

# Malaysia Consumer Price Index

Softened in September due to a moderation in food prices

- **The headline inflation eased to 4.5% in September, for the first time in seven months, slightly below expectation (KIBB: 4.7%; Consensus: 4.6%; Aug: 4.7%)**

- The moderation in headline CPI was attributable to falling food prices, which is in line with the global food price trend as evidenced by a -1.5% MoM drop in the FAO Food Price Index. On a MoM basis, inflation eased further by 0.1% (Aug: 0.2%).
- 3Q22: rose at its fastest pace (4.5%; 2Q22: 2.8%) since 4Q08.
- Core inflation: surged to a new all-time high of 4.0% (Aug: 3.8%), mainly due to a continuous increase in major core items (i.e. food, transport).

**Table 1: Global Inflation (% YoY)**

	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22
Eurozone	7.4	8.1	8.6	8.9	9.1	9.9
China	2.1	2.1	2.5	2.7	2.5	2.8
South Korea	4.8	5.4	6.0	6.3	5.7	5.6
Indonesia	3.5	3.6	4.4	4.9	4.7	6.0
Japan	2.5	2.5	2.4	2.6	3.0	3.0
Singapore	5.4	5.6	6.7	7.0	7.5	N/A
Thailand	4.7	7.1	7.7	7.6	7.9	6.4
USA	8.3	8.6	9.1	8.5	8.3	8.2

Source: Bloomberg, Kenanga Research

- **The softening inflation reading was mainly driven by a deceleration in the food component of the CPI basket**

- Food & non-alcoholic beverages (6.8%; Aug: 7.2%): moderated from its 13-year peak due to a slowdown in prices of food at home (5.7%; Aug: 6.4%), especially fish (3.3%; Aug: 3.7%) and vegetables (6.3%; Aug: 8.9%).
- Housing, water, electricity, gas & other fuels (4.0%; Aug: 4.1%): eased marginally due to a moderation in the cost of material for maintenance and repair (13.7%; Aug: 14.2%).
- Transport (5.3%; Aug: 5.2%): despite falling Brent crude oil price, transport inflation edged up, propelled mainly by increasing motorcycle prices (2.9%; Aug: 2.0%) and a sharp rebound in the cost of air transportation (5.1%; Aug: -2.3%).

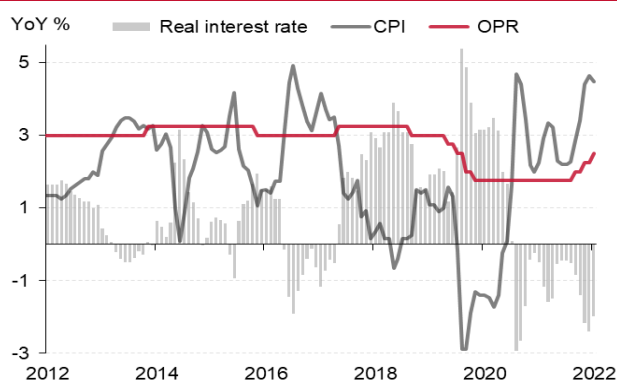
- **Mixed inflationary trend across advanced and developing economies**

- US (8.2%; Aug: 8.3%): eased marginally to a seven-month low but still higher than consensus of 8.1%. Of note, core inflation accelerated to a more than 40-year high of 6.6% (Aug: 6.3%), mainly due to surging rents and shelter costs.
- EU (9.9%; Aug: 9.1%): accelerated to another all-time high in September as Russia's war in Ukraine continued to push up energy (40.7%; Aug: 38.6%) and food (11.8%; Aug: 10.6%) prices.
- China (2.8%; Aug: 2.5%): soared to a 29-month high, driven mainly by a 36.0% jump in pork prices due to seasonal factor and lower slaughter rates. However, core inflation eased to 0.6% (Aug: 0.8%), highlighting subdued consumer demand.

- **2022 headline inflation forecast retained at 3.3% (2021: 2.5%) amid increasing global uncertainties**

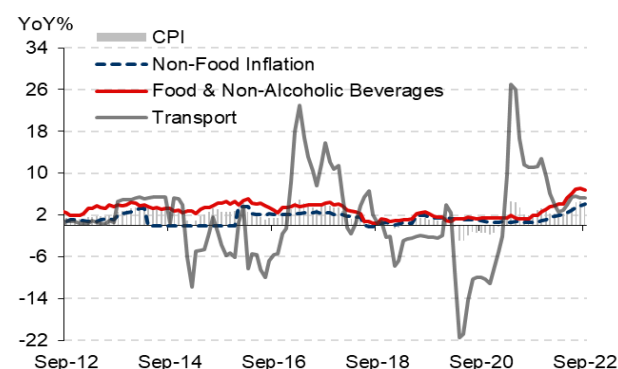
- In the next few months, the headline inflation may continue to trend lower and hover around the 3.2 - 3.8% level due to the government's price control policies and base effect. However, the rising risk of Russia-Ukraine geopolitical war and China's tenacious zero-COVID-19 policy may continue to exert upward pressure on consumer prices, especially food. That being said, core inflation is expected to stay elevated for some time due to rising prices for important imported inputs.
- To ensure price stability and to prevent the domestic economy from overheating, Bank Negara Malaysia (BNM) may continue to raise the overnight policy rate by another 25 basis points for the fourth consecutive time during its monetary policy committee meeting on Nov 3. However, there is a rising probability that the BNM may put the brakes on its rate-hiking cycle due to growing concern over an impending global recession and increasing political uncertainty.

**Graph 1: Real Interest Rate**



Source: Dept. of Statistics, Kenanga Research

**Graph 2: CPI Growth by Main Categories**



Source: Bloomberg, Kenanga Research

25 October 2022

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

Base 2010=100	weight	2019	2020	2021	Sep -21	Apr- 22	May -22	Jun- 22	Jul- 22	Aug -22	Sep -22
<b>CPI</b>	<b>100.0</b>	<b>0.7</b>	<b>-1.2</b>	<b>2.5</b>	<b>2.2</b>	<b>2.3</b>	<b>2.8</b>	<b>3.4</b>	<b>4.4</b>	<b>4.7</b>	<b>4.5</b>
Core Inflation	70.5	1.1	1.1	0.7	0.6	2.1	2.4	3.0	3.4	3.8	4.0
Food & Non-Alcoholic Beverages	29.5	1.6	1.3	1.8	1.9	4.1	5.2	6.1	6.9	7.2	6.8
Alcoholic Beverages & Tobacco	2.4	1.5	0.3	0.5	0.4	0.5	0.4	0.4	0.6	0.7	0.7
Clothing & Footwear	3.2	-1.9	-0.8	-0.4	-0.5	-0.2	0.0	0.2	0.3	0.3	0.4
Housing, Water, Electricity, Gas & Other Fuels	23.8	1.9	-1.7	1.6	0.7	0.8	1.2	1.2	3.8	4.1	4.0
Furnishing, Household Equipment & Routine Household Maintenance	4.1	1.4	0.2	1.6	1.7	2.7	2.9	3.4	4.0	4.3	4.4
Health	1.9	0.6	1.2	0.4	0.3	0.2	0.4	0.6	0.8	0.9	1.0
Transport	14.6	-3.1	-10.0	11.0	11.0	3.0	3.9	5.4	5.6	5.2	5.3
Communication	4.8	0.4	1.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Recreation Services & Culture	4.8	0.7	0.5	0.5	0.6	1.3	1.8	2.2	2.5	2.7	3.1
Education	1.3	1.4	1.0	0.1	-0.1	1.0	1.0	1.1	1.2	1.2	1.3
Restaurants & Hotels	2.9	1.2	0.4	0.4	0.3	3.2	3.7	5.0	5.8	6.4	6.9
Miscellaneous Goods & Services	6.7	0.4	2.6	0.5	-0.5	1.8	1.9	2.2	2.1	2.4	2.4

Source: Dept. of Statistics, Kenanga Research

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