![DBS]

ECONOMICS & STRATEGY

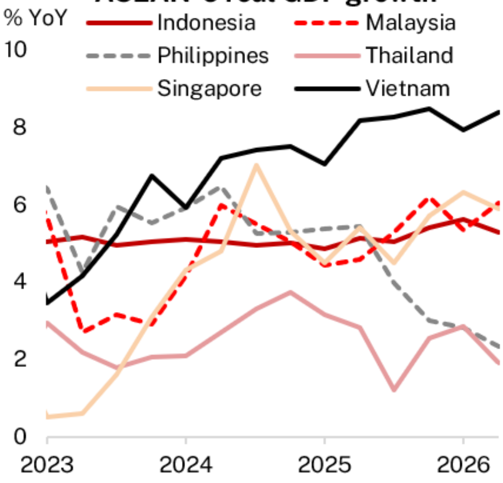
Thailand Chartbook: Middle East shock tests economy

18 August 2026

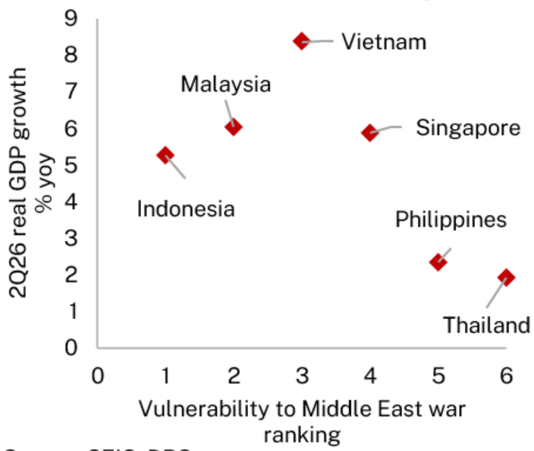
Chua Han Teng, CFA
Senior Economist
hantengchua@dbs.com

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

- *Thai real GDP growth slowed to 1.9% yoy in 2Q26 from 2.8% yoy in 1Q26 due to headwinds from the Middle East shock.*
- *Private consumption would receive a temporary boost from government stimulus, after easing to its weakest pace since end-2021.*
- *Foreign tourism is soft despite July's rebound, with a sustained recovery dependent on the year-end seasonal demand.*
- *Goods exports and private investment continue to stand out as bright spots.*
- *External buffers are strong despite downward pressures.*
- *We continue to expect the BOT to keep its policy rate stable at 1.00% through the remainder of 2026.*
- ***Forecast implications:** We raise our 2026 GDP growth forecast to 2.1% (from 1.6%), and revise our 2026 headline inflation forecast to 1.7% (from 2.5%). These reflect the less severe-than-expected impact of the Middle East conflict and policy support amid ongoing challenges.*



Source: CEIC, DBS

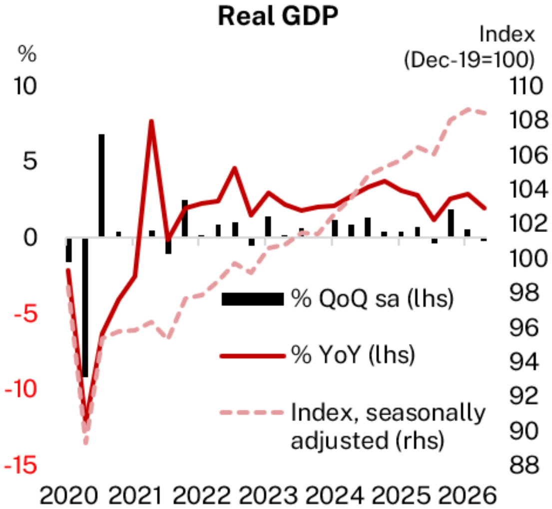


Source: CEIC, DBS

REAL GDP GROWTH

GDP growth slowed to 1.9% yoy in 2Q26 from a strong 2.8% yoy in 1Q, bringing 1H26 growth to 2.4% yoy. We raise our 2026 growth forecast to 2.1%, due to a less severe-than-expected Middle East shock and policy support.

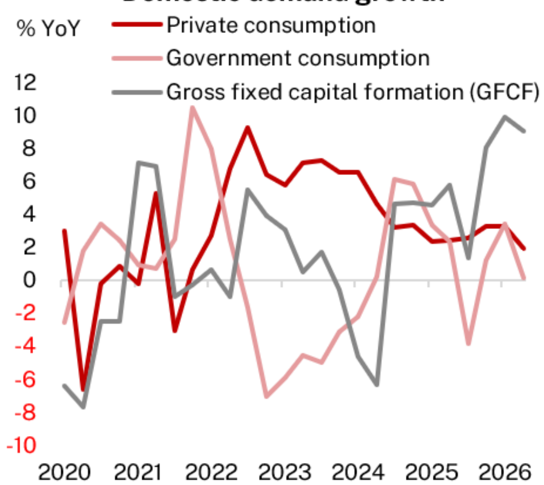
Real GDP



Source: CEIC, DBS

Overall economic weakness in 2Q26 was driven by slower private and government consumption growth, despite strong investment expansion. Private consumption growth eased to its lowest rate since the end of 2021.

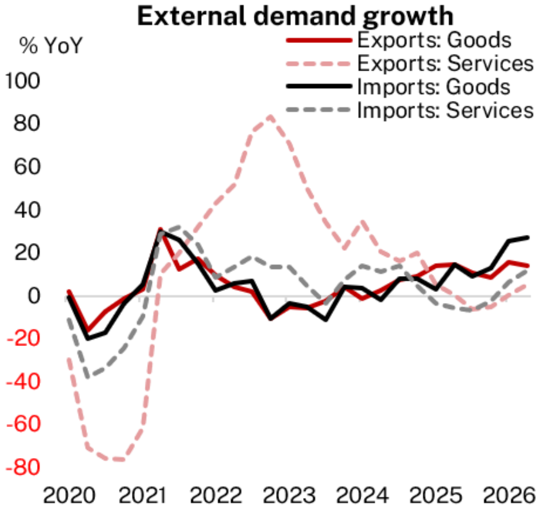
Domestic demand growth



Source: CEIC, DBS

Goods exports remained strong in 2Q26, supported by electronics shipments, but net trade contributed negatively to GDP due to robust imports, a trend that could persist in the near term.

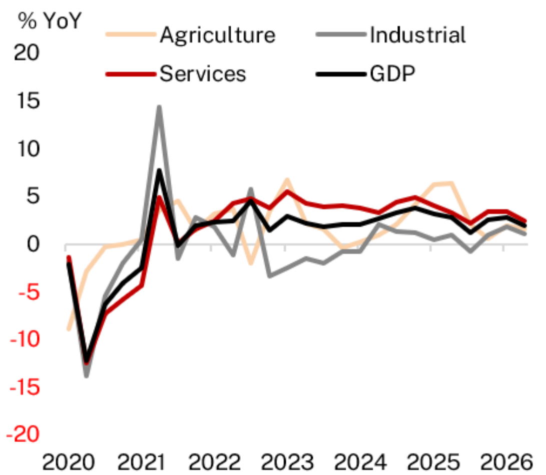
External demand growth



Source: CEIC, DBS

Growth momentum moderated across the agriculture, industrial, and services sectors in 2Q26. The slowdown in services was the most pronounced, reflecting weaker tourism-related and wholesale & retail trade activities.

Real GDP growth by sector

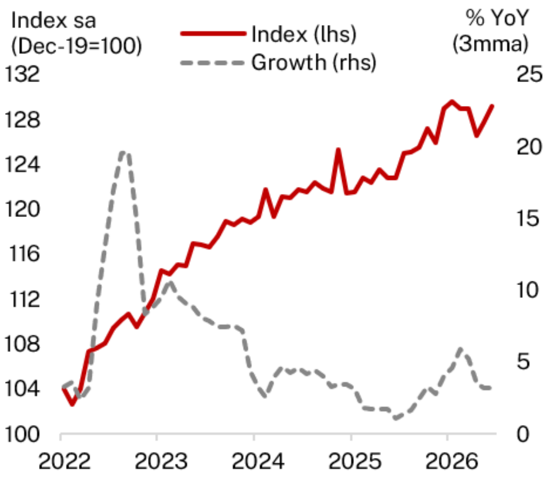


Source: CEIC, DBS

PRIVATE CONSUMPTION AND TOURISM

Private consumption, while facing challenges from the high cost of living and weaker consumer confidence stemming from the conflict in the Middle East, could be supported by government stimulus introduced from June 2026.

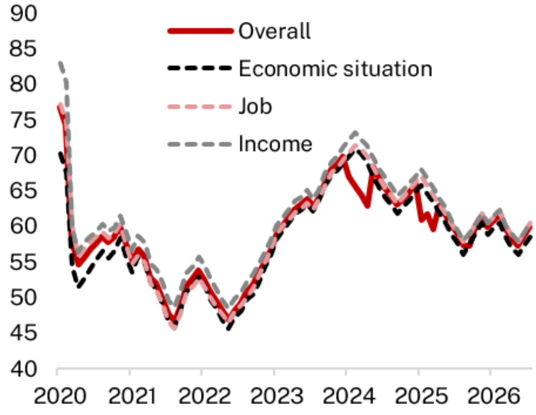
Private consumption



Source: CEIC, DBS

Consumer confidence has reached a cyclical trough in June 2026, supported by the government's THB175bn co-payment scheme, after declining since March, due to higher energy prices and uncertainty from the Middle East.

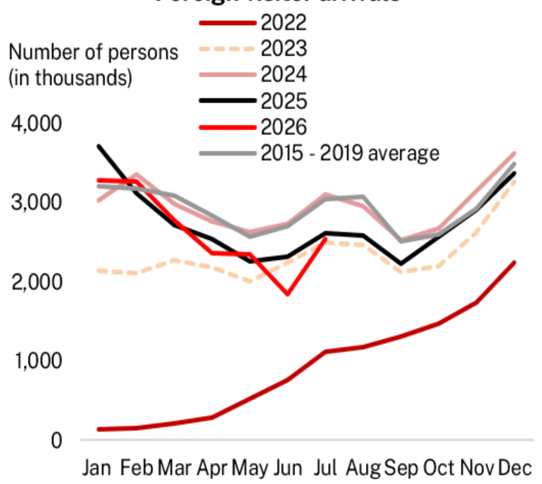
Consumer confidence index: future



Source: CEIC, DBS. Note: dotted lines refer to sub-indices

Foreign tourism trended lower in 1H26 due to higher jet fuel prices and softer demand. While visitor arrivals rebounded in July, sustained momentum into the year-end peak season will be key to support the recovery.

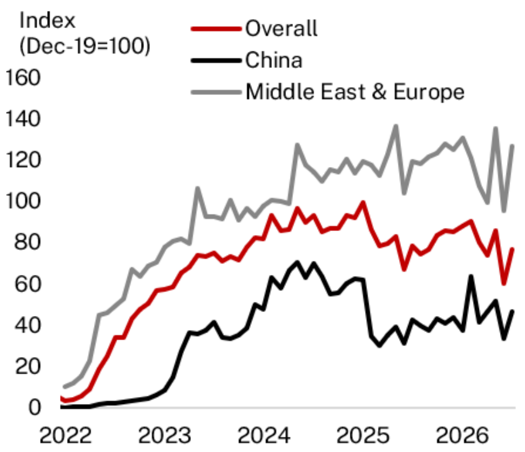
Foreign visitor arrivals



Source: CEIC, DBS

Despite geopolitical disruptions, long-haul arrivals from the Middle East and Europe remained resilient and have rebounded. However, visitors from China continued to be weak, holding back the overall tourism recovery.

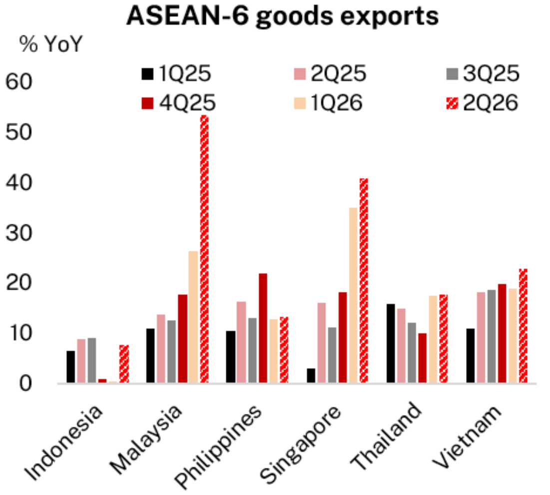
Foreign visitor arrivals



Source: CEIC, DBS
Note: Comparison vs same month in 2019.

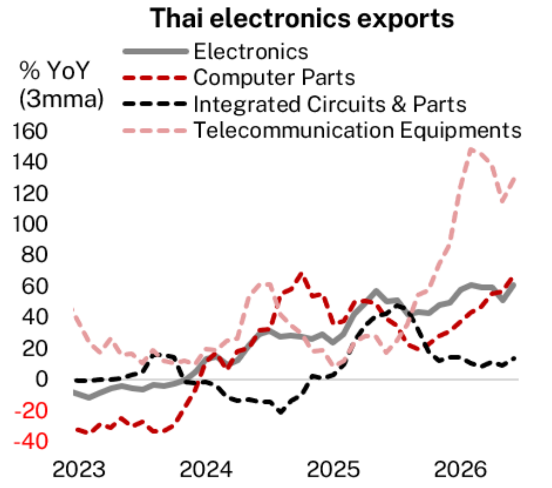
GOODS EXPORTS

Thailand's goods exports remain in solid shape and are providing strong support to the economy in 2026, although growth has been slower than in some regional peers, reflecting the extent of exposures to artificial intelligence (AI) demand.



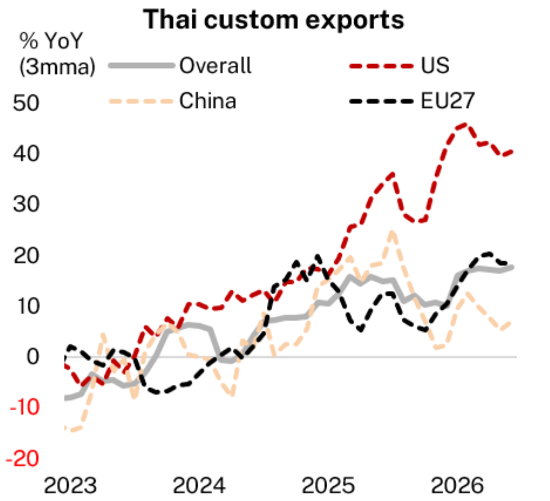
Source: CEIC, DBS. Note: % YoY in USD terms.

Global AI tailwinds have lifted electronics exports across the region. Thai telecommunications equipment exports have been a key beneficiary, and will continue to benefit from strong investment by hyperscalers.



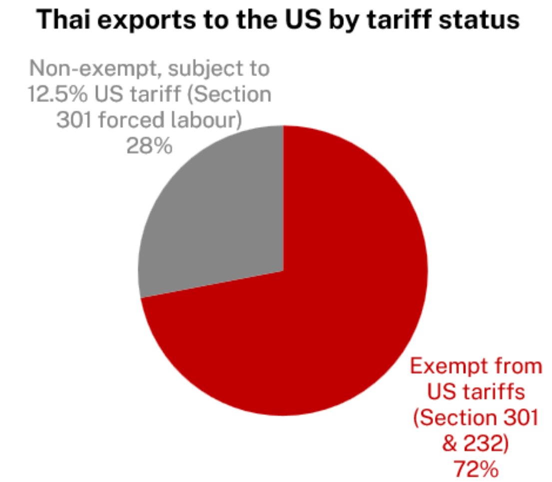
Source: CEIC, DBS
Note: dotted lines are selected sub-components

Thailand's strong exports performance has been notably supported by shipments to the US, despite America's increased protectionist stance.



Source: CEIC, DBS

The direct impact of US tariffs on Thai goods exports to the US has been manageable thanks to significant exemptions. ~28% of Thai exports to the US will be subject to 12.5% US tariffs related to forced labour violations.

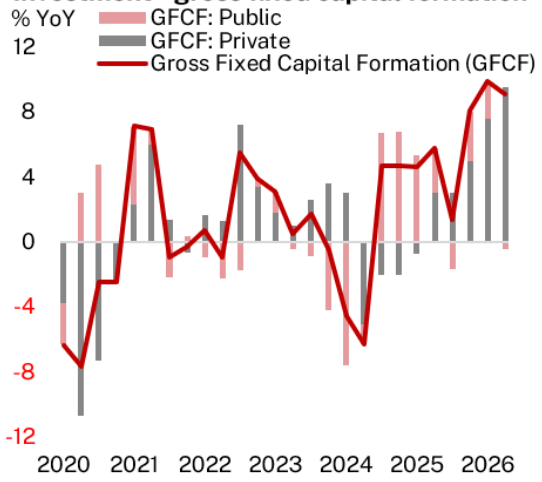


Source: Nation Thailand, DBS

INVESTMENT

Thailand's investment upcycle remained intact in 2Q26, with growth sustaining strong momentum at close to its highest rate since 1Q15. Private investment continued to be the primary driver.

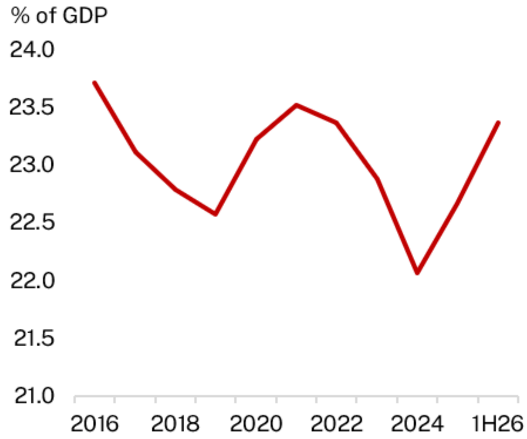
Investment - gross fixed capital formation



Source: CEIC, DBS

The private investment upswing has lifted total investment as a share of GDP to its highest rate since 2022. The government aims to sustain the uptrend, although it remains to be seen if the 30% of GDP ambition can be achieved.

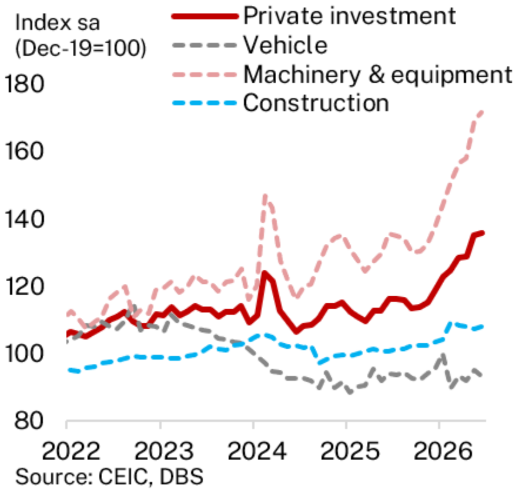
Investment - gross fixed capital formation



Source: CEIC, DBS

Private investment in 2026 has been driven by strong momentum in machinery and equipment spending, reflecting the realisation of investment applications and approvals, particularly those led by foreign investors.

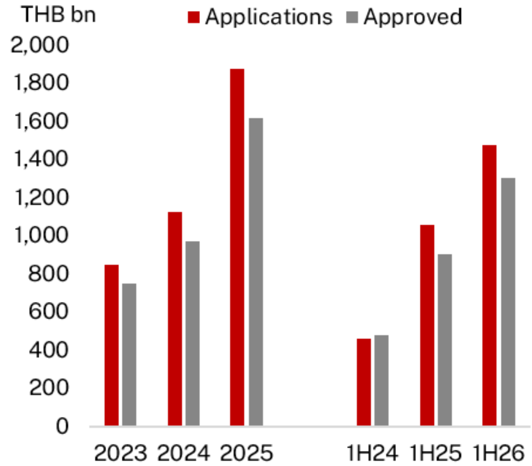
Private investment



Source: CEIC, DBS
Note: dotted lines refer to sub-indices.

Investment applications and approvals accelerated in 1H26, pointing to a robust investment execution pipeline. These were supported by large digital infrastructure projects.

Investment applications and approval

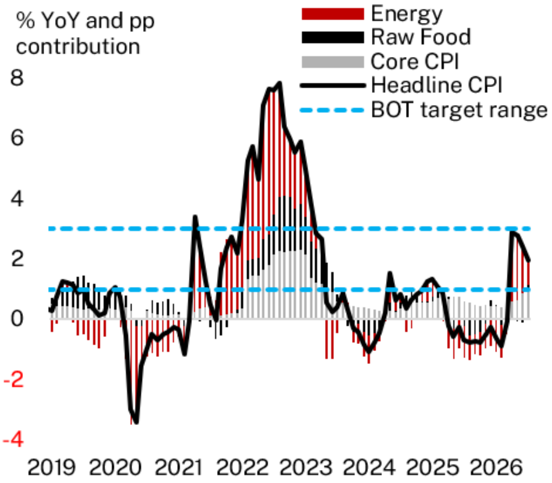


Source: Thailand Board of Investment, DBS

INFLATION AND MONETARY POLICY

Headline inflation remains within the central bank's 1-3% target range despite the jump in April 2026, and has moderated since then. We revise our 2026 forecast to 1.7%, given the less severe impact than anticipated.

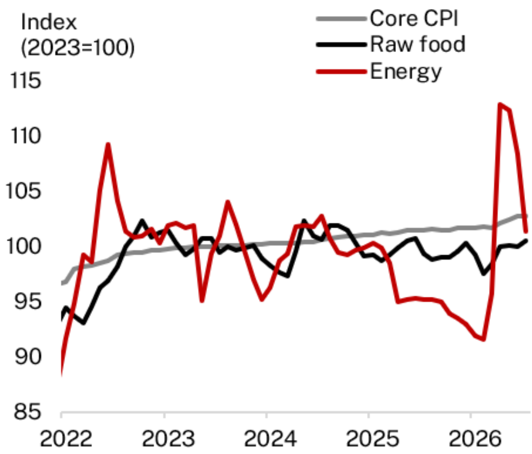
Headline inflation breakdown



Source: CEIC, DBS

Fluctuations in headline CPI have mainly been driven by energy price volatility amid evolving tensions in the Middle East. Core and food inflation rates have risen but still look contained.

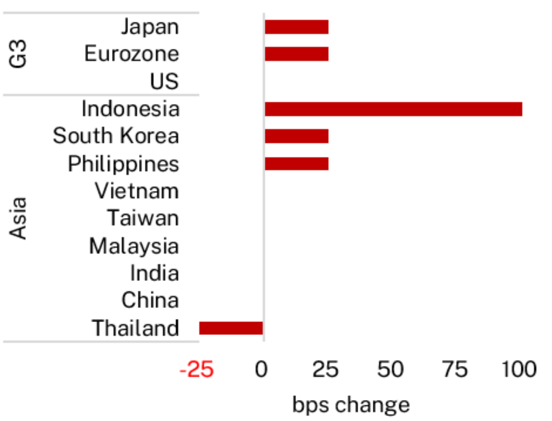
CPI breakdown



Source: CEIC, DBS

The Bank of Thailand (BOT) was the only central bank to cut its policy rate during the first seven months of 2026, seeking to support uneven economic growth, while looking through the temporary supply-driven inflation shock.

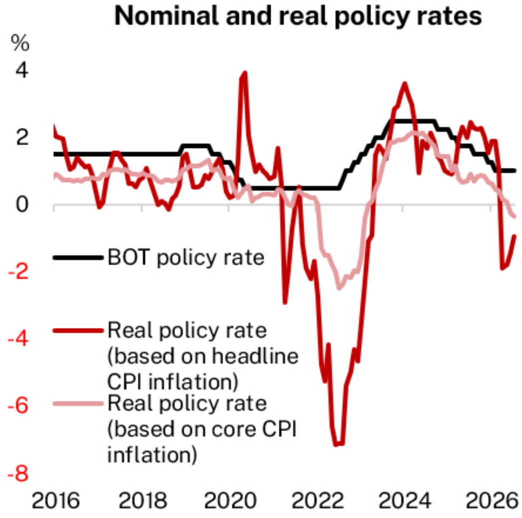
Policy interest rate changes in 7M26



Source: CEIC, DBS

We think the BOT will have little urgency to adjust policy in the near term. The Midde East shock is weighing on growth and lifting inflation. The BOT will aim to support growth, as it expects inflation to ease alongside energy prices.

Nominal and real policy rates

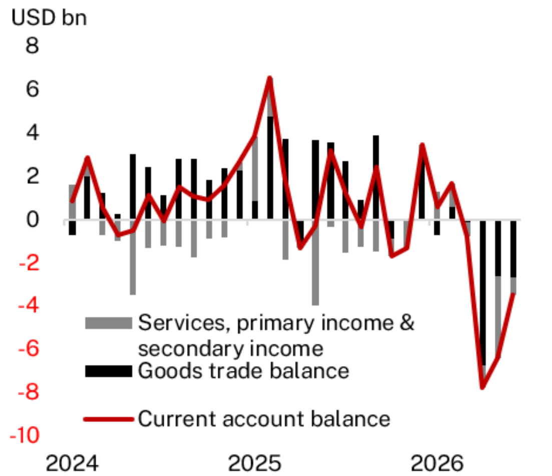


Source: CEIC, DBS

EXTERNAL POSITION

Thailand's current account has been in deficit since March 2026. Imports surged due to higher energy prices stemming from the war in the Middle East, alongside strong investment. These trends would persist in the near term.

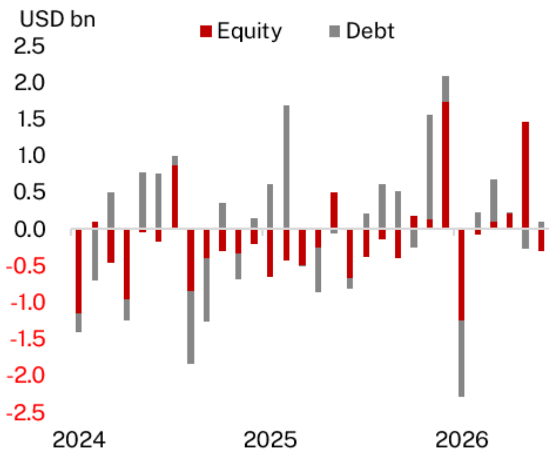
Current account breakdown by month



Source: CEIC, DBS

Portfolio flows have been supportive, despite increased volatility in 2026. Both equity and debt flows have benefitted from improved domestic politics, and less severe impact of the Middle East conflict, notwithstanding challenges.

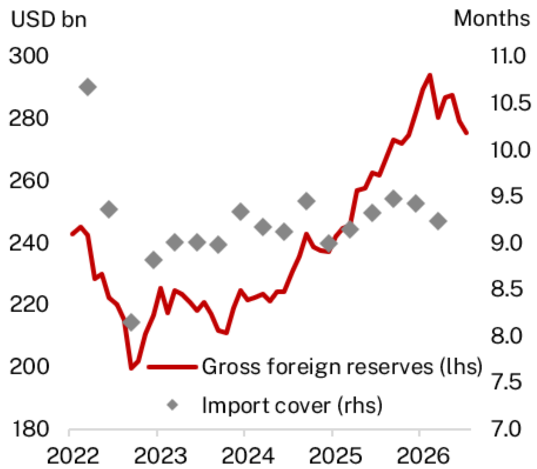
Monthly portfolio flows



Source: IIF, Bloomberg, DBS
Note: Latest data as of mid-August 2026.

External buffers remain strong, with foreign reserves sufficient to cover around nine months of imports. This resilience is despite the recent surge in imports and pullback in international reserves.

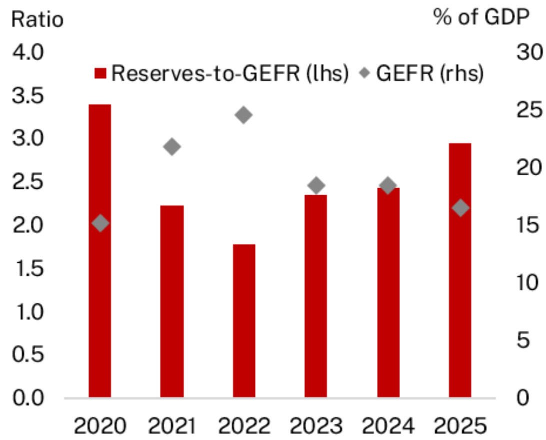
Gross foreign reserves and import cover



Source: CEIC, DBS

The ratio of foreign reserves to gross external financing requirements should remain comfortable, although it will fall due to rising current account pressures. This could resemble the experience in 2022 when oil prices spiked.

Reserves and external financing needs



Source: CEIC, World Bank, IMF, DBS

DBS
Group Research

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
Asean/EU/South Asia
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
sherilynchew@dbs.com

Mervyn TEO
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