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PRESS STATEMENT

INSTITUTE OF STRATEGIC ANALYSIS AND POLICY RESEARCH (INSAP)

INSAP Expects High Cost of Living in the Coming Months

Kuala Lumpur, 21 March 2024: Malaysians are feeling the pinch of rising costs from costly utility bills to our favourite bazaar Ramadan delicacies rising by at least 20% with raw items like vegetables and meat prices going up. Malaysians are now lamenting that food and other basic items are becoming less affordable.

“Prices have gone up, even cooking your own meals at home isn’t as affordable anymore. It’s not just the protein (meat). Even the condiments have gone up”. This was a common sentiment collected by INSAP when we did a random street poll recently. This was indeed true, with a quick visit to various local supermarkets in Klang Valley, we saw that onions appeared to be sold at prices approximately 30% higher than before while some cuts of meat were up RM2 per kilogram.

INSAP finds that the latest headline Consumer Price Index (CPI) at 1.5% (as of January 2024) remains unchanged from November 2023, which would essentially tell you that prices are unlikely to experience much increase. However, many Malaysians like you and me would beg to differ.

According to the authorities CPI is stable, the new expansion of SST from 6% to 8% will not impact prices of food and beverages. The basic economic principles would explain that there is transferability of cost, which at times are overlooked by policymakers. The expansion of SST could have raised costs elsewhere in the production chain and the common case we see from this is that the final consumers, us Malaysians will be the ones carrying the cost increase burden.

“Even the realm of healthcare is feeling the sting of soaring prices, from health supplements to medical diagnostic tools and personal treatment devices, the inflationary wave is leaving no stone unturned. It’s a bitter pill to swallow in a world where health should be affordable, not a privilege. “Given we import a fair bit of our medicine, the weakening ringgit could further exacerbate the issue” shares Edwin Oh, Researcher at INSAP.

While our Health Ministry has given assurance that the that current medicine procurement is shielded by "locked-in" prices, at what extent will this coverage be and for how long? If our ringgits continue to slide, will be see a significant hike in prices when these “locked in prices” expire?

Dr Khairul Ramli, Senior Researcher at INSAP has recently been in touch with various industry players in the logistics sector, namely the Joint Council of Logistics Industry Associations (JCLIA).

“We are worried that the expansion of tax scope under the 6% SST chargeable on logistic service providers where estimated cascading effects of the expansion adds up to a staggering 36% which would ultimately affect consumers and businesses alike” they shared.

Are Malaysians prepared for more expensive delivery costs for their online goods, where the 10% Low-Value Goods tax has already brought prices of many items up?

“Malaysia’s aggregate household debt stood at RM1.53 trillion at the end of 2023, marking the highest levels since 2018” said Prime Minister and Finance Minister, Anwar Ibrahim in a reply to a parliamentary question raised. This alarming figure paints a grim picture of the nation’s economic health, raising concerns about the true financial stability of ordinary Malaysians.

As the cost of living continues to spiral upwards, coupled with the expansion of SST and the weakening ringgit, the spectre of an affordability crisis looms large. Are Malaysians on the brink of a future where basic necessities become unaffordable luxuries?

Consumer confidence, often seen as the pulse of the economy, is showing signs of distress. As Malaysians brace themselves for tougher times, businesses are also likely to feel the damage with a drop in sales, setting off a vicious cycle of economic stagnation.

INSAP values the potential of various long-term plans proposed whereby targeted subsidies and a range of new taxes holds potential to generate more government revenue to then allow for an expansion in the government’s budget we hope that the government. However, we hope that the government portrays the true value of “Malaysians first” and help cushion the burden our consumers are experiencing.

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