

22 May 2014

MALAYSIA

April CPI at 3.4% – Still elevated but decelerating

Consumer Price Index (CPI, 2010=100)

| % YOY | 2013 | | | | | | 2014 | 2014 | 2013 |
|---|------------|------------|------------|------------|------------|------------|------------|------------|---------------|
| | Oct | Nov | Dec | Jan | Feb | Mar | Apr | YTD | |
| Food & Non Alcoholic Beverages | 3.7 | 3.9 | 4.5 | 4.2 | 3.8 | 3.9 | 3.6 | 3.9 | 3.60 |
| Alcoholic Beverages & Tobacco | 16.0 | 14.2 | 14.1 | 14.1 | 14.1 | 14.1 | 14.1 | 14.1 | 6.00 |
| Clothing & Footwear | (0.4) | (0.3) | (0.3) | (0.2) | 0.2 | (0.1) | (0.1) | 0.0 | (0.60) |
| Housing, Water, Electricity & Gas and other fuels | 1.8 | 2.3 | 2.4 | 3.2 | 3.5 | 3.6 | 3.6 | 3.6 | 1.70 |
| Furnishing, Household Equipment | 1.4 | 1.6 | 1.6 | 1.6 | 1.5 | 1.1 | 1.0 | 1.3 | 1.50 |
| Health | 1.7 | 1.8 | 1.9 | 2.1 | 2.2 | 2.3 | 2.3 | 2.3 | 1.90 |
| Transport | 4.9 | 4.9 | 5.0 | 5.3 | 5.5 | 5.1 | 5.3 | 5.3 | 2.00 |
| Communication | (0.5) | (0.6) | (0.6) | (0.4) | (0.6) | (0.5) | (0.6) | (0.5) | (0.70) |
| Recreation Services & Culture | (0.1) | 0.6 | 1.8 | 1.6 | 1.6 | 1.6 | 1.7 | 1.6 | 0.10 |
| Education | 2.6 | 2.9 | 2.9 | 2.6 | 2.3 | 2.3 | 2.3 | 2.4 | 2.40 |
| Restaurant & Hotels | 2.6 | 3.0 | 3.3 | 4.2 | 4.4 | 4.5 | 4.8 | 4.4 | 2.40 |
| Miscellaneous Goods & Services | (0.4) | (0.5) | (0.6) | (1.1) | (0.4) | 0.1 | 0.5 | (0.2) | 0.30 |
| Total | 2.8 | 2.9 | 3.2 | 3.4 | 3.5 | 3.5 | 3.5 | 3.5 | 2.10 |
| Core CPI | 2.3 | 2.5 | 2.6 | 3.0 | 3.3 | 3.3 | 3.3 | 3.3 | 1.40 |

Source: DoS and MIDF

- The headline inflation for **April 2014 eased slightly lower at +3.4% YoY** (Mar 2014: +3.5% YoY; Consensus: +3.5% YoY) on lower prices of “clothing & footwear” and “communication” which declined by -0.1% YoY (Mar 2014: -0.1 YoY) and -0.2% (Mar 2014: -0.5% YoY) respectively. From the previous month headline inflation was unchanged at 0.0 % MoM (Mar 2014: +0.1% MoM)
- Reflecting the electricity tariff hike early this year, the “Housing, Water, Electricity and Gas” component maintained its higher jump at +3.6% YoY (Mar 2014: +3.6% YoY).
- “Alcoholic Beverages & Tobacco” continues to post double-digit growth since Oct 2013 at +14.1% YoY for Apr 2014. (Mar 2014: +14.1%)
- “Food & Non-Alcoholic Beverages” price increase maintained above +3.0 % for the 15th month in a row at 3.6% YoY. (Mar 2014: +3.9% YoY). Notable increase was fish & seafood, fruits, vegetables and sugar, jam, honey, chocolate & confectionery.
- Price pressure remains due to continued supply-side adjustments that are necessary for Malaysia to meet its financial targets. Strong growth recorded in the first quarter of 2014 at 6.2% and higher inflationary pressure, which rose 3.5% for consecutive months since February and 3.4% in April.
- Despite ongoing fiscal consolidation, household consumption continues to remain resilient. The central bank has kept the OPR steady at 3% since May 2011. Expects BNM to act pre-emptively and start rate hikes with a 25 bps rise in 3Q2014, most likely at the coming July meeting.

The Consumer Price Index (CPI) for the period January to April 2014 increased by **3.5 per cent** to 109.8 compared with that of 106.1 in the same period last year. Compared with the same month in 2013, the CPI for April 2014 registered an increase of 3.4 per cent from 106.3 to 109.9 and when compared with the previous month, the CPI remained unchanged at 109.9.

The index for Food & Non-Alcoholic Beverages and Non-Food for the month of April 2014 showed increases of 3.6 and 3.3 per cent respectively as compared to the same month in 2013. For the period January to April 2014, the index for Food & Non-Alcoholic Beverages and Non-Food increased by 3.9 and 3.3 per cent respectively. When compared with the previous month, the index for Non-Food remained unchanged at 107.9 while the index for Food & Non-Alcoholic Beverages decreased by 0.1 per cent.

Monthly Changes for CPI

When compared with the previous month, the CPI for April 2014 remained unchanged at 109.9. The indices for Alcoholic Beverages & Tobacco; Housing, Water, Electricity, Gas & Other Fuels; Furnishings, Household Equipment & Routine Household Maintenance; Recreation Services & Culture and Miscellaneous Goods & Services remained unchanged at 121.7; 108.1; 106.5; 104.9 and 105.4 respectively. However, increases were shown for main groups Health (+ 0.5 per cent); Restaurants & Hotels (+ 0.4 per cent); Transport and Education by 0.1 per cent respectively. On the other hand, decreases were for Communication (- 0.2 per cent); Food & Non-Alcoholic Beverages and Clothing & Footwear by 0.1 per cent respectively.

The 0.1 per cent decrease in the index for Food & Non-Alcoholic Beverages in April 2014 compared with that of the previous month was the result of decreases in the index for Food At Home (- 0.3 per cent) and Coffee, Tea, Cocoa & Non-Alcoholic Beverages (- 0.1 per cent). However, the index for Food Away From Home increased by 0.5 per cent.

| Group | 2010 = 100 Weights (%) | Index | | | | | % Change | | |
|--|---------------------------|--------------|--------------|--------------|--------------|--------------|----------------|----------------|-------------|
| | | Apr | Mar | Apr | Jan - | Jan - | Apr | Apr | Jan - |
| | | 2013 | 2014.0 | 2014 | Apr | Apr | 2014/ 2014/ | 2014/ 2014/ | Apr |
| Food & Non Alcoholic Beverages | 30.3 | 110.4 | 114.5 | 114.4 | 110.2 | 114.5 | -0.1 | 3.6 | 3.9 |
| Alcoholic Beverages & Tobacco | 2.2 | 106.7 | 121.7 | 121.7 | 106.7 | 121.7 | 0 | 14.1 | 14.1 |
| Clothing & Footwear | 3.4 | 98.8 | 98.8 | 98.7 | 98.8 | 98.8 | -0.1 | -0.1 | 0 |
| Housing, Water, Electricity & Gas | 22.6 | 104.3 | 108.1 | 108.1 | 104.2 | 107.9 | 0 | 3.6 | 3.6 |
| Furnishing, Household Equipment | 4.1 | 105.4 | 106.5 | 106.5 | 105.1 | 106.5 | 0 | 1 | 1.3 |
| Health | 0.3 | 106.6 | 108.6 | 109.1 | 106.2 | 108.6 | 0.5 | 2.3 | 2.3 |
| Transport | 14.9 | 105.8 | 111.3 | 111.4 | 105.6 | 111.2 | 0.1 | 5.3 | 5.3 |
| Communication | 5.7 | 98.5 | 98.1 | 97.9 | 98.6 | 98.1 | -0.2 | -0.6 | -0.5 |
| Recreation Services & Culture | 4.6 | 103.1 | 104.9 | 104.9 | 103.2 | 104.9 | 0 | 1.7 | 1.6 |
| Education | 1.4 | 107 | 109.4 | 109.5 | 106.7 | 109.3 | 0.1 | 2.3 | 2.4 |
| Restaurant & Hotels | 3.2 | 111.1 | 115.9 | 116.4 | 110.7 | 115.6 | 0.4 | 4.8 | 4.4 |
| Miscellaneous Goods & Services | 6.3 | 104.9 | 105.4 | 105.4 | 105.3 | 105.1 | 0 | 0.5 | -0.2 |
| TOTAL | 100 | 106.3 | 109.9 | 109.9 | 106.1 | 109.8 | 0 | 3.4 | 3.5 |
| Non-Food | 69.7 | 104.3 | 107.3 | 107.8 | 104.2 | 107.6 | 0.4 | 3.3 | 3.3 |

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MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

| | |
|--------------|--|
| BUY | Total return is expected to be >15% over the next 12 months. |
| TRADING BUY | Stock price is expected to <i>rise</i> by >15% within 3-months after a Trading Buy rating has been assigned due to positive newsflow. |
| NEUTRAL | Total return is expected to be between -15% and +15% over the next 12 months. |
| SELL | <i>Negative</i> total return is expected to be -15% over the next 12 months. |
| TRADING SELL | Stock price is expected to <i>fall</i> by >15% within 3-months after a Trading Sell rating has been assigned due to negative newsflow. |

SECTOR RECOMMENDATIONS

| | |
|----------|--|
| POSITIVE | The sector is expected to outperform the overall market over the next 12 months. |
| NEUTRAL | The sector is to perform in line with the overall market over the next 12 months. |
| NEGATIVE | The sector is expected to underperform the overall market over the next 12 months. |