Malaysia's Headline Inflation Eased, but Core Inflation Edged Higher

Economic Review
Oct-25 Consumer Price Index



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- Malaysia's headline CPI inflation edged lower to +1.3%yoy in Oct-25 (Sep-25: +1.5%yoy), within our estimate but slightly below market consensus of +1.5%yoy. The slower reading indicates that inflation reversed the uptrend from +1.1%yoy in Jun-25, which was the lowest print since Feb-21. The slower was attributable to more moderate rise in prices of foods away from home, which eased to +2.9%yoy (Sep-25: +4.4%yoy), the lowest level since Oct-24. In contrast, inflation for foods at home came up flat for the second month.
- By strata, inflation in both the urban and rural areas eased lower, with the urban inflation slowing to +1.4%yoy (Sep-25: +1.6%yoy) and the inflation for rural areas weakening to +0.9%yoy (Sep-25: +1.2%yoy).
- Given the currently mild inflation readings, we maintain our 2025 inflation forecast at +1.4% (2024: +1.8%). While we remain watchful of the potential price pressures arising from policy changes, especially the broader scope of SST, but the reduction in the subsidised RON95 petrol price to RM1.99/litre limited the upside price pressures, specifically on transport and logistics-related costs throughout the economy.

Headline inflation reverses lower after 3 months of slight acceleration

Malaysia's headline CPI inflation edged lower to +1.3%yoy in Oct-25 (Sep-25: +1.5%yoy), within our estimate but slightly below market consensus of +1.5%yoy. The slower reading indicates that inflation reversed the uptrend from +1.1%yoy in Jun-25, which was the lowest print since Feb-21. The slower was attributable to more moderate rise in prices of foods away from home, which eased to +2.9%yoy (Sep-25: +4.4%yoy), the lowest level since Oct-24. In contrast, inflation for foods at home came up flat for the second month, where positive inflation for fish & other seafood (+1.7%yoy; Sep-25: +1.5%yoy), oils and fats (+1.3%yoy; Sep-25: +1.5%yoy), and sugar, confectionary & dessert (+0.9%yoy; Sep-25: +0.7%yoy) were offset by falling prices of vegetables (-6.0%yoy; Sep-25: -5.5%yoy), meat (-0.7%yoy; Sep-25: -0.1%yoy) and cereals & cereal products (-0.5%yoy; Sep-25: -0.6%yoy). Non-food prices continued to increase at the same pace of +1.2%yoy, driven by the stronger inflation in personal care, social protection & miscellaneous goods & services (+6.0%yoy; Sep-25: +4.8%yoy); recreation, sports & culture (+1.2%yoy; Sep-25: +0.9%yoy); and health (+1.4%yoy; Sep-25: +1.3%yoy). On the other hand, components such as transport, and information & communication deflated by –0.1%yoy (Sep-25: +0.7%yoy) and –2.4%yoy (Sep-25: -4.5%yoy), respectively.

Core CPI continued its ascent, yet broader, underlying price pressures still manageable

Meanwhile, core CPI inflation accelerated marginally to +2.2%yoy (Sep-25: +2.1%yoy), marking the fastest reading since Nov-23. Despite the higher reading, we still think that the rate signals still manageable underlying price pressures. On monthly basis, the core inflation moderates to +0.1%mom (Sep-25: +0.3%mom; Aug-25: +0.4%mom), the slowest monthly inflation since Jul-25. We believe recent upside to inflation can be influenced by policy measures such as SST expansion, the –6 sen reduction in subsidised RON95 prices since end-Sep-25 in particular contributed to -0.1% reduction in transport prices, both on annual and monthly basis. Looking at the recent trend, the resulting inflationary pressures from policy changes have been less pronounced than expected. Price growth remains modest across food, non-food, and core inflation categories. We conclude, the overall inflationary effect thus far is still contained, and the recent level of crude oil prices, which remained below last year, also mitigates broad cost increases.

Global food price deflated in Oct-25

Global food prices turned deflation, falling by -0.3%yoy in Oct-25 (Sep-25: +3.1%yoy), being the lowest level since Oct-24. The decline was mainly due to by the contraction in prices of poultry (-8.9%yoy; Sep-25: -5.7%yoy), sugar (-27.4%yoy; Sep-25: -21.3%yoy), and cereals (-9.5%yoy; Sep-25: -8.0%yoy). Meanwhile, prices increase eased across all other components, such as meat (+4.8%yoy; Sep-25: +6.4%yoy), dairy (+2.6%yoy; Sep-25: +7.9%yoy), and oils (+10.9%yoy; Sep-25: +18.0%yoy). We forecast a moderate price increase in inflation in the 4QCY25 period, driven by both supply and demand factors. Due to Malaysia's import dependency, volatility in global food prices, and the ringgit's exchange rate will immediately impact cost. However, given the latest figure, we expect weaker inflationary pressure stemming from import inflation, on the back of the deflation in global food prices, added to the recent strength of the ringgit performance. Domestically, the expanded SST coverage also adds upward pressure, especially on imported food products. Furthermore, robust demand, supported by recent fiscal measures and the earlier OPR cut by BNM, will contribute significantly to this overall inflationary rise. Although the petrol price hike will mainly affect non-citizens, its inflationary impact will be offset by a lower subsidised RON95 price. On another note, 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%		
		Aug-25	Sep-25	Oct-25	Aug-25	Sep-25	Oct-25
Core CPI	-	0.4	0.3	0.1	2.0	2.1	2.2
Headline CPI	100.0	0.1	0.2	(0.1)	1.3	1.5	1.3
Food and Beverages	29.8	0.2	0.4	0.2	2.0	2.1	1.5
Food	29.0	0.1	0.2	0.2	1.9	2.0	1.4
Food at Home	15.6	0.0	0.2	0.1	(0.1)	0.0	0.0
Food Away from Home	13.4	0.2	0.1	0.3	4.3	4.4	2.9
Non-alcoholic Beverages	0.8	0.2	0.0	0.1	4.0	4.0	3.8
Non-Food	70.2	0.2	0.2	(0.2)	0.9	1.2	1.2
Alcoholic Beverages & Tobacco	1.9	0.0	0.0	0.0	0.4	0.3	0.3
Clothing & Footwear	2.7	0.0	-0.1	(0.1)	(0.1)	(0.2)	(0.3)
Housing, Water, Electricity, Gas & Other Fuels	23.2	0.2	0.3	(0.5)	1.2	1.5	1.1
Furnishings, Household Equip & Maintenance	4.3	0.1	0.0	0.0	0.2	0.2	0.3
Health	2.7	0.1	0.1	0.2	1.1	1.3	1.4
Transport	11.3	(0.1)	0.2	(0.9)	0.2	0.7	(0.1)
Information and Communication	6.6	0.8	1.1	0.0	(5.6)	(4.5)	(2.4)
Recreation, Sport and Culture	3.0	0.2	0.0	0.2	1.0	0.9	1.2
Education	1.3	0.2	0.0	0.2	2.4	2.4	2.4
Restaurants & Accommodation Services	3.4	0.4	-0.1	0.2	3.5	3.3	3.4
Insurance & Financial Services	4.0	0.1	0.0	0.0	5.6	5.6	5.6
Personal Care, Social Protect & Misc. Goods & Services	5.8	0.2	0.8	1.4	4.0	4.8	6.0

Source: Macrobond, DOSM, MBSBR

Inflation edged lower in both rural and urban areas

By strata, inflation in both the urban and rural areas eased lower, with the urban inflation slowing to +1.4%yoy (Sep-25: +1.6%yoy) and the inflation for rural areas weakening to +0.9%yoy (Sep-25: +1.2%yoy. Among the states, Johor continued to record inflation above the national rate albeit moderating slightly to +1.9%yoy (Sep-25: +2.0%yoy), followed by Negeri Sembilan (+1.7%yoy; Sep-25: +1.9%yoy), and Kuala Lumpur (+1.6%yoy; Sep-25: +1.3%yoy).

Table 2: Inflation by region (YoY%)

	MoM%			YoY%		
	Aug-25	Sep-25	Oct-25	Aug-25	Sep-25	Oct-25
Urban	0.1	0.3	(0.1)	1.3	1.6	1.4
Rural	0.2	0.2	(0.2)	1.0	1.2	0.9
Peninsular Malaysia	0.1	0.3	(0.1)	1.3	1.6	1.4
Kedah	0.2	0.3	(0.2)	0.5	0.9	0.5
Perlis	0.2	0.6	(0.2)	0.7	1.4	0.9
Pulau Pinang	0.1	0.2	(0.1)	1.0	1.2	1.0
Perak	0.1	0.2	(0.2)	0.8	0.9	0.5
Selangor	0.1	0.3	(0.1)	1.5	1.8	1.6
Putrajaya	0.1	0.2	0.0	0.8	1.0	0.9
Kuala Lumpur	0.2	0.3	0.1	1.0	1.3	1.6
Melaka	0.1	0.4	(0.1)	1.3	1.8	1.4
Negeri Sembilan	0.3	0.4	(0.1)	1.4	1.9	1.7
Johor	0.2	0.1	0.0	2.0	2.0	1.9
Pahang	0.4	0.2	(0.1)	1.0	1.4	1.3
Kelantan	0.0	0.4	(0.3)	0.1	0.5	0.1
Terengganu	0.7	0.2	(0.2)	1.5	1.7	1.4
Sabah	0.3	0.1	0.0	1.3	1.3	1.3
Sarawak	0.1	0.2	0.0	0.5	0.6	0.8

Source: Macrobond, MBSBR

PPI remained in deflation in Sep-25

The downward pressure in Malaysia's producer prices persisted in Sep-25 but at a softer pace of -0.8%yoy (Aug-25: -2.8%yoy), the mildest decline in the current 7-month streak of PPI deflation. This was attributable to a smaller PPI deflation in the manufacturing sector (-2.1%yoy; Aug-25: -4.0%yoy), as the sharp fall in coke and refined petroleum products (-8.9%yoy) was partially offset by firmer readings across other manufacturing clusters. Meanwhile, mining PPI rebounded to inflation, rising by +1.1%yoy (Aug-25: -3.4%yoy), supported by higher prices in natural gas extraction (+8.9%yoy). The agriculture, forestry & fishing sector also recorded faster price increases (+7.8%yoy; Aug-25: +7.3%yoy), led by perennial crops (+11.7%yoy). Utilities continued to provide upward support, contributed by inflation in the electricity & gas supply (+4.6%yoy; Aug-25: +4.1%yoy) and water supply (+9.1%yoy; Aug-25: +3.4%yoy). On a monthly basis, producer prices increased faster by +0.5%mom (Aug-25: +0.1%mom), marking the second straight month of sequential gains, underpinned by higher prices in agriculture (+2.1%mom) and manufacturing (+0.3%mom) industries. By stage of processing, both intermediate materials (-1.2%yoy; Aug-25: -3.1%yoy) and finished goods (-1.8%yoy; Aug-25: -3.4%yoy) registered slower inflation. Conversely, PPI for crude materials rebounded to +2.4%yoy (Aug-25: -0.8%yoy), supported by higher prices of non-food materials (+2.3%yoy; Aug-25: -1.1%yoy) and foodstuffs & feedstuffs (+3.0%yoy; Aug-25: +1.1%yoy). For 3QCY25, the PPI deflated further but slower at -2.4%yoy (2QCY25: -3.7%yoy), as sustained softness in manufacturing and mining was partly offset by stronger gains in agriculture and utilities. The latest data suggests that upstream price pressures are gradually stabilising, in line with firmer commodity prices and energy demand recovery. While overall inflationary pressures are limited by falling prices of intermediate and capital goods, renewed pressures on consumer prices could come from increased prices of crude and raw materials.

Table 3: Producer Price Indices by Stage of Processing

	MoM%			YoY%		
	Jul-25	Aug-25	Sep-25	Jul-25	Aug-25	Sep-25
PPI	0.3	0.1	0.5	(3.7)	(2.8)	(0.7)
Crude Materials	0.8	1.6	0.6	(5.8)	(0.8)	2.4
Foodstuffs	(1.1)	(0.1)	2.2	0.1	1.1	3.0
Non-food	1.3	2.1	1.2	(7.0)	(1.1)	2.3
Non-food ex fuel	4.4	5.1	1.9	2.5	10.9	10.8
Crude Fuel	(0.6)	0.1	(0.9)	(12.3)	(7.9)	(2.8)
Intermediate Materials	0.1	(0.1)	0.8	(3.7)	(3.1)	(1.2)
Manufactured Goods	(0.8)	0.1	0.2	(2.6)	(2.1)	(1.2)
Construction	1.3	0.3	1.2	0.8	2.1	3.8
Processed Fuel & Lubricants	3.1	(1.5)	3.2	(9.3)	(8.6)	(3.9)
Containers	0.3	0.5	0.8	(0.3)	(1.2)	1.1
Supplies	(0.4)	(0.1)	0.4	(2.7)	(2.2)	(0.4)
Finished Goods	0.1	(0.5)	(0.1)	(2.4)	(3.4)	(1.8)
Consumer Goods	0.5	(0.3)	0.0	(0.3)	(0.4)	(0.5)
Consumer Goods ex. Foods	0.6	(0.3)	(0.4)	(0.7)	(1.0)	(1.5)
Capital Equipment	(0.3)	(0.6)	(0.3)	(3.8)	(5.6)	(2.8)

Source: DOSM, MBSBR

Easing global inflation supports easing bias

Inflation generally trended lower but with a slight uptick in several countries. In the US, the headline inflation, as of the latest available number, the headline CPI inflation picked up to +3.0%yoy in Sep-25 (Aug-25: +2.9%yoy), but core inflation ticked down to +3.0%yoy (Aug-25: +3.1%yoy). Meanwhile, headline CPI for the euro area edged lower to +2.1%yoy in Oct-25 (Sep-25: +2.2%yoy). Based on the latest ECB minutes, the ECB would keep its interest rates unchanged in the near term as the current interest rates are in a "good place" given the bloc's inflation near the bank's +2.0% target, which is expected to stabilise at target in the medium term. The UK headline inflation also eased to +3.6%yoy in Oct-25. In Asia, China's deflationary risk remains a concern, with the CPI deflating by -0.1%yoy in Oct-25. Meanwhile, Indonesia's CPI inflation picked up to +2.9%yoy in Oct-25 (Sep-25: +2.7%yoy), while the Philippines inflation held steady at +1.7%yoy. Overall, we anticipate the central bank's policy direction will generally remain on easing bias. With inflation having moderated and remained manageable, monetary policymakers have the flexibility to prioritise economic support and will maintain a course designed to stimulate activity amid growing concerns about slowing economic growth. On another note, we are still concerned about the effect of higher tariffs and uncertain trade outlook, despite the one-year trade truce between the US and China. Moreover, another risk could come from tariffs on specific sectors which will add to inflationary pressure, especially in the US. Meanwhile, the easing of geopolitical uncertainty has led to reduced concerns about inflationary pressure, especially due to low energy prices.

Table 4: Global Headline CPI Inflation (YoY%)

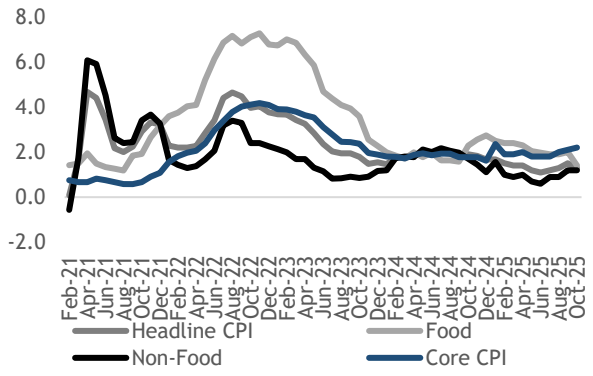
	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25
Malaysia	1.4	1.2	1.1	1.2	1.3	1.5	1.3
Indonesia	2.0	1.6	1.9	2.4	2.3	2.7	2.9
Singapore	0.9	0.8	0.8	0.6	0.5	0.7	n.a.
Thailand	(0.2)	(0.6)	(0.3)	(0.7)	(0.8)	(0.8)	(08)
Philippines	1.4	1.3	1.4	0.9	1.5	1.7	1.7
Taiwan	1.9	1.6	1.4	1.5	1.5	1.3	1.6
South Korea	2.1	1.9	2.2	2.1	1.7	2.1	2.4
China	(0.1)	(0.1)	0.1	(0.2)	(0.6)	(0.5)	(0.1)
Japan	3.6	3.5	3.3	3.1	2.7	2.9	n.a.
Euro Area	2.2	1.9	2.0	2.1	2.0	2.2	2.1
UK	3.5	3.4	3.6	3.8	3.7	3.8	3.6
USA	2.3	2.4	2.7	2.7	2.9	3.0	n.a.
PCE Prices	2.2	2.4	2.6	2.6	2.7	n.a.	n.a.

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

Expect inflation to accelerate gradually but remain under control

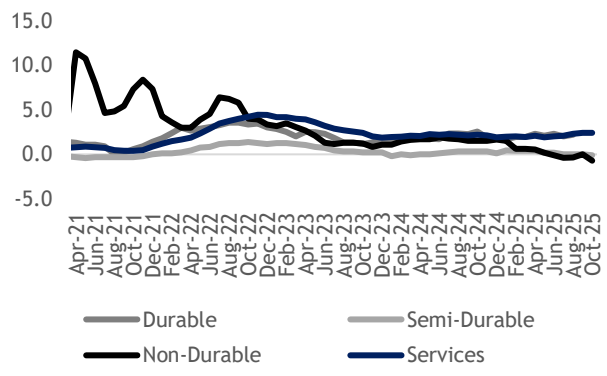
Given the currently mild inflation readings, we maintain our 2025 inflation forecast at +1.4% (2024: +1.8%). While we remain watchful of the potential price pressures arising from policy changes, especially the broader scope of SST, but the reduction in the subsidised RON95 petrol price to RM1.99/litre limited the upside price pressures, specifically on transport and logistics-related costs throughout the economy. Stronger ringgit and deflated global food prices are also expected to contain imported inflation. However, a key upside risk remains from the design of the BUDI95 fuel subsidy programme as the exclusion of Micro and Small and Medium Enterprises (MSMEs) forces this segment to consume higher unsubsidised fuel costs, potentially passing on the business cost increases to higher consumer prices. In view of the gradual acceleration in core inflation, we foresee a potential build-up of demand pressures following the OPR cut in Jul-25 and the sustained rise in consumer spending, on the back of a healthy labour market (with positive employment and wage growth) and other pro-consumption fiscal measures. On that note, given the strength in domestic demand, we continue to expect that the OPR to be left unchanged at 2.75% for the rest of the year as price pressures remain generally contained.

Chart 1: Key CPI Data (YoY%)



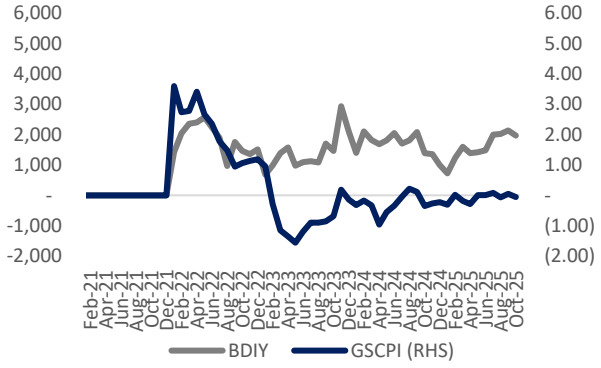
Source: Macrobond, MBSBR

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



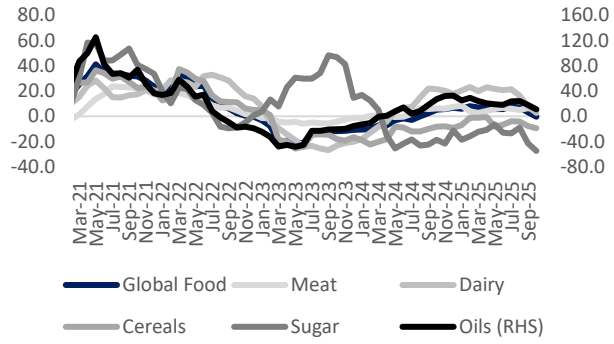
Source: Macrobond, MBSBR

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



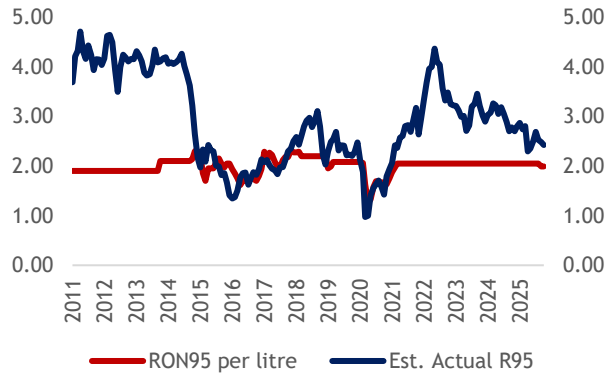
Source: Macrobond, MBSBR

Chart 4: Global Food Inflation (YoY%)



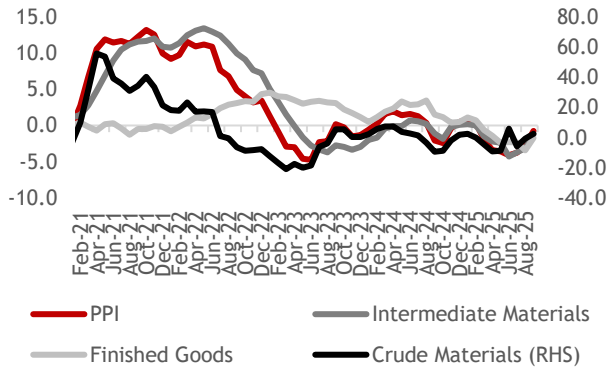
Source: Macrobond, MBSBR

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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