

ECONOMIC REVIEW | February 2018 Labour Market

Unemployment Rate Falls to 3.3% as Monthly Jobs Added Remains Above 2017's Average at 51K

- *Employment grew at a steady pace. Employment registered increased by 2.2%yoy in Feb-18, higher than 2.1%yoy recorded in the previous month. Besides that, labour force maintained at 2.1%yoy to 15.2 million, whilst jobs added in the economy registered at 51K, significantly higher than 2017's monthly average of 30.3K.*
- *Job vacancies above 2017's average. Total job vacancies in Jan-18 recorded at 126.9K, higher compared to 102.3K in preceding month and above 2017's average of 122.8K. Vacancies are highly observed in manufacturing sector at 49.4K, followed by services and construction registered at 32.9K and 26.2K respectively.*
- *We forecast Malaysia's unemployment rate to average at 3.3% in 2018. Moving forward, as guided by the recent Business Tendency Index, we anticipate domestic economic activities will stay on upward trajectory given that business confidence remains optimistic for the first six months of 2018.*

Employment grew at a steady pace. Employment registered increased by 2.2%yoy in Feb-18, higher than 2.1%yoy recorded in the previous month. Besides that, labour force maintained at 2.1%yoy to 15.2 million, whilst jobs added in the economy registered at 51K, significantly higher than 2017's monthly average of 30.3K. Thus, unemployment rate went down to 3.3% in the second month of 2018. As both domestic and external economic activities are on upbeat momentum, growths in both labour force and employment have been outpacing unemployment growth for 12-consecutive months since Mar-17.

Table 1: Summary of Labour Market ('000)

	17-Sep	17-Oct	17-Nov	17-Dec	18-Jan	Feb-18
Labour Force	15,059	15,090	15,084	15,145.90	15,187.00	15,230
YoY%	2	2.2	1.7	2.4	2.1	2.1
Employment	14,544	14,582	14,579	14,640.10	14,670.50	14,721.50
YoY%	2.1	2.3	1.8	2.5	2.1	2.2
Unemployment	515	509	505	505.8	516.5	508.50
YoY%	0.4	(0.6)	(1.1)	(1.2)	0.5	(1.2)
Outside Labour Force	7,122	7,118	7,121	7,084.10	7,074.80	7,112.30
YoY%	0.5	0.7	0.6	0.2	(0.2)	0.4
Unemployment Rate %	3.4	3.4	3.3	3.3	3.4	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 despite a seasonal downturn in external trade. Exports growth in Feb-18, shrank by 2.2%yoy, fell for the first time since Nov-16 mainly due to shorter working days and high base effect amid Lunar festival. However, industrial production and manufacturing sales continue to expand albeit at a moderating pace by 3%yoy and 4.9%yoy respectively in the same month. Moving forward, we opine Malaysia's external trade will rebound and IPI performance to remain expanding at a solid pace in upcoming months amid upbeat global economic and gradual recovery in commodity 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 above 2017's average. Total job vacancies in Jan-18 recorded at 126.9K, higher compared to 102.3K in preceding month and above 2017's average of 122.8K. Vacancies are highly observed in manufacturing sector at 49.4K, followed by services and construction registered at 32.9K and 26.2K respectively. The strong growth in job vacancies is in line with positive performance of Malaysia's outbound shipments and industrial production in Jan-18 which expanded by 17.9%yoy and 3.0%yoy respectively. Looking ahead, we can expect job vacancies for Feb-18 to moderate slightly amid slowdown in Feb's external trade performances.

Low value-added jobs continue to dominate. By job type, job vacancies of elementary occupations and plant & machinery operators & assemblers recorded at 100.8K and 10.2K respectively in Jan-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 surged to 4.2K while technicians & associate professionals registered at 2.0K 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)

	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18
Total	155.6	145.2	150.0	149.6	102.3	126.9
Agriculture, Forestry & Fishing	25.8	23.4	32.5	27.9	15.9	18.4
Mining & Quarrying	0.1	0.2	0.1	0.3	0.1	0.1
Manufacturing	62.7	75.6	64.1	56.6	42.8	49.4
Construction	30.6	18.0	18.5	29.9	18.4	26.2
Services	36.4	28.0	34.9	34.9	25.1	32.9

Source: CEIC, MIDFR

Note: Latest figures only available until January 2018

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

	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18
Total	155.6	145.2	150.0	149.6	102.3	126.9
Legislators, Senior Officials & Managers	0.7	1.0	0.5	0.3	0.6	0.4
Professionals	4.2	2.8	2.8	1.7	3.1	4.2
Technicians & Associate Professionals	1.1	1.1	1.2	0.9	1.3	2.0
Clerical Workers	1.2	0.8	1.4	1.0	1.1	1.2
Service, Shop & Market Sales Workers	6.6	4.5	5.4	5.6	3.1	5.1
Skilled Agricultural & Fisheries Workers	2.0	0.5	0.7	0.7	0.6	1.2
Craft and Related Trades Workers	4.0	3.5	2.9	3.1	4.2	2.0
Plant & Machinery Operators & Assemblers	16.5	14.2	14.6	9.7	9.9	10.2
Elementary Occupations	119.2	116.9	120.4	126.5	78.4	100.8

Source: CEIC, MIDFR

Note: Latest figures only available until January 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 2.2%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 advance by 16.7%yoy during the month. In fact, the wage growth for 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%)

	17-Sep	17-Oct	17-Nov	17-Dec	18-Jan	18-Feb
Overall	2.5	2.4	2.3	2.4	2.5	2.2
Refined Petroleum Products	3.9	3.1	1.9	2.6	3.6	1.6
Organic Chemical & Inorganic Compounds*	4.2	1.1	1.3	1.5	(1.7)	(2.0)
Basic Iron & Steel Products	2.4	2.2	2.2	2.8	4.4	3.3
Diode, Transistor & Electronic Integrated Circuit Mic	0.4	0.6	0.3	0.5	0.8	0.8
Electrical Capacitor Resistor, Circuit Board, Display Com	2.7	3	3	2	2.9	3
Computers & Peripherals Equipment	1.2	0.6	(0.3)	0	1	0.8

Source: CEIC; MIDFR

*Exclude Fertiliser

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

	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18
Overall	10.0	9.6	9.2	9.2	13.3	16.7
Refined Petroleum Products	13.9	11.2	13.7	14.5	26.2	31.7
Organic Chemical & Inorganic Compounds*	19.7	26.6	16.4	10.7	7.2	17.8
Basic Iron & Steel Products	23.8	23.4	22.6	24.1	5.1	11.1
Diode, Transistor & Electronic Integrated Circuit Mic	4.3	5.2	9.9	3.6	16.4	27.6
Electrical Capacitor Resistor, Circuit Board, Display Com	(1.0)	(1.3)	(4.5)	5.9	50.9	52.8
Computers & Peripherals Equipment	(12.7)	(14.6)	(15.1)	(14.3)	17.6	32.8

Source: CEIC; MIDFR

*Exclude Fertiliser

Improved global labour market. Unemployment rate in the US maintained at 17-year low of 4.1% for the fifth consecutive months buoyed by global demand and high confidence among consumers and business due to expansionary fiscal policy. Nevertheless, nonfarm payrolls in US increased to 103K in Mar-18, lowest since Sep-17. 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 amid of global and emerging economies' manufacturing PMI stay on expansionary path. Manufacturing PMI for global and emerging economies registered at 53.4 and 51.3 points in Mar-18.

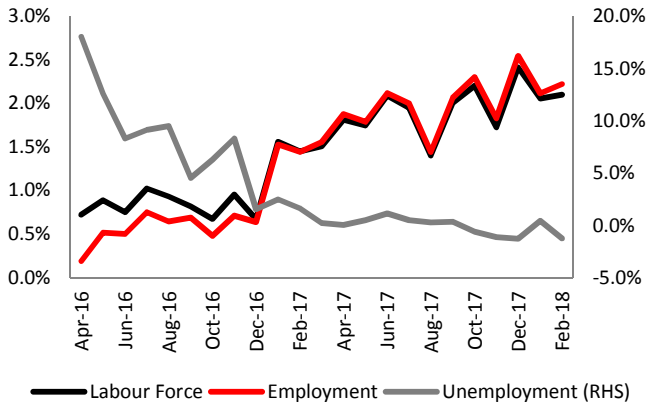
Table 6: Global Unemployment Rate (%)

	17-May	17-Jun	17-Jul	17-Aug	17-Sep	17-Oct	17-Nov	17-Dec	18-Jan	18-Feb
Malaysia	3.4	3.4	3.5	3.4	3.4	3.4	3.3	3.3	3.4	3.3
Thailand	1.3	1.1	1.2	1.1	1.2	1.3	1.1	1	1.3	1.3
Taiwan	3.7	3.7	3.8	3.9	3.8	3.8	3.7	3.7	3.7	3.7
South Korea	3.6	3.8	3.5	3.6	3.4	3.2	3.2	3.3	3.6	4
Japan	3.1	2.8	2.8	2.8	2.8	2.7	2.6	2.8	2.4	2.5
EU	7.6	7.4	7.3	7.3	7.3	7.4	7.4	7.3	7.3	7.1
United States	4.3	4.4	4.3	4.4	4.2	4.1	4.1	4.1	4.1	4.1

Source: CEIC; MIDFR

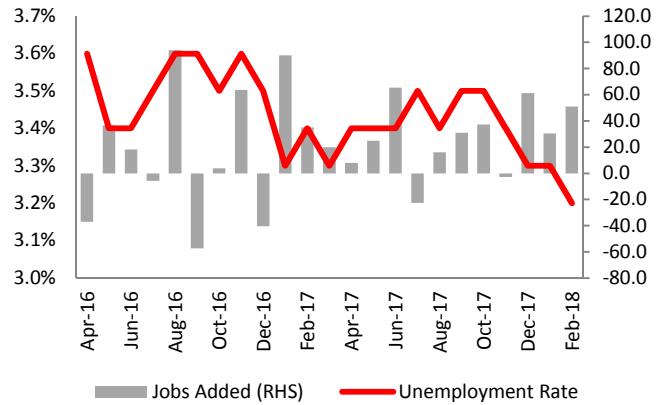
We forecast Malaysia's unemployment rate to average at 3.3% in 2018. Moving forward, as guided by the recent Business Tendency Index, we anticipate domestic economic activities will stay on upward trajectory given that business confidence remains optimistic for the first six months of 2018. In addition, 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%)



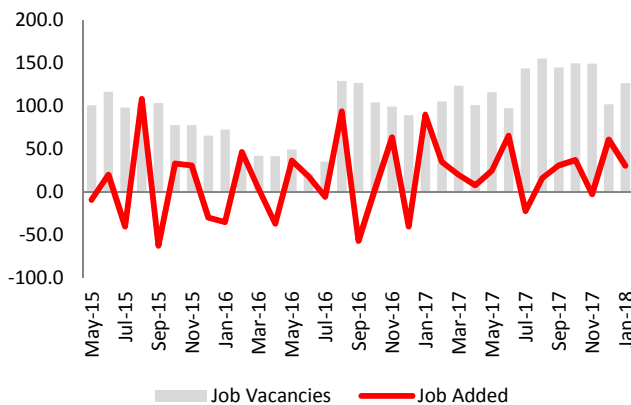
Source: CEIC; MIDFR

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



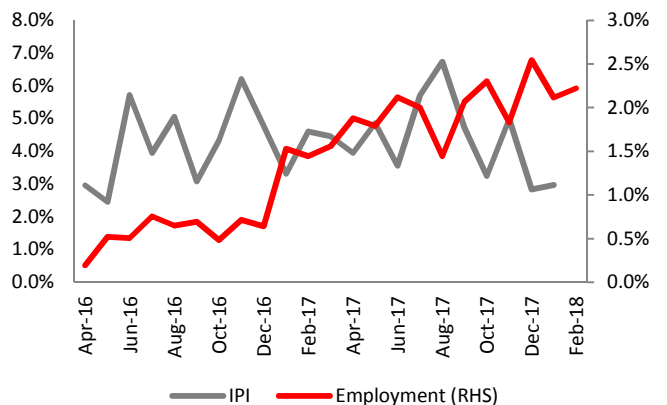
Source: CEIC; MIDFR

Chart 3: Job Added vs Vacancies ('000)



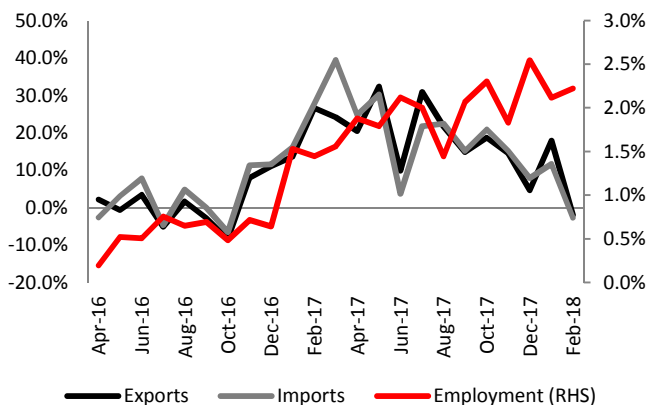
Source: CEIC; MIDFR

Chart 4: Employment vs IPI (YoY%)



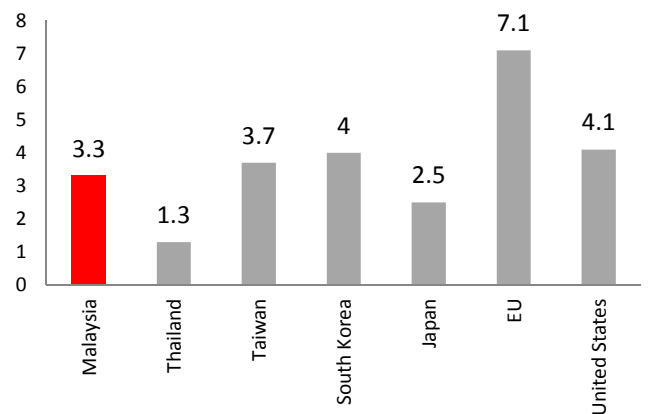
Source: CEIC; MIDFR

Chart 5: Employment vs External Trade (YoY%)



Source: CEIC; MIDFR

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



Source: CEIC; MIDFR

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