

20 October 2014

MALAYSIA

September CPI at 2.6% – Moderate growth due to slowdown in transport costs

The CPI rate decelerated to 2.6% YoY for September of 2014 from 3.3% YoY in August. It is the lowest rate in a year mainly due to a slowdown in transport costs. The main weights in the CPI; “Food & Non-Alcoholic Beverages” and “Housing, Water, Electricity, Gas & other Fuels” saw little change from the previous month while “Transport” decelerated sharply.

September inflation moderated due to slowdown in transport costs. September inflation was moderate at 2.6% YoY, (August 2014: +3.3% YoY; MIDF: +2.7% YoY; Consensus: +2.6% YoY) on moderate increase observed in the indices of all the main groups except “Alcoholic, Beverages & Tobacco”, “Housing, Water, Electricity, Gas & other Fuels (HWEFG)”, “Health”, “Clothing & Footwear” and “Communication”. “Alcoholic, Beverages & Tobacco” increased to 14.8% YoY (August 2014: 11.6% YoY), while both “Clothing & Footwear” and “Communication” declined by -0.3% YoY and -0.8% YoY respectively (August 2014: -0.2% YoY and -0.7% YoY). “Housing, Water, Electricity, Gas & other Fuels (HWEFG)” was unchanged at 3.4% YoY from the previous month. However, most notable change was “Transport” costs which increased slightly to +0.5% YoY (August 2014: 5.5% YoY). Previously “Transport” costs have been hovering at more than 5% since December of 2013. Overall, the sudden moderate growth is not surprising due to the effect of a higher base which occurred due to the last fuel hike in September 2013. On a month to month basis, headline inflation was unchanged from the previous month at +0.2% MoM.

Most of the sub-groups in the “Food & Non-Alcoholic Beverages” saw moderate increase in September. “Food, Non-Alcoholic Beverages” (“FNAB”) increased slightly from the previous month to +3.2% YoY (August 2014: +3.3% YoY) after the festive season is over in August. The ‘food at home’ sub-group grew +2.9% YoY (August 2014: +3.0% YoY). In this sub-group ‘meat’ grew at a faster pace of +3.9% YoY (August 2014: +2.9% YoY). Others saw slight increases where ‘Milk, Cheese & Eggs’ grew slightly to +3.6% YoY (August 2014: +3.7% YoY), ‘Vegetables’ saw modest increase at +2.4% YoY (August 2014: +4.2% YoY) and ‘fish & seafood’ also saw a lesser increase to +3.6% YoY (August 2014: 3.9% YoY).

“Transport” costs decelerated steeply. “Transport” growth decelerated to +0.5% YoY on decline in costs of ‘purchase of vehicles’ at -1.7% YoY (August 2014: -1.7% YoY), the fourth straight month of decline. The other sub-groups, ‘Operation of personal transport equipment’ decelerated to 0.9% YoY (August 2014: 7.5% YoY) while ‘transport services’ saw modest growth of +1.5% YoY (August 2014: 1.8% YoY) led by decline in the expenditure class of ‘passenger transport by air’ at -6.5% YoY (August 2014: -5.6% YoY) the 11th straight month of decline. The steep deceleration is also due to a higher base effect.

Growth from the previous month was unchanged. On a month to month basis, the growth was unchanged at +0.2%. The growth was attributed to increases in “Alcoholic Beverages & Tobacco” at +3.3%; “Health” at +0.4%; “Food & Non-Alcoholic Beverages” and “Clothing & Footwear” by 0.2% respectively and “Restaurants & Hotels” at +0.1%. On the other hand, decreases were for “Transport” (-0.2%) and “Communication” (-0.1%). The indices for “Housing, Water, Electricity, Gas & Other Fuels”; “Furnishings”, “Household Equipment & Routine Household Maintenance”; “Recreation Services & Culture”; “Education” and “Miscellaneous Goods & Services” remained unchanged at 109.3; 106.7; 105.0; 110.1 and 105.6 respectively.

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

	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	YTD 2014	2013
Total	3.5	3.4	3.2	3.3	3.2	3.3	2.6	3.3	2.1
Food and Non Alcoholic Beverages (FNAB)	3.9	3.6	3.3	3.5	3.1	3.3	3.2	3.5	3.6
Alcoholic Beverages and Tobacco	14.1	14.1	14.1	11.6	11.6	11.6	14.8	13.4	6.0
Clothing and Footwear	(0.1)	(0.1)	(0.2)	(0.1)	(0.2)	(0.2)	(0.3)	(0.1)	(0.6)
Housing,Water,Electricity,Gas & Other Fuels (HWEGF)	3.6	3.6	3.1	3.2	3.2	3.4	3.4	3.4	1.7
Furnishings, Household Equipment and Maintenance	1.1	1.0	1.2	1.0	0.8	1.1	0.9	1.1	1.5
Health	2.3	2.3	2.4	3.1	3.3	3.3	3.4	2.6	1.9
Transport	5.1	5.3	5.5	5.5	5.4	5.5	0.5	4.8	2.0
Communication	(0.5)	(0.6)	(0.7)	(0.6)	(0.7)	(0.7)	(0.8)	(0.6)	(0.7)
Recreation and Culture	1.6	1.7	1.9	1.9	1.9	1.8	1.9	1.7	0.1
Education	2.3	2.3	2.2	2.2	2.3	2.5	2.4	2.3	2.4
Restaurants and Hotels	4.5	4.8	4.9	4.9	5.0	5.1	4.8	4.8	2.4
Miscellaneous Goods and Services	0.1	0.5	1.1	1.2	1.4	0.9	0.7	0.5	0.3

Source: Dept. of Statistics, MIDFR

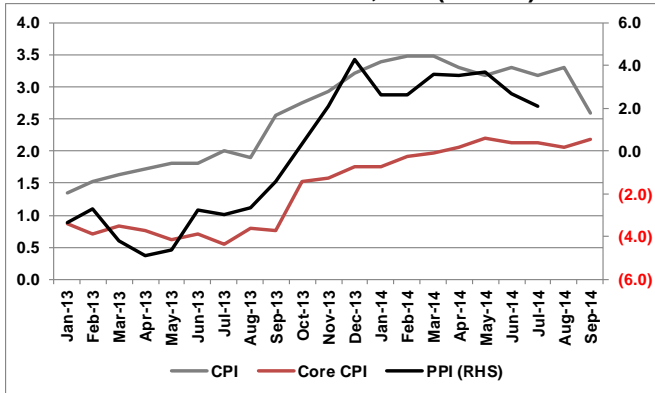
Table 2: Malaysia-Consumer Price Index (CPI, 2010=100) % MoM

	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14
Food and Non Alcoholic Beverages (FNAB)	0.8	(0.1)	0.1	(0.1)	0.1	0.5	0.3	0.4	0.0
Alcoholic Beverages and Tobacco	0.1	0.0	0.0	0.0	0.0	0.1	0.0	(0.1)	0.0
Clothing and Footwear	0.4	0.1	0.0	(0.1)	(0.1)	(0.1)	(0.4)	(0.2)	(0.3)
Housing,Water,Electricity,Gas & Other Fuels (HWEGF)	0.8	0.7	0.1	0.0	0.5	0.1	0.0	0.1	0.5
Furnishings, Household Equipment and Maintenance	0.5	0.2	0.0	0.0	0.1	0.0	(0.3)	0.5	0.0
Health	0.4	0.2	0.2	0.5	0.3	0.5	0.3	0.3	0.3
Transport	0.3	0.2	0.2	0.1	0.1	(0.4)	0.0	(0.1)	0.1
Communication	0.0	(0.1)	0.0	(0.2)	(0.1)	0.0	(0.1)	0.0	(0.1)
Recreation and Culture	(0.1)	0.1	0.0	0.0	0.1	0.0	0.0	0.4	0.6
Education	0.8	0.5	0.1	0.1	0.1	0.1	0.2	0.1	0.1
Restaurants and Hotels	1.1	0.6	0.4	0.4	0.3	0.2	0.2	0.5	0.1
Miscellaneous Goods and Services	0.1	0.6	0.4	0.0	0.0	0.0	0.0	0.5	0.8

Source: Dept. of Statistics, MIDFR

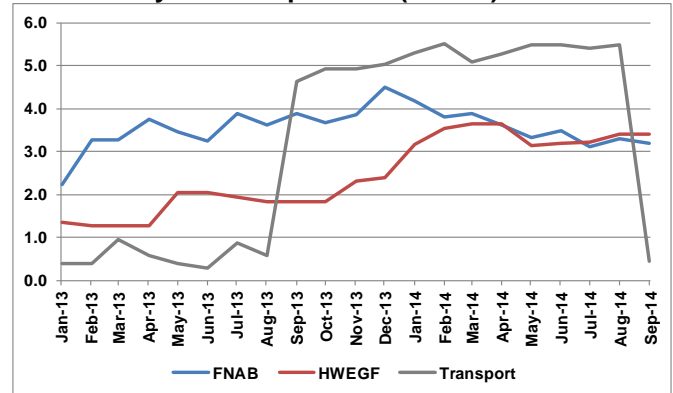
The fuel price hike in September will have marginal impact on the CPI. The recent 20sen hike represents about 9.5% jump from the previous price of RM2.10 per litre for RON95 and 10% for diesel, which is smaller than the 10.5% and 11.1% percentage increase seen last year. As such, the impact on the CPI index for October onwards would see perhaps only 0.5% – 0.6% MoM jump from September index level. The hike last year caused the index jumped 0.8% MoM in September index (the hike took effect 3 September 2013). Assuming that the index continues to edge up by 0.1% –0.3% up to December and no further hikes in store, we expect the CPI will average around 3.0% for 4Q14. That would bring the overall index to rise by 3.2% for the whole of 2014, well within our expectation of 3.0% – 3.5% for this year.

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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