

Malaysia Consumer Price Index

Dip slightly to 1.9% YoY in August as food prices ease

- **Headline inflation eased to a four-month low of 1.9% YoY in August (Jul: 2.0%), slightly below both our forecast and market consensus of 2.0%, mainly due to food prices**

- Despite rising rental costs, inflation was tempered by moderation across several key components, including restaurants & hotels, transport, clothing and furnishings. Muted food and non-alcoholic beverage prices further weighed on the headline figure.
- On a MoM basis, inflation remained unchanged at 0.08% (Jul: 0.08%), as higher housing costs were offset by flat food prices and a moderation in transport cost.
- Core inflation held steady at 1.9% YoY but ticked up slightly by 0.2% MoM (Jul: 0.1%) due to a rise in shelter cost.

- **Rising transport and housing costs were offset by subdued food inflation**

- Food & non-alcoholic beverages (1.6%; Jul: 1.6%): remained unchanged at a three-year low, as an increase in milk, dairy products, and eggs (0.1%; Jul: -0.4%) offset a decline in fresh meat (-1.1%; Jul: -0.2%) prices.
- Transport (1.3%; Jul: 1.2%): edged up slightly, driven by a sharp rebound in airfares (8.2%; Jul: -1.5%). However, monthly growth slowed to 0.1% (Jul: 0.2%) due to a 1.2% drop in diesel prices (Jul: 5.8%), reflecting decelerating global oil demand.
- Restaurant & hotel (3.1%; Jul: 2.9%): rose to a two-month high, primarily due to a 1.7% increase in rental costs (Jul: 1.4%) and a 0.4% rise in the cost of materials for the maintenance and repair of dwellings (Jul: 0.3%).

- **Inflationary trends remain mixed across economies; ample room for PBoC policy easing**

- US (2.5%; Jul: 2.9%): fell to its lowest level since February 2021, largely due to a decline in energy prices. However, core inflation trend higher at 0.3% MoM, underscoring the need for the Fed to maintain a cautious stance.
- UK (2.2%; Jul: 2.2%): remained unchanged as lower fuel prices offset a sharp rise in airfares. Notably, the services component increased to 5.6% YoY, above market forecasts, suggesting that the BoE is unlikely to rush into cutting rates.
- China (0.6%; Jul: 0.5%): edged up to a six-month high, driven by a rise in food prices. However, non-food CPI fell to its lowest in over a year, reflecting weak consumer demand, adding pressure for further stimulus measures and policy easing.

- **2024 headline CPI forecast retained at 2.2% (2023: 2.5%), with potential downside risk amid muted inflationary pressure**

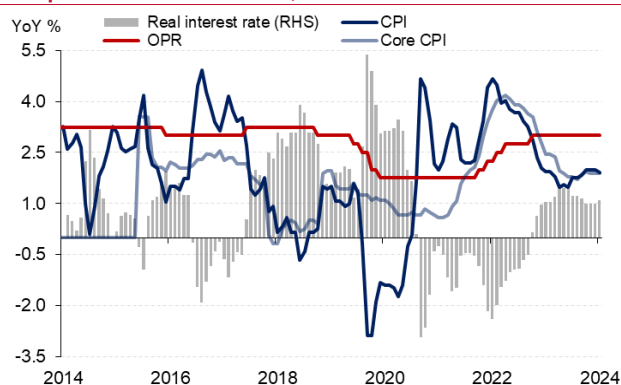
- Despite global disruptions—from heatwaves, floods, and storms affecting crop yields to the Red Sea shipping crisis—as well as domestic factors like the diesel subsidy rationalisation and withdrawal of EPF’s flexible account, Malaysia’s inflation has stayed below 2.0% for 13 consecutive months. This moderation can be partly credited to cheaper imported inputs, aided by a stronger ringgit—one of the world’s top-performing currencies year-to-date. However, government wage hikes, a potentially inflationary 2025 budget, and the rationalisation of RON95 subsidy are expected to push inflation above 3.0% next year.
- With muted price pressures and a stable economic outlook, BNM is likely to remain on the sidelines, with no rush to adjust the overnight policy rate, at least for the next 12 to 15 months. Nonetheless, fiscal policy decisions could still sway the central bank’s stance.

Table 1: Global Inflation (% YoY)

	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24
US	3.5	3.4	3.3	3.0	2.9	2.5
EU	2.4	2.4	2.6	2.5	2.6	2.2
UK	3.2	2.3	2.0	2.0	2.2	2.2
Japan	2.7	2.5	2.8	2.8	2.8	3.0
Korea	3.1	2.9	2.7	2.4	2.6	2.0
Singapore	2.7	2.7	3.1	2.4	2.4	N/A
China	0.1	0.3	0.3	0.2	0.5	0.6
Indonesia	3.1	3.0	2.8	2.5	2.1	2.1
Thailand	-0.5	0.2	1.5	0.6	0.8	0.4

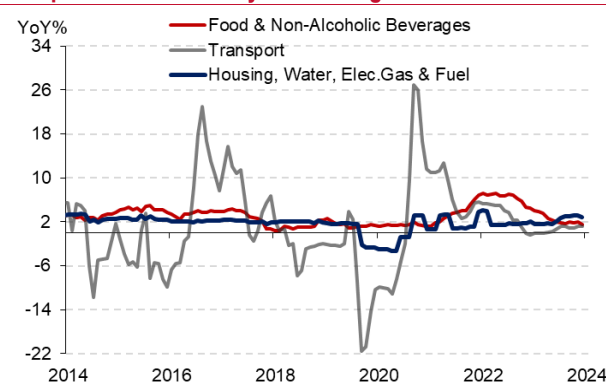
Source: Bloomberg, Kenanga Research

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

24 September 2024

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

Base 2010=100	weight	2021	2022	2023	Aug -23	Mar- 24	Apr- 24	May -24	Jun- 24	Jul- 24	Aug -24
CPI	100.0	2.5	3.3	2.5	2.0	1.8	1.8	2.0	2.0	2.0	1.9
Core Inflation		0.7	3.0	3.0	2.5	1.7	1.9	1.9	1.9	1.9	1.9
Food & Non-Alcoholic Beverages	29.8	1.7	5.8	4.8	4.1	1.7	2.0	1.8	2.0	1.6	1.6
Alcoholic Beverages & Tobacco	1.9	0.5	0.5	0.7	0.5	0.5	0.5	0.6	0.7	0.9	1.1
Clothing & Footwear	2.7	-0.4	0.1	0.2	0.0	-0.2	-0.3	-0.2	-0.1	-0.2	-0.2
Housing, Water, Electricity, Gas & Other Fuels	23.2	1.5	1.8	1.7	1.6	3.0	3.0	3.2	3.2	3.2	3.1
Furnishing, Household Equipment & Routine Household Maintenance	4.3	1.6	3.5	2.3	1.7	0.9	1.0	0.8	0.9	0.9	0.7
Health	2.7	0.4	0.7	2.1	2.4	2.1	2.3	2.2	1.8	1.9	1.6
Transport	11.3	11.0	4.7	1.1	0.0	1.3	0.8	0.9	1.2	1.2	1.3
Communication	6.6	0.0	0.0	-2.9	-3.7	-2.4	-2.5	0.4	0.3	0.5	0.5
Recreation Services & Culture	3.0	0.4	2.3	1.5	1.0	1.5	2.0	1.9	1.9	2.2	2.0
Education	1.3	0.2	1.1	1.9	2.1	1.5	1.4	1.5	1.7	1.7	1.5
Restaurants & Hotels	3.4	0.4	5.0	5.5	4.7	3.0	3.5	3.2	3.3	3.4	3.2
Miscellaneous Goods & Services	9.8	0.5	2.0	2.5	2.4	2.6	3.1	3.0	2.8	3.2	3.2

Source: Dept. of Statistics, Kenanga Research

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