



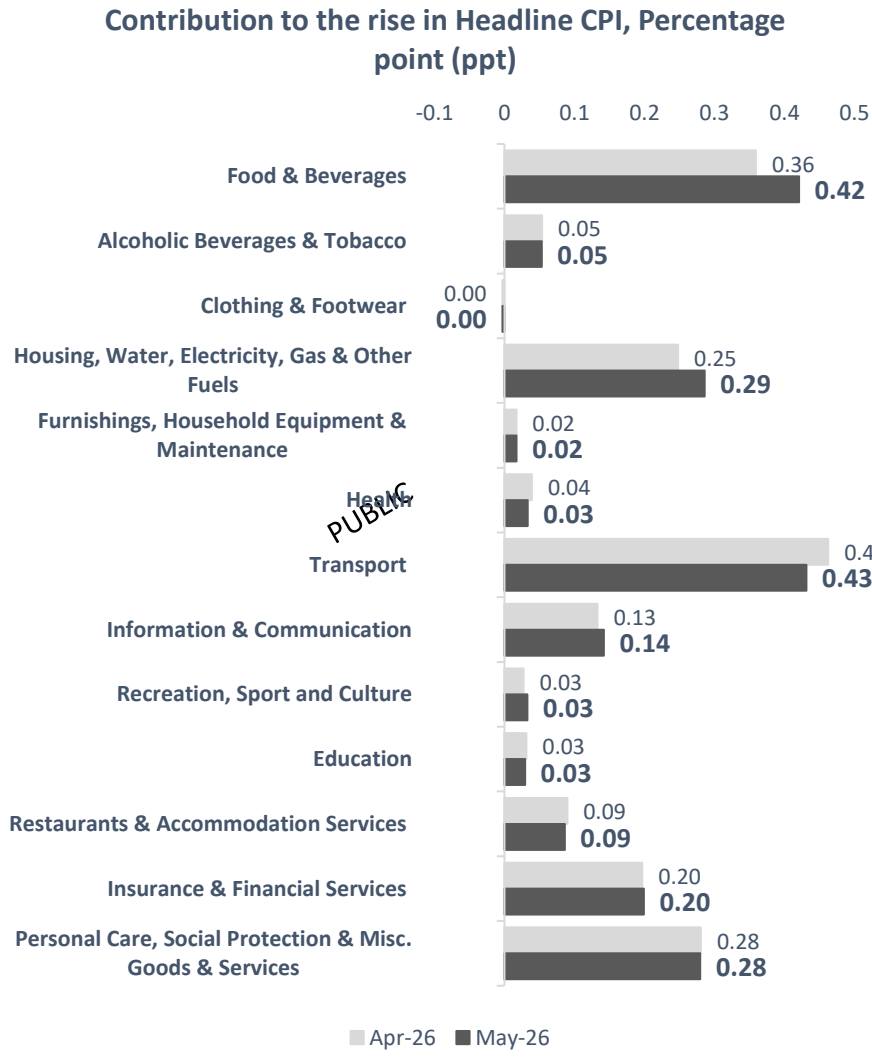
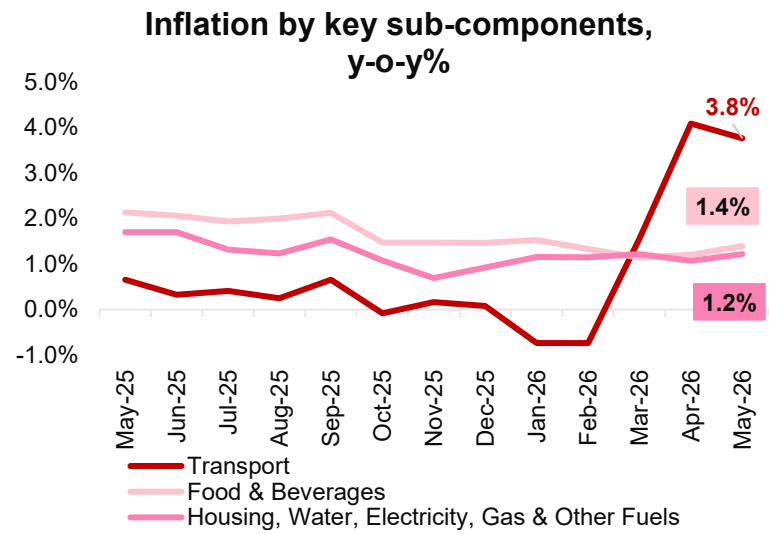
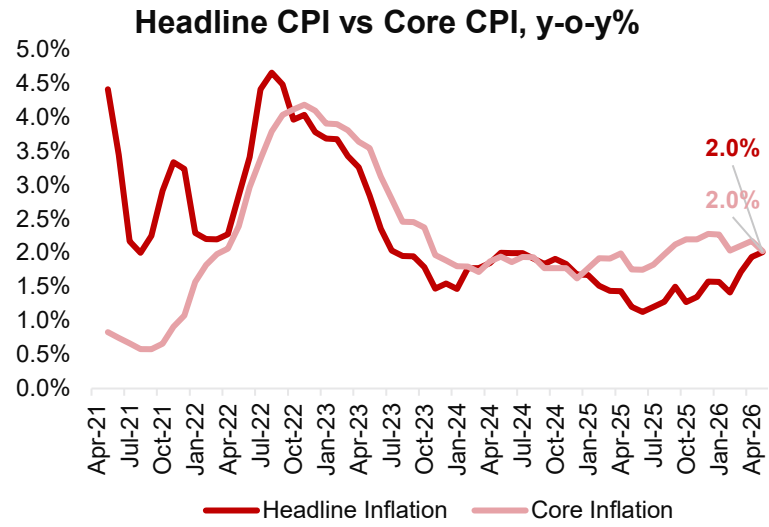
MALAYSIA INFLATION RISES TO NEAR 2-YEAR HIGH IN MAY

19 JUNE 2026

ECONOMIC RESEARCH

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FOOD AND TRANSPORT PUSH MAY CPI TO 22-MONTH HIGH



- Headline inflation extended its upward trend in May, reaching 2.0% y-o-y. It was the highest level in almost 2 years. Core inflation mirrored the headline pace, holding steady at 2.0% y-o-y for the second consecutive month.
- The food and beverages component, which carries a weight of 29.8% in the CPI basket, rose by 1.4% y-o-y in May (April: 1.2%), contributing 0.42 ppt to overall inflation, up from 0.36 ppt previously.
- Within this category, food at home (53.8% of food weightage) registered a modest 0.3% y-o-y increase after remaining unchanged in April, while food away from home stayed elevated at 2.5% y-o-y (see slide 4 for details).
- Transport remained the main contributor to headline inflation, adding 0.43 percentage points to overall CPI growth, despite easing to 3.8% y-o-y from 4.1% y-o-y. Its contribution to the CPI marginally exceeded that of food and beverages.
- Meanwhile, the housing, water, electricity, gas & fuels category (the second-largest CPI component) edged up to 1.2% y-o-y in May (April: 1.1%), adding further upward pressure on prices.

Sources: DOSM, CEIC Data, BNM, Bank Islam

COMPONENT BREAKDOWN: INFLATION HEATMAP

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	May-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	2.0
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	1.4
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	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	-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	1.2
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	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	1.2
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	3.8
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	2.1
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	1.1
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	2.2
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	2.5
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	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	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	2.3

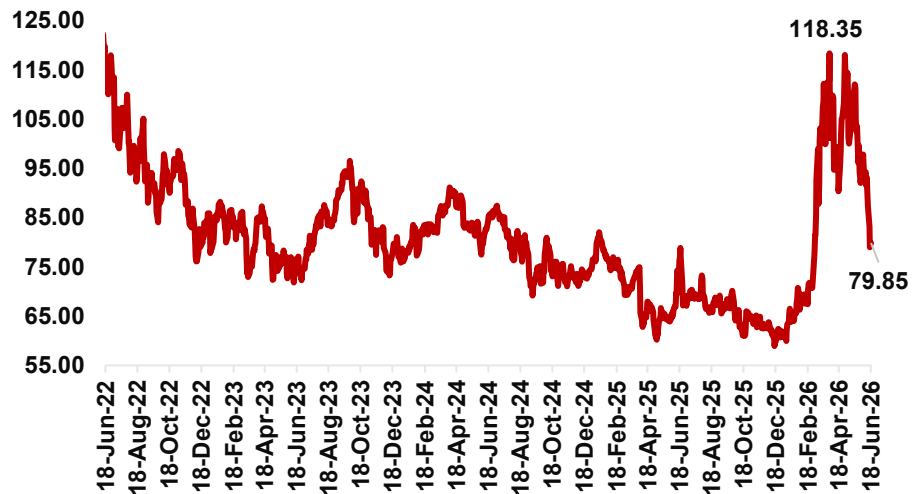
Sources: DOSM, CEIC Data, BNM, Bank Islam

KEY SUB-COMPONENT BREAKDOWN: INFLATION HEATMAP

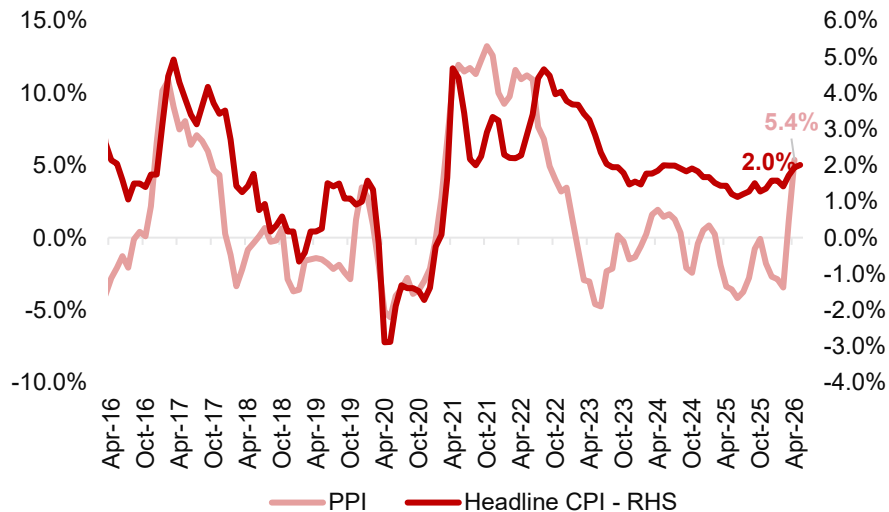
Sub-component	Weight	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26
Food and Beverages (FB)	29.8	2.1	1.9	2.0	2.1	1.5	1.5	1.5	1.5	1.3	1.1	1.2	1.4
Food	29.0	2.0	1.9	1.9	2.0	1.4	1.4	1.5	1.5	1.3	1.1	1.2	1.4
Food Away From Home	13.4	4.7	4.3	4.3	4.4	2.9	2.8	2.7	2.5	2.4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

Sources: DOSM, CEIC Data, BNM, Bank Islam

Brent Crude in USD per barrel



CPI vs PPI, y-o-y %



Sources: DOSM, CEIC Data, BNM, Bank Islam

- Brent crude prices have declined by nearly 50%, dropping from a March peak of USD118.4/barrel to below USD80/barrel this week, following the peace deal between the U.S. and Iran. This sharp correction reflects easing geopolitical risks and the reopening of key shipping routes through the Strait of Hormuz, offering immediate relief to global energy markets.
- However, the inflationary effects are expected to linger rather than dissipate quickly. Earlier disruptions caused by the strait's closure led to higher transport and input costs, which continue to pass through to production and consumption. In addition, shipping companies are likely to remain cautious, adopting a wait-and-see stance before fully resuming transit through the Strait of Hormuz, as confidence in the durability of the peace agreement remains tentative.
- Despite the pullback in oil prices, headline inflation is projected to ease only gradually, with core inflation remaining elevated. Uncertainty surrounding the longevity of the peace deal, alongside the risk of renewed conflict, continues to sustain a volatility premium in energy markets.
- For Malaysia, the pass-through is evident in food inflation, which rose to 1.4% in May, as higher transport costs during the conflict lifted logistics expenses that are still being absorbed by consumers.
- The Producer Price Index (PPI), after a period of deflation, is now trending upward as firms face rising input costs. If producers choose not to pass these costs on, margins will narrow and raise the risk of employment cuts as firms attempt to protect profitability. If costs are passed through, headline CPI could accelerate, particularly given the significant weight of food in Malaysia's CPI basket.
- Central banks in advanced economies such as the Federal Reserve and the Bank of England are expected to remain hawkish despite lower oil prices, signaling that inflation risks extend beyond energy.
- For Malaysia, Bank Negara faces a similar challenge, which balancing temporary relief from lower oil prices against persistent second-round effects from earlier disruptions and the risk of renewed volatility if peace proves short-lived.
- Although peace deal may offer temporary relief through lower oil prices, bank may still face lingering inflationary risks. Funding costs remain elevated, loan demand is fragile, and asset quality risks persist, where food inflation and rising PPI could squeeze both households and firms. The sector's resilience will depend on how well banks manage the trade-off between margin preservation and credit quality in an environment of uncertain geopolitical stability.

BANK ISLAM

THANK YOU