

ECONOMIC REVIEW | December 2019 Labour Market

Labor Market to Remain Stable Despite External Headwinds in 2020

- *2019 average employment growth dropped. Malaysia's overall employment growth in 2019 dropped from 2.0%yoy compared to 2.5%yoy in 2018. Both the labour market and employment rose by 2.0%yoy in Dec-19, the lowest since Sep-19. Unemployment showed a slight expansion by 0.5%yoy, yet still maintaining jobless rate at 7-month low, 3.3%.*
- *Manufacturing employment improved slightly. In Dec-19, employment growth in manufacturing sector grew by 1.4%yoy, better than the 3-year low recorded in the Oct-19. E&E industries remain lagging as employment in computers & peripherals equipment shrank by -6.8%yoy. This was in line with the performances of manufacturing IPI, manufacturing sales and external trade.*
- *We forecast Malaysia's unemployment rate at an average of 3.3% in 2020. Malaysia's labour market is expected to continue operating at full-employment condition this year. The stable labour market will support domestic demand to remain as the backbone of Malaysia's GDP growth. We predict employment to grow at solid pace in domestic-oriented industries of manufacturing sector, commodity-based sectors, construction and services sector.*

2019 average employment growth dropped. Malaysia's overall employment growth in 2019 dropped from 2.0%yoy compared to 2.5%yoy in 2018. Both the labour market and employment rose by 2.0%yoy in Dec-19, the lowest since Sep-19. Unemployment showed a slight expansion by 0.5%yoy, yet still maintaining jobless rate at 7-month low, 3.3%. Despite deterioration in external trade performance, improvement in job market was possibly due to stable expansion of IPI particularly domestic-oriented industries, commodity-based and services sectors. We opine the stable job market will provide solid foundation for Malaysia's domestic demand to grow at solid pace in 2020. In addition, we view Malaysia's labour market to remain stable despite the coronavirus outbreak and weak external demand in 1Q20.

Table 1: Summary of Labour Market ('000)

	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19
Labour Force	15,705	15,706	15,751	15,778	15,830	15,803
YoY%	2.0	1.8	2.0	2.1	2.4	2.0
Employment	15,180	15,186	15,230	15,266	15,320	15,286
YoY%	2.0	1.9	2.0	2.2	2.5	2.0
Unemployment	525	520	521	512	514	517
YoY%	1.2	(0.9)	1.0	(0.2)	(0.4)	0.5
Outside Labour Force	7,208	7,172	7,160	7,175	7,170	7,129
YoY%	2.3	0.5	0.9	1.1	0.3	0.1
Unemployment Rate %	3.3	3.3	3.3	3.2	3.3	3.3

Source: CEIC, MIDFR

Manufacturing employment improved slightly. In Dec-19, employment growth in manufacturing sector grew by 1.4%yoy, better than the 3-year low recorded in the Oct-19. E&E industries remain lagging as

employment in computers & peripherals equipment shrank by -6.8%yoy. This was in line with the performances of manufacturing IPI, manufacturing sales and external trade. Moving forward, we view employment in the sector to expand at modest pace in 2020 due to challenging external trade environment. Nevertheless, domestic-oriented industries and commodity-based sectors may provide extra room for employment to grow in 2020 due to steady domestic demand and commodity prices to recover.

Table 2: Manufacturing Employment (YoY%)

	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19
Overall	1.3	1.3	1.2	1.0	1.3	1.4
Refined Petroleum Products	7.5	6.4	5.7	3.6	2.5	7.0
Organic Chemical & Inorganic Compounds excl. Fertilizer	5.8	7.9	7.9	7.0	6.9	7.1
Basic Iron & Steel Products	0.4	0.5	0.2	1.2	2.9	2.0
Diode, Transistor & Electronic Integrated Circuit Mic	3.3	2.6	2.2	1.8	1.2	1.4
Electrical Capacitor Resistor, Circuit Board, Display Com	2.4	1.2	1.2	0.1	(0.2)	0.3
Computers & Peripherals Equipment	(7.3)	(5.9)	(6.2)	(5.7)	(5.6)	(6.8)

Source: CEIC, MIDFR

Table 3: Manufacturing Payrolls (YoY%)

	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19
Overall	3.4	3.3	2.8	2.6	3.2	4.2
Refined Petroleum Products	4.9	4.6	3.0	2.2	2.7	12.0
Organic Chemical & Inorganic Compounds excl. Fertilizer	7.3	10.5	8.0	8.5	8.8	9.2
Basic Iron & Steel Products	1.1	1.4	0.5	0.9	4.0	3.8
Diode, Transistor & Electronic Integrated Circuit Mic	12.7	14.6	13.1	8.8	8.2	12.7
Electrical Capacitor Resistor, Circuit Board, Display Com	(1.8)	(2.4)	1.2	(2.8)	1.5	(2.2)
Computers & Peripherals Equipment	(8.0)	(9.5)	(14.7)	(8.3)	(9.0)	(9.6)

Source: CEIC, MIDFR

Job vacancies remain below 100K per month. Job vacancies recorded at 74.6K in Nov-19, the seventh consecutive months of readings below 100K. For the first 11 months of 2019, monthly average job vacancies were 82.9K (2018: 91.3K). Nevertheless, we observed vacancies for high-skilled levels performed better than the previous year. The monthly average for Senior Officials, Professionals and Technicians were at 0.7K, 2.8K and 3.0K respectively in first 11 months of 2019 (2018: 0.4K, 1.8K & 1.6K). Meanwhile, average vacancies for elementary occupation (low-skilled) registered at 56.2K (2018: 71K). On sectoral basis, manufacturing saw the highest vacancies of 30K, followed by services and agriculture of 23.3K and 17.4K respectively in the first 11 months of 2019.

Share of low value-added jobs increases. Malaysia's job vacancies continued to be dominated by low-skilled type of jobs. The average share of elementary occupations to the total vacancies in 2019 had inclined back to 71.7%, the highest in 9 months. The remaining 28.3% were for medium and high-skilled jobs, particularly for

Senior Officials, Professionals and Technicians. Moving forward, we believe the dominance of low-skilled jobs will further decline and that high-skilled jobs will increase as we expect re-exports performance will continue to trend downwards amid higher base effects and slowdown in global market especially in the E&E sector. In addition, with the expected recovery in mining and agriculture sectors, we expect more vacancies will be available for medium and high-skilled jobs. In tandem, the government, via Shared Prosperity Vision 2030 and Budget 2020, is promoting high-skilled employment and improvement in labour productivity.

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

	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19
Total	59.8	90.8	78.4	75.5	80.4	74.6
Legislators, Senior Officials & Managers	1.0	0.8	0.7	0.9	0.7	0.5
Professionals	2.6	3.2	2.3	2.5	2.7	2.2
Technicians & Associate Professionals	2.6	4.5	3.3	2.3	3.9	2.3
Clerical Workers	1.0	1.7	1.3	0.6	1.1	0.9
Service, Shop & Market Sales Workers	2.7	4.6	3.5	4.4	3.4	3.1
Skilled Agricultural & Fisheries Workers	0.2	0.1	0.1	0.2	0.5	0.2
Craft and Related Trades Workers	2.4	1.6	4.5	2.0	2.4	2.7
Plant & Machinery Operators & Assemblers	8.7	11.4	12.3	13.9	11.4	9.3
Elementary Occupations	38.7	63.0	50.5	48.9	54.2	53.5
Agriculture, Forestry & Fishing	11.4	23.2	15.3	13.5	16.4	13.7
Mining & Quarrying	0.1	0.5	0.1	0.2	0.3	0.2
Manufacturing	18.6	28.6	26.2	29.5	28.0	30.8
Construction	8.5	11.5	15.1	10.3	10.6	11.9
Services	21.2	26.9	21.8	21.9	25.1	18.0

Source: CEIC, MIDFR

*Data Available Up Until Nov-19

Global unemployment rate at low levels. Jobless rate across developed and emerging economies remain at stable and trending downwards. Despite global trade dispute and political instability, unemployment rate in the US maintained at a 50-year low at 3.5% in Dec-19, marking the 20th consecutive month at or below 4%. Developed economies like EU and Japan are indicating positive developments in their job market. Moving forward, we view labour market in developed and emerging economies to remain steady in 2020 despite the trade dispute and volatility in commodity prices as accommodative fiscal and monetary policies and steady domestic demand will provide support for economic and employment growth.

Table 5: Global Unemployment Rate (%)

	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19
Malaysia	3.3	3.3	3.3	3.2	3.3	3.3
Thailand	1.1	1.0	1.0	0.9	1.1	1.0
Taiwan	3.7	3.7	3.7	3.7	3.7	3.7
Korea	4.0	3.1	3.4	3.5	3.6	3.8
Japan	2.2	2.2	2.4	2.4	2.2	2.2
EU	6.3	6.3	6.3	6.3	6.3	6.2
USA	3.7	3.7	3.5	3.6	3.5	3.5

Source: CEIC, MIDFR


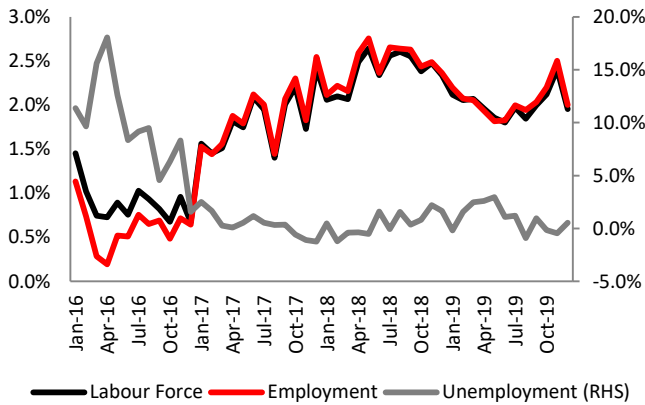
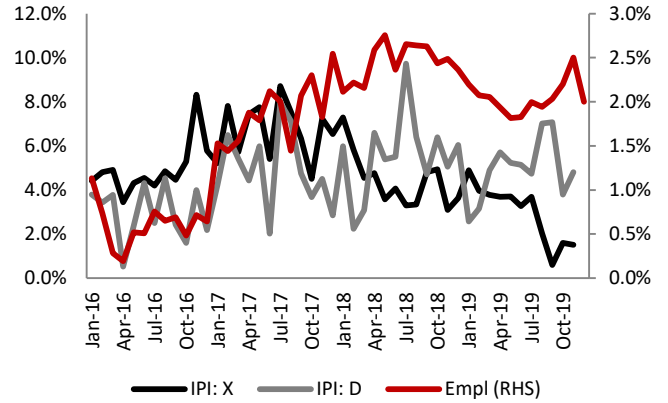
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Chart 1: Labour Market Key Indicators (YoY%)



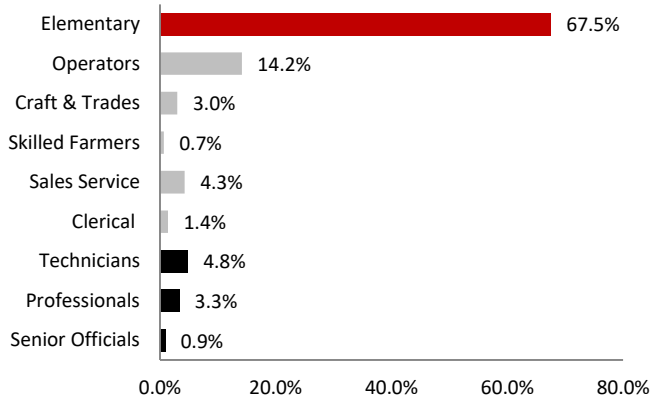
Source: CEIC, MIDFR

Chart 2: Empl. Vs IPI; Exports vs IPI; Domestic (YoY%)



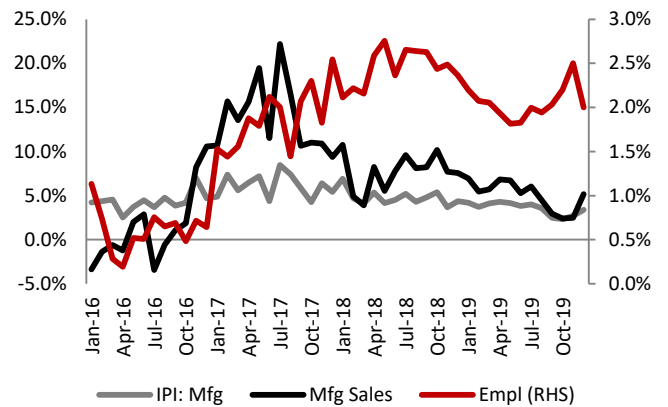
Source: CEIC, MIDFR

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



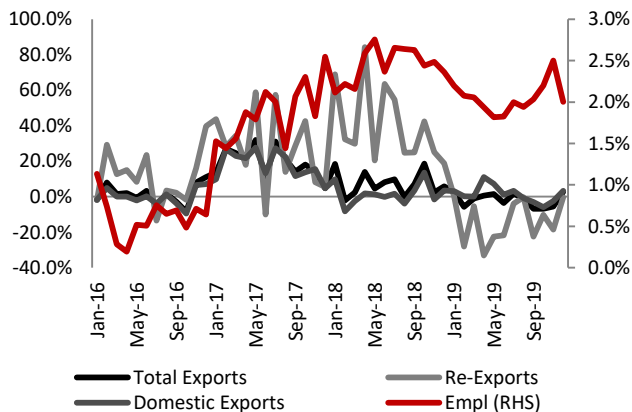
Source: CEIC, MIDFR

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



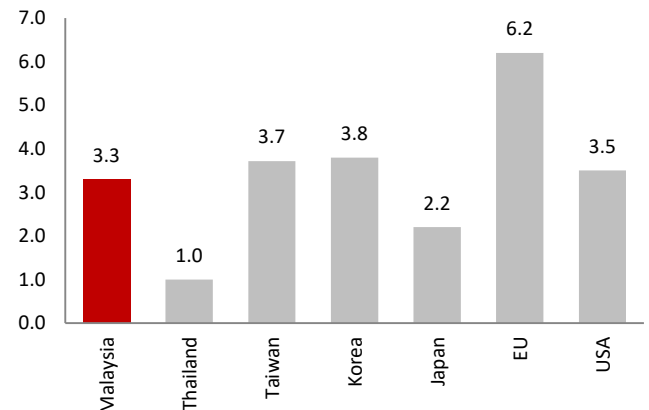
Source: CEIC, MIDFR

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



Source: CEIC, MIDFR

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



Source: CEIC, MIDFR

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