

23 September 2025

Malaysia Consumer Price Index

August ticks up to 1.3%; 2025 inflation forecast cut to 1.5%

- **Headline inflation rose 1.3% YoY in August (Jul: 1.2%), matching both house and market expectations**

- Food prices rebounded partly as higher operational costs from the SST expansion filtered through, while water tariff hikes and rising rents pushed up housing. Information and communication costs also climbed.
- On a MoM basis, CPI held steady at 0.15%.
- **Core inflation** accelerated to 2.0% YoY (Jul: 1.8%), jumping 0.37% MoM (Jul: 0.15%) as housing and communication costs spiked.

- **Rising food, housing, and communication costs offset easing pressure from transport**

- **Food & Beverages** (2.0%; Jul: 1.9%): fresh fish (2.5%; Jul: 1.5%) and citrus fruit (3.1%; Jul: 0.0%) drove the rebound.
- **Housing, Water, Electricity, Gas & Other Fuels** (1.2%; Jul: 1.3%): eased slightly but rose 0.3% MoM (Jul: 0.0%), as water bills surged (2.7%; Jul: 0.0%) and rents ticked higher (0.3%; Jul: 0.0%).
- **Information & Communication** (-5.6%; Jul: -6.4%): deflation narrowed; the component rose 0.8% MoM (Jul: -0.9%) as streaming subscription fees spiked (6.1%; Jul: -5.8%).
- **Transport** (0.2%; Jul: 0.4%): fell to a 21-month low on cheaper petrol (-0.9%; Jul: -0.7%) and weaker international airfares (-7.5%; Jul: -4.2%).

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

- **US** (2.9%; Jul: 2.7%): climbed to a seven-month high as gas, groceries, and airfares rose. Core prices held steady at 3.1%. The uptick, alongside a soft labour market, keeps the Fed cautious on cuts.
- **UK** (3.8%; Jul: 3.8%): held at a 19-month high, with food prices rising for a fifth straight month (5.1%; Jul: 4.9%). Cooling wage growth could ease services inflation in coming months and support another cut.
- **China** (-0.4%; Jul: 0.1%): slipped back into deflation on base effects and weaker-than-usual seasonal food costs. Yet narrower PPI declines and a slight core CPI uptick (0.9%; Jul: 0.8%) hint at early stabilisation.

- **We trim our 2025 inflation forecast to 1.5% (from 1.7%; 2024: 1.8%), with subsidy reforms likely to have limited effect**

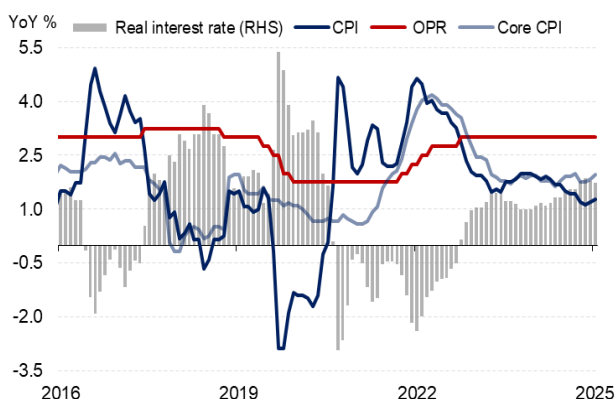
- To reach 1.7% call, CPI would need to average 0.4% MoM through year-end, an outcome unlikely under the recently announced Budi Madani RON95 scheme. While higher minimum wages and delayed SST pass-through pose upside risk, we now assume CPI will rise 0.2% MoM in the remaining months, bringing the 2025 average down to 1.5%.
- **Policy outlook:** Growth may cool slightly in 2H25, but we still expect GDP to average above 4.0% in 2025. US trade policy uncertainty and broader geopolitical risks remain the main downside threats. If these intensify and weigh heavily on economic activity, BNM has room to deliver another pre-emptive 25 bps cut to shore up the economy. But the call is as uncertain as a coin toss for now.

Table 1: Global Inflation (% YoY)

	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25
US	2.4	2.3	2.4	2.7	2.7	2.9
EU	2.2	2.2	1.9	2.0	2.0	2.0
UK	2.6	3.5	3.4	3.6	3.8	3.8
Japan	3.6	3.6	3.5	3.3	3.1	2.7
Korea	2.1	2.1	1.9	2.2	2.1	1.7
Singapore	0.9	0.9	0.8	0.8	0.6	N/A
China	-0.1	-0.1	-0.1	0.1	0.0	-0.4
Indonesia	1.0	1.9	1.6	1.9	2.4	2.3
Thailand	0.8	-0.2	-0.6	-0.2	-0.7	-0.8

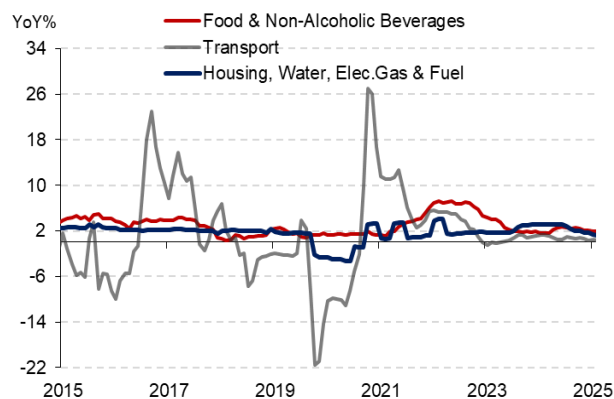
Source: Bloomberg, Kenanga Research

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	Aug -24	Mar -25	Apr -25	May -25	Jun -25	Jul -25	Aug -25
CPI	100.0	3.3	2.5	1.8	1.9	1.4	1.4	1.2	1.2	1.2	1.3
Core Inflation		3.0	3.0	1.8	1.9	1.9	2.0	1.8	1.8	1.8	2.0
Food & Beverages	29.8	5.8	4.8	2.0	1.6	2.5	2.3	2.1	1.9	1.9	2.0
Alcoholic Beverages & Tobacco	1.9	0.5	0.7	0.7	1.1	0.8	0.8	0.6	0.6	0.6	0.4
Clothing & Footwear	2.7	0.1	0.2	-0.3	-0.2	-0.2	-0.1	-0.2	-0.2	-0.2	-0.1
Housing, Water, Electricity, Gas & Other Fuels	23.2	1.8	1.7	3.0	3.1	1.9	2.0	1.7	1.3	1.3	1.2
Furnishing, Household Equipment & Routine Household Maintenance	4.3	3.5	2.3	0.7	0.7	0.2	0.1	0.2	0.1	0.1	0.2
Health	2.7	0.7	2.1	1.8	1.6	1.0	0.9	1.1	1.2	1.2	1.1
Transport	11.3	4.7	1.1	0.9	1.3	0.7	0.7	0.7	0.4	0.4	0.2
Information & Communication	6.6	0.0	-2.9	-1.5	0.5	-5.4	-4.5	-5.2	-6.4	-6.4	-5.6
Recreation, Sport & Culture	3.0	2.3	1.5	1.8	2.0	1.7	1.3	0.9	0.8	0.8	0.9
Education	1.3	1.1	1.9	1.5	1.5	2.2	2.3	2.2	2.2	2.2	2.4
Restaurants & Accommodation Services	3.4	5.0	5.5	3.1	3.2	2.9	2.9	3.0	3.1	3.1	3.5
Insurance, Financial Services, Miscellaneous Goods & Services	9.8	2.0	2.5	3.0	3.2	3.6	4.1	3.7	3.9	3.9	4.0

Source: Macrobond, Kenanga Research

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