

## Inflation Report Summary – November 2021

The headline inflation in November 2021 rose 2.71 percent (YoY), from 2.38-percent growth in the previous month. It was primarily owing to the globally soaring retail prices of gasoline since their prices last year remained at a low level. Another upward contribution came from fresh vegetables, which were damaged from floodwater. Moreover, the prices of pork, food items at home and away from home, as well as seasonings and condiments advanced as a rise in the production costs. In contrast, the prices of some major goods dropped, including rice, fresh chicken, fresh fruits, non-alcoholic beverages (drinking water and instant coffee), and clothes. Other prices were quite stable and moved in line with the current production and consumer demand.

The current inflation has continuously expanded from last month, which was a consequence of easing restriction measures on Covid-19 and economic stimulus packages from the government for promoting domestic tourism and spending. These measures generally support the country's economy and purchasing power. The direction 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. The former includes VAT revenue on imports and the value of exports that had continuously expanded. The Construction Materials Price Index (CMI) rose 10.4 percent (YoY), accelerating from 10.0 percent in the previous month. The Consumer Confidence Index (CCI) for future economic conditions (3 months ahead) increased from a record of 48.8 in the previous month to 50.7 this month, leading to a rise in the overall CCI from 43.4 last month to 45.2 this month, which indicated a slightly below degree of confidence. For supply, it was reflected from an increase in Capacity Utilization (Cap-U) and Manufacturing Production Index (MPI), which was consistent with 8.5-percent growth in the Producer Price Index (PPI), accelerating from 6.9 percent in the previous month.

Excluding volatile food and energy prices, the core CPI rose 0.29 percent (YoY), accelerating from 0.21 percent in the previous month. On a monthly basis, the headline CPI increased 0.28 percent (MoM). For an 11-month average, it increased 1.15 percent (AoA) (This number is close to a figure projected by the Ministry of Commerce that average inflation in 2021 would be in between 0.8 and 1.2).

The CPI for December 2021 is projected to rise continuously due to the recovery of the country's economic situation. The prices of energy have remained at a high level and tend to rise gradually compared to the same period last year, which affect production and logistics costs. For food prices, they are expected to increase continuously, according to consumer demand, production quantities, costs, and raw material. Another factor is a set of economic stimulus measures issued by the government, aimed at supporting consumers, industries, and the overall economy. Additionally, exports are continuously expanded, and tourism shows a positive direction, which significantly affect the prices of goods and services, as well as the country's inflation. However, the new variant of concern, named Omicron, is a risk factor that must be closely monitored.

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.

The direction of headline inflation in 2022 is projected to increase, mainly owing to a growth in both domestic and foreign demand that was consistent with the growth in Gross Domestic Product (GDP). The supporting factors include the expansion of tourism, exports, production, and a series of economic stimulus measures from the government that would encourage purchasing power. Furthermore, higher demand for energy from the recovery of the global economy would affect retail gasoline prices, which has a large proportion in the inflation basket. For supply, raw food shows a positive sign for inflation, following a higher demand and damages from climate. Other prices were quite stable

and moved in line with an increase in production and logistics costs, and depreciation of the Thai baht. For crude oil supply, it is expected that the major oil producer group would raise production balanced with the consumer's needs.

All the same, the mentioned factors and their projection are viewed as fluctuation. Additionally, pressure from the new Covid-19 variant that just emerged might adversely affect the Thai economy. The prices of energy and agricultural products still fluctuate. The government measures could also limit an expansion in inflation, which the Ministry of Commerce will monitor and evaluate any situations closely.

**Annual headline inflation in 2022 is projected to grow at the rate between 0.7 to 2.4 percent** which is a rate that presumably reflects the economic situation in 2022.

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