

26 March 2015

MALAYSIA

Unemployment rate edged up further in January

- Unemployment rate edged up to 3.1% in January which could be attributed to the high retrenchment in the construction sector in 4Q14 still having an impact on the labour market.
- At the same time, labour force participation declined in January due as total workforce number fell during the same month.
- With the economy set for a slowdown this year, we may see unemployment rate moving higher in the coming months. Hiring in the manufacturing and services sector are likely to remain robust albeit slower and that would help overall unemployment stabilising at 3 - 3.5% this year.

Unemployment rate edged up slightly to 3.1% in January. In our previous report (Labor Market Report 26/2/2015), we highlighted the significant increase in retrenchment in the construction sector and to an extent the services sector. In our view, the increase in unemployment for the month of January is likely due to the delay in acquiring new jobs amongst the aforementioned retrenched workers.

Labour force participation rate (LFPR) declines in January on lower number of workforce. LFPR declined to 67.2% in January from 67.9% in the previous month. According to Department of Statistics, Malaysia, the decline in the number of workforce was due to a reduction of population aged 20 to 34 years old in the labour market. In addition, LFPR also declined from 67.8 recorded in January 2014.

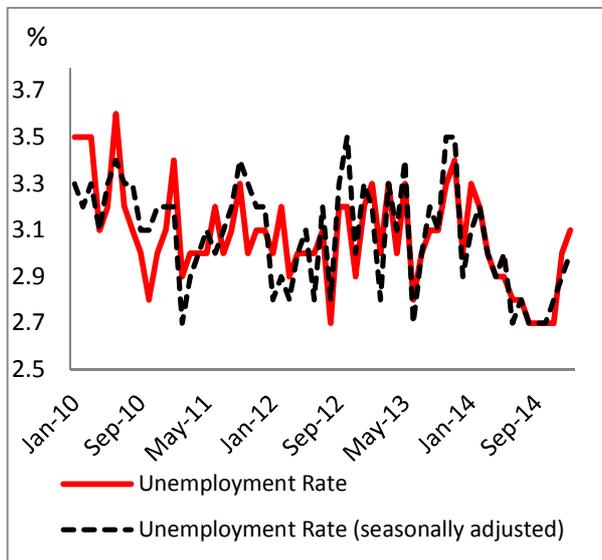
Table 1: Indicators of Malaysian Labour Market

	<u>Month-on-Month</u>			<u>Year-on-Year</u>	
	Jan-15	Dec-14	Change (%)	Jan-14	Change (%)
Labour force ('000)	14,043.60	14180.5	(0.1)	13987.6	0.4
Employed ('000)	13,601.60	13748.4	(1.1)	13529.9	0.5
Unemployed ('000)	442	432.1	2.3	457.7	(3.4)
Outside labour force ('000)	6,865.30	6700.6	2.5	6644.8	3.3
Labour force participation rate (LFPR) (%)	67.2	67.9	(0.7)	67.8	(0.6)
Unemployment rate (%)	3.1	3	0.1	3.3	(0.2)
Unemployment rate (%) (sa)	3	2.9	0.1	3.1	(0.1)

Source: Department of Statistics, Malaysia

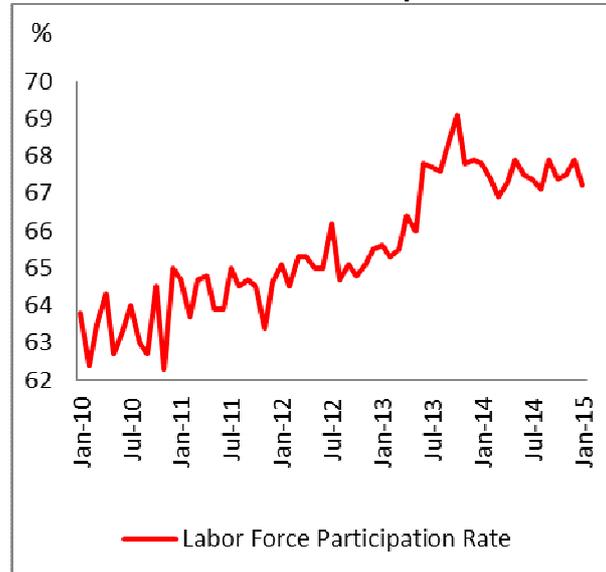
Slower economic growth is expected to push unemployment rate higher in 2015. We expect real GDP growth to slow down to 4.7% this year from the 6% growth in 2014. t 4.5 – 5% this year. The slowdown is likely to be in the construction sector and while hiring is expected to remain robust for the manufacturing and services sector, the pace is likely to moderate this year, in line with the expected slowdown in domestic demand. We expect the unemployment rate to stabilize within 3.0 – 3.5% this year. 

Chart 1: Malaysia unemployment trend



Source: Department of Statistics, Malaysia

Chart 2: Labor Force Participation Rate



Source: Department of Statistics, Malaysia

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