

Headline inflation remains benign at 1.8% in April

KUALA LUMPUR: Malaysia's headline inflation remained benign at 1.8% in April, the third consecutive month, with some economists anticipating inflationary pressure may pick up in the second half of the year (2H24) as the government rolls out its fuel rationalisation programme.

The Statistics Department said the country's core inflation in April 2024 increased to 1.9% compared to 1.7% recorded in March 2024.

It said inflation for the restaurant and accommodation services rose 3.5% in April compared to 3% in March 2024, due to an

increase in the main subgroup of beverage preparation services.

In a report yesterday, MIDF Research said low inflation pressures will remain as the implementation of the targeted fuel subsidy rationalisation will likely be done in gradual phases.

However, once rolled out, the impact will start to be evident to some extent as there is a chance the planned subsidy will result in higher retail fuel costs for diesel and RON95.

The research house believes food inflation rate will remain in an uptick direction following the

rollout of the targeted subsidy rationalisation.

"Looking into 2H24, we should also expect a gradual pick up in overall prices following an increase in utility charges, implementation of higher sales and service tax rate to 8% on selected items and 10% for low-value goods tax," it added.

OCBC Global Markets Research, meanwhile, said with year-to-date headline inflation averaging 1.7% y-o-y, there are downside risks to its full-year 2024 average headline inflation forecast of 2.5% y-o-y for Malaysia.

Since there are several categories exempted from the targeted subsidy rationalisation, the nature of the implementation suggests Putrajaya is being cautious as it moves towards a more comprehensive subsidy rationalisation policy.

"The details of fuel subsidy rationalisation suggest the government is keen to keep the inflationary impact in check.

"The risk, however small, is that if inflationary pressures become more persistent and pervasive, rate hikes may be back on the table," it said in a report.