

ECONOMIC REVIEW | March 2019 Labour Market

Labour Market Remains Firm but Showing Sign of Moderation – Unemployment Rate Inched Up to 3.4%

- *Labour market remains stable. Labour force growth has sustained at 2.1%yoy in Mar-19. Similarly, employment growth has maintained at 2.1%yoy while jobs added in the economy recorded at 8.4k. Meanwhile, the number of unemployment increased further by 2.5%yoy, outpacing growth in both labour force and employment for the first time after 2 years.*
- *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 83.9%, the lowest since Feb-17. Meanwhile, the remaining 16.1% are for medium and high-skilled jobs.*
- *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 has sustained at 2.1%yoy in Mar-19. Similarly, employment growth has maintained at 2.1%yoy while jobs added in the economy recorded at 8.4k. Meanwhile, the number of unemployment increased further by 2.5%yoy, outpacing growth in both labour force and employment for the first time after 2 years. 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)

	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19
Labour Force	15,450	15,458	15,500	15,509	15,543	15,557
YoY%	2.4	2.5	2.3	2.1	2.1	2.1
Employment	14,937	14,941	14,986	14,993	15,027	15,035
YoY%	2.4	2.5	2.4	2.2	2.1	2.1
Unemployment	513	516	514	516	516	521
YoY%	0.8	2.2	1.7	(0.2)	1.6	2.5
Outside Labour Force	7,094	7,151	7,120	7,096	7,146	7,169
YoY%	(0.3)	0.4	0.5	0.3	0.5	0.8
Unemployment Rate %	3.3	3.4	3.3	3.2	3.3	3.4

Source: CEIC, MIDFR

Recovery in domestic and external trade activities. In Mar-19, Malaysia exports contracted for the second consecutive month in Mar-19 however at a far lower pace of -0.5%yoy compared to -5.3%yoy in the previous month, gaining back the momentum as CNY holidays end. Domestic exports grew by 0.7%yoy, four consecutive months of positive growth while re-exports which have low domestic value-added contracted for the second consecutive month at -5.4%yoy but better than a double digit drop in the prior month. In addition, IPI grew firmly by 3.1%yoy in Mar-19 compared to 1.7%yoy in Feb-19. Moving forward, we opine Malaysia's external trade and IPI performance to continue expanding amid gradual pick-up in commodity prices, strong domestic demand, lower OPR effects 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.

Job vacancies at 7-month low. Total job vacancies in Feb-19 recorded at 74.1k, the lowest since Jul-18. Vacancies are mainly observed in manufacturing sector at 28.3k, followed by services and construction registered at 22.4k and 12.4k respectively. The moderation in job vacancies was expected and in line with the performance of Malaysia's outbound shipments in Feb-19 which shrank by 5.3%yoy, the lowest in more than 2 years primarily due to a short calendar month on top of long Chinese New Year (CNY) holidays. Similarly, Malaysia's industrial production grew only by 1.7%yoy in Feb-19, the lowest since Jun-18. Looking ahead, we can expect job vacancies for Mar-19 to rebound correspondingly to Mar's external trade performances.

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 83.9%, the lowest since Feb-17. Meanwhile, the remaining 16.1% are for medium and high-skilled jobs. The figures were in line with the re-exports (which have low domestic value-added activities) performance during the month as it posted a double digit contraction of -28.1%yoy, worst since Aug-14. 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 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 2: Job Vacancies by Type & Sector ('000)

	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19
Total	90.9	103.0	82.1	90.4	106.8	74.1
Legislators, Senior Officials & Managers	0.3	0.8	0.2	0.7	0.6	0.7
Professionals	1.0	1.8	1.3	1.2	3.5	1.7
Technicians & Associate Professionals	1.6	2.4	2.2	2.5	2.6	3.7
Clerical Workers	0.4	0.6	0.5	0.4	0.7	0.7
Service, Shop & Market Sales Workers	1.6	2.4	1.8	1.8	4.0	3.2
Skilled Agricultural & Fisheries Workers	0.4	0.1	0.2	0.2	0.0	0.1
Craft and Related Trades Workers	5.6	2.4	3.8	2.5	2.3	1.9
Plant & Machinery Operators & Assemblers	10.0	11.9	9.5	9.3	16.3	12.0
Elementary Occupations	70.0	80.8	62.5	71.9	76.9	50.1
Agriculture, Forestry & Fishing	29.1	20.1	20.3	28.1	26.8	10.9
Mining & Quarrying	1.9	0.3	0.1	0.0	1.4	0.2
Manufacturing	27.3	40.6	28.7	26.5	35.2	28.3
Construction	19.5	20.3	14.1	13.3	16.1	12.4
Services	13.1	21.8	18.8	22.4	27.4	22.4

Source: CEIC, MIDFR

*Data Available Up Until Jan-19

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 maintained at 3.8% in Mar-19, slightly above the 49-year low of 3.7% while the EU figure inched down to 6.4%, hitting fresh record low since the creation of the union. Looking ahead, we foresee labour market to remain healthy globally as global and emerging economies' manufacturing PMIs remain on expansionary trend in Apr-19 at 50.3 and 50.5 points respectively.

Table 3: Global Unemployment Rate (%)

	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19
Malaysia	3.3	3.3	3.4	3.3	3.2	3.3	3.4
Thailand	1.0	1.0	1.0	0.9	1.0	0.8	0.9
Taiwan	3.7	3.7	3.7	3.7	3.7	3.7	3.7
Korea	4.0	3.9	3.8	3.8	4.4	3.7	3.8
Japan	2.4	2.4	2.5	2.4	2.5	2.3	2.5
EU	6.7	6.7	6.6	6.6	6.5	6.5	6.4
USA	3.7	3.8	3.7	3.9	4.0	3.8	3.8

Source: CEIC, MIDFR


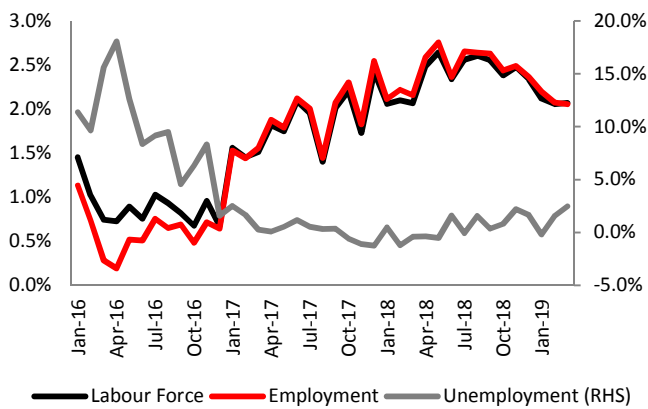
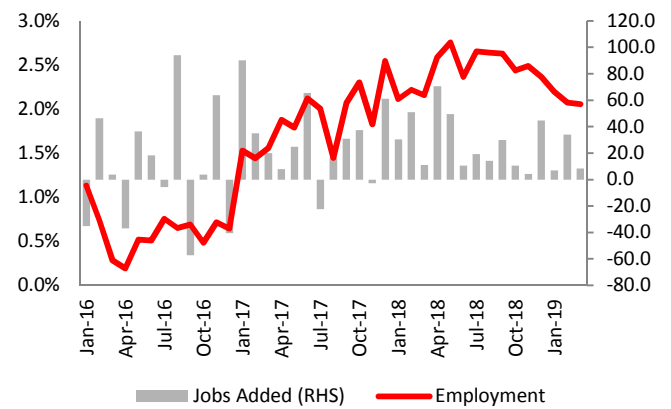
We maintain our forecast of Malaysia's unemployment rate at average of 3.3% in 2019. The stable labour market is expected to impact positively on the economy – supporting private consumption as it drives the domestic economy through growing consumer optimism. We predict the labour market to stay on expansion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



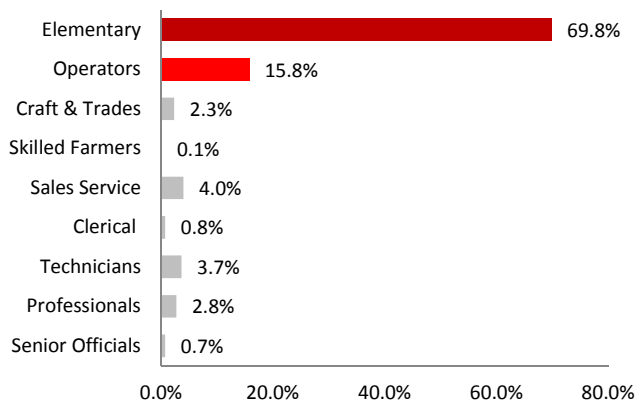
Source: CEIC, MIDFR

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



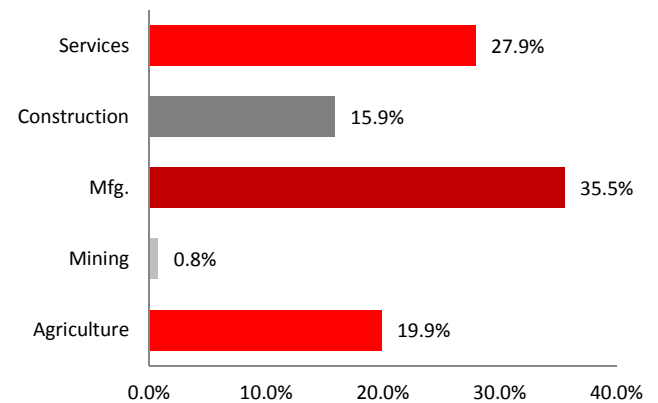
Source: CEIC, MIDFR

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



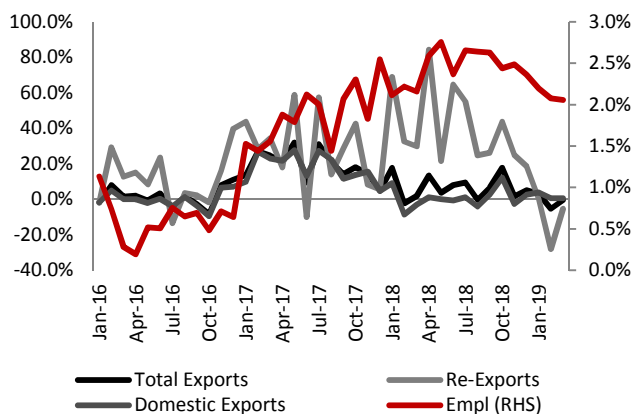
Source: CEIC, MIDFR

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



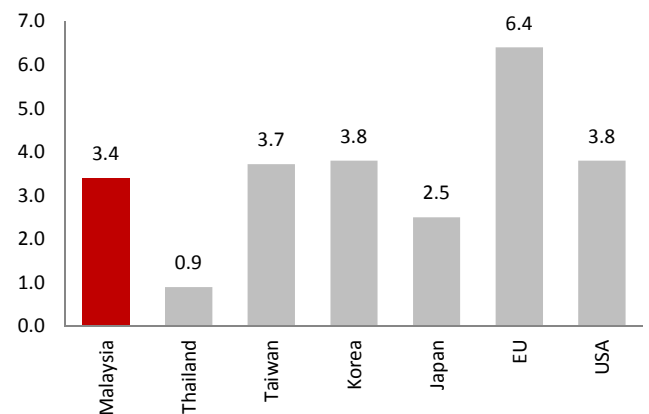
Source: CEIC, MIDFR

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



Source: CEIC, MIDFR

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



Source: CEIC, MIDFR

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