

## ECONOMIC REVIEW | September 2017 Labour Market

### Job Vacancies Highest in Nearly 5 Years Thanks to Exports Boon

- *Malaysia's labour market remains healthy. Better performance in the labour market was due to healthy expansions in both labour force and employment by 2%yoy and 2.1%yoy accordingly in September. Plus, unemployed persons reduced from 519 thousands in July to 515 thousands in September.*
- *Job vacancies highest in almost five years. We noticed job vacancies in August recorded at 155.6 thousands, highest since December 2012. The surge is driven by job vacancies in sectors namely manufacturing, construction and services by 62.7K, 30.6K and 36.4K respectively.*
- *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.*

**Malaysia's labour market remains healthy.** Better performance in the labour market was due to healthy expansions in both labour force and employment by 2%yoy and 2.1%yoy accordingly in September. Plus, unemployed persons reduced from 519 thousands in July to 515 thousands in September. Hence, this positive development put Malaysia's unemployment at 3.4% during the month. As domestic economic activities are on upbeat momentum, growths in both labour force and employment have been outpacing unemployment growth for seven consecutive months since March 2017.

**Table 1: Summary of Labour Market ('000)**

	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17
<b>Labour Force</b>	<b>14,942</b>	<b>14,962</b>	<b>15,028</b>	<b>15,016</b>	<b>15,030</b>	<b>15,059</b>
YoY%	1.8	1.7	2.1	2.0	1.4	2.0
<b>Employment</b>	<b>14,430</b>	<b>14,454</b>	<b>14,520</b>	<b>14,497</b>	<b>14,513</b>	<b>14,544</b>
YoY%	1.9	1.8	2.1	2.0	1.4	2.1
<b>Unemployment</b>	<b>512</b>	<b>508</b>	<b>508</b>	<b>519</b>	<b>517</b>	<b>515</b>
YoY%	0.1	0.5	1.2	0.5	0.3	0.4
<b>Outside Labour Force</b>	<b>7,123</b>	<b>7,121</b>	<b>7,141</b>	<b>7,150</b>	<b>7,138</b>	<b>7,122</b>
YoY%	1.6	1.4	1.5	2.0	1.2	0.5
<b>Unemployment Rate %</b>	<b>3.4</b>	<b>3.4</b>	<b>3.4</b>	<b>3.5</b>	<b>3.4</b>	<b>3.4</b>

Source: DOSM; MIDFR

**Positive spill-over effects.** We opine strong export performances since late last year has contributed significantly towards strengthening Malaysia's labour market. Export growth in September for instance, rose by 14.8%yoy. This is the nine consecutive months of double digit growth in export for 2017. Domestically, retail trade expanded by 7.6%yoy while industrial production rose by 4.7%yoy in the same month. As a result, 31 thousands of new jobs being added into the economy in September 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.

**Job vacancies highest in almost five years.** We noticed job vacancies in August recorded at 155.6 thousands, highest since December 2012. The surge is driven by job vacancies in sectors namely manufacturing, construction and services by 62.7K, 30.6K and 36.4K respectively. The increase in job vacancies is in line with robust performances of exports and industrial production in August which expanded strongly by 21.5%yoy and 6.8%yoy respectively. Plus, mega infrastructure projects and improved in domestic spending push up for more employment opportunities especially in construction and services sectors. Looking ahead, we can expect job vacancies in September to stay high given that external trade and industrial activities remain on upbeat momentum.

**Table 2: Number of Job Vacancies ('000)**

	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17
Total	82.1	105.6	123.9	101.6	116.2	97.6	143.9	155.6
Agriculture, Forestry & Fishing	15.0	18.9	27.3	15.3	20.2	15.0	26.8	25.8
Mining & Quarrying	0.0	0.1	0.1	0.1	0.2	1.3	0.2	0.1
Manufacturing	32.4	41.9	47.6	44.4	50.4	42.1	56.7	62.7
Construction	13.9	18.1	21.5	18.9	24.0	19.0	25.1	30.6
Services	20.7	26.5	27.3	22.9	21.4	20.1	35.1	36.4

Source: CEIC, MIDFR

Note: Latest figures only available until August 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 2.5%, supported partially by sub-sectors such as refined petroleum products and chemicals products. Hence, the spill over effects caused wage growth to expand by 10%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 3: Employment Growth by Manufacturing Major Sub-Sectors (YoY%)**

	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17
Overall	2.6	2.7	2.5	2.9	2.6	2.5
Refined Petroleum Products	(1.2)	(0.7)	2.1	6.3	6.9	3.9
Organic Chemical & Inorganic Compounds*	13.6	5.3	5.8	6.3	4.5	4.2
Basic Iron & Steel Products	3.4	0.8	1.1	1.1	1.5	2.4
Diode, Transistor & Electronic Integrated Circuit Mic	3.7	3.1	3.4	3.3	3.0	0.4
Electrical Capacitor Resistor, Circuit Board, Display Com	1.2	1.1	0.7	0.7	1.3	2.7
Computers & Peripherals Equipment	1.4	0.2	0.1	1.2	1.2	1.2

Source: CEIC; MIDFR

\*Exclude Fertiliser

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

	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17
Overall	10.5	13.3	10.0	11.3	10.6	10.0
Refined Petroleum Products	3.8	13.3	5.1	12.5	17.9	13.9
Organic Chemical & Inorganic Compounds*	9.2	32.8	15.4	16.5	18.8	19.7
Basic Iron & Steel Products	19.1	18.1	16.0	16.4	20.4	23.8
Diode, Transistor & Electronic Integrated Circuit Mic	7.1	8.4	1.9	3.5	2.6	4.3
Electrical Capacitor Resistor, Circuit Board, Display Com	8.6	14.6	7.8	7.0	7.5	(1.0)
Computers & Peripherals Equipment	5.6	7.0	(6.7)	(5.6)	2.7	(12.7)

Source: CEIC; MIDFR


\*Exclude Fertiliser

**More hiring after hurricanes Harvey and Irma.** 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 261 thousand in October. Moving to Europe, unemployment rate in the region is on declining trend since early 2013. However, being the fifth largest economy in Europe, political instability particularly in Spain would disturb the positive development in EU's labour market. We expect the overall unemployment rate in EU will inch up temporarily due to the political instability for the fourth quarter this year. Globally, labour markets across developed and emerging economies are fairly stable amid of continuous improvement in global economy.

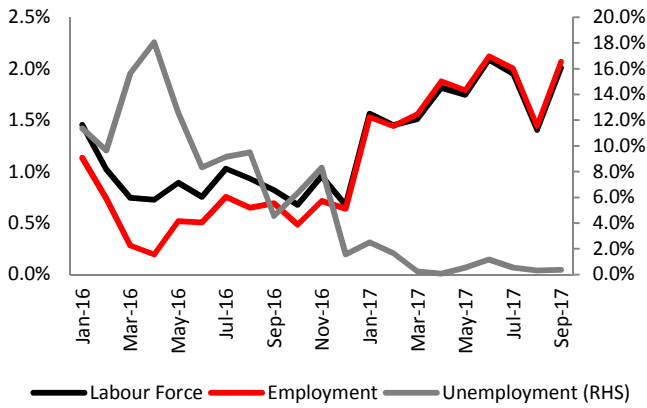
**Table 5: Global Unemployment Rate (%)**

	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17
Malaysia	3.5	3.4	3.3	3.4	3.4	3.4	3.5	3.4	3.5
Thailand	1.2	1.1	1.3	1.2	1.3	1.1	1.2	1.1	1.2
Taiwan	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.7
Korea	3.6	4.0	3.7	4.0	3.6	3.8	3.6	3.8	3.7
Japan	3.0	2.8	2.8	2.8	3.1	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
United States	4.8	4.7	4.5	4.4	4.3	4.4	4.3	4.4	4.2

Source: CEIC; MIDFR

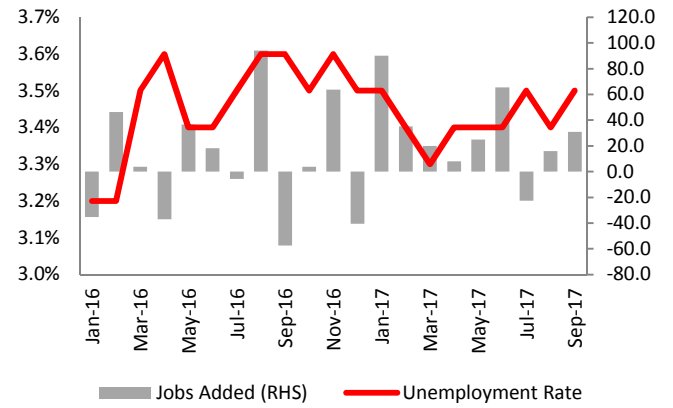
**We reiterate our expectation that Malaysia's unemployment rate to average at 3.3% in 2017.** Moving forward, we anticipate domestic as well as global economic activities will stay on upward trajectory given key economic indicators are showing sign of optimism. Therefore, we forecast global trade will 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%)**



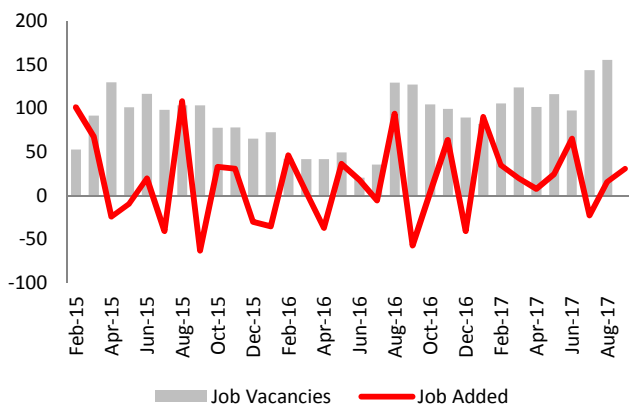
Source: DOSM; MIDFR

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



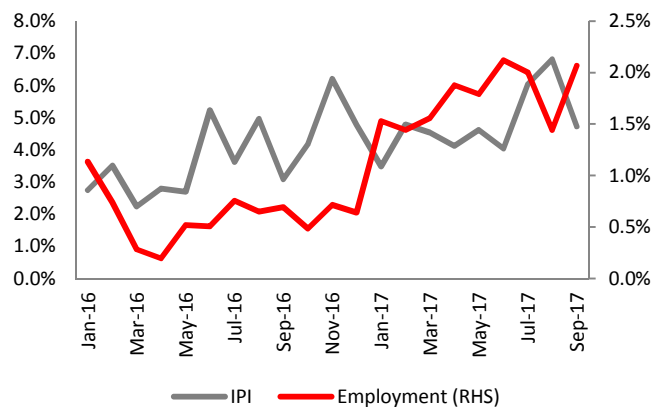
Source: DOSM; MIDFR

**Chart 3: Jobs Added vs Vacancies ('000)**



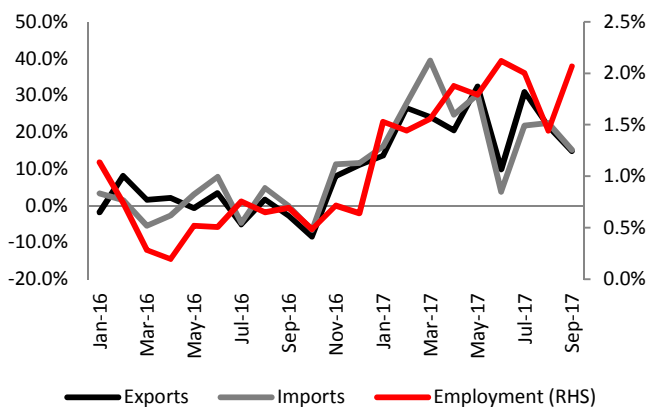
Source: CEIC; MIDFR

**Chart 4: Employment vs IPI (YoY%)**



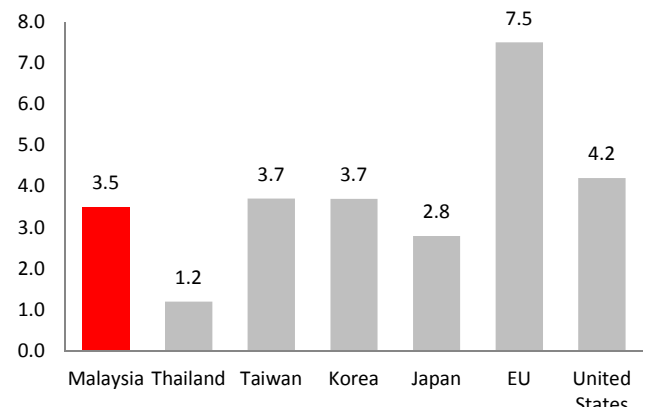
Source: DOSM; MIDFR

**Chart 5: Employment vs External Trade (YoY%)**



Source: DOSM; MIDFR

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



Source: DOSM; MIDFR

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