

Headline inflation finally returned to the target range

Mr. Wichanun Niwatjinda, the Deputy Director-General of TPSO reveals that Consumer Price Index (CPI) in March 2023 was at 107.76 and at 104.79 in March 2022. **Headline inflation in March 2023 rose by 2.83 percent (YoY), decelerated for 3 consecutive months and was the lowest rate in 15 months. The figure was within the target range set by the minister of finance and the Monetary Policy Committee (MPC).** The main contribution was a deceleration of energy and most food prices, including eggs and dairy products, vegetables and fruits, seasoning and condiments, food at home, and food away from home. Also, a high-price base in 2022 was part of deceleration. In Q1/2023, the headline inflation rose by 3.88 percent.

In February 2023, Thailand's inflation rate was the 20th lowest rank out of 134 economies which was relatively low compared with others including the United States, Italy, the United Kingdom, Mexico, India, South Korea, and some ASEAN countries such as Lao PDR, the Philippines, Indonesia, Singapore, and Vietnam.

The current inflation was contributed by a 5.22-percent growth (YoY) of food and non-alcoholic beverages, decelerating from a 5.74-percent growth last month. Prices of several items increased such as 1) vegetables and fruits (lime, cabbage, cucumber, watermelon, tangerine, guava) following low supply, 2) eggs, pork, and chicken as prices rose continuously but tended to decelerated 3) rice following promotional activities 4) soy sauce, chili paste, (hot/cold) tea/coffee and soft drink following higher production costs compared to the previous year and rising demand. Also, prices of prepared food slightly rose. However, prices of Chinese kale, coriander, celery, banana, durian, vegetable oil, shredded/dried coconut, and tamarind sauce dropped. **Another contribution was a 1.22-percent growth (YoY) of non-food and beverages,** decelerating from a 2.47-percent growth last month. Prices of several items rose such as electricity, LPG, transportation fares (taxi, boat, minibus, airplane), some fuels (diesel, LPG), tuition fee, personal care, and cleaning supplies (soap, toothpaste, softener, washing liquid) while prices for personal services (haircut, manicure) slightly rose. However, prices of gasoline, electrical appliances (TV, air conditioner, washing machine) men's clothes, surgical mask, facial cleansing foam, eyebrow pencil, hair color cream, cable TV membership, mobile phone, and domestic travel costs.

The core inflation rose by 1.75 percent (YoY), decelerating from a 1.93-percent growth in the previous month.

The CPI dropped by 0.27 percent (MoM) contributed by a 0.53-percent drop in food and non-alcoholic beverages, following a price drop in meats (pork, chicken), fresh vegetables and fruits (cucumber, Chinese cabbage, morning glory, banana, mango, grape) owing to low supply compared with last month. While vegetable oil price dropped following ingredient costs. Prices of food supplement, instant tea, and delivery food also decreased. Another contribution was a 0.08-percent drop in non-food and beverages, following a decrease in fuels, clothing and footwear, air conditioner, washing machine, refrigerator, toilet liquid, soap, facial cleansing foam, perfume, and skincare.

The inflation in Q2/2023 is expected to decelerate since prices of particular items dropped, especially fuel prices which directly and indirectly affect the inflation rate. The high-price base in 2022, and government's measures on lowering costs of living were also factors of lower inflation rate. Moreover, decelerated export, rising interest rate may decrease purchasing power and would limit an expansion of inflation. While rising prices of electricity and LPG, together with labour shortage are still factor for high costs. Also, Thailand's economic recovery, long holidays, and election-related activities would benefit the economy from growing demand affecting prices of goods and services that should be closely monitored.

The headline inflation forecast is revised from 2.0 – 3.0 (2.5 percent mid-range) **to 1.7 – 2.7 (2.2 percent mid-range)** 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 March 2023 was at 52.3 and has been above the confidence level for 4 consecutive months (since December 2022). However, the figure slightly decreased from 52.5 in the previous month, following a drop in both current and future CCIs. The reasons behind a slight drop were 1) a gradual growth of economic recovery supported by tourism and domestic consumption 2) decreasing prices of consumer goods, especially fuel prices 3) government's measures both on lowering costs of living and economic stimulus such as a freeze in electricity price and "We travel together" campaign 4) the upcoming election in May 2023 would increase economic activities, and these led to high confidence. However, concerns of high costs of living, especially household electricity prices, would be an adverse factor to CCIs in the future

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