12 May 2023

ECONOMIC REVIEW | March 2023 Labour Market

Lower Jobless Rate 3.5%, Impetus for Stronger Consumer Demand Ahead

- *Sound and steady employment growth. Recovery of Malaysia's labour market continued as unemployment rate maintained at new pandemic low 3.5% in Mar-23. Labour force and employment continued expanding +2.3%yoy and +2.9%yoy, respectively, supported by upbeat domestic economic momentum and expansionary external front. As for 1QCY23, employment grew by +2.9%yoy (4QCY22: +3.2%yoy) and average jobless rate 3.5% (4QCY22: +3.6%yoy).*
- *Job vacancies stayed above 200K levels. Monthly average job vacancies remained above 200K, continuing the post-pandemic upbeat momentum (2021: 206.7K, 2022: 396.1K). As comparison, monthly average during 2010-2019 was 114K. We believe the continuous elevated job vacancies among others supported the steady employment growth and reduction in unemployment as well as outside labour force since early 2021.*
- *We keep our 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%.*

Sound and steady employment growth. Recovery of Malaysia's labour market continued as unemployment rate maintained at new pandemic low 3.5% in Mar-23. 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 -12%yoy, marking the 19th-consecutive months of contraction rate. In addition, outside labour force reduced by -1.1%yoy, registering the 17th-straight months of negative growth rate. Youth aged 15~24 unemployment rate descended further to a new pandemic low of 11.2%, but remained higher than pre-pandemic (2019: 10.4%). By employment type, employee which made up about 75.6% of the employment grew steadily by +1.7%yoy while employer and own-account-worker increased by +6.9%yoy and +8.1%yoy respectively in Mar-23. As for 1QCY23, employment grew by +2.9%yoy (4QCY22: +3.2%yoy) and average jobless rate 3.5% (4QCY22: +3.6%yoy). The strengthening job market in our view will further reinforce consumer consumption and support overall GDP growth particularly registering above +5%yoy for 1QCY23.

Table 1: Summary of Labour Market ('000)

	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23
Labour Force	16,684	16,709	16,730	16,755	16,781	16,812
YoY%	2.6	2.5	2.4	2.4	2.3	2.3
MoM%	0.2	0.2	0.1	0.2	0.2	0.2
Employment	16,082	16,109	16,130	16,159	16,189	16,223
YoY%	3.4	3.2	3.1	3.0	2.9	2.9
MoM%	0.2	0.2	0.1	0.2	0.2	0.2

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	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23
Unemployment	602	601	600	596	592	589
YoY%	(14.6)	(13.5)	(12.8)	(12.4)	(11.9)	(12.0)
MoM%	(0.5)	(0.2)	(0.2)	(0.6)	(0.7)	(0.5)
Outside Labour Force	7,237	7,236	7,240	7,238	7,237	7,231
YoY%	(1.7)	(1.5)	(1.3)	(1.3)	(1.1)	(1.1)
MoM%	(0.0)	(0.0)	0.1	(0.0)	(0.0)	(0.1)
Unemployment Rate %	3.60	3.60	3.60	3.60	3.50	3.50

Source: DOSM, MIDFR

Job vacancies stayed above 200K levels. Monthly average job vacancies remained above 200K, continuing the post-pandemic upbeat momentum (2021: 206.7K, 2022: 396.1K). As comparison, monthly average during 2010-2019 was 114K. We believe the continuous elevated job vacancies among others supported the steady employment growth and reduction in unemployment as well as outside labour force since early 2021. In terms of share, steady pick-up in services sector at 65.1% of total vacancies. Vacancies in manufacturing sector improved from 6-month low at 17.9% to 20.6%. 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 (%)*

	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23
Total Jobs, Thousands	311.3	326.3	320.6	311.2	229.2	227.0
Legislators, Senior Officials & Managers	5.7	6.7	7.1	6.0	6.2	5.6
Professionals	9.0	8.3	9.6	8.9	12.1	13.5
Technicians & Associate Professionals	7.9	7.7	7.4	7.2	9.1	11.0
Clerical Workers	5.0	5.5	3.6	4.4	5.5	6.6
Service, Shop & Market Sales Workers	11.7	10.6	10.7	16.4	11.3	15.7
Skilled Agricultural & Fisheries Workers	1.5	0.6	1.1	1.1	1.9	0.4
Craft and Related Trades Workers	6.9	6.0	6.3	5.3	5.7	5.2
Plant & Machinery Operators & Assemblers	7.0	5.1	4.4	4.0	3.8	3.6
Elementary Occupations	45.3	49.4	49.8	46.8	44.3	38.6
Agriculture, Forestry & Fishing	5.3	5.7	7.8	4.4	5.2	3.8
Mining & Quarrying	0.3	0.2	0.3	0.4	0.7	3.1
Manufacturing	26.3	22.3	19.3	19.7	17.9	20.6
Construction	19.6	22.2	22.5	19.1	18.7	7.4
Services	48.4	49.6	50.1	56.4	57.5	65.1

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

Global job market remained strong despite tightening monetary policy. US non-farm payroll rose to 253k jobs in Apr-23 (Mar-23: 165K), exceeding market expectations of 180K. Employment continued upward for professional and business services (43K), surpassing its prior 6 months' average of 25k. Similarly, leisure and hospitality employment rose by 31K (previous 6 months' average: 73K), buoyed mainly by food services and

drinking places (25K); however, the industry's employment level remained below its pre-pandemic level of 402K by 2.4%. Following the stronger-than-expected hiring in the payrolls, the US unemployment rate descended to more than 50-year low at 3.4%. Euro Area's jobless rate descended further to a new record-low 6.5%. Across the globe, China's unemployment rate improved from 3-month high in Feb-23 to 7-month low 5.3% in the following month.

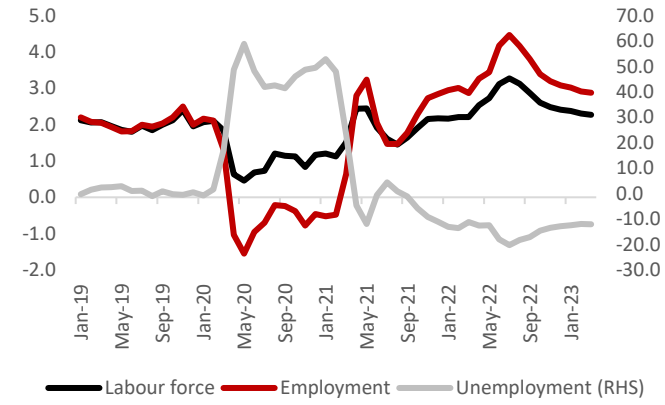
Table 3: Global Unemployment Rate (%)

	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23
Malaysia	3.6	3.6	3.6	3.6	3.6	3.5	3.5
Taiwan	3.6	3.6	3.6	3.6	3.6	3.6	3.6
South Korea	2.8	2.8	2.9	3.1	2.9	2.6	2.7
Hong Kong	3.9	3.8	3.7	3.5	3.4	3.3	3.1
China	5.5	5.5	5.7	5.5	5.5	5.6	5.3
Japan	2.6	2.6	2.5	2.5	2.4	2.6	2.8
Euro Area	6.7	6.7	6.7	6.7	6.6	6.6	6.5
US	3.5	3.7	3.6	3.5	3.4	3.6	3.5

Source: MACROBOND, MIDFR

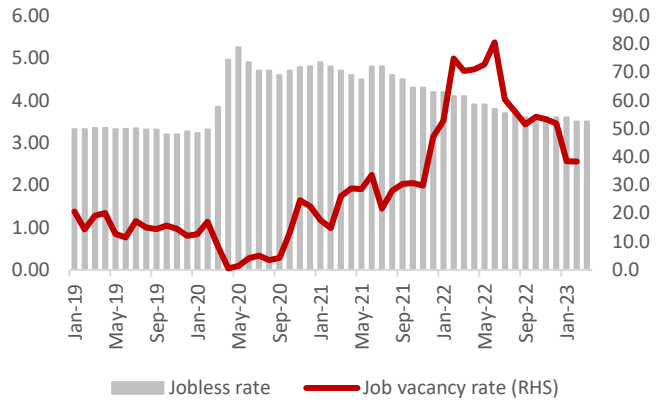
We keep our average jobless rate forecast at 3.5% in 2023. Labour market in Malaysia is expected to strengthen further in 2023 underpin by continous upbeat momentum in domestic economy and modest expansion in external sector. We foresee Malaysia's unemployment rate to decline further to 3.5% yet slightly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



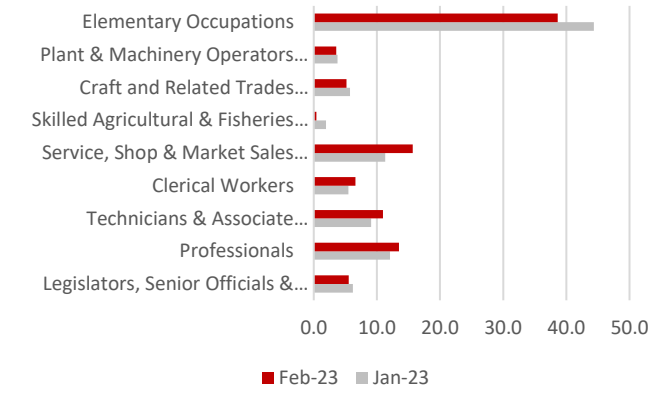
Source: DOSM, MIDFR

Chart 2: Jobless Rate vs Vacancy Rate (%)



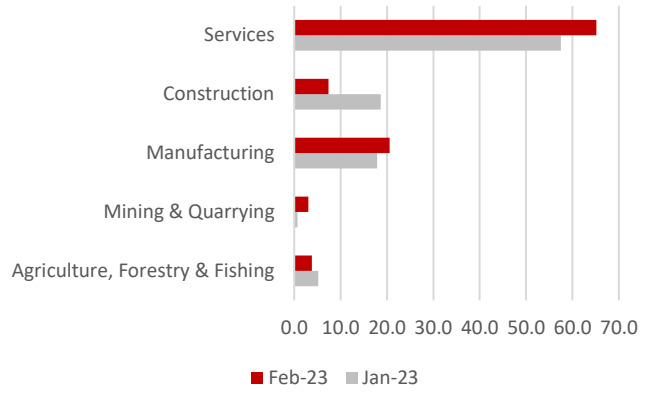
Source: DOSM, MIDFR

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



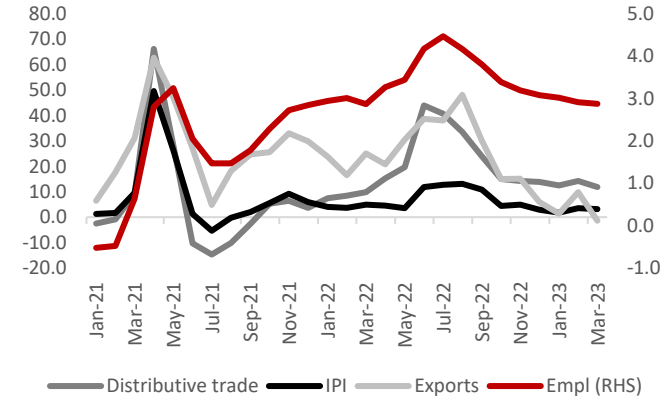
Source: DOSM, MIDFR

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



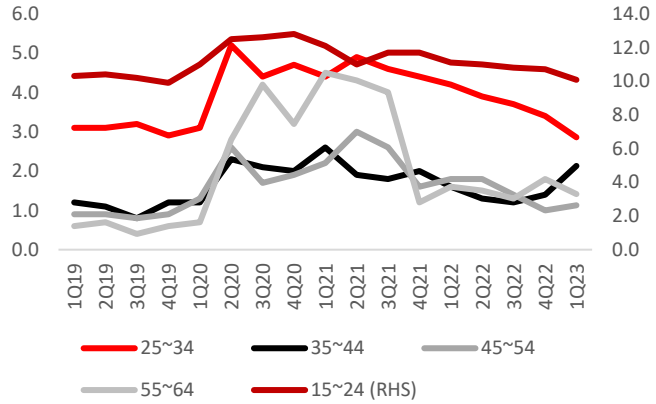
Source: DOSM, MIDFR

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



Source: DOSM, MIDFR

Chart 6: Unemployment Rate by Age (%)



Source: DOSM, MIDFR

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