



Flash by EIC

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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 constrained 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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