中总
ACCCIM
马来西亚中华总商会

ACCCIM Malaysia's Business and Economic Conditions Survey (M-BECS) Report for 1H 2019 and 2H 2019F

中总 2019 上半年及 2019 下半年预测 马来西亚商业和经济状况调查报告

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This survey report is prepared by Socio-Economic Research Centre (operating under SERC Sdn. Bhd) and assisted by Dr. Pok Wei Fong from Universiti Tunku Abdul Rahman (UTAR).

Executive Summary of Key Findings

The Associated Chinese Chambers of Commerce and Industry of Malaysia (ACCCIM) Malaysia's Business and Economic Conditions Survey (M-BECS) was conducted from May-early July 2019, **covering the first half-year of 2019 (Jan-Jun 2019) and expectations for the second half-year of 2019 (Jul-Dec 2019)** has received **924** responses.

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

It covers questions to **measure expectations about the performance and prospects of economy and business**; **main factors affecting business performance**; and to gauge the **implications of current issues and challenges faced by businesses**.

An overview and summary of key findings of the survey are as follows:

1. **Continued weak business conditions in 1H 2019**. Continuing a weakening trend in 2H 2018, the survey results indicate **sustained softening of business performance in 1H 2019**. 42.0% of total respondents rated "deteriorated" business conditions, followed by 39.8% indicated "unchanged" and 18.1% had expanded their business. When compared to 2H 2018, the percentage of respondents experienced "deteriorated" business performance in 1H 2019 has slipped by 6.0% points from 48.0% in the previous survey while the percentage of respondents maintained their business performance has increased by 7.3% points to 39.8% from 32.5%.

2. **Cautious business expectations in 2H 2019**. Malaysian businesses are keeping a vigilant view about business conditions in 2H 2019, **weighed down by a slowing global economy, a protracted trade tensions and softer domestic economic growth**. A majority of respondents (54.9%) attached a "neutral" view; 29.6% "pessimistic" and 15.5% "optimistic". For the full-year of 2019, only 14.1% respondents tagged overall business conditions as "optimistic" while 56.3% were "neutral" and the balance 29.6% having pessimistic views.

3. **Anticipate better business prospects in 1H 2020 and 2020F**. We observe a shift in pessimism from 2H 2019 to 1H 2020 as there were lesser respondents having pessimistic views (19.0% in 1H 2020 vs. 29.6% in 2H 2019) and higher respondents view business prospects positively (21.5% in 1H 2020 vs. 15.5% in 2H 2019). The improved business optimism is reflected across all sectors.

4. **Cautious economic optimism remains in 2H 2019**. Overall, businesses **are of the view that domestic economy would continue to remain challenging this year**, largely influenced by **uncertainties surrounding the trade tensions as well as lingering issues about domestic policy landscape**. 53.0% respondents were "neutral" about domestic economic outlook in 2H 2019 while 33.0% having pessimistic views, which is 3.4% points higher than in the previous survey when asked about their expectations for 2H 2019. Accordingly, a higher percentage of respondents now having less optimistic views about the economy in 2H 2019 (14.0%) compared to 17.8% in the previous survey.

5. **Economic conditions will likely to improve in 1H 2020 and 2020**. Businesses **anticipate more positive economic conditions in 1H 2020** with the number of optimistic views has increased to 21.4% from 14.0% in 2H 2019 and that of "pessimistic" assessment

was 12.7% points lower (20.3% in 1H 2020 vs. 33.0% in 2H 2019). Overall **businesses' expectations for 2020 economic outlook have strengthened significantly**: Optimistic: 24.9% of respondents in 2020 vs. 13.5% in 2019; Neutral: 58.1% vs. 54.7% in 2019 and Pessimistic: 17.0% vs. 31.8% in 2019.

6. Amidst softening business conditions, **48.3% of respondents were “satisfactory” about their cash flows condition and 49.3% on debtors’ conditions in 1H 2019**. For 2H 2019, almost the same percentage of businesses expect cash flows (48.8%) and debtors’ conditions (47.8%) to be “satisfactory”.
7. By sector, the respondents in **real estate and trading (exports and imports) as well as construction sector** have pessimistic views about their business performance in 2H 2019 and in 2020. The trading sector will be dampened by the unresolved trade war between the US and China. The stubbornly property overhang in residential and commercial properties continue to take a heavy toll on the real estate and also inflicted negative spillover to the construction sector, which had slowed markedly in recent quarters.
8. **Business operations (production, sales and raw materials)** were generally in line with the business conditions.
    (a) **Production**: **More businesses (33.1%) have reduced their production in 1H 2019** compared to 27.3% of respondents have scaled up their production (27.3%). In tandem with domestic and overseas sales volume projection, **31.7% of respondents indicated that they are planning to increase production in 2H 2019** whereas 28.9% of respondents may reduce their production. Owing to a critical shortage of foreign workers, some Malaysian SMEs have to forgo sales orders diverted from the US-China’s trade tensions.

    (b) **Sales**: Businesses reported **poor domestic sales performance in 1H 2019** with 45.1% of respondents indicated that domestic sales volume has decreased, of which 16.6% suffered more than 10.0% decline. **Going into 2H 2019, overall sales performance is expected to be slightly better** when compared to 1H 2019.

    (c) **Raw materials**: **67.8% and 66.2% of respondents reported increases in the cost of local and imported raw materials respectively in 1H 2019**. Of this, 23.6% and 27.0% of businesses reported that local and imported raw material prices have increased by between 6.0% and 10.0% respectively. An equally high percentage of businesses anticipate that the cost of local (64.8%) and imported raw materials (62.1%) will continue to increase in 2H 2019 while 28.8% and 31.5% indicated that the cost of local and imported raw material prices would stay at the current level.
9. **Businesses’ cautiousness** about their **capex spending plans** in 2H 2018 have **turned somewhat positive in 1H 2019** whereby **more than half of total respondents (58.8%) have increased their capital expenditure**, leaving only 6.1% and 35.1% of them were either maintained or lowered the spending on capital investment respectively. The increase in capital expenditure may be partly aided by the GST and income tax refunds, which totalled RM17.1 billion as at end-April 2019.
10. Going forward, **the percentage of businesses planning to increase capital expenditure is expected to maintain at a relatively high percentage (55.5%) for 2H 2019**, suggesting that **businesses may be starting to have a clearer approach about the business strategy and planning ahead and intend to invest for long-term**.

11. The **top five factors** that would influence and impact their business operations and domestic business environment: (a) **Domestic competition** (44.8%); (b) **Government policies** (43.4%); (c) **Lower domestic demand** (43.0%); (d) **Increase in prices of raw materials** (38.3%); and (e) **Ringgit's fluctuations** (36.1%).

12. **Government policies is ranked as second most important factor** by respondents, marking a jump from the fifth placing in the previous survey. This reinforces ACCCIM's view that **it is important for the Government to consistently foster a stable and conducive business environment** for economic growth and business investment. Besides the 3Cs (Clarity, Consistency and Continuity), businesses want a **competitive tax regime, investment friendly business environment and supportive regulatory landscape**. Last but not least, an **efficient public delivery service**. The **immediate priority is to ease the shortage of foreign workers** through the simplification of procedures. The **proposed amendments to the Employment Laws** must **take into consideration business practicality and not to be over-regulated** amidst a challenging business environment when operating costs are of concern to the business community.

13. The respondents were asked to provide feedback and views on two issues: (A) **Tourism – Harness the Untapped Potential**; and (B) **Domestic Direct Investment (DDI)**.

    (A) **Tourism – Harness the Untapped Potential**

    A high percentage of respondents (78.2%) were widely concurred that **Malaysia has not done enough to tap the vast potential of tourism related business opportunities**.

    81.0% of respondents also acknowledged that **Malaysia's tourism is lagging behind its neighbours**. The results revealed the following elements are very important for tourism development: Safety and security; the cleanliness of tourism destinations as well as infrastructure and facilities such as local transportation services and connectivity. Amongst the proposed measures are as follows:

    (a) **Simplified visa rules, the rollout of e-visas or visa-exemption** are crucial to facilitate and ease entry of travellers and tourists as **indicated by 52.7% of respondents**.

    (b) Airport is the first touch point for tourists when landing in Malaysia. **Front-services counters at airports must be enhanced** with the support of well-staffed and offer friendly services as well as can speak a few languages.

    (c) The **preferred tourism products are eco-tourism**, which tops the list with 78.0% of total respondents, followed by **culinary tourism** (73.4%), **cultural tourism** (55.6%), **recreational tourism** (49.5%), **agro-tourism** (48.8%) and **medical tourism** (37.7%).

    (d) Malaysia is very popular on its melting pot and delicious foods. It is proposed that Malaysia to **organise an annual mega food fiesta in major states** to showcase colourful diversity of Malaysian food culture. Some **nationwide food hunting tours** should be organised to drive Malaysia as a food heaven.

    (e) **Niche markets such as medical tourism, education tourism as well as meetings, incentives, conferences and exhibitions (MICE) industry should be promoted** as these are high quality tourism products.

(f) 68.3% of respondents are of the view that the Government should **further enhance the effectiveness of tourism promotion, marketing and branding**.

(g) As there is a lack of tour guides, particularly Chinese speaking, to handle the tourists from China, it is also proposed that to **conduct a short and simplified course for part-time tour guides** to take care of tourists from China.

(h) The **2020 Budget should rollout more tourism-related measures and provide more allocations** to support tourism-related activities and development. This is to facilitate the industry stakeholders in preparation for the Visit Malaysia Year 2020.

(B) **Domestic Direct Investment (DDI)**

(a) The survey findings revealed that **42.7% of respondents indicated that they either have invested or plan to invest in Malaysia over next 12-24 months** while **57.3% have no intention to invest** over next 12-24 months.

(b) Within the group of respondents **planning to invest**, **26.1% of respondents are adopting "wait-and-see" approach** as they are still **waiting for a clearer direction on the economy and government's policy landscape** as well as weighed by the **uncertainties surrounding global economy**.

(c) Within the group of respondents have **no intention to invest**, **38.6% of respondents cited uncertain international environment as well as lingering wary about domestic economic landscape** causing them to hold back their investment decisions.

(d) **Three factors** were cited as **most affecting business investment decision**: (i) **Economic and business prospects** ranked by 62.5% of respondents; (ii) **Government policies – domestic policy uncertainty** (48.8% of respondents); (iii) **Shortage of skilled manpower** (26.9%) and **high cost of capital** (26.6%).

(e) When asked what businesses expect from the Government to stimulate domestic investment? **57.2% of respondents** want the Government to **provide better policy clarity and consistency**, followed by 55.0% to **create a competitive and conducive business environment** and 43.6% each for a **reduction in corporate tax rate** and **simplify the rules and regulations as well as lower compliance cost respectively**.

(f) A **clearer and more focussed policies as well as business friendly regulatory environment** are deemed necessary to facilitate medium-and long-term investment planning. We propose the following measures:

  i. **Draw up a National Investment Strategy Plan** to revitalise private investment, with equal emphasis placing on DDI, especially for SMEs. Formulate an appropriate incentive framework based upon a clear, transparent and predictable business and investment climate.

  ii. **Enhancement in policies transparency, investor's protection and non-discrimination practices** among all the sectors. Monopoly practices must be minimized or eliminated so that domestic businesses can become stronger via free competition environment.

iii. A **balanced infrastructure and economic development between urban and rural**. For instances, improving the logistics supply chains between urban and rural as well as enhancing better internet coverage with better internet speed in rural area.

iv. The **establishment of a one-stop investment agency** to undertake all investment approvals and improve the flows of communication between different governmental departments and agencies. It will definitely help to expedite domestic investment decisions as well as attracting foreign direct investments.

v. In efforts to revitalise private investment and encourage business expansion, **an upfront announcement on a progressive reduction in corporate tax rate to 20% within the next three years** in 2020 Budget.

(g) **More than one-third of respondents** indicated **the desire to provide facilitation funds and grants to SMEs** in assisting them for **the readiness of Industry 4.0.** It is disheartening to note that **less than 15% of respondents were aware of the government's loans or grants for Industry4WRD related incentives**. Overall, there are more than one-third of respondents **(35.8%) were unaware of the incentives surveyed**.

调查重点摘要

马来西亚中华总商会（中总）**2018 下半年以及 2019 上半年预测马来西亚商业和经济状况调查**（M-BECS）于 2019 年 5 月开始进行至 7 月初，成功回收了 **924 份调查问卷**。

此调查报告是**测定大马华商商业与评估国内商业与经济状况，以及未来展望**的关键指标。

调查的目的旨在于**测定经济与商业表现前景**，以及**影响企业营运与业务表现的主要因素**，同时也就**企业所面临的课题与挑战造成的影响作出评估**。

调查主要重点如下：

1. **商业状况于 2019 上半年持续疲弱**。延续 2018 下半年的疲弱趋势，调查结果发现，企业业务表现于 2019 上半年仍旧趋缓。42.0%的回覆者表示商业状况“恶化”，39.8%指“没有变化”，其余 18.1%则扩充了业务。与 2018 下半年相比，2019 上半年企业业务表现“恶化”的回覆者比例从上次调查的 48.0%下降了 6.0 个百分点，而保持业绩的回覆者比例则从 32.5%上升了 7.3 个百分点至 39.8%。
2. **2019 下半年的经济展望谨慎**。大马商家们对 2019 下半年的商业状况保持警惕，**主要受国际经济放缓、不断延长的贸易纠纷以及国内经济走软所拖累**。大多数的回覆者（54.9%）持“中和”看法，29.6%为“悲观”以及 15.5%为“乐观”。至于 2019 全年观点，只有 14.1%的回覆者对整体商业状况持有“乐观”看法，而 56.3%为“中和”，其余 29.6%抱有“悲观”看法。
3. **预期 2020 上半年与 2020 全年商业前景转佳**。我们察觉到悲观情绪从 2019 下半年迈入 2020 上半年时将有所转变，较少的回覆者持有悲观看法（2020 上半年的 19.0%对比 2019 下半年的 29.6%），以及更多的回覆者乐观看待商业前景（2020 上半年的 21.5%对比 2019 下半年的 15.5%）。此较佳的商业乐观情绪反映在所有经济领域。
4. **2019 下半年经济维持谨慎乐观；**总体而言，商家认为**今年国内经济将继续充满挑战**，主要受**贸易紧张局势的不确定性以及国内政策格局挥之不去的问题**所影响。对于 2019 年下半年的国内经济前景，53.0%的回覆者持“中和”态度，而 33.0%的回覆者持悲观态度，这相比上一期调查被问及他们对 2019 年下半年的预期时高出 3.4 个百分点。相应地，现在有更高比例的回覆者对 2019 年下半年经济的看法不那么乐观（14.0%），而之前的调查则为 17.8%。
5. **2020 上半年和 2020 全年经济状况可能会有所改善**。商家们**预计 2020 年上半年经济状况将更为乐观**，乐观情绪从 2019 下半年的 14.0%上升至 21.4%，而“悲观”评估则下降了 12.7 个百分点（2020 上半年为 20.3%对比 2019 下半年为 33.0%）。整体上，**商家们对 2020 年经济前景的预期显著增强**：乐观：2020 年回覆者占 24.9%，对比 2019 年的 13.5%；中和：58.1%对比 2019 年的 54.7%以及悲观：17.0%对比 2019 年的 31.8%。
6. 在商业状况疲软的情况下，**48.3%的回覆者对 2019 上半年的现金流状况感到“满意”，债务人状况则为 49.3%**。对于 2019 下半年，几乎相同比例的商家预计将对现金流状况（48.8%）和债务人的状况 （47.8%）感到“满意”。

7. 行业及领域方面，**房地产和进出口贸易以及建筑业**的回覆者对其 2019 下半年和 2020 年的业绩表现持悲观态度。中美之间尚未解决的贸易战将打击贸易领域。住宅和商业房地产严峻的过剩问题继续对房地产造成严重的影响，并且连带对本来已经数个季度放缓的建筑业造成负面冲击。

8. **企业营运（生产、销售及原料状况）**基本上与商业状况一致：

   (a) **生产状况：**相对于 27.3%的回覆者增加产量，**更多的商家（33.1%）在 2019 下半年减少了产量**。与国内及海外销售量预期同步，**31.7%的回覆者指他们计划在 2019 下半年增产**，而 28.9%的回覆者或削减产量。鉴于严重的外劳短缺问题，部分大马中小型企业被迫放弃接下从中美贸易纠纷转移过来的订单。

   (b) **销售状况：**商家们报 2019 上半年**国内销售表现不佳**，有 45.1％的回覆者表示国内销量下跌，其中 16.6%下挫超过 10.0%。**迈入 2019 下半年**，商家**预计整体销售表现**相比 2019 上半年**略好**。

   (c) **原料状况：在 2019 上半年，分别有 67.8%和 66.2%的回覆者表明本地和进口原材料成本增加**。其中，分别有 23.6%和 27.0%的商家表示本地和进口原材料价格上涨了 6.0%至 10.0%。同样高比例的商家预计 2019 下半年本地（64.8%）和进口原材料（62.1%）的成本将继续增加，而分别有 28.8%和 31.5%表明本地和进口原材料价格将保持在目前的水平。

9. **企业**在 2018 下半年对**资本开销的谨慎态度于 2019 上半年有所转佳，超过一半的回覆者（58.8%）增加了资本开销**，分别只有 6.1%和 35.1%维持或降低资本开销。截至 2019 年 4 月杪总额 171 亿令吉的消费税及收入税的退税或多或少推动了资本开销的增加。

10. 展望未来，**2019 下半年计划增加资本开销的企业比例维持在相对较高的水平（55.5%）**，意味着**企业可能开始对商业策略和未来规划有着更明确的规划，并打算长期投资**。

11. 影响企业营运与国内商业环境的**五大因素为：**（a）**国内市场的竞争状况**(44.8%)；（b）**政府政策**(43.4%)；（c）**国内需求下跌**(43.0%)；（d）**原料价格增加**(38.3%)；以及（e）**马币波动**(36.1%)。

12. 在影响企业经营和国内商业环境的五大因素中，**政府政策**从上次调查的第五位**跃升至第二位**。这加强了中总的观点，即**政府必须持续为经济增长和企业投资营造稳定和有利的商业环境**。除了 3C（清晰、一致和连续性)，企业还需要有一个**具有竞争力的税收制度、友善的投资商业环境和利商的监管环境**。当然还有不可少的**高效率公共服务素质**。**当务之急是通过简化程序来缓解外劳的短缺**。**劳工相关法令的修订建议，必须考虑到商业的实用性，**在商界关注营运成本的情况下，在充满挑战的商业环境中不要过度监管。

13. 回覆者也受邀针对两项课题提供反馈及意见：(A) **旅游业—发掘未被开发的潜能**；及 (B) **国内直接投资 (DDI)**

   (A) **旅游业：发掘未被开发的潜能**

   回覆者(78.2%)广泛认同**马来西亚并未投入足够的努力，把握巨大的旅游潜能商机**。

   81.0%的回覆者也认为**马来西亚的旅游业落后于邻国**。调查结果显示，以下因素对旅游业发展非常重要：安全和保障；旅游景点的清洁度以及当地交通服务和连通性等基础设施和便利。其中建议的措施如下：

(a) **正如52.7%的回覆者所指出，简化签证手续、电子签证或免签证的推出**极为重要，以推动及便利旅客与游客入境。

(b) 机场是游客在登陆马来西亚时的第一个接触点。**机场的前台服务必须加强，**并配备充足人员，提供友善的服务，以及能够口操数种语言。

(c) **首选的旅游产品为生态旅游**，其以 78.0%的投选率位居榜首，其次是**美食旅游**（73.4%）、**文化旅游**（55.6%）、**休闲旅游**（49.5%）、**农业旅游**（48.8%）以及**医疗旅游**（37.7%）。

(d) 马来西亚的大熔炉文化和美味食品非常受欢迎。由此建议马来西亚在主要州属**举办年度大型美食节**，以展示多元丰富的马来西亚饮食文化，同时也应该组织一些**全国性寻找美食之旅**，推动马来西亚为美食天堂。

(e) **建议推广医疗旅游、教育旅游以及会议、奖励、会议和展览（MICE）等行业的利基市场**，因为这些都是高品质的旅游产品。

(f) 68.3％的回覆者认为**政府应进一步提升旅游营销和品牌推广的有效性**。

(g) 由于缺乏导游，特别是精通中文会话来招待来自中国的游客，由此建议**提供兼职导游简短与简化的课程，**以服务来自中国的游客

(h) **2020 年预算案应推出更多与旅游相关的措施，并提供更多拨款**，以支持与旅游相关的活动与发展。这有助于相关业者为“2020 大马旅游年”做好准备。

(B) 国内直接投资 **(DDI)**

(a) 调查结果显示，**42.7%的回覆者表示他们已投资或在未来 12-24 个月内将在马来西亚作出投资**，而 **57.3%的回复者则无意在未来 12-24 个月投资**。

(b) 在计划投资的回覆者中，**有 26.1%的回覆者抱着“观望”的态度**，因为他们仍在等待更清晰的经济及政府政策方向，以及受困于全球经济的不确定性。

(c) **在并无计划投资的回覆者群中，有 38.6%的回覆者表示在国际环境不确定性以及对国内经济格局持谨慎态度下，**让他们暂缓投资的念头。

(d) **三大强烈影响商业投资决策的因素：**（i）**经济和商业前景** (62.5%的回覆者所提出)；（ii）**政府政策 – 国内政策不确定性**（48.8%的回覆者）；（iii）**技术人员短缺**（26.9％）及**资本成本高**（26.6％）。

(e) 当被询及商家对政府刺激国内投资的期望时，**57.2%的回覆者希望政府提供更好的政策清晰度和一致性**，其次为**创造有竞争力和有利的商业环境**（55.0%），以及同时各有 43.6%的回复者认为须**降低企业税率，以及简化规则与法规，并降低合规成本**

(f) 为促进中长期投资规划，必须**制定更明确、更有针对性的政策以及有利于商业的监管环境**，我们提出以下措施：

i. **制定国家投资策略计划**以振兴私人投资，同时重点关注国内直接投资，尤其是中小型企业。基于清晰、透明和可预测的商业和投资环境来制定适当的激励框架。

ii. **加强**所有行业的**政策透明度、投资者保障与无歧视性作业**。最大限度地减少或消除垄断行为，以便通过自由竞争环境使国内企业变得更为强大。

iii. **城乡之间平衡的基础设施和经济发展**；例如：改善城乡之间的物流供应链，以及在乡区加强互联网覆盖率且配备更高的网速。

iv. **建立一站式投资机构**以负责所有的投资审批，以及改善不同政府部门和机构之间的沟通流程；这肯定有助于加快国内投资决策，并且能够吸引海外直接投资。

v. 为了振兴私人投资及鼓励业务扩张，政府可**先行**在 2020 年预算案中**公布，将在三年内逐步降低企业税率至 20%的举措**。

(g) **超过三分之一的回覆者**表示希望政府**向中小型企业提供便利资金和补助金**，以为**工业 4.0 做好准备**。令人沮丧的是，**只有不到 15%的回覆者知悉政府**通过“国家工业 4.0 政策” （**Industry4WRD）所提供的相关奖励措施，如贷款或补助金等**。总体而言，仍有超过三分之一的企业（**35.8**%）**不知悉本调查所提出的奖励措施**。

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Table of Contents

Executive Summary of Key Findings ... i

List of Tables ... xii

List of Figures ... xii

1. INTRODUCTION ... 1

1.1 Background ... 1

1.2 Significance of the Survey ... 1

2. SURVEY METHODOLOGY ... 2

3. SENTIMENT TRACKER ... 7

3.1 Business Assessment in 1H 2019 ... 7

3.2 Economic Conditions and Prospects ... 8

3.3 Business Conditions and Prospects ... 11

4. BUSINESS PULSE DIAGNOSIS ... 13

4.1 Major Factors Affecting Business Performance ... 13

4.2 Business Assessment in 1H 2019 and 2H 2019F ... 19

4.2.1 Sales performance ... 21

4.2.2 Business operations ... 24

4.2.3 Cost of raw materials ... 26

4.2.4 Manpower ... 28

4.2.5 Capital expenditure ... 30

5. CURRENT ISSUES ... 32

5.1 Tourism – Harness the Untapped Potential ... 32

5.2 Domestic Direct Investment (DDI) ... 41

6. CONCLUSION ... 47

Appendix 1: Survey Questionnaire ... 49

Appendix 2: Summary of guidelines for SME definition ... 54

Appendix 3: Top 5 factors affecting business performance by sector ... 55

Appendix 4: ACCCIM M-BECS Survey Results ... 56

List of Tables

Table 1: Breakdown of respondents by sector/industry and size of business operations....... 3

Table 2: Breakdown of respondents by annual turnover and number of employees............. 5

Table 3: Top five factors affecting business performance by selected sectors*................... 14

Table 4: Top 3 factors restraining business investment decision by selected sectors.......... 44

List of Figures

Figure 1: Breakdown of respondents by sales orientation 6

Figure 2: Malaysia's business conditions in 2010-1H 2019 7

Figure 3: Business conditions in 1H 2019 compared to 2H 2018 by sector 8

Figure 4: Malaysia's economic growth 10

Figure 5: Respondents' views about the economy 10

Figure 6: Economic prospects in 2019-2020F by major sectors 10

Figure 7: Business prospects in 2019-2020F by major sectors 12

Figure 8: Top 10 factors affecting business performance 13

Figure 9: The performance of ringgit against major trading currencies 17

Figure 10: Business, cash flows, and debtors' conditions in 1H 2019 and 2H 2019F 20

Figure 11: Business, cash flows and debtors' conditions by selected sectors* 20

Figure 12: Capacity utilization level in 1H 2019 and 2H 2019F by selected sectors 20

Figure 13: Domestic and overseas sales (volume and price) in 1H 2019 and 2H 2019F..... 23

Figure 14: Domestic and overseas sales (volume and price) in 1H 2019 and 2H 2019F by selected sectors 23

Figure 15: Production and inventory or stock level in 1H 2019 and 2H 2019F..................... 25

Figure 16: Production and inventory or stock level in 1H 2019 and 2H 2019F by selected sectors 25

Figure 17: Cost of raw materials in 1H 2019 and 2H 2019F 27

Figure 18: Cost of raw materials in 1H 2019 and 2H 2019F by selected sectors 27

Figure 19: Number of employees and wage growth in 1H 2019 and 2H 2019F 29

Figure 20: Number of employees and wage growth in 1H 2019 and 2H 2019F by selected sectors 29

Figure 21: Capital expenditure in 1H 2019 and 2H 2019F.. 31

Figure 22: Capital expenditure in 1H 2019 and 2H 2019F by selected sectors.................... 31

Figure 23: Rating for "Malaysia has not harnessed the full potential of tourism" 34

Figure 24: Rating for "Malaysia's tourism is lagging behind its neighbours"......................... 34

Figure 25: Basic elements for tourism development 35
Figure 26: Infrastructure and facilitation for tourism development 36
Figure 27: Type of products for tourism development... 36
Figure 28: Tourism products to drive Malaysia's tourism development............................... 37
Figure 29: The respondents' indication of measures to drive domestic tourism growth 39
Figure 30: Perception of visa exemption for tourists from China and India 40
Figure 31: Business's investment planning over next 12-24 months in Malaysia................. 42
Figure 32: Investment decision over next 12-24 month in Malaysia by selected sectors 42
Figure 33: Business expectations on the Government's measures to stimulate domestic investment 45
Figure 34: Respondents' awareness of loans or grants provided by the Government 46

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1. INTRODUCTION

1.1 Background

The Associated Chinese Chambers of Commerce and Industry of Malaysia (ACCCIM)'s Bi-Annual Survey on Malaysia's Economic Situation, which was launched since 1992, is being recognized as an **important barometer to gauge Malaysian Chinese business community's assessment and expectations about domestic business and economic conditions as well as their prospects**.

Starting 1 January 2019, the survey was renamed as **Malaysia's Business and Economic Conditions Survey (M-BECS)**. This survey, covering **the first half-year (Jan-Jun) of 2019 (1H 2019) and forecast for the second half-year (Jul-Dec) of 2019 (2H 2019F)** encompasses the following scopes:

i. **Economic and Business Performance and Outlook**;

ii. **Factors Affecting Business Performance**; and

iii. **Current Issues Confronting Businesses**

1.2 Significance of the Survey

This Survey is intended to **complement as well as fill in the gap of existing surveys compiled by various private organizations**, namely the Malaysian Institute of Economic Research (MIER), the Federation of Malaysian Manufacturers (FMM), RAM Holdings Berhad, etc. The survey findings would also be used to supplement the primary data and statistics of the Department of Statistics Malaysia (DOSM) when gauging Malaysia's overall economic and business conditions.

As the Chinese business community plays an important contribution in Malaysia's overall economic and business development, **ACCCIM, being a major national organization representing Malaysian Chinese business community**, takes the initiative to **assist the Government in gauging the perspectives of Chinese business community about current economic and business situation as well as their prospects**. It also attempts to obtain feedback and suggestions regarding the issues and problems faced as well as how they view the measures and initiatives implemented by the Government. This helps the Government to gauge the effectiveness of public policies implemented and hence, would make the necessary adjustments for future policy formulation.

The survey results also **provide a basis or an input for ACCCIM to prepare memoranda concerning economic issues, including public policies impacting Malaysia's business community** for submission to the Government and relevant Ministries for their considerations. The report also serves as a source of reference for the Government, researchers, business community and investors in the formulation of public policy, business expansion and investment planning.

2. SURVEY METHODOLOGY

The survey period covering the **first half-year (Jan-Jun) of 2019 (1H 2019) and forecast for the second half-year (Jul-Dec) of 2019 (2H 2019F)** is to gather respondents' assessment of their business performance and economic outlook, including views about current issues and challenges faced by Malaysian Chinese business community. The survey questionnaire is divided into three sections as follows:

Section A: Business Background, which captures the profile of businesses – type of principal business activity and its size of business operations; % share of total sales in domestic vs. overseas markets; number of employees and the proportion of local vs. foreign workers to total employment.

Section B: Overall Assessment is divided into two sub-sections: (1) Identify what are the major factors affecting the business performance; and (2) Track the performance and outlook of economic and business conditions.

Section C: Current Issues, which focus on (1) **Tourism**; and (2) **Domestic Direct Investment (DDI)**.

To obtain a more representative coverage, the questionnaires were distributed to direct and indirect memberships of ACCCIM Constituent Chambers, which comprise 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 and hence, their participation would enhance the representation of Chinese business community. The questionnaires were also outreached to nationwide Chinese businesses to solicit their feedback via Google Form and the distribution of hard copies.

A total of **924 active responses** were received, covering a broad-based of sectors and industries.

(i) By sector and industry

The **wholesale and retail trade sector garnered the highest response rate** (23.1% of total respondents), followed by the **manufacturing sector** (21.2%), **construction sector** (13.4%), **professional and business services sector** (10.8%), **trading (imports and exports) sector** (6.7%) while **other sectors** made up the remaining 24.8%. The representation of sample size largely corresponds with total establishments in major economic sectors of the economy.

(ii) By size of business operations

As defined by the annual turnover for both manufacturing and services sectors[1], **small- and medium-sized enterprises (SMEs) made up 91.5%** of total respondents while that of the **large enterprises constituted 8.5%**. In Malaysia, SMEs assume a pivotal role as the driver of economic growth whereby they accounted for **98.5%** (907,065 establishments) of a total of 920,624 business establishments in the country. In 2018, SMEs contributed **38.3% of total national GDP**, **66.0% of total employment[2]** and **17.3% of total exports**.

Table 1: Breakdown of respondents by sector/industry and size of business operations

Sector and industry	**Percentage (%)**	**Large enterprises (%)**	**SMEs (%)**
Services	60.2	6.8	93.2
Wholesale and retail trade	23.1	7.5	92.5
Professional and business services	10.8	3.0	97.0
Trading (imports and exports)	6.7	1.6	98.4
Tourism, shopping, hotels, restaurants, recreation and entertainment	4.8	2.3	97.7
Finance and insurance	4.3	17.5	82.5
Information and communications technology (ICT)	3.8	11.4	88.6
Real estate	3.6	9.1	90.9
Transportation, forwarding and warehousing	3.1	10.3	89.7
Manufacturing	21.2	10.7	89.3
Construction	13.4	8.9	91.1
Agriculture, forestry and fishery	4.4	17.1	82.9
Mining and quarrying	0.8	28.6	71.4
Total (sample size, n)	**100 (924)**	**8.5**	**91.5**

---

[1] A business will be deemed as an SME if it meets either one of the two specified qualifying criteria, namely sales turnover or full-time employees, whichever is lower basis, as endorsed by the National SME Development Council (NSDC) and published by SME Corporation Malaysia in 2013. For a detailed definition, please refer to Appendix 2.

[2] Total employment as of 2017

(iii) By annual turnover and employment

For **broad services sector** (n=556):

- About **51.8% or 288 respondents have an annual turnover less than RM3 million**, of which 98 respondents (or 17.6% out of total services sector) have an annual turnover less than RM300,000. 33.3% of respondents have an annual turnover between RM3 million and RM20 million while about 14.9% of respondents have an annual turnover of more than RM20 million.
- **Most of the respondents (76.1%) hired less than 30 employees** while 14.7% employed between 30 and 75 employees and the balance of 9.2% hired more than 75 employees. Among the services sub-sectors that mainly hired less than 5 employees were information and communications technology (ICT) (48.6% or 17 respondents) and professional and business services (30.0% or 30 respondents). By source of employment, **seven out of eight sub-sectors indicated that at least 90% of respondents have local workers more than foreign workers**. The exception sub-sectors were tourism, shopping, hotels, restaurants, recreation and entertainment sector, whereby 11.9% of respondents in these sectors have foreign workers more than local workers to handle operational tasks such as cleaning services in hotels and restaurants as well as hospitality sector.

For **manufacturing sector** (n=196):

- **About 62.2% of respondents have an annual turnover less than RM15 million** while 23.5% of respondents have annual turnover between RM15 million and RM50 million. The balance 14.3% of the companies surveyed having an annual turnover exceeding RM50 million.
- In terms of employment, **69.4% of respondents hired less than 75 employees**, 17.3% hired employees between 75 and 200 persons while the remainder 13.3% employing more than 200 employees. In addition, **27.7% of respondents or 53 companies reported that more than half of their employees are foreign workers**. This goes to show that foreign workers still remain an important source of manpower for the manufacturing sector.

For **construction sector** (n=124):

- **48.4% of total respondents have an annual turnover of less than RM3 million**, followed by 32.3% registering an annual turnover between RM3 million and RM20 million and the balance 19.4% with an annual turnover above RM20 million.
- While 65.3% of respondents hired less than 30 employees, 21.8% with employees between 30 and 75 persons and 12.9% hired more than 75 employees, it is found that **62.0% of them (or 75 respondents) hired foreign workers for their businesses, 42.7% of this group (or 32 respondents) have more than 50% foreign workers in their workforce.**

Table 2: Breakdown of respondents by annual turnover and number of employees

	Services (%)	Construction (%)
Annual Turnover		
Below RM3 million	51.8	48.4
RM3 million to RM20 million	33.3	32.3
Above RM20 million	14.9	19.4
Number of employees		
Less than 30	76.1	65.3
30 to 75	14.7	21.8
More than 75	9.2	12.9

	Manufacturing (%)
Annual Turnover	
Below RM15 million	62.2
RM15 million to RM50 million	23.5
Above RM50 million	14.3
Number of employees	
Less than 75	69.4
75 to 200	17.3
More than 200	13.3

Note:

1. *Agriculture and mining sectors are omitted due to low number of respondents.*
2. *Numbers may not add up due to rounding.*

(iv) By sales orientation (domestic vs. overseas market)

The survey results indicated that **83.5% (or 745) of respondents** were **domestic market oriented** (with at least 60% sales from domestic market). Of this, **534 respondents (or 59.9% of respondents)** have **100% domestic sales** and 166 respondents were highly domestic market orientation (81%-99% domestic sales). On the contrary, only 11 respondents have indicated that their sales are 100% from overseas market while **3.8% of respondents reported that their sales relied on both domestic and overseas market** (41%-59% of the sales came from domestic market).

Besides the mining and quarrying sector, the top five sectors with **100% domestic sales** were **real estate** (90.3%), **construction** (83.1%), **professional and business services** (73.9%), **information and communications technology (ICT)** (70.6%) and **wholesale and retail trade** (68.6%). High degree of domestic market orientation renders businesses to a competitive domestic landscape and domestic economic performance, especially the strength of domestic demand.

Among the sectors with at least 10% of respondents are **overseas market oriented (at least 60% sales derived from abroad)**: Manufacturing (26.8% of total respondents), agriculture, forestry and fishery (24.4%), trading (17.5%), ICT (14.7%), transportation, forwarding and warehousing (14.7%) and finance and insurance (10.5%).

Figure 1: Breakdown of respondents by sales orientation

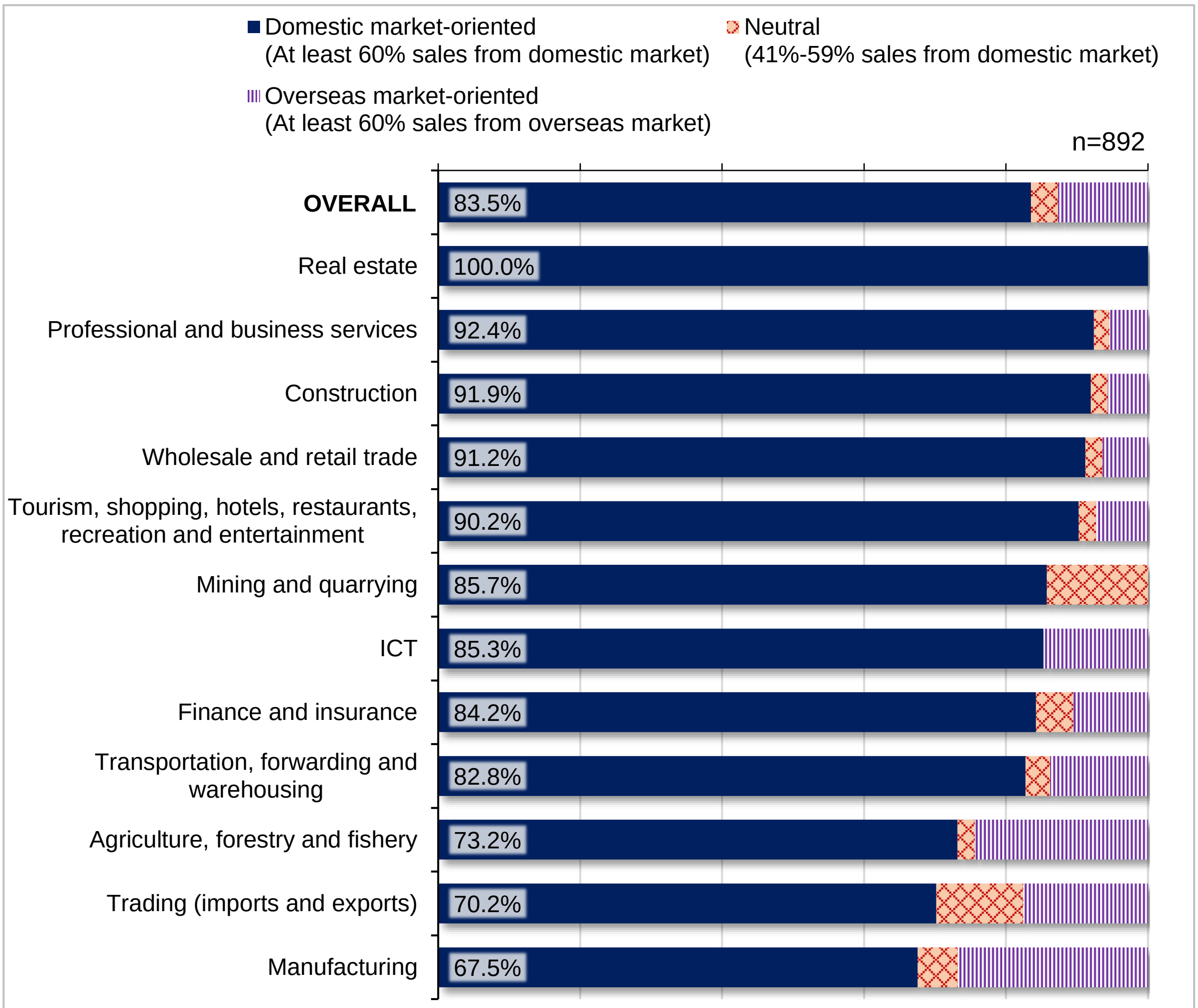


Figure in chart indicates % of respondents with domestic market orientation

3. SENTIMENT TRACKER

3.1 Business Assessment in 1H 2019

In tandem with a slowing economy and tough business environment, the survey results indicate **continued weak business performance in 1H 2019** when compared to 2H 2018, a trend extended from 2H 2018. **42.0% of total respondents** rated **“deteriorated”** business conditions, followed by 39.8% indicated “unchanged” and 18.1% had expanded their business.

The **wholesale and retail trade sector took the lead** having the highest percentage of respondents (43.6%) reported deteriorated business conditions, followed by **manufacturing** (49.0%) and **construction** (37.4%) sector.

The percentage of respondents experienced **“deteriorated”** business performance in 1H 2019 has slipped by 6.0% points from 48.0% in the previous survey while the percentage of respondents maintained their business performance has increased by 7.3% points to 39.8% from 32.5%.

Most sectors have less than 20% of respondents had expanded their businesses: 19.2% in services sector; 17.0% in manufacturing sector and 14.6% in construction sector, reflecting challenging business environment.

Figure 2: Malaysia’s business conditions in 2010-1H 2019

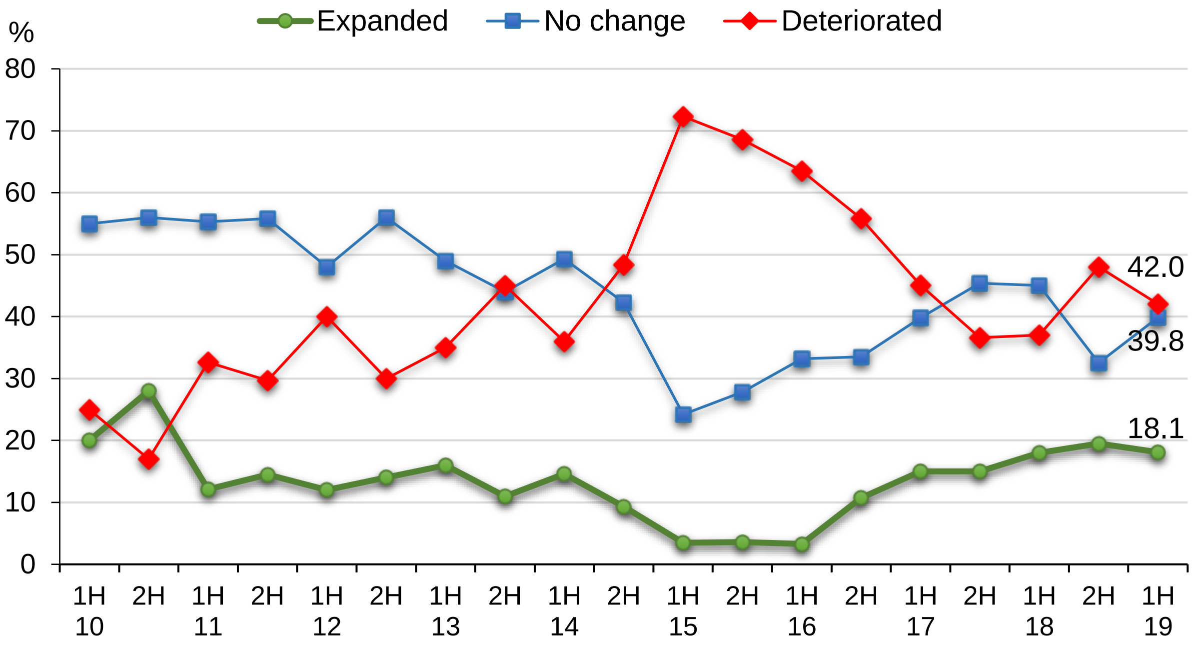
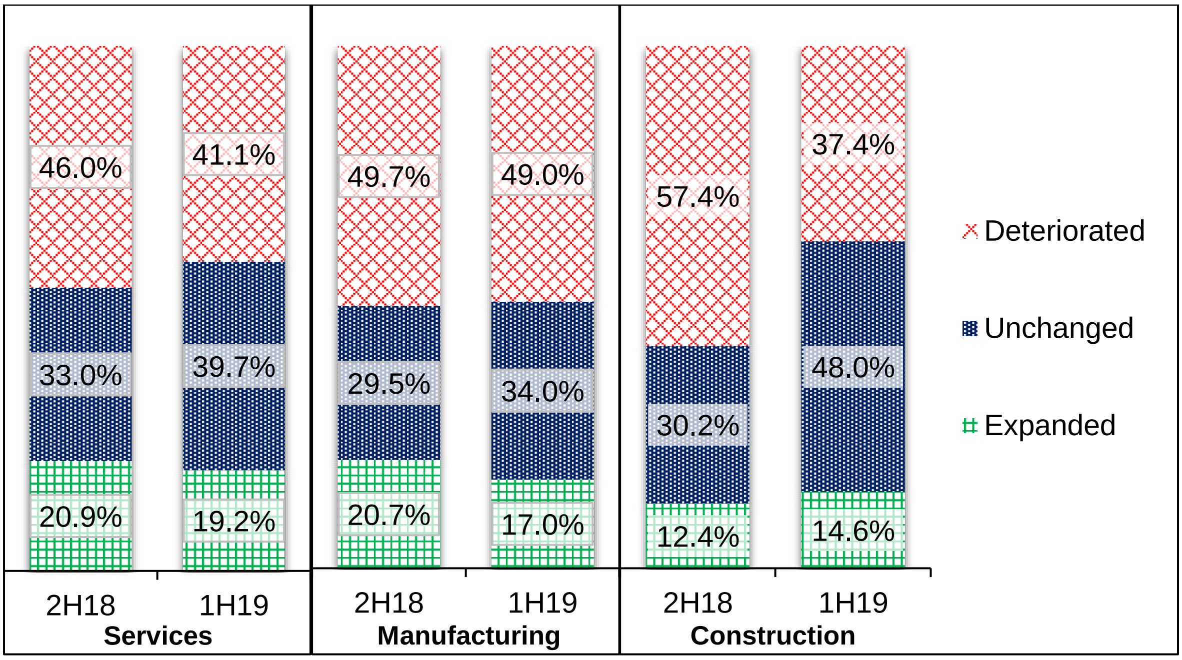


Figure 3: Business conditions in 1H 2019 compared to 2H 2018 by sector



3.2 Economic Conditions and Prospects

Reflecting slowing global economy and a prolonged trade tensions as well as softening domestic economic growth, **businesses in Malaysia remain cautious about the economy in 2H 2019**. **53.0% respondents were "neutral" about the economic outlook while 33.0% having pessimistic view, which is 3.4% points higher in the previous survey when asked about their expectations for 2H 2019**. Accordingly, a higher percentage of respondents now having less optimistic view about the economy in 2H 2019 (14.0%) compared to 17.8% in the previous survey.

On balance, **businesses are of the view that domestic economy would remain challenging this year**. Malaysia's economic growth had slowed to 4.5% yoy in 1Q 2019 from 4.7% in 4Q 2018, dampened by weak exports and slower domestic demand, especially private investment. A majority of respondents (54.7%) were "neutral" about economic conditions and prospects, 31.8% "pessimistic" and only 13.5% of respondents were "optimistic" about the economy.

Nevertheless, **businesses anticipate more positive economic conditions in 1H 2020** compared to 2H 2019. The number of optimistic views has increased to 21.4% from 14.0% in 2H 2019 and that of "pessimistic" assessment was 12.7% point lower (20.3% in 1H 2020 vs. 33.0% in 2H 2019). We observe that the respondents tend to have more positive views about the economy in the second half-year of the survey period, probably hopeful on a stabilised external environment.

Overall businesses' expectations for 2020's economic outlook have strengthened significantly from 2019: "Optimistic": 24.9% respondents in 2020 vs 13.5% in 2019; "Neutral" 58.1% in 2020 vs. 54.7% in 2019 and "Pessimistic": 17.0% in 2020 vs. 31.8% in 2019).

Generally, more than 50% respondents in all broad sectors have “neutral” assessment about the economy in 2H 2019: Construction (54.5%); Manufacturing (55.2%); and Services (51.4%).

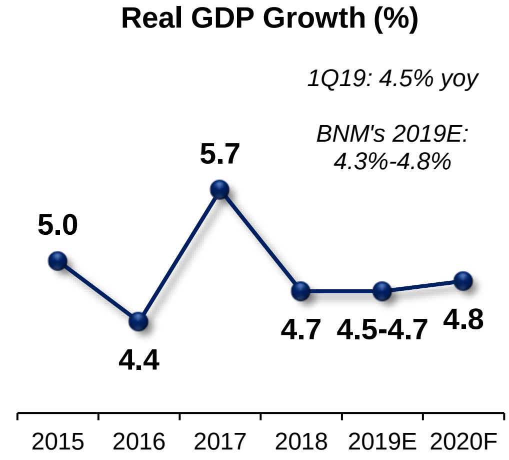
The **real estate and trading (exports and imports business) industries** registered the most respondents having pessimistic views about the economy in 2H 2019 (45.5% and 49.2% respectively) and in 2019 (46.9% and 44.3% respectively).

(a) For the **trading** industry, the sense of pessimism was largely caused by a persistent drag from the US-China’s trade tensions uncertainty that that disrupted the supply chains and global trade activities. Malaysia’s exports have grown unevenly and slower in recent months to 0.3% yoy in the first five months this year, reflecting slowing global economy, weakening exports of electrical and electronic products and weak commodity prices. On a positive note, **higher respondents expect moderately positive economic outlook in 2020 relative to 2019** with the percentage of respondents having optimistic views have increased by 6.6% points from 13.1% in 2019 to 19.7% in 2020 while those having pessimistic views declined by 23.0% points from 44.3% in 2019 to 21.3% in 2020, leaving the highest proportion of respondents (59.0%) maintained a “neutral” view on 2020’s economy.

(b) The **real estate** industry has an equal proportion of respondents holding “neutral” and “pessimistic” views about economic conditions at 46.9% each respectively, leaving only 6.3% of respondents were optimistic about the economy. **The stubbornly property overhang continues to plague the property market and construction sector in a slowing economy amid cautious buyers’ sentiment**. Growth in Malaysia’s House Price Index (HPI) has slowed for six consecutive years, from 13.4% in 2012 to 3.3% in 2018 (6.5% in 2017). In 1Q 2019, house price index eased further to 1.3%. Total overhang of residential properties remained high to increase by 30.7% to a new record of 32,936 units valued at RM20.0 billion in 1Q 2019 (25,193 units or RM15.7 billion in 1Q 2018). For commercial properties, the number of overhangs increased by 25.5% from 4,361 units in 1Q 2018 to 5,472 units in 1Q 2019, with the value jumped 42.9% to RM4.5 billion from RM3.2 billion 1Q 2018.

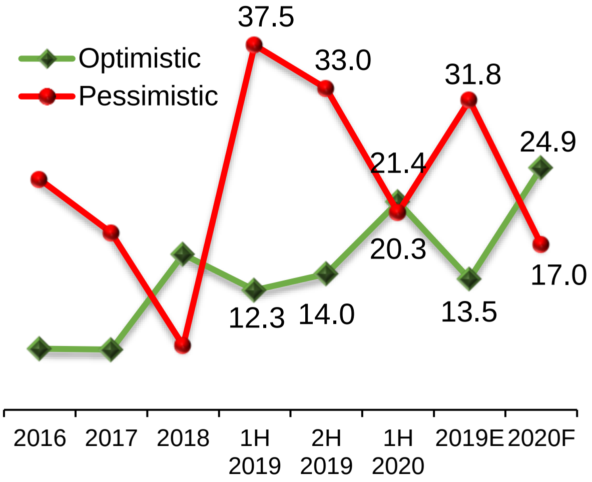
Overall, **more businesses’ economic optimism was observed across all sectors in 2020** with the percentage of respondents having optimistic views notched higher by 11.4% points to 24.9% in 2020 from 13.5% in 2019. Respondents with pessimistic views were 14.8% points lower from 31.8% in 2019 to 17.0% in 2020 while “neutral” views increased by 3.4% points to 58.1% in 2020 from 54.7% in 2019.

Figure 4: Malaysia's economic growth



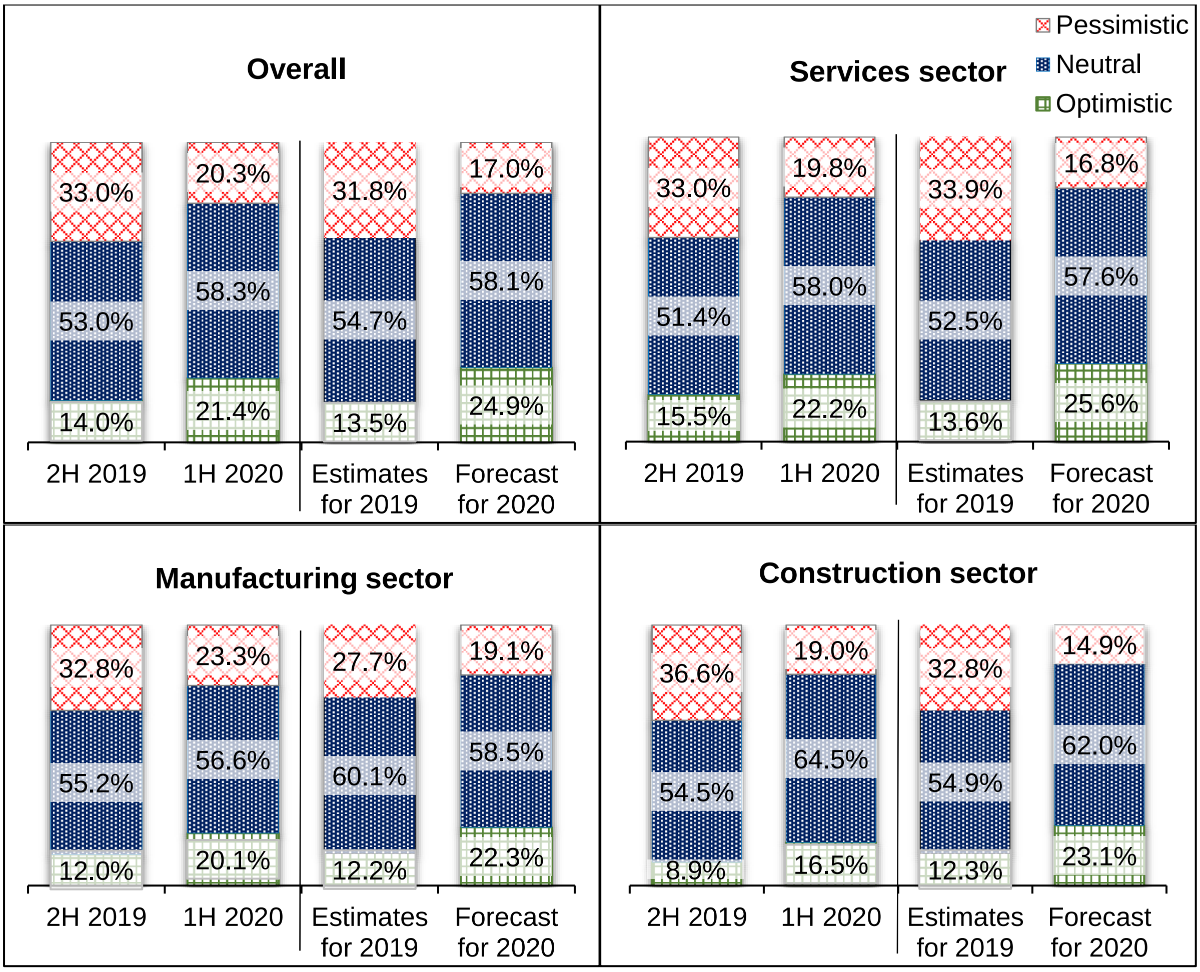
Source: DOSM; SERC estimates

Figure 5: Respondents' views about the economy



E=Estimates; F=Forecast;

Figure 6: Economic prospects in 2019-2020F by major sectors



3.3 Business Conditions and Prospects

Consistent with the guarded views about economic conditions and outlook, **Malaysian businesses are keeping a cautious stance on business conditions in 2H 2019** compared to 1H 2019. A majority of respondents (54.9%) attached a “neutral” view; 29.6% “pessimistic” and 15.5% “optimistic”. **For the full-year of 2019**, **only 14.1% of respondents tagged overall business conditions as “optimistic”** while 56.3% were “neutral” and the balance 29.6% having pessimistic views.

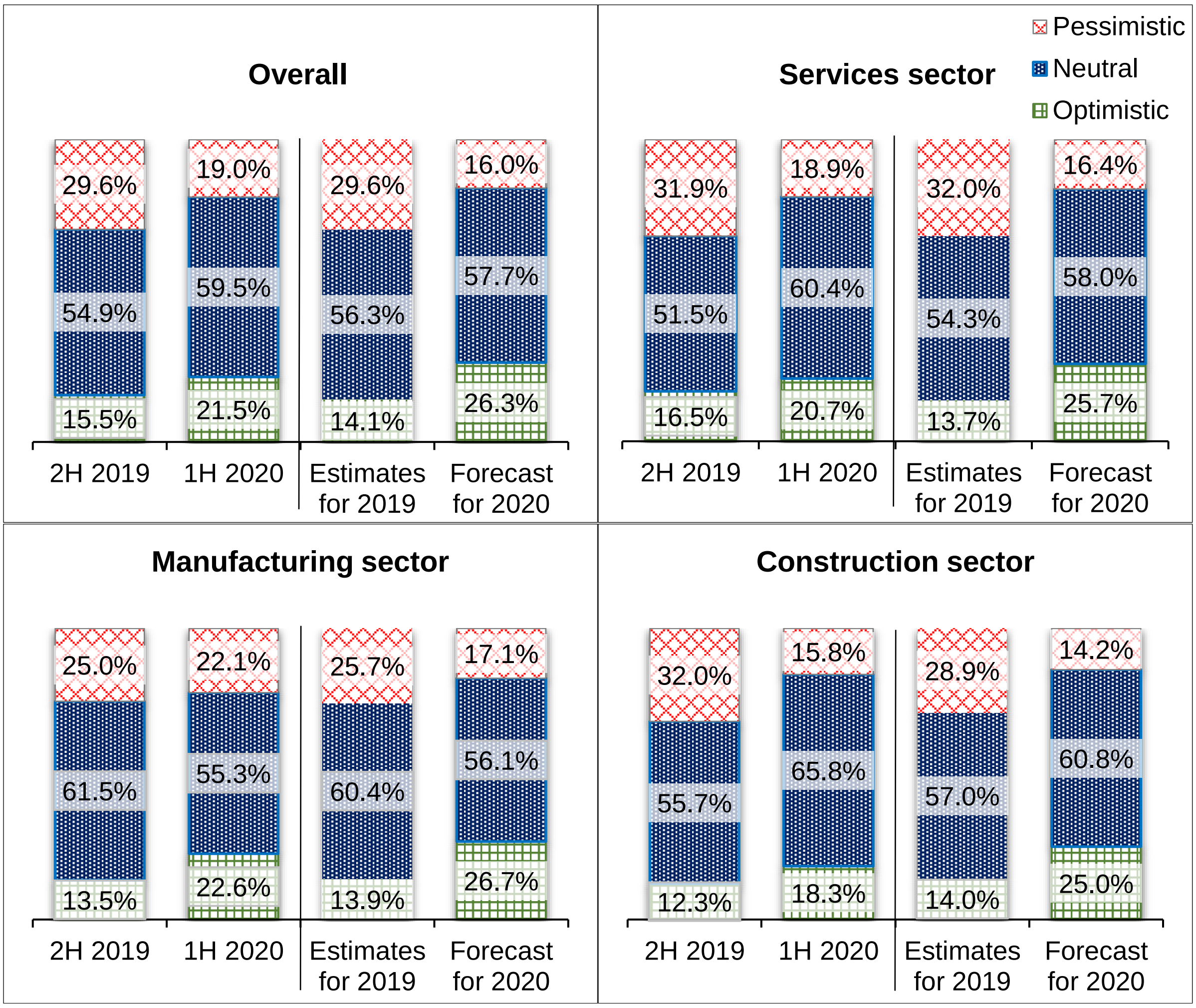
It was observed that in 2H 2019, the trading industry again had the highest number of respondents indicated pessimism (45.9%) about business prospects on worries about the duration and intensity of the trade conflicts between the US and China and its reverberating effect on trade and services; slowing global economic growth; and the health of the US and China economy. Next in line is the real estate (42.4%) on concerns about the lacklustre property market.

Nonetheless, **we observe a shift in pessimism from 2H 2019 to 1H 2020 as there were lesser respondents having pessimistic views** (19.0% in 1H 2020 vs. 29.6% in 2H 2019) and higher respondents view business prospects positively (21.5% in 1H 2020 vs. 15.5% in 2H 2019).

By sector, a neutrality view about business prospects was observed across all major sectors, reflecting respondents’ wariness towards their business prospects from 2H 2019 to 1H 2020. These sectors include manufacturing sector (61.5% in 2H 2019 and 55.3% in 1H 2020), construction sector (55.7% in 2H 2019 and 65.8% in 1H 2020) and services sector (51.5% in 2H 2019 and 60.4% in 1H 2020).

Overall, **Malaysian businesses have a more positive view about 2020’s business prospects** with **a higher percentage of respondents (26.3%) compared to 2019 (14.1%)** while those with pessimistic views is lower by 13.6% points to 16.0% in 2020 vs. 29.6% in 2019. The improved business optimism is reflected across all sectors.

Figure 7: Business prospects in 2019-2020F by major sectors



4. BUSINESS PULSE DIAGNOSIS

4.1 Major Factors Affecting Business Performance

In this section, we ask the respondents to list **at least three** out of 20 external and domestic factors that will likely affect the business performance of various sectors for the period under review (Jun-Dec 2019). The survey results identified the following **top five factors** that would influence and impact their business operations and domestic business environment:

- (I) **Domestic competition (44.8%)**
- (II) **Government policies (43.4%)**
- (III) **Lower domestic demand (43.0%)**
- (IV) **Increase in prices of raw materials (38.3%)**
- (V) **Ringgit's fluctuation (36.1%)**

Other domestic factors cited by most businesses were **domestic political situation** (28.9%), **manpower shortage** (28.2%), **foreign worker levy** (21.3%), **rising transportation costs** (19.4%) and **increase in utility cost** (15.7%).

Figure 8: Top 10 factors affecting business performance

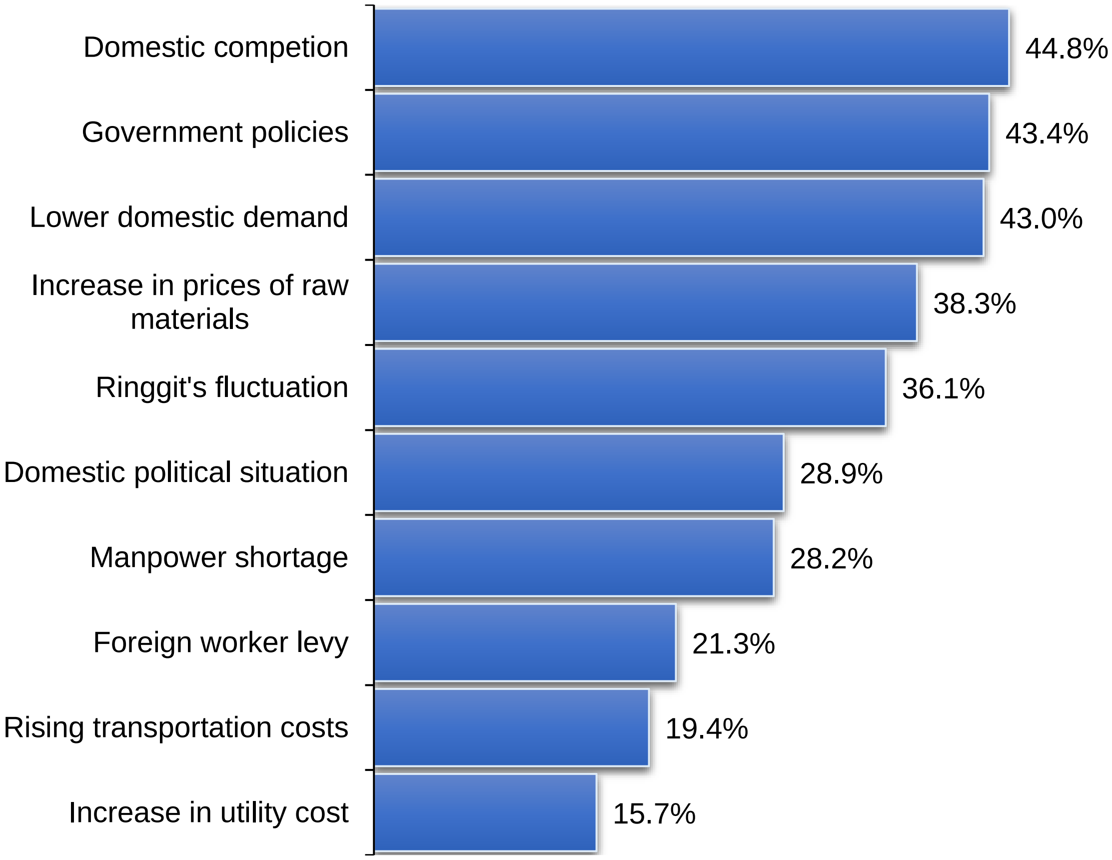


Table 3: Top five factors affecting business performance by selected sectors*

		Domestic competition	Government policies	Lower domestic demand	Increase in prices of raw of materials	Ringgit's fluctuation	Domestic political Situation	Manpower shortage	Foreign worker levy
Wholesale and retail trade	Score (%)	57.3	38.0	53.1	40.4	41.8			
	Ranking	1	5	2	4	3			
Manufacturing	Score (%)		39.3	45.4	54.6			40.3	38.3
	Ranking		4	2	1			3	5
Construction	Score (%)	52.4	39.5	44.4	47.6				37.9
	Ranking	1	4	3	2				5
Professional and business services	Score (%)	39.0	47.0			33.0	33.0	31.0	
	Ranking	2	1			3	4	5	
Trading (imports and exports)	Score (%)	32.3	48.4	45.2	46.8	59.7			
	Ranking	5	2	4	3	1			

** According to highest sample size*

(I) Domestic competition

Domestic competition (ranked by **44.8% of total respondents**) has been consistently rated as the top five factors in previous surveys. As Malaysian SMEs' businesses are highly domestic-market oriented, they are sensitive and heavily influenced by changes in domestic business operating environment, including economic conditions and regulatory requirements In this survey, 83.5% (or 745) of total respondents were domestic-market oriented. Amongst these, 534 or 59.9% of respondents have 100% domestic sales and 166 companies or 18.6% are highly domestic -market orientation (81%-99% domestic sales).

Malaysian SMEs are facing increasing domestic competition pressures in a crowded market space and players not only among Malaysian SMEs but also from external competitors. The survey results showed that the top three sectors which cited "domestic competition" are **transportation, forwarding and warehousing (58.6%), wholesale and retail trade (57.3%) as well as construction (52.4%)**. To maintain their market share, the businesses have started or may have to offer better and quality products at competitive prices as well as provide reliable after-sales services.

Facing competition from larger companies is inevitable and becomes increasingly stiff in some industries such as furniture. While larger companies are able to consistently secure government contracts, SMEs are struggling to survive due to lower chances of getting government's contracts attributed to lower cost competitiveness, limited market access, lack of capital, lower adoption of technology and low capacity utilization rate.

Furthermore, greater openness and liberalisation of domestic market with the influx of foreign players also inflicted stiff competition forces in domestic market, especially in retail and trading. Domestic retailers rely on offline business have borne the brunt of high competition pressure from online operators in the market place, and currently, are being driven to be innovative in marketing and sales in meeting consumers' demand for convenience and speed of delivery. Online-to-offline (O2O) business model has become one of the options for offline business transformation.

To strengthen market position in an increasingly intensified competition environment, stronger financial capital strength is crucial to expand the business venture. A case in point is that Malaysia's home-grown consumer electronic products retailer, Sen Heng, is compelled to seek for listing in Bursa Malaysia to strengthen its financial muscle to enable it to withstand market competition pressure from Chinese e-commerce retailers who are eyeing Malaysian market soon.

(II) Government policies

Government policies is regarded as an equally important factor that would have a tremendous impact on business performance. **It is now ranked by 43.4% of total respondents as the second most impactful factor**, a leap from the fifth placing in the previous survey.

The second highest ranking reinforces **our view that it is important for the Government to consistently foster a stable and conducive business environment for economic growth and business investment**. Besides the 3Cs (Clarity, Consistency and Continuity), businesses want **a competitive tax regime, investment friendly business environment and supportive regulatory landscape**. Last but not least, **an efficient public delivery service**.

Creating expectations about future economic growth is a crucial role for government. This requires a radical shift in economic thinking and bold public polices based on a new changed mindset.

Malaysia is in need of a new economic narrative, a growth narrative to convince Malaysians, domestic and foreign investors that Malaysia has what it takes to move forward and become a competitive high-income nation by 2024.

With rising global complexity and uncertainty in the future, both public and private sectors need to keep abreast as well as adapted to the accelerating flows of globalisation and barriers. The Government's interventions should target specific policy, market and institutional failures that address shortcomings in the labour, product and marketplace. For example, streamline and simplify regulatory requirements, information deficiencies and asymmetries as well as ease cost of doing business.

The immediate priority is to **ease the shortage of foreign workers**. The **proposed amendments to the Employment Laws** must **take into consideration business practicality and not to be over-regulated** amidst a challenging business environment when operating costs are of concern to the business community.

(III) **Lower domestic demand**

Lower domestic demand was ranked as the third most impactful factor affecting business performance, which garnered 43.0% of respondents. This corresponds with the survey findings that 45.1% of respondents have reported lower domestic sales volume and 16.6% of them suffered a drop in sales volume of more than 10.0%.

The sectors that reported “lower domestic demand” are wholesale and retail trade (53.1%), manufacturing (45.4%), trading (45.2%), and construction (44.4%). These industries were mainly either experiencing decreases or “no change” in domestic sales in 1H 2019.

SERC expects consumer spending to increase at a slower rate of 6.8% this year (8.0% in 2018), underpinned by stable labour market condition (unemployment rate at 3.3%-3.4%), continued wage growth as well as Cost of Living Aid (Bantuan Sara Hidup (BSH)). Buying interest in passenger cars continues (8.1% yoy in April and 39.0% yoy in May vs. 8.3% yoy in 1Q 2019), backed by the launching of new car models and Hari Raya festive spending effect. Consumption credit growth improved to 2.2% yoy in May (1.6% in April) and imports of consumption goods grew by 18.9% yoy in April and 10.9% in May respectively.

(IV) **Increase in prices of raw materials**

The fourth ranked factor, **increase in prices of raw materials**, was voted by 38.3% of total respondents. It is worth noting that 67.8% and 66.2% of total respondents reported increases in the cost of local and imported raw materials respectively in 1H 2019. Manufacturing (54.6%) and construction (47.6%) were the sectors that have seen high percentage of businesses reported increases in raw material price.

In 2H 2019, the percentage of businesses that **expect the cost of raw materials either local or imported would remain high at 64.8% and 62.1% respectively**. The sectors with at least 60% of respondents reporting increases in raw material prices in 2H 2019 are construction (73.9%), wholesale and retail trade (66.4%) and manufacturing (65.5%).

Raw material costs usually made up a substantial portion of total production cost and thus, it will affect manufacturing unit price, and subsequently spilling over to the wholesale, trading and retail sectors. If the manufacturers expect rising material costs in 2H 2019, the tendency is that they will increase the selling prices if they are unable to absorb increased cost of production, including raw materials. Nevertheless, in a highly competitive market and also to retain market share, some companies may be forced to absorb the additional costs.

Malaysian FBMKLCI listed companies’ corporate earnings growth had turned negative in 1Q19 (-6.7% yoy; +4.8% qoq) for the third consecutive quarter due to lower earnings from the agribusiness, aviation, chemicals and technology sectors[3]. It is also observed that a number of corporates reported lower earnings primarily due to increasing raw material costs, particularly in the resources, basic materials and consumer goods manufacturing industries.

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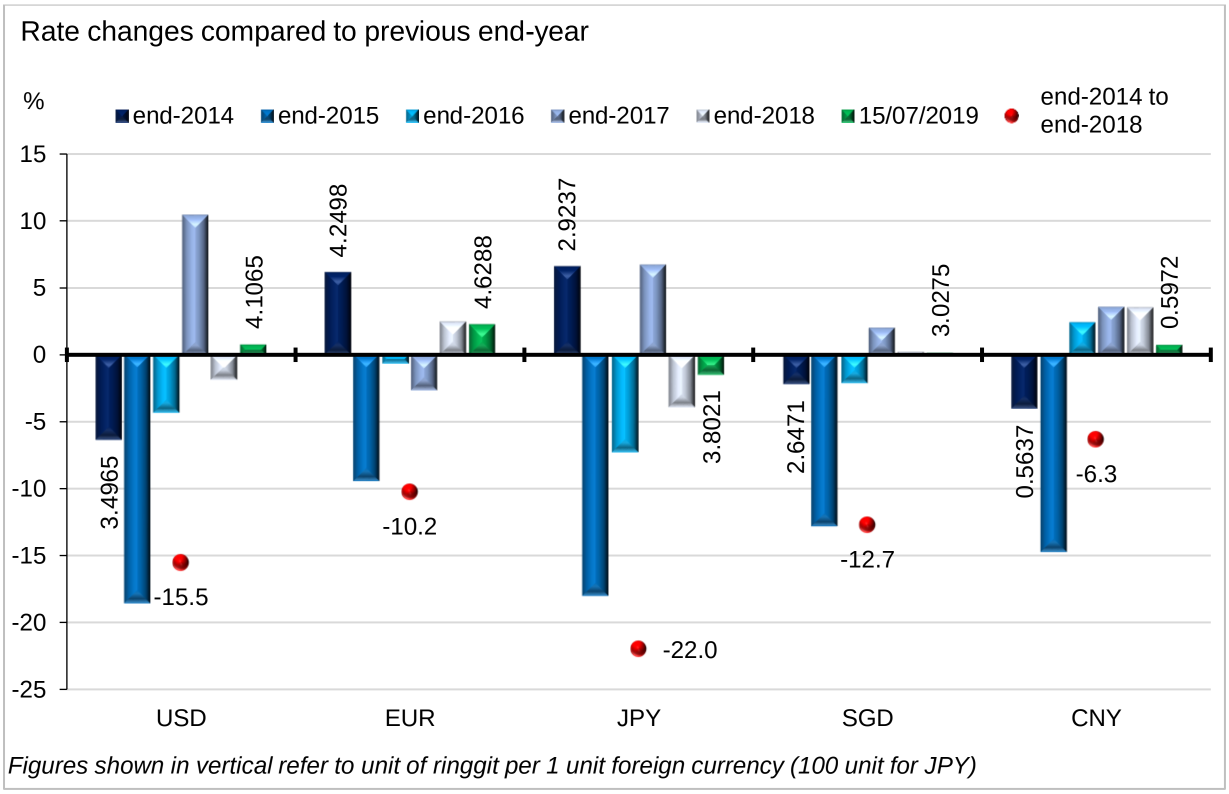
[3] Source: CGS-CIMB Malaysia Strategy Report (3 Jun 2019); the report covers 131 listed companies in Bursa Malaysia.

(V) **Ringgit’s fluctuations**

Some **36.1% of respondents** have cited the **ringgit’s fluctuations** as the fifth factor influencing the business performance. On a cumulative basis since end-2014, the ringgit had depreciated by 15.5% against the US dollar till end-2018. Year to date (15 July 2019), the ringgit has appreciated marginally by 0.8% against the US dollar to RM4.1065/US$1 from RM4.1385/US$1 at end-2018.

A stable performance of ringgit is vital for business planning. The ringgit’s volatility poses a challenge for both exporters and importers in terms of product pricing and capital expenditure planning. As far as importers are concerned, a weak ringgit would result in an increase in the cost of inputs and raw materials for traders and manufacturers that have high import content and cater mainly for domestic market. The sectors citing the ringgit’s fluctuations a dampening factor are **trading (59.7%), tourism, shopping, hotels, restaurants, recreation and entertainment (47.7%), wholesale and retail trade (41.8%), finance and insurance (37.5%) as well as manufacturing (34.2%)**.

Figure 9: The performance of ringgit against major trading currencies



Rate changes compared to previous end-year

Figures shown in vertical refer to unit of ringgit per 1 unit foreign currency (100 unit for JPY)

Source: BNM

For the period of 1 January 2014 to 15 Jul 2019:

	USD	**EUR**	**JPY 100**	**SGD**	**CNY**
Hi	3.1480	3.8689	2.8370	2.5248	0.5114
Low	4.4995	5.1157	4.1436	3.1732	0.7028
Average	3.9495	4.5835	3.5470	2.9173	0.6047
Std Dev	38.0%	26.4%	33.5%	19.5%	4.1%

For the period of 1 January 2017 to 30 Jun 2019:

	USD	**EUR**	**JPY 100**	**SGD**	**CNY**
Hi	3.8580	4.5745	3.5230	2.9396	0.5943
Low	4.4995	5.1157	4.0659	3.1732	0.6526
Average	4.1580	4.7761	3.7454	3.0486	0.6197
Std Dev	15.7%	11.3%	11.5%	6.4%	1.6%

Source: BNM

Year to date (15 July 2019), the ringgit has appreciated against the euro (2.3%), pound sterling (1.8%), the US dollar (0.8%) and Chinese renminbi (0.8%) while depreciated by 1.4% against Japanese yen and 1.1% against Indian rupee. Against major ASEAN currencies, the ringgit appreciated against Vietnamese dong (0.6%) and Singapore dollar (0.2%) but depreciated against Thai baht (4.5%), Indonesian rupiah (3.1%) and Philippine peso (2.1%).

The headwinds and tailwinds for the ringgit would remain given the lingering uncertainties surrounding a slowing global economy, which include a protracted trade tensions; the monetary path of advanced economies; commodity prices outlook; geopolitical risks as well as investors' sentiment about the emerging economies.

The Government and Bank Negara Malaysia must remain highly guarded against the potential impact of capital flows swing on the ringgit through further strengthening of domestic economic and financial resilience, including fiscal stability, debt sustainability and sovereign ratings. This is deemed paramount to support the ringgit's fundamental value and hence, provides the exchange rate stability to facilitate business planning.

4.2 Business Assessment in 1H 2019 and 2H 2019F

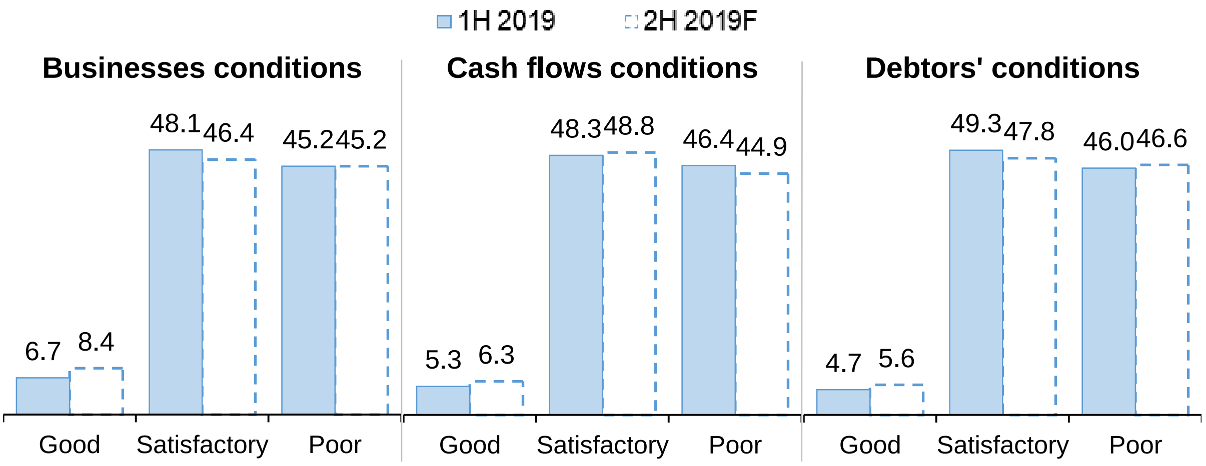
Overall, **businesses are somewhat generally cautious with the business conditions in 1H 2019 and 2H 2019**. **48.1% of total respondents were "satisfactory" and 45.2% cited "poor"** about their business condition in 1H 2019. This indicates a moderate improvement when compared to the previous survey conducted in January to mid-March whereby 42.1% of respondents had expected their business conditions would be "satisfactory" while 48.7% indicated that it would be "poor".

By sector, the **real estate sector** has a **higher percentage of respondents (63.6%) stated "poor" about the business conditions in 1H 2019** compared to the overall of 45.2%. **It turned out to be worse than what they had expected in early of the year 2019** (57.6% of the respondents in real estate sector expected the business conditions would be "poor" in 1H 2019 at the previous survey). Other services industries such as ICT (57.6%), professional and business services (58.0%), and finance and insurance (57.5%) had the most respondents indicated "satisfactory" about their business conditions in 1H 2019.

Accordingly, the number of respondents cited "satisfactory" about their cash flows condition (48.3%) and debtors' condition (49.3%) in 1H 2019 were largely in line with the business conditions. For 2H 2019, almost the same percentage of businesses as in 1H 2019 expect the business conditions (46.4%), cash flows (48.8%) and debtors' condition (47.8%) to be "satisfactory".

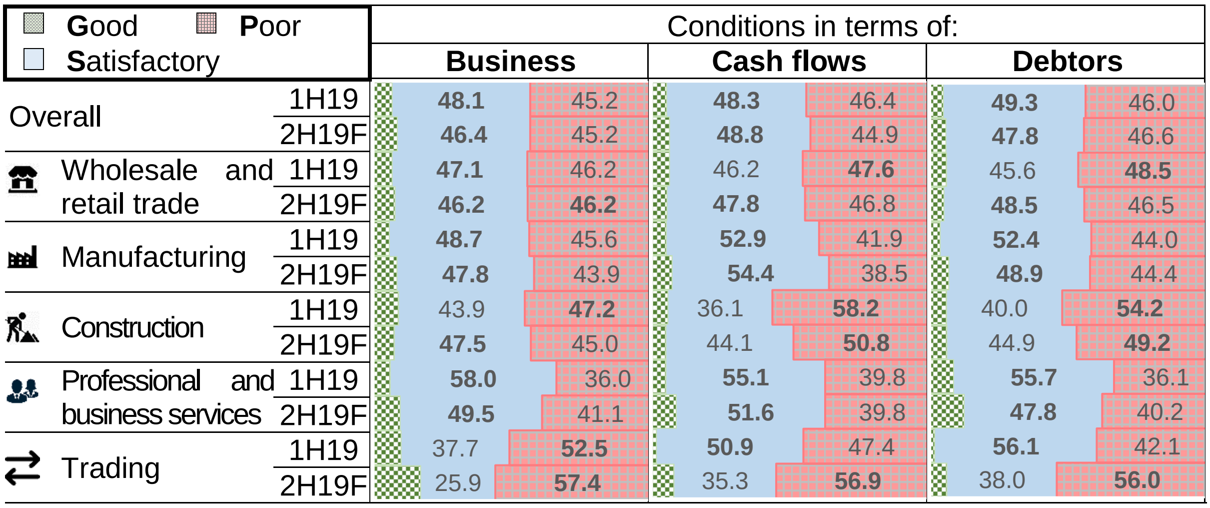
On the capacity utilisation rate, **43.9% of businesses are operating between 50% and 75% capacity utilization rate in 1H 2019**, followed by 31.1% operating at less than 50%. **For 2H 2019**, the **capacity utilisation rate generally will remain status quo** whereby 41.7% of respondents indicated that their plants will operate between 50% and 75% capacity utilisation rate, and 30.3% less than 50% capacity utilisation rate.

Figure 10: Business, cash flows, and debtors’ conditions in 1H 2019 and 2H 2019F



F=Forecast

Figure 11: Business, cash flows and debtors’ conditions by selected sectors*

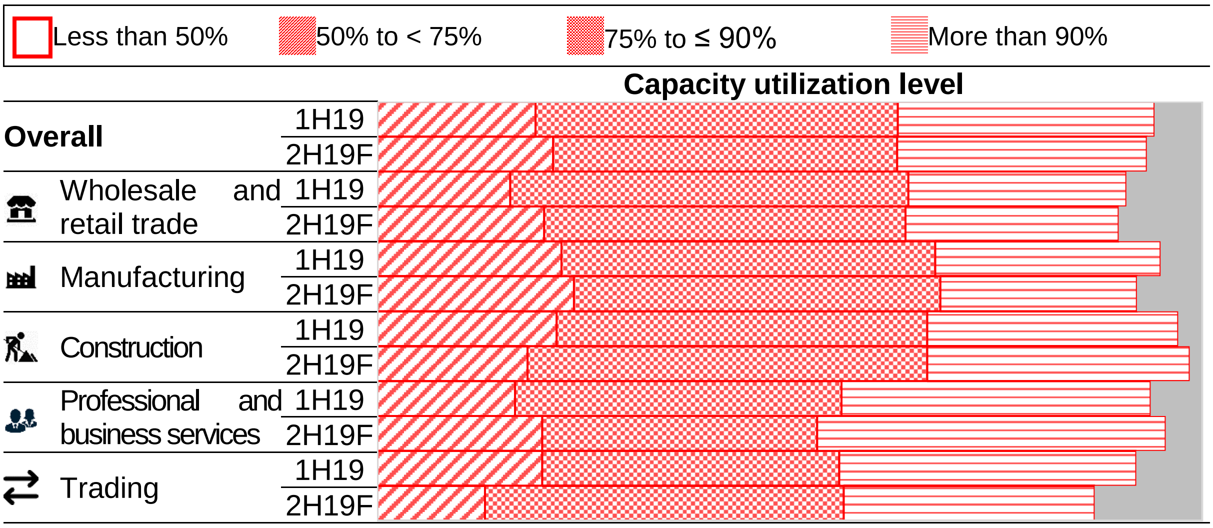


▨ Good ▦ Poor ☐ Satisfactory

		Conditions in terms of:					
		Business		Cash flows		Debtors	
Overall	1H19	**48.1**	45.2	**48.3**	46.4	**49.3**	46.0
	2H19F	**46.4**	45.2	**48.8**	44.9	**47.8**	46.6
Wholesale and retail trade	1H19	**47.1**	46.2	46.2	**47.6**	45.6	**48.5**
	2H19F	**46.2**	**46.2**	**47.8**	46.8	**48.5**	46.5
Manufacturing	1H19	**48.7**	45.6	**52.9**	41.9	**52.4**	44.0
	2H19F	**47.8**	43.9	**54.4**	38.5	**48.9**	44.4
Construction	1H19	43.9	**47.2**	36.1	**58.2**	40.0	**54.2**
	2H19F	**47.5**	45.0	44.1	**50.8**	44.9	**49.2**
Professional and business services	1H19	**58.0**	36.0	**55.1**	39.8	**55.7**	36.1
	2H19F	**49.5**	41.1	**51.6**	39.8	**47.8**	40.2
Trading	1H19	37.7	**52.5**	**50.9**	47.4	**56.1**	42.1
	2H19F	25.9	**57.4**	35.3	**56.9**	38.0	**56.0**

Note: Bold number indicates highest percentage share
*F=Forecast; * According to the highest sample size*

Figure 12: Capacity utilization level in 1H 2019 and 2H 2019F by selected sectors



F=Forecast

4.2.1 Sales performance

4.2.1 (a) Domestic market

Businesses reported poor domestic sales performance in 1H 2019, reflecting the impact of moderating domestic demand. **45.1% of respondents indicated that domestic sales volume has decreased**: 16.6% suffered more than 10.0% decrease in volume, 16.5% decreased by 1.0%-5.0% and 12.0% experienced a decline of 6.0%-10.0%. Despite the decline in sales volume, 38.1% of respondents indicated that their sales prices have remained unchanged while 36.1% of them had an increase in sales prices, with 19.1% reporting 1.0%-5.0% increases.

The **trading sector was the worst performer** as reflected in a high percentage of 62.1% of business operators in this sector had experienced decrease in sales volume, of which 32.8% incurred 1.0%-5.0% reduction in sales volume and 15.5% indicated a drop of more than 10.0% in 1H 2019. Only 24.1% of respondents reported “unchanged” in sales volume compared to overall’s 31.0%. The wholesale and retail trade sector have 50.5% of respondents recorded lower sales volume with 18.8% decreased more than 10.0%.

Going into 2H 2019, overall sales performance is expected to be slightly better when compared to 1H 2019. **A lower percentage of respondents (32.8% vs. 45.1% in 1H 2019) expect their sales volume would continue to decline in 2H 2019**; 38.6% of respondents expect to sustain their sales volume at the level in 1H 2019; and 28.7% anticipate their sales volume will increase in 2H 2019. Nevertheless, some sectors have cautious views about their sales prospects in 2H 2019. The trading and ICT sectors saw 48.2% and 42.4% of respondents respectively expect their sales volume to decline in 2H 2019, followed by manufacturing sector (36.4%).

About half of the respondents from real estate (50.0%), agriculture, forestry and fishery (47.2%) and construction (45.4%) sectors have maintained a cautious stance on sales prospects in 2H 2019 by indicating “unchanged” about their sales volume.

We are worried that stubbornly overhang in the property sector will have a reverberating effect on the economy given that it is an important sub-sector of the construction sector. A protracted consolidation and over-adjustment in the property sector would drag down overall construction sector.

Growth in the construction sector has been languishing in recent quarters, moderating from 8.3% yoy in 2Q 2017 to a mere 0.3% yoy in 1Q 2019. The Department Statistics of Malaysia (DOSM) reported that the value of construction work done in 1Q 2019 pulled back sharply to 0.7% yoy (vs. 4.1% yoy in 4Q 2018) to RM37.4 billion. Nevertheless, it is likely to improve in the quarters ahead, albeit moderately, underpinned by the revival of some large public infrastructure projects, including the RM44 billion East Coast Rail Link (ECRL) and Bandar Malaysia (expected gross development value (GDV) of RM140 billion). With the construction sector supporting the growth of around 140 other downstream industries, a sustained revival of decent growth would have positive spin-off effects on the economy.

With rising operating costs (minimum wage and utility costs) and compliance costs amid unresolved outstanding manpower issues such as the shortage of foreign workers coupled with weaker economic conditions, businesses in the construction sector are still cautious about business outlook in 2H 2019 with only 7.5% of respondents feeling good about the business conditions in 2H 2019.

4.2.1 (b) Overseas market

Export sales performance was generally moderate and relatively flat in 1H 2019, reflecting softening global demand on slowing economic growth in major advanced economies and emerging markets. A total of 25.2% and 29.2% respondents reported that their overseas sales volume and prices have increased respectively in 1H 2019; however, 12.5% and 15.4% of businesses had minor sales volume and prices increases of 1.0%-5.0% respectively and only 4.4% and 4.6% claimed their sales volume and prices have increased by more than 10.0% respectively. A larger number of respondents (43.9% and 46.2% respectively) reported "unchanged" sales volume and prices respectively in 1H 2019, reflecting uneven and slower export growth in the first five months of 2019. May's exports grew by 2.5% yoy (1.1% yoy in April) after two consecutive months of contraction, bringing a cumulative marginal increase of 0.3% yoy in Jan-May 2019.

Nevertheless, **businesses have a more optimistic view for 2H 2019 in which 30.8% (vs. 25.2% in 2019) of them envisage their overseas sales volume will increase**: 15.6% expect a 1.0%-5.0% increase and 10.9% anticipate an increase of 6.0%-10.0%. The number of respondents who expect overseas sales prices to increase in 2H 2019 is maintained at about one-third of total respondents, approximately close to the percentage of respondents reporting increased overseas sales prices in 1H 2019 (29.7% vs. 29.2% in 1H 2019).

The finance and insurance sector are **the most outstanding sector in terms of overseas sales performance** in which 47.4% of respondents stated that they recorded higher overseas sales volume in 1H 2019. It is 7.9% points higher than domestic sales volume within the sector where 39.5% of respondents delivered better domestic sales performance in 1H 2019, indicating that overseas market offered greater business opportunities for the finance and insurance sector compared with domestic market. For 2H 2019, we observe continued high percentage of businesses in finance and insurance sector (42.1%) expects their overseas sales volume to grow further with 21.1% of them envisaging a 6.0%-10.0% increase.

The ICT sector also exhibits better than an average number of respondents (35.7% vs. overall 25.2%) reporting increased overseas sales volume. As in the finance and insurance sector, ICT sector's overseas sales performance is significantly better than domestic sales within the sector. For domestic sales volume, only 21.9% of respondents had reported higher domestic sales volume in 1H 2019 but as high as 50.0% of businesses suffered lower domestic sales volume. In contrast, a fewer number of respondents (30.8%) envisage their overseas sales volume will increase in 2H 2019, and none of them expect it to achieve more than 10.0% growth.

The **manufacturing sector** has performed relatively well among non-services sectors with 25.2% (on par with overall 25.2%) revealed that **their overseas sales volume had increased in 1H 2019**. However, there is higher than overall percentage (39.9% vs. overall 30.9%) of respondents reported decreased sales volume in 1H 2019. **A slightly higher percentage (30.7% vs. 25.2% in 1H 2019)** of respondents envisage **overseas sales volume will increase in 2H 2019**.

Figure 13: Domestic and overseas sales (volume and price) in 1H 2019 and 2H 2019F

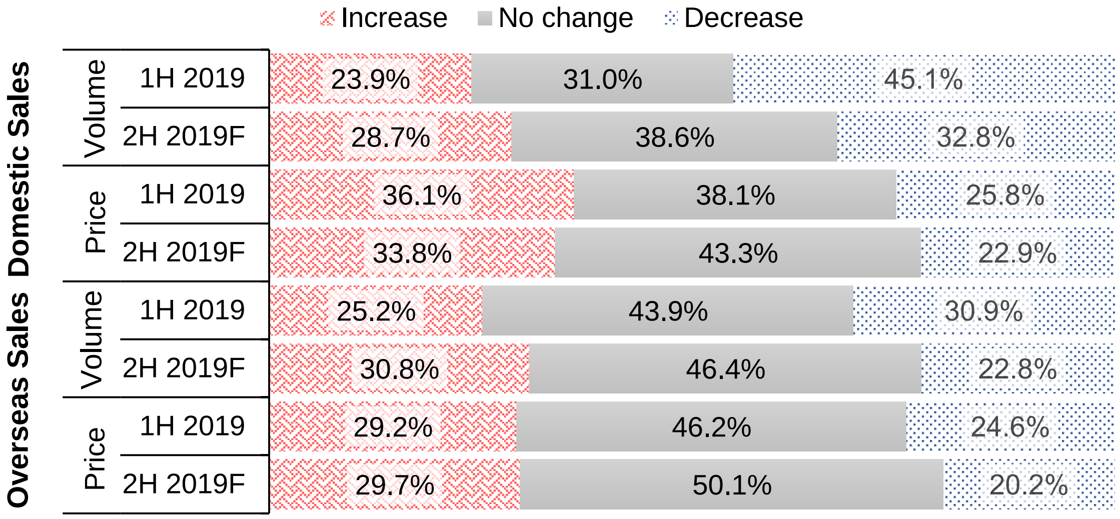


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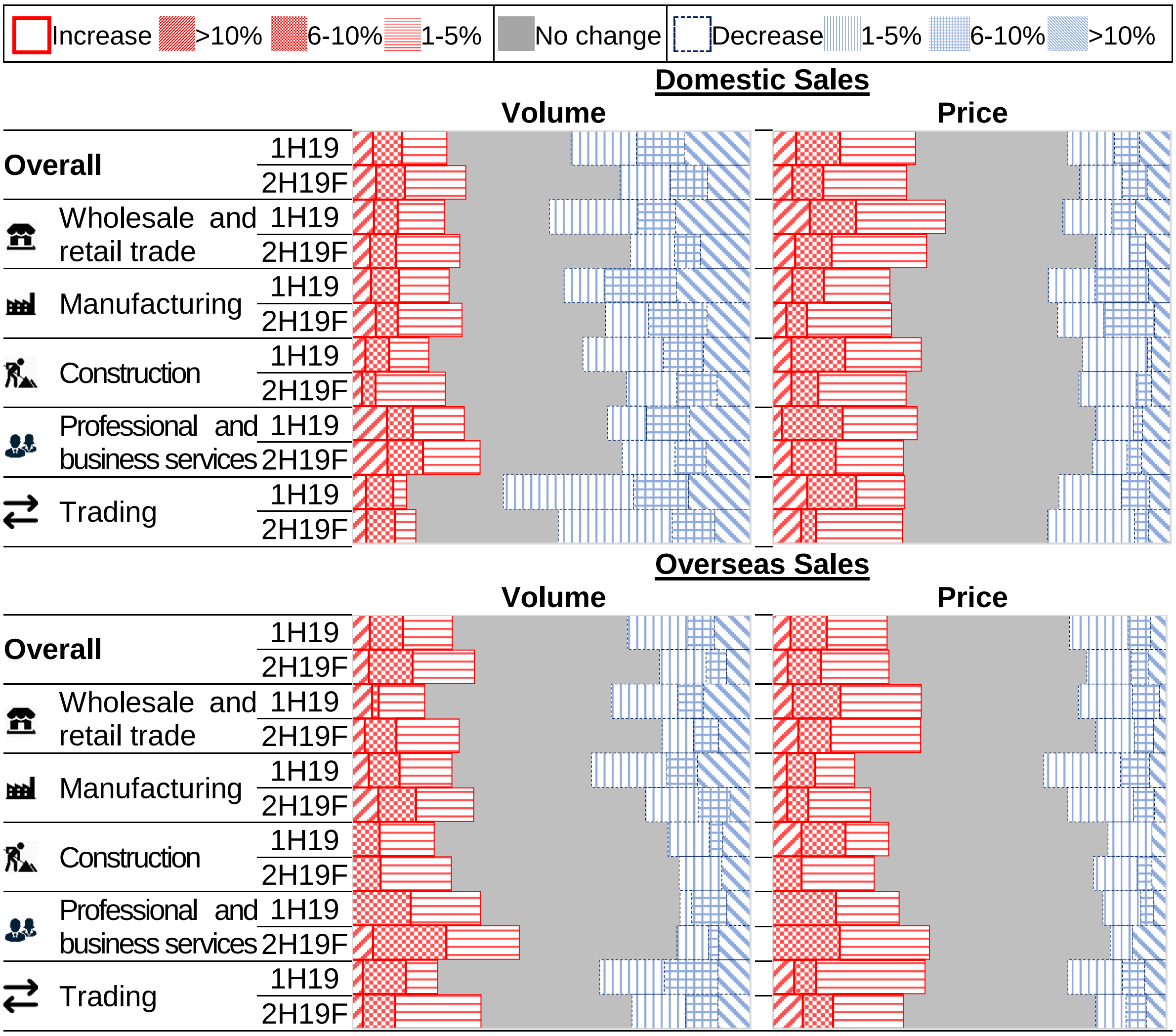
Figure 14: Domestic and overseas sales (volume and price) in 1H 2019 and 2H 2019F by selected sectors



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4.2.2 Business operations

On business operations, **more businesses have reduced their production in 1H 2019 (33.1%)** compared to those who have scaled up their production (27.3%) whereby 12.3% of them reported lower production in the range of 1.0%-5.0% and 10.9% of respondents indicated that production had decreased by more than 10.0%. In line with domestic and overseas sales volume projection, **31.7% of respondents indicated that they are planning to increase production in 2H 2019** whereas 28.9% of respondents may reduce their production.

Owing to a critical shortage of foreign workers, some Malaysian SMEs have to forgo sales orders diverted from the US-China's trade tensions. Some SMEs have claimed that their applications for hiring foreign workers were often rejected by the Ministry of Home Affairs[4]. With effect from 1 July 2019, the Foreign Workers Replacement System to all sectors was reinstated via Check-Out Memo (COM) to ease the critical shortage of foreign workers in our country. However, employers seeking to replace their foreign workers are required to go through the similar process as the new application for foreign workers, and hence causes delays in the whole Foreign Workers Replacement System. Such delay will further aggravate the already critical situation the employers are enduring due to shortage of workers. Insufficient manpower could be one of the key factors that constraining SMEs to expand their production to meet increased orders from the US-China's trade tensions-induced trade flows diversion.

Consistent with the production conditions, **33.0% of respondents reported that their inventory levels have piled up in 1H 2019** while 25.7% cited lower inventory levels. On the capacity utilisation rate, 43.9% of the businesses operate at between 50% and 75% capacity utilization rate in 1H 2019.

Amongst the sectors, the trading sector has the highest number of respondents (41.7%) indicated decreased production in 1H 2019 with 22.2% of them reduced production by 1.0%-5.0%, and 16.7% had reduced by more than 10.0%. This is followed by the manufacturing sector, which has 40.5% of respondents had reduced production, of which 14.5% respondents claimed that their production was slashed by more than 10.0%.

Businesses in trading sector (42.4%) mostly expect that production will continue to decline in 2H 2019; however, a majority of respondents with pessimism sentiment (36.4%) also estimated that production will only be falling by between 1.0% and 5.0%. In contrast, businesses in the manufacturing sector are more optimistic with the business prospects in 2H 2019 as more businesses (34.1% vs. 27.2% in 1H 2019) indicated that they are planning to increase production while lesser respondents (31.7% vs. 40.5% in 1H 2019) will reduce their production.

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[4] With effect from 1st September 2018, Ministry of Home Affairs has notified employers that the recruitment of Bangladesh foreign workers via Sistem Pengurusan Pekerja Asing (SPPA) has been put on hold. Meanwhile, Ministry of Human Resources explained that the Government did not freeze the foreign worker hiring but many applications that did not adhere to the law have been rejected.

Figure 15: Production and inventory or stock level in 1H 2019 and 2H 2019F

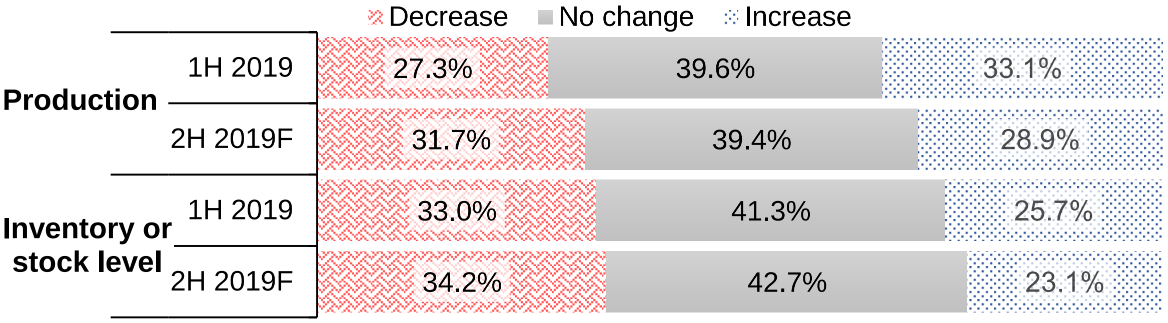

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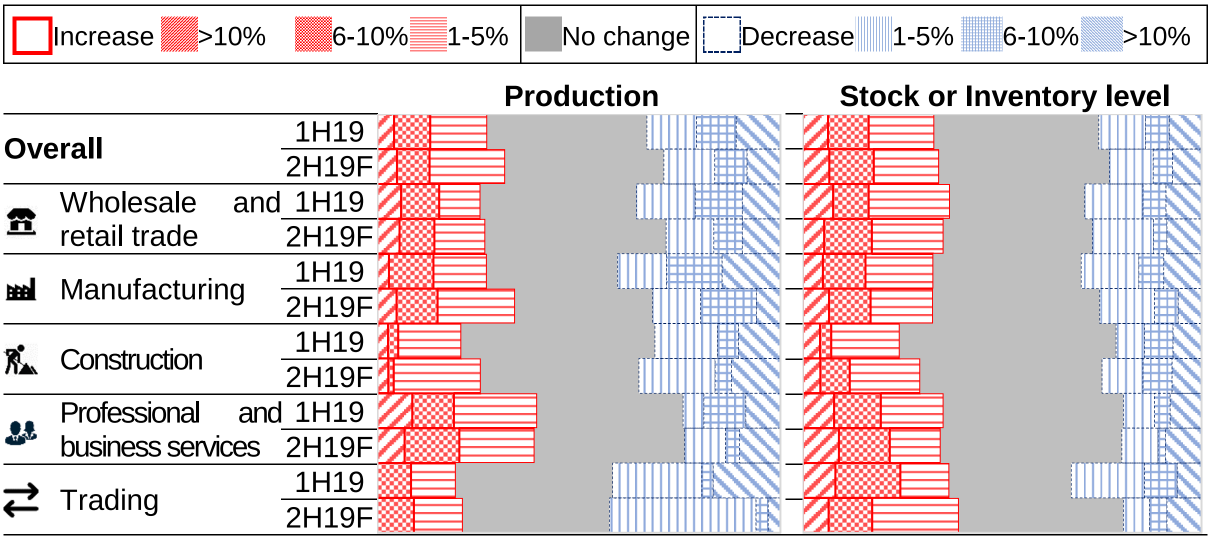
Figure 16: Production and inventory or stock level in 1H 2019 and 2H 2019F by selected sectors



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4.2.3 Cost of raw materials

This survey results showed that **67.8% and 66.2% of respondents reported increases in the cost of local and imported raw materials respectively in 1H 2019**. Of this, 23.6% and 27.0% of businesses reported that local and imported raw material prices have increased by between 6.0% and 10.0% respectively. **An equally high percentage of businesses anticipate the cost of local (64.8%) and imported raw materials (62.1%) will continue to increase in 2H 2019** while 28.8% and 31.5% indicated that the cost of local and imported raw material prices would stay at the current level respectively.

"Increase of raw materials prices" is the fourth most concern factor affecting business performance ranked by the respondents. From a wider perspective, the price of raw materials per se may not be the sole contributory factor to rising cost of raw materials for businesses, the transaction cost incurred in the raw materials market is also a main culprit, which has been climbing up owing to the cost of doing business, particularly in labour and operational costs. It is also caused by the cumulative effects of weakening ringgit and hence, resulted in higher imported cost.

The sectors which have the highest number of respondents that reporting increases in raw material prices were transportation, forwarding and warehousing (85.7%), tourism, shopping, hotels, restaurants, recreation and entertainment (79.3%), construction (78.9%), real estate (70.4%) and manufacturing (68.0%). Businesses expect the cost of local and imported materials to increase in 2H 2019 in which **52.7% and 47.8% of total respondents anticipate the cost of raw materials will increase by between 1.0% and 10.0%**.

Figure 17: Cost of raw materials in 1H 2019 and 2H 2019F

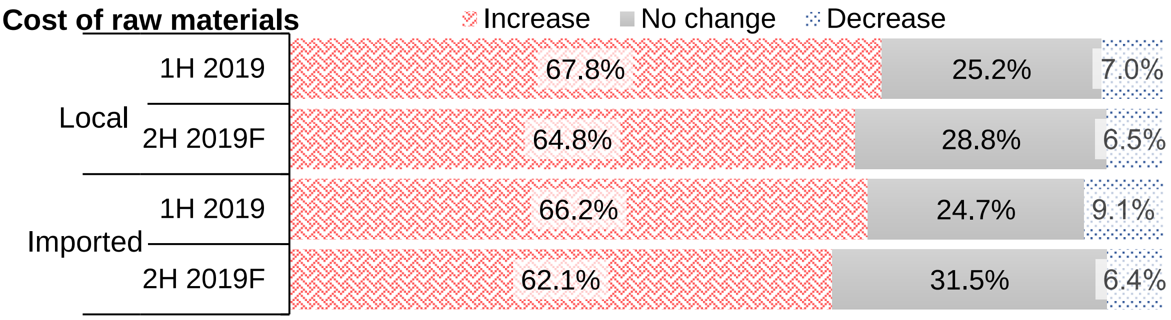

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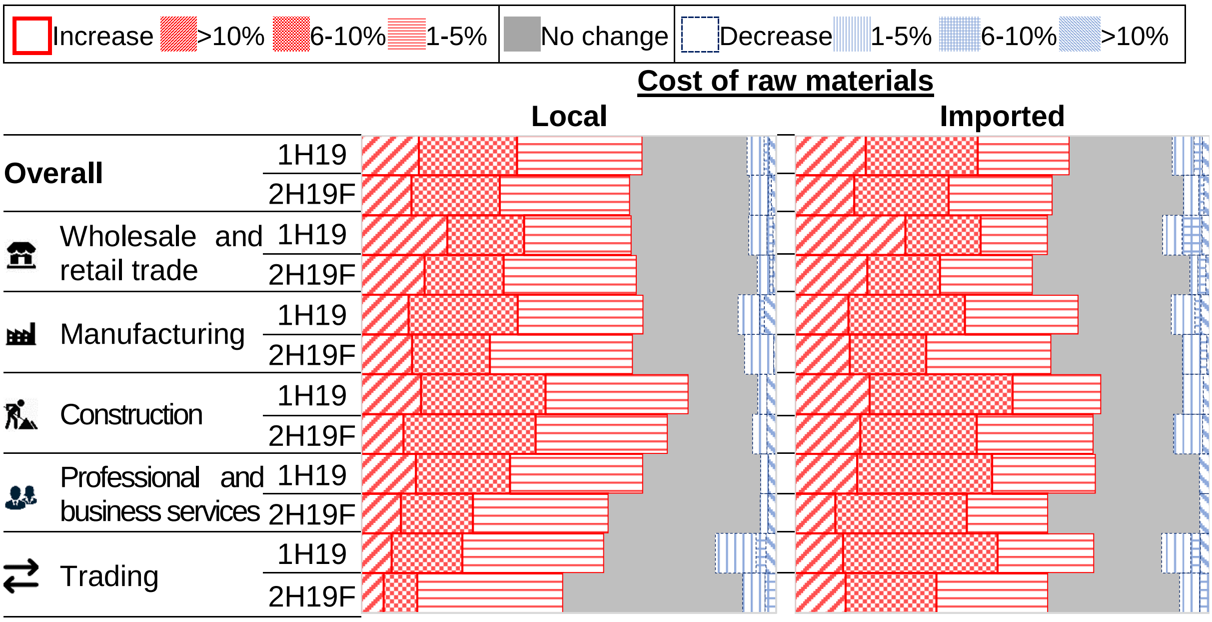
Figure 18: Cost of raw materials in 1H 2019 and 2H 2019F by selected sectors



F=Forecast

4.2.4 Manpower

More than half of total respondents (56.9%) reported that the number of employees remained unchanged in 1H 2019. However, on a positive note, 24.6% of respondents have expanded their manpower in 1H 2019, which was higher than the number of respondents who have decreased the number of workers (18.4%).

For 2H 2019, a higher percentage of respondents (61.0%) expect "no change" in their manpower number in 2H 2019 while 24.1% of employers who indicated the intention to hire more staffs. While some 14.5% of businesses have increased their headcount by between 1.0%-5.0% in 1H 2019, 15.1% of employers will expand their manpower in the same range for 2H 2019. This corresponds with the stable labour market conditions in Malaysia where the unemployment rate had remained relatively stable at 3.3%-3.4% in the period Jan-May 2019.

The transportation, forwarding and warehousing, ICT, and finance and insurance sectors saw higher percentage of businesses increased employment at 46.4%, 36.4% and 34.2% respectively in 1H 2019. These three sectors would continue to provide employment in 2H 2019 with 42.9%, 39.4%, and 30.6% of respondents respectively indicated that they will increase manpower.

The local labour market is expected to remain strong in 2019, particularly for demand of high-skilled manpower. As an effort to adopt Industry 4.0, the Government plans to increase the proportion of skilled workers in the manufacturing sector from 18% in 2016 to 35% in 2025. In addition, CEIC data shows that the biggest demand in jobs have been from agriculture, forestry and fishing, manufacturing, and construction.

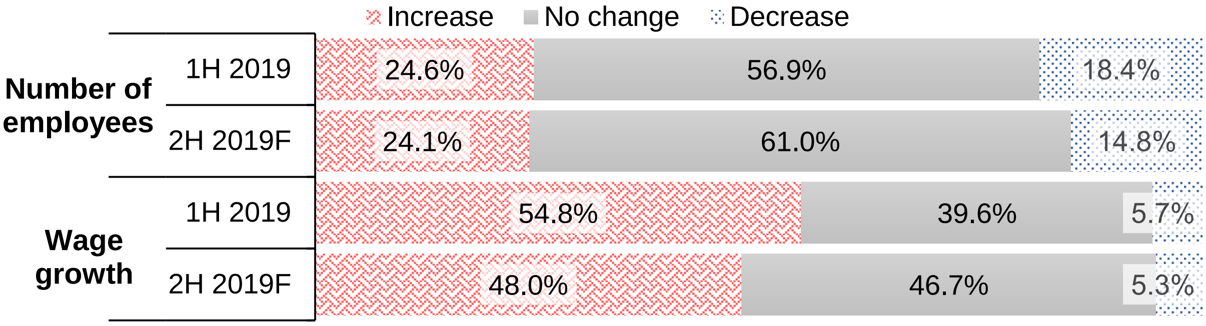
From the job type perspective, the critical occupation list 2018/2019 published by Talent Corporation Malaysia indicated that skilled-labor, especially manager position, including managing director and chief executive, finance manager, human resource manager, policy and planning manager, business service manager, business service and administrative manager, sales and marketing manager, advertising and public relations manager, research and development manager and manufacturing manager, are the top 10 most wanted talent among 59 occupations.

On the **wage growth**, **more than half of respondents (54.8%) indicated that they had increased wages in 1H 2019**, with **47.8% of employers giving a salary increment by between 1.0% and 10.0%**, followed by 7.0% giving more than 10.0%. Only 5.7% of employers had decreased the wage of their workers and the others (39.6%) remained "unchanged".

For 2H 2019, the percentage of businesses indicated that they will be giving higher salary increment to their employees have declined to 48.0% compared to 1H 2019. The number of employers who stated "no change" for 2H 2019 has increased substantally to 46.7%, indicating that businesses have adopted a more cautious view on hiring in 2H 2019.

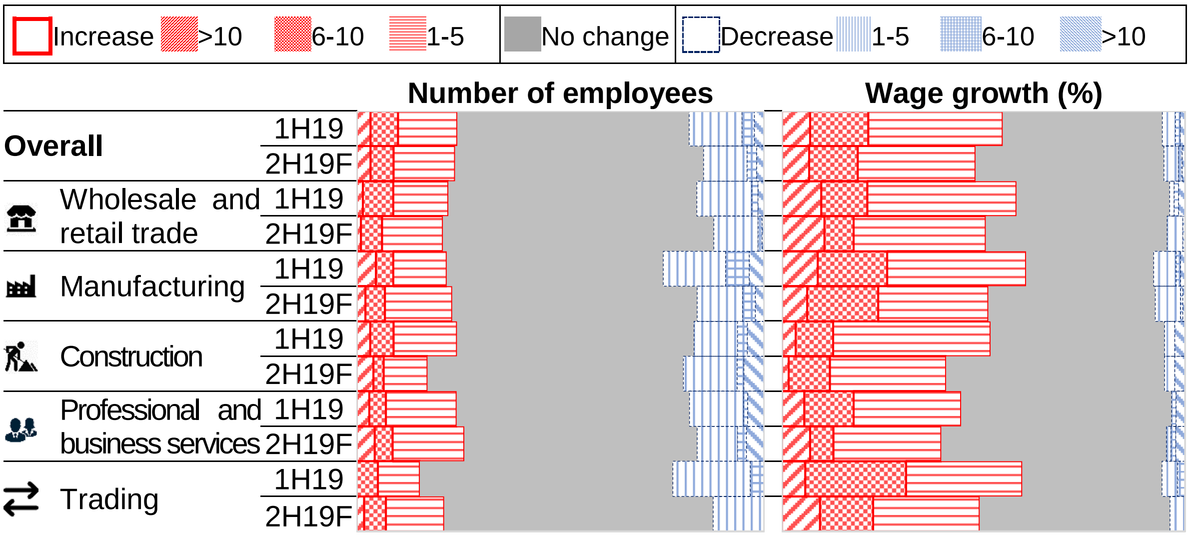
The **top three sectors envisage higher wage growth in 2H 2019** are **transporation, forwarding and warehousing (63.0%), finance and insurance (54.8), and manufacturing (51.1%)**. The Malaysian Employers Federation (MEF)'s Salary Surveys for Executives and Non-Executives forecasted overall average salary increases for executives in 2019 is 4.86% (4.88% in 2018) and for non-executives is 4.89% in 2019 (4.88% in 2018).

Figure 19: Number of employees and wage growth in 1H 2019 and 2H 2019F



F=Forecast

Figure 20: Number of employees and wage growth in 1H 2019 and 2H 2019F by selected sectors



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4.2.5 Capital expenditure

Businesses' cautiousness about their capex spending plans in 2H 2018 has turned somewhat positive in 1H 2019 whereby **more than half of total respondents (58.8%) have increased their capital expenditure**, leaving only 6.1% and 35.1% of them were either maintained or lowered the spending on capital investment respectively.

The increase in capital expenditure may be partly aided by the GST and income tax refunds which started paying out in 2019. According to Ministry of Finance, a total of RM17.1 billion of GST and income tax refund has been disbursed as at end-April 2019. Our previous M-BECS results revealed that 62.3% of total respondents are expected to utilise 1.0%-10.0% of tax refunds from GST and income tax for capital investment or spending while 32.5% of respondents will spend 11.0% to 30.0%.

Malaysia's private investment growth has displayed weakening trend in recent years. Private investment's momentum had moderated from 12.1% pa in 2011-15 to 5.9% pa in 2016-18. It pulled back sharply to 0.4% in 1Q19 from 5.8% in 4Q18 (4.3% in 2018 vs. 9.0% in 2017). Private investment indicators were mixed: Sales of commercial vehicles contracted by 9.3% in April though narrowed from -14.9% in 1Q19; while imports of capital goods turned around to grow by 5.7% in April compared to a sharp decline of 9.8% in 1Q.

Going forward, the percentage of businesses planning to increase capital expenditure is expected to maintain at a relatively high percentage (55.5%) for 2H 2019 with 30.4% of total respondents will increase their capital expenditure by between 1.0% and 5.0%. This suggests that the businesses may be starting to have a clearer approach about the business strategy and planning ahead and intend to invest for long-term.

By sector, **a high percentage of respondents in the transportation, forwarding and warehousing (82.6%), wholesale and retail trade (61.3%), and trading (58.0%) sectors have reported an increase in capital expenditure in 1H 2019** and these sectors indicated their plans to continue spending more in capital investment in 2H 2019 (85.0%, 57.1%, and 61.7% respectively). On the contrary, professional and business services (42.7%), and finance and insurance sectors (41.9%) have higher percentage of respondents maintained their capital expenditure in 1H 2019 and would continue to remain status quo in 2H 2019.

Figure 21: Capital expenditure in 1H 2019 and 2H 2019F

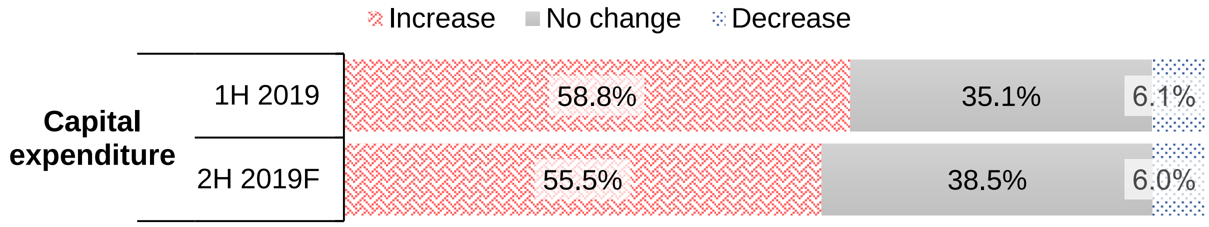

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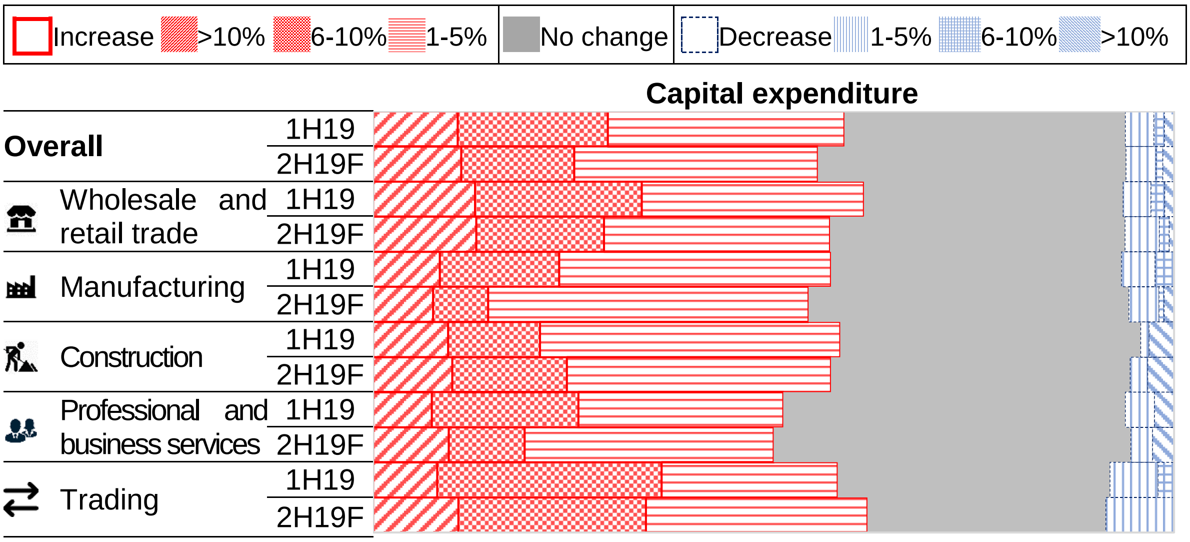
Figure 22: Capital expenditure in 1H 2019 and 2H 2019F by selected sectors



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5. CURRENT ISSUES

We have gauged the respondents' feedback and opinions on two prominent issues, i.e. (a) **Tourism**; and (b) **Domestic Direct Investment (DDI)**.

5.1 Tourism – Harness the Untapped Potential

According to the World Travel and Tourism Council (WTTC), travel and tourism activities in Malaysia has accounted for 13.3% of GDP in 2018 and contributed 11.9% of total employment.[5]

Malaysia has what it takes to be a truly competitive tourist destination in Asia, "Malaysia, Truly Asia" offers its alluring mixture of nature, tropical beaches, vibrant culture and multi-languages, savoury food of Malaysia's multi-racial and ethics as well as modern cities to bring in tourists from the region. Each of Malaysia's thirteen states has its scenic spots and beautiful sight to boast of.

Malaysia is stepping up its promotions this year in preparation of the **Visit Malaysia Year 2020 (VMY 2020), a landmark campaign that is targeted to bring in 30 million foreign tourists and RM100 billion in tourist receipts**. Meanwhile, the Ministry of Tourism, Arts and Culture (MOTAC) is targeting for 28.1 million tourist arrivals and RM92.2 billion tourist receipts in 2019, an increase of 8.8% from 25.8 million tourists and 9.6% higher from RM84.1 billion in 2018 respectively. **In the first five months of 2019, tourist arrivals increased by 4.8% yoy to 11.0 million persons while tourism receipts also jumped by 16.9% yoy to RM21.4 billion in the first quarter of 2019**.

Malaysia's tourism industry had enjoyed 10.8% pa growth in tourist arrivals in 2001-2007, with the exception of the year 2003 saw a sharp decline of 20.6% in the number of tourists due to the outbreak of SARS in Asia. However, the pace of tourist arrivals has pulled back sharply to an average growth of 1.9% pa in 2008-2018. In 2018, Malaysia's tourist arrivals of 25.8 million persons fell short of its target (revised target of 26.4 million vs. original target of 33.1 million), marking the eight consecutive year that it has missed its projection.

Amongst the reasons contributed to moderating tourist arrivals were higher Vehicle Entry Permit (VEP) fees and long unresolved congestion for border crossing between Malaysia and Singapore, tragic air disasters in 2014 and several kidnapping cases in east coast of Sabah, and lack of new catalysts to boost the tourism sector.

As our neighbours are catching up fast and continuously refine their offerings of tourism products, Malaysia is facing increased competition for tourists from the region and the West to boost their spending on leisure and travelling. In efforts to target new markets and products' diversity, China, India and the Middle East are the prime markets for Malaysia's tourism sector.

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[5] This data includes the direct, indirect and induced impact of travel & tourism.

The tourism industry is now the fifth largest economic sector in Malaysia, generating a total foreign exchange earnings of RM84.1 billion or 5.9% of GDP in 2018. Tourism receipts have increased by 5.4% pa from RM49.6 billion (6.4% of GDP) in 2008 to RM84.1 billion (5.8% of GDP) in 2018. It also yielded strong multiplying effects on domestic sectors such as restaurants, accommodation services, retail businesses and shopping mall as well as some niche markets like medical services and meetings, incentives, conferences and exhibitions (MICE) industry. The tourism-related services (wholesale, retail trade, accommodation, food and beverages, transport and storage as well as information and communication) made up 27.8% of total GDP.

The questions raised are: a) **Has Malaysia done enough to harness the fullest potential of tourism and related business opportunities?** and (b) **Is Malaysia losing its competitiveness to neighbouring countries** in terms of promotional efforts, tourism products and the standard of hospitality sector?

The World Economic Forum (WEF) cited that Malaysia has not been putting sufficient priority to the travel and tourism industry compared to many others in the region. Throughout the period 2001-2018, **tourist arrivals in Malaysia had grown by 4.2% pa to 25.8 million in 2018** from 12.8 million tourist arrivals in 2001, which was lower compared to 14.7% pa in Cambodia, 11.8% pa in Vietnam, 11.3% pa in Laos, 8.4% pa in Philippines, 8.2% pa in Thailand, 6.8% pa in Indonesia and 5.4% pa in Singapore over the same period.

Q1: Below are two statements refer to GENERAL OPINION ABOUT THE TOURISM SECTOR. For each statement, please indicate to what extent you agree with it.

A. When asked whether "**Malaysia has not harnessed the full potential of tourism**", a high percentage of **78.2% of respondents voted** "**Completely agree**" **(52.2%) and "Agree" (26.0%)**. This goes to show that **businesses were widely concurred that Malaysia has not done enough to tap the vast potential of tourism related business opportunities**. This is also echoed by 79.5% of respondents from the tourism-related industries, namely tourism, shopping, hotels, restaurants, recreation and entertainment industry (cited as "tourism-related sector" thereafter) and 83.0% of respondents from wholesale and retail trade sector.

B. For the statement of "**Malaysia's tourism is lagging behind its neighbours"**, **81.0% of respondents voted "Completely Agree" and "Agree",** with 84.1% of respondents from tourism-related sector and 83.0% of respondents from wholesale and retail trade sector having the same views. Malaysia needs to stay ahead of the curve in capturing the lucrative travel and tourism sector as the sector continues to grow, new markets open up, and more people have the opportunity to travel, higher income and hence, bigger spending power, especially from the fast growing middle-class and upper middle-class households in China, India, Vietnam and Thailand.

Figure 23: Rating for "Malaysia has not harnessed the full potential of tourism"

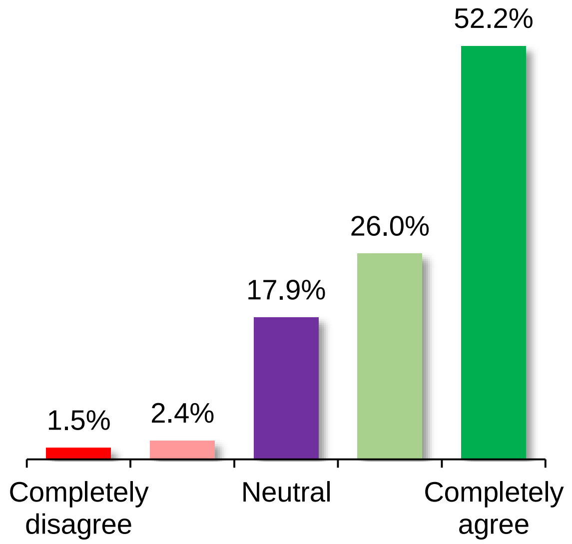
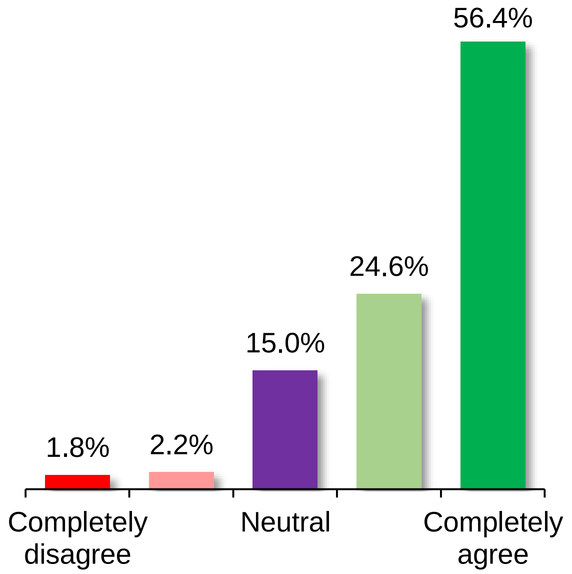


Figure 24: Rating for "Malaysia's tourism is lagging behind its neighbours"



Q2: Please indicate HOW IMPORTANT each of these elements for tourism development.

Respondents were asked for their opinion on **11 selected elements (basic elements; infrastructure and facilities; types of tourism)** for tourism development. The results revealed that all the eleven elements were very important, especially the basic elements such as safety and security and cleanliness of the tourism destination as well as the infrastructure and facilities such as local transportation service and connectivity.

A. Basic elements for tourism development

Despite Malaysia was ranked 2nd in terms of visa convenience, the Government should consider to review the entry of travellers from countries still requiring a visa to enter Malaysia, particularly tourists from China and India.

Simplified visa rules, the rollout of e-visas or visa-exemption are crucial to facilitate and ease entry of travellers and tourists. Thailand and the Philippines are taking active steps to attract China tourists. The Government can consider to (i) **Extend the Electronic Travel Registration & Information (eNTRI), a non-visa facility for China and India travellers until 2020 and also increase the maximum number of travelling days from 15 days to 30 days** or (ii) **Grant visa-exemption for China and India**. Indonesia has enjoyed strong double-digit growth of tourist arrivals from China and India following the granting of visa-free to tourists from these two countries.

To ease concerns over China tourists overstaying in Malaysia, the Government can **enhance intelligence collection and step up enforcement operations** against those intermediaries and agents who aid and abet the tourists and travellers overstayed their visas. Another suggestion is to **implement a one-year observatory period of visa exemption to monitor and assess the situation before going into full swing**.

It is noteworthy that tourists from China and India had spent RM685.10 per diem and RM678.90 per diem respectively in 2018, which is higher than overall of RM501.10 per diem. In terms of per capita spending, tourists from China's (2018: RM4,179) and India's (2018: RM4,617) spending power were higher than national average tourist per capita spending of RM3,257.

In terms of safety and security as well as overall cleanliness and hygiene, Malaysia ranked 91st and 108th respectively in WEF Travel & Tourism Competitiveness Index 2017. The incidents of several bag snatchings and kidnapping cases that gone viral on internet have dented the image of Malaysia as a safe tourism destination. The Government should restore the country's reputation through more publicity and stepping up the surveillance of tourists' travelling safety.

B. <u>Infrastructure and facilitation for tourism development</u>

As airport is the first touch point for tourists when landing in Malaysia, we should prepare more ground staffs to assist foreigners as not all tourists are English-speaking or familiar with the language. **Front-services counters at airports must be enhanced with the support of well-staffed and offer friendly services as well as can speak a few languages**. Customer satisfaction surveys and detectors should be set up in the tourism information centres, immigration counter at airports, e-hailing, taxis and hotels to obtain feedback and suggestions on how to further improve our delivery and hospitality services.

As Malaysia has a good air transportation infrastructure, there is a need to continue improving the ground and port infrastructure as the quality of road and railroad density is not very encouraging in terms of ranking of tourism competitiveness.

Figure 25: Basic elements for tourism development

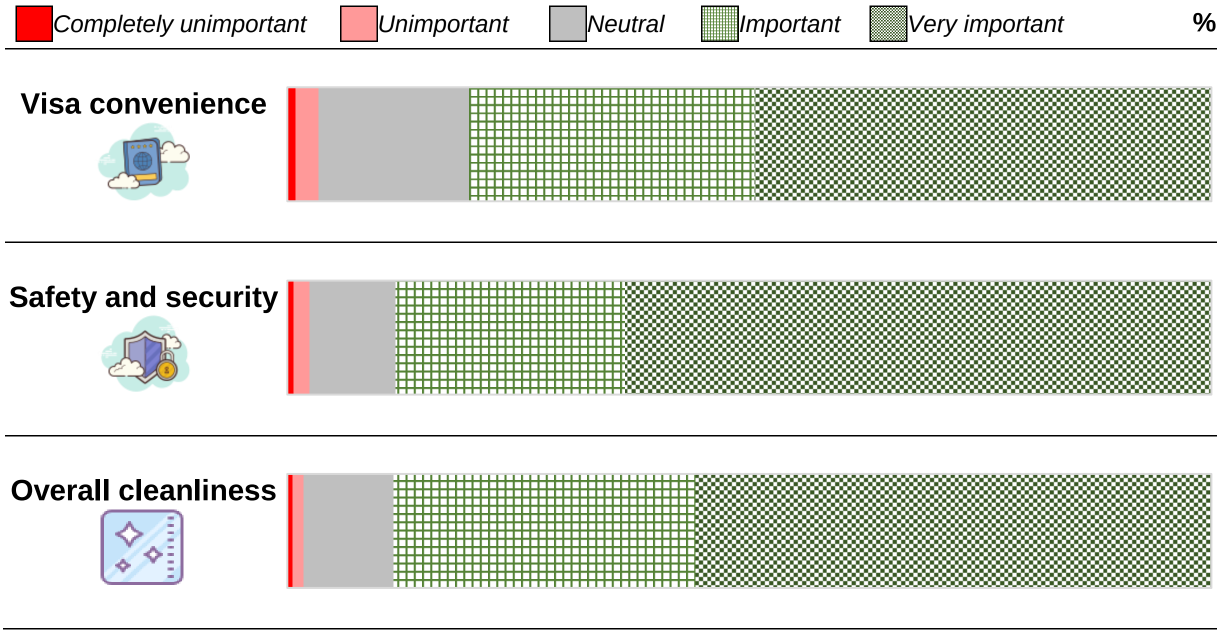


Figure 26: Infrastructure and facilitation for tourism development

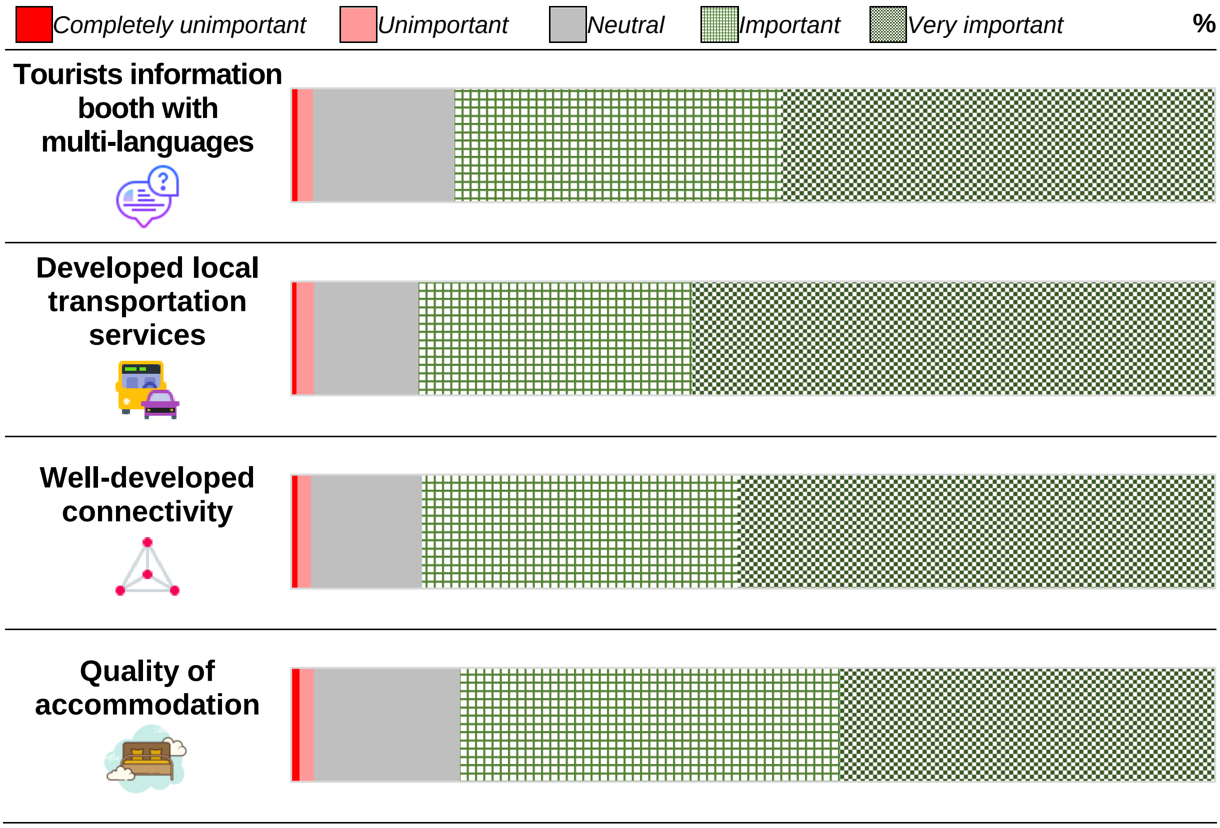
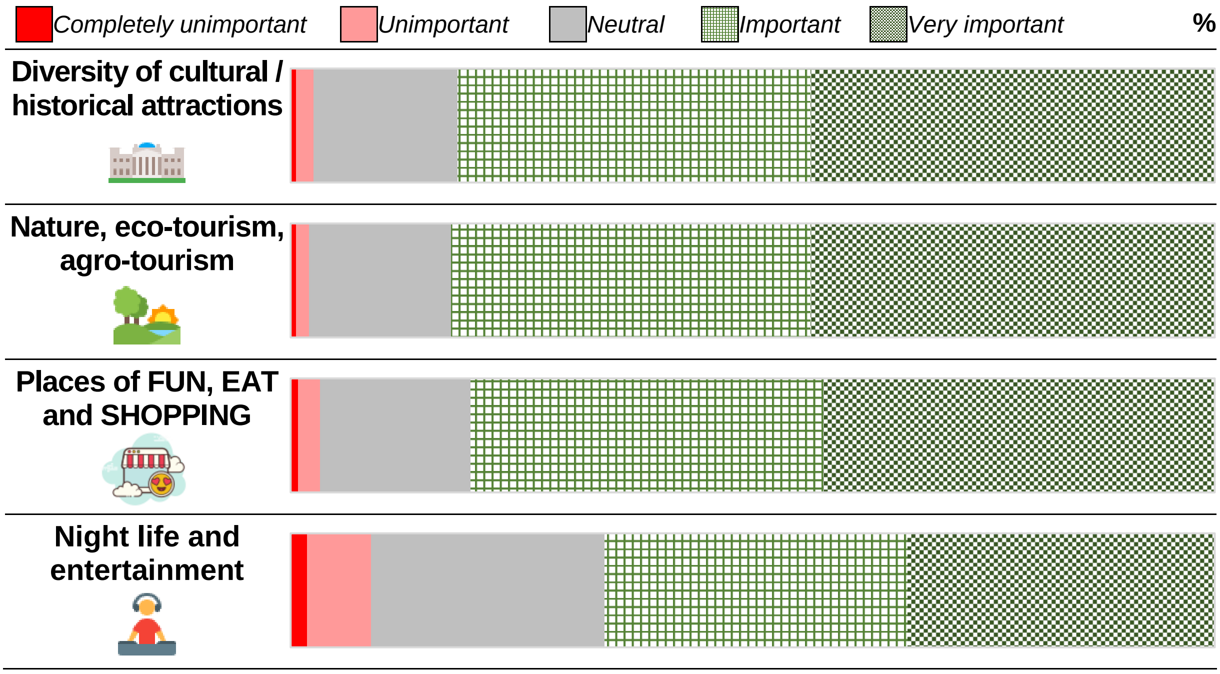


Figure 27: Type of products for tourism development



Q3: Please select at least THREE (3) type of tourism products to drive Malaysia's tourism development.

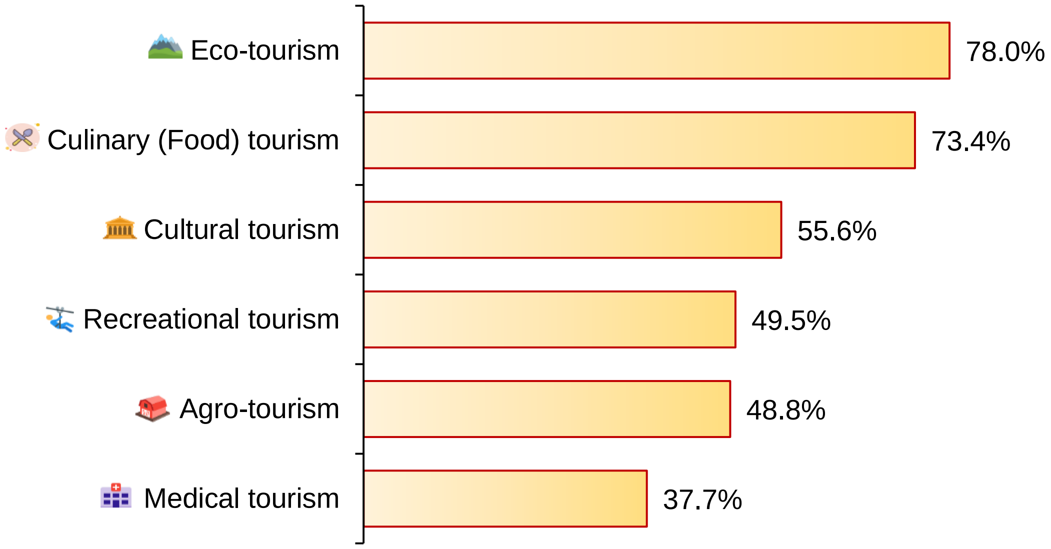
The preferred tourism products indicated by respondents are **eco-tourism**, which tops the list with 78.0% of total respondents, followed by **culinary tourism** (73.4%), **cultural tourism** (55.6%), **recreational tourism** (49.5%), **agro-tourism** (48.8%) and **medical tourism** (37.7%).

Being located at a dense rainforest region, Malaysia has four natural and cultural sites accorded with World Heritage status, namely (i) Gunung Mulu National Park, (ii) Kinabalu Park, (iii) Melaka and George Town, Historic Cities of the Straits of Malacca, and (iv) Archaeological Heritage of the Lenggong Valley, making Malaysia ranked 14th for natural resources under competitiveness evaluation. Malaysian businesses should capitalise on Visit Malaysia Year 2020 (VMY 2020) to drive more tourism-related activities to capture tourists' and business travellers' money as the Government will be hosting several international conferences, namely Asia-Pacific Economic Cooperation (APEC), World Congress on Information Technology (WCIT) and Commonwealth Heads of Government Meeting (CHOGM) in 2020. With putting eco-tourism as one of the main focuses of VMY 2020, it will help to boost the tourism growth.

Malaysia is very popular on its melting pot and delicious foods. It is proposed that Malaysia to **organise an annual mega food fiesta in major states** to showcase colourful diversity of Malaysian food culture. Some **nationwide food hunting tours** should be organised to drive Malaysia as a food heaven.

Niche markets such as medical tourism, education tourism as well as meetings, incentives, conferences and exhibitions (MICE) industry should be promoted as these are high quality tourism products. Malaysia is well-known as a medical tourism destination on its affordable yet high quality medical treatment. In the previous Budget, tax incentives and promotions have been given to drive medical tourism. It is recommended that the 2020 National Budget to allocate higher expenditure on boosting high margin tourism products and facilities.

Figure 28: Tourism products to drive Malaysia's tourism development



Q4: What can the Government do to drive domestic tourism growth?

In order to **improve Malaysia's competitiveness in recapturing higher contribution from the tourism sector**, **68.3% of respondents opined** that the Government should **further enhance the effectiveness of tourism promotion, marketing and branding**. The Government should be prioritising the tourism sector as it is a low hanging fruit compared to many other initiatives.

The share of government's budget expenditure only amounted to 1.8% in 2017, far below Singapore (10.3%), Indonesia (9.3%), Philippines (3.1%) and Thailand (2.8%).[6] To achieve a strong branding, the Government should also **strengthen the quality of tourism infrastructure and facilities as indicated by 54.4% of respondents. These can be achieved through various channels such as media, social-media and digital platforms as well as** "**word-of-mouth" marketing/advertising** - frequent travellers and recurrent tourists sharing the good experience of travelling around Malaysia is deemed as one of the best tools for promotion and marketing.

52.7% of respondents also requested the Government to **relax visa requirement**, **particularly for tourists from China and India**. Other equally important measures include provide incentives for tourism-related development and products (45.9%), allocate more budget for tourism sector (39.0%), collaborate with regional peers to reinforce the ASEAN as a single tourism destination (37.7%), improve the bilateral air service agreements (ASA) (32.6%) as well as increase the supply of quality tour guides (31.3%).

It is recommended that **the Government collaborates with the private sector to create new tourism destinations in order to provide new experiences for the tourists** who had visited Malaysia before. As there is a lack of tour guides, particularly Chinese-speaking to handle the tourists from China, it is also proposed that **to conduct a short and simplified course for part-time tour guides to take care of tourists from China**. The 2020 Budget should announce more tourism-related measures and provide more allocations to tourism-related activities and development. This is to facilitate the industry stakeholders in preparation for VMY 2020.

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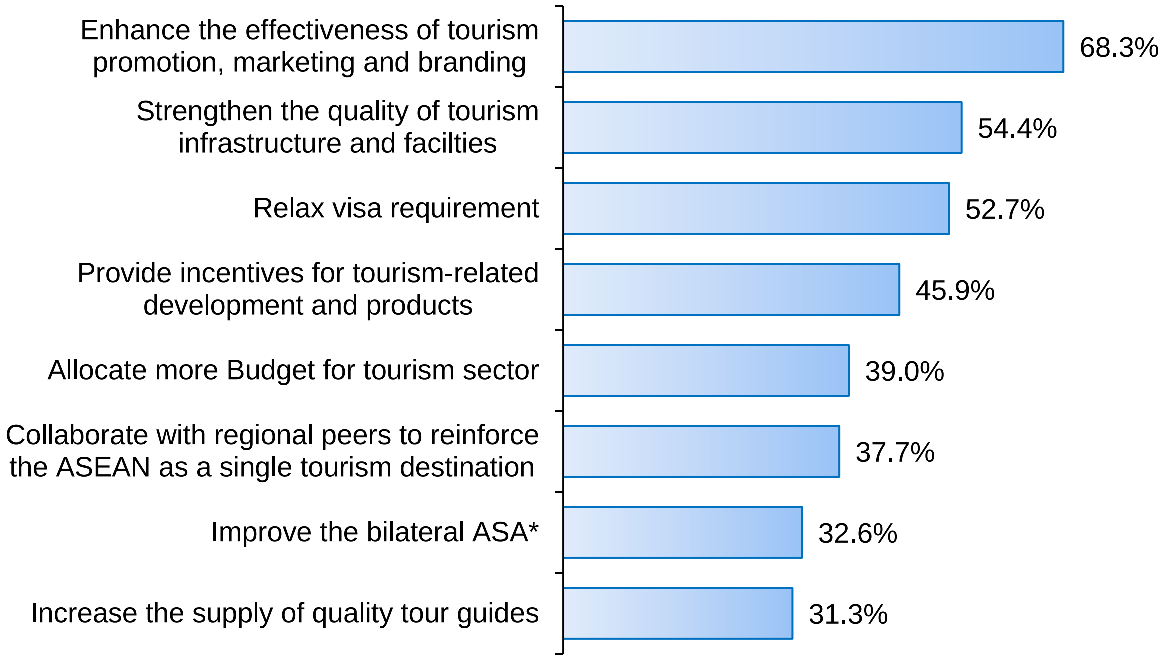
[6] Source: WEF Travel & Tourism Competitiveness Report 2017

Figure 29: The respondents' indication of measures to drive domestic tourism growth



ASA=Air Service Agreements

Q5: Should the Government exempt visa requirement for tourists from China and India?

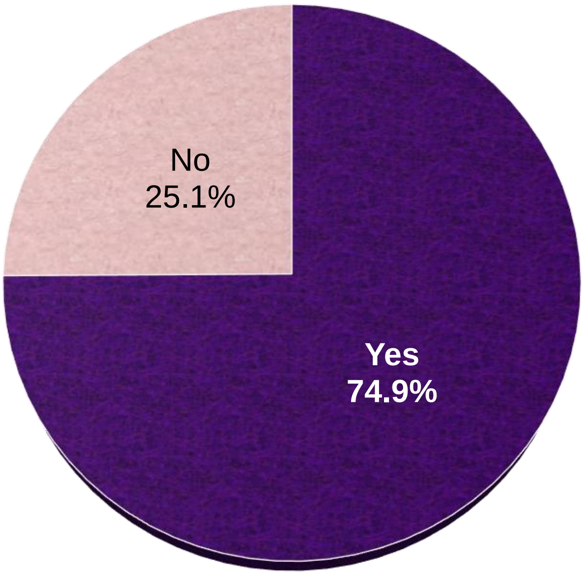
The survey results revealed that **nearly 74.9% of respondents indicated that the Government should provide visa exemption for tourists from China and India**. By sector, 81.4% of tourism-related sector and 75.6% from wholesale and retail trade have voted "Yes" respectively. In 2018, there were nearly 150 million outbound tourists from China. Most countries have been cashing on big China tourists' money. Over the last decade, **tourist arrivals from China to Malaysia had increased by 12.0% pa to 2.9 million in 2018 (11.4% of total tourists) from 0.9 million in 2008**. Nevertheless, the rate of tourists growth pale in comparison to neighbouring countries for the same period: Thailand (27.4% pa growth; 10.5 million persons or 27.5% of total tourists); Philippines (22.6% pa growth; 1.3 million persons or 17.6% of total tourists); Vietnam (22.5% pa growth; 5.0 million persons or 32.0% of total tourists); Indonesia (20.3% pa growth; 2.1 million persons or 13.5% of total tourists); and Singapore (12.2% pa growth; 3.4 million persons or 18.5% of total tourists).

Tourists from India have been another emerging source of tourist arrivals that cannot be neglected. As for tourists from India, Malaysia suffered a decline of 1.7% pa in 2011-18, only managed to get 600,311 travellers in 2018 while Singapore, Thailand and Philippines posted higher gains between 7.2%-17.0% pa with the number of travellers ranging between 121,000 and 1.6 million persons.

Despite Malaysia has introduced eNTRI, an online application for visa-free programme for tourists from China and India, it is still incomparable with an outright visa exemption like Indonesia, which helped to boost an increase of 28.9% pa of China tourists from 1.3 million in 2015 to 2.1 million in 2017. Furthermore, there are a number of charges and documents required under eNTRI programme coupled with the uncertainty of extension of the programme granted.

It is encouraging that the Minister of Tourism, Arts and Culture is planning for an outright visa exemption for tourists from China and India. Businesses and tour operators hope that these initiatives can be expedited in order for Malaysia to enjoy both economic and business benefits from plucking the low-hanging tourism-related industries, especially with the launching of the Visit Malaysia Year 2020 campaign, which sets a target of 30 million tourist arrivals and RM100 billion tourism receipts.

Figure 30: Perception of visa exemption for tourists from China and India



5.2 Domestic Direct Investment (DDI)

Private investment's momentum moderated from **12.1% pa in 2011-15 to 5.9% pa in 2016-18**. Despite the growth rate registered a strong comeback at 9.0% in 2017, it pulled back sharply to 4.3% in 2018 and further to 0.4% yoy in the first quarter of 2019. SERC expects private investment growth to grow by 4.3% this year versus Bank Negara Malaysia (BNM)'s estimation of 4.9%.

Approved investment projects (in services, manufacturing and primary sectors) contracted by 4.2% pa in 2015-18 from an increase of 10.1% pa in 2007-14, mainly dragged by **a decline in domestic direct investment (DDI) of 8.8% pa from RM175.1bn in 2014 to RM121.2bn in 2018**, leading to the drop of DDI's share to 60% in 2018 compared to the average share of 75% in 2014-2017.

In 1Q 2019, approved DDI contracted further by 30.5% yoy to RM24.6 billion from RM35.4 billion in 1Q 2018. DDI's share of total approvals declined significantly to 45.6% in 1Q 2019 from 67.7% share in 1Q 2018.

Private investment vitality is critical for sustaining our economic growth on a sustained basis, raise the future growth potential, create high income jobs and increase exports.

ACCCIM M-BECS has taken the initiative to **gauge the business perspective on investment and explore the challenges faced by the business community**.

Q1: Are you planning to EXPAND OR INCREASE CAPITAL EXPENDITURE in Malaysia such as investing in new plant or machinery over next 12-24 months?

The survey findings revealed that **42.7% of respondents indicated that they either have invested or plan to invest in Malaysia over next 12-24 months** while **57.3% indicated that they have no intention** to invest over next 12-24 months.

Within the group of respondents **planning to invest**, **26.1% of respondents adopt a "wait-and-see" approach** as they are still **waiting for a clearer direction on the economy and government's policy landscape as well as weighed by the uncertainties surrounding global economy**.

Within the group of respondents **have no intention to invest**, **38.6% of respondents cited uncertain international environment as well as lingering wary about domestic economic landscape causing them to hold back their investment decisions**.

The group who "adopt wait-and-see approach" and "put on hold investment decision" added up to 64.7% of respondents can be inferred that they will likely to revisit the investment decision, hinging on the ensuing developments in the scenario of economic and policy landscape.

By sector, **slightly more than 50% of respondents in manufacturing, transportation, forwarding and warehousing sectors** either have invested or plan to invest over next 12-24 months. Again, "**unclear government's policy**" has restrained them from making investment decision. Nevertheless, **less than 10% of respondents for each industry stated they will explore investment opportunities in foreign countries**. This clearly indicates that Malaysia is still a favourite investment location for domestic players. It is the current challenging economic landscape that has caused them to hold back investment decisions for now.

Figure 31: Business's investment planning over next 12-24 months in Malaysia

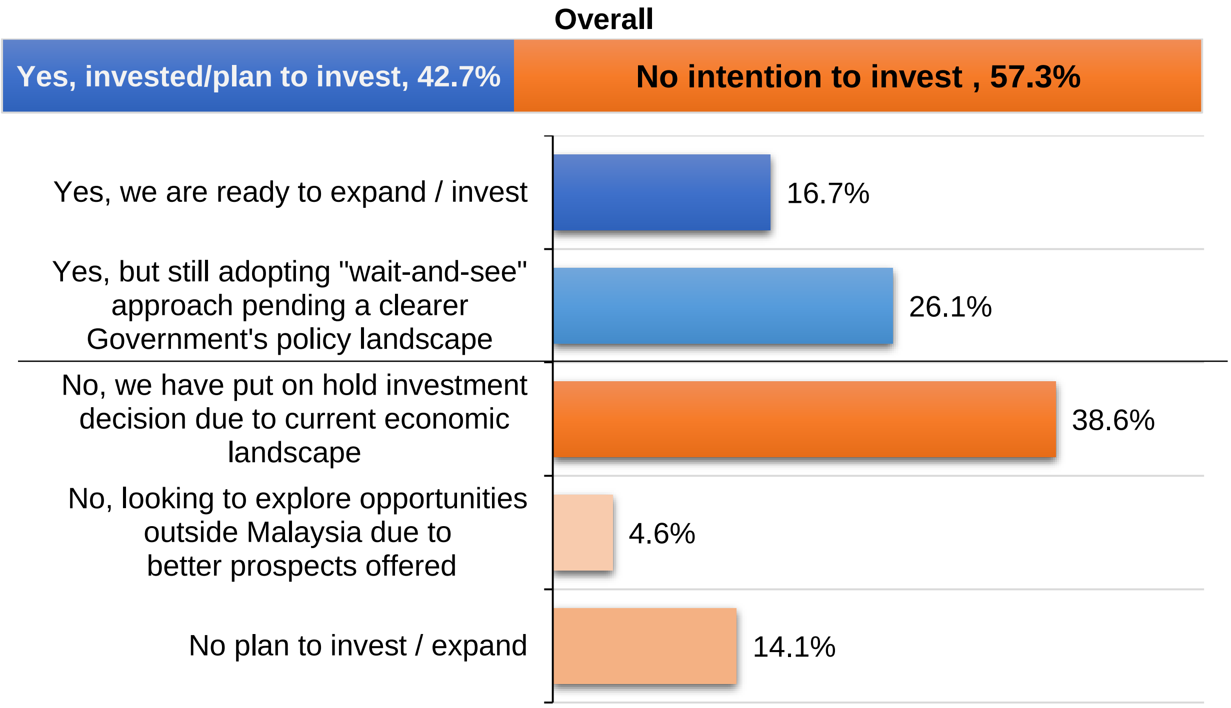
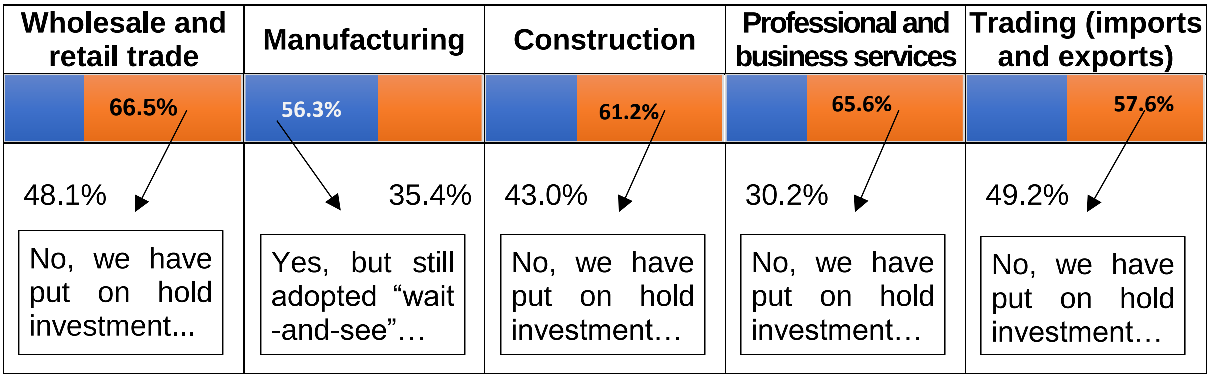


Figure 32: Investment decision over next 12-24 month in Malaysia by selected sectors



Q2: Which are the FACTORS RESTRAINING your business investment decision in Malaysia?

The M-BECS found that **business investment decision was extremely restrained by both economic and business prospects as indicated by 62.5% of respondents**. Businesses' cautious stance was inflicted by the US-China's trade tensions, which has disrupted the global supply chains and caused periodical volatility in financial market. Concurrently, despite the Government has announced the revival of some big infrastructure projects like East Coast Rail Link (ECRL), MRT2, project cost restructuring and the abolition of selected tolled roads, some have cast doubts on whether the government's budget has the capacity to implement these projects or new taxes will be introduced. Hence, both internal and external risks have caused domestic investors to adopt a "wait-and-see" approach before making any investment decision.

Government policies came in as **the second largest factor** that would adversely affect local business performance in 1H 2019, a leap from the fifth placing in the previous survey. This underscores **the importance of fostering a clear and consistence government's policies to facilitate business investment and expansion**. **48.8% of respondents** cited **domestic policy uncertainty** have restrained their business investment decisions. In fact, all sectors have the same views on this. Among the outstanding issues, foreign workers and minimum wage policies are the most prominent issues that had significantly affected business investment decision.

Many companies are trapped between Industry 2.0 and 3.0. In 1H 2019, only 27.3% of manufacturing respondents indicated that their capacity utilization rates have exceeded 75%. It was partially caused by the shortage of foreign workers supply as the suspension of recruitment of Bangladesh foreign workers by the Malaysian Government and the suspension of supply from the Nepalese Government due to the issues with Bestinet. In addition to increased price of raw materials and lower domestic demand, the respondents' priority is to withstand the current challenging economic and business environment instead of planning to invest or to transform for Industrial 4.0.

During the 2019 Budget, **minimum wage** was hiked to RM1,100 per month. According to PH manifesto, minimum wage will be reviewed every two years and be raised to RM1,500 per month, with a cost-sharing basis on the difference of wage increase between the Government and private sector. As of now, there is no clarification from the Government whether the rate will be progressively increasing every year or on a bi-annual basis. Such uncertain and ambiguous message had impacted domestic SMEs to hold on their investment plans or adopt a "wait-and-see" approach for their investment.

Shortage of skilled manpower (26.9%) and high cost of capital (26.6%) have garnered equally important factors to restrain overall business investment decision. Employers, especially in manufacturing and professional and business services sectors encountered difficulties in hiring skilled workers because youngsters are not keen to participate technical and vocational education and training (TVET) programs and the skill set of fresh graduate students are mismatched with the employer's needs. There is no point to invest in high-tech machinery or advanced software without the supply of right skilled workers to operate it.

Businesses are hopeful for easier loans financing and terms to facilitate their expansion and ease cash flows in the current trying economic conditions. Banks should be encouraged to "hand-holding" their customers during this challenging business environment. Some flexibilities should be given to companies wishing to restructure their loans to tie over this period of slowing business conditions. **For trading (imports & exports) sector**, **difficulty in obtaining credits or loans was ranked as the third factor** (29.3%) restraining business investment decision. Their sales, especially the SMEs that do not have sole distributorship and strong bargaining power over their products, are based on market momentum and economic scenario, i.e. trade volume will be higher if the market and economy are good, vice versa. As such, the lenders would perceive this industry as high risk due to uneven cash flows and a wide swing in sales, which may dampen the borrower's financial ability to payback on time.

In this case, Credit Guarantee Corporation (CGC) can further enhance its role to reach out and provide credit guarantee support to the trading sector, especially for those SMEs that have displayed high potential to grow through innovative business financing model.

Table 4: Top 3 factors restraining business investment decision by selected sectors

	Factors			
	Top 1	**Top 2**	**Top 3**	
Overall	Economic and business prospects (62.5%)	Domestic policy uncertainty (48.8%)	Shortage of skilled manpower (26.9%)	High cost of capital (26.6%)
Wholesale and retail trade	Economic and business prospects (67.6%)	Domestic policy uncertainty (49.8%)	High cost of capital (30.9%)	-
Manufacturing	Economic and business prospects (63.0%)	Domestic policy uncertainty (49.2%)	Shortage of skilled manpower (35.4%)	-
Construction	Economic and business prospects (58.2%)	Domestic policy uncertainty (44.3%)	High cost of capital (25.4%)	-
Professional and business services	Economic and business prospects (62.5%)	Domestic policy uncertainty (43.8%)	High cost of capital (20.8%)	Shortage of skilled manpower (19.8%)
Trading (imports and exports)	Economic and business prospects (58.6%)	Domestic policy uncertainty (46.6%)	Difficult to obtain credits or loans (29.3%)	-

Note: 4th factor is accounted as "Top 3" for Overall and Professional and business services due to a close margin of difference with 3rd factor.

Q3: What do you expect from the Government to STIMULATE DOMESTIC INVESTMENT?

There were **57.2% of the respondents** expect the Government to **provide clarity and consistency, especially with regard to foreign workers and minimum wage policies**. It is believed that **a clearer and more focussed policies as well as business friendly regulatory environment are deemed necessary** to facilitate medium- and long-term investment planning. In addition, the Government should **draw up a National Investment Strategy Plan to revitalise private investment**, with equal emphasis placing on DDI, especially for SMEs. The plan has to list down properly overall investment goals and targets for industry as well as to set each of the government department's achievement. The review should be made annually and well inform the public about progress of the goals. This will help to boost domestic business confidence on Malaysia's investment revitalisation plan.

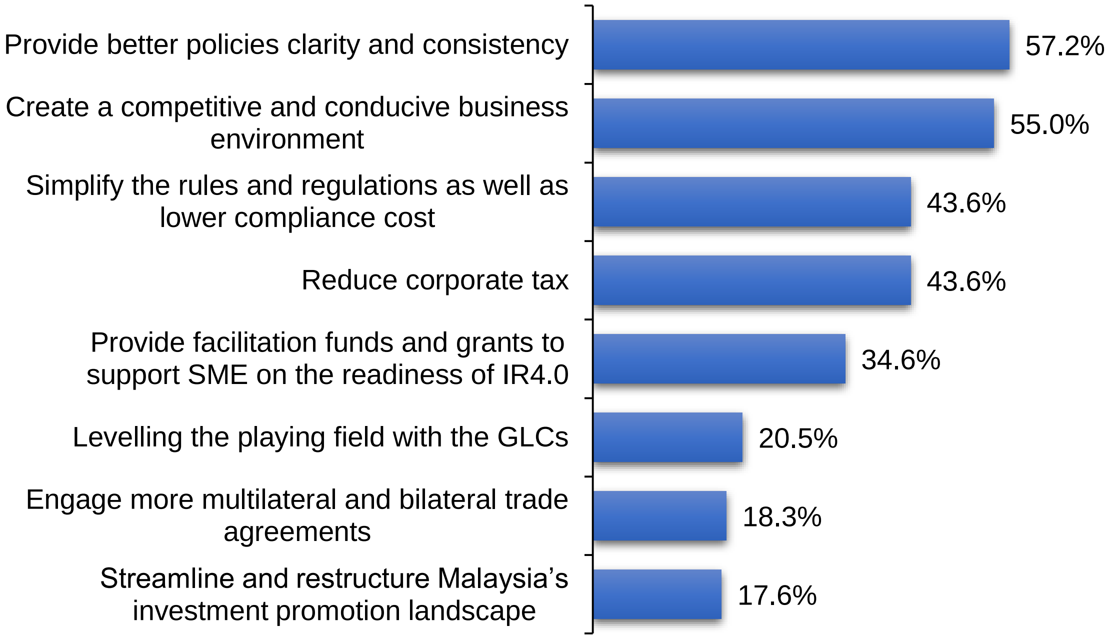
Next, the Government should **continue to enhance a competitive and conducive business environment for domestic businesses** as **indicated by 55.0% of respondents**, such as enhancement in transparency, investor's protection and non-discrimination among all the sectors. Monopoly practices must be minimized or eliminated so that domestic businesses can become stronger via free competition environment. Besides, the Government has to push forward a balanced infrastructure development between urban and rural. For instances, improving the logistics supply chain between urban and rural and enhancing better internet coverage with better internet speed in rural area. These will help manufacturing sector to invest modern machinery with less dependency on foreign manpower and step on the stage of Industrial 4.0.

The Government **must simplify the rules and regulations as well as lower compliance cost** (**as indicated by 43.6% of respondents**) and **reduce corporate tax (43.6% respondents)** in order to compete with adjoining countries like Thailand and Vietnam. Currently, it is very time consuming for investors and companies to go through many agencies when they plan to invest. It is proposed that to **set up a one-stop investment agency to undertake all investment approvals and improve the flows of communication between different governmental departments and agencies**. It will definitely help to expedite domestic investment decisions as well as attracting foreign direct investments.

For taxation policy, **Malaysia's corporate tax rate of 24% is higher compared to Singapore (17%), Thailand (20%) and Vietnam (20%).** As 64.7% of respondents are sitting on the fence, either adopting a "wait-and-see" approach or put on hold investment plan, **a reduction in corporate tax rate will be a catalyst to motivate private investment**. While we reckon that the Government is facing a tight budget, it will be good that **an upfront announcement on a progressive reduction in corporate tax rate to 20% within the three years in 2020 Budget**. With that, domestic businesses will have sufficient time to allocate their resources to look for quality business partners/investors and identify the strategic locations for expanding the business or establish a new plant.

More than one-third of respondents indicated the **desire to provide facilitation funds and grants to SMEs** in assisting them for the readiness of Industry 4.0.

Figure 33: Business expectations on the Government's measures to stimulate domestic investment



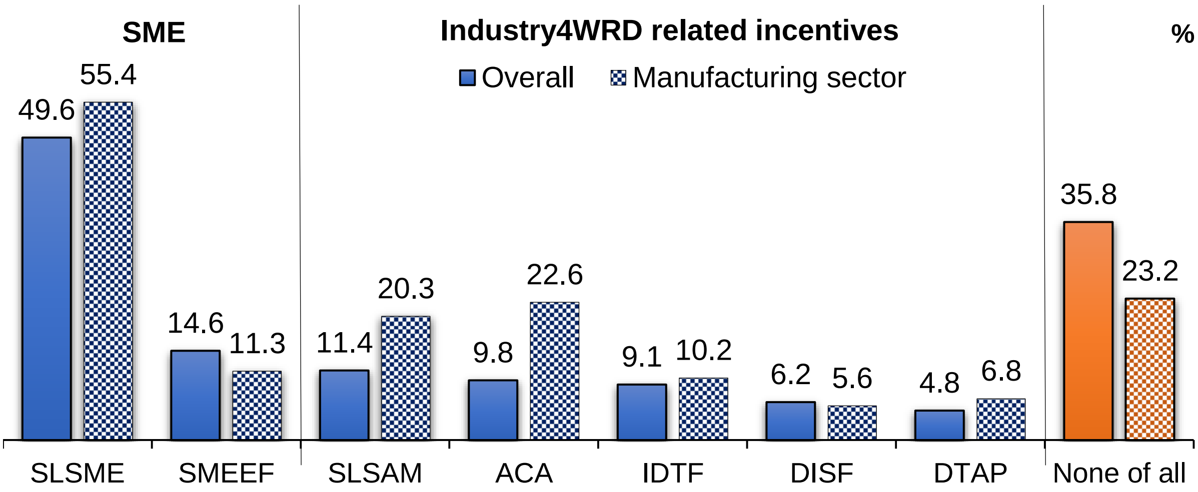
Note: IR =Industrial Revolution; GLCs=Government-linked companies

Q4: Are you aware of the following LOANS OR GRANTS provided by the Government?

The survey also asked the **awareness of loans or grants provided by the Government** (as shown in Figure 34). **64.2% of respondents were aware at least one of the listed incentives**. 49.6% of respondents rated they were aware of Soft Loan Scheme for Small and Medium Enterprises (SLSME), followed by 14.6% of SME Emergency Fund (SMEEF) and 11.4% of Soft Loan Scheme for Automation and Modernization (SLSAM). It is disheartening to note that **less than 15% of respondents were aware of the government's loans or grants for Industry4WRD related incentives**. Overall, more than one-third of respondents **(35.8%) were unaware of the incentives surveyed**.

For the manufacturing sector, the awareness of government's incentives is higher than the average level. Amongst the loans and grants, most of the respondents (55.4%) were aware of SLSME. Despite Accelerated Capital Allowance (ACA) and SLSAM have high awareness of 22.6% and 20.3% respectively amongst the Industry4WRD related incentives, overall awareness rate is still low as 23.2% of manufacturing respondents were unaware of the listed incentives provided by the Government.

Figure 34: Respondents' awareness of loans or grants provided by the Government



Note: SLSME=Soft Loan Scheme for Small and Medium Enterprises; SMEEF= SME Emergency Fund; SLSAM=Soft Loan Scheme for Automation and Modernization; ACA=Accelerated Capital Allowance; IDTF=Industry Digitalization Transformation Fund; DISF=Domestic Investment Strategic Fund; DTAP=Digital Transformation Acceleration Program.

6. CONCLUSION

Overall, the survey findings showed somewhat similar trend as in previous survey in terms of business performance and prospects as well as economic outlook.

Continuing a weakening trend in 2H 2018, **most businesses experienced softening business performance in 1H 2019**. They continue to keep a vigilant view about business conditions in 2H 2019, weighed down by a slowing global economy, a protracted trade tensions and softer domestic economic growth.

The top five factors cited influencing and impacting business operations and domestic business environment are **domestic competition; Government policies; lower domestic demand; increase in prices of raw materials; and Ringgit's fluctuations**.

We observe a **shift in pessimism from 2H 2019 to 1H 2020** as there **were lesser respondents having pessimistic views** (19.0% in 1H 2020 vs. 29.6% in 2H 2019) and **higher respondents view business prospects positively** (21.5% in 1H 2020 vs. 15.5% in 2H 2019).

While businesses continued to view domestic economy would remain challenging this year, **economic conditions will likely to improve in 1H 2020 and 2020**. **Overall businesses' expectations for 2020 economic outlook have strengthened significantly**: Optimistic: 24.9% of respondents in 2020 vs. 13.5% in 2019; Neutral: 58.1% vs. 54.7% in 2019 and Pessimistic: 17.0% vs. 31.8% in 2019).

Business operations (production, sales and raw materials) were generally in line with the business conditions. More businesses (33.1%) have reduced their production in 1H 2019 compared to 27.3% of respondents have scaled up their production. 45.1% of respondents indicated that domestic sales volume has decreased in 1H 2019, of which 16.6% suffered more than 10.0% decline. 67.8% and 66.2% of respondents reported increases in the cost of local and imported raw materials respectively in 1H 2019.

Businesses' cautiousness about their capex spending plans in 2H 2018 has turned somewhat positive in 1H 2019 whereby more than half of total respondents (58.8%) have increased their capital expenditure. Going forward, the **percentage of businesses planning to increase capital expenditure is expected to maintain at a relatively high percentage (55.5%) for 2H 2019**, suggesting that businesses may be starting to have a clearer approach about the business strategy and planning ahead and intended to invest for long-term.

The respondents were asked to provide feedback and views on two issues: (A) **Tourism – Harness the Untapped Potential**; and (B) **Domestic Direct Investment (DDI).**

(A) **Tourism – Harness the Untapped Potential**

A high percentage of respondents (78.2%) were widely concurred that **Malaysia has not done enough to tap the vast potential of tourism related business opportunities**. **81.0% of respondents** also acknowledged that **Malaysia's tourism is lagging behind its neighbours**.

(B) **Domestic Direct Investment (DDI)**

The survey findings revealed that **42.7% of respondents indicated that they either have invested or plan to invest in Malaysia over next 12-24 months** while **57.3% have no intention to invest** over next 12-24 months.

Three factors were cited as most affecting business investment decision: (i) **Economic and business prospects** ranked by 62.5% of respondents; (ii) **Government policies – domestic policy uncertainty** (48.8% of respondents); (iii) **Shortage of skilled manpower** (26.9%) and **high cost of capital** (26.6%).

57.2% of respondents want the government to provide better policy clarity and consistency, followed by **55.0% to create a competitive and conducive business environment** and 43.6% each for **a reduction in corporate tax rate and simplify the rules and regulations as well as lower compliance cost respectively**. More than one-third of respondents indicated that the desire to provide facilitation funds and grants to SMEs on the readiness of IR 4.0. Overall, **more than one-third of respondents** (35.8%) **were unaware of the incentives surveyed**.

Appendix 1: Survey Questionnaire

Malaysia's Business and Economic Conditions Survey

(M-BECS)

This is a survey jointly conducted by the Associated Chinese Chambers of Commerce and Industry of Malaysia (ACCCIM) and Socio-Economic Research Centre (SERC) on **Malaysia's business and economic conditions in the first half-year of 2019** (1H19: Jan-Jun 2019) and **prospects for the second half-year of 2019** (2H19: Jul-Dec 2019) and beyond.

We seek your kind cooperation to return the duly completed questionnaire to the ACCCIM Secretariat by 31 May 2019 (Email: commerce@acccim.org.my / Fax: 03-4260 3080). Thank you for your support and cooperation.

Section A: BUSINESS BACKGROUND

***If you have multiple businesses, please refer to the principal business/sector when answering the questions.*

A1. Constituent Members:

- ☐ 1 KLSCCCI
- ☐ 2 Perak CCCI
- ☐ 3 ACCCI Sarawak
- ☐ 4 Klang CCCI
- ☐ 5 Negeri Sembilan CCCI
- ☐ 6 Kluang CCCI
- ☐ 7 Sabah UCCC
- ☐ 8 Penang CCC
- ☐ 9 ACCCI Pahang
- ☐ 10 Johor ACCCI
- ☐ 11 Batu Pahat CCC
- ☐ 12 Kedah CCCI
- ☐ 13 North Perak CCCI
- ☐ 14 Terengganu CCCI
- ☐ 15 Malacca CCCI
- ☐ 16 Kelantan CCCI
- ☐ 17 Perlis CCCI
- ☐ 18 Others

A2. Type of industry or sub-sector: [Please select ONE (1)]

- ☐ 1 Agriculture, forestry and fishery
- ☐ 2 Mining and quarrying
- ☐ 3 Manufacturing
- ☐ 4 Construction
- ☐ 5 Wholesale and retail trade
- ☐ 6 Trading (imports and exports)
- ☐ 7 Tourism, shopping, hotels, restaurants, recreation and entertainment
- ☐ 8 Transportation, forwarding and warehousing
- ☐ 9 Professional and business services
- ☐ 10 Finance and insurance
- ☐ 11 Real estate
- ☐ 12 ICT
- ☐ 13 Others, please specify: ____________________

A3. Annual turnover:

- ☐ 1 Less than RM300k
- ☐ 2 RM300k to < RM3mil
- ☐ 3 RM3mil to < RM15mil
- ☐ 4 RM15mil to < RM20mil
- ☐ 5 RM20mil to ≤ RM50mil
- ☐ 6 More than RM50mil

A4. Number of full-time employees:

- ☐ 1 Less than 5
- ☐ 2 5 to < 30
- ☐ 3 30 to < 75
- ☐ 4 75 to ≤ 200
- ☐ 5 More than 200

A5. Share of total sales derived from:

Domestic market : ________%

Overseas market : ________%

A6. Share of total employees:

Local employees : ________%

Foreign employees : ________%

Section B: OVERALL ASSESSMENT

B1. When comparing with 2H 2018, business condition in 1H 2019 has:

☐1 Expanded ☐2 Remained unchanged ☐3 Deteriorated

B2. Economic condition outlook:

	Optimistic	*Neutral*	*Pessimistic*
2H 2019	☐1	☐2	☐3
1H 2020	☐1	☐2	☐3
Estimation for 2019	☐1	☐2	☐3
Forecast for 2020	☐1	☐2	☐3

B3. Business condition outlook:

	Optimistic	*Neutral*	*Pessimistic*
2H 2019	☐1	☐2	☐3
1H 2020	☐1	☐2	☐3
Estimation for 2019	☐1	☐2	☐3
Forecast for 2020	☐1	☐2	☐3

B4. Which of the following factors may adversely affect your business performance? [Please select at least THREE (3)]

☐1 Domestic competition
☐2 Foreign competition
☐3 Lower domestic demand
☐4 Lower foreign demand
☐5 Change in consumer preference
☐6 Excess production capacity
☐7 Ringgit's fluctuation
☐8 Foreign worker levy
☐9 Increase in prices of raw materials
☐10 Increase in utility cost
☐11 Rising transportation costs
☐12 Marketing and advertising cost
☐13 Lack of access to finance
☐14 Lack of capital for expansion
☐15 Availability of skilled workers
☐16 Manpower shortage
☐17 Insufficient training for workers
☐18 Lack of business confidence
☐19 Government's policies
☐20 Domestic political situation
☐21 Others, please specify:

____

B5. Performance and Forecast

	Current Performance **Actual for 1H 2019 (Jan-Jun) compared to 2H 2018 (Jul-Dec)**			***Forecast*** **Outlook for 2H 2019 (Jul-Dec) compared to 1H 2019(Jan-Jun)**		
B5.1 Overall	Good	Satisfactory	Poor	Good	Satisfactory	Poor
i. Business conditions	☐	☐	☐	☐	☐	☐
ii. Cash flows conditions	☐	☐	☐	☐	☐	☐
iii. Debtors' conditions	☐	☐	☐	☐	☐	☐
iv. Capacity utilization level ◇ N/A	☐ Less than 50% ☐ 50% to < 75% ☐ 75% to ≤ 90% ☐ More than 90%			☐ Less than 50% ☐ 50% to < 75% ☐ 75% to ≤ 90% ☐ More than 90%		

Note: N/A = Not applicable

(B5 Cont.) *Note: N/A=Not Applicable*	**Current Performance** **Actual for 1H 2019 (Jan-Jun) compared to 2H 2018 (Jul-Dec)**			**Forecast** **Outlook for 2H 2019 (Jul-Dec) compared to 1H 2019(Jan-Jun)**		
B5.2 Domestic sales	**Increase**	Unchanged	**Decrease**	**Increase**	Unchanged	**Decrease**
i. Volume	☐ 1-5%	○	☐ 1-5%	☐ 1-5%	○	☐ 1-5%
	☐ 6-10%		☐ 6-10%	☐ 6-10%		☐ 6-10%
	☐ > 10%		☐ > 10%	☐ > 10%		☐ > 10%
ii. Price level	☐ 1-5%	○	☐ 1-5%	☐ 1-5%	○	☐ 1-5%
	☐ 6-10%		☐ 6-10%	☐ 6-10%		☐ 6-10%
	☐ > 10%		☐ > 10%	☐ > 10%		☐ > 10%
B5.3 Overseas sales	**Increase**	Unchanged	**Decrease**	**Increase**	Unchanged	**Decrease**
i. Volume	☐ 1-5%	○	☐ 1-5%	☐ 1-5%	○	☐ 1-5%
◇ N/A	☐ 6-10%		☐ 6-10%	☐ 6-10%		☐ 6-10%
	☐ > 10%		☐ > 10%	☐ > 10%		☐ > 10%
ii. Price level	☐ 1-5%	○	☐ 1-5%	☐ 1-5%	○	☐ 1-5%
◇ N/A	☐ 6-10%		☐ 6-10%	☐ 6-10%		☐ 6-10%
	☐ > 10%		☐ > 10%	☐ > 10%		☐ > 10%
B5.4 Business operations	**Increase**	Unchanged	**Decrease**	**Increase**	Unchanged	**Decrease**
i. Production	☐ 1-5%	○	☐ 1-5%	☐ 1-5%	○	☐ 1-5%
◇ N/A	☐ 6-10%		☐ 6-10%	☐ 6-10%		☐ 6-10%
	☐ > 10%		☐ > 10%	☐ > 10%		☐ > 10%
ii. Inventory or stock level	☐ 1-5%	○	☐ 1-5%	☐ 1-5%	○	☐ 1-5%
◇ N/A	☐ 6-10%		☐ 6-10%	☐ 6-10%		☐ 6-10%
	☐ > 10%		☐ > 10%	☐ > 10%		☐ > 10%
B5.5 Cost of raw materials	**Increase**	Unchanged	**Decrease**	**Increase**	Unchanged	**Decrease**
i. Local	☐ 1-5%	○	☐ 1-5%	☐ 1-5%	○	☐ 1-5%
◇ N/A	☐ 6-10%		☐ 6-10%	☐ 6-10%		☐ 6-10%
	☐ > 10%		☐ > 10%	☐ > 10%		☐ > 10%
ii. Imported	☐ 1-5%	○	☐ 1-5%	☐ 1-5%	○	☐ 1-5%
◇ N/A	☐ 6-10%		☐ 6-10%	☐ 6-10%		☐ 6-10%
	☐ > 10%		☐ > 10%	☐ > 10%		☐ > 10%
B5.6 Manpower	**Increase**	Unchanged	**Decrease**	**Increase**	Unchanged	**Decrease**
i. Number of employees	☐ 1-5	○	☐ 1-5	☐ 1-5	○	☐ 1-5
	☐ 6-10		☐ 6-10	☐ 6-10		☐ 6-10
	☐ > 10		☐ > 10	☐ > 10		☐ > 10
ii. Wage growth	☐ 1-5%	○	☐ 1-5%	☐ 1-5%	○	☐ 1-5%
	☐ 6-10%		☐ 6-10%	☐ 6-10%		☐ 6-10%
	☐ > 10%		☐ > 10%	☐ > 10%		☐ > 10%
B5.7 Others	**Increase**	Unchanged	**Decrease**	**Increase**	Unchanged	**Decrease**
i. Capital expenditure	☐ 1-5%	○	☐ 1-5%	☐ 1-5%	○	☐ 1-5%
◇ N/A	☐ 6-10%		☐ 6-10%	☐ 6-10%		☐ 6-10%
	☐ > 10%		☐ > 10%	☐ > 10%		☐ > 10%

Section C: Current issues

C1.	Tourism

a) Below are listed two statements which refer to the general opinion of the tourism sector. For each statement please indicate to what extent you agree with it. [1] means you completely disagree with it, and [5] means you agree with it completely.

		Completely disagree				*Completely agree*
1.	Malaysia has not harnessed the full potential of tourism	①	②	③	④	⑤
2.	Malaysia's tourism is lagging behind its neighbours	①	②	③	④	⑤

b) Please indicate HOW IMPORTANT is each of these tourism elements:

		Completely unimportant				*Very important*
1.	Visa convenience	①	②	③	④	⑤
2.	Lack of tourists information booth or multi-languages personal in tourism hotspots or airports	①	②	③	④	⑤
3.	Personal safety and security	①	②	③	④	⑤
4.	Overall cleanliness of the destination	①	②	③	④	⑤
5.	Developed local transportation services	①	②	③	④	⑤
6.	Well-developed connectivity	①	②	③	④	⑤
7.	Diversity of cultural/historical attractions *(architecture, tradition and customs)*	①	②	③	④	⑤
8.	Quality of the accommodation *(hotel, homestay, Airbnb etc.)*	①	②	③	④	⑤
9.	Nature, eco-tourism, agro-tourism etc	①	②	③	④	⑤
10.	Places of FUN, EAT and SHOPPING	①	②	③	④	⑤
11.	Night life and entertainment	①	②	③	④	⑤

c) Please select at least THREE (3) type of tourism products to drive Malaysia's tourism development.

☐1 Agro-tourism *(e.g. animal farm, fruits farm, rice farming)*
☐2 Medical tourism
☐3 Eco-tourism *(e.g. rainforest, caves, national park, island)*
☐4 Cultural tourism *(e.g. cultural village, museum, historical heritage)*
☐5 Recreational tourism *(e.g. theme park, marathon, adventurous activities like hiking)*
☐6 Culinary (Food) tourism
☐7 Others, please specify: ________________________

d) What can the Government do to drive domestic tourism growth?

☐1 Enhance the effectiveness of tourism promotion, marketing and branding
☐2 Allocate more Budget for tourism sector
☐3 Provide incentives for tourism-related development and products *(construction of hotels, marketing, labour training etc.)*
☐4 Improve the bilateral Air Service Agreements *(ASA)*
☐5 Strengthen the quality of tourism infrastructure and facilities
☐6 Relax visa requirement
☐7 Collaborate with regional peers to reinforce the ASEAN as a single tourism destination
☐8 Increase the supply of quality tour guides

e) Should the Government exempt visa requirement for tourists from China and India?

☐1 Yes ☐2 No

C2. Domestic Direct Investment

a) Are you planning to expand or increase capital expenditure in Malaysia such as investing in new plant or machinery over next 12-24 months?

- ☐1 Yes, we are ready to expand / invest
- ☐2 Yes, but still adopting "wait-and-see" approach pending a clearer Government's policy landscape
- ☐3 No, we have put on hold investment decision due to current economic landscape
- ☐4 No, looking to explore opportunities outside Malaysia due to better prospects or incentives offered
- ☐5 No plan to invest / expand because of ________________________

b) Which are the factors restraining your business investment decision in Malaysia?

- ☐1 Economic and business prospects
- ☐2 Domestic policy uncertainty
- ☐3 Difficult to obtain credits or loans
- ☐4 High compliance costs *(e.g. long procedures, time consuming, etc.)*
- ☐5 High cost of capital
- ☐6 Low profitability
- ☐7 Shortage of skilled manpower

c) What do you expect from the Government in stimulating domestic investment?

- ☐1 Create a competitive and conducive business environment
- ☐2 Provide better policies clarity and consistency
- ☐3 Provide facilitation funds and grants to support SME on the readiness of Industrial Revolution 4.0
- ☐4 Simplify the rules and regulations as well as lower compliance cost
- ☐5 Engage more multilateral and bilateral trade agreements
- ☐6 Streamline and restructure Malaysia's investment promotion landscape
- ☐7 Levelling the playing field with the Government-linked companies *(GLCs)*
- ☐8 Reduce corporate tax
- ☐9 Others, please specify: ________________________

d) Are you aware of the following loans or grants provided by the Government?

- ☐1 Soft Loan Scheme for Small and Medium Enterprises *(SLSME)*
- ☐2 SME Emergency Fund *(SMEEF)*
- ☐3 Soft Loan Scheme for Automation and Modernization *(SLSAM)*
- ☐4 Industry Digitalization Transformation Fund *(IDTF)*
- ☐5 Domestic Investment Strategic Fund *(DISF)*
- ☐6 Digital Transformation Acceleration Program *(DTAP)*
- ☐7 Accelerated Capital Allowance *(ACA)*
- ☐8 None of the above

Kindly elaborate further what are the **CHALLENGES AND ISSUES** faced by your company when you invest / plan to invest in Malaysia.

____

____

____

Company name : ____________________ Respondent's name : ________________________

Email address : ____________________ Contact number : ________________________

~ Thank you very much for your cooperation ~

Appendix 2: Summary of guidelines for SME definition

Size of enterprise		**Criteria**	**Manufacturing sector**	**Services and other sectors**
Large enterprise		Sales turnover	Above RM50 million **OR**	Above RM20 million **OR**
		Number of full-time employees	Above 200	Above 75
SME	**Medium enterprise**	Sales turnover	RM15 million to RM50 million **OR**	RM3 million to RM20 million **OR**
		Number of full-time employees	75 to 200	30 to 75
	Small enterprise	Sales turnover	RM300,000 to less than RM15 million **OR**	RM300,000 to less than RM3 million **OR**
		Number of full-time employees	5 to less than 75	5 to less than 30
	Micro enterprise	Sales turnover	Below RM300,000 **OR**	Below RM300,000 **OR**
		Number of full-time employees	Less than 5	Less than 5

Appendix 3: Top 5 factors affecting business performance by sector

		Domestic competition	Lower domestic demand	Ringgit's fluctuation	Increase in prices of raw materials	Government policies	Manpower shortage	Domestic political situation	Foreign worker levy	Lack of business confidence	Lack of access finance
Overall	Score, %	44.8	43.0	36.1	38.3	43.4					
	Ranking	1	3	5	4	2					
Wholesale and retail trade	Score, %	57.3	53.1	41.8	40.4	38.0					
	Ranking	1	2	3	4	5					
Manufacturing	Score, %	45.4			54.6	39.3	40.3		38.3		
	Ranking	2			1	4	3		5		
Professional and business services	Score, %	39.0		33.0		47.0	31.0	33.0			
	Ranking	2		3		1	5	3			
Construction	Score, %	52.4	44.4		47.6	39.5			37.9		
	Ranking	1	3		2	4			5		
Real estate	Score, %	48.5	42.4		39.4	69.7					36.4
	Ranking	2	3		4	1					5
Tourism, shopping, hotels, restaurants, recreation and entertainment	Score, %	45.5	38.6	47.7		36.4	34.1				
	Ranking	2	3	1		4	5				
Trading (Imports and exports)	Score, %	32.3	45.2	59.7	46.8	48.4					
	Ranking	5	4	1	3	2					
ICT	Score, %	42.9	40.0			54.3	31.4	40.0			
	Ranking	2	3			1	5	4			
Finance and Insurance	Score, %	45.0		37.5		47.5		35.0		30.0	
	Ranking	2		3		1		4		5	
Agriculture, forestry and fishery	Score, %	41.5	34.1		36.6	46.3	48.8				
	Ranking	3	5		4	2	1				
Transportation, forwarding and warehousing	Score, %	58.6	41.4	31.0		58.6		31.0			
	Ranking	1	3	5		1		5			
Mining and quarrying	Score, %		71.4			57.1	57.1		71.4		
	Ranking		1			3	3		1		

Note: ***Increase utility cost (34.1%)*** *was ranked as 5th factor in tourism, shopping, hotels, restaurants, recreation and entertainment;* ***Rising transportation costs (34.5%)*** *was ranked as 4th factor in transportation, forwarding and warehousing sector;* ***Excess production capacity (71.4%)*** *and* ***Availability of skilled workers (57.1%)*** *were ranked as 1st and 3rd factor respectively in mining and quarrying sector.*

Appendix 4: ACCCIM M-BECS Survey Results

MALAYSIA'S BUSINESS AND ECONOMIC CONDITIONS SURVEY (M-BECS)

FOR THE 1ST HALF-YEAR OF 2019

		Agriculture, forestry and fishery	Mining and quarrying	Manufacturing	Construction	Wholesale and retail trade	Trading (imports and exports)	Tourism, shopping, hotels, restaurants, recreation and entertainment	Transportation, forwarding and warehousing	Professional and business services	Finance and insurance	Real estate	ICT	**1st HALF 2019**
Part A: Business Background														
A1	**Size of business operations**													
	SMEs	82.9%	71.4%	89.3%	91.1%	92.5%	98.4%	97.7%	89.7%	97.0%	82.5%	90.9%	88.6%	91.5%
	Large enterprises	17.1%	28.6%	10.7%	8.9%	7.5%	1.6%	2.3%	10.3%	3.0%	17.5%	9.1%	11.4%	8.5%
	Sample size (n)	**41**	**7**	**196**	**124**	**213**	**62**	**44**	**29**	**100**	**40**	**33**	**35**	**924**
A5	**Market orientation**													
	At least 60% sales from domestic market	73.2%	85.7%	67.5%	91.9%	91.2%	70.2%	90.2%	82.8%	92.4%	84.2%	100.0%	85.3%	83.5%
	41-59% sales from domestic market	2.4%	14.3%	5.7%	2.4%	2.5%	12.3%	2.4%	3.4%	2.2%	5.3%	0.0%	0.0%	3.8%
	At least 60% sales from export market	24.4%	0.0%	26.8%	5.6%	6.4%	17.5%	7.3%	13.8%	5.4%	10.5%	0.0%	14.7%	12.7%
	Sample size (n)	**41**	**7**	**194**	**124**	**204**	**57**	**41**	**29**	**92**	**38**	**31**	**34**	**892**
A6	**Share of total employees**													
	At least 50% are local employees	78.4%	85.7%	72.3%	73.6%	94.1%	96.6%	88.1%	93.1%	92.2%	92.3%	96.8%	93.9%	85.5%
	More than 50% are foreign employees	21.6%	14.3%	27.7%	26.4%	5.9%	3.4%	11.9%	6.9%	7.8%	7.7%	3.2%	6.1%	14.5%
	Sample size (n)	**37**	**7**	**191**	**121**	**205**	**58**	**42**	**29**	**90**	**39**	**31**	**33**	**883**
Part B: Overall Asessment														
B1	**When comparing with 2H 2018, business condition in 1H 2019 has:**													
	Expanded	17.5%	28.6%	17.0%	14.6%	14.7%	18.0%	22.7%	20.7%	24.2%	30.0%	15.2%	20.0%	18.1%
	Remained unchanged	50.0%	14.3%	34.0%	48.0%	41.7%	37.7%	38.6%	31.0%	41.4%	42.5%	24.2%	45.7%	39.8%
	Deteriorated	32.5%	57.1%	49.0%	37.4%	43.6%	44.3%	38.6%	48.3%	34.3%	27.5%	60.6%	34.3%	42.0%
	Sample size (n)	**40**	**7**	**194**	**123**	**211**	**61**	**44**	**29**	**99**	**40**	**33**	**35**	**916**
B2	**Economic conditions and prospects**													
	2H 2019													
	Optimistic	15.4%	28.6%	12.0%	8.9%	14.6%	14.8%	11.4%	13.8%	21.0%	22.5%	6.1%	14.3%	14.0%
	Neutral	59.0%	57.1%	55.2%	54.5%	51.9%	36.1%	63.6%	48.3%	55.0%	50.0%	48.5%	57.1%	53.0%
	Pessimistic	25.6%	14.3%	32.8%	36.6%	33.5%	49.2%	25.0%	37.9%	24.0%	27.5%	45.5%	28.6%	33.0%
	Sample size (n)	**39**	**7**	**192**	**123**	**212**	**61**	**44**	**29**	**100**	**40**	**33**	**35**	**915**
	1H 2020													
	Optimistic	28.2%	42.9%	20.1%	16.5%	21.5%	16.7%	23.3%	20.7%	23.5%	35.0%	15.6%	23.5%	21.4%
	Neutral	53.8%	42.9%	56.6%	64.5%	56.6%	60.0%	60.5%	55.2%	62.2%	50.0%	56.3%	61.8%	58.3%
	Pessimistic	17.9%	14.3%	23.3%	19.0%	22.0%	23.3%	16.3%	24.1%	14.3%	15.0%	28.1%	14.7%	20.3%
	Sample size (n)	**39**	**7**	**189**	**121**	**205**	**60**	**43**	**29**	**98**	**40**	**32**	**34**	**897**
	Estimation for 2019													
	Optimistic	21.1%	14.3%	12.2%	12.3%	13.0%	13.1%	15.9%	14.3%	14.4%	17.5%	6.3%	14.7%	13.5%
	Neutral	57.9%	57.1%	60.1%	54.9%	52.7%	42.6%	54.5%	42.9%	56.7%	57.5%	46.9%	61.8%	54.7%
	Pessimistic	21.1%	28.6%	27.7%	32.8%	34.3%	44.3%	29.5%	42.9%	28.9%	25.0%	46.9%	23.5%	31.8%
	Sample size (n)	**38**	**7**	**188**	**122**	**207**	**61**	**44**	**28**	**97**	**40**	**32**	**34**	**898**
	Forecast for 2020													
	Optimistic	29.7%	42.9%	22.3%	23.1%	23.8%	19.7%	27.9%	25.0%	26.5%	40.0%	25.0%	26.5%	24.9%
	Neutral	54.1%	42.9%	58.5%	62.0%	58.7%	59.0%	55.8%	67.9%	57.1%	42.5%	53.1%	64.7%	58.1%
	Pessimistic	16.2%	14.3%	19.1%	14.9%	17.5%	21.3%	16.3%	7.1%	16.3%	17.5%	21.9%	8.8%	17.0%
	Sample size (n)	**37**	**7**	**188**	**121**	**206**	**61**	**43**	**28**	**98**	**40**	**32**	**34**	**895**
B3	**Business conditions and prospects**													
	2H 2019													
	Optimisitic	20.5%	14.3%	13.5%	12.3%	16.7%	14.8%	9.1%	17.2%	20.0%	22.5%	9.1%	17.6%	15.5%
	Neutral	61.5%	85.7%	61.5%	55.7%	49.5%	39.3%	61.4%	48.3%	55.0%	57.5%	48.5%	61.8%	54.9%
	Pessimistic	17.9%	0.0%	25.0%	32.0%	33.8%	45.9%	29.5%	34.5%	25.0%	20.0%	42.4%	20.6%	29.6%
	Sample size (n)	**39**	**7**	**192**	**122**	**210**	**61**	**44**	**29**	**100**	**40**	**33**	**34**	**911**
	1H 2020													
	Optimisitic	35.9%	28.6%	22.6%	18.3%	20.0%	15.0%	18.6%	24.1%	19.4%	35.0%	15.6%	27.3%	21.5%
	Neutral	46.2%	71.4%	55.3%	65.8%	59.5%	63.3%	65.1%	58.6%	63.3%	50.0%	59.4%	60.6%	59.5%
	Pessimistic	17.9%	0.0%	22.1%	15.8%	20.5%	21.7%	16.3%	17.2%	17.3%	15.0%	25.0%	12.1%	19.0%
	Sample size (n)	**39**	**7**	**190**	**120**	**205**	**60**	**43**	**29**	**98**	**40**	**32**	**33**	**896**
	Estimation for 2019													
	Optimisitic	21.1%	14.3%	13.9%	14.0%	13.6%	14.8%	9.3%	14.3%	13.3%	17.5%	9.4%	18.2%	14.1%
	Neutral	60.5%	57.1%	60.4%	57.0%	55.8%	41.0%	55.8%	46.4%	61.2%	57.5%	46.9%	57.6%	56.3%
	Pessimistic	18.4%	28.6%	25.7%	28.9%	30.6%	44.3%	34.9%	39.3%	25.5%	25.0%	43.8%	24.2%	29.6%
	Sample size (n)	**38**	**7**	**187**	**121**	**206**	**61**	**43**	**28**	**98**	**40**	**32**	**33**	**894**
	Estimation for 2020F													
	Optimisitic	35.9%	28.6%	26.7%	25.0%	23.5%	20.0%	27.9%	28.6%	27.6%	37.5%	25.0%	24.2%	26.3%
	Neutral	48.7%	71.4%	56.1%	60.8%	60.8%	56.7%	55.8%	57.1%	56.1%	47.5%	56.3%	66.7%	57.7%
	Pessimistic	15.4%	0.0%	17.1%	14.2%	15.7%	23.3%	16.3%	14.3%	16.3%	15.0%	18.8%	9.1%	16.0%
	Sample size (n)	**39**	**7**	**187**	**120**	**204**	**60**	**43**	**28**	**98**	**40**	**32**	**33**	**891**

		Agriculture, forestry and fishery	Mining and quarrying	Manufacturing	Construction	Wholesale and retail trade	Trading (imports and exports)	Tourism, shopping, hotels, restaurants, recreation and entertainment	Transportation, forwarding and warehousing	Professional and business services	Finance and insurance	Real estate	ICT	**1st HALF 2019**
B4	**Which of the following factors may adversely affect your business performance? (Dummy variable)**													
	Domestic competition	41.5%	42.9%	31.6%	52.4%	57.3%	32.3%	45.5%	58.6%	39.0%	45.0%	48.5%	42.9%	44.8%
	Foreign competition	19.5%	14.3%	24.0%	8.9%	13.6%	25.8%	9.1%	17.2%	10.0%	12.5%	3.0%	11.4%	15.3%
	Lower domestic demand	34.1%	71.4%	45.4%	44.4%	53.1%	45.2%	38.6%	41.4%	26.0%	25.0%	42.4%	40.0%	43.0%
	Lower foreign demand	12.2%	14.3%	17.9%	4.8%	2.8%	21.0%	6.8%	17.2%	4.0%	20.0%	3.0%	8.6%	9.7%
	Change in consumer preference	12.2%	0.0%	10.2%	11.3%	19.2%	19.4%	22.7%	0.0%	11.0%	25.0%	15.2%	20.0%	14.6%
	Excess production capacity	22.0%	71.4%	7.1%	12.9%	10.3%	8.1%	6.8%	3.4%	8.0%	2.5%	12.1%	0.0%	9.5%
	Ringgit’s fluctuation	24.4%	28.6%	34.2%	27.4%	41.8%	59.7%	47.7%	31.0%	33.0%	37.5%	18.2%	31.4%	36.1%
	Foreign worker levy	22.0%	28.6%	38.3%	37.9%	10.8%	14.5%	22.7%	10.3%	11.0%	7.5%	15.2%	0.0%	21.3%
	Increase in prices of raw materials	36.6%	28.6%	54.6%	47.6%	40.4%	46.8%	29.5%	10.3%	18.0%	17.5%	39.4%	5.7%	38.3%
	Increase in utility cost	9.8%	14.3%	23.0%	8.1%	14.6%	16.1%	34.1%	6.9%	12.0%	17.5%	12.1%	11.4%	15.7%
	Rising transportation costs	17.1%	28.6%	15.8%	19.4%	24.9%	29.0%	22.7%	34.5%	11.0%	20.0%	9.1%	5.7%	19.4%
	Marketing and advertising cost	0.0%	14.3%	5.1%	0.8%	8.9%	4.8%	27.3%	10.3%	12.0%	12.5%	15.2%	17.1%	8.3%
	Lack of access to finance	14.6%	14.3%	7.1%	12.9%	16.0%	16.1%	6.8%	10.3%	12.0%	17.5%	36.4%	20.0%	13.5%
	Lack of capital for expansion	14.6%	14.3%	10.7%	10.5%	9.9%	21.0%	11.4%	10.3%	14.0%	12.5%	12.1%	14.3%	12.0%
	Availability of skilled workers	22.0%	57.1%	24.5%	12.9%	7.0%	4.8%	6.8%	6.9%	16.0%	25.0%	9.1%	17.1%	14.6%
	Manpower shortage	48.8%	57.1%	40.3%	30.6%	15.0%	16.1%	34.1%	24.1%	31.0%	27.5%	18.2%	22.9%	28.2%
	Insufficient training for workers	9.8%	28.6%	6.6%	4.8%	9.9%	4.8%	9.1%	13.8%	21.0%	22.5%	15.2%	20.0%	10.7%
	Lack of business confidence	9.8%	0.0%	7.7%	8.1%	13.6%	16.1%	11.4%	17.2%	25.0%	30.0%	18.2%	14.3%	13.6%
	Government’s policies	46.3%	57.1%	39.3%	39.5%	38.0%	48.4%	36.4%	58.6%	47.0%	47.5%	69.7%	54.3%	43.4%
	Domestic political situation	24.4%	42.9%	23.5%	25.8%	33.8%	21.0%	31.8%	31.0%	33.0%	35.0%	21.2%	40.0%	28.9%
	Sample size (n)	**41**	**7**	**196**	**124**	**213**	**62**	**44**	**29**	**100**	**40**	**33**	**35**	**924**
B5	**Performance and Forecast**													
	1H 2019 (Jan-Jun) compared to 2H 2018 (Jul-Dec)													
I	**Overall**													
i	**Business conditons**													
	Good	2.4%	0.0%	5.7%	8.9%	6.7%	9.8%	2.3%	10.3%	6.0%	10.0%	3.0%	9.1%	6.7%
	Satisfactory	56.1%	57.1%	48.7%	43.9%	47.1%	37.7%	47.7%	37.9%	58.0%	57.5%	33.3%	57.6%	48.1%
	Poor	41.5%	42.9%	45.6%	47.2%	46.2%	52.5%	50.0%	51.7%	36.0%	32.5%	63.6%	33.3%	45.2%
	Sample size (n)	**41**	**7**	**193**	**123**	**210**	**61**	**44**	**29**	**100**	**40**	**33**	**33**	**914**
ii	**Cash flows conditions**													
	Good	5.3%	0.0%	5.2%	5.7%	6.3%	1.8%	2.3%	6.9%	5.1%	7.5%	3.0%	9.1%	5.3%
	Satisfactory	36.8%	42.9%	52.9%	36.1%	46.2%	50.9%	51.2%	44.8%	55.1%	65.0%	39.4%	57.6%	48.3%
	Poor	57.9%	57.1%	41.9%	58.2%	47.6%	47.4%	46.5%	48.3%	39.8%	27.5%	57.6%	33.3%	46.4%
	Sample size (n)	**38**	**7**	**191**	**122**	**208**	**57**	**43**	**29**	**98**	**40**	**33**	**33**	**899**
iii	**Debtors' conditions**													
	Good	2.6%	0.0%	3.7%	5.8%	5.9%	1.8%	0.0%	0.0%	8.2%	7.5%	3.0%	6.1%	4.7%
	Satisfactory	42.1%	57.1%	52.4%	40.0%	45.6%	56.1%	58.1%	44.8%	55.7%	57.5%	45.5%	51.5%	49.3%
	Poor	55.3%	42.9%	44.0%	54.2%	48.5%	42.1%	41.9%	55.2%	36.1%	35.0%	51.5%	42.4%	46.0%
	Sample size (n)	**38**	**7**	**191**	**120**	**204**	**57**	**43**	**29**	**97**	**40**	**33**	**33**	**892**
iv	**Capacity utilization level**													
	Less than 50%	31.8%	33.3%	27.3%	30.4%	26.4%	36.0%	43.5%	22.2%	37.5%	36.0%	35.0%	40.0%	31.1%
	50% to < 75%	40.9%	66.7%	45.3%	44.9%	48.3%	36.0%	34.8%	22.2%	39.6%	40.0%	55.0%	46.7%	43.9%
	75% to ≤ 90%	18.2%	0.0%	22.3%	21.7%	16.1%	20.0%	21.7%	44.4%	16.7%	12.0%	10.0%	13.3%	19.2%
	More than 90%	9.1%	0.0%	5.0%	2.9%	9.2%	8.0%	0.0%	11.1%	6.3%	12.0%	0.0%	0.0%	5.8%
	Sample size (n)	**22**	**3**	**139**	**69**	**87**	**25**	**23**	**9**	**48**	**25**	**20**	**15**	**485**
II	**Domestic sales**													
i	**Volume**													
	Increased 1-5%	8.1%	0.0%	12.8%	10.1%	11.9%	3.4%	24.4%	10.7%	13.0%	13.2%	3.1%	12.5%	11.4%
	Increased 6-10%	8.1%	14.3%	6.9%	5.9%	5.9%	6.9%	4.9%	7.1%	6.5%	23.7%	9.4%	3.1%	7.2%
	Increased >10%	8.1%	0.0%	4.8%	3.4%	5.4%	3.4%	2.4%	10.7%	8.7%	2.6%	6.3%	6.3%	5.3%
	Unchanged	48.6%	28.6%	28.7%	38.7%	26.2%	24.1%	31.7%	21.4%	35.9%	31.6%	34.4%	28.1%	31.0%
	Decreased 1-5%	5.4%	0.0%	10.1%	20.2%	22.3%	32.8%	7.3%	21.4%	9.8%	13.2%	15.6%	21.9%	16.5%
	Decreased 6-10%	5.4%	14.3%	18.1%	10.1%	9.4%	13.8%	7.3%	17.9%	10.9%	7.9%	12.5%	12.5%	12.0%
	Decreased >10%	16.2%	42.9%	18.6%	11.8%	18.8%	15.5%	22.0%	10.7%	15.2%	7.9%	18.8%	15.6%	16.6%
	Sample size (n)	**37**	**7**	**188**	**119**	**202**	**58**	**41**	**28**	**92**	**38**	**32**	**32**	**874**
ii.	**Price level**													
	Increased 1-5%	25.6%	14.3%	16.8%	19.2%	22.7%	12.3%	24.4%	7.4%	18.8%	25.0%	18.8%	13.3%	19.1%
	Increased 6-10%	2.6%	14.3%	7.8%	13.5%	11.6%	12.3%	12.2%	11.1%	15.3%	8.3%	9.4%	16.7%	11.0%
	Increasd >10%	7.7%	0.0%	5.0%	4.8%	9.4%	8.8%	7.3%	3.7%	2.4%	5.6%	3.1%	3.3%	6.0%
	Unchanged	35.9%	28.6%	39.7%	40.4%	29.3%	38.6%	34.1%	48.1%	44.7%	47.2%	40.6%	43.3%	38.1%
	Decreased 1-5%	5.1%	0.0%	11.7%	16.3%	12.2%	15.8%	7.3%	22.2%	9.4%	8.3%	3.1%	10.0%	11.6%
	Decreased 6-10%	5.1%	14.3%	13.4%	1.0%	6.1%	7.0%	4.9%	7.4%	2.4%	2.8%	3.1%	3.3%	6.4%
	Decreased >10%	17.9%	28.6%	5.6%	4.8%	8.8%	5.3%	9.8%	0.0%	7.1%	2.8%	21.9%	10.0%	7.8%
	Sample size (n)	**39**	**7**	**179**	**104**	**181**	**57**	**41**	**27**	**85**	**36**	**32**	**30**	**818**

		Agriculture, forestry and fishery	Mining and quarrying	Manufacturing	Construction	Wholesale and retail trade	Trading (imports and exports)	Tourism, shopping, hotels, restaurants, recreation and entertainment	Transportation, forwarding and warehousing	Professional and business services	Finance and insurance	Real estate	ICT	**1st HALF 2019**
III	**Foreign sales**													
i	**Volume**													
	Increased 1-5%	20.0%	0.0%	13.3%	13.8%	11.7%	8.1%	15.0%	0.0%	17.6%	10.5%	6.7%	14.3%	12.5%
	Increased 6-10%	5.0%	0.0%	7.7%	6.9%	1.7%	10.8%	0.0%	12.5%	14.7%	21.1%	13.3%	14.3%	8.3%
	Increased >10%	10.0%	0.0%	4.2%	0.0%	5.0%	2.7%	5.0%	6.3%	0.0%	15.8%	0.0%	7.1%	4.4%
	Unchanged	45.0%	100.0%	35.0%	58.6%	46.7%	40.5%	50.0%	50.0%	50.0%	42.1%	66.7%	42.9%	43.9%
	Decreased 1-5%	15.0%	0.0%	18.9%	10.3%	16.7%	16.2%	15.0%	25.0%	2.9%	10.5%	6.7%	14.3%	15.2%
	Decreased 6-10%	5.0%	0.0%	7.7%	3.4%	6.7%	13.5%	5.0%	6.3%	8.8%	0.0%	0.0%	0.0%	6.6%
	Decreased >10%	0.0%	0.0%	13.3%	6.9%	11.7%	8.1%	10.0%	0.0%	5.9%	0.0%	6.7%	7.1%	9.1%
	Sample size (n)	**20**	**1**	**143**	**29**	**60**	**37**	**20**	**16**	**34**	**19**	**15**	**14**	**408**
ii	**Price level**													
	Increased 1-5%	21.1%	0.0%	10.1%	11.1%	20.7%	27.8%	14.3%	12.5%	16.1%	6.3%	33.3%	8.3%	15.4%
	Increased 6-10%	5.3%	0.0%	7.2%	11.1%	12.1%	5.6%	4.8%	6.3%	16.1%	25.0%	6.7%	8.3%	9.2%
	Increased >10%	5.3%	0.0%	3.6%	7.4%	5.2%	5.6%	4.8%	6.3%	0.0%	12.5%	0.0%	8.3%	4.6%
	Unchanged	36.8%	100.0%	47.8%	55.6%	39.7%	36.1%	47.6%	31.3%	51.6%	56.3%	53.3%	58.3%	46.2%
	Decreased 1-5%	15.8%	0.0%	19.6%	11.1%	13.8%	13.9%	9.5%	37.5%	9.7%	0.0%	0.0%	8.3%	14.9%
	Decreased 6-10%	10.5%	0.0%	7.2%	0.0%	6.9%	5.6%	4.8%	6.3%	3.2%	0.0%	6.7%	0.0%	5.6%
	Decreased >10%	5.3%	0.0%	4.3%	3.7%	1.7%	5.6%	14.3%	0.0%	3.2%	0.0%	0.0%	8.3%	4.1%
	Sample size (n)	**19**	**1**	**138**	**27**	**58**	**36**	**21**	**16**	**31**	**16**	**15**	**12**	**390**
IV	**Business operations**													
i	**Production**													
	Increased 1-5%	21.6%	0.0%	13.3%	15.6%	10.2%	11.1%	33.3%	10.0%	20.7%	14.3%	0.0%	13.0%	14.2%
	Increased 6-10%	8.1%	14.3%	11.0%	2.6%	9.5%	8.3%	3.3%	5.0%	10.3%	10.7%	17.4%	8.7%	8.9%
	Increased >10%	0.0%	0.0%	2.9%	2.6%	5.8%	0.0%	0.0%	10.0%	8.6%	14.3%	0.0%	4.3%	4.2%
	Unchanged	54.1%	71.4%	32.4%	48.1%	38.7%	38.9%	36.7%	35.0%	36.2%	35.7%	47.8%	52.2%	39.6%
	Decreased 1-5%	8.1%	0.0%	12.1%	15.6%	14.6%	22.2%	13.3%	20.0%	5.2%	10.7%	0.0%	8.7%	12.3%
	Decreased 6-10%	2.7%	0.0%	13.9%	5.2%	11.7%	2.8%	3.3%	10.0%	10.3%	7.1%	21.7%	8.7%	9.9%
	Decreased >10%	5.4%	14.3%	14.5%	10.4%	9.5%	16.7%	10.0%	10.0%	8.6%	7.1%	13.0%	4.3%	10.9%
	Sample size (n)	**37**	**7**	**173**	**77**	**137**	**36**	**30**	**20**	**58**	**28**	**23**	**23**	**649**
ii	**Inventory or stock level**													
	Increased 1-5%	18.5%	0.0%	17.0%	17.1%	20.4%	12.2%	12.5%	16.7%	15.7%	11.1%	13.6%	8.7%	16.5%
	Increased 6-10%	7.4%	33.3%	10.7%	2.9%	8.9%	16.3%	4.2%	16.7%	11.8%	16.7%	22.7%	4.3%	10.2%
	Increased >10%	11.1%	0.0%	5.0%	4.3%	7.6%	8.2%	0.0%	0.0%	7.8%	11.1%	13.6%	0.0%	6.3%
	Unchanged	55.6%	33.3%	37.1%	54.3%	33.8%	30.6%	54.2%	41.7%	45.1%	50.0%	31.8%	69.6%	41.3%
	Decreased 1-5%	3.7%	16.7%	14.5%	7.1%	14.6%	18.4%	12.5%	8.3%	7.8%	0.0%	0.0%	8.7%	11.7%
	Decreased 6-10%	0.0%	0.0%	6.3%	7.1%	5.7%	8.2%	4.2%	16.7%	3.9%	5.6%	13.6%	0.0%	6.0%
	Decreased >10%	3.7%	16.7%	9.4%	7.1%	8.9%	6.1%	12.5%	0.0%	7.8%	5.6%	4.5%	8.7%	8.1%
	Sample size (n)	**27**	**6**	**159**	**70**	**157**	**49**	**24**	**12**	**51**	**18**	**22**	**23**	**618**
V	**Cost of raw materials**													
i	**Local**													
	Increased 1-5%	26.5%	40.0%	30.3%	34.4%	25.9%	34.1%	44.8%	42.9%	32.1%	16.7%	22.2%	22.2%	30.2%
	Increased 6-10%	26.5%	20.0%	26.3%	30.0%	18.5%	17.1%	13.8%	35.7%	22.6%	16.7%	33.3%	16.7%	23.6%
	Increased >10%	11.8%	0.0%	11.4%	14.4%	20.7%	7.3%	20.7%	7.1%	13.2%	5.6%	14.8%	11.1%	13.9%
	Unchanged	26.5%	40.0%	22.9%	16.7%	28.1%	26.8%	20.7%	14.3%	28.3%	44.4%	25.9%	44.4%	25.2%
	Decreased 1-5%	8.8%	0.0%	5.1%	2.2%	4.4%	9.8%	0.0%	0.0%	1.9%	5.6%	0.0%	0.0%	4.1%
	Decreased 6-10%	0.0%	0.0%	1.1%	0.0%	1.5%	2.4%	0.0%	0.0%	0.0%	11.1%	3.7%	0.0%	1.3%
	Decreased >10%	0.0%	0.0%	2.9%	2.2%	0.7%	2.4%	0.0%	0.0%	1.9%	0.0%	0.0%	5.6%	1.7%
	Sample size (n)	**34**	**5**	**175**	**90**	**135**	**41**	**29**	**14**	**53**	**18**	**27**	**18**	**639**
ii	**Imported**													
	Increased 1-5%	25.9%	0.0%	27.3%	21.3%	16.2%	23.3%	19.0%	18.2%	25.0%	23.1%	15.0%	20.0%	22.1%
	Increased 6-10%	14.8%	50.0%	28.1%	34.4%	18.1%	37.2%	23.8%	36.4%	32.5%	23.1%	30.0%	20.0%	27.0%
	Increased >10%	25.9%	0.0%	12.9%	18.0%	26.7%	11.6%	28.6%	9.1%	15.0%	0.0%	15.0%	0.0%	17.1%
	Unchanged	22.2%	50.0%	22.3%	19.7%	27.6%	16.3%	19.0%	36.4%	25.0%	38.5%	35.0%	46.7%	24.7%
	Decreased 1-5%	11.1%	0.0%	5.8%	4.9%	4.8%	7.0%	9.5%	0.0%	0.0%	7.7%	0.0%	6.7%	5.2%
	Decreased 6-10%	0.0%	0.0%	1.4%	0.0%	4.8%	2.3%	0.0%	0.0%	0.0%	7.7%	5.0%	0.0%	2.0%
	Decreased >10%	0.0%	0.0%	2.2%	1.6%	1.9%	2.3%	0.0%	0.0%	2.5%	0.0%	0.0%	6.7%	1.8%
	Sample size (n)	**27**	**2**	**139**	**61**	**105**	**43**	**21**	**11**	**40**	**13**	**20**	**15**	**497**
VI	**Manpower**													
i	**Number of employees**													
	Increased 1-5	10.5%	0.0%	13.2%	15.6%	13.5%	10.3%	19.0%	25.0%	17.3%	10.5%	16.1%	18.2%	14.5%
	Increased 6-10	10.5%	0.0%	4.2%	5.7%	7.5%	5.2%	2.4%	10.7%	4.1%	18.4%	12.9%	12.1%	6.8%
	Increased >10	5.3%	0.0%	4.7%	3.3%	1.5%	0.0%	4.8%	10.7%	3.1%	5.3%	0.0%	6.1%	3.4%
	Unchanged	55.3%	85.7%	53.2%	58.2%	61.0%	62.1%	52.4%	39.3%	57.1%	50.0%	67.7%	54.5%	56.9%
	Decreased 1-5	7.9%	14.3%	15.3%	10.7%	13.5%	19.0%	21.4%	7.1%	13.3%	10.5%	0.0%	9.1%	13.0%
	Decreased 6-10	7.9%	0.0%	5.8%	2.5%	1.5%	3.4%	0.0%	7.1%	1.0%	2.6%	3.2%	0.0%	3.1%
	Decreased >10	2.6%	0.0%	3.7%	4.1%	1.5%	0.0%	0.0%	0.0%	4.1%	2.6%	0.0%	0.0%	2.4%
	Sample size (n)	**38**	**7**	**190**	**122**	**200**	**58**	**42**	**28**	**98**	**38**	**31**	**33**	**885**
ii	**Wage growth**													
	Increased 1-5%	27.8%	28.6%	34.4%	39.0%	37.0%	28.8%	35.0%	35.7%	26.7%	24.2%	35.5%	21.9%	33.3%
	Increased 6-10%	16.7%	14.3%	17.2%	9.3%	11.4%	25.0%	5.0%	21.4%	12.2%	30.3%	9.7%	15.6%	14.4%
	Increased >10%	5.6%	0.0%	8.9%	3.4%	9.8%	5.8%	5.0%	7.1%	5.6%	3.0%	3.2%	12.5%	7.0%
	Unchanged	50.0%	42.9%	31.7%	43.2%	38.0%	34.6%	37.5%	32.1%	52.2%	39.4%	45.2%	43.8%	39.6%
	Decreased 1-5%	0.0%	14.3%	5.6%	2.5%	1.1%	3.8%	12.5%	3.6%	0.0%	0.0%	3.2%	6.3%	3.2%
	Decreased 6-10%	0.0%	0.0%	1.1%	0.0%	1.1%	1.9%	5.0%	0.0%	1.1%	3.0%	3.2%	0.0%	1.2%
	Decreased >10%	0.0%	0.0%	1.1%	2.5%	1.6%	0.0%	0.0%	0.0%	2.2%	0.0%	0.0%	0.0%	1.2%
	Sample size (n)	**36**	**7**	**180**	**118**	**184**	**52**	**40**	**28**	**90**	**33**	**31**	**32**	**831**

		Agriculture, forestry and fishery	Mining and quarrying	Manufacturing	Construction	Wholesale and retail trade	Trading (imports and exports)	Tourism, shopping, hotels, restaurants, recreation and entertainment	Transportation, forwarding and warehousing	Professional and business services	Finance and insurance	Real estate	ICT	**1st HALF 2019**
VII	**Others**													
i	**Capital expenditures**													
	Increased 1-5%	21.1%	16.7%	33.9%	37.5%	27.7%	22.0%	37.1%	30.4%	25.6%	25.8%	29.0%	20.0%	29.6%
	Increased 6-10%	26.3%	50.0%	14.9%	11.5%	20.8%	28.0%	20.0%	21.7%	18.3%	9.7%	29.0%	16.0%	18.7%
	Increased >10%	7.9%	0.0%	8.3%	9.4%	12.7%	8.0%	11.4%	30.4%	7.3%	16.1%	12.9%	8.0%	10.6%
	Unchanged	39.5%	33.3%	36.3%	37.5%	32.4%	34.0%	22.9%	17.4%	42.7%	41.9%	22.6%	48.0%	35.1%
	Decreased 1-5%	2.6%	0.0%	4.2%	1.0%	3.5%	6.0%	8.6%	0.0%	3.7%	3.2%	3.2%	4.0%	3.6%
	Decreased 6-10%	0.0%	0.0%	2.4%	0.0%	1.7%	2.0%	0.0%	0.0%	0.0%	3.2%	3.2%	0.0%	1.3%
	Decreased >10%	2.6%	0.0%	0.0%	3.1%	1.2%	0.0%	0.0%	0.0%	2.4%	0.0%	0.0%	4.0%	1.2%
	Sample size (n)	**38**	**6**	**168**	**96**	**173**	**50**	**35**	**23**	**82**	**31**	**31**	**25**	**758**
	Outlook for 2H 2019 (Jul-Dec) compared to 1H 2019(Jan-Jun)													
I	**Overall**													
i	**Business conditions**													
	Good	7.7%	0.0%	8.3%	7.5%	7.7%	16.7%	2.3%	13.8%	9.5%	10.5%	6.1%	6.1%	8.4%
	Satisfactory	53.8%	42.9%	47.8%	47.5%	46.2%	25.9%	51.2%	34.5%	49.5%	60.5%	33.3%	54.5%	46.4%
	Poor	38.5%	57.1%	43.9%	45.0%	46.2%	57.4%	46.5%	51.7%	41.1%	28.9%	60.6%	39.4%	45.2%
	Sample size (n)	**39**	**7**	**180**	**120**	**208**	**54**	**43**	**29**	**95**	**38**	**33**	**33**	**879**
ii	**Cash flows conditions**													
	Good	8.3%	0.0%	7.1%	5.1%	5.4%	7.8%	2.4%	10.3%	8.6%	5.3%	6.3%	3.0%	6.3%
	Satisfactory	47.2%	28.6%	54.4%	44.1%	47.8%	35.3%	47.6%	41.4%	51.6%	65.8%	28.1%	69.7%	48.8%
	Poor	44.4%	71.4%	38.5%	50.8%	46.8%	56.9%	50.0%	48.3%	39.8%	28.9%	65.6%	27.3%	44.9%
	Sample size (n)	**36**	**7**	**182**	**118**	**203**	**51**	**42**	**29**	**93**	**38**	**32**	**33**	**864**
iii	**Debtors' conditions**													
	Good	2.8%	0.0%	6.7%	5.9%	5.0%	6.0%	0.0%	0.0%	12.0%	5.3%	3.1%	3.0%	5.6%
	Satisfactory	50.0%	14.3%	48.9%	44.9%	48.5%	38.0%	54.8%	44.8%	47.8%	57.9%	37.5%	60.6%	47.8%
	Poor	47.2%	85.7%	44.4%	49.2%	46.5%	56.0%	45.2%	55.2%	40.2%	36.8%	59.4%	36.4%	46.6%
	Sample size (n)	**36**	**7**	**180**	**118**	**200**	**50**	**42**	**29**	**92**	**38**	**32**	**33**	**857**
iv	**Capacity utilization level**													
	Less than 50%	35.3%	0.0%	23.8%	31.8%	25.8%	30.4%	61.1%	20.0%	42.2%	26.3%	29.4%	40.0%	30.3%
	50% to < 75%	23.5%	100.0%	44.4%	48.5%	43.8%	43.5%	22.2%	20.0%	33.3%	42.1%	47.1%	46.7%	41.7%
	75% to ≤ 90%	29.4%	0.0%	23.8%	18.2%	20.2%	13.0%	16.7%	50.0%	20.0%	21.1%	23.5%	13.3%	21.3%
	More than 90%	11.8%	0.0%	7.9%	1.5%	10.1%	13.0%	0.0%	10.0%	4.4%	10.5%	0.0%	0.0%	6.7%
	Sample size (n)	**17**	**1**	**126**	**66**	**89**	**23**	**18**	**10**	**45**	**19**	**17**	**15**	**446**
II	**Domestic sales**													
i	**Volume**													
	Increase 1-5%	11.1%	42.9%	16.3%	17.6%	16.1%	5.4%	21.1%	25.0%	14.4%	13.9%	9.4%	9.1%	15.4%
	Increase 6-10%	11.1%	14.3%	5.4%	3.4%	6.5%	7.1%	7.9%	7.1%	8.9%	19.4%	9.4%	9.1%	7.2%
	Increase >10%	11.1%	0.0%	6.0%	2.5%	4.5%	3.6%	7.9%	10.7%	8.9%	11.1%	6.3%	9.1%	6.1%
	Unchanged	47.2%	14.3%	35.9%	45.4%	42.7%	35.7%	31.6%	21.4%	35.6%	33.3%	50.0%	30.3%	38.6%
	Decrease 1-5%	8.3%	0.0%	10.9%	12.6%	11.1%	28.6%	5.3%	14.3%	13.3%	11.1%	12.5%	21.2%	12.7%
	Decrease 6-10%	2.8%	0.0%	14.7%	10.1%	6.5%	10.7%	10.5%	14.3%	7.8%	2.8%	0.0%	15.2%	9.3%
	Decrease >10%	8.3%	28.6%	10.9%	8.4%	12.6%	8.9%	15.8%	7.1%	11.1%	8.3%	12.5%	6.1%	10.7%
	Sample size (n)	**36**	**7**	**184**	**119**	**199**	**56**	**38**	**28**	**90**	**36**	**32**	**33**	**858**
ii	**Prive level**													
	Increase 1-5%	16.2%	0.0%	21.4%	22.1%	24.0%	21.8%	36.8%	11.1%	17.1%	17.1%	21.9%	9.7%	21.0%
	Increase 6-10%	10.8%	14.3%	5.2%	6.7%	9.1%	3.6%	7.9%	7.4%	11.0%	8.6%	9.4%	9.7%	7.8%
	Increase >10%	2.7%	0.0%	3.5%	4.8%	5.7%	7.3%	5.3%	11.1%	4.9%	5.7%	0.0%	9.7%	5.0%
	Unchanged	43.2%	57.1%	41.6%	43.3%	42.3%	36.4%	31.6%	44.4%	47.6%	60.0%	46.9%	48.4%	43.3%
	Decrease 1-5%	5.4%	14.3%	11.6%	14.4%	8.6%	21.8%	5.3%	18.5%	8.5%	2.9%	3.1%	12.9%	10.7%
	Decrease 6-10%	10.8%	0.0%	12.7%	3.8%	4.0%	3.6%	5.3%	7.4%	3.7%	2.9%	3.1%	6.5%	6.3%
	Decrease >10%	10.8%	14.3%	4.0%	4.8%	6.3%	5.5%	7.9%	0.0%	7.3%	2.9%	15.6%	3.2%	5.9%
	Sample size (n)	**37**	**7**	**173**	**104**	**175**	**55**	**38**	**27**	**82**	**35**	**32**	**31**	**796**
III	**Foreign sales**													
i	**Volume**													
	Increase 1-5%	23.5%	0.0%	14.6%	17.9%	15.9%	21.6%	4.8%	20.0%	18.4%	10.5%	7.1%	15.4%	15.6%
	Increase 6-10%	11.8%	0.0%	9.5%	7.1%	7.9%	8.1%	4.8%	13.3%	18.4%	21.1%	21.4%	15.4%	10.9%
	Increase >10%	5.9%	0.0%	6.6%	0.0%	3.2%	2.7%	0.0%	0.0%	5.3%	10.5%	0.0%	0.0%	4.2%
	Unchanged	47.1%	100.0%	43.1%	57.1%	50.8%	37.8%	66.7%	40.0%	39.5%	47.4%	50.0%	46.2%	46.4%
	Decrease 1-5%	11.8%	0.0%	13.1%	10.7%	7.9%	13.5%	14.3%	20.0%	7.9%	5.3%	14.3%	15.4%	11.7%
	Decrease 6-10%	0.0%	0.0%	8.0%	0.0%	6.3%	8.1%	0.0%	0.0%	2.6%	5.3%	7.1%	0.0%	5.2%
	Decrease >10%	0.0%	0.0%	5.1%	7.1%	7.9%	8.1%	9.5%	6.7%	7.9%	0.0%	0.0%	7.7%	6.0%
	Sample size (n)	**17**	**1**	**137**	**28**	**63**	**37**	**21**	**15**	**38**	**19**	**14**	**13**	**403**
ii	**Price level**													
	Increase 1-5%	16.7%	0.0%	15.9%	18.5%	23.0%	17.9%	9.5%	13.3%	22.9%	11.8%	21.4%	9.1%	17.4%
	Increase 6-10%	16.7%	0.0%	5.3%	7.4%	8.2%	7.7%	4.8%	6.7%	17.1%	11.8%	14.3%	9.1%	8.4%
	Increase >10%	0.0%	0.0%	3.8%	0.0%	6.6%	7.7%	4.8%	6.7%	0.0%	5.9%	0.0%	0.0%	3.8%
	Unchanged	38.9%	100.0%	50.0%	55.6%	44.3%	48.7%	57.1%	40.0%	45.7%	70.6%	57.1%	63.6%	50.1%
	Decrease 1-5%	11.1%	0.0%	16.7%	11.1%	9.8%	7.7%	4.8%	26.7%	5.7%	0.0%	0.0%	9.1%	11.3%
	Decrease 6-10%	5.6%	0.0%	5.3%	3.7%	4.9%	5.1%	9.5%	0.0%	0.0%	0.0%	7.1%	0.0%	4.3%
	Decrease >10%	11.1%	0.0%	3.0%	3.7%	3.3%	5.1%	9.5%	6.7%	8.6%	0.0%	0.0%	9.1%	4.6%
	Sample size (n)	**18**	**1**	**132**	**27**	**61**	**39**	**21**	**15**	**35**	**17**	**14**	**11**	**391**

		Agriculture, forestry and fishery	Mining and quarrying	Manufacturing	Construction	Wholesale and retail trade	Trading (imports and exports)	Tourism, shopping, hotels, restaurants, recreation and entertainment	Transportation, forwarding and warehousing	Professional and business services	Finance and insurance	Real estate	ICT	**1st HALF 2019**
IV	**Business operations**													
i	**Production**													
	Increase 1-5%	22.9%	14.3%	19.2%	21.6%	12.6%	12.1%	30.0%	41.2%	18.6%	15.4%	26.1%	9.5%	18.7%
	Increase 6-10%	8.6%	14.3%	10.2%	1.4%	8.7%	9.1%	3.3%	5.9%	13.6%	7.7%	0.0%	9.5%	8.1%
	Increase >10%	2.9%	14.3%	4.8%	2.7%	5.5%	0.0%	3.3%	5.9%	6.8%	15.4%	4.3%	0.0%	4.8%
	Unchanged	51.4%	42.9%	34.1%	39.2%	44.9%	36.4%	40.0%	23.5%	37.3%	38.5%	34.8%	57.1%	39.4%
	Decrease 1-5%	2.9%	0.0%	12.0%	18.9%	11.8%	36.4%	10.0%	5.9%	10.2%	7.7%	8.7%	9.5%	12.6%
	Decrease 6-10%	5.7%	0.0%	13.8%	4.1%	7.1%	3.0%	0.0%	5.9%	3.4%	7.7%	17.4%	14.3%	8.1%
	Decrease >10%	5.7%	14.3%	6.0%	12.2%	9.4%	3.0%	13.3%	11.8%	10.2%	7.7%	8.7%	0.0%	8.2%
	Sample size (n)	**35**	**7**	**167**	**74**	**127**	**33**	**30**	**17**	**59**	**26**	**23**	**21**	**619**
ii	**Invenetory or stock level**													
	Increase 1-5%	14.8%	16.7%	15.7%	17.6%	18.0%	21.7%	20.8%	10.0%	12.7%	11.1%	18.2%	8.7%	16.4%
	Increase 6-10%	11.1%	16.7%	10.5%	7.4%	12.0%	10.9%	4.2%	20.0%	12.7%	16.7%	13.6%	13.0%	11.1%
	Increase >10%	14.8%	16.7%	6.5%	4.4%	5.3%	6.5%	0.0%	10.0%	9.1%	5.6%	18.2%	0.0%	6.6%
	Unchanged	48.1%	33.3%	41.8%	45.6%	37.3%	41.3%	54.2%	40.0%	45.5%	55.6%	27.3%	60.9%	42.7%
	Decrease 1-5%	3.7%	0.0%	13.7%	10.3%	15.3%	6.5%	4.2%	10.0%	9.1%	0.0%	9.1%	8.7%	11.0%
	Decrease 6-10%	3.7%	0.0%	5.9%	7.4%	3.3%	4.3%	4.2%	0.0%	1.8%	5.6%	13.6%	4.3%	4.8%
	Decrease >10%	3.7%	16.7%	5.9%	7.4%	8.7%	8.7%	12.5%	10.0%	9.1%	5.6%	0.0%	4.3%	7.3%
	Sample size (n)	**27**	**6**	**153**	**68**	**150**	**46**	**24**	**10**	**55**	**18**	**22**	**23**	**602**
V	**Cost of raw materials**													
i	**Local**													
	Increase 1-5%	17.6%	40.0%	34.5%	31.8%	32.1%	35.1%	37.9%	45.5%	32.7%	16.7%	19.2%	17.6%	31.3%
	Increase 6-10%	23.5%	0.0%	18.7%	31.8%	19.1%	8.1%	24.1%	36.4%	17.3%	16.7%	34.6%	23.5%	21.3%
	Increase >10%	11.8%	0.0%	12.3%	10.2%	15.3%	5.4%	20.7%	9.1%	9.6%	5.6%	19.2%	5.9%	12.1%
	Unchanged	32.4%	60.0%	26.9%	20.5%	29.0%	43.2%	17.2%	9.1%	36.5%	44.4%	19.2%	47.1%	28.8%
	Decrease 1-5%	11.8%	0.0%	7.0%	3.4%	3.1%	5.4%	0.0%	0.0%	1.9%	5.6%	0.0%	5.9%	4.5%
	Decrease 6-10%	2.9%	0.0%	0.0%	0.0%	0.8%	2.7%	0.0%	0.0%	0.0%	5.6%	3.8%	0.0%	0.8%
	Decrease >10%	0.0%	0.0%	0.6%	2.3%	0.8%	0.0%	0.0%	0.0%	1.9%	5.6%	3.8%	0.0%	1.1%
	Sample size (n)	**34**	**5**	**171**	**88**	**131**	**37**	**29**	**11**	**52**	**18**	**26**	**17**	**619**
ii	**Imported**													
	Increase 1-5%	23.1%	0.0%	30.1%	28.1%	22.3%	26.8%	23.8%	30.0%	19.5%	8.3%	21.1%	20.0%	25.1%
	Increase 6-10%	26.9%	0.0%	18.4%	28.1%	17.5%	22.0%	33.3%	30.0%	31.7%	33.3%	26.3%	20.0%	22.8%
	Increase >10%	19.2%	0.0%	13.2%	15.8%	17.5%	12.2%	23.8%	20.0%	9.8%	0.0%	15.8%	0.0%	14.3%
	Unchanged	23.1%	100.0%	31.6%	19.3%	37.9%	31.7%	14.3%	20.0%	36.6%	50.0%	26.3%	46.7%	31.5%
	Decrease 1-5%	7.7%	0.0%	4.4%	7.0%	1.9%	4.9%	4.8%	0.0%	0.0%	0.0%	0.0%	6.7%	3.7%
	Decrease 6-10%	0.0%	0.0%	1.5%	0.0%	1.9%	2.4%	0.0%	0.0%	0.0%	0.0%	5.3%	0.0%	1.2%
	Decrease >10%	0.0%	0.0%	0.7%	1.8%	1.0%	0.0%	0.0%	0.0%	2.4%	8.3%	5.3%	6.7%	1.4%
	Sample size (n)	**26**	**2**	**136**	**57**	**103**	**41**	**21**	**10**	**41**	**12**	**19**	**15**	**483**
VI	**Manpower**													
i	**Number of employees**													
	Increase 1-5	8.1%	0.0%	16.5%	10.7%	14.9%	14.3%	17.5%	32.1%	17.6%	8.3%	6.5%	27.3%	15.1%
	Increase 6-10	10.8%	0.0%	4.8%	2.5%	5.2%	5.4%	10.0%	3.6%	4.4%	13.9%	9.7%	9.1%	5.7%
	Increase >10	8.1%	14.3%	2.1%	4.1%	1.0%	1.8%	5.0%	7.1%	4.4%	8.3%	3.2%	3.0%	3.4%
	Unchanged	62.2%	71.4%	60.1%	62.8%	66.5%	66.1%	52.5%	46.4%	57.1%	50.0%	67.7%	54.5%	61.0%
	Decrease 1-5	8.1%	14.3%	11.2%	13.2%	10.8%	12.5%	12.5%	7.1%	9.9%	13.9%	3.2%	3.0%	10.7%
	Decrease 6-10	2.7%	0.0%	3.2%	1.7%	1.0%	0.0%	2.5%	3.6%	2.2%	2.8%	9.7%	3.0%	2.3%
	Decrease >10	0.0%	0.0%	2.1%	5.0%	0.5%	0.0%	0.0%	0.0%	4.4%	2.8%	0.0%	0.0%	1.9%
	Sample size (n)	**37**	**7**	**188**	**121**	**194**	**56**	**40**	**28**	**91**	**36**	**31**	**33**	**862**
ii	**Wage growth**													
	Increase 1-5%	26.5%	42.9%	27.3%	28.8%	32.8%	26.4%	33.3%	44.4%	26.7%	19.4%	29.0%	25.0%	29.2%
	Increase 6-10%	17.6%	14.3%	17.6%	10.2%	7.2%	13.2%	10.3%	7.4%	5.8%	32.3%	12.9%	9.4%	12.0%
	Increase >10%	2.9%	14.3%	6.3%	1.7%	10.6%	9.4%	5.1%	11.1%	7.0%	3.2%	3.2%	9.4%	6.8%
	Unchanged	52.9%	28.6%	41.5%	54.2%	45.0%	47.2%	41.0%	33.3%	55.8%	45.2%	45.2%	50.0%	46.7%
	Decrease 1-5%	0.0%	0.0%	6.3%	2.5%	3.9%	3.8%	5.1%	3.7%	1.2%	0.0%	3.2%	3.1%	3.6%
	Decrease 6-10%	0.0%	0.0%	0.6%	0.0%	0.6%	0.0%	5.1%	0.0%	1.2%	0.0%	6.5%	3.1%	1.0%
	Decrease >10%	0.0%	0.0%	0.6%	2.5%	0.0%	0.0%	0.0%	0.0%	2.3%	0.0%	0.0%	0.0%	0.7%
	Sample size (n)	**34**	**7**	**176**	**118**	**180**	**53**	**39**	**27**	**86**	**31**	**31**	**32**	**814**
VII	**Others**													
i	**Capital expenditure**													
	Increase 1-5%	19.4%	20.0%	40.0%	33.0%	28.2%	27.7%	28.6%	35.0%	31.1%	16.1%	23.3%	20.0%	30.4%
	Increase 6-10%	25.0%	20.0%	6.9%	14.3%	16.0%	23.4%	14.3%	10.0%	9.5%	16.1%	26.7%	12.0%	14.1%
	Increase >10%	8.3%	0.0%	7.5%	9.9%	12.9%	10.6%	17.1%	40.0%	9.5%	9.7%	6.7%	12.0%	11.0%
	Unchanged	41.7%	60.0%	40.0%	37.4%	36.8%	29.8%	37.1%	15.0%	44.6%	48.4%	33.3%	48.0%	38.5%
	Decrease 1-5%	2.8%	0.0%	3.8%	2.2%	4.3%	8.5%	2.9%	0.0%	2.7%	3.2%	6.7%	4.0%	3.8%
	Decrease 6-10%	0.0%	0.0%	0.6%	0.0%	1.2%	0.0%	0.0%	0.0%	0.0%	6.5%	3.3%	0.0%	0.8%
	Decrease >10%	2.8%	0.0%	1.3%	3.3%	0.6%	0.0%	0.0%	0.0%	2.7%	0.0%	0.0%	4.0%	1.4%
	Sample size (n)	**36**	**5**	**160**	**91**	**163**	**47**	**35**	**20**	**74**	**31**	**30**	**25**	**717**

		Agriculture, forestry and fishery	Mining and quarrying	Manufacturing	Construction	Wholesale and retail trade	Trading (imports and exports)	Tourism, shopping, hotels, restaurants, recreation and entertainment	Transportation, forwarding and warehousing	Professional and business services	Finance and insurance	Real estate	ICT	**1st HALF 2019**
Part C: Current Issues														
C1	**Tourism sector**													
a	**Below are listed two statements which refer to the general opinion of the tourism sector**													
	1. Malaysia has not harnessed the full potential of tourism													
	Completely disagree	2.7%	0.0%	0.0%	0.0%	2.4%	1.9%	9.1%	3.4%	1.0%	0.0%	0.0%	0.0%	1.5%
	Disagree	5.4%	0.0%	3.3%	2.5%	1.5%	0.0%	2.3%	0.0%	4.1%	5.1%	0.0%	0.0%	2.4%
	Neutral	13.5%	28.6%	20.6%	24.6%	15.0%	20.4%	9.1%	13.8%	21.4%	10.3%	9.1%	18.8%	17.9%
	Agree	18.9%	28.6%	31.1%	30.3%	23.8%	14.8%	22.7%	31.0%	25.5%	20.5%	27.3%	28.1%	26.0%
	Completely agree	59.5%	42.9%	45.0%	42.6%	57.3%	63.0%	56.8%	51.7%	48.0%	64.1%	63.6%	53.1%	52.2%
	Sample size (n)	**37**	**7**	**180**	**122**	**206**	**54**	**44**	**29**	**98**	**39**	**33**	**32**	**881**
	2. Malaysia’s tourism is lagging behind its neighbors													
	Completely disagree	2.6%	0.0%	1.7%	0.0%	1.5%	3.6%	4.5%	6.9%	2.1%	2.6%	0.0%	0.0%	1.8%
	Disagree	2.6%	14.3%	2.8%	1.7%	2.4%	1.8%	2.3%	0.0%	2.1%	2.6%	0.0%	0.0%	2.2%
	Neutral	15.4%	14.3%	18.4%	19.8%	13.1%	10.9%	9.1%	17.2%	12.4%	7.7%	15.2%	18.8%	15.0%
	Agree	20.5%	14.3%	26.3%	33.1%	23.3%	12.7%	27.3%	24.1%	24.7%	20.5%	15.2%	31.3%	24.6%
	Completely agree	59.0%	57.1%	50.8%	45.5%	59.7%	70.9%	56.8%	51.7%	58.8%	66.7%	69.7%	50.0%	56.4%
	Sample size (n)	**39**	**7**	**179**	**121**	**206**	**55**	**44**	**29**	**97**	**39**	**33**	**32**	**881**
b	**Please indicate HOW IMPORTANT is each of these tourism elements:**													
	1. Visa Convenience													
	Completely unimportant	0.0%	0.0%	0.6%	0.8%	1.0%	1.8%	0.0%	0.0%	2.0%	2.6%	0.0%	0.0%	0.9%
	Unimportant	2.7%	16.7%	2.8%	4.2%	1.5%	1.8%	0.0%	3.4%	0.0%	7.7%	3.0%	3.1%	2.5%
	Neutral	16.2%	0.0%	13.3%	16.7%	14.6%	17.5%	9.1%	20.7%	26.5%	10.3%	18.2%	25.0%	16.3%
	Important	27.0%	16.7%	37.6%	40.0%	24.4%	29.8%	29.5%	37.9%	23.5%	23.1%	30.3%	37.5%	30.9%
	Very important	54.1%	66.7%	45.9%	38.3%	58.5%	49.1%	61.4%	37.9%	48.0%	56.4%	48.5%	34.4%	49.4%
	Sample size (n)	**37**	**6**	**181**	**120**	**205**	**57**	**44**	**29**	**98**	**39**	**33**	**32**	**881**
	2. Lack of tourists information booth or multi-languages personal in tourism hotspots or airports													
	Completely unimportant	0.0%	0.0%	0.6%	0.8%	0.5%	1.8%	0.0%	3.4%	0.0%	2.6%	0.0%	0.0%	0.7%
	Unimportant	0.0%	0.0%	1.1%	2.5%	1.5%	0.0%	0.0%	3.4%	3.1%	7.7%	0.0%	0.0%	1.7%
	Neutral	20.5%	16.7%	17.1%	12.6%	15.5%	10.9%	6.8%	10.3%	17.3%	15.4%	18.8%	21.9%	15.3%
	Important	28.2%	0.0%	42.0%	39.5%	27.7%	43.6%	36.4%	51.7%	35.7%	25.6%	28.1%	34.4%	35.3%
	Very important	51.3%	83.3%	39.2%	44.5%	54.9%	43.6%	56.8%	31.0%	43.9%	48.7%	53.1%	43.8%	46.9%
	Sample size (n)	**39**	**6**	**181**	**119**	**206**	**55**	**44**	**29**	**98**	**39**	**32**	**32**	**880**
	3. Personal safety and security													
	Completely unimportant	0.0%	0.0%	0.0%	0.8%	0.5%	1.8%	0.0%	0.0%	1.0%	5.0%	0.0%	0.0%	0.7%
	Unimportant	0.0%	0.0%	1.1%	0.8%	1.0%	0.0%	0.0%	0.0%	2.0%	5.0%	0.0%	9.4%	1.4%
	Neutral	10.5%	0.0%	11.0%	7.5%	9.2%	14.0%	4.5%	0.0%	13.3%	5.0%	9.1%	9.4%	9.4%
	Important	21.1%	0.0%	29.8%	29.2%	21.3%	21.1%	18.2%	37.9%	21.4%	22.5%	18.2%	37.5%	24.9%
	Very important	68.4%	100.0%	58.0%	61.7%	68.1%	63.2%	77.3%	62.1%	62.2%	62.5%	72.7%	43.8%	63.7%
	Sample size (n)	**38**	**6**	**181**	**120**	**207**	**57**	**44**	**29**	**98**	**40**	**33**	**32**	**885**
	4. Overall cleanliness of the destination													
	Completely unimportant	0.0%	0.0%	0.6%	0.8%	0.5%	1.9%	0.0%	0.0%	0.0%	2.6%	0.0%	0.0%	0.6%
	Unimportant	0.0%	0.0%	0.6%	0.8%	1.0%	0.0%	0.0%	0.0%	4.0%	7.7%	0.0%	0.0%	1.2%
	Neutral	15.4%	0.0%	12.2%	8.3%	7.8%	7.4%	11.4%	0.0%	12.0%	5.1%	15.2%	12.5%	9.7%
	Important	33.3%	28.6%	33.1%	38.8%	29.6%	24.1%	25.0%	58.6%	27.0%	38.5%	18.2%	53.1%	32.7%
	Very important	51.3%	71.4%	53.6%	51.2%	61.2%	66.7%	63.6%	41.4%	57.0%	46.2%	66.7%	34.4%	55.8%
	Sample size (n)	**39**	**7**	**181**	**121**	**206**	**54**	**44**	**29**	**100**	**39**	**33**	**32**	**885**
	5. Developed local transportation services													
	Completely unimportant	0.0%	0.0%	0.0%	0.8%	0.5%	1.7%	0.0%	0.0%	0.0%	5.0%	0.0%	0.0%	0.6%
	Unimportant	0.0%	0.0%	2.2%	1.7%	2.4%	0.0%	2.3%	0.0%	3.1%	2.5%	0.0%	3.1%	1.9%
	Neutral	18.4%	0.0%	12.7%	9.1%	8.2%	8.6%	11.4%	3.4%	13.3%	12.5%	24.2%	15.6%	11.3%
	Important	28.9%	50.0%	27.6%	30.6%	28.5%	29.3%	25.0%	58.6%	25.5%	32.5%	9.1%	53.1%	29.7%
	Very important	52.6%	50.0%	57.5%	57.9%	60.4%	60.3%	61.4%	37.9%	58.2%	47.5%	66.7%	28.1%	56.6%
	Sample size (n)	**38**	**6**	**181**	**121**	**207**	**58**	**44**	**29**	**98**	**40**	**33**	**32**	**887**
	6. Well-developed connectivity													
	Completely unimportant	0.0%	0.0%	0.0%	0.8%	1.0%	1.9%	4.7%	0.0%	0.0%	0.0%	0.0%	0.0%	0.7%
	Unimportant	0.0%	0.0%	1.1%	0.0%	1.5%	0.0%	0.0%	0.0%	4.1%	7.5%	0.0%	3.1%	1.5%
	Neutral	18.4%	0.0%	12.2%	15.0%	7.8%	7.4%	11.6%	6.9%	17.5%	7.5%	15.2%	18.8%	12.0%
	Important	26.3%	66.7%	37.0%	35.8%	32.7%	29.6%	27.9%	55.2%	26.8%	45.0%	27.3%	37.5%	34.2%
	Very important	55.3%	33.3%	49.7%	48.3%	57.1%	61.1%	55.8%	37.9%	51.5%	40.0%	57.6%	40.6%	51.7%
	Sample size (n)	**38**	**6**	**181**	**120**	**205**	**54**	**43**	**29**	**97**	**40**	**33**	**32**	**878**
	7. Diversity of cultural/historical attractions (architecture, tradition and customs)													
	Completely unimportant	0.0%	0.0%	0.6%	0.0%	0.5%	1.8%	0.0%	0.0%	0.0%	5.1%	0.0%	0.0%	0.6%
	Unimportant	0.0%	0.0%	1.7%	0.8%	2.9%	0.0%	0.0%	0.0%	4.0%	5.1%	0.0%	3.1%	1.9%
	Neutral	20.5%	0.0%	14.4%	17.5%	17.4%	12.5%	11.4%	10.7%	19.2%	10.3%	18.8%	9.4%	15.6%
	Important	33.3%	28.6%	43.3%	38.3%	32.9%	44.6%	36.4%	50.0%	32.3%	46.2%	25.0%	53.1%	38.2%
	Very important	46.2%	71.4%	40.0%	43.3%	46.4%	41.1%	52.3%	39.3%	44.4%	33.3%	56.3%	34.4%	43.7%
	Sample size (n)	**39**	**7**	**180**	**120**	**207**	**56**	**44**	**28**	**99**	**39**	**32**	**32**	**883**

		Agriculture, forestry and fishery	Mining and quarrying	Manufacturing	Construction	Wholesale and retail trade	Trading (imports and exports)	Tourism, shopping, hotels, restaurants, recreation and entertainment	Transportation, forwarding and warehousing	Professional and business services	Finance and insurance	Real estate	ICT	**1st HALF 2019**
	8. Quality of the accommodation (hotel, homestay, Airbnb, etc.)													
	Completely unimportant	0.0%	0.0%	1.1%	0.8%	1.0%	1.8%	0.0%	0.0%	1.0%	2.5%	0.0%	0.0%	0.9%
	Unimportant	0.0%	0.0%	1.7%	0.8%	2.9%	0.0%	0.0%	0.0%	1.0%	7.5%	0.0%	0.0%	1.6%
	Neutral	29.7%	33.3%	13.3%	16.7%	14.5%	10.9%	6.8%	6.9%	25.5%	12.5%	18.8%	15.6%	15.8%
	Important	32.4%	16.7%	39.2%	43.3%	38.6%	50.9%	38.6%	58.6%	37.8%	42.5%	37.5%	56.3%	41.1%
	Very important	37.8%	50.0%	44.8%	38.3%	43.0%	36.4%	54.5%	34.5%	34.7%	35.0%	43.8%	28.1%	40.6%
	Sample size (n)	**37**	**6**	**181**	**120**	**207**	**55**	**44**	**29**	**98**	**40**	**32**	**32**	**881**
	9. Nature, eco-tourism, agro-tourism, etc.													
	Completely unimportant	0.0%	0.0%	0.0%	0.8%	0.5%	1.8%	0.0%	0.0%	1.0%	2.5%	0.0%	0.0%	0.6%
	Unimportant	0.0%	0.0%	1.7%	0.8%	1.0%	0.0%	0.0%	3.4%	3.0%	5.0%	0.0%	0.0%	1.4%
	Neutral	20.5%	14.3%	16.6%	16.8%	14.1%	12.5%	11.4%	3.4%	23.2%	7.5%	15.6%	12.5%	15.4%
	Important	35.9%	28.6%	40.3%	37.8%	39.3%	46.4%	31.8%	51.7%	33.3%	42.5%	31.3%	43.8%	38.9%
	Very important	43.6%	57.1%	41.4%	43.7%	45.1%	39.3%	56.8%	41.4%	39.4%	42.5%	53.1%	43.8%	43.8%
	Sample size (n)	**39**	**7**	**181**	**119**	**206**	**56**	**44**	**29**	**99**	**40**	**32**	**32**	**884**
	10. Places of FUN, EAT and SHOPPING													
	Completely unimportant	0.0%	0.0%	0.6%	0.8%	0.5%	1.8%	0.0%	0.0%	1.0%	5.1%	0.0%	0.0%	0.8%
	Unimportant	5.3%	16.7%	0.6%	0.0%	3.9%	1.8%	4.5%	0.0%	3.1%	5.1%	0.0%	3.1%	2.4%
	Neutral	23.7%	0.0%	18.2%	17.6%	15.5%	14.5%	6.8%	6.9%	21.4%	12.8%	12.5%	15.6%	16.3%
	Important	31.6%	33.3%	39.2%	37.0%	38.2%	40.0%	34.1%	51.7%	33.7%	41.0%	43.8%	40.6%	38.2%
	Very important	39.5%	50.0%	41.4%	44.5%	42.0%	41.8%	54.5%	41.4%	40.8%	35.9%	43.8%	40.6%	42.4%
	Sample size (n)	**38**	**6**	**181**	**119**	**207**	**55**	**44**	**29**	**98**	**39**	**32**	**32**	**880**
	11. Night life and entertainment													
	Completely unimportant	5.3%	0.0%	0.0%	0.0%	3.4%	8.9%	0.0%	0.0%	1.0%	2.5%	0.0%	0.0%	1.8%
	Unimportant	5.3%	14.3%	7.2%	5.0%	5.8%	7.1%	6.8%	10.3%	9.1%	15.0%	3.1%	3.1%	6.9%
	Neutral	26.3%	14.3%	27.2%	29.4%	24.6%	21.4%	9.1%	17.2%	34.3%	7.5%	25.0%	34.4%	25.3%
	Important	26.3%	14.3%	37.8%	30.3%	31.9%	28.6%	31.8%	48.3%	28.3%	40.0%	25.0%	40.6%	32.8%
	Very important	36.8%	57.1%	27.8%	35.3%	34.3%	33.9%	52.3%	24.1%	27.3%	35.0%	46.9%	21.9%	33.2%
	Sample size (n)	**38**	**7**	**180**	**119**	**207**	**56**	**44**	**29**	**99**	**40**	**32**	**32**	**883**
c	**Please select at least THREE (3) types of tourism products to drive Malaysia's tourism development. (Dummy variable)**													
	Agro-tourism (e.g. animal farm, fruits farm, rice farming)	75.6%	57.1%	45.7%	49.2%	46.7%	45.2%	59.1%	41.4%	54.0%	52.5%	27.3%	45.5%	48.8%
	Medical tourism	34.1%	42.9%	34.2%	35.2%	35.2%	41.9%	43.2%	37.9%	46.0%	37.5%	42.4%	39.4%	37.7%
	Eco-tourism (e.g. rainforest, caves, national park, island)	87.8%	71.4%	78.3%	77.9%	75.2%	80.6%	77.3%	79.3%	81.0%	60.0%	87.9%	81.8%	78.0%
	Cultural tourism (e.g. cultural village, museum, historical heritage)	48.8%	71.4%	57.6%	52.5%	56.7%	40.3%	50.0%	65.5%	56.0%	70.0%	57.6%	60.6%	55.6%
	Recreational tourism (e.g. theme park, marathon, adventurous activities like hiking)	41.5%	57.1%	53.8%	48.4%	50.0%	43.5%	56.8%	51.7%	46.0%	47.5%	45.5%	51.5%	49.5%
	Culinary (Food) tourism	51.2%	71.4%	67.9%	78.7%	77.6%	82.3%	84.1%	65.5%	71.0%	72.5%	75.8%	66.7%	73.4%
	Others	0.0%	0.0%	2.2%	0.8%	1.9%	3.2%	2.3%	3.4%	1.0%	0.0%	0.0%	3.0%	1.7%
	Sample size (n)	**41**	**7**	**184**	**122**	**210**	**62**	**44**	**29**	**100**	**40**	**33**	**33**	**905**
d	**What can the Government do to drive domestic tourism growth? (Dummy variable)**													
	Enhance the effectiveness of tourism promotion, marketing and branding	80.5%	85.7%	63.7%	65.0%	67.8%	47.5%	74.4%	72.4%	77.8%	82.5%	66.7%	72.7%	68.3%
	Allocate more Budget for tourism sector	29.3%	57.1%	29.1%	45.5%	44.2%	23.0%	67.4%	34.5%	40.4%	37.5%	36.4%	42.4%	39.0%
	Provide incentives for tourism-related development and products (construction of hotels, marketing, labour training etc.)	39.0%	71.4%	44.5%	45.5%	47.1%	26.2%	51.2%	44.8%	51.5%	42.5%	57.6%	57.6%	45.9%
	Improve the bilateral Air Service Agreements (ASA)	41.5%	71.4%	26.9%	27.6%	32.2%	54.1%	37.2%	31.0%	30.3%	30.0%	39.4%	24.2%	32.6%
	Strengthen the quality of tourism infrastructure and facilities	46.3%	85.7%	57.1%	50.4%	52.4%	45.9%	55.8%	62.1%	55.6%	60.0%	66.7%	54.5%	54.4%
	Relax visa requirement	56.1%	71.4%	51.6%	44.7%	53.8%	68.9%	62.8%	44.8%	50.5%	55.0%	60.6%	33.3%	52.7%
	Collaborate with regional peers to reinforce the ASEAN as a single tourism destination	34.1%	57.1%	36.8%	33.3%	35.6%	29.5%	55.8%	41.4%	40.4%	42.5%	36.4%	48.5%	37.7%
	Increase the supply of quality tour guides	34.1%	42.9%	25.8%	30.1%	31.7%	27.9%	30.2%	27.6%	37.4%	47.5%	30.3%	30.3%	31.3%
	Sample size (n)	**41**	**7**	**182**	**123**	**208**	**61**	**43**	**29**	**99**	**40**	**33**	**33**	**899**
e	**Should the Government exempt visa requirement for tourists from China and India?**													
	Yes	74.4%	71.4%	76.2%	74.8%	75.6%	64.9%	81.4%	58.6%	78.7%	84.2%	70.0%	71.0%	74.9%
	No	25.6%	28.6%	23.8%	25.2%	24.4%	35.1%	18.6%	41.4%	21.3%	15.8%	30.0%	29.0%	25.1%
	Sample size (n)	**39**	**7**	**172**	**119**	**197**	**57**	**43**	**29**	**94**	**38**	**30**	**31**	**856**

		Agriculture, forestry and fishery	Mining and quarrying	Manufacturing	Construction	Wholesale and retail trade	Trading (imports and exports)	Tourism, shopping, hotels, restaurants, recreation and entertainment	Transportation, forwarding and warehousing	Professional and business services	Finance and insurance	Real estate	ICT	**1st HALF 2019**
C2	**Domestic Direct Investment**													
a	**Are you planning to expand or increase capital expenditure in Malaysia such as investing in new plant or machinery over next 12-24 months?**													
	Yes, we are ready to expand / invest	31.6%	28.6%	20.8%	14.9%	12.6%	10.2%	16.7%	27.6%	15.6%	17.9%	12.1%	12.5%	16.7%
	Yes, but still adopting “wait-and-see” approach pending a clearer Government’s policy landscape	18.4%	14.3%	35.4%	24.0%	20.9%	32.2%	23.8%	37.9%	18.8%	30.8%	24.2%	21.9%	26.1%
	No, we have put on hold investment decision due to current economic landscape	39.5%	14.3%	34.4%	43.0%	48.1%	49.2%	33.3%	17.2%	30.2%	25.6%	45.5%	31.3%	38.6%
	No, looking to explore opportunities outside Malaysia due to better prospects or incentives offered	0.0%	0.0%	4.2%	3.3%	4.4%	5.1%	9.5%	3.4%	7.3%	2.6%	6.1%	6.3%	4.6%
	No plan to invest / expand	10.5%	42.9%	5.2%	14.9%	14.1%	3.4%	16.7%	13.8%	28.1%	23.1%	12.1%	28.1%	14.1%
	Sample size (n)	**38**	**7**	**192**	**121**	**206**	**59**	**42**	**29**	**96**	**39**	**33**	**32**	**894**
b	**Which are the factors restraining your business investment decision in Malaysia? (Dummy variable)**													
	Economic and business prospects	51.3%	57.1%	63.0%	58.2%	67.6%	58.6%	68.3%	50.0%	62.5%	64.1%	69.7%	58.1%	62.5%
	Domestic policy uncertainty	41.0%	28.6%	49.2%	44.3%	49.8%	46.6%	68.3%	53.6%	43.8%	61.5%	57.6%	35.5%	48.8%
	Difficult to obtain credits or loans	28.2%	28.6%	18.0%	21.3%	25.1%	29.3%	26.8%	25.0%	16.7%	25.6%	39.4%	12.9%	22.8%
	High compliance costs (e.g. long procedures, time consuming, etc.)	17.9%	28.6%	21.7%	23.0%	23.7%	24.1%	19.5%	32.1%	17.7%	23.1%	45.5%	16.1%	22.9%
	High cost of capital	28.2%	14.3%	26.5%	25.4%	30.9%	13.8%	34.1%	28.6%	20.8%	23.1%	33.3%	32.3%	26.6%
	Low profitability	17.9%	28.6%	19.6%	22.1%	27.1%	22.4%	26.8%	28.6%	13.5%	17.9%	24.2%	32.3%	22.4%
	Shortage of skilled manpower	46.2%	57.1%	35.4%	23.0%	19.8%	24.1%	22.0%	25.0%	19.8%	33.3%	27.3%	32.3%	26.9%
	Sample size (n)	**39**	**7**	**189**	**122**	**207**	**58**	**41**	**28**	**96**	**39**	**33**	**31**	**890**
c	**What do you expect from the Government in stimulating domestic investment? (Dummy variable)**													
	Create a competitive and conducive business environment	68.3%	42.9%	55.1%	47.2%	61.2%	45.8%	54.8%	55.2%	51.5%	66.7%	63.6%	36.4%	55.0%
	Provide better policies clarity and consistency	48.8%	57.1%	56.7%	59.3%	54.5%	49.2%	50.0%	69.0%	57.6%	71.8%	69.7%	60.6%	57.2%
	Provide facilitation funds and grants to support SME on the readiness of Industrial Revolution 4.0	39.0%	57.1%	39.0%	26.8%	34.4%	32.2%	38.1%	37.9%	34.3%	38.5%	30.3%	27.3%	34.6%
	Simplify the rules and regulations as well as lower compliance cost	51.2%	57.1%	44.4%	43.9%	39.7%	39.0%	31.0%	55.2%	37.4%	53.8%	69.7%	45.5%	43.6%
	Engage more multilateral and bilateral trade agreements	17.1%	14.3%	19.3%	10.6%	16.3%	23.7%	23.8%	31.0%	19.2%	30.8%	21.2%	9.1%	18.3%
	Streamline and restructure Malaysia’s investment promotion landscape	19.5%	14.3%	19.8%	11.4%	16.3%	25.4%	21.4%	17.2%	16.2%	23.1%	24.2%	9.1%	17.6%
	Levelling the playing field with the Government-linked companies (GLCs)	24.4%	28.6%	19.8%	20.3%	20.6%	22.0%	19.0%	17.2%	16.2%	33.3%	12.1%	27.3%	20.5%
	Reduce corporate tax	39.0%	71.4%	52.4%	40.7%	41.6%	47.5%	47.6%	37.9%	32.3%	30.8%	57.6%	45.5%	43.6%
	Others	0.0%	0.0%	1.1%	0.0%	0.0%	3.4%	4.8%	0.0%	3.0%	0.0%	3.0%	3.0%	1.2%
	Sample size (n)	**41**	**7**	**187**	**123**	**209**	**59**	**42**	**29**	**99**	**39**	**33**	**33**	**901**
d	**Are you aware of the following loans or grants provided by the Government? (Dummy variable)**													
	Soft Loan Scheme for Small and Medium Enterprises (SLSME)	65.9%	42.9%	55.4%	46.3%	51.0%	44.4%	54.8%	31.0%	44.8%	54.1%	35.5%	43.8%	49.6%
	SME Emergency Fund (SMEEF)	14.6%	14.3%	11.3%	14.9%	13.0%	13.0%	7.1%	13.8%	21.9%	29.7%	9.7%	21.9%	14.6%
	Soft Loan Scheme for Automation and Modernization (SLSAM)	19.5%	14.3%	20.3%	6.6%	8.5%	3.7%	7.1%	3.4%	11.5%	16.2%	6.5%	12.5%	11.4%
	Industry Digitalization Transformation Fund (IDTF)	14.6%	28.6%	10.2%	11.6%	5.5%	3.7%	4.8%	3.4%	13.5%	8.1%	12.9%	9.4%	9.1%
	Domestic Investment Strategic Fund (DISF)	4.9%	14.3%	5.6%	8.3%	4.5%	11.1%	0.0%	3.4%	8.3%	16.2%	0.0%	3.1%	6.2%
	Digital Transformation Acceleration Program (DTAP)	7.3%	14.3%	6.8%	3.3%	2.5%	0.0%	2.4%	3.4%	8.3%	8.1%	3.2%	9.4%	4.8%
	Accelerated Capital Allowance (ACA)	12.2%	14.3%	22.6%	5.8%	6.0%	3.7%	0.0%	6.9%	11.5%	8.1%	3.2%	3.1%	9.8%
	None of the above	22.0%	57.1%	23.2%	38.8%	38.5%	44.4%	40.5%	62.1%	36.5%	18.9%	51.6%	46.9%	35.8%
	Sample size (n)	**41**	**7**	**177**	**121**	**200**	**54**	**42**	**29**	**96**	**37**	**31**	**32**	**867**

马来西亚中华总商会

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