

Inflation Report Summary – April 2021

The consumer price index (Headline inflation) in April 2021 rose by 3.41 percent (YoY), returning to positive territory for the first time since March 2020 and the highest rate in 8 years and 4 months. High level of oil prices compared with a remarkably low last year, the end of government measures on lowering utility bills, and high prices of particular agricultural products such as pork, fresh fruits and vegetables following a supply shortage, were main reasons for the hike. Other goods and services moved as normal and in line with demand, supply and promotion campaigns. **Core inflation, all items less food and energy, rose 0.30 percent (YoY).**

The significant bounce of inflation this month, apart from oil prices and the end of such government measures, was remarkably observed via economic indicators both supply and demand sides. **On the demand side**, government stimulus packages that shore up purchasing power measured through VAT revenue and farmers' income, and the gradual recovery of global demand evidenced by returning high growth of Thai export, were supporting factors. **On the supply side**, the increasing Manufacturing Production Index (MPI) and the near-normal level of capacity utilization (Cap-U) indicated increasing tendency of supply. However, as the new-emerging phase of COVID-19 outbreaks which wildly affected economic activities both on production and expenditure are in concern, the economic recovery may discontinue and grow slower than expected.

The CPI in April 2021 increased 3.41 percent (YoY), following a 5.34-percent increase of the index for non-food and beverages. The increases consist of shelter (4.56 percent), transportation and communication (10.21 percent), medical and personal care (0.11 percent), recreation and education and alcoholic beverages (0.01 percent). While the index for apparel and shoes decreased 0.30 percent. **The index for food and non-alcoholic beverages increased 0.40 percent.** The increases are from meat, poultry, and fish (2.35 percent), fresh vegetables (8.60 percent), fresh fruits (2.29 percent), seasonings and condiments (3.43 percent), food (0.49 percent), and food away from home (0.70 percent). While there are decreases in rice, flour, and flour products (6.74 percent), eggs and dairy products (4.77 percent), and non-alcoholic beverages (0.33 percent).

The CPI in April 2021 compared with the previous month rose 1.38 percent (MoM). For a 4-month average, it increased 0.43 percent (AoA) from last year.

The CPI for May 2021 is projected to continue its rise, unless there are additional significant government measures on lowering cost-of-living. The main reason for the expecting rise is primarily from high price of energy compared with its low base last year; while, other goods and services are expected to move in consistent with production and demand for consumption. The incoming government measures-to-be would also support the recovery and mitigate the impact of COVID-19 on tourism resulting in increasing demand for consumption. In addition, Thai exports are expected to accelerate at high rate following a recovery of global demand. Agricultural prices, as directly affect raw food in the inflation basket, are expected to swing following uncertainty weather. However, the new-emerging COVID-19 outbreaks are the limitations of economic activities and inflation rate should be closely monitored. **Annual headline inflation in 2021 is projected to grow at the rate between 0.7 to 1.7 percent (with an average of 1.2 percent)** which is an appropriate range that would effectively support the current Thai economy.

The Consumer Price Index for May 2021 is scheduled to be released on Friday, June 4th, 2021 at 10:30 a.m. BKK time

Trade Policy and Strategy Office
 Ministry of Commerce
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