

Malaysia Consumer Price Index

April inflation steady at 1.8% YoY despite tourism surge and festive celebrations

- **The inflation rate remained unchanged at 1.8% YoY for the third consecutive month in April, matching our house forecast but slightly lower than the market consensus of 1.9%**

- Despite a rise in miscellaneous and recreation costs, partly attributed to increased tourism activity, inflation remains relatively subdued as key subcomponents such as food and housing have remained fairly unchanged on a monthly basis.
- However, core inflation rose to 1.9% YoY (Mar: 1.7%), primarily driven by increases in the price of core food, in addition to recreation and miscellaneous items.
- On a MoM basis, both headline (Mar: 0.1%) and core (Mar: 0.2%) inflation recorded a 0.2% gain, reflecting moderate price pressures across the components.

- **A drop in transport costs and minimal increases in food prices offset the rising cost of recreation and miscellaneous items**

- Transport (0.8%; Mar: 1.3%): despite a much higher average Brent crude oil price, the transport CPI fell to a three-month low as the cost of air travel continued to decrease.
- Food & non-alcoholic beverages (2.0%; Mar: 1.7%): rose to a three-month high but recorded a marginal 0.1% MoM increase (Mar: 0.0%) as prices of food at home continued to drop (-0.2% MoM; Mar: -0.2%), especially meat and fish.
- Recreation, sport & culture (2.0%; Mar: 1.5%): increased to its highest level in 15 months due to a sharp rise in the costs of toys & hobbies (2.4%; Mar: -5.3%) and recreational & sporting services (2.0%; Mar: 1.1%).
- Personal care, social protection & miscellaneous goods & services (3.1%; Mar: 2.6%): highest level since August 2020, driven mainly by a sharp increase in the cost of jewellery & watches (5.2% MoM; Mar: 2.9%), attributed to higher tourism activity and the government deferring the introduction of luxury tax.

- **Inflationary trends across advanced and developing countries remained mixed**

- US (3.4%; Mar: 3.5%): eased marginally due to smaller increases in services costs, which counterbalanced the significant rises in rent and gasoline prices. To note, CPI showed a softer-than-expected trend on a MoM basis (0.3% MoM; March: 0.4%), indicating the possibility of the Fed implementing its first rate cut before the year's end.
- Japan (2.5%; Mar: 2.7%): remained significantly above the central bank's 2.0% target, but cooled for the second consecutive month, largely due to a deceleration in gains for processed food prices. Looking ahead, wage gains are expected to stimulate spending and prices, possibly leading to another rate hike by the BoJ in 2H24.
- Thailand (0.2%; Mar: -0.5%): turned positive for the first time in seven months, primarily due to the low base effect, higher agricultural prices and a weak baht. However, it remained well below the BoT target, prompting calls for rate cuts.

- **2024 headline CPI forecast retained at 2.7% (2023: 2.5%), with upside risks primarily stemming from domestic policies**

- The recently announced rationalisation of diesel subsidies, which may soon take effect, is expected to have minimal impact on overall inflation. This is primarily due to exemptions granted to most public and goods transport vehicles, as well as to the states of Sarawak and Sabah. Such exemptions should minimise the pass-through effect on prices of goods and services. Nevertheless, uncertainties persist regarding the timing and mechanism of the RON95 rationalisation, which could potentially exert significant pressure on consumer prices.
- Despite these considerations, the outlook for prices appears relatively contained, with inflation projected to remain below 3.0% in the coming years. With the potential output supported by higher investments and productivity improvements, the BNM may be inclined to maintain the OPR at 3.00% for the foreseeable future.

Table 1: Global Inflation (% YoY)

	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24
US	3.1	3.4	3.1	3.2	3.5	3.4
EU	2.4	2.9	2.8	2.6	2.4	2.4
UK	3.9	4.0	4.0	3.4	3.2	2.3
Japan	2.8	2.6	2.2	2.8	2.7	2.5
Korea	3.3	3.2	2.8	3.1	3.1	2.9
Singapore	3.6	3.7	2.9	3.4	2.7	2.7
China	-0.5	-0.3	-0.8	0.7	0.1	0.3
Indonesia	2.9	2.6	2.6	2.8	3.1	3.0
Thailand	-0.4	-0.8	-1.1	-0.8	-0.5	0.2

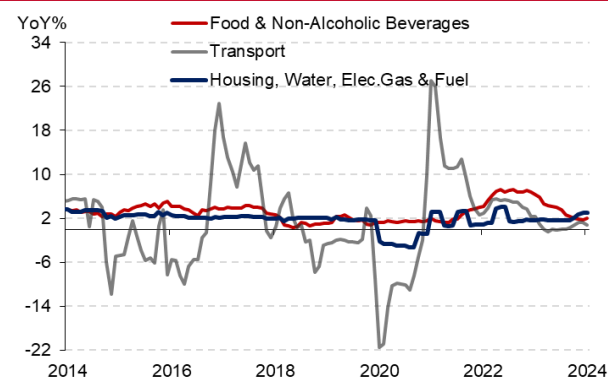
Source: Bloomberg, Kenanga Research

Graph 1: Real Interest Rate, Inflation Rates and OPR



Source: Dept. of Statistics, Kenanga Research

Graph 2: CPI Growth by Main Categories



Source: Bloomberg, Kenanga Research

27 May 2024

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

Base 2010=100	weight	2021	2022	2023	Apr-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24
CPI	100.0	2.5	3.3	2.5	3.3	1.5	1.5	1.5	1.8	1.8	1.8
Core Inflation		0.7	3.0	3.0	3.6	2.0	1.9	1.8	1.8	1.7	1.9
Food & Non-Alcoholic Beverages	29.8	1.7	5.8	4.8	6.3	2.6	2.3	2.0	1.9	1.7	2.0
Alcoholic Beverages & Tobacco	1.9	0.5	0.5	0.7	0.6	0.6	0.6	0.4	0.4	0.5	0.5
Clothing & Footwear	2.7	-0.4	0.1	0.2	0.5	0.0	0.0	-0.2	-0.2	-0.2	-0.3
Housing, Water, Electricity, Gas & Other Fuels	23.2	1.5	1.8	1.7	1.6	1.7	1.6	2.0	2.7	3.0	3.0
Furnishing, Household Equipment & Routine Household Maintenance	4.3	1.6	3.5	2.3	3.0	1.4	1.4	1.0	0.9	0.9	1.0
Health	2.7	0.4	0.7	2.1	2.1	2.3	2.5	2.4	2.2	2.1	2.3
Transport	11.3	11.0	4.7	1.1	2.3	0.1	0.3	0.7	1.2	1.3	0.8
Communication	6.6	0.0	0.0	-2.9	-1.4	-3.7	-3.7	-2.4	-2.4	-2.4	-2.5
Recreation Services & Culture	3.0	0.4	2.3	1.5	1.8	0.6	1.9	0.8	1.6	1.5	2.0
Education	1.3	0.2	1.1	1.9	1.6	2.0	2.0	1.7	1.5	1.5	1.4
Restaurants & Hotels	3.4	0.4	5.0	5.5	6.6	4.3	3.7	3.2	2.9	3.0	3.5
Miscellaneous Goods & Services	9.8	0.5	2.0	2.5	2.5	2.3	2.7	2.5	2.5	2.6	3.1

Source: Dept. of Statistics, Kenanga Research

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Published by:

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