

Malaysia Consumer Price Index

Ticks up to 1.5% YoY in September on higher food costs and water tariffs

- **Headline inflation rose 1.5% YoY in September (Aug: 1.3%), in line with house expectations but slightly above market consensus (1.4%)**

- **The increase was expected.** Food prices continued to climb, reflecting the gradual pass-through from the expanded SST and stronger household spending following the RM100 SARA cash aid, most of which was utilised in September. Higher water tariffs and a rebound in transport costs also contributed. Notably, the 14.7% YoY increase in health insurance costs mainly reflected base effects from a one-off 14.2% MoM spike in July, which BNM is addressing to prevent further surges.
- On a monthly basis, the CPI rose 0.22% (Aug: 0.15%), the fastest in seven months.
- **Core inflation** edged up to 2.1% YoY (Aug: 2.0%) despite slower monthly growth (0.3%; Aug: 0.37%), driven by costlier core miscellaneous goods and services.

- **Food, housing, and transport prices drove the increase**

- **Food & Beverages** (2.1%; Aug: 2.0) rose for a second consecutive month, led by a rebound in fresh meat (1.0% MoM; Aug: -0.5%) and a surge in milk prices (1.3% MoM; Aug: 0.3%).
- **Housing, Water, Electricity, Gas & Other Fuels** (1.5%; Aug: 1.2%): climbed to a three-month high as water bills jumped 7.8% (Aug: 2.7%) following tariff hikes in Selangor, Kuala Lumpur, and Putrajaya effective September 1.
- **Transport** (0.7%; Aug: 0.2%): more than tripled, matching May's level, driven by a rebound in passenger transport services (0.9% MoM; Aug: -1.0%) amid a 4.6% rise in international flight costs (Aug: -4.2%).

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

- **EU** (2.2%; Aug: 2.1%): hit a seven-month high, surpassing the ECB's 2.0% target, driven by higher services and energy prices. Core inflation held steady at 2.3%, signalling persistent underlying pressures. With price momentum still firm, the ECB may be nearing the end of its rate-cutting cycle.
- **S. Korea** (2.1%; Aug: 1.7%): rebounded to a three-month high as the temporary cuts in communication fees expired and food costs climbed. Renewed price pressures may delay the Bank of Korea's next rate cut.
- **China** (-0.3%; Aug: -0.4%): deflation extended into a second month as food prices, particularly pork, continued to fall amid abundant supply. An uptick in core inflation (1.0%; Aug: 0.9%) suggests early signs of demand stabilisation. Further policy support is likely as the economy faces a weak demand backdrop and renewed US-China trade frictions.

- **We maintain our 2025 inflation forecast at 1.5% (2024: 1.8%), with targeted subsidy reforms expected to lift inflation temporarily to around 2.0% in 4Q25**

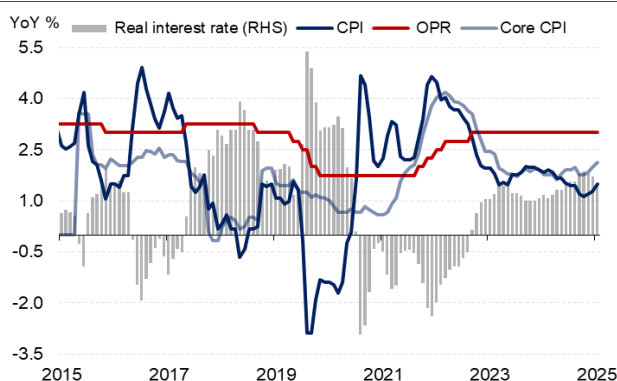
- Inflation averaged 1.4% in the first nine months of 2025 but is expected to edge higher in the final quarter. Under the Budi95 scheme, all Malaysian households are eligible for subsidised RON95 petrol, though the MoF estimates households account for only 78.0% of total consumption. The remaining 22.0% comprises usage by firms and foreign motorists. Eligible companies will continue to receive subsidised fuel via the SKPS system at RM2.05/litre, while foreigners pay the market rate of RM2.60/litre. This mix implies an effective average RON95 price of about RM2.10/litre, likely adding 0.2–0.3 ppt to October inflation. While the spike should be short-lived, second-round effects from higher operating costs may persist.
- **Policy outlook:** Growth momentum is set to strengthen in 2H25 following a stronger-than-expected 3Q25 advance GDP reading. We now forecast GDP growth at 4.5% in 2025 (previously 4.3%). Despite lingering uncertainty over US trade policy and wider geopolitical risks, domestic impact remains limited. With inflation pressures still contained, BNM is expected to keep the policy rate unchanged at 2.75% over the next 9–12 months.

Table 1: Global Inflation (% YoY)

	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25
US	2.3	2.4	2.7	2.7	2.9	N/A
EU	2.2	1.9	2.0	2.0	2.1	2.2
UK	3.5	3.4	3.6	3.8	3.8	N/A
Japan	3.6	3.5	3.3	3.1	2.7	N/A
S. Korea	2.1	1.9	2.2	2.1	1.7	2.1
Singapore	0.9	0.8	0.8	0.6	0.5	N/A
China	-0.1	-0.1	0.1	0.0	-0.4	-0.3
Indonesia	1.9	1.6	1.9	2.4	2.3	2.7
Thailand	-0.2	-0.6	-0.2	-0.7	-0.8	-0.7

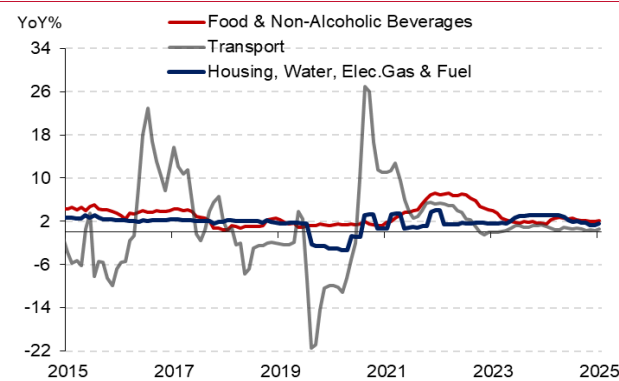
Source: Bloomberg, Kenanga Research

Graph 1: Real Interest Rate, Inflation Rates and OPR



Source: Macrobond, Kenanga Research

Graph 2: CPI Growth by Main Categories



Source: Macrobond, Kenanga Research

22 October 2025

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

Base 2010=100	weight	2022	2023	2024	Sep -24	Apr -25	May -25	Jun -25	Jul -25	Aug -25	Sep -25
CPI	100.0	3.3	2.5	1.8	1.8	1.4	1.2	1.1	1.2	1.3	1.5
Core Inflation		3.0	3.0	1.8	1.8	2.0	1.8	1.8	1.8	2.0	2.1
Food & Beverages	29.8	5.8	4.8	2.0	1.6	2.3	2.1	2.1	1.9	2.0	2.1
Alcoholic Beverages & Tobacco	1.9	0.5	0.7	0.7	0.8	0.8	0.6	0.6	0.6	0.4	0.3
Clothing & Footwear	2.7	0.1	0.2	-0.3	-0.3	-0.1	-0.2	-0.3	-0.2	-0.1	-0.2
Housing, Water, Electricity, Gas & Other Fuels	23.2	1.8	1.7	3.0	3.1	2.0	1.7	1.7	1.3	1.2	1.5
Furnishing, Household Equipment & Routine Household Maintenance	4.3	3.5	2.3	0.7	0.6	0.1	0.2	0.1	0.1	0.2	0.2
Health	2.7	0.7	2.1	1.8	1.6	0.9	1.1	1.2	1.2	1.1	1.3
Transport	11.3	4.7	1.1	0.9	1.1	0.7	0.7	0.3	0.4	0.2	0.7
Information & Communication	6.6	0.0	-2.9	-1.5	0.4	-4.5	-5.2	-5.4	-6.4	-5.6	-4.5
Recreation, Sport & Culture	3.0	2.3	1.5	1.8	2.1	1.3	0.9	0.8	0.8	0.9	0.9
Education	1.3	1.1	1.9	1.5	1.5	2.3	2.2	2.2	2.2	2.4	2.4
Restaurants & Accommodation Services	3.4	5.0	5.5	3.1	3.2	2.9	3.0	2.8	3.1	3.5	3.3
Insurance, Financial Services, Miscellaneous Goods & Services	9.8	2.0	2.5	3.0	3.1	4.1	3.7	4.2	3.9	4.0	4.8

Source: Macrobond, Kenanga Research

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