

# Thailand Consumer Price Index

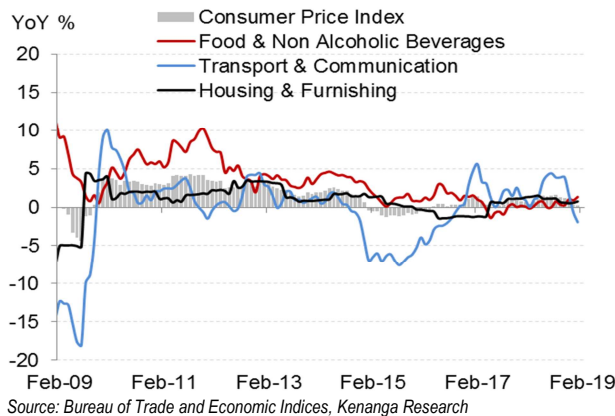
Edged up to 0.7% on higher food and domestic fuel prices

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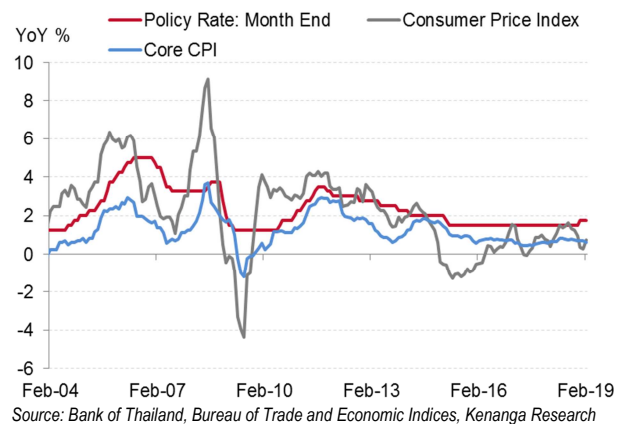
## OVERVIEW

- **Headline inflation accelerated to 0.7% YoY in February (Jan: 0.3%), slightly above consensus estimate of 0.6%, marking its first uptick after easing for the past five consecutive months.** Similarly, on a MoM basis, the index increased by 0.2%, after registering a flat growth in the preceding month. Meanwhile, the core inflation softened marginally to 0.6% YoY (Jan: 0.7%).
- **The higher CPI growth was underpinned by rising indices of food & non-alcoholic beverages (1.9%; Jan: 1.3%) and apparel & footwear (0.6%; Jan: 0.2%), as well as smaller decline in transport & communication index (-0.7%; Jan: -1.9%).** Food index picked up to a 30-month high, on the back of higher prices of fresh meats and less contraction in prices of vegetables, providing support to farmers' income. Likewise, transport index lessened its decline due to increase in domestic fuel prices (Gasohol 95: THB26.96/litre; Jan THB26.33/litre).
- **Moderating inflation trend in the advanced and regional economies amid low energy prices** (Jan. average Brent crude oil price: -14.0% YoY). US inflation extended its slowdown to 1.6%, the smallest gain since mid-2017, supporting Fed's dovish monetary policy stance. Driven by similar factor, inflationary pressure in the UK and other regional economies, including China and Indonesia also eased further. Of note, Bank of Indonesia's recent diversion from hawkish monetary policy position may be partly reflective of Indonesia's inflation level which has approached the lower end of its target range of 2.5-4.5%.
- **Our assesment of Thailand's inflation is that its growth would be rather subdued within a range of 0.5-1.0% in 2019 (2018: 2.0%), against the backdrop of cooling global growth and the ongoing trade dispute, which may translate into slowdown in domestic activities and lower crude oil prices. As inflation is envisaged to remain below Bank of Thailand's (BoT) target range of 1.0-4.0%, coupled with Thai Baht's strength, we believe BoT would maintain its policy rate at 1.75% throughout the year.**

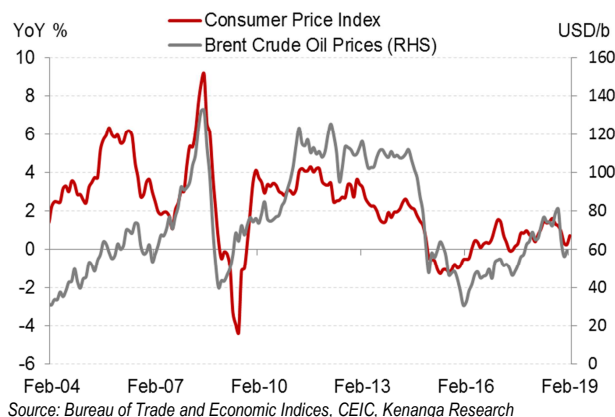
Graph 1: CPI by Main Categories



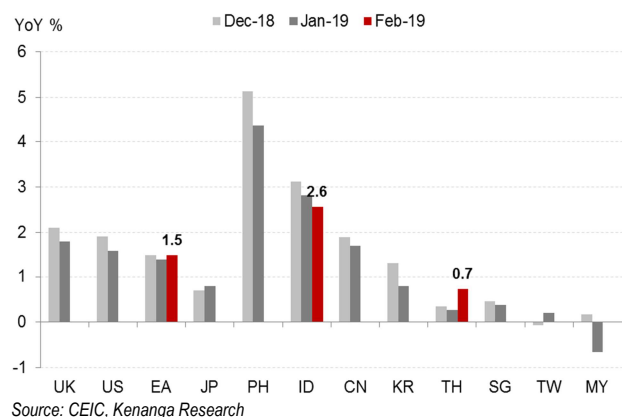
Graph 2: Policy Rate vs. CPI



Graph 3: CPI vs. Crude Oil Prices



Graph 4: CPI of Selected Economies



04 March 2019

**Table 1: Thailand Consumer Price Index Growth Trend (% YoY)**

| Base 2015=100                  | weight       | 2016       | 2017       | 2018       | Feb<br>-18 | Sep<br>-18 | Oct<br>-18 | Nov<br>-18 | Dec<br>-18 | Jan<br>-19 | Feb<br>-19 |
|--------------------------------|--------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| <b>CPI</b>                     | <b>100.0</b> | <b>0.2</b> | <b>0.7</b> | <b>1.1</b> | <b>0.4</b> | <b>1.3</b> | <b>1.2</b> | <b>0.9</b> | <b>0.4</b> | <b>0.3</b> | <b>0.7</b> |
| Core Inflation                 | 72.6         | 0.7        | 0.6        | 0.7        | 0.6        | 0.8        | 0.7        | 0.7        | 0.7        | 0.7        | 0.6        |
| Food & Non-Alcoholic Beverages | 36.1         | 1.6        | 0.0        | 0.4        | -0.2       | 0.4        | 0.3        | 1.0        | 0.9        | 1.3        | 1.9        |
| Transportation & Communication | 24.0         | -1.8       | 2.4        | 2.3        | 0.1        | 3.9        | 3.9        | 1.6        | -0.6       | -1.9       | -0.7       |
| Housing & Furnishing           | 23.3         | -1.0       | 0.2        | 1.0        | 1.3        | 0.7        | 0.6        | 0.5        | 0.6        | 0.8        | 0.7        |
| Medical & Personal Care        | 6.2          | 0.8        | 0.3        | 0.5        | 0.5        | 0.6        | 0.7        | 0.4        | 0.6        | 0.7        | 0.3        |
| Recreation & Education         | 6.1          | 0.8        | 0.6        | 0.4        | 0.6        | 0.3        | 0.3        | 0.3        | 0.3        | 0.3        | 0.3        |
| Apparel & Footwear             | 2.9          | 0.4        | 0.0        | 0.3        | 0.0        | 0.4        | 0.5        | 0.2        | 0.3        | 0.2        | 0.6        |
| Tobacco & Alcoholic Beverages  | 1.4          | 12.0       | 3.0        | 4.3        | 5.9        | 3.9        | 0.4        | 0.2        | 0.2        | 0.0        | 0.0        |

Source: National Statistical Office Thailand, CEIC, Kenanga Research

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