

ECONOMIC REVIEW | April 2020 Labour Market

Unemployment Rate to Remain High in Upcoming Month as Businesses Haven't Entirely Resumed

- *A breach of full employment condition. Malaysia's unemployment rate spiked to 5% in Apr-20, breaking the full employment condition of below 4% for first time since GFC. This is a manifest of the repercussion of full month of MCO where the effort to protect public health have induced decline in economic activities that resulted in retrenchment of employees.*
- *Job vacancies declined to over 3-year low. Job vacancies per month based on the latest available data in Mar-20 are recorded at 50.1k, the lowest since Jul-16. Declines were registered for all the main sectors with agriculture sector chalked the highest drop from previous month (-11.9k) followed by manufacturing (-11.1k) and services (-10.9k).*
- *We revised unemployment rate forecast to 4%. Malaysia's unemployment rate is likely to stay high for upcoming few months as some companies are likely to retrench employees in order to reduce operating costs particularly with new SOP in place and on expectations of lower revenue moving forward as consumer activities will take longer to fully resumed.*

A breach of full employment condition. Malaysia's unemployment rate spiked to 5% in Apr-20, breaking the full employment condition of below 4% for first time since GFC. This is a manifest of the repercussion of full month of MCO where the effort to protect public health have induced decline in economic activities that resulted in retrenchment of employees. Employment fell -1%yoy while unemployment growth soared further to 48.8%yoy. Employees in the manufacturing and services sectors are observed to be mostly affected. We foresee unemployment rate to stay at the high side for upcoming month as most of the businesses have not fully resumed their operations.

Table 1: Summary of Labour Market ('000)

	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20
Labour Force	15,829	15,803	15,829	15,870	15,843	15,712
YoY%	2.4	2.0	2.1	2.1	1.8	0.6
Employment	15,315	15,286	15,318	15,345	15,232	14,933
YoY%	2.5	2.0	2.2	2.1	1.3	(1.0)
Unemployment	514	517	512	525	611	779
YoY%	(0.4)	0.5	(0.8)	1.7	17.1	48.8
Outside Labour Force	7,174	7,130	7,129	7,224	7,240	7,345
YoY%	0.3	0.1	0.5	1.1	1.0	2.2
Unemployment Rate, sa %	3.3	3.3	3.2	3.3	3.9	5.0

Source: CEIC, MIDFR

Covid-19 pushed manufacturing employment growth to negative. Employment in the manufacturing sector has been weakening for some time since 2H18 with growth hovering below 2%yoy and it took Covid-19 to push it to negative level. This sector in particular has been surrounded with multiple headwinds prior to the pandemic with the US-China trade war being the biggest risk factor. In Apr-20, employment in the sector fell -3.2%yoy after almost 4 years of positive growth. All the key sub-sectors recorded negative growths. In line, payroll in the sector declined by -6.2%yoy during the month. However, some key sub-sectors such as organic chemical & inorganic compounds and computers & peripherals equipment managed to record positive growth. Decline in overall employment and payroll in the sector was largely due to the pandemic and MCO which caused business closures and resulted in spiking jobless rates. Malaysia plays an important role in the global manufacturing supply chain mainly for the E&E sector hence global lockdowns affected the performance as well. About 80% of our exports are of manufactured goods hence lower global demand will hit this sector the most.

Table 2: Manufacturing Employment (YoY%)

	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20
Overall	1.2	1.2	1.4	1.6	1.2	(3.2)
Refined Petroleum Products	5.3	7.1	4.6	4.8	4.5	(7.6)
Organic Chemical & Inorganic Compounds excl. Fertilizer	6.9	7.1	5.3	5.9	4.4	(4.2)
Basic Iron & Steel Products	2.9	2.1	1.6	3.2	1.6	(2.1)
Diode, Transistor & Electronic Integrated Circuit Mic	1.2	1.4	0.4	(2.3)	(3.5)	(7.8)
Electrical Capacitor Resistor, Circuit Board, Display Com	(0.2)	0.3	1.7	2.3	0.2	(5.8)
Computers & Peripherals Equipment	(5.6)	(6.8)	(3.1)	(1.6)	3.6	(4.6)

Source: CEIC, MIDFR

Table 3: Manufacturing Payrolls (YoY%)

	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20
Overall	3.9	3.4	4.1	4.4	1.8	(6.2)
Refined Petroleum Products	2.4	11.1	7.0	7.4	5.7	(9.5)
Organic Chemical & Inorganic Compounds excl. Fertilizer	8.8	9.2	7.2	11.0	0.8	0.2
Basic Iron & Steel Products	4.0	3.8	3.8	3.6	(3.3)	(11.3)
Diode, Transistor & Electronic Integrated Circuit Mic	8.2	12.7	8.5	7.9	3.9	(5.6)
Electrical Capacitor Resistor, Circuit Board, Display Com	1.5	(2.2)	1.2	1.7	(5.0)	(10.4)
Computers & Peripherals Equipment	(9.0)	(9.6)	1.5	2.2	6.4	1.8

Source: CEIC, MIDFR

Job vacancies declined to over 3-year low. Job vacancies per month based on the latest available data in Mar-20 are recorded at 50.1k, the lowest since Jul-16. Declines were registered for all the main sectors with agriculture sector chalked the highest drop from previous month (-11.9k) followed by manufacturing (-11.1k) and services (-10.9k). On the other hand, share of elementary occupations to the total vacancies edged up to 67.3% from 66.1% in Feb-20. The remaining 32.7% were for medium and high-skilled jobs, particularly for Senior Officials, Professionals and Technicians. By sector, share of all major sectors narrowed except manufacturing and services which increased to 40.7% and 31.2% (Feb-20: 35.2% and 29.7%) respectively.

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

	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20
Total	80.4	74.6	62.4	64.9	89.5	50.1
Legislators, Senior Officials & Managers	0.7	0.5	0.3	0.7	1.0	0.5
Professionals	2.7	2.2	1.4	2.0	3.5	1.3
Technicians & Associate Professionals	3.9	2.3	1.4	1.6	2.8	1.0
Clerical Workers	1.1	0.9	0.5	0.6	5.1	0.5
Service, Shop & Market Sales Workers	3.4	3.1	2.5	3.0	2.2	1.9
Skilled Agricultural & Fisheries Workers	0.5	0.2	0.1	0.2	0.1	0.1
Craft and Related Trades Workers	2.4	2.7	2.0	2.4	1.7	1.4
Plant & Machinery Operators & Assemblers	11.4	9.3	8.2	13.0	14.0	9.7
Elementary Occupations	54.2	53.5	46.1	41.5	59.1	33.7
Agriculture, Forestry & Fishing	16.4	13.7	13.1	13.5	20.5	8.6
Mining & Quarrying	0.3	0.2	0.1	0.2	0.1	0.0
Manufacturing	28.0	30.8	22.2	25.0	31.5	20.4
Construction	10.6	11.9	9.9	7.8	10.9	5.4
Services	25.1	18.0	17.1	18.4	26.6	15.6

Source: CEIC, MIDFR

*Data Available Up Until Mar-20

Global unemployment rate has shot up. Jobless rates across developed and emerging economies have risen amid economic slowdown and movement control orders, owing to Covid-19 fear effects. For instance, the US, being hit severely by this pandemic, saw unemployment rate skyrocketed to 14.7% in Apr-20, the highest on record. Meanwhile, increase in other countries' unemployment rates are laxer compared to the US. Moving forward, we view job market across the world to perform better where employment will progressively return and unemployment rate to inch downward as the economies gradually reopened.

Table 3: Global Unemployment Rate (%)

	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20
Malaysia	3.3	3.3	3.2	3.3	3.9	5.0
Thailand	1.1	1.0	1.1	1.1	1.0	
Taiwan	3.7	3.7	3.7	3.7	3.8	4.1
Korea	3.6	3.7	4.0	3.3	3.8	3.8
Japan	2.2	2.2	2.4	2.4	2.5	2.6
EU	6.6	6.5	6.5	6.4	6.4	6.6
USA	3.5	3.5	3.6	3.5	4.4	14.7

Source: CEIC, MIDFR

Note: Figures are Seasonally-adjusted


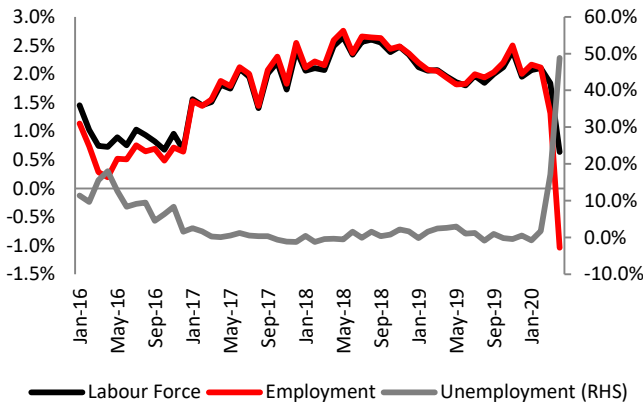
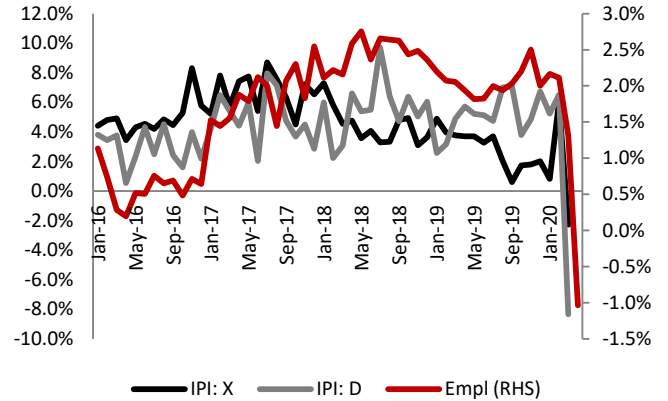
We revised unemployment rate forecast to 4%. Malaysia's unemployment rate is likely to stay high for upcoming few months as some companies are likely to retrench employees in order to reduce operating costs particularly with new SOP in place and on expectations of lower revenue moving forward as consumer activities will take longer to fully resumed. Sentiment is still quite weak as people fear of another wave of Covid-19 hence take a more gradual return to their normal activities. Therefore, we foresee unemployment rate to edge up higher than 3.8% previously estimated. Nevertheless, we believe as economy gradually open and measures taken by government through stimulus packages such as wage subsidy, employment insurance scheme and reskilling and upskilling initiatives, the employment will be more stable in 2H20. In addition, structural shift is likely to occur where labour demand fall in certain industries but partially offset by increase in others like health, agriculture and food based. In addition, Malaysia is anticipated to benefit from the economic recovery trend in China particularly in the manufacturing sector as we are well connected in the global supply chain. 

Chart 1: Labour Market Key Indicators (YoY%)



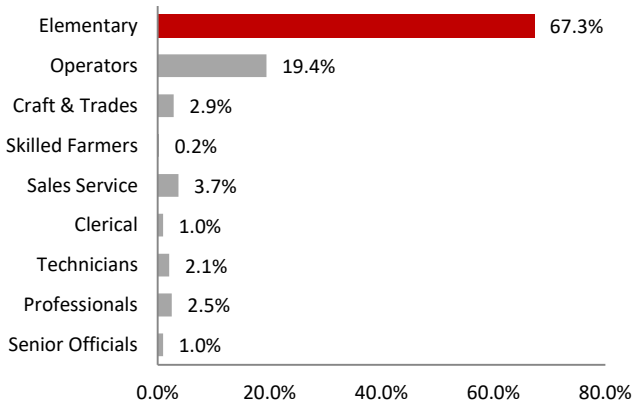
Source: CEIC, MIDFR

Chart 2: Empl. Vs IPI; Exports vs IPI; Domestic (YoY%)



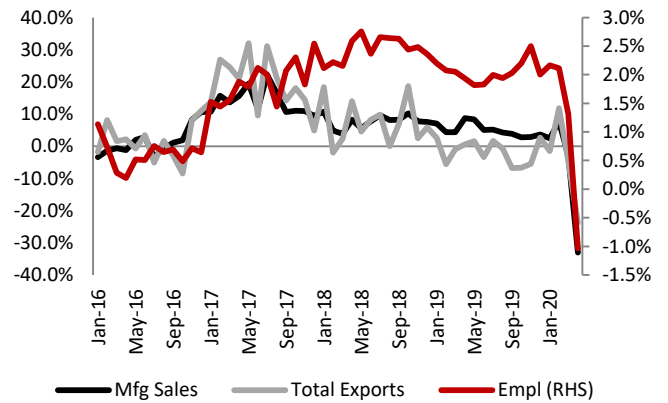
Source: CEIC, MIDFR

Chart 3: Share of Job Vacancies by Type (%)



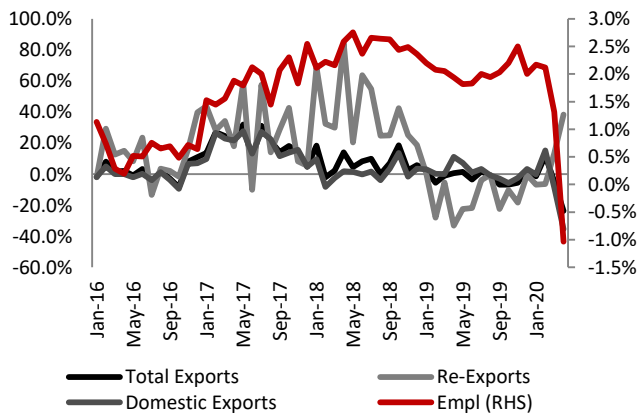
Source: CEIC, MIDFR

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



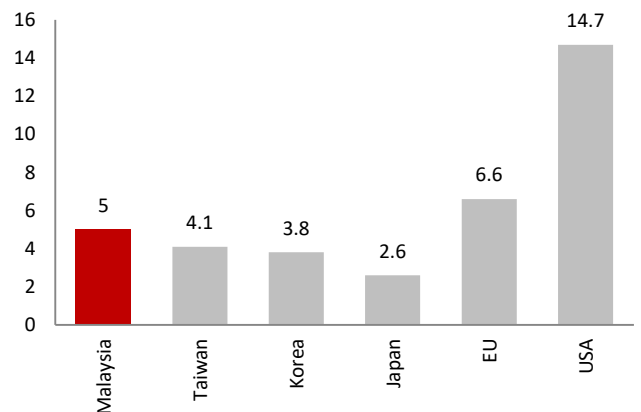
Source: CEIC, MIDFR

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



Source: CEIC, MIDFR

Chart 6: Global Unemployment Rates (%) in Feb-20



Source: CEIC, MIDFR

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