[Thailand]

OUTLOOK 2026

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Executive Summary

Thailand's economy in 2025 has shown signs of moderation but also masked a number of pockets of resilience. According to the International Monetary Fund (IMF), growth is expected to reach around 2.9% in 2025 - a modest increase from 2024, supported largely by a rebound in tourism, recovery in private consumption and public-investment programmes.

Domestic demand has been buoyed by fiscal stimulus and household-oriented policies, aiding consumption and helping to underpin growth even as external headwinds persist. Concurrently, tourism - a vital pillar of the economy - is returning toward pre-pandemic levels, helping to restore foreign-exchange inflows and supporting the services sector.

Inflation remained low, giving the authorities space for supportive monetary policy. Moreover, 2025 has seen renewed emphasis on innovation, small and medium-sized enterprises (SMEs), and efforts to strengthen Thailand's longer-term global competitiveness.

These investments in infrastructure, consumer support and private-sector revitalisation reflect a strategy of balancing short-term economic support with structural resilience, especially in light of global economic uncertainty.

Political and institutional developments

On the political front, 2025 has been a year of incremental institutional evolution. One notable milestone was the formal enactment of the Marriage

Equality Act (Thailand), with same-sex marriage becoming legal as of January 2025 - a development that signals progress on social policy and human-rights inclusion.

At the same time, the government has sought to maintain macro-economic and fiscal discipline amid competing demands on public spending - especially given demographic pressures and the need for social stability.

While reforms remain cautious, there is growing focus on building a diversified economic base, promoting innovation, and preparing Thailand for longer-term structural challenges rather than relying solely on traditional sectors like tourism or low-cost manufacturing.

Challenges and risks

Despite the modest rebound, growth remains well below pre-crisis norms and 2025 has exposed vulnerabilities. Global trade slowdowns, shifts in export demand and lingering structural weaknesses continue to weigh heavily on Thailand's economic potential.

High household and corporate debt burdens, limited room for aggressive fiscal expansion, and dependence on tourism and consumption continue to make the economy vulnerable to external shocks.

Politically, while social reforms represent progress, deeper institutional reforms, especially those around governance, productivity and long-term economic diversification, remain necessary to deliver sustainable growth and inclusive development.

Outlook: Conditions for forward momentum

If Thailand successfully leverages its recovering tourism sector, sustains supportive fiscal and monetary policies, and accelerates structural reforms, especially in innovation, SME development and human-capital investment, it could lay the ground for a more diversified economy. Continued social-policy improvements may also strengthen social cohesion and support long-term stability.

However, achieving such an outcome will require steady political will by Bangkok, prudent macroeconomic management and a clear strategy to reduce vulnerability to global economic swings. Political turmoil at home will also need to be managed as will current military actions against neighbouring Cambodia. Without this, Thailand risks remaining stuck in a low-growth, high-vulnerability equilibrium.

1.0 Politics

The year 2025 has been a turbulent year in Thai politics. The government of Paetongtarn Shinawatra came under intense fire in June, after a leaked phone call in which she appeared to defer to Cambodia's former leader sparked outrage among conservative and nationalist groups. Protesters rallied in Bangkok, demanding her resignation and accusing her of betraying national sovereignty.

In early July, the Constitutional Court of Thailand suspended and subsequently removed her from office on ethics-violation grounds. The abrupt collapse of the government triggered a scramble for power, with a new caretaker administration installed.

By September, the political deadlock was broken when the Bhumjaithai Party, as backed by the main opposition People's Party, succeeded in forming a new government under its leader, Anutin Charnvirakul.

A coalition committed to dissolve parliament within four months and call a snap general election, offering a roadmap out of the latest bout of political limbo.

Progress and reform but old issues linger

Despite the chaos, 2025 did see notable steps in social reform. One of the most significant was the coming into force of the aforementioned Marriage Equality Act (Thailand) in January, making Thailand the first country in Southeast Asia to legalise same-sex marriage.

However, fundamental problems remain. Throughout the year, citizens continued to mobilise around economic, environmental and land-use grievances, especially in response to large-scale infrastructure and development projects. Civil and political rights including freedom of assembly, fair justice, and transparent governance remain areas of concern as well.

Meanwhile, political uncertainty and looming instability hurt investor confidence. Business leaders warned that the drawn-out scramble to form a stable government threatened economic growth – an all too familiar issue in Thailand

Looking ahead: Challenges waiting for Bangkok

As the new government under Anutin begins its tenure, Bangkok and the broader country face several key challenges. First, delivering on pledges including revived tourism, disaster-management plans, border security (particularly with Cambodia with hostilities underway at time of writing) and economic recovery - will be essential to restore public and business confidence.

Second, constitutional reform and a snap election loom, offering both opportunity and risk: while a successful transition could stabilise politics, failure to build consensus may exacerbate fragmentation.

Third, handling social demands from racial, economic and land-use justice, to ensuring human rights and freedoms will test the government's willingness to move beyond symbolic reforms. The aftermath of contested developments and social-economic discontent may fuel further protest if not managed transparently.

In short, 2025 saw Thailand shake off one political crisis only to walk straight into a new one. Whether the changes bring lasting stability or merely a temporary truce will depend on how Bangkok's new leaders handle reform, public trust and deep-rooted inequalities.

2.0 Macro Economy

• 2.1 GDP

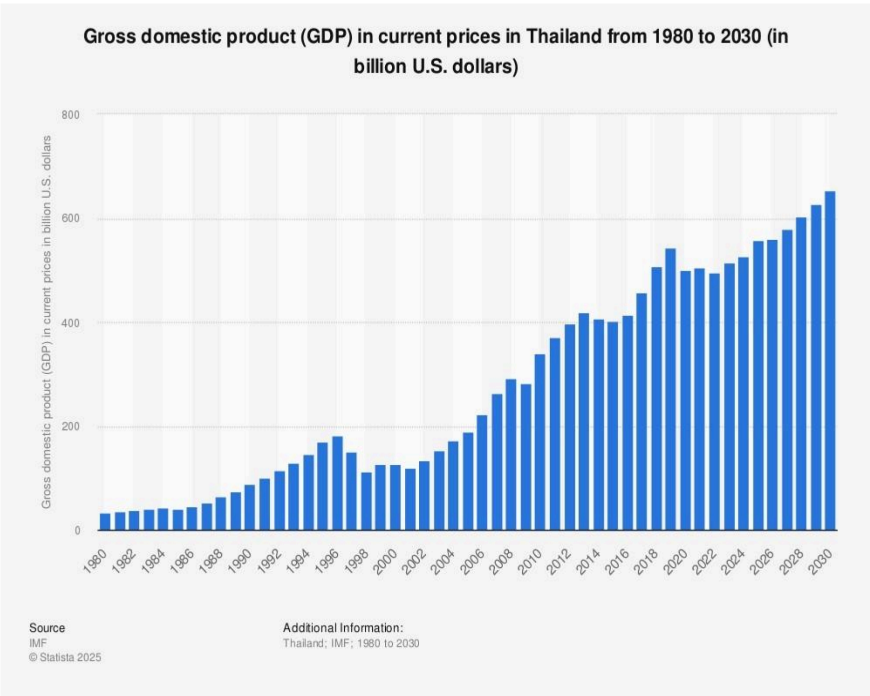
In 2025, Thailand's economy has shown modest growth, with most official forecasts producing numbers in the 1.8 – 2.0% range.Factors supporting this include a gradual recovery of tourism, some rebound in public and private investment, and stimulus-driven domestic demand.

However, headwinds remain substantial: weak global trade, slowing exports, uncertainty over US tariffs and global demand, as well as subdued private consumption due to high corporate and household debt.

As a result, growth remains well below pre-pandemic levels for many comparable economies, reflecting a fragile recovery rather than a robust rebound – a factor affecting national pride.

Some optimism persists though: a few estimates - considering stronger-than-expected tourism and government stimulus measures - place growth as high as 2.4% if the full-year outcome outperforms initial expectations, but overall the tone remains cautious, as structural challenges and external uncertainty continue to weigh.

Expected 2026 growth: Little more than sluggish, around 1.6 – 1.8%, given likely continued global headwinds and limited domestic momentum.



• 2.2 Inflation and Monetary Policy

In 2025, Bank of Thailand (BoT) has maintained a largely accommodating monetary policy in response to subdued inflation and a sluggish economy. At its first meeting of the year in February, the BoT lowered its policy rate from 2.25 % to 2.00 % to support economic activity amid to help counter structural headwinds.

Later in the year, following additional downward pressure on prices, it further reduced the key rate to 1.50 % in August. Then, by October, although markets had anticipated another cut, the BoT held the rate at 1.50 %, citing risks associated with excessive easing.

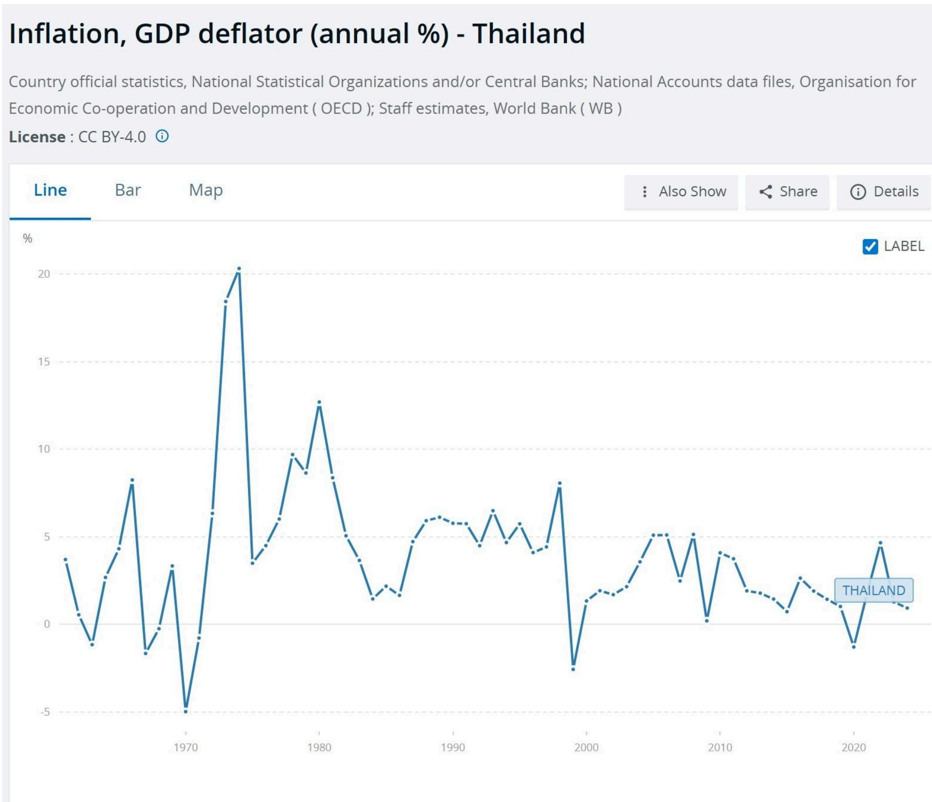
Inflation trends: deflationary pockets

Throughout much of 2025, Thailand experienced very weak inflation. Consumer prices dropped as a 0.57 % year-on-year decline in May marked a second consecutive month of deflation. Later in the year, inflation fell further: in September 2025, headline prices declined by 0.72 % compared with a year earlier, representing the sixth straight month of deflation.

As a result, the BoT went on to trim its forecast for full-year 2025 headline inflation to 0 %.

On core inflation, the BoT expects it to hover around 0.9 % in both 2025 and 2026.

Economic & credit conditions



The accommodative rate stance was intended to support growth, especially given headwinds from soft global demand, a strong baht, and sluggish tourism and exports. Nevertheless, credit growth has slowed partly due to weakening demand for new loans and rising concerns over credit risks, especially among vulnerable households and small and medium-sized enterprises (SMEs).

In essence this means the BoT's strategy in 2025 reflects a balancing act: with inflation well below its target range of 1.0–3.0 %, and with weak domestic demand, the central bank has prioritised supporting growth through low financing costs. However, the persistence of deflation and subdued core inflation suggests risks to economic momentum still remain.

Outlook for 2026

Looking ahead to 2026, Thailand is likely to maintain a similarly accommodative monetary stance, with the policy rate potentially remaining at 1.50 % but this may move lower if conditions worsen. Inflation is expected to remain muted - core inflation perhaps around 0.9–1.0 % - while headline inflation may slowly edge up as global energy and commodity prices stabilise. Growth risks dominate: external demand uncertainties, a strong baht, and weak domestic consumption may limit a robust rebound. Monetary easing alone may not suffice as structural reforms and targeted fiscal or financial support could prove essential to restore healthy growth momentum.

3.0 External Environment

Thailand's external environment in 2025 was defined by a volatile mix of geopolitical tensions, shifting global trade policies and financial-market uncertainty, all of which shaped economic performance and influenced the baht. As a deeply trade-dependent economy with extensive links to global supply chains, Thailand was acutely exposed to developments beyond its borders.

A key factor was the United States' imposition of higher tariffs on selected manufactured imports from Asia. While Thailand was not directly targeted, the knock-on effects were significant.

Higher tariffs on goods from China, Vietnam and other regional competitors created both risks and openings. Thai exporters of electronics, automotive parts and machinery faced higher input costs and more complex supply-chain planning as multinational firms reassessed sourcing patterns. Thailand also positioned itself as a potential beneficiary of supply-chain diversification, leveraging its industrial base and investment incentives to attract manufacturers seeking tariff-neutral locations. However, these advantages materialised only gradually, leaving export earnings uneven through the year.

Geopolitical tensions added further pressure. The wars between Russia and Ukraine and the conflict in Gaza continued to unsettle global energy markets, pushing up oil and gas prices – always an unwelcome development for Thailand, which remains heavily reliant on energy imports.

Higher fuel costs raised inflationary pressures and weakened household purchasing power, while rising fertiliser and feedstock prices affected the nation's agriculture sector. Shipping disruptions in the West drove up freight rates, squeezing margins for exporters and increasing the cost of imported intermediate goods vital to Thailand's all-important manufacturing supply chains.

These external pressures reverberated through the currency. The baht experienced periods of depreciation as global investors moved towards the US dollar amid uncertainties over the Federal Reserve's easing trajectory. In turn this prompted intermittent capital outflows from emerging markets, including Thailand.

The Bank of Thailand intervened selectively to smooth excessive volatility, while emphasising the country's solid foreign-exchange reserves and manageable external debt.

Despite these pressures, Thailand benefited from resilient tourism inflows and stable demand from regional trading partners, which helped cushion the economic impact. Yet the fragility of the external environment underscored the need for continued diversification, deeper supply-chain integration and stronger hedging against global shocks if Thailand is to safeguard growth and stabilise the baht in the years ahead.

4.0 Budget & Debt

• 4.1 Federal Budget

The recently approved 2026 budget for Kingdom of Thailand offers a cautious but calibrated fiscal blueprint and one that modestly expands public spending while leaving room for economic stimulus and sovereign-debt-management. The Cabinet of Thailand on May 21, 2025 ratified a draft expenditure plan of THB3.78 trillion ($119bn), a 0.7% rise on 2025's THB3.75 trillion outlay.

The budget carries a projected deficit of THB860bn, equivalent to about 4.3% of GDP, a figure the government in Bangkok argues is essential to steer economic recovery, support growth and safeguard social stability. In a statement to parliament, the government underscored that the planned spending aims to stimulate sustainable growth, amid a backdrop of modest economic expansion and low inflation.

The allocations reflect a balancing act. About 70.2% is earmarked for regular expenditures, while 22.9% is destined for investment - a clear signal of emphasis on public-investment and infrastructure spending. Personnel costs, agency operating budgets, debt repayment and reserve replenishments absorb substantial shares, underpinning the administration's twin aims: to maintain state functionality and service delivery, while preserving fiscal flexibility. The timing and scale of the stimulus are significant: the budget bill was submitted to parliament in late May 2025, with final Senate approval secured in September.

At the time, with Thailand forecasting GDP growth of only 2.3–3.3% and subdued inflation, the decision to accept a near-4.3% deficit underscored the government's view that limited fiscal loosening is required to counter external risks and domestic headwinds.

That said, the reliance by Bangkok on borrowing raises medium-term concerns. Public debt-to-GDP is expected to trend upward - a lagged risk should global, or potentially regional macroeconomic conditions deteriorate, or projects under-deliver on growth returns.

• 4.2 Debt & Gross International Reserves

As the Bank of Thailand (BOT) and other official sources show, as Thailand moves into 2025–26 its external-debt and reserve profile remains broadly stable, though not without areas that warrant close attention.

By the second quarter of 2025, Thailand's gross external debt reached about $201.2bn, up from roughly $197.3bn in the preceding quarter. According to data also covering domestic public debt, as of May 2025 the country's overall public debt stood at approximately THB12.214 trillion, equivalent to about 65.1% of GDP.

On the reserve side, BOT reports that official reserve assets at end-October 2025 were about $272.0bn, only marginally down from a record high of $273.3bn the previous month. This level of reserves is widely considered ample and above what many market-based "import-coverage" thresholds suggest for EM-Asia economies.

In effect, the balance sheet presents a somewhat reassuring external-vulnerability picture. The debt burden, while non-negligible, does not appear to have escalated explosively, and the substantial reserve cushion provides both firepower against external shocks and confidence to investors.

Nonetheless a few caveats arise. A sizeable share of external debt remains susceptible to currency and interest-rate shifts, and global volatility could pressure balance-of-payments metrics. Meanwhile, should reserves be drawn down - for example to defend the currency or roll over short-term obligations - the margin of safety could shrink.

5.0 Real Economy

• 5.1 Agriculture

Agriculture and food processing continue to play a major role in Thailand's economy, particularly as a source of export earnings and rural employment. The country remains a leading producer of rice, sugar, rubber, poultry and processed foods, with strong agribusiness clusters in the central plains and northeast of the country.

Major companies such as Charoen Pokphand Foods (CP Foods), Thai Union and Mitr Phol Sugar underpin Thailand's global presence in poultry, seafood and sugar markets.

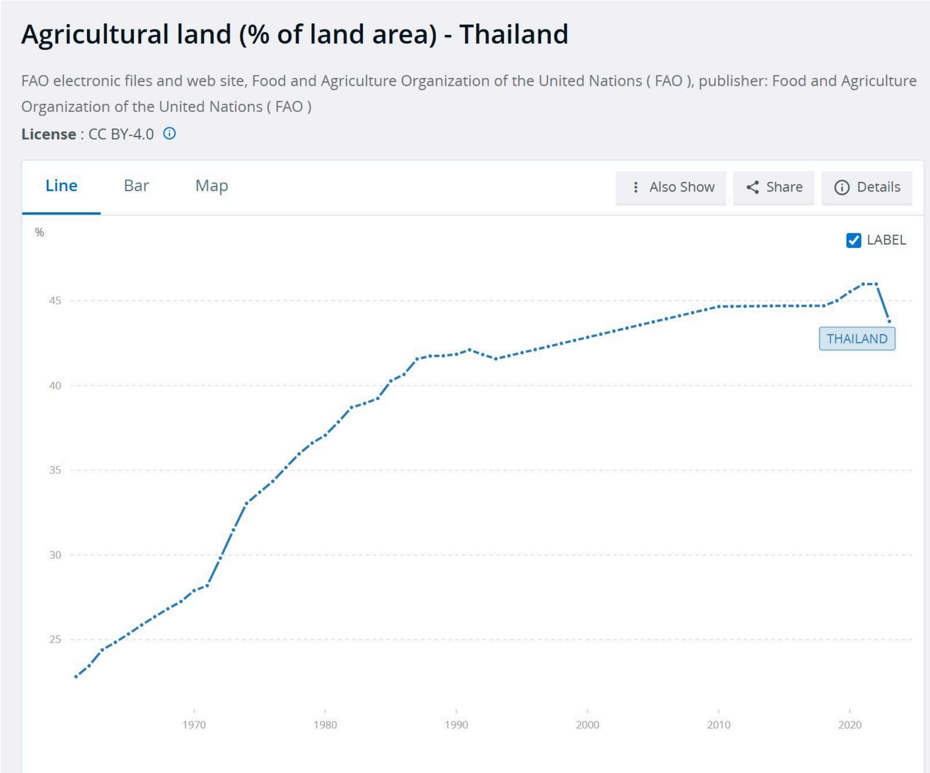
In 2025 the sector has benefited from favourable weather, rising agri-tech adoption and sustained global demand for processed foods. Thai Union has expanded production of canned seafood and pet food for export, while CP Foods has invested in automated poultry farms and high-efficiency feed mills to maintain competitiveness.

Rice exports have remained strong due to tight global supply and limits on exports elsewhere in Asia as well as robust demand for jasmine and white rice varieties.

Yet, the sector faces important constraints. Climate risk, especially droughts and irregular rainfall, continues to threaten output. Labour shortages in rural areas are also becoming more acute as younger workers shift towards urban service jobs. Compliance with increasingly stringent sustainability standards from Western buyers adds cost pressures, particularly for smaller producers.

Despite these challenges, agribusiness remains central to Thailand's economic identity. Growing investment in automation, supply-chain digitalisation and value-added food processing is helping shift the industry towards higher-margin export segments.

As global consumers continue to seek premium and sustainably sourced products, Thailand's well-established agrifood platforms position it strongly in regional and global markets.



• 5.2 Retail

Thailand's retail economy in 2025 reflected a cautiously improving consumer landscape, shaped by a rebound in tourism, stabilising inflation and steady employment in urban centres. Retail spending strengthened notably in Bangkok, Phuket and Chiang Mai, where the return of foreign visitors revitalised high-street stores and shopping centres.

Central Group reported improving footfall across its flagship malls, while Robinson and The Mall Group noted stronger sales in fashion, beauty and dining - categories that had been subdued during earlier periods of inflationary pressure.

Convenience-store operators remained the standout performers. CP All expanded its 7-Eleven network further into secondary provinces, capitalising on demand for ready-to-eat meals and digital payment services. Big C and Lotus's also intensified efforts to capture value-conscious shoppers, launching loyalty schemes and price-lock programmes in response to lingering concerns over rising household expenses.

E-commerce meanwhile continued to grow, though at a more measured pace following its surge during the pandemic. Platforms such as Lazada and Shopee expanded same-day delivery options in Greater Bangkok, while JD Central repositioned its product mix towards electronics and home appliances, reflecting shifting demand patterns.

However, import-dependent categories, particularly premium electronics and packaged goods, faced price pressures due to currency volatility.

Rural consumption remained uneven though, held back by softer agricultural incomes following erratic weather patterns and floods in some areas. Retailers with exposure to provincial markets, such as Tesco Lotus's hypermarkets, experienced more cautious spending behaviour. Overall, Thailand's retail sector in 2025 settled into a path of modest but broad-based recovery, buoyed by tourism and urban demand but constrained by external headwinds and still-shaky consumer sentiment.

• 5.3 Manufacturing

Electronics and electrical appliances form one of Thailand's most technologically advanced manufacturing sectors, contributing a sizeable share of export value and supporting a dense ecosystem of suppliers. Tech zones in Chonburi, Pathum Thani and Ayutthaya just north of Bangkok host major multinational firms, including Western Digital, Seagate, Panasonic and Samsung, producing hard-disk drives, consumer electronics, air conditioners and various ICT components.

The country remains one of the world's largest producers of hard-disk drives, with exports integrated deeply into global data-storage supply chains.

In 2025 the sector has benefited from growing regional demand for consumer appliances and data-centre hardware, as well as partial diversification away from China. Government incentives aimed at attracting high-tech industries have supported new investment in semiconductor back-end processes, printed circuit board manufacturing and smart-appliance production. The rise of e-commerce has also driven demand for locally produced home electronics.

Nevertheless, the industry faces long-standing structural challenges. Intense global competition in hard-disk drives, combined with the shift towards solid-state storage, has pressured margins and required continual technological upgrades. Skills shortages in advanced engineering and automation remain ongoing constraints, while energy costs and supply-chain disruptions add operational complexity.

Despite these issues, Thailand's electronics sector remains an integral part of its industrial landscape. The combination of an established multinational presence, improving transport infrastructure and targeted innovation policy supports its ongoing transformation towards higher-value components and more diversified product lines.

• 5.4 Banking Sector

Thailand's banking sector in 2025 navigated a complex operating environment shaped by subdued domestic demand, volatile external conditions and a cautious monetary stance from the BoT. Although the financial system remained fundamentally sound, with strong liquidity, high capital adequacy ratios and stable deposits, ever-present economic headwinds ensured that banks maintained a risk-averse posture throughout the year.

Credit growth picked up gradually but remained below pre-pandemic rates. Corporate lending was led by sectors linked to tourism recovery, including hospitality, retail and transportation, as operators refinanced debt and expanded capacity.

Infrastructure-related lending, especially for renewable energy projects and logistics upgrades, provided additional momentum. However, lending to SMEs remained fragile, reflecting weaker cash flows and muted rural economic activity. Banks responded with more selective underwriting and targeted restructuring schemes.

At the same time, consumer credit expanded modestly. Credit-card spending grew steadily in line with the revival of domestic travel, while auto loans benefited from new EV models manufactured in Thailand. Mortgage demand, however, remained mostly subdued, held back by elevated borrowing costs and oversupply concerns in certain condominium markets.

Asset quality held firm but required careful monitoring. Non-performing loan ratios remained manageable, supported by prudent provisioning and continued restructuring efforts.

Large banks such as Bangkok Bank and Kasikornbank maintained strong buffers, while smaller lenders improved their risk frameworks to address potential spillovers from global volatility.

Digital transformation remained a defining theme. Thai banks also accelerated investments in mobile banking, biometric authentication and AI-powered credit assessment.

External risks though created intermittent volatility. The baht experienced periods of depreciation as investors reacted to uncertainty over the US Federal Reserve's easing cycle. Higher global oil prices driven by conflicts in Russia and Gaza served to add inflationary pressures, complicating BoT's policy path and indirectly affecting funding conditions.

By year-end, the banking sector had demonstrated resilience but remained alert to external shocks. Its ability to sustain growth in 2026 will hinge on a firmer domestic recovery, greater clarity in global financial markets and improved performance in rural and SME segments.

• 5.5 Automotive

The automotive industry remains one of Thailand's most important economic pillars, long known as the "Detroit of Asia" for its extensive vehicle-assembly and parts-manufacturing ecosystem – although some aspects of this moniker are being lost to Indonesia.

In 2025 the sector continues to contribute a substantial share of national manufacturing output and export revenue, supported by large industrial zones in Chonburi, Rayong and Samut Prakan.

Japanese manufacturers remain dominant: Toyota, Honda, Isuzu and Mitsubishi operate major production bases that supply both domestic consumers and regional export markets. Thailand is also one of the largest producers of pick-up trucks globally, a segment led for decades by Toyota's Hilux and Isuzu's D-Max.

The shift towards electric vehicles (EVs) has accelerated, reshaping investment patterns. Chinese carmakers have become the most aggressive entrants, with BYD and Great Wall Motors from Hebei expanding EV production lines for both domestic sales and exports to ASEAN. To support this transformation, the government has implemented targeted incentives - covering excise-tax reductions, subsidies for EV purchases and special investment privileges through the Board of Investment.

Battery producers, including CATL have also announced strategic partnerships, signalling confidence in Thailand's ambitions to become a regional EV hub – another sector in which Indonesia is also establishing itself.

Challenges persist, however. Weak household demand has limited domestic sales, while competition from emerging EV hubs such as Indonesia and Vietnam is intensifying. Supply chain vulnerabilities remain visible following global semiconductor shortages, and the industry faces increasing pressure to shift from internal-combustion models to higher-value components such as battery modules, power electronics and software systems.

Despite these headwinds, the sector's long-standing industrial base, extensive supplier network and strong logistics infrastructure underpin its continued competitiveness. With sustained investment from both Japanese incumbents and new Chinese entrants, the automotive industry remains a cornerstone of Thailand's manufacturing output and a critical driver of its export performance.

• 5.6 Other Corporate & Sectors

Tourism stands as Thailand's most visible and socially wide-reaching service sector, contributing significantly to fiscal output and employment.

By 2025 the industry has continued its strong post-pandemic recovery, supported by revitalised visitor flows from China, Europe and ASEAN neighbours.

Bangkok, Phuket and Chiang Mai are the core destinations, while developing beach markets such as Krabi and Koh Samui are benefiting from more direct international flights. The government's relaxed visa policies, including extended visa-free access for Chinese and Indian tourists, which while controversial at first, have been instrumental in restoring momentum.

Hospitality operators have responded with renewed investment. Major hotel groups such as Minor Hotels, Dusit Thani and Marriott have opened new or refurbished properties to cater for rising occupancy rates.

Domestic airlines, including Thai Airways and Thai AirAsia, have expanded regional routes, while low-cost carriers continue to stimulate intra-ASEAN travel demand. Retail and leisure operators / property developers such as Central Pattana have capitalised on tourist spending, particularly in premium shopping districts.

However, the sector faces structural pressures. Tourism remains highly seasonal and concentrated in a handful of destinations, raising concerns over environmental strain and the need for more sustainable practices. Continued over-dependence on Chinese travellers though leaves the sector exposed to geopolitical shifts and economic slowdowns. Furthermore, infrastructure bottlenecks at Suvarnabhumi and Phuket pose barriers to long-term expansion.

Even so, tourism remains a backbone of Thailand's service economy, providing substantial foreign-exchange earnings and supporting millions of jobs across hospitality, transport and retail.

As investment in urban transport, airport upgrades and new leisure infrastructure gathers pace, the sector is expected to maintain a central role in Thailand's growth model, while shifting gradually towards higher-value, eco-conscious and digitally enhanced offerings.

6.0 Energy & Power

• 6.1 Oil and gas production & transport

As PTT Exploration and Production Public Company Limited (PTTEP) and Thailand's energy authorities begin to sketch out 2026-27 supply and infrastructure plans, the outlook for oil and gas production and transport suggests a phase of transition and one that leans heavily on gas resilience even as the legacy of mature fields looms large.

PTTEP's recently unveiled $21.2bn five-year strategy (2025–2029) places priority on sustaining output from core assets in the Gulf of Thailand while also developing newly acquired upstream capacity such as the southern offshore block in the Malaysia-Thailand Joint Development Area (MTJDA). The MTJDA acquisition in 2025 signals an attempt to shore up southern-region supply; the block reportedly delivers about 600mn standard cubic feet per day of natural gas, a material portion of which is allocated to Thailand.

Yet 2025 saw a sharp slump in gas-fired power generation and imports: between January and July, gas-fired output dropped 12%, while LNG imports covering roughly two-thirds of utility gas needs plunged 15.3% year-on-year to 7.2mn tonnes by August.

The 2026 window may, therefore, mark a turning point. As global LNG supply expands, with forecasts pointing to a supply surge and lower global prices, Thailand could benefit from cheaper gas imports, easing pressure on both the power sector and competing fuels.

In addition, PTTEP's long-term investment plan anticipates that rising domestic production, along with declining reliance on imported LNG, will gradually shift the energy mix. This is yet to be demonstrated.

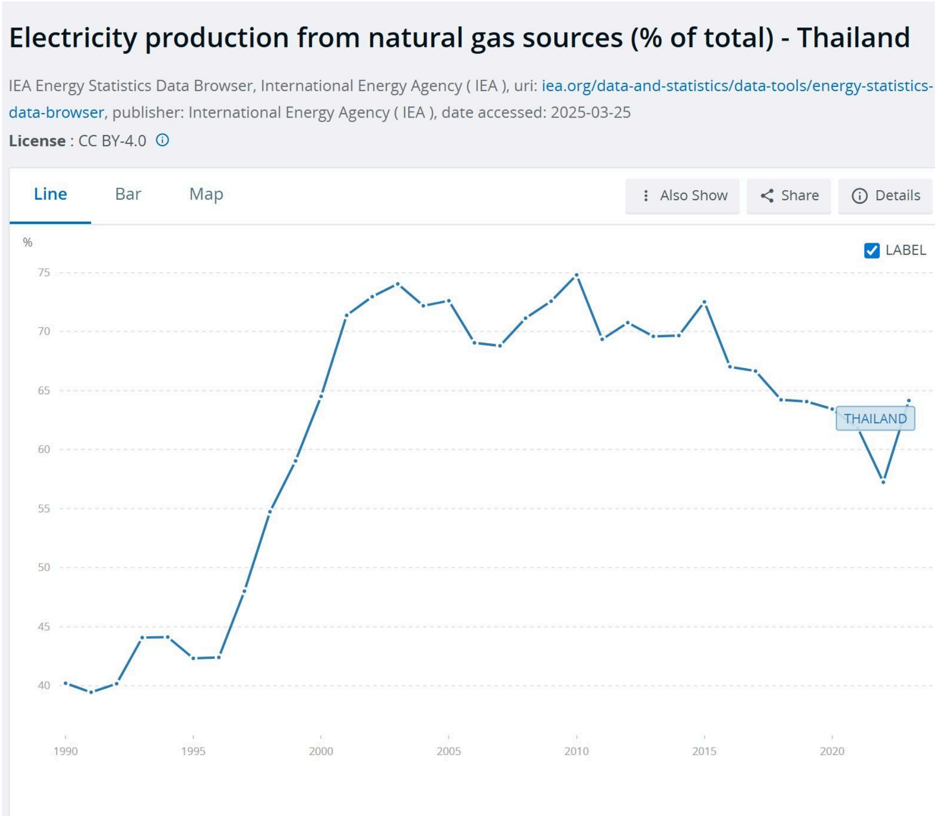
Transport and mid-stream infrastructure will be critical. With greater imports and domestic gas flows, maintaining and expanding regasification terminals, pipelines and delivery networks will be essential.

Meanwhile, PTTEP's simultaneous investment into clean energy, carbon capture and possible offshore wind and hydrogen projects suggests a long-view approach: sustaining gas output in the near term, while hedging toward a more diversified energy portfolio over the coming decades.

In sum, 2026 appears poised to be a transitional year for Thailand's oil and gas system. Domestic production may not match previous peaks, but with a renewed upstream push, more stable imports under long-term LNG contracts, and early moves into energy transition, the sector seems set to re-calibrate. Whether that recalibration delivers stable supply, keeps costs competitive and supports a smoother shift to low-carbon energy depends on timely infrastructure execution, regulatory clarity and global gas-price dynamics.

• 6.2 Electricity production & renewables

As Thailand enters 2026, the electricity-generation and renewables sector appears poised at a crossroads and one where ambition, policy momentum and growing demand converge, but where delivery risks remain tangible.



Analysts expect total electricity consumption to resume growth, driven by industrial recovery, rising electrification and expansion of energy-intensive sectors such as data centres.

Against this backdrop, the share of renewables, though still modest, is forecast to rise steadily. According to recent industry estimates, non-hydro renewables are on track to expand 4–5% annually between 2026 and 2028. Meanwhile, private sector players are boosting clean-energy investment including solar, wind, hydro and battery/storage projects.

The latest Power Development Plan 2024 (PDP 2024) as Thailand's roadmap for electricity supply and demand underscores a long-term ambition to raise the share of renewables in the total power mix. Among the planned additions are solar PV, floating solar, wind, small hydro, biomass and waste-to-energy schemes. The government also signals openness to emerging technologies: under PDP 2024, a modest portion of gas-powered capacity might steadily shift to hydrogen-based fuel by the mid-2030s. Nuclear power has also been discussed.

Yet structural constraints remain. As of mid-2025, conventional fuels still dominate the generation mix, with thermal power accounting for a significant share. That dependence means the transition to renewables will be gradual. Moreover, the intermittency of renewable sources raises concerns over supply stability. The authorities recognise this, and plan to employ more sophisticated grid-management tools such as "loss-of-load expectation" modelling to ensure reliability.

The coming year could nonetheless mark a turning point. Growing corporate demand for green energy, including from data centres and multinational firms, declining costs for solar and battery tech, and policy support for clean electricity including long-term purchase contracts, all point to strengthening momentum behind renewables.

Thailand’s 2026 electricity outlook will thus be one of cautious transition: a steady uptick in renewables deployment and capacity, but within a framework that still leans heavily on gas and thermal generation.