

# Malaysia Consumer Price Index

Eased to sub-3.0% for the first time in a year in May due to favourable base effect

- **The headline inflation continued to trend down for the sixth consecutive month, easing to 2.8% in May (Apr: 3.3%), a 12-month low. It was below market consensus and our expectation (Consensus: 3.0%; KIBB: 2.9%)**

- The slowdown in CPI can be primarily attributed to a decrease in transport and communication services costs, as well as the high base effect. However, it should be noted that prices for food, rental, and restaurant & hotel services have increased.
- However, on a MoM basis, inflation registered a slightly faster expansion at 0.2% (Apr: 0.1%), driven mainly by a rebound in food prices and higher rental costs.
- Even though core inflation cooled further to 3.5% YoY (Apr: 3.6%), the component recorded a 0.3% MoM increase due to higher core food and housing costs.

- **Softer growth in consumer prices led by the indices of transport and food & non-alcoholic beverages**

- Transport (1.0%; Apr: 2.3%): slowed to a 27-month low due to a sharp moderation in transport services costs (6.7%; Apr: 13.5%). On a MoM basis, the index contracted by -0.2% (Apr: 0.3%) due to sharp fall in the cost of air transport (-8.3%; Apr: 3.8%) as over 17.0k flight tickets to Sabah, Sarawak were capped at RM300.0 during the festivities (27-31 May).
- Food & non-alcoholic beverages (5.9%; Apr: 6.3%): eased to below 6.0% for the first time since May 2022. However, food inflation trended upward on a MoM basis (0.5% MoM; Apr: -0.1%) due to a spike in the prices of food away from home.
- Housing, water, electricity, gas & other fuels (1.8%; Apr: 1.6%): rose due to a 0.6% MoM increase in rental costs.
- Restaurant & hotel (6.7%; Apr: 6.6%): edged higher after two straight months of moderation. This can be mainly attributed to a sharp rebound in hotel rates (2.1% MoM; Apr: -1.5%).

- **Mixed inflation trend across advanced and developing economies**

- US (4.0%; Apr: 4.9%): decelerated for the 11<sup>th</sup> straight month, primarily driven by declining gasoline prices and airline fares. However, housing and vehicle costs have remained elevated, solidifying the Fed's case to keep rate high for longer.
- UK (8.7%; Apr: 8.7%): remained unchanged but exceeded market expectations of 8.4%. This was mainly due to higher prices for air travel, recreational and cultural goods and services, and used cars, supporting further BoE rate hikes.
- China (0.2%; Apr: 0.1%): up marginally due to an increase in food prices and air ticket costs amid the ongoing recovery in consumer demand. To further support the economic recovery, the PBoC may continue to cut lending rates going forward.

- **2023 headline inflation forecast retained at 2.9% (2022: 3.3%) as El Niño may push food prices higher in 2H23**

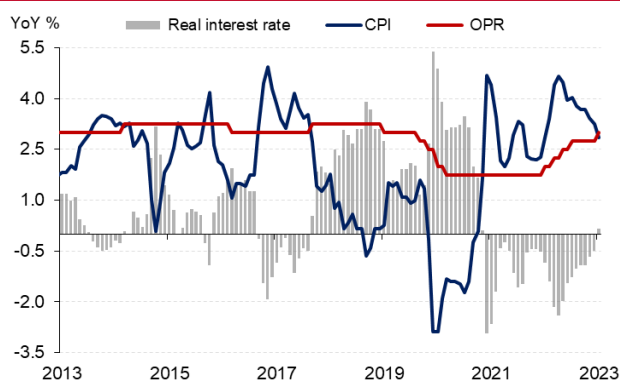
- Despite the government's decision to extend chicken and egg subsidies beyond June 30, the upcoming period of extreme weather (El Niño) is anticipated to lead to an increase in food insecurity in Asia. This, in turn, is expected to drive up food prices, particularly rice and palm oil in Malaysia. However, the headline CPI is still projected to trend lower and hover between 2.3% - 2.7% YoY in 2H23, primarily due to the favourable base effect.
- BNM is expected to maintain status quo and keep the overnight policy rate unchanged at 3.00% during its MPC meeting in July as inflation has continued to trend lower and real interest rate has turned positive for the first time in 26 months. Nevertheless, going forward, BNM will remain vigilant in monitoring external factors and take appropriate action if needed.

Table 1: Global Inflation (% YoY)

	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23
US	6.5	6.4	6.0	5.0	4.9	4.0
EU	9.2	8.6	8.5	6.9	7.0	6.1
UK	10.5	10.1	10.4	10.1	8.7	8.7
Japan	4.0	4.3	3.3	3.2	3.5	3.2
Korea	5.0	5.2	4.8	4.2	3.7	3.3
Singapore	6.5	6.6	6.3	5.5	5.7	0.0
China	1.8	2.1	1.0	0.7	0.1	0.2
Indonesia	5.5	5.3	5.5	5.0	4.3	4.0
Thailand	5.9	5.0	3.8	2.8	2.7	0.5

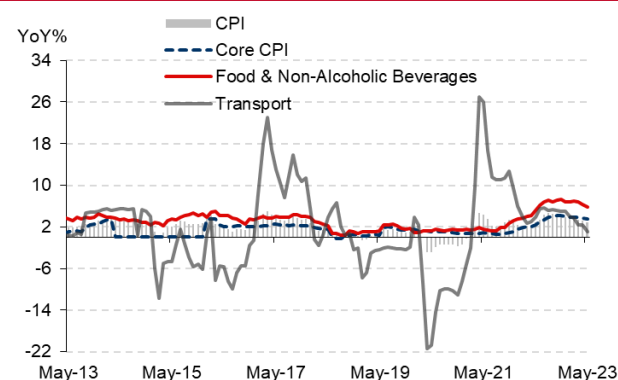
Source: Bloomberg, Kenanga Research

Graph 1: Real Interest Rate



Source: Dept. of Statistics, Kenanga Research

Graph 2: CPI Growth by Main Categories



Source: Bloomberg, Kenanga Research

26 June 2023

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

Base 2010=100	weight	2020	2021	2022	Apr-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23
<b>CPI</b>	<b>100.0</b>	<b>-1.2</b>	<b>2.5</b>	<b>3.3</b>	<b>2.8</b>	<b>3.8</b>	<b>3.7</b>	<b>3.7</b>	<b>3.4</b>	<b>3.3</b>	<b>2.8</b>
Core Inflation	70.5	1.1	0.7	3.0	2.4	4.1	3.9	3.9	3.8	3.6	3.5
Food & Non-Alcoholic Beverages	29.5	1.3	1.7	5.8	5.2	6.8	6.7	7.0	6.9	6.3	5.9
Alcoholic Beverages & Tobacco	2.4	0.3	0.5	0.5	0.4	0.7	0.8	0.8	0.6	0.6	0.7
Clothing & Footwear	3.2	-0.8	-0.4	0.1	0.0	0.4	0.5	0.4	0.5	0.5	0.4
Housing, Water, Electricity, Gas & Other Fuels	23.8	-1.7	1.5	1.8	1.2	1.5	1.5	1.7	1.6	1.6	1.8
Furnishing, Household Equipment & Routine Household Maintenance	4.1	0.2	1.6	3.5	2.9	3.7	3.5	3.4	3.1	3.0	2.7
Health	1.9	1.2	0.4	0.7	0.4	1.3	1.6	1.8	2.2	2.1	1.9
Transport	14.6	-10.0	11.0	4.7	3.9	4.9	4.0	3.7	2.4	2.3	1.0
Communication	4.8	1.1	0.0	0.0	0.0	-0.1	-1.4	-1.4	-1.4	-1.4	-3.7
Recreation Services & Culture	4.8	0.5	0.4	2.3	1.8	2.4	2.7	1.7	1.9	1.8	1.8
Education	1.3	1.0	0.2	1.1	1.0	1.4	1.3	1.6	1.7	1.6	1.9
Restaurants & Hotels	2.9	0.4	0.4	5.0	3.7	7.4	6.8	7.4	7.2	6.6	6.7
Miscellaneous Goods & Services	6.7	2.6	0.5	2.0	1.9	2.3	2.3	2.5	2.1	2.5	2.9

Source: Dept. of Statistics, Kenanga Research

**For further information, please contact:**

**Wan Suhaimie Wan Mohd Saidie**  
Head of Economic Research  
[wansuhaimi@kenanga.com.my](mailto:wansuhaimi@kenanga.com.my)

**Muhammad Saifuddin Sapuan**  
Economist  
[saifuddin.sapuan@kenanga.com.my](mailto:saifuddin.sapuan@kenanga.com.my)

**Afiq Asyraf Syazwan Abd. Rahim**  
Economist  
[afiqasyraf@kenanga.com.my](mailto:afiqasyraf@kenanga.com.my)

**Zalman Basree**  
Economist  
[zalman@kenanga.com.my](mailto:zalman@kenanga.com.my)

This document has been prepared for general circulation based on information obtained from sources believed to be reliable but we do not make any representations as to its accuracy or completeness. Any recommendation contained in this document does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may read this document. This document is for the information of addressees only and is not to be taken in substitution for the exercise of judgement by addressees. Kenanga Investment Bank Berhad accepts no liability whatsoever for any direct or consequential loss arising from any use of this document or any solicitations of an offer to buy or sell any securities. Kenanga Investment Bank Berhad and its associates, their directors, and/or employees may have positions in, and may affect transactions in securities mentioned herein from time to time in the open market or otherwise, and may receive brokerage fees or act as principal or agent in dealings with respect to these companies. Kenanga Investment Bank Berhad being a full-service investment bank offers investment banking products and services and acts as issuer and liquidity provider with respect to a security that may also fall under its research coverage.

Published by:

**KENANGA INVESTMENT BANK BERHAD (15678-H)**

Level 17, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia

Telephone: (603) 2172 0880 Website: [www.kenanga.com.my](http://www.kenanga.com.my) E-mail: [research@kenanga.com.my](mailto:research@kenanga.com.my)