

1. INTRODUCTION

1.1 THE PURPOSE OF THIS SURVEY

In Malaysia, owing to their wide participation in the economic activities throughout the country, Chinese businessmen and business entities play an important role within the Malaysian economy. A biannual survey was carried out to gather feedback and opinions from Chinese businessmen pertaining to the economic conditions and performance in the 1st half of 2016. This survey can be viewed as a means to gauge the economic situation facing the Chinese business community in the period concerned. This survey covers four major areas in relation with the Chinese business community, namely:

- i. The Malaysian economic situation in the 1st half of 2016;
- ii. Major factors affecting business performance;
- iii. Malaysian economic outlook; and
- iv. Current issues and challenges in relation to trade, investment and industrial development in Malaysia.

1.2 SIGNIFICANCE OF THE SURVEY

Most of the data and statistics in relation to the economic situation and condition available today are collected by the Government through Bank Negara Malaysia and the Department of Statistics, Malaysia (under the Prime Minister's Department). Further, there also exists other research bodies in Malaysia that collate economic data, such as the Malaysian Institute of Economic Research (MIER) which tend to focus greater on the consumers and manufacturing sectors.

Given that the Chinese business community plays an important role in the Malaysian economy, the Associated Chinese Chambers of Commerce and Industry of Malaysia (ACCCIM), as a national organisation representing the Chinese business community, takes the task to **assist the Government in gauging the economic situation facing the Chinese business community. It also attempts to collect feedback and opinion on various measures undertaken by the Government to enable them to evaluate the effectiveness of those measures. This would be helpful to the Government either in making adjustments to the existing policies or in the formulation of new policies.**

The results from the survey also provide a basis for ACCCIM to submit relevant memoranda to the Government and serve as a reference for the business community and foreign investors in formulating investment plan and strategy.

2. SURVEY METHODOLOGY

The purpose of this survey was to collate information in relation to the economic situation facing the Chinese business community in the 1st half of 2016. The questionnaire was constructed based on the current economic issues and challenges faced by the country and the business community, and the various measures undertaken by the Government to address the issues concerned.

The direct and indirect membership of ACCCIM Constituent Chambers consist of more than 100,000 members, representing Malaysian Chinese companies, individuals and trade associations. As most of the prominent Chinese businessmen are committee/ council members of ACCCIM either at the national or state levels, these committee/ council members could be taken to represent the Chinese business community. The total questionnaires sent out were 710.

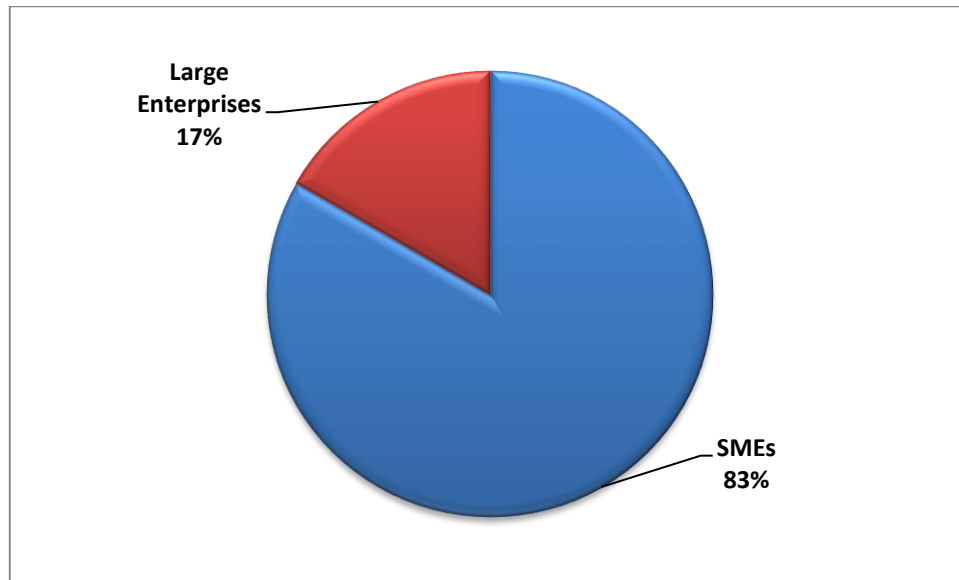
More than half of the questionnaires were returned, making it a response rate of 57.3% of the total questionnaires sent. These 407 respondents made up the sample of this survey.

The questionnaires were distributed to Chinese's businessmen across all sectors and industries. In terms of breakdown of distribution, the respondents are mainly from the **wholesale and retail trade (26.0%), manufacturing (21.4%), professional and business services (12.8%), construction (8.4%), tourism, shopping, hotels, restaurants, recreation & entertainment (5.7%), and finance & insurance (5.7%), as well as others (20.0%)**. These sectors concerned are said to represent the major sectors of the economy. The breakdown of responses may be depicted as follows:

Sector	Percentage (%)
Wholesale & retail trade	26.0
Manufacturing	21.4
Professional & business services	12.8
Construction	8.4
Tourism, shopping, hotels, restaurants, recreation & entertainment	5.7
Finance & insurance	5.7
Others	20.0
Total	100.0
(Sample Size)	(407)

With regards to the size of businesses of the respondents, about 16.7% of the respondents are from “Large Enterprises” (according to annual turnover and number of full time employees).

Large Enterprises vs SMEs



The definition of a ‘small and medium enterprise’ [SME] follows that as provided by the National SME Development Council in October 2013, which emphasizes two [2] sub-categories, being:

- Manufacturing
- Services and other sectors

A SME would be considered to belong to the category of **manufacturing** if it satisfies the following conditions:

- Sales turnover not exceed RM50 million or
- Full-time employees not exceeding 200 workers

A SME would be considered to belong to the category of **services and other sectors** if it satisfies the following conditions:

- Sales turnover not exceed RM20 million or
- Full-time employees not exceeding 75 workers

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A business would be deemed as an SME if it meets either one of the two specified qualifying criteria, namely sales turnover or full-time employees, whichever is lower.

In the case of microenterprises, it covers entities whose sales turnover is less than RM300,000 or has less than 5 full-time employees. This set of parameters is applicable for businesses in all sectors.

A summary of the abovementioned definition is shown below:

Category	Small	Medium
Manufacturing	Sales turnover from RM300,000 to less than RM15 million <u>OR</u> full-time employees from 5 to less than 75	Sales turnover from RM15 million to not exceeding RM50 million <u>OR</u> full-time employees from 75 to not exceeding 200
Services & Other Sectors	Sales turnover from RM300,000 to less than RM3 million <u>OR</u> full-time employees from 5 to less than 30	Sales turnover from RM3 million to not exceeding RM20 million <u>OR</u> full-time employees from 30 to not exceeding 75

(Source: Pg 2, GUIDELINE FOR NEW SME DEFINITION Issued by: SME Corp. Malaysia)

The classification of sectors is defined below:

- **‘Manufacturing’** refers to physical or chemical transformation of materials or components into new products.
- **‘Services’** refer to all services including distributive trade; hotels and restaurants; business, professional and ICT services; private education and health; entertainment; financial intermediation; and manufacturing related services such as research and development (R&D), logistics, warehouse, engineering etc.
- **‘Others’** refer to the remaining 3 key economic activities, namely:
 - (i) Primary Agriculture – Perennial crops (e.g. rubber, oil palm, cocoa, pepper etc.) and cash crops (e.g. vegetables, fruits etc.) – Livestock – Forestry & logging – Marine fishing – Aquaculture
 - (ii) Construction – Infrastructure – Residential & non-residential – Special trade
 - (iii) Mining & quarrying

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During the survey period under review, it was noted that for the manufacturing based business, 68.6% of the respondents employed 74 employees or less, with another 21.1% employing 75-200 employees, whereas 10.3% of the respondents claimed that they employed more than 200 employees.

For the services based businesses, 61.5% of the respondents employed some 29 or less employees, whereas 25.6% employed 30-75 employees. On the other hand, about 12.9% of the respondents claimed that they employed more than 75 employees.

Full-Time Employees

Manufacturing		Services	
Number of employees	Percentage (%)	Number of employees	Percentage (%)
Less than 5	8.0	Less than 5	21.1
5 ~ 74	60.6	5 ~ 29	40.4
75 ~ 100	10.2	30 ~ 49	11.5
101 ~ 200	10.9	50 ~ 75	14.1
More than 200	10.3	More than 75	12.9
Total (Sample Size)	100.0 (137)	Total (Sample Size)	100.0 (270)

In the case of turnover achieved annually, for the manufacturing based businesses, more than 50.0% (51.0%) of the respondents had an annual turnover less than RM5 million. 39.4% of the respondents in this classification had annual turnover that lie between RM5 million to RM50 million. The balance 9.6% of the companies surveyed reported having an annual turnover that exceeded RM50 million.

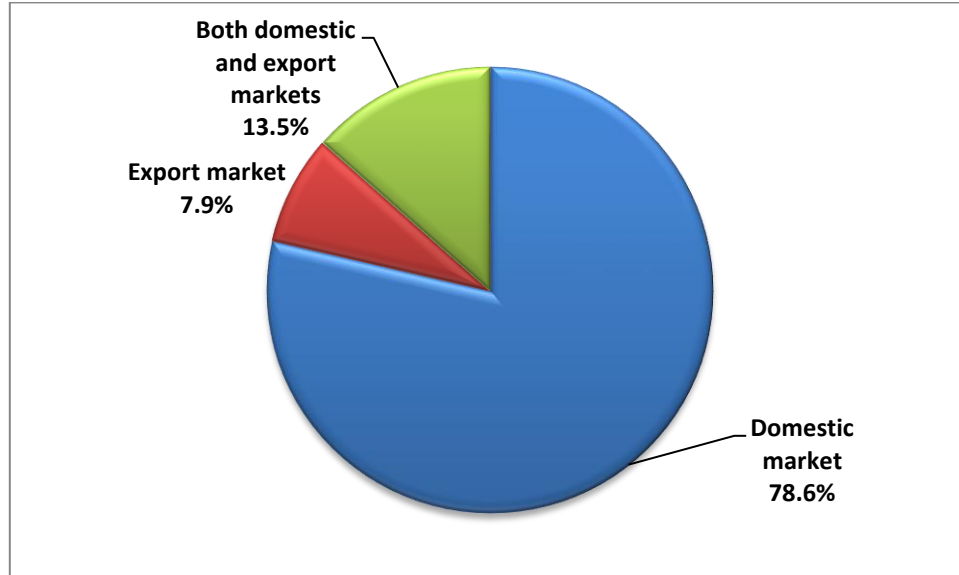
For the services based businesses, about 46.3% of the respondents had an annual turnover less than RM3 million. 39.3% of the respondents in this classification had annual turnover that lie between RM3 million to RM20 million. Additionally, about 14.4% of the companies had an annual turnover of more than RM20 million.

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Annual Turnover

Manufacturing		Services	
in Ringgit Malaysia	Percentage (%)	in Ringgit Malaysia	Percentage (%)
Less than 300,000	5.8	Less than 300,000	14.1
300,000 ~ 1.49 million	19.7	300,000 ~ 1.49 million	20.7
1.5 million ~ 4.99 million	25.5	1.5 million ~ 2.99 million	11.5
5.0 million ~ 14.99 million	16.8	3.0 million ~ 4.99 million	15.2
15.0 million ~ 29.99 million	13.1	5.0 million ~ 9.99 million	13.0
30.0 million ~ 50.0 million	9.5	10.0 million ~ 20.0 million	11.1
More than 50.0 million	9.6	More than 20.0 million	14.4
Total (Sample Size)	100.0 (137)	Total (Sample Size)	100.0 (270)

About 78.6% of the respondents are “Domestic” market oriented whereas the remaining 21.4% focus on “Both Domestic and Export” markets (13.5%) and ‘Export’ market (7.9%).



In respect of source of marketing and sales orientation, the majority of respondents advised that their focus continues to be in the domestic market. This shows the continued high dependence on the economic health of the domestic economy to ensure the sustainability of the businesses. Any negative effects experienced by the Malaysian economy are bound to have significant ramifications on the businesses.

3. SURVEY FINDINGS

3.1 THE MALAYSIAN ECONOMIC SITUATION IN THE 1ST HALF OF 2016

3.1.1 Sales performance

Relatively Unchanged Sales Mask Some Business Weaknesses

Based on the survey results, the majority of the respondents (67%) replied that their firms' sales performances for the 1st half of 2016 were either of the 'good' or 'satisfactory' classification. This means that businesses in general appear to be sustaining their level of sales over the past one and half years.

This evidenced by the summary below that shows that for the second consecutive time, the % of respondents who are satisfied with the sales performance of their businesses hover in the 65% to 68% range.

<u>Survey period</u>	<u>% of respondents with 'good' & 'satisfactory' sales</u>
1 st half 2014:	80%
2 nd half 2014:	76%
1 st half 2015:	65%
2 nd half 2015:	68%

More worryingly, however, the % of respondents reporting poor sales rose in 1H 2016 and it continues to remain above the significant 30% level.

By sector, sales performance was reported to have deteriorated in the manufacturing sector (an increase of 9% points of respondents reporting poor sales). This was in contrast with an improvement in the sales performance for businesses in the wholesale and retailers sector, which reported an increase of 7% points of respondents reporting satisfactory sales.

The increase in the number of poor sales performance as mentioned above appear to be in line with the state of the Malaysian economy, for which it has reported continued reduction in growth rates (being 4.7% in 3Q 2015; 4.5% in 4Q 2015; 4.2% in 1Q 2016 and 4.0% in 2Q 2016). Nonetheless, the Malaysian economic performance continues to be largely supported by private sector demand. Private consumption grew by 4.1% in 3Q 2015; 4.9% in 4Q 2015; 5.3% in 1Q 2016 and 6.3% in 2Q 2016. In the case of private investment, reported growth was 5.5% in 3Q 2015; 4.9% in 4Q 2015; 2.2% in 1Q 2016 and 5.6% in 2Q 2016. This is evidence that private sector activity continues to be the main engine and contributor for growth in the Malaysian economy. Attention should therefore be focused on

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assisting the private sector businesses to address their concerns in respect of issues that businesses face, as their adverse performance could have a significant impact on the Malaysian economy.

In the case of sales outlook (where respondents are asked of their forecast of expected future sales in the coming six-months in the future from the end of each survey period), sentiments among the business community remain relatively poor with a large proportion of respondents still expecting poor sales ahead. This suggests that businesses will likely continue to be cautious.

<u>Survey period</u>	<u>% of respondents forecasting 'poor' future sales</u>
1 st half 2014:	24%
2 nd half 2014:	39%
1 st half 2015:	43%
2 nd half 2015:	42%
1 st half 2016:	40%

The lingering effects of Goods & Services Tax (GST), volatile exchange rate movements and continued depressed commodity prices worldwide as well as challenging global economic environment may have contributed to such sentiment. This is made worse by a cut in government expenditure following the recalibration of the budget in January 2016.

Sales Performance

Sales Performance	2nd Half 2015 (%)		1st Half 2016 (%)		Total (%)		
	Mfg	WRT	Mfg	WRT	2nd '15	1st '16	2nd '16 (Forecast)
Good	12	5	11	4	8	6	8
Satisfactory	60	54	52	61	60	61	52
Poor	28	41	37	35	32	33	40
Total (Sample Size)	100 (95)	100 (100)	100 (84)	100 (101)	100 (387)	100 (392)	100 (380)

3.1.2 Production volumes

Decrease in Production Volumes

During the period of 1st half of 2016, it was noted that 36% of respondents in the manufacturing sector had reported a decrease in their production volumes. This represents an increase of 12% points of respondents in this category of response.

The drop in production volumes may be due to poor sales, leading to a rise in inventory for some businesses.

A worrying factor to consider is that in this survey period, some 40% of respondents forecast reduced production volumes in the ‘next six months’ period, relative to 29% of respondents who give similar predictions in the last survey period. This reflects the overall cautious sentiment among stakeholders in the business community pertaining to the future outlook of the Malaysian economy, in particular, the second half of 2016.

Production volume

Production volume	2 nd Half 2015	1 st Half 2016	Total		
	(%) Mfg	(%) Mfg	2 nd '15	1 st '16	2 nd '16 (Forecast)
Increased	11	10	8	8	8
Remain unchanged	66	54	64	56	52
Decreased	24	36	28	36	40
Total (Sample Size)	100 (84)	100 (72)	100 (129)	100 (115)	100 (105)

3.1.3 Stocks

Relatively Unchanged Inventory Levels

Overall, this survey period showed that the inventory levels of businesses remained relatively unchanged for the 1st half of 2016. There was however a slight increase of 2% points of respondents in the category of ‘increased’ inventory.

Significant changes were however seen when it came down to analysis by sectors. For the manufacturing sector, there was a decrease of 11% of respondents in the ‘unchanged’ levels of inventory response, with the corresponding changes of increase in % of respondents in the other categories of change in inventory levels.

In the case of the wholesale and retailers sector, there appears to be lower % of respondents advising lower inventory levels. Businesses in this sector may appear to be building up stocks, albeit at a relatively slow level at this point in time.

Going forward for the next six months in the 2nd half of 2016, it is noted that a greater proportion of respondents forecast that their stock levels would ‘remain unchanged’, from 47% (survey period: 1st half 2015) to 52% (survey period: 2nd half 2015) to 60% in the current period of survey. This means that more respondents believe that their inventory levels will remain unchanged, indicating a possible slowdown in future sales.

Stocks

Stocks	2 nd Half 2015 (%)		1 st Half 2016 (%)		Total (%)		
	Mfg	WRT	Mfg	WRT	2 nd '15	1 st '16	2 nd '16 (Forecast)
Increased	8	5	13	7	8	10	14
Remain unchanged	71	63	60	67	65	64	60
Decreased	21	32	27	26	27	27	25
Total (Sample Size)	100 (89)	100 (96)	100 (77)	100 (86)	100 (224)	100 (209)	100 (197)

3.1.4 Collections

Unchanged Position in Terms of Collections from Customers

Based on the table depicting the pattern of responses covering the state of collections from customers for the period of 1st half of 2016, there was no significant change in the pattern of collections from customers. The distribution of % of respondents in the ‘good’, ‘satisfactory’ and ‘poor’ collections categories have remained relatively unchanged.

When analysed between the different sectors, it is noted that in the case of businesses in the manufacturing sector, there was a lower % of respondents indicating ‘satisfactory’ collections, down by about 6% points.

In the case of the wholesale and retail sector, there appears to be some improvement in respect of collections, with more % of respondents indicating that they experienced ‘good’ or ‘satisfactory’ collections.

Forecasting into the future however, some 38% of respondents felt that their state of collections would be ‘poor’ (a drop of 2% points relative to the previous survey period). This would indicate that businesses have been able to somehow arrest some concerns in relation to collections. Nonetheless, the % of respondents who opined that they would experience ‘poor’ collections remain large and this should be a cause for concern for many stakeholders as it suggests business condition will likely remain challenging and cash flow will remain a major business issue.

Businesses therefore are advised to continue to be cautious and to step up efforts to better control their collections so as not to run into cash flow problems in the future.

Collection for Payment of Debt

Collection for Payment of Debts	2 nd Half 2015 (%)		1 st Half 2016 (%)		Total (%)		
	Mfg	WRT	Mfg	WRT	2 nd '15	1 st '16	2 nd '16 (Forecast)
Good	8	6	10	7	8	9	8
Satisfactory	63	52	57	63	61	61	54
Poor	29	42	33	30	32	30	38
Total (Sample Size)	100 (92)	100 (95)	100 (79)	100 (94)	100 (374)	100 (371)	100 (353)

3.1.5 New orders from overseas market

A Slight Uptick in New Orders from Overseas Markets

Overall, there appears to be a slight uptick in the level of new orders from overseas markets with more respondents reporting an increase. It may be surmised that new orders from foreign markets continue to be received by Malaysian businesses despite the challenging external environment. Nonetheless, concerns remain, as some sizeable 31% of respondents reported experiencing ‘decrease’ in sales orders from foreign customers, albeit slightly lower than the previous survey. This is a significant figure, in line with the challenging external economic environment.

A different picture is seen when analysis is made by sectors of businesses. In the **manufacturing sector** however, there were **more respondents who reported ‘decreased’ level of new orders from foreign markets** (an increase of 10% points from the previous survey period). In turn, this was closely matched by the decrease in % of respondents in the ‘unchanged’ orders category.

However, in the case of wholesale and retail sector, the appears to be a sign of bottoming out in terms of downtrend of orders as there was a significant increase in % of respondents who reported seeing their foreign orders being at unchanged levels relative to the previous survey period.

Overall, majority of the respondents (65% of respondents) were still hopeful that for the next six-months ending December 2016, their businesses would experience ‘increased’ and ‘unchanged’ levels of orders from foreign markets.

New Orders of Goods and Services from Foreign Markets

New Orders	2 nd Half 2015 (%)		1 st Half 2016 (%)		Total (%)		
	Mfg	WRT	Mfg	WRT	2 nd '15	1 st '16	2 nd '16 (Forecast)
Increased	18	4	19	9	11	13	10
Remain unchanged	53	50	42	73	57	56	55
Decreased	29	46	39	18	32	31	35
Total (Sample Size)	100 (62)	100 (28)	100 (57)	100 (33)	100 (169)	100 (180)	100 (172)

3.1.6 New orders from local market

Increase in Level of New Local Orders

This period of survey showed that local new orders for businesses appear to be picking up from the last survey period. Indeed, more respondents reported an increase in local orders, although the majority of respondents have indicated that they had experienced ‘unchanged’ level of new local orders.

Similar to the case in respect of foreign order, when local orders data are analysed by sectors, however, it is noted that the manufacturing sector appears to have experienced a deterioration in this area. There was a significant drop of 17% points in respect of respondents in the ‘unchanged’ new local orders category, with the change feeding into the other two categories of ‘increase’ and ‘decreased’ levels of new orders. Nonetheless, it continues to be a concern as close to 50% of respondents in the manufacturing sector reported ‘decreased’ level of new local orders.

A somewhat different pattern is, however, seen in breakdown of levels of new local orders for businesses in the wholesale and retail sectors between this survey and the previous survey period. There has been an increase of 7% points of respondents who had replied that they had experienced ‘unchanged’ level of new local orders to 56%. This change was mainly contributed by improved sentiments in this sector where the % of respondents experiencing ‘decreased’ new local orders dropped by 9% points.

In the case of future performance in the next six months ending December 2016, some 36% of the respondents forecast that their businesses are expected to experience ‘decrease’ in new local orders. Once again, this should be worrying as a figure of 36% under this category reflects expected poor business sentiments with regards the economy and business viability.

New Local Orders of Goods and Services from Local Market

New Local Orders	2 nd Half 2015 (%)		1 st Half 2016 (%)		Total (%)		
	Mfg	WRT	Mfg	WRT	2 nd '15	1 st '16	2 nd '16 (Forecast)
Increased	8	4	15	6	7	9	10
Remain unchanged	56	49	39	56	51	51	54
Decreased	37	47	46	38	42	40	36
Total (Sample Size)	100 (90)	100 (96)	100 (79)	100 (98)	100 (361)	100 (370)	100 (349)

3.1.7 Sales prices

Slight Reduction in Local Sales Prices

Overall, some 61% of respondents replied that their businesses were able to sustain their local sales prices for the period six months ended June 2016. However, there has been an increase of 4% of respondents who reported having to reduce their selling prices over the responses for the category in the last survey period. This change is mirrored by a corresponding drop in % of respondents in the ‘increased’ selling prices category.

Sector wise, a significantly smaller majority (2nd quarter 2015: 65% vs. 1st quarter 2016: 51%) of businesses in the manufacturing sector had maintained that they were able to keep prices unchanged. This is closely matched by a corresponding big rise in the ‘decreased’ sales price category of responses (increase of 14% points). This means that more businesses in the manufacturing sector have been forced to reduce their selling prices mainly to maintain their levels of orders / sales.

In the case of businesses in the ‘wholesale and retail’ sector, there was a greater % of respondents who reported being able to maintain their selling prices. Fewer businesses were able to increase their selling prices, but at the same time, there was also fewer % of respondents reporting ‘decreased’ selling prices.

Looking into the future, some 33% of the respondents forecast the need to reduce their selling prices of the goods and services to stay in business for the forecast 6 months forward for the 2nd half of 2016. This represents a slight decrease of 4% points of respondents that had similarly forecast such need for the corresponding 6 months future period in the last survey. Overall, businesses fear that their sales orders may drop and they may have to reduce prices just to maintain market share.

Local Sales Prices of Goods and Services

Local Sales Prices	2 nd Half 2015 (%)		1 st Half 2016 (%)		Total (%)		
	Mfg	WRT	Mfg	WRT	2 nd '15	1 st '16	2 nd '16 (Forecast)
Increased	6	13	7	5	10	6	11
Remain unchanged	65	53	51	66	61	61	56
Decreased	29	35	43	29	29	33	33
Total (Sample Size)	100 (83)	100 (87)	100 (75)	100 (95)	100 (347)	100 (345)	100 (332)

3.1.8 Number of employees

Employment Market Relatively Unchanged

Overall, the majority of the respondents (72%) did not experience change in the employment levels in the firms, with minor and insignificant movements in the other categories of responses.

In the case of the ‘manufacturing’ sector, there was a higher % of respondents who reported having reduced their number of employees (increase of 12% points to 31%). This position needs to be monitored to see if a trend is developing over a longer period.

Whereas for the ‘wholesale and retail trade’ sector, some measure of improvement was detected as whilst most firms were able to keep their number of employees unchanged, there was only a minor drop in the % of respondents who claimed that they had decreased their staff strengths.

Overall, the majority of businesses are expected to maintain their capacity level in terms of human resource requirements for the next 6 months ending December 2016. There was however an increase of 3% and 2% points respectively of respondents who believe that their firms would be having greater and reduced staff numbers in the future, relative to the previous survey period.

Number of Employees

Number of Employees	2nd Half 2015 (%)		1st Half 2016 (%)		Total (%)		
	Mfg	WRT	Mfg	WRT	2 nd '15	1 st '16	2 nd '16 (Forecast)
Increased	4	4	6	5	7	7	10
Remain unchanged	77	74	63	79	75	72	67
Decreased	19	22	31	16	18	21	23
Total (Sample Size)	100 (95)	100 (96)	100 (83)	100 (98)	100 (379)	100 (381)	100 (365)

3.1.9 **Wage cost per unit of output**

Unchanged Wage Costs Per Unit of Output

The majority of businesses advised that the wage cost per unit of output for the period of 1st half of 2016 largely remained unchanged, with a greater % of respondents in the ‘unchanged’ wage costs category. Businesses appear to be successful in attempting to keep in reign their wage costs per unit of output, possibly through greater use of new technologies and automation or more innovative ways to carrying out processes. A lower % of respondents was reported to being able to reduce the wage costs concerned.

When analysed by sector, it is noted that 56% of respondents in the ‘manufacturing’ sector experienced ‘unchanged’ wage costs per unit of goods (marginal increase of 3% points compared to the previous survey period). There was also less respondents that reported ‘increase’ in wage costs per unit of goods manufactured.

In the case of the ‘wholesale and retail trade’ sector, wage costs per unit of output appeared to also have been kept in reign with a higher % of respondents reporting that they had managed to keep their wage costs per unit of goods and services unchanged (rise of 7% points). Again, this could have been achieved through replacement of existing staff with new recruits at lower remunerations or through automation.

Looking into six months ahead, some 58% of the respondents believed that wage costs would remain unchanged for the period ending December 2016 (significant rise of 10% from the last survey period). With the new Minimum Wage coming into force from 1 July 2016, many businesses may be forced to look for alternatives such as outsourcing or the greater use of automation in their business processes.

Wage Costs per Unit of Goods and Services

Wage Costs per unit	2 nd Half 2015 (%)		1 st Half 2016 (%)		Total (%)		
	Mfg	WRT	Mfg	WRT	2 nd '15	1 st '16	2 nd '16 (Forecast)
Increased	25	8	17	9	18	14	17
Remain unchanged	53	63	56	70	59	66	58
Decreased	23	30	27	21	23	20	24
Total (Sample Size)	100 (89)	100 (91)	100 (81)	100 (90)	100 (358)	100 (356)	100 (344)

3.1.10 Capacity utilisation

Lower Capacity Utilisation Levels

There was a decrease of 6% and 7% points of respondents respectively in the 81 – 100% and 61 – 80% capacity utilisation levels category for this period survey. More worryingly, these led to the increase by 14% points in the 0 – 40% capacity utilisation category. This indicates that there is a significant under-utilisation of plant usage among businesses.

Unfortunately, the findings continue to somewhat mirror that of previous survey findings (albeit with worse results), being that the majority of businesses were in the capacity utilisation levels of 41-60% and 61-80% levels. The capacity utilisation rate continues to be well below the desired level of ‘more than 80%’ for most businesses.

The Government should continue to give serious consideration into assisting the SMEs in particular to help such businesses improve on their capacity utilisation in the long run, such as promoting and assisting more business tie-ups and undertaking more innovative types of trade promotions. Lessons may be learnt from trade fairs of other countries.

At the individual business level, business should consider more innovative efforts and approaches to reduce the excess capacity, coupled with greater efforts placed by the businesses into areas such as marketing and promotional exercises, introduction of new products and more innovative business measures to increase sales.

Capacity Utilisation Level

Capacity Utilisation Level	2 nd Half 2015 (%)		1 st Half 2016 (%)		Total (%)	
	Mfg	WRT	Mfg	WRT	2 nd '15	1 st '16
81 ~ 100%	10	12	8	2	11	5
61 ~ 80%	57	60	44	56	55	48
41 ~ 60%	28	27	26	21	29	27
0 ~ 40%	5	2	22	22	6	20
Total (Sample Size)	100 (89)	100 (94)	100 (87)	100 (106)	100 (361)	100 (407)

3.1.11 Investment in new resources or plant

Slightly Lower Investments in New Resources or Plant

Given that the capacity utilisation by the majority of businesses continues to be less than the desired 80% level as noted earlier, it is therefore expected that 93% of the respondents replied that they were keeping their investments in new resources or plant either 'unchanged' or 'decreased' levels. It is important to note that the % of respondents in the 'decreased' category has increased by 6% points for this period over the last survey period, indicating perhaps that businesses may be starting to consider reducing capital expenditures as concerns about rising costs and lower profits continue in the market.

When analysed by sectors, the change appeared to be more glaring in the 'manufacturing' sector whereby there was a 5% point rise in the % of respondents in this said sector that had chosen to reduce their investments in new resources or plant. As noted in the earlier paragraph, there continues to be surplus capacities to absorb new orders.

The pattern of breakdown of responses for businesses in the 'wholesale and retail' sector on the other hand is very much in the opposite, with more businesses appearing to maintain their investments levels in new resources (increase of 7% points).

Overall, the % of respondents reporting 'decreased' level of new investments continue to be high for all sectors of businesses, being in excess of 46%. This is indeed worrying as the growth of the economy also depends on businesses making more new investments.

Sensing over-capacity and perhaps, the concern for possible adverse economic movements in the future along with less optimism about new orders, some 50% of the respondents stated that they are considering reducing their investment in new resources or plant for the period of 2nd half 2016. This is partly due to the significant excess capacity and rising costs of doing business as well as challenging economic environment. Also, a lower % of respondents advised that they planned to increase such investments during the future period of 2nd half 2016.

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Investment in New Resources or Plant

Investment	2 nd Half 2015 (%)		1 st Half 2016 (%)		Total (%)		
	Mfg	WRT	Mfg	WRT	2 nd '15	1 st '16	2 nd '16 (Forecast)
Increased	8	4	11	5	8	7	10
Remain unchanged	63	39	55	46	52	47	40
Decreased	29	57	34	49	40	46	50
Total (Sample Size)	100 (89)	100 (77)	100 (73)	100 (78)	100 (319)	100 (312)	100 (297)

3.1.12 Economic Situation in Malaysia

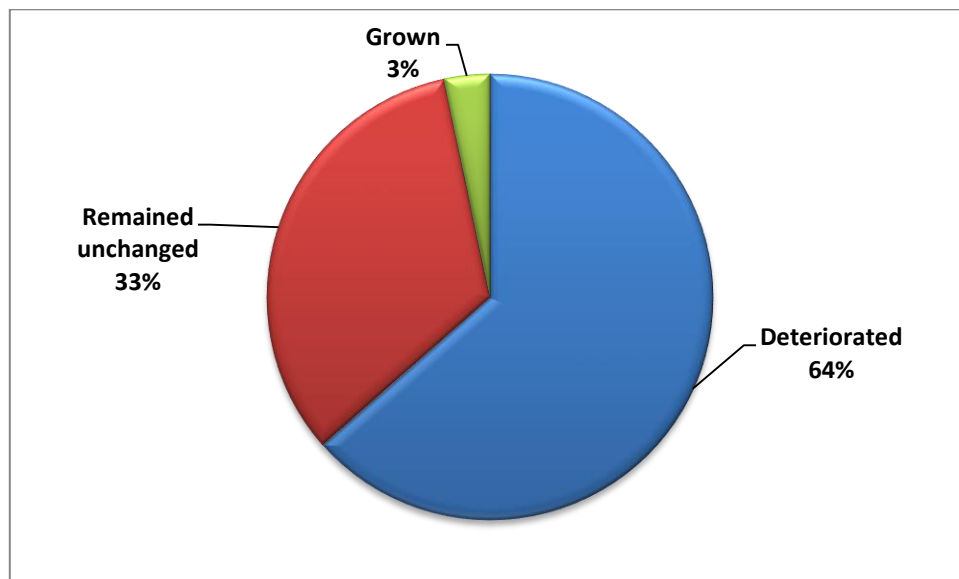
The Malaysian economy was seen to have experienced deterioration in the 1st half of 2016

A significant majority of respondents opined that the Malaysian economy deteriorated in the first half of 2016. Indeed, these respondents have been consistently holding on to such a belief since 2015. The only case for cheer may be that there appears to be a slow reduction in the % of respondents in this category (1st half 2015: 75%; 2nd half 2015: 72%; 1st half 2016: 64%). Meanwhile, more and more respondents are of the view that the economy have remained unchanged.

Nonetheless, the % of respondents who believed that there were signs of economic recovery continue to be miniscule (being 3%).

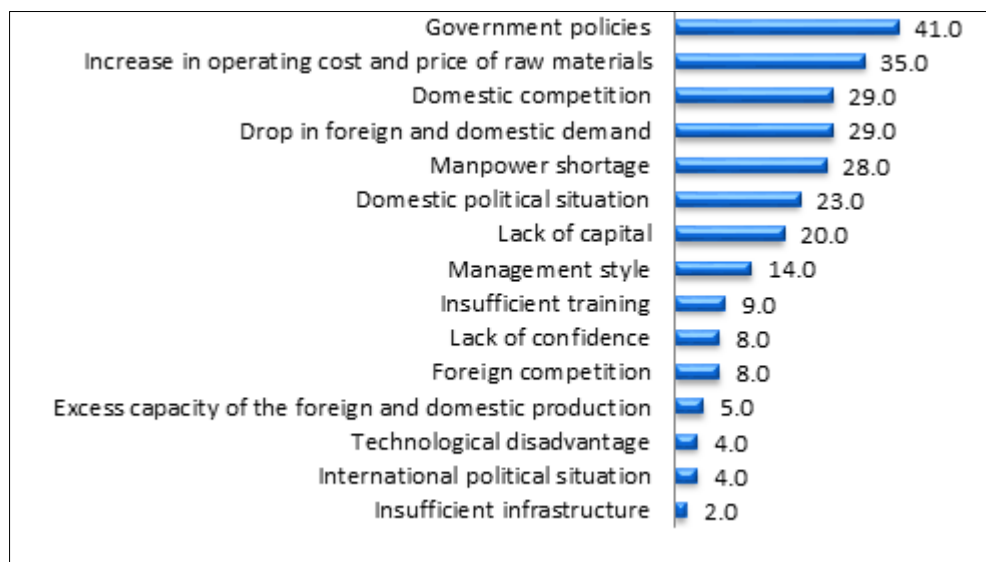
In summary, a significant majority of the respondents concluded that the Malaysian economy had not performed well for the whole of 2015 and six months into 2016.

The Malaysian Economy in the 1st Half of 2016



3.2 MAJOR FACTORS ADVERSELY AFFECTING BUSINESS PERFORMANCE

Factors Affecting Business Performance for 1st Half 2016 (%)



Government policies

Consistent with the previous survey results, the greatest concern among businesses for the period six months ended June 2016 continues to be the need for business friendly government policies that promote and support business activities.

Government creates the rules and frameworks in which businesses are able to compete against each other or grow together, besides contributing towards the national economy. The Government is the party that has the authority and ability to change the many existing rules and frameworks, and put in place new ones, thus forcing businesses to change the way they operate. Undeniably thus, businesses are indeed very much affected by the various Government policies in place.

For this period of survey, some 41% of respondents pointed to the importance of this factor (relatively unchanged from the last period of survey, albeit a drop of 4% points). Many businesses have put forth their grouses, mainly in relation to factors such as rising costs of doing business in Malaysia, and the ever increasing compliance requirements to be adhered to by businesses. Issues related to the need to comply with requirements such as the Competition Act 2010, minimum wages, foreign workers' levy, Anti-Profitteering mechanism and Goods and Services Tax (GST) Act 2014, legal and regulatory compliance requirements have added to the burden of doing business in Malaysia, and this has not been helped by the overall weakness of Ringgit Malaysia and the continued weak prices of commodities (e.g. CPO and petroleum).

Malaysian businesses have indeed been affected by Government measures in recent years as the Government continues with its initiatives to reform the nation's subsidies and price control mechanism. Subsidies and price controls have been a normal feature in a broad range of products, such as petrol, natural gas, electricity, cooking oil, sugar, toll charges and bus fares. The Government believes that the costs of subsidies and price controls outweigh the benefits of the measures concerned. Be that as it may, the reforms have come at a time when the Malaysian economy (and likewise for many economies around the world) is facing significant external and internal challenges, thus resulting in significant adverse effect on the costs of doing business in Malaysia.

As noted in the past, Malaysian businesses look to the Government to introduce and implement economic policies that are business friendly and facilitate the conduct of business. It is fervently hoped that the Government will always seek to build close rapport and have continuous dialogue with the business community (especially those in the SME sector) to allow for the voices of the business to be heard, improve efforts to increase the speed and efficiency of Government / regulatory related processes and in turn, contribute towards the various entities in being able to reduce the cost of doing businesses in Malaysia.

The Government is also looked upon to look for ways to implement efficient public projects and pump in greater expenditures that can spur greater economic growth. The business community sees the implementation of business friendly policies as imperative and necessary to boost private investment and spur the Malaysian economy. SMEs in particular feel that despite the many efforts to transform the Malaysian economy, the effects and benefits continue not to appear to have filtered down meaningfully and significantly to the SMEs.

Increase in Operating Costs and Prices of Raw Materials

'Increase in operating costs and prices of raw materials' is the second most important factor (unchanged from the last period of survey).

Businesses have complained that they have been experiencing rising operating costs, owing mainly to the effects of Goods and Services Tax (GST) introduced from 1 April 2015 and the weak value of Ringgit Malaysia vis-à-vis foreign currencies (causing adverse effects especially in respect of imported raw materials). Businesses continue to gripe about the effects of the new minimum wage requirement and the issue behind the difficulty in employing foreign workers in Malaysia.

Further comments relating to this factor is also found in paragraph 3.4 below.

Increase in Domestic Competition

This concern (with regards to domestic competition) is ranked as the third most important factor affecting business performance during this period of survey.

The less robust economic growth worldwide and locally in recent months has resulted in more intense competition among SMEs to fight to maintain their market shares. This pressure has intensified with liberalisation efforts to open up the Malaysian economy. This situation has been made worse with the slow-down experienced by the economies of the world in general, and more specifically, the Malaysian economy as the economic pie continues to shrink. This also explains why the majority of the respondents perceived that the Malaysian economy had deteriorated during the year 2015 and the 1st half of 2016.

Drop in Foreign and Domestic Demands

This issue was similarly highlighted in the previous survey.

This concern is voiced out by the business community given the uncertainties and turbulence experienced in the world's economies and Malaysia's.

In the past, the Government was always able to count on the advice that if domestic demand deteriorates, SMEs could diversify into export markets to offset it. On the reverse, the Malaysian economy could rely on strong domestic demand when there are economic uncertainties elsewhere.

This time around, the business community is less confident that such an advice would work in the near future as it is felt that they could face a double whammy of a drop in domestic and overseas demand. The Government should take note of such concern by the business community.

Overall, government policies, increase in operating costs and prices of raw materials, increase in domestic competition and decrease in foreign and domestic demands were the four (4) major factors that affected the business performances in the 1st half of 2016.

3.3 MALAYSIAN ECONOMIC OUTLOOK

The Chinese business community is pessimistic about the economic outlook for 2016 and 2017, with improvements expected come 2018.

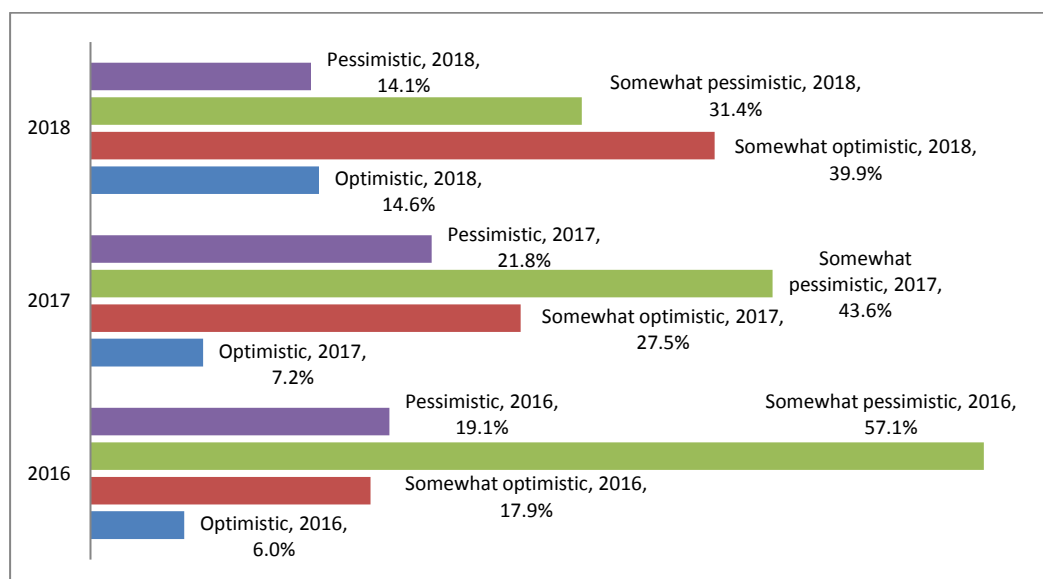
Based on the table below, a significant majority of the respondents were pessimistic with the economic outlook for Malaysia for the years 2016 and 2017. For the year 2016, it is noted that some 76.2% of the respondents expressed that they were either pessimistic or somewhat pessimistic. The level of pessimism however is somewhat reduced for 2017, as some respondents believe that a reversal of poor economic performance should kick in then.

There is expected greater confidence in the Malaysian economy by 2018 with improved levels of optimism for the year concerned (54.5% of respondents who voted for this category for 2018; this is as opposed to 60.2% of respondents who similarly expressed such sentiment in last survey period).

Such findings appear consistent with the last survey period as then, the majority of the respondents opined that they did not foresee positive economic recovery for Malaysia by the year 2017.

Overall, the Chinese business community is pessimistic about the economic outlook for Malaysia for 2016 and 2017. Some measure of reversal and improvement, however, is expected in 2018.

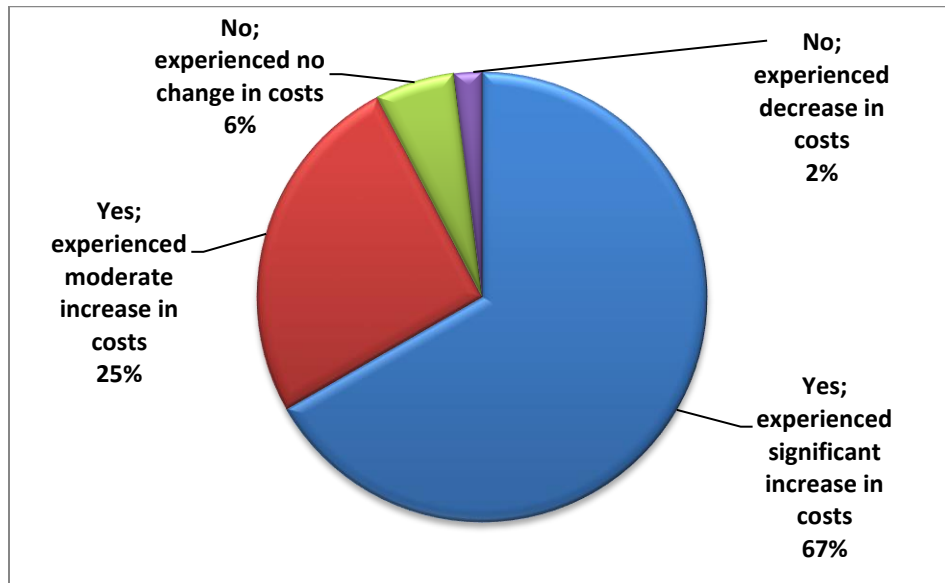
Malaysian Economic Outlook 2016-2018 (%)



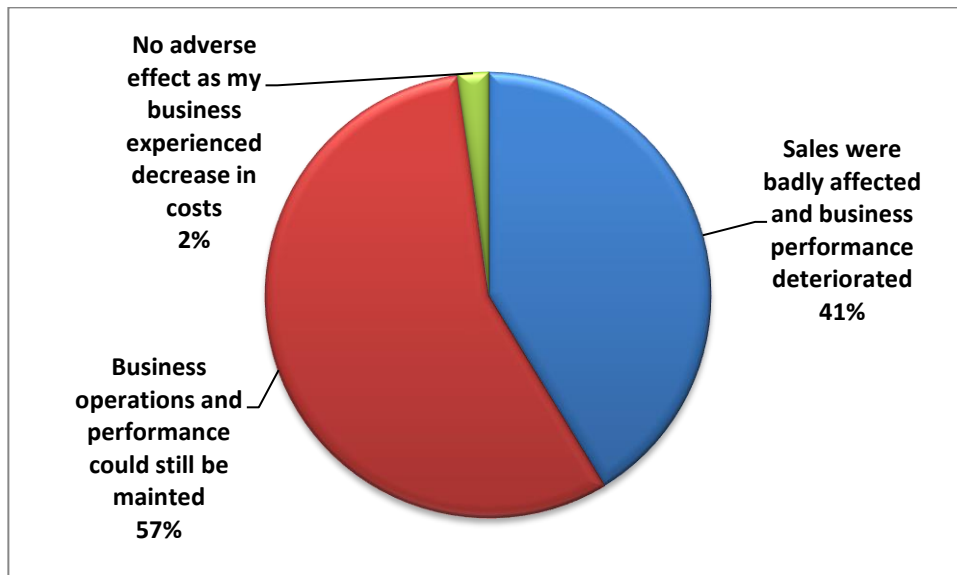
3.4 COSTS OF DOING BUSINESS

Malaysia's subsidy reform exercise has been in place since 2010 and continues to be ongoing. This, together with the implementation of GST, increase in foreign labour cost and minimum wage, higher inflation rate expectation, the continued weakness of Ringgit Malaysia, extension of Anti-Profitteering mechanism beyond 30 June 2016 and so on has led to concerns surrounding higher cost of doing business in the country.

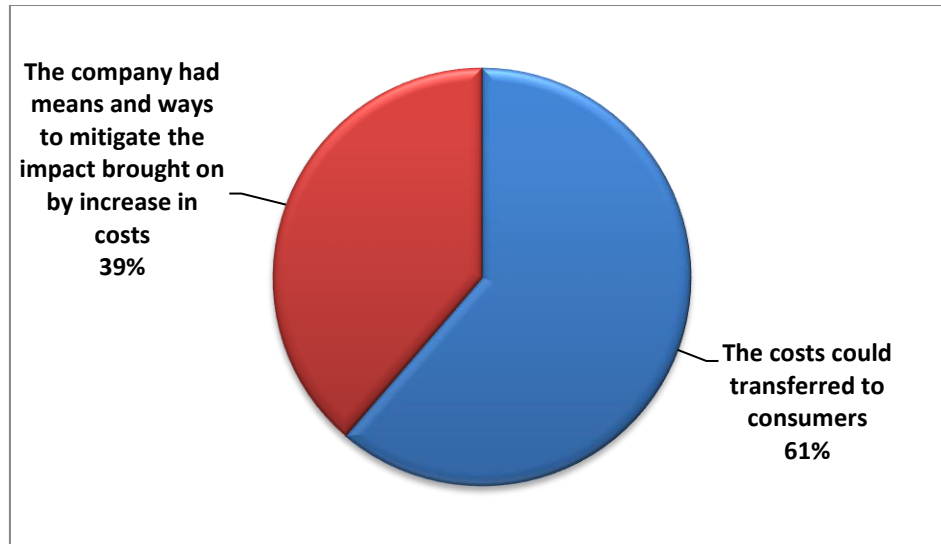
- (a) Did your business experience a significant increase in the costs of doing business in 1st half of 2016?



- (b) How badly was your company and sales affected by the increase in costs?



- (c) For those answering 1. *Business operations and performance could still be maintained* in part (b), business could still be maintained because:



The following paragraphs contain comments that relate to questions as per items 3.4 (a), (b) and (c) above.

At the back of the minds of the business community the rising costs of doing business in Malaysia has been and will continue to be the concern for them. This was also referred to earlier in paragraph 3.2.

Many have voiced their wish to see the Government take steps to address this issue, for example by way of further streamlining the regulatory processes at various Government institutions, providing greater financing incentives (especially for the SMEs) and added tax incentives / breaks for the business sectors.

Contributors to the rise in costs of doing business in recent periods include:

- a) Increase in gas price
- b) Increase in electricity tariffs and gas prices
- c) Minimum wage policy
- d) Higher prices of materials
- e) Weak value of Ringgit Malaysia against other major currencies around the world
- f) Higher compliance costs and so on.

Some businesses have also laid blame on the introduction of GST as a cause for price rise.

**ACCIM SURVEY REPORT ON ECONOMIC SITUATION OF MALAYSIA
FOR THE 1ST HALF OF 2016**

The rise in prices may also be seen through the change in historical CPI which has been steadily rising month on month:

Month	CPI
December 2012	105.5
January 2013	105.9
December 2013	108.9
January 2014	109.5
December 2014	111.8
January 2015	110.6
June 2015	113.0
July 2015	113.9
December 2015	114.8
January 2016	114.5
February 2016	114.5
March 2016	113.8
April 2016	114.3
May 2016	114.6
June 2016	114.8
July 2016	115.1

(source: <http://www.statistics.gov.my>)

The world's economies (including the economy of Malaysia) have continue to remain sluggish given the many significant macro-economic changes, and has not been helped by the weak commodity prices and the weak value of Ringgit Malaysia against other major currencies.

The introduction of many new laws and regulations (for e.g. Competition Act, Minimum Wage, foreign workers levy etc) have resulted in businesses having to dedicate more resources towards ensuring compliances whilst incurring added costs. In particular, the new Minimum Wage Order 2016 took effect from 1 July 2016. As mentioned earlier, there was also the added pressure since the implementation of Goods and Services Tax (GST) after 1 April 2015. Added reporting, whether in the form of systems, manpower and stationery, all contribute to higher compliance costs.

The respondents were thus asked several questions with regard to the issue of rising costs of doing business and its impact.

The results of the survey shows that **67% of respondents expressed that their businesses had experienced significant increase in costs of doing businesses** (for various reasons, such as those mentioned earlier). This is in contrast to a much higher % of respondents who chose this category of response in the previous survey whereby some 88% of respondents then lamented that their business costs had risen.

When asked as to the extent to which their businesses would be affected by such rise in costs, **41% of the respondents** (last survey period: 46%) **claimed that they would face significant business difficulties in the future** while **another 57%** (last survey period: 50%) **claimed that they would still be able to maintain their operations and business performance in their existing status.** This means that businesses continue to face significant challenges to be able to sustain their business operations. However, there has been a slight improvement as there now appears to be slightly more businesses that now believe that they can keep operations unchanged and ongoing at previous levels.

In the case of respondents claiming that they were able to maintain their operations, there also appears to be a reversal of sentiments as shown below:

	Survey period conducted for			
	2 nd half 2014	1 st half 2015	2 nd half 2015	1 st half 2016
Businesses had some form of solution to mitigate the effects of rising costs	52%	39%	44%	39%
Businesses would be passing on the effects of rising costs onto customers or end-users	48%	61%	56%	61%

In the main, businesses continue to be able to pass on the effects of rising costs to customers or end-users.

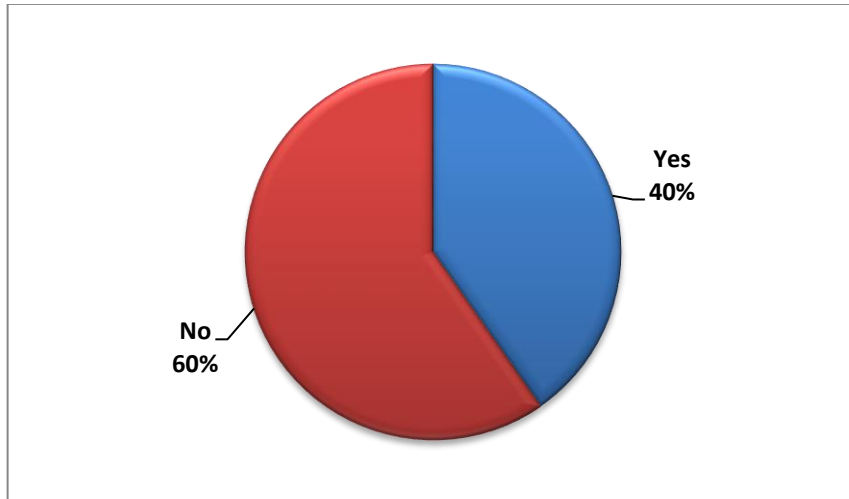
It also follows that for those respondents that claimed to face business difficulties in the future (see earlier paragraph), they too would be forced to pass the effects of rising costs to customers or end-users for the sake of ensuring the survival of their businesses in the future.

As it is, the consumers or end-users have lamented that they are finding it increasingly difficult to cope with the rise in cost of living. The findings above will mean that consumers or end-users will continue to bear the brunt of facing further costs increases in the future.

3.5 **COST OF HIRING FOREIGN WORKERS**

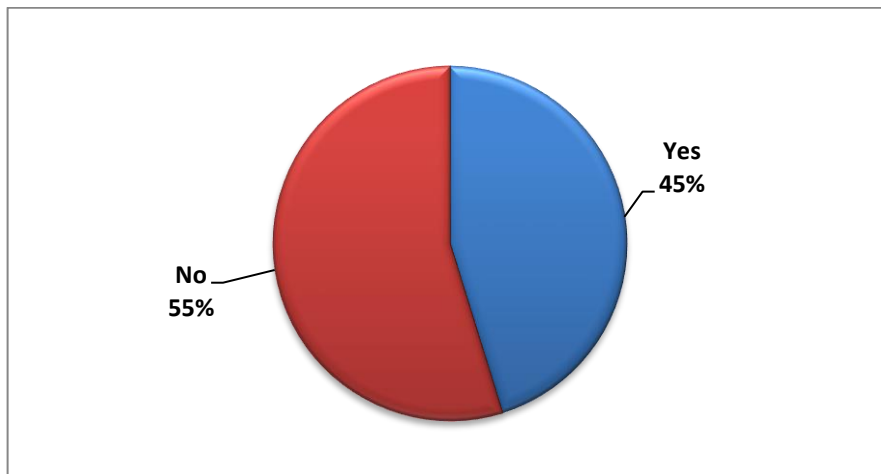
The Government has increased levy for foreign workers. There was also a subsequent freeze on the recruitment of foreign workers into Malaysia.

(a) Does your firm rely significantly on the use of foreign workers?



Based on the diagram above, it is noted that a **majority of businesses (60%) did not rely on the use of foreign workers. Nonetheless, the % of respondents who had replied in the positive remained sizeable, being at 40%.**

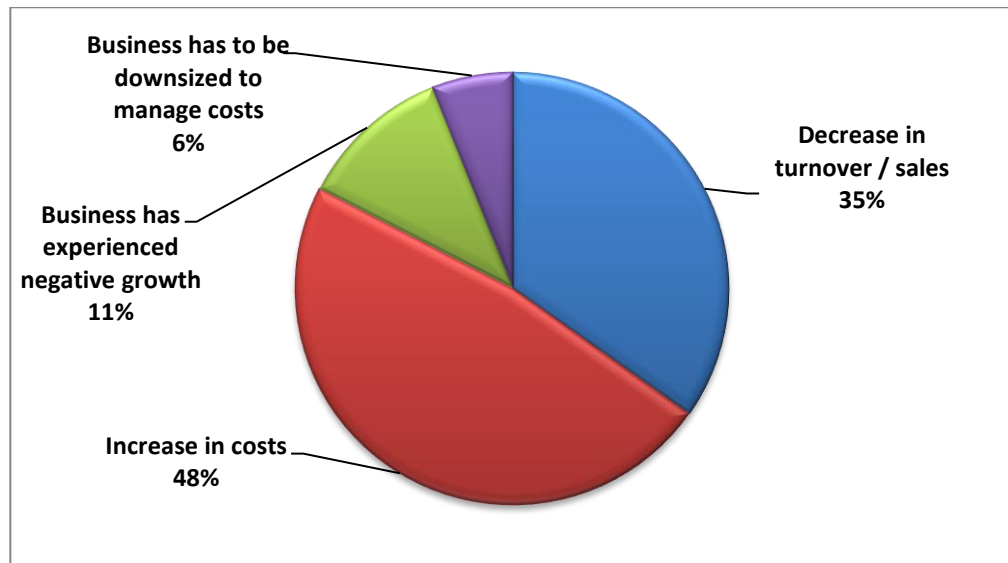
(b) How is your business affected by the freeze in recruitment of foreign workers?



During the period under survey (January to June 2016), despite the Cabinet decision in May to lift the freeze on hiring foreign workers for four sectors, i.e. manufacturing, construction, plantation and furniture-making industries, which were facing major shortage of workers, the business community however lament that they continue to be unable to obtain approval to recruit foreign workers.

Such difficulty in turn can adversely affect the operations of businesses as they struggle to cope to source for workers to complete the work on time for their customers. Based on the diagram shown above, **some 45% of the respondents replied that their businesses have been and continue to be adversely affected by the freeze in the recruitment of foreign workers.**

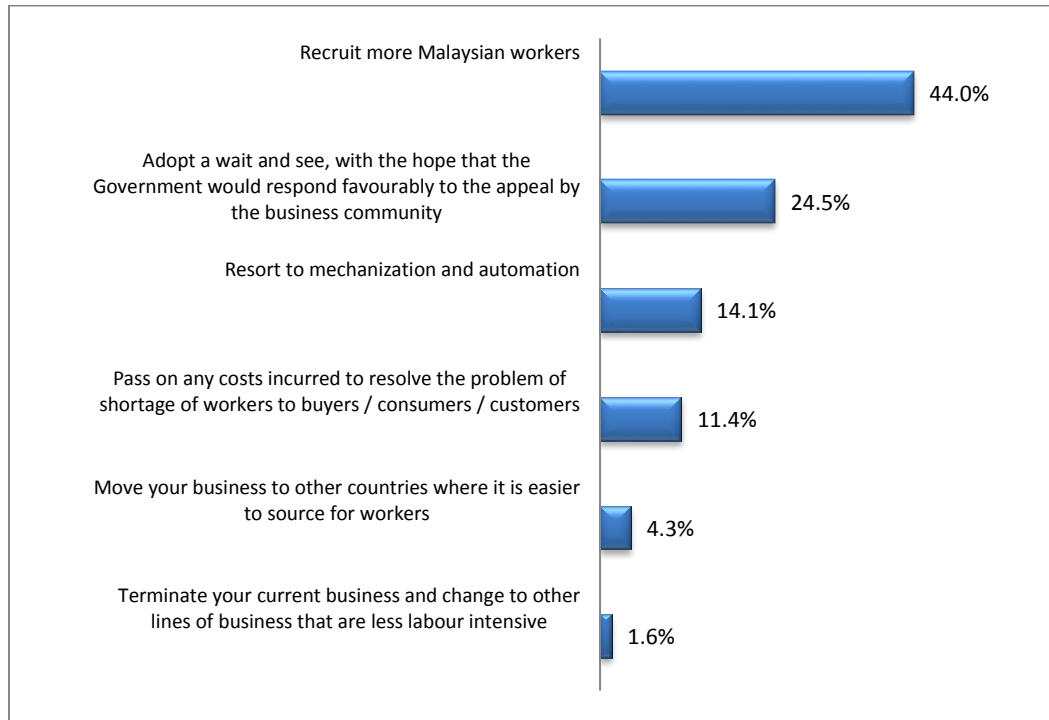
- (c) If your answer in Part (b) above is 0 (YES), then, how has your business performance been impacted?



Continuing from part (b) above, **the adverse effects arising from difficulty in hiring foreign workers have resulted in businesses experiencing:**

- i. Decrease in business turnover (35%)**
- ii. Increase in cost of operations (48%)**
- iii. Negative business growth (11%)**
- iv. Downsize of business (6%)**

(d) If your answer to Part (b) above is 0 (YES), what are your plans to solve this problem of difficulty in hiring foreign workers?



Businesses that have been and continue to face difficulties in hiring foreign workers have sought alternative measures, such as:

- i. Recruit more locals (44%)**
- ii. Adopt a wait and see while appealing to the Government on lifting the freeze on foreign workers (24.5%)**
- iii. Resort to mechanization and automation (14.1%)**
- iv. Pass on costs incurred to resolve worker shortage problem to customers (11.4%)**
- v. Consider to move business to other countries (4.3%)**
- vi. Consider switching to less labour intensive businesses (1.6%)**

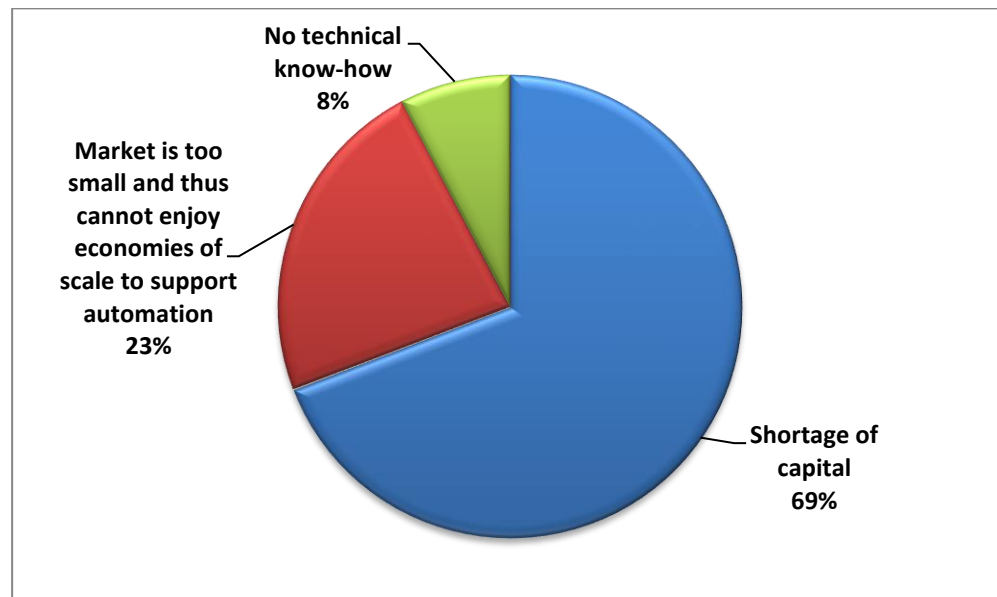
This indicated that employers' priority is to recruit local workers to fill the job vacancies concerned. This has always been and is the requisite under present requirements before application for foreign workers could be considered. However, with the labour market being in full employment it is not possible to recruit adequate local workers. Besides, local workers reluctant to take up manual jobs, including 3D's (dirty, dangerous & demeaning) jobs, night shifts etc.

Employers certainly have preferences for local workers if available, considering the laborious and cumbersome procedures, time and costs involved in recruiting foreign workers. But, in reality there is a mismatch between labour supply and demand; and these jobs can rarely be filled by locals who aspire for occupations that commensurate with their education and qualifications.

The Government has lifted the freeze on hiring foreign workers for four sectors, i.e. manufacturing, construction, plantation and furniture-making industries in July. It is imperative that the freeze should be lifted for ALL SECTORS and to allow all employers needing foreign workers to apply.

There is also consideration to switch to mechanization and automation to reduce business reliance on labour (and thus, on foreign labour). This however takes time to implement and may be costly. Refer to part (e) below for further comments.

- (e) **If you want to adopt mechanization and automation (Part d), what are the difficulties that you expect to face?**



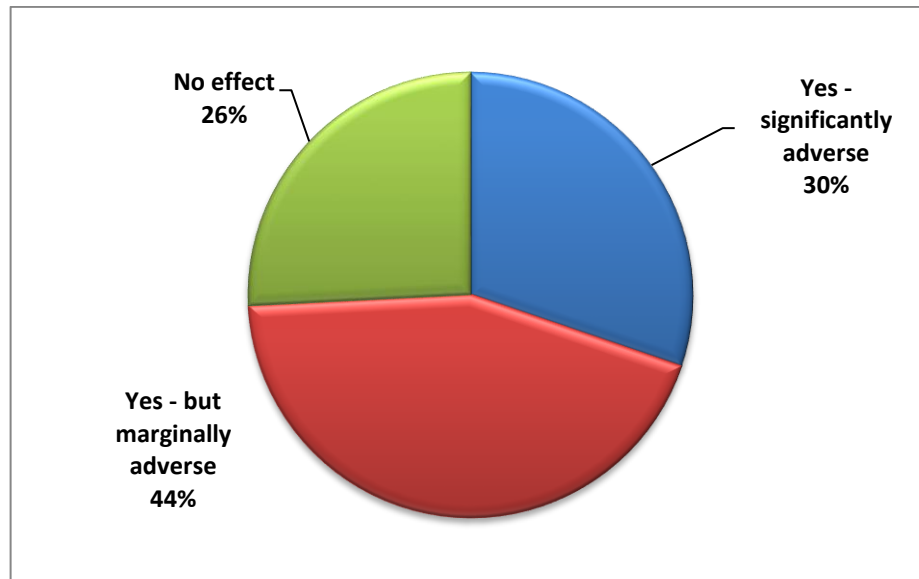
For those businesses seeking to adopt the solution of mechanisation and automation, concerns arise for the businesses are as follows:

- a. **Shortage of capital (69%)** : It is a known fact that SMEs usually face funding issues (in particular, difficulties in raising new finance) to enable them to acquire the necessary plant and equipment to increase efficiency and output. The Government has over the years been introducing various funding schemes to assist the SMEs in this regard. It is very much hoped that more of such funds are created and be made available for all SMEs, and that applications for such funding be made easier.
- b. **Small Markets (23.0%)**: plant and equipments have also risen in prices over the years. This translates into higher breakeven points for businesses. The fear of the business community is that the markets in which the businesses concerned operate may be small and thus, would not be economical to undertake mechanisation and automation on a large scale. When this happens, this can mean the benefits arising from economies of scale that would have accrued had the volume of production been larger would not be enjoyed by businesses.
- c. **Lack of Technical Knowhow (8%)**: a small percentage of respondents (8%) had cited this as their fear despite their interest to move the value chain to improve production, productivity and performance of this businesses.

3.6 MINIMUM WAGE

The new Minimum Wage Order 2016 came into effect on 1 July 2016.

(a) Will the new Minimum Wage Order affect the performance of your business?



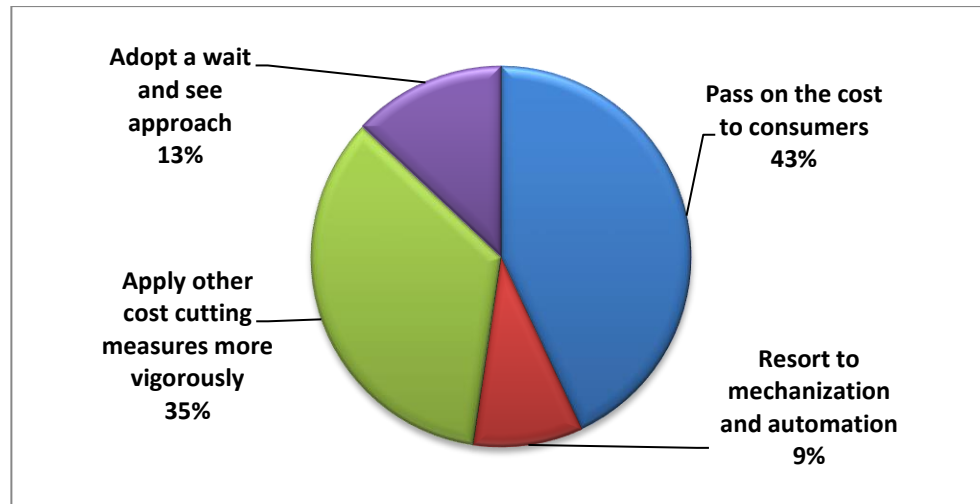
Minimum Wage Order 2016 came into effect on 1 July 2016. The order requires businesses to pay employees a minimum wage of RM1,000 per month for employees in Peninsular Malaysia whereas employees in Sabah, Sarawak and the Federal Territory of Labuan be paid a minimum wage of RM920 per month.

Arising for the implementation of the new Minimum Wage Order, reactions from the business community are summarised as follows:

- 1. Performance of business significantly affected adversely (30%)**
- 2. Performance of business marginally affected adversely (44%)**
- 3. No adverse effects (26%)**

As would be surmised from the data above, an overwhelming response is obtained, being that their business performance would be adversely affected, albeit to varying degrees.

(b) What would be your reaction if the performance of your business is adversely affected?



The reaction by businesses community in respect of businesses that are adversely affected would include:

- 1. Pass on the cost increase to consumers (43%)**
- 2. Apply more cost cutting measures elsewhere more vigorously (35%)**
- 3. Adopt a wait and see approach (13%)**
- 4. Resort to further mechanization and automation (9%)**

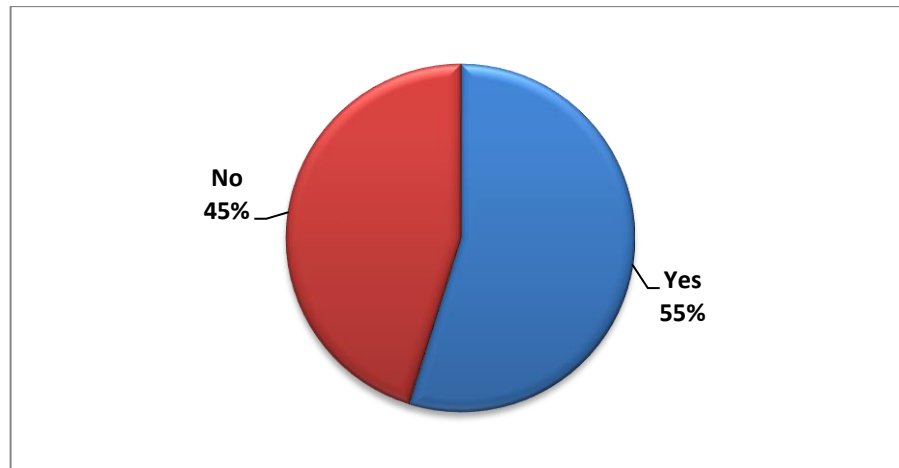
The immediate effect that is to be expected is the possibility for cost increases to be passed on to consumers. Consumers have had to face a series of cost increases in the recent one to two years and will now have to brace for further cost of living increases.

The next most chosen response is to apply more cost cutting measures elsewhere within the business. It is very much hoped that such cost cutting measures would not be at the expense of the quality or quantity of the product / service offerings.

3.7 ANTI-PROFITEERING REGIME

The anti-profiteering regime with net profit margin mechanism has been extended beyond 30 June 2016 till the end of the year.

(a) Are you agreeable to the extension of the anti-profiteering regime?

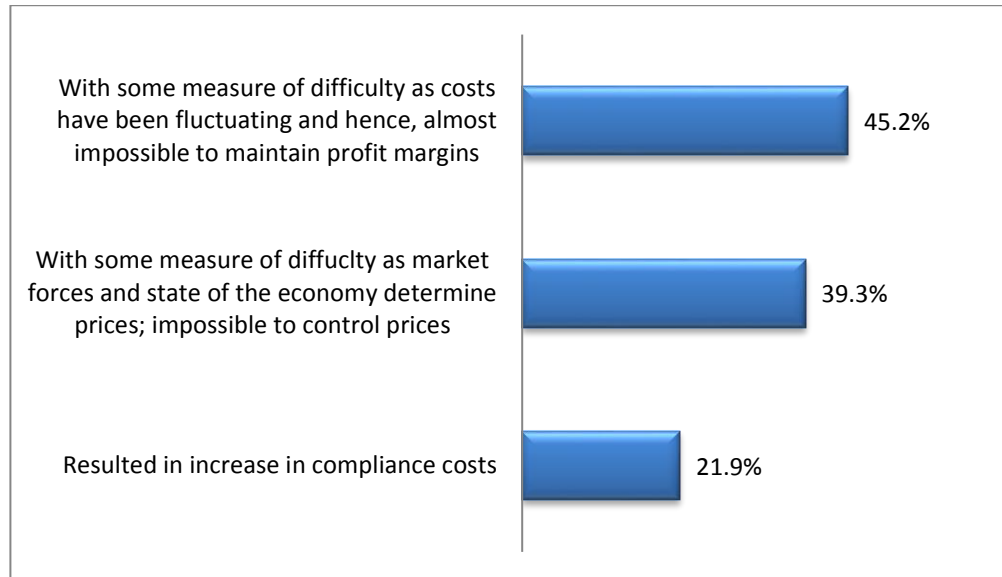


The anti-profiteering regime was introduced with the objective of protecting consumers in Malaysia against unreasonable increase in prices of goods and services. This would be deemed necessary following the implementation of GST in Malaysia in 2015.

The anti-profiteering regime was initially for a period up till end June 2016 but has now been extended to the end of 2016. **A small majority of respondents (55%) were in favour of the extension of the anti-profiteering regime while the rest (45%) were against the extension.**

On the whole, ACCCIM holds the view that anti-profiteering checks are not necessary as it is against the free market workings of price determination and imposes further cost compliances on businesses.

(b) How has your firm coped with the regime thus far?



In general, the **anti-profiteering regime has had adverse impact** on the business community, with the complaints being as follows:

- 1. Costs have fluctuated (mainly on the upwards movement) and have resulted in businesses being unable to maintain profit margins.**
- 2. Difficult to maintain profit margins as required as external market forces and the state of the Malaysian economy determine market prices. These factors are outside the control of businesses.**
- 3. Increase in compliance costs.**

3.8 INTERNATIONAL TRADE

ASEAN ECONOMIC COMMUNITY (AEC) represents the desire and decision made by the leaders of ASEAN to achieve economic integration within the region of ASEAN. Specifically, it seeks to achieve the following, being the creation of:

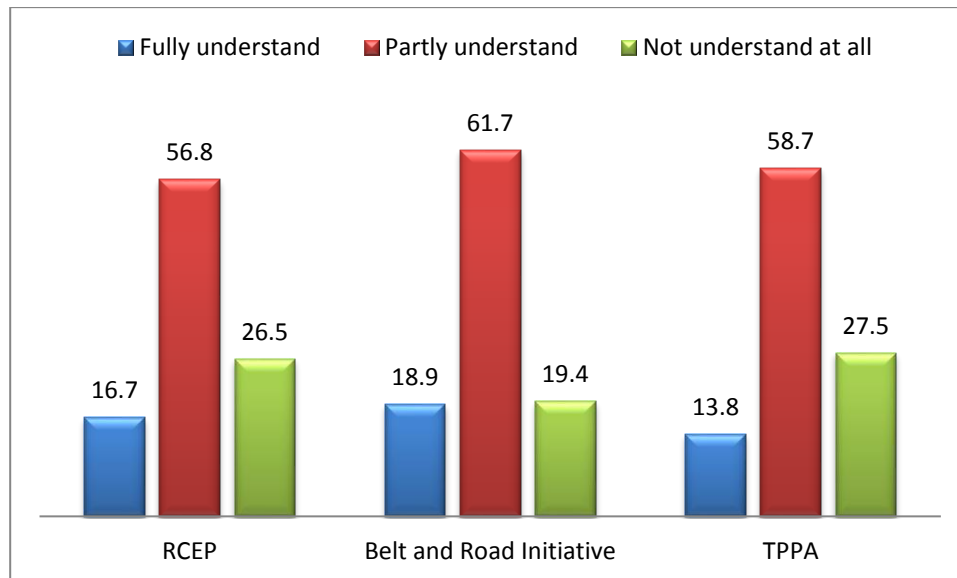
- a) Single market and production base
- b) Highly competitive region
- c) Region of equitable economic development and
- d) Region that is fully integrated into the global economy

Belt and Road initiative represents a development strategy and framework that was proposed by China. It focuses on connectivity and cooperation between countries located in Europe, Asia and Africa. Some 60 countries may be involved. It is said to consist of two main components, being the land-based "Silk Road Economic Belt" (SREB) and oceangoing "Maritime Silk Road" (MSR).

The **Trans-Pacific Partnership Agreement (TPPA)** is a multi-lateral Free Trade Agreement (FTA) initiative involving twelve (12) Pacific-Rim countries, being Australia, Brunei, Canada, Chile, Malaysia, Mexico, New Zealand, Peru, Singapore, United States, Vietnam and Japan. TPPA aims to create the world's largest free-trade area, with many broad aims, including that of improving market access and cross-border trade, ensuring fair and level playing field in the conduct of businesses besides working towards greater regulatory transparency.

The **Regional Comprehensive Economic Partnership (RCEP)** is an ASEAN-centred proposal for a regional free trade area (FTA). It encompasses the ten ASEAN member states and those countries that have existing FTAs with ASEAN, namely Australia, China, India, Japan, the Republic of Korea and New Zealand.

(a) How much do you understand about these initiatives?



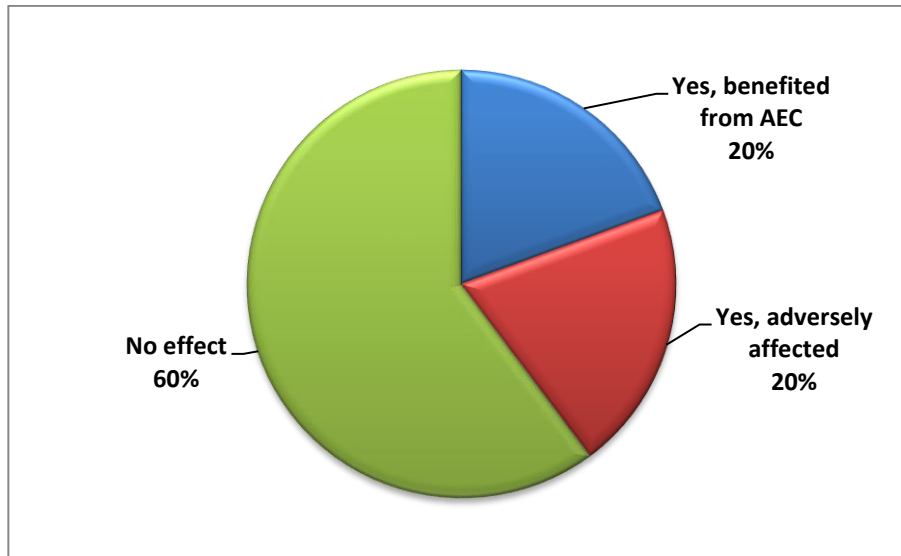
It is heartening to note that members of ACCCIM are aware of these initiatives. The level of understanding of these initiatives continue to improve with each passing survey. However, the level of understanding continue to remain at a low level. **A significant majority of the respondents continue to express that they only had partial understanding or did not understand at all the workings and benefits/ challenges arising from the RCEP, Belt and Road, and TPPA initiatives.**

This finding ought to be contrasted amongst the initiatives in themselves. Details surrounding TPPA is greatly available and accessible for all parties to obtain. Yet, the level of understanding for TPPA is still at insufficient level. At the other end of the spectrum, RCEP is still in the process of negotiation. Yet, respondents have heard of this initiative and understand the initial objectives and intent of this initiative in itself. In the case of the Belt and Road initiatives, it is strategic and long term in nature, and is still being developed between participating countries continues to be on-going and details sorted out. Accordingly, many respondents are still trying to understand the Belt and Road initiatives.

For any business to be able to plan for the future, business leaders must at the very minimum be aware of these economic initiatives Stakeholders ought to understand the purposes and background behind the abovementioned initiatives, the benefits, the challenges and implications to businesses, and in particular, be up-to-date with the latest developments. Only then can businesses ensure that adequate and proper preparations developed and put in place for

businesses to ensure that they are not left behind vis-à-vis their business counterparts from other ASEAN countries and beyond. Support and funding from the Government towards promoting greater understanding with regards the above is necessary.

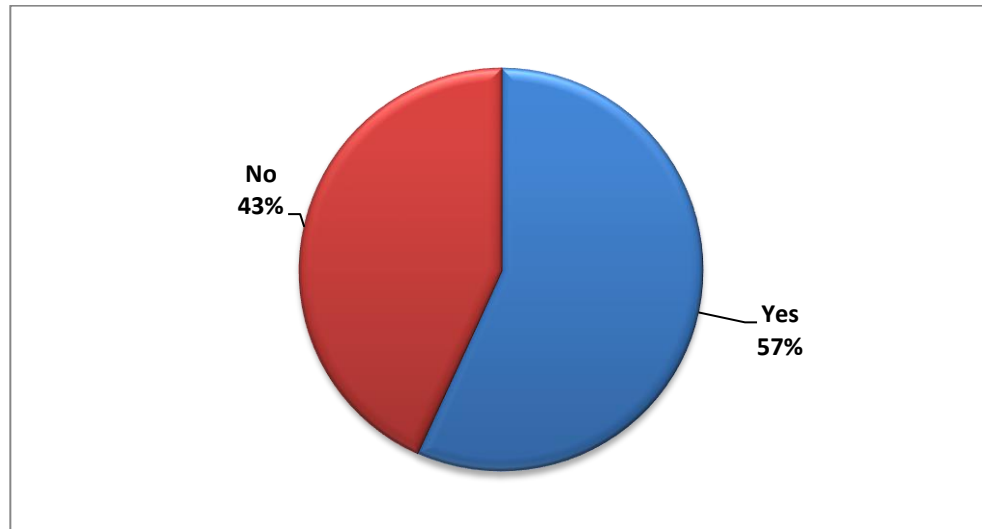
- (b) **ASEAN Economic Community (AEC) has been implemented since 1st Jan 2016, so far is your business affected by this implementation of AEC?**



Since the implementation of AEC, the **majority of respondents (60%) expressed that they have YET to feel the effects and benefits that are supposed to accrue from AEC.**

The balance of respondents (40%) that have experience effects however are evenly split (50:50) between having benefited from AEC versus being adversely affected by AEC.

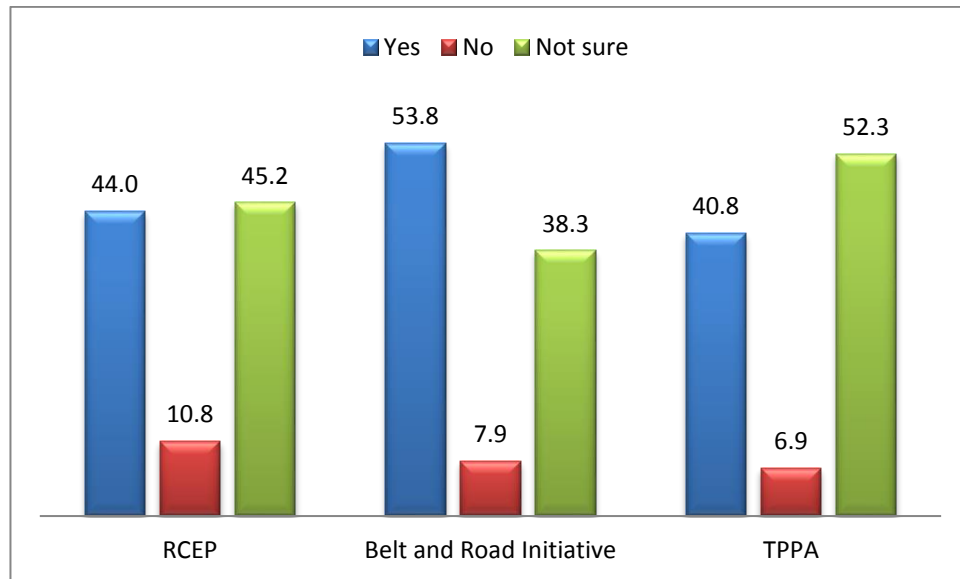
- (c) In the near future, do you think there will be more business opportunities arising from the implementation of AEC for your business?



Despite the early days of AEC where the majority of respondents opined that they have yet to experience the effects of AEC, it is heartening to note that the **majority of respondents (57%) believe that there are opportunities from the implementation of AEC** (as explained earlier above).

This augurs well for the business community as a whole as it would indicate that some businesses would certainly be expected to be proactive to take advantage of the opportunities and also employ the necessary steps to brace the challenges that come with the opportunities.

(d) In your opinion, can our country and our businesses benefit from these initiatives arising from better business opportunities?



The responses as shown in the diagram above further shows that businesses are upbeat with regards the macro-economic initiatives mentioned earlier.

Based on the diagram above, it is heartening to note that a sizeable proportion of respondents believe that the initiatives mentioned above would be beneficial to Malaysia and that their businesses would enjoy better business opportunities and reap the corresponding benefits.

However, equally sizeable is the proportion of respondents who opined that as yet, they were unsure of the possible benefits from the initiatives. On average, **about half of the respondents were unsure that the country and their businesses would benefit from RCEP, Belt and Road Initiative and TPPA.** In particular, 52% and 45% of respondents were unsure of the outcome that may accrue in relation to TPPA and RCEP respectively. This may be due to the lack of understanding of the initiatives as explained earlier.

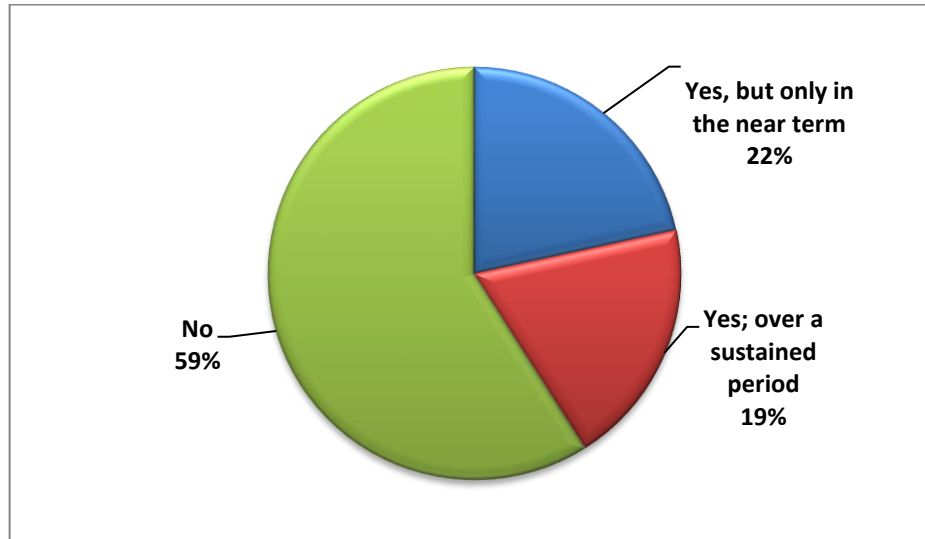
Whilst there is a mix of responses in respect of these initiatives, it is heartening to note that there appears to be a significant lack of negative perceptions.

Once again, as mentioned in the earlier paragraphs, further efforts should be undertaken to explain and promote these initiatives. It should be beyond awareness stage, moving more towards facts, business opportunities and support provision.

3.9 OTHERS

1. The recently conducted UK Referendum will see the United Kingdom exiting the European Union (Brexit).

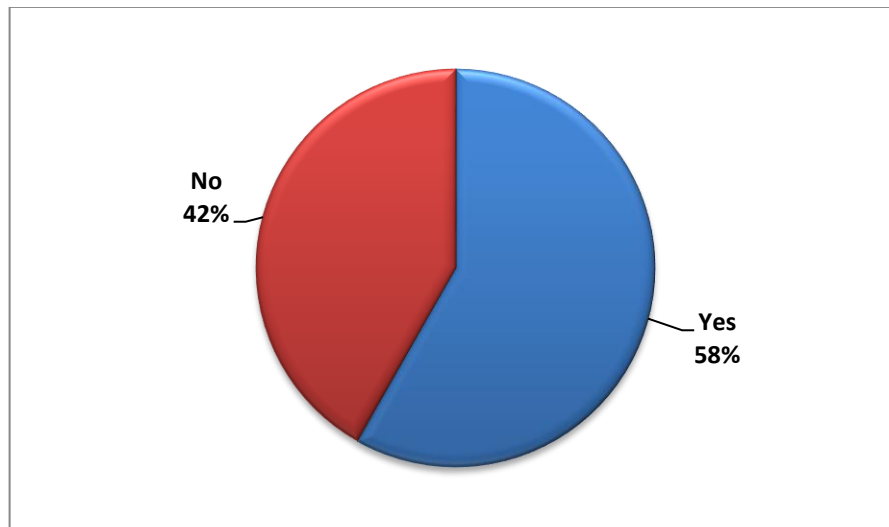
- (a) Do you think your business will be affected by this new development?



It is heartening to note that the recently concluded referendum (23 June 2016) in the United Kingdom that will see the **UK exiting the European Union will not affect the majority of businesses in Malaysia (59% of respondents).**

For the balance of respondents (41%) that opined that there will be effects, opinions are split between the effects being only in the near term versus those in the long term.

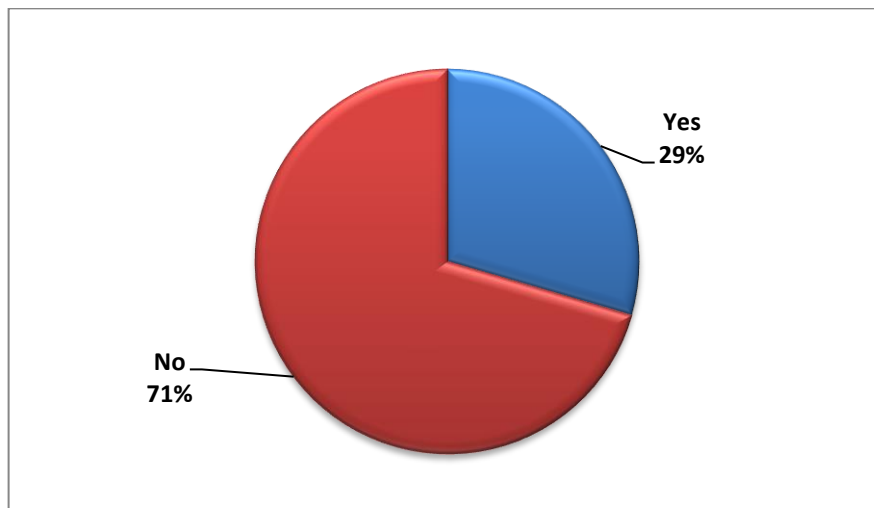
(b) Would Ringgit Malaysia be adversely affected by Brexit?



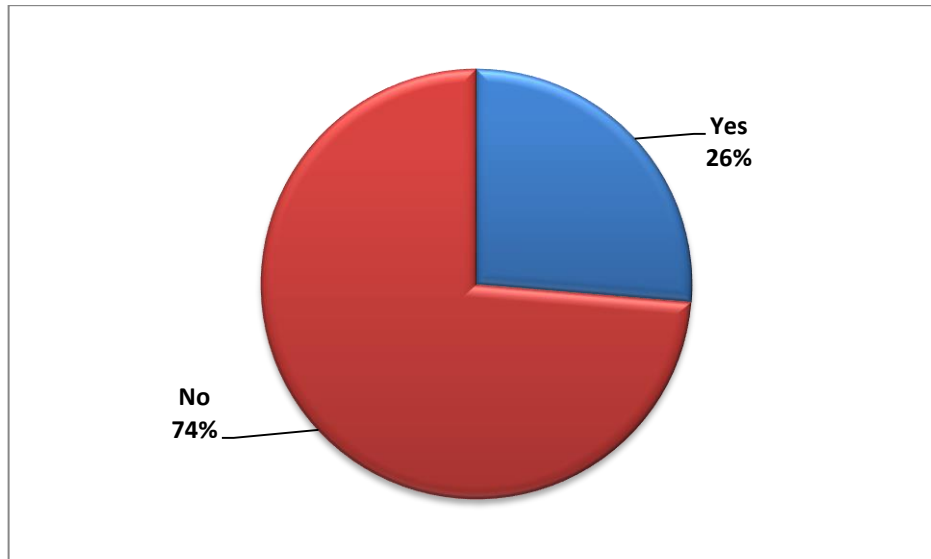
The majority of the respondents (58%) believe that in the future, the Malaysian currency would be adversely affected by Brexit. This mainly stems from fears by many that the actual impact and effects of Brexit on the UK and EU has not been fully seen and appreciated, and in particular what it holds for the rest of the world. Thus, there is the fear that it may also weigh down on Ringgit Malaysia.

2. Parliament has recently passed the Companies Bill 2015 that will replace the existing Companies Act 1965.

(a) Are you aware of this Companies Bill 2015?



- (b) Are you aware of the new requirements of the Companies Bill 2015, in particular how it will affect your business?



The Companies Bill 2015 was passed in Parliament in March 2016 and will replace the current Companies Act 1965. There are significant additions and enhancements of sections and provisions in the Bill. It is currently awaiting the Royal assent before it comes into force.

Based on the results of this survey, it is noted that **a significant majority (71%) of the respondents were not aware of the Companies Bill 2015.**

Further, **a significant majority (74%) of respondents were not aware of the requirements of the Companies Bill 2015.**

Accordingly, efforts should be undertaken to increase the awareness of the impending implementation of the Companies Bill 2015 and for explaining the requirements as contained in the bill so that businesses are able to prepare and comply with the laws and legislations.

A Seminar on “New Company Law’s Impact on Your Business and Duties” has been organised by the ACCCIM on 16th August 2016 at Wisma Chinese Chamber, Kuala Lumpur with the objective to disseminating information on overview of the Companies Bill 2015, and to deliberate and solicit feedbacks on the impact of this new Company Law to businesses.