

ECONOMIC REVIEW | February 2017 Malaysian Labour Market

Strengthening Labour Market in-line with Positive Economic Outlook

- *Unemployment rate maintains at 3.5%. The latest rate remains within long-term unemployment trend. Labour force increased by 1.5%yoy to 14.9 million. This is supported by modest growth in employment amid positive outlook on domestic economy.*
- *Global unemployment rate is on the down trend. Average unemployment rate across the globe indicates strengthening labour market amid recovery in global trade. Thailand recorded the lowest unemployment rate in February with 1.1% while unemployment rate of South Korea was 4% in the same month.*
- *We reiterate our expectation that Malaysia's unemployment rate to average at 3.3% in 2017. Among others, improvement in global trade activity will translate into better performance of Malaysia's export-oriented industries would have positive spill-over effects on our labour market.*

Unemployment rate remains at 3.5%. The latest rate remains within long-term unemployment trend. Labour force increased by 1.5%yoy to 14.9 million. This is supported by modest growth in employment amid positive outlook on domestic economy. On monthly basis, the rate of growth of labour force and employment are higher compared to the rate of growth of unemployment. The prevailing trend signals that our economy is on the uptrend and more jobs are being created. Labour force participation rate up slightly higher by 0.1% from January's record.

Table 1: Summary of Labour Market

	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17
Labour Force ('000)	14,762	14,765	14,828	14,789	14,881	14,917
YoY	0.8%	0.7%	1.0%	0.7%	1.6%	1.5%
MoM	-0.4%	0.0%	0.4%	-0.3%	0.6%	0.2%
Employment ('000)	14,250	14,253	14,317	14,277	14,367	14,402
YoY	0.7%	0.5%	0.7%	0.6%	1.5%	1.4%
MoM	-0.4%	0.0%	0.4%	-0.3%	0.6%	0.2%
Unemployment ('000)	513	512	511	512	514	515
YoY	4.5%	6.3%	8.3%	1.6%	2.5%	1.7%
MoM	-0.5%	-0.2%	-0.2%	0.3%	0.4%	0.1%
Unemployment Rate (%)	3.5	3.5	3.4	3.5	3.5	3.5
Labour Force Participation Rate (%)	67.6	67.6	67.7	67.6	67.7	67.8

Source: Department of Statistics Malaysia; MIDF Research

Decline in unemployment rate of growth reflects strengthening job market and national economic activity. Referring to past trends, unemployment rate of growth fell from 18%yoy in April last year to 1.7% in February 2017. On the other hand, the rate of growth in labour force and employment for the first two months of 2017 has been higher than 2016's average of 0.9% and 0.6% respectively. Expansion in industrial production is one of the drivers for the strengthening labour market.

Global unemployment rate is on the down trend. Average unemployment rate across the globe indicates strengthening labour market amid recovery in global trade. Thailand recorded the lowest unemployment rate in February with 1.1% while unemployment rate of South Korea was 4% in the same month. In line with current positive performance in global trade, unemployment rate in developed countries are in declining trends. Both EU and US registered unemployment rate of 9.5% and 4.7% in respectively in February. The last time EU had unemployment rate at 9.5% was in May 2009.

Table 2: Global Unemployment Rate (%)

	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17
Malaysia	3.5	3.5	3.4	3.5	3.5	3.5
Thailand	0.9	1.2	1.0	0.8	1.2	1.1
South Korea	4.0	3.7	3.6	3.5	3.6	4.0
Australia	5.6	5.6	5.7	5.8	5.7	5.9
EU	9.9	9.8	9.7	9.6	9.6	9.5
Japan	3.0	3.0	3.1	3.1	3.0	2.8
United States	4.9	4.8	4.6	4.7	4.8	4.7

Source: CEIC; MIDF Research


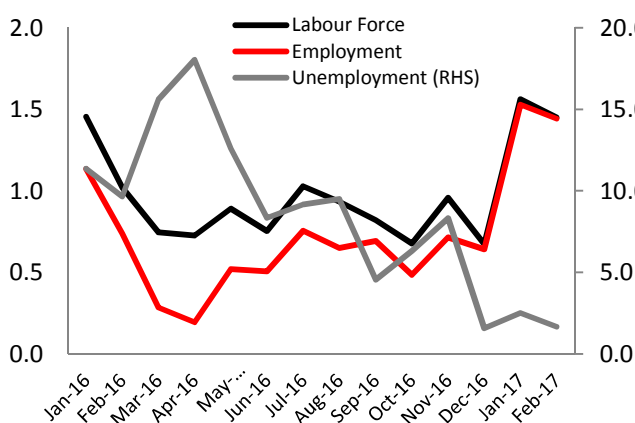
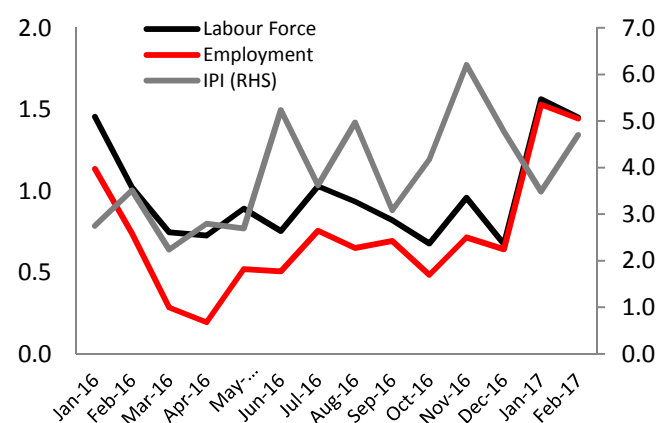
We reiterate our expectation that Malaysia's unemployment rate to average at 3.3% in 2017. Among others, improvement in global trade activity will translate into better performance of Malaysia's export-oriented industries would have positive spill-over effects on our labour market. On top of that, firmer global commodities prices could also provide more jobs creation especially the commodities-based sectors and its downstream activities. Domestic spending which expected to drive our economy this year may give extra boost in domestic-oriented industries and hence more jobs creation. 

Chart 1: Labour Market Key Indicators (YoY%)



Source: Department of Statistics, Malaysia; MIDF Research

Chart 2: Labour Market vs IPI (YoY%)



Source: Department of Statistics, Malaysia; MIDF Research

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