Malaysia's CPI Inflation Moderated in 2025, Despite Edging Higher in Dec-25

Economic Review
Dec-25 Consumer Price Index



Author
MBSB Research
research@mbsb.com

Economic Review

- Malaysia's headline CPI inflation edged higher to +1.6%yoy in Dec-25 (Nov-25: +1.4%yoy), slightly above our +1.5%yoy estimate and above market consensus of +1.4%yoy. CPI inflation continued to gradually trend higher from the lows of +1.1%yoy in Jun-25.
- 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 2026 inflation forecast at +1.8% (2025: 1.4%). While we remain watchful of potential price pressures arising from policy changes, specifically the broader scope of SST, but the reduction in the subsidised RON95 price to RM1.99 per litre has limited the upside risk. We maintain our forecast for the OPR to remain unchanged at 2.75% this year, basically driven by the steady, balanced outlook on growth and inflation risks.

Headline inflation shifts back higher to +1.6%yoy.

Malaysia's headline CPI inflation edged higher to +1.6%yoy in Dec-25 (Nov-25: +1.4%yoy), slightly above our +1.5%yoy estimate and above market consensus of +1.4%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 Dec-25 was attributable to an increase in alcoholic beverages & tobacco, which accelerated to +2.5%yoy (Nov-25: +2.4%yoy). Meanwhile, inflation for food at home came in slightly higher at +0.3%yoy (Nov-25: +0.1%yoy) and fish & other seafood at +2.2%yoy (Nov-25: +2.1%yoy). On the other hand, inflation for food away from home eased to +2.7%yoy (Nov-25: +2.8%yoy). Non-food prices inflation also accelerated to +1.6%yoy (Nov-25: +1.3%yoy), driven by among others the stronger inflation in alcoholic beverages & tobacco (+2.5%yoy; Nov-25: +2.4%yoy), clothing & footwear (+0.1%yoy, Nov-25: -0.1%yoy), and housing, water, electricity, gas & other fuels (+0.9%yoy; Nov-25: +0.7yoy%).

Core inflation remains moderate amid policy and demand pressures

Meanwhile, core CPI inflation ticked up further to +2.3%yoy in Dec-25 (Nov-25: +2.2%yoy), but still signaling manageable underlying price pressures. On a monthly basis, core CPI fell by -0.1%mom (Nov-25: 0%mom), marking the lowest reading since Jul-25. We expect inflationary pressures to be shaped by policy measures, fiscal consolidation, targeted subsidy adjustments, and stronger demand. Nonetheless, price growth is likely to remain moderate across food, non-food, and core categories, with lower crude oil prices helping to contain broader cost increases.

Headline inflation eased in 2025, but core prices rose faster

In 2025, full-year CPI inflation moderated to +1.4% (2024: +1.8%), in line with our estimate, due to easing non-food inflation (+1.0%; 2024: +1.8%yoy), while food inflation was unchanged at +2.0%. However, core CPI picked up higher to +2.0 in 2025 (2024: +1.8%), primarily due to higher inflation in components such as foods & beverage and housing & utility charges. Moving forward, we continue to expect upside pressure on the inflation path for 2026, especially the inflation passthrough from the SMEs to consumers and growing demand-pull inflation on the back of some monetary policy easing previously. On the other hand, a stronger ringgit would limit imported inflation.

Global food price deflated in Dec-25

Global food prices continue to be in deflation, falling by -2.3%yoy in Dec-25 (Nov-25: -2.0%yoy), being the lowest level since Jul-24. The decline was mainly due to continued contraction in prices of poultry (-5.5%yoy), sugar (-23.9%yoy), dairy (-7.7%yoy), and cereals (-3.7%yoy). Meanwhile, the meat price inflation eased to +3.4%yoy (Nov-25: +5.5%yoy), but the oil prices increased faster by +1.6%yoy (Nov-25: +0.6%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 a moderated inflationary pass-through to the household sector. The primary driver of domestic cost increases remains the expanded Sales and Service Tax (SST) coverage, particularly adjusted on selected imported foods. This pressure is further compounded by resilient consumer spending, supported by government fiscal measures and Bank Negara Malaysia's (BNM) previous monetary easing. Tax adjustments and prior policy easing are currently fueling a sustained rise in headline inflation. While the targeted petrol price hike for non-citizens is counterbalanced by lower subsidised RON95 rates, food inflation remains a concern; recent weather disruptions to local agriculture may lead to further price spikes. 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

	Weight (%)	MoM%				YoY%			
		Oct-25	Nov-25	Dec-25	Oct-25	Nov-25	Dec-25	2024	2025
Core CPI	-	0.1	0.0	(0.1)	2.2	2.2	2.3	1.8	2.0
Headline CPI	100.0	(0.1)	0.0	0.3	1.3	1.4	1.6	1.8	1.4
Food and Beverages	29.8	0.2	0.0	0.5	1.5	1.5	1.5	2.0	2.1
Food	29.0	0.2	0.0	0.5	1.4	1.4	1.5	2.0	2.0
Food at Home	15.6	0.1	0.1	0.9	0.0	0.1	0.3	0.6	0.1
Food Away from Home	13.4	0.3	(0.1)	0.1	2.9	2.8	2.7	3.6	4.0
Non-alcoholic Beverages	0.8	0.1	0.2	(0.2)	3.8	3.6	3.1	2.2	4.4
Non-Food	70.2	(0.2)	0.0	0.2	1.2	1.3	1.6	1.8	1.0
Alcoholic Beverages & Tobacco	1.9	0.0	2.1	0.1	0.3	2.4	2.5	0.7	0.9
Clothing & Footwear	2.7	(0.1)	0.1	0.0	(0.3)	(0.1)	0.1	(0.3)	(0.2)
Housing, Water, Electricity, Gas & Other Fuels	23.2	(0.5)	(0.1)	0.2	1.1	0.7	0.9	3.0	1.6
Furnishings, Household Equip & Maintenance	4.3	0.0	0.0	0.0	0.3	0.2	0.3	0.7	0.2
Health	2.7	0.2	0.0	0.2	1.4	1.5	1.5	1.8	1.2
Transport	11.3	(0.9)	0.0	0.2	(0.1)	0.2	0.1	1.0	0.4
Information and Communication	6.6	0.0	(1.2)	0.6	(2.4)	(1.3)	0.9	(1.5)	(4.3)
Recreation, Sport and Culture	3.0	0.2	0.1	(0.2)	1.2	1.2	0.8	1.8	1.1
Education	1.3	0.2	0.2	0.2	2.4	2.6	2.8	1.5	2.3
Restaurants & Accommodation Services	3.4	0.2	0.1	0.0	3.4	3.4	3.1	3.1	3.2
Insurance & Financial Services	4.0	0.0	0.0	0.0	5.6	5.6	5.6	0.3	3.4
Personal Care, Social Protect & Misc. Goods & Svc	5.8	1.4	0.1	0.1	6.0	5.6	5.7	3.0	4.4

Source: Macrobond, DOSM, MBSBR

Inflation edged higher in both rural and urban areas

By strata, inflation in both urban and rural areas edged higher, with urban inflation increasing to +1.6%yoy (Nov-25: +1.5%yoy) while the inflation in rural areas strengthening to +1.3%yoy (Nov-25: +1.0%yoy). Among the states, Johor continued to record inflation above the national rate at +2.3%yoy (Nov-25: +1.9%yoy), followed by Negeri Sembilan at +2.2%yoy (Nov-25: +1.9%), and Pahang at +1.8%yoy (Nov-25: +1.4%yoy).

Table 2: Inflation by region (YoY%)

	MoM%			YoY%				
	Oct-25	Nov-25	Dec-25	Oct-25	Nov-25	Dec-25	2024	2025
Urban	(0.1)	0.0	0.2	1.4	1.5	1.6	2.1	2.2
Rural	(0.2)	0.1	0.3	0.9	1.0	1.3	1.7	1.0
Peninsular Malaysia	(0.1)	(0.1)	0.3	1.4	1.4	1.6	1.8	1.5
Kedah	(0.2)	0.1	0.3	0.5	0.7	1.1	1.3	0.8
Perlis	(0.2)	(0.2)	0.2	0.9	1.0	1.1	1.7	1.0
Pulau Pinang	(0.1)	(0.1)	0.2	1.0	1.0	1.3	3.0	1.2
Perak	(0.2)	(0.1)	0.5	0.5	0.5	0.9	1.1	0.9
Selangor	(0.1)	(0.1)	0.2	1.6	1.6	1.7	2.2	1.7
Putrajaya	0.0	(0.1)	0.2	0.9	1.0	1.1	1.4	0.7
Kuala Lumpur	0.1	0.0	0.1	1.6	1.7	1.6	1.4	1.3
Melaka	(0.1)	(0.2)	0.3	1.4	1.3	1.4	1.3	1.5
Negeri Sembilan	(0.1)	0.1	0.4	1.7	1.9	2.2	1.2	1.7
Johor	0.0	0.0	0.5	1.9	1.9	2.3	1.8	2.0
Pahang	(0.1)	0.0	0.6	1.3	1.4	1.8	2.4	1.2
Kelantan	(0.3)	0.0	0.2	0.1	0.2	0.5	1.0	0.3
Terengganu	(0.2)	(0.2)	0.5	1.4	1.2	1.4	1.5	1.3
Sabah	0.0	0.0	0.1	1.3	1.3	1.5	1.2	1.1
Sarawak	0.0	0.2	0.1	0.8	1.0	1.1	2.4	0.9

Source: Macrobond, MBSBR

Lowest PPI deflation in Nov-25

Malaysia's producer prices fell faster by -1.8%yoy in Nov-25 (Oct-25: -0.1%yoy), marking the steepest decline since Aug-25 and extending a nine-month streak of deflation. This largely reflected a sharp decline in prices for the agriculture, forestry & fishing sector (-9.7%yoy; Oct-25: +2.7%yoy), weighed down by the falling prices for the growing of perennial crops index (-16.2%yoy). The PPI deflation in the mining sector also fell steeper by -7.2%yoy (Oct-25: -1.0%yoy), dragged down by the extraction of crude petroleum (-5.5%yoy) and natural gas (-11.4%yoy) indices. The manufacturing sector posted a steady price decline of -0.6%yoy, unchanged from the prior month, with a fall in the manufacture of coke & refined petroleum products index (-6.6%yoy). However, prices rose at a softer pace for the water supply (+10.1%yoy; Oct-25: +10.8%yoy) and electricity and gas (+4.1%yoy; Oct-25: +4.3%yoy) sectors. On a monthly basis, producer prices fell by -0.3%mom in Nov-25 from an unchanged reading in the previous month. Sharper monthly price declines were observed in agriculture (-4.6%mom), and water (-0.8%mom) sectors, while prices fell slower for electricity (-0.2%mom) and mining (-0.8%mom). However, the pace of monthly PPI inflation in the manufacturing sector was unchanged at +0.3%mom. PPI fell across all stages of processing, including intermediate materials, supplies & components (-1.1%yoy) and finished goods (-0.2%yoy), and crude materials for further processing moderated (-6.2%yoy). The gap between PPI deflation and CPI inflation widened in Nov-25, as inflation rose a tad faster by +1.4%yoy (Oct-25: +1.3%yoy). Looking ahead, inflation is expected to remain low and stable, although the expanded SST may introduce modest upward pressure. This could be partially offset by the continuation of the RON95 subsidy, a firmer ringgit, and easing global food prices. On the other hand, the exclusion of MSMEs from the BUDI95 targeted fuel subsidy poses an upside risk to inflation as higher fuel costs could be passed through to consumer prices.

Table 3: Producer Price Indices by Stage of Processing

	MoM%			YoY%		
	Sep-25	Oct-25	Nov-25	Sep-25	Oct-25	Nov-25
PPI	0.5	0.0	(0.3)	(0.7)	(0.1)	(1.8)
Crude Materials	0.6	(0.4)	(2.7)	2.4	1.2	(6.2)
Foodstuffs	2.2	1.3	0.3	3.0	3.7	4.7
Non-food	1.2	(0.8)	(3.4)	2.3	0.6	(8.5)
Non-food ex fuel	1.9	0.6	(7.2)	10.8	2.6	(15.9)
Crude Fuel	(0.9)	(1.9)	(0.7)	(2.8)	(0.8)	(2.6)
Intermediate Materials	0.8	0.2	0.3	(1.2)	(0.2)	(1.1)
Manufactured Goods	0.2	0.6	(0.3)	(1.2)	0.1	(0.7)
Construction	1.2	0.5	0.2	3.8	4.6	4.7
Processed Fuel & Lubricants	3.2	(2.0)	0.3	(3.9)	(3.7)	(7.5)
Containers	0.8	1.6	1.6	1.1	3.5	4.2
Supplies	0.4	0.9	1.4	(0.4)	1.3	2.5
Finished Goods	(0.1)	(0.2)	0.3	(1.8)	(1.0)	(0.2)
Consumer Goods	0.0	0.2	(0.1)	(0.5)	0.1	(0.2)
Consumer Goods ex. Foods	(0.4)	0.0	0.0	(1.5)	(1.0)	(1.0)
Capital Equipment	(0.3)	(0.3)	0.5	(2.8)	(1.8)	(0.1)

Source: DOSM, MBSBR

Inflation remained manageable

Inflation was generally mixed among the selected countries last month. In the US, the headline CPI inflation eased to remain unchanged at +2.7%yoy in Nov-25; similarly, core inflation continued to tick down to 2.6%yoy in Dec-25. Meanwhile, headline CPI for the euro area edged slightly lower to 2.0% for Dec-25. Based on the latest ECB policy meeting, the ECB expects that annual average GDP growth has been revised up to +1.4% in 2025 and +1.2% for 2026. Meanwhile, inflation is projected to decrease from 2.1% in 2025 to 1.9% in 2026; 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 +0.7%yoy in Dec-25 (Nov-25: +0.5%yoy), while the Philippines' inflation picked up higher to +1.8%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. Separately, we remain cautious regarding the impact of higher tariffs and a volatile trade outlook, notwithstanding the one-year trade truce between the US and China. Sector-specific tariffs pose a further risk, likely to intensify price pressures—particularly within the US. Conversely, the cooling of geopolitical tensions has moderated inflation concerns, aided by a period of sustained low energy prices.

Table 4: Global Headline CPI Inflation (YoY%)

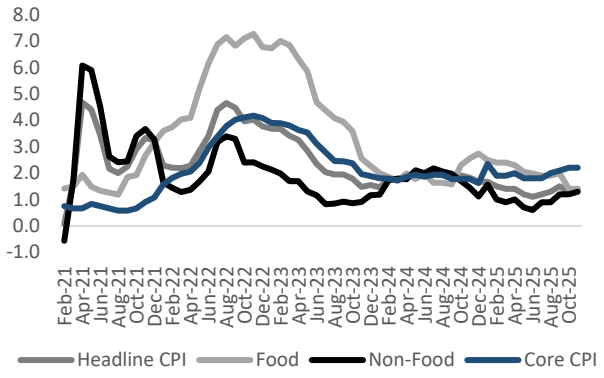
	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25
Malaysia	1.1	1.2	1.3	1.5	1.3	1.4	
Indonesia	1.9	2.4	2.3	2.7	2.9	2.7	2.9
Singapore	0.8	0.6	0.5	0.7	1.2	1.2	n/a
Thailand	(0.3)	(0.7)	(0.8)	(0.8)	(0.8)	(0.5)	(0.3)
Philippines	1.4	0.9	1.5	1.7	1.7	1.5	1.8
Taiwan	1.4	1.5	1.5	1.3	1.6	1.6	1.6
South Korea	2.2	2.1	1.7	2.1	2.4	2.4	2.3
China	0.1	(0.2)	(0.6)	(0.5)	(0.1)	0.5	0.7
Japan	3.3	3.1	2.7	2.9	3.0	2.9	n/a
Euro Area	2.0	2.1	2.0	2.2	2.1	2.1	2.0
UK	3.6	3.8	3.7	3.8	3.6	3.3	n/a
USA	2.7	2.7	2.9	3.0	n/a	2.7	2.7
PCE Prices	2.6	2.6	2.7	2.8	n/a	n/a	n/a

Source: Macrobond, National Authorities, MBSBR

Expect inflation to accelerate gradually but remain under control

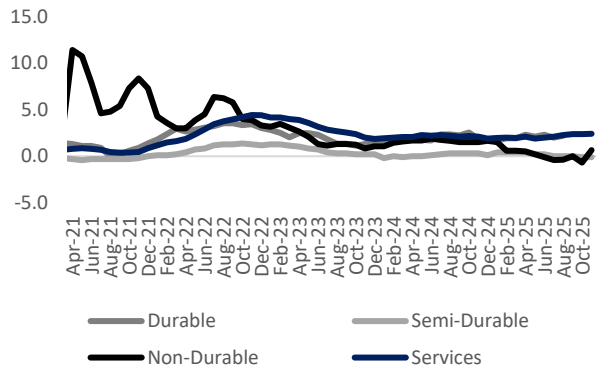
Given the currently mild inflation readings, we maintain our 2026 inflation forecast at +1.8% (2025: 1.4%). While we remain watchful of potential price pressures arising from policy changes, specifically the broader scope of SST, but the reduction in the subsidised RON95 price to RM1.99 per litre has limited the upside risk. This lower subsidised fuel price acts as a significant buffer for transport and logistics-related costs across the broader 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. Additionally, as the trend of core inflation has shown gradual acceleration, 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, on top of the supportive fiscal measures. In view of resilient domestic demand and generally contained price pressures, we maintain our forecast for the OPR to remain unchanged at 2.75% this year, basically driven by the steady, balanced outlook on growth and inflation risks.

Chart 1: Key CPI Data (YoY%)



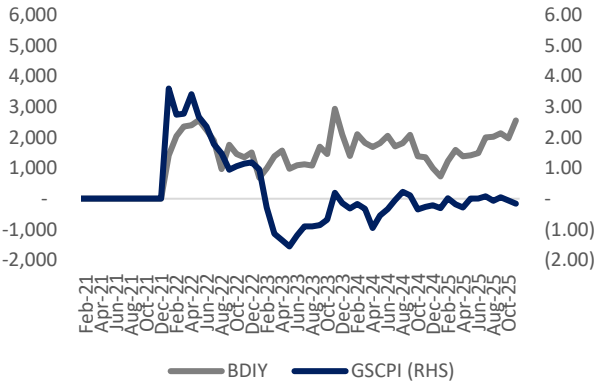
Source: Macrobond, MBSBR

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



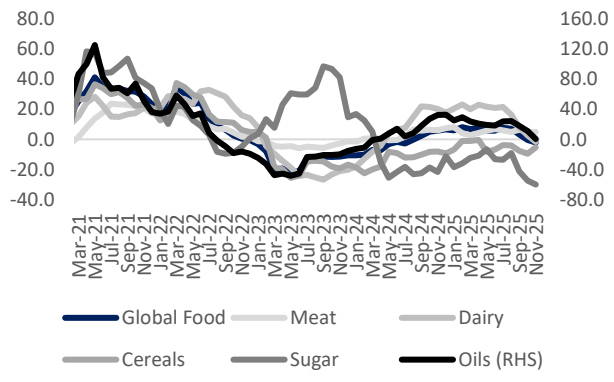
Source: Macrobond, MBSBR

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



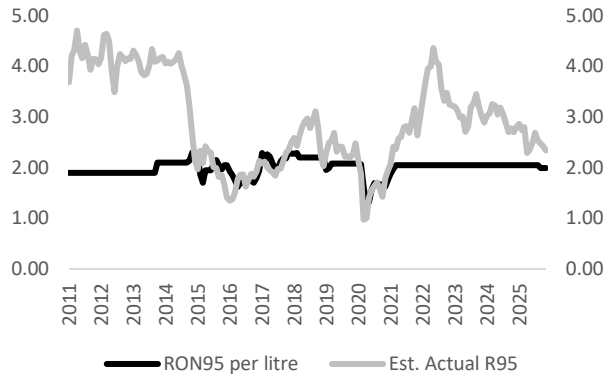
Source: Macrobond, MBSBR

Chart 4: Global Food Inflation (YoY%)



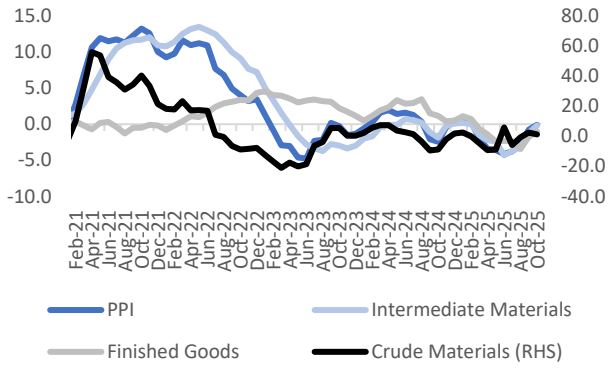
Source: Macrobond, MBSBR

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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