

Inflation Report Summary – January 2021

In January 2021, CPI (Inflation rate) and PPI have been rebased which is normally revised every 4 – 5 years. For CPI, the new base year is 2019, the year that the Household Socio-Economic Survey (SES) was conducted by the National Statistical Office (NSO) and was not affected by the COVID-19 pandemic. For PPI, the new base year is 2015 following the latest version of Input-Output Tables (I-O Tables) by the Office of the National Economic and Social Development Council (NESDC). By rebasing these indices, there are several significant improvements in terms of structure, coverage, and methodology. Also, the integration with other economic indicators is taken into account and would be beneficial to users.

CPI in January 2021 decreased 0.34 percent (YoY), a continuous contraction at 0.27 percent from the previous month. The major contributions came from low energy prices (dropped 4.82 percent) from a decrease of Ft value which has been effective till April 2021, prices of rice and glutinous rice which have continuously declined since the end of 2020 as they were not affected by drought and their demand is stable. While other items still moved in line with market mechanism. However, prices of fresh vegetables, seasonings and condiments rose resulting from flood situation in the south of Thailand and palm oil which increased following higher domestic demand. **All items less food and energy (core inflation) continuously expanded at 0.21 percent (YoY).**

The spread of COVID-19 has been a problem for all countries. The new spread in Thailand caused a slowdown of social and economic activities and affected spending and production of this month. This was in line with both demand and supply indicators including VAT collection, capacity utilization (Cap-U), and manufacturing production index (MPI) which decreased. Meanwhile, some indicators rose, especially for export, unemployment rate, and Farm Income Index. Also, Thai economic fundamental which still has potential, good management of public health, and effectiveness of COVID-19 vaccines in many countries would be beneficial for spending and inflation rate in the future.

The CPI in January decreased 0.34 percent (YoY), following a decrease of 0.83 percent in the index of non-food and beverages. The main contributing factor includes a fall in the index for transportation and communication by 1.86 percent from all types of retail gasoline prices dropped. The index for recreation and education decreased 0.40 percent. The index for shelter decreased 0.31 percent. The index for apparel and shoes dropped 0.18 percent while the index for medical and personal care increased by 0.23 percent and the index for tobacco and alcoholic beverages increased 0.05 percent. On the contrary, **the index for food and non-alcoholic beverages increased 0.58 percent (YoY)**, primarily attributable to the increase of indexes for meats, poultry, and fish which rose by 1.34 percent. The index for fresh vegetables increased 11.19 percent. The index for seasonings and condiments increased 3.11 percent. The indexes for food at home and food away from home rose 0.37 and 0.74 percent respectively while the index for rice, flour, and flour products declined by 5.02 percent. The index for fresh fruits drop 1.46 percent and the index for eggs and dairy products decreased 0.07 percent.

On a monthly basis, the CPI in January 2021 increased 0.09 percent (MoM).

Inflation in February 2021 tends to be affected by energy prices of which base is higher last year together with government's measures for lowering the cost of living by reducing utility bills for 2 months from February onwards. While prices of other items moved in a normal direction. However, the COVID-19 situation is a key factor limiting the recovery of social and economic activities and may lead to a contraction of inflation in February. **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).**

