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ECONOMIC REVIEW | November 2023 Labour Market

Stronger Job Market amid Resilient Domestic Demand and External Trade Recovery

- *Jobless rate hit new pandemic low at 3.3%. Malaysia's labour market continued on improving trend as unemployment rate registered a new post-pandemic low of 3.30% in Nov-23. The jobless rate was recorded at 3.23% in Jan-20 and 3.31% in Feb-20. Labour force and employment growth rates continued on moderating pace of +1.7%yoy and +2.0%yoy. The unemployed persons dropped further by -0.5%mom to 569K, approximately 50K higher than average jobless persons 519K in 2019.*

- *For youth aged 15~24, unemployment rate returned to pandemic-low of 10.6% (2019: 10.4%). By employment type, employee which made up about 75.5% of the employment as of 11MCY23 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 +5.1%yoy respectively in Nov-23.*

- *We forecast average jobless rate at 3.4% in 2024. The labour market in Malaysia is expected to strengthen further in 2024 and 2025, backed by encouraging momentum in the domestic economy and recovery in external trade. Malaysia's average unemployment rate is expected to maintain at 3.4% in 2024 and 3.3% in the following year. The return of non-citizens workers is expected to boost overall employment and reduce the jobless rate.*

Jobless rate hit new pandemic low at 3.3%. Malaysia's labour market continued on improving trend as unemployment rate registered a new post-pandemic low of 3.30% in Nov-23. The jobless rate was recorded at 3.23% in Jan-20 and 3.31% in Feb-20. Labour force and employment growth rates continued on moderating pace of +1.7%yoy and +2.0%yoy. On month-on-month basis, employment grew +0.2%mom, marking the 29-straight months of positive gains. Unemployment dipped further by -5.3%yoy, marking the 27-consecutive months of contraction. The unemployed persons dropped further by -0.5%mom to 569K, approximately 50K higher than average jobless persons 519K in 2019. For youth aged 15~24, unemployment rate returned to pandemic-low of 10.6% (2019: 10.4%). By employment type, employee which made up about 75.5% of the employment as of 11MCY23 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 +5.1%yoy respectively in Nov-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)

	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23
Labour Force	16,889	16,914	16,932	16,949	16,974	17,000
YoY%	1.9	1.9	1.8	1.8	1.7	1.7
MoM%	0.2	0.1	0.1	0.1	0.1	0.2
Employment	16,308	16,335	16,355	16,375	16,403	16,431
YoY%	2.3	2.2	2.1	2.0	2.0	2.0
MoM%	0.2	0.2	0.1	0.1	0.2	0.2
Unemployment	582	579	577	574	571	569

	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23
YoY%	(7.8)	(6.7)	(5.7)	(5.2)	(5.2)	(5.3)
MoM%	(0.5)	(0.4)	(0.3)	(0.6)	(0.5)	(0.3)
Outside Labour Force	7,226	7,225	7,231	7,239	7,238	7,235
YoY%	(0.4)	(0.3)	(0.1)	(0.0)	0.0	(0.0)
MoM%	(0.0)	(0.0)	0.1	0.1	(0.0)	(0.0)
Unemployment Rate %	3.40	3.40	3.40	3.40	3.40	3.30

Source: DOSM, MIDFR

Job vacancies stabilising around 150K per month since Jun-23. Malaysia's job vacancies registered at 163.2K in Oct-23, the highest in 4-month. This was in line with our expectations of external trade recovery in 4QCY23 onwards. The monthly average job vacancies dipped below post-pandemic levels at 179.5K in 10MCY23 (2021: 206.7K, 2022: 396.1K). As comparison, monthly average during 2010-2019 was lower at 114K. In terms of share, services sector took 65.1% of total vacancies. Construction vacancies ratio at 11.2% while agriculture recorded slightly lower rate at 7.0%. Albeit there was an external trade recovery, vacancies in manufacturing sector to total vacancies share improved marginally to 16.2%. We foresee average job vacancies to hover at 100~150K per month level for 2024 amid external trade recovery and resilient domestic demand.

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

	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23
Total Jobs, Thousands	217.1	164.3	146.4	151.4	147.0	163.2
Legislators, Senior Officials & Managers	5.9	7.5	7.2	6.4	7.1	6.1
Professionals	15.1	19.9	18.8	18.0	14.9	16.7
Technicians & Associate Professionals	28.9	11.2	13.6	11.8	12.1	13.1
Clerical Workers	7.7	7.4	8.9	7.4	8.9	8.3
Service, Shop & Market Sales Workers	10.5	10.9	13.4	11.9	11.7	12.4
Skilled Agricultural & Fisheries Workers	3.4	0.3	0.6	0.5	0.6	0.6
Craft and Related Trades Workers	4.3	5.3	4.7	4.7	5.1	5.5
Plant & Machinery Operators & Assemblers	3.1	10.2	4.9	9.6	10.4	9.1
Elementary Occupations	21.1	27.3	28.0	29.6	29.3	28.3
Agriculture, Forestry & Fishing	7.6	3.3	5.0	4.4	8.6	7.0
Mining & Quarrying	0.4	0.4	0.6	0.6	0.5	0.6
Manufacturing	14.6	18.2	19.7	15.9	15.7	16.2
Construction	9.8	13.9	11.8	11.9	11.8	11.2
Services	67.7	64.1	62.9	67.2	63.4	65.1

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

American job market stay firm and tight. The US nonfarm payrolls rose by +216K in Dec-23, the highest in 3-month and exceeded market expectations of +170K. By annual change, the hiring only expanded by +1.5%yoy which the slowest since Mar-21. For the year 2023, the labour market employed additional +2.7m (2022: +4.8m; 2019: +2.0m). The private sector workforce expanded by +164K in Dec-23 (Nov-23: +136K; market forecasts:

+130K). Private service providers added by +142K jobs, the highest in 3-month. Meanwhile, the goods-producing payrolls rose slightly lower than the previous month at +22K (Nov-23: +30K). Government payrolls increased by +52K (Nov-23: +37K). The job market remained tight as unemployment rate steadied at 3.7% (market expectations: 3.8). Labour income still resilient as average hourly earnings expanded rose faster by +4.1%yoy (Nov-23: +4.0%yoy; market forecasts:+3.9%yoy). As for Euro Area, jobless rate returned to record low 6.4% in Nov-23. Across the globe, China's unemployment rate remained at almost 2-year low in Oct-23. The 11MCY23 average jobless rate in China 5.2% is lower than the official target of 5.5%. We foresee better recovery in China's job market in 2024 amid stimulus measures positive impacts.

Table 3: Global Unemployment Rate (%)

	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23
Malaysia	3.5	3.4	3.4	3.4	3.4	3.4	3.3
Taiwan	3.5	3.5	3.4	3.4	3.4	3.4	3.4
South Korea	2.5	2.6	2.8	2.4	2.6	2.5	2.8
Hong Kong	3.0	2.9	2.8	2.8	2.8	2.9	2.9
China	5.2	5.2	5.3	5.2	5.0	5.0	5.0
Japan	2.6	2.5	2.7	2.7	2.6	2.5	2.5
Euro Area	6.5	6.4	6.5	6.5	6.5	6.5	6.4
US	3.7	3.6	3.5	3.8	3.8	3.8	3.7

Source: MACROBOND, MIDFR

We forecast average jobless rate at 3.4% in 2024. The labour market in Malaysia is expected to strengthen further in 2024 and 2025, backed by encouraging momentum in the domestic economy and recovery in external trade. Malaysia's average unemployment rate is expected to maintain at 3.4% in 2024 and 3.3% in the following year. 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 11MCY23, employment grew by +2.4%yoy (2022: +3.5%) while unemployment reduced by -8.3%yoy (2022: -14.8%) and jobless rate averaged at 3.4% (2022: 3.8%). The downside risks to Malaysia's labour market among others is weaker-than-expected external trade recovery and nosedived of global commodity prices.
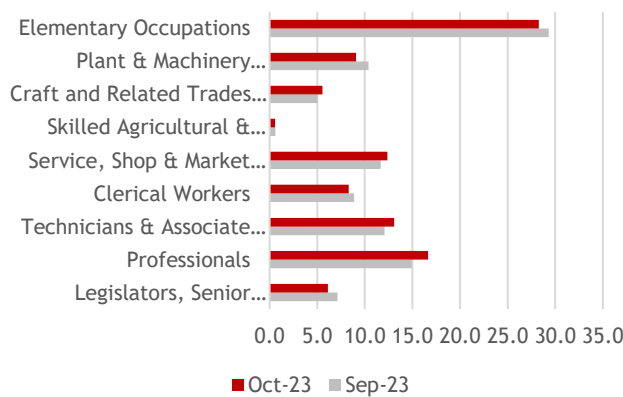
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Chart 1: Labour Market Key Indicators (YoY%)
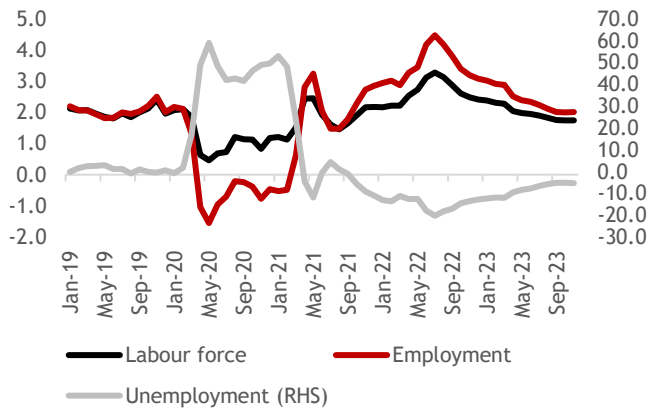
Source: DOSM, MIDFR

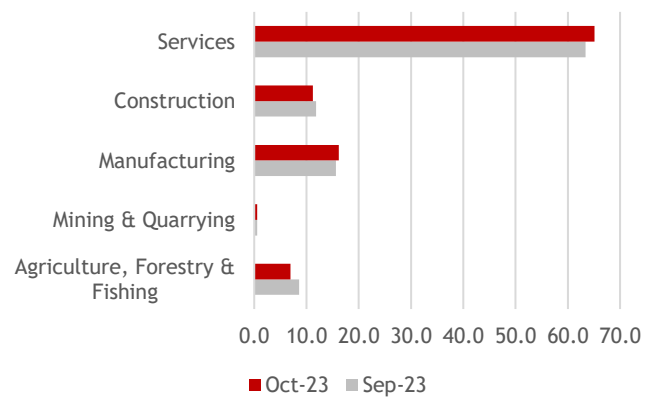## Chart 2: Jobless Rate vs Vacancy Rate (%)
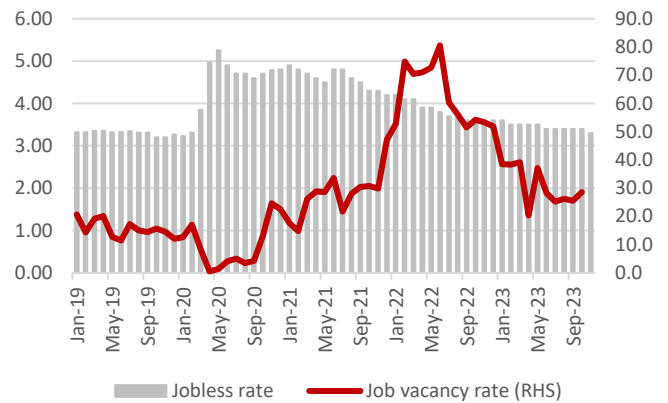
Source: DOSM, MIDFR
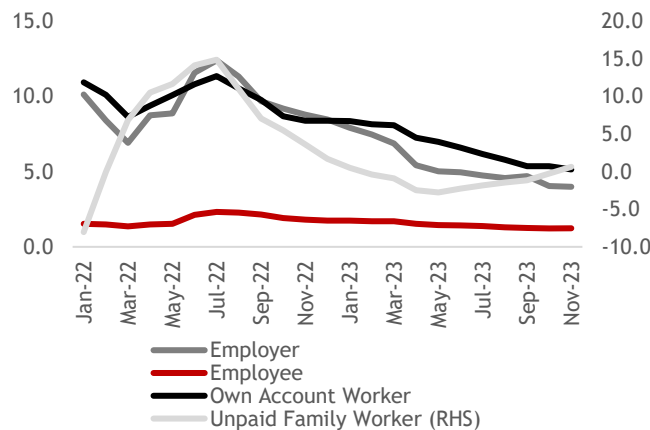
Chart 3: Share of Job Vacancies by Type (%)

Source: DOSM, MIDFR

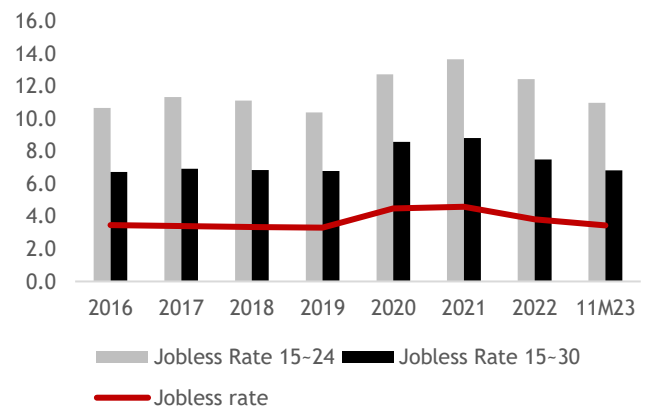## Chart 4: Share of Job Vacancies by Sector (%)

Source: DOSM, MIDFR

Chart 5: Employment by Type (YoY%)

Source: DOSM, MIDFR

Chart 6: Jobless Rate by Age Group (%)

Source: DOSM, MIDFR

MIDF RESEARCH is part of MIDF Amanah Investment Bank Berhad 197501002077 (23878-X).

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