Malaysia's Business and Economic Conditions Survey (M-BECS) 2H 2019 and 1H 2020F

中总 ACCCIM 马来西亚中华总商会

M-BECS is intended to gauge:

i. **Economic and Business Performance and Outlook**;

ii. **Factors Affecting Business Performance**; and

iii. **Current Issues Confronting Businesses**

Significance of the Survey

• To gauge **Chinese business community's assessment of current and forward expectations**; and

• To provide **a basis for ACCCIM to prepare memoranda and policy proposals**

Business conditions "DETERIORATED" in 2H 2019

Legend: —●— Expanded   —■— No change   —◆— Deteriorated

(Values at right end: 40.4, 39.6, 19.9)
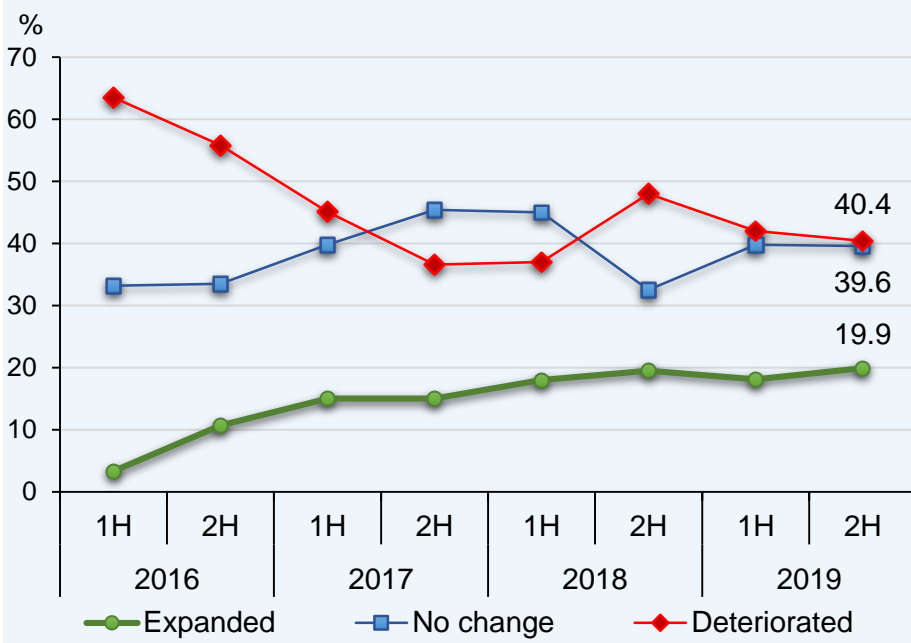
More respondents indicated "pessimistic" on business prospect in 2020 in three key sectors…

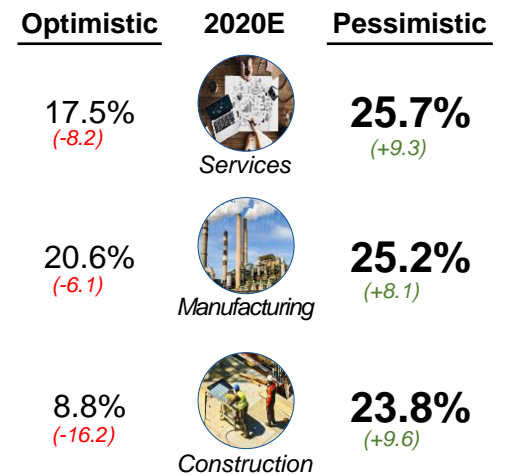| Optimistic	2020E	Pessimistic
17.5% *(-8.2)*	*Services*	**25.7%** *(+9.3)*
20.6% *(-6.1)*	*Manufacturing*	**25.2%** *(+8.1)*
8.8% *(-16.2)*	*Construction*	**23.8%** *(+9.6)*

Figure in parenthesis indicates change of % respondents from previous survey
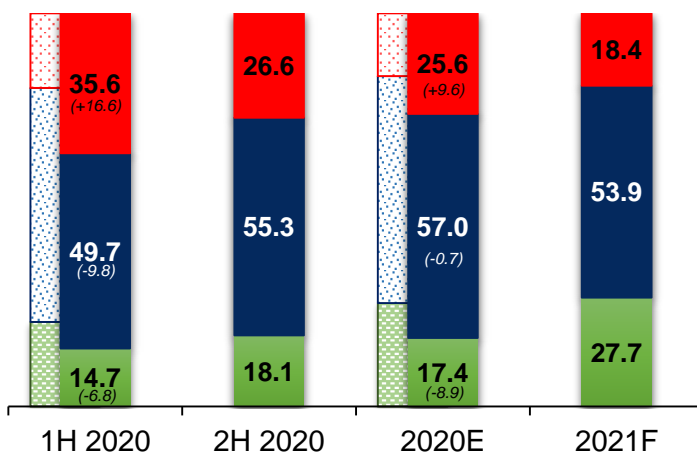
More cautious about economic and business prospects in 2020

M-BECS 2H2019 and 1H2020F
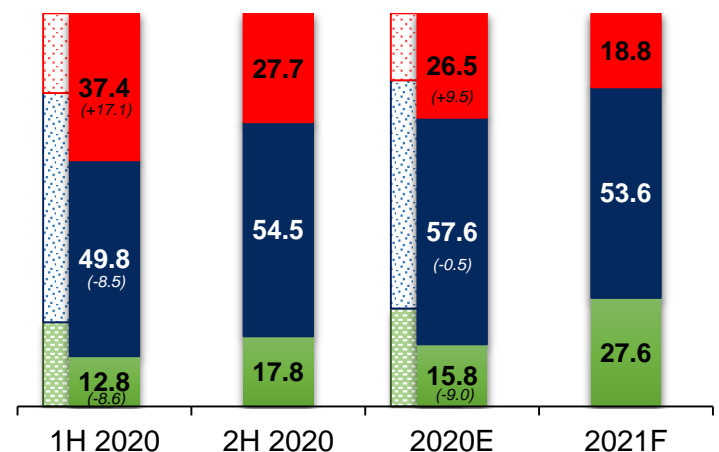■ Optimistic ■ Neutral ■ Pessimistic

M-BECS 1H2019 and 2H2019F
▨ Optimistic ▨ Neutral ▨ Pessimistic

E=Estimates; F=Forecast;
Figure in parenthesis indicates change of % respondents from previous survey

Business prospects (% respondents)

	1H 2020	2H 2020	2020E	2021F
Pessimistic	35.6 *(+16.6)*	26.6	25.6 *(+9.6)*	18.4
Neutral	49.7 *(-9.8)*	55.3	57.0 *(-0.7)*	53.9
Optimistic	14.7 *(-6.8)*	18.1	17.4 *(-8.9)*	27.7

Economic prospects (% respondents)

	1H 2020	2H 2020	2020E	2021F
Pessimistic	37.4 *(+17.1)*	27.7	26.5 *(+9.5)*	18.8
Neutral	49.8 *(-8.5)*	54.5	57.6 *(-0.5)*	53.6
Optimistic	12.8 *(-8.6)*	17.8	15.8 *(-9.0)*	27.6

Business Pulse Diagnosis

Top FIVE factors affecting business performance

1	2	3	4	5
Government policies (51.5%)	Domestic competition (47.3%)	The Ringgit's fluctuations (39.5%)	Domestic political situation (38.8%)	Manpower shortage (31.3%)
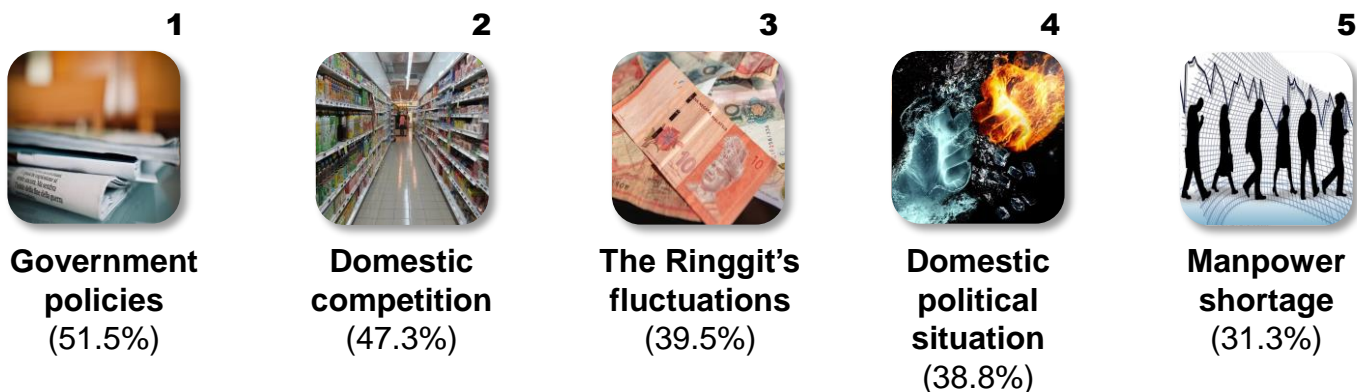
Business Assessment

*A=Actual; F=Forecast; *The results of 2H 2019F were from previous survey (M-BECS 1H 2019 and 2H 2019F).*

Legend: ■ Good ■ Satisfactory ■ Poor

%

Business conditions

	Good	Satisfactory	Poor
2H 2019F*	8.4	46.4	45.2
2H 2019A	9.3	45.0	45.7
1H 2020F	8.9	46.4	44.6

Cash flows conditions

	Good	Satisfactory	Poor
2H 2019F*	6.3	48.8	44.9
2H 2019A	6.2	51.6	42.2
1H 2020F	6.9	52.4	40.6

Debtors' conditions

	Good	Satisfactory	Poor
2H 2019F*	5.6	47.8	46.6
2H 2019A	6.2	51.6	42.2
1H 2020F	7.1	51.5	41.4

Domestic sales / Cost of raw materials / Capital expenditure

Legend: ■ Decrease ■ No change ■ Increase

Domestic sales – Volume

	2H19	1H20F
Decrease	36.4%	31.6%
No change	32.5%	33.7%
Increase	31.0%	34.7%

Domestic sales – Price

	2H19	1H20F
Decrease	25.1%	23.1%
No change	36.6%	40.1%
Increase	38.3%	36.8%

Cost of raw materials – Local

	2H19	1H20F
Decrease	9.6%	8.6%
No change	27.2%	31.4%
Increase	63.2%	60.1%

Cost of raw materials – Imported

	2H19	1H20F
Decrease	10.5%	9.0%
No change	30.0%	33.7%
Increase	59.5%	57.3%

Capital expenditure

	2H19	1H20F
Decrease	5.0%	4.3%
No change	37.0%	40.6%
Increase	58.1%	55.1%

Digital Transformation and Industry 4.0

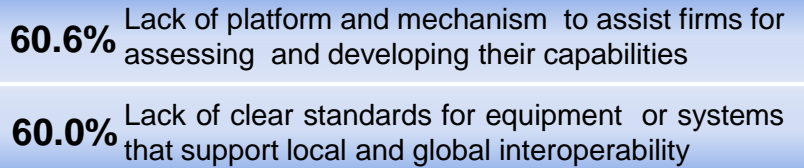*Respondents' opinion on the statement below:*

51.0% Agreed

"**Digital transformation and Industry 4.0 could boost the industry's and Malaysia's global competitiveness**"

Problems encountered for embracing or adopting digital transformation and Industry 4.0 in Malaysia
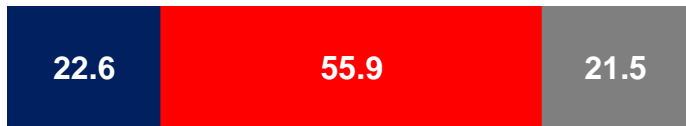
*Figure denotes % of respondents

60.6% Lack of platform and mechanism to assist firms for assessing and developing their capabilities

60.0% Lack of clear standards for equipment or systems that support local and global interoperability

72.2% of respondents have acknowledged that **existing business model will be disrupted by digitalisation and Industry 4.0 over next three years.**

Adoption of digital transformation and Industry 4.0

■ Yes ■ No ■ Not Applicable   **%**

22.6	55.9	21.5

Reduction in dependency of FWs via Industry 4.0

■ Yes, significantly   ■ No, do not hire FWs
■ Yes, but not significantly   ■ No, remained unchanged

30% · 42% · 28% · 14% · 28%

Factors restraining Malaysian businesses to adopt automation/digitalisation

1st
"**Lack of budget/funding**
(*49.0%*)"

2nd
"**Lack of skilled and talented workers**
(*48.0%*)"
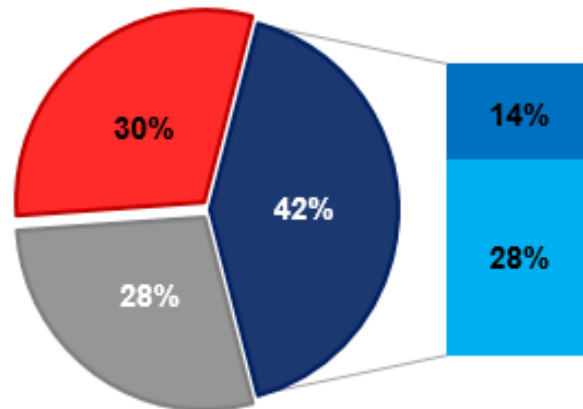
Government's support in helping business to implement automation/digitalisation over next 1-3 years
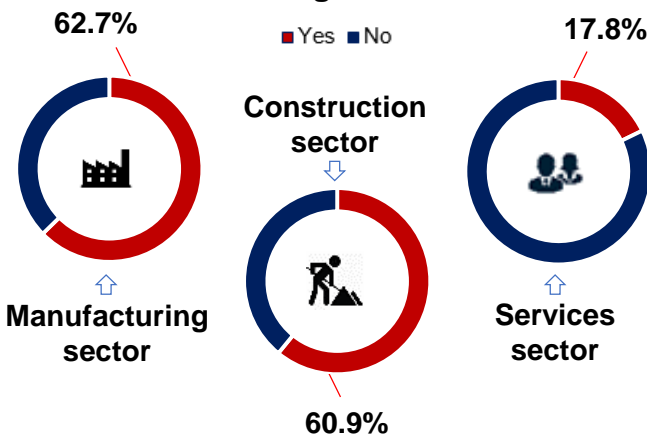
39.1% - *Reduce import duty and sales tax* on heavy machinery and equipment for automation

37.1% - *Improve the digital infrastructure connectivity* between urban and rural areas
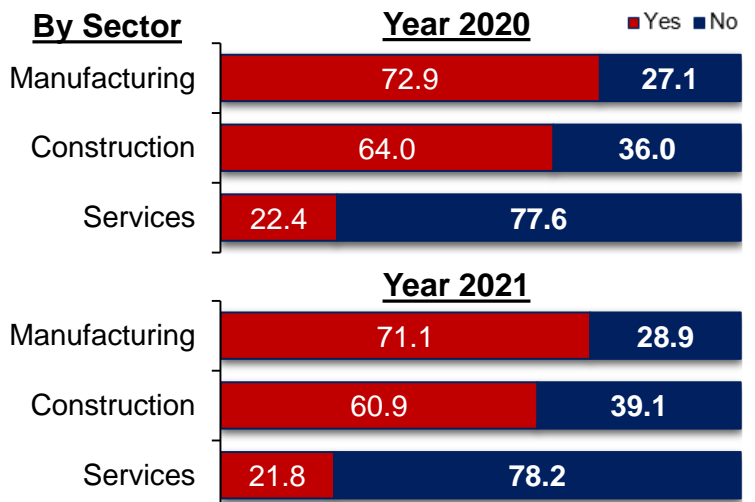
*Figure denotes % of respondents rated "very urgent" and "extremely urgent"

Foreign Workers (FWs)*

Shortage of FWs

■ Yes ■ No

62.7%
Manufacturing sector

Construction sector
60.9%

17.8%
Services sector

Does companies need FWs in 2020 and 2021?

■ Yes ■ No

By Sector | **Year 2020**

Manufacturing	72.9	27.1
Construction	64.0	36.0
Services	22.4	77.6

Year 2021

Manufacturing	71.1	28.9
Construction	60.9	39.1
Services	21.8	78.2

*Note: Agriculture as well as mining and quarrying sector are excluded due to insufficient sample size (n <30) to generate a valid result.

ACCCIM

马来西亚中华总商会

ACKNOWLEDGMENT

*We are exceptionally grateful for the generous support provided by
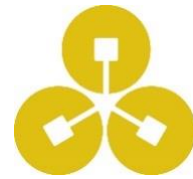17 Constituent Members and their valued members*

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This survey is collaborated with:

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