

ECONOMIC REVIEW | March 2020 Labour Market

Unemployment Rate to Increase Further in Upcoming Months amid Continuous MCO

- *Employment growth plunges to an almost 3-year low. Malaysia's employment growth in Mar-20 decelerated to 1.3%yoy as compared to 2.1%yoy in Feb-20 while the labour force moderated to 1.8%yoy. This was the lowest recorded since Dec-16. Unemployment increased further to 17.1%yoy, resulting in an increase in its jobless rate to 3.9%, after 28 months of being below the 3.5% mark.*
- *Job vacancies increase to a 10-month high. Job vacancies per month in Feb-20 are recorded at 89.5K, an increase from Jan-20, and the highest since Apr-19. However, there were improvements in term of vacancies types. Evidently, share of professionals increased from 2.0% in Jan-20 to 3.5% in Feb-20.*
- *We foresee unemployment rate at 3.8%. Malaysia's unemployment rate will maintain under state of full employment in 2020 but with an upward tick to 3.8%. Moderation could be observed in the employment growth this year due to the slowdown in both domestic and global economies.*

Employment growth plunges to an almost 3-year low. Malaysia's employment growth in Mar-20 decelerated to 1.3%yoy as compared to 2.1%yoy in Feb-20 while the labour force moderated to 1.8%yoy. This was the lowest recorded since Dec-16. Unemployment increased further to 17.1%yoy, resulting in an increase in its jobless rate to 3.9%, after 28 months of being below the 3.5% mark. The unemployment rate was also the highest since June-10. With the movement control order implemented in Mar-20, many businesses were out of operation, resulted in higher unemployment. In spite of the increase, the economy is still considered as under full employment condition. However, moving forward, we foresee unemployment rate to breach the 4% full employment condition in upcoming months. Nevertheless, we opine the job market will slowly recover as the Government starts to open up the economy and the fear surrounding Covid-19 begins to subside.

Table 1: Summary of Labour Market ('000)

	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20
Labour Force	15,778	15,830	15,803	15,829	15,870	15,843
YoY%	2.1	2.4	2.0	2.1	2.1	1.8
Employment	15,266	15,320	15,286	15,318	15,345	15,232
YoY%	2.2	2.5	2.0	2.2	2.1	1.3
Unemployment	512	514	517	512	525	611
YoY%	(0.2)	(0.4)	0.5	(0.8)	1.7	17.1
Outside Labour Force	7,175	7,170	7,129	7,129	7,224	7,240
YoY%	1.1	0.3	0.1	0.5	1.1	1.0
Unemployment Rate %	3.2	3.3	3.3	3.2	3.3	3.9

Source: CEIC, MIDFR

Manufacturing employment continues to improve. In Feb-20, employment in manufacturing sector grew by 1.6%yoy, keeping up towards an increasing trend since Oct-19. This was particularly due to the employment increase in basic iron and steel products by 3.2%yoy, the highest recorded since Oct-18, followed by refined petroleum products and chemical compounds. On the other hand, E&E industries remained lagging as employment in diode, transistor and electronic integrated circuit mic shrank by -2.3%yoy, while computer and peripherals equipment improved. Moving forward, we view employment in the sector to expand at modest pace in 2020 due to challenging external trade environment mainly resulting from Covid-19 which has lowered demand for our exports and hence manufacturing production given approximately 80% of our exports are manufactured goods. Nevertheless, domestic-oriented industries and commodity-based sectors may provide extra room for employment to grow as fears of Covid-19 wanes and commodity prices recover.

Table 2: Manufacturing Employment (YoY%)

	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20
Overall	1.2	1.0	1.2	1.2	1.4	1.6
Refined Petroleum Products	5.7	3.6	2.5	7.0	4.6	4.8
Organic Chemical & Inorganic Compounds excl. Fertilizer	7.9	7.0	6.9	7.1	5.3	5.9
Basic Iron & Steel Products	0.2	1.2	2.9	2.0	1.6	3.2
Diode, Transistor & Electronic Integrated Circuit Mic	2.2	1.8	1.2	1.4	0.4	(2.3)
Electrical Capacitor Resistor, Circuit Board, Display Com	1.2	0.1	(0.2)	0.3	1.7	2.3
Computers & Peripherals Equipment	(6.2)	(5.7)	(5.6)	(6.8)	(3.1)	(1.6)

Source: CEIC, MIDFR

*Data Available Up Until Feb-20

Table 3: Manufacturing Payrolls (YoY%)

	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20
Overall	2.8	2.6	3.2	4.2	4.1	4.4
Refined Petroleum Products	3.0	2.2	2.7	12.0	7.0	7.4
Organic Chemical & Inorganic Compounds excl. Fertilizer	8.0	8.5	8.8	9.2	7.2	11.0
Basic Iron & Steel Products	0.5	0.9	4.0	3.8	3.8	3.6
Diode, Transistor & Electronic Integrated Circuit Mic	13.1	8.8	8.2	12.7	8.5	7.9
Electrical Capacitor Resistor, Circuit Board, Display Com	1.2	(2.8)	1.5	(2.2)	1.2	1.7
Computers & Peripherals Equipment	(14.7)	(8.3)	(9.0)	(9.6)	1.5	2.2

Source: CEIC, MIDFR

*Data Available Up Until Feb-20

Job vacancies increase to a 10-month high. Job vacancies per month in Feb-20 are recorded at 89.5K, an increase from Jan-20, and the highest since Apr-19. However, there were improvements in term of vacancies types. Evidently, share of professionals increased from 2.0% in Jan-20 to 3.5% in Feb-20. Similar trends observed for Senior Officials and Technicians. By sector, share of vacancies in services sector expanded whereas mining and quarrying showed a slight moderation due to tepid investment spending and manufacturing impacted by global uncertainties.

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

	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20
Total	75.5	80.4	74.6	62.4	64.9	89.5
Legislators, Senior Officials & Managers	0.9	0.7	0.5	0.3	0.7	1.0
Professionals	2.5	2.7	2.2	1.4	2.0	3.5
Technicians & Associate Professionals	2.3	3.9	2.3	1.4	1.6	2.8
Clerical Workers	0.6	1.1	0.9	0.5	0.6	5.1
Service, Shop & Market Sales Workers	4.4	3.4	3.1	2.5	3.0	2.2
Skilled Agricultural & Fisheries Workers	0.2	0.5	0.2	0.1	0.2	0.1
Craft and Related Trades Workers	2.0	2.4	2.7	2.0	2.4	1.7
Plant & Machinery Operators & Assemblers	13.9	11.4	9.3	8.2	13.0	14.0
Elementary Occupations	48.9	54.2	53.5	46.1	41.5	59.1
Agriculture, Forestry & Fishing	13.5	16.4	13.7	13.1	13.5	20.5
Mining & Quarrying	0.2	0.3	0.2	0.1	0.2	0.1
Manufacturing	29.5	28.0	30.8	22.2	25.0	31.5
Construction	10.3	10.6	11.9	9.9	7.8	10.9
Services	21.9	25.1	18.0	17.1	18.4	26.6

Source: CEIC, MIDFR

*Data Available Up Until Feb-20

Global unemployment rate has shot up. Jobless rate across developed and emerging economies has risen amid economic slowdown and movement control orders, thanks to Covid-19 fear effects. For instance, USA saw unemployment rate rose to 2½ year-high at 4.4% in Mar-20. In addition, plunge in global crude oil prices to cause layoffs in the mining sector of oil-exporting economies. Despite historical oil cuts agreement by OPEC+, mostly referred Brent oil price does not move up strongly as predicted. Moving forward, we view job market across developed and emerging economies to experience slowdown in employment and rise in unemployment rate in 2020 as the Covid-19 pandemic has halted operations causing disruption in the labour market with more businesses crumbling.

Table 3: Global Unemployment Rate (%)

	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20
Malaysia	3.2	3.3	3.3	3.2	3.3	3.9
Thailand	0.9	1.1	1.0	1.1	1.1	1.0
Taiwan	3.7	3.7	3.7	3.7	3.7	3.8
Korea	3.5	3.6	3.7	4.0	3.3	3.8
Japan	2.4	2.2	2.2	2.4	2.4	2.5
EU	6.3	6.3	6.2	6.2	7.3	7.4
USA	3.6	3.5	3.5	3.6	3.5	4.4

Source: CEIC, MIDFR


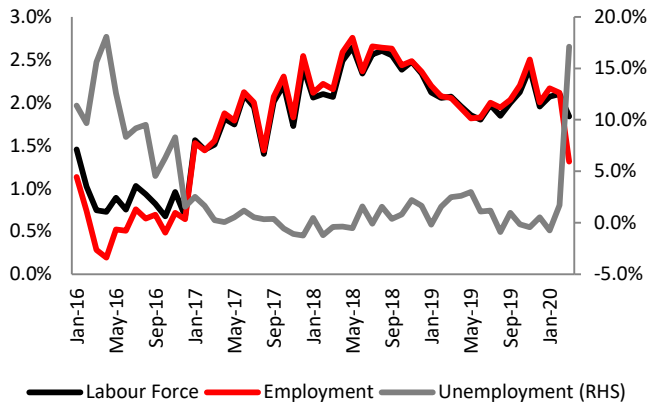
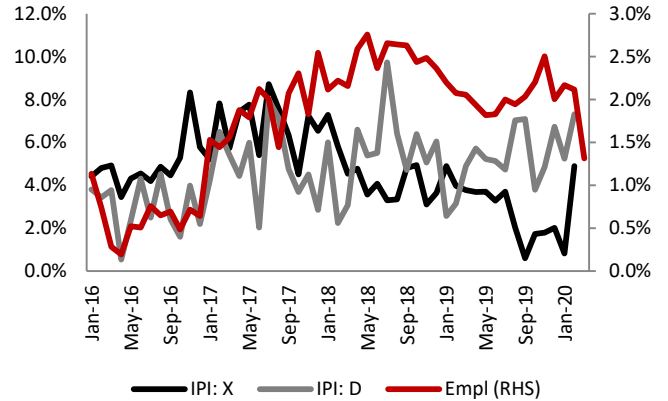
We foresee unemployment rate at 3.8%. Malaysia's unemployment rate will maintain under state of full employment in 2020 but with an upward tick to 3.8%. Moderation could be observed in the employment growth this year due to the slowdown in both domestic and global economies. We opine the current external headwinds will affect the labour force even more in 2Q20 with the imposed movement control order that has thundered many companies' particularly small businesses. However, we are confident jobless rate to remain below 4% and operating at full-employment condition for the whole year of 2020 as some of the stimulus measures announced by the Government may moderate the pressure particularly on wage subsidy. In addition, Malaysia's steady performance in containing the virus will provide some positive sentiment. 

Chart 1: Labour Market Key Indicators (YoY%)



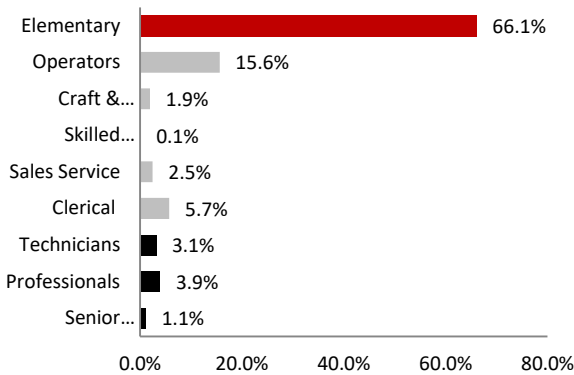
Source: CEIC, MIDFR

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



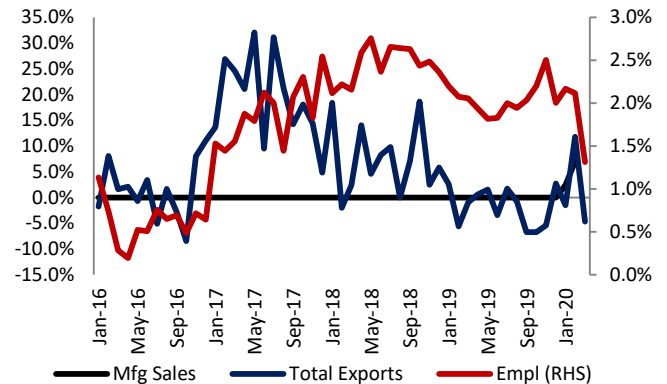
Source: CEIC, MIDFR

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



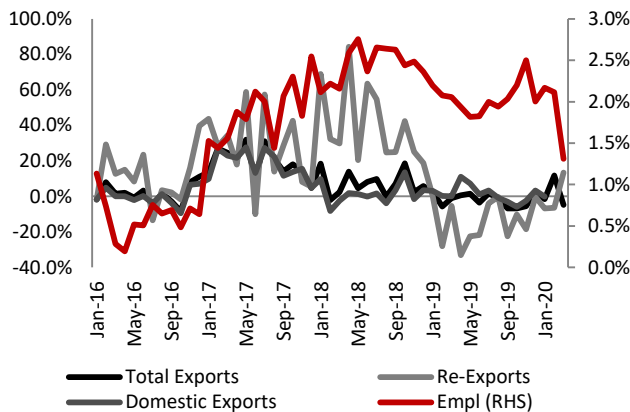
Source: CEIC, MIDFR

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



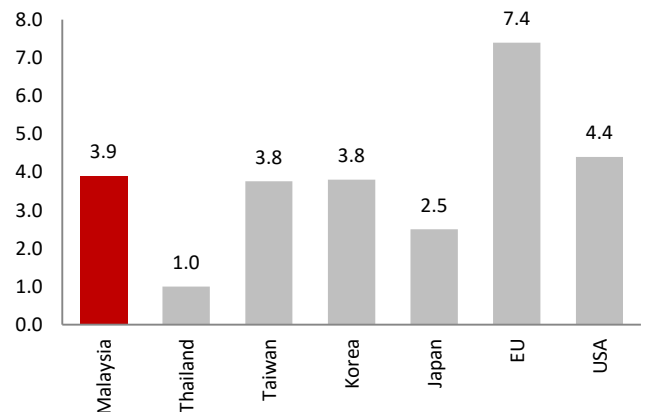
Source: CEIC, MIDFR

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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