

ECONOMIC REVIEW | August 2023 Labour Market

Malaysia's Economic Fundamentals Firming as Job Market Stays on Expansionary

- *Healthy job market. Malaysia's labour market continued on improving trend as unemployment rate maintained at pandemic low of 3.4% in Aug-23. Labour force and employment continued expanding +1.8%yoy and +2.1%yoy, respectively, supported by upbeat domestic economic momentum. The unemployed persons dropped further by -3.8%mom to 557K, approximately 38K higher than average jobless persons 519K in 2019.*
- *Average job vacancies recorded below 200K levels in 1HCY23. Malaysia's job vacancies registered slightly lower to 164.3K in Jun-23. This was in line with our expectations of moderating pace in employment growth in 2HCY23 due to persistence weakness in external trade performances. The monthly average job vacancies dipped below post-pandemic levels at 197.9K in 1HCY23 (2021: 206.7K, 2022: 396.1K).*
- *We keep average jobless rate forecast 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.*

Healthy job market. Malaysia's labour market continued on improving trend as unemployment rate maintained at pandemic low of 3.4% in Aug-23. Labour force and employment continued expanding +1.8%yoy and +2.1%yoy, respectively, supported by upbeat domestic economic momentum. On month-on-month basis, employment grew +0.1%mom, marking the 26th-straight months of positive gains. Unemployment dipped further by -8.9%yoy, marking the 24th-consecutive months of contraction rate. The unemployed persons dropped further by -3.8%mom to 557K, approximately 38K higher than average jobless persons 519K in 2019. In addition, outside labour force was reduced by -0.1%yoy, registering the 22nd-straight months of negative growth rate. For youth aged 15~24, unemployment rate hit a new pandemic low of 10.8%, but remained higher than pre-pandemic (2019: 10.4%). By employment type, employee which made up about 75.4% of the employment grew steadily by +1.3%yoy while employer and own-account-worker increased by +4.6%yoy and +5.8%yoy respectively in Aug-23. The strengthening job market in our view will further reinforce consumer consumption and support overall GDP growth for this year.

Table 1: Summary of Labour Market ('000)

	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23
Labour Force	16,812	16,838	16,864	16,889	16,914	16,932
YoY%	2.3	2.0	2.0	1.9	1.9	1.8
MoM%	0.2	0.2	0.2	0.2	0.1	0.1
Employment	16,223	16,251	16,280	16,308	16,335	16,355
YoY%	2.9	2.5	2.4	2.3	2.2	2.1
MoM%	0.2	0.2	0.2	0.2	0.2	0.1

	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23
Unemployment	589	587	585	582	579	557
YoY%	(12.0)	(9.6)	(8.3)	(7.8)	(6.7)	(8.9)
MoM%	(0.5)	(0.3)	(0.4)	(0.5)	(0.4)	(3.8)
Outside Labour Force	7,231	7,228	7,227	7,226	7,225	7,231
YoY%	(1.1)	(0.6)	(0.5)	(0.4)	(0.3)	(0.1)
MoM%	(0.1)	(0.0)	(0.0)	(0.0)	(0.0)	0.1
Unemployment Rate %	3.50	3.50	3.50	3.40	3.40	3.40

Source: DOSM, MIDFR

Average job vacancies recorded below 200K levels in 1HCY23. Malaysia's job vacancies registered slightly lower to 164.3K in Jun-23. This was in line with our expectations of moderating pace in employment growth in 2HCY23 due to persistence weakness in external trade performances. The monthly average job vacancies dipped below post-pandemic levels at 197.9K in 1HCY23 (2021: 206.7K, 2022: 396.1K). As comparison, monthly average during 2010-2019 was 114K. In terms of share, services sector took 64.1% of total vacancies. Construction vacancies ratio picked-up to 13.9% while agriculture recorded lower rate at 3.3%. Vacancies in manufacturing sector to total vacancies share improved to 18.2% against last year's average 32.4%. We foresee average job vacancies to hover between 150~200K per month for 2023 (2022: 396.3K) due to external trade weakness in 2HCY23.

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

	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23
Total Jobs, Thousands	229.2	227.0	230.2	119.5	217.1	164.3
Legislators, Senior Officials & Managers	6.2	5.6	5.0	7.2	5.9	7.5
Professionals	12.1	13.5	14.9	18.1	15.1	19.9
Technicians & Associate Professionals	9.1	11.0	18.3	9.9	28.9	11.2
Clerical Workers	5.5	6.6	5.1	9.1	7.7	7.4
Service, Shop & Market Sales Workers	11.3	15.7	11.7	13.9	10.5	10.9
Skilled Agricultural & Fisheries Workers	1.9	0.4	0.9	0.8	3.4	0.3
Craft and Related Trades Workers	5.7	5.2	5.2	4.8	4.3	5.3
Plant & Machinery Operators & Assemblers	3.8	3.6	3.8	4.6	3.1	10.2
Elementary Occupations	44.3	38.6	35.1	31.7	21.1	27.3
Agriculture, Forestry & Fishing	5.2	3.8	7.8	6.2	7.6	3.3
Mining & Quarrying	0.7	3.1	2.2	0.8	0.4	0.4
Manufacturing	17.9	20.6	14.6	15.7	14.6	18.2
Construction	18.7	7.4	11.8	14.2	9.8	13.9
Services	57.5	65.1	63.6	63.1	67.7	64.1

*Data Available Up Until Jun-23

Source: DOSM, MIDFR

American job market remained firm. The US nonfarm payrolls (NFP) registered an increase of +336K in Sep-23 (market forecast: +170K), the steepest increase since Jan-23. The faster increase was mainly driven by the much faster increase in private payrolls +263K (Aug-23: +177K), which made 85.4% of the total US NFP. Despite the faster increase in NFP, the unemployment rate remained at the same level as in Aug-23 at 3.8% and below market expectations of 3.7%. As for Euro Area, jobless rate maintained at record low 6.4%. Across the globe, China's unemployment rate returned to 16-month low at 5.2% in Aug-23. We foresee better recovery in China's job market in 4QCY23 amid stimulus measures positive effect.

Table 3: Global Unemployment Rate (%)

	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23
Malaysia	3.5	3.5	3.5	3.5	3.4	3.4	3.4
Taiwan	3.6	3.6	3.6	3.5	3.5	3.4	3.4
South Korea	2.6	2.7	2.6	2.5	2.6	2.8	2.4
Hong Kong	3.3	3.1	3.0	3.0	2.9	2.8	2.8
China	5.6	5.3	5.2	5.2	5.2	5.3	5.2
Japan	2.6	2.8	2.6	2.6	2.5	2.7	2.7
Euro Area	6.6	6.5	6.5	6.5	6.4	6.5	6.4
US	3.6	3.5	3.4	3.7	3.6	3.5	3.8

Source: MACROBOND, MIDFR


We keep average jobless rate forecast 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 2QCY23, non-citizens' employment is almost -2.7% lower than pre-pandemic levels. As of 8MCY23, employment grew by +2.5%yoy (2022: +3.5%) while unemployment reduced by -9.8%yoy (2022: -14.8%) 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 at 64.6% in 2022, among others thanks to the minimum wage salary policy. 

Chart 1: Labour Market Key Indicators (YoY%)



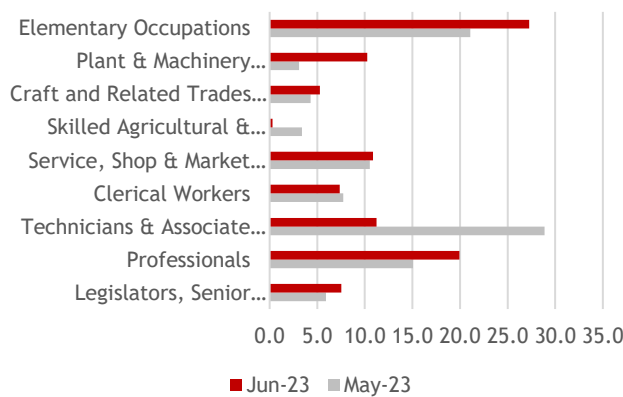
Source: DOSM, MIDFR

Chart 2: Jobless Rate vs Vacancy Rate (%)



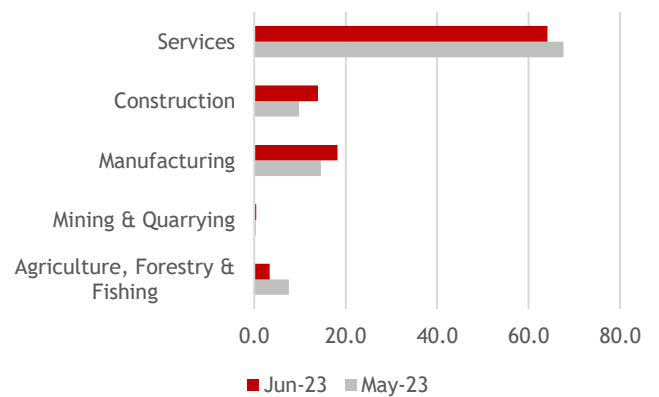
Source: DOSM, MIDFR

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



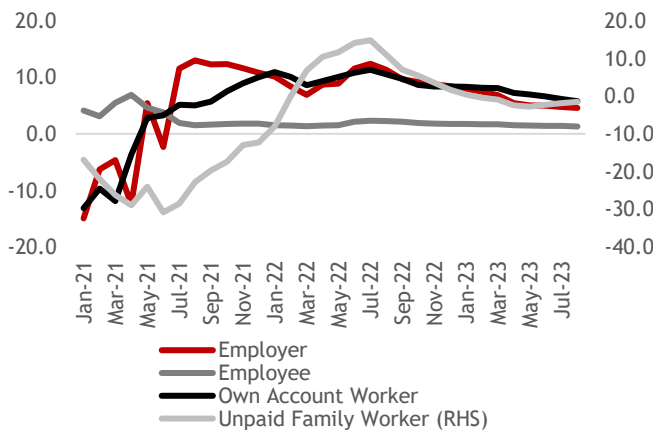
Source: DOSM, MIDFR

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



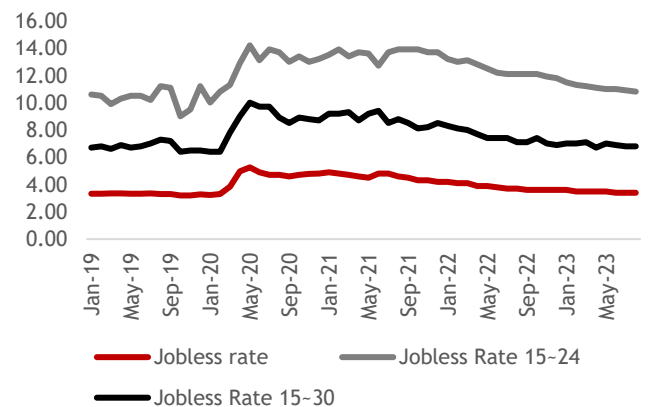
Source: DOSM, MIDFR

Chart 5: Employment by Type (YoY%)



Source: DOSM, MIDFR

Chart 6: Jobless Rate by Age Group (%)



Source: DOSM, MIDFR

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