

To Zheng Hong
 (603) 7890 8888 (ext 2099)
zhenghong.to@apexsecurities.com.my

3Q25 GDP Growth:	+5.2%
2025 GDP Growth Forecast:	+4.7%
2026 GDP Growth Forecast:	+4.3%
11M25 Export Growth:	+6.1%
2025 Export Growth Forecast:	+6.0%
2026 Export Growth Forecast:	+4.8%
10M25 Unemployment Rate:	3.0%
2025 Unemployment Rate Forecast:	3.0%
2026 Unemployment Rate Forecast:	3.1%
11M25 Headline Inflation:	+1.4%
2025 Headline Inflation Forecast:	+1.4%
2026 Headline Inflation Forecast:	+1.8%
End-2025 OPR	2.75%
End-2026 OPR Forecast:	2.75%

Malaysia Inflation Rate

Modest inflation to persist into 2026

- **Headline inflation edged up to +1.4% YoY in November (Oct: +1.3%), slightly below consensus of +1.5%, underscoring the benign inflation backdrop.**
- **Core inflation held at a solid +2.2% YoY (Oct: +2.2%), supporting our view that domestic demand strength will carry into next year amid a volatile external environment.**
- **We maintain our full-year 2025 inflation forecast at +1.4% YoY, in line with the +1.4% average in 11M25.**
- **Given the muted policy pass-through from the SST expansion, we revise our 2026 inflation forecast lower to +1.8% YoY (previously +2.0%), implying only a modest pickup next year.**

Sustained low inflation in November

Headline inflation edged up slightly to +1.4% YoY in November (Oct: +1.3%), but undershot Bloomberg consensus of +1.5%, underscoring the sustained benign inflation backdrop. The key highlight was alcoholic beverages & tobacco, which rose sharply (+2.4%; Oct: +0.3%) following the 10% excise duty hike on alcohol effective November. That said, the impact on headline inflation remains muted given its small CPI weightage of 0.8%.

Transport rebounded marginally (+0.2% YoY; Oct: -0.1%), partly reflecting the low base effects. Meanwhile, housing, water, electricity, gas & other fuels softened for a second straight month (+0.7%; Oct: +1.1%), as lower electricity tariffs more than offset firmer rental costs. The electricity rebate under the Automatic Fuel Adjustment (AFA) mechanism increased in November (8.91 sen/kWh; Oct: 6.50 sen/kWh), reflecting subdued energy prices.

Domestic demand remains firm

Core inflation has been on a gradual uptrend in recent months, holding at +2.2% YoY in November (Oct: +2.2%), up from +1.8% at the start of the year. While the pace remains measured and contained, core inflation has now held at its highest level since October 2023 for two consecutive months. This reinforces our view that strength in domestic demand will carry through into next year and remain the key growth anchor amid a volatile external environment.

A firm labour market, with unemployment holding at a decade-low of 3.0% in October, alongside ongoing income-related policy support for lower-income groups, should continue to underpin consumption momentum. In addition, the benign headline inflation environment should further support consumer sentiment and spending.

Muted policy pass-through

The expansion of the SST scope beginning 1 July 2025 appears to have had limited pass-through to broader price trends thus far, likely reflecting the government's measured implementation pace and exemptions for essential goods. Another key policy measure, the Budi95 programme, which lowered the RON95 retail price to RM1.99/litre for eligible Malaysians, has further capped inflation. We estimate the RON95 price reduction to shave c.0.1ppt off headline inflation.

Electricity tariff reforms, now adjusted monthly under the Automatic Fuel Adjustment (AFA) mechanism to reflect underlying generation costs and fuel price movements, have helped contain electricity price pressures. With global commodity prices remaining subdued, we expect electricity prices to stay modest in the near term. That said, geopolitical tensions could lead to intermittent volatility in commodity prices and spillover to broader price trends.

2026 inflation forecast revised downward

With inflation averaging +1.4% YoY in 11M25, we **maintain our full-year 2025 inflation forecast at +1.4%**. Given the muted policy pass-through thus far, particularly from the SST expansion, we **revise our 2026 inflation forecast lower to +1.8%** (previously +2.0%), implying only a modest

pickup next year. This would keep inflation broadly in line with the five-year historical average of +1.8% (2020–2024) and within the official projection range of 1.3-2.0%.

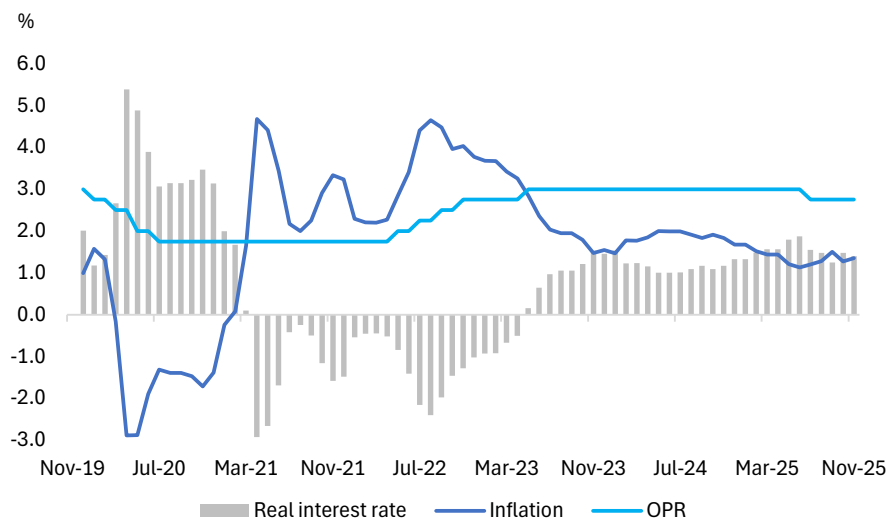
On the monetary front, while we continue to expect BNM to keep the OPR unchanged at 2.75% next year, the benign inflation backdrop provides policy room for BNM to ease should the growth outlook weaken amid a volatile external environment.

Figure 1: Inflation Breakdown by Segment

	% Weight	% YoY			
		11M25	Sep-25	Oct-25	Nov-25
Headline Inflation	100	1.4	1.5	1.3	1.4
Food & Beverages	29.8	2.1	2.1	1.5	1.5
Alcoholic Beverages & Tobacco	1.9	0.8	0.3	0.3	2.4
Clothing & Footwear	2.7	-0.2	-0.2	-0.3	-0.1
Housing, Water, Electricity, Gas & Other Fuels	23.2	1.7	1.5	1.1	0.7
Furnishings, Household Equipment & Maintenance	4.3	0.2	0.2	0.3	0.2
Health	2.7	1.2	1.3	1.5	1.5
Transport	11.3	0.5	0.7	-0.1	0.2
Information & Communication	6.6	-4.7	-4.5	-2.4	-1.3
Recreation, Sports & Culture	3.0	1.2	0.9	1.2	1.2
Education	1.3	2.2	2.4	2.4	2.6
Restaurants & Accommodation Services	3.4	3.2	3.3	3.4	3.4
Insurance & Financial Services	4.0	3.3	5.6	5.6	5.6
Personal Care, Social Protect, Miscellaneous	5.8	4.3	4.8	6.0	5.6
Core Inflation		1.9	2.1	2.2	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

Disclaimer: The report is for internal and private circulation only and shall not be reproduced either in part or otherwise without the prior written consent of Apex Securities Berhad. The opinions and information contained herein are based on available data believed to be reliable. It is not to be construed as an offer, invitation or solicitation to buy or sell the securities covered by this report.

Opinions, estimates and projections in this report constitute the current judgment of the author. They do not necessarily reflect the opinion of Apex Securities Berhad and are subject to change without notice. Apex Securities Berhad has no obligation to update, modify or amend this report or to otherwise notify a reader thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

Apex Securities Berhad does not warrant the accuracy of anything stated herein in any manner whatsoever and no reliance upon such statement by anyone shall give rise to any claim whatsoever against Apex Securities Berhad. Apex Securities Berhad may from time to time have an interest in the company mentioned by this report. This report may not be reproduced, copied or circulated without the prior written approval of Apex Securities Berhad.

As of **Tuesday, 23 Dec, 2025**, the analyst(s), whose name(s) appears on the front page, who prepared this report, has interest in the following securities covered in this report:

(a) nil.
