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ECONOMIC REVIEW | November 2022 Labour Market

Improving Job Market Despite External Concerns

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- *2023 labour market catalysts. Looking at 2023, we believe Malaysia's job market to continue benefiting from the firm domestic demand, China's reopening, revival of construction projects, expansion of primary sectors thanks to elevated global commodity prices and modest external trade activities.*
- *Malaysia's average jobless rate to descend from 3.8% in 2022 to 3.5% in 2023. Labour market in Malaysia is expected to strengthen further in 2023 underpin by continous upbeat momentum in domestic economy and modest expansion in external sector. We foresee Malaysia's unemployment rate to decline further to 3.5% yet slightly higher than pre-pandemic level of 3.3%.*

Jobless rate stayed at pandemic low. Recovery of Malaysia's labour market continued as unemployment rate maintained at 3.6% in Nov-22. Youth aged 15~24 unemployment rate still at double-digit rate of 11.9%, more than two-year low but remained higher than pre-pandemic (2019: 10.4%). Labour force and employment continued expanding +2.5%yoy and +3.2%yoy, respectively, supported by robust domestic economic growth and still upbeat external front. Unemployment dropped further by -13.5%yoy, marking the 15th-consecutive months of contraction rate. In addition, outside labour force reduced by -1.5%yoy, registering the 13th-straight months of negative growth rate. By type, employment growth was driven by employer +8.8%yoy (Oct-22: +9.2%yoy), self-account worker +8.4%yoy (Oct-22: +8.7%yoy) and unpaid family workers +5.5%yoy (Oct-22: +5.5%yoy). Employee segment which represents 75.9% of total employment grew steadily by +1.8%yoy (Oct-22: +1.9%yoy). However, the job patterns have shown signs of moderation in the economy amid weakening external outlook.

2023 labour market catalysts. Looking at 2023, we believe Malaysia's job market to continue benefiting from the firm domestic demand, China's 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 initiatives 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)

	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22
Labour Force	16,567	16,599	16,630	16,657	16,684	16,709
YoY%	3.1	3.3	3.1	2.9	2.6	2.5
MoM%	0.2	0.2	0.2	0.2	0.2	0.2
Employment	15,936	15,978	16,018	16,052	16,082	16,109
YoY%	4.2	4.5	4.2	3.8	3.4	3.2
MoM%	0.2	0.3	0.2	0.2	0.2	0.2
Unemployment	631	621	612	605	602	601
YoY%	(18.0)	(20.2)	(18.3)	(17.1)	(14.6)	(13.5)
MoM%	(1.1)	(1.6)	(1.4)	(1.1)	(0.5)	(0.2)
Outside Labour Force	7,256	7,248	7,242	7,239	7,237	7,236
YoY%	(2.7)	(3.0)	(2.8)	(2.3)	(1.7)	(1.5)
MoM%	(0.1)	(0.1)	(0.1)	(0.0)	(0.0)	(0.0)
Unemployment Rate %	3.80	3.70	3.70	3.60	3.60	3.60

Source: DOSM, MIDFR

Upbeat job market as vacancies stay above 300K on monthly basis. Number of job vacancies registered at 326.3K in Oct-22. The 10MCY22 average job vacancies remains the highest at 412.2K. 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, services and construction sectors, possibly induced by elevated commodity prices, strong consumer demand, international borders reopening and revival of infra projects.

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

	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22
Total Jobs, Thousands	463.9	508.0	374.5	343.0	311.3	326.3
Legislators, Senior Officials & Managers	4.1	4.7	5.5	5.8	5.7	6.7
Professionals	5.7	8.4	8.2	8.4	9.0	8.3
Technicians & Associate Professionals	6.9	7.3	7.1	8.1	7.9	7.7
Clerical Workers	4.6	4.7	4.6	4.4	5.0	5.5
Service, Shop & Market Sales Workers	10.0	11.4	13.4	10.2	11.7	10.6
Skilled Agricultural & Fisheries Workers	1.1	1.3	0.6	1.6	1.5	0.6
Craft and Related Trades Workers	7.1	4.8	8.1	6.8	6.9	6.0
Plant & Machinery Operators & Assemblers	7.3	8.3	10.6	5.3	7.0	5.1
Elementary Occupations	53.2	49.0	41.9	49.4	45.3	49.4
Agriculture, Forestry & Fishing	3.6	6.8	4.3	6.1	5.3	5.7
Mining & Quarrying	0.3	0.3	0.3	0.4	0.3	0.2
Manufacturing	38.4	31.7	25.9	25.7	26.3	22.3
Construction	14.5	15.4	17.2	20.4	19.6	22.2
Services	43.1	45.8	52.4	47.5	48.4	49.6

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

US job market remained tight. More jobs were added into the US economy as shown by +223K increase in nonfarm payrolls in Dec-22. Although the rise was less than +256K in Nov-22 and the smallest monthly growth in 2 years, the Dec-22 payroll growth is higher than +200K predicted by market consensus. Job growth was mainly recorded in sectors such as leisure & hospitality, health care, construction, and social assistance. On the back of rising labour demand, jobless rate fell to 3.5% (market forecast: 3.7%), matching the level in Sep-22. In 2022, labour demand slowed as monthly payroll rise averaged at +375K (2021: +562K; 2019: +168K). While the US job market condition remained tight, labour demand is expected to slow further in 2023 in response to softer demand outlook. On the other hand, the strong job market will support the Fed to continue hiking rates to contain the still elevated inflation, which remained above the Fed's 2% target. Despite of energy crisis and inflation pressure, Euro Area's jobless rate maintained at record low at 6.5% in Nov-22. Across the globe, China's jobless rate inched up to 6-month high 5.7%. We foresee the jobless rate to decline steadily following the loosening restrictive measures and international borders reopening in China.

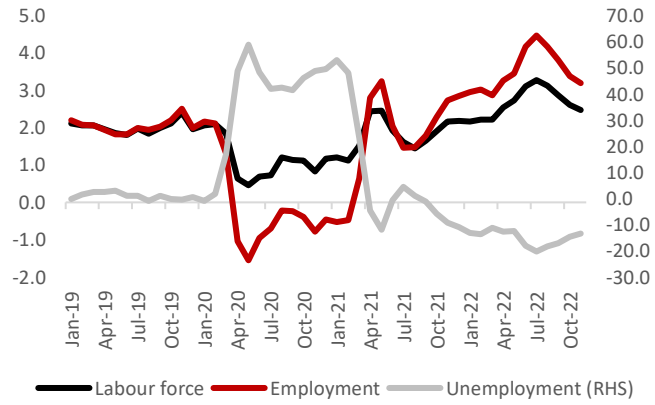
Table 3: Global Unemployment Rate (%)

	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22
Malaysia	3.9	3.8	3.7	3.7	3.6	3.6	
Taiwan	3.7	3.7	3.7	3.7	3.6	3.6	3.6
South Korea	2.8	2.9	2.9	2.5	2.8	2.8	2.9
Hong Kong	5.1	4.7	4.3	4.1	3.9	3.8	3.7
China	5.9	5.5	5.4	5.3	5.5	5.5	5.7
Japan	2.6	2.6	2.6	2.5	2.6	2.6	2.5
Euro Area	6.7	6.7	6.7	6.7	6.6	6.5	6.5
UK	3.8	3.8	3.6	3.5	3.6	3.7	
US	3.6	3.6	3.5	3.7	3.5	3.7	3.6

Source: MACROBOND, MIDFR

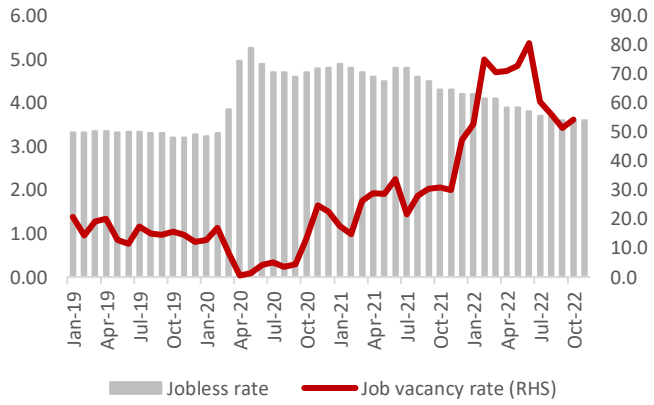
Malaysia's average jobless rate to descend from 3.8% in 2022 to 3.5% in 2023. Labour market in Malaysia is expected to strengthen further in 2023 underpin by continous upbeat momentum in domestic economy and modest expansion in external sector. We foresee Malaysia's unemployment rate to decline further to 3.5% yet slightly higher than pre-pandemic level of 3.3%. Steady expansion in primary sectors as well as construction and services will prop up more employment opportunities next year. Labour force and employment are predicted to pick-up by +1.6% respectively this year.

Chart 1: Labour Market Key Indicators (YoY%)



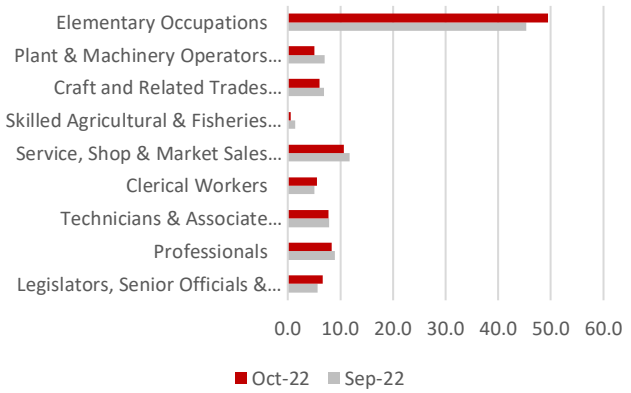
Source: DOSM, MIDFR

Chart 2: Jobless rate vs. Vacancy rate (%)



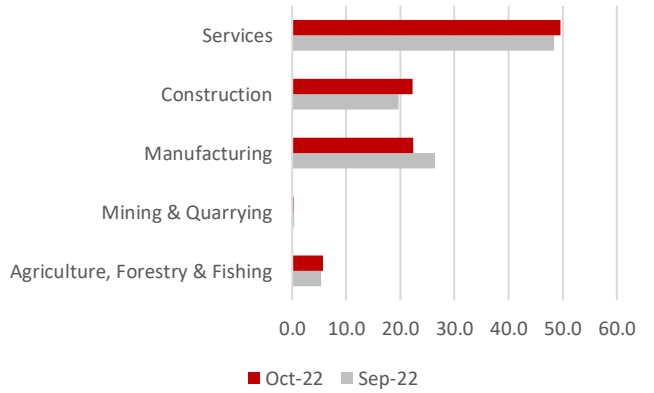
Source: DOSM, MIDFR

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



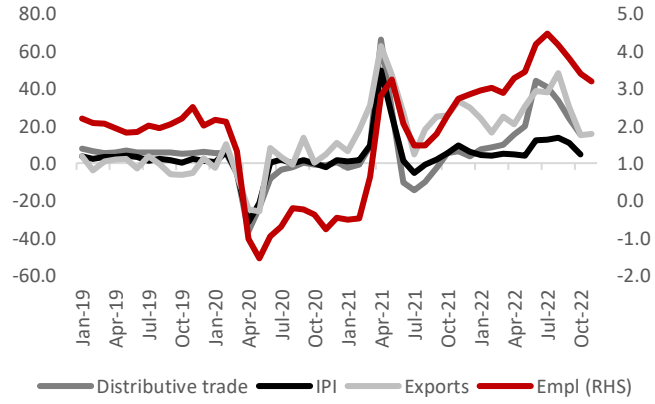
Source: DOSM, MIDFR

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



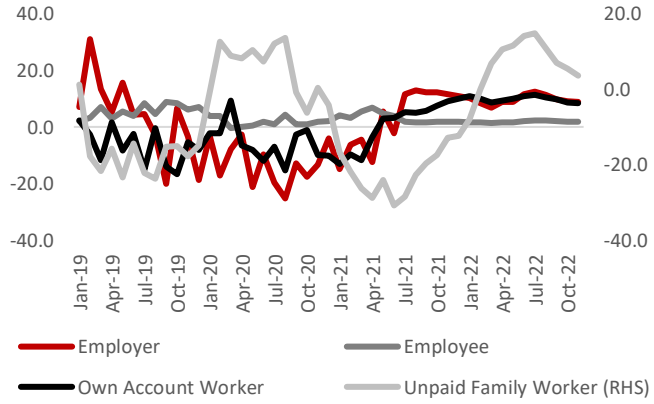
Source: DOSM, MIDFR

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



Source: DOSM, MIDFR

Chart 6: Employment by Type (YoY%)



Source: DOSM, MIDFR

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