

Inflation Report Summary – September 2021

The headline inflation in September 2021 expanded again at 1.68 percent (YoY) after a contraction in the previous month, primarily owing to the end of government measures on lowering cost-of-living (electricity and water bills), and continuously increasing prices of gasoline. Meanwhile, other prices were quite stable and moved in line with the current production and consumer demand. Although the prices of raw food slightly fluctuated, they mainly dropped from the last year, especially rice, glutinous rice, pork, fresh chicken, fresh vegetables and fruits. An exemption was applied to eggs that their prices increased, but with a downtrend.

The increase of current inflation was in accordance with relevant key economic indicators which expanded compared to the same period last year in both demand and supply including VAT revenue on imports, value of exports, farm income, the Agricultural Production Index (ARI), and the Construction Materials Price Index (CMI). There was also a consistent increase in the Producer Price Index (PPI) which had been risen for 8 months. This indicates that the prices of goods and services in the final stage are likely to depend on some prices of goods in manufacturing stages, which must be closely monitored.

Excluding volatile food and energy prices, the core CPI increased 0.19 percent (YoY), accelerating from 0.07 percent in the previous month.

On a monthly basis, the CPI rose 1.59 percent (MoM). The third quarter of 2021, it rose 2.36 percent (YoY) compared to the third quarter of last year and rose 0.74 percent (QoQ) compared to the previous quarter this year. For a 9-month average, the headline inflation increased 0.83 percent (AoA).

For the inflation in the fourth quarter of 2021, unless there are any government measures on lowering cost-of-living that significantly affect the prices of goods and services, the CPI is projected to rise continuously from the previous quarter due to three major factors including: (1) The price of energy tends to rise with observation on deceleration rate, (2) The Covid-19 restrictions are expected to be eased shortly, of which the results can promote economic activities, and (3) The figure of Thai Baht represents depreciation which affects manufacturing and logistics costs. However, the prices of some volatile raw food, particularly rice, fresh vegetables and fruits, are not only expected to drop compared to last year but also fluctuate in accordance with the varying climate and natural disasters. Nevertheless, the Covid-19 situation is also a major risk factor that has a substantial impact on economic recovery and inflation which must be noticed indeed.

Annual headline inflation in 2021 is projected to grow at the rate between 0.8 to 1.2 percent (with an average of 1.0 percent) which is an appropriate range that would effectively support the current Thai economy.

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