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2025 GDP Growth	**+5.2%**
2026 GDP Growth Forecast:	**+5.0%**
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:	**+2.0%**
End-2025 OPR	**2.75%**
End-2026 OPR Forecast:	**2.75%**

Malaysia Inflation Rate

Benign inflation outlook despite lingering geopolitical risks

- **Malaysia's headline inflation eased to +1.9% YoY in June (May: +2.0%), marginally below consensus of +2.0%, driven mainly by lower transport inflation.**
- **Core inflation eased slightly to +1.9% YoY (May: +2.0%), pointing to an absence of excessive demand pressures.**
- **In view of the softer-than-expected inflation trend year-to-date, we revise our 2026 inflation forecast slightly lower to +2.0% YoY (previously +2.1%).**
- **We project inflation of +2.0% YoY in 2027, reflecting our expectation of a broadly stable price environment.**

Modest inflation in June

Malaysia's headline inflation eased to +1.9% YoY in June (May: +2.0%), marginally below consensus of +2.0%. On a month-on-month basis, inflation was unchanged (May: +0.1%), suggesting that the buildup in price pressures may have neared its peak as global supply chain disruptions entered their fourth month.

The moderation was driven mainly by transport (+2.8% YoY; May: +3.8%), reflecting lower pump prices for unsubsidised RON95 (RM3.69/litre; May: RM3.97/litre), RON97 (RM4.33/litre; May: RM4.81/litre) and diesel (RM4.50/litre; May: RM5.01/litre), as Brent crude moderated to USD84.1/bbl (May: USD103.7/bbl) amid the de-escalation of the Middle East conflict.

Meanwhile, food & beverages was steady at +1.4% YoY (May: +1.4%). Nevertheless, we continue to monitor the passthrough of higher fuel, fertiliser and poultry feed costs into broader food inflation, which could exert lagged upside pressure in 2H26. Month-on-month increases remained evident in selected food items, including meat (+1.1% MoM; May: +0.5%) and milk, other dairy products & eggs (+1.1%; May: -0.3%).

Underlying demand remains firm

Core inflation eased slightly to +1.9% YoY (May: +2.0%), below its 2021-2025 average of +2.1%. The still-benign core reading suggests underlying demand remains steady in the absence of excessive demand pressures. We expect domestic demand to remain the key growth driver in 2026, supported by resilient household spending and sustained investment activity.

Inflation forecast revised lower

Inflation averaged just +1.8% YoY in 1H26 despite supply disruptions stemming from the Middle East conflict. In view of the softer-than-expected inflation trend year-to-date, we **revise our 2026 inflation forecast slightly lower to +2.0%** (previously +2.1%).

Going forward, targeted RON95 and diesel subsidies should continue to anchor inflation in 2H26. In addition, the government's commitment to safeguard domestic fuel supply through year-end should help ease supply concerns and support broader price stability. More importantly, Brent has averaged USD86.7/bbl year-to-date and currently hovers around USD84/bbl, **pointing to a relatively stable transport inflation outlook in the coming months**, barring a renewed spike in crude oil prices.

That said, we remain watchful of the potential lagged passthrough of higher business input costs into consumer prices, with PPI rising further to +7.8% YoY in May (Apr: +5.4%). Geopolitical developments in the Middle East also remain fluid, with Iran proposing transit charges for vessels passing through the Strait of Hormuz, while the US had floated a 20% cargo fee on transiting vessels before subsequently withdrawing the proposal. Such developments could keep shipping and logistics costs elevated.

Steady inflation trend in 2027

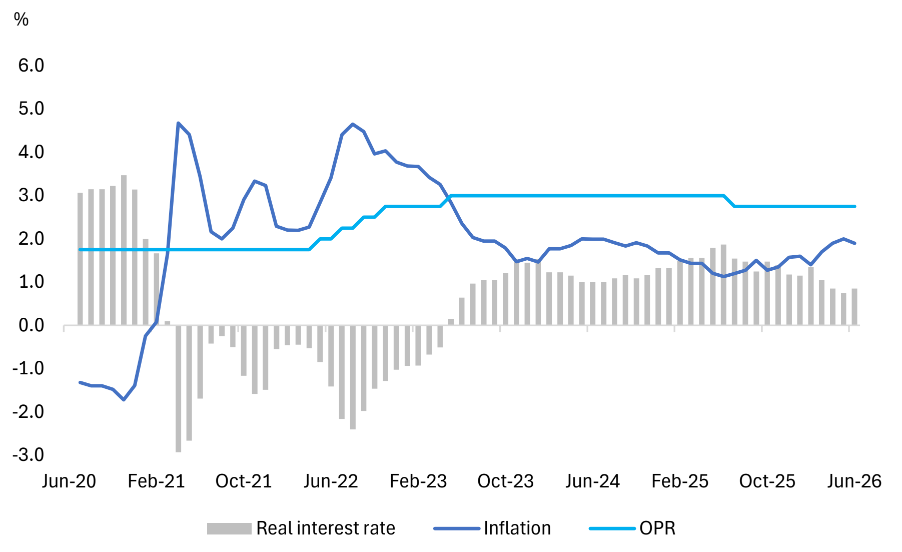
We project inflation of **+2.0% YoY in 2027**, reflecting our expectation of a broadly stable price environment. This is premised on continued fuel subsidy support and a gradual de-escalation of Middle East tensions, which should help stabilise crude oil prices and ease costs for critical intermediate inputs as supply chain disruptions continue to unwind.

Figure 1: Inflation Breakdown by Segment

	%	% YoY			
	Weight	2025	Apr-26	May-26	Jun-26
Headline Inflation	100	1.4	1.9	2.0	1.9
Food & Beverages	29.8	2.1	1.2	1.4	1.4
Alcoholic Beverages & Tobacco	1.9	0.9	2.8	2.8	2.8
Clothing & Footwear	2.7	-0.2	-0.1	-0.1	0.0
Housing, Water, Electricity, Gas & Other Fuels	23.2	1.6	1.1	1.2	1.4
Furnishings, Household Equipment & Maintenance	4.3	0.2	0.4	0.4	0.4
Health	2.7	1.2	1.4	1.2	1.2
Transport	11.3	0.4	4.1	3.8	2.8
Information & Communication	6.6	-4.3	2.0	2.1	2.4
Recreation, Sports & Culture	3.0	1.1	0.9	1.1	1.1
Education	1.3	2.3	2.4	2.2	2.1
Restaurants & Accommodation Services	3.4	3.2	2.6	2.5	2.6
Insurance & Financial Services	4.0	3.4	4.9	4.9	5.7
Personal Care, Social Protect, Miscellaneous	5.8	4.4	4.8	4.8	3.4
Core Inflation		2.0	2.0	2.0	1.9

Source: Department of Statistics, Apex Securities

Figure 2: Inflation eased to +1.9% in June



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

As of **Monday, 20 Jul, 2026**, the analyst(s), whose name(s) appears on the front page, who prepared this report, has interest in the following securities covered in this report:
(a) nil.