

Malaysia Consumer Price Index

Steady at 1.7% in January as rising transport costs offset food price relief

- **Headline inflation held steady at a one-year low of 1.7% YoY in January, matching our forecast but continue to fall short of market expectations (1.8%)**

- Despite MoM increases across all subcomponents, overall inflation remained muted as easing food and housing prices offset rising transport, and restaurant & accommodation services.
- Core inflation edged higher to 1.8% (Dec: 1.6%), returning to its November 2024 level, driven by rising food and health costs, and a mild rebound in communication expenses.
- On a MoM basis, headline CPI remained unchanged at 0.1%, while core inflation surged by 0.5% (Dec: -0.2%)

- **Price moderation in food and housing counterbalanced by rising transport and accommodation costs**

- **Food & Beverages** (2.5%; Dec: 2.7%): eased to a three-month low, due to a decline in meat (-1.3%; Dec: -0.4%) and vegetable (-0.8%; Dec: 6.4%) prices, reflecting the impact of the Festive Season Maximum Price Control Scheme.
- **Housing, Water, Electricity, Gas & Other Fuels** (2.8%; Dec: 3.2%): moderated to an 11-month low but edged up 0.1% MoM (Dec: 0.0%), led by higher house maintenance costs (3.9% MoM; Dec: 0.0%).
- **Transport** (0.9%; Dec: 0.4%): surged to a four-month high, led by a sharp increase in diesel price (17.1%; Dec: 15.0%) and higher maintenance and repair costs (5.3%; Dec: 5.1%).
- **Restaurants & Accommodation Services** (3.5%; Dec: 2.9%): climbed to its highest level since April 2024, fuelled by rising hotel prices (3.1%; Dec: 0.9%) amid heightened demand during the holiday season.

- **Inflation rises across advanced and emerging economies**

- **US** (3.0%; Dec: 2.9%): edged higher, with a 0.5% MoM increase driven by rising energy and food prices. Core inflation also ticked up to 3.3% (Dec: 3.2%), reinforcing expectations that the Fed may delay rate cuts until 2H25.
- **Japan** (4.0%; Dec: 3.6%): accelerated to a two-year high, marking its third consecutive monthly rise, largely fuelled by surging fresh food prices. This supports expectations of another rate hike by the BoJ.
- **China** (0.5%; Dec: 0.1%): rose sharply after four consecutive months of moderation, buoyed by increased consumer spending during the Lunar New Year holiday. However, this uptick is likely temporary, with Beijing expected to introduce further measures to bolster domestic consumption.

- **We maintain our 2025 inflation forecast at 2.7% (2024: 1.8%) amid limited domestic upside risks, though heightened vigilance is warranted amid evolving US trade policy developments**

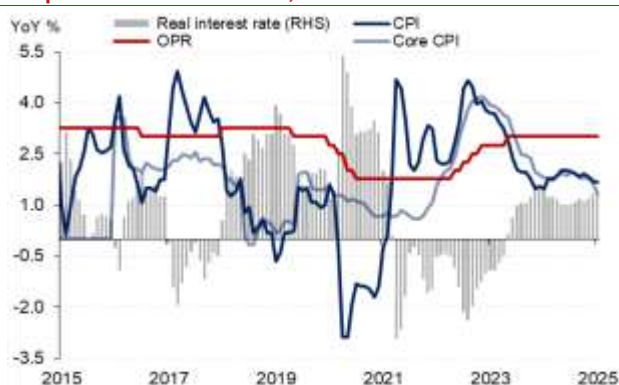
- Aside from the anticipated removal of RON95 subsidies in 2H25, inflationary pressures are expected to be minimal. Modest upward pressure could stem from higher electricity tariffs, rising insurance premiums and wage-price pass-through effects, though overall price stability is likely. While external risks are growing, particularly from Trump's reciprocal tariff expected in early April and an uncertain geopolitical landscape, we see limited spillover in 2025, though 2026 could present a different scenario.
- With inflation stable and growth on track, BNM is likely to stay on the sidelines throughout 2025. However, we remain cautious of potential inflation shocks or downside growth risks that could prompt a policy adjustment.

Table 1: Global Inflation (% YoY)

	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25
US	2.5	2.4	2.6	2.7	2.9	3.0
EU	2.2	1.7	2.0	2.2	2.4	2.5
UK	2.2	1.7	2.3	2.6	2.6	3.0
Japan	3.0	2.5	2.3	2.9	3.6	4.0
Korea	2.0	1.6	1.3	1.5	1.9	2.2
Singapore	2.2	2.0	1.4	1.6	1.6	N/A
China	0.6	0.4	0.3	0.2	0.1	0.5
Indonesia	2.1	1.8	1.7	1.6	1.6	0.8
Thailand	0.4	0.6	0.8	1.0	1.2	1.3

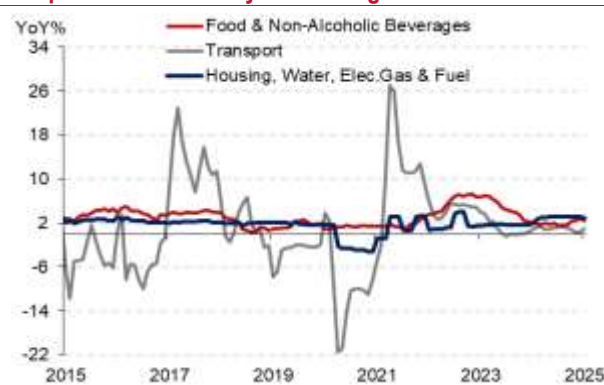
Source: Bloomberg, Kenanga Research

Graph 1: Real Interest Rate, Inflation Rates and OPR



Source: Macrobond, Kenanga Research

Graph 2: CPI Growth by Main Categories



Source: Macrobond, Kenanga Research

24 February 2025

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

Base 2010=100	weight	2022	2023	2024	Jan-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25
CPI	100.0	3.3	2.5	1.8	1.5	1.9	1.8	1.9	1.8	1.7	1.7
Core Inflation		3.0	3.0	1.8	1.8	1.9	1.8	1.8	1.8	1.6	1.8
Food & Beverages	29.8	5.8	4.8	2.0	2.0	1.6	1.6	2.3	2.6	2.7	2.5
Alcoholic Beverages & Tobacco	1.9	0.5	0.7	0.7	0.4	1.1	0.8	0.8	0.8	0.8	0.9
Clothing & Footwear	2.7	0.1	0.2	-0.3	-0.2	-0.2	-0.3	-0.2	-0.3	-0.5	-0.3
Housing, Water, Electricity, Gas & Other Fuels	23.2	1.8	1.7	3.0	2.0	3.1	3.1	3.1	3.2	3.2	2.8
Furnishing, Household Equipment & Routine Household Maintenance	4.3	3.5	2.3	0.7	1.0	0.7	0.6	0.5	0.5	0.4	0.5
Health	2.7	0.7	2.1	1.8	2.4	1.6	1.6	1.4	1.2	1.1	1.2
Transport	11.3	4.7	1.1	0.9	0.7	1.3	1.1	0.7	0.4	0.4	0.9
Information & Communication	6.6	0.0	-2.9	-1.5	-2.4	0.5	0.4	-1.7	-3.9	-5.4	-5.3
Recreation, Sport & Culture	3.0	2.3	1.5	1.8	0.8	2.0	2.1	2.0	2.0	1.7	1.8
Education	1.3	1.1	1.9	1.5	1.7	1.5	1.5	1.5	1.5	1.5	1.6
Restaurants & Accommodation Services	3.4	5.0	5.5	3.1	3.2	3.2	3.2	2.8	2.8	2.9	3.5
Insurance, Financial Services, Miscellaneous Goods & Services	9.8	2.0	2.5	3.0	2.5	3.2	3.1	3.4	3.4	3.2	3.3

Source: Macrobond, Kenanga Research

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