

**HLIB Research**

PP 9484/12/2012 (031413)

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**Economic snapshot – Malaysia**

	2020	2021	2022F
Real GDP (% YoY)	-5.5	3.1	5.9
CPI (% YoY)	-1.2	2.5	3.2
OPR (% year-end)	1.75	1.75	2.50
USD/MYR (average)	4.20	4.15	4.30

**Labour Statistics (persons, mil)**

	Apr	May	Jun
Unemployment rate (%)	3.9	3.9	3.8
LFPR (%)	69.4	69.5	69.5
Labour force	16.50	16.54	16.57
Employed persons	15.85	15.90	15.94
Unemployed persons	0.65	0.64	0.63

# Economics

## Lower unemployment rate at 3.8%

The labour market continued to improve in Jun, in line with the nation's transition to endemicity. Employment rose (+0.2% MoM; May: +0.3% MoM), albeit at a softer pace, supported by employment growth in most sectors, except mining. The labour force grew at a steady pace of +0.2% MoM (May: +0.2% MoM), while the number of unemployed persons fell -1.1% MoM (May: -1.8% MoM). Consequently, the unemployment rate fell to 3.8% (May: 3.9%).

### DATA HIGHLIGHTS

The labour market continued to improve in Jun, in line with the nation's current economic developments as it transitions to endemicity. The number of unemployed persons continued to decline on a MoM (-1.1%; May: -1.8%) and YoY basis (-18.0%; May: -12.4%). Consequently, the unemployment rate fell to its lowest since the pandemic hit at 3.8% (May: 3.9%).

In terms of unemployment duration, the share of unemployed for less than 3 months (59.0%; May: 58.6%) increased, while the share without a job for longer durations of 3 to less than 6 months (22.8%; May: 22.9%) and more than 1 year (6.6%; May: 6.9%) decreased. Meanwhile, the share of unemployed for 6 to less than 12 months was unchanged (11.6%; May: 11.6%).

Employment growth continued at a softer pace on a MoM basis (+0.2%; May: +0.3%) but picked up on a YoY basis (+4.2%; May: +3.4%). Growth continued to be supported by higher employment in services, manufacturing, construction and agriculture sectors, which offset the persistent downtrend in the mining sector. In the services sector, the upward trend mainly stemmed from food & beverages services activities, wholesale & retail trade, as well as administrative & support services activities. In terms of employment status, own account workers rose (+0.8% MoM; May: +0.7% MoM), while employees growth moderated (+0.1% MoM; May: +0.2% MoM). Meanwhile, the number of employed persons who were temporarily not working decreased to 87.8k persons (May: 94.1k persons).

The labour force recorded steady expansion on a MoM basis (+0.2%; May: +0.2%), but gained momentum on a YoY basis (+3.1%; May: +2.7%). The labour force participation rate maintained at 69.5% (May: 69.5%).

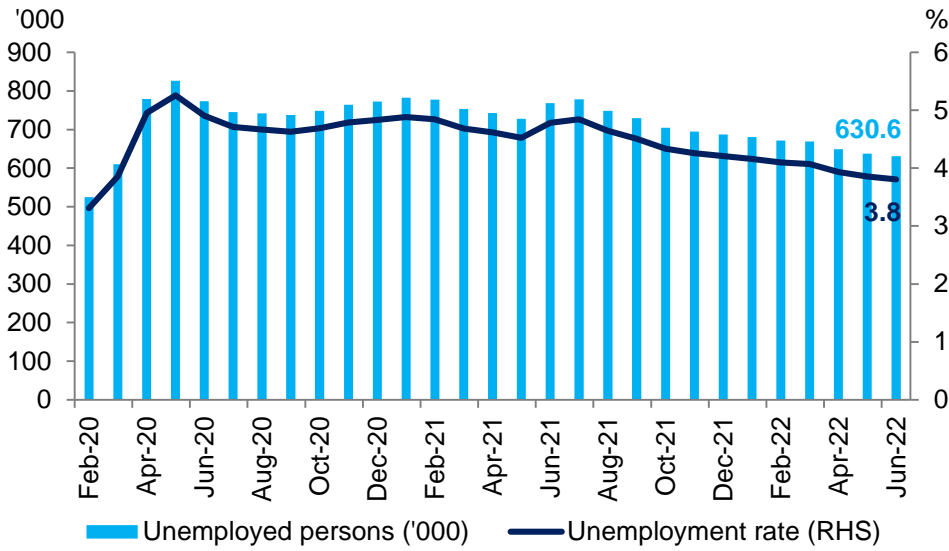
Separately, SOCSO reported a slight uptick of loss of employment (LOE) in Jul (2.6k; Jun: 2.4k), concentrated mostly in manufacturing, wholesale & retail, and professional & technical industries. Selangor (29.1%) and KL (26.9%) remained the two states with highest LOE concentration.

As of 15 Jul, the government approved wage subsidy applications totalling RM20.92bn under its five wage subsidy programmes (PSU), thus maintaining the employment of 2.96m employees, amounting to 17.9% of total labour force.

### HLIB's VIEW

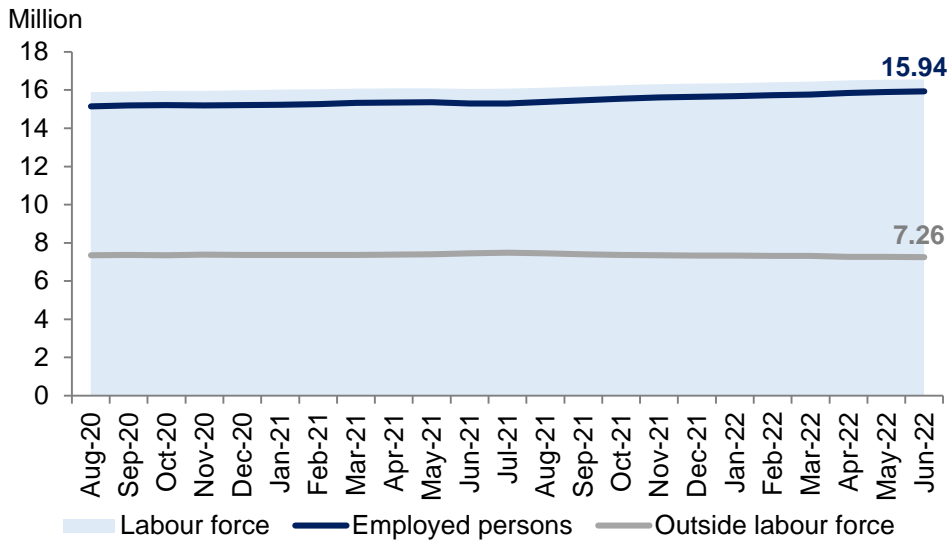
The labour market is expected to continue its positive recovery momentum in the upcoming months as the economy continues to recover from pandemic, especially in the services sector. However, the shortage of foreign workers continues to impact many economic sectors, with Malaysia still not seeing a significant return of foreign workers due to slow government approvals and negotiations. We maintain our 2022 GDP forecast at +5.9% YoY and expectation for BNM to raise OPR by another 25bps in Sep, bringing OPR to 2.5% by end-2022.

**Figure #1 Unemployed persons and unemployment rate**



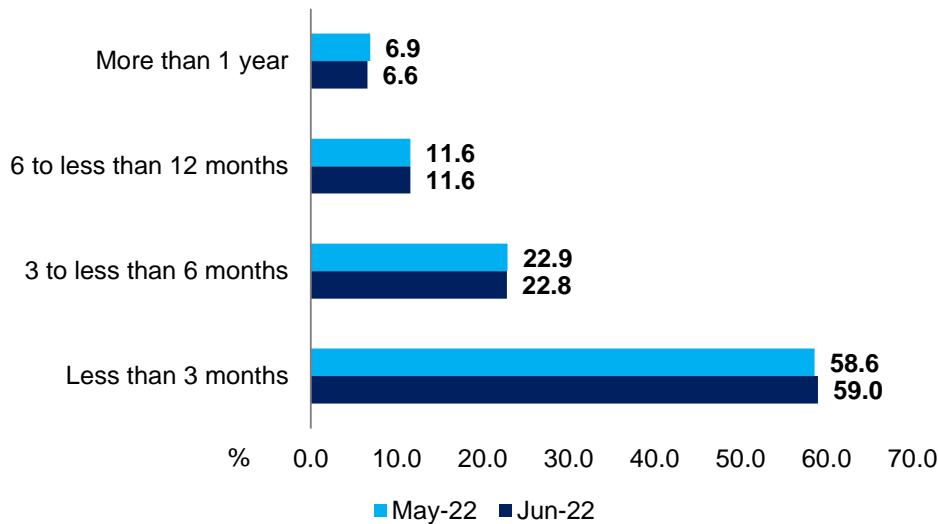
DOSM

**Figure #2 Size of labour force, employed persons and outside labour force**



DOSM

**Figure #3 Duration of unemployment (% share)**



DOSM

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