

Thailand Chartbook: Higher 1Q26 growth, Middle East-driven headwinds

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Chua Han Teng, CFA
Senior Economist
hantengchua@db.com

Violet Lee +65 68785281
Please direct distribution queries to
violetleeyh@db.com

- Thai real GDP growth rose to 2.8% yoy in 1Q26, reflecting resilience before the Middle East war.
- Growth faces headwinds from the Gulf shock via higher costs, weaker private consumption, and tourism disruption.
- Exports benefiting from the AI upcycle, robust foreign-driven investment, and fiscal stimulus are mitigating factors.
- Inflation has surged on higher energy prices, and will remain elevated through 2026.
- We expect the BOT to maintain an extended policy rate pause amid stagflationary forces.
- THB400bn fiscal stimulus aims to provide targeted support amid constrained fiscal space.
- **Forecast implications:** We maintain our 2026 growth forecast at 1.6% and monitor two-sided risks. Our 2026 headline inflation forecast is unchanged at 2.5%, with upside risks.

Across seven metrics examining oil & gas consumption and trade balances, exposure of energy supply chains to the Middle East, inflation risks, and reliance on tourism, we assess Thailand and the Philippines to be the most vulnerable to the Middle East shock.

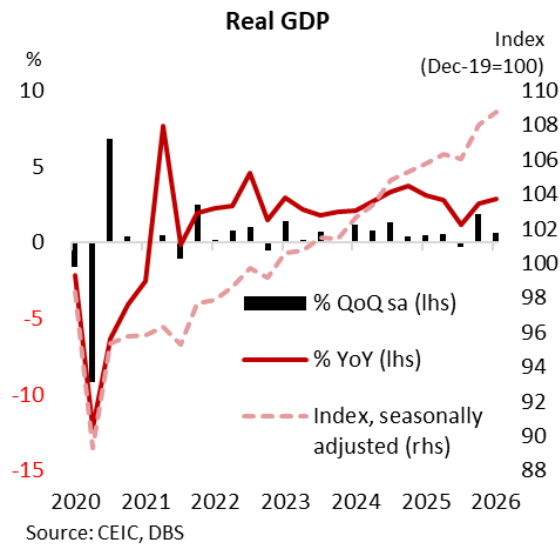
Vulnerability to Middle East War Matrix

	O&G consumption % of GDP	O&G net trade balance % of GDP	Crude oil exposure to Middle East % of total imports	LNG exposure to Middle East % of total imports	Fertiliser (urea) exposure to Middle East % of total imports	Energy & Food inflation % of CPI basket	Middle East & Europe visitor arrivals % of total	Overall Ranking
Indonesia	Green	Yellow	Green	Green	Green	Red	Red	Green
Malaysia	Red	Green	Yellow	Green	Red	Green	Green	Green
Philippines	Green	Red	Red	Green	Yellow	Red	Green	Red
Singapore	Yellow	Green	Green	Red	Yellow	Green	Yellow	Yellow
Thailand	Red	Red	Yellow	Red	Red	Yellow	Red	Red
Vietnam	Yellow	Yellow	Red	Green	Green	Yellow	Yellow	Yellow

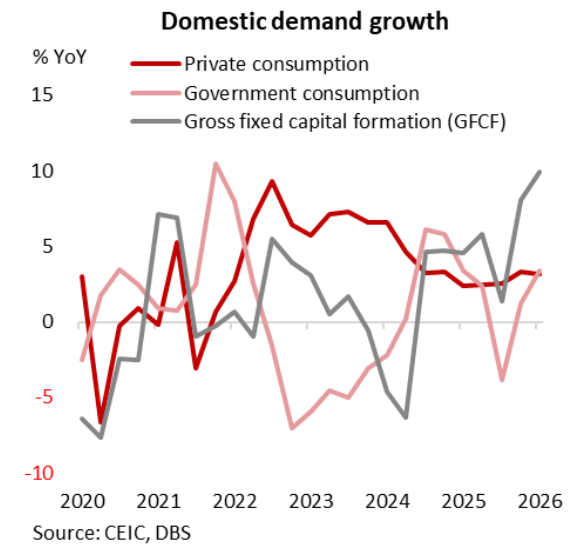
Source: CEIC, Energy Institute, UN Comtrade, DBS
Note: Green = Relatively resilient; Red = Highly exposed; Yellow & Orange = Middle of the pack

REAL GDP GROWTH

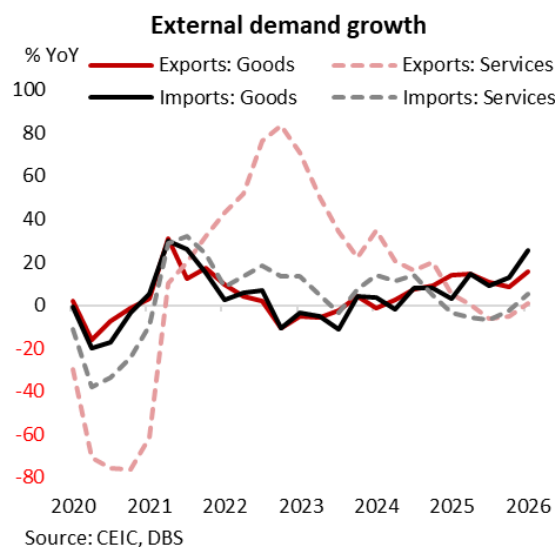
GDP growth picked up again in 1Q26 to 2.8% yoy, but faces headwinds from Middle East disruptions. Fiscal stimulus aims to provide a cushion. We maintain our 2026 growth forecast of 1.6%.



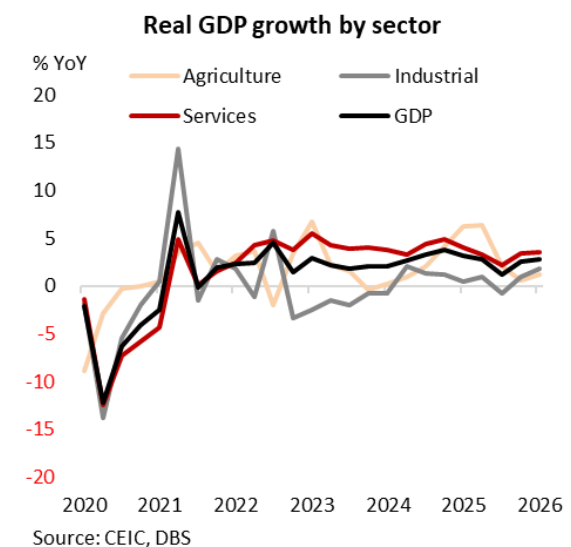
Overall growth in 1Q26 was lifted by a pick-up in domestic demand. Investment growth remained the key driver, surging to multi-year highs. Private consumption expansion was stable, while government consumption improved.



External demand improved in 1Q26, supported by goods exports, which continue to benefit from the global tech upcycle. Services exports, while returning to growth in 1Q, remain lagging and face tourism headwinds.

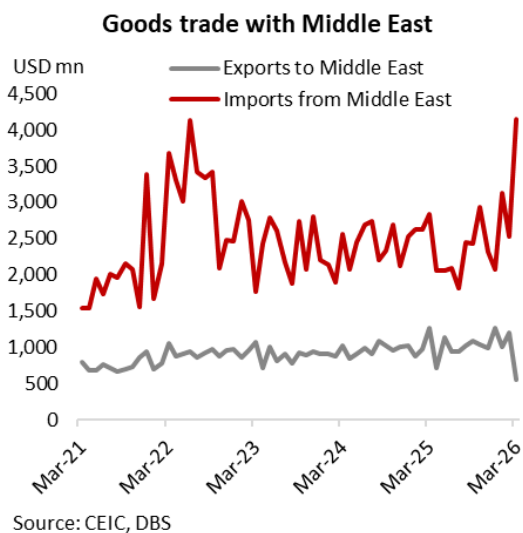


The economic growth pick-up in 1Q26 was driven by an uptick in the agricultural and industrial sectors. The services sector extended its growth momentum amid expansion across most sub-sectors.

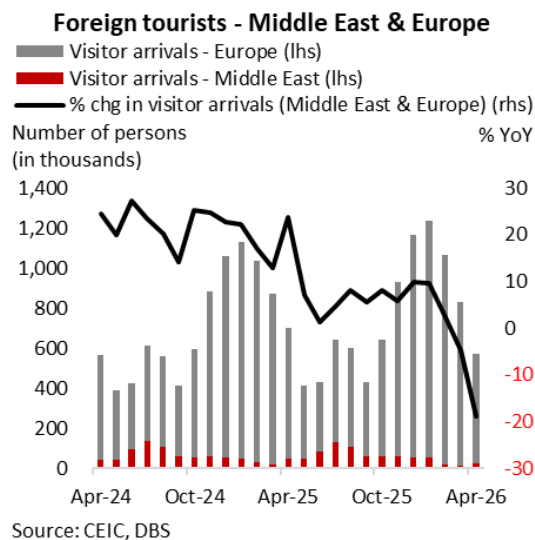


IMPACT OF MIDDLE EAST CONFLICT

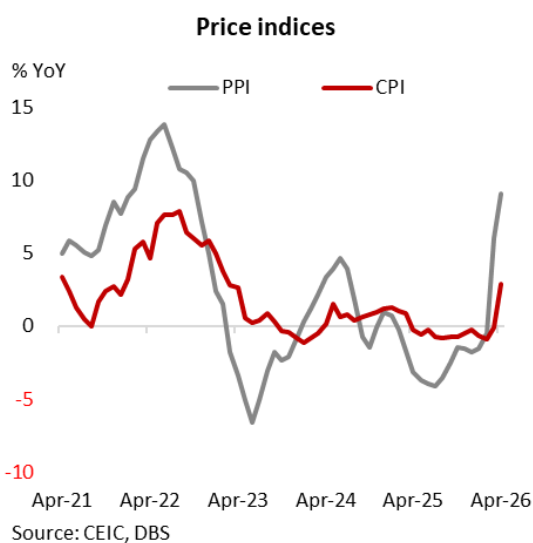
The impact of the Iran war emerged in Thai goods trade data in March 2026. Exports to the Middle East plunged, while imports surged due to crude oil shipments from the UAE in transit prior to the Gulf conflict and higher oil prices.



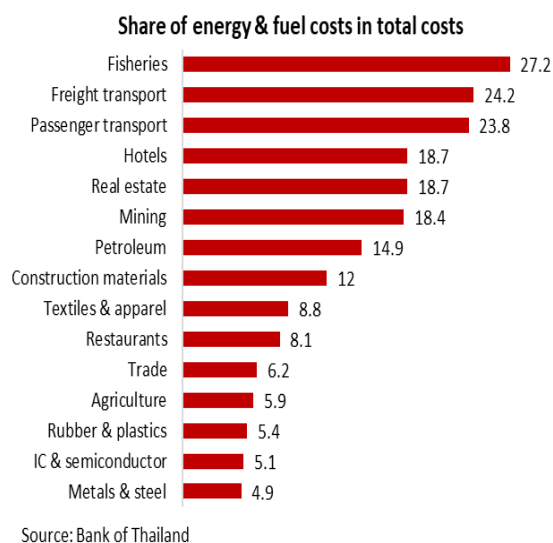
Foreign tourists from the Middle East and Europe fell significantly in March and April 2026. This decline was due to travel disruptions in the Gulf, a crucial air hub connecting Europe and Asia.



Thailand faces an inflation shock. Producer price growth surged in April 2026, reaching the highest since October 2022, amid a jump in fuel prices. Consumer prices also picked up, playing catch-up to producer prices.

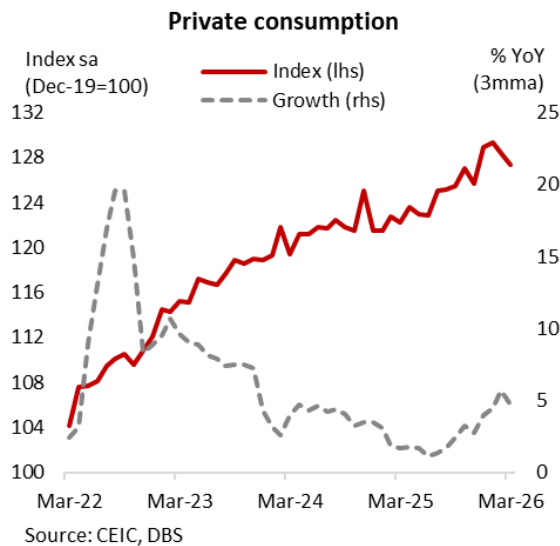


Business costs are rising due to higher energy prices. Fisheries, transport, hotels, and real estate are the most affected sectors.

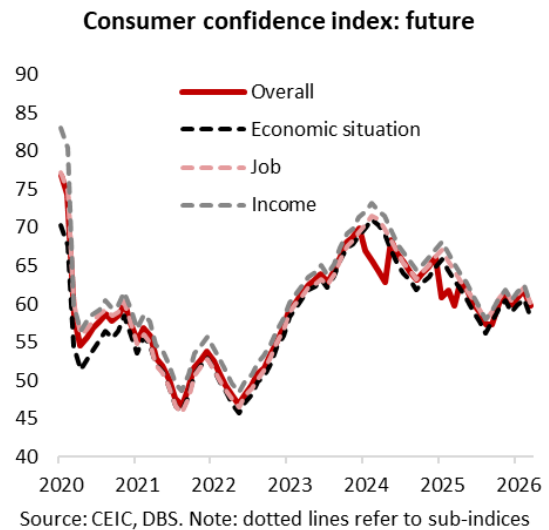


PRIVATE CONSUMPTION AND TOURISM

Private consumption fell in March 2026, mainly due to softer services activity amid lower tourism. Higher inflation, which erodes purchasing power, will dampen household spending amid weaker consumer confidence.



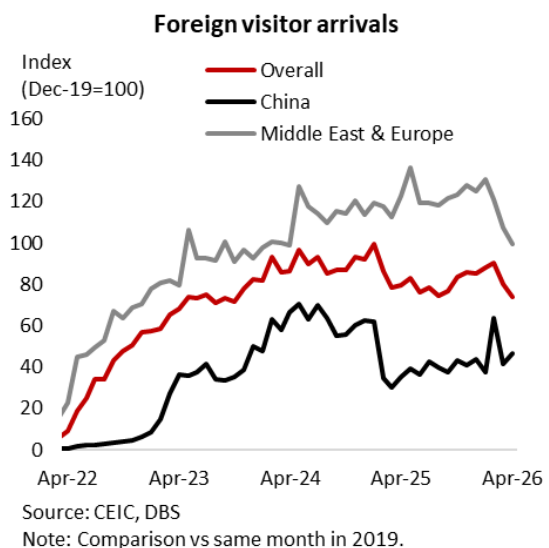
Consumer confidence weakened in March 2026, reflecting increased concerns about the economic situation, jobs, and income, amid heightened uncertainty stemming from the Middle East conflict.



Foreign visitor arrivals in the first four months of 2026 tracked 3.4% below 2025 levels, reflecting ongoing challenges in Thailand’s tourism sector.

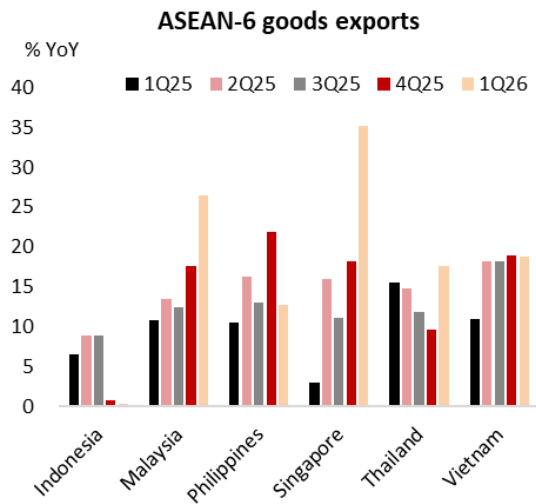


The kingdom continues to face ongoing challenges in attracting tourists from China. This is now compounded by declining visitors from the Middle East and Europe, which had previously been sources of strength.



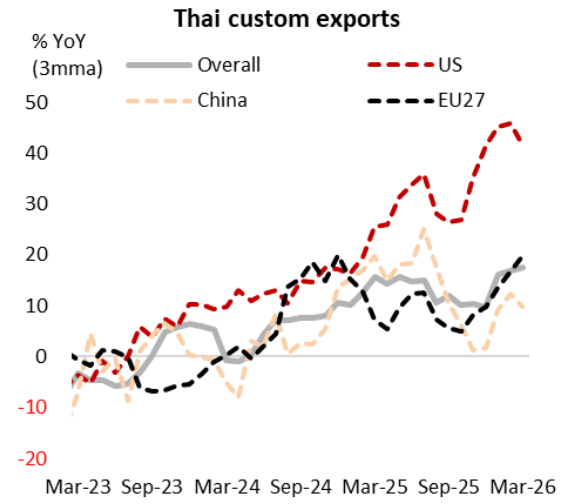
GOODS EXPORTS

Regional goods exports maintained strong performance across most economies in 1Q26. Export growth accelerated in Malaysia, Singapore, and Thailand, while Vietnam's shipments remained robust.



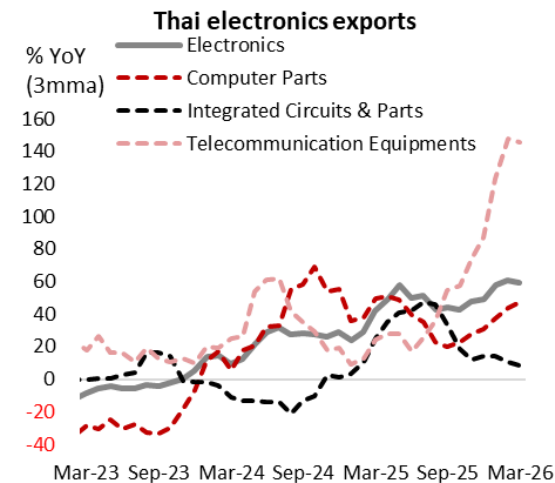
Source: CEIC, DBS. Note: % YoY in USD terms.

Thai goods exports continued to be supported by strong momentum to the US, with outperforming growth exceeding 40% yoy.



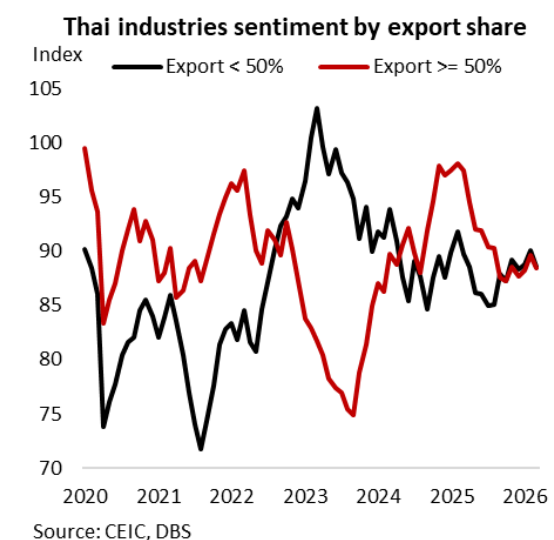
Source: CEIC, DBS

Thai electronics exports will continue to benefit from strong external demand driven by global artificial intelligence (AI)-related tailwinds. Telecommunication equipment shipments have been key beneficiaries of the AI boom.



Source: CEIC, DBS
Note: dotted lines are selected sub-components

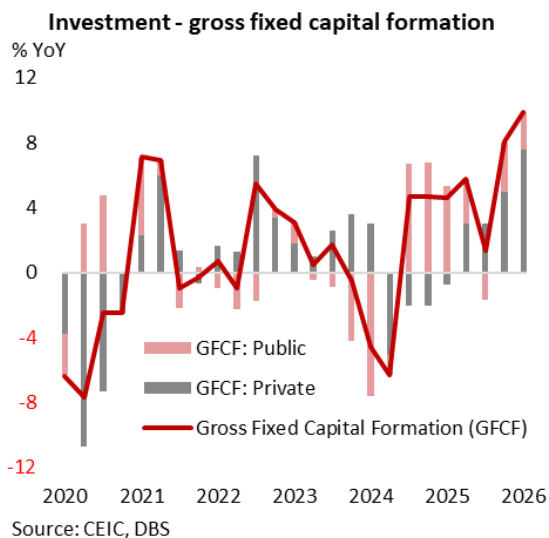
Sentiment among Thai industries, regardless of export share, has remained stable since the start of 2026. The industrial sector is balancing AI tailwinds against geopolitical uncertainties from the energy shock and US trade policies.



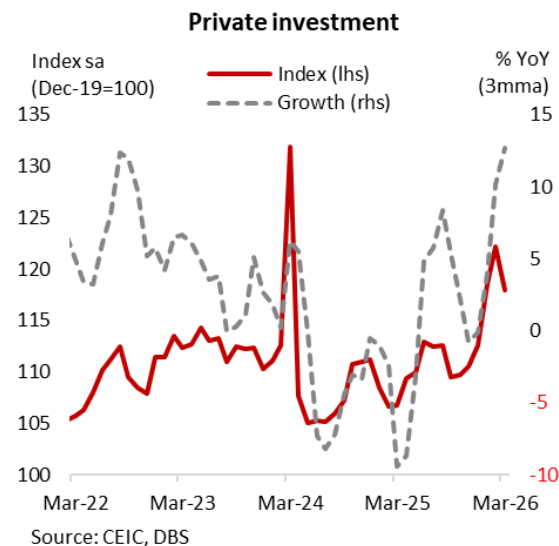
Source: CEIC, DBS

INVESTMENT

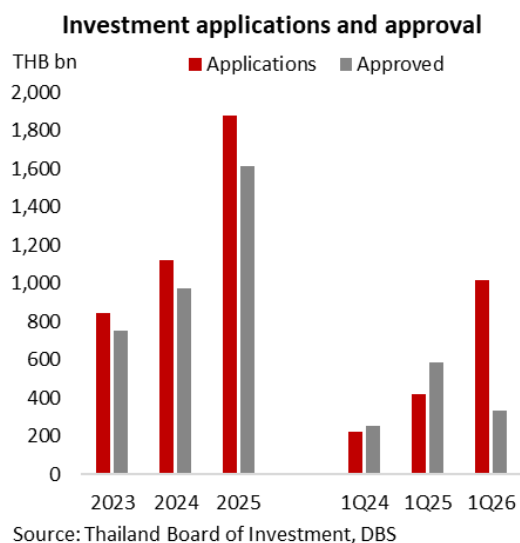
Investment growth in 1Q26 accelerated to the highest rate since 1Q15, driven mainly by strong private investment. Public investment was also supportive, and the new government aims to sustain this momentum.



Private investment remained robust in early 2026, driven by strong momentum in machinery and equipment. This likely reflected the realisation of investment applications and approvals, including foreign inflows.



Thailand’s investment applications and approvals continued to hit new highs. The country is benefitting from robust foreign interest in Southeast Asia, and the ‘Thailand Fastpass’ scheme to expedite major projects.



Investment applications have headed towards new economy and high value-added segments, such as digital and electronics (data centres, cloud services, and AI infrastructure).

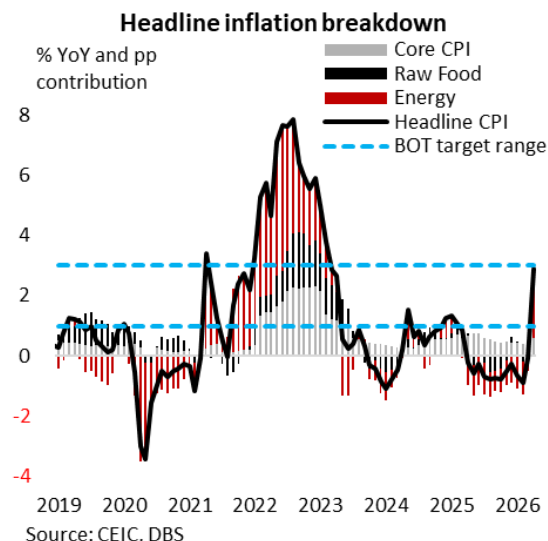
Thailand's Investment Applications

Industry	Investment applications	Share
Digital	[Bar]	40%
Electrical & Electronics	[Bar]	15%
Automotive & Parts	[Bar]	4%
Agriculture & Food Processing	[Bar]	4%
Petrochemical & Chemicals	[Bar]	3%
Medical	[Bar]	2%
Tourism	[Bar]	1%
Biotechnology	[Bar]	1%
Automation & Robotics	[Bar]	1%
Aviation	[Bar]	0%
Others	[Bar]	30%

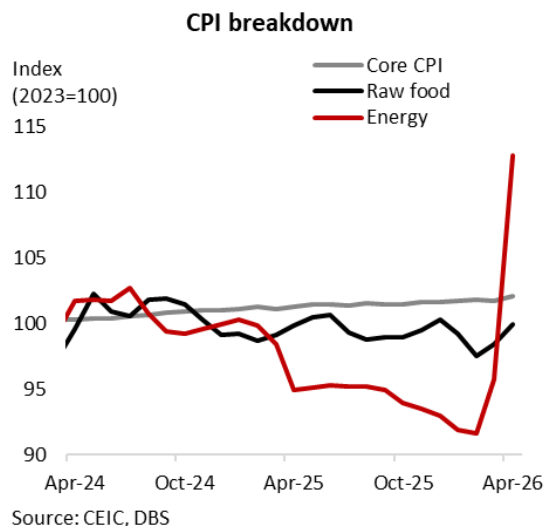
Source: Thailand Board of Investment, DBS

INFLATION AND MONETARY POLICY

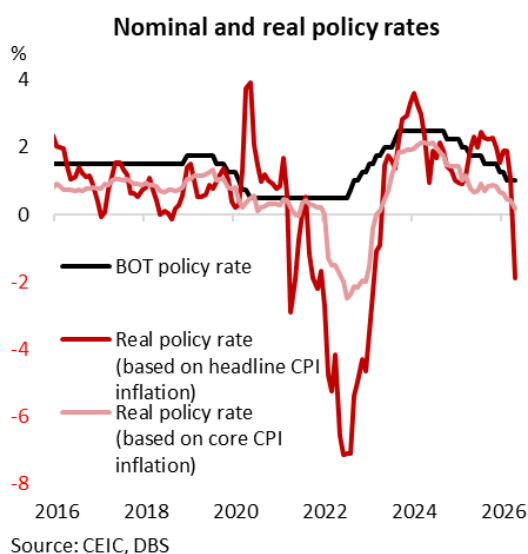
Headline inflation jumped to 2.9% yoy in April 2026, the upper end of the central bank’s 1-3% target. It will likely average above the target in the coming months. We maintain our 2026 inflation forecast of 2.5%, and see upside risks.



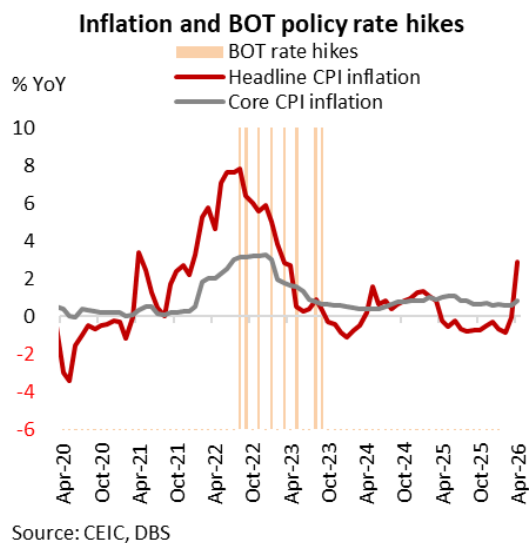
Energy costs, which jumped by 18.9% yoy in April 2026, will stay elevated amid constrained oil supply through the Strait of Hormuz. Tame food and core inflation face upside risks from fertiliser disruptions and cost passthrough.



Real policy interest rates have trended lower amid the Bank of Thailand (BOT)’s easing cycle since October 2024. However, given upside inflation risks, the room for rate cuts to support the fragile economy has closed.

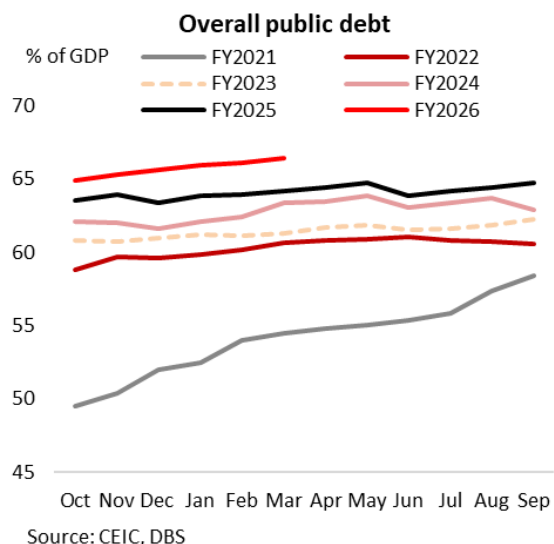


We expect an extended policy rate pause. The BOT is also unlikely to address the supply-side inflation shock with rate hikes in the near term. Tighter policy would weigh on growth. The BOT was also slow to raise rates in 2022-23.

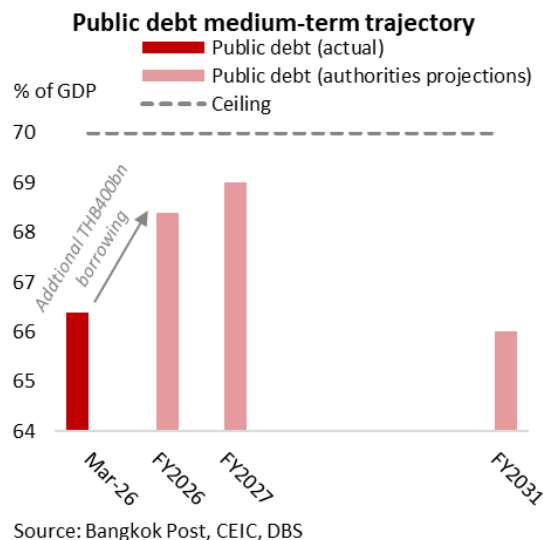


FISCAL POLICY

Thailand’s overall public debt has been on an upward trajectory since the COVID-19 pandemic, approaching its 70% of GDP ceiling. Fiscal space and flexibility are becoming increasingly constrained.



Policymakers have authorised an emergency loan decree allowing an additional THB400bn in borrowings as targeted fiscal support amid the Gulf shock. This will raise public debt by ~2 percentage points to 68% of GDP in FY2026.

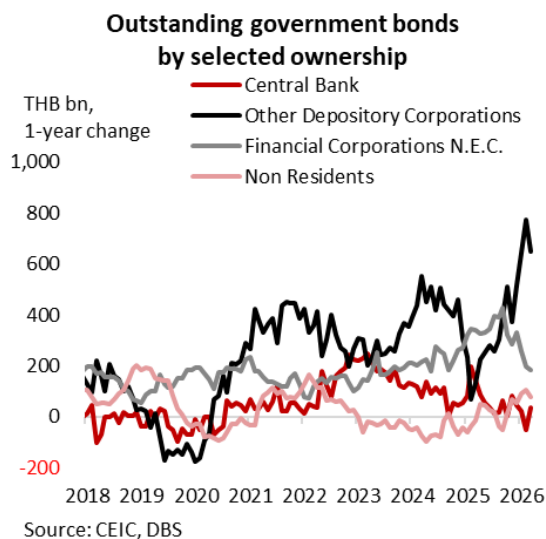


Thailand is relying on targeted fiscal support to navigate the Gulf shock, despite narrowing fiscal space. The emergency borrowing balances short-term relief with longer-term energy resilience and decarbonisation efforts.

THB400bn Emergency Borrowing Decree		
Amount (THB bn)	Purpose	Details
200	Immediate relief	Supports vulnerable households and businesses affected by the Middle East conflict.
200	Renewable energy transition	Funds renewable and clean energy initiatives, including alternative energy technologies, energy efficiency improvements, and reducing reliance on imported oil and natural gas.

Source: Bangkok Post, DBS compilation

Domestic financial institutions have been the primary buyers of Thai government bonds. Ample liquidity in the banking system, amid weak credit demand, will support absorption of new government borrowing.



Economics & Strategy

Taimur BAIG, Ph.D.

Chief Economist
Global

taimurbaig@dbs.com

Mo JI, Ph.D.

Chief Economist
China/HK SAR

mojim@dbs.com

Nathan CHOW

Senior Economist
China/HK SAR

nathanchow@dbs.com

Radhika RAO

Senior Economist
Eurozone, India, Indonesia

radhikarao@dbs.com

Tieying MA, CFA

Senior Economist
North Asia

matieying@dbs.com

Han Teng CHUA, CFA

Senior Economist
Asean

hantengchua@dbs.com

Byron LAM

Economist
China/HK SAR

byronlamfc@dbs.com

Eugene LEOW

Senior Rates Strategist
G3 & Asia

eugeneleow@dbs.com

Philip WEE

Senior FX Strategist
Global

philipwee@dbs.com

Wei Liang CHANG

FX & Credit Strategist
Global

weiliangchang@dbs.com

Samuel TSE

Rates Strategist
Asia

samueltse@dbs.com

Sherilyn CHEW

Multi-asset Strategist
Global

sherilync Chew@dbs.com

Mervyn TEO

Senior Credit Analyst
USD, SGD, AUD

mervynteo@dbs.com

Dexter CHUN

Credit Analyst
USD

dexterchun@dbs.com

Tracy Li Jun LIM

Credit Analyst
USD, SGD

tracylimt@dbs.com

Ian Haan CHUI

Credit Analyst
USD

ianchui@dbs.com

Amanda SEAH

Credit Analyst
USD, SGD, AUD

amandaseah@dbs.com

Teng Chong LIM

Credit Analyst
USD, SGD, AUD

tengchonglim@dbs.com

Joel SIEW, CFA

Credit Analyst
USD, SGD, AUD

joelsiew@dbs.com

Iris GAO

Credit Analyst
USD

irisgao@dbs.com

Lilian LV

Credit Analyst
USD

lilianlv@dbs.com

Daisy SHARMA

Analyst
Data Analytics

daisy@dbs.com

Violet LEE

Associate
Publications

violetleeyh@dbs.com

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