

## ECONOMIC REVIEW | June 2017 Malaysian Labor Market

### Labour Force Reached 15 Million in June

- *Labour market remains stable. Malaysia's unemployment rate in June stays at 3.4% for four consecutive months. For the first time ever, labour force breached 15 million with the support of employment growth by 2.1%yoy.*
- *Increase in job vacancies in the second quarter of 2017. We observed there are increasing trend in term of job vacancies across sectors for the first half of 2017. In line with the increasing trend in job vacancies, we notice a corresponding increase in hiring in 2017.*
- *We reiterate our expectation that Malaysia's unemployment rate to average at 3.3% in 2017. 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.*

**Labour market remains stable.** Malaysia's unemployment rate in June stays at 3.4% for four consecutive months. For the first time ever, labour force breached 15 million persons with the support of employment growth by 2.1%yoy. Unemployed persons stands at 0.5 million, unchanged from previous month while labour participation rate registered at 67.8%. Positive development in the labour market is fuelled by upbeat momentum in our economic activities especially in the export-oriented sectors.

**Table 1: Summary of Labour Market**

	Jan-17	Feb-17	Mac-17	Apr-17	May-17	Jun-17
<b>Labour Force ('000)</b>	<b>14,881</b>	<b>14,917</b>	<b>14,933</b>	<b>14,942</b>	<b>14,962</b>	<b>15,028</b>
YoY	1.6%	1.5%	1.5%	1.8%	1.7%	2.1%
MoM	0.6%	0.2%	0.1%	0.1%	0.1%	0.4%
<b>Employment ('000)</b>	<b>14,367</b>	<b>14,402</b>	<b>14,422</b>	<b>14,430</b>	<b>14,454</b>	<b>14,520</b>
YoY	1.5%	1.4%	1.6%	1.9%	1.8%	2.1%
MoM	0.6%	0.2%	0.1%	0.1%	0.2%	0.5%
<b>Unemployment ('000)</b>	<b>514</b>	<b>515</b>	<b>511</b>	<b>512</b>	<b>508</b>	<b>508</b>
YoY	2.5%	1.8%	0.2%	0.0%	0.5%	1.1%
MoM	0.4%	0.2%	-0.8%	0.2%	-0.9%	0.0%
<b>Unemployment Rate (%)</b>	<b>3.5</b>	<b>3.5</b>	<b>3.4</b>	<b>3.4</b>	<b>3.4</b>	<b>3.4</b>
<b>Labour Force Participation Rate (%)</b>	<b>67.7</b>	<b>67.8</b>	<b>67.7</b>	<b>67.7</b>	<b>67.8</b>	<b>67.8</b>

Source: DOSM; MIDFR

**Labour market supported by robust external sector.** We opine strong export performances since late last year has contributed significantly towards strengthening Malaysia's labour market. Export growth in June for instance, rose to 10%yoy. This is 6 consecutive months of double digit growth in export for 2017. Domestically, retail trade expanded by 13.9%yoy in June, the highest growth ever recovered while industrial production rose by 4%yoy in the same month, beating market's estimate of 3%yoy. Therefore, we are in the opinion that stout demand from both global and domestic have pushed up employment via increase in output production in June 2017.

**Global employment is improving.** In line with revival in global trade activities, we notice unemployment rate across major as well as emerging economies are declining. For instance, unemployment rate in the US registered at 4.3% in July, matching the 16-year low recorded in May. As for other economies, unemployment rate in the Euro Area continues to slide below double digit rate despite of market uncertainties in the region. Moving forward, we foresee with the improvement in global trade activities and receding protectionism threat, unemployment rate across major and emerging economies will stay on healthy labour market condition.

**Table 2: Global Unemployment Rate (%)**

	Jan-17	Feb-17	Mac-17	Apr-17	May-17	Jun-17
Malaysia	3.5	3.5	3.4	3.4	3.4	3.4
Thailand	1.2	1.1	1.3	1.2	1.3	1.1
South Korea	3.6	4.0	3.7	4.0	3.6	3.8
Australia	5.7	5.9	5.9	5.7	5.6	5.6
Euro Area	9.6	9.5	9.4	9.2	9.2	9.1
Japan	3.0	2.8	2.8	2.8	3.1	2.8
United States	4.8	4.7	4.5	4.4	4.3	4.4


Source: CEIC; MIDFR

**Increase in job vacancies in the second quarter of 2017.** We observed there are increasing trend in term of job vacancies across sectors for the first half of 2017. Most sectors indicate rise in job vacancies which signal that the Malaysia's labour market is strengthening underpinned by robust economic activities. For example, average quarterly vacancies for manufacturing sector in 2016 was 94 thousand while as for the first half of this year, the average vacancies is about 129 thousand. Similar to other sectors namely mining & quarrying, last year was 464 whereas this year is almost double at 907 job vacancies in the sector. In line with the increasing trend in job vacancies, we notice a corresponding increase in hiring in 2017. Therefore, we opine number of job vacancies for the second half 2017 will continue rising as we expect uptrend in economic activities to sustain until the end of 2017.

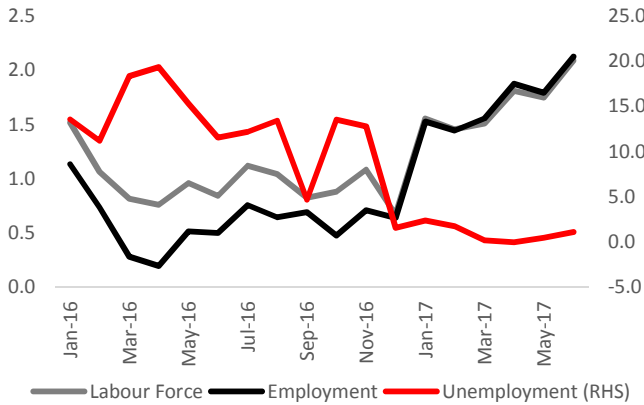
**Table 3: Number of Job Vacancies**

	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17
Agriculture, forestry & fishing	43,692	31,251	54,376	45,432	61,293	50,547
Mining	255	484	653	465	251	1,562
Manufacturing	46,286	39,740	154,453	135,870	121,946	136,925
Construction	23,301	10,439	45,149	49,096	53,535	61,933
Services	43,219	30,081	37,429	62,373	74,499	64,391

Source: CEIC; MIDFR

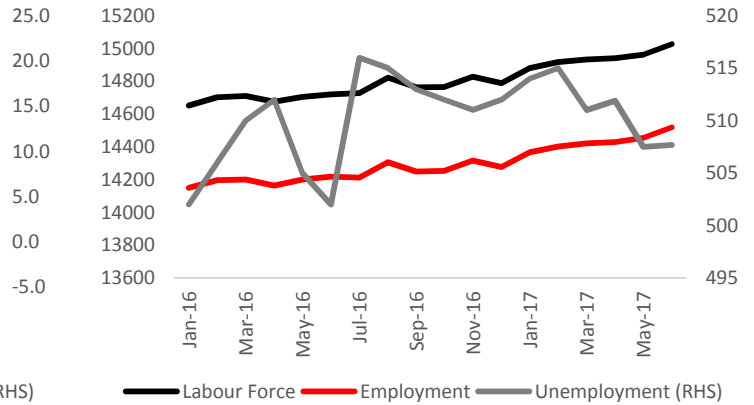
**We reiterate our expectation that Malaysia's unemployment rate to average at 3.3% in 2017.** Moving forward, we anticipate domestic as well as global economic activities will stay on upward trajectory given key economic indicators are showing sign of optimism. Therefore, we forecast global trade will 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 in the exports-oriented industries. 

**Chart 1: Labour Market Key Indicators (YoY%)**



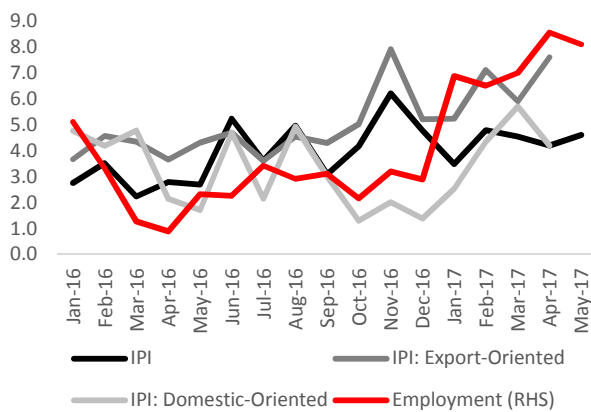
Source: DOSM; MIDFR

**Chart 2: Number of Person ('000)**



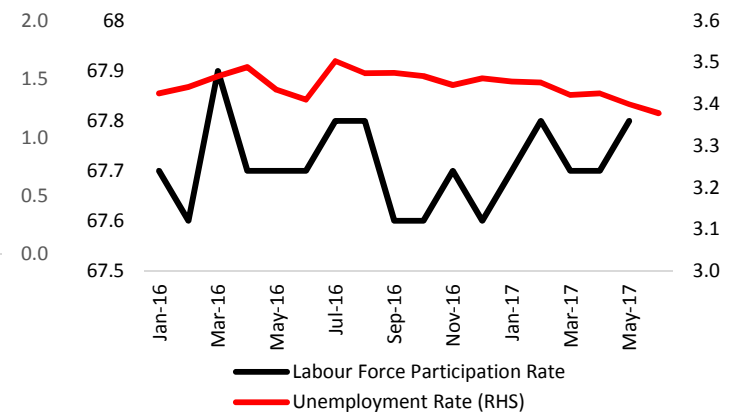
Source: DOSM; MIDFR

**Chart 3: Labour Market vs IPI (YoY%)**



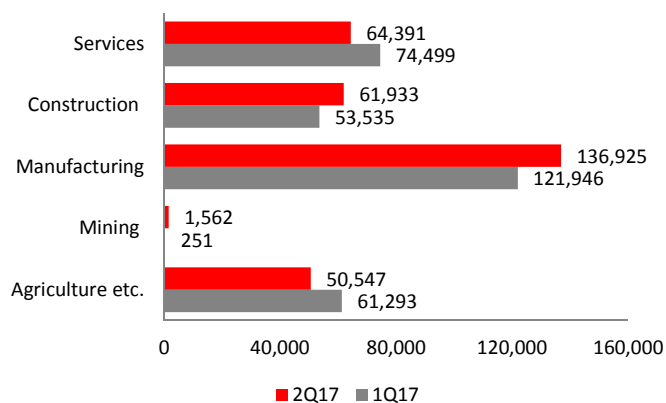
Source: DOSM; MIDFR

**Chart 4: UE Rate vs LFPR (%)**



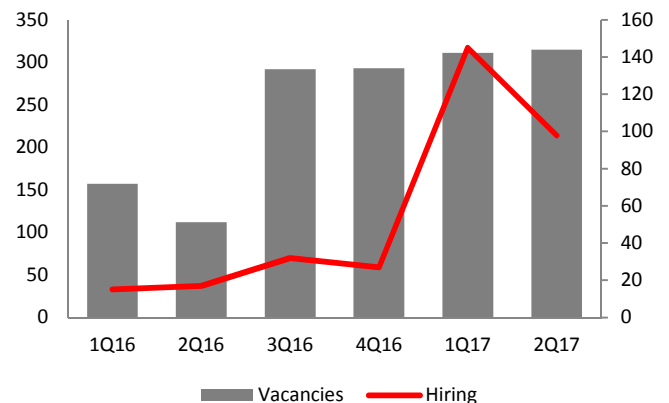
Source: DOSM; MIDFR

**Chart 5: Number of Job Vacancies ('000)**



Source: DOSM; MIDFR

**Chart 6: Job Vacancies vs Job Added ('000)**



Source: DOSM; MIDFR

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