KResearch maintains Thailand's 2026 GDP growth forecast at 2.0%, with the economic outlook remaining within the expected scenario despite renewed US-Iran strikes; 2H26 GDP growth expected to slow amid structural issues while excise tax adjustments may support auto production in 2027

KASIKORN RESEARCH CENTER (KResearch) maintains its forecast for Thailand's 2026 economic growth at 2.0 percent, with the Thai economy expected to slow in the second half of the year. The "Thais Help Thais Plus" program is expected to provide some support for consumption in the third quarter of 2026. Meanwhile, the Thai economy continues to face risks from the protracted conflict in the Middle East, uncertainty surrounding US trade measures, and the El Niño phenomenon, which could put upward pressure on inflation in the fourth quarter of 2026. Average inflation is projected at 1.8 percent for 2026, while the Monetary Policy Committee (MPC) is likely to keep the policy interest rate unchanged at 1.0 percent for the foreseeable future.

Dr. Lalita Thienprasiddhi, Head – Research at KResearch, said that although the renewed US-Iran strikes in September 2026 caused Brent crude oil prices to increase beyond USD100 per barrel again, the outlook for the remainder of 2026 is expected to remain within the expected scenario, with the situation passing its worst point in the second quarter of 2026. Given this, KResearch maintains its forecast for Thailand's 2026 GDP growth at 2.0 percent, although the growth may slow in the second half of the year in line with weaker export momentum after the strong growth seen in the first half. Meanwhile, consumption is projected to recover only gradually and remain fragile amid weak purchasing power, despite some support from government stimulus measures in the third quarter of 2026. Private investment is expected to continue expanding at a relatively high rate, supported by foreign direct investment (FDI). However, increased imports of capital goods are likely to limit the positive contribution to GDP while weakening Thailand's trade and current account balances. Key risks include the prolonged conflict in the Middle East, which is likely to keep energy prices elevated. The risks associated with the El Niño phenomenon and US trade measures warrant close monitoring going forward.

Dr. Kanjana Chockpisansin, Head – Research at KResearch, said that Thailand's policy rate is expected to remain unchanged at 1.00 percent through the end of 2026. However, borrowing costs in the corporate bond market may edge higher in line with rising Thai government bond yields. The recent appreciation of Thai Baht has been driven primarily by US Dollar dynamics. As such, the key factors to monitor for the remainder of the year are the Federal Reserve's interest rate direction and developments in the Middle East. Regarding credit growth at domestically registered commercial banks, although economic activity is expected to soften in the second half of the year, lending to large corporates is projected to sustain growth of above 5.0 percent YoY. However, KResearch maintains its overall loan growth forecast at 0.5 percent YoY in 2026, as the recovery in credit extension has yet to broaden to SMEs, while retail lending remains constrained by the ongoing household debt deleveraging process. On asset quality, the non-performing loan (NPL) ratio is expected to rise modestly from 2.76 percent of total loans at the end of the second quarter of 2026 towards the projected range of 2.80-3.00 percent by year-end. Despite proactive debt restructuring efforts, persistent economic uncertainty could lead to a higher proportion of restructured loans reverting to NPL status.

Dr. Rujipun Assarut, Assistant Managing Director of KResearch, stated that Thailand's automotive industry is at a turning point. Domestic vehicle production has been trending downward, in contrast to steadily rising vehicle imports, particularly battery electric vehicles (BEVs), which accounted for 72 percent of Thailand's total vehicle import value during the first seven months of 2026. The government is currently considering measures to drive the automotive sector's transition towards environmentally friendly vehicle manufacturing, including both BEVs and hybrid vehicles. These measures would utilize excise tax mechanisms to incentivize manufacturers to shift from imports to domestic production with a higher share of locally sourced components, thereby creating greater value added within the Thai economy. However, the establishment of appropriate local content requirements and effective monitoring of compliance will be critical to the long-term success of these measures. If executed as planned, these measures are expected to help domestic vehicle production return to growth in 2027, following an anticipated contraction of approximately 1.8 percent in 2026.

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