

Thailand Strategy

Pimpaka Nichgaroon, CFA | Email: pimpaka.nic@thanachartsec.co.th

News Update

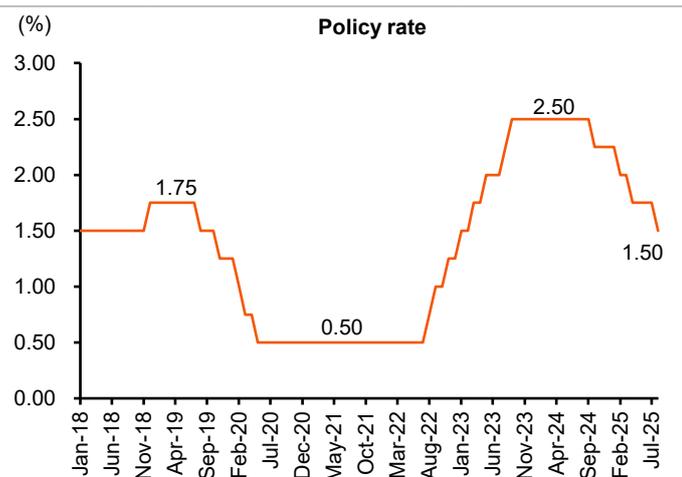
Rate cut, GDP and budget bill approval

- **Banks cut lending rates in line with policy rate this time**
- **Lower House approved 2026 budget bill**
- **2Q25 GDP beat consensus but below our estimate**
- **We maintain our year-end SET target of 1,350**

There were a few macro factor updates over the past week of policy rate cut, 2026 budget bill approval and 2Q25 GDP announcement. Overall, they support our positive view on the SET with the year-end target of 1,350.

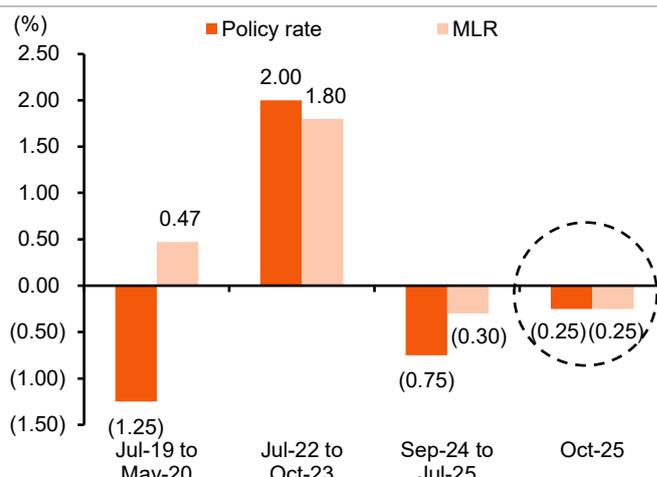
- The policy rate was cut by 25bp point to 1.50% last week. Even better news was that most banks followed in the same week with their lending rate cuts of the same degree of 25bp. This wasn't a pattern in the earlier cuts. Of the combined policy rate cuts of 75bp during Oct-24 to Jul-25, banks cut lending rates by only 30-35bps. We expect another two policy rate cuts of 50bp to 1.00% during Oct-25 to Feb-26 and we also expect banks will again cut their lending rates in a similar degree. We believe the new monetary policy direction with more effectiveness is the SET's key unlocking factor.
- Another positive news flow was that the lower House last Friday approved the 2026 budget bill in the second and final readings. Despite the bill still awaits the Senate's approval after its debate on 25-26 August, we see no issue there as traditionally the Senate will approve this kind of financial bill. This means that the spending from the 2026 budget bill can start on time in this coming October 2025, the first month of 2026 fiscal year. This should also remove market concern on risk of political hiccup that would otherwise impact the budget spending.
- NESDC announced 2Q25 GDP growth yesterday at 2.8% y-y growth. That beat consensus forecast of 2.4% y-y growth but was below our 3.0% y-y estimate. The report also revised up 1Q25 GDP to 3.2% y-y growth from the earlier report of 3.1% y-y growth. Despite the 2Q25 growth was below our estimate, we still consider it a strong number being boosted by strong export growth of 15% y-y ahead of US tariff resolution. Weak spot was private consumption growth of only 2.1% y-y, a further deceleration from 2.5% y-y in 1Q25 and weak tourism growth as shown in export of services which grew by only 2.4% y-y, a sharp deceleration from 8.4% y-y growth in 1Q25. Improvement was seen in private investment which grew 4.1% y-y, a reversal from a decline of 0.9% y-y in 1Q25. Government investment grew 10% y-y in 2Q25 as it was back to a normalized level from a delayed spending last year. We maintain our 2.1% full-year GDP growth forecast for 2025F, which implies a weak growth in 2H25F due to export contraction after a strong pull-in order in 1H25.

Ex 1: We Expect More Cuts To 1.00% By 1Q26F



Source: Bloomberg

Ex 2: Banks' Rate Cut Now Follows Policy Rate Cut



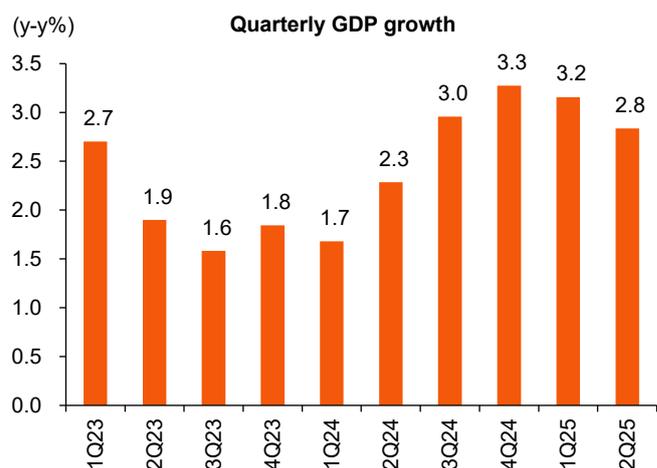
Sources: Bank of Thailand; Bloomberg

Ex 3: Reported GDP Growth

| (y-y%) | 1Q25 | 2Q25 |
|--|-------|-------|
| Real GDP | 3.2 | 2.8 |
| Private consumption | 2.5 | 2.1 |
| Private investment | (0.9) | 4.1 |
| Government consumption | 3.4 | 2.2 |
| Government investment | 26.3 | 10.1 |
| Export of services (nominal baht growth) | 8.4 | 2.4 |
| Import of services (nominal baht growth) | (2.7) | (4.5) |

Sources: NESDC; Thanachart estimates

Ex 4: Reported GDP Growth



Source: NESDC

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