

TARIKH : 21 OKTOBER 2022  
AKHBAR : THE STAR  
MUKA SURAT : 1 & 2 (STARBIZ)

## Steady inflationary pressures seen

StarBiz Special

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## Latest CPI figures likely to see an increase

### ECONOMY

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PETALING JAYA: Malaysia's consumer price index (CPI), which is the official measure of

inflation, is expected to remain at the current elevated levels.

When contacted by *StarBiz*, economists opined that given the presence of persistent price pressures, the latest CPI figures for September slated to be announced today could also see an increase, similar to those reported in August.

Most economists are also of the view that

inflation may have just peaked in the third quarter of 2022.

Of late, sustained inflationary pressures have been seen in many countries, including the United Kingdom, which recently reported its CPI jumped by 10.1%, back to its 40-year high for the month of September.

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## CPI in September likely to see similar growth levels as August

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According to Socio-Economic Research Centre (SERC) executive director Lee Heng Gue, the country's headline inflation is expected to increase by 4.6% in September, following a 4.7% increase in August.

"This is largely due to food and non-alcoholic beverages, transport and other services.

"I think the CPI has reached its peak in the third quarter for now and will likely moderate gently in the months ahead.

"The anticipated targeted fuel subsidy rationalisation, which will start to implement post the 15th General Election (GE15) will exert renewed upward inflation pressure," he pointed out.

The Centre for Market Education CEO Carmelo Ferlito, meanwhile, pegged the CPI to remain at sustained elevated levels for now.

"This will probably be the case until an economic slowdown kicks in, as at this moment we cannot expect a rationalisation of government spending," he added.

Sunway University professor of economics Yeah Kim Leng also shared similar views, saying that he expects the CPI in September to see similar year-on-year growth levels like in the month of August.

He noted, "There has been a continued rise in inflation pressures, and also, expectations of a further rise in inflation moving forward.

"For the whole year, we expect the CPI to inch close to 3.6% for the full year. Although some international fuel and food prices have eased, they still remain at elevated levels, which suggests rising price pressures will continue to exert an inflationary impact on the economy," explained Yeah.

He also said the weak ringgit exchange rate against the US dollar would further escalate these inflationary pressures.

"Together with the depreciation of the ringgit, which will exert upward pressures on imported inflation, we will see further cost pass through due to rising import costs to the consumer," Yeah added.

On the recently announced decision by the Statistics Department to review the CPI's basket of goods constituents, Yeah described this as "a timely move".

"Typically also the household expenditure survey is conducted once every five years.

"This move will better reflect the current consumption patterns whereby the prices will be more realistic of a household's CPI," Yeah pointed out.

"This will reflect more current spending patterns - to better gauge the overall infla-

tionary picture.

"The CPI is also weighted according to household consumption composition of items," he added.

As the current CPI is based on a whole country's average, Yeah said; "Perhaps, it is also time to take into account the variations in the CPI across the various states and income groups."

He noted that a greater focus will have to be placed across rural and urban groups as well.

"There may be a need to focus on the changes in the consumption basket according to the income groups so we can better understand the inflationary situation faced by households," Yeah said.

He noted this would then help give a more reflective picture, especially on the actual cost of living which would hinge upon spending patterns that could have changed.

Commenting on this matter, SERC's Lee said the Statistics Department's move is a timely one since it will help reflect the latest consumption patterns and composition of goods and services consumed by Malaysian households.

"Accordingly, the CPI weights used in the computation of CPI will reflect the relative importance of each goods or service in the

basket, which will be derived from the expenditure values obtained from the more current year of the Household Expenditure Survey," Lee said.

On a related matter, Ferlito said a good measure of the cost of living would be to measure cost of items, versus the present hourly wage.

"It also makes more sense to discuss purchasing power in terms of what an hourly salary can buy," Ferlito said.

"For example, if in 2010 I was earning RM5 per hour and a fridge cost RM100, it means I needed 20 hours of work to buy a fridge. If today the fridge costs RM200, we say that the price of the fridge increased by 100%; but what about my salary?"

"If my salary has risen to RM10 per hour, I still need the same 20 hours of work to buy the fridge," he added.

He noted that for the above case, in real terms, the purchasing power has not actually deteriorated.

"Instead, if I earn RM7.5 per hour, then my purchasing power decreased. I think we need to move toward this kind of measurements to grasp the purchasing power, disaggregated for income categories, and this is better than just simply measuring price changes," said Ferlito.