

CPI likely rose in December

BY RUPA DAMODARAN - 19 JANUARY 2016 @ 11:01 PM

KUALA LUMPUR: Inflation in Malaysia may have likely increased in December, said economists. The Consumer Price Index (CPI) is likely to grow by an average 2.72 per cent in December from 2.6 per cent in November, according to a Business Times poll.

CPI OUTLOOK FOR DECEMBER 2015 (% year-on-year)

AffinHwang Capital Research	2.7
AmInvestment Bank	2.3
Bank of America Merrill Lynch	2.7
BIMB Securities	2.8
DBS Bank	3.0
HSBC Bank	2.9
Maybank Investment Bank	2.7
OCBC Bank	2.8
RHB Research	2.7
Standard Chartered Bank	2.9
UOB Bank	2.5
Kenanga Investment Bank	2.4
Average	2.7

The Statistics Department will release the data Wednesday.

Jeff Ng of Standard Chartered Bank said inflation might have accelerated in December versus a year ago although the month-on-month increase may have faded to its slowest in three months.

“Inflation was also helped by Malaysia maintaining the price ceiling on 16 food items for the holiday season. This should have alleviated some of the upward pressure on food inflation in December.”

Bank of America Merrill however expects headline inflation to remain relatively benign in December and overall consumer prices to have stayed flat.

Weaker domestic demand is also reducing demand-side inflationary pressures.

AmInvestment Bank senior economist Patricia Oh said the slower price increase in December was due to downward adjustment for RON95 petrol pump price during the month.

Limited cost push pressure keeps prices in check.

HSBC Bank however thinks inflation would have accelerated to the high end of Bank Negara Malaysia’s 2-3 per cent comfort range and also largely due to base year effects.

The alcoholic beverages and tobacco component are also running at above 20 per cent year-on-year, after an excise tax hike by the government in November which saw prices lifted by 40 per cent.

Core inflation (excluding transport and food prices) also likely ticked higher to 4.5 per cent. StanChart expects inflation to peak in the first quarter of 2016 due to the low base effect before the implementation of the Goods and Services Tax in April.