

CPI expected to remain encouraging in 2022, research reveals

KUALA LUMPUR, March 28 — Malaysia's Consumer Price Index (CPI) is expected to remain encouraging in 2022 with a forecast of 2.4 per cent, thanks to a full-year impact of full economic openings, said Public Investment Bank (PublicInvest).

This will also be aided by favourable oil price movement, following the Organisation of the Petroleum Exporting Countries and its allies (OPEC+) continued supply interventions which may continue beyond April 2022, it said in its Economic Update note today.

The research house said the CPI will also be driven by the lagged impact of eight Covid-19 fiscal stimulus packages which boosts consumption and investment activities.

"The index's momentum will also be supported by private-public initiatives that will create at least one million new jobs in 2022, as well as the accommodative interest rate environment that should see the Overnight Policy Rate (OPR) remain unchanged in the first half (1H) of 2022.

"Demand will also be driven further by various fiscal assistance like targeted financial transfers, special tax incentives and specific initiatives such as the two per cent reduction in monthly employee's Employee Provident Fund contribution until June 2022," said PublicInvest.

It added that the CPI is also set to be supported by the higher minimum wage in May (RM1,500) — a lauded move, given its significant impact on the vulnerable group, B40.

All of these should push the CPI to expand by 2.4 per cent year-on-year in 2022, though it could exceed expectations should supply disruptions prolong.

"Inflation may also reaccelerate should production bottle-necks facing the manufacturing and mining sectors continue," it added.

Meanwhile, Kenanga Research reckoned that the inflation rate may move closer to the 3.0 per cent level on average in 2022.

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

"Domestically, the reopening of Malaysia's international border (demand-pull factor) on April 1 may also add to inflationary pressure," said Kenanga Research.

It also noted that Bank Negara Malaysia (BNM) could raise the OPR sooner than expected if price pressure worsens.

On Friday, the Statistics Department announced that Malaysia's CPI increased moderately by 2.2 per cent year-on-year to 125.2 in February 2022 from 122.5 in February 2021, mainly driven by the increase in food inflation.

— Bernama

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