

## Economic Review

### Inflation hits new low

- ▶ The Commerce Ministry reported the Consumer Price Index (CPI) for November was 107.19, a 0.12% decrease from October, and a 1.26% increase YoY.
- ▶ Core CPI was 105.20, a 1.60% increase YoY and edging up 0.11% from October.
- ▶ The Commerce Ministry forecasts 2014 CPI inflation at 2.00-2.80%.

CPI was 107.19 for November 2014, increasing 1.26% YoY, but down 0.12% from October's 107.32. The YoY change marked the lowest CPI inflation in five years, and November's disinflation continued the trend of headline inflation decreasing every month since May's 2.62%. The actual figure was slightly less than the 1.30% consensus from the Reuters poll. In light of this, the Commerce Ministry has adjusted down its specific headline inflation forecast for 2014 from 2.14% to 2.00%.

The Commerce Ministry attributed the slowdown to falling retail fuel prices, which adjusted downwards in line with falling global oil prices caused by considerable over-supply. Prices of pork, chicken, and fresh fruit fell while rent and cooking gas increased. While the price of food continued to rise from October, it did so at a considerably slower pace, increasing only 0.22% MoM, compared to the 3.25% rise in October. Non-food sector prices went from increasing 0.53% to contracting 0.18%, mainly from a 3.07% MoM drop in fuel prices.

**Comment:** *The failure of OPEC members to reach an agreement to cut production at its November 27 meeting resulted in oil continuing to spiral downwards. Immediately after the meeting oil reached a four-year low, and last Friday (December 5) it was at a five-year low. This will exert continued downward pressure on headline CPI.*

## Core inflation strengthens

Core CPI was 105.20, up 1.60% YoY and 0.11% MoM. This marked the third consecutive month of core disinflation, cementing the shift away from the upward trend observed from June through August.

**Comment:** While November saw disinflation in both headline and core inflation, the latter is falling at a much slower pace and this looks set to continue with oil prices continuing to tumble. Indeed, one can observe a recent divergence in the paths of headline and core inflation where during June-November headline CPI fell 0.66% largely driven by a 9% fall in fuel price while core CPI rose 0.44%.

With government budget disbursement and GDP growth falling behind schedule, the policy question seems to no longer be whether the Bank of Thailand (BOT) will raise the base rate soon, but whether it will lower the rate further.

Global economic recovery appears to be picking up (US) or at least benefiting from improved outlook due to actual (Japan) or potential policy shift (eurozone), while locally the government has several measures it plans to roll out over the next couple of months, especially the 'surprise stimulus' package PM Prayut promised for next year. With this in mind, it is likely the BOT will wait until near the end of 1Q15 to decide whether more monetary expansion is needed. Consequently, the BOT is unlikely to reduce the base rate further at the December 17 MPC meeting.

The BOT is looking to switch from targeting core inflation (current target range 0.5-3.0%) to targeting headline inflation. The implication would likely be greater volatility of CPI inflation translating to greater policy volatility over the long run, but over the short run this could expand the BOT's policy space – as core inflation is demonstrating more resilience than headline.

**Table 1: Inflation patterns**

2014 inflation	Jun	Jul	Aug	Sep	Oct	Nov
Headline inflation	2.35	2.16	2.09	1.75	1.48	1.26
Core inflation	1.71	1.81	1.83	1.73	1.67	1.60

Source: Bank of Thailand

Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (IOD) in 2013.








ADVANC	BTS	GRAMMY	MCOT	PTT	SC	SSI	TMB
AOT	CIMBT	HANA	MINT	PTTEP	SCB	SSSC	TNITY
ASIMAR	CK	HEMRAJ	NKI	PTTGC	SCC	SVI	TOP
BAFS	CPF	ICC	NOBLE	QH	SCSMG	SYMC	TRC
BANPU	CPN	INTUCH	PAP	RATCH	SE-ED	TCAP	TRUE
BAY	CSL	IRPC	PG	ROBINS	SIM	THAI	TTW
BBL	DRT	IVL	PHOL	RS	SIS	THCOM	TVO
BCP	DTAC	KBANK	PR	S&J	SITHAI	THRE	UV
BECL	EASTW	KKP	PRANDA	SAMART	SNC	TIP	VGI
BKI	EGCO	KTB	PS	SAMTEL	SPALI	TISCO	WACOAL
BROOK	ERW	LPN	PSL	SAT	SPI	TKT	



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ACAP	AYUD	CM	GC	KBS	LST	NSI	PREB	SIRI	TF	TPC	UMI
AF	BEC	CNT	GFPT	KCE	MACO	NWR	PRG	SKR	TFD	TPCORP	UMS
AHC	BFIT	CPALL	GL	KGI	MAJOR	OCC	PT	SMT	TFI	TPIPL	UP
AIT	BH	CSC	GLOW	KKC	MAKRO	OFM	PYLON	SNP	THANA	TRT	UPOIC
AKP	BIGC	DCC	GOLD	KSL	MBK	OGC	QTC	SPCG	THANI	TRU	UT
AMANAH	BJC	DELTA	GSTEL	KWC	MBKET	OISHI	RASA	SPPT	THIP	TSC	VIBHA
AMARIN	BLA	DTC	GUNKUL	L&E	MFC	PB	SABINA	SSF	TICON	TSTE	VIH
AMATA	BMCL	ECL	HMPRO	LANNA	MFEC	PDI	SAMCO	STANLY	TIPCO	TSTH	VNG
AP	BWG	EE	HTC	LH	MODERN	PE	SCCC	STEC	TK	TTA	VNT
APCO	CCET	EIC	IFEC	LHBANK	MTI	PF	SCG	SUC	TLUXE	TTCL	YUASA
APCS	CENTEL	ESSO	INET	LHK	NBC	PJW	SEAFCO	SUSCO	TMILL	TUF	ZMICO
ASIA	CFRESH	FE	ITD	LIVE	NCH	PM	SFP	SYNTEC	TMT	TWFP	
ASK	CGS	FORTH	JAS	LOXLEY	NINE	PPM	SIAM	TASCO	TNL	TYM	



A	ASIA	CITY	EASON	HTECH	KASET	MJD	PL	SF	SVOA	TMI	UOBKH
AAV	BAT-3K	CMR	EMC	HYDRO	KC	MK	POST	SGP	SWC	TNDT	UPF
AEC	BCH	CNS	EPCO	IFS	KCAR	MOONG	PRECHA	SIMAT	SYNEX	TNPC	UWC
AEONTS	BEAUTY	CPL	F&D	IHL	KDH	MPIC	PRIN	SLC	TBSP	TOPP	VARO
AFC	BGT	CRANE	FNS	ILING	KTC	MSC	Q-CON	SMIT	TCCC	TPAC	VTE
AGE	BLAND	CSP	FOCUS	INOX	KWH	NC	QLT	SMK	TEAM	TPP	WAVE
AH	BOL	CSR	FPI	IRC	LALIN	NIPPON	RCI	SOLAR	TGCI	TR	WG
AI	BROCK	CTW	FSS	IRCP	LEE	NNCL	RCL	SPC	TIC	TTI	WIN
AJ	BSBM	DEMCO	GENCO	IT	MATCH	NTV	ROJNA	SPG	TIES	TVD	WORK
AKR	CHARAN	DNA	GFM	JMART	MATI	OSK	RPC	SRICHA	TIW	TVI	
ALUCON	CHUO	DRACO	GJS	JMT	MBAX	PAE	SCBLIF	SSC	TKS	TWZ	
ANAN	CI	EA	GLOBAL	JTS	MDX	PATO	SCP	STA	TMC	UBIS	
ARIP	CIG	EARTH	HFT	JUTHA	PRINC	PICO	SENA	SUPER	TMD	UEC	

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80 – 89		Very Good
70 – 79		Good
60 – 69		Satisfactory
50 – 59		Pass
Below 50	No logo given	N/A

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