



18 December 2014

## MALAYSIA

### November CPI higher due to increase in costs of food

- The CPI rate rose further to 3.0% yoy for November 2014 from 2.8% yoy in October. The higher expansion was due to acceleration in the sub-indices **“Food & Non-Alcoholic Beverages”** and **“Housing, Water, Electricity, Gas & other Fuels”**.
- The other weight in the CPI; **“Transport”** saw a smaller increase from the previous month indicating the impact of the October fuel price hike decelerating.
- We expect the introduction of the managed float fuel price in December will not see much of an impact in the CPI for December but rather the customary surge in prices in December will see CPI to edge up to 3.0 - 3.1%. This will bring the overall CPI in 2014 to 3.1%.
- GST together with the weaker Ringgit and the resulting upward cost price pressure will push inflation to 3.5 - 4.0% in 2015.

**November inflation higher due to higher costs of “Food & Non-Alcoholic Beverages” and with core inflation expanding faster.** November inflation was at +3.0% yoy, (October 14: +2.8% yoy; MIDF: +3.0% yoy; Consensus: +2.7% yoy) higher than expected due to higher costs in **“Food & Non-Alcoholic Beverages”** which rose +2.9% yoy (October 14: +2.8% yoy) and of **“Housing, Water, Electricity, Gas & Other Fuels”** rising at +3.5% yoy (October 14: 3.4% yoy). **“Transport”** costs expanded lower for November at +5.0% yoy (October 14: +5.3% yoy) but still within the +5.0% range due to the fuel hike in early October. **“Alcoholic, Beverages & Tobacco”** also rose at 10.5% yoy (October 14: +0.2% yoy). Core inflation increased to +1.8% yoy (October 14: +1.2% yoy)

The increase in **“Food & Non-Alcoholic Beverages”** was due to increase in the ‘food at home’ sub-indices at +2.9% yoy (October 14: September 14: +2.4% yoy) driven by increase in costs of ‘meat’ at +2.3% yoy (October 14: +1.2% yoy) and ‘milk & eggs’ at +4.9% yoy (October 14: +3.8% yoy). The ‘food away from home’ was unchanged at +4.0% yoy from last month. The increase in **“Housing, Water, Electricity, Gas & Other Fuels”** was due to increase in costs of ‘electricity, gas & other fuels’ at +5.7% yoy (October 14: +5.6% yoy). The moderate increase of **“Transport”** was dragged down by the decline in ‘purchase of vehicles’ at -1.8% yoy (October 14: -1.7% yoy), the sixth consecutive month of decline. ‘Operation of personal transport equipment’ moderated to +7.0% yoy (October 14: +7.2% yoy) while ‘transport services’ inched higher to +1.8% yoy (October 14: +1.4% yoy).

**On a month to month basis, price pressure seen to be trending upwards.** On a month to month basis, **“Food & Non-Alcoholic Beverages”** rebounded to +0.3% mom (October 14: -0.2% mom) driven by increase in the ‘food at home’ sub-indices at +0.3% mom (October 14: -0.4% mom). **“Housing, Water, Electricity, Gas & Other Fuels”** surged higher to +0.7% mom (October 14: +0.0% mom), driven by increased in the ‘house rental’ sub-indices at +0.1% mom (October 14: 0.0% mom). ‘Health’ increased to 0.4% mom (October 14: +0.1% mom); **“Alcoholic, Beverages & Tobacco”** surged to +10.3% mom (October 14: -3.1% mom). **“Transport”** declined to -0.2% mom (October 14: +5.1% mom), dragged down by decline in ‘purchase of vehicles’ at -0.1% (October 14: 0.0% mom) and ‘Operation of personal transport equipment’ down by -0.2% mom (October 14: +6.7% mom). Cost of ‘transport services’ rebounded to +0.7% mom (October 14: -0.5% mom). Other sectors also saw expansion month-on-month with the exception of **“Communication”** which continues to decline at -0.1% mom (October 14: -0.1% mom)

**Table 1: Malaysia-Consumer Price Index (CPI, 2010=100) % YoY**


	Weights %	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	YTD 2014	2013
<b>Total</b>	<b>100</b>	<b>3.2</b>	<b>3.3</b>	<b>3.2</b>	<b>3.3</b>	<b>2.6</b>	<b>2.8</b>	<b>3.0</b>	<b>3.2</b>	<b>2.1</b>
Food and Non Alcoholic Beverages (FNAB)	30.3	3.3	3.5	3.1	3.3	3.2	2.8	2.9	3.4	3.6
Alcoholic Beverages and Tobacco	2.2	14.1	11.6	11.6	11.6	14.8	0.2	10.5	11.8	6.0
Clothing and Footwear	3.4	(0.2)	(0.1)	(0.2)	(0.2)	(0.3)	(0.4)	(0.4)	(0.1)	(0.6)
Housing, Water, Electricity, Gas & Other Fuels (HWEGF)	22.6	3.1	3.2	3.2	3.4	3.4	3.4	3.5	3.4	1.7
Furnishings, Household Equipment and Maintenance	4.1	1.2	1.0	0.8	1.1	0.9	0.9	0.8	1.0	1.5
Health	1.3	2.4	3.1	3.3	3.3	3.4	3.4	3.4	2.8	1.9
Transport	14.4	5.5	5.5	5.4	5.5	0.5	5.3	5.0	5.0	2.0
Communication	5.7	(0.7)	(0.6)	(0.7)	(0.7)	(0.8)	(0.9)	(0.9)	(0.6)	(0.7)
Recreation and Culture	4.6	1.9	1.9	1.9	1.8	1.9	1.8	1.3	1.7	0.1
Education	1.4	2.2	2.2	2.3	2.5	2.4	2.4	2.2	2.3	2.4
Restaurants and Hotels	3.2	4.9	4.9	5.0	5.1	4.8	4.6	4.3	4.7	2.4
Miscellaneous Goods and Services	6.3	1.1	1.2	1.4	0.9	0.7	0.7	0.9	0.5	0.3

Source: Dept. of Statistics, MIDFR

**Table 2: Malaysia-Consumer Price Index (CPI, 2010=100) % MoM**

	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14
Food and Non Alcoholic Beverages (FNAB)	0.1	(0.1)	0.1	0.5	0.3	0.1	0.2	(0.2)	0.3
Alcoholic Beverages and Tobacco	0.0	0.0	0.0	0.1	0.0	0.0	3.3	(3.1)	10.3
Clothing and Footwear	0.0	(0.1)	(0.1)	(0.1)	(0.4)	0.0	0.2	(0.1)	0.1
Housing, Water, Electricity, Gas & Other Fuels (HWEGF)	0.1	0.0	0.5	0.1	0.0	0.6	0.0	0.0	0.7
Furnishings, Household Equipment and Maintenance	0.0	0.0	0.1	0.0	(0.3)	0.4	0.0	(0.1)	0.1
Health	0.2	0.5	0.3	0.5	0.3	0.2	0.4	0.1	0.4
Transport	0.2	0.1	0.1	(0.4)	0.0	0.1	(0.2)	5.1	(0.2)
Communication	0.0	(0.2)	(0.1)	0.0	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Recreation and Culture	0.0	0.0	0.1	0.0	0.0	0.0	0.0	(0.1)	0.0
Education	0.1	0.1	0.1	0.1	0.2	0.2	0.0	0.0	0.1
Restaurants and Hotels	0.4	0.4	0.3	0.2	0.2	0.3	0.1	0.1	0.3
Miscellaneous Goods and Services	0.4	0.0	0.0	0.0	0.0	0.2	0.0	(0.3)	0.2

Source: Dept. of Statistics, MIDFR

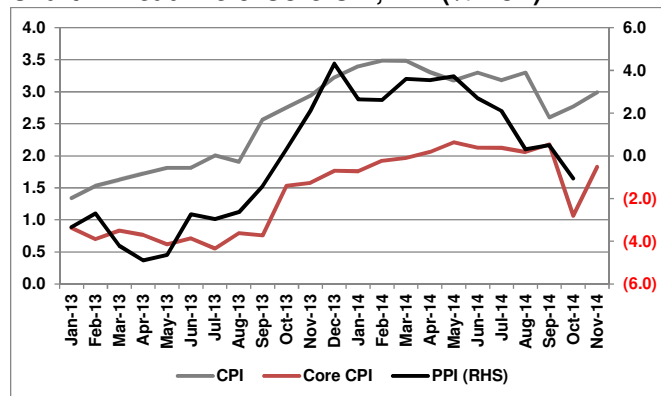
**Weaker fuel prices may help lower inflation but GST together with the weaker Ringgit and the resulting upward cost price pressure will push inflation to 3.5 - 4.0% in 2015.** Despite fuel prices to stay low for some time as long as crude oil price stays weak, the upcoming GST and the weaker Ringgit will see cost pressure to trend upwards instead. Core CPI (excluding FNAB, HWEGF and Transport) is already seen heading upwards indicating price pressure accelerating. We expect CPI to be around 3.5% to 4.0% for 2015. 

**Table 3: Global Commodity Prices % YoY**

	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	YTD	2013
<b>All Commodity Price Index</b>	2.7	3.3	(1.2)	(5.7)	(9.0)	(13.6)	(17.4)	(4.2)	(1.6)
Non-Fuel Price Index	(1.2)	(2.9)	(2.2)	(2.9)	(4.3)	(6.5)	(6.1)	(3.5)	(1.2)
Food and Beverage Price Index	0.4	(2.7)	(3.5)	(2.1)	(3.3)	(4.8)	(3.3)	(1.7)	(0.1)
Food Price Index	(1.3)	(5.1)	(6.0)	(4.8)	(6.1)	(8.0)	(5.8)	(3.8)	1.1
Beverage Price Index	20.0	26.1	25.6	27.3	27.1	29.9	24.1	21.2	(11.9)
Industrial Inputs Price Index	(3.0)	(3.1)	(0.6)	(3.8)	(5.4)	(8.4)	(8.9)	(5.3)	(2.3)
Agricultural Raw Materials Index	3.6	(0.5)	2.3	2.2	1.5	(1.3)	(3.5)	2.7	1.6
Metals Price Index	(6.7)	(4.6)	(2.3)	(7.0)	(9.1)	(12.3)	(12.0)	(9.7)	(4.3)
Fuel (Energy) Index	4.8	6.7	(0.8)	(7.0)	(11.3)	(17.1)	(23.2)	(4.6)	(1.8)
Crude Oil (petroleum), Price index	6.4	8.6	0.1	(7.3)	(11.8)	(18.4)	(25.1)	(4.3)	(1.0)

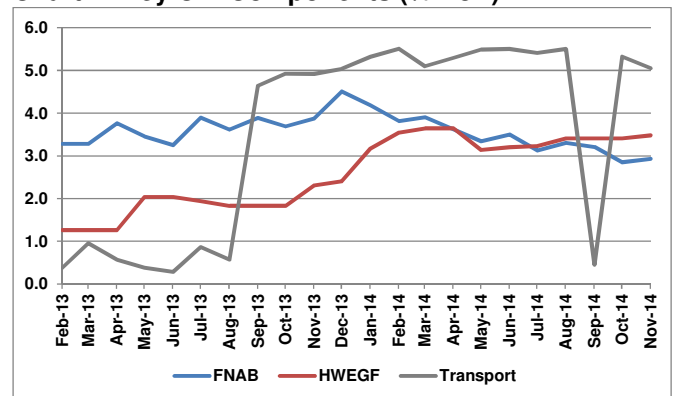
Source: IMF, MIDFR

**Chart 1: Headline & Core CPI, PPI (% YoY)**



Source: Department of Statistics, MIDFR

**Chart 2: Key CPI Components (% YoY)**



Source: Department of Statistics, MIDFR

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