

ECONOMIC REVIEW | March 2017 Malaysian Labor Market

Unemployment Rate Drops to 3.4%

- 20,000 new jobs added in March. Malaysia's employment expanded in March to 14.42 million while labour force grew closer to 15 million persons.
- Global unemployment rate is on the down trend. Declining average unemployment rate across the globe indicates strengthening labour market amid recovery in global trade. Both EU and US registered unemployment rate of 9.5% and 4.5% in respectively in March. Unemployment rate of US in March hit the lowest point in almost 10 years.
- 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.

20,000 new jobs added in March. Malaysia's employment expanded in March to 14.42 million while labour force grew closer to 15 million persons. The expansion in employment means 20,000 new jobs been added as compared to previous month. As for unemployed persons, the unemployment numbers went down by 4,000 to 0.51 million. Added with slightly higher labour force participation rate, Malaysia's unemployment rate decreased to 3.4% after three consecutive months of sticking at 3.5%. In comparison with the same month of 2016, labour force and employment grew steadily by 1.5%yoy and 1.6%yoy while unemployed persons only increased by 0.2%. The firm growth in both labour force and employment explain the slight drop in unemployment rate.

Table 1: Summary of Labour Market

	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mac-17
Labour Force ('000)	14,765	14,828	14,789	14,881	14,917	14,933
YoY	0.7%	1.0%	0.7%	1.6%	1.5%	1.5%
MoM	0.0%	0.4%	-0.3%	0.6%	0.2%	0.1%
Employment ('000)	14,253	14,317	14,277	14,367	14,402	14,422
YoY	0.5%	0.7%	0.6%	1.5%	1.4%	1.6%
MoM	0.0%	0.4%	-0.3%	0.6%	0.2%	0.1%
Unemployment ('000)	512	511	512	514	515	511
YoY	6.3%	8.3%	1.6%	2.5%	1.8%	0.2%
MoM	-0.2%	-0.2%	0.3%	0.4%	0.2%	-0.8%
Unemployment Rate (%)	3.5	3.4	3.5	3.5	3.5	3.4
Labour Force Participation Rate (%)	67.6	67.7	67.6	67.7	67.8	67.7

Source: DOSM; MIDFR

Improved domestic and global economic activities contributed towards lower unemployment rate. Domestic economic activities remain upbeat as reflected in the latest data of industrial production and distributive trade. Both indicators grew by 4.6%yoy and 8.9%yoy, reflecting steady domestic demand in the economy. For external sector, Malaysia's exports registered fifth consecutive months double digit growth. March 2017 saw exports grew by 24.1%yoy. Hence, strong performance in domestic and external sectors were reasons for pushing down unemployment rate as greater demand leads to higher production and more jobs creation. Malaysia's Nikkei Manufacturing PMI in April hit the highest point at 50.7, indicating optimistic business confidence among manufacturers especially in the export-oriented industries. Therefore, we opine Malaysia's labour market to mutually benefits and strengthen in the coming months.

Global unemployment rate is on the down trend. Declining average unemployment rate across the globe indicates strengthening labour market amid recovery in global trade. Thailand recorded the lowest unemployment rate in February with 1.3% while unemployment rate of South Korea was 3.7% in the same month. In line with current positive performance in global trade, unemployment rate in developed countries are showing similar trends. Both EU and US registered unemployment rate of 9.5% and 4.5% in respectively in March. Unemployment rate of US in March hit the lowest point in almost 10 years.

Table 2: Global Unemployment Rate (%)

	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mac-17
Malaysia	3.5	3.4	3.5	3.5	3.5	3.4
Thailand	1.2	1.0	0.8	1.2	1.1	1.3
South Korea	3.7	3.6	3.5	3.6	4.0	3.7
Australia	5.6	5.7	5.8	5.7	5.9	5.9
EU	9.8	9.7	9.6	9.6	9.5	9.5
Japan	3.0	3.1	3.1	3.0	2.8	2.8
United States	4.8	4.6	4.7	4.8	4.7	4.5

Source: CEIC; MIDFR


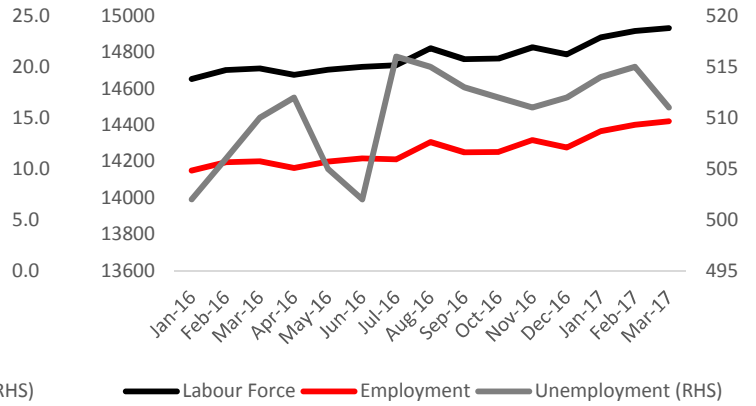
We reiterate our expectation that Malaysia's unemployment rate to average at 3.3% in 2017. Moving forward, we anticipate domestic as well as global economic activities will stay on upward trajectory given key economic indicators are showing sign of optimism. The recent victory of Emmanuel Macron sent positive vibes towards global economy and indirectly shows that threat of protectionism is receding. 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 in the exports-oriented industries. 

Chart 1: Labour Market Key Indicators (YoY%)



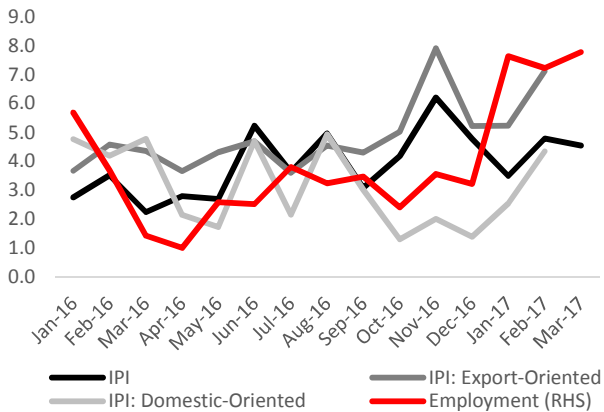
Source: DOSM; MIDF

Chart 2: Number of Persons ('000)



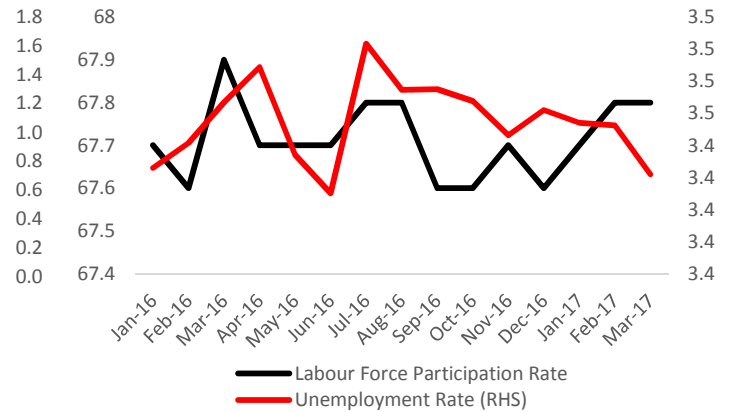
Source: DOSM; MIDFR

Chart 3: Labour Market vs IPI (YoY%)



Source: DOSM; MIDFR

Chart 4: UE Rate vs LFPR (%)



Source: DOSM; MIDFR

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