

Fallout in the Spore labour market in 1Q20 is only tip of the iceberg and is likely to worsen in 2Q20

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Highlights

Ongoing fallout in the domestic labour market already started in 1Q20.

The earlier estimate of a 19.9k decline in total employment was revised to a much sharper 25.6k drop (excluding foreign domestic workers). This marked the biggest quarterly contraction on record and exceeded the -24k seen during the SARS period in 2Q03, but did not come as a big surprise. More importantly, the worst is probably yet to come as the 1Q20 data may not have incorporated the acceleration in the Covid-cases which subsequently led to the Circuit Breaker being imposed in early April and extended till 1 June. Nevertheless, the significant decline was in foreign employment whereas local employment contracted slightly. That said, as a proportion of the total workforce, the decline in employment stood at -0.7% in 1Q20 which is less severe than the -1.2% seen during the SARS outbreak in 2Q03.

Not everyone is in the same boat though: As expected, the trade and tourism-related sectors were the main contributors due to the travel restrictions which impacted the hospitality-related sectors first and the disruptions in global supply chains began to manifest quickly as goods and talent flows came to a halt for some of our key trading partners including China which was first-in and first-out of the Covid-19 pandemic. The largest job losses were seen in F&B services (-8.3k), retail trade (-5.4k), wholesale trade (-3.3k), accommodation (-2.6k), and arts, entertainment and recreation (-2.3k). Manufacturing and construction sectors also shed 3.3k and 5.8k workers in 1Q20, reversing the gains in previous quarters and is likely to deteriorate further in 2Q20 due to work stoppages and supply chain disruptions. However, it was not all doom and gloom across all the sectors, as some sectors like financial and insurance services (+2.8k), public administration and education (+2.5k) and professional services (+2.5k) weather the Covid-induced economic downturn relatively better at least in the first quarter of 2020 given the essential nature of their services.

The total and resident unemployment rates rose to 2.4% and 3.3% respectively in 1Q20, up from 2.3% and 3.3% in 4Q19, but there is further upside risk with the start of the Circuit Breaker from April. The total and resident unemployment rates could rise to 3.0-3.5% and 4.0-4.5% respectively by the end of 2020. The unemployment rate for workers aged 40 years and above also rose from 2.5% in 4Q19 to 2.8% in 1Q20, even though the long-term resident unemployment rate was steady at 0.9%. Many workers may have been put on shorter work weeks or even temporary no-pay leave, which is already surging. Note that some 1,537 local employees were already affected by business closures even in 1Q20, more than double the 628 workers seen in 4Q19, and one-third of these

were from small companies with less than 25 employees which suggest that the smaller SMEs were bearing the brunt of the covid-19 induced recession. Some 4,190 workers were also put on shorter work hours or temporary layoff in 1Q20, which is a fivefold jump from 840 in 4Q19, albeit still significantly lower than the 26,530 seen at the peak of the Global Financial Crisis.

Essentially, the Jobs Support Scheme may have delayed the pain of layoffs until at least August, but what happens after the support expires bears watching because domestic demand may not recover as quickly. Note the re-entry rate among retrenched workers also dipped to 64.0% in 1Q20, with those aged 50 years and over registering the lowest re-entry rates, which suggest that the grim macroeconomic conditions were making job opportunities scarce, as also illustrated by the job vacancy rate to unemployed persons which fell to 0.71x (the lowest in a decade). In absolute terms, there were 46,300 job vacancies in March 2020, down 12% from a quarter ago. So it may boil down to if the Fortitude Budget's SGUnited package to create 100k jobs and traineeships can materialise fast enough to buffer the downside risk. It looks almost like a certainty that retrenchment numbers and the unemployment rate will continue to rise in 2Q20 and 3Q20 at least.

The introduction of the Employment Diffusion Index (EDI), which measures the breadth of the employment change, fell from 55.7 in December 2019 to 38.7 in March 2020. This also points to employment losses already becoming widespread across industries in March 2020, albeit mostly at the expense of foreign employment at this juncture. This suggests a global or external trigger causing the downturn in growth and the fall out in the labour market, rather than a particular structural issue like a sunset industry or a specific competitiveness issue per se. This may mean that in time to come when the external economy rebounds as the Covid-19 pandemic subsides, the prospects for a general growth rebound accompanied by a broad-based recovery in the labour market may also be in the pipeline.

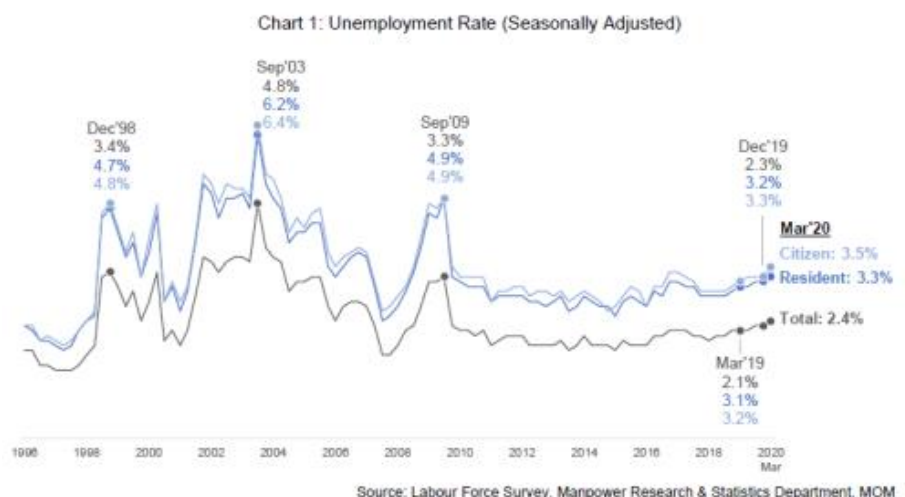
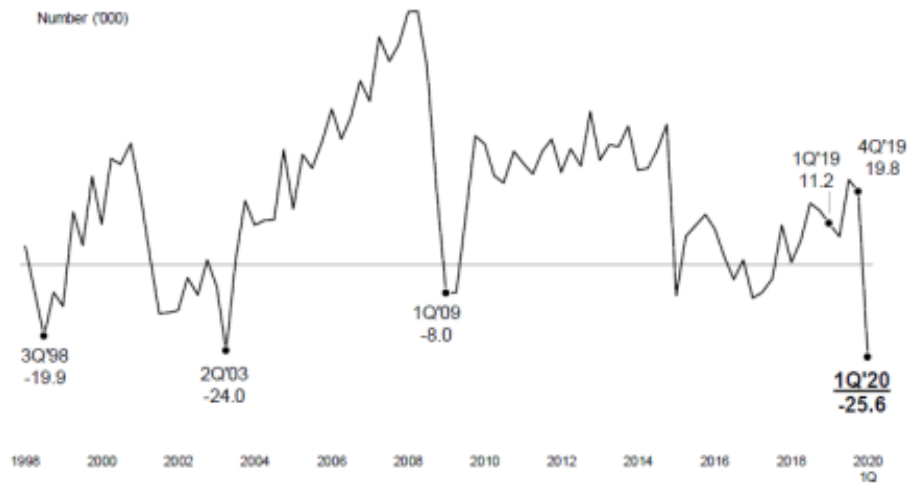


Chart 5: Quarterly Total Employment Change (excluding FDW)



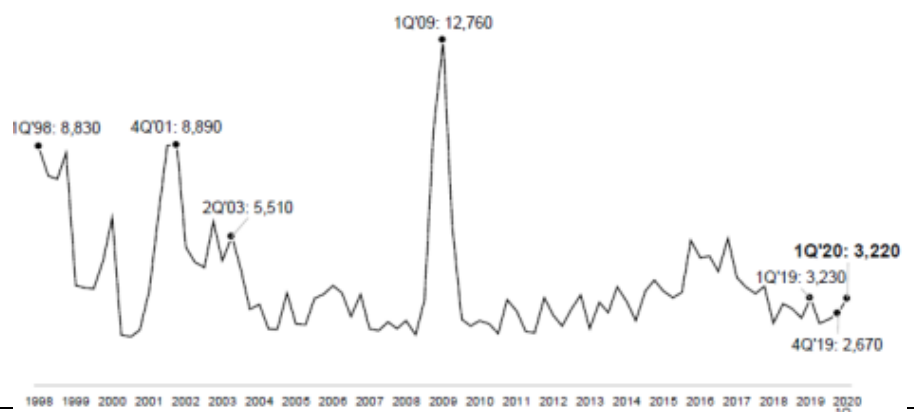
Source: Administrative Records and Labour Force Survey, Manpower Research & Statistics Department, MOM

The Employment Diffusion Index



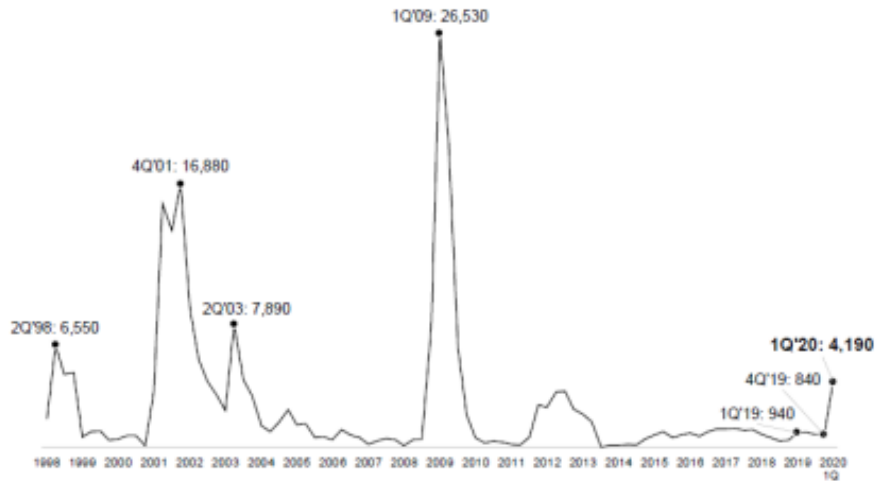
Source: Administrative Records and Labour Force Survey, Manpower Research & Statistics Department, MOM

Chart 6: Retrenchments



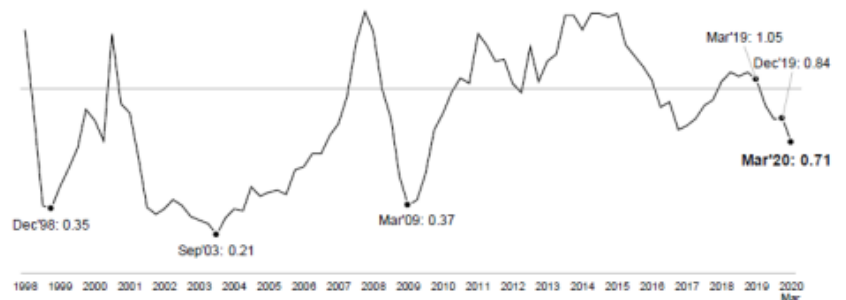
Source: Labour Market Survey, Manpower Research & Statistics Department, MOM

Chart 9: Number Of Employees On Short Work-week Or Temporary Layoff



Source: Labour Market Survey, Manpower Research & Statistics Department, MOM

Chart 13: Ratio Of Job Vacancies To Unemployed Persons (Seasonally Adjusted)



Source: Labour Market Survey and Labour Force Survey, Manpower Research & Statistics Department, MOM

Employment

	Change from Dec 2019	('000)
Public Administration & Education	2.5	2.5
Professional Services	2.5	2.5
Financial Services	2.3	2.3
Information & Communications	0.8	0.8
Health & Social Services	0.8	0.8
Insurance Services	0.5	0.5
Transportation & Storage	0.4	0.4
Real Estate Services	-1.6	-1.6
Administrative & Support Services	-1.8	-1.8
Arts, Entertainment & Recreation	-2.3	-2.3
Accommodation	-2.6	-2.6
Wholesale Trade	-3.3	-3.3
Manufacturing	-3.3	-3.3
Retail Trade	-5.4	-5.4
Construction	-5.8	-5.8
Food & Beverage Services	-8.3	-8.3

Note: Excludes Foreign Domestic Workers.

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