# Malaysia's Headline CPI Inflation Edged to the Lowest Pace in 52 Months

ECONOMIC REVIEW:
Jun-25 Consumer Price Index




**Author**
**MIDF Research**
research@midf.com.my

- Headline inflation edged lower to +1.1%yoy in Jun-25. Malaysia's headline CPI inflation moderated to +1.1%yoy in Jun-25, below our estimate of +1.2%yoy and marking the lowest print since Mar-21. The inflation for food away from home ticked higher to +4.7%yoy (May-25: +4.4%yoy), while prices of foods at home contracted by -0.5%yoy, after the muted growth in the previous month.
- Inflation moderates in rural areas. By strata, inflation in the urban areas was unchanged at +1.3%yoy in Jun-25, but higher than the national inflation rate. The inflation for rural areas moderated slightly to +0.9%yoy (May-25: +1.0%yoy).
- We adjust our inflation forecast lower in light of the latest policy developments. We adjust our 2025 CPI inflation projection to +1.8%, considering the sustained moderate inflation reading and weaker cost pressures in the recent months as well as the delay in the RON95 subsidy adjustments, which may lead to a more gradual pickup in inflation than initially forecasted.

**Headline inflation edged lower to +1.1%yoy in Jun-25.** Malaysia's headline CPI inflation moderated to +1.1%yoy in Jun-25, below our estimate of +1.2%yoy and marking the lowest print since Mar-21. The inflation for food away from home ticked higher to +4.7%yoy (May-25: +4.4%yoy), while prices of foods at home contracted by -0.5%yoy, after the muted growth in the previous month, due to lower prices of vegetables (-7.2%yoy) and milk & other dairy products & eggs (-1.8%yoy). Meanwhile, prices of ready-made food & other food products and oils & fats increased by +2.8%yoy and +1.7%yoy, respectively. On the other hand, non-food inflation moderated to +0.6%yoy in Jun-25 (May-25: +0.7%yoy) due to the slower inflation for transport (+0.3%yoy; May-25: +0.7%yoy); restaurants & accommodations services (+2.7%yoy; May-25: +3.0%yoy); recreation, sports and culture (+0.7%yoy; May-25: +0.9%yoy), and clothing & footwear (-0.3%yoy; May-25: -0.2%yoy). Meanwhile, core CPI remained flat at +1.8%yoy, still signaling mild underlying price pressure last month. The subdued price pressures across food, non-food, and core inflation categories suggest that the cumulative impact of last year's government policy adjustments; notably the transition to targeted subsidies, elevated utility tariffs, and the SST rate increase on overall inflation has been less significant than anticipated. Given the latest announcement by the government, we forecast that moderate inflation will likely extend into the early of the 2HCY25; but we continue to expect inflation to accelerate but potentially at a rate slower than we expected previously. Additionally, the broadened scope of the SST is expected to contribute to upward price pressures, while the recent moderation in crude oil prices is expected to limit the overall magnitude of inflationary pressure.

**Global food prices eased lower in Jun-25.** Global food prices picked up to +5.8%yoy in Jun-25 (May-25: +5.6%yoy), the lowest level for the year. The moderation in food inflation was driven by the decline in prices of dairy prices (+20.7%yoy; May-25: +21.7%yoy), oils (+18.25yoy; May-25: +19.1%yoy), poultry (+1.0%yoy; May-25: +2.2%yoy), and sugar (-13.1%yoy; May-25: -6.6%yoy). On the other hand, higher prices were recorded in meat price (+6.7%yoy; May-25: +5.8%yoy), and cereals (-6.8%yoy; May-25: -8.2%yoy). Malaysia's reliance on imported foods renders the economy vulnerable to fluctuations in global food prices and currency exchange rates. We anticipate that the expanded SST list, effective early this month, which includes several imported food items, could exert upward pressure on domestic food prices, but it may take some time to be reflected into the inflation numbers. Nevertheless, the recent strengthening of the ringgit may mitigate these price pressures stemming from higher import costs. Conversely, adverse weather conditions disrupting local agricultural production could exacerbate domestic food inflation.

**Table 1: Consumer price index by component**

| | Weightage % | MoM% | | | YoY% | | |
|---|---|---|---|---|---|---|---|
| | | Apr-25 | May-25 | Jun-25 | Apr-25 | May-25 | Jun-25 |
| **Core CPI** | - | 0.2 | 0.2 | 0.1 | 2.0 | 1.8 | 1.8 |
| **Headline CPI** | 100.0 | 0.1 | 0.1 | 0.1 | 1.4 | 1.2 | 1.1 |
| **Food and Beverages** | 29.8 | (0.1) | 0.1 | 0.2 | 2.3 | 2.1 | 2.0 |
| **Food** | 29.0 | 0.0 | 0.0 | 0.2 | 2.3 | 2.0 | 2.0 |
| **Food at Home** | 15.6 | (0.3) | (0.1) | 0.1 | 0.5 | 0.0 | (0.4) |
| **Food Away from Home** | 13.4 | 0.3 | 0.3 | 0.3 | 4.3 | 4.4 | 4.7 |
| **Non-alcoholic Beverages** | 0.8 | 0.0 | 0.2 | 0.0 | 5.6 | 5.5 | 5.4 |
| **Non-Food** | 70.2 | 0.2 | 0.1 | 0.0 | 1.0 | 0.7 | 0.6 |
| **Alcoholic Beverages & Tobacco** | 1.9 | 0.1 | 0.1 | 0.0 | 0.8 | 0.6 | 0.6 |
| **Clothing & Footwear** | 2.7 | 0.0 | 0.0 | (0.1) | (0.1) | (0.2) | (0.3) |
| **Housing, Water, Electricity, Gas & Other Fuels** | 23.2 | 0.1 | 0.3 | 0.0 | 2.0 | 1.7 | 1.7 |
| **Furnishings, Household Equip & Maintenance** | 4.3 | (0.1) | 0.1 | 0.0 | 0.1 | 0.2 | 0.1 |
| **Health** | 2.7 | 0.1 | 0.2 | 0.0 | 0.9 | 1.1 | 1.2 |
| **Transport** | 11.3 | 0.0 | (0.2) | 0.2 | 0.7 | 0.7 | 0.3 |
| **Information and Communication** | 6.6 | 0.9 | (0.1) | (0.2) | (4.5) | (5.2) | (5.4) |
| **Recreation, Sport and Culture** | 3.0 | 0.4 | (0.1) | 0.1 | 1.3 | 0.9 | 0.7 |
| **Education** | 1.3 | 0.2 | 0.2 | 0.2 | 2.3 | 2.2 | 2.2 |
| **Restaurants & Accommodation Services** | 3.4 | 0.3 | 0.4 | 0.1 | 2.9 | 3.0 | 2.7 |
| **Insurance & Financial Services** | 4.0 | 0.0 | 0.0 | 0.0 | 1.5 | 1.5 | 1.5 |
| **Personal Care, Social Protect & Misc. Goods & Services** | 5.8 | 1.3 | 0.0 | 0.4 | 4.1 | 3.8 | 4.2 |

Source: DOSM, MBSBR

**Inflation moderated in rural areas.** By strata, inflation in the urban areas was unchanged at +1.3%yoy in Jun-25, but higher than the national inflation rate. The inflation for rural areas moderated slightly to +0.9%yoy (May-25: +1.0%yoy). Among states, inflation in Negeri Sembilan and Selangor recorded the highest rate at +1.6%yoy; followed by Johor at +1.5%yoy (May-25: +1.8%yoy).

**Table 2: Inflation by state (YoY%)**

| | MoM% | | | YoY% | | |
|---|---|---|---|---|---|---|
| | Apr-25 | May-25 | Jun-25 | Apr-25 | May-25 | Jun-25 |
| **Urban** | 0.1 | 0.1 | 0.1 | 1.5 | 1.3 | 1.3 |
| **Rural** | 0.0 | 0.2 | 0.1 | 1.1 | 1.0 | 0.9 |
| **Peninsular Malaysia** | 0.1 | 0.1 | 0.2 | 1.5 | 1.3 | 1.3 |
| **Kedah** | 0.2 | (0.1) | 0.2 | 0.9 | 0.6 | 0.6 |
| **Perlis** | 0.2 | 0.2 | 0.0 | 1.1 | 1.0 | 0.8 |
| **Pulau Pinang** | 0.2 | 0.1 | 0.1 | 1.1 | 0.9 | 0.7 |
| **Perak** | 0.1 | 0.0 | 0.1 | 1.1 | 0.8 | 0.7 |
| **Selangor** | 0.1 | 0.2 | 0.1 | 1.7 | 1.5 | 1.6 |
| **Putrajaya** | 0.0 | 0.0 | 0.1 | 0.5 | 0.5 | 0.5 |
| **Kuala Lumpur** | 0.4 | 0.1 | 0.1 | 1.4 | 1.4 | 1.2 |
| **Melaka** | 0.1 | 0.2 | 0.0 | 1.6 | 1.5 | 1.3 |
| **Negeri Sembilan** | 0.1 | 0.2 | 0.2 | 1.7 | 1.6 | 1.6 |
| **Johor** | 0.1 | 0.0 | 0.1 | 2.2 | 1.8 | 1.5 |

| | MoM% | | | YoY% | | |
|---|---|---|---|---|---|---|
| | Apr-25 | May-25 | Jun-25 | Apr-25 | May-25 | Jun-25 |
| **Pahang** | 0.0 | 0.1 | 0.3 | 1.0 | 0.7 | 0.7 |
| **Kelantan** | 0.1 | (0.1) | 0.0 | 0.5 | 0.3 | 0.2 |
| **Terengganu** | 0.2 | 0.0 | 0.1 | 1.3 | 1.1 | 1.0 |
| **Sabah** | 0.2 | 0.2 | 0.0 | 1.1 | 1.2 | 1.0 |
| **Sarawak** | 0.1 | 0.0 | 0.0 | 1.0 | 0.8 | 0.6 |

Source: DOSM, MBSBR

**PPI declined further in May-25.** The deflation in Malaysia's producer prices persisted, falling slightly sharper by -3.6%yoy in May-25 (Apr-25: -3.4%yoy), marking the third month of decline and the steepest drop since Jun-23. The weaker price pressure was primarily due to the persistent double-digit price drop in the mining sector (-15.0%yoy; Apr-25: -17.8%yoy), mainly driven by the decline in crude petroleum (-15.7%yoy) and natural gas (-13.1%yoy) prices. Prices for manufacturing fell sharper by -3.0%yoy (Apr-25: -2.6%yoy), marking nine consecutive months of deflation. This was largely due to the steep drop in costs for production of coke and refined petroleum products (-15.4%yoy) and computer, electronic & optical products (-6.9%yoy). Likewise, electricity & gas supply prices fell faster by -1.1%yoy (Apr-25: -0.6%yoy), whereas water supply prices dropped by -0.2%yoy (Apr-25: +0.9%yoy). In contrast, prices in the agriculture, forestry, and fishing sector continued to grow, albeit at a softer pace of +1.8%yoy (Apr-25: +2.6%yoy), largely driven by the perennial crops sub-sector, which recorded a +4.5%yoy increase. On a monthly basis, PPI fell slightly quicker by -1.1%mom in May-25 (Apr-25: -1.0%mom). The main contributors of the weaker price pressure were the decline in prices for agriculture, forestry, and fishing (-5.4%mom; Apr-25: -6.0%mom), the mining sector (-2.3%mom; Apr-25: -1.2%mom), manufacturing (-0.5%mom; Apr-25: -0.5%mom). In contrast, water supply prices rose marginally by +0.2%mom (Apr-25: +1.3%mom), while electricity and gas supply prices grew by +0.6%mom (Apr-25: +0.3%mom). PPI declined for all stages of processing, including crude materials for further processing (-8.7%yoy), intermediate materials, supplies & components (-2.4%yoy), and finished goods (-2.4%yoy). The gap between PPI deflation and CPI inflation remained wide in May-25, with CPI inflation easing to +1.2%yoy, the slowest pace since Feb-21. This suggests limited pass-through of upstream price pressures to consumers. The postponement of the RON95 fuel subsidy rationalisation is expected to provide temporary relief and help sustain private consumption amid a stable inflation environment. Nevertheless, inflationary pressures may build towards year-end, stemming from the recent SST expansion effective in Jul-25 and higher cost pressures from increased utility costs.

**Table 3: Producer Price Indices by Stage of Processing**

| | MoM% | | | YoY% | | |
|---|---|---|---|---|---|---|
| | Mar-25 | Apr-25 | May-25 | Mar-25 | Apr-25 | May-25 |
| **PPI** | (0.6) | (1.0) | (1.1) | (1.9) | (3.4) | (3.6) |
| **Crude Materials** | (1.5) | (4.2) | (3.7) | (4.5) | (9.2) | (8.7) |
| Foodstuffs | (0.6) | (0.6) | 1.2 | 0.1 | (0.1) | (0.4) |
| Non-food | (1.8) | (5.1) | (4.8) | (5.4) | (11.2) | (10.4) |
| Non-food ex fuel | (0.4) | (7.8) | (8.9) | 15.8 | 5.3 | 4.0 |
| Crude Fuel | (2.6) | (3.1) | (2.0) | (16.5) | (19.7) | (17.7) |
| **Intermediate Materials** | (0.3) | (0.2) | (0.6) | (1.5) | (2.2) | (2.4) |
| Manufactured Goods | (0.7) | (0.7) | (0.6) | 2.9 | 1.0 | (0.1) |
| Construction | 0.1 | 1.0 | 0.6 | (1.1) | (0.6) | 0.6 |
| Processed Fuel & Lubricants | (0.8) | 0.0 | (1.7) | (11.7) | (10.3) | (9.9) |
| Containers | (0.7) | (0.1) | 0.1 | (5.5) | (3.5) | (1.8) |
| Supplies | 0.0 | 0.4 | 0.1 | (2.8) | (3.0) | (1.8) |
| **Finished Goods** | (0.4) | (0.5) | (0.3) | (0.6) | (1.4) | (2.4) |
| Consumer Goods | (0.1) | 0.4 | (0.3) | (0.7) | (0.8) | (1.4) |
| Consumer Goods ex. Foods | (0.1) | 0.2 | (0.2) | (2.0) | (2.3) | (2.4) |
| Capital Equipment | (0.7) | (1.1) | (0.3) | (0.6) | (1.9) | (3.2) |

Source: DOSM, Macrobond, MBSBR

**The inflation movement in other countries was mixed.** Inflation in several countries has moderated slightly in Jun-25, causing market observers to recalibrate their expectations for the trajectory of interest rate cuts by major central banks, while awaiting the outcome of crucial trade negotiations with the US. The recent easing of the geopolitical uncertainty led to the reduced concerns on inflationary pressure, especially from changes in the energy prices. In the US, the headline CPI inflation was slightly faster at +2.7%yoy in Jun-25 (May-25: +2.4%yoy); while core CPI inflation edged higher to +2.9%yoy, after three months of staying flat at +2.8%yoy, being the lowest level since May-21. This signals minor impact of tariff hikes on the overall prices, thus far. Meanwhile, headline CPI inflation for the euro area edged slightly higher to +2.0%yoy in Jun-25 (May-25: +1.9%yoy). Based on the ECB staff macroeconomic projection in Jun-25, the bloc's headline inflation is expected to average at +2.0% in 2025 and +1.6% in 2026 (previous forecast: 2025: +2.3%). The ECB slashed the borrowing costs again in the Jun-25 meeting 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, the headline inflation increased to +3.6%yoy in Jun-25 (May-25: +3.4%yoy), and core inflation also picked up to +3.7%yoy (May-25: +3.5%yoy), respectively. The faster inflation was attributed by higher goods inflation. In Asia, the China's deflationary risk remains a concern as the headline CPI remain weak at +0.1%yoy. Among regional economies, CPI inflation moderated in Thailand and Taiwan to -0.3%yoy and +1.4%yoy. Meanwhile, CPI inflation in Indonesia and Philippines picked up higher to +1.9%yoy and +1.4%yoy. Overall, we continue to expect that the central bank's monetary policy will remain on an easing bias, given the slower growth in global economic activities and more moderate inflation readings.

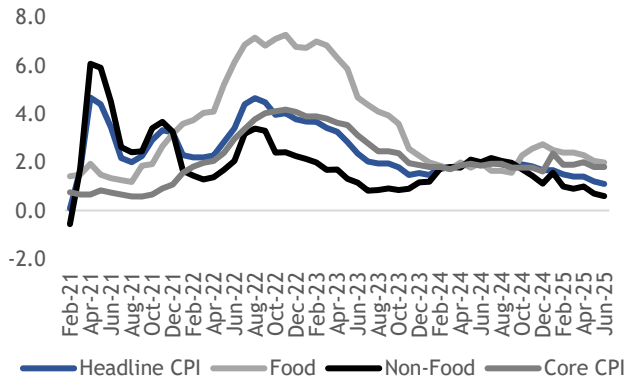
**Table 4: Global Headline CPI Inflation (YoY%)**

| | Dec-24 | Jan-25 | Feb-25 | Mar-25 | Apr-25 | May-25 | Jun-25 |
|---|---|---|---|---|---|---|---|
| **Malaysia** | 1.7 | 1.7 | 1.5 | 1.4 | 1.4 | 1.2 | 1.1 |
| **Indonesia** | 1.6 | 0.8 | (0.1) | 1.0 | 2.0 | 1.6 | 1.9 |
| **Singapore** | 1.5 | 1.2 | 0.9 | 0.9 | 0.9 | 0.8 | n/a |
| **Thailand** | 1.2 | 1.3 | 1.1 | 0.8 | (-0.2) | (0.6) | (0.3) |
| **Philippines** | 2.9 | 2.9 | 2.0 | 1.7 | 1.4 | 1.3 | 1.4 |
| **Taiwan** | 2.0 | 2.0 | 2.2 | 2.0 | 1.9 | 1.6 | 1.4 |
| **South Korea** | 1.9 | 2.2 | 2.0 | 2.1 | 2.1 | 1.9 | 2.2 |
| **China** | 0.1 | 0.5 | (0.7) | (0.1) | (0.1) | (0.1) | 0.1 |
| **Japan** | 3.6 | 3.6 | 3.7 | 3.6 | 3.6 | 3.5 | 3.3 |
| **Euro Area** | 2.4 | 2.5 | 2.3 | 2.2 | 2.2 | 1.9 | 2.0 |
| **UK** | 2.5 | 3.0 | 2.8 | 2.6 | 3.5 | 3.4 | 3.6 |
| **USA** | 2.9 | 3.0 | 2.8 | 2.4 | 2.3 | 2.4 | 2.7 |
| ***PCE Prices*** | 2.6 | 2.6 | 2.7 | 2.3 | 2.1 | 2.3 | n/a |

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

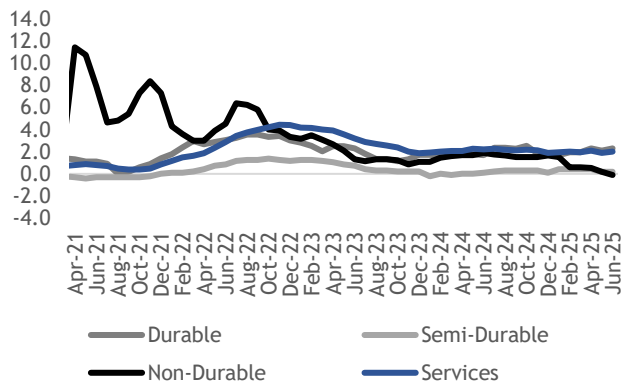
**We adjust our inflation forecast lower in light of the latest policy developments.** We adjust our 2025 CPI inflation projection to +1.8%, considering the sustained moderate inflation reading and weaker cost pressures in the recent months as well as the delay in the RON95 subsidy adjustments, which may lead to a more gradual pickup in inflation than initially forecasted. According to the Communications Minister Datuk Fahmi Fadzil announced a slight delay in the implementation of targeted subsidies for RON95 petrol stems from the necessity for a comprehensive review and meticulous fine-tuning of the policy mechanism to ensure the rollout will not adversely affect the public. Overall, we project that higher price pressures will predominantly be driven by supply-side factors, particularly those arising from the expanded SST implementation. Complementing this, additional demand-side pressures could also grow following the recent OPR adjustment, which may encourage larger consumer expenditures on the back of resilient labour market conditions, with healthy employment and wage growth. Despite this potential rise in demand, we expect the OPR will be kept at 2.75% for the rest of year as overall inflation remains under control.

**Chart 1: Key CPI Data (YoY%)**



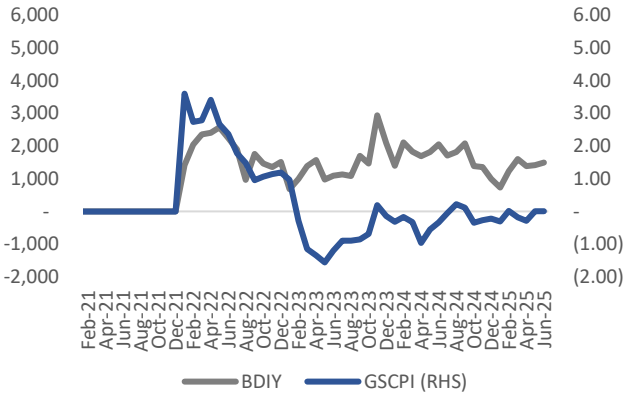

Source: Macrobond, MBSBR

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



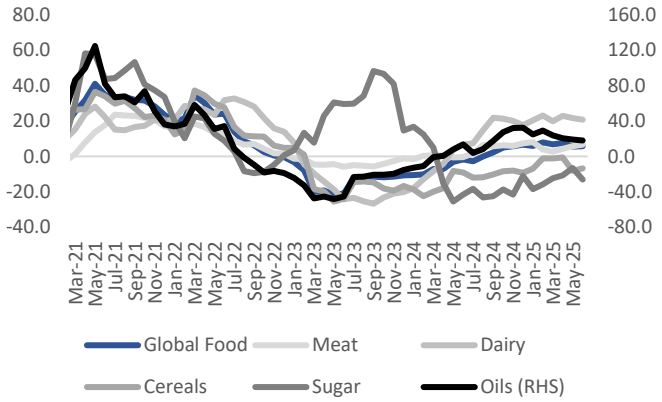

Source: Macrobond, MBSBR

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



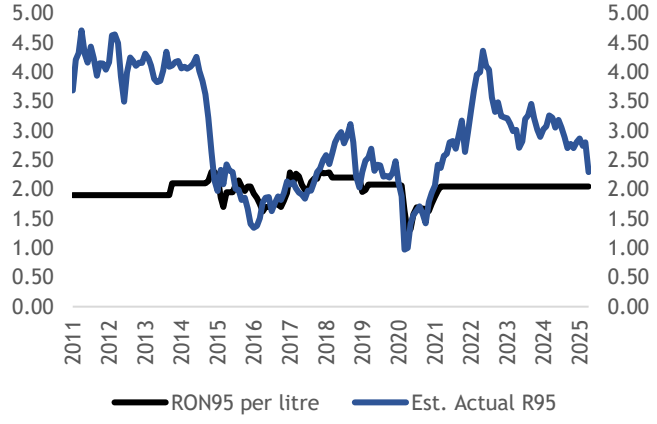

Source: Macrobond, MBSBR

**Chart 4: Global Food Inflation (YoY%)**



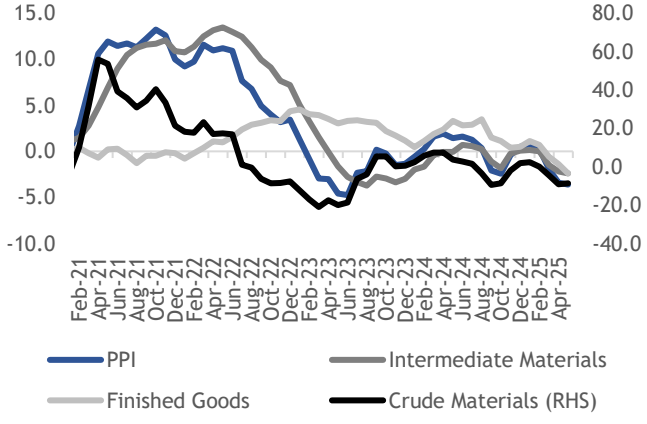

Source: FAO of UN, MBSBR

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




Source: Bloomberg, MBSBR

**Chart 6: PPI (YoY%)**




Source: Macrobond, MBSBR

**MBSB RESEARCH (formerly known as MIDF Research) is part of**
**MBSB Investment Bank Berhad (formerly known as MIDF Amanah Investment Bank Berhad)**

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

## DISCLOSURES AND DISCLAIMER

**This report has been prepared by MBSB INVESTMENT BANK BERHAD (formerly known as MIDF Amanah Investment Bank Berhad)**

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. MBSB INVESTMENT BANK BERHAD (formerly known as 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 MBSB INVESTMENT BANK BERHAD (formerly known as MIDF AMANAH INVESTMENT BANK BERHAD).

The directors, employees and representatives of MBSB INVESTMENT BANK BERHAD (formerly known as 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 MBSB 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.