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ECONOMICS

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Malaysia – April unemployment highest in 3 decades

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Malaysia

April unemployment highest in 3 decades

Unemployment in April climbed to 5%, the highest since 1990, from 3.9% in March. Closures of operations for most businesses during the movement control order (MCO) have slashed jobs making it even harder for job seekers to find employment. As a result, the number of unemployed persons jumped by 48.8% y/y to 778,800 persons in April. The total number of unemployed for the first four months of the year amounted to 2.4mil people.

A key point in the Department of Statistics Malaysia (DOSM) survey is that there were 2.59 million people operating their own businesses in April. They are largely traders/small traders (farmer's market/night markets/catering/stalls/freelancers) smallholders, tour operators and others. These groups were exposed to the risk of job and income losses following the MCO. The survey also showed the MCO affected 4.87 million employed persons who were not working in April 2020. This group of people is not categorised as unemployed as they have jobs to return to.

Meanwhile, the upward pressure on the number of job losses remains. Much will depend on the ability of the businesses to weather the current unprecedented challenging time. The risk of companies going under remains high, apart from restructuring and engaging in mergers and acquisitions (M&A). Also, it remains unclear how the labour market will be when the wage subsidy programme (WSP), which started in April, ends. The WSP, which provides financial relief to employers face revenue constraints, has saved 2.2mil jobs.

Although government incentives aimed at retaining employees and the gradual reactivation of economy following the CMCO and RMCO in May and June could ease some burden, it may not take the weight off instantly considering an estimated 500,000 new entrants to the labour market this year. Thus, the unemployment rate could hit 6.0% or even higher in 2020. This is worse than during the 1997 Asian financial crisis and 2008 Great Recession when unemployment rose to 3.2% and 3.7%, respectively. The recent labour market data suggests that the health of the job market is far more devastating.

- Unemployment in April climbed to 5%, the highest since 1990, from 3.9% in March. Closures of operations for most businesses during the movement control order (MCO) have slashed jobs making it even harder for job seekers to find employment. As a result, the number of unemployed persons jumped by 48.8% y/y to 778,800 persons in April. The total number of unemployed for the first four months of the year amounted to 2.4mil people.
- Impacted by the MCO, the most affected areas of business activities are manufacturing and services, primarily accommodation; food & beverage; arts, entertainment & recreation; and other services like beauty centres and salons. This was reflected by the drop in the number of working population in April by 1.0% y/y or 156,400 persons to 14.93 million persons. In comparison to the previous month, the number of working population fell by 2% or 299,000 (March 2020: 15.23 million persons).
- A key point in the DOSM survey is that there were 2.59 million people operating their own businesses in April. They are largely traders/small traders (farmer's market/night markets/catering/stalls/freelancers) smallholders, tour operators and others. These groups were exposed to the risk of job and income losses following the MCO. The survey also showed that the MCO affected 4.87 million employed persons who were not working in April 2020. This group of people is not categorised as unemployed as they have jobs to return to.
- The labour market is unlikely to improve in May. It will continue to be affected by the conditional MCO, which began in May 5, 2020 as businesses were still not fully in operation. The risk of retrenchment remains high as businesses are struggling. Expectations are that the unemployment rate is likely to stay above 5% in May to as high as 6%.
- Meanwhile, the recovery MCO (RMCO), which started on June 10, 2020, saw the reactivation of businesses for more sectors while inter-state travels are allowed to resume. Added with the recovery measures, which aim to spur businesses and steer the improvement of the job market, especially in the travel and tourism-related industries, they may help contain the rising pace of unemployment.
- A recent survey by the Employment Insurance System found workers aged 40 and below are the most vulnerable in the labour market. Individuals who have been retrenched struggle to find a way to balance savings with payment commitments. The gig economy offers one of the best opportunities for jobs. According to e-hailing operators, there are well over 10,000 individuals signed up as their delivery partners and drivers during the MCO and CMCO period while the number of merchants doubled between March and May as compared to pre-Covid-19 period.
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Table 1: Key Labour data

	Apr'19	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan'20	Feb	Mar	Apr
Net Employed (K)	54.6	32.7	12.1	45.2	6.0	44.1	35.7	49.4	-29.0	31.6	26.9	-112.1	-299.0
Net Unemployed (K)	2.0	-3.5	1.6	3.4	-4.6	1.2	-9.3	1.8	3.1	-5.3	13.5	85.3	168.3
Unemployment Rate (%)	3.4	3.3	3.3	3.3	3.3	3.3	3.2	3.2	3.3	3.2	3.3	3.9	5.0
LFPR (%)	68.5	68.5	68.6	68.5	68.6	68.7	68.7	68.8	68.9	68.9	68.7	68.6	68.1

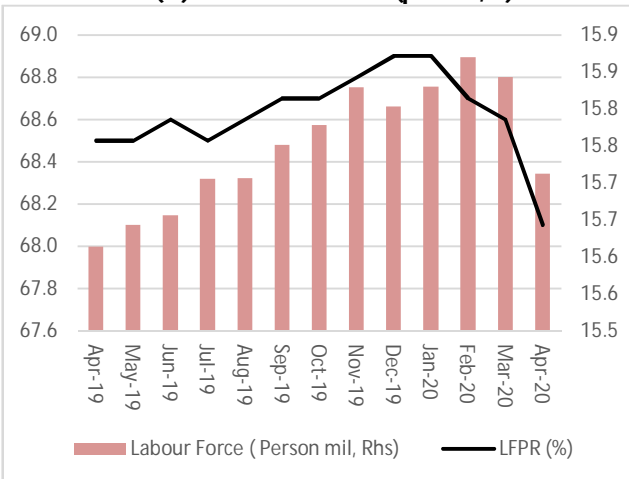
Source: CEIC/AmBank Research

Table 2: Companies that announce VSS/MSS (1H2020)

Month	VSS/MSS
January	Country Garden laid off nearly 400 personnel
May	Genting Malaysia ready to slash headcounts
May	Hotel Equatorial Kuala Lumpur offers VSS
May	Parkroyal KL announces 15-month closure, offers VSS to staff
June	Media Prima confirms possible staff layoffs
June	AirAsia retrenched 250 staffs include cabin crew, pilots and engineers

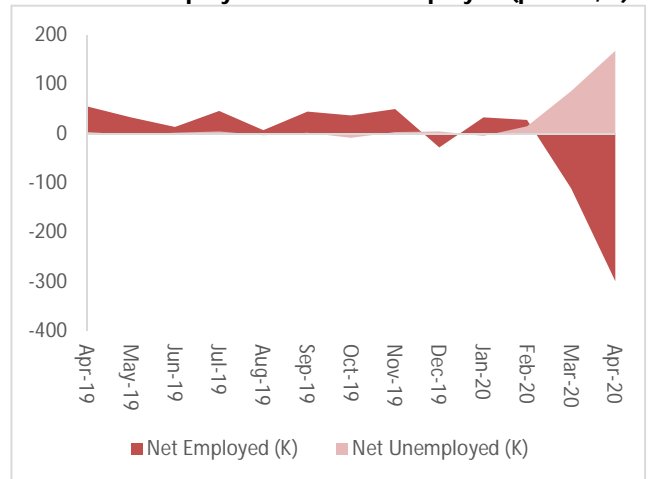
Source: Various sources/AmBank Research

Chart 1: LFPR (%) and Labour Force (person, K)



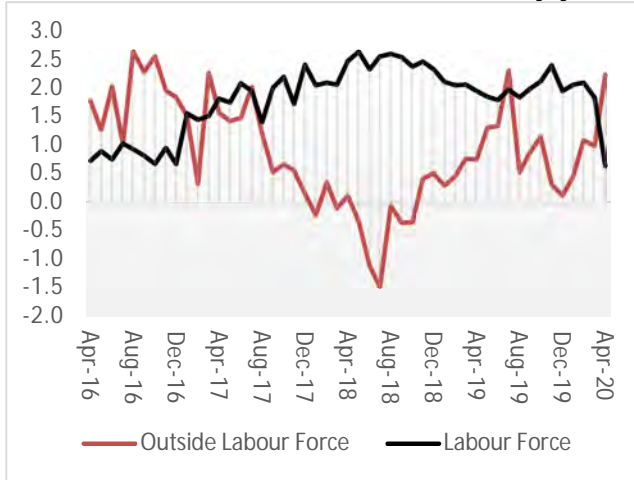
Source: CEIC/AmBank Research

Chart 2: Net Employed and Net Unemployed (person, K)



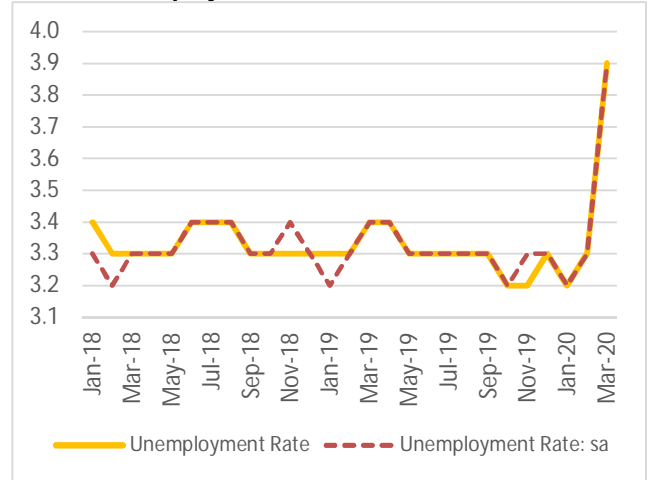
Source: CEIC/AmBank Research

Chart 3: Labour Force vs. Outside Labour Force (y/y %)



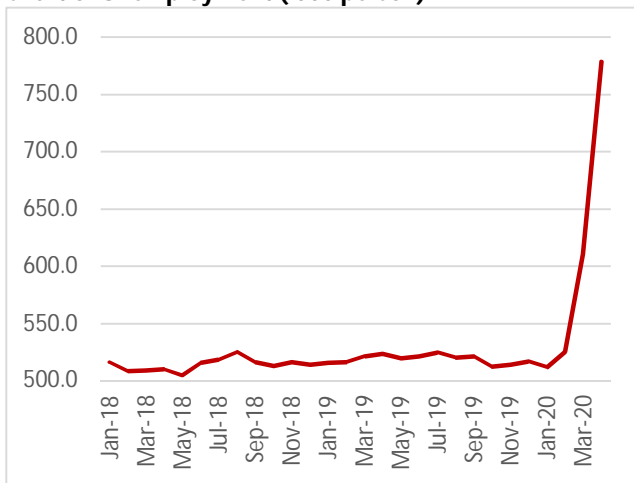
Source: CEIC/AmBank Research

Chart 4: Unemployment Rate (%)



Source: CEIC/AmBank Research

Chart 5: Unemployment ('000 person)



Source: CEIC/AmBank Research

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