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4Q25 Advance GDP Growth:	+5.7%
2025 GDP Growth Forecast:	+4.7%
2026 GDP Growth Forecast:	+4.3%
2025 Export Growth:	+6.5%
2026 Export Growth Forecast:	+4.8%
11M25 Unemployment Rate:	3.0%
2025 Unemployment Rate Forecast:	3.0%
2026 Unemployment Rate Forecast:	3.1%
2025 Headline Inflation:	+1.4%
2026 Headline Inflation Forecast:	+1.8%
End-2025 OPR	2.75%
End-2026 OPR Forecast:	2.75%

Malaysia Inflation Rate

Benign inflation anchors a steady OPR outlook

- Headline inflation rose to +1.6% YoY in December 2025 (Nov: +1.4%), slightly above consensus of +1.4%. For 2025, inflation averaged +1.4% (2024: +1.8%), pointing to a still-benign inflation backdrop amid muted policy pass-through.
- Core inflation edged up to +2.3% YoY (Nov: +2.2%), its highest level since October 2023, reinforcing our view that domestic demand will remain the key growth anchor in 2026.
- Heading into 2026, domestic demand will be underpinned by tourism under Visit Malaysia 2026, tight labour market conditions and ongoing income-related policy support, providing modest support to inflation.
- That said, muted policy pass-through, the fixing of RON95 prices, subdued global commodity prices and a firmer ringgit should cap upside risks to inflation.
- We maintain our 2026 inflation forecast at +1.8% YoY and expect BNM to keep the OPR at 2.75% in 2026.

Modest pickup in inflation

Headline inflation rose marginally to +1.6% YoY in December 2025 (Nov: +1.4%), slightly above Bloomberg consensus of +1.4%. For full-year 2025, inflation averaged +1.4% (2024: +1.8%), underscoring a year of subdued price pressures amid limited pass-through from the gradual rollout of domestic policy reforms.

Housing, water, electricity, gas & other fuels edged up (+0.9% YoY; Nov: +0.7%), reflecting a lower electricity rebate under the Automatic Fuel Adjustment (AFA) mechanism (6.42 sen/kWh; Nov: 8.91 sen/kWh). Food & beverages was unchanged (+1.5%), as firmer food-at-home prices were offset by easing food-away-from-home inflation. Meanwhile, transport eased (+0.1%; Nov: +0.2%) on moderating parts & accessories and diesel prices.

Gradual buildup in underlying price pressures

Core inflation extended its steady uptrend, edging up to +2.3% YoY in December (Nov: +2.2%). Core inflation now stood at its highest level since October 2023, pointing to a gradual buildup in underlying price pressures. This reinforces our view that domestic demand will remain the key growth anchor in 2026, helping to cushion against external volatility.

Inflation to trend modestly higher in 2026

Inflation averaged just +1.4% in 2025, below its 10-year average of +1.8%. Heading into 2026, resilient domestic demand should provide modest support to inflation. In particular, private consumption will be underpinned by tourism under Visit Malaysia 2026, tight labour market conditions and ongoing income-related policy support. Under Budget 2026, allocations for SARA and STR rise to RM15bn in 2026 (2025: RM13bn), providing further support to retail-oriented services.

That said, inflationary pressures are likely to remain contained. Pass-through from policy measures such as the SST expansion has been muted thus far, reflecting the measured pace of implementation and exemptions for essential goods. The fixing of RON95 at RM1.99/litre for eligible Malaysians will continue to contain transport inflation, while subdued global commodity prices and a firmer ringgit will further cap upside risks to inflation.

Benign inflation anchors a steady OPR outlook

Overall, we maintain our forecast for inflation to rise modestly to +1.8% YoY in 2026, in line with the official projection range of 1.3-2.0%.

The stronger-than-expected 4Q25 advance GDP print of +5.7% YoY reinforces our expectation for BNM to maintain a steady policy stance at the upcoming MPC meeting on 22 January. Looking ahead, the benign inflation backdrop and improving domestic growth outlook provide ample

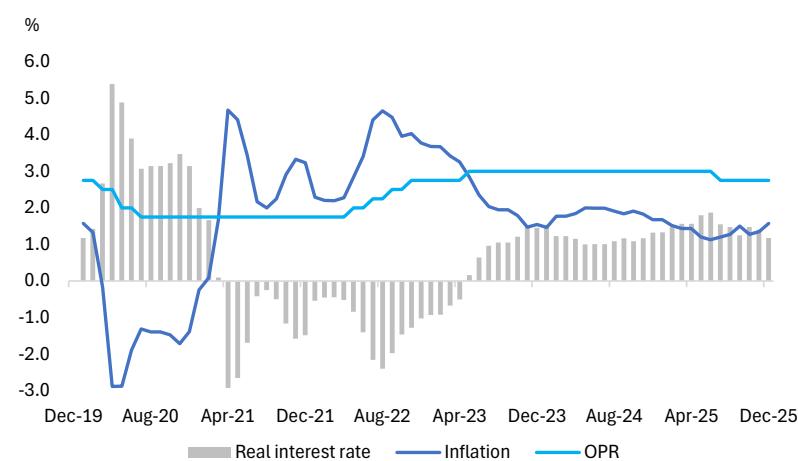
room for BNM to **keep the OPR at 2.75% in 2026**, while preserving policy space should the external outlook deteriorate.

Figure 1: Inflation Breakdown by Segment

	Weight	% YoY			
		2025	Oct-25	Nov-25	Dec-25
Headline Inflation	100	1.4	1.3	1.4	1.6
Food & Beverages	29.8	2.1	1.5	1.5	1.5
Alcoholic Beverages & Tobacco	1.9	0.9	0.3	2.4	2.5
Clothing & Footwear	2.7	-0.2	-0.3	-0.1	0.1
Housing, Water, Electricity, Gas & Other Fuels	23.2	1.6	1.1	0.7	0.9
Furnishings, Household Equipment & Maintenance	4.3	0.2	0.3	0.2	0.3
Health	2.7	1.2	1.5	1.5	1.5
Transport	11.3	0.4	-0.1	0.2	0.1
Information & Communication	6.6	-4.3	-2.4	-1.3	0.9
Recreation, Sports & Culture	3.0	1.1	1.2	1.2	0.8
Education	1.3	2.3	2.4	2.6	2.8
Restaurants & Accommodation Services	3.4	3.2	3.4	3.4	3.1
Insurance & Financial Services	4.0	3.4	5.6	5.6	5.6
Personal Care, Social Protect, Miscellaneous	5.8	4.4	6.0	5.6	5.7
Core Inflation		2.0	2.2	2.2	2.3

Source: Department of Statistics, Apex Securities

Figure 2: Inflation rose to +1.6% in December



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.