

Negative inflation for the 13th month

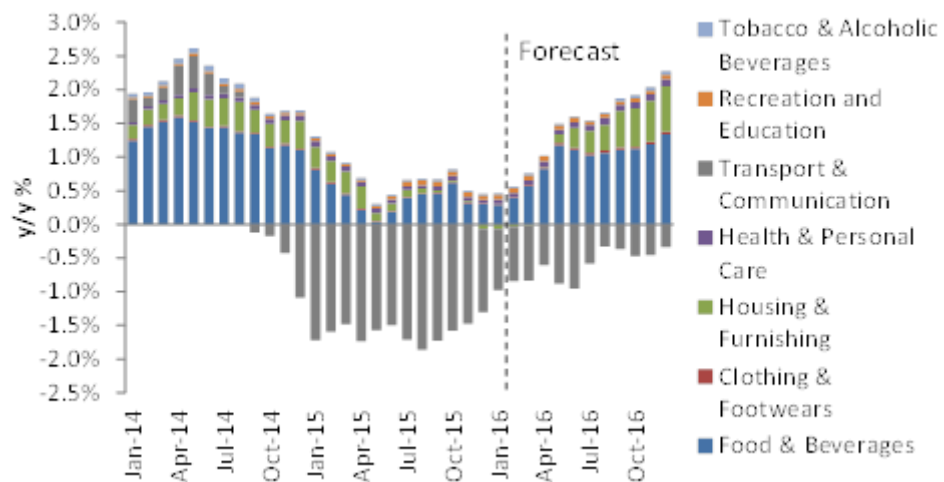
3rd August 2016

- Thailand registered its 13th straight month of negative inflation in January 2016, printing -0.53% yoy (-0.26% mom). Core inflation, which removes volatile food and energy prices, also decelerated to +0.59% in January from Dec's +0.68%. The print is weaker than market expectation for headline inflation to come in at -0.41% yoy (-0.20% mom).
- Domestic prices were dragged mainly by lower energy prices (-10.5%), which led to lower fares for bus, boats and tollroads. Still, higher raw food prices (+1.06%) and alcohol were seen, thus cushioning the overall downside.
- Going forward, the persistent low oil price will keep substantial pressure on overall domestic prices, considering especially that current oil prices at \$33/bbl is significantly below average WTI price of \$53.29/bbl in 1H15. Note that there may be further downgrades to the ministry's inflation expectation of between 1 – 2%, as this range is based on oil prices around its \$50/bbl handle. Given the low oil prices, we downgrade our full-year inflation call from 1.4% to 0.6%, with much of the appreciation likely to be concentrated in the second half.

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Low oil prices to drag overall inflation in 2016



Source: CEIC, OCBC Bank

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