

# Malaysia Consumer Price Index

November marks first MoM deflation since July 2021; YoY growth slowed to 1.8%

- **Headline inflation edged down to 1.8% YoY in November (Oct: 1.9%), matching September's level and falling below both our projection (2.0%) and market consensus (2.1%)**

- The softer inflation reading reflects subdued MoM changes across subcomponents, with food inflation remained muted, transport costs fell sharply, and communication expenses continued to decline. These were partially offset by rising housing and miscellaneous costs. Inflation declined by -0.1% MoM (Oct: 0.2%), marking its first drop in 40 months.
- Core inflation held steady at 1.8% YoY for the third straight month, with no change on a monthly basis. Rising core housing costs were offset by declining core transport prices.

- **Subdued food prices and sharper transport declines drive deflation; marginally offset by rising housing costs**

- Food & non-alcoholic beverages (2.6%; Oct: 2.3%): while higher YoY, food prices were muted on a monthly basis as a marginal decline in meat, fish, fruits and vegetables costs, offset higher milk and oil-based products prices.
- Transport (0.4%; Oct: 0.7%): eased for the third straight month, hitting an 11-month low, driven by slower maintenance cost growth for personal vehicles (4.6%; Oct: 4.8%) and a sharp drop in domestic airfares (-19.7%; Oct: 0.8%).
- Housing (3.2%; Oct: 3.1%): rose to a four month high, mainly due to a 0.4% MoM (Oct: 0.0%) increase in rental cost.

- **Inflation trends across advanced and developing economies remain mixed**

- US (2.7%; Oct: 2.6%): rose for the second consecutive month, aligned with expectations, driven by higher vehicle prices for both new and used cars. While the Fed implemented a rate cut in December, the uptick in inflation may compel the central bank to hold off on further easing in early 2025.
- UK (2.6%; Oct: 2.3%): surged to an eight-month high, propelled by rising petrol and car purchase costs. Coupled with accelerating wage growth, the BoE may limit rate cuts to one or two in 2025, even as economic prospects deteriorate.
- China (0.2%; Oct: 0.3%): eased for the third straight month, reaching a five-month low as food prices continued to decline. Beijing's recent measures to boost weak demand appear to have limited impact, suggesting the need for more stimulus.

- **Domestic factors could push headline Inflation to 2.7% in 2025, though external risks loom**

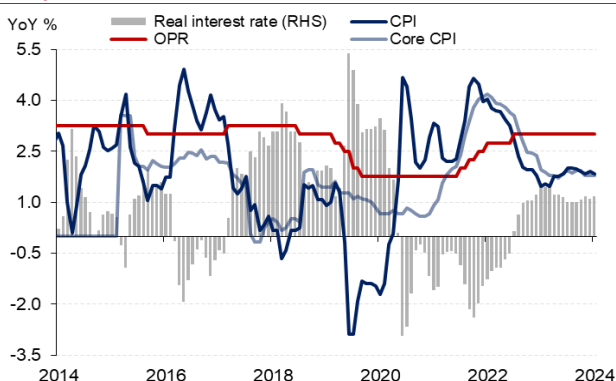
- We expect the government to continue its fiscal consolidation efforts, including a potential RON95 subsidy adjustment in early 2H25, with lower Brent price helping to cushion the inflationary impact. Combined with a minimum wage hike and higher civil servant salaries, inflation is projected to shoot up to 2.7%, from below 2.0% this year. Externally, Trump's tariff policies are likely to serve as a bargaining tool, but if implemented, they could temporarily drive up prices. Over time, however, China's export redirection may contribute to a broader deflationary effect across the region.
- Amid heightened uncertainties in 2025, Malaysia's relatively stable inflation and growth outlook could lead Bank Negara Malaysia to hold the overnight policy rate at 3.00%. We remain watchful for potential inflation surprises or growth challenges that might prompt a policy adjustment.

Table 1: Global Inflation (% YoY)

	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24
US	3.0	2.9	2.5	2.4	2.6	2.7
EU	2.5	2.6	2.2	1.7	2.0	2.2
UK	2.0	2.2	2.2	1.7	2.3	2.6
Japan	2.8	2.8	3.0	2.5	2.3	2.9
Korea	2.4	2.6	2.0	1.6	1.3	1.5
Singapore	2.4	2.4	2.2	2.0	1.4	N/A
China	0.2	0.5	0.6	0.4	0.3	0.2
Indonesia	2.5	2.1	2.1	1.8	1.7	1.6
Thailand	0.6	0.8	0.4	0.6	0.8	1.0

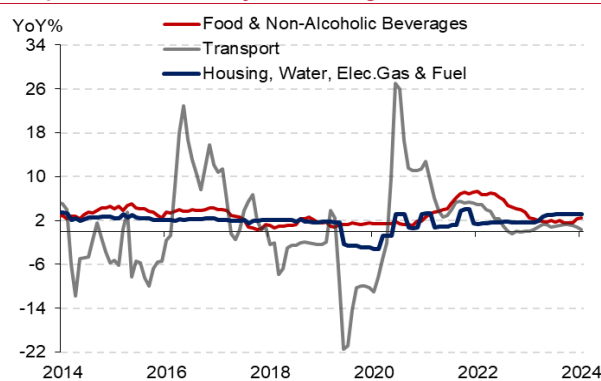
Source: Bloomberg, Kenanga Research

Graph 1: Real Interest Rate, Inflation Rates and OPR



Source: Macrobond, Kenanga Research

Graph 2: CPI Growth by Main Categories



Source: Macrobond, Kenanga Research

23 December 2024

**Table 2: Malaysia Consumer Price Index Growth Trend (% YoY)**

Base 2010=100	weight	2021	2022	2023	Nov -23	Jun- 24	Jul- 24	Aug -24	Sep -24	Oct- 24	Nov -24
<b>CPI</b>	<b>100.0</b>	<b>2.5</b>	<b>3.3</b>	<b>2.5</b>	<b>1.5</b>	<b>2.0</b>	<b>2.0</b>	<b>1.9</b>	<b>1.8</b>	<b>1.8</b>	<b>1.8</b>
Core Inflation		0.7	3.0	3.0	2.0	1.9	1.9	1.9	1.8	1.8	1.8
Food & Non-Alcoholic Beverages	29.8	1.7	5.8	4.8	2.6	2.0	1.6	1.6	1.6	1.6	2.6
Alcoholic Beverages & Tobacco	1.9	0.5	0.5	0.7	0.6	0.7	0.9	1.1	0.8	0.8	0.8
Clothing & Footwear	2.7	-0.4	0.1	0.2	0.0	-0.1	-0.1	-0.2	-0.3	-0.3	-0.3
Housing, Water, Electricity, Gas & Other Fuels	23.2	1.5	1.8	1.7	1.7	3.2	2.9	3.1	3.1	3.1	3.2
Furnishing, Household Equipment & Routine Household Maintenance	4.3	1.6	3.5	2.3	1.4	0.9	0.7	0.7	0.6	0.6	0.5
Health	2.7	0.4	0.7	2.1	2.3	1.8	1.4	1.6	1.6	1.6	1.2
Transport	11.3	11.0	4.7	1.1	0.1	1.2	1.2	1.3	1.1	1.1	0.4
Communication	6.6	0.0	0.0	-2.9	-3.7	0.3	0.5	0.5	0.4	0.4	-3.9
Recreation Services & Culture	3.0	0.4	2.3	1.5	0.6	1.9	2.0	2.0	2.1	2.1	2.0
Education	1.3	0.2	1.1	1.9	2.0	1.7	1.5	1.5	1.5	1.5	1.5
Restaurants & Hotels	3.4	0.4	5.0	5.5	4.3	3.3	3.1	3.2	3.2	3.2	2.8
Miscellaneous Goods & Services	9.8	0.5	2.0	2.5	2.3	2.8	3.1	3.2	3.1	3.1	3.4

Source: Macrobond, Kenanga Research

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