Labour Market Steady as Unemployment Rate Holds in Jul-25

Economic Review
Jul-25 Labour Market



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- Malaysia's labour market remained firm and healthy in Jul-25 as the unemployment rate was sustained at 3.0%, maintaining the lowest rate in 10 years. This resilience was supported by the slight improvement in employment growth (+3.1%yoy; Jun-25: +3.0%yoy), which continued to outpace labour force growth (+2.8%yoy; Jun-25: +2.7%yoy) for the 48th consecutive month since Aug-21.
- Labour demand remained stable in Aug-25, as reflected by the number of job vacancies which remained above 110K albeit easing slightly to 112.3K (Jul-25: 116.4K). Sector-wise, the services sector recorded lower vacancies of 69.0K (Jul-25: 72.6K). The manufacturing sector shed -2.7K job vacancies, bringing down the total to 28.8K (Jul-25: 31.6K). Meanwhile, the agriculture sector recorded an increase of +3.2K to 7.6K vacancies (Jul-25: 4.4K).
- We expect Malaysia's unemployment rate to average lower around 3.0% in 2025 (2024: 3.3%), supported by positive employment growth and sustained job opportunities, particularly in the domestic-oriented services sector that is relatively insulated from the impact of higher US tariffs. Investment expansion, high realisation of approved projects, and catalytic initiatives under national plans and RMK-13 will drive job creation and sustain labour demand.

Malaysia's labour market remains healthy

Malaysia's labour market remained firm and healthy in Jul-25 as the unemployment rate was sustained at 3.0%, maintaining the lowest rate in 10 years. This resilience was supported by the slight improvement in employment growth (+3.1%yoy; Jun-25: +3.0%yoy), which continued to outpace labour force growth (+2.8%yoy; Jun-25: +2.7%yoy) for the 48th consecutive month since Aug-21. The jobless rate remained stable despite the number of unemployed individuals ticked up to 522K (Jun-25: 519K). Compared to a year ago, the unemployment count fell by -5.7%yoy (Jun-25: -6.3%yoy). The unemployment rate among youths aged 15 to 24 was unchanged at 10.2% during the month but remained elevated, reflecting the persistent challenges faced by graduates and young job seekers in securing employment and entering the labour market.

Job market resilience to mitigate external trade headwinds

Looking ahead, resilience in the labour market is expected to underpin domestic consumption, a key buffer against the external trade uncertainties. However, risks remain for export-oriented sectors, as higher US tariffs could dampen hiring and wage growth. Potential tariffs on semiconductors may raise costs, weaken demand, and trigger job cuts or stalled hiring. Targeted government support, including wage subsidies, tax incentives, and training programmes — could help firms retain workers and stimulate hiring, especially in sectors most exposed to external headwinds. Under RMK-13, the government is prioritising workforce development through strengthened Technical and Vocational Education and Training (TVET) to produce a future-ready, high-skilled talent pool. The government set an ambitious target to create 700K new jobs in manufacturing and 500K in the digital economy. These efforts, together with ongoing initiatives such as the JS-SEZ, aim to create quality jobs, accelerate digital transformation, and support Malaysia's transition to a more digital and inclusive economy.

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

	Monthly Data					
	Feb-25	**Mar-25**	**Apr-25**	**May-25**	**Jun-25**	**Jul-25**
Labour Force	17,267	17,308	17,345	17,385	17,434	17,471
YoY%	2.6	2.7	2.5	2.6	2.7	2.8
MoM%	0.3	0.2	0.2	0.2	0.3	0.2
Employment	16,734	16,779	16,819	16,862	16,915	16,949
YoY%	2.9	3.0	2.8	2.9	3.0	3.1
MoM%	0.3	0.3	0.2	0.3	0.3	0.2
Unemployment ('000)	533	530	526	522	519	522
YoY%	(4.3)	(4.9)	(5.5)	(5.7)	(6.3)	(5.7)
MoM%	(0.2)	(0.6)	(0.7)	(0.7)	(0.7)	0.6
Outside Labour Force	7,153	7,158	7,169	7,177	7,177	7,189
YoY%	0.0	1.5	2.0	1.8	1.5	1.4
MoM%	0.0	0.1	0.2	0.1	(0.0)	0.2
Labour Force Participation Rate, %	70.7	70.7	70.8	70.8	70.8	70.8
Unemployment Rate, %	3.1	3.1	3.0	3.0	3.0	3.0

Source: Macrobond, MBSBR

Labour demand was stable in Aug-25

Labour demand remained stable in Aug-25, as reflected by the number of job vacancies which remained above 110K albeit easing slightly to 112.3K (Jul-25: 116.4K). Among job categories, increased vacancies were seen for elementary occupations (+5.4K), skilled agricultural, forestry and fishery workers (+483) and technician and craft and related trades workers (528). In contrast, professional workers recorded a decline in vacancies of -3.2K and managers workers fell by -2.1K. Sector-wise, the services sector recorded lower vacancies of 69.0K (Jul-25: 72.6K). Job openings rose in accommodation and food service activities and water supply, sewerage, waste management and remediation activities. The manufacturing sector shed -2.7K job vacancies, bringing down the total to 28.8K (Jul-25: 31.6K). Meanwhile, the agriculture sector recorded an increase of +3.2K to 7.6K vacancies (Jul-25: 4.4K). The trend in job vacancies, which averaged 121K a month in 8MCY25 (average 2024: 125K per month), suggests a more normalized and stable labour demand. Looking ahead, we expect labour demand in the services sector to remain robust, supported by resilient domestic spending and favourable market conditions. In the construction industry, labour demand will be sustained by ongoing multi-year public and private projects, high realisation of approved investments, and catalytic initiatives under national master plans and RMK13. The Aug-25 Manufacturing PMI report showed that manufacturers remained cautious as employment levels declined again amid signs that capacity pressures remained muted. On that note, we continue to expect manufacturing job openings to keep easing as tariffs and weak external demand weigh on hiring decisions.

Signs of softening in the global labour market

The US job market softened in Aug-25 as the jobless rate increased to 4.2% in Jul-25 (Jun-25: 4.1%), although non-farm payrolls rebounded to +79K (Jun-25: -13K). The downward revision to the payrolls data in May-25 and Jun-25 indicates the US job market was weaker than expected. Meanwhile, the job market in China also showed signs of weakness as the unemployment rate rose to 5.2% in Jul-25 (Jun-25: 5.0%), with the youth unemployment surging to 17.8% (Jun-25: 14.5%). The jobless rate also rose to 3.7% in Hong Kong, the highest since Nov-22. In contrast, the rate of unemployment edged down in Japan (2.3%; Jun-25: 2.5%), South Korea (2.5%; Jun-25: 2.6%), and euro area (6.2%; Jun-25: 6.3%). However, the rate was unchanged in Taiwan (3.3%). The latest trend points to signs of softening in the global labour market, with weakness seen in some economies. Looking ahead, the labour market outlook is skewed to the downside, as Trump's broad tariffs risk raising costs, slowing growth, and triggering job cuts. Just as trade policy uncertainty began to ease with most tariffs already in place, a US appeals court ruled that many of the duties were illegal, leaving businesses in renewed limbo. Meanwhile, softer final demand and slower global trade may also dampen labour demand in other economies.

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

	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25
Total Jobs, Thousands	116.2	125.3	134.6	108.5	116.4	112.3
Legislators, Senior Officials & Managers	4.8	5.5	6.2	6.9	7.2	5.6
Professionals	16.9	17.6	16.7	19.9	20.3	18.2
Technicians & Associate Professionals	12.3	14.3	13.0	15.6	15.6	13.6
Clerical Workers	11.6	11.7	9.6	12.3	11.4	11.6
Service, Shop & Market Sales Workers	10.8	13.6	9.5	12.9	11.6	11.4
Skilled Agricultural & Fisheries Workers	0.6	0.3	0.9	0.4	0.4	0.8
Craft and Related Trades Workers	3.7	4.7	3.7	3.8	3.5	4.1
Plant & Machinery Operators & Assemblers	8.2	7.7	8.9	7.1	7.5	6.4
Elementary Occupations	30.8	24.7	31.5	21.2	22.6	28.2
Agriculture, Forestry & Fishing	4.3	3.9	4.1	4.9	3.8	6.8
Mining & Quarrying	0.5	0.4	0.5	0.5	1.0	0.4
Manufacturing	22.2	20.1	24.9	23.1	27.1	25.7
Construction	9.1	10.3	8.6	7.1	5.7	5.8
Services	63.9	65.2	61.9	64.4	62.4	62.4

Source: Macrobond, MBSBR

Table 3: Global unemployment rates (%)

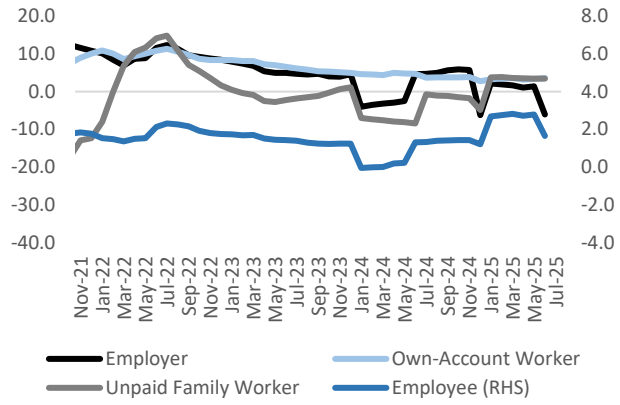
	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25
Malaysia	3.1	3.1	3.1	3.0	3.0	3.0	
Philippines	4.3	3.8	3.9	4.1	3.9	3.7	-
Taiwan	3.4	3.4	3.4	3.4	3.3	3.3	3.3
South Korea	3.7	2.7	2.9	2.7	2.7	2.6	2.5
Hong Kong	3.1	3.2	3.2	3.4	3.5	3.5	3.7
China	5.2	5.4	5.2	5.1	5.0	5.0	5.2
Japan	2.5	2.4	2.5	2.5	2.5	2.5	2.3
Euro area	6.3	6.3	6.4	6.3	6.4	6.3	6.2
UK	4.4	4.4	4.5	4.6	4.7	4.7	-
US	4.0	4.1	4.2	4.2	4.2	4.1	4.3

Source: Macrobond, MBSBR

Maintain forecast unemployment rate to average lower in 2025

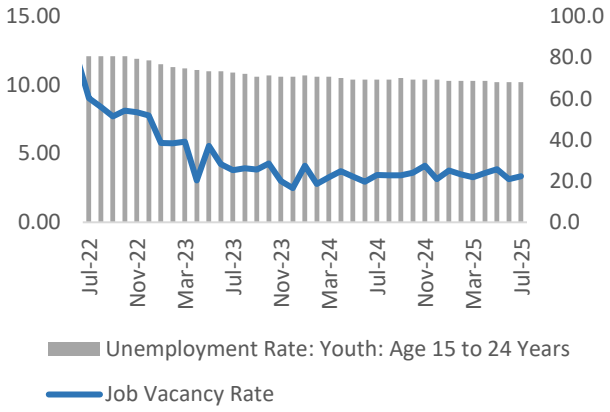
We expect Malaysia's unemployment rate to average lower around 3.0% in 2025 (2024: 3.3%), supported by positive employment growth and sustained job opportunities, particularly in the domestic-oriented services sector that is relatively insulated from the impact of higher US tariffs. Investment expansion, high realisation of approved projects, and catalytic initiatives under national plans and RMK-13 will drive job creation and sustain labour demand. An overall healthy labour market is expected to bolster domestic consumption, a key economic driver in navigating the ongoing global trade challenges. The main downside risk to the labour market is tariff-related disruptions, which could dampen global demand and weigh on hirings in export- and commodity-linked sectors.

Chart 1: Employment by Type (YoY%)



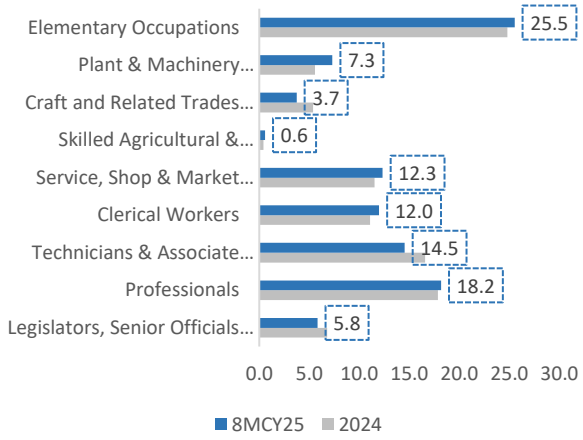
Source: Macrobond, MBSBR

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



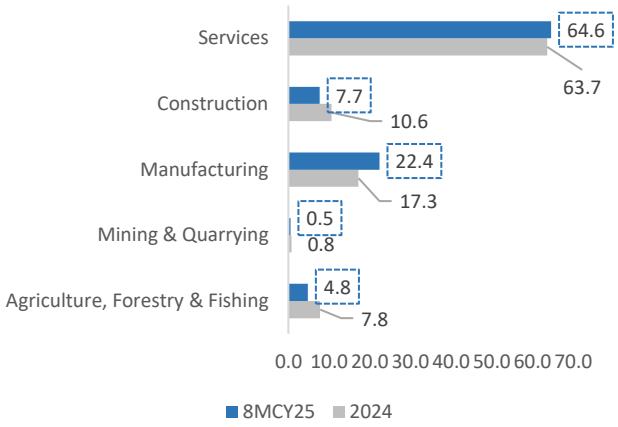
Source: Macrobond, MBSBR

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



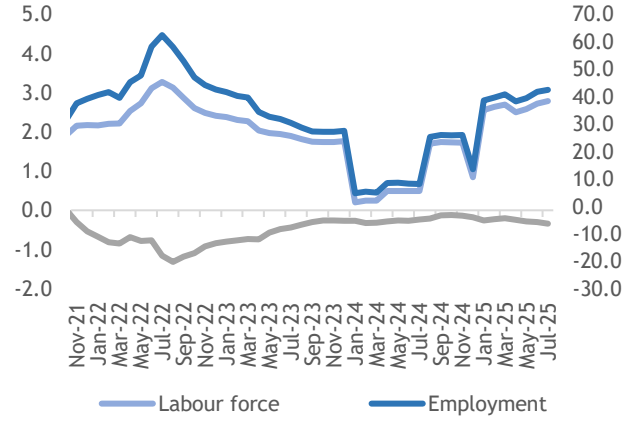
Source: Macrobond, MBSBR

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



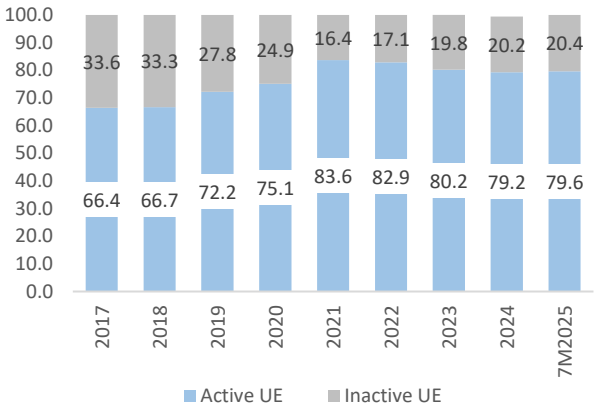
Source: Macrobond, MBSBR

Chart 5: Labour Market Performances (YoY%)



Source: DOSM, MBSBR

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



Source: DOSM, MBSBR

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