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## Inflation under control but price pressure may rise

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**PETALING JAYA:** Inflation outlook remains anchored below 2% despite policy changes and cost adjustments although analysts warn that price pressure may rise towards the year-end with the rollout of subsidy reforms and minimum wage hikes.

Headline inflation rose slightly to 1.2% year-on-year (y-o-y) in July from 1.1% in June, while core inflation stayed unchanged at 1.8% for the third consecutive month, according to official data.

For the first seven months of 2025, inflation averaged 1.4% –

lower than 1.8% in the same period of 2024.

Maybank Investment Bank Research cut its full-year 2025 inflation forecast to 1.5% from 2.0% previously, noting that “inflation remained muted at well below 2% in July 2025 and year-to-date despite the 13.3% minimum wage hike, higher and broader sales and service tax (SST) and Tenaga Nasional Bhd’s (TNB) electricity tariff review”.

The research house highlighted that new SST exemptions and revisions, coupled with energy

efficiency incentives under TNB’s tariff structure, kept consumer bills in check.

CGSI Research echoed this view, observing that the expansion of the SST scope implemented in July seems to have had a marginal impact.

It added that electricity tariff revisions had recorded “the first negative y-o-y growth in electricity since March 2021,” cushioning households from higher costs.

CGSI Research and Kenanga Research pointed to insurance and hospitality costs as the main

inflation drivers in July, with the latter noting that insurance and financial services had surged 5.5%, which was compounded by hospital benefit insurance premiums spiking 14.7% y-o-y.

Restaurants and accommodation services rose 3.1%, partly reflecting stronger tourism demand.

Kenanga Research remarked that “higher insurance and hotel costs offset easing pressure from food and housing,” as food price growth eased to below 2% and electricity bills fell 3.9%.