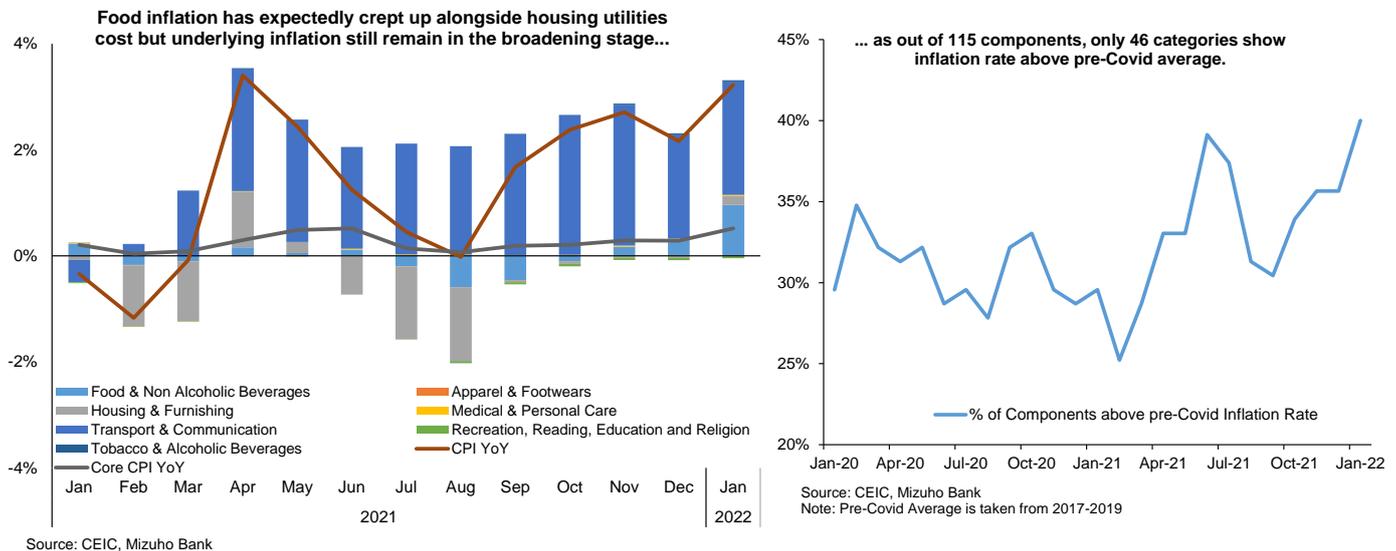


## Thailand CPI: Exceeding Range Not A Worry for BoT Yet



- **Headline CPI inflation for January 2022 coming in at 3.2% has exceeded the BoT 1-3% range** while core inflation exceeded 0.5%, returning close to pre-pandemic rates. However, this **should not be too alarming for the BoT for the time being.**
- As we had flagged earlier in our Thailand update\*, the cost of utilities within housing and furnishing cost have been expected to rise with the expiration of various subsidies and regulated electricity tariffs being scheduled to increase for January to April 2022.
- With **global food inflation continuing stay above the 20% range since Q4 2021**, the lagged pass through to food prices being a simmering risk should be within the authority's calculus. That said, high food prices will imply expenditure switching from discretionary spending as household tighten their budgets amid still elevated household debt levels.
- **Being within expectations is not all comfort**, as various authorities continue to face pressure to stem these sources of headline inflation. The Energy Policy Administration Committee has reduced the mix of palm-oil derive blend to 5% from 7% to reduce the fiscal burden on the Oil fund while trying to cap fuel prices. Fiscal slippages and wider macro stability risks will be the trade-off to contain these inflationary pressures.
- While core inflation exceeding 0.5% does indeed signify underlying prices pressure, the **absence of a clear broadening** of inflationary pressures across components within the CPI will **calm the situation at this juncture.** (See RHS chart above)
- This **inflation print is unlikely to derail the BoT** as they will be expected to continue holding policy rate at historical low of 0.5% as it is essential to provide an accommodative monetary environment to support the ongoing recovery especially with the start-stop nature of the tourism recovery.

\*Mizuho Flash: Thailand Early Signs of Encouragement, 5 January 2022

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