Jobless Rate Fell to 2.9% in Aug-26, Signaling Resilient Job Market

Economic Review
Aug-26 Labour Market



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- Malaysia's labour market continued to show resilience, with the unemployment rate edging down to 2.9% in Aug-26 from 3.0% in the previous four months. Labour force growth strengthened slightly to +1.1%yoy in Aug-26 (Jul-26: +1.0%yoy), while employment growth remained steady at +1.1%yoy, as more people secured employment on the back of growing economic activities.
- Labour demand increased strongly in Sep-26, with job vacancies rising by +170.6K to 539.2K (Aug-26: 368.6K), remaining above 200K for the third straight month and reaching the highest level since Jul-22. The increase was driven mainly by stronger hiring demand in services, particularly accommodation and food services, as well as construction, suggesting continued strength in domestic-oriented activities.
- We expect the unemployment rate to remain around 3.0% in 2026, unchanged from 2025, supported by resilient domestic demand and continued job creation. Sustained investments in E&E, data centres and AI-related activities should support employment opportunities.

Unemployment rate fell back to 2.9%

Malaysia's labour market continued to show resilience, with the unemployment rate edging down to 2.9% in Aug-26 from 3.0% in the previous four months. Labour force growth strengthened slightly to +1.1%yoy in Aug-26 (Jul-26: +1.0%yoy), suggesting more people entering and participating in the job market amid sustained economic expansion. Meanwhile, employment growth remained steady at +1.1%yoy, with the total number of employed persons reaching a new high of 16.8m. The number of unemployed persons declined to 512K (Jul-26: 520K), contributing to the slight easing in the unemployment rate as more people secured employment. Encouragingly, the labour force participation rate edged higher to a new high of 71.0% (Jul-26: 70.9%), reflecting continued engagement in the labour market. Meanwhile, the youth unemployment rate for those aged 15–24 declined slightly to 10.1% (Jul-26: 10.2%). Nevertheless, youth unemployment remained elevated relative to the overall unemployment rate, indicating continued challenges for younger workers and fresh graduates in securing stable employment.

Labour demand surged to more than 500K in Sep-26

Labour demand increased strongly in Sep-26, with job vacancies rising by +170.6K to 539.2K (Aug-26: 368.6K), remaining above 200K for the third straight month and reaching the highest level since Jul-22. The sharp increase likely reflected a combination of continued MYFutureJOBS advertising requirements for expatriate hiring and sustained labour demand in domestic-oriented sectors, particularly services and construction. By sector, vacancies in services increased by +86.1K to 257.3K, mainly driven by accommodation and food service activities. Vacancies also increased in manufacturing (+21.4K to 156.2K) and construction (+64.0K to 108.5K), while agriculture declined by -2.5K to 13.8K. Job vacancies averaged 161.0K in 9MCY26 (8MCY26: 159.9K), suggesting labour demand remained resilient in 2HCY26, supported primarily by services and construction-related activities.

Domestic demand continues to underpin labour market resilience

Consumer spending is expected to remain supported by resilient labour market conditions, particularly sustained hiring in the services sector through 2026. The sharp increase in vacancies within accommodation and food service activities suggests domestic demand

remains supportive of employment growth, which should continue to underpin household spending. Concurrently, the construction sector is likely to remain a key growth pillar, supported by ongoing investment activity and the gradual rollout of projects under the 13MP. Meanwhile, conditions in the manufacturing sector remain comparatively softer amid external uncertainties. Although Malaysia's S&P Global Manufacturing PMI eased to 49.9 in Sep-26 (Aug-26: 50.2), marking the first contraction in operating conditions in four months as new orders declined and output moderated further, manufacturers continued to expand employment for the second consecutive month. Overall, the latest labour market indicators suggest domestic-oriented sectors will continue to provide important support to employment growth, while ongoing uncertainties affecting the global demand could temper hiring momentum in trade-related industries.

Global labour market conditions show signs of moderation

In the US, labour market conditions softened in Sep-26, with nonfarm payrolls rising by +29K (Aug-26: +133K), while the unemployment rate edged slightly higher to 4.2% (Aug-26: 4.1%). The labour force participation rate rose to 61.8%, suggesting labour supply remained resilient despite softer hiring conditions. In China, labour market conditions softened further in Aug-26, with the surveyed urban unemployment rate rising to 5-month high of 5.3% (Jul-26: 5.2%), while youth unemployment increased to 18.9% (Jul: 17.9), partly reflecting seasonal pressures from a record influx of university graduates entering the labour force. Overall, labour market conditions across major economies appear to be moderating gradually rather than deteriorating sharply.

Labour market shaped by evolving market conditions and policy changes

Following the Sep-26 policy meeting, the Federal Open Market Committee (FOMC) noted that job gains have generally kept pace with labour force growth, while the unemployment rate remained broadly stable. While businesses had previously adopted a more cautious stance amid elevated policy uncertainty, resilient domestic demand and robust capital expenditure have helped to keep hiring and investment activity broadly supported. Recent employment gains have continued to be concentrated in sectors such as healthcare, construction and manufacturing, suggesting demand linked to infrastructure spending, industrial expansion and domestic services remains relatively resilient despite ongoing geopolitical and trade-related uncertainties. Elsewhere, resilient domestic activity should continue to support employment growth across several economies. Despite elevated costs, PMI reports also indicated companies in several countries increased hirings in Aug-26 and Sep-26 to manage rising backlogs and stronger demand.

Unemployment rate to remain around 3.0% in 2026

We expect the unemployment rate to remain around 3.0% in 2026, unchanged from 2025, supported by continued job growth and resilient domestic demand. Recent labour market data showed labour force growth strengthening to +1.1%yoy in Aug-26, while employment growth remained steady at +1.1%yoy, suggesting broadly healthy labour market conditions despite a measured pace of hiring. The implementation of the 13MP, NSS and GEAR-uP initiatives should support economic transformation, high-skilled job creation and productivity improvements. Meanwhile, the increase in the monthly minimum wage to RM2,000 next year (currently RM1,700) is expected to provide additional support to household incomes and private consumption, although it could also raise labour costs for businesses. Sustained investments in E&E, data centres and AI-related activities should also create more high-skilled employment opportunities over the medium term. Overall, stable labour market conditions and sustained income growth are expected to underpin private consumption, providing an important buffer against external and geopolitical headwinds.

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

	Monthly Data					
	Mar-26	Apr-26	May-26	Jun-26	Jul-26	Aug-26
Labour Force	17,313	17,328	17,338	17,345	17,366	17,386
YoY%	1.1	1.0	1.0	0.9	1.0	1.1
MoM%	0.1	0.1	0.1	0.0	0.1	0.1
Employment	16,804	16,816	16,825	16,827	16,846	16,874
YoY%	1.2	1.2	1.1	1.0	1.1	1.1
MoM%	0.1	0.1	0.1	0.0	0.1	0.2
Unemployment ('000)	509	512	513	518	520	512
YoY%	(3.6)	(2.6)	(2.0)	(0.7)	(0.2)	(1.4)
MoM%	0.4	0.6	0.3	0.9	0.5	(1.7)
Outside Labour Force	7,101	7,101	7,103	7,110	7.111	7.106
YoY%	(0.1)	(0.1)	0.0	0.2	0.1	0.0
MoM%	0.0	0.0	0.0	0.1	0.0	0.1
Labour Force Participation Rate, %	70.9	70.9	70.9	70.9	70.9	71.0
Unemployment Rate, %	2.9	3.0	3.0	3.0	3.0	2.9

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	Sep-26
Total Jobs, Thousands	107.0	122.0	114.5	103.4	242.4	368.8	539.2
Legislators, Senior Officials & Managers	5.6	7.0	7.2	6.0	4.8	4.5	7.8
Professionals	18.1	20.3	19.9	21.0	11.6	6.2	5.3
Technicians & Associate Professionals	16.1	14.5	16.3	16.8	9.3	6.3	5.4
Clerical Workers	10.5	10.1	9.8	10.2	5.7	3.2	2.2
Service, Shop & Market Sales Workers	11.1	11.3	10.5	10.3	10.0	10.2	10.5
Skilled Agricultural & Fisheries Workers	0.6	0.4	0.1	0.6	0.6	0.7	0.6
Craft and Related Trades Workers	3.3	3.9	4.6	4.8	5.5	5.2	4.3
Plant & Machinery Operators & Assemblers	8.3	5.8	6.9	8.6	7.8	8.1	6.1
Elementary Occupations	26.4	26.7	24.6	21.8	44.7	55.7	57.9
Agriculture, Forestry & Fishing	6.2	5.7	3.2	4.2	4.4	4.4	2.6
Mining & Quarrying	0.7	0.9	0.6	0.9	0.3	0.4	0.6
Manufacturing	29.2	23.8	24.6	25.8	30.4	36.7	29.0
Construction	5.3	5.8	6.0	5.6	10.3	12.0	20.1
Services	58.6	63.7	65.7	63.6	52.3	46.4	47.7

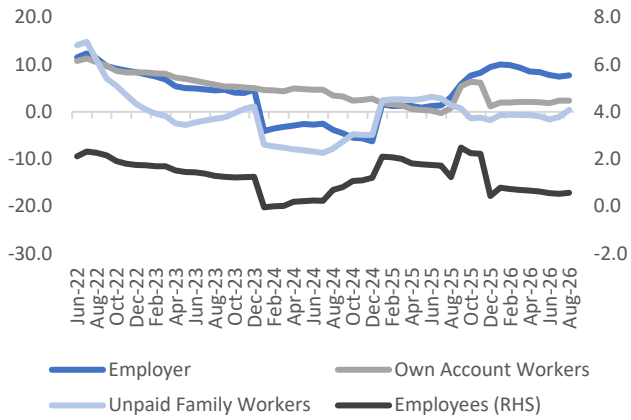
Source: Macrobond, MBSBR

Table 3: Global unemployment rates (%)

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

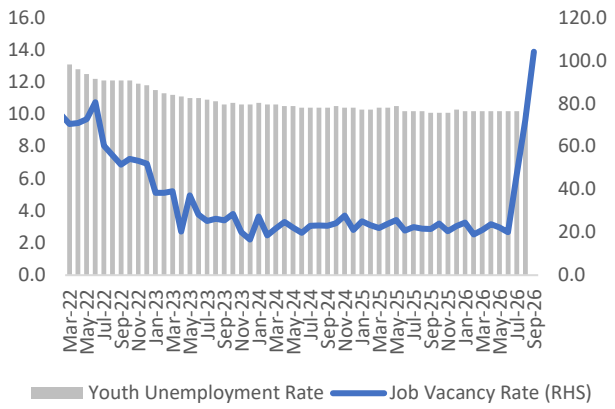
Source: Macrobond, MBSBR

Chart 1: Employment by Type (YoY%)



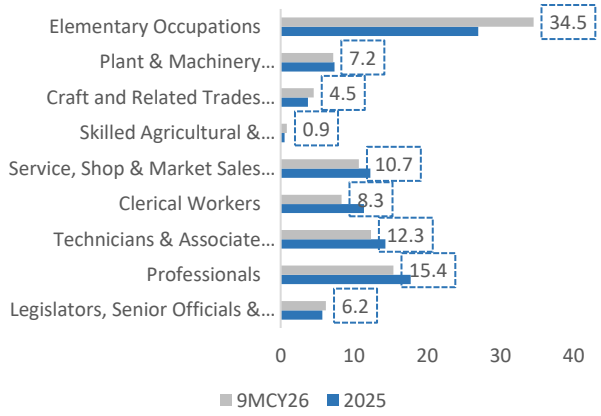
Source: Macrobond, MBSBR

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



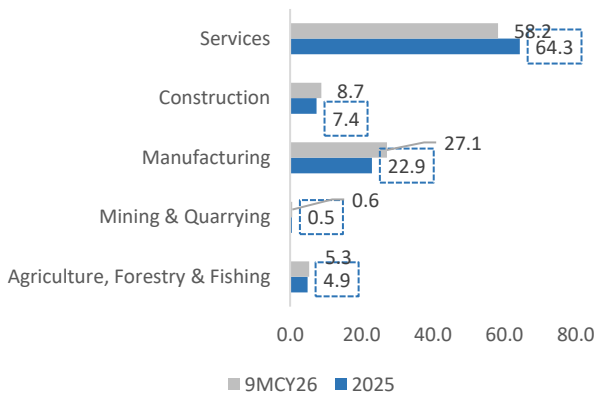
Source: Macrobond, MBSBR

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



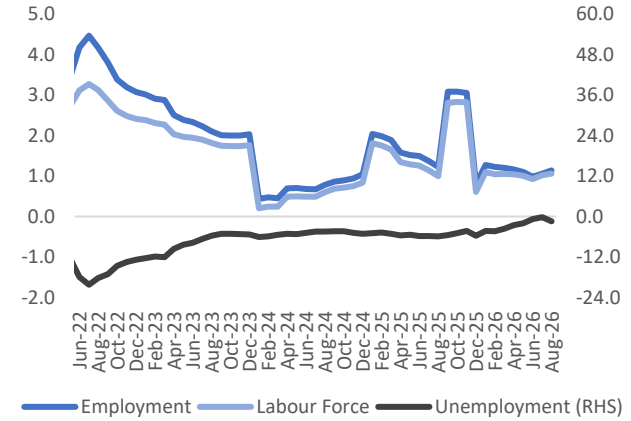
Source: Macrobond, MBSBR

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



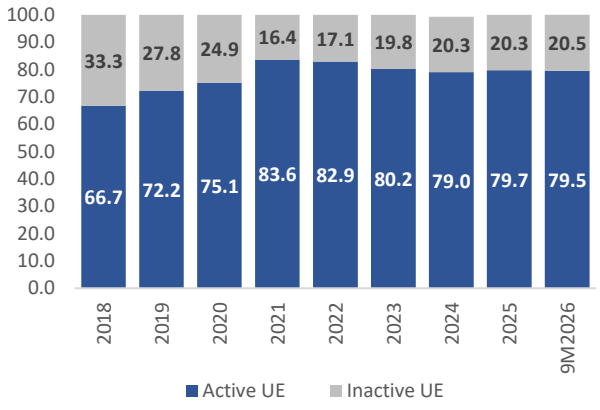
Source: Macrobond, MBSBR

Chart 5: Labour Market Performances (YoY%)



Source: DOSM, MBSBR

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



Source: DOSM, MBSBR

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