

ECONOMIC REVIEW | July 2017 Labor Market

Unemployment Rate Up Slightly at 3.5% in July

- *Labour market remains steady despite slight increase in jobless rate. Malaysia's unemployment rate returned to 3.5% in July after five months hovering below the current rate. The slight rise in the unemployment rate was due to lower labour participation rate.*
- *Robust external trade and industrial activities. As exports and industrial productions expanded above market expectations in July, the strong results translated into better performance in employment and wage growths especially in the manufacturing sector.*
- *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.*

Labour market remains steady despite slight increase in jobless rate. Malaysia's unemployment rate returned to 3.5% in July after five months hovering below the current rate. The slight rise in the unemployment rate was due to lower labour participation rate. Moreover, number of people in the employment declined by 23 thousand compared to a month earlier. Despite of this, labour force and employment remain growing at healthy pace, 2%yoy respectively. In fact, growths in both labour force and employment have been outpacing unemployment growth for fifth consecutive months.

Table 1: Summary of Labour Market

	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17
Labour Force ('000)	14,881	14,917	14,933	14,942	14,962	15,028	15,016
YoY%	1.6	1.5	1.5	1.8	1.7	2.1	2.0
Employment ('000)	14,367	14,402	14,422	14,430	14,454	14,520	14,497
YoY%	1.5	1.4	1.6	1.9	1.8	2.1	2.0
Unemployment ('000)	514	515	511	512	508	508	519
YoY%	2.5	1.7	0.3	0.1	0.5	1.2	0.5
Outside Labour Force ('000)	7,090	7,087	7,122	7,123	7,121	7,141	7,150
YoY%	1.5	0.3	2.3	1.6	1.4	1.5	2.0
Unemployment Rate %	3.5	3.4	3.3	3.4	3.4	3.4	3.5
Labour Force Participation Rate %	67.7	67.8	67.7	67.7	67.8	67.8	67.7

Source: DOSM; MIDFR

Labour market supported by robust external sector. We opine strong export performances since late last year has contributed significantly towards strengthening Malaysia's labour market. Export growth in July for instance, rose to 30.9%yoy. This is the seventh consecutive months of double digit growth in export for 2017. Domestically, retail trade expanded by 14.1%yoy in July, the highest growth ever recovered while industrial production rose by 6.1%yoy in the same month, beating market's estimate of 5.1%yoy. Therefore, we are in the opinion that stout demand from both global and domestic will drive up employment in 2017.

Slowdown in job vacancies noticed. We noticed there was a slowdown in numbers of job vacancies in June. Overall, job vacancies registered at 97.6 thousands, lowest in five months. Among others, lesser job vacancies is a pushing factor for the unemployment rate to edge up to 3.5%. Across sectors, all sectors except mining & quarrying recorded lower vacancies in June as compared to May 2017. In line with our expectations, moderating pace in economic growth will take place in the second half of 2017 due to unfavourable base effects. As for mining & quarrying, we view that increase in commodity prices during the month and also August due to supply disruption caused by hurricane attacks in the US will boost up more job opportunities.

Table 2: Number of Job Vacancies ('000)

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

Source: CEIC, MIDFR

Note: Latest figures only available until June 2017

Robust external trade and industrial activities. As exports and industrial productions expanded above market expectations in July, the strong results translated into better performance in employment and wage growths especially in the manufacturing sector. For instance, employment in the sector recorded the fastest ever growth at 2.9%, supported partially by sub-sectors such as refined petroleum products and chemicals products. Hence, the spill over effects caused wage growth to expand by 11.3%yoy during the month. Several sectors indicate double digit expansion in wage growth. We view the upward trend in the wage growth will positively contribute to domestic consumption in the near term..

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

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

Source: CEIC; MIDFR

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

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

Source: CEIC; MIDFR

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 4.3% in July, matching the 16-year low recorded in May. As for other economies, unemployment rate in the Euro Area continues to slide below double digit rate despite of market uncertainties in the region. Most interesting, despite of Brexit fear, unemployment rate in UK recorded at 4.3% in July, lowest since May 1975. 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
Malaysia	3.5	3.4	3.3	3.4	3.4	3.4	3.5
Thailand	1.2	1.1	1.3	1.2	1.3	1.1	1.2
Taiwan	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
Japan	3.0	2.8	2.8	2.9	3.1	2.8	2.8
EU	8.4	8.4	8.2	7.8	7.6	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

Source: CEIC; MIDFR


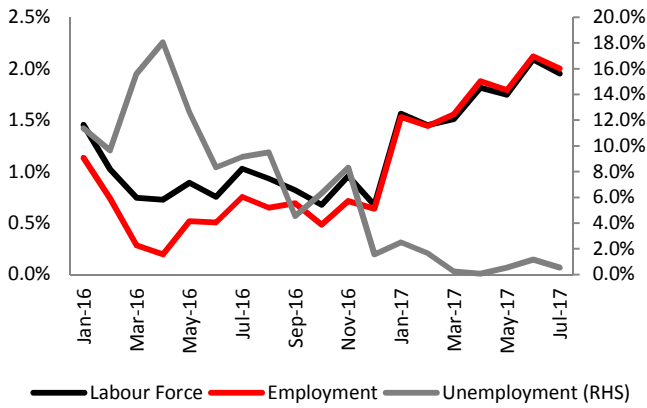
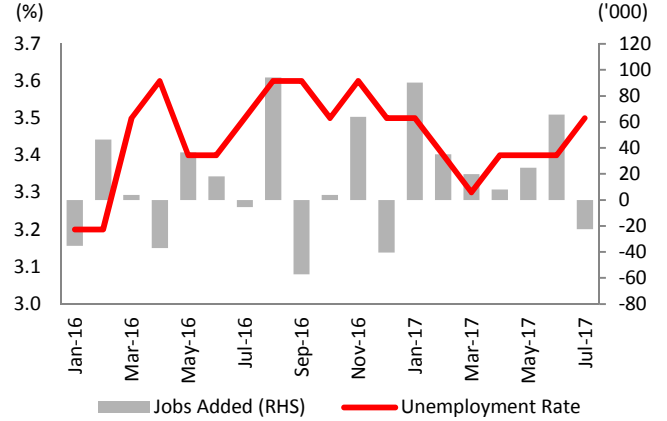
We reiterate our expectation that Malaysia's unemployment rate to average at 3.3% in 2017. Moving forward, we anticipate domestic as well as global economic activities will stay on upward trajectory given key economic indicators are showing sign of optimism. Therefore, we forecast global trade will improve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



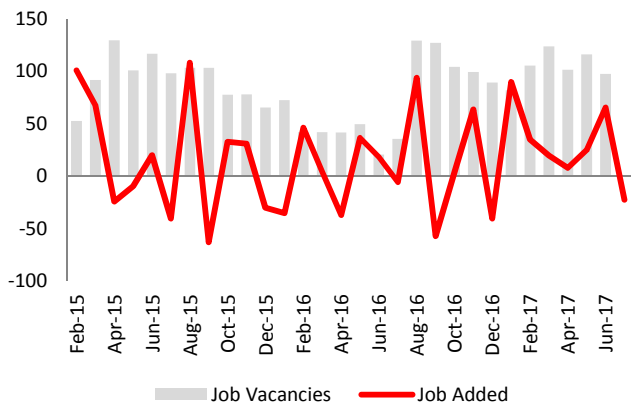
Source: DOSM; MIDFR

Chart 2: Jobs Added vs Unemployment Rate



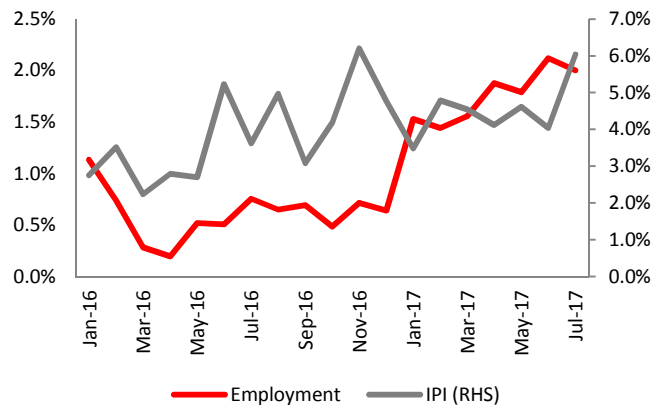
Source: DOSM; MIDFR

Chart 3: Jobs Added vs Vacancies ('000)



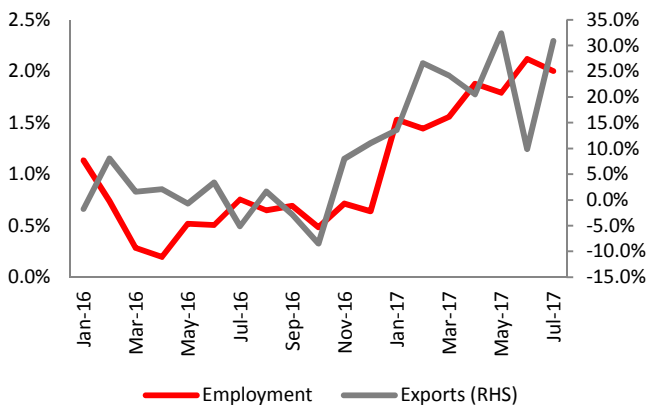
Source: DOSM; MIDFR

Chart 4: Employment vs IPI (YoY%)



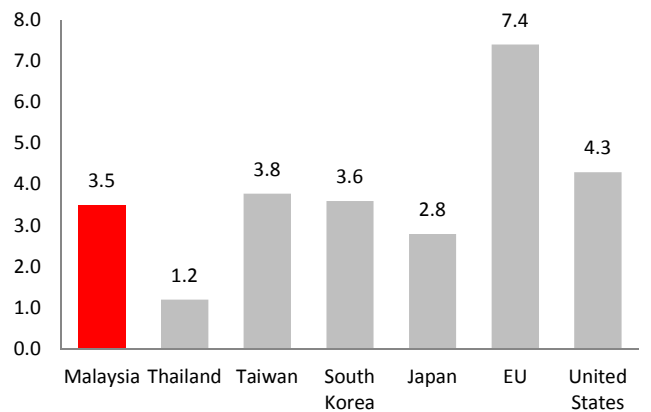
Source: DOSM; MIDFR

Chart 5: Employment vs Exports (YoY%)



Source: DOSM; MIDFR

Chart 6: Global Unemployment Rates (%) in July '17



Source: DOSM; MIDFR

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