

ECONOMIC REVIEW | April 2019 Labour Market

Full-Employment Condition Remains with Higher Percentage of Vacancies for Mid & High-Skilled Jobs

- *Labour market remains stable. Labour force growth was seen at 2.0%yoy in Apr-19, its weakest gain in 17-month. Subsequently, employment growth was recorded at 1.9%yoy with monthly jobs added in the economy seen at 54.6K, highest in 1-year. Meanwhile, the number of unemployment increased further by 2.6%yoy, outpacing growth in both labour force and employment for two-straight months.*
- *Job vacancies on improving trend. Average job vacancies for the first three months of 2019 are at 93.7K, higher than 2018's average of 91.3K. Most notably, the average vacancies for high & mid-skilled jobs are on the rise while low-skilled jobs are reducing. 1Q19 average job vacancies for senior officials, professionals and technicians are 0.8K, 2.6K and 3.3K respectively. 2018 average vacancies for the top three jobs are 0.4K, 1.8K and 1.6K respectively.*
- *We maintain our forecast of Malaysia's unemployment rate at average of 3.3% in 2019. The stable labour market is expected to impact positively on the economy – supporting private consumption as it drives the domestic economy through growing consumer optimism. We predict the labour market to stay on expansion pace in tandem with industrial and external trade activities.*

Labour market remains stable. Labour force growth was seen at 2.0%yoy in Apr-19, its weakest gain in 17-month. Subsequently, employment growth was recorded at 1.9%yoy with monthly jobs added in the economy seen at 54.6K, highest in 1-year. Meanwhile, the number of unemployment increased further by 2.6%yoy, outpacing growth in both labour force and employment for two-straight months. Nevertheless, labour market remains steady as the economy is still under full-state of employment. The stable job market reflects healthy development of Malaysia's economy and provides solid support to domestic demand.

Table 1: Summary of Labour Market ('000)

	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19
Labour Force	15,458	15,500	15,509	15,543	15,557	15,613
YoY%	2.5	2.3	2.1	2.1	2.1	2.0
Employment	14,941	14,986	14,993	15,027	15,035	15,090
YoY%	2.5	2.4	2.2	2.1	2.1	1.9
Unemployment	516	514	516	516	521	523
YoY%	2.2	1.7	(0.2)	1.6	2.5	2.6
Outside Labour Force	7,151	7,120	7,096	7,146	7,169	7,184
YoY%	0.4	0.5	0.3	0.5	0.8	0.8
Unemployment Rate %	3.4	3.3	3.2	3.3	3.4	3.4

Source: CEIC, MIDFR

Recovery in domestic and external trade activities. In Apr-19, Malaysia exports rebounded to 1.1%yoy after two-consecutive months recording contractions. Domestic exports grew strongly by 11.9%yoy, while re-exports which have low domestic value-added contracted hugely at -33.1%yoy. In addition, IPI grew firmly by 4%yoy in Apr-19, fastest in 6-month and manufacturing sales rose by 6.8%yoy, strongest gain since Feb-19. Moving forward, we opine Malaysia's external trade and IPI performance to continue expanding at steady pace amid accommodative commodity prices, strong domestic demand, lower OPR effects and low inflationary pressure. This will eventually translated into an increase in jobs added, stable wage growth and indirectly provide additional support to Malaysia's domestic demand in 2019.

Table 2: Manufacturing Employment (YoY%)

	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19
Overall	2.0	1.7	2.0	2.0	1.8	1.7
Refined Petroleum Products	5.6	5.2	6.5	7.3	7.5	7.8
Organic Chemical & Inorganic Compounds excl. Fertilizer	(2.0)	(2.1)	3.0	2.0	3.1	2.3
Basic Iron & Steel Products	1.6	1.6	2.5	1.1	0.1	(1.7)
Diode, Transistor & Electronic Integrated Circuit Mic	5.6	4.9	5.4	5.3	5.1	4.5
Electrical Capacitor Resistor, Circuit Board, Display Com	3.4	3.7	3.5	3.2	2.4	2.3
Computers & Peripherals Equipment	1.4	2.1	1.5	0.7	(0.1)	(1.5)

Source: CEIC, MIDFR

Table 3: Manufacturing Payrolls (YoY%)

	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19
Overall	9.0	10.1	8.9	7.2	5.1	4.4
Refined Petroleum Products	35.9	30.9	25.1	9.3	10.7	12.2
Organic Chemical & Inorganic Compounds excl. Fertilizer	15.8	13.5	16.8	16.0	12.8	4.9
Basic Iron & Steel Products	2.9	6.7	5.5	3.6	0.3	0.2
Diode, Transistor & Electronic Integrated Circuit Mic	15.9	27.9	35.2	30.5	17.2	13.2
Electrical Capacitor Resistor, Circuit Board, Display Com	15.8	7.5	3.1	(1.6)	0.2	0.2
Computers & Peripherals Equipment	11.8	7.8	6.1	(1.2)	(0.2)	(0.1)

Source: CEIC, MIDFR

Job vacancies on improving trend. Average job vacancies for the first three months of 2019 are at 93.7K, higher than 2018's average of 91.3K. Most notably, the average vacancies for high & mid-skilled jobs are on the rise while low-skilled jobs are reducing. 1Q19 average job vacancies for senior officials, professionals and technicians are 0.8K, 2.6K and 3.3K respectively. 2018 average vacancies for the top three jobs are 0.4K, 1.8K and 1.6K respectively. On a flip side, vacancies for low-skilled job such as elementary occupation registered 65K monthly average so far in 2019 against 71K recorded in 2018.

Share of low value-added jobs at 2-year low. Malaysia's job vacancies continue to be dominated by low-skilled type of jobs. However, the share of elementary occupations and operators to the total vacancies in Feb-19 went down to 82.7%, the lowest since Feb-17. Meanwhile, the remaining 17.3% are for medium and high-skilled jobs. Moving forward, we believe the dominance of low-skilled jobs will gradually decline and that high-skilled jobs will increase as we expect re-exports performance will continue trending downwards amid higher base effects and slowdown in global market especially for E&E sector. In addition, with the expected recovery in mining and agriculture goods, we expect domestic exports to continue its upward trend, offering more vacancies for medium and high-skilled jobs.

Table 4: Job Vacancies by Type & Sector ('000)

	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19
Total	103.0	82.1	90.4	106.8	74.1	100.2
Legislators, Senior Officials & Managers	0.8	0.2	0.7	0.6	0.7	1.3
Professionals	1.8	1.3	1.2	3.5	1.7	2.7
Technicians & Associate Professionals	2.4	2.2	2.5	2.6	3.7	3.6
Clerical Workers	0.6	0.5	0.4	0.7	0.7	1.3
Service, Shop & Market Sales Workers	2.4	1.8	1.8	4.0	3.2	4.8
Skilled Agricultural & Fisheries Workers	0.1	0.2	0.2	0.0	0.1	0.3
Craft and Related Trades Workers	2.4	3.8	2.5	2.3	1.9	3.6
Plant & Machinery Operators & Assemblers	11.9	9.5	9.3	16.3	12.0	15.0
Elementary Occupations	80.8	62.5	71.9	76.9	50.1	67.8
Agriculture, Forestry & Fishing	20.1	20.3	28.1	26.8	10.9	23.8
Mining & Quarrying	0.3	0.1	0.0	1.4	0.2	0.1
Manufacturing	40.6	28.7	26.5	35.2	28.3	36.2
Construction	20.3	14.1	13.3	16.1	12.4	15.4
Services	21.8	18.8	22.4	27.4	22.4	24.7

Source: CEIC, MIDFR

*Data Available Up Until Mar-19

Jobless rate globally remains at stable level. Jobless rate in the US maintained at 49-year low, at 3.6%. However, slowdown in the US job market as indicated by the latest non-farm payrolls figure, may lead to a rate cut in the second half of 2019 given that Jerome Powell suggesting cutting rates if global outlook darkens. The non-farm payrolls increased 75K in May-19, lowest in 3-month and missing market expectations of 185K. The average so far in 2019 is 164K per month, lower than the previous year's 223K per month. Unemployment rate in EU stayed at 6.4%, lowest ever recorded since the creation of the union. Moving forward, we view labour market in developed and emerging economies to remain at healthy level despite trade war and volatility in commodity prices. Accommodative fiscal and monetary policies and steady domestic demand are main factors supporting economic growth in both developed and emerging economies.

Table 5: Global Unemployment Rate (%)

	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19
Malaysia	3.4	3.3	3.2	3.3	3.4	
Thailand	1.0	0.9	1.0	0.8	0.9	1.0
Taiwan	3.7	3.7	3.7	3.7	3.7	3.7
Korea	3.8	3.8	4.4	3.7	3.8	4.1
Japan	2.5	2.4	2.5	2.3	2.5	2.4
EU	6.6	6.6	6.5	6.5	6.4	6.4
USA	3.7	3.9	4.0	3.8	3.8	3.6

Source: CEIC, MIDFR


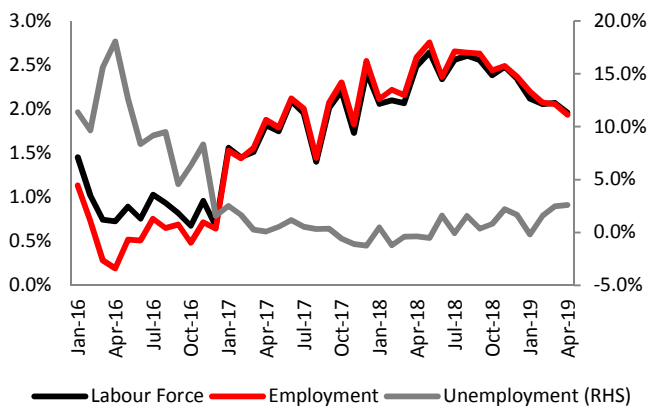
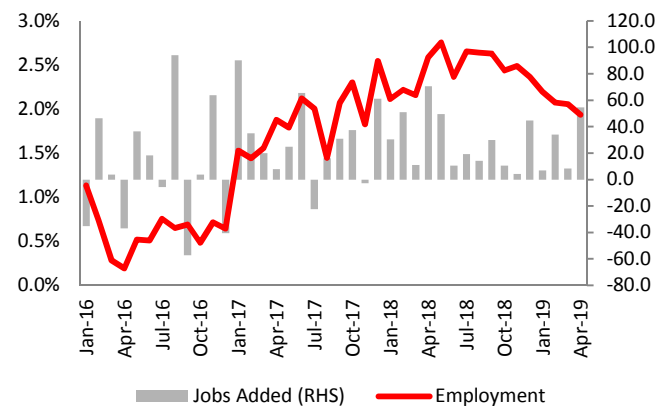
We maintain our forecast of Malaysia’s unemployment rate at average of 3.3% in 2019. The stable labour market is expected to impact positively on the economy – supporting private consumption as it drives the domestic economy through growing consumer optimism. We predict the labour market to stay on expansion pace in tandem with industrial and external trade activities. We opine Malaysia’s jobless rate to remain under a full-employment condition, with the unemployment rate of 3.3% in 2019. 

Chart 1: Labour Market Key Indicators (YoY%)



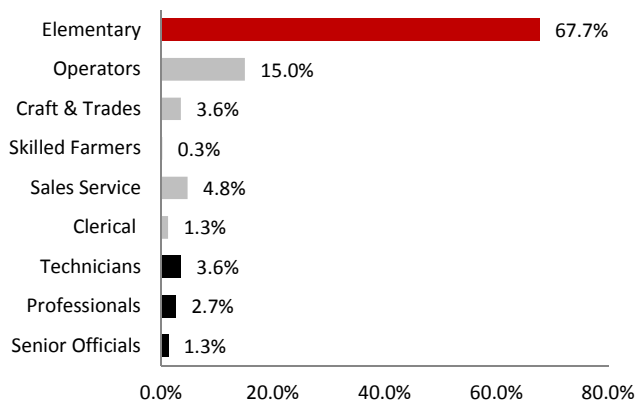
Source: CEIC, MIDFR

Chart 2: Jobs Added ('000) vs Empl. (YoY%)



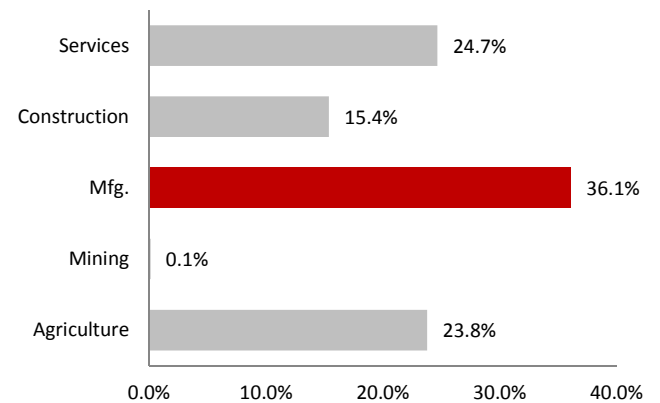
Source: CEIC, MIDFR

Chart 3: Share of Job Vacancies by Type (%) in Mar-19



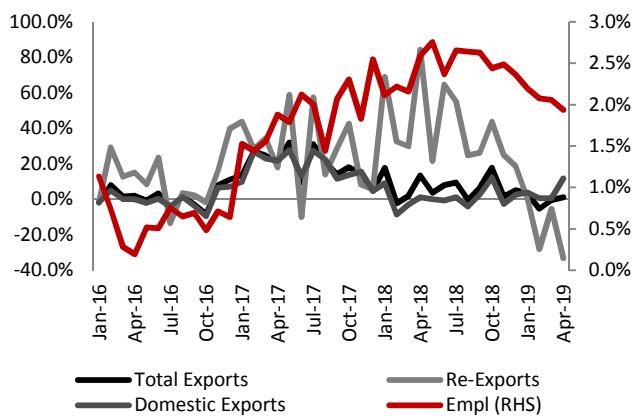
Source: CEIC, MIDFR

Chart 4: Share of Job Vacancies by Sector (%) in Feb-19



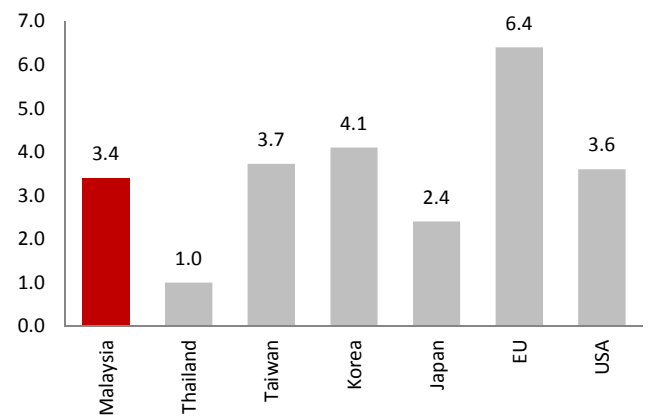
Source: CEIC, MIDFR

Chart 5: Employment vs Re-exports vs Domestic Exports (YoY%)



Source: CEIC, MIDFR

Chart 6: Global Unemployment Rates (%) in Apr-19



Source: CEIC, MIDFR

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