

13 October 2025

Malaysia Labour Market

Unemployment rate steady in August; participation rate hit record high

- **Unemployment rate held steady at 3.0% in August (Jul: 3.0%) for the fifth straight month, reflecting a stable labour market**

- Unemployment numbers fell (-0.3% MoM; Jul: 0.6%) after a brief rebound in July.
- In absolute terms, the number of unemployed fell to 520.0k (Jul: 521.6k).
- Similarly, the actively unemployed declined to 414.9k (Jul: 416.2k).

- **Employment growth sustained at 0.2% MoM (Jul: 0.2%), still above the 2024 MoM average (0.1%)**

- **By sector:** The Department of Statistics (DOSM) reported strong hiring in the services sector, notably in wholesale and retail trade, information & communication, and food & beverage services. Manufacturing, construction, agriculture and mining & quarrying sectors also saw hiring momentum.
- **By employment status:** Positive expansion recorded among employers (0.7%; Jul: 0.6%), employees (0.2%; Jul: 0.1%) and own account workers (0.5%; Jul: 0.4%), while unpaid family workers continue to decline (-0.2%; Jul: -0.02%) for the eleventh straight month.

- **Labour force participation hit record of 70.9% (Jul: 70.8%)**

- The labour force grew 0.21% MoM (Jul: 0.21%), bringing the total to 17.51m (Jun: 17.47m).
- Meanwhile, the number of people outside the labour force expanded for the second month in a row, up 0.17% (Jul: 0.18%) to 7.20m, a 20-month high.

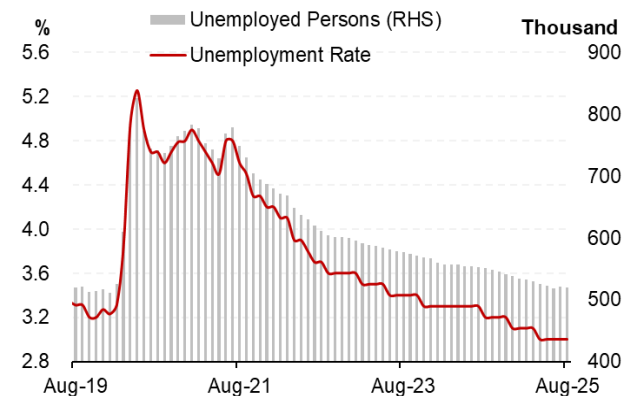
- **Unemployment rate increased among advanced Asian economies**

- Japan: Increased sharply (2.6%; Jul: 2.3%) to a 13-month high as companies held back on hiring.
- Taiwan: Edged up (3.4%; Jul: 3.3%) for the third straight month as more first-time jobseekers entered the market.

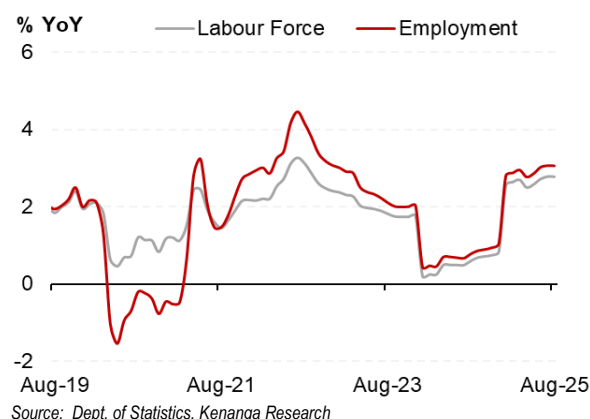
- **2025 unemployment rate forecast retained at 3.0% (2024: 3.3%). We also project it to remain at 3.0% in 2026, in line with Ministry of Finance's (MoF) expectations**

- **Outlook:** Malaysia's labour market remains resilient. Hiring remains steady despite global uncertainties, including US tariff risks and geopolitical tensions. Domestic-oriented sectors are key growth drivers, supported by steady demand and a strong services sector. We expect the services sector to continue creating more jobs, especially ahead of Visit Malaysia 2026, where the government targets 47.0m tourist arrivals. Additionally, the Federal Budget 2026 also priorities workforce development, including RM3.0b for HRD Corp's upskilling program in high-tech and green sectors, RM650.0m for Perbadanan Tabung Pembangunan Kemahiran (PTPK) training in AI, EV and semiconductors and youth employment initiatives. These measures should ease youth unemployment and support overall labour market conditions in 2026.
- **GDP forecast:** With a stable labour market performance and stronger industrial production in August, we have revised 3Q25 GDP growth to 4.5%, up from 4.3%. However, we maintain full-year 2025 GDP growth forecast at 4.3% (2024: 5.1%), given limited upside expected in the final quarter.

Graph 1: Unemployment Rate



Graph 2: Labour Force Vs. Employment



Graph 3: Manufacturing Payroll and Employment



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Table 1: Malaysia's Labour Market Indicators

	Aug-24	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25
Labour Force							
Number ('000)	17,034.2	17,308.1	17,344.5	17,384.8	17,434.0	17,470.5	17,508.0
YoY %	0.6	2.7	2.5	2.6	2.7	2.8	2.8
MoM %	0.2	0.2	0.2	0.2	0.3	0.2	0.2
Outside Labour Force							
Number ('000)	7,102.4	7,158.1	7,169.4	7,176.8	7,176.5	7,189.3	7,201.5
YoY %	-1.8	1.5	2.0	1.8	1.5	1.4	1.4
MoM %	0.1	0.1	0.2	0.1	0.0	0.2	0.2
Employment							
Number ('000)	16,482.8	16,778.5	16,818.6	16,862.4	16,915.3	16,948.9	16,988.0
YoY %	0.8	3.0	2.8	2.9	3.0	3.1	3.1
MoM %	0.2	0.3	0.2	0.3	0.3	0.2	0.2
Unemployment							
Number ('000)	551.4	529.6	525.9	522.4	518.7	521.6	520.0
YoY %	-4.5	-4.9	-5.5	-5.7	-6.3	-5.7	-5.7
MoM %	-0.3	-0.6	-0.7	-0.7	-0.7	0.6	-0.3
Unemployment Rate (%)	3.2	3.1	3.0	3.0	3.0	3.0	3.0
Labour Force Participation Rate (%)	70.6	70.7	70.8	70.8	70.8	70.8	70.9

Source: Dept. of Statistics, Kenanga Research

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