09 September 2022

## ECONOMIC REVIEW | July 2022 Labour Market

# Malaysia's Unemployment Rate Hit New Pandemic Low at 3.70%

- *Employment growth remained on robust trend. Recovery of Malaysia's labour market continued as jobless rate descended to a new pandemic low 3.7% in Jul-22. Underpin by robust domestic demand and external trade sector, labour force and employment growth hit new record high +3.3%yoy and +4.5%yoy respectively. Unemployment dropped further by -20.2%yoy, the largest contraction rate ever recorded.*
- *Total vacancies hit new record high. Number of job vacancies surged to new peak at 508K. This reflects strong recovery in domestic economic activities fuelled by robust local demand and continuous expansion in external sector. Better take-up by high-skilled occupation such as Legislators etc., Professionals and Associate Professionals.*
- *Jobless rate forecast maintained 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 remained on robust trend.** Recovery of Malaysia's labour market continued as jobless rate descended to a new pandemic low 3.7% in Jul-22. Underpin by robust domestic demand and external trade sector, labour force and employment growth hit new record high +3.3%yoy and +4.5%yoy respectively. Unemployment dropped further by -20.2%yoy, the largest contraction rate ever recorded. In addition, outside labour force reduced by -3.0%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 76.0% of total employment grew higher by +2.3%yoy (Jun-22: +2.1%yoy). With this upbeat labour market performances, we are optimistic on stronger consumer spending in 2HCY22 onwards. Plus, receding unemployment rate may lead BNM to consider for further normalisation of OPR in the upcoming MPC meetings.

**Sanguine labour market outlook.** Moving forward, we opine Malaysia's labour market to stay in recovery trend as indicated by job-vacancy rate hit new record high at 80.6% in Jun-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.

KINDLY REFER TO THE LAST PAGE OF THIS PUBLICATION FOR IMPORTANT DISCLOSURES

**Table 1: Summary of Labour Market ('000)**

| | Feb-22 | Mar-22 | Apr-22 | May-22 | Jun-22 | Jul-22 |
|---|---|---|---|---|---|---|
| **Labour Force** | 16,403 | 16,439 | 16,503 | 16,538 | 16,567 | 16,599 |
| YoY% | 2.2 | 2.2 | 2.5 | 2.7 | 3.1 | 3.3 |
| MoM% | 0.2 | 0.2 | 0.4 | 0.2 | 0.2 | 0.2 |
| **Employment** | 15,731 | 15,769 | 15,854 | 15,900 | 15,936 | 15,978 |
| YoY% | 3.0 | 2.9 | 3.3 | 3.4 | 4.2 | 4.5 |
| MoM% | 0.3 | 0.2 | 0.5 | 0.3 | 0.2 | 0.3 |
| **Unemployment** | 672 | 669 | 649 | 638 | 631 | 621 |
| YoY% | (13.6) | (11.2) | (12.6) | (12.4) | (18.0) | (20.2) |
| MoM% | (1.3) | (0.4) | (3.0) | (1.8) | (1.1) | (1.6) |
| **Outside Labour Force** | 7,321 | 7,310 | 7,270 | 7,260 | 7,256 | 7,248 |
| YoY% | (0.7) | (0.7) | (1.4) | (1.9) | (2.7) | (3.0) |
| MoM% | (0.2) | (0.2) | (0.5) | (0.1) | (0.1) | (0.1) |
| **Unemployment Rate %** | 4.10 | 4.10 | 3.90 | 3.90 | 3.80 | 3.70 |

Source: CEIC, MIDFR

**Total vacancies hit new record high.** Number of job vacancies surged to new peak at 508K. This reflects strong recovery in domestic economic activities fuelled by robust local demand and continuous expansion in external sector. Better take-up by high-skilled occupation such as Legislators etc., Professionals and Associate Professionals. By sector, services sector share rose to 45.8%, highest in 6-month. Construction sector booked 15.4%, close to 3-year high while manufacturing sector took another 31.7%. 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 (%)***

| | Jan-22 | Feb-22 | Mar-22 | Apr-22 | May-22 | Jun-22 |
|---|---|---|---|---|---|---|
| **Total Jobs, Thousands** | 358.8 | 503.2 | 471.6 | 460.8 | 463.9 | 508.0 |
| Legislators, Senior Officials & Managers | 3.5 | 2.9 | 3.4 | 4.6 | 4.1 | 4.7 |
| Professionals | 9.5 | 5.9 | 7.3 | 7.1 | 5.7 | 8.4 |
| Technicians & Associate Professionals | 5.7 | 6.1 | 5.6 | 6.4 | 6.9 | 7.3 |
| Clerical Workers | 5.0 | 3.8 | 4.5 | 3.7 | 4.6 | 4.7 |
| Service, Shop & Market Sales Workers | 8.5 | 9.0 | 8.1 | 10.9 | 10.0 | 11.4 |
| Skilled Agricultural & Fisheries Workers | 0.3 | 1.1 | 1.0 | 1.0 | 1.1 | 1.3 |
| Craft and Related Trades Workers | 6.4 | 7.6 | 7.0 | 7.0 | 7.1 | 4.8 |
| Plant & Machinery Operators & Assemblers | 9.5 | 10.2 | 8.9 | 9.1 | 7.3 | 8.3 |
| Elementary Occupations | 51.6 | 53.4 | 54.2 | 50.2 | 53.2 | 49.0 |
| **Agriculture, Forestry & Fishing** | 5.3 | 4.8 | 3.9 | 4.6 | 3.6 | 6.8 |
| **Mining & Quarrying** | 0.1 | 0.2 | 0.1 | 0.3 | 0.3 | 0.3 |
| **Manufacturing** | 50.9 | 44.9 | 42.8 | 40.7 | 38.4 | 31.7 |
| **Construction** | 8.1 | 12.3 | 13.1 | 13.9 | 14.5 | 15.4 |
| **Services** | 35.6 | 37.9 | 40.1 | 40.5 | 43.1 | 45.8 |

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

**Global unemployment rate remained low.** Even though jobless rate in the US inched up, the rate still reflects full-employment condition in the economy. Despite of energy crisis and inflation pressure, Euro Area and UK still indicating upbeat job market trends. Across the globe, China's jobless rate declined to 6-month low at 5.4%, thanks to the easing containment measures while other Asian economies also saw declining and low unemployment rate. However, we opine weaker-than-expected global growth is about to kick-in especially in 3QCY22 onwards due to tightening monetary policy in many economies and elevated inflationary pressure.

**Table 3: Global Unemployment Rate (%)**

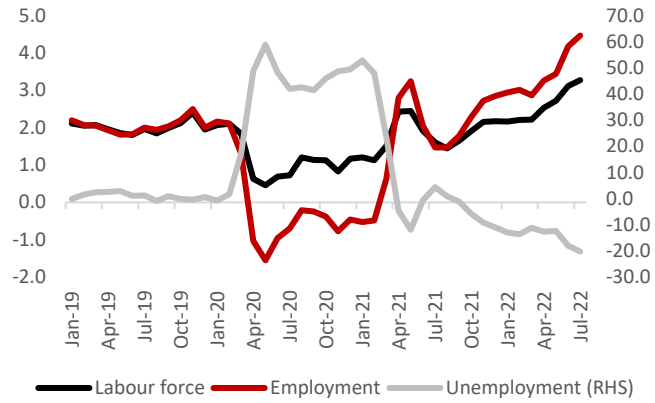
| | Jan-22 | Feb-22 | Mar-22 | Apr-22 | May-22 | Jun-22 | Jul-22 |
|---|---|---|---|---|---|---|---|
| Malaysia | 4.2 | 4.1 | 4.1 | 3.9 | 3.9 | 3.8 | |
| Taiwan | 3.7 | 3.7 | 3.7 | 3.7 | 3.7 | 3.7 | 3.7 |
| South Korea | 3.6 | 2.7 | 2.7 | 2.7 | 2.8 | 2.9 | 2.9 |
| Hong Kong | 3.9 | 4.5 | 5.0 | 5.4 | 5.1 | 4.7 | 4.3 |
| China | 5.3 | 5.5 | 5.8 | 6.1 | 5.9 | 5.5 | 5.4 |
| Japan | 2.8 | 2.7 | 2.6 | 2.5 | 2.6 | 2.6 | 2.6 |
| Euro Area | 6.9 | 6.8 | 6.8 | 6.7 | 6.7 | 6.7 | 6.6 |
| UK | 3.9 | 3.8 | 3.7 | 3.8 | 3.8 | 3.8 | 3.8 |
| US | 4.0 | 3.8 | 3.6 | 3.6 | 3.6 | 3.5 | 3.7 |

Source: CEIC, MIDFR

**Jobless rate forecast maintained 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 7MCY22, jobless rate averaged at 4.0% while employment growth at +3.5%yoy and unemployment fell by -14.4%yoy.

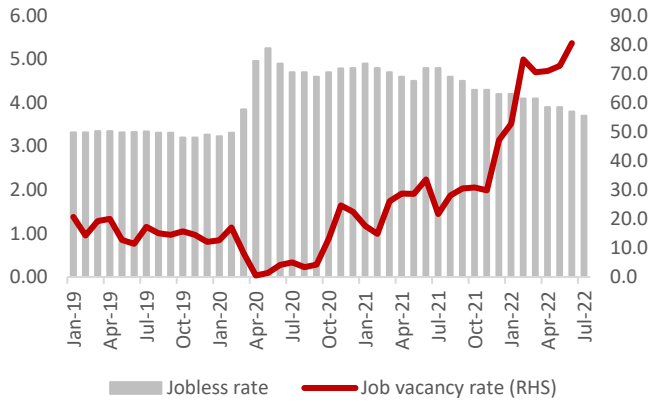
.

**Chart 1: Labour Market Key Indicators (YoY%)**



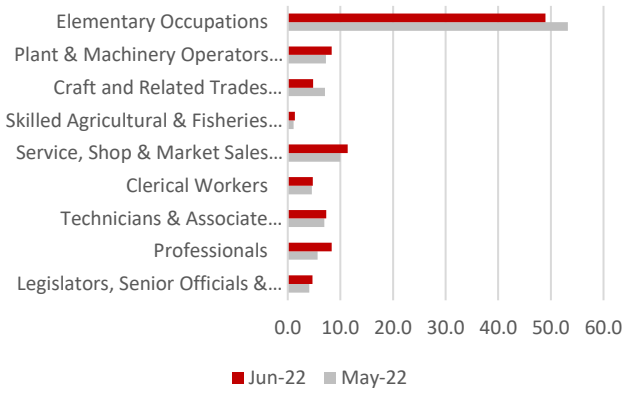

Source: CEIC, MIDFR

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



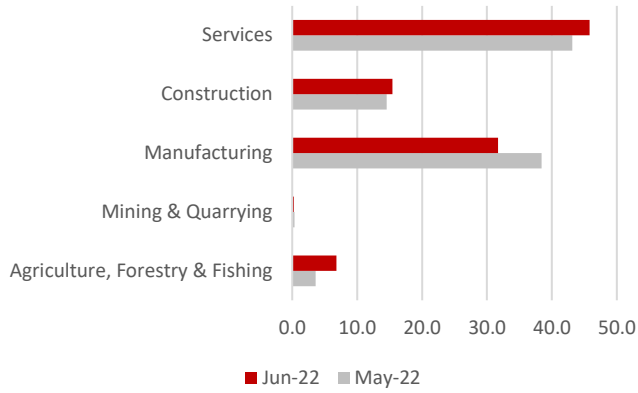

Source: CEIC, MIDFR

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



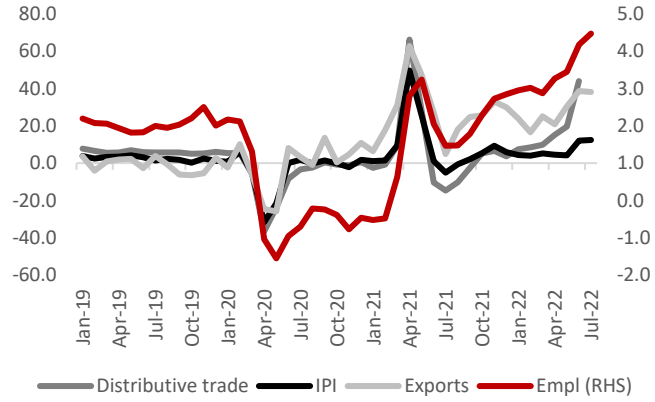

Source: CEIC, MIDFR

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



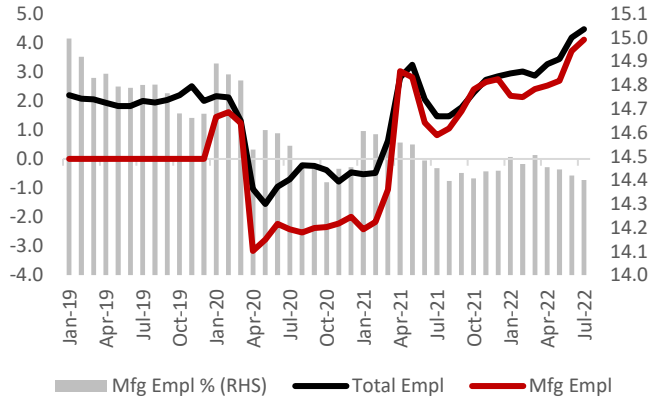

Source: CEIC, MIDFR

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




Source: CEIC, MIDFR

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




Source: CEIC, MIDFR

**MIDF RESEARCH is part of MIDF Amanah Investment Bank Berhad 197501002077 (23878-X).**
**(Bank Pelaburan)**
**(A Participating Organisation of Bursa Malaysia Securities Berhad)**

## DISCLOSURES AND DISCLAIMER

This report has been prepared by MIDF AMANAH INVESTMENT BANK BERHAD (197501002077 (23878-X)). It is for distribution only under such circumstances as may be permitted by applicable law.

Readers should be fully aware that this report is for information purposes only. The opinions contained in this report are based on information obtained or derived from sources that we believe are reliable. MIDF AMANAH INVESTMENT BANK BERHAD makes no representation or warranty, expressed or implied, as to the accuracy, completeness or reliability of the information contained therein and it should not be relied upon as such.

This report is not, and should not be construed as, an offer to buy or sell any securities or other financial instruments. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. All opinions and estimates are subject to change without notice. The research analysts will initiate, update and cease coverage solely at the discretion of MIDF AMANAH INVESTMENT BANK BERHAD.

The directors, employees and representatives of MIDF AMANAH INVESTMENT BANK BERHAD may have interest in any of the securities mentioned and may benefit from the information herein. Members of the MIDF Group and their affiliates may provide services to any company and affiliates of such companies whose securities are mentioned herein This document may not be reproduced, distributed or published in any form or for any purpose.