# Unemployment Rate Steady at 3.0% as Underlying Weakness Dissipates

**Economic Review**
**Jul-26 Labour Market**



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Economic Review

- Malaysia's labour market continued to show resilience, with the unemployment rate unchanged at 3.0% for the fourth consecutive month in Jul-26. The latest data also suggest that earlier signs of softening have dissipated following revisions to previous figures.
- Labour demand increased strongly in Aug-26, with job vacancies rising by +126.2K to 368.6K (Jul-26: 242.4K), remaining above 200K for the second straight month and reaching the highest level since Jul-22.
- We expect the unemployment rate to remain steady at 3.0% in 2026, unchanged from 2025, supported by continued job growth in domestic services and resilient consumer spending.

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**Unemployment rate stable at 3.0%, revised data shows no signs of weakness**

Malaysia's labour market continued to show resilience, with the unemployment rate unchanged at 3.0% for the fourth consecutive month in Jul-26. The latest data also suggest that earlier signs of softening have dissipated following revisions to previous figures. Labour force growth for Jun-26, which was previously reported at -0.5%yoy, was revised to +0.9%yoy and strengthened further to +1.0%yoy in Jul-26. Meanwhile, employment growth in Jun-26 was also revised to +1.0%yoy from the previously reported -0.5%yoy contraction, before accelerating slightly to +1.1%yoy in Jul-26. The revised data point to continued employment growth, supported by sustained economic activity. Nevertheless, the number of unemployed persons edged higher to 520K (Jun-26: 518K), the highest since Jul-25. Meanwhile, the youth unemployment rate for those aged 15–24 remained unchanged at 10.2%, indicating persistently elevated unemployment among younger people and recent graduates, and highlighting continued challenges in the transition into employment for entry-level job seekers.

**Labour demand spiked again in Aug-26, partly due to reporting requirements**

Labour demand increased strongly in Aug-26, with job vacancies rising by +126.2K to 368.6K (Jul-26: 242.4K), remaining above 200K for the second straight month and reaching the highest level since Jul-22. The sharp increase partly reflected regulatory requirements for employers to advertise certain vacancies on MYFutureJOBS before hiring expatriates, which may have boosted reported vacancy numbers. By sector, vacancies in services increased by +42K to 171.2K, mainly driven by accommodation and food service activities. Vacancies also increased in manufacturing (+60.7K), construction (+17.7K) and agriculture (+4.9K). Job vacancies averaged higher at 159.9K in 8MCY26 (7MCY26: 130.1K), mainly driven by the surge in reported labour demand in the first two months of 2HCY26.

**Weaker global demand remains a downside risk**

Consumer spending is expected to remain supported by sustained hiring in the services sector through 2026. Concurrently, the construction sector will remain a key growth pillar, supported by resilient investment momentum and the early implementation of 13MP projects. On the manufacturing front, the latest Malaysia S&P Global Manufacturing PMI edged lower to 50.2 in Aug-26, as growth in new orders slowed and manufacturing output

moderated. Nevertheless, the survey indicated an increase in employment for the first time in four months. Both input costs and output charges also rose slightly during the month.

**Global labour markets broadly resilient, though signs of softening are emerging**

In the US, the labour market showed some signs of resilience, with nonfarm payrolls rising by +162K in Aug-26, the strongest gain since Mar-26, following an upwardly revised +21K increase in Jul-26 (previously: +23K). The unemployment rate remained unchanged at 4.1%, while the labour force expanded by +683K, lifting the participation rate to 61.6%. In China, labour market conditions softened slightly, with the unemployment rate rising to 5.2% in Jul-26 from 5.0% in Jun-26, while youth unemployment increased to 17.9% from 14.9%. Elsewhere, labour market conditions across most regional economies remained broadly stable.

**Labour market shaped by evolving market conditions and policy changes**

Following its July 2026 meeting, the Federal Open Market Committee (FOMC) noted that the recent moderation in US job gains was broadly consistent with slower growth in labour supply, partly reflecting tighter immigration enforcement. At the same time, heightened trade policy uncertainty and persistent geopolitical risks have encouraged businesses to adopt a more cautious "wait-and-see" approach, contributing to selective hiring freezes, workforce rationalisation and delays in investment and expansion plans. Nevertheless, employment in selected manufacturing segments is expected to remain relatively resilient, supported by demand for advanced E&E and capital equipment. Elsewhere, resilient domestic activity should continue to support employment growth across several economies.

**Unemployment rate to be at 3% this year**

We expect the unemployment rate to remain steady at 3.0% in 2026, unchanged from 2025, supported by continued job growth in domestic services and resilient consumer spending. The implementation of the 13MP, NSS and GEAR-uP initiatives should provide further impetus to economic transformation, supporting high-skilled job creation and stronger wage growth. Another potential catalyst is a higher minimum wage, which could be announced in Budget 2027, with the current RM1,700 monthly rate under review by the National Wages Consultative Council. Stable labour market conditions and sustained household income growth should continue to support private consumption and overall economic expansion, while a favourable monetary stance and resilient domestic demand remain important buffers against external and geopolitical headwinds. At the same time, the E&E sector's shift towards advanced AI-related chips should support further high-skilled employment creation.

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

| | Monthly Data | | | | | |
|---|---|---|---|---|---|---|
| | **Feb-26** | **Mar-26** | **Apr-26** | **May-26** | **Jun-26** | **Jul-26** |
| **Labour Force** | 17,298 | 17,313 | 17,328 | 17,338 | 17,345 | 17,366 |
| YoY% | 1.0 | 1.1 | 1.0 | 1.0 | 0.9 | 1.0 |
| MoM% | 0.1 | 0.1 | 0.1 | 0.1 | 0.0 | 0.1 |
| **Employment** | 16,791 | 16,804 | 16,816 | 16,825 | 16,827 | 16,846 |
| YoY% | 1.2 | 1.2 | 1.2 | 1.1 | 1.0 | 1.1 |
| MoM% | 0.1 | 0.1 | 0.1 | 0.1 | 0.0 | 0.1 |
| **Unemployment ('000)** | 507 | 509 | 512 | 513 | 518 | 520 |
| YoY% | (4.4) | (3.6) | (2.6) | (2.0) | (0.7) | (0.2) |
| MoM% | (0.5) | 0.4 | 0.6 | 0.3 | 0.9 | 0.5 |
| **Outside Labour Force** | 7,103 | 7,101 | 7,101 | 7,103 | 7,110 | 7.111 |
| YoY% | (0.0) | (0.1) | (0.1) | 0.0 | 0.2 | 0.1 |
| MoM% | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 | 0.0 |
| **Labour Force Participation Rate, %** | 70.9 | 70.9 | 70.9 | 70.9 | 70.9 | 70.9 |
| **Unemployment Rate, %** | 2.9 | 2.9 | 3.0 | 3.0 | 3.0 | 3.0 |

Source: Macrobond, MBSBR

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

| | Mar-26 | Apr-26 | May-26 | Jun-26 | Jul-26 | Aug-26 |
|---|---|---|---|---|---|---|
| **Total Jobs, Thousands** | 107.0 | 122.0 | 114.5 | 103.4 | 242.4 | 268.6 |
| Legislators, Senior Officials & Managers | 5.6 | 7.0 | 7.2 | 6.0 | 4.8 | 4.5 |
| Professionals | 18.1 | 20.3 | 19.9 | 21.0 | 11.6 | 6.2 |
| Technicians & Associate Professionals | 16.1 | 14.5 | 16.3 | 16.8 | 9.3 | 6.3 |
| Clerical Workers | 10.5 | 10.1 | 9.8 | 10.2 | 5.7 | 3.2 |
| Service, Shop & Market Sales Workers | 11.1 | 11.3 | 10.5 | 10.3 | 10.0 | 10.2 |
| Skilled Agricultural & Fisheries Workers | 0.6 | 0.4 | 0.1 | 0.6 | 0.6 | 0.7 |
| Craft and Related Trades Workers | 3.3 | 3.9 | 4.6 | 4.8 | 5.5 | 5.2 |
| Plant & Machinery Operators & Assemblers | 8.3 | 5.8 | 6.9 | 8.6 | 7.8 | 8.1 |
| Elementary Occupations | 26.4 | 26.7 | 24.6 | 21.8 | 44.7 | 55.7 |
| **Agriculture, Forestry & Fishing** | 6.2 | 5.7 | 3.2 | 4.2 | 4.4 | 4.4 |
| **Mining & Quarrying** | 0.7 | 0.9 | 0.6 | 0.9 | 0.3 | 0.4 |
| **Manufacturing** | 29.2 | 23.8 | 24.6 | 25.8 | 30.4 | 36.7 |
| **Construction** | 5.3 | 5.8 | 6.0 | 5.6 | 10.3 | 12.0 |
| **Services** | 58.6 | 63.7 | 65.7 | 63.6 | 52.3 | 46.4 |

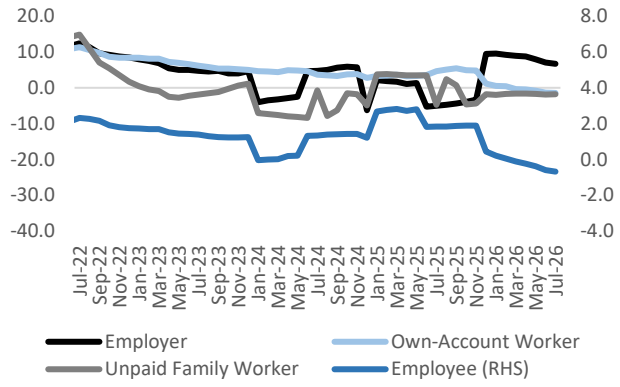
Source: Macrobond, MBSBR

**Table 3: Global unemployment rates (%)**

| | Jan-26 | Feb-26 | Mar-26 | Apr-26 | May-26 | Jun-26 | Jul-26 |
|---|---|---|---|---|---|---|---|
| Malaysia | 2.9 | 2.9 | 2.9 | 3.0 | 3.0 | 3.0 | 3.0 |
| Philippines | 5.8 | 5.1 | 5.0 | 4.7 | 4.8 | 4.9 | 6.0 |
| Taiwan | 3.6 | 3.3 | 3.4 | 3.3 | 3.3 | 3.3 | 3.3 |
| South Korea | 3.0 | 2.9 | 2.7 | 2.8 | 2.8 | 2.7 | 2.8 |
| Hong Kong | 3.9 | 3.8 | 3.7 | 3.7 | 3.7 | 3.7 | 3.7 |
| China | 5.2 | 5.3 | 5.4 | 5.2 | 5.1 | 5.0 | 5.2 |
| Japan | 2.7 | 2.6 | 2.7 | 2.5 | 2.5 | 2.5 | 2.4 |
| Euro area | 6.2 | 6.4 | 6.3 | 6.3 | 6.3 | 6.4 | 6.4 |
| UK | 5.2 | 5.0 | 5.0 | 4.9 | 4.9 | 4.9 | n.a |
| US | 4.3 | 4.4 | 4.3 | 4.3 | 4.3 | 4.2 | 4.1 |

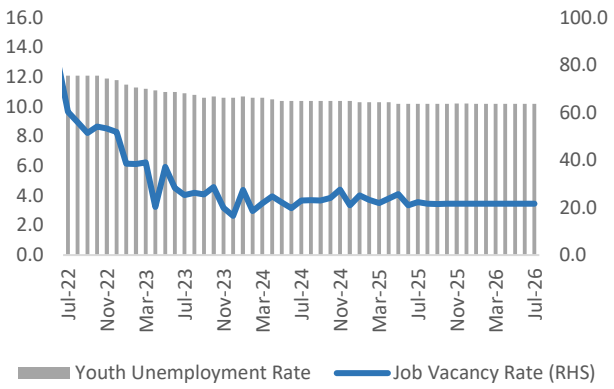
Source: Macrobond, MBSBR

**Chart 1: Employment by Type (YoY%)**



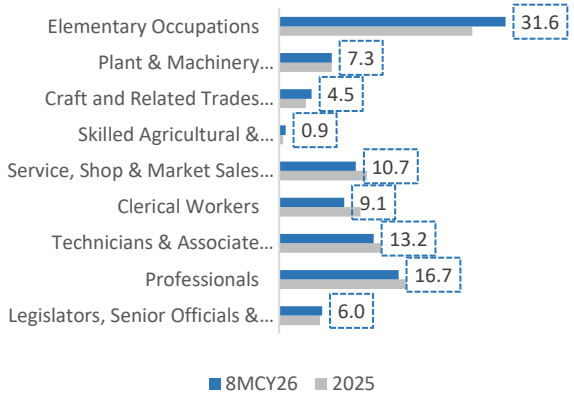

Source: Macrobond, MBSBR

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



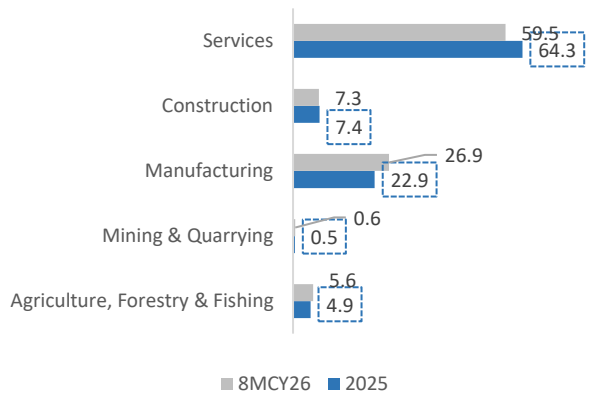

Source: Macrobond, MBSBR

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



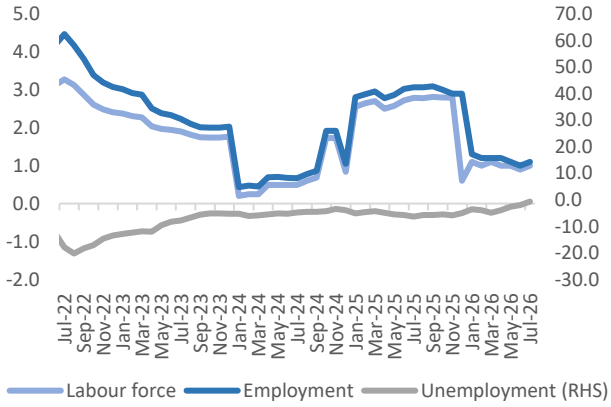

Source: Macrobond, MBSBR

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



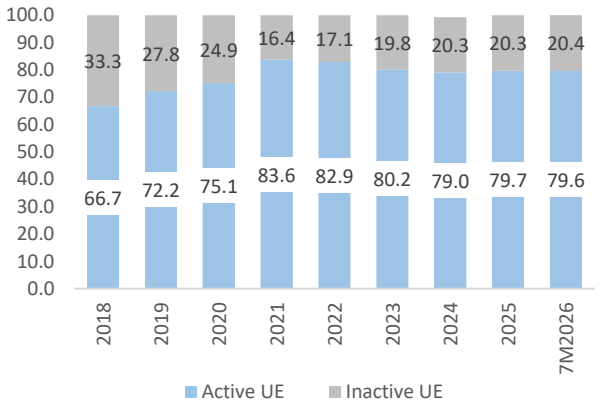

Source: Macrobond, MBSBR

**Chart 5: Labour Market Performances (YoY%)**




Source: DOSM, MBSBR

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




Source: DOSM, MBSBR

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