

## ECONOMIC REVIEW | December 2018 Labour Market

### Domestic Demand Remains Intact as Jobless Rate Signals Continuous Full-Employment Condition

- *Labour market remains strong. Labour force expanded by 2.3%yoy to 15.5 million in Dec-18. Employment growth improved to 2.4%yoy to 15 million in Dec-18 while jobs added in the economy registered at 44.7K, highest in 7-month. For full year 2018, jobless rate averaged at 3.3% while labour force and employment increases by 2.4%yoy and 2.5%yoy respectively.*
- *Healthy performances by IPI and external trade. In Dec-18, IPI rose to 3.4%yoy, manufacturing sales by 7.5%yoy and total exports by 4.8%yoy. Moving forward, we opine Malaysia's external trade and IPI performance to expand at a steady pace amid escalating trade tensions, gradual pick-up in commodity prices, steady domestic demand and low inflationary pressure which eventually be translated into an increase in jobs added, stable wage growth and indirectly provide additional support to Malaysia's domestic demand in 2019.*
- *We forecast Malaysia's unemployment rate to average at 3.3% in 2019. The stable labour market is expected to impact positively to the economy via supporting private consumption as well as drive Malaysia's domestic economy through the growing consumer optimism.*

**Labour market remains strong.** Labour force expanded by 2.3%yoy to 15.5 million in Dec-18. Employment growth improved to 2.4%yoy to 15 million in Dec-18 while jobs added in the economy registered at 44.7K, highest in 7-month. The number of unemployed increased 1.7%yoy in Dec-18, after last month's 2.2%yoy. In addition, growth in both labour force and employment has been outpacing unemployment growth for the last 22 months since Mar-17. For full year 2018, jobless rate averaged at 3.3% while labour force and employment increases by 2.4%yoy and 2.5%yoy respectively. The stable job market among others a solid fundamental factor for the economy particularly in supporting domestic demand.

**Table 1: Summary of Labour Market ('000)**

	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18
<b>Labour Force</b>	15,401	15,421	15,443	15,450	15,458	15,500
YoY%	2.6	2.6	2.6	2.4	2.5	2.3
<b>Employment</b>	14,882	14,897	14,927	14,937	14,941	14,986
YoY%	2.7	2.6	2.6	2.4	2.5	2.4
<b>Unemployment</b>	519	525	516	513	516	514
YoY%	(0.1)	1.6	0.4	0.8	2.2	1.7
<b>Outside Labour Force</b>	7,045	7,134	7,097	7,094	7,151	7,120
YoY%	(1.5)	(0.1)	(0.4)	(0.3)	0.4	0.5
<b>Unemployment Rate %</b>	3.4	3.4	3.3	3.3	3.4	3.3

Source: CEIC, MIDFR

**Healthy performances by IPI and external trade.** In Dec-18, IPI rose to 3.4%yoy, manufacturing sales by 7.5%yoy and total exports by 4.8%yoy. Moving forward, we opine Malaysia's external trade and IPI performance to expand at a steady pace amid escalating trade tensions, gradual pick-up in commodity prices, steady domestic demand and low inflationary pressure which eventually be translated into an increase in jobs added, stable wage growth and indirectly provide additional support to Malaysia's domestic demand in 2019.

**Job vacancies remained below 2017's average.** Monthly average for the first 10 months of 2018 is 92.3k, lower than last year's average of 123k. Oct-18 saw total job vacancies at 103k, mostly contributed by sectors such as elementary, manufacturing and construction. There is a notable increase of manufacturing job vacancies from 27.3k in the previous month to 40.6k Oct-18. Agriculture dipped by almost 9k to 20k. We expect further improvement in job opportunities in the manufacturing sector amid global demand remains intact especially with receding trade war fear effects. Looking forward, job vacancies are expected to gradually improve to 90K-100K as the return of confidence and stability of the new government's administration and economy's outlook of Budget 2019.

**Low value-added jobs continue to dominate.** Job Elementary occupation share averaged to 78.4% within 10 months of 2018, which is above last year's average of 76.0%. In Oct-18, for every 100 job vacancies, 78 are for elementary occupations, followed by 12 jobs of operators & assemblers, leaving 10 jobs combined for high-skilled and medium-skilled occupations. Job vacancies of elementary occupations and plant & machinery operators & assemblers recorded at 80.8K and 11.9K respectively in Oct-18. The employment performance 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, increase in low-skilled foreign workers, tepid wage growth and weakening domestic consumption.

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

	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18
<b>Total</b>	72.8	84.0	66.8	111.4	90.9	103.0
Legislators, Senior Officials & Managers	0.4	0.3	0.3	0.1	0.3	0.8
Professionals	2.2	1.2	1.2	1.7	1.0	1.8
Technicians & Associate Professionals	1.1	1.4	1.0	2.5	1.6	2.4
Clerical Workers	0.8	0.9	0.4	0.4	0.4	0.6
Service, Shop & Market Sales Workers	2.8	4.5	2.5	2.3	1.6	2.4
Skilled Agricultural & Fisheries Workers	0.5	0.9	0.2	0.1	0.4	0.1
Craft and Related Trades Workers	1.5	2.0	0.8	1.3	5.6	2.4
Plant & Machinery Operators & Assemblers	11.6	9.3	9.9	16.8	10.0	11.9
Elementary Occupations	51.9	63.5	50.5	86.3	70.0	80.8
<b>Agriculture, Forestry &amp; Fishing</b>	10.0	19.4	13.2	28.7	29.1	20.1
<b>Mining &amp; Quarrying</b>	0.1	0.0	0.0	0.2	1.9	0.3
<b>Manufacturing</b>	29.4	33.4	27.4	45.7	27.3	40.6
<b>Construction</b>	16.2	11.7	13.6	19.7	19.5	20.3
<b>Services</b>	17.2	19.5	12.5	17.2	13.1	21.8

Source: CEIC, MIDFR

\*Data Available Up Until Oct-18

**Manufacturing employment stays healthy.** Employment growth in manufacturing sector slowed to 1.7%yoy in Dec-18 mainly due to declines for sub-sectors such as refined petroleum at 5.2%yoy, organic chemicals & inorganic components at -2.1%yoy and diode, transistor & electronic integrated circuit mic at 4.9%yoy. Meanwhile, wage growth of overall manufacturing sector rose back to 10.1%yoy reportedly after last month's slowdown. 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. Export-oriented sectors in particular are expected to stay on upward trajectories due to easing trade war fear effects and modest pick-up in global commodity prices.

**Table 3: Employment Growth by Manufacturing Major Sub-Sector (YoY%)**

	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18
Overall	2.0	1.9	1.9	2.2	2.0	1.7
Refined Petroleum Products	0.6	1.0	2.3	2.9	5.6	5.2
Organic Chemical & Inorganic Compounds excl Fertilizer	(3.3)	(3.3)	(2.2)	(2.0)	(2.0)	(2.1)
Basic Iron & Steel Products	4.3	3.9	3.2	3.4	1.6	1.6
Diode, Transistor & Electronic Integrated Circuit Mic	1.5	2.0	4.3	5.0	5.6	4.9
Electrical Capacitor Resistor, Circuit Board, Display Com	3.1	2.9	2.0	2.6	3.4	3.7
Computers & Peripherals Equipment	0.3	0.3	0.8	1.4	1.4	2.1

Source: CEIC, MIDFR

\*Exclude Fertiliser

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

	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18
Overall	10.1	9.7	9.1	10.2	9.0	10.1
Refined Petroleum Products	29.1	29.2	25.9	31.5	35.9	30.9
Organic Chemical & Inorganic Compounds excl Fertilizer	24.6	21.3	15.7	12.7	15.8	13.5
Basic Iron & Steel Products	12.1	8.5	6.2	5.1	2.9	6.7
Diode, Transistor & Electronic Integrated Circuit Mic	22.5	18.7	15.4	19.4	15.9	27.9
Electrical Capacitor Resistor, Circuit Board, Display Com	20.8	20.8	21.0	20.0	15.8	7.5
Computers & Peripherals Equipment	2.5	2.3	5.9	10.1	11.8	7.8

Source: CEIC, MIDFR


\*Exclude Fertiliser

**Stable global labour market.** Based on the latest data, jobless rate across major and emerging economies are mostly on full-employment condition. For instance, unemployment rate in the US is at 3.9%, slightly above the 49-year low of 3.7% while EU remains at 6.6%, lowest ever recorded since the creation of the union. Looking ahead, we foresee labour market will remain on healthy condition globally as global manufacturing PMI remains on expansionary trend. Manufacturing PMI for both global registered at 50.7 points in Jan-19. Progressive trade talks between the US & China, gradual pick-up in commodity prices and moderate inflationary pressure are among key contributing factors supporting global trade activities in 2019.

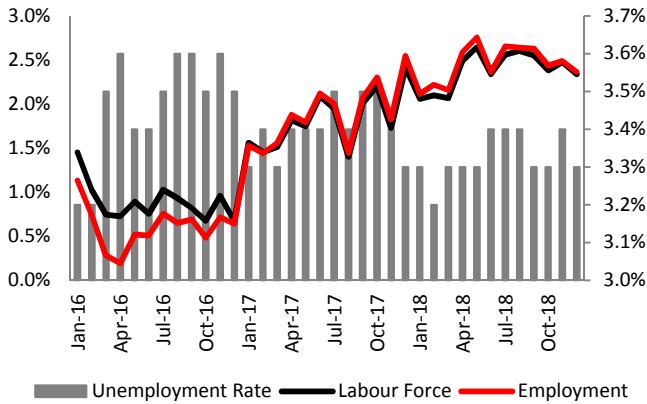
**Table 5: Global Unemployment Rate (%)**

	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18
Malaysia	3.4	3.4	3.3	3.3	3.4	3.3
Thailand	1.0	1.0	1.0	1.0	1.0	0.9
Taiwan	3.7	3.7	3.7	3.7	3.7	3.7
Korea	3.8	4.2	4.0	3.9	3.8	3.8
Japan	2.5	2.4	2.3	2.4	2.5	2.4
EU	6.8	6.8	6.7	6.7	6.6	6.6
United States	3.9	3.8	3.7	3.8	3.7	3.9

Source: CEIC, MIDFR

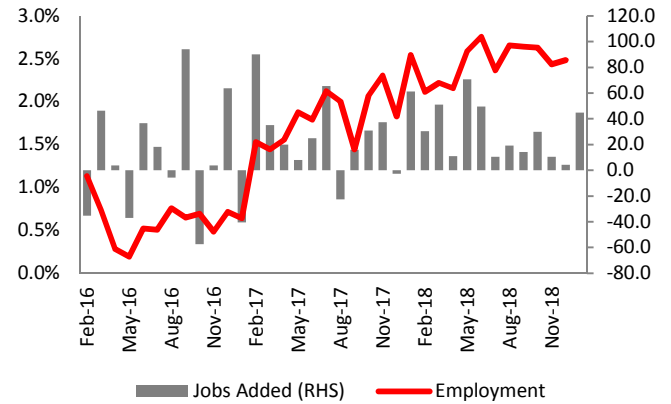
**We forecast Malaysia's unemployment rate to average at 3.3% in 2019.** The stable labour market is expected to impact positively to the economy via supporting private consumption as well as drive Malaysia's domestic economy through the growing consumer optimism. We predict labour market to stay on expansion pace in tandem with industrial and external trade activities. We opine Malaysia's jobless rate to remain under a full-employment condition of 3.3% in 2019. 

**Chart 1: Labour Market Key Indicators (YoY%)**



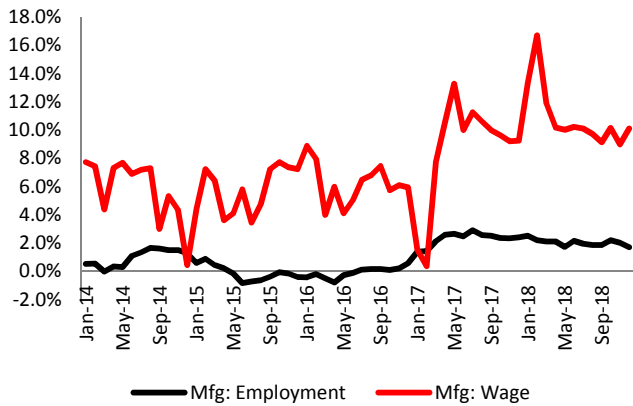
Source: CEIC, MIDFR

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



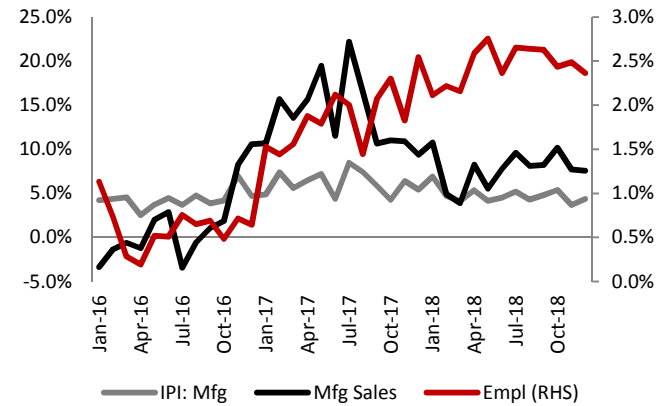
Source: CEIC, MIDFR

**Chart 3: Manufacturing: Employment vs Wage (YoY%)**



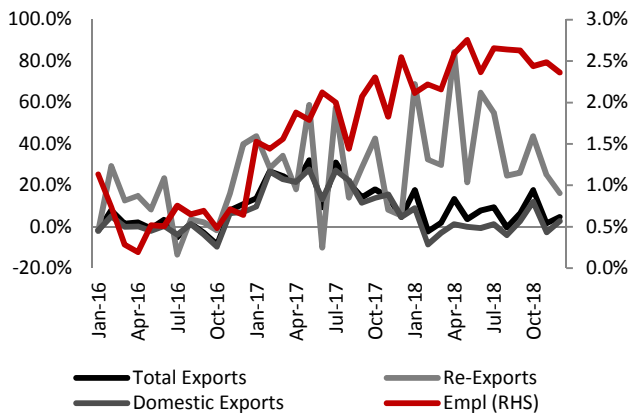
Source: CEIC, MIDFR

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



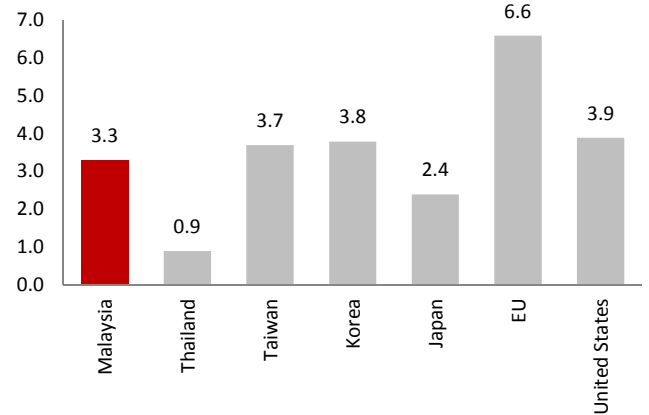
Source: CEIC, MIDFR

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



Source: CEIC, MIDFR

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



Source: CEIC, MIDFR

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