

ECONOMIC REVIEW | December 2020 Labour Market**Unemployment Rate Remained High, Unchanged at 4.8%**

- *Overall unemployment rate remained elevated. Malaysia's overall unemployment rate in 2020 rose to 4.5% (2019: 3.3%), consistent with our estimate, due to the coronavirus pandemic that negatively affected the labour market. With Covid-19 cases reaching an all time high in Feb-21 and the extension to the MCO 2.0 in Malaysia that was implemented in mid-Jan-21, we foresee a temporary challenge for the labour market recovery as some businesses may hold hiring due to the lower business activities during the MCO 2.0 period.*
- *Manufacturing employment remained below last year. Employment growth in the manufacturing sector fell at a softer rate of -2.0%yoy in Dec-20 (Nov-20: -2.2%yoy) as manufacturing employment remains below previous year's level. With gradually improvement each month, we foresee the trend will continue as employment in manufacturing sector gradually recovers benefiting from growing external demand. Nonetheless, the speed of recovery could slow down in the near term due to the increased restrictions to curb the Covid-19 virus. The gradual improvement in the manufacturing employment will contribute towards the overall job market recovery this year.*
- *Unemployment rate to decline to 3.8% this year. For the year 2021, we forecast Malaysia's unemployment rate to fall to 3.8% in 2021 (2020: 4.5%) as we expect recovery in the labour market to continue going into 2H21. The resurging Covid-19 cases and the re-implementation of a Movement Control Order (MCO) in all states except for Sarawak could temporarily influence recovery in the labour market in the early part of 2021. In 2021, we expect labour market recovery to continue benefiting from the government initiatives to support employment growth, such as MySTEP and the extension of Wage Subsidy Programme, and in general from the expected rebound in economic growth.*

Unemployment rate remained elevated. Malaysia's overall unemployment rate in 2020 rose to 4.5% (2019: 3.3%), consistent with our estimate, due to the coronavirus pandemic that negatively affected the labour market. The labour force increased at a slower rate during the year at 1.2% (2019: 2.0%) while overall employment was virtually unchanged, with employment growth shrank by -0.1% (2019: 2.0%). In Dec-20, unemployment rate in Malaysia remains the same as in Nov-20, unchanged at 4.8% as the targeted CMCO had been lifted in some areas but extended in Selangor, Sabah and Kuala Lumpur. Employment rate recorded a slower decline at -0.5%yoy (Nov-20: -0.8%yoy), while unemployment saw an accelerated increase of 49.5%yoy (Nov-20: 48.7%yoy). The rate of people outside the labour force increased to a more rapid rate of 3.4%yoy (Nov-20: 2.8%yoy) suggesting that the more people are discouraged in finding jobs during the month. On a monthly basis, unemployment and employment rose 1.1%mom (Nov-20: +2.2%mom) and 0.1%mom (Nov-20: -0.1%mom) respectively. With Covid-19 cases reaching an all time high in Feb-21 and the extension to the MCO 2.0 in Malaysia that was implemented in mid-Jan-21, we foresee a temporary challenge for the labour market recovery as some businesses may hold hiring due to the lower business activities during the MCO 2.0 period.

Table 1: Summary of Labour Market ('000)

	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20
Labour Force	15,818	15,895	15,931	15,955	15,961	15,988
YoY%	0.7	1.2	1.1	1.1	0.8	1.2
Employment	15,073	15,153	15,193	15,207	15,196	15,215
YoY%	-0.7	-0.2	-0.2	-0.4	-0.8	-0.5
Unemployment	745	742	738	748	764	773
YoY%	42.0	42.6	41.4	46.1	48.7	49.5
Outside Labour Force	7,400	7,352	7,360	7,348	7,375	7,372
YoY%	2.7	2.5	2.8	2.4	2.8	3.4
Unemployment Rate, sa %	4.7	4.7	4.6	4.7	4.8	4.8

Source: CEIC, MIDFR

Manufacturing employment remained below last year. Employment growth in the manufacturing sector fell at a softer rate of -2.0%yoy in Dec-20 (Nov-20: -2.2%yoy) as manufacturing employment remains below previous year's level. There were mixed result in the manufacturing sub-sectors with basic iron and steel products; electrical capacitor resistor; circuit board & display cam; and computers recorded a positive growth in employment levels, while employment declined in manufacturing of refined petroleum products, organic chemicals, and diode, transistor and electrical intergrated circuit. Meanwhile, manufacturing payrolls continues to contract, but at a slower rate of -0.8%yoy in Dec-20 (Nov-20: -1.3%yoy) as payrolls for most sub-sectors continues to fall except for electrical components and computer's sub sectors. With gradually improvement recorded each month, we foresee the trend will continue as employment in manufacturing sector gradually recovers as the manufacturing sectors benefits from growing external demand. Nonetheless, the speed of recovery could slow down in the near term due to the increased restrictions to curb the Covid-19 virus. The gradual improvement in the manufacturing employment will contribute towards the overall job market recovery this year.

Table 2: Manufacturing Employment (YoY%)

	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20
Overall	-2.4	-2.5	-2.3	-2.3	-2.2	-2.0
Refined Petroleum Products	-9.0	-8.6	-7.1	-6.7	-6.3	-7.2
Organic Chemical & Inorganic Compounds excl. Fertilizer	-2.8	-3.6	-3.8	-3.4	-2.4	-1.8
Basic Iron & Steel Products	-2.9	-2.4	-1.8	-0.2	-0.6	5.5
Diode, Transistor & Electronic Integrated Circuit Mic	-9.6	-9.6	-9.3	-9.0	-8.1	-8.5
Electrical Capacitor Resistor, Circuit Board, Display Com	-3.1	-1.9	-2.5	0.8	0.4	0.6
Computers & Peripherals Equipment	1.2	0.7	0.8	0.9	2.0	2.4

Source: CEIC, MIDFR

Table 3: Manufacturing Payrolls (YoY%)

	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20
Overall	-3.2	-3.2	-1.7	-1.6	-1.3	-0.8
Refined Petroleum Products	-10.2	-9.2	-9.2	-6.6	-3.8	-4.6
Organic Chemical & Inorganic Compounds excl. Fertilizer	-10.7	-11.9	-8.2	-11.3	-9.6	-8.4
Basic Iron & Steel Products	-12	-11.8	-11.5	-10.6	-10.1	-10.7
Diode, Transistor & Electronic Integrated Circuit Mic	-13.5	-11.7	-3.7	-4.1	-2.1	-10.8
Electrical Capacitor Resistor, Circuit Board, Display Com	6.9	6.9	6.9	12.4	8.7	28.6
Computers & Peripherals Equipment	10.9	6.6	0.8	6.4	4.6	19.7

Source: CEIC, MIDFR

Global jobless rate was mostly unchanged. Unemployment rate in many countries remained the same as previous month due to the rapid rise of Covid-19 cases which brought a halt to the recovery in the labour market. The US jobless rate remained unchanged in Dec-20 (Nov-20: 6.7%), and the latest data showed that jobless rate fell in Jan-21. Meanwhile, unemployment rate in China (Dec-20: 5.2%), Taiwan (Dec-20: 3.8%), Japan (Dec-20: 2.9%) and the euro area (Dec-20: 8.3%) also were unchanged compared to the previous month. Thailand recorded a fall in jobless rate, decreasing to 1.5% during the month (Nov-20: 2.0%) while Hong Kong reported an increase in unemployment rate to 6.6% (Nov-20: 6.3%) due to stringent social-distancing measures triggered by a fourth wave of coronavirus infections. Distribution of vaccines in each countries will eventually boost sentiment going forward. However, downward risks still remains in the global economy due to the discovery of new variants of the coronavirus. An extension of the tight restrictions to curb the spread of the virus will likely affect the labour market negatively in the near term and thus increasing the time taken to return to pre-pandemic levels.

Table 4: Global Unemployment Rate (%)

	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20
Malaysia	4.7	4.7	4.6	4.7	4.8	4.8
Thailand	2.1	1.9	1.8	2.1	2.0	1.5
Taiwan	3.9	3.8	3.8	3.8	3.8	3.8
South Korea	4.2	3.2	3.9	4.2	4.1	4.6
Hong Kong	6.1	6.1	6.4	6.4	6.3	6.6
China	5.7	5.6	5.4	5.3	5.2	5.2
Japan	2.9	3.0	3.0	3.1	2.9	2.9
Euro area	8.7	8.6	8.5	8.4	8.3	8.3
UK	4.1	4.5	4.8	4.9	5.0	n.a
USA	10.2	8.4	7.9	6.9	6.7	6.7

Note: Figures are seasonally-adjusted.

Source: CEIC, MIDFR


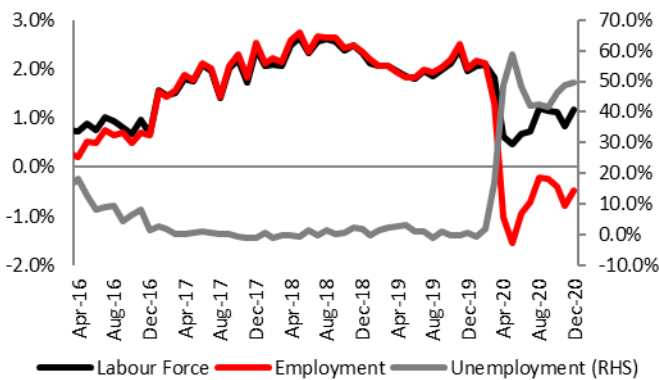
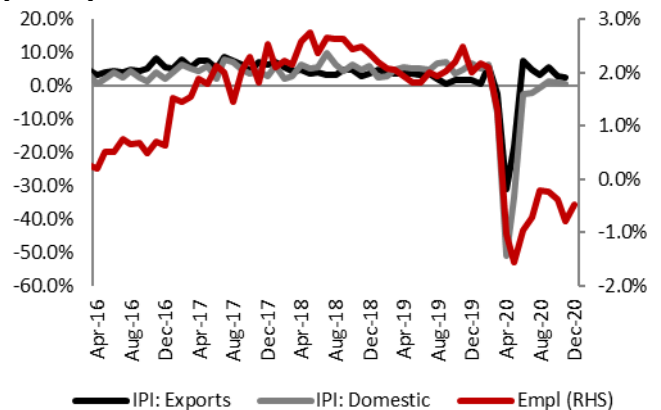
Unemployment rate to decline to 3.8% this year. For the year 2021, we forecast Malaysia's unemployment rate to fall to 3.8% in 2021 (2020: 4.5%) as we expect recovery in the labour market to continue going into 2H21. The resurging Covid-19 cases and the re-implementation of a Movement Control Order (MCO) in all states except for Sarawak could temporarily influence recovery in the labour market in the early part of 2021. However, with most businesses allowed to operate according to the SOPs, we expect growing labour demand to continue going forward and the weak demand condition will gradually improve as the rollout of vaccination programme will help to boost sentiment and the current MCO 2.0 restrictions will be eventually eased. In 2021, we expect labour market recovery to continue benefiting from the government initiatives to support employment growth, such as MySTEP and the extension of Wage Subsidy Programme, and in general from the expected rebound in economic growth. 

Chart 1: Labour Market Key Indicators (YoY%)



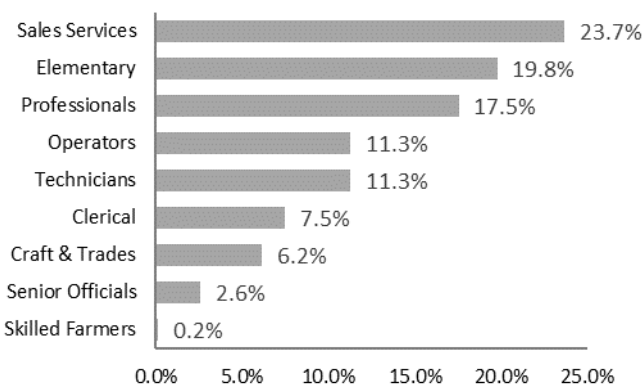
Source: CEIC, MIDFR

Chart 2: Employment. vs IPI:Exports vs IPI:Domestic (YoY%)



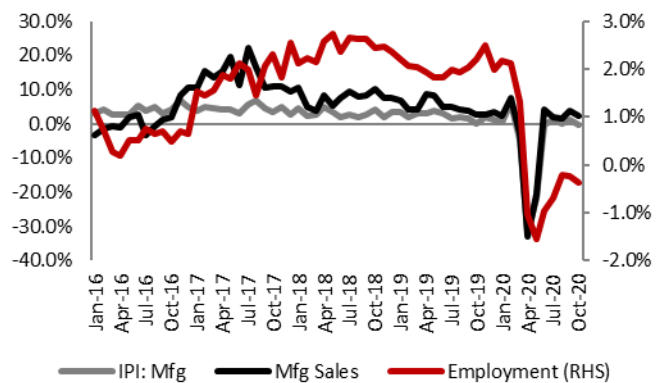
Source: CEIC, MIDFR

Chart 3: Share of Job Vacancies by Type (%)*



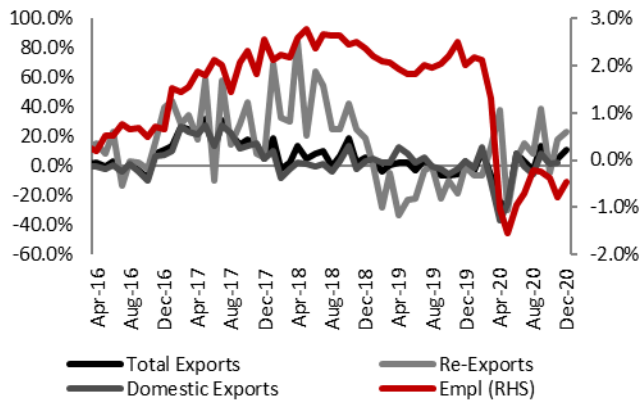
* Based on latest available data as of Oct-20
Source: CEIC, MIDFR

Chart 4: Employ. vs. IPI:Mfg vs. Mfg.Sales (YoY%)



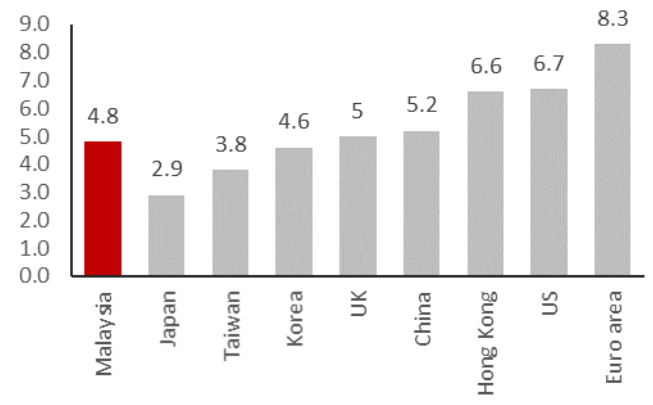
Source: CEIC, MIDFR

Chart 5: Employment vs Re-exports vs Domestic Exports (YoY%)



Source: CEIC, MIDFR

Chart 6: Global Unemployment Rates (%) in Dec-20



Source: CEIC, MIDFR

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