Inflation Accelerated to +1.9%yoy in Apr-26 Amid Elevated Energy Risks

Economic Review
Apr-26 Consumer Price Index



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Economic Review

- Malaysia's headline CPI inflation accelerated further to +1.9%yoy in Apr-26, the fastest inflation since Jul-24 and within our and market expectations. This Apr-26 data continues to capture the global energy inflation due to intensified conflicts in the Middle East as well as higher inflation for non-food items, which increased to +2.3%yoy (Mar-26: +2.0%yoy).
- However, core inflation eased to +2.0%yoy in Apr-26 (Mar-26: +2.1%yoy), with the monthly core inflation also moderated to +0.1%mom (Mar-26: +0.2%mom), indicating some easing in underlying price pressures.
- We keep our forecast that the headline inflation will increase to +2.0% this year (2025: +1.4%). Demand conditions are expected to remain resilient, supported by higher consumer spending, stable labour market, and supportive fiscal measures. Nevertheless, price pressures are expected to be predominantly supply-driven.

Headline inflation accelerated to +1.9%yoy in Apr-26

Malaysia's headline CPI inflation accelerated further to +1.9%yoy in Apr-26, up from +1.7%yoy in Mar-26. This marks the fastest inflation since Jul-24 and is similar to market consensus and within our expectations. This Apr-26 data continues to capture the global energy inflation due to intensified conflicts in the Middle East as well as its impact on inflation, particularly the higher inflation for non-food items that increased to +2.3%yoy (Mar-26: +2.0%yoy). Within the non-food components, inflation was higher for transport (+4.1%yoy), alcoholic beverages & tobacco (+2.8%yoy), and information & communication (+2.0%yoy). Similarly, the food & beverages inflation increased to +1.2%yoy (Mar-26: +1.1%yoy), with prices for food away from home rising faster by +2.6%yoy (Mar-26: +2.3%yoy).

Slight ease in underlying pressures amid broadening regional inflation

However, core inflation eased to +2.0%yoy in Apr-26 (Mar-26: +2.1%yoy), with the monthly core inflation also moderated to +0.1%mom (Mar-26: +0.2%mom). These movements reflect some easing in underlying price pressures. Meanwhile, by strata, inflation in the urban areas picked up to +2.0%yoy (Mar-26: +1.8%yoy); and similarly, inflation in the rural areas increased faster by +1.8%yoy (Mar-26: +1.6%yoy). Inflation rates for most states remained below the national inflation rate, but Pahang (+2.8%yoy), Negeri Sembilan (+2.5%), Kuala Lumpur (+2.5%yoy), and Johor (+2.4%yoy) were among states experiencing faster price increases.

Upside risk to global food prices

Global food prices increased in Apr-26, increasing by +2.0%yoy (Mar-26: +1.0%yoy), marking the second month of food price inflation. The higher inflation in Apr-26 was mainly driven by higher oil prices (+22.7%yoy), in contrast to moderation in inflation for meat (+6.4%yoy), cereal (+0.4%yoy), and poultry (+0.3%yoy). On the other hand, prices of sugar (-21.2%yoy) and dairy prices (-21.2%yoy) declined in Apr-26. Geopolitical tensions in the Middle East present clear upside risks to global food prices. A prolonged conflict in West Asia is likely to keep transport and fertiliser costs elevated, thereby exerting sustained upward pressure on agricultural supply chains.

Imported inflation is limited by the stronger ringgit, but energy prices and supply issues remain a concern

While Malaysia remains structurally vulnerable to global commodity shocks and foreign exchange volatility, the near-term outlook for imported inflation is rather balanced as the recent appreciation of the Ringgit may help dampen the risk of imported inflation, but the recent increase in higher global food commodity prices acts as an upside risk towards domestic inflation. Consequently, should these dynamics persist, we expect a moderated inflationary pass-through to consumers, but the current elevated short-term higher energy prices may continue to persist and hit consumers. Nonetheless, rising input costs driven by elevated imported energy prices remain a key risk, with the potential to spill over into broader components of the consumer price index (CPI) basket. While targeted petrol price adjustments for non-citizens are somewhat mitigated by subsidised RON95 rates, food inflation remains a persistent concern. The primary upside risk is the spike in fertiliser and urea prices, driven by heightened tensions in the Middle East. As surging energy costs and logistics disruptions take hold, with reports indicating that over one-third of global fertiliser trade transits the Strait of Hormuz route, these supply-chain shocks could exert significant upward pressure on the broader inflation outlook.

PPI rebounded to inflation in Mar-26, indicating renewed rise in cost pressures

Cost pressures in Malaysia surged in Mar-26 as PPI rebounded to +1.1%yoy (Feb-26: -3.4%yoy), marking the first increase after 12 consecutive months of deflation. The turnaround in PPI reflects the effect of rising operating and production costs as the West Asia conflict, which drove up energy and raw materials prices. By sector, the mining sector PPI rebounded sharply to +26.5%yoy (Feb-26: -8.5%yoy), the first gains in 6 months and the fastest annual increase in 4 years. PPI inflation for the electricity & gas sector accelerated to +9.6%yoy, the fastest on record. Other sectors, such as agriculture and manufacturing, recorded smaller PPI declines. By stage of production, prices of crude materials bounced back to inflationary, with a sharp rise of +9.8%yoy (Feb-26: -7%yoy), ending 4 months of deflation. Meanwhile, prices of intermediate goods and finished goods registered slower declines of -1.3%yoy (Feb-26: -3.1%yoy) and -0.1%yoy (Feb-26: -1.1%yoy), respectively. On month-on-month basis, the increase in PPI by +4.1%mom was the fastest monthly rise on record, driven by the sharp increase in the PPI for the mining sector (+32.9%mom) and the electricity & gas industry (+4.9%mom). Understandably, these 2 sectors were the hardest hit by the rise in the costs of oil- and petroleum-related materials. By type of materials, prices of crude materials for further processing inflated sharply by +16.4%mom. We foresee that increased cost pressures could translate into higher consumer prices. Producers who are unable to fully absorb the higher prices may opt to pass on some of the cost increases to end consumers.

Higher inflationary concerns due to cost-push inflation, while core inflation remain quite muted

The CPI inflation was generally higher across the selected countries last month. In the US, the headline CPI inflation spiked higher to +3.8%yoy, the highest since May-23 (Apr-26: +3.3%yoy). Also, core inflation also picked up higher to +2.8%yoy, continued to show a divergence between the headline and core inflation, supporting the view of a supply-shock inflation. Similarly, headline CPI inflation for the euro area also spikes as it climbed to +3.0%yoy (Mar-26: +2.6%yoy), but core inflation moderated to +2.2%yoy (Mar-26: +2.3%yoy). In the latest ECB meeting, the ECB raised its inflation forecast for 2026 to 2.6% (Previous: 1.9%), 2.0% in 2027 (previous: 1.8%), and 2.1% in 2028 (previous: 2.0%), and core inflation was projected to increase while the growth forecast was cut, especially for 2026. The UK headline inflation increased to +3.3%yoy in Mar-26. In Asia, China's inflation increased to +1.3%yoy (Mar-26: +1.1%yoy). In the Philippines, inflation also spiked higher to +7.2%yoy (Mar-26: +4.1%yoy), marking the highest level since Mar-23, driven by oil shocks and the local currency depreciation. The spike in Brent crude oil prices, which was triggered by the escalating tensions in the Middle East, presents a heightened global inflationary risk. A protracted conflict remains our primary concern; a long-term war would likely cause these inflationary pressures, complicating the trajectory of the central bank's easing cycle. This underlying shift accounts for the repricing of market expectations. While further rate cuts by the Fed are no longer expected by the market, expectations has gradually pivoted toward a possible one rate hike for this year. In contrast, other central banks may also tighten monetary policy further to combat elevated inflation. Separately, we remain cautious of the volatile trade landscape, where sector-specific tariffs pose an additional risk of intensifying price pressures, particularly within the US.

Upside risks from supply-side adjustments

Supply-side factors are set to elevate the inflation outlook. Prolonged geopolitical risks keep global energy prices high, raising manufacturing and transport costs. Against this backdrop, any upward adjustment to subsidised fuel prices represents a direct trigger for higher consumer prices. In addition, Micro, Small, and Medium Enterprises (MSMEs) facing higher unsubsidised fuel costs may be forced to pass on these higher costs to consumers, contributing to secondary cost-push inflation. Rising input costs, particularly fertilisers, also pose risks to food price stability. Meanwhile, upward adjustments in GP consultation fee floors point to increasing medical inflation, adding further pressure on overall price levels. The recent Manufacturing PMI report also highlighted that inflation accelerated to a 45-month high, partly driven by rising energy and material costs, while output charges increased at a record pace, which may lead to intensifying cost pressures as local manufacturing firms indicated higher input and output price inflation, signalling a likely pass-through to consumer prices in the near term.

Maintain higher inflation forecast for 2026

We keep our forecast that the headline inflation will increase to +2.0% this year (2025: +1.4%). Demand conditions are expected to remain resilient, supported by higher consumer spending, stable labour market, and supportive fiscal measures. Nevertheless, price pressures are expected to be predominantly supply-driven. While government policy interventions and fuel subsidies will be crucial to mitigating inflation, the risk of extended geopolitical conflicts could keep global energy prices high and prolong inflationary pressures. Despite these vulnerabilities, we expect domestic inflation to stay manageable. BNM is anticipated to remain highly vigilant while preserving a stable monetary policy environment. Uncertainties remain as there are growing concerns about stagflationary risks, with growth could slow (or moderate) while inflation is expected to go higher (or remain elevated). On that note, we maintain our baseline projection for the OPR to remain unchanged at 2.75%, as we expect BNM would prioritise monetary stability to ensure sustainable support to economic growth, while remaining vigilant against supply-side shocks that could destabilise the domestic price outlook.

Table 1: Malaysia – Consumer price index by component

	Weight (%)	MoM%			YoY%		
		Feb-26	Mar26	Apr26	Feb-26	Mar-26	Apr-26
Core CPI	-	0.1	0.2	0.1	2.0	2.1	2.0
Headline CPI	100.0	0.2	0.3	0.4	1.4	1.7	1.9
Food and Beverages	29.8	0.0	(0.1)	0.1	1.3	1.1	1.2
Food	29.0	0.0	(0.1)	0.1	1.3	1.1	1.2
Food at Home	15.6	-0.2	(0.3)	(0.4)	0.3	0.1	0.0
Food Away from Home	13.4	0.2	0.1	0.5	2.4	2.3	2.6
Non-Food	70.2	0.3	0.5	0.5	1.4	2.0	2.3
Alcoholic Beverages & Tobacco	1.9	0.1	0.1	0.2	2.6	2.7	2.8
Clothing & Footwear	2.7	0.1	(0.1)	0.0	0.0	(0.1)	(0.1)
Housing, Water, Electricity, Gas & Other Fuels	23.2	0.7	0.1	(0.1)	1.1	1.2	1.1
Furnishings, Household Equip & Maintenance	4.3	0.0	0.1	0.2	0.2	0.1	0.4
Health	2.7	0.0	0.2	0.2	1.2	1.4	1.4
Transport	11.3	0.2	2.1	2.5	(0.7)	1.6	4.1
Information and Communication	6.6	(0.2)	0.8	1.6	0.5	1.4	2.0
Recreation, Sport and Culture	3.0	0.0	0.2	0.3	0.8	1.0	0.9
Education	1.3	0.1	0.2	0.2	2.8	2.5	2.4
Restaurants & Accommodation Services	3.4	0.1	(0.1)	0.4	2.5	2.6	2.6
Insurance & Financial Services	4.0	0.0	0.3	0.0	4.7	4.9	4.9
Personal Care, Social Protect & Misc. Goods & Svc	5.8	1.0	0.4	(0.7)	6.9	7.0	4.8

Source: Macrobond, DOSM, MBSBR

Table 2: Inflation by region (YoY%)

	Feb-26	Mar-26	Apr-26
Urban	1.4	1.8	2.0
Rural	1.4	1.6	1.8
Kedah	1.3	1.9	1.9
Perlis	1.0	1.3	1.6
Pulau Pinang	1.6	1.8	1.8
Perak	0.9	1.1	1.2
Selangor	1.3	1.6	2.0
Putrajaya	1.4	1.5	2.1
Kuala Lumpur	1.6	2.2	2.5
Melaka	1.4	1.6	1.9
Negeri Sembilan	2.0	2.2	2.5
Johor	1.7	2.0	2.4
Pahang	2.1	2.5	2.8
Kelantan	0.2	0.7	0.8
Terengganu	1.6	1.7	1.9
Sabah	1.8	2.1	2.1
Sarawak	0.9	1.2	0.4

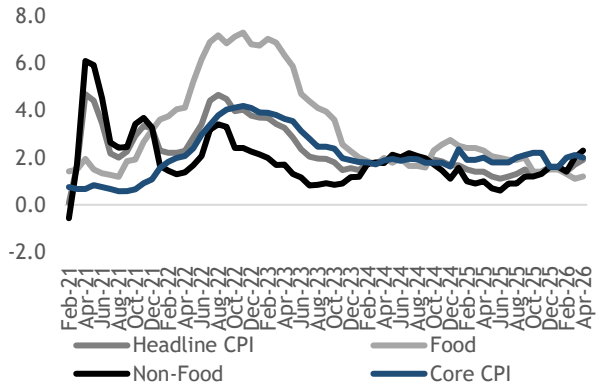
Source: Macrobond, MBSBR

Table 3: Global Headline CPI Inflation (YoY%)

	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26
Malaysia	1.3	1.4	1.6	1.6	1.4	1.7	1.9
Indonesia	2.9	2.7	2.9	3.5	4.8	3.5	2.4
Singapore	1.2	1.2	1.2	1.4	1.2	1.8	n.a
Thailand	(0.8)	(0.5)	(0.3)	(0.7)	-0.9	-0.1	2.9
Philippines	1.7	1.5	1.8	2.0	2.4	4.1	7.2
Taiwan	1.6	1.6	1.6	1.4	1.5	1.5	1.9
South Korea	2.4	2.4	2.3	2.0	2.0	2.1	2.8
China	(0.1)	0.5	0.7	0.2	1.4	1.1	1.3
Japan	3.0	2.9	2.1	1.5	1.3	1.0	1.2
Euro Area	2.1	2.1	2.0	1.7	1.9	2.6	3.0
UK	3.6	3.3	3.3	3.0	3.0	3.3	n.a
USA	n/a	2.7	2.7	2.4	2.4	3.3	3.8
PCE Prices	2.7	2.8	2.9	2.8	2.8	3.5	n.a

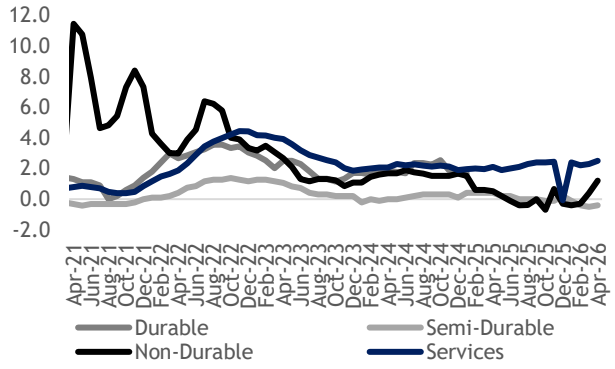
Source: Macrobond, National Authorities, MBSBR

Chart 1: Key CPI Data (YoY%)



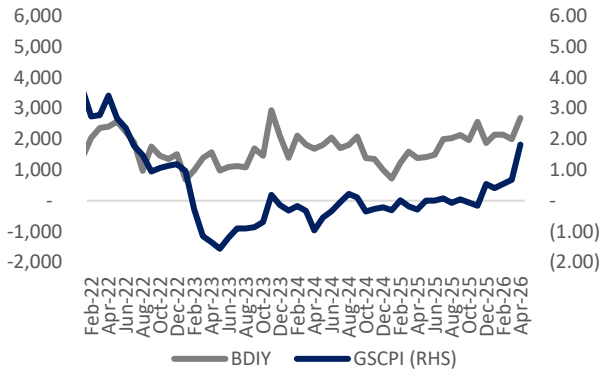
Source: Macrobond, MBSBR

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



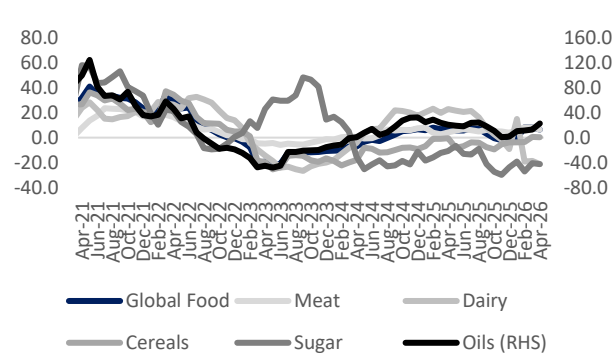
Source: Macrobond, MBSBR

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



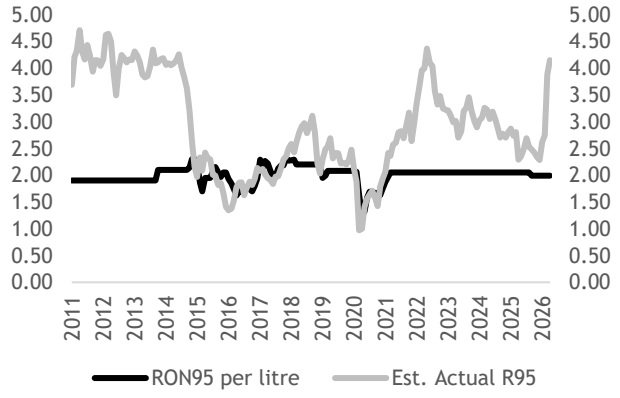
Source: Macrobond, MBSBR

Chart 4: Global Food Inflation (YoY%)



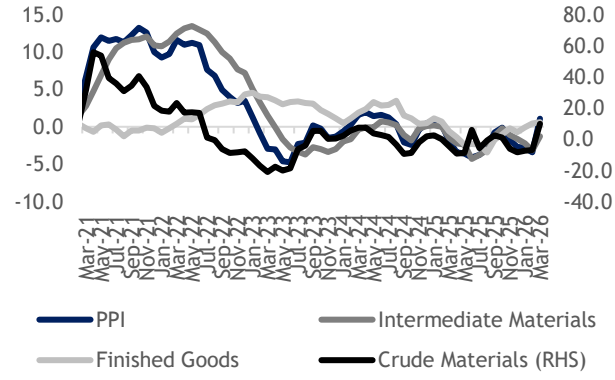
Source: Macrobond, MBSBR

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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