APAC Market Briefing

February 2026

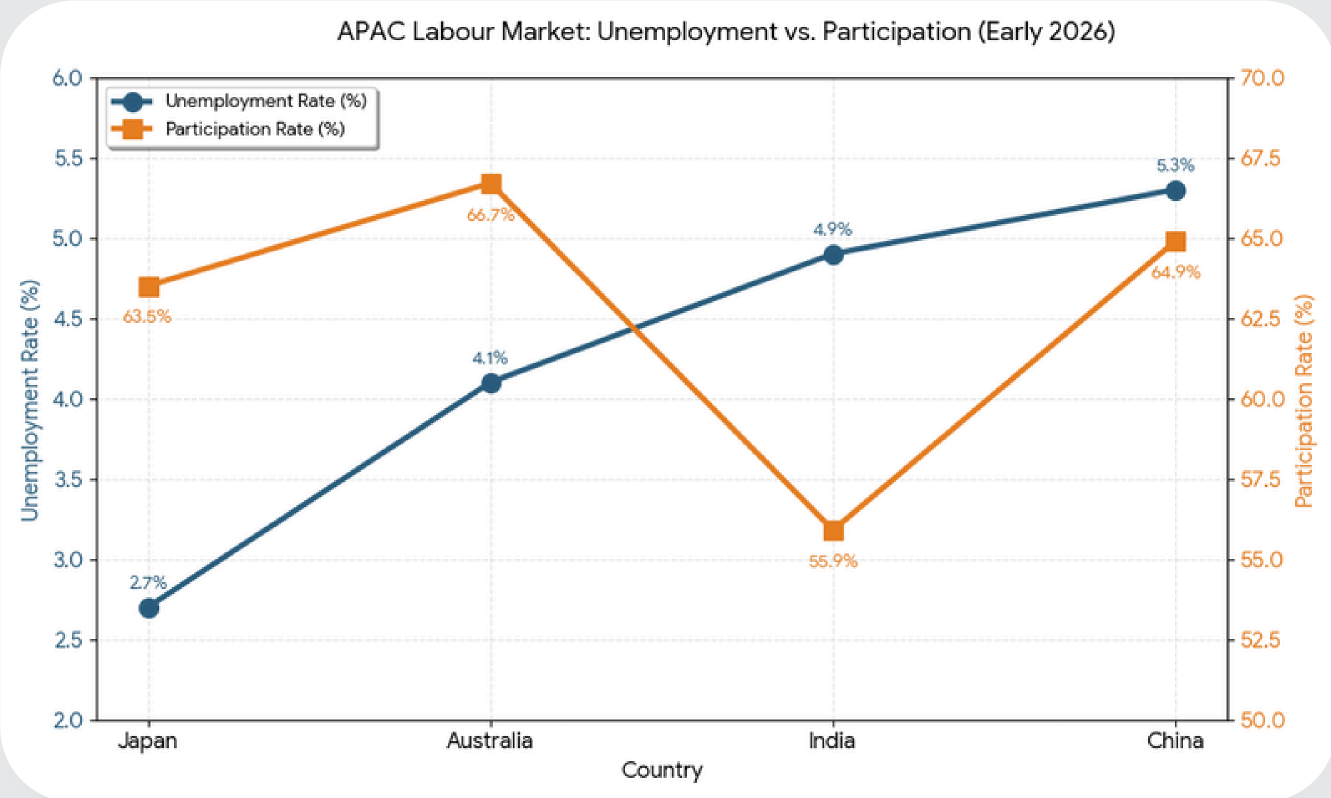
How will labour shortages shape hiring and retention strategies across the region?

- Japan's unemployment rate rose to 2.7% in January 2026; the jobs-to-applicants ratio eased to 1.18 from 1.19.
- Australia's unemployment rate held at 4.1% in January, with participation at 66.7%; full-time employment rose 50,500.
- China's surveyed urban unemployment rate stood at 5.3% in February; migrant labour force unemployment rose to 5.0%.
- India's unemployment rate eased to 4.9% in February; urban unemployment fell to 6.6%, rural held at 4.2%.

Labour markets across the Asia–Pacific region remained tight through early 2026, though headwinds from slowing global demand emerged. Japan's unemployment rate edged up to **2.7%** in January 2026 from **2.6%** in December, the highest since July 2024.

The number of unemployed rose **60,000** to **1.91 million** while employment fell **290,000**. Australia's unemployment rate held steady at **4.1%** in January, while China's surveyed urban unemployment rate ticked up to **5.3%** in February from **5.1%** in December.

India's unemployment rate eased to **4.9%** in February from **5.0%** in January. Labour force participation varies widely, with Australia at **66.7%** and Japan at **63.5%**. Despite pockets of softening, employers across the region continue to face structural labour supply constraints driven by ageing populations, skills mismatches and rising wage expectations.



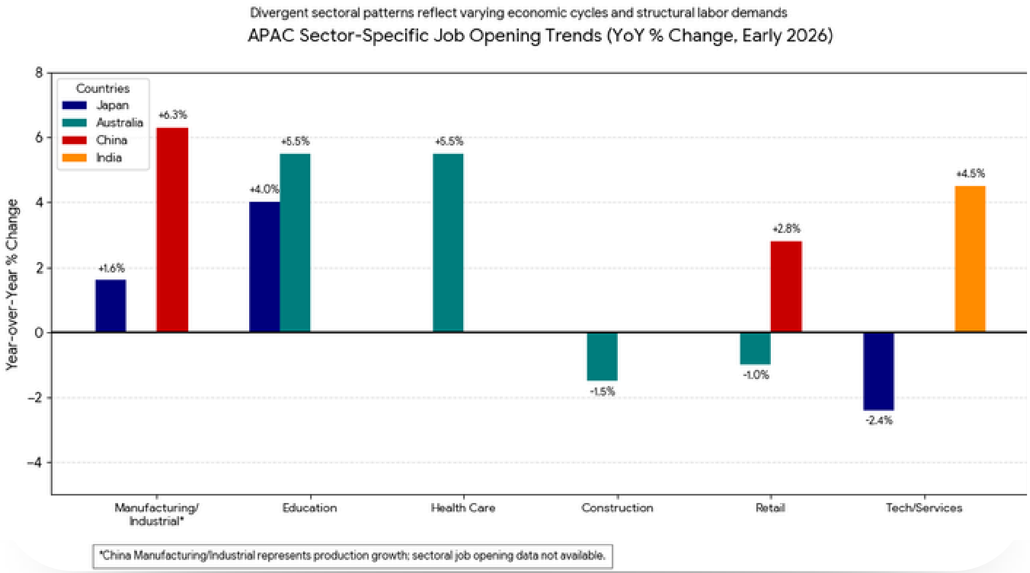
Sector-Specific Vacancy Trends

Regional Variations in Demand, Skills, and Wage Pressures

Hiring demand across APAC economies has shown divergent patterns by sector and geography. In Japan, manufacturing job openings rose 1.6% year-over-year while education sector openings increased 4.0% amid staff shortages. However, new job openings overall fell 2.4% compared to a year earlier.

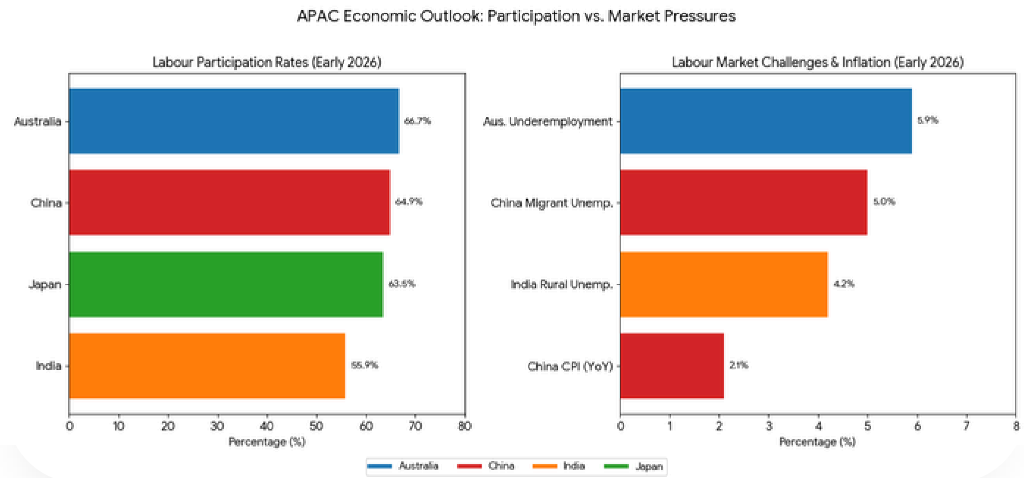
Australia continued to see employment growth in health care and education, with these sectors absorbing much of the 17,800 jobs added in January. Construction and retail trade exhibited softer demand, consistent with the Reserve Bank's tightening cycle. In China, industrial production grew 6.3% year-over-year in the first two months of 2026, though retail sales growth moderated to 2.8%.

Services sector activity in India remained robust, supporting urban employment gains particularly among women, though youth unemployment persists at elevated levels in several states.



Demand for skilled professionals in technology, engineering and health care remains strong despite economic headwinds. Employers are prioritising retention over expansion, focusing on productivity and targeted hiring for critical roles. If uncertainty continues into mid-2026, vacancy rates may stabilise while structural shortages persist. Wage pressures are expected to remain elevated, particularly in Australia and Japan where labour supply is tight.

Wage and Labour Supply Dynamics



Wage growth across APAC economies has generally moderated but remains elevated relative to pre-pandemic norms. In Japan, average cash earnings growth held steady amid labour shortages, while Australia's wage price index rose in late 2025, though below peak rates seen in 2023.

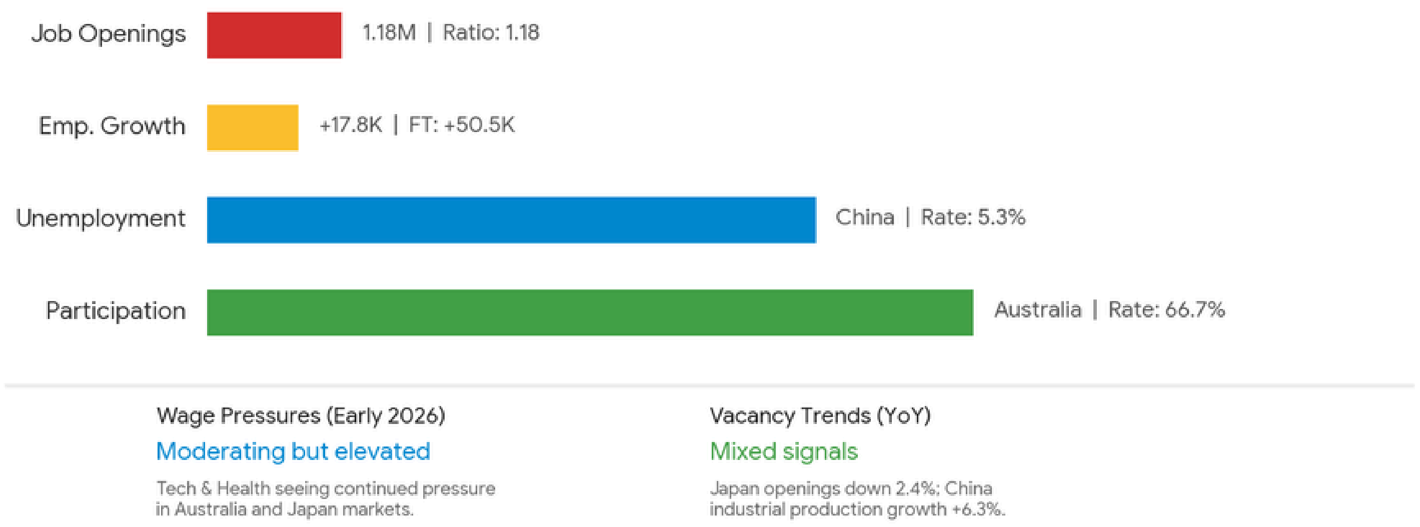
China's consumer price index rose 2.1% year-over-year in December, reflecting sustained inflationary pressures, though wage growth in manufacturing has softened. India's Periodic Labour Force Survey showed rising female labour force participation, with urban female participation reaching 25.5% in February.

Labour force participation varies across the region. Japan faces demographic pressures as its working-age population declines. Australia's participation remains high at 66.7%, though underemployment rose to 5.9%.

China's migrant unemployment increased to 5.0% in February, while India's rural unemployment held at 4.2%, masking regional differences.

Core APAC Labour Indicators (Early 2026)

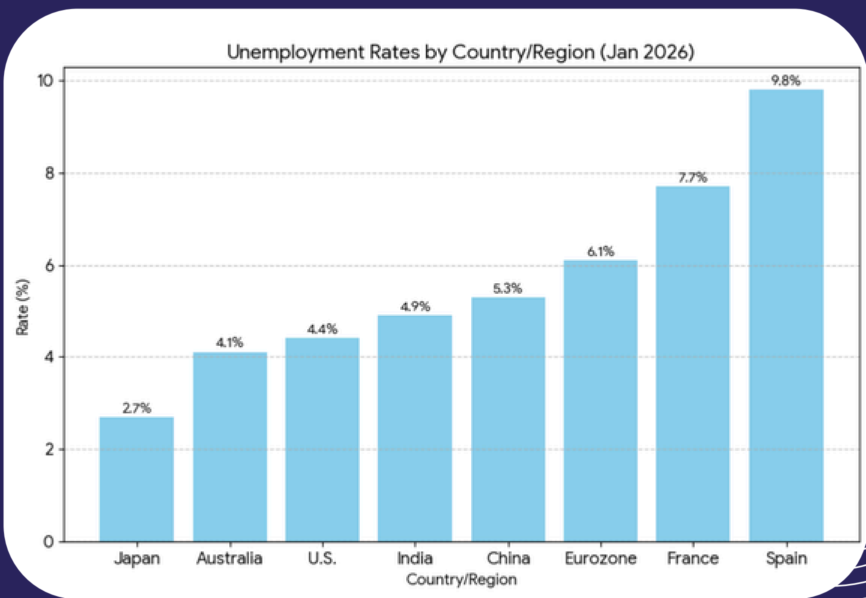
Volume alongside percentage rates/ratios.



Comparative Analysis: APAC, US and Europe

The Asia-Pacific region continues to experience tighter labour market conditions than most Western economies. Japan's unemployment rate of 2.7% in January 2026 remains well below the U.S. rate of 4.4% and the Eurozone average of 6.1%. Australia's 4.1% is comparable to the U.S. but lower than France (7.7%) and Spain (9.8%).

China's 5.3% and India's 4.9% both reflect structurally tighter labour markets than the Eurozone, though China faces challenges in migrant labour absorption and India grapples with regional disparities. Participation rates vary widely, with Australia at 66.7% above the U.S. (62.0%) and Japan (63.5%), while India's 55.9%



reflects efforts to boost female participation. Wage pressures remain stronger across APAC, driven by structural shortages, and ageing populations in countries like Japan, China and South Korea are expected to tighten labour supply further.

Strategic Implications for HR and Talent Acquisition

- Prepare for persistent labour shortages in high-skilled roles; competition for talent in tech, engineering, health care and finance will remain intense.
- Invest heavily in retention and workforce development; upskilling programmes are essential as external hiring becomes costlier.
- Leverage regional labour mobility where regulatory frameworks permit; cross-border talent flows can help address acute shortages.
- Expand female labour force participation through flexible work arrangements, childcare support and inclusive hiring practices.
- Monitor wage benchmarks closely by sector and geography; differentiated compensation strategies will be required to attract scarce talent.

Forecast for the Remainder of 2026

- Moderate employment growth expected through mid-2026 as regional central banks navigate inflation risks; Australia's RBA may raise rates further.
- Unemployment likely to drift modestly higher in Japan and China as demand softens, though both will remain well below Western peers.
- Structural labour shortages in key occupations will persist; health care, construction, education and technology will face ongoing challenges.
- Wage growth projected to moderate toward 3-4% across the region by late 2026, though sectors with acute shortages will see continued pressure.
- Geopolitical and trade tensions pose downside risks; U.S. tariff policies and Middle East instability could dampen business confidence.

Sources & Assumptions

- *Statistics Bureau of Japan Labour Force Survey (January 2026)* for unemployment rate, jobs-to-applicants ratio, employment and participation data.
- *Australian Bureau of Statistics Labour Force Survey (January 2026)* for unemployment, employment, participation and underemployment data.
- *National Bureau of Statistics of China (February 2026)* for surveyed urban unemployment, migrant labour force data and industrial production trends; labour force participation rate *(December 2024, annual data)*.
- *National Statistics Office of India Periodic Labour Force Survey (February 2026)* for unemployment, participation and worker population ratio data.
- *OECD Main Economic Indicators (January-February 2026)* for international labour market comparisons.
- *International Labour Organization Asia-Pacific Employment and Social Outlook (2024-2025)* for regional context.