



25 JUN, 2025

Minimal inflation impact from electricity tariff reform

Daily Express (KK), Malaysia



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KUALA LUMPUR: Malaysia's upcoming electricity tariff restructuring is expected to have a minimal impact on overall inflation, and its direct effect on headline consumer price index (CPI) is anticipated to be marginally disinflationary, said CIMB Investment Bank Bhd (CIMB).

Based on Tenaga Nasional Bhd's bill calculations, domestic users consuming below 1,000 kilowatt per hour (kWh) per month are expected to benefit most from discounts of 1.0-14.5 per cent, with those using under 600 kWh receiving full retail charge and services tax

waivers.

In a research note, CIMB Investment Bank said it estimates that 85 per cent of residential users—equivalent to around 7.7 million households—consume less than 600 kWh, making them eligible for the full charge waiver and reinforcing the disinflationary bias.

"Electricity holds a 2.7 per cent weight in the CPI basket, and with average household consumption estimated at 440 kWh, the full-year CPI impact is likely to come in slightly below -0.1 percentage point," it added.

The investment bank said the tariff also

introduces targeted rebates via the Energy Efficiency Incentive, and expands off-peak hours under the Time-of-Use pricing scheme—from 10 pm – 8 am to 10 pm – 2 pm—enhancing potential savings for low- to moderate-usage households.

Meanwhile, it said the trajectory of future tariffs under the Automatic Fuel Adjustment mechanism will hinge on foreign exchange movements and market fuel prices, particularly global coal and natural gas, which collectively account for around 90 per cent of Malaysia's energy mix. – Bernama