



社会经济研究中心
SOCIO-ECONOMIC
RESEARCH CENTRE

**RAM Conference 2019 on “Investing for Tomorrow:
2019 Outlook & Opportunities”**

**ACCIM Malaysia’s Business and Economic Conditions Survey
(ACCIM M-BECS):**

***Chinese Business Pulse – Looking to Future with Cautious
Optimism***

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25 April 2019

Key agenda



Sentiment Tracker for 1H-2H 2019, 2019 and 2020



Business Pulse Diagnosis



Conclusion

Profile of Respondents



Large enterprises (5.9%)



SME (94.1%)

1,027 respondents,
66.3% response rate



81.8% **Domestic market** vs 14.1% **Overseas market** vs 4.1% **Both markets**

By sector:



Services (64.8%)



Manufacturing (19.1%)



Construction (12.8%)



Agriculture, forestry and
fishery (2.8%)



Mining & quarrying (0.5%)

96.7%

Top Five industries (75.0%):



Wholesale and retail trade (19.4%)



Manufacturing (19.1%)



Professional and business services (17.8%)



Construction (12.8%)



Real estate (5.9%)



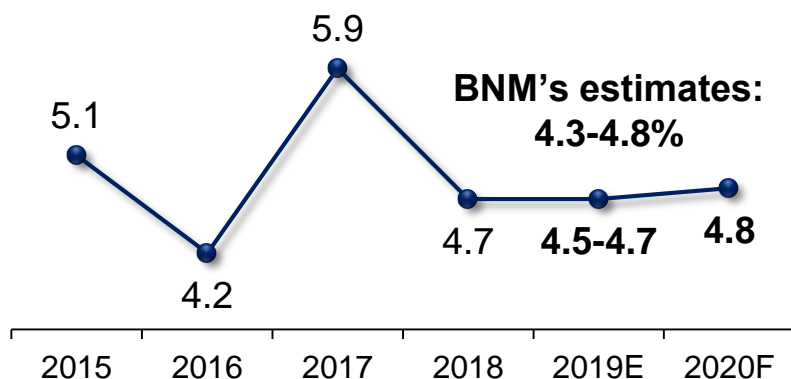
Sentiment Tracker

ACCCIM M-BECS 2H2018 - 1H2019

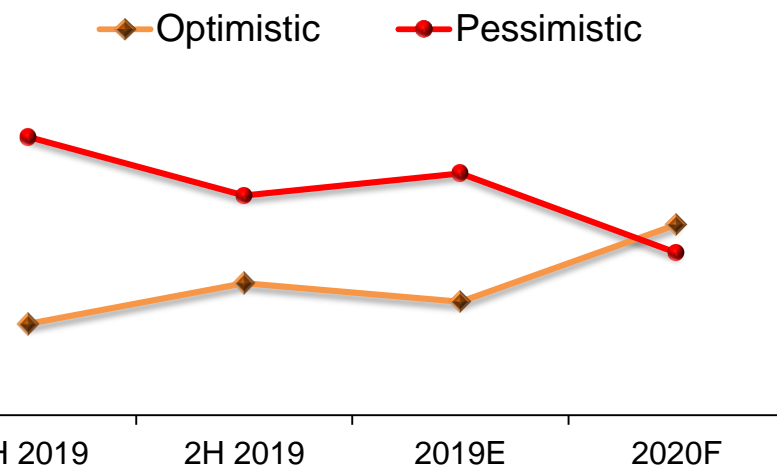
Economic Conditions and Prospects

- Businesses are **cautious about the economic outlook in 1H 2019** with 50.2% of respondents were “neutral” and 37.5% were “pessimistic”. **Their wariness about the economy will likely to improve in 2H 2019** relative to 1H (pessimistic drops to 29.6% from 37.5% in 1H 2019; optimistic rises to 17.8% in 2H from 12.3% in 1H 2019).
- On balance, businesses are of the view that **the economy would remain challenging in 2019** as there are **higher respondents (32.6%) who are ‘pessimistic’** relative to being ‘optimistic’ (15.3%).
- **Rising optimism about the economy in 2020 (25.7% respondents “optimistic” vs. 15.3% in 2019)** is probably premises on a more stable domestic policy landscape as well as the expected improvement of the Federal government’s fiscal balance sheet in 2020.

Real GDP Growth (%)



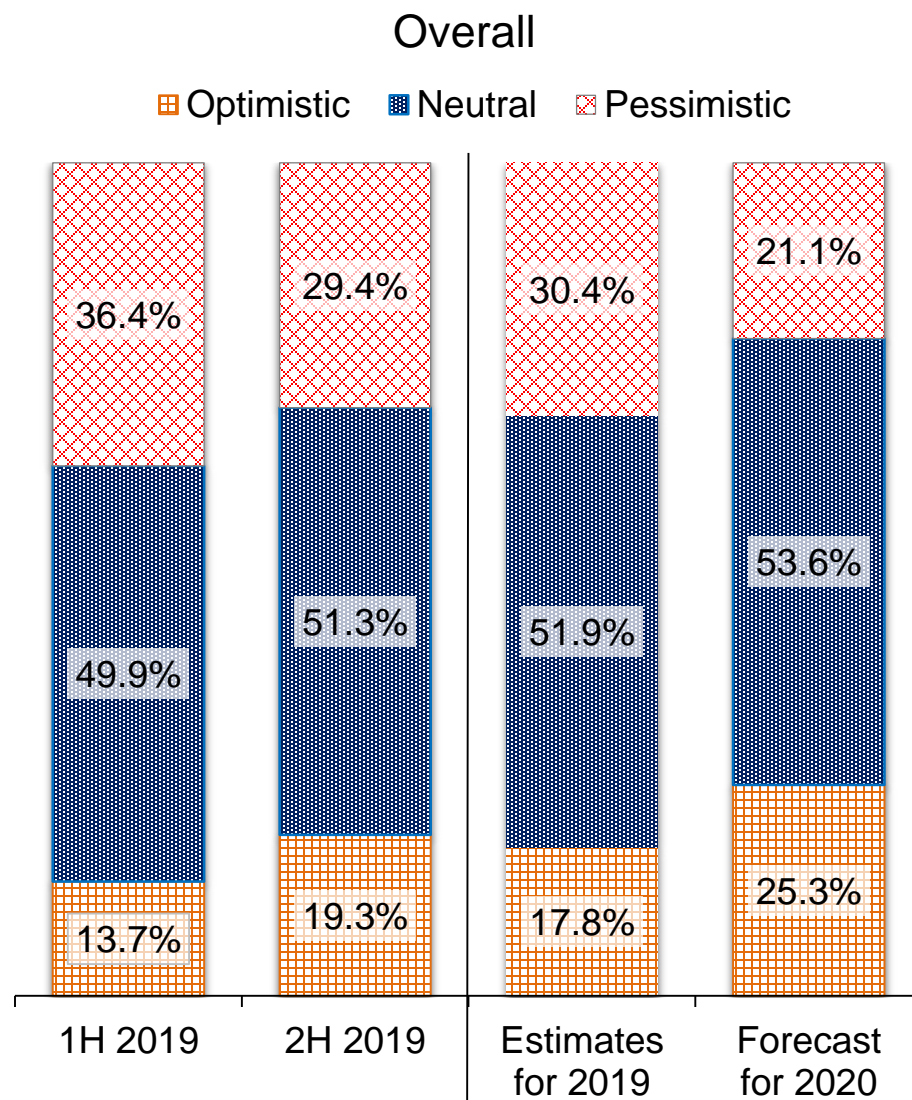
Source: Department of Statistics, Malaysia (DOSM); SERC's estimates



E=Estimates; F=Forecast

Business Conditions and Prospects

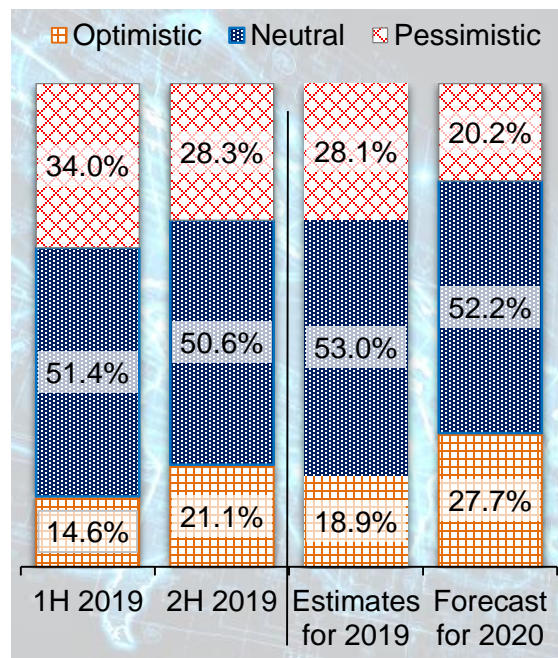
- Respondents are clearly **cautious about their business prospects in 2019** as influenced by concerns about external environment as well as domestic policy transition and challenges
- More **guarded positive in 2H 2019** compared to 1H 2019
- **Pessimistic views** declined by seven percentage points from 36.4% in 1H 2019 to **29.4% in 2H 2019**
- **Optimistic views improved to 19.3% in 2H 2019** from 13.7% in 1H 2019



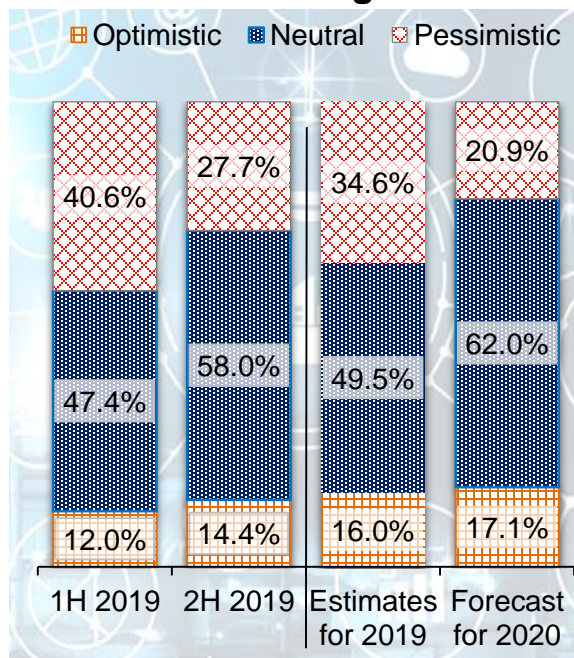
Business Prospects by Sector

- **Manufacturing sector - improvement in business prospects in 2H 2019** (higher 72.4% between “neutral” and “optimistic” outlook vs. 59.4% in 1H 2019)
- **Services sector – cautious optimism** (71.7% in 2H 2019 vs 66.0% in 1H 2019)
- **Construction sector – pessimistic views about business conditions** (44.3% in 1H 2019 and 43.5% in 2H 2019)

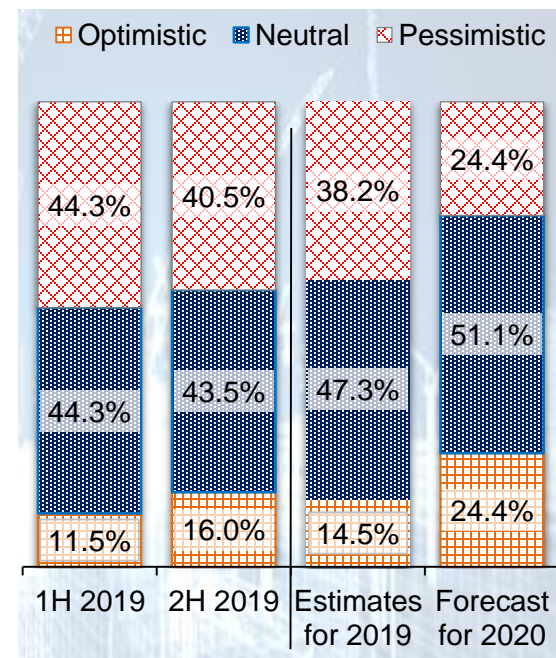
Services sector



Manufacturing sector

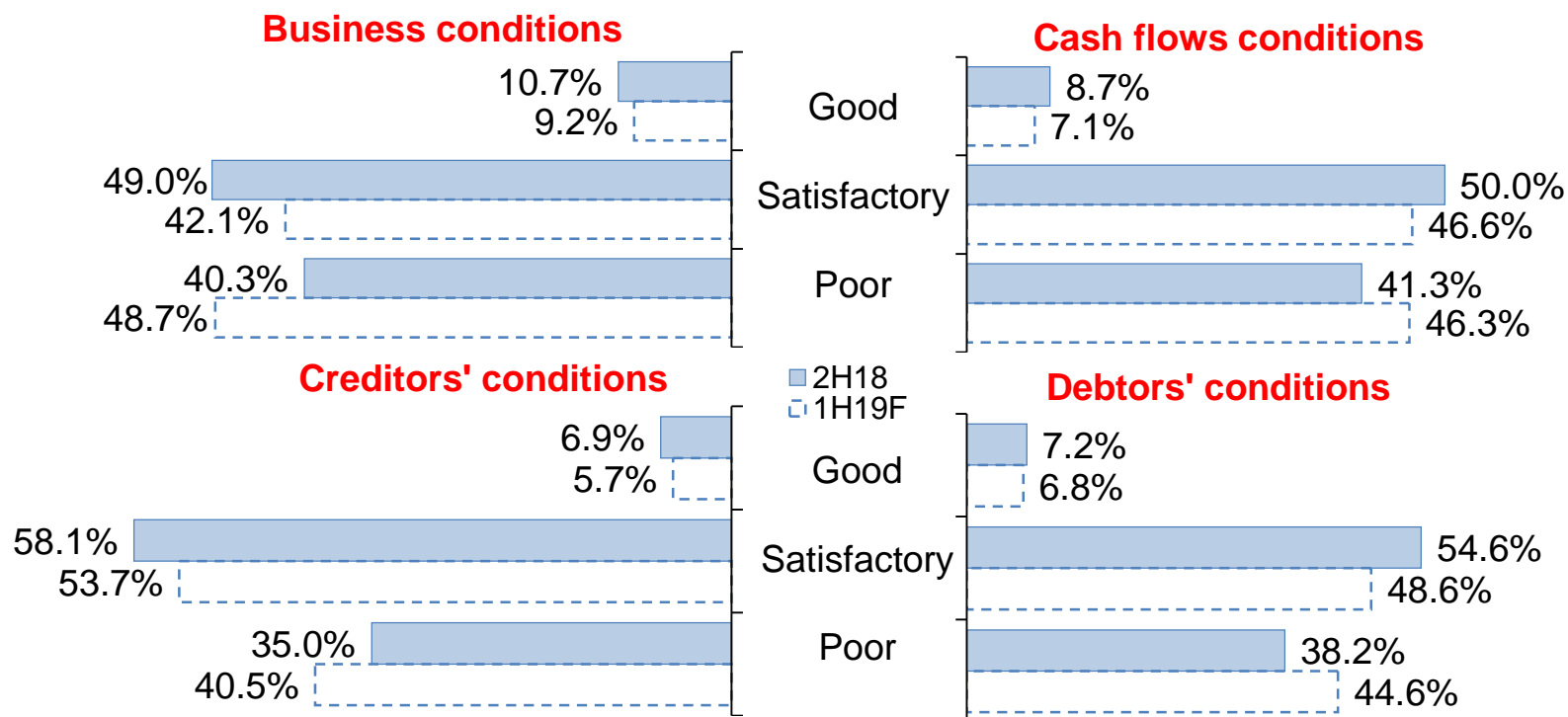


Construction sector



Business Assessment in 1H 2019F

- 49% of respondents were “satisfactory” and 40.3% cited “poor” about their business conditions in 2H 2018. More businesses expect tough business environment in 1H 2019 (48.7% vs. 40.3% in 2H 2018).
- More respondents are expecting “poor” outcomes in **cash flows, creditors’ and debtors’ conditions**, suggesting a tough business environment ahead.
- **Cash flows conditions** are expected to remain tight. **Debtors’ conditions** are expected to worsen in 1H 2019.





Business Pulse Diagnosis

ACCCIM M-BECS 2H2018 - 1H2019

Top FIVE Factors Affecting Business Performance

1st



Domestic competition
(49.7%)

2nd



Lower domestic demand
(41.5%)

3rd



The Ringgit's fluctuations
(27.9%)

4th



Increase in prices of raw materials
(25.8%)

5th



Government policies
(25.1%)



Domestic Competition (49.7%)

- Limited domestic market share amid increasing domestic competition. Scaling up of market liberalisation pressure for domestic players
- Innovative in marketing and sales; better and quality products, reliable after-sales services
- **Domestic SMEs** should be **encouraged to venture abroad**: business matching, expos participation; technical assistance on readiness to expand into overseas (such as products development, branding, funding structure, the management of expansion risks)



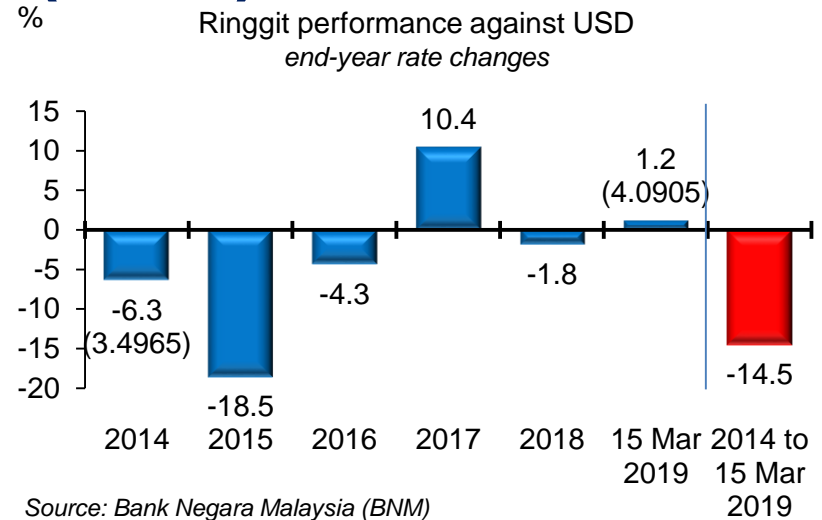
Lower Domestic Demand (41.5%)

- **Real estate, construction, external trading, wholesale and retail trade, and information, communications technology (ICT)** reported lower domestic demand
- **Construction sector** – experienced reduction in sales volume due to the consolidation of public projects, slower growth in residential and commercial estate development
- **Wholesale and retail trade sector** – suffered a reduction in sales volume in 1H 2018. In 1H 2019, more respondents expect a decline in sales (37.3%) relative to 33.5% of businesses expect increases in sales



The Ringgit's Fluctuations (27.9%)

- A stable ringgit is vital for business and investment planning
- A weak ringgit would result in an increase cost of imported inputs
- Impact on industries that **have high import content** and sell in the domestic market



Increase in Prices of Raw Materials (25.8%)


























































- 60.0% and 58.9% of respondents indicated **increases in the cost of local and imported raw materials** respectively in 2H 2018
- **SST tax rate of 10%** compared to GST of 6%
- **Cumulative effect of weakening ringgit** resulted in higher imported cost
- **Indirect cascading effects from cost of transportation and cost of doing business** (+17 sen/mmBtu in natural gas tariff and +2.87 sen/kWh for electricity tariff respectively in 2H 2018 compared to 1H 2018)



Government Policies (25.1%)

- **Provide a stable and conducive business environment** for economic growth, investment and business expansion.
- Businesses have **adopted wait and see approaches** because of the uncertainties they face in the global environment and some still getting in tune with domestic policy transition.
- Faced with cautious economic outlook and trying demand conditions, businesses **would want some flexibilities to respond to changing rules and policies**.
- The immediate priority is to **address the shortage of foreign workers (FWs)**, we propose the following measures and initiatives:
 - a) **Expedite the “replacement of FWs”** first once FWs completed their contract and returned to their own country
 - b) **A Single Ministry/One-stop Agency** vested with the authorities to address all issues concerning FWs. Ministry of Home Affairs and Immigration Department should only confined to the issuing of document papers for the employment of FWs after approval by Ministry of Health and Ministry of Human Resource
 - c) **A moratorium freeze on FWs levy hikes for next three years** starting 2019

By sector scorecard - 1H 2019F vs 2H 2018

	Business condition	Production	Sales (Volume)		Cost of raw materials		Capital expenditure
			Local	Overseas	Local	Imported	
Overall	 						 
 Wholesale and retail trade	 	 					
 Manufacturing		 					 
 Professional and business service						 	
 Construction			 				
 Real estate					 	 	

 Good
  Satisfactory
  Poor
  Increase
  No change
  Decrease

Conclusion

- Overall, the survey results indicated that **business in Malaysia are generally cautious about economic outlook and business prospects in 2H 2018 and 2019** as influenced by a combination of external and domestic challenges. These include moderating global growth, the on-going trade talks between the US and China, the Brexit impasse as well as domestic policy transition amid weakening consumer sentiment and investor confidence.
- Businesses continued to **face challenging operating environment amid still-high cost of doing business and compliance costs.**
- **Government policies** are deemed important to provide **a stable and conducive as well as predictable business environment** for economic growth, investment and business expansion.
- In this regard, the Government and policy makers can foster an **environment of certainty and stability** that businesses and investors crave by **implement and execute right and market friendly policies** with **sufficient engagements and consultations** with the chambers and industry players.



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谢谢
THANK YOU

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