

Malaysia

25 April 2024

March CPI Remains Low

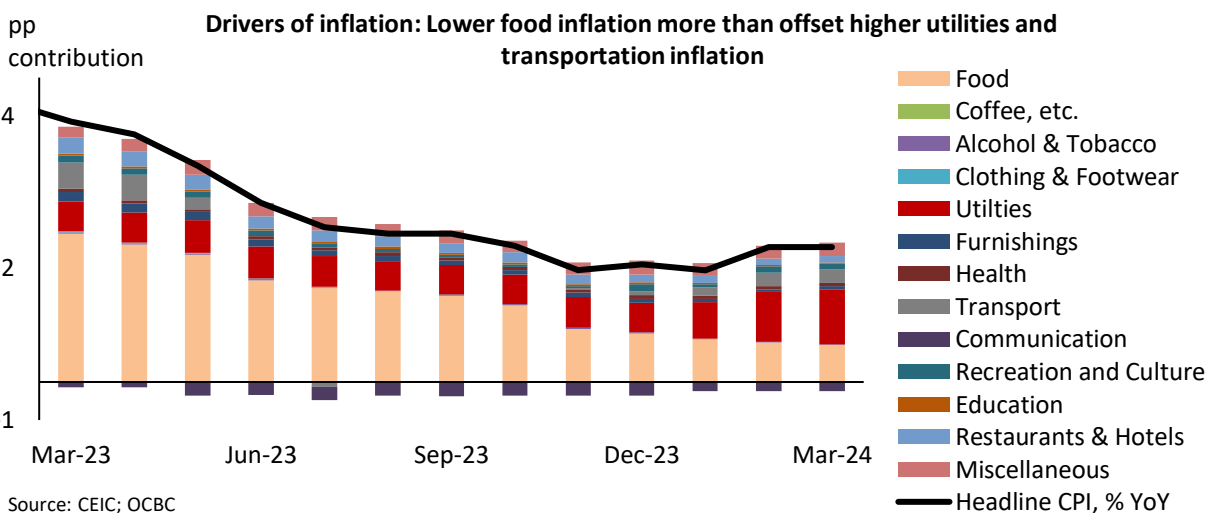
- Headline CPI remained unchanged at 1.8% YoY in March, slightly below expectations.
- Higher transportation and utilities inflation were offset by lower food prices.
- We maintain our forecast for BNM to keep its policy rate unchanged in 2024.

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Headline CPI remained unchanged at 1.8% YoY in March, slightly below expectations (February: 1.8%; Consensus: 2.0%). Food inflation eased to 1.7% YoY versus 1.9% in February, which offset increases in the utilities (3.0% YoY versus 2.7%), restaurant (3.0% versus 2.9% in February) and transportation (1.3% versus 1.2% in February) components. Core inflation eased further to 1.7% YoY in March versus 1.8% in February.

Headline inflation averaged 1.7% YoY in 1Q24, below our baseline, suggesting that inflationary pressures remain benign. The main risk to inflation in the coming months will be the timing and mechanism of the government’s fuel subsidy rationalisation policies. To that end, Economy Minister, Rafizi Ramli said that the government will make an announcement in the coming weeks.

We will assess the implications of the government’s impending announcement. For now, we maintain our 2024 average CPI inflation forecast of 2.5%. In terms of monetary policy implications, we maintain our forecast for BNM to keep its policy rate unchanged at 3.00% for the rest of this year.



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