

To Zheng Hong

(603) 7890 8888 (ext 2099)

[zhenghong.to@apexsecurities.com.my](mailto:zhenghong.to@apexsecurities.com.my)

2025 GDP Growth	+5.2%
2026 GDP Growth Forecast:	+4.7%
2025 Export Growth:	+6.5%
2026 Export Growth Forecast:	+4.8%
2025 Unemployment Rate	3.0%
2026 Unemployment Rate Forecast:	3.0%
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

### Firmer demand outlook to drive 2026 inflation

- Malaysia's headline inflation held at **+1.6% YoY in January 2026 (Dec-25: +1.6%)**, in line with Bloomberg consensus, as lower fuel prices were offset by a smaller electricity rebate.
- Core inflation printed **+2.3% YoY (Dec: +2.3%)**, holding at its highest level since October 2023, consistent with our view that resilient domestic demand will cushion against a still-fluid external backdrop in 2026.
- Going forward, we expect a modest pickup in demand-pull price pressures, while cost-push price pressures should remain contained.
- We maintain our forecast for inflation to rise modestly to **+1.8% YoY in 2026 (2025: +1.4%)**.
- The steady January inflation print, alongside improving growth momentum, reinforces our expectation for BNM to keep the OPR at 2.75% throughout 2026.

### Inflation holds below 2.0%

Malaysia's headline inflation held steady at +1.6% YoY in January 2026 (Dec-25: +1.6%), in line with Bloomberg consensus, extending the sub-2.0% inflation backdrop of the past two years.

The main drag came from transport, which contracted 0.7% YoY (Dec: +0.1%), reflecting lower pump prices for RON97 (RM3.11/litre; Dec: RM3.24/litre) and diesel (RM2.89/litre; Dec: RM3.03/litre). Meanwhile, housing, water, electricity, gas & other fuels edged up to +1.2% (Dec: +0.9%), due mainly to a lower electricity rebate under the Automatic Fuel Adjustment (AFA) mechanism (4.99 sen/kWh; Dec: 6.42 sen/kWh). Food & beverages was unchanged at +1.5%, as firmer food-at-home prices were offset by easing food-away-from-home inflation.

### Core inflation signals a gradual buildup in underlying pressures

Core inflation printed +2.3% YoY in January (Dec: +2.3%), holding at its highest level since October 2023. While the pace remains measured, the sustained uptrend since 2H25 points to a gradual buildup in underlying price pressures. This is consistent with our view that resilient domestic demand will remain the key growth anchor in 2026, cushioning against a still-fluid external backdrop.

### Demand-pull to drive 2026 inflation; cost pressures contained

Going forward, we expect a modest pickup in demand-pull pressures, supported by festive-related spending, favourable labour market conditions and ongoing income-related policy support such as SARA and STR. That said, much of the upward pressure is likely to be seasonal and unlikely to cause persistent, broad-based price pressures.

Meanwhile, cost-push price pressures will likely remain contained. Pass-through from policy measures such as the SST expansion, minimum wage hike and expanded employer EPF contributions for non-Malaysian employees has been muted thus far. The fixing of RON95 at RM1.99/litre for eligible Malaysians will help cushion against commodity price volatility, while a firmer ringgit should further cap imported price pressures.

### Steady inflation outlook; OPR to stay put

We maintain our forecast for inflation to **rise modestly to +1.8% YoY in 2026 (2025: +1.4%)**, in line with the official projection range of 1.3–2.0% and its 10-year average of +1.8%.

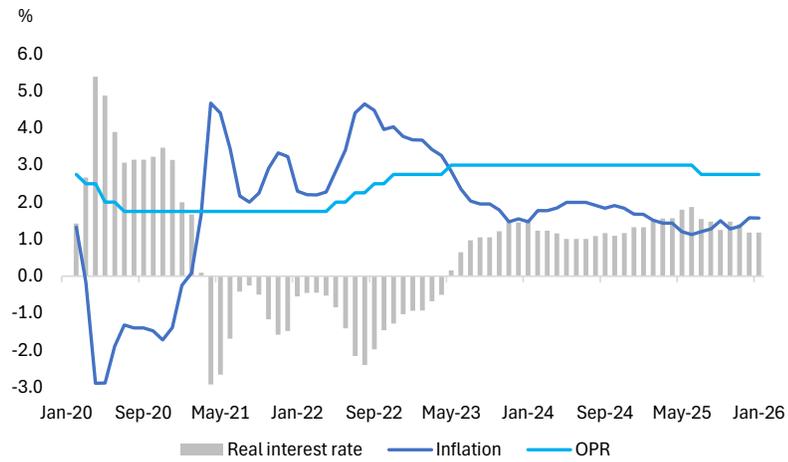
The steady January inflation print, alongside improving growth momentum, reinforces our expectation for BNM to **keep the OPR at 2.75%** throughout 2026. Barring a materially stronger growth outlook or a significant easing in external risks, there is little urgency for BNM to normalise the OPR toward 3.00% in the near term.

**Figure 1: Inflation Breakdown by Segment**

	% Weight	% YoY			
		2025	Nov-25	Dec-25	Jan-26
<b>Headline Inflation</b>	100	1.4	1.4	1.6	1.6
Food & Beverages	29.8	2.1	1.5	1.5	1.5
Alcoholic Beverages & Tobacco	1.9	0.9	2.4	2.5	2.5
Clothing & Footwear	2.7	-0.2	-0.1	0.1	0.0
Housing, Water, Electricity, Gas & Other Fuels	23.2	1.6	0.7	0.9	1.2
Furnishings, Household Equipment & Maintenance	4.3	0.2	0.2	0.3	0.2
Health	2.7	1.2	1.5	1.5	1.4
Transport	11.3	0.4	0.2	0.1	-0.7
Information & Communication	6.6	-4.3	-1.3	0.9	0.7
Recreation, Sports & Culture	3.0	1.1	1.2	0.8	0.9
Education	1.3	2.3	2.6	2.8	3.2
Restaurants & Accommodation Services	3.4	3.2	3.4	3.1	3.0
Insurance & Financial Services	4.0	3.4	5.6	5.6	5.5
Personal Care, Social Protect, Miscellaneous	5.8	4.4	5.6	5.7	6.6
<b>Core Inflation</b>		2.0	2.2	2.3	2.3

Source: Department of Statistics, Apex Securities

**Figure 2: Inflation held steady at +1.6% in January**



Source: Department of Statistics, Apex Securities

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#### 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.

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#### 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.

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