1. INTRODUCTION

1.1 THE PURPOSE OF THIS SURVEY

In Malaysia, owing to the wide participation of the Chinese businessmen in the economic activities throughout the country, Chinese businessmen and business entities play an important role within the Malaysian economy. A survey (an exercise carried out twice a year) has recently been carried out to gather feedback and opinions from Chinese businessmen. This survey can be viewed as a mean to gauge the economic situation facing the Chinese business community in the 1st half of 2015. This survey covers four major areas in relation with the Chinese business community, namely:

i. **The Malaysian economic situation in the 1st half of 2015;**
ii. **Major factors affecting business performance;**
iii. **Malaysian economic outlook; and**
iv. **Current issues facing the Chinese businessmen and business entities 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 available today are collected by the Government through Statistical Department of Bank Negara Malaysia and its agencies. The Malaysian Institute of Economic Research (MIER) has conducted surveys on the economic recovery in the past but has thus far, focused on the consumers and the manufacturing sector.

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

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

2. SURVEY METHODOLOGY

The purpose of this survey was to collate information in relation to the economic situation facing the Chinese business community in the 1st half of 2015. The questionnaire was constructed based on the current economic issues faced by the country and the business community, and the various measures undertaken by the Government to address the issues concerned.

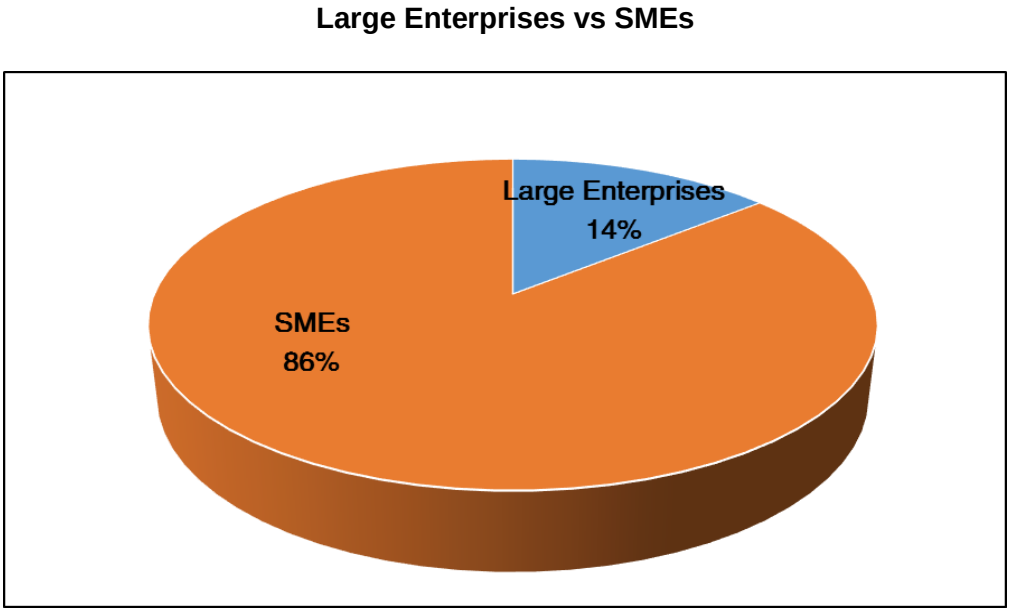
The direct and indirect membership of ACCCIM Constituent Chambers is more than 100,000 members, representing Malaysian Chinese companies, individuals and trade associations. As most of the prominent Chinese businessmen are the committee members of ACCCIM either at the national or state levels, these committee members could be taken to represent the Chinese business community. The total questionnaires sent out were 708.

More than half of the questionnaires were returned, making it a response rate of 51.6% of the total questionnaires sent. These 365 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 were mainly from **wholesale and retail (30.1%), manufacturing (18.4%), professional and business services (10.1%), construction (9.3%), real estate (6.8%), and tourism, shopping, hotels, restaurants, recreation and entertainment (6.8%), as well as others (18.5%).** 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	30.1
Manufacturing	18.4
Professional & business services	10.1
Construction	9.3
Real estate	6.8
Tourism, shopping, hotels, restaurants, recreation and entertainment	6.8
Others	18.5
Total	**100.0**
(Sample Size)	**(365)**

About 14.2% of the respondents were from "Large Enterprises" (according to annual turnover and number of full time employees)



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-categorises, 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

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** OR full-time employees from **5 to less than 75**	Sales turnover from **RM15 million to not exceeding RM50 million** OR full-time employees from **75** to **not exceeding 200**
Services & Other Sectors	Sales turnover from **RM300,000 to less than RM3 million** OR full-time employees from **5 to less than 30**	Sales turnover from **RM3 million to not exceeding RM20 million** OR 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

During the survey period under review, it was noted that for the manufacturing based business, 57.4% of the respondents employed 74 employees or less, with another 35.6% employing 75-200 employees, whereas 7.2% of the respondents claimed that they employed more than 200 employees.

For the services based businesses, 65.2% of the respondents employed some 29 or less employees, whereas 26.0% employed 30-75 employees. On the other hand, about 8.8% 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	5.2	Less than 5	20.0
5 ~ 74	52.2	5 ~ 29	45.2
75 ~ 100	22.6	30 ~ 49	10.8
101 ~ 200	13.0	50 ~ 75	15.2
More than 200	7.2	More than 75	8.8
Total (Sample Size)	**100.0 (115)**	**Total (Sample Size)**	**100.0 (250)**

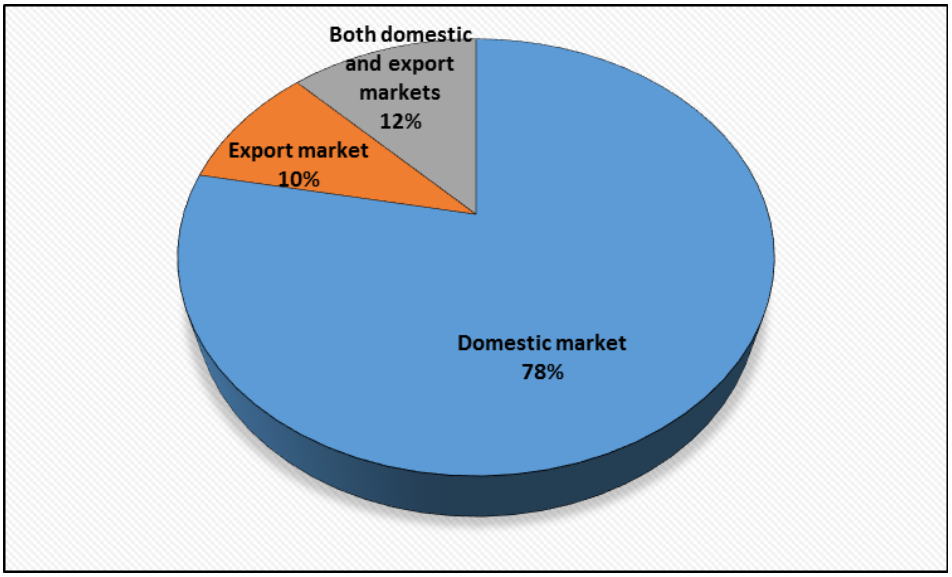
In the case of turnover achieved annually, for the manufacturing based businesses, about 26.9% of the respondents had an annual turnover of between RM15 million to RM50 million. About 11.5% of the companies surveyed reported having an annual turnover that exceeded RM50 million.

For the services based businesses, about 30.0% of the respondents had an annual turnover of between RM5 million to RM20 million. Additionally, about 12.0% of the companies had an annual turnover of more than RM20 million.

Annual Turnover

Manufacturing		Services	
in Ringgit Malaysia	**Percentage (%)**	**in Ringgit Malaysia**	**Percentage (%)**
Less than 300,000	3.5	Less than 300,000	12.8
300,000 ~ 1.49 million	20.9	300,000 ~ 1.49 million	20.8
1.5 million ~ 4.99 million	16.5	1.5 million ~ 2.99 million	12.0
5.0 million ~ 14.99 million	20.9	3.0 million ~ 4.99 million	12.4
15.0 million ~ 29.99 million	13.0	5.0 million ~ 9.99 million	12.0
30.0 million ~ 50.0 million	13.9	10.0 million ~ 20.0 million	18.0
More than 50.0 million	11.5	More than 20.0 million	12.0
Total (Sample Size)	**100.0 (115)**	**Total (Sample Size)**	**100.0 (250)**

About 78.1% of the respondents were "Domestic" market oriented whereas the remaining 21.9% focused on "Both Domestic and Export" markets (12.3%) or 'Export' market (9.6%).



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 concerned. Any negative effects experienced by the Malaysian economy are bound to have significant ramifications on the businesses concerned.

3. SURVEY FINDINGS

3.1 THE MALAYSIAN ECONOMIC SITUATION IN THE 1ST HALF OF 2015

3.1.1 Sales performance

Decline in Sales Performance

Based on the survey results, the majority of the respondents (65%) replied that their firms' sales performances for the 1st half of 2015 were either of the 'good' or 'satisfactory' classification. This represents an 11% points drop in respect of % of respondents in the combined 'good' or 'satisfactory' categories compared to the 2nd half of 2014. In fact, the drop in % of respondents trends for two (2) consecutive survey period, starting from 2nd half 2014 to this survey period of 1st half 2015. This is summarized as follows:
1st half 2014: 80%
2nd half 2014: 76%
1st half 2015: 65%

As mentioned in the earlier paragraphs, on the whole, the sales performance was significant weaker with only slightly more than half of the survey respondents remained satisfied with the sales performance of their businesses. The decline in sales performance mirrors the slowdown in economic growth of the Malaysian economy and also elsewhere around the world, in the same period. The Malaysian economic growth slowed from 4Q 2014 of 5.8% to 5.6% in 1Q 2015 and a further dip to 4.9% in 2Q 2015. Despite the moderation, sales remained somewhat resilient, mainly supported by the continued strength in domestic demand (in particular, due to the improvement in private sector activity). Private investment has been reported to have expanded in the said period, albeit at a more moderate level compared to previous periods.

Unfortunately, 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 continue to drop. This may be seen through the continued increase in the % of respondents believing that the sales performance of their businesses will be poor in the future, as shown below:
1st half 2014 survey period: 24%
2nd half 2014 survey period: 39%
1st half 2015 survey period: 43%

The effects of Goods & Services Tax (GST), exchange rate movements and drop in commodity prices worldwide may have contributed to such sentiment.

Sales Performance

Sales Performance	2nd Half 2014 (%)		1st Half 2015 (%)		Total (%)		
	Mfg	WRT	Mfg	WRT	2nd '14	1st '15	2nd '15 (Forecast)
Good	10	5	5	4	7	5	6
Satisfactory	68	67	55	64	69	60	52
Poor	22	28	40	32	24	35	43
Total (Sample Size)	**100 (60)**	**100 (85)**	**100 (62)**	**100 (103)**	**100 (347)**	**100 (342)**	**100 (323)**

3.1.2 Production volumes

Drop In Production Volumes

During the 1st half of 2015, it was noted that 39% of respondents had reported a decrease in their production volumes (an increase of 15% points of respondents in this category of response). This change in breakdown of production volumes appears to be in line with the change in the sales performance as reported in paragraph 3.1.1 above, which had also reported a drop in sales performance.

Significantly, the drop in production volumes came from the manufacturing sector, which saw an increase of 19% points of respondents reporting such a case with respect to production.

In line with the earlier finding that there were more businesses expressing anticipated declining forecast sales performance in the next six months period, some 47% believe that their production would experience a reduction in volumes for the second half of 2015. More significantly, this represents a 15% points increase in respondents who projected a possible dismal six months into the future for their businesses and believed that their production volumes would hence, be negatively affected.

Production volume

Production volume	**2nd Half 2014 (%)**	**1st Half 2015 (%)**	**Total (%)**		
	Mfg	**Mfg**	**2nd '14**	**1st '15**	**2nd '15 (Forecast)**
Increased	12	5	8	5	10
Remain unchanged	67	55	68	56	43
Decreased	21	40	24	39	47
Total (Sample Size)	**100 (57)**	**100 (58)**	**100 (96)**	**100 (95)**	**100 (88)**

3.1.3 Stocks

Slight Decrease in Inventory Levels

In the last survey period of 2nd half 2014, it was noted that inventory levels then had largely remained relatively unchanged. For this survey period, overall, the survey results show that a smaller majority of businesses reported that their inventory levels for the period of 1st half of 2015 have remained unchanged vis-à-vis the period of 2nd half 2014. The major change was the increase of 10% points of respondents reporting 'decrease' in inventory levels, as businesses preferred to draw down inventories to meet demand given the uncertainty following the implementation of the GST.

Somewhat similar patterns were noted in the categories of stock changes for respondents in the 'manufacturing' and 'wholesale and retailers' sectors. This would imply that businesses are attempting to run down their existing inventory levels and convert the stocks concerned to sales as soon as possible.

For the manufacturing sector, there was an increase of 18% points of respondents who reported 'decreased' levels of inventory, with the effect coming mainly from decreases in % of respondents in the 'remaining unchanged' inventory level category.

Similarly, there was also an increase of 11% points of respondents who reported 'decreased' levels of inventory in the wholesale and retailers sector, with the corresponding change coming from the decreases in % respondents from the other two categories of inventory level changes.

Going forward for the next six months in 2nd half of 2015, it is noted that a greater proportion of respondents forecast that their stock levels would 'decrease', from 28% of respondents that made such forecast in the last survey period, to 37% of respondents that now make such prediction. This represents an overall increase of about 10% points of respondents that predict a downward movement in production activity in the future.

Stocks

Stocks	**2nd Half 2014 (%)**		**1st Half 2015 (%)**		**Total (%)**		
	Mfg	**WRT**	**Mfg**	**WRT**	**2nd '14**	**1st '15**	**2nd '15 (Forecast)**
Increased	9	12	8	4	9	11	16
Remain unchanged	74	73	57	70	73	61	47
Decreased	17	15	35	26	18	28	37
Total (Sample Size)	**100 (58)**	**100 (81)**	**100 (60)**	**100 (73)**	**100 (187)**	**100 (169)**	**100 (156)**

3.1.4 Collections

Poorer Collections from Customers

Based on the table depicting the pattern of responses covering the state of collections from customers for the period of 1st half of 2015, the major change was mainly in the increase of 14% points of respondents that felt that they had experienced 'poor' collections from their customers. Fewer % of respondents replied that their collections were 'good' or 'satisfactory'. This suggests that some businesses could be facing cash flow problem given the slower than expected input tax refund by the authority.

When analysed between the different sectors, it was noted that the overall result was mainly influenced by the collections in the manufacturing sector. In this said sector, there were more businesses being unsatisfied with their state of collections from their customers (increase of 18% points of 'poor' collections category).

Additionally, a somewhat similar pattern of response was noted in the breakdown of % respondents by categories from businesses in the wholesale and retail sector. Overall, whilst the majority of the respondents continue to report satisfactory state of collections from their customers, there was an increase of 7% of respondents that reported 'poor' collections experienced during this survey period.

Forecasting into the future, however, only 51% of respondents felt that their state of collections would be satisfactory (drop of 7% points) whilst some 43% believed that they would experience 'poor' state of collections (this is an increase of 9% points over the previous survey period). Similar to other components of survey (see earlier paragraphs), this is reflective of business sentiments regarding the future, which sees it as being challenging and collections is thus also seen to be possibly negatively affected. Businesses therefore are advised to continue to be cautious and to step up efforts to better control their collections so as not to run into cash flow problems in the future.

Collection for Payment of Debt

Collection for Payment of Debts	**2nd Half 2014 (%)**		**1st Half 2015 (%)**		**Total (%)**		
	Mfg	**WRT**	**Mfg**	**WRT**	**2nd '14**	**1st '15**	**2nd '15 (Forecast)**
Good	14	5	2	4	9	7	6
Satisfactory	74	65	61	59	73	60	51
Poor	12	30	38	37	19	33	43
Total (Sample Size)	**100 (58)**	**100 (76)**	**100 (61)**	**100 (97)**	**100 (328)**	**100 (319)**	**100 (296)**

3.1.5 New orders from overseas market

No Change in New Orders from Overseas Markets

Overall, there appears to be no major change in the level of new orders from overseas markets. It may be surmised that new orders from foreign markets continue to remain relatively strong during the survey period despite the challenging external environment experienced by many businesses. Nonetheless, the fact is that 35% of respondents reported experiencing 'decrease' in sales orders from foreign customers represents a significant figure and definitely represents a cause for concern that the Malaysian Government should look into. As a whole, this suggests that despite weaker currency, businesses have yet to benefit from it due to weak global demand.

In the manufacturing sector however, there were fewer respondents who reported 'unchanged' level of new orders from foreign markets (a drop of 14% points from the previous survey period). In turn, this was matched by a corresponding increase in % of respondents in the 'decreased' orders categories.

In the case of wholesale and retail sector, it appears that businesses are struggling to sustain foreign orders as none of the respondents had experienced 'increased' order from foreign customers. Perhaps businesses should be applauded for largely being able to keep order levels from foreign customers at 'unchanged' levels (increase of 6% points). Nonetheless, the % of respondents reporting 'decreased' sales orders from foreign remain at a high level of 39%.

Overall, majority of the respondents (63% of respondents) were still hopeful that for the next six-months ending December 2015, their businesses would experience 'increased' and 'unchanged' levels of orders from foreign markets.

New Orders of Goods and Services from Foreign Markets

New Orders	2nd Half 2014 (%)		1st Half 2015 (%)		Total (%)		
	Mfg	WRT	Mfg	WRT	2nd '14	1st '15	2nd '15 (Forecast)
Increased	11	10	9	0	9	7	9
Remain unchanged	67	55	53	61	57	58	54
Decreased	22	35	38	39	34	35	37
Total (Sample Size)	**100 (45)**	**100 (20)**	**100 (47)**	**100 (18)**	**100 (135)**	**100 (131)**	**100 (127)**

3.1.6 New orders from local market

Drop in New Local Orders

This period of survey showed that the situation relating to local orders for businesses has dipped somewhat relative to the findings in the last survey period. Local / internal demand for the products and services is said to be the main driving factor sustaining Malaysia's economic growth in the first half of 2015. Some 50% of respondents had replied that the position of the local sales orders had remained relatively unchanged in this period of survey. There was a significant drop of 16% points of respondents from the last survey period. In fact, more respondents had experienced drop in new local orders (up by 16% points).

When analysed by sector however, it was noted that the manufacturing sector appears to be the worst hit, with 57% of respondents having experienced 'decrease' in local orders (up by 25% points). Businesses in this sector indeed are struggling to maintain local orders as their customers perhaps are being cautious and are cutting back on their own orders.

Once again, a somewhat similar pattern is seen in breakdown of levels of new local orders for businesses in the wholesale and retail sectors between this survey and the previous survey period. There was also a significant jump in the 'decreased' local orders segment that saw an increase of 15% of respondents reportedly in this category of response.

Once again, the fact remains is that the percentage of respondents that report having experienced 'decrease' in local orders is significantly high (more than 40%) and should also represent a cause for concern for the Malaysian Government and the business community.

In the case of future performance in the next six months ending December 2015, some 45% of the respondents forecast that their businesses are expected to experience 'decreased' new local orders. This should be worrying as it represents an increase of 7% points of respondents in this category over the last survey period (which had also increased by 12% points in the previous survey period as well). The trend over the last two survey periods all point to continued increase in negative sentiments regard the economy and business viability.

New Local Orders of Goods and Services from Local Market

New Local Orders	2nd Half 2014 (%)		1st Half 2015 (%)		Total (%)		
	Mfg	WRT	Mfg	WRT	2nd '14	1st '15	2nd '15 (Forecast)
Increased	9	10	3	5	8	6	7
Remain unchanged	60	64	39	53	66	50	48
Decreased	32	26	57	41	26	44	45
Total (Sample Size)	**100 (57)**	**100 (84)**	**100 (61)**	**100 (92)**	**100 (326)**	**100 (306)**	**100 (286)**

3.1.7 Sales prices

Reduction in Local Sales Prices

Overall, some 55% of respondents replied that their businesses were able to sustain their local sales prices for the period of 1st half of 2015. This is in stark contrast with the survey findings in the previous period for 2nd half of 2014, where some 70% of respondents then had reported that they were able to keep their selling prices unchanged. Some 36% of the respondents maintained that they have had to reduce their selling prices to their local customers.

Sector wise, a big majority (51%) of businesses in the manufacturing sector experienced the need to 'reduce' selling prices for local sales. This may go towards explaining the findings in the earlier paragraphs regarding the sales performance and production volumes. In the main, owing to the overall decline in the results for the sales performance and production volumes, businesses in the manufacturing sector have had to resort to using price reductions in an attempt to maintain sales volume and wind down on their existing stocks (to keep costs down).

Somewhat similar, a smaller majority of businesses in the 'wholesale and retail' sector experienced 'unchanged' selling prices for local sales, with more respondents claiming to have reduced their selling prices (increase of 16% points in this category of response).

Perhaps, based on the latest experience and looking into the future, some 35% of the respondents forecast the need to reduce their selling prices of the goods and services to stay in business for the forecast 6 months forward for the 2nd half of 2015. This represents a significant increase of 5% points of respondents that had similarly forecast such need for the corresponding 6 months future period in the last survey period. This also represents the second consecutive period of survey where more and more respondents opined similar sentiments (last survey period, there was a reported 9% points increase in % of respondents believing the need to reduce selling prices). This is in line with more businesses expecting their sales orders to drop and they may have to reduce prices to maintain market share.

Local Sales Prices of Goods and Services

Local Sales Prices	2nd Half 2014 (%)		1st Half 2015 (%)		Total (%)		
	Mfg	WRT	Mfg	WRT	2nd '14	1st '15	2nd '15 (Forecast)
Increased	7	9	10	9	9	9	10
Remain unchanged	67	70	39	54	70	55	54
Decreased	26	21	51	37	21	36	35
Total (Sample Size)	**100 (55)**	**100 (81)**	**100 (59)**	**100 (84)**	**100 (310)**	**100 (284)**	**100 (271)**

3.1.8 Number of employees

Employment Market Relatively Unchanged

In contrast with the changes in the other components of the survey as contained in the earlier paragraphs, businesses appeared to have not demonstrated significant signs of 'knee-jerk' reactions towards their employees. Overall, the majority of the respondents (76%) 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 slightly more businesses that reported 'no change' in the number of employees. Whereas for the 'wholesale and retail trade' sector, firms mainly kept their number of employees unchanged.

Overall, the majority of businesses are expected to maintain their capacity level in terms of human resource requirements for the next 6 months ending December 2015.

Number of Employees

Number of Employees	2nd Half 2014 (%)		1st Half 2015 (%)		Total (%)		
	Mfg	WRT	Mfg	WRT	2nd '14	1st '15	2nd '15 (Forecast)
Increased	9	6	2	3	7	3	5
Remain unchanged	70	78	77	78	76	76	70
Decreased	22	16	22	19	17	21	25
Total (Sample Size)	100 (59)	100 (83)	100 (64)	100 (90)	100 (344)	100 (312)	100 (290)

3.1.9 Wage cost per unit of output

Wage Costs Per Unit of Output Relatively Unchanged

The majority of businesses advised that the wage cost per unit of output for the period of 1st half of 2015 largely remained constant, although the % of respondents in the 'unchanged' wage costs category had declined. In fact, there was an increase of 9% points of respondents that had managed to reduce their wage costs per unit of output and an increase of 4% points of respondents that reported higher wage costs per unit of output.

When analysed by sector, it is noted that 63% of respondents in the 'manufacturing' sector experienced 'unchanged' wage costs per unit of goods (position relatively unchanged to the previous period). In the case of the 'wholesale and retail trade' sector, wage costs per unit of output appeared more volatile with lower % of respondents being able to maintain 'unchanged' wages costs per unit of goods and services (1st half 2015: 69% versus 2nd half 2014: 83%).

Looking into six months ahead, some 63% of the respondents believed that wage costs would remain unchanged for the period ending December 2015. Businesses would continue to strive to ensure that wages costs remain constant. However, the question remains how such unchanged wage costs per unit shall be achieved, whether via not increasing the wage per staff or through the recruitment of new, inexperienced employees remains the core issue to be considered by businesses.

Wage Costs per Unit of Goods and Services

Wage Costs per unit	**2nd Half 2014 (%)**		**1st Half 2015 (%)**		**Total (%)**		
	Mfg	**WRT**	**Mfg**	**WRT**	**2nd '14**	**1st '15**	**2nd '15 (Forecast)**
Increased	19	6	15	14	11	15	16
Remain unchanged	64	83	63	69	77	64	63
Decreased	17	11	22	17	12	21	21
Total (Sample Size)	**100 (58)**	**100 (80)**	**100 (65)**	**100 (78)**	**100 (320)**	**100 (293)**	**100 (274)**

3.1.10 Capacity utilisation

Persistent Low Capacity Utilization Levels

There was an increase of 8% points of respondents in the 81-100% capacity utilisation level category for this period survey, as some exporters could have benefitted from weaker ringgit. There was a drop of 10% in the 61-80% capacity utilisation level. Similarly, there was marginal increases in the % of respondents in the capacity utilisation rate of 41-60%.

Similar to previous survey findings, 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 business tie-ups and promotions.

At the individual business level, business should consider 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	**2nd Half 2014 (%)**		**1st Half 2015 (%)**		**Total (%)**	
	Mfg	**WRT**	**Mfg**	**WRT**	**2nd '14**	**1st '15**
81 ~ 100%	3	4	15	18	5	13
61 ~ 80%	64	56	36	36	55	45
41 ~ 60%	26	33	43	39	32	35
0 ~ 40%	7	6	7	7	8	7
Total (Sample Size)	**100 (61)**	**100 (78)**	**100 (61)**	**100 (56)**	**100 (330)**	**100 (236)**

3.1.11 Investment in new resources or plant

Slightly More Respondents Choosing to Reduce 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 understandable to note that 96% of the respondents replied that they were keeping their investments in new resources or plant either 'unchanged' or 'decreased' levels. The % of respondents in the 'decreased' category has risen slightly by 4% points for this period over the last survey period, continuing the trend whereby more respondents appear to be choosing this option as a way to keep business costs in check and as business environment turns more uncertain and challenging.

When analysed by sectors, the change appeared to be more glaring in the 'manufacturing' sector whereby there was a 17% points rise in the % of respondents in this said sector that had chosen to reduce their investment levels. As noted in the earlier paragraph, there continues to be sufficient capacities to absorb new orders. The pattern of breakdown of response for businesses in the 'wholesale and retail' sector appeared to be somewhat improved with more respondents maintaining unchanged level of new investments.

Nonetheless, the % of respondents reporting 'decreased level of new investments continue to be high for all sectors of businesses, being in excess of 40%. This is indeed worrying as the growth economy also depends on businesses making more new investments.

Sensing over-capacity and perhaps, the concern for possible adverse economic movements in the future along with less optimism about new orders, some 49% of the respondents stated that they are considering reducing their investment in new resources or plant for the period of 2nd half 2015. This is partly due to the significant excess capacity and rising costs of doing business as well as challenging economic environment. Only 9% of respondents advised that they planned to increase such investments during the period of 2nd half 2015.

Investment in New Resources or Plant

Investment	2nd Half 2014 (%)		1st Half 2015 (%)		Total (%)		
	Mfg	WRT	Mfg	WRT	2nd '14	1st '15	2nd '15 (Forecast)
Increased	9	8	10	1	6	4	9
Remain unchanged	61	42	43	56	52	50	42
Decreased	30	50	47	43	42	46	49
Total (Sample Size)	**100 (56)**	**100 (64)**	**100 (58)**	**100 (68)**	**100 (264)**	**100 (250)**	**100 (236)**

3.1.12 Economic Situation in Malaysia

The Malaysian economy was seen to have experienced weaker growth in the 1st half of 2015

In the previous survey period, it was noted that there was a somewhat equal balance of respondents that opined that the Malaysian had 'remained unchanged' and 'deteriorated'. For the survey period of 2nd half 2014, the split was 42% versus 49%.

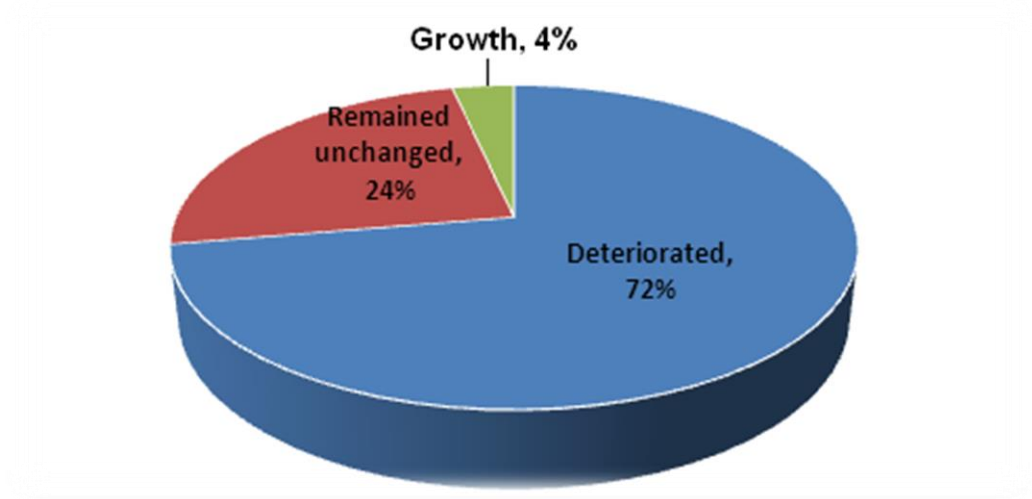
The pattern of breakdown of survey response as mentioned above is in stark contrast with that for this survey period whereby some 72% of respondents had the perception that at the macro level, the Malaysian economy had deteriorated during the period of 1st half of 2015. This represents a significant increase of 23% of respondents that were pessimistic and who had been adversely affected during the period concerned.

Only 4% of the respondents believe that the Malaysian economy has shown signs of growth.

This time round, unfortunately, there is a vast majority of respondents believed that the Malaysian economy had not performed well.

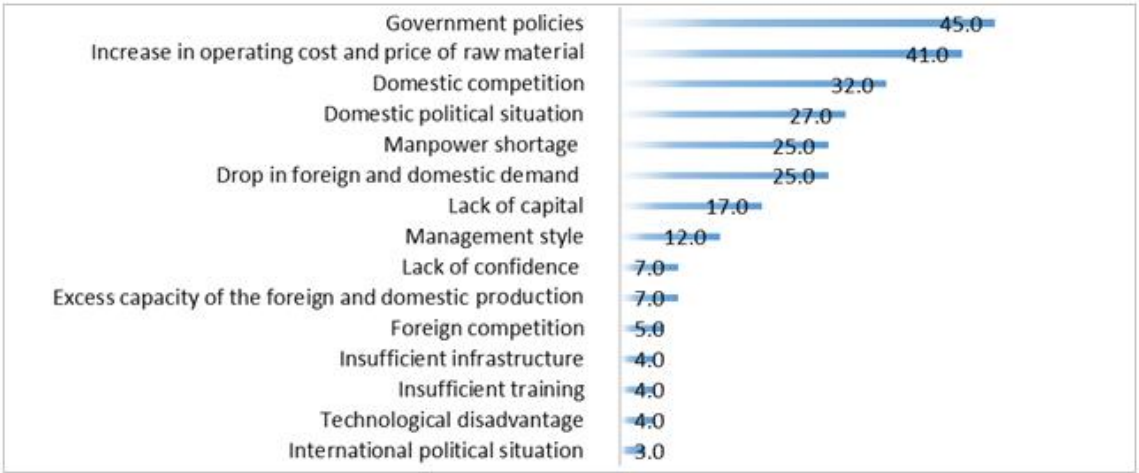
The figures released by Bank Negara Malaysia also depict more moderate economic growth and performance for Malaysia as a whole, in particular for the 1st half of 2015 compared to the 2nd half of 2014.

The Malaysian Economy in the 1st Half of 2015



3.2 MAJOR FACTORS ADVERSELY AFFECTING BUSINESS PERFORMANCE

Factors Affecting Business Performance for 1st Half 2015 (%)



Government policies

Consistent with the previous survey results, the greatest concern among businesses for the period six months ended June 2015 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 45% of respondents pointed to this important factor as opposed to 51% in the last period of survey (down by 6% 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, Anti-Profiteering Act 2011 and Goods and Services Tax (GST) Act 2014, have added to the burden of doing business in Malaysia, and this has not been helped by the deterioration of the exchange rate for Ringgit Malaysia and fluctuations of the commodity prices.

As noted in the past, Malaysian businesses continue to expect the Government to introduce and implement economic policies that are business friendly, build close rapport and dialogue with the business community (especially those in the SME sector), 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 the main, the more recent issues relate to implementation / operational matters on the part of the Government, for instance GST net input tax refunds. Hence, the business community looks forward towards fresh new ideas and approaches to be recommended by the newly set up Special Economic Committee as announced by the Prime Minister.

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 cost and price of raw materials

'Increase in operating costs and prices of raw materials' has become the second most important factor (up from being the third most important factor in the previous period's survey).

Businesses have complained that they have been experiencing rising operating costs, owing mainly to the effects of Goods and Services Tax (GST) introduced from 1 April 2015 and the deterioration in the value of Ringgit Malaysia vis-à-vis foreign currencies. These factors are in addition to other issues arising from requirements introduced previously in areas such as the 1% point increase in EPF contribution (for workers who earned RM5,000 and below), the implementation of the Competition Act 2010 and the implementation of the minimum wage requirement.

Domestic competition

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

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

Domestic political situation

For the first time, the business community in Malaysia has begun to express some measure of concern with regards the state of the political situation in Malaysia, which they view as being one of the chief causes of the economic slowdown currently experienced. It is now viewed as the fourth most important factor of concern by the business people and entities.

The Government is thus advised to look into ways to resolve this matter expediently and in the most efficient and effective manner so as to restore public confidence in the governance systems and the institutions that are supposed to properly implement government policies and protect the people of Malaysia. In turn, these effects would serve to better promote political and economic stability in the country. These efforts will invariably propel Malaysia towards economic recovery at a faster rate.

Overall, government policies, increase in operating costs and price of raw material, increase in domestic competition and domestic political situation were the four (4) major factors that affected the business performances in the 1st half of 2015.

3.3 MALAYSIAN ECONOMIC OUTLOOK

The Chinese business community is more pessimistic about the economic outlook for 2015, 2016 and 2017.

Continuing from the trend results identified in the last period of survey, it is noted that this time round, a greater majority of respondents have expressed that they were pessimistic about the performance of the Malaysian economy for 2015 and 2016.

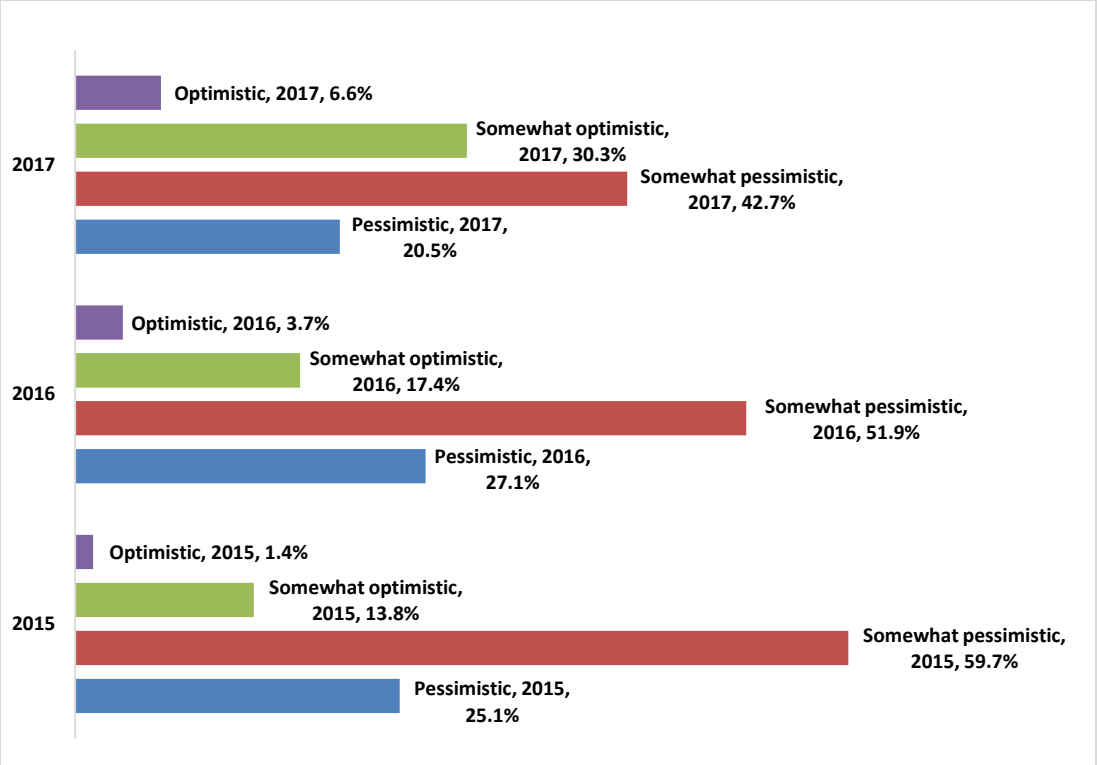
This time round, some 84.8% of respondents expressed their lack of confidence on Malaysia's 2015 economic outlook (in the 1st half of 2014 survey, 51.4% of respondents voted for this category of response whereas in the 2nd half of 2014 survey, 66.3% of respondents voted as such).

In the case of Malaysia's 2016 economic outlook, some 79% of the respondents did not believe that the Malaysian would have recovered by then (in the 1st half of 2014 survey, 41.7% of respondents were not confident of future economic performance for 2016 whereas in the 2nd half of 2014 survey, 51.2% of respondents were similarly not confident of economic recovery by 2016).

Unfortunately, the majority of respondents further opined that economic recovery may not also be seen by the year 2017, with only some 36.8% of the respondents being optimistic of economic recovery by then.

Overall, the Chinese business community is more pessimistic about the economic outlook for Malaysia for 2015, 2016 and 2017. Some measure of reversal and improvement is expected in 2017.

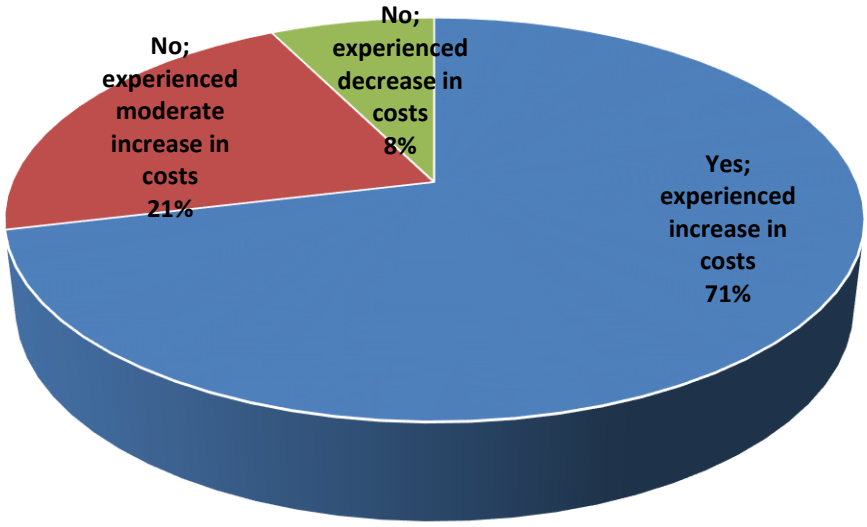
Malaysian Economic Outlook 2015-2017 (%)



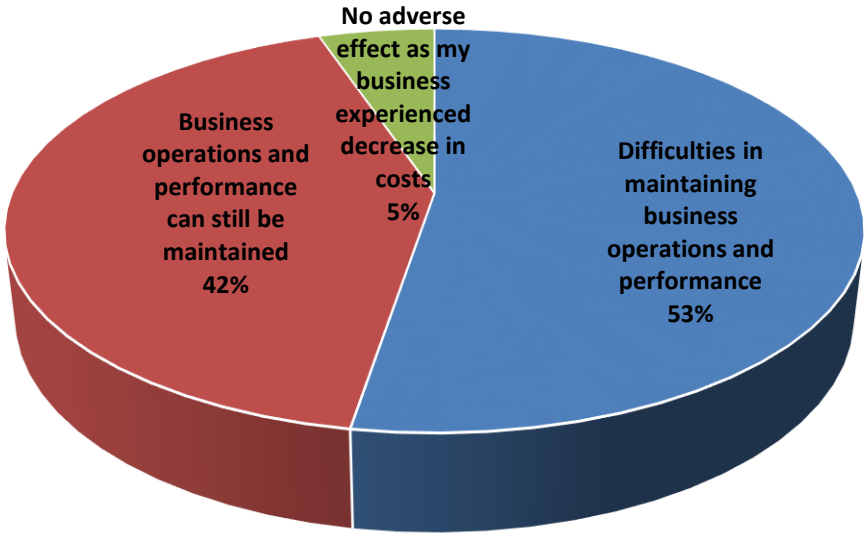
3.4 COSTS OF DOING BUSINESS

Malaysia's inflation rate has been on upward trend, rising to 2.1% y-o-y in May 2015, following the implementation of the GST and after hitting a low of 0.1% in February 2015. Inflation is expected to climb further to around 3% in 2H 2015 amid upward adjustment to fuel prices in recent months and the lagged effect of the GST.

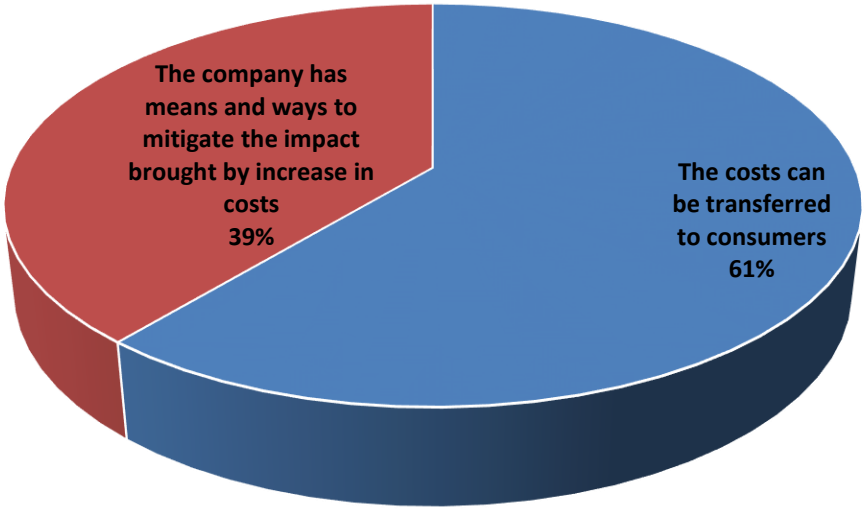
(a) During the 1st half 2015, has your business experienced significant increase in costs of doing business?



(b) During the 1st half of 2015, how has the increase in cost affected your company and sales?



(c) For those answering "Business operations and performance can still be maintained" in part (b), business can still be maintained because:



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

At the back of the minds of the business community 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 streamlining the regulatory processes at various Government institutions, providing financing incentives (especially for the SMEs) and added tax incentives for the business sector.

Contributors to the rise in costs of doing business in recent periods include:
a) Increase in fuel prices especially gas price (but see later comments)
b) Increase in electricity tariffs and gas prices (but see later comments)
c) Minimum wage policy
d) Higher prices of materials
e) Higher compliance costs and so on.

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

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

Month	CPI
December 2012	105.5
January 2013	105.9
December 2013	108.9
January 2014	109.5
February 2014	109.8
March 2014	109.9
April 2014	109.9
May 2014	110.0
June 2014	110.2
July 2014	110.3
August 2014	110.5
September 2014	110.7
October 2014	111.3
November 2014	111.9
December 2014	111.8
January 2015	110.6
February 2015	109.9
March 2015	110.9
April 2015	111.9
May 2015	112.3
Jun 2015	113.0
July 2015	113.9

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

Without a doubt, since the month of December 2014, the world's economies (including the economy of Malaysia) have seen many significant macro-economic changes, in particular the plummeting of the world prices of oil from November 2014 onwards, coupled with the drop in value of Ringgit Malaysia against other major currencies (in particular of recent months as at the time of this writeup).

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

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

The results of the survey shows that **an overwhelming 71% of respondents complained that their businesses had experienced significant increase in costs of doing businesses** (for various reasons, such as those mentioned earlier).

In turn, **53% of the respondents** (last survey period: 43%) **claimed that they would face significant business difficulties in the future** while **another 42%** (last survey period: 57%) **opined that they would still be able to maintain their operations and business performance in their existing status.** This represents a somewhat reversal of pattern of response, indicating a change of sentiments as businesses now appear to be less confident that they can sustain and keep operations unchanged at previous levels. More worryingly, more respondents now appear less confident with regards to the health of their business operations, being more likely than not to face future difficulties.

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

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

Of interest to readers would be the fact it is not just the reversal of pattern of response, but the fact that this time round, a significant proportion of respondents (61%) maintained that they would be passing the effects of rising costs to customers or end-users, compared to that noted in the last survey (48%).

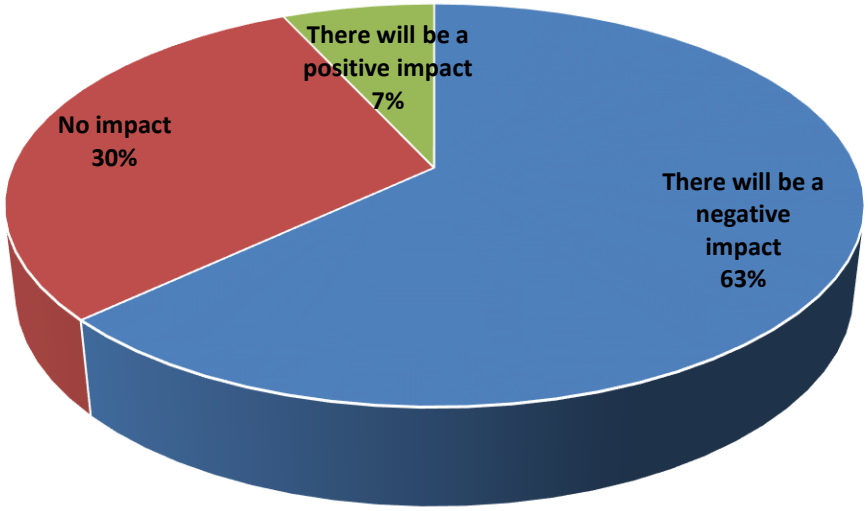
It also follows that for those respondents that claimed to face business difficulties in the future (see earlier paragraph), they too would be forced to pass the effects of rising costs to customers or end-users for the sake of ensuring the survival of their businesses in the future.

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 bear the brunt of facing further costs increases in the coming months.

3.5 WORLD PRICES OF COMMODITIES

Relative to previous years' prices, the last one year has seen world prices of commodities (petroleum, palm oil, rubber) decreasing.

(a) Yet, price of natural gas has been raised effective 1 July 2015 from an average tariff of RM19.77/MMBtu to RM21.80/MMBtu. Will the increase bear any significant impact on the performance of your business?



From 1 July 2015 onwards, the price of natural gas supplied to businesses in the commercial and industrial sectors increased by an average of 10.3%.

The tariff adjustment came seven months after the last revision made in October 2014 as part of a government plan to cut subsidies and reduce its budget deficit.

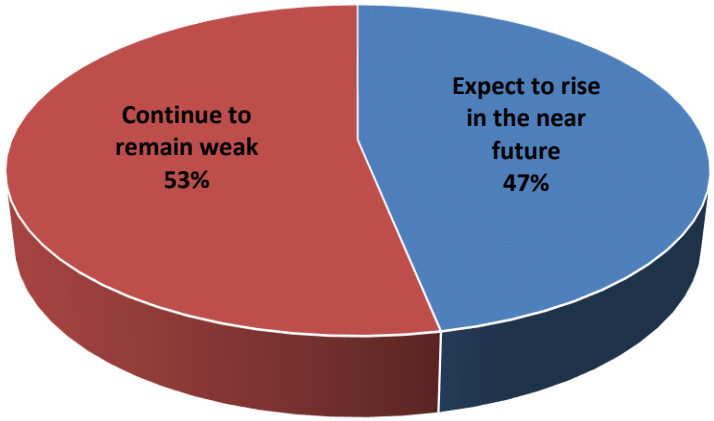
In general, the price of natural gas was raised from an average tariff of RM19.77 / MMBtu to RM21.80 / MMBtu.

In an official statement, Gas Malaysia, being Malaysia's sole supplier of natural gas, explained that the increase was owing to higher purchase price of the fuel charged by Petronas.

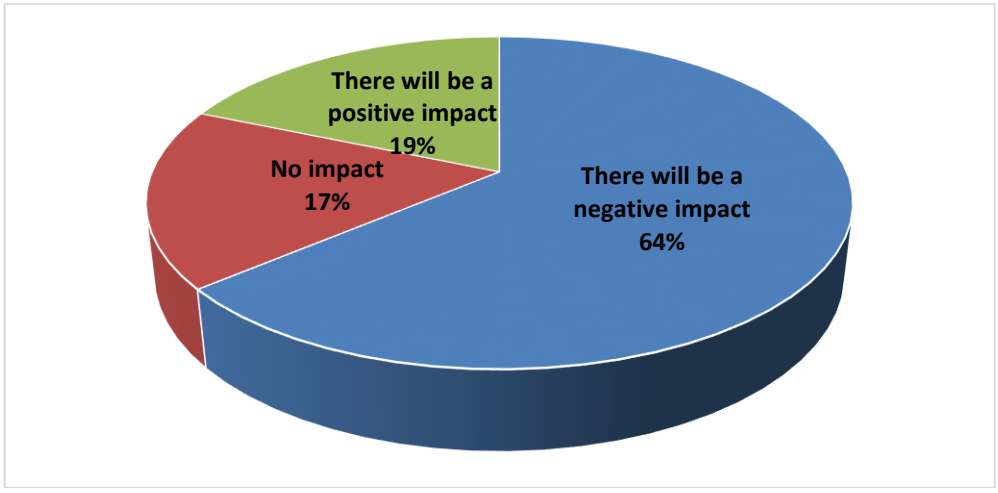
Based on the survey results, **63% of the respondents claimed that they would be adversely affected by the rise in the natural gas price.** Respondents are somewhat unable to fathom why the price of natural gas ought to raised when the general trend worldwide is

that price of oil and gas have dropped. Nonethless, given the rise in tariffs, naturally operating costs for businesses would increase and hence, efforts would be made to pass on the effects of such cost increase to the customers or end-users, or they would face financial losses.

(b) Prices of commodities remained weak in the 1st half of 2015. Do you think this trend will continue into next six months?



(c) If the prices of commodities begin to rise in the near future, how would your business be affected?



The following paragraphs contain comments that relate to questions as per items 3.5 (b) and (c) above.

Commodity prices have generally remained weak in the first half of 2015:

a) Monthly average rubber prices for SMR CV rubber prices dropped from 731.78 sen/kg in July 2014 to 645.45 sen/kg in December 2014, and have generally risen slightly to 752.57 sen/kg in June 2015 (source: Malaysian Rubber Board).

b) Monthly average crude palm oil prices have generally dropped from RM2,400 / tonne in July 2014 to RM2,144 / tonne in December 2014. The average price in Jun 2015 was RM2,189 / tonne in June 2015 (source: Malaysian Palm Oil Board).

c) Monthly average crude Brent oil prices have similarly dropped from a high of USD106.77 per barrel in July 2014 to USD62.36 per barrel in December 2014. The price fluctuated somewhat and reached an average of USD61.31 per barrel in June 2015.

Respondents were asked of what they felt would be the expected future movements of commodity prices in the future and the extent to which their businesses would be affected, based on two possible set of scenarios.

If the price of commodities were to rise in the future, **a large majority of respondents (64%) claimed that their businesses would be negatively affected.**

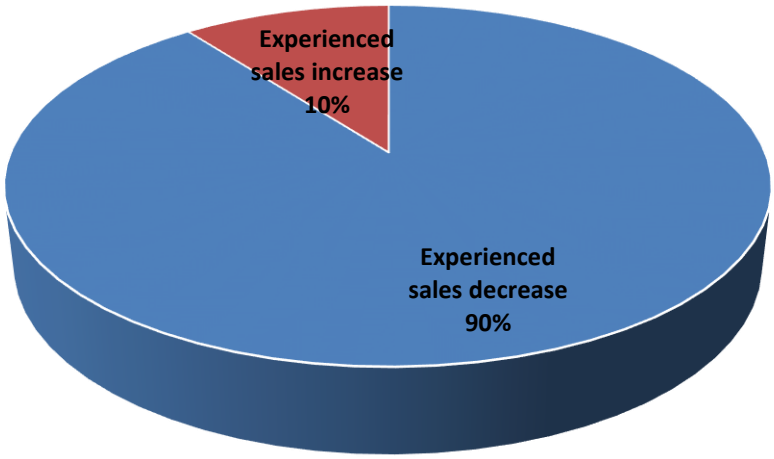
Given the fact businesses already have been and are currently facing high costs of doing businesses (as mentioned earlier), any further increase in commodity prices will only serve to make things worse for the business community. Accordingly, it is important that the Government place immediate and urgent importance towards developing new measures to stablise the Malaysian economy and assist businesses through the introduction of new fiscal and monetary measures.

Pertaining to question as per item 3.5 (b), the respondents were somewhat split in their opinion as to the future movement of the commodity prices, with **a slight majority (53%) expressed the belief that prices of commodities would continue to remain weak in the future.**

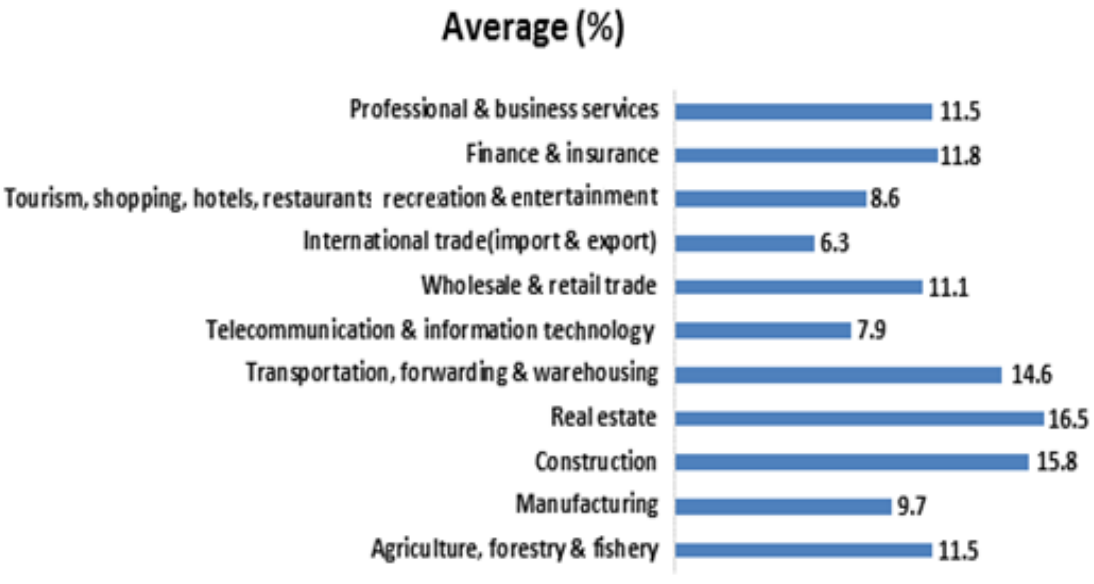
3.6 GST IMPACT

Goods and Services Tax (GST) became effective on 1 April 2015.

(a) Does the implementation of GST have any effect on the sales performance of your business?



(b) If your answer in part (a) was "Experienced sales decrease", what was the estimated % change experienced?



The following paragraphs contain comments that relate to questions as per items 3.6 (a) and (b) above.

An overwhelming majoirty (90%) of respondents advised that since the implementation of Goods and Services Tax (GST) in Malaysia, businesses had experienced decrease in sales.

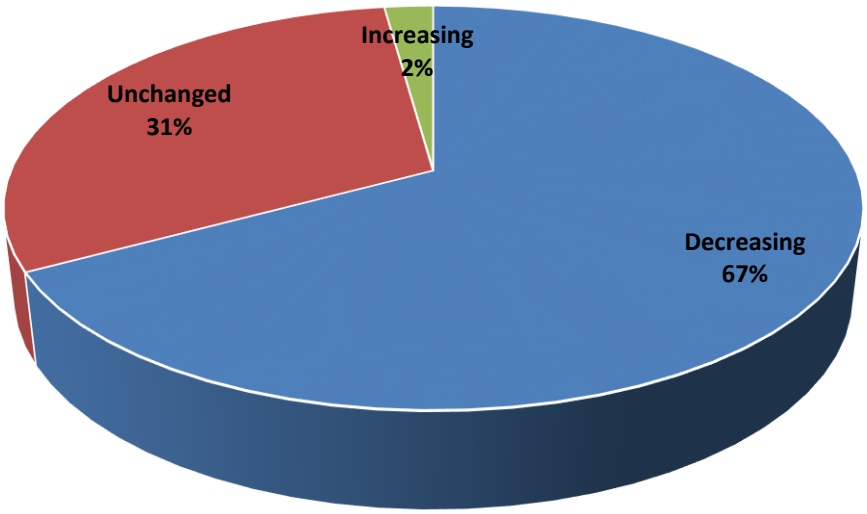
Such finding appears to support the earlier feedback given by various associations / bodies such as Retail Group Malaysia and Malaysian Retail Chain Association, that also reported drop in sales post implementation of GST.

In particular, **the average decrease in sales experienced ranged from 6% to 17%, with businesses that dealt with international trade experiencing the lowest effect and businesses in the real estate sector experiencing the greatest effect** partly also caused by other measures introduced by the Government to cool down property prices.

Those businesses that had dealings with international trade may have been partially cushioned by the effects of the drop in value of the Ringgit Malaysia where international sales might have improved owing to increased exports as foreigners viewed the products may now be cheaper.

On the other hand, the real estate sector may have been hit the hardest, especially since the businesses concerned have had to deal with exempt and stardard rated products. The need to charge 6% GST on commercial properties may have also dampened the demand for such properties.

(c) Does the implementation of GST have any effect on your profit margin?

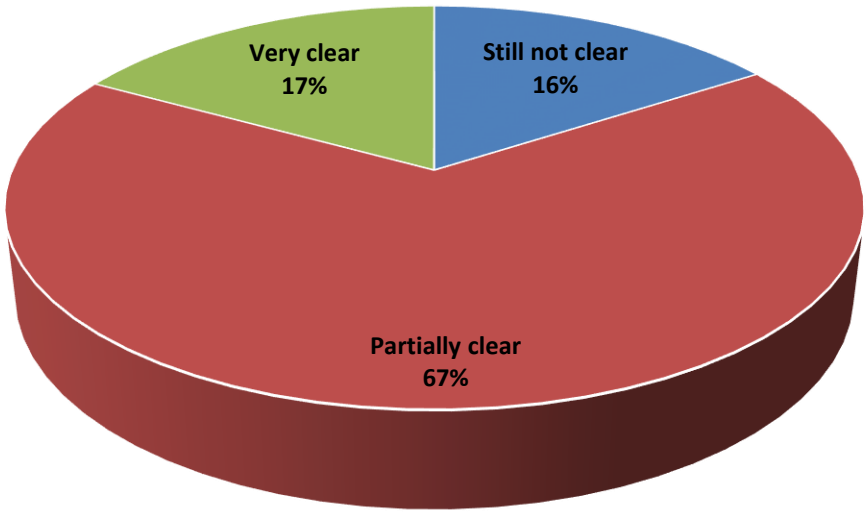


Having seen their sales being adversely affected, **the majority of businesses (67%) see that their profit margins have shrunk** due to the installation of hard and softwares, human resources and other costs for implementation of GST.

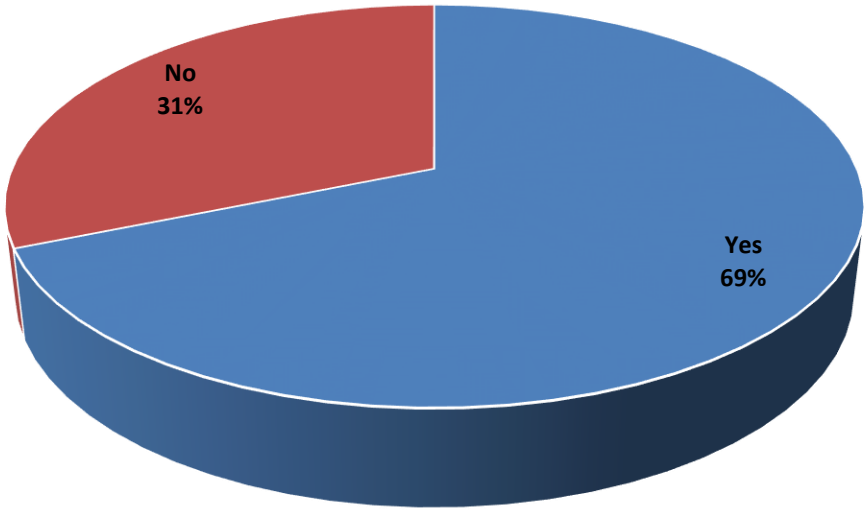
This means that the rise in operating costs have not been successfully transferred (in full) to the consumers or end-users (earlier paragraphs have seen respondents claiming that this would be the approach that they would adopt). In the main, consumers have seen the need to rationalise their spendings ever since the implementation of GST.

This has also had the effect of ensuring that businesses do not take the easy way out and merely choose to pass on the rise in operating costs to the consumers. In order to maintain their sales, some businesses have had to absorb the cost increases. Hence, businesses have not been able to maintain their profit margins.

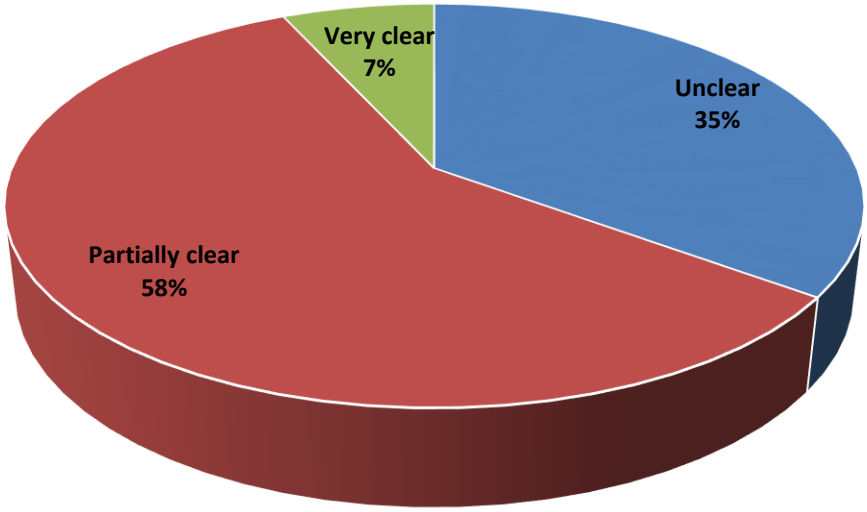
(d) Since the implementation of GST, are you now clear on the requirements and rules on GST?



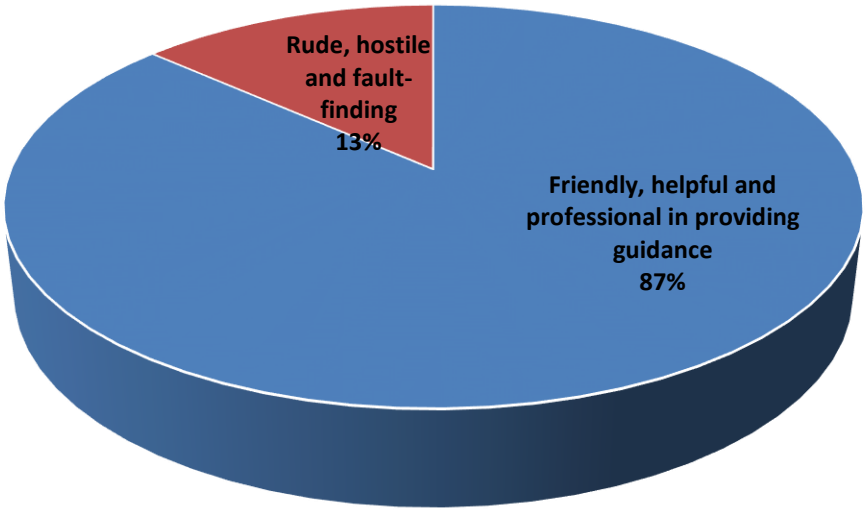
(e) Have you ever approached the Royal Malaysian Customs Department for clarification of any doubt on the GST implementation?



(f) If you had approached the Royal Malaysian Customs Department on any query, do you receive clear and definite answer?



(g) In your encounter with any officer from the Royal Malaysian Customs Department or Ministry of Domestic Trade, Co-Operatives and Consumerism during the implementation of GST, what is your opinion of the attitude of the officer?



The following paragraphs contain comments that relate to questions as per items 3.6 (d), (e), (f) and (g) above.

The majority of the respondents (67%) have maintained that to date, they do not fully understand the workings of GST and how it affects their businesses, whilst some 16% are still unclear.

To overcome their doubts and queries, **a significant majority of respondents (69%) have approached the Royal Malaysian Customs Department (RMCD) staff for clarification and assistance. The balance 31% have enquired with their tax agents / consultants.**

The issue at hand is that despite having visited and sought assistance / clarification from RMCD, **the majority of respondents (58%) have found the explanations to be partially clear. 35% found the explanation unclear.** This may be due to:

- Technicalities behind the workings of GST
- RMCD still working out on various issues that are specific to certain industries

RMCD is advised to consider the following:

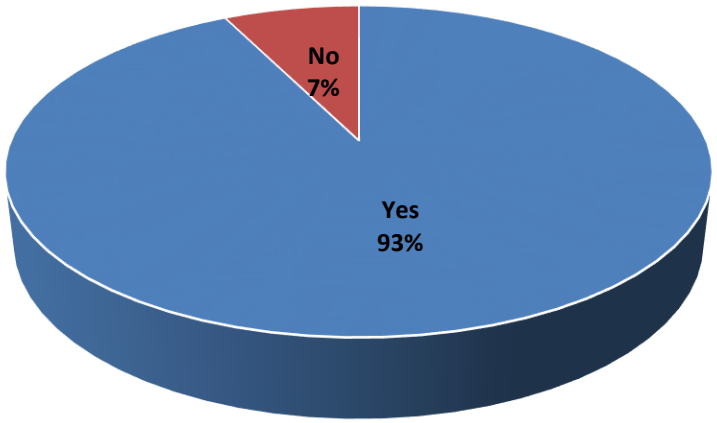
- Continue to provide assistance and explanations to various businesses that are serious in resolving GST related issues with RMCD
- Not to penalise businesses if they have made mistakes as they are still experiencing 'learning curve' on the workings of GST
- Instead, RMCD should still be on the 'teaching and coaching' mode as business grapple with GST

A plus for RMCD is that **an overwhelming majority (87%) of the respondents have found the staff of RMCD and Ministry of Domestic Trade, Co-operatives and Consumerism (KPDNKK) to be friendly, helpful and professional in their conduct when providing guidance and advice to businesses.** RMCD should be applauded for this.

3.7 RINGGIT DEPRECIATION

Ringgit Malaysia depreciated significantly against other foreign currencies in recent months.

(a) Do you expect Ringgit Malaysia to continue weakening in the coming months?



The following summarises the movement of Ringgit Malaysia versus other major currencies in recent weeks:

	USD	Sterling	Euro
14/5/2015	3.5725	5.6287	4.0625
29/5/2015	3.6515	5.5988	4.0011
15/6/2015	3.7635	5.8496	4.2215
30/6/2015	3.7855	5.9527	4.2364
15/7/2015	3.8048	5.9529	4.1873
31/7/2015	3.8175	5.9595	4.1790
14/8/2015	4.0760	6.3639	4.5458
28/8/2015	4.2140	6.5047	4.7469

	THB100	SGD	Renminbi
14/5/2015	10.6958	2.7044	0.5760
29/5/2015	10.8289	2.7095	0.5888
15/6/2015	11.1610	2.7918	0.6061
30/6/2015	11.2045	2.8096	0.6099
15/7/2015	11.1755	2.7958	0.6128
31/7/2015	10.8668	2.7808	0.6148
14/8/2015	11.5574	2.9031	0.6369
28/8/2015	11.7742	3.0064	0.6592

(source: Bank Negara Malaysia)

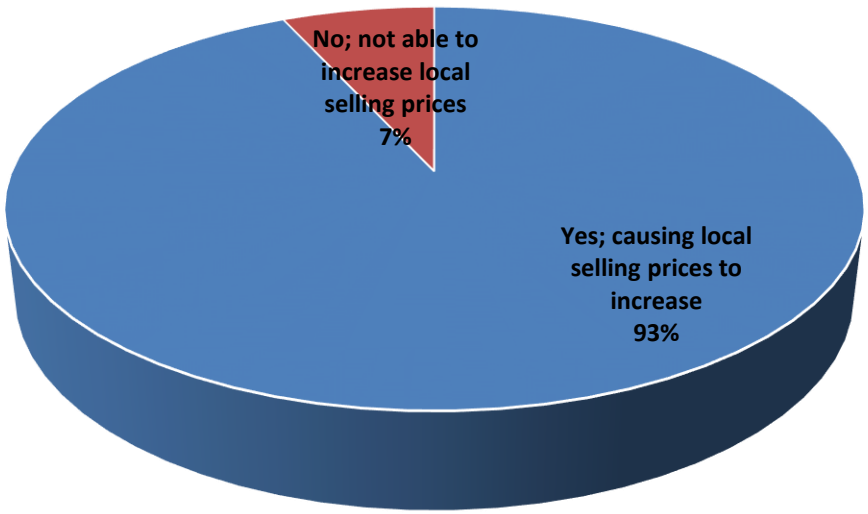
The downward movement of the value of Ringgit Malaysia has been seen by many even during the survey period of 1st half 2015.

However, the depreciation of Ringgit Malaysia became even more pronounced in recent weeks, in particular during the month of August 2015.

The effect of the exchange rate movements on businesses vary, depending on whether the business is a net exporter or importer. Further comments are contained in the sub-paragraphs below.

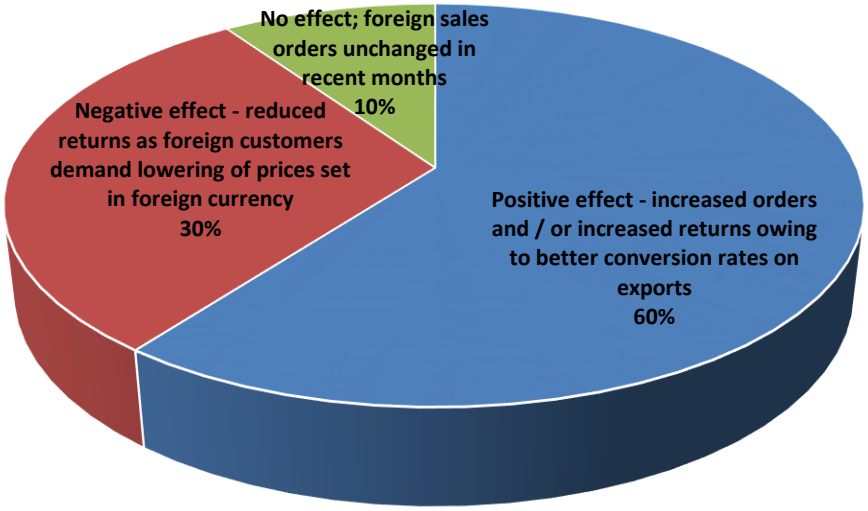
Given the political situation in Malaysia and the economic conditions worldwide (and in Malaysia), almost all respondents (93%) opined that Ringgit Malaysia would continue to weaken in the coming months in the future.

(b) If you are an importer, has the depreciation of Ringgit Malaysia affected your selling prices?



Given the response as per paragraph, **93% of respondents claimed that their selling prices had to be increased as the costs had increased.** Increase operating costs have caused businesses to increase their selling prices to locals.

(c) If you are an exporter, how has the depreciation of Ringgit Malaysia affected your exports?



The effect of the depreciation of Ringgit Malaysia have had mixed effects on the exports businesses as follows:

- **The majority of businesses (60%) had benefited from the depreciation of RM as they earned more after converting foreign currencies received from customers to RM.** Also, there was also the effect of increased foreign orders as the pricing was now lower as businesses could now afford to quote foreign currency denominated pricing to better compete at the international level.

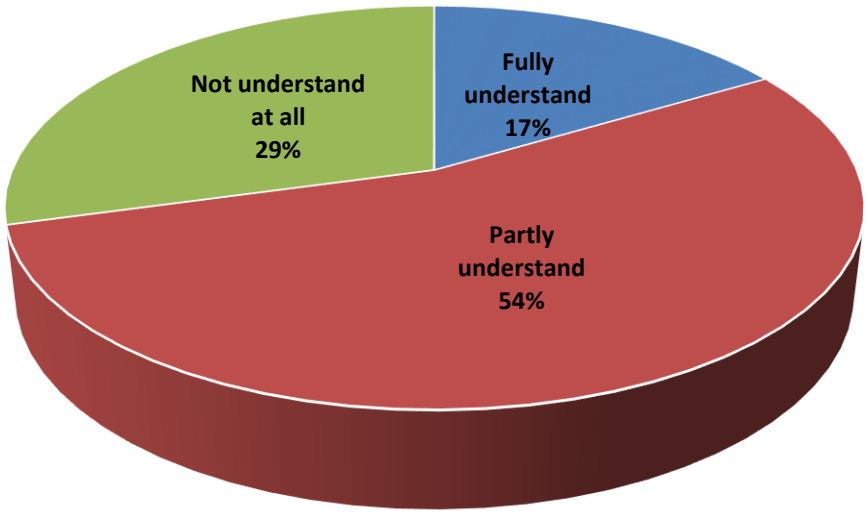
- Nonetheless, there were also businesses that were forced to lower their selling prices in foreign currency significantly to the extent that they received less returns after converting back to RM. Business may also have been hit rising costs of imports that were denominated in foreign currency. The rise in cost of imports may have been more than the rise in returns on sales.

3.8 THE "ONE BELT ONE ROAD" AND "ASIAN

INFRASTRUCTURE INVESTMENT BANK" INITIATIVES

Recently, China initiated the "One Belt One Road" and the Asian Infrastructure Investment Bank. These initiatives received tremendous response and support from many countries in Asia, Europe, Africa and Middle East.

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

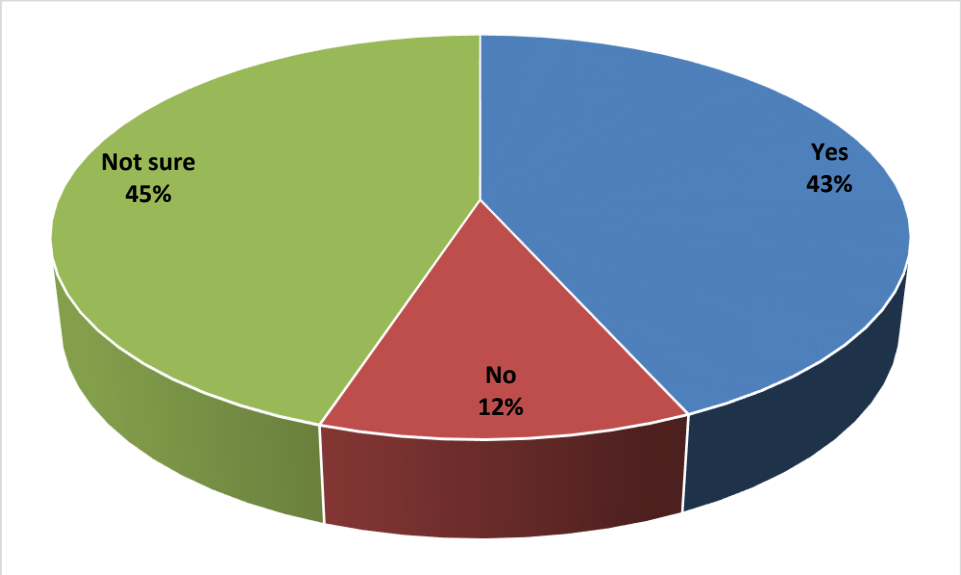


One Belt, One Road initiative represents a development strategy and framework that was proposed by China. It focuses on connectivity and cooperation between countries located in Europe, Asia and Africa. Some 60 countries may be involved. It is said to consist of two main components, being the land-based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

Another proposal put forth by China is the setting up of the **Asian Infrastructure Investment Bank**. The financial institution is expected to focus on and assist in the development of infrastructure and other productive sectors in Asia, such as the activities related to energy and power, transportation and telecommunications, rural infrastructure and agriculture development, water supply and sanitation, environmental protection, urban development and logistics, etc.

It is heartening to note that members of ACCCIM are aware of these initiatives. However, **only 17% of the respondents expressed understanding ~~of~~ the initiatives. The rest either had partial understanding or did not understand at all.**

(b) In your opinion, can our country and our businesses benefit from these initiatives?

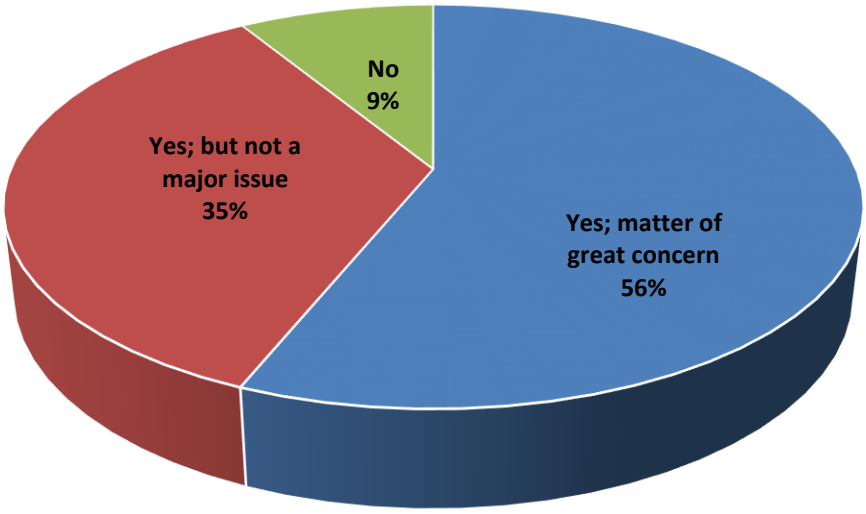


43% of respondents felt that the abovementioned initiatives could benefit us.

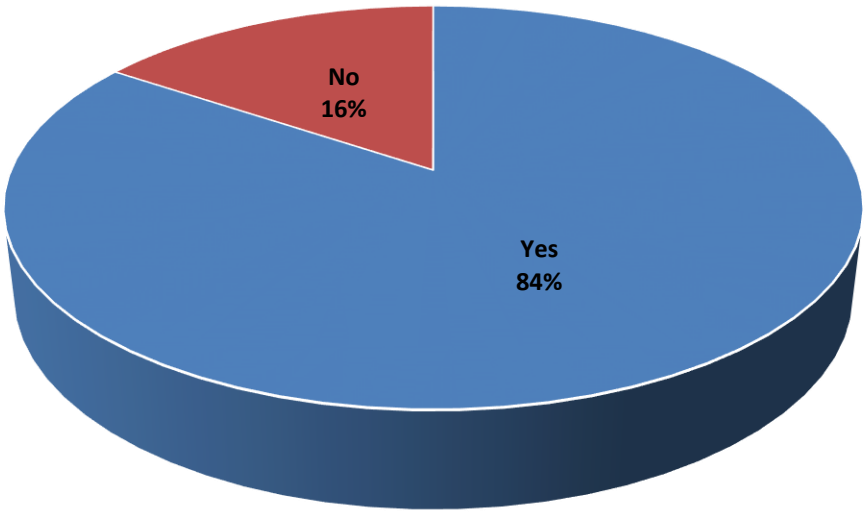
Perhaps, owing to the lack of understanding as explained by the results in part (a) above, **57% of the respondents were not sure. Only 12% did not see any possible benefits.**

3.9 REAL PROPERTY ISSUES

(a) Do you think the property sector in Malaysia is in an over-built situation?



(b) Recently there is a slowdown in the property sector, do you think this trend will continue in the near future?



The following paragraphs contain comments that relate to questions as per items 3.9 (a) and (b) above.

Much has been said by market participants that the Malaysian property sector has been experiencing some slowdowns, in particular in recent months.

Concerns have also been expressed by REHDA whereby there have been more instances of property loan applications being rejected.

Given this case, **a great majority of the respondents (91%) believed that the current property market is in an over-built position.**

However, when asked further, some 56% felt that this represented a matter of great concern and hence, the Government is advised to come up with new initiatives to resolve this matter.

On the other hand, some 35% felt that this was only a temporary issue and that market forces would solve the matter in the future. Prices would hence be expected to fall in the near future but demand would be expected to pick up thereafter as investors look for bargain buys.

Overall, **some 84% of the respondents do not believe that the property market slowdown would recover in the near future.** Investors are thus advised to be cautious and be more discerning in their quest to purchase properties.