

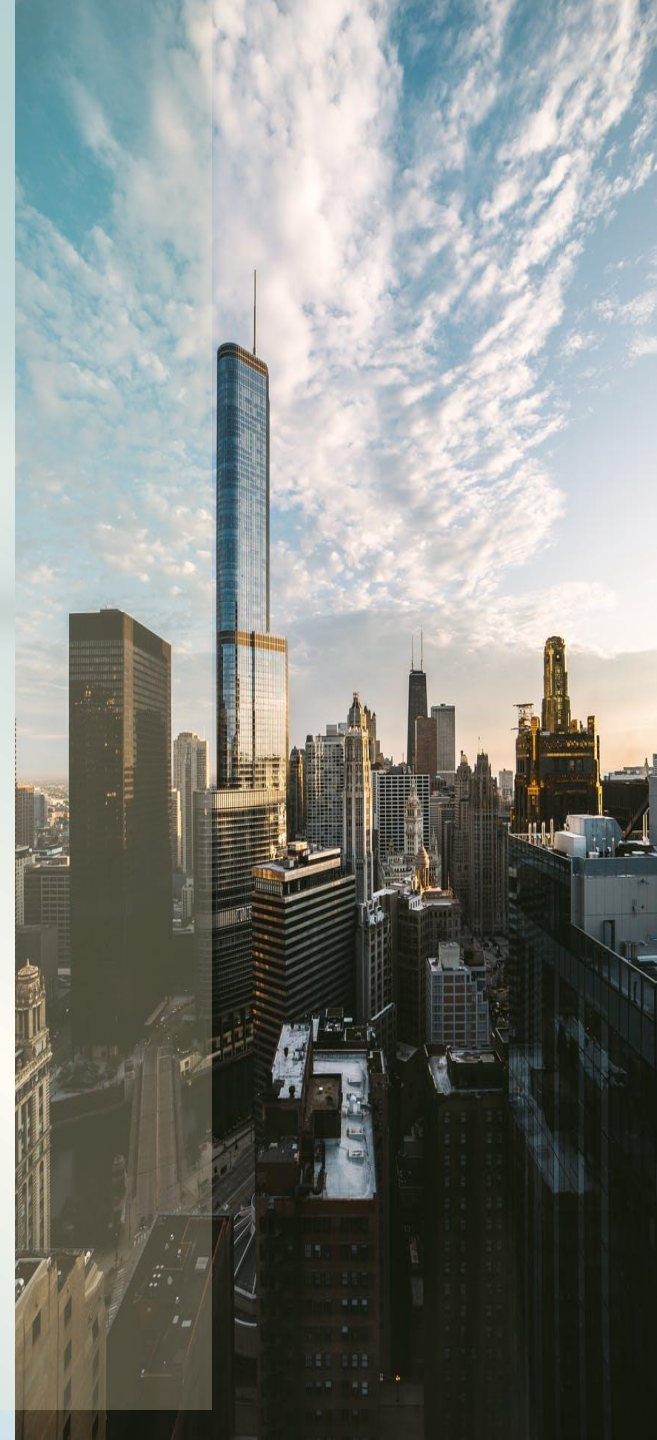
ACCCIM Malaysia's Business and Economic Conditions Survey (M-BECS)

马来西亚中华总商会 商业和经济状况调查



# ACCCIM M-BECS 1H 2021 and 2H 2021F

5 August 2021



# Key agenda



M-BECS

**ACCCIM M-BECS: Survey Coverage**



**Sentiment Tracker for 1H & 2H 2021, 2021 and 2022F**



**Business Pulse Diagnosis**



**Current Issues**



**Conclusion**

## Survey coverage

- **ACCCIM Malaysia's Business and Economic Conditions Survey (M-BECS)** is a key market barometer measuring **business sentiments and expectations of their business prospects and economic outlook.**
- The survey, which was conducted between **1 June 2021 and 15 July 2021** covers the **first half-year (Jan-Jun or 1H)** and **expectations for the second half-year (Jul-Dec or 2H) of 2021** as well as **outlook for 2022.**
- M-BECS aims to gauge:
  - Economic and Business Performance and Outlook;**
  - Factors Affecting Business Performance;** and
  - Current Issues Confronting Businesses.**

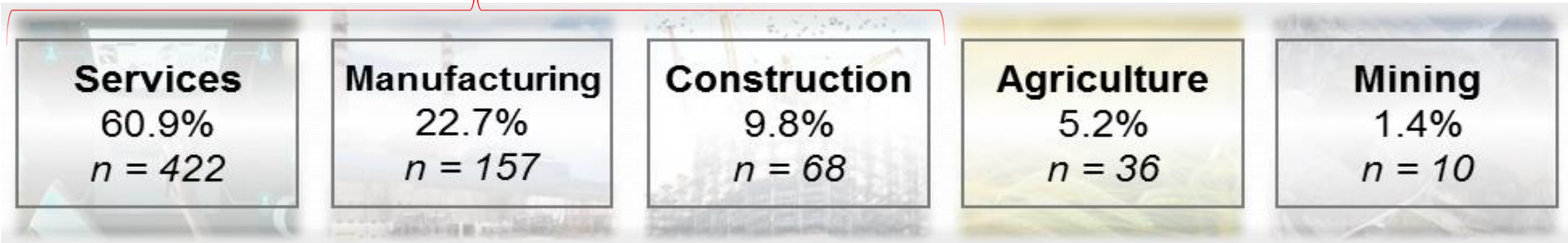


# Profile of respondents

 **693 companies** covering a broad-based of sectors and industries

## By sector:

**93.4%**



## Top FIVE industries (73.9%):

 Wholesale and retail trade (**21.4%**)

 Manufacturing (**22.7%**)

 Professional and business services (**14.7%**)

 Construction (**9.8%**)

 Tourism, shopping, hotels, restaurants, recreation and entertainment (**5.3%**)

## By size

**Large enterprises (8.2 %)**

**SMEs (91.8%)**

- Micro: 24.4%
- Small: 51.8%
- Medium: 15.6%

## By sales orientation

 **Domestic market (77.5%)**

 **Overseas market (16.4%)**

 **Neutral (6.1%)**

*Note: Numbers may not add up to 100% due to rounding, which are also applied for the rest of the report.*

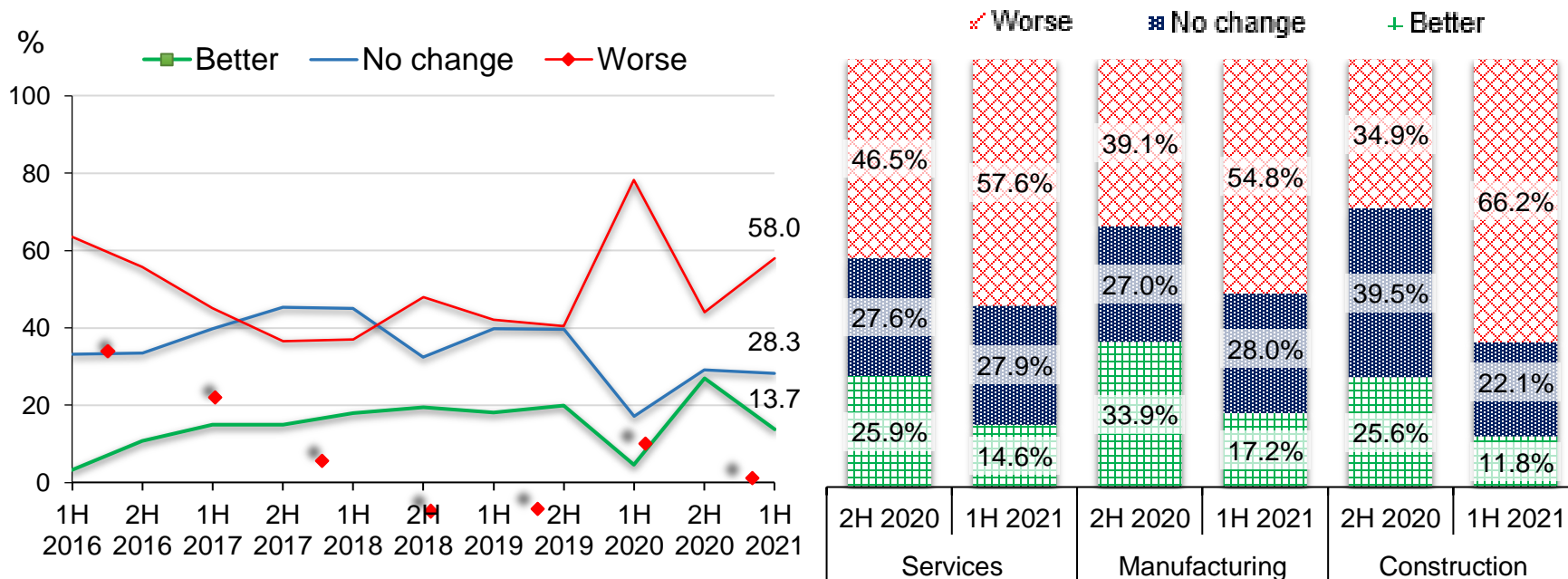
M-BECS 1H 2021 and 2H 2021F

# Sentiment Tracker



# Business conditions continue to deteriorate in 1H 2021

- The “open and shut” strict containment measures have disrupted the paths of economic and business recovery due to both cutbacks in demand and supply chain disruptions.
- 58.0% of respondents revealed that their business has worsened in 1H 2021** due to weak consumer demand amid supply bottlenecks. **Only 13.7% of respondents are better-off** while 28.3% of respondents indicated that their business performance remained status-quo.

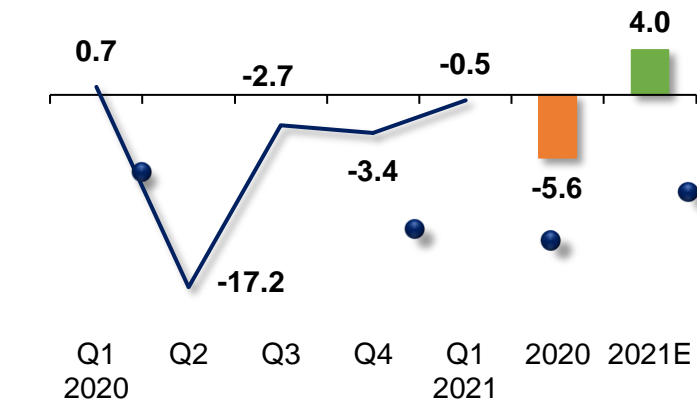


\* Only accounted for sectors with a sample size above 30, which is also applied for the rest of the report.

# Businesses are still struggling to recover in 2021

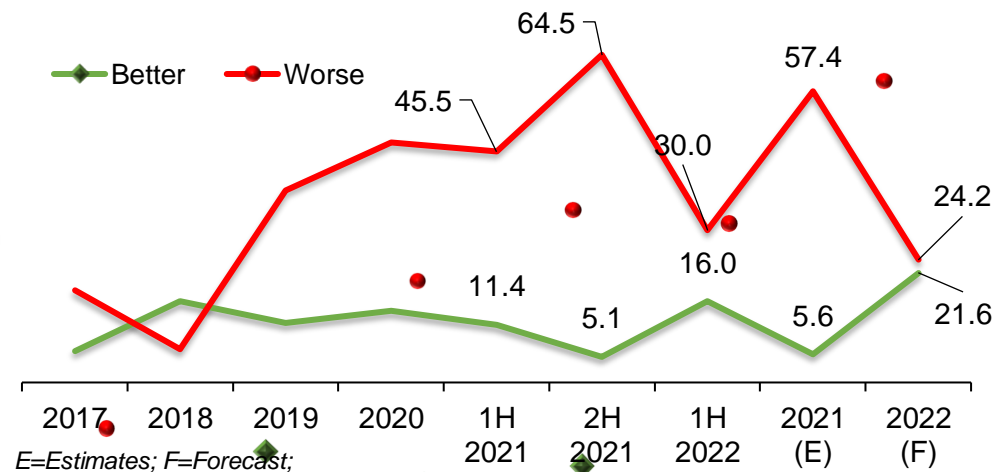
- **45.5% of respondents indicated that domestic economic conditions were worse off in 1H 2021**, only 11.4% reporting “Better”; and 43.1% “Neutral”, which is in tandem with a contraction of 0.5% in domestic economic growth in 1Q 2021.
- While pinning high hopes on the NRP and accelerating pace of national vaccination program, **64.5% of respondents still foresee worse economic prospects in 2H 2021** compared to 45.5% in 1H 2021.
- **For 2021, 57.4% of respondents expect a “Worse” economic outlook** (“Better”: 5.6%; “Neutral”: 36.9%), which is much more pessimistic than 26% in previous survey.

Real GDP Growth (%)



Source: DOSM; SERC estimates

Respondents' views about the economy (%)



# Business conditions and prospects

- More than half of the respondents (48.6%) reported worse business conditions in 1H 2021; 39.5% “Neutral” and 11.8% “Better” business conditions in 1H 2021 (15.5% in 2H 2020).
- Almost all non-essential and social activities are not allowed to operate while most permitted operating essential/economic sectors are given limited manpower capacity amid the supply chain disruptions.
- A higher percentage of respondents (62.5% vs. 22.1% expected in previous survey) expecting worse business conditions in 2H 2021; only 6.3% anticipate “Better” while 31.2% “Neutral”.

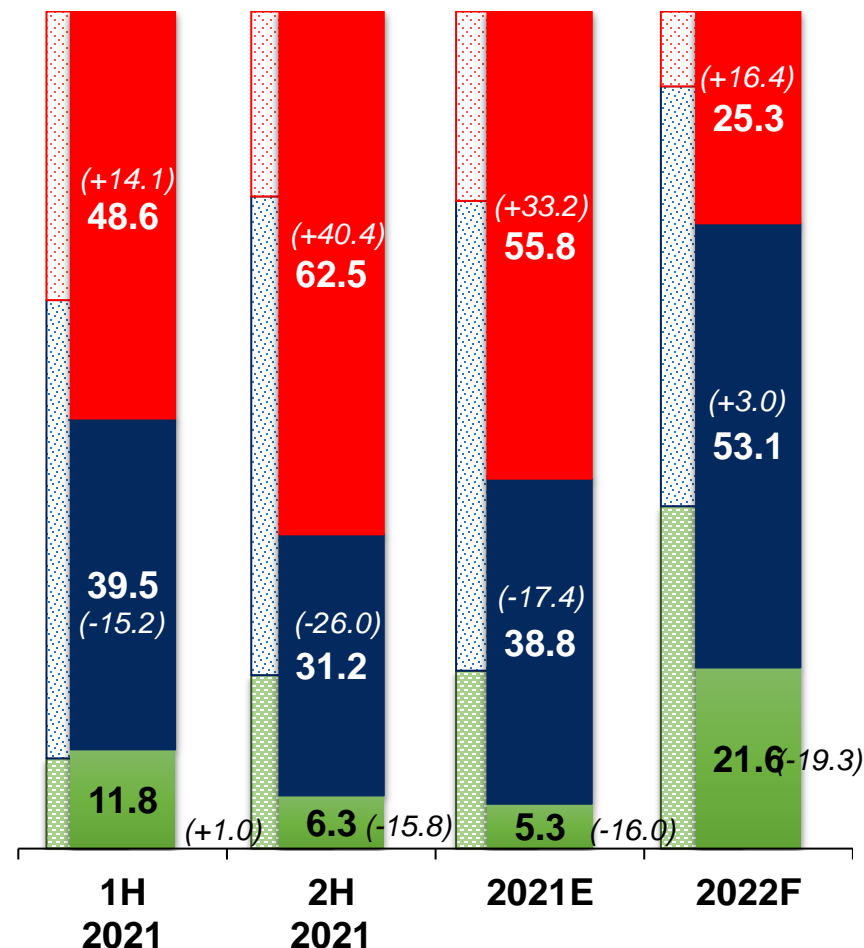
M-BECS 1H2021 and 2H2021F

■ Better ■ Neutral ■ Worse

M-BECS 2H2020 and 1H2021F\*

■ Better ■ Neutral ■ Worse

%



Note: E=Estimates; F=Forecast; \* denotes data obtained from previous survey. Figure in ( ) denotes changes in % respondents from previous survey



# Comparison between “M-BECS 2H 2020 and 1H 2021F” and “M-BECS 1H 2021 and 2H 2021F”

## Economic prospects

	Overall								
	1H 2021			2H 2021			2021		
	<i>Est.</i>	<i>Act.</i>	<i>Changes</i>	<i>Est.</i>	<i>Est.(R)</i>	<i>Changes</i>	<i>Est.</i>	<i>Est.(R)</i>	<i>Changes</i>
<b>Better</b>	9.5	11.4	▲	20.3	5.1	▼	20.6	5.6	▼
<b>Neutral</b>	54.4	43.1	▼	58.8	30.4	▼	53.4	36.9	▼
<b>Worse</b>	36.1	45.5	▲	20.9	64.5	▲	26.0	57.4	▲

## Business prospects

	Overall								
	1H 2021			2H 2021			2021		
	<i>Est.</i>	<i>Act.</i>	<i>Changes</i>	<i>Est.</i>	<i>Est.(R)</i>	<i>Changes</i>	<i>Est.</i>	<i>Est.(R)</i>	<i>Changes</i>
<b>Better</b>	10.8	11.8	▲	20.7	6.3	▼	21.3	5.3	▼
<b>Neutral</b>	54.7	39.5	▼	57.2	31.2	▼	56.2	38.8	▼
<b>Worse</b>	34.5	48.6	▲	22.1	62.5	▲	22.6	55.8	▲

Act. = Actual; Est. = Estimates; Est.(R) = Revised estimates; For. = Forecast

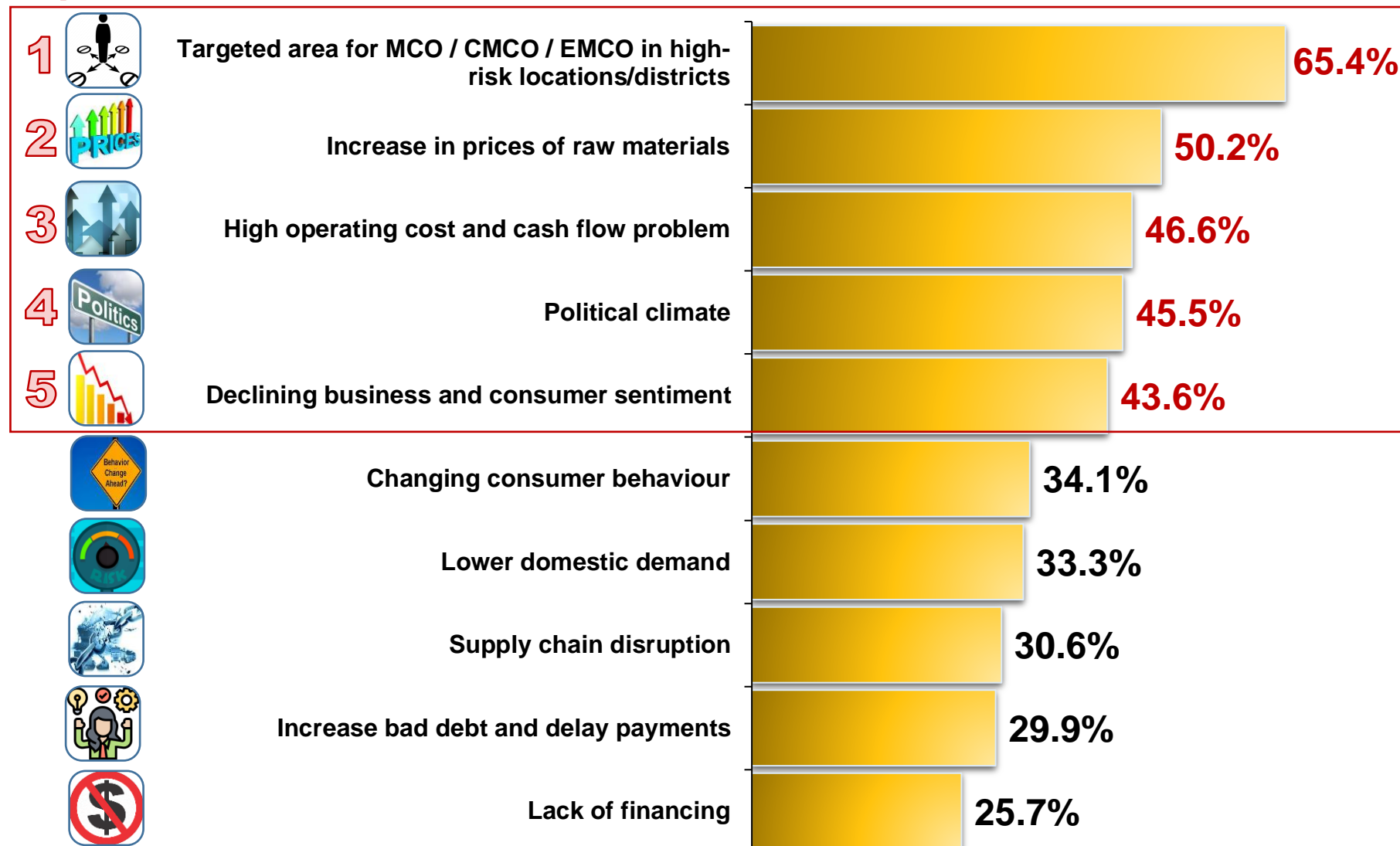
**M-BECS 1H 2021 and 2H 2021F**

# **Business Pulse Diagnosis**



# Factors affecting business performance in 1H 2021

## Top five factors ...





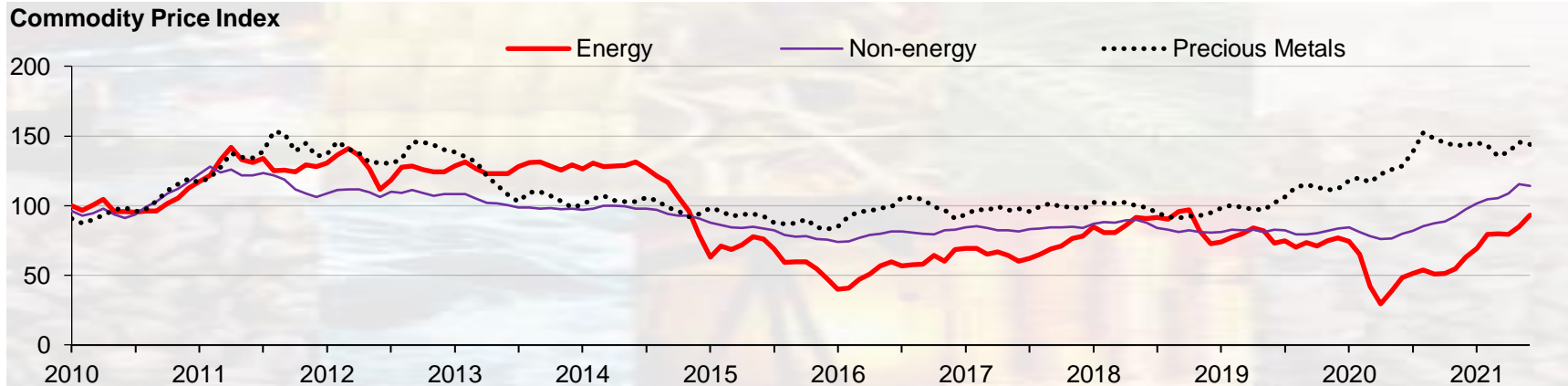
## **Targeted MCO/CMCO/EMCO in high-risk locations/districts (65.4%)**

- **Eight out of twelve economic sectors surveyed** cited this factor as the top factor while the remaining four sectors ranked movement control order as the second largest factor that badly dampened their business
- **In the first half-year of 2021, the implementation of less restrictive MCO 2.0 (13 January to 4 March) has resulted in national economic output loss of about RM300 million to RM400 million a day**, which is smaller compared to a loss of RM2.4 billion a day in MCO imposed in 18 March 2020.
- Subsequently, the resurgence of high caseloads and fast spreading of new virus variants have forced on the Government to **implement MCO 3.0 (started 6 May), followed by a “total lockdown” or Full MCO (FMCO) in June, incurring an estimated economic output loss of RM1 billion a day.**
- **Non-operative as well as restricted non-essential and social sectors have either suffered zero revenue or limited revenue** amid bearing high fixed operating costs, such as rental, electricity bill and salaries and wages.



## Increase in prices of raw materials (50.2%)

- **Rising cost of raw materials** are a global phenomenon trend due to strong global economic recovery in major countries; a revived consumer demand as most countries have reopened their economy; and supply bottlenecks.
- Global energy prices have surged strongly by 49.6% in 1H 2021 compared to 2H 2020, whereas global non-energy commodity prices (excludes precious metals) also increased by 21.9% for the same period. Amongst the segments in non-energy commodities, fertilizers, metals and minerals as well as food prices increased the most at 35.0%, 30.9% and 23.0%, respectively.
- **Prices of raw materials would remain elevated in 2H 2021** as 78.4% and 76.0% of respondents expect higher cost of local and imported raw materials, respectively.





## **Higher operating costs and cash flow problem (46.6%)**

- **High operating costs and cash flow problem remained a key concern for the business sector as ranked by 46.6% of respondents** as the third largest factor that impacting their business performance in 1H 2021, about the same with 48.3% in 2H 2020 in previous survey.
- **73.7% of respondents still highly concerned about 3Cs (Cash flow, Cost and Credit)**, whereby rental and salaries payment are among the fixed operating expenses that have significantly burdened them amid having low or zero sales/revenue in this tough time.
- Though the Government has rolled out low interest rate credit facilities, grant or operating expenses subsidy to provide cash flow relief, the prolonged supply and demand uncertainties arising from “open and shut” strict containment measures as well as limited manpower capacity will continue cannibalise their cash and internal reserves, and threatening the business survival.



## Political climate (45.5%)

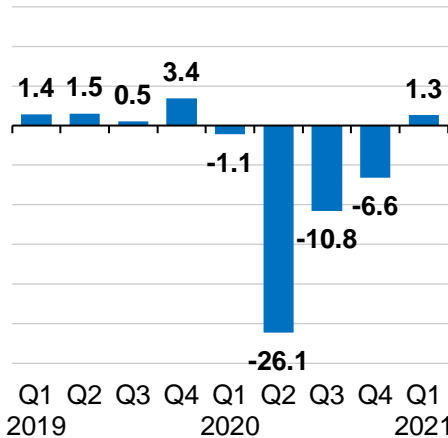
- **Lingering political uncertainties would undermine investors' sentiment and confidence** as well as distract the Government's focus to manage the ravaging impact of the COVID-19 pandemic crisis and navigate the economy onto the path of steady and sustainable recovery.
- Political uncertainties have been lingering for some time post the 14th General Election, which saw investors' anxieties about political and policies transition, constant political bickering as well as the change of new government in February 2020.
- **Political stability and good governance are key to ensuring macroeconomic stability and sustainable growth** amid the prolonged COVID-19 pandemic and the looming risk of a derailed economic recovery.
- We must always have **good sense and strong political will must prevail to reset our national development agenda**. A stable political condition will enhance the confidence of both domestic and foreign investors in terms of where the country is heading.



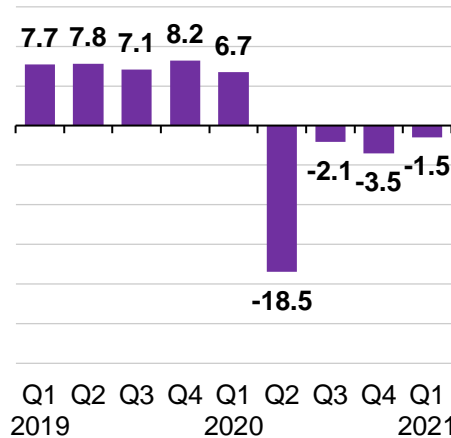
# Declining business and consumer sentiment (43.6%)

- This is in line with the continued sluggish sentiments as surveyed by MIER's BCI and MIER's CSI, which have fallen sharply in 2Q 2021. The plunge in business confidence was due to poor demand (domestic and oversea markets), lower production, capital investment and capacity utilisation. Employment conditions also weakened substantially.
- As consumers are pandemic fatigue and weary as well as fearing of rising infections, households and individuals have generally preserved their cash and increased precautionary savings, and hence, would spend discretionary. Consumers' confidence will return and pent-up demand will materialise if the worsening COVID-19 condition eases, backed by a high percentage of vaccination rates as well as an improvement in the labour market.

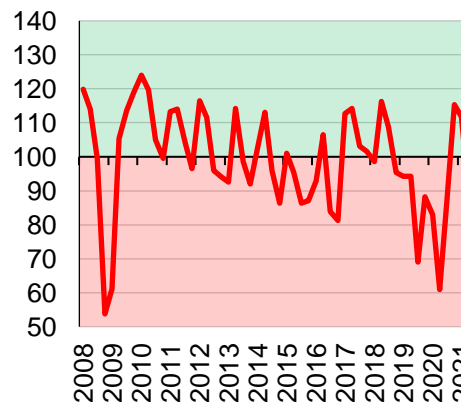
**Private investment growth**  
%, YoY



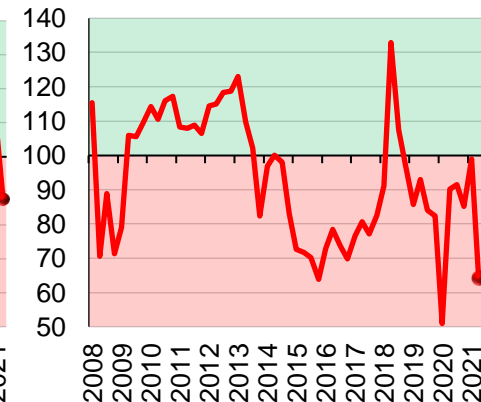
**Private consumption growth**  
%, YoY



**Business Conditions Index (BCI)**  
Above 100 = Optimism;  
Below 100 = Pessimism



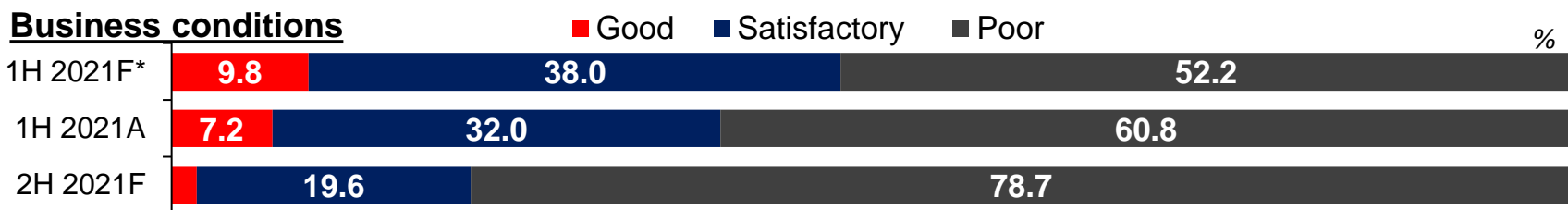
**Consumer Sentiments Index (CSI)**  
Above 100 = Optimism;  
Below 100 = Pessimism





# Business assessment in 1H 2021 and 2H 2021F

- Most businesses (60.8%) experienced poor business conditions in 1H 2021, and continued further in 2H 2021 (78.7%).



- 59.6% suffered poor cash flow conditions in 1H 2021 (vs. 53.7% in 2H 2020).



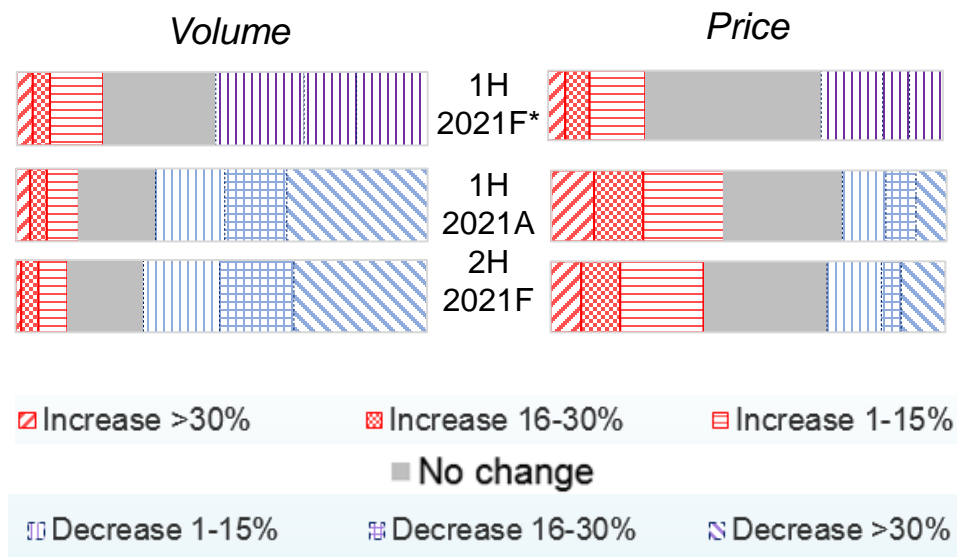
- 60.5% of respondents indicated “poor debtors’ conditions” in 1H 2021 and 74.5% in 2H 2021 (50.3% in 2H 2020).



# Business operations diagnosis

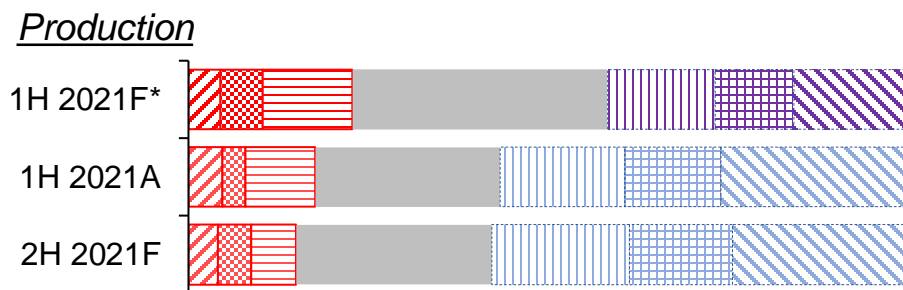
## Domestic sales – Still sluggish

- **66.1% of respondents reported a decrease in domestic sales volume in 1H 2021** with 34.1% having sales dropped by more than 30%.
- **Domestic sales prospects are expected to remain poor in 2H 2021** given cautious consumer sentiment and discretionary spending due to weak income and labour market conditions.



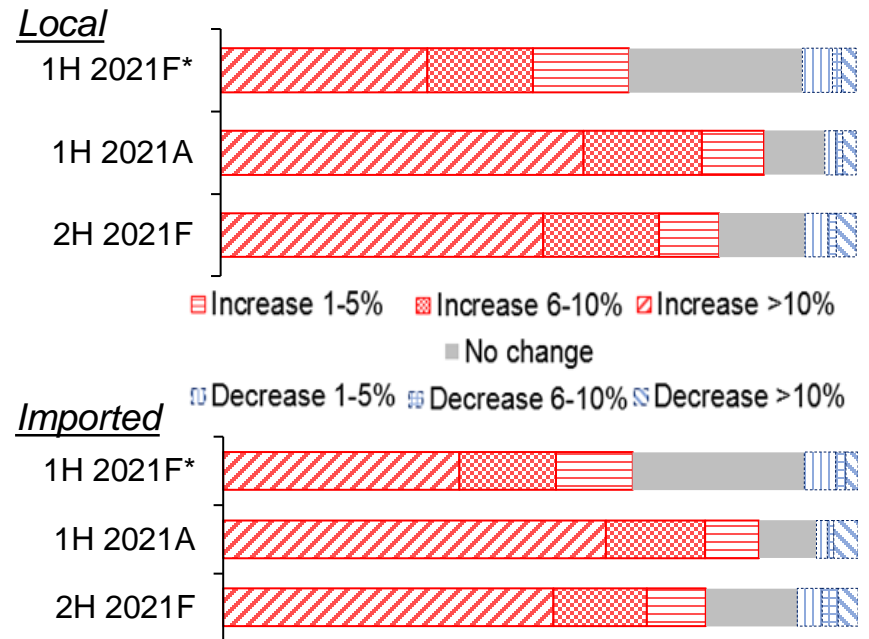
## Production – Re-imposition of MCO nationwide lowered production capacity

- **56.8% of respondents reported a decline in production level in 1H 2021.** In the construction sector, 65.8% indicated a decline in production with 39.0% reporting production has dropped by more than 30%.



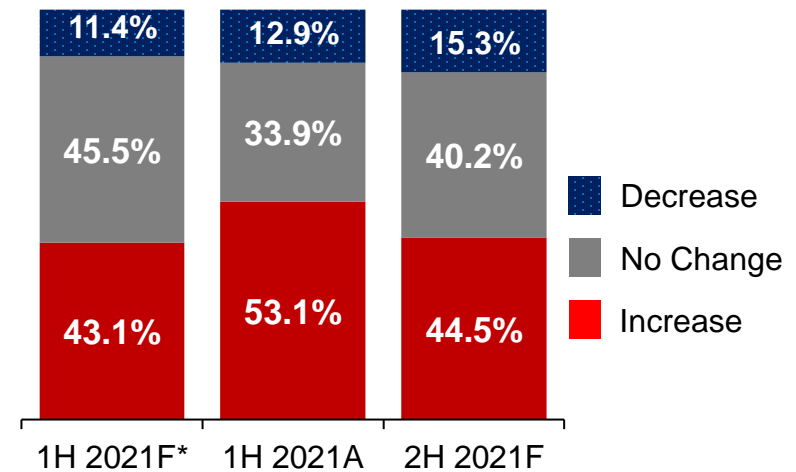
## Raw material prices continue rising amid strong demand and supply shortage

- **More than 80% of respondents** indicated that both prices of local and imported raw materials have increased significantly in 1H 2021.
- **Cost of local raw materials are expected to increase in 2H 2021** as indicated by 78.4% of respondents (vs. 85.6% in 1H 2021), similar to that of imported raw materials (76.0%).











































## Cautious capital spending prospects

- **More than half of respondents** indicated that they have increased their capital expenditure in 1H 2021 (53.1% vs. 42.7% in 2H 2020) despite during this economic hardship period.
- **40.2% of respondents will adopt a wait-and-see approach in committing capital spending in 2H 2021** until better clarity on the virus containment amid higher percentage of vaccinate rates.



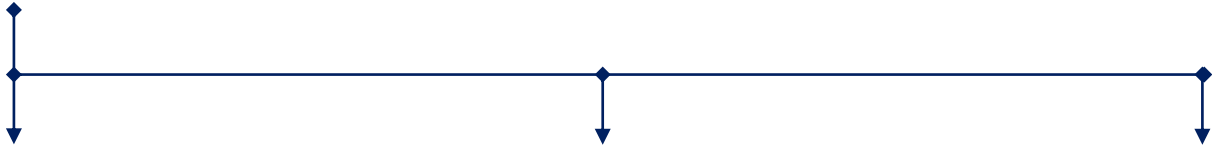
## By sector scorecard - 2H 2021F vs 1H 2021

	Business conditions	Production	Sales (Volume)		Cost of raw materials		Capital expenditure
			Local	Overseas	Local	Imported	
Overall							 
 Wholesale & retail trade							
 Manufacturing							
 Professional & business services							
 Construction							

 Good  
  Satisfactory  
  Poor  
  Increase  
  No change  
  Decrease

# M-BECS 1H 2021 and 2H 2021F

## Current Issues



**Economy and Business Recovery Development**



**Business Digital Transform Plan**



**Regional Comprehensive Economic Partnership (RCEP)**



## M-BECS 1H 2021 and 2H 2021F – Current Issues (cont.)

# Economy and Business Recovery Development



### M-BECS is gauging...

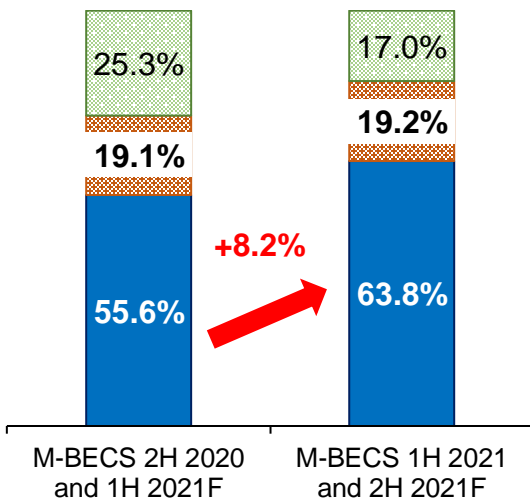
- Recovery speed of business sales
- Recovery confidence
- Cash flow coverage on expenses
- 3Cs (Cash flow, Cost and Credit)
- Prolonged pandemic impact

# Low expectations of an economic recovery in 2021

63.8% of respondents reported that their business sales were still below pre-pandemic level

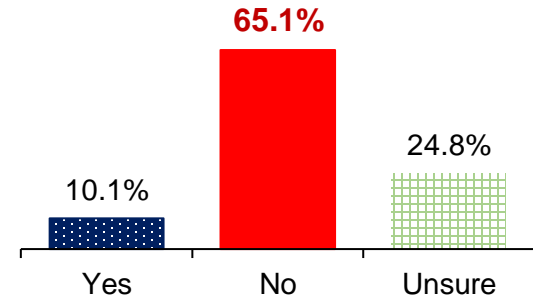
## Business sales against pre-pandemic level

- Higher than pre-pandemic level
- Same as pre-pandemic level
- Below pre-pandemic level



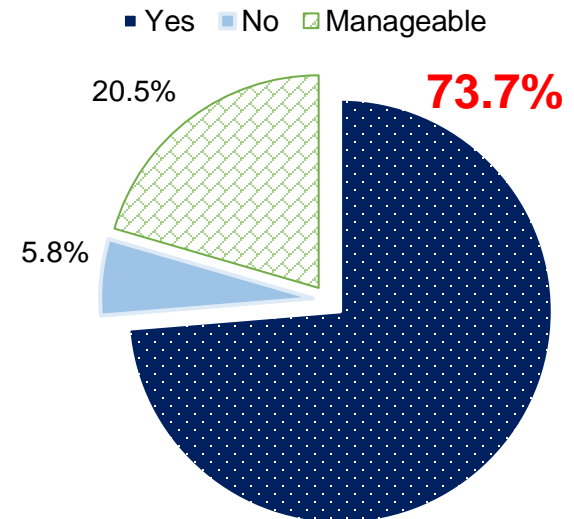
65.1% of respondents have no confidence that the Malaysian economy would recover in 2021

Are you confident of economic recovery in 2021?



73.7% of businesses still concerned about 3Cs (Cash flow, Cost and Credit)

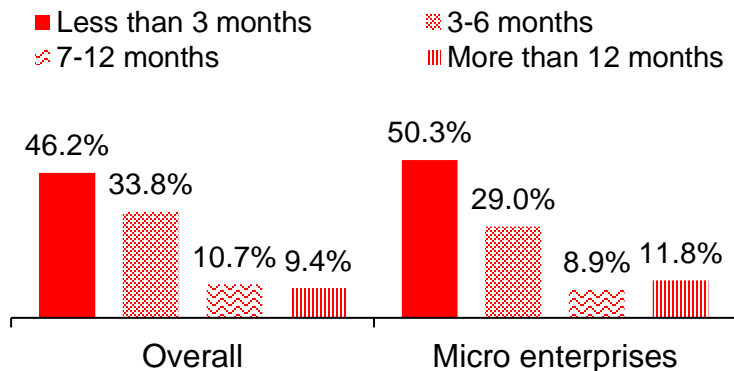
Are you still concerned about 3Cs (Cash flow, Cost and Credit)?



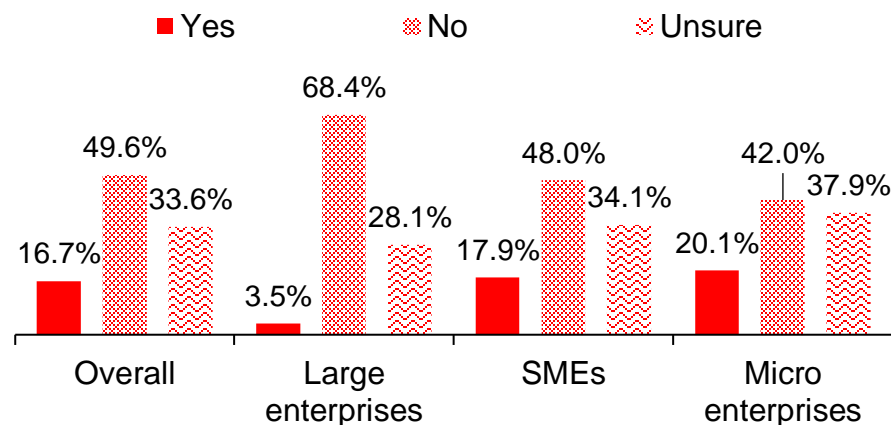
# Micro enterprises face financial difficulties; high risk of closing down

- **More than half of micro-enterprises (50.3%) do not have sufficient cash flow to pay their operating expenses for 3 months.** About 36.8% of large corporations indicated that their cash flow position is sufficient to cover more than six months of operating expenses compared to 18.6% for SMEs (23.1% for medium-sized enterprises; 16.2% for small enterprises; and 20.7% for micro enterprises).
- **A higher number of respondents in micro enterprises (20.1%) expects to close down their business** compared to small enterprises (17.8%), medium enterprises (14.8%) and large enterprises (3.5%).

*How many months can your current cash flow cover business operations/ productions, raw materials/ inventory, manpower?*



*Do you foresee your business closing down in 2021 given the prolonged pandemic impact?*





## M-BECS 1H 2021 and 2H 2021F – Current Issues (cont.)

# Business Digital Transform Plan



### M-BCES is surveying...

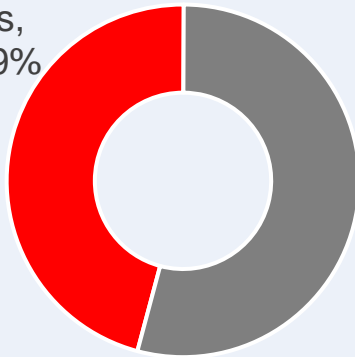
- Business digitalization or automation
- Reasons for not aggressively adopting digitalisation and/or automation
- Business spending on digital transformation
- Focus points of digital transformation
- Challenges of implementation

# Less than half of respondents have aggressively adopted digitalisation and/or automation

*Does your company aggressively adopt digitalization and/or automation in recent years?*

## Aggressively for front-end

Yes,  
45.9%

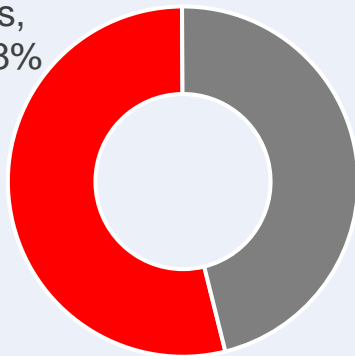


No / Very  
minimal,  
54.1%

n=691

## Planning to be more aggressive for front-end in the next 12 months

Yes,  
53.8%

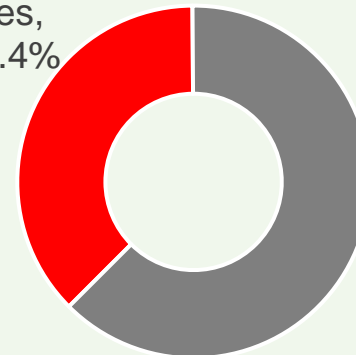


No / Very  
minimal,  
46.2%

n=688

## Aggressively for back-end

Yes,  
37.4%

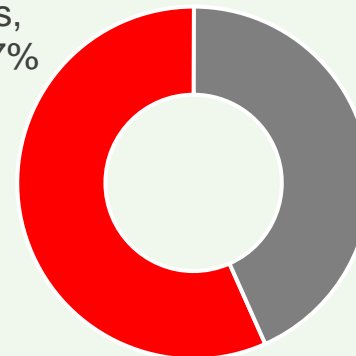


No / Very  
minimal,  
62.6%

n=689

## Planning to be more aggressive for back-end in the next 12 months

Yes,  
56.7%



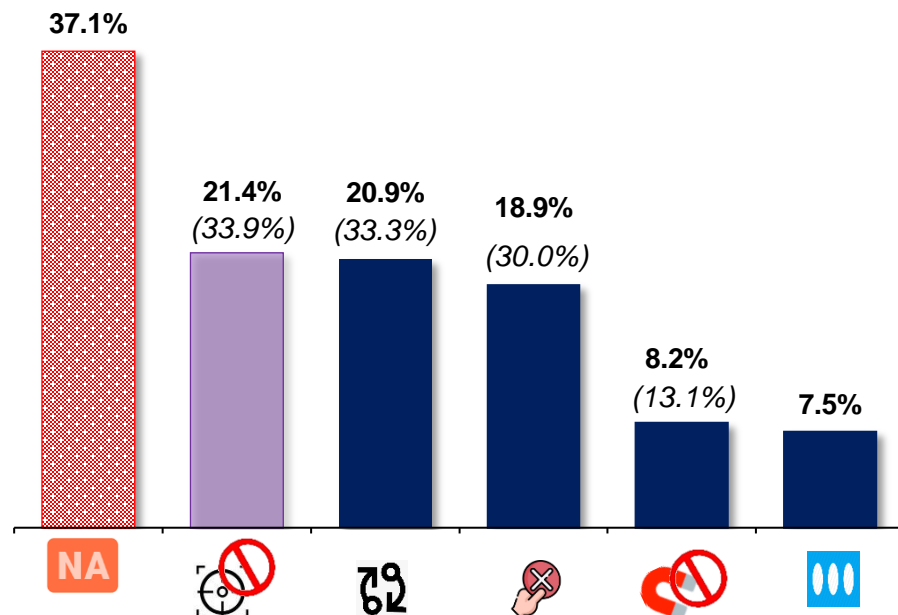
No / Very  
minimal,  
43.3%

n=686

# Reason (s) that local company does not aggressively adopt digitalisation and/or automation

- 1) **Not ready and focus on other priorities** (e.g., achieve economic scale and have larger orders), as ranked by 33.9% of respondents;
- 2) **Continued with current business model**; do not see the need to adopt (33.3%); and
- 3) **Business operation is unsuitable to adopt** (e.g., contract-based/outsourced-based/sunset business) (30.0%).

**What is (are) the reason (s) that your company does not aggressively adopt digitalisation and/or automation?**



NA

Not applicable, already aggressively adopted in recent years or plans to aggressively adopt in next 12 months



Not ready and focus on other priorities (e.g. achieve economic scale and have larger orders)



Continued with current business model, and hence, no need to adopt



Business operation is unsuitable to adopt (e.g. contract-based/outsourced-based/sunset business)



Does not believe it bring benefits / Benefit-to-cost is not attractive



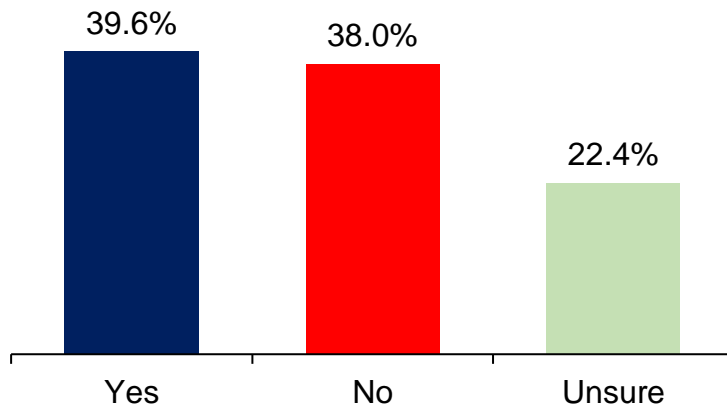
Others

Note: Figure in parenthesis indicates the percentage of respondents by excluding those who have aggressively adopted or plans to adopt in next 12 months.

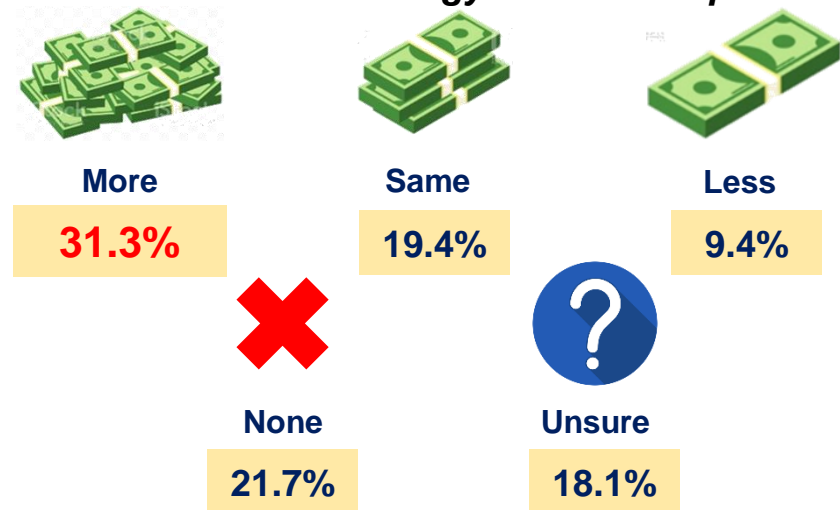
# Half of respondents will spend more or at least same amount on digital transformation technology

- While 9.4% of respondents will spend lesser amount, 21.7% of respondents will not spend any amount on digital transformation technology. This is a worrisome development as many businesses are still hesitant to brace digital transformation technology and adopt automation process so as be ready to compete in the business era disrupted by the COVID-19 pandemic
- 39.6% of respondents stated that the COVID-19 has altered their digital transformation plan while 38.0% maintained their plan, leaving 22.4% are still considering the next course of action.

*Has your company altered its digital transformation plans as a result of the COVID-19?*

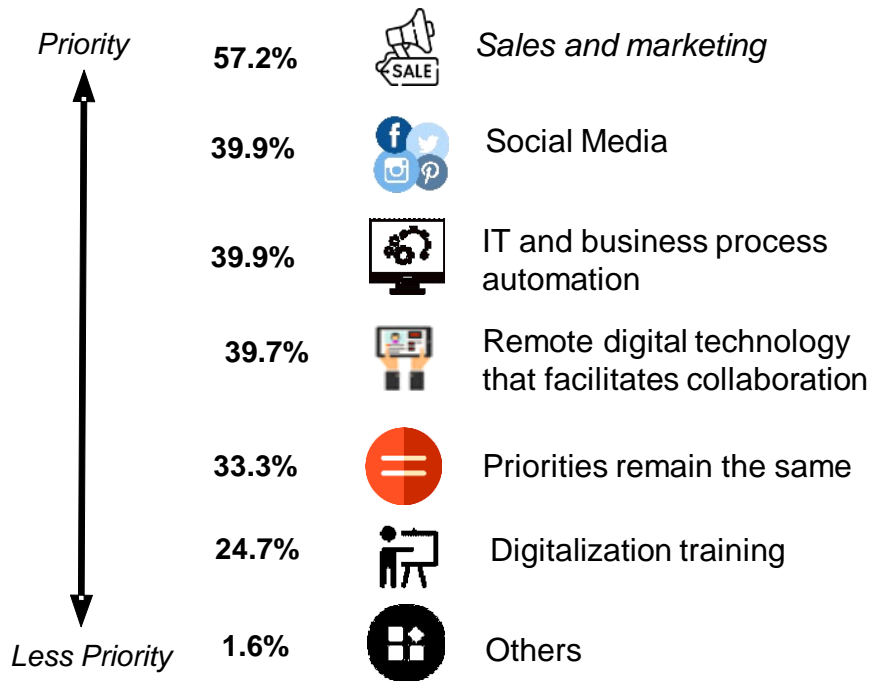


*How much will your company spend on digital transformation technology in 2021 compared to*

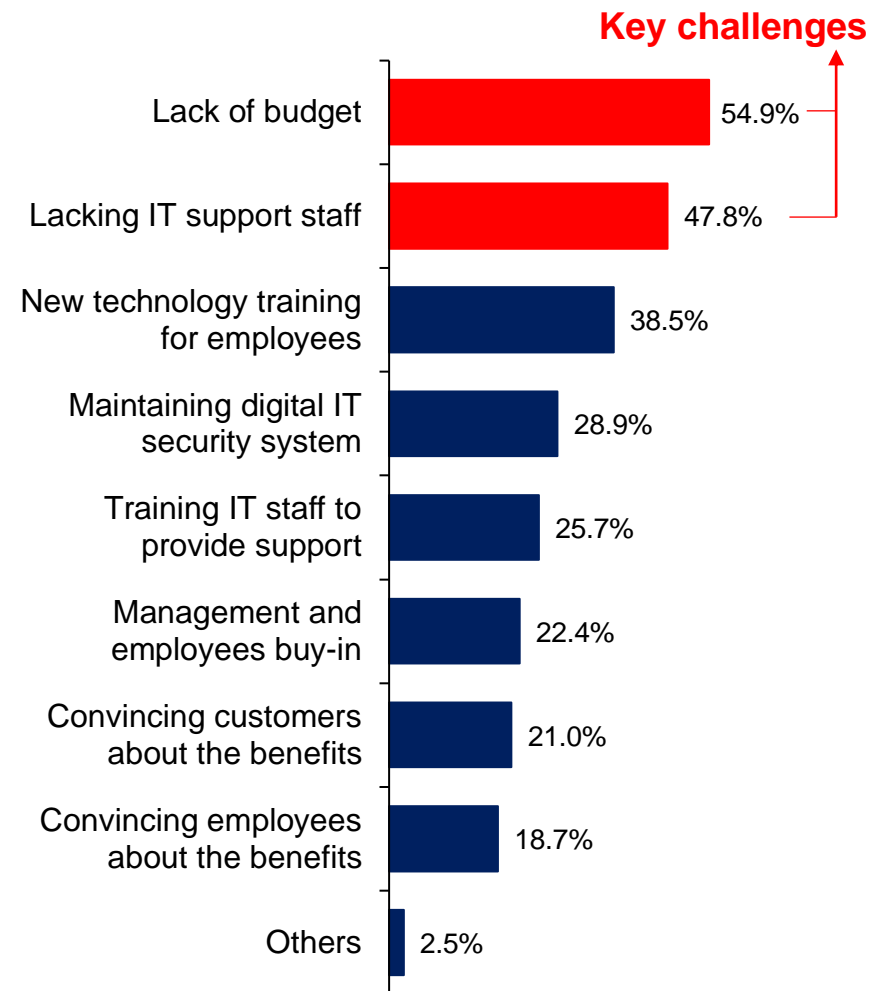


# Business digital transformation plan in the COVID-19 era

## Overall – Businesses focus more on:



## Challenges to implementing digital transformation technology



- In the wholesale and retail trade sector, as high as 77.7% of respondents voted sales and marketing, underscoring its importance platform as an alternative sales channel during the lockdown.

## M-BECS 1H 2021 and 2H 2021F – Current Issues (cont.)

# Regional Comprehensive Economic Partnership (RCEP)

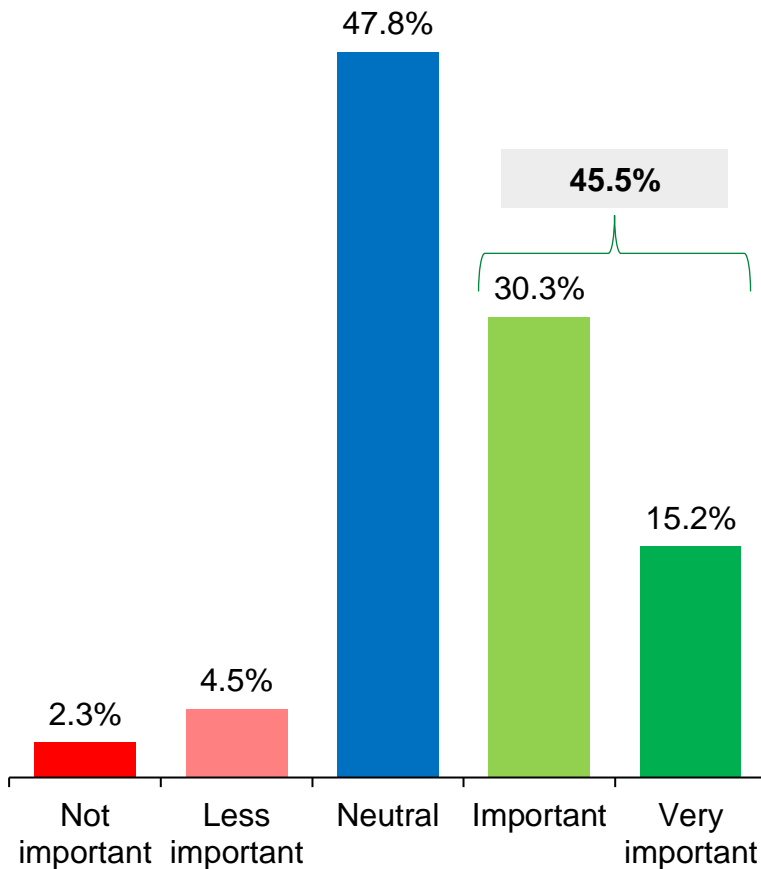


### M-BCES is gathering...

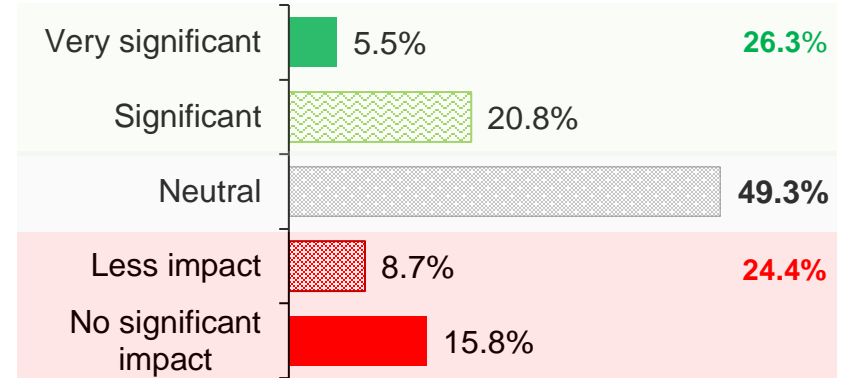
- Business viewpoint on RCEP
  - Level of economic importance for Malaysia
  - Level of impact
  - Level of competition
- Type of RCEP impacts to business
- Business preparation on RCEP

# RCEP is an important economic growth catalyst for Malaysia

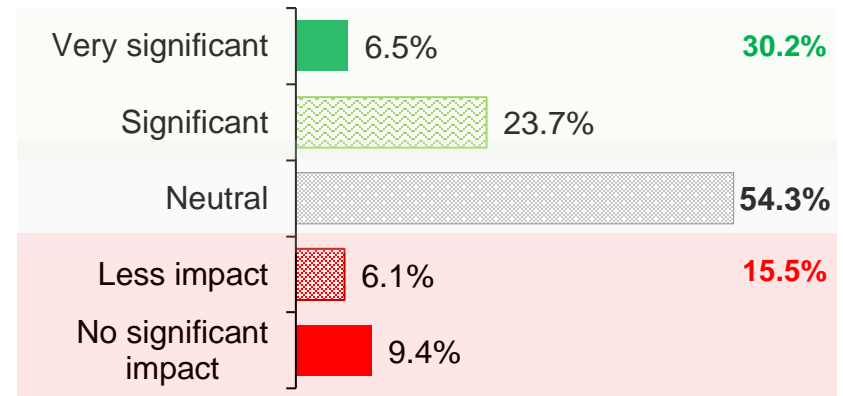
45.5% of respondents rated RCEP as an important growth catalyst for Malaysia.



*Please indicate how much the RCEP Agreement could have an impact on your business*



*Please indicate the level of competition from other RCEP countries*



# RCEP impacts to local business

## Top 1 impact (Overall)

**“Greater market access for goods and services (40.8% of respondents)”**

### China’s Schedule of Tariff Commitments to ASEAN’s goods

Tariff elimination/reduction	ASEAN	
Imported goods immediately enjoying zero Chinese tariffs	67.9%	
Imported goods enjoying zero Chinese tariffs	Over the next 10 years	12.7%
	Over the next 15 years	3.0%
	Over the next 20 years	6.9%
Imported goods ultimately enjoying zero Chinese tariffs	90.5%	
Imported goods enjoying reduced Chinese tariffs	5.4%	
Imported goods excluding from any commitment of tariff reduction or elimination	4.1%	

 Add up = 90.5%  Add up = 100%

**Sample** Mangoes [Base Rate=15%], vacuum pumps [Base Rate=8%] or circular knitting machines [Base Rate=8%]

## Top 1 impact

*(for manufacturing sector / large enterprises)*

**“Competitively priced and wider sources of raw materials (49.0% / 42.1% of respondents)”**

### Selected ASEAN Members’ Schedule of Tariff Commitments to China’s goods

Tariff elimination/reduction	Selected ASEAN Members*
Imported goods from China immediately enjoying zero tariffs	74.9%
Imported goods from China ultimately enjoying zero tariffs	90.5%
Imported goods from China enjoying reduced tariffs	5.5%
Imported goods from China excluding from any commitment of tariff reduction or elimination	4.0%

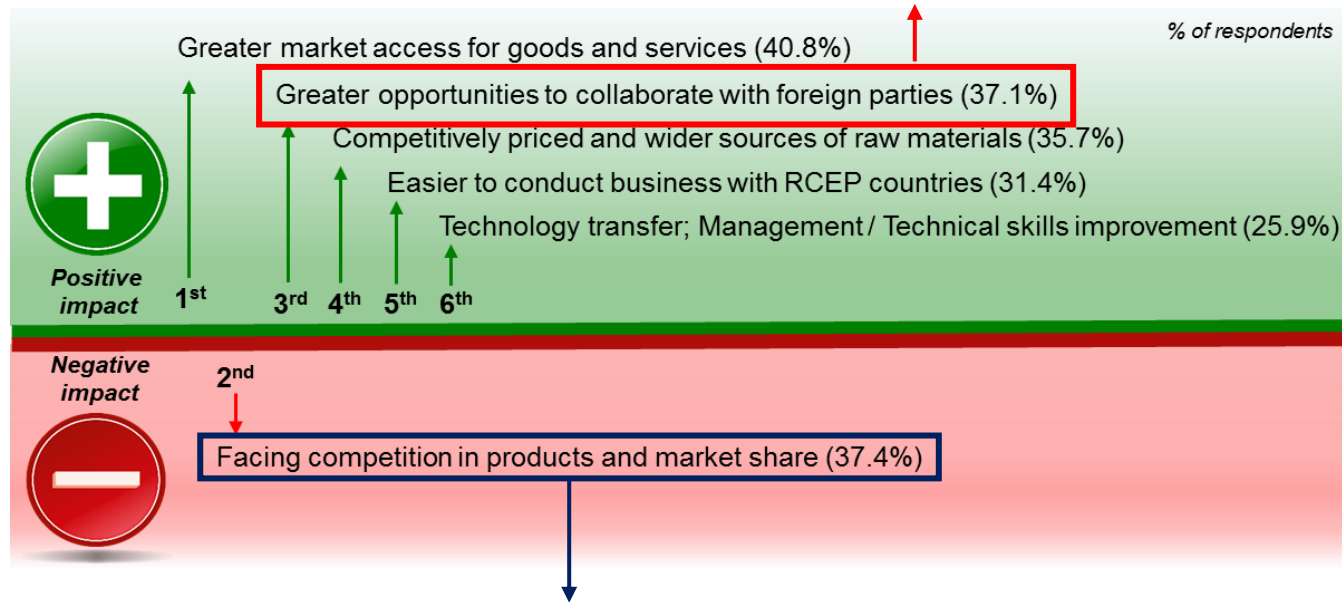
\* Malaysia, Vietnam, Singapore, Thailand, Indonesia, The Philippines, Brunei  Add up = 100%

**Sample** Kiwifruit [Base Rate=15%], Chain wheel and cranks [Base Rate=5%] or Arc-lamps [Base Rate=5%]



## RCEP impacts to local business (cont.)

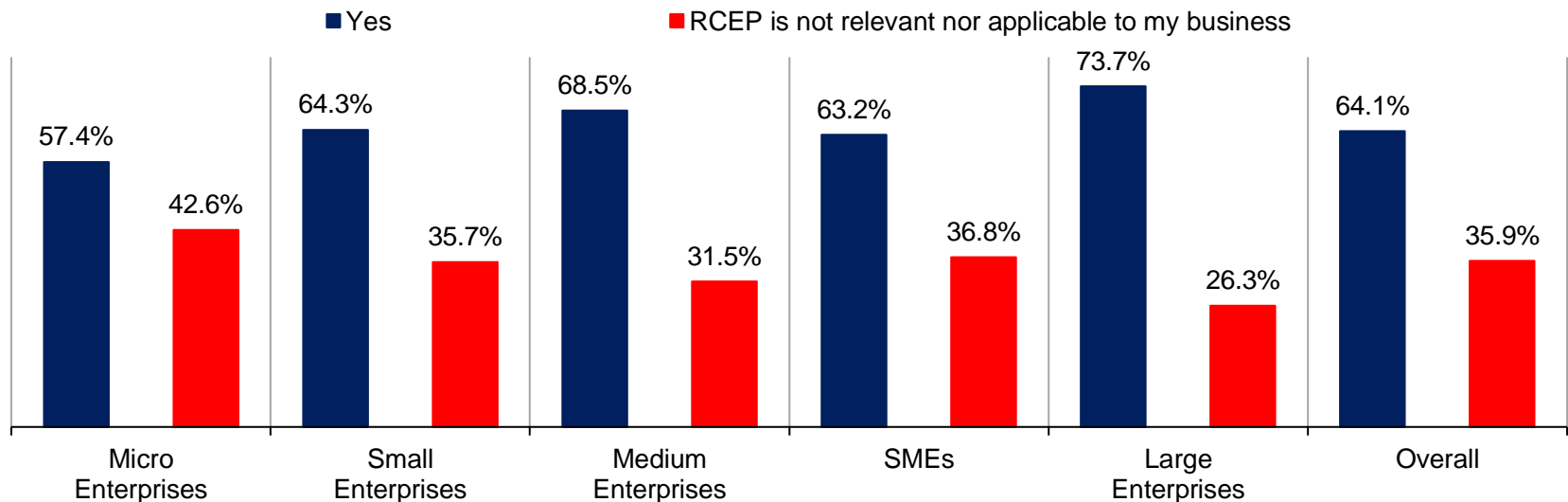
- Each RCEP country has her own strengths. SMEs should consider to merge or joint-venture among themselves to embark on research and development (R&D).



- More foreign companies would directly list their products via famous e-commerce platforms (e.g., Shopee or Lazada) to compete with local businesses. To reap RCEP opportunities
- To reap RCEP opportunities, **local companies must focus on developing niche, competitive, green or sustainable products** to avoid price wars trap with other RCEP players.

## Micro enterprises feel less relevant to RCEP

- **64.1% of respondents have acknowledged that RCEP is relevant to their company while 35.9% of respondents rated that “RCEP is not relevant nor applicable to my business.**
- Interestingly, the survey data revealed that the size of company is correlated to the perception of how RCEP relevant to their businesses. **73.7% of large enterprises rated that RCEP is relevant to their business, followed by medium enterprises (68.5% of respondents), small enterprises (64.3%) and micro enterprises (57.4%).** Micro enterprises face constraints in internal resources (e.g., capital and manpower) or lack of know-how to grasp the RCEP opportunities.

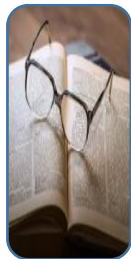


# Business strategy to tap RCEP opportunities

## Top 3 strategies



**Participate in trade promotion activities and market development program**  
*(51.8% of respondents)*



**Know the regulations of trade and services of RCEP countries**  
*(51.8% of respondents)*



**Seek reputable local suppliers and distributors in the region**  
*(43.0% of respondents)*

## ACCCIM's recommendations

- Tax reduction of 2%-4% over the next 2 years for SMEs and large enterprises, respectively, to encourage them participating in cross-border trading.
- More collaborations between trade associations and the government to organise seminar in specific topics
- Government agencies (e.g., MPOB or FAMA) should publish more RCEP information regarding some specific products for industry players.
- Government should establish RCEP hotlines and chatbot responding to businesses' enquiry on RCEP.
- Government agencies should collaborate with well-established B2C and B2B e-commerce platforms to offer newcomers' packages and technical support for Malaysian businesses, especially SMEs.

## Conclusion

- Overall, M-BECS results indicated that **most businesses continued to suffer deep economic scarring effects** from the prolonged pandemic and “open and shut” strict containment measures.
- **Most companies remained somewhat pessimistic about domestic economic and business prospects in 2021.** 65.1% of respondents have no confidence that the Malaysian economy would recover in 2021.
- While pinning high hopes on a smooth transition towards a safe reopening of the economy under the four phases of the National Recovery Plan (NRP), **most businesses take a very cautious view of the economy and business conditions in 2H 2021, with 64.5% of respondents foreseeing economic conditions will be worse off in 2H 2021 compared to 1H 2021.**
- It is widely acknowledged that the speedy mass vaccination towards achieving herd immunity (70-80% of total population vaccinated) holds the key to fast tracking the progress of the NRP so as to take the country out of the COVID-19 pandemic with resilience. Nevertheless, **more than half of total respondents (54.2%) hold a neutral view on economic conditions in 2022 as they remained wary about the efficacy of vaccines protection against new virus variants.**



谢谢  
Thank you

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