

KResearch sees gradual recovery in the Thai economy during the second half of 2026, supported by economic stimulus measures, but businesses continue to face multiple challenges

Although KASIKORN RESEARCH CENTER (KResearch) has maintained its Thailand's 2026 GDP growth forecast at 2.0 percent, it views that the GDP may have bottomed out in the second quarter of 2026. However, energy prices that are expected to stay high for longer will cause inflation to accelerate further during the second half of 2026, bringing average inflation rate for 2026 to 3.1 percent. Meanwhile, the Monetary Policy Committee (MPC) is expected to monitor the situation and maintain the policy rate at 1.0 percent. As for the Thai Baht, it may weaken further in line with Thailand's economic fundamentals, ending 2026 at around 32.80 Baht per US dollar, compared with approximately 32.50–32.60 Baht per US dollar at present.

Ms. Nattaporn Triratanasirikul, KResearch Deputy Managing Director, said that the Thai economy may have bottomed out in the second quarter of 2026 and is expected to gradually recover in the second half of 2026, particularly in the third quarter, thanks to the government economic stimulus measures. However, economic risks remain to be seen, primarily stemming from uncertainty surrounding US tariff policies, which could affect Thailand's export sector during the rest of the year. Additionally, even if the US and Iran reach a peace deal, global energy prices are unlikely to decline rapidly. As a result, producer prices are expected to continue being passed through to consumer prices, causing headline inflation to peak during the second half of 2026.

Ms. Kevalin Wangpichayasuk, KResearch Deputy Managing Director, noted that the impact of the Middle East conflict on the business sector is likely to become more evident in the second half of the year. While there are positive signs, a full normalization of conditions will take time. Manufacturing output in most industries is expected to weaken on a year-on-year basis, primarily due to rising energy and petrochemical feedstock costs, the impact of US tariffs, and intense competition from imported goods. These factors are expected to cause the Manufacturing Production Index (MPI) to contract by 0.5 percent in 2026, marking the fourth consecutive year of decline. At the same time, ongoing flight reductions are expected to weigh on the tourism sector, particularly during the third quarter, before global events hosted in Thailand help support a recovery in the final quarter of the year. KResearch continues to forecast foreign tourist arrivals at 30 million for 2026. Although there remains some upside potential, the figure would still be lower than the 33 million visitors recorded in the previous year. Growth in arrivals from China is unlikely to fully offset declines in most long-haul markets.

Ms. Thanyalak Vacharachaisurapol, KResearch Deputy Managing Director, added that the loan trend in the Thai commercial banking system during the second half of the year has limited potential for recovery. Although KResearch has revised its 2026 loan growth forecast from an initial contraction of 0.7 percent to a modest expansion of around 0.5 percent, this growth primarily reflects lending to the government and large corporates rather than retail borrowers. Furthermore, factors that warrant monitoring for the business sector include funding costs that may stay elevated, the success rate of fundraising through the bond market, and the non-performing loan (NPL) issue within the Thai banking system – which currently relies heavily on debt restructuring and proactive debt management to prevent overall NPL figures from deteriorating too rapidly.