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ECONOMIC REVIEW | August 2022 Labour Market

Labour Market Recovery Continues Despite Market Uncertainties

- *Unemployment rate maintained at pandemic low. Recovery of Malaysia's labour market continued as jobless rate stayed at pandemic low 3.7% in Aug-22. Labour force and employment continued on expansion, +3.1%yoy and +4.2%yoy respectively, thanks to robust domestic economic growth and upbeat external front. Unemployment dropped further by -18.3%yoy, marking the twelve-consecutive months of contraction rate.*
- *Bright prospects of labour market despite market uncertainties. Even though GE15 is set to take place in Nov-22, we view the election will reduce domestic political uncertainties and certainly the new government will table an expansionary fiscal policy for 2023. We believe stimulus bullets for labour market recovery and domestic economic growth will be among the major elements in the upcoming Budget 2023 after GE15.*
- *We keep our unemployment rate forecast at 3.8% for 2022. Labour market in Malaysia is expected to strengthen further in 2HCY22 underpinned by upbeat momentum in domestic economy and steady expansion in external sector. Underpinned by domestic reopening and strong economic fundamentals, Malaysia's unemployment rate is projected to trend lower this year to 3.8% in 2022 (2021: 4.5%).*

Unemployment rate maintained at pandemic low. Recovery of Malaysia's labour market continued as jobless rate stayed at pandemic low 3.7% in Aug-22. Labour force and employment continued on expansion, +3.1%yoy and +4.2%yoy respectively, thanks to robust domestic economic growth and upbeat external front. Unemployment dropped further by -18.3%yoy, marking the twelve-consecutive months of contraction rate. In addition, outside labour force reduced by -2.8%yoy, slightly lower than the largest negative rate seen in the previous month. By type, employment growth was driven by employer +11.3%yoy (Jul-22: +12.4%yoy), self-account worker +10.5%yoy (Jul-22: +11.3%yoy) and unpaid family workers +10.9%yoy (Jul-22: +14.8%yoy). Employee segment which represents 76.0% of total employment grew steadily by +2.3%yoy (Jul-22: +2.3%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.

Bright prospects of labour market despite market uncertainties. Moving forward, we opine Malaysia's labour market to stay in recovery trend as indicated by job-vacancy rate 60.3% in Jul-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. Even though GE15 is set to take place in Nov-22, we view the election will reduce domestic political uncertainties and certainly the new government will table an expansionary fiscal

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policy for 2023. We believe stimulus bullets for labour market recovery and domestic economic growth will be among the major elements in the upcoming Budget 2023 after GE15.

Table 1: Summary of Labour Market ('000)

	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22
Labour Force	16,439	16,503	16,538	16,567	16,599	16,630
YoY%	2.2	2.5	2.7	3.1	3.3	3.1
MoM%	0.2	0.4	0.2	0.2	0.2	0.2
Employment	15,769	15,854	15,900	15,936	15,978	16,018
YoY%	2.9	3.3	3.4	4.2	4.5	4.2
MoM%	0.2	0.5	0.3	0.2	0.3	0.2
Unemployment	669	649	638	631	621	612
YoY%	(11.2)	(12.6)	(12.4)	(18.0)	(20.2)	(18.3)
MoM%	(0.4)	(3.0)	(1.8)	(1.1)	(1.6)	(1.4)
Outside Labour Force	7,310	7,270	7,260	7,256	7,248	7,242
YoY%	(0.7)	(1.4)	(1.9)	(2.7)	(3.0)	(2.8)
MoM%	(0.2)	(0.5)	(0.1)	(0.1)	(0.1)	(0.1)
Unemployment Rate %	4.10	3.90	3.90	3.80	3.70	3.70

Source: DOSM, MIDFR

Job vacancies at 6-month low. Number of job vacancies declined to 374.5K in Jul-22 from peak point 508K registered in the previous month. Even though the lowest since Feb-22, monthly average job vacancies for 2022 remains the highest at 448.7K. 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 52.4%, highest in 7-month. Construction sector booked 17.2%, close to 3-year high while manufacturing sector took another 25.9%. 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 (%)*

	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22
Total Jobs, Thousands	503.2	471.6	460.8	463.9	508.0	374.5
Legislators, Senior Officials & Managers	2.9	3.4	4.6	4.1	4.7	5.5
Professionals	5.9	7.3	7.1	5.7	8.4	8.2
Technicians & Associate Professionals	6.1	5.6	6.4	6.9	7.3	7.1
Clerical Workers	3.8	4.5	3.7	4.6	4.7	4.6
Service, Shop & Market Sales Workers	9.0	8.1	10.9	10.0	11.4	13.4
Skilled Agricultural & Fisheries Workers	1.1	1.0	1.0	1.1	1.3	0.6
Craft and Related Trades Workers	7.6	7.0	7.0	7.1	4.8	8.1
Plant & Machinery Operators & Assemblers	10.2	8.9	9.1	7.3	8.3	10.6
Elementary Occupations	53.4	54.2	50.2	53.2	49.0	41.9

Agriculture, Forestry & Fishing	4.8	3.9	4.6	3.6	6.8	4.3
Mining & Quarrying	0.2	0.1	0.3	0.3	0.3	0.3
Manufacturing	44.9	42.8	40.7	38.4	31.7	25.9
Construction	12.3	13.1	13.9	14.5	15.4	17.2
Services	37.9	40.1	40.5	43.1	45.8	52.4

*Data Available Up Until Jul-22
Source: DOSM, MIDFR

Despite external headwinds, jobless rate remains low globally. Unemployment rate in the US fell to 29-month low 3.5% in Aug-22, reflecting full-employment condition in the economy. Labour demand still strong despite of hawkish stance by the Fed. Despite of energy crisis and inflation pressure, Euro Area's jobless rate stayed at lowest-record 6.6% for two-consecutive months. Across the globe, China's jobless rate declined to 7-month low at 5.3%, thanks to upbeat economic recovery momentum after easing-off containment measures while other Asian economies such as South Korea and Hong Kong 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, elevated inflationary pressure and geopolitical risks.

Table 3: Global Unemployment Rate (%)

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

Source: MACROBOND, MIDFR

We keep our unemployment rate forecast at 3.8% for 2022. Labour market in Malaysia is expected to strengthen further in 2HCY22 underpinned by upbeat momentum in domestic economy and steady expansion in external sector. Underpinned by domestic reopening and strong economic fundamentals, Malaysia's unemployment rate is projected to trend lower this year to 3.8% in 2022 (2021: 4.5%). 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 8MCY22, jobless rate averaged at 3.9% while employment growth at +3.5%yoy and unemployment fell by -14.9%yoy. Moving into 2023, we foresee Malaysia's jobless rate to skid further at average of 3.5% on the back of improving domestic economy, uptick in tourism-related activities and higher output capacity in primary sectors as commodity prices to stay elevated.

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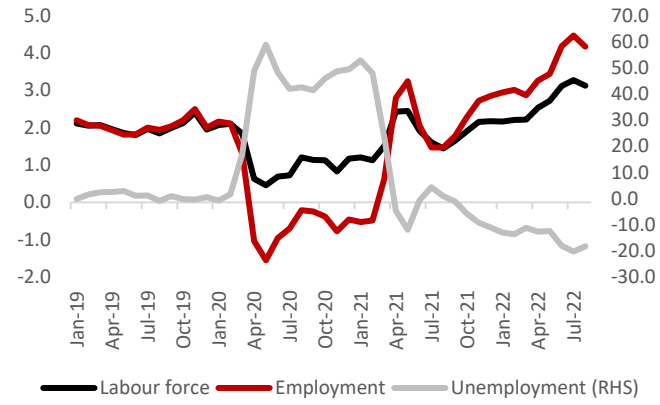
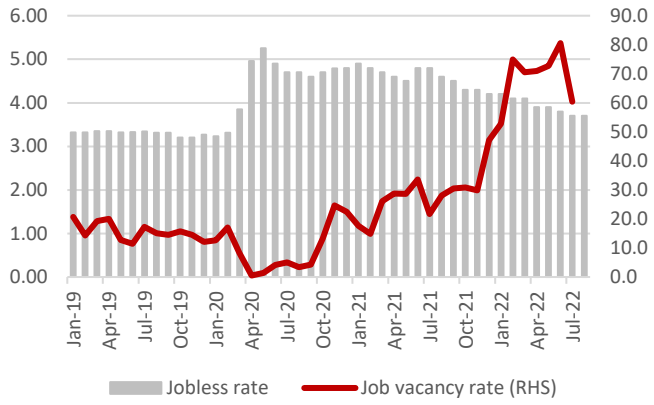
Chart 1: Labour Market Key Indicators (YoY%)



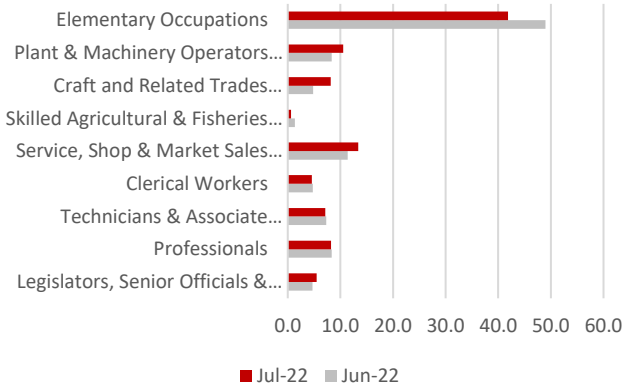
Source: DOSM, MIDFR

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



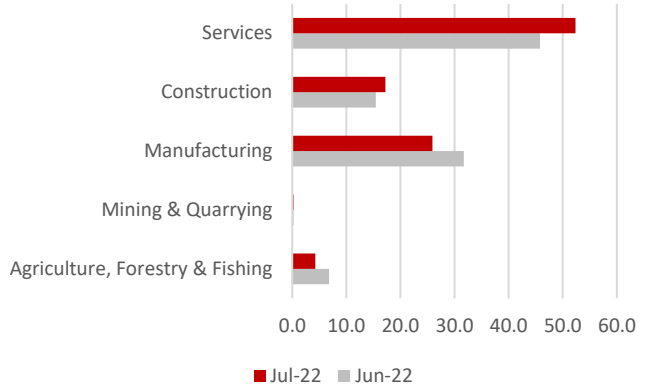
Source: DOSM, MIDFR

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



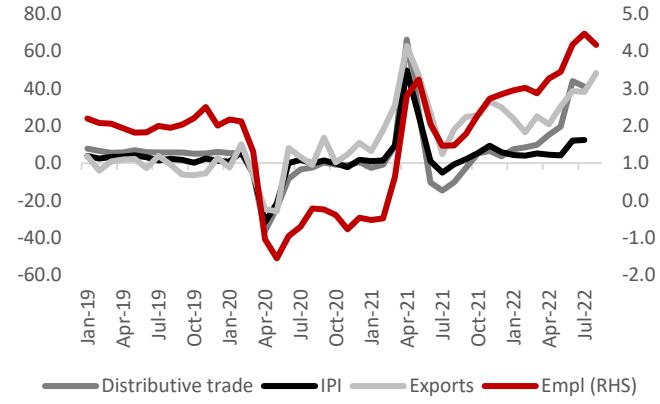
Source: DOSM, MIDFR

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



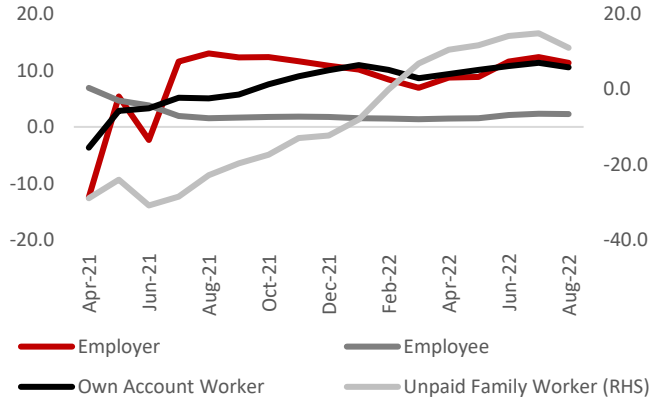
Source: DOSM, MIDFR

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



Source: CEIC, MIDFR

Chart 6: Employment by Type (YoY%)



Source: CEIC, MIDFR

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