

Malaysia Consumer Price Index

Eases further to 1.7% in December, lowest in almost a year

- **Headline inflation softened to 1.7% YoY in December (Nov: 1.8%), the lowest since January 2024. The reading matched our forecast but fell short of market expectations (1.8%)**

- For 2024, inflation averaged 1.8% YoY (2023: 2.5%; KIBB: 1.9%), well below its 30-year average of 2.3%, largely due to lower food (2.0%; 2023: 4.8%), transport (0.9%; 2023: 1.1%), and restaurant & accommodation prices (3.1%; 2023: 5.5%).
- Core inflation eased to 1.6% (Nov: 1.8%) its lowest in nearly three years, partly due to a sustained drop in communication costs. The full-year rate stood at 1.8% (2023: 3.0%).
- 4Q24 inflation cooled further to 1.8% (3Q24: 1.9%), primarily due to a moderation in transport costs (0.5%; 3Q24: 1.2%).
- On a MoM basis, headline CPI rebounded by 0.1% (Nov: -0.1%), while core inflation declined by 0.2% (Nov: 0.0%).

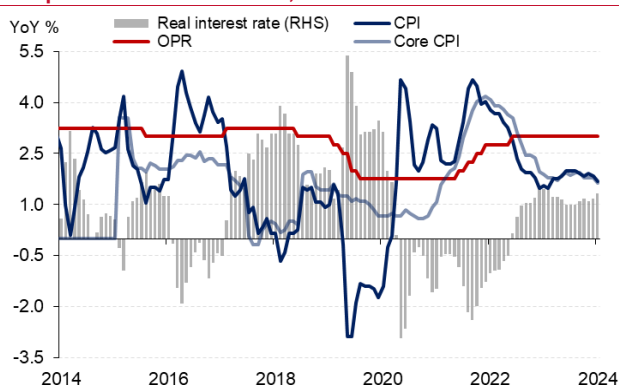
Table 1: Global Inflation (% YoY)

	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24
US	2.9	2.5	2.4	2.6	2.7	2.9
EU	2.6	2.2	1.7	2.0	2.2	2.4
UK	2.2	2.2	1.7	2.3	2.6	2.5
Japan	2.8	3.0	2.5	2.3	2.9	N/A
Korea	2.6	2.0	1.6	1.3	1.5	1.9
Singapore	2.4	2.2	2.0	1.4	1.6	N/A
China	0.5	0.6	0.4	0.3	0.2	0.1
Indonesia	2.1	2.1	1.8	1.7	1.6	1.6
Thailand	0.8	0.4	0.6	0.8	1.0	1.2

Source: Bloomberg, Kenanga Research

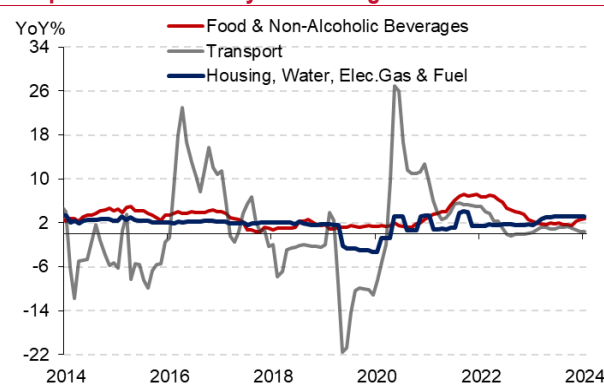
- **Rising food and transport costs were partly offset by a continued decline in communication costs**
 - Food & beverages (2.7%; Nov: 2.6%): highest in 14 months, driven by a 0.4% MoM increase (Nov: 0.0%), mainly due to a sharp rebound in fish & other seafood (1.2% MoM; Nov: -0.6%), and vegetable prices (6.0% MoM; Nov: -1.0%).
 - Transport (0.4%; Nov: 0.4%): unchanged YoY but rebounded 0.3% MoM (Nov: -0.2%), led by higher lubricant prices, maintenance and repair costs for personal transport, and international flight fares (16.1% MoM; Nov: -3.8%).
 - Information & Communication (-5.4%; Nov: -3.9%): fell to a record low, mainly due to a continued decline in mobile phone prices (-3.0%; Nov: -2.6%) and mobile communication service costs (-13.5%; Nov: -11.4%).
- **Inflation patterns remain mixed across advanced and emerging economies**
 - US (2.9%; Nov: 2.7%): inflation rose to a five-month high, rising 0.4% MoM, driven by higher energy costs. Core inflation, however, eased slightly to 3.2% (Nov: 3.3%), reinforcing expectations that the Fed may cut rates once there is greater clarity on tariffs.
 - EU (2.4%; Nov: 2.2%): inflation surged to its highest level since July 2024, marking a third consecutive increase due to rising services costs. Despite this, the ECB is likely to continue easing, given the weak economic outlook.
 - China (0.1%; Nov: 0.2%): slipped to a nine-month low, teetering on the brink of deflation as food prices declined amid favourable weather conditions. Persistent weakness in demand underscores the need for further government intervention.
- **Fiscal consolidation to push 2025 inflation to 2.7% (2024: 1.8%); ‘Trumpflation’ risks loom**
 - We maintain our 2025 inflation forecast, factoring in the expected June–July removal of RON95 subsidies, which could push inflation higher as petrol comprises 5.5% of the CPI basket. Modest pressures may also stem from higher electricity tariffs, rising insurance premiums and wage-price pass-through. On the external front, President Trump’s proposed tariffs – targeting the EU, China (a 10.0% duty by February), and Mexico/Canada (25.0% import taxes) could impact global trade. Malaysia’s E&E sector remains vulnerable to this spillover.
 - Despite external uncertainties, BNM is unlikely to adjust policy rates in line with today’s Monetary Policy Committee decision, given Malaysia’s relatively stable inflation and resilient growth outlook. We expect OPR to remain at 3.00% in 2025 but remain watchful for potential inflation shocks or downside risks to growth that could warrant a policy shift.

Graph 1: Real Interest Rate, Inflation Rates and OPR



Source: Macrobond, Kenanga Research

Graph 2: CPI Growth by Main Categories



Source: Macrobond, Kenanga Research

22 January 2025

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

Base 2010=100	weight	2022	2023	2024	Dec -23	Jul- 24	Aug -24	Sep -24	Oct- 24	Nov -24	Dec -24
CPI	100.0	3.3	2.5	1.8	1.5	2.0	1.9	1.8	1.9	1.8	1.7
Core Inflation		3.0	3.0	1.8	1.9	1.9	1.9	1.8	1.8	1.8	1.6
Food & Non-Alcoholic Beverages	29.8	5.8	4.8	2.0	2.3	1.6	1.6	1.6	2.3	2.6	2.7
Alcoholic Beverages & Tobacco	1.9	0.5	0.7	0.7	0.6	0.9	1.1	0.8	0.8	0.8	0.8
Clothing & Footwear	2.7	0.1	0.2	-0.3	0.0	-0.2	-0.2	-0.3	-0.2	-0.3	-0.5
Housing, Water, Electricity, Gas & Other Fuels	23.2	1.8	1.7	3.0	1.6	3.2	3.1	3.1	3.1	3.2	3.2
Furnishing, Household Equipment & Routine Household Maintenance	4.3	3.5	2.3	0.7	1.4	0.9	0.7	0.6	0.5	0.5	0.4
Health	2.7	0.7	2.1	1.8	2.5	1.9	1.6	1.6	1.4	1.2	1.1
Transport	11.3	4.7	1.1	0.9	0.3	1.2	1.3	1.1	0.7	0.4	0.4
Communication	6.6	0.0	-2.9	-1.5	-3.7	0.5	0.5	0.4	-1.7	-3.9	-5.4
Recreation Services & Culture	3.0	2.3	1.5	1.8	1.9	2.2	2.0	2.1	2.0	2.0	1.7
Education	1.3	1.1	1.9	1.5	2.0	1.7	1.5	1.5	1.5	1.5	1.5
Restaurants & Hotels	3.4	5.0	5.5	3.1	3.7	3.4	3.2	3.2	2.8	2.8	2.9
Miscellaneous Goods & Services	9.8	2.0	2.5	3.0	2.7	3.2	3.2	3.1	3.4	3.4	3.2

Source: Macrobond, Kenanga Research

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