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2025 GDP Growth	+5.2%
2026 GDP Growth Forecast:	+4.7%
2025 Export Growth:	+6.4%
2026 Export Growth Forecast:	+16.3%
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 contained

- Malaysia's headline inflation printed +2.0% YoY in May (Apr: +1.9%), marginally below consensus of +2.1%, as higher food prices offset easing transport inflation.
- Core inflation was unchanged at +2.0% YoY, suggesting steady demand conditions.
- We maintain our 2026 inflation forecast at +2.1% YoY, with our full-year Brent assumption of USD85/bbl remaining within reach.
- Given the still-benign inflation outlook, we expect the OPR to remain at 2.75% this year.

Inflationary pressures contained

Malaysia's headline inflation printed +2.0% YoY in May (Apr: +1.9%), marginally below consensus of +2.1%. On a month-on-month basis, inflation rose by a modest +0.1% MoM (Apr: +0.4%), suggesting that the buildup in price pressures stemming from the global supply chain disruption may have peaked.

Price gain was driven mainly by food & beverages (+1.4% YoY; Apr: +1.2%), likely reflecting the gradual passthrough of higher fuel, fertiliser and poultry feed costs into broader food inflation. The month-on-month increase was evident in food items including meat (+0.5% MoM; Apr: -0.7%) and vegetables (+1.6%; Apr: -1.1%). We caution that **elevated input costs could exert lagged upside pressures on food inflation in 2H26.**

Meanwhile, transport inflation eased slightly to +3.8% YoY (Apr: +4.1%), reflecting lower pump prices for unsubsidised RON95 (RM3.97/litre; Apr: RM4.00/litre), RON97 (RM4.81/litre; Apr: RM5.06/litre) and diesel (RM5.01/litre; Apr: RM5.92/litre), as domestic fuel prices retreated from their April peaks amid the Middle East conflict.

Underlying demand remains steady

Core inflation was unchanged at +2.0% YoY (Apr: +2.0%), hovering just below its 2021-2025 average of +2.1%. This suggests underlying demand conditions remain relatively steady in the absence of excessive demand pressures, supporting our view that domestic demand should remain resilient in 2026 despite heightened external headwinds.

Brent price trends support inflation outlook

We maintain our 2026 inflation forecast at +2.1% YoY. Brent has averaged USD88.4/bbl year-to-date and currently hovers around USD80/bbl, **keeping our full-year Brent assumption of USD85/bbl within reach.** The recent moderation in crude prices follows the preliminary US-Iran deal, under which the Strait of Hormuz has effectively reopened and remains toll-free for 60 days while both parties negotiate a final agreement.

Existing policy measures, including targeted RON95 and diesel subsidies, should continue to keep inflation pressures contained. Lower oil prices would also partially ease the government's fiscal burden and **support the continuation of current fuel subsidy policies.** Furthermore, the resumption of vessel traffic through the strait should help alleviate immediate supply concerns and reduce the passthrough of higher business input costs into broader consumer prices.

That said, we expect intermittent volatility in crude oil prices to persist. Geopolitical developments in the Middle East remain fluid, particularly surrounding the implementation of the interim agreement and negotiations towards a final deal. More importantly, Iran is reportedly considering the introduction of insurance fees once the initial 60-day toll-free period expires, potentially **keeping shipping and procurement costs for oil and other goods elevated.**

Inflation outlook supports steady OPR

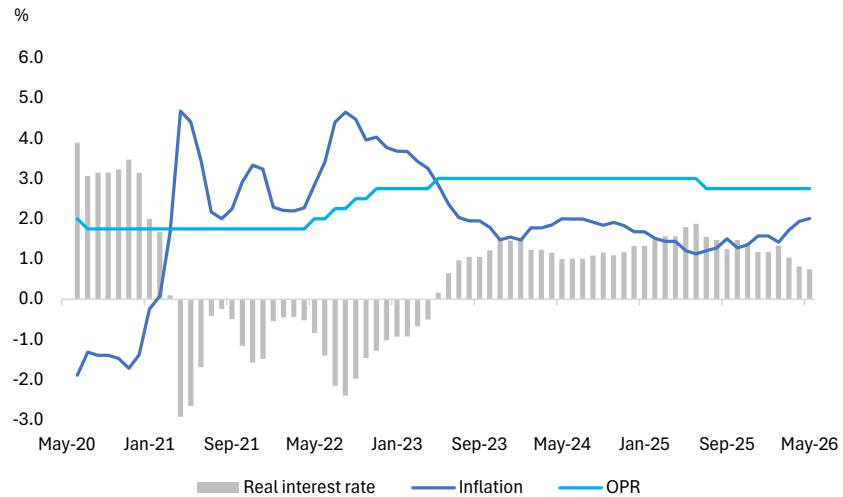
Overall, the inflation outlook remains contingent on geopolitical developments in the Middle East and movements in global commodity prices. Barring a material overshoot in Brent prices beyond our assumption of USD85/bbl, we expect inflation to remain within BNM's projection range of 1.5%-2.5% YoY in 2026. The still-benign inflation outlook suggests no urgency for BNM to adjust monetary policy at this juncture, and **we expect the OPR to remain at 2.75% this year.**

Figure 1: Inflation Breakdown by Segment

	% Weight	% YoY			
		2025	Mar-26	Apr-26	May-26
Headline Inflation	100	1.4	1.7	1.9	2.0
Food & Beverages	29.8	2.1	1.1	1.2	1.4
Alcoholic Beverages & Tobacco	1.9	0.9	2.7	2.8	2.8
Clothing & Footwear	2.7	-0.2	-0.1	-0.1	-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	0.1	0.4	0.4
Health	2.7	1.2	1.4	1.4	1.2
Transport	11.3	0.4	1.6	4.1	3.8
Information & Communication	6.6	-4.3	1.4	2.0	2.1
Recreation, Sports & Culture	3.0	1.1	1.0	0.9	1.1
Education	1.3	2.3	2.5	2.4	2.2
Restaurants & Accommodation Services	3.4	3.2	2.6	2.6	2.5
Insurance & Financial Services	4.0	3.4	4.9	4.9	4.9
Personal Care, Social Protect, Miscellaneous	5.8	4.4	7.0	4.8	4.8
Core Inflation		2.0	2.1	2.0	2.0

Source: Department of Statistics, Apex Securities

Figure 2: Inflation rose to +2.0% in May



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.
