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# Malaysia Inflation Rate

## Inflation Eased in February

### Executive Summary

- **Malaysia’s inflation eased to 1.5% yoy in Feb 2025, decreased from the previous month.**
- **Inflation was primarily driven by a softer increase in Housing, Water, Electricity, Gas & Other Fuels, Recreation, Sport & Culture, Health, Transport and Furnishings, Household Equipment & Routine Household Maintenance.**
- **We maintain our forecast that full-year CPI inflation will moderate to 2.6% in 2025 (2024: 1.8%), within the official 2.0%-3.5% range.**

**Inflation softens amid slower price increases across key sectors.** Malaysia’s inflation rate eased to 1.5% yoy in Feb 2025, down from 1.7% in Jan 2025, reflecting a slower increase in prices across several key expenditure groups. The Consumer Price Index (CPI) stood at 134.1 compared to 132.1 in Feb 2024. Core CPI inflation increased slightly to 1.9% yoy from 1.8% in Jan 2025.

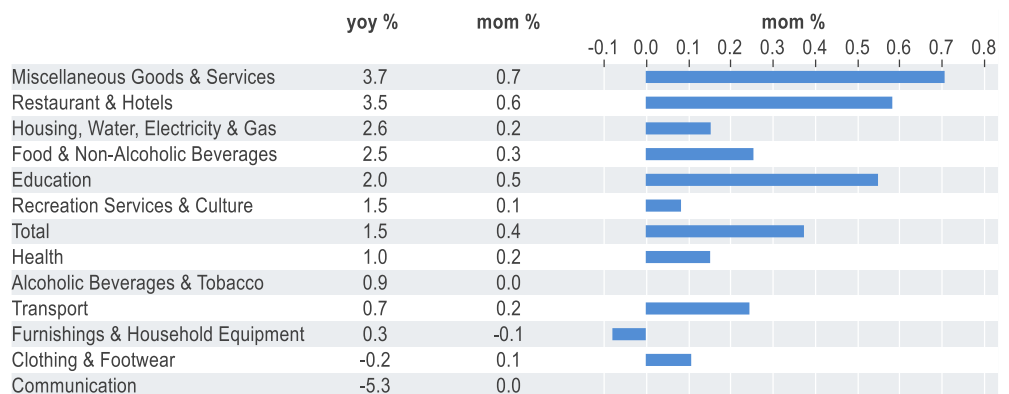
**Moderate price increases in select categories.** The overall slowdown was due to softer increase in Housing, Water, Electricity, Gas & Other Fuels (2.3%, Jan 2025: 2.8%); Recreation, Sport & Culture (1.5%, Jan 2025: 1.8%); Health (1.0%, Jan 2025: 1.2%); Transport (0.7%, Jan 2025: 0.9%); and Furnishings, Household Equipment & Routine Household Maintenance (0.3%, Jan 2025: 0.5%). However, some categories posted higher increases, including Personal Care, Social Protection & Miscellaneous Goods & Services at 3.7% (Jan 2025: 3.3%), Education at 1.9% (Jan 2025: 1.6%), and Insurance & Financial Services at 1.5% (Jan 2025: 0.6%).

**Deflationary trends in telecom and apparel sectors persist.** Information & Communication inflation remained at -5.3% yoy in Feb 2025, the same rate as in Jan 2025, driven by ongoing price competition among telecom providers. Clothing & Footwear remained in negative territory at -0.2% yoy (Jan 2025: -0.3%), due to seasonal discounts and competitive pricing strategies.

**Stable food and restaurant inflation.** Food & Beverages inflation held steady at 2.5% yoy in Feb 2025, while Restaurant & Accommodation Services also flat at 3.5%, supported by steady consumer demand. Alcoholic Beverages & Tobacco inflation was stable at 0.9%.

**Monthly inflation sees moderate increase.** On a month-on-month basis, headline inflation rose by 0.4% in Feb 2025, driven by Insurance & Financial Services (0.8%), Personal Care, Social Protection & Miscellaneous Goods & Services (0.7%), Housing, Water, Electricity, Gas & Other Fuels (0.7%), Restaurant & Accommodation Services (0.6%), and Education (0.5%).

### Inflation Breakdown by Group



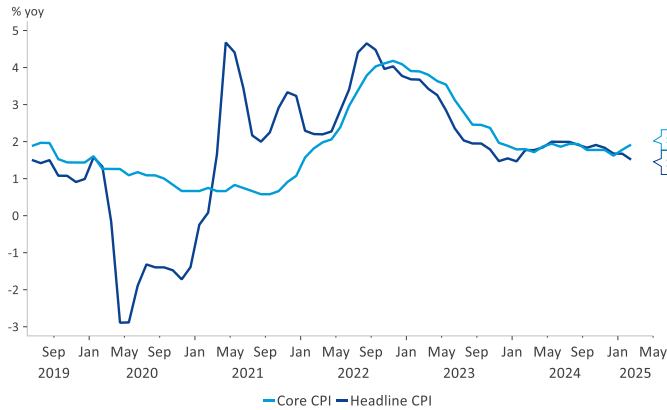
Source: Macrobond, Apex Securities

**State-level inflation trends.** Most states recorded inflation below the national average of 1.5%, except for Johor (2.1%), Sarawak (1.9%), Selangor (1.9%), and Melaka (1.6%). Food & Beverages inflation remained a key driver, with Selangor recording the highest rate at 3.5%, followed by Negeri Sembilan (3.1%), Johor (2.9%), Terengganu (2.9%), Wilayah Persekutuan Putrajaya (2.9%), Melaka (2.8%), and Sabah (2.6%).

**2025 Inflation outlook.** Our inflation projection assumes a gradual implementation of subsidy reforms in mid-2025, expansion of the SST in May, and potential demand increases driven by rising household incomes. The details of the RON95 subsidy rationalisation remain unclear, though discussions suggest a two-tier pricing system where 15% of the population may be affected, while the remaining 85% continue to pay the current market price. The SST expansion in May 2025 will extend to commercial services, non-essential goods, and premium imports like salmon and avocados, though basic food items will remain exempt. Rising household incomes, supported by economic growth, a strong labour market, and the minimum wage hike, could further drive consumer spending. We expect GDP growth to remain strong at **4.6%** in 2025, supported by resilient domestic demand fuelled by higher consumer and investment spending.

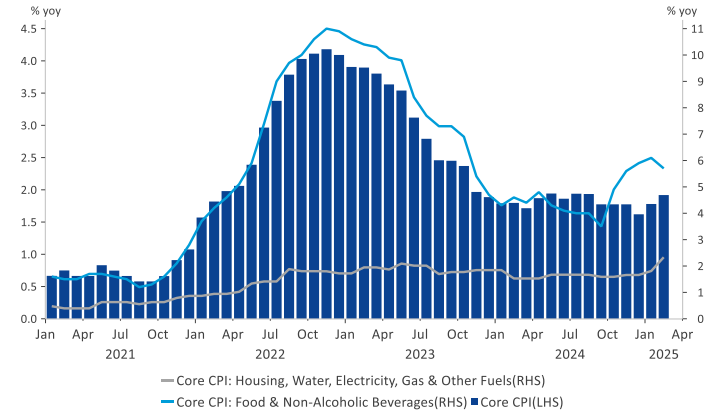
**Inflation to remain manageable 2025, OPR likely to stay at 3.00%.** Looking ahead, we maintain our forecast that full-year CPI inflation will moderate to **2.6%** in 2025 (2024: 1.8%), reflecting a relatively contained impact of policy changes on overall price pressures. With inflation stabilising and demand pressures remaining subdued, we expect the OPR to remain at **3.00%** throughout 2025, as the current policy stance continues to support Malaysia's economic growth. Key factors influencing monetary policy decisions include Malaysia's expected GDP growth of 4.6% in 2025, inflation projected at 2.6% (within the official 2.0%-3.5% range), and global interest rate trends.

**Figure 1: Inflation rate eased to 1.5% in Feb 2025, down from 1.7% in the previous two months, marking its lowest level since Jan 2024**



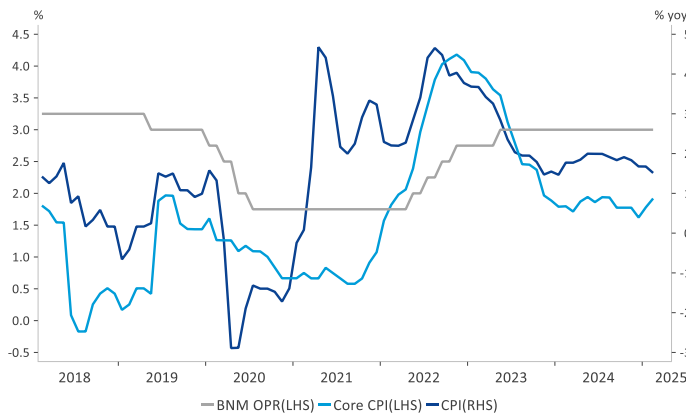
Source: Macrobond, Apex Securities

**Figure 2: Core CPI increased by 1.9% YoY, the highest in six months following a 1.8% rise in Jan.**



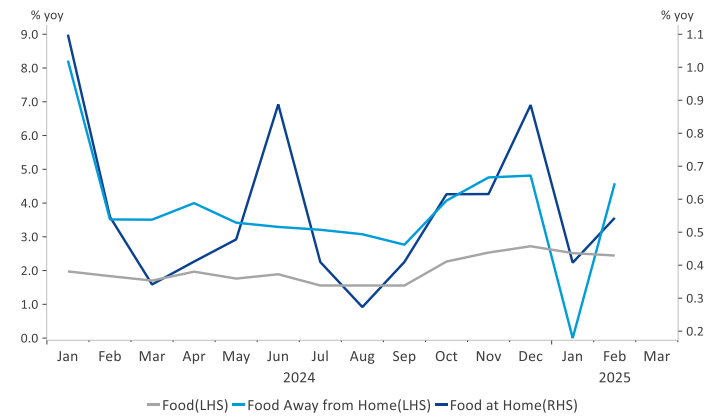
Source: Macrobond, Apex Securities

**Figure 3: BNM is expected to maintain the OPR at 3.00% throughout 2025, aligning with the current inflation outlook**



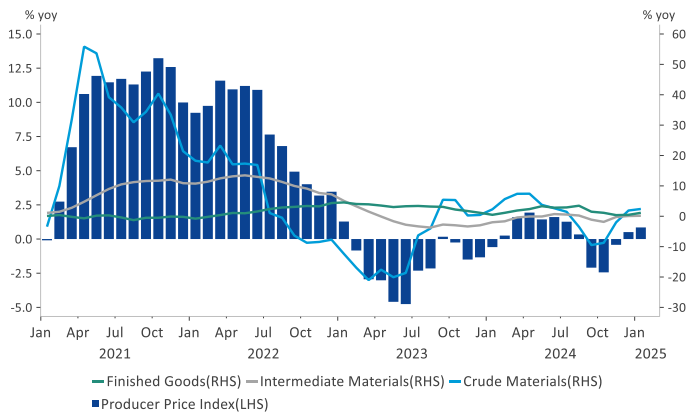
Source: Macrobond, Apex Securities

**Figure 4: The cost of food away from home drop to 4.6% (Jan 2025: 5.0%), while prices for food at home increased to 0.5% (Jan 2025: 0.4%)**



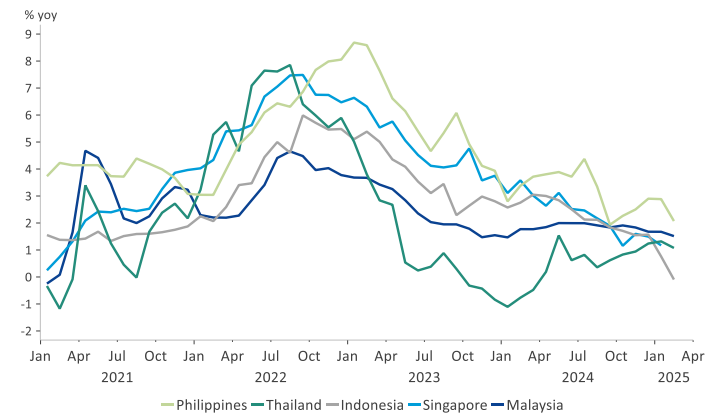
Source: Macrobond, Apex Securities

**Figure 5: The Producer Price Index (PPI) edged up by 0.8% in Jan 2025 compared to 0.5% in Dec 24**



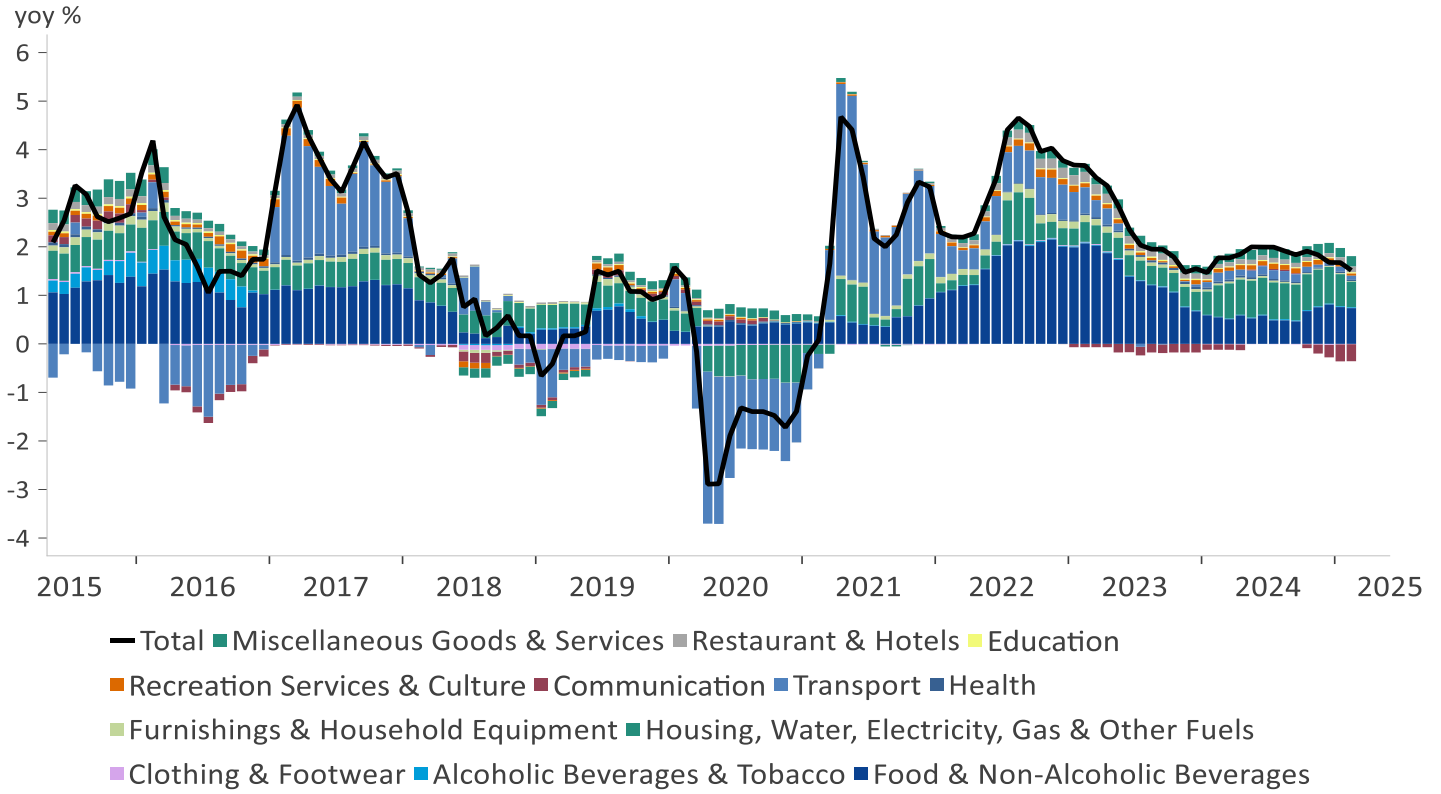
Source: Macrobond, Apex Securities

**Figure 6: Inflation across ASEAN has been on a downward trend in recent months**



Source: Macrobond, Apex Securities

Figure 7: Main contributors to the CPI remain under control



Source: Macrobond, Apex Securities

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#### Recommendation Framework:

**BUY:** Total returns\* are expected to exceed 10% within the next 12 months.

**HOLD:** Total returns\* are expected to be within +10% to -10% within the next 12 months.

**SELL:** Total returns\* are expected to be below -10% within the next 12 months.

**TRADING BUY:** Total returns\* are expected to exceed 10% within the next 3 months.

**TRADING SELL:** Total returns\* are expected to be below -10% within the next 3 months.

\*Capital gain

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**OVERWEIGHT:** The industry defined by the analyst is expected to exceed 10% within the next 12 months.

**NEUTRAL:** The industry defined by the analyst is expected to be within +10% to -10% within the next 12 months.

**UNDERWEIGHT:** The industry defined by the analyst, is expected to be below -10% within the next 12 months.

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★★★★ : Appraised with 1% premium to fundamental fair value

★★★ : Appraised with 0% premium/discount to fundamental fair value

★★ : Appraised with -1% discount to fundamental fair value

★ : Appraised with -5% discount to fundamental fair value

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(a) nil.

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