Unemployment Rate Unchanged at 2.9%

Economic Review
Dec-25 Labour Market



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- Malaysia's labour market continued to remain robust in Dec-25, with the unemployment rate unchanged at 2.9%, and continued to be below 3.0% for the second month and marking the lowest level in a decade. Employment growth remained steady, albeit with a slight moderation to +3.0%yoy for Dec-25 (Nov-25: +3.1%yoy) and continued to outpace the labour force expansion of (Dec-25: +2.8%yoy) since Aug-21.
- For the full year of 2025, the unemployment rate stood at 3.0% (2024: 3.2%), in line with our forecast. Employment expanded by +2.9% (2024: +0.8%), whereas labour force rose by +2.6% (2024: +0.6%), reflecting stronger hiring momentum alongside higher labour market participation amid improving economic conditions.
- Looking into 2026, we continue to expect that the unemployment rate will average around 3.0% (2025: 3.0%), on the back of the steady employment growth and sustained opportunities, especially in the domestic-oriented services sector, which continues to benefit from resilient household spending.

Unemployment rate rate unchanged at 2.9% in Dec-25

Malaysia's labour market continued to remain robust in Dec-25, with the unemployment rate unchanged at 2.9%, and continued to be below 3.0% for the second month and marking the lowest level in a decade. Employment growth remained steady, albeit with a slight moderation to +3.0%yoy for Dec-25 (Nov-25: +3.1%yoy) and continued to outpace the labour force expansion of (Dec-25: +2.8%yoy) since Aug-21. The number of unemployed people was unchanged at 518K. Meanwhile, the youth unemployment rate (aged 15-24) growth held steady at 10.1% for the fourth consecutive month; therefore, indicating the persistent jobless rate among the younger cohort and posing a challenge for graduates and new entrants in securing jobs or transitioning into the labour market. On a quarterly basis, the 4QCY25 saw the lowest unemployment rate across all the quarters in 2025. For the full year of 2025, the unemployment rate stood at 3.0% (2024: 3.2%), in line with our forecast. Employment expanded by +2.9% (2024: +0.8%), whereas labour force rose by +2.6% (2024: +0.6%), reflecting stronger hiring momentum alongside higher labour market participation amid improving economic conditions.

Economic growth and policy support to sustain jobs and wages in 2026

In 2026, labour market stability is set to underpin resilient domestic consumption. This internal momentum will be further catalysed by Visit Malaysia Year 2026, where a projected surge in tourist arrivals will act as a significant growth multiplier for SMEs and the services sector. Conversely, the export-oriented segment faces persistent headwinds; despite the recent US–Malaysia trade agreement, prevailing global uncertainties may continue to dampen hiring and wage growth in manufacturing. Malaysia's focus on the 13MP, the National Semiconductor Strategy, and the GEAR-uP program represents a coordinated push toward a higher-income economy. These reforms are expected to underpin the labour market by fostering high-value employment opportunities and robust wage growth. Crucially, the emphasis on TVET and semiconductor excellence provides a strategic solution to youth unemployment by aligning graduate skills with industry demand. Meanwhile,

Initiatives and measures as outlined in Budget 2026 are expected to provide support to exporters, improve the business outlook, sustain hiring, and encourage workforce retention.

Labour demand strengthened in Jan-26 as broad sectors improved

Labour demand was higher in Jan-26, with job vacancies increasing by +9K to 125.0K (Dec-25: +115.9K), the highest reading since May-25. By sector, services vacancies increased by +4.5K to 80.0K (Dec-25: 75.5K), mainly driven by the increase in wholesale and retail trade and professional, scientific and technical activities. There is a broad-based increase in vacancies in other sectors, such as the agriculture, forestry, and fishing, mining and quarrying, manufacturing, and construction, which increased by +1.7K (Dec-25: +1.5K), +0.3K (Dec-25: -0.2K), +0.7K (Dec-25: -0.3K), and +1.9K (Dec-25: -1.1K), respectively. Job vacancies averaged 119.5K per month in the past 12 months (2024: 127K), indicating a more stable and normalised labour demand.

Sectoral resilience and trade momentum to provide sustainable labour demand

Looking ahead, labour demand in the services sector is projected to remain resilient, underpinned by stable domestic consumption and favourable market dynamics. Simultaneously, the construction industry is poised for continued growth, fuelled by the steady execution of public and private projects, strong investment realisation, and strategic initiatives under the 13th Malaysia Plan (13MP) that are expected to accelerate industrial job creation. Also, Malaysia's manufacturing PMI slightly picked up at Jan-26 to 50.2 (Dec-25: 50.1), the highest level since May-24, and being the third straight month of factory activity growth. Additionally, new export orders increased for the first time in five months. This growth underscores a surge in market sentiment, as Malaysia's trade resilience persists in the face of shifting tariff regimes. This performance is underpinned by a robust multi-market export strategy, which has allowed local industries to pivot toward emerging growth corridors and maintain momentum despite external trade barriers.

Mixed trends on the global front

In the US, the unemployment rate edged lower to 4.4% in Dec-25 (Nov-25: 4.5%), lower than the market expectation of 4.5%. However, labour market data continues to remain mixed, as the initial jobless claims resurface back to above the 208k level in the latter 3 weeks of Jan-26. In China, the job market remained stagnant as the unemployment rate was unchanged at 5.1% in Dec-25 for the third month, and youth unemployment edged slightly lower to 16.5% in Dec-25 (Nov-25: 16.9%), both indicators showed signs of strength for the past month. Interestingly, Taiwan's and South Korea's unemployment rate picked up to 3.4% (Nov-25: 3.3%) and 3.3% (Nov-25: 2.7%), respectively. The South Korean unemployment rate jumped to the highest level in nearly five years, driven by a seasonal winter dip in construction and agriculture, the end of government funded hiring programs, and weak private sector job creation.

Evolving labor dynamics: between policy uncertainty and the E&E upswing

Several FOMC members are concerned about the signs of softening labour market sentiment in the US, however, Fed Chair Jerome Powell said that there is still some tension between employment and inflation, but it's less than it was. The New York Fed survey showed that consumers slightly improved in Jan-26, as the as the concerned of consumers assigned to losing a job also edged lower, while finding a new job in three months also improved to around 46%, which basically indicates a stabilising labour market condition. Consistently, labour market expectation in the University of Michigan Sentiment Index rose to 57.9 in Feb-25 (Jan-25: 56.4%), marking the third consecutive monthly increase, and beating market expectations. The global labor market outlook remains skewed to the downside as the implementation of broad-based US tariffs threatens to escalate operational costs and dampen global growth. This heightened policy uncertainty is likely to induce a 'wait-and-see' approach among firms, potentially triggering hiring freezes or preemptive workforce reductions as businesses recalibrate their capital expenditure in response to trade volatility. Nonetheless, upside potential includes a softer-than-expected impact from tariffs on economic and trade activity as well as supportive, pro-growth policies in key economies. Continued robust demand for manufactured goods, particularly advanced E&E products and equipment, could support employment in the manufacturing industries.

Unemployment set to hold at 3% for 2026

Looking into 2026, we continue to expect that the unemployment rate will average around 3.0% (2025: 3.0%), on the back of the steady employment growth and sustained opportunities, especially in the domestic-oriented services sector, which continues to benefit from resilient household spending. Malaysia's 2026 outlook is bolstered by the synchronised rollout of the 13th Malaysia Plan (13MP) alongside the National Semiconductor Strategy (NSS) and GEAR-uP reforms. This policy 'multiplier' is set to transform the industrial landscape, boosting labour demand for skilled professionals and enhancing wage levels. As these structural reforms translate into higher disposable income, we anticipate a virtuous cycle where strengthened domestic consumption becomes the primary anchor for economic expansion.". On top of that, with the lower OPR going into this year, added to a stable labour outlook, overall domestic demand is well supported. Global trade noise is creating some drag on export jobs, but Malaysia has two powerful 'shock absorbers' in place for 2026. The VMY26 campaign is expected to catalyse a massive influx of arrivals, fueling service-sector jobs, while the E&E sector's structural shift toward AI and high-end semiconductors sustains technical hiring. Together, these factors provide a necessary cushion against the softening labour demand in traditional commodity-oriented industries.

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

	Monthly Data					
	Jul-25	**Aug-25**	**Sep-25**	**Oct-25**	**Nov-25**	**Dec-25**
Labour Force	17,471	17,508	17,545	17,579	17,595	17,647
YoY%	2.8	2.8	2.8	2.8	2.8	2.8
MoM%	0.2	0.2	0.2	0.2	0.2	0.2
Employment	16,949	16,988	17,026	17,060	17,055	17,130
YoY%	3.1	3.1	3.1	3.1	3.1	3.0
MoM%	0.2	0.2	0.2	0.2	0.2	0.2
Unemployment ('000)	522	520	519	519	518	518
YoY%	(5.7)	(5.7)	(5.5)	(4.9)	(4.3)	-3.9
MoM%	0.6	(0.3)	(0.3)	0.1	(0.1)	-0.1
Outside Labour Force	7,189	7,202	7,209	7,218	7,219	7,226
YoY%	1.4	1.4	1.3	1.2	1.0	1.0
MoM%	0.2	0.2	0.1	0.1	0.0	0.1
Labour Force Participation Rate, %	70.8	70.9	70.9	70.9	70.9	70.9
Unemployment Rate, %	3.0	3.0	3.0	3.0	2.9	2.9

Source: Macrobond, MBSBR

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

	Aug-25	**Sep-25**	**Oct-25**	**Nov-25**	**Dec-25**	**Jan-26**
Total Jobs, Thousands	**112.3**	**111.5**	**124.9**	**105.8**	**115.9**	**125.0**
Legislators, Senior Officials & Managers	5.6	6.2	6.1	5.4	4.3	5.5
Professionals	18.2	17.4	18.0	16.2	16.3	17.9
Technicians & Associate Professionals	13.6	14.9	15.3	13.2	11.9	12.3
Clerical Workers	11.6	11.3	8.7	9.4	11.2	13.9
Service, Shop & Market Sales Workers	11.4	13.2	12.0	12.0	11.2	11.0
Skilled Agricultural & Fisheries Workers	0.8	0.8	0.4	0.5	0.3	2.0
Craft and Related Trades Workers	4.1	3.7	5.0	2.6	3.2	4.4
Plant & Machinery Operators & Assemblers	6.4	6.3	7.5	8.0	8.0	7.2
Elementary Occupations	28.2	26.2	27.0	32.6	33.5	25.9
Agriculture, Forestry & Fishing	6.8	4.4	6.2	4.5	5.4	6.4
Mining & Quarrying	0.4	0.6	0.4	0.7	0.4	0.5
Manufacturing	25.7	26.6	23.0	26.6	24.0	22.8
Construction	5.8	6.1	6.3	7.0	5.9	7.8
Services	61.4	62.4	64.1	61.6	65.2	64.1

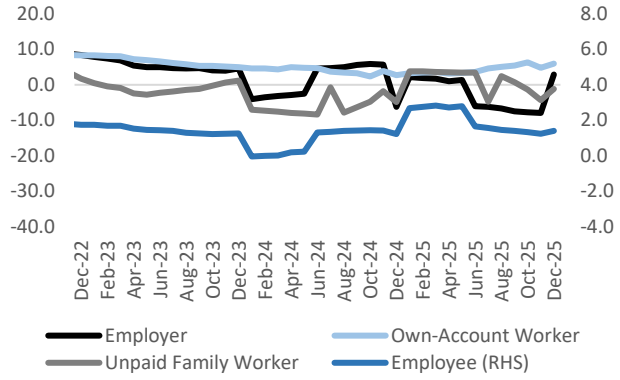
Source: Macrobond, MBSBR

Table 3: Global unemployment rates (%)

	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25
Malaysia	3.0	3.0	3.0	3.0	3.0	2.9	2.9
Philippines	3.7	5.3	3.9	3.8	5.0	4.4	4.4
Taiwan	3.3	3.3	3.4	3.4	3.3	3.4	3.4
South Korea	2.6	2.5	2.6	2.5	2.6	2.8	3.3
Hong Kong	3.5	3.7	3.7	3.9	3.8	3.8	3.8
China	5.0	5.2	5.3	5.2	5.1	5.1	5.1
Japan	2.5	2.3	2.6	2.6	2.6	2.6	2.6
Euro area	6.3	6.2	6.3	6.3	6.4	6.3	6.2
UK	4.7	4.7	4.8	5.0	5.1	5.1	n.a
US	4.1	4.2	4.3	4.4	4.4	4.5	4.4

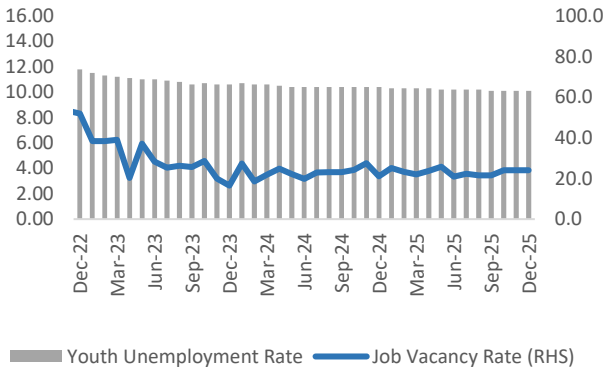
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Source: Macrobond, MBSBR

Chart 1: Employment by Type (YoY%)



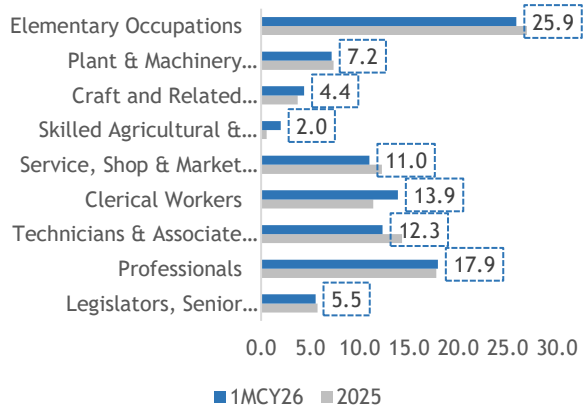
Source: Macrobond, MBSBR

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



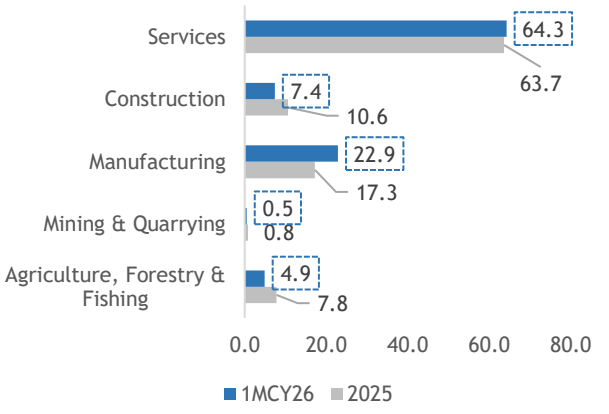
Source: Macrobond, MBSBR

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



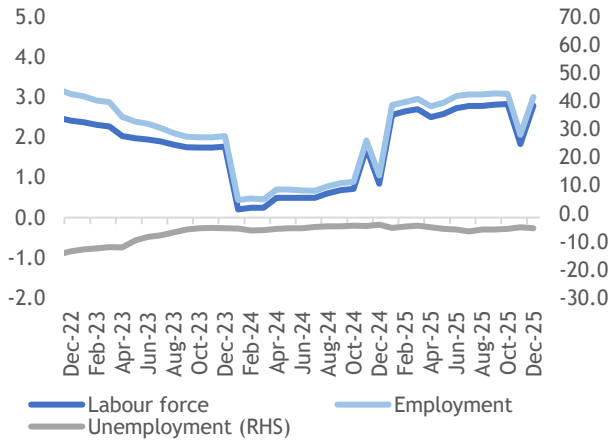
Source: Macrobond, MBSBR

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



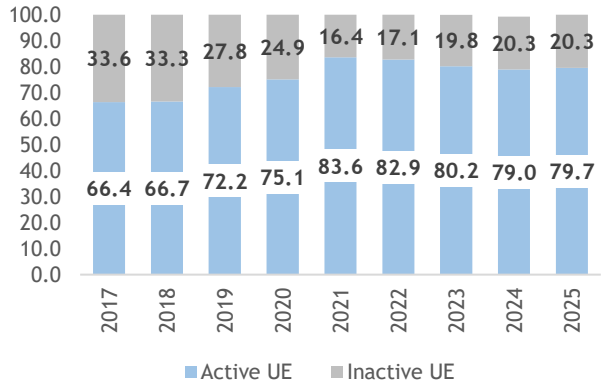
Source: Macrobond, MBSBR

Chart 5: Labour Market Performances (YoY%)



Source: DOSM, MBSBR

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



Source: DOSM, MBSBR

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