Singapore's overall unemployment rate rose modestly to 2.4% in 1Q20, the highest since 3Q09 (GFC).

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Highlights

Singapore's overall unemployment rate did not rise as fast as expected from 2.3% in 4Q19 to 2.4% in 1Q20, but still marks the highest since 3Q09 during the Global Financial Crisis (GFC). The resident and citizen unemployment rates also climbed modestly to 3.3% (+0.1% point) and 3.5% (+0.2% points) respectively, with both registering the highest readings since 4Q09 post-GFC period, albeit still substantially below their GFC quarterly peaks of 4.9% in 3Q09. Considering that the Circuit Breaker (CB) only started in April, the 1Q20 unemployment data, is probably a harbinger and the 2Q20 data may be worse. Ditto for the retrenchment numbers. That said, it is not all doom and gloom as there are still industries that fare relatively better such as healthcare, public administration and professional services. However, note for those employees that are placed on no-pay leave or have hours worked cut back, they may not show up in the unemployment data yet.

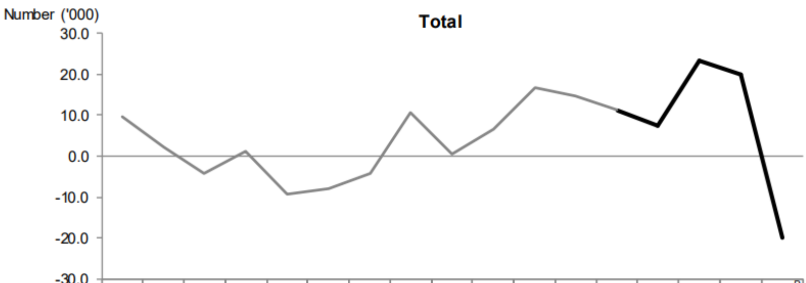
Total employment fell 19k (excluding Foreign Domestic Workers) in 1Q20, the sharpest drop since 2Q03 (-24k) during SARS. The bulk of the employment decline was contributed by the services sector which fell for the first time since 2Q 2003 (-10k), followed by construction (-6.1k) and manufacturing (-3.4k). **The worst hit sectors are the services, particularly those F&B, retail trade and tourism-related accommodation due to the travel restrictions and social distancing measures**. Ironically, the CB may mean an even more exaggerated impact for 2Q20. Even the construction and manufacturing sectors are also impacted since only essential services are still operating under the ongoing CB. With many economies also in lockdown mode both globally and regionally, there has also been disruptions to the global supply chains and manpower.

The JSS and other stimulus measures, can help ease some short-term pain, namely for two months spanning April to May. However, if the CB is not lifted on 1 June or the government assistance is not extended beyond May, then the smaller firms may see renewed pressure from both the Covid pandemic and demand shock and possibly still lay off workers down the road. Usually layoffs are the last resort after exhausting all other means of cost-cutting. If we reference the SARS period, GDP growth bottomed in 2Q03 but the unemployment rate only peaked towards end-2003. The CB has also frontloaded the digital transformation journey for businesses and work-from-home arrangements. This could also be a double-edged sword as bigger firms could decide to focus and prioritise to retain and retrain the most essential and productive staff.

As such, digital training and skills upgrading is more important than ever. Government support can help but both employers and employees need to partner together to prepare for the upturn when it materialises. The path of least resistance may be to extend but maybe tier the JSS support going forward beyond May. There currently is already a plethora of government schemes to help with training including the SkillsFuture. Given the current Covid-19 storm, more policy assistance to the unemployed may be needed to ease career transitions, for instance by accelerating the expansion of the Professional Conversion Program (PCP). For fresh graduates, the recent initiative by MAS double the salary support for financial institutions to hire fresh graduates or workers from other sectors is also a good start.

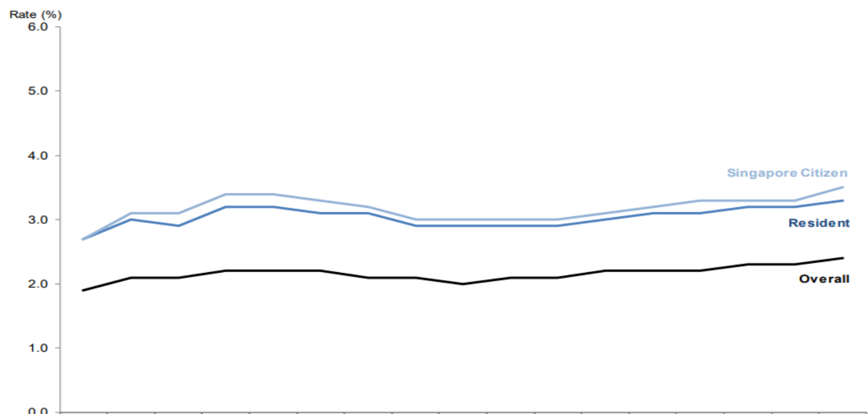
Interestingly, the survey conducted between 13-17 April suggest that intentions to cut salary and headcount remain low at 12.4% and 8.0% respectively. The majority, at 71.6% and 77.1% respectively, have no intentions to cut salary and headcount, while the remainder are undecided. It would be key to watch if these intentions change over time as the JSS and foreign worker levy/rebate end in May and the lifting of the CB on 1 June draw closer.

Chart 1 Employment Change By Sector



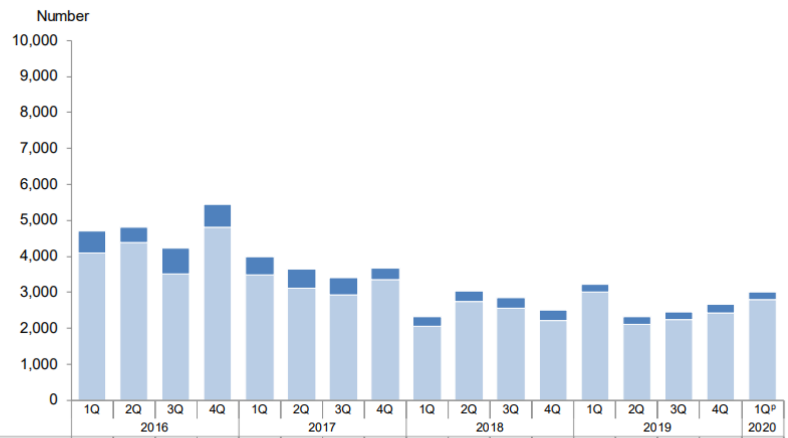
	1Q 2016	2Q 2016	3Q 2016	4Q 2016	1Q 2017	2Q 2017	3Q 2017	4Q 2017	1Q 2018	2Q 2018	3Q 2018	4Q 2018	1Q 2019	2Q 2019	3Q 2019	4Q 2019	1Q^P 2020
Total	13.0	4.2	-2.7	2.3	-6.8	-7.3	-2.3	12.7	3.7	6.5	19.3	15.9	13.9	6.8	27.6	21.5	-19.5
Total excl FDW	9.5	2.1	-4.2	1.2	-9.4	-7.9	-4.1	10.7	0.4	6.5	16.7	14.7	11.2	7.5	23.3	19.8	-19.9

Chart 2 Unemployment Rate (Seasonally Adjusted)



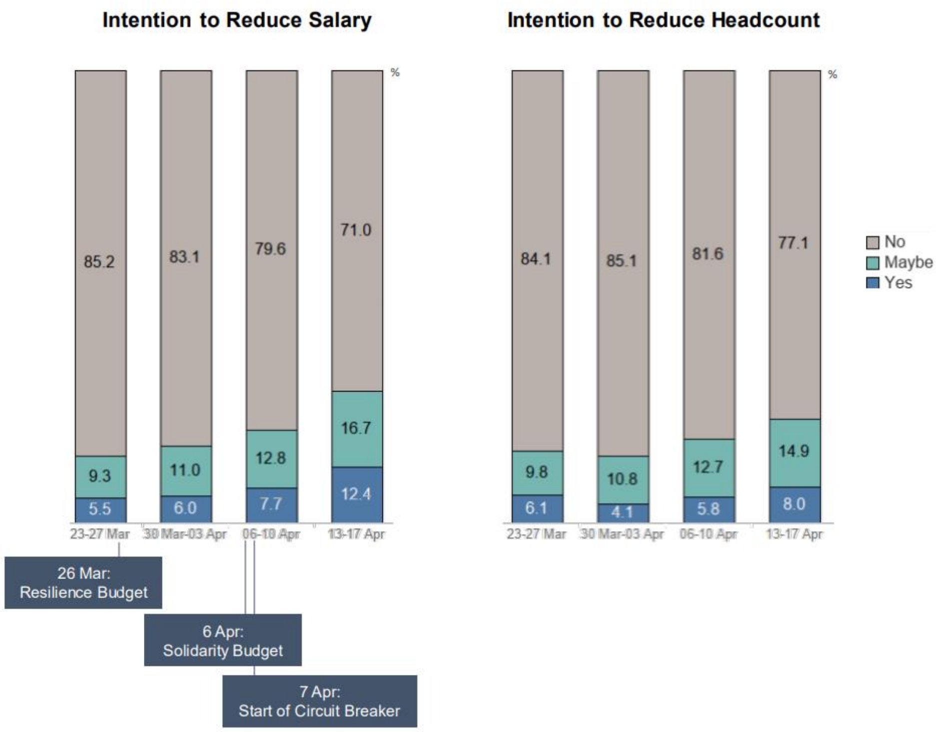
	Mar 2016	Jun 2016	Sep 2016	Dec 2016	Mar 2017	Jun 2017	Sep 2017	Dec 2017	Mar 2018	Jun 2018	Sep 2018	Dec 2018	Mar 2019	Jun 2019	Sep 2019	Dec 2019	Mar^P 2020
Overall	1.9	2.1	2.1	2.2	2.2	2.2	2.1	2.1	2.0	2.1	2.1	2.2	2.2	2.2	2.3	2.3	2.4
Resident	2.7	3.0	2.9	3.2	3.2	3.1	3.1	2.9	2.9	2.9	2.9	3.0	3.1	3.1	3.2	3.2	3.3
Citizen	2.7	3.1	3.1	3.4	3.4	3.3	3.2	3.0	3.0	3.0	3.0	3.1	3.2	3.3	3.3	3.3	3.5

Chart 3 Retrenchment



	2016 1Q	2016 2Q	2016 3Q	2016 4Q	2017 1Q	2017 2Q	2017 3Q	2017 4Q	2018 1Q	2018 2Q	2018 3Q	2018 4Q	2019 1Q	2019 2Q	2019 3Q	2019 4Q	2020 1Q^P
Retrenchment	4,710	4,800	4,220	5,440	4,000	3,640	3,400	3,680	2,320	3,030	2,860	2,510	3,230	2,320	2,470	2,670	3,000
Term Contract Employees	620	400	710	630	510	520	480	330	270	270	300	280	220	200	230	240	200
Permanent Employees	4,090	4,400	3,520	4,810	3,480	3,120	2,920	3,350	2,050	2,760	2,560	2,230	3,010	2,120	2,240	2,440	2,800

Chart 4 Business Expectations of Companies in the Next Two Months



Source: MOM

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