

ECONOMIC REVIEW | March 2018 Labour Market

Job Vacancies Lowest in 19-Month as Low-Skilled Jobs Continue to Dominate

- *Employment grew at a steady pace. Employment maintained at 2.2%yoy in Mar-18, while labour force maintained at 2.1%yoy to 15.2 million. Jobs added in the economy registered at 11K, significantly lower than previous month reading of 51K.*
- *Low value-added jobs continue to dominate. In Mar-18, we note there are 82 jobs of elementary occupations for every 100 job vacancies and followed by plant & machinery operators & assemblers of 11 jobs. Hence, leave only 7 jobs for medium and high skilled jobs during the month.*
- *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 a steady pace. Employment maintained at 2.2%yoy in Mar-18, while labour force maintained at 2.1%yoy to 15.2 million. Jobs added in the economy registered at 11K, significantly lower than previous month reading of 51K. Thus, unemployment rate maintained at 3.3% in the third 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 13-consecutive months since Mar-17.

Table 1: Summary of Labour Market ('000)

	17-Oct	17-Nov	17-Dec	18-Jan	Feb-18	18-Mar
Labour Force	15,090.0	15,084.0	15,145.9	15,187.0	15,230.0	15,241.2
YoY%	2.2	1.7	2.4	2.1	2.1	2.1
Employment	14,582.0	14,579.0	14,640.1	14,670.5	14,721.5	14,732.5
YoY%	2.3	1.8	2.5	2.1	2.2	2.2
Unemployment	509.0	505.0	505.8	516.5	509.0	508.7
YoY%	(0.6)	(1.1)	(1.2)	0.5	(1.2)	(0.4)
Outside Labour Force	7,118.0	7,121.0	7,084.10	7,074.80	7,112.30	7,115.0
YoY%	0.7	0.6	0.2	(0.2)	0.4	(0.1)
Unemployment Rate %	3.4	3.3	3.3	3.4	3.3	3.3

Source: CEIC; MIDFR

Upbeat momentum in domestic economic activities. We observed strong domestic industrial activities remain as supporting factors on Malaysia's strengthening labour market despite a seasonal downturn in external trade. Exports growth in Mar-18 rebounded by 2.2%yoy to RM84.5 billion, the highest monthly figure ever recorded driven by higher exports to non-major markets such as Hong Kong and South Africa, among others. Furthermore, industrial production and manufacturing sales continue to expand albeit at a moderating pace by 3.1%yoy and 3.9%yoy respectively in the same month. Moving forward, we opine Malaysia's external trade will rebound and IPI performance to remain expanding at a solid pace in upcoming months 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 the lowest in 19-months. Total job vacancies in Feb-18 recorded at 68.5K, lower compared to 126.9K in preceding month, the lowest reading since Jul-16. Vacancies are highly observed in manufacturing sector at 31.5K, followed by services and construction registered at 16.4K and 9.0K respectively. The growth in job vacancies is in line with the performance of Malaysia's outbound shipments in Feb-18 which shrank by -2%yoy and -2.8%yoy mainly due to shorter working days and high base effect amid Lunar festival. Meanwhile, Malaysia's industrial production expanded by 3.0%yoy, lower than market estimates of 3.2%yoy. Looking ahead, we can expect job vacancies for Mar-18 to rebound amid Mar's external trade performances.

Low value-added jobs continue to dominate. In Mar-18, we note there are 82 jobs of elementary occupations for every 100 job vacancies and followed by plant & machinery operators & assemblers of 11 jobs. Hence, leave only 7 jobs for medium and high skilled jobs during the month. The continuous rise in low-skilled jobs will remain as economic challenges particularly for labour market and pressure youth unemployment to stay high. Job vacancies of elementary occupations and plant & machinery operators & assemblers recorded at 56K and 7.8K respectively in Feb-18. This is in line with the rise of job vacancies in manufacturing and services sectors. Moreover, we saw high value-added jobs such as professionals grew moderately to 2.1K while technicians & associate professionals registered at 1.2K 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)

	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18
Total	145.2	150.0	149.6	102.3	126.9	68.5
Agriculture, Forestry & Fishing	23.4	32.5	27.9	15.9	18.4	11.4
Mining & Quarrying	0.2	0.1	0.3	0.1	0.1	0.2
Manufacturing	75.6	64.1	56.6	42.8	49.4	31.5
Construction	18.0	18.5	29.9	18.4	26.2	9.0
Services	28.0	34.9	34.9	25.1	32.9	16.4

Source: CEIC, MIDFR

Note: Latest figures only available until February 2018

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

	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18
Total	145.2	150.0	149.6	102.3	126.9	68.5
Legislators, Senior Officials & Managers	1.0	0.5	0.3	0.6	0.4	0.4
Professionals	2.8	2.8	1.7	3.1	4.2	2.1
Technicians & Associate Professionals	1.1	1.2	0.9	1.3	2.0	1.2
Clerical Workers	0.8	1.4	1.0	1.1	1.2	0.6
Service, Shop & Market Sales Workers	4.5	5.4	5.6	3.1	5.1	2.5
Skilled Agricultural & Fisheries Workers	0.5	0.7	0.7	0.6	1.2	0.5
Craft and Related Trades Workers	3.5	2.9	3.1	4.2	2.0	0.4
Plant & Machinery Operators & Assemblers	14.2	14.6	9.7	9.9	10.2	7.8
Elementary Occupations	116.9	120.4	126.5	78.4	100.8	56.0

Source: CEIC, MIDFR

Note: Latest figures only available until February 2018

Robust industrial activities. As industrial productions continue expanding, it was translated into better performance in employment and wage growths especially in the manufacturing sector. For instance, employment in the sector grew moderately by 2.2%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 16.7%yoy during the month. In fact, the wage growth for the major sub-sector 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. 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%)

	17-Sep	17-Oct	17-Nov	17-Dec	18-Jan	18-Feb
Overall	2.5	2.4	2.3	2.4	2.5	2.2
Refined Petroleum Products	3.9	3.1	1.9	2.6	3.6	1.6
Organic Chemical & Inorganic Compounds*	4.2	1.1	1.3	1.5	(1.7)	(2.0)
Basic Iron & Steel Products	2.4	2.2	2.2	2.8	4.4	3.3
Diode, Transistor & Electronic Integrated Circuit Mic	0.4	0.6	0.3	0.5	0.8	0.8
Electrical Capacitor Resistor, Circuit Board, Display Com	2.7	3	3	2	2.9	3
Computers & Peripherals Equipment	1.2	0.6	(0.3)	0	1	0.8

Source: CEIC; MIDFR

*Exclude Fertiliser

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

	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18
Overall	10.0	9.6	9.2	9.2	13.3	16.7
Refined Petroleum Products	13.9	11.2	13.7	14.5	26.2	31.7
Organic Chemical & Inorganic Compounds*	19.7	26.6	16.4	10.7	7.2	17.8
Basic Iron & Steel Products	23.8	23.4	22.6	24.1	5.1	11.1
Diode, Transistor & Electronic Integrated Circuit Mic	4.3	5.2	9.9	3.6	16.4	27.6
Electrical Capacitor Resistor, Circuit Board, Display Com	(1.0)	(1.3)	(4.5)	5.9	50.9	52.8
Computers & Peripherals Equipment	(12.7)	(14.6)	(15.1)	(14.3)	17.6	32.8

Source: CEIC; MIDFR

*Exclude Fertiliser

Improved global labour market. Unemployment rate in the US declined to 3.9%yoy in Mar-18 from 4.1%yoy, marked the lowest rate since December 2000 buoyed by global demand, high confidence among consumers and business due to sharp drop in the corporate income tax rate which boosted hiring. Moreover, nonfarm payrolls in US increased to 164K after 135K jobs added in the previous month. 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 53.5 and 51.3 points in Apr-18.

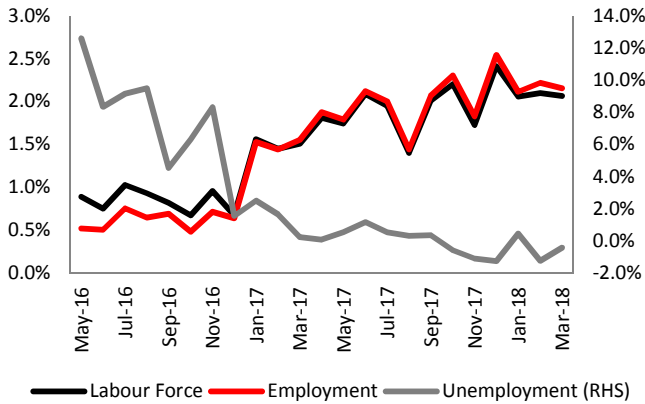
Table 6: Global Unemployment Rate (%)

	17-Jun	17-Jul	17-Aug	17-Sep	17-Oct	17-Nov	17-Dec	18-Jan	18-Feb	18-Mar
Malaysia	3.4	3.5	3.4	3.4	3.4	3.3	3.3	3.4	3.3	3.3
Thailand	1.1	1.2	1.1	1.2	1.3	1.1	1	1.3	1.3	1.2
Taiwan	3.7	3.8	3.9	3.8	3.8	3.7	3.7	3.7	3.7	3.7
South Korea	3.8	3.5	3.6	3.4	3.2	3.2	3.3	3.6	3.6	4
Japan	2.8	2.8	2.8	2.8	2.7	2.6	2.8	2.4	2.5	2.5
EU	7.4	7.3	7.3	7.3	7.4	7.4	7.3	7.3	7.1	7.1
United States	4.4	4.3	4.4	4.2	4.1	4.1	4.1	4.1	4.1	3.9

Source: CEIC; MIDFR

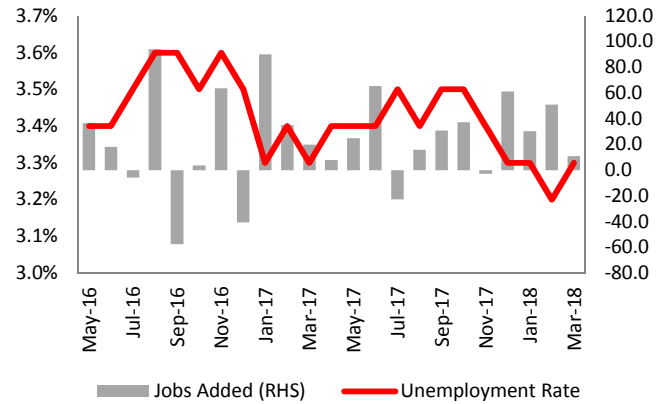
We forecast Malaysia's unemployment rate to average at 3.3% in 2018. Moving forward, as guided by the recent Business Tendency Index, we anticipate domestic economic activities will stay on upward trajectory given that business confidence remains optimistic for the first six months of 2018. In addition,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



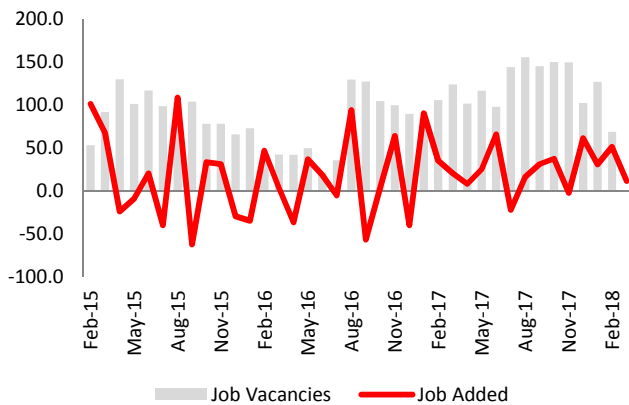
Source: CEIC; MIDFR

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



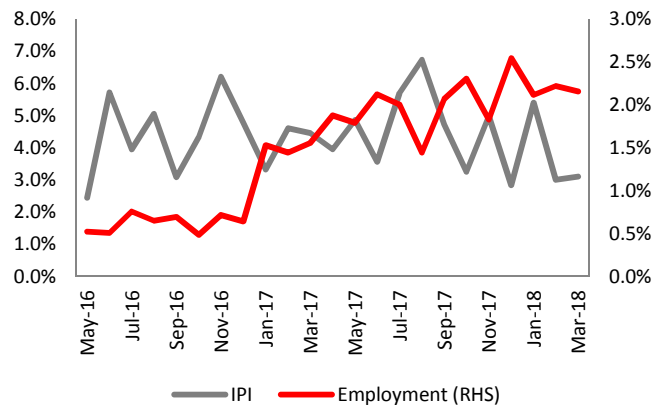
Source: CEIC; MIDFR

Chart 3: Job Added vs Vacancies ('000)



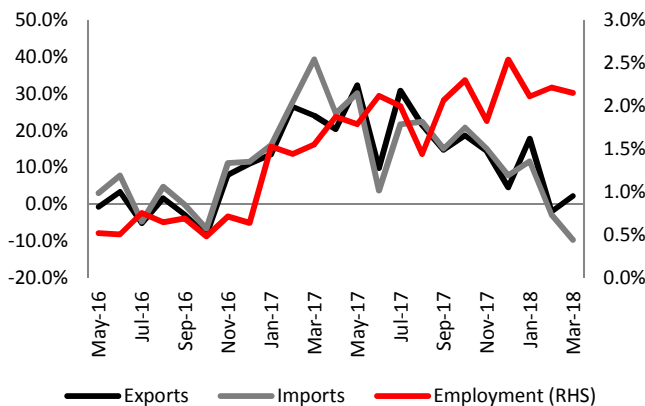
Source: CEIC; MIDFR

Chart 4: Employment vs IPI (YoY%)



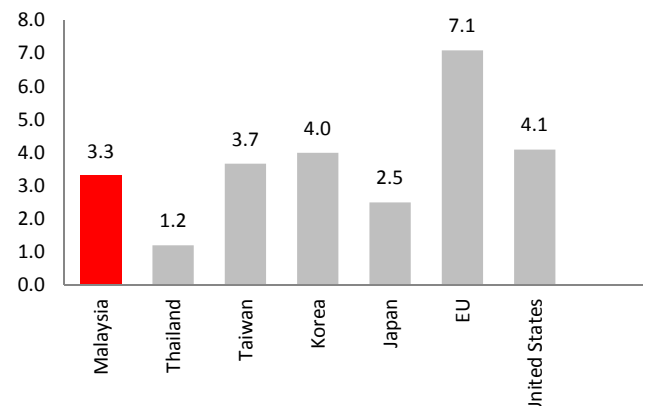
Source: CEIC; MIDFR

Chart 5: Employment vs External Trade (YoY%)



Source: CEIC; MIDFR

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



Source: CEIC; MIDFR

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