

Thailand's inflation remained at a low level

Mr. Poonpong Naiyanapakorn, the Director-General of TPSO reveals that Consumer Price Index (CPI) in July 2023 was at 107.82. When compared to 107.41 in July 2022, **the headline inflation rose only by 0.38 percent (YoY) and remained at a low level.** The main contributions were a deceleration of food prices, especially a 3-month drop in prices of pork and seasonings, a 5-month fall in fuel prices compared with the previous year, as well as a high-price base in July 2022.

From the latest data in June 2023, inflation rates in most economies tend to decelerate. Thailand is considered a low-inflation economy for both headline and core inflation rates, and had the lowest figure among 7 ASEAN countries, of which figures had already been announced (Lao PDR, the Philippines, Singapore, Indonesia, Malaysia, and Vietnam).

The current inflation was contributed by a 1.49-percent growth (YoY) in food and non-alcoholic beverages which significantly decelerated from the previous month. Items with rising prices were 1) fresh vegetables and fruits (lime, ginger, eggplant, rambutan, watermelon, tangerine), and eggs, following low yield from turbulence 2) rice and flour products (glutinous rice, cracker, vermicelli), non-alcoholic beverages (instant coffee, syrup, soft drinks), and dairy products (soymilk, condensed milk, creamer), following high production costs, and 3) prepared food, of which prices slightly increased. However, there is a price drop in some particular items such as 1) pork, following high supply 2) rice, following promotional activities, 3) seasonings (vegetable oil, dried/shredded coconut, tamarind sauce), and 4) some fresh vegetables (spring onion, chili, coriander).

Another contribution was a 0.38-percent drop (YoY) in non-food and beverages, following a consecutively 5-month drop in fuel prices for both diesel and gasoline (except E85). Moreover, there is a price drop in clothes, electrical appliances (TV, air conditioner, washing machine), mobile phones, cleaning supplies (detergent, softener, washing liquid), surgical mask, and cable TV membership. While prices of some particular items rose such as electricity bills, LPG, personal care (body powder, tissue paper, toothpaste), personal services (haircuts), medicines (cold medicine, painkiller, cough medicine), and public transportation fares (airplane, motorcycle, minibus).

The core inflation rose by 0.86 percent (YoY), decelerating from a 1.32-percent growth in June 2023. **For a 7-month average, the CPI rose by 2.19 (AoA)** which was within the target range set by the minister of finance and the Monetary Policy Committee (between 1.0 – 3.0 percent).

The CPI decreased by 0.01 percent (MoM), contributed by a 0.60-percent drop in food and non-alcoholic beverages, following a fall in meats (pork, beef, seafood), vegetables and fruits (lime, spring onion, long bean, rambutan, durian, longan), seasonings (vegetable oil, oyster sauce, coconut milk). While prices of rice, glutinous rice, eggs, soft drinks, and delivery food slightly increased. Another contribution was a 0.42-percent growth of non-food and beverages, following a rise in fuel prices (except diesel), house rent, cleaning supplies, and personal items (dishwashing liquid, ironing liquid, toilet cleaner, toothpaste, skin protection and skincare), haircuts, and air tickets. While prices of some items decreased such as diesel, clothes, electrical appliances (TV, washing machine, air conditioner), and cleaning supplies and personal items (detergent, softener, washing liquid, shampoo, conditioner).

The headline inflation in August 2023 is expected to slightly increase within a limited range, supported by 1) growing food prices from low yield according to worse droughts 2) high prices of prepared food, 3) rising fuel prices as OPEC+ countries lower their production, and 4) Russia-Ukraine tensions. However, a high-price base in August 2022 would limit inflation's growth. Thus, fluctuating fuel prices, droughts, world economic situation, and geo-political conflicts are still adverse factors to Thailand's inflation that should be closely monitored.

With the above-mentioned factors, the headline inflation of 2023 is expected to range between 1.0 – 2.0 (1.5 percent mid-range) and would be revised again if there are any significant changes.

The overall Consumer Confidence Index (CCI) in July 2023 dropped to 53.3 from 56.1 in the previous month, but the figure has been above the confidence level for 8 consecutive months (since December 2022). Both current and future CCIs decreased following political uncertainty in Thailand, as well as rising gasoline prices compared with the previous month. However, a gradual recovery of the Thai economy and tourism also encouraged consumers' confidence.