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PublicInvest lowers 2025 inflation forecast to 1.9pc

New Straits Times, Malaysia

LIMITED IMPACT LIKELY

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KUALA LUMPUR: Public Investment Bank Bhd (PublicInvest) has lowered its forecast for Malaysia's 2025 headline inflation to 1.9 per cent year-on-year, down from the earlier projection of 2.4 per cent.

The revision factors in the government's more targeted approach to RON95 fuel subsidy rationalisation, which now focuses on higher-income households, easing potential cost pressures for the broader population.

"The revision reflects lower expected pass-through from fuel to headline consumer price index (CPI), while core inflation remains contained across most demand-driven components.

"We continue to monitor potential upside risks from Tenaga Nasional Bhd's non-domestic tariff adjustments effective July, though the impact on CPI should be limited given protections for residential users," it said.

PublicInvest said other factors to watch include the Sales and Service Tax base expansion from July, phased foreign worker levy reforms, and the deferred Employees Provident Fund contribution hike in the fourth quarter.

On balance, the firm expects the cumulative inflationary impact of these measures to remain modest, anchored by broadly stable domestic cost conditions.

Meanwhile, PublicInvest has maintained its base case for a 25 basis points cut in the overnight policy rate to 2.75 per cent in the third quarter of 2025.

It noted that with headline inflation easing and underlying demand-side pressures subdued, Bank Negara Malaysia had room to ease policy to support growth amid rising trade-related uncertainties.

"While maintaining a data-dependent approach, we believe muted inflation risks and Malaysia's measured fiscal consolidation strengthen the case for a near-term adjustment.

"Should trade tensions re-escalate post-July, a more front-loaded policy response may be warranted."

INFO BOX

2.75PC

Public Investment Bank Bhd's base case for a 25 basis points cut in the overnight policy rate in the third quarter of 2025