

CPI review needed, says economist

PETALING JAYA: Despite inflation being at only 2.3%, the country's consumer price index (CPI) needs to be reviewed as food prices continue to rise and the CPI does not reflect the real cost of living.

University Tun Abdul Razak economist Prof Dr Barjoyai Bardai (pix) said the review is critical at this juncture of rising prices and a weakening ringgit.

He said the food price index is divided into two – 30% for food consumed at home and about 11% for that which is eaten outside.

“In Malaysia, the cost of food has gone up very quickly. The food index introduced in 2016 by the United Nations was set at 100 points for Malaysia. In 2018, it had gone up to 137%, and the following year, it increased by another 25%. What this means is that food cost is constantly rising.

“Bank Negara Malaysia had put our food price index at over 4% for 2021. The surge in food inflation is due to high prices. The government needs to take drastic action to bring it down,” he said.

Barjoyai added that the sudden increase in food cost is partly due to the change in eating habits among Malaysians.

“After being stuck indoors for about two years due to Covid-19, more Malaysians started to eat out or have food delivered.”

He also noted that Malaysia imports vast quantities of food and 40% of it is for eateries.

He said for now, imported food items may look cheap, but as prices rise and the ringgit weakens, they will become very expensive.

“Malaysia imports vegetables, fruits and other items to meet part of the demand from eateries. Not much is going to change with the abolition of the Approved Permits.

“The government must come up with a medium to long-term solution. Food substitution is the best way forward, but many lack the motivation to enter the agriculture business.

“It is a very good business with high yields. But it also involves high risk as vegetables are perishable. If demand is low, farmers would lose a lot of money.”

Barjoyai said the only way forward is to scale up production with government help. It can direct agriculture institutions to study and advise farmers on what is in demand and when.

Universiti Malaya economist Prof Datuk Rajah Rasiah said the **Statistics Department** noted Malaysia's inflation rate (as a measure of CPI) to be 2.3% in April.

“Food inflation hit 4.1% this April from 1.2% last August. While it is fair to say some food items had a sharper rise in inflation than others, to a large extent, the rise as officially captured by the **Statistics Department** reflects this.”

“Food prices are rising not only because of soaring oil and gas prices but also because of chronic food trade deficits faced since 1989.

“This has been exacerbated by falling exchange rates and shortages created by economic sanctions that accompanied the Russia-Ukraine war,” Rajah said.

He added that since food is among the most essential goods, the consumption of inferior products that are least affected by price rises would affect the poor, especially the B40 group.

He said self-sufficiency in food is associated with food security, adding: “Most countries pursue this to reduce dependence on imports. Malaysia’s self-sufficiency rates in most food items have declined over the years because intensive farming was relaxed, while exchange rates (imported inflation) were poorly managed.

“For example, Malaysia imported 31% of its rice, 70% chillies, 80% beef and 85% mutton last year. Such dependence has exposed the country to volatile price swings and shortages because of our exposure to external suppliers.”

He added that there must be serious efforts to resolve the situation by being self-sufficient in food items.

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