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ECONOMICS

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Malaysia – Upside pressure on labour market remains

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AmBank Research

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Malaysia

Upside pressure on labour market remains

As expected, the unemployment rate continued to rise in the month of May to 5.3%, the highest seen in about 30 years ago which was 5.6% and 5.7% in 1985 and 1989, respectively. The highest reported was in 1986 at 7.4%. It was impacted by sectors like services (mainly tourism, accommodation, event planning, arts and entertainment, sports and recreational activities) and construction as a result of the health authority increased detection of Covid-19 clusters among foreign workers.

Despite the increase in the numbers of unemployed to 826.1K in May or up 47.3K from April, it is still lower compared to the 168.3K rise between March and April when the unemployed number rose to 778.8K in April. Also, the number of temporarily not working fell from 4.87 million in April to 2.27 million in May. These could be attributed to (1) stimulus packages of RM295 billion through fiscal, monetary and financial to support the economy; and (2) opening up of the economy from the movement control order (MCO) to conditional movement control order (CMCO) by allowing businesses to commence operation while adhering to the SOP guidelines.

But looking ahead, the labour market remains under pressure. Uncertainty remains high, with growing concern of the "Second Wave" of the virus attack. Should it happen, there is the risk of another round of lockdowns and MCOs and remains unclear if it will be similar to the first attack or will be more targeted. Risk of political uncertainties, post moratorium and end of wage subsidy will weigh on the job market.

However, the upside to the unemployment rate is likely to be contained to some degree from the stimulus measures and should the global economy also start to bottom out. On that note, unemployment rate is likely to hover between 6% and 8% in 2020.

- Unemployment rate as expected continued to rise in the month of May. Following a 5% unemployment rate in April, it increased to 5.3% in May. The figure is seen to be the highest in about 30 years ago which reported a 5.6% and 5.7% in the year 1985 and 1989 respectively. The highest ever reported was in 1986 at 7.4%.
- The affected sectors in May such as services (mainly tourism, accommodation, event planning, arts and entertainment, sports and recreational activities) placed the pressure on the labour market. Also, the health authority increased detection of Covid-19 clusters among foreign workers impacted employment in the construction sector.



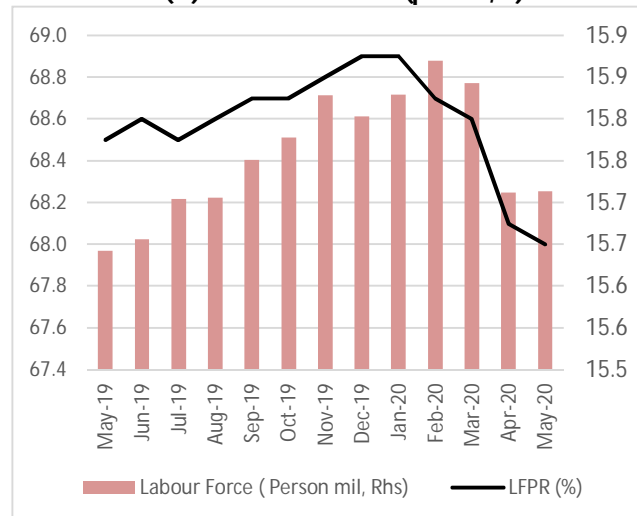
- Looking at the unemployed figures, it grew to 826.1K in May, from 778.8K in April which is an increase of 47.3K. However, this increase is much lower compared to the 168.3K reported between March and April when the number of unemployed rose to 778.8K in April.
- A key point to note is that the number of employed persons who were temporarily not working had fallen from 4.87 million in April to 2.27 million in May. Those self-employed persons which includes gig workers showed their numbers continued to decline since March, falling from 2.59 million in April to 2.42 million in May.
- Slower increase in May's number of unemployed and the drop in temporarily not working that includes gig workers was partly due to the stimulus packages unveiled amounting to RM295 billion through fiscal, monetary and financial in a move to support the economy. The gradual opening up of the economy from the movement control order (MCO) to conditional movement control order (CMCO) by allowing businesses to commence operation while adhering to the SOP guidelines also helped ease the rate of increase in the number of unemployed.
- Looking ahead, the labour market is expected to remain under pressure. Uncertainty remains high, with growing concern of the "Second Wave" of the virus attack. Should that happen, there is the risk of another round of lockdowns and MCOs and it remains unclear if it will be similar to the first attack or will be more targeted. Besides, political uncertainties, post moratorium and end of wage subsidy are likely to impact the job market.
- However, the upside to the unemployment rate is likely to be contained to some degree from the stimulus measures and should the global economy also start to bottom out. On that note, unemployment rate is likely to hover between 6% and 8% in 2020.

Table 1: Key Labour data

	May'19	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan'20	Feb	Mar	Apr	May
Net Employed (K)	32.7	12.1	45.2	6.0	44.1	35.7	49.4	-29.0	31.6	26.9	-112.1	-299.0	-45.5
Net Unemployed (K)	-3.5	1.6	3.4	-4.6	1.2	-9.3	1.8	3.1	-5.3	13.5	85.3	168.3	47.3
Temporarily Unemployed (mil)	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	4.87	2.27
Unemployment Rate (%)	3.3	3.3	3.3	3.3	3.3	3.2	3.2	3.3	3.2	3.3	3.9	5.0	5.3
LFPR (%)	68.5	68.6	68.5	68.6	68.7	68.7	68.8	68.9	68.9	68.7	68.6	68.1	68.0

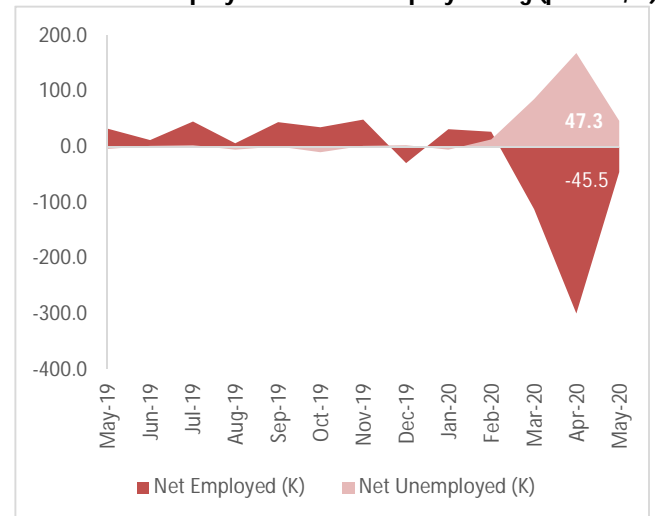
Source: CEIC/AmBank Research

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



Source: CEIC/AmBank Research

Chart 2: Net Employed & Net Unemployed Chg (person, K)



Source: CEIC/AmBank Research



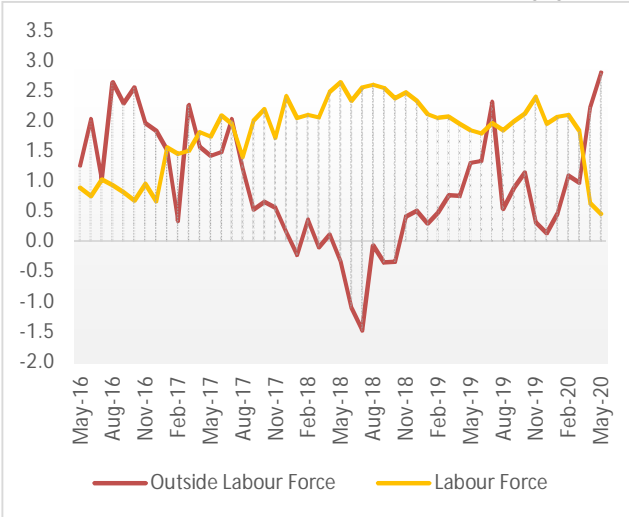
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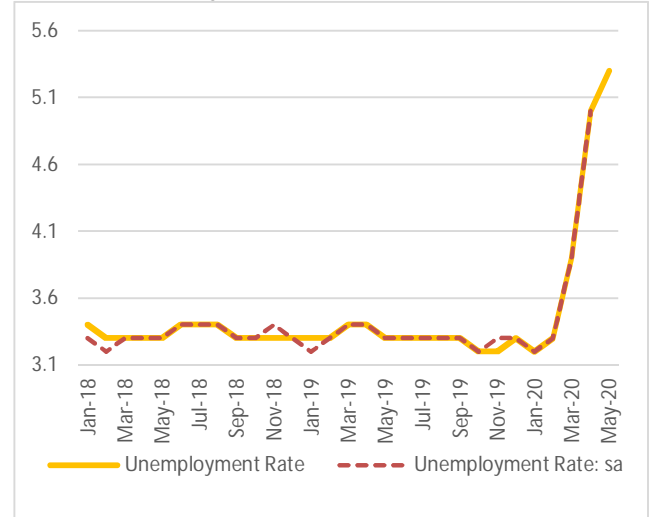
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Chart 3: Labour Force vs. Outside Labour Force (y/y %)



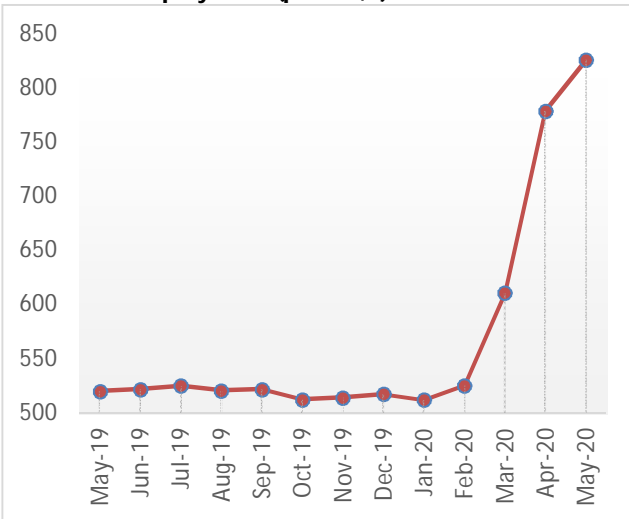
Source: CEIC/AmBank Research

Chart 4: Unemployment Rate (%)



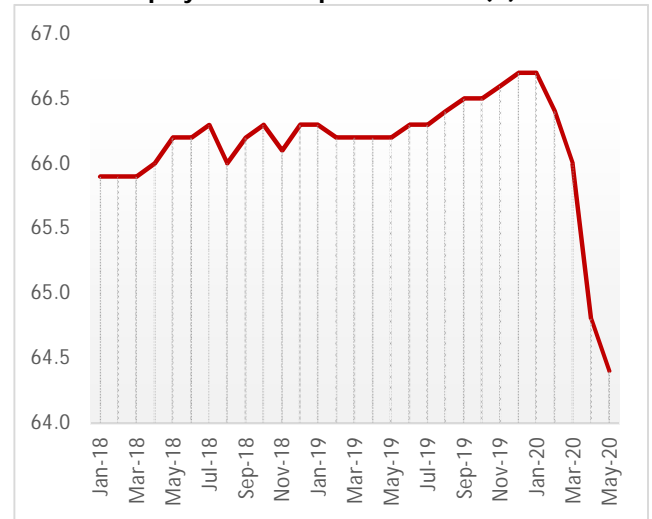
Source: CEIC/AmBank Research

Chart 5: Unemployment (person,K)



Source: CEIC/AmBank Research

Chart 6: Employment to Population Ratio (%)



Source: DOS/AmBank Research



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