



From the Desk  
of the  
**Chief Economist**

**BANK ISLAM**

# **CPI INCREASED AT A FASTER RATE OF 1.7% IN MARCH THIS YEAR**

**23 APRIL 2021**

## **ECONOMIC RESEARCH**

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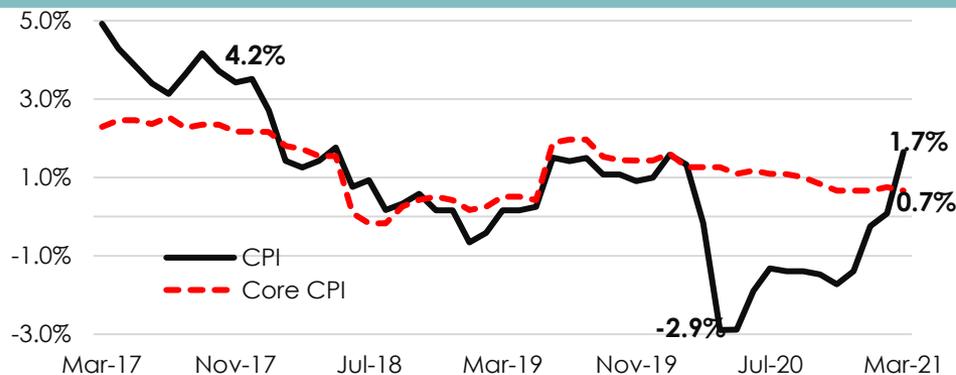
**SHAFIZ BIN JAMALUDDIN**

**NOR JANNAH ABDULLAH**

**01** **Headline Inflation**  
 Mar 1.7%  
 Feb 0.1%

**02** **Core Inflation**  
 Mar 0.7%  
 Feb 0.7%

**Inflation Rate, y-o-y% (Mar 2017- Mar 2021)**



Source: CEIC

**Food & Non-Alcoholic Beverages**

Mar 1.5%  
 Feb 1.4%

**Alcoholic Beverages & Tobacco**

Mar 0.6%  
 Feb 0.7%

**Clothing & Footwear**

Mar -0.3%  
 Feb -0.4%

**Housing, Water, Electricity, Gas & Other Fuels**

Mar -0.8%  
 Feb -0.8%

**Furnishings, Household Equipment & Routine Household Maintenance**

Mar 0.9%  
 Feb 0.3%

**Health**

Mar 0.5%  
 Feb 0.7%

**Transport**

Mar 9.8%  
 Feb -2.0%

**Communication**

Mar 0.0%  
 Feb 0.0%

**Recreation Services & Culture**

Mar 0.5%  
 Feb 0.1%

**Education**

Mar 0.0%  
 Feb 0.1%

**Restaurants & Hotels**

Mar 0.0%  
 Feb -0.3%

**Miscellaneous Goods & Services**

Mar 1.0%  
 Feb 1.6%

# HIGHER COST OF FOODS AND TRANSPORT IN MARCH

	Weight	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	4Q2020	1Q2021	1Q2020	1Q2021
<b>Consumer Price Index (CPI)</b>	<b>100.0%</b>	<b>-1.7%</b>	<b>-1.4%</b>	<b>-0.2%</b>	<b>0.1%</b>	<b>1.7%</b>	<b>-1.5%</b>	<b>0.5%</b>	<b>0.9%</b>	<b>0.5%</b>
Food and Non-Alcoholic Beverages	29.5%	1.4%	1.4%	1.5%	1.4%	1.5%	1.4%	1.5%	1.0%	1.5%
Alcoholic Beverages and Tobacco	2.4%	0.5%	0.6%	0.7%	0.7%	0.6%	0.5%	0.7%	0.2%	0.7%
Clothing and Footwear	3.2%	-0.5%	-0.4%	-0.4%	-0.4%	-0.3%	-0.4%	-0.4%	-1.2%	-0.4%
Housing, Water, Electricity, Gas & Other Fuels	23.8%	-3.3%	-3.3%	-0.7%	-0.8%	-0.8%	-3.1%	-0.8%	1.7%	-0.8%
Furnishings, Household Equipment and Maintenance	4.1%	-0.1%	-0.1%	0.2%	0.3%	0.9%	0.0%	0.4%	1.0%	0.4%
Health	1.9%	1.0%	1.0%	0.7%	0.7%	0.5%	1.1%	0.6%	1.4%	0.6%
Transport	14.6%	-11.1%	-8.4%	-5.1%	-2.0%	9.8%	-9.8%	0.5%	-0.9%	0.5%
Communication	4.8%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.5%	0.0%
Recreation and Culture	4.8%	0.1%	0.2%	0.1%	0.1%	0.5%	0.2%	0.2%	0.8%	0.2%
Education	1.3%	0.6%	0.6%	0.2%	0.1%	0.0%	0.6%	0.1%	1.4%	0.1%
Restaurants and Hotels	2.9%	0.0%	-0.2%	-0.1%	-0.3%	0.0%	0.0%	-0.1%	1.1%	-0.1%
Miscellaneous Goods and Services	6.7%	2.3%	2.2%	1.8%	1.6%	1.0%	2.5%	1.5%	2.5%	1.5%
<b>Core CPI</b>		<b>0.7%</b>	<b>0.7%</b>	<b>0.7%</b>	<b>0.7%</b>	<b>0.7%</b>	<b>0.8%</b>	<b>0.7%</b>	<b>1.3%</b>	<b>0.7%</b>

Source: CEIC

1

Malaysia's Consumer Price Index (CPI) rose by 1.7% year-on-year (y-o-y) in March from a 0.1% increase in the preceding month (**Consensus: 1.6%, Bank Islam: 2.1%**).

2

Higher costs of Food & Non-Alcoholic Beverages (March: 1.5% vs. February: 1.4%) and Transport (March: 9.8% vs. February: -2.0%) were seen in March.

3

Apart from that, prices of Recreation & Culture edged up by 0.5% in March from a marginal growth of 0.1% previously, while prices of Alcoholic Beverages & Tobacco (March: 0.6% vs. February: 0.7%) and Health (March: 0.5% vs. February: 0.7%) increased modestly during March.

4

Meanwhile, prices for Clothing & Footwear (March: -0.3% vs. February: -0.4%) and Housing, Water, Electricity, Gas & Other Fuels (March: -0.8% vs. February: -0.8%) continued to drop in March.

5

Core CPI which excludes most volatiles items of fresh food, as well as administered prices of goods and services remained unchanged for the fifth straight month at 0.7% in March (February: 0.7%).

6

Cumulatively, inflation rate up by 0.5% in 1Q2021 from a 1.5% decline in the 4Q2020. On the other hand, core inflation softened by 0.7% in 1Q2021 (4Q2020: 0.8%).

States	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	4Q2020	1Q2021	1Q2020	1Q2021
Nationwide	-1.7%	-1.4%	-0.2%	0.1%	1.7%	-1.7%	0.5%	0.9%	0.5%
WP Kuala Lumpur	-1.2%	-0.9%	0.1%	0.2%	1.5%	-1.0%	0.6%	1.2%	0.6%
Selangor & WP Putrajaya	-1.2%	-0.9%	0.2%	0.4%	1.9%	-1.0%	0.8%	1.3%	0.8%
Melaka	-2.6%	-2.0%	-0.6%	-0.2%	1.3%	-2.3%	0.1%	0.2%	0.1%
Negeri Sembilan	-2.4%	-1.9%	-0.5%	-0.1%	1.8%	-2.1%	0.4%	0.7%	0.4%
Johor	-2.1%	-2.0%	-0.8%	-0.2%	1.5%	-2.1%	0.2%	1.0%	0.2%
Pahang	-2.1%	-1.3%	0.1%	0.2%	1.9%	-1.7%	0.7%	1.0%	0.7%
Kelantan	-1.7%	-1.2%	0.2%	0.7%	2.3%	-1.5%	1.0%	0.5%	1.0%
Terengganu	-1.5%	-1.0%	0.3%	0.8%	2.8%	-1.3%	1.3%	0.6%	1.3%
Kedah & Perlis	-2.6%	-2.2%	-0.8%	-0.3%	1.6%	-2.4%	0.2%	0.6%	0.2%
Pulau Pinang	-1.5%	-1.1%	0.0%	0.2%	1.5%	-1.3%	0.6%	1.0%	0.6%
Perak	-2.0%	-1.4%	-0.1%	0.2%	1.7%	-1.7%	0.6%	0.8%	0.6%
Sabah & WP Labuan	-2.5%	-2.0%	-1.5%	-1.0%	0.8%	-2.3%	-0.6%	0.3%	-0.6%
Sarawak	-2.4%	-1.9%	-1.2%	-0.7%	1.2%	-2.1%	-0.2%	0.5%	-0.2%

Sources: CEIC, DOSM

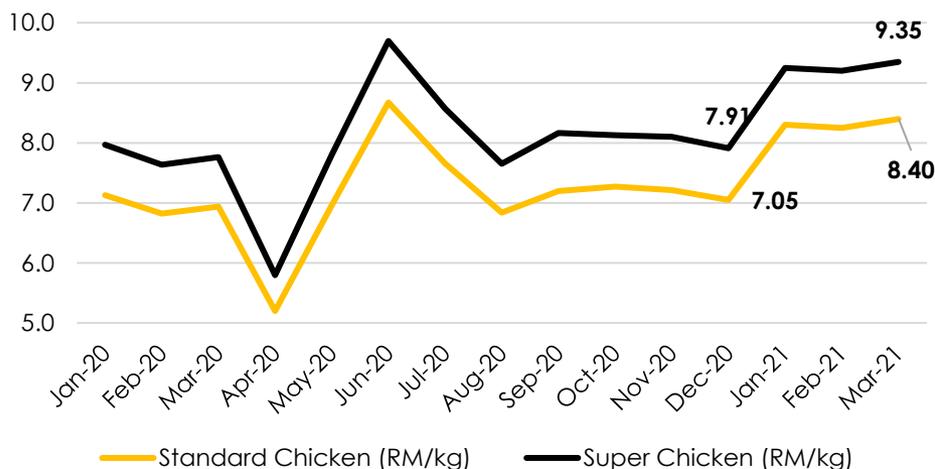
- ✓ All states recorded an increase in prices with five states such as Terengganu (March: 2.8% vs. February: 0.8%), Kelantan (March: 2.3% vs. February: 0.7%), Selangor & WP Putrajaya (March: 1.9% vs. February: 0.4%), Pahang (March: 1.9% vs. February: 0.2%) and Negeri Sembilan (March: 1.8% vs. February: -0.1%) surpassing the national inflation rate of 1.7% in March.
- ✓ Meanwhile, on a quarterly basis, Sabah & WP Labuan and Sarawak recorded a negative price growth of 0.6% (4Q2020: -2.3%) and 0.2% (4Q2020: -2.1%) in 1Q2021 while the other states recorded a positive growth in prices.

Consumer Price Index	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	4Q2020	1Q2021	1Q2020	1Q2021
Malaysia	-1.9%	-1.3%	-1.4%	-1.4%	-1.5%	-1.7%	-1.4%	-0.2%	0.1%	1.7%	-1.5%	0.5%	0.9%	0.5%
Indonesia	2.0%	1.5%	1.3%	1.4%	1.4%	1.6%	1.7%	1.6%	1.4%	1.4%	1.6%	1.4%	2.9%	1.4%
Philippines	2.5%	2.7%	2.4%	2.3%	2.5%	3.3%	3.5%	4.2%	4.7%	4.5%	3.1%	4.5%	2.7%	4.5%
Thailand	-1.6%	-1.0%	-0.5%	-0.7%	-0.5%	-0.4%	-0.3%	-0.3%	-1.2%	-0.1%	-0.4%	-0.5%	0.4%	-0.5%
Singapore	-0.5%	-0.4%	-0.4%	0.0%	-0.2%	-0.1%	0.0%	0.2%	0.7%	1.3%	-0.1%	0.6%	0.4%	0.6%
China	2.5%	2.7%	2.4%	1.7%	0.5%	-0.5%	0.2%	-0.3%	-0.2%	0.4%	0.1%	0.0%	5.0%	0.0%
India	6.2%	6.7%	6.7%	7.3%	7.6%	6.9%	4.6%	4.1%	5.0%	5.5%	6.4%	4.9%	6.7%	4.9%

Sources: CEIC, DOSM

- ✓ Malaysia's growth in the CPI during March 2021 was in conformity with some of its regional peers which showed an increase in their respective CPI.
- ✓ Amongst Malaysia's regional peers, India recorded the largest CPI growth in March of 5.5% (February: 5.0%) attributed to the rise in food prices. The CPI in the Food & Beverages basket rose by 5.2% in March (February: 4.3%).
- ✓ Closer to Malaysia, Singapore saw a 1.3% growth in its CPI for March (February: 0.7%), the fastest growth in more than a year partly due to higher services inflation as well as smaller declines in the costs of retail and other goods.
- ✓ In contrast to other regional peers, Thailand recorded a decline in its CPI at 0.1% in March (February: -1.2%). This was the 13th straight month of deflation but the weakest pace in the sequence, amid government relief measures to contain utility prices.
- ✓ For 1Q2021, India (1Q2021: 4.9% vs. 4Q2020: 6.4%) recorded the highest increase in CPI compared to the same period last year while Thailand (1Q2021: -0.5% vs. 4Q2020: -0.4%) was the sole decliner among other peers.

### Chicken Price (RM/kg)



Source: Department of Veterinary Services

### US Corn Futures (USD/ bushel)



Source: Investing.com

- ✓ Following the higher price of food & non-alcoholic beverages, cost of chicken saw an upward trend since December last year. The retail price for standard chicken jumped by 21.1% y-o-y to RM8.40 per kg in March (February: RM8.25 per kg) while super chicken went up by 20.5% y-o-y to RM9.35 per kg (February: RM9.20 per kg).
- ✓ This was mainly due to the jump in cost of animal feed amid the global rise in the price of soy and corn meal.
- ✓ The US Corn Futures soared by 104.9% y-o-y from USD317.5 per bushel on 22 April 2020 to USD650.5 per bushel on 22 April 2021 as dry condition in Brazil is threatening prospects for the growth of crops.
- ✓ As such, it is not a surprise that Malaysia's chicken price have been increasing significantly as the country is highly dependent on imported animal feed.
- ✓ Therefore, we foresee the price for poultry will continue rise further in the upcoming months in line with the rise in soy and corn price.

# OUR VIEW – FUEL PRICES REBOUNDED MARKEDLY

- ✓ On further scrutiny, costs of Transport have increased particularly for the Operation of Personal Transport Equipment: Fuels & Lubricating Equipment which rose by 17.5% in March (February: -4.9%).
- ✓ This was in conformity with the steep increase in average fuel prices for RON95, RON97 and Diesel shown in the table below.

## Year-on-year changes (%) in average fuel prices

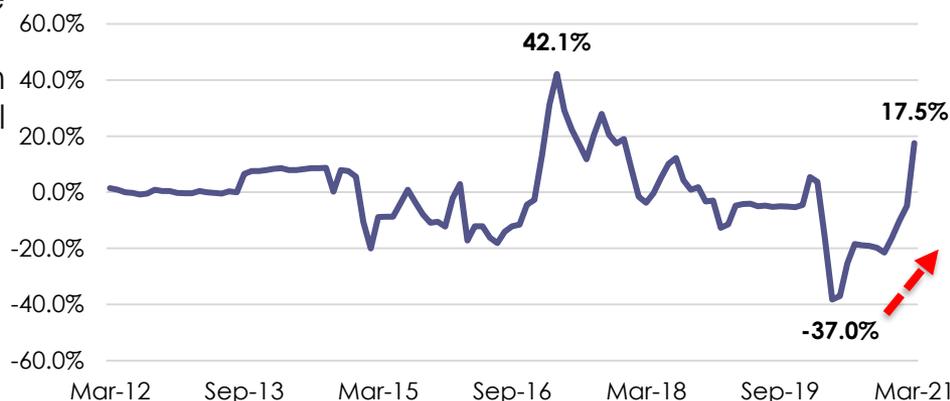
Month	Price (RM)			Year-on-year Change		
	RON 95	RON 97	Diesel	RON 95	RON 97	Diesel
Feb-21	1.95	2.25	2.13	-5.7%	-5.3%	-0.4%
Mar-21	2.05	2.42	2.15	17.6%	18.3%	13.8%

Source: CEIC

Note: Prices are averaged for each month

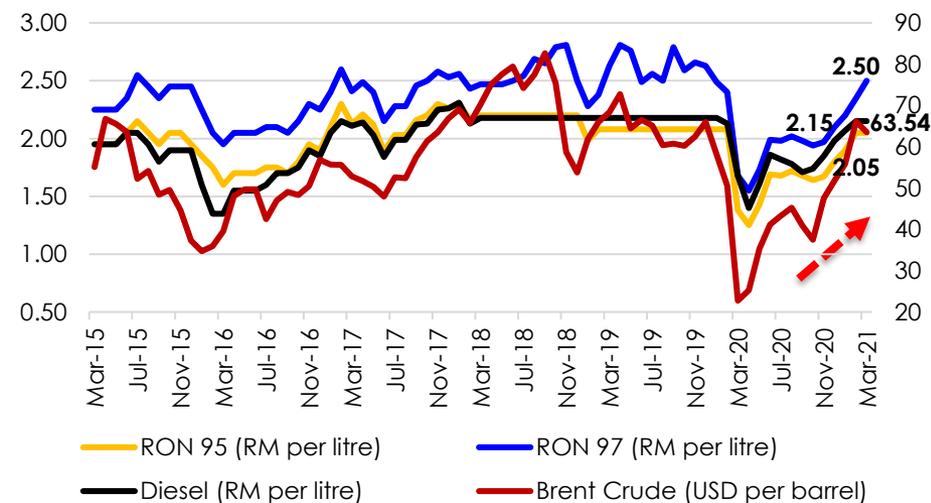
- ✓ The upward movement of average Malaysian fuel prices was also in line with the monthly 5.5% increase in the average Brent crude oil price to USD63.54 per barrel in March from USD62.28 per barrel in February. Recall that the correlation between Malaysian fuel prices and Brent crude oil price is above 80.0%.
- ✓ In April, the OPEC revised the increase in global oil demand higher to 5.95 million barrels per day (bpd) from 5.89 million bpd in March amid stimulus measures by major economies such as the US. Therefore, the expected stronger oil demand will push the price of RON97 fuel moving forward, in tandem with the movement in Brent crude oil price. Meanwhile, prices of RON95 and Diesel are currently at their ceiling prices unlike RON97 which is not fixed and will be subject to further inflationary pressure.

## Costs of Fuels & Lubricating Equipment, y-o-y%



Source: CEIC

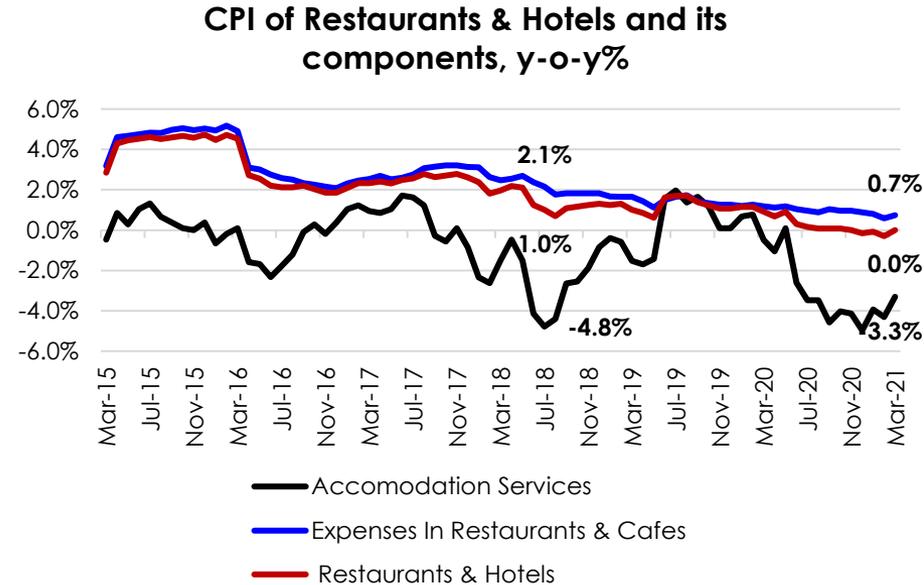
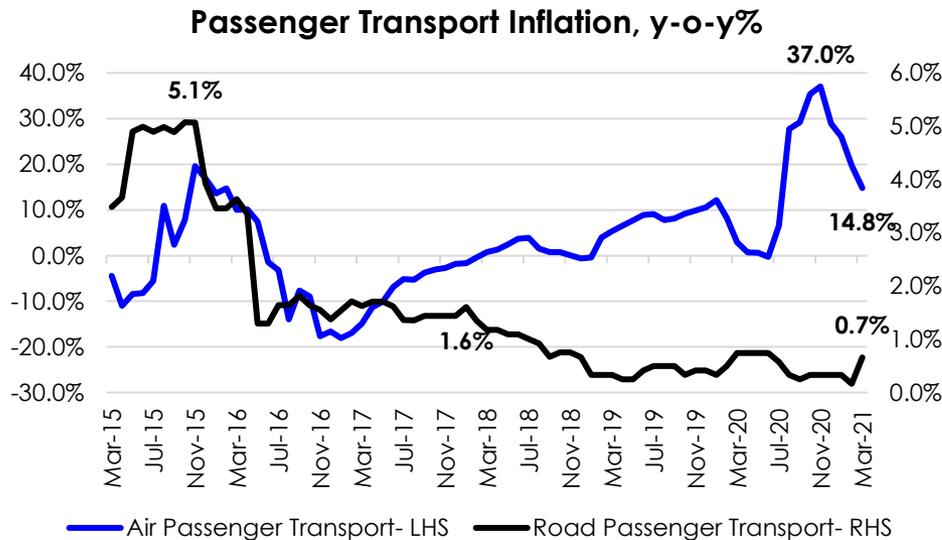
## Malaysia Petrol Price vs. Brent Crude Oil Price



Source: CEIC

Note: Prices are taken at the end of each month

# OUR VIEW – INTERSTATE TRAVEL BETWEEN RMCO STATES PUSHES PRICES FOR RESTAURANTS & HOTELS

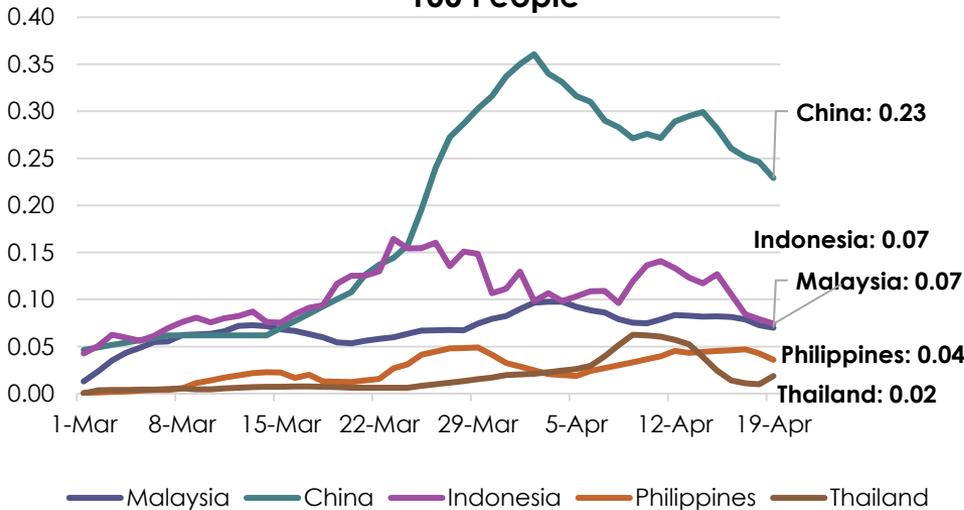


Source: CEIC

- ✓ In March, cross-state tourism bubble activities between Recovery Movement Control Order (RMCO) states to other RMCO states are allowed except Sabah, with travel packages purchased through travel companies that are legally licensed and registered with the Ministry of Tourism, Arts and Culture (MOTAC). On 12 April 2021, the government decided to extend the RMCO from 15 April 2021 until 28 April 2021.
- ✓ As a result, the occupancy rates in hotels nationwide has increased to 24.0% since the government allowed tourism travel between states placed under the RMCO on last month. Prior to this, the hotel occupancy rates in January and February was around 20.0% and 18.0% respectively.
- ✓ With regard to prices, the CPI for Restaurants & Hotels reached 0.0% in March (February: -0.3%). Its components; Accommodation Services showed a lesser decline of 3.3% in March (February: -4.3%) while Expenses In Restaurants & Cafes increased by 0.7% in the same month (February: 0.6%).
- ✓ In the same vein, CPI for Road Passenger Transport continued to increase higher by 0.7% in March (February: 0.2%) as interstate travel must only use tour vehicles registered under MOTAC. Henceforth, the CPI for Air Passenger Transport grew at a slower pace of 14.8% in March (February: 19.7%).

# OUR VIEW- HIGHER DEMAND FOR GOODS AND SERVICES TO PUSH CPI HIGHER IN 2021

**Daily Covid-19 Vaccine Doses Administered Per 100 People**

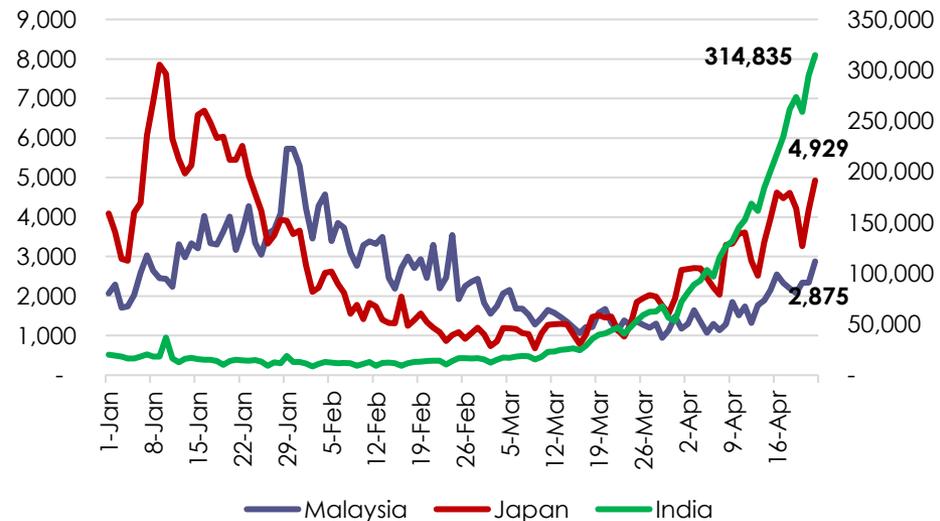


Source: Our World In Data

- ✓ The Google Mobility report (refer to page 10) suggests that more people are heading back to the workplace as many movement restrictions have been eased with the exception of interstate and overseas travel.
- ✓ Higher mobility would translate to higher consumption of fuel as more employees commute to the office, resulting in inflationary pressures to some degree.
- ✓ Meanwhile, the daily dose Covid-19 vaccines administered per 100 people in Malaysia is fairly better than other regional peers such as Thailand and the Philippines. The number of daily doses administered is expected to increase as more vaccines enter the market.

- ✓ Therefore, the case for a higher inflation rate in the coming months is highly visible. Nevertheless, the momentum of the change in CPI may be capped by rising infections in the country.
- ✓ Taking all of these into consideration, we are projecting that **the CPI will rebound by 2.5% in 2021 (2020: -1.2%)**. Such projection is premised on the low base from last year, higher fuel prices and to some extent, the recovery in demand condition.

**Daily Covid-19 Cases**

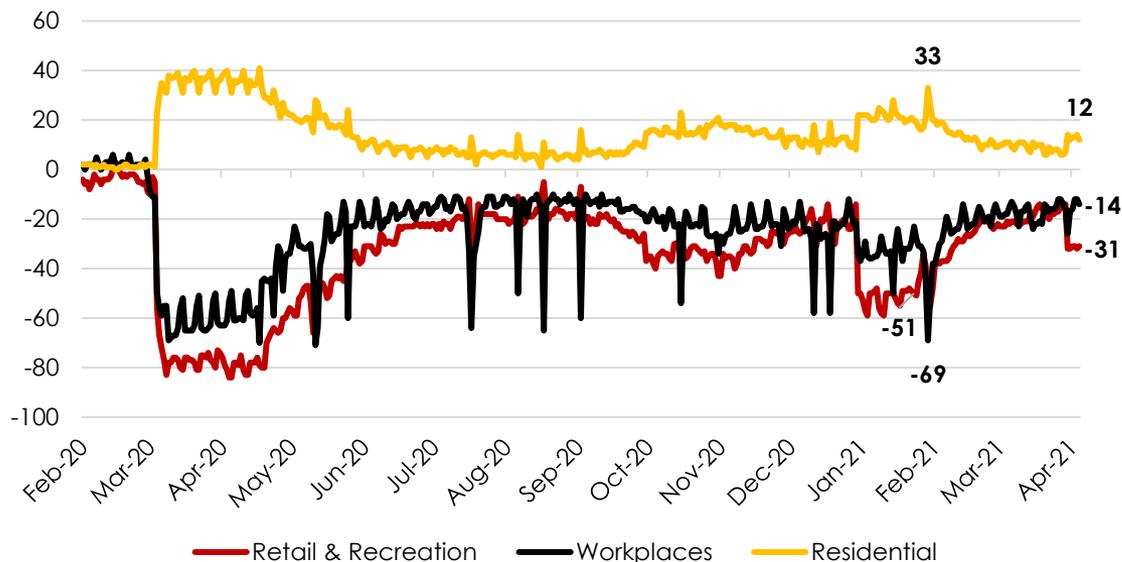


Source: CEIC

# GOOGLE MOBILITY TRENDS

- ✓ Judging from the Google Mobility Trend in Malaysia, the trend of people going to workplaces have increased amid less restrictions towards movements by the government.

**Google Mobility Trends for Malaysia, % change from baseline**



The number of hours spent at home for the **residential** category increased by 12.0% as at 18 April 2021 compared to the baseline. This is a smaller increase compared to the 33.0% increase on 12 February 2021

The number of visits to the **workplace** declined by 14.0% as at 18 April 2021 compared to the baseline. This is a smaller decline compared to the 69.0% drop on 12 February 2021.

The number of visits for the **retail and recreation** category declined by 31.0% as at 18 April 2021 compared to the baseline. This is a smaller decline compared to the 51.0% drop on 7 February 2021.

The chart above shows the change in movements of people at different locations i.e., retail & recreation, workplaces and residential areas compared to the baseline (pre-pandemic period). A positive change from the baseline indicate more people are at a location than the pre-pandemic period. Meanwhile, a negative change from the baseline indicates that more people are staying away from a particular place compared to pre-pandemic periods.

Source: Google Mobility Report as at 23 April 2021

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A cityscape at sunset with a pink banner at the bottom. The sky is filled with soft, golden light and scattered clouds. The city buildings are silhouetted against the bright horizon. A multi-lane highway with traffic is visible in the foreground. At the bottom of the image, there is a solid pink horizontal bar.

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