Thailand's Inflation in 2025: Quiet Numbers Amid Structural Pressures

"Thailand's low inflation in 2025 reflects not price stability, but weak domestic demand constrained by structural features of the economy."

Throughout 2025, Thailand's inflation remained persistently subdued, slipping into negative territory in some periods. This occurred against a backdrop of an economy that did not contract sharply but recovered unevenly across sectors.

Core inflation stayed marginally positive, indicating that Thailand was not experiencing technical deflation. Rather, price dynamics lacked sufficient momentum from domestic demand.

At the same time, declining energy prices, together with government cost-of-living measures, played a significant role in pushing headline inflation below the target range. In this context, Thailand's inflation performance in 2025 should be interpreted less as a sign of price stability in the narrow sense and more as the outcome of deeper structural features of the economy and its price transmission mechanisms.

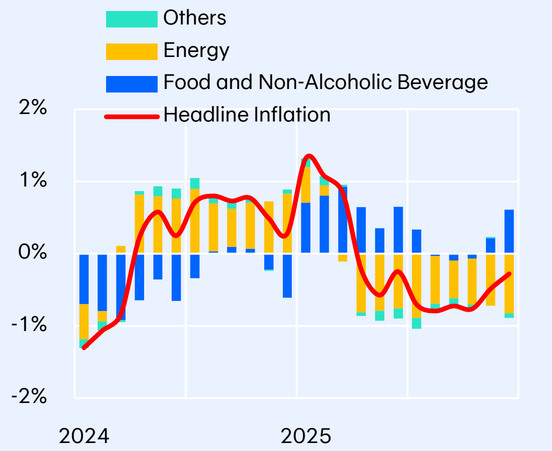
Thailand's Inflation as a Cost-Driven CPI Rather Than Demand-Driven

Structurally, Thailand's inflation is better understood as being driven by costs rather than by domestic demand pressures. This reflects the composition of the consumer price index, which is heavily concentrated in food and energy. Food and non-alcoholic beverages account for nearly 40% of the CPI basket, while energy carries substantial weight through both the housing and transport components.

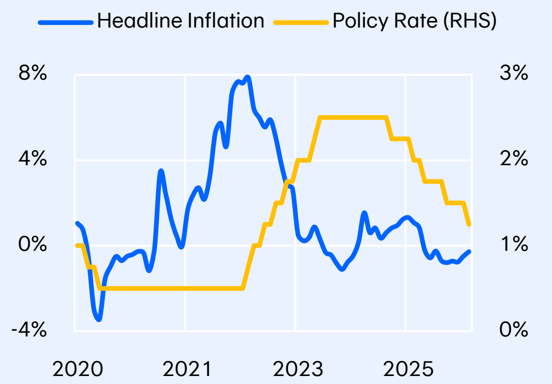
As a result, inflation movements are often shaped by factors beyond the bargaining power of households and firms, such as global energy prices, agricultural supply conditions, or government cost-related measures.

A comparison with developing economies such as India reinforces this perspective. India exhibits a similar but more pronounced cost-driven inflation structure, with food accounting

Source of Headline Inflation (%YoY)



Headline Inflation and Policy Rate



Source: Trade Policy and Strategy Office.

for roughly 45–46% of its CPI basket and energy around 7–8%. This composition makes Indian inflation highly sensitive to food prices, particularly agricultural products, and vulnerable to weather conditions and domestic supply-side policies. Inflation volatility in India is therefore largely food-led, rather than demand-led.

By contrast, CPI structures in advanced economies differ markedly. In the United States, food carries a weight of only about 13–14%, while energy accounts for roughly 7%, bringing the combined share to well below 25% of the basket. Similarly, in the Eurozone, food represents around 20% and energy about 9–10%, still significantly lower than in Thailand.

These structures allow inflation in advanced economies to better reflect wage dynamics, service-sector costs, and labor market tightness, rather than fluctuations in basic input prices.

As a result, Thailand's inflation functions more as a barometer of external cost pressures than as a reliable signal of domestic economic strength or weakness. Inflation can fall rapidly when energy prices decline, even if real economic activity remains relatively stable.

Conversely, it can rise due to cost shocks without being accompanied by genuine improvements in household income or consumption.

Low Inflation as a Policy Illusion

Persistently low inflation can create a policy illusion that living costs are well contained and that price stability has been effectively secured. From a behavioral perspective, however, stagnant prices may reflect hesitation in consumption, delayed investment decisions, and uncertainty about future income prospects, rather than confidence among households and businesses.

In this setting, prices that do not rise do not necessarily signal improving welfare. Instead, they may point to an environment in which weak demand fails to generate sustainable price momentum. The key policy challenge, therefore, is not simply to keep inflation low, but to avoid misinterpreting price stability as a positive outcome while deeper structural issues related to income growth, confidence, and the quality of economic recovery remain unresolved.

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