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2Q25 advance GDP Growth:	+4.5%
2025 GDP Growth Forecast:	+4.2%
6M25 Headline Inflation:	+1.4%
2025 Headline Inflation Forecast:	+1.9%
BNM OPR:	2.75%
End-2025 OPR Forecast:	2.75%

Malaysia Labour Market

Steady in June, modest headwinds from tariff ahead

- Labour market remained steady in June, with the unemployment rate at a post-pandemic low of 3.0%, supported by steady hiring in services and manufacturing sectors.
- Resilient domestic demand, reflected in firm wholesale and retail trade growth, should support the services sector, the largest contributor of employment.
- Export-oriented manufacturing could face mounting pressure from US tariffs, with our estimates suggesting the unemployment rate could rise by c.0.2ppt to 3.2% if E&E exports to the US were impacted. Nonetheless, we view this as unlikely given potential exemptions and limited direct exposure.
- Resilient domestic demand, stable manufacturing activity, and policy supports, including fiscal spending and BNM's July rate cut, should underpin employment through year-end.
- We maintain our GDP growth forecast at +4.2% for 2025 (2024: +5.1%). Unemployment rate is projected to ease to 3.0% in 2025 (2024: 3.2%), barring major external shocks.

Labour market holds firm in June

Malaysia's labour market remained steady in June despite rising external uncertainties. The unemployment rate was unchanged at 3.0% (May: 3.0%), with the number of unemployed falling further to 518.7k (May: 522.4k). Meanwhile, active jobseekers declined to 414.4k (May: 416.4k).

Employment growth held steady at +0.3% MoM (May: +0.3%), led by hiring in services sector, particularly wholesale & retail trade, accommodation & F&B, and information & communication. Manufacturing, construction, mining and agriculture sectors also posted gains. By employment status, the number of employers rose at a slower pace (+0.8%; May: +1.0%), employees were stable (+0.2%; May: +0.2%), while own-account workers edged up (+0.6%; May: +0.5%).

The labour force expanded steadily by +0.3% MoM (May: +0.2%) to 17.43m (May: 17.38m), with the participation rate unchanged at 70.8% in June.

Domestic-driven services to anchor labour market

Resilient domestic demand should keep the labour market on a steady path. The domestically oriented services sector, accounting for 65.6% of total employment in 2024, remains on solid footing. This is evidenced by the wholesale trade growth accelerating to +5.2% YoY (May: +4.7%) and retail trade growth rising to +5.4% (May: +4.9%) as consumer spending stays robust.

Manufacturing jobs could face tariff-related headwinds

The manufacturing sector, particularly its export-oriented segment, faces mounting pressure from volatile US tariff developments, posing potential headwinds for employment. In 2024, manufacturing sector accounted for 16.3% of total employment, with export-oriented industries representing roughly two-thirds of that share. This translates to c.10.9% of total employment being tied to export-oriented manufacturing, underscoring its critical role as a relatively stable source of jobs.

Investment, Trade and Industry Minister Tengku Zafrul has previously flagged that up to 100k workers (0.6% of labour force) could be at risk if E&E exports to the US were impacted by the higher tariff. Our estimates suggest such an outcome could **lift the unemployment rate by c.0.2ppt** from our 2025 forecast of 3.0%.

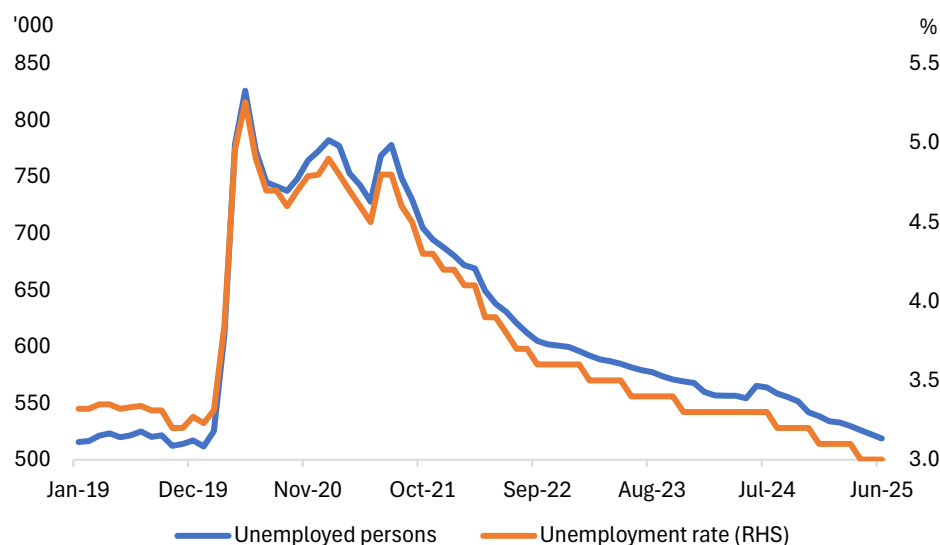
That said, we see this adverse outcome as unlikely. Only c.5.3% of Malaysia's total exports are US-bound semiconductors, with 65% of it attributable to MNCs that may qualify for exemptions. The remaining 35% from domestic producers (c.1.9% of total exports) could be exposed, but any tariff implementation is likely to be gradual given the challenges in supply chain substitution.

Policy tailwinds to sustain growth outlook

The unemployment rate averaged 3.0% during the Jan–Jun25 period, the lowest since the pandemic peak of 4.6% in 2021. We expect the favourable labour market conditions to hold for the rest of the year. Domestic demand strength, a steady manufacturing PMI (July: 49.7; June: 49.3) and broadly unchanged manufacturing employment in July point to continued resilience.

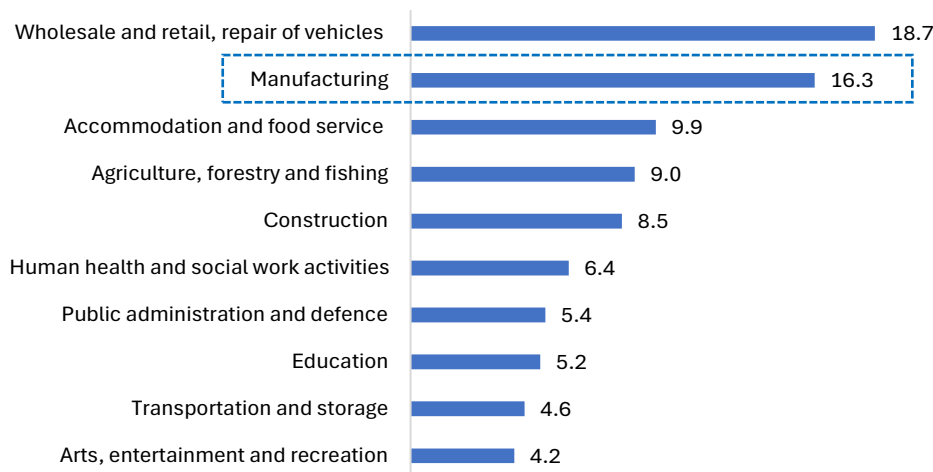
Domestic firms will be supported by ongoing fiscal spending and SME financing initiatives, with more expected in Budget 2026. BNM's 25-bp rate cut in July to 2.75% should provide further tailwinds. Overall, we project **2025 unemployment rate at 3.0%** (2024: 3.2%) and **maintain our GDP growth forecast of +4.2%** (2024: +5.1%), barring major tariff shocks.

Figure 1: Unemployment rate is at lowest level since the Covid-19 pandemic



Source: Macrobond, Apex Securities

Figure 2: Manufacturing sector accounted for 16.3% share of employment in 2024



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.
