Malaysia's Unemployment Rate Unchanged at 2.9% in Feb-26

Economic Review
Feb-26 Labour Market



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- Malaysia's labour market remained robust in Feb-26, with the unemployment rate unchanged at 2.9%. The jobless rate continued to be below 3.0% for the fourth straight month and the lowest level in a decade.
- Labour demand was higher in Mar-26, with job vacancies increased by +10.5K to 107.0K (Jan-26: +96.5K), rebounding back to above the 100K trend. By sector, services sector vacancies increased by +4.6K to 61.6K (Feb-26: 56.9K), primarily attributable to increased recorded in the information and communication and administrative and support service activities.
- For 2026, we maintain our forecast for the unemployment rate to hold steady at 3.0%, matching the 2025 average. This stability is underpinned by steady job creation and robust opportunities within domestic-oriented services, supported by resilient private consumption.

Unemployment rate unchanged at 2.9% despite slower employment growth

Malaysia's labour market remained robust in Feb-26, with the unemployment rate unchanged at 2.9%. The jobless rate continued to be below 3.0% for the fourth straight month and the lowest level in a decade. Employment growth moderated to 0.3%yoy (Jan-26: +1.3%yoy) and continued to outpace the labour force growth, which grew by +0.2%yoy (Jan-26: +1.1%yoy). The number of unemployed people was lower at 507K (Jan-26: 510K). Meanwhile, the youth unemployment rate (aged 15-24) remained unchanged at 10.2% from the previous month; the elevated rate 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 strengthened in Mar-26

Labour demand increased in Mar-26, with job vacancies increased by +10.5K to 107.0K (Jan-26: +96.5K), rebounding back to above the 100K level. By sector, vacancies in the services sector rose by +4.6K to 61.6K, primarily attributable to increases recorded in the information and communication and administrative and support service activities. Vacancies in other sectors also increased, including manufacturing (+10.4K) and mining & quarrying (+0.1K). However, agriculture, forestry, and fishing declined by -3.2k. Job vacancies averaged 109.5K in 3MCY26 (3MCY25: 110.8K), indicating a softer labour demand at the start of the year.

Signs of cracks in the manufacturing sector international demand raising concerns

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. Additionally, a rebound back to expansion in Malaysia's S&P Global Manufacturing PMI was seen in Mar-26, which rose to 50.7 (Feb-26: 49.3), marking the highest level since Apr-22, with output rising at the fastest pace since Dec-21 on the back of improved demand conditions. On the other hand, new orders moderated for the second consecutive month as international demand softened for the first time in three months, signalling signs of weakness and causing firms to cut purchasing activities. On top of that, input cost inflation increased and hit the highest level

since Oct-24, supported by higher transport, energy, and material costs due to the disruptions in the Middle East. However, looking ahead, the report also indicated that business sentiment for the upcoming year has retreated to its lowest point in seven months. We think the government's robust multi-market export strategy, would provide buffer to local industries to pivot toward emerging growth corridors and maintain momentum despite external trade barriers.

Mixed trends on the global front

In the US, job market conditions remained stable as the unemployment rate edged higher to 4.4% in Feb-26, but fell to 4.3% in Mar-26, below the market expectation of 4.4%. Initial jobless claims continued to remain above 200K but softened from the end of Jan-26, reflecting relatively better conditions in the US labour market, but the first week of Apr-26 saw a spike to 219K, bringing the latest 4-week average higher to 209.5k. In China, the job market saw two consecutive months of weaker conditions as it picked up to 5.3% in Feb-26 (Jan-26: 5.2%), and the youth unemployment rate continued to edge lower for the sixth consecutive month to 16.1% in Feb-26 (Jan-26: 16.3%), showing signs of deterioration of the overall labour market, but improvement in the youth unemployment rate. Meanwhile, job market conditions improved in Taiwan, South Korea, Japan, and Hong Kong as unemployment rates declined in Feb-26.

Evolving labour dynamics: between global geopolitical uncertainty and the E&E upswing

Some adjustments have been made during the Mar-26 FOMC meeting, relating to the unemployment rate in the summary of economic projections; the unemployment rate is projected to be slightly higher for next year than previously expected, as for 2026, it was kept at 4.4%, but for 2027 to be higher at 4.3% (previous: 4.2%). However, based on the latest FOMC minutes, a larger group of policymakers signalled their openness to potential hikes compared to the Jan-26 meeting, on the back of the risk remaining elevated for longer than expected. Despite the inflation risk, a further rate cut is still their baseline view. This raised the concern that a protracted conflict in the Middle East could lead to a further softening of the labour market conditions in the US. The New York Fed survey showed that consumer spending inched up in Feb-26, but reflecting gloomy expectations for inflation, even before the Iran war triggered a spike in energy prices. On the other hand, University of Michigan Consumer Sentiment Index fell sharply to 53.3 in Mar-26 (Feb-26: 56.6), turning lower after 3 months of consecutive increases, and lower than market expectations. The ongoing Iran conflict has fueled gas price hikes and market volatility, dragging the short-term economic outlook down by -14%. Similarly, optimism regarding personal finances for the year ahead has fallen by -10%. 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. Potential economic tailwinds include the possibility of muted tariff disruptions and the expansion of growth-oriented policies in key markets. Additionally, the manufacturing industry is expected to maintain steady employment levels, supported by robust cycles in advanced E&E production and capital equipment manufacturing.

Unemployment set to hold at 3% for 2026

For 2026, we maintain our forecast for the unemployment rate to hold steady at 3.0%, matching the 2025 average. This stability is underpinned by consistent job creation and robust opportunities within domestic-oriented services, supported by resilient private consumption. Furthermore, the structural rollout of the 13th Malaysia Plan (13MP), the National Semiconductor Strategy (NSS), and GEAR-uP reforms provide a significant tailwind for the national outlook. 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's economic activities are expected to remain supported in 2026. The Visit Malaysia Year 2026 campaign is likely to boost job opportunities in the tourism-related sectors, on top of the government's latest announcement that the programme will be extended to the end of 2027, while the

government will assess the impact on aviation and hospitality due to the ongoing conflicts in the Middle East. On top of that, 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					
	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26
Labour Force	17,545	17,579	17,611	17,272	17,281	17,298
YoY%	2.8	2.8	2.8	0.6	1.1	0.2
MoM%	0.2	0.2	0.2	(2.0)	0.1	0.1
Employment	17,026	17,060	17,055	16.764	16,771	16,791
YoY%	3.1	3.1	3.1	0.8	1.3	0.3
MoM%	0.2	0.2	0.2	(1.9)	0.0	0.1
Unemployment ('000)	519	519	518	508	510	507
YoY%	(5.5)	(4.9)	(4.3)	-5.7	-4.2	-4.9
MoM%	(0.3)	0.1	(0.1)	-2.0	0.3	(0.6)
Outside Labour Force	7,209	7,218	7,219	7,133	7,106	7,103
YoY%	1.3	1.2	1.0	(0.3)	(0.1)	(0.7)
MoM%	0.1	0.1	0.0	(1.2)	(0.4)	0.0
Labour Force Participation Rate, %	70.9	70.9	70.9	70.8	70.9	70.9
Unemployment Rate, %	3.0	3.0	2.9	2.9	2.9	2.9

Source: Macrobond, MBSBR

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

	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26
Total Jobs, Thousands	124.9	105.8	115.9	125.0	96.5	107.0
Legislators, Senior Officials & Managers	6.1	5.4	4.3	5.5	7.2	5.6
Professionals	18.0	16.2	16.3	17.9	18.3	18.1
Technicians & Associate Professionals	15.3	13.2	11.9	12.3	14.0	16.1
Clerical Workers	8.7	9.4	11.2	13.9	9.3	10.5
Service, Shop & Market Sales Workers	12.0	12.0	11.2	11.0	11.3	11.1
Skilled Agricultural & Fisheries Workers	0.4	0.5	0.3	2.0	2.2	0.6
Craft and Related Trades Workers	5.0	2.6	3.2	4.4	4.8	3.3
Plant & Machinery Operators & Assemblers	7.5	8.0	8.0	7.2	6.0	8.3
Elementary Occupations	27.0	32.6	33.5	25.9	27.0	26.4
Agriculture, Forestry & Fishing	6.2	4.5	5.4	6.4	10.3	6.2
Mining & Quarrying	0.4	0.7	0.4	0.5	0.6	0.7
Manufacturing	23.0	26.6	24.0	22.8	21.5	29.2
Construction	6.3	6.6	5.1	6.2	6.4	5.3
Services	64.1	61.6	65.2	64.1	61.1	58.6

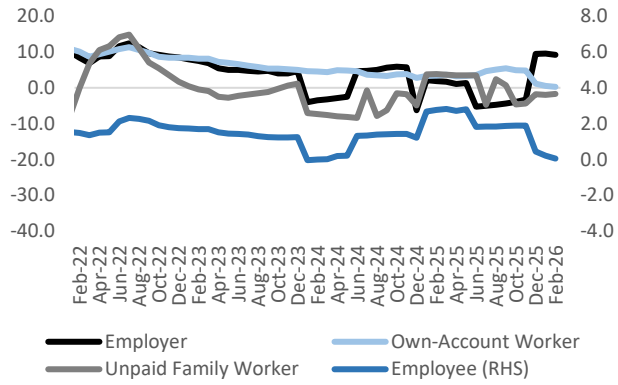
Source: Macrobond, MBSBR

Table 3: Global unemployment rates (%)

	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26
Malaysia	3.0	3.0	3.0	2.9	2.9	2.9	2.9
Philippines	3.9	3.8	5.0	4.4	4.4	5.8	n.a
Taiwan	3.4	3.4	3.3	3.3	3.4	3.6	3.3
South Korea	2.6	2.5	2.6	2.8	3.3	3.0	2.9
Hong Kong	3.7	3.9	3.8	3.8	3.8	3.9	3.8
China	5.3	5.2	5.1	5.1	5.1	5.2	5.3
Japan	2.6	2.6	2.6	2.6	2.6	2.7	2.6
Euro area	6.3	6.3	6.4	6.3	6.3	6.2	6.2
UK	4.8	5.0	5.1	5.1	5.2	5.2	n.a
US	4.3	4.4	4.4	4.5	4.4	4.3	4.4

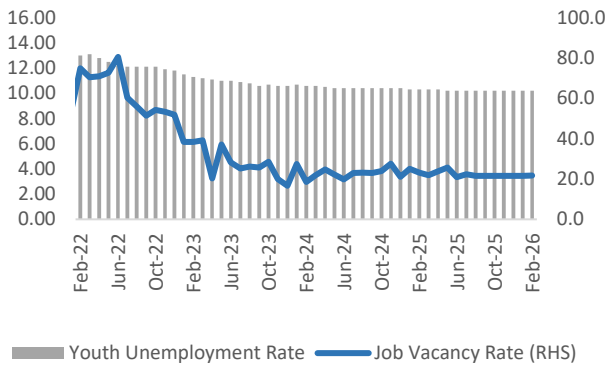
Source: Macrobond, MBSBR

Chart 1: Employment by Type (YoY%)



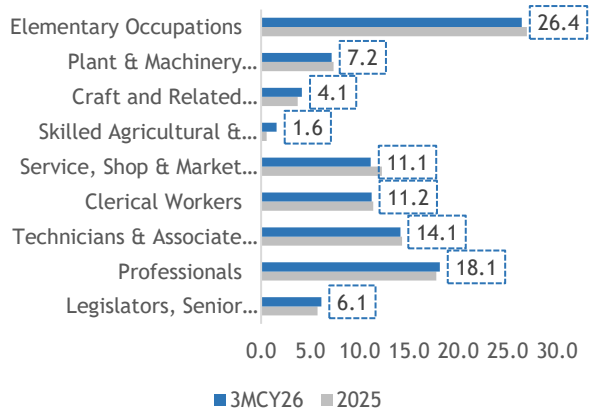
Source: Macrobond, MBSBR

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



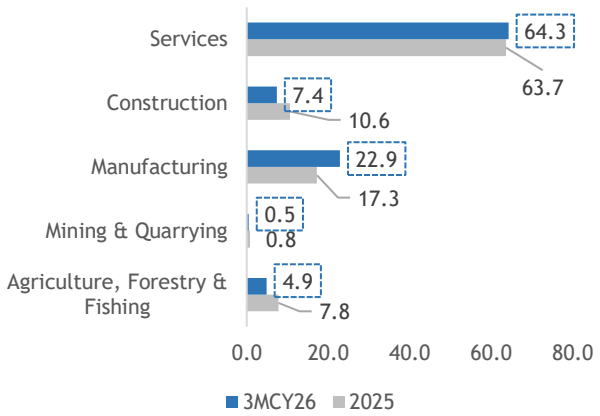
Source: Macrobond, MBSBR

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



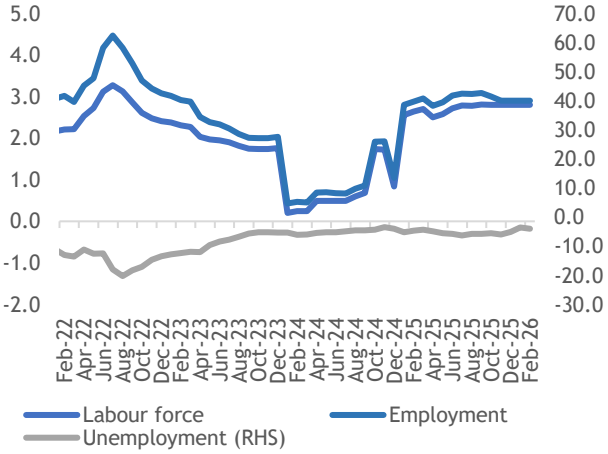
Source: Macrobond, MBSBR

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



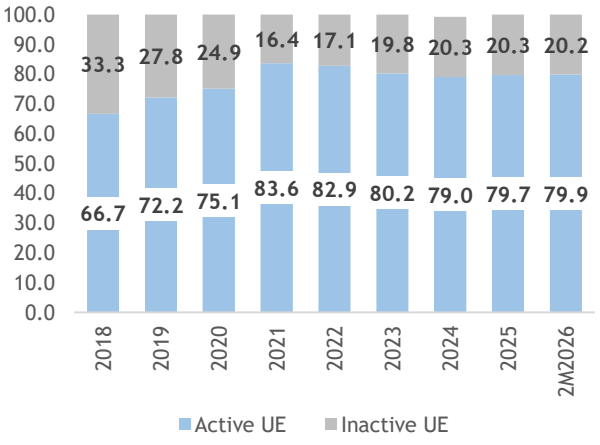
Source: Macrobond, MBSBR

Chart 5: Labour Market Performances (YoY%)



Source: DOSM, MBSBR

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



Source: DOSM, MBSBR

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