

24 April 2025

Malaysia Consumer Price Index

Falls to 1.4% in March, lowest in over four years on cheaper fuel

- **Headline inflation slowed to 1.4% YoY in March (Feb: 1.5%), the lowest since February 2021, coming in below both market expectations and house forecast (1.6%)**

- The decline was broad-based, led by subdued price pressures across most categories and a drop in transport costs, even as prices for miscellaneous goods and education rose modestly. Food inflation, while still rising, did so at a slower pace—up just 0.1% MoM (Feb: 0.2%).
- **Core inflation** held steady at 1.9%, underpinned by persistent core transport costs.
- On a MoM basis, headline CPI was flat (Feb: 0.4%), while core CPI eased to 0.2% (Feb: 0.4%).

- **Lower fuel and moderating food prices drove the CPI down**

- **Transport** (0.7%; Feb: 0.7%): flat YoY, but fell 0.2% MoM (Feb: 0.2%), due to cheaper fuels & lubricants (-0.3% MoM), diesel (-1.6%) and international flight (-7.4%) costs.
- **Information & Communication** (-5.4%; Feb: -5.3%): matched its record low from December 2024, driven by cheaper mobile telephone equipment (-3.8%; Feb: -3.1%).
- **Food & Beverages** (2.5%; Feb: 2.5%): unchanged YoY, but prices moderated 0.1% MoM (Feb: 0.2%) as food-at-home costs fell (-0.1%; Feb: 0.1%), led by cheaper other dairy products & eggs (-0.3% MoM) and vegetables (-4.5%).

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

- **US** (2.4%; Feb: 2.8%): fell more than expected as energy prices slumped. While easing price pressures reduces pressure on the Fed, sticky food and shelter prices, alongside Trump's tariff overhang, muddy the outlook. A rate cut is likely only in June, once trade policy becomes clearer.
- **Japan** (3.6%; Feb: 3.7%): headline inflation moderated slightly, but core prices continued to climb to 3.2% (Feb: 3.0%) on persistent food costs. This strengthens the case for another hike, BoJ remains cautious, mindful of growth risks from Trump's tariffs.
- **China** (-0.1%; Feb: -0.7%): deflation eased slightly, but weak domestic demand and lower oil prices continue to weigh. Without a meaningful recovery in consumption, China risks being stuck in a low-inflation trap, worsened by ongoing trade tensions.

- **2025 inflation forecast maintained at 2.7% (2024: 1.8%), factoring in the likely RON95 fuel subsidy reform**

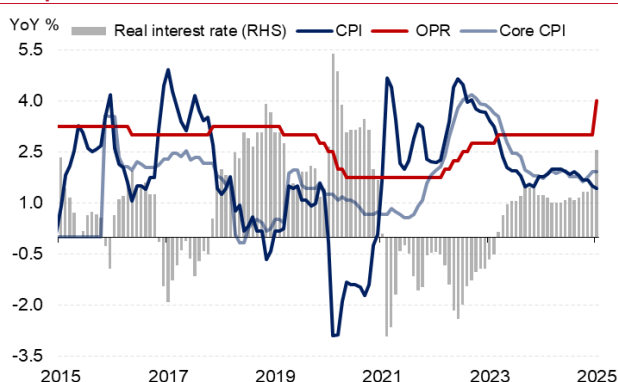
- Malaysia is largely insulated from tariff-induced inflation, leaving domestic policy shifts as the main risk. Key watchpoints include the RON95 fuel subsidy rationalisation in July, the new electricity tariff structure under RP4, and a potential nationwide water tariff hike. With Brent crude oil price still low, the government has a narrow window to push through reforms without derailing price stability. If the rationalisation is delayed, we will revise our 2025 CPI forecast down to 1.8%.
- **BNM is expected to keep rates on hold**, backed by contained inflation and stable growth. If trade tensions escalate and growth dips below 3.5% in 2H25, a rate cut may be on the table. For now, the central bank is likely to prioritise targeted support tools and maintain policy flexibility, keeping dry powder in reserve.

Table 1: Global Inflation (% YoY)

	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25
US	2.6	2.7	2.9	3.0	2.8	2.4
EU	2.0	2.2	2.4	2.5	2.3	2.2
UK	2.3	2.6	2.6	3.0	0.0	2.6
Japan	2.3	2.9	3.6	4.0	3.7	3.6
Korea	1.3	1.5	1.9	2.2	2.0	2.1
Singapore	1.2	1.6	1.5	1.2	0.9	N/A
China	0.3	0.2	0.1	0.5	-0.7	-0.1
Indonesia	1.7	1.6	1.6	0.8	-0.1	1.0
Thailand	0.8	1.0	1.2	1.3	1.1	0.8

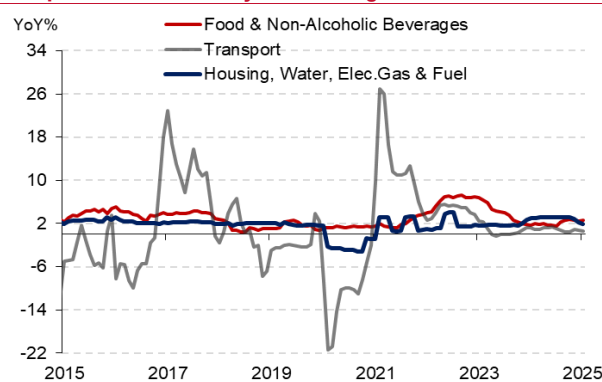
Source: Bloomberg, Kenanga Research

Graph 1: Real Interest Rate, Inflation Rates and OPR



Source: Macrobond, Kenanga Research

Graph 2: CPI Growth by Main Categories



Source: Macrobond, Kenanga Research

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

Base 2010=100	weight	2022	2023	2024	Mar -24	Sep -24	Oct -24	Nov -24	Dec -24	Feb -25	Mar -25
CPI	100.0	3.3	2.5	1.8	1.8	1.8	1.9	1.8	1.7	1.5	1.4
Core Inflation		3.0	3.0	1.8	1.7	1.8	1.8	1.8	1.6	1.9	1.9
Food & Beverages	29.8	5.8	4.8	2.0	1.7	1.6	2.3	2.6	2.7	2.5	2.5
Alcoholic Beverages & Tobacco	1.9	0.5	0.7	0.7	0.5	0.8	0.8	0.8	0.8	0.9	0.8
Clothing & Footwear	2.7	0.1	0.2	-0.3	-0.2	-0.3	-0.2	-0.3	-0.5	-0.2	-0.2
Housing, Water, Electricity, Gas & Other Fuels	23.2	1.8	1.7	3.0	3.0	3.1	3.1	3.2	3.2	2.3	1.9
Furnishing, Household Equipment & Routine Household Maintenance	4.3	3.5	2.3	0.7	0.9	0.6	0.5	0.5	0.4	0.3	0.2
Health	2.7	0.7	2.1	1.8	2.1	1.6	1.4	1.2	1.1	1.0	1.0
Transport	11.3	4.7	1.1	0.9	1.3	1.1	0.7	0.4	0.4	0.7	0.7
Information & Communication	6.6	0.0	-2.9	-1.5	-2.4	0.4	-1.7	-3.9	-5.4	-5.3	-5.4
Recreation, Sport & Culture	3.0	2.3	1.5	1.8	1.5	2.1	2.0	2.0	1.7	1.5	1.7
Education	1.3	1.1	1.9	1.5	1.5	1.5	1.5	1.5	1.5	1.9	2.2
Restaurants & Accommodation Services	3.4	5.0	5.5	3.1	3.0	3.2	2.8	2.8	2.9	3.5	2.9
Insurance, Financial Services, Miscellaneous Goods & Services	9.8	2.0	2.5	3.0	2.6	3.1	3.4	3.4	3.2	3.7	3.6

Source: Macrobond, Kenanga Research

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