



社会经济研究中心
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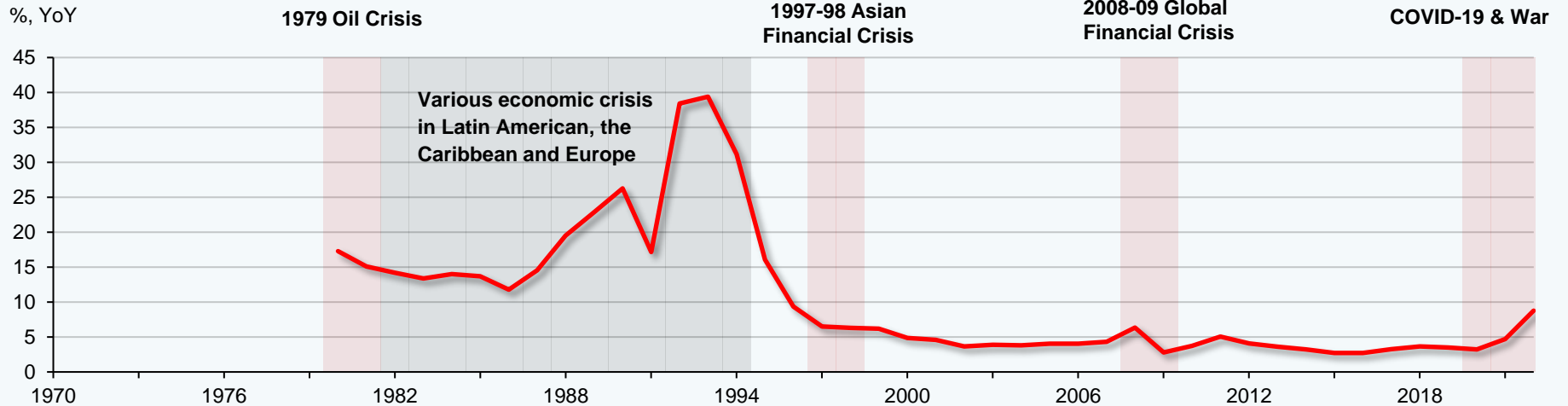
How to prevent an inflation scare?

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Executive Director

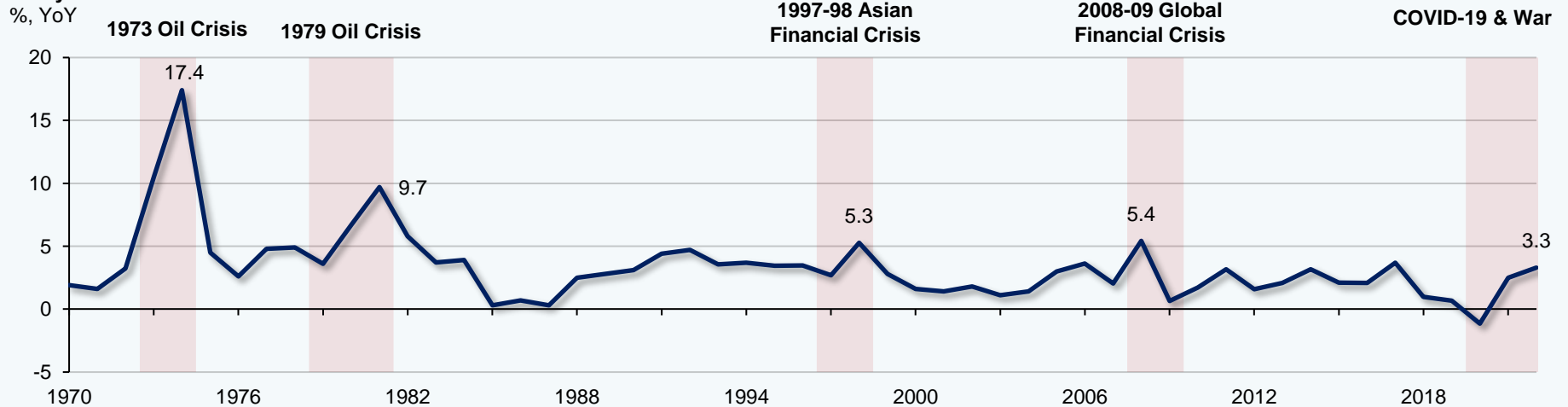
1 November 2022

Headline inflation: Global vs Malaysia

Global Headline Inflation



Malaysia's Headline Inflation

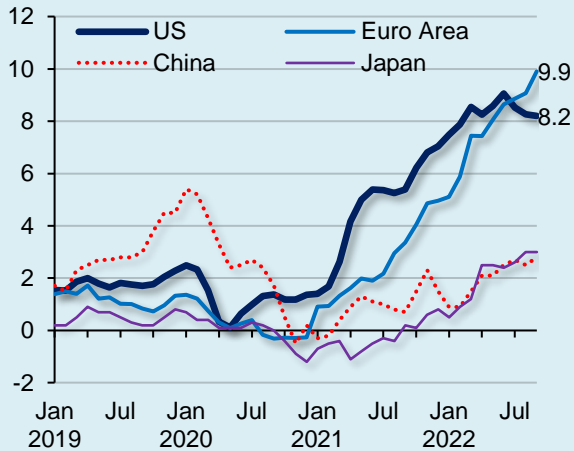


Source: International Monetary Fund (IMF); Bank Negara Malaysia (BNM)

Has inflation peaked?

Inflation in advanced economies

%, YoY



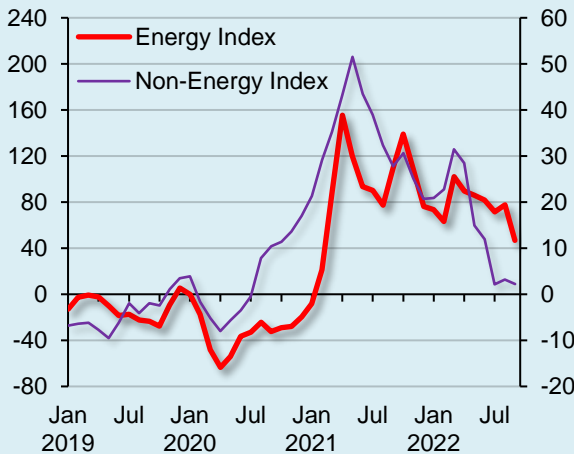
- Mixed monthly inflation data for major advanced economies. While headline inflation in the US indicated a reversal of the surge, core inflation accelerated. In euro area, inflation surged higher.
- It is too early to say if this means that inflation has peaked.
- Assuming that oil prices do not suddenly rebound, headline inflation will continue to decelerate in the months ahead, even if oil prices stabilize rather than decline.

Energy index

%, YoY

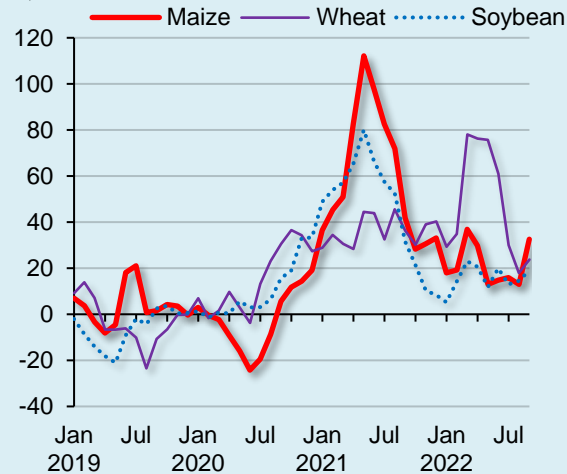
Non-energy index

%, YoY



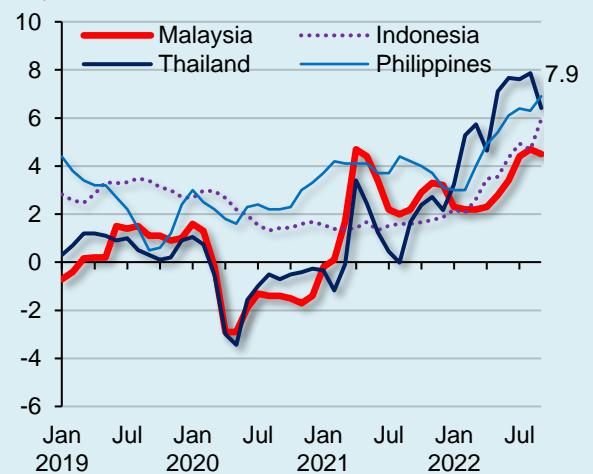
Selected global food prices

%, YoY



Inflation in selected ASEAN economies

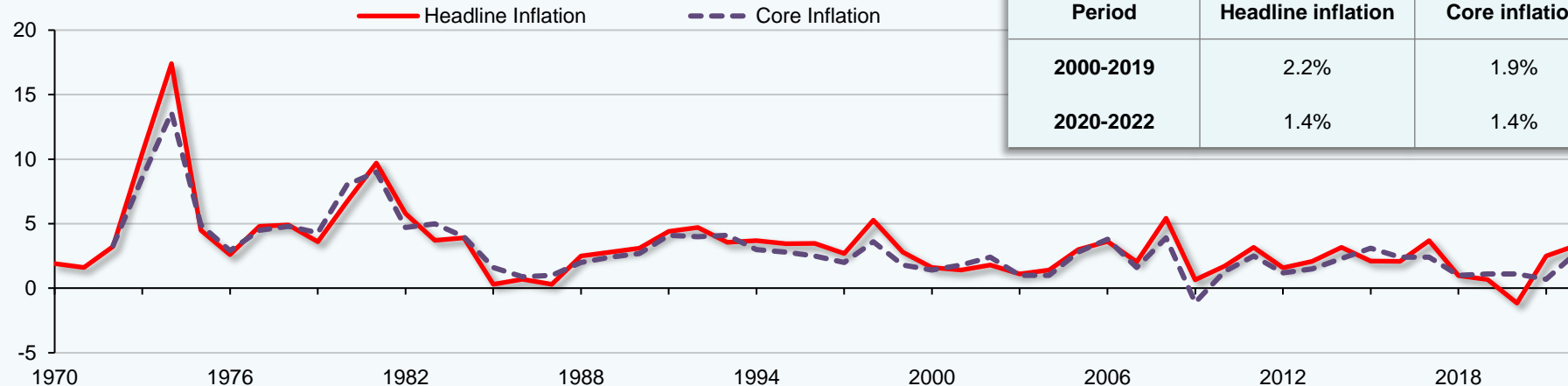
%, YoY



Source: World Bank; Various official for inflation data

At a glance: Inflation in Malaysia

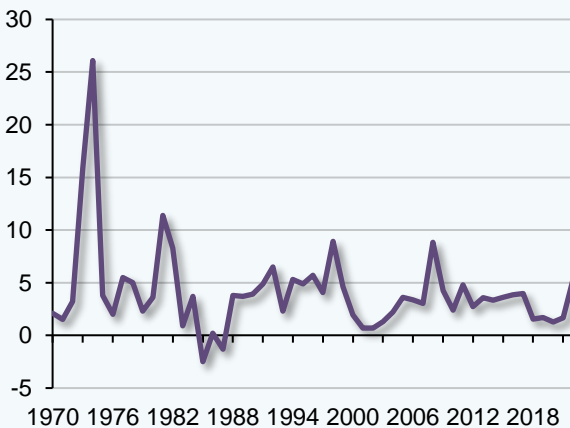
Headline & core inflation
%, YoY



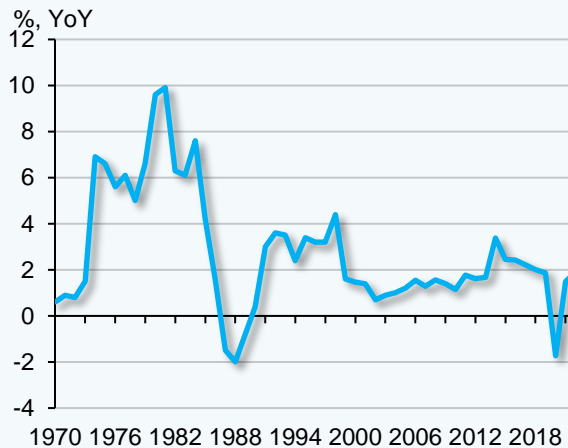
Long-term average		
Period	Headline inflation	Core inflation
2000-2019	2.2%	1.9%
2020-2022	1.4%	1.4%

Note: Prior to 2013, core inflation was based on adjusted inflation, which only subtracts food and non-alcoholic beverages from headline inflation.

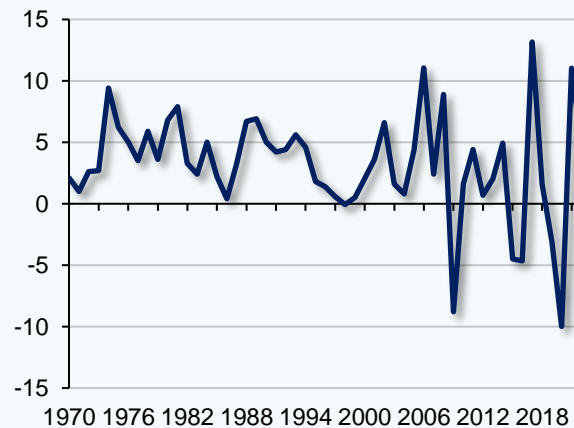
Food and non-alcoholic beverages inflation
%, YoY



Housing, water, electricity, gas, and other fuels inflation
%, YoY



Transport inflation
%, YoY



Note: Data only includes food; cross rent, fuel and power; transport and communication between 1970 and 2005.

Source: DOSM.

Price increases are digging in and broadening

More goods have experienced higher magnitude of price increases ...

CPI (52 Subgroups)	2019 / 2018	2020 / 2019	2021 / 2020	2022 9M / 2021
Food away from home	3.3%	1.7%	1.4%	5.4%
Rice bread & other cereals	0.3%	0.8%	0.5%	3.7%
Meat	-0.6%	1.0%	3.1%	7.3%
Fish & seafood	0.9%	0.8%	3.1%	3.5%
Milk, cheese & eggs	1.7%	-1.9%	2.3%	6.6%
Oil & fats	-0.4%	1.3%	3.3%	3.4%
Fruits	1.0%	1.0%	0.8%	2.7%
Vegetables	1.1%	4.1%	2.1%	5.5%
Sugar, jam, honey, chocolate & confectionery	-0.8%	-0.6%	0.3%	2.5%
Food products n.e.c	0.6%	2.5%	2.3%	4.5%
Coffee, tea, cocoa & non-alcoholic beverages	1.1%	0.5%	0.3%	2.0%
Alcoholic beverages	-0.1%	1.3%	2.0%	1.8%
Tobacco	2.0%	0.0%	0.0%	0.0%
Clothing	-1.3%	-0.4%	-0.4%	0.2%
Footwear	-4.7%	-2.6%	-0.9%	-0.04%
Actual rental for housing	2.2%	1.4%	0.5%	1.0%
Maintenance & repair of dwelling	0.9%	0.9%	1.7%	4.1%
Water supply & miscellaneous services relating to the dwelling	0.1%	0.6%	0.0%	0.2%
Electricity, gas & other fuels	0.9%	-21.4%	10.1%	5.4%
Furniture & furnishing, carpets & other floor covering	1.6%	0.4%	4.4%	6.9%
Household textiles	-1.8%	-0.1%	-0.4%	1.1%
Household appliances	0.8%	0.3%	0.9%	2.9%
Glassware, tableware & household utensils	-0.7%	-0.4%	0.05%	1.0%
Tools & equipment for house & garden	-1.1%	0.9%	0.9%	1.9%
Goods & services for routine household maintenance	2.1%	0.2%	0.5%	1.2%
Medical products, appliances & equipment	-0.1%	0.7%	-0.1%	-0.4%
Outpatient services	2.7%	2.8%	1.8%	3.3%
Hospital service / inpatient	1.4%	0.5%	1.3%	0.3%

CPI (52 Subgroups)	2019 / 2018	2020 / 2019	2021 / 2020	2022 9M / 2021
Purchase of vehicles	-1.0%	-0.9%	-0.6%	0.4%
Operation of personal transport equipment	-3.8%	-12.5%	14.0%	5.5%
Transport services	3.3%	7.4%	-3.4%	-6.6%
Postal Services	0.0%	0.0%	0.0%	0.0%
Telephone & telefax equipment	-4.0%	-0.1%	0.1%	-0.2%
Telephone & telefax services	1.1%	1.3%	0.0%	0.0%
Audio-visual, photographic & information processing equipment	-1.6%	-0.7%	-0.01%	0.7%
Other major durables recreation & culture	0.1%	-0.5%	-0.1%	-0.7%
Other recreational items & equipment, garden & pets	-0.4%	0.3%	1.0%	4.0%
Entertainment, recreational & cultural services	1.1%	-0.2%	0.4%	2.0%
Newspapers, books & stationery	2.3%	4.4%	1.2%	2.4%
Packaged tour	1.0%	1.8%	0.0%	-0.1%
Pre-primary & primary education	2.0%	1.5%	0.1%	1.5%
Secondary education	1.2%	0.7%	0.2%	0.6%
Post-secondary non-tertiary education	-0.1%	-0.1%	-0.7%	-0.5%
Tertiary education diploma level & above	0.5%	0.1%	0.0%	0.0%
Education n.e.c.	0.9%	0.8%	0.9%	1.0%
Expenditure in restaurants & cafés	1.5%	1.1%	0.9%	4.4%
Accommodation services	0.2%	-2.3%	-1.8%	3.0%
Personal care	0.6%	1.2%	0.6%	1.8%
Personal effects n.e.c	1.3%	12.8%	0.8%	3.1%
Insurance	-0.4%	-0.01%	0.02%	0.1%
Financial services	-2.1%	-0.1%	2.6%	7.7%
Other services n.e.c.	0.1%	0.3%	0.1%	0.7%
Price changes for 52 subgroups				
Increased	33 (63.5%)	33 (63.5%)	36 (69.2%)	41 (78.8%)
Remained Unchanged	1 (1.9%)	2 (3.8%)	6 (11.5%)	4 (7.7%)
Decreased	18 (34.6%)	17 (32.7%)	10 (19.2%)	7 (13.5%)

Source: DOSM

Supply-side and monetary measures to contain inflation and anchor inflation expectations

1. Gradual and Measured Pace of Interest Rate Increases

- Cost-push pressures on core inflation
- An area of policy concern - input cost pressures that could rapidly be transmitted to retail inflation as demand strengthens

3. Staggered Price Increases

- Fuel subsidy rationalisation be implemented on a gradual and measured pace
- Moral suasion businesses and manufacturers to announce price increases on a stagger manner to avoid bunching prices increase
- Price surveillance, enforcement and check on price manipulators

2. Government's Policy Interventions

- Reduction in duties and tariffs as well as ease imports restriction
- Temporary price ceiling and controls
- Remove all the Approved Permits (APs) that protect and create a monopolistic and oligopolistic market
- Targeted social assistance to the vulnerable households
- Buy "Made in Malaysia" products

4. Supply-sides Policies (medium- to long-term)

- Supply-side policies through freer market entry and deregulation would make firms more productive and competitive; stockpiling
- Reduce high imports dependency on agricultural commodities: Imports Dependency Ratio (IDR) exceeding 50.0%: cuttlefish (52.2%), fresh milk (53.5%), round cabbage (63.6%), chilli (72.4%), beef (78.1%), ginger (81.5%), mango (86.2%) and mutton (90.4%)
- Smart technology farming and large scale food production as well as downstream processing to reduce food imports
- Agricultural logistics and delivery system along the whole supply chains should be strengthened to curtail the influence of the middlemen

What can the Government do to ease cost of living?

For Bottom-40 household:

- Protecting the vulnerable households by **upgrading benefits or providing direct cash transfers to distressed households**, shielding them from price increases that are deemed inevitable in the short term due to rapidly rising costs.
- Provide a **one-off cost of living tax offset or a one-off cost of living cash payment** for the poor households in need.
- Explore to use MySejahtera Apps for the giving of voucher.
- **Reduce out-of-pocket expenses for elderly care** through higher tax allowance.
- **Reduce the cost of and increasing access to medicine** (drugs and health supplements).

For Middle-40 household:

- **Extend tax rebate of RM400 to individual taxpayers with chargeable income not exceeding RM70,000** to ease some tax burden.
- To **increase personal relief for contribution to the Employees Provident Fund to RM7,000 from RM4,000**; and to **RM5,000 from RM3,000 for life insurance premiums**.
- **Increase child relief to RM3,000 from RM2,000**.
- **Personal relief of RM3,000 for housing loan interest payment for YA 2022 and 2023**.
- **House rental payment to be given a personal tax relief of up to RM4,000 annually**.



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谢谢
THANK YOU

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