

# KERATAN AKHBAR

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## BMI: Household spending to grow 5pc this year

### ECONOMIC RECOVERY

## BMI: Household spending to grow 5pc this year

**KUALA LUMPUR:** BMI, a Fitch Solutions company, foresees Malaysia's household spending to grow by five per cent year-on-year this year and will continue its steady growth next year as the economic recovery fuels strong real consumer spending growth.

In a research report yesterday, it said easing inflationary pressures and a healthy reduction in unemployment would form the base for stable consumer spending outlook.

"Risks to this outlook would be higher-than-anticipated inflation and more aggressive economic weakness which will weigh heavier on household purchasing power."

BMI said real household spending next year would grow five per cent year-on-year to RM910 billion based on 2010 prices.

It said consumer confidence

levels have largely been steady, reflecting a positive consumer mindset even as inflationary pressures in certain commodities such as food and fuel weigh on low- and mid-income households.

On the ringgit, BMI expected it to appreciate against the US dollar, strengthening from 4.50 this year to 4.40 next year.

"Malaysia remains heavily reliant on imports to meet local demand and this appreciation will provide a further tailwind to consumer spending growth as imports become cheaper."

"We believe this backdrop will significantly mean that consumer spending over the second half of 2023 and into the start of 2024 will remain stable."

BMI said inflationary pressures remained elevated in many markets and while the rate of price changes was slowing, it remained



*A woman buying rice at a supermarket in Kuala Lumpur. A BMI research report says easing inflationary pressures and a healthy reduction in unemployment would form the base for stable consumer spending outlook. PIC BY MOHAMAD SHAHRIL BADRI SAALI*

higher than central banks' targets.

"Compared with other markets, inflation in Malaysia has been relatively tame, peaking at 4.7 per cent year-on-year in August 2022, and the latest data for May 2023

puts inflation at 2.8 per cent year-on-year, the lowest inflation reading since May 2022, although we note that this is higher than what Malaysian households are used to.

"Our country risk team forecasts inflation will trend downwards in the second half of 2023, ending 2023 at 2.5 per cent year-on-year and averaging 2.3 per cent over 2024." **Bernama**