Unemployment Rate Holds at 3.0% but Displays Early Softening Trends

Economic Review
Jun-26 Labour Market



Author

MBSB Research
research@mbsb.com

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- Labour demand increased in Jul-26, with job vacancies increasing by +139.0K to 242.4K (Jun-26: 103.4K), continued to expand encouragingly as the level spiked above the 200K, improving significantly and being the highest level since Jun-23.
- We expect the 2026 unemployment rate to remain steady at 3.0%, unchanged from 2025. Job growth in domestic services and strong consumer spending continue to stabilise the economy.

Unemployment rate unchanged at 3.0% for the third month

Malaysia's labour market continued to show resilience as the unemployment rate remained at 3.0% in Jun-26. There are, however, signs of softening. Employment, for example, contracted for the first time since Feb-26, registering a decline of -0.5%yoy (May-26: +1.1%yoy). Labour force also shrank by -0.5%yoy (May-26: +1.0%yoy). In contrast, the number of unemployed people edged higher to 518K (May-26: 513K), the highest level in 6 months. Meanwhile youth unemployment rate (aged 15-24) remained stable at 10.2% but still indicates persistently elevated unemployment among youth and recent graduates, highlighting a stalled transition into the labour force for entry-level job seekers.

Labour demand spiked in Jul-26

Labour demand increased in Jul-26, with job vacancies increasing by +139.0K to 242.4K (Jun-26: 103.4K), continued to expand encouragingly as the level spiked above the 200K, improving significantly and being the highest level since Jun-23. By sector, vacancies in the in the services sector increased by +60K to 126.7K, primarily due to the increase in accommodation and food services activities. Vacancies in other sectors also increased especially in the manufacturing (+47.1K), construction sectors (+19.3K), and agriculture (+6.3K). Job vacancies averaged 130.1K in 7MCY26 (6MCY26: 111.3K), with slightly elevated demand for labour in the first month of the 2HCY26.

Weaker global demand remains a downside risk

Robust consumer spending is projected to sustain strong services hiring through 2026. Concurrently, the construction sector will serve as a primary growth pillar, bolstered by resilient investment momentum and early implementation of 13MP projects. On manufacturing activities, the latest Malaysia S&P Global Manufacturing PMI were unchanged and remained in growth territory at 50.7 in Jul-26, while rising new exports orders supported by the by the demand from Europe and the US. Meanwhile, the report indicated input cost and output prices increased at a slower pace in five months. However, business confidence eased to a three-month low due to geopolitical uncertainty.

Softer labour market conditions in the US, but stable conditions in other economies

In the US, the labour market showed signs of softening especially in the latest Jul-26 figure, as nonfarm payrolls declined by -23K (Jun-26: +20K) with -103K downward revisions for the previous 2 months. Although the unemployment rate improved to 4.1% in Jul-26 (Jun-26: 4.2%), it was mainly explained by the decline in labour force. The US labour force

participation even declined to 61.4%, the lowest rate last seen in early 2021. In China, the job market showed an encouraging progress, as the jobless rate continued to drop to 5.0% in Jun-26, while the youth unemployment fell for a third month consecutive month to 14.9% (Jul-26: 15.6%). Most regional countries saw stable labour market conditions.

Labour market affected by evolving market conditions and policy changes

Prior to the release of Jul-26 job market data, the Fed also indicated after its Jul-26 FOMC meeting that job gains in US (which moderated in recent months) were closely aligned with the changes in labor supply, which has been adversely affected by tighter immigration policy. With the heightened uncertainty surrounding the trade policy and geopolitical risks, companies adopted "wait-and-see" approach, thus triggering hiring freezes or preemptive workforce reductions as businesses scale back capital expenditure. Concurrently, manufacturing employment will remain resilient, driven by robust cyclical demand across advanced E&E and capital equipment sectors. In other countries, the strength in domestic economic activities continue to support employment growth. However, we opine the recent softening in labour market conditions could be linked to the pandemic effects, apart from changing corporate practices (e.g. no longer offering work-from-home arrangements) which resulted in some workers quitting the job market completely.

Unemployment rate to be at 3% for the year

We expect the 2026 unemployment rate to remain steady at 3.0%, unchanged from 2025. Job growth in domestic services and strong consumer spending continue to stabilise the economy. The implementation of the 13MP, NSS, and GEAR-uP initiatives will provide a positive catalyst to the national growth trajectory. These reforms will be the pillar of transformation of the industrial landscape, creating high skill jobs and improvement in wage momentum. As a result, higher household incomes will strengthen domestic consumption, creating a positive cycle that drives overall economic expansion. Malaysia's domestic demand trajectory remains well-anchored by a favorable monetary policy backdrop and employment stability. Near-term geopolitical headwinds may dampen economic activities and therefore hirings across the transport and travel sectors. However, the E&E industry's structural pivot into high-value AI chip supply chains provides a strong demand for labour particularly for skilled workers.

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

	Monthly Data					
	Jan-26	**Feb-26**	**Mar-26**	**Apr-26**	**May-26**	**Jun-26**
Labour Force	17,281	17,298	17,313	17,328	17,338	17,345
YoY%	1.1	0.2	0.0	(0.1)	(0.3)	(0.5)
MoM%	0.1	0.1	0.1	0.1	0.1	0.0
Employment	16,771	16,791	16,804	16,816	16,825	16,827
YoY%	1.3	0.3	0.2	0.0	(0.2)	(0.5)
MoM%	0.0	0.1	0.1	0.1	0.1	0.0
Unemployment ('000)	510	507	509	512	513	518
YoY%	(4.2)	(4.9)	(3.9)	(2.7)	(1.7)	(0.2)
MoM%	0.3	(0.6)	0.4	0.6	0.3	0.9
Outside Labour Force	7,106	7,103	7,101	7,101	7,103	7,110
YoY%	(0.1)	(0.7)	(0.8)	(1,0)	(1.0)	(0.9)
MoM%	(0.4)	0.0	0.0	0.0	0.0	0.1
Labour Force Participation Rate, %	70.9	70.9	70.9	70.9	70.9	70.9
Unemployment Rate, %	2.9	2.9	2.9	3.0	3.0	3.0

Source: Macrobond, MBSBR

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

	Feb-26	Mar-26	Apr-26	May-26	Jun-26	Jul-26
Total Jobs, Thousands	96.5	107.0	122.0	114.5	103.4	242.4
Legislators, Senior Officials & Managers	7.2	5.6	7.0	7.2	6.0	4.8
Professionals	18.3	18.1	20.3	19.9	21.0	11.6
Technicians & Associate Professionals	14.0	16.1	14.5	16.3	16.8	9.3
Clerical Workers	9.3	10.5	10.1	9.8	10.2	5.7
Service, Shop & Market Sales Workers	11.3	11.1	11.3	10.5	10.3	10.0
Skilled Agricultural & Fisheries Workers	2.2	0.6	0.4	0.1	0.6	0.6
Craft and Related Trades Workers	4.8	3.3	3.9	4.6	4.8	5.5
Plant & Machinery Operators & Assemblers	6.0	8.3	5.8	6.9	8.6	7.8
Elementary Occupations	27.0	26.4	26.7	24.6	21.8	44.7
Agriculture, Forestry & Fishing	10.3	6.2	5.7	3.2	4.2	4.4
Mining & Quarrying	0.6	0.7	0.9	0.6	0.9	0.3
Manufacturing	21.5	29.2	23.8	24.6	25.8	30.4
Construction	6.4	5.3	5.8	6.0	5.6	10.3
Services	61.1	58.6	63.7	65.7	63.6	52.3

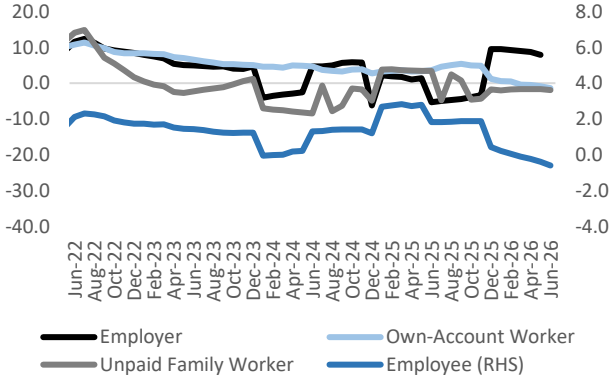
Source: Macrobond, MBSBR

Table 3: Global unemployment rates (%)

	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26
Malaysia	2.9	2.9	2.9	2.9	3.0	3.0	
Philippines	4.4	5.8	5.1	5.0	4.7	4.8	4.9
Taiwan	3.4	3.6	3.3	3.4	3.3	3.3	3.3
South Korea	3.3	3.0	2.9	2.7	2.8	2.8	2.7
Hong Kong	3.8	3.9	3.8	3.7	3.7	3.7	3.7
China	5.1	5.2	5.3	5.4	5.2	5.1	5.0
Japan	2.6	2.7	2.6	2.7	2.5	2.5	2.5
Euro area	6.3	6.2	6.4	6.3	6.3	6.3	6.3
UK	5.2	5.2	5.0	5.0	4.9	4.9	n.a
US	4.4	4.3	4.4	4.3	4.3	4.3	4.2

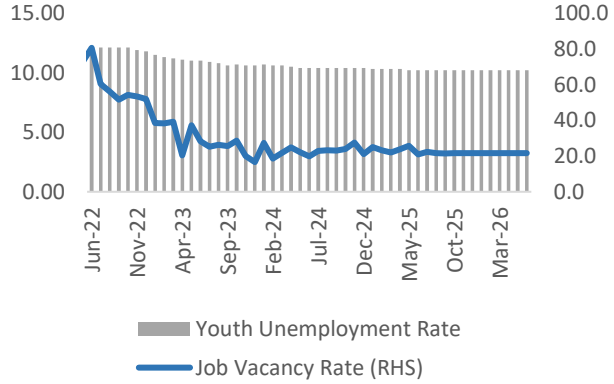
Source: Macrobond, MBSBR

Chart 1: Employment by Type (YoY%)



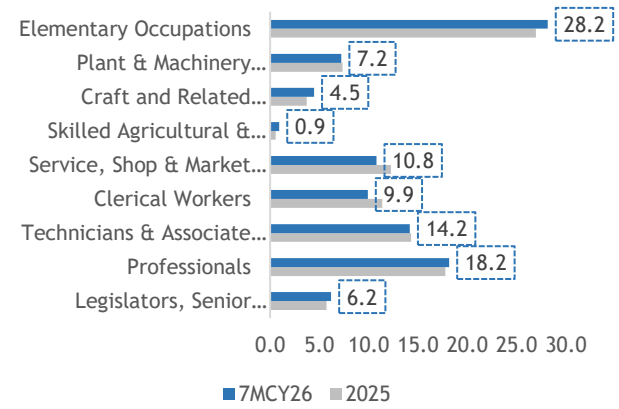
Source: Macrobond, MBSBR

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



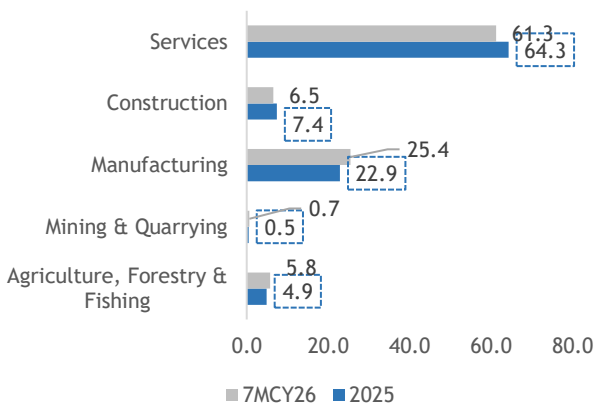
Source: Macrobond, MBSBR

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



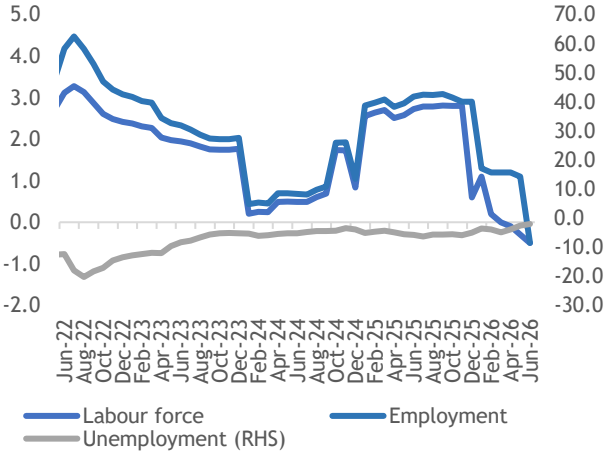
Source: Macrobond, MBSBR

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



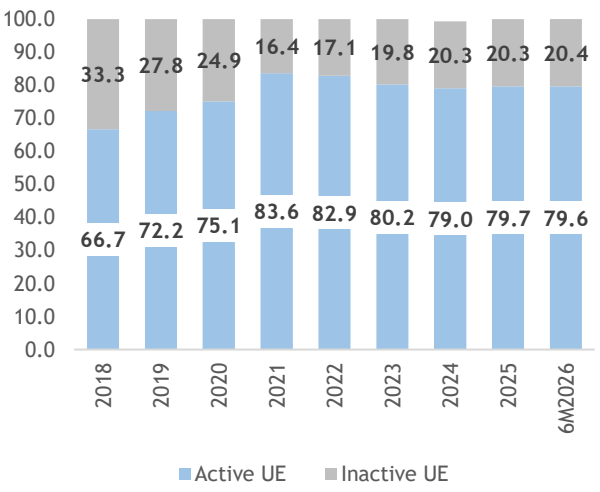
Source: Macrobond, MBSBR

Chart 5: Labour Market Performances (YoY%)



Source: DOSM, MBSBR

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



Source: DOSM, MBSBR

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