09 March 2023

ECONOMIC REVIEW | January 2023 Labour Market

Labour Market Recovery Continues Despite Global Slowdown Concerns

- *Youth jobless rate hit new pandemic low. Youth aged 15~24 unemployment rate descended to a new pandemic low of 11.5%, but remained higher than pre-pandemic (2019: 10.4%). Recovery of Malaysia's labour market continued as unemployment rate remained at 3.6% in the first month of 2023. Labour force and employment continued expanding +2.4%yoy and +3%yoy, respectively, supported by upbeat domestic economic momentum and expansionary external front.*
- *Bouyant job market. Number of job vacancies maintained above 300K in Dec-22. Average monthly job vacancies of 2022 was the highest at 396.1K. This reflects strong recovery in domestic economic activities fuelled by robust local demand and continuous expansion in external sector.*
- *We keep average jobless rate forecast at 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%.*

Youth jobless rate hit new pandemic low. Youth aged 15~24 unemployment rate descended to a new pandemic low of 11.5%, but remained higher than pre-pandemic (2019: 10.4%). Recovery of Malaysia's labour market continued as unemployment rate remained at 3.6% in the first month of 2023. Labour force and employment continued expanding +2.4%yoy and +3%yoy, respectively, supported by upbeat domestic economic momentum and expansionary external front. On monthly basis, employment growth at +0.2%mom. Unemployment dipped further by -12.4%yoy, marking the 17th-consecutive months of contraction rate. In addition, outside labour force reduced by -1.3%yoy, registering the 15th-straight months of negative growth rate. By employment type, employee which made up about 75% of the employment grew steadily by +1.7%yoy while employer, own-account-worker and unpaid family worker increased by +7.9%yoy, +8.9%yoy and +0.5%yoy respectively in Jan-23. We are optimistic on the Malaysia's job market recovery underpin by upbeat local economic momentum, return of foreign workers, positive effects of China's reopening and supportive & accommodative economic policies.

Table 1: Summary of Labour Market ('000)

	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23
Labour Force	16,630	16,657	16,684	16,709	16,730	16,755
YoY%	3.1	2.9	2.6	2.5	2.4	2.4
MoM%	0.2	0.2	0.2	0.2	0.1	0.2
Employment	16,018	16,052	16,082	16,109	16,130	16,159
YoY%	4.2	3.8	3.4	3.2	3.1	3.0
MoM%	0.2	0.2	0.2	0.2	0.1	0.2

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

	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23
Unemployment	612	605	602	601	600	596
YoY%	(18.3)	(17.1)	(14.6)	(13.5)	(12.8)	(12.4)
MoM%	(1.4)	(1.1)	(0.5)	(0.2)	(0.2)	(0.6)
Outside Labour Force	7,242	7,239	7,237	7,236	7,240	7,238
YoY%	(2.8)	(2.3)	(1.7)	(1.5)	(1.3)	(1.3)
MoM%	(0.1)	(0.0)	(0.0)	(0.0)	0.1	(0.0)
Unemployment Rate %	3.70	3.60	3.60	3.60	3.60	3.60

Source: DOSM, MIDFR

Bouyant job market. Number of job vacancies maintained above 300K in Dec-22. Average monthly job vacancies of 2022 was the highest at 396.1K. 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 services, construction and manufacturing 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 (%)*

	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22
Total Jobs, Thousands	374.5	343.0	311.3	326.3	320.6	311.2
Legislators, Senior Officials & Managers	5.5	5.8	5.7	6.7	7.1	6.0
Professionals	8.2	8.4	9.0	8.3	9.6	8.9
Technicians & Associate Professionals	7.1	8.1	7.9	7.7	7.4	7.2
Clerical Workers	4.6	4.4	5.0	5.5	3.6	4.4
Service, Shop & Market Sales Workers	13.4	10.2	11.7	10.6	10.7	16.4
Skilled Agricultural & Fisheries Workers	0.6	1.6	1.5	0.6	1.1	1.1
Craft and Related Trades Workers	8.1	6.8	6.9	6.0	6.3	5.3
Plant & Machinery Operators & Assemblers	10.6	5.3	7.0	5.1	4.4	4.0
Elementary Occupations	41.9	49.4	45.3	49.4	49.8	46.8
Agriculture, Forestry & Fishing	4.3	6.1	5.3	5.7	7.8	4.4
Mining & Quarrying	0.3	0.4	0.3	0.2	0.3	0.4
Manufacturing	25.9	25.7	26.3	22.3	19.3	19.7
Construction	17.2	20.4	19.6	22.2	22.5	19.1
Services	52.4	47.5	48.4	49.6	50.1	56.4

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

Resilience job market in the US. The US labour market remained in a tight condition and yet to show a sharp deterioration because the latest number of initial claims for unemployment benefits remained at low levels, even lower than pre-pandemic. Initial claims fell to 190K for the last week of Feb-23 (previous week: 192K), instead of rising to 195K which was predicted by market consensus. Given the low filings, we expect the strength in the job market in Jan-23 will likely continue into Feb-23. The latest jobless rate is at more than 50-year low. Euro Area's

jobless rate inched up marginally from record-low 6.6% to 6.7% in Jan-23. Across the globe, China's unemployment rate was maintained at 5.5% amid domestic economy reopenning. We foresee the jobless rate to decline steadily following the improving local economic activities and international borders reopening in China.

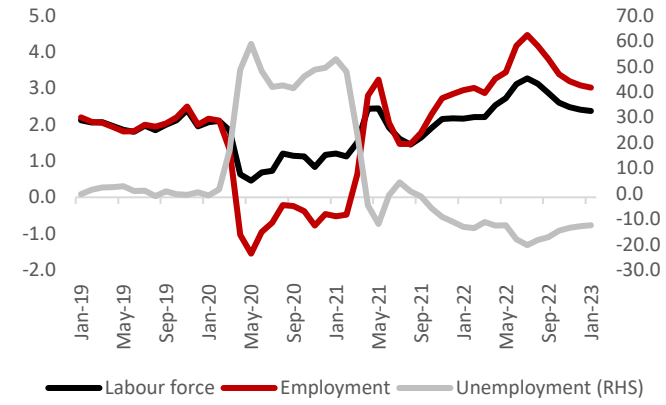
Table 3: Global Unemployment Rate (%)

	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23
Malaysia	3.7	3.7	3.6	3.6	3.6	3.6	3.6
Taiwan	3.7	3.7	3.6	3.6	3.6	3.6	3.6
South Korea	2.9	2.5	2.8	2.8	2.9	3.1	2.9
Hong Kong	4.3	4.1	3.9	3.8	3.7	3.5	3.4
China	5.4	5.3	5.5	5.5	5.7	5.5	5.5
Japan	2.6	2.5	2.6	2.6	2.5	2.5	2.4
Euro Area	6.7	6.7	6.7	6.6	6.7	6.7	6.7
UK	3.6	3.5	3.6	3.7	3.7	3.7	
US	3.5	3.7	3.5	3.7	3.6	3.5	3.4

Source: MACROBOND, MIDFR

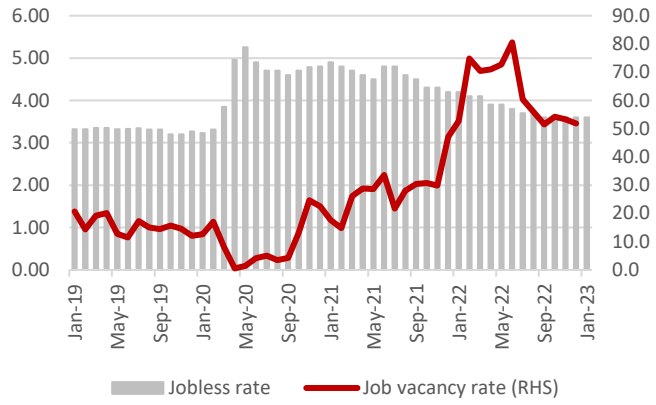
We keep average jobless rate forecast at 3.5% in 2023. Labour market in Malaysia is expected to strengthen further in 2023 underpin by continous upbeat momentum in domestic economy and modest expansion in external sector. We foresee Malaysia's unemployment rate to decline further to 3.5% yet slightly 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%)



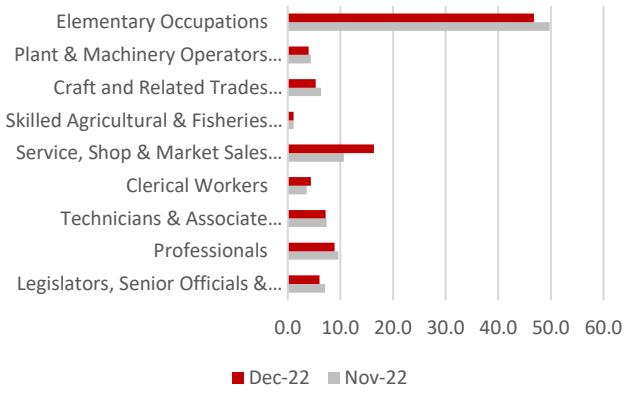
Source: DOSM, MIDFR

Chart 2: Jobless Rate vs Vacancy Rate (%)



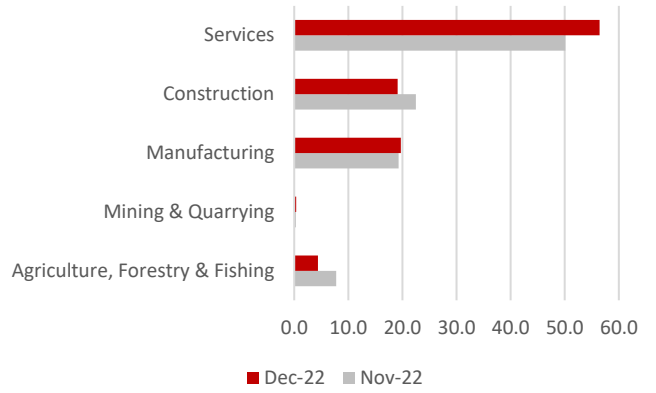
Source: DOSM, MIDFR

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



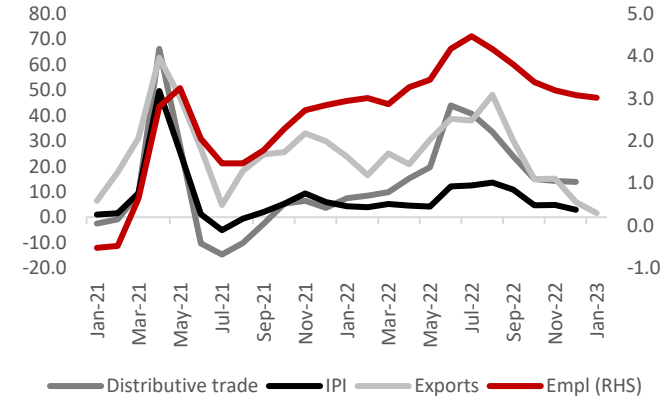
Source: DOSM, MIDFR

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



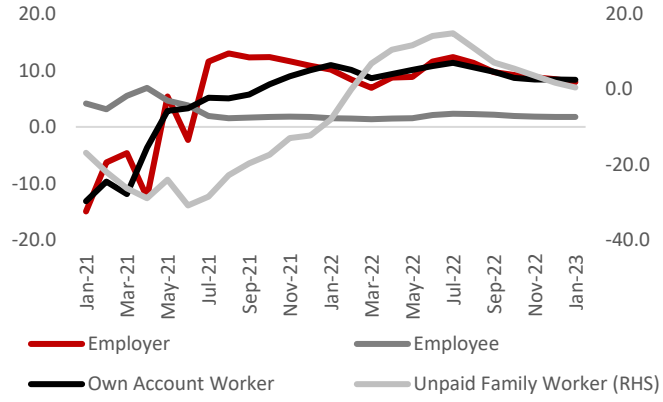
Source: DOSM, MIDFR

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



Source: DOSM, MIDFR

Chart 6: Employment by Type (YoY%)



Source: DOSM, MIDFR

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.