Malaysia Consumer Price Index (Oct-26)

Fuel nudges inflation to 1.9%, but 2027 is the real risk

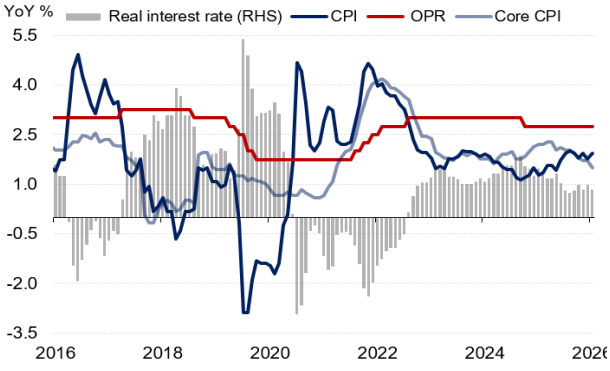
- **Headline inflation rose to 1.9% YoY in October (Sep: 1.8%), slightly below our forecast and consensus of 2.0%**
  - Prices rose 0.1% MoM (Sep: 0.1%), with 7 of 13 groups posting monthly gains. Transport (0.7% MoM) led, followed by furnishings, health and recreation (0.2% each). Inflation averaged 1.8% from January to October (full-year 2025: 1.4%).
  - Core inflation eased to 1.5% YoY (Sep: 1.7%), its lowest this year, and fell 0.1% MoM (Sep: +0.3%). Most of the slowdown came from a high base, after jewellery prices jumped last October. It does not yet signal weaker demand.
- **Transport and housing drive the uptick**
  - **Transport (4.2%; Sep: 2.5%):** the biggest upward driver. Operation of personal transport equipment rose 4.9% (Sep: 2.7%) as the average RON97 price climbed to RM5.00/litre (Sep: RM4.64).
  - **Housing, Water, Electricity, Gas & Other Fuels (1.9%; Sep: 1.4%):** the electricity, gas and fuel subgroup jumped to 4.7% (Sep: 0.1%), with electricity up 5.4%. This was purely a low base from October 2025. Prices were flat MoM, so tariffs played no part. Maintenance and repair eased to 2.3% (Sep: 2.9%).
  - **Food & Beverages (1.7%; Sep: 1.8%):** eased as food away from home slowed to 2.5% (Sep: 2.6%). Vegetables rose 2.9% (Sep: 0.9%), while chicken slowed to 5.3% (Sep: 6.3%).
- **Energy keeps pressure on global inflation, but relief is building**
  - **US** (N/A; Sep: 3.7%): in the September print, headline rose 0.4% MoM and core 0.3%, both 0.1ppt above consensus. Shelter (0.3%) and transportation services (0.8%) offset softer vehicle prices. Markets now fully price a 25 bps December hike, in line with our house view. Retail gasoline has fallen below USD4/gallon, which should weigh on the November print.
  - **UK** (3.6%; Sep: 3.5%): rose for a fourth straight month to a one-year high, in line with consensus. A 4.0% rise in the energy price cap and higher motor fuel costs drove the gain. Services held at 3.7% and core at 2.8%, so the shock has not yet spread. The BoE hiked earlier this month, but this print lowers the odds of a December follow-up.
  - **China** (0.7%; Sep: 0.9%): eased as food prices fell 2.9% on cheaper vegetables. Core dipped to a nine-month low of 0.8%. Firmer energy and technology prices have pulled China out of deflation this year, but household demand stays soft.
- **We trim our 2026 inflation forecast to 1.8% (from 1.9%) and retain 2027 at 2.0%, with risks to 2027 tilted to the upside**
  - **Energy risks:** Brent has fallen about 22% from its USD118.0/bbl peak on 30 October to around USD92.0/bbl. A Democratic sweep in the US midterms, as we expected, has reduced but not removed the risk of renewed escalation with Iran, and Gulf exports are recovering. With RON95 fixed at RM1.99 under BUDI95, crude moves the subsidy bill more than the CPI basket. Pass-through runs via RON97, market-priced diesel and airfares, and these should cool from November.
  - **Domestic impact:** Inflation is at 1.8% year-to-date. Reaching 1.9% would need prices to rise 0.2-0.3% MoM in November and December, two to three times the recent pace. Cheaper crude makes that unlikely. For 2027, we expect price pressures to build from mid-year. Budget 2027 lifts household income through larger STR-SARA payouts (RM16.0b), and the minimum wage rises to RM2,000 from June 2027. El Niño adds upside risk to food through 1Q27, and electricity bill protection lapses after December unless the government extends it.
  - **Policy outlook:** BNM held the OPR at 2.75% on 5 November, as we expected, and sees 2026 growth above 5.0%. We keep our call for one 25 bps hike to 3.00% in 1Q27. As we argued in "BNM: Taking Back the Insurance", this would normalise policy rather than start a tightening cycle. Softer core inflation at 1.5% does not change the case. Strong growth, a Fed we expect to hike to 4.00-4.25% in December, and building 2027 price pressures give BNM room to move.

Table 1: Global Inflation (% YoY)

	May-26	Jun-26	Jul-26	Aug-26	Sep-26	Oct-26
US	4.2	3.5	3.4	3.4	3.7	N/A
EA	3.2	2.8	2.9	3.2	3.8	4.0
UK	2.8	2.6	2.9	3.1	3.5	3.6
Japan	1.5	1.6	1.9	1.9	2.1	N/A
S. Korea	3.1	3.2	2.8	3.1	2.9	2.8
Singapore	1.8	1.9	2.2	2.3	2.2	N/A
China	1.2	1.0	0.5	0.8	0.9	0.7
Indonesia	3.1	3.3	2.9	3.2	3.3	3.2
Thailand	2.8	2.4	1.9	2.5	2.8	3.9

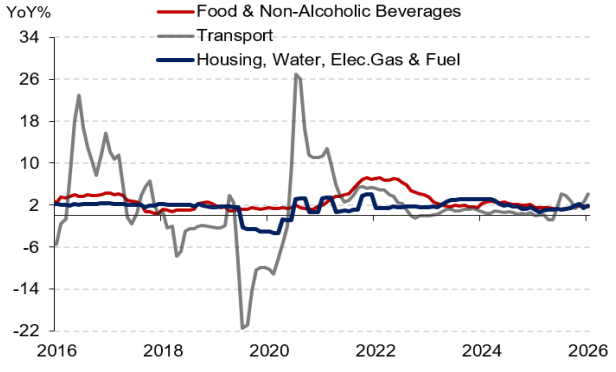
Source: Bloomberg, Kenanga Research

Graph 1: Real Interest Rate, Inflation Rates and OPR



Source: Macrobond, Kenanga Research

Graph 2: CPI Growth by Main Categories



Source: Macrobond, Kenanga Research

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

Base 2010=100	*weight*	2023	2024	2025	Oct -25	May -26	Jun -26	Jul -26	Aug -26	Sep -26	Oct -26
CPI	***100.0***	**2.5**	**1.8**	**1.4**	**1.3**	**2.0**	**1.9**	**1.8**	**1.9**	**1.8**	**1.9**
Core Inflation		3.0	1.8	2.0	2.2	2.0	1.9	1.8	1.7	1.7	1.5
Food & Beverages	29.8	4.8	2.0	2.0	1.5	1.4	1.4	1.8	1.9	1.8	1.7
Alcoholic Beverages & Tobacco	1.9	0.7	0.7	0.9	0.3	2.8	2.8	2.7	2.8	2.8	2.9
Clothing & Footwear	2.7	0.2	-0.3	-0.2	-0.3	-0.1	0.0	0.1	0.1	0.2	0.3
Housing, Water, Electricity, Gas & Other Fuels	23.2	1.7	3.0	1.6	1.1	1.2	1.4	1.8	2.1	1.4	1.9
Furnishing, Household Equipment & Routine Household Maintenance	4.3	2.3	0.7	0.2	0.3	0.4	0.4	0.3	0.4	0.3	0.5
Health	2.7	2.1	1.8	1.2	1.5	1.2	1.2	1.1	1.3	1.4	1.4
Transport	11.3	1.1	0.9	0.5	-0.1	3.8	2.8	1.4	2.0	2.5	4.2
Information & Communication	6.6	-2.9	-1.5	-4.2	-2.4	2.1	2.4	3.4	2.6	1.8	1.8
Recreation, Sport & Culture	3.0	1.5	1.8	1.1	1.2	1.1	1.1	1.2	1.1	1.2	1.2
Education	1.3	1.9	1.5	2.3	2.4	2.2	2.1	2.0	1.9	2.1	1.8
Restaurants & Accommodation Services	3.4	5.5	3.1	3.2	3.4	2.5	2.6	2.0	2.1	2.2	2.1
Personal Care, Social Protection & Miscellaneous Goods & Services	9.8	2.5	3.0	4.4	6.0	4.8	3.4	2.9	3.2	2.8	1.2

Source: Macrobond, Kenanga Research

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