

22 January 2015

MALAYSIA

December CPI - Surprisingly lower

- The CPI rate eased 2.7% yoy in December 2014 from 3.0% yoy in November. The moderate expansion was due to slower pace of growth in most indices, particularly the two of three biggest components, namely and “Transport”. The index “Housing, Water, Electricity, Gas & Other Fuels” which accounts for the biggest weight after “Food & Non-Alcoholic Beverages” eased slightly during the month.
- The introduction of the managed float fuel price in December saw a significant impact in the CPI for December with “Transport” growing at a lesser pace of 4.0% yoy.
- For the whole of 2014, CPI grew by 3.2% matching our expectation. Low price pressure will push the CPI moderately lower in the months ahead but we expect CPI to surge ahead, by 4.0 – 4.2% with the introduction of the GST in April.

December inflation lower than November due to slower pace in “Transport” and “Food & Non-Alcoholic Beverages” indicating slowdown in consumer spending. December inflation was moderately higher at +2.7% yoy (November 14: +3.0% yoy; MIDF: +3.0% yoy; Consensus: +2.8% yoy), lower than expected due to slower pace of increase in “Transport” at +4.0% yoy (Nov 14: +5.0% yoy) and “Food & Non-Alcoholic Beverages” which expanded slightly to +2.4% yoy (Nov 14: +2.9% yoy).

The moderate increase in “Food & Non-Alcoholic Beverages” was due to slower pace of increase in the ‘food at home’ sub-indices at +2.4% yoy (Nov 14: +2.9% yoy) driven by increase in costs of ‘fish & seafood’ at +3.0% yoy (November 14: +2.9% yoy) and ‘milk & eggs’ at +6.2% yoy (November 14: +4.9% yoy). The ‘food away from home’ saw deceleration at +3.8% yoy from last month growth of +4.0% yoy.

The increase in “Housing, Water, Electricity, Gas & Other Fuels” was due to increase in costs of ‘electricity, gas & other fuels’ which was unchanged at +5.7% yoy in December. The lower pace of increase of “Transport” was dragged down by the decline in ‘purchase of vehicles’ at -1.8% yoy (Nov 14: -1.8% yoy), the seventh consecutive month of decline. ‘Operation of personal transport equipment’ moderated to +5.3% yoy (November 14: +7.0% yoy), the third consecutive month of deceleration. The moderate pace of growth in the three main weights of the CPI saw core inflation moderating to +1.7% yoy as compared to 1.8% yoy a month earlier.

The anticipated end of the year consumer spending did not occur and this is reflected in the declining costs in “Clothing & Footwear” which declined further to -0.3% yoy (Nov 14: -0.4% yoy) and the moderation in growth in “Furnishings, Household Equipment and Maintenance” at +0.6% yoy (Nov 14: +0.8% yoy) and “Recreation and Culture” which was stagnant at 0.0% yoy (Nov 14: +1.3% yoy). Transport costs grew moderately at +4.0% yoy (November 14: 5.0%), the second straight of momentum aided by the introduction of managed float fuel price in December 2014.

On a month to month basis, price pressure seems to be mixed. On a month to month basis, “Food & Non-Alcoholic Beverages” remained unchanged at +0.3% mom from the previous month. “Housing, Water, Electricity, Gas & Other Fuels” was stagnant at 0.0% mom (Nov 14: +0.7% mom). “Transport” continues to decline to -1.3% mom (Nov 14: -0.2% mom), dragged down by decline in ‘Operation of personal transport equipment’ at -1.9% mom (Nov 14: -0.2% mom). On a month to month, basis cost of ‘purchase of vehicles’ was stagnant at 0.0% mom (Nov 14: -1.1% mom).

Overall, CPI in 2014 at 3.2%, primarily due to hike electricity and fuel hike. On a yearly basis, the CPI was up at 3.2% yoy from 2.1% yoy in 2013, driven primarily by increase in costs of “Housing, Water, Electricity, Gas &

Other Fuels” at 3.4% yoy (2013: 1.7% yoy) and **“Transport”** at 4.9% yoy (2013: 2.0% yoy). The increase is primarily due to the electricity and fuel hike that occurred in late 2013 and 2014. Price pressure was mixed for 2014, with **“Food & Non-Alcoholic Beverages”**, **“Clothing & Footwear”** and **“Furnishings, Household Equipment and Maintenance”** saw a slower pace of growth while other grew indicating the average consumers are curbing their spending.

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

	Weights %	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	2014	2013
Total	100	3.3	3.2	3.3	2.6	2.8	3.0	2.7	3.2	2.1
Food and Non Alcoholic Beverages (FNAB)	30.3	3.5	3.1	3.3	3.2	2.8	2.9	2.4	3.3	3.6
Alcoholic Beverages and Tobacco	2.2	11.6	11.6	11.6	14.8	0.2	10.5	10.6	11.6	6.0
Clothing and Footwear	3.4	(0.1)	(0.2)	(0.2)	(0.3)	(0.4)	(0.4)	(0.3)	(0.2)	(0.6)
Housing, Water, Electricity, Gas & Other Fuels (HWEFG)	22.6	3.2	3.2	3.4	3.4	3.4	3.5	3.4	3.4	1.7
Furnishings, Household Equipment and Maintenance	4.1	1.0	0.8	1.1	0.9	0.9	0.8	0.6	1.0	1.5
Health	1.3	3.1	3.3	3.3	3.4	3.4	3.4	3.3	2.9	1.9
Transport	14.4	5.5	5.4	5.5	0.5	5.3	5.0	4.0	4.9	2.0
Communication	5.7	(0.6)	(0.7)	(0.7)	(0.8)	(0.9)	(0.9)	(0.9)	(0.7)	(0.7)
Recreation and Culture	4.6	1.9	1.9	1.8	1.9	1.8	1.3	0.0	1.5	0.1
Education	1.4	2.2	2.3	2.5	2.4	2.4	2.2	2.2	2.4	2.4
Restaurants and Hotels	3.2	4.9	5.0	5.1	4.8	4.6	4.3	4.1	4.7	2.4
Miscellaneous Goods and Services	6.3	1.2	1.4	0.9	0.7	0.7	0.9	1.4	0.7	0.3

Source: Dept. of Statistics, MIDFR

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

	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14
Food and Non Alcoholic Beverages (FNAB)	(0.1)	0.1	0.5	0.3	0.1	0.2	(0.2)	0.3	0.3
Alcoholic Beverages and Tobacco	0.0	0.0	0.1	0.0	0.0	3.3	(3.1)	10.3	0.0
Clothing and Footwear	(0.1)	(0.1)	(0.1)	(0.4)	0.0	0.2	(0.1)	0.1	(0.3)
Housing, Water, Electricity, Gas & Other Fuels (HWEFG)	0.0	0.5	0.1	0.0	0.6	0.0	0.0	0.7	0.0
Furnishings, Household Equipment and Maintenance	0.0	0.1	0.0	(0.3)	0.4	0.0	(0.1)	0.1	(0.3)
Health	0.5	0.3	0.5	0.3	0.2	0.4	0.1	0.4	0.1
Transport	0.1	0.1	(0.4)	0.0	0.1	(0.2)	5.1	(0.2)	(1.3)
Communication	(0.2)	(0.1)	0.0	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	0.0
Recreation and Culture	0.0	0.1	0.0	0.0	0.0	0.0	(0.1)	0.0	0.0
Education	0.1	0.1	0.1	0.2	0.2	0.0	0.0	0.1	0.1
Restaurants and Hotels	0.4	0.3	0.2	0.2	0.3	0.1	0.1	0.3	0.1
Miscellaneous Goods and Services	0.0	0.0	0.0	0.0	0.2	0.0	(0.3)	0.2	0.3

Source: Dept. of Statistics, MIDFR


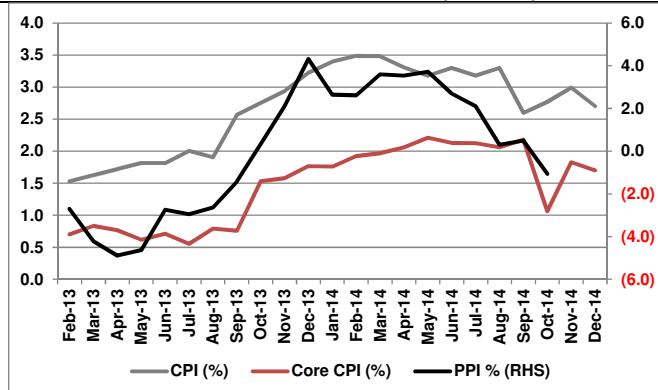
Cost push prices and the upcoming GST will see CPI to trend higher, but will be mitigated by the weak fuel prices. Due to the fact that global oil prices is likely to stay weak for some time, the impact of the managed float petrol prices will likely slow the impact of the CPI in the months leading to the GST. Despite price pressure seemed to heading downwards, higher disposable income due to the lower fuel prices and the anticipated consumer spending pre-GST will likely push the CPI much higher. The weak ringgit would compound the effect. We expect CPI to edge up significantly in the second half of 2015, due to the the GST, bringing the overall CPI to 4.0 – 4.2% this year. 

Table 3: Global Commodity Prices % YoY

	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	2014	2013
All Commodity Price Index	3.3	(1.2)	(5.7)	(9.0)	(13.6)	(17.5)	(29.2)	(14.5)	(1.6)
Non-Fuel Price Index	(2.9)	(2.2)	(2.9)	(4.3)	(6.5)	(6.0)	(9.9)	(12.1)	(1.2)
Food and Beverage Price Index	(2.7)	(3.5)	(2.1)	(3.3)	(4.8)	(3.3)	(6.4)	(10.2)	(0.1)
Food Price Index	(5.1)	(6.0)	(4.8)	(6.1)	(8.0)	(5.8)	(8.5)	(12.2)	1.1
Beverage Price Index	26.1	25.6	27.3	27.1	29.9	24.1	16.4	12.2	(11.9)
Industrial Inputs Price Index	(3.1)	(0.6)	(3.8)	(5.4)	(8.4)	(8.9)	(13.6)	(14.2)	(2.3)
Agricultural Raw Materials Index	(0.5)	2.3	2.2	1.5	(1.3)	(3.2)	(7.6)	(6.6)	1.6
Metals Price Index	(4.6)	(2.3)	(7.0)	(9.1)	(12.3)	(12.1)	(17.0)	(18.3)	(4.3)
Fuel (Energy) Index	6.7	(0.8)	(7.0)	(11.3)	(17.1)	(23.4)	(39.0)	(15.7)	(1.8)
Crude Oil (petroleum), Price index	8.6	0.1	(7.3)	(11.8)	(18.4)	(25.1)	(42.7)	(15.8)	(1.0)

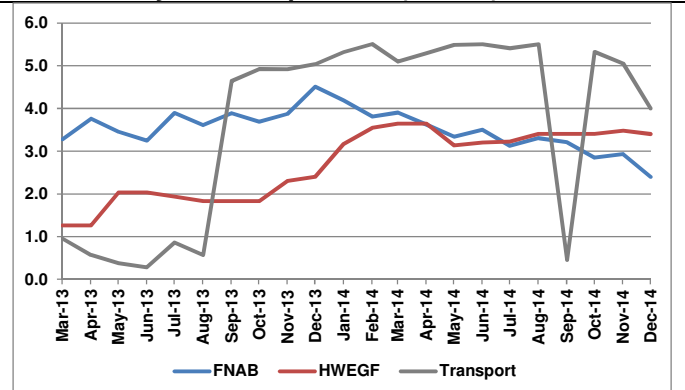
Source: IMF, MIDFR

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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