Stable Labour Market as Jobless Rate Remained at 10-Year Low in Aug-25

Economic Review
Aug-25 Labour Market



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- Malaysia's labour market remained healthy and resilient in Aug-25, with the unemployment rate holding steady at 3.0%, the lowest in 10 years. This stable and low unemployment was underpinned by sustained employment growth (+3.1%yoy), which continued to outpace labour force expansion (+2.8%yoy) for the 49th consecutive month since Aug-21.
- Labour demand remained stable in Sep-25, with job vacancies being above 110K, though easing slightly to 111.5K (Aug-25: 112.3K). By sector, services vacancies edged up to 69.6K (Aug-25: 69.0K), supported by higher vacancies in transportation, retail trade, and recreation activities. The manufacturing sector also saw a modest increase to 29.6K (Aug-25: 28.8K), whereas agriculture vacancies fell to 4.8K (Aug-25: 7.6K).
- We expect Malaysia's unemployment rate to average 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 13MP will drive job creation and sustain labour demand.

Malaysia labour market remains stable

Malaysia's labour market remained healthy and resilient in Aug-25, with the unemployment rate holding steady at 3.0%, the lowest in 10 years. This stable and low unemployment was underpinned by sustained employment growth (+3.1%yoy), which continued to outpace labour force expansion (+2.8%yoy) for the 49th consecutive month since Aug-21. Both readings were growing at the same pace as in the previous month. The number of unemployed people edged down slightly to 520K (Jul-25: 522K); while on a yearly basis, the unemployment count fell by -5.7%yoy, also the same pace as in Jul-25. Meanwhile, the youth unemployment rate (aged 15–24) was unchanged at 10.2% for the fourth consecutive month, remaining elevated and reflecting ongoing challenges among graduates and young job seekers in securing employment and transitioning into the labour market.

Budget 2026 and 13MP will drive high-skilled job growth

Looking ahead, labour market resilience is expected to continue supporting domestic consumption, a key buffer against external trade uncertainties. However, export-oriented sectors face challenging outlook, as higher US tariffs could dampen hiring and wage growth. Potential tariffs on semiconductors may raise production costs, weaken demand, and lead to slower hiring or job cuts. Through Budget 2026, the government is expected to place greater emphasis on enhancing employment in high-skilled segments to move the industry up the value chain. Targeted policy support, such as wage subsidies, tax incentives, and training programmes, will help firms retain workers and encourage hiring in sectors most exposed to external headwinds. Under the 13th Malaysia Plan (13MP), the government's focus on Technical and Vocational Education and Training (TVET) aims to strengthen workforce readiness and develop a high-skilled talent pool. Together with strategic initiatives such as the Johor–Singapore Special Economic Zone (JS-SEZ), these measures are expected to foster quality job creation and sustain employment growth.

Stable labour demand with mixed sectoral trends

Labour demand remained stable in Sep-25, with job vacancies being above 110K, though easing slightly to 111.5K (Aug-25: 112.3K). Higher vacancies were recorded for service and sales workers, technicians and associate professionals, and managers, while declines were seen among elementary and professional occupations. By sector, services vacancies edged up to 69.6K (Aug-25: 69.0K), supported by higher vacancies in transportation, retail trade, and recreation activities. The manufacturing sector also saw a modest increase to 29.6K (Aug-25: 28.8K), whereas agriculture vacancies fell to 4.8K (Aug-25: 7.6K). Job vacancies averaged 120K per month in 9MCY25 (2024: 127K), indicating a more stable and normalized labour demand. Looking ahead, labour demand in services is expected to stay resilient, supported by steady domestic spending and favourable market conditions. The construction sector will remain supported by ongoing public and private projects, high investment realisation, and key initiatives under national master plans and 13MP. These developments are expected to gain further momentum under Budget 2026, which is likely to prioritise infrastructure upgrades, housing, and strategic investment projects aimed at boosting domestic capacity and supporting long-term growth. Meanwhile, the Manufacturing PMI report showed continued caution, with employment falling in Sep-25 for a third straight month, signalling further easing in manufacturing job openings amid tariff effects and weak external demand.

Global labour market softens amid rising concerns about near-term outlook

The US labour market softened as the unemployment rate rose to 4.3% in Aug-25 (Jul-25: 4.2%), reaching the highest level since Oct-21. Similarly, China's job market showed renewed weakness, with the unemployment rate climbing to 5.3% (Jul-25: 5.2%), the highest since Feb-25, while youth unemployment surged to 18.9% (Jun-25: 17.5%), the highest since Dec-23. In Hong Kong, the jobless rate remained unchanged at 3.7%, the highest since Nov-22. Unemployment also edged higher in Japan (2.6%; Jul-25: 2.3%), South Korea (2.6%; Jul-25: 2.5%), the euro area (6.3%; Jul-25: 6.2%), and Taiwan (3.4%; Jul-25: 3.3%). Meanwhile, the Philippines recorded a slight improvement, with the unemployment rate easing to 3.9%. Global labour market conditions have softened, with signs of weakness across major economies as hiring momentum slows. Looking ahead, the outlook remains tilted to the downside, as Trump's broad tariffs risk raising business costs, weighing on growth, and prompting hiring freezes or job cuts. Meanwhile, weaker global trade, softer demand, and tighter financial conditions are likely to further dampen employment prospects, particularly in export-oriented sectors.

Maintain forecast unemployment rate to average lower in 2025

We expect Malaysia's unemployment rate to average around 3.0% in 2025 (2024: 3.3%), supported by steady employment growth and sustained job opportunities, particularly in the domestic-oriented services sector, which remains relatively insulated from the impact of higher US tariffs. Investment expansion, realisation of approved projects, and catalytic initiatives under national master plans and 13MP will continue to drive job creation and support labour demand. Further momentum is anticipated from Budget 2026, which is expected to introduce labour market reforms aimed at promoting high-skilled employment and upgrading the value chain. Overall, a healthy labour market should underpin domestic consumption, helping Malaysia navigate ongoing global trade challenges. The key downside risk stems from tariff-related disruptions, which could weaken global demand and weigh on hiring plans in export- and commodity-linked sectors.

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

	Monthly Data					
	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25
Labour Force	17,308	17,345	17,385	17,434	17,471	17,508
YoY%	2.7	2.5	2.6	2.7	2.8	2.8
MoM%	0.2	0.2	0.2	0.3	0.2	0.2
Employment	16,779	16,819	16,862	16,915	16,949	16,988
YoY%	3.0	2.8	2.9	3.0	3.1	3.1
MoM%	0.3	0.2	0.3	0.3	0.2	0.2
Unemployment ('000)	530	526	522	519	522	520
YoY%	(4.9)	(5.5)	(5.7)	(6.3)	(5.7)	(5.7)
MoM%	(0.6)	(0.7)	(0.7)	(0.7)	0.6	(0.3)
Outside Labour Force	7,158	7,169	7,177	7,177	7,189	7,202
YoY%	1.5	2.0	1.8	1.5	1.4	1.4
MoM%	0.1	0.2	0.1	(0.0)	0.2	0.2
Labour Force Participation Rate, %	70.7	70.8	70.8	70.8	70.8	70.9
Unemployment Rate, %	3.1	3.0	3.0	3.0	3.0	3.0

Source: Macrobond, MBSBR

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

	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25
Total Jobs, Thousands	125.3	134.6	108.5	116.4	112.3	111.5
Legislators, Senior Officials & Managers	5.5	6.2	6.9	7.2	5.6	6.2
Professionals	17.6	16.7	19.9	20.3	18.2	17.4
Technicians & Associate Professionals	14.3	13.0	15.6	15.6	13.6	14.9
Clerical Workers	11.7	9.6	12.3	11.4	11.6	11.3
Service, Shop & Market Sales Workers	13.6	9.5	12.9	11.6	11.4	13.2
Skilled Agricultural & Fisheries Workers	0.3	0.9	0.4	0.4	0.8	0.8
Craft and Related Trades Workers	4.7	3.7	3.8	3.5	4.1	3.7
Plant & Machinery Operators & Assemblers	7.7	8.9	7.1	7.5	6.4	6.3
Elementary Occupations	24.7	31.5	21.2	22.6	28.2	26.2
Agriculture, Forestry & Fishing	3.9	4.1	4.9	3.8	6.8	4.4
Mining & Quarrying	0.4	0.5	0.5	1.0	0.4	0.6
Manufacturing	20.1	24.9	23.1	27.1	25.7	26.6
Construction	10.3	8.6	7.1	5.7	5.8	6.1
Services	65.2	61.9	64.4	62.4	62.4	61.4

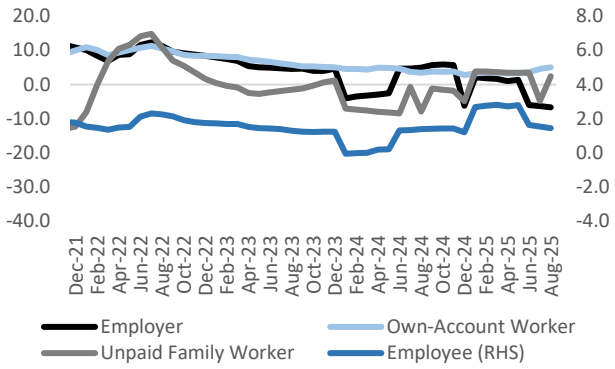
Source: Macrobond, MBSBR

Table 3: Global unemployment rates (%)

	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25
Malaysia	3.1	3.1	3.0	3.0	3.0	3.0	3.0
Philippines	3.8	3.9	4.1	3.9	3.7	5.3	3.9
Taiwan	3.4	3.4	3.4	3.3	3.3	3.3	3.4
South Korea	2.7	2.9	2.7	2.7	2.6	2.5	2.6
Hong Kong	3.2	3.2	3.4	3.5	3.5	3.7	3.7
China	5.4	5.2	5.1	5.0	5.0	5.2	5.3
Japan	2.4	2.5	2.5	2.5	2.5	2.3	2.6
Euro area	6.3	6.4	6.3	6.4	6.3	6.2	6.3
UK	4.4	4.5	4.6	4.7	4.7	4.7	n.a.
US	4.1	4.2	4.2	4.2	4.1	4.2	4.3

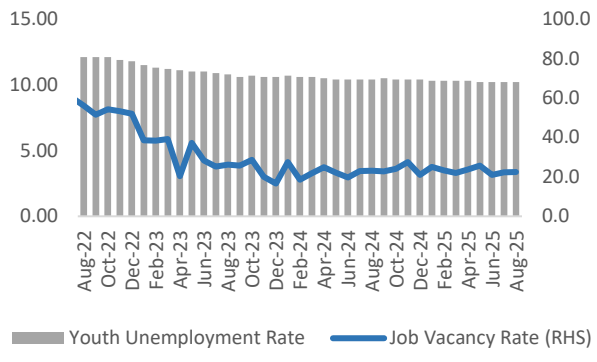
n.a. not available
Source: Macrobond, MBSBR

Chart 1: Employment by Type (YoY%)



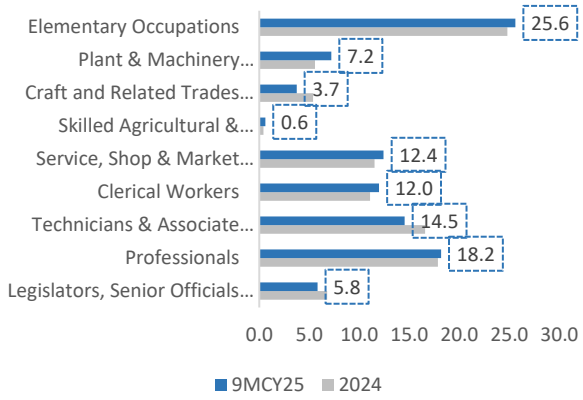
Source: Macrobond, MBSBR

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



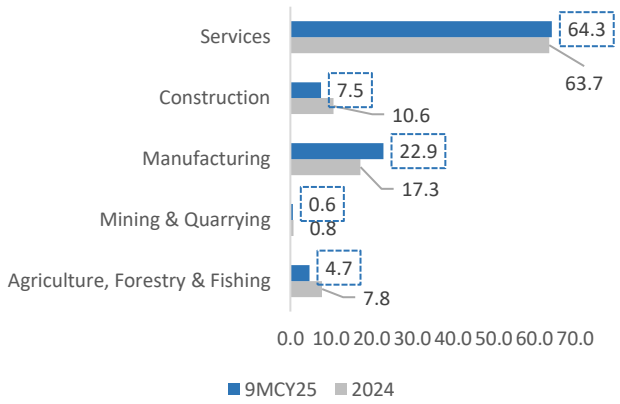
Source: Macrobond, MBSBR

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



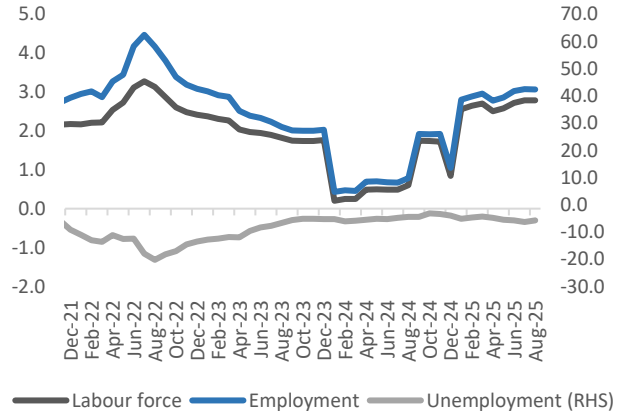
Source: Macrobond, MBSBR

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



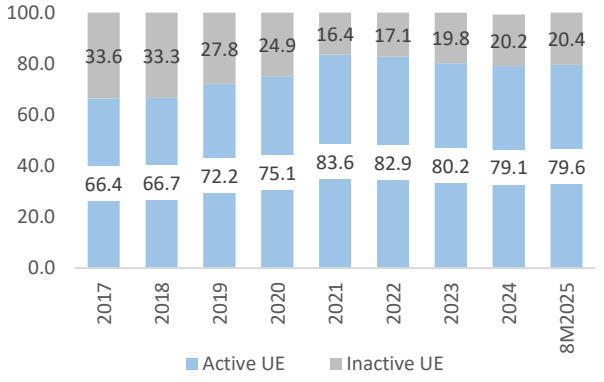
Source: Macrobond, MBSBR

Chart 5: Labour Market Performances (YoY%)



Source: DOSM, MBSBR

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



Source: DOSM, MBSBR

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