

ECONOMIC REVIEW | December 2017 Labour Market

Stable Labour Market Boosted by Strong External Demand-Unemployment Maintained at 3.4% in 2017

- *Employment grew at faster pace. Employment increased by 2.5%yoy in December, higher than 1.8%yoy in previous month. Similarly, labour force grew by 2.4%yoy to 15.14 million, higher than 1.7%yoy in November.*
- *Job vacancies at above 100K level. Total job vacancies in November recorded at 149.6K, slightly lower than 150K in previous month. Vacancies are highly observed in manufacturing sector at 56.6K, followed by services and construction at 34.9K and 29.9K respectively.*
- *We expect that Malaysia's unemployment rate to average at 3.3% in 2018. Moving forward, we anticipate domestic as well as global economic activities will stay on upward trajectory given key economic indicators are showing sign of optimism.*

Employment grew at faster pace. Employment increased by 2.5%yoy in December, higher than 1.8%yoy in previous month. Similarly, labour force grew by 2.4%yoy to 15.14 million, higher than 1.7%yoy in November. Hence, unemployment rate maintained at 3.3% underpin by solid economic performance in 2017. Growths in both labour force and employment have been outperforming unemployment growth for ten consecutive months since March 2017 on upbeat momentum of both domestic and external economic activities.

Table 1: Summary of Labour Market ('000)

	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17
Labour Force	15,016	15,030	15,059	15,090	15,084	15,145.9
YoY%	2.0	1.4	2.0	2.2	1.7	2.4
Employment	14,497	14,513	14,544	14,582	14,579	14,640.1
YoY%	2.0	1.4	2.1	2.3	1.8	2.5
Unemployment	519	517	515	509	505	505.8
YoY%	0.5	0.3	0.4	(0.6)	(1.1)	(1.2)
Outside Labour Force	7,150	7,138	7,122	7,118	7,121	7,084.1
YoY%	2.0	1.2	0.5	0.7	0.6	0.2
Unemployment Rate %	3.5	3.4	3.4	3.4	3.3	3.3

Source: CEIC; MIDFR

Positive spill over effects. We opine strong external trade performances last year have contributed significantly towards strengthening Malaysia's labour market. Export growth in December for instance, expanded at slower pace at 4.7%yoy. It is the slowest in 14-months and fell to single digit rate after 12-consecutive months of double digit speed due to unfavorable base effects. However, for the whole of 2017, Malaysia's exports advanced by 18.9%yoy, higher than our initial forecast of 14.5%yoy. Domestically, distributive trade expanded by 7.3% while industrial production rose by 2.8%yoy in the same month.

Job vacancies at above 100K level. Total job vacancies in November recorded at 149.6K, slightly lower than 150K in previous month. Vacancies are highly observed in manufacturing sector at 56.6K, followed by services and construction at 34.9K and 29.9K respectively. The increase in job vacancies is in line with robust performances of exports and industrial production in November which expanded strongly by 14.4%yoy and 5%yoy respectively. Increase in global demand for manufacturing products particularly electric and electronic push up for more employment opportunities especially in manufacturing sectors. Looking ahead, we can expect job vacancies in December to stay high given that external trade and industrial activities remain on upbeat momentum.

Low value-added jobs continue to dominate. By job type, job vacancies of elementary occupations and plant & machinery operators & assemblers recorded at 126.5K and 9.7K respectively in November. This is in line with the rise of job vacancies in manufacturing and services sectors. High value-added jobs such as professionals declined to 1.7K while technicians & associate professionals registered at 0.9K during the month.

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

	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17
Total	97.6	143.9	155.6	145.2	150.0	149.6
Agriculture, Forestry & Fishing	15.0	26.8	25.8	23.4	32.5	27.9
Mining & Quarrying	1.3	0.2	0.1	0.2	0.1	0.3
Manufacturing	42.1	56.7	62.7	75.6	64.1	56.6
Construction	19.0	25.1	30.6	18.0	18.5	29.9
Services	20.1	35.1	36.4	28.0	34.9	34.9

Source: CEIC, MIDFR

Note: Latest figures only available until November 2017

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

	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17
Total	97.6	143.9	155.6	145.2	150.0	149.6
Legislators, Senior Officials & Managers	0.3	2.0	0.7	1.0	0.5	0.3
Professionals	2.6	4.9	4.2	2.8	2.8	1.7
Technicians & Associate Professionals	1.0	2.2	1.1	1.1	1.2	0.9
Clerical Workers	0.8	1.2	1.2	0.8	1.4	1.0
Service, Shop & Market Sales Workers	3.1	6.1	6.6	4.5	5.4	5.6
Skilled Agricultural & Fisheries Workers	0.8	0.7	2.0	0.5	0.7	0.7
Craft and Related Trades Workers	2.1	3.2	4.0	3.5	2.9	3.1
Plant & Machinery Operators & Assemblers	6.6	17.5	16.5	14.2	14.6	9.7
Elementary Occupations	80.5	105.9	119.2	116.9	120.4	126.5

Source: CEIC, MIDFR

Note: Latest figures only available until November 2017

Robust external trade and industrial activities. As exports and industrial productions continue expanding, it translated into better performance in employment and wage growths especially in the manufacturing sector. For instance, employment in the sector grew firmly by 2.4%yoy, supported largely by sub-sectors such as basic iron & steel products, electrical capacitor resistor & components, and refined petroleum products. Hence, the spill over effects caused wage growth to maintain at 9.2%yoy 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%)

	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17
Overall	2.9	2.6	2.5	2.4	2.3	2.4
Refined Petroleum Products	6.3	6.9	3.9	3.1	1.9	2.6
Organic Chemical & Inorganic Compounds*	6.3	4.5	4.2	1.1	1.3	1.5
Basic Iron & Steel Products	1.1	1.5	2.4	2.2	2.2	2.8
Diode, Transistor & Electronic Integrated Circuit Mic	3.3	3.0	0.4	0.6	0.3	0.5
Electrical Capacitor Resistor, Circuit Board, Display Com	0.7	1.3	2.7	3.0	3.0	2.0
Computers & Peripherals Equipment	1.2	1.2	1.2	0.6	(0.3)	0.0

Source: CEIC; MIDFR

*Exclude Fertiliser

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

	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17
Overall	11.3	10.6	10.0	9.6	9.2	9.2
Refined Petroleum Products	12.5	17.9	13.9	11.2	13.7	14.5
Organic Chemical & Inorganic Compounds*	16.5	18.8	19.7	26.6	16.4	10.7
Basic Iron & Steel Products	16.4	20.4	23.8	23.4	22.6	24.1
Diode, Transistor & Electronic Integrated Circuit Mic	3.5	2.6	4.3	5.2	9.9	3.6
Electrical Capacitor Resistor, Circuit Board, Display Com	7.0	7.5	(1.0)	(1.3)	(4.5)	5.9
Computers & Peripherals Equipment	(5.6)	2.7	(12.7)	(14.6)	(15.1)	(14.3)

Source: CEIC; MIDFR

*Exclude Fertiliser

Global labour market continues to strengthen. Unemployment rate in the US maintained at 4.1% buoyed by global demand and high confidence among consumers and business as there are prospects for tax cuts. Meanwhile, nonfarm payrolls in US increased to 160K in December. Moving to Europe, unemployment rate in the region has been below 10% level for more than 3-years underpin by positive economic developments. Looking ahead, we foresee labour market will remain on healthy condition globally amid of global and emerging economies' manufacturing PMI stay on expansionary path. Manufacturing PMI for global and emerging economies registered at 54.4 and 51.9 points in January 2018.

Table 6: Global Unemployment Rate (%)

	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17
Malaysia	3.4	3.4	3.4	3.4	3.5	3.4	3.4	3.4	3.3	3.3
Thailand	1.3	1.3	1.3	1.1	1.2	1.1	1.2	1.3	1.1	1.0
Taiwan	3.8	3.7	3.7	3.7	3.8	3.9	3.8	3.8	3.7	3.7
South Korea	4.2	4.2	3.6	3.8	3.5	3.6	3.4	3.2	3.2	3.3
Japan	2.8	2.9	3.1	2.8	2.8	2.8	2.8	2.7	2.6	2.8
EU	8.2	7.8	7.6	7.4	7.3	7.3	7.3	7.4	7.4	7.3
United States	4.5	4.4	4.3	4.4	4.3	4.4	4.2	4.1	4.1	4.1

Source: CEIC; MIDFR


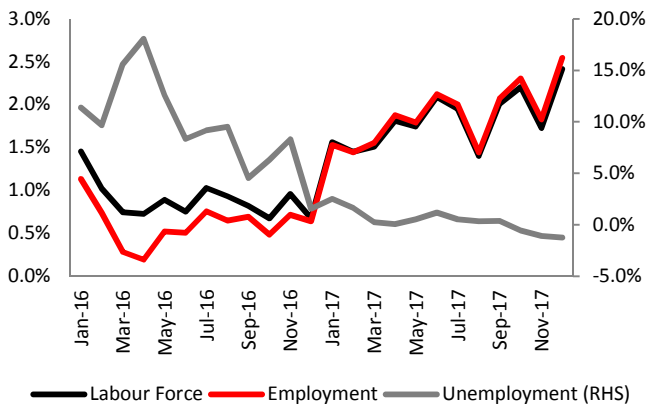
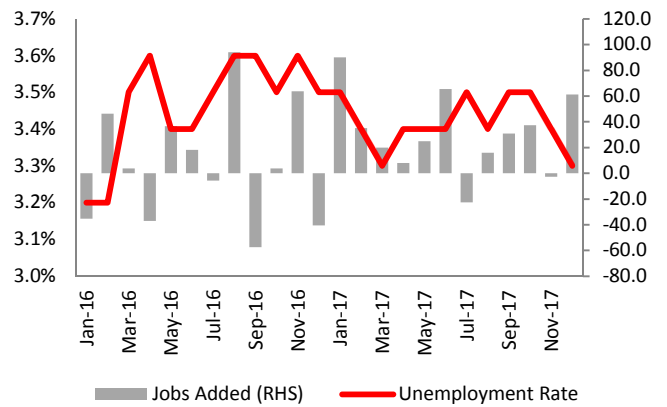
We expect that Malaysia's unemployment rate to average at 3.3% in 2018. Moving forward, we anticipate domestic as well as global economic activities will stay on upward trajectory given key economic indicators are showing sign of optimism. Therefore, we forecast global trade will improve further this year and Malaysia as an export-reliance economy will benefit from the development via increase in exports demand and more jobs creation especially in the exports-oriented industries. 

Chart 1: Labour Market Key Indicators (YoY%)



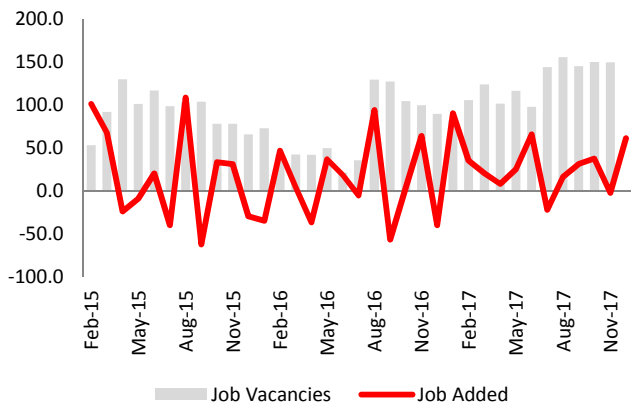
Source: CEIC; MIDFR

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



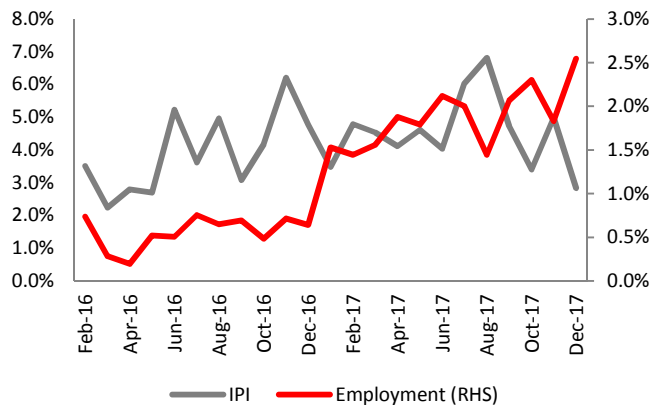
Source: CEIC; MIDFR

Chart 3: Job Added vs Vacancies ('000)



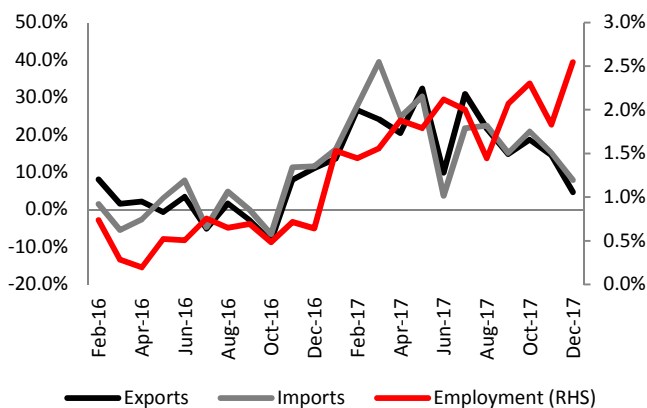
Source: CEIC; MIDFR

Chart 4: Employment vs IPI (YoY%)



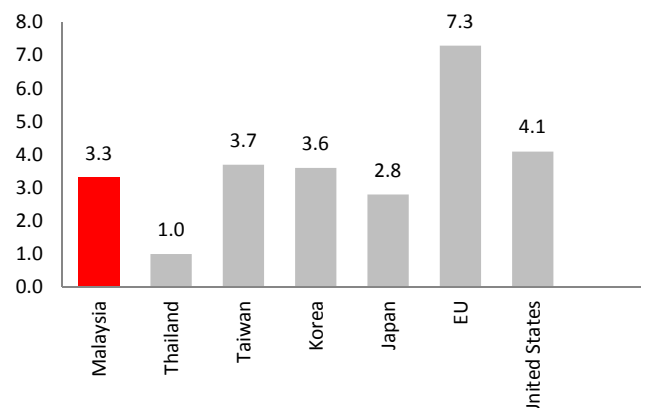
Source: CEIC; MIDFR

Chart 5: Employment vs External Trade (YoY%)



Source: CEIC; MIDFR

Chart 6: Global Unemployment Rates (%) in Dec-17



Source: CEIC; MIDFR

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