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2Q25 GDP Growth:	+4.4%
2025 GDP Growth Forecast:	+4.2%
7M25 Headline Inflation:	+1.4%
2025 Headline Inflation Forecast:	+1.9%
BNM OPR:	2.75%
End-2025 OPR Forecast:	2.75%

Malaysia Labour Market

Stable conditions supportive of private consumption

- Labour market remained resilient in July, with the unemployment rate holding at a decade-low of 3.0%, supported by sustained hiring in services and manufacturing sectors.
- We caution against external risks that could pressure firms' profitability, with knock-on effects on wage growth. That said, manufacturing wages and salaries point to sector resilience at this juncture.
- Stable labour market conditions and the minimum wage policy bode well for consumer spending. We forecast steady real private consumption growth of +5.1% YoY in 2025 to cushion against external headwinds.
- We remain cautiously optimistic on the domestic outlook and maintain our 2025 GDP growth projection at +4.2% (2024: +5.1%).

Labour market remains firm in July

Malaysia's labour market remained resilient in July despite rising external headwinds. The unemployment rate stayed at a decade-low of 3.0% (Jun: 3.0%), although the number of unemployed edged up to 521.6k (Jun: 518.7k). Meanwhile, active jobseekers went up slightly to 416.2k (Jun: 414.4k).

Employment growth held steady at +0.2% MoM (Jun: +0.3%), led by hiring in services sector, particularly wholesale & retail trade, accommodation and F&B as well as information & communication. Manufacturing, construction, agriculture and mining sectors also recorded positive growth. By employment status, the number of employers (+0.6%; Jun: +0.8%), employees (+0.1%; Jun: +0.2%) and the self-employed (+0.4%; Jun: +0.6%) all eased for the month.

The labour force expanded further by +0.2% MoM (Jun: +0.3%) to 17.47m (Jun: 17.43m), with the participation rate unchanged at 70.8% in July.

Wage growth suggests firms unscathed from external headwinds

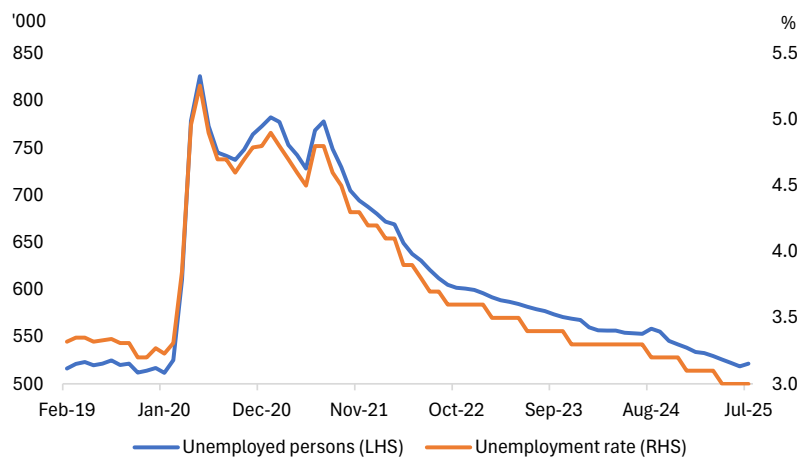
We caution against external risks, particularly impending US tariffs on semiconductors, as a key risk for export-oriented sectors. While employment remains broadly stable, weaker trade prospects could eventually pressure revenues and profitability, with knock-on effects on wage growth. Importantly, manufacturing sector wages and salaries registered healthy growth, rising by +1.6% YoY in June (May: +1.5%). On a seasonally adjusted basis, wages expanded by +1.5% (May: +1.3%), underscoring the sector's resilience at this juncture despite elevated trade headwinds, and pointing to sustained income support for domestic demand.

Steady labour market supportive of consumption

Stable labour market conditions, coupled with policy measures such as the civil service pay hike and higher minimum wage, should sustain consumer spending momentum. The RM1,700 minimum wage will be extended to all employers starting August, including micro firms with fewer than five workers which were previously exempted, accounting for c.67% of businesses. We forecast real private consumption to grow by +5.1% YoY in 2025 (1H25: +5.2%; 2024: +5.1%). Given consumption accounts for c.61% of GDP, this resilience remains a critical cushion against rising external headwinds.

We remain cautiously optimistic on the domestic outlook, though risks are tilted to the downside. As highlighted previously, a sharper tariff escalation could raise the unemployment rate by up to 0.2ppt, but the labour market's resilience so far rules out a material deterioration. We maintain our 2025 unemployment rate forecast at 3.0% (7M25: 3.0%; 2024: 3.2%), broadly consistent with full employment. Accordingly, we keep our 2025 GDP growth projection at +4.2% YoY (2024: +5.1%).

Figure 1: Unemployment rate remains at a decade-low of 3.0% in July



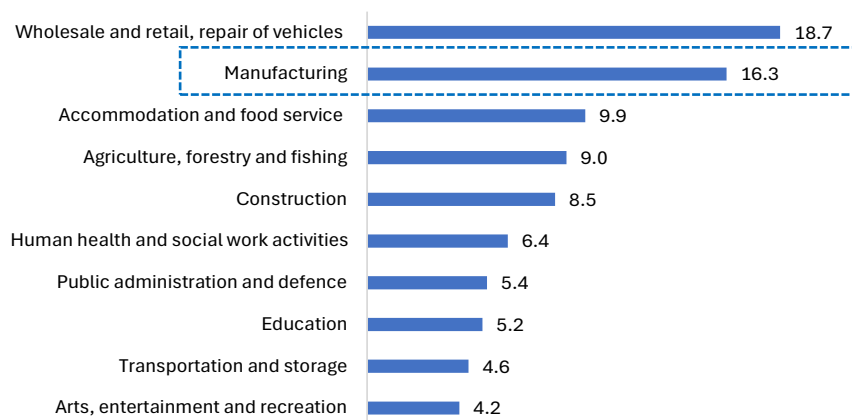
Source: Macrobond, Apex Securities

Figure 2: Manufacturing sector wages & salaries grew at a steady pace



Source: Macrobond, Apex Securities

Figure 3: 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.
