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2025 GDP Growth	+5.2%
2026 GDP Growth Forecast:	+4.7%
2025 Export Growth:	+6.4%
2026 Export Growth Forecast:	+4.8%
2025 Unemployment Rate	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

Steady outlook but modest headwinds ahead

- The labour market remained stable in January, with the unemployment rate holding at an 11-year low of 2.9%, in line with firm domestic activity.
- Stronger tourism under Visit Malaysia 2026, ongoing policy support and structural shifts in investment should support hiring momentum and quality job creation.
- Flattish employment growth in January, together with reports of manufacturers reducing staffing levels, warrants close monitoring in our view.
- While geopolitical tensions in the Middle East pose downside risks to employment in export-oriented sectors, we expect the impact to remain manageable at this juncture.
- We expect the unemployment rate to average 3.0% in 2026 (2025: 3.0%).

Sub-3% unemployment rate sustained

Malaysia's labour market remained stable in January, with the unemployment rate holding at an 11-year low of 2.9% for the third straight month, in line with recent indications of firm domestic activity. The number of unemployed edged up slightly to 509.6k (Dec: 508.0k), while active jobseekers rose marginally to 406.9k (Dec: 405.5k).

Employment growth inched up +0.04% MoM (Dec: -1.9%), supported by continued hiring in the services sector, particularly wholesale & retail trade, accommodation, food & beverage services and transportation & storage. Employment also recorded gains across manufacturing, construction, agriculture and mining during the month.

By employment status, the number of employees (+0.03% MoM; Dec: -1.5%) and own-account workers (+0.1%; Dec: -4.2%) increased, while employers (+0.3%; Dec: +1.4%) rose at a slower pace. The labour force expanded by +0.1% to 17.28m (Dec: 17.27m), with the participation rate remaining steady at 70.9%.

Domestic demand to anchor hiring momentum

The resilience in the services sector, which accounts for nearly two-thirds of total employment, should continue to underpin labour market conditions in 2026. Stronger tourism flows under Visit Malaysia 2026 and ongoing policy support measures are expected to support domestic demand and services sector. Malaysia targets 43m visitors under Visit Malaysia 2026, which appears achievable given that the number of visitors already reached 42.2m in 2025. Tourism-related activities accounted for 21.6% of total employment in 2024, suggesting further room for job creation in accommodation, transportation and retail segments.

We also expect structural shifts in the investment landscape to support job creation over the medium term. Rising data-centre and AI-related investments should boost ICT-related services and demand for higher-skilled workers. Meanwhile, the government's New Incentive Framework (NIF), effective March 1 for manufacturing sector, ties tax incentives to measurable outcomes aligned with national priorities, including high-skilled job creation, R&D intensity and local supply-chain development. The shift towards a more targeted, performance-based framework should help attract higher-value investments and support quality job creation.

Caution warranted as hiring momentum softens

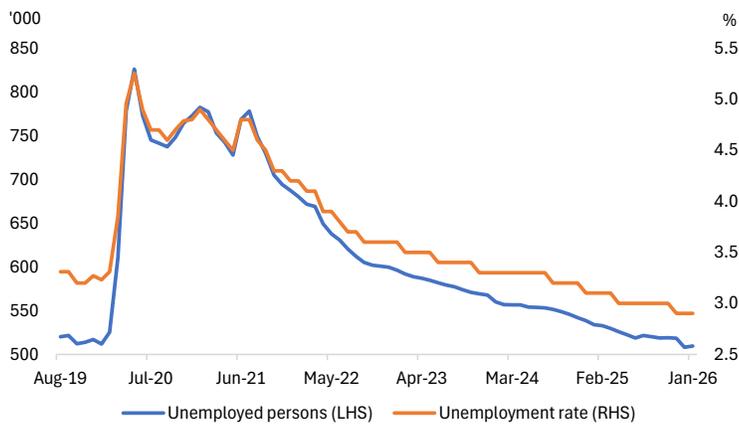
That said, the slight increase in the number of unemployed and flattish employment growth in January may suggest early signs of a moderation in hiring momentum. Malaysia's manufacturing PMI fell to 49.3 in February, with businesses citing weaker new orders. Notably, businesses reduced staffing levels at a pace comparable to August 2020. While it remains premature to conclude that labour market conditions are moderating, the trend warrants close monitoring in our view.

Furthermore, external risks have risen, as escalating geopolitical tensions in the Middle East could weigh on global growth and external demand, posing downside risks to employment in export-oriented sectors. Nonetheless, barring a prolonged conflict that leads to severe supply-chain disruptions or sharp volatility in crude oil prices, we expect the impact on Malaysia’s economy to remain manageable at this juncture.

Maintain steady outlook

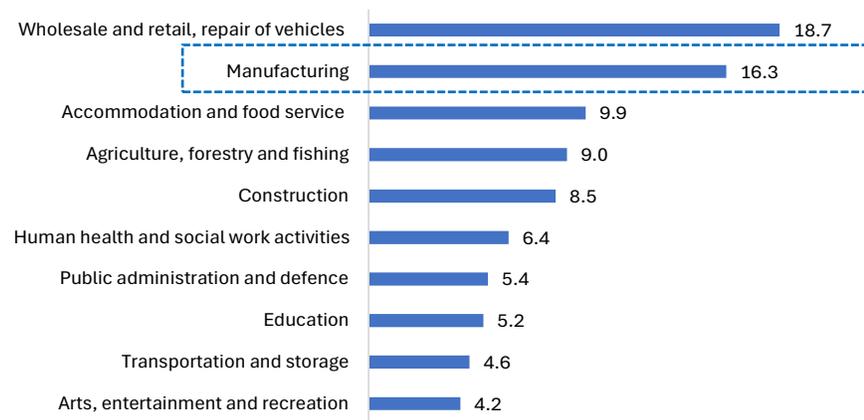
Overall, labour market conditions should remain broadly stable through 2026, supporting resilient domestic demand. We expect the **unemployment rate to average 3.0% in 2026** (2025: 3.0%) and **maintain our GDP growth forecast of +4.7% YoY** for 2026. Against the backdrop of a tight labour market and benign inflation, we expect BNM to **keep the OPR at 2.75%** through 2026.

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



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.
