

Research Team
 (603) 7890 8888
research_dept@apexsecurities.com.my

3Q25 advance GDP Growth:	+5.2%
2025 GDP Growth Forecast:	+4.5%
2026 GDP Growth Forecast:	+4.1%
9M25 Headline Inflation:	+1.4%
2025 Headline Inflation Forecast:	+1.4%
2026 Headline Inflation Forecast:	+2.0%
BNM OPR:	2.75%
End-2025 OPR	2.75%
End-2026 OPR Forecast:	2.75%

Malaysia Labour Market

Steady conditions supportive of overall growth

- The labour market remained firm in September, with the unemployment rate holding at 3.0%, consistent with full employment.
- Hiring in the services sector is expected to stay resilient, supported by steady consumer spending and sustained investment flows. We project services GDP to grow around +5.0% YoY in both 2025 and 2026.
- The better-than-expected performance in export-oriented manufacturing should provide near-term support to employment, though Malaysia's October manufacturing PMI signalled uneven hiring momentum within the broader sector.
- We maintain our 2025 unemployment forecast at 3.0% (2024: 3.2%), which should continue to underpin private consumption. For 2026, we expect the unemployment rate to edge slightly higher to 3.1% as tariff effects become more visible.

Labour market holds firm in September

Malaysia's labour market remained firm in September. The unemployment rate held steady at 3.0% (Aug: 3.0%), as the number of unemployed fell for a second straight month to 518.6k (Aug: 520.0k). Active jobseekers also declined slightly to 413.6k (Aug: 414.9k).

Employment growth was unchanged at +0.2% MoM (Aug: +0.2%), driven by sustained hiring in the services sector, particularly wholesale & retail trade, accommodation & F&B as well as information & communication. Employment also increased across manufacturing, construction, mining and agriculture sectors. By employment status, the number of employers rose at a faster pace (+1.3%; Aug: +0.7%), while employees (+0.1%; Aug: +0.2%) and own-account workers (+0.4%; Aug: +0.5%) grew at a slower pace.

The labour force expanded by +0.2% MoM to 17.54m (Aug: 17.51m), with the participation rate steady at 70.9%.

Domestic demand to anchor hiring momentum

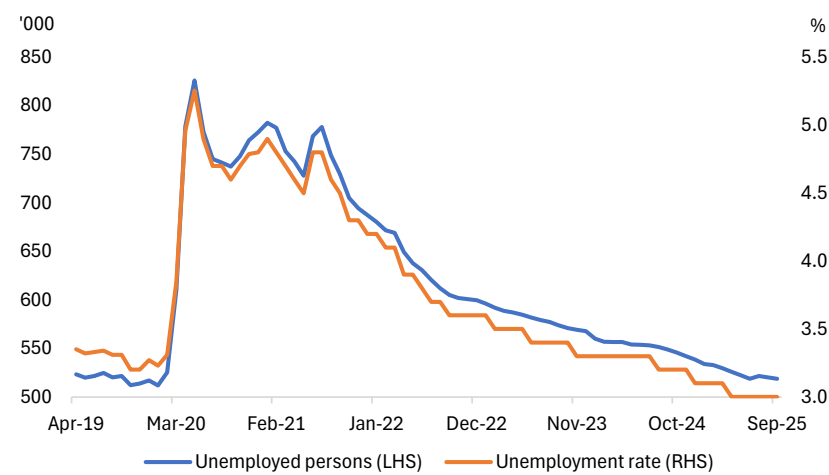
Heading into 2026, domestic demand should remain the key anchor for Malaysia's economy. Hiring momentum in services, which accounts for nearly two-thirds of total employment, is expected to stay firm, supported by resilient consumer spending and steady investment flows amid ongoing policy support. We project services GDP to grow around +5.0% YoY in both 2025 and 2026.

Meanwhile, the export-oriented manufacturing sector has fared better than expected despite tariff concerns, with nominal exports rising +6.8% YoY in 3Q25 (2Q25: +3.3%). This should provide near-term support to employment. That said, some caution is warranted, as Malaysia's October manufacturing PMI pointed to a marginal reduction in staffing, suggesting uneven hiring momentum within the broader sector.

Unemployment rate to stay low

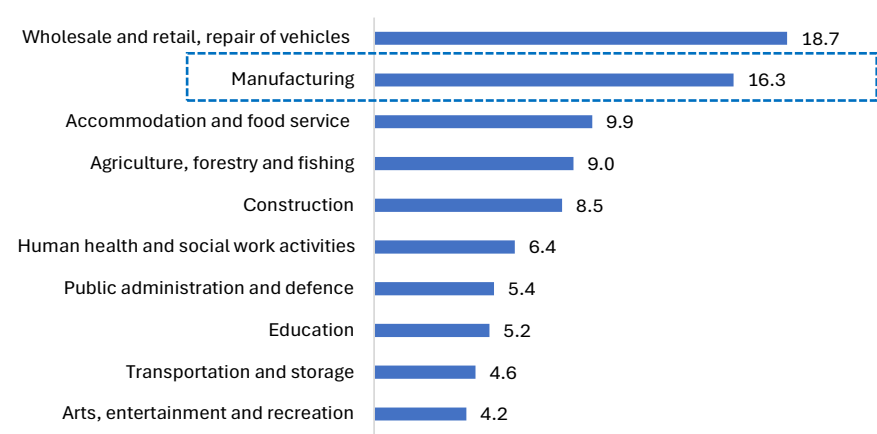
With the unemployment rate averaging 3.0% in 9M25, we **maintain our 2025 forecast at 3.0%** (2024: 3.2%), consistent with full employment. The resilient labour market should continue to underpin private consumption and overall growth, supporting our **GDP forecast of +4.5% for 2025** (2024: +5.1%). **For 2026, we expect the unemployment rate to edge slightly higher to 3.1%** as tariff effects become more visible, with **GDP growth moderating to +4.1%**.

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



Source: Department of Statistics, 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.
