

Malaysia Consumer Price Index

Inflation hit a 33-month low in November, driven by a sharp drop in food prices

- November’s headline inflation slowed to 1.5% YoY (Oct: 1.8%), a 33-month low, and below house and market estimate of 1.7% due to the lower-than-expected food prices

- The sharper-than-expected moderation in prices is primarily due to deflationary trends in food prices, both consumed at home and away from home. On a MoM basis, inflationary pressure was muted at 0.0% (Oct: 0.1%), with declining food prices offsetting increases in other categories.
- Similarly, core inflation has also experienced a moderation, settling at 2.0% (Oct: 2.4%). This can be attributed to a stagnant growth rate of 0.0% MoM, reflecting the absence of price pressures across nearly all subcomponents.

- Lower food prices were equally outweighed by an increase in rental and transport services costs

- Food & non-alcoholic beverages (2.6%; Oct: 3.6%): slowed to its lowest since October 2021 despite the removal of price controls for chicken and eggs on November 1. This slowdown is mainly due to a sharp drop in fresh fish and meat prices.
- Housing, water, electricity, gas & other fuels (1.7%; Oct: 1.6%): rose to a four-month high due to an increase in rental (0.3%; Oct: 0.0%) and maintenance & repair of dwelling (0.1%; Oct: 0.0%) costs.
- Transport (0.1%; Oct: 0.0%): edged marginally higher due to a MoM rebound in the cost of transport by railway and air.
- Miscellaneous goods & services (2.3%; Oct: 2.3%): remained unchanged but accelerated by 0.4% MoM (Oct: 0.0%), primarily due to a notable rebound of 3.4% (Oct: -0.8%) in the prices of jewellery rings & precious stones.

- The tale of three major central banks: Fed pivoting, BoJ mulling hike, PBoC leaning towards more rate cuts

- US (3.1%; Oct: 3.2%): edged lower to a five-month low due to cheaper gas prices. However, core inflation remained sticky at 0.3% MoM (Oct: 0.2%) due to elevated wages in the services sector. Hence, more evidence of a slowing US economy is needed before the Fed can embark on its first rate cut.
- Japan (2.8%; Oct: 3.3%): cooled to its lowest level since July 2022, attributed to softening food prices and a decline in electricity and gas bills. However, it remains above the BoJ’s price stability target of 2.0%. Anticipated wage increases in 2024 could potentially drive inflation upwards, compelling the central bank to step away from its ultra-easy policy.
- China (-0.5%; Oct: -0.2%): fell further into deflation, marking the sharpest decline in three years due to weak consumer demand. This underscores the need for additional policy rate and reserve requirement ratio cuts in 2024.

- We have retained our 2023 and 2024 headline inflation forecasts at 2.5% (2022: 3.3%) and 2.7% respectively

- In the coming months, we anticipate headline inflation to maintain a 0.1-0.2% MoM growth, driven by the potential resurgence of food prices amid the looming possibility of a stronger El Niño in 2024. This, along with other external factors such as escalating geopolitical tensions, poses an additional risk of pushing prices higher. On the domestic front, the confluence of the government’s subsidy rationalisation plan, an increase in services tax, and the implementation of the progressive wage model is expected to heighten Malaysia’s inflationary pressures. Nevertheless, the prospect of further improvements in the supply chain and a reduction in global demand may help to keep inflation within the 2.5-3.0% range.
- Despite expectations of a deceleration in global growth next year, Malaysia’s GDP is projected to continue its expansion, potentially growing by more than 4.0% YoY. With domestic inflation anticipated to remain comfortably below the 3.0% threshold on average, we foresee no inclination for rate cuts on the BNM’s agenda. Consequently, the BNM is likely to uphold the status quo, maintaining the overnight policy rate at 3.00% throughout 2024.

Table 1: Global Inflation (% YoY)

	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23
US	3.0	3.2	3.7	3.7	3.2	3.1
EU	5.5	5.3	5.2	4.3	2.9	2.4
UK	7.9	6.8	6.7	6.7	4.6	3.9
Japan	3.3	3.3	3.2	3.0	3.3	2.8
Korea	2.7	2.3	3.4	3.7	3.8	3.3
Singapore	4.5	4.1	4.0	4.1	4.7	0.0
China	0.0	-0.3	0.1	0.0	-0.2	-0.5
Indonesia	3.5	3.1	3.3	2.3	2.6	2.9
Thailand	0.2	0.4	0.9	0.3	-0.3	-0.4

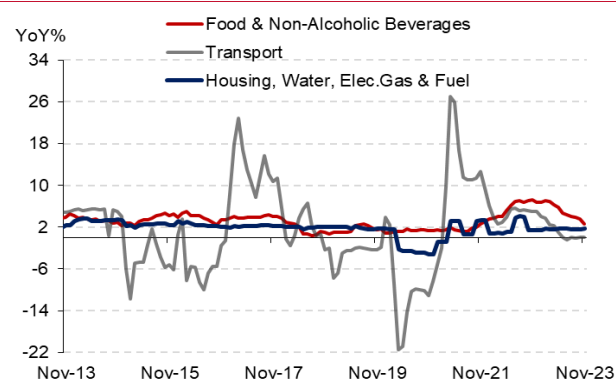
Source: Bloomberg, Kenanga Research

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

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

Base 2010=100	weight	2020	2021	2022	Nov -22	Jun- 23	Jul- 23	Aug -23	Sep -23	Oct- 23	Nov -23
CPI	100.0	-1.2	2.5	3.3	4.0	2.4	2.0	2.0	1.9	1.8	1.5
Core Inflation	70.5	1.1	0.7	3.0	4.2	3.1	2.8	2.5	2.5	2.4	2.0
Food & Non-Alcoholic Beverages	29.5	1.3	1.7	5.8	7.3	4.7	4.4	4.1	3.9	3.6	2.6
Alcoholic Beverages & Tobacco	2.4	0.3	0.5	0.5	0.8	0.6	0.5	0.5	0.7	0.6	0.6
Clothing & Footwear	3.2	-0.8	-0.4	0.1	0.4	0.1	0.1	0.0	0.1	0.0	0.0
Housing, Water, Electricity, Gas & Other Fuels	23.8	-1.7	1.5	1.8	1.4	1.8	1.7	1.6	1.6	1.6	1.7
Furnishing, Household Equipment & Routine Household Maintenance	4.1	0.2	1.6	3.5	3.8	2.3	1.9	1.7	1.5	1.4	1.4
Health	1.9	1.2	0.4	0.7	1.4	2.0	2.0	2.4	2.2	2.4	2.3
Transport	14.6	-10.0	11.0	4.7	5.0	0.0	-0.4	0.0	-0.1	0.0	0.1
Communication	4.8	1.1	0.0	0.0	0.0	-3.6	-3.7	-3.7	-3.7	-3.7	-3.7
Recreation Services & Culture	4.8	0.5	0.4	2.3	3.6	1.6	1.1	1.0	0.6	0.7	0.6
Education	1.3	1.0	0.2	1.1	1.5	1.9	2.0	2.1	2.0	2.1	2.0
Restaurants & Hotels	2.9	0.4	0.4	5.0	7.0	5.4	5.0	4.7	4.4	4.6	4.3
Miscellaneous Goods & Services	6.7	2.6	0.5	2.0	2.6	2.6	2.6	2.4	2.5	2.3	2.3

Source: Dept. of Statistics, Kenanga Research

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