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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

Resilience amid rising headwinds

- The unemployment rate held at 2.9% in February, supported by firm domestic activity.
- Policy support for consumption, steady tourism activity, sustained E&E demand and broader ICT investments should underpin hiring across services and manufacturing.
- Prolonged supply chain disruptions from the Middle East conflict, alongside spillovers to consumer spending, could weigh on job creation.
- We expect labour market conditions to remain broadly resilient, with the unemployment rate averaging 3.0% in 2026 (2025: 3.0%).
- We expect BNM to keep the OPR at 2.75%, while monitoring spillovers from elevated energy prices and domestic demand conditions.

Labour market holds firm in February

Malaysia's labour market remained resilient in February, supported by firm domestic activity. The unemployment rate held at an 11-year low of 2.9% for the fourth straight month, with the number of unemployed declining to 506.8k (Jan: 509.6k). Active jobseekers also edged lower to 404.7k (Jan: 406.9k).

Employment growth inched up +0.1% MoM (Jan: +0.04%), driven by continued hiring in the services sector, particularly "wholesale & retail trade", followed by "accommodation", "food & beverage services" and "information & communication". Employment also increased across manufacturing, construction and agriculture, although the mining sector recorded a pullback.

By employment status, the number of employers (+0.4%; Jan: +0.3%), employees (+0.1%; Jan: +0.03%) and the self-employed (+0.3%; Jan: +0.1%) all rose for the month. The labour force expanded by +0.1% to 17.30m (Jan: 17.28m), with the participation rate unchanged at 70.9%.

Still-solid fundamentals to underpin hiring momentum

The services sector, which accounts for nearly two-thirds of total employment, should continue to underpin job creation. Policy support for consumption is expected to sustain domestic demand, providing continued support to services activity. Tourism-related hiring should also benefit from visa exemptions for China and India, alongside promotional campaigns under Visit Malaysia 2026. That said, travel disruptions and higher airfares following the Middle East conflict may weigh on near-term tourist flows.

Meanwhile, manufacturing employment, particularly within the E&E segment, should remain supported by sustained global demand for semiconductors amid ongoing AI expansion. The E&E segment accounts for c.27% of manufacturing output. In addition, continued data centre and broader ICT investments should support demand for higher-skilled workers, underpinning wage growth in the private-sector.

Prolonged conflict could weigh on job creation

That said, a prolonged Middle East conflict remains a key downside risk to Malaysia's labour market. Supply chain disruptions have driven a sharp increase in energy and key industrial input prices, with domestic manufacturers reporting higher operation costs, particularly in transportation and other intermediate inputs. Notably, diesel price in Peninsular Malaysia has surged 121% to RM6.72/litre relative to pre-conflict level.

In a more adverse scenario, shortages of key inputs and inventory drawdowns could begin to affect production, leading to reduced working hours and potential layoffs of temporary workers. Taken together, these pressures could lead to slower job creation in the manufacturing sector.

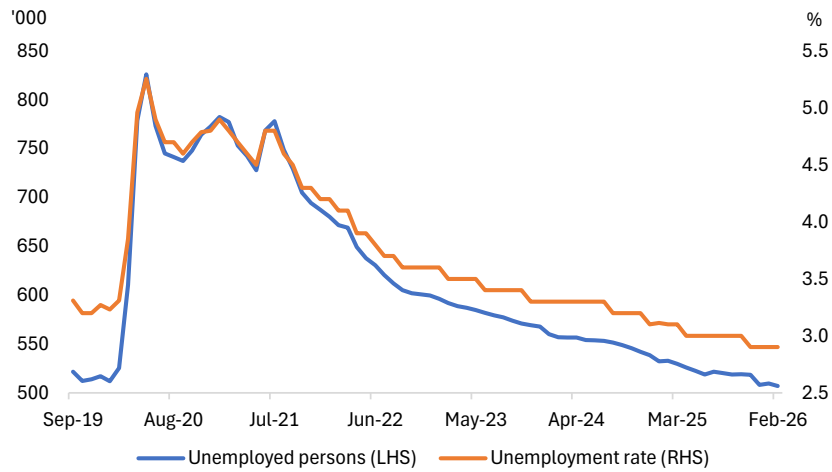
While BNM has guided that businesses may not fully pass on higher costs, we expect partial passthrough to consumer prices, particularly in food, utilities and transportation. This could lift

inflationary pressures and weigh on household spending, which in turn impacting hiring momentum in consumer-oriented services, including retail, F&B, accommodation and other discretionary segments.

Maintain a steady outlook

Overall, labour market conditions should remain broadly resilient through 2026, barring a prolonged escalation in geopolitical tensions. We expect the **unemployment rate to average 3.0% in 2026** (2025: 3.0%). Against this backdrop, we expect BNM to **keep the OPR at 2.75%**, while monitoring spillovers from elevated energy prices to business costs and domestic demand conditions.

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



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

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OVERWEIGHT: The industry defined by the analyst is expected to exceed 10% within the next 12 months.

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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.
