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2025 GDP Growth	+5.2%
2026 GDP Growth Forecast:	+4.7%
2025 Export Growth:	+6.4%
2026 Export Growth Forecast:	+8.1%
2025 Unemployment Rate	3.0%
2026 Unemployment Rate Forecast:	3.0%
2025 Headline Inflation:	+1.4%
2026 Headline Inflation Forecast:	+2.1%
End-2025 OPR	2.75%
End-2026 OPR Forecast:	2.75%

Malaysia Labour Market

No signs of a material downturn

- The unemployment rate was stable at 3.0% in April despite external headwinds.
- Labour market conditions should stay resilient, supported by firm domestic demand and sustained global semiconductor demand.
- While there are no signs of broad-based layoffs at this juncture, we remain cognisant of rising downside risks should the conflict persist.
- We maintain our unemployment rate forecast of 3.0% in 2026 (2025: 3.0%).

Steady labour market conditions in April

Malaysia's labour market remained stable in April despite rising headwinds amid the Middle East conflict. The unemployment rate ticked up only slightly to 3.0% (Mar: 2.9%), after holding at an 11-year low of 2.9% over the past five months. The number of unemployed rose to 511.8k (Mar: 509.0k), while active jobseekers increased to 407.1k (Mar: 405.8k).

Employment growth held steady at +0.1% MoM (Mar: +0.1%), driven by continued hiring in the services sector, particularly "wholesale & retail trade", "accommodation" and "food & beverage". Employment in manufacturing, construction, agriculture and mining also posted gains during the month.

By employment status, the number of employers (+0.04% MoM; Mar: +0.2%) and self-employed persons (+0.2%; Mar: +0.3%) eased for the month, while employees (+0.05%; Mar: +0.04%) remained broadly steady. The labour force expanded by +0.1% to 17.33m (Mar: 17.31m), while the labour force participation rate was unchanged at 70.9%.

Employment to hold up

Labour market conditions should remain broadly resilient going forward. We expect sustained job creation, in line with still-firm domestic activity, supported by steady household spending, ongoing policy support measures and continued investment activity. Employment in export-oriented industries should also remain supported, particularly within the E&E segment, underpinned by sustained global semiconductor demand amid ongoing AI expansion.

Despite ongoing geopolitical tensions and supply chain disruptions, employment prospects remain broadly intact for now. Separate data from SOCSO showed that loss of employment (LOE) increased to 7,766 in May (Apr: 7,162), while job placements rose to 14,366 (Apr: 12,119). The concurrent increase in job placements suggests that hiring demand remains firm, helping to absorb the impact of rising job losses on overall labour market conditions.

Meanwhile, the latest Malaysia manufacturing PMI for May indicated that firms largely paused hiring amid softer production demands. Nevertheless, the moderation was marginal, with staffing levels remaining broadly unchanged during the month. Consistent with broader labour market trends, the stabilisation in staffing levels suggests that employment conditions within the manufacturing sector remain relatively stable for now.

Caution warranted should disruptions persist

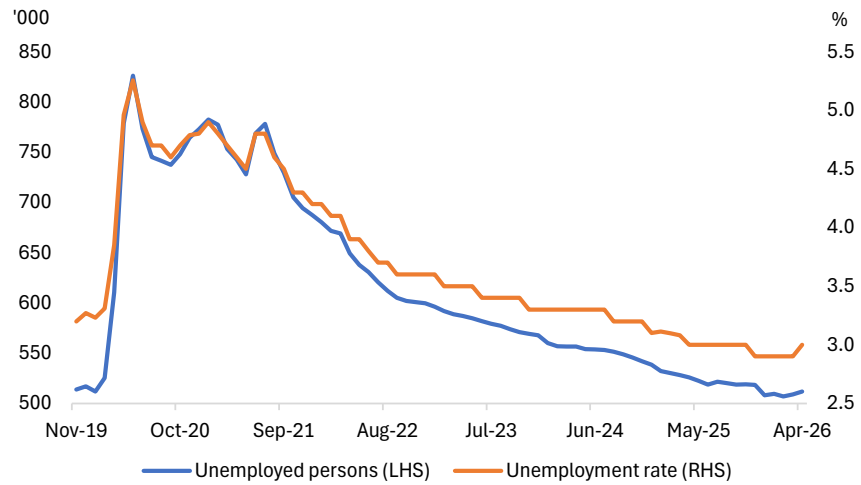
While there are no signs of broad-based layoffs at this juncture, we remain cognisant of rising downside risks should the conflict persist over an extended period. In a more adverse scenario, prolonged supply chain disruptions could weigh on business activity and spill over into weaker demand conditions. This could in turn dampen hiring activities and result in higher layoffs.

Maintain a steady outlook

Overall, labour market conditions should remain broadly steady through 2026, barring a prolonged escalation in geopolitical tensions. We **maintain our unemployment rate forecast**

of **3.0% in 2026** (2025: 3.0%). The continued strength in labour market supports our expectation for BNM to **keep the OPR at 2.75%**.

Figure 1: Unemployment rate inched up to 3.0% in April



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.
