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OPR expected to stay at 3pc

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Inflation projected to moderate to 2.8pc-3.5pc this year, say analysts

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BANK Negara Malaysia is expected to keep the Overnight Policy Rate (OPR) at three per cent for the rest of the year as inflation is moderating, said analysts.

Malaysia's headline inflation is poised to range from 2.8 to 3.5 per cent this year.

Public Investment Bank Bhd (PublicInvest) noted that inflation was expected to settle towards the lower end of its projected range of three to 3.5 per cent upon potential adjust-

ments to the ceiling on retail oil prices.

"The Consumer Price Index (CPI) registered a slower growth rate of 2.0 per cent year-on-year last month (June: 2.4 per cent), representing its most subdued level since August 2021 and marginally undershooting consensus expectation of 2.1 per cent.

"Meanwhile, core inflation, which excludes volatile and administered price items, increased at a slower rate of 2.8 per cent year-on-year last month (June: 3.1 per cent).

"Nevertheless, our outlook remains unchanged," it said.

On a year-on-year basis, inflation was weighed down by the decline in transport and softer growth across most index groups.

Hong Leong Investment Bank Bhd (HLIB Research) said in a note headline inflation continued to cool amid lower commodity prices and high base effect.

"Demand-pull price pressures are also likely to moderate further as global and domestic growth continues to slow."

The research firm has lowered its CPI forecast for this year to 2.8 per cent year-on-year from 3.1 per cent previously, which is still within Bank Negara's official forecast of 2.8 to 3.8 per cent.

"Following this, we maintain our expectation for Bank Negara to keep the OPR at three per cent until year end," it added.

CGS-CIMB Research said Malaysia's rice imports constituted only 30 per cent of the country's consumption.

"We think the impact of rising rice prices is negligible on overall CPI growth as the weightage is only 1.1 per cent in the sub-category of food at home.

"India also plans to ban sugar exports starting October. Based on 2021 trade data, some 14 per cent of Malaysia's total sugar imports come from India, while 61 per cent come from Brazil."

CGS-CIMB said the impact of India's plan to ban sugar exports on headline inflation would be minor, as sugar price weightage accounted for less than one per cent of the food at home sub-category.

It has maintained its CPI projection at 2.8 per cent this year.