

ECONOMIC REVIEW | May 2018 Labour Market

Employment Growth Hits New High Boost by Resilient External Sector

- *Employment grew at the highest pace ever recorded. Employment increased by 2.8%yoy, highest rate ever recorded to 14.9 million in May-18. Similarly, labour force grew by 2.6%yoy to 15.4 million. Jobs added in the economy registered at 49.5K. Unemployment rate maintains at full-employment condition of 3.3%.*
- *Slight weakening in manufacturing employment. As external trade and IPI performance seen moderating in May-18, we observe employment in manufacturing sector decline to 15-month low at 1.7%. The slowdown in employment growth is in line with the decelerating trends in E&E sector especially for E&E subsector of electrical capacitor resistor and computers & peripherals equipment.*
- *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.*

Employment grew at the highest pace ever recorded. Employment increased by 2.8%yoy, highest rate ever recorded to 14.9 million in May-18. Similarly, labour force grew by 2.6%yoy to 15.4 million. Jobs added in the economy registered at 49.5K. Unemployment rate maintains at full-employment condition of 3.3%. So far in 2018, 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 15 months since Feb-17.

Table 1: Summary of Labour Market ('000)

	Jan-18	Feb-18	Mar-18	Apr-18	May-18
Labour Force	15,187	15,230	15,241	15,313	15,358
YoY%	2.1	2.1	2.1	2.5	2.6
Employment	14,671	14,722	14,733	14,803	14,853
YoY%	2.1	2.2	2.2	2.6	2.8
Unemployment	517	509	509	510	505
YoY%	0.5	(1.2)	(0.4)	(0.4)	(0.5)
Outside Labour Force	7,075	7,112	7,115	7,131	7,097
YoY%	(0.2)	0.4	(0.1)	0.1	(0.3)
Unemployment Rate %	3.3	3.2	3.3	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. Exports grew by 3.4%yoy in May-18, driven by re-exports growth of 21.4%yoy. In addition, industrial production surged by 3%yoy while manufacturing sales stays firm at 5.5%yoy in the same month. Moving forward, we opine Malaysia's external trade will maintain on upbeat impetus and IPI performance to expand at steady pace in upcoming months amid escalating trade tensions and supportive policy changes for businesses such as tax-holiday and stabilised retail fuel 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 remained below 2017's average. Total job vacancies in Apr-18 recorded at 89.8K and monthly average of the first four months of 2018 is 98.4K, lower than last year's average of 123K. In Apr-18, vacancies are highly observed in manufacturing sector at 36.4K, followed by services and agriculture etc. registered at 18.9K and 21.6K 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 80% in 2018. Prior to GFC'09, the share was hovering below 50%. In Apr-18, for every 100 job vacancies, 80 for elementary occupations, followed by 10 jobs of operators & assemblers and leave 10 jobs combined for high-skilled and medium-skilled occupations. Job vacancies of elementary occupations and plant & machinery operators & assemblers recorded at 70.7K and 9.3K respectively in Apr-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 1.8K while technicians & associate professionals registered at 0.8K 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)

	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18
Total	149.6	102.3	126.9	68.5	108.4	89.8
Agriculture, Forestry & Fishing	27.9	15.9	18.4	11.4	20.1	21.6
Mining & Quarrying	0.3	0.1	0.1	0.2	0.1	0.0
Manufacturing	56.6	42.8	49.4	31.5	45.3	36.4
Construction	29.9	18.4	26.2	9.0	14.6	12.9
Services	34.9	25.1	32.9	16.4	28.2	18.9

Source: CEIC, MIDFR

Note: Latest figures only available until April 2018

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

	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18
Total	149.6	102.3	126.9	68.5	108.4	89.8
Legislators, Senior Officials & Managers	0.3	0.6	0.4	0.4	0.3	0.5
Professionals	1.7	3.1	4.2	2.1	1.8	1.8
Technicians & Associate Professionals	0.9	1.3	2.0	1.2	0.9	0.8
Clerical Workers	1.0	1.1	1.2	0.6	0.7	0.8
Service, Shop & Market Sales Workers	5.6	3.1	5.1	2.5	4.2	3.6
Skilled Agricultural & Fisheries Workers	0.7	0.6	1.2	0.5	0.6	0.8
Craft and Related Trades Workers	3.1	4.2	2.0	0.4	1.1	1.6
Plant & Machinery Operators & Assemblers	9.7	9.9	10.2	7.8	11.9	9.3
Elementary Occupations	126.5	78.4	100.8	56.0	86.8	70.7

Source: CEIC, MIDFR

Note: Latest figures only available until April 2018

Slight weakening in manufacturing employment. As external trade and IPI performance seen moderating in May-18, we observe employment in manufacturing sector decline to 15-month low at 1.7%. The slowdown in employment growth is in line with the decelerating trends in E&E sector especially for E&E subsector of electrical capacitor resistor and computers & peripherals equipment. In fact, employment growth in E&E subsector of electrical capacitor resistor etc. has been recording below 1%yoy for 9-consecutive months since Sep-17. 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
Overall	2.5	2.2	2.1	2.1	1.7
Refined Petroleum Products	3.6	1.6	2.4	2.1	2.4
Organic Chemical & Inorganic Compounds excl.*	(1.7)	(2.0)	(2.1)	(1.2)	0.3
Basic Iron & Steel Products	4.4	3.3	3.6	5.0	6.2
Diode, Transistor & Electronic Integrated Circuit Mic	0.8	0.8	0.5	0.1	0.5
Electrical Capacitor Resistor, Circuit Board, Display Com	2.9	3.0	3.3	3.0	2.3
Computers & Peripherals Equipment	1.0	0.8	1.1	1.0	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
Overall	13.3	16.7	11.9	10.2	10.0
Refined Petroleum Products	26.2	31.7	14.4	22.5	27.5
Organic Chemical & Inorganic Compounds excl.*	7.2	17.8	21.7	15.8	26.1
Basic Iron & Steel Products	5.1	11.1	12.6	10.2	12.3
Diode, Transistor & Electronic Integrated Circuit Mic	16.4	27.6	27.6	18.7	22.3
Electrical Capacitor Resistor, Circuit Board, Display Com	50.9	52.8	23.3	22.9	10.8
Computers & Peripherals Equipment	17.6	32.8	8.8	4.0	(0.1)

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 further to 3.8%yoy in May-18 from 3.9%yoy in the prior month, marked the lowest rate since May 2000 buoyed by global demand, high confidence among consumers and business due to sharp drop in the corporate income tax rate which boosted hiring. Similarly, unemployment rate in Thailand declined to 1%, lowest since Dec-17 and Japan saw jobless rate went down to 26-year low at 2.2% during the 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 as global and emerging economies' manufacturing PMI stay on expansionary trend. Manufacturing PMI for both global and emerging economies registered at 53 and 51.1 points in Jun-18.

Table 6: Global Unemployment Rate (%)

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

Source: CEIC; MIDFR


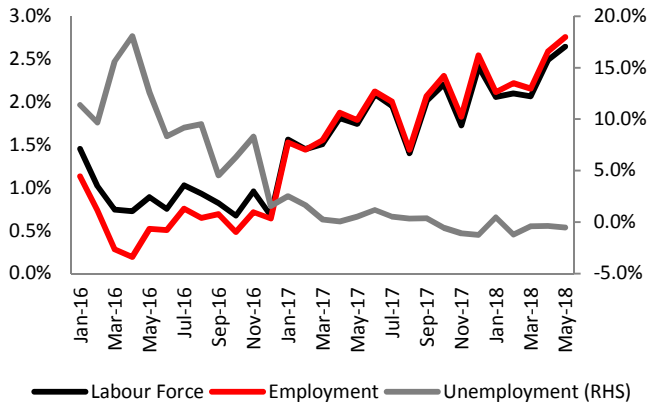
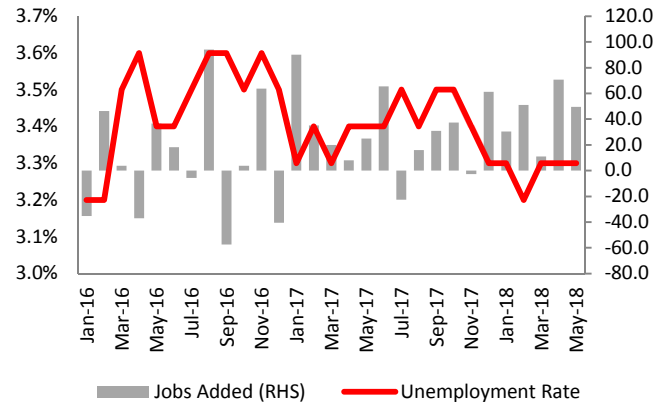
We forecast Malaysia's unemployment rate to average at 3.3% in 2018. Moving forward, we anticipate domestic economic activities will stay on upward trajectory given that business confidence remains optimistic. In addition, we noticed global indicators from developed and emerging economies are still signalling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



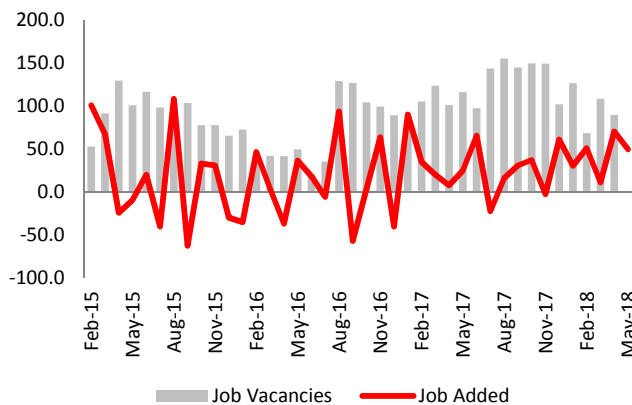
Source: CEIC; MIDFR

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



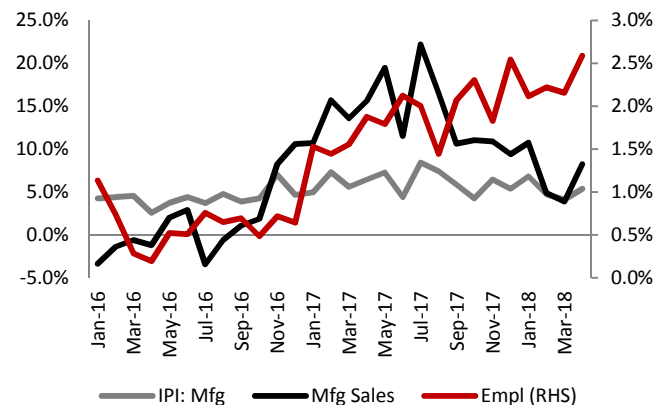
Source: CEIC; MIDFR

Chart 3: Job Added vs Vacancies ('000)



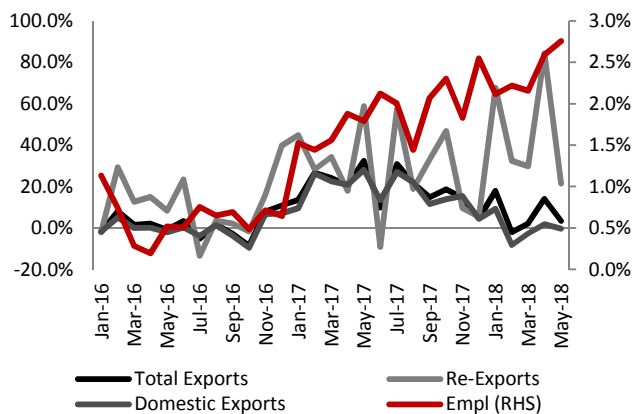
Source: CEIC; MIDFR

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



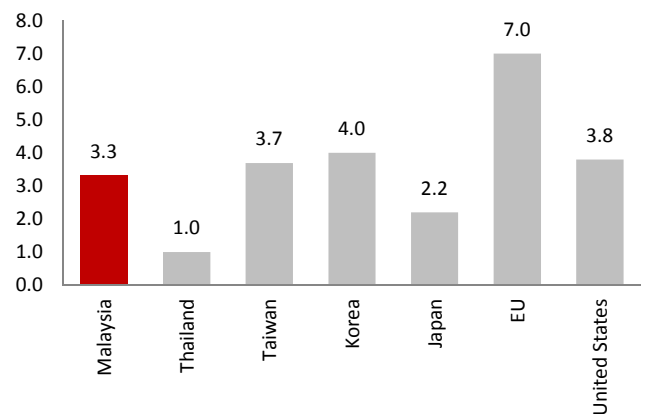
Source: CEIC; MIDFR

Chart 5: Employment vs External Trade (YoY%)



Source: CEIC; MIDFR

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



Source: CEIC; MIDFR

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