

ECONOMIC REVIEW | November 2019 Labour Market

Continuous Strong Labor Market Provides Solid Foundation for Domestic Demand in 2020

- *Employment growth rebounded to 1-year high. Malaysia's labour market and employment expanded strongly by 2.4%yoy and 2.5%yoy respectively in Nov-19, the fastest pace in 12-month. Unemployment contracted further by -0.4%yoy, maintaining jobless rate at 9-month low, 3.2%.*
- *Share of low value-added near 3-year low. Malaysia's job vacancies continued to be dominated by low-skilled type of jobs. However, the average share of elementary occupations to the total vacancies in 2019 so far declined to 67.2%, the lowest in 3-year. The remaining 32.8% are for medium and high-skilled jobs, particularly for Senior Officials, Professionals and Technicians.*
- *We forecast of Malaysia's unemployment rate at average of 3.3% in 2020. Malaysia's labour market is expected to continue operating at full-employment condition next 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.*

Employment growth rebounded to 1-year high. Malaysia's labour market and employment expanded strongly by 2.4%yoy and 2.5%yoy respectively in Nov-19, the fastest pace in 12-month. Unemployment contracted further by -0.4%yoy, maintaining jobless rate at 9-month low, 3.2%. Despite deterioration in external trade performance, improvement in job market is possibly due to stable expansion of IPI particularly domestic-oriented industries and commodity-based sectors. We opine the stable job market would provide solid foundation for Malaysia's domestic demand to grow at solid pace in 2020.

Table 1: Summary of Labour Market ('000)

	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19
Labour Force	15,656	15,705	15,706	15,751	15,778	15,830
YoY%	1.8	2.0	1.8	2.0	2.1	2.4
Employment	15,135	15,180	15,186	15,230	15,266	15,320
YoY%	1.8	2.0	1.9	2.0	2.2	2.5
Unemployment	521	525	520	521	512	514
YoY%	1.1	1.2	(0.9)	1.0	(0.2)	(0.4)
Outside Labour Force	7,157	7,208	7,172	7,160	7,175	7,170
YoY%	1.3	2.3	0.5	0.9	1.1	0.3
Unemployment Rate %	3.3	3.3	3.3	3.3	3.2	3.2

Source: CEIC, MIDFR

Manufacturing employment improved slightly. In Nov-19, employment growth in manufacturing sector grew by 1.2%yoy, better than the 3-year low recorded in the previous month. E&E industries remain sluggish as employment in electrical capacitor etc. and computers & peripherals equipment shrank by -0.2%yoy and -5.6%yoy respectively. This is 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 next year due to challenging external demand. Nevertheless, domestic-oriented industries and commodity-based segments 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%)

	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19
Overall	1.1	1.3	1.3	1.2	1.0	1.2
Refined Petroleum Products	6.5	7.5	6.4	5.7	3.6	2.5
Organic Chemical & Inorganic Compounds excl. Fertilizer	5.0	5.8	7.9	7.9	7.0	6.9
Basic Iron & Steel Products	0.8	0.4	0.5	0.2	1.2	2.9
Diode, Transistor & Electronic Integrated Circuit Mic	3.2	3.3	2.6	2.2	1.8	1.2
Electrical Capacitor Resistor, Circuit Board, Display Com	1.8	2.4	1.2	1.2	0.1	(0.2)
Computers & Peripherals Equipment	(5.8)	(7.3)	(5.9)	(6.2)	(5.7)	(5.6)

Source: CEIC, MIDFR

Table 3: Manufacturing Payrolls (YoY%)

	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19
Overall	3.1	3.4	3.3	2.8	2.5	3.1
Refined Petroleum Products	2.2	4.9	4.6	3.0	2.2	1.1
Organic Chemical & Inorganic Compounds excl. Fertilizer	2.9	7.3	10.5	8.0	8.5	8.8
Basic Iron & Steel Products	0.3	1.1	1.4	0.5	0.9	4.0
Diode, Transistor & Electronic Integrated Circuit Mic	12.3	12.7	14.6	13.1	8.8	8.2
Electrical Capacitor Resistor, Circuit Board, Display Com	1.8	(1.8)	(2.4)	1.2	(2.8)	1.5
Computers & Peripherals Equipment	(8.6)	(8.0)	(9.5)	(14.7)	(8.3)	(9.0)

Source: CEIC, MIDFR

Job vacancies remain below 100K per month. Job vacancies recorded at 80.4K in Oct-19, the sixth consecutive months of readings below 100K. For the first 10 months of 2019, monthly average job vacancies were 83.8K (2018: 91.3K). 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, 2.8K and 3.1K respectively in first 10 months of 2019 (2018: 0.4K, 1.8K & 1.6K). Meanwhile, average vacancies for elementary occupation (low-skilled) registered at 56.5K (2018: 71K). On sectoral basis, manufacturing saw the highest vacancies of 29.9K, followed by services and agriculture of 23.8K and 17.8K respectively in the first 10 months of 2019.

Share of low value-added near 3-year low. Malaysia's job vacancies continued to be dominated by low-skilled type of jobs. However, the average share of elementary occupations to the total vacancies in 2019 so far declined to 67.2%, the lowest in 3-year. The remaining 32.8% 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 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)

	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19
Total	66.5	59.8	90.8	78.4	75.5	80.4
Legislators, Senior Officials & Managers	0.3	1.0	0.8	0.7	0.9	0.7
Professionals	3.5	2.6	3.2	2.3	2.5	2.7
Technicians & Associate Professionals	1.5	2.6	4.5	3.3	2.3	3.9
Clerical Workers	0.6	1.0	1.7	1.3	0.6	1.1
Service, Shop & Market Sales Workers	2.1	2.7	4.6	3.5	4.4	3.4
Skilled Agricultural & Fisheries Workers	0.2	0.2	0.1	0.1	0.2	0.5
Craft and Related Trades Workers	2.8	2.4	1.6	4.5	2.0	2.4
Plant & Machinery Operators & Assemblers	11.3	8.7	11.4	12.3	13.9	11.4
Elementary Occupations	44.2	38.7	63.0	50.5	48.9	54.2
Agriculture, Forestry & Fishing	12.1	11.4	23.2	15.3	13.5	16.4
Mining & Quarrying	0.1	0.1	0.5	0.1	0.2	0.3
Manufacturing	27.6	18.6	28.6	26.2	29.5	28.0
Construction	8.3	8.5	11.5	15.1	10.3	10.6
Services	18.5	21.2	26.9	21.8	21.9	25.1

Source: CEIC, MIDFR

*Data Available Up Until Oct-19

Global unemployment rate at low levels. Jobless rate across developed and emerging economies remain at stable and trending downwards. Despite global trade war and political instability, unemployment rate in the US maintained at 50-year low at 3.5% in Nov-19. 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 trade war and volatility in commodity prices as accommodative fiscal and monetary policies and steady domestic demand will provide support for economic and employment growth.

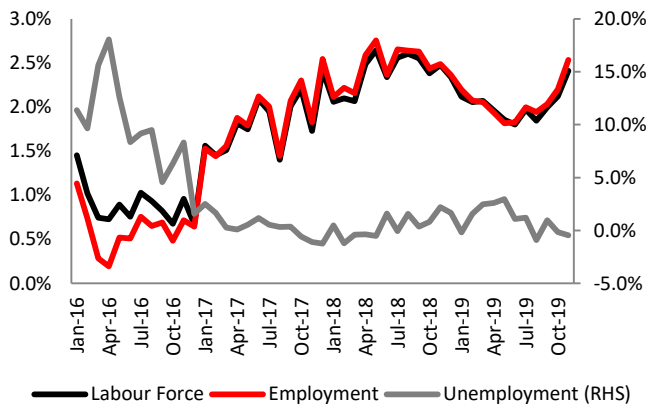
Table 5: Global Unemployment Rate (%)

	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19
Malaysia	3.3	3.3	3.3	3.3	3.2	
Thailand	0.9	1.1	1.0	1.0	0.9	1.1
Taiwan	3.7	3.7	3.7	3.7	3.7	3.7
Korea	4.0	4.0	3.1	3.4	3.5	3.6
Japan	2.3	2.2	2.2	2.4	2.4	2.2
EU	6.3	6.3	6.3	6.3	6.3	6.3
USA	3.7	3.7	3.7	3.5	3.6	3.5

Source: CEIC, MIDFR

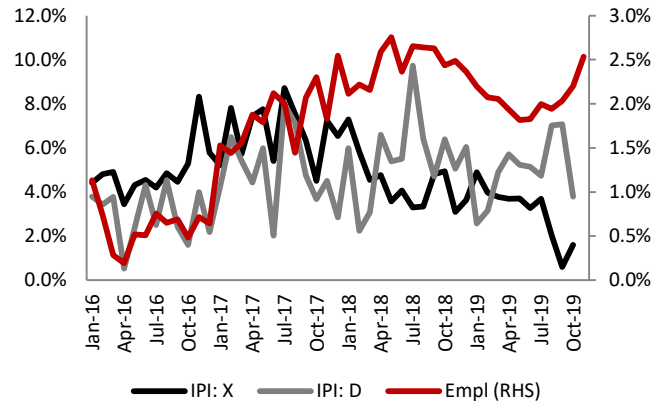
We forecast of Malaysia's unemployment rate at average of 3.3% in 2020. Malaysia's labour market is expected to continue operating at full-employment condition next year. The stable labour market will support domestic demand to remain as the backbone of Malaysia's GDP growth. We predict employment to grow at solid pace in domestic-oriented industries of manufacturing sector, commodity-based sectors, construction and services sector. Employment in export-oriented industries is expected to moderate next year due to heightened trade tension and political instability in developed economies namely USA and EU. 📈

Chart 1: Labour Market Key Indicators (YoY%)



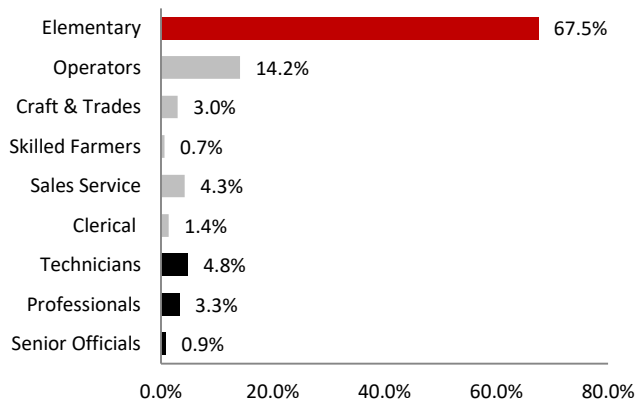
Source: CEIC, MIDFR

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



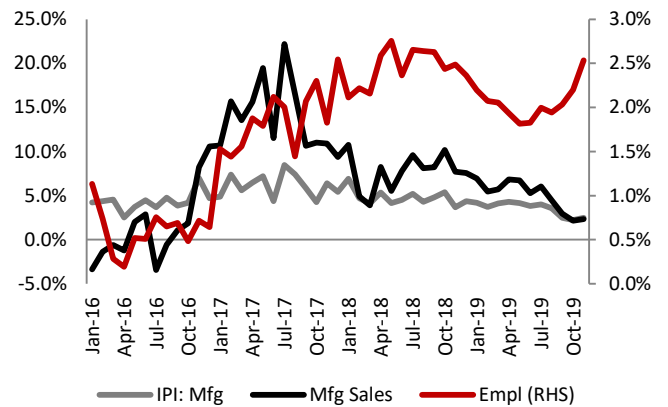
Source: CEIC, MIDFR

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



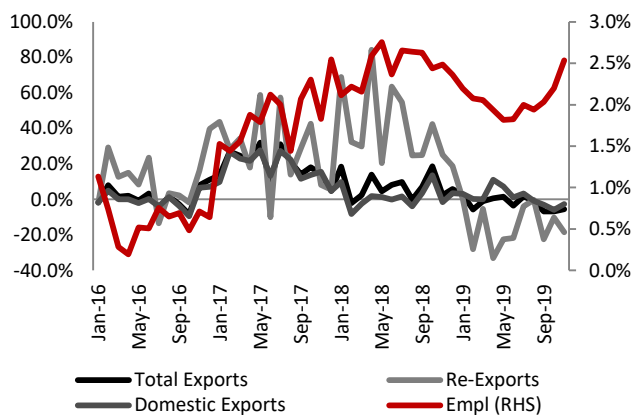
Source: CEIC, MIDFR

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



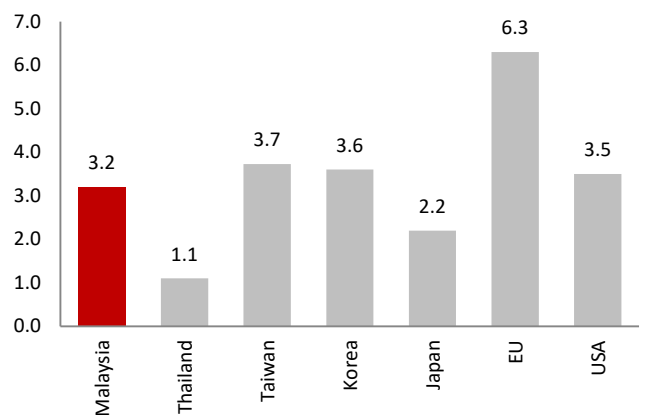
Source: CEIC, MIDFR

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



Source: CEIC, MIDFR

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



Source: CEIC, MIDFR

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