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ECONOMICS

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Malaysia – Unemployment rate steady in August

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AmBank Research

Wednesday, 14 October 2020

Dr. Anthony Dass

Chief Economist/Head

anthony-dass@ambankgroup.com

03-20322972

Munesh Nair Muralidharan

Economist

munesh-nair@ambankgroup.com

03-20362255

Nur Iman Binti Mohamed Azhar

Economist

iman-azhar@ambankgroup.com

03-20363020

Malaysia

Unemployment rate steady in August

Malaysia's unemployment rate in August remained the same as in July's, reading at 4.7%. This was partly due to more jobs being created, at 80K in August. While the unemployment trend may have appeared to stabilize, the downside risk remains in the near term. Should the second wave of Covid-19 turn more severe, the risk of unemployment scaling up is high. While our base case shows the unemployment rate should hover around 4.7%–4.9%, the worst-case scenario could see 6%–8%.

- Malaysia's unemployment rate in August remained unchanged, reading at 4.7%, which is the same as July's. The steady rate of unemployment during the month was partly due to a lower increase in the number of unemployed i.e. by 3.5K persons to 741.6K (July 745.1K). Besides, there were more jobs created in August, coming in at 80.1K (83.2K in July).
- A key point to note is those "outside labour force" – people who are classified as housewives, students, (including those going for further studies), retired, disabled persons and those not interested to look for jobs. The number has fallen for the first time since January 2020. August data shows a drop of 48.3K to 7.35 million people (7.40 million in July).
- Another key point to note is that the number of employed persons who were temporarily not working continued to fall to 102K in August from 104.3K in July, or a reduction of 2.3K persons. Youth unemployment rate (age 15 to 30 years) eased to 8.9% from 9.7% in July. Meanwhile, those under the own-account workers rose to 2.42 million in August from 2.38 million in July. This shift could mean that there could be an increasing trend of self-employment.
- While the unemployment trend may have appeared to stabilize, the downside risk remains in the near term. Should the second wave of Covid-19 turn more severe, the risk of unemployment scaling up is high. While our base case shows the unemployment rate should hover around 4.7%–4.9%, the worst-case scenario could see 6%–8%.

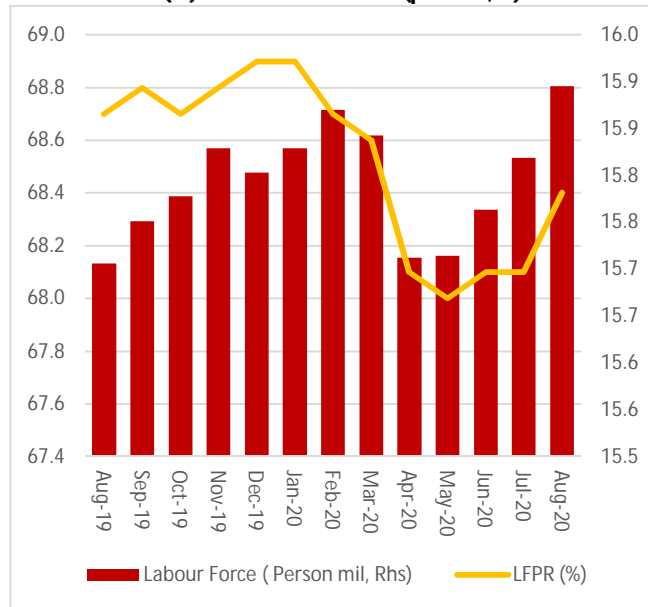


Table 1: Key Labour data

	Aug'19	Sep	Oct	Nov	Dec	Jan'20	Feb	Mar	Apr	May	Jun	Jul	Aug
Net Employed (K)	6.0	44.1	35.7	49.4	-29.0	31.6	26.9	-112.1	-299.0	-45.5	102.3	83.2	80.1
Net Unemployed (K)	-4.6	1.2	-9.3	1.8	3.1	-5.3	13.5	85.3	168.3	47.3	-52.9	-28.1	-3.5
Unemployment Rate (%)	3.3	3.3	3.3	3.3	3.3	3.2	3.3	3.9	5.0	5.3	4.9	4.7	4.7
LFPR (%)	68.7	68.8	68.7	68.8	68.9	68.9	68.7	68.6	68.1	68.0	68.1	68.1	68.4
Temporarily Not Working (mil)	na	na	na	na	na	na	na	na	4.87	2.27	0.91	0.10	0.10

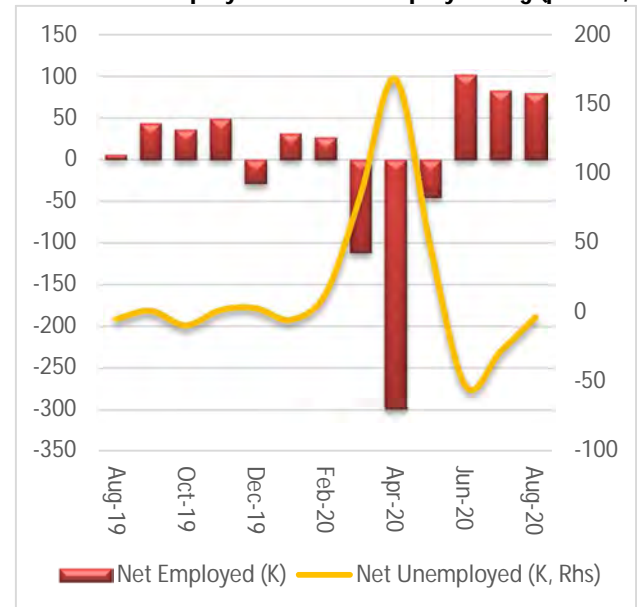
Source: CEIC/AmBank Research

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



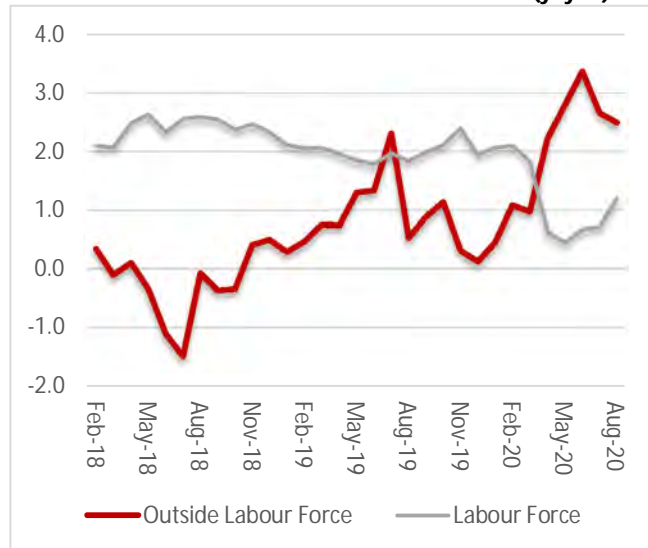
Source: CEIC/AmBank Research

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



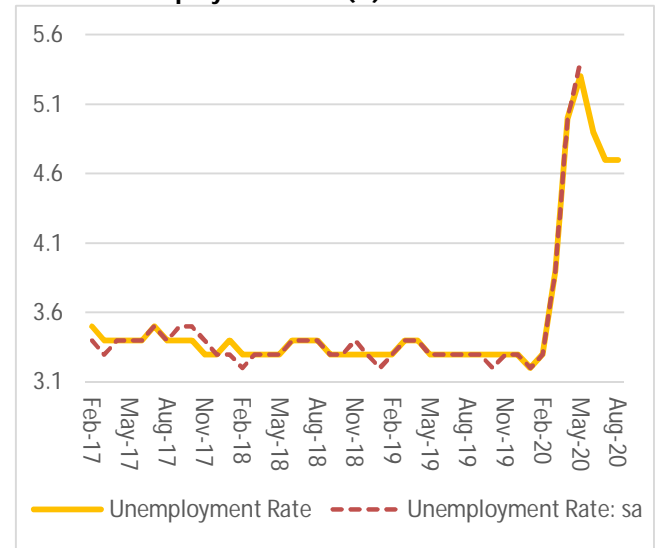
Source: CEIC/AmBank Research

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



Source: CEIC/AmBank Research

Chart 4: Unemployment Rate (%)



Source: CEIC/AmBank Research



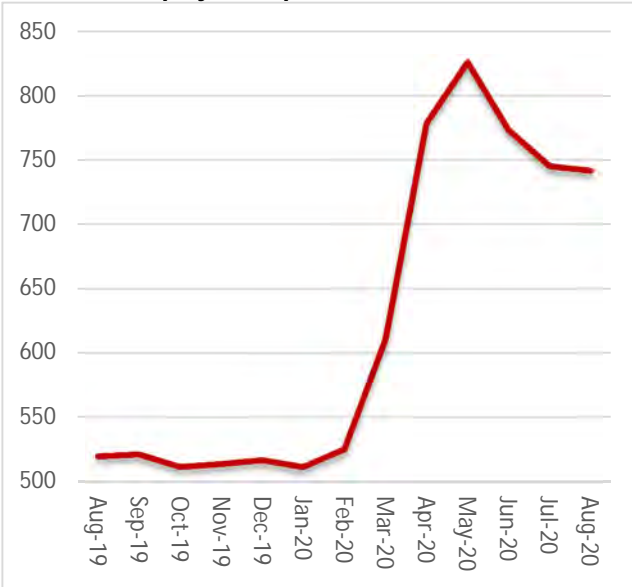
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Chart 5: Unemployment (person, K)



Source: CEIC/AmBank Research

Chart 6: Employment to Population Ratio (%)



Source: DOSM/AmBank Research



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