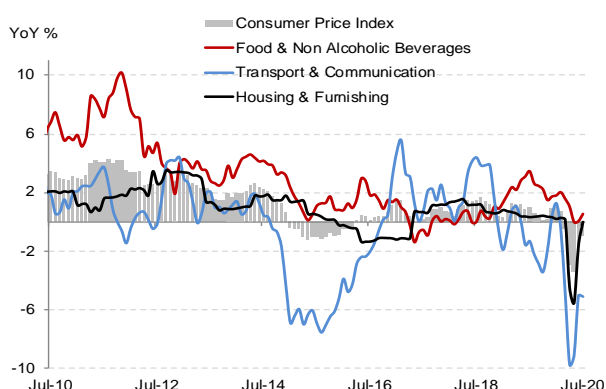


Thailand Consumer Price Index

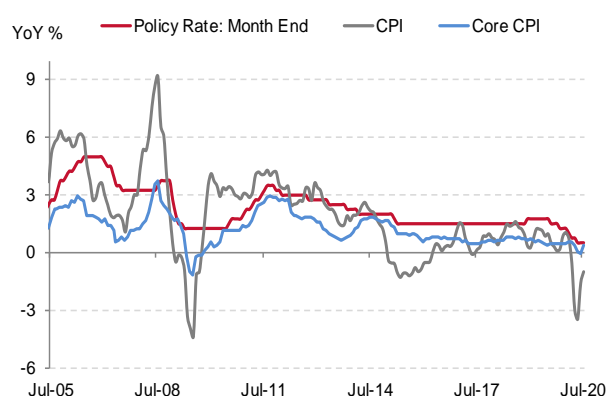
Deflation eased in July to its smallest in 4 months on reduced water bill subsidy

- **In July, consumer prices posted the smallest decline in 4 months (-1.0% YoY; consensus: -1.5%; Jun: -1.6%)**
 - MoM (0.7%; Jun: 1.6%): growth softened to a two-month low.
 - Core inflation (0.4%; Jun: 0.0%): rose to match a four-month high, suggesting improved demand condition amid further relaxation of COVID-19 containment measures on 1st July.
- **The ease in deflationary environment was broad based, led by smaller decline in prices of non-core goods (-4.5%; Jul: -5.6%)**
 - Housing & furnishing (-0.1%; Jun: -1.7%): the drop lessened to smallest in four months as the government relief measures in the form of three-month water bills reduction and payment fee exemption came to an end on 30th June.
 - Medical & personal care (1.2%; Jun: 0.2%): surged to over five-year high solely on a low base effect.
- **Inflationary pressure increased in most advanced and developing economies**
 - EA (0.4%; Jun: 0.3%): ticked marginally higher as smaller drop in energy prices offset lower growth in food prices.
 - PH (2.7%; Jun: 2.5%): accelerated for two straight months, reaching a 6-month high on higher transport and utility costs.
- **2020 CPI forecast maintained at -1.0 - 0.0% (YTD: -1.1%; 2019: 0.7%)**
 - The easing deflationary trend is expected to extend to the next few months, supported by gradual increase in oil prices and domestic demand, given further disbursement of the fiscal stimulus in 3Q20.
 - Policy-wise, we expect the BoT to keep the policy rate unchanged at 0.50% for the remainder of 2020, as indicated by its recent less-dovish tilt and noting the limited policy space.

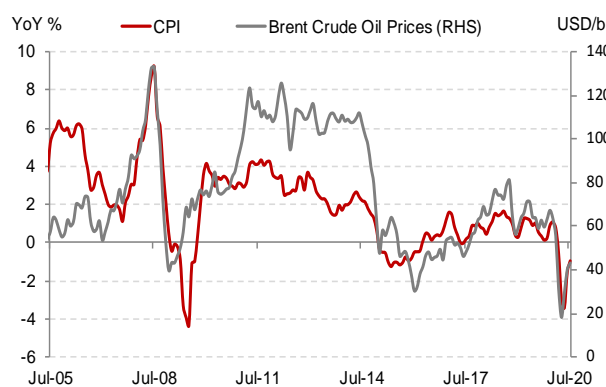
Graph 1: CPI by Main Categories



Graph 2: Policy Rate vs. CPI

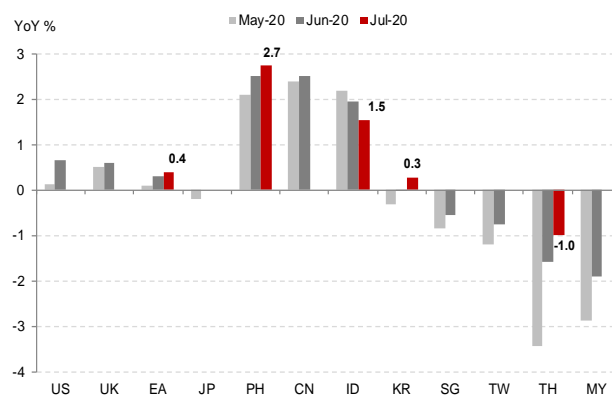


Graph 3: CPI vs. Crude Oil Prices



Source: Bureau of Trade and Economic Indices, CEIC, Kenanga Research

Graph 4: CPI of Selected Economies



Source: CEIC, Kenanga Research, BoT, Bureau of Trade and Economic Indices

07 August 2020

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

Base 2015=100	weight	2017	2018	2019	Jul-19	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20
CPI	100.0	0.7	1.1	0.7	1.0	0.7	-0.5	-3.0	-3.4	-1.6	-1.0
Core Inflation	72.6	0.6	0.7	0.5	0.4	0.6	0.5	0.4	0.0	0.0	0.4
Food & Non-Alcoholic Beverages	36.1	0.0	0.4	2.3	3.5	2.0	1.6	1.0	0.0	0.1	0.6
Transportation & Communication	24.0	2.4	2.3	-1.2	-1.3	-0.5	-4.9	-9.8	-9.2	-5.1	-5.1
Housing & Furnishing	23.3	0.2	1.0	0.4	0.3	0.2	0.1	-4.6	-5.6	-1.7	-0.1
Medical & Personal Care	6.2	0.3	0.5	0.2	-0.9	0.4	0.4	0.2	0.2	0.2	1.2
Recreation & Education	6.1	0.6	0.4	0.6	0.7	0.5	0.5	0.3	0.4	-0.3	-0.2
Apparel & Footwear	2.9	0.0	0.3	0.1	0.0	0.0	0.1	0.1	0.1	0.1	0.0
Tobacco & Alcoholic Beverages	1.4	3.0	4.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Source: National Statistical Office Thailand, CEIC, Kenanga Research

For further information, please contact:

Wan Suhaimie Wan Mohd Saidie
Head of Economic Research
wansuhaimi@kenanga.com.my

Atiqa Noor Azlan
Economist
atiqa.noorazlan@kenanga.com.my

Muhammad Saifuddin Sapuan
Economist
saifuddin.sapuan@kenanga.com.my

Afiq Asyraf Syazwan Abd. Rahim
Economist
afiqasyraf@kenanga.com.my

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KENANGA INVESTMENT BANK BERHAD (15678-H)

Level 17, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia

Telephone: (603) 2172 0880 Website: www.kenanga.com.my E-mail: research@kenanga.com.my