

## Trade and Economic Indices for May 2024

Mr. Poonpong Naiyanapakorn, the Director General of the Trade Policy and Strategy Office, revealed that **the Consumer Price Index (CPI) in May 2024 was 108.84**. Comparing to May 2023 (107.19), **the headline inflation increased by 1.54% (YoY)**. The main contributor was an increase in the prices of energy, including electricity (temporarily due to a low base price in May 2023), benzene, and gasohol, following the rising trend in the global energy market. Moreover, the prices of fresh vegetables and chicken egg also increased due to the extremely hot weather, resulting in reduced yields. Other goods and services did not have a significant impact on inflation.

**Thailand's inflation rate in April 2024 which increased by 0.19% (YoY) compared to other countries** showed that Thailand remained in the low inflation rate group, positioned at 6<sup>th</sup> out of 129 economies that reported figures, and had the lowest rate in ASEAN among 7 countries (Laos, the Philippines, Singapore, Vietnam, Indonesia, Malaysia).

**The headline inflation rate in May 2024, which increased by 1.54% (YoY),** was contributed by the prices of goods and services as follows:

**Food and non-alcoholic beverages category increased by 1.13% (YoY)**, primarily driven by the rising prices of fresh food such as fresh vegetables (long bean, tomato, green brinjal, cabbage, ginger, cilantro), fresh fruits (mango, grape, banana), rice, glutinous rice, chicken egg, and duck egg. Furthermore, the prices of food at home and food away from home (prepared food, noodle, cooked to order dish, rice and curry), non-alcoholic beverages (instant coffee powder, sweetened beverage), and seasonings (granulated sugar, curry paste, coconut (dried/shredded coconut)) also increased. On the other hand, there were many items with price reduction such as pork, lime, short mackerel, vegetable oil, and garlic.

**Non - food and beverages category increased by 1.84% (YoY)**, primarily due to the rising prices of fuel (gasohol 91, 95, E20, benzene 95), housing (electricity, housing rent), personal items (body powder, toothpaste, women's hairdressing service), and tobacco and alcoholic beverages (alcohol, cigarette, wine). However, there were many necessary items with a decrease in prices such as diesel fuel, detergent, skincare, body soap, men's and women's t-shirts, and men's and women's shirts.

**For the core inflation** (the headline inflation excluding fresh food and energy), it **increased by 0.39% (YoY)** with a slight increase from 0.37% (YoY) in April 2024.

**The Consumer Price Index in May 2024, when compared to April 2024, increased by 0.63% (MoM), and for food and non-alcoholic beverages category increased by 1.37%**, driven by rising prices of fresh vegetables (green brinjal, long bean, tomato, green onion, cabbage, fresh chili), chicken egg, pork, and fresh fruits (watermelon, mango, sugar banana). Meanwhile, there were some items with price reduction such as rice, tangerine, and drinking yogurt. **For non - food and beverages category, there was a 0.09% increase**. This resulted from an increase in the prices of diesel fuel. However, there were some items with price reduction such as airfare, detergent (liquid laundry soap), and insecticide.

**The average consumer price index over the 5 months (January – May) 2024 decreased by 0.13% (AoA) compared to the same period in 2023.**

As for June 2024, the headline inflation is expected to increase at a slower rate, mainly due to the following reasons. First, the impact of the low base price of electricity will decrease. Second, the extension of government measures to reduce the price of electricity measures for another 4 months (May - August 2024) will contribute to a decrease in the inflation rate. Third, the prices of agricultural products, especially fresh vegetables, will decrease after the end of the intense hot weather and the start of the rainy season. Fourth, entrepreneurs encounter limitations of passing costs onto selling prices due to a slow economic growth. Furthermore, large-scale entrepreneurs use trade promotions, particularly price reductions. Nonetheless, there are some other factors possibly maintaining the prices of certain products at high level. For instance, a newly adjusted price of diesel (33.00 baht per liter) is higher than the same period last year. Lastly, uncertainty from the impacts of geopolitical tensions may lead to higher oil and freight prices, consequently raising import costs.

Thus, **the Ministry of Commerce predicts that the headline inflation for 2024 will be between 0.0% and 1.0% (midpoint of 0.5%)**. This rate aligns with the current economic situation. If there are significant changes in the circumstances, there will be a reconsideration.

The overall consumer confidence index for May 2024 increased from 51.9 in previous month to 52.4, increasing for the first time after a 6-month continuous decline (since November 2023). It has remained above the confidence level for 18 consecutive months (since December 2022). The present index decreased from 44.5 to 44.1, while the future index (3-month outlook) increased from 56.8. to 57.9. Overall, the reasons for the increase are presumably due to the following factors. First, the continuous expansion of tourism sector has benefited related businesses, creating more jobs and increasing incomes. Second, the accelerated government budget disbursement for the 2024 fiscal year will drive economic activities, expanding the Thai economy in the second half of 2024. Third, the export sector tends to expand, leading to a better performance of production sector in the second half of the year. Nevertheless, there are still public concerns about the slow recovery of the Thai economy, rising cost of living, energy prices, and high interest rates.

-----

Trade Policy and Strategy Office

Ministry of Commerce

June 2024