



Malaysia's labour market improving on economic activities -- S&P

KUALA LUMPUR, Aug 11 (Bernama) -- The Malaysian labour market has been improving consistently since the second half of 2021 and the momentum is expected to continue, lending support to achieve 6.1 per cent gross domestic product (GDP) this year and five per cent in 2023, S&P Global Ratings said.

Its economist Vishrut Rana said the recovering international tourism, following the border reopening, has been supporting Malaysia's economic activities while external demand has been supporting growth so far this year.

However, he cautioned of a slowdown in external demand growth as the global economy slows over the second half of 2022.

"We forecast a lower GDP growth in 2023 relative to 2022 as the 2022 growth number is boosted by base effects resulting from weak activity in 2021. But overall, we still expect a steady growth momentum over 2023 due to the recovering domestic demand," he told Bernama.

Vishrut noted that the country's average growth rate between 2015 and 2019 was 4.9 per cent.

"The key driver for a strong 2022 growth over 2021 is the boost to activities on the back of the economic reopening following the country's virus containment measures. We expect strong private consumption and investment in Malaysia this year," he said.

In June, the ratings agency revised upward Malaysia's long-term sovereign outlook to stable from negative, reflecting its expectation for steady growth momentum and a strong external position to remain over the next two years.

At the same time, it anticipates a supportive policymaking environment to restore fiscal settings to a firmer footing.

On Wednesday, the **Department of Statistics Malaysia (DoSM)** said Malaysia's labour market saw a 3.2 per cent increase in jobs, or 267,000 jobs, in the second quarter of 2022, to a record 8.619 million during the period from 8.352 million in the same period last year.

There were 191,000 job vacancies in the second quarter of 2022 versus 178,000 a year ago while the number of jobs created edged up 29,400 from 16,180 previously, DoSM said.

The department added that services and manufacturing sectors were the main contributors.

Vishrut said inflation in Malaysia is rising and is likely to increase further going forward. He said the inflation level of 3.4 per cent in June is "moderate" relative to the high levels of inflation globally.

Finance Minister Tengku Datuk Seri Zafrul Tengku Abdul Aziz recently said that Malaysia's inflation is currently under control compared to its regional and international counterparts.

He said the level of inflation could be around 11 per cent if not for government subsidies on essential goods.

Malaysia's inflation is forecast to be between 2.2 per cent and 3.2 per cent in 2022, according to Bank Negara Malaysia (BNM).

As for the ringgit movement, S&P Global Ratings said the local note is about 5.5 per cent weaker against the US dollar from a year ago.

"As a result of the quick monetary policy normalisation from the US Federal Reserve, the US dollar has strengthened against global currencies.

"The Dollar Index, comprising a basket of global currencies, is down nearly 14.7 per cent against the dollar a year ago, (which is) much more than the ringgit; Asia-Pacific currencies have weakened less," he said.

Malaysia, being a net energy exporter, also benefits from favourable terms of trade. However, the interest rate differential between the US and Malaysia has narrowed considerably, which means there could be further capital outflows and some more forex depreciation.

He said the key challenge for central banks globally today is to contain inflationary pressures. As for Malaysia, BNM has more policy space, given that inflation remains moderate for now, but more monetary policy tightening is anticipated, he added.

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