

**Thailand**

7 October 2024

**Modestly Higher Inflation in September**

- Headline CPI rose to 0.6% YoY in September versus 0.4% in August. Similarly, core inflation edged higher to 0.8% YoY in September versus 0.6% in August.
- Looking ahead, we maintain our 2024 average headline CPI forecast at 0.6% YoY. Year-to-date headline CPI has averaged 0.2% YoY implying an uptick in inflation in the coming months.
- Our base case remains for Bank of Thailand (BoT) to cut its policy rate by 25bp in 4Q24 and 25bp in 1Q25. The risk is that rate cuts could be delayed into 2025.

Lavanya Venkateswaran  
Senior ASEAN Economist

+65 6530 6875

[lavanyavenkateswaran@ocbc.com](mailto:lavanyavenkateswaran@ocbc.com)

Jonathan Ng  
ASEAN Economist

+65 6530 1778

[JonathanNg4@ocbc.com](mailto:JonathanNg4@ocbc.com)

Headline CPI rose to 0.6% YoY in September versus 0.4% in August, but undershot expectations (Consensus: 0.8%; OCBC: 0.6%). Similarly, core inflation edged higher to 0.8% YoY in September versus 0.6% in August.

The main drivers were food (2.3% YoY versus 1.8%) and utilities (0.4% YoY versus -0.9%). The pickup in utilities inflation was due to a low base effect caused by the government’s decision to sharply lower retail fuel and electricity tariff in September 2023. These more than offset lower clothing (-0.7% YoY versus -0.6%), medical (-0.1% YoY versus 0.0%), transport (-1.8% YoY versus -1.0%), tobacco and alcohol (1.3% YoY versus 1.6%) inflation.

Looking ahead, we maintain our 2024 average headline CPI forecast at 0.6% YoY, implying higher CPI in 4Q24 given the year-to-date average of 0.2% YoY. We assume that retail fuel prices will be adjusted higher in 4Q24. As such, headline inflation will return to BoT’s 1-3% target range in 4Q24. Notwithstanding, we still expect BoT to lower its policy rate by 25bp in 4Q24 and 25bp in 1Q25 given tighter financial conditions, THB appreciation and weaker growth momentum. The risk is that rate cuts could be delayed into 2025 once the impact of the one-time transfer from the digital wallet program fades.

Drivers of inflation, % YoY	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24
<b>Headline CPI</b>	<b>-1.1</b>	<b>-0.8</b>	<b>-0.5</b>	<b>0.2</b>	<b>1.5</b>	<b>0.6</b>	<b>0.8</b>	<b>0.4</b>	<b>0.6</b>
Food & Non Alcoholic Beverages	-1.1	-1.0	-0.6	0.3	1.1	0.5	1.3	1.8	2.3
Apparel & Footwears	-0.1	-0.2	-0.1	-0.2	-0.4	-0.5	-0.5	-0.6	-0.7
Housing & Furnishing	-0.7	-0.8	-0.9	-0.8	2.1	-0.8	-0.8	-0.9	0.4
Medical & Personal Care	0.9	0.9	0.3	0.4	0.5	0.1	-0.4	0.0	-0.1
Transport & Communication	-2.5	-1.2	-0.4	0.9	2.4	2.4	2.0	-1.0	-1.8
Recreation, Reading, Education and Religion	0.6	0.5	0.5	0.4	0.6	0.7	0.6	0.6	0.6
Tobacco & Alcoholic Beverages	0.9	1.2	1.4	1.4	1.4	1.5	1.5	1.6	1.3
<b>Core Consumer Price Index</b>	<b>0.5</b>	<b>0.4</b>	<b>0.4</b>	<b>0.4</b>	<b>0.4</b>	<b>0.4</b>	<b>0.5</b>	<b>0.6</b>	<b>0.8</b>

Source: Ministry of Commerce, CEIC, OCBC

## Macro Research

**Selena Ling**  
Head of Research & Strategy  
[lingssselena@ocbc.com](mailto:lingssselena@ocbc.com)

**Tommy Xie Dongming**  
Head of Asia Macro Research  
[xied@ocbc.com](mailto:xied@ocbc.com)

**Keung Ching (Cindy)**  
Hong Kong & Macau Economist  
[cindyckeung@ocbc.com](mailto:cindyckeung@ocbc.com)

**Herbert Wong**  
Hong Kong & Taiwan Economist  
[herberhtwong@ocbc.com](mailto:herberhtwong@ocbc.com)

**Lavanya Venkateswaran**  
Senior ASEAN Economist  
[lavyanavenkateswaran@ocbc.com](mailto:lavyanavenkateswaran@ocbc.com)

**Ahmad A Enver**  
ASEAN Economist  
[ahmad.enver@ocbc.com](mailto:ahmad.enver@ocbc.com)

**Jonathan Ng**  
ASEAN Economist  
[jonathannq4@ocbc.com](mailto:jonathannq4@ocbc.com)

**Ong Shu Yi**  
ESG Analyst  
[shuyionq1@ocbc.com](mailto:shuyionq1@ocbc.com)

## FX/Rates Strategy

**Frances Cheung, CFA**  
Head of FX & Rates Strategy  
[francescheung@ocbc.com](mailto:francescheung@ocbc.com)

**Christopher Wong**  
FX Strategist  
[christopherwong@ocbc.com](mailto:christopherwong@ocbc.com)

## Credit Research

**Andrew Wong**  
Head of Credit Research  
[wongvkam@ocbc.com](mailto:wongvkam@ocbc.com)

**Ezien Hoo, CFA**  
Credit Research Analyst  
[ezienhoo@ocbc.com](mailto:ezienhoo@ocbc.com)

**Wong Hong Wei, CFA**  
Credit Research Analyst  
[wonghongwei@ocbc.com](mailto:wonghongwei@ocbc.com)

**Chin Meng Tee, CFA**  
Credit Research Analyst  
[mengteechin@ocbc.com](mailto:mengteechin@ocbc.com)

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