

ECONOMIC REVIEW | September 2018 Labour Market

Unemployment Rate Falls to 3.3% as Monthly Jobs Added Hit 4-month High

- Labour market remains strong. Labour force expanded by 2.6%yoy to 15.4 million in Sep-18, unchanged for the third consecutive month. Employment growth maintained at 2.6%yoy to 14.9 million in Sep-18 and jobs added in the economy registered at four-month high of 30K during the month (14.1K in Jul-18), in line with external trade performances. Unemployment rate inched lower to a full-employment condition of 3.3% after three consecutive months maintaining at 3.4%.*
- Upbeat momentum in domestic and external activities. We observed that higher industrial production (IPI) and rebound in exports were among the contributing factors to larger jobs added at 30K in Sep-18, strengthening the labour market. In Sep-18, IPI increased 2.3%yoy following a 2.2%yoy gain in the preceding month and beat market expectations of 2.2%yoy. In addition, exports growth in Sep-18 rebounded on both annually and monthly basis at 6.7% and 1.5% respectively, sustaining value above RM80b mainly due to better sectoral performances.*
- We forecast Malaysia's unemployment rate to average at 3.3% in 2018. For the first nine 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 2.6%yoy to 15.4 million in Sep-18, unchanged for the third consecutive month. Employment growth maintained at 2.6%yoy to 14.9 million in Sep-18 and jobs added in the economy registered at four-month high of 30K during the month (14.1K in Jul-18), in line with external trade performances. Unemployment rate inched lower to a full-employment condition of 3.3% after three consecutive months maintaining at 3.4%. The number of unemployed increased 0.4% in Sep-18 however lower than 1.6% recorded in the previous month. In addition, growths in both labour force and employment have been outpacing unemployment growth for the last 19-month since Mar-17.

Table 1: Summary of Labour Market ('000)

	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18
Labour Force	15,313	15,358	15,379	15,401	15,421	15,443
YoY%	2.5	2.6	2.3	2.6	2.6	2.6
Employment	14,803	14,853	14,863	14,882	14,897	14,927
YoY%	2.6	2.8	2.4	2.7	2.6	2.6
Unemployment	510	505	516	519	525	516
YoY%	(0.4)	(0.5)	1.6	(0.1)	1.6	0.4
Outside Labour Force	7,131	7,097	7,062	7,045	7,134	7,097
YoY%	0.1	(0.3)	(1.1)	(1.5)	(0.1)	(0.4)
Unemployment Rate %	3.3	3.3	3.4	3.4	3.4	3.3

Source: CEIC, MIDFR

Upbeat momentum in domestic and external activities. We observed that higher industrial production (IPI) and rebound in exports were among the contributing factors to larger jobs added at 30K in Sep-18, strengthening the labour market. In Sep-18, IPI increased 2.3%yoy following a 2.2%yoy gain in the preceding month and beat market expectations of 2.2%yoy. In addition, exports growth in Sep-18 rebounded on both annually and monthly basis at 6.7% and 1.5% respectively, sustaining value above RM80b mainly due to better sectoral performances. Domestic exports grew 2.7%yoy to RM66.5b in Sep-18, recovered from a negative growth in the preceding month. Meantime, re-exports maintained its double digit growth with a slight improvement at 22%yoy to RM16.5b. 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 2018. On top of that, supportive policy changes for businesses and consumers such stabilised retail fuel prices will add more support particularly for domestic-oriented industries in 2H18.

Manufacturing employment stays healthy. Employment growth in manufacturing sector stays strong at 1.9%yoy in Sep-18. Stronger employment growth was recorded for sub-sectors such as refined petroleum (2.3% vs 1% in Aug-18) and diode, transistor & electronic integrated circuit mic (4.3% vs 2% in Aug-18). Meanwhile, wage growth of overall manufacturing sector registered lower at 9.1%yoy (9.7%yoy in Aug-18), suggesting that employers might have been increasing their spending on benefits such as health insurance and transportation subsidies. 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. Petroleum-related sectors in particular are expected to stay on upward trajectories due to a gradual recovery in crude oil prices.

Table 2: Employment Growth by Manufacturing Major Sub-Sector (YoY%)

	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18
Overall	2.1	1.7	2.2	2.0	1.9	1.9
Refined Petroleum Products	2.1	2.4	2.2	0.6	1.0	2.3
Organic Chemical & Inorganic Compounds excl. Fertilizer	(1.2)	0.3	(1.6)	(3.3)	(3.3)	(2.2)
Basic Iron & Steel Products	5.0	6.2	4.6	4.3	3.9	3.2
Diode, Transistor & Electronic Integrated Circuit Mic	0.1	0.5	1.1	1.5	2.0	4.3
Electrical Capacitor Resistor, Circuit Board, Display Com	3.0	2.3	2.7	3.1	2.9	2.0
Computers & Peripherals Equipment	1.0	1.3	1.3	0.3	0.3	0.8

Source: CEIC, MIDFR

*Exclude Fertiliser

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

	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18
Overall	10.2	10.0	10.2	10.1	9.7	9.1
Refined Petroleum Products	22.5	27.5	33.8	29.1	29.2	25.9
Organic Chemical & Inorganic Compounds excl. Fertilizer	15.8	26.1	26.7	24.6	21.3	15.7
Basic Iron & Steel Products	10.2	12.3	12.1	12.1	8.5	6.2
Diode, Transistor & Electronic Integrated Circuit Mic	18.7	22.3	21.2	22.5	18.7	15.4
Electrical Capacitor Resistor, Circuit Board, Display Com	22.9	10.8	14.3	20.8	20.8	21.0
Computers & Peripherals Equipment	4.0	(0.1)	4.9	2.5	2.3	5.9

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 Oct-18. Among the major worker groups, unemployment rate showed slight or no change in Oct-18 for adult men & women, whites & blacks and Asians. Similarly, in Thailand, jobless rate maintained at 1% for the fourth consecutive month in Oct-18. 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 52.1 and 50.5 points in Oct-18.

Table 4: Global Unemployment Rate (%)

	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18
Malaysia	3.3	3.3	3.4	3.4	3.4	3.3	
Thailand	1.1	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	3.8	4.0	3.7	3.8	4.2	4.0	
Japan	2.5	2.2	2.4	2.5	2.4	2.3	
EU	7.0	6.9	6.8	6.8	6.7	6.7	
United States	3.9	3.8	4.0	3.9	3.9	3.7	3.7

Source: CEIC, MIDFR


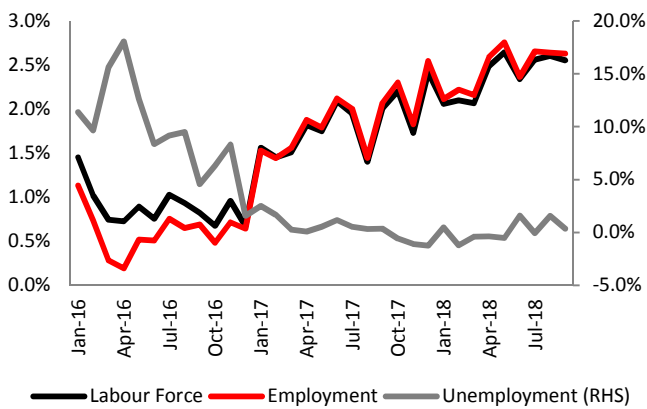
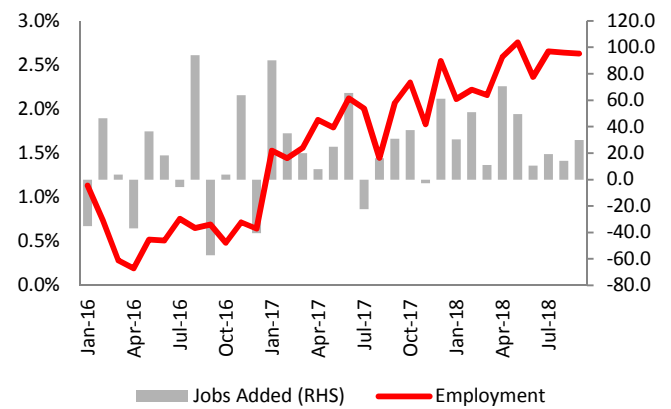
We forecast Malaysia's unemployment rate to average at 3.3% in 2018. For the first nine months of 2018, unemployment rate is averaged at 3.3%, in line with our expectations. Moving forward, we anticipate domestic economic activities will stay on upward trajectory given that business confidence remains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



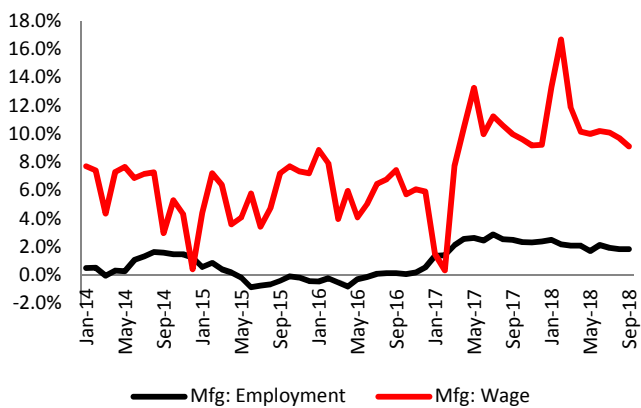
Source: CEIC, MIDFR

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



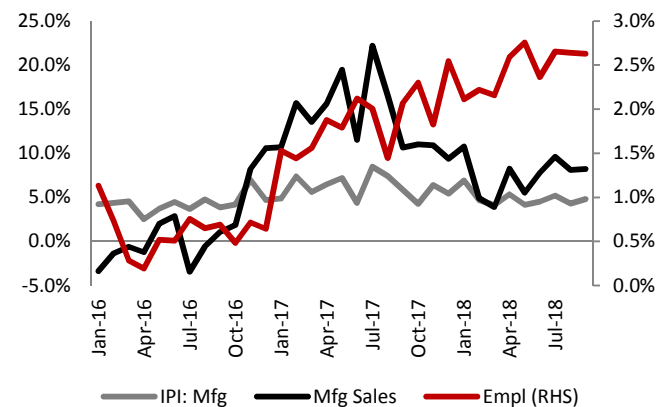
Source: CEIC, MIDFR

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



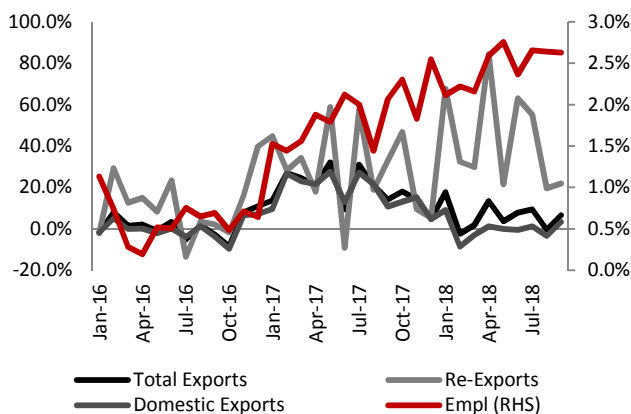
Source: CEIC, MIDFR

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



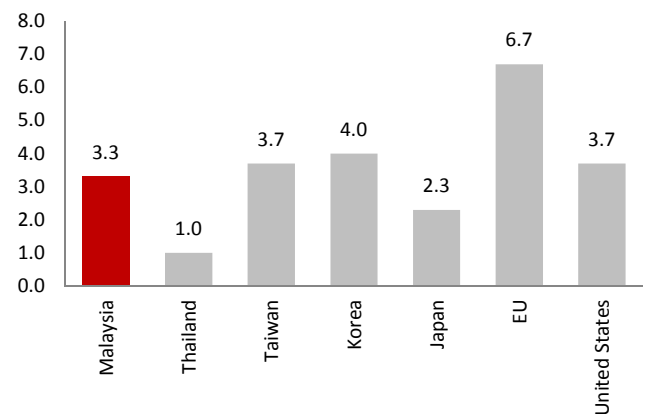
Source: CEIC, MIDFR

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



Source: CEIC, MIDFR

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



Source: CEIC, MIDFR

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