

ECONOMIC REVIEW | December 2024 Consumer Price Index**Malaysia's CPI Inflation Eased Slightly to +1.7%yoy in Dec-24 Due to Slower Non-Inflation**

- *Headline inflation slowed slightly to +1.7%yoy in Dec-24. Malaysia's headline inflation decelerated to +1.7%yoy in Dec-24, within our estimate range, on the back of the slower non-food inflation.*
- *Inflation moderates in both urban and rural areas. By strata, the urban and rural areas are experiencing slower CPI inflation in Dec-24. The urban headline inflation rate remained unchanged at +1.7%yoy for the second month, while the rural inflation moderated to +1.4%yoy (Nov-24: +1.6%yoy).*
- *We expect inflation to land at +2.8% in 2025. We estimate the full-year inflation for 2025 to pick up to +2.8% in 2025, which we believe will be driven mainly by the changes in government policies, such as the subsidy rationalisation efforts by the government.*

Headline inflation slowed slightly to +1.7%yoy in Dec-24. Malaysia's headline inflation decelerated to +1.7%yoy in Dec-24, within our estimate range, on the back of the slower non-food inflation. Non-food inflation further eased to +1.1%yoy (Nov-24: +1.4%yoy) due to the deflation in clothing & footwear and information & communication and slower inflation in the health; recreation; sports & culture; personal care, social protection & miscellaneous goods; and services components. In contrast, food inflation accelerated further to +2.7%yoy, the highest in 14 months. Although inflation for food away from home was unchanged at +4.8%yoy, prices for food at home rose faster at +0.9%yoy (Nov-24: +0.6%yoy) with a broad-based increase across all components except for meat (-0.3%yoy) and milk, other dairy products & eggs (-0.1%yoy). Meanwhile, core CPI moderated to +1.6%yoy (Nov-24: +1.8%yoy), the slowest in 35 months and signalling a slightly weaker underlying demand on general prices. Therefore, with the further easing in both the non-food and core inflation, we could infer that there is still a limited upward price pressure from the policy changes implemented last year (i.e. targeted subsidy, higher utility tariff, and SST rate hike). In 2024, full-year CPI inflation moderated to +1.8% (2023: +2.5%), slightly slower than our estimate, due to easing food inflation (+2.0%; 2023: +4.8%) vis-à-vis higher non-inflation (+1.6%; 2023: +1.3%). Similarly, core CPI also slowed to +1.8% last year (2023: +3.0%). Although the government signalled further fuel subsidy rationalisation and more policy changes will be executed this year, for now we expect the moderate inflation will likely continue in 1QCY25. The moderated level of crude oil prices and manageable cost pressures would keep inflation under control.

Global food prices grew faster in Dec-24. Global food prices rose faster at +6.7%yoy in Dec-24 (Nov-24: 5.8%yoy), driven by the higher prices of meat, dairy, cereals and oils products. On the other hand, the prices of cereals and sugar continue to contract by -9.34%yoy and -10.6%yoy, respectively. In 2024, the food prices deflated slower by an average -1.9% (2023: -13.5%). Nonetheless, as a net food importer, Malaysia remains susceptible to external factors (e.g. fluctuations in global food prices) and changes in the ringgit exchange rates. On another note, domestic food inflation could increase higher as adverse weather conditions disrupted production and food supplies.

Table 1: Consumer price index by component

	Weight %	MoM%			YoY%			
		Oct-24	Nov-24	Dec-24	Oct-24	Nov-24	Dec-24	2024
Core CPI	-	0.0	0.0	-0.2	1.8	1.8	1.6	1.8
Headline CPI	100.0	0.2	(0.1)	0.1	1.9	1.8	1.7	1.8
Food and Beverages	29.8	0.8	0.0	0.4	2.3	2.6	2.7	2.0
Food	29.0	0.8	0.0	0.4	2.3	2.5	2.7	2.0
Food at Home	15.6	0.1	(0.1)	0.7	0.6	0.6	0.9	0.6
Food Away from Home	13.4	1.7	0.1	0.2	4.1	4.8	4.8	3.6
Non-alcoholic Beverages	0.8	0.2	0.4	0.3	2.6	2.8	3.0	2.2
Non-Food	70.2	(0.2)	(0.1)	(0.1)	1.7	1.4	1.1	1.8
Alcoholic Beverages & Tobacco	1.9	0.1	0.0	0.0	0.8	0.8	0.8	0.7
Clothing & Footwear	2.7	0.0	(0.1)	(0.2)	(0.2)	(0.3)	(0.5)	(0.3)
Housing, Water, Electricity, Gas & Other Fuels	23.2	0.0	0.3	0.0	3.1	3.2	3.2	3.0
Furnishings, Household Equip & Maintenance	4.3	(0.1)	0.1	(0.1)	0.5	0.5	0.4	0.7
Health	2.7	0.1	0.0	0.1	1.4	1.2	1.1	1.8
Transport	11.3	(0.2)	(0.2)	0.3	0.7	0.4	0.4	0.9
Information and Communication	6.6	(2.1)	(2.3)	(1.7)	(1.7)	(3.9)	(5.4)	(1.5)
Recreation, Sport and Culture	3.0	(0.1)	0.1	0.1	2.0	2.0	1.7	1.8
Education	1.3	0.2	0.0	0.0	1.5	1.5	1.5	1.5
Restaurants & Accommodation Services	3.4	0.1	0.1	0.3	2.8	2.8	2.9	3.1
Insurance & Financial Services	4.0	0.0	0.0	0.0	0.5	0.5	0.5	0.2
Personal Care, Social Protect & Misc. Goods & Services	5.8	0.2	0.5	0.0	3.4	3.4	3.2	3.0

Source: DOSM, MIDFR

Inflation moderating in both urban and rural areas. By strata, the urban and rural areas are experiencing slower CPI inflation in Dec-24. The urban headline inflation rate remained unchanged at +1.7%yoy for the second month, while the rural inflation moderated to +1.4%yoy (Nov-24: +1.6%yoy). Among the states, Penang continued to record the highest inflation at +2.6%yoy (Nov-24: +2.9%yoy), above the national level, but has been moderating in the past 4 months; followed by Pahang (+2.3%yoy; Nov-24: +2.4%yoy) and Selangor (+2.0%yoy; Oct-24: 2.1%yoy).

Table 2: Inflation by state (YoY%)

	MoM%			YoY%		
	Oct-24	Nov-24	Dec-24	Oct-24	Nov-24	Dec-24
Urban	0.1	(0.1)	0.1	1.8	1.7	1.7
Rural	0.1	0.0	0.0	1.7	1.6	1.4
Peninsular Malaysia	0.1	(0.1)	0.1	1.9	1.7	1.7
Kedah	0.1	(0.1)	(0.1)	1.4	1.2	1.0
Perlis	0.2	(0.2)	0.00	1.6	1.5	1.3
Pulau Pinang	0.1	(0.1)	(0.1)	3.1	2.9	2.6
Perak	0.2	0.0	0.1	1.1	1.0	1.0
Selangor	0.1	(0.1)	0.1	2.3	2.1	2.0
Putrajaya	0.1	(0.1)	0.1	1.2	1.1	1.0

	MoM%			YoY%		
	Oct-24	Nov-24	Dec-24	Oct-24	Nov-24	Dec-24
Kuala Lumpur	(0.1)	(0.1)	0.2	1.4	1.4	1.5
Melaka	0.3	(0.1)	0.2	1.6	1.6	1.6
Negeri Sembilan	0.2	(0.1)	0.2	1.5	1.5	1.4
Johor	0.1	0.0	0.1	1.9	1.9	1.8
Pahang	0.0	(0.2)	0.1	2.7	2.4	2.3
Kelantan	0.2	(0.2)	0.0	0.9	0.9	0.7
Terengganu	0.1	0.0	0.0	1.5	1.6	1.6
Sabah	0.0	0.0	(0.1)	1.1	1.1	1.0
Sarawak	(0.2)	(0.1)	0.0	2.1	1.9	1.8

Source: DOSM, MIDFR

PPI contracted for the third month in Nov-24. Malaysia's PPI continued to fall in Nov-24 albeit at slower pace of -0.4%yoy (Oct-24: -2.4%yoy), marking the third month of deflation since Sep-24. The contraction was driven by the slowdown in prices of both crude and intermediate materials, which were at -2.0%yoy (Oct-24: -8.8%yoy) and -0.2%yoy (Oct-24: -1.9% yoy), respectively. Under the crude material component, the crude fuels and non-food materials contracted the most by -19.6%yoy (Oct-24: -24.5%yoy) and -2.4%yoy (Oct-24: -10.5%yoy). Under the intermediate materials, the container component contracted slower by -4.7%yoy (Oct-24: -5.7%yoy). Meanwhile, PPI inflation for finished goods materials eased to +0.4%yoy (Oct-24: +1.1%yoy), while consumer goods and consumer goods ex-food contracted. Therefore, on the back of the lack of upward price pressure towards the producers, we continue to anticipate that sellers are not under pressure to pass their costs to the consumer, hence we foresee price stability within this range in expected in the near term. However, we note that the short-term upside risk to potential rise in the food items component in the 4QCY24 on the back of adverse weather conditions impacting agriculture output and the elevated CPO prices.

Table 3: Producer Price Indices by Stage of Processing

	MoM%			YoY%		
	Sep-24	Oct-24	Nov-24	Sep-24	Oct-24	Nov-24
PPI	(1.5)	(0.7)	1.4	(2.1)	(2.4)	(0.4)
Crude Materials	(2.6)	0.8	4.8	(9.5)	(8.7)	(2.0)
Foodstuffs	0.3	0.6	(0.7)	(0.2)	(0.1)	(0.2)
Non-food	(3.2)	0.9	6.0	(11.3)	(10.5)	(2.3)
Non-food ex fuel	2.0	8.6	13.3	10.0	22.7	35.7
Crude Fuel	(6.1)	(4.0)	(1.2)	(20.6)	(24.5)	(19.6)
Intermediate Materials	(1.1)	(0.9)	1.15	(1.1)	(1.9)	(0.2)
Manufactured Goods	(0.7)	(0.7)	0.5	2.2	1.3	1.7
Construction	(0.5)	(0.3)	0.0	(0.9)	(1.2)	(1.3)
Processed Fuel & Lubricants	(1.8)	(2.3)	4.4	(11.0)	(10.8)	(4.2)
Containers	(1.6)	(0.7)	1.0	(6.9)	(5.7)	(4.7)
Supplies	(1.5)	(0.8)	0.2	1.0	(0.7)	(0.7)
Finished Goods	(1.8)	(0.9)	(0.6)	1.5	1.1	0.3
Consumer Goods	0.1	(0.4)	0.2	(0.9)	(1.3)	(0.8)
Consumer Goods ex. Foods	0.1	(0.5)	0.0	(2.2)	(2.8)	(2.3)
Capital Equipment	(3.2)	(1.3)	(1.3)	3.5	3.1	1.3

Source: DOSM, Macrobond, MIDFR

Re-acceleration of inflation in other economies remains key concern. In some countries, the CPI inflation re-accelerated in Dec-24, causing a shift in the expectation on the pace of rate cuts by major central banks. In the US, the headline inflation rose to +2.9%yoy in Dec-24 (Nov-24: +2.7%yoy); meanwhile, core CPI slightly moderated to +3.2%yoy (Nov-24: +3.3%yoy) indicating an easing of the underlying prices pressure. Similarly, headline inflation CPI inflation in the euro area accelerated to +2.4%yoy (Nov-24: +2.2%yoy), while core CPI inflation remained stable at +2.7%yoy. On the other hand, in the UK, both headline and core CPI slowed to +2.5%yoy (Nov-24: +2.6%yoy) while core inflation slowed to +3.2%yoy (Nov-24: +3.2%yoy), respectively. With the reading exceeding the Bank of England's inflation target, this may cause the BOE to delay further policy easing to ensure inflation remains under control. In Asia, China's deflationary risk remained amid concerns over weak demand as the country's headline CPI inflation eased further to +0.1%yoy. Meanwhile, other regional economies experienced a slight pickup in their CPI inflation which are Indonesia, Thailand, and the Philippines. With inflation remaining rather moderate than in previous years, we continue to expect central banks monetary policy to be on an easing bias.

Table 4: Global Headline CPI Inflation (YoY%)

	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24
Malaysia	2.0	2.0	1.9	1.8	1.9	1.8	1.7
Indonesia	2.5	2.1	2.1	1.8	1.7	1.5	1.6
Singapore	2.4	2.4	2.2	2.0	1.4	1.6	n.a.
Thailand	0.6	0.8	0.4	0.6	0.8	0.9	1.2
Philippines	3.7	4.4	3.3	1.9	2.3	2.5	2.9
Taiwan	2.4	2.5	2.4	1.8	1.7	2.1	2.0
South Korea	2.4	2.6	2.0	1.6	1.3	1.5	1.9
China	0.2	0.5	0.6	0.4	0.3	0.2	0.1
Japan	2.8	2.8	3.0	2.5	2.3	2.9	n.a
Euro Area	2.5	2.6	2.2	1.7	2.0	2.2	2.4
UK	2.0	2.2	2.2	1.7	2.3	2.6	2.5
USA	3.0	2.9	2.5	2.4	2.6	2.7	2.9
<i>PCE Prices</i>	2.4	2.5	2.3	2.1	2.3	2.4	n.a.

n.a. = not available

Source: Macrobond, MIDFR


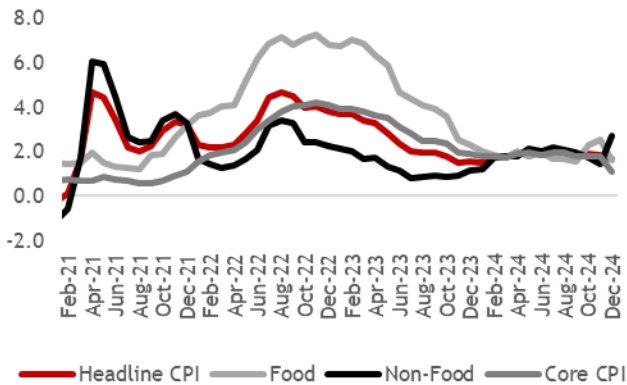
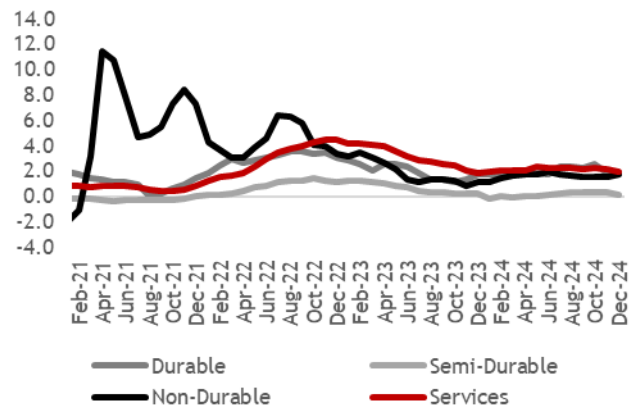
We expect inflation to land at +2.8% in 2025. We estimate the full-year inflation for 2025 to pick up to +2.8% in 2025, which we believe will be driven mainly by the changes in government policies, such as the subsidy rationalisation efforts by the government. We continue to foresee that OPR will remain unchanged at 3.00% in 2025 on the back of the lack of significant demand pressures on inflation and we opine the current rate remains supportive of Malaysia's economic growth. 

Chart 1: Key CPI Data (YoY%)



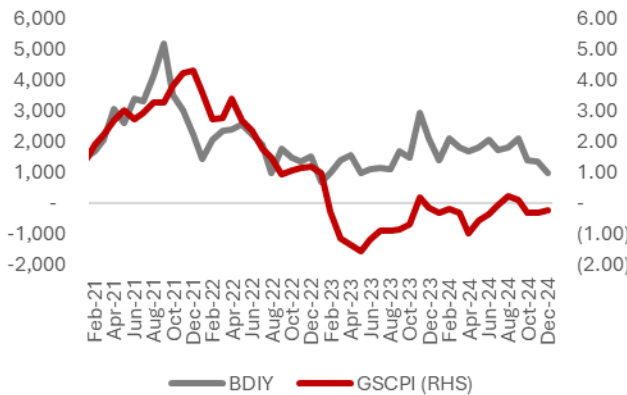
Source: Macrobond, MIDFR

Chart 2: CPI by Type of Product (YoY%)



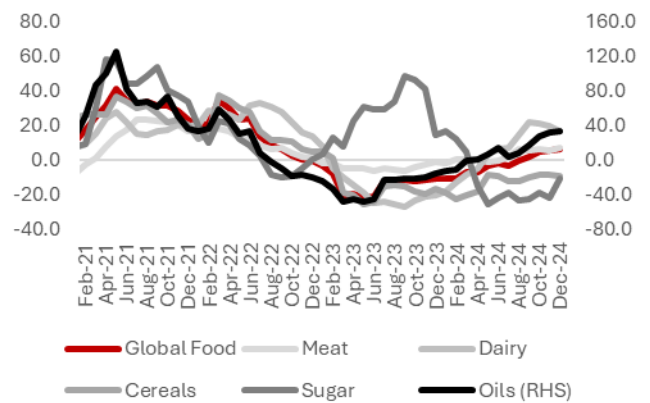
Source: Macrobond, MIDFR

Chart 3: Baltic Dry Index (BDI) vs Global Supply Chain Pressure Index (GSCPI)



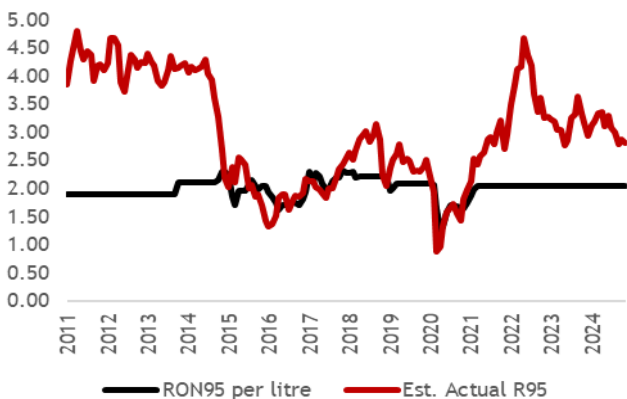
Source: Macrobond, MIDFR

Chart 4: Global Food Inflation (YoY%)



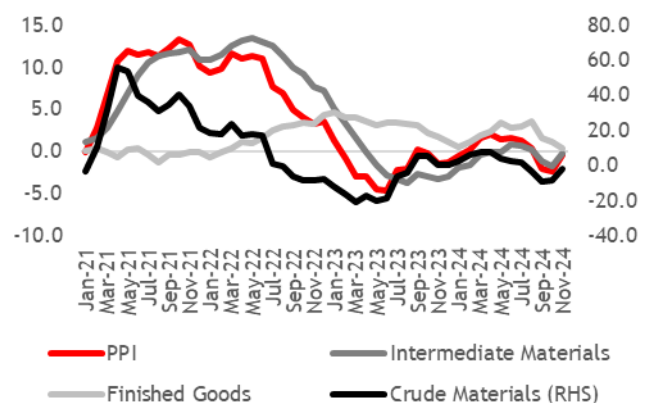
Source: FAO of UN, MIDFR

Chart 5: Subsidized vs. Estimated Actual RON95 Price (RM per litre)



Source: Bloomberg, MIDFR

Chart 6: PPI (YoY%)



Source: Macrobond, MIDFR

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