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## Inflation to rise over next two years, says Maybank IB

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**KUALA LUMPUR:** Malaysia's inflation is expected to trend higher over the next two years, even though price pressures eased in February, as rising geopolitical tensions in the Middle East threaten to push up global energy, commodity and transport costs.

Maybank Investment Bank Bhd (Maybank IB) said it expects inflation to average 1.8% in 2026 and 2.1% in 2027, up from 1.4% in 2025.

The research house said the outlook is being shaped largely by external risks, especially the fallout from conflict in the Middle East, which has started to affect crude oil prices as well as aviation and freight costs.

Those pressures, it said, could feed into Malaysia's broader inflation trend in the months ahead.

Still, it said there are some buffers in place. A firmer ringgit is helping to soften imported cost pressures, while the continuation of fuel subsidies is expected to cushion

➤ Outlook shaped largely by external risks, especially fallout from Middle East conflict: Investment bank

part of the impact on consumers.

Maybank IB estimated that if global crude oil prices were to stay 10% higher for a sustained period, Malaysia's inflation rate could rise by about 0.2 percentage points.

In February, Maybank IB noted that both headline and core inflation came in lower compared with January. Headline inflation eased to 1.4% year-on-year from 1.6% in January, while core inflation slowed to 2% from 2.3%.

On a month-on-month basis, however, headline inflation edged up 0.2% in February from 0.1% in January, while core inflation rose 0.1% against 0.4% previously.

"The slower annual inflation reading in February was mainly due

to more moderate increases in several key categories, including food and beverages, housing and utilities, information and communication, healthcare, and education," Maybank IB noted.

Food and beverage inflation slowed to 1.3% in February from 1.5% in January. Housing, water, electricity, gas and other fuels rose 1.1%, slightly lower than 1.2% previously.

Inflation in information and communication eased to 0.5%, healthcare slowed to 1.2%, while education moderated to 2.8% from 3.2%.

Maybank IB also noted continued declines in electricity, gas and other fuel costs, which fell

4.5% year-on-year in February, although this was less steep than the 7.2% decline recorded in January.

Maybank IB said this reflected the monthly Automatic Fuel Adjustment mechanism, the revised Tenaga Nasional Bhd tariff structure and lower fuel costs.

Transport prices also remained in negative territory, declining 0.7% year-on-year, unchanged from January, largely due to lower unsubsidised petrol and diesel prices amid more moderate global crude oil prices.

The investment bank said the recent jump in global crude oil prices following the escalation of tensions in the Middle East could reverse some of the easing seen in transport and utility costs.

It pointed to weekly fuel price settings in March compared with end-February, which showed sharp increases in unsubsidised fuel prices.

RON95 rose by 68 sen a litre, or 23.3%, to RM3.27. RON97 climbed RM1.40 a litre, or 44.4%, to RM4.55, while diesel jumped RM1.68 a litre, or 55.3%, to RM4.72.

Some price categories were unchanged. Inflation for furnishings, household equipment and routine household maintenance held steady at 0.2%, while clothing and footwear were flat at zero.

At the same time, other categories continued to record stronger increases.

Personal care, social protection and miscellaneous goods and services rose 6.9% in February, up from 6.6% in January.

Alcoholic beverages and tobacco also edged up to 2.6% from 2.5%.

Maybank IB said the increase in alcohol and tobacco prices reflects the pass-through from excise duty hikes announced in Budget 2026 and implemented from Nov 1, 2025.

"Overall, the February numbers suggest inflation in Malaysia is still relatively contained for now.

"But the latest external shocks, especially oil-related ones, are beginning to cast a longer shadow over the outlook," Maybank IB said.



A firmer ringgit and fuel subsidies are helping to cushion costs, but global shocks may still lift inflation ahead. – PEXELS PIX