

**Inflation rises to 3%, fastest pace in two years**  
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The consumer price index (CPI) rose 3.0 percent in March from a year ago, its fastest pace in nearly two years, adding pressure on the central bank to hike interest rates at its next meeting on May 5.

The CPI in February rose by 2.9 percent year-on-year.

Below are reactions from analysts:

**Gundy Cahyadi, economist, OCBC Bank**

The rate is slightly below our expectations at 3.2 percent. Nevertheless, it still suggests an upside trend in the inflation front.

Bank Negara Malaysia (BNM) and the government have also acknowledged the fact that supply side factors are continuing to push inflation higher.

As for the May rate decision, it is a tricky call. On the one hand, we have heard more hawkish comments from the central bank. At the same time, this recent uptick in inflation is still not at an alarming level in our view.

We remain of the view that BNM may only move later in the year, but possibly, further adjustment in the SRR should not be ruled out in May.

**Patricia Oh, economist, TA Securities**

Basically we're not looking at a change in interest rates right now and that it will remain at 2.75 percent at the coming meeting.

We believe the build up in inflation risk due to demand pressure going forward could trigger a rise in the OPR (overnight policy rate) but at this point it's more likely a cost-push pressure and hence we're not looking at a change. It could take place during the second half of the year, a rise of 25 basis points in July.

We expect full normalisation by the end of the year with the rate at 3.5 percent.

- Reuters