

ECONOMIC REVIEW | November 2017 Labour Market

Robust Economic Performance Push Unemployment Rate to 2-Year Low at 3.3%

- *Employment grew at slower pace. Employment increased by 1.8%yoy in November, lowest recorded since September. Hence, unemployment rate went down to 2-year low at 3.3% underpin by solid economic performance in 2017.*
- *Retrenched workers breached 50K level during Asian Financial Crisis. Moreover, the key ideas implementing EIS is to protect those being retrenched in the short term from high living cost while the levy imposition is one of the efforts by the government to reduce the dependency on low-skill foreign workers.*
- *We expect that Malaysia's unemployment rate to average at 3.3% in 2018. 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.*

Employment grew at slower pace. Employment increased by 1.8%yoy in November, lowest recorded since September. Similarly, labour force grew by 1.7%yoy to 15.08 million, lower than 2.2%yoy in previous month. Hence, unemployment rate went down to 2-year low at 3.3% underpin by solid economic performance in 2017. Growths in both labour force and employment have been outperforming unemployment growth for nine consecutive months since March 2017 on upbeat momentum of both domestic and external economic activities.

Table 1: Summary of Labour Market ('000)

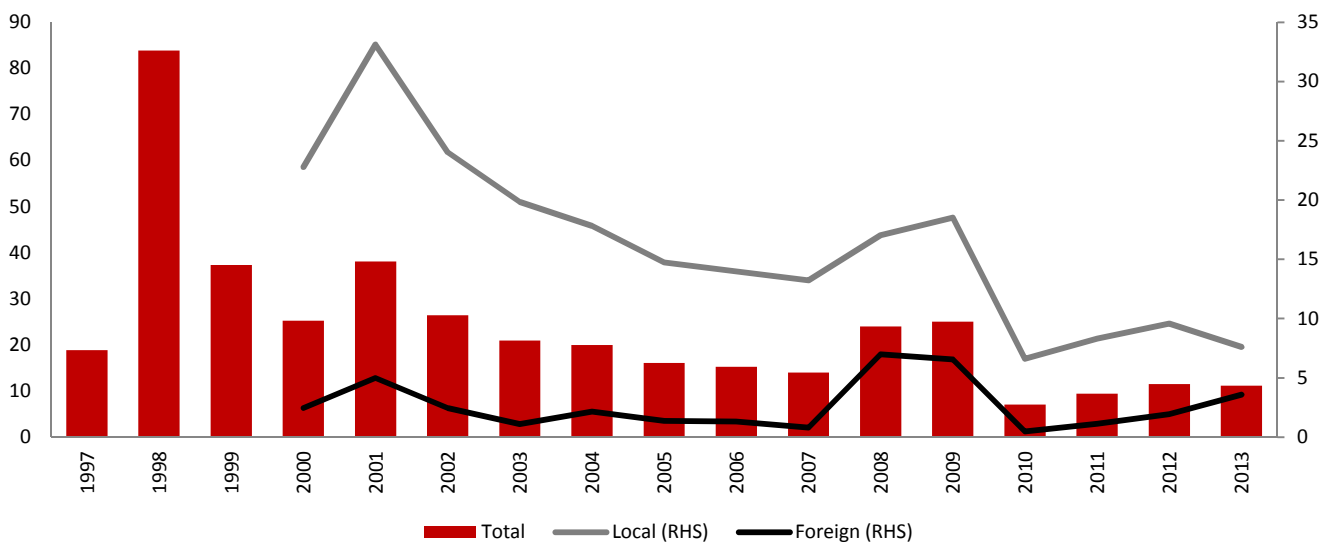
	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17
Labour Force	15,028	15,016	15,030	15,059	15,090	15,084
YoY%	2.1	2.0	1.4	2.0	2.2	1.7
Employment	14,520	14,497	14,513	14,544	14,582	14,579
YoY%	2.1	2.0	1.4	2.1	2.3	1.8
Unemployment	508	519	517	515	509	505
YoY%	1.2	0.5	0.3	0.4	(0.6)	(1.1)
Outside Labour Force	7,141	7,150	7,138	7,122	7,118	7,121
YoY%	1.5	2.0	1.2	0.5	0.7	0.6
Unemployment Rate %	3.4	3.5	3.4	3.4	3.4	3.3

Source: DOSM; MIDFR

Positive spill over effects on robust external trade and industrial activities. We opine strong export performances in the last year have contributed significantly towards strengthening Malaysia's labour market. Export growth in November for instance, rose by 14.4%yoy, above market expectation. This is the eleventh consecutive months of double digit growth in export for 2017. Domestically, industrial production growth reached 3-month high at 5%yoy while distributive trade maintained at 9%yoy growth in the same month.

Retrenched workers breached 50K level during Asian Financial Crisis. Based on labour market data, the last time retrenched workers registered at 83.8K was back in 1998. Even during the GFC 2009, the number of retrenchment recorded at 25.1K despite of greater slowdown in global economic growth. In 2018, business cost is expected to rise partly due to the Employee Insurance Scheme (EIS), levy imposition on employers for hiring foreign workers and possible revision of minimum wage. In spite of this, we view the implementation of these policies will not harm business activity as well as employment in Malaysia especially with the current upbeat economic momentum. Gradual rise in global commodity prices, optimistic business confidence globally and further uptrend in global trade activities will provide positive spill-over effects to Malaysia's economic performance this year. Moreover, the key ideas implementing EIS is to protect those being retrenched in the short term from high living cost while the levy imposition is one of the efforts by the government to reduce the dependency on low-skill foreign workers. In line with the Malaysia Eleventh Plan, the level of skilled workers is expected to improve from 28% in 2015 to 35% in 2020.

Chart 1: Retrenched workers ('000)



Source: CIEC, MIDFR

Job vacancies increased. Total job vacancies in October recorded at 150K, higher than 145.2K in previous month. It is the second highest month in 2017 after the first scored in August. Vacancies are highly observed in manufacturing sector at 64.1K followed by agriculture, forestry and fishing at 32.5K. The increase in job vacancies is in line with robust performances of exports and industrial production in October which expanded strongly by 18.9%yoy and 3.4%yoy respectively. Increase in global demand for manufacturing products particularly electric and electronic push up for more employment opportunities especially in manufacturing sectors. Looking ahead, we can expect job vacancies in November to stay high given that external trade and industrial activities remain on upbeat momentum.

Low value-added jobs continue to dominate. By job type, job vacancies of elementary occupations and plant & machinery operators & assemblers recorded at 120.4K and 14.6K respectively in October. This is in line with the rise of job vacancies in manufacturing and services sectors. High value-added jobs such as professionals maintained at 2.8K while technicians & associate professionals registered at 1.2K respectively during the month.

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

	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17
Total	116.2	97.6	143.9	155.6	145.2	150.0
Agriculture, Forestry & Fishing	20.2	15.0	26.8	25.8	23.4	32.5
Mining & Quarrying	0.2	1.3	0.2	0.1	0.2	0.1
Manufacturing	50.4	42.1	56.7	62.7	75.6	64.1
Construction	24.0	19.0	25.1	30.6	18.0	18.5
Services	21.4	20.1	35.1	36.4	28.0	34.9

Source: CEIC, MIDFR

Note: Latest figures only available until October 2017

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

	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17
Total	116.2	97.6	143.9	155.6	145.2	150.0
Legislators, Senior Officials & Managers	0.4	0.3	2.0	0.7	1.0	0.5
Professionals	3.2	2.6	4.9	4.2	2.8	2.8
Technicians & Associate Professionals	1.2	1.0	2.2	1.1	1.1	1.2
Clerical Workers	1.3	0.8	1.2	1.2	0.8	1.4
Service, Shop & Market Sales Workers	4.5	3.1	6.1	6.6	4.5	5.4
Skilled Agricultural & Fisheries Workers	0.8	0.8	0.7	2.0	0.5	0.7
Craft and Related Trades Workers	2.3	2.1	3.2	4.0	3.5	2.9
Plant & Machinery Operators & Assemblers	12.7	6.6	17.5	16.5	14.2	14.6
Elementary Occupations	89.8	80.5	105.9	119.2	116.9	120.4

Source: CEIC, MIDFR

Note: Latest figures only available until October 2017

Robust external trade and industrial activities. As exports and industrial productions continue expanding at solid pace, the strong results translated into better performance in employment and wage growths especially in the manufacturing sector. For instance, employment in the sector grew firmly by 2.3%yoy, supported largely by sub-sectors such as electrical capacitor resistor & components, basic iron & steel products and refined petroleum products. Hence, the spill over effects caused wage growth to expand by 9.2%yoy during the month. We view the upward trend in the wage growth will positively contribute to domestic consumption in the near term. Towards the end of 2017, 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%)

	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17
Overall	2.5	2.9	2.6	2.5	2.4	2.3
Refined Petroleum Products	2.1	6.3	6.9	3.9	3.1	1.9
Organic Chemical & Inorganic Compounds*	5.8	6.3	4.5	4.2	1.1	1.3
Basic Iron & Steel Products	1.1	1.1	1.5	2.4	2.2	2.2
Diode, Transistor & Electronic Integrated Circuit Mic	3.4	3.3	3.0	0.4	0.6	0.3
Electrical Capacitor Resistor, Circuit Board, Display Com	0.7	0.7	1.3	2.7	3.0	3.0
Computers & Peripherals Equipment	0.1	1.2	1.2	1.2	0.6	(0.3)

Source: CEIC; MIDFR

*Exclude Fertiliser

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

	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17
Overall	10.0	11.3	10.6	10.0	9.6	9.2
Refined Petroleum Products	5.1	12.5	17.9	13.9	11.2	13.7
Organic Chemical & Inorganic Compounds*	15.4	16.5	18.8	19.7	26.6	16.4
Basic Iron & Steel Products	16.0	16.4	20.4	23.8	23.4	22.6
Diode, Transistor & Electronic Integrated Circuit Mic	1.9	3.5	2.6	4.3	5.2	9.9
Electrical Capacitor Resistor, Circuit Board, Display Com	7.8	7.0	7.5	(1.0)	(1.3)	(4.5)
Computers & Peripherals Equipment	(6.7)	(5.6)	2.7	(12.7)	(14.6)	(15.1)

Source: CEIC; MIDFR

*Exclude Fertiliser

Global labour market continues to strengthen. Unemployment rate in the US maintained at 4.1% buoyed by global demand and high confidence among consumers and business as there are prospects for tax cuts. Meanwhile, nonfarm payrolls in US increased to 252K in November. Moving to Europe, unemployment rate in the region maintained at 7.4%. 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 registered at 50.7 points in December.

Table 6: Global Unemployment Rate (%)

	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17
Malaysia	3.5	3.4	3.4	3.4	3.4	3.5	3.4	3.4	3.4	3.3
Thailand	1.1	1.3	1.3	1.3	1.1	1.2	1.1	1.2	1.3	1.1
Taiwan	3.9	3.8	3.7	3.7	3.7	3.8	3.9	3.8	3.8	3.7
South Korea	5.0	4.2	4.2	3.6	3.8	3.5	3.6	3.4	3.2	3.2
Japan	2.8	2.8	2.9	3.1	2.8	2.8	2.8	2.8	2.7	2.6
EU	8.4	8.2	7.8	7.6	7.4	7.3	7.3	7.3	7.4	7.4
United States	4.7	4.5	4.4	4.3	4.4	4.3	4.4	4.2	4.1	4.1

Source: CEIC; MIDFR


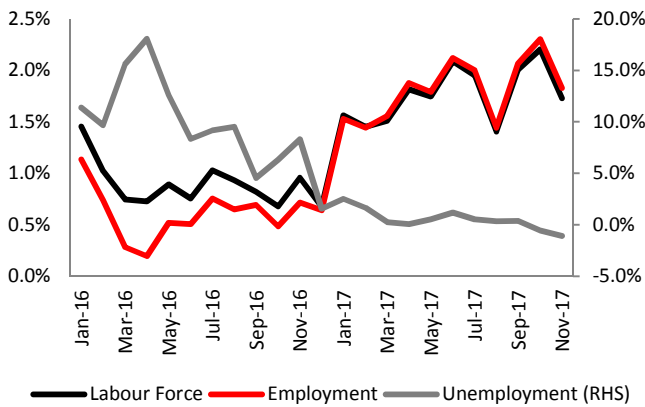
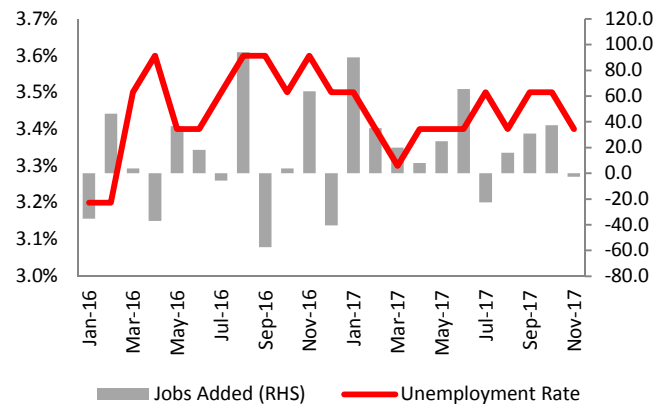
We expect that Malaysia's unemployment rate to average at 3.3% in 2018. Moving forward, we anticipate domestic as well as global economic activities will stay on upward trajectory given key economic indicators are showing sign of optimism. Therefore, we forecast global trade will improve further this year and Malaysia as an export-reliance economy will benefit from the development via increase in exports demand and more jobs creation especially in the exports-oriented industries. 

Chart 2: Labour Market Key Indicators (YoY%)



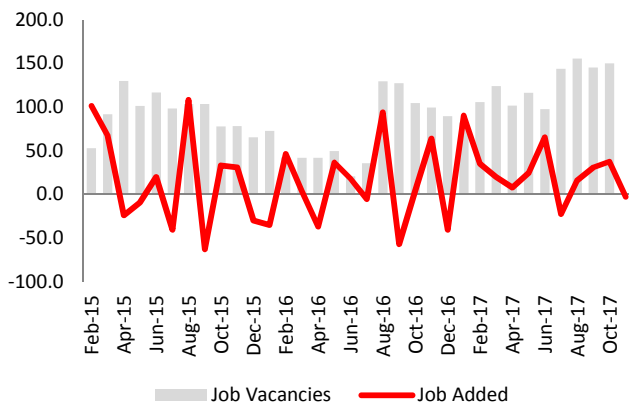
Source: CEIC; MIDFR

Chart 3: Jobs Added ('000) vs Unemployment Rate



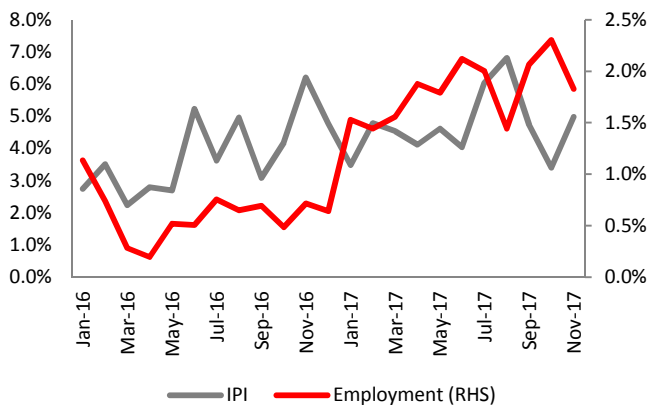
Source: CEIC; MIDFR

Chart 4: Jobs Added vs Vacancies ('000)



Source: CEIC; MIDFR

Chart 5: Employment vs IPI (YoY%)



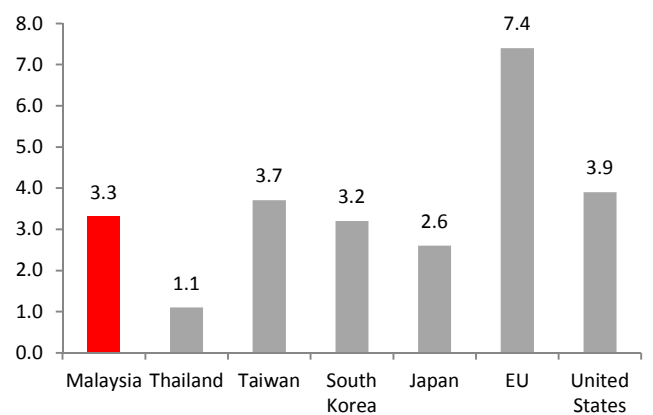
Source: CEIC; MIDFR

Chart 6: Employment vs External Trade (YoY%)



Source: CEIC; MIDFR

Chart 7: Global Unemployment Rates (%) in Nov-17



Source: CEIC; MIDFR

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