

KERATAN AKHBAR

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Food, travel price pressures drive increase

ECONOMY

PETALING JAYA: Malaysia's headline inflation in February 2023 came in slightly higher than expected, driven by price increases in the restaurants and hotels, and food and non-alcoholic beverages segments.

Data from the Statistics Department yesterday showed the country's consumer price index (CPI), which is a gauge of inflation, increased 3.7% last month from a year ago.

This was higher than the 3.6% increase expected by a poll of 22 economists by *Reuters*. It, however, matched the reading in January, when the CPI also rose 3.7% on an annual basis.

According to UOB Global Economics & Market Research, the CPI number would likely ease in the months ahead. However, the country's core inflation would remain a concern, going by its performance of topping headline inflation for five months in a row.

The research house said the core inflation trend amid a positive domestic growth outlook would support its view that Bank Negara would deliver its last policy rate hike of 25 basis points at its May 2-3 monetary policy meeting.

This would take the overnight policy rate (OPR) back to the pre-pandemic level of 3%.

"The country's economic growth outlook is projected to remain positive, while the impact from global banking woes on Malaysia's financial system is deemed limited at this juncture," UOB said.

"That said, the path for global interest rates including Malaysia's OPR has turned more complicated, following the fallout in the US and European banking sector, suggesting caution could prevail and moderating economic

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conditions may keep Bank Negara on the back burner," it added.

Chief statistician Datuk Seri Dr Mohd Uzir Mahidin said in a statement that in comparison to selected Asia-Pacific countries, the inflation rate in Malaysia at 3.7% was lower than that in South Korea, Thailand, Indonesia and the Philippines.

Malaysia's CPI was also significantly lower than in developed markets, such as the eurozone and the United States.

The eurozone inflation eased to 8.5% in February 2023 from 8.6% in the previous month. The slower increase was mainly due to the slowing down of energy inflation.

The inflation rate in the United States eased to 6% in February 2023 against 6.4% in January 2023 on the slowing down of energy inflation and food prices.

Overall, Malaysia's inflation in February 2023 was due mainly to increase in the prices in the restaurants and hotels (7.4%) and food and non-alcoholic beverages (7%) segments.

Increases registered in the furnishings, household equipment and routine household maintenance (3.4%); miscellaneous goods

and services (2.5%); and health (1.8%) segments were among the factors that had also contributed to inflation last month.

The slower increase in the transport segment (3.7%) as compared to January 2023 (4%) had, to a certain extent, offset a further rise in inflation during the month in review.

Separately, the Statistics Department revealed that Malaysia's leading index (LI) – the predictive tool used to anticipate economic upturns and downturns in an average of four to six months ahead – decreased 1.5% to 108.5 points in January 2023 from 110.2 points in January 2022.

This indicated the country's near-term economic growth was expected to face challenges.

It said the LI trend was in line with the forecast by the International Monetary Fund and the World Bank, which anticipated slower global economic growth in 2023.

As for the current economic position, the Coincident Index recorded an increase of 4.5% to 119.5 points in January 2023 compared to 114.3 points in January 2022, mainly contributed by the volume index of retail trade.