Malaysia's Headline CPI Inflation Edged Slightly Higher to +1.3%yoy In Aug-25

Economic Review
Aug-25 Consumer Price Index



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Economic Review

- Malaysia's headline CPI inflation edged higher to +1.3%yoy in Aug-25 (Jul-25: +1.2%yoy), within our estimate. The higher reading signals inflation continued to accelerate gradually from +1.1%yoy in Jun-25, which was the lowest print of the year. The inflation for food away from home remained elevated at +4.3%yoy, similar to the previous month. In contrast, to prices of food at home remained in contraction but at a lesser pace (-0.1%yoy; Jul-25: -0.3%yoy).
- By strata, inflation in the urban areas increased to +1.3%yoy in Aug-25 (Jul-25: 1.2%yoy), and the inflation in the rural areas picked up higher to +1.0%yoy (Jul-25: +0.7%yoy).
- Given the still mild inflation reading, we adjust our 2025 CPI inflation forecast lower to +1.4% (2024: +1.8%) from +1.8% previously. We continue to expect potential rise in price pressures stemming from policy changes (e.g. broadening of SST coverage), but we foresee a more modest pickup than we had initially forecasted in view of the subdued cost pressures in the recent months and the delay in the rollout of targeted RON95 subsidy.

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Core CPI accelerated but underlying price pressures still under control

Meanwhile, core CPI picked up to +2.0%yoy in Aug-25 (Jul-25: +1.8%yoy), marking the fastest reading in 4 months but still signaling mild underlying price pressures. However, on monthly basis, the core inflation jumped to +0.4%mom (Jul-25: +0.1%mom), the highest level since Feb-25. The modest price pressures seen across food, non-food, and core inflation categories indicated 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. We expect moderate inflation to continue into the later part of the 2HCY25 following the government's latest announcement. While we still anticipate inflation will accelerate, its pace may be slower than previously forecasted. The recent expansion of the Sales and Service Tax (SST) is expected to contribute to higher prices, though its impact has been muted so far, suggesting that the overall inflationary effect will be contained. Additionally, the recent trend of crude oil prices, which remain below last year's levels also helps to limit upward price pressures throughout the year.

Global food price inflation eased in Aug-25.

Global food price inflation eased to +6.9%yoy in Aug-25 (Jul-25: +7.5%yoy), but the sustained inflation was mainly driven by the higher prices of oils (+24.3%yoy; Jul-25: 23.6%yoy). Meanwhile, inflation for other food products was still strong despite moderating slightly, such as meat (+4.9%yoy; Jul-25: +6.0%yoy), dairy (+16.2%yoy; Jul-25: 20.9%yoy). On the other hand, prices contracted for cereals (-4.1%yoy; Jul-25: -3.8%yoy) and poultry (-9.5%yoy; Jul-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 coverage, which includes several imported food items that may exert upward pressure on domestic food prices, in addition to stronger demand following the recent fiscal measures and the OPR cut by BNM. Although the petrol price hike will mainly affect non-citizens, its inflationary impact will be offset by a lower subsidized RON95 price which will be effective at the end of Sep-25. This could also be helped by the recent strengthening of the ringgit, which would lower import costs and ease price pressures. However, if adverse weather conditions disrupt local agricultural production, it could worsen domestic food inflation.

Table 1: Malaysia – Consumer price index by component

	Weightage (%)	MoM%			YoY%		
		Jun-25	Jul-25	Aug-25	Jun-25	Jul-25	Aug-25
Core CPI	-	0.1	0.1	0.4	1.8	1.8	2.0
Headline CPI	100.0	0.1	0.1	0.1	1.1	1.2	1.3
Food and Beverages	29.8	0.2	(0.1)	0.1	2.0	1.9	2.0
Food	29.0	0.2	0.0	0.1	2.0	1.9	1.9
Food at Home	15.6	0.1	(0.3)	0.0	(0.4)	(0.3)	(0.1)
Food Away from Home	13.4	0.3	0.3	0.2	4.7	4.3	4.3
Non-alcoholic Beverages	0.8	0.0	0.1	0.2	5.4	5.2	4.0
Non-Food	70.2	0.0	0.3	0.2	0.7	0.8	0.9
Alcoholic Beverages & Tobacco	1.9	0.0	0.2	0.0	0.6	0.6	0.4
Clothing & Footwear	2.7	(0.1)	0.1	0.0	(0.3)	(0.2)	(0.1)
Housing, Water, Electricity, Gas & Other Fuels	23.2	0.0	(0.4)	0.2	1.7	1.3	1.2
Furnishings, Household Equip & Maintenance	4.3	0.0	0.2	0.1	0.1	0.1	0.2
Health	2.7	0.0	0.3	0.1	1.2	1.2	1.1
Transport	11.3	0.2	0.2	(0.1)	0.3	0.4	0.2
Information and Communication	6.6	(0.2)	(0.9)	0.8	(5.4)	(6.4)	(5.6)
Recreation, Sport and Culture	3.0	0.1	0.1	0.2	0.8	0.8	1.0
Education	1.3	0.2	0.2	0.2	2.2	2.2	2.4
Restaurants & Accommodation Services	3.4	0.1	0.8	0.4	2.8	3.1	3.5
Insurance & Financial Services	4.0	0.0	4.6	0.1	1.5	5.5	5.6
Personal Care, Social Protect & Misc. Goods & Services	5.8	0.4	0.0	0.2	4.2	3.9	4.0

Source: Macrobond, DOSM, MBSBR

Inflation edged higher in both rural and urban areas.

By strata, inflation in the urban areas increased to +1.3%yoy in Aug-25 (Jul-25: 1.2%yoy), and the inflation in the rural areas picked up higher to +1.0%yoy (Jul-25: +0.7%yoy). Among states, inflation in Johor recorded the highest rate at +2.0%yoy (Jul-25: +1.8%yoy), followed by Selangor at +1.5%yoy, unchanged from last month, and Negeri Sembilan which also remained at the same pace of +1.4%yoy.

Table 2: Inflation by region (YoY%)

	MoM%			YoY%		
	Jun-25	Jul-25	Aug-25	Jun-25	Jul-25	Aug-25
Urban	0.1	0.1	0.1	1.3	1.2	1.3
Rural	0.1	(0.1)	0.2	0.9	0.7	1.0
Peninsular Malaysia	0.1	0.1	0.1	1.3	1.2	1.3
Kedah	0.2	(0.2)	0.2	0.6	0.4	0.5
Perlis	0.0	(0.2)	0.2	0.8	0.6	0.7
Pulau Pinang	0.1	0.4	0.1	0.7	1.0	1.0
Perak	0.1	0.0	0.1	0.7	0.8	0.8

Selangor	0.1	0.1	0.1	1.6	1.5	1.5
Putrajaya	0.1	0.2	0.1	0.5	0.8	0.8
Kuala Lumpur	0.1	0.1	0.2	1.2	1.0	1.0
Melaka	0.0	0.2	0.1	1.3	1.3	1.3
Negeri Sembilan	0.2	(-0.1)	0.3	1.6	1.4	1.4
Johor	0.1	0.3	0.2	1.5	1.8	2.0
Pahang	0.3	0.2	0.4	0.7	0.8	1.0
Kelantan	0.0	(0.2)	0.0	0.2	0.0	0.1
Terengganu	0.1	(0.1)	0.7	1.0	0.8	1.5
Sabah	0.0	0.1	0.3	1.0	1.1	1.3
Sarawak	0.0	0.0	0.1	0.6	0.5	0.5

Source: Macrobond, MBSBR

PPI remains in deflation in Jul-25

The deflation in Malaysia's producer prices persisted but at a slower pace of -3.8%yoy in Jul-25 (Jun-25: -4.2%yoy), marking the fifth consecutive month of contraction. However, the reading signals a recovery from the previous' month's steep decline, which was the sharpest fall since Jun-23. The continued deflation was due to a broad-based decline across all sectors, with persistent price weakness in the mining sector (-8.7%yoy; Jun-25: -8.0%yoy), reflecting lower prices of crude petroleum (-9.8%yoy) and natural gas (-4.7%yoy). PPI for the manufacturing sector also contracted at a softer rate (-4.0%yoy; Jun-25: -4.3%yoy), weighed down by coke & refined petroleum products (-15.7%yoy) and computer, electronic & optical products (-7.6%yoy). In contrast, agriculture, forestry & fishing rebounded (+1.1%yoy; Jun-25: -0.3%yoy), supported by perennial crops (+3.1%yoy), while electricity & gas supply expanded faster (+4.0%yoy; Jun-25: -0.2%yoy) and water supply dipped slightly (-0.1%yoy). On a monthly basis, producer prices rose +0.3%mom in Jul-25, reversing the -0.7%mom decline in Jun-25, with gains in agriculture (+2.5%mom), electricity & gas (+3.4%mom), and water (+0.9%mom) offsetting a small fall in manufacturing PPI (-0.1%mom) and flat reading for the mining sector. On another note, PPI declined for all stages of processing, including crude materials for further processing (-5.8%yoy), intermediate materials, supplies & components (-3.7%yoy), and finished goods (-2.4%yoy). The wide gap between PPI deflation and CPI inflation continued into Jul-25, which suggests limited upward pressures on selling prices due to sharp cost increases. Nevertheless, the rebound in the PPI for agriculture, forestry & fishing signals renewed food price pressures.

Table 3: Producer Price Indices by Stage of Processing

	MoM%			YoY%		
	May-25	**Jun-25**	**Jul-25**	**May-25**	**Jun-25**	**Jul-25**
PPI	(1.1)	(0.7)	0.3	(3.6)	(4.2)	(3.7)
Crude Materials	(3.7)	1.2	0.8	(8.7)	(5.8)	(5.8)
Foodstuffs	1.2	(0.3)	(1.1)	(0.4)	(0.4)	0.1
Non-food	(4.8)	1.6	1.3	(10.4)	(7.0)	(7.0)
Non-food ex fuel	(8.9)	(1.2)	4.4	4.0	0.9	2.5
Crude Fuel	(2.0)	3.4	(0.6)	(17.7)	(11.1)	(12.3)
Intermediate Materials	(0.6)	(1.8)	0.1	(2.4)	(4.4)	(3.7)
Manufactured Goods	(0.6)	(1.9)	(0.8)	(0.1)	(2.3)	(2.6)
Construction	0.6	0.3	1.3	0.6	(0.3)	0.8
Processed Fuel & Lubricants	(1.7)	(3.4)	3.1	(9.9)	(12.7)	(9.3)
Containers	0.1	0.6	0.3	(1.8)	(1.3)	(0.3)
Supplies	0.1	(0.6)	(0.4)	(1.8)	(3.0)	(2.7)
Finished Goods	(0.3)	0.5	0.1	(2.4)	(2.3)	(2.4)
Consumer Goods	(0.3)	(0.1)	0.5	(1.4)	(1.0)	(0.3)
Consumer Goods ex. Foods	(0.2)	0.1	0.6	(2.4)	(1.6)	(0.7)
Capital Equipment	(0.3)	1.0	(0.3)	(3.2)	(3.2)	(3.8)

Source: DOSM, MBSBR

Moderation in global price

Inflation generally eased and stabilised in Aug-25, although some economies reported higher readings. Despite the recent progress on the trade negotiations with the US has brought some

certainty to the inflation path, especially the US; we remain cautious on the possibility of new tariffs will be introduced on specific sectors or products. On another note, the easing of geopolitical uncertainty has led to reduced concerns about the inflation pressure, especially due to relatively low energy prices. In the US, the headline CPI inflation picked up to +2.9%yoy in Aug-25 (Jul-25: +2.7%yoy), but the core inflation remained steady at +3.1%yoy. Concerns about the price pressure has been gaining in the US amid concerns about the impact of tariff hikes. Meanwhile, headline CPI for euro area edged slightly lower to +2.0%yoy in Aug-25 (Jul-25: +2.1%yoy). Based on the latest ECB staff macroeconomic projection in the in Sep-25 policy meeting, the bloc's headline inflation is expected to average at +2.1% in 2025 and easing to +1.7% in 2026 (previous forecast: 2025: +2.0% and 2026: +1.6%). Meanwhile, the euro area growth is projected at +1.2% in 2025 (previous forecast: +0.9%) and slowing down to 1.0% in 2026. The ECB left the borrowing cost in the Sep-25 meeting, remaining at the lowest level since late 2022. The UK's headline inflation also eased to +3.7%yoy in Aug-25 (Jul-25: +3.8%yoy), and core inflation moderated to +3.6%yoy (Jul-25: +3.8%yoy), respectively. In Asia, China's deflationary risk remains a concern; with CPI deflating faster at -0.6%yoy in Aug-25. Meanwhile, although CPI inflation in Indonesia eased to +2.3%yoy (Jul-25: +2.4%yoy), Bank Indonesia announced a surprise cut, reducing its policy interest rate to 4.75% to the lowest level since Oct-22. Elsewhere, CPI inflation in the Philippines spiked to 5-month high of +1.5%. Overall, we continue to expect that the central bank's monetary policy direction will remain on an easing bias, given the moderate inflation readings and growing concerns over slowing growth momentum.

movement, supporting easing bias in policy direction

Table 4: Global Headline CPI Inflation (YoY%)

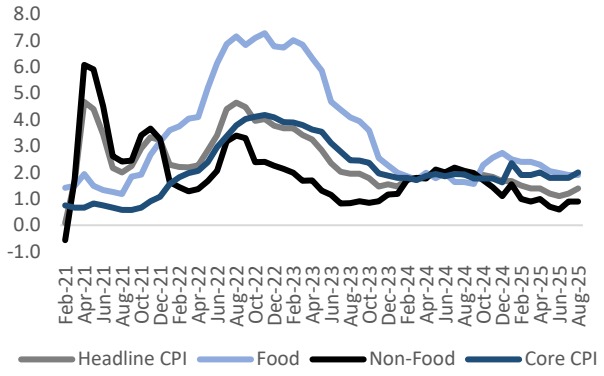
	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25
Malaysia	1.5	1.4	1.4	1.2	1.1	1.2	1.3
Indonesia	(0.1)	1.0	2.0	1.6	1.9	2.4	2.3
Singapore	0.9	0.9	0.9	0.8	0.8	0.6	n.a.
Thailand	1.1	0.8	(0.2)	(0.6)	(0.3)	(0.7)	(0.8)
Philippines	2.1	1.8	1.4	1.3	1.4	0.9	1.5
Taiwan	2.2	2.0	1.9	1.6	1.4	1.5	1.5
South Korea	2.0	2.1	2.1	1.9	2.2	2.1	1.7
China	(0.7)	(0.1)	(0.1)	(0.1)	0.1	(0.2)	(0.6)
Japan	3.7	3.6	3.6	3.5	3.3	3.1	2.7
Euro Area	2.3	2.2	2.2	1.9	2.0	2.1	2.0
UK	2.8	2.6	3.5	3.4	3.6	3.8	3.7
USA	2.8	2.4	2.3	2.4	2.7	2.7	2.9
PCE Prices	2.7	2.3	2.2	2.4	2.6	2.6	n.a.

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

Given the still mild inflation reading, we adjust our 2025 CPI inflation forecast lower to +1.4% (2024: +1.8%) from +1.8% previously. We continue to expect potential rise in price pressures stemming from policy changes (e.g. broadening of SST coverage), but we foresee a more modest pickup than we had initially forecasted in view of the subdued cost pressures in the recent months and the delay in the rollout of targeted RON95 subsidy. In addition, the reduction in the subsidised RON95 petrol price to RM1.99 a litre will also help to limit upward pressures from transport charges. Simultaneously, we anticipate a potential buildup of demand-side pressures following the OPR cut in Jul-25. This is expected to stimulate greater consumer spending, further supported by a healthy labour market (with positive employment and wage growth), recent fiscal measures, and the delay in the subsidy adjustment. Despite this potential rise in demand, we expect the OPR will be kept at 2.75% for the remainder of the year as overall price pressures are likely to remain generally contained.

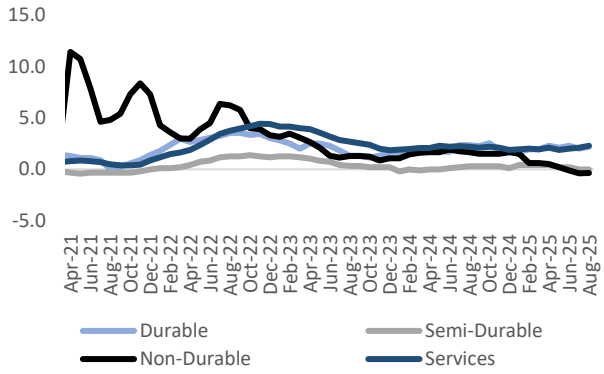
Adjust our 2025 CPI inflation forecast lower as inflation milder than expected

Chart 1: Key CPI Data (YoY%)



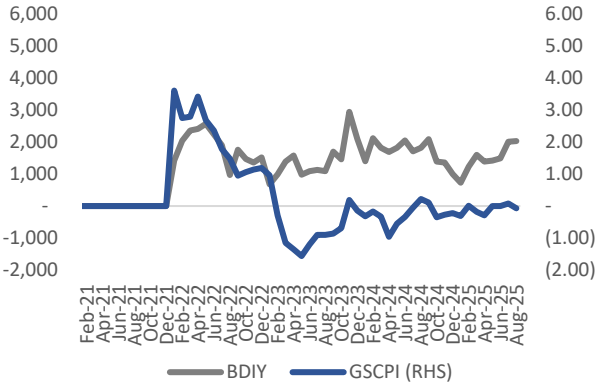
Source: Macrobond, MBSBR

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



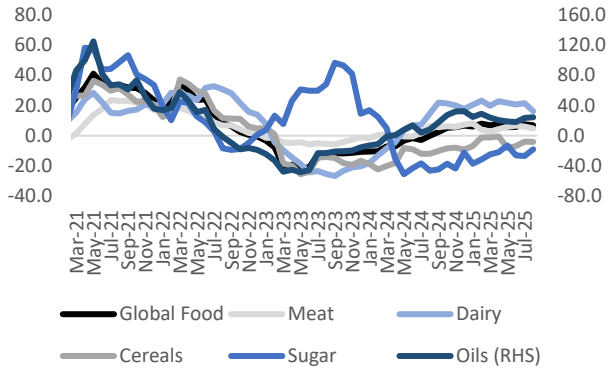
Source: Macrobond, MBSBR

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



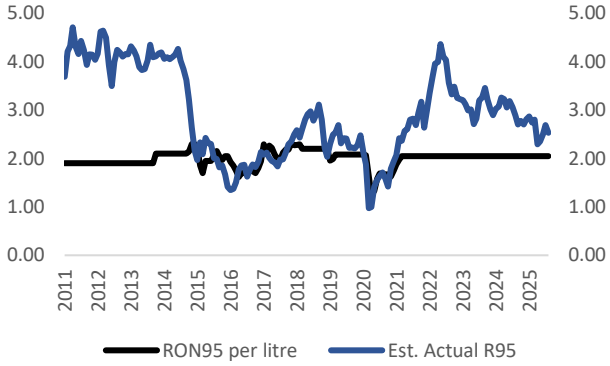
Source: Macrobond, MBSBR

Chart 4: Global Food Inflation (YoY%)



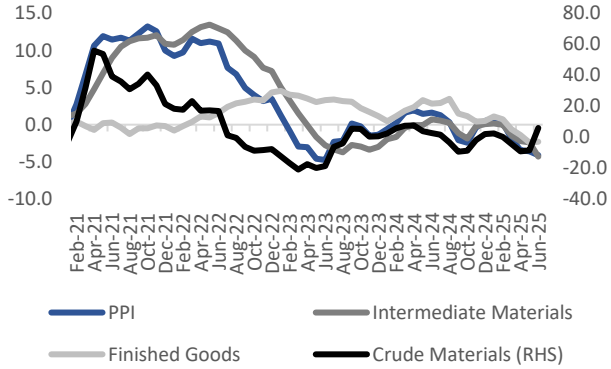
Source: Macrobond, MBSBR

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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