

Research Team

(603) 7890 8888

research.dept@apexsecurities.com.my

3Q25 advance GDP Growth:	+5.2%
2025 GDP Growth Forecast:	+4.5%
2026 GDP Growth Forecast:	+4.1%
9M25 Headline Inflation:	+1.4%
2025 Headline Inflation Forecast:	+1.4%
2026 Headline Inflation Forecast:	+2.0%
BNM OPR:	2.75%
End-2025 OPR Forecast:	2.75%
End-2026 OPR Forecast:	2.75%

Malaysia Inflation Rate

Modest inflation supports key reforms

- **Headline inflation edged up to +1.5% YoY in September (Aug: +1.3%), slightly above consensus, partly driven by water tariff adjustments.**
- **Core inflation rose to +2.1% YoY (Aug: +2.0%), signalling resilient domestic demand. Government's cash aid has helped support household consumption momentum.**
- **Implementation of reform measures such as water tariff adjustments in a low-inflation environment is timely, helping to contain near-term price risks.**
- **We expect headline inflation to stay steady in the remaining months, as lower fuel prices under the Budi95 scheme offset modest cost pass-through from other measures.**
- **We maintain our 2025 and 2026 inflation forecasts at +1.4% YoY and +2.0% YoY, respectively. The projected uptick in 2026 reflects continued passthrough from fiscal and cost-reform measures, including SST expansion, minimum wage adjustments, insurance premium hikes, and utilities tariff rationalisation, alongside firm domestic demand.**

Inflation edged up partly on water tariff hikes

Malaysia's headline inflation inched up to +1.5% YoY in September (Aug: +1.3%), slightly above Bloomberg consensus of +1.4%. Price gains were led by food (+2.1%; Aug: +2.0%), transport (+0.7%; Aug: +0.2%), health (+1.3%; Aug: +1.1%), and housing, water, electricity, gas & other fuels (+1.5%; Aug: +1.2%). Notably, water supply costs surged to +7.8% (Aug: +2.7%) following water tariff adjustments effective 1 September in Selangor, KL and Putrajaya, while other states will implement the new rates at different dates.

Core inflation rose further

Core inflation rose to +2.1% YoY (Aug: +2.0%), the highest since October 2023, signalling resilient domestic demand despite soft global trade conditions. That said, the uptick remains contained and at a measured pace. Government cash aid, including the one-off RM100 SARA payout, has helped lift disposable income for lower-income households, supporting consumption momentum and domestic demand.

Timely reforms amid subdued inflation

The steady inflation trend underscores Malaysia's success in manoeuvring key reform measures, including the expanded SST as well as electricity and water tariff adjustments, without causing extensive price volatility. Implementing these initiatives in a low-inflation environment is timely, supporting structural reforms while containing near-term inflation risks. In particular, water tariff adjustment will spur much-needed capex in the under-invested water sector and help address long-standing inefficiencies.

Steady inflation outlook into 2026

We expect headline inflation to hover around +1.5% YoY over the remaining months of 2025, as the lower RON95 pump price for eligible Malaysians under the Budi95 scheme offsets the modest passthrough from other cost adjustments. With 9M25 inflation averaging +1.4%, we **maintain our full-year 2025 forecast at +1.4%.**

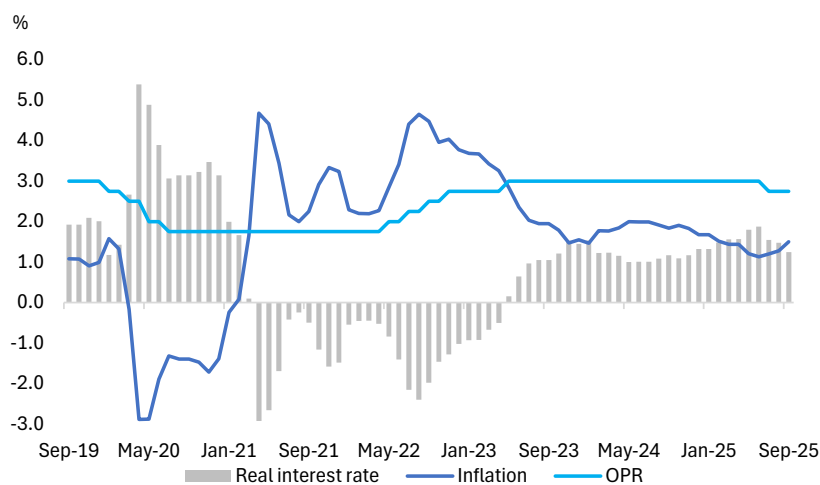
Looking ahead, we **reaffirm our 2026 inflation forecast at +2.0% YoY**, the upper end of the official projection range of 1.3–2.0%, reflecting extended passthrough effects from the SST expansion, minimum wage adjustments, insurance premium hikes, and utilities tariff reforms, alongside resilient domestic demand.

Figure 1: Inflation Breakdown by Segment

	% Weight	% YoY			
		9M25	Jul-25	Aug-25	Sep-25
Headline Inflation	100	1.4	1.2	1.3	1.5
Food & Beverages	29.8	2.2	1.9	2.0	2.1
Alcoholic Beverages & Tobacco	1.9	0.6	0.6	0.4	0.3
Clothing & Footwear	2.7	-0.2	-0.2	-0.1	-0.2
Housing, Water, Electricity, Gas & Other Fuels	23.2	1.9	1.3	1.2	1.5
Furnishings, Household Equipment & Maintenance	4.3	0.2	0.1	0.2	0.2
Health	2.7	1.1	1.2	1.1	1.3
Transport	11.3	0.6	0.4	0.2	0.7
Information & Communication	6.6	-5.3	-6.4	-5.6	-4.5
Recreation, Sports & Culture	3.0	1.2	0.8	0.9	0.9
Education	1.3	2.1	2.2	2.4	2.4
Restaurants & Accommodation Services	3.4	3.2	3.1	3.5	3.3
Insurance & Financial Services	4.0	2.7	5.5	5.6	5.6
Personal Care, Social Protect, Miscellaneous	5.8	3.9	3.9	4.0	4.8
Core Inflation			1.8	2.0	2.1

Source: Department of Statistics, Apex Securities

Figure 2: Inflation remains steady within the 1.1-1.7% range in 2025



Source: Department of Statistics, Apex Securities

Recommendation Framework:

BUY: Total returns* are expected to exceed 10% within the next 12 months.

HOLD: Total returns* are expected to be within +10% to – 10% within the next 12 months.

SELL: Total returns* are expected to be below -10% within the next 12 months.

TRADING BUY: Total returns* are expected to exceed 10% within the next 3 months.

TRADING SELL: Total returns* are expected to be below -10% within the next 3 months.

*Capital gain + dividend yield

Sector Recommendations:

OVERWEIGHT: The industry defined by the analyst is expected to exceed 10% within the next 12 months.

NEUTRAL: The industry defined by the analyst is expected to be within +10% to – 10% within the next 12 months.

UNDERWEIGHT: The industry defined by the analyst, is expected to be below -10% within the next 12 months.

ESG Rating Framework:

★★★★★ : Appraised with 3% premium to fundamental fair value

★★★★ : Appraised with 1% premium to fundamental fair value

★★★ : Appraised with 0% premium/discount to fundamental fair value

★★ : Appraised with -1% discount to fundamental fair value

★ : Appraised with -5% discount to fundamental fair value

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(a) nil.
