

## ECONOMIC REVIEW | May 2017 Malaysian Labor Market

### Unemployment Rate Maintained at 3.4%

- 25,000 new jobs added in May. Malaysia's employment expanded in May to 14.45 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 9.3% and 4.4% in respectively in May
- 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.

**25,000 jobs added in May.** Labour force and employment surged by 1.7%yoy and 1.8%yoy respectively in May. With the solid growth in employment, new jobs added for the month reached 25,000. As for unemployment, number of unemployed person went down to 508,00 in May, the lowest in eleven months. Overall, we noticed strengthening trends in the labour market since early of this year commensurate with pick-up in economic growth. We believe the improvement in the labour market is due to continuous improvement in external trade activities and steady pace in domestic demand.

**Table 1: Summary of Labour Market**

	Dec-16	Jan-17	Feb-17	Mac-17	Apr-17	May-17
<b>Labour Force ('000)</b>	<b>14,789</b>	<b>14,881</b>	<b>14,917</b>	<b>14,933</b>	<b>14,942</b>	<b>14,962</b>
YoY	0.7%	1.6%	1.5%	1.5%	1.8%	1.7%
MoM	-0.3%	0.6%	0.2%	0.1%	0.1%	0.1%
<b>Employment ('000)</b>	<b>14,277</b>	<b>14,367</b>	<b>14,402</b>	<b>14,422</b>	<b>14,430</b>	<b>14,454</b>
YoY	0.6%	1.5%	1.4%	1.6%	1.9%	1.8%
MoM	-0.3%	0.6%	0.2%	0.1%	0.1%	0.2%
<b>Unemployment ('000)</b>	<b>512</b>	<b>514</b>	<b>515</b>	<b>511</b>	<b>512</b>	<b>508</b>
YoY	1.6%	2.5%	1.8%	0.2%	0.0%	0.5%
MoM	0.3%	0.4%	0.2%	-0.8%	0.2%	-0.9%
<b>Unemployment Rate (%)</b>	<b>3.5</b>	<b>3.5</b>	<b>3.5</b>	<b>3.4</b>	<b>3.4</b>	<b>3.4</b>
<b>Labour Force Participation Rate (%)</b>	<b>67.6</b>	<b>67.7</b>	<b>67.8</b>	<b>67.7</b>	<b>67.7</b>	<b>67.8</b>

Source: DOSM; MIDFR

**Strong labour market fuelled by robust external demand.** We opine strong export performances since late last year has been contributing significantly towards strengthening Malaysia's labour market. Export growth in May for instance, rose to 32.5%yoy, the highest in seven years. On domestic front, distributive trade expanded by 10.7%yoy on the same month. In fact, Malaysia's industrial production rose by 4.6%yoy in May, after two consecutive months of slowdown in the output production. Therefore, we are in the opinion that stout demand from both global and domestic have pushed up employment via increase in output production in May 2017.

**Global unemployment flying low.** In line with global trade activities, we notice unemployment rate across major as well as emerging economies are falling to lower level. In addition, modest recovery in commodity prices among factors for strengthening labour market especially for commodity-based economy. For example, among others improvement in the mining activities may be the reason pushing down unemployment rate of Australia to 5.5% in May, lowest since February. Unemployment rate of US registered at 4.4% in June, within the Fed's range of unemployment rate. As for other economies, unemployment rate in the Euro Area continues to slide below double digit rate despite of market uncertainties in the region. Looking ahead, global unemployment rate will stay on healthy condition as threat of protectionism seems to taper off and hence provide better platform for expansion in global trade movements.

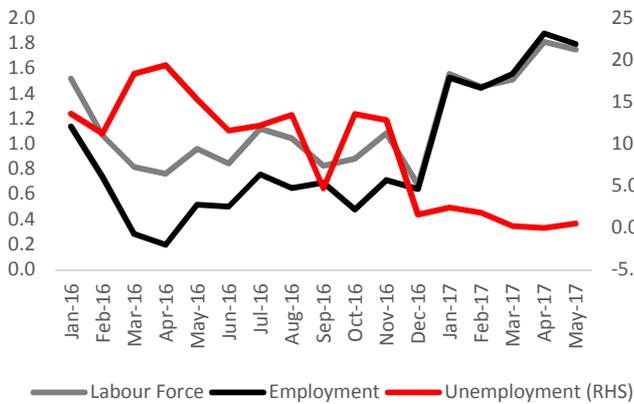
**Table 2: Global Unemployment Rate (%)**

	Dec-16	Jan-17	Feb-17	Mac-17	Apr-17	May-17
<b>Malaysia</b>	3.5	3.5	3.5	3.4	3.4	3.4
<b>Thailand</b>	0.8	1.2	1.1	1.3	1.2	1.3
<b>South Korea</b>	3.5	3.6	4.0	3.7	4.0	3.6
<b>Australia</b>	5.8	5.7	5.9	5.9	5.7	5.5
<b>Euro Area</b>	9.6	9.6	9.5	9.5	9.3	9.3
<b>Japan</b>	3.1	3.0	2.8	2.8	2.8	3.1
<b>United States</b>	4.7	4.8	4.7	4.5	4.4	4.3

Source: CEIC; MIDFR

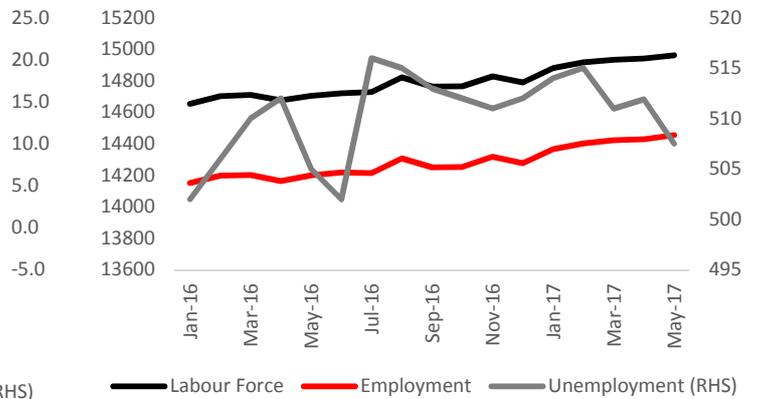
**We reiterate our expectation that Malaysia's unemployment rate to average at 3.3% in 2017.** Moving forward, we anticipate domestic as well as global economic activities will stay on upward trajectory given key economic indicators are showing sign of optimism. Therefore, we forecast global trade will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

**Chart 1: Labour Market Key Indicators (YoY%)**



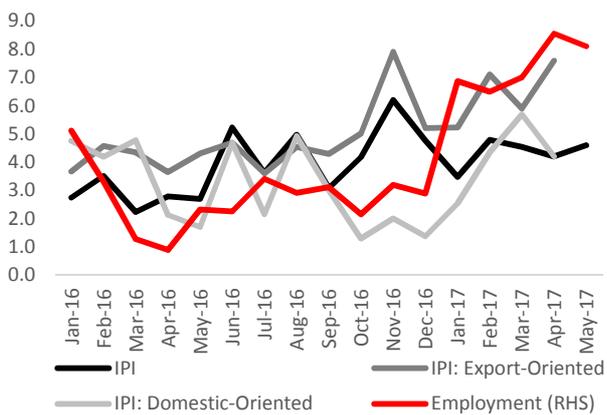
Source: DOSM; MIDFR

**Chart 2: Number of Person ('000)**



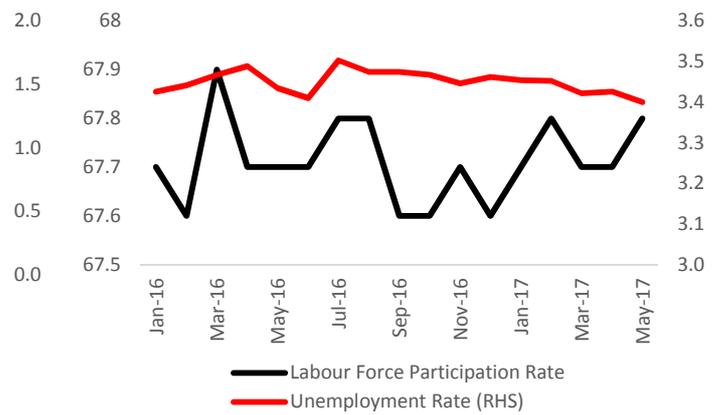
Source: DOSM; MIDFR

**Chart 3: Labour Market vs IPI (YoY%)**



Source: DOSM; MIDFR

**Chart 4: UE Rate vs LFPR (%)**



Source: DOSM; MIDFR

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