

ECONOMIC REVIEW | August 2018 Labour Market

Labor Market Remains Firm but Showing Sign of Moderation – Unemployment Steady at 3.4%

- Labour market remains strong. Labour force expanded by 2.6%yoy to 15.4 million in Aug-18, higher than the previous month's figure. Employment growth slowed marginally to 2.6%yoy to 14.9 million in Aug-18 and jobs added in the economy registered at 14.1K during the month (19.2K in Jul-18), in line with external trade performances. Unemployment rate maintained at full-employment condition of 3.4% for the third consecutive month.*
- Slowdown in domestic and external activities. With lesser jobs added at 14.1K, slowdown in IPI and contraction in exports were among the draggy factors. In Aug-18, IPI moderated to 2.2%yoy, the second lowest so far in 2018. Meanwhile, exports growth tumbled at 0.3%yoy in the same month with re-exports growth moderated to 24.7%yoy (54.8%yoy in Jul-18) and domestic exports declined by 4.1%, the largest drop since 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 upbeat. In addition, we observed global indicators from developed and emerging economies are still signalling positive cues that global demand to remain on high side.*

Labour market remains strong. Labour force expanded by 2.6%yoy to 15.4 million in Aug-18, higher than the previous month's figure. Employment growth slowed marginally to 2.6%yoy to 14.9 million in Aug-18 and jobs added in the economy registered at 14.1K during the month (19.2K in Jul-18), in line with external trade performances. Unemployment rate maintained at full-employment condition of 3.4% for the third consecutive month. Besides that, growths in both labour force and employment have been outpacing unemployment growth for the last 18-month since Mar-17.

Table 1: Summary of Labour Market ('000)

| | Mar-18 | Apr-18 | May-18 | Jun-18 | Jul-18 | Aug-18 |
|-----------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Labour Force | 15,241 | 15,313 | 15,358 | 15,379 | 15,401 | 15,421 |
| YoY% | 2.1 | 2.5 | 2.6 | 2.3 | 2.6 | 2.6 |
| Employment | 14,733 | 14,803 | 14,853 | 14,863 | 14,882 | 14,897 |
| YoY% | 2.2 | 2.6 | 2.8 | 2.4 | 2.7 | 2.6 |
| Unemployment | 509 | 510 | 505 | 516 | 519 | 525 |
| YoY% | (0.4) | (0.4) | (0.5) | 1.6 | (0.1) | 1.6 |
| Outside Labour Force | 7,115 | 7,131 | 7,097 | 7,062 | 7,045 | 7,134 |
| YoY% | (0.1) | 0.1 | (0.3) | (1.1) | (1.5) | (0.1) |
| Unemployment Rate % | 3.3 | 3.3 | 3.3 | 3.4 | 3.4 | 3.4 |

Source: CEIC, MIDFR

Slowdown in domestic and external activities. With lesser jobs added at 14.1K, slowdown in IPI and contraction in exports were among the draggy factors. In Aug-18, IPI moderated to 2.2%yoy, the second lowest so far in 2018. Meanwhile, exports growth tumbled at 0.3%yoy in the same month with re-exports growth moderated to 24.7%yoy (54.8%yoy in Jul-18) and domestic exports declined by 4.1%, the largest drop since Mar-18. Moving forward, we opine Malaysia's external trade and IPI performance to expand at steady pace amid escalating trade tensions. On a flip side, supportive policy changes for businesses and consumers such stabilised retail fuel prices will add support particularly for domestic-oriented industries in 2H18. Nevertheless, we opine Malaysia's job market to stay stable given that macroeconomic fundamentals remain strong and resilient.

Job vacancies remained below 2017's average. Monthly average for the first half of 2018 is 91.7K, lower than last year's average of 123K. In Jun-18, vacancies are highly observed in manufacturing sector at 33.4K, followed by services and agriculture registered at 19.5K and 19.4K respectively. The growth in job vacancies is in tandem with the gradual pace in Malaysia's external trade and industrial performances so far in 2018. Moving forward, we expect job vacancies to hover at 90K-100K on monthly basis amid moderating pace in economic momentum.

Low value-added jobs continue to dominate. Job Elementary occupation share hits the highest point ever recorded at 77.8%, as of 1H18. Prior to GFC'09, the share was hovering below 50%. In Jun-18, for every 100 job vacancies, 76 for elementary occupations, followed by 11 jobs of operators & assemblers and leave 13 jobs combined for high-skilled and medium-skilled occupations. Job vacancies of elementary occupations and plant & machinery operators & assemblers recorded at 63.5K and 9.3K respectively in Jun-18. This is in line with the rise of job vacancies in manufacturing and services sectors on top of the rising activity of re-exports in the Malaysia's external trade sector. 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)

| | Jan-18 | Feb-18 | Mar-18 | Apr-18 | May-18 | Jun-18 |
|---------------------------------|--------|--------|--------|--------|--------|--------|
| Total | 126.9 | 68.5 | 108.4 | 89.8 | 72.8 | 84.0 |
| Agriculture, Forestry & Fishing | 18.4 | 11.4 | 20.1 | 21.6 | 10.0 | 19.4 |
| Mining & Quarrying | 0.1 | 0.2 | 0.1 | 0.0 | 0.1 | 0.0 |
| Manufacturing | 49.4 | 31.5 | 45.3 | 36.4 | 29.4 | 33.4 |
| Construction | 26.2 | 9.0 | 14.6 | 12.9 | 16.2 | 11.7 |
| Services | 32.9 | 16.4 | 28.2 | 18.9 | 17.2 | 19.5 |

Source: CEIC, MIDFR

Note: Latest figures only available until Jun-18

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

| | Jan-18 | Feb-18 | Mar-18 | Apr-18 | May-18 | Jun-18 |
|--|--------|--------|--------|--------|--------|--------|
| Total | 126.9 | 68.5 | 108.4 | 89.8 | 72.8 | 84.0 |
| Legislators, Senior Officials & Managers | 0.4 | 0.4 | 0.3 | 0.5 | 0.4 | 0.3 |
| Professionals | 4.2 | 2.1 | 1.8 | 1.8 | 2.2 | 1.2 |
| Technicians & Associate Professionals | 2.0 | 1.2 | 0.9 | 0.8 | 1.1 | 1.4 |
| Clerical Workers | 1.2 | 0.6 | 0.7 | 0.8 | 0.8 | 0.9 |
| Service, Shop & Market Sales Workers | 5.1 | 2.5 | 4.2 | 3.6 | 2.8 | 4.5 |
| Skilled Agricultural & Fisheries Workers | 1.2 | 0.5 | 0.6 | 0.8 | 0.5 | 0.9 |
| Craft and Related Trades Workers | 2.0 | 0.4 | 1.1 | 1.6 | 1.5 | 2.0 |
| Plant & Machinery Operators & Assemblers | 10.2 | 7.8 | 11.9 | 9.3 | 11.6 | 9.3 |
| Elementary Occupations | 100.8 | 56.0 | 86.8 | 70.7 | 51.9 | 63.5 |

Source: CEIC, MIDFR

Note: Latest figures only available until Jun-18

Manufacturing employment stays healthy. Employment growth in manufacturing sector stays healthy despite edging down to 1.9%yoy in Aug-18. Stronger employment growth was recorded for sub-sectors such as refined petroleum (1% vs 0.6% in Jul-18) and diode, transistor & electronic integrated circuit mic (2% vs 1.5% in Jul-18). Similarly, wage growth of overall manufacturing sector registered at 9.7%yoy, first time below 10% mark in 2018. Moving forward, we foresee steady labour market performance in manufacturing will positively contribute to domestic consumption in the near term supported with easing inflationary pressure.

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

| | Mar-18 | Apr-18 | May-18 | Jun-18 | Jul-18 | Aug-18 |
|---|--------|--------|--------|--------|--------|--------|
| Overall | 2.1 | 2.1 | 1.7 | 2.2 | 2.0 | 1.9 |
| Refined Petroleum Products | 2.4 | 2.1 | 2.4 | 2.2 | 0.6 | 1.0 |
| Organic Chemical & Inorganic Compounds excl. Fertilizer | (2.1) | (1.2) | 0.3 | (1.6) | (3.3) | (3.3) |
| Basic Iron & Steel Products | 3.6 | 5.0 | 6.2 | 4.6 | 4.3 | 3.9 |
| Diode, Transistor & Electronic Integrated Circuit Mic | 0.5 | 0.1 | 0.5 | 1.1 | 1.5 | 2.0 |
| Electrical Capacitor Resistor, Circuit Board, Display Com | 3.3 | 3.0 | 2.3 | 2.7 | 3.1 | 2.9 |
| Computers & Peripherals Equipment | 1.1 | 1.0 | 1.3 | 1.3 | 0.3 | 0.3 |

Source: CEIC, MIDFR

*Exclude Fertiliser

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

| | Mar-18 | Apr-18 | May-18 | Jun-18 | Jul-18 | Aug-18 |
|---|--------|--------|--------|--------|--------|--------|
| Overall | 11.9 | 10.2 | 10.0 | 10.2 | 10.1 | 9.7 |
| Refined Petroleum Products | 14.4 | 22.5 | 27.5 | 33.8 | 29.1 | 29.2 |
| Organic Chemical & Inorganic Compounds excl. Fertilizer | 21.7 | 15.8 | 26.1 | 26.7 | 24.6 | 21.3 |
| Basic Iron & Steel Products | 12.6 | 10.2 | 12.3 | 12.1 | 12.1 | 8.5 |
| Diode, Transistor & Electronic Integrated Circuit Mic | 27.6 | 18.7 | 22.3 | 21.2 | 22.5 | 18.7 |
| Electrical Capacitor Resistor, Circuit Board, Display Com | 23.3 | 22.9 | 10.8 | 14.3 | 20.8 | 20.8 |
| Computers & Peripherals Equipment | 8.8 | 4.0 | (0.1) | 4.9 | 2.5 | 2.3 |

Source: CEIC, MIDFR

*Exclude Fertiliser

Continuous improvement in global labour market. Based on the latest available data, jobless rate across major and emerging economies are on declining patterns. For instance, unemployment rate in the US went down further to near 49-year low of 3.7% in Sep-18. The number of unemployed reduced by 270k to 6 million. Similarly, in South Korea, unemployment rate decreased to 4% in Sep-18 compared to 4.2% in the preceding month as the number of unemployed declined by 57k to 1.12 million. Meanwhile, Thailand’s jobless rate maintained at 1% in Sep-18, unchanged from the previous two months. 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 52.2 and 50.3 points in Sep-18.

Table 6: Global Unemployment Rate (%)

| | Mar-18 | Apr-18 | May-18 | Jun-18 | Jul-18 | Aug-18 | Sep-18 |
|---------------|--------|--------|--------|--------|--------|--------|--------|
| Malaysia | 3.3 | 3.3 | 3.3 | 3.4 | 3.4 | 3.4 | |
| Thailand | 1.2 | 1.1 | 1.0 | 1.1 | 1.0 | 1.0 | 1.0 |
| Taiwan | 3.7 | 3.7 | 3.7 | 3.7 | 3.7 | 3.7 | |
| Korea | 4.0 | 3.8 | 4.0 | 3.7 | 3.8 | 4.2 | 4.0 |
| Japan | 2.5 | 2.5 | 2.2 | 2.4 | 2.5 | 2.4 | |
| EU | 7.0 | 7.0 | 6.8 | 6.8 | 6.8 | 6.8 | |
| United States | 4.1 | 3.9 | 3.8 | 4.0 | 3.9 | 3.9 | 3.7 |

Source: CEIC, MIDFR


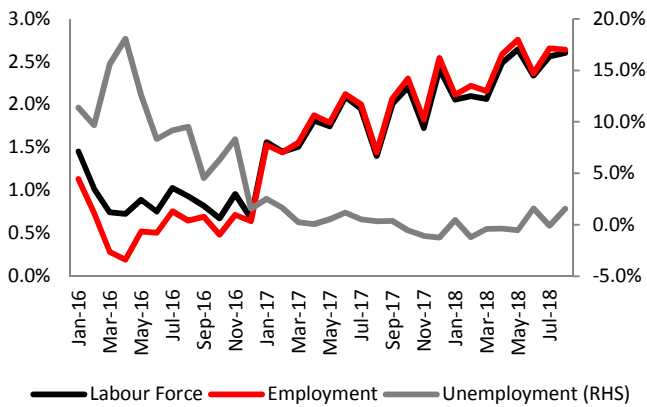
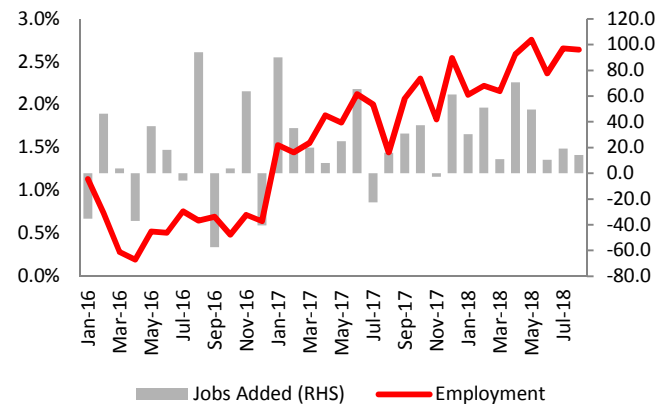
We forecast Malaysia’s unemployment rate to average at 3.3% in 2018. Moving forward, we anticipate domestic economic activities will stay on upward trajectory given that business confidence remains upbeat. In addition, we observed global indicators from developed and emerging economies are still signalling positive cues that global demand to remain on high side. Nevertheless, concerns still 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%)



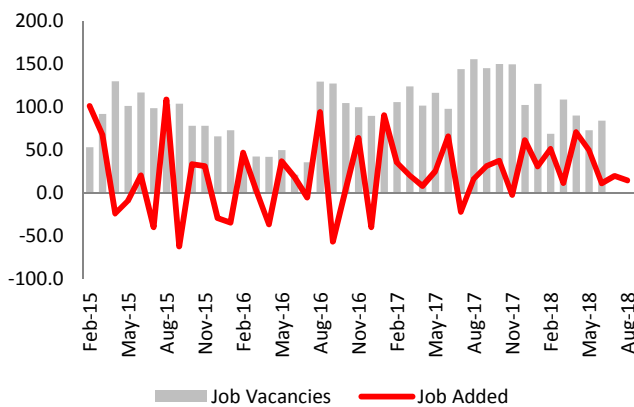
Source: CEIC, MIDFR

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



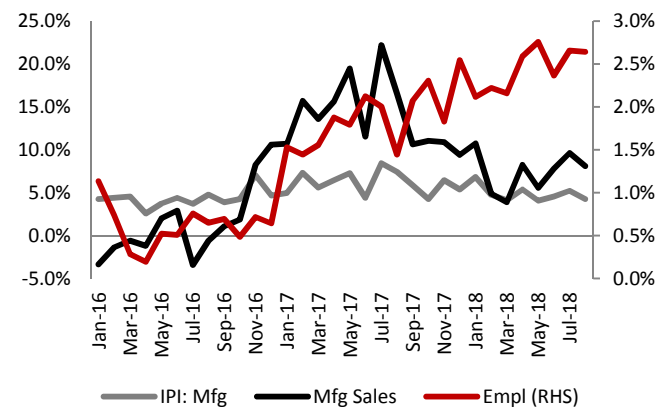
Source: CEIC, MIDFR

Chart 3: Job Added vs Vacancies ('000)



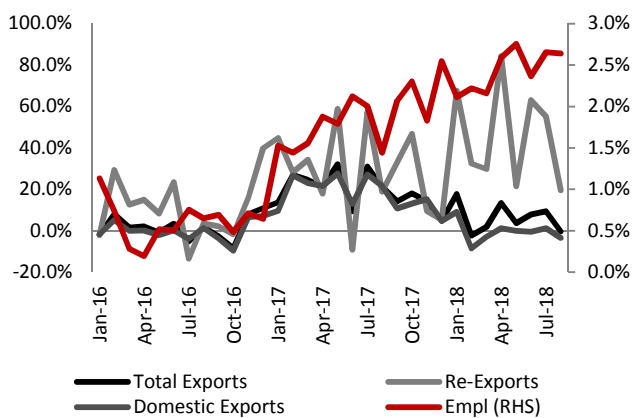
Source: CEIC, MIDFR

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



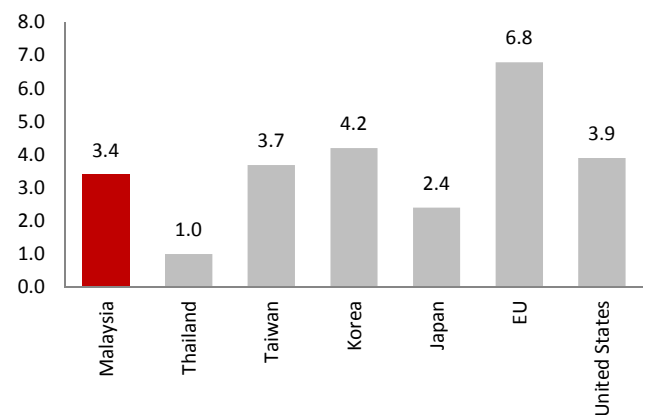
Source: CEIC, MIDFR

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



Source: CEIC, MIDFR

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



Source: CEIC, MIDFR

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