

Malaysia's Headline CPI Moderated to +1.4%yoy in Mar-25, Hitting a 4-year low

ECONOMIC REVIEW:
Mar-25
Consumer Price Index

Author

MIDF Research
research@midf.com.my



- *Headline inflation moderated to +1.4%yoy in Mar-25. Malaysia's headline inflation moderated to +1.4%yoy in Mar-25, below our estimate of +1.6% - +1.8%yoy and the market consensus of +1.6%yoy, marking the lowest point since Feb-21. The inflation for food away from home eased slightly to +4.5%yoy (Feb-25: +4.6%yoy), and prices for food at home picked up to +0.6%yoy (Feb-25: +0.5%yoy).*
- *Inflation moderates in urban areas. By strata, the urban areas saw a slight inflation downtick to +1.5%yoy (Feb-25: +1.6%yoy), being above the national level inflation, while the rural areas inflation remained unchanged at +1.2%yoy.*
- *Our expectation remains that inflation will accelerate to +2.5% in 2025. Our central expectation is for inflation to reach +2.5% in 2025. This outlook was largely predicated on the anticipated inflationary effects of government subsidy rationalisation, which may start in Jun-25.*

Headline inflation moderated to +1.4%yoy in Mar-25. Malaysia's headline CPI inflation moderated to +1.4%yoy in Mar-25, below our estimate of +1.6-1.8%yoy and the market consensus of +1.6%yoy, marking the lowest point since Feb-21. The inflation for food away from home eased slightly to +4.5%yoy (Feb-25: +4.6%yoy), and prices for food at home picked up to +0.6%yoy (Feb-25: +0.5%yoy), as the fish & other seafood and oils & fats, which both increased by +1.7%yoy respectively. Meanwhile, sugar, confectionery & desserts and ready-made food & other food products increased by +1.1%yoy and +3.1%yoy. Non-food inflation eased further to +0.9%yoy (Feb-25: +1.0%yoy) due to deflation in clothing & footwear, information & communication, and slower inflation in housing, water, electricity, gas & other fuels. Meanwhile, core CPI remained unchanged at +1.9%yoy in Mar-25, which signals still mild underlying price pressures. For 1QCY25, overall inflation was slower at +1.5%, compared to the same period last year (1QCY24: +1.8%). The current low-price pressures observed in food, non-food, and core inflation imply that the impact of last year's government policy changes, specifically targeted subsidies, higher utility tariffs, and the SST rate hike, on overall inflation remains minimal. Despite the planned fuel subsidy rationalisation and other policy changes slated for this year, our forecast indicates that moderate inflation will likely extend into 2QCY25. This projection is based on the expectation that controlled cost pressures and stable crude oil prices will effectively limit any significant upward pressure on inflation.

Global food prices eased in Mar-25. Global food prices moderate to +6.9%yoy in Mar-25 (Feb-25: +7.9%yoy), the second highest level this year. Global food prices eased across the board, slower inflation for prices of meat (+2.7%yoy; Feb-25: +4.0%yoy), dairy (+19.9%yoy; Feb-25: +23.2%yoy), oils (+29.1%yoy; Feb-25: +23.9%yoy), and poultry (+8.0%yoy; Feb-25: +6.9%yoy). Meanwhile, prices for cereals remained unchanged at -1.1%yoy. Despite other factors, Malaysia's reliance on food imports exposes its vulnerability to global food price volatility and currency fluctuations. Furthermore, domestic food inflation could be exacerbated by adverse weather impacting production.

Table 1: Consumer price index by component

	Weightage %	MoM%			YoY%		
		Jan-25	Feb-25	Mar-25	Jan-25	Feb-25	Mar-25
Core CPI	-	0.5	0.4	0.2	1.8	1.9	1.9
Headline CPI	100.0	0.1	0.4	0.0	1.7	1.5	1.4
Food and Beverages	29.8	0.1	0.2	0.2	2.5	2.5	2.5
Food	29.0	0.1	0.4	(0.1)	2.5	2.4	2.4
Food at Home	15.6	-0.2	0.3	(0.1)	0.4	0.5	0.6
Food Away from Home	13.4	0.5	0.1	0.1	5.0	4.6	4.5
Non-alcoholic Beverages	0.8	0.4	0.2	2.0	3.3	3.3	5.5
Non-Food	70.2	0.2	0.4	0.0	1.2	1.0	0.9
Alcoholic Beverages & Tobacco	1.9	0.1	0.0	0.0	0.9	0.9	0.8
Clothing & Footwear	2.7	0.1	0.0	0.0	(0.3)	(-0.2)	(-0.2)
Housing, Water, Electricity, Gas & Other Fuels	23.2	0.1	0.7	0.0	2.8	2.3	1.9
Furnishings, Household Equip & Maintenance	4.3	0.1	-0.1	-0.1	0.5	0.3	0.2
Health	2.7	0.3	0.2	0.0	1.2	1.0	1.0
Transport	11.3	0.4	0.2	(0.2)	0.9	0.7	0.7
Information and Communication	6.6	0.1	0.0	(0.1)	(5.3)	(5.3)	(5.4)
Recreation, Sport and Culture	3.0	0.1	0.1	0.0	1.8	1.5	1.7
Education	1.3	0.2	0.5	0.5	1.6	1.9	2.2
Restaurants & Accommodation Services	3.4	0.5	0.6	(0.1)	3.5	3.5	2.9
Insurance & Financial Services	4.0	0.1	0.8	0.0	0.6	1.5	1.5
Personal Care, Social Protect & Misc. Goods & Services	5.8	0.2	0.7	0.3	3.3	3.7	3.6

Source: DOSM, MIDFR

Inflation moderates in urban areas. By strata, the urban areas saw a slight inflation downtick to +1.5%yoy (Feb-25: +1.6%yoy), being above the national level inflation, while the rural areas inflation remained unchanged at +1.2%yoy. Among the states, inflation in Johor recorded the highest rate of +2.1%yoy, but remained unchanged from last month; followed by Selangor at +1.8%yoy (Feb-25: +1.9%yoy), and Negeri Sembilan which accelerated to +1.7%yoy (Feb-25: +1.5%yoy). Meanwhile, Sarawak inflation eased significantly to +1.0%yoy (Feb-25: +1.9%yoy), the lowest level since Mar-21.

Table 2: Inflation by state (YoY%)

	MoM%			YoY%		
	Jan-25	Feb-25	Mar-25	Jan-25	Feb-25	Mar-25
Urban	0.2	0.4	0.0	1.7	1.6	1.5
Rural	0.2	0.2	0.1	1.3	1.2	1.2
Peninsular Malaysia	0.1	0.4	0.0	1.7	1.5	1.5
Kedah	0.2	0.2	(0.1)	0.9	1.3	0.6
Perlis	0.2	0.2	0.1	1.1	0.9	1.0
Pulau Pinang	0.1	0.1	0.1	2.4	1.2	1.1
Perak	0.1	0.2	0.0	0.9	1.0	1.1
Selangor	0.2	0.6	0.0	2.0	1.9	1.8
Putrajaya	0.0	0.1	0.2	0.7	0.4	0.7
Kuala Lumpur	0.0	0.2	(0.1)	1.2	1.1	1.1
Melaka	0.2	0.3	(0.1)	1.7	1.6	1.6
Negeri Sembilan	0.2	0.2	0.2	1.5	1.5	1.7

	MoM%			YoY%		
	Jan-25	Feb-25	Mar-25	Jan-25	Feb-25	Mar-25
Johor	0.3	0.7	(0.1)	1.9	2.1	2.1
Pahang	0.2	0.1	(0.1)	1.9	1.1	1.1
Kelantan	0.2	0.2	0.0	0.8	0.5	0.5
Terengganu	0.2	0.1	0.0	1.7	1.3	1.2
Sabah	0.2	0.3	0.1	0.9	1.0	1.1
Sarawak	0.1	0.3	0.1	1.7	1.9	1.0

Source: DOSM, MIDFR

PPI continued to grow, albeit more slowly, for the third month. Malaysia's PPI grew at a slower pace of +0.3%yoy in Feb-25 (Mar-25: +0.8%yoy), the slowest pace in three months. The price pressure was partially driven by the double-digit inflation in agriculture, forestry, and fishing sectors, despite moderating to +15.2%yoy in Feb-25 (Jan-25: +16.5%yoy). Meanwhile, prices for water supply maintained its positive momentum, recording a softer growth of +2.9%yoy (Jan-25: +7.6%yoy). On the other hand, the manufacturing sector recorded a softer PPI decline of -0.3%yoy, the sixth consecutive month of deflation. PPI for the electricity & gas supply and mining sectors also fell by -0.2%yoy and -0.97%yoy. On a monthly basis, the PPI inflation grew slower by +0.1%mom in Feb-25 (Jan-25: +0.3%mom). The main drivers of the upward price pressure were the recovery in producer prices in the agriculture, forestry, and fishing sector which rebounded +1.4%mom (Jan-25: -3.9%mom). In the crude processing component, the expansion was driven by the pickup in all three stages of processing. PPI inflation for the finished goods index recorded a slight increase of +0.7%yoy, driven by +1.7%yoy rise in the capital equipment index. However, the crude materials for further processing and intermediate materials, supplies & components index was flat on an annual basis. Given that PPI inflation is still below the CPI (Feb-25: +1.5%yoy), we think that consumers will face limited pass-through price pressure given the mild increases in cost pressures. Nevertheless, Malaysia faces potential inflationary headwinds from government initiatives such as subsidy cuts, a higher minimum wage, and increased utility costs. Conversely, any postponement of these policies, notably the subsidy rationalisation plan, could help anchor inflation at a lower level.

Table 3: Producer Price Indices by Stage of Processing

	MoM%			YoY%		
	Dec-24	Jan-25	Feb-25	Dec-24	Jan-25	Feb-25
PPI	0.8	0.3	0.1	0.5	0.8	0.3
Crude Materials	1.5	0.5	0.3	1.9	2.4	0.0
Foodstuffs	0.5	0.6	1.2	(1.0)	(0.9)	0.1
Non-food	1.7	0.5	0.1	2.4	3.1	0.0
Non-food ex fuel	2.0	(6.0)	1.5	39.5	27.5	24.7
Crude Fuel	1.6	5.5	(1.0)	(14.9)	(8.9)	(12.3)
Intermediate Materials	0.6	0.2	(0.1)	(0.1)	0.2	0.0
Manufactured Goods	1.4	1.2	0.2	3.3	4.4	4.3
Construction	(0.3)	(0.4)	0.0	(0.9)	(1.5)	(1.2)
Processed Fuel & Lubricants	(1.7)	(2.3)	(0.8)	(6.4)	(8.2)	(8.3)
Containers	(1.2)	0.4	0.3	(6.0)	(5.3)	(4.8)
Supplies	(0.9)	0.0	(0.4)	(1.2)	(1.5)	(2.4)
Finished Goods	(0.4)	0.2	0.3	0.5	1.1	0.7
Consumer Goods	0.4	(0.3)	(0.5)	(0.4)	(0.3)	(0.4)
Consumer Goods ex. Foods	0.2	(0.5)	(0.7)	(2.0)	(1.9)	(1.9)
Capital Equipment	(0.6)	0.4	1.0	1.2	2.1	1.7

Source: DOSM, Macrobond, MIDFR

Continued moderation of inflation in other countries. Inflation in other countries slightly moderates in Mar-25, and investors continue to adjust their expectations of the pace of rate cuts by the major central banks. In the US, the headline CPI inflation continued to ease to +2.4%yoy in Mar-25 (Feb-25: +2.8%yoy); and core CPI inflation also eased to +2.8%yoy (Feb-25: +3.1%yoy), the lowest level since May-21. Likewise, headline CPI inflation for the euro area eased to +2.2%yoy in Mar-25 (Feb-25: +2.3%yoy), while core CPI fell to +2.4%yoy in Mar-25 (Feb-25: 2.6%yoy); where easing inflation supported the European Central Bank (ECB) to cut interest rates by -25bps at its recent Apr-25 policy meeting. The ECB has taken borrowing costs to their lowest level since late 2022, warning that growth would be a big hit by the higher US tariffs. In the UK, headline inflation decelerated to +2.6%yoy in Mar-24 (Feb-25: +2.8%yoy), and core inflation slowed to +3.5%yoy (Feb-25: +3.4%yoy), respectively. In Asia, China's deflationary risk remains a concern, as the headline CPI fell further by -0.1%yoy in Mar-25 (Feb-25: -0.7%yoy). Among regional economies, CPI inflation also moderated in Thailand and the Philippines. With inflation remaining rather moderate than the previous years, we continue to expect the central bank's monetary policy to be at an easing bias.

Table 4: Global Headline CPI Inflation (YoY%)

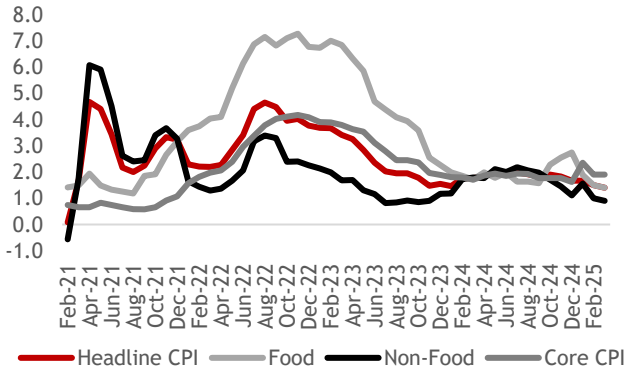
	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25
Malaysia	1.8	1.9	1.8	1.7	1.7	1.5	1.4
Indonesia	1.8	1.7	1.5	1.6	0.8	(0.1)	1.0
Singapore	2.0	1.4	1.6	1.5	1.2	0.9	n.a.
Thailand	0.6	0.8	0.9	1.2	1.3	1.1	0.8
Philippines	1.9	2.3	2.5	2.9	2.9	2.0	1.7
Taiwan	1.8	1.7	2.1	2.0	2.0	2.2	2.0
South Korea	1.6	1.3	1.5	1.9	2.2	2.0	2.1
China	0.4	0.3	0.2	0.1	0.5	(0.7)	(0.1)
Japan	2.5	2.3	2.9	3.6	3.6	3.7	3.6
Euro Area	1.7	2.0	2.2	2.4	2.5	2.3	2.2
UK	1.7	2.3	2.6	2.5	3.0	2.8	2.6
USA	2.4	2.6	2.7	2.9	3.0	2.8	2.4
PCE Prices	2.1	2.3	2.4	2.6	2.5	2.5	n.a.

n.a. = not available

Source: Macrobond, MIDFR

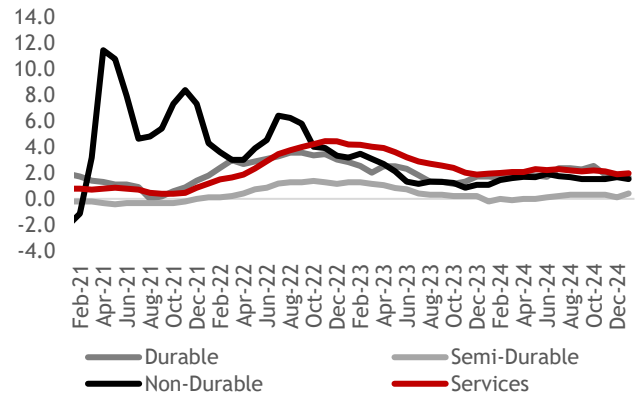
Maintain our projection; inflation to accelerate to +2.5% in 2025. Despite the downside bias given the still moderate inflation reading thus far, we maintain our projection for now that Malaysia's inflation will accelerate to +2.5% in 2025 (2024: +1.8%). This outlook was largely predicated on the anticipated inflationary effects coming from policy changes by the government, particularly further subsidy rationalisation with the shift to targeted RON95 subsidy by mid-2025. In general, we anticipate the main source of higher inflation will be from changes on the supply side. On that note, we foresee the OPR will be kept unchanged at 3.00% throughout 2025 as we observe no strong indications of demand-pull inflation, and the current policy stance is still deemed to be normal and supportive of sustainable economic growth.

Chart 1: Key CPI Data (YoY%)



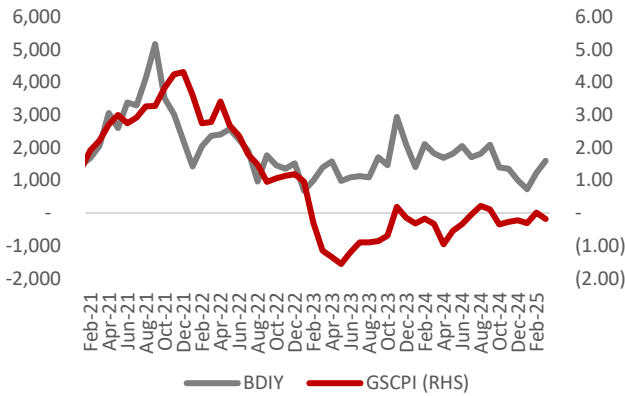
Source: Macrobond, MIDFR

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



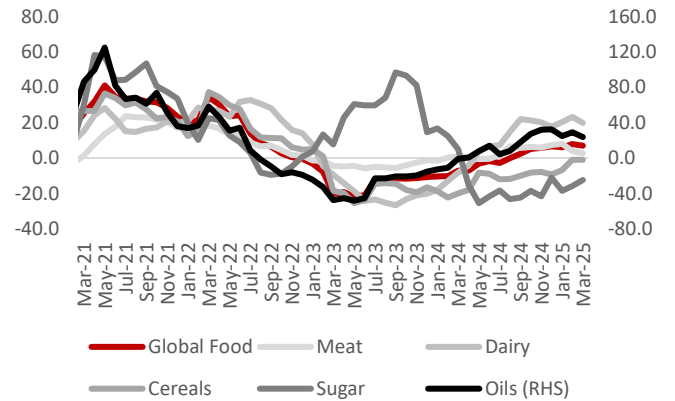
Source: Macrobond, MIDFR

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



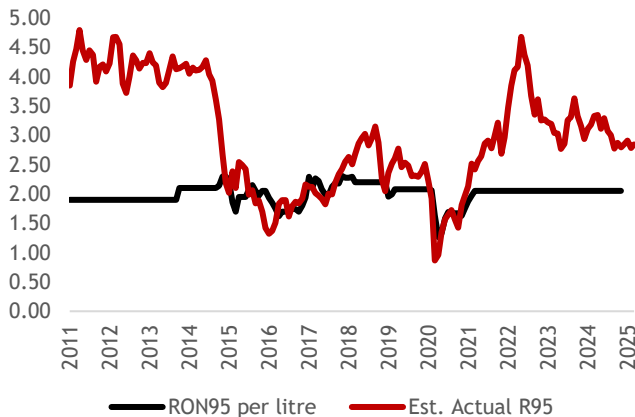
Source: Macrobond, MIDFR

Chart 4: Global Food Inflation (YoY%)



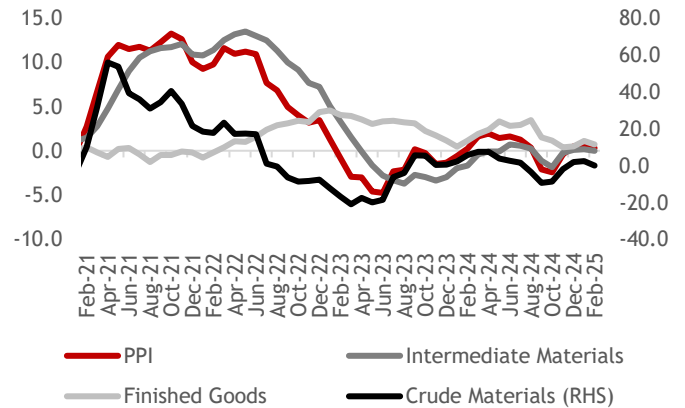
Source: FAO of UN, MIDFR

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



Source: Bloomberg, MIDFR

Chart 6: PPI (YoY%)



Source: Macrobond, MIDFR

**MIDF RESEARCH is part of MIDF Amanah Investment Bank Berhad
197501002077 (24878-X).**

(Bank Pelaburan) (A Participating Organisation of Bursa Malaysia Securities Berhad)

DISCLOSURES AND DISCLAIMER

This report has been prepared by MIDF AMANAH INVESTMENT BANK BERHAD 197501002077 (24878-X).

It is for distribution only under such circumstances as may be permitted by applicable law.

Readers should be fully aware that this report is for information purposes only. The opinions contained in this report are based on information obtained or derived from sources that we believe are reliable. MIDF AMANAH INVESTMENT BANK BERHAD makes no representation or warranty, expressed or implied, as to the accuracy, completeness or reliability of the information contained therein and it should not be relied upon as such.

This report is not, and should not be construed as, an offer to buy or sell any securities or other financial instruments. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. All opinions and estimates are subject to change without notice. The research analysts will initiate, update and cease coverage solely at the discretion of MIDF AMANAH INVESTMENT BANK BERHAD.

The directors, employees and representatives of MIDF AMANAH INVESTMENT BANK BERHAD may have an interest in any of the securities mentioned and may benefit from the information herein. Members of the MIDF Group and their affiliates may provide services to any company and affiliates of such companies whose securities are mentioned herein. This document may not be reproduced, distributed or published in any form or for any purpose.