Inflation sinks to lowest levels since 2004
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Inflation moderated in March to the lowest levels since August 2004 after the impact of last year's sharp fuel hike eased off, analysts said today.

"Last year, inflation rose because of the fuel hike. Now the impact of it has faded. Also, with the strengthening of the ringgit, cost of imported food has dipped," Suhaimi Saidi, economist with Kenanga Investment Bank.

"These two factors contributed to the sharp moderation of inflation in March," he added.

The consumer price index reached 1.5 percent from a year earlier, after striking 3.1 percent in February while inflation averaged 2.6 percent in the first quarter, the Department of Statistics said in a statement today.

Expect lower inflation this year

The country's central Bank Negara last month said average inflation for 2007 was expected to be lower between 2.0-2.5 percent compared to 3.6 percent in 2006 due to moderating oil prices.

Suhaimi said the central bank was expected to maintain interest rates at current levels of 3.5 percent.

"Definately, they will not adjust downwards the rates," he said.

The central bank's monetary policy committee will meet on April 27.

Malaysia kept its key interest rate unchanged at 3.50 percent for the seventh time in a row in March, citing easing inflation among the reasons.

The country's inflation rate reached a seven-year high of 4.8 percent in March 2006 after the country saw a steep rise in fuel prices.

It eased back to 4.6 percent in April and 3.9 percent in May before slowing to 3.3 percent in August.

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