

ECONOMIC REVIEW | September 2023 Labour Market

Youth Unemployment Rate Hit New Post-Pandemic Low at 10.6%

- Malaysia's labour market continued on improving trend as unemployment rate maintained at post-pandemic low of 3.4% in Sep-23. Labour force and employment growth rates continued on moderating pace of +1.8%yoy and +2%yoy, respectively, the slowest in 2 years. For youth aged 15~24, unemployment rate hit a new pandemic-low of 10.6%, yet slightly higher than pre-pandemic (2019: 10.4%).
- Softening job vacancies trend. Malaysia's job vacancies registered at 151.4K in Aug-23. This was in line with our expectations of moderating pace in employment growth in 2HCY23 due to persistent weakness in external trade performance. The monthly average job vacancies dipped below post-pandemic levels at 185.6K in 8MCY23 (2021: 206.7K, 2022: 396.1K). As comparison, monthly average during 2010-2019 was lower at 114K.
- We maintain 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. Also we foresee slight betterment in exports recovery in 4QCY23 onwards. 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.

Steady and stable job market. Malaysia's labour market continued on improving trend as unemployment rate maintained at post-pandemic low of 3.4% in Sep-23. Labour force and employment growth rates continued on moderating pace of +1.8%yoy and +2%yoy, respectively, the slowest in 2 years. On month-on-month basis, employment grew +0.1%mom, marking the 27 straight months of positive gains. Unemployment dipped further by -5.2%yoy, marking the 25 consecutive months of contraction. The unemployed persons dropped further by -0.6%mom to 574K, approximately 55K higher than average jobless persons 519K in 2019. In addition, outside labour force was reduced by -0.1%yoy, registering the 23 straight months of negative growth. For youth aged 15~24, unemployment rate hit a new pandemic-low of 10.6%, yet slightly higher than pre-pandemic (2019: 10.4%). By employment type, employee which made up about 75.5% of the employment as of 9MCY23 increased steadily by +1.2%yoy while employer (3.5% of employment) and own-account-worker (18% of employment) increased by +4.7%yoy and +5.3%yoy, respectively, in Sep-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)

	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23
Labour Force	16,838	16,864	16,889	16,914	16,932	16,949
YoY%	2.0	2.0	1.9	1.9	1.8	1.8
MoM%	0.2	0.2	0.2	0.1	0.1	0.1
Employment	16,251	16,280	16,308	16,335	16,355	16,375
YoY%	2.5	2.4	2.3	2.2	2.1	2.0
MoM%	0.2	0.2	0.2	0.2	0.1	0.1

Unemployment	587	585	582	579	577	574
YoY%	(9.6)	(8.3)	(7.8)	(6.7)	(5.7)	(5.2)
MoM%	(0.3)	(0.4)	(0.5)	(0.4)	(0.3)	(0.6)
Outside Labour Force	7,228	7,227	7,226	7,225	7,231	7,239
YoY%	(0.6)	(0.5)	(0.4)	(0.3)	(0.1)	(0.1)
MoM%	(0.0)	(0.0)	(0.0)	(0.0)	0.1	0.1
Unemployment Rate %	3.50	3.50	3.40	3.40	3.40	3.40

Source: DOSM, MIDFR

Softening job vacancies trend. Malaysia's job vacancies registered at 151.4K in Aug-23. This was in line with our expectations of moderating pace in employment growth in 2HCY23 due to persistent weakness in external trade performance. The monthly average job vacancies dipped below post-pandemic levels at 185.6K in 8MCY23 (2021: 206.7K, 2022: 396.1K). As comparison, monthly average during 2010-2019 was lower at 114K. In terms of share, services sector took 67.2% of total vacancies. Construction vacancies ratio at 11.9% while agriculture recorded lower rate at 4.4%. Vacancies in manufacturing sector to total vacancies share descended to 15.9%. We foresee average job vacancies to hover between 100~150K per month for Sep-23 onwards (2022: 396.3K) due to challenging external environment.

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

	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23
Total Jobs, Thousands	230.2	119.5	217.1	164.3	146.4	151.4
Legislators, Senior Officials & Managers	5.0	7.2	5.9	7.5	7.2	6.4
Professionals	14.9	18.1	15.1	19.9	18.8	18.0
Technicians & Associate Professionals	18.3	9.9	28.9	11.2	13.6	11.8
Clerical Workers	5.1	9.1	7.7	7.4	8.9	7.4
Service, Shop & Market Sales Workers	11.7	13.9	10.5	10.9	13.4	11.9
Skilled Agricultural & Fisheries Workers	0.9	0.8	3.4	0.3	0.6	0.5
Craft and Related Trades Workers	5.2	4.8	4.3	5.3	4.7	4.7
Plant & Machinery Operators & Assemblers	3.8	4.6	3.1	10.2	4.9	9.6
Elementary Occupations	35.1	31.7	21.1	27.3	28.0	29.6
Agriculture, Forestry & Fishing	7.8	6.2	7.6	3.3	5.0	4.4
Mining & Quarrying	2.2	0.8	0.4	0.4	0.6	0.6
Manufacturing	14.6	15.7	14.6	18.2	19.7	15.9
Construction	11.8	14.2	9.8	13.9	11.8	11.9
Services	63.6	63.1	67.7	64.1	62.9	67.2

*Data Available Up Until Aug-23

Source: DOSM, MIDFR

Job market in the US moderating while China's on improving trend. Non-farm payrolls in the US rose by +150K in Oct-23, the modest expansion in 4 months and below market expectations of +180K. It was due to slower increase in private payrolls at +99K (Sep-23: +246K). Meanwhile, government payrolls rose by +51K, maintaining the same pace for 3 consecutive months. On the back of slower job creation, the unemployment rate

edged higher to 3.9%, the highest level since Jan-22. As for Euro area, jobless rate recorded at slightly higher than record low 6.4%. Across the globe, China's unemployment rate skidded lower to 5%, the lowest since Nov-21. The 9MCY23 average jobless rate in China 5.3% is lower than the official target of 5.5%. We foresee better recovery in China's job market in 4QCY23 amid stimulus measures positive impacts.

Table 3: Global Unemployment Rate (%)

	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23
Malaysia	3.5	3.5	3.5	3.4	3.4	3.4	3.4
Taiwan	3.6	3.6	3.5	3.5	3.4	3.4	3.4
South Korea	2.7	2.6	2.5	2.6	2.8	2.4	2.6
Hong Kong	3.1	3.0	3.0	2.9	2.8	2.8	2.8
China	5.3	5.2	5.2	5.2	5.3	5.2	5.0
Japan	2.8	2.6	2.6	2.5	2.7	2.7	2.6
Euro Area	6.5	6.5	6.5	6.4	6.5	6.4	6.5
US	3.5	3.4	3.7	3.6	3.5	3.8	3.8

Source: MACROBOND, MIDFR


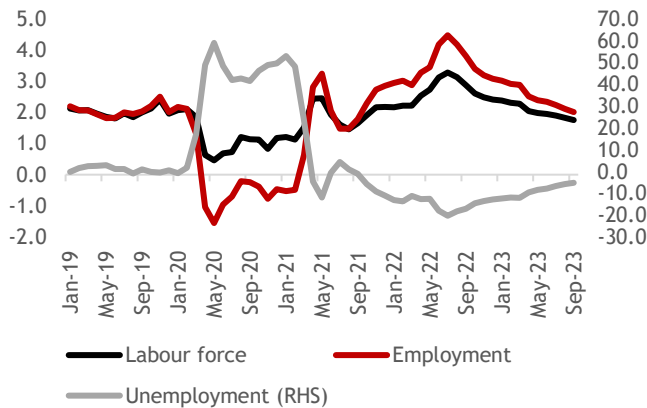
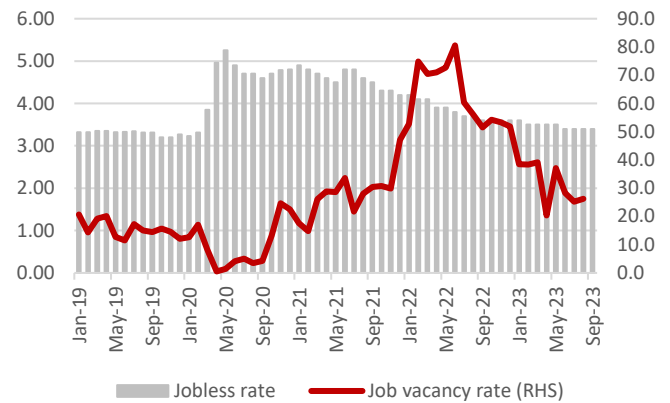
We maintain average jobless rate forecast at 3.5% in 2023. The labour market in Malaysia is expected to strengthen further in 2023 and 2024, backed by encouraging momentum in the domestic economy. Also we foresee slight betterment in exports recovery in 4QCY23 onwards. Malaysia's average unemployment 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 3QCY23, non-citizens' employment is almost -0.8% lower than pre-pandemic levels. As of 9MCY23, employment grew by +2.5%yoy (2022: +3.5%) while unemployment reduced by -8.9%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%)



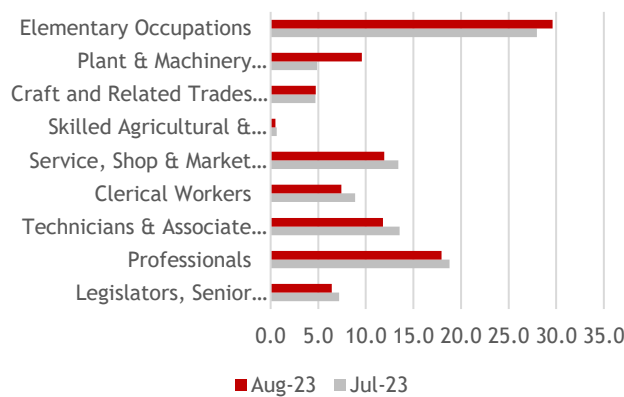
Source: DOSM, MIDFR

Chart 2: Jobless Rate vs Vacancy Rate (%)



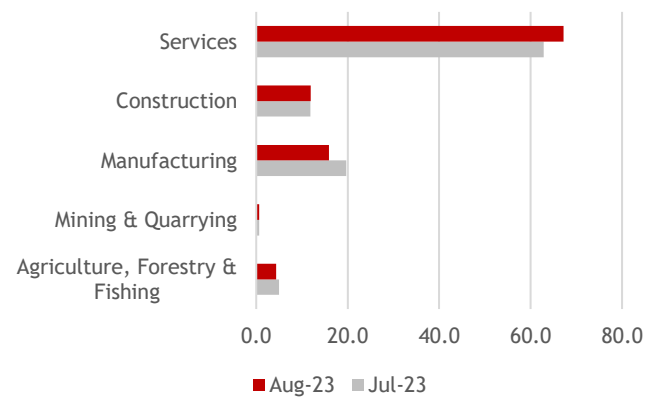
Source: DOSM, MIDFR

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



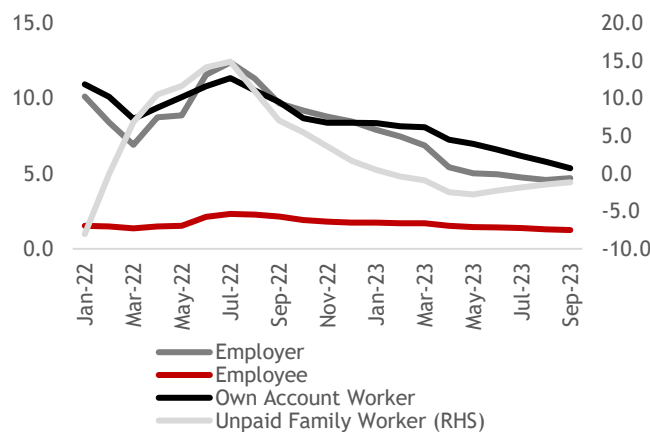
Source: DOSM, MIDFR

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



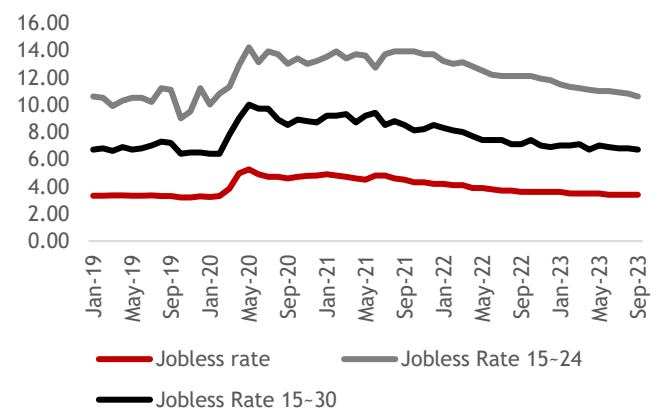
Source: DOSM, MIDFR

Chart 5: Employment by Type (YoY%)



Source: DOSM, MIDFR

Chart 6: Jobless Rate by Age Group (%)



Source: DOSM, MIDFR

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