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4Q25 Advance GDP Growth:	+5.7%
2025 GDP Growth Forecast:	+4.7%
2026 GDP Growth Forecast:	+4.3%
2025 Export Growth:	+6.5%
2026 Export Growth Forecast:	+4.8%
2025 Unemployment Rate Forecast:	3.0%
2026 Unemployment Rate Forecast:	3.0%
2025 Headline Inflation:	+1.4%
2026 Headline Inflation Forecast:	+1.8%
End-2025 OPR	2.75%
End-2026 OPR Forecast:	2.75%

Malaysia Labour Market

Positive growth and steady OPR outlook

- The labour market remained resilient in December, with the unemployment rate holding at an 11-year low of 2.9%, consistent with firmer economic growth momentum.
- Stronger tourism flows under Visit Malaysia 2026 are expected to support job creation in services, while a record level of government cash assistance should help lift household spending on essential services.
- Global growth driven by the AI-led technology upcycle should lend further support to export-oriented manufacturing, especially the E&E segment.
- Given sustained improvements in unemployment, we now expect the unemployment rate to average 3.0% in 2026, from 3.1% previously.
- Against the backdrop of a tight labour market and stable inflation, we expect Bank Negara Malaysia to keep the OPR at 2.75% through 2026.

Unemployment rate holds below 3%

Malaysia's labour market remained resilient in December, with the unemployment rate holding at an 11-year low of 2.9%, consistent with firmer growth momentum reflected in recent positive economic indicators. The number of unemployed edged down to 517.7k (Nov: 518.4k), while active jobseekers declined further to 412.4k (Nov: 413.5k). For full-year 2025, the unemployment rate averaged 3.0% (2024: 3.2%).

Employment growth was sustained at +0.2% MoM (Nov: +0.2%), supported by continued hiring in the services sector, particularly wholesale & retail trade, accommodation, F&B and information & communication activities. Meanwhile, manufacturing, construction and agriculture also recorded employment gains, although mining saw a decline during the month.

By employment status, the number of employers (+1.1% MoM; Nov: +0.8%) and own-account workers (+0.4%; Nov: +0.3%) picked up further, while employees (+0.1%; Nov: +0.1%) remained steady. The labour force expanded by +0.2% to 17.65m (Nov: 17.61m), with the participation rate unchanged at 70.9%.

Improving fundamentals to support hiring momentum

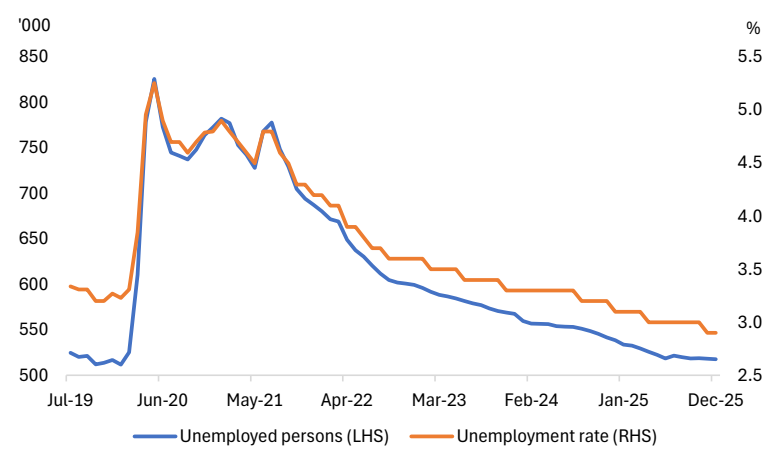
Strengthening domestic activity alongside an improving external backdrop should continue to underpin labour market going into 2026. Stronger tourism flows under Visit Malaysia 2026 are expected to support job creation in services, particularly accommodation, transportation and retail segments. Meanwhile, government cash assistance, including SARA and STR, is set to reach a record RM15bn in 2026 (2025: RM13bn), helping to lift household incomes and spending on essential services.

Externally, global growth driven by the AI-led technology upcycle should lend further support to export-oriented manufacturing, especially the E&E segment. Together with the domestic-oriented cluster, manufacturing remains the second-largest contributor to employment. Although Malaysia's January manufacturing PMI indicated a marginal reduction in hiring after December's surge, manufacturers' improved optimism on demand and new orders points to near-term support for manufacturing employment.

Maintain a steady OPR outlook

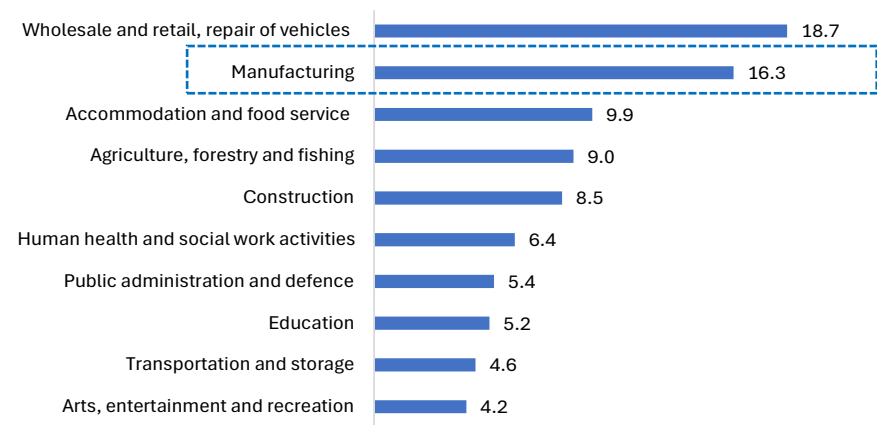
Overall, resilient labour market conditions remain supportive of consumption momentum. In view of sustained improvement in labour market conditions, we now expect the **unemployment rate to average 3.0% in 2026** (previously 3.1%). We **keep our GDP forecasts at +4.7% YoY for 2025 and +4.3% for 2026**. Against the backdrop of a tight labour market and stable inflation, we expect BNM to **keep the OPR at 2.75% through 2026**.

Figure 1: Unemployment rate held steady at 2.9% in December



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.
