

ECONOMIC REVIEW | April 2018 Labour Market

Employment Growth on the Uptrend Boosts By Sustained External Demand

- *Employment grew at the highest pace ever recorded. Employment increased by 2.5%yoy, highest rate ever recorded to 14.8 million in Apr-18. Similarly, labour force grew by 2.5%yoy to 15.3 million. Jobs added in the economy registered at 70K, significantly higher than previous month reading of 11K.*
- *Low value-added jobs continue to dominate. For every 100 job vacancies, 80 for elementary occupations, followed by 11 jobs of operators & assemblers and leave 9 jobs for high-skilled and medium-skilled occupations. Job vacancies of elementary occupations and plant & machinery operators & assemblers recorded at 86.8K and 11.9K respectively in Mar-18.*
- *We forecast Malaysia's unemployment rate to average at 3.3% in 2018. Moving forward, we anticipate domestic economic activities will stay on upward trajectory given that business confidence remains optimistic for the first six months of 2018. We forecast Malaysia's job market to continue benefiting from the robust global trade activities and gradual recovery in commodity prices especially in export-reliance and commodity-oriented industries.*

Employment grew at the highest pace ever recorded. Employment increased by 2.5%yoy, highest rate ever recorded to 14.8 million in Apr-18. Similarly, labour force grew by 2.5%yoy to 15.3 million. Jobs added in the economy registered at 70K, significantly higher than previous month reading of 11K. Hence, unemployment rate maintained at 3.3%. As both domestic and external economic activities are on upbeat momentum, growths in both labour force and employment have been outpacing unemployment growth for 8-consecutive months since Sep-17.

Table 1: Summary of Labour Market ('000)

	17-Nov	17-Dec	18-Jan	Feb-18	18-Mar	Apr-18
Labour Force	15,084.0	15,145.9	15,187.0	15,230.0	15,241.2	15,313.1
YoY%	1.7	2.4	2.1	2.1	2.1	2.5
Employment	14,578.9	14,640.1	14,670.5	14,721.5	14,732.5	14,803.1
YoY%	1.8	2.5	2.1	2.2	2.2	2.6
Unemployment	505.1	505.8	516.5	508.5	508.7	510.0
YoY%	-1.1	-1.2	0.5	-1.2	-0.4	-0.4
Outside Labour Force	7,121.4	7,084.1	7,074.8	7,112.3	7,115.0	7,130.9
YoY%	0.6	0.2	-0.2	0.4	-0.1	0.1
Unemployment Rate %	3.4	3.3	3.3	3.2	3.3	3.3

Source: CEIC; MIDFR

Upbeat momentum in domestic economic activities. We observed strong domestic industrial activities remain as supporting factors on Malaysia's strengthening labour market. Exports hit a double digit growth to highest ever April value at RM84.2 billion driven by growth in manufactured goods (16.8%yoy) and mining goods (4.2%yoy). In addition, industrial production surged by 4.6%yoy while manufacturing sales rebounded to 3-month high at 8.2%yoy in the same month. Moving forward, we opine Malaysia's external trade will maintain on upbeat impetus and IPI performance to expand at steady pace in upcoming months amid escalating trade tensions and supportive policy changes for businesses such as zero-rated GST and stabilised retail fuel prices. Consequently, the continuous momentum in industrial activities will translate into increase in jobs added, stable wage growth and indirectly provide additional support on Malaysia's domestic demand in 2018.

Job vacancies returned to above 100K. Total job vacancies in Mar-18 recorded at 108.4K, lower compared to 19-month low of 68.5K in preceding month. Vacancies are highly observed in manufacturing sector at 45.3K, followed by services and construction registered at 28.2K and 14.6K respectively. The growth in job vacancies is in line with the performance of Malaysia's outbound shipments in Mar-18 which increase by 2.2%yoy. Moving forward, we expect job vacancies to hover at 80K-100K on monthly average in 2018 amid of moderating pace in economic momentum

Low value-added jobs continue to dominate. For every 100 job vacancies, 80 for elementary occupations, followed by 11 jobs of operators & assemblers and leave 9 jobs for high-skilled and medium-skilled occupations. Job vacancies of elementary occupations and plant & machinery operators & assemblers recorded at 86.8K and 11.9K respectively in Mar-18. This is in line with the rise of job vacancies in manufacturing and services sectors. Moreover, we saw high value-added jobs such as professionals grew moderately to 1.8K while technicians & associate professionals registered at 0.9K during the month. The negative consequences of increasing low value-added jobs among others are rise in graduate unemployment, influx of low-skilled foreign workers, tepid wage growth and weakening domestic consumption.

Table 2: Number of Job Vacancies by Sector ('000)

	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18
Total	150.0	149.6	102.3	126.9	68.5	108.4
Agriculture, Forestry & Fishing	32.5	27.9	15.9	18.4	11.4	20.1
Mining & Quarrying	0.1	0.3	0.1	0.1	0.2	0.1
Manufacturing	64.1	56.6	42.8	49.4	31.5	45.3
Construction	18.5	29.9	18.4	26.2	9.0	14.6
Services	34.9	34.9	25.1	32.9	16.4	28.2

Source: CEIC, MIDFR

Note: Latest figures only available until February 2018

Table 3: Number of Job Vacancies by Job Type ('000)

	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18
Total	150.0	149.6	102.3	126.9	68.5	108.4
Legislators, Senior Officials & Managers	0.5	0.3	0.6	0.4	0.4	0.3
Professionals	2.8	1.7	3.1	4.2	2.1	1.8
Technicians & Associate Professionals	1.2	0.9	1.3	2.0	1.2	0.9
Clerical Workers	1.4	1.0	1.1	1.2	0.6	0.7
Service, Shop & Market Sales Workers	5.4	5.6	3.1	5.1	2.5	4.2
Skilled Agricultural & Fisheries Workers	0.7	0.7	0.6	1.2	0.5	0.6
Craft and Related Trades Workers	2.9	3.1	4.2	2.0	0.4	1.1
Plant & Machinery Operators & Assemblers	14.6	9.7	9.9	10.2	7.8	11.9
Elementary Occupations	120.4	126.5	78.4	100.8	56.0	86.8

Source: CEIC, MIDFR

Note: Latest figures only available until February 2018

Robust industrial activities. As industrial productions continue expanding, it was translated into better performance in employment and wage growths especially in the manufacturing sector. For instance, employment in the sector grew moderately by 2.1%yoy, supported largely by sub-sectors such as basic iron & steel products. Hence, the spill over effects caused wage to increase by 10.2%yoy, the fourth consecutive months of double digit growth. In fact, the wage growth for nearly all the major sub-sector registered double digit growth during the month. We view the upward trend in the wage growth will positively contribute to domestic consumption in the near term. We predict petroleum-related and export-oriented sectors will stay on upward trajectories due to steady upbeat momentum in global trade activities and gradual recovery in crude oil prices.

Table 4: Employment Growth by Manufacturing Major Sub-Sector (YoY%)

	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18
Overall	2.3	2.4	2.5	2.2	2.1	2.1
Refined Petroleum Products	1.9	2.6	3.6	1.6	2.4	2.1
Organic Chemical & Inorganic Compounds excl Fertilizer	1.3	1.5	-1.7	-2.0	-2.1	-1.2
Basic Iron & Steel Products	2.2	2.8	4.4	3.3	3.6	5.0
Diode, Transistor & Electronic Integrated Circuit Mic	0.3	0.5	0.8	0.8	0.5	0.1
Electrical Capacitor Resistor, Circuit Board, Display Com	3.0	2.0	2.9	3.0	3.3	3.0
Computers & Peripherals Equipment	-0.3	0.0	1.0	0.8	1.1	1.0

Source: CEIC; MIDFR

*Exclude Fertiliser

Table 5: Wage Growth by Manufacturing Major Sub-Sector (YoY%)

	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18
Overall	9.2	9.2	13.3	16.7	11.9	10.2
Refined Petroleum Products	13.7	14.5	26.2	31.7	14.4	22.5
Organic Chemical & Inorganic Compounds*	16.4	10.7	7.2	17.8	21.7	15.8
Basic Iron & Steel Products	22.6	24.1	5.1	11.1	12.6	10.2
Diode, Transistor & Electronic Integrated Circuit Mic	9.9	3.6	16.4	27.6	27.6	18.7
Electrical Capacitor Resistor, Circuit Board, Display Com	(4.5)	5.9	50.9	52.8	23.3	22.9
Computers & Peripherals Equipment	(15.1)	(14.3)	17.6	32.8	8.8	4.0

Source: CEIC; MIDFR

*Exclude Fertiliser

Improved global labour market. Based on the latest available data, unemployment rate in the US declined further to 3.8%yoy in May-18 from 3.9%yoy in the prior month, marked the lowest rate since May 2000 buoyed by global demand, high confidence among consumers and business due to sharp drop in the corporate income tax rate which boosted hiring. Moreover, nonfarm payrolls in US increased further to 223K after 159K jobs added in the previous month. Similarly, unemployment rate in Thailand and South Korea also declined to 1.1%yoy and 3.8%yoy respectively. Moving to Europe, unemployment rate in the region has been below 10% level for more than 3-years underpin by encouraging economic performances. Looking ahead, we foresee labour market will remain on healthy condition globally as global and emerging economies' manufacturing PMI stay on expansionary trend. Manufacturing PMI for both global and emerging economies registered at 53.1 and 51.1 points in May-18.

Table 6: Global Unemployment Rate (%)

	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18
Malaysia	3.5	3.4	3.5	3.5	3.4	3.3	3.3	3.2	3.3	3.3
Thailand	1.2	1.1	1.2	1.3	1.1	1.0	1.3	1.3	1.2	1.1
Taiwan	3.8	3.8	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7
South Korea	3.5	3.7	3.7	3.6	3.7	3.7	3.6	3.6	4.0	3.8
Japan	2.8	2.8	2.8	2.8	2.7	2.7	2.4	2.5	2.5	2.5
EU	7.6	7.5	7.5	7.4	7.3	7.3	7.2	7.1	7.1	7.1
United States	4.3	4.4	4.2	4.1	4.1	4.1	4.1	4.1	4.1	3.9

Source: CEIC; MIDFR


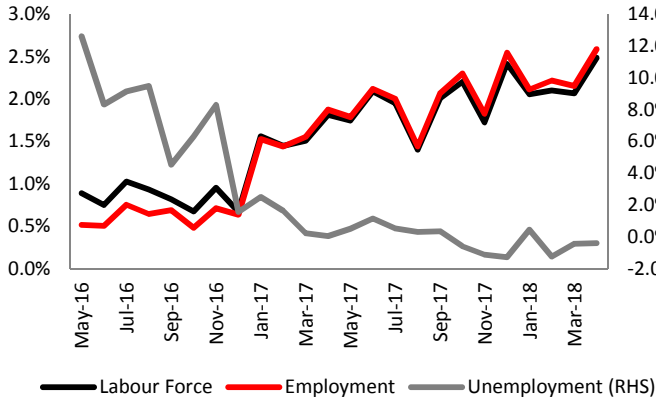
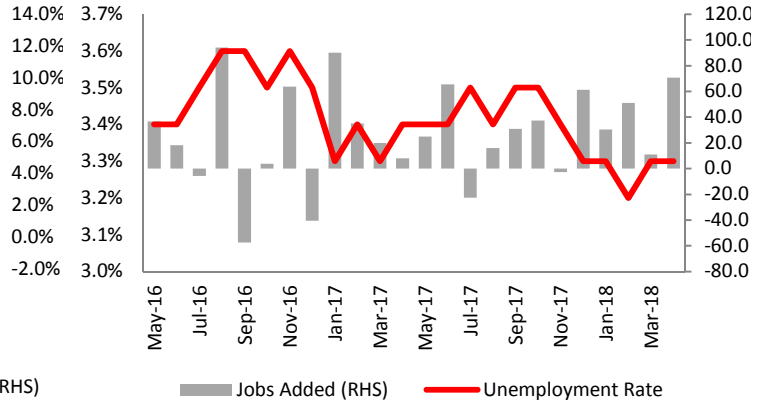
We forecast Malaysia's unemployment rate to average at 3.3% in 2018. Moving forward, we anticipate domestic economic activities will stay on upward trajectory given that business confidence remains optimistic for the first six months of 2018. In addition, we noticed global indicators from developed and emerging economies are still signalling positive cues that global demand to remain on high side. Nevertheless, concerns persist on the potential trade war gyrations. We forecast Malaysia's job market to continue benefiting from the robust global trade activities and gradual recovery in commodity prices especially in export-reliance and commodity-oriented industries. 

Chart 1: Labour Market Key Indicators (YoY%)



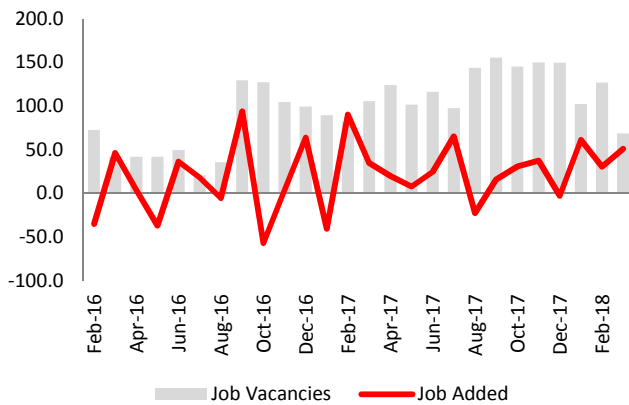
Source: CEIC; MIDFR

Chart 2: Jobs Added ('000) vs Unemployment Rate



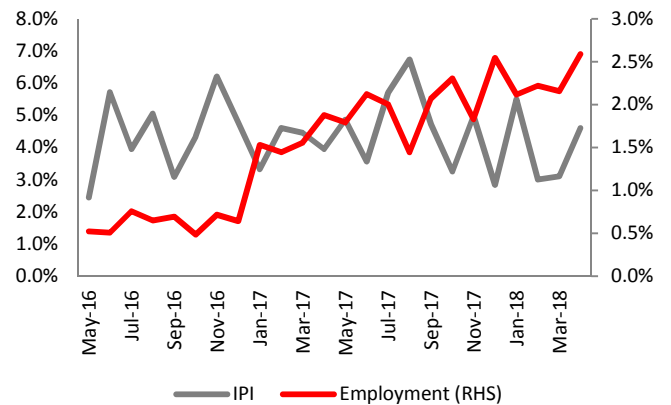
Source: CEIC; MIDFR

Chart 3: Job Added vs Vacancies ('000)



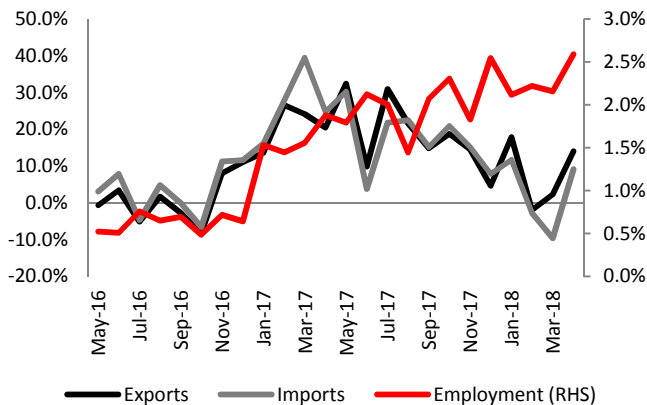
Source: CEIC; MIDFR

Chart 4: Employment vs IPI (YoY%)



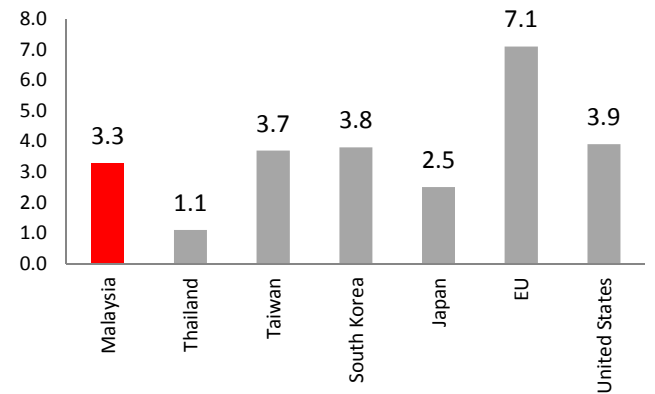
Source: CEIC; MIDFR

Chart 5: Employment vs External Trade (YoY%)



Source: CEIC; MIDFR

Chart 6: Global Unemployment Rates (%) in Mar-18



Source: CEIC; MIDFR

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