

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:	+6.4%
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:	+2.1%
End-2025 OPR	2.75%
End-2026 OPR Forecast:	2.75%

## Malaysia Inflation Rate

### Inflation risks building up

- Malaysia's headline inflation rose to **+1.7% YoY in March (Feb: +1.4%)**, in line with consensus, driven mainly by higher transport costs amid rising crude oil prices.
- Core inflation came in at **+2.1% YoY (Feb: +2.3%)**, in line with its 2021–2025 average, pointing to steady underlying demand conditions.
- We revise our Brent assumption to **USD85/bbl for 2026 (previously USD65/bbl)** and estimate a modest **0.2ppt** increase in inflation from higher fuel prices.
- We revise our **2026 inflation forecast to +2.1% YoY (previously +1.8%)**, with upside risks from a potential **RON95 price adjustment and broader cost passthrough**.
- Barring a sharper-than-expected rise in inflation, we maintain our view that **BNM will keep the OPR unchanged at 2.75% throughout 2026 to preserve growth**.

### Early signs of rising inflationary pressures

Malaysia's headline inflation rose to **+1.7% YoY in March (Feb: +1.4%)**, in line with consensus, underscoring a still-benign inflation backdrop despite the onset of Middle East tensions. On a MoM basis, inflation edged higher to **+0.3% MoM (Feb: +0.2%)**, pointing to early signs of a gradual buildup in price pressures.

The uptick was driven mainly by transport (**+1.6% YoY; Feb: -0.7%**), reflecting sharply higher pump prices for RON97 (RM4.03/litre; Mar-25: RM3.33/litre) and diesel (RM4.12/litre; Mar-25: RM3.08/litre), alongside a surge in airfares (**+25.8%**) amid rising crude oil prices. Meanwhile, food & beverages eased to **+1.1% (Feb: +1.3%)**, as both food-away-from-home (**+2.3%; Feb: +2.4%**) and food-at-home (**+0.1%; Feb: +0.3%**) moderated.

### Underlying demand remains firm

Core inflation came in at **+2.1% YoY (Feb: +2.3%)**, in line with its 2021–2025 average. This points to steady underlying demand conditions, consistent with our view that domestic demand will remain resilient and continue to anchor growth in 2026 despite heightened external uncertainties.

### Fuel-driven cost pressures

Inflation averaged **+1.6%** in 1Q26, still below its 10-year average of **+1.8%**. However, the ongoing Middle East conflict and supply disruptions are likely to lift cost-push pressures further, mainly through higher fuel prices. Even under a de-escalation scenario, crude oil prices are expected to remain elevated in the near term, given the time required to restore damaged infrastructure and normalise production. We now revise our Brent assumption to **USD85/bbl for 2026 (previously USD65/bbl; YTD: USD84/bbl)**.

While fuel accounts for **5.7%** of the CPI basket, the fixed **RON95** price at **RM1.99/litre** for eligible Malaysians should continue to anchor inflation and limit broad-based passthrough. Thus, the inflation impact will mainly come from unsubsidised **RON97** and diesel. Based on our revised oil price assumption, we estimate a modest **0.2ppt** increase in inflation from higher fuel prices.

Most consumers remain insulated, with **RON95** estimated to account for at least **90%** of non-commercial petrol usage. As such, higher **RON97** prices are unlikely to materially affect consumption trends especially for essential goods and services. While diesel accounts for a small CPI weightage of **0.2%**, limiting its direct impact on consumers, some gradual passthrough from higher business costs to consumer prices is likely.

### Inflation forecast revised higher

Taking into account higher fuel price assumptions, **we revise our 2026 inflation forecast to +2.1% YoY (previously +1.8%)**. Risks remain skewed to the upside, particularly from a potential

RON95 price adjustment and broader cost passthrough. That said, targeted measures such as increase in BUDI Diesel and BUDI Agri-Komoditi subsidies should help mitigate cost pressures.

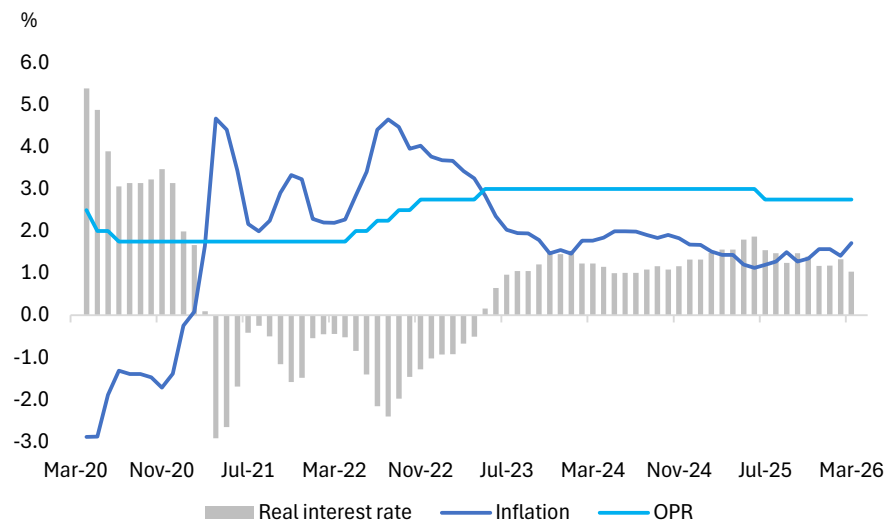
On the monetary front, the extent of spillovers from elevated crude oil prices to the broader inflation trend and the strength of domestic demand will be among the key policy considerations. Barring a sharper-than-expected rise in inflation, we maintain our view that BNM will keep the OPR unchanged at 2.75% throughout 2026 to preserve growth.

Figure 1: Inflation Breakdown by Segment

	% Weight	% YoY			
		2025	Jan-26	Feb-26	Mar-26
<b>Headline Inflation</b>	100	1.4	1.6	1.4	1.7
Food & Beverages	29.8	2.1	1.5	1.3	1.1
Alcoholic Beverages & Tobacco	1.9	0.9	2.5	2.6	2.7
Clothing & Footwear	2.7	-0.2	0.0	0.0	-0.1
Housing, Water, Electricity, Gas & Other Fuels	23.2	1.6	1.2	1.1	1.2
Furnishings, Household Equipment & Maintenance	4.3	0.2	0.2	0.2	0.1
Health	2.7	1.2	1.4	1.2	1.4
Transport	11.3	0.4	-0.7	-0.7	1.6
Information & Communication	6.6	-4.3	0.7	0.5	1.4
Recreation, Sports & Culture	3.0	1.1	0.9	0.8	1.0
Education	1.3	2.3	3.2	2.8	2.5
Restaurants & Accommodation Services	3.4	3.2	3.0	2.5	2.6
Insurance & Financial Services	4.0	3.4	5.5	4.7	4.9
Personal Care, Social Protect, Miscellaneous	5.8	4.4	6.6	6.9	7.0
<b>Core Inflation</b>		2.0	2.3	2.0	2.1

Source: Department of Statistics, Apex Securities

Figure 2: Inflation rose to +1.7% in March



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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