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Gaining the upper hand over inflation



ECONOMY

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PETALING JAYA: The government's war against inflation has helped to soften consumer prices for the 10th straight month, with economists expecting inflation to weaken further in the second half of 2023.

The decelerating price pressure has provided more room for Bank Negara to retain its benchmark interest rate at 3%, according to economist Manokaran Mottain.

Describing June's headline inflation of 2.4% as good news, Malaysia University of Science and Technology economist Geoffrey Williams said the figure was "very much below regional and global peers".
"We should be entering a period of lower

"Therefore, we foresee Bank Negara might want to maintain the OPR level at 3% throughout the year."

Mohd Afzanizam Abdul Rashid

inflation now for the foreseeable future," he told *StarBiz*.

The Statistics Department yesterday reported that the country's consumer price index (CPI) increased by 2.4% year-on-year (y-o-y) in June, as compared to 2.8% in May. The headline inflation in June was in line with the expectations of economists polled by *Reuters*.

Local prices have moderated for 10 consecutive months since reaching a peak of

4.7% in August 2022.

The majority of the states in the country had recorded inflation rates lower than the national level of 2.4%.

The country's largest economic powerhouse, Selangor, registered a headline inflation of 2.7% y-o-y.

The Statistics Department noted that Malaysia's inflation rate of 2.4% was lower than the inflation in South Korea, Indonesia and the Philippines.

In June, the once-stubborn core inflation had reduced to 3.1% y-o-y, down from 3.5% y-o-y in May.

Core inflation measures changes in the prices of all goods and services, excluding volatile prices of fresh food as well as administered prices of goods by the government.

Chief Statistician Datuk Seri Mohd Uzir Mahidin attributed June's lower inflation rate to the lower price increases in restaurants and hotels (5.4% y-o-y), food and non-alcoholic beverages (4.7% y-o-y), and furnishings, household equipment and routine household maintenance (2.3% y-o-y).

The food and non-alcoholic beverages group, which contributes 29.5% of total CPI weightage, had recorded an increase of 5.9% y-o-y in May.

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