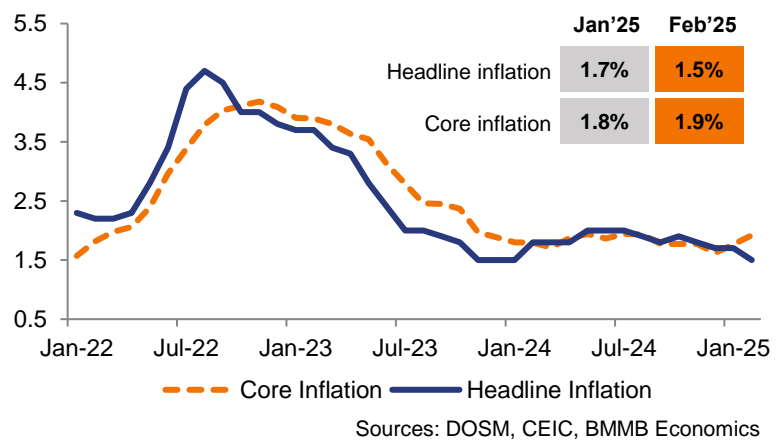
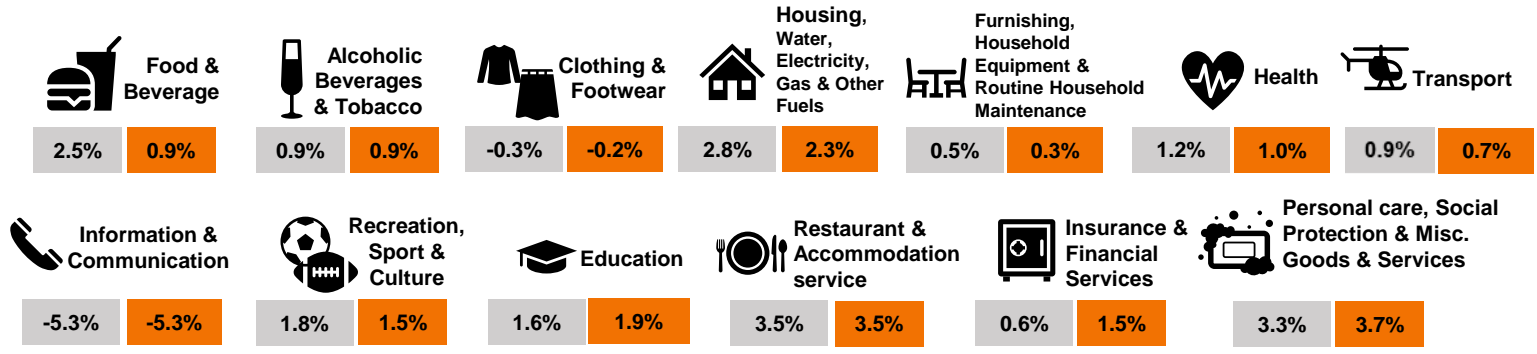


Cooling Momentum: February Inflation Eases Further

Headline and core inflation (% yoy)



Inflation by main group (% yoy)

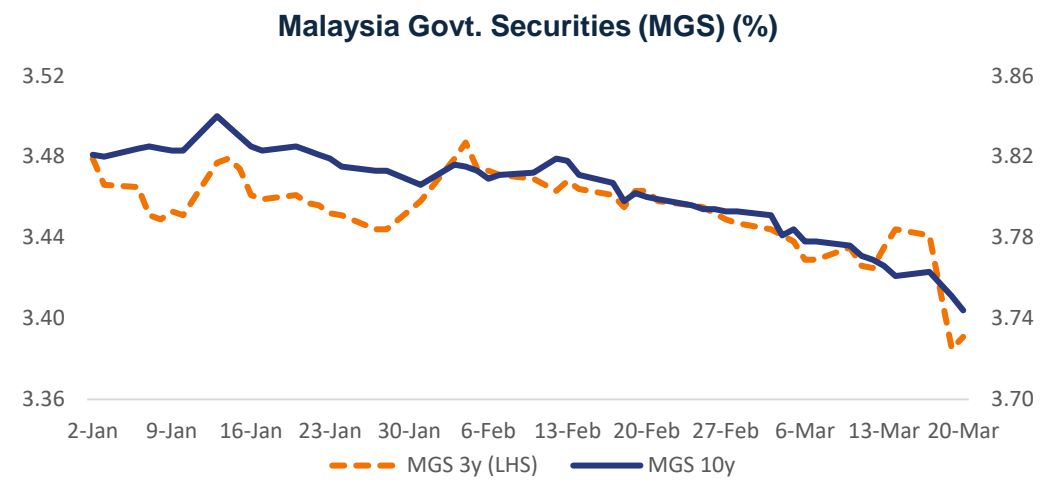


Sources: DOSM, CEIC, BMMB Economics

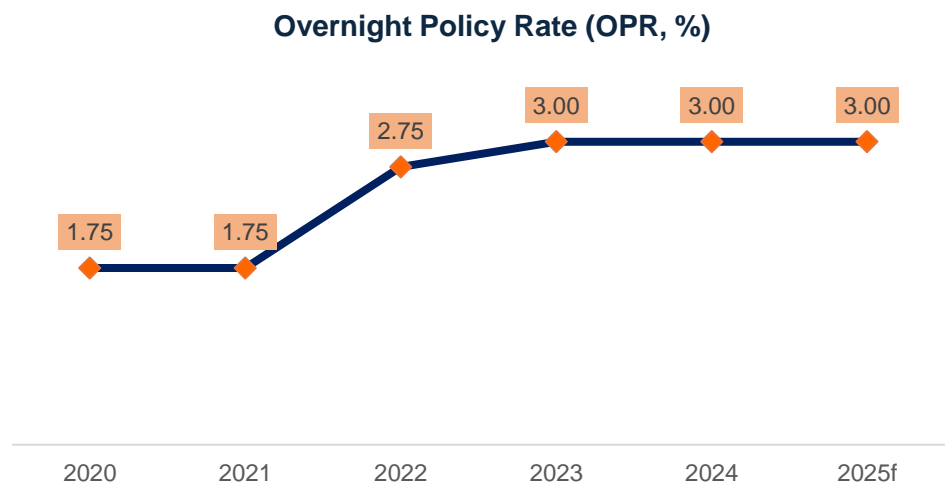
Malaysia's headline inflation softened to **1.5% y-o-y in February**, from 1.7% in January, reflecting a **broader easing in price pressures** amid a stable demand environment and favourable base effects. This marks the slowest pace since late 2023, with the Consumer Price Index (CPI) registering at 134.1 index points compared to 132.1 a year earlier. The moderation in inflation was underpinned by slower increases in several major CPI components. Price gains in **Housing, Water, Electricity, Gas & Other Fuels decelerated** to 2.3% (Jan: 2.8%), while **Transport inflation eased** to 0.7% (Jan: 0.9%) largely due to a sharp contraction in public transport fares (-8.2%). Meanwhile, inflation in Health (1.0%) and Furnishings & Household Equipment (0.3%) also softened. Interestingly, categories like Education (1.9%), Insurance & Financial Services (1.5%), and Personal Care & Miscellaneous (3.7%) saw a slight uptick from the previous month, **suggesting price resilience in discretionary and services-related items**. Food & Beverages, which makes up nearly 30% of the CPI basket, rose 2.5% in February, unchanged from January. The increase was mainly due to higher prices in prepared foods and select fresh produce—particularly coconut-based products—amid domestic supply constraints and global shortages. Fresh and instant coconut milk prices surged 27.0% and 8.7%, highlighting **Malaysia's vulnerability to supply-side food inflation**.

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Contained Core Inflation Reinforces Steady OPR Outlook



Sources: CEIC, BMMB Economics



Sources: CEIC, BMMB Economics

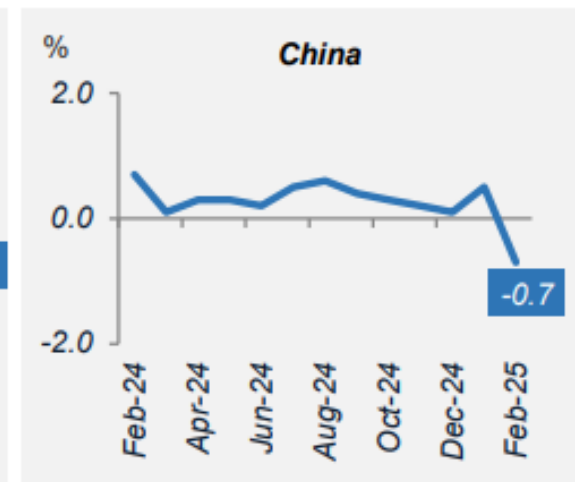
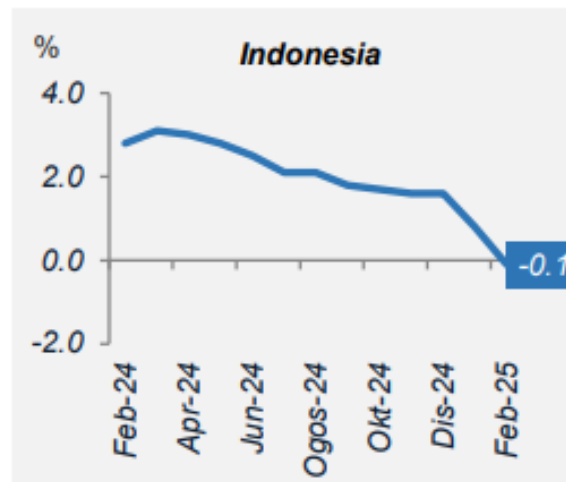
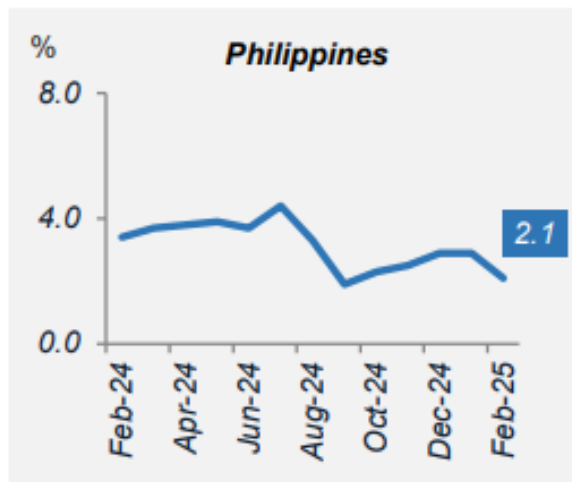
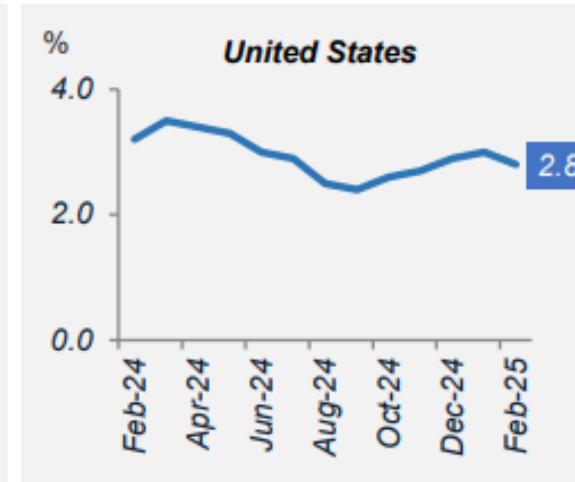
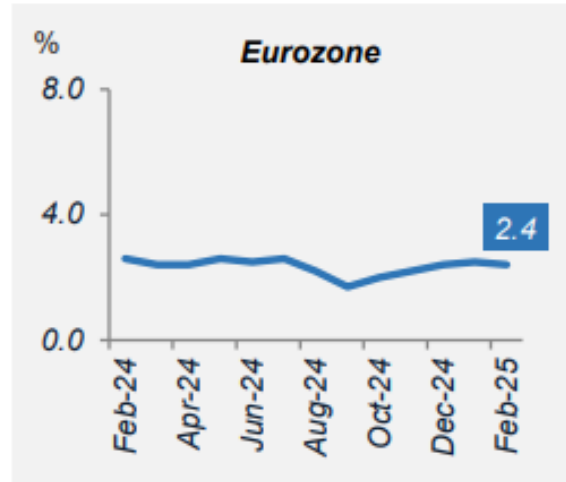
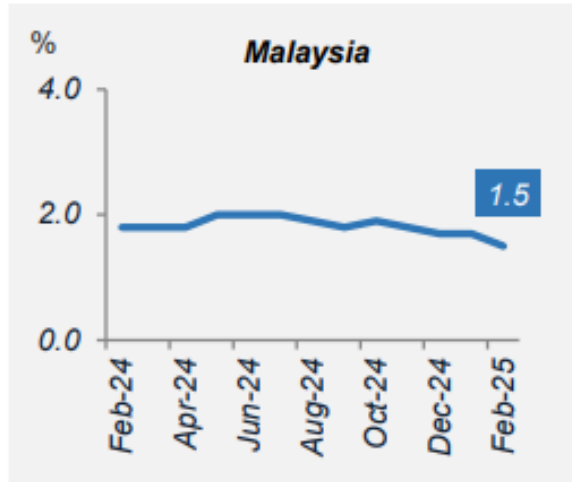
Meanwhile, **core inflation edged up marginally** to 1.9% in February (Jan: 1.8%), indicating that underlying **inflationary pressures remain contained** despite sporadic increases in individual subcategories. This suggests that inflation is not being driven by broad-based demand but rather specific supply adjustments and lingering base effects.

From a policy standpoint, the latest CPI data reinforces Bank Negara Malaysia’s (BNM) cautious monetary stance. Having held the Overnight Policy Rate (OPR) steady at 3.00% for ten consecutive meetings since May 2023, BNM appears comfortable with current inflation dynamics. With core inflation remaining subdued and headline inflation trending within the lower bound of the forecast range, there **is little urgency for the central bank to tighten further**.

On the fixed income front, bond yields have remained anchored, with the moderation in inflation easing concerns over a premature shift in policy rates. The flattening of the yield curve in recent weeks also signals market confidence that **inflation will remain well-anchored and that monetary policy will stay on hold through mid-2025**.

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Appendix: Inflation for selected countries



Sources: CEIC, BMMB Economics

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Appendix: Gross Domestic Product (GDP)

Malaysia's GDP by Expenditure Component

	1Q2023	2Q2023	3Q2023	4Q2023	1Q2024	2Q2024	3Q2024	4Q2024
GDP Growth (%)	5.0	4.8	4.6	4.5	4.2	5.9	5.3	5.0
Private Consumption (%)	6.5	6.2	5.9	5.7	5.5	6.0	5.8	5.6
Government Consumption (%)	2.0	1.8	1.5	1.3	1.2	1.5	1.4	1.3
Gross Fixed Capital Formation (%)	3.8	4.0	4.2	4.5	4.8	5.0	4.7	4.9
Exports (%)	4.2	3.9	3.7	3.5	3.3	4.0	3.8	3.6
Imports (%)	3.5	3.2	3.0	2.8	2.6	3.5	3.3	3.1

Malaysia's GDP by Industry

	1Q2023	2Q2023	3Q2023	4Q2023	1Q2024	2Q2024	3Q2024	4Q2024
Agriculture (%)	0.7	0.5	0.3	0.2	0.1	0.5	0.3	0.2
Mining & Quarrying (%)	-1.5	-1.2	-1.0	-0.8	-0.6	-0.3	-0.5	-0.7
Manufacturing (%)	4.5	4.3	4.1	4.0	3.8	4.5	4.2	4.0
Construction (%)	6.0	5.8	5.6	5.4	5.2	5.9	5.5	5.3
Services (%)	5.5	5.3	5.1	5.0	4.8	5.6	5.2	5.0

Sources: CEIC, BMMB Economics

Appendix: Monthly macroeconomic data

	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25
Exports (% YoY)	8.6	-1.2	-0.9	9.1	7.1	1.7	12.3	12.0	-0.6	1.6	3.9	16.9	0.3	6.2
Imports (% YoY)	18.8	8.0	10.9	14.0	13.4	17.8	25.4	26.2	10.9	2.7	1.6	11.9	6.2	5.5
Inflation Rate (%)	1.5	1.8	1.8	1.8	2.0	2.0	2.0	1.9	1.8	1.9	1.8	1.7	1.7	1.5
OPR (%)	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Unemployment Rate (%)	3.3	3.3	3.3	3.3	3.3	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.1	3.3
Manufacturing PMI (Index)	49.0	49.5	48.4	49.0	50.2	49.9	49.7	49.7	49.5	49.5	49.2	48.6	48.7	49.7
IPI (% YoY)	4.0	2.7	2.1	5.9	2.5	5.2	5.8	4.2	2.2	2.2	3.4	4.6	2.1	4.0

Sources: CEIC, BMMB Economics