

Inflation Report Summary – February 2021

CPI in February 2021 decreased by 1.17 percent (YoY), a 12-month contraction since the initial outbreak of the coronavirus in March 2020. The major contraction was derived from government measures to reduce domestic cost of living via electricity and water bills (effective from February to March). In addition, prices of raw food, rice, glutinous rice, and fresh vegetables in particular significantly dropped following the increased supply and relatively low prices when compared with the previous year. Other items, except fuel prices, mostly moved in line with their supply and demand. While fuel prices increased for the first time in 13 months, owing to the increasing global oil price. **All items less food and energy (core inflation) rose 0.04 percent (YoY).**

The vast contraction of inflation this month was mainly from government measures to reduce cost of living, while the overall situation of domestic production and domestic consumption have gradually recovered. The recovery is noticed via the improvement in production side and demand side as 1) Thai exports grew for two-consecutive months, 2) the capacity utilization (Cap-U) was restored to the near-level of the pre-COVID outbreak, 3) unemployment rate reduced continuously, and 4) farm income continues to grow. Moreover, the government packages including cost of living reduction measures, purchasing power enhancement measures, and other economic stimulus packages have been continually launched and effectively implemented. Therefore, positive inflation is expected to rebound from April 2021 onwards.

The CPI in February decreased 1.17 percent (YoY), following a decrease of 1.60 percent in the index of non-food and beverages. The main contributing factor includes a fall in the index for shelter by 4.98 percent from reduced electricity and water bills among relief measures. The index for apparel and shoes dropped 0.22 percent. The index for recreation and education decreased 0.12 percent. The index for medical and personal care decreased 0.04 percent while the index for transportation and communication increased by 0.98 percent from all types of retail gasoline and transportation fee. The index for tobacco and alcoholic beverages increased 0.03 percent. Moreover, **the index for food and non-alcoholic beverages decreased 0.43 percent**, primarily attributable to the decline of indexes for rice, flour, and flour products, which dropped by 5.93, and fresh vegetables, which dropped by 3.53. the index for eggs and dairy products decreased 0.34 percent. The index for non-alcoholic beverages decreased 0.30 percent while the indexes for meats, poultry, and fish; fresh fruits; and seasonings and condiments rose 1.02, 0.78 and 3.35 percent respectively. The indexes for food at home and food away from home rose 0.32 and 0.54 percent.

The CPI in February 2021 decreased 0.91 percent (MoM) on a monthly basis and decreased 0.75 percent for the first two months (January - February) of 2021 (AoA).

Inflation in March 2021 tends to continuously contract at a slight rate, as the government measures to reduce domestic cost of living via electricity and water bills are still effective. While prices of rice are relatively low compared with last year and other agricultural products are likely to move in accordance with normal production. However, fuel prices might fluctuate following the global oil price and economic situation, but an upward trend is likely to be seen. **The annual rate of headline CPI in 2021 is projected to be between 0.7 and 1.7 percent (the average value is +1.2)** which is an appropriated range that would effectively support this year's economic growth.

