



From the Desk
of the
Chief Economist

BANK ISLAM

INFLATION EDGED UP DURING APRIL AMID RISE IN FOOD INFLATION

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ECONOMIC RESEARCH

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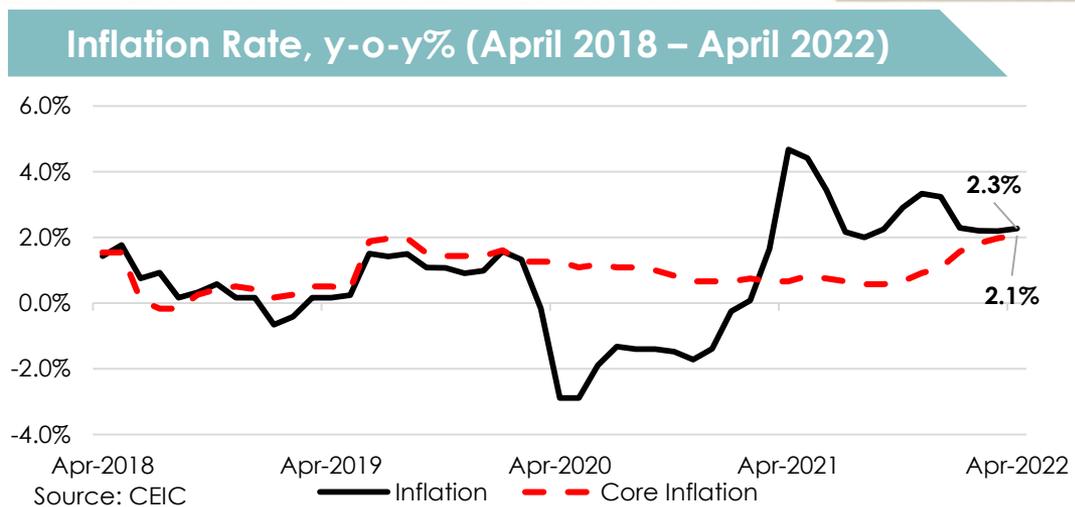
NOR JANNAH ABDULLAH

RAJA ADIBAH RAJA HASNAN

INFLATION ROSE BY 2.3% IN APRIL

01 **Headline Inflation**
 April 2.3%
 March 2.2%

02 **Core Inflation**
 April 2.1%
 March 2.0%



Food & Non-Alcoholic Beverages

April 4.1%
 March 4.0%

Alcoholic Beverages & Tobacco

April 0.5%
 March 0.5%

Clothing & Footwear

April -0.2%
 March -0.3%

Housing, Water, Electricity, Gas & Other Fuels

April 0.8%
 March 0.9%

Furnishings, Household Equipment & Routine Household Maintenance

April 2.7%
 March 3.0%

Health

April 0.2%
 March 0.2%

Transport

April 3.0%
 March 2.6%

Communication

April 0.0%
 March 0.0%

Recreation Services & Culture

April 1.3%
 March 1.1%

Education

April 1.0%
 March 0.9%

Restaurants & Hotels

April 3.2%
 March 2.9%

Miscellaneous Goods & Services

April 1.8%
 March 1.9%

Sources: CEIC, DOSM

COST OF FOOD & NON-ALCOHOLIC BEVERAGES REMAINS TO BE MAJOR CONTRIBUTOR OF HIGHER INFLATION IN APRIL

	Weight	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	4M2021	4M2022
Consumer Price Index	100.0%	2.2%	2.9%	3.3%	3.2%	2.3%	2.2%	2.2%	2.3%	1.5%	2.2%
Food & Non-Alcoholic Beverages	29.5%	1.9%	1.9%	2.7%	3.2%	3.6%	3.7%	4.0%	4.1%	1.6%	3.9%
Alcoholic Beverages & Tobacco	2.4%	0.4%	0.3%	0.3%	0.3%	0.4%	0.4%	0.5%	0.5%	0.7%	0.4%
Clothing & Footwear	3.2%	-0.5%	-0.4%	-0.4%	-0.4%	-0.3%	-0.2%	-0.3%	-0.2%	-0.4%	-0.3%
Housing, Water, Electricity, Gas & Other Fuels	23.8%	0.7%	3.2%	3.4%	3.4%	0.7%	0.8%	0.9%	0.8%	0.2%	0.8%
Furnishings, Household Equipment & Routine Household Maintenance	4.1%	1.7%	2.1%	2.6%	2.7%	3.1%	3.2%	3.0%	2.7%	0.7%	3.0%
Health	1.9%	0.3%	0.2%	0.2%	0.2%	0.3%	0.5%	0.2%	0.2%	0.6%	0.3%
Transport	14.6%	11.0%	11.3%	12.7%	9.5%	6.0%	3.9%	2.6%	3.0%	6.2%	3.9%
Communication	4.8%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Recreation Services & Culture	4.8%	0.6%	0.2%	0.2%	0.4%	1.2%	1.6%	1.1%	1.3%	0.4%	1.3%
Education	1.3%	-0.1%	-0.1%	0.1%	0.2%	0.7%	0.7%	0.9%	1.0%	0.1%	0.8%
Restaurants & Hotels	2.9%	0.3%	0.6%	0.9%	1.3%	2.1%	2.6%	2.9%	3.2%	-0.1%	2.7%
Miscellaneous Goods & Services	6.7%	-0.5%	-0.2%	0.1%	0.4%	0.6%	1.1%	1.9%	1.8%	1.4%	1.4%
Core CPI		0.6%	0.7%	0.9%	1.1%	1.6%	1.8%	2.0%	2.1%	0.7%	1.9%

Sources: DOSM, CEIC

1 Malaysia's Consumer Price Index (CPI) increased by 2.3% year-on-year (y-o-y) in April from 2.2% in the previous month (Consensus: 2.3%, Bank Islam: 2.4%).

2 The main upward pressure during the month was contributed by the rise in the cost of Food & Non-Alcoholic Beverages (April: 4.1% vs. March: 4.0%), a level not seen since December 2017.

3 Additionally, the cost of Transport jumped by 3.0% in April, extending a 2.6% gain in the previous month due to rising in fuel prices, mirroring the hike in global oil prices.

4 In addition, the higher costs that were seen during April include Recreation Services & Culture (April: 1.3% vs. March: 1.1%), Education (April: 1.0% vs. March: 0.9%), as well as Restaurants & Hotels (April: 3.2% vs. March: 2.9%).

5 The Core CPI which excludes most volatile items of fresh food, as well as administered prices of good and services went up by 2.1 % in April from a 2.0% growth in the previous month.

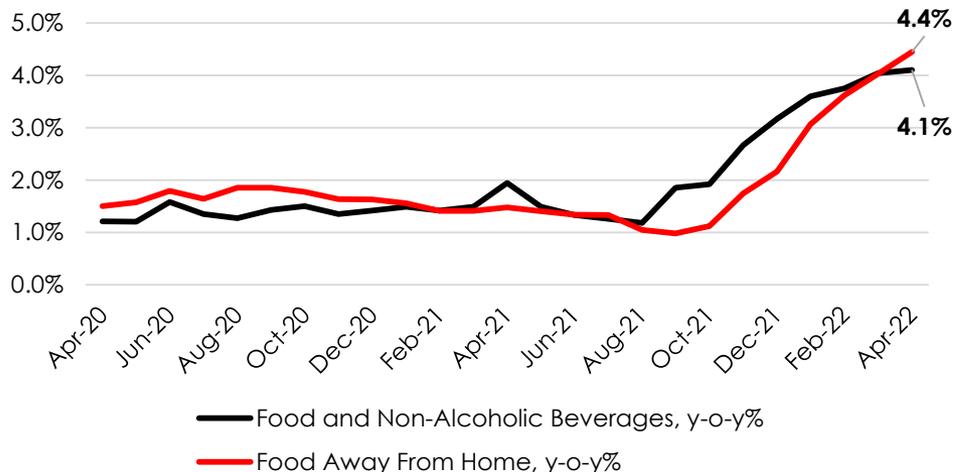
6 Cumulatively, the CPI expanded by 2.2% in 4M2022 from 1.5% in the same period last year. Similarly, the Core CPI climbed by 1.9% during the said period (4M2021: 0.7%).

States	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	4M2021	4M2022
Nationwide	2.2%	2.9%	3.3%	3.2%	2.3%	2.2%	2.2%	2.3%	1.5%	2.2%
WP Kuala Lumpur	1.5%	2.0%	2.4%	2.3%	1.8%	1.9%	1.8%	1.8%	1.4%	1.8%
Selangor & WP Putrajaya	2.2%	3.1%	3.7%	3.7%	2.9%	2.9%	2.9%	3.1%	1.7%	2.9%
Melaka	2.3%	3.1%	3.7%	3.2%	2.0%	2.0%	1.9%	1.8%	1.2%	1.9%
Negeri Sembilan	2.2%	3.2%	3.7%	3.3%	1.8%	1.8%	1.6%	1.8%	1.5%	1.7%
Johor	2.4%	3.1%	3.5%	3.4%	2.2%	1.9%	2.0%	2.1%	1.3%	2.0%
Pahang	2.8%	3.7%	4.1%	3.6%	2.1%	1.9%	1.8%	1.6%	1.9%	1.9%
Kelantan	2.8%	3.6%	4.0%	3.8%	2.4%	2.1%	2.1%	2.0%	2.2%	2.2%
Terengganu	3.1%	3.9%	4.3%	3.9%	2.7%	2.4%	2.4%	2.3%	2.5%	2.5%
Kedah & Perlis	2.4%	3.2%	3.7%	3.7%	2.4%	2.2%	2.0%	2.0%	1.4%	2.1%
Pulau Pinang	1.8%	2.5%	3.0%	3.1%	2.0%	2.0%	2.2%	2.3%	1.4%	2.1%
Perak	2.5%	3.4%	4.0%	3.7%	2.5%	2.2%	2.2%	2.4%	1.6%	2.3%
Sabah & WP Labuan	1.4%	2.1%	2.4%	2.0%	1.9%	1.8%	1.3%	1.4%	0.5%	1.6%
Sarawak	2.5%	2.4%	2.7%	2.5%	2.1%	2.0%	1.7%	1.9%	0.9%	1.9%

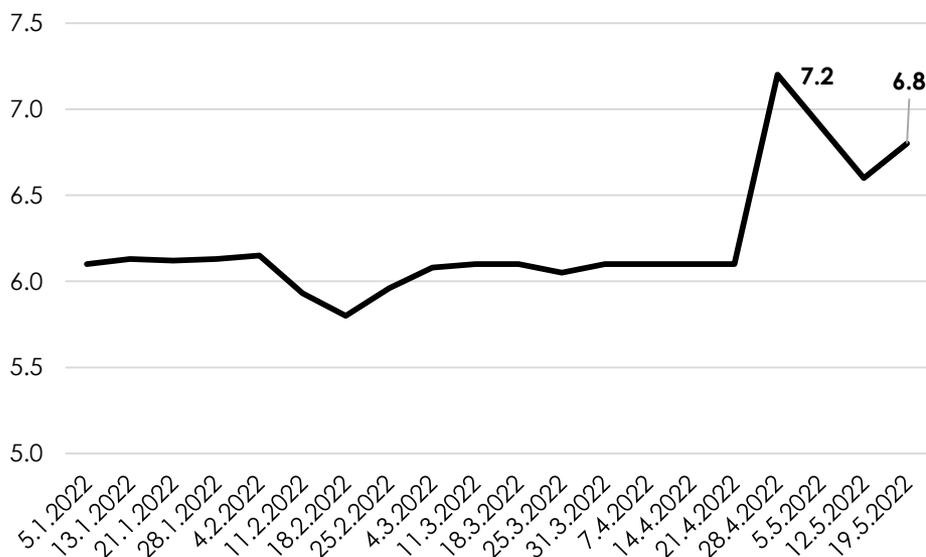
Sources: CEIC, DOSM

- ✓ For the month of April, majority of the states recorded increases in the inflation. Among of the highest reading were registered in Selangor & WP Putrajaya (April: 3.1% vs. March: 2.9%), as well as Perak (April: 2.4% vs. March: 2.2%) which exceeded the national level of 2.3%.
- ✓ Meanwhile, Pahang (April: 1.6% vs. March: 1.8%) and Sabah & WP Labuan (April: 1.4% vs. 1.3%) were the two states with the lowest CPI increase during April.
- ✓ On a cumulative basis, most of the states posted a higher inflation in 4M2022 as compared to the same period last year, led by Selangor & WP Putrajaya and Terengganu which rose by 2.9% (4M2021: 1.7%) and 2.5% (4M2021: 2.5%) respectively.

CPI: Food, y-o-y%



Average Chicken Price, RM/kg



Sources: DOSM, DVS

- ✓ Malaysia's Food and Non-Alcoholic Beverages price continued to trend upward amid challenging environment posed by **inflationary pressures from higher raw material prices**.
- ✓ Furthermore, the economic uncertainties caused by the Russian military invasion of Ukraine have disrupted global trade flow and resulted in commodity price to soar since early 2022.
- ✓ Following this, **Farm Fresh, a local dairy producer will increase the prices for its chilled Ready To Drink (RTD) products in Malaysia effective mid-July 2022** by an average of 5.0% mainly due to raise in input prices.
- ✓ Moreover, **average cost for chicken has become more expensive** on the back of surge in price of animal feed that was made from imported wheat and grain.
- ✓ Hence, the government has announced a ban on chicken exports beginning 1 June to ensure domestic food security.

AVERAGE PRICE HAS INCREASED SIGNIFICANTLY

Food Items	Unit	Average Price (RM)			m-o-m%	y-o-y%
		Apr-21	Mar-22	Apr-22		
Roti Canai	Each	1.09	1.20	1.21	0.8%	11.0%
Fried Kuey Teow	1 Plate	5.39	5.56	5.63	1.3%	4.5%
Nasi Lemak	Each	2.93	3.04	3.07	1.0%	4.8%
Chicken Rice	1 Plate	5.36	5.91	5.96	0.8%	11.2%
Teh Tarik	Cup	1.61	1.73	1.76	1.7%	9.3%
Kopi-O	Cup	1.36	1.43	1.46	2.1%	7.4%
Egg Grade A	10 Each	3.65	4.45	4.48	0.7%	22.7%
Egg Grade B	10 Each	3.07	4.27	4.26	-0.2%	38.8%
Egg Grade C	10 Each	2.63	4.07	4.08	0.2%	55.1%
Siakap	Kg	17.10	20.33	20.67	1.7%	20.9%
Beef	Kg	32.78	35.93	36.26	0.9%	10.6%
Chicken	Kg	8.58	9.47	9.50	0.3%	10.7%
Cuttlefish (10-12cm)	Kg	35.44	30.35	30.41	0.2%	-14.2%
Coconut Grated	Kg	8.54	7.65	7.73	1.0%	-9.5%
Tomatoes	Kg	4.05	5.86	5.98	2.0%	47.7%
Indian Big Onions	Kg	4.09	4.89	4.78	-2.2%	16.9%
Chilli (Kulai)	Kg	13.40	18.65	18.67	0.1%	39.3%
Average Price Increases					0.7%	16.9%

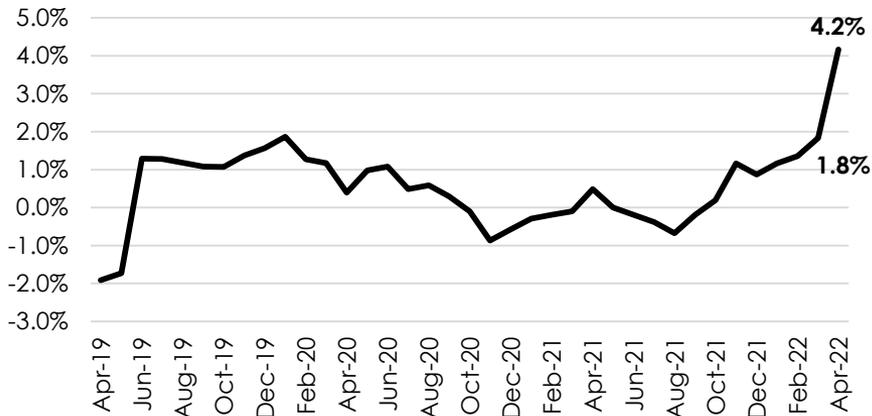
Sources: DOSM

- ✓ Hence, this will pile more inflationary pain on consumers as groceries make up a large share of consumer's budgets.

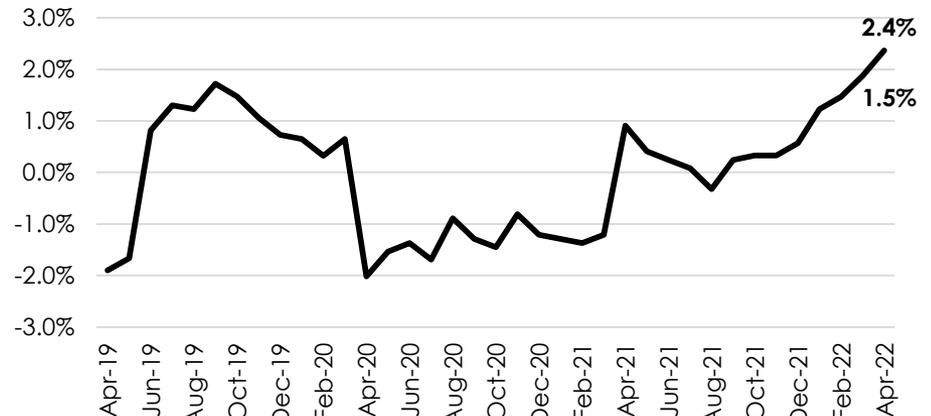
MALAYSIA'S FOOD PRICES REMAINED ON UPTREND

✓ The fallout from Russia's invasion has sent costs of basic foods like bread and dairy products to be higher.

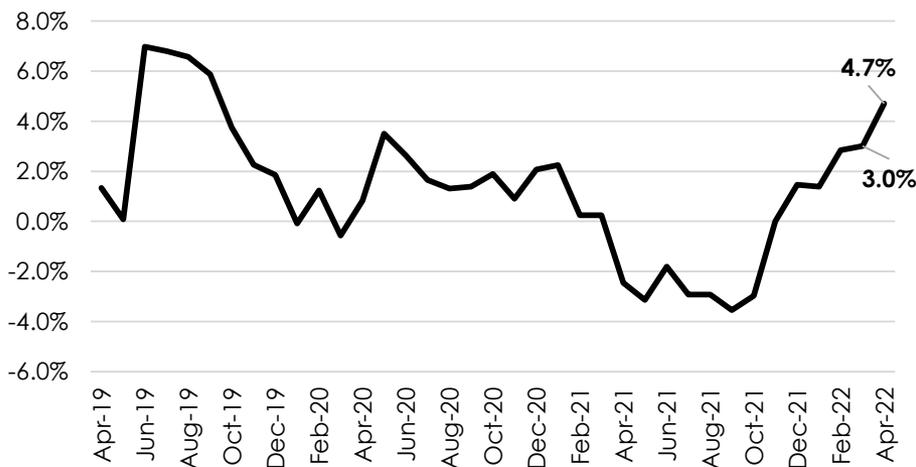
Flour & Other Cereals, y-o-y%



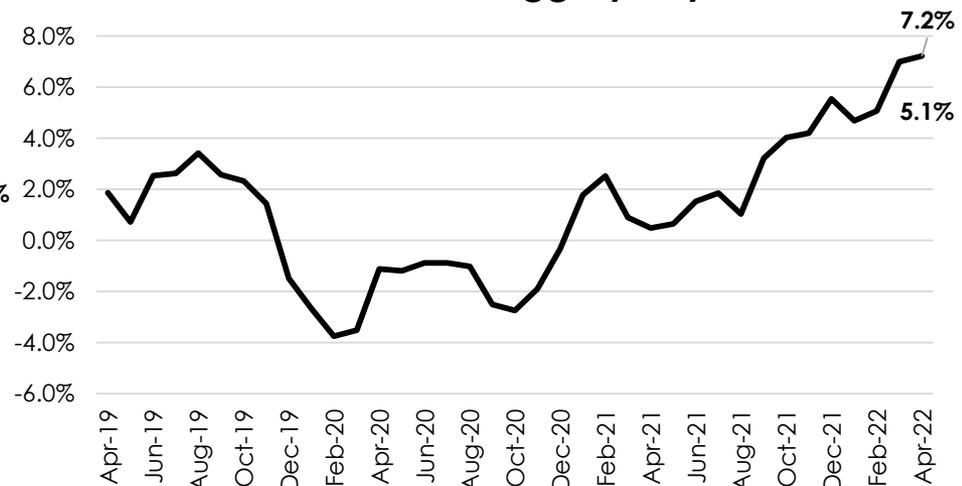
Biscuits, y-o-y%



Butter, Fats & Animal Oils, y-o-y%

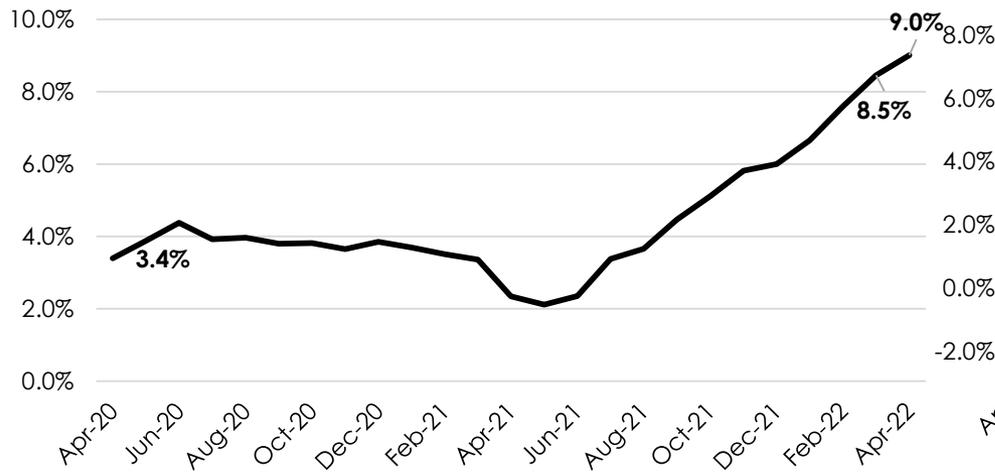


Milk, Cheese & Eggs, y-o-y%

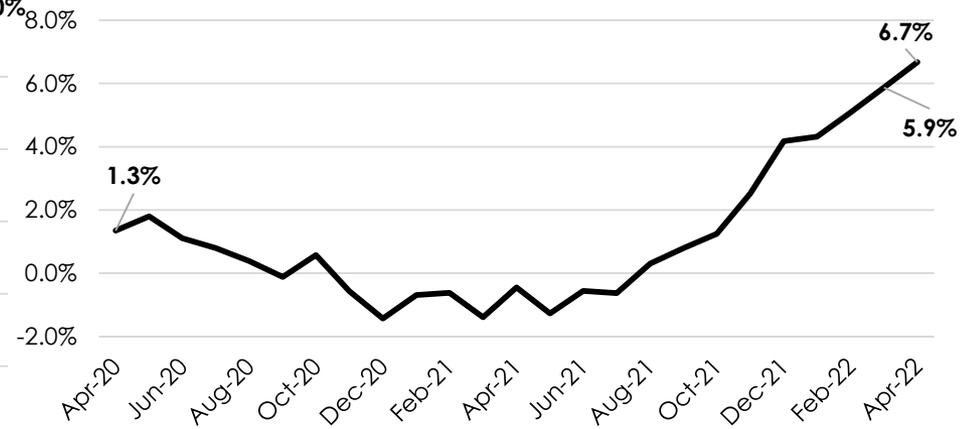


OTHER COUNTRIES ALSO HAVE BEEN EXPERIENCING SURGE IN FOOD PRICE

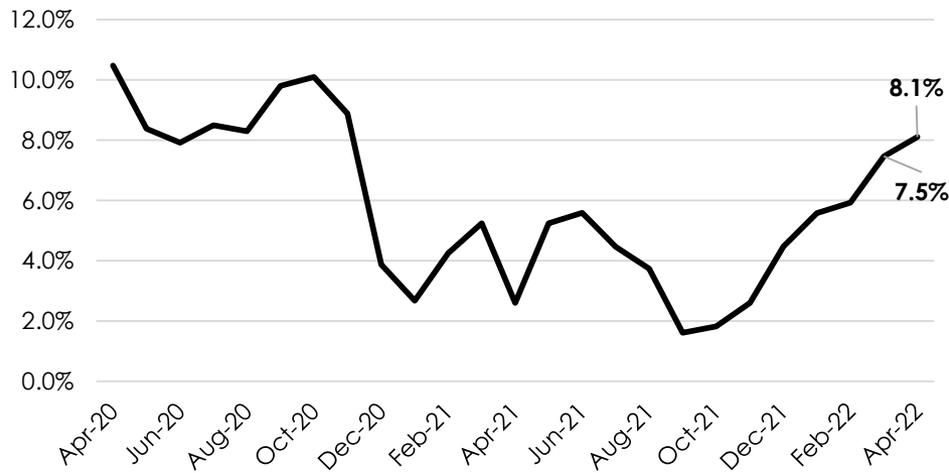
The U.S.: Food & Beverages Price, y-o-y%



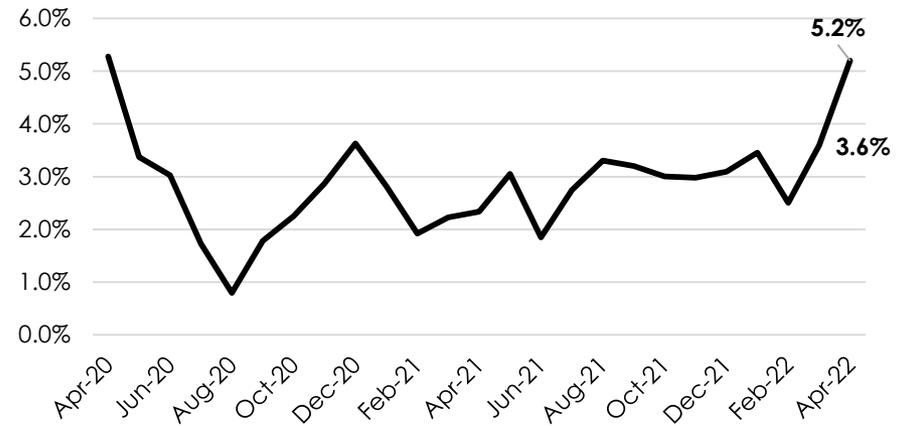
The U.K.: Food and Non-Alcoholic Beverages, y-o-y%



India: Food & Beverages Price, y-o-y%



Indonesia: Food, Beverages & Tobacco, y-o-y%



- ✓ **Higher food prices: intervention by the government is needed** - Rising food prices are not unique to Malaysia as other countries are also experiencing the same predicament in light of global supply chain disruptions, lockdowns in China, as well as prolonged geopolitical tensions in Europe. Thus far, the higher chicken prices in Malaysia are due to supply shortage nationwide, costly feed and worker shortages have drawn attention from the government. Already, several measures are expected to be implemented to tackle the issue which includes abolishing the need for Approved Permits (AP) for chicken and halting export of chicken beginning June until production and prices are stabilized.
- ✓ **If the food price increases persist, another 25 basis points (bps) of Overnight Policy Rate (OPR) cannot be overruled during 2H2022** – The door for a further hike in OPR is still open in the near term, depending on the pace of inflationary pressures, stability of economic growth and improvement in major macroeconomic indicators (labour market, consumer spending, external trade). Notwithstanding that, the OPR hike is expected to come in a measured and gradual manner.
- ✓ **For now, we are still maintaining our CPI growth forecast of 2.5% this year (2021: 2.5%).** However, the inflation outlook remains subject to the global commodity price developments, as well as domestic factor such as policy measures on administered prices alongside with the continuation of government fuel subsidies this year. Shall the government decided to implement targeted fuel subsidies moving forward, we anticipate that Malaysia's inflation rate could reach more than 2.5% in 2022.

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