

## ECONOMIC REVIEW | July 2019 Labour Market

### Full-Employment Condition Remains with Increasing Share of Vacancies for Mid & High-Skilled Jobs

- *Labour market strengthens. Labour force grew by 2%yoy, the strongest gain in 3-month while employment growth maintained at 2%yoy, highest pace in 4-month with 45.2K jobs added in Jul-19. On the other hand, number of unemployed persons and outside of labour force rose by 1.2%yoy and 2.3%yoy respectively during the month.*
- *Share of low value-added jobs on declining trend. 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 Jun-19 went down further to 64.8%, the lowest since Dec-16. The remaining 35.2% are for medium and high-skilled jobs, particularly for Senior Officials, Professionals and Technicians.*
- *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 strengthens.** Labour force grew by 2%yoy, the strongest gain in 3-month while employment growth maintained at 2%yoy, highest pace in 4-month with 45.2K jobs added in Jul-19. On the other hand, number of unemployed persons and outside of labour force rose by 1.2%yoy and 2.3%yoy respectively during the month. Nevertheless, Malaysia's economy remains operating at full-employment condition as jobless rate is 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)**

	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19
<b>Labour Force</b>	15,543	15,557	15,613	15,642	15,656	15,705
YoY%	2.1	2.1	2.0	1.9	1.8	2.0
<b>Employment</b>	15,027	15,035	15,090	15,123	15,135	15,180
YoY%	2.1	2.1	1.9	1.8	1.8	2.0
<b>Unemployment</b>	516	521	523	520	521	525
YoY%	1.6	2.5	2.6	3.0	1.1	1.2
<b>Outside Labour Force</b>	7,146	7,169	7,184	7,190	7,157	7,208
YoY%	0.5	0.8	0.8	1.3	1.3	2.3
<b>Unemployment Rate %</b>	3.3	3.4	3.4	3.3	3.3	3.3

Source: CEIC, MIDFR

**External headwinds affect industrial and employment activities.** In Jul-19, total exports rebounded by 1.7%yoy after a contraction in the previous month. Domestic exports continued on improving trend while re-exports stayed on contractionary since Feb-19. In addition, IPI growth moderated to 1.2%yoy while manufacturing sales expanded by 6%yoy. Global trade uncertainties due to China vs USA trade war, 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 in 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%)**

	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19
Overall	2.0	2.0	1.8	1.7	1.4	1.1
Refined Petroleum Products	6.5	7.3	7.5	7.8	7.3	6.5
Organic Chemical & Inorganic Compounds excl Fertilizer	3.0	2.0	3.1	2.3	3.4	5.0
Basic Iron & Steel Products	2.5	1.1	0.1	(1.7)	(1.4)	0.8
Diode, Transistor & Electronic Integrated Circuit Mic	5.4	5.3	5.1	4.5	3.9	3.2
Electrical Capacitor Resistor, Circuit Board, Display Com	3.5	3.2	2.4	2.3	1.7	1.8
Computers & Peripherals Equipment	1.5	0.7	(0.1)	(1.5)	(5.6)	(5.8)

Source: CEIC, MIDFR

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

	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19
Overall	8.9	7.2	5.1	4.4	4.1	3.1
Refined Petroleum Products	25.1	9.3	10.7	12.2	7.5	2.2
Organic Chemical & Inorganic Compounds excl Fertilizer	16.8	16.0	12.8	4.9	3.0	2.9
Basic Iron & Steel Products	5.5	3.6	0.3	0.2	(2.1)	0.3
Diode, Transistor & Electronic Integrated Circuit Mic	35.2	30.5	17.2	13.2	13.7	12.3
Electrical Capacitor Resistor, Circuit Board, Display Com	3.1	(1.6)	0.2	0.2	1.8	1.8
Computers & Peripherals Equipment	6.1	(1.2)	(0.2)	(0.1)	(6.9)	(8.6)

Source: CEIC, MIDFR

**Job vacancies remain below 100K per month.** For the first half of 2019, monthly average job vacancies are 84K (2017: 122.8K, 2018: 91.3K). The slight slowdown is in tandem with the current macroeconomic patterns. 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, 2.9K and 2.8K respectively in 1H19 (2018: 0.4K, 1.8K & 1.6K). Meanwhile, average vacancies for elementary occupation (low-skilled) registered at 58K (2018: 71K). On sectoral basis, manufacturing saw the highest vacancies of 31.1K, followed by services and agriculture of 23.7K and 18.2K respectively in 1H19.

**Share of low value-added jobs on declining trend.** 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 Jun-19 went down further to 64.8%, the lowest since Dec-16. The remaining 35.2% 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.

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

	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19
<b>Total</b>	106.8	74.1	100.2	105.1	66.5	59.8
Legislators, Senior Officials & Managers	0.6	0.7	1.3	0.8	0.3	1.0
Professionals	3.5	1.7	2.7	3.8	3.5	2.6
Technicians & Associate Professionals	2.6	3.7	3.6	3.0	1.5	2.6
Clerical Workers	0.7	0.7	1.3	1.3	0.6	1.0
Service, Shop & Market Sales Workers	4.0	3.2	4.8	4.3	2.1	2.7
Skilled Agricultural & Fisheries Workers	0.0	0.1	0.3	0.2	0.2	0.2
Craft and Related Trades Workers	2.3	1.9	3.6	3.8	2.8	2.4
Plant & Machinery Operators & Assemblers	16.3	12.0	15.0	17.4	11.3	8.7
Elementary Occupations	76.9	50.1	67.8	70.4	44.2	38.7
<b>Agriculture, Forestry &amp; Fishing</b>	26.8	10.9	23.8	24.1	12.1	11.4
<b>Mining &amp; Quarrying</b>	1.4	0.2	0.1	0.2	0.1	0.1
<b>Manufacturing</b>	35.2	28.3	36.2	40.9	27.6	18.6
<b>Construction</b>	16.1	12.4	15.4	11.7	8.3	8.5
<b>Services</b>	27.4	22.4	24.7	28.2	18.5	21.2

Source: CEIC, MIDFR


\*Data Available Up Until Jun-19

**Jobless rate globally remains at stable level.** 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 158k per month, still lower than the previous year's 223k per month. Across the globe, unemployment rate stay stable, reflecting full-employment condition. Meanwhile, unemployment rate in the EU maintained at 6.3%, 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

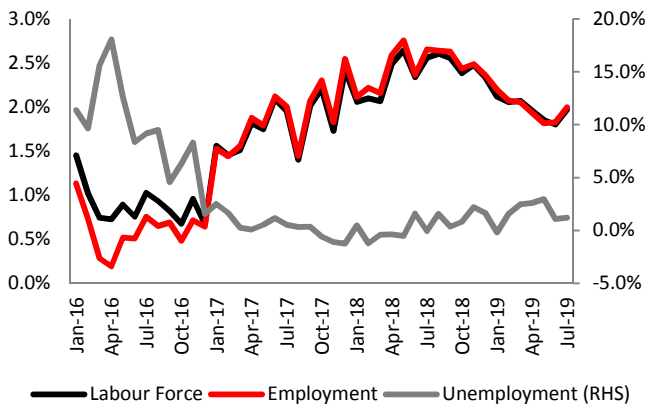
**Table 5: Global Unemployment Rate (%)**

	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19
Malaysia	3.3	3.4	3.4	3.3	3.3	3.3
Thailand	0.8	0.9	1.0	1.1	0.9	1.1
Taiwan	3.7	3.7	3.7	3.8	3.7	3.7
Korea	3.7	3.8	4.1	4.0	4.0	4.0
Japan	2.3	2.5	2.4	2.4	2.3	2.2
EU	6.5	6.4	6.4	6.3	6.3	6.3
USA	3.8	3.8	3.6	3.6	3.7	3.7

Source: CEIC, MIDFR

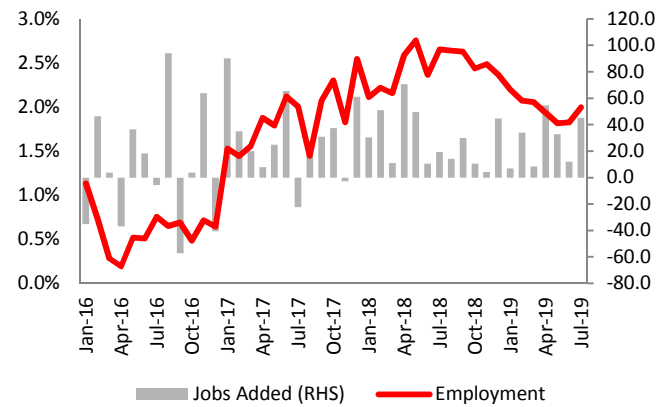
**We maintain our forecast of Malaysia’s unemployment rate at average of 3.3% in 2019.** The stable labour market is expected to impact positively on the economy – supporting private consumption as it drives the domestic economy through growing consumer optimism. We predict the labour market to stay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



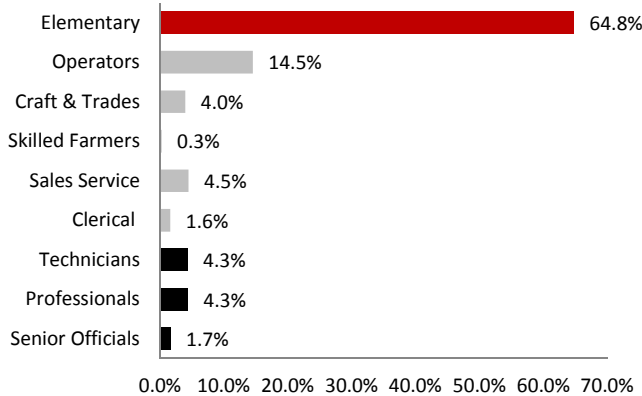
Source: CEIC, MIDFR

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



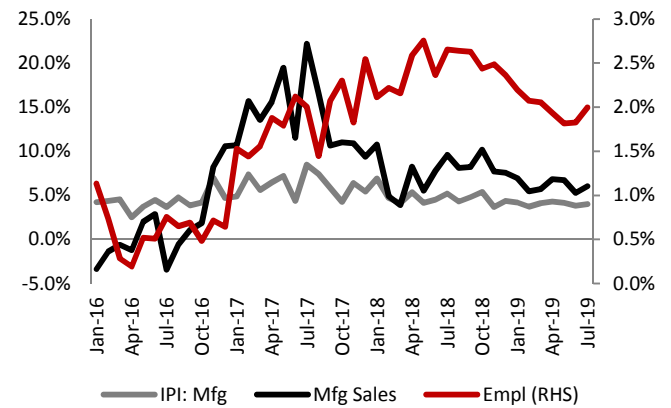
Source: CEIC, MIDFR

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



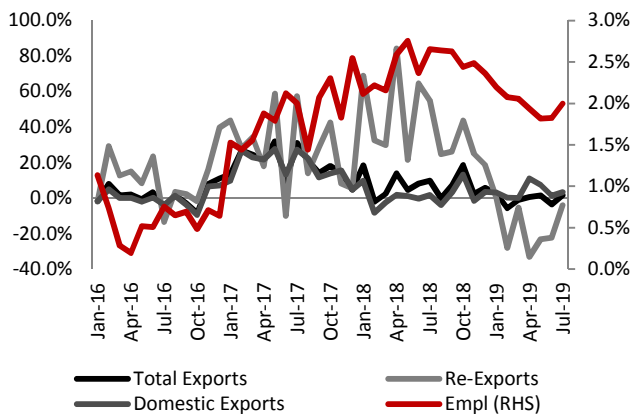
Source: CEIC, MIDFR  
\* Data Available Up Until Jun-19

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



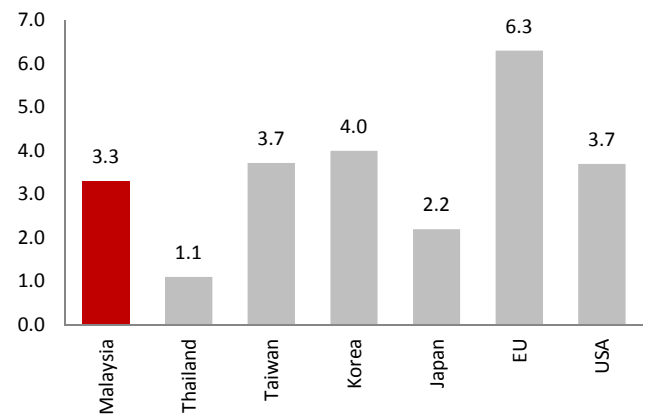
Source: CEIC, MIDFR

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



Source: CEIC, MIDFR

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



Source: CEIC, MIDFR

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