

Malaysia CPI, Sep 2023

Sub-2% headline inflation, steady core inflation

Headline inflation eased further to +1.9% YoY in Sep 2023 (Aug 2023: +2.0% YoY; 9M2023: +2.8% YoY; 2022: +3.3%) while core inflation steady at +2.5% YoY (Aug 2023: +2.5% YoY; 9M2023: +3.3% YoY; 2022: +3.0%). Lower our 2023 inflation rate forecast to +2.6% from +3.0% but raise 2024 inflation forecast to +3.0% from +2.5% - for now pending more information and details on Budget 2024 measures such as subsidy rationalisation and hikes in consumption-based taxes.

Sub-3% monthly headline and core inflation rates

Headline inflation rate slowed further to +1.9% YoY in Sep 2023 (Aug 2023: +2.0% YoY; 9M2023: +2.8% YoY; 2022: +3.3% YoY) supported by easing in Restaurants & Hotels (Sep 2023: +4.4% YoY; Aug 2023: +4.7% YoY), Furnishings, Household Equipment & Routine Household Maintenance (Sep 2023: +1.5% YoY; Aug 2023: +1.7% YoY) and Food & Non-Alcoholic Beverages (FNAB - Sep 2023: +3.9% YoY; Aug 2023: +4.1% YoY) as non-food inflation slows to 0.9% YoY (Aug 2023: +1.0% YoY). MoM, headline CPI rose +0.1% (Aug 2023: +0.2% YoY).

Headline inflation rate ex-fuel prices slowed to +2.3% YoY (Aug 2023: +2.4% YoY; 9M2023: +3.2% YoY; 2022: +3.2%). Core inflation was steady at +2.5% YoY (Aug 2023: +2.5% YoY; 9M2023: +3.3% YoY; 2022: +3.0% YoY). Services inflation also gradually easing further (Sep 2023: +2.6% YoY; Aug 2023: +2.7% YoY) amid dissipating post-pandemic pent-up discretionary spending from economic opening e.g. restaurants & hotels; recreation services & culture; furniture, household equipment & routine household maintenance (Fig. 17 & 18).

With 9M2023 headline inflation rate at +2.8% YoY, we adjust downward our 2023 inflation rate forecast to +2.6% from +3.0% as base effect is expected to keep monthly inflation rate sub-3% YoY for the rest of the year.

Revised 2023-2024 inflation forecasts on year-to-date performance and Budget 2024 measures

However, we raised 2024 inflation forecast to +3.0% from +2.5% - for now pending more information and details on Budget 2024 (13 Oct 2023, Fig 21) measures such as the removal of price control and subsidies (quantum and timing to be announced later) for chicken, eggs and fuel (diesel & RON95 petrol); service tax hike from 6% to 8% (except services like F&B and telecommunications) plus expansion of the services tax base (to include logistics, non-financial brokerage & underwriting, and karaoke); increase in excise duty for sugar-sweetened beverages from MYR0.40/l to MYR0.50/l; imposition of excise duty on chewable tobacco products at 5% + MYR27/kg, and reduction entertainment duty (FT-KL, Labuan and Putrajaya) from 25% to 10%, 5% and 0% respectively according to categories.

Following the previous service tax hike from 5% to 6% on 1 Jan 2011, headline and service inflation both rose from +1.7% and +1.7% respectively in 2010 to +3.2% and +2.7%, respectively in 2011 (Fig 19 & 20). To also note, in Dec 2010, RON95 and diesel prices were raised by MYR0.05/l, LPG price was increased by MYR0.05/kg and sugar price was hiked by MYR0.20/kg.

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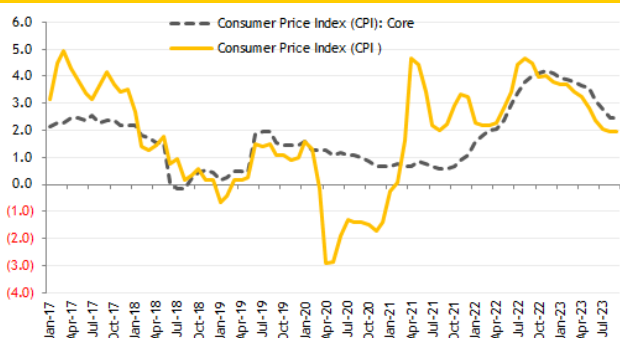
Figure 1: Consumer Price Index (CPI, 2010=100)

% YoY	May-23	Jun-23	Jul-23	Aug-23	Sep-23	1Q 2023	2Q 2023	3Q 2023	9M2023	2022
CPI	2.8	2.4	2.0	2.0	1.9	3.6	2.8	2.0	2.8	3.3
Food & Non-Alcoholic Beverages (FNAB)	5.9	4.7	4.4	4.1	3.9	6.9	5.6	4.1	5.5	5.8
Alcoholic Beverages & Tobacco	0.7	0.6	0.5	0.5	0.7	0.7	0.7	0.6	0.6	0.5
Clothing & Footwear	0.4	0.1	0.1	0.0	0.1	0.5	0.4	0.1	0.3	0.1
Housing, Water, Electricity, Gas & Other Fuels (HWEGOF)	1.8	1.8	1.7	1.8	1.6	1.6	1.7	1.7	1.6	1.8
Furniture, Household Equipment & Routine Household Maintenance	2.7	2.3	1.9	1.7	1.5	3.3	2.6	1.7	2.6	3.5
Health	1.9	2.0	2.0	2.4	2.2	1.8	2.0	2.2	2.0	0.7
Transport	1.0	0.0	(0.4)	0.0	(0.1)	3.4	1.1	(0.2)	1.4	4.7
Communication	(3.7)	(3.6)	(3.7)	(3.7)	(3.7)	(1.4)	(2.9)	(3.7)	(2.7)	0.0
Recreation Services & Culture	1.8	1.6	1.1	1.0	0.6	2.1	1.8	0.9	1.6	2.3
Education	1.9	1.9	2.0	2.1	2.0	1.6	1.8	2.0	1.8	1.1
Restaurants & Hotels	6.7	5.4	5.0	4.7	4.4	7.1	6.3	4.7	6.0	5.0
Miscellaneous Goods & Services	2.9	2.6	2.6	2.4	2.5	2.3	2.7	2.5	2.5	2.0
CPI without fuel	3.3	2.8	2.5	2.4	2.3	3.9	3.2	2.4	3.2	3.2
Core CPI	3.5	3.1	2.8	2.5	2.5	3.9	3.4	2.6	3.3	3.0

Note: Core CPI excludes nine of the most volatile items of fresh food (i.e. meat, fish, seafood, eggs, coconuts & nuts, vegetables, potatoes & other tubers, spices and fresh fruit) and administered (subsidized and controlled) prices of goods and services (includes cooking oils, flour & other cereal grains, sugar, alcoholic beverages & tobacco, water supply, electricity, gas, fuels & lubricants for personal transport equipment and transport services)

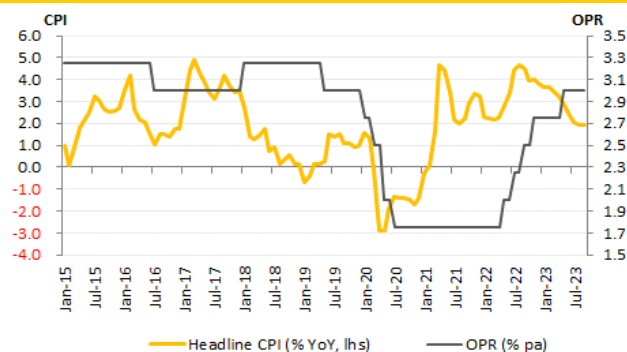
Source: Dept. of Statistics, CEIC

Figure 2: Headline & Core CPI (% YoY)



Sources: Dept. of Statistics, Maybank IBG Research

Figure 3: Headline inflation and OPR



Sources: CEIC, Maybank IBG Research

Stable FNAB inflation

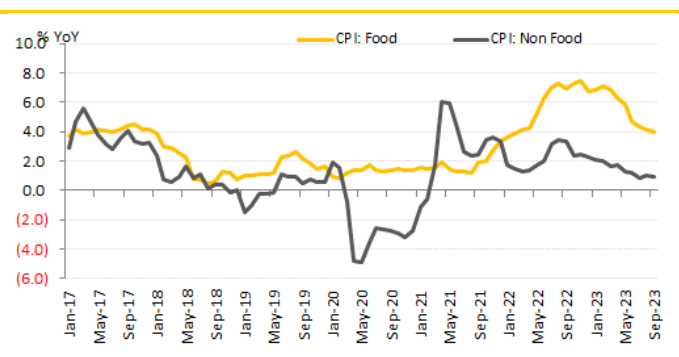
“Food & Non-Alcoholic Beverages” (FNAB) inflation eased to +3.9% YoY in Sep 2023 (Aug 2023: +4.0% YoY; 9M 2023: +5.5% YoY) on stable “food away from home” inflation (Sep 2023: +5.9% YoY; Aug 2023: +5.9% YoY) while “food at home” inflation eased (Sep 2023: +2.5% YoY; Aug 2023: +2.9% YoY). On MoM basis, FNAB costs increased by +0.1% (Aug 2023: +0.1%). Overall, FNAB’s inflation contributed to 56.6% of CPI in 9M2023 vs 49.2% in 2022 (Fig. 4 & Fig 7) and is a key component of CPI to watch going forward on the onset of El Nino and slight fluctuation in the global food price inflation while fertilizer and feedmeal costs stabilized though remained elevated (Fig. 11 & 12) with the recent uptick. Rice inflation is another key item to watch as it trends upward in recent months (Sep 2023: +5.0% YoY; Aug 2023: +3.0% YoY - see Fig 9).

Figure 4: Inflation - “Food, Utilities/Energy, Fuel” vs “Others”

Period	% YoY		ppt contribution to CPI		% share of contribution to CPI	
	2022	9M2023	2022	9M2023	2022	9M2023
Headline Inflation	3.3	2.8	3.3	2.8	100.0	100.0
FNAB	5.9	5.6	1.7	1.6	49.2	56.6
Electricity, Gas & Other Fuels	5.4	0.0	0.2	0.0	5.1	0.0
Transport - Fuels & Lubricants	5.0	(1.8)	0.4	(0.2)	12.6	(5.4)
Others	1.9	2.3	1.1	1.4	33.0	48.8

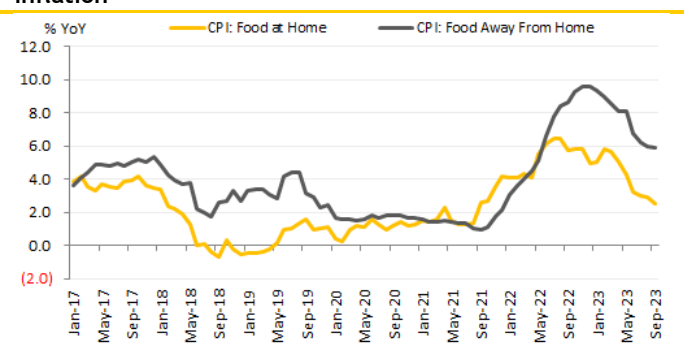
Source: Maybank IBG Research

Figure 5: “Food” inflation



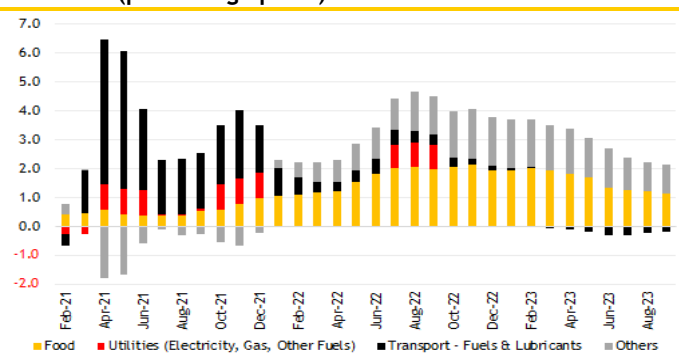
Sources: Dept. of Statistics, CEIC

Figure 6: “Food at Home” and “Food Away From Home” inflation



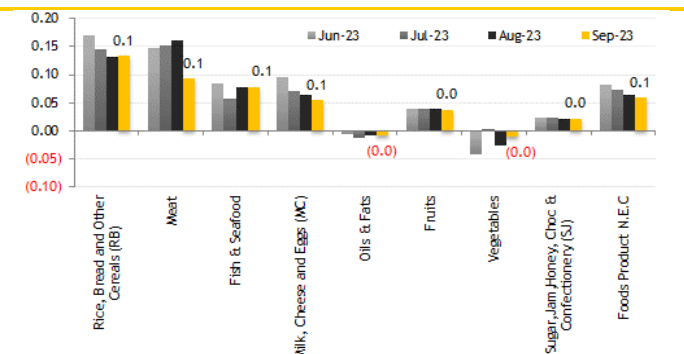
Sources: Dept. of Statistics, CEIC

Figure 7: Contributions to % YoY inflation rate, 2021-YTD2023 (percentage point)



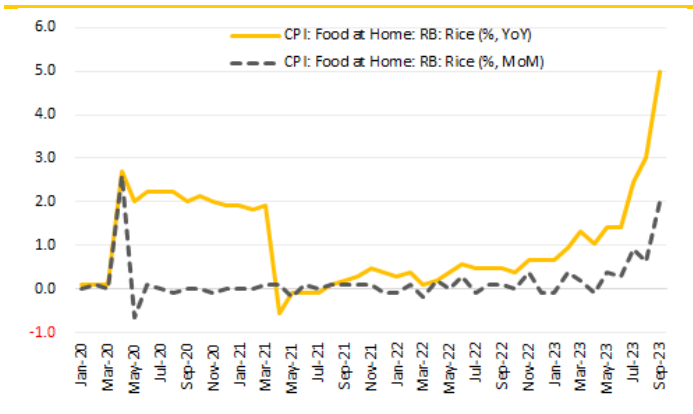
Sources: CEIC, Maybank IBG Research

Figure 8: Contribution to inflation (percentage point): Food at Home



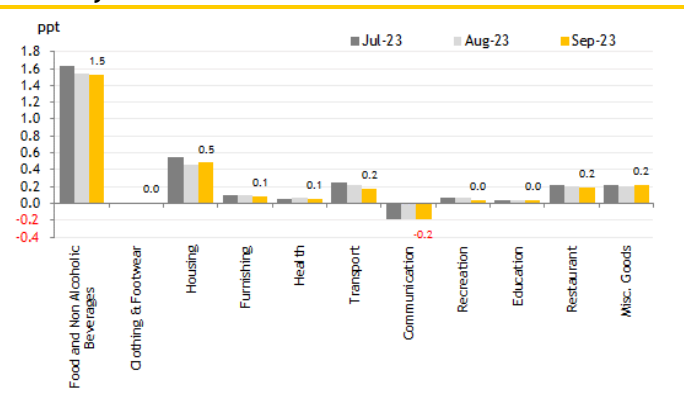
Sources: CEIC, Maybank IBG Research

Figure 9: Steep rise in rice inflation (% YoY and % MoM)



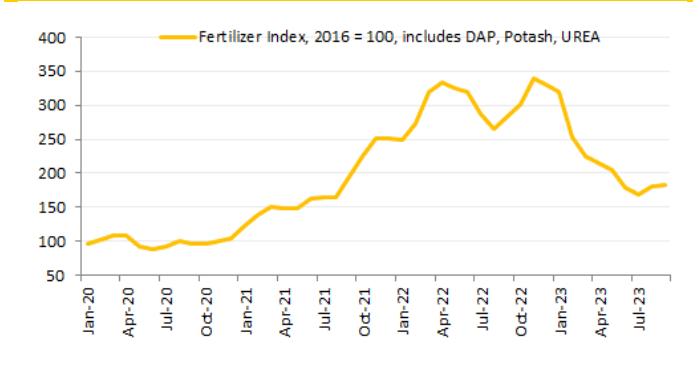
Sources: CEIC

Figure 10: Food costs dominated contribution to core monthly inflation



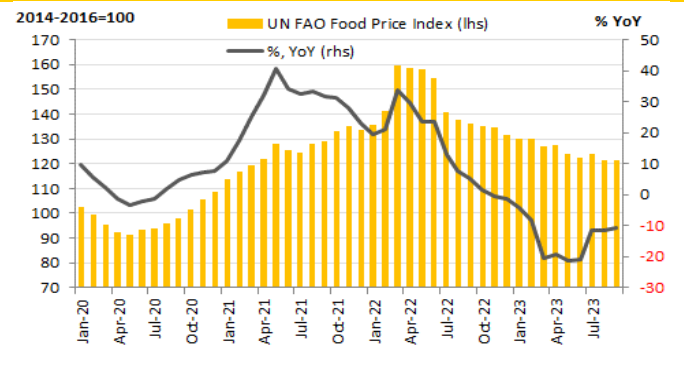
Sources: Maybank IBG Research estimates

Figure 11: Uptick in global fertilizer (urea) price



Sources: IMF

Figure 12: Global food price index



Sources: FAO, CEIC

Transport inflation little changed

“Transport” inflation was little changed at -0.1% YoY in Sep2023 (Aug 2023: 0.0% YoY; 9M 2023: +1.4% YoY), contributed by base effect while global crude oil prices trended upwards. The domestic prices for RON95 and diesel were unchanged on YoY basis (Figs. 13-15) as prices of RON95 and diesel remain capped at MYR2.05/litre and MYR2.15/litre respectively since 10 Feb 2021. Meanwhile, RON97 price is “floated” i.e. unsubsidized and tracks global crude oil price, and currently at MYR3.47/l, significantly lower than the high of MYR4.18/l in Sep 2022. “Transport Services” inflation declined to -1.4% YoY in Sep 2023 (Aug 2023: +3.5% YoY; 9M 2023: +8.8% YoY) driven by “Passenger Transport by Air” (Sep 2023: -3.8% YoY; Aug 2023: +7.2% YoY; 9M 2023: +21.4% YoY).

Figure 13: Crude oil price, domestic retail fuel prices, transport cost inflation and headline inflation (period average, % YoY)

Period	Brent Crude	RON95	RON97	Diesel	Transport Inflation	Headline Inflation
1Q 2023	(18.0)	0.0	0.9	0.0	3.4	3.6
2Q 2023	(30.6)	0.0	(21.0)	0.0	1.1	2.8
3Q 2023	(13.0)	0.0	(23.4)	0.0	(0.2)	2.0
Jul 2023	(29.5)	0.0	(28.6)	0.0	(0.4)	2.0
Aug 2023	(13.7)	0.0	(23.2)	0.0	0.0	2.0
Sep 2023	4.2	0.0	(18.3)	0.0	(0.1)	1.9

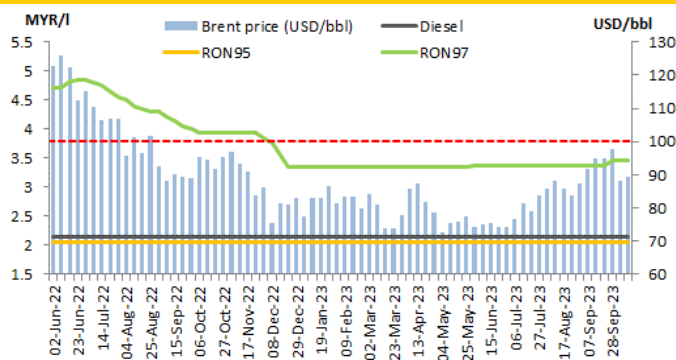
Source: Bloomberg, CEIC

Figure 14: Average monthly domestic fuel prices (MYR/litre)

Month	RON95 Petrol	RON97 Petrol	Diesel
Jul 2022	2.05	4.72	2.15
Aug 2022	2.05	4.39	2.15
Sep 2022	2.05	4.18	2.15
Jul 2023	2.05	3.37	2.15
Aug 2023	2.05	3.37	2.15
Sep 2023	2.05	3.41	2.15
Oct 2023 (MTD)	2.05	3.47	2.15

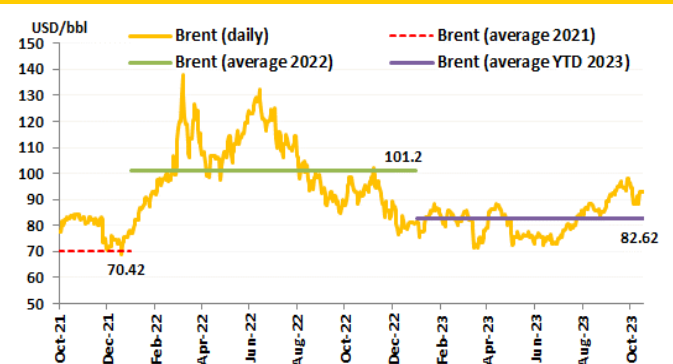
Source: Bloomberg, Ministry of Finance and media reports

Figure 15: RON97, RON95, Diesel and Brent crude oil (weekly prices)



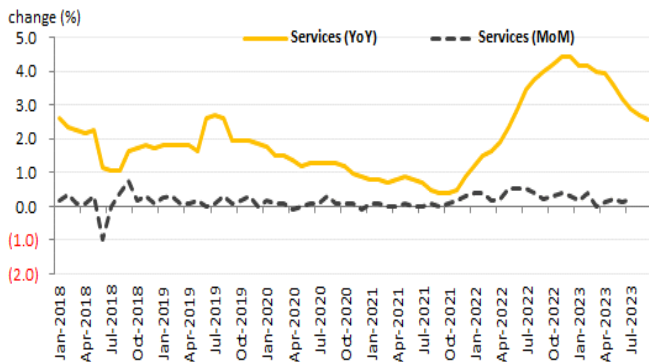
Sources: Bloomberg, Ministry of Finance and media reports

Figure 16: Brent crude oil price



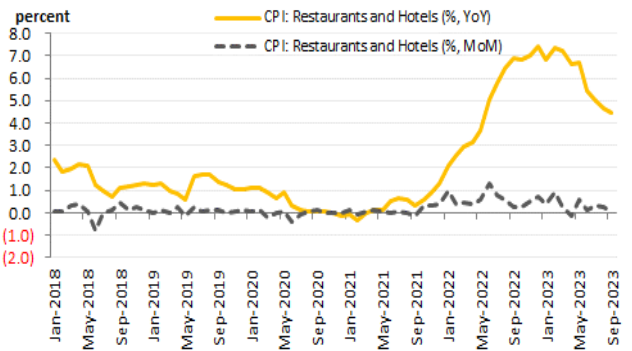
Sources: Bloomberg

Figure 17: “Services” inflation



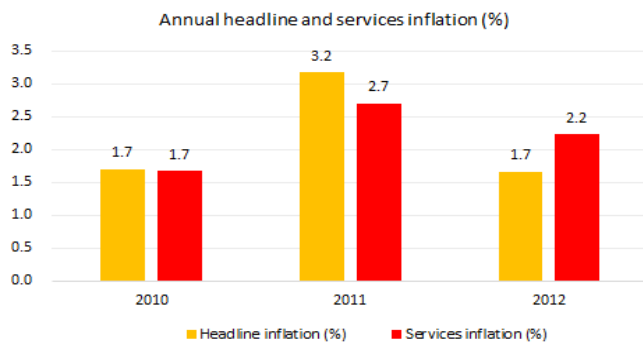
Sources: Dept. of Statistics, CEIC

Figure 18: “Restaurants and Hotels” inflation



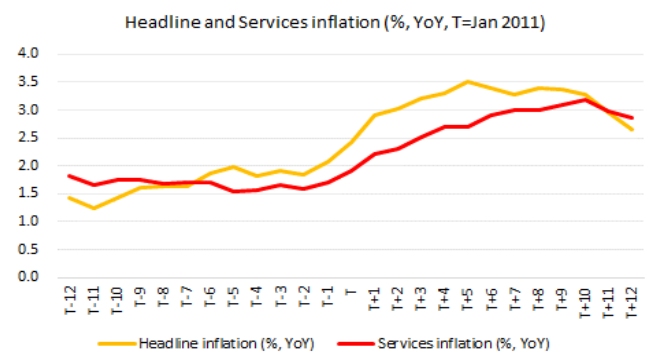
Sources: Dept. of Statistics, CEIC

Figure 19: Headline and services inflation (2010-2012)



Sources: Dept. of Statistics, CEIC

Figure 20: Monthly headline and services inflation (T=Jan 2011)



Sources: Dept. of Statistics, CEIC

Figure 21: Measures under Budget 2024 with possible influence on inflation forecast for 2024

Measures	Quantum	Effective date	Note
Chicken subsidy reduction	N/A	N/A	MYR3.7b chicken and egg subsidies since 2022
Eggs subsidy reduction	N/A	N/A	MYR3.7b chicken and egg subsidies since 2022
R95 and diesel subsidy reduction	N/A	N/A	Prices are currently fixed at MYR2.05 for R95 and MYR2.15 for diesel
Services tax	Raised from 6% to 8%	1 Mar 2024	Exclude services in food & beverage, telecommunication. Karaoke and logistics (warehousing services, freight shipping and courier services) are now within the taxable scope.
High Value Goods Tax (HVGT)	Between 5%-10%	N/A	Government will enact a new legislation to implement HVGT on certain high value goods such as jewellery and watches
Excise duty for sugar sweetened beverages	Raised from MYR0.40/l to MYR0.50/l	1 Jan 2024	Including carbonated drink containing added sugar or other sweetening matter or flavoured & other non-alcoholic beverages, flavoured milk-based beverages containing lactose, fruit juices & vegetable juices whether or not containing added sugar or other sweetening matter
Excise duty on chewable tobacco products	5% + MYR27/kg	1 Jan 2024	Currently, excise duty is not applicable to chewing tobacco
Entertainment duty (FT-KL, Labuan and Putrajaya)	Reduced from 25% to 10%	1 Jan 2024-31 Dec 2028	Stage performance by international artistes/light show/circus; movie screening (cinema)/theatre; exhibition/zoo/ aquarium; sports events/e-sports/bowling/snooker/pool/billiards/karaoke
Entertainment duty (FT-KL, Labuan and Putrajaya)	Reduced from 25% to 5%	1 Jan 2024-31 Dec 2028	Theme park/family recreation center/indoor game center/simulator
Entertainment duty (FT-KL, Labuan and Putrajaya)	Reduced from 25% to 0%	1 Jan 2024-31 Dec 2028	Stage performance by local artistes

Source: Budget 2024

Figure 22: Global - Consumer Price Index (% YoY)

	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	9M2023	2022
US	6.0	5.0	5.0	4.1	3.1	3.3	3.7	3.7	4.5	8.0
Eurozone	8.5	6.9	7.0	6.1	5.5	5.3	5.3	4.3	6.4	8.4
Japan	3.3	3.2	3.4	3.2	3.2	3.2	3.1	-	3.4	2.4
Germany	8.7	7.4	7.1	6.0	6.4	6.1	6.1	4.5	6.8	7.9
UK	10.4	10.1	8.7	8.7	7.9	6.8	6.7	6.7	8.5	9.1
OECD	8.8	7.7	7.4	6.5	5.7	5.9	6.4	-	7.2	9.5
China	1.0	0.7	0.1	0.2	0.0	(0.3)	0.1	0.0	0.4	2.0
India	6.4	5.7	4.7	4.3	4.8	7.4	6.8	5.0	5.8	6.7
Russia	11.0	3.5	2.3	2.5	3.3	4.3	5.2	6.0	5.5	13.8
Brazil	5.6	4.7	4.2	3.9	3.2	4.0	4.6	5.2	4.6	9.3
S. Korea	4.8	4.2	3.7	3.3	2.7	2.3	3.4	3.7	3.7	5.1
Taiwan	2.8	2.4	2.5	2.2	2.0	1.9	2.3	2.5	2.4	3.0
Hong Kong	1.8	1.7	2.1	2.0	1.9	1.8	1.7	-	2.0	1.9
Singapore	6.3	5.5	5.7	5.1	4.5	4.1	4.0	-	5.2	6.1
Indonesia	5.5	5.0	4.3	4.0	3.5	3.1	3.3	2.3	4.0	4.2
Thailand	3.8	2.8	2.7	0.5	0.2	0.4	0.9	0.3	1.8	6.1
Malaysia	3.7	3.4	3.3	2.8	2.4	2.0	2.0	1.9	2.8	3.3
Philippines	8.6	7.6	6.6	6.1	5.4	4.7	5.3	6.1	6.6	5.8
Vietnam	4.3	3.4	2.8	2.4	2.0	2.1	3.0	3.7	3.2	3.2

Sources: Bloomberg, CEIC, IMF, Maybank IBG Research

Figure 23: Global - Core Consumer Price Index (% YoY)

	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	9M2023	2022
US	5.5	5.6	5.5	5.3	4.8	4.7	4.4	4.1	5.0	6.2
Eurozone	5.6	5.7	5.6	5.3	5.4	5.5	5.3	4.5	5.4	3.9
Japan	2.1	2.3	2.5	2.7	2.6	2.7	2.8	-	2.5	0.0
UK	6.2	6.2	6.8	7.1	6.9	6.9	6.2	-	6.5	5.9
OECD	7.3	7.2	7.1	6.9	6.6	6.8	6.8	-	7.0	6.6
China	0.6	0.3	0.1	0.0	(0.6)	0.0	0.5	0.7	0.3	1.8
S. Korea	4.8	4.8	4.6	4.3	4.1	3.9	3.9	3.8	4.4	4.1
Taiwan	2.6	2.5	2.7	2.6	2.6	2.7	2.6	2.5	2.7	2.6
Singapore	5.5	5.0	5.0	4.7	4.2	3.8	3.4	-	4.6	4.1
Indonesia	3.1	2.9	2.8	2.7	2.6	2.4	2.2	2.0	2.7	2.8
Thailand	1.9	1.8	1.7	1.6	1.3	0.9	0.8	0.6	1.5	2.5
Malaysia	3.9	3.8	3.6	3.5	3.1	2.8	2.5	2.5	3.3	3.0
Philippines	7.8	8.0	7.9	7.7	7.4	6.7	6.1	5.9	7.2	3.9

Sources: Bloomberg, CEIC, Maybank IBG Research

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