

ECONOMIC REVIEW | June 2023 Labour Market

Malaysia's Unemployment Rate Hit New Post-Pandemic Low at 3.4%

- Malaysia's labour market continues to show improvement as the unemployment rate registered a new pandemic low 3.4% in Jun-23. Labour force and employment expanded by +1.9%yoy and +2.3%yoy respectively, supported by upbeat domestic economic momentum. As at 2QCY23, employment grew by +2.4%yoy (1QCY23: +2.9%yoy) and average jobless rate was at 3.47% (1QCY23: +3.53%yoy). As of 1HCY23, employment grew by +2.7%yoy (2022: +3.5%yoy) while unemployment reduced by -10.4%yoy (2022: -14.8%yoy) and jobless rate averaged at 3.5% (2022: 3.8%).
- Job vacancies returned to above 200K levels. Malaysia's job vacancies rebounded to 217.1K in May-23. Nonetheless, we should expect moderating pace in employment growth in 2HCY23 amid tightness of the job market. The monthly average job vacancies remained above 200K, continuing the post-pandemic trend (2021: 206.7K, 2022: 396.1K).
- We retain our 2023 average jobless rate forecast at 3.5%. The labour market in Malaysia is expected to strengthen further in 2023 and 2024, backed by positive impetues in the domestic economy. Malaysia's average unemployment rate is expected to decline further to 3.5% in 2023 and return to pre-pandemic levels of 3.3% in 2024. The return of non-citizens workers is expected to boost overall employment and reduce the jobless rate.

Improving job market. Malaysia's labour market continues to show improvement as the unemployment rate registered a new pandemic low 3.4% in Jun-23. Labour force and employment expanded by +1.9%yoy and +2.3%yoy respectively, supported by upbeat domestic economic momentum. On a monthly basis, employment grew by +0.2%mom which constitute the 24rd consecutive months of positive gains. Meanwhile, unemployment dipped further by -7.8%yoy which marking the 22ⁿ consecutive months of contraction. In addition, outside labour force contracted for the 20th consecutive months by -0.4%yoy. For youth aged 15~24, unemployment rate maintained at a post-pandemic low of 11%, but remained above pre-pandemic level (2019: 10.4%). By employment type, employee which made up about 75.4% of the employment market grew steadily by +1.4%yoy while employer and own-account-worker increased by +5%yoy and +6.6%yoy respectively in Jun-23. As at 2QCY23, employment grew by +2.4%yoy (1QCY23: +2.9%yoy) and average jobless rate was at 3.47% (1QCY23: +3.53%yoy). We opine that the improvement in the job market will further reinforce consumer consumption and support the overall GDP growth for this year. However, we do expect slight moderation of employment growth in 2HCY23 due to the slump in external trade performances.

Table 1: Summary of Labour Market ('000 unless otherwise stated)

	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23
Labour Force	16,755	16,781	16,812	16,838	16,864	16,889
YoY%	2.4	2.3	2.3	2.0	2.0	1.9
MoM%	0.2	0.2	0.2	0.2	0.2	0.2

Employment	16,159	16,189	16,223	16,251	16,280	16,308
YoY%	3.0	2.9	2.9	2.5	2.4	2.3
MoM%	0.2	0.2	0.2	0.2	0.2	0.2
Unemployment	596	592	589	587	585	582
YoY%	(12.4)	(11.9)	(12.0)	(9.6)	(8.3)	(7.8)
MoM%	(0.6)	(0.7)	(0.5)	(0.3)	(0.4)	(0.5)
Outside Labour Force	7,238	7,237	7,231	7,228	7,227	7,226
YoY%	(1.3)	(1.1)	(1.1)	(0.6)	(0.5)	(0.4)
MoM%	(0.0)	(0.0)	(0.1)	(0.0)	(0.0)	(0.0)
Unemployment Rate %	3.60	3.50	3.50	3.50	3.50	3.40

Source: DOSM, MIDFR

Job vacancies returned to above 200K levels. Malaysia's job vacancies rebounded to 217.1K in May-23. Nonetheless, we should expect moderating pace in employment growth in 2HCY23 amid tightness of the job market. The monthly average job vacancies remained above 200K, continuing the post-pandemic trend (2021: 206.7K, 2022: 396.1K). For comparison, the monthly average job vacancies from 2010 to 2019 was 114K. We believe the 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, services sector took the lion's share of 67.7% of total vacancies. Meanwhile, construction job vacancies ratio was down to 9.8% while agriculture recorded higher rate at 7.6%. Vacancies in manufacturing sector remained at a low levels of 14.6%, down from last year's average of 32.4%. We foresee average job vacancies to hover between 150~250K per month for 2023 (2022: 396.3K) due to external trade weakness in 2HCY23.

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

	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23
Total Jobs, Thousands	311.2	229.2	227.0	230.2	119.5	217.1
Legislators, Senior Officials & Managers	6.0	6.2	5.6	5.0	7.2	5.9
Professionals	8.9	12.1	13.5	14.9	18.1	15.1
Technicians & Associate Professionals	7.2	9.1	11.0	18.3	9.9	28.9
Clerical Workers	4.4	5.5	6.6	5.1	9.1	7.7
Service, Shop & Market Sales Workers	16.4	11.3	15.7	11.7	13.9	10.5
Skilled Agricultural & Fisheries Workers	1.1	1.9	0.4	0.9	0.8	3.4
Craft and Related Trades Workers	5.3	5.7	5.2	5.2	4.8	4.3
Plant & Machinery Operators & Assemblers	4.0	3.8	3.6	3.8	4.6	3.1
Elementary Occupations	46.8	44.3	38.6	35.1	31.7	21.1
Agriculture, Forestry & Fishing	4.4	5.2	3.8	7.8	6.2	7.6
Mining & Quarrying	0.4	0.7	3.1	2.2	0.8	0.4
Manufacturing	19.7	17.9	20.6	14.6	15.7	14.6
Construction	19.1	18.7	7.4	11.8	14.2	9.8
Services	56.4	57.5	65.1	63.6	63.1	67.7

*Data Available Up Until May-23

Source: DOSM, MIDFR

Tight global job market despite challenging global economy. The US nonfarm payroll rose at a faster of +187K in Jul-23 (Jun-23: +185K) although it is still below market expectations of +200K. Private payroll, which accounted for 85.5% of total non-farm payroll, rose significantly faster at +172K (Jun-23: +128K). The unemployment rate edged down to 3.5% in Jul-23, the lowest in 3-month. The tight job market remains a key factor supporting the resilience of the US economy following the aggressive tightening by the Fed, with wages continuing to rise and unemployment rate remaining at low levels. Despite of geopolitical stress and tightening monetary policy by European Central Bank (ECB), Euro Area's jobless rate maintained at record low 6.4%. Across the globe, China's unemployment rate remained at a 16-month low of 5.2% in Jun-23 following the reopening effects and steady domestic demand recovery momentum.

Table 3: Global Unemployment Rate (%)

	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23
Malaysia	3.6	3.6	3.5	3.5	3.5	3.5	3.4
Taiwan	3.6	3.6	3.6	3.6	3.6	3.5	3.5
South Korea	3.1	2.9	2.6	2.7	2.6	2.5	2.5
Hong Kong	3.5	3.4	3.3	3.1	3.0	3.0	2.9
China	5.5	5.5	5.6	5.3	5.2	5.2	5.2
Japan	2.5	2.4	2.6	2.8	2.6	2.6	2.5
Euro Area	6.7	6.7	6.6	6.5	6.4	6.4	6.4
US	3.5	3.4	3.6	3.5	3.4	3.7	3.6

Source: MACROBOND, MIDFR


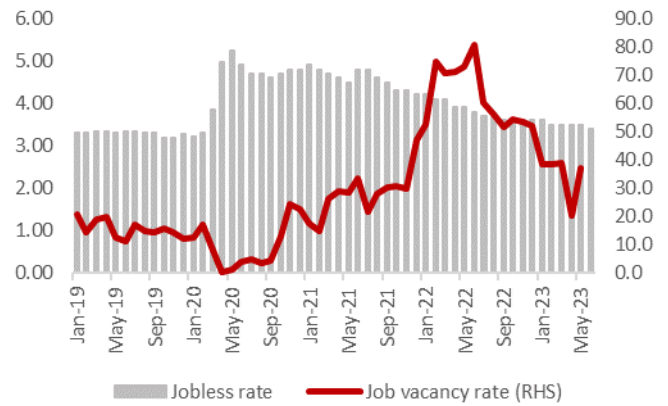
We retain our 2023 average jobless rate forecast at 3.5%. The labour market in Malaysia is expected to strengthen further in 2023 and 2024, backed by positive impetues in the domestic economy. Malaysia's average unemployment rate is expected to decline further to 3.5% in 2023 and return to pre-pandemic levels of 3.3% in 2024. The return of non-citizens workers is expected to boost overall employment and reduce the jobless rate. As of 1QCY23, non-citizens' employment is approximately -4.4% lower than pre-pandemic levels. As of 1HCY23, employment grew by +2.7%yoy (2022: +3.5%yoy) while unemployment reduced by -10.4%yoy (2022: -14.8%yoy) and jobless rate averaged at 3.5% (2022: 3.8%). Continued improvement in the labour market will support consumer spending as the wage recipients to employment ratio has reached a new peak of 64.5% back in 2021, among others, thanks to the minimum wage salary policy. 

Chart 1: Labour Market Key Indicators (YoY%)



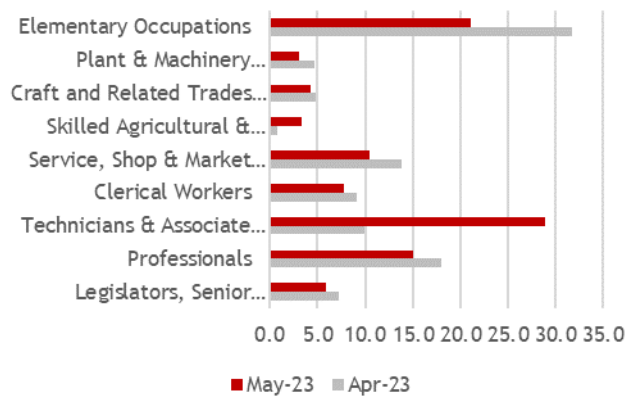
Source: DOSM, MIDFR

Chart 2: Jobless Rate vs Vacancy Rate (%)



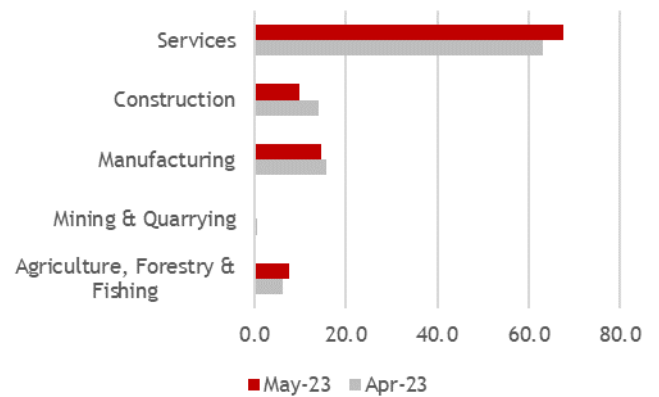
Source: DOSM, MIDFR

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



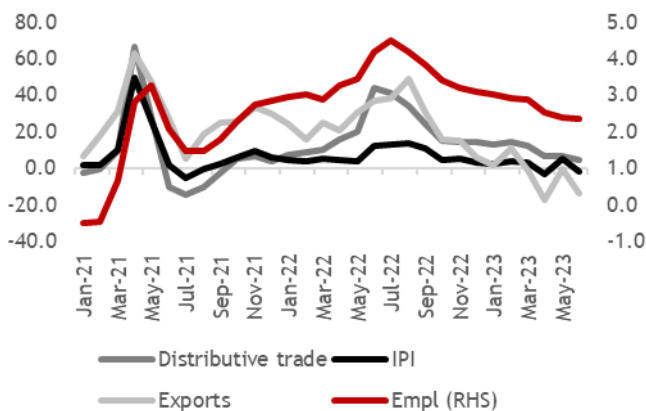
Source: DOSM, MIDFR

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



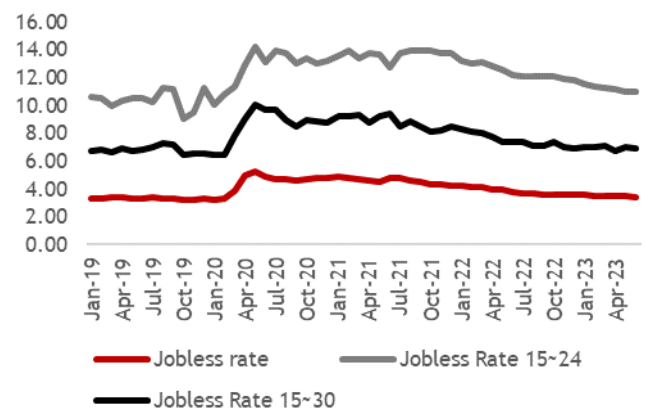
Source: DOSM, MIDFR

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



Source: DOSM, MIDFR

Chart 6: Jobless Rate by Age Group (%)



Source: DOSM, MIDFR

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