Consumer

POSITIVE (Maintain)

Fiscal Tailwinds Ahead

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HIGHLIGHTS

- Retail: Steady growth amid firm labour market and budget outlook
- Tourism: Arrivals up +10%yoy
- F&B: Mixed Commodity Trends: Wheat and sugar ease, coffee and CPO stay elevated
- Poultry: Feed cost softness underpins margin stability
- Currency: MYR strengthens further to 4.21/USD, reinforcing cost stability
- Maintain POSITIVE on Consumer Sector with F&N (BUY, TP: RM32.08) and AEON (BUY, TP: RM1.77) as Top Picks
- Downgrade Life Water and PPB Group to NEUTRAL as recent rallies have priced in near-term upside

Retail: Remains Resilient

Retail spending remained firm in August. Malaysia's retail trade rose +5.0%yoy to RM67.33b in Aug-25 (Jul-25: +5.6%yoy), supported by continued gains across key sub-segments, led by other specialised stores (+6.0%yoy), non-specialised stores (+5.6%yoy), and food, beverages & tobacco (+5.5%yoy). On a month-on-month basis, retail sales expanded +0.5%, reflecting a steady pickup in consumer activity after July's pullback of -0.8%mom. The monthly improvement was led by non-specialised stores (+1.5%mom) and F&B & tobacco (+0.7%mom), while household equipment (-1.4%mom) softened after earlier gains. For 8MCY25, cumulative retail sales rose +5.8%yoy to RM534.0b, highlighting sustained household consumption despite a normalising growth pace.

Steady labour market and manageable inflation. Malaysia's labour market remained steady in Aug-25, with the unemployment rate unchanged at 3.0%, sustaining its lowest level in a decade. Employment growth held at +3.1%yoy, continuing to outpace labour force expansion of +2.8%yoy for the 49th consecutive month since Aug-21, reaffirming sustained job creation and resilient labour demand. On prices, headline CPI edged up to +1.3%yoy, while core CPI rose slightly to +2.0%yoy, reflecting manageable inflationary pressures. The combination of stable employment conditions and moderate price trends continues to underpin real household purchasing power and steady private consumption momentum.

Looking ahead, retail momentum is expected to remain resilient, anchored by a firm labour market, benign inflation, and continued fiscal support under the Ekonomi MADANI framework. The increase in Budget 2026 allocations for STR and SARA cash aid will directly enhance disposable household income, sustaining consumption among lower- and middle-income groups. Meanwhile, the RM500m fund allocated to drive tourism under the Visit Malaysia 2026 campaign is expected to spur retail and F&B spending, particularly across urban and tourist-centric areas. These measures, coupled with ongoing job creation and accommodative financing conditions post-OPR cut, should reinforce sentiment and support year-end spending momentum. **AEON (BUY, TP: RM1.77)** remains our top sector pick, underpinned by its defensive mass-market positioning and steady rental income from property management services.

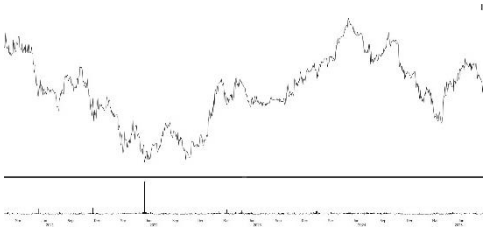
COMPANY *IN FOCUS*

Fraser & Neave Holdings

Maintain BUY | Target Price: RM32.08
Price @ 13 Oct 2025: RM27.66

- Capitalize on the robust OOH beverages consumption.
- Benefit from the high temperatures prevalent across SEA and the return of tourists' arrivals.
- Integration of Sri Nona and Cocoaland to expand food pillar businesses.

SHARE PRICE CHART



Aeon Co. (M) Berhad

Maintain BUY | Target Price: RM1.77
Price @ 13 Oct 2025: RM1.29

- Benefit from sustained consumer spending, bolstered by Budget 2025 cash handouts, EPF Account 3, and the civil servant pay rise, all of which will increase disposable income.
- PMS segment is set for continued growth with improved rental renewal rates and an optimized tenant mix.

SHARE PRICE CHART

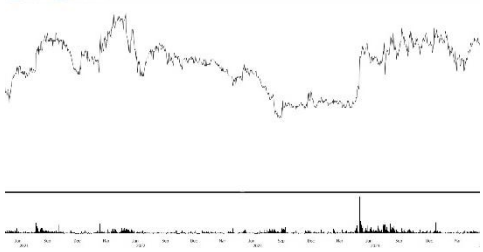


Table 1: Malaysia's monthly key statistics for July 2025

	Monthly Data							
Date	**Aug-25**	**Jul-25**	**Aug-24**	**YoY**	**MoM**	**8M 25**	**8M 24**	**YoY**
Retail Trade (RM'b)	67.33	67.01	64.12	5.0%	0.5%	533.97	504.91	5.8%
Non-specialized Stores	26.16	25.78	24.77	5.6%	1.5%	205.94	194.58	5.8%
F&B and Tobacco	4.28	4.25	4.05	5.5%	0.7%	34.11	31.90	6.9%
Household Equipment	7.49	7.60	7.31	2.6%	-1.4%	60.57	58.08	4.3%
Others in Specialized Stores	14.02	14.00	13.22	6.0%	0.2%	112.42	105.81	6.2%
Unemployment rate (%)	3.00	3.00	3.20	-0.2ppt	0.0			

Sources: Department of Statistics Malaysia (DOSM), BNM, MBSBR

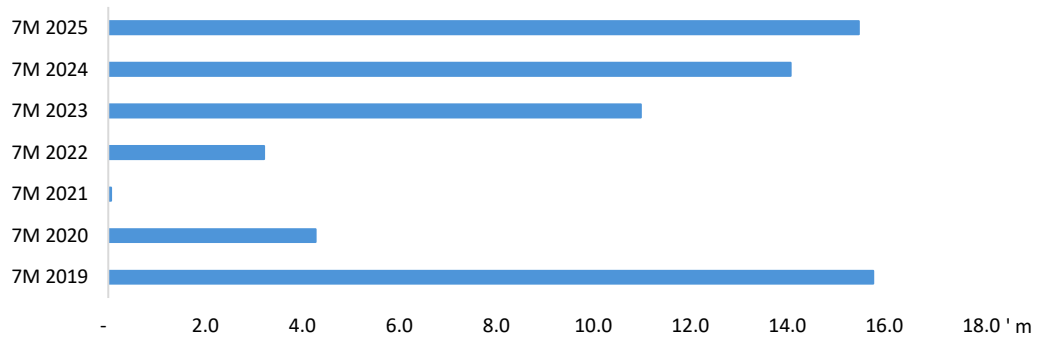
**Non-specialized Stores = supermarkets, hypermarkets, and convenience stores.*
**F&B and Tobacco = restaurant, food-related & tobacco related stores.*
**Automotive = Petrol, diesel or alternative fuel at petrol stations*
**Info & Comm Equipment = Computer, Laptops, Mobile devices, printers, hardrives, television, projectors and more*
**Cultural and recreation goods = Books, publication, audios, music, art and more*
**Household Equipment = textiles, hardware, carpets, other consumer electronic appliances, or furniture.*
**Others in Specialized Stores = clothing, footwear, pharmaceuticals, watches, souvenirs, and others.*
**Via stalls and markets = Fresh produce, handmade crafts, and street food*
**Not in stores, stalls or markets = Online purchases, direct-from-manufacturer items, and more*

Tourism: Momentum Continues Leading to Visit Malaysia 2026

Tourism recovery gathers pace ahead of Visit Malaysia 2026. Malaysia welcomed 15.5m tourists in 7MCY25, a +10%yoy increase from 14.1m a year earlier, continuing to reach the precipice of post-pandemic travel demand. The pickup reflects ongoing government-led promotional efforts and Malaysia's renewed positioning as a safe, stable, and well-connected regional hub for leisure and business travel. With preparations ramping up ahead of Visit Malaysia 2026, the sector's recovery is broadening, generating positive spillovers across retail, F&B, and hospitality, and reinforcing tourism's role as a key pillar of domestic consumption.

Consumer sector continues to benefit from tourism-driven spending. The ongoing recovery in tourist arrivals is set to provide a structural boost to consumer-facing segments, particularly within FMCG, convenience retail, and casual dining. Increased visitor traffic through airports, malls, and key tourist destinations is expected to translate into firmer demand for bottled beverages, packaged snacks, and on-the-go consumption**. Life Water (NEUTRAL, TP: RM1.11)** stands to benefit from stronger sales in Sabah, backed by its leading market position and expanding production capacity, while **Spritzer (NEUTRAL, TP: RM2.13)** should capture higher bottled water demand across Peninsular Malaysia's tourist corridors. **Oriental Kopi (SELL, TP: RM1.03)** may see near-term gains from increased outlet traffic, supported by its locally resonant menu and growing FMCG footprint. At the same time, **QL Resources (NEUTRAL, TP: RM4.33)**, via its FamilyMart franchise, remains well-positioned to serve transit-driven consumers seeking convenience formats. As tourism activity accelerates ahead of Visit Malaysia 2026, we expect broad-based volume upside and improved earnings visibility across the consumer space.

Chart 1: Malaysia Tourist Arrivals (7MCY25)



Sources: Tourism Malaysia, MBSBR

F&B: Even Cost Environment as Arabica Surges and Palm Oil Remains Firm

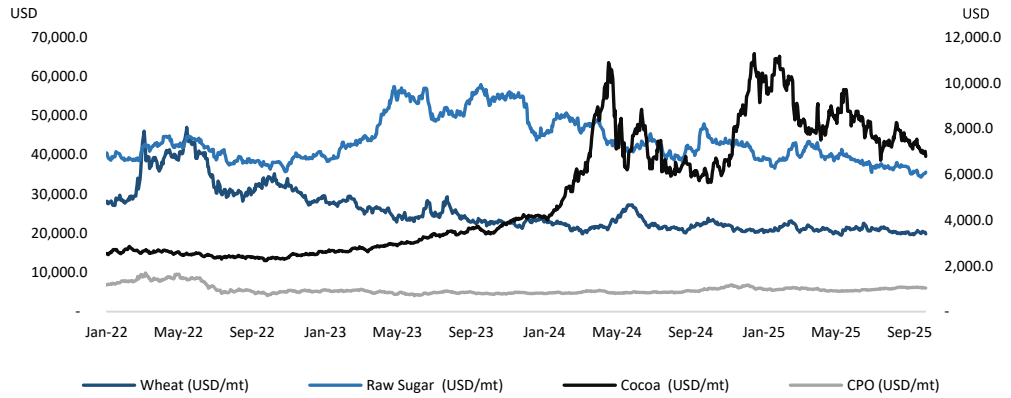
Mixed trends in commodity prices persist. Commodity prices in Sep-25 presented a mixed backdrop for the consumer sector. Wheat remained weak (-9.1%yoy; -0.4%mom), while both raw sugar (-18.7%yoy; -4.4%mom) and white sugar (-4.5%yoy; -1.6%mom) continued to soften, offering cost relief for food manufacturers. Cocoa prices, however, stayed elevated on-year (+19.6%yoy) despite easing month-on-month (-6.4%mom), keeping confectionery margins tight. Coffee markets were again divergent, Arabica extended gains (+46.3%yoy; +11.3%mom), while Robusta recovered on-month (+9.6%mom) but remained below last year's level (-10.7%yoy). Crude palm oil (CPO) prices held firm at +14.2%yoy (+1.0%mom), sustaining cost pressure for palm-intensive players such as **Hup Seng (NEUTRAL, TP: RM0.92)**. Meanwhile, PET resin prices stayed subdued (-8.5%yoy; -0.8%mom), cushioning packaging and bottling costs for **Life Water (NEUTRAL, TP: RM1.11)** and **Spritzer (NEUTRAL, TP: RM2.13)**. Overall, softness in key staples like wheat, sugar, and PET resin offers some offset, though persistent strength in CPO and Arabica coffee continues to underpin input cost pressures across select F&B producers.

Table 2: September 2025 Average Commodities Futures Prices for F&B Producers

Commodities	Sep-25	Aug-25	Sep-24	YoY (%)	MoM (%)	Remarks
Wheat (USD/mt)	20,071	20,146	22,092	-9.1	-0.4	**YoY:** Prices fell as abundant harvests in major producers, especially Russia, Europe, and North America, added to already high global supply. **MoM:** Prices eased further amid subdued demand and continued heavy exports from Russia and the EU.
Cocoa (USD/mt)	7,200	7,688	6,018	19.6	-6.4	**YoY:** Prices remained elevated as adverse weather and crop diseases in West Africa continued to curb harvests, leading to the low global cocoa stocks. **MoM:** Prices eased as softening global demand and increased output from South America pressured benchmarks.
Raw Sugar (USD/mt)	35,368	36,978	43,522	-18.7	-4.4	**YoY:** Prices declined as abundant global supply, led by Brazil's sugarcane harvest and higher output in India and Thailand, outweighed demand recovery. Favourable weather and expanded plantings in Asia further reinforced a bearish tone. **MoM:** Prices eased as strong crushing activity in Brazil and improved harvest prospects in Asia continued to build supply momentum, while tepid demand in key import markets added mild downward pressure.
CPO (USD/mt)	1,051	1,041	920	14.2	1.0	**YoY:** Prices rose as elevated crude oil benchmarks and renewed geopolitical tensions lifted biofuel demand, reinforcing CPO's correlation with energy markets. **MoM:** Prices edged higher as firmer crude oil and stronger biofuel demand offset rising Malaysian stockpiles and steady production, while continued import interest from India and China helped sustain price strength.
White Sugar (USD/mt)	774	786	810	-4.5	-1.6	**YoY:** Prices declined as output in Brazil, alongside favorable harvest prospects in India and Thailand, bolstered global supply expectations. **MoM:** Prices weakened further as abundant Brazilian crushing and improved Asian, outweiged modest demand recovery in key import markets.
Arabica (USD/mt)	7,517	6,755	5,138	46.3	11.3	**YoY:** Prices surged as persistent supply disruptions, unfavorable weather in Brazil and Vietnam, and newly imposed U.S. tariffs on Brazilian coffee constrained global supply amid resilient demand, pushing Arabica benchmarks sharply higher. **MoM:** Prices rose further as Brazil's 2025 crop forecast was cut, while low global inventories tightened market conditions, sustaining bullish sentiment despite elevated prices.
Robusta (USD/mt)	4,325	3,948	4,844	-10.7	9.6	**YoY:** Prices declined as improved global supply, driven by strong harvests in Vietnam and Indonesia boosted inventories and created a market surplus. **MoM:** Prices rebounded as adverse weather in Brazil, trade disruptions, tightened short-term supply and demand from roasters seeking cheaper alternatives to Arabica added further upward pressure.
PET Resin (USD/mt)	828	835	905	-8.5	-0.8	**YoY:** Prices declined as ample global supply and easing feedstock costs weighed on sentiment, while subdued packaging and beverage demand moving into the off-season further limited restocking activity. **MoM:** Prices edged lower as falling paraxylene costs and adequate plant operating rates kept the market well supplied.

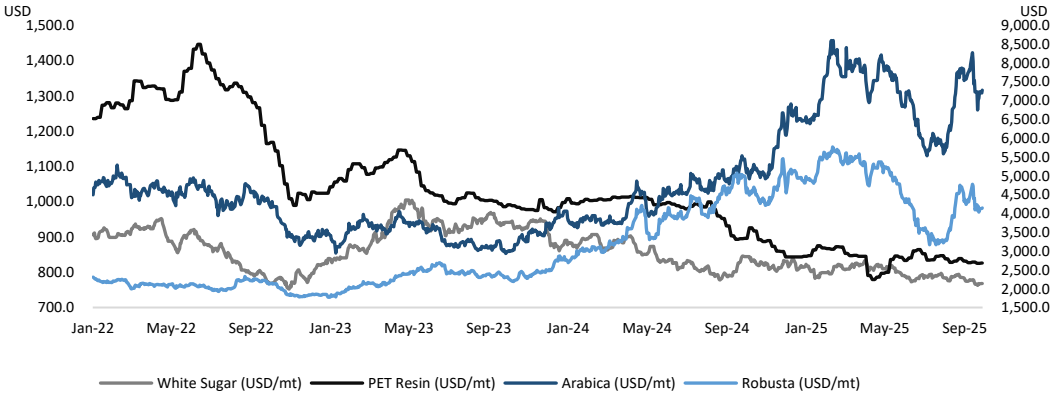
*Sources: Bloomberg, USDA, MBSBR ***Pet resin = Polyethylene terephthalate*

Chart 2: Raw Material Futures Price Trend for Food Producers (USD/mt)



Sources: Bloomberg, MBSBR

Chart 3: Raw Material Futures Price Trend for Beverage Producers (USD/mt)



Sources: Bloomberg, MBSBR

Poultry: Egg Prices Rebound Mildly, Chicken Prices Stabilise

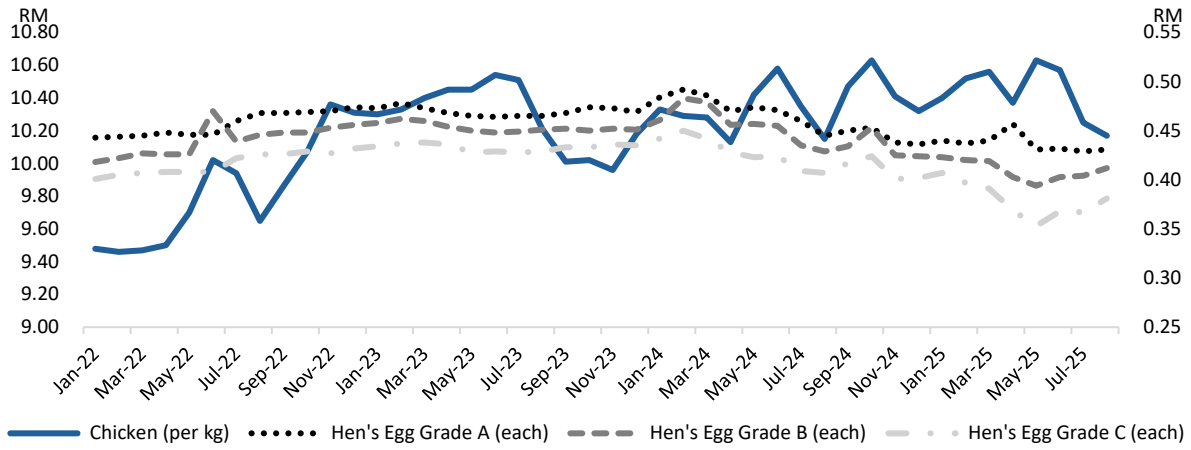
Egg prices steady; chicken prices ease slightly. Retail egg prices showed modest recovery in Sep-25, with Grade A, B, and C eggs, increased sequentially by +0.5%mom, +2.0%mom, and +3.8%mom despite it was still down -3.1%yoy, -4.0%yoy, and -6.4%yoy respectively. The rebound reflects firmer demand and stable supply conditions following earlier subsidy withdrawals. Meanwhile, average retail chicken prices inched up +0.2%yoy but softened -0.8%mom to RM10.17/kg, indicating mild post-festive normalisation in consumption. Overall, poultry prices remain relatively stable amid balanced supply-demand dynamics.

Table 3: Malaysia Monthly Hen's egg and chicken Statistics

Data	Monthly Data				
Date	**Aug-25**	**Jul-25**	**Aug-24**	**YoY**	**MoM**
Hen's Egg Grade A (each)	0.431	0.429	0.445	-3.1%	0.5%
Hen's Egg Grade B (each)	0.412	0.404	0.429	-4.0%	2.0%
Hen's Egg Grade C (each)	0.381	0.367	0.407	-6.4%	3.8%
Chicken (per kg)	10.17	10.25	10.15	0.2%	-0.8%

Sources: DOSM, MBSBR

Chart 4: Malaysia's Price Trend for Chicken and Egg



Sources: Bloomberg, MBSBR

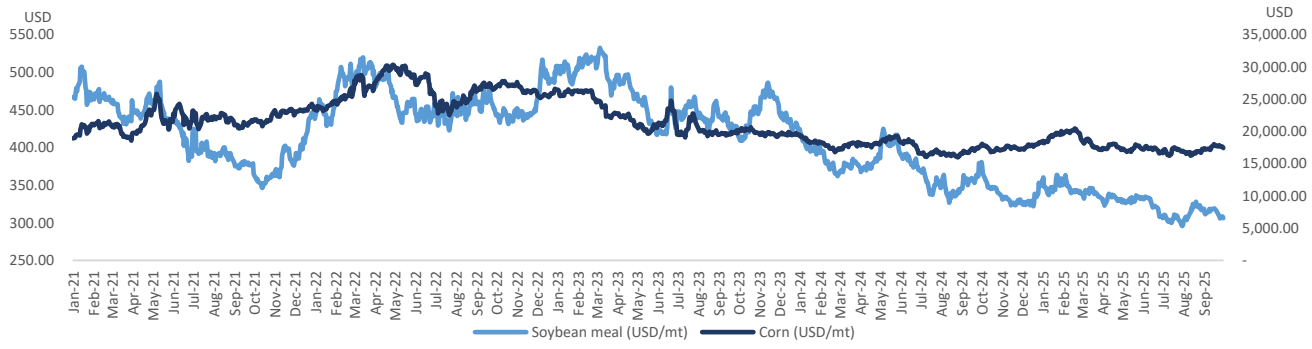
Feed prices were mixed in Sep-25, with soybean meal averaging USD314/mt (-12.6%yoy; -0.8%mom) and corn at USD17,517/mt (+2.5%yoy; +5.0%mom). The continued softness in soybean meal prices year-on-year provides a favourable cost environment, cushioning poultry producers from broader input cost pressures. Although corn prices firmed, the overall feed cost backdrop remains manageable. This stability supports margin resilience for integrated players such as **QL Resources (NEUTRAL, TP: RM4.33)** and **Leong Hup International (BUY, TP: RM0.90),** reinforcing earnings visibility across poultry and feedmill operations.

Table 4: Average Monthly Soybean meal, and corn futures prices for August 2025

Commodities	Sep-25	Aug-25	Sep-24	YoY (%)	MoM (%)	Remarks
Soybean meal (USD/mt)	314	316	359	-12.6	-0.8	**YoY:** Soybean prices fell as weak Chinese demand amid U.S.-China trade tensions and strong South American competition, particularly from Brazil and Argentina, pressured global benchmarks. **MoM:** Prices eased further on ample supply, adverse weather, and muted demand, with export competition and delayed U.S. farm aid adding to bearish sentiment.
Corn (USD/mt)	17,517	16,683	17,083	2.5	5.0	**YoY:** Corn prices rose as strong feed and ethanol demand, particularly in Brazil, and tighter global supply offset pressure from improving harvest prospects. **MoM:** Prices edged higher on persistent transport disruptions in the U.S. and Brazil, which constrained deliveries and sustained near-term price support despite ample crop outlooks.

Sources: Bloomberg, USDA, MBSBR

Chart 5: Raw Material Futures Price Trend for Poultry Producer (USD/mt)



Sources: Bloomberg, USDA, MBSBR

Currency: Ringgit stability continues to anchor cost environment

Ringgit continues to strengthen. The Malaysian Ringgit (MYR) averaged 4.21/USD in Sep-25, appreciating by +1.2%yoy and +0.3%mom. This steady strengthening provides a supportive backdrop for import-heavy consumer companies. For players reliant on USD-denominated inputs such as packaging materials and food commodities especially, the firmer MYR helps mitigate cost pressures and smooth margin fluctuations. Sustained stability at current levels should continue to underpin cost predictability and reinforce earnings visibility across the sector.

Table 5: USD/MYR Monthly statistics for August 2025

Currency	Sep-25	Aug-25	Sep-24	YoY (%)	MoM (%)
USD/MYR	4.21	4.23	4.26	-1.2	-0.3

Sources: Bloomberg, MBSBR

Chart 6: Price Trend of USD/MYR



Sources: Bloomberg, MBSBR

Maintain POSITIVE on the Consumer Sector. We maintain our POSITIVE outlook on the consumer sector, underpinned by firm macro fundamentals, resilient household spending power, and sustained tourism momentum. The recently announced **Budget 2026** further strengthens the sector's outlook, with an additional RM2b allocated to STR/SARA, enhancing disposable income and supporting broad-based consumption, as well as a robust social welfare framework aimed at raising living standards and promoting economic inclusion, demand is expected to remain resilient, particularly for staples and mass-market products. Meanwhile, the RM500m allocation for Visit Malaysia 2026 is set to boost retail and F&B activity, benefiting beverage players such as **F&N (BUY, TP: RM32.08**), **Life Water (NEUTRAL, TP: RM1.11),** and **Spritzer (NEUTRAL, TP: RM2.13)** through stronger RTD and bottled water sales. We expect higher tourist arrivals will also lift **AEON (BUY, TP: RM1.77)** and **QL Resources (NEUTRAL, TP: 4.33)** via FamilyMart, from increased mall traffic and discretionary spending. Together with stable labour market conditions, mild inflation, and easing input costs, we believe consumer names are well positioned to deliver resilient earnings despite external uncertainties**.**

Our **top picks** in the sector are **F&N (BUY, TP: RM32.08)** and **AEON (BUY, TP: RM1.77).** We favour **F&N** for its dominant position in the RTD beverage categories, which continue to benefit from rising mobility and tourism-led consumption. The group's upstream dairy investments in Gemas and expanded capacity in Cambodia are set to reinforce long-term earnings visibility. **AEON** remains well placed to capture mass-market demand through its extensive retail footprint, while steady contributions from its Property Management Services segment, alongside tenant mix optimisation and rental reversions, provide additional earnings support.

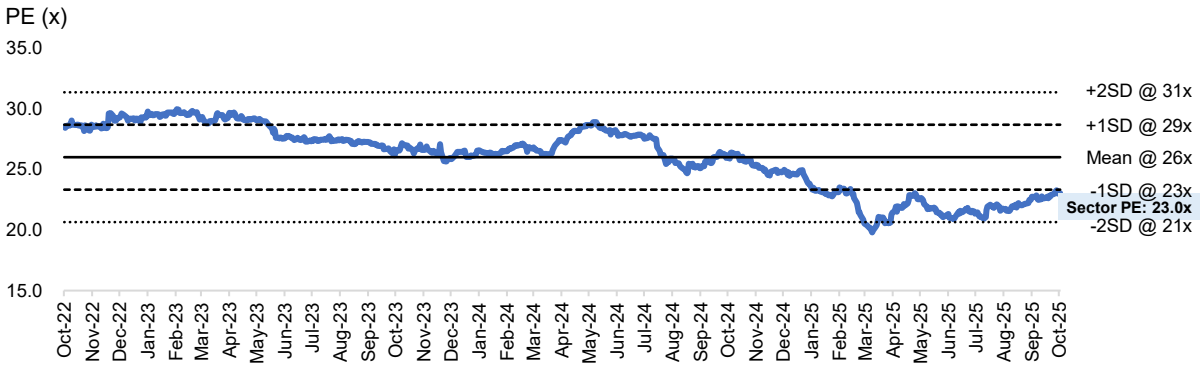
We are downgrading **Life Water to NEUTRAL** (from BUY) **with an unchanged target price of RM1.11,** as the recent share price rally has largely priced in near-term upside, despite the company's solid fundamentals and expanding distribution network. Similarly, we downgrade **PPB Group to NEUTRAL** (from BUY) **with an unchanged target price of RM11.02,** as the stock's rally following the resolution of the Wilmar case has priced in much of its near-term re-rating potential.

Table 6: Peers Comparison Table

Stocks	Rec.	Price @ 13-Oct-25	TP	Mkt. Cap (RM'm)	Core EPS (sen)				PER (x)	
					CY25F	CY26F	CY25F	CY26F	CY24F	CY25F
Consumer Staples:										
Fraser & Neave Holdings	BUY	27.66	32.08	10,145.1	148.8	157.6	18.6	17.6	2.7	2.8
Leong Hup International	BUY	0.64	0.90	2,317.8	12.4	13.1	5.1	4.8	3.9	4.1
QL Resources	NEUTRAL	4.37	4.33	15,952.6	13.8	14.6	31.7	29.8	1.2	1.3
Spritzer	NEUTRAL	2.08	2.13	1,324.4	13.0	14.4	16.0	14.4	1.9	2.1
Hup Seng Industries	NEUTRAL	1.01	0.92	808.0	5.6	6.0	18.0	16.7	5.1	5.5
Nestle Malaysia	SELL	99.60	77.90	23,356.2	232.1	249.1	42.9	40.0	2.2	2.4
PPB Group	NEUTRAL	11.00	11.02	15,649.0	54.7	95.8	20.1	11.5	2.5	4.0
Life Water	NEUTRAL	1.06	1.11	501.6	6.3	7.6	16.9	14.0	0.7	1.8
Weighted Avg.					**102.8**	**110.0**	**25.0**	**23.4**	**1.6**	**1.8**
Consumer Discretionary:										
Aeon Co M	BUY	1.29	1.77	1,811.2	11.4	12.1	11.3	10.7	3.5	3.8
Padini Holdings	BUY	2.00	2.49	1,972.3	16.2	18.4	12.4	10.8	5.3	5.4
Oriental Kopi	SELL	1.43	1.03	2,860.0	2.9	3.9	49.4	36.8	0.5	0.8
Weighted Avg.					**9.2**	**10.4**	**28.0**	**22.0**	**2.8**	**3.0**

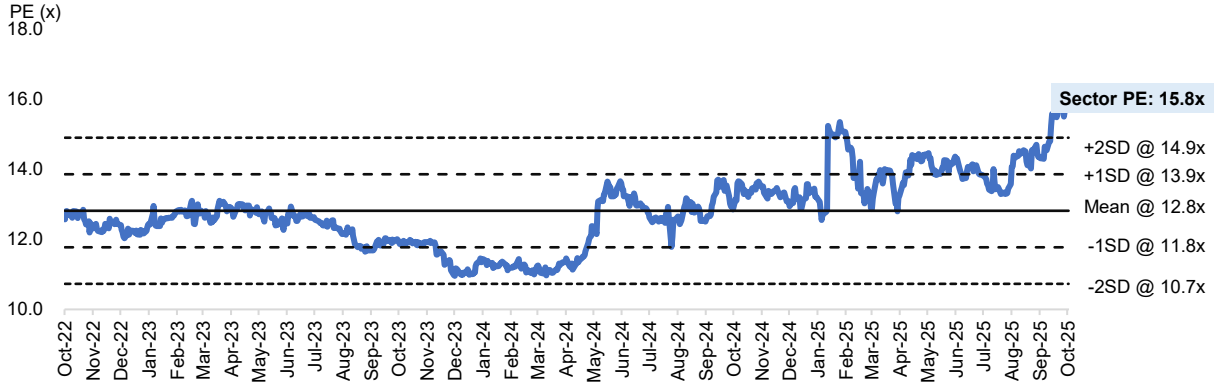
Sources: MBSBR

Chart 7: 3-Year Forward P/E Band – Consumer Staple



Sources: MBSBR

Chart 8: 3-Year Forward P/E Band – Consumer Discretionary



Sources: MBSBR

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MBSB INVESTMENT BANK (formerly known as MIDF Amanah Investment Bank): GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	The stock price is expected to rise by >10% within 3 months after a Trading Buy rating has been assigned due to positive news flow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	The stock price is expected to fall by >10% within 3 months after a Trading Sell rating has been assigned due to negative news flow.

SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.

ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell

☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology