

ECONOMIC REVIEW | October 2017 Labour Market

Jobless Rate Remains Stable at 3.4% amid Strong Employment Growth

- *Employment grew at fastest pace. Employment increase by 2.3%yoy in October, fastest ever recorded. Labour force grew by 2.2%yoy to 15.1 million while unemployment declined to 509K from 515K in September. Thus, unemployment rate maintains at healthy level 3.5% during the month.*
- *High job vacancies indicate sustaining economic expansion. Total job vacancies in September recorded at 145.2K. Comparing with last year, the average job vacancies of the first nine months is 119.2K in 2017 vs 62.3K in 2016.*
- *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.*

Employment grew at fastest pace. Employment increase by 2.3%yoy in October, fastest ever recorded. Labour force grew by 2.2%yoy to 15.1 million while unemployment declined to 509K from 515K in September. Thus, unemployment rate maintains at healthy level 3.5% during the month. As both domestic and external economic activities are on upbeat momentum, growths in both labour force and employment have been outpacing unemployment growth for eight consecutive months since March 2017.

Table 1: Summary of Labour Market ('000)

	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17
Labour Force	14,962	15,028	15,016	15,030	15,059	15,090
YoY%	1.7	2.1	2.0	1.4	2.0	2.2
Employment	14,454	14,520	14,497	14,513	14,544	14,582
YoY%	1.8	2.1	2.0	1.4	2.1	2.3
Unemployment	508	508	519	517	515	509
YoY%	0.5	1.2	0.5	0.3	0.4	(0.6)
Outside Labour Force	7,121	7,141	7,150	7,138	7,122	7,118
YoY%	1.4	1.5	2.0	1.2	0.5	0.7
Unemployment Rate %	3.4	3.4	3.5	3.4	3.4	3.4

Source: DOSM; MIDFR

Positive spill over effects amid strong external trade and industrial activities. We opine strong export performances since late last year has contributed significantly towards strengthening Malaysia's labour market. Export growth in October for instance, rose by 18.9%yoy. This is the ten consecutive months of double digit growth in export for 2017. Domestically, industrial production expanded by 3.4%yoy while distributive trade rose by 9%yoy in the same month. Consequently, new jobs added hits 4-months high at 37.4K in October given that stout demand from both global and domestic continue driving up employment in 2017. We believe with stable labour market, thus domestic spending in Malaysia will continue supporting economic growth at sustainable pace.

High job vacancies indicate sustaining economic expansion. Total job vacancies in September recorded at 145.2K. Comparing with last year, the average job vacancies of the first nine months is 119.2K in 2017 vs 62.3K in 2016. The strong job vacancies number indicate further expansion in the economy underpinned by continuous upbeat momentum in global demand, solid domestic economic activities and gradual rise in commodity prices. In addition, the surge is driven by job vacancies in sectors namely manufacturing, services and agriculture etc. by 75.6K, 28K and 23.4K respectively. The increase in job vacancies is in line with robust performances of exports and industrial production in September which expanded strongly by 14.8%yoy and 4.7%yoy respectively. Looking ahead, we can expect job vacancies in October to stay high given that external trade and industrial activities remain on upbeat momentum.

Low value-added jobs dominate. By job type, job vacancies of elementary occupations and plant & machinery operators & assemblers recorded at 116.9K and 14.2K respectively in September. This is in line with the rise of job vacancies in manufacturing and services sectors. High value-added jobs such as professionals and technicians & associate professionals registered at 2.8K and 1.1K respectively during the month.

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

	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17
Total	101.6	116.2	97.6	143.9	155.6	145.2
Agriculture, Forestry & Fishing	15.3	20.2	15.0	26.8	25.8	23.4
Mining & Quarrying	0.1	0.2	1.3	0.2	0.1	0.2
Manufacturing	44.4	50.4	42.1	56.7	62.7	75.6
Construction	18.9	24.0	19.0	25.1	30.6	18.0
Services	22.9	21.4	20.1	35.1	36.4	28.0

Source: CEIC, MIDFR

Note: Latest figures only available until September 2017

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

	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17
Total	101.6	116.2	97.6	143.9	155.6	145.2
Legislators, Senior Officials & Managers	0.5	0.4	0.3	2.0	0.7	1.0
Professionals	3.5	3.2	2.6	4.9	4.2	2.8
Technicians & Associate Professionals	1.3	1.2	1.0	2.2	1.1	1.1
Clerical Workers	1.0	1.3	0.8	1.2	1.2	0.8
Service, Shop & Market Sales Workers	5.2	4.5	3.1	6.1	6.6	4.5
Skilled Agricultural & Fisheries Workers	2.1	0.8	0.8	0.7	2.0	0.5
Craft and Related Trades Workers	2.5	2.3	2.1	3.2	4.0	3.5
Plant & Machinery Operators & Assemblers	11.7	12.7	6.6	17.5	16.5	14.2
Elementary Occupations	73.8	89.8	80.5	105.9	119.2	116.9

Source: CEIC, MIDFR

Note: Latest figures only available until September 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 2.4%yoy, supported partially by sub-sectors such as refined petroleum products and electrical capacitor resistor & components. Hence, the spill over effects caused wage growth to expand by 9.6%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%)

	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17
Overall	2.7	2.5	2.9	2.6	2.5	2.4
Refined Petroleum Products	(0.7)	2.1	6.3	6.9	3.9	3.1
Organic Chemical & Inorganic Compounds*	5.3	5.8	6.3	4.5	4.2	1.1
Basic Iron & Steel Products	0.8	1.1	1.1	1.5	2.4	2.2
Diode, Transistor & Electronic Integrated Circuit Mic	3.1	3.4	3.3	3.0	0.4	0.6
Electrical Capacitor Resistor, Circuit Board, Display Com	1.1	0.7	0.7	1.3	2.7	3.0
Computers & Peripherals Equipment	0.2	0.1	1.2	1.2	1.2	0.6

Source: CEIC; MIDFR

*Exclude Fertiliser

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

	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17
Overall	13.3	10.0	11.3	10.6	10.0	9.6
Refined Petroleum Products	13.3	5.1	12.5	17.9	13.9	11.2
Organic Chemical & Inorganic Compounds*	32.8	15.4	16.5	18.8	19.7	26.6
Basic Iron & Steel Products	18.1	16.0	16.4	20.4	23.8	23.4
Diode, Transistor & Electronic Integrated Circuit Mic	8.4	1.9	3.5	2.6	4.3	5.2
Electrical Capacitor Resistor, Circuit Board, Display Com	14.6	7.8	7.0	7.5	(1.0)	(1.3)
Computers & Peripherals Equipment	7.0	(6.7)	(5.6)	2.7	(12.7)	(14.6)

Source: CEIC; MIDFR

*Exclude Fertiliser

Strengthening labour market globally. Labour market in the US continues on tightening pattern as businesses impacted by the hurricanes restart operations. Most recent, unemployment rate in the US reached 17-year low at 4.1%, supported with increase in non-farm payroll by 244K in October. Moving to Europe, unemployment rate in the region is on declining trend since early 2013. 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 54 and 51.7 points respectively in November.

Table 6: Global Unemployment Rate (%)

	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17
Malaysia	3.5	3.4	3.3	3.4	3.4	3.4	3.5	3.4	3.4	3.4
Thailand	1.2	1.1	1.3	1.2	1.3	1.1	1.2	1.1	1.2	1.3
Taiwan	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.7	3.7
South Korea	3.6	4.0	3.7	4.0	3.6	3.8	3.6	3.8	3.7	3.6
Japan	3.0	2.8	2.8	2.8	3.1	2.8	2.8	2.8	2.8	2.8
EU	8.1	8.0	7.9	7.8	7.7	7.6	7.6	7.5	7.5	7.4
United States	4.8	4.7	4.5	4.4	4.3	4.4	4.3	4.4	4.2	4.1

Source: CEIC; MIDFR


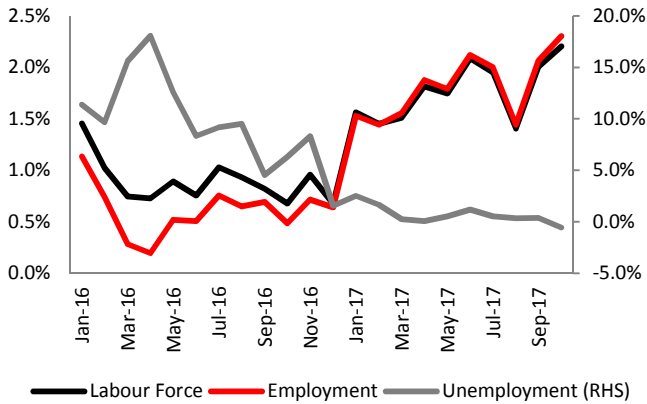
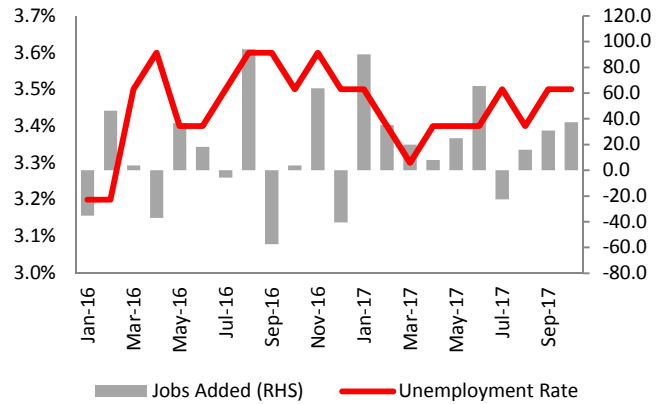
We reiterate our expectation that Malaysia’s unemployment rate to average at 3.3% in 2017. Moving forward, we anticipate domestic as well as global economic activities will stay on upward trajectory given key economic indicators are showing sign of optimism. Therefore, we forecast global trade will improve further this year and Malaysia as an export-reliance economy will benefit from the development via increase in exports demand and more jobs creation especially in the exports-oriented industries. 

Chart 1: Labour Market Key Indicators (YoY%)



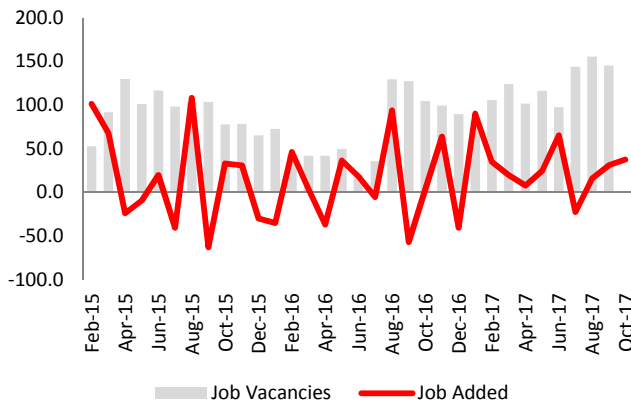
Source: DOSM; MIDFR

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



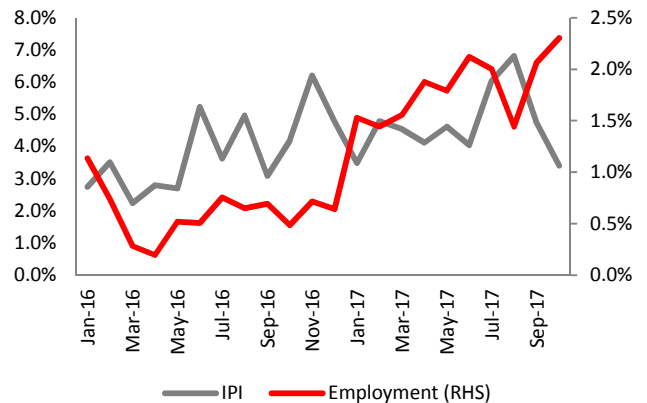
Source: DOSM; MIDFR

Chart 3: Jobs Added vs Vacancies ('000)



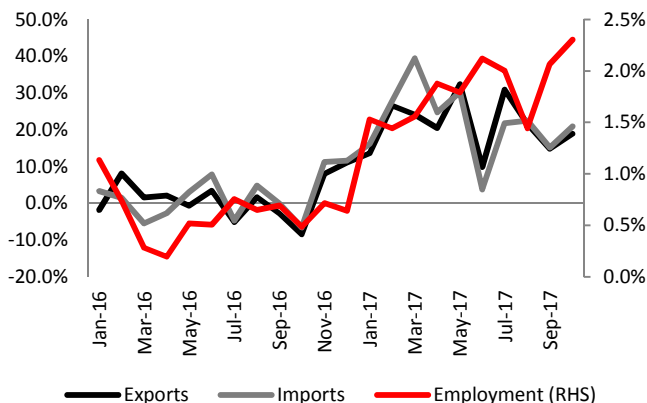
Source: CEIC; MIDFR

Chart 4: Employment vs IPI (YoY%)



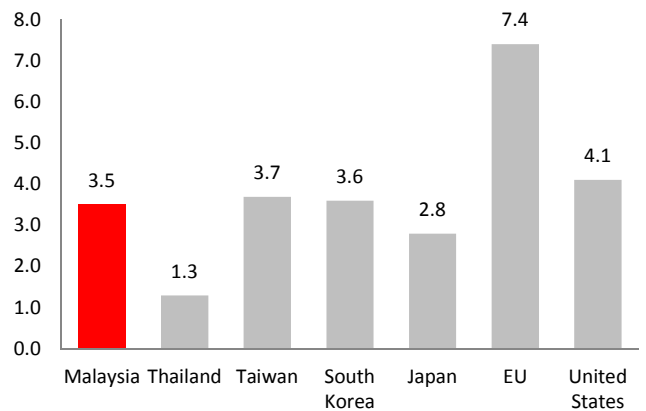
Source: DOSM; MIDFR

Chart 5: Employment vs External Trade (YoY%)



Source: DOSM; MIDFR

Chart 6: Global Unemployment Rates (%) in Oct-17



Source: DOSM; MIDFR

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