

## ECONOMIC REVIEW | January 2019 Labour Market

### Job Market Steady But Skewed to Low-Skilled Segment

- *Labour market remains strong. Labour force expanded by 2.1%yoy to 15.5 million in Jan-19. Employment growth improved to 2.2%yoy to 15 million while jobs added in the economy registered at 6.8K. The number of unemployed contracted -0.2%yoy. In addition, growth in both labour force and employment has been outpacing unemployment growth for the last 23 months since Mar-17.*
- *Low value-added jobs continue to dominate. Malaysia's job vacancies are mainly dominated by low-skilled type of jobs. For instance, 77.6% of job vacancies last year were for elementary occupation and 11.8% for operators while left 10.6% for medium and high-skilled jobs. Prior GFC'09, job vacancies for low-skilled jobs were less than 50%.*
- *We forecast Malaysia's unemployment rate to average at 3.3% in 2019. The stable labour market is expected to impact positively to the economy via supporting private consumption as well as drive Malaysia's domestic economy through the growing consumer optimism.*

**Labour market remains strong.** Labour force expanded by 2.1%yoy to 15.5 million in Jan-19. Employment growth improved to 2.2%yoy to 15 million while jobs added in the economy registered at 6.8K. The number of unemployed contracted -0.2%yoy. In addition, growth in both labour force and employment has been outpacing unemployment growth for the last 23 months since Mar-17. The stable job market reflects healthy development of Malaysia's economy and providing a solid fundamental factor for the economy particularly in supporting domestic demand.

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

	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19
<b>Labour Force</b>	15,421	15,443	15,450	15,458	15,500	15,509
YoY%	2.6	2.6	2.4	2.5	2.3	2.1
<b>Employment</b>	14,897	14,927	14,937	14,941	14,986	14,993
YoY%	2.6	2.6	2.4	2.5	2.4	2.2
<b>Unemployment</b>	525	516	513	516	514	516
YoY%	1.6	0.4	0.8	2.2	1.7	(0.2)
<b>Outside Labour Force</b>	7,134	7,097	7,094	7,151	7,120	7,096
YoY%	(0.1)	(0.4)	(0.3)	0.4	0.5	0.3
<b>Unemployment Rate %</b>	3.4	3.3	3.3	3.4	3.3	3.3

Source: CEIC, MIDFR

**Supported by higher-than-expected exports growth.** In Jan-19, Malaysia's total exports grew 3.1%yoy, beat market consensus of 1.4%yoy. Both domestic exports and re-exports increased steadily by 3.6%yoy and 0.8%yoy respectively in the first month of 2019. Moving forward, we opine Malaysia's external trade and IPI performance will expand at a solid pace amid receding trade tension, gradual pick-up in commodity prices, strong domestic demand and low inflationary pressure which eventually be translated into an increase in jobs added, stable wage growth and indirectly provide additional support to Malaysia's domestic demand in 2019.

**2018 Job Vacancies close to 100K per month.** Monthly average of 2018 was 91.3k, lower than 2017's average of 123k. Most of the job vacancies were contributed by manufacturing (31.5K per month), agriculture (20K), services (19.9K) and construction (15.9K). Moving into 2019, we expect an increase in job vacancies particularly for agriculture, mining and construction sectors amid gradual pick-up in global commodity prices and increase in government investments. For 1H19, we expect moderating trend of job vacancies in manufacturing sector due to global trade uncertainties.

**Low value-added jobs continue to dominate.** Malaysia's job vacancies are mainly dominated by low-skilled type of jobs. For instance, 77.6% of job vacancies last year were for elementary occupation and 11.8% for operators while left 10.6% for medium and high-skilled jobs. Prior GFC'09, job vacancies for low-skilled jobs were less than 50%. In 2005, elementary occupation and operators constituted 30.9% and 15.4% of job vacancies respectively. High-skilled such as senior officials, professionals and technician held 19.8% in 2005 against 4.2% in 2018. In a simple word, for every 100 jobs offered in 2018, 89 opportunities are for low-skilled, 7 for medium-skilled and 4 for high-skilled workers.

**Table 2: Job Vacancies by Type & Sector ('000)**

	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18
<b>Total</b>	66.8	111.4	90.9	103.0	82.1	90.4
Legislators, Senior Officials & Managers	0.3	0.1	0.3	0.8	0.2	0.7
Professionals	1.2	1.7	1.0	1.8	1.3	1.2
Technicians & Associate Professionals	1.0	2.5	1.6	2.4	2.2	2.5
Clerical Workers	0.4	0.4	0.4	0.6	0.5	0.4
Service, Shop & Market Sales Workers	2.5	2.3	1.6	2.4	1.8	1.8
Skilled Agricultural & Fisheries Workers	0.2	0.1	0.4	0.1	0.2	0.2
Craft and Related Trades Workers	0.8	1.3	5.6	2.4	3.8	2.5
Plant & Machinery Operators & Assemblers	9.9	16.8	10.0	11.9	9.5	9.3
Elementary Occupations	50.5	86.3	70.0	80.8	62.5	71.9
<b>Agriculture, Forestry &amp; Fishing</b>	13.2	28.7	29.1	20.1	20.3	28.1
<b>Mining &amp; Quarrying</b>	0.0	0.2	1.9	0.3	0.1	0.0
<b>Manufacturing</b>	27.4	45.7	27.3	40.6	28.7	26.5
<b>Construction</b>	13.6	19.7	19.5	20.3	14.1	13.3
<b>Services</b>	12.5	17.2	13.1	21.8	18.8	22.4

Source: CEIC, MIDFR


\*Data Available Up Until Dec-18

**Stable job market globally.** Based on the latest data, jobless rate across major and emerging economies are mostly on full-employment condition. For instance, unemployment rate in the US is at 3.8% in Feb-19, slightly above the 49-year low of 3.7% while EU remains at 6.5%, lowest ever recorded since the creation of the union. Looking ahead, we foresee labour market will remain on healthy condition globally as global and emerging economies' manufacturing PMI remain on expansionary trend in Feb-19, both at 50.6 points. Receding global trade tension, gradual pick-up in commodity prices and moderate inflationary pressure are among key contributing factors supporting global trade activities in 2019.

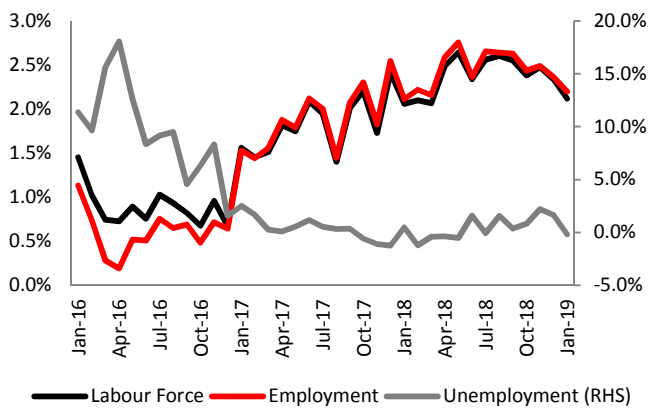
**Table 3: Global Unemployment Rate (%)**

	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19
Malaysia	3.4	3.3	3.3	3.4	3.3	3.3
Thailand	1.0	1.0	1.0	1.0	0.9	1.0
Taiwan	3.7	3.7	3.7	3.7	3.7	3.7
Korea	4.1	4.0	3.9	3.8	3.8	4.4
Japan	2.4	2.4	2.4	2.5	2.4	2.5
EU	6.7	6.7	6.7	6.6	6.6	6.5
USA	3.8	3.7	3.8	3.7	3.9	4.0

Source: CEIC, MIDFR

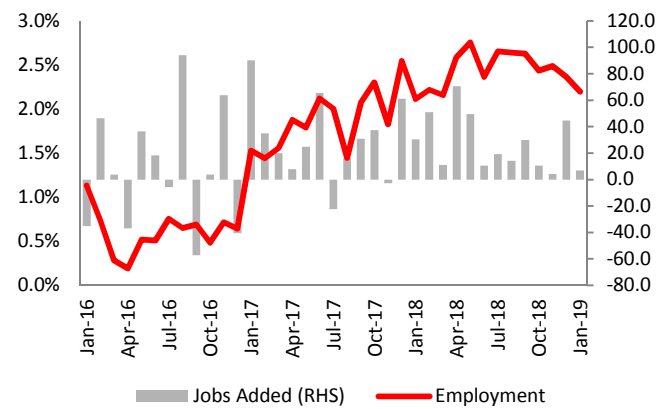
**We forecast Malaysia's unemployment rate to average at 3.3% in 2019.** The stable labour market is expected to impact positively to the economy via supporting private consumption as well as drive Malaysia's domestic economy through the growing consumer optimism. We predict labour market to stay on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



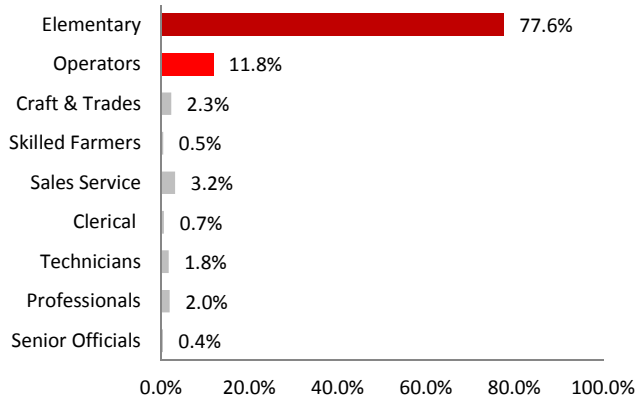
Source: CEIC, MIDFR

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



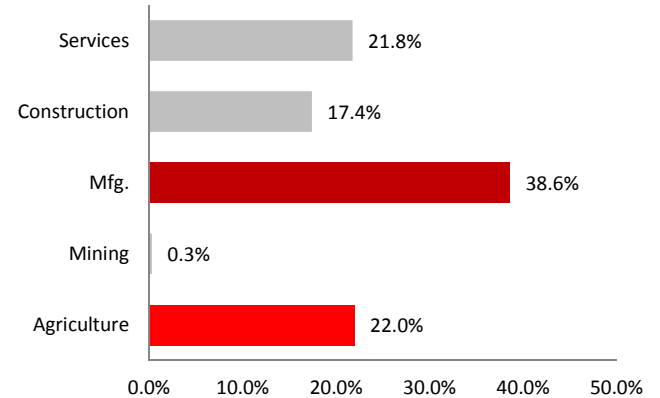
Source: CEIC, MIDFR

**Chart 3: Share of Job Vacancies by Type (%) in 2018**



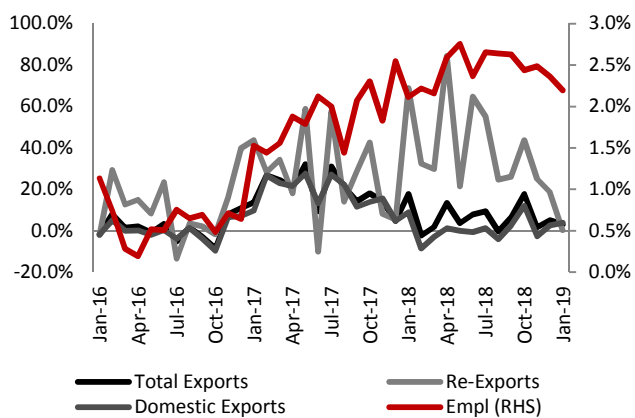
Source: CEIC, MIDFR

**Chart 4: Share of Job Vacancies by Sector (%) in 2018**



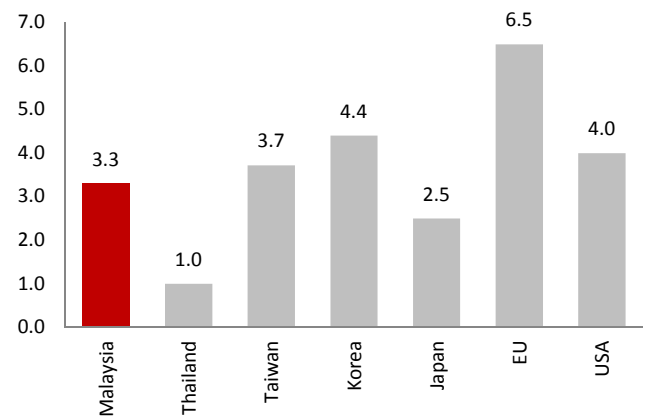
Source: CEIC, MIDFR

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



Source: CEIC, MIDFR

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



Source: CEIC, MIDFR

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