

To Zheng Hong
 (603) 7890 8899 (ext 2099)
zhenghong.to@apexsecurities.com.my

2025 GDP Growth	+5.2%
2026 GDP Growth Forecast:	+5.0%
2027 GDP Growth Forecast:	+4.5%
2025 Unemployment Rate	3.0%
2026 Unemployment Rate Forecast:	3.0%
2027 Unemployment Rate Forecast:	3.0%
2025 Headline Inflation:	+1.4%
2026 Headline Inflation Forecast:	+1.8%
2027 Headline Inflation Forecast:	+2.0%
End-2025 OPR	2.75%
End-2026 OPR Forecast:	2.75%
End-2027 OPR Forecast:	3.00%

Malaysia Inflation Rate

Steady inflation; upside risks in 2027

- **Headline inflation eased to +1.8% YoY in September (Aug: +1.9%), driven by slower price gains in electricity and food.**
- **Core inflation was steady at +1.7% YoY, pointing to subdued underlying price pressures.**
- **Targeted fuel subsidies should cushion the impact of higher energy prices on inflation.**
- **We revise our 2026 inflation forecast to +1.8% YoY (previously +2.0%), within the official projection range of 1.5-2.5%.**
- **We maintain our 2027 inflation forecast at +2.0% YoY (MoF: 1.8-2.8%) with upside risks.**

Subdued inflation in September

Malaysia's headline inflation eased to +1.8% YoY in September (Aug: +1.9%), marginally below consensus of +1.9%. On a month-on-month basis, inflation rose by a modest +0.1% MoM (Aug: +0.3%), pointing to limited pass-through of higher commodity prices and business costs to consumer prices at this juncture.

The moderation was driven mainly by housing, water, electricity, gas & other fuels (+1.4% YoY; Aug: +2.1%), reflecting a lower electricity surcharge under the Automatic Fuel Adjustment (AFA) mechanism (3.67 sen/kWh; Aug: 3.80 sen/kWh). The higher household electricity subsidy threshold of 800 kWh effective September also helped cushion electricity costs. Food & beverages inflation eased to +1.8% YoY (Aug: +1.9%), driven by slower price gains in food at home (+1.2%; Aug: +1.4%).

Meanwhile, transport inflation accelerated to +2.5% YoY (Aug: +2.0%), reflecting higher pump prices for RON95 (RM4.16/litre; Aug: RM3.75/litre), RON97 (RM4.64/litre; Aug: RM4.28/litre) and diesel (RM5.05/litre; Aug: RM4.60/litre). For context, Brent crude breached USD100/bbl in September for the first time since late July amid renewed escalation in US-Iran tensions and disruptions to Saudi Arabia's oil infrastructure.

Underlying price pressures remain subdued

Core inflation remained steady at +1.7% YoY (Aug: +1.7%), below its 2021-2025 average of +2.1%. The persistently low core inflation rate points to subdued underlying price pressures, suggesting limited demand side inflationary pressure. On a month-on-month basis, core inflation rose +0.3% MoM (Aug: +0.3%).

Lower forecast this year; upside risks in 2027

With 9M26 inflation averaging just +1.8% YoY, we **revise our full-year 2026 inflation forecast to +1.8%** (previously +2.0%), reflecting limited buildup in consumer price pressures despite global supply disruptions and elevated commodity prices. Our revised forecast remains within the official projection range of 1.5-2.5%.

For 2027, we **maintain our inflation forecast at +2.0% YoY** (MoF: 1.8-2.8%), although risks remain tilted to the upside. Key factors to watch include **i)** volatility in crude oil prices amid prolonged geopolitical tensions; **ii)** pass-through of elevated business costs to consumer prices; **iii)** El Niño-related risks to food prices; and **iv)** demand-side pressures from Budget 2027 measures including cash assistance, higher minimum wages and selective tax cuts.

Barring a material overshoot in Brent price above our assumption of USD85/bbl for 2027, we expect inflation to remain broadly stable. Targeted fuel subsidies should continue to cushion the impact of higher energy prices. While the minimum wage increase to RM2,000 could add to business costs, we expect the pass-through to consumer prices to be gradual and modest, consistent with the limited spillover from elevated producer price inflation observed thus far.

OPR hike in 2027

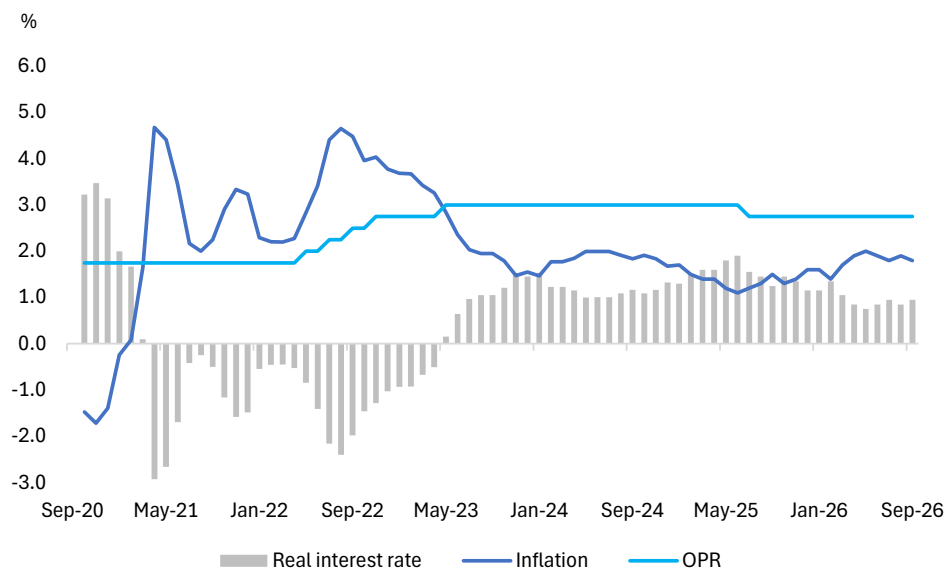
Overall, we expect BNM to **keep the OPR at 2.75%** at its upcoming MPC meeting on 5 November. Further out, the steady inflation outlook and positive domestic growth prospects support our expectation for BNM to normalise monetary policy, **raising the OPR by 25 bps to 3.00% in 2027**.

Figure 1: Inflation Breakdown by Segment

	% Weight	% YoY			
		2025	Jul-26	Aug-26	Sep-26
Headline Inflation	100	1.4	1.8	1.9	1.8
Food & Beverages	29.8	2.1	1.8	1.9	1.8
Alcoholic Beverages & Tobacco	1.9	0.9	2.7	2.8	2.8
Clothing & Footwear	2.7	-0.2	0.1	0.1	0.2
Housing, Water, Electricity, Gas & Other Fuels	23.2	1.6	1.8	2.1	1.4
Furnishings, Household Equipment & Maintenance	4.3	0.2	0.3	0.4	0.3
Health	2.7	1.2	1.1	1.3	1.4
Transport	11.3	0.4	1.4	2.0	2.5
Information & Communication	6.6	-4.3	3.4	2.6	1.8
Recreation, Sports & Culture	3.0	1.1	1.2	1.1	1.2
Education	1.3	2.3	2.0	1.9	2.1
Restaurants & Accommodation Services	3.4	3.2	2.0	2.1	2.2
Insurance & Financial Services	4.0	3.4	1.1	1.0	1.2
Personal Care, Social Protect, Miscellaneous	5.8	4.4	2.9	3.2	2.8
Core Inflation		2.0	1.8	1.7	1.7

Source: Department of Statistics, Apex Securities

Figure 2: Inflation eased to +1.8% in September



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

Disclaimer: The report is for internal and private circulation only and shall not be reproduced either in part or otherwise without the prior written consent of Apex Securities Berhad. The opinions and information contained herein are based on available data believed to be reliable. It is not to be construed as an offer, invitation or solicitation to buy or sell the securities covered by this report.

Opinions, estimates and projections in this report constitute the current judgment of the author. They do not necessarily reflect the opinion of Apex Securities Berhad and are subject to change without notice. Apex Securities Berhad has no obligation to update, modify or amend this report or to otherwise notify a reader thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

Apex Securities Berhad does not warrant the accuracy of anything stated herein in any manner whatsoever and no reliance upon such statement by anyone shall give rise to any claim whatsoever against Apex Securities Berhad. Apex Securities Berhad may from time to time have an interest in the company mentioned by this report. This report may not be reproduced, copied or circulated without the prior written approval of Apex Securities Berhad.

As of **Tuesday, 20 Oct, 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.
