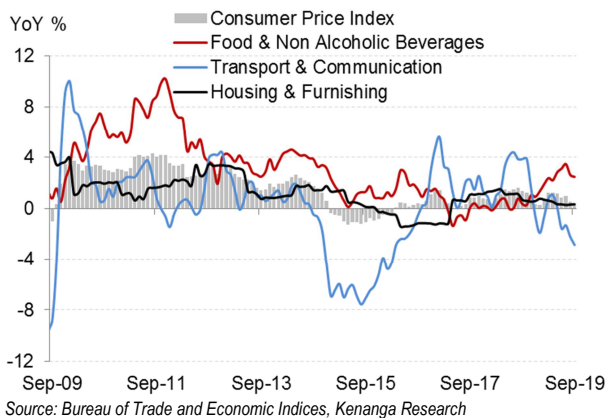


Thailand Consumer Price Index

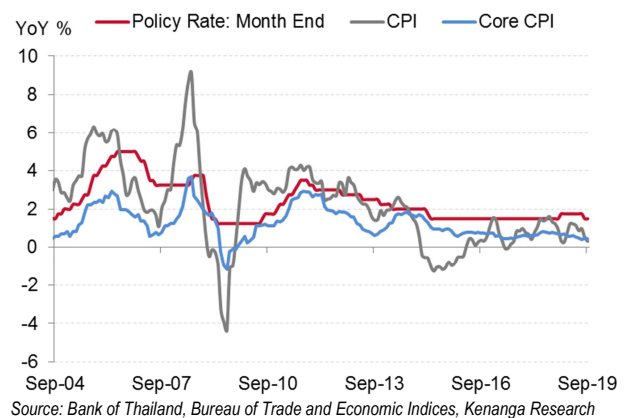
Edges down in September on muted growth in non-core index

- Headline inflation withered to an eight-month low, coming in at 0.3% YoY in September (Aug: 0.5%),** below the Bank of Thailand's (BoT) target range of 1.0-4.0% and consensus estimate of 0.4%. On a MoM basis, the index increased marginally by 0.1%, reversing a decline in the preceding month (Aug: -0.2%). The core inflation growth eased to 0.4% YoY (Aug: 0.5%). Overall, inflation drifted to 0.6% in 3Q19 (2Q19: 1.1%), indicating lacklustre demand-pull price pressure and moderating economic growth during the quarter.
- The lower CPI growth was mainly attributable to a muted growth in the non-core segment (0.0%; Aug: 0.6%).** In particular, the moderation was observed in the transport & communication (-2.9%; Aug: -2.2%), apparel & footwear (-0.3%; Aug: -0.1%) and food & non-alcoholic beverages indices (2.5%; Aug: 2.6%). The drop in transport index has widened, as domestic fuel prices fell further on a YoY basis (Gasohol 95: -10.5%; Aug: -7.8%). Similarly, food prices growth softened to its lowest in five months on lower cost of prepared food. These have more than outweighed the increase in the medical & personal care index.
- Subdued inflationary pressure across the advanced and developing economies** (refer to Graph 4). US inflation eased in August (1.7%) on deceleration in energy prices, while inflation in the Eurozone sustained at 1.0%, remaining below the European Central Bank's (ECB) 2.0% inflation target for the eleventh straight month. Within the developing region, inflation in Indonesia edged down to 3.39% in September due mainly to volatile food prices. Meanwhile in South Korea, headline inflation fell deeper into the negative territory (-0.4%) in September, reflecting the expanded free education for high school students and an increased coverage of national health insurance.
- Our assesment of Thailand's inflation remains intact, with the inflationary pressure expected to be benign, growing between 0.5-1.0% in 2019 (2018: 1.1%),** amid cooling growth and elevated trade feud globally. 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 softer domestic activities and enhanced dovish rhetoric portrayed by the BoT through a slash in GDP forecast 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.**

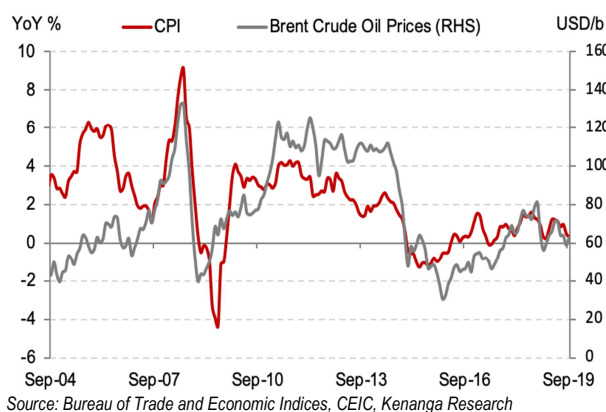
Graph 1: CPI by Main Categories



Graph 2: Policy Rate vs. CPI



Graph 3: CPI vs. Crude Oil Prices



Graph 4: CPI of Selected Economies

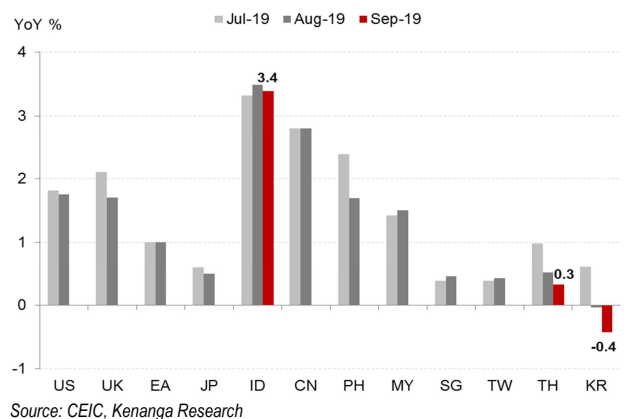


Table 1: Thailand Consumer Price Index Growth (% YoY)

Base 2015=100	weight	2016	2017	2018	Sep -19	Apr -19	May -19	Jun -19	Jul -19	Aug -19	Sep -19
CPI	100.0	0.2	0.7	1.1	1.3	1.2	1.1	0.9	1.0	0.5	0.3
Core Inflation	72.6	0.7	0.6	0.7	0.8	0.6	0.5	0.5	0.4	0.5	0.4
Food & Non-Alcoholic Beverages	36.1	1.6	0.0	0.4	0.4	2.2	2.8	3.1	3.5	2.6	2.5
Transportation & Communication	24.0	-1.8	2.4	2.3	3.9	1.1	0.1	-1.6	-1.3	-2.2	-2.9
Housing & Furnishing	23.3	-1.0	0.2	1.0	0.7	0.5	0.3	0.3	0.3	0.3	0.3
Medical & Personal Care	6.2	0.8	0.3	0.5	0.6	0.3	0.2	0.1	-0.9	0.0	0.2
Recreation & Education	6.1	0.8	0.6	0.4	0.3	0.3	0.3	0.8	0.7	0.8	0.7
Apparel & Footwear	2.9	0.4	0.0	0.3	0.4	0.3	0.1	-0.2	0.0	-0.1	-0.3
Tobacco & Alcoholic Beverages	1.4	12.0	3.0	4.3	3.9	0.0	0.0	0.0	0.0	0.0	0.0

Source: National Statistical Office Thailand, CEIC, Kenanga Research

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Published and printed by:

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