Key is that the bank adjusted forward guidance at its August meeting. Accompanying the cut at that meeting was guidance away from the relatively more circumspect remark that "The Committee assesses the economic outlook to remain highly uncertain and stands ready to adjust monetary policy going forward to align with the economic and inflation outlook and associated risks" to a more affirmative stance: "The Committee views that monetary policy should be accommodative going forward to support the economy"."

UOB (unch): "Our economist, Sathit Talaengsatya, is with the minority and expect the BOT to be on hold in Oct, but deliver a "dovish pause" thanks to a complete transmission from the 25 bps cut back in Aug. That said, with downside risks to the near-term outlook, his baseline is for BOT to resume easing with a 25bps cut in Dec and a further 25bps cut in1Q26, primarily to cushion a still-negative output gap, support credit impulse, and re-anchor inflation durably within 1–3% target band."