Malaysia's Headline CPI Inflation Edged Slightly Higher to +1.2%yoy in Jul-25

Economic Review
Jul-25 Consumer Price Index



Author
MBSB Research
research@midf.com.my

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- By strata, inflation in the urban areas slightly moderated to +1.2%yoy in Jul-25 (Jun-25: +1.3%yoy), aligned with the national inflation rate. Meanwhile, inflation in rural areas moderated to +0.7%yoy (Jun-25: +0.9%yoy).
- We maintain our projection that CPI inflation will remain stable at +1.8% in 2025, where the main source of price pressures would be from policy changes (e.g. broadening of SST coverage) amid still stable underlying price pressures. Taking into account the sustained moderate inflation reading thus far, subdued cost pressures in the recent months, and the delay in the target RON95 subsidy rollout, we foresee higher chance of a more gradual pickup in inflation than initially forecasted.

Headline inflation edged slightly higher to +1.2%yoy in Jul-25.

Malaysia's headline CPI inflation increased to +1.2%yoy in Jul-25 (Jun-25: +1.1%yoy), within our estimate, a slight acceleration from the lowest print since Mar-21. The inflation for food away from home eased to +4.3%yoy (Jun-25: +4.7%yoy), in contrast, to lower prices of foods at home which contracted by -0.3%yoy (Jun-25: -0.4%yoy) due to the lower prices of vegetables (-6.6%yoy; Jun-25: -7.2%yoy) and milk, other dairy products & eggs (-1.1%yoy; Jun-25: -1.8%yoy). Meanwhile, prices for fish & other seafood (+1.8%yoy; Jun-25: +1.6%yoy), and oils & fats (+1.5%yoy; Jun-25: +1.7%yoy) grew faster. On the other hand, non-food inflation slightly picked up to +0.8%yoy in Jul-25 (Jun-25: +0.7%yoy) driven by the increase in restaurants & accommodation services (+3.1%yoy; Jun-25: +2.8%yoy) and insurance & financial services (+1.5%yoy; Jun-25: +5.5%yoy). Meanwhile, core CPI remained flat at +1.8%yoy, still signaling mild underlying price pressures. The modest price pressures seen across food, non-food, and core inflation categories indicates that the combined effect of last year's government policy changes, including the shift to targeted subsidies, higher utility tariffs, and the SST rate increase, has been less impactful on overall inflation than originally expected. Given the latest announcement by the government, we forecast that moderate inflation will likely extend into the early part of the 2HCY25; but we continue to expect inflation to accelerate, but potentially not as fast as we expected previously. Additionally, the broadened SST scope is projected to contribute to higher prices although the impact has been rather muted in Jul-25, which suggests the overall inflationary impact is expected to be contained. The moderating effect of the recent crude oil price trends, which remain below last year, also helps to limit upward price pressures this year.

Global food prices grew faster in Jul-25.

Global food prices rose faster at +7.6%yoy in Jul-25 (Jun-25: +5.8%yoy), the second highest reading for the year. The increase in food inflation was mainly driven by the higher prices of oils (+23.8%yoy; Jun-25: +18.2%yoy). Meanwhile, inflation for other food products was still strong despite moderating slightly, such as meat (+6.0%yoy; Jun-25: +6.5%yoy), dairy (+21.5%yoy; Jun-25: +21.6%yoy). On the other hand, prices contracted for cereal (-3.8%yoy; Jun-25: -6.9%yoy), sugar prices (-13.5%yoy; Jun-25: -13.2%yoy) and poultry (-2.7%yoy; Jun-25: +1.7%yoy). Malaysia's reliance on imported foods renders the economy vulnerable to fluctuations in global food prices and currency exchange rates. On the back of rising costs and robust demand, we project inflation will accelerate during the 2HCY25. This increase is largely due to the expanded SST, which includes several imported food items that may exert upward pressure on domestic food prices, in addition to the recent fiscal measures and the OPR cut by BNM. Although the petrol price hike is targeted at specific groups, such as non-citizens and the wealthy, its inflationary impact could be partially moderated by a lower subsidised RON95 price in the final quarter 2025. 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: Malaysia – Consumer price index by component

	Weightage %	MoM%			YoY%		
		May-25	Jun-25	Jul-25	May-25	Jun-25	Jul-25
Core CPI	-	0.2	0.1	0.1	1.8	1.8	1.8
Headline CPI	100.0	0.1	0.1	0.1	1.2	1.1	1.2
Food and Beverages	29.8	0.1	0.2	(0.1)	2.1	2.0	1.9
Food	29.0	0.0	0.2	0.0	2.0	2.0	1.9
Food at Home	15.6	(0.1)	0.1	(0.3)	0.0	(0.4)	(0.3)
Food Away from Home	13.4	0.3	0.3	0.3	4.4	4.7	4.3
Non-alcoholic Beverages	0.8	0.2	0.0	0.1	5.5	5.4	5.2
Non-Food	70.2	0.1	0.0	0.3	0.7	0.7	0.8
Alcoholic Beverages & Tobacco	1.9	0.1	0.0	0.2	0.6	0.6	0.6
Clothing & Footwear	2.7	0.0	(0.1)	0.1	(0.2)	(0.3)	(0.2)
Housing, Water, Electricity, Gas & Other Fuels	23.2	0.3	0.0	(0.4)	1.7	1.7	1.3
Furnishings, Household Equip & Maintenance	4.3	0.1	0.0	0.2	0.2	0.1	0.1
Health	2.7	0.2	0.0	0.3	1.1	1.2	1.2
Transport	11.3	(0.2)	0.2	0.2	0.7	0.3	0.4
Information and Communication	6.6	(0.1)	(0.2)	(0.9)	(5.2)	(5.4)	(6.4)
Recreation, Sport and Culture	3.0	(0.1)	0.1	0.1	0.9	0.8	0.8
Education	1.3	0.2	0.2	0.2	2.2	2.2	2.2
Restaurants & Accommodation Services	3.4	0.4	0.1	0.8	3.0	2.8	3.1
Insurance & Financial Services	4.0	0.0	0.0	4.6	1.5	1.5	5.5
Personal Care, Social Protect & Misc. Goods & Services	5.8	0.0	0.4	0.0	3.8	4.2	3.9

Source: Macrobond, DOSM, MBSBR

Inflation moderated in both rural and urban areas.

By strata, inflation in the urban areas slightly moderated to +1.2%yoy in Jul-25 (Jun-25: +1.3%yoy), aligned with the national inflation rate. Meanwhile, inflation in rural areas moderated to +0.7%yoy (Jun-25: +0.9%yoy). Among states, inflation in Johor recorded the highest rate at +1.8%yoy (Jun-25: +1.5%yoy), followed by Selangor at +1.5%yoy (Jun-25: +1.6%yoy) and Negeri Sembilan at +1.4%yoy (Jun-25: 1.6%yoy).

Table 2: Inflation by region (YoY%)

	MoM%			YoY%		
	May-25	Jun-25	Jul-25	May-25	Jun-25	Jul-25
Urban	0.1	0.1	0.1	1.3	1.3	1.2
Rural	0.2	0.1	(0.1)	1.0	0.9	0.7
Peninsular Malaysia	0.1	0.1	0.1	1.3	1.3	1.2
Kedah	(0.1)	0.2	(0.2)	0.6	0.6	0.4
Perlis	0.2	0.0	(0.2)	1.0	0.8	0.6
Pulau Pinang	0.1	0.1	0.4	0.9	0.7	1.0
Perak	0.0	0.1	0.0	0.8	0.7	0.8
Selangor	0.2	0.1	0.1	1.5	1.6	1.5
Putrajaya	0.0	0.1	0.2	0.5	0.5	0.8
Kuala Lumpur	0.1	0.1	0.1	1.4	1.2	1.0
Melaka	0.2	0.0	0.2	1.5	1.3	1.3
Negeri Sembilan	0.2	0.2	(-0.1)	1.6	1.6	1.4
Johor	0.0	0.1	0.3	1.8	1.5	1.8
Pahang	0.1	0.3	0.2	0.7	0.7	0.8
Kelantan	(0.1)	0.0	(0.2)	0.3	0.2	0.0
Terengganu	0.0	0.1	(0.1)	1.1	1.0	0.8
Sabah	0.2	0.0	0.1	1.2	1.0	1.1
Sarawak	0.0	0.0	0.0	0.8	0.6	0.5

Source: Macrobond, MBSBR

PPI deflated further in Jun-25

The deflation in Malaysia's producer prices persisted, falling sharper by -4.2%yoy in Jun-25 (May-25: -3.6%yoy), marking the fourth consecutive month of decline and recording the steepest fall since Jun-23. The weaker price pressure was due to the broad-based across all sectors, with persistent price weakness in the mining sector (-8.0%yoy; May-25: -15.0%yoy) as prices continue to contract for crude petroleum (-6.7%yoy) and natural gas (-12.0%yoy). Prices for manufacturing fell faster by -4.3%yoy (May-25: -3.0%yoy), marking the tenth consecutive month of deflation. This stemmed from the sharper fall in prices for the production of coke and refined petroleum products (-17.7%yoy) and computer, electronic & optical products (-7.8%yoy). Similarly, both electricity & gas supply water supply prices fell by -0.2%yoy, posting two straight months of deflation. Meanwhile, prices in the agriculture, forestry, and fishing sector fell by -0.3%yoy (May-25: +1.8%yoy), recording the first deflation since Nov-23 with weaker price pressure coming from animal production (-2.9%yoy). The Producer Price Index (PPI) saw a softer monthly decline of -0.7%mom in Jun-25, compared to the -1.1%mom in May-25. There were price declines for manufacturing (-1.2%mom; May-25: -0.5%mom), agriculture, forestry, and fishing (-1.0%mom; May-25: -5.4%mom), and electricity and gas supply price (-0.2%mom; May-25: +0.6%mom). However, these declines were partially offset by a sharp rebound in mining prices, which rose by +4.6%mom, reversing May's +2.3%mom fall—due to a significant +7.0%mom increase in crude petroleum prices. Water supply prices also saw a marginal +0.2mom% gain. PPI declined for all stages of processing, including crude materials for further processing (-5.8%yoy), intermediate materials, supplies & components (-4.4%yoy), and finished goods (-2.3%yoy). There was a wider gap between PPI deflation and CPI inflation in Jun-25, as CPI growth eased further to +1.1%yoy (May-25: +1.2%yoy), the slowest pace since Feb-21. Looking ahead, we continue to expect inflation to trend higher in 2HCY25, driven by rising cost pressures and policy changes, including the expanded SST coverage. Additionally, stronger demand, spurred by the recent OPR adjustment and newly announced fiscal measures, could further contribute to upward price pressures. While the petrol price hike will primarily impact non-citizens and high-income earners, overall inflationary pressure may be partially offset by the reduction in the subsidised RON95 price.

Table 3: Producer Price Indices by Stage of Processing

	MoM%			YoY%		
	Apr-25	May-25	Jun-25	Apr-25	May-25	Jun-25
PPI	(1.0)	(1.1)	(0.7)	(3.4)	(3.6)	(4.2)
Crude Materials	(4.2)	(3.7)	1.2	(9.2)	(8.7)	(5.8)
Foodstuffs	(0.6)	1.2	(0.3)	(0.1)	(0.4)	(0.4)
Non-food	(5.1)	(4.8)	1.6	(11.2)	(10.4)	(7.0)
Non-food ex fuel	(7.8)	(8.9)	(1.2)	5.3	4.0	0.9
Crude Fuel	(3.1)	(2.0)	3.4	(19.7)	(17.7)	(11.1)
Intermediate Materials	(0.2)	(0.6)	(1.8)	(2.2)	(2.4)	(4.4)
Manufactured Goods	(0.7)	(0.6)	(1.9)	1.0	(0.1)	(2.3)
Construction	1.0	0.6	0.3	(0.6)	0.6	(0.3)
Processed Fuel & Lubricants	0.0	(1.7)		(10.3)	(9.9)	
Containers	(0.1)	0.1	0.6	(3.5)	(1.8)	(1.3)
Supplies	0.4	0.1	(0.6)	(3.0)	(1.8)	(3.0)
Finished Goods	(0.5)	(0.3)	0.5	(1.4)	(2.4)	(2.3)
Consumer Goods	0.4	(0.3)	(0.1)	(0.8)	(1.4)	(1.0)
Consumer Goods ex. Foods	0.2	(0.2)	0.1	(2.3)	(2.4)	(1.6)
Capital Equipment	(1.1)	(0.3)	1.0	(1.9)	(3.2)	(3.2)

Source: DOSM, MBSBR

Global price movement was mixed, despite inching higher in several economies

Inflation in several developed countries was slightly higher in Jul-25, but not as high as feared, which caused investors to adjust their expectations for the interest rate path by major central banks. On another note, the recent progress on the trade negotiations with the US has brought some certainty to the inflation path, especially in the US. The recent easing of geopolitical uncertainty led to reduced concerns about the strength of the inflation pressure, especially due to the dampening effects from energy prices. In the US, the headline CPI inflation remained unchanged at +2.7%yoy in Jul-25, but the core CPI inflation accelerated to +3.1%yoy (Jun-25: +2.9%yoy), indicating that underlying price pressure has been gaining amid concerns about the impact of tariff hikes on the overall prices. Meanwhile, headline CPI for the euro area edged slightly higher to +2.1%yoy in Jul-25 (Jun-25: +2.0%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. Also, the UK's headline inflation increased to +3.8%yoy in Jul-25 (Jun-25: +3.6%yoy), and core inflation also picked up to +3.8%yoy (Jun-25: +3.6%yoy), respectively. In Asia, China's deflationary risk remains a concern; inflation was flat in Jul-25. Meanwhile, CPI inflation in Indonesia picked up higher to +2.4%yoy (Jun-25: +1.9%yoy), despite that, the Bank of Indonesia recently cut its interest rate. Meanwhile, CPI inflation in the Philippines and Thailand eased to -0.7%yoy and +1.0%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 moderate inflation readings.

Table 4: Global Headline CPI Inflation (YoY%)

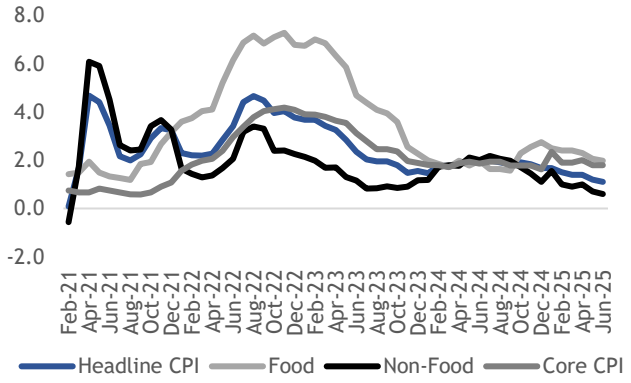
	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25
Malaysia	1.7	1.5	1.4	1.4	1.2	1.1	1.2
Indonesia	0.8	(0.1)	1.0	2.0	1.6	1.9	2.4
Singapore	1.2	0.9	0.9	0.9	0.8	0.8	n/a
Thailand	1.3	1.1	0.8	(-0.2)	(0.6)	(0.3)	(0.7)
Philippines	2.9	2.0	1.7	1.4	1.3	1.4	1.0
Taiwan	2.0	2.2	2.0	1.9	1.6	1.4	1.5
South Korea	2.2	2.0	2.1	2.1	1.9	2.2	2.1
China	0.5	(0.7)	(0.1)	(0.1)	(0.1)	0.1	0.0
Japan	3.6	3.7	3.6	3.6	3.5	3.3	n/a
Euro Area	2.5	2.3	2.2	2.2	1.9	2.0	2.1
UK	3.0	2.8	2.6	3.5	3.4	3.6	3.8
USA	3.0	2.8	2.4	2.3	2.4	2.7	2.7
PCE Prices	2.6	2.7	2.3	2.2	2.4	2.6	n/a

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

Expect inflation to remain stable in 2025; recent trend suggests still mild price pressures

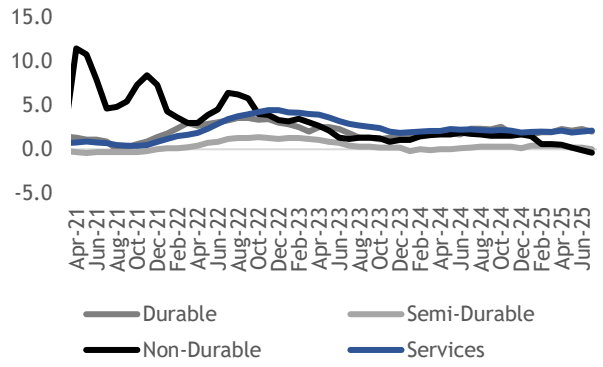
We maintain our projection that CPI inflation will remain stable at +1.8% in 2025, where the main source of price pressures would be from policy changes (e.g. broadening of SST coverage) amid still stable underlying price pressures. Taking into account the sustained moderate inflation reading thus far, subdued cost pressures in the recent months, and the delay in the target RON95 subsidy rollout, we foresee higher chance of a more gradual pickup in inflation than initially forecasted. In other words, if the mild inflation were to continue in the coming months, we increasingly expect possible downside bias to our projection. Simultaneously, we could see a build-up of demand-side pressures following the recent OPR cut, which will likely stimulate greater consumer spending, further bolstered by a healthy labour market on the back of positive employment and wage growth, the recent fiscal measures and the delay of the RON95 subsidy adjustment. Despite this potential rise in demand, we expect the OPR will be kept at 2.75% for the rest of the year as overall price pre remains generally under control.

Chart 1: Key CPI Data (YoY%)



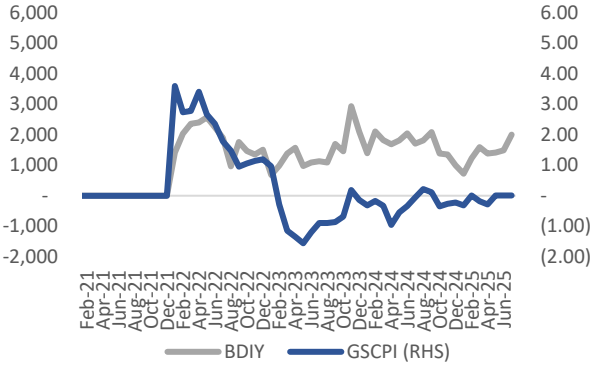
Source: Macrobond, MBSBR

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



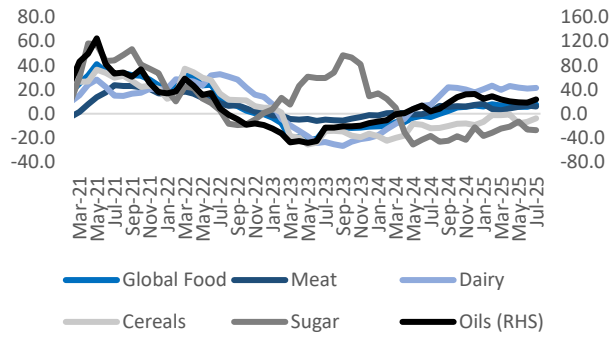
Source: Macrobond, MBSBR

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



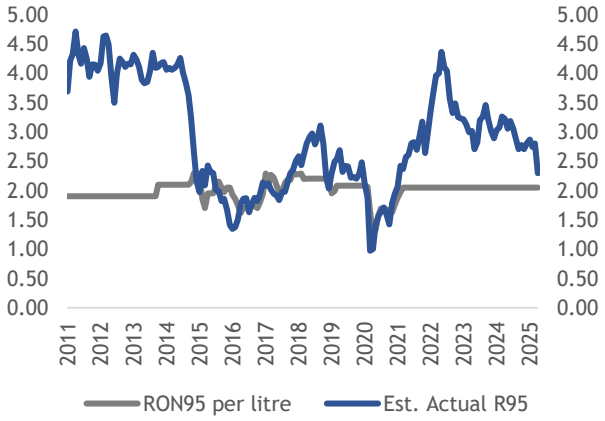
Source: Macrobond, MBSBR

Chart 4: Global Food Inflation (YoY%)



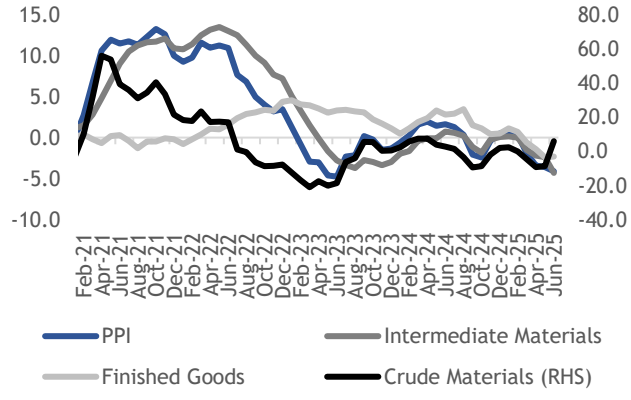
Source: Macrobond, MBSBR

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



Source: DOSM, MBSBR

Chart 6: PPI (YoY%)



Source: DOSM, MBSBR

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