

## ECONOMIC REVIEW | May 2019 Labour Market

### Labor Market to Stay Stable amid Expectations of Positive Macro Performances

- Labour market remains stable. Labour force grew at 1.9%yoy in May-19, weakest gain in 18-month. Similarly, employment growth recorded at 1.8%yoy with monthly jobs added in the economy seen at 32.7K. Meanwhile, the number of unemployment increased further by 3%yoy, highest since Nov-16. Nevertheless, labour market remains steady as the economy is expected to continue expanding at a steady pace in 2H19.*
- 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 to the total vacancies in Apr-19 went down to 67%, the lowest since Feb-17 and share of operators at 16.6%. Meanwhile, the remaining 16.4% 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 grew at 1.9%yoy in May-19, weakest gain in 18-month. Similarly, employment growth recorded at 1.8%yoy with monthly jobs added in the economy seen at 32.7K. Meanwhile, the number of unemployment increased further by 3%yoy, highest since Nov-16. Nevertheless, labour market remains steady as the economy is expected to continue expanding at a steady pace in 2H19. The stable job market reflects full-employment condition, healthy development of Malaysia's economy and provides solid support to domestic demand.

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

	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19
<b>Labor Force</b>	15,500	15,509	15,543	15,557	15,613	15,642
YoY%	2.3	2.1	2.1	2.1	2.0	1.9
<b>Employment</b>	14,986	14,993	15,027	15,035	15,090	15,123
YoY%	2.4	2.2	2.1	2.1	1.9	1.8
<b>Unemployment</b>	514	516	516	521	523	520
YoY%	1.7	(0.2)	1.6	2.5	2.6	3.0
<b>Outside Labour Force</b>	7,120	7,096	7,146	7,169	7,184	7,190
YoY%	0.5	0.3	0.5	0.8	0.8	1.3
<b>Unemployment Rate %</b>	3.3	3.2	3.3	3.4	3.4	3.3

Source: CEIC, MIDFR

**Positive developments in domestic economic activities.** Overall macroeconomic activities continue on expansionary direction given that exports growth at 4-month high, IPI growth remains at 6-month high and distributive trade growth at 4-month high in May-19. 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. Nevertheless, we opine Malaysia's external trade and IPI performance to continue expanding at steady pace amid accommodative commodity prices, strong domestic demand, lower OPR effects and low inflationary pressure. This will eventually translated into an increase in jobs added, stable wage growth and indirectly provide additional support to Malaysia's domestic demand in 2019.

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

	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19
Overall	1.7	2.0	2.0	1.8	1.7	1.4
Refined Petroleum Products	5.2	6.5	7.3	7.5	7.8	7.3
Organic Chemical & Inorganic Compounds excl Fertilizer	(2.1)	3.0	2.0	3.1	2.3	3.4
Basic Iron & Steel Products	1.6	2.5	1.1	0.1	(1.7)	(1.4)
Diode, Transistor & Electronic Integrated Circuit Mic	4.9	5.4	5.3	5.1	4.5	3.9
Electrical Capacitor Resistor, Circuit Board, Display Com	3.7	3.5	3.2	2.4	2.3	1.7
Computers & Peripherals Equipment	2.1	1.5	0.7	(0.1)	(1.5)	(5.6)

Source: CEIC, MIDFR

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

	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19
Overall	10.1	8.9	7.2	5.1	4.4	4.1
Refined Petroleum Products	30.9	25.1	9.3	10.7	12.2	7.5
Organic Chemical & Inorganic Compounds excl Fertilizer	13.5	16.8	16.0	12.8	4.9	3.0
Basic Iron & Steel Products	6.7	5.5	3.6	0.3	0.2	(2.1)
Diode, Transistor & Electronic Integrated Circuit Mic	27.9	35.2	30.5	17.2	13.2	13.7
Electrical Capacitor Resistor, Circuit Board, Display Com	7.5	3.1	(1.6)	0.2	0.2	1.8
Computers & Peripherals Equipment	7.8	6.1	(1.2)	(0.2)	(0.1)	(6.9)

Source: CEIC, MIDFR

**Job vacancies on improving trend.** Average job vacancies for the first four months of 2019 are at 96.6K, higher than 2018's average of 91.3K. Most notably, the average vacancies for high & mid-skilled jobs are on the rise while low-skilled jobs are reducing. Jan-Apr'19 average job vacancies for senior officials, professionals and technicians are 0.8K, 2.9K and 3.2K respectively. 2018 average vacancies for the top three jobs are 0.4K, 1.8K and 1.6K respectively. On a flip side, vacancies for low-skilled job such as elementary occupation registered 66.3K monthly average so far in 2019 against 71K recorded in 2018.

**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 to the total vacancies in Apr-19 went down to 67%, the lowest since Feb-17 and share of operators at 16.6%. Meanwhile, the remaining 16.4% are for medium and high-skilled jobs. 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)**

	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19
<b>Total</b>	82.1	90.4	106.8	74.1	100.2	105.1
Legislators, Senior Officials & Managers	0.2	0.7	0.6	0.7	1.3	0.8
Professionals	1.3	1.2	3.5	1.7	2.7	3.8
Technicians & Associate Professionals	2.2	2.5	2.6	3.7	3.6	3.0
Clerical Workers	0.5	0.4	0.7	0.7	1.3	1.3
Service, Shop & Market Sales Workers	1.8	1.8	4.0	3.2	4.8	4.3
Skilled Agricultural & Fisheries Workers	0.2	0.2	0.0	0.1	0.3	0.2
Craft and Related Trades Workers	3.8	2.5	2.3	1.9	3.6	3.8
Plant & Machinery Operators & Assemblers	9.5	9.3	16.3	12.0	15.0	17.4
Elementary Occupations	62.5	71.9	76.9	50.1	67.8	70.4
<b>Agriculture, Forestry &amp; Fishing</b>	20.3	28.1	26.8	10.9	23.8	24.1
<b>Mining &amp; Quarrying</b>	0.1	0.0	1.4	0.2	0.1	0.2
<b>Manufacturing</b>	28.7	26.5	35.2	28.3	36.2	40.9
<b>Construction</b>	14.1	13.3	16.1	12.4	15.4	11.7
<b>Services</b>	18.8	22.4	27.4	22.4	24.7	28.2

Source: CEIC, MIDFR


\*Data Available Up Until Apr-19

**Jobless rate globally remains at stable level.** Jobless rate in the US maintained at low levels, 3.7% in Jun-19. Nonfarm payrolls (NFP) in the US increased by 224k in June-19 (May-19: 72k) and easily exceeded market expectations of 160k. Notable gains can be observed in professional & business services, health care and transportation & warehousing. However, the average NFP so far in 2019 is 173k per month, still lower than the previous year's 223K per month. Henceforth, the moderating NFP trend indirectly suggesting the Fed to consider for a rate cut in the near term. Across the globe, unemployment rate in EU further declined to 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.

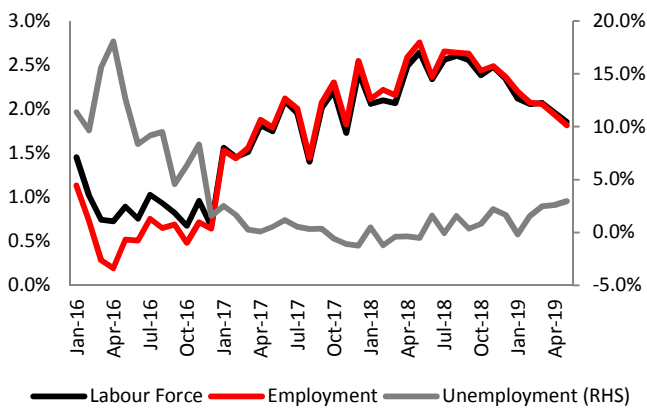
**Table 5: Global Unemployment Rate (%)**

	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19
Malaysia	3.3	3.2	3.3	3.4	3.4	3.3
Thailand	0.9	1.0	0.8	0.9	1.0	1.1
Taiwan	3.7	3.7	3.7	3.7	3.7	3.8
Korea	3.8	4.4	3.7	3.8	4.1	4.0
Japan	2.4	2.5	2.3	2.5	2.4	2.4
EU	6.6	6.5	6.5	6.4	6.4	6.3
USA	3.9	4.0	3.8	3.8	3.6	3.6

Source: CEIC, MIDFR

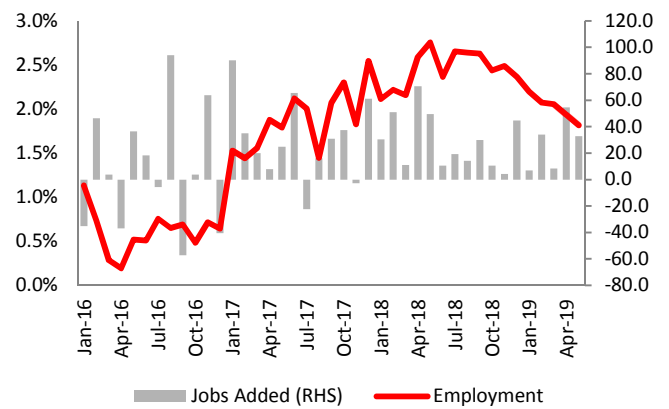
**We maintain our forecast of Malaysia’s unemployment rate at average of 3.3% in 2019.** The stable labour market is expected to impact positively on the economy – supporting private consumption as it drives the domestic economy through growing consumer optimism. We predict the labour market to stay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



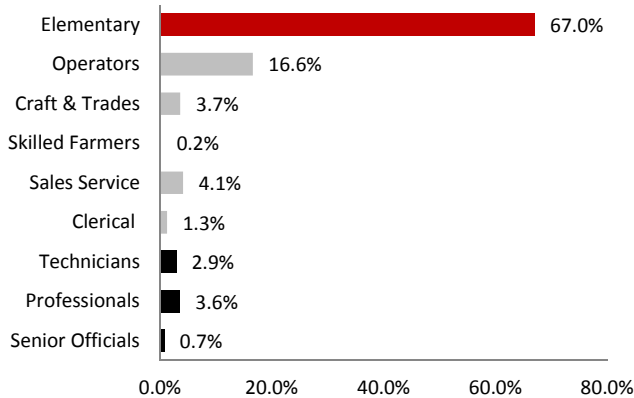
Source: CEIC, MIDFR

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



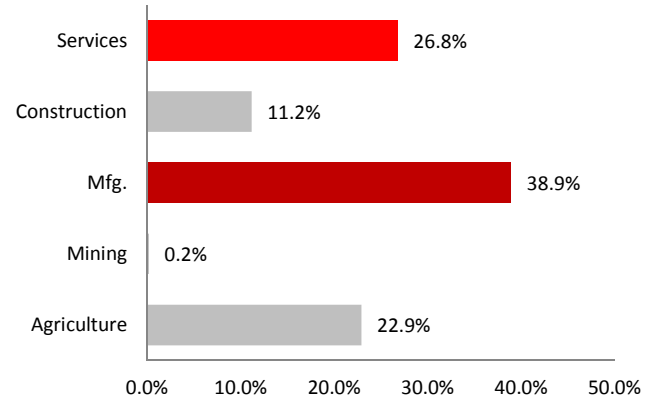
Source: CEIC, MIDFR

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



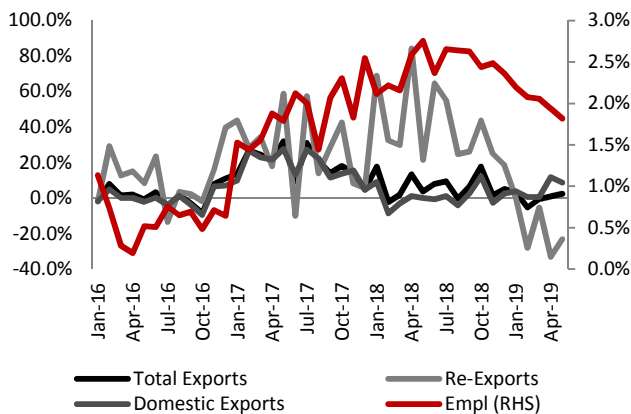
Source: CEIC, MIDFR  
\* Data Available Up Until Apr-19

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



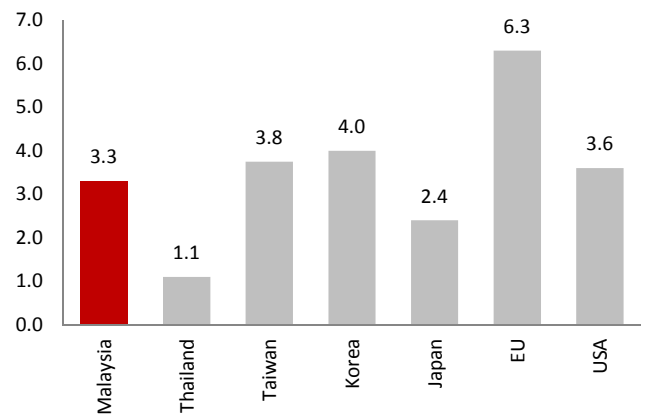
Source: CEIC, MIDFR  
\* Data Available Up Until Apr-19

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



Source: CEIC, MIDFR

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



Source: CEIC, MIDFR

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