Malaysia's CPI Inflation Starts 2026 Unchanged at +1.6%yoy

Economic Review
Jan-26 Consumer Price Index



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- Malaysia's headline CPI inflation was unchanged at +1.6%yoy in Jan-26, within our estimates and the market consensus. The stable inflation was attributable to the food & beverages and non-food inflation which remained unchanged at +1.5%yoy and +1.6%yoy, respectively.
- By strata, inflation in the urban areas eased marginally to +1.5%yoy (Dec-25: +1.6%yoy), while the inflation in the rural areas was unchanged at +1.3%yoy. Pahang, Johor and Negeri Sembilan recorded inflation at +1.9%yoy, above the national inflation rate.
- Given the currently mild inflation readings, we maintain our 2026 inflation forecast at +1.8% (2025: 1.4%), with potential price pressures arising from policy changes and gradual rise in demand pressures. We anticipate that Bank Negara Malaysia will hold the OPR steady at 2.75% this year, keeping monetary policy accommodative stance amid robust domestic demand and manageable inflation outlook.

Headline inflation unchanged at +1.6%yoy.

Malaysia's headline CPI inflation was unchanged at +1.6%yoy in Jan-26, within our estimates and the market consensus. The reading signalled that inflation continued its gradual upward trend, which was seen from the low of +1.1%yoy in Jun-25. The relatively faster but stable inflation in Jan-26 was attributable to the food & beverages and non-food inflation which remained unchanged at +1.5%yoy and +1.6%yoy, respectively. Looking at the breakdown, under the food component, only food at home inflation accelerated to +0.6%yoy (Nov-25: +0.3%yoy). Meanwhile, among the non-food components, personal care, social protection & misc. goods & services rose faster by +6.6%yoy (Dec-25: +5.7%yoy), while inflation for education; housing & utilities; and transport charges accelerated to +3.2%yoy (Dec-25: +2.8%yoy), +1.2%yoy (Dec-25: +0.9%yoy), and +0.7%yoy (Dec-25: +0.1%yoy), respectively.

Core inflation remains moderate amid policy and demand pressures

Core inflation was also unchanged at +2.3%yoy in Jan-26 but still signalling manageable underlying price pressures. On a monthly basis, core CPI turned positive to +0.4%mom (Dec-25: -0.1%mom), marking the fastest reading since Jan-25. We expect Inflation in 2026 to be shaped by the transition to targeted subsidies and ongoing fiscal reforms, yet it remains contained by steady domestic demand. Price growth is expected to stay moderate as lower international energy costs and easing global supply constraints act as a vital buffer, neutralising the impact of internal policy adjustments on the broader consumption basket.

Global food prices continue to in deflation territory in Jan-26

Global food prices continue to be in deflation, falling further by -0.6%yoy in Jan-26 (Dec-25: -2.3%yoy), mainly due to continued contraction in prices of poultry (-3.3%yoy), sugar (-19.2%yoy), dairy (-14.8%yoy), and cereals (-3.9%yoy). Meanwhile, the meat price inflation picked up to +6.1%yoy (+3.9%yoy), and oil prices increased faster at +10.2%yoy (Dec-25: +1.9%yoy). We forecast the moderate price increase in inflation will continue throughout the 1QCY26 period, driven by both supply and demand factors.

Imported inflation limited by stronger ringgit and lower global food prices

Malaysia remains sensitive to global food price volatility and exchange rate shifts; the outlook for imported inflation has turned increasingly favourable. The combination of stronger ringgit and falling global food prices is effectively neutralising external cost pressures. Consequently, we anticipate a moderated inflationary pass-through to the household sector. The primary upward pressure on domestic costs remains the expanded scope of the Sales and Service Tax (SST), particularly the adjustments applied to selected imported food items. This pressure is further compounded by resilient consumer spending, supported by government fiscal measures and Bank Negara Malaysia's (BNM) pre-emptive monetary easing mid last year. Tax adjustments and prior policy easing are currently fuelling a sustained rise in headline inflation. While the targeted petrol price hike for non-citizens is counterbalanced by lower subsidised RON95 rates, food inflation remains a concern as the recent adverse weather conditions could further disrupt local agricultural production and worsen domestic food inflation.

Table 1: Malaysia – Consumer price index by component

	Weight (%)	MoM%			YoY%		
		Nov-25	Dec-25	Jan-26	Nov-25	Dec-25	Jan-26
Core CPI	-	0.0	(0.1)	0.4	2.2	2.3	2.3
Headline CPI	100.0	0.0	0.3	0.1	1.4	1.6	1.6
Food and Beverages	29.8	0.0	0.5	0.2	1.5	1.5	1.5
Food	29.0	0.0	0.5	0.2	1.4	1.5	1.5
Food at Home	15.6	0.1	0.9	0.1	0.1	0.3	0.6
Food Away from Home	13.4	(0.1)	0.1	0.3	2.8	2.7	2.5
Non-alcoholic Beverages	0.8	0.2	(0.2)	(0.1)	3.6	3.1	2.6
Non-Food	70.2	0.0	0.2	0.1	1.3	1.6	1.6
Alcoholic Beverages & Tobacco	1.9	2.1	0.1	0.1	2.4	2.5	2.5
Clothing & Footwear	2.7	0.1	0.0	0.0	(0.1)	0.1	0.0
Housing, Water, Electricity, Gas & Other Fuels	23.2	(0.1)	0.2	0.3	0.7	0.9	1.2
Furnishings, Household Equip & Maintenance	4.3	0.0	0.0	(0.1)	0.2	0.3	0.2
Health	2.7	0.0	0.2	0.2	1.5	1.5	1.4
Transport	11.3	0.0	0.2	(0.4)	0.2	0.1	0.7
Information and Communication	6.6	(1.2)	0.6	(0.1)	(1.3)	0.9	0.7
Recreation, Sport and Culture	3.0	0.1	(0.2)	0.2	1.2	0.8	0.9
Education	1.3	0.2	0.2	0.7	2.6	2.8	3.2
Restaurants & Accommodation Services	3.4	0.1	0.0	0.3	3.4	3.1	0.9
Insurance & Financial Services	4.0	0.0	0.0	0.0	5.6	5.6	5.5
Personal Care, Social Protect & Misc. Goods & Svc	5.8	0.1	0.1	1.0	5.6	5.7	6.6

Source: Macrobond, DOSM, MBSBR

Inflation eased slightly in the urban areas

By strata, inflation in the urban areas eased marginally to +1.5%yoy (Dec-25: +1.6%yoy), while the inflation in the rural areas was unchanged at +1.3%yoy. Among the states, Pahang, Johor and Negeri Sembilan recorded inflation at +1.9%yoy, above the national inflation rate.

Table 2: Inflation by region (YoY%)

	MoM%			YoY%		
	Nov-25	Dec-25	Jan-26	Nov-25	Dec-25	Jan-26
Urban	0.0	0.2	0.1	1.5	1.6	1.5
Rural	0.1	0.3	0.2	1.0	1.3	1.3
Peninsular Malaysia	(0.1)	0.3	0.2	1.4	1.6	1.4
Kedah	0.1	0.3	0.2	0.8	1.1	1.2
Perlis	(0.2)	0.2	0.2	1.0	1.3	1.5
Pulau Pinang	(0.1)	0.2	0.2	1.0	1.3	1.5
Perak	(0.1)	0.5	0.2	0.5	0.9	1.0
Selangor	(0.1)	0.2	0.1	1.6	1.7	1.6
Putrajaya	(0.1)	0.2	0.1	0.9	1.1	1.2
Kuala Lumpur	0.0	0.1	0.1	1.7	1.6	1.6
Melaka	(0.2)	0.3	0.2	1.3	1.4	1.4
Negeri Sembilan	0.1	0.4	0.0	1.9	2.2	1.9

Johor	0.0	0.5	0.1	1.9	2.3	1.9
Pahang	0.0	0.6	0.3	1.4	1.8	1.9
Kelantan	0.0	0.2	0.1	0.2	0.5	0.4
Terengganu	(0.2)	0.5	0.1	1.2	1.4	1.2
Sabah	0.0	0.1	0.1	1.3	1.5	1.4
Sarawak	0.2	0.1	0.1	1.0	1.1	1.1

Source: Macrobond, MBSBR

PPI deflated faster in Dec-25

Malaysia's producer prices fell faster by -2.7%yoy in Dec-25 (Nov-25: -1.8%yoy), marking the steepest decline since Aug-25 and extending a ten-month streak of deflation. This largely reflected a sharp deceleration in prices for the agriculture, forestry & fishing sector (-12.1%yoy; Oct-25: -9.7%yoy), weighed by the growing of perennial crops index (-19.6%yoy). The deflation in the mining sector was also fell steeper (-8.8%yoy; Nov-25: -7.2%yoy), dragged down by the extraction of crude petroleum (-7.8%yoy) and natural gas (-11.4%yoy) indices. The manufacturing sector posted a steeper deflation of -1.3%yoy (Nov-25: -0.6%yoy), with a fall in manufacture of coke & refined petroleum products index (-6.2%yoy). However, producer prices rose for the water supply (+10.9%yoy; Nov-25: +10.1%yoy), while PPI inflation for electricity and gas remained steady at +4.1%yoy. On a monthly basis, PPI fell slightly slower by -0.2%mom (Nov-25: -0.3%yoy), reflecting price declines in mining (-2.0%mom), electricity & gas supply (-0.2%mom), and agriculture (-1.1%mom) sectors. PPI fell steeper across all stages of processing, including intermediate materials, supplies & components (-1.6%yoy) and finished goods (-0.7%yoy), and crude materials for further processing moderated (-8.3%yoy). The gap between PPI deflation and CPI inflation widened in Dec-25, as inflation rose faster by +1.6%yoy (Nov-25: +1.4%yoy). Looking ahead, inflation is expected to remain low and stable. Price dynamics will continue to be influenced by policy measures, including fiscal consolidation and targeted subsidy rationalisation. Nonetheless, overall price pressures are likely to stay moderate across food, non-food, and core components, supported by lower crude oil prices that help contain broader cost pass-through. At the same time, higher disposable income, stemming from SSPA Phase 2 salary adjustments and government transfers, including the February 2026 SARA Special Transfer, could provide some support to demand-pull inflation, though within manageable levels.

Table 3: Producer Price Indices by Stage of Processing

	MoM%			YoY%		
	Oct-25	**Nov-25**	**Dec-25**	**Oct-25**	**Nov-25**	**Dec-25**
PPI	0.0	(0.3)	(0.2)	(0.1)	(1.8)	(2.7)
Crude Materials	(0.4)	(2.7)	(0.8)	1.2	(6.2)	(8.3)
Foodstuffs	1.3	0.3	0.2	3.7	4.7	4.3
Non-food	(0.8)	(3.4)	(1.2)	0.6	(8.5)	(11.0)
Non-food ex fuel	0.6	(7.2)	(1.8)	2.6	(15.9)	(19.1)
Crude Fuel	(1.9)	(0.7)	(0.8)	(0.8)	(2.6)	(4.8)
Intermediate Materials	0.2	0.3	0.0	(0.2)	(1.1)	(1.6)
Manufactured Goods	0.6	(0.3)	(0.1)	0.1	(0.7)	(2.1)
Construction	0.5	0.2	(0.4)	4.6	4.7	4.7
Processed Fuel & Lubricants	(2.0)	0.3	(0.8)	(3.7)	(7.5)	(6.7)
Containers	1.6	1.6	(0.9)	3.5	4.2	4.5
Supplies	0.9	1.4	1.0	1.3	2.5	2.7
Finished Goods	(0.2)	0.3	(0.2)	(1.0)	(0.2)	(0.7)
Consumer Goods	0.2	(0.1)	0.0	0.1	(0.2)	(0.5)
Consumer Goods ex. Foods	0.0	0.0	0.2	(1.0)	(1.0)	(1.0)
Capital Equipment	(0.3)	0.5	(0.4)	(1.8)	(0.1)	(1.0)

Source: DOSM, MBSBR

Inflation remained manageable and stable

The CPI inflation was generally mixed among the selected countries last month. In the US, the headline CPI inflation eased lower to +2.4%yoy in Jan-26 (Dec-25: +2.7%yoy); while core inflation slowed to +2.5%yoy (Dec-25: +2.6%yoy). Meanwhile, the headline CPI inflation for the euro area was unchanged at +2.0%yoy in Jan-26. Based on the ECB policy meeting, the ECB mentioned

that the euro area economy remains resilient but cautioned that the outlook remains uncertain due to global trade policy risks and geopolitical uncertainty. Meanwhile, President Christine Lagarde reiterated that both the central bank and the euro area inflation outlook are in a "good place". The UK headline inflation was unchanged at +3.3%yoy in Dec-25. In Asia, China's inflation eased lower to +0.2%yoy in Dec-25 (Nov-25: +0.7%yoy), similar to Taiwan's inflation, which eased to +1.3%yoy (Nov-25: +1.6%yoy). Meanwhile, inflation in Indonesia increased to +3.5%yoy (Nov-25: +2.9%yoy). Overall, we anticipate a continued bias toward accommodative monetary policy. Stable inflationary trends provide the central bank with sufficient policy space to pivot toward economic stimulus as downside risks to growth intensify. Separately, we remain cautious regarding the impact of elevated tariffs and a volatile trade landscape, notwithstanding the current one-year trade truce between the US and China. Sector-specific tariffs pose a further risk, likely to intensify price pressures—particularly within the US. Conversely, the cooling of geopolitical tensions has moderated inflation concerns, aided by a period of sustained low energy prices.

Table 4: Global Headline CPI Inflation (YoY%)

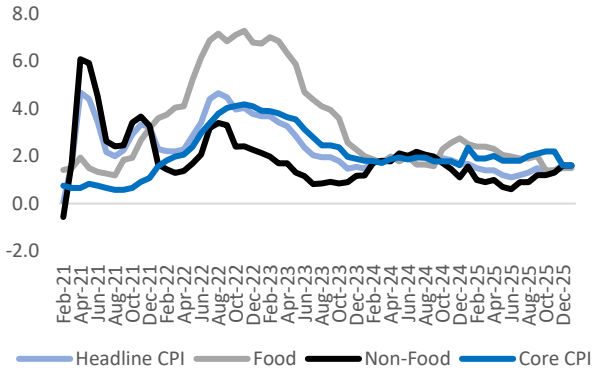
	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26
Malaysia	1.2	1.3	1.5	1.3	1.4	1.6	1.6
Indonesia	2.4	2.3	2.7	2.9	2.7	2.9	3.5
Singapore	0.6	0.5	0.7	1.2	1.2	1.2	n/a
Thailand	(0.7)	(0.8)	(0.8)	(0.8)	(0.5)	(0.3)	(0.7)
Philippines	0.9	1.5	1.7	1.7	1.5	1.8	2.0
Taiwan	1.5	1.5	1.3	1.6	1.6	1.6	1.3
South Korea	2.1	1.7	2.1	2.4	2.4	2.3	2.0
China	(0.2)	(0.6)	(0.5)	(0.1)	0.5	0.7	0.2
Japan	3.1	2.7	2.9	3.0	2.9	2.1	n/a
Euro Area	2.1	2.0	2.2	2.1	2.1	2.0	2.0
UK	3.8	3.7	3.8	3.6	3.3	3.3	n/a
USA	2.7	2.9	3.0	n/a	2.7	2.7	2.4
PCE Prices	2.6	2.7	2.8	2.7	2.7	n/a	n/a

Source: Macrobond, National Authorities, MBSBR

Expect inflation to accelerate gradually but remain under control

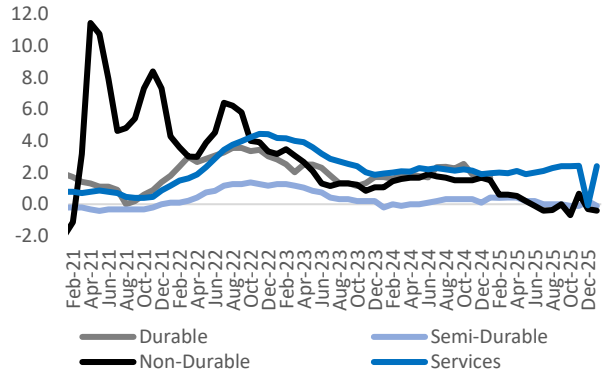
Given the currently mild inflation readings, we maintain our 2026 inflation forecast at +1.8% (2025: 1.4%). While we continue to monitor potential price pressures arising from policy changes, such as the broader scope of SST, but reduced subsidised RON95 price to RM1.99 per litre has limited the upside risk. The tiered RON95 subsidy serves as a critical buffer for the transport and logistics sectors, effectively decoupling domestic supply chains from global oil price volatility. This fiscal shield is complemented by a resurgent ringgit and lower global food prices; both are actively suppressing imported inflation. The upside risk could stem from the BUDI95 fuel subsidy framework because Micro, Small, and Medium Enterprises (MSMEs) which are excluded from the support would face higher unsubsidised fuel costs, potentially lead to a pass-through of business expenses to consumer prices. Additionally, based on the gradual acceleration in core inflation, we anticipate rising demand pressures following the Jul-25 OPR cut. This trend is reinforced by robust consumer spending, a healthy labour market on the back of steady wage and employment growth, on top of the supportive fiscal measures. We anticipate that Bank Negara Malaysia will hold the OPR steady at 2.75% this year. Robust private consumption and stable inflation provide a neutral backdrop, allowing policymakers to maintain the current accommodative stance while monitoring for potential external shocks to the economy.

Chart 1: Key CPI Data (YoY%)



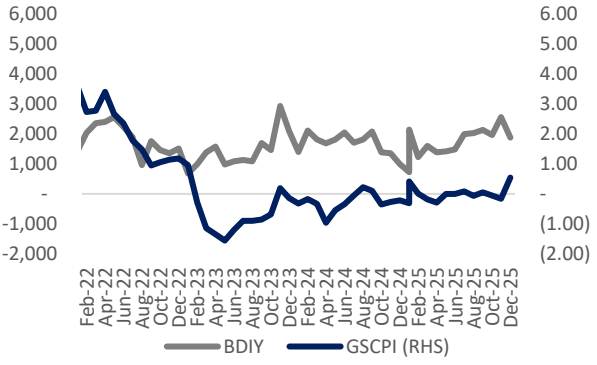
Source: Macrobond, MBSBR

Chart 2: CPI by Type of Product (YoY%)



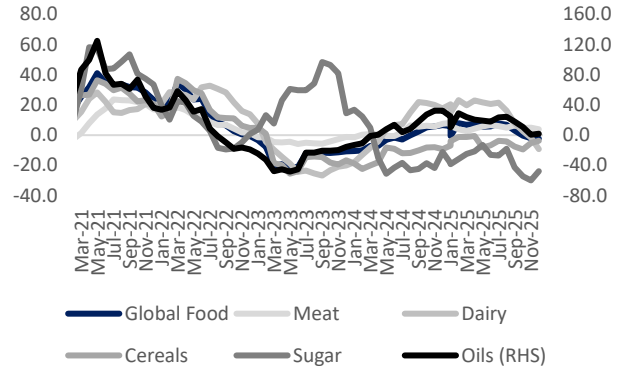
Source: Macrobond, MBSBR

Chart 3: Baltic Dry Index (BDI) vs Global Supply Chain Pressure Index (GSCPI



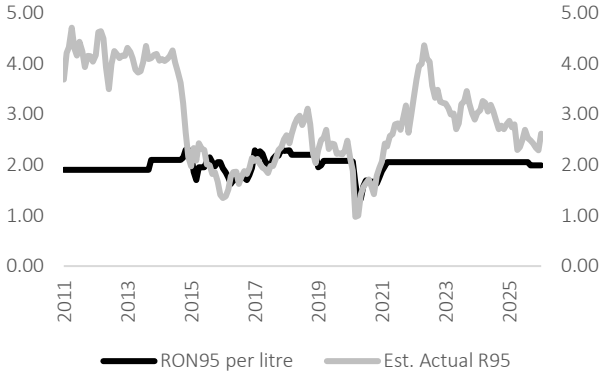
Source: Macrobond, MBSBR

Chart 4: Global Food Inflation (YoY%)



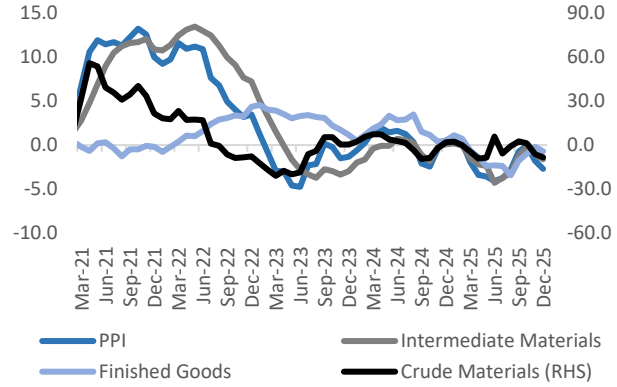
Source: Macrobond, MBSBR

Chart 5: Subsidized vs. Estimated Actual RON95 Price (RM per litre)



Source: DOSM, MBSBR

Chart 6: PPI (YoY%)



Source: DOSM, MBSBR

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