

Malaysia Consumer Price Index

Edge up 1.9% in October amid food price surge

- **Headline inflation edged up to 1.9% YoY in October (Sep: 1.8%), matching the level recorded in August and a tad above both our forecast and market expectations of 1.8%**

- The uptick was primarily due to higher-than-expected food prices, partially offset by declines in transport and communication costs. On a MoM basis, inflation climbed to a four-month high of 0.2% (Sep: 0.0%).
- Core inflation remained stable at 1.8% YoY with a stagnant growth rate of 0.0% MoM, as increases in core food prices were balanced by a decline in communication cost.

- **Food prices surge, offsetting declines in transport and communication subsector**

- Food & non-alcoholic beverages (2.3%; Sep: 1.6%): rose above 2.0% for the first time since December 2023, driven by sharp increases in fresh meat (1.5%; Sep: 0.7%) and vegetables (5.1%; Sep: 2.5%) prices.
- Transport (0.7%; Sep: 1.1%): eased for the second straight month, hitting a ten-month low. This was due to a decline in fuel and lubricant prices (-0.1%; Sep: 0.4%) and a sharp moderation in domestic air travel costs (0.8%; Sep: 29.6%).
- Communication (-1.7%; Sep: 0.4%): fell for the first time in six months, led by a slowdown in computer, laptop, and tablet prices (0.3%; Sep: 1.3%) alongside a steep decline in mobile communication service costs (-5.2%; Sep: 0.0%).

- **Inflation dynamics across advanced and developing economies present a mixed picture, complicating central banks' decisions as they grapple with price uncertainty**

- US (2.6%; Sep: 2.4%): edged higher for the first time since March, driven primarily by rising housing costs. Looking ahead, the Fed is anticipated to cut rates by 25 bps in December, despite uncertainties tied to Trump's presidency.
- EU (2.0%; Sep: 1.7%): rose more than expected, fuelled by higher food and energy costs. Although near-term pressures could persist, the ECB is likely to proceed with another rate cut in December to stimulate the economy.
- China (0.3%; Sep: 0.4%): eased for a second consecutive month, hitting a four-month low as food prices fell. Despite Beijing's stimulus measures, demand recovery remains sluggish, with effects on the real economy likely to take time.

- **Headline inflation projection for 2025 remained at 2.7%; inflation to average at 1.9% in 2024 (2023: 2.5%)**

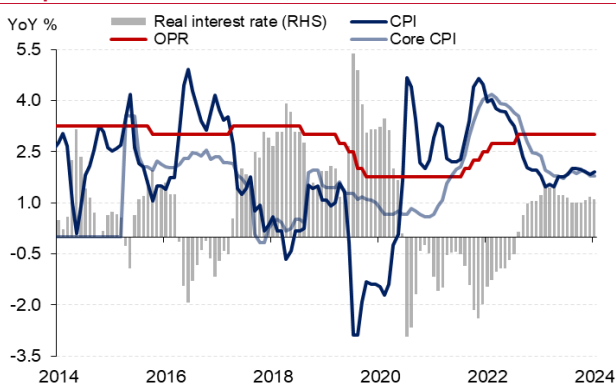
- Geopolitical tensions and worsening climate impacts could heighten inflationary pressures, compounded by domestic drivers such as broad-based salary increases and RON95 fuel subsidy rationalisation. However, these upward pressures may be offset by lower Brent crude price, underpinned by subdued global oil demand, the unwinding of OPEC+ supply cuts, and Trump's push for expanded US drilling. Lower energy costs could provide the government with greater flexibility to advance fiscal consolidation efforts without fuelling inflation.
- While inflation appears manageable and growth prospects solid, elevated uncertainties heading into 2025 may prompt Bank Negara Malaysia to maintain its overnight policy rate at 3.00%. BNM are likely to adopt a cautious approach, carefully assessing evolving global economic conditions before considering further monetary adjustments.

Table 1: Global Inflation (% YoY)

	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24
US	3.3	3.0	2.9	2.5	2.4	2.6
EU	2.6	2.5	2.6	2.2	1.7	2.0
UK	2.0	2.0	2.2	2.2	1.7	2.3
Japan	2.8	2.8	2.8	3.0	2.5	2.3
Korea	2.7	2.4	2.6	2.0	1.6	1.3
Singapore	3.1	2.4	2.4	2.2	2.0	N/A
China	0.3	0.2	0.5	0.6	0.4	0.3
Indonesia	2.8	2.5	2.1	2.1	1.8	1.7
Thailand	1.5	0.6	0.8	0.4	0.6	0.8

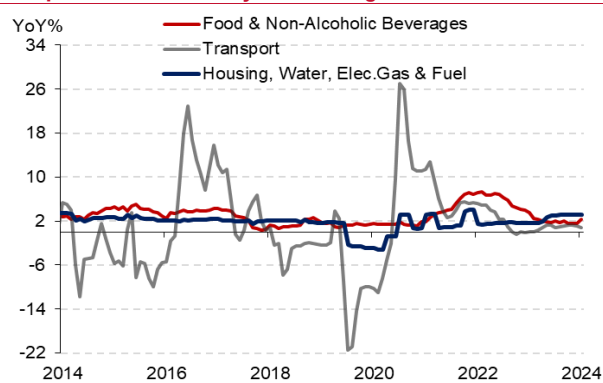
Source: Bloomberg, Kenanga Research

Graph 1: Real Interest Rate, Inflation Rates and OPR



Source: Macrobond, Kenanga Research

Graph 2: CPI Growth by Main Categories



Source: Macrobond, Kenanga Research

25 November 2024

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

Base 2010=100	weight	2021	2022	2023	Oct-23	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24
CPI	100.0	2.5	3.3	2.5	1.8	2.0	2.0	2.0	1.9	1.8	1.8
Core Inflation		0.7	3.0	3.0	2.4	1.9	1.9	1.9	1.9	1.8	1.8
Food & Non-Alcoholic Beverages	29.8	1.7	5.8	4.8	3.6	1.8	2.0	1.6	1.6	1.6	1.6
Alcoholic Beverages & Tobacco	1.9	0.5	0.5	0.7	0.6	0.6	0.7	0.9	1.1	0.8	0.8
Clothing & Footwear	2.7	-0.4	0.1	0.2	0.0	-0.2	-0.1	-0.1	-0.2	-0.3	-0.3
Housing, Water, Electricity, Gas & Other Fuels	23.2	1.5	1.8	1.7	1.6	3.2	3.2	2.9	3.1	3.1	3.1
Furnishing, Household Equipment & Routine Household Maintenance	4.3	1.6	3.5	2.3	1.4	0.8	0.9	0.7	0.7	0.6	0.6
Health	2.7	0.4	0.7	2.1	2.4	2.2	1.8	1.4	1.6	1.6	1.6
Transport	11.3	11.0	4.7	1.1	0.0	0.9	1.2	1.2	1.3	1.1	1.1
Communication	6.6	0.0	0.0	-2.9	-3.7	0.4	0.3	0.5	0.5	0.4	0.4
Recreation Services & Culture	3.0	0.4	2.3	1.5	0.7	1.9	1.9	2.0	2.0	2.1	2.1
Education	1.3	0.2	1.1	1.9	2.1	1.5	1.7	1.5	1.5	1.5	1.5
Restaurants & Hotels	3.4	0.4	5.0	5.5	4.6	3.2	3.3	3.1	3.2	3.2	3.2
Miscellaneous Goods & Services	9.8	0.5	2.0	2.5	2.3	3.0	2.8	3.1	3.2	3.1	3.1

Source: Macrobond, Kenanga Research

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