Unemployment Rate Holds at 2.9% in Jan-26

Economic Review
Jan-26 Labour Market



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- Malaysia's labour market remained robust in Jan-26, with the unemployment rate unchanged at 2.9%. The jobless rate continued to be below 3.0% for the third straight month and still the lowest level in a decade.
- Labour demand was lower in Feb-26, with job vacancies falling by -28K to 96.5K (Jan-26: +125.0K), marking the lowest reading since Dec-23. By sector, services sector vacancies decreased by -21K to 58.6K (Jan-26: 79.6K), primarily attributable to contraction recorded in professional, scientific and technical activities, as well as administrative and support activities.
- 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 unchanged at 2.9% despite slower employment growth

Malaysia's labour market remained robust in Jan-26, with the unemployment rate unchanged at 2.9%. The jobless rate continued to be below 3.0% for the third straight month and still the lowest level in a decade. Employment growth moderated to +0.5%yoy (Dec-26: +3.0%yoy). Nevertheless, slower expansion in labour force (+0.4%yoy; Dec-25: +2.8%yoy) helped keep the unemployment rate stable. The number of unemployed people was slightly higher at 510K (Dec-26: 508K). Meanwhile, the youth unemployment rate (aged 15-24) stood at 10.2%; slightly lower than 10.3% in the previous month but continued to indicate the persistent challenges among the younger cohort, graduates and new entrants in securing jobs or transitioning into the labour market.

Labour demand weakened in Feb-26

Labour demand was lower in Feb-26, with job vacancies falling by -28K to 96.5K (Jan-26: +125.0K), marking the lowest reading since Dec-23. By sector, services sector vacancies decreased by -21K to 58.6K (Jan-26: 79.6K), primarily attributable to contraction recorded in professional, scientific and technical activities, as well as administrative and support activities. decline in vacancies in other sectors, including construction (-1.5K), manufacturing (-7.7K), and mining and quarrying (-66). However, agriculture, forestry, and fishing rose by +2.0K, recording the highest reading since May -23. Job vacancies averaged at 110.8K in 2MCY26 (2MCY25: 128.8K), indicating a softer labour demand at the start of the year.

Sectoral resilience and trade momentum to provide sustainable labour demand

Looking ahead, labour demand in the services sector is projected to remain firm, supported by stable domestic consumption and favourable market dynamics. Concurrently, the construction sector is expected to sustain its expansion, driven by the continued execution of public and private projects, strong investment, and policy support under the 13th Malaysia Plan (13MP) aimed at accelerating industrial job creation. Despite the sllightly weaker manufacturing PMI recorded in Feb-26 as it fell back into contraction to 49.3 (Jan-26: 50.2), we do not expect manufacturing activities to remain in contraction for a long period. Additionally, new export orders increased for the first time in five months. This growth underscores improved 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 4.3% in Jan-26 (Dec-25: 4.4%), below the market expectation of 4.5%. Initial jobless claims continued to remain above 200K but softened since the end of Jan-26, reflecting relatively better conditions in the US labour market. In China, the job market remained stable as the unemployment rate was unchanged at 5.1% in Dec-25 for the third month, and the youth unemployment rate edged slightly lower to 16.5% in Dec-25 (Nov-25: 16.9%), both showing signs of strength. Taiwan and South Korea unemployment rate declined to 3.3% and 3.0%, respectively. The South Korean unemployment rate edged lower after the 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 flagged signs of softening labour market sentiment in the US. Nonetheless, Jerome Powell said the tension between employment and inflation persists, although it is less pronounced than before. The New York Fed survey showed that consumer spending slightly improved in Jan-26, and at the same time reported those indicating losing a job also edged lower, while finding a new job in three months also improved to around 46%, which basically pointing to stabilising labour market. Consistently, labour market expectation in the University of Michigan Sentiment Index improved to 56.4 in Jan-26 (Dec-25: 50.4), 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. Upside potential stems from a potentially muted impact of tariffs on trade and economic activity, coupled with pro-growth policies in major economies. Continued strong demand for advanced E&E products and manufacturing equipment could help sustain 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. Monetary policy setting which remains supportive of growth, coupled with a stable labour outlook, should continue to support domestic demand. Although global trade uncertainties may dampen export-oriented employment, Malaysia has two key buffers in 2026. The Visit Malaysia Year 2026 campaign is likely to boost job opportunities in the tourism-related sectors, while the E&E sector's transition toward AI and advanced semiconductors should sustain demand for skilled labour. These dynamics will help cushion the impact of weaker labour demand in traditional commodity sectors.

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

	Monthly Data					
	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26
Labour Force	17,508	17,545	17,579	17,595	17,610	17,281
YoY%	2.8	2.8	2.8	2.8	2.8	0.4
MoM%	0.2	0.2	0.2	0.2	0.2	0.1
Employment	16,988	17,026	17,060	17,055	17,764	16,771
YoY%	3.1	3.1	3.1	3.1	3.0	0.5
MoM%	0.2	0.2	0.2	0.2	0.2	0.4
Unemployment ('000)	520	519	519	518	508	510
YoY%	(5.7)	(5.5)	(4.9)	(4.3)	-3.9	-4.5
MoM%	(0.3)	(0.3)	0.1	(0.1)	-0.1	0.0
Outside Labour Force	7,202	7,209	7,218	7,219	7,226	7,106
YoY%	1.4	1.3	1.2	1.0	1.0	-0.7
MoM%	0.2	0.1	0.1	0.0	0.1	-0.4
Labour Force Participation Rate, %	70.9	70.9	70.9	70.9	70.8	70.9
Unemployment Rate, %	3.0	3.0	3.0	2.9	2.9	2.9

Source: Macrobond, MBSBR

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

	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26
Total Jobs, Thousands	111.5	124.9	105.8	115.9	125.0	96.5
Legislators, Senior Officials & Managers	6.2	6.1	5.4	4.3	5.5	7.2
Professionals	17.4	18.0	16.2	16.3	17.9	18.3
Technicians & Associate Professionals	14.9	15.3	13.2	11.9	12.3	14.0
Clerical Workers	11.3	8.7	9.4	11.2	13.9	9.3
Service, Shop & Market Sales Workers	13.2	12.0	12.0	11.2	11.0	11.3
Skilled Agricultural & Fisheries Workers	0.8	0.4	0.5	0.3	2.0	2.2
Craft and Related Trades Workers	3.7	5.0	2.6	3.2	4.4	4.8
Plant & Machinery Operators & Assemblers	6.3	7.5	8.0	8.0	7.2	6.0
Elementary Occupations	26.2	27.0	32.6	33.5	25.9	27.0
Agriculture, Forestry & Fishing	4.4	6.2	4.5	5.4	6.4	10.3
Mining & Quarrying	0.6	0.4	0.7	0.4	0.5	0.6
Manufacturing	26.6	23.0	26.6	24.0	22.8	21.5
Construction	6.1	6.3	6.6	5.1	6.2	6.4
Services	62.4	64.1	61.6	64.6	63.7	60.7

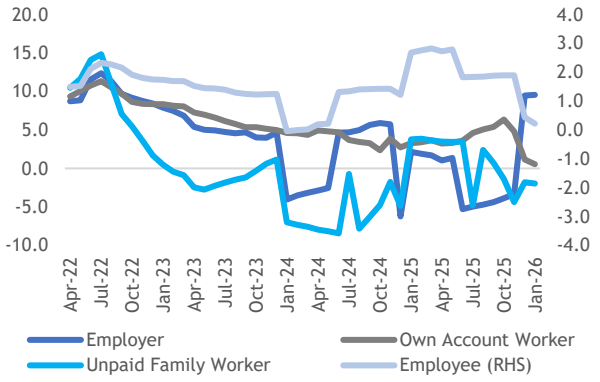
Source: Macrobond, MBSBR

Table 3: Global unemployment rates (%)

	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26
Malaysia	3.0	3.0	3.0	3.0	2.9	2.9	2.9
Philippines	5.3	3.9	3.8	5.0	4.4	4.4	n.a
Taiwan	3.3	3.4	3.4	3.3	3.4	3.4	3.3
South Korea	2.5	2.6	2.5	2.6	2.8	3.3	3.0
Hong Kong	3.7	3.7	3.9	3.8	3.8	3.8	3.9
China	5.2	5.3	5.2	5.1	5.1	5.1	n.a
Japan	2.3	2.6	2.6	2.6	2.6	2.6	2.6
Euro area	6.2	6.3	6.3	6.4	6.3	6.2	6.1
UK	4.7	4.8	5.0	5.2	5.2	5.3	n.a
US	4.2	4.3	4.4	4.4	4.5	4.4	4.3

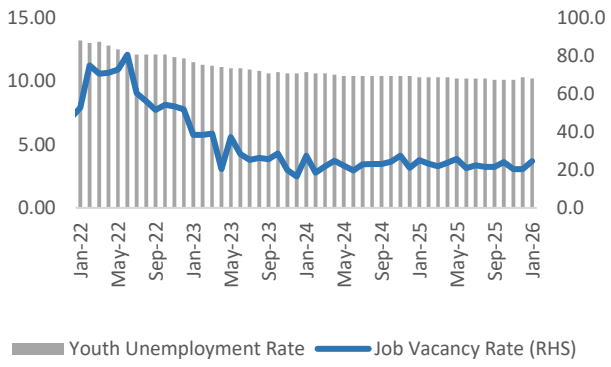
n.a. not available
Source: Macrobond, MBSBR

Chart 1: Employment by Type (YoY%)



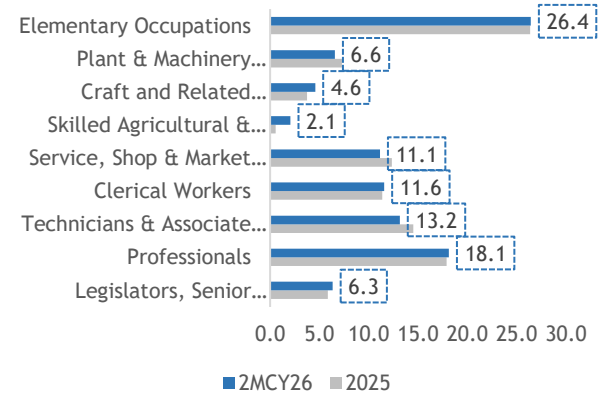
Source: Macrobond, MBSBR

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



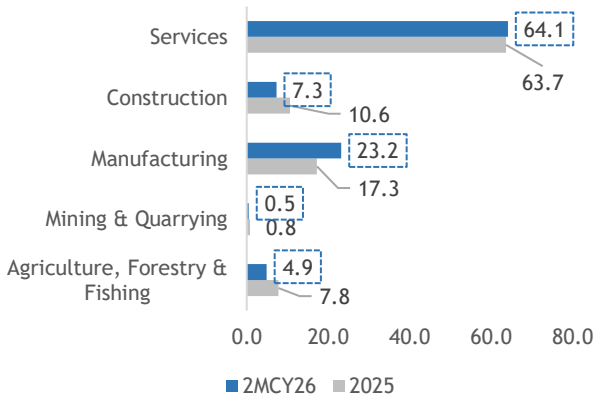
Source: Macrobond, MBSBR

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



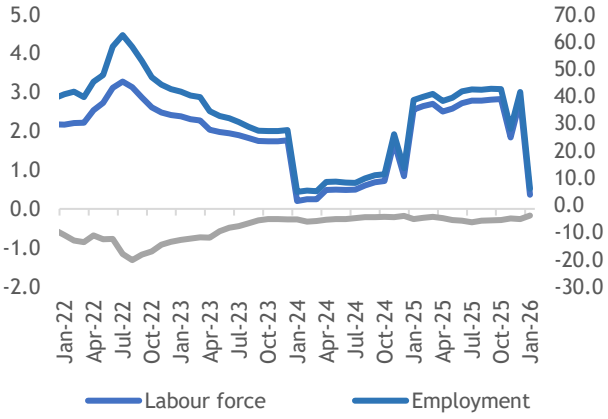
Source: Macrobond, MBSBR

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



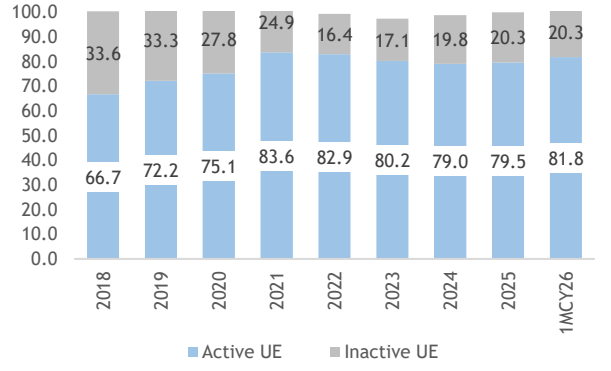
Source: Macrobond, MBSBR

Chart 5: Labour Market Performances (YoY%)



Source: DOSM, MBSBR

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



Source: DOSM, MBSBR

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