Malaysia's Headline Inflation Edged Higher, While Core Inflation Unchanged

Economic Review
Nov-25 Consumer Price Index



Author
MBSB Research
research@midf.com.my

Economic Review

- Malaysia's headline CPI inflation edged higher to +1.4%yoy in Nov-25 (Oct-25: +1.3%yoy), within our estimate but slightly below market consensus of +1.5%yoy. The reading indicates that inflation continued its gradual upward trend from the low of +1.1%yoy in Jun-25. The faster inflation in Nov-25 was attributable to an increase in alcoholic beverages & tobacco, which accelerated to +2.4%yoy (Oct-25: +0.3%yoy). Meanwhile, inflation for food at home came in slightly higher, where positive inflation was seen in meat (+0.7%yoy; Oct-25: -0.7%yoy) and fish & other seafood (+2.1%yoy; Oct-25: +1.7%yoy). On the other hand, food away from home eased to +2.8%yoy (Oct-25: +2.9%yoy). Non-food prices continued to increase at +1.3%yoy (Oct-25: +1.2%yoy).
- By strata, inflation in both the urban and rural areas edged higher, with the urban inflation increasing to +1.5%yoy (Oct-25: +1.4%yoy) and the inflation for rural areas strengthened to +1.0%yoy (Oct-25: +0.9%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, 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.

Headline inflation shifts back higher to +1.4%yoy

Malaysia's headline CPI inflation edged higher to +1.4%yoy in Nov-25 (Oct-25: +1.3%yoy), within our estimate but slightly below market consensus of +1.5%yoy. The reading indicates that inflation continued its gradual upward trend from the low of +1.1%yoy in Jun-25. The faster inflation in Nov-25 was attributable to an increase in alcoholic beverages & tobacco, which accelerated to +2.4%yoy (Oct-25: +0.3%yoy). Meanwhile, inflation for food at home came in slightly higher, where positive inflation was seen in meat (+0.7%yoy; Oct-25: -0.7%yoy) and fish & other seafood (+2.1%yoy; Oct-25: +1.7%yoy). On the other hand, food away from home eased to +2.8%yoy (Oct-25: +2.9%yoy). Non-food prices continued to increase at +1.3%yoy (Oct-25: +1.2%yoy), driven by the stronger inflation in education (+2.6%yoy; Oct-25: +2.4%yoy), and health (+1.5%yoy; Oct-25: +1.4%yoy). On the other hand, inflation in other components within the non-food inflation eased lower.

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

Meanwhile, core CPI inflation was unchanged at +2.2%yoy from last month, again being the fastest reading since Nov-23. Despite the higher reading compared to previous months, we still think that the rate signals are still manageable, underlying price p-ressures. On a monthly basis, the core inflation turned flat in Nov-25 (Oct-25: +0.1%mom; Sep-25: +0.4%mom), the slowest monthly change 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. Looking at the recent trend, the resulting inflationary pressures from policy changes have been less pronounced than expected. Price growth is staying modest across food, non-food, and core categories. We believe inflation remains well-contained, especially as crude oil prices, which are currently lower than last year, will help prevent broader cost increases.

Global food price deflated in Nov-25

Global food prices continue to be in deflation, falling by -2.1%yoy in Nov-25 (Oct-25: -0.2%yoy), being the lowest level since Jul-24. The decline was mainly due to the contraction in prices of poultry (-10.8%yoy; Oct-25: -9.1%yoy), sugar (-29.9%yoy; Oct-25: -27.4%yoy), cereals (-5.3%yoy; Oct-25: -9.5%yoy), and dairy (-1.7%yoy; Oct-25: +2.4%yoy). Meanwhile, price increases continued to ease across all other components, such as meat (+4.9%yoy; Oct-25: +5.3%yoy) and a significant drop in oils price index (+0.6%yoy; Oct-25: +10.9%yoy). We forecast the moderate price increase in inflation will continue throughout the 1QCY26 period, driven by both supply and demand factors. Malaysia remains sensitive to global food price volatility and exchange rate shifts; the outlook for imported inflation has turned increasingly favourable. The combination of a resurgent Ringgit and falling global food prices is effectively neutralising external cost pressures. Consequently, we anticipate weaker inflationary pass-through for the household sector. The expanded SST coverage, especially on imported food, remains a primary driver of domestic cost increases. This inflationary pressure is further amplified by robust consumer spending, fuelled by government fiscal support and BNM's prior monetary easing. Consequently, the convergence of tax adjustments and accommodative policy is creating a sustained upward trajectory for headline inflation. 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, the recent adverse weather conditions could further disrupt local agricultural production and worsen domestic food inflation.

Table 1: Malaysia – Consumer price index by component

	Weightage (%)	MoM%			YoY%		
		Sep-25	Oct-25	Nov-25	Sep-25	Oct-25	Nov-25
Core CPI	-	0.3	0.1	0.0	2.1	2.2	2.2
Headline CPI	100.0	0.2	(0.1)	0.0	1.5	1.3	1.4
Food and Beverages	29.8	0.4	0.2	0.0	2.1	1.5	1.5
Food	29.0	0.2	0.2	0.0	2.0	1.4	1.4
Food at Home	15.6	0.2	0.1	0.1	0.0	0.0	0.1
Food Away from Home	13.4	0.1	0.3	(0.1)	4.4	2.9	2.8
Non-alcoholic Beverages	0.8	0.0	0.1	0.2	4.0	3.8	3.6
Non-Food	70.2	0.2	(0.2)	0.0	1.2	1.2	1.3
Alcoholic Beverages & Tobacco	1.9	0.0	0.0	2.1	0.3	0.3	2.4
Clothing & Footwear	2.7	-0.1	(0.1)	0.1	(0.2)	(0.3)	(0.1)
Housing, Water, Electricity, Gas & Other Fuels	23.2	0.3	(0.5)	(0.1)	1.5	1.1	0.7
Furnishings, Household Equip & Maintenance	4.3	0.0	0.0	0.0	0.2	0.3	0.2
Health	2.7	0.1	0.2	0.0	1.3	1.4	1.5
Transport	11.3	0.2	(0.9)	0.0	0.7	(0.1)	0.2
Information and Communication	6.6	1.1	0.0	(1.2)	(4.5)	(2.4)	(1.3)
Recreation, Sport and Culture	3.0	0.0	0.2	0.1	0.9	1.2	1.2
Education	1.3	0.0	0.2	0.2	2.4	2.4	2.6
Restaurants & Accommodation Services	3.4	-0.1	0.2	0.1	3.3	3.4	3.4
Insurance & Financial Services	4.0	0.0	0.0	0.0	5.6	5.6	5.6
Personal Care, Social Protect & Misc. Goods & Services	5.8	0.8	1.4	0.1	4.8	6.0	5.6

Source: Macrobond, DOSM, MBSBR

Inflation edged higher in both rural and urban areas

By strata, inflation in both the urban and rural areas edged higher, with the urban inflation increasing to +1.5%yoy (Oct-25: +1.4%yoy) and the inflation for rural areas strengthened to +1.0%yoy (Oct-25: +0.9%yoy). Among the states, Johor continued to record inflation above the national rate albeit unchanged at +1.9%yoy, followed by Negeri Sembilan (+1.9%yoy; Oct-25: +1.7%yoy), and Kuala Lumpur (+1.7%yoy; Oct-25: +1.6%yoy).

Table 2: Inflation by region (YoY%)

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

Source: Macrobond, MBSBR

Lowest PPI deflation in Oct-25

Malaysia's producer prices deflated at a softer pace by -0.1%yoy in Oct-25 (Sep-25: -0.8%yoy), marking the slowest decline in an eight-month sequence of deflation. This largely reflected a deceleration in the contraction of the manufacturing sector (-0.6%yoy; Sep-25: -2.1%yoy), with lower indices for manufacture of coke & refined petroleum products (-5.1%yoy) and manufacture of computer, electronic & optical products (-1.6%yoy). The mining sector also contracted (-1.0%yoy; Sep-25: +1.1%yoy), weighed down by extraction of crude petroleum index (-2.2%yoy). Inflation rose at a slower pace for sectors including agriculture, forestry & fishing (+2.7%yoy; Sep-25: +7.8%yoy) and electricity & gas supply (+4.3%yoy; Sep-25: -4.6%yoy). However, prices accelerated for the water supply sector (+10.8%yoy; Sep-25: +9.1%yoy). On a monthly basis, producer prices were unchanged in Oct-25 from a +0.5%mom rise in the previous month. Month-on-month gains were observed in agriculture (+0.9%mom), manufacturing (+0.3%mom), and water (+1.5%mom), while electricity (-0.3%mom) and mining (-4.8%mom) recorded declines. PPI fell across most stages of processing, including intermediate materials, supplies & components (-0.2%yoy) and finished goods (-1.0%yoy), while the rise in crude materials for further processing moderated to +1.2%yoy. The gap between PPI deflation and CPI inflation narrowed in Oct-25, as inflation rose softer by +1.3%yoy (Sep-25: +1.5%yoy). Looking ahead, inflation is expected to remain low and stable, though the expanded SST could add some upward pressure. This may be offset by the RON95 subsidy, a stronger ringgit, and lower global food prices. A key upside risk comes from MSMEs being excluded from the BUDI95 fuel subsidy, which could pass higher fuel costs onto consumer prices.

Table 3: Producer Price Indices by Stage of Processing

	MoM%			YoY%		
	Aug-25	Sep-25	Oct-25	Aug-25	Sep-25	Oct-25
PPI	0.1	0.5	0.0	(2.8)	(0.7)	(0.1)
Crude Materials	1.6	0.6	(0.4)	(0.8)	2.4	1.2
Foodstuffs	(0.1)	2.2	1.3	1.1	3.0	3.7
Non-food	2.1	1.2	(0.8)	(1.1)	2.3	0.6
Non-food ex fuel	5.1	1.9	0.6	10.9	10.8	2.6
Crude Fuel	0.1	(0.9)	(1.9)	(7.9)	(2.8)	(0.8)
Intermediate Materials	(0.1)	0.8	0.2	(3.1)	(1.2)	(0.2)
Manufactured Goods	0.1	0.2	0.6	(2.1)	(1.2)	0.1
Construction	0.3	1.2	0.5	2.1	3.8	4.6
Processed Fuel & Lubricants	(1.5)	3.2	(2.0)	(8.6)	(3.9)	(3.7)
Containers	0.5	0.8	1.6	(1.2)	1.1	3.5
Supplies	(0.1)	0.4	0.9	(2.2)	(0.4)	1.3
Finished Goods	(0.5)	(0.1)	(0.2)	(3.4)	(1.8)	(1.0)
Consumer Goods	(0.3)	0.0	0.2	(0.4)	(0.5)	0.1
Consumer Goods ex. Foods	(0.3)	(0.4)	0.0	(1.0)	(1.5)	(1.0)
Capital Equipment	(0.6)	(0.3)	(0.3)	(5.6)	(2.8)	(1.8)

Source: DOSM, MBSBR

Easing global inflation supports easing bias

Inflation generally grew lower among the selected countries last month. In the US, the headline CPI inflation eased to +2.7%yoy in Nov-25 (Oct-25: n.a; Sep-25: +3.0%yoy), and core inflation continued to tick down to +2.6%yoy (Sep-25: +3.0%yoy). Meanwhile, headline CPI for the euro area was unchanged at +2.1%yoy on Nov-25. Based on the latest ECB policy meeting, the ECB expects that headline inflation should edge somewhat below 2.-% in 2026 and 2026, before increasing to the ECB's medium term target of 2.0% in 2028, and policymakers signalled that they are not prepared to enter a full-throttle easing, and more of a "steady-as-she-goes" approach. The UK headline inflation also eased +3.3%yoy in Nov-25. In Asia, China's inflation picked up higher to +0.5%yoy (Oct-25: -0.1%yoy), while the Philippines inflation eased lower to -1.5%yoy. Overall, we anticipate a continued lean toward accommodative monetary policy. Stable inflation provides the central bank with the necessary flexibility to pivot toward economic support, focusing on stimulating activity as growth risks intensify. On another note, we are still concerned about the effect of higher tariffs and the 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%)

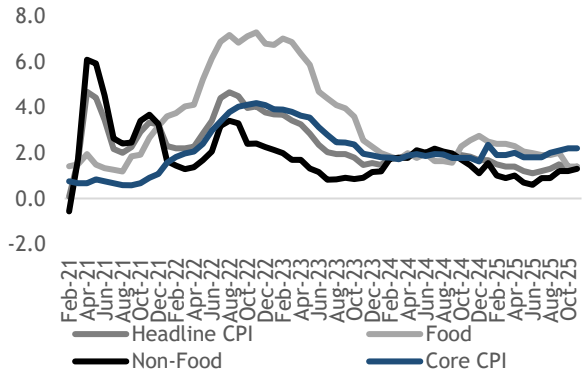
	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25
Malaysia	1.2	1.1	1.2	1.3	1.5	1.3	1.4
Indonesia	1.6	1.9	2.4	2.3	2.7	2.9	2.7
Singapore	0.8	0.8	0.6	0.5	0.7	1.2	n.a
Thailand	(0.6)	(0.3)	(0.7)	(0.8)	(0.8)	(0.8)	(0.5)
Philippines	1.3	1.4	0.9	1.5	1.7	1.7	1.5
Taiwan	1.6	1.4	1.5	1.5	1.3	1.6	1.6
South Korea	1.9	2.2	2.1	1.7	2.1	2.4	2.4
China	(0.1)	0.1	(0.2)	(0.6)	(0.5)	(0.1)	0.5
Japan	3.5	3.3	3.1	2.7	2.9	3.0	2.9
Euro Area	1.9	2.0	2.1	2.0	2.2	2.1	2.1
UK	3.4	3.6	3.8	3.7	3.8	3.6	3.3
USA	2.4	2.7	2.7	2.9	3.0	n.a.	2.7
PCE Prices	2.4	2.6	2.6	2.7	2.8	n.a.	n.a.

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

Expect inflation to accelerate gradually but remain under control

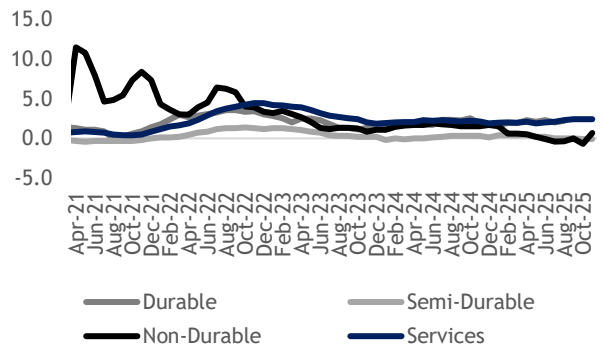
Given the currently mild inflation readings, we maintain our 2025 inflation forecast at +1.4% (2024: +1.8%). While we remain watchful of the potential price pressures arising from policy changes, especially the broader scope of SST, but the reduction in the subsidised RON95 petrol price to RM1.99/litre 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. The upside risk stems from the BUDI95 fuel subsidy framework. Since Micro, Small, and Medium Enterprises (MSMEs) are excluded, they face higher unsubsidised fuel costs, which could lead to a pass-through of business expenses to consumer prices. Furthermore, with core inflation gradually accelerating, we anticipate rising demand pressures following the Jul-25 OPR cut. This trend is reinforced by robust consumer spending, a healthy labour market on the back of steady wage and employment growth, added with supportive 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%)



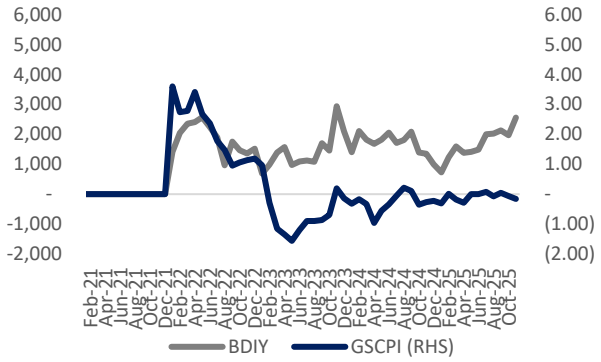
Source: Macrobond, MBSBR

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



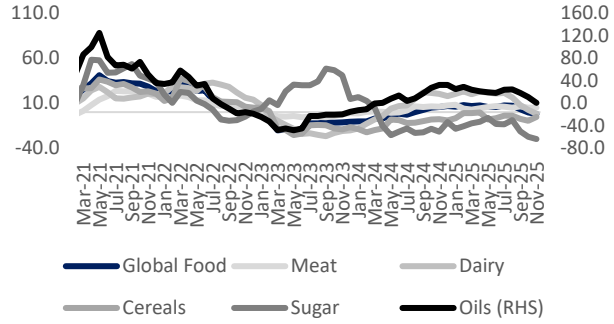
Source: Macrobond, MBSBR

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



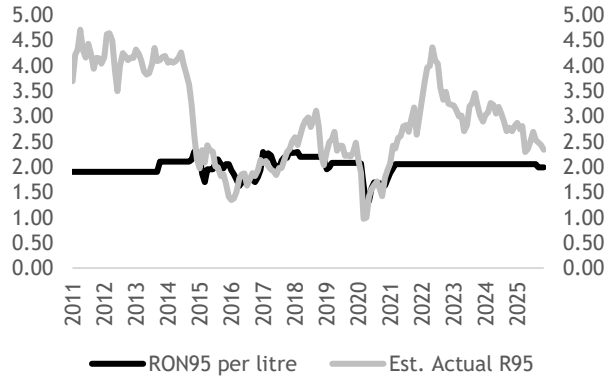
Source: Macrobond, MBSBR

Chart 4: Global Food Inflation (YoY%)



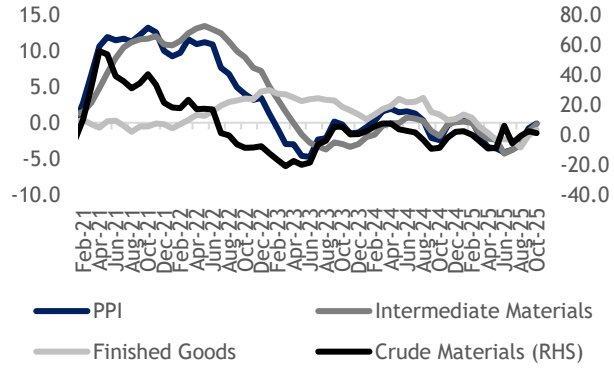
Source: Macrobond, MBSBR

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



Source: DOSM, MBSBR

Chart 6: PPI (YoY%)



Source: DOSM, MBSBR

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

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.