10 April 2023

ECONOMIC REVIEW | February 2023 Labour Market

Jobless Rate Hit New Pandemic Low at 3.5%

- *Steady labour market expansion. Recovery of Malaysia's labour market continued as unemployment rate dipped further to new pandemic low at 3.5% in the second month of 2023. Labour force and employment continued expanding +2.3%yoy and +2.9%yoy, respectively, supported by upbeat domestic economic momentum and expansionary external front.*
- *Job vacancies at more than 1-year low. Number of job vacancies skidded below 300K for the first time since Dec-21. The 2023 month debut was 229.2K. After noticing robust employment growth, we shall expect moderation in job gains as the domestic economy almost recovered to pre-pandemic levels.*
- *We maintain 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 labour market expansion. Recovery of Malaysia's labour market continued as unemployment rate dipped further to new pandemic low at 3.5% in the second month of 2023. Labour force and employment continued expanding +2.3%yoy and +2.9%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 -11.9%yoy, marking the 18th-consecutive months of contraction rate. In addition, outside labour force reduced by -1.1%yoy, registering the 16th-straight months of negative growth rate. Youth aged 15~24 unemployment rate descended to a new pandemic low of 11.3%, but remained higher than pre-pandemic (2019: 10.4%). By employment type, employee which made up about 75.7% of the employment grew steadily by +1.7%yoy while employer and own-account-worker increased by +7.5%yoy and +8.1%yoy respectively in Feb-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)

	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23
Labour Force	16,657	16,684	16,709	16,730	16,755	16,781
YoY%	2.9	2.6	2.5	2.4	2.4	2.3
MoM%	0.2	0.2	0.2	0.1	0.2	0.2
Employment	16,052	16,082	16,109	16,130	16,159	16,189
YoY%	3.8	3.4	3.2	3.1	3.0	2.9
MoM%	0.2	0.2	0.2	0.1	0.2	0.2
Unemployment	605	602	601	600	596	592
YoY%	(17.1)	(14.6)	(13.5)	(12.8)	(12.4)	(11.9)
MoM%	(1.1)	(0.5)	(0.2)	(0.2)	(0.6)	(0.7)

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

	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23
Outside Labour Force	7,239	7,237	7,236	7,240	7,238	7,237
YoY%	(2.3)	(1.7)	(1.5)	(1.3)	(1.3)	(1.1)
MoM%	(0.0)	(0.0)	(0.0)	0.1	(0.0)	(0.0)
Unemployment Rate %	3.60	3.60	3.60	3.60	3.60	3.50

Source: DOSM, MIDFR

Job vacancies at more than 1-year low. Number of job vacancies skidded below 300K for the first time since Dec-21. The 2023 month debut was 229.2K. After noticing robust employment growth, we shall expect moderation in job gains as the domestic economy almost recovered to pre-pandemic levels. In terms of share, steady pick-up in services sector at 57.5% of total vacancies. Due to global economic uncertainties and Lunar Year festival, vacancies in manufacturing sector descended to 6-month low at 17.9%. We foresee average job vacancies to hover between 150~250K per month for 2023 (2022: 396.3K) as post-pandemic economic recovery continues.

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

	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23
Total Jobs, Thousands	343.0	311.3	326.3	320.6	311.2	229.2
Legislators, Senior Officials & Managers	5.8	5.7	6.7	7.1	6.0	6.2
Professionals	8.4	9.0	8.3	9.6	8.9	12.1
Technicians & Associate Professionals	8.1	7.9	7.7	7.4	7.2	9.1
Clerical Workers	4.4	5.0	5.5	3.6	4.4	5.5
Service, Shop & Market Sales Workers	10.2	11.7	10.6	10.7	16.4	11.3
Skilled Agricultural & Fisheries Workers	1.6	1.5	0.6	1.1	1.1	1.9
Craft and Related Trades Workers	6.8	6.9	6.0	6.3	5.3	5.7
Plant & Machinery Operators & Assemblers	5.3	7.0	5.1	4.4	4.0	3.8
Elementary Occupations	49.4	45.3	49.4	49.8	46.8	44.3
Agriculture, Forestry & Fishing	6.1	5.3	5.7	7.8	4.4	5.2
Mining & Quarrying	0.4	0.3	0.2	0.3	0.4	0.7
Manufacturing	25.7	26.3	22.3	19.3	19.7	17.9
Construction	20.4	19.6	22.2	22.5	19.1	18.7
Services	47.5	48.4	49.6	50.1	56.4	57.5

*Data Available Up Until Jan-23
Source: DOSM, MIDFR

US job market still resilient despite moderation in non-farm payrolls. Americans job market remained resilient as jobless rate stayed at low levels, 3.5% in Mar-23. Labour force participation rate rose to 62.6%, the highest in 3-year. However, the job market is indicating signs of moderation among others deceleration of non-farm payrolls which recorded the least since Dec-20. Higher borrowing cost and market uncertainties are pressuring businesses to remain stringent in the near term. We expect the payrolls to increase much lesser in the coming months. Average hourly earnings grew by +4.2%yoy (Market expectations: +4.3%yoy), the weakest gain since Jun-21. On monthly basis, the wage growth hit +0.3%mom last month. Euro Area's jobless rate stayed at

record-low 6.6%. Across the globe, China's unemployment rate slightly above the official target of 5.5% for this year. We foresee the jobless rate to decline steadily following the improving local economic activities and international borders reopening in China.

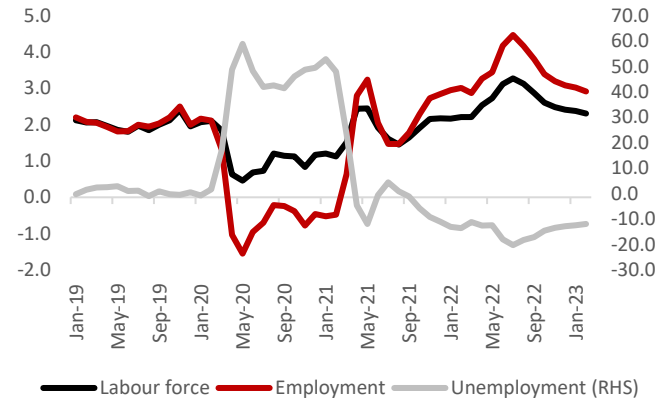
Table 3: Global Unemployment Rate (%)

	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23
Malaysia	3.7	3.6	3.6	3.6	3.6	3.6	3.5
Taiwan	3.7	3.6	3.6	3.6	3.6	3.6	3.6
South Korea	2.5	2.8	2.8	2.9	3.1	2.9	2.6
Hong Kong	4.1	3.9	3.8	3.7	3.5	3.4	3.3
China	5.3	5.5	5.5	5.7	5.5	5.5	5.6
Japan	2.5	2.6	2.6	2.5	2.5	2.4	2.6
Euro Area	6.7	6.7	6.7	6.7	6.7	6.6	6.6
UK	3.5	3.6	3.7	3.7	3.7	3.7	
US	3.7	3.5	3.7	3.6	3.5	3.4	3.6

Source: MACROBOND, MIDFR

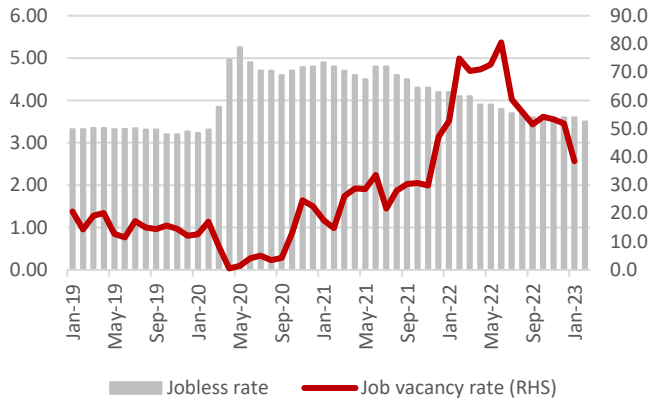
We maintain average jobless rate forecast at 3.5% in 2023. Labour market in Malaysia is expected to strengthen further in 2023 underpin by continous upbeat momentum in domestic economy and modest expansion in external sector. We foresee Malaysia's unemployment rate to decline further to 3.5% yet slightly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



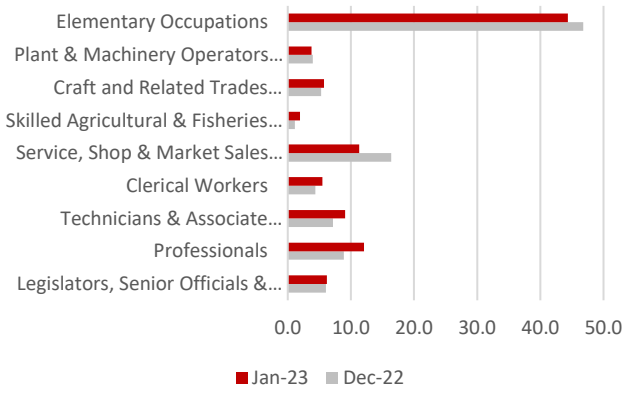
Source: DOSM, MIDFR

Chart 2: Jobless Rate vs Vacancy Rate (%)



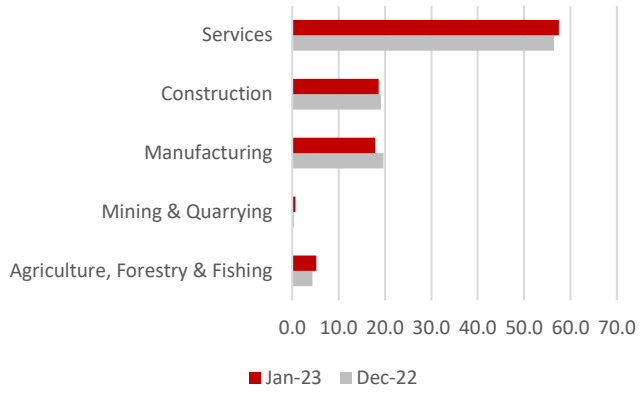
Source: DOSM, MIDFR

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



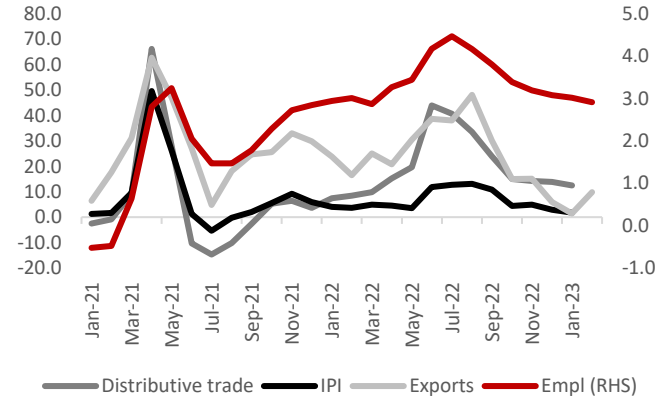
Source: DOSM, MIDFR

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



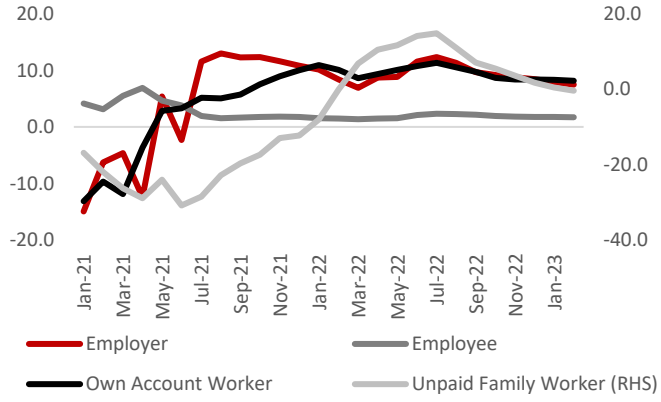
Source: DOSM, MIDFR

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.