

Inflation Report Summary – October 2021

The headline inflation in October 2021 rose 2.38 percent (YoY) from 1.68 percent in the previous month, which continuously expanded for 2 months. It was primarily owing to the globally soaring prices of gasoline. Another upward contribution came from some raw food, especially fresh vegetables, which were damaged from flood water in several areas, as well as eggs, of which their prices went up at a decelerated rate compared to the same period last year. Furthermore, the prices of food items at home and away from home, seasonings and condiments increased as a rise in the material costs. Nevertheless, the prices of most raw food continuously dropped, including rice, glutinous rice, pork, fresh chicken, and fresh fruits. Other prices were quite stable and moved in line with the current production and consumer demand. An exemption was applied to raw food that their prices slightly fluctuated compared to the same period last year.

The increase of current inflation was not only contributed mainly from the increasing prices of energy but also effect of easing restriction measures on Covid-19 and economic stimulus packages from the government, leading to the consequence that businesses and individuals gained in purchasing power. It was in accordance with relevant key economic indicators which expanded compared to the same period last year in both demand and supply. The former includes VAT revenue on imports and value of exports that had continuously expanded. Moreover, the Construction Materials Price Index (CMI) rose 10.0 percent on an annual basis. The Consumer Confidence Index (CCI) increased to 43.4 from a record of 42.1 a month earlier, which continuously expanded for 3 months and shows a sign of an upward direction. For supply, it was reflected from an increase in production. The Manufacturing Production Index (MPI) began to expand, but it was still lower than the same period last year. There was also a consistently annual increase of 6.9 percent in the Producer Price Index (PPI).

However, the agricultural products were confronted with dropping prices and the adverse effect of flooding which caused a first reduction in income for farmers in 15 months. This might subsequently result in changes in demand and inflation of the country that must be closely monitored.

Excluding volatile food and energy prices, the core CPI rose 0.21 percent (YoY), accelerating accordingly with the current economic situations from 0.19 percent in September. On a monthly basis, the headline CPI increased 0.74 percent (MoM). For a 10-month average, it increased 0.99 percent (AoA).

The CPI for November 2021 is projected to rise due to three major factors including: (1) The relief of Covid-19 situation in many areas as the more distribution of vaccine and the release from lockdown, of which the results can promote economic activities. The country reopening for tourists from November 1, 2021, is also a significant factor. (2) The prices of energy tend to rise which affect costs of production and services, as well as logistics. (3) Flooding in many areas have adversely affected quantities of the agricultural products, causing changes in their prices. For other products, their prices moved in line with the current production and consumer demand. However, most of raw food, particularly rice, pork, fresh chicken, and fresh fruits are expected to drop. 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.