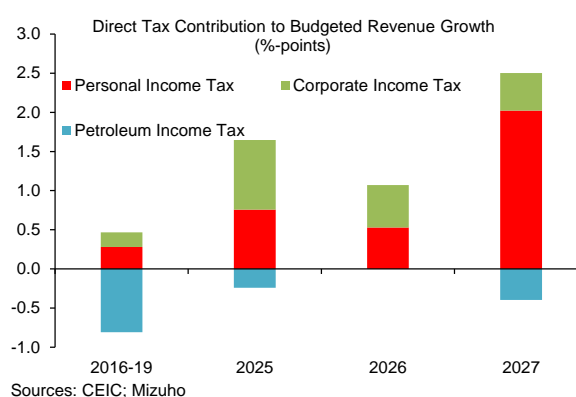
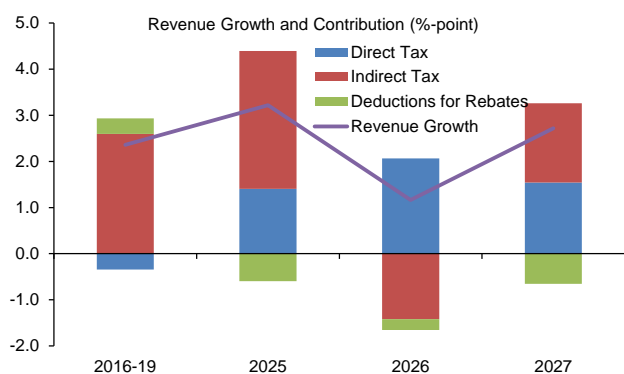


Thailand Budget FY2027: A Brief Look at Projections

[In a Nutshell:](#)

- Thailand's FY2027 budget targets consolidation but they may underdeliver, with deficit risks skewed to the upside as revenue assumptions, particularly for personal income taxes, appear optimistic.
 - Revenue execution is the key vulnerability, with projected 13% growth in personal income taxes setting a high bar even as reforms ought to enable better than expected outturns from previous years, while the expected rebound in indirect taxes remains contingent on consumption and tourism strength.
 - Spending restraint provides only partial offset, as modest expenditure growth and continued compression in public investment risk undermining growth support, raising the likelihood of fiscal slippage above the 3.9% target.
 - Market implications skew toward higher term premia and a tentative THB recovery, with fiscal slippage risks reinforcing a bearish bias at the long end of the curve, while THB appreciation is likely to remain episodic and contingent on external inflows and vulnerable to volatile risk sentiments amid wild swings in gold prices.
- In Thailand, as the draft for Budget FY 2027 (October 2026-September 2027) passes through parliament this week, a closer look across **both revenue and expenditure projections** is warranted to assess the fiscal slippage risks.
 - To be clear, the government is targeting to **lower their fiscal deficit** by 8.4% from THB 860bn (4.4% of GDP) in FY2026 to THB 788bn (3.9% of GDP) in FY 2027. The direction is very welcomed though the consolidation path remains challenging.

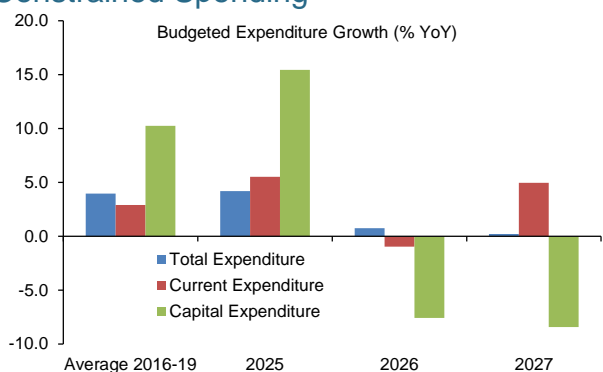
Tough Collections



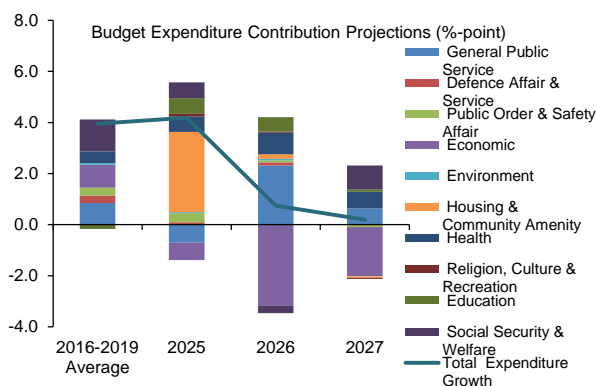
- On the **revenue** front, a 2.7% increase in well within **reasonable bounds** in line with recent years and pre-pandemic collections projections. The projected contribution from both direct and indirect tax revenues are also relatively evenly split.
- That said, within direct taxes, **projection of personal income tax** driving the bulk of tax revenue growth appears to be **rather optimistic**. The projected share of contribution from personal income taxes surpasses those in recent years and pre-pandemic norms.
- Specifically, budgeted personal income taxes are expected to rise 13.1% YoY which may be a higher bar even amid various reforms such as Negative Income Tax system which all Thais, regardless of income, to file taxes which also potentially widens the tax base. Admittedly, a review of personal income tax structure, tax deductions and allowances may allow more outsized revenue collections relative to recent years.
- Meanwhile, **indirect tax revenues are likely to rebound** from the contraction in 2026 especially with the fuel

excise tax cuts effects likely to fade and consumption related revenues improve amid on-going tourism recovery.

Constrained Spending



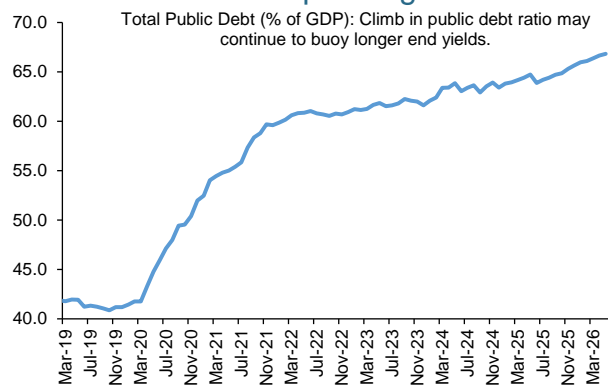
Sources:CEIC; Mizuho



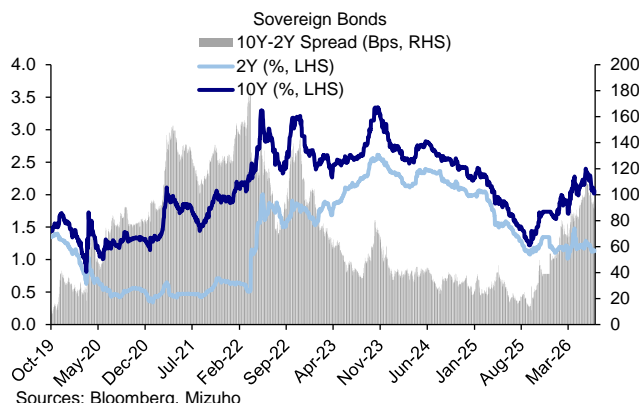
Sources:CEIC; Mizuho

- As for **expenditure**, the government has sought for a **very modest 0.2% increase** in FY2027 from the budgeted amount in FY2026.
- While the spending restraint may be welcomed by fiscal hawks, the **continued contraction in public capital expenditures** reflects an on-going reliance on private capex outlays. That said, support for private investment come in the form of streamlining of investment procedures and incentives (such as the Thailand FastPass).
- In terms of allocations, budgeted amounts to the public service grew by just 2.5% YoY, significantly below pre-pandemic average of 3.8% YoY and the allocations to economic affairs continue to contract which may portend cutbacks to areas such as agriculture and forestry or transport.
- Accordingly, expenditures in FY2027 are at risk of a marginal overshoot. Nonetheless, with the directional focus being clear, the pace of government spending is likely to moderate from FY2026.

Narrower Deficits & Expanding Bill



Source: CEIC; Mizuho



Sources: Bloomberg, Mizuho

- On balance, amid some fiscal slippages, the **fiscal deficit is likely to come in higher** than the projected 3.9% target, hovering above the 4.0% mark. That said, this still represents a consolidation from the 4.4% deficit in 2026.
- Nonetheless, the **THB 400bn emergency borrowing decree** which is being subject to a court ruling on its legality on 9 July could potentially exacerbate the continued climb in the public debt ratio towards the 70% ceiling.
- A wider than expected deficit than guided would impart a bearish bond bias.
- All in, with front end rates being anchored by the BoT’s accommodative policy stance, steepeners are par for the course as **10Y yields are likely to remain buoyant** on various fiscal risks.
- Into the medium term, the fiscal trajectory will be dependent on the successful implementation of key reforms which has been recently announced such as raising VAT in phases, 1.5%-pt in 2028 and 20230 which requires substantial political will and capital.
- Meanwhile, our **expectations for a THB recovery on the back of tourism and investment flows remains subject to fits and starts** especially as real yields and volatile swings in risks sentiments dampened gold prices which was a key source of support in early 2026. In short, the envisaged THB recovery path is fragile and hamstrung by various obstacles rather than having a clear bullish upside.

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