12 December 2022

ECONOMIC REVIEW | October 2022 Labour Market

Employment Growth at 5-Month Low, Signaling Moderating Signs in Domestic Economy

- *Jobless rate maintained at pandemic low. Recovery of Malaysia's labour market continued as unemployment rate stayed at 3.6% in Oct-22. Labour force and employment continued expanding +2.6%yoy and +3.4%yoy, respectively, supported by robust domestic economic growth and still upbeat external front. Unemployment dropped further by -14.6%yoy, marking the 14th-consecutive months of contraction rate.*
- *Expecting lower unemployment rate in 2023. Looking next year, we believe Malaysia's job market to continue benefiting from the firm domestic demand, international borders reopening, revival of construction projects, expansion of primary sectors thanks to elevated global commodity prices and modest external trade activities.*
- *Maintain our 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. Following 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%).*

Jobless rate maintained at pandemic low. Recovery of Malaysia's labour market continued as unemployment rate stayed at 3.6% in Oct-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 +2.6%yoy and +3.4%yoy, respectively, supported by robust domestic economic growth and still upbeat external front. Unemployment dropped further by -14.6%yoy, marking the 14th-consecutive months of contraction rate. In addition, outside labour force reduced by -1.7%yoy, registering the 12th-straight months of negative growth rate. By type, employment growth was driven by employer +9.2%yoy (Sep-22: +9.7%yoy), self-account worker +8.7%yoy (Sep-22: +9.7%yoy) and unpaid family workers +5.5%yoy (Sep-22: +7%yoy). Employee segment which represents 75.9% of total employment grew steadily by +1.9%yoy (Sep-22: +2.2%yoy). However, the job patterns have shown signs of moderation in the economy amid bleak external outlook dampened by possibly weakening in global demand.

Expecting lower unemployment rate in 2023. Looking at next year, we believe Malaysia's job market to continue benefiting from the firm domestic demand, international borders reopening, revival of construction projects, expansion of primary sectors thanks to elevated global commodity prices and modest external trade activities. In addition, we view post-GE15 will reduce domestic politics temperature and allowing for better & smooth implementation fiscal policy. We believe stimulus bullets for labour market recovery and domestic economic growth will be among the major elements in the upcoming Budget 2023 and midterm review of 12th Malaysia Plan.

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Table 1: Summary of Labour Market ('000)

	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22
Labour Force	16,538	16,567	16,599	16,630	16,657	16,684
YoY%	2.7	3.1	3.3	3.1	2.9	2.6
MoM%	0.2	0.2	0.2	0.2	0.2	0.2
Employment	15,900	15,936	15,978	16,018	16,052	16,082
YoY%	3.4	4.2	4.5	4.2	3.8	3.4
MoM%	0.3	0.2	0.3	0.2	0.2	0.2
Unemployment	638	631	621	612	605	602
YoY%	(12.4)	(18.0)	(20.2)	(18.3)	(17.1)	(14.6)
MoM%	(1.8)	(1.1)	(1.6)	(1.4)	(1.1)	(0.5)
Outside Labour Force	7,260	7,256	7,248	7,242	7,239	7,237
YoY%	(1.9)	(2.7)	(3.0)	(2.8)	(2.3)	(1.7)
MoM%	(0.1)	(0.1)	(0.1)	(0.1)	(0.0)	(0.0)
Unemployment Rate %	3.90	3.80	3.70	3.70	3.60	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
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

Softening trends in the US job market. The US labour market remained firm as jobless rate was maintained at 3.7% in Nov-22. The non-farm payroll increased by +263K, higher than market estimates +200K. However, the job gains is the lowest since Apr-21, indirectly reflecting softening trends in the labour market. We notice mostly semi-skilled jobs saw bigger gains among others leisure and hospitality (88K), including a gain of 62K in food services and drinking places; health care (45K); and government (42K), mostly in local government (32K). On a flip side, employment declined in retail trade (-30K), electronics and appliance stores (-4K), and furniture stores (-3K); and in transportation and warehousing (-15K). Despite of energy crisis and inflation pressure, Euro Area's jobless rate declined to a new record low at 6.5% in Oct-22. Across the globe, China's jobless rate maintained at 3-month high 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.

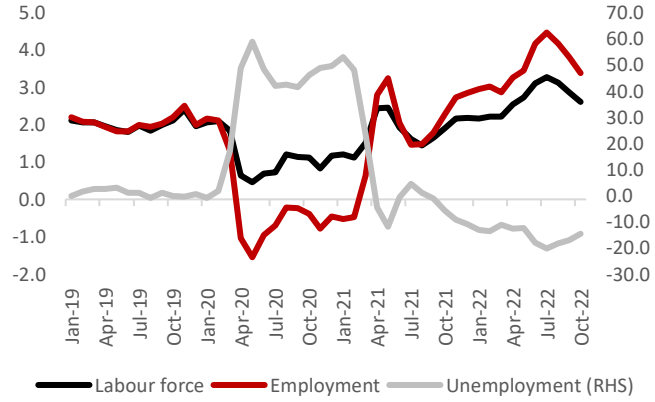
Table 3: Global Unemployment Rate (%)

	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22
Malaysia	3.9	3.9	3.8	3.7	3.7	3.6	3.5
Taiwan	3.7	3.7	3.7	3.7	3.7	3.6	3.6
South Korea	2.7	2.8	2.9	2.9	2.5	2.8	2.8
Hong Kong	5.4	5.1	4.7	4.3	4.1	3.9	3.8
China	6.1	5.9	5.5	5.4	5.3	5.5	5.5
Japan	2.5	2.6	2.6	2.6	2.5	2.6	2.6
Euro Area	6.7	6.7	6.7	6.7	6.7	6.6	6.5
UK	3.8	3.8	3.8	3.6	3.5	3.6	
US	3.6	3.6	3.6	3.5	3.7	3.5	3.7

Source: MACROBOND, MIDFR

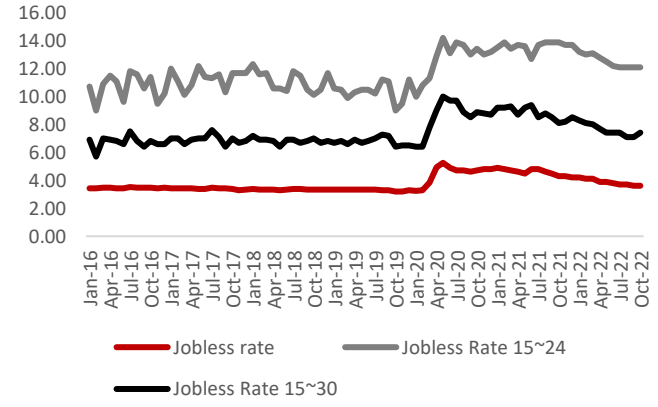
Maintain our unemployment rate forecast at 3.8% for 2022. Labour market in Malaysia is expected to strengthen further in 4QCY22 underpinned by upbeat momentum in domestic economy and steady expansion in external sector. Following domestic reopening and strong economic fundamentals, Malaysia's unemployment 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 3.4%. As of 10MCY22, jobless rate averaged at 3.86% while employment growth at +3.6%yoy and unemployment fell by -15.1%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.

Chart 1: Labour Market Key Indicators (YoY%)



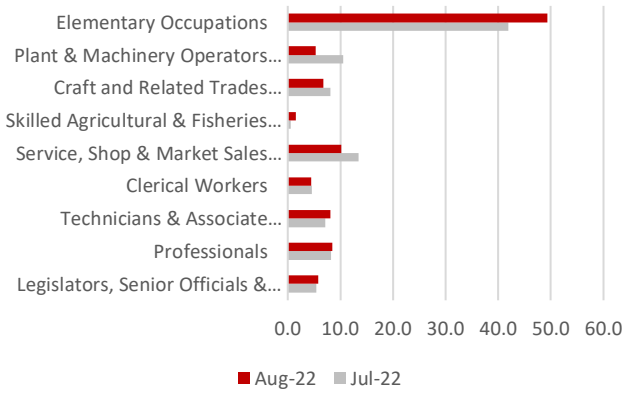
Source: DOSM, MIDFR

Chart 2: Unemployment rate by Age Group (%)



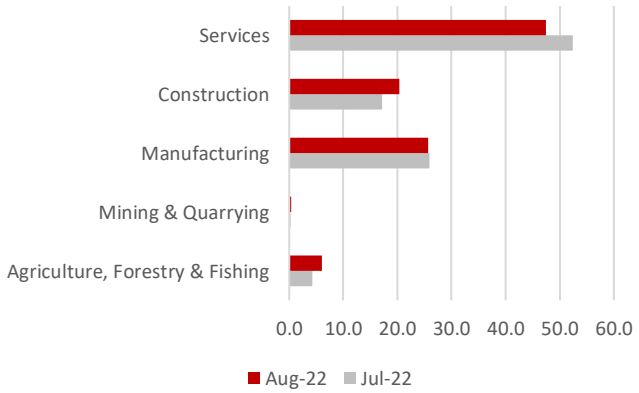
Source: DOSM, MIDFR

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



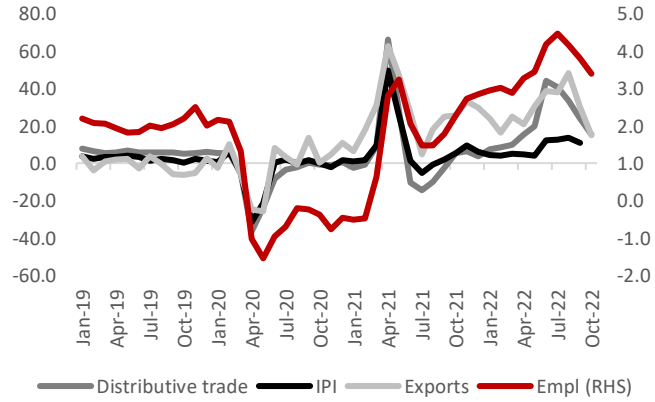
Source: DOSM, MIDFR

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



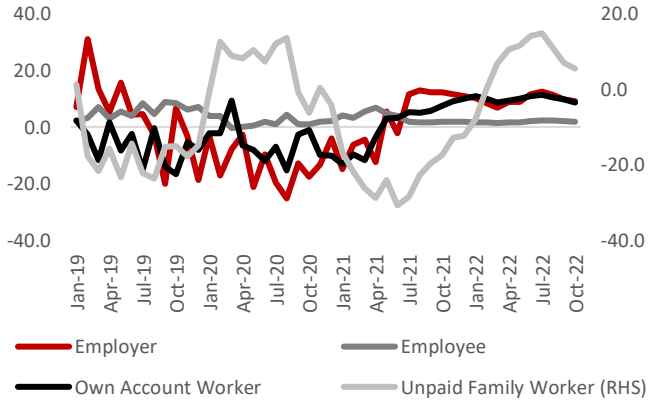
Source: DOSM, MIDFR

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



Source: DOSM, MIDFR

Chart 6: Employment by Type (YoY%)



Source: DOSM, MIDFR

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