

ECONOMIC REVIEW | October 2023 Labour Market

Consumer Demand on Solid Ground as Job Market Strengthened

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- By employment type, employee which made up about 75.5% of the employment as of 10MCY23 increased steadily by +1.2%yoy while employer (3.5% of employment) and own-account-worker (18% of employment) increased by +4.0%yoy and +5.3%yoy, respectively, in Oct-23. The strengthening job market in our view will further reinforce consumer consumption and support overall GDP growth for 4QCY23 and 2024.*
- The labour market in Malaysia is expected to strengthen further in 2024, backed by encouraging momentum in the domestic economy and reviving external front. Malaysia's average unemployment rate is expected to average at 3.5% in 2023 and return to pre-pandemic levels at 3.3% in 2024.*

Strong labour market. Malaysia's labour market continued on improving trend as unemployment rate kept at post-pandemic low of 3.4% in Oct-23. Labour force and employment growth rates continued on moderating pace of +1.7%yoy and +2.0%yoy, respectively, the slowest in 2-year. On month-on-month basis, employment grew +0.2%mom, marking the 28-straight months of positive gains. Unemployment dipped further by -5.2%yoy, marking the 26-consecutive months of contraction. The unemployed persons dropped further by -0.5%mom to 571K, approximately 52K higher than average jobless persons 519K in 2019. For youth aged 15~24, unemployment rate slightly higher by +0.1% than pandemic-low of 10.6% (2019: 10.4%). By employment type, employee which made up about 75.5% of the employment as of 10MCY23 increased steadily by +1.2%yoy while employer (3.5% of employment) and own-account-worker (18% of employment) increased by +4.0%yoy and +5.3%yoy, respectively, in Oct-23. The strengthening job market in our view will further reinforce consumer consumption and support overall GDP growth for 4QCY23 and 2024.

Table 1: Summary of Labour Market ('000)

| | May-23 | Jun-23 | Jul-23 | Aug-23 | Sep-23 | Oct-23 |
|---------------------|--------|--------|--------|--------|--------|--------|
| Labour Force | 16,864 | 16,889 | 16,914 | 16,932 | 16,949 | 16,974 |
| YoY% | 2.0 | 1.9 | 1.9 | 1.8 | 1.8 | 1.7 |
| MoM% | 0.2 | 0.2 | 0.1 | 0.1 | 0.1 | 0.1 |
| Employment | 16,280 | 16,308 | 16,335 | 16,355 | 16,375 | 16,403 |
| YoY% | 2.4 | 2.3 | 2.2 | 2.1 | 2.0 | 2.0 |
| MoM% | 0.2 | 0.2 | 0.2 | 0.1 | 0.1 | 0.2 |
| Unemployment | 585 | 582 | 579 | 577 | 574 | 571 |
| YoY% | (8.3) | (7.8) | (6.7) | (5.7) | (5.2) | (5.2) |
| MoM% | (0.4) | (0.5) | (0.4) | (0.3) | (0.6) | (0.5) |

| | May-23 | Jun-23 | Jul-23 | Aug-23 | Sep-23 | Oct-23 |
|-----------------------------|--------|--------|--------|--------|--------|--------|
| Outside Labour Force | 7,227 | 7,226 | 7,225 | 7,231 | 7,239 | 7,238 |
| YoY% | (0.5) | (0.4) | (0.3) | (0.1) | (0.0) | 0.0 |
| MoM% | (0.0) | (0.0) | (0.0) | 0.1 | 0.1 | (0.0) |
| Unemployment Rate % | 3.50 | 3.40 | 3.40 | 3.40 | 3.40 | 3.40 |

Source: DOSM, MIDFR

Job vacancies stabilising at 150K per month since Jul-23. Malaysia's job vacancies registered at 147K in Sep-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 181.3K in 9MCY23 (2021: 206.7K, 2022: 396.1K). As comparison, monthly average during 2010-2019 was lower at 114K. In terms of share, services sector took 63.4% of total vacancies. Construction vacancies ratio at 11.8% while agriculture recorded higher rate at 8.6%. Vacancies in manufacturing sector to total vacancies share descended to 15.7%. We foresee average job vacancies to maintain at 150K per month level for 4QCY23 (2022: 396.3K) amid slight recovery in external trade and resilient domestic demand.

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

| | Apr-23 | May-23 | Jun-23 | Jul-23 | Aug-23 | Sep-23 |
|--|--------|--------|--------|--------|--------|--------|
| Total Jobs, Thousands | 119.5 | 217.1 | 164.3 | 146.4 | 151.4 | 147.0 |
| Legislators, Senior Officials & Managers | 7.2 | 5.9 | 7.5 | 7.2 | 6.4 | 7.1 |
| Professionals | 18.1 | 15.1 | 19.9 | 18.8 | 18.0 | 14.9 |
| Technicians & Associate Professionals | 9.9 | 28.9 | 11.2 | 13.6 | 11.8 | 12.1 |
| Clerical Workers | 9.1 | 7.7 | 7.4 | 8.9 | 7.4 | 8.9 |
| Service, Shop & Market Sales Workers | 13.9 | 10.5 | 10.9 | 13.4 | 11.9 | 11.7 |
| Skilled Agricultural & Fisheries Workers | 0.8 | 3.4 | 0.3 | 0.6 | 0.5 | 0.6 |
| Craft and Related Trades Workers | 4.8 | 4.3 | 5.3 | 4.7 | 4.7 | 5.1 |
| Plant & Machinery Operators & Assemblers | 4.6 | 3.1 | 10.2 | 4.9 | 9.6 | 10.4 |
| Elementary Occupations | 31.7 | 21.1 | 27.3 | 28.0 | 29.6 | 29.3 |
| Agriculture, Forestry & Fishing | 6.2 | 7.6 | 3.3 | 5.0 | 4.4 | 8.6 |
| Mining & Quarrying | 0.8 | 0.4 | 0.4 | 0.6 | 0.6 | 0.5 |
| Manufacturing | 15.7 | 14.6 | 18.2 | 19.7 | 15.9 | 15.7 |
| Construction | 14.2 | 9.8 | 13.9 | 11.8 | 11.9 | 11.8 |
| Services | 63.1 | 67.7 | 64.1 | 62.9 | 67.2 | 63.4 |

*Data Available Up Until Sep-23

Source: DOSM, MIDFR

Further moderation in American job market. ADP payroll data showed that private sector employment rose by +103K in Nov-23 (Oct-23: +106K), in contrast to market expectations for larger rise of +130K. The services sector, which accounted for almost 83% of the total employment, increased faster at +117K (Oct-23: +111K), underpinned by hiring across all the sub-sectors except for leisure & hospitality (Nov-23: -7K; Oct-23: +27K) and professional & business services (Nov-23: -5K; Oct-23: -3K). The payroll data indirectly indicated further moderation of the American job market. As for Euro Area, jobless rate maintained +0.1% slightly above record

low 6.4% for past 4-month. Across the globe, China’s unemployment rate remained at almost 2-year low in Oct-23. The 10MCY23 average jobless rate in China 5.25% 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 (%)

| | Apr-23 | May-23 | Jun-23 | Jul-23 | Aug-23 | Sep-23 | Oct-23 |
|-------------|--------|--------|--------|--------|--------|--------|--------|
| Malaysia | 3.5 | 3.5 | 3.4 | 3.4 | 3.4 | 3.4 | 3.4 |
| Taiwan | 3.6 | 3.5 | 3.5 | 3.4 | 3.4 | 3.4 | 3.4 |
| South Korea | 2.6 | 2.5 | 2.6 | 2.8 | 2.4 | 2.6 | 2.5 |
| Hong Kong | 3.0 | 3.0 | 2.9 | 2.8 | 2.8 | 2.8 | 2.9 |
| China | 5.2 | 5.2 | 5.2 | 5.3 | 5.2 | 5.0 | 5.0 |
| Japan | 2.6 | 2.6 | 2.5 | 2.7 | 2.7 | 2.6 | 2.5 |
| Euro Area | 6.5 | 6.5 | 6.4 | 6.5 | 6.5 | 6.5 | 6.5 |
| USA | 3.4 | 3.7 | 3.6 | 3.5 | 3.8 | 3.8 | 3.9 |

Source: MACROBOND, MIDFR


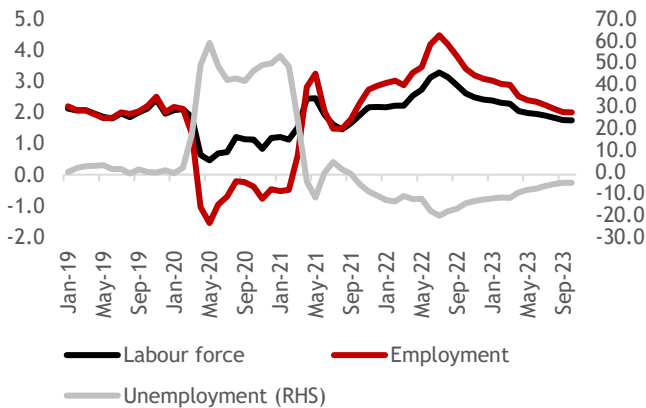
We keep average jobless rate forecast at 3.5% in 2023. The labour market in Malaysia is expected to strengthen further in 2024, backed by encouraging momentum in the domestic economy and reviving external front. Malaysia’s average unemployment rate is expected to average at 3.5% in 2023 and return to 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 10MCY23, employment grew by +2.4%yoy (2022: +3.5%) while unemployment reduced by -8.6%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%)



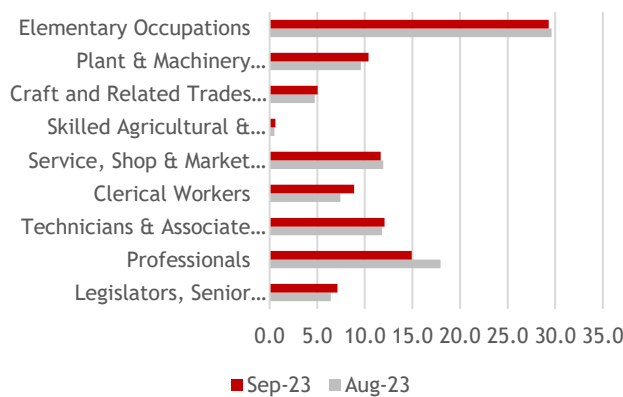
Source: DOSM, MIDFR

Chart 2: Jobless Rate vs Vacancy Rate (%)



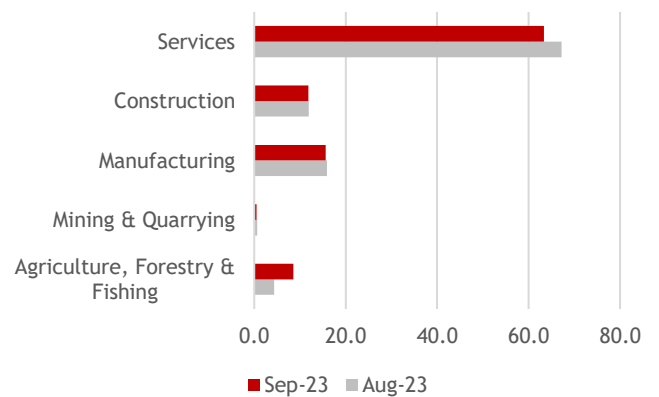
Source: DOSM, MIDFR

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



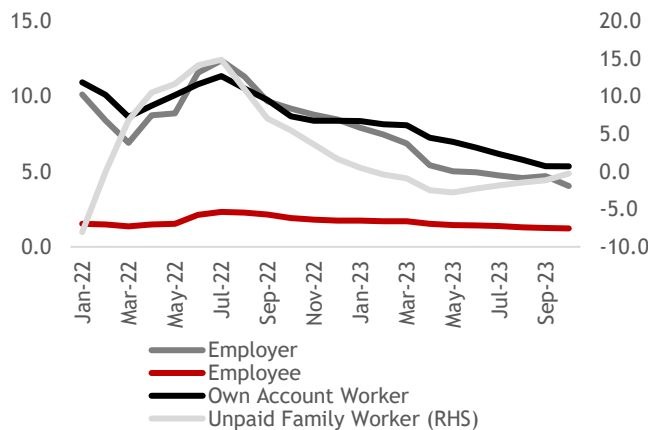
Source: DOSM, MIDFR

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



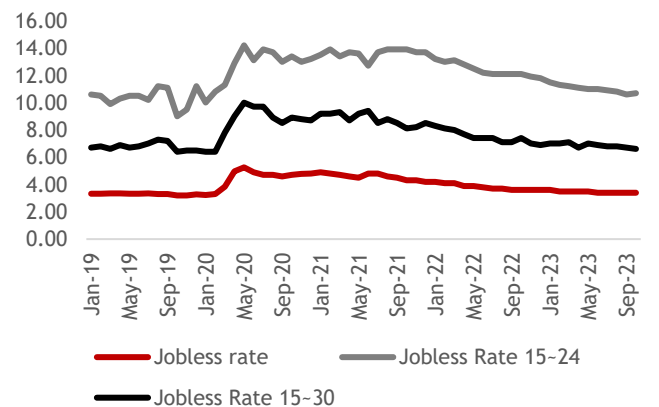
Source: DOSM, MIDFR

Chart 5: Employment by Type (YoY%)



Source: DOSM, MIDFR

Chart 6: Jobless Rate by Age Group (%)



Source: DOSM, MIDFR

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