

17 July 2014

MALAYSIA

June CPI at 3.3% – Going up again

Inflation in June 2014 rose +3.3% YoY (May 2014: +3.2% YoY; MIDF: +3.2% YoY; Consensus: +3.2% YoY) on higher prices of “Food, Non-Alcoholic Beverages & Tobacco (FNAB)”, “Housing, Water, Electricity, Gas and Other Fuels” (HWEGF) and “Health”. “Transport” cost maintained for the second consecutive month at +5.5% YoY in June 2014. From the previous month, headline inflation gained +0.2% MoM (May 2014: +0.1% MoM).

“**Food, Non-Alcoholic, Beverages & Tobacco**” rebounded to +3.5% YoY for June 2014 (May 2014: +3.3% YoY), reflecting the approaching festive season. Notable prices increase were from the “rice, bread & other cereal” sub-sector which grew at +1.1% YoY (May 2014: +1.0% YoY), “fish & seafood” at +5.1% YoY (May 2014: +4.4% YoY). Overall “Food for Home” sub-sector registered a growth of +3.2% YoY (May 2014: +2.9 YoY) “Alcoholic, Beverages & Tobacco” (ABT) surprisingly registered slower growth at +11.6% YoY (May 2014: +14.1% YoY) after 6 consecutive months of registering more than +14% YoY.

“**Housing, Water, Electricity, Gas and Other Fuels**” (HWEGF) grew higher to +3.2% YoY (May 2014: +3.1% YoY). Specifically, the “Electricity, Gas and Other Fuels” sub-group maintained its growth of +5.7% in June 2014 for the fifth consecutive month. While there is notable increase YoY, on a MoM basis the HWEGF sector only grew at +0.09% MoM (May 2014: +0.46% MoM).

Malaysia: Consumer Price Index (CPI, 2010=100)

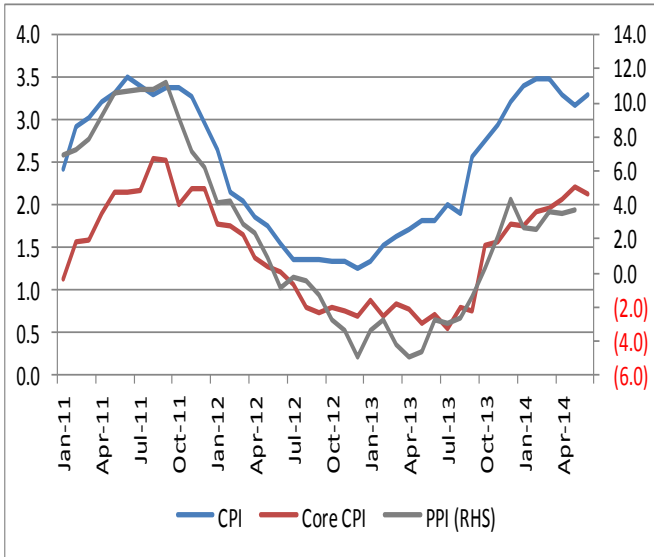
% YoY	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	YTD 2014	2013
Total	3.2	3.4	3.5	3.5	3.4	3.2	3.3	3.4	2.1
Food and Non Alcoholic Beverages (FNAB)	4.5	4.2	3.8	3.9	3.6	3.3	3.5	3.7	3.6
Alcoholic Beverages and Tobacco	14.1	14.1	14.1	14.1	14.1	14.1	11.6	13.6	6.0
Clothing and Footwear	(0.3)	(0.2)	0.2	(0.1)	(0.1)	(0.2)	(0.1)	(0.1)	(0.6)
Housing,Water,Electricity,Gas & Other Fuels (HWEGF)	2.4	3.2	3.5	3.6	3.6	3.1	3.2	3.3	1.7
Furnishings, Household Equipment and Maintenance	1.6	1.6	1.5	1.1	1.0	1.2	1.0	1.2	1.5
Health	1.9	2.1	2.2	2.3	2.3	2.4	3.1	2.3	1.9
Transport	5.0	5.3	5.5	5.1	5.3	5.5	5.5	5.3	2.0
Communication	(0.6)	(0.4)	(0.6)	(0.5)	(0.6)	(0.7)	(0.6)	(0.6)	(0.7)
Recreation and Culture	1.8	1.6	1.6	1.6	1.7	1.9	1.9	1.7	0.1
Education	2.9	2.6	2.3	2.3	2.3	2.2	2.2	2.3	2.4
Restaurants and Hotels	3.3	4.2	4.4	4.5	4.8	4.9	4.9	4.6	2.4
Miscellaneous Goods and Services	(0.6)	(1.1)	(0.4)	0.1	0.5	1.1	1.2	0.3	0.3

Source: Dept. of Statistics

We expect the MoM pace in inflation to pick up in coming months with inflation inching to 3.4% YoY for July on the account of higher OPR. Recall that in the last OPR hike of 25bps in May 2011, the CPI edge by 1 ppts to 3.3%. Core CPI seemed to be trending downwards but with the BNM hike we expect to it to rebound northward.

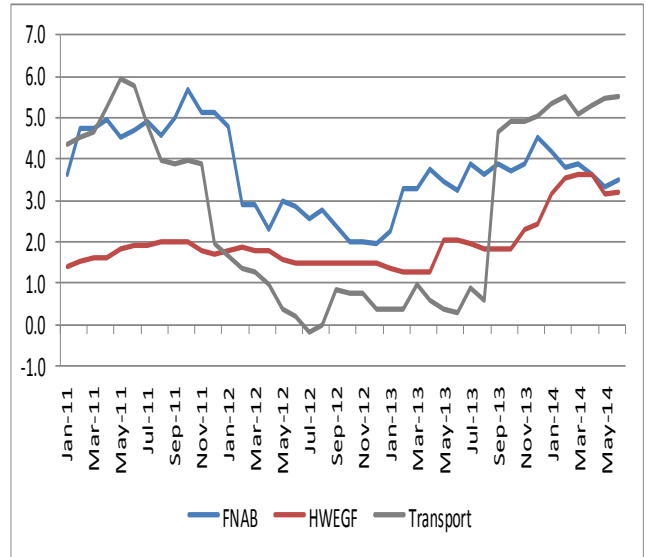
We believe **due to low base effect, the YoY will see prices to average by around 3% in 2014**, before edging up higher again in 2015 on the Government’s commitments top execute fiscal reforms via subsidy rollback and GST introduction. We expect CPI to average around 3.5% to 4% in 2015, which is in line with BNM forecast of 3.0% to 4.0% for the year. With the economic growth is expected to be firmer this year (after a surprise 1Q214 GDP results), there is a continued heightened risk to inflation expectations as well.

Chart 1: Headline & Core CPI, PPI (% YoY)



Source: Department of Statistics

Chart 2: Key CPI Components (% YoY)



Source: Department of Statistics

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MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >15% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >15% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -15% and +15% over the next 12 months.
SELL	<i>Negative</i> total return is expected to be -15% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >15% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.