

Inflation Report Summary – June 2021 and the 2nd quarter of 2021

The headline inflation in June 2021 slowed down from the previous month, primarily due to the government measures to lower the cost of living towards utility bills. Including falling prices of particular agricultural products while energy prices continued to expand **but at a decelerated rate**.

The Consumer Price Index in June 2021 increased 1.25 percent (YoY), decelerating from 2.44 percent in the previous month. The rising oil prices were still the main reasons for the expansion as the index for energy increased 8.95 percent. In addition, the price of **particular agricultural products** such as pork, eggs, fresh fruits, and vegetable oil increased. However, the government measure to reduce utility bills and the declining price of some fresh food such as rice and fresh vegetables were the factors that decelerate the inflation rate. Other prices were quite stable and moved in line with the current production and demand during the COVID-19 pandemic.

Excluding volatile food and energy prices, the core CPI increased 0.52 percent (YoY), and continued to rise from the previous month's growth of 0.49 percent. On a monthly basis, the CPI rose 0.38 percent (MoM). On a quarterly basis, the index increased 2.36 percent for the second quarter of 2020 (YoY) and increased 0.74 percent compared with the first quarter (QoQ). For the first half of 2020, headline inflation increased 0.89 percent (AoA).

Apart from supply factors such as energy and fresh food prices, demand factors were likely to encourage consumption evidenced by an increase in products related to exports and imports such as food products, electric appliances, computers, and electronics. This was in line with the expansion of related economic indicators such as the Producer Price Index, VAT revenue from imports, and sales of commercial vehicles and motorcycles. Moreover, farmers' income continued to expand in line with agricultural prices.

The headline inflation for the second half of 2021 continues to be influenced by the high prices of energy. Besides, the global economy has shown signs of recovery which has a positive effect on exports and the manufacturing sector. This will also be a factor that causes inflation for the rest of the year to continue to expand. However, the outbreak of COVID-19 could limit economic activities, affecting overall income and consumption. In addition, there is an opportunity for the government to extend relief measures causing the inflation rate to move within a limited range and does not exceed the Bank of Thailand's inflation target of 1 to 3 percent.

In consideration of the current situation and trends, the Ministry of Commerce has adjusted the assumptions for inflation forecasting as follows: 1) Dubai crude oil price will move in the range of 60 - 70 USD/barrel, 2) the exchange rate will have a narrow bound movement between 30 – 32 baht/USD and 3) Thai GDP will be between 1.5 - 2.5 percent. **Annual headline inflation in 2021 is projected to stay between 0.7 to 1.7 percent (with an average of 1.2 percent)**, similar to the previous rate, which is an appropriate range that would effectively support the current Thai economy.

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