

12 August 2024

# Malaysia Labour Market

Labour participation rate hit record high in June, unemployment rate unchanged

- **The unemployment rate remained unchanged for the eighth straight month at 3.3% in June (May: 3.3%), thanks to stable labour market conditions**

- Unemployment numbers fell by 0.1% MoM (May: -0.1%): extending a 35-month decline.
- In absolute terms, the number of unemployed persons fell to 565.3k (May: 566.1k), approaching the pre-pandemic level (Feb-20: 525.2k). Meanwhile, the actively unemployed fell slightly to 451.9k (May: 452.0k), and those unemployed for less than three months decreased to 277.9k (May: 278.1k), the lowest since April 2020.

- **Employment growth accelerated in June (0.2% MoM; May: 0.1%) to a four-month high, driven by strong services sector**

- **By sector:** according to DOSM, the increase in employment was largely due to robust hiring in the services sector, particularly in wholesale & retail trade, food & beverage services and information & communication activities. Similarly, manufacturing, construction, mining & quarrying, and agriculture sectors also registered an increase in employment.
- **By employment status:** due to an increase in employees (0.1% MoM; May: 0.1%), although the share of total employment fell slightly to 75.0% (May: 75.1%). Own account workers (0.3%; May: 0.3%) sustained, with the share of total employment at 18.4% (May: 18.4%). However, growth of employers slowed (0.2%; May: 0.4%) for the second straight month, while unpaid family workers fell for the fourth straight month (-0.1%; May: -0.3%).

- **Labour force participation rate increased (70.4%; May: 70.3%) to a record high**

- Labour force (0.15% MoM; May: 0.14%): growth expanded to a five-month high with an addition of 25.2k persons (May: 23.8k), reaching a total of 17.17m persons.

- **Mixed performance of unemployment rate among advanced economies**

- US: increased for the fourth straight month in July (4.3%; Jun: 4.1%), the highest in 33 months. However, the latest jobless claims fell more than expected (233.0k; consensus: 240.0k).
- Japan: decreased (2.5%; May: 2.6%) to a five-month low, but the job availability ratio slipped to 1.23 (May: 1.24).

- **Average unemployment rate forecast for 2024 remains at 3.2% (2023: 3.4%)**

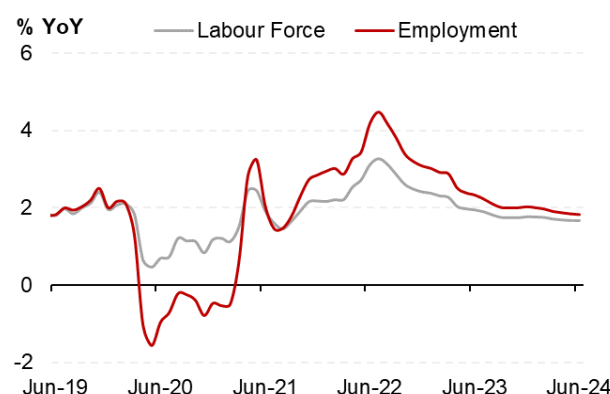
- We expect robust hiring activities for the rest of the year, as the unemployment rate has remained steady at 3.3% over the first six months, holding at this level for eighth straight month. This stability is driven by ongoing expansion in the services and manufacturing sectors, increased tourist arrivals, improving household income, as well as the gradual recovery of the technology-oriented sub-sector. Additionally, the realisation of record-approved investment worth RM329.5b registered last year along with RM83.7b in investment approved in 1Q24 are expected to further boost hiring.
- However, our forecast remains vulnerable to downside risk, particularly from potential global economic slowdowns, especially if the US economy underperforms or China's recovery is slower than expected. Given Malaysia's heavy reliance on external trade, any slowdown in major economies poses a downside risk to domestic growth. Nonetheless, we maintain our 2024 GDP growth forecast of 4.5% - 5.0% (2023: 3.6%).

Graph 1: Unemployment Rate



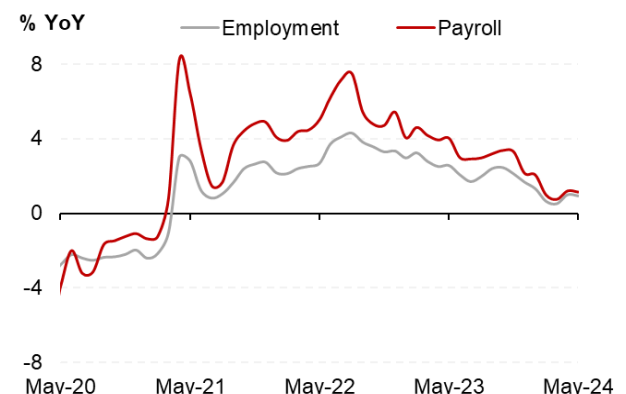
Source: Dept. of Statistics, Kenanga Research

Graph 2: Labour Force Vs. Employment



Source: Dept. of Statistics, Kenanga Research

Graph 3: Manufacturing Payroll and Employment



Source: Dept. of Statistics, Kenanga Research

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**Table 1: Malaysia's Labour Market Indicators**

	Jun-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24
<b>Labour Force</b>							
Number ('000)	16,889.4	17,050.3	17,074.9	17,098.7	17,122.1	17,145.9	17,171.1
YoY %	1.9	1.8	1.8	1.7	1.7	1.7	1.7
MoM %	0.2	0.1	0.1	0.1	0.1	0.1	0.1
<b>Outside Labour Force</b>							
Number ('000)	7,225.7	7,233.4	7,232.7	7,232.5	7,233.1	7,232.9	7,231.7
YoY %	-0.4	-0.1	-0.1	0.0	0.1	0.1	0.1
MoM %	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Employment</b>							
Number ('000)	16,307.8	16,483.0	16,507.9	16,532.2	16,555.7	16,579.9	16,605.7
YoY %	2.3	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	0.2
<b>Unemployment</b>							
Number ('000)	581.7	567.3	567.0	566.6	566.4	566.1	565.3
YoY %	-7.8	-4.8	-4.2	-3.8	-3.5	-3.2	-2.8
MoM %	-0.5	-0.1	-0.1	-0.1	0.0	-0.1	-0.1
<b>Unemployment Rate (%)</b>	<b>3.4</b>	<b>3.3</b>	<b>3.3</b>	<b>3.3</b>	<b>3.3</b>	<b>3.3</b>	<b>3.3</b>
<b>Labour Force Participation Rate (%)</b>	<b>70.0</b>	<b>70.2</b>	<b>70.2</b>	<b>70.3</b>	<b>70.3</b>	<b>70.3</b>	<b>70.4</b>

Source: Dept. of Statistics, Kenanga Research

**For further information, please contact:**

**Wan Suhaimie Wan Mohd Saidie**  
Head of Economic Research  
[wansuhaimi@kenanga.com.my](mailto:wansuhaimi@kenanga.com.my)

**Muhammad Saifuddin Sapuan**  
Economist  
[saifuddin.sapuan@kenanga.com.my](mailto:saifuddin.sapuan@kenanga.com.my)

**Afiq Asyraf Syazwan Abd. Rahim**  
Economist  
[afiqasyraf@kenanga.com.my](mailto:afiqasyraf@kenanga.com.my)

**Nurul Hanees Hairulkama**  
Economist  
[nurulhanees@kenanga.com.my](mailto:nurulhanees@kenanga.com.my)

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**KENANGA INVESTMENT BANK BERHAD (15678-H)**

Level 17, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia  
Telephone: (603) 2172 0880 Website: [www.kenanga.com.my](http://www.kenanga.com.my) E-mail: [research@kenanga.com.my](mailto:research@kenanga.com.my)

