Malaysia's Headline CPI Inflation Stable in Apr-25, Remaining at a 4-Year Low

ECONOMIC REVIEW:
Apr-25 Consumer Price Index



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Economic Review

- Headline CPI inflation was unchanged at +1.4%yoy in Apr-25, slightly below our estimate of +1.5%yoy and marking the second month of the lowest print since Feb-21. The inflation for food away from home eased slightly to +4.3%yoy (Mar-25: +4.5%yoy), and prices for food at home eased to +0.5%yoy (Mar-25: +0.6%yoy).
- Inflation moderates in rural areas. By strata, inflation in the urban areas remained unchanged at +1.5%yoy in Apr-25, being above the national level inflation, while the rural areas inflation slightly moderated to +1.1%yoy.
- Still expecting inflation to accelerate but adjusting our 2025 inflation forecast to +2.2%. We continue to expect inflation will accelerate to an average of +2.2% this year, although this is a slight adjustment compared to our previous projection of +2.5%

Headline remained unchanged at +1.4%yoy in Apr-25. Malaysia's headline CPI inflation was unchanged at +1.4%yoy in Apr-25, slightly below our estimate of +1.5%yoy and marking the second month of the lowest point since Feb-21. The inflation for food away from home eased slightly to +4.3%yoy (Mar-25: +4.5%yoy), and prices for food at home eased to +0.5%yoy (Mar-25: +0.6%yoy), as the vegetable prices contracted by -1.8%yoy and the milk, other dairy products & eggs also fell by -1.3%yoy. Meanwhile, the fish & other seafood and oils & fats both increased by +1.8%yoy, respectively. On the other hand, non-food inflation accelerated marginally to +1.0%yoy in Apr-25 (Mar-25: +0.9%yoy), due to the higher inflation in housing, water, electricity, gas & other fuels (+2.0%yoy; Mar-25: +1.9%yoy) and Personal Care, Social Protection & Misc. Goods & Services (+4.1%yoy; Mar-25: +3.6%yoy). Meanwhile, core CPI also accelerated slightly to +2.0%yoy in Apr-25 (Mar-25: +1.9%yoy) but still signals still mild underlying price pressures. The observed low-price pressures across food, non-food, and core inflation suggest that the impact of last year's government policy changes, specifically the shift to targeted subsidies, higher utility tariffs, and the SST rate hike, on overall inflation has been minimal. Despite anticipated fuel subsidy rationalisation and other policy adjustments this year, we forecast that moderate inflation will likely extend into 2QCY25. This projection is underpinned by expectations of contained cost pressures and moderating crude oil prices, which should effectively limit significant upward inflationary forces.

Global food prices picked up on Apr-25. Global food prices grew at a faster pace of +7.5%yoy in Apr-25 (Mar-25: +6.8%yoy), the second highest since Sep-22. The faster food price inflation was driven by the increase in prices of meat (+4.3%yoy; Mar-25: +2.6%yoy), Dairy (+22.9%yoy; Mar-25: +19.8%yoy) as well as a sustained but slower rise for oils (+20.7%yoy; Mar-25: +23.9%yoy) and poultry (+2.4%yoy; Mar-25: +4.9%yoy). On the other hand, deflation continued for sugar (-10.8%yoy, Mar-25: -12.3%yoy) and cereals (-0.5%yoy, Mar-25: -1.1%yoy). Malaysia's dependence on imported food leaves it susceptible to swings in global food prices and currency exchange rates. The recent strength in the ringgit could limit the upside price pressures from higher import costs. On top of that, bad weather hurting local production could make domestic food inflation even worse.

Table 1: Consumer price index by component

		MoM%			YoY%		
	Weightage %	Feb-25	Mar-25	Apr-25	Feb-25	Mar-25	Apr-25
Core CPI	-	0.4	0.2	0.2	1.9	1.9	2.0
Headline CPI	100.0	0.4	0.0	0.1	1.5	1.4	1.4
Food and Beverages	29.8	0.2	0.1	(0.1)	2.5	2.5	2.3
Food	29.0	0.4	(0.1)	0.0	2.4	2.4	2.3
Food at Home	15.6	0.3	(0.1)	(0.3)	0.5	0.6	0.5
Food Away from Home	13.4	0.1	0.1	0.3	4.6	4.5	4.3
Non-alcoholic Beverages	0.8	0.2	2.0	0.0	3.3	5.6	5.6
Non-Food	70.2	0.4	0.0	0.2	1.0	0.9	1.0
Alcoholic Beverages & Tobacco	1.9	0.0	0.0	0.1	0.9	0.8	0.8
Clothing & Footwear	2.7	0.0	0.0	0.0	(0.2)	(0.2)	(0.1)
Housing, Water, Electricity, Gas & Other Fuels	23.2	0.7	0.0	0.1	2.3	1.9	2.0
Furnishings, Household Equip & Maintenance	4.3	(0.1)	-0.1	(0.1)	0.3	0.2	0.1
Health	2.7	0.2	0.0	0.1	1.0	1.0	0.9
Transport	11.3	0.2	(0.2)	0.0	0.7	0.7	0.7
Information and Communication	6.6	0.0	(0.1)	0.9	(5.3)	(5.4)	(4.5)
Recreation, Sport and Culture	3.0	0.1	0.0	0.4	1.5	1.7	1.3
Education	1.3	0.5	0.5	0.2	1.9	2.2	2.3
Restaurants & Accommodation Services	3.4	0.6	(0.1)	0.0	3.5	2.9	2.9
Insurance & Financial Services	4.0	0.8	0.0	0.0	1.5	1.5	1.5
Personal Care, Social Protect & Misc. Goods & Services	5.8	0.7	0.3	1.3	3.7	3.6	4.1

Source: DOSM, MIDFR

Inflation moderates in rural areas. By strata, inflation in the urban areas remained unchanged at +1.5%yoy in Apr-25, being above the national level inflation, while the rural areas inflation slightly moderated to +1.1%yoy. Among states, inflation in Johor recorded the highest rate of +2.2%yoy (Mar-25: +2.1%yoy); followed by Selangor at +1.7%yoy (Mar-25: +1.8%yoy), and Negeri Sembilan at 1.7%yoy, which was unchanged from the previous month.

Table 2: Inflation by state (YoY%)

	MoM%			YoY%		
	Feb-25	Mar-25	Apr-25	Feb-25	Mar-25	Apr-25
Urban	0.4	0.0	0.1	1.6	1.5	1.5
Rural	0.2	0.1	0.0	1.2	1.2	1.1
Peninsular Malaysia	0.4	0.0	0.1	1.5	1.5	1.5
Kedah	0.2	(0.1)	0.2	1.3	0.6	0.9
Perlis	0.2	0.1	0.2	0.9	1.0	1.1
Pulau Pinang	0.1	0.1	0.2	1.2	1.1	1.1
Perak	0.2	0.0	0.1	1.0	1.1	1.1
Selangor	0.6	0.0	0.1	1.9	1.8	1.7
Putrajaya	0.1	0.2	0.0	0.4	0.7	0.5
Kuala Lumpur	0.2	(0.1)	0.4	1.1	1.1	1.4
Melaka	0.3	(0.1)	0.1	1.6	1.6	1.6
Negeri Sembilan	0.2	0.2	0.1	1.5	1.7	1.7
Johor	0.7	(0.1)	0.1	2.1	2.1	2.2
Pahang	0.1	(0.1)	0.0	1.1	1.1	1.0

	MoM%			YoY%		
	Feb-25	Mar-25	Apr-25	Feb-25	Mar-25	Apr-25
Kelantan	0.2	0.0	0.1	0.5	0.5	0.5
Terengganu	0.1	0.0	0.2	1.3	1.2	1.3
Sabah	0.3	0.1	0.2	1.0	1.1	1.1
Sarawak	0.3	0.1	0.1	1.9	1.0	1.0

Source: DOSM, MIDFR

PPI turned negative after the moderation of growth. Malaysia's producer prices signal a slower cos pressure as the headline PPI dropped by -1.9%yoy in Mar-25 (Feb-25: +0.3%yoy), marking the first decline since Nov-24. The downward price pressure stemmed from double-digit decline for the mining sector (-15.0%yoy; Feb-25: -9.7%yoy), mainly dragged by the fall in prices for natural gas (-16.2%yoy) and crude petroleum extraction (-14.5%yoy). Meanwhile, prices for manufacturing recorded a faster decline by -1.8%yoy (Feb-25: -0.3%yoy), marking seven consecutive months of deflation. This was driven by lower costs for computer, electronic, and optical products (-5.1%yoy) and production of coke and refined petroleum products (-16.2%yoy). Electricity & gas supply prices fell slightly faster by -0.5%yoy (Feb-25: -0.3%yoy). However, agriculture, forestry, and fishing sector prices slowed down by +9.9%yoy (Feb-25: +15.2%yoy) from double-digit growth seen in the previous five months. Water supply prices grew softer by +0.7%yoy (Feb-25: +2.9%yoy). On a monthly basis, PPI inflation fell by -0.6%mom in Mar-25 (Feb-25: +0.1%mom). The main drivers of the weaker price pressure were the decline in prices for the mining sector (-3.8%mom; Feb-25: -3.2%mom), manufacturing (-0.3%mom; Feb-25: +0.3%mom), agriculture, forestry, and fishing (-0.5%mom; Feb-25: +1.4%mom), and water supply (-0.1%mom; Feb-25: -1.8%mom). PPI inflation dropped for all stages of processing, including crude materials for further processing (-4.5%yoy) and intermediate materials, supplies & components (-1.5%yoy), and finished goods (-0.6%yoy). With PPI inflation remaining well below CPI (Mar-25: +1.4%yoy), we believe consumers will experience limited pass-through of price pressures. Nonetheless, Malaysia could encounter inflationary headwinds stemming from government initiatives such as subsidy cuts, higher minimum wages, and rising utility costs. However, potential delays in policy implementation, particularly in subsidy rationalisation amid tariff-related disruptions, may help contain inflation at a more moderate level.

Table 3: Producer Price Indices by Stage of Processing

	MoM%			YoY%		
	Jan-25	Feb-25	Mar-25	Jan-25	Feb-25	Mar-25
PPI	0.3	0.1	(0.6)	0.8	0.3	(1.9)
Crude Materials	0.5	0.3	(1.5)	2.4	0.0	(4.5)
Foodstuffs	0.6	1.2	(0.6)	(0.9)	0.1	0.1
Non-food	0.5	0.1	(1.8)	3.1	0.0	(5.4)
Non-food ex fuel	(6.0)	1.5	(0.4)	27.5	24.7	15.8
Crude Fuel	5.5	(1.0)	(2.6)	(8.9)	(12.3)	(16.5)
Intermediate Materials	0.2	(0.1)	(0.3)	0.2	0.0	(1.5)
Manufactured Goods	1.2	0.2	(0.7)	4.4	4.3	2.9
Construction	(0.4)	0.0	0.1	(1.5)	(1.2)	(1.1)
Processed Fuel & Lubricants	(2.3)	(0.8)	(0.8)	(8.2)	(8.3)	(11.7)
Containers	0.4	0.3	(0.7)	(5.3)	(4.8)	(5.5)
Supplies	0.0	(0.4)	0.0	(1.5)	(2.4)	(2.8)
Finished Goods	0.2	0.3	(0.4)	1.1	0.7	(0.6)
Consumer Goods	(0.3)	(0.5)	(0.1)	(0.3)	(0.4)	(0.7)
Consumer Goods ex. Foods	(0.5)	(0.7)	(0.1)	(1.9)	(1.9)	(2.0)
Capital Equipment	0.4	1.0	(0.7)	2.1	1.7	(0.6)

Source: DOSM, Macrobond, MIDFR

Inflation movements in other countries were mixed last month. Inflation in several countries moderated slightly in Apr-25 as investors continue to adjust their expectations of the pace of rate cuts by major central banks, while waiting cautiously for the outcome from trade negotiations with the US. In the US, the CPI inflation continued to ease to +2.3%yoy in Apr-25 (Mar-25: +2.4%yoy); while core CPI inflation was unchanged at +2.8%yoy, the lowest level since May-21. Likewise, headline CPI inflation

for the euro area also remained unchanged at +2.2%yoy from Mar-25, while core CPI picked up to +2.7%yoy (Mar-25: +2.4%yoy). Based on the ECB staff macroeconomic projection in Mar-25, the bloc's headline inflation is expected to average at +2.3% in 2025, before easing to +1.9% in 2026. The ECB slashed the borrowing costs to the lowest level since late 2022, warning that growth would take a big hit from the higher US tariffs. On the other hand, in the UK, headline inflation accelerated to +3.5%yoy in Apr-25 (Mar-25: +2.6%yoy), and core inflation also picked up strongly to +3.8%yoy (Mar-25: +3.4%yoy), respectively. The spike was primarily driven by higher gas and electricity bills, added to the increases in air fares and water bills. In Asia, China's deflationary risk remains a concern, as the headline CPI fell further by -0.1%yoy in Apr-25, unchanged from the previous month. Among regional economies, CPI inflation moderated in the Philippines, but Indonesia's inflation accelerated to +2.0%yoy in Apr-25 (Mar-25: +1.0%yoy). Overall, we continue to expect that the central bank's monetary policy will remain on a downside bias, given the potential slowdown in global economic activities and more moderate inflation readings.

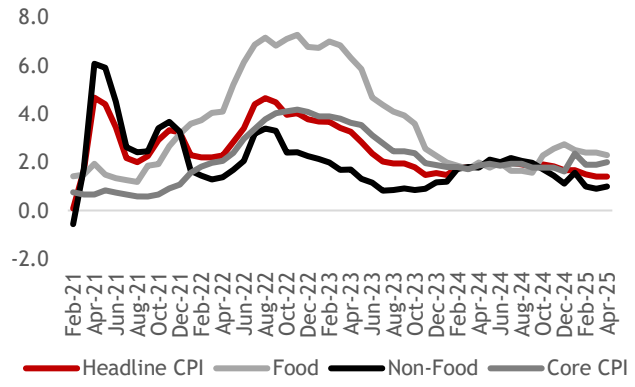
Table 4: Global Headline CPI Inflation (YoY%)

	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25
Malaysia	1.9	1.8	1.7	1.7	1.5	1.4	1.4
Indonesia	1.7	1.5	1.6	0.8	(0.1)	1.0	2.0
Singapore	1.4	1.6	1.5	1.2	0.9	0.9	n.a.
Thailand	0.8	0.9	1.2	1.3	1.1	0.8	(-0.2)
Philippines	2.3	2.5	2.9	2.9	2.0	1.7	1.4
Taiwan	1.7	2.1	2.0	2.0	2.2	2.0	1.9
South Korea	1.3	1.5	1.9	2.2	2.0	2.1	2.1
China	0.3	0.2	0.1	0.5	(0.7)	(0.1)	(0.1)
Japan	2.3	2.9	3.6	3.6	3.7	3.6	n.a.
Euro Area	2.0	2.2	2.4	2.5	2.3	2.2	2.2
UK	2.3	2.6	2.5	3.0	2.8	2.6	3.5
USA	2.6	2.7	2.9	3.0	2.8	2.4	2.3
PCE Prices	2.3	2.4	2.6	2.5	2.5	2.3	n.a

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

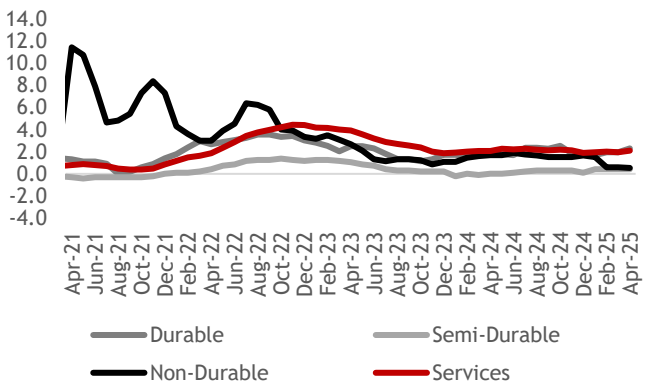
Still expecting inflation to accelerate but adjusting our 2025 inflation forecast to +2.2%. We continue to expect inflation will accelerate to an average of +2.2% this year, although this is a slight adjustment compared to our previous projection of +2.5%. This revised forecast is primarily explained by the lower-than-expected inflation trend in in the recent months, a weaker-than-anticipated cost pressures thus far (with the recent decline in PPI) and a softening outlook for global oil prices. We acknowledge there is still a downside risk to our inflation forecast should there be a potential delay in government policy adjustments, particularly the implementation of the targeted RON95 subsidy later this year or even the risk of deferment to next year. We anticipate that supply-side changes will be the primary driver of higher price pressures. Consequently, we expect the Overnight Policy Rate (OPR) to remain at 3.00% throughout 2025, given the absence of strong demand-pull inflation, with the current policy setting continued to support for sustainable economic growth.

Chart 1: Key CPI Data (YoY%)



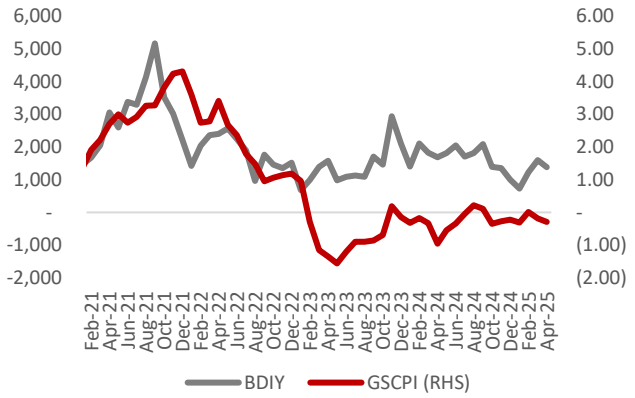
Source: Macrobond, MIDFR

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



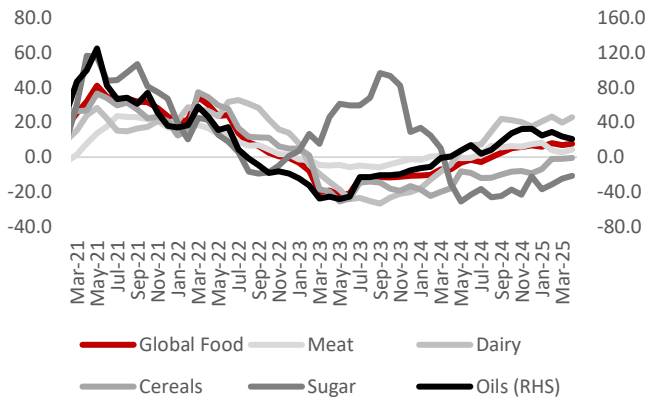
Source: Macrobond, MIDFR

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



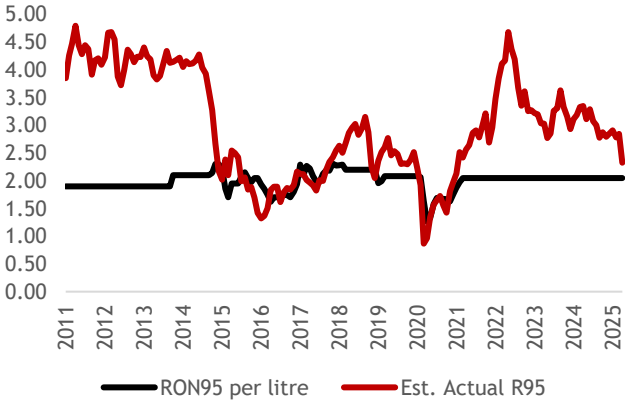
Source: Macrobond, MIDFR

Chart 4: Global Food Inflation (YoY%)



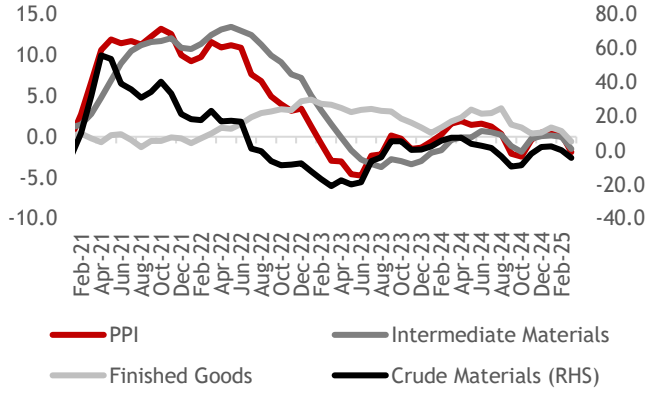
Source: FAO of UN, MIDFR

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



Source: Bloomberg, MIDFR

Chart 6: PPI (YoY%)



Source: Macrobond, MIDFR

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