

Malaysia Consumer Price Index

Jumped to 2.9% in October on higher electricity bills

- **The headline inflation accelerated to a four-month high of 2.9% YoY in October, slightly below house forecast and a tad above expectation (KIBB: 3.0%; Consensus: 2.8%; Sep: 2.2%)**

- The higher growth in the inflation rate mainly reflected a jump in energy inflation due to the discontinuation of PEMULIH's electricity discount for both domestic and SME customers in September.
- On a monthly basis, CPI increased to a nine-month high of 0.7% (Sep: 0.2%), while core inflation edged up marginally at 0.7% YoY (Sep: 0.6%).

- **The sudden rise in the inflation rate was propelled mainly by a sharp increase in electricity bills and higher fuel prices**

- Housing, water, electricity, gas & other fuels (3.2%; Sep: 0.7%): rose sharply due to a double-digit YoY surge in electricity cost (34.6%; Sep: 1.8%) and higher prices of material for maintenance & repair dwelling (7.4%; Sep: 5.1%).
- Transport (11.3%; Sep: 11.0%): edged up to a three-month high, partly due to a continuous rise in RON97 petrol price (43.8% YoY, Sep: 38.1%), in tandem with a pronounced YoY increase of 125.3% (Sep: 91.7%) in Brent crude oil price.
- Restaurant & hotel (0.6%; Sep: 0.3%): jumped to a two-month high. On a MoM basis, the index rebounded by 0.3% (Sep: -0.2%), the highest growth recorded since September 2018, mainly due to the reopening of social sectors in October.

- **Rising inflation across advanced and developing economies due to strong demand and supply shortages**

- US (6.2%): soared to the highest level since Nov 1990, mainly due to a 30.0% increase in energy prices. To note, minutes from the November Fed meeting reveal that members are concerned about inflation and willing to tighten monetary policy.
- Singapore (3.2%): climbed to a near 9-year high on stronger private transport and non-cooked food costs.
- China (1.5%): rose to a 13-month high after four straight months of decline, driven by rising energy bills and food supply chain disruptions. To add, China's producer price index jumped to 13.5% in October (Sep: 10.7%).

- **2021 headline inflation forecast maintained at 2.5% (2020: -1.2%) as rising household spending and spiking global commodity prices are seen to continue to keep inflation up**

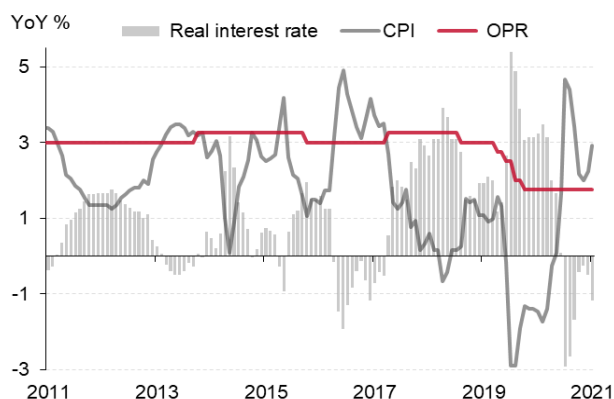
- The headline inflation rate is expected to remain elevated in the next few months as Malaysia's further reopening measures will continue to boost consumer spending. Externally, rising global food (Oct FAO Food Price Index: 31.3% YoY; Sep: 32.8%) and fuel prices amid the post-pandemic supply chain chaos will add to inflationary pressure in the domestic economy. On the economic outlook, in the near term, we continue to remain cautious amid rising concerns over the new heavily mutated COVID-19 variant (B.1.1.529).
- Despite positive economic outlook amid Malaysia's improving COVID-19 situation and ongoing vaccination efforts, we see a low likelihood of a rate hike anytime soon as Bank Negara Malaysia (BNM) remains cautiously optimistic. Hence, the BNM is expected to keep the policy rate unchanged at the next Monetary Policy Committee meeting in January 2022.

Table 1: Global Inflation (% YoY)

	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21
Eurozone	2.0	1.9	2.2	3.0	3.4	4.1
China	1.3	1.1	1.0	0.8	0.7	1.5
Korea	2.6	2.4	2.6	2.6	2.5	3.2
Indonesia	1.7	1.3	1.5	1.6	1.6	1.7
Japan	-0.1	0.2	-0.3	-0.4	0.2	0.1
Singapore	2.4	2.4	2.5	2.4	2.5	3.2
Thailand	2.4	1.3	0.5	0.0	1.7	2.4
USA	5.0	5.4	5.4	5.3	5.4	6.2

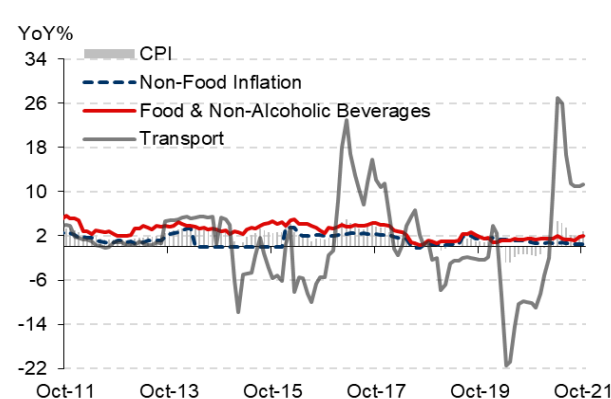
Source: Bloomberg, Kenanga Research

Graph 1: Real Interest Rate



Source: Dept. of Statistics, Kenanga Research

Graph 2: CPI Growth by Main Categories



Source: Bloomberg, Kenanga Research

29 November 2021

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

Base 2010=100	weight	2018	2019	2020	Oct-20	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21
CPI	100.0	1.0	0.7	-1.2	-1.5	4.4	3.4	2.2	2.0	2.2	2.9
Core Inflation	70.5	0.8	1.1	1.1	0.8	0.8	0.7	0.7	0.6	0.6	0.4
Food & Non-Alcoholic Beverages	29.5	1.6	1.6	1.3	1.5	1.5	1.3	1.3	1.2	1.9	1.9
Alcoholic Beverages & Tobacco	2.4	-0.1	1.5	0.3	0.5	0.7	0.7	0.5	0.4	0.4	0.3
Clothing & Footwear	3.2	-2.0	-1.9	-0.8	-0.4	-0.5	-0.4	-0.4	-0.4	-0.5	-0.4
Housing, Water, Electricity, Gas & Other Fuels	23.8	2.0	1.9	-1.7	-3.0	3.2	3.2	0.7	0.6	0.7	3.2
Furnishing, Household Equipment & Routine Household Maintenance	4.1	0.4	1.4	0.2	0.1	2.1	2.0	1.7	1.7	1.7	2.1
Health	1.9	0.8	0.6	1.2	1.1	0.6	0.5	0.4	0.3	0.3	0.2
Transport	14.6	1.5	-3.1	-10.0	-10.2	26.0	16.6	11.6	11.0	11.0	11.3
Communication	4.8	-1.8	0.4	1.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Recreation Services & Culture	4.8	-0.4	0.7	0.5	0.2	0.6	0.6	0.6	0.7	0.6	0.2
Education	1.3	1.1	1.4	1.0	0.7	0.3	0.5	0.1	0.0	-0.1	-0.1
Restaurants & Hotels	2.9	1.5	1.2	0.4	0.1	0.2	0.5	0.7	0.6	0.3	0.6
Miscellaneous Goods & Services	6.7	-1.4	0.4	2.6	2.8	0.7	0.3	0.1	-0.6	-0.5	-0.2

Source: Dept. of Statistics, Kenanga Research

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