

## ECONOMIC REVIEW | July 2018 Labour Market

### Labor Market Holds Firm Despite Trade Tension – Unemployment Steady at 3.4%

- *Labour market remains strong. Labour force expanded by 2.6%yoy to 15.4 million in Jul-18, better performance than the previous month. Similarly, labour force grew by 2.7%yoy to 14.9 million and jobs added in the economy registered at 19.2K during the month. Unemployment rate maintains at full-employment condition of 3.4%.*
- *Improvements in IPI and external trade support labour market. We observe IPI, manufacturing sales and exports in Jul-18 perform better than Jun-18. For instance, IPI grew by 2.5%yoy in Jul-18 against 1.1%yoy in Jun-18 while manufacturing sales up 9.6%yoy, higher than 7.8%yoy in the previous month. On external front, total exports rose by 9.4%yoy amid continuous expansion in re-exports by 55.1%yoy and rebound in domestic exports by 1.1%yoy.*
- *We forecast Malaysia's unemployment rate to average at 3.3% in 2018. Moving forward, we anticipate domestic economic activities will stay on upward trajectory given that business confidence remains optimistic. In addition, we noticed global indicators from developed and emerging economies are still signalling positive cues that global demand to remain on high side.*

**Labour market remains strong.** Labour force expanded by 2.6%yoy to 15.4 million in Jul-18, better performance than the previous month. Similarly, labour force grew by 2.7%yoy to 14.9 million and jobs added in the economy registered at 19.2K during the month. Unemployment rate maintains at full-employment condition of 3.4%. In addition, unemployment and outside labour force reduced by -0.1%yoy and -1.5%yoy respectively. As both domestic and external economic activities are on upbeat momentum, growths in both labour force and employment have been outpacing unemployment growth for the last 17-month since Feb-17.

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

	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18
<b>Labour Force</b>	<b>15,230</b>	<b>15,241</b>	<b>15,313</b>	<b>15,358</b>	<b>15,379</b>	<b>15,401</b>
YoY%	2.1	2.1	2.5	2.6	2.3	2.6
<b>Employment</b>	<b>14,722</b>	<b>14,733</b>	<b>14,803</b>	<b>14,853</b>	<b>14,863</b>	<b>14,882</b>
YoY%	2.2	2.2	2.6	2.8	2.4	2.7
<b>Unemployment</b>	<b>509</b>	<b>509</b>	<b>510</b>	<b>505</b>	<b>516</b>	<b>519</b>
YoY%	(1.2)	(0.4)	(0.4)	(0.5)	1.6	(0.1)
<b>Outside Labour Force</b>	<b>7,112</b>	<b>7,115</b>	<b>7,131</b>	<b>7,097</b>	<b>7,062</b>	<b>7,045</b>
YoY%	0.4	(0.1)	0.1	(0.3)	(1.1)	(1.5)
<b>Unemployment Rate %</b>	<b>3.2</b>	<b>3.3</b>	<b>3.3</b>	<b>3.3</b>	<b>3.4</b>	<b>3.4</b>

Source: CEIC, MIDFR

**Improvements in IPI and external trade support labour market.** We observe IPI, manufacturing sales and exports in Jul-18 perform better than Jun-18. For instance, IPI grew by 2.5%yoy in Jul-18 against 1.1%yoy in Jun-18 while manufacturing sales up 9.6%yoy, higher than 7.8%yoy in the previous month. On external front, total exports rose by 9.4%yoy amid continuous expansion in re-exports by 55.1%yoy and rebound in domestic exports by 1.1%yoy. Moving forward, we opine Malaysia's external trade and IPI performance to expand at steady pace despite escalating trade tensions. On a flip side, supportive policy changes for businesses and consumers such as tax-holiday period and stabilised retail fuel prices will add support particularly for domestic-oriented industries in 2H18. Nevertheless, we opine Malaysia's job market to stay stable given that macroeconomic fundamentals remain strong and resilient.

**Job vacancies remained below 2017's average.** Monthly average for the first half of 2018 is 91.7K, lower than last year's average of 123K. In Jun-18, vacancies are highly observed in manufacturing sector at 33.4K, followed by services and agriculture registered at 19.5K and 19.4K respectively. The growth in job vacancies is in tandem with the gradual pace in Malaysia's external trade and industrial performances so far in 2018. Moving forward, we expect job vacancies to hover at 90K-100K on monthly basis amid moderating pace in economic momentum.

**Low value-added jobs continue to dominate.** Job Elementary occupation share hits the highest point ever recorded at 77.8%, as of 1H18. Prior to GFC'09, the share was hovering below 50%. In Jun-18, for every 100 job vacancies, 76 for elementary occupations, followed by 11 jobs of operators & assemblers and leave 13 jobs combined for high-skilled and medium-skilled occupations. Job vacancies of elementary occupations and plant & machinery operators & assemblers recorded at 63.5K and 9.3K respectively in Jun-18. This is in line with the rise of job vacancies in manufacturing and services sectors. Plus, among others 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, influx of low-skilled foreign workers, tepid wage growth and weakening domestic consumption.

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

	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18
Total	126.9	68.5	108.4	89.8	72.8	84.0
Agriculture, Forestry & Fishing	18.4	11.4	20.1	21.6	10.0	19.4
Mining & Quarrying	0.1	0.2	0.1	0.0	0.1	0.0
Manufacturing	49.4	31.5	45.3	36.4	29.4	33.4
Construction	26.2	9.0	14.6	12.9	16.2	11.7
Services	32.9	16.4	28.2	18.9	17.2	19.5

Source: CEIC, MIDFR

Note: Latest figures only available until Jun-18

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

	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18
Total	126.9	68.5	108.4	89.8	72.8	84.0
Legislators, Senior Officials & Managers	0.4	0.4	0.3	0.5	0.4	0.3
Professionals	4.2	2.1	1.8	1.8	2.2	1.2
Technicians & Associate Professionals	2.0	1.2	0.9	0.8	1.1	1.4
Clerical Workers	1.2	0.6	0.7	0.8	0.8	0.9
Service, Shop & Market Sales Workers	5.1	2.5	4.2	3.6	2.8	4.5
Skilled Agricultural & Fisheries Workers	1.2	0.5	0.6	0.8	0.5	0.9
Craft and Related Trades Workers	2.0	0.4	1.1	1.6	1.5	2.0
Plant & Machinery Operators & Assemblers	10.2	7.8	11.9	9.3	11.6	9.3
Elementary Occupations	100.8	56.0	86.8	70.7	51.9	63.5

Source: CEIC, MIDFR

Note: Latest figures only available until Jun-18

**Manufacturing employment stays healthy.** Employment growth in manufacturing sector remains above 2%yoy in Jul-18. The strong growth among others contributed by sturdy employment growth in E&E subsector of electrical capacitor resistor etc. and basic iron & steel products. Both sub-sectors employment grew steadily by 3.1%yoy and 4.3%yoy respectively. On a flip side, the wage growth of overall manufacturing sector continues expanding at strong pace, 10.1%yoy in Jul-18. Supported with easing inflationary pressure, rosy labour market performance in manufacturing sector will contribute towards higher domestic consumption this year.

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

	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18
Overall	2.2	2.1	2.1	1.7	2.2	2.0
Refined Petroleum Products	1.6	2.4	2.1	2.4	2.2	0.6
Organic Chemical & Inorganic Compounds excl. Fertilizer	(2.0)	(2.1)	(1.2)	0.3	(1.6)	(3.3)
Basic Iron & Steel Products	3.3	3.6	5.0	6.2	4.6	4.3
Diode, Transistor & Electronic Integrated Circuit Mic	0.8	0.5	0.1	0.5	1.1	1.5
Electrical Capacitor Resistor, Circuit Board, Display Com	3.0	3.3	3.0	2.3	2.7	3.1
Computers & Peripherals Equipment	0.8	1.1	1.0	1.3	1.3	0.3

Source: CEIC, MIDFR

\*Exclude Fertiliser

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

	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18
Overall	16.7	11.9	10.2	10.0	10.2	10.1
Refined Petroleum Products	31.7	14.4	22.5	27.5	33.8	29.1
Organic Chemical & Inorganic Compounds excl. Fertilizer	17.8	21.7	15.8	26.1	26.7	24.6
Basic Iron & Steel Products	11.1	12.6	10.2	12.3	12.1	12.1
Diode, Transistor & Electronic Integrated Circuit Mic	27.6	27.6	18.7	22.3	21.2	22.5
Electrical Capacitor Resistor, Circuit Board, Display Com	52.8	23.3	22.9	10.8	14.3	20.8
Computers & Peripherals Equipment	32.8	8.8	4.0	(0.1)	4.9	2.5

Source: CEIC, MIDFR


\*Exclude Fertiliser

**Continuous improvement in global labour market.** Based on the latest available data, jobless rate across major and emerging economies are on declining patterns. For instance, unemployment rate in the US maintains at 3.9% in Aug-18, slightly higher than 18-year low jobless rate of 3.8% in May-18. In Europe, unemployment rate in the region has been below 10% level for more than 3-years underpinned by encouraging economic performances. EU's jobless rate of 6.8% is the lowest since Apr-08. Looking ahead, we foresee labour market will remain on healthy condition globally as global and emerging economies' manufacturing PMI stay on expansionary trend. Manufacturing PMI for both global and emerging economies registered at 52.5 and 50.8 points in Aug-18.

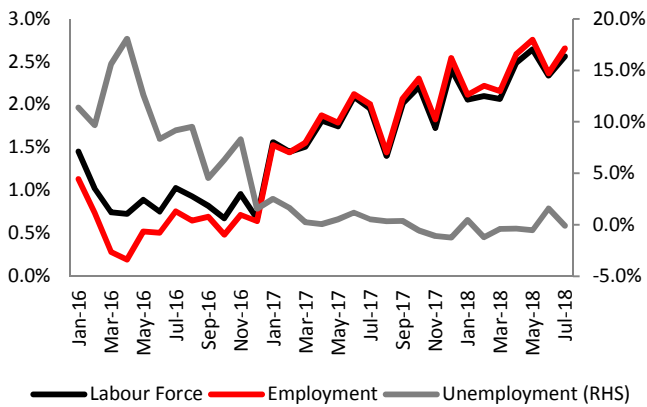
**Table 6: Global Unemployment Rate (%)**

	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18
Malaysia	3.2	3.3	3.3	3.3	3.4	3.4
Thailand	1.3	1.2	1.1	1.0	1.1	1.0
Taiwan	3.7	3.7	3.7	3.7	3.7	3.7
Korea	3.6	4.0	3.8	4.0	3.7	3.8
Japan	2.5	2.5	2.5	2.2	2.4	2.5
EU	7.1	7.1	7.0	6.9	6.9	6.8
United States	4.1	4.1	3.9	3.8	4.0	3.9

Source: CEIC, MIDFR

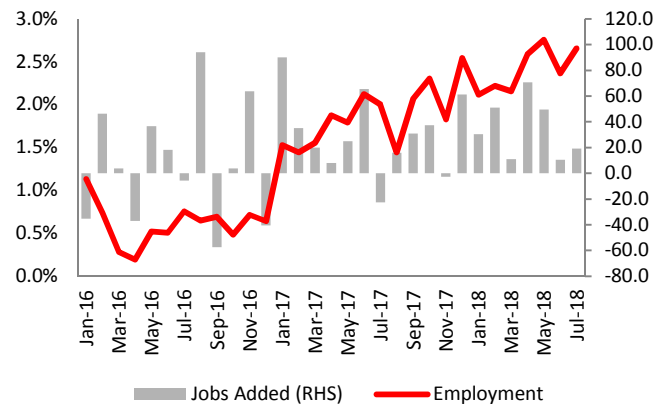
**We forecast Malaysia's unemployment rate to average at 3.3% in 2018.** Moving forward, we anticipate domestic economic activities will stay on upward trajectory given that business confidence remains upbeat. In addition, we noticed global indicators from developed and emerging economies are still signalling positive cues that global demand to remain on high side. Nevertheless, concerns still 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%)**



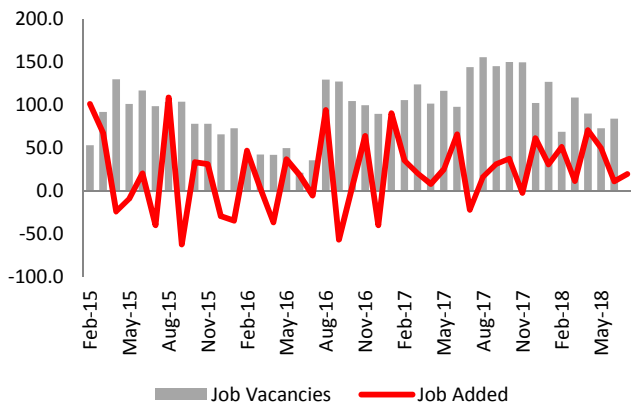
Source: CEIC, MIDFR

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



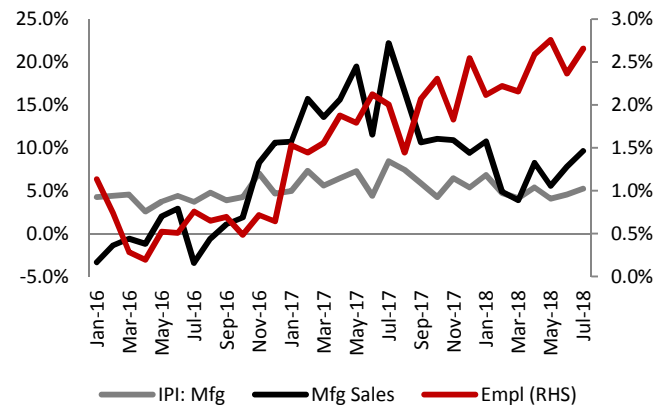
Source: CEIC, MIDFR

**Chart 3: Job Added vs Vacancies ('000)**



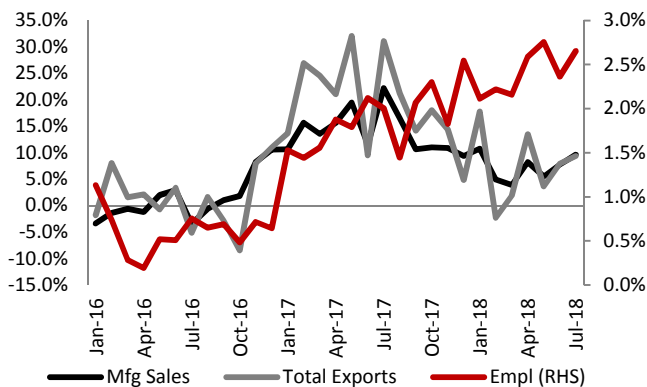
Source: CEIC, MIDFR

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



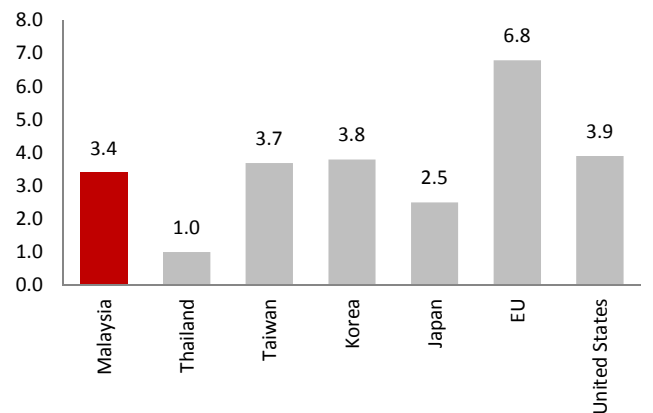
Source: CEIC, MIDFR

**Chart 5: Employment vs Exports vs Mfg. Sales (YoY%)**



Source: CEIC, MIDFR

**Chart 6: Global Unemployment Rates (%) in Jul-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.