

ECONOMIC REVIEW | April 2024 Consumer Price Index**Low Inflation Pressure to Stay as Targeted-Fuel Subsidy Implementation will be in Gradual Phases**

- *Low inflation environment continues. Headline inflation rate remained at +1.8%yoy in Apr-24, registering 8-straight months below +2.0% level (Market Consensus: +1.9%yoy). Non-food inflation rate stayed 11-month high of +1.7%yoy while food price growth edged up to 3-month high at +2.0%yoy. Faster inflation pace of food away from home at +4.0%yoy (6-month high) among upside factors contributing to the rise of overall food prices. Price pressure of food at home remained low and non-alcoholic beverages continued moderating pace.*
- *Inflationary pressure slowly rising in urban and rural areas. By strata, both urban and rural areas were experiencing pick-up in inflationary pressure. Urban's headline inflation rate surged to 6-month high while rural's at 8-month high. Peninsular Malaysia also recorded higher rate at +1.8%yoy, the fastest pace since Oct-23. Across state, Penang still hold the record of the highest rate at +3.2%yoy while Pahang at +2.4%yoy and followed by Selangor at +2.2%yoy in Apr-24.*
- *We downgrade our headline CPI forecast from +3.2% to +2.7% for 2024. In our earlier assessment, we assumed that the targeted-fuel subsidy would be rolled-out in Jun-24. However, we postulate that the government may require more time to harness the subsidy distribution and fuel price mechanisms. In our opinion, the targeted-fuel subsidy may kick-off in 4QCY24.*

Low inflation environment continues. Headline inflation rate remained at +1.8%yoy in Apr-24, registering 8-straight months below +2.0% level (Market Consensus: +1.9%yoy). Non-food inflation rate stayed 11-month high of +1.7%yoy while food price growth edged up to 3-month high at +2.0%yoy. Faster inflation pace of food away from home at +4.0%yoy (6-month high) among upside factors contributing to the rise of overall food prices. Price pressure of food at home remained low and non-alcoholic beverages continued moderating pace. We believe the food inflation rate may stay on an uptick direction following expected roll-out of targeted-Diesel subsidy in 2HCY24. As for core inflation rate, the demand-led inflation rate rose to 4-month high yet still below +2.0%yoy. Looking into 2HCY24, we should expect a gradual pick-up in overall prices following increase in utility charges, implementation of higher SST rate to 8.0% on selected items and 10% for low value goods tax (LVGT). In the later half, we opine that it is possible that the roll-out of fuel targeted-subsidy may see higher retail fuel prices of both RON95 and Diesel.

Global food prices stayed on deflation mode. Global food price fell by -7.4%yoy in Apr-24, registering 17-straight months of contraction. By component, meat price deflated by -0.4%yoy, dairy price down by -4.3%yoy, cereals price lower by -18.3%yoy, sugar price nosedived by -14.7%yoy, but oils price grew yet at slower pace of +0.7%yoy. Following that, domestic food price growth still muted as 4MCY24 average at +1.9%yoy. This is way lower than pre-pandemic average +3.2%pa and post-pandemic average +4.1%pa. Nevertheless, Malaysia is highly exposed to external factors and currency movements as a net importer of food country. As 3MCY24, food imports to total imports ratio at 6.9% (2023: 6.5%). On the flip side, food exports ratio at 3.4% (2023: 3.3%).

Table 1: Consumer price index by component

	Weightage %	MoM%			YoY%		
		Feb-24	Mar-24	Apr-24	Feb-24	Mar-24	Apr-24
Core CPI	-	0.2	0.2	0.2	1.8	1.7	1.9
Headline CPI	100.0	0.5	0.1	0.2	1.8	1.8	1.8
Food and Beverages	29.8	0.3	0.0	0.1	1.9	1.7	2.0
Food	29.0	0.3	(0.1)	0.1	1.8	1.7	2.0
Food at Home	15.6	0.0	(0.2)	(0.2)	0.5	0.3	0.4
Food Away from Home	13.4	0.7	0.2	0.5	3.5	3.5	4.0
Non-alcoholic Beverages	0.8	0.2	(0.2)	(0.1)	2.6	1.4	1.3
Non-Food	70.2	0.7	0.2	0.2	1.6	1.7	1.7
Alcoholic Beverages & Tobacco	1.9	0.0	0.2	0.1	0.4	0.5	0.5
Clothing & Footwear	2.7	0.0	0.0	(0.1)	(0.2)	(0.2)	(0.3)
Housing, Water, Electricity, Gas & Other Fuels	23.2	1.3	0.3	0.0	2.7	3.0	3.0
Furnishings, Household Equip & Maintenance	4.3	0.1	0.2	0.1	0.9	0.9	1.0
Health	2.7	0.3	0.0	0.2	2.2	2.1	2.3
Transport	11.3	0.4	(0.2)	(0.1)	1.2	1.3	0.8
Information and Communication	6.6	0.0	0.0	(0.1)	(2.4)	(2.4)	(2.5)
Recreation, Sport, and Culture	3.0	0.3	(0.2)	0.8	1.6	1.5	2.0
Education	1.3	0.2	0.2	0.2	1.5	1.5	1.4
Restaurants & Accommodation Services	3.4	0.6	0.4	0.3	2.9	3.0	3.5
Insurance & Financial Services	4.0	0.0	0.0	0.0	(0.1)	(0.1)	(0.1)
Personal Care, Social Protect & Misc. Goods & Services	5.8	0.3	0.4	0.9	2.5	2.6	3.1

Source: DOSM, MIDFR

Inflationary pressure slowly rising in urban and rural areas. By strata, both urban and rural areas were experiencing pick-up in inflationary pressure. Urban's headline inflation rate surged to 6-month high while rural's at 8-month high. Peninsular Malaysia also recorded higher rate at +1.8%yoY, the fastest pace since Oct-23. Across state, Penang still hold the record of the highest rate at +3.2%yoY while Pahang at +2.4%yoY and followed by Selangor at +2.2%yoY in Apr-24. Like previous month, Sarawak registered the fastest pick-up in terms of month-on-month +0.3%mom in Apr-24.

Table 2: Inflation by state (YoY%)

	MoM%			YoY%		
	Feb-24	Mar-24	Apr-24	Feb-24	Mar-24	Apr-24
Urban	0.5	0.1	0.2	1.7	1.7	1.8
Rural	0.4	0.1	0.1	1.7	1.6	1.8
Peninsular Malaysia	0.5	0.0	0.1	1.7	1.7	1.8
Kedah	(0.1)	0.6	0.0	0.9	1.4	1.4
Perlis	0.5	0.0	0.0	2.0	1.9	1.8
Pulau Pinang	1.3	0.1	0.2	2.7	3.0	3.2
Perak	0.2	(0.1)	0.1	1.2	1.0	1.0
Selangor	0.7	0.1	0.2	2.1	2.1	2.2
Putrajaya	0.4	(0.1)	0.2	1.6	1.4	1.6

	MoM%			YoY%		
	Feb-24	Mar-24	Apr-24	Feb-24	Mar-24	Apr-24
Kuala Lumpur	0.3	(0.2)	0.2	1.3	1.1	1.4
Melaka	0.4	(0.1)	0.2	1.3	1.1	1.1
Negeri Sembilan	0.3	(0.1)	0.1	1.0	0.9	1.0
Johor	0.4	0.0	0.0	1.5	1.5	1.6
Pahang	0.9	(0.2)	0.2	2.4	2.1	2.4
Kelantan	0.5	0.0	0.0	1.3	1.1	1.0
Terengganu	0.6	0.1	0.0	1.4	1.4	1.4
Sabah	0.2	0.0	0.2	1.5	1.4	1.6
Sarawak	0.2	1.0	0.3	1.9	2.9	3.0

Source: DOSM, MIDFR

PPI surged to 15-month high in Mar-24. Malaysia's input inflation rate rose to +1.6%yoy, the highest rate since Jan-23. Following slight uptick of global oil prices, crude materials input cost jumped by +7.4%yoy which was the fastest gain since Jul-22. Intermediate materials contracted by -0.4%yoy, and cost inflation of finished goods increased modestly by +1.9%yoy. As of 1QCY24, overall PPI grew by +0.4%yoy (2023: -1.9%) while crude materials up by +5.1%yoy (2023: -9.6%), intermediate materials down by -1.3%yoy (2023: -1.2%) and finished goods improved by +1.2%yoy (2023: +3.1%). Looking ahead, we foresee the PPI to stay on uptrend particularly via the intermediate materials and fuels & lubricants amid targeted-Diesel subsidy mechanism which expected to kick-off in Jun-24.

Table 3: Producer Price Indices by Stage of Processing

	MoM%			YoY%		
	Jan-24	Feb-24	Mar-24	Jan-24	Feb-24	Mar-24
PPI	(0.1)	0.7	1.6	(0.6)	0.3	1.6
Crude Materials	0.0	2.7	3.2	2.3	5.6	7.4
Foodstuffs	0.5	0.2	(0.6)	3.5	3.6	0.9
Non-food	(0.1)	3.2	3.9	2.1	6.0	8.8
Non-food ex fuel	2.9	3.8	7.3	2.9	6.9	8.0
Crude Fuel	(1.5)	2.8	2.3	1.7	5.6	9.2
Intermediate Materials	0.1	0.1	1.3	(2.0)	(1.7)	(0.4)
Manufactured Goods	0.1	0.3	1.2	(1.1)	(0.5)	0.5
Construction	0.3	(0.3)	0.0	4.6	4.2	3.9
Processed Fuel & Lubricants	(0.4)	(0.7)	3.1	(12.9)	(12.9)	(9.2)
Containers	(0.4)	(0.3)	0.1	(2.3)	(2.8)	(2.2)
Supplies	0.3	0.5	0.3	7.2	7.2	6.8
Finished Goods	(0.5)	0.7	0.9	0.5	1.1	1.9
Consumer Goods	(0.3)	(0.4)	0.3	(0.7)	(1.0)	(0.5)
Consumer Goods ex. Foods	(0.6)	(0.6)	0.1	(0.9)	(1.5)	(0.8)
Capital Equipment	(0.6)	1.5	1.6	1.4	2.9	4.0

Source: DOSM, MIDFR

Not much changes in global inflation. The US consumer headline inflation rate moderated to +3.4%yoy in Apr-24 (Mar-24: +3.5%yoy), right within market expectations. Food inflation rate steadied at +2.2%yoy for 3-consecutive months while energy prices rose faster by +2.6%yoy (Mar-24: +2.1%yoy). Core inflation rate eased to +3.6%yoy, the lowest in 3-year and conforming to market projections. Services inflation still at 7-month high of +5.3%yoy. Against the previous month, headline inflation softened by +0.3%mom (Market Consensus: +0.4%mom) while core CPI grew slower by +0.3%mom (Market Consensus: +0.3%mom). As for Euro Area, headline inflation rate maintained at more than 2-year low at +2.4%yoy while core inflation rate fell further to +2.7%yoy, lowest since Feb-22. Across the globe, China's consumer inflation rate inched up to +0.3%yoy, better than market expectations of +0.1%yoy. China's core inflation rate rose to +0.7%yoy in Apr-24 (Mar-24: +0.6%yoy).

Table 4: Global Headline Inflation (YoY%)

	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24
Malaysia	1.8	1.5	1.5	1.5	1.8	1.8	1.8
Indonesia	2.6	2.9	2.6	2.6	2.8	3.1	3.0
Singapore	4.7	3.6	3.7	2.9	3.4	2.7	2.7
Thailand	(0.3)	(0.4)	(0.8)	(1.1)	(0.8)	(0.5)	0.2
Philippines	4.9	4.1	3.9	2.8	3.4	3.7	3.8
Taiwan	3.0	2.9	2.7	1.8	3.1	2.1	2.0
South Korea	3.8	3.3	3.2	2.8	3.1	3.1	2.9
China	(0.2)	(0.5)	(0.3)	(0.8)	0.7	0.1	0.3
Japan	3.3	2.8	2.6	2.2	2.8	2.7	
Euro Area	2.9	2.4	2.9	2.8	2.6	2.4	2.4
USA	3.2	3.1	3.4	3.1	3.2	3.5	3.4

Source: Macrobond, MIDFR


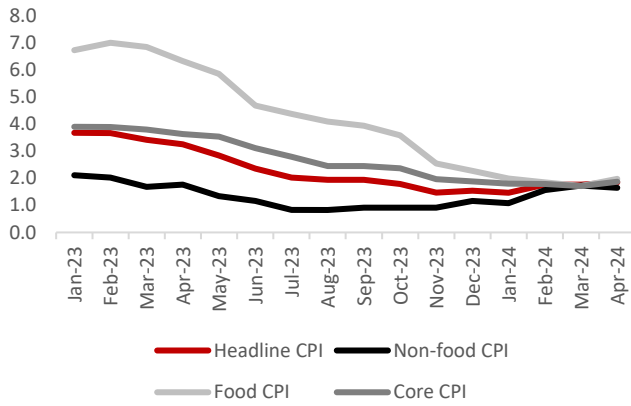
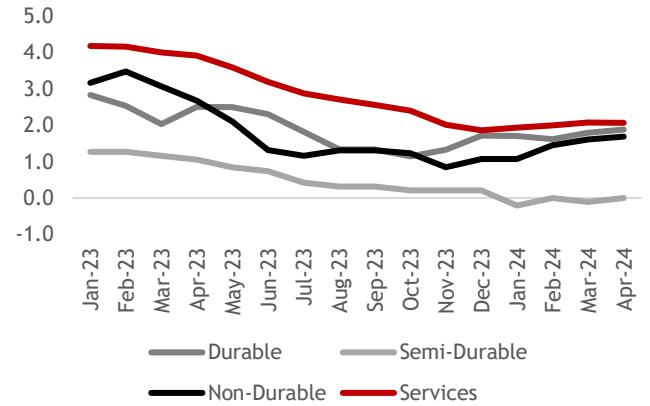
We downgrade our headline CPI forecast from +3.2% to +2.7% for 2024. In our earlier assessment, we assumed that the targeted-fuel subsidy would be rolled-out in Jun-24. However, we postulate that the government may require more time to harness the subsidy distribution and fuel price mechanisms. In our opinion, the targeted-fuel subsidy may kick-off in 4QCY24. Henceforth, we reduce our average inflation rate forecast to +2.7% due to gradual phases of targeted-fuel subsidy implementation and moderating food price growth. As of 4MCY24, headline inflation rate averaged at +1.7% (2023: +2.5%) while non-food at +1.5% (2023: +1.3%) and food at +1.9% (2023: +4.8%). Average core inflation rate recorded at +1.8% (2023: +3.0%). 

Chart 1: Key CPI Data (YoY%)



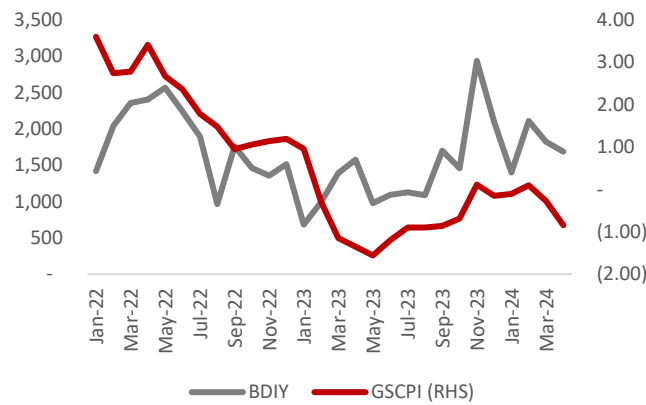
Source: Macrobond, MIDFR

Chart 2: CPI by Type of Product (YoY%)



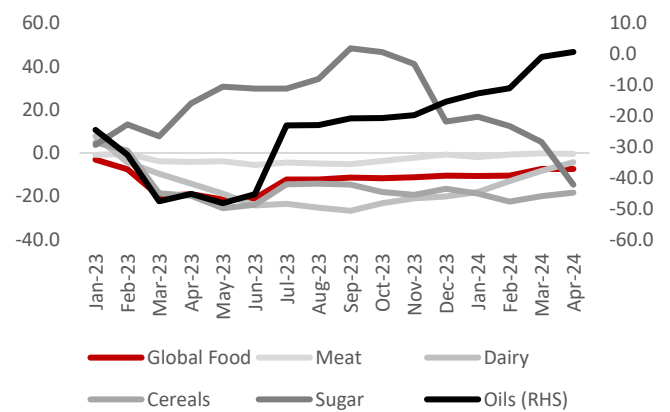
Source: Macrobond, MIDFR

Chart 3: Baltic Dry Index % Global Supply Chain Pressure Index



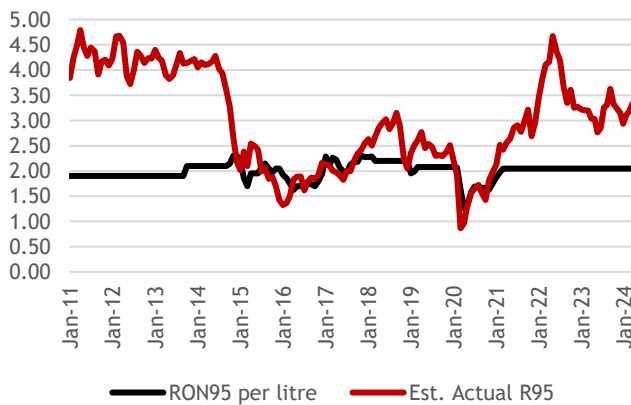
Source: Macrobond, MIDFR

Chart 4: Global Food Inflation (YoY%)



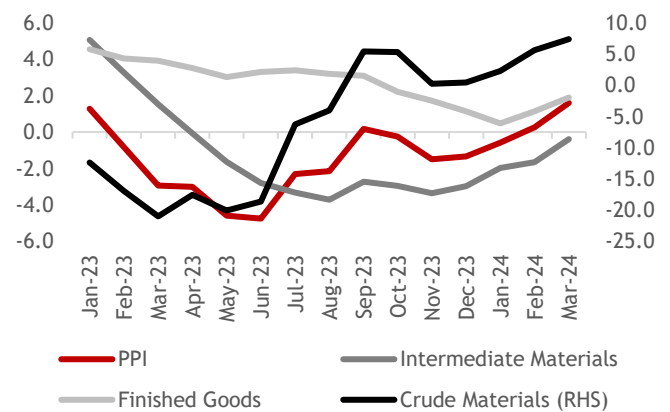
Source: FAO of UN, MIDFR

Chart 5: Subsidized vs. Estimated Actual R95 Price (RM per litre)



Source: Bloomberg, MIDFR

Chart 6: PPI (YoY%)



Source: Macrobond, MIDFR

**MIDF RESEARCH is part of MIDF Amanah Investment Bank Berhad
197501002077 (23878-X).
(Bank Pelaburan)
(A Participating Organisation of Bursa Malaysia Securities Berhad)**

DISCLOSURES AND DISCLAIMER

This report has been prepared by MIDF AMANAH INVESTMENT BANK BERHAD 197501002077 (23878-X). It is for distribution only under such circumstances as may be permitted by applicable law.

Readers should be fully aware that this report is for information purposes only. The opinions contained in this report are based on information obtained or derived from sources that we believe are reliable. MIDF AMANAH INVESTMENT BANK BERHAD makes no representation or warranty, expressed or implied, as to the accuracy, completeness or reliability of the information contained therein and it should not be relied upon as such.

This report is not, and should not be construed as, an offer to buy or sell any securities or other financial instruments. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. All opinions and estimates are subject to change without notice. The research analysts will initiate, update, and cease coverage solely at the discretion of MIDF AMANAH INVESTMENT BANK BERHAD.

The directors, employees, and representatives of MIDF AMANAH INVESTMENT BANK BERHAD may have interest in any of the securities mentioned and may benefit from the information herein. Members of the MIDF Group and their affiliates may provide services to any company and affiliates of such companies whose securities are mentioned herein. This document may not be reproduced, distributed, or published in any form or for any purpose.