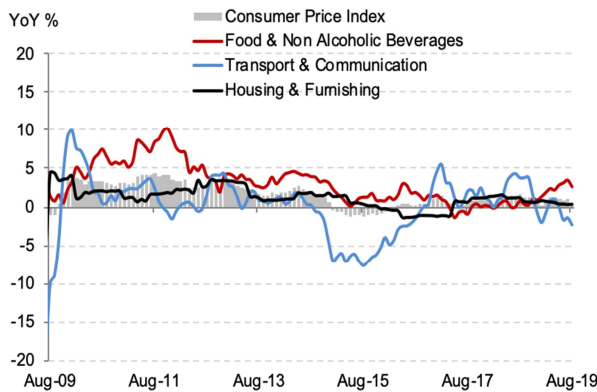


Thailand Consumer Price Index

Edges down in August on lower growth in transport and food indices

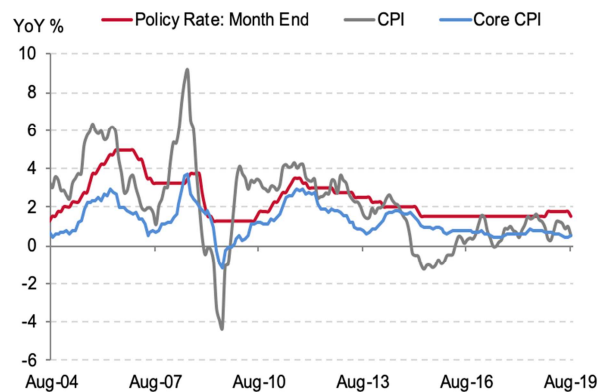
- **Headline inflation eased to a seven-month low, coming in at 0.5% YoY in August (Jul: 1.0%),** way below the Bank of Thailand's (BoT) target range of 1.0-4.0% and consensus estimate of 0.9%. On a MoM basis, the index fell by 0.2% (Jul: +0.1%), its second decline for the year. Though the core inflation growth edged up slightly to 0.5% YoY (Jul: 0.4%), it remained relatively tepid, indicating lacklustre demand-pull price pressure and moderating economic growth.
- **The lower CPI growth was attributable to a steeper decline in the transport & communication index (-2.2%; Jul: -1.3%) and lower growth in the index of food & non-alcoholic beverages (2.6%; Jul: 3.5%).** The drop in transport index has widened, reflecting a decrease in domestic fuel prices (Gasohol 95: THB27.5/litre; Jul: THB28.0/litre), as global oil price was pressured by Trump's threat to impose tariffs on USD300b of Chinese imports and China's retaliation through a devaluation of CNY. Similarly, food prices growth softened to its slowest pace in four months on lower poultry and vegetable costs. These have more than outweighed the increase in the medical & personal care and recreation & education indices.
- **Mixed inflation trends across the advanced and developing economies.** US inflation recorded a broad-based increase in July, with the core index marking the highest growth in six months (Jul: 2.2%). Inflation in the Eurozone sustained below the European Central Bank's (ECB) 2.0% inflation target for the tenth straight month (Jul: 1.0%), exerting pressure on the ECB to inject more monetary stimulus. Within the developing region, inflation in Indonesia rose to its highest in 20 months (Aug: 3.49%), underpinned by increased education spending as a new academic year kicked off. Meanwhile in Singapore, headline inflation trended down, with the core index (Jul: 0.8%) reaching its lowest in three years, dragged by the retail, electricity and gas, as well as services segments.
- **Our assesment of Thailand's inflation remains unchanged, with the inflationary pressure expected to be benign, growing between 0.5-1.0% in 2019 (2018: 1.1%),** against the backdrop of cooling global growth and the elevated US-China trade dispute. As the inflation is envisaged to register below or at the lower-end of BoT's target range for the remaining months of 2019, coupled with signs of moderation in domestic activities and enhanced dovish rhetoric portrayed by the BoT at its latest policy meeting, **we foresee another round of rate cut by year-end, with the policy rate settling at 1.25% in 2019.**

Graph 1: CPI by Main Categories



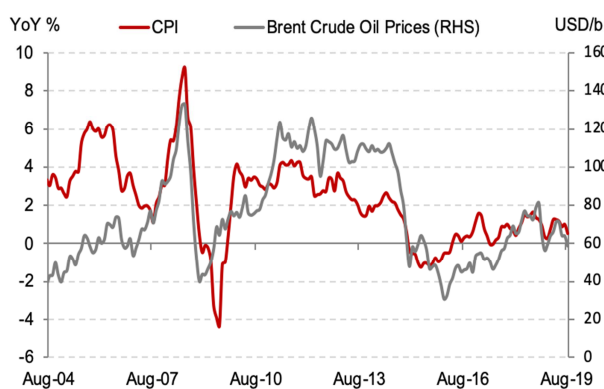
Source: Bureau of Trade and Economic Indices, Kenanga Research

Graph 2: Policy Rate vs. CPI



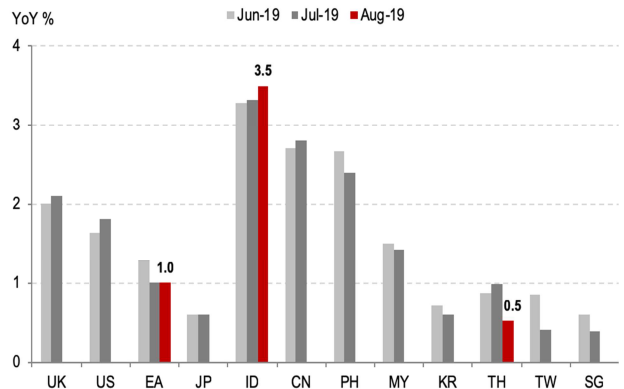
Source: Bank of Thailand, Bureau of Trade and Economic Indices, Kenanga Research

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

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

Base 2015=100	weight	2016	2017	2018	Aug -19	Mar -19	Apr -19	May -19	Jun -19	Jul -19	Aug -19
CPI	100.0	0.2	0.7	1.1	1.6	1.2	1.2	1.1	0.9	1.0	0.5
Core Inflation	72.6	0.7	0.6	0.7	0.7	0.6	0.6	0.5	0.5	0.4	0.5
Food & Non-Alcoholic Beverages	36.1	1.6	0.0	0.4	0.8	2.4	2.2	2.8	3.1	3.5	2.6
Transportation & Communication	24.0	-1.8	2.4	2.3	3.9	0.8	1.1	0.1	-1.6	-1.3	-2.2
Housing & Furnishing	23.3	-1.0	0.2	1.0	1.1	0.6	0.5	0.3	0.3	0.3	0.3
Medical & Personal Care	6.2	0.8	0.3	0.5	0.6	0.3	0.3	0.2	0.1	-0.9	0.0
Recreation & Education	6.1	0.8	0.6	0.4	0.3	0.3	0.3	0.3	0.8	0.7	0.8
Apparel & Footwear	2.9	0.4	0.0	0.3	0.4	0.3	0.3	0.1	-0.2	0.0	-0.1
Tobacco & Alcoholic Beverages	1.4	12.0	3.0	4.3	5.9	0.0	0.0	0.0	0.0	0.0	0.0

Source: National Statistical Office Thailand, CEIC, Kenanga Research

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