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2025 GDP Growth	**+5.2%**
2026 GDP Growth Forecast:	**+5.0%**
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:	**+2.0%**
End-2025 OPR	**2.75%**
End-2026 OPR Forecast:	**2.75%**

Malaysia Labour Market

More pronounced headwinds in 2H26

- **The unemployment rate held at 3.0% in June despite external headwinds.**
- **Labour market outlook remains positive, underpinned by continued strength in services and manufacturing employment.**
- **We remain cognisant of moderating hiring momentum as lingering Middle East tensions add to business uncertainty and operating costs.**
- **We maintain our unemployment rate forecast of 3.0% in 2026 (2025: 3.0%).**

Steady unemployment rate at 3%

Malaysia's labour market remained stable in June, with the unemployment rate holding at 3.0% despite external headwinds from geopolitical tensions, reflecting firm domestic economic momentum. Nonetheless, the number of unemployed rose for the fourth consecutive month to 517.8k (May: 513.4k), while active jobseekers increased to 410.9k (May: 408.0k), suggesting some moderation in labour market conditions and warranting close monitoring in our view.

Employment growth was broadly flat at +0.01% MoM (May: +0.05%), with continued hiring in the services sector, particularly "transportation & storage", "accommodation" and "food & beverage". Employment in manufacturing and construction also increased, while agriculture and mining posted declines during the month.

By employment status, growth in the number of employers (+0.07% MoM; May: +0.2%), employees (+0.02%; May: +0.04%) and self-employed persons (+0.04%; May: +0.1%) all eased during the month. The labour force edged up +0.04% to 17.34m (May: 17.34m), while the labour force participation rate was unchanged at 70.9%.

Firm economic activity to support hiring

Looking ahead, we remain positive on the labour market outlook, with job creation underpinned by continued strength in the domestic economy. The services sector, which accounts for nearly two-thirds of total employment, should remain the key anchor of hiring momentum, supported by firm household spending and ongoing policy support for consumption.

Meanwhile, manufacturing employment, particularly in the E&E segment, should continue to benefit from sustained global semiconductor demand amid the ongoing AI upcycle. The E&E segment accounts for c.27% of domestic manufacturing output. Over the longer term, continued data centre and broader ICT investments should further support demand for higher-skilled workers and underpin private-sector wage growth.

Caution warranted as hiring momentum softens

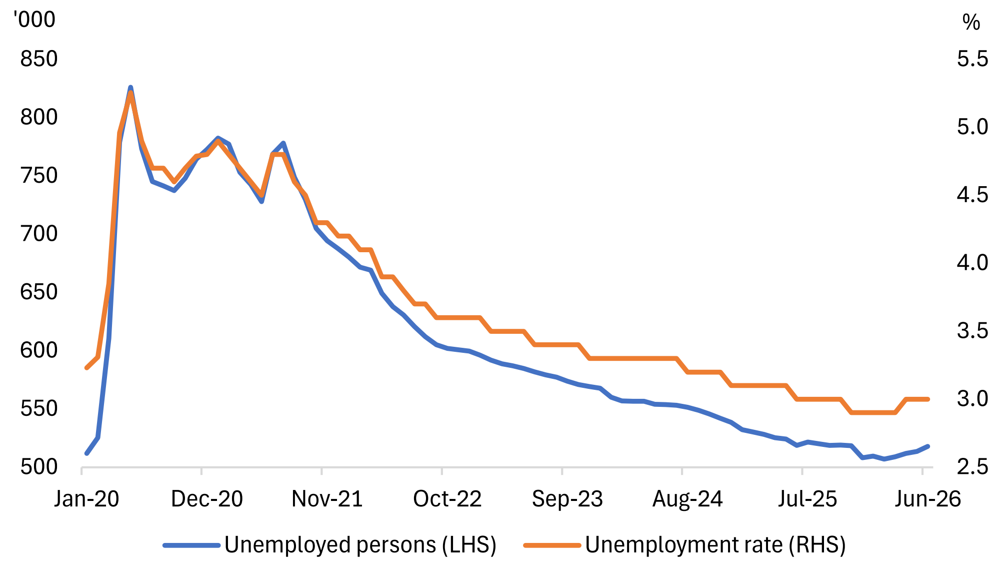
While the near-term labour market outlook remains broadly intact, we are cognisant of the recent moderation in hiring momentum, particularly as lingering Middle East tensions add to business uncertainty and operating costs. The latest Malaysia manufacturing PMI for July indicated that firms trimmed their staffing levels. Notably, besides resignations and layoffs, manufacturers cited efforts to reduce headcounts to lower operating costs.

Separate data from SOCSO showed that loss of employment (LOE) rose for the fourth consecutive month to 9,013 in July (Jun: 8,100), the highest since January this year. On a positive note, job vacancies rose to 242,434 (June: 103,394), providing some offset to the increase in job losses.

Stable outlook ahead

Overall, we anticipate the lagged impacts from elevated material and operating costs on business activity and demand conditions to become more pronounced in 2H26. While this could cap hiring demand, employment prospects should remain broadly intact. For now, indications suggest that businesses have managed supply disruptions relatively well, while the passthrough of higher business costs to consumer inflation remains manageable. We **maintain our unemployment rate forecast of 3.0% in 2026** (2025: 3.0%).

Figure 1: Unemployment rate held at 3.0% in June



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 **Wednesday, 12 Aug, 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.