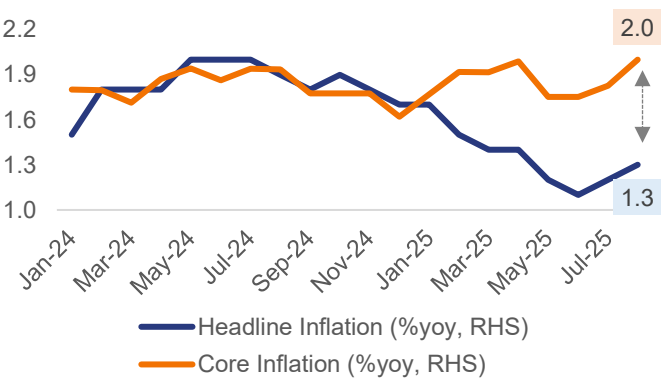


# August Inflation: Modest Headline, Services Keep Core Sticky

Malaysia's Headline vs Core Inflation (%y/y)



Inflation by Main Group (%y/y)

<div>Food &amp; Beverages</div> <div>1.9%2.0%</div>	<div>Alcoholic Beverages &amp; Tobacco</div> <div>0.6%0.4%</div>	<div>Clothing &amp; Footwear</div> <div>-0.2%-0.1%</div>	<div>Housing, Water, Electricity, Gas &amp; Other Fuel</div> <div>1.3%1.2%</div>	<div>Furnishings, Household Equipment &amp; Routine Household Maintenance</div> <div>0.1%0.2%</div>	<div>Health</div> <div>1.2%1.1%</div>	<div>Transport</div> <div>0.4%0.2%</div>
<div>Information &amp; Communication</div> <div>-6.4%-5.6%</div>	<div>Recreation, Sport &amp; Culture</div> <div>0.8%0.9%</div>	<div>Education</div> <div>2.2%2.4%</div>	<div>Restaurant &amp; Accommodation Services</div> <div>3.1%3.5%</div>	<div>Insurance &amp; Financial Services</div> <div>5.5%5.6%</div>	<div>Personal Care, Social Protection &amp; Miscellaneous Goods &amp; Services</div> <div>3.9%4.0%</div>	

Malaysia’s **headline inflation inched up to 1.3% y/y in August** (July: 1.2%), bringing the **year-to-date average to 1.4%**. The increase was modest, reinforcing the picture of a **benign inflation environment** that has persisted through 2025. Soft global commodity prices continue to act as a buffer, containing energy and food-at-home costs, while domestic price adjustments have so far produced limited pass-through.

The August print was shaped by **diverging trends across components**. Food inflation picked up to 2.0% y/y (July: 1.9%), led by “food away from home” (+4.3%; July: 4.3%) on the back of resilient dining-out demand. By contrast, “food at home” prices were essentially flat (–0.1%; July: –0.3%). Services-related categories were the main source of upward pressure: Insurance & Financial Services rose further (+5.6%; July: 5.5%), alongside personal care & miscellaneous (+4.0%; July: 3.9%) and restaurants & accommodation (+3.5%; July: 3.1%). Meanwhile, transport (+0.2%; July: 0.4%) and housing & utilities (+1.2%; July: 1.3%) remained subdued, keeping the **overall trajectory anchored**.

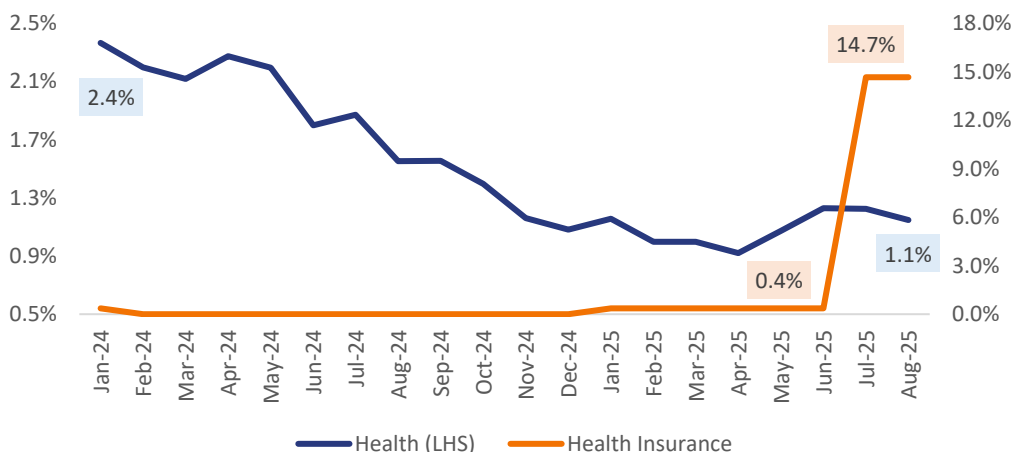
**Core inflation edged up to 2.0% y/y (July: 1.8%)**, reflecting sticky services inflation but still well within BNM’s comfort zone. The limited rise underscores that underlying pressures remain contained, consistent with regional peers where soft global commodities have capped headline prints.

Source: Department of Statistics Malaysia, BMMB Economics

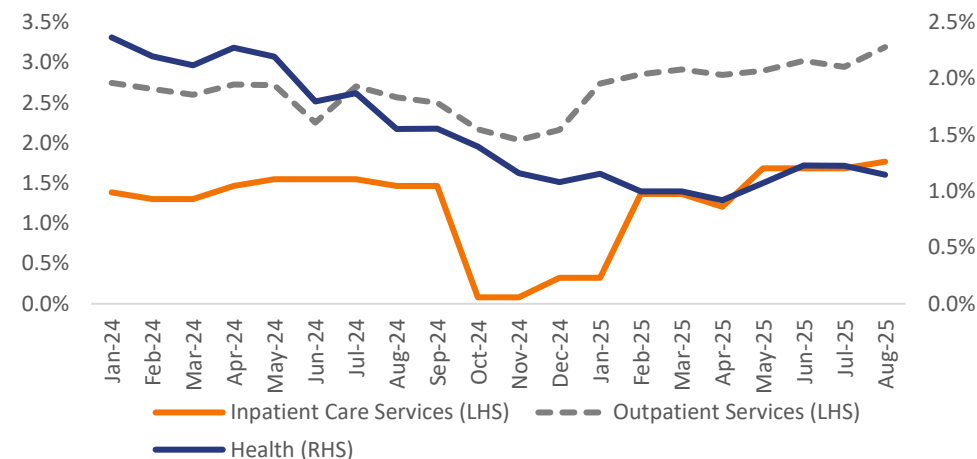
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# Health Insurance Inflation Decouples from Healthcare Costs

**Rising Insurance, Stable Healthcare: A Divergence Story**  
(Health Insurance vs Overall Health Inflation, %y/y)



**Outpatient Costs Lead, but Overall Healthcare Inflation Stays Moderate**  
(Health Subcomponents – Inpatient, Outpatient, Overall Health, %y/y)



Digging deeper into core inflation, one area that stands out is **health insurance**. While most health-related components remain stable — with inpatient and outpatient services rising only ~2–3% — insurance premiums have surged (+14.7% y/y in August). This **sharp increase highlights a divergence**: underlying medical costs remain contained, yet insurers have aggressively repriced premiums, potentially reflecting higher underwriting costs, regulatory adjustments, or SST-related pass-through. The irony is clear — insurance, designed to shield households from healthcare cost pressures, is itself becoming a driver of core inflation. Though its weight in the CPI basket is modest, the outsized increase has amplified services inflation in recent months, reinforcing why we flagged ‘sticky services’ earlier.

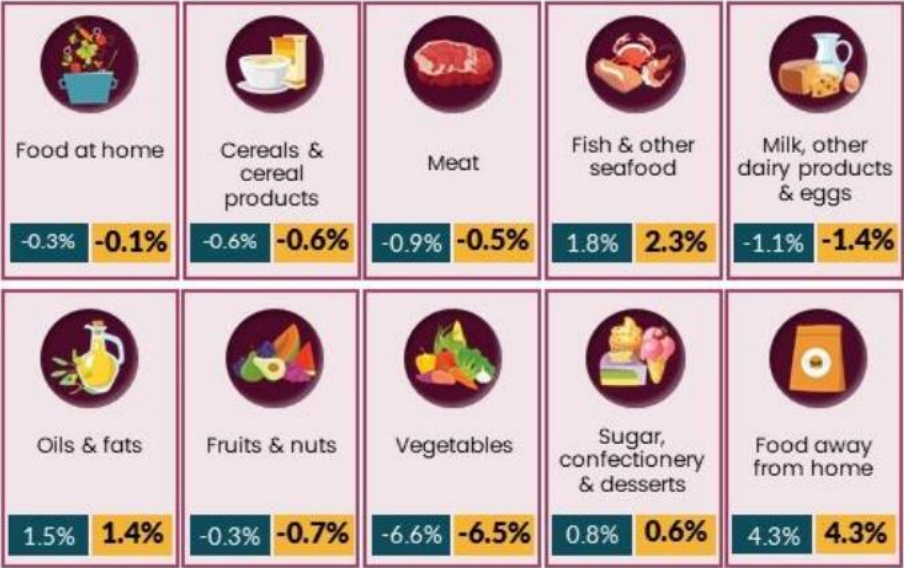
All in all, Malaysia’s inflation outlook **remains benign in the near term**, with headline CPI likely to average around 1.6% in 2025 (in-house forecast) — comfortably within BNM’s tolerance band. Against this backdrop, we expect BNM to keep the OPR unchanged at 2.75% through 1H2026, as inflation is well anchored and growth remains steady.

Source: Department of Statistics Malaysia, BMMB Economics

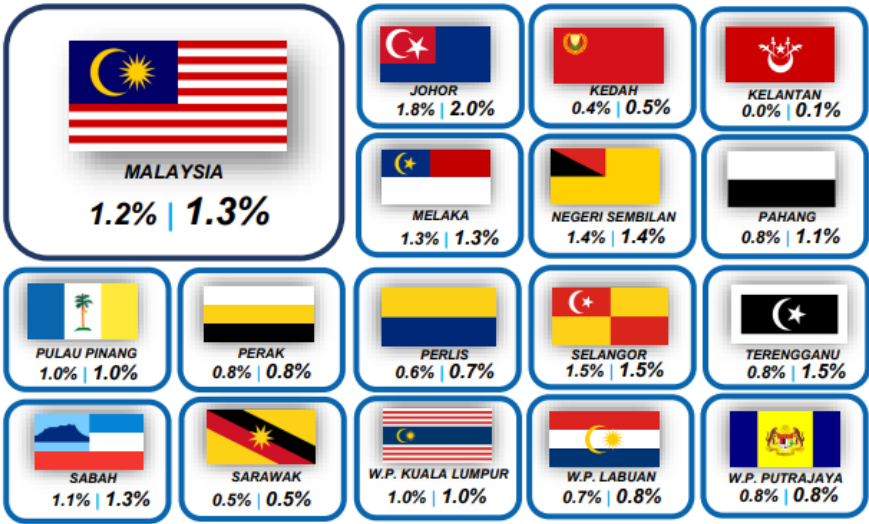
Appendix:



Inflation subgroups of F&B



Inflation by states



Source: Department of Statistics Malaysia, BMMB Economics

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