

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 2nd 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 2nd 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 opinions 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 2nd 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 688.

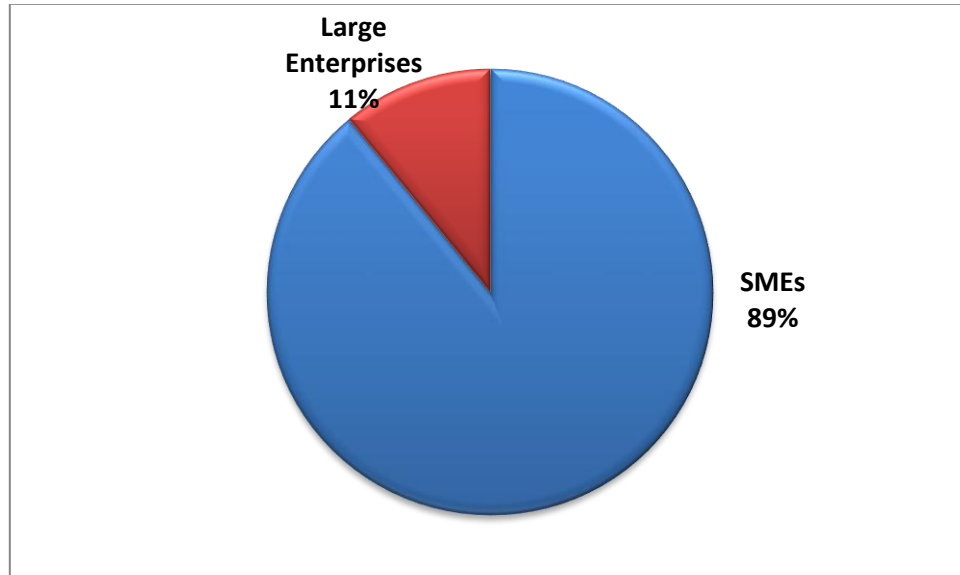
More than half of the questionnaires were returned, making it a response rate of 52.2% of the total questionnaires sent. These 359 respondents made up the sample of this survey.

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 (24.5%), manufacturing (20.3%), professional and business services (12.0%), construction (9.7%), tourism, shopping, hotels, restaurants, recreation & entertainment (6.4%), and finance & insurance (5.8%), as well as others (21.3%)**. 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	24.5
Manufacturing	20.3
Professional & business services	12.0
Construction	9.7
Tourism, shopping, hotels, restaurants, recreation & entertainment	6.4
Finance & insurance	5.8
Others	21.3
Total	100.0
(Sample Size)	(359)

With regards to the size of businesses of the respondents, about 11.0% 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, 66.7% of the respondents employed 74 employees or less, with another 27.8% employing 75-200 employees, whereas 5.6% of the respondents claimed that they employed more than 200 employees.

For the services based businesses, 63.7% of the respondents employed some 29 or less employees, whereas 27.5% employed 30-75 employees. On the other hand, about 9.1% 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	11.8	Less than 5	22.3
5 ~ 74	54.9	5 ~ 29	41.4
75 ~ 100	13.9	30 ~ 49	14.9
101 ~ 200	13.9	50 ~ 75	12.6
More than 200	5.6	More than 75	9.1
Total (Sample Size)	100.0 (144)	Total (Sample Size)	100.0 (215)

In the case of turnover achieved annually, for the manufacturing based businesses, about 60.0% (58.4%) of the respondents had an annual turnover less than RM15 million. 34.0% of the respondents in this classification had annual turnover that lie between RM15 million to RM50 million. The balance 7.6% of the companies surveyed reported having an annual turnover that exceeded RM50 million.

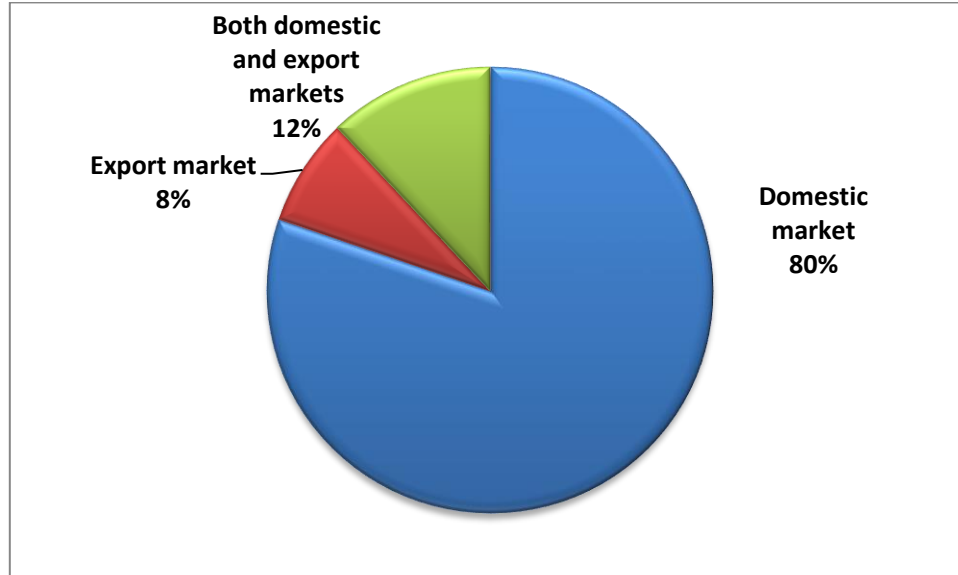
For the services based businesses, about 67.5% of the respondents had an annual turnover less than RM5 million. 22.8% of the respondents in this classification had annual turnover that lie between RM5 million to RM20 million. Additionally, about 9.8% of the companies had an annual turnover of more than RM20 million.

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Annual Turnover

Manufacturing		Services	
in Ringgit Malaysia	Percentage (%)	in Ringgit Malaysia	Percentage (%)
Less than 300,000	10.4	Less than 300,000	15.8
300,000 ~ 1.49 million	18.1	300,000 ~ 1.49 million	23.7
1.5 million ~ 4.99 million	16.0	1.5 million ~ 2.99 million	14.0
5.0 million ~ 14.99 million	13.9	3.0 million ~ 4.99 million	14.0
15.0 million ~ 29.99 million	22.2	5.0 million ~ 9.99 million	14.0
30.0 million ~ 50.0 million	11.8	10.0 million ~ 20.0 million	8.8
More than 50.0 million	7.6	More than 20.0 million	9.8
Total (Sample Size)	100.0 (144)	Total (Sample Size)	100.0 (215)

About 80.2% of the respondents are “Domestic” market oriented whereas the remaining 19.8% focus on “Both Domestic and Export” markets (12.0%) and ‘Export’ market (7.8%).



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 2ND HALF OF 2016

3.1.1 Sales performance

Marginal Improvement in Sales Performance of Businesses

Based on the survey results, the majority of the respondents (72%) replied that their firms' sales performances for the 2nd half of 2016 were either of the 'good' or 'satisfactory' classification. This means that businesses in general appear to have been able to sustain their sales and some might have taken steps to improve their level of sales over survey period.

The % of respondents reporting poor sales decreased in 2H 2016 by about 5% points to 28%.

By sector, sales performance was reported to be somewhat improved / sustained in the manufacturing sector where there was a reported decrease of 15% points of respondents reporting poor sales.

There was some improvement reported by businesses in the wholesale and retailers sector, which reported an increase of 7% points of respondents reporting 'good' sales (coming mainly from 'satisfactory' category). Some 34% of respondents reported that their business' sales were 'poor'.

The marginal improvement in sales performance may be attributed to the slight expansion in the Malaysian economy where it has reported continued improvement in growth rates during the survey period of 2H 2016 (being 4.2% in 1Q 2016; 4.0% in 2Q 2016; 4.3% in 3Q 2016 and 4.5% in 4Q 2016). The Malaysian economic performance continues to be largely supported by private sector demand. Private consumption continued to grow, with reported results of growth being 5.3% in 1Q 2016, 6.3% in 2Q 2016, 6.4% in 3Q 2016 and 6.2% in 4Q 2016. In the case of private investment, reported growth was 2.2% in 1Q 2016, 5.6% in 2Q 2016, 4.7% in 3Q 2016 and 4.9% in 4Q 2016. This is evidence that private sector activity continues to be the main engine and contributor for growth in the Malaysian economy. Continued attention should therefore be focused on 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 appear to have improved in this survey period in that the % of respondents

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maintaining that they forecast 'poor' future sales dropped from 40% in the previous survey period to 35% in the survey period. In the case of the category of forecast of possible 'good' future sales, this rose from 8% in the last survey to 17% in the current survey (a surge of 9% points). Despite the seemingly improved sentiments, businesses are seen to be generally still cautious about future performance.

Sales Performance

Sales Performance	1 st Half 2016 (%)		2 nd Half 2016 (%)		Total (%)		
	Mfg	WRT	Mfg	WRT	1 st '16	2 nd '16	1 st '17 (Forecast)
Good	11	4	12	11	6	12	17
Satisfactory	52	61	66	55	61	60	48
Poor	37	35	22	34	33	28	35
Total (Sample Size)	100 (84)	100 (101)	100 (73)	100 (82)	100 (392)	100 (344)	100 (332)

3.1.2 Production volumes

Slight Improvement in Production Volumes

In tandem with an improvement in sales, it was noted that 66% of respondents indicated that their production had either improved or held stable (64% in the previous survey) in 2nd half of 2016. By industry, 62% of respondents in the manufacturing sector had reported a situation of unchanged production volumes, being an increase of 8% points of respondents in the category. This mainly came from a similar decrease of 8% points of respondents in the category of response for ‘decreased’ production volume.

Interestingly, the respondents who expect production to increase in the near future rose to 18% in 2nd half of 2016, up from 11% in the previous survey. This is in tandem with an expected pick-up in sales in the months ahead. However, the % of respondents forecasting ‘reduced’ production volumes in the next six months after this survey period continues to remain high, being 33%. Despite this, it also represents an improvement from the results of the last survey period where then, some 40% of respondents had forecast ‘decreased’ future production volumes. The result reflects the overall cautious sentiment among stakeholders in the business community pertaining to the future outlook of the Malaysian economy, in particular, the first half of 2017.

Production volume

Production volume	1 st Half 2016	2 nd Half 2016	Total		
	(%)	(%)	(%)		
	Mfg	Mfg	1 st '16	2 nd '16	1 st '17 (Forecast)
Increased	10	10	8	11	18
Remain unchanged	54	62	56	55	49
Decreased	36	28	36	34	33
Total (Sample Size)	100 (72)	100 (60)	100 (115)	100 (101)	100 (98)

3.1.3 Stocks

Relatively Unchanged Inventory Levels

Overall, this survey period showed that the inventory levels of businesses remained relatively unchanged for the 2nd half of 2016. There was however a slight increase of 3% points of respondents in the category of ‘decreased’ inventory, indicating that businesses preferred to drawdown inventory to meet the pick-up in sales.

Significant changes were however seen when it came down to analysis by sectors. For the manufacturing sector, there was an increase of 17% of respondents in the ‘unchanged’ levels of inventory response, with the corresponding changes of decreases in % of respondents in the other categories of change in inventory levels, indicating that the majority of businesses in the manufacturing sector were maintaining inventory levels.

In the case of the wholesale and retailers sector, there appears to be a greater % of respondents advising lower inventory levels (increase of 13% points). Businesses in this sector may appear to be able to run down their stocks levels.

Going forward for the next six months in the 1st half of 2017, it is noted that a continued high proportion of respondents forecast that their stock levels would ‘remain unchanged’, at 61% (survey period: 1st half 2016 – also 60%). This means that more respondents believe that their inventory levels will remain unchanged.

Stocks

Stocks	1 st Half 2016 (%)		2 nd Half 2016 (%)		Total (%)		
	Mfg	WRT	Mfg	WRT	1 st '16	2 nd '16	1 st '17 (Forecast)
Increased	13	7	8	9	10	9	9
Remain unchanged	60	67	77	52	64	61	61
Decreased	27	26	16	39	27	30	30
Total (Sample Size)	100 (77)	100 (86)	100 (64)	100 (67)	100 (209)	100 (161)	100 (148)

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 2nd 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 though it tilted slightly to the downside.

When analysed between the different sectors, it is noted that in the case of businesses in the manufacturing sector, there was a significantly lower % of respondents indicating 'poor' collections, down by about 12% points. Mainly, some 66% of respondents (up by 9% points) advised that they experienced 'satisfactory' collections from customers.

In the case of the wholesale and retail sector, there appears to be minimal improvement in respect of collections, with the distribution of respondents in all categories of response being relatively unchanged.

Forecasting into the future however, some 36% of respondents felt that their state of collections would be 'poor' (a slight deterioration of 4% points relative to the previous survey period). This would indicate that the % of respondents who opined that they would experience 'poor' collections remain large. This is despite businesses expect sales to improve ahead, suggesting that business could still face some cash flow issue.

Collection for Payment of Debt

Collection for Payment of Debts	1 st Half 2016 (%)		2 nd Half 2016 (%)		Total (%)		
	Mfg	WRT	Mfg	WRT	1 st '16	2 nd '16	1 st '17 (Forecast)
Good	10	7	13	9	9	9	11
Satisfactory	57	63	66	61	61	59	53
Poor	33	30	21	30	30	32	36
Total (Sample Size)	100 (79)	100 (94)	100 (68)	100 (79)	100 (371)	100 (325)	100 (306)

3.1.5 New orders from overseas market

Decrease in New Orders from Overseas Markets

Overall, there appears to be a mix of response in respect of the level of new orders from overseas markets with more respondents reporting increases and decreases in new orders from foreign markets though it tilted more to the downside. The % of respondents that reported ‘decreased’ orders from foreign markets rose by 9% points whereas in the case of ‘increased’ orders category, it only rose by 3% points.

At the same time, concerns remain, as a sizeable 40% of respondents reported experiencing ‘decrease’ in sales orders from foreign customers. This is a significant figure, pointing towards a 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 ‘unchanged’ 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 ‘decreased’ orders category.

However, in the case of **wholesale and retail sector**, there appears to be **significantly greater % of respondents who reported experiencing ‘decrease’ in orders from foreign markets. This category of response rose by 47% points to 65%**. It is indicative of the significant challenge faced by businesses in these sectors, in particular in respect of exports.

Overall, majority of the respondents (71% of respondents) were still hopeful that for the next six-months ending June 2017, their businesses would experience ‘increased’ and ‘unchanged’ levels of orders from foreign markets. This is in line with an improvement in global economic outlook in recent months.

New Orders of Goods and Services from Foreign Markets

New Orders	1 st Half 2016 (%)		2 nd Half 2016 (%)		Total (%)		
	Mfg	WRT	Mfg	WRT	1 st '16	2 nd '16	1 st '17 (Forecast)
Increased	19	9	18	5	13	16	26
Remain unchanged	42	73	52	30	56	44	45
Decreased	39	18	30	65	31	40	29
Total (Sample Size)	100 (57)	100 (33)	100 (54)	100 (20)	100 (180)	100 (138)	100 (129)

3.1.6 New orders from local market

No Change in Level of New Local Orders

This period of survey showed that the pattern of response in respect of new local orders appear relatively unchanged. No major change in the breakdown of % for the three categories of responses was noted from the last survey period. Overall, the majority of respondents claimed that their new orders from local market ‘remain unchanged’.

When new local orders data are analysed by sectors, it is noted that the manufacturing sector appears to have experienced a stable pattern of orders in this area. There was an increase of 16% points in respect of respondents in the ‘unchanged’ new local orders category, with the change coming from the other two categories of ‘increase’ and ‘decreased’ levels of new orders.

In the case of the breakdown of levels of new local orders for businesses in the wholesale and retail sectors, minor movement was noted in respect of the % of respondents in each category of response between this survey and the previous survey period. Overall, the majority of businesses experienced relatively unchanged level of new orders from the local market.

In the case of future performance in the next six months ending June 2017, some 40% of the respondents forecast that their businesses are expected to experience ‘decrease’ in new local orders (up by 4% from the last survey period). Once again, this should be worrying as a figure of 40% under this category reflects expected poor business sentiments with regards the economy and business viability in the coming months. This reflects the challenging domestic economic environment faced by businesses given subdued domestic demand.

New Local Orders of Goods and Services from Local Market

New Local Orders	1 st Half 2016 (%)		2 nd Half 2016 (%)		Total (%)		
	Mfg	WRT	Mfg	WRT	1 st '16	2 nd '16	1 st '17 (Forecast)
Increased	15	6	9	8	9	10	15
Remain unchanged	39	56	55	53	51	50	45
Decreased	46	38	36	39	40	40	40
Total (Sample Size)	100 (79)	100 (98)	100 (66)	100 (75)	100 (370)	100 (316)	100 (287)

3.1.7 Sales prices

Slight Increase in Local Sales Prices

Overall, some 57% of respondents replied that their businesses were able to sustain their local sales prices for the period six months ended December 2016. There has been an increase of 12% of respondents who reported having ‘increased’ their selling prices over the responses for the category in the last survey period, in line with improvement in sales. This may also be reflective of the rising costs of doing business and the improvement in sales allowed businesses to pass on rising costs to consumers.

This pattern of responses was also seen when analyzing the businesses in the manufacturing sector, with some 20% of respondents (up by 13% points) claiming that they had increased their local sales price of goods. Significantly lower % of respondents had to reduce their sales price of goods (decrease by 20% points).

In the case of businesses in the ‘wholesale and retail’ sector, there was also a greater % of respondents who reported that they had increased their sales price (up by 18% points). Fewer businesses had kept their selling prices ‘unchanged’ or had ‘reduced’ the selling prices.

Looking into the future, some 31% 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 1st half of 2017. This represents a slight decrease of 2% points of respondents that had similarly forecast such need for the corresponding 6 months future period in the last survey. 20% of respondents expected to increase their selling prices in the coming six months in the first half of 2017.

Local Sales Prices of Goods and Services

Local Sales Prices	1 st Half 2016 (%)		2 nd Half 2016 (%)		Total (%)		
	Mfg	WRT	Mfg	WRT	1 st '16	2 nd '16	1 st '17 (Forecast)
Increased	7	5	20	23	6	18	20
Remain unchanged	51	66	56	51	61	57	49
Decreased	43	29	23	26	33	25	31
Total (Sample Size)	100 (75)	100 (95)	100 (64)	100 (66)	100 (345)	100 (291)	100 (273)

3.1.8 Number of employees

Employment Market Relatively Unchanged

Overall, the majority of the respondents (70%) 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 slightly higher % of respondents who reported having increased their number of employees (increase of 4% points to 10%). 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, there appears to be a slight deterioration as whilst most firms were able to keep their number of employees unchanged, there was only an increase of 9% points 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 June 2017. 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	1 st Half 2016 (%)		2 nd Half 2016 (%)		Total (%)		
	Mfg	WRT	Mfg	WRT	1 st '16	2 nd '16	1 st '17 (Forecast)
Increased	6	5	10	7	7	8	12
Remain unchanged	63	79	59	68	72	70	66
Decreased	31	16	31	25	21	22	22
Total (Sample Size)	100 (83)	100 (98)	100 (71)	100 (76)	100 (381)	100 (326)	100 (307)

3.1.9 Wage cost per unit of output

Slight Increase in 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 ‘increased’ wage costs category. This is understandable following a revision to the minimum wage effective July 2016. A lower % of respondents was reported to be able to reduce the wage costs concerned. This may be indicative of the inflationary pressure, whether caused by external forces or the normal salary / wage increase factor.

When analysed by sector, it is noted that 52% of respondents in the ‘manufacturing’ sector experienced ‘unchanged’ wage costs per unit of goods (marginal decrease of 4% points compared to the previous survey period). In the main, more businesses in this sector experienced ‘increase’ in wage costs per unit of output (up by 11% points) of goods manufactured, following a revision to the minimum wage effective July 2016.

In the case of the ‘wholesale and retail trade’ sector, wage costs per unit of output appeared to similarly risen with a higher % of respondents (up by 12% points) reporting that they had experienced increase in wage costs per unit of goods and services.

Looking into six months ahead, some 60% of the respondents believed that wage costs would remain unchanged for the period ending June 2017 with slightly higher % of respondents (1st half 2016 result: 17% vs 2nd half 2016 result: 23%) indicating that they expect wage costs component of output to rise.

Wage Costs per Unit of Goods and Services

Wage Costs per unit	1 st Half 2016 (%)		2 nd Half 2016 (%)		Total (%)		
	Mfg	WRT	Mfg	WRT	1 st '16	2 nd '16	1 st '17 (Forecast)
Increased	17	9	28	21	14	25	23
Remain unchanged	56	70	52	64	66	60	60
Decreased	27	21	19	15	20	14	17
Total (Sample Size)	100 (81)	100 (90)	100 (67)	100 (72)	100 (356)	100 (305)	100 (287)

3.1.10 Capacity utilisation

Slight Increase in Capacity Utilisation Levels

Overall, there was a slight increase in respect of respondents indicating that their business were operating at more than 60% levels of capacity (1st half 2016: 53% vs 2nd half 2016: 57%), in line with a pick-up in sales. In fact, the major rise was in the 81 – 100% category of capacity utilisation level (increase of 12% points). Of some cheer is the fact that businesses reporting 0 – 40% capacity utilisation category dropped by 13% points.

Unfortunately, the findings continue to somewhat mirror that of previous survey findings (albeit with some improved 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	1 st Half 2016 (%)		2 nd Half 2016 (%)		Total (%)	
	Mfg	WRT	Mfg	WRT	1 st '16	2 nd '16
81 ~ 100%	8	2	15	21	5	17
61 ~ 80%	44	56	42	40	48	40
41 ~ 60%	26	21	35	32	27	36
0 ~ 40%	22	22	8	7	20	7
Total (Sample Size)	100 (87)	100 (106)	100 (60)	100 (57)	100 (407)	100 (265)

3.1.11 Investment in new resources or plant

Unchanged Level of 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 90% of the respondents replied that they were keeping their investments in new resources or plant either at ‘unchanged’ or ‘decreased’ levels. Overall, the pattern of response for this survey period was relatively unchanged compared to the results in the last survey period.

When analysed by sectors, there was a slightly greater % of respondents that reported unchanged investments in new resources or plant as businesses attempted to keep their business operations going at existing levels. 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 significantly more businesses appearing to ‘decrease’ their investments levels in new resources (increase of 13% points).

Overall, the % of respondents reporting ‘decreased’ level of new investments continue to be high for all sectors of businesses, being in excess of 45%. 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, close to 50% of the respondents stated that they are considering reducing their investment in new resources or plant for the period of 1st half of 2017. This is partly due to the significant excess capacity and rising costs of doing business as well as challenging economic environment.

Investment in New Resources or Plant

Investment	1 st Half 2016 (%)		2 nd Half 2016 (%)		Total (%)		
	Mfg	WRT	Mfg	WRT	1 st '16	2 nd '16	1 st '17 (Forecast)
Increased	11	5	8	11	7	10	14
Remain unchanged	55	46	63	27	47	46	38
Decreased	34	49	28	62	46	44	48
Total (Sample Size)	100 (73)	100 (78)	100 (60)	100 (56)	100 (312)	100 (263)	100 (253)

3.1.12 Economic Situation in Malaysia

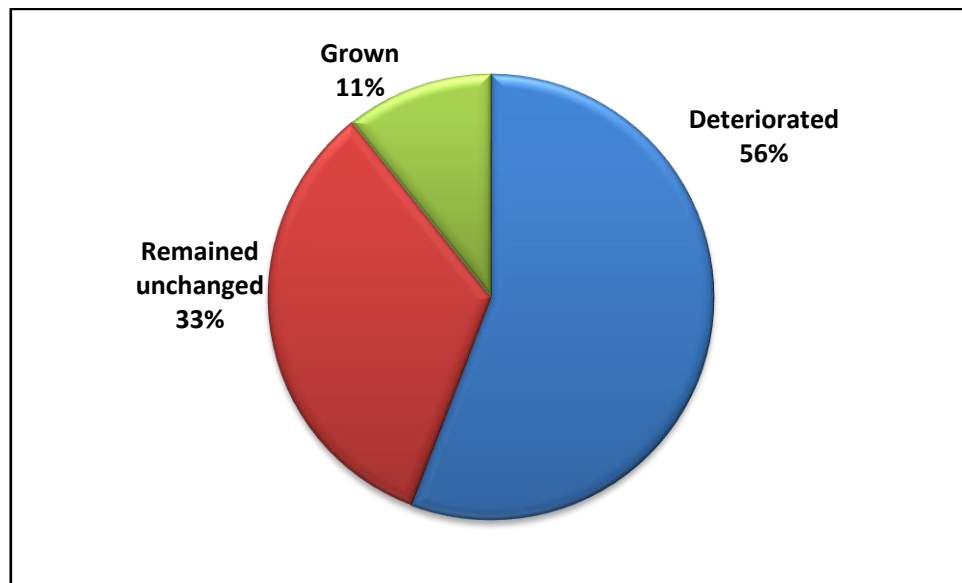
The Malaysian economy was seen to have experienced some improvement in the 2nd half of 2016

Although majority of respondents opined that the Malaysian economy deteriorated in the second half of 2016, 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%; this survey period: 56%).

Indeed, some 11% of respondents believed that there were signs of economic recovery, a jump from 3% in the previous survey.

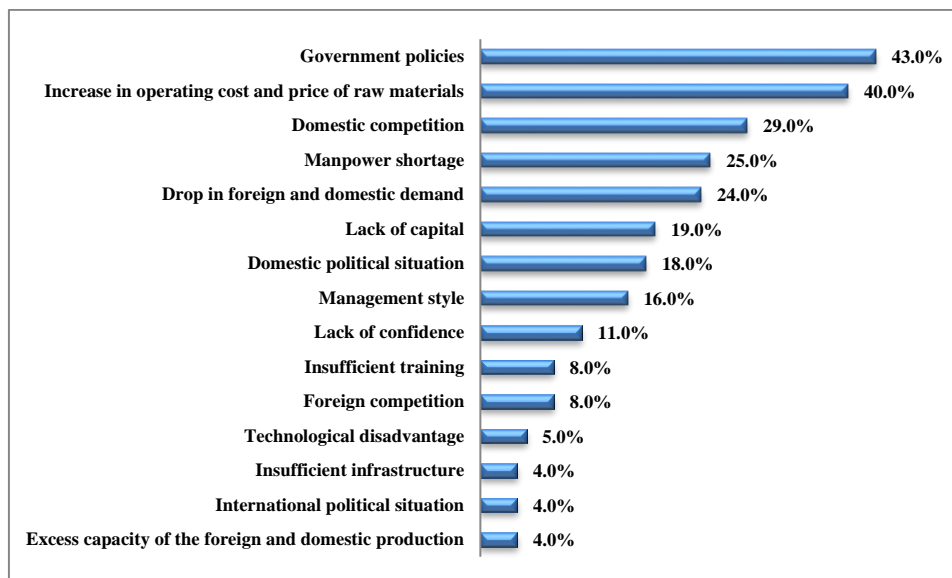
In summary, businesses felt that the Malaysian economy had improved somewhat in 2nd half of 2016.

The Malaysian Economy in the 2nd Half of 2016



3.2 MAJOR FACTORS ADVERSELY AFFECTING BUSINESS PERFORMANCE

Factors Affecting Business Performance for 2nd Half 2016 (%)



Government policies

Consistent with the previous survey results, the greatest concern among businesses for the period six months ended December 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 43% of respondents pointed to the importance of this factor (relatively unchanged from the last period of survey, albeit an increase of 2% 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 (e.g. CPO and petroleum prices had shown improvement).

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, with an increase of 5% points).

Businesses have complained that they have been experiencing rising operating costs, more for this period given the weakness in the 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. The effects of Goods and Services Tax (GST) may no longer be the main concern as much as the weakening of ringgit against the US Dollar.

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 similar as previous survey period.

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 were still perceived that the Malaysian economy had deteriorated during the year 2015 and 2016.

Manpower Shortage

This issue was similarly highlighted in the previous survey but as the fifth factor but for this period it has jumped to the top fourth factor.

This concern is voiced out by the business community given the slight increase of production volumes due to the weakening ringgit and slightly improved rise in oil price. With the optimism of new orders from overseas forecasted in the future six months, this factor has become the fourth major factor of concern.

Overall, government policies, increase in operating costs and prices of raw materials, increase in domestic competition and manpower shortage were the four (4) major factors that affected the business performances in the 2nd half of 2016.

3.3 MALAYSIAN ECONOMIC OUTLOOK

The Chinese business community is slightly more optimistic about the economic outlook for 2017 and 2018, with continued improvements expected come 2019.

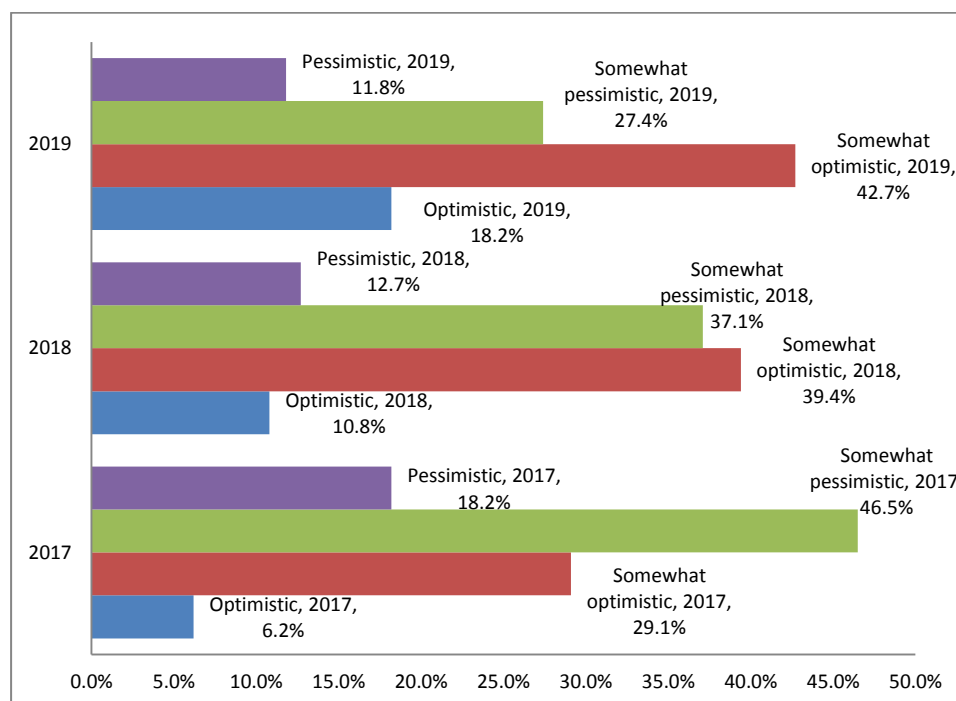
Based on the table below, more respondents were feeling slightly more optimistic about the economic outlook for Malaysia for the years 2017 and 2018. The number of respondents who indicated they are optimistic or somewhat optimistic about the economic outlook for the year 2017 rose to 35.3%, an improvement from 34.7% in the previous survey. On the other hand, it is noted that some 64.7% of the respondents expressed that they were either pessimistic or somewhat pessimistic, a drop from 65% in the previous survey. The level of pessimism however is further reduced for 2018 to less than 50%, as more respondents believe that a reversal of poor economic performance should kick in then.

There is expected greater confidence in the Malaysian economy by 2019 with improved levels of optimism for the year concerned (60.9% of respondents who voted for this category for 2019; this is as opposed to 55.5% of respondents who similarly expressed such sentiment in last survey period).

Such findings appear that there is slightly improve optimism among the majority of the respondents opined that they are slightly positive that economic situation will improved slightly by the year 2017 and 2018.

Overall, the Chinese business community is slightly more optimistic about the economic outlook for Malaysia for 2017 and 2018, which may be improved further in 2019.

Malaysian Economic Outlook 2017-2019 (%)



3.4 Exchange Rate

In a move to deepen and broaden onshore forex market, on 5 December 2016, Bank Negara Malaysia introduced a requirement for businesses in the export business of merchandise goods to convert seventy-five percent (75%) of their export proceeds to Ringgit Malaysia upon repatriation of the proceeds back to Malaysia. Further, Bank Negara Malaysia also liberalized and deregulated the onshore ringgit hedging market.

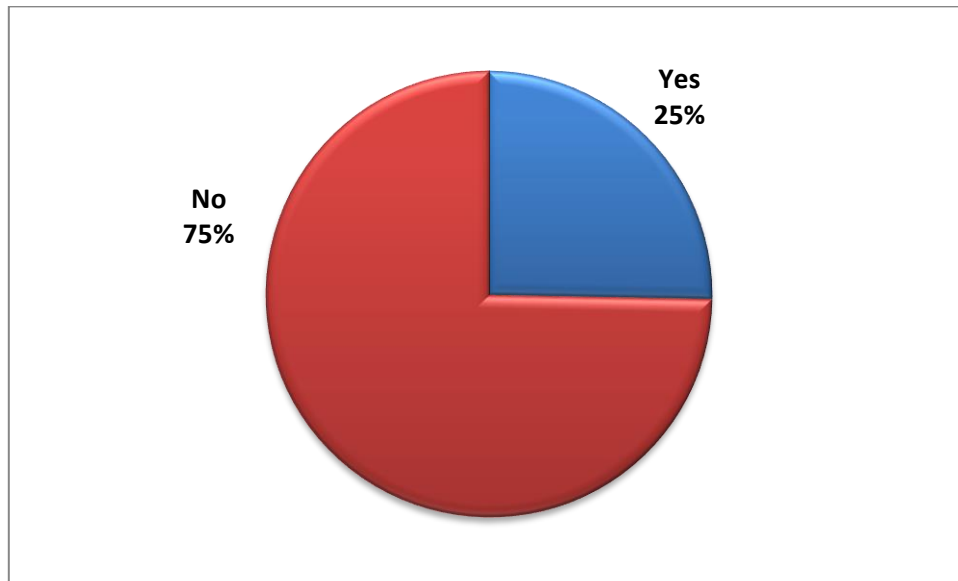
The following represents a summary of certain pertinent items in relation to the foreign exchange administration requirement as announced by Bank Negara Malaysia in December 2016, under the Supplementary Notice on Foreign Exchange Administration Rules **(Supplementary Notice)**:

1. A resident exporter is allowed to retain up to 25% of foreign currency export proceeds of goods and such foreign currency export proceeds must be retained only with Malaysian licensed banks. The balance 75% shall be converted into Ringgit Malaysia.
2. All settlement of domestic trade in goods or services between residents shall be made only in ringgit.
3. A resident is allowed to hedge its foreign currency exposure up to an aggregate net open position limit of RM6 million per bank with any licensed onshore bank without providing documentary evidence. Any amount exceeding RM6m will be subjected to normal due diligence processes by the bank
4. Foreign Currency Account I and Foreign Currency Account II have been renamed as Trade Foreign Currency Account and Investment Foreign Currency Account respectively.

Such measures, amongst several others announced by Bank Negara Malaysia, aim to accelerate the development of the Malaysian financial markets and to promote greater financial stability.

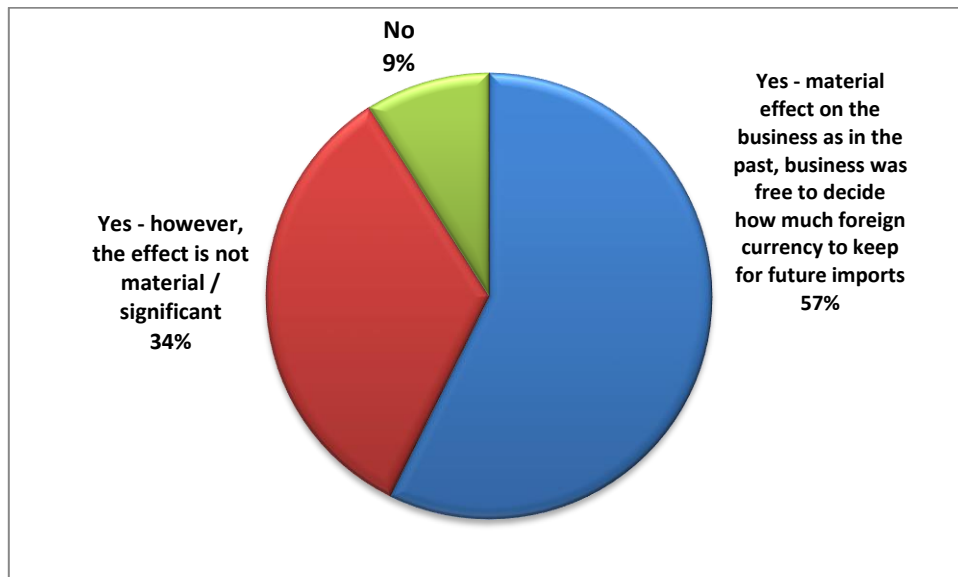
The prelude above relates to the survey questions below, C1a, 1b, 1c:

(a) Is your business involved in exports?



Based on the abovementioned chart, it is noted that **some 25% of the respondents are involved in the business of exporting goods and services.**

(b) Arising from the new initiative mentioned above, do you expect it to result in higher costs of doing business for you company?



For businesses in the export business, an almost overwhelming **majority (91%) of respondents opined that the new foreign exchange initiatives by Bank Negara Malaysia is expected to give rise to costs of doing business.** Analysing this further, it is noted that:

- (a) New requirements has given rise to material adverse effects on the business – this is essentially because, in the past, businesses were free to decide on the amount of foreign currencies businesses would maintain to hedge against adverse movement in exchange rates on the payments on imports: 57%.

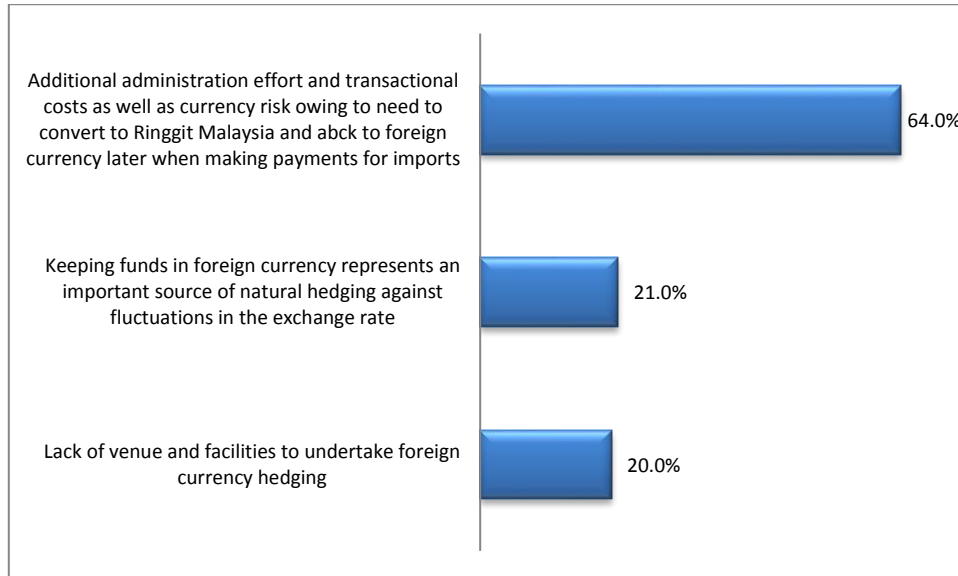
- (b) New requirements did not cause significant adverse effects on businesses: 34%

It is feared that the impact is likely to be felt largely by the export oriented business, be they large and/or small and medium sized enterprises (SMEs). Businesses would now incur costs in the following aspects:

- (a) Cost of currencies conversion transaction, which can double – converting from foreign currency to RM (for exports) and then back to foreign currency (for import payments)
- (b) Hedging services costs
- (c) Delays and disruptions to treasury functions
- (d) Business flow may also face delays and disruptions
- (e) Administrative costs to rise

Accordingly, businesses have been and would continue to ask for some form of flexibility on the above foreign exchange measures.

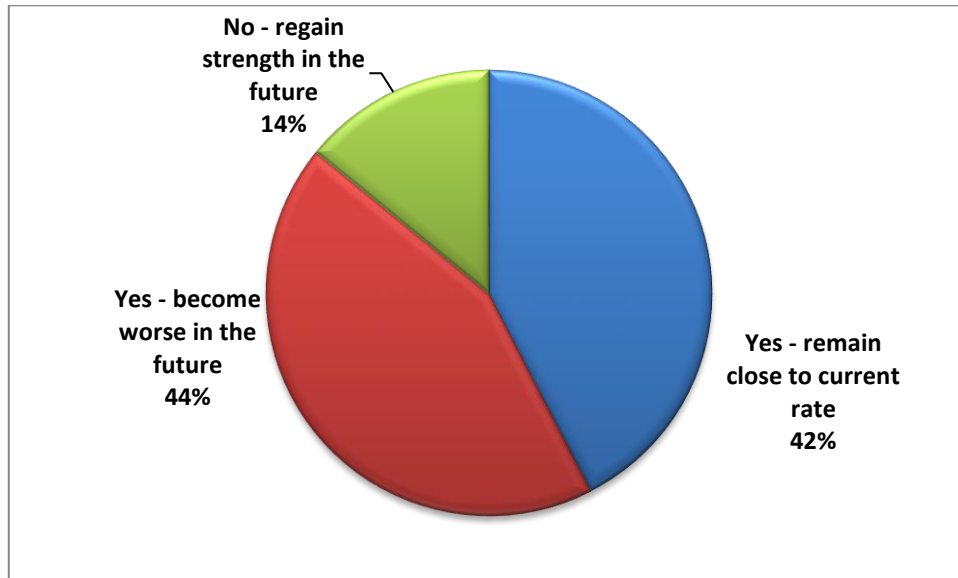
- (c) **If your answer to Part (b) above is YES, what would be the reason(s) for the expected rise in business costs?**



The results as depicted above show that the major areas of concern in respect of the effects of the foreign exchange rules are:

- (a) **It will cause additional administrative work and effort (64%).** It will give rise to higher transactional costs as the frequency of conversion of currencies to and from RM versus foreign currencies will rise (receiving payments for exports and making payments for imports)
- (b) For many businesses, **keeping a pool of funds in foreign currencies acts as a form of natural hedge against adverse movement of foreign currencies versus RM when such adverse movement occurs (21%).** Now, this form of hedge alternative is somewhat taken away from businesses
- (c) Many **businesses do not have sufficient facilities / avenues to look for alternative mechanisms to hedge economically against adverse movement in exchange rates (20%).**

Do you expect that Ringgit Malaysia will weaken further in the future?



The survey results above depict mixed reactions from respondents.

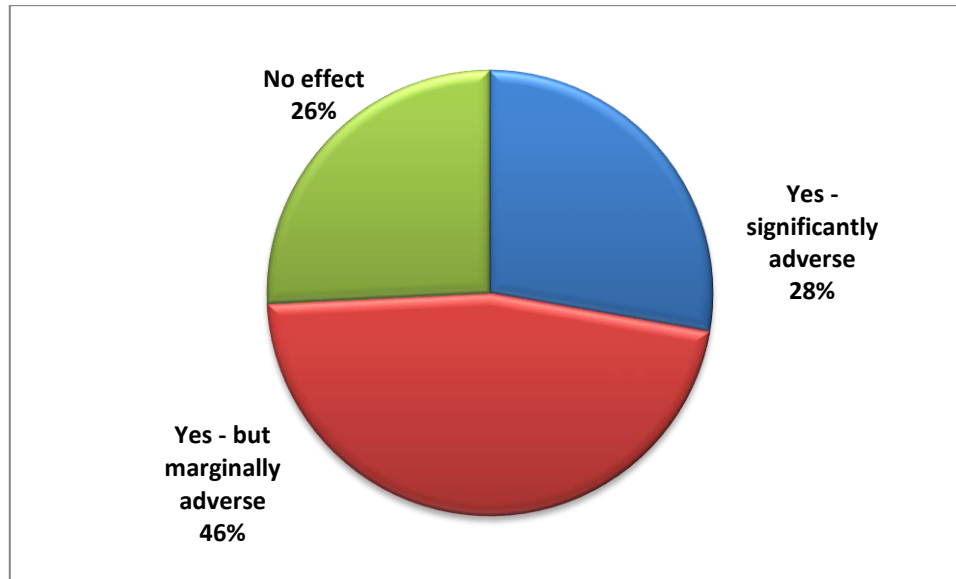
Some 44% of respondents fear that RM will depreciate further against other major foreign currencies in the future, and another 42% believe that the exchange rate of RM against other currencies will continue to hover close to the current rates.

Nonetheless, it is evident that only a small percentage of respondents believe that RM will regain its strength in the coming future.

3.5 Minimum Wage

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

(a) Has the new Minimum Wage Order affected 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.

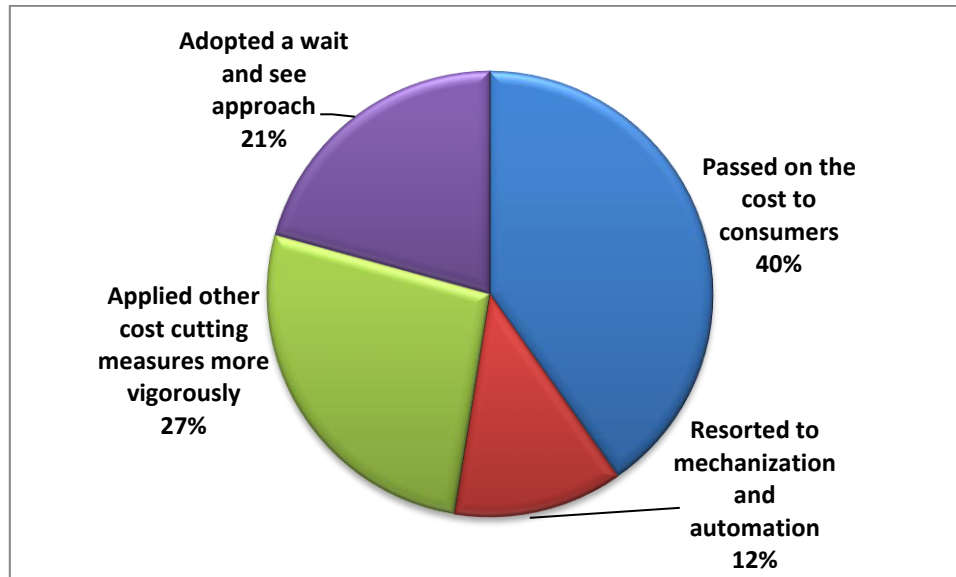
Arising for the implementation of the new Minimum Wage Order, reactions from the business community are summarised as follows:

- 1. Performance of business significantly affected adversely (28%)**
- 2. Performance of business marginally affected adversely (46%)**
- 3. No adverse effects (26%)**

Overall, the pattern of response did not materially differ from that obtained in the last survey period.

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 has been the reaction by your business to date given the new Minimum Wage Order?



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

- 1. Pass on the cost increases to consumers (40%)**
- 2. Apply more cost cutting measures elsewhere more vigorously (27%)**
- 3. Adopt a wait and see approach (21%)**
- 4. Resort to further mechanization and automation (12%)**

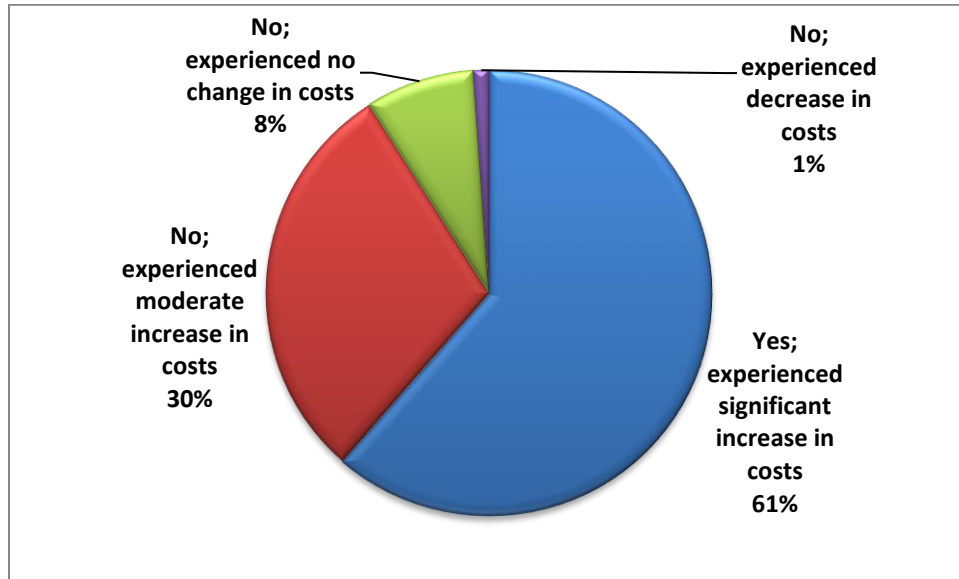
As noted in the past, the immediate and most likely effect that is to be expected is the probability for cost increases to be passed on to consumers. Consumers have had to face a series of cost increases in recent years and will have to continue to brace for further cost of living increases.

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.

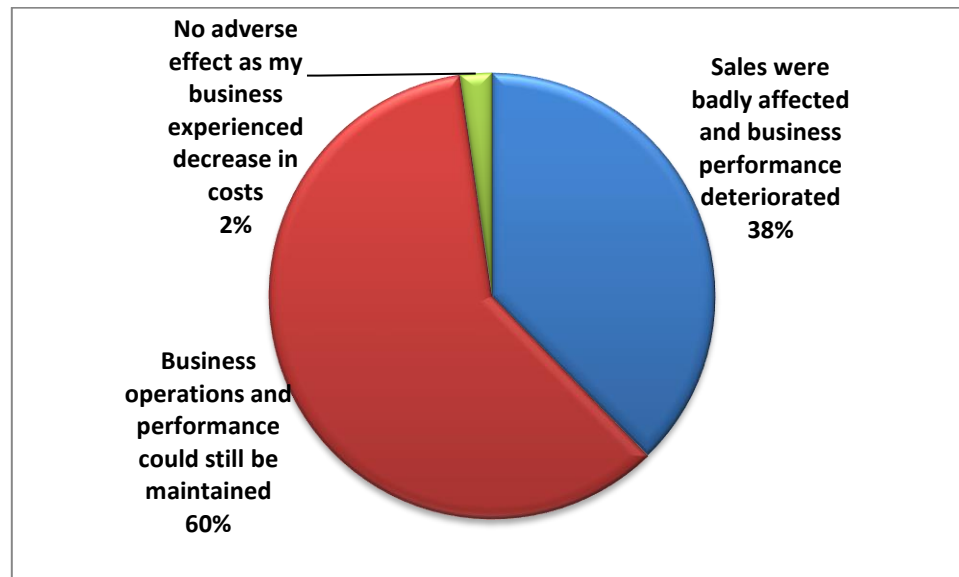
3.6 COSTS OF DOING BUSINESS

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-Profiterring mechanism beyond 30 June 2016 and so on has led to concerns over higher cost of doing business in the country.

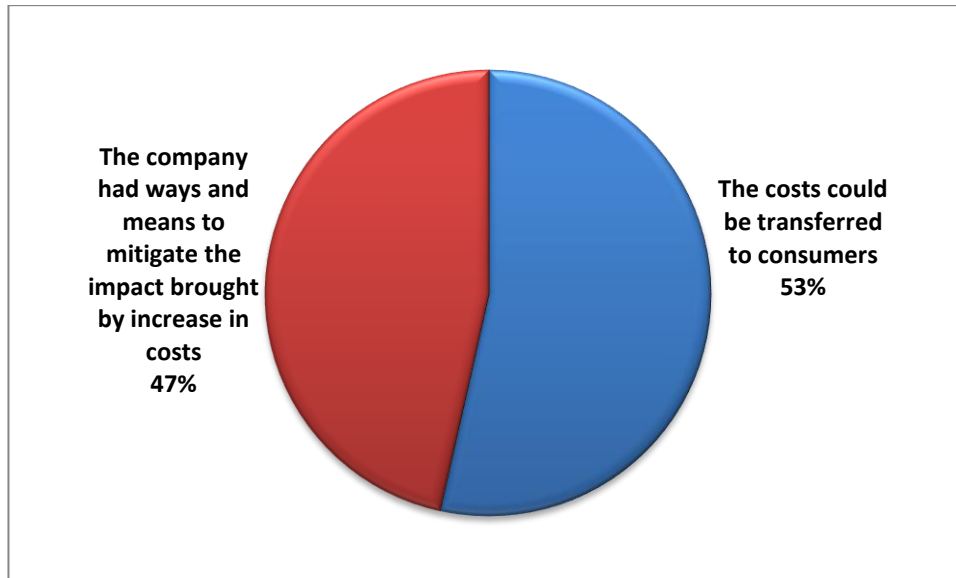
- (a) Did your business experience a significant increase in the costs of doing business in 2nd half of 2016?



- (b) How badly has your company's sales and profitability been affected by the increase in cost?



- (c) For those answering 1 in Part (b) above, your business could still be maintained because:



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

At the back of the minds of the business community has been and will continue to be the concern surrounding the rising costs of doing business in Malaysia.

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) New foreign exchange guidelines
- g) Higher compliance costs and so on.

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

ACCCIM SURVEY REPORT ON ECONOMIC SITUATION OF MALAYSIA
FOR THE 2ND HALF OF 2016

The rise in prices may also be seen through the change in historical CPI which has been almost continuously 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
August 2016	115.6
September 2016	115.3
October 2016	115.7
November 2016	116.9
December 2016	116.6
January 2017	118.2

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

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 overall, some 91% of respondents experienced some form of increase in costs of doing business, with **61% of respondents expressed that their businesses had experienced significant increase in costs of doing businesses** (for various reasons).

When asked as to the extent to which their businesses would be affected by such rise in costs, **38% of the respondents** (last survey period: 41%) **claimed that they would face significant business difficulties in the future** while **another 60%** (last survey period: 57%) **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 at current cost levels.

In the case of respondents claiming that they were able to maintain their operations, 53% of the respondents maintained that they would be passing cost increases to consumers / end users, with the balance 47% attempting to identify alternative measures to mitigate the costs issue.

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

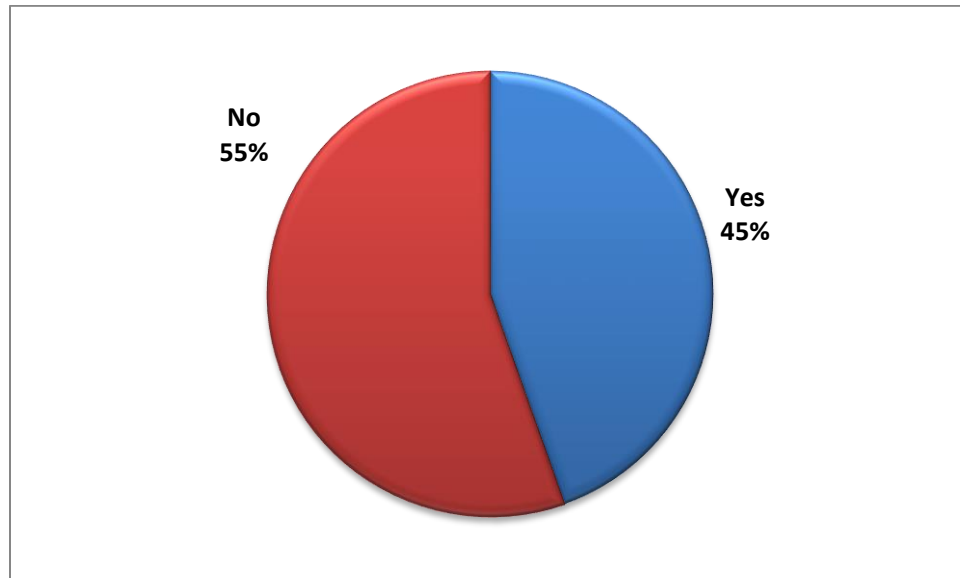
It also follows that for those respondents that claimed to face business difficulties in the future (see earlier paragraph), they too would be forced to pass the effects of rising costs to customers or end-users for the sake of ensuring the survival of their businesses in the future.

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.

3.7 COSTS AND DIFFICULTIES IN HIRING FOREIGN WORKERS

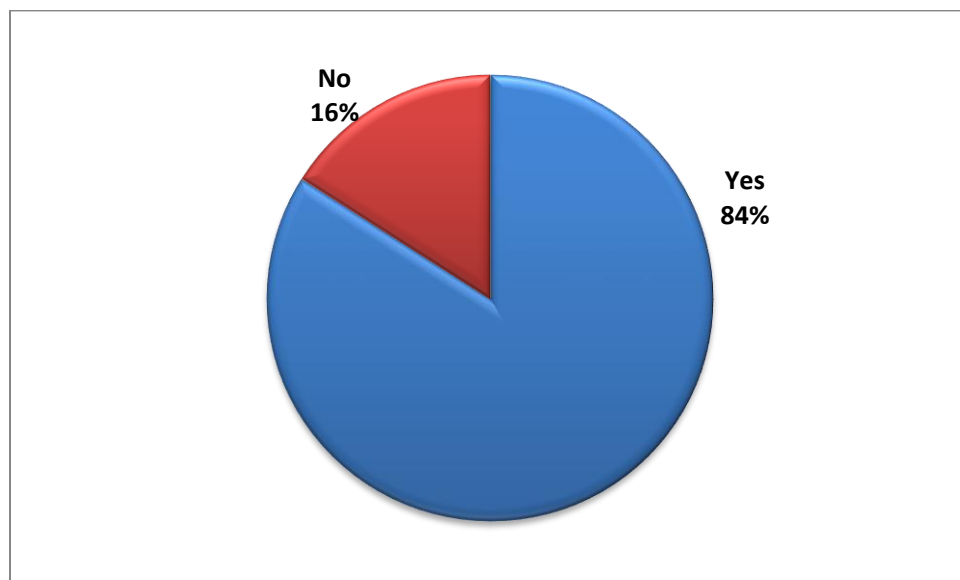
Businesses continue to lament that they face difficulties and higher costs in hiring foreign workers.

(a) Are there any foreign workers in the workforce of your business?



Based on the diagram above, it is noted that a **majority of businesses(55%) did not rely on the use of foreign workers. Nonetheless, the % of respondents who had replied in the positive appear sizeable, being at 45%.**

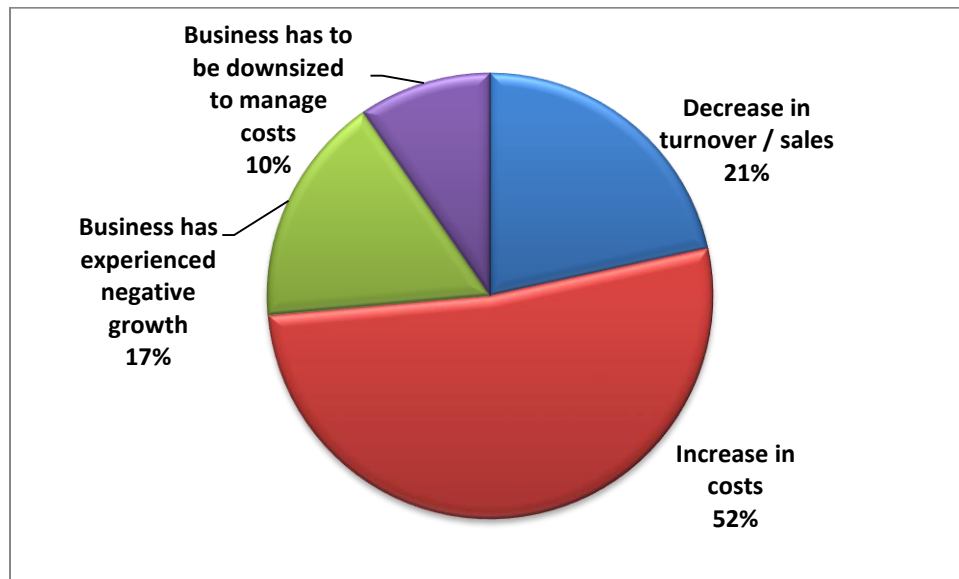
(b) Has your business been affected by the difficulties in recruitment of foreign workers?



The often heard complaint and concern of the business community (in particular, those that rely on use of foreign workers) is that they continue to face difficulties in the recruitment of 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, **an almost overwhelming 84% of respondents replied that their business have been and continue to be adversely affected by the difficulties mentioned above.**

(c) If your answer in Q4b above is YES, the, how has your business performance been impacted?

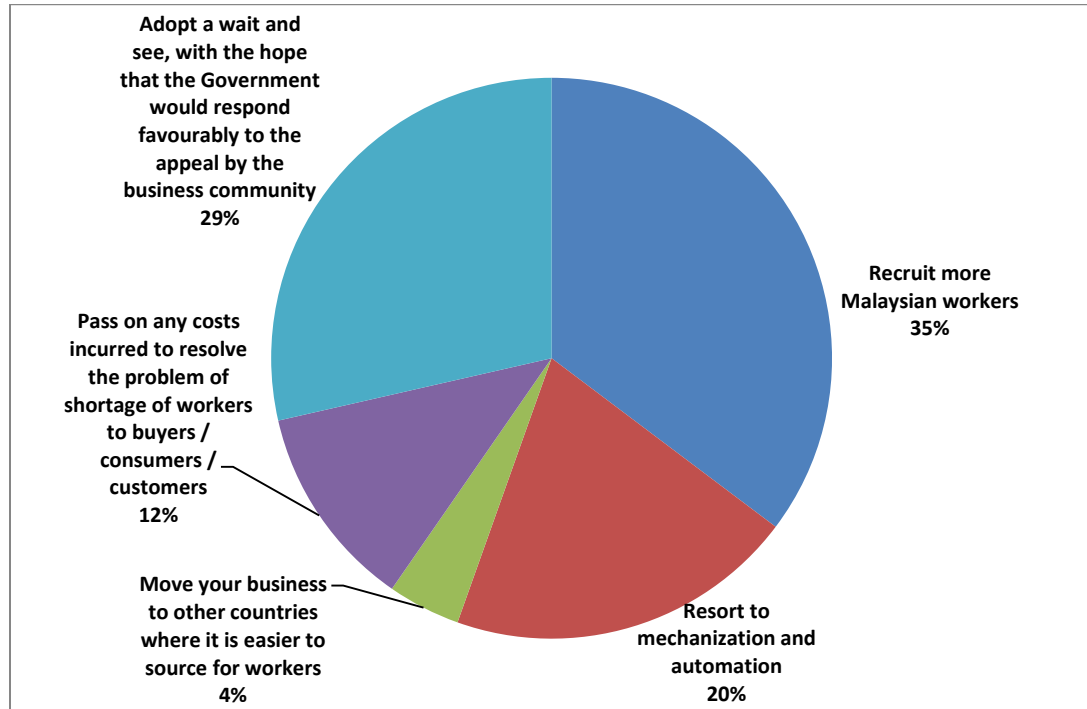


Continuing from part (b) above, **the adverse effects arising from difficulty in hiring foreign workers have resulted in businesses experiencing:**

- i. Increase in cost of operations (52%)**
- ii. Decrease in business turnover (22%)**
- iii. Negative business growth (17%)**
- iv. Downsize of business (9%)**

Once again, readers will note that consumers or end users will bear the brunt of the effects, being that the cost of operations will rise and, taking from earlier questions and results, the costs will most likely be passed onto consumers / end users.

(d) If your answer to Q12b above is YES, what is (are) your plan(s) to solve this problem of difficulty in hiring foreign workers?



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

- i. **Recruit more locals (35%)**
- ii. **Adopt a wait and see while appealing to the Government to consider more business friendly measures with regards foreign workers (29%)**
- iii. **Resort to mechanization and automation (20%)**
- iv. **Pass on costs incurred to resolve worker shortage problem to customers (12%)**
- v. **Consider to move business to other countries (4%)**

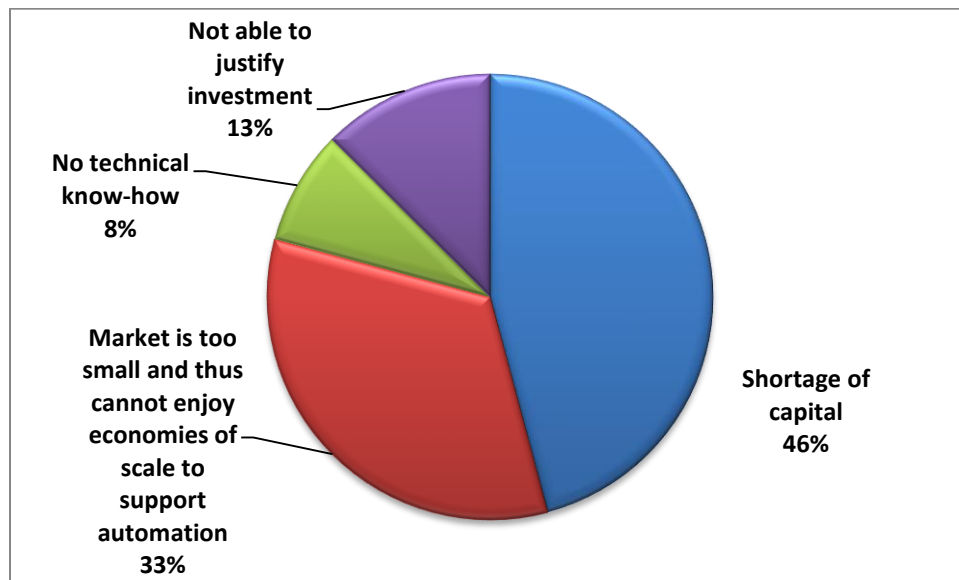
Overall, the pattern of responses appear similar to that obtained in the previous survey.

It is comforting to note that the top alternative continues to be to recruit more Malaysians to fill the job vacancies concerned. However, therein lies the difficulties that led to the employment of foreign workers in the first place. Locals tend to shy away from certain high labour intensive jobs and there is also the case of high starting pay that they demand given their level of education.

Businesses, in particular from the manufacturing, construction, services and plantation/agricultural sectors continue to face severe shortages in workers and hence, tend to employ foreign workers. As mentioned earlier, many Malaysians have expressed disinterest over these important sectors. Thus, businesses have continued to make appeals and are awaiting for the Government to consider introducing measures that facilitates and ease the recruitment of foreign workers.

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 wish to adopt mechanization and automation (Part (d) above) (and also for those that have attempted to upgrade, mechanise and automate), what are the difficulties that you are likely to face (or have faced)?



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

- a. **Shortage of capital (46%)**: This continues to be the main source of difficulty by business, especially the SMEs. It is a known fact that SMEs usually face funding issues (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.

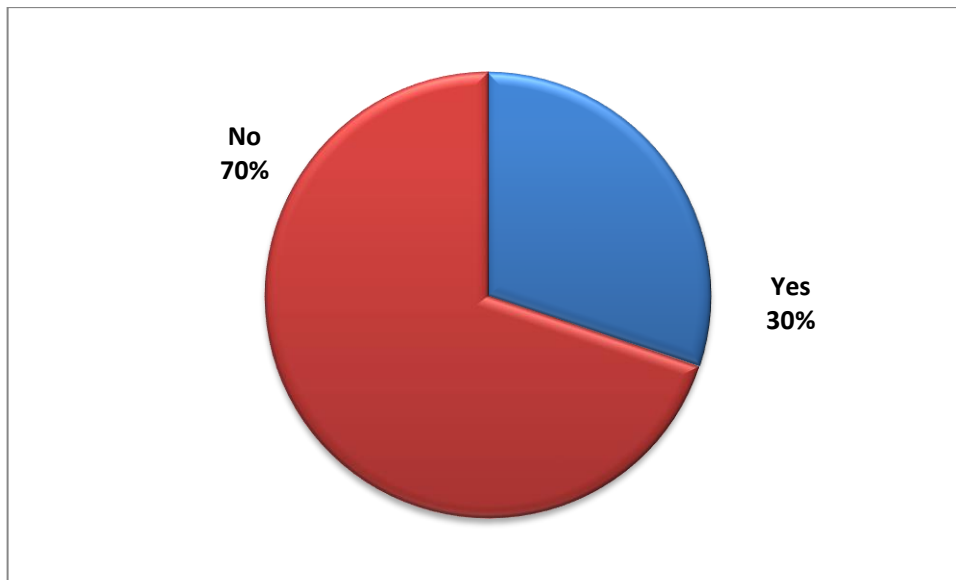
It is very much hoped that more of such funds are created and be made available for all SMEs, and that applications for such funding be made easier. Additionally, the existence and availability of funds continue to be promoted and made known to SMEs so that they may avail themselves to such funding, thus enabling such businesses to better contribute to Malaysia's economic growth.

- b. **Small markets (33%)**: There appears to be greater prominence placed for this factor (last survey period: 23% of respondents). Plant and equipments have 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 tend to be small and competitive, thus, would not be economical to undertake mechanisation and automation on a large scale. When this happens, this would mean that 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. **Not able to justify investments (13%)**: The combined effects from a and b above may thus result in difficulty by businesses to be unable to prepare proper plans and justifications to undertake the necessary investments to venture into greater mechanisation and automation.
- d. **Lack of technical knowhow (8%)**: a small percentage of respondents had cited this as their fear despite their interest to move the value chain to improve production, productivity and performance of this businesses.

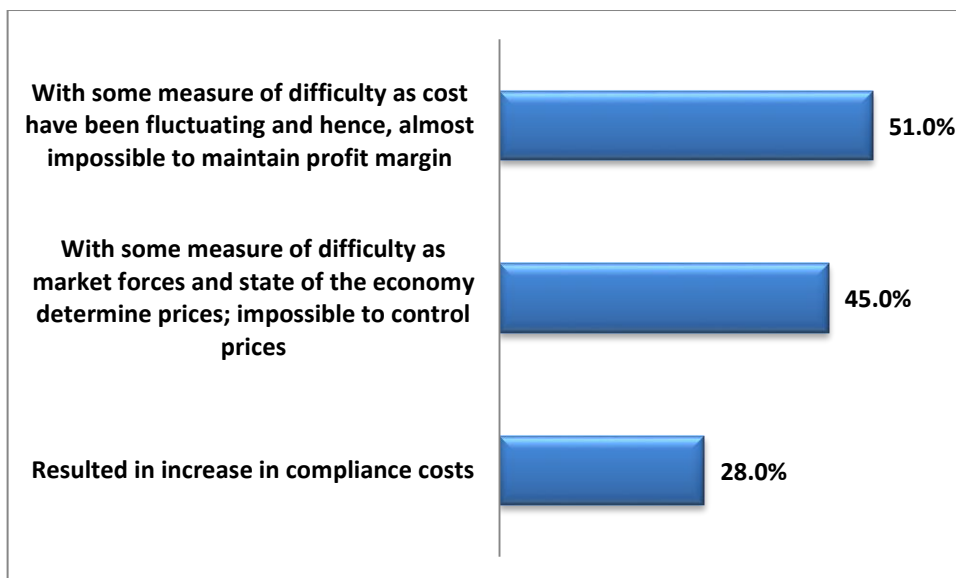
3.8 ANTI-PROFITEERING MECHANISM

The anti-profiteering mechanism with net profit margin mechanism has been extended beyond 30 June 2016 with intention to perpetuate it with a new method calculation effective 1 January 2017.

- (a) Is your business affected by the implementation of the new anti-profiteering mechanism?



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



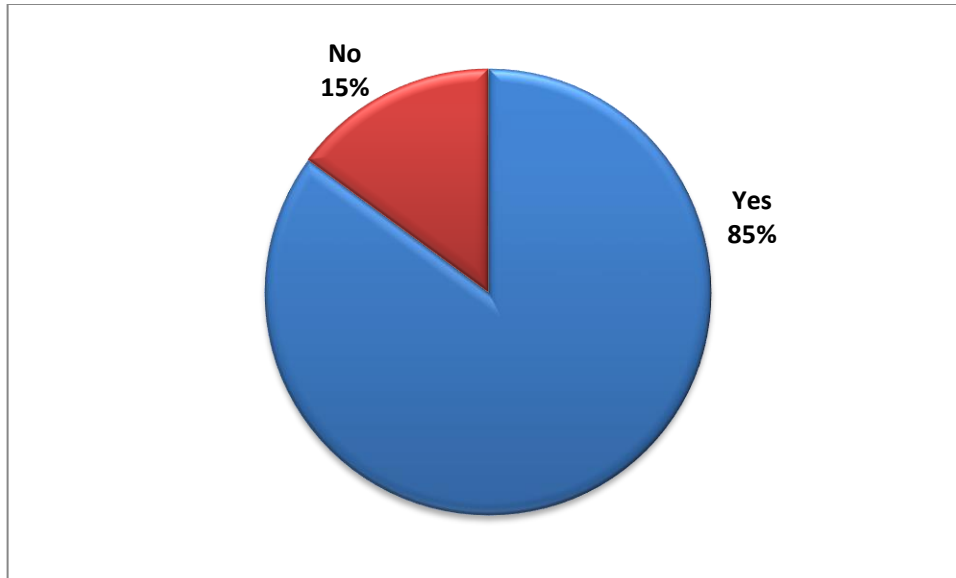
The following paragraphs contain comments that relate to questions as per Parts (a) and (b).

In general, the **anti-profiteering regime has not had significant adverse impact on the majority of the businesses (70%).**

For those that have been adversely affected, their complaints and concerns are listed as follows:

- (1) 51% of respondents maintained that they have had some measure of difficulties in adhering to the requirements of the anti-profiteering mechanism, especially when costs have been fluctuating. The monitoring of the selling prices and costs, and thus the profit margins have been rendered almost impossible to monitor properly
- (2) 45% of respondents have also claimed that selling prices are dictated by external market forces and the state of the economy in general. These external forces cannot be controlled nor properly forecast by businesses, especially the SMEs.
- (3) Some 28% of respondents have maintained that the need to maintain proper records to track and monitor price / costs movements have further contributed to rise in compliance costs.

- (c) Do you agree that the anti-profiteering mechanism should be totally abolished as the free market mechanism and the Competition Act in place will be sufficient to prevent profiteering?



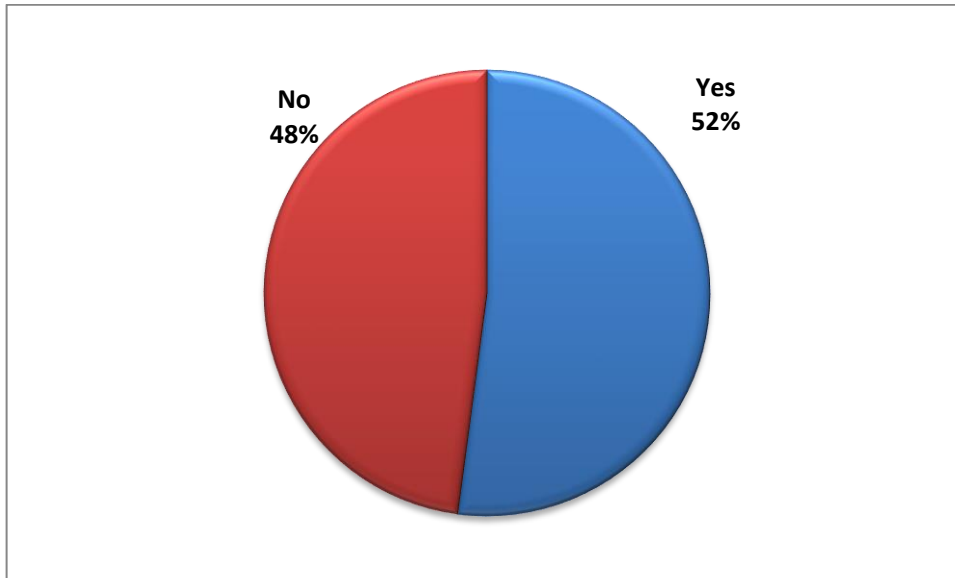
As evidenced from the chart above, an overwhelming **85% of the respondents are of the opinion that anti-profiteering mechanism should be abolished.** ACCCIM and members continue to hold the stand that inappropriate and excessive government intervention in a free market system is not an effective mechanism to distribute resources in an efficient manner and may harm consumers rather than protect them.

In the main, ACCCIM believes that the Regulators should allow market forces to freely operate. Consumers and purchases should be allowed to make purchases based on their choice and/or preference. The free market mechanism and the Competition Act 2010 are deemed sufficient to ensure that profiteering by businesses will be kept in check.

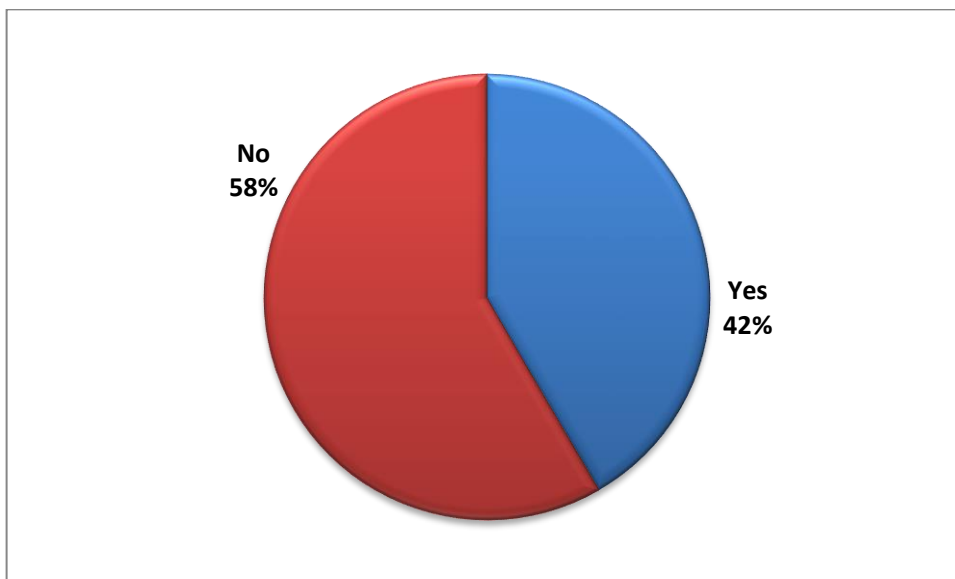
3.9 COMPANIES ACT 2016

The Companies Act 2016 was gazetted in August 2016 and will come into force sometimes in 2017.

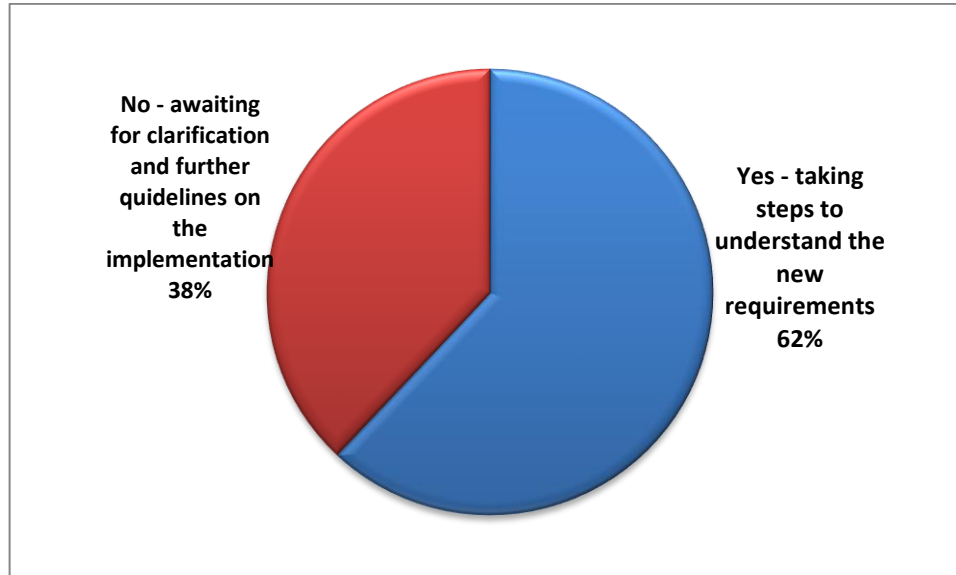
(a) Are you aware of this Companies Act 2016?



(b) Are you aware of the new requirement and benefits of the Companies Act 2016, in particular how it will affect your businesses?



- (c) If your answer to Part (b) above is YES, have you taken measures to prepare to meet the requirements?



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

Subsequent to the issue and distribution of the survey questions, Companies Act 2016 came into force with effect from 31 January 2017.

Overall, it is noted that **some 52% of the respondents are aware of the new Companies Act 2016.**

Accordingly, the **majority (62%) of the respondents have begun to take steps to attempt to understand the requirements of the new Act.**

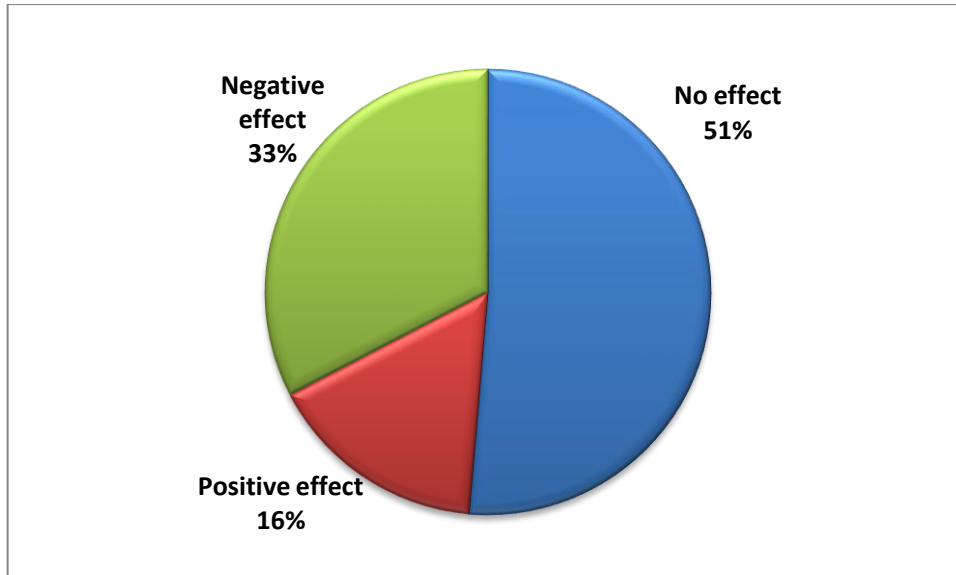
At ACCCIM, even before the gazetting of the effective date of the Companies Act 2016, steps have been taken and put in place to disseminate the information concerning Companies Act 2016, the new requirements affecting the way companies are to be administered and conducted, thus having effect on the way businesses are undertaken. This is an ongoing process and ACCCIM will strive to ensure that this continues into the near future.

However, ACCCIM seeks to request that the Regulators, in particular the Companies Commission of Malaysia (CCM), will continue to provide guidance on how to implement the requirements of the new Act and facilitate businesses and companies during this transition period as businesses come to grips with the new change.

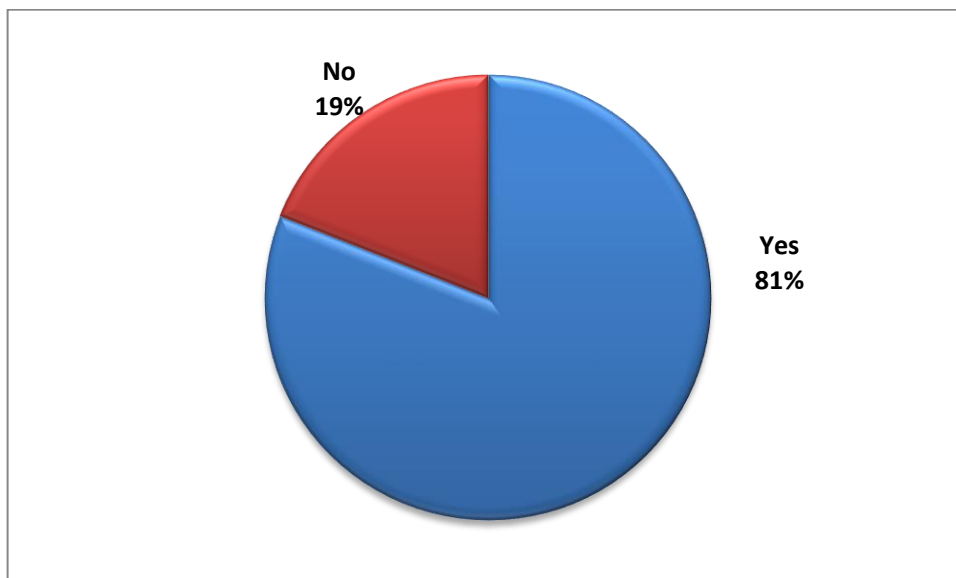
3.10 INCREASE OF US INTEREST RATE

US recently increased its interest rate by 0.25% points for the 2nd time.

(a) How has it affected your business?



(b) Do you think US will continue to increase its interest rate in 2017?



There was the initial fear by some quarters that the increase in interest rates in the last quarter of 2016 (the second time in a decade) would lead to adverse effect on the Malaysian economy.

However, **51% of respondents do not believe that it would have any effect. 33% believe that it would affect their business negatively, and the remaining 16%, believe that it might have positive effect.**

Some 81% of respondents believe that further rate hikes would take place in the US. As at the time of this writeup, there are news that the Federal Reserve may yet consider raising rates again in 2017. This would have to be monitored closely by all in the business and banking sector, together with the monitoring how Bank Negara Malaysia would react, especially since such movements affects the ability of businesses to borrow and service the financing costs.