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3Q25 GDP Growth:	+5.2%
2025 GDP Growth Forecast:	+4.5%
2026 GDP Growth Forecast:	+4.1%
9M25 Unemployment Rate:	3.0%
2025 Unemployment Rate Forecast:	3.0%
2026 Unemployment Rate Forecast:	3.1%
10M25 Headline Inflation:	+1.4%
2025 Headline Inflation Forecast:	+1.4%
2026 Headline Inflation Forecast:	+2.0%
End-2025 OPR	2.75%
End-2026 OPR Forecast:	2.75%

Malaysia Inflation Rate

Benign inflation supports a stable OPR outlook

- Headline inflation eased to +1.3% YoY in October (Sep: +1.5%), slightly below consensus, led by lower food, electricity and petrol prices.
- Core inflation edged up to +2.2% YoY (Sep: +2.1%), reinforcing our view that domestic demand remains the key growth anchor.
- Muted SST passthrough, a lower RON95 price for eligible Malaysians and a firmer ringgit point to slight downside risks to our 2026 inflation forecast of +2.0% YoY.
- Given the steady growth and inflation outlook, we expect BNM to keep the OPR at 2.75% through 2026.

Food prices dragged inflation lower

Headline inflation eased to +1.3% YoY in October (Sep: +1.5%), undershooting Bloomberg consensus of +1.5%. The moderation was driven mainly by food (+1.5%; Sep: +2.1%), as food away from home slowed sharply (+2.9%; Sep: +4.4%) while food at home was flat. Housing, water, electricity, gas & other fuels also softened (+1.1%; Sep: +1.5%), as electricity prices fell on a higher rebate under the monthly Automatic Fuel Adjustment (AFA) mechanism, which adjusts tariffs based largely on coal and natural gas costs.

Meanwhile, transport declined (-0.1% YoY; Sep: +0.7%), reflecting the reduction in the subsidised RON95 pump price to RM1.99/litre from RM2.05/litre at end-September for eligible Malaysians. The government estimated that household consumption accounts for about 78% of RON95 usage, with the remaining balance attributed to corporate use and leakages.

Domestic demand remains firm

Core inflation edged up to +2.2% YoY (Sep: +2.1%), the highest since October 2023, reinforcing our view that domestic demand remains the key growth anchor amid volatile external environment. Nonetheless, the uptrend remains gradual and contained. A firm labour market, with unemployment holding at a decade-low of 3.0% in September, together with ongoing targeted policy support for lower-income group should help sustain consumption momentum in the near term.

Downside bias to our 2026 forecast

Policy measures including the SST expansion, Budi95 implementation, electricity and water tariff reforms, minimum wage adjustments and staggered medical insurance premium hikes will continue to filter through into 2026. Inflation averaged +1.4% YoY in 10M25, in line with our full-year forecast, and we maintain our projection for inflation to rise modestly to **+2.0% in 2026**, the upper end of the official forecast range of 1.3-2.0%.

That said, spillover from the SST expansion has been muted so far, while the lower RON95 price under Budi95 and our expectation of a firmer ringgit (2025F: 4.20; 2026F: 4.15) should provide additional offsets. Thus, we believe the risks to our 2026 inflation forecast of +2.0% YoY are tilted slightly to the downside.

BNM has room to manoeuvre

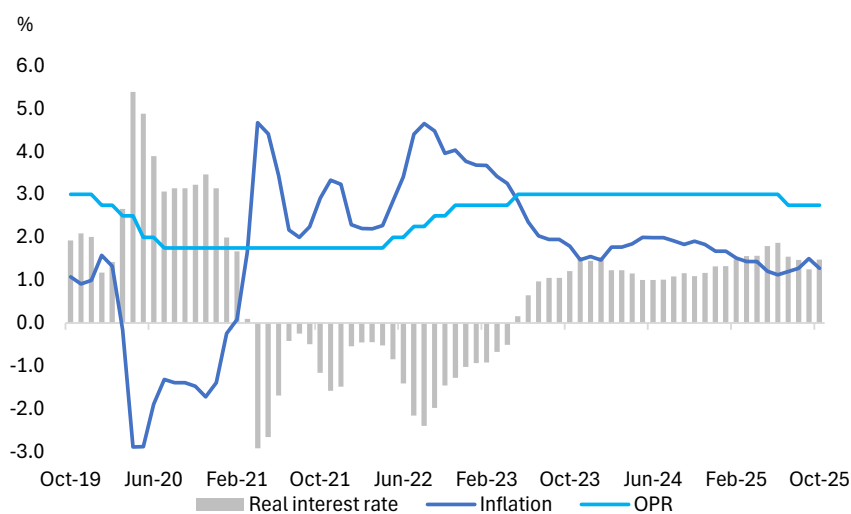
With growth holding steady and inflation contained, **we expect BNM to keep the OPR unchanged at 2.75% through 2026**, barring renewed external trade shocks. That said, the benign inflation environment, the Fed's easing bias and an anticipated firmer ringgit provide policy room for BNM to ease should the growth outlook weaken amid a volatile external backdrop.

Figure 1: Inflation Breakdown by Segment

	% Weight	% YoY			
		10M25	Aug-25	Sep-25	Oct-25
Headline Inflation	100	1.4	1.3	1.5	1.3
Food & Beverages	29.8	2.1	2.0	2.1	1.5
Alcoholic Beverages & Tobacco	1.9	0.6	0.4	0.3	0.3
Clothing & Footwear	2.7	-0.2	-0.1	-0.2	-0.3
Housing, Water, Electricity, Gas & Other Fuels	23.2	1.8	1.2	1.5	1.1
Furnishings, Household Equipment & Maintenance	4.3	0.2	0.2	0.2	0.3
Health	2.7	1.2	1.1	1.3	1.5
Transport	11.3	0.5	0.2	0.7	-0.1
Information & Communication	6.6	-5.0	-5.6	-4.5	-2.4
Recreation, Sports & Culture	3.0	1.2	0.9	0.9	1.2
Education	1.3	2.1	2.4	2.4	2.4
Restaurants & Accommodation Services	3.4	3.2	3.5	3.3	3.4
Insurance & Financial Services	4.0	3.1	5.6	5.6	5.6
Personal Care, Social Protect, Miscellaneous	5.8	4.2	4.0	4.8	6.0
Core Inflation		1.9	2.0	2.1	2.2

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.
