



Inflation Report Summary – January 2019

CPI in January 2019 increased by 0.27 percent (YoY), decelerating from the 0.36% rate in December 2018. Main contributing factors include **a drastic fall in energy index** by 3.51 percent vis-à-vis 1.24 percent decline in December last year, following the slump in crude oil prices in the global market. The indexes for fresh food products, however, rose by 1.14 percent due to an increase in the indexes for rice, meats, food ingredients, while the indexes for other agricultural products fell owing to an oversupply. **The all items less food and energy (Core inflation) rose 0.69 percent.**

The minor decline in the headline inflation rate (0.27 percent) in January 2019 was **primarily attributable to the sharp drop in the energy indexes.** Chief among them are gasoline index which dropped 6.09 percent as the indexes for all types of gasoline and fuel oil except for natural gas and vehicle gas fell. In addition, the index for **fruits and vegetables** decreased by 4.36 percent; the indexes for vegetables declined 3.97 percent and fruits 2.29 percent thanks to highly favorable weather conditions for agricultural crops and food supply. The indexes for **food and non-alcoholic beverages** increased 1.34 percent. Specifically, the indexes for rice, flour, and flour products rose 5.02 percent, while the indexes for meats, poultry, and fish increased 3.04 percent, and eggs and dairy products advanced 2.32 percent, food ingredients rose 2.16 percent, and prepared food at home and away from home increased 0.93 and 2.05 percent, respectively. The indexes for **shelter** advanced 0.76 percent and **medical care and personal services** increased 0.67. The indexes for **entertainment, books, and education** rose 0.29 percent, while the indexes for **tobacco and alcoholic beverages** recorded a slight increase by 0.22 and 0.01 percent, respectively.

In summary, two major contributing factors behind the slowdown of the inflation rate in January 2019 were 1) the fall in energy indexes following the decline in the global oil prices and 2) a fall in the indexes for fruits and vegetables due to higher production level. Other reasons include the delay of the scheduled fare hike for public transport and the continued appreciation of the Baht. Given the indexes for other groups were normally moved, all of the above factors led to the lower rate of inflation than expected in January 2019.

Despite this, **Cosumer Confidence Index (CCI) climbed into confident territory for the first time in 15 years,** especially the CCI for three month ahead. This indicates that consumer demand still remains buoyant and demand-pull inflation is expected to be on a positive trajectory, whereas factors related to cost and supply could fluctuate the inflation in the remaining period. All in all, Ministry of Commerce's projected inflation rate for 2019 remains close to that of 2018 at 0.7 – 1.7 percent.

