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ECONOMIC REVIEW | September 2022 Labour Market

Expecting Robust GDP Expansion Rate amid Strong Job Growth in 3QCY22

- *Unemployment rate hit new pandemic low. Recovery of Malaysia's labour market continued as jobless rate touched a new pandemic low at 3.6% in Sep-22. Youth aged 15~24 unemployment rate still at double-digit rate of 12.1%, more than two-year low but remained higher than pre-pandemic (2019: 10.4%). Labour force and employment continued expanding +2.9%yoy and +3.8%yoy respectively, supported by robust domestic economic growth and upbeat external front.*
- *Labour market to benefit from the expected-expansionary fiscal policy in post-GE15. Moving forward, we opine Malaysia's labour market to stay in recovery trend as indicated by job-vacancy rate 56% in Aug-22. With this upbeat labour market performances, we are optimistic of a stronger consumer spending in 2HCY22 onwards.*
- *Malaysia's average unemployment rate forecast at 3.8% for 2022. Labour market in Malaysia is expected to strengthen further in 4QCY22 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 hit new pandemic low. Recovery of Malaysia's labour market continued as jobless rate touched a new pandemic low at 3.6% in Sep-22. Youth aged 15~24 unemployment rate still at double-digit rate of 12.1%, more than two-year low but remained higher than pre-pandemic (2019: 10.4%). Labour force and employment continued expanding +2.9%yoy and +3.8%yoy respectively, supported by robust domestic economic growth and upbeat external front. Unemployment dropped further by -17.1%yoy, marking the thirteen-consecutive months of contraction rate. In addition, outside labour force reduced by -2.3%yoy, registering the eleventh-straight months of negative growth rate. By type, employment growth was driven by employer +9.7%yoy (Aug-22: +11.3%yoy), self-account worker +9.7%yoy (Aug-22: +10.5%yoy) and unpaid family workers +7%yoy (Aug-22: +10.9%yoy). Employee segment which represents 75.9% of total employment grew steadily by +2.2%yoy (Aug-22: +2.3%yoy). As for 3QCY22, both labour force and employment growth hit new record high at +3.1%yoy and +4.1%yoy respectively. Unemployment fell the most -18.5%yoy while jobless rate was the lowest since 2QCY20. We believe the strong recovery in labour market would translate into stronger consumer spending as well as 3QCY22 GDP growth, foreseeing it to grow +12.5%yoy (2QCY22: +8.9%yoy).

Labour market to benefit from the expected-expansionary fiscal policy in post-GE15. Moving forward, we opine Malaysia's labour market to stay in recovery trend as indicated by job-vacancy rate 56% in Aug-22. With this upbeat labour market performances, we are optimistic of a stronger consumer spending in 2HCY22 onwards. Plus, receding unemployment rate may lead BNM to consider for further normalisation of OPR in the upcoming MPC meeting in Jan-23. Looking at 2023 outlook, we believe Malaysia's economy to stay in upward trajectory

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underpin by robust domestic demand, international borders reopening, revival of construction projects, expansion of primary sectors amid elevated global commodity prices and modest external trade activities. In addition, we view post-GE15 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.

Table 1: Summary of Labour Market ('000)

	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22
Labour Force	16,503	16,538	16,567	16,599	16,630	16,657
YoY%	2.5	2.7	3.1	3.3	3.1	2.9
MoM%	0.4	0.2	0.2	0.2	0.2	0.2
Employment	15,854	15,900	15,936	15,978	16,018	16,052
YoY%	3.3	3.4	4.2	4.5	4.2	3.8
MoM%	0.5	0.3	0.2	0.3	0.2	0.2
Unemployment	649	638	631	621	612	605
YoY%	(12.6)	(12.4)	(18.0)	(20.2)	(18.3)	(17.1)
MoM%	(3.0)	(1.8)	(1.1)	(1.6)	(1.4)	(1.1)
Outside Labour Force	7,270	7,260	7,256	7,248	7,242	7,239
YoY%	(1.4)	(1.9)	(2.7)	(3.0)	(2.8)	(2.3)
MoM%	(0.5)	(0.1)	(0.1)	(0.1)	(0.1)	(0.0)
Unemployment Rate %	3.90	3.90	3.80	3.70	3.70	3.60

Source: DOSM, MIDFR

Job vacancies at 8-month low. Number of job vacancies declined to 343K in Aug-22 from peak point 508K registered Jun-22. Even though the lowest since Jan-22, monthly average job vacancies for 2022 remains the highest at 435.5K. 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, we notice steady pick-up in agriculture, mining and construction sectors, possibly induced by continued elevated commodity prices and revival of mega infra projects.

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

	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22
Total Jobs, Thousands	471.6	460.8	463.9	508.0	374.5	343.0
Legislators, Senior Officials & Managers	3.4	4.6	4.1	4.7	5.5	5.8
Professionals	7.3	7.1	5.7	8.4	8.2	8.4
Technicians & Associate Professionals	5.6	6.4	6.9	7.3	7.1	8.1
Clerical Workers	4.5	3.7	4.6	4.7	4.6	4.4
Service, Shop & Market Sales Workers	8.1	10.9	10.0	11.4	13.4	10.2
Skilled Agricultural & Fisheries Workers	1.0	1.0	1.1	1.3	0.6	1.6
Craft and Related Trades Workers	7.0	7.0	7.1	4.8	8.1	6.8
Plant & Machinery Operators & Assemblers	8.9	9.1	7.3	8.3	10.6	5.3
Elementary Occupations	54.2	50.2	53.2	49.0	41.9	49.4

	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22
Agriculture, Forestry & Fishing	3.9	4.6	3.6	6.8	4.3	6.1
Mining & Quarrying	0.1	0.3	0.3	0.3	0.3	0.4
Manufacturing	42.8	40.7	38.4	31.7	25.9	25.7
Construction	13.1	13.9	14.5	15.4	17.2	20.4
Services	40.1	40.5	43.1	45.8	52.4	47.5

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

Signs of moderation spotted in the US labour market. Even though higher than market expectations of 200K, the incremental size of non-farm payrolls by 261K in the first month of 4QCY22 was the weakest since Dec-20. Unemployment rate rose slightly to 3.7%, bounced from 29-month low 3.5% recorded in Sep-22. On income side, average hourly earnings moderated to more than 1-year low at +4.7%. The moderating signs in the US labour reflect the direct and indirect effects of tightening monetary policy, elevated inflationary pressure and supply chain bottlenecks pressure. Despite of energy crisis and inflation pressure, Euro Area's jobless rate declined to a new record low at 6.6% in Sep-22. Across the globe, China's jobless rate ascended to 3-month high at 5.5% following resurgence of Covid-19 infection in several cities. We expect the government of China to gradually phase out its zero-Covid strategy and reopen its economy earlier than expected in 2023 especially after President Xi Jinping secured a historic third term.

Table 3: Global Unemployment Rate (%)

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

Source: MACROBOND, MIDFR

Malaysia's average unemployment rate forecast at 3.8% for 2022. Labour market in Malaysia is expected to strengthen further in 4QCY22 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 9MCY22, jobless rate averaged at 3.9% while employment growth at +3.6%yoy and unemployment fell by -15.2%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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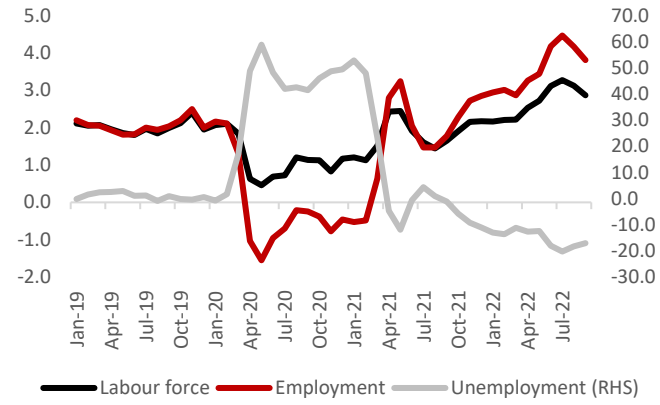
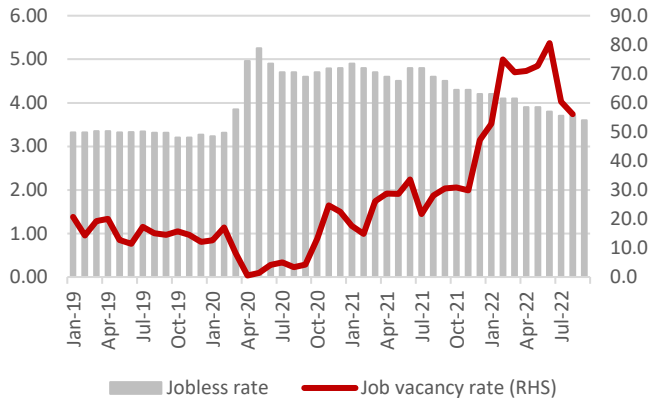
Chart 1: Labour Market Key Indicators (YoY%)



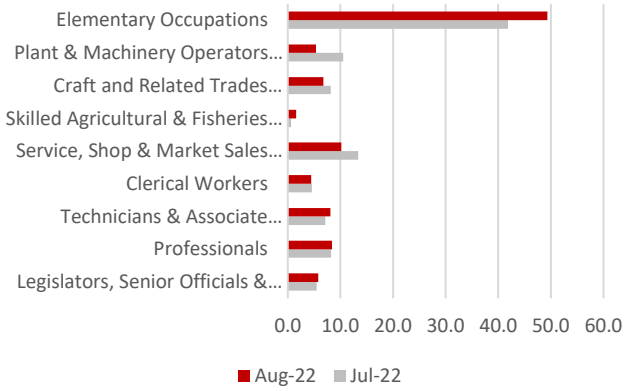
Source: DOSM, MIDFR

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



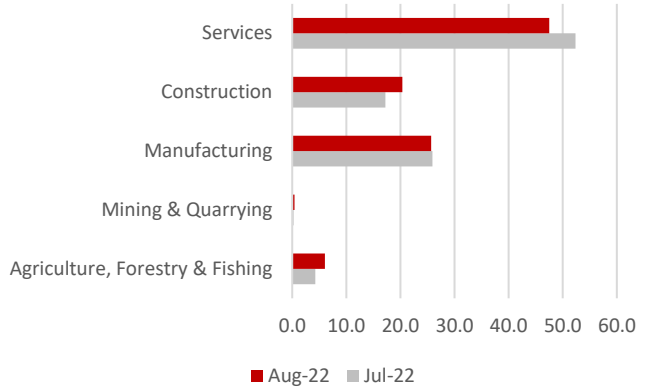
Source: DOSM, MIDFR

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



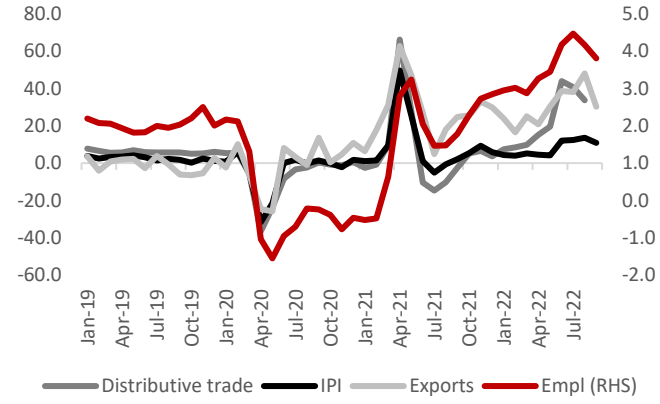
Source: DOSM, MIDFR

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



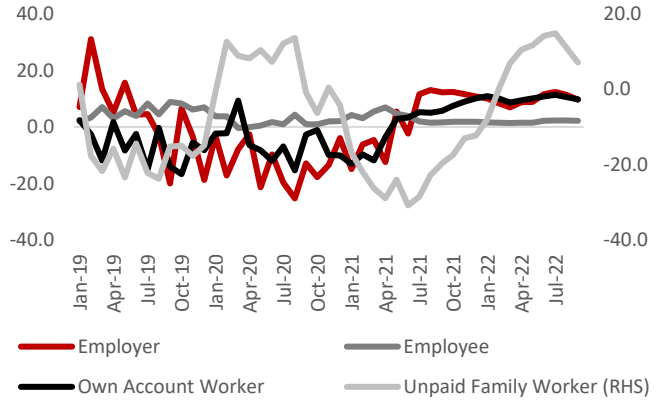
Source: DOSM, MIDFR

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



Source: DOSM, MIDFR

Chart 6: Employment by Type (YoY%)



Source: DOSM, MIDFR

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