



Headline Inflation Jumped to 1.62%YOY in August. EIC estimates the annual inflation of 2018 at 1.1%YOY. Key point Headline inflation in August increased to 1.62%YOY from 1.46%YOY in July, leading to an average headline inflation of 1.12%YOY for the first 8 months of 2018. Core inflation, on the other hand, decelerated to 0.75%YOY from 0.79%YOY in the previous month, leading to an average core inflation of 0.71%YOY for the first 8 months of 2018. Increased headline inflation was due to high crude oil price while fresh food price went back on a rise. In August, average Brent price was at USD 77.15 per barrel, 47.2%YOY higher than last year, causing energy price index to rise at 9.05%YOY. Fresh food price slightly increased to 0.31%YOY after a two-month decline. It was due to prices of rice and flour products which grew from 3.65%YOY in the previous month to 4.26%YOY. Meanwhile prices of meats, and vegetable and fruit products declined at a slower rate to -0.38%YOY and -1.27%YOY respectively, from -1.89%YOY and -4.88%YOY respectively in the month earlier. Fresh food prices in general improved from July at 0.51%MOM. Core inflation dipped slightly due to declines in transportation and processed food price index. Transportation and communication price index increased at 3.86%YOY, a slowdown from 4.1%YOY in July following a slower increase in energy prices. The price indexes of other categories also developed at a slower rate from the previous month such as processed food products, and clothes and shoe products. Implication EIC estimates the annual average headline inflation of 2018 to be at 1.1%YOY, lower than estimated earlier at 1.3%YOY, as headline inflation in the remaining months of the year tends to slow down from high base of oil price last year. Meanwhile, fresh food prices are likely to still be sensitive to high supply in the market due to favorable weather conditions for crop yields. The prices of fresh food will also likely face high base factor from the same period in the year earlier. EIC expects headline inflation in the rest of the year to slow down but likely to still be above 1.0%, a bottom rate of policy target range set by the Monetary Policy Committee.

Flash by EIC

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EIC expects the annual average core inflation of the year 2018 to be 0.7%YOY. As domestic economy continues to expand, core inflation has potential to grow further. Nevertheless, the month-on-month rate of change in core inflation, which slowed down in the past two months, should be monitored closely. It reflects a sluggish price adjustment of goods and services, which could be a result of a slow recovery in household spending. Moreover, core inflation in transportation for the rest of the year will likely decelerate along with oil price trend.

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