

Malaysia Consumer Price Index (May-26)

Headline hits two-year high at 2.0%, but momentum is fading

- **Headline inflation rose to 2.0% YoY in May (Apr: 1.9%), its highest level in two years. The print came in marginally below our forecast and consensus of 2.1%**

- Prices increased 0.15% MoM (Apr: 0.37%), as higher food and housing costs were partly offset by lower transport prices. The softer monthly increase suggests CPI momentum moderated despite the slightly higher annual reading.
- Core inflation held steady at 2.0% YoY, reinforcing the view that underlying price pressures remain manageable.

- **Price pressures shifted towards food and housing, while transport inflation eased**

- **Food & Beverages** (1.4%; Apr: 1.2%): rose to a four-month high as prices increased 0.3% MoM (Apr: 0.0%) following a rebound in food-at-home inflation (0.2%; Apr: -0.4%), led by higher fresh meat (+0.7%) and vegetable (+5.0%) prices.
- **Housing, Water, Electricity, Gas & Other Fuels** (1.2%; Apr: 1.1%): edged higher and recorded a 0.5% MoM rebound (Apr: -0.1%), reflecting higher rental (+0.4% MoM), maintenance charges (+0.3%) and electricity (+1.6%) costs.
- **Transport** (3.8% YoY; Apr: 4.1%): eased to a two-month low as prices fell 0.5% MoM, driven by lower diesel (-10.0% MoM), petrol (-0.7%) and lubricant (-1.2%) prices. Domestic and international airfares, however, remained elevated.

- **Inflation resilience persists across major economies amid uneven energy pass-through**

- **US** (4.2%; Apr: 3.8%): inflation rose to a three-year high in May as Middle East tensions kept energy prices elevated. Energy remains the key driver, though risks of broader spillovers into transport and services are building. With a resilient labour market and a firmly Fed focus on price stability, **we now see the next easing discussion shifting into 2027.**
- **Japan** (1.5%; Apr: 1.4%): inflation stayed below the 2.0% target for a fifth month in May as fuel subsidies offset imported cost pressures. Underlying momentum remains firm, with producer price pressures pointing to broader pass-through ahead. The BoJ remains focused on anchoring inflation expectations. **We continue to expect a 25 bps hike in December.**
- **China** (1.2%; Apr: 1.2%): inflation was unchanged in May and below expectations on weak domestic demand. Monthly CPI slipped 0.1% as firms faced higher costs but limited pricing power. **Excess capacity continues to cap pass-through, reinforcing the need for additional policy support from the PBoC.**

- **We maintain our 2026 inflation forecast at 2.1% (2025: 1.4%), as the US-Iran ceasefire only partially eases energy market disruptions**

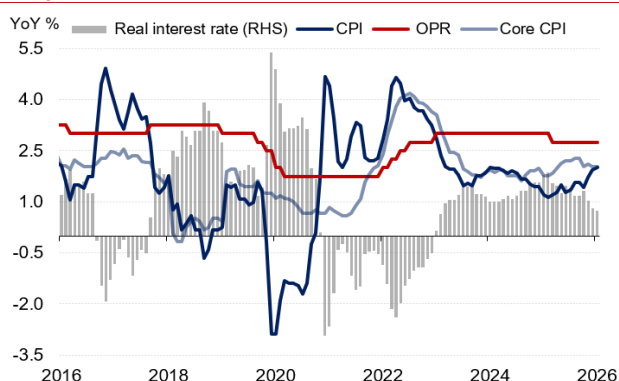
- The US-Iran ceasefire reduces the probability of sustained supply shocks through the Strait of Hormuz bottleneck, but does not immediately normalise conditions. Markets still need to absorb the re-routing and backlog of tanker traffic, rebuild depleted storage buffers, and allow refiners to recalibrate crude sourcing and logistics. These adjustment dynamics suggest that price dislocation in energy and freight markets will ease only gradually. In Malaysia, subsidies under **BUDI95 continue to shield the majority of households from RON95 price volatility**, limiting immediate headline pass-through, though food inflation risks remain tied to lagged transport and input cost effects.
- **Policy outlook:** We expect **BNM to maintain the OPR at 2.75% through 2026**, with policy stability remaining the central priority. Domestic demand is resilient and broad inflation pressures remain contained despite external commodity volatility. Relative ringgit stability and a more balanced external environment following reduced geopolitical tensions provide additional room for policy flexibility, supporting a steady rather than reactive monetary stance.

Table 1: Global Inflation (% YoY)

	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26
US	2.7	2.4	2.4	3.3	3.8	4.2
EU	2.0	1.7	1.9	2.6	3.0	3.2
UK	3.4	3.0	3.0	3.3	2.8	2.8
Japan	2.1	1.5	1.3	1.5	1.4	1.5
S. Korea	2.3	2.0	2.0	2.2	2.6	3.1
Singapore	1.2	1.4	1.2	1.8	1.8	N/A
China	0.8	0.2	1.3	1.0	1.2	1.2
Indonesia	2.9	3.5	4.8	3.5	2.4	3.1
Thailand	-0.3	-0.7	-0.9	-0.1	2.9	2.8

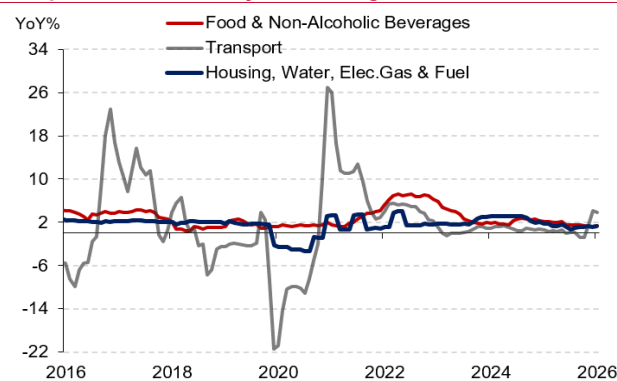
Source: Bloomberg, Kenanga Research

Graph 1: Real Interest Rate, Inflation Rates and OPR



Source: Macrobond, Kenanga Research

Graph 2: CPI Growth by Main Categories



Source: Macrobond, Kenanga Research

19 June 2026

Table 2: Malaysia Consumer Price Index Growth Trend (% YoY)

Base 2010=100	weight	2023	2024	2025	May -25	Dec -25	Jan -26	Feb -26	Mar -26	Apr -26	May -26
CPI	100.0	2.5	1.8	1.4	1.2	1.6	1.6	1.4	1.7	1.9	2.0
Core Inflation		3.0	1.8	2.0	1.8	2.3	2.3	2.0	2.1	2.0	2.0
Food & Beverages	29.8	4.8	2.0	2.0	2.1	1.5	1.5	1.3	1.1	1.2	1.4
Alcoholic Beverages & Tobacco	1.9	0.7	0.7	0.9	0.6	2.5	2.5	2.6	2.7	2.8	2.8
Clothing & Footwear	2.7	0.2	-0.3	-0.2	-0.2	0.1	0.0	0.0	-0.1	-0.1	-0.1
Housing, Water, Electricity, Gas & Other Fuels	23.2	1.7	3.0	1.6	1.7	0.9	1.2	1.1	1.2	1.1	1.2
Furnishing, Household Equipment & Routine Household Maintenance	4.3	2.3	0.7	0.2	0.2	0.3	0.2	0.2	0.1	0.4	0.4
Health	2.7	2.1	1.8	1.2	1.1	1.5	1.4	1.2	1.4	1.4	1.2
Transport	11.3	1.1	0.9	0.5	0.7	0.1	-0.7	-0.7	1.6	4.1	3.8
Information & Communication	6.6	-2.9	-1.5	-4.2	-5.2	0.9	0.7	0.5	1.4	2.0	2.1
Recreation, Sport & Culture	3.0	1.5	1.8	1.1	0.9	0.8	0.9	0.8	1.0	0.9	1.1
Education	1.3	1.9	1.5	2.3	2.2	2.8	3.2	2.8	2.5	2.4	2.2
Restaurants & Accommodation Services	3.4	5.5	3.1	3.2	3.0	3.1	3.0	2.5	2.6	2.6	2.5
Personal Care, Social Protection & Miscellaneous Goods & Services	9.8	2.5	3.0	4.4	3.7	5.7	6.6	6.9	7.0	4.8	4.8

Source: Macrobond, Kenanga Research

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