



ACCCIM's Malaysia's Business and Economic Conditions Survey (M-BECS) 2H 2021 and 1H 2022F

马来西亚中华总商会
2021下半年及2022上半年预测
马来西亚商业和经济状况调查

25 January 2022



Key agenda

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Survey coverage

- ACCCIM's Malaysia's Business and Economic Conditions Survey (M-BECS) is a key market barometer measuring business community's sentiments and expectations of their business prospects and economic outlook.
- The survey, which was conducted between **25 October 2021 and 31 December 2021** covers the **second half-year of 2021 (Jul-Dec or 2H 2021)** and expectations for the **first half-year of 2022 (Jan-Jun or 1H 2022)** as well as the **outlook for 2022**.

- **M-BECS contains three sections:**



Economic and Business Performance and Outlook;



Factors Affecting Business Performance; and



Current Issues Confronting Businesses.



Profile of Survey Respondents



807 companies covering a broad-based of sectors and industries

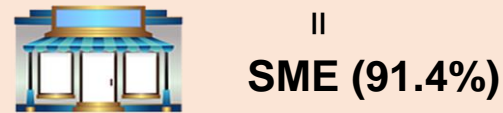
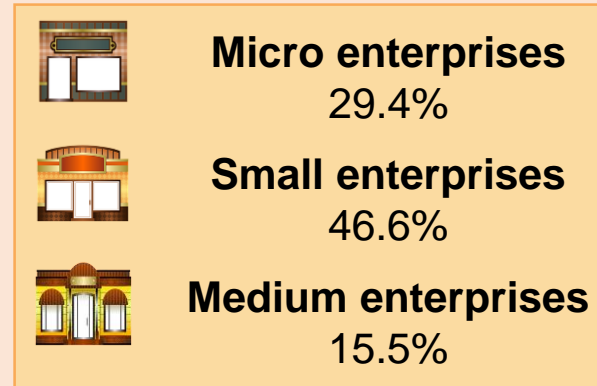
By economic sector n=807



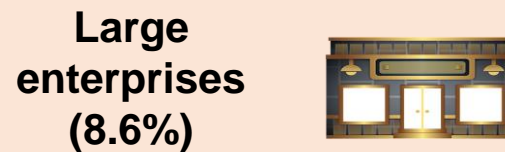
Top FIVE industries (74.0%):



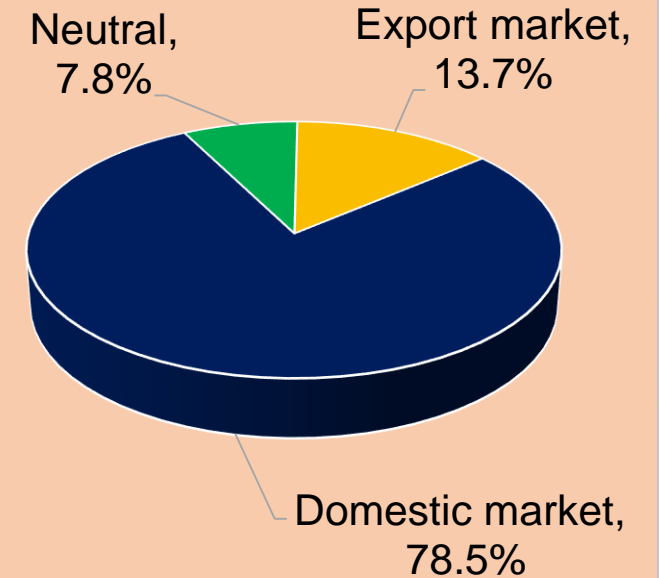
By size of business operations² n=807



VS.



By sales orientation n=767



Note: Domestic market-oriented indicates at least 60% of total sales are generated from domestic market; Export market-oriented indicates at least 60% of sales generated from overseas market; Neutral refer to 41%-59% sales from domestic/overseas market.

Note: Numbers may not add up to 100.0% due to rounding, which are also applied for the rest of the slides

¹ Tourism, shopping, hotels, restaurants, recreation and entertainment; ² A business will 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 basis, as endorsed by the National SME Development Council (NSDC) and published by SME Corporation Malaysia in 2013.

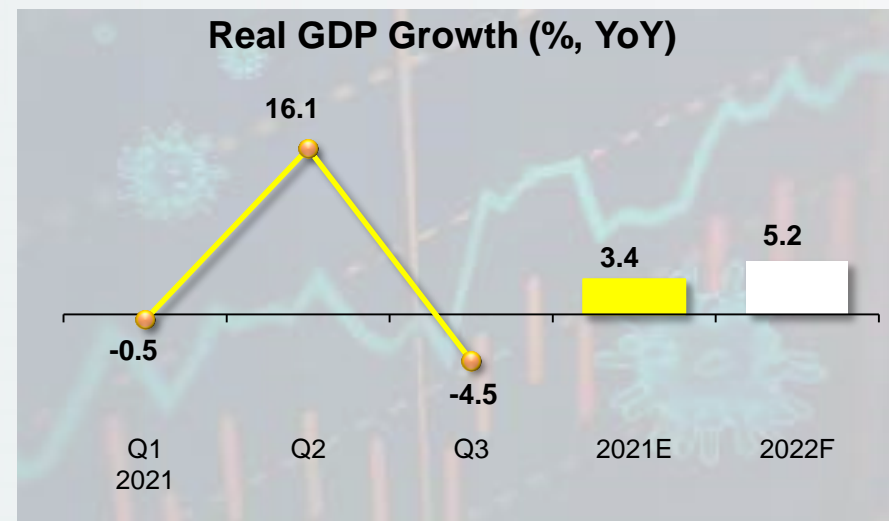
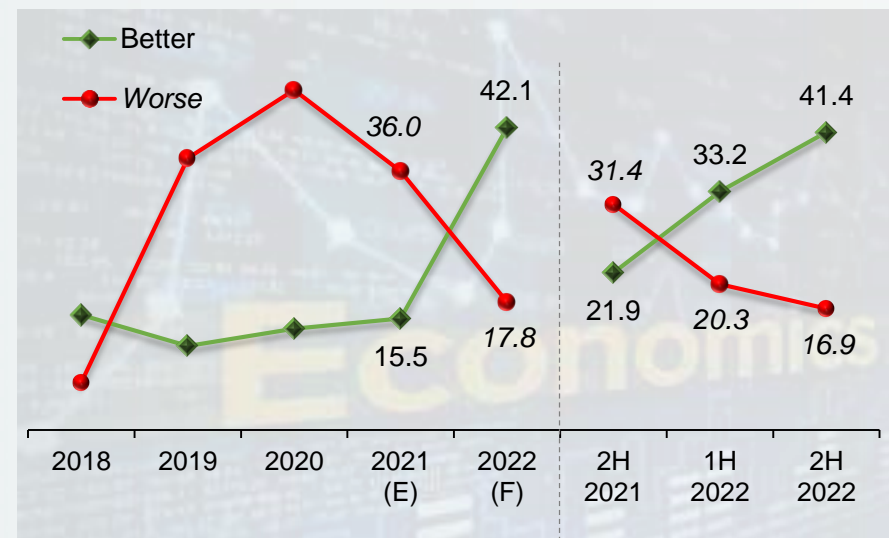


Sentiment Tracker: 2H2021, 2021E, 1H & 2H 2022, and 2022F



Better Economic Conditions and Prospects in 1H2022 and 2022F

- The economy has bottomed out in 3Q 2021, thanks to the economic reopening in 4Q.
- **The economy is on the path to recovery in 2022**, supported by improving consumer sentiments and business confidence on high levels of vaccination.
- **A risk of caution:** Highly transmissible but less deadly Omicron variant could dent consumer sentiment and business confidence.
- **35.9% of respondents are still confident of an economic recovery in 2022**, with 41.4% expecting better economic outlook in 2H 2022 compared to 33.2% in 1H 2022.
- Overall, **42.1% of respondents expect “Better” economic prospects in 2022** while the percentage share of respondents expecting “Worse” economic outlook reduced to 17.8% from 24.2% surveyed previously.



Source: DOSM; SERC's estimates



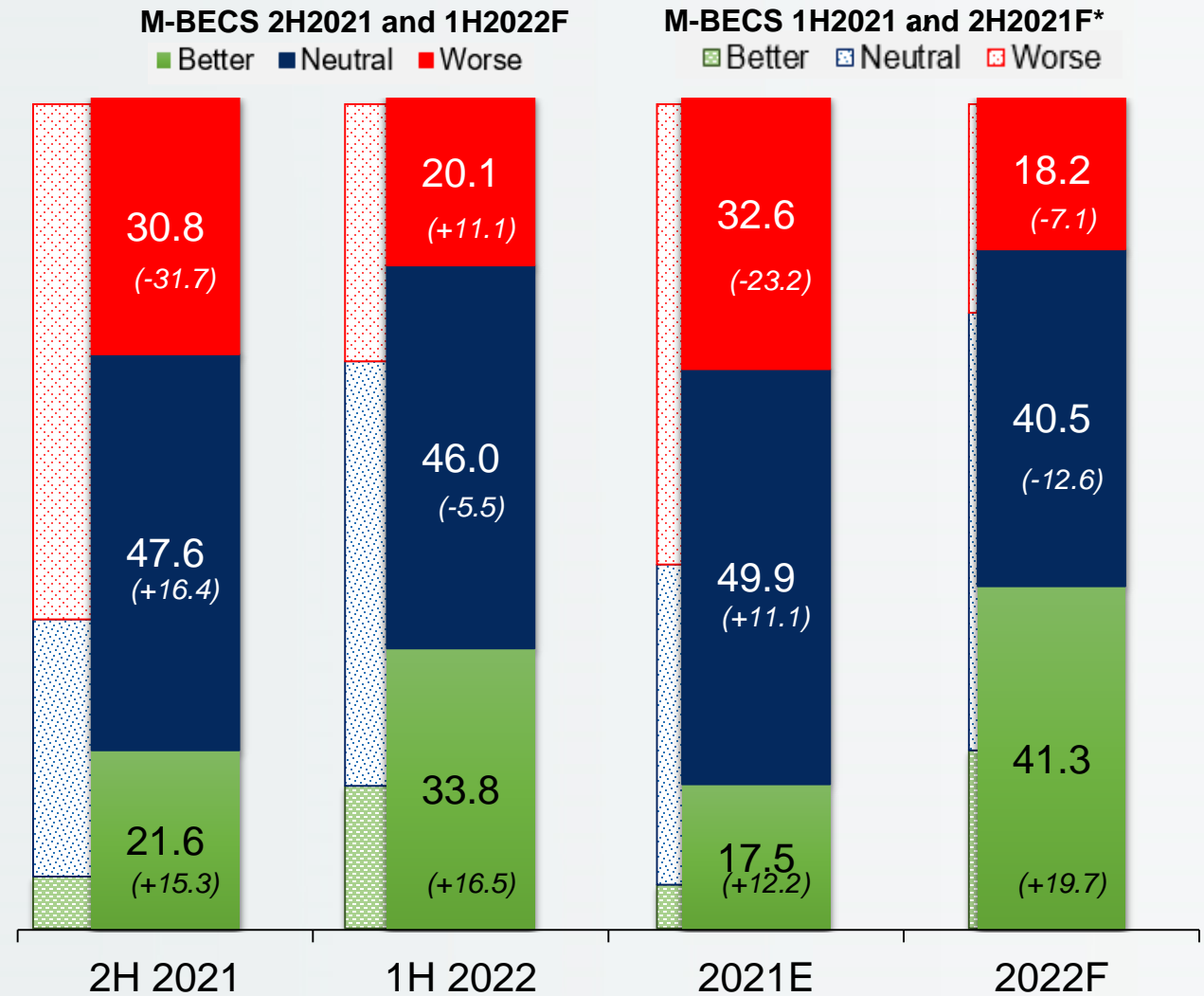


Positive Business conditions and prospects

- Revived economic and business activities, aided by some pent-up consumer spending.
- While almost same number of respondents are holding a “Neutral” view 1H 2022 (46.0% vs. 47.6% in 1H 2021), **33.8% of respondents expect “Better” business conditions in 1H 2022.**
- Higher percentage of respondents (41.3%) expect “Better” business prospects in 2022 compared to 17.5% in 2021.



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





Business Pulse Diagnosis



Factors affecting business performance in 2H 2021

1st



Increase in prices of raw materials
(56.7%)

2nd



High operating cost and cash flow problem
(53.0%)

3rd



Changing consumer behaviour
(42.5%)

4th



Political climate
(38.9%)

5th



Shortage of workers
(36.8%)

6th



Supply chain disruptions
(32.3%)

7th



Shortage of raw materials
(30.6%)

8th



Lower domestic demand
(27.0%)

9th



Increase in bad debt and delay payments
(26.4%)

10th

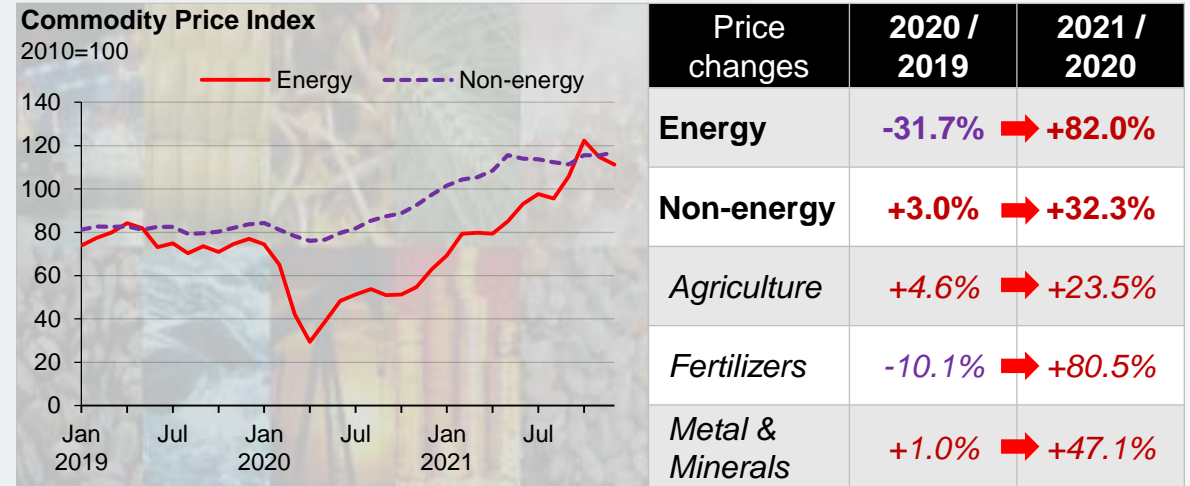


The Ringgit's fluctuation
(24.8%)



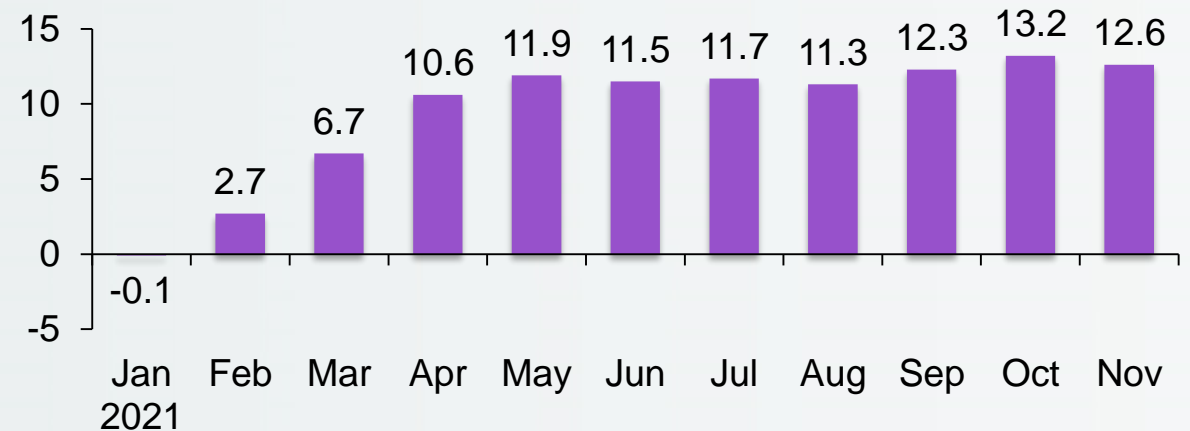
Increase in prices of raw materials (56.7%)

- Stubbornly increasing cost of raw materials coupled with the supply bottlenecks have impacted production, cost, margins and profitability.
- **Three sectors recorded more than 70% of respondents** voted for this factor: **Construction (77.0%)**; **manufacturing (76.3%)**; and **agriculture, forestry and fishery (72.5%)**.
- **For 2H 2021, 11 out of 12 sectors have more than 50% of respondents reporting increases in cost of local raw materials, especially construction (91.7%) and manufacturing (89.7%).**
- Unabsorbed cost increases may force many respondents to pass through increased cost onto consumers. The survey shows that 56.3% of manufacturers and 53.6% of construction players have indicated that they have increased prices in 2H 2021.



Producer prices

%, YoY



Source: World Bank



High operating cost and cash flow problem (53.0%)

- **Eight out of 12 sectors with at least 50% of respondents** voted for this factor.
- Overall, **40.5% of respondents have experienced poor cash flow conditions in 2H 2021**, of which the construction (54.9%) and tourism-related (53.2%) sectors have more than half of the respondents. These two sectors also recorded a high percentage of poor debtors' conditions (61.3% and 54.1% respectively).
- By size of operations, nearly half of the micro entrepreneurs (47.2%) reported poor cash flow conditions.

| Sector | |
|---|---|
| Agriculture, forestry and fishery (55.0%) | Wholesale and retail trade (55.8%) |
| Mining and quarrying (66.7%) | Trading (imports and exports) (54.5%) |
| Manufacturing (55.3%) | Transportation, forwarding and warehousing (69.2%) |
| Construction (65.5%) | Professional and business services (51.8%) |

Changing consumer behaviour (42.5%)



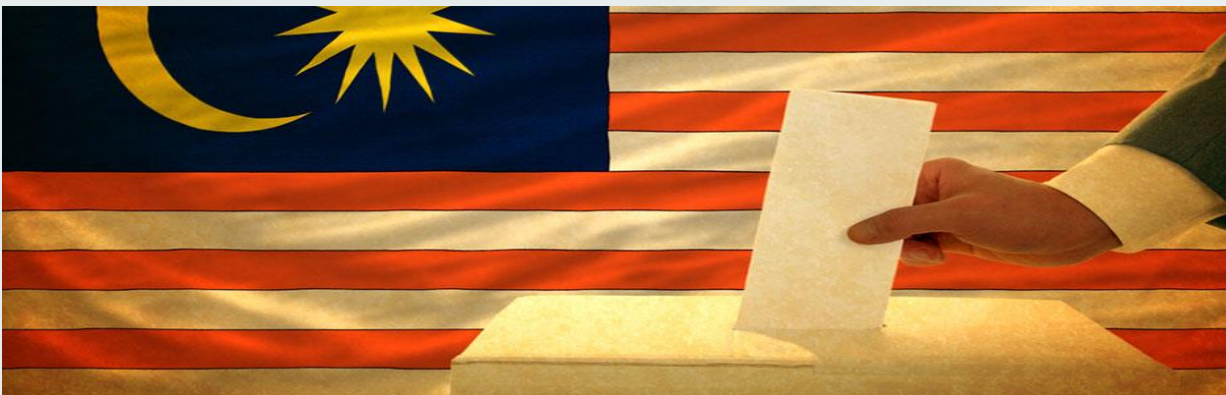
- Consumer behaviour has changed substantially in the aftermath of pandemic.
- **Tourism-related sector impacted the most** (as ranked of 72.7%).
- Greater online presence; higher requirement of hygiene and social distancing - shift in business operating model, marketing strategy and selling channel.
- The availability of quick access and digital payment tools, satisfaction of customer services, review of products and services, brand image, etc.





Political climate (38.9%)

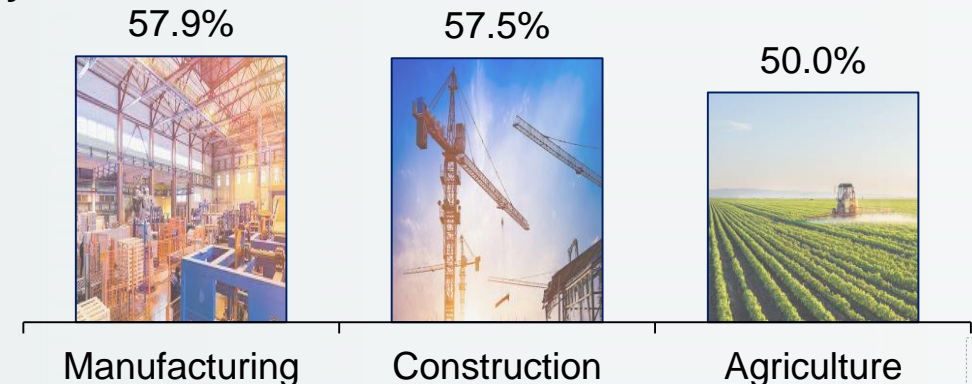
- There remains lingering political uncertainty and concerns about public policies changes ahead in the 15th General Election, which will be held not later than September 2023.
- Amidst the backdrop of a raging pandemic, the years 2020-2021 went through a series of momentous and decisive political events that, amongst others, witnessed the premiership changing hands and three state elections held.
- One of the agreed items underlined in the Memorandum of Understanding (MoU) between the ruling government and the main opposition alliance – Pakatan Harapan (PH) is for the Parliament not to be dissolved from now until 31 July 2022.



Shortage of workers (36.8%)

- **57.4% of respondents in large enterprises rated the shortage of workers as the top factor** restraining their business performance.
- The frozen of foreign workers (FW) intake; the expiry of FW working pass; and a lack of local low skilled workers to fill the gap have amplified the manpower shortages.
- The Government has allowed the long-awaited online applications of FW for the plantation sector w.e.f. 28 Jan 2022 and other sectors on 15 Feb 2022. We hope for a smooth and quick process of applications and approvals.

By Sector

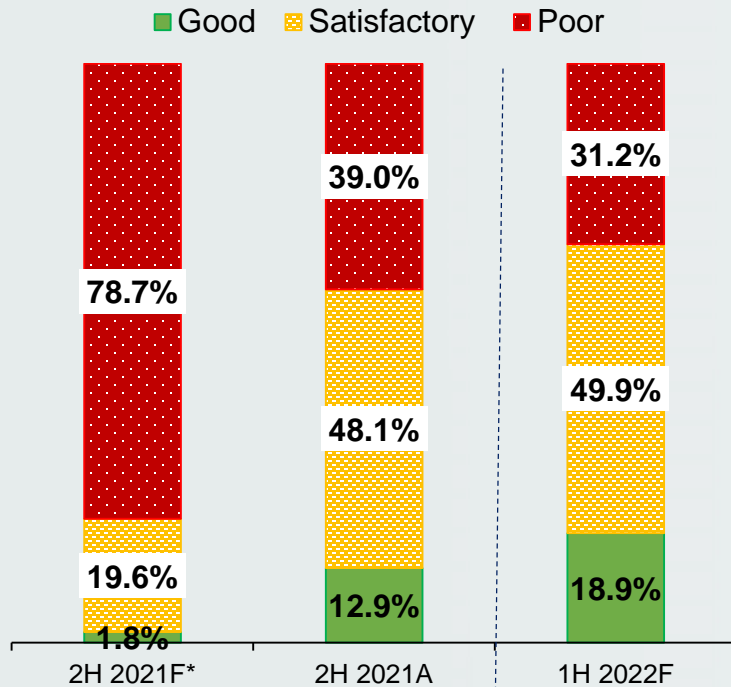




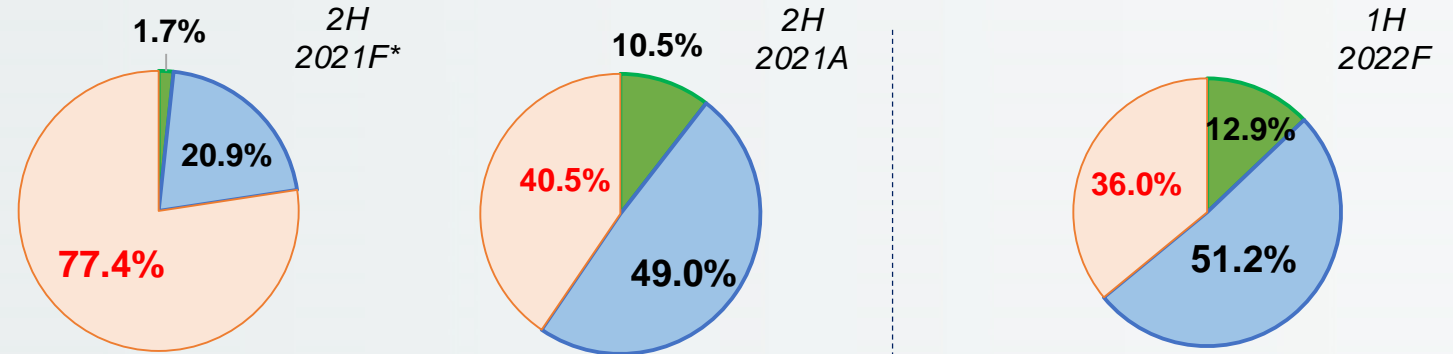
Business assessment in 2H 2021 and 1H 2022F

“Satisfactory” business conditions in 2H 2021

- 2H 2021 - Trading sector (51.5%) remained in poor business conditions
- 1H 2022 - Transportation, forwarding and warehousing sector (45.2%) expect good business conditions



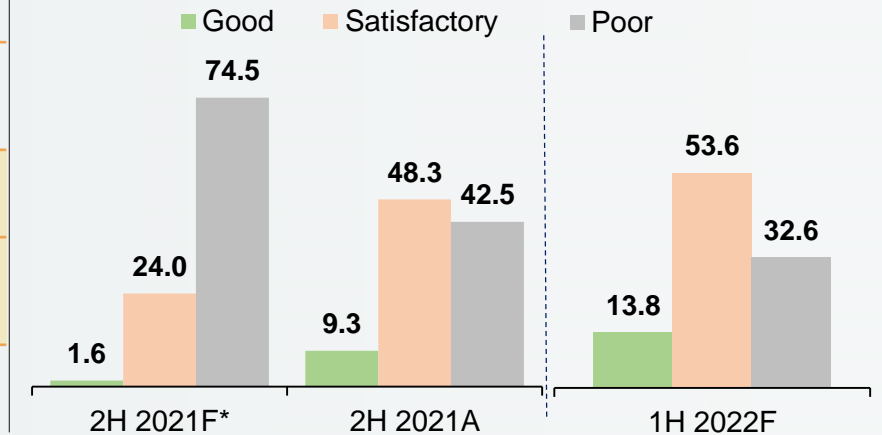
“Satisfactory” cash flow conditions in 2H 2021



Sector that suffered “Poor” cash flow conditions and “Poor” debtors’ conditions in 2H 2021:

| Sector | Cash flows conditions | Debtors’ conditions |
|-----------------|-----------------------|---------------------|
| Construction | 54.9% | 61.3% |
| Tourism-related | 53.2% | 54.1% |

Debtors’ conditions have improved from previous expectation



Note: A=Actual; F=Forecast;

* The results of 2H 2021F were from previous survey (M-BECS 1H 2021 and 2H 2021F).



Business operations diagnosis

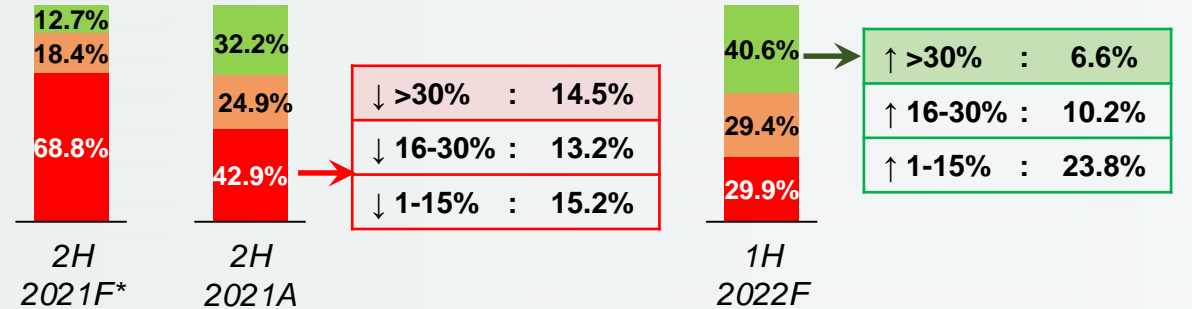
Domestic sales – Sales are on the mend

- **42.9%** of respondents have experienced a **decrease in domestic sales volume** in 2H 2021, particularly in the **construction (60.0%)** and **trading (48.4%)** sectors.
- A majority of respondents (**40.6%**) are **optimistic about their sales prospects in 1H 2022**.

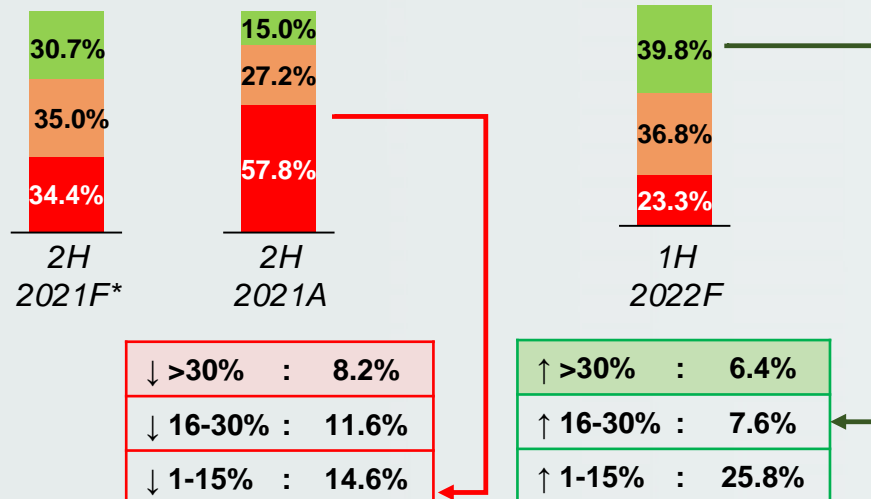
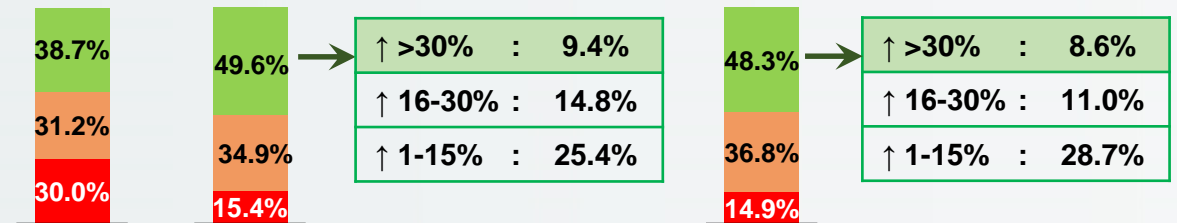


- **42.0%** of respondents in the **construction sector** have a **pessimistic view in 1H 2022**.
- Lack of construction projects and shortage of workers as well as rising cost of building materials.

Sales volume



Price level

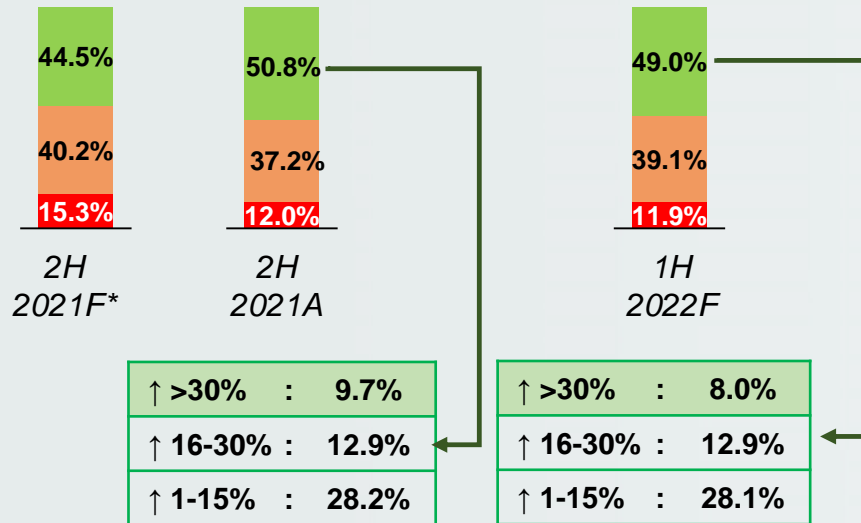
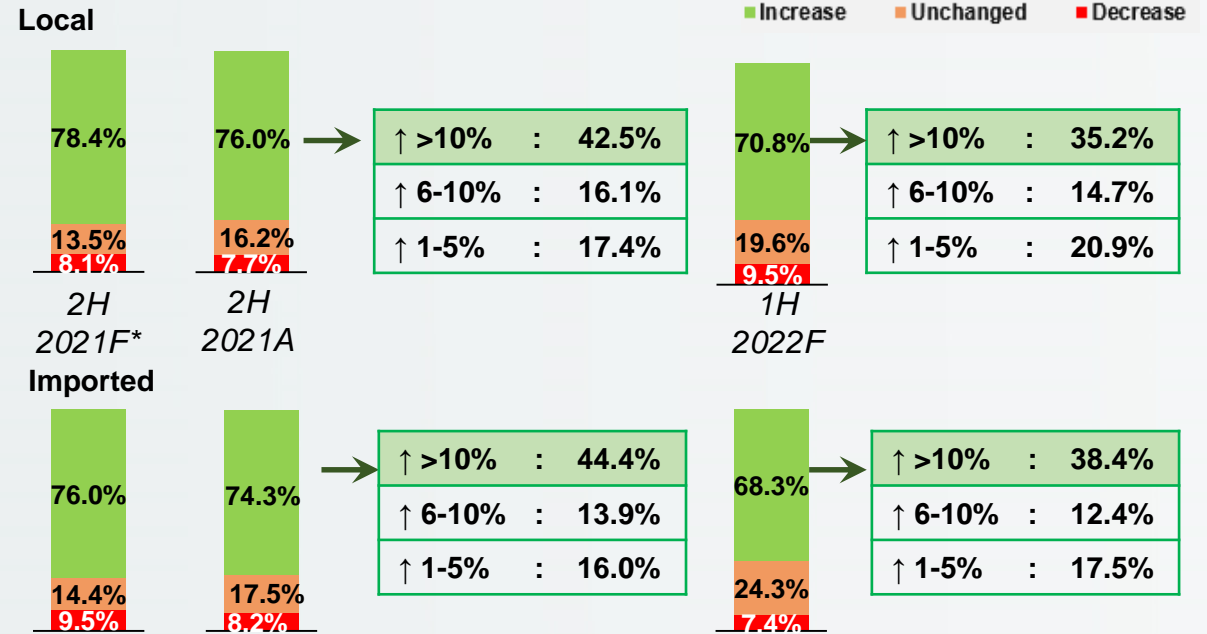


Production gradually recovered amid the supply bottlenecks

- **Overall production level has improved** compared to the level forecasted previously.
- With the support of continuing demand, **close to 40% of respondents expect their production to increase**, with 25.8% expecting 1-15% increases. **Half of total respondents in the manufacturing sector expect an increase of production in 1H 2022**.

Cost of raw materials remains elevated

- More than 50% of respondents in 11 and 10 (out of 12) sectors reporting increases in cost of local and imported raw materials respectively. **Most of them expect cost increases to persist in 1H 2022.**
- Rising commodity prices, inflated shipping, logistics and delivery costs have weighed on businesses' costs and margins.
- Imbalances between market supply and demand amid supply chain disruptions due to "open-and-shut" operations in the global market.



Capital expenditure – Investment's intention broadly stable

- About half of total respondents have increased their capital expenditure in 2H 2021.
- They plan to invest further in 1H 2022, lifted by the anticipated better economic and business conditions. However, we caution that the supply bottlenecks; shortage of workers; increased costs pressure; and some changes in public policies such as proposed minimum wage hike and tiered-levy for foreign workers would weigh on investment.

Note: A=Actual; F=Forecast; * The results of 2H 2021F were from previous survey (M-BECS 1H 2021 and 2H 2021F).

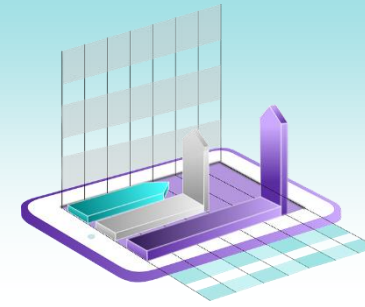


By sector scorecard - 1H 2022F vs 2H 2021

| | 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

Current Issues

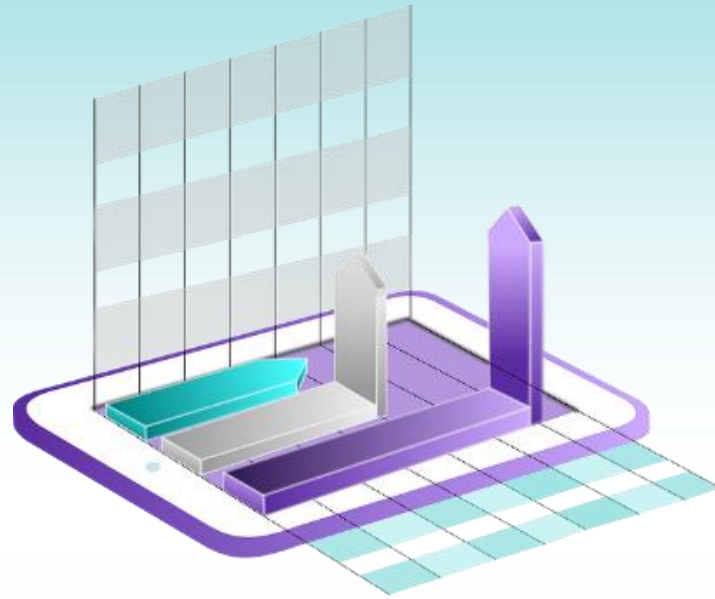


Economy and Business Recovery Development



Going Green Business Practice and Investment

Current Issue 1



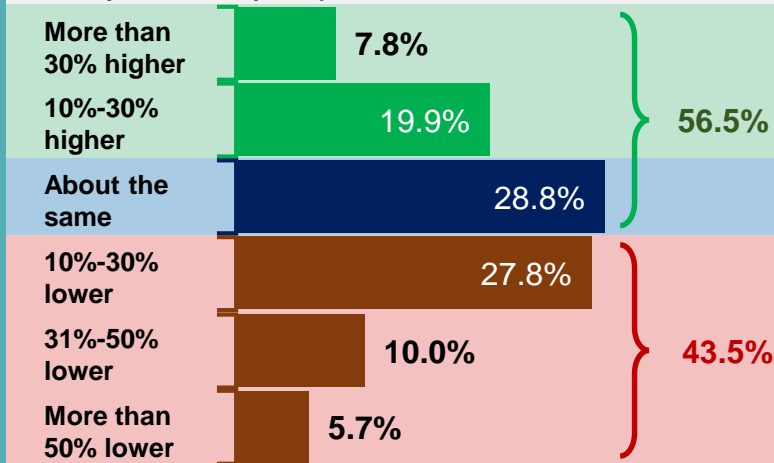
Economy and Business Recovery Development



Business Sales Performance

- **Business recovery is on track, albeit unevenly.** 56.5% of respondents reported their sales have at least crawled back to normal (*vs. 36.2% in the previous survey*).

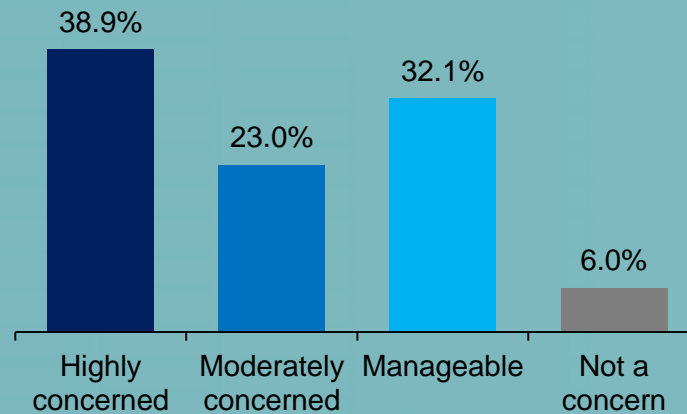
Compared to pre-pandemic level ...



Magnitude of Concerns about 3Cs

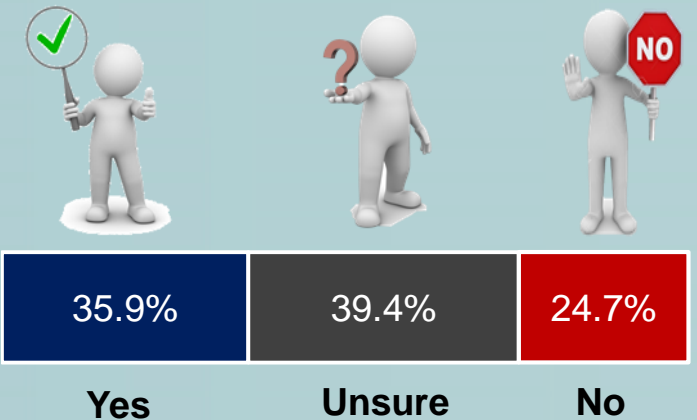
- **A gradual improvement in managing 3Cs is observed** as 32.1% of respondents indicated that they can manage 3Cs vs. 21.4% in the previous survey.

3Cs = Cash flow; cost; and credit



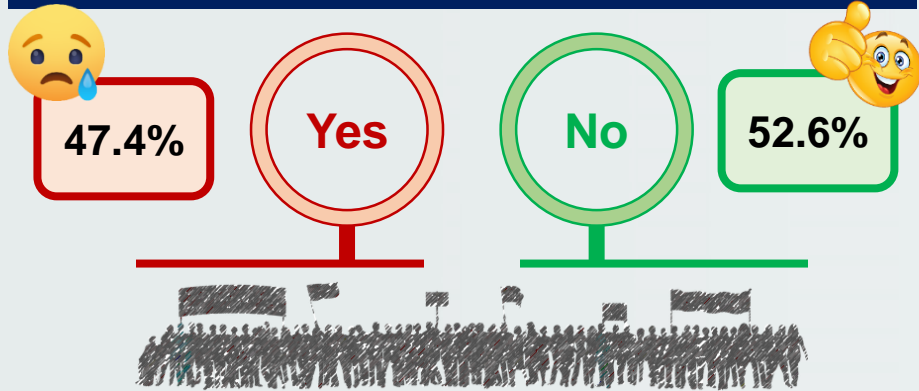
Confident of An Economic Recovery in 2022

- **35.9% of companies are confident of an economic recovery in 2022**, which is higher than 23.0% in the previous survey.



Shortage of Workers

Does your company face the shortage of workers?



Sectors with more than 50% of respondents indicated “Yes”:

- Manufacturing (69.3%)
- Transportation, forwarding and warehousing (61.5%)
- Construction (56.1%)
- Agriculture, forestry and fishery (55.3%)

330 out of 371 respondents facing the shortage of workers have shared their number of shortage of workers by nationality:

| Shortage | Total | Per company |
|------------------|--------|-------------|
| Domestic workers | 10,092 | 31 |
| Foreign workers | 15,569 | 47 |
| Total | 25,661 | 78 |

ACCCIM’s take

- The Ministries and agencies should expedite the recruitment process of foreign workers (FW) via the online applications to minimise production disruptions.
- An early engagement with the Ministry of Human Resources and Ministry of Home Affairs on the proposed implementation of a tiered-levy of foreign workers and minimum wage rate increase.
- Foreign levy collected be ploughed back to support the automation and mechanisation as well as the reskilling of workers to support the Industry Revolution 4.0.

Workers Shortage by Size of Operations

| Size of operations | Domestic workers | Foreign workers | Total shortage |
|--------------------|------------------|-----------------|-----------------|
| Micro n=51 | 358 (7) | 283 (6) | 641 (13) |
| Small n=164 | 1,654 (10) | 1,856 (11) | 3,510 (21) |
| Medium n=73 | 1,270 (17) | 2,243 (31) | 3,513 (48) |
| SME n=288 | 3,282 (11) | 4,382 (15) | 7,664 (27) |
| Large n=42 | 6,810 (162) | 11,187 (266) | 17,997 (429) |

Workers Shortage by Sector

| Sector | Domestic workers | Foreign workers | Total shortage |
|------------------------------|------------------|-----------------|-----------------|
| Primary [^] n=17 | 258 (15) | 424 (25) | 682 (40) |
| Manufacturing n=96 | 6,912 (72) | 11,819 (123) | 18,731 (195) |
| Construction n=43 | 805 (19) | 1,660 (39) | 2,465 (57) |
| Broad services n=174 | 2,117 (12) | 1,666 (10) | 3,783 (22) |

Note: Number in parenthesis indicates average shortage per company; numbers may not add up due to rounding.
[^] Primary = Agriculture, forestry and fishery + mining

Current Issue 2

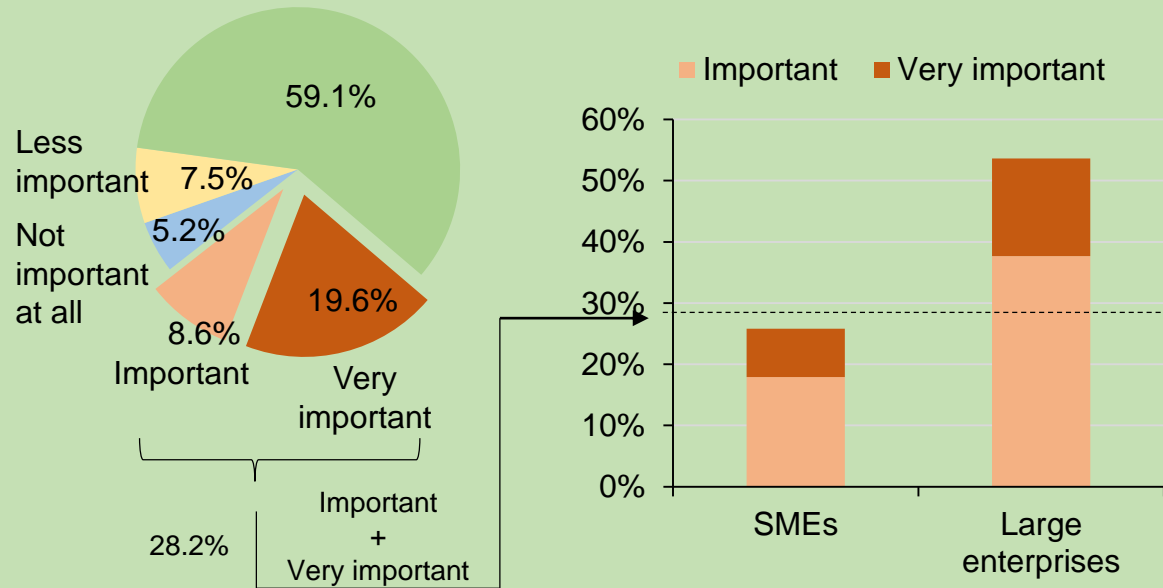


Going Green Business Practices and Investment

Most businesses were unaware of the significance to be “Green”

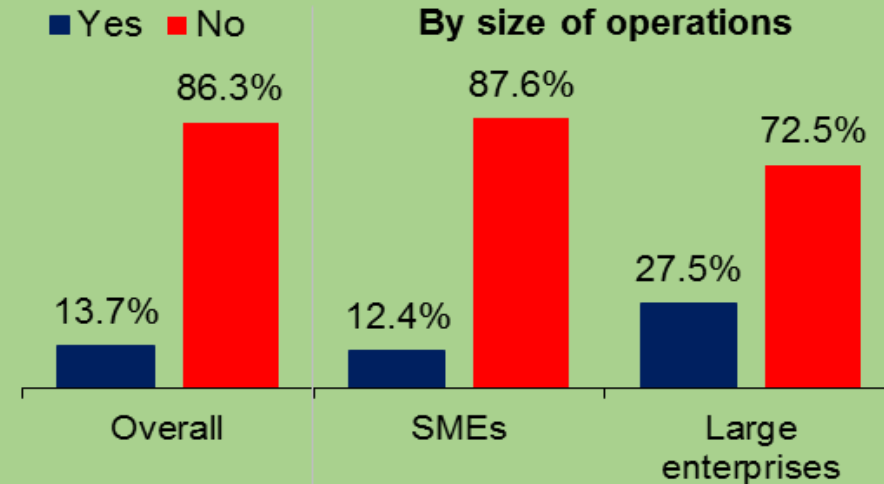
- More than half of total respondents rated “Neutral” when asked how important for their company to be “Green” and operate sustainably.
- As expected, **large enterprises (53.6% of respondents) are more aware** about green practices compared to SMEs (25.8%).

How important is it for your company to be “Green” and operate sustainably?



- As of 31 May 2021, 504 companies with 8,273 products and services were registered under MyHIJAU Mark. Malaysia is targeted to achieve 10,000, 20,000 and 50,000 of green products and services by 2023, 2025 and 2030 respectively.
- The survey results revealed that **only 13.7% of respondents claimed that they are manufacturers/vendors of “Green” products or services.**

Are you a manufacturer/vendor of green products or services?

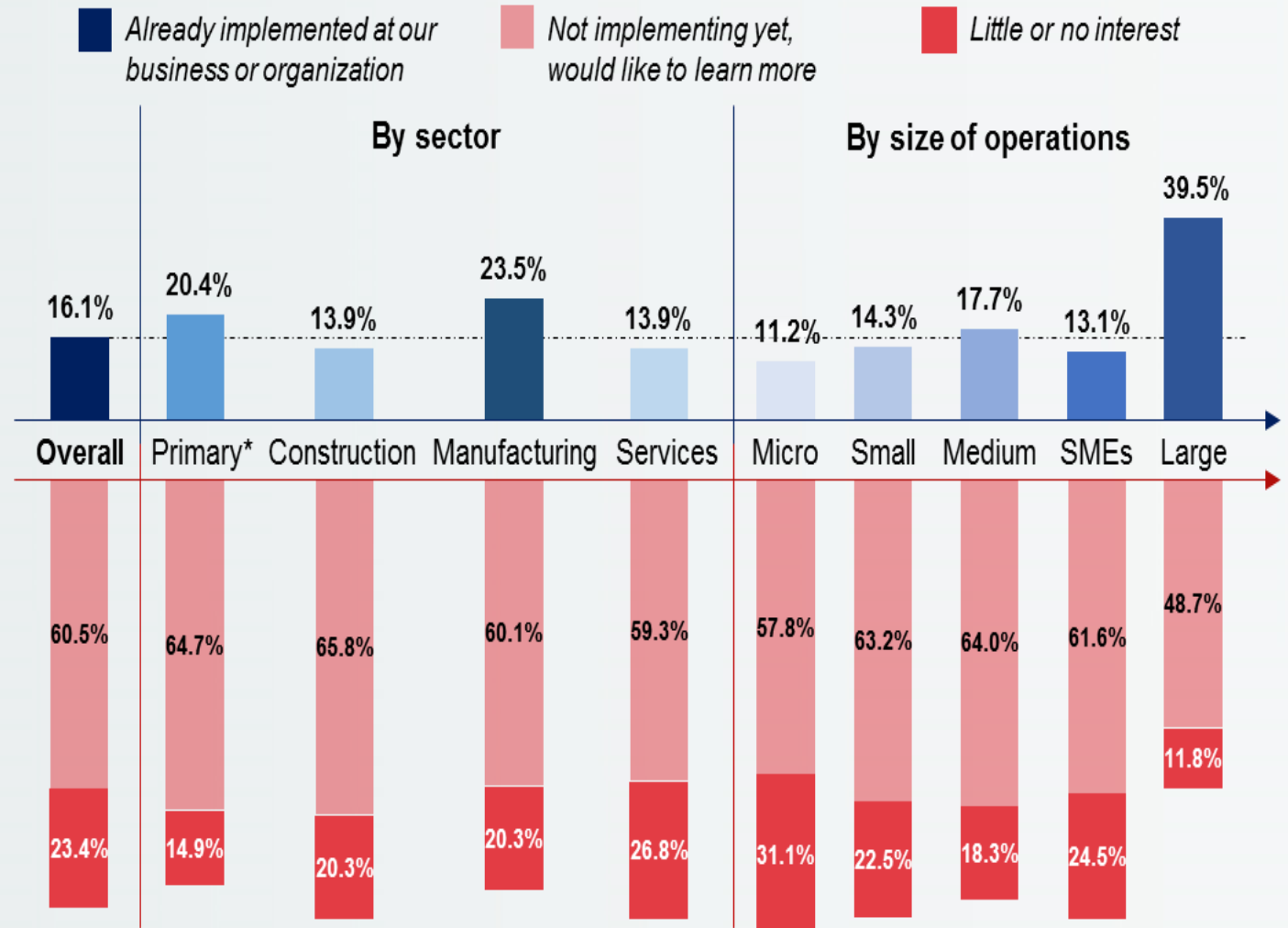


“LOW” adoption rate of green practices in Malaysia

- Overall, **only 16.1% of respondents** reported that they have already implemented green practices within their business operation or organization.
- Large enterprises (39.5% of respondents)** have a relatively higher adoption of green practices compared to micro (11.2%), small (14.3%) and medium (17.7%) enterprises.
- 60.5% of respondents stated that they would like to learn more green practices before implementing it** while 23.4% of respondents have little or no interest on it.



What is the adoption level of green practices in Malaysia?



Note: The level of green practices in Malaysia is calculated via simple average of the eight green practices, more details refer to full report. *Agriculture, forestry and fishery + mining



BENEFITS

Top 3 Benefits



Reduce Carbon Emissions (60.1% of respondents)

- More than half of the respondents across all the sectors and size of operations perceived that carbon emissions can be reduced via green initiatives.
- With a high level of awareness, what matters most is **how to transform it into implementation.**



Reduce Operating Costs and Cost Savings (51.0%)

- More than 50% of respondents in six sectors¹ have agreed that green initiatives can reduce operating costs and cost savings for the company
- In the US, the Department of Energy estimates that a widespread use of LEDs could save the US more than US\$30 billion by 2027.



Improve Business Brand Image as An Eco-friendly Business (Green status symbol) (47.0%)

- Large enterprises rated it as their top benefits in adopting green initiatives (voted by 71.0% of respondents).



BARRIERS

Top 2 Barriers



High Cost Incurred on Investing Green Practices at the Initial Stage (e.g. install new equipment) (46.6%)

- This barrier is **highly cited by large enterprises (59.4%).**
- Machines or equipment that producing less carbon emissions or embedded with green technology are still costly in the market given the low economies-of-scale. Many of these equipment are only available in overseas market. More so, businesses may request for customisation to integrate with their existing production lines and equipment.



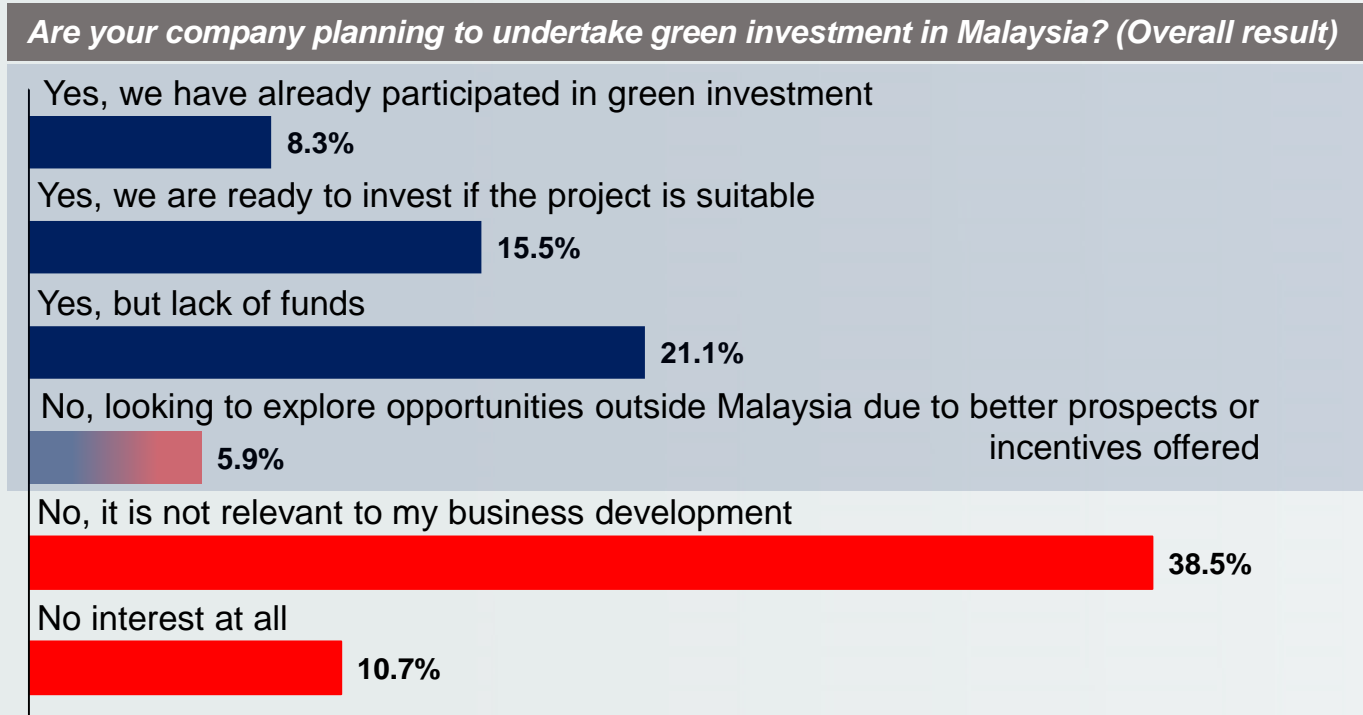
Lack of Knowledge and Information about Green Practices (41.8%)

- To some extent, adopting green practices is more complex than digitalisation.
- Many of them have no idea which part (e.g. sourcing, production line or waste generated) of the business processes should be given a priority to adopt Green practices.

¹Construction (60.5%); tourism-related (57.8%); finance and insurance (56.4%); ICT (54.1%); professional and business services (53.6%); and manufacturing (51.0%).

Moderate participation of green investment

- By size of operations, **large enterprises (24.6% of respondents) indicated higher participation in green investment** compared to micro enterprises (5.9%), small enterprises (6.6%) and medium enterprises (8.8%).
- 37.7% of large enterprises indicated that they are ready to invest if the project is deemed suitable** while 22.1% of SMEs stated that they are lacking of funds to carry out green investment.



*Excluded the respondents who answered "No, it is not relevant to my business development" and "No interest at all"
 **Green technology for food and agriculture
 ***Pollution prevention and control
 ^Electronic waste

Business expectations from the government to facilitate green business initiatives



Provide financial support and incentives as well as technical support (69.7% of respondents)

- **ACCCIM's suggestions:**
 - i. Promote and enhance the awareness of green incentives by co-arrange industry briefing between agencies and state business chambers
 - ii. For GTFS3.0, reinstate 2% interest subsidy per annum for first 7 years, at least for SMEs
 - iii. Extend the GTFS3.0, which will end by 31 December 2022 until the fund is fully disbursed
- **On talent development**, the government should set a target for public and private universities to train more graduates with right skill sets to support the green industry.



Provide more tax incentives and grants to develop urban agriculture using indoor-planting technology (56.1%)

- **Urban agriculture is one of the best ways to reduce highly dependency on imports of selected vegetables as well as prevent unreasonable prices hike** due to the supply shortages or supply chain disruptions.
- Hence, **ACCCIM would like to propose that:**
 - i. Special tax cuts for premise owners who offer at least 30% rental discounts for urban farming purpose
 - ii. Provide electricity and water discounts
 - iii. Offer maximum corporate tax rate of 15% for enterprises who using indoor-planting technology
 - iv. Establish a “Buy Products from Urban Farming” campaign to increase public awareness
 - v. Subsidy on the utilisation of organic fertilizers



马来西亚中华总商会



谢谢
Thank you

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