

ECONOMIC REVIEW | June 2018 Labour Market

Stable Labor Market Lifts by Resilient External Sector Continues to Drive Domestic Growth

- *Labour market remains strong. Employment increased by 2.4%yoy to 14.9 million in Jun-18. Similarly, labour force grew by 2.3%yoy to 15.4 million. Nevertheless, jobs added in the economy registered at 10.6K, lowest ever recorded in 2018 so far. Unemployment rate maintains at full-employment condition of 3.4%.*
- *Rebound in manufacturing employment. Employment in manufacturing sector improved to 2.2%yoy from 15-month low at 1.7%yoy in the previous month. The strong growth among others contributed by sturdy employment growth in E&E subsector of electrical capacitor resistor etc. The sub-sector employment grew strongly by 2.9%yoy in 1H18 against 0.6%yoy in 1H17.*
- *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. Employment increased by 2.4%yoy to 14.9 million in Jun-18. Similarly, labour force grew by 2.3%yoy to 15.4 million. Nevertheless, jobs added in the economy registered at 10.6K, lowest ever recorded in 2018 so far. Unemployment rate maintains at full-employment condition of 3.4%. For 1H18, the average expansion rate of both labour force and employment are at record high, 2.3% and 2.4% respectively. As compared to 2017, both labour market indicators rose by 1.8% and 1.9% accordingly. 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 16-month since Feb-17.

Table 1: Summary of Labour Market ('000)

	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18
Labour Force	15,187	15,230	15,241	15,313	15,358	15,379
YoY%	2.1	2.1	2.1	2.5	2.6	2.3
Employment	14,671	14,722	14,733	14,803	14,853	14,863
YoY%	2.1	2.2	2.2	2.6	2.8	2.4
Unemployment	517	509	509	510	505	516
YoY%	0.5	(1.2)	(0.4)	(0.4)	(0.5)	1.6
Outside Labour Force	7,075	7,112	7,115	7,131	7,097	7,062
YoY%	(0.2)	0.4	(0.1)	0.1	(0.3)	(1.1)
Unemployment Rate %	3.3	3.2	3.3	3.3	3.3	3.4

Source: CEIC; MIDFR

Slowdown in domestic industrial activities. As jobs added stood at 10.6K, tepid growth in IPI and domestic exports among others are the dragging factors. In Jun-18, IPI moderated to 1.1%yoy, slowest in 1H18 while domestic exports for 2-consecutive months contracted, -0.8%yoy during the month. Moving forward, we opine Malaysia's external trade and IPI performance to expand at steady pace amid 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. Total job vacancies in May-18 recorded at 72.8K and monthly average of the first five months of 2018 is 93.3K, lower than last year's average of 123K. Lower total job vacancies during the month are partly due to GE14 as uncertainties among industrial players are at stakes during the period. In May-18, vacancies are highly observed in manufacturing sector at 29.4K, followed by services and construction registered at 17.2K and 16.2K 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 78.3% in 2018. Prior to GFC'09, the share was hovering below 50%. In May-18, for every 100 job vacancies, 71 for elementary occupations, followed by 16 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 51.9K and 11.6K respectively in May-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)

	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18
Total	102.3	126.9	68.5	108.4	89.8	72.8
Agriculture, Forestry & Fishing	15.9	18.4	11.4	20.1	21.6	10.0
Mining & Quarrying	0.1	0.1	0.2	0.1	0.0	0.1
Manufacturing	42.8	49.4	31.5	45.3	36.4	29.4
Construction	18.4	26.2	9.0	14.6	12.9	16.2
Services	25.1	32.9	16.4	28.2	18.9	17.2

Source: CEIC, MIDFR

Note: Latest figures only available until May-18

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

	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18
Total	102.3	126.9	68.5	108.4	89.8	72.8
Legislators, Senior Officials & Managers	0.6	0.4	0.4	0.3	0.5	0.4
Professionals	3.1	4.2	2.1	1.8	1.8	2.2
Technicians & Associate Professionals	1.3	2.0	1.2	0.9	0.8	1.1
Clerical Workers	1.1	1.2	0.6	0.7	0.8	0.8
Service, Shop & Market Sales Workers	3.1	5.1	2.5	4.2	3.6	2.8
Skilled Agricultural & Fisheries Workers	0.6	1.2	0.5	0.6	0.8	0.5
Craft and Related Trades Workers	4.2	2.0	0.4	1.1	1.6	1.5
Plant & Machinery Operators & Assemblers	9.9	10.2	7.8	11.9	9.3	11.6
Elementary Occupations	78.4	100.8	56.0	86.8	70.7	51.9

Source: CEIC, MIDFR

Note: Latest figures only available until May-18

Rebound in manufacturing employment. Employment in manufacturing sector improved to 2.2%yoy from 15-month low at 1.7%yoy in the previous month. The strong growth among others contributed by sturdy employment growth in E&E subsector of electrical capacitor resistor etc. The sub-sector employment grew strongly by 2.9%yoy in 1H18 against 0.6%yoy in 1H17. On a flip side, the wage growth for nearly all the major sub-sectors 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.

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

	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18
Overall	2.5	2.2	2.1	2.1	1.7	2.2
Refined Petroleum Products	3.6	1.6	2.4	2.1	2.4	2.2
Organic Chemical & Inorganic Compounds excl.	(1.7)	(2.0)	(2.1)	(1.2)	0.3	(1.6)
Basic Iron & Steel Products	4.4	3.3	3.6	5.0	6.2	4.6
Diode, Transistor & Electronic Integrated Circuit Mic	0.8	0.8	0.5	0.1	0.5	1.1
Electrical Capacitor Resistor, Circuit Board, Display Com	2.9	3.0	3.3	3.0	2.3	2.7
Computers & Peripherals Equipment	1.0	0.8	1.1	1.0	1.3	1.3

Source: CEIC; MIDFR

*Exclude Fertiliser

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

	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18
Overall	13.3	16.7	11.9	10.2	10.0	10.2
Refined Petroleum Products	26.2	31.7	14.4	22.5	27.5	33.8
Organic Chemical & Inorganic Compounds excl.	7.2	17.8	21.7	15.8	26.1	26.7
Basic Iron & Steel Products	5.1	11.1	12.6	10.2	12.3	12.1
Diode, Transistor & Electronic Integrated Circuit Mic	16.4	27.6	27.6	18.7	22.3	21.2
Electrical Capacitor Resistor, Circuit Board, Display Com	50.9	52.8	23.3	22.9	10.8	14.3
Computers & Peripherals Equipment	17.6	32.8	8.8	4.0	(0.1)	4.9

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 declined to 3.9% in Jul-18, slightly higher than 18-year low jobless rate of 3.8% in May-18. 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 as global and emerging economies' manufacturing PMI stay on expansionary trend. Manufacturing PMI for both global and emerging economies registered at 52.7 and 51 points in Jul-18.

Table 6: Global Unemployment Rate (%)

	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18
Malaysia	3.3	3.2	3.3	3.3	3.3	3.4
Thailand	1.3	1.3	1.2	1.1	1.0	1.1
Taiwan	3.7	3.7	3.7	3.7	3.7	3.7
Korea	3.6	3.6	4.0	3.8	4.0	3.7
Japan	2.4	2.5	2.5	2.5	2.2	2.4
EU	7.2	7.1	7.1	7.0	6.9	6.9
United States	4.1	4.1	4.1	3.9	3.8	4.0

Source: CEIC; MIDFR


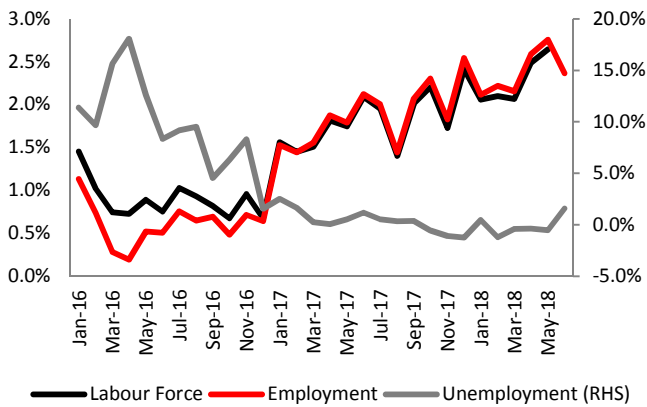
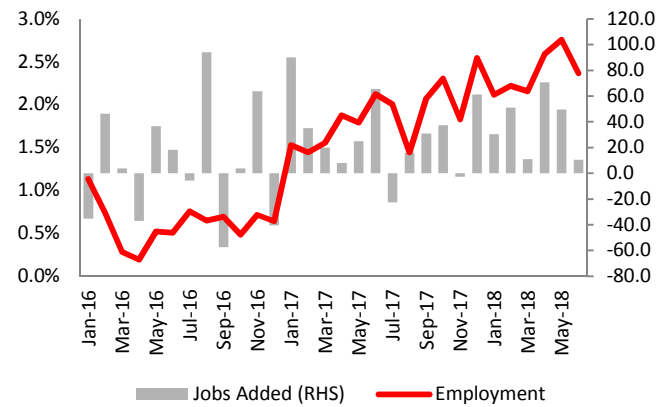
We forecast Malaysia's unemployment rate to average at 3.3% in 2018. Moving forward, we anticipate domestic economic activities will stay on upward trajectory given that business confidence remains optimistic. In addition, we noticed global indicators from developed and emerging economies are still signalling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



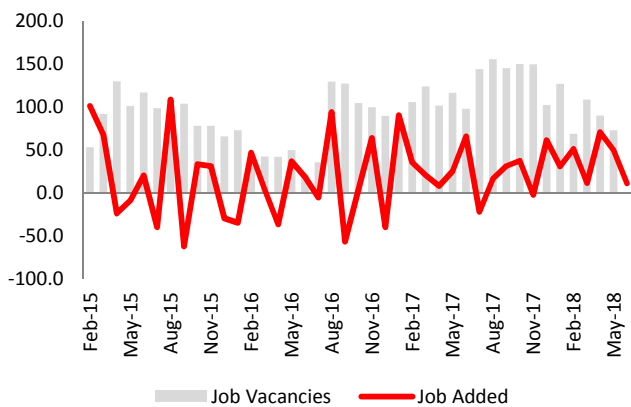
Source: CEIC; MIDFR

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



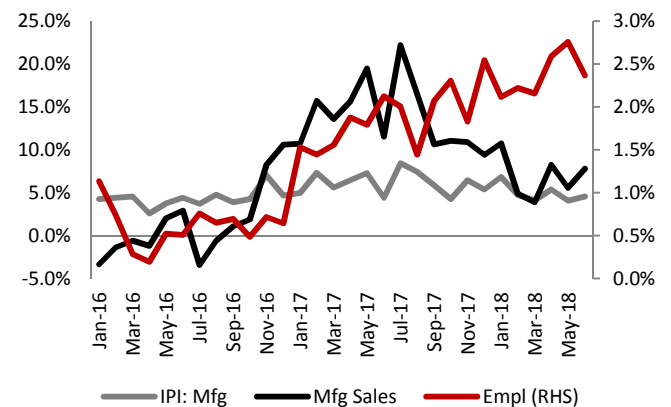
Source: CEIC; MIDFR

Chart 3: Job Added vs Vacancies ('000)



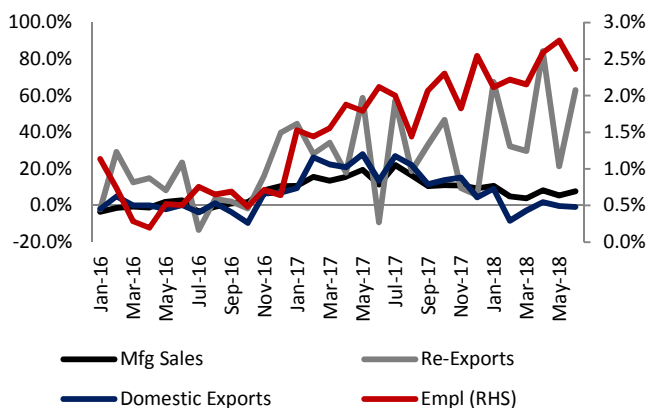
Source: CEIC; MIDFR

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



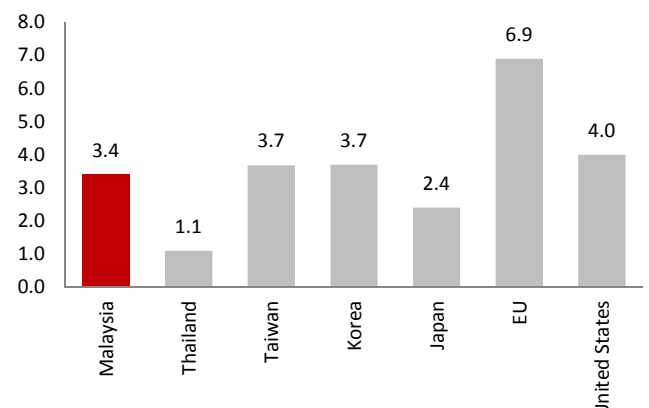
Source: CEIC; MIDFR

Chart 5: Employment vs External Trade (YoY%)



Source: CEIC; MIDFR

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



Source: CEIC; MIDFR

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