

ECONOMIC REVIEW | January 2018 Labour Market

Jan-18 Labour Market Remains Stable – Monthly Jobs Added Above 2017’s Average at 30.4K

- *Employment grew at steady pace. Employment increased by 2.1%yoy in Jan-18, lower than 2.5%yoy in the previous month. Similarly, labour force grew by 2.1%yoy to 15.19 million, lower than 2.4%yoy growth recorded in Dec-17. During the same month, jobs added in the economy registered at 30.4K, marginally higher than 2017’s monthly average of 30.3K.*
- *Job vacancies remain above 100K level. Total job vacancies in Dec-17 recorded at 102.3K, lower than 149.6K in previous month. Vacancies are highly observed in manufacturing sector at 42.8K, followed by services and construction at 25.1K and 18.4K 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 steady pace. Employment increased by 2.1%yoy in Jan-18, lower than 2.5%yoy in the previous month. Similarly, labour force grew by 2.1%yoy to 15.19 million, lower than 2.4%yoy growth recorded in Dec-17. During the same month, jobs added in the economy registered at 30.4K, marginally higher than 2017’s monthly average of 30.3K. Thus, unemployment rate maintains at healthy level of 3.4% in the first 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 11-consecutive months since Mar-17.

Table 1: Summary of Labour Market ('000)

| | Aug-17 | Sep-17 | Oct-17 | Nov-17 | Dec-17 | Jan-18 |
|-----------------------------|--------|--------|--------|--------|----------|----------|
| Labour Force | 15,030 | 15,059 | 15,090 | 15,084 | 15,145.9 | 15,187.0 |
| YoY% | 1.4 | 2.0 | 2.2 | 1.7 | 2.4 | 2.1 |
| Employment | 14,513 | 14,544 | 14,582 | 14,579 | 14,640.1 | 14,670.5 |
| YoY% | 1.4 | 2.1 | 2.3 | 1.8 | 2.5 | 2.1 |
| Unemployment | 517 | 515 | 509 | 505 | 505.8 | 516.5 |
| YoY% | 0.3 | 0.4 | (0.6) | (1.1) | (1.2) | 0.5 |
| Outside Labour Force | 7,138 | 7,122 | 7,118 | 7,121 | 7,084.1 | 7,074.8 |
| YoY% | 1.2 | 0.5 | 0.7 | 0.6 | 0.2 | (0.2) |
| Unemployment Rate % | 3.4 | 3.4 | 3.4 | 3.3 | 3.3 | 3.4 |

Source: CEIC; MIDFR

Positive spill-over effects. We noticed continuous upbeat performance in external trade and industrial activities remain as supporting factors on Malaysia's strengthening labour market. Exports growth in Jan-18 for instance, expanded by 17.9%yoy, higher than market expectations of 11.4%yoy. Industrial production and manufacturing sales expand steadily up by 3%yoy and 10.8%yoy respectively in Jan-18. Moving forward, we opine Malaysia's external trade and IPI performances to remain expanding at solid pace in 2018 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 remain above 100K level. Total job vacancies in Dec-17 recorded at 102.3K, lower than 149.6K in previous month. Vacancies are highly observed in manufacturing sector at 42.8K, followed by services and construction at 25.1K and 18.4K respectively. The moderate growth in job vacancies is in line with slower performance of Malaysia's outbound shipments and industrial production in Dec-17 which expanded by 4.7%yoy and 2.8%yoy respectively. Looking ahead, we can expect job vacancies in Jan-18 as well as first half of this year to stay on upward trends amid of rosy economic outlook domestically and globally.

Low value-added jobs continue to dominate. By job type, job vacancies of elementary occupations and plant & machinery operators & assemblers recorded at 78.4K and 9.9K respectively in Dec-17. This is in line with the rise of job vacancies in manufacturing and services sectors. However, we saw high value-added jobs such as professionals surged to 3.1K while technicians & associate professionals registered at 1.3K 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)

| | Jul-17 | Aug-17 | Sep-17 | Oct-17 | Nov-17 | Dec-17 |
|---------------------------------|--------|--------|--------|--------|--------|--------|
| Total | 143.9 | 155.6 | 145.2 | 150.0 | 149.6 | 102.3 |
| Agriculture, Forestry & Fishing | 26.8 | 25.8 | 23.4 | 32.5 | 27.9 | 15.9 |
| Mining & Quarrying | 0.2 | 0.1 | 0.2 | 0.1 | 0.3 | 0.1 |
| Manufacturing | 56.7 | 62.7 | 75.6 | 64.1 | 56.6 | 42.8 |
| Construction | 25.1 | 30.6 | 18.0 | 18.5 | 29.9 | 18.4 |
| Services | 35.1 | 36.4 | 28.0 | 34.9 | 34.9 | 25.1 |

Source: CEIC, MIDFR

Note: Latest figures only available until December 2017

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

| | Jul-17 | Aug-17 | Sep-17 | Oct-17 | Nov-17 | Dec-17 |
|------------------------------------------|--------|--------|--------|--------|--------|--------|
| Total | 143.9 | 155.6 | 145.2 | 150.0 | 149.6 | 102.3 |
| Legislators, Senior Officials & Managers | 2.0 | 0.7 | 1.0 | 0.5 | 0.3 | 0.6 |
| Professionals | 4.9 | 4.2 | 2.8 | 2.8 | 1.7 | 3.1 |
| Technicians & Associate Professionals | 2.2 | 1.1 | 1.1 | 1.2 | 0.9 | 1.3 |
| Clerical Workers | 1.2 | 1.2 | 0.8 | 1.4 | 1.0 | 1.1 |
| Service, Shop & Market Sales Workers | 6.1 | 6.6 | 4.5 | 5.4 | 5.6 | 3.1 |
| Skilled Agricultural & Fisheries Workers | 0.7 | 2.0 | 0.5 | 0.7 | 0.7 | 0.6 |
| Craft and Related Trades Workers | 3.2 | 4.0 | 3.5 | 2.9 | 3.1 | 4.2 |
| Plant & Machinery Operators & Assemblers | 17.5 | 16.5 | 14.2 | 14.6 | 9.7 | 9.9 |
| Elementary Occupations | 105.9 | 119.2 | 116.9 | 120.4 | 126.5 | 78.4 |

Source: CEIC, MIDFR

Note: Latest figures only available until December 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 2.5%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 13.3%yoy during the month. In fact, the wage growth of the sector registered highest ever record 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%)

| | Aug-17 | Sep-17 | Oct-17 | Nov-17 | Dec-17 | Jan-18 |
|-----------------------------------------------------------|--------|--------|--------|--------|--------|--------|
| Overall | 2.6 | 2.5 | 2.4 | 2.3 | 2.4 | 2.5 |
| Refined Petroleum Products | 6.9 | 3.9 | 3.1 | 1.9 | 2.6 | 3.6 |
| Organic Chemical & Inorganic Compounds* | 4.5 | 4.2 | 1.1 | 1.3 | 1.5 | (1.7) |
| Basic Iron & Steel Products | 1.5 | 2.4 | 2.2 | 2.2 | 2.8 | 4.4 |
| Diode, Transistor & Electronic Integrated Circuit Mic | 3.0 | 0.4 | 0.6 | 0.3 | 0.5 | 0.8 |
| Electrical Capacitor Resistor, Circuit Board, Display Com | 1.3 | 2.7 | 3.0 | 3.0 | 2.0 | 2.9 |
| Computers & Peripherals Equipment | 1.2 | 1.2 | 0.6 | (0.3) | 0.0 | 1.0 |

Source: CEIC; MIDFR

*Exclude Fertiliser

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

| | Aug-17 | Sep-17 | Oct-17 | Nov-17 | Dec-17 | Jan-18 |
|-----------------------------------------------------------|--------|--------|--------|--------|--------|--------|
| Overall | 10.6 | 10.0 | 9.6 | 9.2 | 9.2 | 13.3 |
| Refined Petroleum Products | 17.9 | 13.9 | 11.2 | 13.7 | 14.5 | 26.2 |
| Organic Chemical & Inorganic Compounds* | 18.8 | 19.7 | 26.6 | 16.4 | 10.7 | 7.2 |
| Basic Iron & Steel Products | 20.4 | 23.8 | 23.4 | 22.6 | 24.1 | 5.1 |
| Diode, Transistor & Electronic Integrated Circuit Mic | 2.6 | 4.3 | 5.2 | 9.9 | 3.6 | 16.4 |
| Electrical Capacitor Resistor, Circuit Board, Display Com | 7.5 | (1.0) | (1.3) | (4.5) | 5.9 | 50.9 |
| Computers & Peripherals Equipment | 2.7 | (12.7) | (14.6) | (15.1) | (14.3) | 17.6 |

Source: CEIC; MIDFR

*Exclude Fertiliser

Improved global labour market. Unemployment rate in the US maintained at 17-year low of 4.1% buoyed by global demand and high confidence among consumers and business due to expansionary fiscal policy. Moreover, nonfarm payrolls in US increased to 313K in Feb-18, highest since Jul-16. 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 54.2 and 52.0 points in Feb-18.

Table 6: Global Unemployment Rate (%)

| | Apr-17 | May-17 | Jun-17 | Jul-17 | Aug-17 | Sep-17 | Oct-17 | Nov-17 | Dec-17 | Jan-18 |
|---------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Malaysia | 3.4 | 3.4 | 3.4 | 3.5 | 3.4 | 3.4 | 3.4 | 3.3 | 3.3 | 3.4 |
| Thailand | 1.3 | 1.3 | 1.1 | 1.2 | 1.1 | 1.2 | 1.3 | 1.1 | 1 | 1.3 |
| Taiwan | 3.7 | 3.7 | 3.7 | 3.8 | 3.9 | 3.8 | 3.8 | 3.7 | 3.7 | 3.7 |
| South Korea | 4.2 | 3.6 | 3.8 | 3.5 | 3.6 | 3.4 | 3.2 | 3.2 | 3.3 | 3.6 |
| Japan | 2.9 | 3.1 | 2.8 | 2.8 | 2.8 | 2.8 | 2.7 | 2.6 | 2.8 | 2.4 |
| EU | 7.8 | 7.6 | 7.4 | 7.3 | 7.3 | 7.3 | 7.4 | 7.4 | 7.3 | 7.3 |
| United States | 4.4 | 4.3 | 4.4 | 4.3 | 4.4 | 4.2 | 4.1 | 4.1 | 4.1 | 4.1 |

Source: CEIC; MIDFR


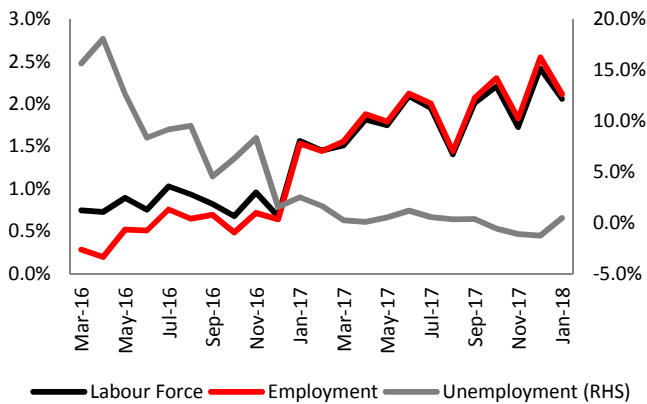
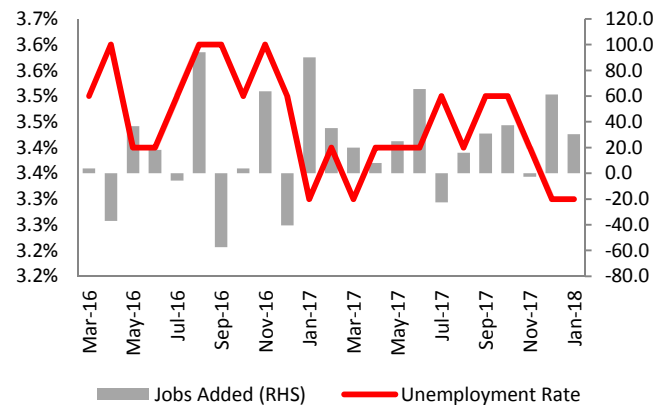
We forecast Malaysia's unemployment rate to average at 3.3% in 2018. Moving forward, as guided by the recent Business Tendency Index, we anticipate domestic economic activities will stay on upward trajectory given that business confidence remains optimistic for the first six months of 2018. In addition, we noticed global indicators from developed and emerging economies are still signalling positive cues that global demand to remain on high side. 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%)



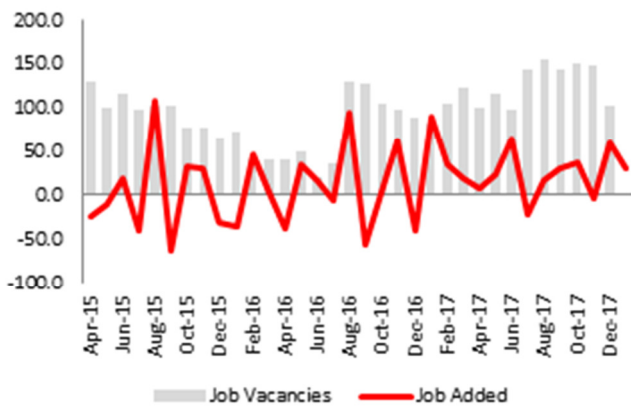
Source: CEIC; MIDFR

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



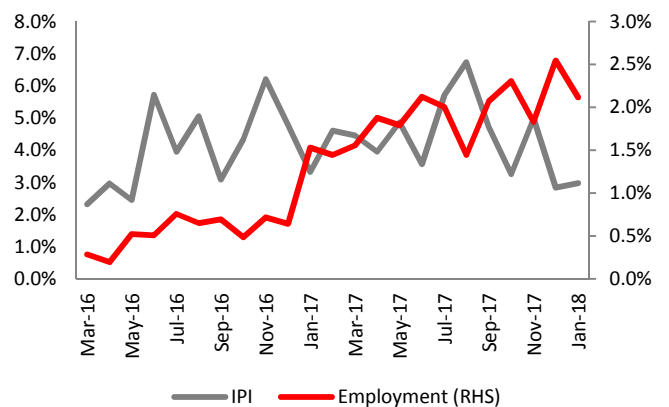
Source: CEIC; MIDFR

Chart 3: Job Added vs Vacancies ('000)



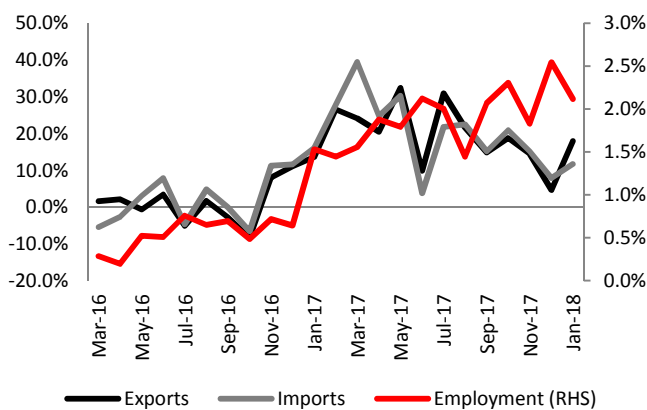
Source: CEIC; MIDFR

Chart 4: Employment vs IPI (YoY%)



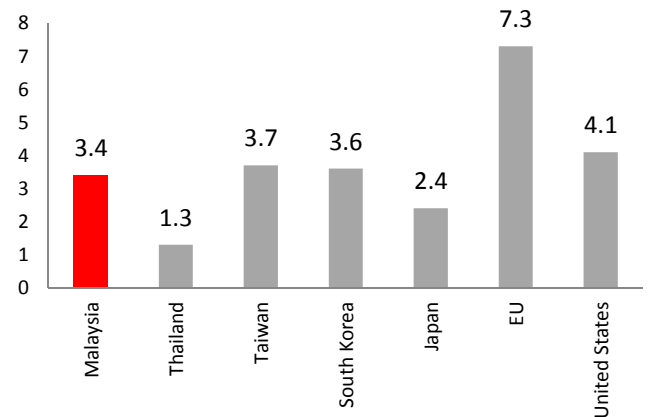
Source: CEIC; MIDFR

Chart 5: Employment vs External Trade (YoY%)



Source: CEIC; MIDFR

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



Source: CEIC; MIDFR

**MIDF RESEARCH is part of MIDF Amanah Investment Bank Berhad (23878 - X).
(Bank Pelaburan)
(A Participating Organisation of Bursa Malaysia Securities Berhad)**

DISCLOSURES AND DISCLAIMER

This report has been prepared by MIDF AMANAH INVESTMENT BANK BERHAD (23878-X). It is for distribution only under such circumstances as may be permitted by applicable law.

Readers should be fully aware that this report is for information purposes only. The opinions contained in this report are based on information obtained or derived from sources that we believe are reliable. MIDF AMANAH INVESTMENT BANK BERHAD makes no representation or warranty, expressed or implied, as to the accuracy, completeness or reliability of the information contained therein and it should not be relied upon as such.

This report is not, and should not be construed as, an offer to buy or sell any securities or other financial instruments. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. All opinions and estimates are subject to change without notice. The research analysts will initiate, update and cease coverage solely at the discretion of MIDF AMANAH INVESTMENT BANK BERHAD.

The directors, employees and representatives of MIDF AMANAH INVESTMENT BANK BERHAD may have interest in any of the securities mentioned and may benefit from the information herein. Members of the MIDF Group and their affiliates may provide services to any company and affiliates of such companies whose securities are mentioned herein. This document may not be reproduced, distributed or published in any form or for any purpose.