

Inflation Report Summary – May 2021

The headline inflation in May 2021 continued to expand for the second month, but at an decelerated rate, primarily due to rising prices of energy and particular agricultural products while the government measure on lowering utility bills was a deterrent factor that prevents inflation from expanding too high. Other goods and services moved as normal and in line with demand, supply and promotional campaigns.

The Consumer Price Index in May 2021 rose by 2.44 percent (YoY), decelerating from 3.41 percent in the previous month. The rising oil prices were still the main reasons for the expansion as the index for energy increased 24.79 percent. In addition, the price of particular agricultural products such as pork, seafood, and fresh fruits increased according to the demand of both domestic and foreign markets. However, the measure to reduce utility bills and the declining price of some fresh food such as rice, eggs, and fresh vegetables were the factors that decelerate the inflation rate.

Excluding volatile food and energy prices, the core CPI increased 0.49 percent (YoY). The CPI decreased 0.93 percent (MoM) compared with the previous month and increased 0.83 percent for the first five months (January – May) of 2021 (AoA).

Apart from supply factors such as energy and fresh food prices, demand factors were likely to encourage consumption evidenced by an increase in Thai exports, agricultural prices, and farmers' income. The government stimulus packages also shore up purchasing power measured through VAT revenue, Private Consumption Index, and sales of commercial vehicles and motorcycles. The expansion of the Manufacturing Production Index (MPI) and capacity utilization (Cap-U) in many manufacturing sectors were in line with the Producer Price Index and the Construction Material Price Index which continued to expand. The Producer Price Index (PPI) increased by 5.8 percent (YoY) for the 4th straight month, and the Construction Materials Price Index (CMI) increased by 10.7 percent for the 9th consecutive month. The prices of oil and related products such as steel, rubber, and concrete were important factors causing PPI and CMI to increase.

The CPI for the rest of 2021 is projected to continue its rise but at a slower rate. The main reason for the expected rise is primarily from high prices of energy and some raw food compared with its low base last year; while, other goods and services are expected to move in line with production and demand for consumption. In addition, government measures are still substantial factors that alleviate inflation in particular time. However, the outbreak of COVID-19 could limit economic activities and inflation rate which need to keep a watchful eye on. **Annual headline inflation in 2021 is projected to grow at the rate between 0.7 to 1.7 percent (with an average of 1.2 percent)** which is an appropriate range that would effectively support the current Thai economy.

The Consumer Price Index for June 2021 is scheduled to be released on Monday, July 5th, 2021 at 10:30 a.m. BKK time

Trade Policy and Strategy Office
Ministry of Commerce
4 June 2021

