



EXECUTIVE SUMMARY OF KEY FINDINGS

The Associated Chinese Chambers of Commerce and Industry of Malaysia's (ACCCIM) Malaysia's Business and Economic Conditions Survey (M-BECS) was conducted **from 16 November 2020 to 15 February 2021, covering the second half-year of 2020 (Jul-Dec 2020) and expectations for the first half-year of 2021 (Jan-Jun 2021)**, has received **696 responses**.

The **ACCCIM's M-BECS** is a good barometer to **gauge Malaysian business community's assessment and expectations about domestic business and economic conditions as well as their prospects**.

It covers questions to (a) Measure **expectations about the performance and prospects of economy and business**; (b) Identify **main factors affecting business performance**; and (c) Gauge the **implications of current issues and challenges faced by businesses**.

An Overview and Summary of Key Findings of the M-BECS:

The M-BECS results revealed that most businesses, which are still reeling from the prolonged disproportional impact of the COVID-19 pandemic in 2H 2020, **continued to tread cautiously about economic and business prospects in 2021**.

Most businesses remain wary about economic and conditions in 1H 2021 due to lingering scarring effects of the third wave of the COVID-19 and movement restrictions on activities since late 3Q 2020. While the movement restrictions are less restrictive, it is expected that the scarring effects to continue in 1Q 2021, in particular for the travel and tourism-related sectors.

Amid the embarking on national immunisation program starting in late February, which is key for economic recovery, most of respondents are **cautiously hopeful about economic recovery in 2021**. Only 23.0% of respondents are confident of economic recovery in 2021 (as against previous survey's which had 84.9% of respondents expected the recovery to take place by 2021); 38.7% of respondents have no confidence; and 38.3% are unsure of economic recovery.

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1. Reflecting the prolonged impact of the pandemic, **business conditions remained challenging in 2H 2020, albeit having disproportional impact between sectors and size of business operations.** 44.0% of total respondents experienced worse business conditions in 2H 2020 though the percentage share reduced by 34.2 percentage points from 78.2% in 1H 2020. 26.9% of respondents experienced better business conditions in 2H 2020 while the balance 29.2% indicated "No change" in business conditions.
2. **A higher percentage share of respondents (47.3%)** indicated that the **economic conditions were worse-off in 2H 2020**; only 14.1% of respondents said "Better"; and 38.6% were "Neutral". The bleak business assessment was in tandem with continued healing of the economy, which saw GDP which declined further by 3.4% yoy in 4Q 2020, higher than -2.6% yoy in 3Q, reflecting the scarring effects of the third wave of virus and movement restrictions. Both consumer spending and business investment continued to decline in 4Q 2020 for three and four consecutive quarters respectively.
3. Amid the embarking on vaccination program, which covers three phases (Feb 2021 to Feb 2022), **20.3% of respondents anticipate better economic prospects in 2H 2021** compared to only 9.5% for 1H 2021. The percentage share of respondents expecting worse economic outlook in 2H 2021 (20.9%) was lower than that of 36.1% in 1H 2021.
4. Overall, the M-BECS's results revealed that **businesses tread cautiously about economic prospects in 2021.** 53.4% of respondents having a "Neutral" economic outlook in 2021 ("Better": 20.6%; "Worse": 26.0%).
5. With the on-going vaccination program helping to lift sentiment as well as economic and business activities returning to normalcy, **44.5% of respondents expecting better economic prospects for 2022**; only 9.2% forecasting "Worse" economic outlook while 46.3% having "Neutral" outlook. The National Immunisation Programme aims to achieve herd immunity of having at least 80% of Malaysia's population vaccinated by February 2022.
6. The survey results revealed that a **large number of respondents in medium enterprises (60.2% of them) and large enterprises (53.6%) forecast better economic prospects in 2022.** Less than half of the micro enterprises (39.8%) and small enterprises (41.2%) having optimistic view.

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7. **Top five factors** that have impacted the performance of business in 2H 2020 are: (i) **Higher operating costs and cash flow problem** (as ranked by 48.3% of total respondents); (ii) **Declining business and consumer sentiment** (47.6%); (iii) **Political climate** (46.1%); (iv) **Lower domestic demand** (41.2%); and (v) **Unclear communication and inconsistent interpretation of SOP** (39.8%).
8. **Business operations** (production, sales and raw materials) were generally in line with the weak economic and business conditions.
 - (a) **Sales:** 53.5% of respondents experienced a decrease in overall sales volume in 2H 2020 with 21.3% reporting a decrease of more than 30% (17.9% for a decrease of 16%-30%; 14.2% for a decrease of 1%-15%). The sales prospects are expected to remain weak in 1H 2021 with 48.8% of respondents expecting a decline in sales volume.
 - (b) **Production:** 46.9% of respondents reported a decline in production level in 2H 2020 as the production capacity was restrained by weak market sentiment and low demand. The overall production level will be about the same in 1H 2021.
 - (c) **Raw materials:** More than 60% of respondents reported that both prices of local and imported raw materials have increased significantly in 2H 2020. 32.3% and 40.6% of respondents have experienced an increase of more than 10% in prices of local and imported raw materials respectively in 2H 2020. The costs of both local and imported raw materials are expected to remain elevated in 1H 2021.
9. Despite more than 50% of respondents indicated that they **have either maintained** (43.1%) or **reduced** (14.2%) their capital expenditure in 2H 2020, a **higher percentage share of respondents (42.7% vs. 31.6% projected in previous survey) has increased their capital expenditure in 2H 2020.**
10. The survey specifically gauges some scenarios impact on economic and business conditions during very critical period.
 - (a) **38.7% of respondents have no confidence that the Malaysian economy could recover in 2021** while 38.3% are unsure and only 23.0% are confident of economic recovery.

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- (b) **More than 50% of respondents in the tourism-related sectors would be unlikely to survive if the CMCO or EMCO is in place for more than 1-2 months.**
- (c) **If there is a renewed “Total Lockdown”, 19.0% of respondents are unable to cope with it and will most likely to cease operations, whereas 40.6% will be able to survive not more than six months (16.4% for less than three months; 24.2% for 3-6 months).**

11. Topical Issue 1: Reskilling and Upskilling of Manpower

- (a) There is growing importance of soft skills in the workplace. **56.2% of respondents indicated that hard skills are more important than soft skills for a person at entry-level.** The employers have placed **equal emphasis on both hard and soft skills for mid-level (non-managerial) position**, but **significantly emphasised on soft skills for more senior positions** (that is senior-managerial level). 77.3% of respondents preferred soft skills over hard skills in making hiring decision for senior level (managerial) and 74.3% for executive level.
- (b) **Lack of time and resources to develop reskilling and upskilling program** (as voted by 55.5% of respondents) and **finding the right training resources/programs** (46.8% of respondents) are top two barriers faced by companies to undertake human capital development.
- (c) **48.5% of respondents did not provide reskilling or upskilling program/course for their employees**, particularly among micro and small enterprises, mainly due to a small **number of employees** and have **limited or no budget for training cost**.
- (d) **30.4% of respondents include the number of reskilling or upskilling programs/courses attended as an employee’s Key Performance Indicator (KPI).** Such performance measurement will induce employees to participate in upskilling or reskilling program/course. Large enterprises have placed more emphasis on their employees’ reskilling or upskilling development.

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- (e) **Top three skills** that needed for employees to reskill and upskill: (i) **Soft skills** (rated by 69.2% of respondents); (ii) **New technology adoption** (53.5%) and (iii) **Multi-tasking** (51.1%).
- (f) **More than 60% of respondents in the manufacturing (73.0%), finance and insurance (68.8%), real estate (61.8%) and ICT (60.0%) sectors have acknowledged that the upskilling/reskilling training has helped to increase company's productivity and process efficiency.**
- (g) **56.1% of respondents indicated that automation and digitalization will lower demand for physical and manual skills in repeatable and predictable tasks.**

12. Topical Issue 2: Human Resources Development Fund (HRDF)

- (a) **Only 34.3% of respondents have registered with Pembangunan Sumber Manusia Berhad (PSMB), of which 65.4% of them have utilised the Human Resources Development Fund (HRDF) and 34.6% have never utilised the fund.** Effective 1 March 2021, more sectors are covered under the Act, including the agriculture and construction sectors.
- (b) In assessing the effectiveness of ten training schemes offered under HRDF, **a large number of respondents registered with PSMB (ranging between 30.3% and 50.3%, a simple average of 40.7%) are not aware of the listed training schemes**, while about 32.1%-51.0% (a simple average of 41.2%) have rated the listed training schemes as “totally effective/relevant” and “effective/relevant”, and the balance 13.7%-25.4% (a simple average of 18.1%) indicated that the listed training schemes are “totally ineffective/irrelevant” and “less effective/relevant”.
- (c) **PSMB needs to step up the awareness and promotion campaigns to outreach businesses who have registered with PSMB to utilise the training schemes.** Besides forging greater collaborations with business chambers and industry associations, PSMB also needs to review the effectiveness of training modules, training techniques as well as marketing and promotional approach.

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- (d) It is disheartening to note that **62.8% of respondents are not aware any of the listed tax incentives for human capital development offered by the Government.** It's not only about the lack of promotion and awareness by the Government but also on the business side to find out the tax incentives available for them to apply. Human capital development requires both public-private partnership and equal commitment.
- (e) **57.2% of respondents voted "Grant to encourage people attending online certification courses" as their top expectation.** A one-to-one matching training grant would help to increase the enrolment of employees in online certification courses so as to upgrade themselves to fit into current and future workplace. **A tripartite (Government-Academia-Industry) collaboration** is vital in generating a competitive and agile workforce for the future. The industry's feedback must be taken into consideration so as to structure a quality internship/experiential learning program. The facilitators or trainers must be equipped with the latest knowledge and skill set (soft and hard skills).

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