

**25 March 2021**



# **ECONOMICS**

**In this report:**

**Malaysia – The end of 11-month negative inflation streak**

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## Malaysia

### The end of 11-month negative inflation streak

**Negative headline inflation for 11 straight months come to an end in February. Inflation grew 0.1% y/y in February (January 2021: -0.2% y/y). The rise in petrol price and stable food prices are the contributory factors.**

**Inflation momentum is expected to pick up as we move ahead. The pick-up in economic activities both global and domestic plus firm commodity prices and a low base should see overall inflation settle at 1.8%–2.0% from -1.1% in 2020.**

- Negative headline inflation for 11 straight months come to an end in February. Inflation grew 0.1% y/y in February (January 2021: -0.2% y/y).
- The rise in petrol prices that resulted in a smaller contraction in transport by -2.0% (Jan: -5.1%) and food prices which rose 1.4% y/y (Jan: 1.5%) were the main factors.
- Pump prices e.g. RON95, RON97 and diesel rose 4.3% m/m to RM1.95/litre (Jan: RM1.87), 3.7% m/m to RM2.25/litre (Jan: RM2.17) and 4.1% m/m to RM2.13/litre (Jan: RM2.04), respectively. It is in tandem with the higher Brent crude oil price in February at US\$62.28 per barrel (Jan: US\$54.77 per barrel).
- Food prices were managed with the aid of the maximum price scheme for 16 food items during Chinese New Year, effective 8 February to 16 February.
- Inflation momentum is expected to pick up as we move ahead. The pick-up in economic activities both global and domestic plus firm commodity prices and a low base should see overall inflation settle at 1.8%–2.0% from -1.1% in 2020.

**Table 1: Malaysia Key Inflation Data (%)**

	Feb'20	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan'21	Feb
CPI y/y	1.3	-0.2	-2.9	-2.9	-1.9	-1.3	-1.4	-1.4	-1.5	-1.7	-1.4	-0.2	0.1
CPI m/m	0.0	-1.2	-2.7	0.3	1.0	0.7	0.2	0.0	0.1	-0.2	0.5	1.2	0.3
Core-CPI y/y	1.3	1.3	1.3	1.1	1.2	1.1	1.1	1.0	0.8	0.7	0.7	0.7	0.7
Core-CPI m/m	-0.1	0.2	0.1	-0.1	0.1	0.0	0.2	0.1	-0.1	0.1	0.0	0.1	0.0
USD/MYR avg	4.163	4.296	4.349	4.336	4.273	4.261	4.184	4.148	4.150	4.113	4.055	4.036	4.045
USD/MYR y/y	2.1	5.4	5.8	4.0	2.7	3.4	-0.1	-0.8	-0.9	-1.0	-2.2	-1.0	-2.8
Brent avg (USD/barrel)	55.66	32.01	18.47	29.60	40.27	43.24	44.74	40.91	40.19	42.69	49.99	54.77	62.28
Brent y/y	-13.0	-51.6	-74.1	-58.4	-37.3	-32.3	-24.2	-34.9	-32.7	-32.5	-25.7	-13.9	11.9
Real Returns	1.4	2.7	5.4	4.9	3.9	3.1	3.1	3.1	3.2	3.5	3.1	2.0	1.7
	Mar'20	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan'21	Feb	Mar
OPR	2.50	2.50	2.00	2.00	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75

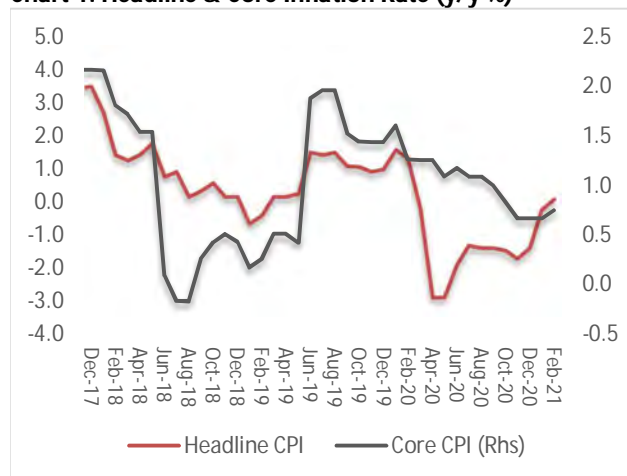
Source: CEIC/AmBank Research

**Table 2: Headline CPI and Core Index by Main Group (y/y %)**

	Feb'20	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan'21	Feb
Non Food	1.6	-0.8	-4.8	-4.9	-3.5	-2.6	-2.7	-2.7	-2.9	-3.2	-2.7	-1.1	-0.6
Food & Non Alcoholic Beverages	0.8	1.2	1.2	1.2	1.6	1.4	1.3	1.4	1.5	1.4	1.4	1.5	1.4
Alcoholic Beverages and Tobacco	0.2	0.3	0.2	0.2	0.2	0.3	0.3	0.5	0.5	0.5	0.6	0.7	0.7
Clothing and Footwear	-1.1	-1.3	-1.2	-1.1	-1.1	-0.6	-0.6	-0.6	-0.4	-0.5	-0.4	-0.4	-0.4
Housing, Water, Electricity, Gas	1.6	1.6	-2.2	-2.6	-2.6	-2.6	-3.0	-3.0	-3.0	-3.3	-3.3	-0.7	-0.8
Health	1.3	1.4	1.2	1.2	1.1	1.1	1.1	1.1	1.1	1.0	1.0	0.7	0.7
Transport	2.4	-8.9	-21.5	-20.8	-14.3	-10.3	-9.9	-9.9	-10.2	-11.1	-8.4	-5.1	-2.0
Communication	1.5	1.5	1.6	1.6	1.6	1.6	1.6	1.6	0.0	0.0	0.0	0.0	0.0
Recreation and Culture	0.7	0.7	0.6	0.7	0.6	0.7	0.6	0.1	0.2	0.1	0.2	0.1	0.1
Education	1.3	1.3	1.2	1.0	0.8	1.2	1.1	0.7	0.7	0.6	0.6	0.2	0.1
Restaurant and Hotel	1.1	0.9	0.7	0.9	0.3	0.2	0.1	0.1	0.1	0.0	-0.2	-0.1	-0.3
Misc. Goods & Service	2.5	2.6	2.3	2.8	3.0	2.9	3.1	2.7	2.8	2.3	2.2	1.8	1.6
Durable Goods	1.6	2.1	2.5	2.9	2.7	2.5	2.8	2.4	2.4	2.4	2.3	1.9	1.7
Semi Durable Goods	-0.9	-0.9	-0.9	-0.7	-0.8	-0.5	-0.4	-0.5	-0.3	-0.3	-0.3	-0.2	-0.2
Non-Durable Goods	1.2	-2.6	-9.5	-9.3	-6.7	-5.4	-5.7	-5.7	-5.7	-6.2	-5.0	-2.0	-1.1
Services	1.5	1.5	1.4	1.2	1.3	1.3	1.3	1.3	1.2	0.9	0.9	0.8	0.8

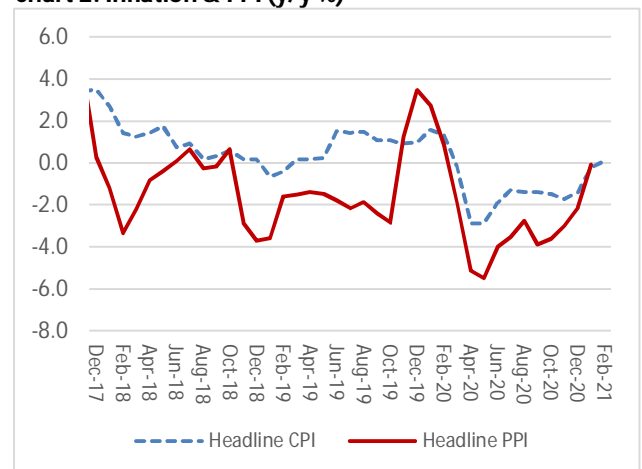
Source: CEIC/AmBank Research

**Chart 1: Headline & Core Inflation Rate (y/y %)**



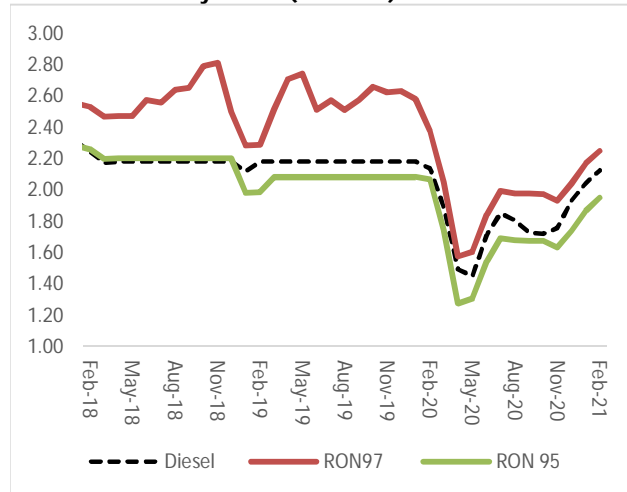
Source: CEIC/AmBank Research

**Chart 2: Inflation & PPI (y/y %)**



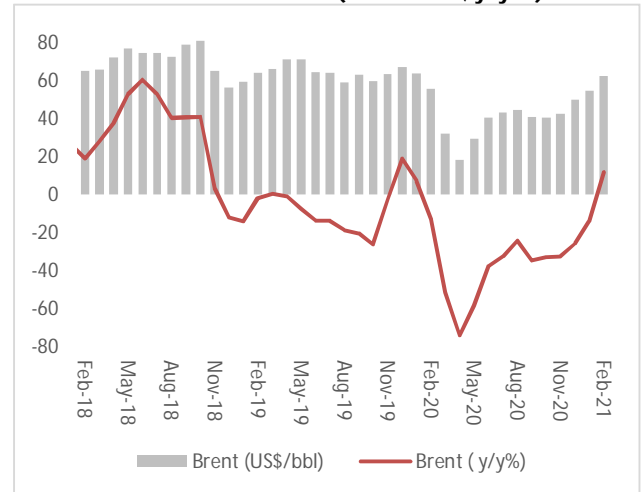
Source: CEIC/AmBank Research

**Chart 3: Fuel Daily Prices (RM/litre)**



Source: CEIC/AmBank Research

**Chart 4: Brent Crude Oil Price (US\$/barrel; y/y %)**



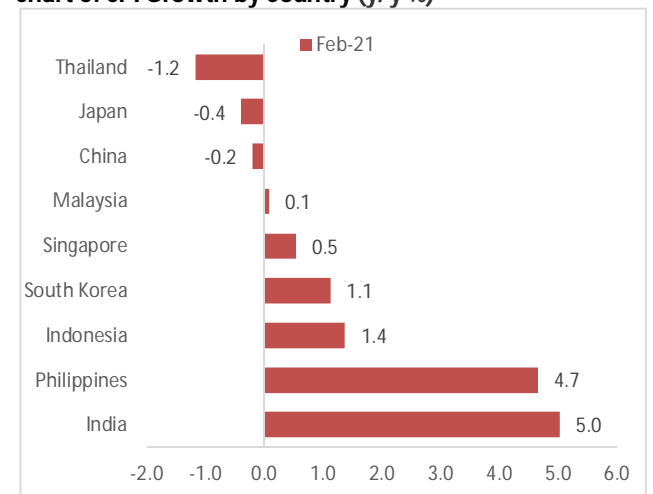
Source: CEIC/AmBank Research

**Chart 5: Real Rates (%)**



Source: CEIC/AmBank Research

**Chart 6: CPI Growth by Country (y/y %)**



Source: CEIC/AmBank Research

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