09 August 2022

ECONOMIC REVIEW | June 2022 Labour Market

Malaysia's Jobless Rate Hit New Pandemic Low

- *Employment growth surged to a new record high. Recovery of Malaysia's labour market continued as jobless rate descended to a new pandemic low 3.8% in Jun-22. Underpin by robust domestic demand and external trade sector, labour force and employment growth hit new record high +3.1%yoy and +4.2%yoy respectively. Unemployment dipped further by -18.0%yoy, the largest contraction rate ever recorded. In addition, outside labour force reduced by -2.7%yoy, the largest negative rate ever registered.*
- *Robust growth in employment notably driven by employer +11.6%yoy (May-22: +8.9%yoy), self-account worker +10.8%yoy (May-22: +10.1%yoy) and unpaid family workers +14.1%yoy (May-22: +11.6%yoy). Employee segment which represents 76.1% of total employment grew higher by +2.1%yoy (May-22: +1.5%yoy). As for 2QCY22, average employment growth was at +3.6%yoy (1QCY22: +2.9%yoy) and unemployment rate at 3.9% (1QCY22: 4.1%).*
- *Jobless rate forecast lower at 3.8% for 2022. Labour market in Malaysia is expected to strengthen further in 2HCY22 underpin by upbeat momentum in domestic economy and steady expansion in external sector. Underpin by domestic reopening and strong economic fundamentals, Malaysia's unemployment rate is projected to trend lower this year to 3.8% in 2022 from 4.6% in 2021.*

Employment growth surged to a new record high. Recovery of Malaysia's labour market continued as jobless rate descended to a new pandemic low 3.8% in Jun-22. Underpin by robust domestic demand and external trade sector, labour force and employment growth hit new record high +3.1%yoy and +4.2%yoy respectively. Unemployment dipped further by -18.0%yoy, the largest contraction rate ever recorded. In addition, outside labour force reduced by -2.7%yoy, the largest negative rate ever registered. Robust growth in employment notably driven by employer +11.6%yoy (May-22: +8.9%yoy), self-account worker +10.8%yoy (May-22: +10.1%yoy) and unpaid family workers +14.1%yoy (May-22: +11.6%yoy). Employee segment which represents 76.1% of total employment grew higher by +2.1%yoy (May-22: +1.5%yoy). As for 2QCY22, average employment growth was at +3.6%yoy (1QCY22: +2.9%yoy) and unemployment rate at 3.9% (1QCY22: 4.1%). Apart from strong macro fundamentals, we believe international borders reopening on the 1st Apr-22 add an extra booster for labour market recovery particularly the return of foreign workers.

Labour market recovery to continue in 2HCY22. Moving forward, we opine Malaysia's labour market to stay in recovery trend as indicated by job-vacancy rate registered at 72.8% in May-22, slightly lower than record high 74.9% in Feb-22. As for 2HCY22 outlook, we believe Malaysia's economy to stay in upward trajectory underpin by robust domestic demand, international borders reopening, revival of construction projects, expansion of primary sectors amid elevated global commodity prices and steady external trade activities.

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Table 1: Summary of Labour Market ('000)

	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22
Labour Force	16,366	16,403	16,439	16,503	16,538	16,567
YoY%	2.2	2.2	2.2	2.5	2.7	3.1
MoM%	0.2	0.2	0.2	0.4	0.2	0.2
Employment	15,686	15,731	15,769	15,854	15,900	15,936
YoY%	2.9	3.0	2.9	3.3	3.4	4.2
MoM%	0.2	0.3	0.2	0.5	0.3	0.2
Unemployment	680.4	671.8	669.2	649.3	637.7	630.6
YoY%	(13.0)	(13.6)	(11.2)	(12.6)	(12.4)	(18.0)
MoM%	(1.0)	(1.3)	(0.4)	(3.0)	(1.8)	(1.1)
Outside Labour Force	7,332	7,321	7,310	7,270	7,260	7,256
YoY%	(0.5)	(0.7)	(0.7)	(1.4)	(1.9)	(2.7)
MoM%	(0.1)	(0.2)	(0.2)	(0.5)	(0.1)	(0.1)
Unemployment Rate %	4.2	4.1	4.1	3.9	3.9	3.8

Source: CEIC, MIDFR

Bright labour market as vacancies remain high. Number of job vacancies remain strong, 463.9K, slightly lower than record high seen in Feb-22. This reflects strong recovery in domestic economic activities fuelled by reflation in local demand and continuous expansion in external sector. More than 50% of the vacancies filled by low-skilled job namely Elementary Occupations. Share of high-skilled jobs such as Technicians & Associate Professionals improved to 6.9% (Apr-22: 6.4%) while Professionals and Legislators, Senior Officials & Managers descended to 5.7% and 4.1% respectively in May-22. By sector, services sector share rose to 43.1%, highest in 5-month. Construction sector booked 14.5%, highest in 29-month while manufacturing sector took another 38.4%. The steady rise in vacancy shares of Services and Construction sectors reflect the impacts of domestic economic improvement including international borders reopening.

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

	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22
Total Jobs, Thousands	324.0	358.8	503.2	471.6	460.8	463.9
Legislators, Senior Officials & Managers	4.4	3.5	2.9	3.4	4.6	4.1
Professionals	15.9	9.5	5.9	7.3	7.1	5.7
Technicians & Associate Professionals	12.4	5.7	6.1	5.6	6.4	6.9
Clerical Workers	7.5	5.0	3.8	4.5	3.7	4.6
Service, Shop & Market Sales Workers	16.3	8.5	9.0	8.1	10.9	10.0
Skilled Agricultural & Fisheries Workers	0.5	0.3	1.1	1.0	1.0	1.1
Craft and Related Trades Workers	6.8	6.4	7.6	7.0	7.0	7.1
Plant & Machinery Operators & Assemblers	9.6	9.5	10.2	8.9	9.1	7.3
Elementary Occupations	26.6	51.6	53.4	54.2	50.2	53.2
Agriculture, Forestry & Fishing	2.5	5.3	4.8	3.9	4.6	3.6
Mining & Quarrying	0.2	0.1	0.2	0.1	0.3	0.3

	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22
Manufacturing	27.8	50.9	44.9	42.8	40.7	38.4
Construction	7.0	8.1	12.3	13.1	13.9	14.5
Services	62.4	35.6	37.9	40.1	40.5	43.1

*Data Available Up Until May-22
Source: CEIC, MIDFR

Unemployment rate in the US hit new pandemic low. More jobs added in the US economy as the nonfarm payrolls jumped by 528K in Jul-22 (Jun-22: 398K), the highest monthly increment in 5 months and far better than market expectations (+250K). With continued recovery in the job market and amid strong labour demand, the US unemployment rate declined further to 3.5% in Jul-22, back to the level recorded in Feb-20 before the Covid-19 pandemic started to hit the US job market. Across the globe, China's jobless rate declined to 4-month low at 5.5%, thanks to the easing containment measures while Euro Area's unemployment rate stayed at record low 6.6% despite of inflation risk and geopolitical uncertainty.

Table 3: Global Unemployment Rate (%)

	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22
Malaysia	4.2	4.2	4.1	4.1	3.9	3.9	3.8
Taiwan	3.7	3.7	3.7	3.7	3.7	3.7	3.7
South Korea	3.8	3.6	2.7	2.7	2.7	2.8	2.9
Hong Kong	4.0	3.9	4.5	5.0	5.4	5.1	4.7
China	5.1	5.3	5.5	5.8	6.1	5.9	5.5
Japan	2.7	2.8	2.7	2.6	2.5	2.6	2.6
Euro Area	7.0	6.9	6.8	6.7	6.6	6.6	6.6
UK	4.1	3.9	3.8	3.7	3.8	3.8	
US	3.9	4.0	3.8	3.6	3.6	3.6	3.6

Source: CEIC, MIDFR

Jobless rate forecast lower at 3.8% for 2022. Labour market in Malaysia is expected to strengthen further in 2HCY22 underpin by upbeat momentum in domestic economy and steady expansion in external sector. Underpin by domestic reopening and strong economic fundamentals, Malaysia's unemployment rate is projected to trend lower this year to 3.8% in 2022 from 4.6% in 2021. However, the projected jobless rate is still higher than pre-pandemic's 3.4%. Employment growth forecasted at +2.5% (2021: +2.0%) while unemployment to shrink by -15.0% this year (2021: +3.0%). As of 1HCY22, jobless rate averaged at 4.0% while employment growth at +3.3%yoy and unemployment fell by -13.5%yoy.

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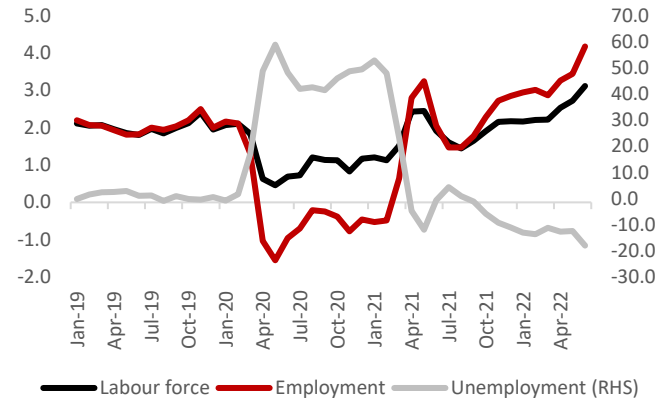
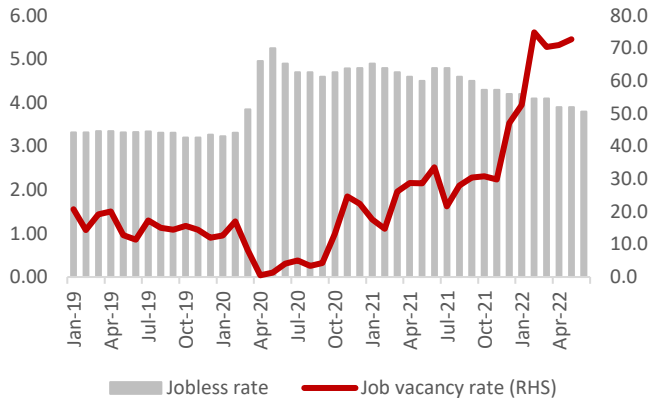
Chart 1: Labour Market Key Indicators (YoY%)



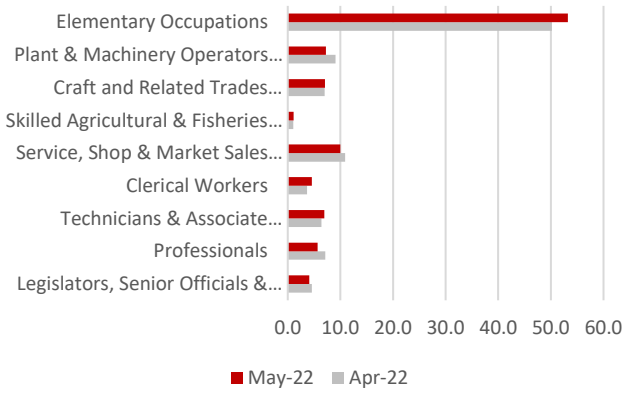
Source: CEIC, MIDFR

Chart 2: Unemployment rate vs. Job vacancy rate (%)



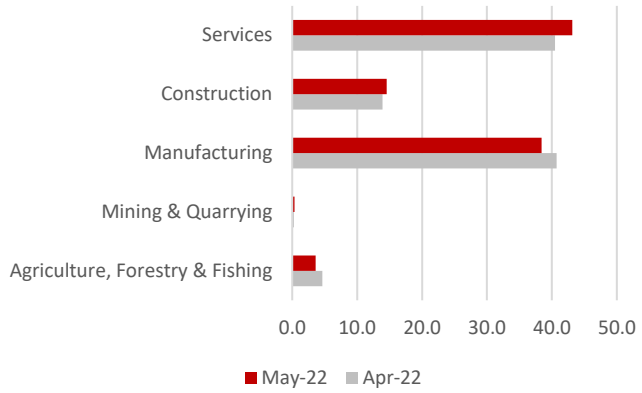
Source: CEIC, MIDFR

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



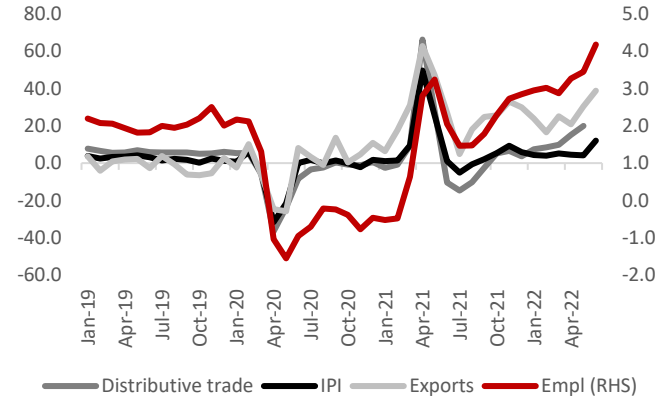
Source: CEIC, MIDFR

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



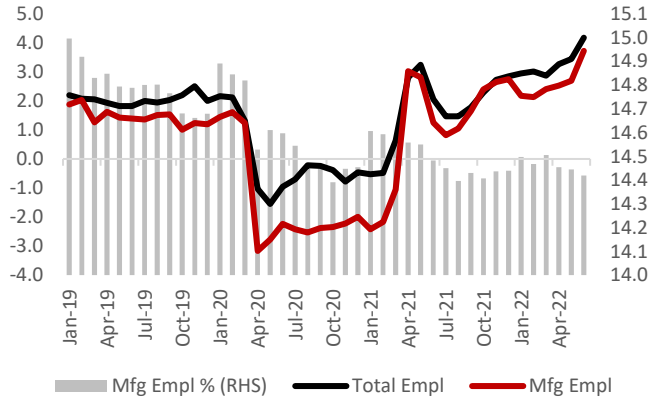
Source: CEIC, MIDFR

Chart 5: Empl. Vs Other Macro Data (YoY%)



Source: CEIC, MIDFR

Chart 6: Total vs. Mfg. Employment (YoY%)



Source: CEIC, MIDFR

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