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2025 GDP Growth	**+5.2%**
2026 GDP Growth Forecast:	**+4.7%**
2025 Export Growth:	**+6.4%**
2026 Export Growth Forecast:	**+16.3%**
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

Steady outlook despite modest headwinds in 2H26

- **The unemployment rate stayed at 3.0% in May, in line with resilient domestic activity.**
- **Labour market conditions should remain stable, supported by firm domestic demand and continued strength in export-oriented industries.**
- **We remain cognisant of potential lagged impacts from elevated material and operating costs on business activity and hiring in 2H26.**
- **We maintain our unemployment rate forecast of 3.0% in 2026 (2025: 3.0%).**

Labour market remains firm in May

Malaysia's labour market remained resilient in May, in line with recent indications of steady domestic activity. The unemployment rate stayed at 3.0% (Apr: 3.0%) despite headwinds from the Middle East conflict. The number of unemployed edged higher to 513.4k (Apr: 511.8k), while active jobseekers increased to 408.0k (Apr: 407.1k).

Employment growth held steady at +0.1% MoM (Apr: +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 (+0.2% MoM; Apr: +0.03%) increased, while growth in employees (+0.04%; Apr: +0.05%) and self-employed persons (+0.1%; Apr: +0.2%) eased during the month. The labour force expanded by +0.1% to 17.34m (Apr: 17.33m), while the labour force participation rate was unchanged at 70.9%.

Employment prospects remain intact

Looking ahead, we expect labour market conditions to remain stable, with hiring demand supported by still-firm domestic activity. Resilient household spending, ongoing policy support and sustained investment activity should continue to underpin business expansion and hiring. Meanwhile, continued strength in export-oriented industries, particularly the E&E segment, should lend further support to employment growth.

The latest Malaysia manufacturing PMI for June indicated uneven employment conditions across the manufacturing sector. While stronger new orders prompted some manufacturers to increase hiring, other firms reported job shedding, leaving overall employment broadly unchanged during the month. The overall stabilisation in staffing levels suggests that employment conditions within the manufacturing sector remain relatively steady for now.

Wary of lagged impacts in 2H26

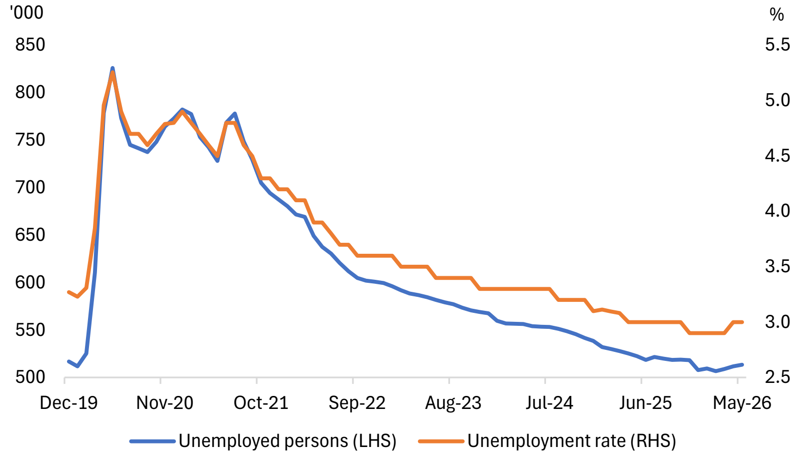
That said, the slight uptrend in the number of unemployed persons in recent months warrants close monitoring in our view. Data from SOCSO showed that loss of employment (LOE) rose for the second straight month to 8,100 in June (May: 7,766), albeit at a marginal pace. On a positive note, job placements remained solid at 10,591 (May: 14,366), helping to absorb some of the impact from rising job losses on overall labour market conditions.

On the broader economy, while supply conditions have improved, we remain cognisant of potential lagged impacts from elevated material and operating costs on business activity and demand conditions in 2H26. This could in turn dampen hiring and result in slower employment growth. For now, indications suggest that businesses have managed the supply disruptions relatively well, while the passthrough of higher business costs to consumer inflation remains manageable.

Maintain a steady outlook

Overall, employment prospects remain broadly intact for now. A potential de-escalation in the Middle East conflict should further support steady labour market conditions through 2026. We **maintain our unemployment rate forecast of 3.0% in 2026** (2025: 3.0%). Continued labour market resilience 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

As of **Monday, 13 Jul, 2026**, the analyst(s), whose name(s) appears on the front page, who prepared this report, has interest in the following securities covered in this report:
(a) nil.