

ECONOMIC REVIEW | November 2018 Labour Market

Domestic Labor Market Remain Solid as Jobless Rate Stays Low at 3.3%

- *Labour market remains strong. Labour force expanded by 2.5%yoy to 15.5 million in Nov-18. Employment growth improved to 2.5%yoy to 14.9 million in Nov-18 (2.4%yoy in Oct-18) while jobs added in the economy registered at 4.2K (10.6K in Oct-18).*
- *Job vacancies remained below 2017's average. Monthly average for the first 10 months of 2018 is 92.3k, lower than last year's average of 123k. Oct-18 saw total job vacancies at 103k, mostly contributed by sectors such as elementary, manufacturing and construction. There is a notable increase of manufacturing job vacancies from 27.3k in the previous month to 40.6k Oct-18. Agriculture dipped by almost 9k to 20k.*
- *We forecast Malaysia's unemployment rate to average at 3.3% in 2019. For the first eleven months of 2018, unemployment rate is averaged at 3.3%, in line with our expectations. We opine that the unemployment rate will continue being under a full-employment condition of 3.3% in 2019. Moving forward, we anticipate domestic economic activities will stay on upward trajectory given that business confidence remains upbeat.*

Labour market remains strong. Labour force expanded by 2.5%yoy to 15.5 million in Nov-18. Employment growth improved to 2.5%yoy to 14.9 million in Nov-18 (2.4%yoy in Oct-18) while jobs added in the economy registered at 4.2K (10.6K in Oct-18). Unemployment rate maintained at 3.3% but rose to 3.4% for seasonally adjusted figures. The number of unemployed increased 2.2%yoy in Nov-18, highest since Jan-17. In addition, growths in both labour force and employment have been outpacing unemployment growth for the last 21-month since Mar-17.

Table 1: Summary of Labour Market ('000)

	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18
Labour Force	15,379	15,401	15,421	15,443	15,450	15,458
YoY%	2.3	2.6	2.6	2.6	2.4	2.5
Employment	14,863	14,882	14,897	14,927	14,937	14,941
YoY%	2.4	2.7	2.6	2.6	2.4	2.5
Unemployment	516	519	525	516	513	516
YoY%	1.6	(0.1)	1.6	0.4	0.8	2.2
Outside Labour Force	7,062	7,045	7,134	7,097	7,094	7,151
YoY%	(1.1)	(1.5)	(0.1)	(0.4)	(0.3)	0.4
Unemployment Rate %	3.4	3.4	3.4	3.3	3.3	3.4

Source: CEIC, MIDFR

A slowdown in domestic and external activities. In Nov-18, IPI slowed to 2.5%yoy following a 4.2%yoy gain in the preceding month and beat market expectations of 2.2%yoy. In addition, exports in Nov-18 also totaled to RM84.8b, a drastic fall from last month's record high of RM96.4b. Exports growth in Nov-18 moderated hugely to single digit of 1.6%yoy & failed to beat market consensus of 6.6%yoy, while on a monthly basis, plunged into negative territory of -12.0%. Domestic exports growth plunged to -2.6%yoy to RM68.9b in Nov-18 after last month's 12.1%yoy record-high. Meantime, re-exports fell by close to half of last month's figure but maintained its double digit growth of 24.5%yoy to RM15.9b. Moving forward, we opine Malaysia's external trade and IPI performance to expand at steady pace amid escalating trade tensions, which eventually be translated into an increase in jobs added, stable wage growth and indirectly provide additional support to Malaysia's domestic demand in 2019.

Job vacancies remained below 2017's average. Monthly average for the first 10 months of 2018 is 92.3k, lower than last year's average of 123k. Oct-18 saw total job vacancies at 103k, mostly contributed by sectors such as elementary, manufacturing and construction. There is a notable increase of manufacturing job vacancies from 27.3k in the previous month to 40.6k Oct-18. Agriculture dipped by almost 9k to 20k. We expect further improvement in job opportunities in the manufacturing sector amid global demand remains intact especially with receding trade war fear effects. Looking forward, job vacancies are expected to gradually improve to 90K-100K as the country gained confidence and stability over time from the new government and economy's outlook of the new Budget 2019.

Low value-added jobs continue to dominate. Job Elementary occupation share averaged to 78.4% within 10 months of 2018, which is above last year's average of 76.0%. In Oct-18, for every 100 job vacancies, 78 are for elementary occupations, followed by 12 jobs of operators & assemblers, leaving 10 jobs combined for high-skilled and medium-skilled occupations. Job vacancies of elementary occupations and plant & machinery operators & assemblers recorded at 80.8K and 11.9K respectively in Oct-18. The employment performance is in line with the rise of job vacancies in manufacturing and services sectors on top of the rising activity of re-exports in the Malaysia's external trade sector. The negative consequences of increasing low value-added jobs among others are rise in graduate unemployment, increase in low-skilled foreign workers, tepid wage growth and weakening domestic consumption.

Table 2: Job Vacancies by Type & Sector ('000)

	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18
Total	72.8	84.0	66.8	111.4	90.9	103.0
Legislators, Senior Officials & Managers	0.4	0.3	0.3	0.1	0.3	0.8
Professionals	2.2	1.2	1.2	1.7	1.0	1.8
Technicians & Associate Professionals	1.1	1.4	1.0	2.5	1.6	2.4
Clerical Workers	0.8	0.9	0.4	0.4	0.4	0.6
Service, Shop & Market Sales Workers	2.8	4.5	2.5	2.3	1.6	2.4
Skilled Agricultural & Fisheries Workers	0.5	0.9	0.2	0.1	0.4	0.1
Craft and Related Trades Workers	1.5	2.0	0.8	1.3	5.6	2.4
Plant & Machinery Operators & Assemblers	11.6	9.3	9.9	16.8	10.0	11.9
Elementary Occupations	51.9	63.5	50.5	86.3	70.0	80.8
Agriculture, Forestry & Fishing	10.0	19.4	13.2	28.7	29.1	20.1
Mining & Quarrying	0.1	0.0	0.0	0.2	1.9	0.3
Manufacturing	29.4	33.4	27.4	45.7	27.3	40.6
Construction	16.2	11.7	13.6	19.7	19.5	20.3
Services	17.2	19.5	12.5	17.2	13.1	21.8

Source: CEIC, MIDFR

*Data Available Up Until Oct-18

Manufacturing employment stays healthy. Employment growth in manufacturing sector grew by 2.0%yoy in Nov-18. Stronger employment growth was recorded for sub-sectors such as refined petroleum at 5.6%yoy, recording the highest growth since Aug-17, and diode, transistor & electronic integrated circuit mic at 5.6%yoy, reaching a record-high growth. Meanwhile, wage growth of overall manufacturing sector slowed to 9.0%yoy reportedly lowest since Mar-17 (7.8%yoy). Moving forward, we foresee steady labour market performance in manufacturing will positively contribute to domestic consumption in the near term supported with easing inflationary pressure. Export-oriented sectors in particular are expected to stay on upward trajectories due to easing trade war fear effects and modest pick-up in global commodity prices.

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

	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18
Overall	2.2	2.0	1.9	1.9	2.2	2.0
Refined Petroleum Products	2.2	0.6	1.0	2.3	2.9	5.6
Organic Chemical & Inorganic Compounds excl Fertilizer	(1.6)	(3.3)	(3.3)	(2.2)	(2.0)	(2.0)
Basic Iron & Steel Products	4.6	4.3	3.9	3.2	3.4	1.6
Diode, Transistor & Electronic Integrated Circuit Mic	1.1	1.5	2.0	4.3	5.0	5.6
Electrical Capacitor Resistor, Circuit Board, Display Com	2.7	3.1	2.9	2.0	2.6	3.4
Computers & Peripherals Equipment	1.3	0.3	0.3	0.8	1.4	1.4

Source: CEIC, MIDFR

*Exclude Fertiliser

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

	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18
Overall	10.2	10.1	9.7	9.1	10.2	9.0
Refined Petroleum Products	33.8	29.1	29.2	25.9	31.5	35.9
Organic Chemical & Inorganic Compounds excl Fertilizer	26.7	24.6	21.3	15.7	12.7	15.8
Basic Iron & Steel Products	12.1	12.1	8.5	6.2	5.1	2.9
Diode, Transistor & Electronic Integrated Circuit Mic	21.2	22.5	18.7	15.4	19.4	15.9
Electrical Capacitor Resistor, Circuit Board, Display Com	14.3	20.8	20.8	21.0	20.0	15.8
Computers & Peripherals Equipment	4.9	2.5	2.3	5.9	10.1	11.8

Source: CEIC, MIDFR

*Exclude Fertiliser

Stable global labour market. Based on the latest available data, jobless rate across major and emerging economies are stable. For instance, unemployment rate in the US rose to 3.9% in Dec-18 from its 49-year low of 3.7%. South Korea's unemployment have maintained at 3.8% Dec-18 since the previous month. Taiwan continued at 3.7 for the 15th consecutive month while EU also remained at 6.7 for the 3rd consecutive month at Nov-18. On the other hand, we see Thailand's unemployment dropped to 0.9% after maintaining at 1.0% for 5 consecutive months. Looking ahead, we foresee labour market will remain on healthy condition globally as global and emerging economies' manufacturing PMI stay on expansionary trend. Manufacturing PMI for both global and emerging economies registered at 51.5 and 50.3 points in Dec-18.

Table 5: Global Unemployment Rate (%)

	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18
Malaysia	3.4	3.4	3.4	3.3	3.3	3.4
Thailand	1.1	1.0	1.0	1.0	1.0	1.0
Taiwan	3.7	3.7	3.7	3.7	3.7	3.7
Korea	3.7	3.8	4.2	4.0	3.9	3.8
Japan	2.4	2.5	2.4	2.3	2.4	2.5
EU	6.8	6.8	6.8	6.7	6.7	6.7
United States	4.0	3.9	3.8	3.7	3.8	3.7

Source: CEIC, MIDFR


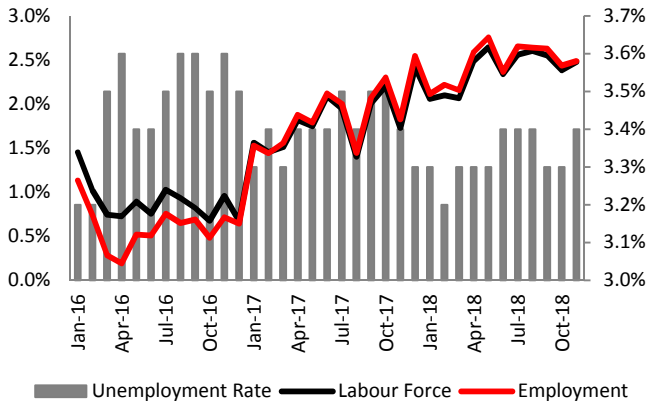
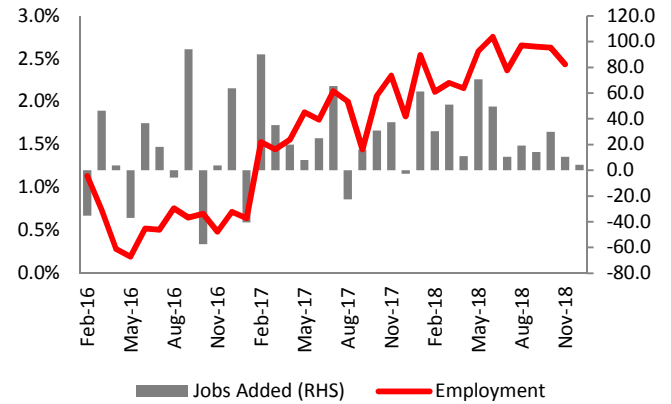
We forecast Malaysia's unemployment rate to average at 3.3% in 2019. For the first eleven months of 2018, unemployment rate is averaged at 3.3%, in line with our expectations. We opine that the unemployment rate will continue being under a full-employment condition of 3.3% in 2019. Moving forward, we anticipate domestic economic activities will stay on upward trajectory given that business confidence remains upbeat. In addition, we observed global indicators from developed and emerging economies are still signalling positive cues that global demand to remain on high side. Nevertheless, concerns still persist on the potential trade war gyrations. We forecast Malaysia's job market to continue benefiting from the resilience global trade activities and gradual recovery in commodity prices especially in export-reliance and commodity-oriented industries. 

Chart 1: Labour Market Key Indicators (YoY%)



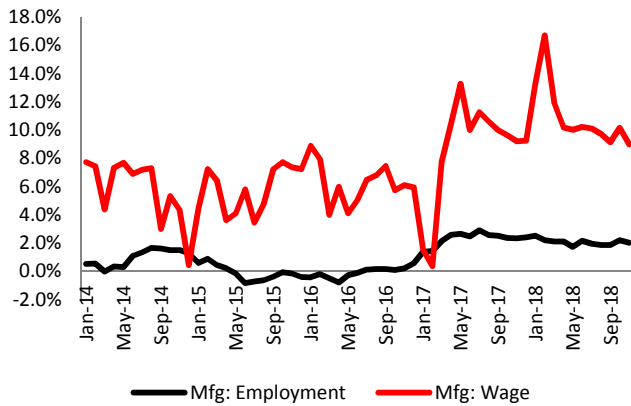
Source: CEIC, MIDFR

Chart 2: Jobs Added ('000) vs Empl. (YoY%)



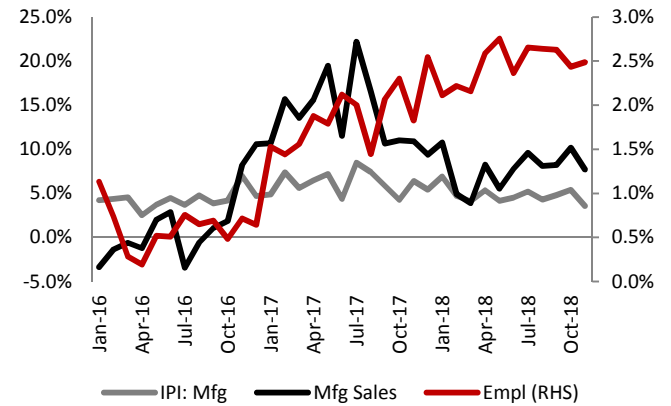
Source: CEIC, MIDFR

Chart 3: Manufacturing: Employment vs Wage (YoY%)



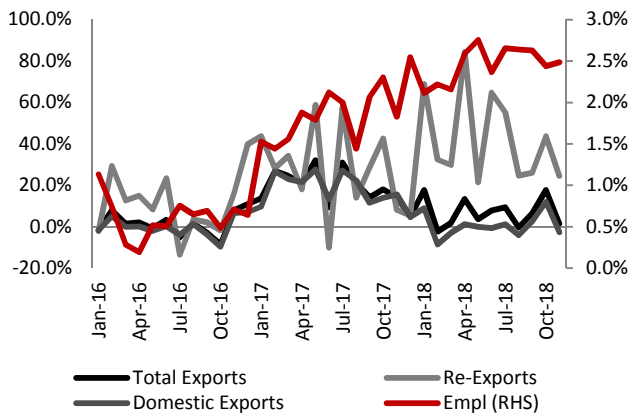
Source: CEIC, MIDFR

Chart 4: Employment vs IPI vs Mfg. Sales (YoY%)



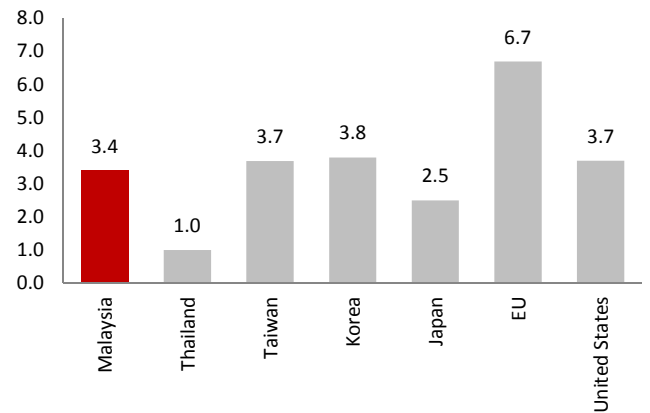
Source: CEIC, MIDFR

Chart 5: Employment vs Re-exports vs Domestic Exports (YoY%)



Source: CEIC, MIDFR

Chart 6: Global Unemployment Rates (%) in Nov-18



Source: CEIC, MIDFR

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