

Inflation Report Summary – December 2021

The headline inflation in December 2021 rose 2.17 percent (YoY), decelerating from 2.71-percent growth in the previous month. It was owing to the suppression of domestic **gasoline prices** on a government measure. The upward contribution over the past 12 months came from such fresh food that the prices of **fresh vegetables** increased, as well as prices of **pork and eggs** advanced as a rise in livestock production costs, especially swine disease prevention. Additionally, the prices of **cooking oil, rice and curry** went up as a rise in production costs and ingredients. In contrast, the prices of **rice, glutinous rice, fresh fruits, clothes, housing rents, tuition fee** have dropped. Other prices, such as non-alcoholic beverages, cleaning supplies, and personal items were quite stable and moved in line with the current production and economic situation.

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 domestic purchases. The value of exports also continuously expanded. For supply, it was reflected from an increase in Capacity Utilization (Cap-U) and Manufacturing Production Index (MPI). Moreover, the overall Consumer Confidence Index (CCI) have continuously expanded for the fifth consecutive months, reaching a level at 47.0 this month from 45.2 a month earlier. Aside from the three indicators already described for supply, the Construction Materials Price Index (CMI) and the Producer Price Index (PPI) rose 8.9 and 7.7 percent (YoY), respectively.

Excluding volatile food and energy prices, the core CPI rose 0.29 percent (YoY) which remained unchanged from the past month. On a monthly basis, the headline CPI decreased 0.38 percent (MoM). The final quarter of 2021, it rose 2.42 percent (YoY) and rose 1.80 percent (QoQ) compared to the previous quarter this year. For a 12-month average, it increased 1.23 percent (AoA).

The average inflation throughout 2021 rose 1.23 percent, which is close to a figure projected by the Ministry of Commerce that the average inflation in 2021 would be in between 0.8 and 1.2. **Excluding volatile food and energy prices, the average core CPI rose 0.23 percent,** which is as same as the rate last year. The first factor that contributed to the rise in inflation this year was gasoline, of which the supply did not meet the demand, and the smaller supply means higher prices globally for fuels and their related products. The second contribution came from fresh vegetables that were submerged from flood water. Seasonings and condiments, food items at home and away from home were also significant factors as a rise in production costs. On the other hand, these were partially offset by downward contributions from rice, glutinous rice, and fresh fruits since a drop in both domestic and international demand during the Covid-19 pandemic, as well as the production increased compared to last year. The several government measures affected on a reduction in utility costs and tuition fee. Other prices moved in normal direction. The inflation throughout this year indicated that prices for goods and services in 2021 were still stable and moved in line with the current supply and demand.

The direction of headline inflation in 2022 is projected to increase at the level relevant to supply and demand due to the recovery of the country's economic situation. The domestic and international demand will get supported from tourism, exports, and production. Another demand of energy will be additionally a significant factor. Furthermore, economic stimulus packages from the government will lead to a consequence that businesses and individuals are able to gain in purchasing power. For the supply that will make contributions to the inflation, it is expected that there will be a rise in production and logistic costs, along with depreciation of the Thai baht, and labor shortages. These factors will affect manufacturing sectors and prices of goods. However, all mentioned factors and their projection are viewed as fluctuation. Pressure from Covid-19 situations are also a risky factor that might adversely affect Thai economy, causing the limit in expansion of inflation.

Annual headline inflation in 2022 is projected to grow at the median of 1.5 percent which is an appropriate range that would effectively support the current Thai economy.