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ECONOMICS

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Malaysia – 4Q GDP likely to be weaker than 3Q's

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Malaysia

4Q GDP likely to be weaker than 3Q's

4Q 2020 IP and exports came in at -0.3% and 5.2% respectively while unemployment settled at 4.8%. Preliminary estimates suggest that the GDP during 4Q would likely hover between -3.2% and -3.5%. It is expected to be weaker than the -2.7% reported in 3Q2020, partly inflicted by selective restrictive measures imposed in 4Q when the number of new Covid-19 cases picked up. This should bring the full-year GDP to around -5.5% from 4.3% in 2019.

- For the whole of 2020, the performance of industrial production (IP) has been mixed. The data showed 6 months of negative annual growth out of the 12 months mainly due to the impact from the Covid-19 pandemic and the restrictive measures taken to contain the virus spread i.e. lockdowns. Such restrictive measures resulted in disruptions to the global supply chain, demand and employment. On that note, for the full year of 2020, IP contracted by 4.2% y/y (+2.3% y/y in 2019)
- Looking at December's IP, it improved to +1.7% y/y after reporting a contraction for two consecutive months i.e. November (-2.2% y/y) and October (-0.5% y/y) from the effects of the restrictive measures. On that note, the 4Q IP average came in at -0.3% y/y versus +0.8% y/y in 3Q2020.
- Details of IP showed that manufacturing activities continued to support the overall IP Index, growing by 4.1% y/y in December (2.0% y/y in November), bringing the 4Q average to 2.8% y/y. Improving external trade and a gradual pick-up in some areas of domestic activities supported the manufacturing activities.
- Besides, with the increasing focus on vaccine deployment, it has raised confidence from both consumers and businesses. However, the upside to the IP was limited from the continuous drag in the mining output as well as the second consecutive month of decline in electricity production.
- Underpinned by a modest economic recovery that was impacted by the restrictive measures imposed in 4Q2020 to address the rising virus spread, the overall unemployment rate ended at 4.8%, from a peak of 5.3% in May and that eased to 4.6% in September.
- Resulting from the restrictive measures in 4Q2020, the number of unemployed people at the end of the quarter came in at 772.9K, compared to 737.5K at end-3Q2020 (773.2K at end-2Q2020 and 610.5K at end-1Q2020). This remains a cause of concern although 22.3K jobs were created in 4Q2020 from 202.9K in 3Q2020 (-242.2K in 2Q2020 and -53.6K in 1Q2020).

- Youth unemployment (age 15 to 30 years old) remains sticky, easing a tad to 8.7% in December from 8.8% in November while the number of youth unemployed (15 to 24 years old) edged higher to 13.2% in December (Nov: 13.0%).
- Taking into account of the IP performance and exports which grew by 5.2% in 4Q2020, and unemployment at 4.8%, the preliminary GDP estimation for 4Q2020 would hover between -3.2% and -3.5%. It is near the market consensus of -3.5% (low: -1.0%; high: -7.6%). This should likely bring the full-year 2020 GDP to around 5.5%.

Table 1: Key Industrial Production Data (%)

	Dec'19	Jan'20	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
IP m/m	0.7	0.6	-6.7	-0.2	-30.5	18.9	26.3	1.3	-1.3	0.5	1.7	-2.7	4.7
IP y/y	1.3	0.6	6.2	-4.9	-32.0	-21.6	-0.4	1.2	0.2	1.0	-0.5	-2.2	1.7
Mfg m/m	1.2	0.4	-6.6	-1.0	-35.8	26.9	37.0	0.2	-2.1	2.1	0.1	-2.9	3.3
Mfg y/y	3.4	2.2	6.2	-4.1	-37.2	-22.6	4.7	2.9	2.2	4.3	2.4	2.0	4.1
Mining m/m	-0.9	0.8	-7.5	2.6	-19.1	0.4	2.4	4.4	0.3	-4.1	7.6	-0.7	10.8
Mining y/y	-4.9	-3.9	6.1	-6.5	-19.6	-22.2	-17.1	-3.0	-6.7	-9.6	-10.6	-15.4	-5.4
Electricity m/m	0.5	2.4	-4.5	-0.8	-13.3	13.8	0.2	4.2	3.0	-3.7	3.9	-6.0	3.0
Electricity y/y	0.9	0.0	6.8	-7.0	-19.3	-10.3	-2.4	-5.0	-1.1	-2.1	0.8	-2.5	-0.2
Mfg Salesm/m	1.5	-1.0	-5.7	-1.0	-31.2	18.1	30.5	2.0	-0.6	2.3	0.6	-1.7	3.9
Mfg Sales y/y	3.9	2.4	7.6	-3.0	-33.0	-20.4	4.2	1.9	1.6	3.7	2.2	2.1	4.5

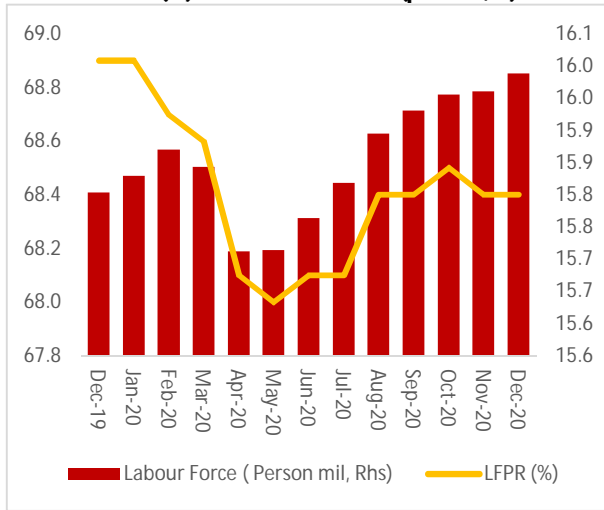
Source: CEIC/AmBank Research

Table 2: Key Labour data

	Dec'19	Jan'20	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Net Employed (K)	-29.0	31.6	26.9	-112.1	-299.0	-45.5	102.3	83.2	80.1	39.6	14.0	-11.0	19.3
Net Unemployed (K)	3.1	-5.3	13.5	85.3	168.3	47.3	-52.9	-28.1	-3.5	-4.1	10.7	16.2	8.5
Unemployment Rate (%)	3.3	3.2	3.3	3.9	5.0	5.3	4.9	4.7	4.7	4.6	4.7	4.8	4.8
LFPR (%)	68.9	68.9	68.7	68.6	68.1	68.0	68.1	68.1	68.4	68.4	68.5	68.4	68.4
Temporarily Not Working (K)	na	na	na	na	4,870.0	2,270.0	768.0	104.3	102.0	100.7	183.6	142.0	146.2

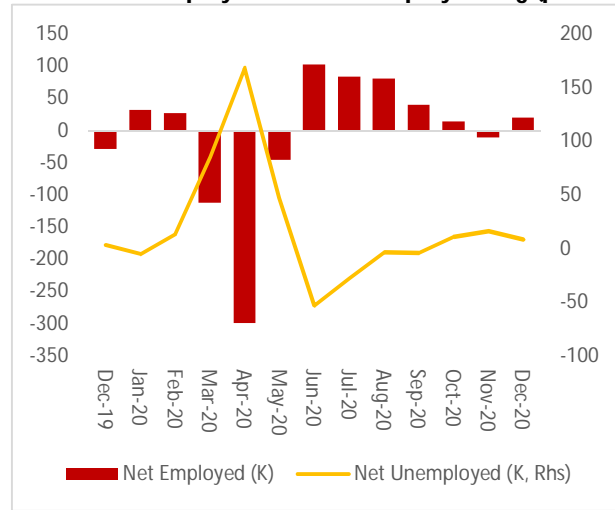
Source: CEIC/AmBank Research

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



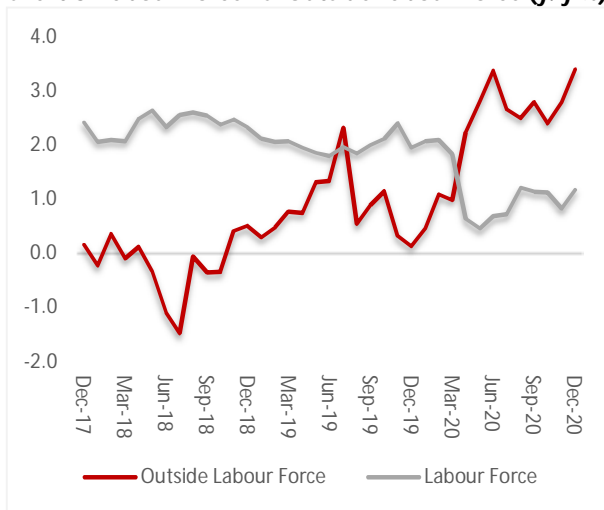
Source: CEIC/AmBank Research

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



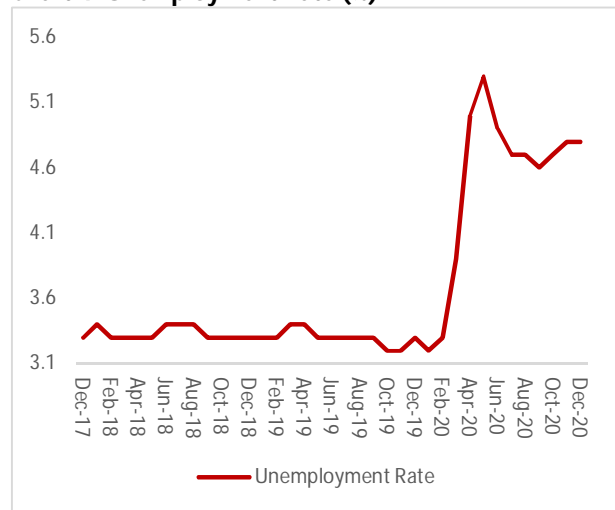
Source: CEIC/AmBank Research

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



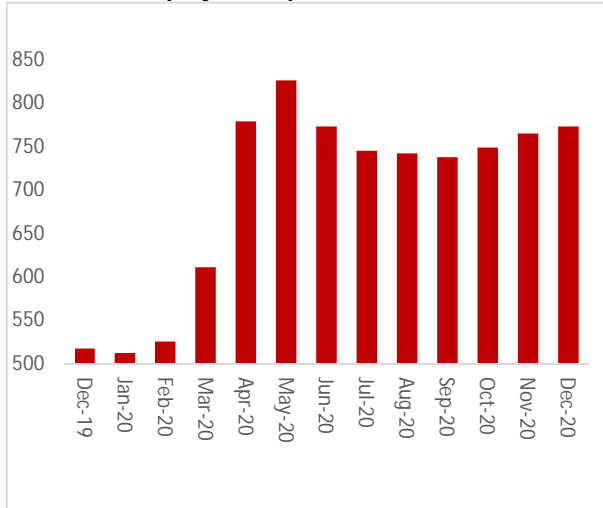
Source: CEIC/AmBank Research

Chart 4: Unemployment Rate (%)



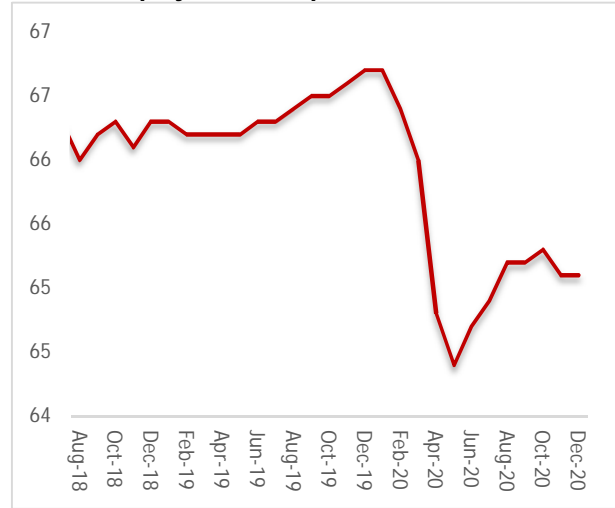
Source: CEIC/AmBank Research

Chart 5: Unemployment (person, K)



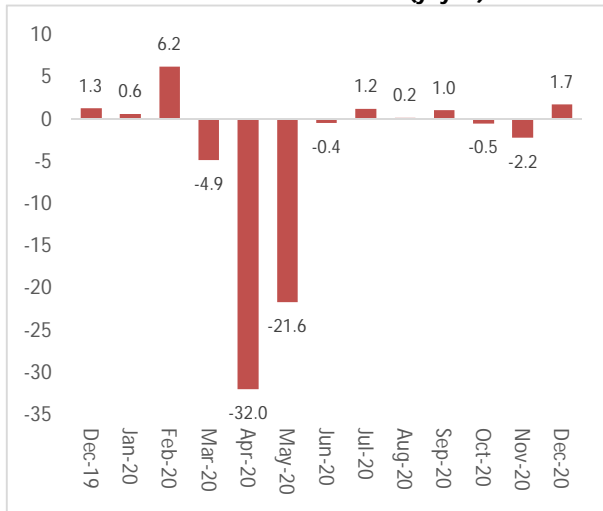
Source: CEIC/AmBank Research

Chart 6: Employment to Population Ratio (%)



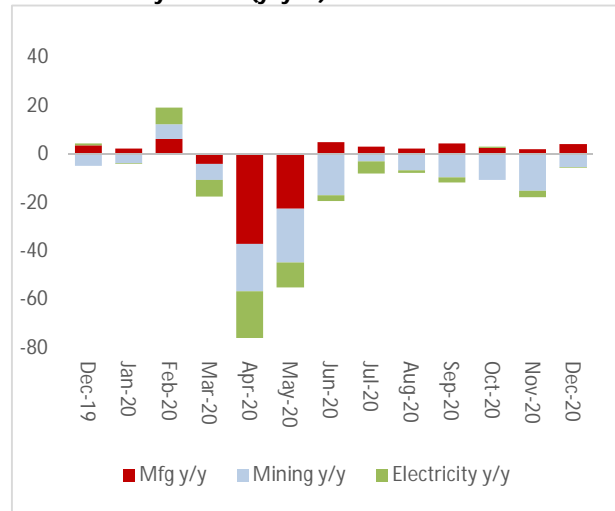
Source: DOSM/AmBank Research

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



Source: CEIC/AmBank Research

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



Source: CEIC/AmBank Research



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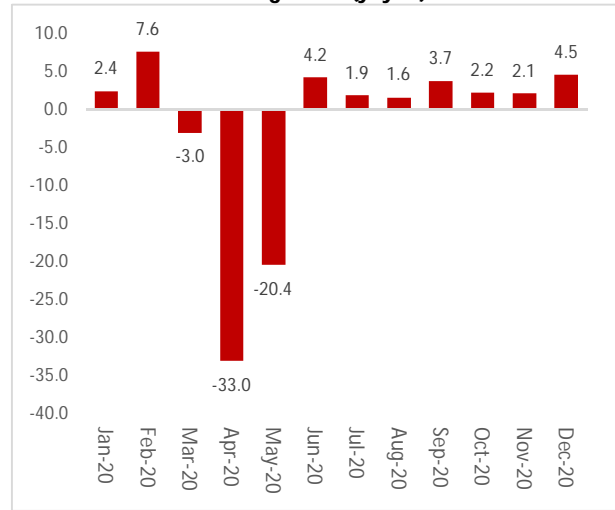
Tuesday, 09 February 2021

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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