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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 contained but risks building up

- Malaysia's headline inflation rose to **+1.9% YoY** in April (Mar: **+1.7%**), in line with consensus, driven mainly by higher transport costs.
- Core inflation remained steady at **+2.0% YoY** (Mar: **+2.1%**), hovering just below its 2021–2025 average of **+2.1%**, suggesting relatively firm demand conditions.
- A gradual pickup in cost-push pressures is likely, driven by elevated energy prices and the passthrough of higher business input costs to consumers.
- We keep our 2026 inflation forecast at **+2.1% YoY**, with upside risks stemming from a potential RON95 price adjustment and larger-than-expected cost passthrough.
- A material overshoot in inflation beyond expectations could weigh on consumer spending and broader economic growth.

Measured buildup in inflationary pressures

Malaysia's headline inflation rose to **+1.9% YoY** in April (Mar: **+1.7%**), in line with market expectations, underscoring the gradual buildup in price pressures amid the global supply chain disruption. Price gains were driven mainly by transport (**+4.1%**; Mar: **+1.6%**), reflecting the surge in pump prices for unsubsidised RON95 (RM4.00/litre; Apr-25: RM2.05/litre), RON97 (RM5.06/litre; Apr-25: RM3.25/litre) and diesel (RM5.92/litre; Apr-25: RM2.95/litre).

On a positive note, the increase in food & beverages prices (**+1.2% YoY**; Mar: **+1.1%**) remained marginal, suggesting limited passthrough from higher fuel, fertiliser and raw material costs into broader food inflation. Nonetheless, we caution that elevated fertiliser costs could eventually reduce fertiliser application and crop yields, leading to lagged upside pressures on food prices.

Domestic demand remains firm

Core inflation remained steady at **+2.0% YoY** (Mar: **+2.1%**), hovering just below its 2021–2025 average of **+2.1%**. This suggests underlying demand conditions remain relatively firm, supporting our view that domestic demand should continue to anchor growth in 2026 despite heightened external headwinds.

Some cost passthrough expected

Inflation averaged just **+1.7%** year-to-date, still below its 10-year average of **+1.8%**. Going forward, we expect a gradual pickup in cost-push pressures, particularly from elevated energy prices that raise logistics and utility costs, alongside the passthrough of higher business input costs into consumer prices.

The extent of passthrough is likely to remain manageable and sector-specific, as some firms may face difficulty raising prices amid stiff competition and regulatory constraints. Recent BNM industrial engagements revealed that while more than a third of firms planned to pass on higher costs, either fully or partially, the remaining firms would either absorb the higher costs or retain selling prices amid minimal cost impact.

Existing policy measures, including the continuation of RON95 fuel subsidies and targeted diesel subsidies for eligible commercial transport operators under the SKDS fleet card system, alongside the firmer ringgit, should help cushion cost impacts and keep broader inflation pressures relatively contained.

Upside risks to inflation remain

Overall, we keep our 2026 inflation forecast at **+2.1% YoY**. Risks remain tilted to the upside, particularly from a potential RON95 price adjustment and larger-than-expected business cost passthrough to consumers, especially if the Middle East conflict prolongs into 3Q26 and further exacerbates supply chain disruptions.

We caution that a material overshoot in inflation beyond our expectations (in-house: 2.1% YoY; BNM: 1.5%-2.5%) could weigh on consumer spending and the broader economic outlook, potentially pushing growth towards the lower end of BNM’s 4.0%-5.0% projection range. We maintain our 2026 GDP growth forecast at +4.7% YoY for now.

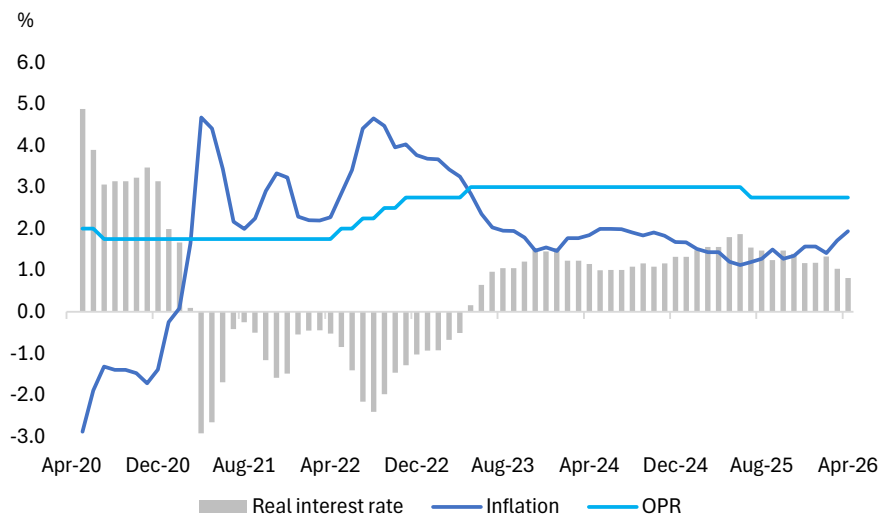
On the monetary front, the still-benign inflation outlook suggests no urgency for BNM to adjust monetary policy at this juncture. Nonetheless, BNM will likely remain data dependent, with the broader inflation trend and domestic demand strength among its key considerations. Barring a sharper-than-expected rise in inflation, we expect BNM to keep the OPR at 2.75% this year.

Figure 1: Inflation Breakdown by Segment

	% Weight	% YoY			
		2025	Feb-26	Mar-26	Apr-26
Headline Inflation	100	1.4	1.4	1.7	1.9
Food & Beverages	29.8	2.1	1.3	1.1	1.2
Alcoholic Beverages & Tobacco	1.9	0.9	2.6	2.7	2.8
Clothing & Footwear	2.7	-0.2	0.0	-0.1	-0.1
Housing, Water, Electricity, Gas & Other Fuels	23.2	1.6	1.1	1.2	1.1
Furnishings, Household Equipment & Maintenance	4.3	0.2	0.2	0.1	0.4
Health	2.7	1.2	1.2	1.4	1.4
Transport	11.3	0.4	-0.7	1.6	4.1
Information & Communication	6.6	-4.3	0.5	1.4	2.0
Recreation, Sports & Culture	3.0	1.1	0.8	1.0	0.9
Education	1.3	2.3	2.8	2.5	2.4
Restaurants & Accommodation Services	3.4	3.2	2.5	2.6	2.6
Insurance & Financial Services	4.0	3.4	4.7	4.9	4.9
Personal Care, Social Protect, Miscellaneous	5.8	4.4	6.9	7.0	4.8
Core Inflation		2.0	2.0	2.1	2.0

Source: Department of Statistics, Apex Securities

Figure 2: Inflation rose to +1.9% in April



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.
