

## Inflation Report Summary – August 2021

The headline inflation in August 2021 contracted for the first time in 5 months, primarily owing to the government measures to lower the cost of living and the dropped prices of particular agricultural products; as well as energy prices began to decelerate. Other prices were quite stable and moved in line with the current production and demand.

The Consumer Price Index in August 2021 decreased 0.02 percent (YoY), decelerating from a 0.45 percent growth in the previous month. This was a result of the government measures, especially on the tuition fees and utility bills reduction. The prices of particular agricultural products, such as pork, fresh vegetables, and fresh fruits, were significantly lower compared to the same period of the previous year. Energy prices, although still continued to expand, moved at a decelerated rate. Some prices such as eggs, seasonings, and condiments increased; while other prices were quite stable and moved in line with the current production and demand. As a result, August inflation declined.

Excluding volatile food and energy prices, the core CPI increased 0.07 percent (YoY), decelerating from 0.14 percent in the previous month. On a monthly basis, the CPI rose 0.18 percent (MoM). For an 8-month average, headline inflation increased 0.73 percent (AoA).

Although inflation this month declined, compared to the same period last year, a number of relevant key economic indicators has shown promising figures. VAT revenue on consumption and imports edged up. Exports expanded following the recovery of major markets which contributed to domestic purchasing power and demands. In addition, the Producer Price Index (PPI) and Construction Materials Price Index (CMI) continued to expand at the rates of 4.9 percent (YoY) and 8.8 percent (YoY) respectively which are in line with the expansion of Manufacturing Production Index (MPI). However, amid the tightening pandemic restriction, domestic purchasing power and demands could be uplifted in the light of Thai exports recovery and government stimulus measures, more or less.

The CPI for September 2021 is projected to rise at a gradual rate following the end of the government measures on lowering cost-of-living by reducing electricity and water bills in August. The price of energy is also a significant factor as it tends to be stable or slightly lower due to major oil producers increasing their production. In addition, the COVID-19 situation is likely to ease. However, fresh food prices and the renewal of the government's cost-of-living measures are key factors that might deter the inflation in September.

Annual headline inflation in 2021 is projected to grow at the rate between 0.7 to 1.7 percent (with an average of 1.2 percent), which is an appropriate range that would effectively support the current Thai economy. The projection for 2021 inflation is scheduled to be reviewed in September 2021.

Trade Policy and Strategy Office  
Ministry of Commerce  
6 September 2021