Jobless Rate Holds at 2.9% in Sep-26 as Employment Growth Strengthens

Economic Review
Sep-26 Labour Market



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- Malaysia's labour market remained resilient, with the unemployment rate unchanged at 2.9% for the second consecutive month in Sep-26. Labour force growth held steady at +1.1%yoy, while employment growth strengthened slightly to +1.2%yoy (Aug-26: +1.1%yoy), indicating that job creation continued to broadly absorb the expansion in labour supply.
- Labour demand moderated in Oct-26, with job vacancies declining by -66.7K to 472.5K (Sep-26: 539.2K), following the sharp increase in the previous month. Nevertheless, vacancies remained above 200K for the fourth consecutive month and substantially higher than in 1HCY26, supported particularly by stronger construction-related demand.
- We expect the unemployment rate to remain around 3.0% in 2026, broadly unchanged from 2025, supported by resilient domestic demand, continued employment growth and a healthy investment pipeline. Investments in E&E, data centres and AI-related activities should continue to support employment opportunities.

Healthy labour market kept unemployment rate stable at 2.9% amid stronger employment growth

Malaysia's labour market remained resilient in Sep-26, with the unemployment rate unchanged at 2.9% for the second consecutive month. Labour force growth remained steady at +1.1%yoy, with the labour force expanding further by +0.1%mom to 17.40m (Aug-26: 17.39m) and the labour force participation rate remaining high at 71.0%. Meanwhile, employment growth strengthened slightly to +1.2%yoy (Aug-26: +1.1%yoy), with the number of employed persons increasing by +0.1%mom to 16.89m (Aug-26: 16.87m) as more people managed to find jobs on the back of growing economic activities. Although the number of unemployed persons edged higher by +1.6K to 513.2K (Aug-26: 511.6K), the increase was insufficient to lift the unemployment rate. The youth unemployment rate for those aged 15–24 also remained elevated albeit unchanged at 10.1%, with 293.1K young persons unemployed, highlighting continued challenges in the transition into employment for younger and entry-level job seekers.

Moderation but still encouraging labour demand

Labour demand moderated in Oct-26, with job vacancies declining by -66.7K to 472.5K (Sep-26: 539.2K), indicating some correction after the sharp increase recorded in the previous month. Nevertheless, vacancies remained above 200K for the fourth consecutive month and substantially higher than the levels recorded in 1HCY26. In other words, underlying labour demand remained resilient entering 4QCY26. The moderation was attributable mainly to changes in the services and manufacturing sectors, while construction-related demand strengthened further. By sector, vacancies in services declined by approximately -34.3K to 223.0K, although the sector continued to account for the largest share of total vacancies at 47.2%. Manufacturing vacancies also fell by around -46.3K to 110.1K, while construction vacancies increased by approximately +13.4K to 121.9K, raising the sector's share to 25.8% (Sep-26: 20.1%). Vacancies in agriculture rose modestly to 15.6K (Sep-26: 13.8K), while mining declined to 2.2K (Sep-26: 3.3K). Job vacancies averaged higher at around 192.2K in 10MCY26 (9MCY26: 161.0K), indicating that labour demand remained broadly resilient, supported particularly by construction-related activity.

Domestic demand remains the key anchor

Consumer spending should remain supported by increased employment resilient labour demand, particularly across domestic-oriented sectors. Services accounted for 47.2% of job

vacancies in Oct-26 (Sep-26: 47.7%), remaining the largest contributor and pointing to sustained hiring requirements, supportive of household incomes and spending. The construction industry remained another major contributor to labour demand, with the sector's share rising to 25.8% (Sep-26: 20.1%). Meanwhile, manufacturing conditions returned to expansion, with the S&P Global Malaysia Manufacturing PMI rising to 51.0 in Oct-26 (Sep-26: 49.9), its strongest reading since Apr-26. Apart from increasing purchasing activity and output, the PMI report highlighted that companies responded to increased new orders, particularly from the export markets, by raising employment further, indicating that stronger demand translated into additional staffing requirements. Looking at the recent trend, we believe increased activities in the services and construction sectors will continue to anchor growth in labour demand, complemented by improving manufacturing conditions, although cost pressures and geopolitical uncertainty could limit the pace of hiring.

for labour market resilience

Global labour market continued to show resilience, keeping the jobless rates stable or easing slightly. In the US, labour market conditions strengthened in Oct-26, with nonfarm payrolls rising by +165K (Sep-26: +60K), led by professional and business services, healthcare, and transportation and warehousing. Aug-26 and Sep-26 payroll gains were revised higher by a combined +84K, indicating stronger hiring than initially reported. The unemployment rate eased to 4.1% (Sep-26: 4.2%), while the labour force participation rate rose to 61.9% (Sep-26: 61.8%). In China, labour market conditions improved modestly in Sep-26, with the surveyed urban unemployment rate easing to 5.2% (Aug-26: 5.3%). Youth unemployment among those aged 16–24, excluding students, declined to 18.0% (Aug-26: 18.9%), as graduates gradually secured jobs following the seasonal rise in unemployment during Jul-26 to Aug-26. Japan and South Korea also reported lower unemployment, falling -0.1ppt to 2.4% and 2.6%, respectively. In contrast, jobless rates were stable at 3.3% in Taiwan and 4.9% in the UK, remaining at the same rates for the sixth consecutive month. In Hong Kong, however, the unemployment rate climbed slightly to 3.9% due to higher job losses in the social work activities and warehousing & support for the transportation sector.

Continued resilience in the global labour market

Following its Oct-26 meeting, the Federal Open Market Committee (FOMC) noted that job gains have continued to keep pace with workforce growth, while the unemployment rate remained little changed. The Committee also highlighted that economic activity is expanding at a strong pace, supported by resilient domestic spending, robust capital investment and strong productivity growth. Despite elevated uncertainty stemming in part from geopolitical developments, underlying demand conditions have remained firm, helping to sustain hiring activity across the economy. While inflation remains elevated, the FOMC maintained the federal funds rate at 3.75-4.00% and indicated that further policy decisions will depend on incoming economic data. Nevertheless, resilient domestic demand, strong business investment and ongoing labour market stability suggest employment conditions should remain broadly supported in the near term, although restrictive monetary policy is likely to continue weighing on labour demand at the margin.

Labour conditions remain supported despite elevated uncertainty

We expect the unemployment rate to remain around 3.0% in 2026, broadly unchanged from 2025, supported by continued employment growth, resilient domestic demand and a healthy investment pipeline. The implementation of the 13MP, NSS and GEAR-uP initiatives should support higher-skilled job creation and productivity improvements, complemented by Google's additional USD15bn investment in data centres and supporting infrastructure. Further upside could emerge from the proposed USD50bn investment in AI, new technology and data centres across Sarawak and Peninsular Malaysia, alongside potential investment from China in aluminum production at Samalaju Industrial Park, although implementation will be key. Meanwhile, the planned increase in the monthly minimum wage to RM2,000 next year from RM1,700 should support household incomes and private consumption, but with some upward pressure on labour costs. Overall, stable employment conditions, continued investment activity and income growth should provide an important buffer against external and geopolitical headwinds.

Maintain expectations unemployment rate to stabilize around 3.0% in 2026

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

	Monthly Data					
	Apr-26	May-26	Jun-26	Jul-26	Aug-26	Sep-26
Labour Force	17,328	17,338	17,345	17,366	17,386	17.403
YoY%	1.0	1.0	0.9	1.0	1.1	1.1%
MoM%	0.1	0.1	0.0	0.1	0.1	0.1%
Employment	16,816	16,825	16,827	16,846	16,874	16,890
YoY%	1.2	1.1	1.0	1.1	1.1	1.2
MoM%	0.1	0.1	0.0	0.1	0.2	0.1
Unemployment ('000)	512	513	518	520	512	513
YoY%	(2.6)	(2.0)	(0.7)	(0.2)	(1.4)	(0.5)
MoM%	0.6	0.3	0.9	0.5	(1.7)	0.3
Outside Labour Force	7,101	7,103	7,110	7.111	7.106	7.104
YoY%	(0.1)	0.0	0.2	0.1	0.0	(0.1)
MoM%	0.0	0.0	0.1	0.0	0.1	0.0
Labour Force Participation Rate, %	70.9	70.9	70.9	70.9	71.0	71.0
Unemployment Rate, %	3.0	3.0	3.0	3.0	2.9	2.9

Source: Macrobond, MBSBR

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

	Apr-26	May-26	Jun-26	Jul-26	Aug-26	Sep-26	Oct-26
Total Jobs, Thousands	122.0	114.5	103.4	242.4	368.8	539.2	472.5
Legislators, Senior Officials & Managers	7.0	7.2	6.0	4.8	4.5	7.8	8.7
Professionals	20.3	19.9	21.0	11.6	6.2	5.3	5.1
Technicians & Associate Professionals	14.5	16.3	16.8	9.3	6.3	5.4	5.5
Clerical Workers	10.1	9.8	10.2	5.7	3.2	2.2	3.3
Service, Shop & Market Sales Workers	11.3	10.5	10.3	10.0	10.2	10.5	7.7
Skilled Agricultural & Fisheries Workers	0.4	0.1	0.6	0.6	0.7	0.6	0.4
Craft and Related Trades Workers	3.9	4.6	4.8	5.5	5.2	4.3	4.4
Plant & Machinery Operators & Assemblers	5.8	6.9	8.6	7.8	8.1	6.1	4.5
Elementary Occupations	26.7	24.6	21.8	44.7	55.7	57.9	60.6
Agriculture, Forestry & Fishing	5.7	3.2	4.2	4.4	4.4	2.6	3.3
Mining & Quarrying	0.9	0.6	0.9	0.3	0.4	0.6	0.5
Manufacturing	23.8	24.6	25.8	30.4	36.7	29.0	23.3
Construction	5.8	6.0	5.6	10.3	12.0	20.1	25.8
Services	63.7	65.7	63.6	52.3	46.4	47.7	47.2

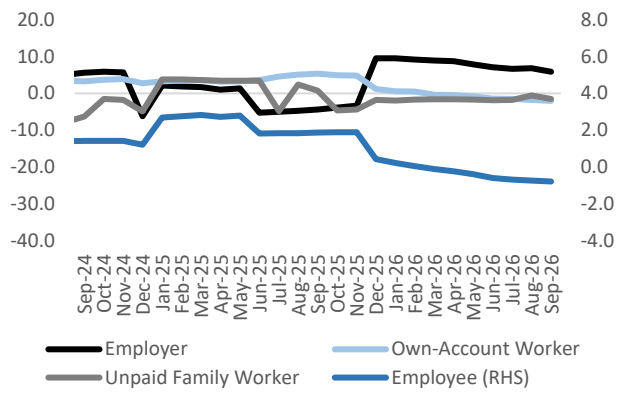
Source: Macrobond, MBSBR

Table 3: Global unemployment rates (%)

	Feb-26	Mar-26	Apr-26	May-26	Jun-26	Jul-26	Aug-26	Sep-26
Malaysia	2.9	2.9	3.0	3.0	3.0	3.0	2.9	2.9
Philippines	5.1	5.0	4.7	4.8	4.9	6.0	5.3	5.4
Taiwan	3.3	3.4	3.3	3.3	3.3	3.3	3.3	3.3
South Korea	2.9	2.7	2.8	2.8	2.7	2.8	2.7	2.6
Hong Kong	3.8	3.7	3.7	3.7	3.7	3.7	3.8	3.9
China	5.3	5.4	5.2	5.1	5.0	5.2	5.3	5.2
Japan	2.6	2.7	2.5	2.5	2.5	2.4	2.5	2.4
Euro area	6.4	6.3	6.3	6.3	6.4	6.4	6.4	6.5
UK	5.0	5.0	4.9	4.9	4.9	4.9	4.9	4.9
US	4.4	4.3	4.3	4.3	4.2	4.1	4.1	4.2

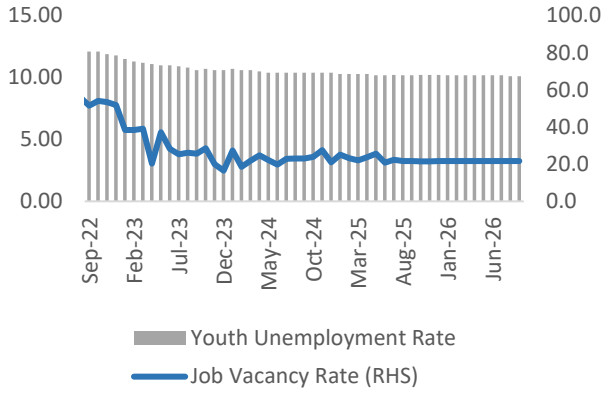
Source: Macrobond, MBSBR

Chart 1: Employment by Type (YoY%)



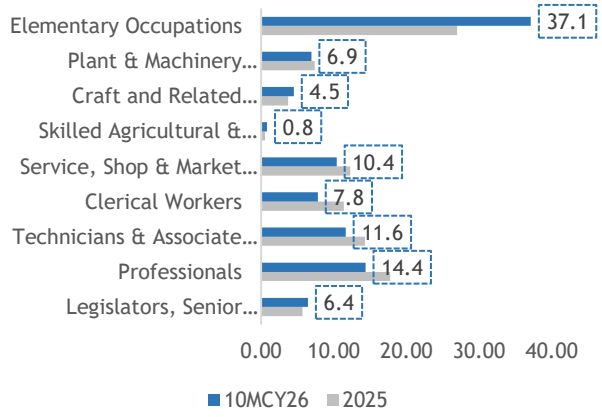
Source: Macrobond, MBSBR

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



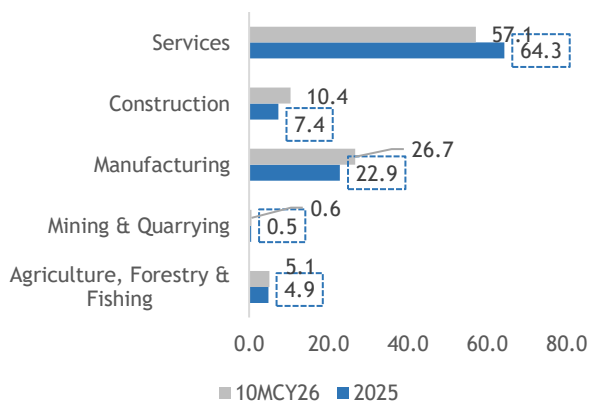
Source: Macrobond, MBSBR

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



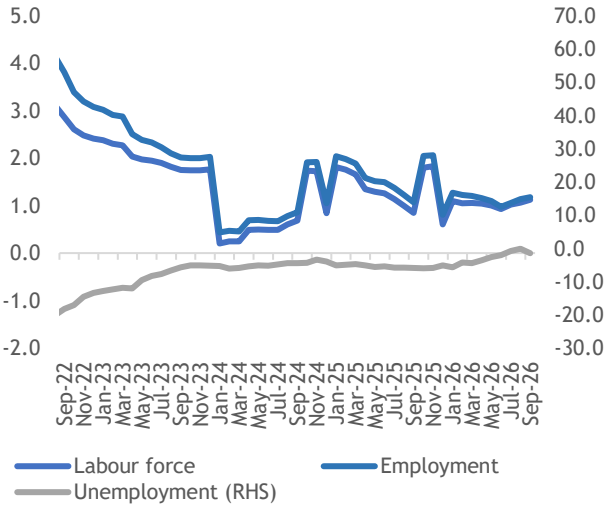
Source: Macrobond, MBSBR

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



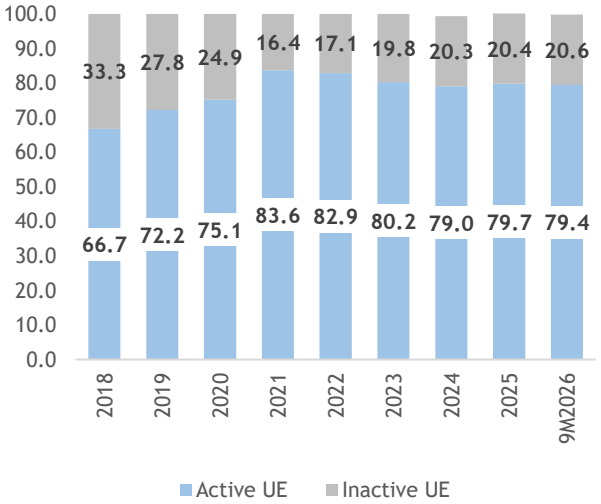
Source: Macrobond, MBSBR

Chart 5: Labour Market Performances (YoY%)



Source: DOSM, MBSBR

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



Source: DOSM, MBSBR

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