22 November 2024

ECONOMIC REVIEW | **October 2024 Consumer Price Index**

CPI Inflation Accelerated Slightly to +1.9%yoy in Oct-24 Due to Higher Food Prices

- *Headline inflation accelerated slightly to +1.9%yoy in Oct-24. Malaysia's headline CPI inflation re-accelerated to +1.9%yoy in Oct-24, marginally higher than our estimate driven mainly by higher food inflation (+2.3%yoy; Sep-24: +1.6%yoy). Non-food inflation, however, eased to +1.7%yoy (Sep-24: +2.0%yoy), while core CPI inflation remained steady at +1.8%yoy.*
- *Stable inflation in Peninsular and Sabah but eased in Sarawak and KL. Inflation across states and regions generally remained stable in Oct-24. Several states like Johor, Perlis and Melaka recorded higher inflation, while inflation in Sarawak and Kuala Lumpur moderated last month.*
- *Moderate inflation at +2.0% in 2024. We maintain our estimation that CPI inflation will moderate to +2.0% in 2024 (2023: +2.5%) which indicates a rather muted impact of policy changes to pushing overall price pressures higher. In view of the stable inflation and no significant demand pressures, we foresee OPR will be kept at 3.00% this year and throughout next year.*

Headline inflation accelerated slightly to +1.9%yoy in Oct-24. Malaysia's headline CPI inflation re-accelerated to +1.9%yoy in Oct-24, marginally higher than our estimate driven mainly by higher food inflation (+2.3%yoy; Sep-24: +1.6%yoy). Foods away from home recorded higher inflation of +4.1%yoy (Sep-24: +2.8%yoy), the fastest rise in 12 months. Meanwhile, inflation for foods at home was relatively slower despite rising to +0.6%yoy (Sep-24: +0.4%yoy) due to higher prices of meat (+1.4%yoy; Sep-24: +0.7%yoy) and vegetables (+2.7%yoy; Sep-24: +1.9%yoy). Non-food inflation, however, eased to +1.7%yoy (Sep-24: +2.0%yoy) due to deflation in information & communication charges and clothing as well as slower inflation in several components such as restaurant & accommodation, health and transport. Meanwhile, core CPI inflation remained steady at +1.8%yoy, signalling little change in terms of underlying demand on general prices. With the further easing in non-food inflation and unchanged core inflation, we conclude there have been limited upward price pressures from policy changes (such as targeted diesel subsidy, higher utility tariffs and SST rate hike). As the government indicated the next fuel subsidy rationalisation will be done next year, we anticipate the moderate inflation will continue in 4QCY24. Relatively lower crude oil prices and easing cost pressures will also keep inflation under control.

Global food prices rose further in Oct-24. Global food prices registered higher inflation of +5.5%yoy in Oct-24 (Sep-24: +2.6%yoy), underpinned by higher prices of meat, oils and dairy products. In contrast, prices of cereals and sugar fell further but at slower pace of -8.3%yoy (Sep-24: -10.1%yoy) and -18.6%yoy (Sep-24: -22.4%yoy), respectively. In 10MCY24, global food prices deflated further but at moderate pace of -3.6%yoy (2023: -13.8%). As comparison, domestic food price inflation moderated to +1.8%yoy in 10MCY24 (2023: +4.8%) and significantly lower than the pre-pandemic average of +3.2% per annum and the post-pandemic average of +4.1% per annum. Nonetheless, as a net food importer, Malaysia remains susceptible to external factors (e.g. fluctuations in global food prices) and changes in the ringgit exchange rates. Based on trade data for 9MCY24, the ratio of food imports to Malaysia's total imports was slightly higher at 11.2% (2023: 6.5%), while the ratio of food exports to total exports was relatively smaller at 5.6% (2023: 3.3%). Recent strengthening of dollar and the adverse weather conditions could cause also push food inflation higher.

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Table 1: Consumer price index by component

		MoM%			YoY%		
	Weightage %	Aug-24	Sep-24	Oct-24	Aug-24	Sep-24	Oct-24
Core CPI	-	0.2	0.2	0.0	1.9	1.8	1.8
Headline CPI	100.0	0.1	0.0	0.2	1.9	1.8	1.9
Food and Beverages	29.8	0.1	0.1	0.8	1.6	1.6	2.3
Food	29.0	0.0	0.1	0.8	1.6	1.6	2.3
Food at Home	15.6	(0.1)	0.1	0.1	0.3	0.4	0.6
Food Away from Home	13.4	0.2	0.0	1.7	3.1	2.8	4.1
Non-alcoholic Beverages	0.8	1.3	0.0	0.2	2.9	2.6	2.6
Non-Food	70.2	0.1	(0.0)	(0.2)	2.1	2.0	1.7
Alcoholic Beverages & Tobacco	1.9	0.2	0.1	0.1	1.1	0.8	0.8
Clothing & Footwear	2.7	(0.1)	0.0	0.0	(0.2)	(0.3)	(0.2)
Housing, Water, Electricity, Gas & Other Fuels	23.2	0.2	0.0	0.0	3.1	3.1	3.1
Furnishings, Household Equip & Maintenance	4.3	0.0	(0.1)	(0.1)	0.7	0.6	0.5
Health	2.7	0.2	(0.1)	0.1	1.6	1.6	1.4
Transport	11.3	0.1	(0.2)	(0.2)	1.3	1.1	0.7
Information and Communication	6.6	0.0	(0.1)	(2.1)	0.5	0.4	(1.7)
Recreation, Sport and Culture	3.0	0.0	0.0	(0.1)	2.0	2.1	2.0
Education	1.3	0.0	0.0	0.2	1.5	1.5	1.5
Restaurants & Accommodation Services	3.4	0.1	0.1	0.1	3.2	3.2	2.8
Insurance & Financial Services	4.0	0.0	0.0	0.0	0.5	0.5	0.5
Personal Care, Social Protect & Misc. Goods & Services	5.8	0.1	0.1	0.2	3.2	3.1	3.4

Source: DOSM, MIDFR

Stable inflation in Peninsular and Sabah but eased in Sarawak and KL. Inflation across states and regions generally remained stable in Oct-24. However, several states like Johor, Perlis and Melaka recorded higher inflation last month. Rising prices of foods and personal care, among others, contributed to the higher inflation in Johor and Perlis. In Melaka, the faster inflation was also underpinned by increased charges for education, restaurant & accommodation and personal care. In contrast, inflation in Sarawak and Kuala Lumpur eased to +2.1%yoy (Sep-24: +2.3%yoy) and +1.4%yoy (Sep-24: +1.6%yoy), respectively. Lower prices of information & communication charges and slower inflation for foods and restaurants & accommodation contributed to the slower inflation in Sarawak. In Kuala Lumpur, faster inflation for F&B and alcoholic & tobacco was outweighed by reduced prices for several components such as clothing & footwear, transport, information & communication and furnishings, household equipment & maintenance.

Table 2: Inflation by state (YoY%)

	MoM%			YoY%		
	Aug-24	Sep-24	Oct-24	Aug-24	Sep-24	Oct-24
Urban	0.1	0.0	0.1	1.9	1.9	1.8
Rural	0.0	0.0	0.1	1.7	1.7	1.7
Peninsular Malaysia	0.1	0.0	0.1	1.9	1.9	1.9
Kedah	0.0	0.0	0.1	1.4	1.4	1.4
Perlis	0.0	(0.1)	0.2	1.5	1.5	1.6

	MoM%			YoY%		
	Aug-24	Sep-24	Oct-24	Aug-24	Sep-24	Oct-24
Pulau Pinang	0.1	(0.1)	0.1	3.3	3.1	3.1
Perak	0.1	0.1	0.2	0.9	0.9	1.1
Selangor	0.1	0.0	0.1	2.3	2.3	2.3
Putrajaya	0.1	0.0	0.1	1.3	1.2	1.2
Kuala Lumpur	0.1	0.0	(0.1)	1.6	1.6	1.4
Melaka	0.1	(0.1)	0.3	1.4	1.3	1.6
Negeri Sembilan	0.3	(0.1)	0.2	1.5	1.5	1.5
Johor	0.1	0.1	0.1	1.8	1.8	1.9
Pahang	0.2	(0.1)	0.0	2.8	2.7	2.7
Kelantan	(0.1)	(0.1)	0.2	0.9	0.9	0.9
Terengganu	0.0	(0.1)	0.1	1.7	1.5	1.5
Sabah	0.1	0.1	0.0	1.1	1.1	1.1
Sarawak	0.2	0.1	(0.2)	2.5	2.3	2.1

Source: DOSM, MIDFR

Cost pressures deflated in Sep-24. Cost pressures for local producers declined as PPI fell by -2.1%yoy in Sep-24 (Aug-24: +0.3%yoy), marking the first deflation since Jan-24. By sector, the PPI decline was primarily due to sharper fall in mining PPI (Sep-24: -16.1%yoy; Aug-24: -8.3%) and reduced manufacturing PPI (Sep-24: -1.5%yoy; Aug: +1.0%yoy). Meanwhile, the PPI inflation for the electricity & gas supply moderated to +0.3%yoy (Aug-24: +1.0%yoy), while PPI for water supply remained high albeit easing to +7.8%yoy (Aug-24: +8.0%yoy). In contrast, the PPI for agriculture, forestry & fishing inflated faster at +5.8%yoy (Aug-24: +2.7%yoy). By stage of production, the PPI deflation in Sep-24 reflected the sharper fall in prices of crude materials (-9.5%yoy; Aug-24: -3.5%yoy) and lower prices of intermediate materials (-1.1%yoy; Aug-24 +0.2%yoy) due to declines in prices of processed petroleum products, containers and construction materials. PPI for finished goods also eased to +1.5%yoy (Aug-24: +3.5%yoy), due to slower increases in capital equipment prices and lower prices of consumer goods. With cost pressures falling and remained below CPI inflation, we anticipate not big pressures for sellers to pass higher prices to consumers. However, we believe prices of foodstuffs could increase in 4QCY24 as food supplies disrupted by adverse weather conditions and recent rise in CPO prices.

Table 3: Producer Price Indices by Stage of Processing

	MoM%			YoY%		
	Jul-24	Aug-24	Sep-24	Jul-24	Aug-24	Sep-24
PPI	(0.2)	(0.9)	(1.5)	1.3	0.3	(2.1)
Crude Materials	0.8	(3.5)	(2.6)	1.5	(3.5)	(9.5)
Foodstuffs	(1.5)	(1.2)	0.3	(2.1)	(0.3)	(0.2)
Non-food	1.4	(4.0)	(3.2)	2.3	(4.2)	(11.3)
Non-food ex fuel	2.8	(2.8)	2.0	7.0	5.3	10.0
Crude Fuel	0.6	(4.6)	(6.1)	(0.2)	(8.6)	(20.6)
Intermediate Materials	(0.6)	(0.8)	(1.1)	0.6	0.2	(1.1)
Manufactured Goods	(0.6)	(0.3)	(0.7)	2.0	2.5	2.2
Construction	0.2	(0.8)	(0.5)	2.3	0.3	(0.9)
Processed Fuel & Lubricants	(0.8)	(2.2)	(1.8)	(6.8)	(6.9)	(11.0)

	MoM%			YoY%		
	Jul-24	Aug-24	Sep-24	Jul-24	Aug-24	Sep-24
Containers	(1.3)	2.2	(1.6)	(6.5)	(4.5)	(6.9)
Supplies	(0.5)	(0.6)	(1.5)	4.4	2.1	1.0
Finished Goods	0.2	0.6	(1.8)	2.9	3.5	1.5
Consumer Goods	(0.1)	(0.2)	0.1	(0.9)	(1.1)	(0.9)
Consumer Goods ex. Foods	(0.3)	0.0	0.1	(2.0)	(2.5)	(2.2)
Capital Equipment	0.4	1.3	(3.2)	6.0	7.1	3.5

Source: DOSM, Macrobond, MIDFR

Concerns inflation may accelerate again in other economies. In some countries, the CPI inflation re-accelerate in Oct-24, which led to a shift in expectations on the pace of rate cuts by major central banks. In the US, the headline CPI rose faster at +2.6%yoy in Oct-24 (Sep-24: +2.3%yoy), the first acceleration in 8 months. At least, the core CPI was unchanged at +3.3%yoy, indicating sticky but not further spike in underlying price pressures. Similarly, the headline CPI inflation in the euro area accelerated to +2.0%yoy (Sep-24: +1.7%yoy), while core CPI inflation remained stable at +2.7%yoy. In the UK, both the headline and core CPI inflation accelerated to +2.3%yoy (Sep-24: +1.7%yoy) and +3.3%yoy (Sep-24: +3.2%yoy), respectively. With the reading exceeded the Bank of England's inflation target, this may cause the BOE to delay further policy easing to ensure inflation remains under control. In Asia, China's deflationary risk remained amid concerns over weak demand as the country's headline CPI rose slower at +0.3%yoy (Oct-24: +0.4%yoy). Other regional which experienced moderation in their CPI inflation include Indonesia, Taiwan, South Korea and Japan. Bank Indonesia, for example, kept its benchmark interest rate unchanged after the Nov-24 monetary policy meeting to support the rupiah exchange rate. In contrast, other than Malaysia, the Philippines and Thailand also reported higher inflation in Oct-24. With inflation at more moderate level than previous years, we foresee more easing bias for monetary policy direction. However, recent re-acceleration caused some central banks to be more cautious not to cut too fast to ensure inflation remains under control.

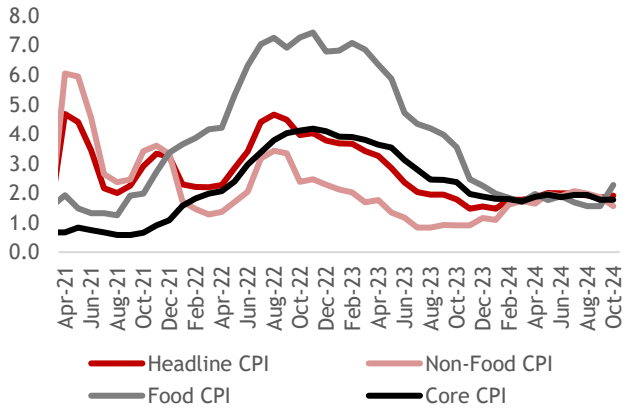
Table 4: Global Headline CPI Inflation (YoY%)

	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24
Malaysia	1.8	2.0	2.0	2.0	1.9	1.8	1.9
Indonesia	3.0	2.8	2.5	2.1	2.1	1.8	1.7
Singapore	2.7	3.1	2.4	2.4	2.2	2.0	n.a.
Thailand	0.2	1.5	0.6	0.8	0.4	0.6	0.8
Philippines	3.8	3.9	3.7	4.4	3.3	1.9	2.3
Taiwan	2.0	2.2	2.4	2.5	2.4	1.8	1.7
South Korea	2.9	2.7	2.4	2.6	2.0	1.6	1.3
China	0.3	0.3	0.2	0.5	0.6	0.4	0.3
Japan	2.5	2.8	2.8	2.8	3.0	2.5	2.3
Euro Area	2.4	2.6	2.5	2.6	2.2	1.7	2.0
UK	2.3	2.0	2.0	2.2	2.2	1.7	2.3
USA	3.4	3.3	3.0	2.9	2.5	2.4	2.6
PCE Prices	2.7	2.6	2.4	2.5	2.3	2.1	n.a.

n.a. = not available
Source: Macrobond, MIDFR

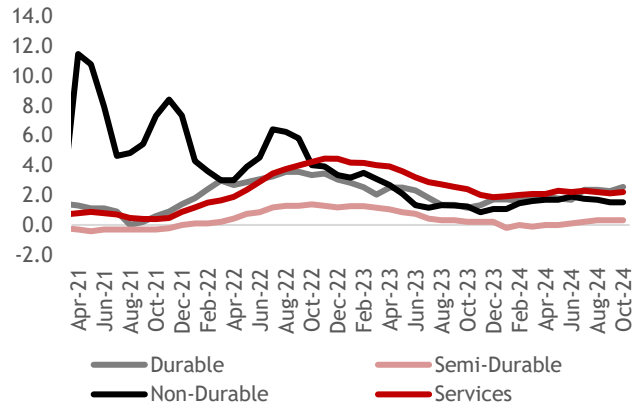
Moderate inflation at +2.0% in 2024. We maintain our estimation that CPI inflation will moderate to +2.0% in 2024 (2023: +2.5%) which indicates a rather muted impact of policy changes to pushing overall price pressures higher. Until 10MCY24, headline inflation eased to +1.9%yoy attributable to easing inflation in both food prices (10MCY24: +1.8%yoy; 2023: +4.8%), in contrast to higher non-food inflation (10MCY24: +1.7%yoy; 2023: +1.3%). Underlying price pressures also eased as core CPI inflation averaged lower at +1.8%yoy in 10MCY24 (2023: +3.0%). In view of the stable inflation and no significant demand pressures, we foresee OPR will be kept at 3.00% this year and throughout next year because the current policy setting is deemed as normal supportive of Malaysia's economic growth.

Chart 1: Key CPI Data (YoY%)



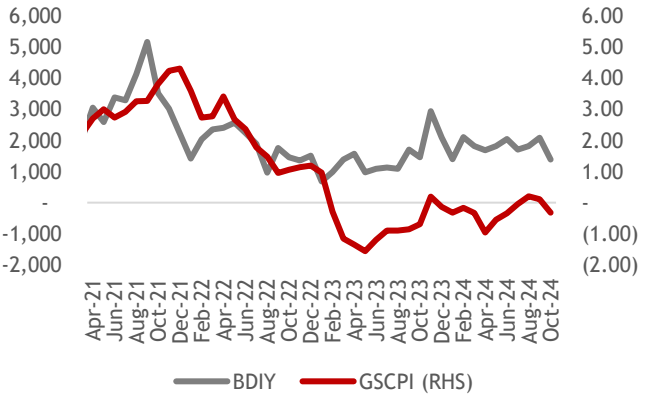
Source: Macrobond, MIDFR

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



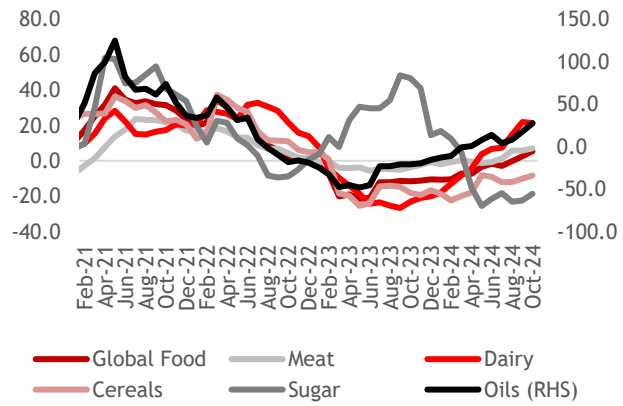
Source: Macrobond, MIDFR

Chart 3: Baltic Dry Index (BDI) vs Global Supply Chain Pressure Index (GSCPI)



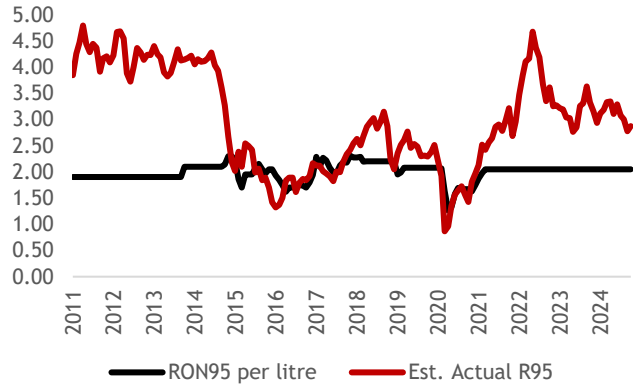
Source: Macrobond, MIDFR

Chart 4: Global Food Inflation (YoY%)



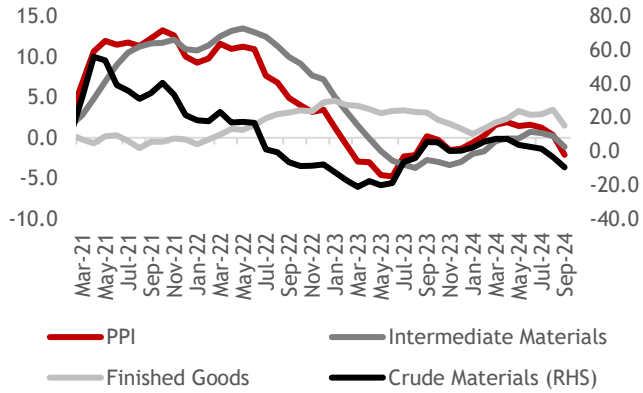
Source: FAO of UN, MIDFR

Chart 5: Subsidized vs. Estimated Actual RON95 Price (RM per litre)



Source: Bloomberg, MIDFR

Chart 6: PPI (YoY%)



Source: Macrobond, MIDFR

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