09 June 2023

ECONOMIC REVIEW | April 2023 Labour Market

Steady Employment Growth Yet External Trade Slowdown Remains a Concern

- *As for 4MCY23, employment grew by +2.8%yoy (4MCY22: +3%yoy) and average jobless rate 3.5% (4MCY22: +4.1%yoy). The strengthening job market in our view will further reinforce consumer consumption and support overall GDP growth for this year. However, we expect slight moderation of employment growth in 2HCY23 following weakening external trade performances.*
- *In terms of share, steady pick-up in services sector at 63.6% of total vacancies. Construction vacancies ratio improved to 11.8% while commodity-based sectors namely agriculture and mining also seen higher rates at 7.8% and 2.2% in Mar-23 respectively. In line with external trade slowdown, vacancies in manufacturing sector to total vacancies share deteriorated to a new record low at 14.6%. We foresee average job vacancies to hover between 150~250K per month for 2023 (2022: 396.3K) due to external trade weakness to stay on in 2HCY23.*
- *We maintain 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%.*

Resilient job market. Recovery of Malaysia's labour market continued as unemployment rate maintained at pandemic low 3.5% in Apr-23. Labour force and employment continued expanding +2%yoy and +2.5%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 -9.6%yoy, marking the 20th-consecutive months of contraction rate. In addition, outside labour force reduced by -0.6%yoy, registering the 18th-straight months of negative growth rate. Youth aged 15~24 unemployment rate descended further to a new post-pandemic low of 11.1%, but remained higher than pre-pandemic (2019: 10.4%). By employment type, employee which made up about 75.5% of the employment grew steadily by +1.5%yoy while employer and own-account-worker increased by +5.4%yoy and +7.2%yoy respectively in Apr-23. As for 4MCY23, employment grew by +2.8%yoy (4MCY22: +3%yoy) and average jobless rate 3.5% (4MCY22: +4.1%yoy). The strengthening job market in our view will further reinforce consumer consumption and support overall GDP growth for this year. However, we expect slight moderation of employment growth in 2HCY23 following weakening external trade performances.

Table 1: Summary of Labour Market ('000)

	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23
Labour Force	16,709	16,730	16,755	16,781	16,812	16,838
YoY%	2.5	2.4	2.4	2.3	2.3	2.0
MoM%	0.2	0.1	0.2	0.2	0.2	0.2
Employment	16,109	16,130	16,159	16,189	16,223	16,251

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	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23
YoY%	3.2	3.1	3.0	2.9	2.9	2.5
MoM%	0.2	0.1	0.2	0.2	0.2	0.2
Unemployment	601	600	596	592	589	587
YoY%	(13.5)	(12.8)	(12.4)	(11.9)	(12.0)	(9.6)
MoM%	(0.2)	(0.2)	(0.6)	(0.7)	(0.5)	(0.3)
Outside Labour Force	7,236	7,240	7,238	7,237	7,231	7,228
YoY%	(1.5)	(1.3)	(1.3)	(1.1)	(1.1)	(0.6)
MoM%	(0.0)	0.1	(0.0)	(0.0)	(0.1)	(0.0)
Unemployment Rate %	3.60	3.60	3.60	3.50	3.50	3.50

Source: DOSM, MIDFR

Job vacancies improved to 3-month high. 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 63.6% of total vacancies. Construction vacancies ratio improved to 11.8% while commodity-based sectors namely agriculture and mining also seen higher rates at 7.8% and 2.2% in Mar-23 respectively. In line with external trade slowdown, vacancies in manufacturing sector to total vacancies share deteriorated to a new record low at 14.6%. We foresee average job vacancies to hover between 150~250K per month for 2023 (2022: 396.3K) due to external trade weakness to stay on in 2HCY23.

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

	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23
Total Jobs, Thousands	326.3	320.6	311.2	229.2	227.0	230.2
Legislators, Senior Officials & Managers	6.7	7.1	6.0	6.2	5.6	5.0
Professionals	8.3	9.6	8.9	12.1	13.5	14.9
Technicians & Associate Professionals	7.7	7.4	7.2	9.1	11.0	18.3
Clerical Workers	5.5	3.6	4.4	5.5	6.6	5.1
Service, Shop & Market Sales Workers	10.6	10.7	16.4	11.3	15.7	11.7
Skilled Agricultural & Fisheries Workers	0.6	1.1	1.1	1.9	0.4	0.9
Craft and Related Trades Workers	6.0	6.3	5.3	5.7	5.2	5.2
Plant & Machinery Operators & Assemblers	5.1	4.4	4.0	3.8	3.6	3.8
Elementary Occupations	49.4	49.8	46.8	44.3	38.6	35.1
Agriculture, Forestry & Fishing	5.7	7.8	4.4	5.2	3.8	7.8
Mining & Quarrying	0.2	0.3	0.4	0.7	3.1	2.2
Manufacturing	22.3	19.3	19.7	17.9	20.6	14.6
Construction	22.2	22.5	19.1	18.7	7.4	11.8
Services	49.6	50.1	56.4	57.5	65.1	63.6

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

Tight global job market. The US non-farm payroll rose to 339K jobs in May-23 (Apr-23: 194K), exceeding market expectations of 190K. The employment gains mainly contributed by services sector such as professional & business services. The US job market remained tight as jobless rate hit 3.7% in May-23. Despite of geopolitical stress and tightening monetary policy by ECB, Euro Area's jobless rate surprisingly touched a new record low at 6.5%. Across the globe, China's unemployment rate descebded further to 16-month low at 5.2% in Apr-23 following the reopening effects and steady domestic demand recovery momentum.

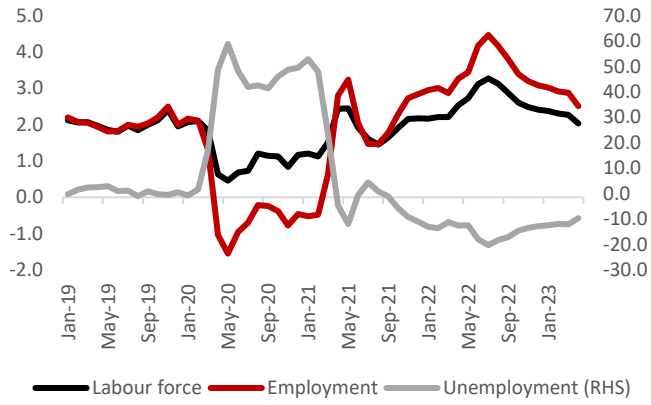
Table 3: Global Unemployment Rate (%)

	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23
Malaysia	3.6	3.6	3.6	3.6	3.5	3.5	3.5
Taiwan	3.6	3.6	3.6	3.6	3.6	3.6	3.6
South Korea	2.8	2.9	3.1	2.9	2.6	2.7	2.6
Hong Kong	3.8	3.7	3.5	3.4	3.3	3.1	3.0
China	5.5	5.7	5.5	5.5	5.6	5.3	5.2
Japan	2.6	2.5	2.5	2.4	2.6	2.8	2.6
Euro Area	6.7	6.7	6.7	6.6	6.6	6.6	6.5
US	3.7	3.6	3.5	3.4	3.6	3.5	3.4

Source: MACROBOND, MIDFR

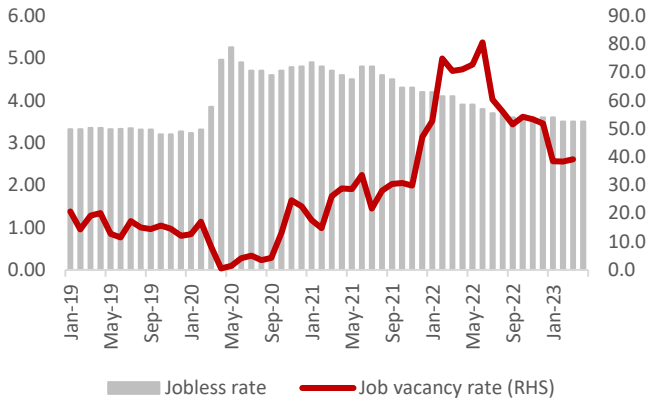
We maintain our average jobless rate forecast at 3.5% in 2023. Labour market in Malaysia is expected to strengthen further in 2023 underpin by continous upbeat momentum in domestic economy and modest expansion in external sector. We foresee Malaysia's unemployment rate to decline further to 3.5% yet 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 expected to pick-up by +1.6% respectively this year.

Chart 1: Labour Market Key Indicators (YoY%)



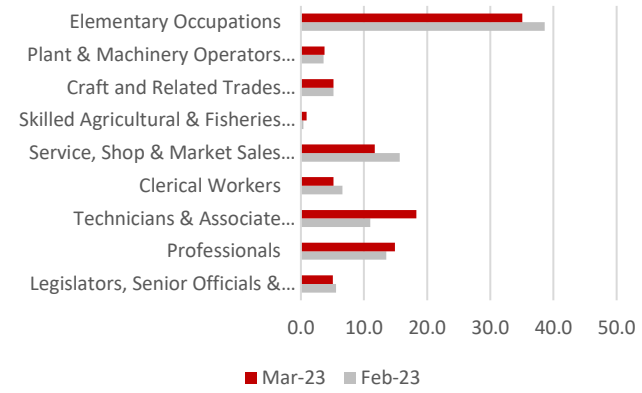
Source: DOSM, MIDFR

Chart 2: Jobless Rate vs Vacancy Rate (%)



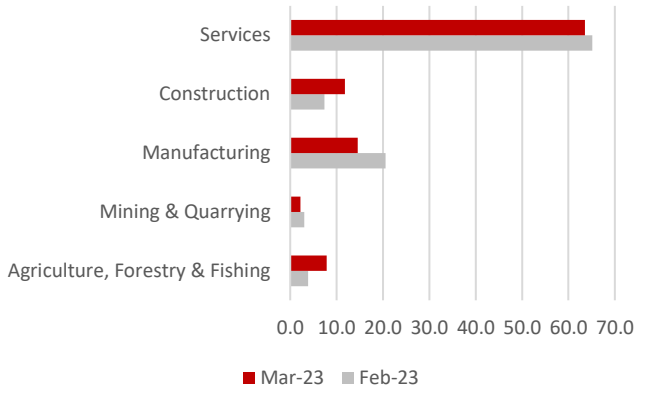
Source: DOSM, MIDFR

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



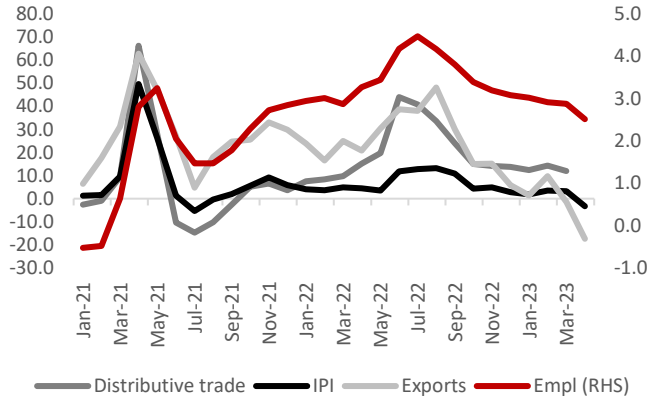
Source: DOSM, MIDFR

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



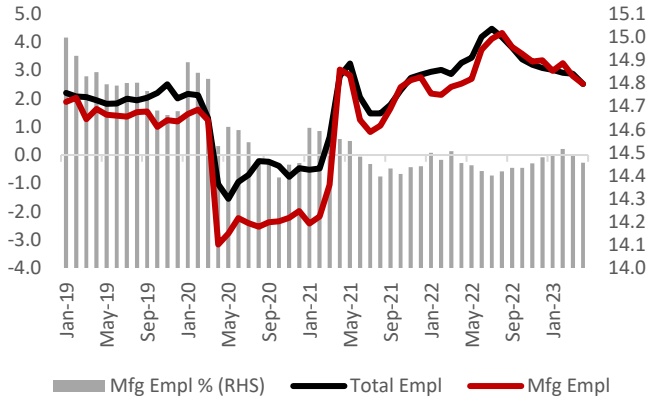
Source: DOSM, MIDFR

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



Source: DOSM, MIDFR

Chart 6: Total vs. Mfg. Employment (YoY%)



Source: DOSM, MIDFR

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