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ECONOMICS

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Malaysia – Manufacturing could potentially lose some steam

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AmBank Research

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Malaysia

Upward pressure on labour market remains

The impact from the conditional movement control order (CMCO) to contain the virus spread saw economic activities continuing to operate under strict SOPs. But it had a slight impact on the labour market in November with higher job losses and more staying outside the labour force. Unemployment rose slightly to 4.8% from 4.7% in October.

With continuous pressure on the economic activities as uncertainty looms over the Covid-19 situation and vaccine administration, the labour market remains challenging. Room for unemployment to reach 4.9%–5.0% by end-2020 remains high although there are possibilities for the unemployment rate to stabilise at 4.7%.

- The impact from the conditional movement control order (CMCO) to contain the virus spread saw economic activities continuing to operate under strict SOPs. But it had a slight impact on the labour market in November with higher job losses and more staying outside the labour force.
- The November unemployment data showed a slight increase to 4.7% from 4.6% in October, the highest since June 2020. A total of 764.4K persons were unemployed in November from 748.2K persons in October.
- Hence, total employed persons fell by 11K to 15.20 million persons in November (October 2020: 15.21 million persons) after recording an upward trend for five consecutive months.
- Meanwhile, the number of persons outside the labour force went up by 0.4% or 27.1K persons to 7.37 million (October 2020: 7.35 million persons).
- With continuous pressure on the economic activities as uncertainty looms over the Covid-19 situation and vaccine administration, the labour market remains challenging. Room for unemployment to reach 4.9%–5.0% by end-2020 remains high although there are possibilities for the unemployment rate to stabilise at 4.7% in end-2020.



Manufacturing could potentially lose some steam

Although November's Industrial Production Index (IPI) contracted 2.2% y/y dragged by mining and electricity, which decreased by 15.4% y/y and 2.5% y/y respectively, the manufacturing sector rose 2%/y/y. It was supported by the ongoing China's recovery.

Going forward, downside pressure on the manufacturing sector remains. Heightened Covid-19 restrictions in major trade partners will disrupt supply chains of imported materials and dampened our external demand. This should see production and volumes of new orders coming under stress. Meanwhile, costs will continue to rise because of the increased prices of raw materials.

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- November's Industrial Production Index (IPI) contracted 2.2% y/y dragged by mining and electricity, which decreased by 15.4% y/y and 2.5% y/y respectively, The sharp fall in crude oil output at 15.8% y/y as well as natural gas production that fell for the ninth month at 15.1% y/y weighed on mining sector.
- But importantly, the manufacturing sector grew 2% y/y. This is the first contraction since May 2020.
- The sector is seen to be benefiting from China's recovery. The major sub-sectors contributing to the growth in the manufacturing sector in November 2020 were electrical and electronics products; transport equipment and other manufactures; and petroleum, chemical, rubber and plastic products.
- The E&E sector expanded for the sixth month at 8.3% y/y, followed by transport equipment and other manufactures (6.5% y/y), wood, paper product and printing (2.3% y/y) as well as petroleum, chemical and plastic (2.0% y/y).
- Meanwhile, upside growth to the manufacturing activities were impacted from the contraction in areas like F&B and tobacco (-8.7% y/y), non-metallic mineral products (-3.0% y/y) as well as textile and footwear (-4.0% y/y).
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Table 1: Key Labour data

	Nov'19	Dec	Jan'20	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
Net Employed (K)	49.4	-29.0	31.6	26.9	-112.1	-299.0	-45.5	102.3	83.2	80.1	39.6	14.0	-11.0
Net Unemployed (K)	1.8	3.1	-5.3	13.5	85.3	168.3	47.3	-52.9	-28.1	-3.5	-4.1	10.7	16.2
Unemployment Rate (%)	3.2	3.3	3.2	3.3	3.9	5.0	5.3	4.9	4.7	4.7	4.6	4.7	4.8
LFPR (%)	68.8	68.9	68.9	68.7	68.6	68.1	68.0	68.1	68.1	68.4	68.4	68.5	68.4
Temporarily Not Working (K)	na	na	na	na	na	4,870.0	2,270.0	768.0	104.3	102.0	100.7	183.6	142.0

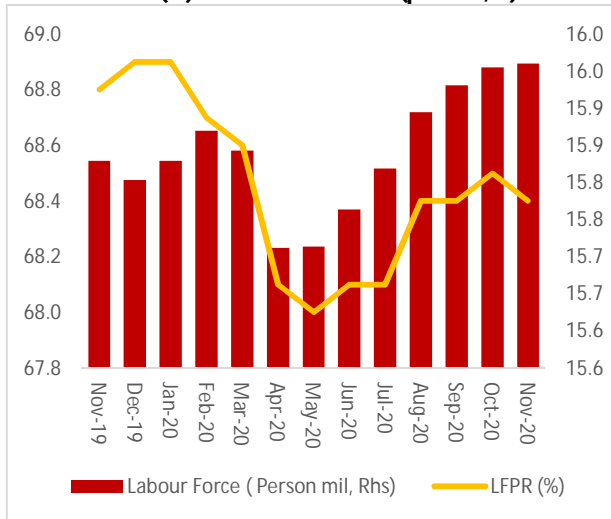
Source: CEIC/AmBank Research

Table 2: Key Industrial Production Data (%)

	Nov'19	Dec	Jan'20	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
IP m/m	-1.0	0.7	0.6	-6.7	-0.2	-30.5	18.9	26.3	1.3	-1.3	0.5	1.7	-2.7
IP y/y	2.1	1.3	0.6	6.2	-4.9	-32.0	-21.6	-0.4	1.2	0.2	1.0	-0.5	-2.2
Mfg m/m	-2.6	1.2	0.4	-6.6	-1.0	-35.8	26.9	37.0	0.2	-2.1	2.1	0.1	-3.0
Mfg y/y	2.7	3.4	2.2	6.2	-4.1	-37.2	-22.6	4.7	2.9	2.2	4.3	2.4	2.0
Mining m/m	4.9	-0.9	0.8	-7.5	2.6	-19.1	0.4	2.4	4.4	0.3	-4.1	7.6	-0.7
Mining y/y	0.5	-4.9	-3.9	6.1	-6.5	-19.6	-22.2	-17.1	-3.0	-6.7	-9.6	-10.6	-15.4
Electricity m/m	-2.8	0.5	2.4	-4.5	-0.8	-13.3	13.8	0.2	4.2	3.0	-3.7	3.9	-6.0
Electricity y/y	1.6	0.9	0.0	6.8	-7.0	-19.3	-10.3	-2.4	-5.0	-1.1	-2.1	0.8	-2.5
Mfg Sales m/m	-1.7	1.5	-1.0	-5.7	-1.0	-31.2	18.1	30.5	2.0	-0.6	2.3	0.6	-1.7
Mfg Sales y/y	2.5	3.9	2.4	7.6	-3.0	-33.0	-20.4	4.2	1.9	1.6	3.7	2.2	2.1

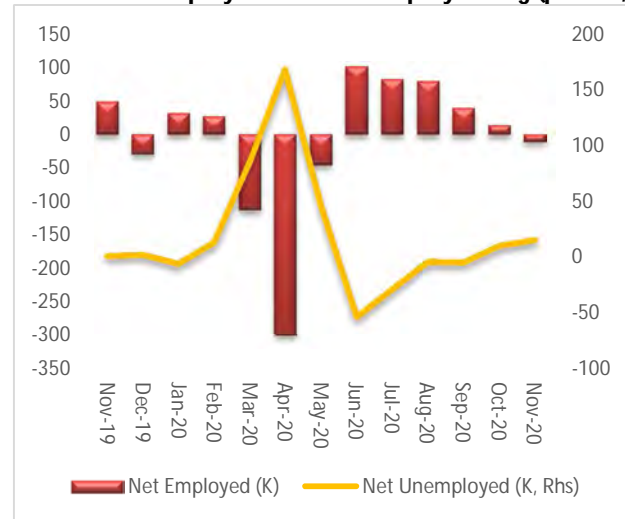
Source: CEIC/AmBank Research

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



Source: CEIC/AmBank Research

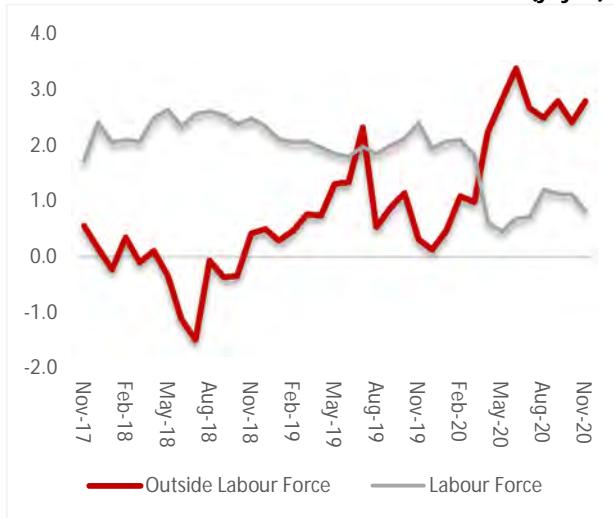
Chart 2: Net Employed & Net Unemployed Chg (person, K)



Source: CEIC/AmBank Research

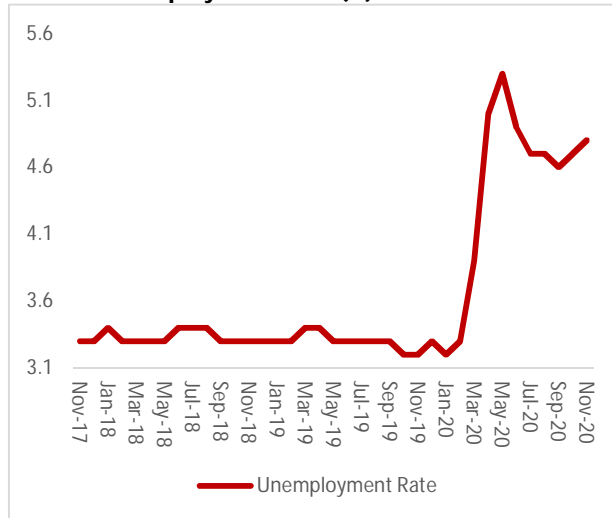


Chart 3: Labour Force vs. Outside Labour Force (y/y %)



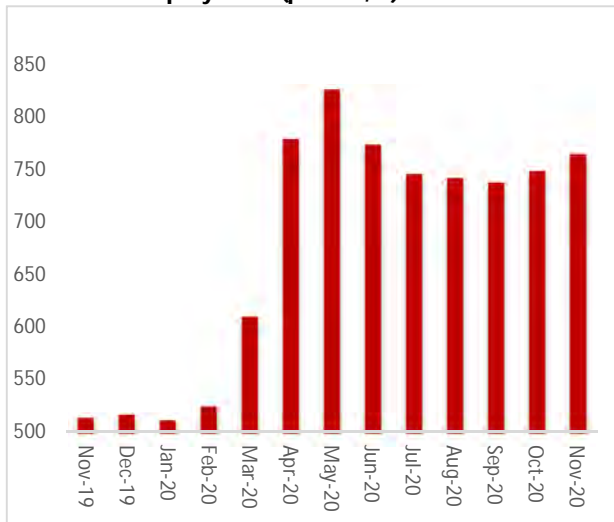
Source: CEIC/AmBank Research

Chart 4: Unemployment Rate (%)



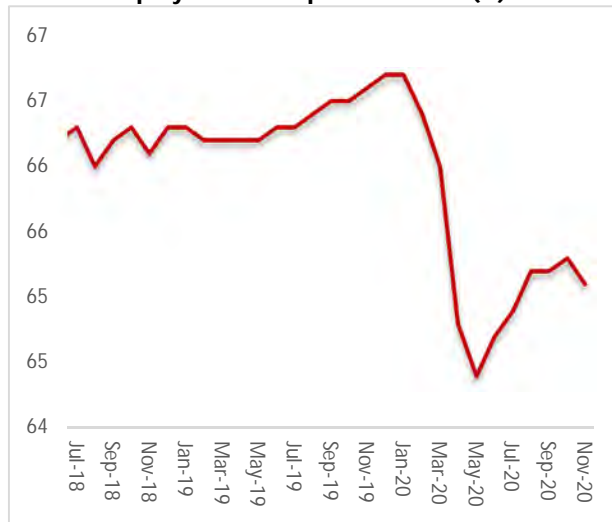
Source: CEIC/AmBank Research

Chart 5: Unemployment (person, K)



Source: CEIC/AmBank Research

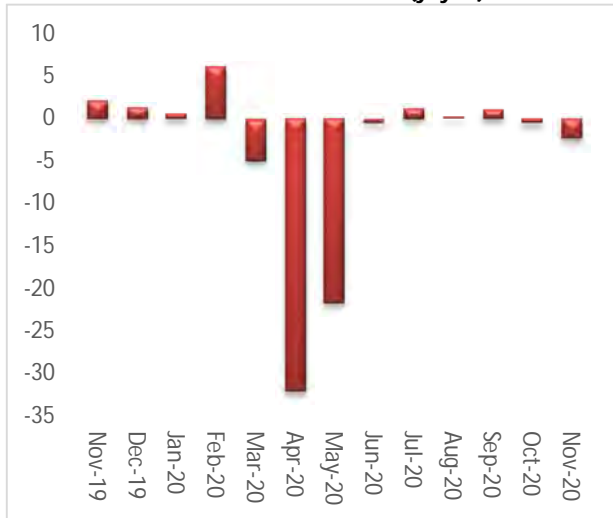
Chart 6: Employment to Population Ratio (%)



Source: DOSM/AmBank Research

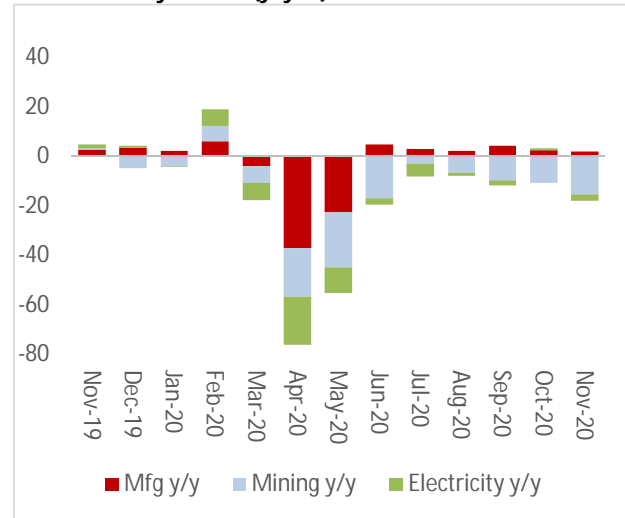


Chart 7: Industrial Production Index (y/y %)



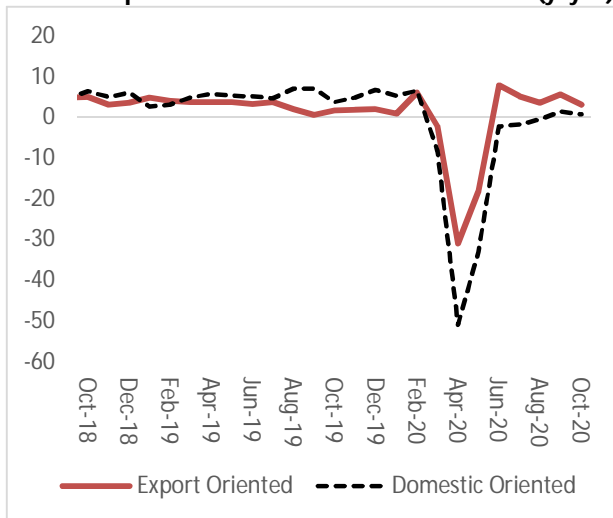
Source: CEIC/AmBank Research

Chart 8: IPI by Sector (y/y %)



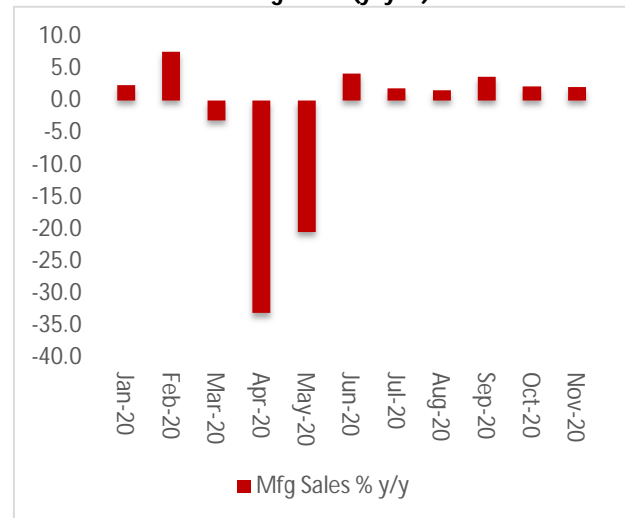
Source: CEIC/AmBank Research

Chart 9: Export & Domestic-Oriented Industries (y/y %)



Source: CEIC/AmBank Research

Chart 10: Manufacturing Sales (y/y %)



Source: CEIC/AmBank Research



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Tuesday, 12 January 2021

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