

Malaysia Consumer Price Index

Cooled to an 11-month low in April as food prices saw its first MoM deflation since May 2021

● **The headline inflation continued to slow to 3.3% YoY in April (Mar: 3.4%), matching house estimate and market expectations**

- The moderation in consumer prices was mainly due to a MoM deflation in food (-0.1% MoM; Mar: 0.1%) and restaurant & hotel prices (-0.1% MoM; Mar: 0.3%).
- On a monthly basis, CPI increased at an unchanged rate of 0.1% MoM as the deflation in food prices was equally offset by a rise in transport costs (0.3% MoM; Mar: -0.2).
- Core inflation cooled further to 3.6% YoY as this component remained unchanged (0.0%) on a MoM basis, partly attributed to a decline in core restaurant & hotel costs.

● **The moderation was broad-based, with reduced price pressures recorded in food and restaurant & hotel components**

- Food & non-alcoholic beverages (6.3%; Mar: 6.9%): fell to its lowest level in 10 months as food prices at home decelerated to 5.3% (Mar: 6.0%) due to a moderation in almost all sub-components, particularly vegetables (0.7%; Mar: 3.4%). This decline can be partly attributed to the government's festive season maximum price scheme.
- Restaurant & hotel (6.6%; Mar: 7.2%): edged lower due to reduced expenses in restaurants (6.8%; Mar: 7.0%) during the month of Ramadhan amid subdued demand for hotel's buffet and a drop in lunch crowd. Additionally, accommodation costs also decreased (6.2%; Mar: 7.7%) as a result of various promotions during the Hari Raya celebration.
- Transport (2.3%; Mar: 2.4%): continued its growth descent for the seventh consecutive month. However, the component recorded the fastest MoM increase (0.3%; Mar: -0.2%) since July 2022, mainly driven by a rebound in the cost of air transport (3.8% MoM; Mar: -6.5%), which reflects further recovery in the tourism industry.

● **Mixed inflationary trend across advanced and developing economies; central banks face a tricky balancing act**

- US (4.9%; Mar: 5.0%): despite elevated rental costs, the headline CPI has dropped below 5.0% for the first time since April 2021. This is partly due to falling prices of groceries, natural gas, and electricity, supporting the case for a potential Fed pause in June.
- EU (7.0%; Mar: 6.9%): rose after five consecutive months of decline, driven mainly by high food prices and increasing costs of services and energy. This strengthens the case for another 25 basis points rate hike by the ECB.
- China (0.1%; Mar: 0.7%): slowest pace of increase in 26 months due to slowing growth in food and energy prices amid subdued consumer demand. This may prompt the PBoC to cut loan prime rates or inject more liquidity.

● **2023 headline inflation forecast maintained at 2.9% (2022: 3.3%) due to a potential increase in food inflation in 2H23**

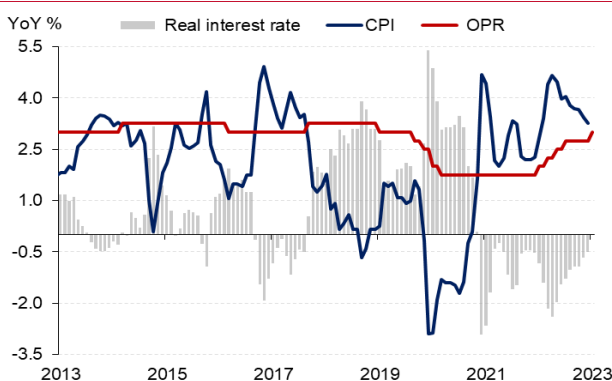
- Despite news flow indicating that the targeted subsidy for electricity and fuel for the will only be implemented next year, we have not downgraded our inflation forecast. This is because the potential removal of price controls for chicken and eggs (potentially in July), along with the ongoing heatwave in Southeast Asia, may contribute to an increase in food inflation in 2H23. Additionally, the escalation of the Russia-Ukraine war may further add to price pressures.
- With both headline and core inflation continuing to moderate, BNM is expected to maintain status quo and keep the overnight policy rate (OPR) unchanged at 3.00% in 2023. However, BNM will continue to maintain a data-dependent approach and make adjustments to the OPR based on developments in both the global and domestic economy.

Table 1: Global Inflation (% YoY)

	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23
US	7.1	6.5	6.4	6.0	5.0	4.9
EU	10.1	9.2	8.6	8.5	6.9	7.0
UK	10.7	10.5	10.1	10.4	10.1	8.7
Japan	3.8	4.0	4.3	3.3	3.2	3.5
Korea	5.0	5.0	5.2	4.8	4.2	3.7
Singapore	6.7	6.5	6.6	6.3	5.5	5.7
China	1.6	1.8	2.1	1.0	0.7	0.1
Indonesia	5.4	5.5	5.3	5.5	5.0	4.3
Thailand	5.6	5.9	5.0	3.8	2.8	2.7

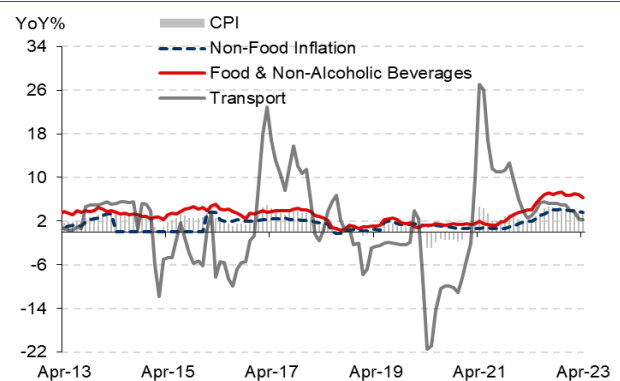
Source: Bloomberg, Kenanga Research

Graph 1: Real Interest Rate



Source: Dept. of Statistics, Kenanga Research

Graph 2: CPI Growth by Main Categories



Source: Bloomberg, Kenanga Research

29 May 2023

Table 2: Malaysia Consumer Price Index Growth Trend (% YoY)

Base 2010=100	weight	2020	2021	2022	Apr-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23
CPI	100.0	-1.2	2.5	3.3	2.3	4.0	3.8	3.7	3.7	3.4	3.3
Core Inflation	70.5	1.1	0.7	3.0	2.1	4.2	4.1	3.9	3.9	3.8	3.6
Food & Non-Alcoholic Beverages	29.5	1.3	1.7	5.8	4.1	7.3	6.8	6.7	7.0	6.9	6.3
Alcoholic Beverages & Tobacco	2.4	0.3	0.5	0.5	0.5	0.8	0.7	0.8	0.8	0.6	0.6
Clothing & Footwear	3.2	-0.8	-0.4	0.1	-0.2	0.4	0.4	0.5	0.4	0.5	0.5
Housing, Water, Electricity, Gas & Other Fuels	23.8	-1.7	1.5	1.8	0.8	1.4	1.5	1.5	1.7	1.6	1.6
Furnishing, Household Equipment & Routine Household Maintenance	4.1	0.2	1.6	3.5	2.7	3.8	3.7	3.5	3.4	3.1	3.0
Health	1.9	1.2	0.4	0.7	0.2	1.4	1.3	1.6	1.8	2.2	2.1
Transport	14.6	-10.0	11.0	4.7	3.0	5.0	4.9	4.0	3.7	2.4	2.3
Communication	4.8	1.1	0.0	0.0	0.0	0.0	-0.1	-1.4	-1.4	-1.4	-1.4
Recreation Services & Culture	4.8	0.5	0.4	2.3	1.3	3.6	2.4	2.7	1.7	1.9	1.8
Education	1.3	1.0	0.2	1.1	1.0	1.5	1.4	1.3	1.6	1.7	1.6
Restaurants & Hotels	2.9	0.4	0.4	5.0	3.2	7.0	7.4	6.8	7.4	7.2	6.6
Miscellaneous Goods & Services	6.7	2.6	0.5	2.0	1.8	2.6	2.3	2.3	2.5	2.1	2.5

Source: Dept. of Statistics, Kenanga Research

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