

Inflation nears 3%, highest pace in two years
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Malaysia's consumer price index (CPI) in February rose by 2.9 percent from a year ago, higher than expectations and its fastest pace in almost two years, raising the possibility of the central bank hiking interest rates at its next meeting on May 5.

The Statistics Department said on Friday the CPI in February was up 2.7 percent from January on a seasonally unadjusted basis.

The annual data was higher than the median forecast of 2.6 percent in a Reuters poll of 12 economists. January CPI rose by 2.4 percent.

Analysts comments

Alan Tan, economist, Affin Securities

Higher global commodity prices has translated into higher food prices in Malaysia. Going forward, we continue to expect the inflation rate to trend higher and supporting our earlier view that Bank Negara will raise interest rates by 25 basis points in May, one meeting ahead of our earlier expectations of July.

Patricia Oh, economist, TA Securities

We don't think that there's going to be a hike in the OPR (overnight policy rate), the inflation may not be the main contributor although there could be a risk of rising inflation due to the cost push price pressure moving forward.

We're still viewing the full normalisation of the rate this year, but not any increase for May - we're looking at three straight increases of 25 basis points at each meeting in the second half of the year.

Our main concern is on the demand pull pressure that could probably come in the second half of this year. We're looking at a higher growth pattern in the second half and more modest growth in the first half.