

ECONOMIC REVIEW | October 2018 Labour Market

External Trade Boosts Domestic Labor Market as Jobless Rate Stays Low at 3.3%

- *Labour market remains strong. Labour force expanded by 2.4%yoy to 15.5 million in Oct-18. Employment growth moderated to 2.4%yoy to 14.9 million in Oct-18 while jobs added in the economy registered at 10.6K during the month Sep-18 (30K in Aug-18), in line with external trade performances.*
- *Job vacancies remained below 2017's average. Monthly average for the 9 months of 2018 is 91.1k, lower than last year's average of 123k. Sep-18 saw total job vacancies at 91k which mostly contributed by sector such as agriculture, manufacturing and construction. We expect further improvement in job opportunities in manufacturing sector amid global demand remains intact especially with receding trade war fear effects.*
- *We forecast Malaysia's unemployment rate to average at 3.3% in 2019. For the first ten months of 2018, unemployment rate is averaged at 3.3%, in line with our expectations. Moving forward, we anticipate domestic economic activities will stay on upward trajectory given that business confidence remains upbeat.*

Labour market remains strong. Labour force expanded by 2.4%yoy to 15.5 million in Oct-18. Employment growth moderated to 2.4%yoy to 14.9 million in Oct-18 while jobs added in the economy registered at 10.6K during the month Sep-18 (30K in Aug-18), in line with external trade performances. Unemployment rate maintained at 3.3%, similar to last month after three consecutive months maintaining at 3.4% from Jun-18 to Aug-18. The number of unemployed increased 0.8% in Oct-18 higher than 0.4% recorded in the previous month. In addition, growths in both labour force and employment have been outpacing unemployment growth for the last 20-month since Mar-17.

Table 1: Summary of Labour Market ('000)

	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18
Labour Force	15,358	15,379	15,401	15,421	15,443	15,450
YoY%	2.6	2.3	2.6	2.6	2.6	2.4
Employment	14,853	14,863	14,882	14,897	14,927	14,937
YoY%	2.8	2.4	2.7	2.6	2.6	2.4
Unemployment	505	516	519	525	516	513
YoY%	(0.5)	1.6	(0.1)	1.6	0.4	0.8
Outside Labour Force	7,097	7,062	7,045	7,134	7,097	7,094
YoY%	(0.3)	(1.1)	(1.5)	(0.1)	(0.4)	(0.3)
Unemployment Rate %	3.3	3.4	3.4	3.4	3.3	3.3

Source: CEIC, MIDFR

Upbeat momentum in domestic and external activities. In Oct-18, IPI increased 4.2%yoy following a 2.3%yoy gain in the preceding month and beat market expectations of 3.3%yoy. In addition, exports in Oct-18 also hit the highest record in history, totaling RM96.4b. Exports growth in Oct-18 rebounded on both annually and monthly basis at 17.7% and 16.2% respectively. Domestic exports grew 12.1%yoy to RM75.5b in Oct-18, the highest growth recorded this year. Meantime, re-exports maintained its double digit growth with an improvement at 43.8%yoy to RM20.8b. Moving forward, we opine Malaysia's external trade and IPI performance to expand at steady pace amid escalating trade tensions, which eventually be translated into an increase in jobs added, stable wage growth and indirectly provide additional support to Malaysia's domestic demand in 2019.

Job vacancies remained below 2017's average. Monthly average for the 9 months of 2018 is 91.1k, lower than last year's average of 123k. Sep-18 saw total job vacancies at 91k which mostly contributed by sector such as agriculture, manufacturing and construction. We expect further improvement in job opportunities in manufacturing sector amid global demand remains intact especially with receding trade war fear effects. Looking forward, job vacancies are expected to gradually improve to 90K-100K as the country gained confidence and stability over time from the new government and economy's outlook of the new Budget 2019.

Low value-added jobs continue to dominate. Job Elementary occupation share averaged to 77.4% within 9 months of 2018, which is above last year's average of 76.0%. In Sep-18, for every 100 job vacancies, 77 are for elementary occupations, followed by 11 jobs of operators & assemblers, leaving 12 jobs combined for high-skilled and medium-skilled occupations. Job vacancies of elementary occupations and plant & machinery operators & assemblers recorded at 70.0K and 10.0K respectively in Sep-18. The employment performance is in line with the rise of job vacancies in manufacturing and services sectors on top of 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, increase in low-skilled foreign workers, tepid wage growth and weakening domestic consumption.

Table 2: Job Vacancies by Type & Sector ('000)

	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18
Total	89.8	72.8	84.0	66.8	111.4	90.9
Legislators, Senior Officials & Managers	0.5	0.4	0.3	0.3	0.1	0.3
Professionals	1.8	2.2	1.2	1.2	1.7	1.0
Technicians & Associate Professionals	0.8	1.1	1.4	1.0	2.5	1.6
Clerical Workers	0.8	0.8	0.9	0.4	0.4	0.4
Service, Shop & Market Sales Workers	3.6	2.8	4.5	2.5	2.3	1.6
Skilled Agricultural & Fisheries Workers	0.8	0.5	0.9	0.2	0.1	0.4
Craft and Related Trades Workers	1.6	1.5	2.0	0.8	1.3	5.6
Plant & Machinery Operators & Assemblers	9.3	11.6	9.3	9.9	16.8	10.0
Elementary Occupations	70.7	51.9	63.5	50.5	86.3	70.0
Agriculture, Forestry & Fishing	21.6	10.0	19.4	13.2	28.7	29.1
Mining & Quarrying	0.0	0.1	0.0	0.0	0.2	1.9
Manufacturing	36.4	29.4	33.4	27.4	45.7	27.3
Construction	12.9	16.2	11.7	13.6	19.7	19.5
Services	18.9	17.2	19.5	12.5	17.2	13.1

Source: CEIC, MIDFR

*Data Available Up Until Sep-18

Manufacturing employment stays healthy. Employment growth in manufacturing sector grew by 2.2% in Oct-18. Stronger employment growth was recorded for sub-sectors such as refined petroleum (2.9% vs 2.3% in Sep-18) and diode, transistor & electronic integrated circuit mic (5.0% vs 4.3% in Sep-18). Meanwhile, wage growth of overall manufacturing sector registered higher at 10.2%yoy (9.1%yoy in Sep-18). Moving forward, we foresee steady labour market performance in manufacturing will positively contribute to domestic consumption in the near term supported with easing inflationary pressure. Export-oriented sectors in particular are expected to stay on upward trajectories due to easing trade war fear effects and modest pick-up in global commodity prices.

Table 3: Employment Growth by Manufacturing Major Sub-Sector (YoY%)

	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18
Overall	1.7	2.2	2.0	1.9	1.9	2.2
Refined Petroleum Products	2.4	2.2	0.6	1.0	2.3	2.9
Organic Chemical & Inorganic Compounds excl. Fertilizer	0.3	(1.6)	(3.3)	(3.3)	(2.2)	(2.0)
Basic Iron & Steel Products	6.2	4.6	4.3	3.9	3.2	3.4
Diode, Transistor & Electronic Integrated Circuit Mic	0.5	1.1	1.5	2.0	4.3	5.0
Electrical Capacitor Resistor, Circuit Board, Display Com	2.3	2.7	3.1	2.9	2.0	2.6
Computers & Peripherals Equipment	1.3	1.3	0.3	0.3	0.8	1.4

Source: CEIC, MIDFR

*Exclude Fertiliser

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

	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18
Overall	10.0	10.2	10.1	9.7	9.1	10.2
Refined Petroleum Products	27.5	33.8	29.1	29.2	25.9	31.5
Organic Chemical & Inorganic Compounds excl. Fertilizer	26.1	26.7	24.6	21.3	15.7	12.7
Basic Iron & Steel Products	12.3	12.1	12.1	8.5	6.2	5.1
Diode, Transistor & Electronic Integrated Circuit Mic	22.3	21.2	22.5	18.7	15.4	19.4
Electrical Capacitor Resistor, Circuit Board, Display Com	10.8	14.3	20.8	20.8	21.0	20.0
Computers & Peripherals Equipment	(0.1)	4.9	2.5	2.3	5.9	10.1

Source: CEIC, MIDFR

*Exclude Fertiliser

Stable global labour market. Based on the latest available data, jobless rate across major and emerging economies are stable. For instance, unemployment rate in the US was unchanged from the previous month's 49-year low of 3.7% in Nov-18. We also observe a slight improvement in South Korea's unemployment rate in Oct-18 to 3.8%. It is the third consecutive decline and also the lowest rate in four months. 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 52.0 and 50.8 points in Nov-18.

Table 5: Global Unemployment Rate (%)

	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18
Malaysia	3.3	3.4	3.4	3.4	3.3	3.3
Thailand	1.0	1.1	1.0	1.0	1.0	1.0
Taiwan	3.7	3.7	3.7	3.7	3.7	3.7
Korea	4.0	3.7	3.8	4.2	4.0	3.9
Japan	2.2	2.4	2.5	2.4	2.3	2.4
EU	6.9	6.9	6.8	6.8	6.7	6.7
United States	3.8	4.0	3.9	3.9	3.7	3.7

Source: CEIC, MIDFR


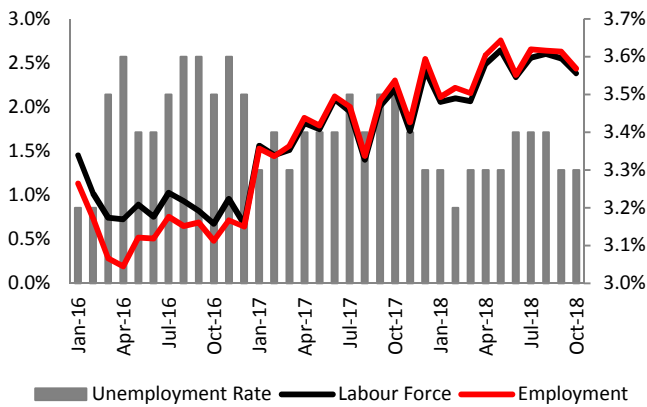
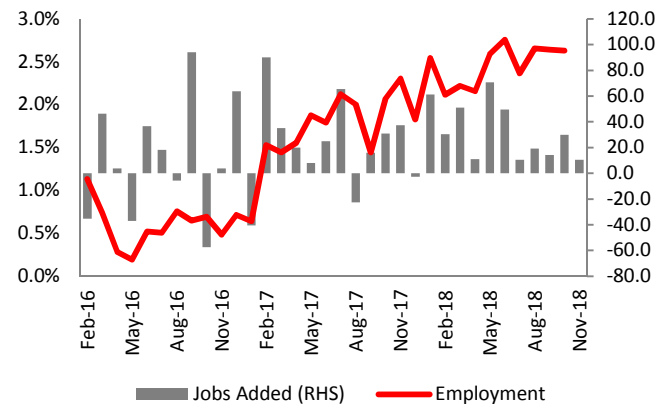
We forecast Malaysia's unemployment rate to average at 3.3% in 2019. For the first ten months of 2018, unemployment rate is averaged at 3.3%, in line with our expectations. Moving forward, we anticipate domestic economic activities will stay on upward trajectory given that business confidence remains upbeat. In addition, we observed 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%)



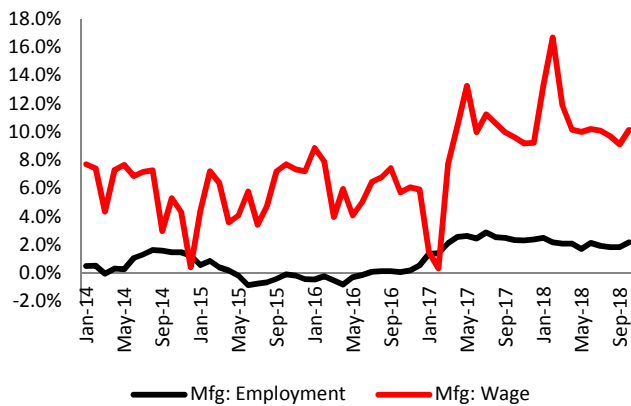
Source: CEIC, MIDFR

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



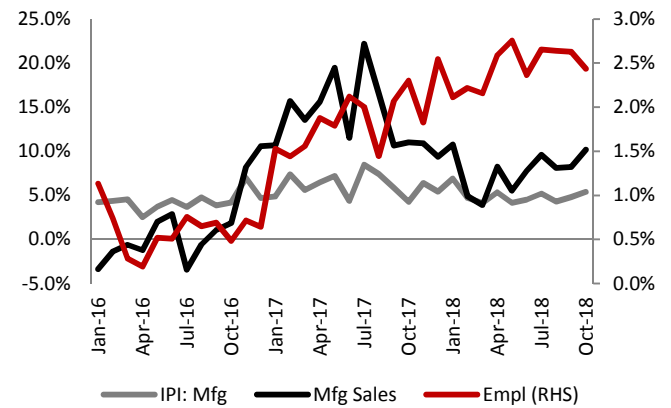
Source: CEIC, MIDFR

Chart 3: Manufacturing: Employment vs Wage (YoY%)



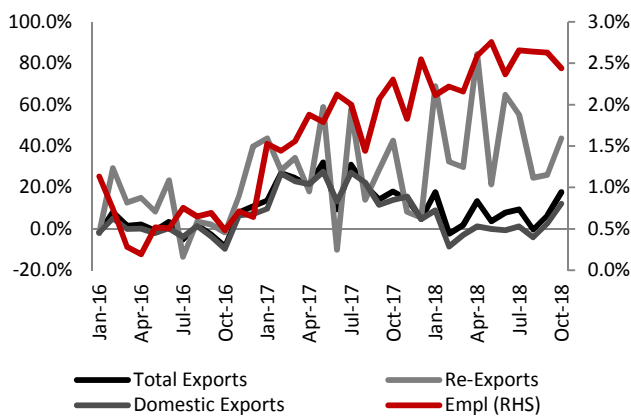
Source: CEIC, MIDFR

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



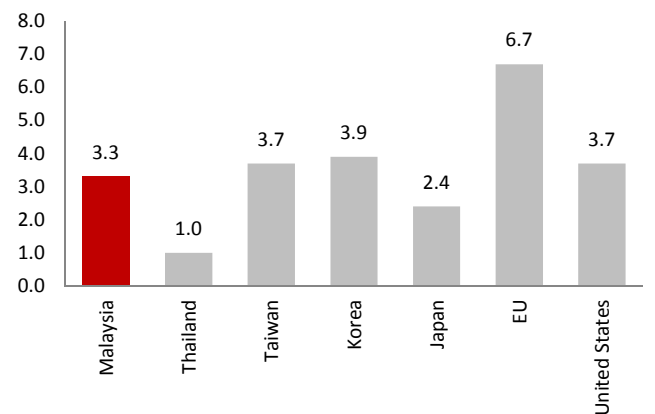
Source: CEIC, MIDFR

Chart 5: Employment vs Re-exports vs Domestic Exports (YoY%)



Source: CEIC, MIDFR

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



Source: CEIC, MIDFR

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