

Thailand Watch

Negative inflation expected through 1 Q24

Inflation decline continues

January witnessed a further decline in Thailand's headline Consumer Price Index (CPI), with a notable decrease of 1.11% YoY, signifying a persistent trend of weak inflation. This marks the fourth consecutive month of negative inflation and the lowest inflation rate in 35 months. The decline was largely attributed to decreases in both the prices of food and non-food and beverages, as well as the high base in January 2023. The CPI is flat on a month-on-month basis (+0.02% MoM).

Negative energy and food inflation

The prices of non-food and beverage items declined -1.13% YoY due to declining energy prices (-6.27% YoY), which were heavily influenced by government subsidies. Food and non-alcoholic beverage prices saw a decline of -1.06% YoY. This is mainly attributed to declining prices of vegetables (-7.47%YoY) due to the subsiding El Nino impact and higher output thanks to favorable weather conditions. Meat prices also declined markedly (-6.55% YoY) due to the high base in 2023.

Subdued core inflation

Excluding food and energy, core CPI inflation exhibited signs of stabilization of +0.02% MoM and marking a slight annual decrease to +0.52% YoY from the previous +0.58% YoY. Prices remained unchanged on a month-on-month basis across all major inflation categories, including apparel and footwear (-0.14% MoM), medical and personal care (+0.23% MoM), communication and equipment (-0.01% MoM), and housing and furnishing (+0.33% MoM). This underscores limited demand-pull inflationary pressure, in line with the recent weakening economic data.

BoT to disregard deflation risk

Due to decreased food and energy prices, government subsidies (the estimated impact is about 1.0-1.2ppt), and reduced domestic demand, we foresee inflation staying negative in 1 Q24. Despite acknowledging a lower-than-expected growth outlook, we expect the Bank of Thailand (BoT) to disregard these short-term trends, attributing the inflation drop to specific supply-side factors without deflation concerns.

Rising risk of a rate cut

The BoT will likely maintain the current policy rate at the Monetary Policy Committee (MPC) meeting this Wednesday. However, we think the risk of a rate cut in the second half of this year has risen as the recent economic indicators have pointed to a weaker-than-expected growth and inflation outlook. The prospect of the digital wallet program has also become more uncertain.

05 February 2024

GEM Economics
Asia | Thailand

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Timestamp: 05 February 2024 05:30AM EST

Exhibit 1: Headline inflation fell further in January

Consumer Price Index (%YoY)

	Weight	2022	2023	Nov-23	Dec-23	Jan-24
Headline CPI	100.00	6.08	1.23	-0.44	-0.83	-1.11
Food and beverages	36.29	6.92	2.56	0.20	-0.63	-1.06
Non-food and beverages	63.41	5.50	0.30	-0.87	-1.00	-1.13
Apparel and footwear	2.83	0.04	0.24	0.03	0.00	-0.10
Housing and furnishing	22.8	4.75	1.20	-0.76	-0.73	-0.74
Medical and personal care	6.16	1.13	1.57	0.88	0.88	0.93
Transportation and communication	24.21	9.06	-0.98	-1.84	-2.20	-2.50
- Motor fuel	8.03	23.93	-2.94	-4.74	-5.62	-6.27
Recreation and education	6.11	0.23	0.96	0.62	0.66	0.58
Tobacco and alcoholic beverages	1.59	2.00	0.80	1.01	1.00	0.94
Core CPI	72.52	2.50	1.27	0.58	0.58	0.52

Source: Ministry of Commerce

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Exhibit 2: Inflation remained stable MoM

Consumer Price Index (%MoM)

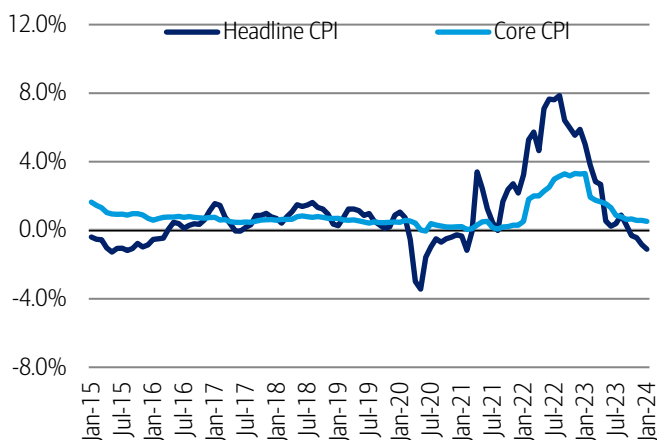
	Weight	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24
Headline CPI	100.00	0.55	-0.36	-0.28	-0.25	-0.46	0.02
Food and beverages	36.29	0.23	-0.16	0.18	0.23	-0.51	-0.31
Non-food and beverages	63.41	0.76	-0.50	-0.61	-0.58	-0.44	0.28
Apparel and footwear	2.83	-0.02	0.08	-0.17	0.00	-0.09	-0.14
Housing and furnishing	22.8	0.07	-1.29	0.01	-0.03	0.04	0.33
Medical and personal care	6.16	-0.01	-0.06	0.22	-0.16	0.03	0.23
Transportation and communication	24.21	1.87	-0.04	-1.58	-1.42	-1.13	0.33
- Motor fuel	8.03	4.54	-0.09	-3.73	-3.49	-2.77	0.79
Recreation and education	6.11	0.01	0.03	0.02	0.07	0.10	-0.06
Tobacco and alcoholic beverages	1.59	-0.05	0.27	0.46	0.03	0.01	0.03
Core CPI	72.52	0.02	-0.03	0.08	0.06	0.06	0.02

Source: Ministry of Commerce

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Exhibit 3: Headline inflation fell further, core inflation stabilized

Headline and Core CPI (%YoY)

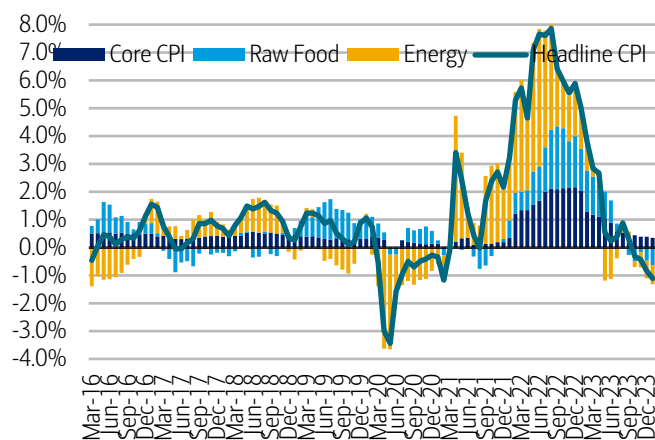


Source: Ministry of Commerce, KKPS

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Exhibit 4: Food and energy mainly dragged the inflation figure

Contribution to headline inflation



Source: Ministry of Commerce, KKPS

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