

Global food and groceries prices are getting more expensive



The purpose of this bulletin is to highlight the current situation of global food inflation.

This bulletin also include the performance of food inflation in Malaysia and selected countries.

What is Inflation?

Inflation refers to the rate of change indicate by price movements for goods and services.

Inflation will reduce the consumers purchasing power

Inflation can be measured by using the **Consumer Price Index (CPI)**.

HIGHLIGHT

Food and Agriculture Organization
(FAO), Food Price Index



Headline and Food Inflation,
Malaysia

Headline and Food Inflation,
United State of America



Headline and Food Inflation,
China

Headline and Food Inflation,
South Korea



Headline and Food Inflation,
India

Headline and Food
Inflation, Indonesia



FAO FOOD PRICE INDEX

In 2020, the world had been rocked by an event that no economic analyst could have imagine. The COVID-19 pandemic was seen as a "storm" that caused the world to "standstill" for a while. It was expected that the recovery process would not be as easy as other previous economic crises. As a result, there was an imbalance between supply and demand, which put pressure on agricultural commodities.

Rising commodity prices has led to global food prices continuing to rose to their highest level in nearly a decade, raising concerns about high household spending as the economy struggles to overcome the crisis COVID-19. To lessen the impact of increasing prices on households, the Government has provided various stimulus packages.

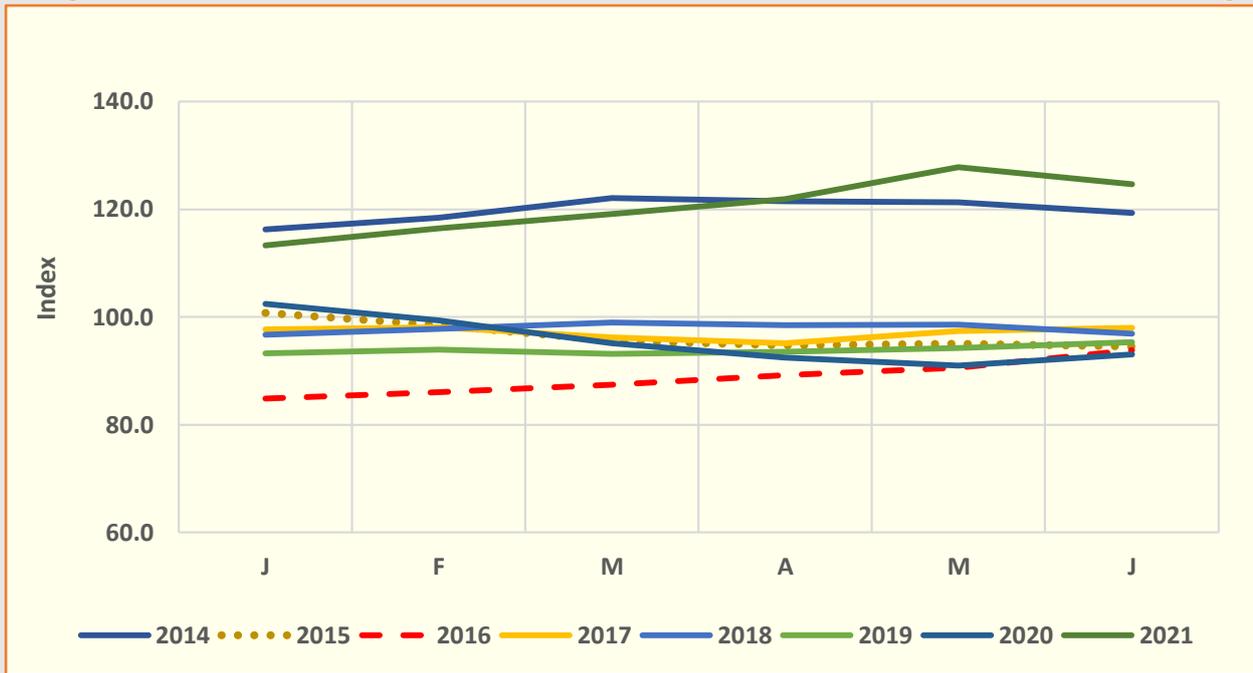
Higher year-on-year prices across the spectrum of goods and services had raised concerns about inflationary pressures in the agricultural sector. The world had not seen a widespread rose in commodity prices since 1985. Timber, iron ore and copper had shown rising prices for quite a long time. Maize, soybeans and wheat had climbed to their highest levels in eight years. Oils had also made big gains for two consecutive years.

According to the Food and Agriculture Organization (FAO) report, the annual change in global food prices in June 2021 increased 33.9 per cent, slower than May 2021 (40.5%). However, for the first time, the monthly change recorded a decline to negative 2.5 per cent, which the last time was May 2020 (-1.6%). The decline in June reflected lower prices for vegetable oils, cereals and dairy prices, and was offset by higher meat and sugar prices.

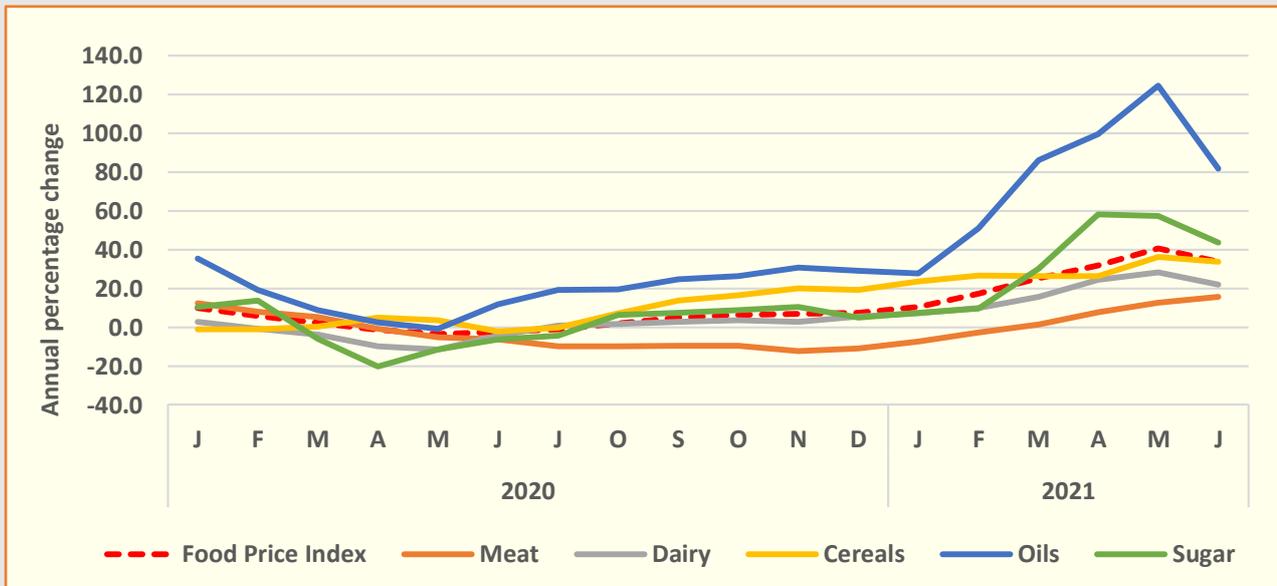
		Food Price Index	Meat	Dairy	Cereals	Oils	Sugar
Yearly	June 2021	33.9	15.6	22.0	33.8	81.8	43.8
	May 2021	40.5	12.5	28.3	36.3	124.5	57.4
Monthly	June 2021	-2.5	2.1	-1.0	-2.6	-9.8	0.9
	May 2021	4.9	2.9	1.7	5.8	7.8	6.8

Source : Food and Agriculture Organization (FAO)

FOOD PRICE INDEX (2014 - 2016 = 100)



PERCENTAGE CHANGE YEAR-ON-YEAR OF MAIN FOOD PRICE INDEX (2014 - 2016 = 100)



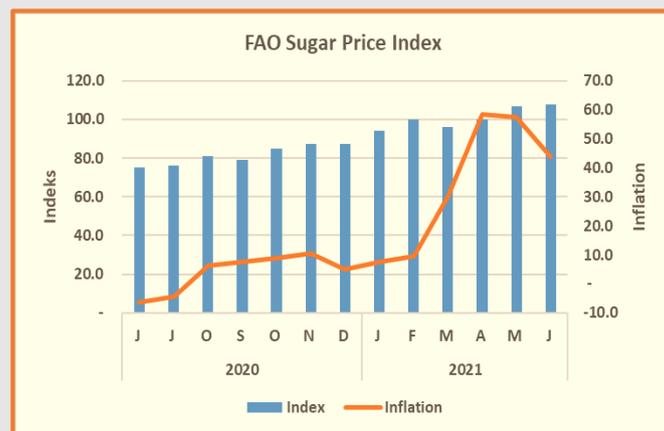
Source : Food and Agriculture Organization (FAO)

The **FAO Cereal Price Index** registered 129.4, increased 33.8 per cent over the same period last year. Among the main cereals, international maize prices rose the most, 72.3 per cent higher than a year earlier and the highest level since January 2013. This sharp increase was driven by declining Brazilian maize production due to persistent dried. Brazil is the second largest exporter in the world and this situation has simultaneously reduced the amount of maize production worldwide.

At the same time, China, the world's largest producer and consumer of pork has increased its purchases of soybeans and maize to spur the development of the country's pork industry, which was recovering from the African Swine Fever (ASF) outbreak. This surge in feed demand was also a springboard for the rose in global grain prices.

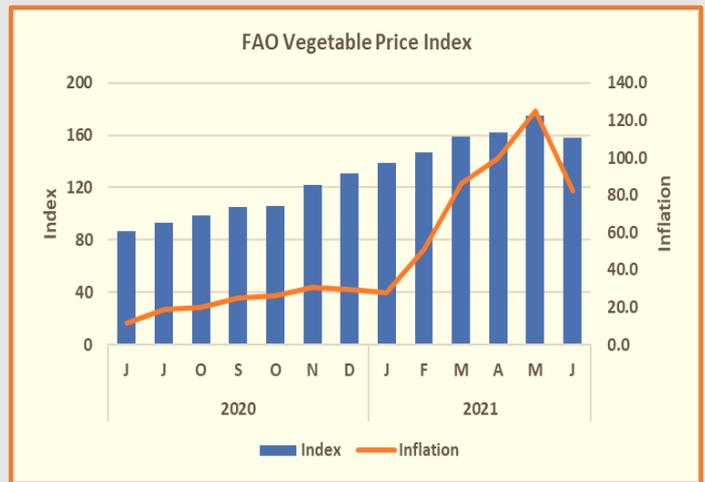
Grains and Oilseeds Index (GOI)	June 2021	% change	
		M/M	Y/Y
GOI	275	-4.1	44.0
Wheat	238	-0.8	31.3
Maize	293	-5.0	72.3
Rice	183	-3.0	-3.3
Soybeans	276	-5.5	54.3

The **FAO Sugar Price Index**, 106.7 in June, rose 43.8 per cent over the same period last year. Among the factors causing the rise in international sugar prices was the delay in the production due to the prolonged drought in Brazil, the world's largest sugar exporter.

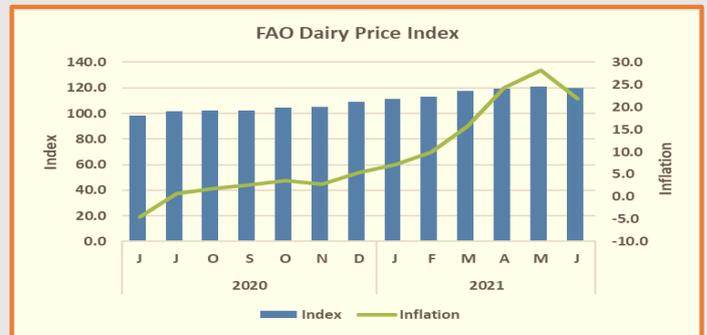


Source : Food and Agriculture Organization (FAO)

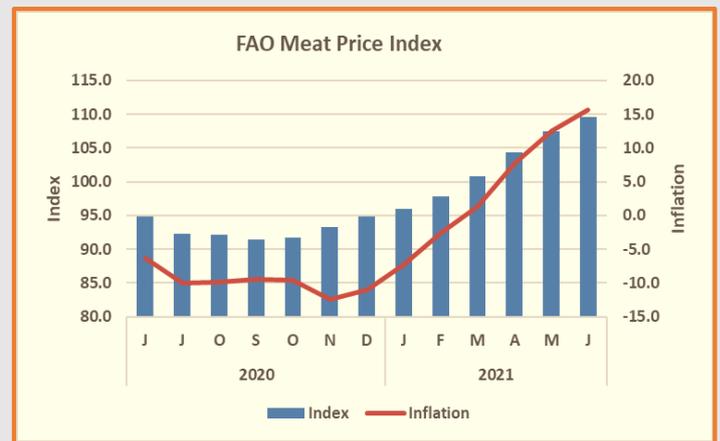
The annual change of the **FAO Vegetable Oils Index** rose sharply from February 2021 following a significant decline in early 2020 as the COVID-19 outbreak affected global demand. By June 2021, the change in oil prices was positive despite starting to show a decline from 124.5 per cent (May 2021) to 82.4 per cent. The decline was due to the fall in palm oil prices, which was influenced by expectations of increased output at leading producers and a lack of demand for fresh imports. At the same time, the prices of soy and sunflower oils also dropped.



The **FAO Dairy Price Index** (119.9) rose 22.0 per cent, accelerated faster than a year ago. A limited supply from European Union and a strong demand for skim milk powder, especially from China, had influenced the increase in dairy prices.



The **FAO Meat Price Index**, which averaged 109.6 in June 2021, had increased by 15.6 per cent as compared to June 2020, with the price for chicken rose significantly by 25.0 per cent, followed by ovine meat (15.9%), beef (14.4%) and pork (10.3%). Although the world's major meat producers have resumed their production, it was still limited due to larger import purchases by East Asia and Middle Eastern countries, especially China. The outbreak of Highly Pathogenic Avian Influenza (HPAI) that has hit Africa and Europe had also made poultry meat unmarketable globally.



Source : Food and Agriculture Organization (FAO)



Headline
Inflation
↑ 3.4 %

Food
Inflation
↑ 1.3%

Consumer Price Index (CPI) increased 3.4 per cent in June 2021 to 123.2 as against 119.1 in the same month of the preceding year. CPI remained positive for the fifth consecutive month since February 2021 due to the lower base effect last year as a result of the decline in fuel prices for private vehicles. Transport group (16.6%) was the main contributor to the increase in the headline inflation. This was followed by Housing, Water, Electricity, Gas & Other Fuels (3.2%); Furnishings, Household Equipment & Routine Household Maintenance (2.0%) and Food & Non-Alcoholic Beverages (1.3%).

According to the Food and Agriculture Organization (FAO), global food prices are now rising at a rapid rate over the past decade and are exacerbated by the problems of countries around the world that still struggling to deal with the spread of the COVID-19 pandemic. In addition, the increase in the prices of some of the world's major commodities due to lack of supply and rising shipping costs contributed to the increase in the index of Food & Non-Alcoholic Beverages. The double-digit increase in the blended cooking oil index for the second consecutive month since May 2021 proves that Malaysia is also experiencing the pinch of the global price hike.

The index for Food & Non-Alcoholic Beverages increased 1.3 per cent in June 2021 as compared to the same month of the previous year. All subgroups registered an increase in this group except Meat (-0.9%). The highest increase was recorded by the subgroup of Oil & fats (4.0%). This was followed by Fish & seafood (3.3%), Food products not elsewhere classified (2.0%) and Milk, cheese & eggs (1.5%).

	Year-on-Year (%)					
	Jan	Feb	Mar	Apr	May	June
Headline Inflation	-0.2	-0.1	1.7	4.7	4.4	3.4
Food & Beverages	1.5	1.4	1.5	1.9	1.5	1.3
Food	1.6	1.5	1.6	1.9	1.5	1.3
Food at home	1.5	1.4	1.6	2.3	1.5	1.3
Rice, bread & other cereals	0.6	0.4	0.6	0.4	0.4	0.4
Meat	2.1	-0.2	0.7	3.9	1.3	-0.9
Fish & seafood	0.6	2.3	2.9	3.6	3.2	3.3
Milk, cheese & eggs	1.8	2.5	0.9	0.5	0.6	1.5
Oils & fats	1.9	2.0	1.7	2.9	3.4	4.0
Fruits	1.0	1.3	1.6	1.7	1.3	0.8
Vegetables	4.4	2.4	2.8	2.7	0.4	0.6
Sugar, jam, honey, chocolate & confectionery	-0.4	-0.6	-0.4	0.6	0.5	0.5
Food products n.e.c.	2.5	2.4	2.2	2.1	2.3	2.0
Food away from home	1.6	1.4	1.4	1.5	1.4	1.3
Coffee, tea, cocoa & non-alcoholic beverages	0.2	-0.1	0.2	0.8	0.4	0.4

Source : Consumer Price Index (CPI), Department of Statistics Malaysia (DOSM)





Headline Inflation
5.4%

Food Inflation
2.4%

The Consumer Price Index for United States of America (1982-84=100) increased 5.4 per cent year-on-year ending June 2021, that marks the highest pace of inflation since August 2008 (5.4%). This is exceeding the economists' expectations, i.e. a gain of 4.9 per cent. It has been trending up every month in 2021 as compared to the same period of the preceding year (January: 1.4%, February: 1.7%, March: 2.6%, April: 4.2% and May: 5.0%).

The average price of Food increased 2.4 per cent in June 2021 as compared to June 2020, which represents 13.9 per cent of the total CPI. The inflation rate for Food at home items continued its rising trends in June (0.9%), mostly due to the increase in the Fruits and vegetables (3.2%); followed by Dairy and related products (0.8%); Meats, poultry, fish, and eggs (0.7%); Other food at home (0.4%); Cereals and bakery products (0.2%); and Non-alcoholic beverages and beverage materials (0.2%). The inflation rate for Food away from home increased 4.2 per cent over the last 12 months.

Food prices are rising because of the higher costs for labor, raw material and transportation. The gasoline index increased 45.1 per cent while electricity index rose 3.8 per cent on year-to-year basis. The U.S. Department of Agriculture in June 2021 forecast prices for all food in 2021 to rise 2.5 per cent to 3.5 per cent from 3.4 per cent in 2020.

	Year-on-Year (%)					
	Jan	Feb	Mar	Apr	May	June
Headline Inflation	1.4	1.7	2.6	4.2	5.0	5.4
Food	3.8	3.6	3.5	2.4	2.2	2.4
Food at home	3.7	3.5	3.3	1.2	0.7	0.9
Cereals and bakery products	2.5	2.7	2.6	0.1	0.6	0.2
Meats, poultry, fish, and eggs	5.1	5.2	5.4	2.0	0.1	0.7
Dairy and related products	3.8	2.7	1.6	0.6	0.1	0.8
Fruits and vegetables	2.7	3.4	3.8	3.3	2.9	3.2
Non-alcoholic beverages and beverage materials	4.3	4.0	3.2	0.2	-0.2	0.2
Other food at home	3.4	2.8	2.2	0.4	0.3	0.4
Food away from home	3.9	3.7	3.7	3.8	4.0	4.2

Source : Consumer Price Index, U.S. Bureau of Labor Statistics





Headline
Inflation
↑ 1.1%

Food
Inflation
↑ -1.7%

In June 2021, the Consumer Price Index (CPI) for China grew by 1.1 per cent. The figure was lower than 1.3 percent recorded in May 2021 due to a sharp decline in cost of food as pork prices dropped faster.

Food prices in China fell by 1.7 per cent year-on-year in June 2021, declined as compared to a 0.3 per cent increase in May 2021. This is due to a double-digit drop in pork prices (-36.5%) after soaring in 2019 due to the African Swine Fever outbreak. In contrast, the index of eggs increased at a double-digit by 17.9 per cent. This was followed by Cooking Oil (7.7%), Fresh Fruits (3.1%), Dairy Products (2.2%) and Fresh Vegetables (0.1%).

Based on the China National Bureau of Statistics, the supply in the consumption market remained sufficient and the household consumer price remained stable in June 2021 as local governments and various departments continued efforts in ensuring supply and stabilising prices. Although pork prices in China have reached their lowest point in more than a year and a half, efforts to stabilise the country's pork supply remain a challenge amid the risk of a possible second wave of devastating African Swine Fever after new variants had emerged in parts of China in recent months.

	Year-on-Year (%)					
	Jan	Feb	Mar	Apr	May	June
Headline Inflation	-0.3	-0.2	0.4	0.9	1.3	1.1
Food	1.6	-0.2	-0.7	-0.7	0.3	-1.7
Grains	1.6	1.4	1.4	1.1	0.8	
Cooking Oil	6.0	6.2	6.9	7.5	8.1	7.7
Fresh Vegetables	10.9	3.3	0.2	-1.3	5.4	0.1
Meat	-0.4	-7.3	-9.1	-10.3	-11.3	
-Pork	-3.9	-14.9	-18.4	-21.4	-23.8	-36.5
Aquatic Products	0.2	5.9	8.1	11.3	13.8	
Eggs	1.2	3.0	3.4	6.8	14.3	17.9
Dairy Products	1.7	1.2	2.1	2.3	2.4	2.2
Fresh Fruits	1.3	3.1	4.0	2.7	1.4	3.1

Source: Consumer Price Index, National Bureau of Statistics of China





Headline
Inflation

↑ 2.4%

Food
Inflation

↑ 6.5%

South Korea's inflation in June 2021 rose 2.4 per cent, which was down from May's 2.6 per cent. The increase was mainly due to a low base effect, rises in oil and agricultural prices and revived demand from economic recovery. Meanwhile, the trend pointed up mildly, with annual average inflation coming in at 1.2% in June (May: 1.0%). Lastly, core inflation was stable, coming in at May's 1.5% in June.

On a monthly basis, Consumer prices dropped 0.07% in June over the previous month. The decrease was primarily due to a more moderate rise in prices for housing and utilities. In addition, price pressures for food and non-alcoholic beverages fell at a faster pace and prices for recreation and culture dropped.

The index for Food & Non-Alcoholic beverages increased slowly to 6.5 per cent as compared to the previous month (7.4%). All subgroup recorded an increase except Coffee, tea & cocoa (-1.5%). The subgroup of Fruit (20.5%); Milk, cheese & eggs (10.9%); Bread & cereals (7.0%); Food products not elsewhere classified (6.1%) and Vegetables & seaweeds (5.4%) were the main contributors to the increase of this group.

	Year-on-Year (%)					
	Jan	Feb	Mar	Apr	May	June
Headline Inflation	0.6	1.1	1.5	2.3	2.6	2.4
Food and non-alcoholic beverages	6.5	9.7	8.4	8.1	7.4	6.5
Bread & cereals	5.0	4.4	6.2	6.4	7.0	7.0
Meat	10.6	11.0	6.4	7.6	6.1	4.8
Fish & seafood	2.9	1.9	2.1	1.1	1.0	0.9
Milk, cheese and eggs	3.9	9.0	8.2	7.8	9.2	10.9
Oils & fats	9.2	3.2	5.2	6.7	3.0	3.6
Fruit	18.9	26.0	22.0	17.8	21.4	20.5
Vegetables & seaweeds	2.8	19.4	17.3	17.7	10.7	5.4
Sugar, jam, honey, chocolate & confectionery	-0.8	1.0	-0.9	0.2	-0.6	0.7
Food products n.e.c	6.5	5.5	6.5	6.9	6.2	6.1
Coffee, tea & cocoa	0.8	1.4	0.5	-3.5	-1.7	-1.5
Mineral waters, soft drinks, fruit & vegetable juices	2.9	2.7	3.3	3.3	2.3	2.3

Source: Consumer Price Index, Statistics Korea





Headline
Inflation
↑ 6.3%

Food
Inflation
↑ 5.2%

The Consumer Price Index in India registered an increase of 6.3 per cent in June 2021, lower than market forecasts of 6.6 per cent. The increase was driven by Fuel & Light (12.7%) and Clothing & Footwear (6.2%) which recorded a faster increase than the previous month.

On the other hand Pan, Tobacco & Intoxicants (4.0%), Miscellaneous (7.3%), and Housing (3.8%) which recorded the slower increasing in June 2021 than May 2021.

Food inflation jumped 5.2 per cent in June 2021 as compared to 5.0 per cent in May 2021. This was driven by the subgroups Oils and fats (34.8%), Eggs (19.4%), Non-alcoholic beverages (14.7%) and Fruits (11.8%). Retail inflation stayed above the central bank target range of 2 to 6 per cent for the second month due to high global commodity prices.

	Year-on-Year (%)					
	Jan	Feb	Mar	Apr	May	June
Headline Inflation	4.1	5.0	5.5	4.3	6.3	6.3
Food	1.9	3.9	4.9	2.0	5.0	5.2
Cereals and products	0.1	-0.4	-0.7	-3.0	-1.4	-1.9
Meat and fish	12.5	11.3	15.1	16.7	9.0	4.8
Egg	13.0	11.1	10.6	10.6	15.2	19.4
Milk and products	2.7	2.6	2.2	-0.1	0.6	1.9
Oils and fats	19.7	21.0	24.9	26.0	30.8	34.8
Fruits	5.0	6.3	7.9	9.8	12.0	11.8
Vegetables	-15.8	-6.3	-4.8	-14.2	-1.9	-0.7
Pulses and products	13.4	12.5	13.3	7.5	9.4	10.0
Sugar and Confectionery	-0.3	-0.7	-0.5	-6.0	-1.4	0.8
Spices	9.0	8.0	6.7	4.3	6.9	5.6
Non-alcoholic beverages	13.2	13.9	14.4	15.2	15.1	14.7
Prepared meals, snacks, sweets etc.	5.1	5.3	5.4	4.0	5.1	6.6

Source: Consumer Price Index, Ministry of Statistics and Programme Implementation





Headline
Inflation
↑ 1.3%

Food
Inflation
↑ 1.9%

Indonesia's year-on-year inflation increased 1.3 per cent slower in June 2021 as compared to 1.7 per cent in the previous month. The inflation recorded below the central bank's target range of 2.0 per cent to 4.0 per cent.

The inflation of Food, drinks and tobacco group increased 1.9 per cent in June 2021 as compared to June 2020. This is mainly due to the increase on Cigarette and tobacco (4.0%) followed by Food (1.6%), Alcoholic beverages (1.4%) and Non-alcoholic beverages (0.9%).

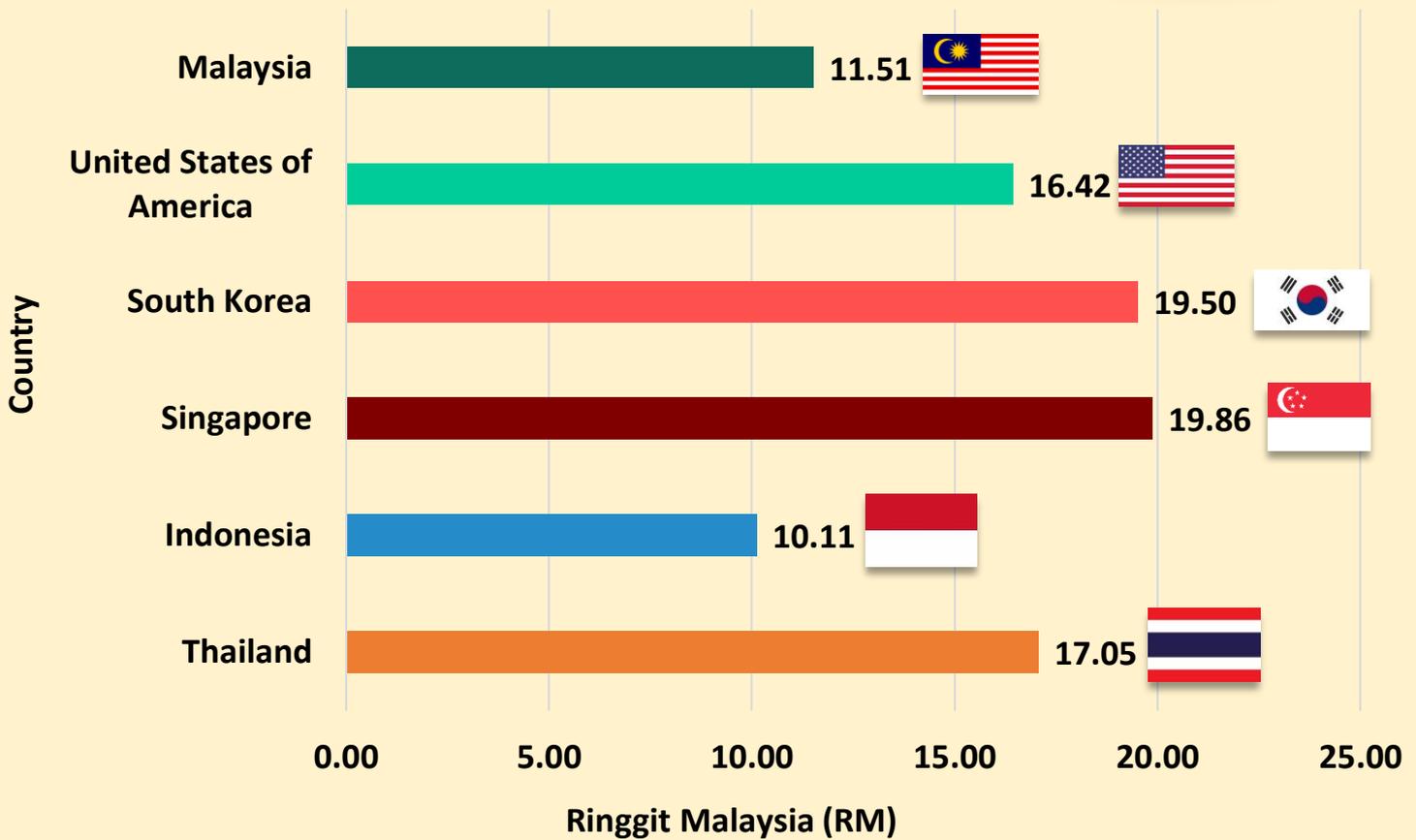
Volatile food year-on-year inflation recorded 1.6 per cent in June 2021 as compared to 3.7 per cent in May 2021. The slower increase was due to the normalization of food demand after the Eid al-Fitr celebrations. Among the food items that showed a decline in prices as compared to the previous month were chili, purebred chicken meat and shallot.

	Year-on-Year (%)					
	Jan	Feb	Mar	Apr	May	June
Headline Inflation	1.6	1.4	1.4	1.4	1.7	1.3
Food, drinks and tobacco	2.8	1.9	2.2	2.3	3.1	1.9
Food	2.7	1.6	2.1	2.2	3.2	1.6
Alcoholic beverages	1.1	1.5	1.3	1.3	1.2	1.4
Non-alcoholic beverages	-0.4	-0.1	-0.0	0.1	0.5	0.9
Cigarette and Tobacco	5.3	4.6	4.1	4.0	3.8	4.0

Source : Consumer Price Index June 2021, Statistics Indonesia
Consumer Price Index June 2021, Bank Indonesia



PRICE OF BIG MAC BY SELECTED COUNTRY

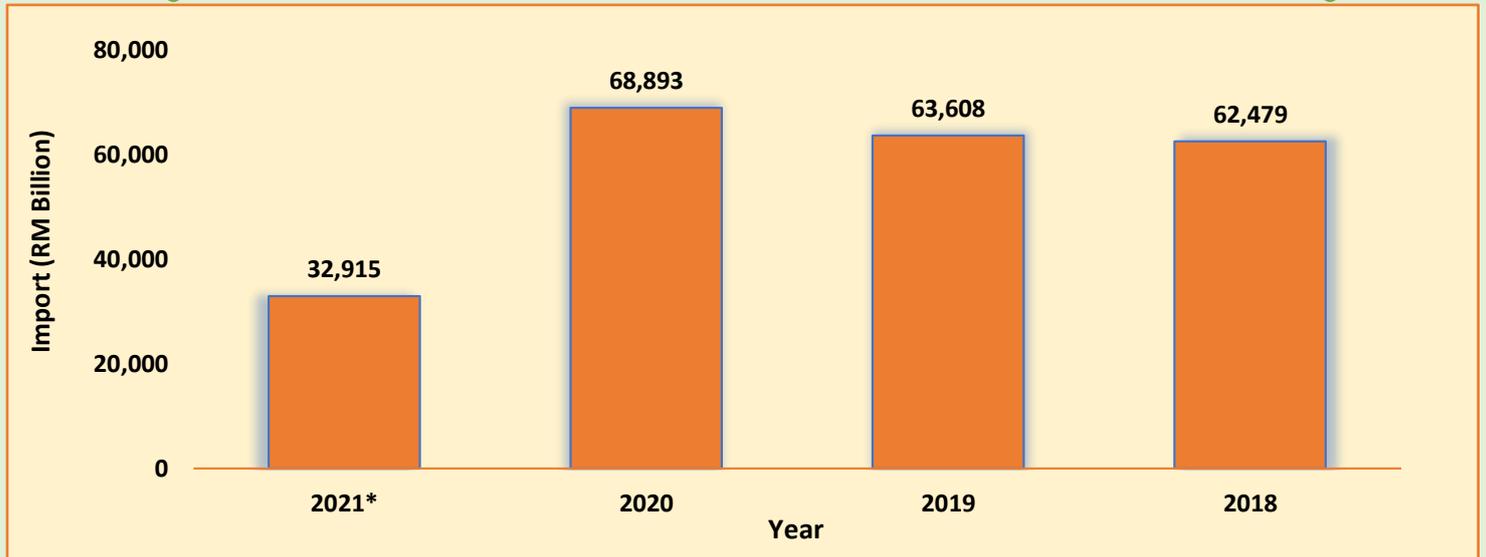


Note : Currency conversion as reference date 15 July 2021 by using Currency converter calculator, Bank Negara Malaysia

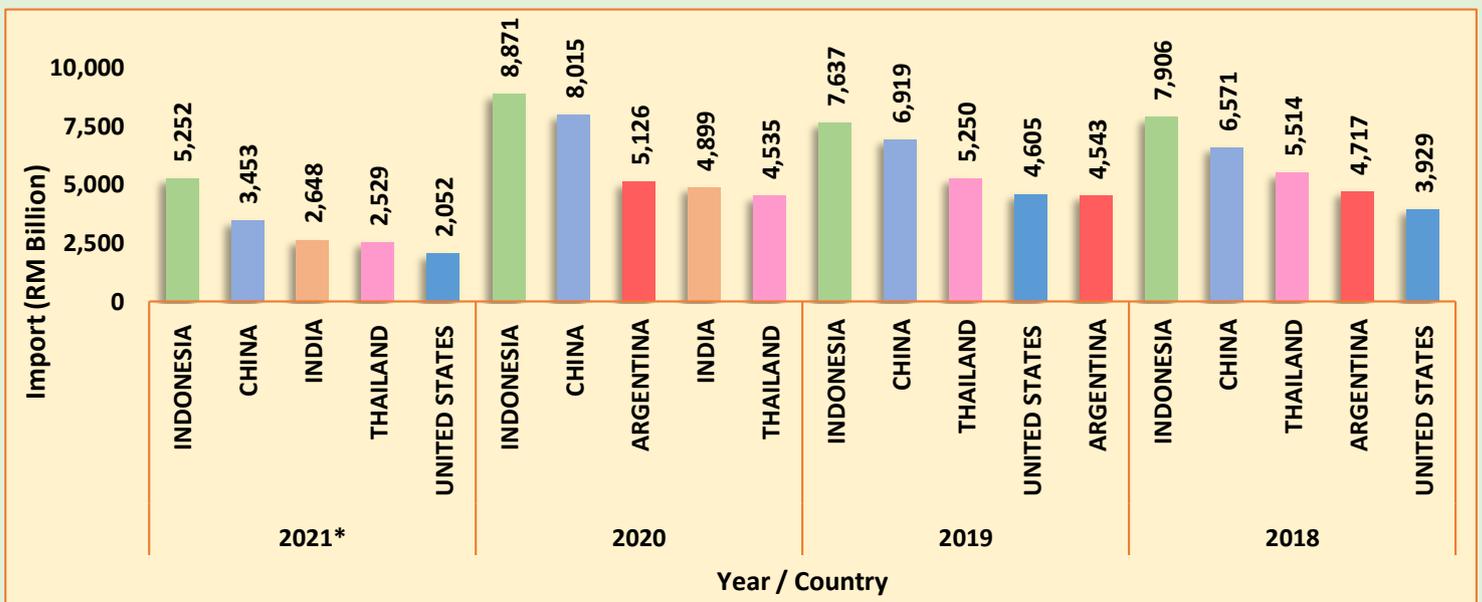


IMPORT OF GOODS AND SERVICES RELATED TO FOOD PRODUCT

IMPORT VALUE OF GOODS AND SERVICES RELATED TO FOOD PRODUCT IN MALAYSIA, 2018 – 2021*



IMPORT VALUE OF GOODS AND SERVICES RELATED TO FOOD PRODUCT AMONG TOP 5 COUNTRIES, 2018-2021*



Note : * Jan-May 2021

- Food comprises the commodities in SITC sections 0 (food and live animals), 1 (beverages and tobacco), and 4 (animal and vegetable oils and fats) and SITC division 22 (oil seeds, oil nuts, and oil kernels).