



1 December 2016

Headline inflation rose to 0.6%YOY in November due to oil price, the highest climb in 23 months.	
Key point	Headline inflation in November accelerated to 0.60%YOY from 0.34%YOY in the previous month, supported by a low base of oil price in late 2015. The energy price index rose by 1.52%YOY, up from 0.34%YOY last month.
	 Prices of overall consumer goods remained low despite a high growth in prices of some raw food products. Prices of vegetables rose by 8.1%YOY as unfavorable weather conditions affected production of some leaf vegetables. Prices of fruits climbed 2.67%YOY while prices of fish and aquatic animals rose by 2.36%YOY. However, housing price index fell by 1.2%YOY due to the continued effect from the lower electricity rate. Core inflation was lowest in 9 months at 0.72%YOY as domestic demand slowed down. Lower spending by both Thais and foreign tourists contrained businesses from adjusting prices upwards.
Implication	 EIC revised the headline inflation forecast for 2016 down to 0.2%YOY from 0.4%YOY due to the slower-than-expected domestic demand recovery and the low-spirited consumption atmosphere. Core inflation is expected to stay flat, stabilizing at 0.7%YOY in 2016, and expected to rise next year as household purchasing power returns. However, higher oil prices will help accelerate headline inflation. Global crude oil prices have risen since the OPEC's meeting on November 30 where a decision was made by oil exporting countries to cut production by 1.2 million barrels per day. This was the first-ever decision to cut production since 2008. EIC sees that Brent price will gradually rise to an average of 52 USD per barrel in 2017.
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