

Headline inflation significantly decelerated and closed to the target range

Mr. Poonpong Naiyanapakorn, the Director-General of TPSO reveals that Consumer Price Index (CPI) in February 2023 was at 108.05 and at 104.10 in February 2022. **Headline inflation in February 2023 rose by 3.79 percent (YoY), decelerated for 2 consecutive months and was the lowest rate in 13 months. The figure started getting closer to the target range set by the minister of finance and the Monetary Policy Committee (MPC).** The main contribution was a deceleration of energy and some food prices, especially prepared and fresh food. Also, a high-price base in 2022 resulted in a limited expansion of inflation. However, geopolitical conflicts and severe drought would be risk factors affecting energy and food prices that should be closely monitored.

In January 2023, Thailand's inflation rate was the 29th lowest rank out of 139 economies which was relatively low compared with others including the United States, the United Kingdom, Italy, Mexico, India, South Korea, and some ASEAN countries such as Lao PDR, the Philippines, Singapore, and Indonesia.

The current inflation was contributed by a 5.74-percent growth (YoY) of food and non-alcoholic beverages which decelerated from 7.70-percent growth last month, following a slower growth of prepared food, vegetables and fruits (lime, cucumber, watermelon, tangerine), rice, eggs and dairy products (eggs, soy milk), seasoning and condiments (soy sauce, chili paste, oyster sauce), and non-alcoholic beverages (coffee/tea, instant coffee, soft drink). While prices of meats (chicken, mackerel, pork) still increased following high production costs and rising demand. However, prices of some particular items decreased such as kale, coriander, chili, vegetable oil, dried/shredded coconut, and tamarind sauce. **Another contribution was a 2.47-percent growth (YoY) of non-food and beverages** which decelerated from 3.18-percent growth last month, following a price drop in several items such as gasoline, electrical appliances (TV, air conditioner, washing machine), deodorant, skin protection and skincare, face powder, diapers, travel packages and cleaning supplies (dishwashing liquid, toilet cleaner, pesticide). Meanwhile, prices of electricity, LPG, public transportation fares (taxi, boat, minibus, airplane), construction materials, and personal care (toothpaste, tissue paper, haircut) slightly increased.

The core inflation rose by 1.93 percent (YoY) which is a decelerated rate.

The CPI dropped by 0.12 percent (MoM) contributed by a 0.41-percent drop in food and non-alcoholic beverages, following a price drop in pork, chicken, rice, fresh vegetables and fruits (kale, coriander, spring onion, mango, tangerine, watermelon) which was owing to higher supply.

Also, prices of vegetable oil, dried or shredded coconut, and seasonings decreased. Another contribution was a 0.09-percent growth in non-food and beverages, following a slight increase in prices of fuel (except diesel), public transportation fares, house rent, and construction materials. While prices of some items dropped such as personal care (sanitary napkins, shampoo, toothpaste, soap), and dishwashing liquid.

The inflation in March 2023 is expected to decelerate. The main contribution was a price drop in fresh food, fuel following the world market price which is lower than last year, and a high-price base in March 2023. Moreover, shrunk export from lower demand, and tightening monetary policy would put pressure on inflation's expansion. However, higher electricity bills when compared with the previous year and rising LPG prices effective from March 2023 onwards, a recovery of tourism, and good prices of agricultural products would increase inflation. In addition, geopolitical conflicts and severe drought may impact the world market prices of consumer goods and would finally affect domestic prices of goods and services 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 February 2023 improved to 52.5 from 51.3 in the previous month. The figure has been improved for 8 months and above the confidence level for 3 consecutive months which was the record high in 4 years, following a rise in both current and future CCIs. The future CCI improved to 58.5 from 57.2 in the previous month, following Thailand's economic recovery driven by tourism with rising numbers of air flights and tourists. Moreover, the government's measures on lowering the cost of livings and economic stimulus, good prices of several agricultural products, and a drop in diesel price when compared with the previous month significantly increased consumers' confidence towards Thailand's economic situation.

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