

# KERATAN AKHBAR

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### FIRMER DOMESTIC DEMAND

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**KUALA LUMPUR:** Malaysia's core inflation, which excludes more volatile food and fuel price data, surged to a new record high last month but headline inflation continued its moderating trend, said MIDF Research.

Reflecting underlying domestic demand, the core inflation rose to 4.2 per cent year-on-year last month from 4.1 per cent in October.

Non-food inflation edged up to 2.5 per cent year-on-year, while food inflation rose to a new record high of 7.3 per cent.

MIDF Research expects headline inflation to moderate next year, backed by domestic demand firming.

In the environment of elevated global commodity prices, inflationary pressure in Malaysia is

affected by higher food inflation.

The research firm expects food price growth to hit 5.5 per cent this year, which is also attributable to the depreciation of the ringgit versus the US dollar.

"With domestic demand firming, we project headline inflation to average 3.2 per cent this year."

It said on a sequential month basis, Malaysia's core prices recorded 0.4 per cent month-on-month increase.

"The strong inflation trend is highly driven by robust consumer demand while indicators for cost inflation have eased in recent months.

"With this upbeat momentum, Bank Negara Malaysia is likely to raise the Overnight Policy Rate by another 25 basis point to 3.00 per cent during its Monetary Policy



MIDF Research expects food price growth to hit 5.5 per cent this year, partially due to the depreciation of the ringgit versus the US dollar. PIC BY DANIAL SAAD

Committee meeting next month."

MIDF Research said fuel price inflation descended to a 21-month low at 2.6 per cent year-

on-year and contracted by 0.1 per cent month-on-month.

"Post-15th General Election, the inflation outlook for next year is much clearer as we expect the

coalition government to maintain the fuel-subsidy mechanism. Hence, headline inflation is predicted to average 2.3 per cent next year," it added.