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ECONOMICS

In this report:

Malaysia – Unemployment expected to pick up in near term

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Malaysia

Unemployment expected to pick up in near term

Although unemployment improved in April to 4.6%, pressure is growing for it to rise going forward. While manufacturing is allowed to operate at 60% capacity under MCO 3.0, supply chain disruptions and restrictions on non-essential businesses are pointing to slower growth and higher unemployment.

Unemployment could inch back to around 5% before it starts to soften as the economy gains momentum. Much will depend on the vaccination speed and management of this Covid pandemic. A continuous lockdown will impact the economy further and could act as a push factor for some businesses to shift operations to their parent company while some may move to alternative countries.

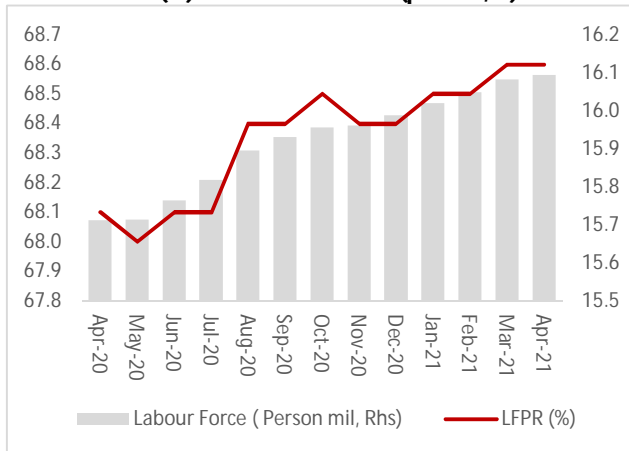
- Unemployment fell for the second straight month to 4.6% in April (4.7% in March), the lowest since September 2020.
- The improvement was supported by the recovery and conditional MCOs in most states. This allowed more businesses to continue their activities in full capacity while adhering to strict standard operating procedures.
- Hence, jobs created in April were 12,200 persons. This brought the total number of jobs created for the first four months of 2021 to 136.6K. (352.6K jobs loss in 2020). The labour force participation rate (LFPR) stood at 68.6%
- While May should witness a favourable job market trend, the challenge will be in June, with the imposition of MCO 3.0. It is expected to have knock-on effects on the labour market. While manufacturing is allowed to operate at 60% capacity under, supply chain disruptions and restrictions on non-essential businesses are pointing to slower growth and higher unemployment.
- Unemployment could inch back to around 5% before it starts to soften as the economy gains momentum. Much will depend on the vaccination speed and management of this Covid pandemic. A continuous lockdown will impact the economy further and could act as a push factor for some businesses to shift operations to their parent company while some may move to alternative countries.

Table 1: Key Labour data

	Apr'20	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan'21	Feb	Mar	Apr
Net Employed (K)	-299.0	-45.5	102.3	83.2	80.1	39.6	14.0	-11.0	19.3	21.9	33.3	58.7	22.7
Net Unemployed (K)	168.3	47.3	-52.9	-28.1	-3.5	-4.1	10.7	16.2	8.5	9.6	-5.0	-24.3	-10.5
Unemployment Rate (%)	5.0	5.3	4.9	4.7	4.7	4.6	4.7	4.8	4.8	4.9	4.8	4.7	4.6
LFPR (%)	68.1	68.0	68.1	68.1	68.4	68.4	68.5	68.4	68.4	68.5	68.5	68.6	68.6
Temporarily Not Working (K)	4,870.0	2,270.0	768.0	104.3	102.0	100.7	183.6	142.0	146.2	158.9	150.8	121.0	116.0

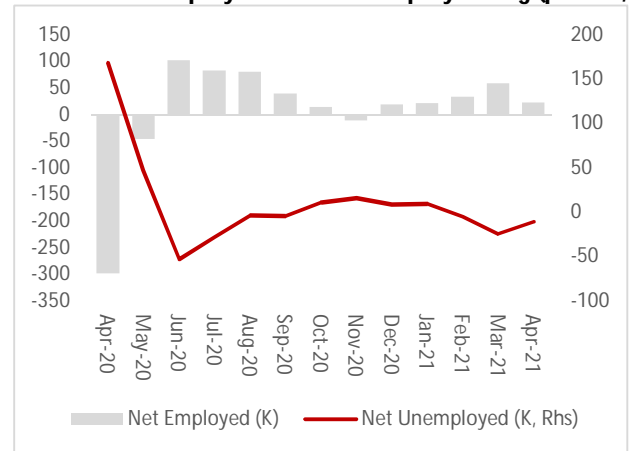
Source: CEIC/AmBank Research

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



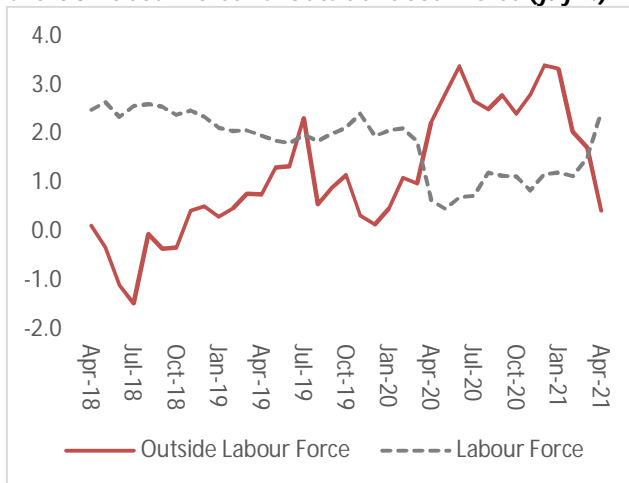
Source: CEIC/AmBank Research

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



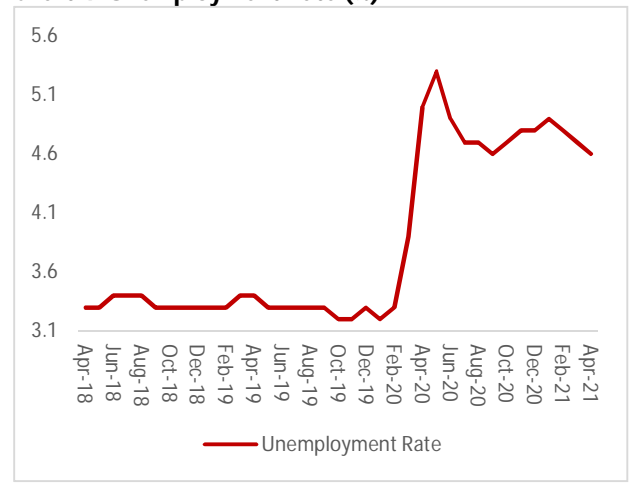
Source: CEIC/AmBank Research

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



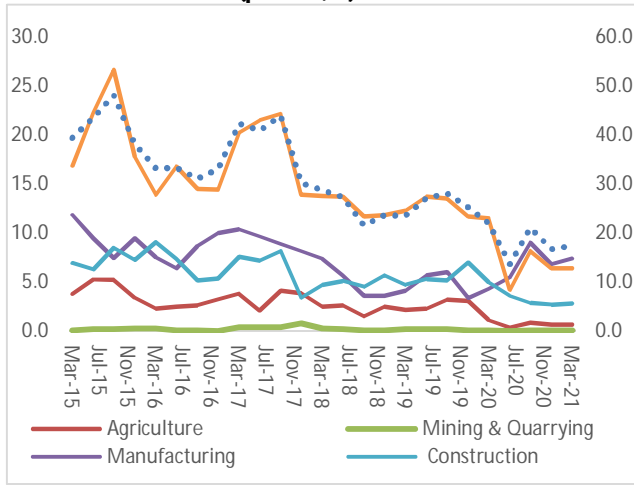
Source: CEIC/AmBank Research

Chart 4: Unemployment Rate (%)



Source: CEIC/AmBank Research

Chart 5: Job Created (person, K)



Source: CEIC/AmBank Research

Chart 6: Employment to Population Ratio (%)



Source: DOSM/AmBank Research



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