

## ECONOMIC REVIEW | August 2019 Labour Market

### Full-Employment Condition despite Challenging External Front

- Labour market relaxes. Labour force moderated by 1.8%yoy while the employment growth eased to 1.9%yoy, highest pace in 3-month with 45.2K jobs added in Aug-19. On the other hand, number of unemployed persons fell by -0.9%yoy, and outside of labour force softened to 0.5%yoy during the month. Nevertheless, Malaysia's economy remains operating at full-employment condition as jobless rate remains at low level of 3.3%.*
- Share of low value-added jobs double. Malaysia's job vacancies continue to be dominated by low-skilled type of jobs. However, the share of elementary occupations to the total vacancies in Jul-19 rebound to 69.4%, the highest since Feb-16. The remaining 30.6% are for medium and high-skilled jobs, particularly for Senior Officials, Professionals and Technicians. Moving forward, we believe the dominancy of low-skilled jobs will gradually decline.*
- 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.*

**Labour market relaxes.** Labour force moderated by 1.8%yoy while the employment growth eased to 1.9%yoy, highest pace in 3-month with 45.2K jobs added in Aug-19. On the other hand, number of unemployed persons fell by -0.9%yoy, and outside of labour force softened to 0.5%yoy during the month. Nevertheless, Malaysia's economy remains operating at full-employment condition as jobless rate remains at low level of 3.3%. Stable labour market is crucial for Malaysian economy as it provides solid support to the domestic demand.

**Table 1: Summary of Labour Market ('000)**

	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19
<b>Labour Force</b>	15,557	15,613	15,642	15,656	15,705	15,706
YoY%	2.1	2.0	1.9	1.8	2.0	1.8
<b>Employment</b>	15,035	15,090	15,123	15,135	15,180	15,186
YoY%	2.1	1.9	1.8	1.8	2.0	1.9
<b>Unemployment</b>	521	523	520	521	525	520
YoY%	2.5	2.6	3.0	1.1	1.2	(0.9)
<b>Outside Labour Force</b>	7,169	7,184	7,190	7,157	7,208	7,172
YoY%	0.8	0.8	1.3	1.3	2.3	0.5
<b>Unemployment Rate %</b>	3.4	3.4	3.3	3.3	3.3	3.3

Source: CEIC, MIDFR

**External headwinds affect industrial and employment activities.** In Aug-19, total exports fell by -0.8%yoy after a rebound in the previous month. Domestic exports broke the positive growth streak while re-exports stayed on contractionary since Feb-19. In addition, IPI growth grew 1.9%yoy while manufacturing sales moderated by 4.7%yoy. Global trade uncertainties, dispute between Japan & South Korea and geopolitical stress in EU would impact Malaysia's export-oriented industries especially manufacturing and eventually affect Malaysia's employment numbers. Nevertheless, industrial activities are expected to remain on expansionary path due to, among others, strong domestic demand, OPR cut effects, easing monetary measures by developed & emerging markets and positive progression of domestic construction activities. This will eventually translate into net jobs additions, stable wage growth and indirectly provide additional support to Malaysia's domestic demand in 2019.

**Table 2: Manufacturing Employment (YoY%)**

	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19
Overall	1.8	1.7	1.4	1.1	1.3	1.3
Refined Petroleum Products	7.5	7.8	7.3	6.5	7.5	6.4
Organic Chemical & Inorganic Compounds excl Fertilizer	3.1	2.3	3.4	5.0	5.8	7.9
Basic Iron & Steel Products	0.1	(1.7)	(1.4)	0.8	0.4	0.5
Diode, Transistor & Electronic Integrated Circuit Mic	5.1	4.5	3.9	3.2	3.3	2.6
Electrical Capacitor Resistor, Circuit Board, Display Com	2.4	2.3	1.7	1.8	2.4	1.2
Computers & Peripherals Equipment	(0.1)	(1.5)	(5.6)	(5.8)	(7.3)	(5.9)

Source: CEIC, MIDFR

**Table 3: Manufacturing Payrolls (YoY%)**

	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19
Overall	5.1	4.4	4.1	3.1	3.4	3.3
Refined Petroleum Products	10.7	12.2	7.5	2.2	4.9	4.6
Organic Chemical & Inorganic Compounds excl Fertilizer	12.8	4.9	3.0	2.9	7.3	10.5
Basic Iron & Steel Products	0.3	0.2	(2.1)	0.3	1.1	1.4
Diode, Transistor & Electronic Integrated Circuit Mic	17.2	13.2	13.7	12.3	12.7	14.6
Electrical Capacitor Resistor, Circuit Board, Display Com	0.2	0.2	1.8	1.8	(1.8)	(2.4)
Computers & Peripherals Equipment	(0.2)	(0.1)	(6.9)	(8.6)	(8.0)	(9.5)

Source: CEIC, MIDFR

**Job vacancies remain below 100K per month.** For the first 7 months of 2019, monthly average job vacancies are 86.2K (2017: 122.8K, 2018: 91.3K). Nevertheless, we observed vacancies for high-skilled levels performed better than last year. The monthly average for Senior Officials, Professionals and Technicians were at 0.8K, 3.0K and 3.1K respectively in first 7 months of 2019 (2018: 0.4K, 1.8K & 1.6K). Meanwhile, average vacancies for elementary occupation (low-skilled) registered at 58.7K (2018: 71K). On sectoral basis, manufacturing saw the highest vacancies of 30.8K, followed by services and agriculture of 24.2K and 18.9K respectively in the first 7 months of 2019.

**Share of low value-added jobs double.** Malaysia's job vacancies continue to be dominated by low-skilled type of jobs. However, the share of elementary occupations to the total vacancies in Jul-19 rebound to 69.4%, the highest since Feb-16. The remaining 30.6% are for medium and high-skilled jobs, particularly for Senior Officials, Professionals and Technicians. 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. On top of that, the government via Shared Prosperity Vision 2030 and Budget 2020 are promoting high-skilled employment and improvement in labour productivity.

**Uplifting skill-labour ratio.** For human capital development, the government announced two initiatives which Locals@Work and Apprentice@Work. The first initiative would encourage more local employment and indirectly reducing dependency on low-skilled foreign labour. The second initiative would encourage better quality of labour and eventually may increase high skilled-labour ratio to breach 30% level in the near future. This is in line with SPV2030 to alleviate compensation of employees to GDP ratio to almost 50% by 2030.

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

	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19
<b>Total</b>	74.1	100.2	105.1	66.5	59.8	90.8
Legislators, Senior Officials & Managers	0.7	1.3	0.8	0.3	1.0	0.8
Professionals	1.7	2.7	3.8	3.5	2.6	3.2
Technicians & Associate Professionals	3.7	3.6	3.0	1.5	2.6	4.5
Clerical Workers	0.7	1.3	1.3	0.6	1.0	1.7
Service, Shop & Market Sales Workers	3.2	4.8	4.3	2.1	2.7	4.6
Skilled Agricultural & Fisheries Workers	0.1	0.3	0.2	0.2	0.2	0.1
Craft and Related Trades Workers	1.9	3.6	3.8	2.8	2.4	1.6
Plant & Machinery Operators & Assemblers	12.0	15.0	17.4	11.3	8.7	11.4
Elementary Occupations	50.1	67.8	70.4	44.2	38.7	63.0
<b>Agriculture, Forestry &amp; Fishing</b>	10.9	23.8	24.1	12.1	11.4	23.2
<b>Mining &amp; Quarrying</b>	0.2	0.1	0.2	0.1	0.1	0.5
<b>Manufacturing</b>	28.3	36.2	40.9	27.6	18.6	28.6
<b>Construction</b>	12.4	15.4	11.7	8.3	8.5	11.5
<b>Services</b>	22.4	24.7	28.2	18.5	21.2	26.9

Source: CEIC, MIDFR


\*Data Available Up Until Jul-19

**Jobless rate globally reduces a little.** Unemployment rate in the US maintained at low level of 3.7% in Aug-19. Nonfarm payrolls (NFP) in the US increase by 130k in Aug-19, below market expectations of 158K. However, the average NFP so far in 2019 is 161k per month, still lower than the previous year's 223k per month. Across the globe, unemployment rate reduces a little, reflecting full-employment condition. Meanwhile, unemployment rate in the EU reduced to 6.2%, 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.

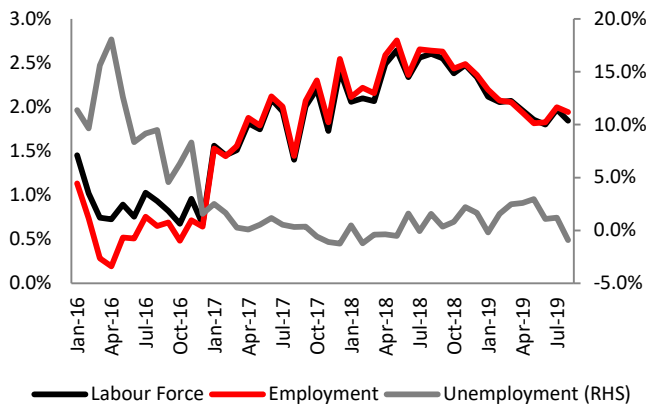
**Table 5: Global Unemployment Rate (%)**

	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19
Malaysia	3.4	3.4	3.3	3.3	3.3	3.3
Thailand	0.9	1.0	1.1	0.9	1.1	1.0
Taiwan	3.7	3.7	3.8	3.7	3.7	3.7
Korea	3.8	4.1	4.0	4.0	4.0	3.1
Japan	2.5	2.4	2.4	2.3	2.2	2.2
EU	6.4	6.4	6.3	6.3	6.3	6.2
USA	3.8	3.6	3.6	3.7	3.7	3.7

Source: CEIC, MIDFR

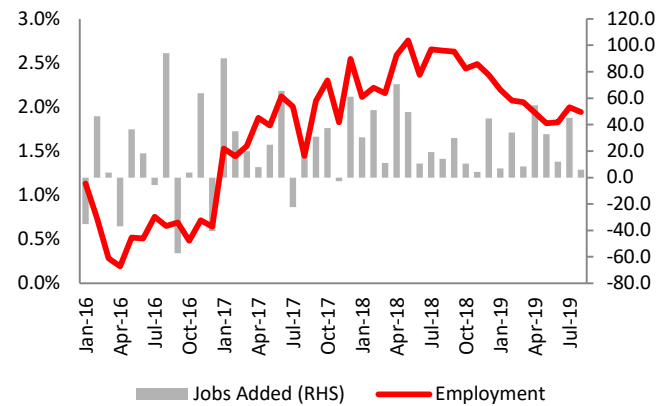
**We maintain our forecast of Malaysia's unemployment rate at average of 3.3% in 2019.** The stable labour market is expected to impact positively on the economy – supporting private consumption as it drives the domestic economy through growing consumer optimism. We predict the labour market to stay 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%)**



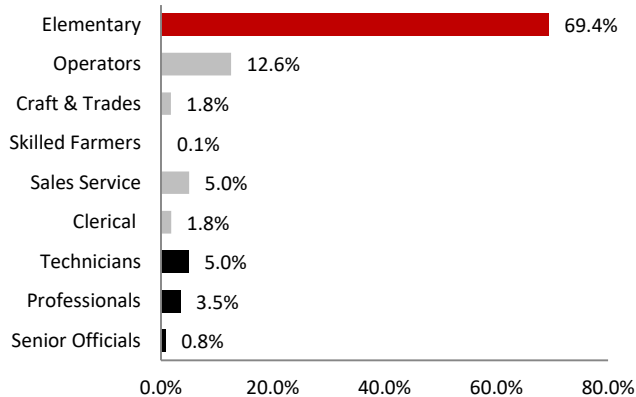
Source: CEIC, MIDFR

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



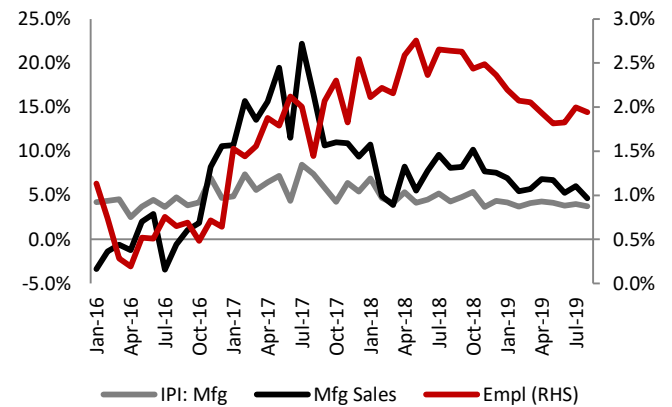
Source: CEIC, MIDFR

**Chart 3: Share of Job Vacancies by Type (%)**



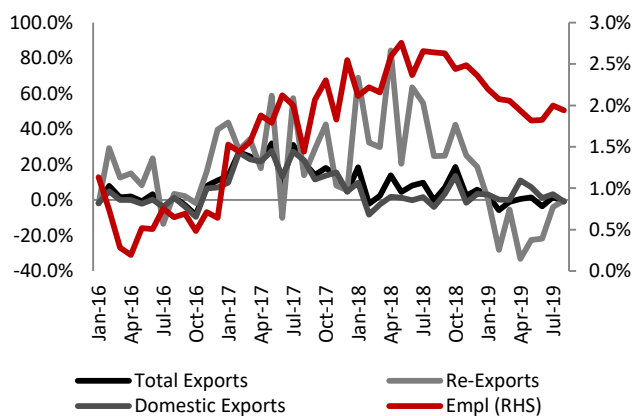
Source: CEIC, MIDFR

**Chart 4: Empl. Vs IPI vs Mfg. Sales (YoY%)**



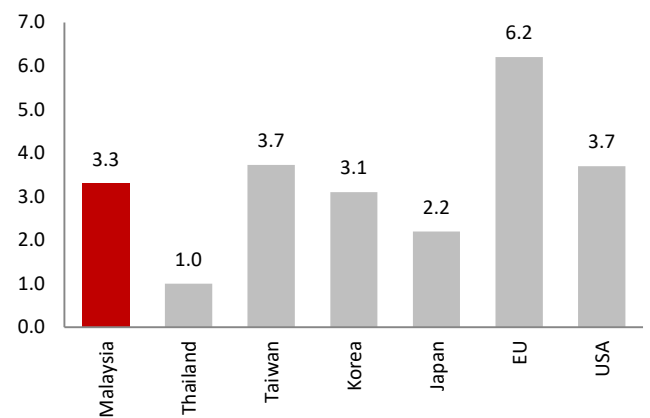
Source: CEIC, MIDFR

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



Source: CEIC, MIDFR

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



Source: CEIC, MIDFR

**MIDF RESEARCH is part of MIDF Amanah Investment Bank Berhad (23878 - X).  
(Bank Pelaburan)  
(A Participating Organisation of Bursa Malaysia Securities Berhad)**

## **DISCLOSURES AND DISCLAIMER**

This report has been prepared by MIDF AMANAH INVESTMENT BANK BERHAD (23878-X). It is for distribution only under such circumstances as may be permitted by applicable law.

Readers should be fully aware that this report is for information purposes only. The opinions contained in this report are based on information obtained or derived from sources that we believe are reliable. MIDF AMANAH INVESTMENT BANK BERHAD makes no representation or warranty, expressed or implied, as to the accuracy, completeness or reliability of the information contained therein and it should not be relied upon as such.

This report is not, and should not be construed as, an offer to buy or sell any securities or other financial instruments. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. All opinions and estimates are subject to change without notice. The research analysts will initiate, update and cease coverage solely at the discretion of MIDF AMANAH INVESTMENT BANK BERHAD.

The directors, employees and representatives of MIDF AMANAH INVESTMENT BANK BERHAD may have interest in any of the securities mentioned and may benefit from the information herein. Members of the MIDF Group and their affiliates may provide services to any company and affiliates of such companies whose securities are mentioned herein. This document may not be reproduced, distributed or published in any form or for any purpose.