

# Economic Strain and Labour Market Dynamics in Malaysia: A 2024-2025 Outlook

August 2024

The job market in Asia is facing tough times, with rising unemployment, increasing job losses, and limited new job opportunities. In Malaysia, while the labour market remains relatively positive, certain sectors continue to experience pressure. This paper aims to highlight key points to guide specific government actions and smart economic changes that can bridge the gap between market needs and job availability.

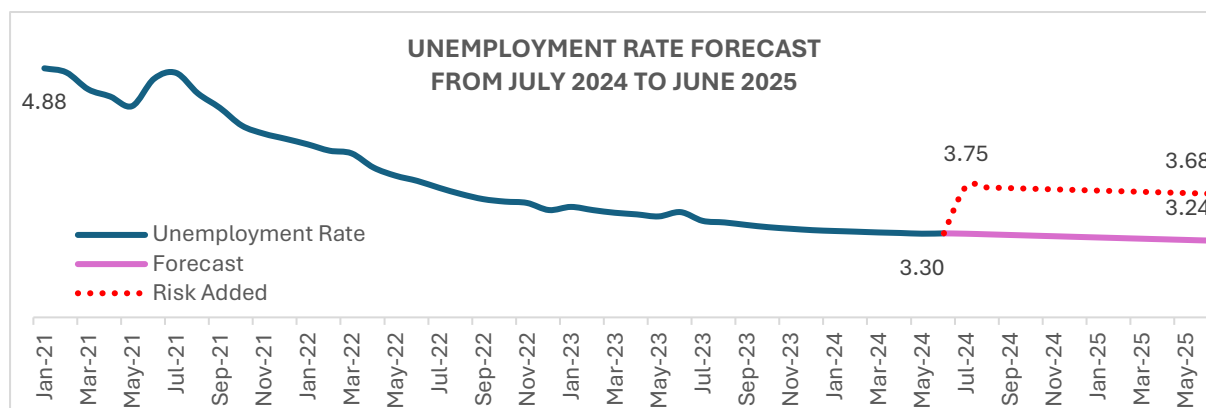
## Unemployment Rate Forecast

According to the financing conditions reported by Bank Negara Malaysia (BNM), increased credit growth and higher household spending in the upcoming term are expected to boost job creation as businesses invest more and hire additional workers. This increased economic activity could help lower the unemployment rate. Our predictions align with this outlook, suggesting a modest improvement, with the rate expected to cautiously decrease from 3.30% to 3.24% by the first quarter of 2025. However, there's a possibility that the unemployment rate could rise by up to 0.45 percentage points due to external pressures. For instance, trade tensions between China and the USA demonstrate how external factors can impact Malaysia's unemployment rate. Higher tariffs and supply chain disruptions between these two major economies could reduce global demand for Malaysian exports.

Despite these potential risks, data from the Department of Statistics Malaysia (DOSM) indicates that the labour market is expected to remain stable in the coming months. This modest positive trend is largely due to improvements in the country's leading index, which suggests an overall healthier economic outlook. Additionally, recent Gross Domestic Product (GDP) data shows a growth rate of 4.2% in the last quarter, up from 3.8% in the previous one. This steady increase in GDP highlights strong economic activity and supports the expectation of continued stability, which bodes well for the labour market.

Furthermore, we forecast that the labour force will grow by 1.5% over the next 12 months. This positive trend is driven by strong demand in the construction sector, particularly for industrial buildings such as warehouses, data centres, and semiconductor plants. This demand is expected to maintain a favourable operating environment for the industry (Star Online, 2024). As a result, our data also reveals robust employment growth of 5.6%, reflecting the sector's ongoing activity and resilience.

In contrast, the manufacturing sector is expected to face a more challenging outlook, with only modest employment growth of 1.4% due to ongoing global economic uncertainties. However, according to BNM this sector is set to benefit from the effects of the global tech upcycle. This could boost demand for manufactured products, particularly in the electronics and high-tech industries, ensuring that Malaysia continues to play a significant role in the global supply chain.



Sector	Employment Growth Forecast (Private Sector)	Growth Rate
Agriculture	from 4.49m to 4.72m	5.1%
Construction	from 7.58m to 8.00m	5.6%
Manufacturing	from 2.15m to 2.18m	1.4%
Mining & Quarrying	from 0.059m to 0.061m	3.0%
Services	from 5.88m to 5.90m	0.4%

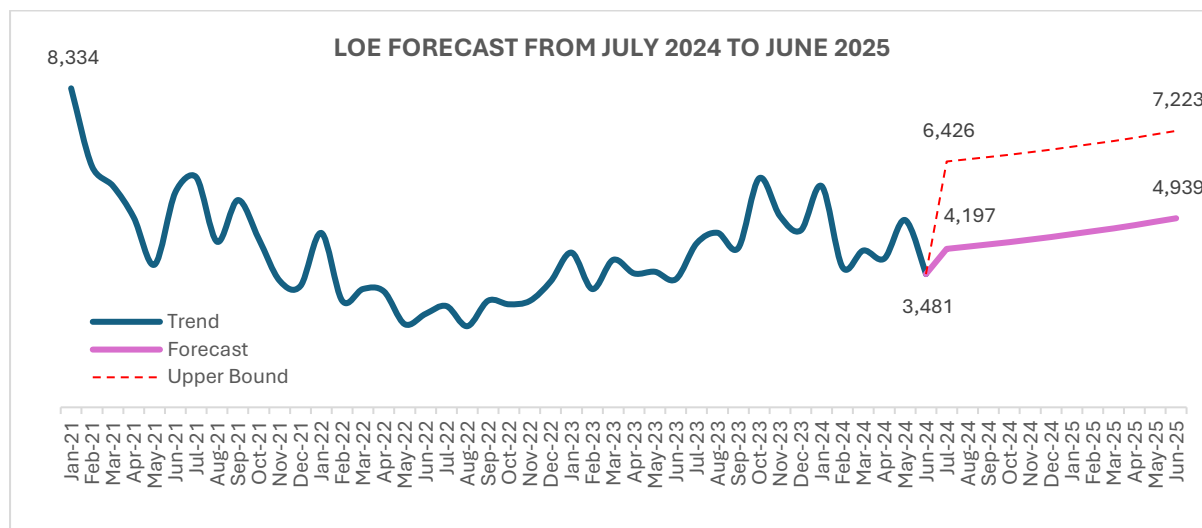
Table 1: Employment Growth Forecast

## Loss of Employment (LOE) Forecast

As the labour market continues to evolve, the Loss of Employment (LOE) has become a crucial indicator of labour market conditions. In Malaysia, LOE trends provide valuable insights into deeper economic challenges, sector-specific vulnerabilities, and labour force skill gaps. While the overall unemployment rate remains stable, our forecast suggests an increase in LOE cases, reflecting ongoing pressures within key industries.

According to our data, we expect monthly LOE cases to rise to approximately 5,000 over the next 12 months. By June 2025, we forecast that total LOE cases will reach about 54,100. This represents a slight decrease from the previous year's total of 54,400, but cautiously, the trend is rising steadily for the next 12 months.

The manufacturing sector is anticipated to experience a significant rise, with an expected increase of 23.8%. This trend aligns with global conditions and reflects ongoing uncertainties and challenges within the sector, which continues to face sluggish growth and external economic pressures.



Sector	Previous 12 months total cases	Forecasted 12 months total cases
Agriculture	908	355
Construction	3,559	3,167
Manufacturing	17,870	23,441
Mining & Quarrying	206	42
Services	31,865	27,073

Table 2: LOE Cases Forecast

## Vacancies Forecast

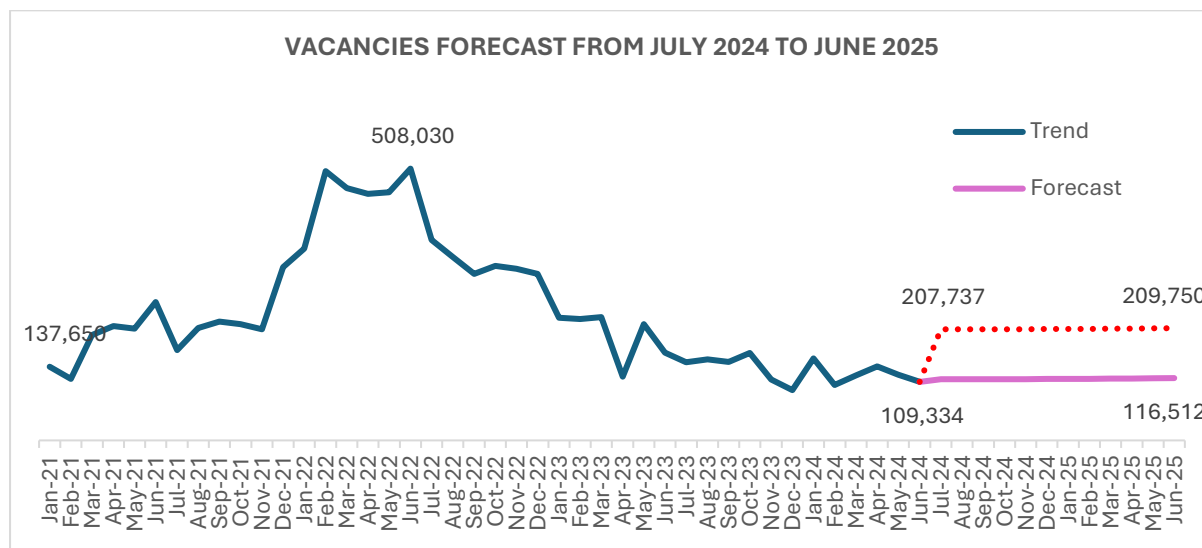
The job vacancy forecast for Malaysia indicates a stable trend with a slight upward shift. The state of the job market can be assessed by looking at the number of job vacancies, which reveals employers' hiring intentions.

Vacancies are expected to rise, indicating steady demand for labour across various sectors. However, the manufacturing sector is set for more dynamic changes. Vacancies in this sector are forecasted to grow significantly, potentially reaching 15,300 positions. This increase reflects a growing need for skilled labour driven by technological advancements and industry transformations consistent with the global direction.

The shift is mainly driven by the replacement of outdated technologies with new, innovative solutions, creating opportunities for workers with updated skill sets and increasing demand

for expertise in modern technologies and practices. In the construction sector however, we observe a trend of normalization following this year's initial boost. Many news and reports indicate that hiring surged towards the end of 2022, and now the market is stabilizing.

A report by the Malaysian Institute of Economic Research (MIER) in July 2024 also highlights that the manufacturing sector is evolving due to technological advancements and automation, which are expected to influence hiring patterns and the demand for specific skills.



Sector	Previous 12 months vacancies	Forecasted 12 months vacancies
Agriculture	51,783	46,271
Construction	75,865	67,493
Manufacturing	122,503	137,833
Mining & Quarrying	6,974	10,494
Services	491,805	425,425

Table 3: Vacancies Forecast

## Summary

The ongoing trade tensions between China and the USA are creating significant challenges for Malaysia's job market, particularly because the country heavily relies on international trade and global supply chains. While the unemployment rate remains steady at 3.3%, the labour market shows signs of becoming strained. In the manufacturing sector, concerns are growing. LOE cases are increasing, while the available jobs remain scarce. The regional economic situation, affected by the USA-China tensions, is beginning to show its impact. In early 2023, we saw American manufacturers in the Electrical and Electronic (E&E) sectors reducing their workforce, which could indicate bigger problems ahead for Malaysia. During the same period,

China has been investing more and hiring additional workers, potentially changing the dynamics in the sector.

Given Malaysia's sensitivity to these two economic powerhouses, any adverse developments from these tensions could have serious consequences. If the current trends continue, Malaysia risks experiencing a minor economic bubble, with LOE cases rising by up to 0.45 percentage points. In short, the mix of international trade tensions and changes in the domestic labour market dynamic creates a tough situation for Malaysia.

For more detailed information, please visit <https://lmx.perkeso.gov.my/>. Additional resources and updates are available there for your reference.

## References:

1. Bank Negara Malaysia. (2024, May 23). *Quarterly bulletin Q1 2024* [Press release]. Bank Negara Malaysia. [https://www.bnm.gov.my/-/qb24q1\\_en\\_pr](https://www.bnm.gov.my/-/qb24q1_en_pr)
2. Bernama. (2024, May 20). *Malaysia's GDP grows by 5.2% in Q1 2024*. Bernama. [https://www.bernama.com/en/news.php?id=2299574#:~:text=KUALA%20LUMPUR%2C%20May%2020%20\(Bernama,quarter%20growth%20\(1Q%202024\)](https://www.bernama.com/en/news.php?id=2299574#:~:text=KUALA%20LUMPUR%2C%20May%2020%20(Bernama,quarter%20growth%20(1Q%202024))
3. Star Online. (2024, May 2). *Bullish outlook for construction sector on job flows*. The Star. <https://www.thestar.com.my/business/business-news/2024/05/02/bullish-outlook-for-construction-sector-on-job-flows>
4. Interact Analysis. (2024, August 7). *Manufacturing faces a tough year, but 2025 looks more hopeful*. Interact Analysis. <https://interactanalysis.com/insight/manufacturing-faces-a-tough-year-but-2025-looks-more-hopeful/>
5. WNS. (2024, August 9). *Top 5 manufacturing trends in 2025*. WNS. <https://www.wns.com/perspectives/articles/articledetail/441/top-5-manufacturing-trends-in-2025>
6. Malaysian Institute of Economic Research (MIER). (2024, July). *Report on industrial trends and employment forecasts*.
7. Department of Statistics Malaysia. (2024, July). *Labour force Malaysia, May 2024*. Retrieved from <https://www.dosm.gov.my/>
8. Business Today Malaysia. "Malaysia's economy set to grow between 4.0% and 5.0% in 2024, led by services sector." *Focus Malaysia*. Retrieved from: <https://focusmalaysia.my/malysias-economy-set-to-grow-between-4-0-and-5-0-in-2024-led-by-services-sector/> on August 13, 2024.
9. Department of Statistics Malaysia. (2024). *Quarterly GDP report: Q2 2024*. Retrieved from <https://www.dosm.gov.my/>
10. The Star. (2024, July 20). *Malaysia's 5.8% GDP growth in second quarter was beyond expectations, says PM*. The Star. <https://www.thestar.com.my/news/nation/2024/07/20/malaysia039s-58-gdp-growth-in-second-quarter-was-beyond-expectations-says-pm>