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Inflation seen to slow further

PRICE PRESSURES MODERATING

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Economist says the focus can now be on stabilising growth, battling 'greedflation'

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INFLATION is expected to decelerate further as price increases moderate across the board, negating any further need for Bank Negara Malaysia to raise the Overnight Policy Rate (OPR), said economists.

The headline consumer price index (CPI) in June slowed to 2.4 per cent from a year earlier. Core inflation also slowed to 3.1 per cent compared with last year.

Malaysia University of Science and Technology economist Dr Geoffrey Williams told the *New Straits Times* price hikes have slowed across almost all categories while Internet and mobile fees are getting cheaper.

He said there is a general slowdown in inflation across many sectors, and price pressures are moderating.

"The lower inflation figures show that the policies of Bank Negara as well as the government are working, but they are also a sign of global factors, especially the oil price now which is around half the level of last year."

He added that Malaysia is finally seeing the impact of lower oil and supply chain costs and this is good news for the economy as it suggests that no further action is required through the OPR.

The OPR currently stands at three per cent.

Williams said the focus can now be on stabilising growth against a slower global economy.

He said the battle is now on price levels and affordability.

Thus, he said it is the role of the government to raise incomes, promote competition, remove monopolies and help consumers make smart choices.

"The government must help in combating 'greedflation', where companies are passing on cost increases to customers to protect their own profits.

(From left) Dr Geoffrey Williams, Dr Shankaran Nambiar and Dr Mohd Afzanizam Abdul Rashid.

"For example food price increases are not necessary and companies should not pass on the costs to consumers.

"As far as Bank Negara is concerned, the lower inflation figure ends the pressure to raise the OPR. My view is that there can be a pause in interest rates for the rest of the year."

Malaysian Institute of Economic Research senior research fellow Dr Shankaran Nambiar said the government has managed to keep the official CPI figures and headline inflation under control.

He said core inflation, which showed some signs of pressure in the last announcement, has eased for the June period.

"If there are no shocks, and if there is not too much of a disruption with the United States Federal Reserve rates in the coming months, inflation could come down to 2.4 per cent for the second half of 2023.

"This would put the full-year inflation at about 2.8 per cent, which is well within the lower end of the official forecast."

Nevertheless, Nambiar said there is a divergence between popular perceptions of inflation and the official account.

He noted that the individual felt-experience may not be in line with official figures and this cannot be brushed aside as individual perceptions.

"Figures at a more aggregate level may conceal what is happening in specific locations," he added.

Bank Muamalat Malaysia Bhd chief economist and social finance head Dr Mohd Afzanizam Abdul Rashid said inflation should moderate, assuming there are no changes to subsidies and price controls.

He said the moderation in inflation would mean that prices are still rising but the pace of the appreciation has slowed.

"This would give the consumers some breathing space, in order for their income to catch up.

"Also, the real rate of interest has turned positive to 0.6 per cent, which means if they save their money in the bank, households would be better off since the return can beat the inflation rate," he said.

Afzanizam has forecast an inflation of 2.7 per cent for the second half of 2023 and three per cent for the full year.