INFLATION CONTINUES ITS UPTREND, RISING 1.9% IN APRIL

19 MAY 2026

ECONOMIC RESEARCH

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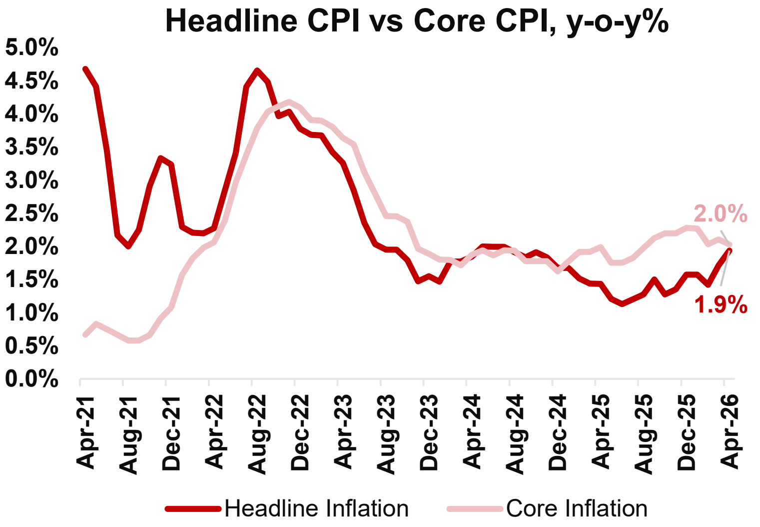
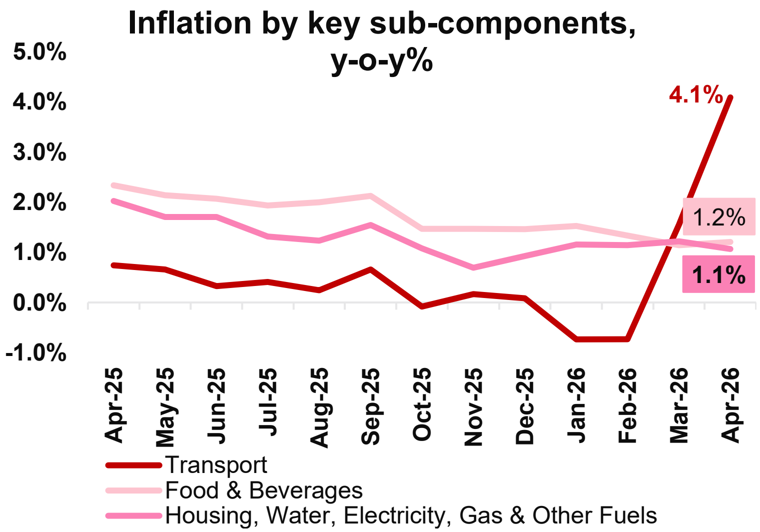
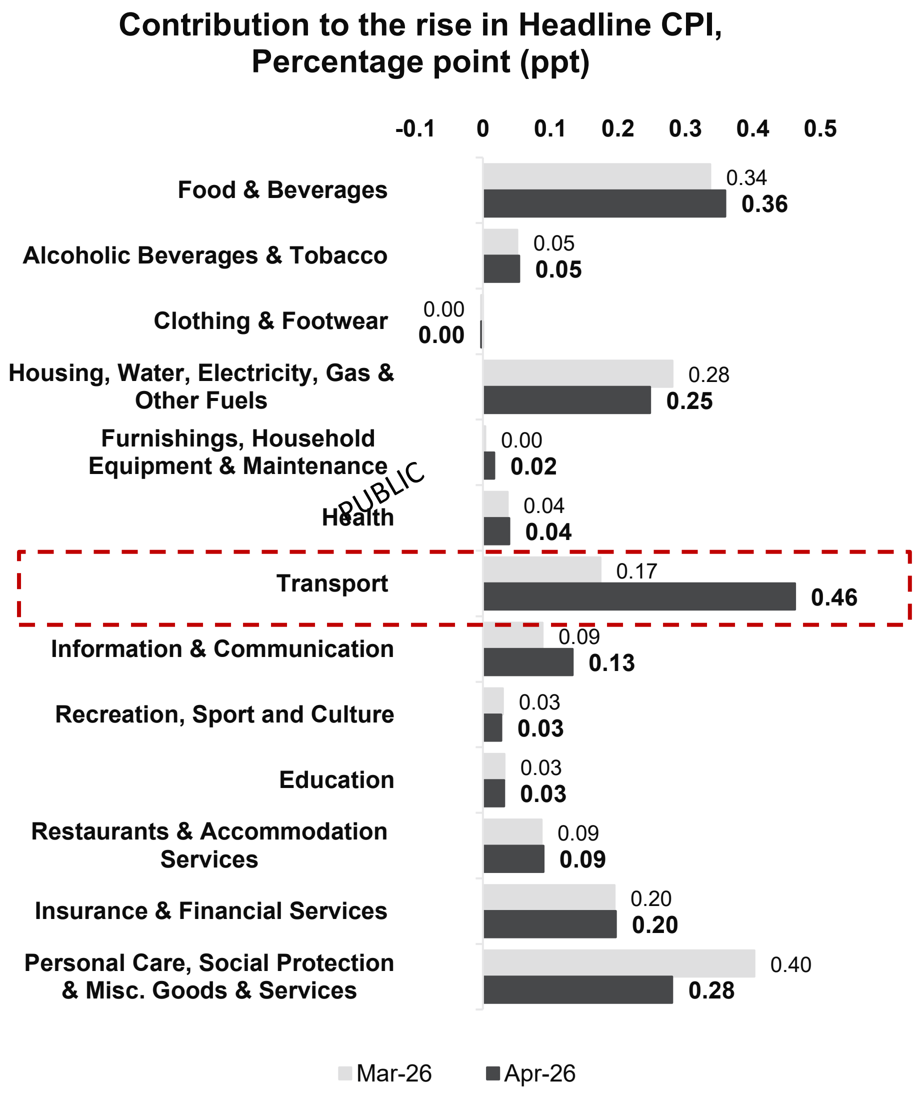
HEADLINE INFLATION ACCELERATES TO 1.9% IN APRIL, LED BY TRANSPORT COSTS







- **Headline CPI** accelerated further, rising from **1.7% in March to 1.9% in April 2026**, bringing the YTD increase to 1.7%. This marked the highest level since July 2024.
- Meanwhile, **core inflation**, which measures price changes excluding volatile items grew by **2.0%**, slightly lower than March's 2.1%.
- The **main driver of headline inflation in April was transport**, which surged to 4.1% y-o-y from 1.6% in the prior month. **Transport's contribution to overall inflation growth reached 0.46 ppt, surpassing that of food & beverages**, which contributed 0.36 ppt.
- **Food and beverages rose 1.2% y-o-y** in April 2026, compared with 1.1% in March. Within this category, **food away from home**, which accounting for about **46% of total food weightage** increased by **2.6% y-o-y**, while food at home recorded no change (refer to slide 5 for sub-component details).

Sources: DOSM, CEIC Data, BNM, Bank Islam

FUEL PRICE SPIKE DRIVES TRANSPORT COSTS HIGHER

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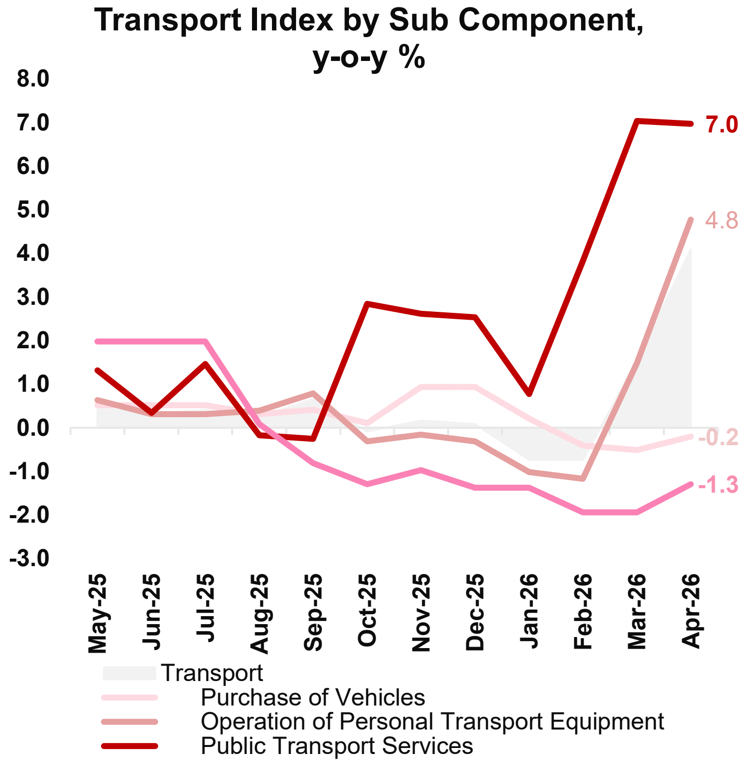

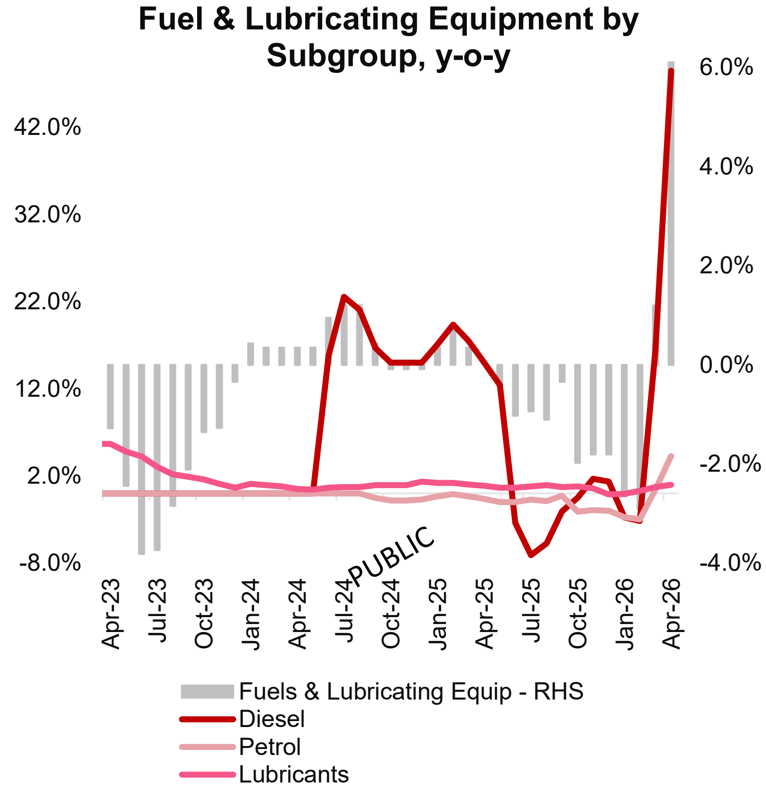

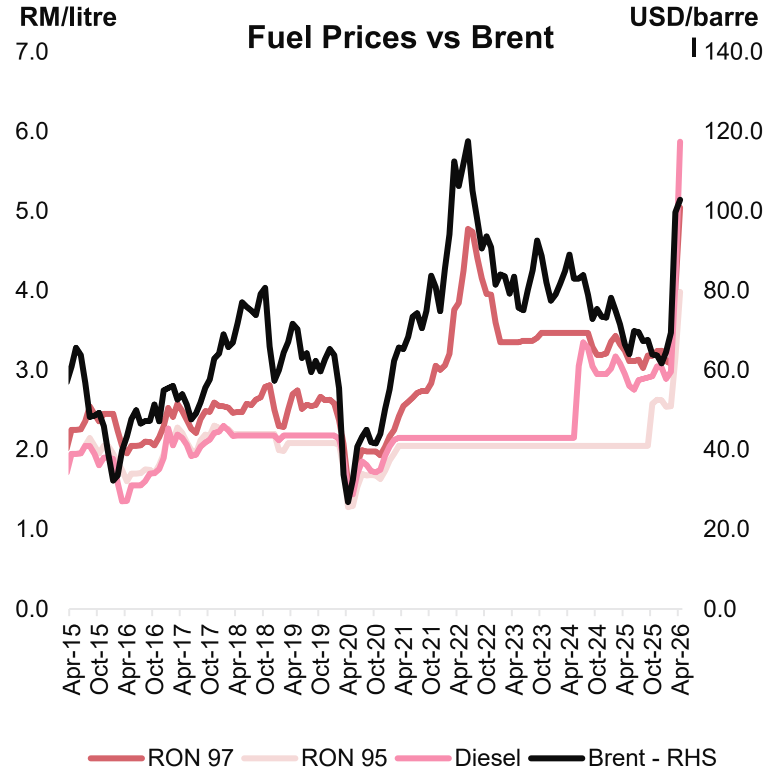

Sources: DOSM, CEIC Data, BNM, Bank Islam

- The sharp increase in transportation costs was primarily driven by the **personal transport equipment segment**, **which surged to 4.8% y-o-y in April** (Mar 2026: 1.5%), more than triple the previous month's pace. This segment accounts for nearly **80% of the total transport index**.
- Within this segment, the main contributor was **fuels and lubricants**, which rose by **6.1% y-o-y** (Mar 2026: 1.2%). **Diesel prices spiked by 48.5% y-o-y** (Mar 2026: 16.6%), while petrol climbed 4.3% y-o-y (Mar 2026: 0.5%). Lubricants recorded a modest increase of 1.0% y-o-y (Mar 2026: 0.7%).
- The surge was largely underpinned by **higher Brent oil prices**, averaging **USD102.8/barrel in April 2026**, amid the ongoing U.S.–Iran war. Year-to-date, **diesel prices have soared 75.9%, while RON95 and RON97 rose 57.0% y-o-y and 55.1% y-o-y**, respectively.
- Assuming Brent oil continues to hover above USD100/barrel for an extended period due to the prolonged U.S.–Iran conflict, transport prices are likely to remain elevated and exert further upward pressure on overall headline inflation.
- The retail cap price of RON95 at RM1.99/litre for the first 200 litres may provide only partial relief. **Beyond this quota, unleaded RON95, diesel, and RON97 will continue to track market prices, limiting the offset to headline CPI**.

COMPONENT BREAKDOWN: INFLATION HEATMAP

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Component	Weight	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26
Headline CPI	100.0	1.2	1.1	1.2	1.3	1.5	1.3	1.4	1.6	1.6	1.4	1.7	1.9
Food & Beverages	29.8	2.1	2.1	1.9	2.0	2.1	1.5	1.5	1.5	1.5	1.3	1.1	1.2
Alcoholic Beverages & Tobacco	1.9	0.6	0.6	0.6	0.4	0.3	0.3	2.4	2.5	2.5	2.6	2.7	2.8
Clothing & Footwear	2.7	-0.2	-0.3	-0.2	-0.1	-0.2	-0.3	-0.1	0.1	0.0	0.0	-0.1	-0.1
Housing, Water, Electricity, Gas & Other Fuels	23.2	1.7	1.7	1.3	1.2	1.5	1.1	0.7	0.9	1.2	1.1	1.2	1.1
Furnishings, Household Equipment & Maintenance	4.3	0.2	0.1	0.1	0.2	0.2	0.3	0.2	0.3	0.2	0.2	0.1	0.4
Health	2.7	1.1	1.2	1.2	1.1	1.3	1.5	1.5	1.5	1.4	1.2	1.4	1.4
Transport	11.3	0.7	0.3	0.4	0.2	0.7	-0.1	0.2	0.1	-0.7	-0.7	1.6	4.1
Information & Communication	6.6	-5.2	-5.4	-6.4	-5.6	-4.5	-2.4	-1.3	0.9	0.7	0.5	1.4	2.0
Recreation, Sport and Culture	3.0	0.9	0.8	0.8	0.9	0.9	1.2	1.2	0.8	0.9	0.8	1.0	0.9
Education	1.3	2.2	2.2	2.2	2.4	2.4	2.4	2.6	2.8	3.2	2.8	2.5	2.4
Restaurants & Accommodation Services	3.4	3.0	2.8	3.1	3.5	3.3	3.4	3.4	3.1	3.0	2.5	2.6	2.6
Insurance & Financial Services	4.0	1.5	1.5	5.5	5.6	5.6	5.6	5.6	5.6	5.5	4.7	4.9	4.9
Personal Care, Social Protection & Misc. Goods & Services	5.8	3.7	4.2	3.9	4.0	4.8	6.0	5.6	5.7	6.6	6.9	7.0	4.8
Non-Food	70.2	0.7	0.6	0.8	0.9	1.1	1.1	1.2	1.6	1.6	1.5	2.1	2.3

Sources: DOSM, CEIC Data, BNM, Bank Islam

KEY SUB-COMPONENT BREAKDOWN: INFLATION HEATMAP

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Sub-component		May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26
Food and Beverages (FB)	**29.8**	2.1	2.1	1.9	2.0	2.1	1.5	1.5	1.5	1.5	1.3	1.1	1.2
Food	**29.0**	2.1	2.0	1.9	1.9	2.0	1.4	1.4	1.5	1.5	1.3	1.1	1.2
Food Away From Home	13.4	4.4	4.7	4.3	4.3	4.4	2.9	2.8	2.7	2.5	2.4	2.3	2.6
Food at Home	15.6	0.0	-0.4	-0.3	-0.1	0.0	0.0	0.1	0.3	0.6	0.3	0.1	0.0
Cereals & Cereal Products (CC)	*2.3*	-0.3	-0.3	-0.6	-0.6	-0.6	-0.5	-0.5	-0.5	-0.3	-0.5	-0.1	0.2
Meat	*2.3*	-0.3	-1.1	-0.9	-0.5	-0.1	-0.7	0.7	0.7	1.3	1.7	0.9	0.6
Fish & Seafood	*3.9*	1.9	1.6	1.8	2.3	1.5	1.7	2.1	2.2	2.2	2.5	1.5	1.2
Milk, Cheese and Eggs (MC)	*1.3*	-1.9	-1.8	-1.1	-1.4	0.0	0.6	-1.0	-0.1	0.3	0.1	0.0	-0.9
Oils & Fats (OF)	*0.7*	1.7	1.7	1.5	1.4	1.3	1.5	1.3	0.9	0.3	-0.2	-0.2	0.1
Fruits & nuts	*1.1*	-0.4	0.1	-0.3	-0.7	-0.1	1.0	0.9	0.9	0.5	0.0	0.5	1.8
Vegetables	*1.8*	-5.5	-7.2	-6.6	-6.5	-5.5	-6.0	-6.1	-4.2	-3.0	-6.0	-4.9	-4.7
Sugar, Jam, Honey, Choc & Confect (SJ)	*0.5*	1.1	1.0	0.8	0.6	0.7	0.9	0.8	0.7	0.7	0.5	0.5	0.4
Foods Product N.E.C	*1.7*	3.1	2.8	2.9	2.8	2.8	2.5	2.2	1.7	1.4	1.0	1.0	0.9
Non-alcoholic beverages	**0.8**	5.5	5.4	5.2	4.0	4.0	3.8	3.7	3.1	2.6	2.3	0.2	0.4
Housing, Water, Electricity, Gas & Other Fuels	**23.2**	1.7	1.7	1.3	1.2	1.5	1.1	0.7	0.9	1.2	1.1	1.2	1.1
Actual Rental For Housing	*17.7*	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.5	1.5	1.5
Maintenance & Repair of Dwelling	*1.2*	4.9	4.7	4.7	4.9	4.3	5.1	5.0	5.2	2.6	3.2	3.3	2.3
Water Supply & Miscellaneous Services	*1.2*	0.5	0.5	0.5	2.6	6.5	6.5	6.1	6.1	7.1	6.8	6.8	6.8
Electricity, Gas & Other Fuels	*3.1*	0.0	0.0	-3.4	-4.5	-4.2	-8.4	-10.3	-8.3	-7.2	-4.5	-4.0	-4.5
Transport	**11.3**	0.7	0.3	0.4	0.2	0.7	-0.1	0.2	0.1	-0.7	-0.7	1.6	4.1
Purchase of Vehicles	*1.6*	0.5	0.5	0.5	0.3	0.4	0.1	0.9	0.9	0.2	-0.4	-0.5	-0.2
Operation of Personal Transport Equipment	*8.9*	0.6	0.3	0.3	0.4	0.8	-0.3	-0.2	-0.3	-1.0	-1.2	1.5	4.8
Public Transport Services	*0.7*	1.3	0.3	1.5	-0.2	-0.3	2.8	2.6	2.5	0.8	3.8	7.0	7.0
Transport Services of Goods	*0.1*	2.0	2.0	2.0	0.1	-0.8	-1.3	-1.0	-1.4	-1.4	-1.9	-1.9	-1.3

Sources: DOSM, CEIC Data, BNM, Bank Islam

OUTLOOK

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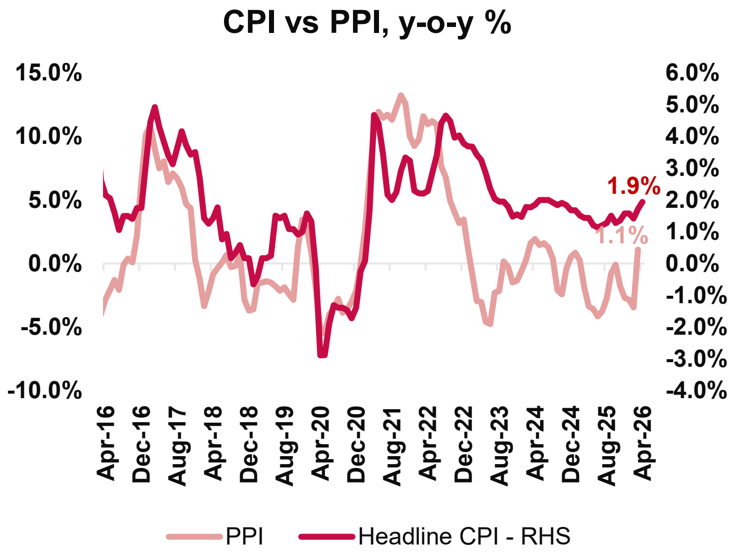

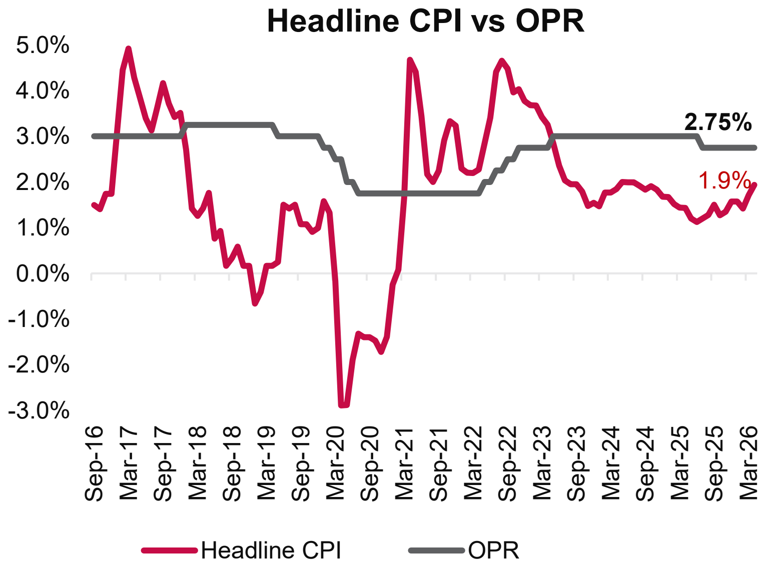

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- Moving forward, **we expect headline inflation to rise further as higher energy prices and emerging pressures in global food markets become more evident, which could translate into higher prices for imported food items**. FAO's Food Price Index rose 2.0% y-o-y, up from 1.1% y-o-y in March, driven primarily by the oils price index, which surged 22.7% y-o-y (Mar 26: 13.2%). In line with this outlook, we have revised our **CPI forecast upward to 2.5%, compared with 2.0% previously**.
- The upward pressure will continue to transmit into domestic production and transportation costs, potentially leading to broader price adjustments across consumer goods and services.
- We have also observed a rise in production costs at the factory level, as reflected in March's **Producer Price Index** (PPI). The index **returned to positive territory, increasing by 1.1% after twelve consecutive months of contraction**. This suggests that **producers are beginning to face higher input costs, which may gradually be passed on to consumers in order to preserve profit margins**.
- If tensions between the U.S. and Iran persist, coupled with ongoing disruptions in the Strait of Hormuz, global oil prices could remain elevated above USD100 per barrel. This upward pressure is further intensified by declining output from U.S. shale oil producers, tightening global supply conditions and heightening inflationary risks.
- The **effects of higher oil prices on food inflation typically emerge with a lag of three to five months**. Historically, the surge in global oil prices following the Russia–Ukraine war led to an increase in Malaysia's headline CPI, which rose from 2.2% year-on-year in February to 3.4% in June, and further to 4.4% in July. The reopening of the economy after lockdowns also contributed to stronger demand, amplifying demand-driven inflationary pressures.
- In the current environment, however, disruptions in the Strait of Hormuz present a more significant concern due to the strait's critical role in global oil transportation and the heightened risk of prolonged supply interruptions. **Beyond inflation, economic growth prospects are also at risk**. The IMF has highlighted substantial downside risks arising from sustained geopolitical tensions, revising its global growth forecast downward from 3.3% to 3.1%.
- **Rising inflationary pressures have become a global concern, prompting major central banks to maintain a "higher-for-longer" interest rate environment**. Should geopolitical tensions continue to drive oil prices upward, the likelihood of further rate hikes could increase. For instance, the CME FedWatch Tool indicates that the probability of Fed rate hike has risen to around 40%.
- **In such a scenario, there is a possibility that Bank Negara Malaysia may eventually consider adjusting the Overnight Policy Rate (OPR) to prevent the interest rate differential between the OPR and the U.S. Federal Funds Rate (FFR) from widening**, which could otherwise reduce the attractiveness of Malaysia's financial assets and investment environment.
- **Banks would face increased costs of borrowing and refinancing, as interbank rates and deposit rates rise in line with the OPR. This could compress net interest margins (NIMs) unless banks pass the higher costs on to borrowers through more expensive loans.**

THANK YOU