10 July 2023

ECONOMIC REVIEW | May 2023 Labour Market

Resilient Job Market Despite Gloomy External Trade Outlook

- *Malaysia's labour market remained steady as unemployment rate maintained at pandemic low 3.5% in May-23. Labour force and employment continued expanding +2%yoy and +2.4%yoy, respectively, supported by upbeat domestic economic momentum and expansionary external front. On monthly basis, employment grew +0.2%mom, marking the 23rd-straight months of positive gains. Unemployment dipped further by -8.3%yoy, marking the 21st-consecutive months of contraction rate.*

- *Job vacancies at 21-month low. Malaysia's job vacancies registered below 200K for the first time since Aug-21 reflecting tightness of the job market and we can expect moderating pace in employment growth in 2HCY23. However, the monthly average job vacancies remained above 200K, continuing the post-pandemic trend (2021: 206.7K, 2022: 396.1K). As comparison, monthly average during 2010-2019 was 114K.*

- *Jobless rate to average at 3.5% in 2023. The labour market in Malaysia is expected to strengthen further in 2023 and 2024, backed by encouraging momentum 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 at 3.3% in 2024. The return of non-citizens workers is expected to boost overall employment and reduce the jobless rate.*

Stable and sound job market. Malaysia's labour market remained steady as unemployment rate maintained at pandemic low 3.5% in May-23. Labour force and employment continued expanding +2%yoy and +2.4%yoy, respectively, supported by upbeat domestic economic momentum and expansionary external front. On monthly basis, employment grew +0.2%mom, marking the 23rd-straight months of positive gains. Unemployment dipped further by -8.3%yoy, marking the 21st-consecutive months of contraction rate. In addition, outside labour force was reduced by -0.5%yoy, registering the 19th-straight months of negative growth rate. For youth aged 15~24, unemployment rate descended further to a new post-pandemic low of 11%, 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 +1.4%yoy (14-month low) while employer and own-account-worker increased by +5%yoy and +7%yoy respectively in May-23. As for 5MCY23, employment grew by +2.7%yoy (5MCY22: +3.1%yoy) and average jobless rate was at 3.5% (5MCY22: +4%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 due to slump in external trade performances.

Table 1: Summary of Labour Market ('000)

	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23
Labour Force	16,730	16,755	16,781	16,812	16,838	16,864
YoY%	2.4	2.4	2.3	2.3	2.0	2.0
MoM%	0.1	0.2	0.2	0.2	0.2	0.2
Employment	16,130	16,159	16,189	16,223	16,251	16,280

YoY%	3.1	3.0	2.9	2.9	2.5	2.4
MoM%	0.1	0.2	0.2	0.2	0.2	0.2
Unemployment	600	596	592	589	587	585
YoY%	(12.8)	(12.4)	(11.9)	(12.0)	(9.6)	(8.3)
MoM%	(0.2)	(0.6)	(0.7)	(0.5)	(0.3)	(0.4)
Outside Labour Force	7,240	7,238	7,237	7,231	7,228	7,227
YoY%	(1.3)	(1.3)	(1.1)	(1.1)	(0.6)	(0.5)
MoM%	0.1	(0.0)	(0.0)	(0.1)	(0.0)	(0.0)
Unemployment Rate %	3.60	3.60	3.50	3.50	3.50	3.50

Source: DOSM, MIDFR

Job vacancies at 21-month low. Malaysia's job vacancies registered below 200K for the first time since Aug-21 reflecting tightness of the job market and we can expect moderating pace in employment growth in 2HCY23. However, the monthly average job vacancies remained above 200K, continuing the post-pandemic trend (2021: 206.7K, 2022: 396.1K). As comparison, monthly average during 2010-2019 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 63.1% of total vacancies. Construction vacancies ratio improved to 14.2% while agriculture and mining recorded lower rates at 6.2% and 0.8% in Apr-23 respectively. Vacancies in manufacturing sector to total vacancies share remained at low levels 15.7% against last year's average 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 (%)*

	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23
Total Jobs, Thousands	320.6	311.2	229.2	227.0	230.2	119.5
Legislators, Senior Officials & Managers	7.1	6.0	6.2	5.6	5.0	7.2
Professionals	9.6	8.9	12.1	13.5	14.9	18.1
Technicians & Associate Professionals	7.4	7.2	9.1	11.0	18.3	9.9
Clerical Workers	3.6	4.4	5.5	6.6	5.1	9.1
Service, Shop & Market Sales Workers	10.7	16.4	11.3	15.7	11.7	13.9
Skilled Agricultural & Fisheries Workers	1.1	1.1	1.9	0.4	0.9	0.8
Craft and Related Trades Workers	6.3	5.3	5.7	5.2	5.2	4.8
Plant & Machinery Operators & Assemblers	4.4	4.0	3.8	3.6	3.8	4.6
Elementary Occupations	49.8	46.8	44.3	38.6	35.1	31.7
Agriculture, Forestry & Fishing	7.8	4.4	5.2	3.8	7.8	6.2
Mining & Quarrying	0.3	0.4	0.7	3.1	2.2	0.8
Manufacturing	19.3	19.7	17.9	20.6	14.6	15.7
Construction	22.5	19.1	18.7	7.4	11.8	14.2
Services	50.1	56.4	57.5	65.1	63.6	63.1

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

Positive developments in job market despite cloudy global outlook. The US non-farm payroll registered at 209K in Jun-22, significantly lower than market expectations of 225K and lowest since Dec-20. Employment increase mainly came from the government payroll, which grew the fastest in 3-month at 60K. Despite the deceleration in job gains, hourly earnings growth remained resilient, growing at +4.4%yoy and +0.4%mom. Unemployment rate descended to 3.6% in Jun-23, marginally lower than 7-month high of 3.7% in May-23. Monthly average NFP for 1HCY23 recorded at 278K, much lower than 2022's average 399K. Despite of geopolitical stress and tightening monetary policy by ECB, Euro Area's jobless rate maintained at record low 6.5%. Across the globe, China's unemployment rate stayed at 16-month low 5.2% in May-23 following the reopening effects and steady domestic demand recovery momentum.

Table 3: Global Unemployment Rate (%)

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

Source: MACROBOND, MIDFR

Jobless rate to average at 3.5% in 2023. The labour market in Malaysia is expected to strengthen further in 2023 and 2024, backed by encouraging momentum 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 at 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 almost -4.4% lower than pre-pandemic levels. As of 5MCY23, employment grew by +2.7%yoy (2022: +3.5%) while unemployment reduced by -10.9%yoy (2022: -14.8%) and jobless rate averaged at 3.5%. Continued improvement in the labour market will support consumer spending as the wage recipients to employment ratio has reached a new peak at 64.5% in 2021, among others thanks to the minimum wage salary policy.
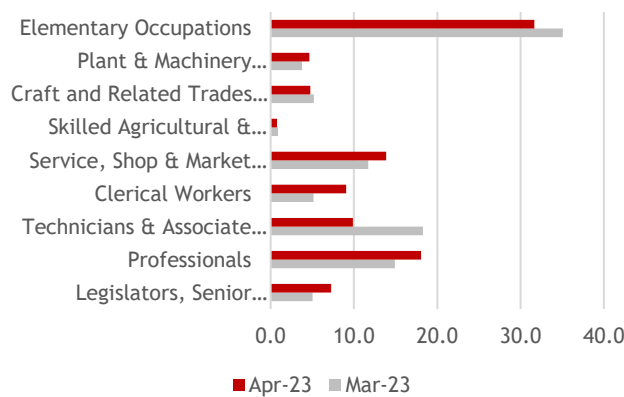
Chart 1: Labour Market Key Indicators (YoY%)
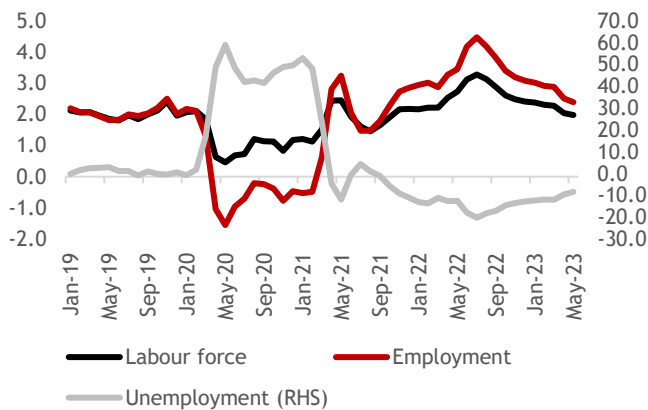
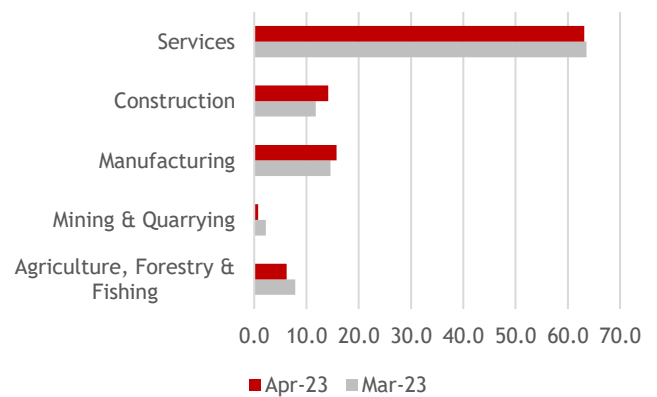Source: DOSM, MIDFR

Chart 2: Jobless Rate vs Vacancy Rate (%)

Source: DOSM, MIDFR

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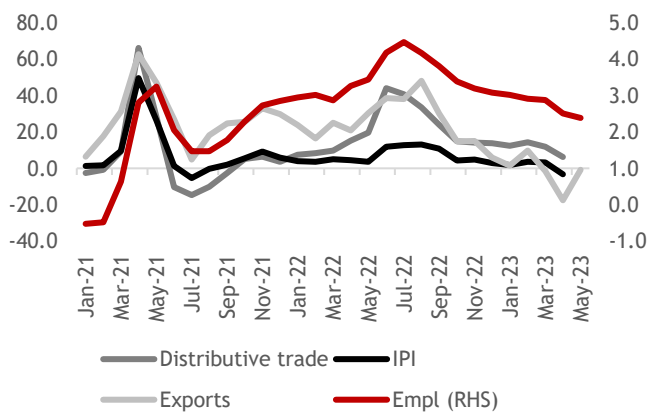

Source: DOSM, MIDFR

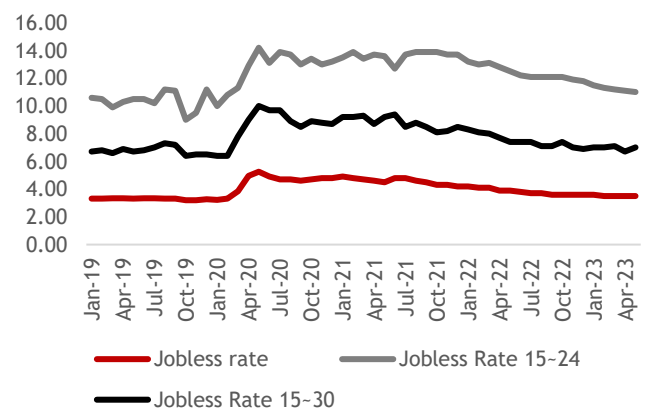**Chart 4: Share of Job Vacancies by Sector (%)**

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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