

Inflation Report Summary – March 2021

The CPI in March 2021 slightly dropped by 0.08 percent (YoY), the lowest contracted rate in 13 months and a marked improvement from 1.17 percent contraction in February. The improvement mainly stem from the rises of energy prices, pork prices, and cooking oil prices. The rise of energy prices coincided with global and domestic fuel prices; while high demand for consumption and preventive cost for African swine vaccine lifted the pork price. However, other items, especially raw food, and housing remained drop resulted in the slight contraction of headline inflation at 0.08 this month. All items less food and energy (core inflation), rose 0.09 percent (YoY). For the first quarter of 2021, headline inflation decreased 0.53 percent (YoY) and core inflation rose 0.12 percent (YoY).

The slight contraction of CPI this month came along with promising signs of improving demand and a gradual recovery of economic situation both on demand and supply sides. On demand side, the improvement of farmers' income, agricultural prices, private consumption index, sales of commercial vehicles and motorcycles, and real estate transaction have been seen. On the supply side, the Manufacturing Production Index (MPI), Capacity Utilization (Cap-U), and the Producer Price Index (PPI) are in the upward trends. These indications lead to the possibility that the Thai economy is on gradual upswing.

The CPI in March 2021 decreased 0.08 percent (YoY), following a decrease of 0.26 percent in the index of food and non-alcoholic beverages from several decreased indexes including rice, flour, and flour products at 6.59 percent, eggs and dairy products at 0.90 percent, fresh vegetables at 0.31 percent, and non-alcoholic beverages at 0.27 percent. The indexes for meat, poultry, and fish; fresh fruits; and seasonings and condiments rose 1.76, 0.01, and 3.66 percent respectively. Also, the indexes for food and food away from home rose 0.34 and 0.61 percent. **While the index of non-food and beverages increased by 0.04 percent.** Majored contribution for the increase includes transportation and communication (5.43 percent), tobacco and alcoholic beverages (0.01 percent), apparel and shoes (0.30 percent), shelter (4.87 percent), medical and personal care (0.04 percent), as well as recreation and education (0.01 percent).

The CPI in March 2021 compared with the previous month declined 0.23 percent (MoM). On a quarterly basis, compared with first quarter last year, the index increased 0.53 percent (YoY), while it decreased 0.35 percent compared with the previous quarter (QoQ).

The tendency of Inflation in the second quarter of 2021 is high likely to expand due to a number of supporting factors as follows: 1) Global and domestic demand tend to improve following the improvement of COVID-19 situation; 2) Global oil prices tend to increase or remain at higher price than the previous year following production cuts, low base effect, and higher demand; and 3) Government measures including extended public holidays, increasing purchasing power, and encouraging spending which will significantly stimulate the economy and boost domestic demand for goods and services in such period.

The Ministry of Commerce has also adjusted the assumptions for the inflation forecast 2021 to be more appropriate and consistent with current situation aiming for the more precise forecast. As such the **annual headline inflation in 2021 is projected to grow between 0.7 to 1.7 percent (1.2 percent on average)**, which is an appropriate range that would effectively support this year's economic growth.

The Consumer Price Index for April 2021 is scheduled to be released on Wednesday, May 5, 2021 at 10:30 a.m. BKK time

Trade Policy and Strategy Office
Ministry of Commerce
5 April 2021