

ECONOMIC REVIEW | August 2017 Labour Market

Improved Labour Market – Jobless Rate Down to 3.4%, Job Vacancies Highest in Nearly 4 Years

- *Malaysia's jobless rate went down to 3.4%. Better performance in the labour market was due to healthy expansions in both labour force and employment by 1.4%yoy accordingly. Plus, unemployed persons reduced from 519 thousands in July to 517 thousands in August.*
- *Job vacancies highest in almost four years. We noticed job vacancies in July recorded at 143.9 thousands, highest since November 2013. Comparing by each sector's average job vacancies for the first half of 2017, only mining & quarrying sector performed below the average whereas other sectors show better performance during the month.*
- *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 jobless rate went down to 3.4%. Better performance in the labour market was due to healthy expansions in both labour force and employment by 1.4%yoy accordingly. Plus, unemployed persons reduced from 519 thousands in July to 517 thousands in August. Moreover, labour force participation rate inched up to 67.8% and thus improved Malaysia's unemployment rate back to 3.4% in August. As domestic economic activities are on upbeat momentum, growths in both labour force and employment have been outpacing unemployment growth for six consecutive months since March 2017.

Table 1: Summary of Labour Market

	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17
Labour Force	14,881	14,917	14,933	14,942	14,962	15,028	15,016	15,030
YoY%	1.6	1.5	1.5	1.8	1.7	2.1	2.0	1.4
Employment	14,367	14,402	14,422	14,430	14,454	14,520	14,497	14,513
YoY%	1.5	1.4	1.6	1.9	1.8	2.1	2.0	1.4
Unemployment	514	515	511	512	508	508	519	517
YoY%	2.5	1.7	0.3	0.1	0.5	1.2	0.5	0.3
Outside Labour Force	7,090	7,087	7,122	7,123	7,121	7,141	7,150	7,138
YoY%	1.5	0.3	2.3	1.6	1.4	1.5	2.0	1.2
Unemployment Rate %	3.5	3.4	3.3	3.4	3.4	3.4	3.5	3.4
Labour Force Participation Rate %	67.7	67.8	67.7	67.7	67.8	67.8	67.7	67.8

Source: DOSM; MIDFR

Upbeat momentum in economic activities. We opine strong export performances since late last year has contributed significantly towards strengthening Malaysia's labour market. Export growth in August for instance, rose to 21.5%yoy. This is the eight consecutive months of double digit growth in export for 2017. Domestically, retail trade expanded by 13.4%yoy while industrial production rose by 6.8%yoy in the same month, beating market's estimate of 5.8%yoy. As a result, 16 thousands new jobs being added into the economy in August given that stout demand from both global and domestic continue driving up employment in 2017.

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Job vacancies highest in almost four years. We noticed job vacancies in July recorded at 143.9 thousands, highest since November 2013. Comparing by each sector's average job vacancies for the first half of 2017, only mining & quarrying sector performed below the average whereas other sectors show better performance during the month. The hike in job vacancies is in line with robust performances of exports and industrial production in July which expanded strongly by 30.9%yoy and 6%yoy respectively. Looking ahead, we can expect job vacancies in August to remain high given that external trade and industrial activities stay on upbeat momentum.

Table 2: Number of Job Vacancies ('000)

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

Source: CEIC, MIDFR

Note: Latest figures only available until July 2017

Robust external trade and industrial activities. As exports and industrial productions expanded above market expectations in August, 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 2.6%, supported partially by sub-sectors such as refined petroleum products and chemicals products. Hence, the spill over effects caused wage growth to expand by 10.6%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 3: Employment Growth by Manufacturing Major Sub-Sectors (YoY%)

	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17
Overall	1.4	1.4	2.1	2.6	2.7	2.5	2.9	2.6
Refined Petroleum Products	0.5	(1.8)	(1.6)	(1.2)	(0.7)	2.1	6.3	6.9
Organic Chemical & Inorganic Compounds*	13.6	14.1	13.7	13.6	5.3	5.8	6.3	4.5
Basic Iron & Steel Products	(1.5)	1.6	2.4	3.4	0.8	1.1	1.1	1.5
Diode, Transistor & Electronic Integrated Circuit Mic	1.6	2.7	3.0	3.7	3.1	3.4	3.3	3.0
Electrical Capacitor Resistor, Circuit Board, Display Com	(0.2)	0.2	0.7	1.2	1.1	0.7	0.7	1.3
Computers & Peripherals Equipment	(1.0)	(2.1)	(1.1)	1.4	0.2	0.1	1.2	1.2

Source: CEIC; MIDFR

*Exclude Fertiliser

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

	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17
Overall	1.5	0.3	7.8	10.5	13.3	10.0	11.3	10.6
Refined Petroleum Products	17.0	4.5	33.3	3.8	13.3	5.1	12.5	17.9
Organic Chemical & Inorganic Compounds*	20.3	16.0	11.7	9.2	32.8	15.4	16.5	18.8
Basic Iron & Steel Products	12.6	18.0	28.1	19.1	18.1	16.0	16.4	20.4
Diode, Transistor & Electronic Integrated Circuit Mic	(11.5)	(19.4)	(1.6)	7.1	8.4	1.9	3.5	2.6
Electrical Capacitor Resistor, Circuit Board, Display Com	(16.5)	(22.0)	4.6	8.6	14.6	7.8	7.0	7.5
Computers & Peripherals Equipment	(15.3)	(27.1)	(2.8)	5.6	7.0	(6.7)	(5.6)	2.7

Source: CEIC; MIDFR

*Exclude Fertiliser

Global employment is improving. In line with revival in global trade activities, we observed unemployment rates across major and emerging economies were trending downward. For instance, unemployment rate in the US registered at 4.4% in August, despite of hurricanes impacts. In Europe, unemployment rate in the region continues sliding down to 7.4%. However, market uncertainties and geopolitical risks such as Brexit and Catalonia Independence always be the major risks towards overall EU labour market as well as the economic stability. Moving forward, we foresee with the reflation in global trade activities and waning protectionism threat, the global labour market will continue to improve.

Table 5: Global Unemployment Rate (%)

	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17
Malaysia	3.5	3.4	3.3	3.4	3.4	3.4	3.5	3.4
Thailand	1.2	1.1	1.3	1.2	1.3	1.1	1.2	1.1
Taiwan	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8
South Korea	3.6	4.0	3.7	4.0	3.6	3.8	3.6	3.8
Japan	3.0	2.8	2.8	2.9	3.1	2.8	2.8	2.8
EU	8.4	8.4	8.2	7.8	7.6	7.4	7.4	7.4
United Kingdom	4.7	4.6	4.6	4.5	4.4	4.4	4.3	
United States	4.8	4.7	4.5	4.4	4.3	4.4	4.3	4.4

Source: CEIC; MIDFR


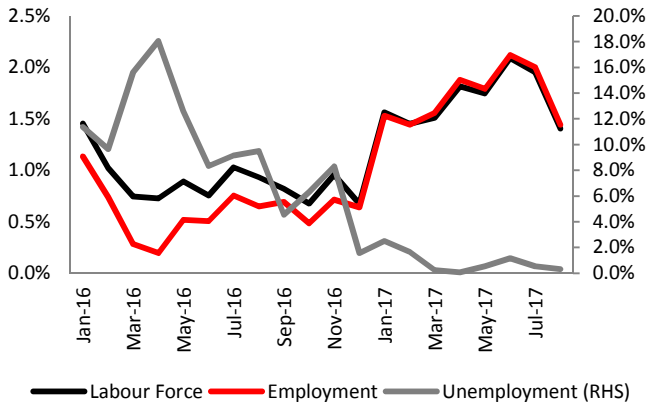
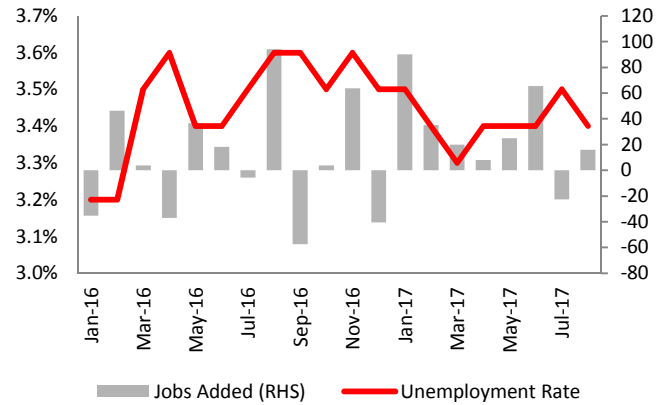
We reiterate our expectation that Malaysia's unemployment rate to average at 3.3% in 2017. Moving forward, we anticipate domestic as well as global economic activities will stay on upward trajectory given key economic indicators are showing sign of optimism. Therefore, we forecast global trade will improve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



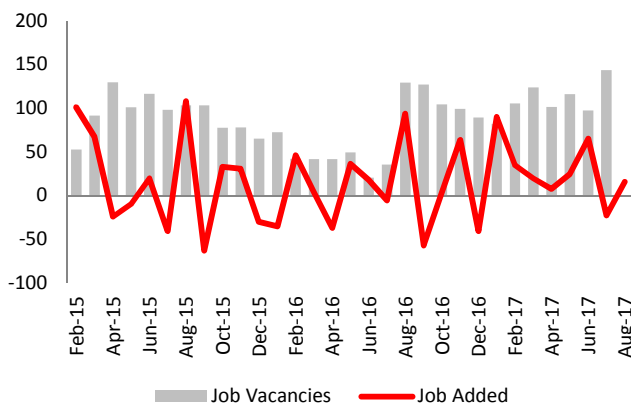
Source: DOSM; MIDFR

Chart 2: Jobs Added vs Unemployment Rate



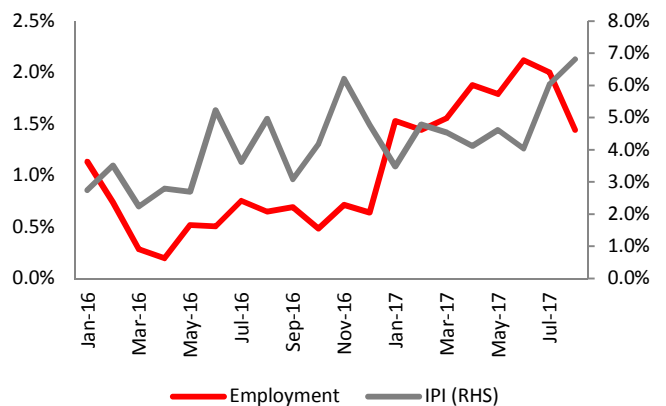
Source: DOSM; MIDFR

Chart 3: Jobs Added vs Vacancies ('000)



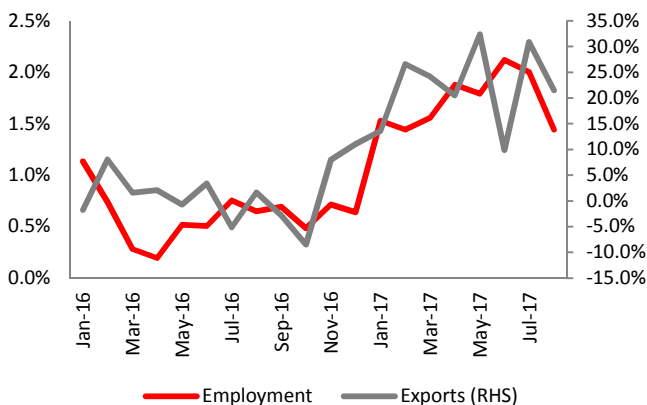
Source: DOSM; MIDFR

Chart 4: Employment vs IPI (YoY%)



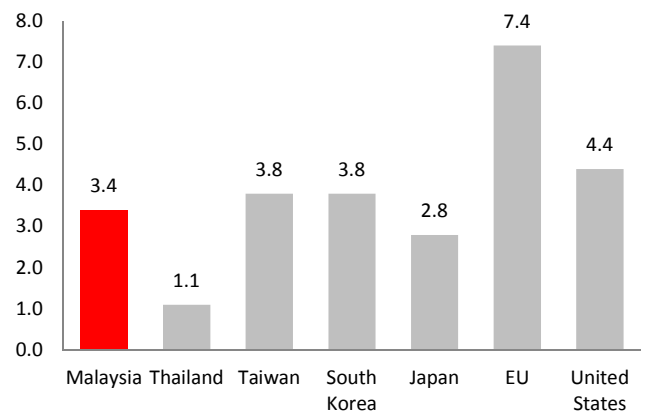
Source: DOSM; MIDFR

Chart 5: Employment vs Exports (YoY%)



Source: DOSM; MIDFR

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



Source: DOSM; MIDFR

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