

Malaysia Watch

CPI reweighted; likely smaller impact from energy subsidy reforms

CPI reweighted for the first time since 2018

The Department of Statistics Malaysia (DOSM) reweighted the CPI basket with effect from the [January 2024 CPI print](#) (see report). The new weights will be based on expenditure patterns in 2022, with coverage increased from 552 to 573 items. CPI weights were previously updated at irregular intervals at the start of 2011, 2016 and 2018.

CPI now more sensitive to services...

Our classification of services (rather than broad industrial grouping) points to an increase in weight by 3.9ppt to 35.1%. Components that saw notably higher weights include food services, and insurance & financial services (up by >2ppt each). See Exhibit 2 and Exhibit 3.

...but less sensitive to petrol and raw food

Weights of petrol and raw food were lowered by 2.6ppt and 1.4ppt to 5.9% and 15.6%, respectively. Meanwhile, weight of electricity was kept at 2.7% (Exhibit 4 and Exhibit 5).

Likely smaller CPI impact from energy subsidy reforms

#1: RON95: Assuming that RON95 accounts for 90% of consumers' petrol consumption, this implies RON95 making up 5.3% of the CPI basket (down from 7.7% previously). Accordingly, every 10% increase in RON95 prices affecting 10% of motorists would lift headline CPI by a smaller 5bp (versus 8bp previously) on a full-year basis (Exhibit 6).

#2: Electricity. With weights broadly similar, we still estimate that every 10% increase in electricity prices affecting 10% of households would lift headline CPI by around 3bp on a full-year basis (Exhibit 7).

Exhibit 1: Summary of changes to CPI weights (2024 onwards versus 2018-23; %)

Weights for transport sharply lower following the re-weighting

	Components	Jan 2024 (% of CPI basket)	2018-23 (% of CPI basket)	Change (ppt vs. 2018-23)
1	Food & non-alcoholic beverages	29.8	29.5	0.3
2	Alcoholic Bev. & Tobacco	1.9	2.4	-0.5
3	Clothing & Footwear	2.7	3.2	-0.5
4	Housing, Water, Electricity, Gas & Other Fuels	23.2	23.8	-0.6
	Furnishings, Household Eqp, & Routine Household			
5	Maintenance	4.3	4.1	0.2
6	Health	2.7	1.9	0.8
7	Transport	11.3	14.6	-3.3
8	Infocomms	6.6	4.8	1.8
9	Recreation, Sport & Culture	3.0	4.8	-1.8
10	Education	1.3	1.3	0.0
11	Restaurant & Accommodation Services	3.4	2.9	0.5
12	Insurance & Financial Services	4.0	2.0	2.0
13	Personal Care, Social Protection & Misc. Goods & Services	5.8	4.7	1.1

Source: BofA Global Research, DOSM, Haver, CEIC Note: Figures may not add up due to rounding errors

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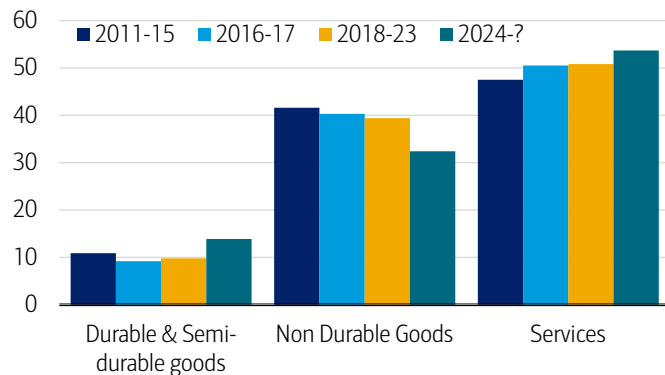
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Exhibit 2: CPI – By industrial grouping (DOSM classification, % of CPI basket)

DOSM classification point to higher weights for services and durable goods



Source: BofA Global Research, DOSM, Haver, CEIC Note: Figures may not add up due to rounding errors

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Exhibit 4: Breakdown of food CPI (% of CPI basket)

Increase in weights for food largely due to services

Components	From Jan '24 (% of CPI basket)	2018-23 (% of CPI basket)	Change (ppt vs. 2018-23)
Food	29.0	28.4	0.6
Food at Home	15.6	17.0	-1.4
Rice, Bread & Other Cereals	2.3	3.5	-1.2
Meat	2.3	2.5	-0.2
Fish & Seafood	3.9	4.0	-0.1
Milk, Cheese & Eggs	1.3	1.5	-0.2
Oils & Fats	0.7	0.6	0.1
Fruits	1.1	1.2	-0.1
Vegetables	1.8	2.1	-0.3
Sugar, Jam, Honey, Choc & Confect	0.5	0.6	-0.1
Others (including spices)	1.7	1.0	0.7
Food Away From Home	13.4	11.5	1.9

Source: BofA Global Research, DOSM, Haver, CEIC Note: (1) Figures may not add up due to rounding errors, and (2) Non-alcoholic beverages are not included in the table above

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Exhibit 6: Potential impact on full-year headline CPI from RON95 subsidy reforms (ppt)

Potential impact depends on the timing, subsidy coverage & re-pricing

Increase in RON95 price vs. RM2.05/litre	RON95 price/litre	Unsubsidized motorists (% of petrol consumption)						
		100%	90%	80%	60%	40%	20%	10%
10%	2.26	0.5	0.5	0.4	0.3	0.2	0.1	0.05
20%	2.46	1.1	1.0	0.8	0.6	0.4	0.2	0.11
40%	2.87	2.1	1.9	1.7	1.3	0.8	0.4	0.21
60%	3.28	3.2	2.9	2.5	1.9	1.3	0.6	0.32
80%	3.69	4.2	3.8	3.4	2.5	1.7	0.8	0.42
100%	4.10	5.3	4.8	4.2	3.2	2.1	1.1	0.53

Source: BofA Global Research estimates, Haver Note: We assume that RON95 accounts for 90% of petrol consumption

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Exhibit 3: CPI – Services components (Based on our own classification, % of CPI basket)

Our classification likewise points to higher weights for services

Services Components	From Jan '24 (% of CPI basket)	2018-23 (% of CPI basket)	Change (ppt vs. 2018-23)
Total	35.1	31.4	3.7
Food services (including restaurants)	16.1	13.8	2.3
Insurance & financial services	4.0	2.0	2.0
Infocomm Services	5.4	4.1	1.3
Personal care	3.9	3.3	0.6
Outpatient & hospital services	0.6	0.5	0.1
Accommodation	0.7	0.6	0.1
Education	1.3	1.3	0.0
Domestic & household services	0.3	0.9	-0.6
Transport-related services	1.3	2.0	-0.7
Cultural Services	0.8	2.1	-1.3
Others	0.7	0.8	-0.1

Source: BofA Global Research, DOSM, Haver, CEIC Note: Figures may not add up due to rounding errors

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Exhibit 5: Breakdown of transport CPI (% of CPI basket)

Weights for transport services declined considerably

Components	From Jan '24 (% of CPI basket)	2018-23 (% of CPI basket)	Change (ppt vs. 2018-23)
Transport Services	11.3	14.6	-3.3
Operation of Personal Transport Equipment	8.9	12.3	-3.4
Fuels & Lubricating Equip	5.9	8.5	-2.6
Others	3.0	3.8	-0.8
Purchase of vehicles	1.6	1.5	0.1
Transport Services	0.7	0.8	-0.1

Source: BofA Global Research, DOSM, Haver, CEIC Note: Figures may not add up due to rounding errors

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Exhibit 7: Potential impact on full-year headline CPI from electricity subsidy reforms (ppt)

Potential impact depends on the timing, subsidy coverage & re-pricing

Increase in electricity prices vs. current levels	% of households affected							
	100%	90%	80%	70%	60%	40%	20%	10%
10%	0.3	0.2	0.2	0.2	0.2	0.1	0.1	0.03
20%	0.5	0.5	0.4	0.4	0.3	0.2	0.1	0.05
40%	1.1	1.0	0.9	0.8	0.6	0.4	0.2	0.11
60%	1.6	1.5	1.3	1.1	1.0	0.6	0.3	0.16
80%	2.2	1.9	1.7	1.5	1.3	0.9	0.4	0.22
100%	2.7	2.4	2.2	1.9	1.6	1.1	0.5	0.27

Source: BofA Global Research estimates, Haver

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