

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

Selena Ling

Head of Research and Strategy

+65 6530 4887

[LingSSSelena@ocbc.com](mailto:LingSSSelena@ocbc.com)

### 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.

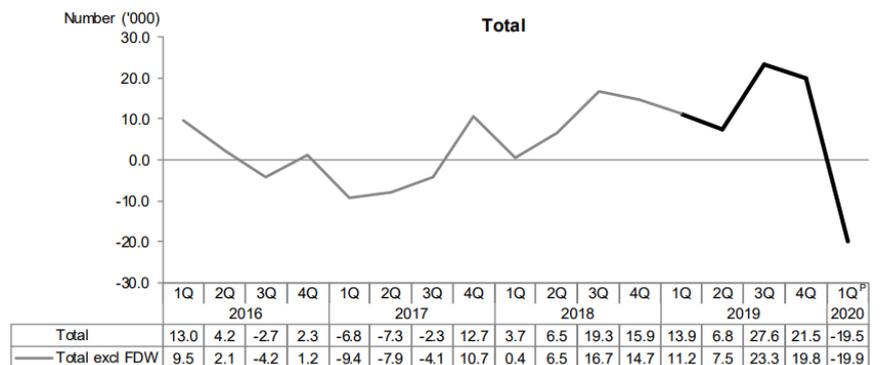
**Total employment fell 19k (excluding Foreign Domestic Workers) in 1Q20, the sharpest drop since 2Q03 (-24k) during SARS.** The bulk of the employment decline was contributed by the services sector which fell for the first time since 2Q 2003 (-10k), followed by construction (-6.1k) and manufacturing (-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.

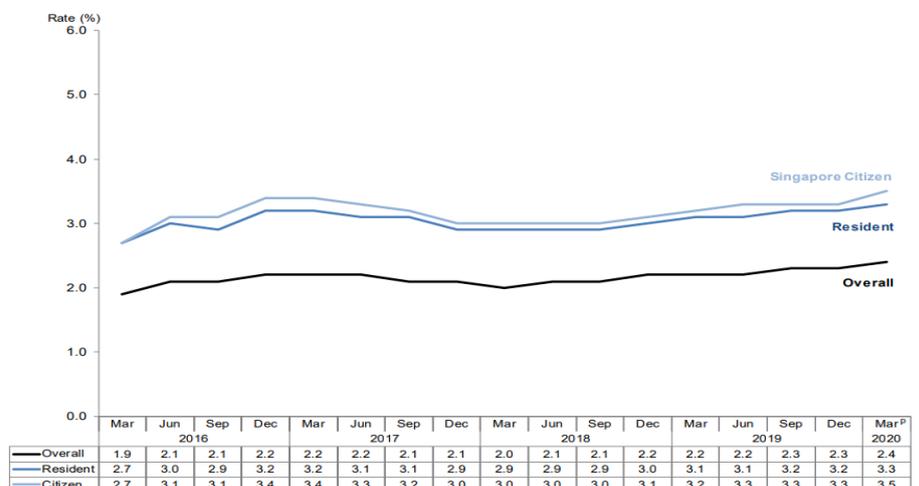
**As such, digital training and skills upgrading is more important than ever.** Government support can help but both employers and employees need to partner together to prepare for the upturn when it materialises. The path of least resistance may be to extend but maybe tier the JSS support going forward 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.

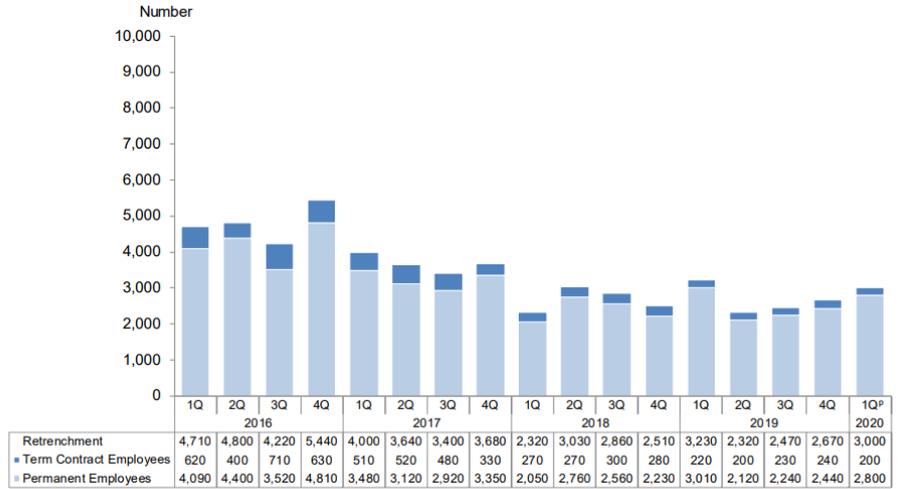
**Chart 1** Employment Change By Sector



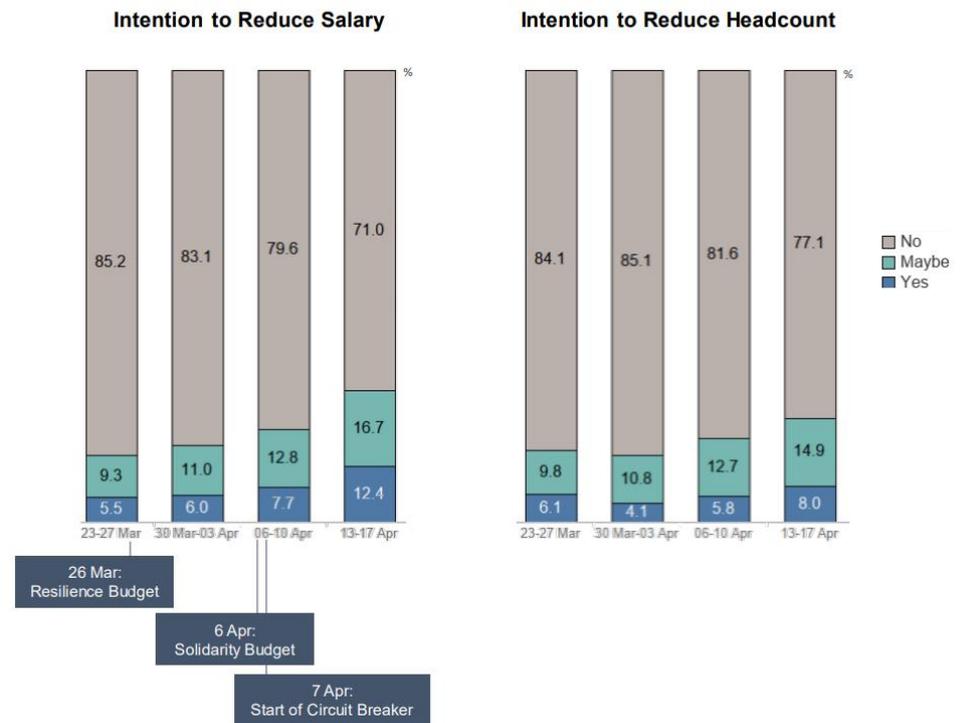
**Chart 2** Unemployment Rate (Seasonally Adjusted)



**Chart 3** Retrenchment



**Chart 4** Business Expectations of Companies in the Next Two Months



Source: MOM

---

## Treasury Research & Strategy

---

### Macro Research

**Selena Ling***Head of Research & Strategy*[LingSSSelena@ocbc.com](mailto:LingSSSelena@ocbc.com)**Tommy Xie Dongming***Head of Greater China Research*[XieD@ocbc.com](mailto:XieD@ocbc.com)**Wellian Wiranto***Malaysia & Indonesia*[WellianWiranto@ocbc.com](mailto:WellianWiranto@ocbc.com)**Terence Wu***FX Strategist*[TerenceWu@ocbc.com](mailto:TerenceWu@ocbc.com)**Howie Lee***Thailand, Korea & Commodities*[HowieLee@ocbc.com](mailto:HowieLee@ocbc.com)**Carie Li***Hong Kong & Macau*[carierli@ocbcwh.com](mailto:carierli@ocbcwh.com)**Dick Yu***Hong Kong & Macau*[dicksnyu@ocbcwh.com](mailto:dicksnyu@ocbcwh.com)

### Credit Research

**Andrew Wong***Credit Research Analyst*[WongVKAM@ocbc.com](mailto:WongVKAM@ocbc.com)**Ezien Hoo***Credit Research Analyst*[EzienHoo@ocbc.com](mailto:EzienHoo@ocbc.com)**Wong Hong Wei***Credit Research Analyst*[WongHongWei@ocbc.com](mailto:WongHongWei@ocbc.com)**Seow Zhi Qi***Credit Research Analyst*[ZhiQiSeow@ocbc.com](mailto:ZhiQiSeow@ocbc.com)

This publication is solely for information purposes only and may not be published, circulated, reproduced or distributed in whole or in part to any other person without our prior written consent. This publication should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities/instruments mentioned herein. Any forecast on the economy, stock market, bond market and economic trends of the markets provided is not necessarily indicative of the future or likely performance of the securities/instruments. Whilst the information contained herein has been compiled from sources believed to be reliable and we have taken all reasonable care to ensure that the information contained in this publication is not untrue or misleading at the time of publication, we cannot guarantee and we make no representation as to its accuracy or completeness, and you should not act on it without first independently verifying its contents. The securities/instruments mentioned in this publication may not be suitable for investment by all investors. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. This publication may cover a wide range of topics and is not intended to be a comprehensive study or to provide any recommendation or advice on personal investing or financial planning. Accordingly, they should not be relied on or treated as a substitute for specific advice concerning individual situations. Please seek advice from a financial adviser regarding the suitability of any investment product taking into account your specific investment objectives, financial situation or particular needs before you make a commitment to purchase the investment product. OCBC Bank, its related companies, their respective directors and/or employees (collectively "Related Persons") may or might have in the future interests in the investment products or the issuers mentioned herein. Such interests include effecting transactions in such investment products, and providing broking, investment banking and other financial services to such issuers. OCBC Bank and its Related Persons may also be related to, and receive fees from, providers of such investment products.

This report is intended for your sole use and information. By accepting this report, you agree that you shall not share, communicate, distribute, deliver a copy of or otherwise disclose in any way all or any part of this report or any information contained herein (such report, part thereof and information, "Relevant Materials") to any person or entity (including, without limitation, any overseas office, affiliate, parent entity, subsidiary entity or related entity) (any such person or entity, a "Relevant Entity") in breach of any law, rule, regulation, guidance or similar. In particular, you agree not to share, communicate, distribute, deliver or otherwise disclose any Relevant Materials to any Relevant Entity that is subject to the Markets in Financial Instruments Directive (2014/65/EU) ("MiFID") and the EU's Markets in Financial Instruments Regulation (600/2014) ("MiFIR") (together referred to as "MiFID II"), or any part thereof, as implemented in any jurisdiction. No member of the OCBC Group shall be liable or responsible for the compliance by you or any Relevant Entity with any law, rule, regulation, guidance or similar (including, without limitation, MiFID II, as implemented in any jurisdiction).