

25 August 2025

# Malaysia Consumer Price Index

July up slightly, but 4Q25 fuel reforms could reignite price pressures

- **Headline inflation edged up 1.2% YoY in July (Jun: 1.1%), matching market expectations but below house estimate (1.4%)**

- Two factors explain the downside surprise: the expected pass-through from higher operational costs due to the SST expansion remained limited, and revised electricity tariff structures unexpectedly lowered bills. The modest uptick was mainly driven by a surge in insurance premiums.
- On a MoM basis, CPI growth doubled to 0.15% (June: 0.07%).
- **Core inflation** remained steady at 1.8% YoY for the third consecutive month, with monthly gains holding at 0.07%.

- **Higher insurance and hotel costs offset easing pressure from food and housing**

- **Insurance & Financial Services** (5.5%; Jun: 1.5%): surged to a record high as hospital benefit insurance premiums spiked 14.7% (Jun: 0.4%).
- **Restaurants & Accommodation Services** (3.1%; Jun: 2.8%): a five-month high, propelled by a rebound in hotel costs (1.0%; Jun: -0.4%).
- **Food & Beverages** (1.9%; Jun: 2.1%): fell below 2.0% for the first time in 10 months as food-at-home prices eased to 0.3% MoM (Jun: 0.1%).
- **Housing, Water, Electricity, Gas & Other Fuels** (1.3%; Jun: 1.7%): dropped to its lowest since June 2022, driven by a steep drop in electricity bills (-3.9%; Jun: 0.0%).

- **Mixed inflation trends across major and developing economies**

- **US** (2.7%; Jun: 2.7%): headline unchanged, but core inflation rose to 3.1% (Jun: 2.9%), led by services, highlighting Fed's struggle to rein in on inflation. A sharp rise in producer prices (+0.9% MoM) suggests tariffs are starting to bite, complicating the Fed's path to rate cuts.
- **UK** (3.8%; Jun: 3.6%): climbed to an 18-month high, with services prices rising to 5.0% (Jun: 4.7%). Following August's narrow 5-4 vote to cut by 25 bps, a stubborn inflation may limit further easing despite soft growth.
- **China** (0.0%; Jun: 0.1%): flat, as deflationary pressure eased after Beijing's push to curb unproductive competition. Firms still face weak households demand, but efforts to reverse the cycle of involution are a positive signal.

- **2025 inflation outlook held at 1.7% (2024: 1.8%), though risks are building**

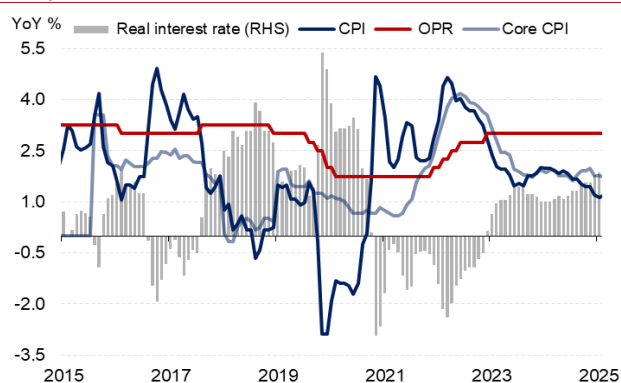
- Despite limited inflationary impact from the July SST hike, we maintain our 2025 inflation forecast at 1.7% (2024: 1.8%). A modest demand uptick is expected in August, following a RM200/month minimum wage hike effective 1 August 2025. We also anticipate a delayed pass-through from SST-related cost increases. If these remain muted, we may lower our full-year forecast to 1.5%. However, inflation could breach 2.0% in 4Q25 as phased fuel subsidy reforms begin.
- **Policy outlook:** With GDP growth expected to average above 4.0% in 2025, BNM is likely to keep the OPR at 2.75% through year-end. While tariff hikes and geopolitical uncertainties pose upside pressure, their near-term impact appears contained. Should these pressures intensify and economic conditions weaken substantially, BNM may consider a pre-emptive 25 bps cut to cushion the downside risks.

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

|           | Feb-25 | Mar-25 | Apr-25 | May-25 | Jun-25 | Jul-25 |
|-----------|--------|--------|--------|--------|--------|--------|
| US        | 2.8    | 2.4    | 2.3    | 2.4    | 2.7    | 2.7    |
| EU        | 2.3    | 2.2    | 2.2    | 1.9    | 2.0    | 2.0    |
| UK        | 2.8    | 2.6    | 3.5    | 3.4    | 3.6    | 3.8    |
| Japan     | 3.7    | 3.6    | 3.6    | 3.5    | 3.3    | 3.1    |
| Korea     | 2.0    | 2.1    | 2.1    | 1.9    | 2.2    | 2.1    |
| Singapore | 0.9    | 0.9    | 0.9    | 0.8    | 0.8    | N/A    |
| China     | -0.7   | -0.1   | -0.1   | -0.1   | 0.1    | 0.0    |
| Indonesia | -0.1   | 1.0    | 1.9    | 1.6    | 1.9    | 2.4    |
| Thailand  | 1.1    | 0.8    | -0.2   | -0.6   | -0.2   | -0.7   |

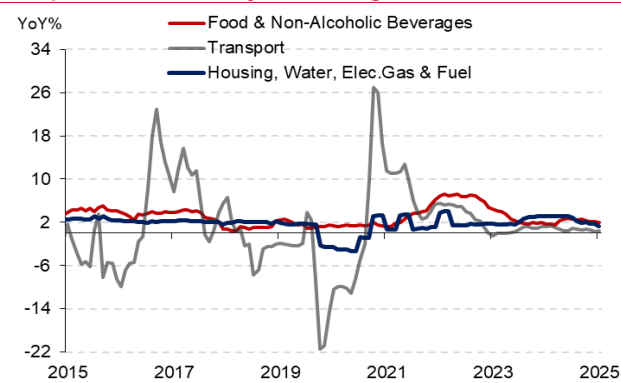
Source: Bloomberg, Kenanga Research

**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       | Jul<br>-24 | Feb<br>-25 | Mar<br>-25 | Apr<br>-25 | May<br>-25 | Jun<br>-25 | Jul<br>-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>1.5</b> | <b>1.4</b> | <b>1.4</b> | <b>1.2</b> | <b>1.2</b> | <b>1.2</b> |
| Core Inflation  |              | 3.0        | 3.0        | 1.8        | 1.9        | 1.9        | 1.9        | 2.0        | 1.8        | 1.8        | 1.8        |
| Food & Beverages  | 29.8         | 5.8        | 4.8        | 2.0        | 1.6        | 2.5        | 2.5        | 2.3        | 2.1        | 1.9        | 1.9        |
| Alcoholic Beverages & Tobacco                                   | 1.9          | 0.5        | 0.7        | 0.7        | 0.9        | 0.9        | 0.8        | 0.8        | 0.6        | 0.6        | 0.6        |
| Clothing & Footwear   | 2.7          | 0.1        | 0.2        | -0.3       | -0.2       | -0.2       | -0.2       | -0.1       | -0.2       | -0.2       | -0.2       |
| Housing, Water, Electricity, Gas & Other Fuels                  | 23.2         | 1.8        | 1.7        | 3.0        | 3.2        | 2.3        | 1.9        | 2.0        | 1.7        | 1.3        | 1.3        |
| Furnishing, Household Equipment & Routine Household Maintenance | 4.3          | 3.5        | 2.3        | 0.7        | 0.9        | 0.3        | 0.2        | 0.1        | 0.2        | 0.1        | 0.1        |
| Health  | 2.7          | 0.7        | 2.1        | 1.8        | 1.9        | 1.0        | 1.0        | 0.9        | 1.1        | 1.2        | 1.2        |
| Transport   | 11.3         | 4.7        | 1.1        | 0.9        | 1.2        | 0.7        | 0.7        | 0.7        | 0.7        | 0.4        | 0.4        |
| Information & Communication                                     | 6.6          | 0.0        | -2.9       | -1.5       | 0.5        | -5.3       | -5.4       | -4.5       | -5.2       | -6.4       | -6.4       |
| Recreation, Sport & Culture                                     | 3.0          | 2.3        | 1.5        | 1.8        | 2.2        | 1.5        | 1.7        | 1.3        | 0.9        | 0.8        | 0.8        |
| Education   | 1.3          | 1.1        | 1.9        | 1.5        | 1.7        | 1.9        | 2.2        | 2.3        | 2.2        | 2.2        | 2.2        |
| Restaurants & Accommodation Services                            | 3.4          | 5.0        | 5.5        | 3.1        | 3.4        | 3.5        | 2.9        | 2.9        | 3.0        | 3.1        | 3.1        |
| Insurance, Financial Services, Miscellaneous Goods & Services   | 9.8          | 2.0        | 2.5        | 3.0        | 3.2        | 3.7        | 3.6        | 4.1        | 3.7        | 3.9        | 3.9        |

Source: Macrobond, Kenanga Research

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