

Economic and Financial Outlook

ttb analytics

January 2026





Global Economy

- The 2026 outlook appears more resilient than expected, with the IMF upgrading global growth to 3.3% on easing US tariffs and strong AI investment, despite lingering geopolitical risks. In January 2026, while PMI data hinted at a late-year slowdown, activity stayed expansionary, US data surprised to the upside, and inflation showed signs of easing in some developed markets.
- For the US economy, strong US data underscore economic resilience, delaying Fed cut expectations. Meanwhile, China met its annual GDP target in 2025, but growth momentum continues to weaken. For monetary policy, most central banks are in the final stage of easing, though at differing speeds.



Thai Economy

- In November 2025, overall economic activity expanded from the previous month, as reflected by increase in both domestic and external demand. Merchandise export and continued recovery in foreign tourist receipts contributed the growth. Private investment also improved primarily driven by investment in machinery and equipment. However, private consumption slightly declined in most categories including non-durable goods and durable goods consumption.
- In the Q3/2025, overall business loans of Thai commercial banks continued to contract close to previous period, due to the continued contraction in SMEs, while large corporate loans increased somewhat. Particularly, loan growth of most sectors remained contract. Meanwhile, large corporate NPL declined as some borrowers resumed repayments, while SMEs NPL continued to rise but at a slower pace.
- The headline inflation (CPI) in December remained contract but at a slower pace. The main factors were primarily attributed to the falling in energy prices as reflected by the global energy price, as well as the reduction of the fuel fund levy for diesel fuel, while prices of food and non-alcohol beverage edged up. The core inflation was relatively slowed, following the decline of non-food and beverage products. The overall headline figure for the full year of 2025 remained negative.



Financial Markets

- US Treasury yields rose across the curve as strong data and hawkish Fed signals pushed back rate-cut expectations, with the 10-year yield climbing above 4.20% amid US-EU tensions over Greenland. Thai bond yields also steepened, as long-end yields rose on fiscal and election-related concerns, delayed BoT cut expectations.
- The dollar has been on a roller-coaster ride, strengthening in the first couple of weeks as upside economic surprises delayed and priced out some Fed rate-cut expectations. However, escalating US-EU tensions over the Greenland dispute later triggered a dollar sell-off. Meanwhile, the Thai baht outperformed on rising gold prices.

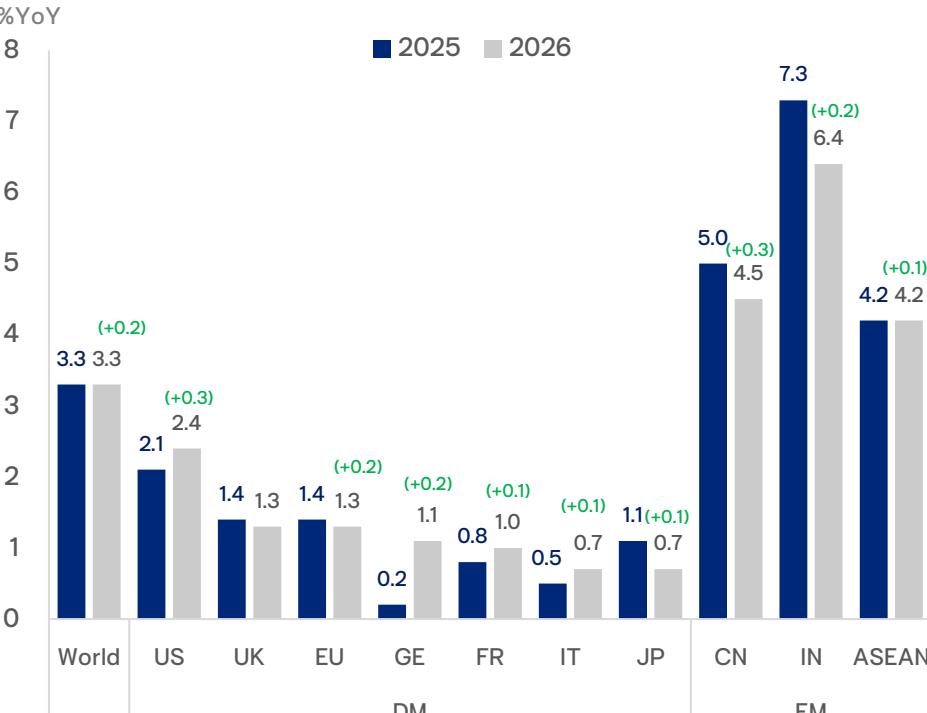
PART 1

Global Economy



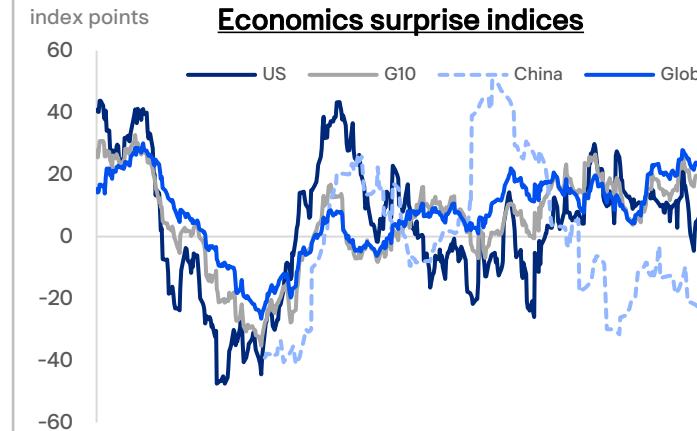
2026 global economy holds up better than feared, risks still on the radar

IMF Economic Projections for Selected Countries

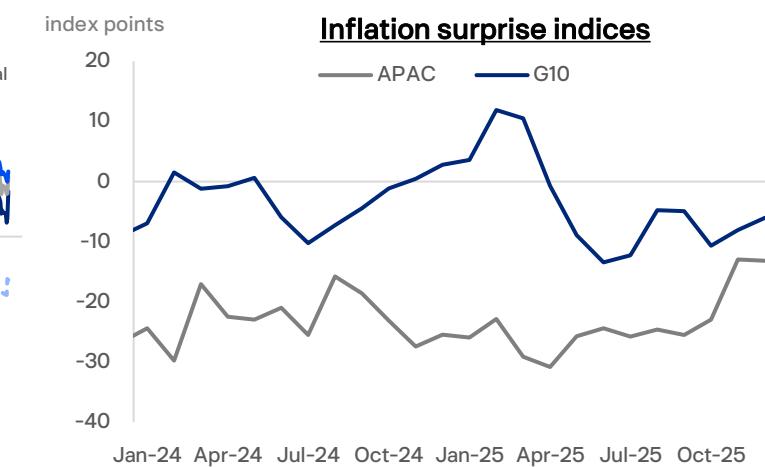


(): projection rate difference comparison between Jan 2026 and Apr 2025 IMF projection

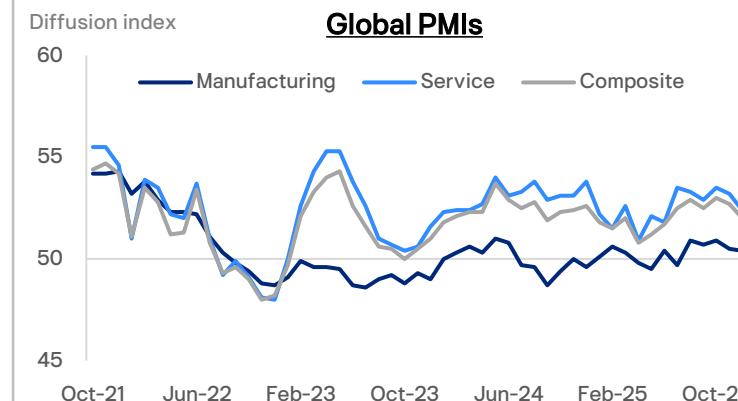
Economics surprise indices



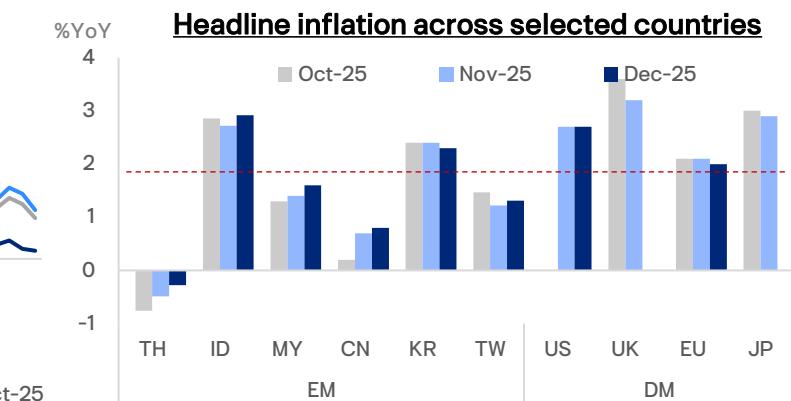
Inflation surprise indices



Global PMIs



Headline inflation across selected countries

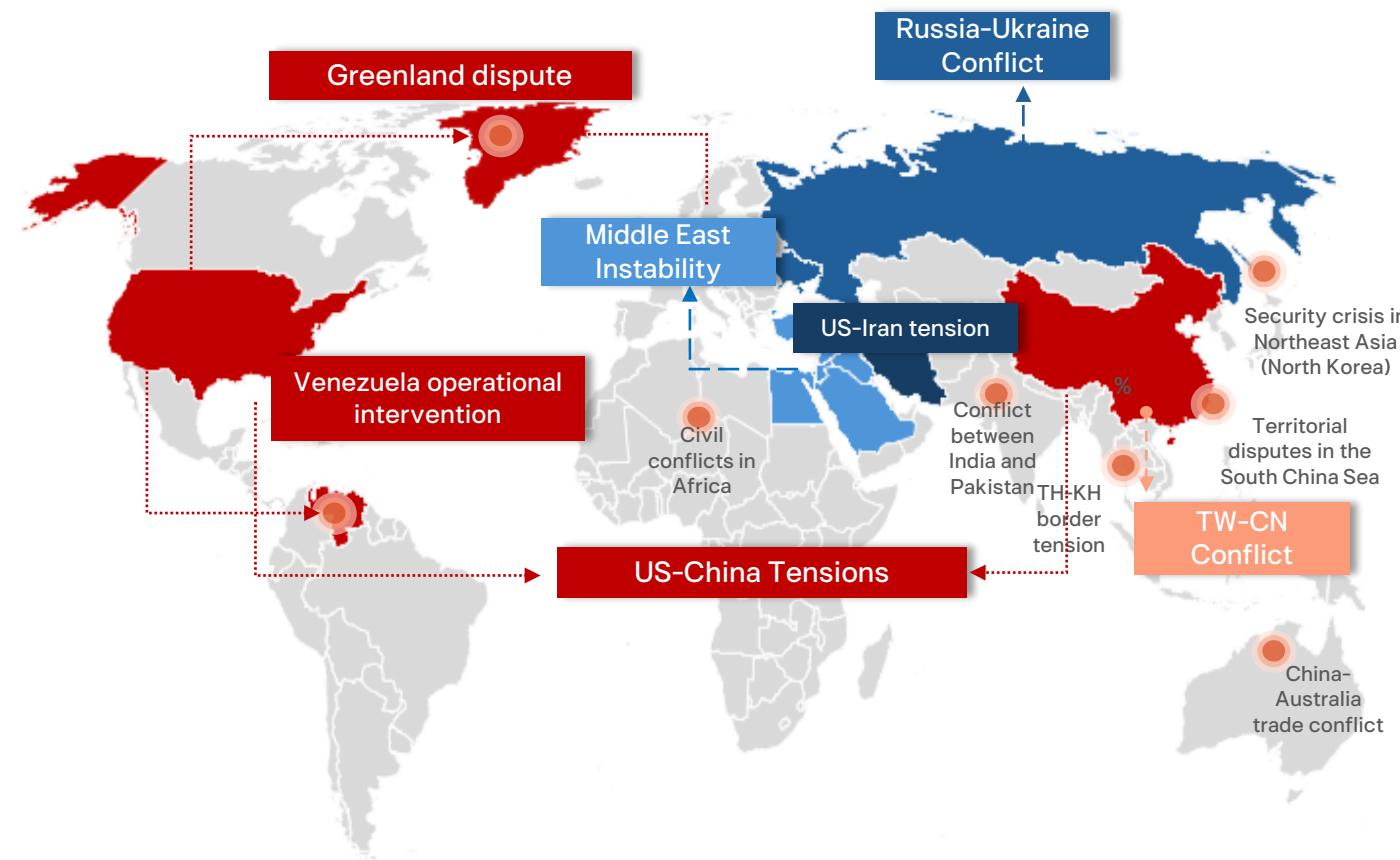


- Despite signs of slowing, the 2026 economic outlook appears resilient and better than expected compared with early last year. The IMF slightly raised its global growth outlook, citing easing US tariffs and strong AI investment, forecasting 3.3% growth in 2025–26, while warning downside risks from geopolitics, supply chains, and renewed trade tensions.
- In term of data, December PMI data showed signs of a late-year slowdown amid weak business confidence, though activity remained in expansionary territory across both manufacturing and services. Meanwhile, recent data—particularly from the US—have surprised to the upside, as reflected in a rising economic surprise index. On inflation, the data told a largely unchanged story, though some developed markets began to show early signs of price deceleration.

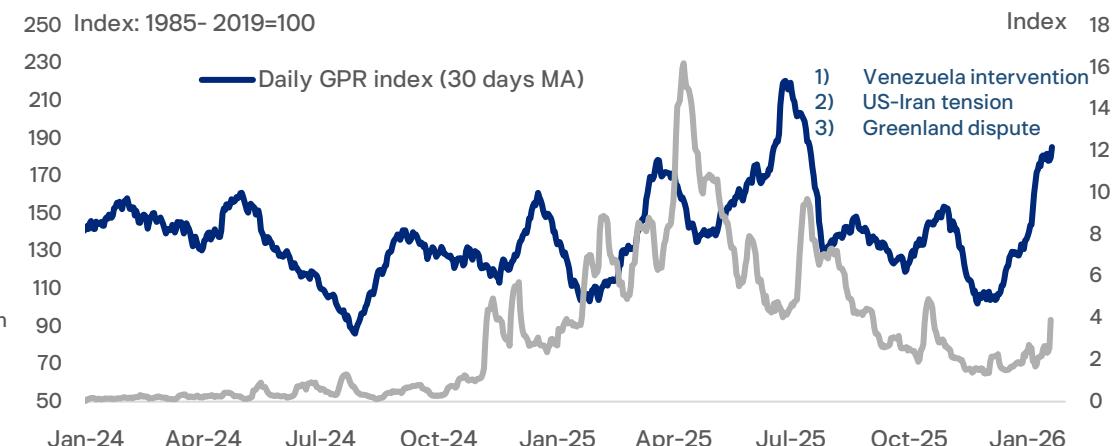
Geopolitical uncertainty remains elevated and continues to shape the global economic backdrop

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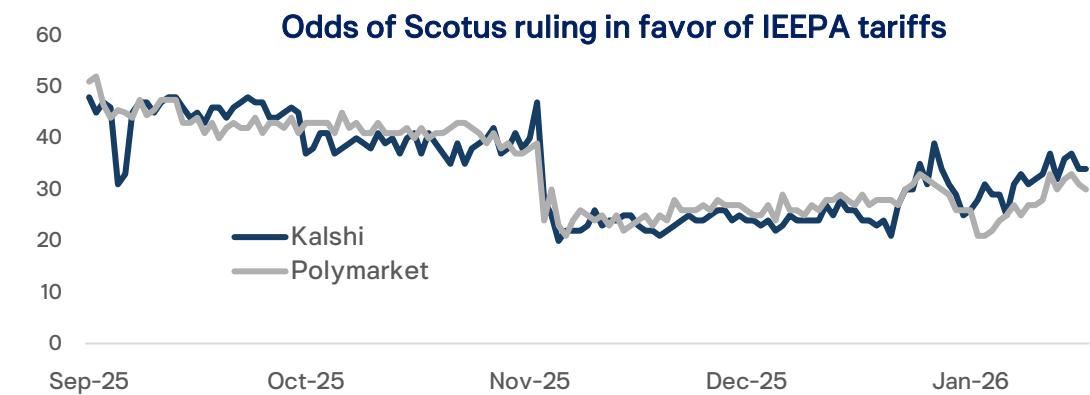
Overview of current geopolitical risks



Geopolitical Risk (GPR) and Trade Policy Uncertainty (TPU) Indices

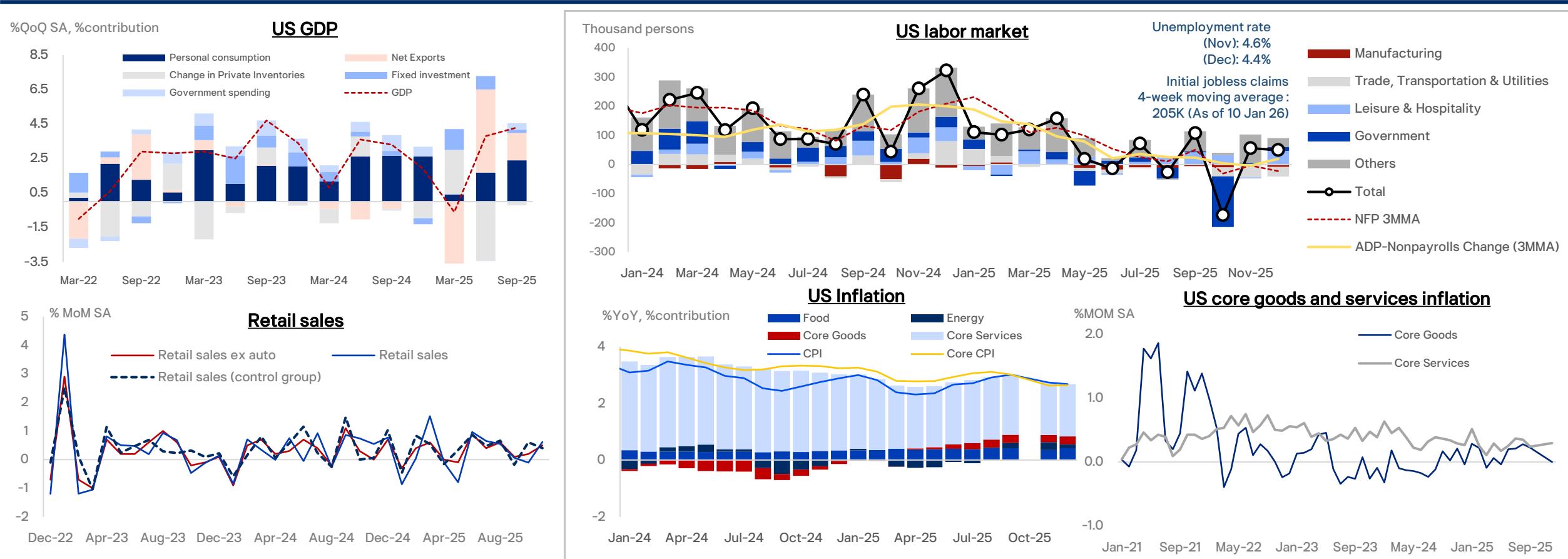


Odds of Scotus ruling in favor of IEEPA tariffs



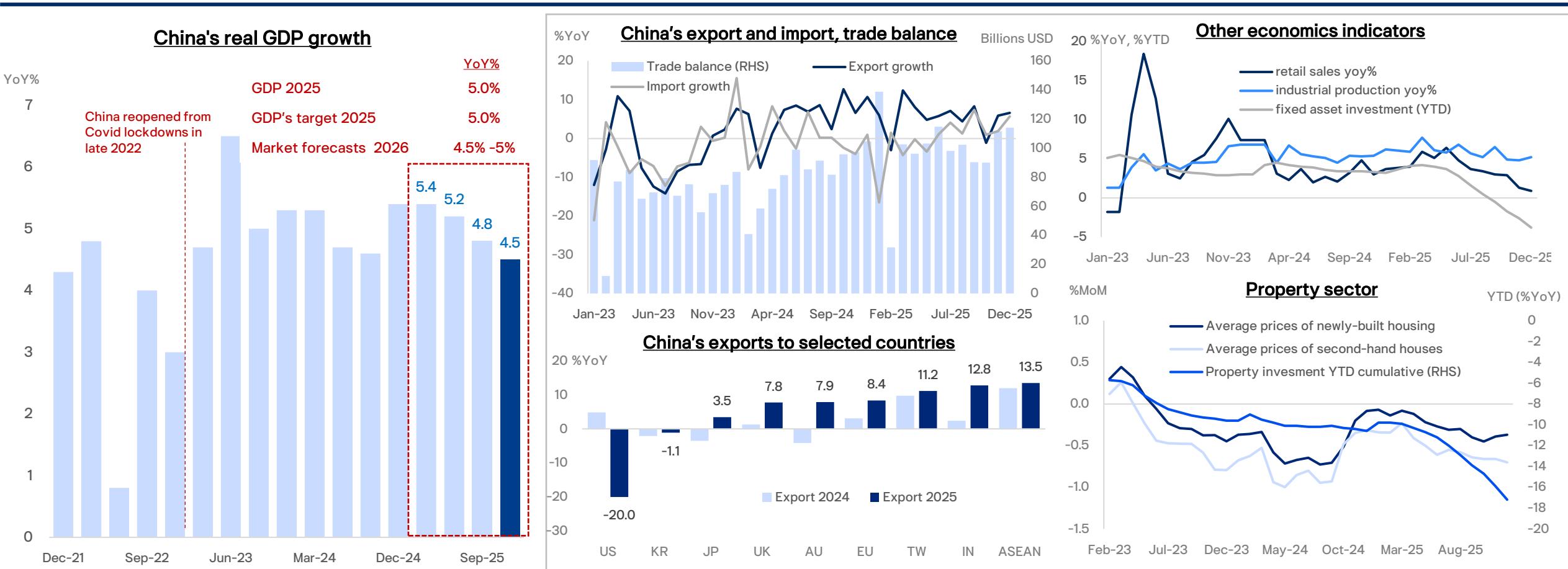
- At the start of 2026, geopolitical risks have returned to the forefront, driven by reports of a sudden US incursion into Venezuela and escalating tensions with Iran and the European Union. Recent events suggest that control over natural resources and rare earths has become a key geopolitical focus in 2026. While Iran and Venezuela account for only a modest share of global oil production, China remains a major buyer of their crude. At the same time, competition over critical minerals is intensifying, with Greenland attracting attention for its rare earth potential and strategic location in shaping global supply chains and trade routes. Given these developments, tariff policy remains uncertain, with added uncertainty from the IEEPA court decision.

Strong US data underscore economic resilience, delaying Fed cut expectations



- The Q3 advance GDP report delivered an upside surprise, with growth accelerating to 4.3% from 3.8% in Q2. The expansion was fueled by stronger consumer spending, exports, and government spending, partly offset by weaker investment. Looking ahead, the US economy is likely to remain resilient, supported by strong November retail sales. The data rose 0.6% month-on-month—the largest gain since July—driven by a rebound in auto purchases and solid holiday demand. Core measures also met expectations, with the retail control group up 0.4%, though spending remains concentrated among higher-income households.
- For Fed indicators, December payrolls rose 50,000, near breakeven but below expectations, with job gains concentrated in leisure and hospitality and declines across some sectors. Full-year job growth slowed to its weakest since 2020, while the unemployment rate fell to 4.4%. The CPI report was modestly soft, with core inflation below expectations but overall inflation still sticky above target. In addition, recent data suggest the impact of tariffs on core goods may have already peaked.

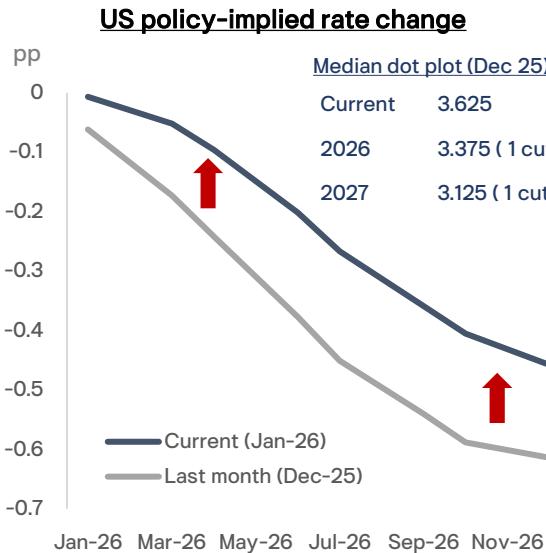
China met its annual GDP target, but growth momentum continues to weaken



- China's Q4 GDP rose 1.2% quarter-on-quarter and 4.5% year-on-year, bringing full-year growth to 5%. Manufacturing and exports remained key drivers, with strong demand from Europe and Asia offsetting US-related headwinds. However, December domestic data still pointed to gaps in the recovery, as fixed asset investment contracted more than expected and retail sales growth fell short of forecasts. China's property market shows little sign of recovery, as price declines accelerated in December and property investment fell 17.2%, worsening from 2024.
- Looking ahead, base effects may lead China to target slightly lower growth of around 4.5%–5%, with an emphasis on quality over quantity. Broad stimulus is unlikely, with policy support expected to be more targeted, especially toward lower-income households.

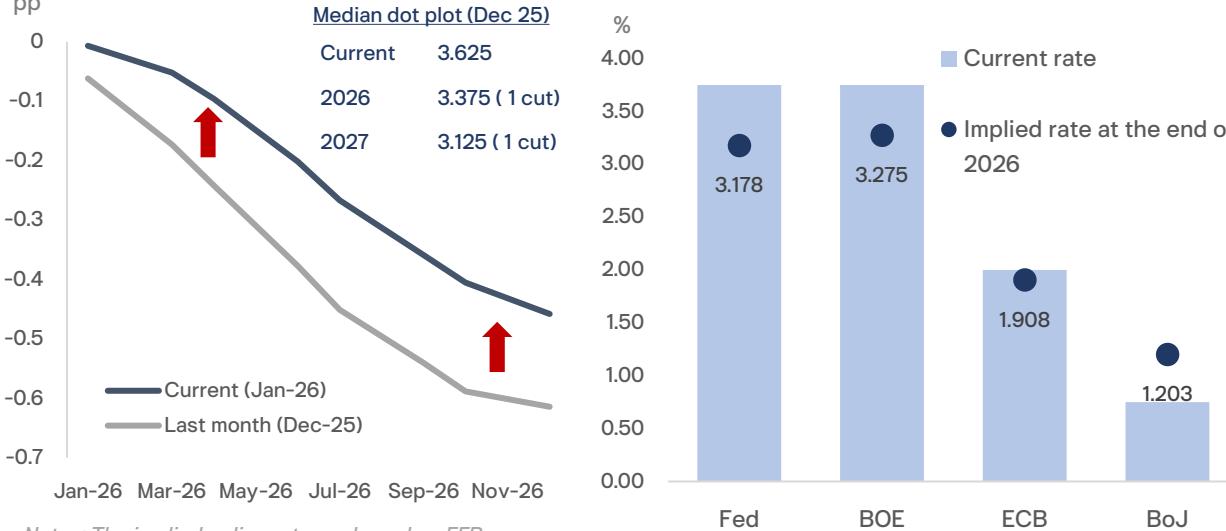
Most central banks are in the final stage of easing, though at differing speeds

Expected policy rate changes by selected major central banks by the end of 2025



Notes: The implied policy rate are based on FFR

Change in policy rates in 2025 for selected developed market countries



Asian countries' expectations

Country	Current Policy Rate	Changes in policy rate in 2025 (bps)	Forecast policy rate at the end of 2026 (%)
MY	2.75	-25	2.66
KR	2.50	-50	2.35
ID	4.75	-125	4.31
IN	5.25	-125	5.16
PH	4.50	-125	4.22
TW	2.00	0	1.90
VN	4.50	0	4.44

Notes: Forecast policy at the end of 2025 based on Bloomberg weighted average

*Arrows indicates change in end-year policy rate compared to last month

Latest Monetary Policy development

DM

- The FOMC is expected to hold rates steady at its January meeting, with the first cut likely pushed to Q2 after Powell's term as chair ends, given resilient economic data—especially in the labor market—and renewed concerns over Fed independence.
- The ECB is likely to hold rates for the rest of the year, with inflation back at target and growth holding up, as most officials show little appetite for further moves, though risks of additional easing remain due to potential US tariff impacts.
- The BoJ remains on a tightening path, backed by Governor Ueda's remarks and firm inflation data, despite expectations of a January hold. Yen weakness amid political uncertainty could hasten the next rate hike, with some reports pointing to April.
- The BoE appears near the end of its easing cycle, though markets still expect at least one more rate cut based on recent economic data and signals from policymakers.

EM

- China's central bank announced plans to cut the reserve requirement ratio and interest rates in 2026 to ensure ample liquidity, while recently holding loan prime rates steady and lowering the one-year relending rate to 1.25% from 1.5%.
- Most Asian central banks are expected to hold rates at their first 2026 meetings, with financial stability concerns and a high bar for cuts. While easing remains the broader theme, some—such as the Bank of Korea—may signal the end of their easing cycles.

PART 2

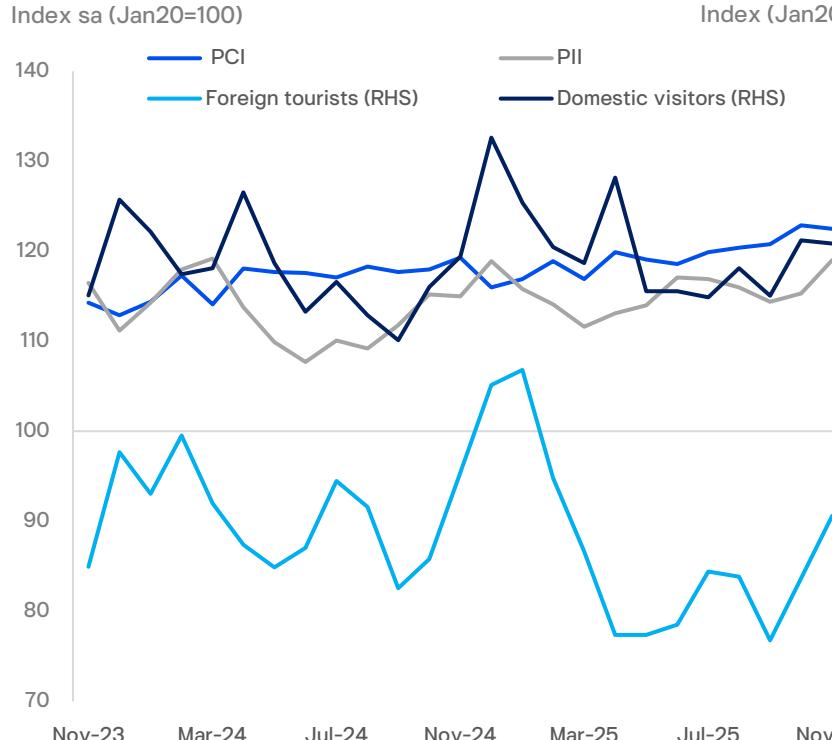
Thai Economy



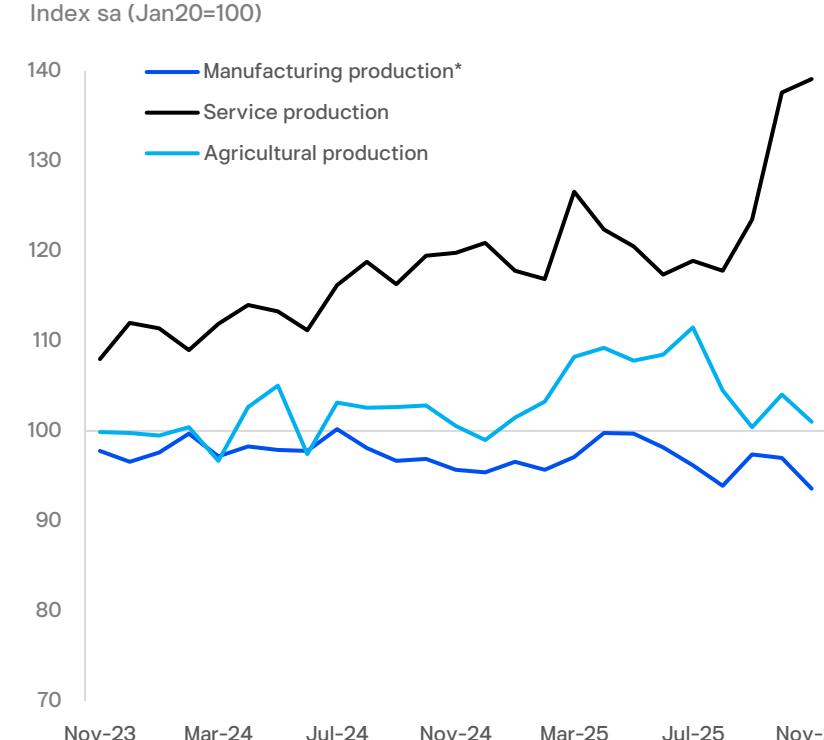
In November 2025, Thailand economic activities expanded from the previous month from both domestic and external demand



Demand-side indicators



Supply-side indicators



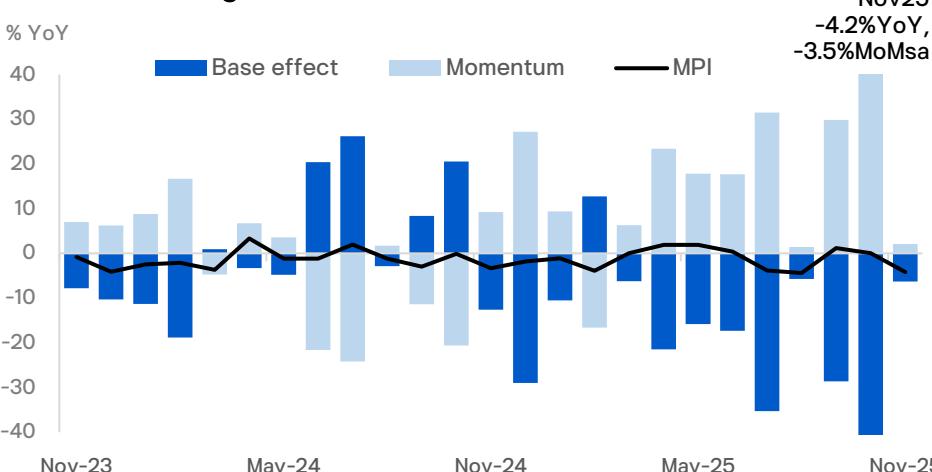
- In November 2025, overall economic activity expanded from the previous month, as reflected by increase in both domestic and external demand. The latter was driven by merchandise export and continued recovery in foreign tourist receipts. Private investment also improved. However, private consumption slightly declined.
- On the economic stability front, headline inflation in December 2025 remained negative but slower pace. Notably, trade balance (Custom basis) continued to mark deficit due to elevated import value.

Leading Economic Index (sa) (Jan2020=100)

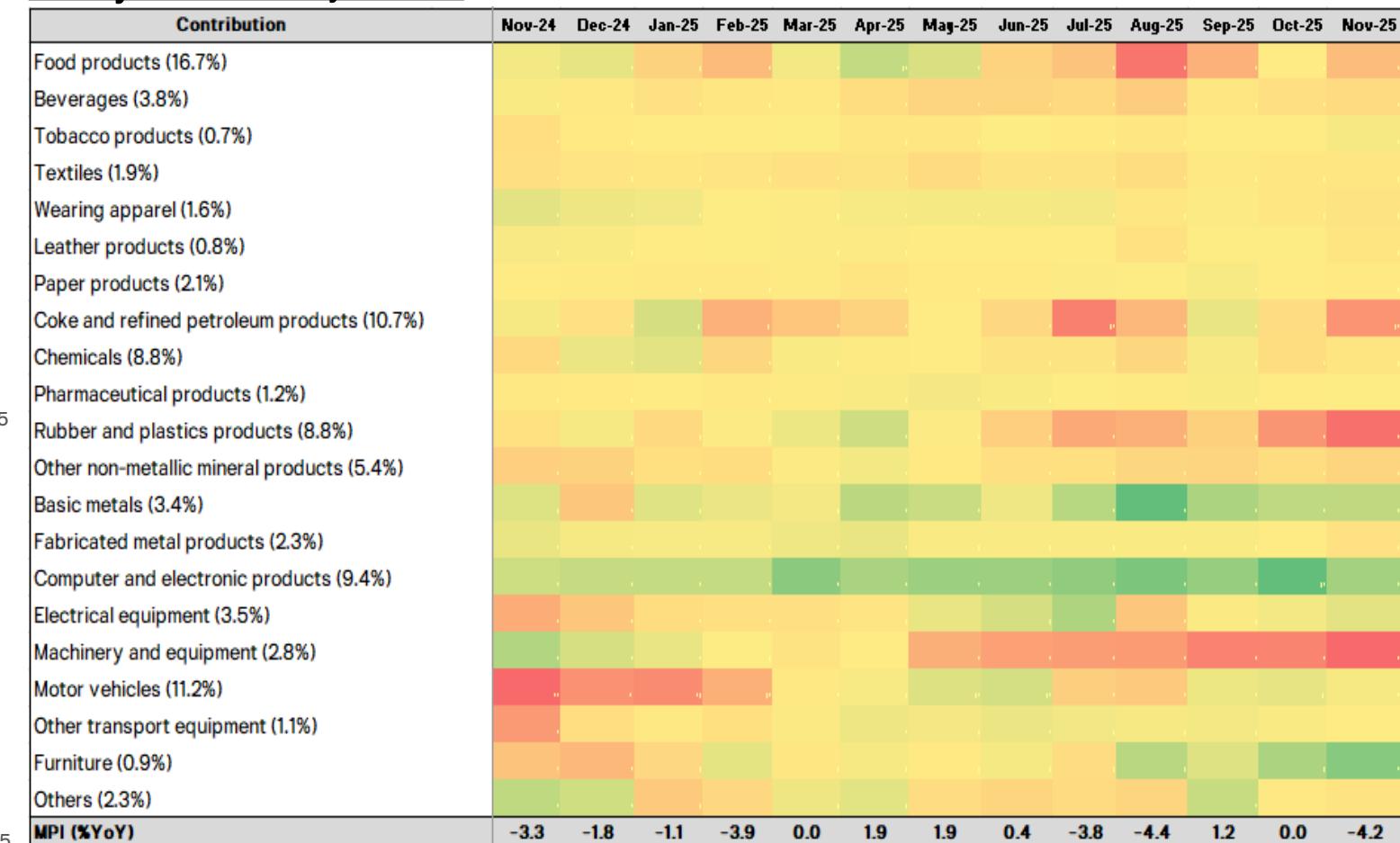
Leading Economic Index and Components (SA)	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25
Authorized Capital of Newly Registered Companies (Million Baht)	137.4	129.8	141.4	92.7	219.5	183.5	108.0	103.3	125.8	132.6	126.0	124.5	84.7
Construction Areas Permitted (1000 sq. m)	115.7	119.0	77.1	83.1	100.3	83.9	99.7	97.4	94.3	106.9	114.1	114.6	102.8
Export Volume index (exclude Gold)	119.6	119.3	120.5	127.0	124.0	121.6	132.5	125.8	126.1	125.9	127.6	128.6	131.2
Business Sentiment Index (3 months)	99.2	97.4	97.5	99.4	100.9	95.4	98.1	97.6	96.0	100.1	100.8	102.2	102.9
SET index	94.3	92.5	86.8	79.5	76.5	79.1	75.9	72.0	82.6	84.5	85.4	86.5	83.0
Oil Price Inverse Index (Dubai)	1.4	1.4	1.2	1.3	1.4	1.5	1.6	1.4	1.4	1.4	1.5	1.6	1.7

Manufacturing production indicators declined remarkably due to major refinery maintenance, severe flooding in the South and softer demand

Manufacturing Production Index (MPI)



MPI by sector (base year 2021)

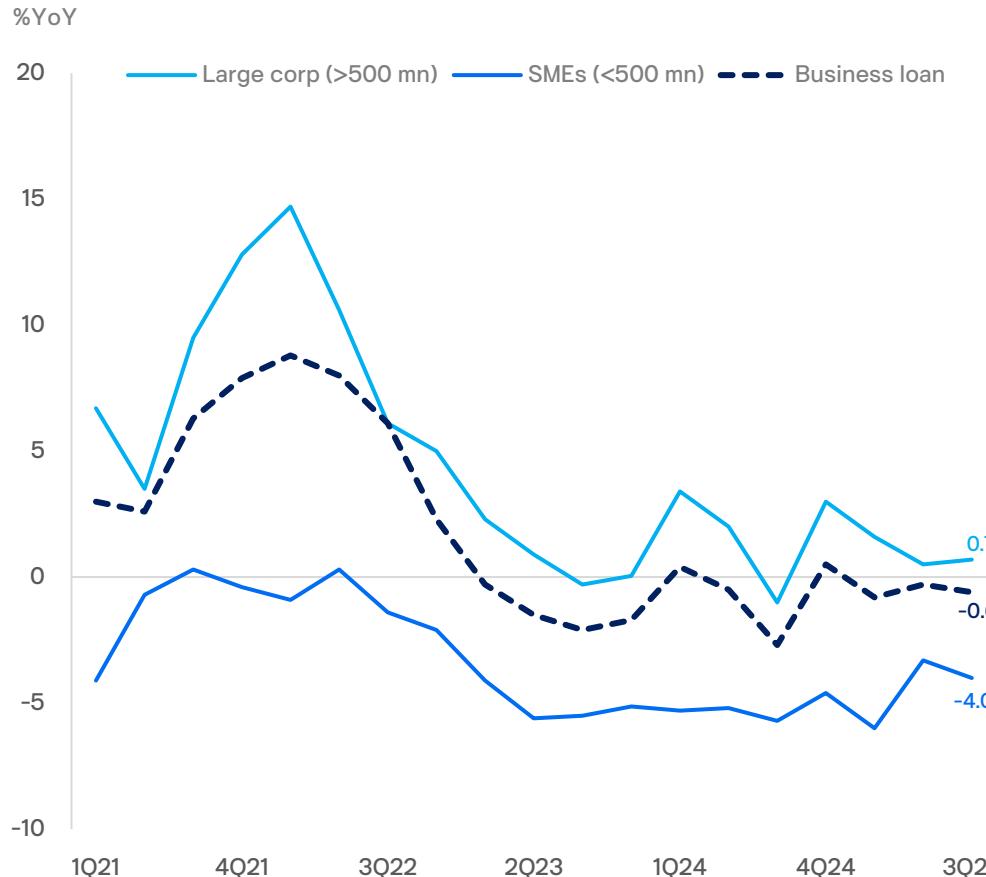


- As of November 2025, Manufacturing Production Index (MPI) contracted remarkably across major categories as a major scheduled maintenance shutdown of petroleum refineries. Moreover, automotive production was slowdown due to lower production of passenger cars and pickup trucks as well as food and beverage products, which was affected by flooding in the southern region and softer demand, particularly chilled and frozen seafood and canned tuna. Production of electronics also turned stagnant after accelerated growth in previous periods.

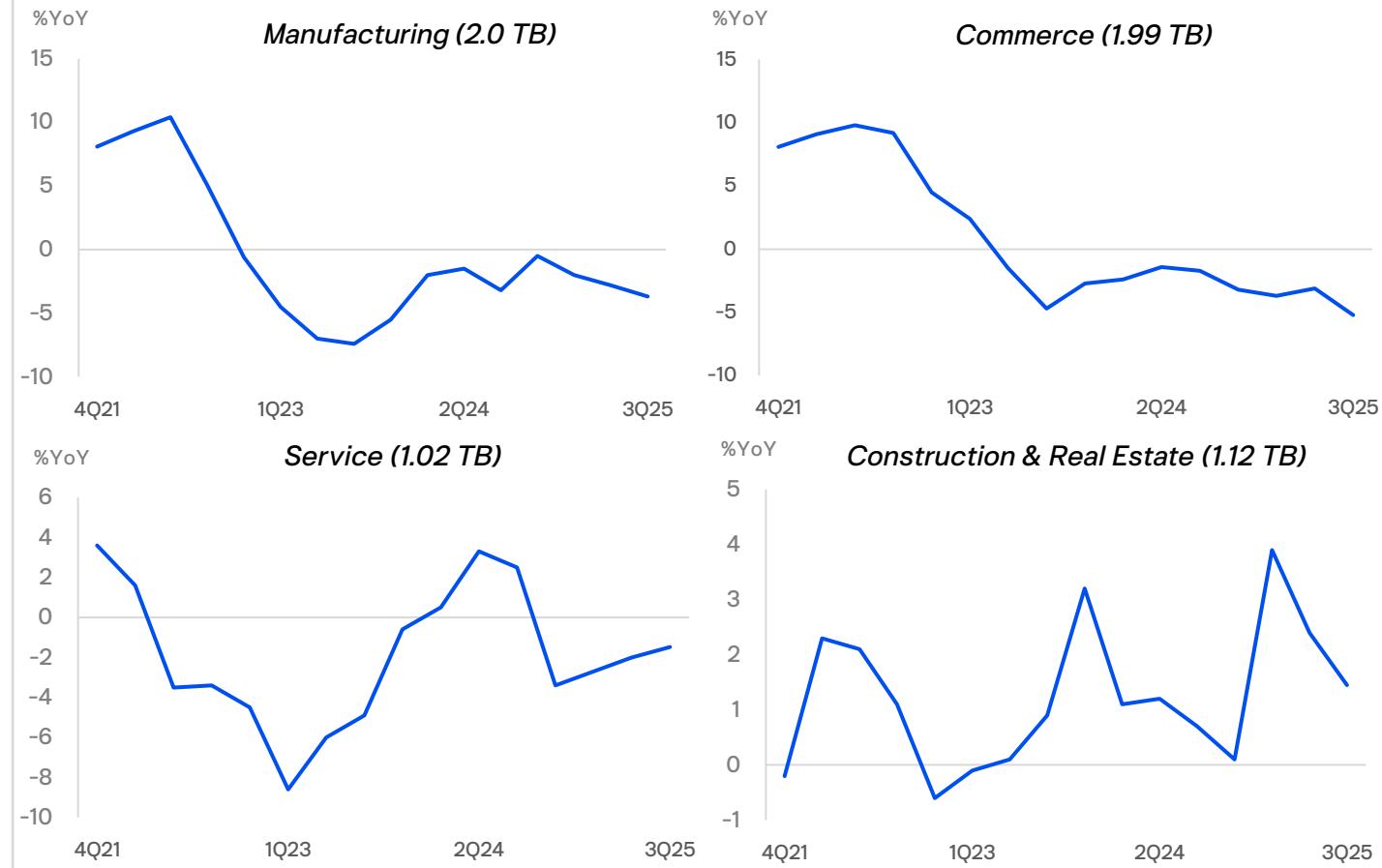
In the 3Q/25, overall business loan growth continued to contract close to previous quarter, while SME loan growth deteriorated



Loan growth of Thai commercial banks by business size

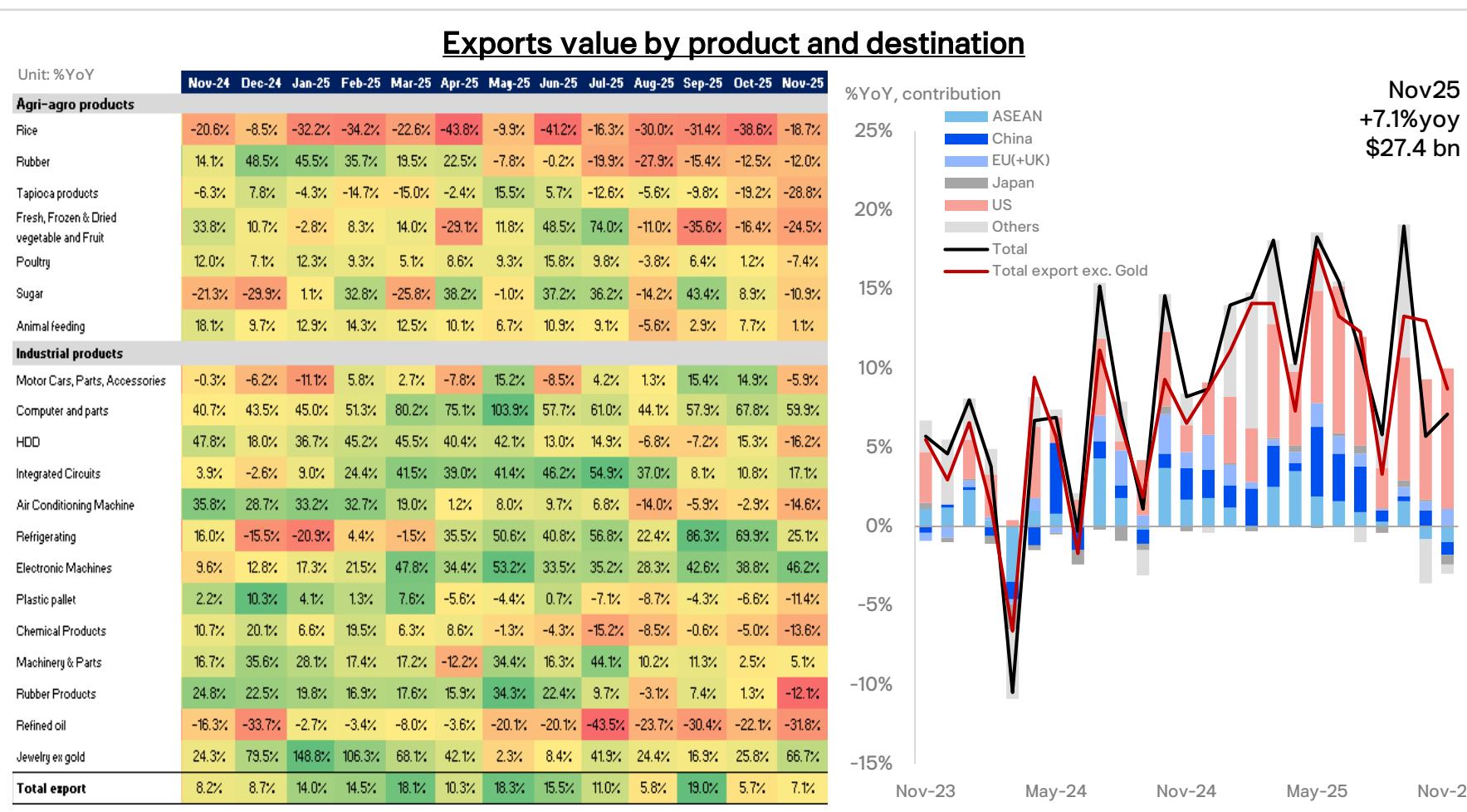


Loan growth of Thai commercial banks of selected sectors

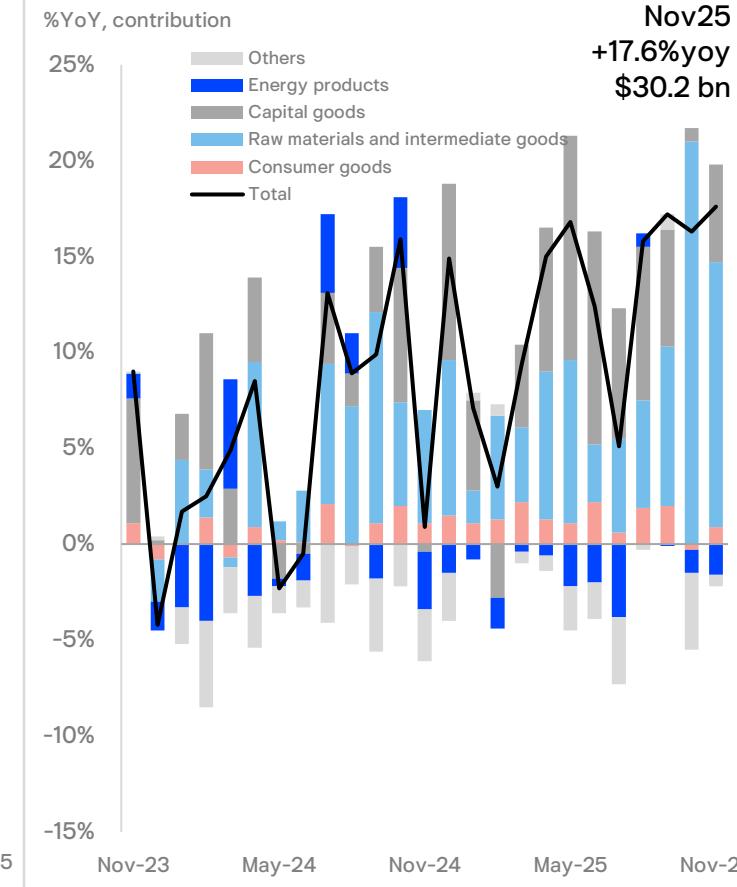


- Overall business loans of Thai commercial banks in the Q3/2025 continued to contract close to previous period due to the continued contraction in SMEs, while large corporate loans increased somewhat. Particularly, loan growth of most sectors remained contract. Meanwhile, large corporate NPL declined as some borrowers resumed repayments, while SMEs NPL continued to rise but at a slower pace.

Merchandise export in November continued to expand led by the export to the US



Imports value by groups

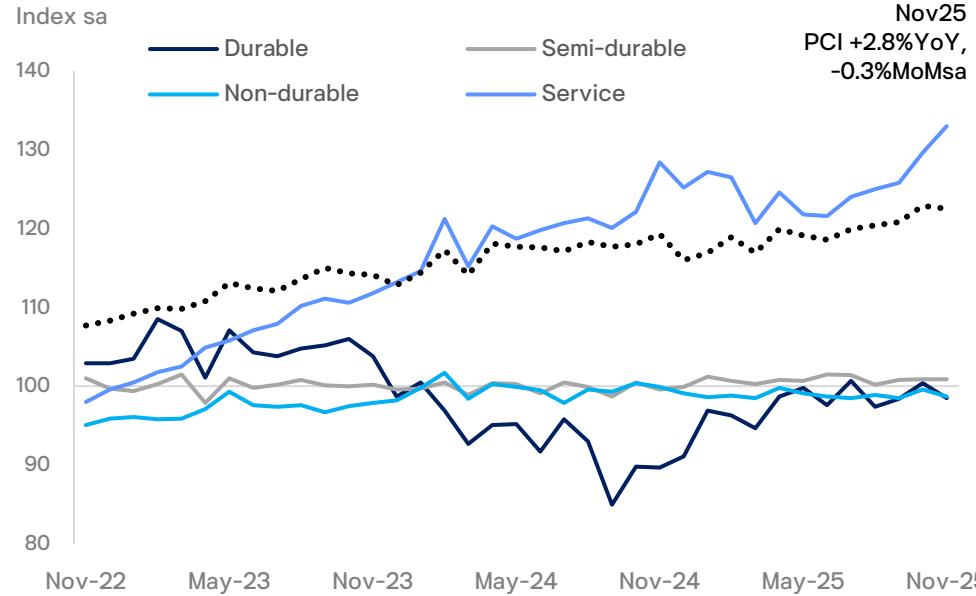


- Thailand's exports in November 2025 contained its growth, which strongly supported by ongoing growth of export of electronic products such as computer and parts, electronic machines and electrical appliance, while contraction in major agricultural product exports remained persisted. Particularly, export to the US still elevated, in contradict with other major markets. On the other hand, the import value growth edged up, led by import of most categories, except energy products, which resulting in a trade deficit of USD 2.7 billions (The first eleven months of 2025, trade deficit of USD 5 billions).

Most private consumption indicating slowdown, despite ongoing growth in spending on services in line with higher foreign tourism receipts and impact of government stimulus measures

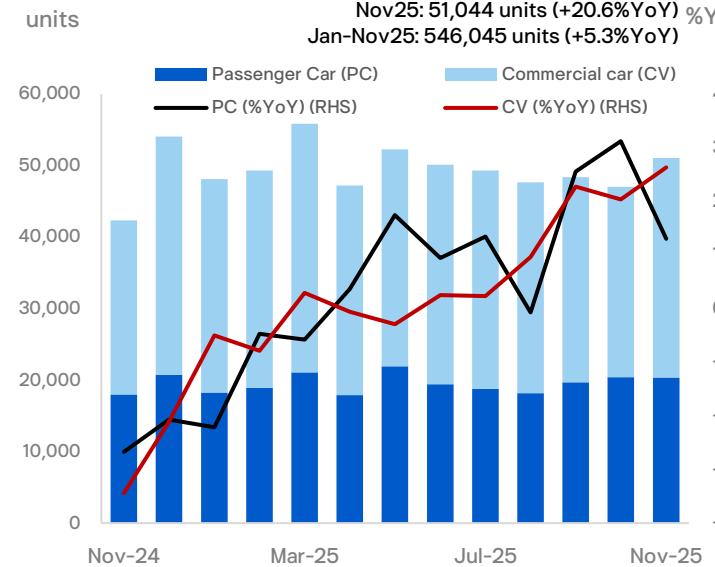
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Private Consumption Indicators (SA)

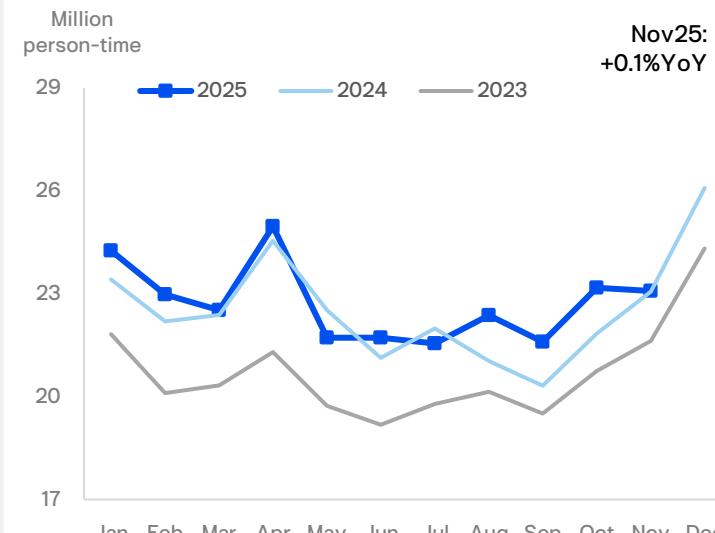


- Private consumption indicators declined from the previous month driven by lower spending on non-durable goods. Durable goods consumption also declined, as reflected by lower passenger car sales and motorcycle registrations as consumers are waiting for promotions at the Motor Expo in December. However, spending on services continued to rise, led by the hotel and restaurant category, in line with higher foreign tourism receipts and the positive impact of government stimulus measures.
- Farm income in November continued to contract, primarily due to falling prices of several agricultural products e.g., rice and rubber aligning with high global supply.

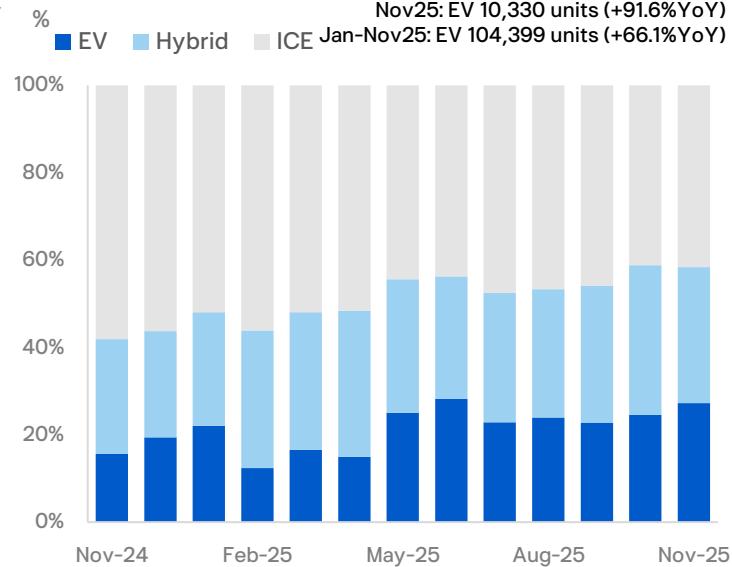
Domestic car sales**



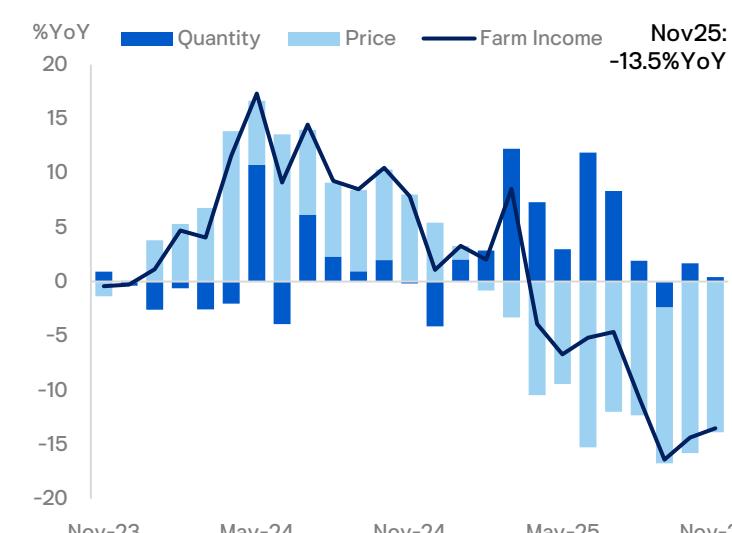
Thai domestic visitors*



EV penetration of type 1 registration



Farm Incomes

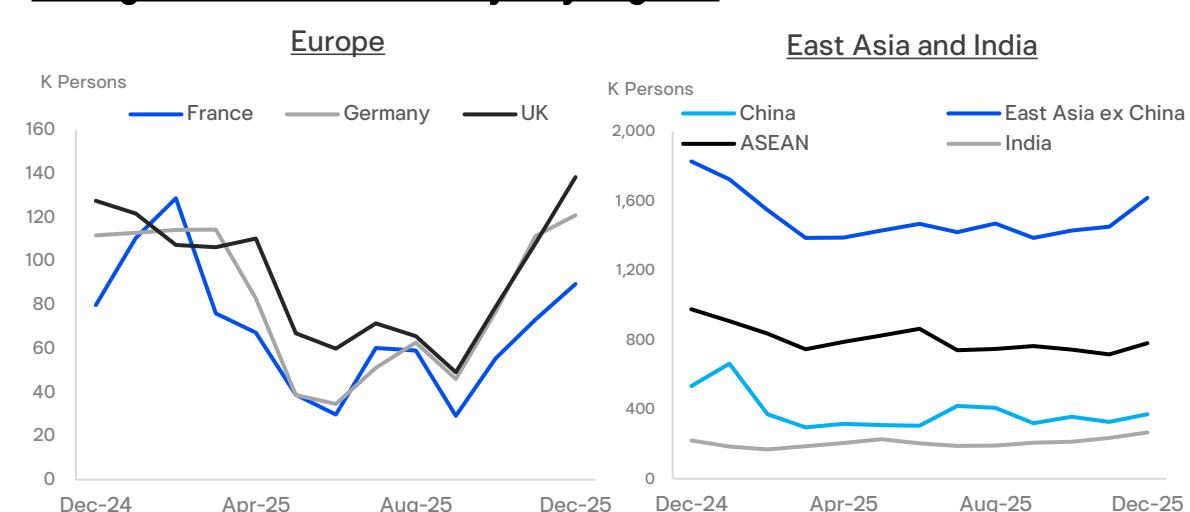


December's foreign tourist arrivals edged up, thanks to high season period and temporal factors; overall 2025 reached 33 million persons but remained below the pre-covid level 

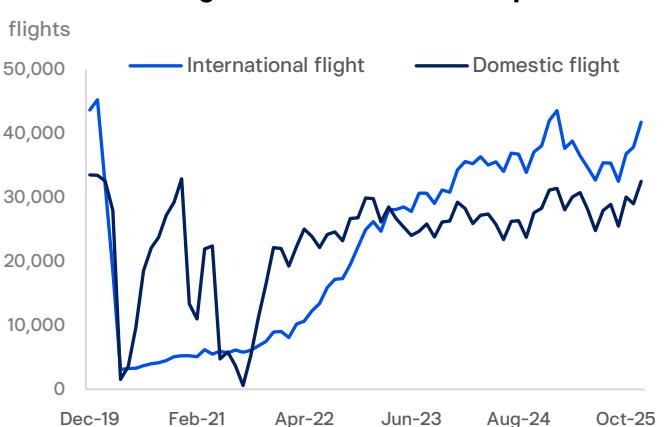
Total Foreign Tourist Inbounds



Foreign Tourist Inbounds by key regions



Number of flights via Thailand's airports (total)



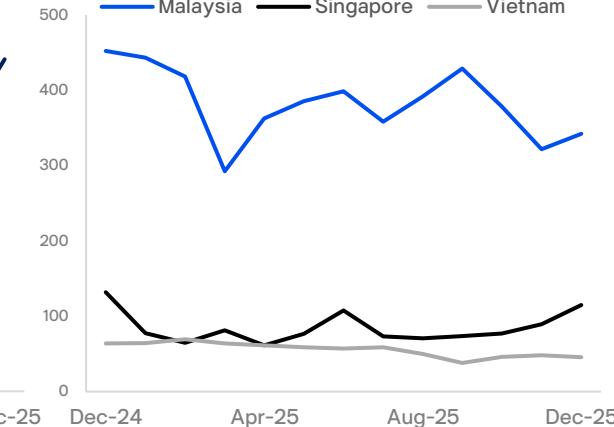
Tourism spending indicators



Russia



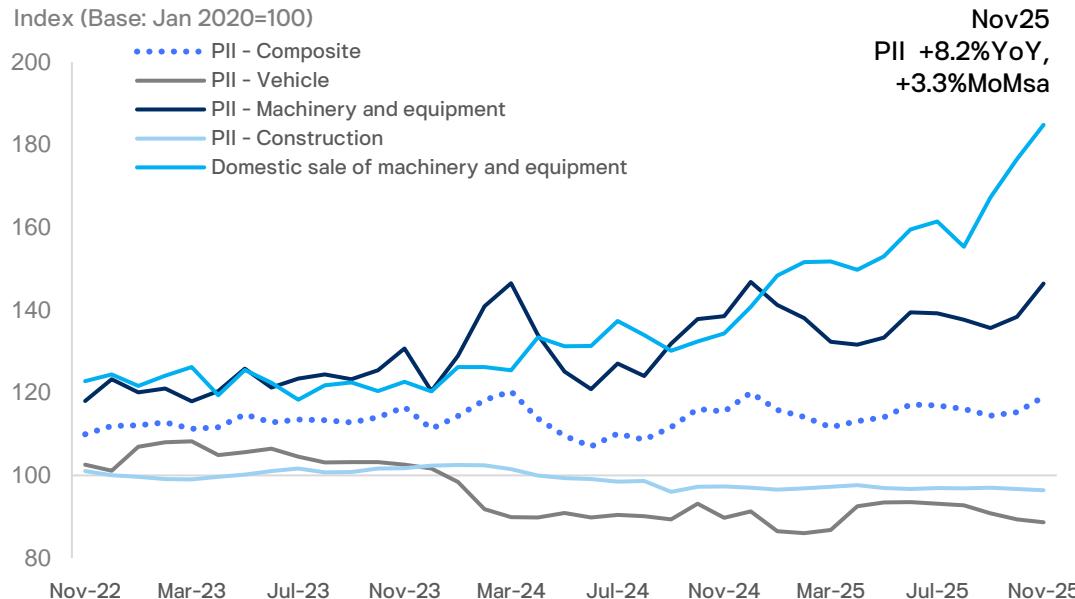
Malaysia, Singapore, Vietnam



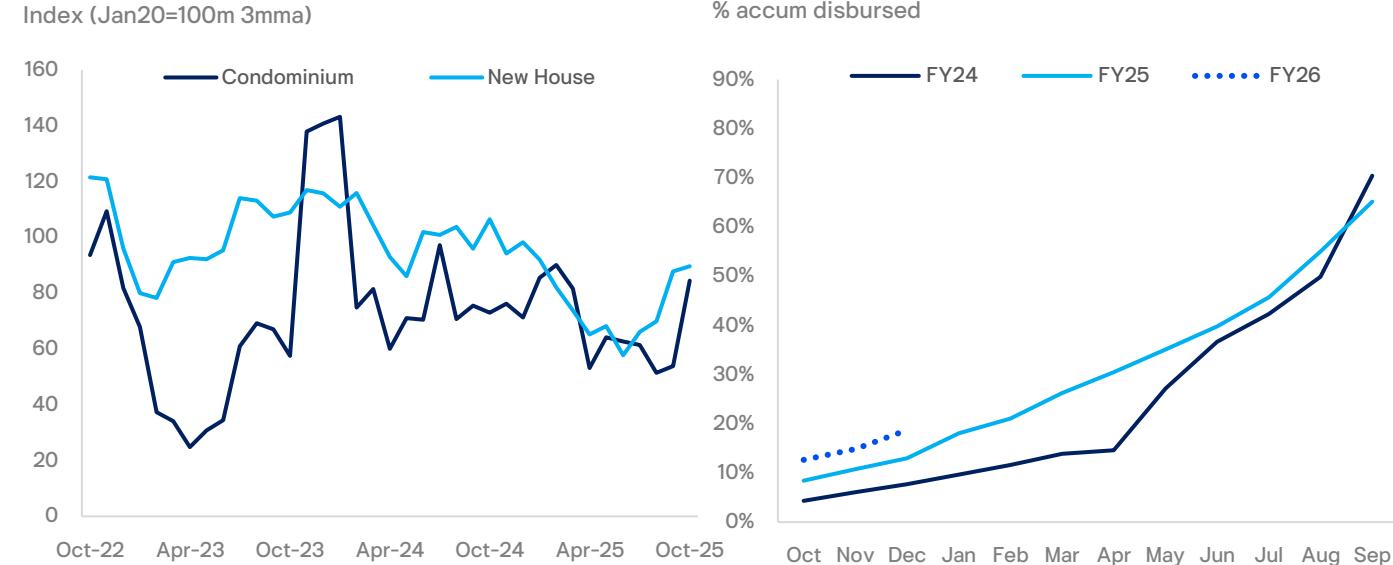
- In December 2025, foreign tourist arrivals continued to improve but at a slower pace comparing to last month. Tourists from Europe including Russia and the Americas indicated a remarkable increase, while tourists from ASEAN also improved, despite the effect of Southern flooding, due to high season period and sport campaign.

Private investment indicators increased, driven by investment in machinery and equipment

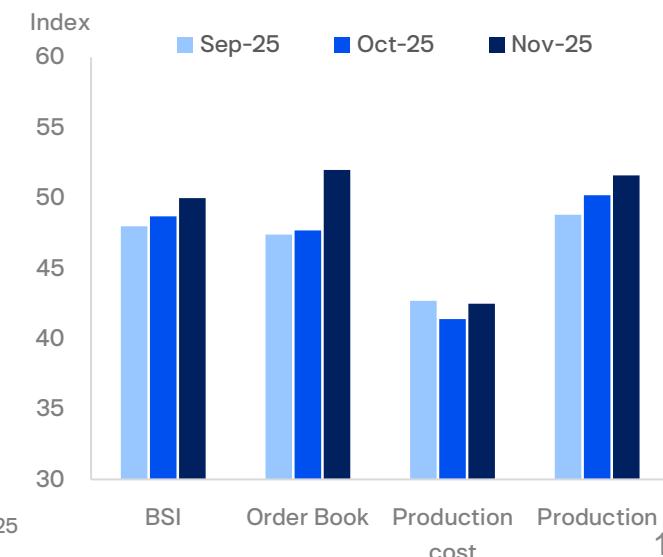
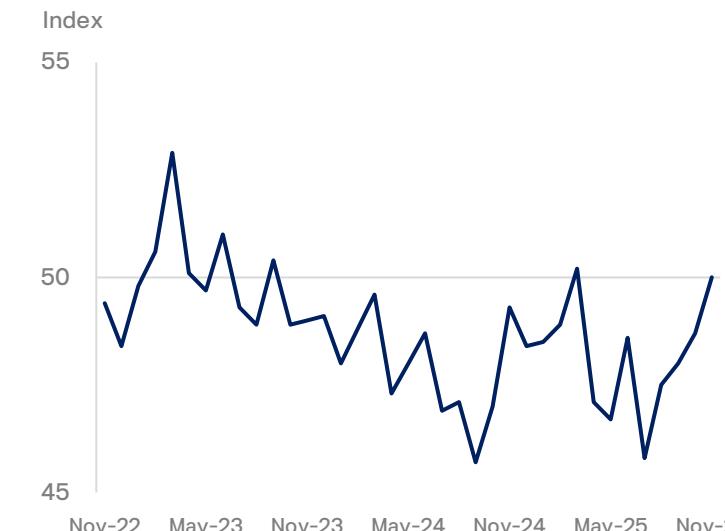
Private Investment Indicators (SA)



Unit of housing registration (Nationwide) Accumulated govt capital budget disbursement

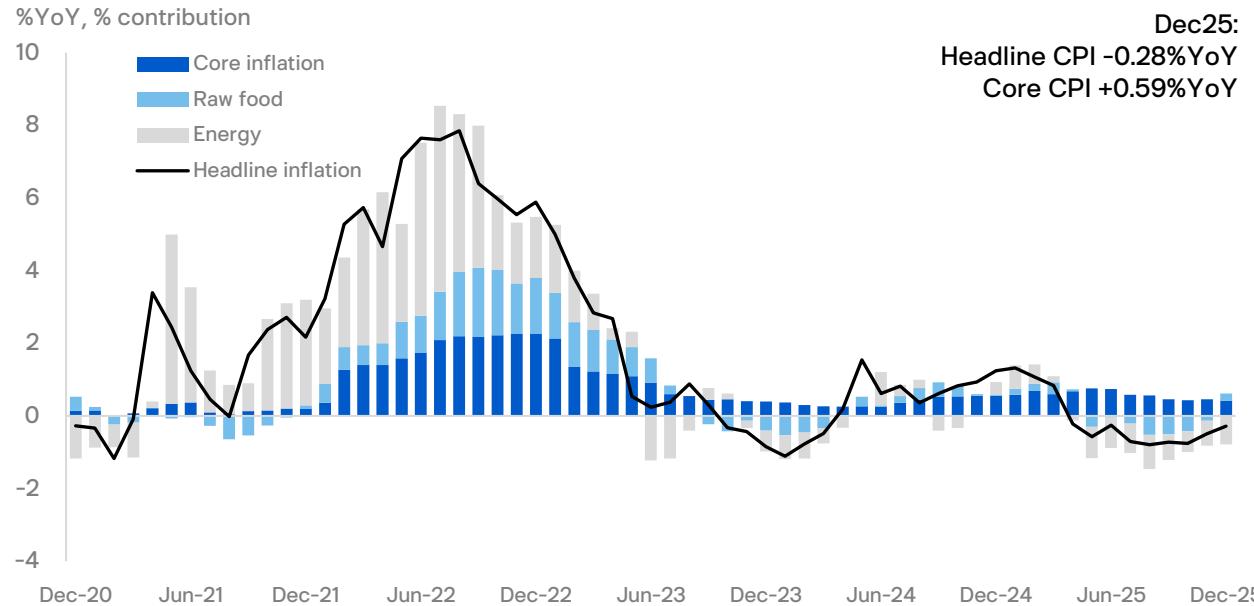


Business Sentiment Index (BSI)

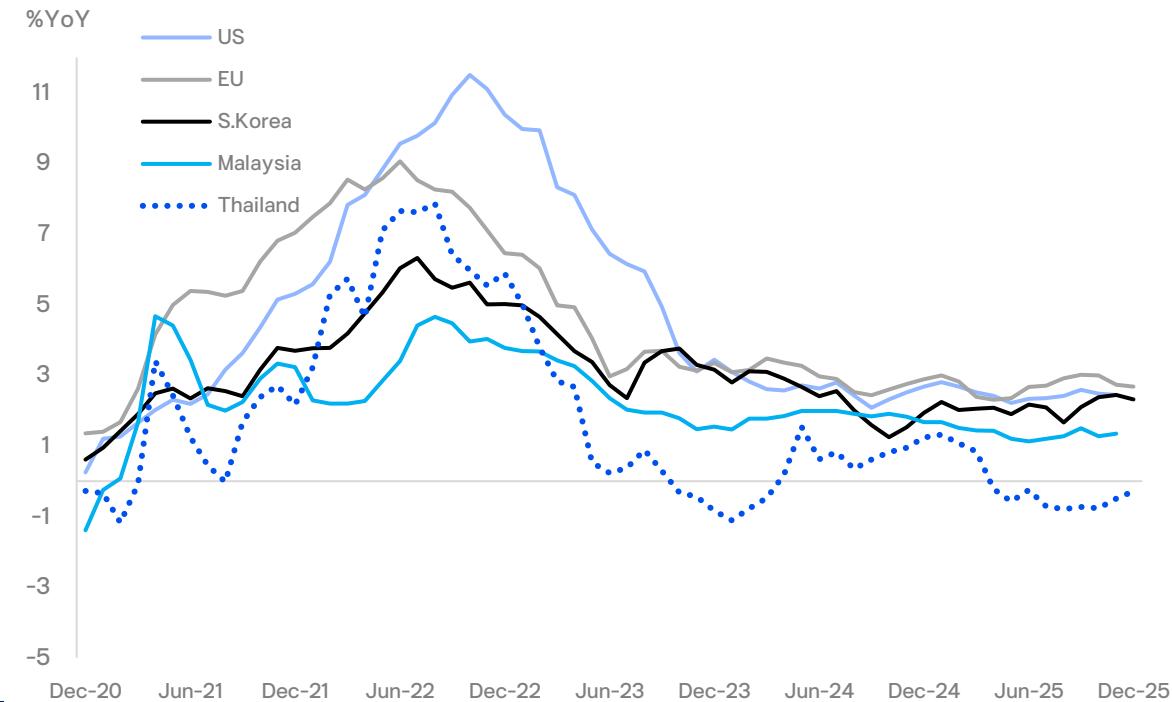


Although December inflation improved from the previous month, the headline figure for the full year of 2025 remained negative

Thailand's inflation contribution to growth



Headline inflation in selected countries



Price change in top categories

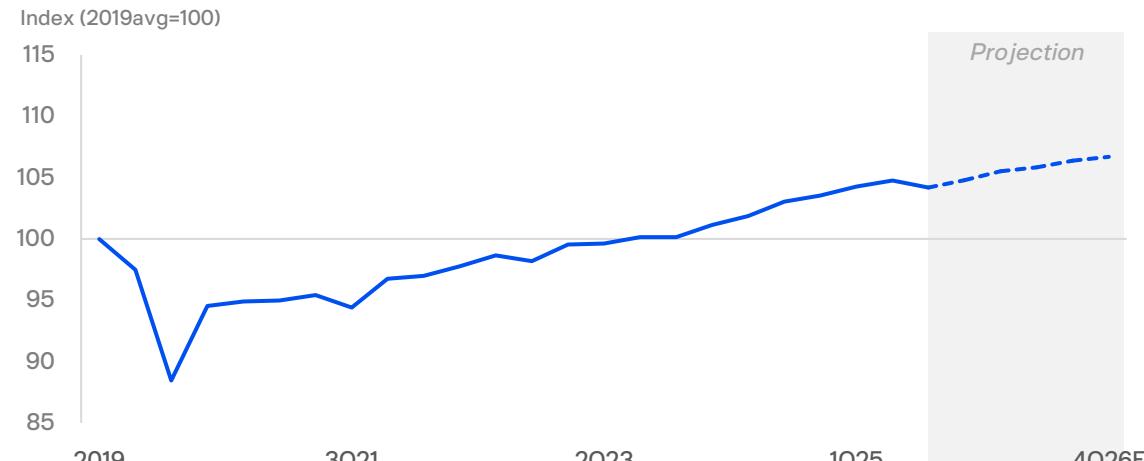
	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25
Headline inflation	1.24	1.32	1.08	0.84	-0.22	-0.57	-0.25	-0.70	-0.79	-0.72	-0.76	-0.49	-0.28
Raw food	0.17	0.97	1.13	1.90	0.30	-1.76	-0.23	-1.23	-2.99	-2.89	-2.44	-0.78	1.19
Prepared food	2.33	2.53	2.68	2.37	2.61	3.41	3.40	2.53	2.54	1.99	1.87	1.74	1.96
Meat and Poultry	0.25	0.41	1.39	3.04	5.04	5.39	4.98	4.18	3.36	1.71	-0.05	0.09	0.83
Eggs and dairy products	-0.95	-0.53	0.45	-0.46	-1.94	-1.52	-3.94	-3.46	-3.72	-3.78	-3.74	-3.79	-2.14
Utilities	1.44	1.47	1.45	0.06	-2.84	-1.42	-1.41	-1.36	-1.36	-2.09	-2.11	-2.11	-3.15
Energy	5.01	4.25	1.23	-0.93	-6.73	-6.58	-6.31	-7.33	-5.55	-4.46	-5.40	-6.11	-6.98
Core inflation	0.80	0.83	0.99	0.86	0.98	1.09	1.06	0.84	0.81	0.65	0.61	0.66	0.59

- The headline inflation (CPI) in December 2025 remained contracted but at a slower pace. The main factors were primarily attributed to the falling in energy prices as reflected by the global energy price, as well as the resolution of the Fuel Fund Management Committee (FFMC) to reduce the fuel fund levy for diesel fuel. However, the prices of food and non-alcohol beverage increased. The core inflation was relatively slowed, following the decline of non-food and beverage products. Overall, Thailand's inflation for 2025 stood at -0.14%YoY and the core increased by 0.84%YoY.

Economic indicators 2022-2026F

	%YoY	2022	2023	2024	2025E	2026F
GDP		2.0	2.5	2.4	2.0	1.6
Private consumption		6.9	4.4	2.6	2.6	2.0
Private investment		3.1	-1.6	2.3	1.6	1.2
Government consumption		-4.7	2.5	0.3	0.5	1.2
Public investment		-4.2	4.8	7.7	6.1	2.5
Export value*		-1.5	5.5	13.9	12.6	-2.8
Import value*		-3.9	5.9	11.9	11.7	-1.0
Foreign arrivals (million)		27.5	35.5	24.1	33.0	34.5
Headline inflation		1.2	0.4	0.01	-0.1	0.2
Policy rate (%year-end)		2.5	2.25	1.50	1.25	0.75-1.00

Real GDP growth development, 2019-2026F



Positive

- Short-term economic stimulus focusing on boosting domestic demand
- Foreign arrivals bouncing back
- Private investment recovers

Negative

- US tariff fully enforcement and high inventory due to front-loading effect
- Slow recovery of Chinese tourist arrivals
- Household consumption remained fragile
- Delayed government disbursement in FY27
- Political uncertainty

Keep eyes on

- US tariff and trade policy uncertainty
- Persistently high household debt
- More limited fiscal space

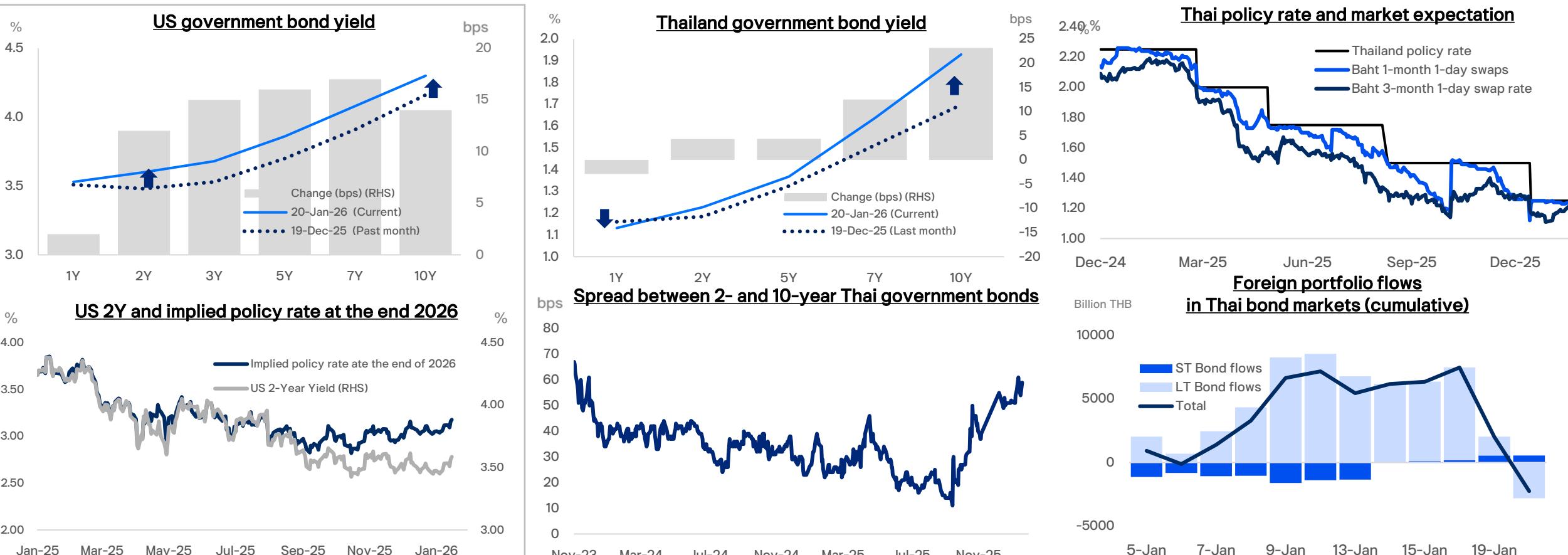
PART 3

Financial Market



US yields rise as Fed cuts delayed and US-EU tensions; long-term Thai yields rose amid fiscal and global pressures

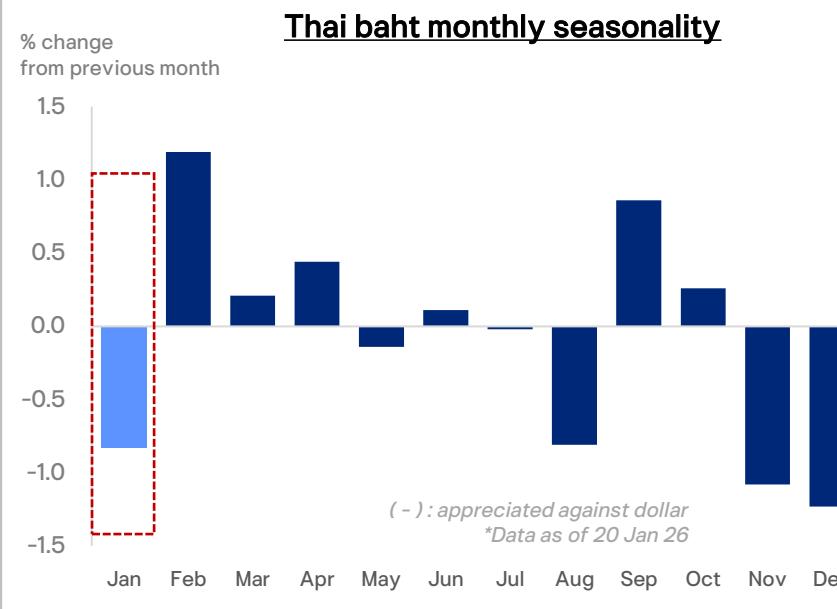
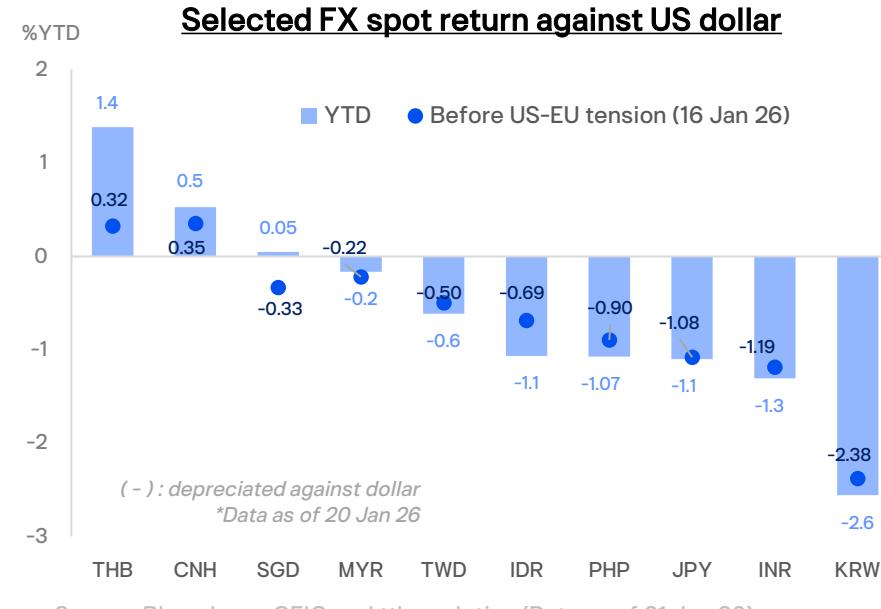
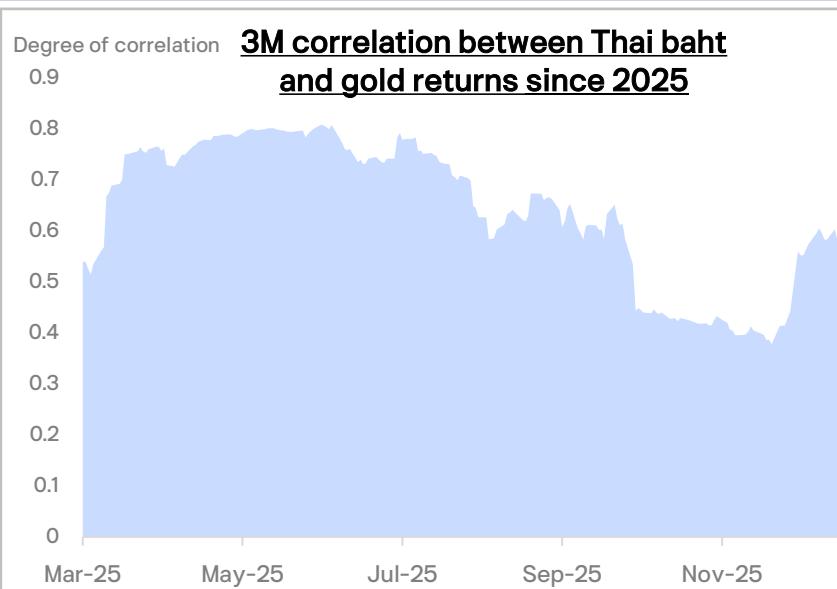
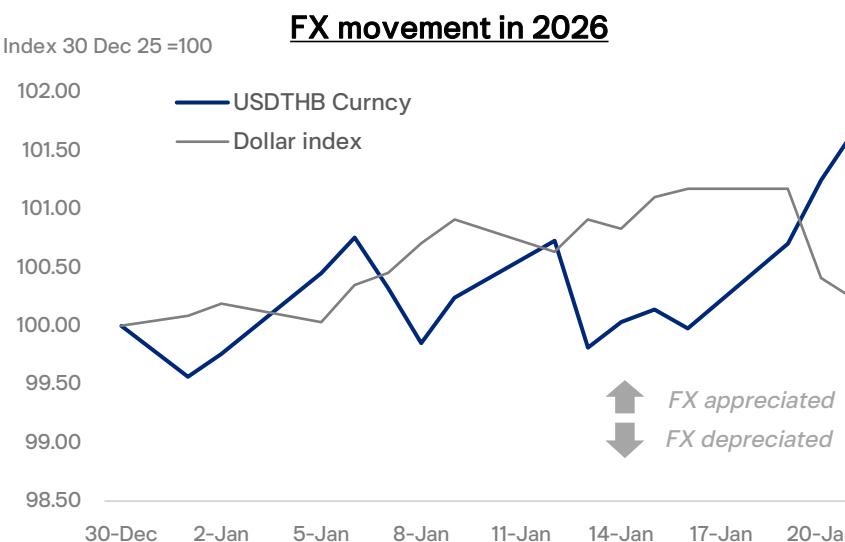
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- US Treasury yields rose across the curve, led by the short end, as markets slightly priced out and delayed expected Fed rate cuts following better-than-expected economic data and hawkish Fed commentary. Separately, Kevin Hassett being ruled out as a potential Fed chair helped temper dovish expectations and eased concerns over Fed independence. At the long end, the 10-year yield climbed above 4.20%, losing some of its safe-haven appeal amid rising US-EU tensions over the Greenland dispute.
- Thai government bond yields also showed a steepening curve, with short-term yields anchored by the policy rate while long-end yields rose sharply. The move partly reflected fiscal concerns amid the election season and expectations of a delay to the BoT's next rate cut. Domestic demand for long-term bonds remains relatively weak, as reflected in below-average bid-to-cover ratios at recent auctions. At the same time, foreign portfolio flows turned negative especially at the long end.

The dollar slumped on escalating US–EU tensions over Greenland, while the Thai baht outperformed on rising gold prices

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- The dollar has been on a roller-coaster ride, strengthening in the first couple of weeks as upside economic surprises delayed and priced out some Fed rate-cut expectations, despite lingering concerns over Fed independence. It also drew support from yen weakness amid fiscal worries following the prime minister's snap election call. However, escalating US–EU tensions over the Greenland dispute later triggered a dollar sell-off, pushing the dollar index below 99.00 and lifting major currencies.
- The Thai baht outperformed regional peers and recently strengthened to around the 31.00 level, supported by rising gold prices amid heightened geopolitical risks and safe-haven demand. Its strong correlation with gold has persisted despite efforts by the Bank of Thailand and the government to decouple the two. Seasonally, the baht also tends to appreciate in January. Looking ahead, however, it remains exposed to depreciation risks from delayed Fed rate cuts and domestic election uncertainty, though gold price movements continue to be the key driver.

