

ECONOMIC REVIEW | June 2019 Labour Market

Full-Employment Condition Remains with Higher Percentage of Vacancies for Mid & High-Skilled Jobs

- Labour market remains stable. Labour force grew by 1.8%yoy in June-19, the weakest gain since Nov-17 while employment growth maintained at 1.8%yoy, unchanged from previous month with monthly jobs added in the economy registered lower at 12.1k. On the other hand, unemployment growth moderated to 1.1%yoy, the lowest in five months reversing the upward trend since Feb-19 and still reflecting full-employment condition. Stable labour market is crucial for Malaysian economy as it provides solid support to the domestic demand.*
- Share of low value-added jobs at over 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 May-19 went down further to 66.5%, the lowest since Feb-17. The remaining 33.5% are for medium and high-skilled jobs. Moving forward, we believe the dominancy 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.*
- 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.*

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Table 1: Summary of Labour Market ('000)

	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19
Labor Force	15,509	15,543	15,557	15,613	15,642	15,656
YoY%	2.1	2.1	2.1	2.0	1.9	1.8
Employment	14,993	15,027	15,035	15,090	15,123	15,135
YoY%	2.2	2.1	2.1	1.9	1.8	1.8
Unemployment	516	516	521	523	520	521
YoY%	(0.2)	1.6	2.5	2.6	3.0	1.1
Outside Labour Force	7,096	7,146	7,169	7,184	7,190	7,157
YoY%	0.3	0.5	0.8	0.8	1.3	1.3
Unemployment Rate %	3.2	3.3	3.4	3.4	3.3	3.3

Source: CEIC, MIDFR

Weak external trade activities. Exports growth plunged to negative territory of -3.1%yoy after maintaining positive growth in the previous two months. Domestic exports expanded by 1.7%yoy, the lowest in three months but still above last year average of 0.8%. In addition, IPI growth inched down to a three-month low of 3.9%yoy in June-19 after maintaining at 4%yoy for the past two months. 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 and eventually affect Malaysia's employment. Nevertheless, IPI performance could be supported by strong domestic demand, OPR cut effects and positive progression in construction activities. 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%)

	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19
Overall	2.0	2.0	1.8	1.7	1.4	1.1
Refined Petroleum Products	6.5	7.3	7.5	7.8	7.3	6.5
Organic Chemical & Inorganic Compounds excl Fertilizer	3.0	2.0	3.1	2.3	3.4	5.0
Basic Iron & Steel Products	2.5	1.1	0.1	(1.7)	(1.4)	0.8
Diode, Transistor & Electronic Integrated Circuit Mic	5.4	5.3	5.1	4.5	3.9	3.2
Electrical Capacitor Resistor, Circuit Board, Display Com	3.5	3.2	2.4	2.3	1.7	1.8
Computers & Peripherals Equipment	1.5	0.7	(0.1)	(1.5)	(5.6)	(5.8)

Source: CEIC, MIDFR

Table 3: Manufacturing Payrolls (YoY%)

	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19
Overall	8.9	7.2	5.1	4.4	4.1	3.1
Refined Petroleum Products	25.1	9.3	10.7	12.2	7.5	2.2
Organic Chemical & Inorganic Compounds excl Fertilizer	16.8	16.0	12.8	4.9	3.0	2.9
Basic Iron & Steel Products	5.5	3.6	0.3	0.2	(2.1)	0.3
Diode, Transistor & Electronic Integrated Circuit Mic	35.2	30.5	17.2	13.2	13.7	12.3
Electrical Capacitor Resistor, Circuit Board, Display Com	3.1	(1.6)	0.2	0.2	1.8	1.8
Computers & Peripherals Equipment	6.1	(1.2)	(0.2)	(0.1)	(6.9)	(8.6)

Source: CEIC, MIDFR

Job vacancies fall back to below 100k. Job vacancies have been above 100k for the previous two months. However, the figure went below 100k in May-19, making it the lowest vacancies recorded so far this year. Vacancies for all skill levels went down during the month. For the first five months of 2019, job vacancies averaged at 90.5k, lower than 2019's average of 91.3k. Jan-May'19 average job vacancies are on the rise for high & mid-skilled jobs while declining for low-skilled jobs. Vacancies for high-skilled job: senior officials, professionals and technicians recorded at 0.7k, 3.0k and 2.9k (2018: 0.4k, 1.8k and 1.6k) respectively. Meanwhile, vacancies for elementary occupation (low-skilled) registered at 61.9k (2018: 71k). While concerns increased on the declining in overall job vacancies which could have been resulted from weak exports amid global headwinds including trade tensions, there is a room for consolation as vacancies for high and mid-skilled jobs are increasing.

Share of low value-added jobs at over 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 May-19 went down further to 66.5%, the lowest since Feb-17. The remaining 33.5% 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)

	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19
Total	90.4	106.8	74.1	100.2	105.1	66.5
Legislators, Senior Officials & Managers	0.7	0.6	0.7	1.3	0.8	0.3
Professionals	1.2	3.5	1.7	2.7	3.8	3.5
Technicians & Associate Professionals	2.5	2.6	3.7	3.6	3.0	1.5
Clerical Workers	0.4	0.7	0.7	1.3	1.3	0.6
Service, Shop & Market Sales Workers	1.8	4.0	3.2	4.8	4.3	2.1
Skilled Agricultural & Fisheries Workers	0.2	0.0	0.1	0.3	0.2	0.2
Craft and Related Trades Workers	2.5	2.3	1.9	3.6	3.8	2.8
Plant & Machinery Operators & Assemblers	9.3	16.3	12.0	15.0	17.4	11.3
Elementary Occupations	71.9	76.9	50.1	67.8	70.4	44.2
Agriculture, Forestry & Fishing	28.1	26.8	10.9	23.8	24.1	12.1
Mining & Quarrying	0.0	1.4	0.2	0.1	0.2	0.1
Manufacturing	26.5	35.2	28.3	36.2	40.9	27.6
Construction	13.3	16.1	12.4	15.4	11.7	8.3
Services	22.4	27.4	22.4	24.7	28.2	18.5

Source: CEIC, MIDFR

*Data Available Up Until May-19

Jobless rate globally remains at stable level. Unemployment rate in the US maintained at low level of 3.7% in Jul-19. Nonfarm payrolls (NFP) in the US increased by 164k in Jul-19, in line with market expectations. Notable gains can be observed in professional & business services, health care and financial activities. However, the average NFP so far in 2019 is 165k per month, still lower than the previous year's 223k per month, justifying Fed's rate cut in its July-19 meeting. Across the globe, unemployment rate stay stable, reflecting full-employment condition. Meanwhile, unemployment rate in the EU maintained at 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 (%)

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

Source: CEIC, MIDFR


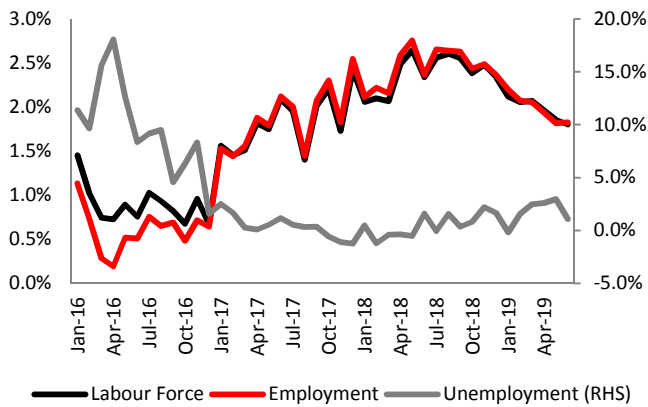
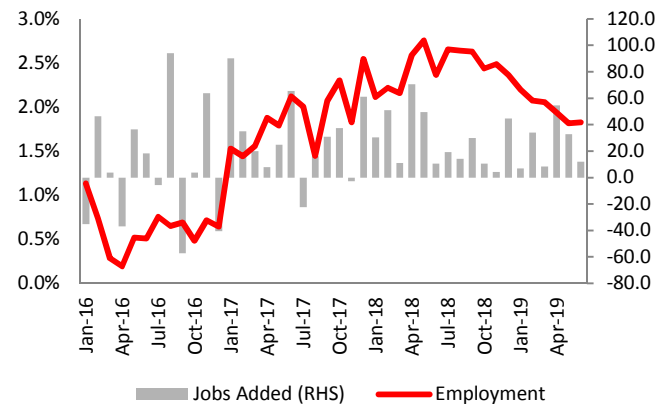
We maintain our forecast of Malaysia’s unemployment rate at average of 3.3% in 2019. The stable labour market is expected to impact positively on the economy – supporting private consumption as it drives the domestic economy through growing consumer optimism. We predict the labour market to stay on expansion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



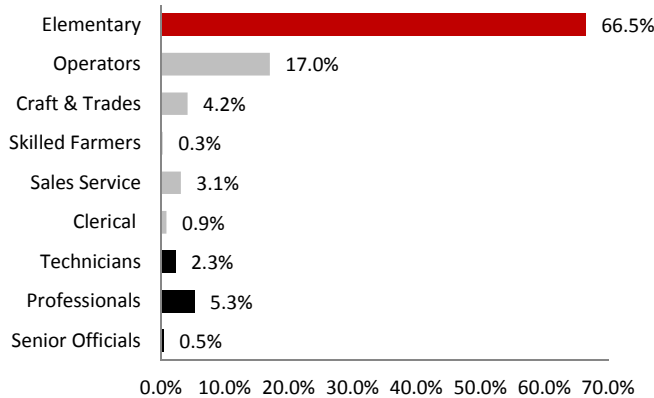
Source: CEIC, MIDFR

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



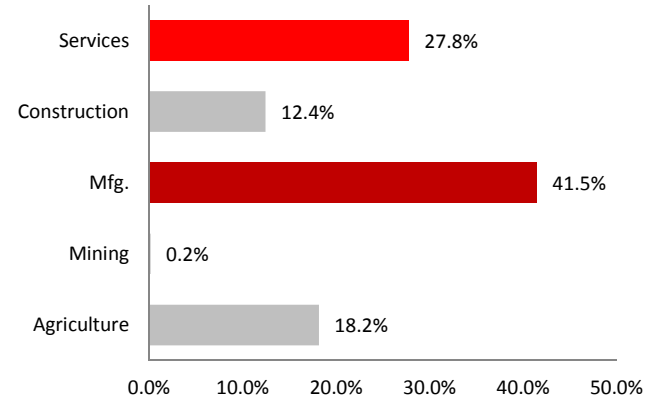
Source: CEIC, MIDFR

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



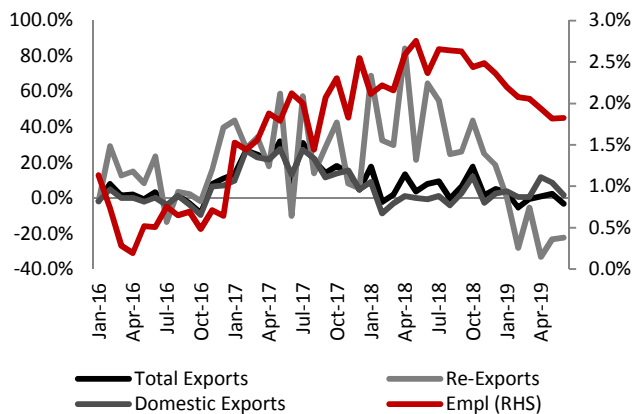
Source: CEIC, MIDFR
* Data Available Up Until May-19

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



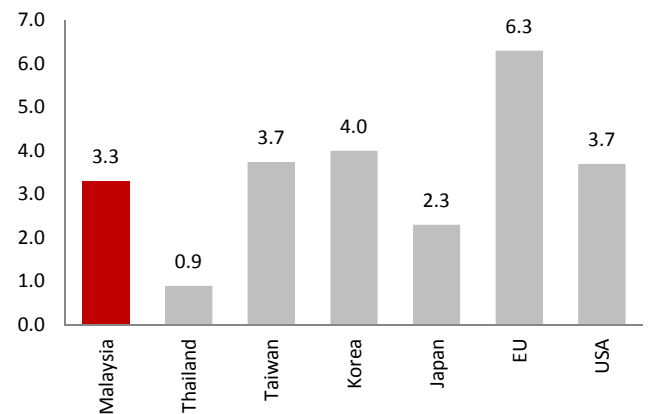
Source: CEIC, MIDFR
* Data Available Up Until May-19

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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