

ECONOMIC REVIEW | May 2020 Labour Market

Unemployment Rate Rose Further As More Businesses Allowed to Resume Operation

- *Unemployment rate climbed higher. Malaysia's unemployment rate climbed further to 5.3% in May-20, even though more businesses have been allowed to reopen and resume its operations. The higher unemployment reflected continued weakness in the job market as firms adjusting to the new normal, and restarting its business operation after the MCO.*
- *Job vacancies at the lowest level in 15 years. Job vacancies per month based on the latest available data in Apr-20 were recorded at only 4.1k, the lowest level since March 2005. With the exception of mining industry which recorded a small increase, vacancies in all other sectors declined in Apr-20 particularly in the manufacturing sector (-18.6k), services (-14.1k) and the agriculture, forestry & fishery (-8.2k) compared to the previous month.*
- *We maintain unemployment rate forecast at 4%. We maintain our forecast for the unemployment rate at 4.0% for the year, with unemployment to remain high over the next few months. Some companies may have to resort to retrenching its employees to manage operating costs. With activities in the economy gradually restarted and normalizing, measures taken by government through stimulus packages will support employment to be more stable in 2H20.*

Unemployment climbed higher. Malaysia's unemployment rate climbed further to 5.3% in May-20, despite the government having allowed more businesses to reopen and resume its operations. The higher unemployment reflected continued weakness in the job market as firms adjusting to the new normal, and restarting its business operation after the MCO. During the month, employment fell further at -1.6%yoy (Apr-20: -1%yoy) while unemployment increased at a faster pace of 58.9%yoy (Apr-20: 48.8%yoy). We foresee unemployment rate to stay at the current high level for the next few months before the recovery in economic activities will have a positive impact on the labour market.

Table 1: Summary of Labour Market ('000)

	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20
Labour Force	15,803	15,829	15,870	15,843	15,712	15,714
YoY%	2.0	2.1	2.1	1.8	0.6	0.5
Employment	15,286	15,318	15,345	15,232	14,933	14,888
YoY%	2.0	2.2	2.1	1.3	(1.0)	(1.6)
Unemployment	517	512	525	611	779	826
YoY%	0.5	(0.8)	1.7	17.1	48.8	58.9
Outside Labour Force	7,130	7,129	7,224	7,240	7,345	7,392
YoY%	0.1	0.5	1.1	1.0	2.2	2.8
Unemployment Rate, sa %	3.3	3.2	3.3	3.9	5.0	5.3

Source: CEIC, MIDFR

Manufacturing employment growth remained in negative. Employment in the manufacturing sector declined further but at a slower pace of -2.8%yoy (Apr-20: -3.2%yoy). Employment for all the key sub-sectors registered negative growth during the month. Similar trend was reflected in payroll for the sector which fell at slower rate of -3.9%yoy in May-20 (Apr-20: 6.2%yoy). The slower decline was supported by sustained increase in payrolls for organic chemical & inorganic compounds, and computers & peripherals equipment sub-sectors. The continued decline in employment and payroll for the sector largely reflected the negative impact of the Covid-19 pandemic and MCO which caused business to stop operation and resulted in higher unemployment. Furthermore, the export-oriented sub-sectors were particularly affected by the weak external demand, with exports declining further in May-20 for the third consecutive month.

Table 2: Manufacturing Employment (YoY%)

	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20
Overall	1.2	1.4	1.6	1.2	(3.2)	(2.8)
Refined Petroleum Products	7.1	4.6	4.8	4.5	(7.6)	(9.8)
Organic Chemical & Inorganic Compounds excl. Fertilizer	7.1	5.3	5.9	4.4	(4.2)	(3.6)
Basic Iron & Steel Products	2.1	1.6	3.2	1.6	(2.1)	(0.8)
Diode, Transistor & Electronic Integrated Circuit Mic	1.4	0.4	(2.3)	(3.5)	(7.8)	(8.1)
Electrical Capacitor Resistor, Circuit Board, Display Com	0.3	1.7	2.3	0.2	(5.8)	(4.5)
Computers & Peripherals Equipment	(6.8)	(3.1)	(1.6)	3.6	(4.6)	(1.0)

Source: CEIC, MIDFR

Table 3: Manufacturing Payrolls (YoY%)

	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20
Overall	3.4	4.1	4.4	1.8	(6.2)	(3.9)
Refined Petroleum Products	11.1	7.0	7.4	5.7	(9.5)	(10.3)
Organic Chemical & Inorganic Compounds excl. Fertilizer	9.2	7.2	11.0	0.8	0.2	0.9
Basic Iron & Steel Products	3.8	3.8	3.6	(3.3)	(11.3)	(5.9)
Diode, Transistor & Electronic Integrated Circuit Mic	12.7	8.5	7.9	3.9	(5.6)	(9.9)
Electrical Capacitor Resistor, Circuit Board, Display Com	(2.2)	1.2	1.7	(5.0)	(10.4)	2.4
Computers & Peripherals Equipment	(9.6)	1.5	2.2	6.4	1.8	7.2

Source: CEIC, MIDFR

Job vacancies at the lowest level in 15 years. Job vacancies per month based on the latest available data in Apr-20 are recorded at only 4.1k, the lowest level since March 2005. The low vacancy numbers in Apr-20 captured the full impact of MCO as economic activities were abruptly halted from 18 March 2020. Compared to the previous month, with the exception of mining industry which recorded a small increase, vacancies in all other sectors declined particularly in the in the manufacturing sector (-18.6k), services (-14.1k) and the agriculture, forestry & fishery industry (-8.2k). By occupations, 69.4% of the total decline in vacancies during the month was due to the reduced demand for elementary occupations; and 18% of the reduction was due to lower demand for plant and machinery operators and assemblers. By sector, close to 80% of the vacancies were offered by the manufacturing (share: 43.5% of vacancies in Apr-20; Mar-20: 40.7%) and services sectors (share: 36.1%; Mar-20: 31.2%).

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

	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20
Total	74.6	62.4	64.9	89.5	50.1	4.1
Legislators, Senior Officials & Managers	0.5	0.3	0.7	1.0	0.5	0.1
Professionals	2.2	1.4	2.0	3.5	1.3	0.3
Technicians & Associate Professionals	2.3	1.4	1.6	2.8	1.0	0.3
Clerical Workers	0.9	0.5	0.6	5.1	0.5	0.0
Service, Shop & Market Sales Workers	3.1	2.5	3.0	2.2	1.9	0.1
Skilled Agricultural & Fisheries Workers	0.2	0.1	0.2	0.1	0.1	0.0
Craft and Related Trades Workers	2.7	2.0	2.4	1.7	1.4	0.0
Plant & Machinery Operators & Assemblers	9.3	8.2	13.0	14.0	9.7	1.5
Elementary Occupations	53.5	46.1	41.5	59.1	33.7	1.8
Agriculture, Forestry & Fishing	13.7	13.1	13.5	20.5	8.6	0.5
Mining & Quarrying	0.2	0.1	0.2	0.1	0.0	0.1
Manufacturing	30.8	22.2	25.0	31.5	20.4	1.8
Construction	11.9	9.9	7.8	10.9	5.4	0.3
Services	18.0	17.1	18.4	26.6	15.6	1.5

Source: CEIC, MIDFR

*Data Available Up Until Mar-20

Global unemployment rates inched higher. Jobless rates across the advanced and emerging economies rose further and remained high as economies were adversely impacted by lockdowns to control the spread of Covid-19 cases. While many economies have started to reopen after the lockdowns, the continued rise in Covid-19 cases remains as a downside risk for the job markets. In the US, the unemployment level remained elevated, although the US unemployment rate fell to 13.3% in May-20 (Apr-20: 14.7%). The high level of unemployment rate indicates that it will take time for the job market to improve given the growing number of Covid-19 cases in the US. Elsewhere, the unemployment rates continued to increase in May-20, indicating a challenging condition for the labour markets. Moving forward, we expect that job markets across the world to gradually improve and unemployment rates will eventually inch lower as more countries reopened its economies.

Table 3: Global Unemployment Rate (%)

	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20
Malaysia	3.3	3.2	3.3	3.9	5.0	5.3
Thailand	1.0	1.1	1.1	1.0	n.a.	n.a.
Taiwan	3.7	3.7	3.7	3.8	4.1	4.2
Korea	3.7	4.0	3.3	3.8	3.8	4.5
Japan	2.2	2.4	2.4	2.5	2.6	2.9
Euro area	7.3	7.4	7.2	7.1	7.3	7.4
USA	3.5	3.6	3.5	4.4	14.7	13.3

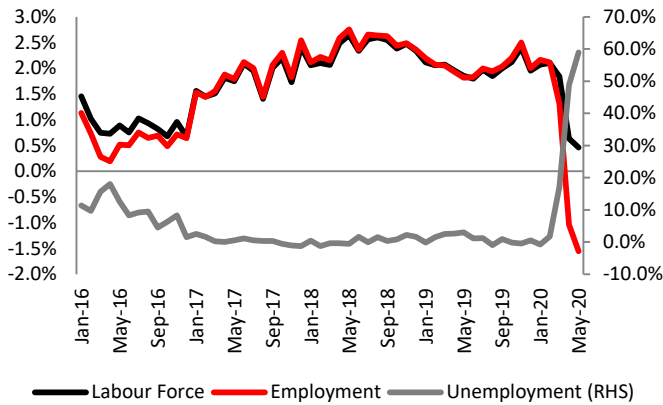
Source: CEIC, MIDFR

Note: Figures are Seasonally-adjusted

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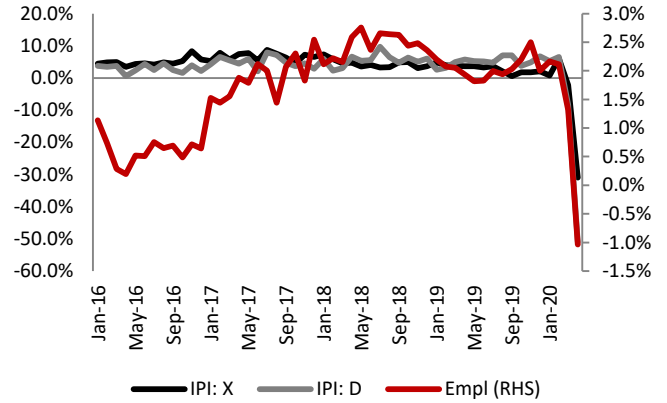
to retrenching its employees to manage operating costs due to concerns over less encouraging revenue moving forward as overall economic activities will take time to fully recover. With activities in the economy gradually restarted and began to pick up, measures taken by government through stimulus packages such as wage subsidy, employment insurance scheme and reskilling and upskilling initiatives will support employment to be more stable in 2H20. In addition, recovery in the international trade and the manufacturing sector will further support the job market, given the involvement of Malaysia in the global supply chain.

Chart 1: Labour Market Key Indicators (YoY%)



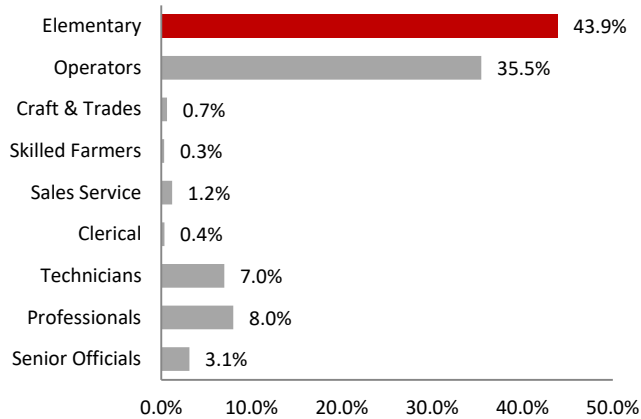
Source: CEIC, MIDFR

Chart 2: Employment. vs IPI:Exports vs IPI:Domestic (YoY%)



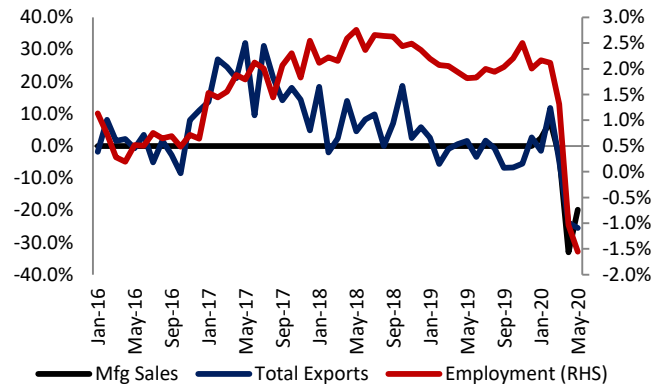
Source: CEIC, MIDFR

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



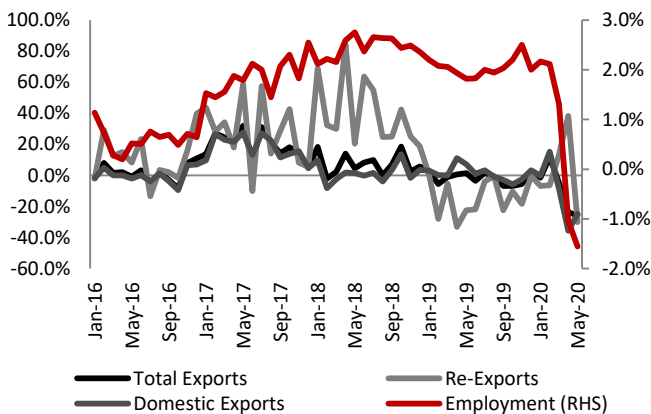
Source: CEIC, MIDFR

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



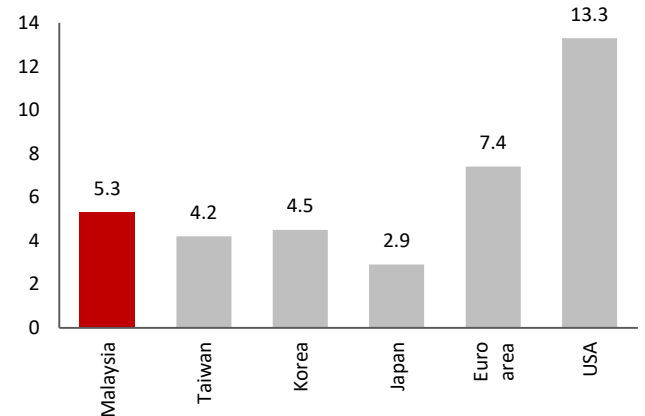
Source: CEIC, MIDFR

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



Source: CEIC, MIDFR

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



Source: CEIC, MIDFR

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