Malaysia's Jobless Rate Unchanged at 10-Year Low of 3.0% in May-25

ECONOMIC REVIEW:
May-25 Labour Market



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Economic Review

- Unemployment rate sustained at 3.0%. Malaysia's labour market remained firm and healthy in May-25 as the unemployment rate sustained at 3.0%, maintaining the lowest rate in ten years. This resilience was supported by the stronger employment growth (+2.9%yoy; Apr-25: +2.8%yoy), which continued to outpace labour force growth (+2.6%yoy; Apr-25: +2.5%yoy) for the 46th consecutive month since Aug-21.
- Lower vacancies in Jun-25. Labour demand weakened in Jun-25, with job vacancies falling to 108.5K (May-25: 134.6K), the lowest since Feb-24. Among job categories, a sharp decline in vacancies was seen for elementary occupations (-19K) and plant & machine operators and assemblers (-4.4K). In contrast, the service & sales workers recorded the largest monthly rise in vacancies by +1K and followed by clerical support workers (+420).
- Steady unemployment in 2025. We expect Malaysia's unemployment rate to average lower around 3.0% in 2025 (previous forecast: 3.1%; 2024: 3.3%), underpinned by increased employment and sustained job opportunities particularly in the services sector. Job creation and strong labour demand are expected to be driven by resilient domestic consumption and sustained investment activity.

The unemployment rate sustained at 3.0%. Malaysia's labour market remained firm and healthy in May-25 as the unemployment rate sustained at 3.0%, maintaining the lowest rate in ten years. This resilience was supported by the stronger employment growth (+2.9%yoy; Apr-25: +2.8%yoy), which continued to outpace labour force growth (+2.6%yoy; Apr-25: +2.5%yoy) for the 46th consecutive month since Aug-21. The number of unemployed individuals dropped further to 522K (Apr-25: 526K), the lowest level since Feb-20. Compared to a year ago, unemployment fell slightly steeper by -5.7%yoy (Apr-25: -5.5%yoy), the sharpest drop in 15 months and extending the decline since Sep-21. The unemployment rate among youths aged 15 to 24 edged down to 10.2% after holding steady at 10.3% for four consecutive months. Nonetheless, the rate remains elevated, reflecting persistent challenges faced by graduates and young job seekers in securing entry-level positions and entering the labour market. The labour force participation rate remained steady at 70.8% for the second consecutive month, reflecting increased workforce entry in line with sustained domestic economic growth. Steady employment growth and the low unemployment rate suggest that more job seekers successfully secured jobs, although the relatively elevated youth unemployment rate remains a persistent challenge. Looking ahead, positive labour market conditions are expected to bolster domestic consumption, a key economic driver in navigating ongoing global trade challenges. However, we remain cautious about the outlook in the export-oriented sectors as higher US tariffs could negatively influence firms' hiring decisions and constrain wage growth. Nonetheless, targeted government measures, such as wage subsidies, tax incentives, and training support, could help firms retain their workforce and stimulate new hiring, particularly for sectors that are highly exposed to external headwinds.

Table 1: Summary of labour Market (in '000)

	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25
Labour Force	17,168	17,218	17,267	17,308	17,345	17,385
YoY%	0.8	2.6	2.6	2.7	2.5	2.6
MoM%	-0.7	0.3	0.3	0.2	0.2	0.2
Employment	16,630	16,684	16,734	16,779	16,819	16,862

YoY%	1.0	2.8	2.9	3.0	2.8	2.9
MoM%	-0.7	0.3	0.3	0.3	0.2	0.3
Unemployment ('000)	539	534	533	530	526	522
YoY%	(5.2)	(4.7)	(4.3)	(4.9)	(5.5)	(5.7)
MoM%	(1.5)	(0.9)	(0.2)	(0.6)	(0.7)	(0.7)
Outside Labour Force	7,157	7,155	7,153	7,158	7,169	7,177
YoY%	(1.1)	1.8	0.0	1.5	2.0	1.8
MoM%	(1.0)	(0.0)	0.0	0.1	0.2	0.1
Labour Force Participation Rate, %	70.6	70.6	70.7	70.7	70.8	70.8
Unemployment Rate, %	3.1	3.1	3.1	3.1	3.0	3.0

Source: Macrobond, MIDFR

Lower vacancies in Jun-25. Labour demand weakened in Jun-25, with job vacancies falling to 108.5K (May-25: 134.6K), the lowest since Feb-24. Among job categories, a sharp decline in vacancies was seen for elementary occupations (-19K) and plant & machine operators and assemblers (-4.4K). In contrast, the service & sales workers recorded the largest monthly rise in vacancies by +1K and followed by clerical support workers (+420). Sector-wise, the services sector recorded lower vacancies of 69.9K (May-25: 83.3K). Job openings rose in wholesale & retail trade; water supply activities; and healthcare but fell in the administrative & transport activities; accommodation & food services; information & communication; and transport & storage. The manufacturing sector also shed -8K job vacancies, bringing down the total to 25.1K (May-25: 33.5K). Meanwhile, the agriculture sector recorded a drop of -191 job vacancies, totalling 5.3K (May-25: 5.5K). Looking ahead, we believe labour demand in the services sector is expected to remain robust, supported by resilient domestic spending and favourable labour market conditions. Meanwhile, labour demand in the construction sector will be supported by ongoing progress of multi-year projects in both the private and public sectors. The Jun-25 Manufacturing PMI report indicated employment rose for the first time in nine months, despite a continued drop in backlogs of work for the 11th straight month. On that note, we expect job openings in the manufacturing sector to improve cautiously as tariff-related disruptions and subdued external demand may limit hirings, particularly in export-oriented and commodity-linked industries.

Table 2: Composition of Job Vacancies by Type & Sector (share, %)

	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25
Total Jobs, Thousands	133.9	123.7	116.2	125.3	134.6	108.5
Legislators, Senior Officials & Managers	5.1	5.3	4.8	5.5	6.2	6.9
Professionals	14.9	20.7	16.9	17.6	16.7	19.9
Technicians & Associate Professionals	16.2	15.6	12.3	14.3	13.0	15.6
Clerical Workers	15.8	11.8	11.6	11.7	9.6	12.3
Service, Shop & Market Sales Workers	15.5	13.4	10.8	13.6	9.5	12.9
Skilled Agricultural & Fisheries Workers	0.8	0.6	0.6	0.3	0.9	0.4
Craft and Related Trades Workers	3.1	3.3	3.7	4.7	3.7	3.8
Plant & Machinery Operators & Assemblers	6.9	5.8	8.2	7.7	8.9	7.1
Elementary Occupations	21.6	23.5	30.8	24.7	31.5	21.2
Agriculture, Forestry & Fishing	3.9	6.6	4.3	3.9	4.1	4.9
Mining & Quarrying	0.6	0.5	0.5	0.4	0.5	0.5
Manufacturing	15.6	20.5	22.2	20.1	24.9	23.1
Construction	8.5	6.4	9.1	10.3	8.6	7.1
Services	71.4	66.0	63.9	65.2	61.9	64.4

Source: Macrobond, MIDFR

Broadly resilient global labour market. The US job market remained relatively stable and resilient despite concerns about the heightened tariff-related uncertainties. The US jobless rate fell to 4.1% in Jun-25 (May-25: 4.2%), on the back of stronger-than-expected rise in nonfarm payrolls (Jun-25: +147K; May-25: +144K jobs). However, risks of softening are emerging as Trump's broad tariff hikes could raise input costs, dampen growth, and likely trigger job cuts. The job market also improved in China as the unemployment rate edged down to 5.0% in May-25 (Apr-25: 5.2%), with the youth unemployment falling for the third consecutive month to 14.9% (Mar-25: 15.8%). To further support the job market, China unveiled a new set of employment support measures, including expanded social insurance subsidies, special loan facilities, and targeted assistance for youth

entering the job market. Slightly higher unemployment rates were recorded in the EU (6.3%; Apr-25: 6.2%) and Hong Kong (3.5%; Apr-25: 3.4%). Meanwhile, unemployment edged down in Philippines (3.9%, Apr-25: 4.1%) and Taiwan (3.3%, Apr-25: 3.4%) but remaining unchanged in South Korea (2.7%) and Japan (2.5%). The overall trend indicates continued resilience in the global labour market despite some softening in certain economies and uncertainties surrounding the trade outlook. Looking ahead, the impending implementation of tariffs on 1 August 2025 could drive up costs higher and pose a risk of a broader labour market slowdown in the US in the latter part of the year. Meanwhile, potentially weaker final demand and slower global trade could also affect labour demand in other economies.

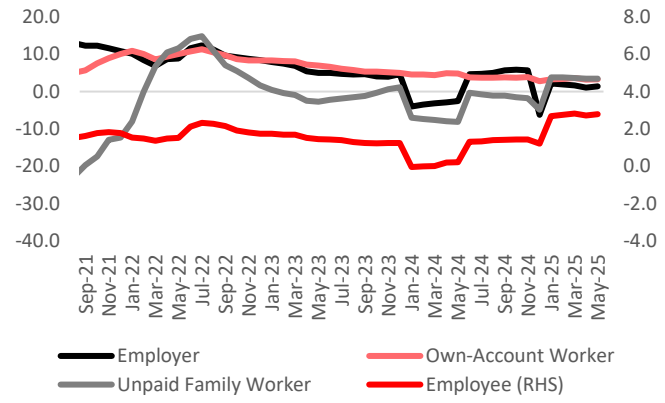
Table 3: Global unemployment rates (%)

	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25
Malaysia	3.2	3.1	3.1	3.1	3.1	3.0	
Philippines	3.2	3.1	4.3	3.8	3.9	4.1	3.9
Taiwan	3.4	3.4	3.4	3.4	3.4	3.4	3.3
South Korea	2.7	3.7	3.7	2.7	2.9	2.7	2.7
Hong Kong	3.1	3.1	3.1	3.2	3.2	3.4	3.5
China	5	5.1	5.2	5.4	5.2	5.1	5.0
Japan	2.5	2.4	2.5	2.4	2.5	2.5	2.5
Euro area	6.2	6.2	6.3	6.3	6.3	6.2	6.3
UK	4.4	4.4	4.4	4.4	4.5	4.6	-
US	4.2	4.1	4.0	4.1	4.2	4.2	4.1

Source: Macrobond, MIDFR

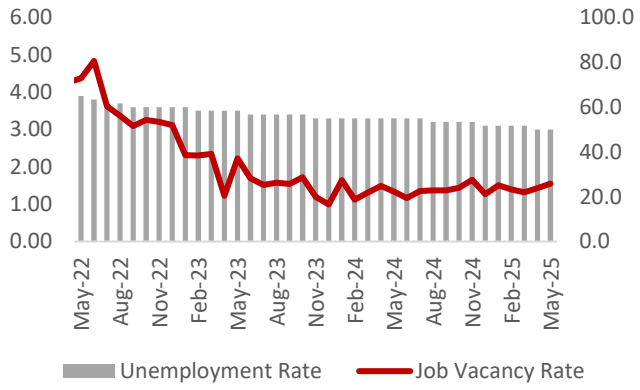
Steady unemployment in 2025. We expect Malaysia's unemployment rate to average lower around 3.0% in 2025 (previous forecast: 3.1%; 2024: 3.3%), underpinned by increased employment and sustained job opportunities particularly in the services sector. Job creation and strong labour demand are expected to be driven by resilient domestic consumption and sustained investment activity. However, we remain cautious that tariff-related disruptions could dampen global demand and weigh on hiring in export- and commodity-linked sectors. On the other hand, rising employment and steady wage growth are likely to be concentrated in domestic-oriented sectors that are relatively insulated from the impact of higher US tariffs.

Chart 1: Employment by Type (YoY%)



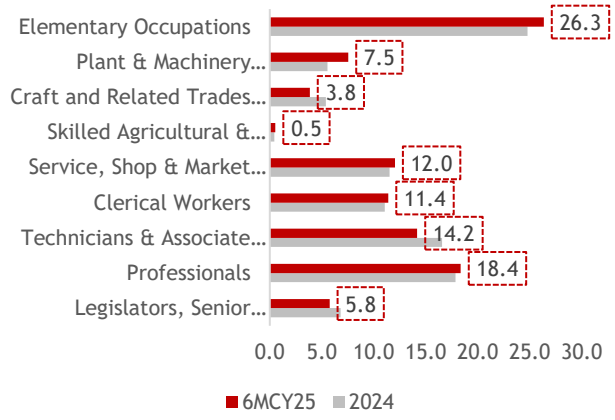
Source: DOSM, Macrobond, MIDFR

Chart 2: Jobless Rate vs. Job Vacancies Rate (%)



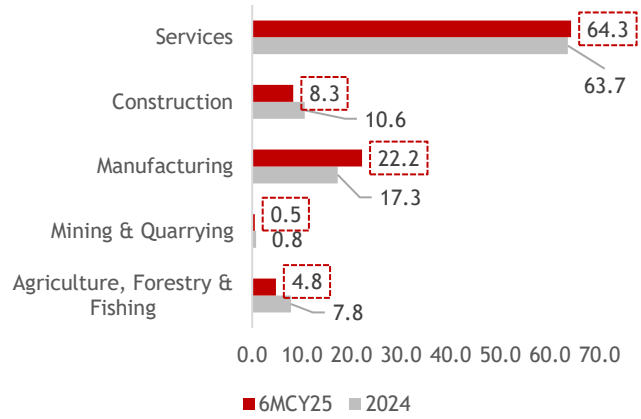
Source: DOSM, Macrobond, MIDFR

Chart 3: Share of Job Vacancies by Type (%)



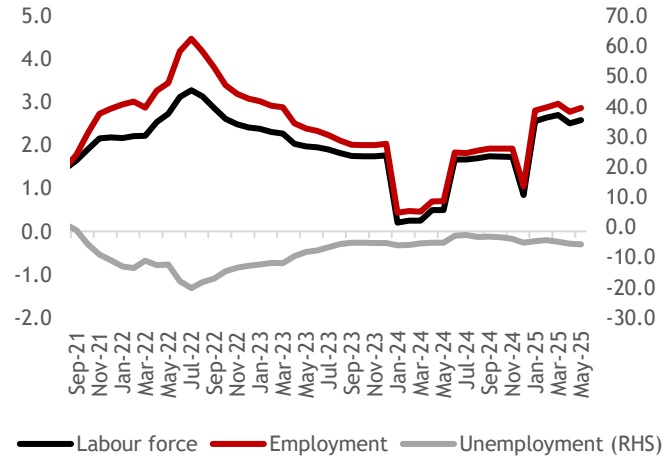
Source: PERKESO, Macrobond, MIDFR

Chart 4: Share of Job Vacancies by Sector (%)



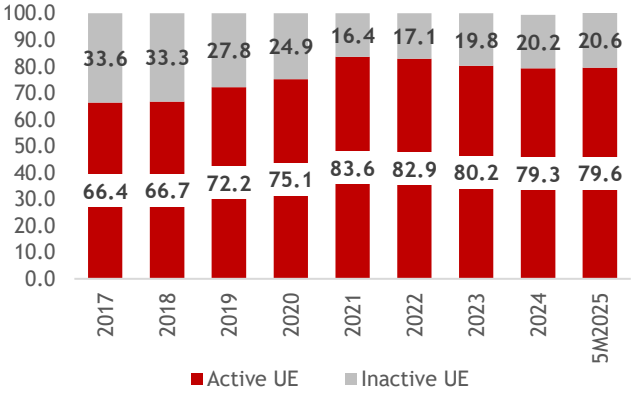
Source: PERKESO, Macrobond, MIDFR

Chart 5: Labour Market Performances (YoY%)



Source: DOSM, Macrobond, MIDFR

Chart 6: Type of unemployment (% share of unemployment)



Source: DOSM, Macrobond, MIDFR

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