

**Inflation has decreased for 3 consecutive months,
and the average for 2023 is close to the estimate.**

Mr. Poonpong Naiyanapakorn, the Director of Trade Policy and Strategy Office, revealed that **the Consumer Price Index (CPI) in December 2023 was 106.96**. Comparing to December 2022 (107.86), **the headline inflation decreased by 0.83% (YoY)**. **It has decreased for 3 consecutive months**. This resulted from a decrease in the prices of energy (fuel and electricity) due to the government measures. Additionally, the prices of meat and food ingredients have been consistently decreasing. Moreover, the prices of fresh vegetables dropped significantly. As for other goods and services, their prices moved in a normal direction. For **the core inflation**, excluding fresh food and energy, it **increased by 0.58% (YoY)**.

Thailand's inflation rate in November 2023 which decreased by 0.44% (YoY) compared to other countries showed that Thailand remained in the low inflation rate group, positioned at 5th out of 135 economies that reported figures, and continued to have the lowest rate in ASEAN among 7 countries (Laos, the Philippines, Singapore, Vietnam, Indonesia, Malaysia). Thailand's inflation rate tended to decrease and moved accordingly with several countries worldwide.

The headline inflation rate in December 2023, which decreased by 0.83% (YoY), was contributed by the prices of goods and services as follows:

Non - food and beverages category decreased by 1.00% (YoY), driven by falling prices of household category, including electricity and cleansing products (laundry detergent, dish soap, fabric softener). The transportation, logistics, and communication categories have seen a reduction in prices due to the decrease in the prices of diesel, gasohol 91, and electric train fare. Furthermore, the prices of electric appliances (television, washing machine, refrigerator) and certain personal care items (sanitary napkin, body soap, skincare) also decreased. There are some items with price rise such as body powder, deodorant, pet food, monk offering set, cigarette, alcohol, and beer. As for the clothing and footwear category, the average price index remained unchanged.

Food and non-alcoholic beverages category decreased by 0.63% (YoY), primarily due to a decrease in prices of products in the meat, duck, chicken, and aquatic animals category (pork, fresh chicken, beef, short mackerel, white shrimp, sea bass), fresh vegetables (green onion, Thai eggplant, water spinach) and food ingredients (vegetable oil, seasoning, oyster sauce). There are some products with price rise such as rice, glutinous rice, pastry, soy milk, drinking yogurt, fresh fruits (durian, tangerine, sugar banana). Furthermore, the prices of instant coffee, coffee/tea (hot/cold), processed food, noodle, and lunch (rice and curry) also increased slightly.

The Consumer Price Index in December 2023, when compared to November 2023, decreased by 0.46% (MoM) and for food and non-alcoholic beverages category decreased by 0.51% due to a reduction in prices of rice, flour and flour products (glutinous rice, rice flour), egg and milk products (chicken egg, drinking yogurt, soy milk), fresh vegetables and fruits (Chinese broccoli, green onion, cilantro, tangerine, ripe papaya, sugar banana). However, there are some items with price rise such as pork, fresh chicken, chili sauce, dietary supplement, drinking water, coffee/tea (hot/cold), processed food, snack, and lunch (rice and curry). **For non - food and beverages category, there was a 0.44% decrease**, driven by falling prices of fuel, including benzene, gasohol,

and diesel, except the average price of LPG that remained unchanged. In addition, the prices of toll, shirt, men's t-shirt, and personal items (toilet paper, toothpaste, skincare) also decreased. Some items with price rise include fabric softener, floor cleaner, shampoo, and domestic and international travel budget, and alcohol.

The average consumer price index of 2023 increased slightly by 1.23% (AoA). This rate aligns with the Ministry of Commerce's estimate, ranging between 1.0% and 1.7%, with a midpoint of 1.35%. The main reason for the slight increase was the high production costs for fresh food items, such as rice, chicken egg, vegetables, and fruits. Some vegetables also faced unfavorable weather conditions for cultivation. More importantly, the domestic demand increased due to the expansion of tourism and export that provided support to the local economy, leading to price rise for fresh food category. The price of processed food also increased slightly due to higher costs of raw material and electricity compared to 2022. However, some essential items such as pork and vegetable oils have seen a reduction in prices as the supply increased. Moreover, a reduction of fuel price, resulting from the government measures and the global market situation, also contributed to this decline.

As for 2024, the headline inflation is expected to remain in the low inflation rate, and continuously decrease for the 4th month in January, mainly due to these major factors. First, the key contributor was the decreased prices of fuel and electricity (for households consuming less than 300 units) controlled by the government measures. Second, a decreasing trend in global oil prices led to a reduction in domestic retail prices for benzene. Third, the impact of the El Niño phenomenon is expected to decrease. Fourth, promotional measures are implemented by entrepreneurs to support the expectedly increased consumer spending through the Easy E-Receipt policy. Nevertheless, a few factors may contribute to an increase in inflation. For instance, the rise in tourism may increase the prices of related goods and services. Another factor is the ongoing geopolitical tension such as the attacks on shipping vessels in the Red Sea that temporarily resulted in an increase in shipping fees and ocean freight charges.

For the reasons above, The Ministry of Commerce **predicts that the headline inflation for 2024 will be between (-0.3) % and 1.7%, with a midpoint of 0.7%.**

The overall consumer confidence index for December 2023 slightly decreased from 55.0 in November 2023 to 54.8. It has been above the confidence level for the 13th consecutive month (since December 2022). The present consumer confidence index was equal to the previous month, while the future (3-month outlook) index decreased presumably because of the delayed economic recovery as well as concerns about income that may not be sufficient to cover living expenses and debt burdens. Additionally, some key agricultural products have experienced a decrease in prices. Nonetheless, the year-end holiday festivities are expected to positively impact related businesses. The government measures reducing the cost of living and debt coupled with an increase in the minimum wage nationwide are expected to continue maintaining the consumer confidence index within a positive range.

Trade Policy and Strategy Office

Ministry of Commerce

January 2024