

24 June 2025

# Malaysia Consumer Price Index

Inflation falls to 1.2% in May, lowest since February 2021 as price pressures ease

- **Headline inflation slowed to 1.2% YoY in May (Apr: 1.4%), the lowest in 51 months and below both house (1.3%) and market (1.4%) expectations**

- The deceleration was partly due to base effects, but monthly price gains also slowed to 0.07% (Apr: 0.15%) as transport costs fell. Still, mild increases were seen in food, housing, and restaurant & hotel components.
- **Core inflation** eased to 1.8% (Apr: 2.0%), or 0.15% MoM (Apr: 0.23%), led by lower prices in communication and miscellaneous goods and services.

- **Despite marginal upward pressure from housing and food, lower transport costs kept inflation in check**

- **Housing** (1.7%; Apr: 2.0%): eased to a 17-month low, though monthly gains rose to 0.3% (Apr: 0.1%) as rentals edged up by 0.4% (Apr: 0.0%).
- **Food & Beverages** (2.1%; Apr: 2.3%): hit an eight-month low, but rebounded MoM to 0.06% (Apr: -0.06%), on a 1.3% increase in fresh meat prices.
- **Transport** (0.7%; Apr: 0.7%): unchanged, but prices dipped 0.2% MoM (Apr: 0.0%) due to softer fuel and lubricant prices.

- **Inflation trends remain mixed across advanced and emerging economies**

- **US** (2.4%; Apr: 2.3%): slight uptick but below expectations. Lower petrol prices partially offset rising rents. However, Trump's tariffs could reignite inflation, complicating the Fed's policy outlook.
- **EU** (1.9%; Apr: 2.2%): slipped below the ECB's 2.0% target for the first time in eight months, largely due to lower energy prices. While disinflation remains broadly on track, policy easing may pause amid persistent global uncertainties.
- **China** (-0.1%; Apr: -0.1%): remained in deflationary territory for the fourth consecutive month, with prices falling 0.2% MoM (Apr: 0.1%) as food prices dropped. The PBoC's recent easing has not yet lifted sentiment, suggesting more stimulus may be needed to support domestic demand.

- **2025 inflation forecast revised down to 2.0% from 2.7% (2024: 1.8%); BNM likely to hold rate steady**

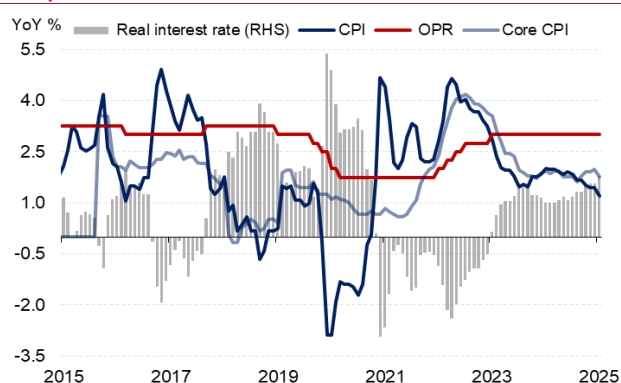
- Headline inflation averaged 1.5% in the first five months of the year. We expect it to tick up in July to around 1.5–1.7%, driven by the expanded sales and service tax and TNB's tariff restructuring. Further upward pressure is likely in August from targeted RON95 fuel subsidy cuts, though the immediate impact may be limited to a narrow segment of the population. For the Aug–Dec period, we expect inflation between 2.4% and 3.0%, bringing the 2025 full-year average to 2.0%. Risks remain skewed to the upside, mainly from tariff uncertainty and geopolitical tensions.
- While market consensus expects one to two rate cuts by BNM in 2H25, we maintain our view that the central bank will keep rate unchanged. Inflation is expected to rise gradually on the back of structural reforms, while economic growth remains resilient. The current rate level continues to attract foreign capital into the bond market. That said, should growth fall below 3.5% and sequential QoQ GDP prints turn negative, the case for a rate cut would strengthen.

**Table 1: Global Inflation (% YoY)**

	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25
US	2.9	3.0	2.8	2.4	2.3	2.4
EU	2.4	2.5	2.3	2.2	2.2	1.9
UK	2.6	3.0	2.8	2.6	3.5	3.4
Japan	3.6	4.0	3.7	3.6	3.6	3.5
Korea	1.9	2.2	2.0	2.1	2.1	1.9
Singapore	1.5	1.2	0.9	0.9	0.9	0.8
China	0.1	0.5	-0.7	-0.1	-0.1	-0.1
Indonesia	1.6	0.8	-0.1	1.0	1.9	1.6
Thailand	1.2	1.3	1.1	0.8	-0.2	-0.6

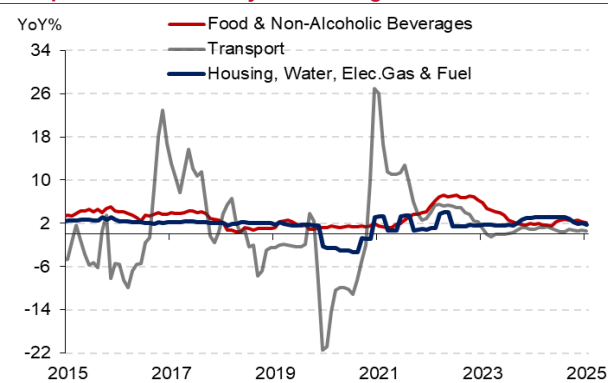
Source: Bloomberg, Kenanga Research

**Graph 1: Real Interest Rate, Inflation Rates and OPR**



Source: Macrobond, Kenanga Research

**Graph 2: CPI Growth by Main Categories**



Source: Macrobond, Kenanga Research

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**Table 2: Malaysia Consumer Price Index Growth Trend (% YoY)**

Base 2010=100	weight	2022	2023	2024	May -24	Dec -24	Jan- 25	Feb- 25	Mar- 25	Apr- 25	May -25
<b>CPI</b>	<b>100.0</b>	<b>3.3</b>	<b>2.5</b>	<b>1.8</b>	<b>2.0</b>	<b>1.7</b>	<b>1.7</b>	<b>1.5</b>	<b>1.4</b>	<b>1.4</b>	<b>1.2</b>
Core Inflation		3.0	3.0	1.8	1.9	1.6	1.8	1.9	1.9	2.0	1.8
Food & Beverages	29.8	5.8	4.8	2.0	1.8	2.7	2.5	2.5	2.5	2.3	2.1
Alcoholic Beverages & Tobacco	1.9	0.5	0.7	0.7	0.6	0.8	0.9	0.9	0.8	0.8	0.6
Clothing & Footwear	2.7	0.1	0.2	-0.3	-0.2	-0.5	-0.3	-0.2	-0.2	-0.1	-0.2
Housing, Water, Electricity, Gas & Other Fuels	23.2	1.8	1.7	3.0	3.2	3.2	2.8	2.3	1.9	2.0	1.7
Furnishing, Household Equipment & Routine Household Maintenance	4.3	3.5	2.3	0.7	0.8	0.4	0.5	0.3	0.2	0.1	0.2
Health	2.7	0.7	2.1	1.8	2.2	1.1	1.2	1.0	1.0	0.9	1.1
Transport	11.3	4.7	1.1	0.9	0.9	0.4	0.9	0.7	0.7	0.7	0.7
Information & Communication	6.6	0.0	-2.9	-1.5	0.4	-5.4	-5.3	-5.3	-5.4	-4.5	-5.2
Recreation, Sport & Culture	3.0	2.3	1.5	1.8	1.9	1.7	1.8	1.5	1.7	1.3	0.9
Education	1.3	1.1	1.9	1.5	1.5	1.5	1.6	1.9	2.2	2.3	2.2
Restaurants & Accommodation Services	3.4	5.0	5.5	3.1	3.2	2.9	3.5	3.5	2.9	2.9	3.0
Insurance, Financial Services, Miscellaneous Goods & Services	9.8	2.0	2.5	3.0	3.0	3.2	3.3	3.7	3.6	4.1	3.7

Source: Macrobond, Kenanga Research

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