Statistics Department: Inflation for the transport group unchanged

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The Statistics Department said the component of "food at home" recorded a slower increase for four consecutive months to 3.2% y-o-y in June 2023 as compared to 4.3% y-o-y in the previous month.

"Meanwhile, the component of 'food away from home' also slowed to 6.8% y-o-y as compared to 8.1% y-o-y recorded in May 2023," it said in a statement.

It is noteworthy that inflation for the transport group was unchanged as compared to June last year.

"The subgroup of transport services and purchase of vehicles increased by 5.2% and 1.9% respectively.

Nevertheless, the decrease in inflation of the subgroup of operation of personal transport equipment by negative 0.6% has, to certain extent, offset the inflation of this group from increasing, according to the Statistics Department.

For the second quarter of 2023, the country's headline inflation inclined by 2.8% compared with the same quarter of the preceding year.

On a quarterly basis, inflation increased by 0.4% as compared to the first quarter of 2023.

Bank Muamalat Malaysia Bhd chief economist Mohd Afzanizam Abdul Rashid said the country's headline inflation averaged 3.2% in the first six months of 2023.

Moving into the second half of the year, he expects the inflation rate to moderate to 2.7%, assuming there are no major changes to fuel subsidies.

This would bring the full-year average to 3% in 2023.

Last year, the country's headline inflation was at 3.3%.

AmBank Economic Research highlighted that most of the major items within the CPI basket are experiencing a disinflationary trend throughout the year.

"Core inflation also continued its downward trajectory with the latest print suggesting it is now just 10 basis points above the overnight policy rate (OPR).

"The downward momentum is expected to persist as the lag effect from the interest rate hikes made by the central bank to sustain," it said in a note.

Manokaran pointed out that the normalisation in domestic price pressures was in tandem with lower inflation in many other countries.

"We must remember that 2022 had a high base effect as global supply chain issues and the Russian-Ukraine conflict drove up consumer prices. These effects have been easing this year and this had helped to lower inflation," he said.

Looking ahead, Manokaran said the headline inflation would continue to moderate in the second half of the year.

"Core inflation is likely to be around 2.5% to 3%," he added.

Williams also opined that the effects of lower oil prices and supply-chain factors would keep inflation low for the rest of this year.

"Because interest rates have already been raised, we expect them to have an effect on moderating inflation next year," he said.

The economics professor forecast Malaysia's inflation to hover between 2% and 2.5% in the second half of the year.

"The battle on prices is now not so much on inflation or price increases but on price levels and affordability.

"This is really the role of the government to raise incomes, promote competition, remove monopolies and help consumers to make smart choices.

"The government must help in combating 'greedflation', where companies are passing on cost increases to customers to protect profits.

"For example the food price increases that were threatened last month should now not be necessary and greedy companies should not pass on costs to consumers," he said.

Meanwhile, Mohd Afzanizam said the slower rise in inflation rate would mean that the need to tighten the monetary policy has become less urgent.

More importantly, the real rate of interest has turned positive to 0.6% (3% less 2.4%) suggesting that the monetary policy stance is no longer accommodative.

"Therefore, we foresee Bank Negara might want to maintain the OPR level at 3% throughout the year," he said.

With core inflation on a downward trend, AmBank Economic Research said there is no urgency for the interest rates to be increased.

"We reaffirm our view of OPR to be at 3% throughout the year," it said.