Consumer

Resilient Consumption, Measured Tourism

POSITIVE (Maintain)

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HIGHLIGHTS

- Retail spending remained resilient in Jul-26, with retail trade up **+6.4%yoy** despite softer sequential momentum.
- Labour conditions stayed supportive, with unemployment holding at **3.0%** and employment growth at **+1.1%yoy**.
- Inflation remained manageable at **+1.8%yoy** in Jul-26, though food inflation picked up to **+1.8%yoy**.
- Tourism remained supportive but less of a major catalyst, with **1H26 arrivals broadly flat at 12.8m (-0.03%yoy)**.
- We maintain a **POSITIVE** sector view, favouring staples and value retail.
- Top picks: **99 Speed Mart (BUY, TP RM4.37)**, **MR D.I.Y. (BUY, TP RM2.13)**, **Leong Hup (BUY, TP RM1.03)** and **Nestlé Malaysia (BUY, TP RM116.10)**.

Retail: Positive Backdrop, but Growth Has Flattened.

Retail spending remained firm in Jul-26. Malaysia's retail trade rose +6.4%yoy to RM71.31b, despite easing -1.0%mom from RM72.02b in Jun-26. Growth remained broad-based across key subsectors, led by other specialised stores (+7.6%yoy), non-specialised stores (+7.2%yoy), F&B & tobacco (+6.4%yoy) and household equipment (+3.1%yoy), although all four categories recorded sequential declines. Cumulatively, retail trade rose +6.8%yoy to RM498.4b in 7M26, supported by non-specialised stores (+7.8%yoy), other specialised stores (+7.0%yoy), F&B & tobacco (+6.7%yoy) and household equipment (+3.5%yoy). The Jul-26 moderation marks a second consecutive month of softer annual growth after May, consistent with fading festive effects and some normalisation in discretionary spending. Nevertheless, the continued strength in non-specialised stores and F&B suggests staples-linked consumption remains resilient. We expect household spending to remain resilient, supported by stable employment and household income growth, although higher utilities, energy and logistics costs remain key downside risks to purchasing power.

Stable Labour Market, Inflation Remains Manageable. Labour market conditions remained supportive in Jul-26, with the unemployment rate unchanged at 3.0% for the fourth consecutive month. Labour-force growth strengthened to +1.0%yoy, while employment rose +1.1%yoy to 16.85m persons. Labour demand also remained healthy, with job vacancies rising in Aug-26, particularly across manufacturing, services and construction. On the price front, headline CPI moderated to +1.8%yoy in Jul-26 from +1.9%yoy in Jun-26, while core inflation similarly eased to +1.8%yoy. Food & beverages inflation, however, accelerated to +1.8%yoy from +1.4%yoy, with food-at-home inflation rising to +1.2%yoy on higher meat, egg and vegetable prices. Overall, stable employment, contained core inflation and resilient retail spending should continue to support household consumption, although renewed food, energy and supply-chain cost pressures remain the key risks to real purchasing power.

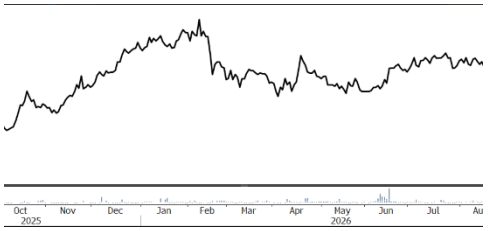
COMPANY *IN FOCUS*

99 Speedmart Retail Holdings

Maintain BUY | Target Price: RM4.37
Price @ 15 Sep 2026: RM3.14

- Staples-led format captures resilient essential spending and downtrading demand.
- Outlet expansion and centralised logistics support transaction growth and operating leverage.

SHARE PRICE CHART



Leong Hup International Berhad

Maintain BUY | Target Price: RM1.03
Price @ 15 Sep 2026: RM0.74

- Defensive exposure to staple protein demand across ASEAN

SHARE PRICE CHART

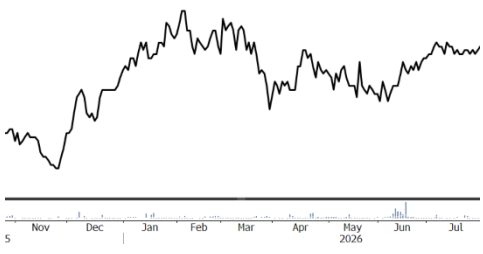


Table 1: Malaysia's monthly key statistics for July 2026

	Monthly Data							
Date	Jul-26	Jun-26	Jul-25	YoY	MoM	7M26	7M25	YoY
Retail Trade (RM'b)	**71.31**	**72.02**	**67.01**	**6.4%**	**-1.0%**	**498.44**	**466.64**	**6.8%**
Non-specialized Stores	27.63	28.01	25.78	7.2%	-1.4%	193.89	179.78	7.8%
F&B and Tobacco	4.52	4.62	4.25	6.4%	-2.2%	31.84	29.83	6.7%
Household Equipment	7.84	7.93	7.60	3.1%	-1.2%	54.96	53.07	3.5%
Others in Specialized Stores	15.06	15.33	14.00	7.6%	-1.8%	105.29	98.40	7.0%
Unemployment rate (%)	3.00	3.00	3.00	0.0	0.0			

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

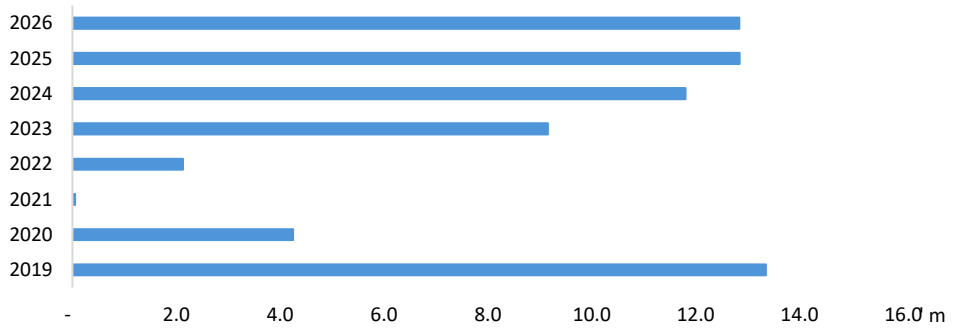
**Non-specialized Stores = supermarkets, hypermarkets, and convenience stores.*
**F&B and Tobacco = restaurant, food-related & tobacco related stores.*
**Automotive = Petrol, diesel or alternative fuel at petrol stations*
**Info & Comm Equipment = Computer, Laptops, Mobile devices, printers, hardrives, 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: Positive Backdrop, but Growth Has Flattened.

Malaysia recorded 12.8m tourist arrivals in 1HCY26. This was broadly flat at -0.03%yoy versus 12.9m in 1HCY25, suggesting tourism remains supportive of consumption but has yet to deliver a meaningful acceleration. The composition has also become more mixed. Chinese and Singaporean arrivals remained steady without exceptional growth. By contrast, arrivals from the US and UK moderated in recent months, particularly in Apr-May. Indonesian arrivals also softened over the same period, while Thailand and Vietnam were broadly flat to weaker year-on-year. Philippine and Indian arrivals, which had been firm earlier in the year, likewise began to weaken around Apr-May. Overall, the tourism backdrop remains constructive, but the pace is not strong enough to drive a broad-based step-up in consumer earnings.

Tourism Uplift Likely Uneven Across Consumer Names. We expect the clearer beneficiaries to remain companies exposed to tourist-heavy malls, local F&B concepts and beverage consumption. **AEON (BUY, TP RM1.61)** should benefit from mall traffic and retail spending, while **Oriental Kopi (BUY, TP RM1.34)** could capture higher café footfall and tourist interest in local concepts. **F&N (NEUTRAL, TP RM25.71)**, **Spritzer (NEUTRAL, TP RM2.92)** and **Life Water (NEUTRAL, TP RM1.63)** remain positioned to benefit from incremental beverage and bottled-water demand, while **QL Resources (NEUTRAL, TP RM4.11)** offers indirect exposure through FamilyMart's convenience network. However, we would not treat tourism as a catalyst for increased discretionary spending, given the broadly flat 1H26 arrival trend and recent moderation across several source markets.

Chart 1: Malaysia Tourist Arrivals (1H26)



Sources: Tourism Malaysia, MBSBR

Maintain POSITIVE on the Consumer Sector. We remain constructive on the sector, supported by resilient domestic spending, stable employment, manageable inflation and continued household support through STR/SARA and wage measures. Tourism remains supportive, but with 1H26 arrivals broadly flat year-on-year, we see it as an incremental rather than an earnings catalyst. We continue to favour defensive staples and value-oriented retailers, where demand visibility is stronger and trade-down remains supportive, while discretionary names face a less certain recovery. Our top picks remain **99 Speed Mart (BUY, TP RM4.37), MR D.I.Y. (BUY, TP RM2.13), Leong Hup (BUY, TP RM1.03) and Nestlé Malaysia (BUY, TP RM116.10).**

Table 2: Peers Comparison Table

Stocks	Rec.	Price @	TP	Mkt. Cap (RM'm)	Core EPS (sen)		PER (x)		Div. Yield (%)	
		15-Sep-26			CY26F	CY27F	CY26F	CY27F	CY26F	CY27F
Consumer Staples:										
Fraser & Neave Holdings	NEUTRAL	23.12	25.71	8,494.6	109.2	128.5	21.2	18.0	2.8	2.8
Leong Hup International	BUY	0.74	1.03	2,701.0	14.1	13.8	5.3	5.4	3.8	3.8
QL Resources	NEUTRAL	3.85	4.11	14,054.4	13.0	13.8	29.6	27.8	1.4	1.4
Spritzer	NEUTRAL	3.70	2.92	2,355.9	18.2	19.1	20.3	19.4	1.5	1.5
Hup Seng Industries	BUY	0.92	1.09	736.0	6.1	7.2	15.1	12.8	5.7	6.6
Nestle Malaysia	BUY	90.18	116.10	21,147.2	290.9	333.6	31.0	27.0	3.1	3.4
Life Water	NEUTRAL	1.66	1.63	785.5	7.9	9.6	21.1	17.3	1.1	1.3
PPB Group	BUY	9.59	11.20	13,642.7	86.1	97.3	11.1	9.9	4.2	4.2
99 Speedmart	BUY	3.14	4.37	26,376.0	8.4	9.7	37.3	32.3	1.3	1.6
Weighted Avg.					**140.4**	**160.8**	**38.8**	**34.2**	**3.4**	**3.7**
Consumer Discretionary:										
Aeon Co M	BUY	0.98	1.61	1,375.9	11.1	12.6	8.8	7.8	4.5	6.4
MR D.I.Y.	BUY	1.28	2.13	12,101.7	7.1	7.9	18.0	16.1	4.2	4.8
Padini Holdings	BUY	1.04	1.63	1,026.3	13.0	12.5	8.0	8.3	8.8	8.8
Oriental Kopi	BUY	0.90	1.34	1,800.0	3.4	4.5	26.4	20.1	1.1	1.4
Weighted Avg.					**7.5**	**8.3**	**17.5**	**15.4**	**4.2**	**4.9**

Sources: MBSBR

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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