Malaysia's Headline CPI Inflation Remained Stable, Unchanged at +1.7%yoy in Jan-25

ECONOMIC REVIEW:
Jan-25
Consumer Price Index



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- **Headline inflation unchanged at +1.7%yoy in Jan-25.** Malaysia's headline inflation remains unchanged at +1.7%yoy in Jan-25, within our estimated range, on the back of moderation of the food inflation to +2.5%yoy (Dec-24: +2.7%yoy), as food inflation slightly slowed from the 14-month high recorded in the previous month.
- **Inflation moderated in the rural areas and remained unchanged in the urban areas.** By strata, the rural areas experienced a slight downtick to +1.3%yoy in Jan-25 (Dec-24: +1.4%yoy), while the urban area headline inflation rate remained unchanged at +1.7%yoy for the third month.
- **We continue to expect inflation to accelerate to +2.8% in 2025**. We maintain our projection for inflation to reach approximately +2.8% in 2025. This forecast is predicated on the anticipated effects of government policy adjustments, notably subsidy rationalisation initiatives.

Headline inflation unchanged at +1.7%yoy in Jan-25. Malaysia's headline inflation remains unchanged at +1.7%yoy in Jan-25, within our estimated range, on the back of moderation of the food inflation by +2.5%yoy (Dec-24: +2.7%yoy), as food inflation slightly slowed from the 14-month high recorded in the previous month. The inflation for food away from home picked up to +5.0%yoy (Dec-24: +4.8%yoy), prices for food at home moderated to +0.4%yoy (Dec-24: +0.9%yoy), with a broad-based increase across all components except for meat (-1.0%yoy), and milk, other dairy products & eggs (-0.4%yoy) among others. Non-food inflation further eased to +1.2%yoy (Dec-24: +1.3%yoy) due to the deflation in clothing and footwear, information and communication and slower inflation in housing water, electricity, gas & other fuels. Meanwhile, core CPI increased to +1.8%yoy (Dec-24: 1.6%yoy), reversing from the 35-month low recorded in the previous month, which continues to signal limited underlying price pressure. Continued easing of food, non-food, and core inflation suggests that upward price pressure from last year's policy changes (targeted subsidies, higher utility tariffs, and the SST rate hike) remains limited. Despite government signals of further fuel subsidy rationalisation and additional policy changes this year, we anticipate moderate inflation will likely persist in 1QCY25. Manageable cost pressures and moderate crude oil prices should keep inflation in check.

Global food prices continue to grow in Jan-24. Global food prices moderated to +6.2%yoy in Jan-25 (Dec-24: +6.7%yoy), as prices of oil products growth also moderated to +25.0%yoy (Dec-24: +32.5%yoy). Meanwhile, the prices of meat, dairy, and poultry increased to +8.1%yoy, +20.4%yoy, and +11.7%yoy. On the other hand, the prices of cereals and sugar continue to contract by -6.9%yoy and -18.5%yoy. Nonetheless, as a net food importer, Malaysia remains susceptible to external factors (e.g. fluctuations in global food prices) and changes in the ringgit exchange rates. On another note, domestic food inflation could move higher as adverse weather conditions disrupt production and food supplies.

Table 1: Consumer price index by component

		MoM%			YoY%		
	Weightage %	Nov-24	Dec-24	Jan-25	Nov-24	Dec-24	Jan-25
Core CPI	-	0.0	(0.2)	0.5	1.8	1.6	1.8
Headline CPI	100.0	(0.1)	0.1	0.1	1.8	1.7	1.7
Food and Beverages	29.8	0.0	0.4	0.1	2.6	2.7	2.5
Food	29.0	0.0	0.4	0.1	2.5	2.7	2.5
Food at Home	15.6	(0.1)	0.7	-0.2	0.6	0.9	0.4
Food Away from Home	13.4	0.1	0.2	0.5	4.8	4.8	5.0
Non-alcoholic Beverages	0.8	0.0	0.3	0.4	2.8	3.0	3.3
Non-Food	70.2	(0.1)	(0.1)	0.1	1.4	1.3	1.2
Alcoholic Beverages & Tobacco	1.9	0.0	(0.1)	0.1	0.8	0.8	0.9
Clothing & Footwear	2.7	(0.1)	(0.2)	0.1	(0.3)	(0.5)	(0.3)
Housing, Water, Electricity, Gas & Other Fuels	23.2	0.3	0.0	0.1	3.2	3.2	2.8
Furnishings, Household Equip & Maintenance	4.3	0.1	(-0.1)	0.1	0.5	0.4	0.5
Health	2.7	0.0	0.1	0.3	1.2	1.1	1.2
Transport	11.3	(0.2)	0.3	0.4	0.4	0.4	0.9
Information and Communication	6.6	(2.3)	(1.7)	0.1	(3.9)	(5.4)	(5.3)
Recreation, Sport and Culture	3.0	0.1	0.1	0.1	2.0	1.7	1.8
Education	1.3	0.0	0.0	0.2	1.5	1.5	1.6
Restaurants & Accommodation Services	3.4	0.1	0.3	0.5	2.8	2.9	3.5
Insurance & Financial Services	4.0	0.0	0.0	0.1	0.5	0.5	0.6
Personal Care, Social Protect & Misc. Goods & Services	5.8	0.5	0.0	0.2	3.4	3.2	3.3

Source: DOSM, MIDFR

Inflation moderated in the rural areas and remained unchanged in the urban areas. By strata, the rural areas experienced a slight downtick to +1.3%yoy in Jan-25 (Dec-24: +1.4%yoy), while the urban area headline inflation rate remained unchanged at +1.7%yoy for the third month. Among the states, Penang continued to record the highest inflation at +2.4%yoy (Dec-24: +2.6%yoy), being above the national level, reversing the three straight months of moderation; followed by Selangor (+2.0%yoy; Dec-24: +2.0%yoy), Johor (+1.9%yoy; Dec-24: +1.8%yoy), and Pahang (+1.9%yoy; Dec-24: +2.3%yoy).

Table 2: Inflation by state (YoY%)

	MoM%			YoY%		
	Nov-24	Dec-24	Oct-24	Nov-24	Dec-24	Jan-25
Urban	(0.1)	0.1	0.2	1.7	1.7	1.7
Rural	0.0	0.0	0.2	1.6	1.4	1.3
Peninsular Malaysia	(0.1)	0.1	0.1	1.7	1.7	1.7
Kedah	(0.1)	(0.1)	0.2	1.2	1.0	0.9
Perlis	(0.2)	0.00	0.2	1.5	1.3	1.1
Pulau Pinang	(0.1)	(0.1)	0.1	2.9	2.6	2.4
Perak	0.0	0.1	0.1	1.0	1.1	0.9
Selangor	(0.1)	0.1	0.2	2.1	2.0	2.0
Putrajaya	(0.1)	0.1	0.0	1.1	0.9	0.7
Kuala Lumpur	(0.1)	0.2	0.0	1.4	1.5	1.2

	MoM%			YoY%		
	Nov-24	Dec-24	Oct-24	Nov-24	Dec-24	Jan-25
Melaka	(0.1)	0.2	0.2	1.6	1.6	1.7
Negeri Sembilan	(0.1)	0.2	0.2	1.5	1.4	1.5
Johor	0.0	0.1	0.3	1.9	1.8	1.9
Pahang	(0.2)	0.1	0.2	2.4	2.3	1.9
Kelantan	(0.2)	0.0	0.2	0.9	0.7	0.8
Terengganu	0.0	0.0	0.2	1.6	1.6	1.7
Sabah	0.0	(0.1)	0.2	1.1	0.9	0.9
Sarawak	(0.1)	0.0	0.1	1.9	1.8	1.7

Source: DOSM, MIDFR

PPI turned positive after three months of contraction in Dec-24. Malaysia's PPI increased marginally by +0.5%yoy in Dec-24 after three months of decline since Sept-24. On a sector basis, agriculture, forestry & fishing, electricity & gas supply, and water supply increased by +23.8%yoy (Nov-24: +21.8%yoy), +0.9%yoy (Nov-24: +0.9%yoy), and +6.7%yoy (Nov-24: +6.6%yoy). Meanwhile, the mining sector contracted by -0.7%yoy (Nov-24: -8.3%yoy) and the manufacturing by -1.0%yoy (Nov-24: -1.8%yoy). In the stage of crude processing component, the expansion was driven by the pickup in the prices of all three stages of processing, which were, the crude materials, intermediate materials, and finished goods which grew by +1.9%yoy (Nov-24: 2.0%yoy), +0.1%yoy (Nov-24: -0.2%yoy), and +0.5%yoy (Nov-24: +0.4%yoy). Under the crude material component, the crude fuels contracted the most by -14.9%yoy (Nov-24: -19.6%yoy) while foodstuff also contracted by -1.0%yoy. Under intermediate materials, the processed fuel & lubricants contracted the most by -6.4%yoy (Nov-24: 4.3%yoy). Meanwhile, PPI inflation for finished goods materials grew, where capital equipment grew by +1.2%yoy (Nov-24: +1.3%yoy). Given the currently limited upward pressure on producer prices, we expect sellers to refrain from passing on costs to consumers, leading to price stability in the near term. However, we acknowledge a short-term upside risk to prices, particularly within the food component, in the fourth quarter of 2024. This risk stems from potential adverse weather conditions impacting agricultural output and the currently elevated crude palm oil (CPO) prices.

Table 3: Producer Price Indices by Stage of Processing

	MoM%			YoY%		
	Oct-24	Nov-24	Dec-25	Oct-24	Nov-24	Dec-25
PPI	(0.7)	1.4	0.8	(2.4)	(0.4)	0.5
Crude Materials	0.8	4.8	1.5	(8.7)	(2.0)	1.9
Foodstuffs	0.6	(0.7)	0.5	(0.1)	(0.2)	(1.0)
Non-food	0.9	6.0	1.7	(10.5)	(2.3)	2.4
Non-food ex fuel	8.6	13.3	2.0	22.7	35.7	39.5
Crude Fuel	(4.0)	(1.2)	1.6	(24.5)	(19.6)	(14.9)
Intermediate Materials	(0.9)	1.15	0.6	(1.9)	(0.2)	(0.1)
Manufactured Goods	(0.7)	0.5	1.4	1.3	1.7	3.3
Construction	(0.3)	0.0	(0.3)	(1.2)	(1.3)	(0.9)
Processed Fuel & Lubricants	(2.3)	4.4	(1.7)	(10.8)	(4.2)	(6.4)
Containers	(0.7)	1.0	(1.2)	(5.7)	(4.7)	(6.0)
Supplies	(0.8)	0.2	(0.9)	(0.7)	(0.7)	(1.2)
Finished Goods	(0.9)	(0.6)	(0.4)	1.1	0.4	0.5
Consumer Goods	(0.4)	0.2	0.4	(1.3)	(0.8)	(0.4)
Consumer Goods ex. Foods	(0.5)	0.0	0.9	(2.8)	(2.3)	(2.0)
Capital Equipment	(1.3)	(1.3)	(0.6)	3.1	1.3	1.2

Source: DOSM, Macrobond, MIDFR

Re-acceleration of inflation in other economies remains a key concern. In several other countries, inflation accelerated in Jan-25, causing a shift in the expectation of the pace of rate cuts by the major central bank. In the US, the headline inflation rose to +3.0%yoy in Jan-25 (Dec-24: +2.9%yoy); meanwhile, core CPI also increased to +3.3%yoy (Dec-24: +3.2%yoy) indicating underlying prices pressure in the US. Similarly, headline inflation CPI inflation in the euro area accelerated to +2.5%yoy (Dec-24: +2.4%yoy), while core CPI inflation remained stable at +2.7%yoy for the fifth consecutive month. On the other hand, in the UK, both headline and core CPI accelerated to +3.0%yoy (Dec-24: +2.5%yoy) while core inflation to +3.7%yoy (Dec-24: +3.2%yoy), respectively. With the reading exceeding the Bank of England's inflation target, the BOE has recently cut its Bank Rate by -25bps to 4.5% in Feb-25, marking the third rate cut since Aug-24, to support economic activities. In Asia, China's deflationary risk remained amid concerns over weak demand as the country's headline CPI remained low at +0.5%yoy. Meanwhile, other regional economies experienced a slight pickup in their CPI inflation which are Thailand and South Korea. With inflation remaining rather moderate than in previous years, we continue to expect central banks' monetary policy to be on an easing bias.

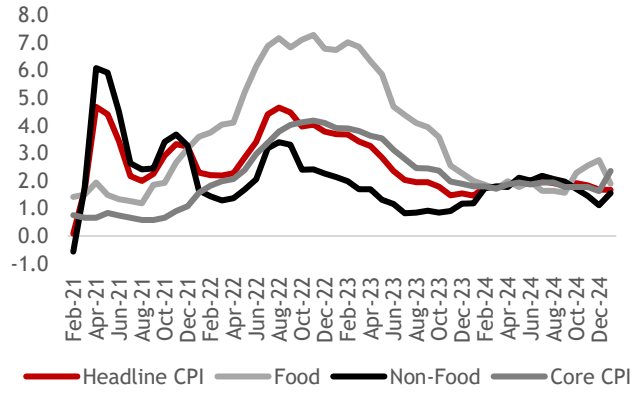
Table 4: Global Headline CPI Inflation (YoY%)

	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25
Malaysia	2.0	1.9	1.8	1.9	1.8	1.7	**1.9**
Indonesia	2.1	2.1	1.8	1.7	1.5	1.6	**0.8**
Singapore	2.4	2.2	2.0	1.4	1.6	n.a.	**n.a.**
Thailand	0.8	0.4	0.6	0.8	0.9	1.2	**1.3**
Philippines	4.4	3.3	1.9	2.3	2.5	2.9	**2.9**
Taiwan	2.5	2.4	1.8	1.7	2.1	2.0	**2.0**
South Korea	2.6	2.0	1.6	1.3	1.5	1.9	**2.2**
China	0.5	0.6	0.4	0.3	0.2	0.1	**0.5**
Japan	2.8	3.0	2.5	2.3	2.9	3.6	**3.6**
Euro Area	2.6	2.2	1.7	2.0	2.2	2.4	**2.5**
UK	2.2	2.2	1.7	2.3	2.6	2.5	**3.0**
USA	2.9	2.5	2.4	2.6	2.7	2.9	**3.0**
PCE Prices	2.5	2.3	2.1	2.3	2.4	2.6	**n.a.**

n.a. = not available
Source: Macrobond, MIDFR

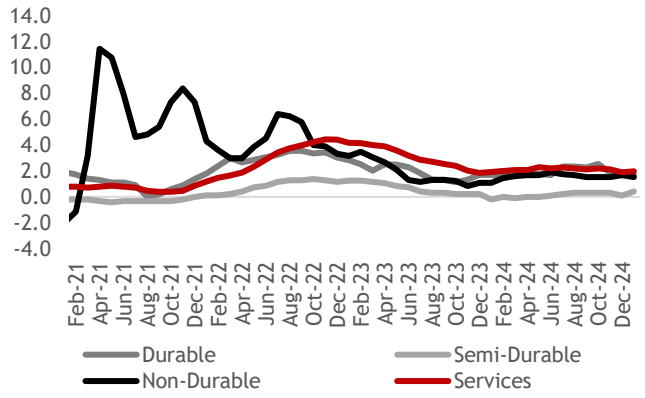
We continue to expect inflation to accelerate to +2.8% in 2025. We maintain our projection for inflation to reach approximately +2.8% in 2025. This forecast is predicated on the anticipated effects of government policy adjustments, notably subsidy rationalisation initiatives. Furthermore, we continue to project that the OPR will remain at its current level of 3.00% throughout 2025, based on the absence of significant demand-driven inflationary pressures and our assessment that the prevailing rate supports Malaysia's economic growth trajectory.

Chart 1: Key CPI Data (YoY%)



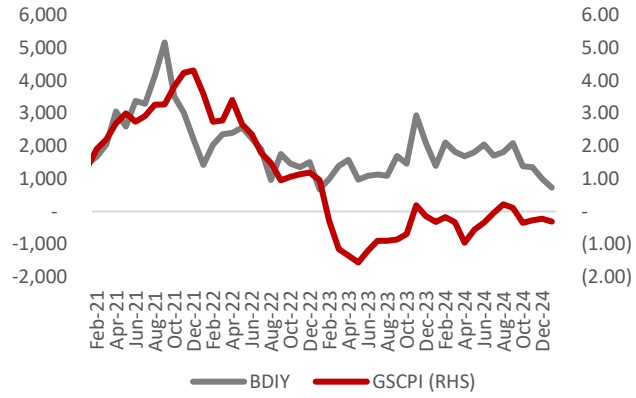
Source: Macrobond, MIDFR

Chart 2: CPI by Type of Product (YoY%)



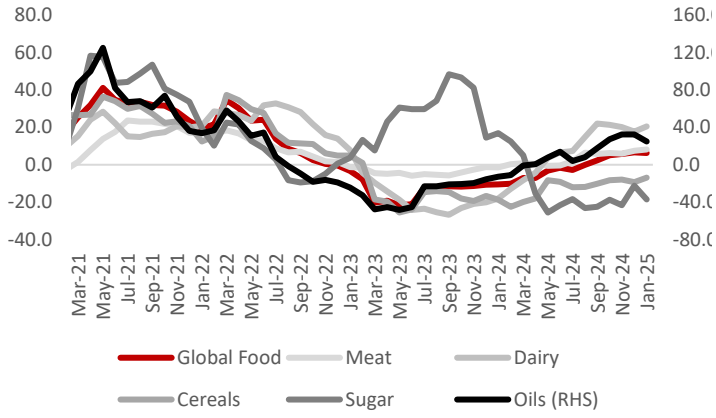
Source: Macrobond, MIDFR

Chart 3: Baltic Dry Index (BDI) vs Global Supply Chain Pressure Index (GSCPI)



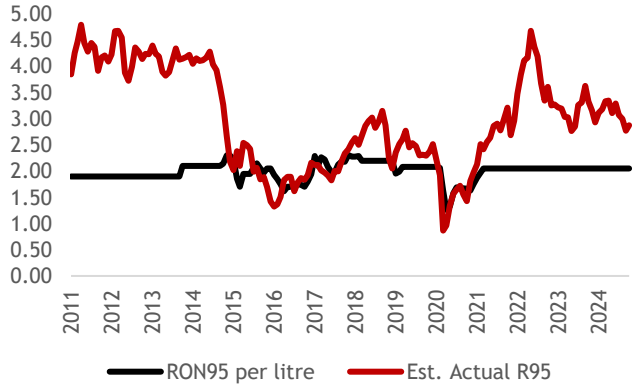
Source: Macrobond, MIDFR

Chart 4: Global Food Inflation (YoY%)



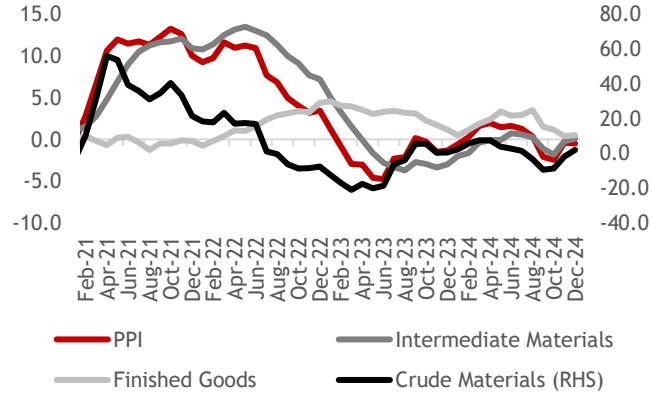
Source: FAO of UN, MIDFR

Chart 5: Subsidized vs. Estimated Actual RON95 Price (RM per litre)



Source: Bloomberg, MIDFR

Chart 6: PPI (YoY%)



Source: Macrobond, MIDFR

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