Executive Summary

1. Recent growth in the Thai economy remained subdued, weighed down by weakness in domestic demand. GDP grew by 2.5 percent in 2024, as private consumption slowed sharply and private investment contracted amid sluggish income growth and fragile sentiment. These trends persisted into 2025, with private consumption rising by 2.6 percent in the first three quarters, down from nearly 7 percent in 2023. This follows an overall sluggish post-pandemic recovery, which has been repeatedly interrupted by a series of external and domestic shocks, leaving Thailand's growth trajectory well below its pre-pandemic trend and regional peers.

2. However, some positive developments are emerging. After contracting for several consecutive quarters, private investment rebounded in Q2 and Q3 2025 amid a surge in foreign direct investment (FDI) commitments. Increasing investments in high-value sectors—including electric vehicles (EVs), electronics, and data centers—offer pathways to more resilient growth. Overall, Thailand's GDP grew by 2.4 percent in the first three quarters of 2025, supported by a rebound in public spending and front-loaded exports ahead of US tariffs.

3. Looking ahead, growth is projected to moderate in the near term but improve in the medium term. Growth is projected to slow to 2.2 percent for the year and 1.9 percent in 2026, reflecting the unwinding of front-loaded exports and persistent private sector weakness. However, medium-term growth is expected to gradually improve, supported by more investment-focused fiscal spending and increasing FDI in EVs, electronics, and data centers.

4. Inflation is expected to remain low. Headline inflation averaged 0.4 percent in 2024 and turned negative in Q2 and Q3 2025, mainly reflecting supply-side factors such as lower energy prices amid weak domestic demand. Inflation is expected to remain below target, at 0.5 percent and 0.8 percent in 2025 and 2026. In the absence of significant supply-side shocks, inflation expectations are expected to remain well anchored within the Bank of Thailand's inflation target range of 1 to 3 percent going forward.

5. External position has remained resilient, but capital outflows persist. The current account surplus widened to 2.1 percent of GDP in 2024 and 3.6 percent in the first three quarters of 2025, driven by strong goods export and recovering tourism receipts, but the pace of tourism recovery was weaker than expected due to a sharp decline in the number of Chinese tourists. The baht appreciated in real effective terms amid record-high reserves and strong FDI inflows, but portfolio outflows persisted as Thai residents continued seeking overseas investment opportunities.

6. Fiscal deficit remains elevated, pushing public debt higher. Fiscal deficit is expected to widen to 4.5 percent of GDP in FY2025, as public expenditure rises to 19.6 percent of GDP amid continued stimulus measures, while revenue remains stable at 15.1 percent of GDP. As a result of sustained fiscal expansion and subdued growth, public debt is expected to rise to 65.6 percent of GDP in FY2025, and to peak at slightly above 69 percent in 2028.

7. Credit growth has remained subdued reflecting both the weak demand for loan and a more cautious lending approach amid a slow economic recovery. Overall bank credit contracted in 1H 2025, led by declines in SME and consumer loans. Asset quality deteriorated modestly, with SME NPLs rising. However, banks remain well-capitalized and profitable with strong buffers.

8. Risks are tilted to the downside. External risks include the escalation of US protectionist measures and a continued shortfall in tourist arrivals. Domestically, the key risk is a self-reinforcing downturn in domestic demand driven by weak income, tight credit, and political uncertainty. Upside potential exists if surging FDI commitments could translate into stronger sustained investment activities.

9. In the near term, the immediate priority is to prevent a self-reinforcing downturn in domestic demand through continued macroeconomic policy support.

- Monetary policy should remain supportive amid weakening private sector momentum and mounting uncertainty. The current accommodative stance is appropriate, with scope to ease further if domestic demand proves weaker or more persistent. The Bank of Thailand (BOT)'s emphasis on the timing and effectiveness of policy adjustment is well-supported, given the elevated uncertainty in both domestic and external outlooks.

- Financial policy should strike a balance between managing legacy debt vulnerabilities and supporting new productive credit. While financial conditions have broadly stabilized, many households and SMEs still face debt servicing challenges. Continued efforts to restructure or reschedule distressed loans are critical to reduce debt overhang.

- Fiscal policy should remain supportive in the near term, especially for vulnerable groups, particularly if domestic demand weakness persists. The recent shift of the digital wallet scheme toward infrastructure and productivity-enhancing investments is welcome and should be implemented swiftly to support near-term growth and long-term competitiveness. Over the medium term, fiscal consolidation efforts should continue to rebuild fiscal space amid growing demands on public resources.

10. Over the longer term, structural policy should be anchored on revitalizing domestic transformation to lift Thailand's potential growth, underpinned by stronger execution of reforms in innovation, human capital, and infrastructure. Central to this is harnessing FDI as a catalyst for workforce upskilling, technology transfer, and stronger domestic linkages, including in secondary cities. This approach could deliver more inclusive, regionally balanced growth while upgrading Thailand's existing industrial and service sector strengths—particularly in automotive, electronics, and digital services—and enhancing Thailand's overall global competitiveness.