

Malaysia Labour Market (Jan 26)

Unemployment rate steady at 2.9%; participation rate hits record high

- **Unemployment rate remained at 2.9% in January (Dec: 2.9%) for the third straight month, marking the lowest level since November 2014 (2.6%)**

- The number of unemployed rebounded (0.3% MoM; Dec: -2.0%) for the first time in three months after a sharp decline previously.
- In absolute terms, unemployment rose to 509.6k (Dec revised: 508.0k).
- Actively unemployed, defined as those available for work and actively seeking jobs, increased to 406.9k (Dec revised: 405.5k). Its share of total unemployed steady at 79.8%.

- **Employment expanded marginally by 0.04% MoM (Dec revised: -1.9%) on steady hiring**

- **By sector:** The Department of Statistics (DOSM) reported continued hiring in the services sector, driven mainly by wholesale and retail trade, accommodation and food & beverage services as well as transportation & storage activities. It also noted hiring expansion in agriculture, manufacturing, construction, and mining & quarrying, though no detailed breakdown was provided. A separate manufacturing report showed that sector employment held at 0.1% MoM (Dec: 0.1%) at 2.43m (Dec: 2.43m). However, payrolls fell sharply by 4.4% (Dec: 7.7%), a 12-month low. This pulled the average manufacturing salary down to RM3,590 (Dec: RM3,756), after previously reaching a record high.
- **By employment status:** Employees and own account workers edged up 0.03% MoM (Dec revised: -1.5%) and 0.1% (Dec revised: -4.2%) respectively, recovering slightly from earlier declines. Employers slowed to 0.3% (Dec revised: 1.4%), while unpaid family workers fell (-0.3%; Dec revised: -0.7%) for the second straight month.

- **Labour force participation expanded to a record high of 70.9% (Dec revised: 70.8%)**

- Labour force rebounded (0.1% MoM; Dec revised: -1.9%) to 17.28m (Dec revised: 17.27m), reversing its brief contraction previously.
- Those outside the labour force declined (-0.4%; Dec revised: -1.2%) for the second straight month to 7.11m (Dec revised: 7.13m), marking a 17-month low.

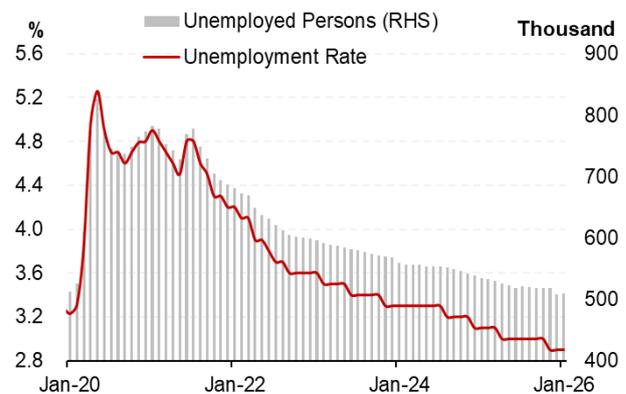
- **Unemployment rates held steady across selected advanced Asian economies in January**

- Japan (2.7%; Dec: 2.6%): Rose to an 18-month high, reflecting job cuts amid rising prices and labour costs.
- Taiwan (3.4%; Dec: 3.4%): Unchanged for the third straight month, indicating a steady labour market.

- **We maintain our unemployment rate forecast at 2.9% in 2026 (2025: 3.0%) as domestic demand anchors hiring**

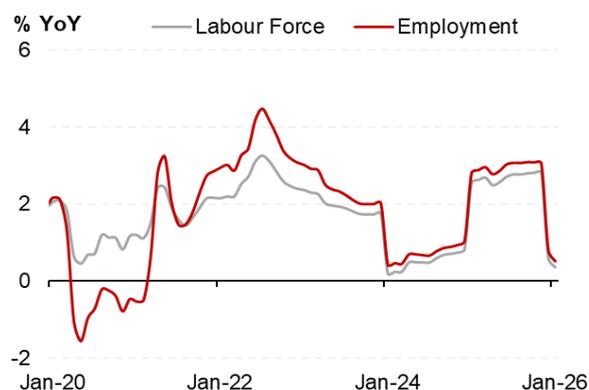
- **Outlook:** Despite escalating geopolitical tension from the US-Iran war, Malaysia's labour market is expected to remain steady, driven by domestic-oriented sectors. The services sector will continue to drive hiring, supported by Visit Malaysia 2026, though higher global crude oil prices pose a downside risk on tourism sector. Manufacturing, particularly E&E segment, should also provide support. Labour demand will also be reinforced by the Ministry of Education plan to hire 20,000 contract teachers under the National Education Plan 2026-2035.
- **GDP forecast:** We maintain our full-year 2026 GDP growth projection at 4.5% (2025: 5.2%) for now. While external risks persist, domestic fundamentals should help cushion the economy.

Graph 1: Unemployment Rate



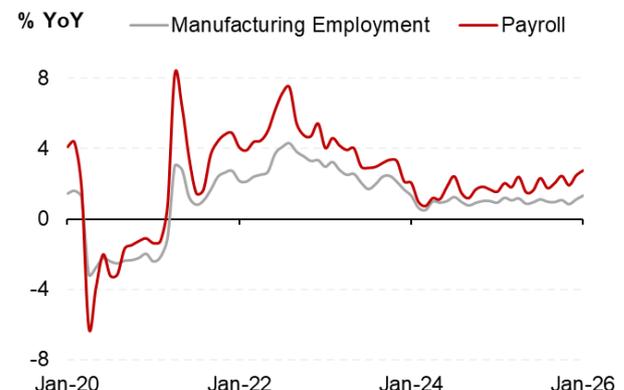
Source: Dept. of Statistics, Kenanga Research

Graph 2: Labour Force Vs. Employment



Source: Dept. of Statistics, Kenanga Research

Graph 3: Manufacturing Payroll and Employment



Source: Dept. of Statistics, Kenanga Research

12 March 2026

Table 1: Malaysia's Labour Market Indicators

	Jan-26	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26
Labour Force							
Number ('000)	17,218.2	17,508.0	17,544.8	17,579.0	17,610.9	17,272.3	17,281.0
YoY %	2.6	2.8	2.8	2.8	2.8	0.6	0.4
MoM %	0.3	0.2	0.2	0.2	0.2	-1.9	0.1
Outside Labour Force							
Number ('000)	7,154.8	7,201.5	7,209.3	7,218.2	7,218.9	7,132.6	7,105.6
YoY %	1.8	1.4	1.3	1.2	1.0	-0.3	-0.7
MoM %	0.0	0.2	0.1	0.1	0.0	-1.2	-0.4
Employment							
Number ('000)	16,684.4	16,988.0	17,026.3	17,060.1	17,092.5	16,764.3	16,771.4
YoY %	2.8	3.1	3.1	3.1	3.1	0.8	0.5
MoM %	0.3	0.2	0.2	0.2	0.2	-1.9	0.0
Unemployment							
Number ('000)	533.8	520.0	518.6	518.9	518.4	508.0	509.6
YoY %	-4.7	-5.7	-5.5	-4.9	-4.3	-5.7	-4.5
MoM %	-0.9	-0.3	-0.3	0.1	-0.1	-2.0	0.3
Unemployment Rate (%)	3.1	3.0	3.0	3.0	2.9	2.9	2.9
Labour Force Participation Rate (%)	70.6	70.9	70.9	70.9	70.9	70.8	70.9

Source: Dept. of Statistics, Kenanga Research

For further information, please contact:

Wan Suhaimie Wan Mohd Saidie
Head of Economic Research
wansuhaimi@kenanga.com.my

Muhammad Saifuddin Sapuan
Economist
saifuddin.sapuan@kenanga.com.my

Afiq Asyraf Syazwan Abd. Rahim
Economist
afiqasyraf@kenanga.com.my

Nurul Hanees Hairulkama
Economist
nurulhanees@kenanga.com.my

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KENANGA INVESTMENT BANK BERHAD (15678-H)

Level 17, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia
Telephone: (603) 2172 0880 Website: www.kenanga.com.my E-mail: research@kenanga.com.my

