

Inflation, CPI Likely To Increase In 2014, Say Economists

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By Siti Radziah Hamzah and Mohd Iswandi Kasan Anuar

KUALA LUMPUR, March 21 (Bernama) -- The inflation rate and Consumer Price Index (CPI) are likely to increase in the months ahead due to subsidy rationalisation and adjustments in electricity tariff, said economists.

However, they have mixed views on whether Bank Negara Malaysia would adjust the Overnight Policy Rate (OPR).

Bank Islam Malaysia Bhd Chief Economist, Mohd Afzanizam Abdul Rashid, said the CPI was likely to trend higher in the immediate term.

"This will be in tandem with adjustments in administered prices that include those of fuel and lubricants for personal transport and electricity, which represent quite a sizeable share in the CPI," he told Bernama today.

Mohd Afzanizam said any adjustment to the segment would have a significant impact on the overall prices, ruling out the increase in the OPR in the near term.

"There are other considerations such as the nature of such inflationary pressures. Cost-push inflation appears to be the main driver due to the subsidy rationalisation programme," he said.

He said uncertainty over external developments such as possible slowdown in China's economy also suggested that there were downside risks to growth, as China was the second largest economy in the world.

Alliance Banking Group Chief Economist, Manokaran Mottain, said inflation rate would gradually increase and peak around July and August at around 3.8 per cent.

"Then it will slightly ease towards year-end," he said.

For this year, Manokaran said, inflation was expected to average 3.5 per cent, adding that the central bank was likely to increase OPR to 2.5 basis points.

The Statistics Department today announced that the CPI rose 3.5 per cent to 109.8 in February 2014 from 106.1 in the same month last year.

MIDF Investment Bank Chief Economist, Maslynnawati Ahmad, said the year-on-year increase showed that price pressure continued to build up.

"This was reflected in the month-on-month change of 0.3 per cent during the month after a 0.6 per cent jump in January due to electricity tariff increase," she said.

In fact, she said, the CPI index had been rising by average rate of 0.3 per cent in the last quarter

after jumping by 0.8 per cent in September due to the fuel price increase.

"If this continues, CPI will be about four per cent for 2014," she said.

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