

Thailand's inflation rate in 2022 was close to its projection and expected to decelerate in 2023

Mr. Poonpong Naiyanapakorn, the Director-General of TPSO reveals that Consumer Price Index (CPI) in December 2022 was at 107.86 and 101.86 in December 2021. **The headline inflation in December 2022 rose by 5.89 percent (YoY)**, following high prices of energy and food when compared with the previous year. Also, contributions were a low-price base of December 2021 and an improvement in domestic demand. When compared with the previous month, **the CPI dropped by 0.06 (MoM)**, decelerated for 2 consecutive months following a fall in fuel prices, pork, fresh chicken, eggs, and fresh fruits.

The annual average of CPI rose by 6.08 (AoA) which was close to the projection. Thailand's inflation rate was relatively low compared with others (latest data in November 2022) including the United States, the United Kingdom, Italy, Mexico, India, and some ASEAN countries such as Laos, the Philippines, and Singapore.

The current inflation was contributed by a 3.87-percent growth (YoY) of non-food and alcoholic beverages following energy prices which increased by 14.62 percent, especially prices of fuel, electricity, LPG, and public transportation fare. Moreover, prices of cleaning supplies (dishwashing liquid, softener, detergent), toothpaste, shampoo, and haircut service slightly rose. However, prices of some particular items decreased such as cleansing foam, face powder, skincare, TV, washing machine, air conditioner, and cable TV membership. **Another contribution was an 8.87-percent growth (YoY) of food and non-alcoholic beverages**, especially prepared food with a 9.66-percent growth such as curry and rice, breakfast, noodle, and instant noodle of which prices rose following high ingredient and production costs. In addition, prices of pork, fresh chicken, eggs, and rice were still high when compared with the same period last year following rising domestic demand. While prices of some fresh fruits and vegetables dropped such as tomato, cabbage, chili, Chinese cabbage, tamarind sauce, dried/shredded coconut, banana, and durian.

The core inflation rose by 3.23 percent (YoY) which slightly increased from a 3.22-percent growth in the previous month as production costs were still high.

The CPI dropped by 0.06 percent (MoM) which decelerated for 2 consecutive months. The main contribution was a 0.30-percent drop in non-food and alcoholic beverages following falling prices of fuel, men's clothing and shoes, refrigerators, ironing liquid, softener, and detergent. Prices of some particular items dropped such as pork, fresh chicken, grilled chicken, eggs, tangerine, rose apple, guava, banana, tamarind sauce, and vegetable oil. Meanwhile, prices of rice, some fresh vegetables (coriander, morning glory, Chinese kale), instant coffee, food at home and away from home, and public transportation fare slightly increased.

For the annual average, the CPI rose by 6.08 percent (AoA) which was close to the projection (between 5.5 – 6.5 percent, with a 6.0-percent mid-range). The main contributions were rising energy prices following limited production controlled by OPEC countries and the geopolitical

conflict between Russia and Ukraine which led to a tight supply of energy and finally high domestic prices of fuel, electricity, and LPG. High energy prices together with adjusted minimum wage and interest rate, as well as Thai Baht depreciation were hidden costs in all stages of production and led to increasing prices of goods and services. Furthermore, pig diseases, floods, growing domestic demand, a low-price base of 2021, and rising prices of goods and services were factors of high inflation in 2022. However, the deceleration of inflation at the end of 2022 came from a fall in fuel prices, recovered flood situation, and the government's measures on lowering costs of living.

The inflation in 2023 tends to significantly decelerate from 2022 as most prices are stable and start to drop from their gradual increase following high costs in the previous year. While energy prices, especially crude oil tend to decelerate following lower demand and global economic situation. Additionally, the high-price base of 2022, the government's measures on lowering costs of living and price control would limit an expansion of inflation. While the adjustment of electricity bills and minimum wages, fluctuated Thai Baht, growing domestic demand, the government's stimulus measures were factors that increase inflation. However, fluctuated commodity prices resulting from geopolitical conflicts, climate change, COVID-19, and animal diseases were risk factors for inflation that should be closely monitored.

The Ministry of Commerce expected the headline inflation to range between 2.0 – 3.0 percent in 2023 which is in line with the current economic situation and would be revised if there are any significant changes.

The overall Consumer Confidence Index (CCI) in December 2022 improved to 50.4 compared with 49.9 in the previous month, the highest level and above the confidence level for the first time in 43 months (since May 2019) before the COVID-19 pandemic. Both current and future CCIs improved following Thailand's economic recovery supported by tourism, exports, good prices of agricultural products, and the government's measures that enhance purchasing power for households, and income for businesses. Also, a fall in energy prices when compared with the previous month led to higher confidence to the Thai economy.