

ECONOMIC REVIEW | February 2020 Labour Market

Labor Market Remains Stable Despite Possible Economic Recession

- *Mild moderation in employment growth. Malaysia's employment growth in Feb-20 decreased by 2.1%yoy as compared to 2.2%yoy in Jan-20 while the labour force remained at 2.1%yoy. Unemployment increased from a negative rate to 1.7%yoy, maintaining its jobless rate below 3.5% for the 28th month at 3.3%.*
- *Job vacancies start of at a low note in 2020. Job vacancies per month in Jan-20 is recorded at 64.9K, a slight improvement from Dec-19, yet still on a below average mark. This was in tandem with the moderation in GDP growth. However, there were improvements in term of vacancies types.*
- *We revise our unemployment rate forecast to 3.8%. Malaysia's unemployment rate will maintain under state of full employment in 2020 but with an upward tick to 3.8%. Slight moderation could be observed in the employment growth this year due to the slowdown in both domestic and global economies.*

Mild moderation in employment growth. Malaysia's employment growth in Feb-20 decelerated to 2.1%yoy as compared to 2.2%yoy in Jan-20 while the labour force remained at 2.1%yoy. Unemployment increased from a negative rate to 1.7%yoy, maintaining its jobless rate below 3.5% for the 28th months at 3.3%. We opine the stable job market will provide solid foundation for Malaysia's domestic demand to grow at solid pace in 2020. In addition, we view Malaysia's labour market to remain stable despite the Covid-19 pandemic and weak external demand in 1H20.

Table 1: Summary of Labour Market ('000)

	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20
Labour Force	15,751	15,778	15,830	15,803	15,829	15,870
YoY%	2.0	2.1	2.4	2.0	2.1	2.1
Employment	15,230	15,266	15,320	15,286	15,318	15,345
YoY%	2.0	2.2	2.5	2.0	2.2	2.1
Unemployment	521	512	514	517	512	525
YoY%	1.0	(0.2)	(0.4)	0.5	(0.8)	1.7
Outside Labour Force	7,160	7,175	7,170	7,129	7,129	7,224
YoY%	0.9	1.1	0.3	0.1	0.5	1.1
Unemployment Rate %	3.3	3.2	3.3	3.3	3.2	3.3

Source: CEIC, MIDFR

Job vacancies start of at a low note in 2020. Job vacancies per month in Jan-20 is recorded at 64.9K, a slight improvement from Dec-19, yet still on a below average mark. This was in tandem with the moderation in GDP growth. However, there were improvements in term of vacancies types. We observed the share of low-value jobs moderating while high-value jobs improved well in all job sectors except for elementary occupations. Comparatively, share of professionals increased from 2.3% in Dec-19 to 3.1% in Jan-20. Similar trends observed for Senior Officials and Technicians. By sector, share of vacancies in services sector expanded whereas construction lower due to tepid investment spending and manufacturing impacted by global uncertainties.

Table 2: Job Vacancies by Type & Sector ('000)

	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20
Total	78.4	75.5	80.4	74.6	62.4	64.9
Legislators, Senior Officials & Managers	0.7	0.9	0.7	0.5	0.3	0.7
Professionals	2.3	2.5	2.7	2.2	1.4	2.0
Technicians & Associate Professionals	3.3	2.3	3.9	2.3	1.4	1.6
Clerical Workers	1.3	0.6	1.1	0.9	0.5	0.6
Service, Shop & Market Sales Workers	3.5	4.4	3.4	3.1	2.5	3.0
Skilled Agricultural & Fisheries Workers	0.1	0.2	0.5	0.2	0.1	0.2
Craft and Related Trades Workers	4.5	2.0	2.4	2.7	2.0	2.4
Plant & Machinery Operators & Assemblers	12.3	13.9	11.4	9.3	8.2	13.0
Elementary Occupations	50.5	48.9	54.2	53.5	46.1	41.5
Agriculture, Forestry & Fishing	15.3	13.5	16.4	13.7	13.1	13.5
Mining & Quarrying	0.1	0.2	0.3	0.2	0.1	0.2
Manufacturing	26.2	29.5	28.0	30.8	22.2	25.0
Construction	15.1	10.3	10.6	11.9	9.9	7.8
Services	21.8	21.9	25.1	18.0	17.1	18.4

Source: CEIC, MIDFR

*Data Available Up Until Jan-20

Global unemployment rate is expected to inch up. Jobless rate across developed and emerging economies to rise amid economic slowdown and movement control orders, thanks to Covid-19 fear effects. For instance, USA saw unemployment rate rose to 2½ year-high at 4.4% in Mar-20. In addition, plunge in global crude oil prices to cause layoffs in the mining sector of oil-exporting economies. Despite historical oil cuts agreement by OPEC+, mostly referred Brent oil price does not move up strongly as predicted. Moving forward, we view job market across developed and emerging economies to experience slowdown in employment and rise in unemployment rate in 2020.

Table 3: Global Unemployment Rate (%)

	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20
Malaysia	3.3	3.2	3.3	3.3	3.2	3.3
Thailand	1.0	0.9	1.1	1.0	1.1	1.1
Taiwan	3.7	3.7	3.7	3.7	3.7	3.7
Korea	3.4	3.5	3.6	3.7	4.0	3.3
Japan	2.4	2.4	2.2	2.2	2.4	2.4
EU	6.3	6.3	6.3	6.2	6.2	n/a
USA	3.5	3.6	3.5	3.5	3.6	3.5

Source: CEIC, MIDFR


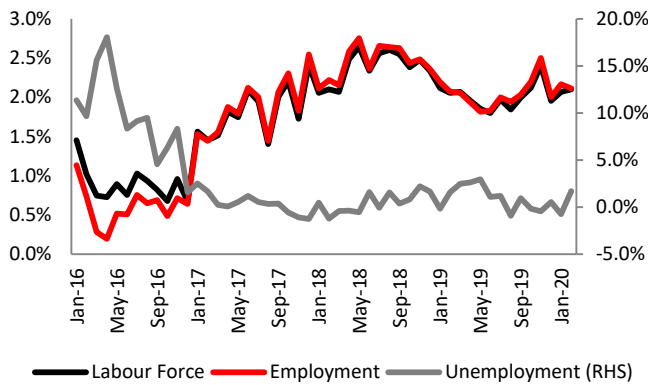
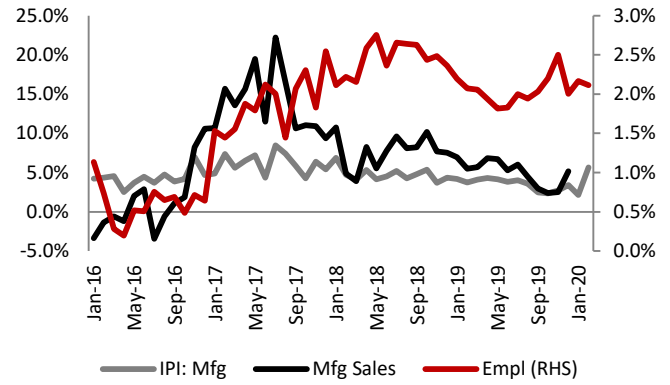
We revise our unemployment rate forecast to 3.8%. Malaysia's unemployment rate will maintain under state of full employment in 2020 but with an upward tick to 3.8%. Slight moderation could be observed in the employment growth this year due to the slowdown in both domestic and global economies. We opine the current external headwinds will affect the labour force as of 2Q20 with the imposed movement control order that has thundered many companies particularly small businesses. However, we are confident jobless rate to remain below 4% and operating at full-employment condition for the whole year of 2020 as some of the stimulus measures announced by the Government may moderate the pressure. Strong domestic demand, low inflationary pressure, low OPR and stimulus package effects would aid in ensuring Malaysian economy to maintain on a growth this year. 

Chart 1: Labour Market Key Indicators (YoY%)



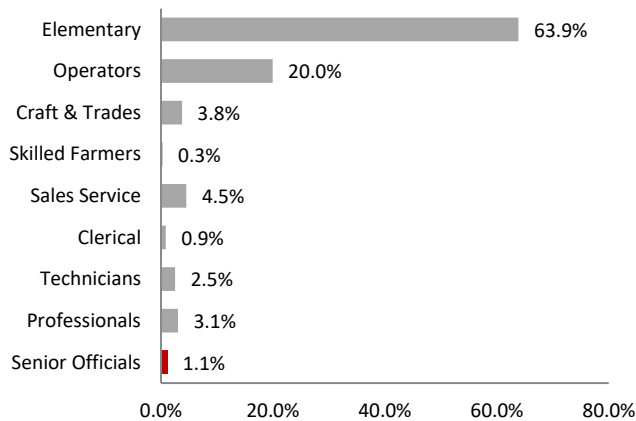
Source: CEIC, MIDFR

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



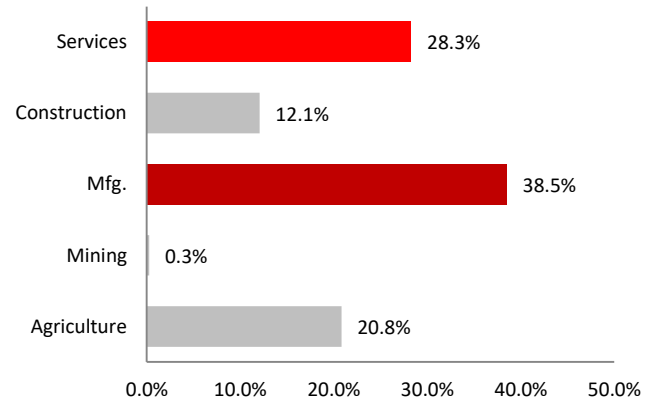
Source: CEIC, MIDFR

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



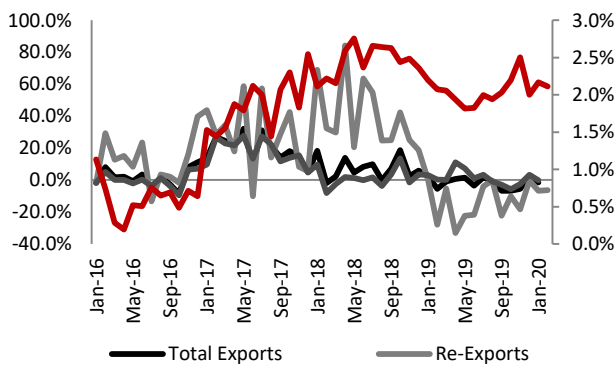
Source: CEIC, MIDFR

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



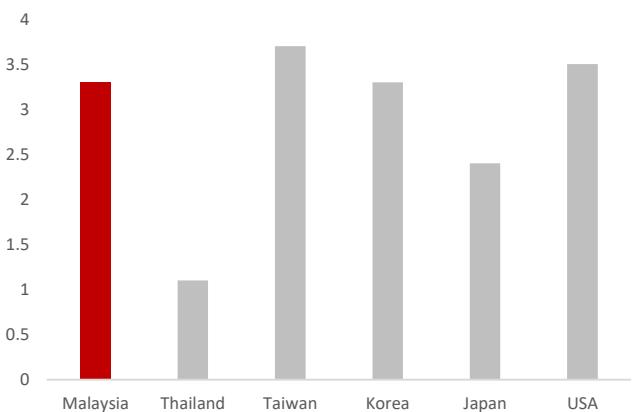
Source: CEIC, MIDFR

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



Source: CEIC, MIDFR

Chart 6: Global Unemployment Rates (%) in Feb-20



Source: CEIC, MIDFR

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