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2025 GDP Growth	**+5.2%**
2026 GDP Growth Forecast:	**+5.0%**
2025 Export Growth:	**+6.6%**
2026 Export Growth Forecast:	**+26.2%**
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

Steady outlook but wary of cost pressures on hiring

- **The unemployment rate held at 3.0% in July, reflecting stable labour market conditions.**
- **Labour market outlook remains intact, underpinned by strength in household consumption, investment and external demand.**
- **We remain wary of the impact of elevated cost pressures and an uncertain business operating environment on hiring momentum.**
- **We maintain our unemployment rate forecast of 3.0% in 2026 (2025: 3.0%).**

Steady labour market conditions

Malaysia's unemployment rate held at 3.0% in July, reflecting broadly stable labour market conditions amid firm domestic economic activity. Nonetheless, the number of unemployed rose for the fifth consecutive month to 520.3k (Jun: 517.8k), suggesting some underlying weakness that warrants close monitoring.

Employment growth inched up to +0.1% MoM (Jun: +0.01%), driven by continued hiring in the services sector, particularly "arts, entertainment and recreation", "accommodation", "food & beverage services" as well as "financial and insurance/takaful activities". Employment also recorded gains across manufacturing, construction, agriculture and mining during the month.

By employment status, the number of employers (+0.3% MoM; Jun: +0.1%), employees (+0.1%; Jun: +0.02%) and self-employed persons (+0.3%; Jun: +0.04%) all increased during the month. The labour force rose +0.1% to 17.37m (Jun: 17.34m), while the labour force participation rate was unchanged at 70.9%.

Fundamentals remain intact

Looking ahead, we expect labour market conditions to remain broadly resilient. Policy support including cash assistance and subsidies should continue to sustain household consumption. Together with steady investment pipelines, these drivers are expected to underpin job creation. The Visit Malaysia 2026 campaign, which has now been extended to 2027, will provide further support to tourism-related hiring in accommodation, transportation and retail segments.

Employment prospects in the manufacturing sector also remain positive. The E&E segment, which accounts for c.27% of domestic manufacturing output, should continue to benefit from sustained AI upcycle into 2027. The latest Malaysia manufacturing PMI for August indicated that some firms increased hiring alongside an increase in new orders, albeit at a marginal pace, suggesting relatively steady employment conditions in the sector.

Separate data from SOCSO showed that loss of employment (LOE) eased to 7,526 in August (Jul: 9,013), the first improvement in four months. Meanwhile, job placements remained solid at 26,468 (Jul: 28,365), providing some cushion against job losses in the near term.

Wary of cost pressures on hiring

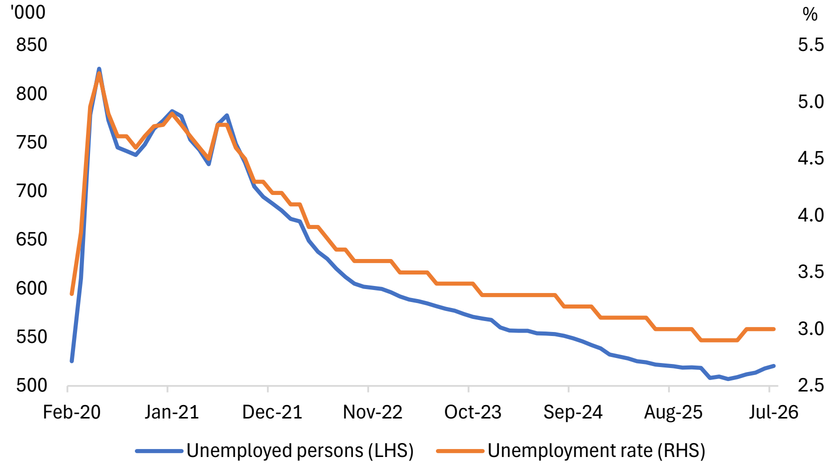
Despite the resilient labour market headlines, we remain wary of the recent volatility in hiring momentum. Lingering Middle East tensions, elevated energy prices and supply tightness remain key downside risks for businesses. Firms may adopt a more cautious approach to hiring amid elevated cost pressures and an uncertain operating environment. Previous PMI surveys indicated that firms might even consider reducing headcounts to lower operating costs.

Steady outlook ahead

Overall, employment prospects remain broadly intact for now. We **maintain our unemployment rate forecast of 3.0% in 2026** (2025: 3.0%). Continued labour market resilience also **supports our 2026 GDP growth forecast of +5.0%** (2025: +5.2%).

KDN PP13226/06/2024 (035469)

Figure 1: Unemployment rate held at 3.0% in July



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, 14 Sep, 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.