

ECONOMIC REVIEW | September 2019 Labour Market

Uptick in Labour Market despite Challenging External Front

- Labour market strengthens. Labour force and employment returned to 2%yoy growth with 44.1K jobs added in Sep-19. Meanwhile, number of unemployed rebounded by 1%yoy from -0.9%yoy recorded in the previous month. Overall, Malaysia's economy remains operating at full-employment condition as jobless rate remains at low level of 3.3%.*
- Share of low value-added near 3-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 Aug-19 went down to 64.4%, the lowest since Dec-16. The remaining 35.6% 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.*
- 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 amid upbeat industrial production activities and steady domestic demand. We opine Malaysia's jobless rate to remain under a full-employment condition, with the unemployment rate of 3.3% in 2019.*

Labour market strengthens. Labour force and employment returned to 2%yoy growth with 44.1K jobs added in Sep-19. Meanwhile, number of unemployed rebounded by 1%yoy from -0.9%yoy recorded in the previous month. Overall, Malaysia's economy remains operating at full-employment condition as jobless rate remains 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)

	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19
Labour Force	15,613	15,642	15,656	15,705	15,706	15,751
YoY%	2.0	1.9	1.8	2.0	1.8	2.0
Employment	15,090	15,123	15,135	15,180	15,186	15,230
YoY%	1.9	1.8	1.8	2.0	1.9	2.0
Unemployment	523	520	521	525	520	521
YoY%	2.6	3.0	1.1	1.2	(0.9)	1.0
Outside Labour Force	7,184	7,190	7,157	7,208	7,172	7,160
YoY%	0.8	1.3	1.3	2.3	0.5	0.9
Unemployment Rate %	3.4	3.3	3.3	3.3	3.3	3.3

Source: CEIC, MIDFR

Weak external trade performance triggers fear on employment. In Sep-19, export contraction fell to near the lowest rate in 3-years at -6.8%yoy. The second consecutive month of negative growth was due to weak performances in all major sectors. Manufacturing export which accounted for circa 85% of total exports contracted by -5.8%yoy. Domestic export dropped further to -2.9%yoy, the lowest rate since Aug-18. Meanwhile, re-export continued to decline at a higher rate of -22.4%yoy, against the recovery trend observed since May-19. In addition, IPI continued expanding but at a moderating pace of 1.7%yoy while manufacturing sales moderated to near 3-year low. Global trade uncertainties especially on US-China trade war are affecting Malaysia's export-oriented industries especially manufacturing. That would eventually affect Malaysia's employment numbers. Nevertheless, OPR cut and global easing monetary policy measures are supportive to demand and expected to cushion some of the unfavourable impacts.

Table 2: Manufacturing Employment (YoY%)

	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19
Overall	1.7	1.4	1.1	1.3	1.3	1.3
Refined Petroleum Products	7.8	7.3	6.5	7.5	6.4	5.7
Organic Chemical & Inorganic Compounds excl Fertilizer	2.3	3.4	5.0	5.8	7.9	7.9
Basic Iron & Steel Products	(1.7)	(1.4)	0.8	0.4	0.5	0.2
Diode, Transistor & Electronic Integrated Circuit Mic	2.3	1.7	1.8	2.4	1.2	1.2
Electrical Capacitor Resistor, Circuit Board, Display Com	(3.9)	(3.2)	(1.2)	4.3	10.2	12.8
Computers & Peripherals Equipment	(1.9)	(0.4)	(1.9)	(0.3)	0.6	1.5

Source: CEIC, MIDFR

Table 3: Manufacturing Payrolls (YoY%)

	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19
Overall	4.4	4.1	3.1	3.4	3.3	2.8
Refined Petroleum Products	12.2	7.5	2.2	4.9	4.6	3.0
Organic Chemical & Inorganic Compounds excl Fertilizer	4.9	3.0	2.9	7.3	10.5	8.0
Basic Iron & Steel Products	0.2	(2.1)	0.3	1.1	1.4	0.5
Diode, Transistor & Electronic Integrated Circuit Mic	13.2	13.7	12.3	12.7	14.6	13.1
Electrical Capacitor Resistor, Circuit Board, Display Com	0.2	1.8	1.8	(1.8)	(2.4)	1.2
Computers & Peripherals Equipment	(0.1)	(6.9)	(8.6)	(8.0)	(9.5)	(14.7)

Source: CEIC, MIDFR

Job vacancies remain below 100K per month. Job vacancies recorded at 78.4K in Aug-19, the fourth consecutive months below 100K. For the first 8 months of 2019, monthly average job vacancies are 85.2K (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, 2.9K and 3.1K respectively in first 8 months of 2019 (2018: 0.4K, 1.8K & 1.6K). Meanwhile, average vacancies for elementary occupation (low-skilled) registered at 57.7K (2018: 71K). On sectoral basis, manufacturing saw the highest vacancies of 30.2K, followed by services and agriculture of 23.9K and 18.4K respectively in the first 8 months of 2019.

Share of low value-added near 3-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 Aug-19 went down to 64.4%, the lowest since Dec-16. The remaining 35.6% 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 more vacancies 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)

	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19
Total	100.2	105.1	66.5	59.8	90.8	78.4
Legislators, Senior Officials & Managers	1.3	0.8	0.3	1.0	0.8	0.7
Professionals	2.7	3.8	3.5	2.6	3.2	2.3
Technicians & Associate Professionals	3.6	3.0	1.5	2.6	4.5	3.3
Clerical Workers	1.3	1.3	0.6	1.0	1.7	1.3
Service, Shop & Market Sales Workers	4.8	4.3	2.1	2.7	4.6	3.5
Skilled Agricultural & Fisheries Workers	0.3	0.2	0.2	0.2	0.1	0.1
Craft and Related Trades Workers	3.6	3.8	2.8	2.4	1.6	4.5
Plant & Machinery Operators & Assemblers	15.0	17.4	11.3	8.7	11.4	12.3
Elementary Occupations	67.8	70.4	44.2	38.7	63.0	50.5
Agriculture, Forestry & Fishing	23.8	24.1	12.1	11.4	23.2	15.3
Mining & Quarrying	0.1	0.2	0.1	0.1	0.5	0.1
Manufacturing	36.2	40.9	27.6	18.6	28.6	26.2
Construction	15.4	11.7	8.3	8.5	11.5	15.1
Services	24.7	28.2	18.5	21.2	26.9	21.8

Source: CEIC, MIDFR

*Data Available Up Until Jul-19

Still stable global labour market. Unemployment rate in most of the key economies maintain in Aug-19 except for the US which went down further while South Korea and Japan ticked upward. Unemployment rate in the US fell to the lowest since 1969 at 3.5%. Nonfarm payrolls (NFP) in the US increased by 136K in Sep-19, below market expectations of 145K. However, the average NFP so far in 2019 is 161k per month, still lower than the previous year's 223k per month. Meanwhile, unemployment rate in Japan and South Korea went up to 2.4% and 3.4%yoy respectively amid trade spat between them. Moving forward, we view labour market in developed and emerging economies to remain steady despite trade war and volatility in commodity prices as accommodative fiscal and monetary policies and steady domestic demand would support economic growth and employment.

Table 5: Global Unemployment Rate (%)

	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19
Malaysia	3.4	3.3	3.3	3.3	3.3	3.3
Thailand	1.0	1.1	0.9	1.1	1.0	1.0
Taiwan	3.7	3.8	3.7	3.7	3.7	3.7
Korea	4.1	4.0	4.0	4.0	3.1	3.4
Japan	2.4	2.4	2.3	2.2	2.2	2.4
EU	6.4	6.3	6.3	6.3	6.3	6.3
USA	3.6	3.6	3.7	3.7	3.7	3.5

Source: CEIC, MIDFR


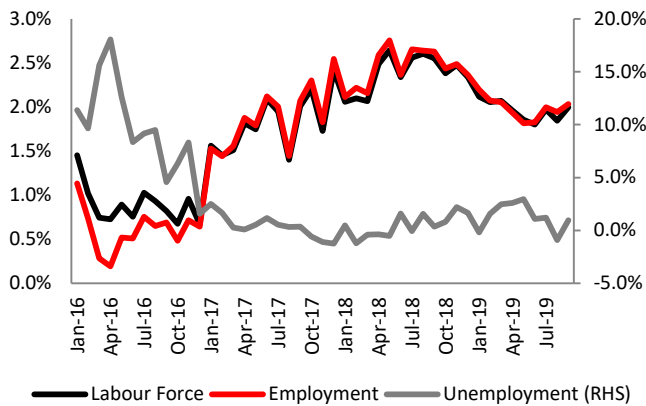
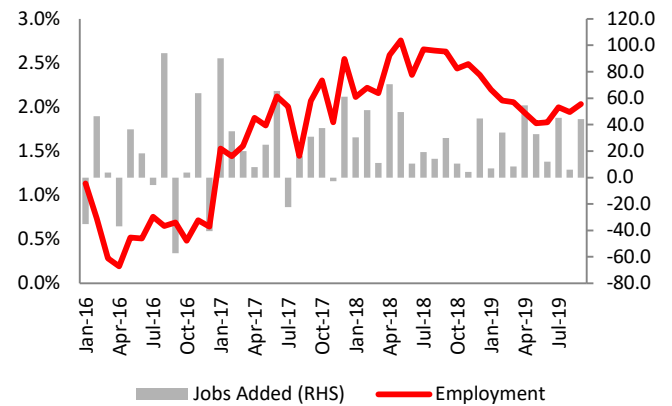
We maintain our forecast of Malaysia's unemployment rate at average of 3.3% in 2019. The stable labour market is expected to impact positively on the economy – supporting private consumption as it drives the domestic economy through growing consumer optimism. We predict the labour market to stay on expansion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



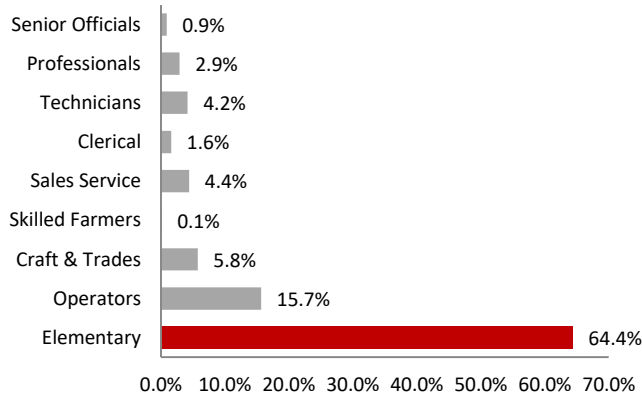
Source: CEIC, MIDFR

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



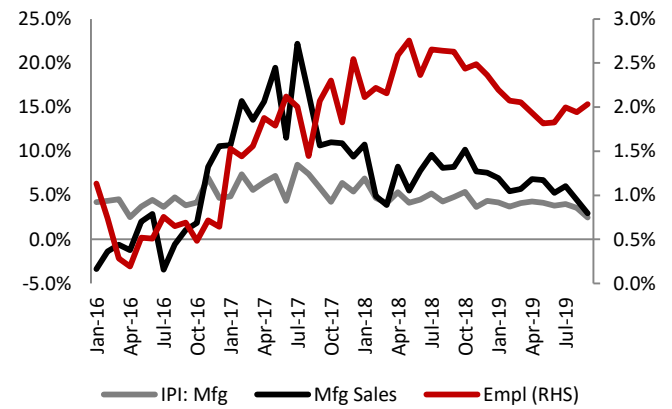
Source: CEIC, MIDFR

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



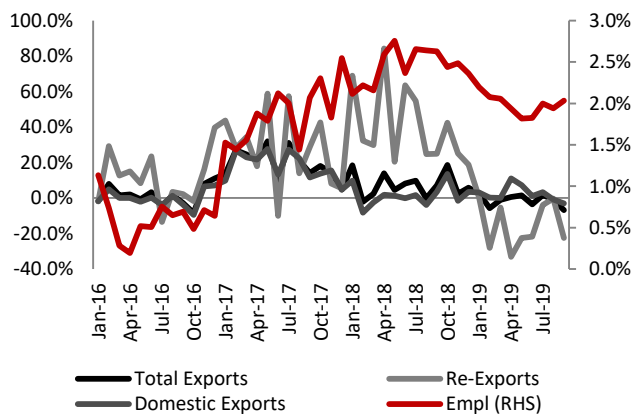
Source: CEIC, MIDFR

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



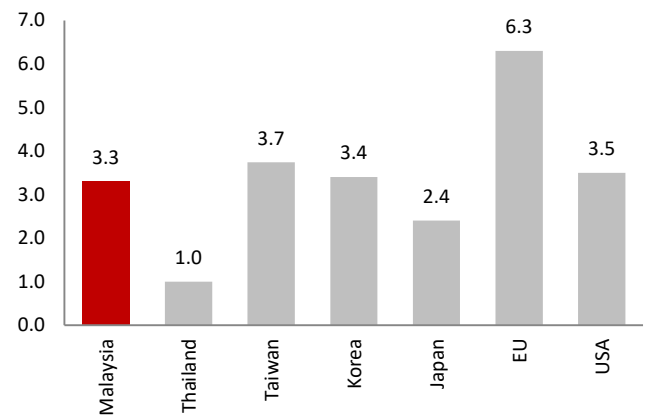
Source: CEIC, MIDFR

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



Source: CEIC, MIDFR

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



Source: CEIC, MIDFR

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