

Thailand Viewpoint

Disinflation continued

Negative inflation continued as expected

February saw a continued decrease in Thailand's Consumer Price Index (CPI), with a reduction of -0.77% YoY, highlighting the trend of disinflation. This represents the fifth successive month of negative inflation. The decline was still primarily due to decreases in food and energy prices as well as the high base last year. The CPI increased +0.22% MoM due mainly to a broad-based increase in energy prices.

Ongoing energy and electricity subsidies until April

Non-food prices saw a decrease of -0.63% YoY, driven by the impact of the government's electricity and energy subsidies. However, non-food CPI increased +0.60% MoM, in tandem with global oil prices. The subsidies, which are expected to be in place until April and are estimated to have impacted headline inflation by about 1ppt, will continue to put downward pressure on inflation until then.

Declining food prices

Food and non-alcoholic beverage prices witnessed a decline of -0.97% YoY (-0.33% MoM). This decrease is largely due to declining vegetable prices (-6.99% YoY, -4.08% MoM) as production increased due to favorable weather conditions. The YoY fall in meat prices was notable (-6.44% YoY, -0.38% MoM) due to the high base in 2023. Such a high base effect is significant for the first two months of 2024 and should subsequently subside throughout 2024.

Muted core inflation

Core inflation decelerated further to +0.43% YoY, down from +0.52% YoY in January. On a month-to-month basis, prices remained relatively stable, with a slight increase of +0.02% MoM. The prices of core items, including apparel and footwear, housing and furnishing, and communication and equipment, remained largely unchanged, showing flat month-on-month figures. This suggests limited demand-pull inflationary pressure, consistent with weak economic data.

Expecting two rate cuts in 2024

The inflation figures for February align with our expectation of subdued inflationary pressure in Thailand for the next 1-2 years, with our forecasts expecting inflation below 1% for both 2023 and 2024. Given the notable fall in inflation expectations, the real interest rate is likely to be higher than the Bank of Thailand's (BoT) previous assessment. In the meantime, lower growth potential would call for a lower neutral rate. This would mean a tightening in the monetary policy stance. As a result, we maintain our view that there will be two rate cuts in 2024, as the BoT recalibrates its policy stance.

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GEM Economics
Asia | Thailand

Pipat Luengnaruemitchai
Emerging Asia Economist
Kiatnakin Phatra Securities
+66 2 305 9221
pipat.luen@kkpfg.com

Exhibit 1: February experienced a continued decrease in Thailand's Consumer Price Index (CPI), with a reduction of -0.77% YoY

Consumer Price Index (% YoY)

	Weight	2022	2023	Jan-Feb-24	Dec-23	Jan-24	Feb-24
Headline CPI	100.00	6.08	1.23	-0.94	-0.83	-1.11	-0.77
Food and beverages	36.29	6.92	2.56	-1.02	-0.63	-1.06	-0.97
Non-food and beverages	63.41	5.50	0.30	-50.59	-1.00	-1.13	-0.63
Apparel and footwear	2.83	0.04	0.24	-0.17	0.00	-0.10	-0.23
Housing and furnishing	22.8	4.75	1.20	-0.77	-0.73	-0.74	-0.80
Medical and personal care	6.16	1.13	1.57	0.92	0.88	0.93	0.91
Transportation and communication	24.21	9.06	-0.98	-1.83	-2.20	-2.50	-1.16
- Motor fuel	8.03	23.93	-2.94	-4.63	-5.62	-6.27	-3.00
Recreation and education	6.11	0.23	0.96	0.55	0.66	0.58	0.52
Tobacco and alcoholic beverages	1.59	2.00	0.80	1.06	1.00	0.94	1.17
Core CPI	72.52	2.50	1.27	0.48	0.58	0.52	0.43

Source: Ministry of Commerce

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Exhibit 2: The CPI increased on a month-on-month basis (+0.22% MoM) due to a broad-based increase in non-diesel energy prices

Consumer Price Index (% MoM)

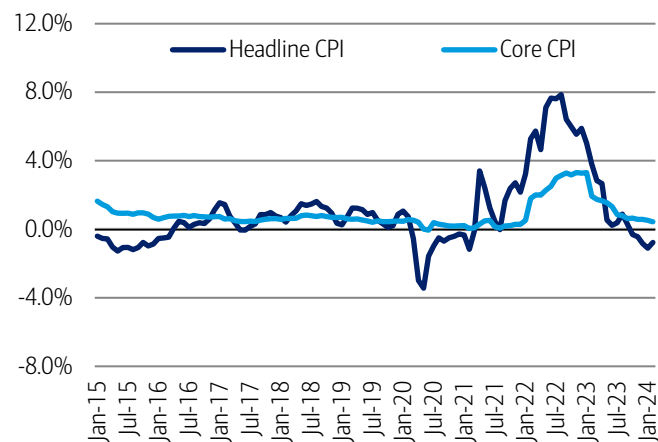
	Weight	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24
Headline CPI	100.00	-0.36	-0.28	-0.25	-0.46	0.02	0.22
Food and beverages	36.29	-0.16	0.18	0.23	-0.51	-0.31	-0.33
Non-food and beverages	63.41	-0.50	-0.61	-0.58	-0.44	0.28	0.60
Apparel and footwear	2.83	0.08	-0.17	0.00	-0.09	-0.14	-0.05
Housing and furnishing	22.8	-1.29	0.01	-0.03	0.04	0.33	-0.02
Medical and personal care	6.16	-0.06	0.22	-0.16	0.03	0.23	0.05
Transportation and communication	24.21	-0.04	-1.58	-1.42	-1.13	0.33	1.53
- Motor fuel	8.03	-0.09	-3.73	-3.49	-2.77	0.79	3.81
Recreation and education	6.11	0.03	0.02	0.07	0.10	-0.06	0.00
Tobacco and alcoholic beverages	1.59	0.27	0.46	0.03	0.01	0.03	0.38
Core CPI	72.52	-0.03	0.08	0.06	0.06	0.02	0.02

Source: Ministry of Commerce

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Exhibit 3: Headline inflation remained negative, while core inflation slowed

Headline vs Core Inflation

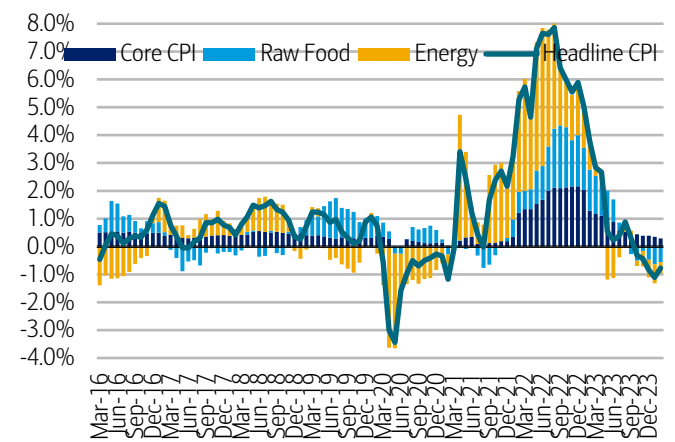


Source: Ministry of Commerce, KKPS

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Exhibit 4: Negative energy and food prices contributed to weak inflation

Contribution to headline inflation



Source: Ministry of Commerce, KKPS

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