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FULL REOPENING OF ECONOMY

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KUALA LUMPUR: Public Investment Bank Bhd (PublicInvest) expects Malaysia's Consumer Price Index (CPI) to be at an encouraging 2.4 per cent this year on the back of a full reopening of the economy.

This will also be aided by favourable oil price movement following continued supply interventions by Organisation of the Petroleum Exporting Countries and its allies, it said in a note yesterday.

The research house said the CPI

would see the lagged impact of eight Covid-19 fiscal stimulus packages.

"The index's momentum will also be supported by private-public initiatives that will create at least one million jobs this year, as well as the accommodative interest rate environment that should see the Overnight Policy Rate (OPR) remain unchanged in the first half of the year.

"Demand will also be driven further by various fiscal assistance such as targeted financial

transfers, special tax incentives and specific initiatives, including the two per cent reduction in monthly Employees Provident Fund contribution until June."

It said the CPI was set to be supported by the higher minimum wage of RM1,500 from May.

All of these should push the CPI to expand by 2.4 per cent year-on-year, though it could exceed expectations should supply disruptions prolong, it added.

"Inflation may also accelerate should production bottlenecks

facing the manufacturing and mining sectors continue."

Meanwhile, Kenanga Investment Bank Bhd (Kenanga Research) reckoned that the inflation rate might move closer to the 3.0 per cent level.

It said this was due to the renewal of Covid-19 restrictions in China and the ongoing geopolitical tensions in Europe that were expected to worsen global supply chain disruptions, leading to a further increase in prices.

"Domestically, the reopening

of Malaysia's international borders on April 1 may also add to inflationary pressure."

Kenanga Research also noted that Bank Negara Malaysia could raise the OPR sooner than expected if price pressure were to worsen.

On Friday, the Statistics Department announced that Malaysia's CPI increased moderately by 2.2 per cent to 125.2 last month from 122.5 a year ago, mainly driven by the increase in food inflation. **Bernama**