

## Inflation Report Summary – November 2019

CPI in November 2019 increased 0.21 percent (YoY), the highest rate in the past four months, ending the four consecutive months of deceleration. A decrease in the indexes for energy has still been a primary factor behind the slight CPI increase in November. However, the indexes for other product groups continued to expand, as reflected in the producer price index and construction material price index. **The all items less food and energy (Core inflation) rose 0.47 percent (YoY).** For the first eleven months, the headline and core inflation rose 0.69 and 0.53 percent, respectively.

The CPI in November rose 0.21 percent (YoY), following an increase of 1.51 percent in the index for food and non-alcoholic beverages. This is due primarily to the surge of the indexes for rice, flour, and flour products by 8.92 percent, particularly milled glutenous rice and milled rice, due to underproduction. Moreover, the index for meats, poultry and fish increased 1.73 percent, particularly for pork due to underproduction in small-scale farms and the outbreak of African swine fever, while the index for prawn declined following an increase in production and a drop in global demand. The index for fresh water fish (snakehead fish, catfish, tilapia) rose as the supply of the fish dwindled. The index for eggs and dairy products rose 2.83 percent. The indexes for non-alcoholic beverages increased 2.05 percent (carbonated drink, sugary drink, chocolate drink) due to the increase of tax on sugary drinks since October. The indexes for food at home and food away from home rose 0.70 and 0.28 percent, respectively. The index for fruits dropped 3.16 percent and vegetables declined 5.43 percent (Chinese kale, long beans, morning glory), owing to the low-base effect and a surge in production caused by suitable climate conditions. The index for seasonings and condiments fell 0.23 percent (cooking oil, soy sauce, oyster sauce).

Furthermore, **the index for all items less food and beverage** dropped 0.53 percent. This was primarily caused by the decline in the prices of gasoline of all types by 7.54 percent that led to the fall of the indexes for transportation and communication of 1.97 percent, while the index for public transportation rose 6.17 percent. The indexes tobacco and alcoholic beverages fell slightly by 0.10 percent (beer, wine). The indexes for apparel and shoes rose 0.29 percent (male and female apparel). In contrast, the indexes for shelter rose 0.30 percent (electricity, rent of shelter, light bulbs). The indexes for medical and personal care increased 0.32 percent (drugs, medical diagnosis, personal care products). The indexes for recreation and education rose 0.76 percent (van rental, domestic travel).

**On a month-on-month basis, the CPI in November 2019 declined 0.13 percent (MoM). The index rose 0.69 percent for the first eleven months (January – November) of 2019 (AoA).**

In summary, the CPI in November increased slightly on the month-on-month basis as the deflationary pressure from oil prices was subdued. Moreover, the increase was partly reflected in an improvement in consumption indicators, namely an increase in VAT collection from domestic consumption for three straight months and an expansion of motorbike registration volume, coupled with rising farm income caused by a rise in prices of major agricultural crops. This indicates that a wide range of economic stimulus and farmer support measures of the government has started to take effect. Nevertheless, investment demand indicators such as cement sales volume, steel products sales volume, commercial vehicle sales volume construction material price index, and real

estate transaction volume, still shows a rather unoptimistic outlook. All in all, the overall price level is still consistent with the market supply and demand conditions. It is expected that the year-end economic stimulus measures will play an important part in lifting the economy in the fourth quarter and a year ahead, causing **the inflation rate for December to keep rising and that for the full year to stand within a range of 0.7 – 1.0 percent.**

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