

## Thailand: Just keeping afloat

The latest price data dashes the central bank's hopes of inflation hitting the 1-4% policy target in the coming months



### A downside inflation surprise

Thailand's consumer price inflation surprisingly slowed to 0.4% year-on-year in February from 0.7% in January. The consensus forecast was no change from January's level. Food and transport prices were the main drags. Core CPI measure at 0.6% was unchanged from January.

# 0.4%

CPI inflation in February

Year-on-year

Lower than expected

### The central bank's inflation optimism

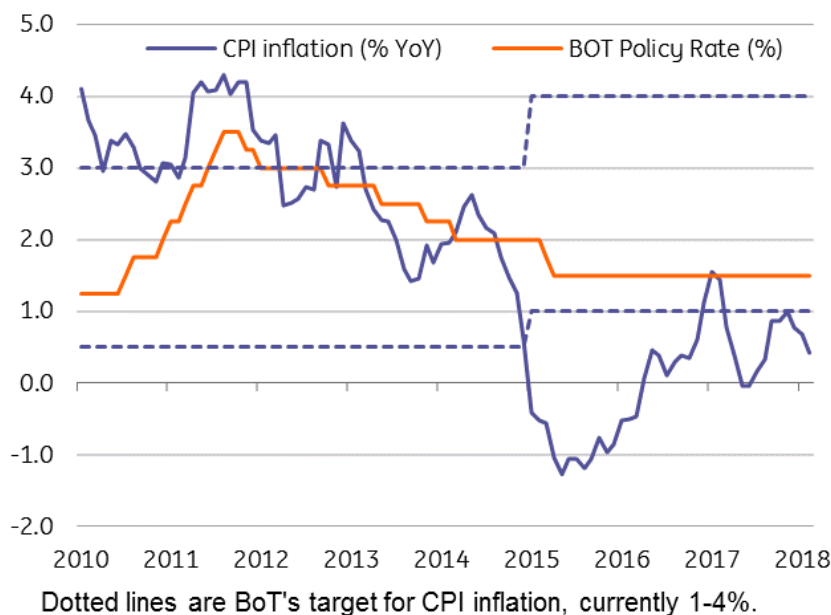
Data dashes the Bank of Thailand's, the central bank, hopes of inflation rising up to the 1-4% medium-term monetary policy target in the coming months. It may get there on a technical ground, the shift to low base in March 2017, rather than an underlying price recovery. The target was raised from 0.5-3% in early 2015, an odd timing when the economy plunged into deflation,

and has been hardly achieved since (see chart). Inflation averaged at -0.9% in 2015 followed by a modest recovery to 0.2% in 2016 and then to 0.7% in the last year.

*We think it's now time for the BoT to lower policy inflation target.*

A sustained weak domestic spending will keep demand-pull inflation low, while strong Thai baht (THB) mitigates spill over of rising global commodity price. Another year of below-target inflation is the baseline. We are reviewing our 1.1% forecast for 2018 for downward revision. We reiterate our forecast of no change to the BoT rate policy all year.

### Inflation and the Bank of Thailand policy



Source: Bloomberg, ING