



ACCCIM Malaysia's Business and Economic  
Conditions Survey (M-BECS) Report  
(2H 2019 and 1H 2020F)

**中总 2019 下半年及 2020 上半年预测  
马来西亚商业和经济状况调查报告**

**4 March 2020**



## 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 December 2019 to mid-February 2020, **covering the second half-year of 2019 (Jul-Dec 2019) and expectations for the first half-year of 2020 (Jan-Jun 2020)** has received **864** responses.

As the survey was closed before the escalation of the coronavirus disease 2019 (COVID-19) outbreak, we have conducted a Quick-Take survey between 12-16 February to gauge the preliminary impact of the COVID-19's inflicted negative spillover effects on domestic businesses.

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. **Weak business conditions continued in 2H 2019.** The weakening global economy and domestic economic conditions continued to dampen business performance in 2H 2019. 40.4% of respondents have experienced a deterioration in business conditions; 39.6% indicated a flat growth in business and only 19.9% of respondents have expanded their business.
2. Businesses were **increasingly pessimistic about economic conditions in 2H 2019** as indicated by 37.8% of respondents vs. 33.0% in the previous survey and also about business conditions (39.3% vs. 29.6% previously). For **1H 2020**, the number of respondents having **pessimistic views about economic prospects rose to 37.4%** from 20.3% in the previous survey and likewise for business prospects (35.6% vs. 19.0% previously). This reflects businesses and investors' continued uncertainties about global and domestic economy prospects amid the COVID-19 outbreak.
3. **Businesses' expectations are expected to remain bearish in 2020.** Malaysian businesses are keeping vigilant towards both economic and business prospects in 1H 2020 and 2H 2020. The expectations may turn more bearish if the COVID-19 outbreak prolongs to beyond 3-6 months amid the abrupt domestic political crisis, which happened towards end-February, that is after the closing of survey period.
4. **By sector, tourism, shopping, hotels, restaurants, recreation and entertainment (32.8%), professional and business services (27.7%), trading (27.0%), real estate (25.5%) and manufacturing (25.2%) are among the sectors having high percentage of pessimistic respondents in 2020.** This is worrisome as the COVID-19 outbreak has already significantly dampened the tourism-related businesses, caused the supply chain disruptions as well as resulted in shortage of raw materials in the manufacturing sector

due to a partial and full locked-down in many infected provinces in China amid some restoration of operations and plants' production in stages, albeit still operating at below capacity. Other dampening factors are lingering uncertainties in trade negotiations between the US and its major trading partners, stubbornly high property overhang, particularly non-residential segment in many places as well as unstable domestic political situation.

5. A majority of respondents rated "satisfactory" about their cash flow conditions and debtors' conditions in 2H 2019 and expect the same for 1H 2020. Nevertheless, **40.6% and 41.4% of respondents rated "poor" on cash flow conditions and debtors' conditions respectively for 1H 2020.**
6. **The capacity utilisation rate is expected to remain unchanged** whereby 40.7% of respondents indicated that they will operate between 50% and 75% of total capacity utilisation rate in 1H 2020. Nonetheless, 30.6% of respondents project their capacity utilisation rate will be below 50% in 1H 2020.
7. **Business operations (production, sales and raw materials)** were generally in line with the business conditions.
  - (a) **Sales:** A higher percentage of respondents (36.4% vs. 32.8% forecasted previously) reported a decrease in sales volume in 2H 2019, mainly in manufacturing (43.8%) as well as wholesale and retail trade (42.9%) while at the same time 25.1% of respondents have lowered their selling prices (vs. 22.9%). Going into 1H 2020, sales performance is expected to be dampened by recent COVID-19 outbreak.
  - (b) **Production:** Despite recording higher production in 2H 2019, the inventory level also increased, particularly in the manufacturing sector. There is concerned that the production is unable to keep pace with sales order. As many factories in China have yet to be fully restored or still operating below capacity, this has disrupted the global supply chains and are expected to affect the production level in 1H 2020.
  - (c) **Raw materials:** 63.2% and 59.5% of respondents reported increases in cost of local and imported raw materials respectively in 2H 2019, partly caused by the depreciated ringgit and higher prices of food and beverages. The ringgit's further depreciation and supply chain disruptions caused by the COVID-19 outbreak is expected to further jack up the cost of raw materials in 1H 2020.
8. More than half (58.1%) of respondents have **increased capital spending in 2H 2019**, a good sign and forward indicator for private investment growth. Lesser respondents (55.1%) expect to increase capital expenditure in 1H 2020 while 40.6% will maintain their existing capital investment level. Given **lingering concerns about domestic political environment, lack of access to finance and lack of capital for expansion**, more respondents may adopt a wait-and-see approach; not planning to increase capital spending and even consider to reduce capital investment.

9. The **top five factors** that would influence and impact business performance are: (i) **Government policies** (51.5%); (ii) **Domestic competition** (47.3%); (iii) **The Ringgit's fluctuations** (39.5%); (iv) **Domestic political situation** (38.8%); and (v) **Manpower shortage** (31.3%).
10. **“Government policies” have emerged as business community’s top concern** (second and fifth ranking in earlier surveys). **3Cs (Clarity, Consistency and Continuity)** are what investors and businesses need for certainty and better planning. The Government is in the midst of drawing up new economic and industrial development plans to chart Malaysia’s future economic direction and development path. These plans while ambitious but must also be realistic in implementation. **Policy flip-flops should be avoided as it hurts businesses and worrying investors.**
11. **Political stability** is a variable of great importance in building a coherent and continuous path for sustainable economic development. Unstable political environment would undermine investors’ confidence, deter investment decision by both local and international investors on wary about policy continuity. Rampant political bickering, conflicts and infighting would distract the Government’s efforts to manage the economy and address business issues. In this critical juncture, the Government **needs to strengthen domestic economic and financial resilience to weather against external headwinds, address cost of living and cost of doing business, and rectify structural weaknesses** that eroding our competitiveness.
12. The respondents were asked to provide feedback and views on two topical issues: (A) **Digital Transformation and Industry 4.0**; and (B) **Foreign Workers (FWs)**.

**(A) Digital Transformation and Industry 4.0**

- (a) **Slightly more than half of respondents (51.0%) have acknowledged that “Digital transformation to Industry 4.0 could boost the industry’s and Malaysia’s global competitiveness”.** For those respondents that have disagreed, 62.9% of them were unsure about the positive impact and return on investment after incurring high fixed costs of investment.
- (b) **Lack of platform and mechanism to assist firms accessing and developing their capabilities** (as voted by 60.6% of respondents) and **lack of clear standards for equipment or system that supports local and global interoperability** (60.0% of respondents) are the top two problems faced by businesses when embracing or adopting digital transformation and Industry 4.0 in Malaysia.
- (c) **The respondents’ adoption of digitalisation/automation is low** as only 22.6% of respondents reported that they have implemented digital transformation and Industry 4.0.
- (d) **Business segments that most businesses have undergone the transformation** as part of Industry 4.0 are **sales** (36.8% of respondents voted “Highly transformed” and “Strongly transformed”), **marketing** (36.6%), **internal company administration** (36.0%) and **services** (34.6%).

- (e) The survey findings revealed that the respondents have low applications of digitalisation and technology in “**Procurement and purchasing**”, “**Research and development**” and “**Production**”. In this regard, Malaysian businesses, especially SMEs have to harness **digital transformation so as to increase production efficiency, enhance product value via R&D and reduce the leakage of resources.**
- (f) Generally, while over-dependency on foreign workers (FWs) can be reduced via digital transformation and Industry 4.0, it may not be applicable across-the-board. **The Government needs to evaluate and consider the need of FWs on a case by case basis, regardless of the requirement of low-skilled, semi-skilled or skilled FWs.**
- (g) The top two issues cited by companies applying government’s loans or grants are **complicated application process** (48.9% of respondents), **time consuming and tedious procedures** (46.7%).
- (h) The industry players urge the Government to **reduce import duty and sales tax on heavy machinery and equipment used for automation** (39.1%) and **rapidly improve the digital infrastructure connectivity between urban and rural areas** (37.1%) in order to unlock the potential in automation/digitalisation over the next one to three years.

#### (B) Foreign Workers (FWs)

- (a) **About 62.7% and 60.9% of respondents in the manufacturing and construction sector respectively revealed that they are facing shortage of FWs.** More than 60% of respondents in these two sectors indicated that they **need foreign workers in 2020 and 2021.**
- (b) For services sector, **real estate (38.2%) and tourism, shopping, hotels, restaurants, recreation and entertainment (32.8%) are facing significant shortages of FWs** compared to other sub-services sectors.
- (c) ACCCIM urges the Government to consider the following measures:
  - i. **All gainfully employed illegal foreign workers (thus has an employer) be automatically eligible to be registered as documented foreign worker** via an efficient, transparent process with certainty and clarity without the payment of a punitive penalty fee but a nominal fee.
  - ii. **A Single Ministry/One-stop Agency should be vested with the authority to address all issues concerning FWs.** (1) Specific legislation and governing of recruitment and employment of foreign workers should be enacted and be placed under the purview of Ministry of Human Resources (MOHR); and (2) Kementerian Dalam Negeri (KDN) and Jabatan Imigresan Malaysia (JIM) should only confined to the issuing of document papers for the employment of FWs after approval by MOHR.

- iii. **To phase out third-party agents in bringing in the migrant workers.** The role has to be taken by the employer; and it is the responsibility of employer to handle the workers and sending them back when the contract is over.
- iv. In efforts to increase labour productivity and production efficiency, **FWs' levies collected should be ploughed back into a Designated Industrial Revolution/Adjustment Fund that provides financial support or technical assistance to firms to facilitate automation, mechanization and technological development.** Digitalisation and Industry 4.0 require new future workforce that equipped with high technical skills to operate new processes.

## 调查重点摘要

马来西亚中华总商会（中总）2019 下半年及 2020 上半年预测马来西亚商业和经济状况调查（M-BECS）于 2019 年 12 月开始进行至 2020 年 2 月中旬，成功回收了 864 份调查问卷。

由于这项调查在新冠肺炎疫情爆发升级前已经截止，我们另外在 2 月 12 日至 16 日期间进行了一项快速调查，以评估新冠肺炎疫情负面溢出效应对本地企业造成的影响。

这项调查可有效检测大马华商对于本地商业和经济状况及前景的评估和期望。

调查的范围包括测定经济与商业表现和前景，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. **2019 下半年商业环境持续疲弱。** 全球经济疲软和国内经济状况继续削弱 2019 下半年商业表现。40.4% 的回覆者经历经商环境恶化； 39.6% 的企业增长持平，只有 19.9% 的回覆者扩大了业务。
2. 商家对于 2019 下半年的经济状况愈加悲观，从上次调查的 33.0% 上升至 37.8%；商业状况也是如此（39.3% 对比之前的 29.6%）。对于 2020 上半年，**对经济前景持悲观态度的回覆者人数从之前的调查中的 20.3% 上升至 37.4%**，对商业前景的看法也是如此（分别为 35.6% 对之前的 19.0%）。这反映出在新冠肺炎爆发期间，企业和投资者对全球和国内经济前景的不确定性持续存在。
3. **预期 2020 全年商业前景仍将看跌。** 马来西亚企业正在对 2020 上半年和 2020 下半年的经济和商业前景保持谨慎。如果新冠肺炎疫情延长至 3-6 个月以上，再加上在 2 月抄问卷截止后，突如其来的政局动荡，预期将可能更趋悲观。
4. **按照行业划分，旅游、购物、酒店、餐厅、休闲娱乐业（32.8%）、专业及商业服务（27.7%）、贸易（27.0%）、房地产（25.5%）及制造业（25.2%）的回覆者对 2020 全年悲观的比例较高。** 随着新冠肺炎疫情已经重创旅游相关行业，加上由于中国多个省份因部分及全面封锁，尽管部分工厂及运作处于分阶段恢复，但产能仍不足的情况下，导致供应链中断和制造业原料短缺，这项结果更是令人担忧。其他不利因素还包括美国与主要贸易伙伴间贸易谈判的不确定性，严重的房地产滞销问题，特别是许多地区的非住宅类别，以及政局的不稳定。
5. 大多数回覆者对于他们在 2019 下半年的现金流量状况和债务人状况表示“满意”，并预期 2020 上半年也保持相同。然而，**有 40.6% 及 41.4% 的回覆者则对于现金流及债务人状况表示“差”。**



6. **产能利用率预计将保持不变**，其中 40.7% 的回覆者表示其产能利用率将在 2020 上半年达 50% 至 75%。尽管如此，仍有 30.6% 的回覆者预计 2020 上半年，其产能利用率将低于 50%。
7. 企业营运（生产、销售和原料状况）总体上与商业状况相符。
  - (a) **销售状况**：较高百分比的回覆者（36.4% 对比之前预测的 32.8%）在 2019 下半年销售业绩下滑，主要在制造业（43.8%）及批发与零售贸易（42.9%），同时 25.1% 的回覆者已降低售价（对比 22.9%）。进入 2020 上半年，销售表现业将遭遇新冠肺炎的冲击。
  - (b) **生产状况**：尽管 2019 下半年产量有所增长，但是存货量也相对提高，特别是制造业。由于中国许多工厂尚未全面恢复，或仍在低产能下运营，已经扰乱全球供应链，并影响 2020 上半年的生产量，导致生产量或无法应付销售订单。
  - (c) **原料状况**：63.2% 及 59.5% 的回覆者认为 2019 下半年本地及进口原料成本分别有所提高，部分原因基于令吉贬值及食品饮料价格上涨。新冠肺炎疫情爆发导致供应链中断，预计将持续抬高 2020 年上半年原料成本。
8. 超过一半（58.1%）的回覆者在 2019 年上半年增加了资本开销，这是私人投资增长的好现象和前瞻指标。较少的回覆者（55.1%）希望在 2020 上半年增加资本开销，而 40.6% 的回覆者将保持其现有的资本投资水平。**鉴于对国内政治环境的担忧持续，缺乏融资渠道和缺乏扩张所需的资金**，更多的回覆者可能会采取观望的态度；不打算增加资本开销，甚至考虑减少资本投资。
9. 影响及冲击商业表现的**五大因素**是：（i）**政府政策**（51.5%）；（ii）**国内竞争**（47.3%）；（iii）**马币波动**（39.5%）；iv **国内政治局势**（38.8%）；（v）**人力短缺**（31.3%）。
10. **“政府政策”**已跃升成为企业界最为关注的事项（在之前的调查是排名第二和第五）。投资者和企业需要**清晰、一致及持续性（3Cs）政策**，以拟定更明确和更好的规划。政府目前正草拟新经济和工业发展计划，以绘制马来西亚未来的经济方向和发展道路。这些计划除了是要有宏观的远景，也必须能务实的落实，同时要**避免朝夕令改的政策**，以**对企业造成伤害，以及令投资者感到担忧**。
11. **政治稳定**对建立连贯和永续的经济发展至关重要。动荡的经济环境将会削弱投资者信心，促使国内和国际投资者因对政策的持续性保持谨慎而却步投资。激烈的政治争吵、冲突及内斗会分散政府在管理经济及解决商业问题的努力。在这关键时刻，政府需要**加强本地经济和金融抵御能力**，以应对影响我们竞争力的**外围不利因素、解决生活成本和经商成本，以及纠正结构性弱点**。
12. 回覆者被要求针对两项主题提供反馈及看法：（A）**数字转型及工业 4.0** 及（B）**外劳**。
  - (A) **数字转型及工业 4.0**

- a. 略微过半的回复者（**51.0%**）意识到“数字转型迈向工业 4.0 可以提升行业和马来西亚的全球竞争力”。至于不认同的回复者当中，有 **62.9%** 是不确定他们在投入高额投资成本后，所能取得的正面成效和投资回报。
- b. 缺乏平台和机制来帮助企业评估和发展其能力（获得 **60.6%** 回复者投选）及设备或系统缺乏明确标准，以支持本地和全球的互操作性（**60.0%**）是企业在推行数字转型和工业 4.0 过程中面对的主要两个问题。
- c. 采用数字化或自动化的回复者相当少，仅有 **22.6%** 回复者表示他们已经实施了数字转型和工业 4.0。
- d. 作为工业 4.0 的一部分，企业当中经历最多改革的业务部门是销售（获 **36.8%** 回复者投选“高度改革”和“强烈改革”）、市场营销（**36.6%**）、公司内部行政管理（**36.0%**），以及服务（**34.6%**）。
- e. 调查发现，回复者很少在“采购”、“研究和开发”及“生产”的过程中实施数字化和使用科技。因此，大马企业，尤其是中小型企业必须善用**数字化转型，以提高生产效率，通过研发提高产品价值以及减少资源浪费。**
- f. 普遍上，数字转型虽然可减少对外劳的过度依赖，但并非适用于所有领域。政府必须依据个案来评估和考虑外劳的需求，不论是对低熟练、中熟练或是熟练外劳的需求。
- g. 企业在申请政府贷款或是补助的时候，面对的两个主要问题分别是**复杂的申请过程（48.9%回复者）以及耗时和程序太长（46.7%）。**
- h. 业者促请政府**降低重型自动化机械设备的进口税和销售税（39.1%）及加强城乡数字基础设施互联互通（37.1%），以在未来一到三年内发挥自动化/数字化的潜能。**

## (B) 外劳

- a. **62.7%**来自制造业及 **60.9%**来自建筑业的回复者表示，他们正在面对外劳短缺的问题。这两个领域有超过 **60%**的回复者表示他们的公司在 **2020 年和 2021 年都需要外劳。**
- b. 至于服务业方面，地产业（**38.2%**）与旅游、购物、酒店、餐馆、休闲和娱乐业（**32.8%**）相比其他次服务业领域，面对着更严峻的外劳短缺。
- c. 中总促请政府考虑以下措施：
  - i. 所有有酬受雇的非法外劳（即有雇主的非法外劳）都可以通过有效率和明确的透明程序下，自动可以被注册为合法外劳，并且仅需支付象征性费用，而非惩罚性罚款。

- ii. **单一部门/ 一站式机构应获授权解决所有与外劳相关的问题。**（1）必须制定聘请外劳的特定法律和管制，并隶属人力资源部管辖；以及（2）内政部和马来西亚移民局的角色应仅限于在人力资源部批准聘用后，处理有关聘请外劳的文件。
- iii. **逐渐淘汰引入外劳的第三方代理。**这角色应该是由雇主扮演；以及雇主需负责管理这些劳工，并且在合约结束后遣送他们回国。
- iv. **为了提高劳工生产力和生产效率，所收取的外劳人头税应该拨入一个“制定工业改革/调整基金”，为企业提供财务支援或技术援助，以促进企业的自动化、机械化和技术发展。**数字化和工业 4.0 要求未来新劳工是具备高技术技能以操作新作业流程。

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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 second half-year (Jul-Dec) of 2019 (2H 2019) and forecast for the first half-year (Jan-Jun) of 2020 (1H 2020F)** 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 **second half-year (Jul-Dec) of 2019 (2H 2019) and forecast for the first half-year (Jan-Jun) of 2020 (1H 2020F)** 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 market; 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.

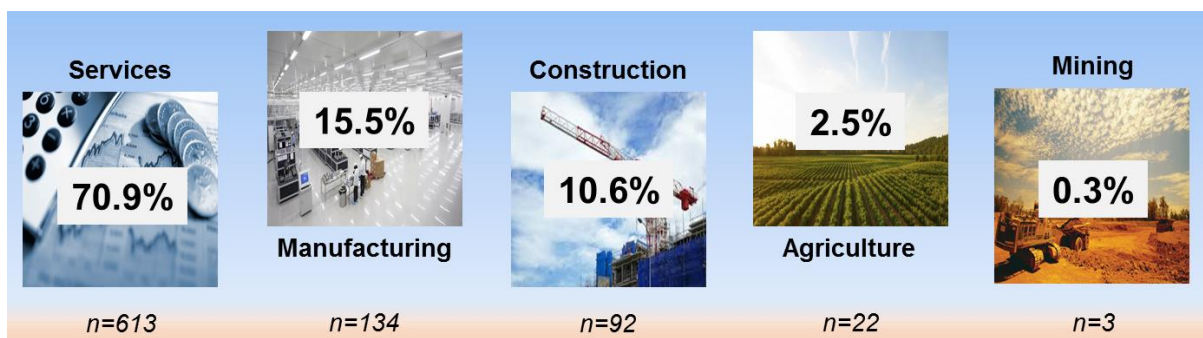
**Section C: Current Issues**, which focus on:

- (1) **Digital Transformation and Industry 4.0**; and
- (2) **Foreign Workers (FWs)**.

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; hence, their participation would enhance the representation of Chinese business community. The questionnaires were also outreached to Chinese businesses nationwide to solicit their feedback via Google Form and the distribution of hard copies.

A total of **864 active responses** were received from **December 2019 to mid-February 2020**, covering a broad-based of sectors and industries.

### (i) By sector and industry



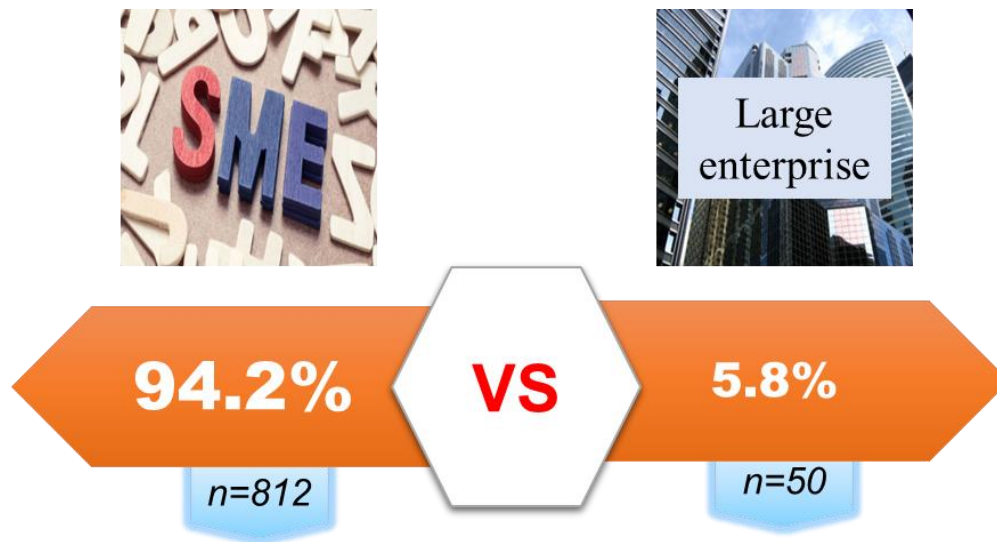
(ii) By size of business operations<sup>1</sup>

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

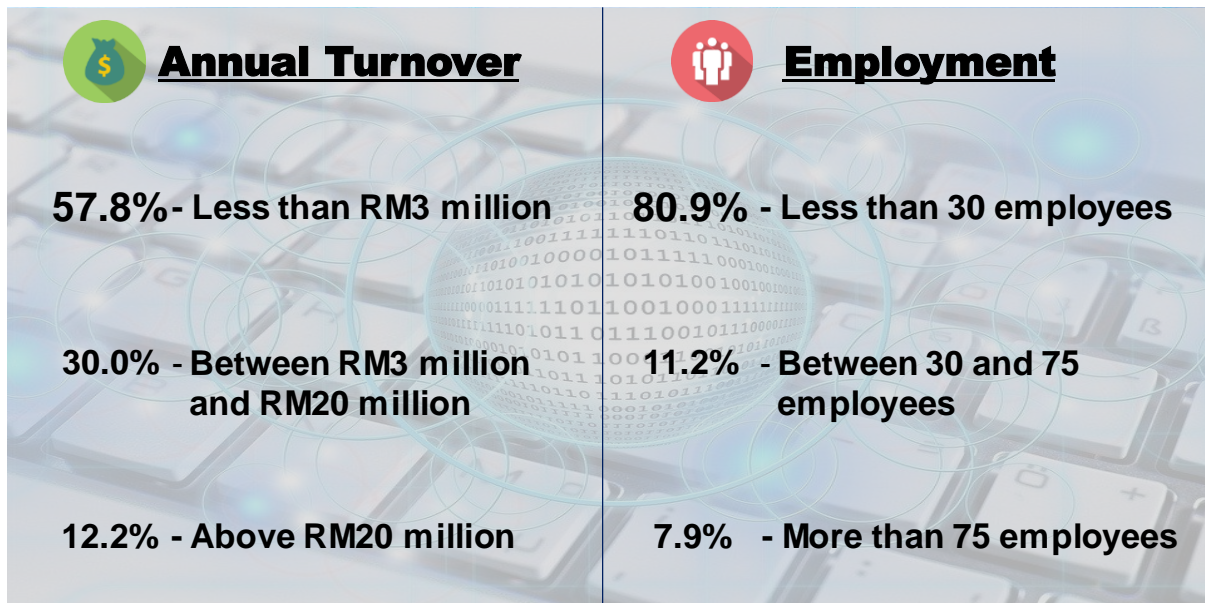
| Sector and industry  | Percentage (%)     | Large enterprises (%) | SMEs (%)    |
|--|--------------------|-----------------------|-------------|
| <b>Services</b>  | 70.9               | 5.2                   | 94.8        |
| 🏠 Wholesale and retail trade   | 20.1               | 7.5                   | 92.5        |
| 👥 Professional and business services                                   | 15.5               | 2.2                   | 97.8        |
| 🌐 Tourism, shopping, hotels, restaurants, recreation and entertainment | 7.8                | 1.5                   | 98.5        |
| ↔️ Trading (imports and exports)                                       | 7.4                | 3.1                   | 96.9        |
| 🏢 Real estate  | 6.5                | 8.9                   | 91.1        |
| 📶 Information and communications technology (ICT)                      | 5.4                | 2.1                   | 97.9        |
| 💰 Finance and insurance  | 4.5                | 12.8                  | 87.2        |
| 🚚 Transportation, forwarding and warehousing                           | 3.7                | 6.3                   | 93.8        |
| 🏭 <b>Manufacturing</b>   | 15.5               | 9.7                   | 90.3        |
| 🏗️ <b>Construction</b>   | 10.6               | 4.3                   | 95.7        |
| 🌾 <b>Agriculture, forestry and fishery</b>                             | 2.5                | 0.0                   | 100.0       |
| 🏠 <b>Mining and quarrying</b>  | 0.3                | 33.3                  | 66.7        |
| <b>Total (sample size, n)</b>  | <b>100.0 (864)</b> | <b>5.8</b>            | <b>94.2</b> |

Note: Size of business operations for two (2) respondents is unidentifiable.

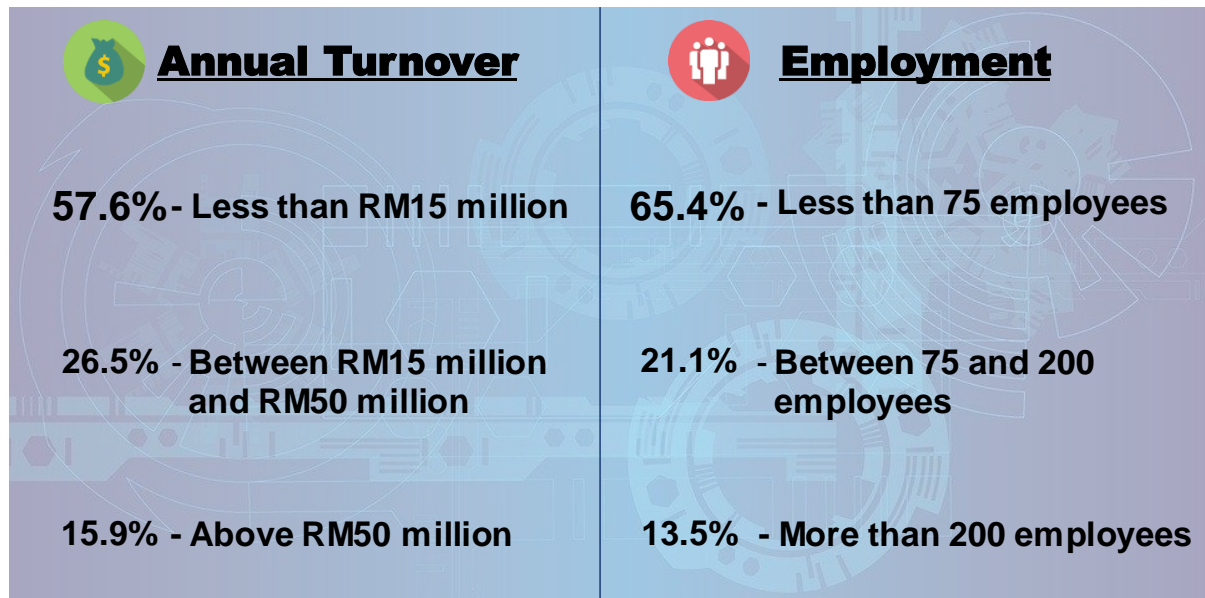
<sup>1</sup> A business will be deemed as an SME if it meets either one of the two specified qualifying criteria, namely sales turnover or full-time employees, whichever is lower basis, as endorsed by the National SME Development Council (NSDC) and published by SME Corporation Malaysia in 2013. For a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

(iii) By annual turnover and employment<sup>2</sup>

For broad services sector (n=613):



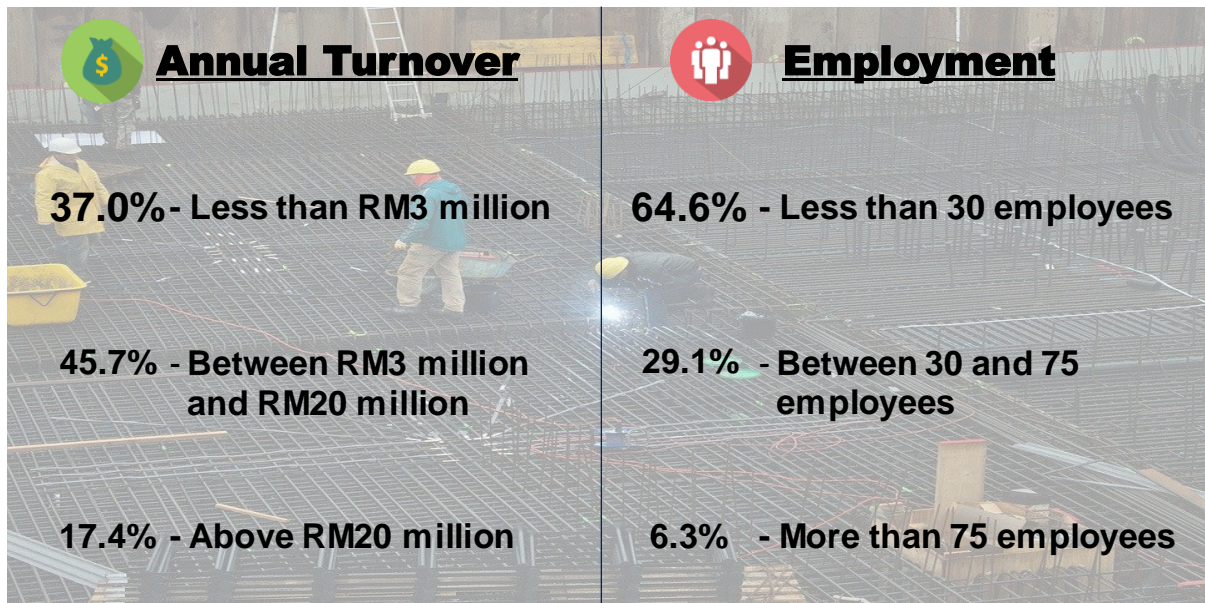
For manufacturing sector (n=134):



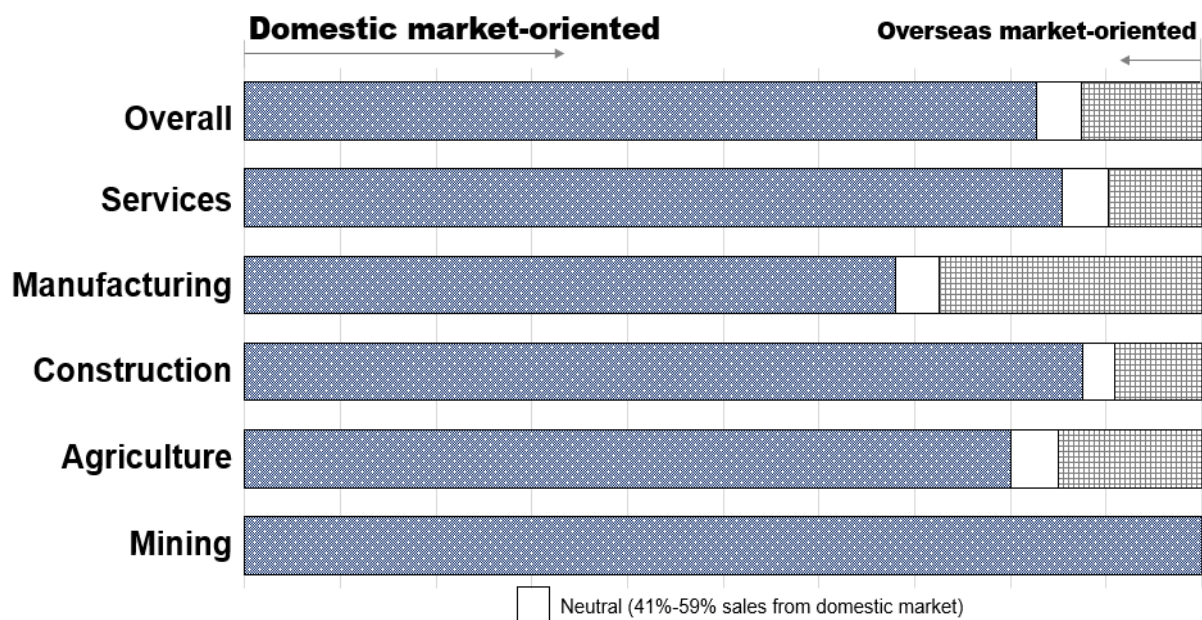
<sup>2</sup> Agriculture and mining sectors are omitted due to a low number of respondents; numbers may not add up due to rounding.



For construction sector (n=92):

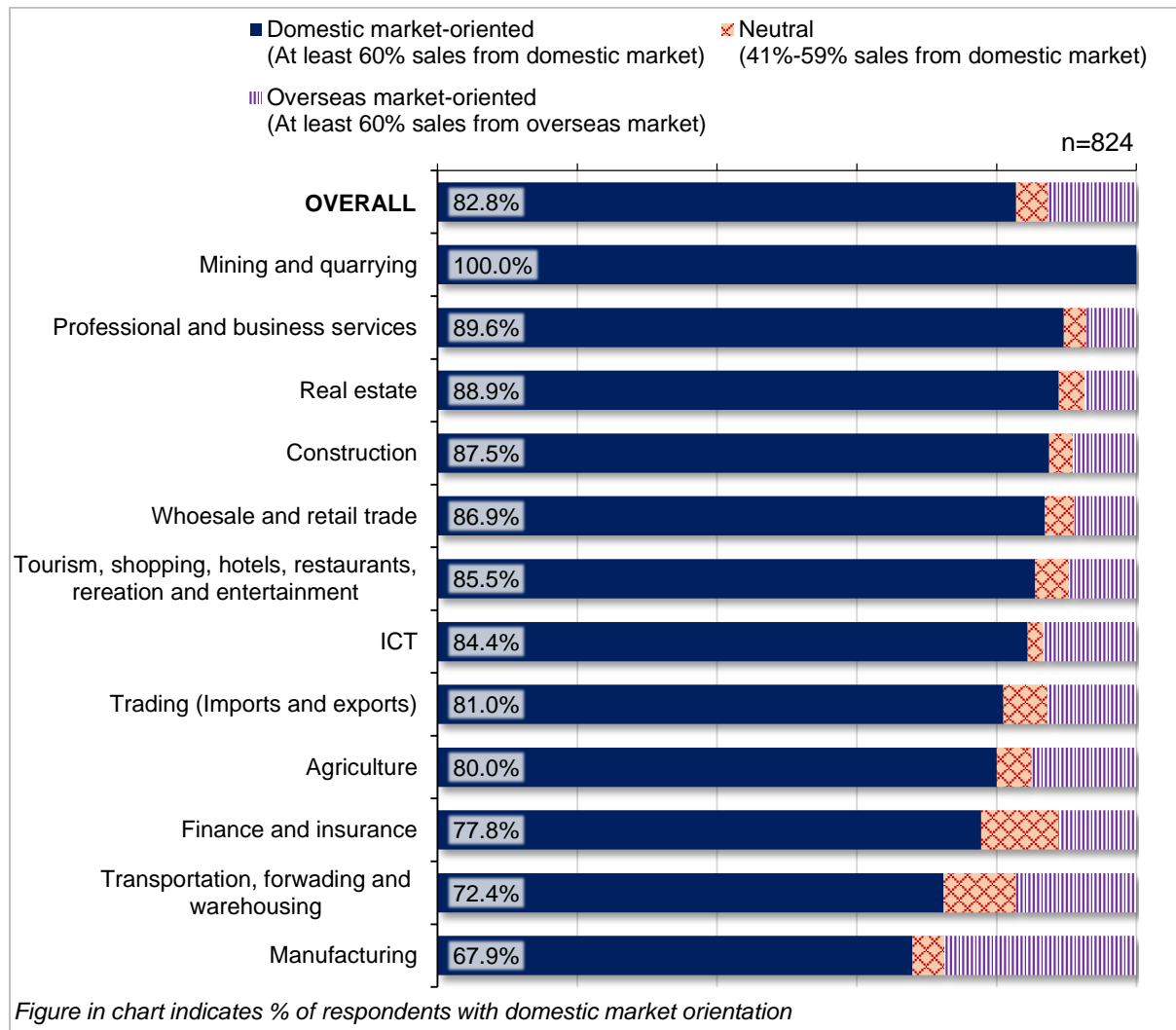


(iv) By sales orientation (domestic vs. overseas market)



Note: Domestic market-oriented indicates at least 60% of total sales are generated from domestic market; overseas market-oriented indicates at least 60% of sales generated from overseas market.

**Figure 1: Breakdown of respondents by sales orientation**



### 3. SENTIMENT TRACKER

#### 3.1 Business Assessment in 2H 2019

- Owing to the weakening global and domestic economic conditions, the respondents have generally reporting **weaker business performance in 2H 2019: 40.4% reporting a deterioration in business conditions**; 39.6% indicated a flat growth in business and only 19.9% of respondents have expanded their business.
- Lingering uncertainty about the US-China’s trade spat, slowing global demand, dampened domestic consumer’s sentiments (as reflected in MIER’s Consumer Sentiment Index (CSI), which deteriorated to 82.3 in 4Q from 84.0 in 3Q and 93.0 in 2Q) and the stubbornly high overhang in non-residential property, **most sectors have more than 30% of respondents have suffered a deteriorated in business conditions**. Amongst these were **tourism, shopping, hotels, restaurants, recreation and entertainment sector (49.3%), real estate (49.1%), trading (46.9%), wholesale and retail trade (44.5%) and manufacturing (42.1%)**.
- **Information and communications technology (ICT)** was the only sector that has recorded a higher percentage of business expansion (32.6%) relative to those reporting a deterioration in business conditions (26.1%), probably due to businesses continue to source more ICT solutions for their operations.

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

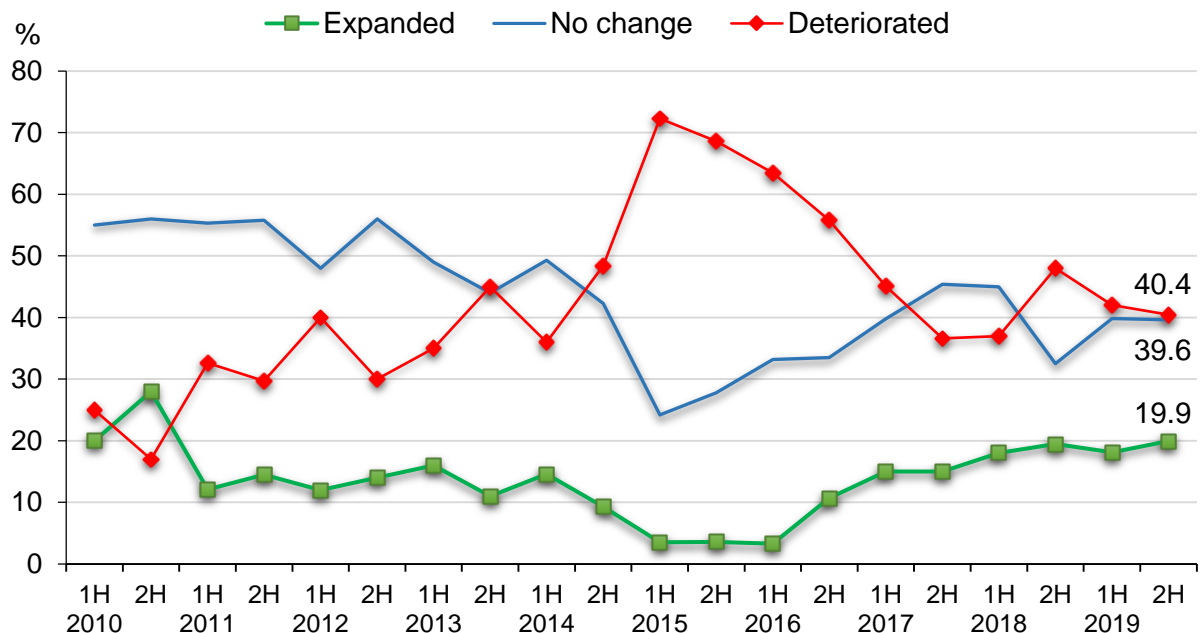
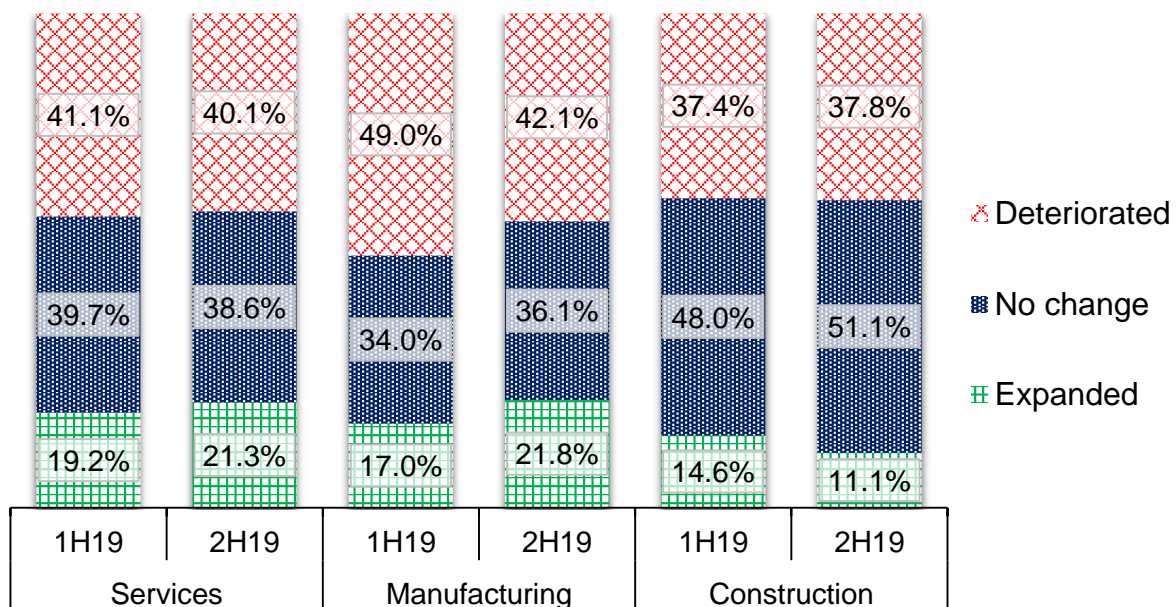


Figure 3: Business conditions in 2H 2019 compared to 1H 2019 by sector



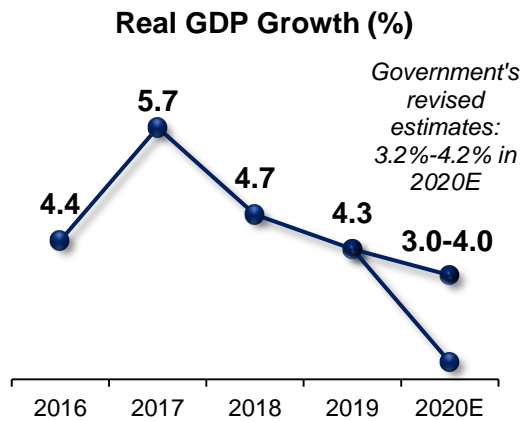
### 3.2 Economic Conditions and Prospects

- Businesses were **increasingly pessimistic about economic conditions in 2H 2019** (37.8% vs. 33.0% estimated in the previous survey), which is in tandem with the weakening domestic economic growth and slowing global demand. Malaysia's GDP growth had printed a 10-year low of 3.6% yoy in the last quarter of 2019 (4.4% in 3Q and 4.9% in 2Q), dragged by weaker external demand as well as a contraction in public investment. Private consumption remained the mainstay of domestic demand. Both agriculture and mining sectors registered a contraction in output, growth in the manufacturing sector continues to moderate and a subdued growth in construction sector.
- **Domestic economic prospects are expected to remain challenging in 2020**, especially in 1H 2020 due to the negative spillover effects from the COVID-19 outbreak. The RM20.0 billion Economic Stimulus Package (ESP) announced on 27 February is expected to provide a partial growth stabilisation as well as to mitigate the virus impact on the tourism-related services. **SERC has lowered its growth estimate to 3.0%-4.0% from 4.5% previously**, which is a shade lower than the Government's revised estimate of 3.2%-4.2% from 4.8% in 2020 Budget.
- The tourism sector will be the hardest hit due to substantially lower tourist arrivals as well as restrained travelling and going to crowded places. Malaysia's 2020 Visit Malaysia Year's (VMY) 30 million tourist arrivals target and RM100 billion tourist receipts will be derailed as China's tourists is Malaysia's third largest source of tourists (2.9 million or 11.4% of Malaysia's international tourist arrivals and RM12.3 billion or 14.6% of Malaysia's tourist receipts in 2018). According to ACCCIM's Quick-Take survey on the impact of COVID-19, 91.5% of respondents in tourism-related services business expect their businesses will be severely affected by COVID-19. 75.0% and 72.2% of respondents in manufacturing and primary sectors (including construction sector) respectively also expect their sales to be hampered by the virus epidemic.



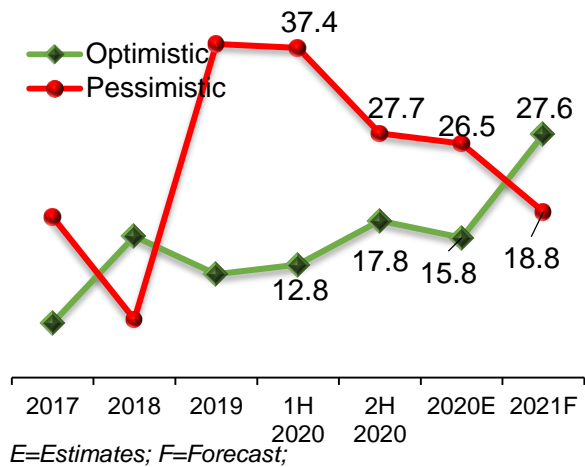
- The trading sector were less pessimistic (1H 2020: 46.9%; 2H 2020: 35.9%; 2021: 17.5%), probably due to some positive signal coming from a phase one trade deal between the US-China though the COVID-19 outbreak would disrupt the supply chain and delivery of goods.

Figure 4: Malaysia's economic growth



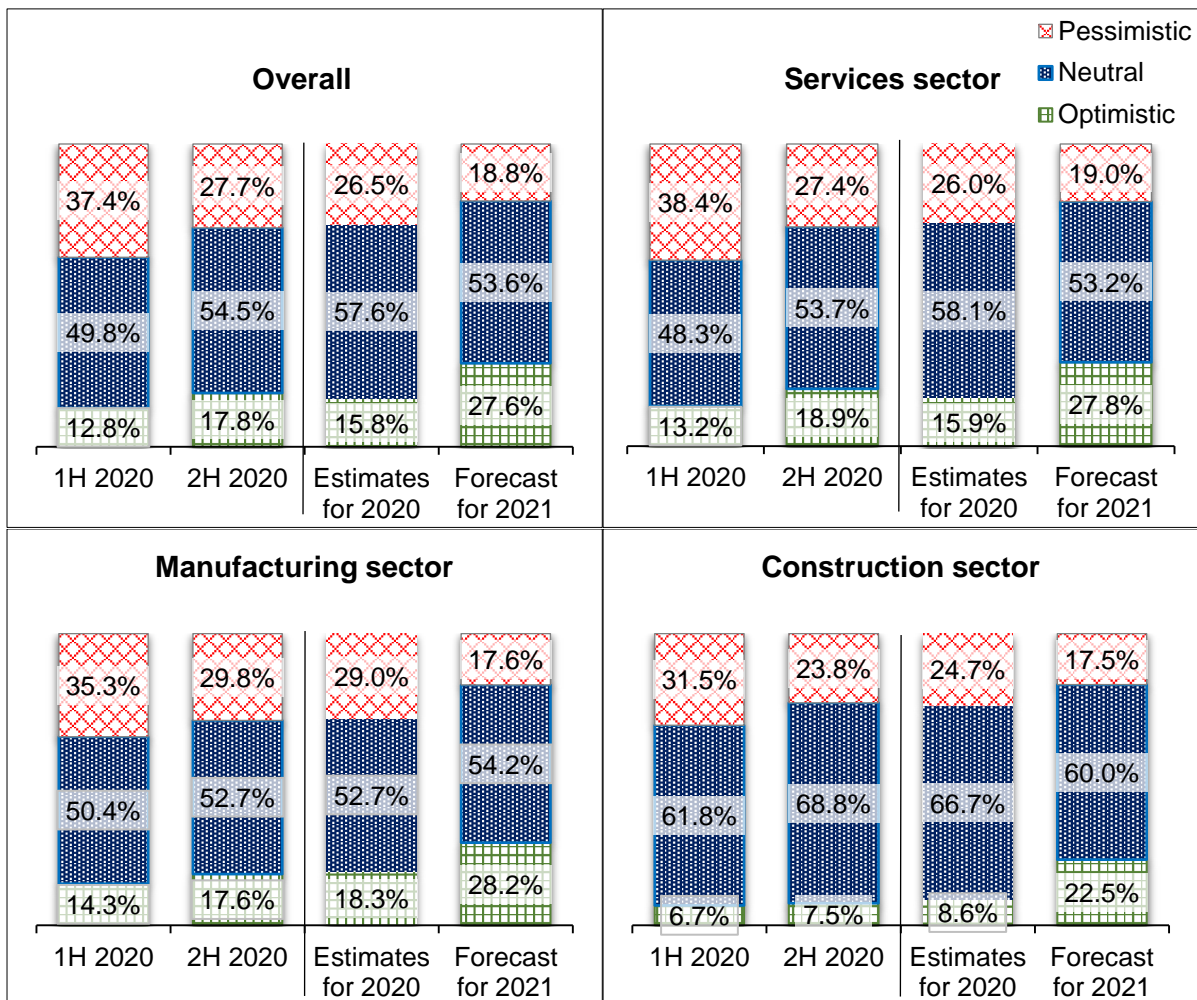
Source: DOSM; SERC estimates

Figure 5: Respondents' views about the economy



E=Estimates; F=Forecast;

Figure 6: Economic prospects in 2020E-2021F by major sectors



**Table 2: Comparison of economic prospects between “M-BECS 1H2019 and 2H2019F” and “M-BECS 2H 2019 and 1H 2020F”**

|                    | Overall          |                  |                |                  |                     |                |               |                  |                |
|--------------------|------------------|------------------|----------------|------------------|---------------------|----------------|---------------|------------------|----------------|
|                    | 2H2019           |                  |                | 1H 2020          |                     |                | 2020          |                  |                |
|                    | <i>Est.</i><br>% | <i>Act.</i><br>% | <i>Changes</i> | <i>Est.</i><br>% | <i>Est.(R)</i><br>% | <i>Changes</i> | <i>F</i><br>% | <i>Est.</i><br>% | <i>Changes</i> |
| <b>Neutral</b>     | 53.0             | 50.5             | ▼              | 58.3             | 49.8                | ▼              | 58.1          | 57.6             | ≈              |
| <b>Optimistic</b>  | 14.0             | 11.7             | ▼              | 21.4             | 12.8                | ▼              | 24.9          | 15.8             | ▼              |
| <b>Pessimistic</b> | 33.0             | 37.8             | ▲              | 20.3             | 37.4                | ▲              | 17.0          | 26.5             | ▲              |

|                    | Services sector  |                  |                |                  |                     |                |               |                  |                |
|--------------------|------------------|------------------|----------------|------------------|---------------------|----------------|---------------|------------------|----------------|
|                    | 2H2019           |                  |                | 1H 2020          |                     |                | 2020          |                  |                |
|                    | <i>Est.</i><br>% | <i>Act.</i><br>% | <i>Changes</i> | <i>Est.</i><br>% | <i>Est.(R)</i><br>% | <i>Changes</i> | <i>F</i><br>% | <i>Est.</i><br>% | <i>Changes</i> |
| <b>Neutral</b>     | 51.4             | 50.2             | ▼              | 58.0             | 48.3                | ▼              | 57.6          | 58.1             | ≈              |
| <b>Optimistic</b>  | 15.5             | 12.0             | ▼              | 22.2             | 13.2                | ▼              | 25.6          | 15.9             | ▼              |
| <b>Pessimistic</b> | 33.0             | 37.7             | ▲              | 19.8             | 38.4                | ▲              | 16.8          | 26.0             | ▲              |

|                    | Manufacturing sector |                  |                |                  |                     |                |               |                  |                |
|--------------------|----------------------|------------------|----------------|------------------|---------------------|----------------|---------------|------------------|----------------|
|                    | 2H2019               |                  |                | 1H 2020          |                     |                | 2020          |                  |                |
|                    | <i>Est.</i><br>%     | <i>Act.</i><br>% | <i>Changes</i> | <i>Est.</i><br>% | <i>Est.(R)</i><br>% | <i>Changes</i> | <i>F</i><br>% | <i>Est.</i><br>% | <i>Changes</i> |
| <b>Neutral</b>     | 55.2                 | 53.8             | ▼              | 56.6             | 50.4                | ▼              | 58.5          | 52.7             | ▼              |
| <b>Optimistic</b>  | 12.0                 | 9.1              | ▼              | 20.1             | 14.3                | ▼              | 22.3          | 18.3             | ▼              |
| <b>Pessimistic</b> | 32.8                 | 37.1             | ▲              | 23.3             | 35.3                | ▲              | 19.1          | 29.0             | ▲              |

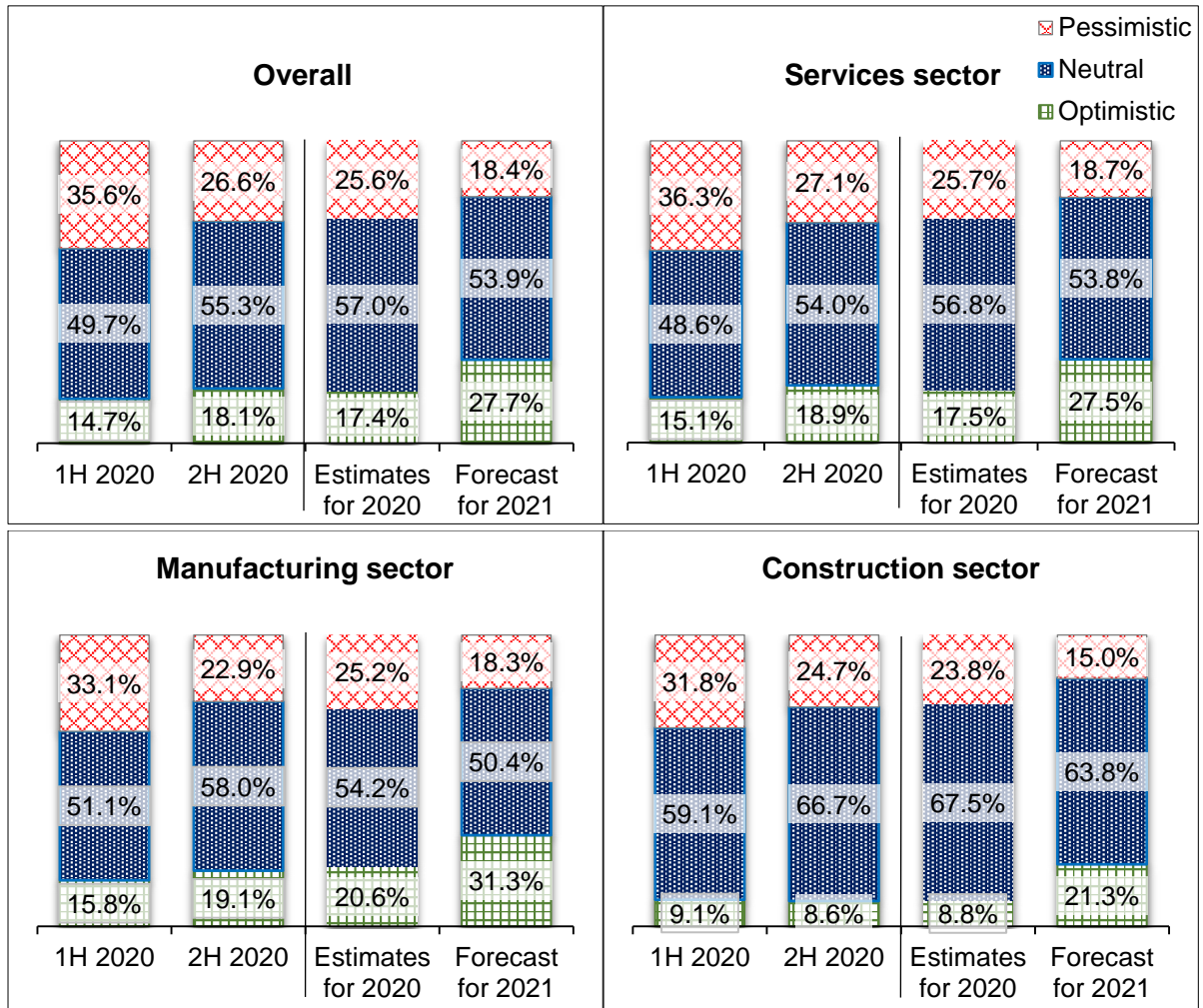
|                    | Construction sector |                  |                |                  |                     |                |               |                  |                |
|--------------------|---------------------|------------------|----------------|------------------|---------------------|----------------|---------------|------------------|----------------|
|                    | 2H2019              |                  |                | 1H 2020          |                     |                | 2020          |                  |                |
|                    | <i>Est.</i><br>%    | <i>Act.</i><br>% | <i>Changes</i> | <i>Est.</i><br>% | <i>Est.(R)</i><br>% | <i>Changes</i> | <i>F</i><br>% | <i>Est.</i><br>% | <i>Changes</i> |
| <b>Neutral</b>     | 54.5                | 50.0             | ▼              | 64.5             | 61.8                | ▼              | 62.0          | 66.7             | ▲              |
| <b>Optimistic</b>  | 8.9                 | 14.4             | ▲              | 16.5             | 6.7                 | ▼              | 23.1          | 8.6              | ▼              |
| <b>Pessimistic</b> | 36.6                | 35.6             | ≈              | 19.0             | 31.5                | ▲              | 14.9          | 24.7             | ▲              |

*Act.* = Actual; *Est.* = Estimates; *Est.(R)* = Revised estimates; *F* = Forecast  
 Note: ≈ Approximately equal sign for changes within 1 percentage point.

### 3.3 Business Conditions and Prospects

- **Businesses' pessimistic views about business conditions and prospects have increased in 2H 2019** (39.3% vs. 29.6% in the previous survey), weighed down by persistent uncertainties about the trade disputes and negotiations between the US and its major trading partners, dampened domestic consumer sentiment and slowing global demand.
- **Respondents' pessimism surged higher to 35.6% in 1H 2020** compared to 19.0% in the previous survey. A full blown of COVID-19 outbreak and lingering concerns about domestic political situation would definitely worsen the already gloomy economic prospects.
- **61.2% of respondents in tourism, shopping, hotels, restaurants, recreation and entertainment** sector held a pessimistic view in 2H 2019. The COVID-19 outbreak's negative transmission effects would take a heavy toll on these sectors.
- The manufacturing sector has recorded 15.8% of respondents having somewhat optimistic views in 1H 2020. But, the disruption of supply chain and shortage of raw materials due to the COVID-19 outbreak in China would have tempered their optimism. According to ACCCIM's Quick-Take survey conducted in early-February, **44.4% of respondents in the manufacturing sector indicated that the supply chain disruptions will impact their production.**
- **Higher respondents (27.7% vs 17.4% in 2020) are expecting better business prospects in 2021**, especially in the construction sector as reflected by a higher percentage of optimistic view (21.3% vs. 8.8% in 2020). This is largely due to a resumption of mega projects in the pipeline, which will provide the much needed impetus to revive the sluggish construction activities since 2018.

Figure 7: Business prospects in 2020E-2021F by major sectors



**Table 3: Comparison of business prospects between “M-BECS 1H2019 and 2H2019F” and “M-BECS 2H 2019 and 1H 2020F”**

|                    | Overall              |                  |                |                  |                     |                |               |                  |                |
|--------------------|----------------------|------------------|----------------|------------------|---------------------|----------------|---------------|------------------|----------------|
|                    | 2H2019               |                  |                | 1H 2020          |                     |                | 2020          |                  |                |
|                    | <i>Est.</i><br>%     | <i>Act.</i><br>% | <i>Changes</i> | <i>Est.</i><br>% | <i>Est.(R)</i><br>% | <i>Changes</i> | <i>F</i><br>% | <i>Est.</i><br>% | <i>Changes</i> |
| <b>Neutral</b>     | 54.9                 | 47.4             | ▼              | 59.5             | 49.7                | ▼              | 57.7          | 57.0             | ≈              |
| <b>Optimistic</b>  | 15.5                 | 13.3             | ▼              | 21.5             | 14.7                | ▼              | 26.3          | 17.4             | ▼              |
| <b>Pessimistic</b> | 29.6                 | 39.3             | ▲              | 19.0             | 35.6                | ▲              | 16.0          | 25.6             | ▲              |
|                    | Services sector      |                  |                |                  |                     |                |               |                  |                |
|                    | 2H2019               |                  |                | 1H 2020          |                     |                | 2020          |                  |                |
|                    | <i>Est.</i><br>%     | <i>Act.</i><br>% | <i>Changes</i> | <i>Est.</i><br>% | <i>Est.(R)</i><br>% | <i>Changes</i> | <i>F</i><br>% | <i>Est.</i><br>% | <i>Changes</i> |
| <b>Neutral</b>     | 51.5                 | 46.5             | ▼              | 60.4             | 48.6                | ▼              | 58.0          | 56.8             | ▼              |
| <b>Optimistic</b>  | 16.5                 | 13.3             | ▼              | 20.7             | 15.1                | ▼              | 25.7          | 17.5             | ▼              |
| <b>Pessimistic</b> | 31.9                 | 40.2             | ▲              | 18.9             | 36.3                | ▲              | 16.4          | 25.7             | ▲              |
|                    | Manufacturing sector |                  |                |                  |                     |                |               |                  |                |
|                    | 2H2019               |                  |                | 1H 2020          |                     |                | 2020          |                  |                |
|                    | <i>Est.</i><br>%     | <i>Act.</i><br>% | <i>Changes</i> | <i>Est.</i><br>% | <i>Est.(R)</i><br>% | <i>Changes</i> | <i>F</i><br>% | <i>Est.</i><br>% | <i>Changes</i> |
| <b>Neutral</b>     | 61.5                 | 50.0             | ▼              | 55.3             | 51.1                | ▼              | 56.1          | 54.2             | ▼              |
| <b>Optimistic</b>  | 13.5                 | 12.1             | ▼              | 22.6             | 15.8                | ▼              | 26.7          | 20.6             | ▼              |
| <b>Pessimistic</b> | 25.0                 | 37.9             | ▲              | 22.1             | 33.1                | ▲              | 17.1          | 25.2             | ▲              |
|                    | Construction sector  |                  |                |                  |                     |                |               |                  |                |
|                    | 2H2019               |                  |                | 1H 2020          |                     |                | 2020          |                  |                |
|                    | <i>Est.</i><br>%     | <i>Act.</i><br>% | <i>Changes</i> | <i>Est.</i><br>% | <i>Est.(R)</i><br>% | <i>Changes</i> | <i>F</i><br>% | <i>Est.</i><br>% | <i>Changes</i> |
| <b>Neutral</b>     | 55.7                 | 52.2             | ▼              | 65.8             | 59.1                | ▼              | 60.8          | 67.5             | ▲              |
| <b>Optimistic</b>  | 12.3                 | 16.7             | ▲              | 18.3             | 9.1                 | ▼              | 25.0          | 8.8              | ▼              |
| <b>Pessimistic</b> | 32.0                 | 31.1             | ▼              | 15.8             | 31.8                | ▲              | 14.2          | 23.8             | ▲              |

*Act. = Actual; Est. = Estimates; Est.(R) = Revised estimates; F = Forecast*  
*Note: Approximately equal sign for changes within 1 percentage point.*

## 4. BUSINESS PULSE DIAGNOSIS

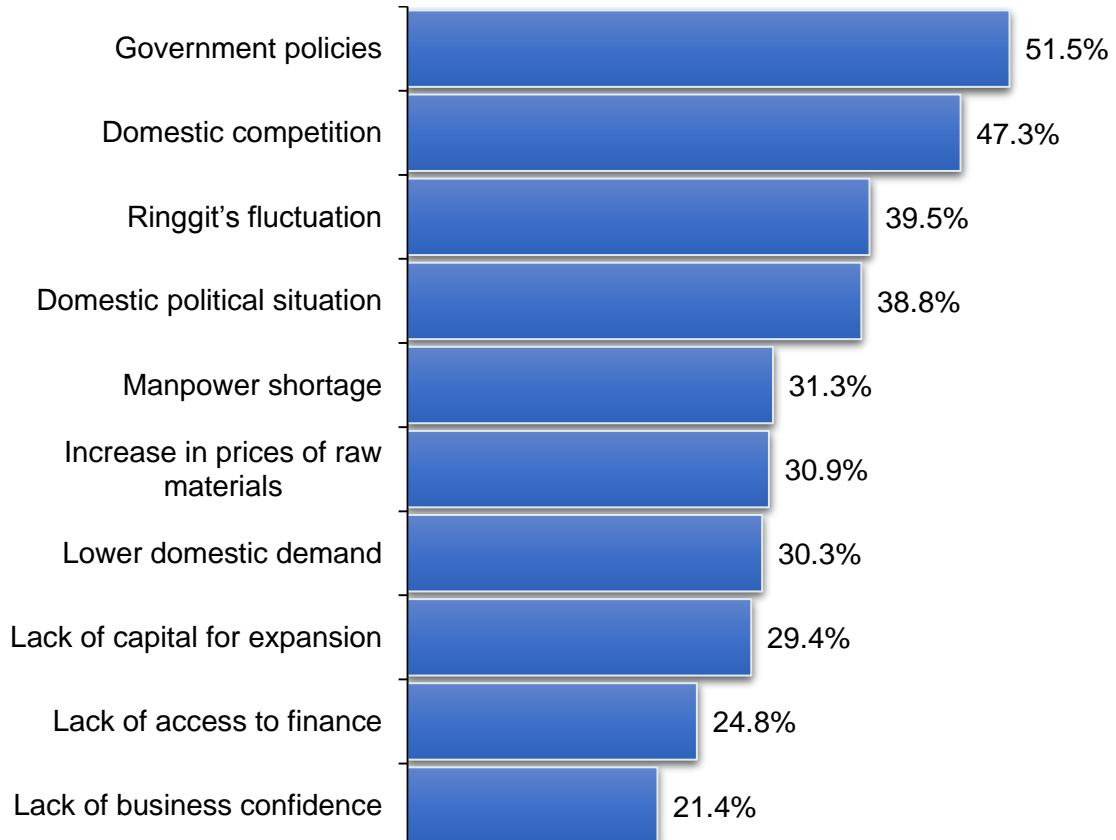
### 4.1 Major Factors Affecting Business Performance

In this section, respondents were asked to list **at least three** out of 20 external and domestic factors that will likely adversely affect their business performance. The survey results identified the following **top five factors** that would influence and impact their business operations and domestic business environment:





- (I) **Government policies (51.5%)**
- (II) **Domestic competition (47.3%)**
- (III) **The Ringgit's fluctuations (39.5%)**
- (IV) **Domestic political situation (38.8%)**
- (V) **Manpower shortage (31.3%)**

Other domestic factors cited by most businesses were **increases in prices of raw materials** (30.9%), **lower domestic demand** (30.3%), **lack of capital for expansion** (29.4%), **lack of access to finance** (24.8%) and **lack of business confidence** (21.4%).

**Figure 8: Top 10 factors affecting business performance**



**Table 4: Top five factors affecting business performance by selected sectors\***

|   |           | Government policies | Domestic competition | Ringgit's fluctuation | Domestic political Situation | Manpower shortage | Lower domestic demand | Increase in prices of raw materials | Foreign worker levy |
|---|-----------|---------------------|----------------------|-----------------------|------------------------------|-------------------|-----------------------|-------------------------------------|---------------------|
|  <b>Wholesale and retail trade</b>         | Score (%) | 52.0                | 54.9                 | 47.4                  | 35.8                         |                   | 38.7                  |                                     |                     |
|   | Ranking   | 2                   | 1                    | 3                     | 5                            |                   | 4                     |                                     |                     |
|  <b>Manufacturing</b>                      | Score (%) | 45.5                | 44.0                 | 43.3                  |                              | 43.3              |                       | 41.0                                |                     |
|   | Ranking   | 1                   | 2                    | 3                     |                              | 3                 |                       | 5                                   |                     |
|  <b>Professional and business services</b> | Score (%) | 45.1                | 49.6                 | 30.8                  | 34.6                         | 34.6              |                       |                                     |                     |
|   | Ranking   | 2                   | 1                    | 5                     | 3                            | 3                 |                       |                                     |                     |
|  <b>Construction</b>                       | Score (%) | 53.8                | 49.5                 |                       |                              | 38.5              |                       | 42.9                                | 38.5                |
|   | Ranking   | 1                   | 2                    |                       |                              | 4                 |                       | 3                                   | 4                   |

\* According to highest sample size

For other sectors, please refer to Appendix 3

**(I) Government policies**

Faced with increasingly complexity as well as challenging economic and business environment amid lingering concerns about domestic political situation, Malaysian businesses rated **“Government policies” as the most concerning factor (51.5% of total respondents)**, compared to second and fifth ranking respectively in previous surveys. Nine out of 12 sectors have ranked it as the most important factor affecting business performance. The notable ones are agriculture, forestry and fishery (63.6%) and real estate (62.5%).

Since 2018, the Government has rolled out a number of plans to navigate Malaysia’s future direction: The Share Prosperity Vision (SPV) 2030, National Automotive Policy (NAP) 2020, National Transport Policy (2019-2030), National Entrepreneurship Policy 2030, National Housing Policy (2018-2025), National Fiberisation and Connectivity Plan (NFCCP) as well as National Policy on Industry 4.0 (Industry4WRD). This year, the Twelfth Malaysia Plan (2021-2025) and Industrial Master Plan (2021-2030) will be unveiled as the previous plans are entering the final year of implementation. Other plans ending this year are National Policy on Science, Technology and Innovation (NPSTI) 2013-2020 and Financial Sector Blueprint (2011-2020).

**3Cs (Clarity, Consistency and Continuity)** are what investors and businesses need for policy certainty and continuity as well as better planning. The Government is in the midst of drawing up new economic and industrial development plans to chart Malaysia’s future economic direction. These plans while ambitious but must also be realistic in implementation. Policy flip-flops should be avoided as it hurts businesses and worrying investors.

The immediate priority now is for the Government to contain and mitigate the impact of the outbreak of novel coronavirus. Following the announcement of RM20.0 billion economic stimulus packages on 27 February 2020, what matters most is to ensure that the measures and initiatives are implemented effectively and also timely disbursement of funds for the government's development projects. Other priority measure is to ease the shortage of foreign manpower (ranked as the fifth factor by respondents), particularly to expedite a resumption of recruitment process of foreign workers from Bangladesh. The recruitment portal (Sistem Permohonan Perkerja Asing, SPPA) for Bangladeshi workers has been suspended since September 2018.

## (II) Domestic competition

As 82.8% (or 682) of total respondents are domestic-market oriented (at least 60% of total sales are generated from domestic market) and 68.6% (or 468) within this group are solely selling in domestic market, many of them are offering similar goods and services and hence, competing with each other in a small and limited market. Domestic competition has been chosen as second most impacting factor for businesses by 47.3% of respondents.

By sector, **more than half of respondents in transportation, forwarding and warehousing (56.3%), wholesale and retail trade (54.9%) and tourism, shopping, hotels, restaurants, recreation and entertainment (50.7%) sectors** voted "domestic competition" as their top concerning factor, followed by 49.6% of respondents in professional and business services sector. Overall, ten out of 12 sectors have ranked "domestic competition" as top three factors and has consistently remained on the list since previous surveys.

Notwithstanding the competition among offline businesses, there are many traders importing goods from cheaper alternative sources, specifically from China and have utilised online platform or e-commerce to compete with local retailers. Many retailers are facing severe challenges as these online traders are compete on competitive cost of goods and lower operating costs (such as rental and manpower cost) compared to physical retail shop.

By size of business operations, small and medium enterprises (SMEs) made up 94.2% of respondents. The nature of competition comes from large enterprises is definitely impacting SMEs as indicated by a higher percentage of SME respondents (48.3% vs. overall's 47.3%). As SMEs' margin is generally lower relative to large enterprises, SMEs may not able to cut price level further but have to compete in terms of product quality and related services.



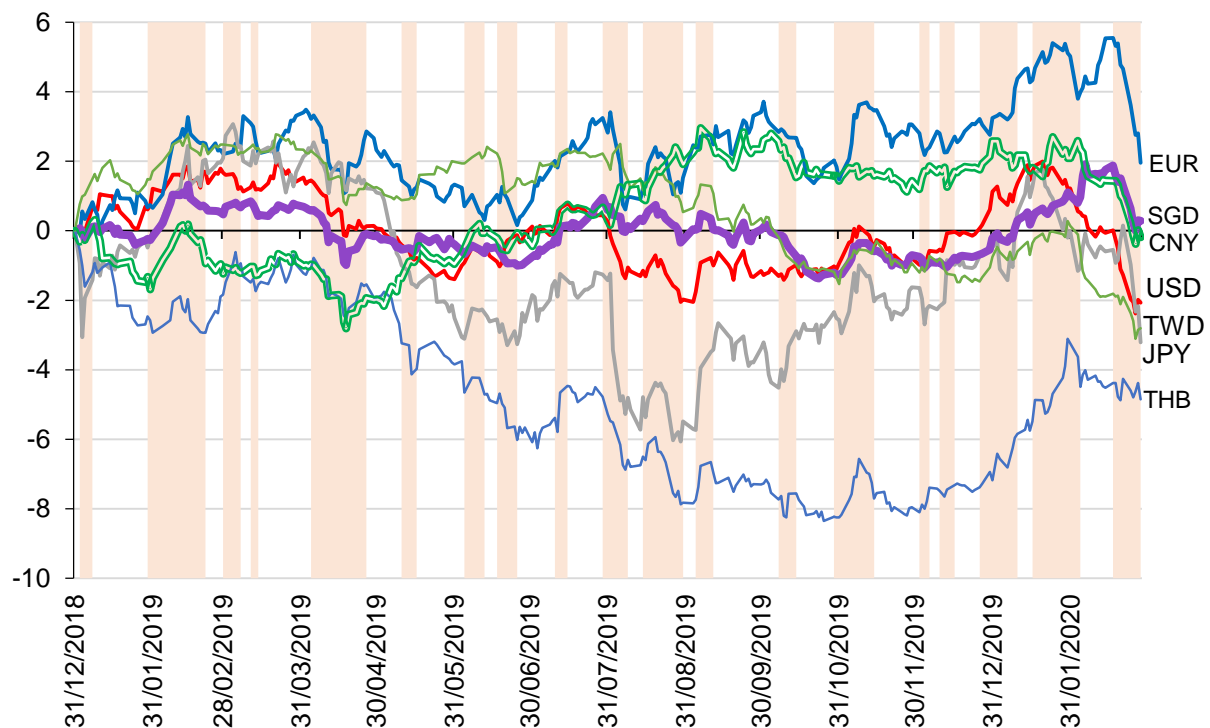
### (III) Ringgit's fluctuations

About 39.5% of respondents voted “the ringgit’s fluctuation” as the **third most impacting factor** to businesses, a rise from the fifth placing in the previous survey (36.1% of respondents). The industries cited this factor include trading (50.0%), finance and insurance (48.7%), wholesale and retail (47.4%), transportation, forwarding and warehousing (43.8%), tourism, shopping, hotels, restaurants, recreation and entertainment (43.3%), and manufacturing (43.3%).

The ringgit moved within a small range of RM4.0605 (+1.9% from end-2018) to RM4.2250 (-2.0%) against the US dollar throughout 2019. However, the ringgit fluctuated by larger magnitudes against other currencies in major trading partners, i.e. China, Singapore, European Union (EU), United States, Thailand and Taiwan<sup>3</sup> (Figure 9). As at 28 February 2020, the ringgit has appreciated against the euro (2.0%) and Singapore dollar (0.3%), but depreciated against Thai baht (4.9%), Japanese yen (3.2%), Taiwan new dollar (2.8%), the US dollar (2.1%) and Chinese renminbi (0.2%) compared to end-Dec 2018. In Jan-Feb 2020, the ringgit down by 3.2% against the US dollar.

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

% change compared to end-2018

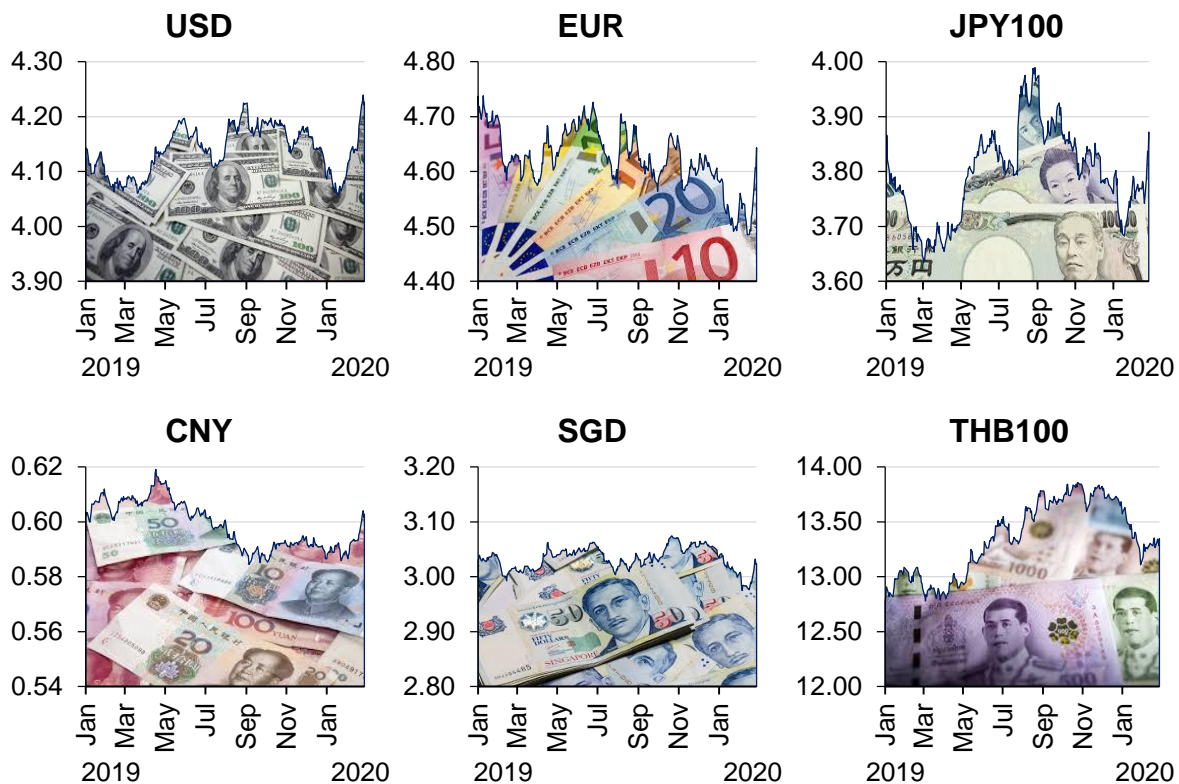


Note: Shaded area indicates period with higher volatility/changes

Source: BNM

<sup>3</sup> These countries accounted for at least 5% of Malaysia's total trade value in 2019.

Figure 10: The ringgit's movement against selected major and regional currencies



Source: BNM

During the period of high ringgit's volatility, traders, including exporters and importers as well as service providers for overseas market with a smaller bargaining power would be at a disadvantage position with a weaker ringgit exchange rate. This is because a weak exchange rate means higher cost of imported raw materials and capital goods and hence, lead to higher selling prices if the traders cannot absorb increased costs. Hence, 27.1% of respondents anticipate 1%-5% increase in cost of imported raw materials in Jan-Jun 2020, followed by 15.2% of respondents expect an increase of 6%-10% and 15.0% expects more than 10% increase. In addition, a high percentage (48.8%) of SMEs in wholesale and retail sector cited the ringgit's fluctuations will impact their business. It is therefore, a stable exchange rate is crucial for business transaction and planning.

#### (IV) Domestic political situation

**Domestic political stability** has always been Malaysia's selling point in attracting foreign investors. It is now ranked as **the fourth most impacting factor** on businesses (by 38.8% of respondents), a jump from the sixth and tenth placing in previous surveys. Since 2018, investors and businesses have generally viewed that there are too much political bickering and politicking amid persistent uncertainties about the leadership transition that have distracted the policymakers' focus on managing and addressing economic issues and cost of living issues matter to average joe. Recalled that during the National Chamber of Commerce and Industry of Malaysia (NCCIM)'s National Economic Forum 2019 held in August 2019, almost all 600 participants have agreed that there was too much politicking in the Pakatan Harapan (PH)'s government during an interactive survey.

**Political stability is a variable of great importance in building a coherent and continuous path for sustainable development.** Unstable political environment would undermine investors' confidence, deter investment decision by both local and international investors on wary about policy continuity, and hinder the pace of economic development.

Rampant political bickering, conflicts and infighting would distract the Government's efforts to manage the economy. In this critical juncture, the Government needs to strengthen domestic economic and financial resilience to weather against external headwinds, address cost of living and cost of doing business, and rectify structural weaknesses that impacting our competitiveness.

#### (V) **Manpower shortage**

**The shortage of manpower climbed to the top fifth factor** (as ranked by 31.3% of respondents) influencing the business performance compared to the seventh placing (28.2%) in the previous survey. The sectors that voted it as top three factors are: (i) Agriculture, forestry and fishery (54.5% of respondents); (ii) Manufacturing (43.3%); (iii) Construction (38.5%); and (iv) Professional and business services (34.6%).

Given current challenging job market, job vacancies have reduced from 1.48 million in 2017 to 974,612 in 2019 (Figure 11). By sector, 36.1% of job vacancies in 2019 came from manufacturing, followed by services (28.0%), agriculture (21.0%), and construction (14.5%). By skill set, low-skilled jobs accounted for 68.2% share of total job vacancies, followed by semi-skilled jobs (24.2%) and skilled jobs (7.7%).

According to DOSM<sup>4</sup>, the number of unemployed persons only stood at 512,200 persons in 2019. Therefore, businesses would face insufficient workers even absorbed all the unemployed. Some of the major reasons responsible for the manpower shortage are the **shortage of high-skilled workers, talent mismatch, divergence of jobs locations in relation to the location of unemployed persons, reluctant of local workers to work in 3D (Dirty, Dangerous and Difficult) jobs.**

As of June 2019, there are 2.0 million documented foreign workers in Malaysia, mainly came from Indonesia (35.2%), Bangladesh (28.4%), Nepal (15.8%) and Myanmar (6.3%). Nevertheless, the recruitment portal for FW from Bangladesh (main source of FW), namely SPPA has been suspended since September 2018 due to high processing fees of up to RM20,000 charged by selected agents to facilitate work permit approvals and other arrangements to work in Malaysia.

To-date, there is still no decision made to re-open the recruitment portal. While many Malaysian companies are still in labour-intensive production process, particularly in agriculture, forestry and fishery, manufacturing, construction, hotel and restaurant as well as some cleaning services providers. Many businesses are facing disruptions in their production and some have taken risk to hire undocumented foreign workers to ease the production disruptions. Hence, the Government should expedite a resumption of recruitment portal of foreign workers from Bangladesh.

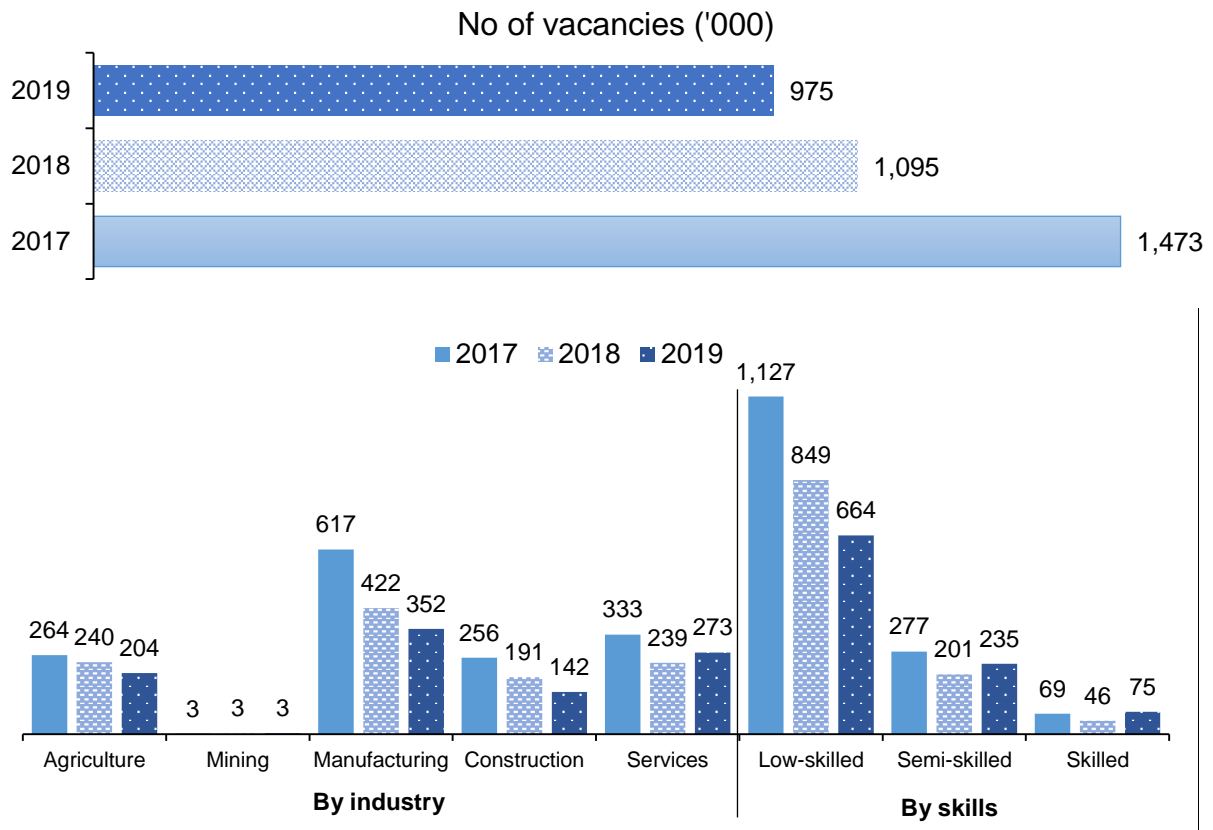
The announcement of Malaysians@Work initiatives introduced in 2020 Budget is a welcome measure to generate employment opportunities for graduates, women, local manpower (foreign worker replacement scheme) and apprentice programme under technical and

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<sup>4</sup> Labour Force Survey (Q4 2019)

vocational education and training (TVET). This initiative is estimated to cost RM6.5 billion over a five-year period, create 350,000 jobs for Malaysians and reduce foreign workers dependency by more than 130,000.

**Figure 11: Vacancies by industry and skills**



Source: BNM

## 4.2 Business Assessment in 2H 2019 and 1H 2020F

### Business conditions

- Overall, **most businesses' business conditions were rated "poor" (45.7%)** while 45.0% indicated "satisfactory business conditions", leaving 9.3% of businesses reporting "good business conditions" in 2H 2019 compared to 1H 2019. This result is similar to the respondents' forecast about 2H 2019's performance as conducted in the previous survey, whereby 45.2% of respondents predicted "poor business conditions", 46.4% "satisfactory condition" while 8.4% "good business conditions".
- **Most respondents forecast that business conditions would be "satisfactory" (46.4%) and "poor" (44.6%) respectively in 1H 2020** while the balance 8.9% feels that business conditions would be better compared to 2H 2019, particularly in the ICT sector (19.0%).

### Working capital outlook

#### 1. Cash flows conditions:

- **Most respondents (51.6%) cited "satisfactory" in their cash flows conditions in 2H 2019** compared to 1H 2019, which is consistent with the forecast made in the previous survey (48.8%). **A majority of respondents (52.4%) continue to hold a similar view that their cash flow conditions would be "satisfactory" in 1H 2020** compared to 2H 2019.
- Real estate sector tops the list of sectors reported tight cash flow conditions, with 52.7% of respondents reporting "poor cash flow conditions" in 2H 2019 and the same percentage is expected in 1H 2020.

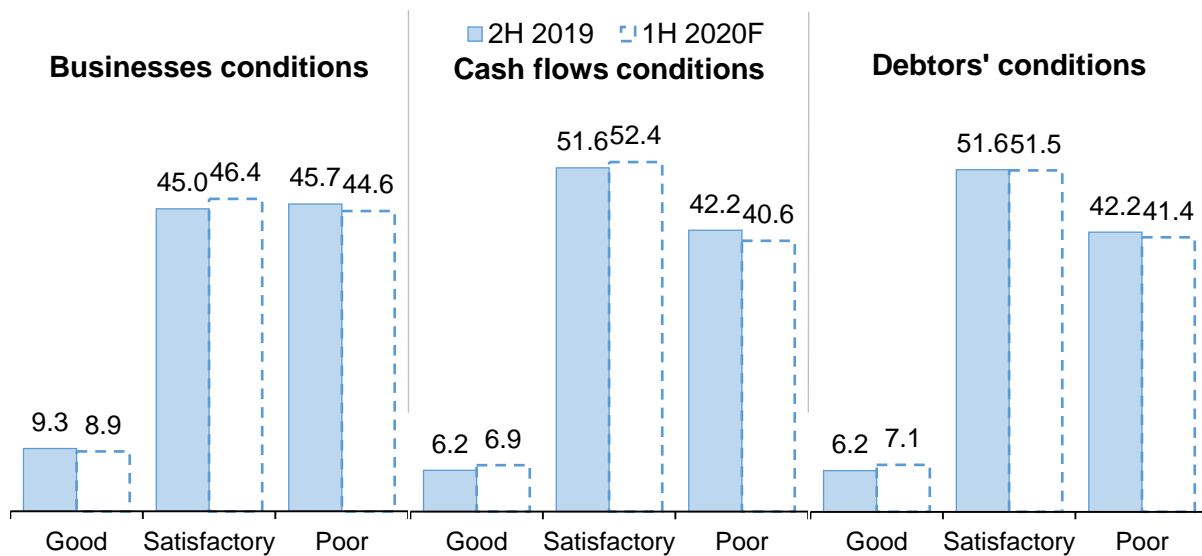
#### 2. Debtors' conditions:

- While a majority of respondents (51.6%) indicated "satisfactory debtors' conditions" in 2H 2019, 42.2% indicated "poor debtors' conditions", mainly in the construction sector (50.0%).
- Going into 1H 2020, about half of respondents (51.5%) expect "satisfactory conditions" and 41.4% expect "poor conditions". Amongst them, more than half of respondents in construction (51.7%) and real estate (50.9%) expect "poor debtors' conditions".

**Capacity utilization level**

- **Most respondents (39.8%) reported that their plants are operating between 50% and 75% capacity utilisation rate in 2H 2019**, followed by 33.1% operating at less than 50%, leaving 27.1% operating above 75% capacity.
- **For 1H 2020, the capacity utilisation rate generally will remain unchanged**, whereby 40.7% of respondents indicated that their plants will operate at a capacity utilisation rate of between 50% and 75% while 30.6% will operate less than 50% and 28.7% will operate above 75% of capacity utilisation rate.

**Figure 12: Business, cash flows, and debtors' conditions in 2H 2019 and 1H 2020F**



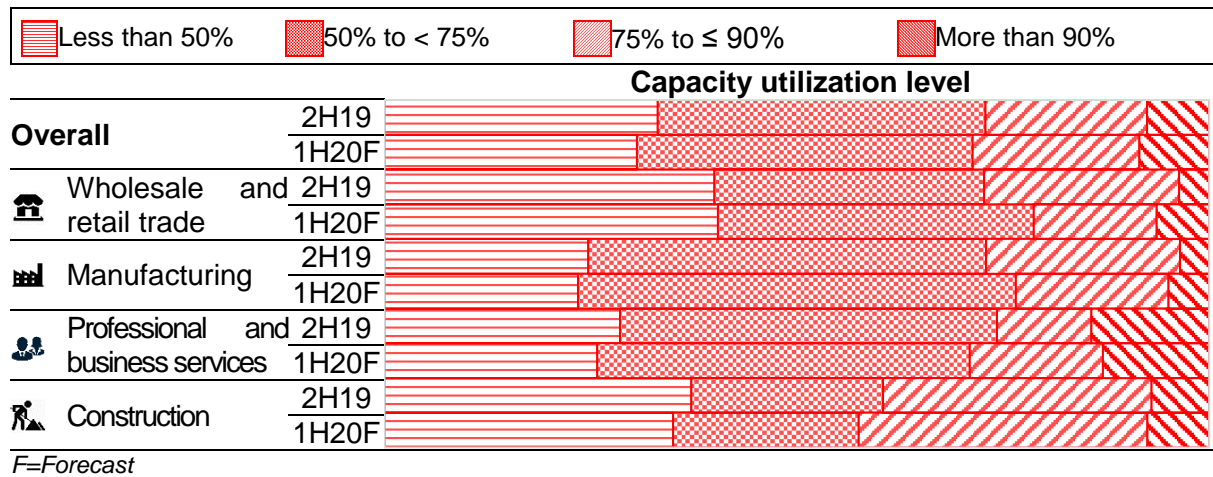
F=Forecast

**Figure 13: Business, cash flows and debtors' conditions by selected sectors\***

|                                    |       | Conditions in terms of: |             |            |      |         |      |
|------------------------------------|-------|-------------------------|-------------|------------|------|---------|------|
|                                    |       | Business                |             | Cash flows |      | Debtors |      |
| <b>Overall</b>                     | 2H19  | 45.0                    | <b>45.7</b> | 51.6       | 42.2 | 51.6    | 42.2 |
|                                    | 1H20F | 46.4                    | 44.6        | 52.4       | 40.6 | 51.5    | 41.4 |
| Wholesale and retail trade         | 2H19  | 41.4                    | <b>48.5</b> | 48.2       | 44.0 | 47.6    | 44.6 |
|                                    | 1H20F | 46.6                    | 42.9        | 50.0       | 41.4 | 45.6    | 45.0 |
| Manufacturing                      | 2H19  | 44.8                    | 43.3        | 59.8       | 33.3 | 54.5    | 38.6 |
|                                    | 1H20F | 49.6                    | 42.7        | 58.6       | 35.9 | 57.0    | 37.5 |
| Professional and business services | 2H19  | 48.5                    | 36.9        | 47.3       | 42.6 | 47.3    | 45.7 |
|                                    | 1H20F | 44.2                    | 42.6        | 49.2       | 43.0 | 48.4    | 44.5 |
| Construction                       | 2H19  | 57.8                    | 37.8        | 55.6       | 42.2 | 50.0    | 50.0 |
|                                    | 1H20F | 57.3                    | 40.4        | 51.7       | 44.9 | 47.2    | 51.7 |

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

**Figure 14: Capacity utilization level in 2H 2019 and 1H 2020F by selected sectors**



## 4.2.1 Sales Turnover

### Domestic market

#### Hit by Black Swan – Coronavirus Disease 2019 (COVID-19)

##### Performance in 2H 2019 when compared to 1H 2019

- A higher percentage of respondents (36.4% vs. 32.8% forecasted previously) reported a **decrease in sales volume**, as reflected in manufacturing (43.8%) and wholesale and retail trade (42.9%) while 25.1% have fixed a lower selling price (vs. 22.9%), mainly in the manufacturing sector (35.0%). Lesser respondents indicated “unchanged” in sales volume (32.5% vs. 38.6%) and selling price (36.6% vs. 43.3%).
- 15.3% (vs. 10.7%) of businesses surveyed indicated that **sales volume has decreased by more than 10%**, mainly in manufacturing (22.3% vs. 10.9%) as well as wholesale and retail trade (17.9% vs. 12.6%).
- Overall, a **higher percentage of respondents (31.0% vs. 28.7% forecasted previously) reported an increase in sales volume**, lifted by professional and business services (37.3%) and manufacturing (33.8%) while 30.0% (vs. 29.7%) reported an increase in selling price, largely in wholesale and retail trade sector (42.3%).
- 7.6% (vs. 6.1%) of respondents indicated that **sales volume has increased by more than 10%**, mainly in professional and business services (10.2% vs. 8.9%), wholesale and retail trade (8.9% vs. 4.5%) and construction (4.5% vs. 2.5%).
- The slight improvement in sales of the construction sector was probably due to a small increase in the value of construction work done in the fourth quarter of 2019, specifically contributed by the residential property and civil engineering amid still sluggish non-residential property due to persistent overhang. For manufacturing sector, the divergence could be due to the trade war between the United States and China, whereby some products are in favour while some are not.

##### Forecast for 1H 2020 when compared to 2H 2019

- Most of respondents have provided their feedback prior to the outbreak of COVID-19 and hence, **any positive assessment may be discounted at least in 1H 2020 as businesses’ expectations are expected to worsen.**<sup>5</sup>
- It is expected that most businesses, especially in tourism and related services will be badly impacted as per ACCCIM’s Quick-Take survey conducted during 12-16 February 2020 to gauge the impact of COVID-19 outbreak as shown in Section 4.3. 82.8% of respondents indicated that their sales will be dented by the virus outbreak, at least in the first quarter of 2020 and 85.1% anticipate a drop in sales if the spillover effects of the COVID-19 prolongs to a six-month period as mirrored to the duration of Severe Acute Respiratory Syndrome (SARS) outbreak in 2003.
- The Quick-Take survey revealed that tourism-related businesses (including wholesale, retail, food and beverages (F&B) services, accommodation and tourism-related

<sup>5</sup> The forecasted result in this survey is not shown here as the COVID-19 outbreak is expected to change the original forecast on a significant downward bias. For details in the original forecast, please refer to Appendix 4.



businesses) will suffer the most as indicated by 94.7% of respective respondents, whereby 48.4% expect sales to drop by more than 30%. 81.9% of respondents in the manufacturing sector expect their sales will be affected, whereby a majority (34.7%) foresee sales will drop by 11%-20% and 32.0% anticipate sales will drop by more than 20%.

- 68.9% of respondents in primary sector and other services sectors, including construction expect their sales will be affected by the virus outbreak, with 30.0% expecting sales to plunge by more than 30%.

## Overseas market

### Better prospects post a phase one trade deal between the US and China

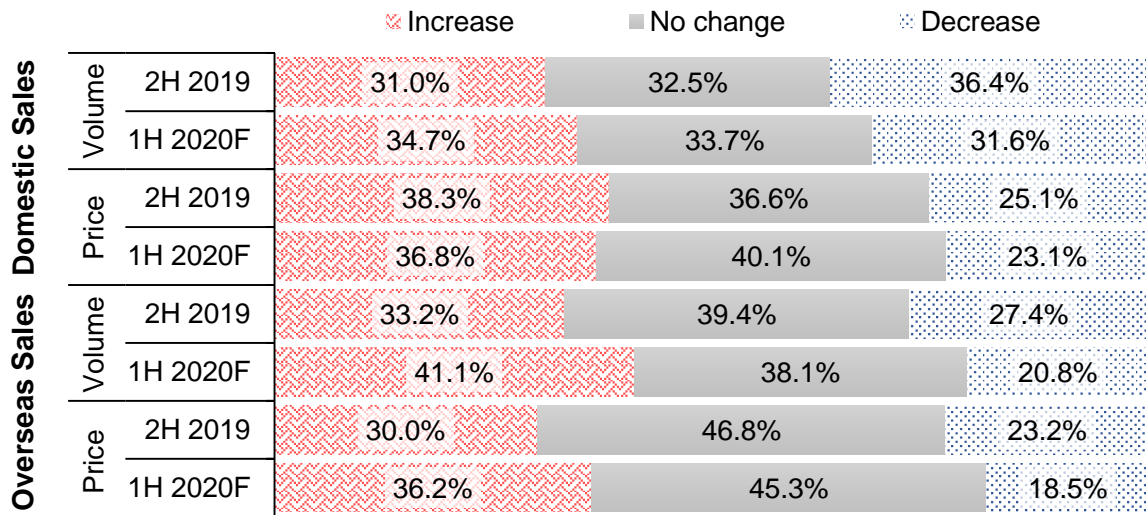
#### Performance in 2H 2019

- **A higher percentage of respondents (33.2% vs. 30.8% forecasted previously) with foreign sales market reported an increase in overseas sales volume**, lifted by professional and business services (36.4%) and manufacturing (34.4%). **In terms of selling prices**, almost the same percentage (30.0% vs. 29.7%) of respondents indicated an upward adjustment in price level, 13.3% (vs. 17.4%) increased by 1%-5% while 11.8% (vs. 8.4%) increased by 6%-10% and 4.9% (vs. 3.8%) increased by more than 10%.
- **A higher percentage (27.4% vs. 22.8%) of businesses reported lower overseas sales volume**, mainly in manufacturing (41.1 % vs. 26.3%). Malaysia's merchandise exports recorded a larger contraction of 2.6% yoy in Jul-Dec 2019 compared to the first half-year of 2019 (-0.7%). Meanwhile, a higher percentage (23.2% vs. 20.2%) of businesses stated that they have lowered their price level. Amongst them, 25.1% have decreased price level by 1%-10% and 4.9% have decreased by more than 10%. The exporters are struggling in price cutting game to remain competitive during the escalating trade war in the second half-year of 2019.

#### Forecast for 1H 2020

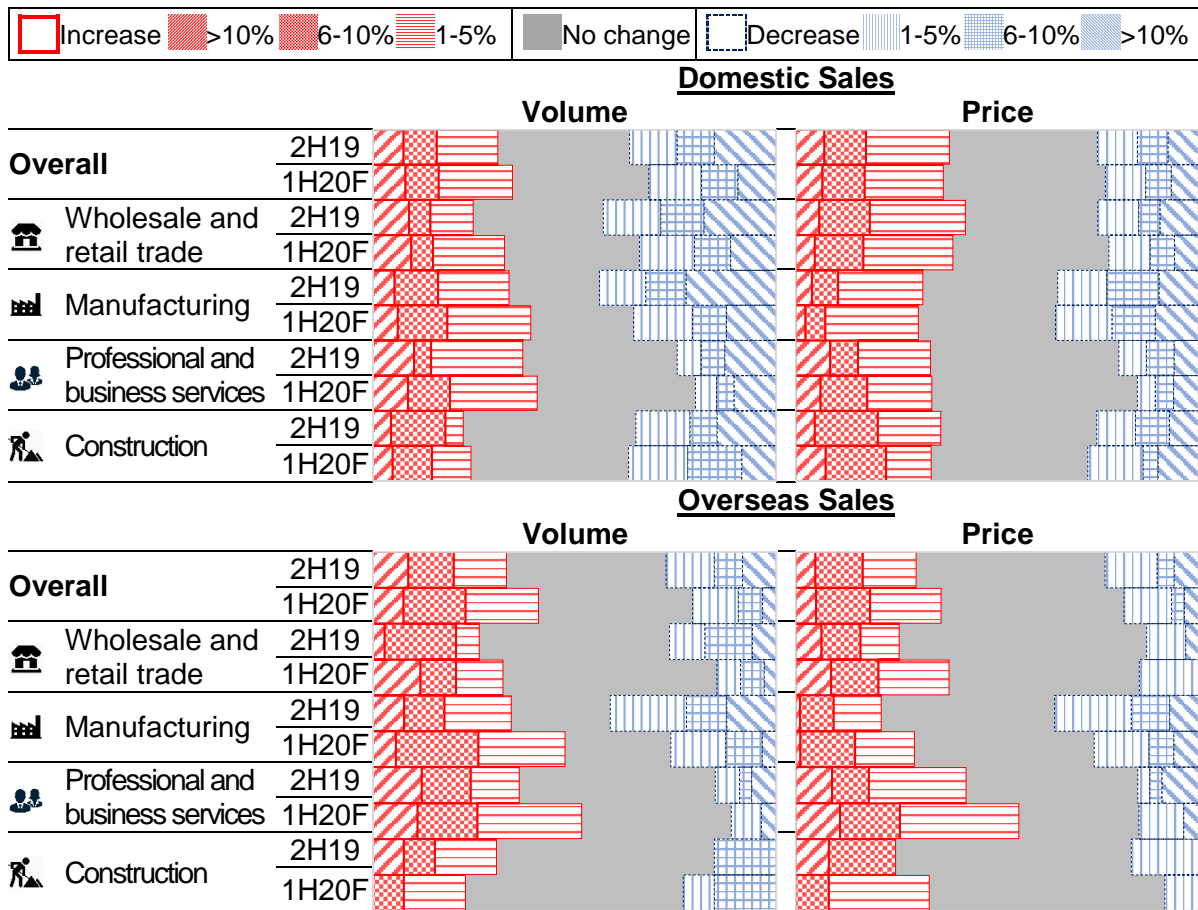
- Following some positive development between the US and China's trade deal, **41.1% (vs. 33.2% in 2H 2019) of respondents expect an increase in overseas sales volume**, particularly in manufacturing (47.7%) while 51.9% in professional and business services also shared the same view. Similarly, a higher percentage of them (36.2% vs. 30.0%) would adjust upward their price level: 17.7% indicated that they will increase by 1%-5%; 13.4% will increase by 6%-10%; and 5.1% will increase by more than 10%.
- A lower percentage (18.5% vs. 23.2%) of respondents have opted to lower overseas price level. Nevertheless, 44.4% of them in the manufacturing sector will maintain existing price level and 25.9% will lower selling price. This indicates that the export market is still very competitive for our exporters.
- Notwithstanding the optimistic prospect, the COVID-19 is still spreading fast and severely to many countries around the globe, including Asia, North America, Middle-east, Europe and Oceania region. It is expected that dampened consumer sentiment and cautious spending as well as restrained travelling will cause a revision of expectations about foreign sales forecast on a downside bias.

**Figure 15: Domestic and overseas sales (volume and price) in 2H 2019 and 1H 2020F**



F = Forecast

**Figure 16: Domestic and overseas sales (volume and price) in 2H 2019 and 1H 2020F by selected sectors**



F=Forecast

## 4.2.2 Production and Inventory Level

### Potential supply chain disruptions

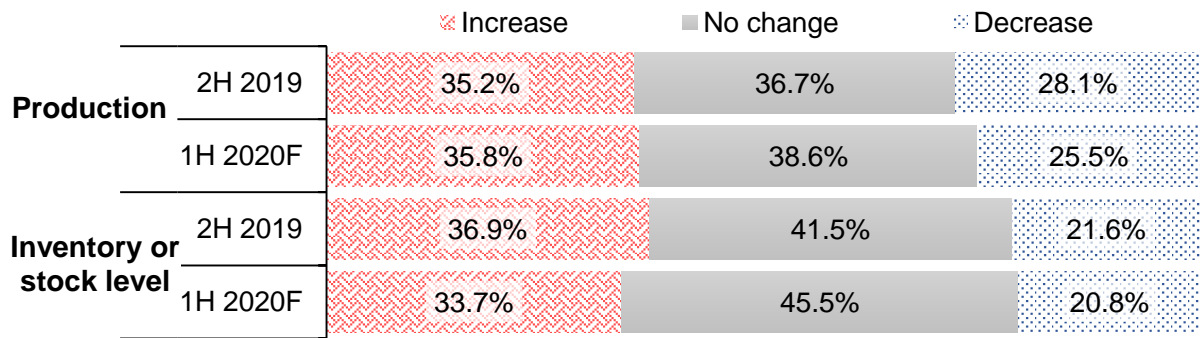
#### Performance in 2H 2019

- In tandem with a pullback in growth of national industrial production to 1.4% yoy in Jul-Dec 2019, the survey results revealed that **36.7% of respondents maintained the same level of production while a higher percentage of respondents (35.2% vs. 31.6% forecasted previously) reported increases in production.** In the manufacturing sector, while a higher percentage (40.5% vs. 34.1%) of respondents reported an increase in production, (36.4% vs. 31.7%) of businesses reported a decrease in production in 2H 2019, with some (12.4%) indicating that production have fallen by more than 10%.
- As many manufacturers have to bear the fixed overhead costs, they may opt to continue production as long as they can help cover variable costs. Despite higher production, the inventory level also increased as indicated by 36.9% of respondents. Most of respondents (44.8%) in the manufacturing sector reported an increase in inventory level.

#### Forecast for 1H 2020

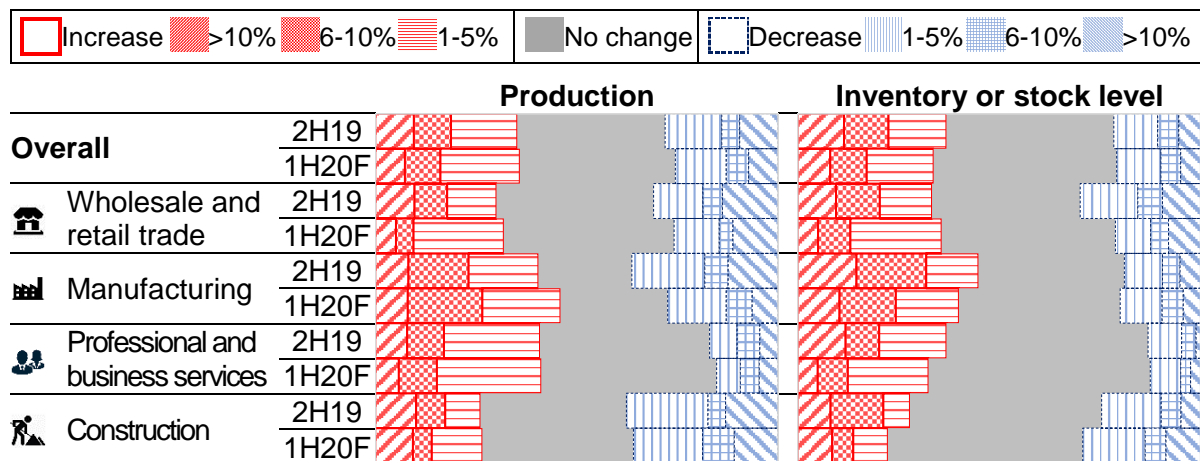
- While some continued to adopt a wait-and-see approach, some respondents are hoping for a better trade deal outcome between the US and China (prior to the COVID-19 outbreak); a majority of respondents will either maintain production (38.6%) or slightly increase production by merely 1%-5% (19.6%).
- In terms of stock level, about 79.2% of respondents expect to either maintain or have higher inventory level in 1H 2020 compared to 78.4% of respondents were either maintained or have higher inventory level in 2H 2019.
- Following the outbreak of COVID-19, many factories in China have halted operations. To-date, some factories are still not fully restored and many are not operating at full capacity. As China, being a production hub, is deeply integrated into global supply chains, and hence, major disruptions in the supply chains would have a material impact on the delivery of intermediate goods (raw materials) and production of finished goods.
- ACCCIM's Quick-Take survey revealed that **44.4% of respondents in the manufacturing sector indicated that the supply chain disruptions have impacted their production.** Despite that 38.9% of respondents expect no impact and 16.7% have managed to source their supplies from elsewhere at the time of responding to our survey, we are of the view that a prolonged disruption will significantly affect their operations in the longer-term.

**Figure 17: Production and inventory or stock level in 2H 2019 and 1H 2020F**



F=Forecast

**Figure 18: Production and inventory or stock level in 2H 2019 and 1H 2020F by selected sectors**



F=Forecast

### 4.2.3 Cost of Raw Materials

#### Cost of both local and imported raw materials remain elevated

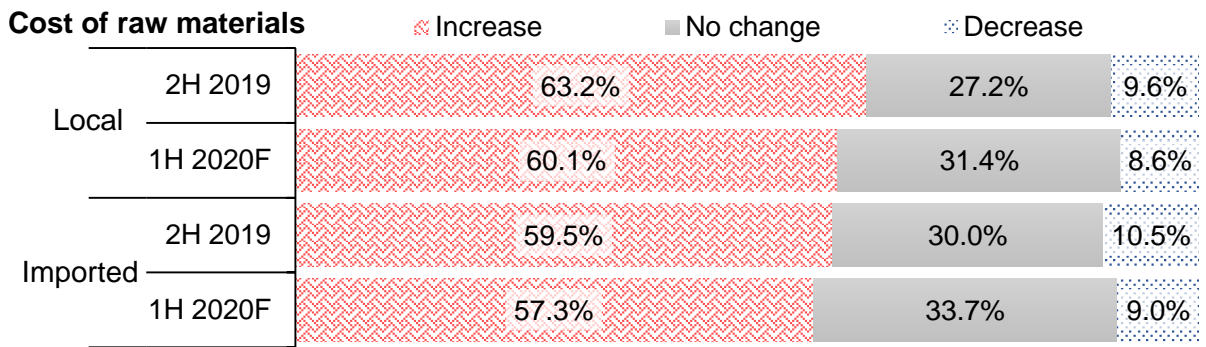
##### Performance in 2H 2019

- **30.9% of respondents have claimed that increase in prices of raw material is a significant factor that impacting their business.** During the 2H 2019, 63.2% of respondents indicated an increase in costs of local raw materials, of which 28.2% reporting an increase of 1%-5%, 18.9% an increase of 6%-10% and 16.2% an increase of more than 10% while 59.5% of respondents reported an increase in costs of imported raw materials.
- **24.5% of respondents claimed “increase in prices of imported raw materials” of 1%-5%, 18.0% an increase of 6%-10% and 17.0% an increase of more than 10%.** The main reason caused higher prices of imported raw materials was the weakened ringgit in 2H 2019 (average RM4.1649/US dollar vs. average RM4.1195/US dollar in 1H 2019). For local raw materials, the increase was due to indirect cost of imported component parts.
- The overall prices of food and beverages as well as commodities, particularly the category of oils and meals also gone up in 2H 2019 compared to 1H 2019, albeit some moderation in other commodities, which may not be immediately translated into cheaper prices due to price stickiness.

##### Forecast for 1H 2020

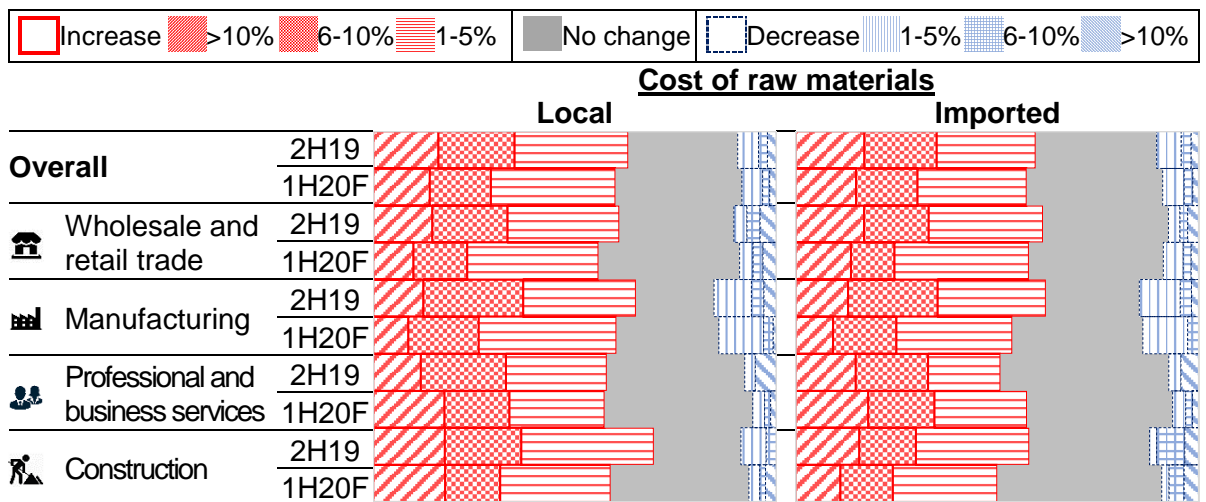
- **Cost of local raw materials is expected to increase further as indicated by 60.1% of respondents**, similar to cost of imported raw materials (57.3%).
- **51.6% of respondents in the manufacturing sector expect local raw materials to increase by 1%-10%**, and 8.7% of respondents expect the price level to rise by more than 10%; while 44.4% expect imported raw materials cost to be higher by 1%-10% and 9.3% expects to increase beyond 10%.
- For construction sector, while 41.1% of respondents expect the prices of local raw materials to go up by 1%-10%, 17.8% anticipate it will increase by more than 10%.
- Besides the impact of weakening ringgit, the supply chain disruptions caused by the COVID-19 outbreak is expected to jack up the cost of raw materials. With higher costs of input, some businesses may be forced to transfer the cost to customers throughout the whole supply chain and ultimately, the end-users will be the victim. In such a case, **the Government should identify the highly impacted supply of raw materials and consider to lower import duties or provide tax rebate for at least three to six months to assist the affected manufacturing businesses, especially SMEs.**

**Figure 19: Cost of raw materials in 2H 2019 and 1H 2020F**



F=Forecast

**Figure 20: Cost of raw materials in 2H 2019 and 1H 2020F by selected sectors**



F=Forecast

## 4.2.4 Manpower

### Status-quo preferred, healthy wage growth

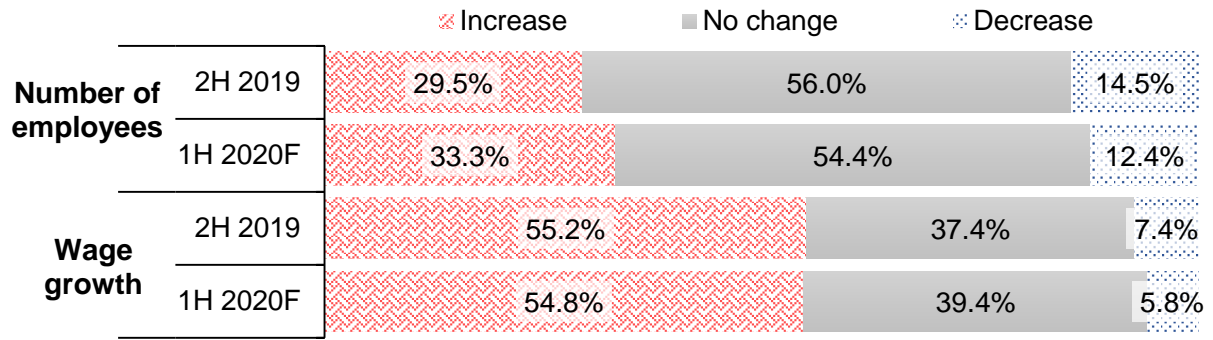
#### Performance in 2H 2019

- As in the previous survey, **more than half of respondents (56.0%) have maintained the number of employees**. 29.5% of respondents hired additional employees, mainly in professional and business services (34.1%). A lower percentage of respondents (14.5% vs. 18.4% in 1H 2019) reported a reduction in manpower, with most of them (9.0% of total respondents or 63.6% of this group) suffering lower domestic sales volume in 2H 2019. Notwithstanding, the unemployed rate remained healthy at 3.2%-3.4% throughout 2019.
- In fact, manpower shortage has become an increasing concern to businesses as indicated by 31.3% of respondents. Amid facing a limited pool of local labour force willing to work in factories, the Government has restricted the incoming of foreign workers from Bangladesh, many businesses have suffered insufficient workers to meet sales order, especially those industries benefitting from the diversion of the US-China's trade war. The Government is urged to expedite a resumption of recruitment portal for foreign workers from Bangladesh.
- 55.2% of respondents have increased their employees' wages in 2H 2019, mainly by 1%-5% (29.7% of respondents) while 14.8% of respondents reported a wage growth of 6%-10% and 10.8% reported a wage growth of more than 10%. Meanwhile, 37.4% of respondents have sustained their wage pay-out and the remaining 7.4% revised downward the wage level.

#### Forecast for 1H 2020

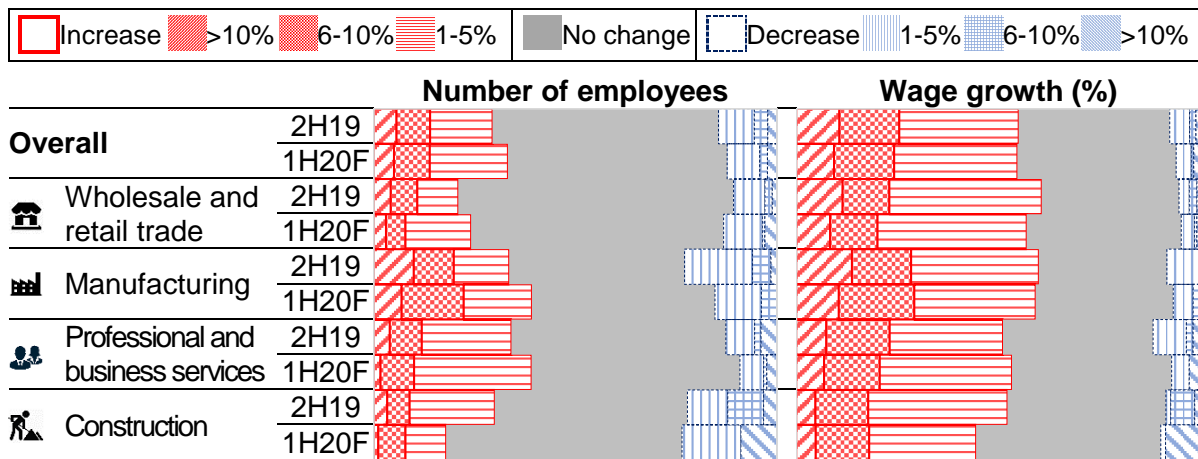
- Prior to the outbreak of COVID-19, **more respondents (33.3% vs. 29.5% in 2H 2019) are likely to increase their manpower, albeit still more than half (54.4%) have opted to keep the number of employees**. Overall wage growth continues despite the salary increment rate is lower compared to 2H 2019.
- Starting 2020, the minimum wage for 56 major cities has increased to RM1,200 from RM1,100. In a survey conducted by the Malaysian Employers Federation (MEF), average salary increments for executives in 2020 is 5.00% (5.15% in 2019) and 5.01% for non-executives (4.96% in 2019), which is in tandem with the responses garnered as well as the increase in minimum wage.
- As the COVID-19 outbreak has severely impacted the tourism-related businesses and manufacturing sector, **it is expected to see rising number of retrenchments or at least a temporarily freeze in hiring in 1H 2020**. The impact is expected to be manageable as many companies will find ways to preserve manpower to prepare for an eventual rebound.
- The Government should expedite the full roll-out of Malaysians@Work initiative to help generate employment opportunities.

Figure 21: Number of employees and wage growth in 2H 2019 and 1H 2020F



F=Forecast

Figure 22: Number of employees and wage growth in 2H 2019 and 1H 2020F by selected sectors



F=Forecast



## 4.2.5 Capital Expenditure

### Lack of fund and now poor sentiments

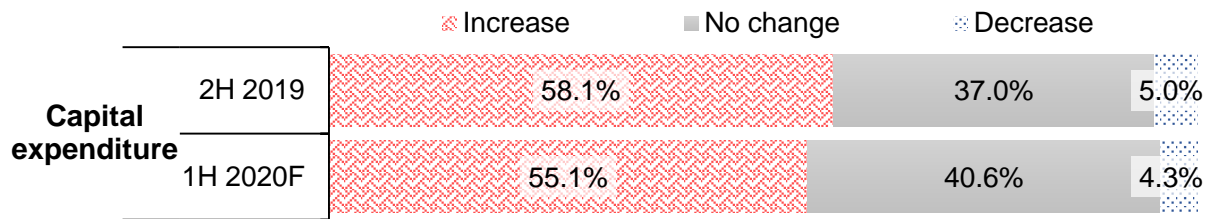
#### Performance in 2H 2019

- Private investment growth rebounded to 4.2% yoy in the fourth quarter of 2019 after three consecutive quarters of subdued growth. In order to sustain this growth engine, capital expenditure is one of the key elements in supporting the overall private investment.
- **58.1% of respondents indicated that they have increased their capital expenditure, particularly in the manufacturing sector (63.2%).** 37.0% of respondents maintained their capital investment while 5.0% have reduced their capital expenditure.
- As announced in 2020 Budget, Accelerated Capital Allowance (ACA) and Automation Equipment Capital allowance on qualifying capital expenditure will be extended to the year of assessment 2023 and expanded the coverage of eligibility to include services sector, are expected to encourage capital spending and automation, which would lead to higher productivity. **For the electronics and electrical products (E&E) companies,** income tax exemption up to 10 years is provided for investing in qualifying knowledge-based services and special tax allowance will be given to companies that have exhausted the 15-year reinvestment allowance. In this regard, the Government should consider to extend such tax incentive to other export-oriented industries.

#### Forecast for 1H 2020

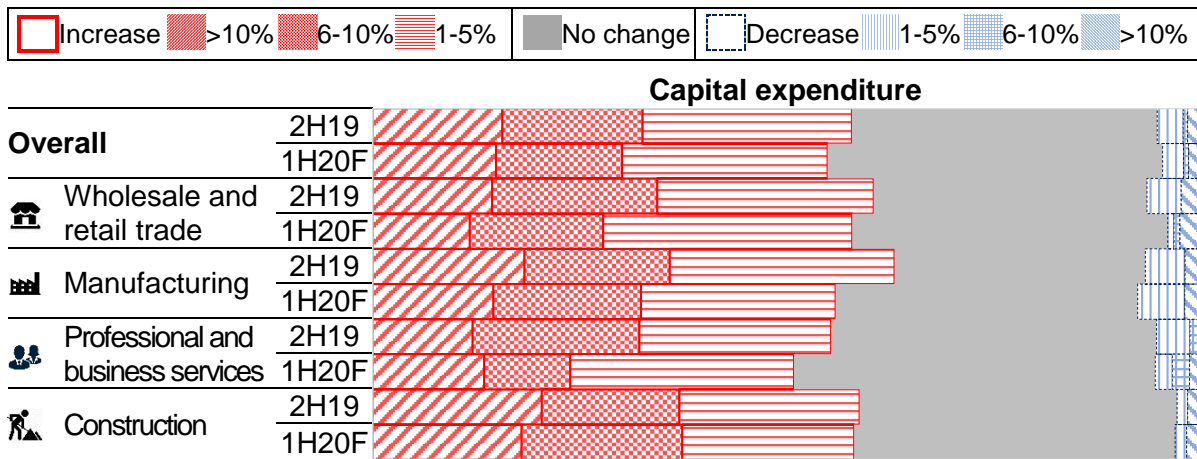
- **A lower percentage of respondents (55.1% vs. 58.1% in 2H 2019) will increase capital expenditure** while 40.6% will maintain the same level of investments. In the manufacturing sector, lesser respondents (56.1% vs. 63.2%) are looking to increase capital spending and more respondents (7.3% vs. 6.4%) plan to reduce capital expenditure.
- Given **lingering uncertainty about domestic political situation as well as still unclear and inconsistent government policies,** many businesses will continue to adopt a **wait-and-see approach amid a slowdown in global and domestic economy.**
- Among the other reasons cited for **not increase capital expenditure** are **lack of access to finance and lack of capital for expansion as indicated by 24.8% and 29.4% of respondents respectively** when asked on factors affecting business performance. Compared to the previous survey, these two factors have become an increasing concern to businesses, 13.5% and 12.0% respectively.
- Bank Negara Malaysia (BNM) **should review the bank's assessment criteria and identify possible solutions** to assist businesses, especially SMEs such as to **provide more soft loan schemes to facilitate capital investment with a simpler and transparent application and approval process.**

**Figure 23: Capital expenditure in 2H 2019 and 1H 2020F**



F=Forecast

**Figure 24: Capital expenditure in 2H 2019 and 1H 2020F by selected sectors**



F=Forecast

### 4.3 Supplementary Assessment on the Impact of COVID-19

On 30 January 2020, the World Health Organization (WHO) has declared that the **Coronavirus disease 2019 (COVID-19)** outbreak originated from China is a global public health emergency. Given that China is the world's second largest economy and highly connected in terms of production, trade, consumption and investment flows, this virus-inflicted economic shock not only would temper the already slowing economy at least in 1Q 2020, but also cloud the global economy and has knock-on spillover effects on the Malaysian economy via both trade and services transmissions.

As China is Malaysia's largest trading partner (17.2% of total trade in 2019), the third largest source of tourist arrivals (12.0% of total tourist arrivals in Jan-Sep 2019) and also contributed 19.3% of total tourism receipts in Jan-Sep 2019, it is inevitable that **Malaysia's tourism, aviation and transportation, retail and entertainment sectors would be impacted** through both direct and indirect channels due to the anticipated plunge in Chinese tourists at least in 1Q 2020, travel restrictions imposed by some countries, non-China travellers' restrained travelling to the region as well as the cancellation of tours and suspension of flights.

**On domestic spending and trade as well as exports front**, cautious Malaysian consumers' sentiment on wary about increasing domestic cases of COVID-19 would dampen domestic spending while both external trade and manufacturing sectors would be dampened by the supply chains disruption and shortage of raw materials.

The Associated Chinese Chambers of Commerce and Industry of Malaysia (ACCCIM) has conducted a Quick-Take survey to (i) **Solicit our member businesses' feedback on the probable economic impact of this virus outbreak in the short- and medium-term;** and (ii) **What are the mitigating measures to counteract the temporary economic and business disruptions?**

The survey period covering from **12 to 16 February 2020** have gathered **356 responses** from a wide range of industries.

- a. **53.7%** of total respondents – wholesale, retail, food and beverages (F&B) services, accommodation and tourism-related businesses (“tourism-related services business” thereafter);
- b. **20.6%** – manufacturing sector;
- c. **25.7%** – primary sector and other services sector, including construction

## A. Impact on sales

Overall, **82.8% of respondents have anticipated that the Covid-19 outbreak will dent their sales in Jan-Mar 2020.** 43.1% of respondents expect their sales will drop by more than 20%.

### (a) Tourism-related services business

91.5% of respondents expect their businesses will be affected by the virus outbreak.

- More than half (55.3%) of them expect their sales to drop by more than 20%, of which 22.3% expect sales to drop more than 30%, owing to the cancellation of tours and hotel's reservation;
- 21.3% expect sales to drop by 11%-20%; and
- 14.9% expect sales to drop by 1%-10%.

### (b) Manufacturing sector

**75.0% of respondents expect their sales** will be affected by the virus outbreak.

- 18.1% expect sales to decline by more than 30%;
- 5.6% expect sales to decline by 21%-30%
- 23.6% expect sales to decline by 11%-20%; and
- 25.0% expect sales to decline by 1%-10%.

### (c) Primary sector and other services sector, including construction

72.2% of respondents expect their sales will be affected by the virus outbreak.

- 14.4% expect sales to decline by more than 30%;
- 14.4% expect sales to decline by 21%-30%
- 20.0% expect sales to decline by 11%-20%; and
- 21.1% expect sales to decline by 1%-10%.

Should the **COVID-19 outbreak prolong to a longer period, says six months** as mirrored the duration of Severe Acute Respiratory Syndrome (SARS) outbreak in 2003, which had lasted for about nine months, 85.1% of respondents expect their sales will be badly affected.

- 36.9% expect sales to drop by more than 30%;
- 15.2% expect sales to drop by 21%-30%;
- 19.7% expect sales to drop by 11%-20%; and
- 13.2% expect sales to drop by 1%-10%.

**(a) Tourism-related services business**

**Tourism-related services business** will get hit the most, as indicated by **94.7% of total respondents** due to lower domestic consumer spending as well as a sharp decline in tourists' retail spending and accommodation as well as transportation demand.

- 48.4% expect sales to drop by more than 30%;
- 16.0% expect sales to drop by 21%-30%;
- 15.4% expect sales to drop by 11%-20%; and
- 14.9% expect sales to drop by 1%-10%.

**(b) Manufacturing sector**

**81.9 of respondents** expect their sales will be affected by the virus outbreak.

- 16.7% expect sales to decline by more than 30%;
- 15.3% expect sales to decline by 21%-30%;
- 34.7% expect sales to decline by 11%-20%; and
- 15.3% expect sales to decline by 1%-10%.

**(c) Primary sector and other services sector, including construction**

**68.9% of respondents** expect their sales will be affected by the virus outbreak.

- 30.0% expect sales to decline by more than 30%;
- 12.2% expect sales to decline by 21%-30%;
- 17.8% expect sales to decline by 11%-20%; and
- 8.9% expect sales to decline by 1%-10%.

## B. Impact on supply chains and raw materials

As China, being a production hub, is deeply integrated into global supply chains, and hence, major disruptions on the supply chains would have a material impact on the delivery of intermediate goods (raw materials) and production of finished goods.

When asked about the shortage of raw materials/component parts from China during the current outbreak, **44.4% of respondents in the manufacturing sector indicated that the supply chain disruptions will impact their production**; 38.9% of respondents expect **no impact for now** while the balance 16.7% will be **sourcing their supplies from elsewhere**.

As China is one of the top FDI investor in the region, and is ranked as Malaysia's 10th largest foreign investor in Malaysia (China's FDI outstanding stock stood at RM18.3 billion or 2.7% of Malaysia's outstanding FDI as at end-Sep 2019), China's FDI flows are likely to be affected in the short-term due to (a) China's investors focus on domestic economic and business issues and challenges associated with the Covid-19 outbreak; and (b) Travel restrictions and hence, causing delays in business operations.

The lingering uncertainty about the US-China's trade deal tension and the COVID-19 outbreak have further reinforced foreign investors' business risk management to deepen their diversification of suppliers of raw materials and relocation of production lines or bases to other countries to minimise the concentration risk and the supply chain disruptions in the event of major event shocks that would destabilise the production flows.

## C. Measures taken or will likely be adopted to mitigate the Covid-19 outbreak

- A majority of respondents (62.4%) are **hoping for government's financial assistance and relief package** to mitigate the impact of outbreak;
- 34.0% would be **turning to target more on domestic market**;
- 33.7% have **temporarily halted or plan to halt their expansion plan**;
- 29.5% to **introduce attractive promotions and discounts to attract customers**; and
- 27.8% to **scale down capacity to minimise cost**.

Some respondents have indicated that they will adopt a wait-and-see approach, waiting to assess the development of the disease and even have considered to temporarily halt their production until the outbreak is stabilised and contained.

**D. Proposed measures to ease economic pain on the economy and industries**

- Most of the respondents (56.7%) have asked **banks to provide 3-6 months debt servicing relief** to the hospitality sector, especially for SMEs, including tour operators and agencies. This includes the extension of loans on same terms and loans restructuring.
- 50.0% of respondents have ranked **“Provide tax relief and allowance for the hospitality sector, especially for SMEs, including tour operators and agencies”** as the second most chosen measures.
- 44.9% have recommended to support businesses, especially the affected SMEs by allowing **a special double deduction relief for rental expenses** incurred during this critical six-month period.

Other equally important proposed measures are:

- **Delaying CP204 Monthly Tax instalments for a period of six months** as it helps to ease the cash flow of businesses, **i.e. stop payment from Mar/April 2020 to Aug/Sep 2020, thereafter monthly tax payment resumes in Sep/Oct 2020**. (44.7%)
- Set up a **Business Disruption Fund to provide working guaranteed fund** at a concessionary rate to assist the affected SMEs. (42.7%)
- Consider to **lower foreign workers' levy, especially for SMEs**. It is also proposed to suspend for a 12-month period for the contribution to HRDF, SOCSO and EIS as these funds are already in surplus. (41.9%)
- To help affected companies to retain staff and prevent lay-offs, **a double-deduction on employees' salary expenses** should be provided to assist employers through this difficult period. (40.2%)
- Provide **a one-year exemption on tourism tax, service tax for hotel industry and departure levy**. (33.4%)
- **A voluntary 2% cut in EPF's employee contribution rate** to spur consumption. (32.0%)
- **Set up a Tourism Relief Fund**. (27.2%)
- **Partnering with malls and tour operators to encourage inbound tourism**, family outings and shopping carnivals through giving out tourism voucher or group discounts. (25.8%)

## 5. CURRENT ISSUES

We have gauged the respondents' feedback and opinions on two prominent issues, i.e. (a) **Digital Transformation and Industry 4.0 (IR4.0)**; and (b) **Foreign Workers (FWs)**.

### 5.1 Digital Transformation and Industry 4.0

The National policy on Industry 4.0 (Industry4WRD) and National Fiberisation and Connectivity Plan (NFCP) are key drivers to stimulate the growth of digital transformation and Industry 4.0 in Malaysia. The Industry4WRD is aimed to increase the level of productivity in the manufacturing sector, to strengthen innovation capacity and to improve Malaysia's global innovation rankings (be top 30 nations in Global Innovation Index by 2025). The NFCP is targeted to push forward gigabits' availability to all states' capital and achieve an average speed of 30Mbps in 98% of populated areas by 2023.

The number of industry indicators revealed that the Government and businesses must step up efforts to overcome the weaknesses in order to achieve the targets. IMD World Digital Competitiveness Ranking analyses the country's adoption and exploration of digital technologies that lead to transformation in government practices, business models, and society in general. **Despite Malaysia's ranking had improved from 27<sup>th</sup> in 2018 to 26<sup>th</sup> in 2019, Singapore was ranked (2019: 2<sup>nd</sup>) way ahead of us in terms of knowledge, technology and future readiness.**

According to World Economic Forum (WEF)'s Readiness for the Future of Production Report 2018, Malaysia medium hi-tech and hi-tech industries contributed 42.6% to manufacturing value added. Compared to ASEAN members, Malaysia is slightly better than Thailand (40.7%), Vietnam (40.4%) and Indonesia (35.1%) but far behind from Singapore (80.4%). The report pointed out that **Malaysia has to continuously improve in several drivers of production, amongst them including sustainable resources (ranked 60<sup>th</sup>), institutional framework (30<sup>th</sup>), technology & innovation (23<sup>rd</sup>) and human capital (21<sup>st</sup>).**

Besides, Malaysia's innovation performance had stagnated at 35<sup>th</sup> in the Global Innovation Index (GII) 2019 report released by Cornell University, INSEAD, and the World Intellectual Property Organisation. The report **highlighted that research and development as well as resident patenting levels in Malaysia were still low.**

Although Malaysia's internet speed has significantly enhanced but it is still far from satisfactory. As of January 2020, Malaysia ranked 79<sup>th</sup> in mobile speed (24 Mbps) and 38<sup>th</sup> in fixed broadband speed (81 Mbps) respectively in Speed test Global Index. Regrettably, our speed of internet access is lagging behind of Singapore (Mobile speed: 55 Mbps, ranked 13<sup>th</sup>; Fixed broadband speed: 202 Mbps, 1<sup>st</sup>) and Thailand (Mobile speed: 28 Mbps, 65<sup>th</sup>; Fixed broadband speed: 130 Mbps, 9<sup>th</sup>). **The digital infrastructure must be strengthened in order to facilitate the transformation of our industry base into high-tech driven industry.**

Hence, the survey's questions are structured to gather opinions on the perception of digital transformation and Industry 4.0 as well as the problems or challenges faced from a macro perspective, company level and government support. The survey also assesses the digitalisation or Industry 4.0 implementation rate and the actions to be taken by the Government over next one to three years.



**General perception**

**Q1: Do you believe that the digital transformation to Industry 4.0 could boost the industry’s and Malaysia’s global competitiveness?**

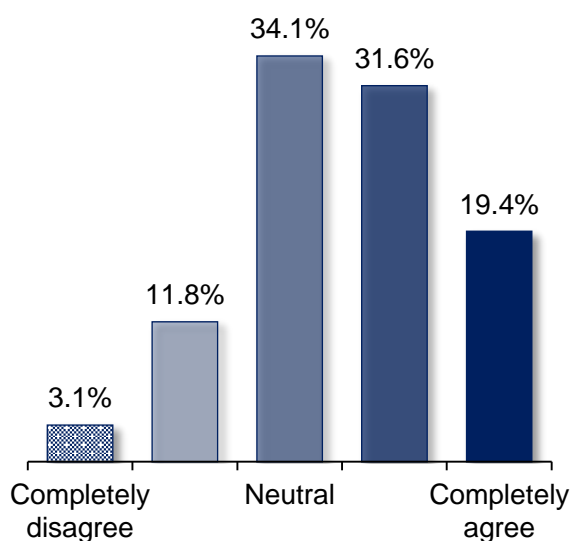
**Q2: How strongly your company feeling the impact of digitalisation and Industry 4.0?**

When asked whether “**Digital transformation to Industry 4.0 could boost the industry’s and Malaysia’s global competitiveness**”, slightly more than **half of respondents (51.0%)** voted “**Completely agree (19.4%)**” and “**Agree (31.6%)**”, as echoed by 54.5% of respondents in the manufacturing sector and 44.8% of respondents in the construction sector.

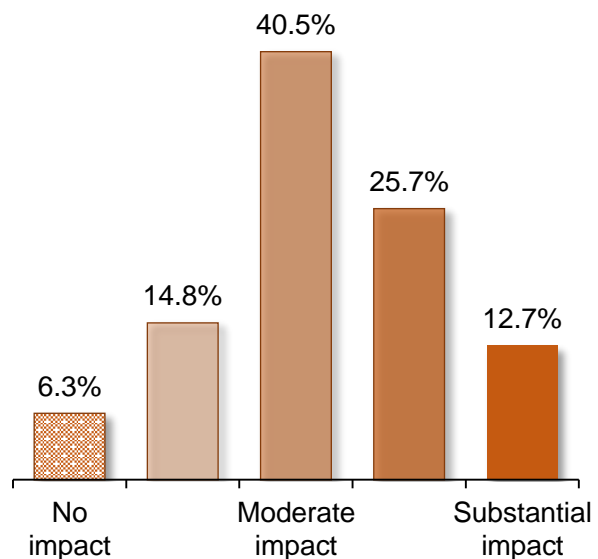
Some **businesses are lacking of industry knowledge understanding and unsure how Industry 4.0 would help to drive their business growth and sustain competitiveness in global market place** as adopting automation or digitalisation would incur high cost of fixed capital investment.

In gauging the “**Impact of digitalisation and Industry 4.0 to the company**”, **38.4% voted “Impactful (25.7%)” and “Substantial impact (12.7%)”**. The **magnitude of impact is associated with the level of adoption and readiness to embrace digitalisation and Industry 4.0**. Amongst the sectors that have a higher percentage indicating “Impactful” and “Substantial impact” are ICT (60.9% of respondents), manufacturing (47.0%), professional and business services (47.0%) and finance and insurance (44.7%).

**Figure 25: Rating for “Digital transformation to Industry 4.0 could boost the industry’s and Malaysia’s global competitiveness”**



**Figure 26: Rating for “Impact of digitalisation and Industry 4.0”**



**Q3: What are the problems faced when embracing/adopting digital transformation and Industry 4.0 in Malaysia?**

Two main problems encountered when businesses embracing or adopting digital transformation and Industry 4.0 in Malaysia are:

**A. Lack of platform and mechanism to assist firms for accessing and developing their capabilities** (voted by 60.6% of respondents)

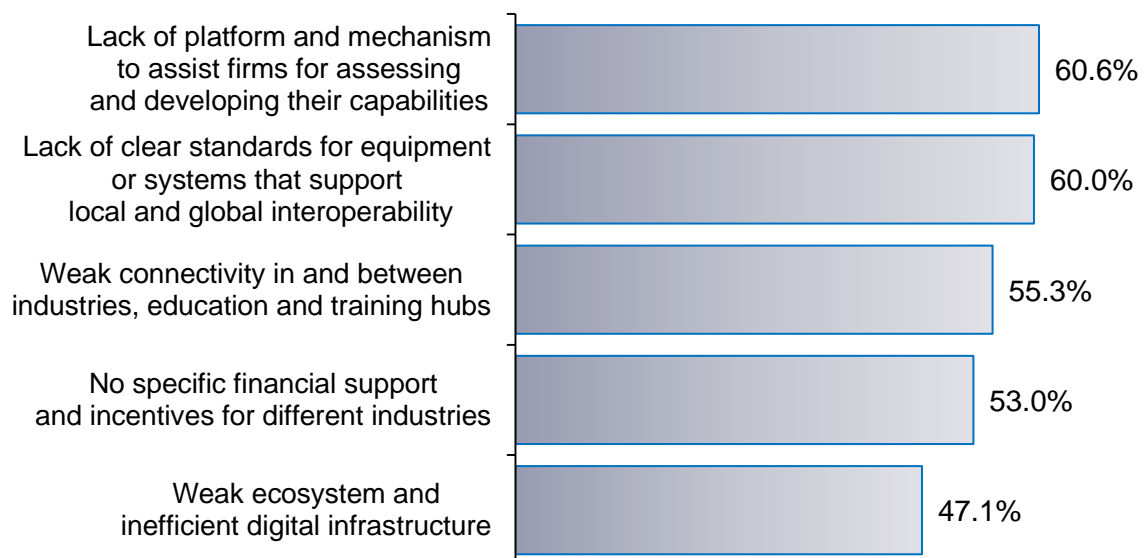
The Government has launched Industry4WRD Readiness Assessment (RA) to fulfil R2 strategy of “Regulation” pillar under Industry4WRD. Ministry of International Trade and Industry (MITI) reported that 508 SMEs out of total 849 applications were selected to undergo the programme in 2019. However, it is the only well-known platform available for businesses, specifically SMEs to assess their capabilities. Besides, the targets are only limited to the manufacturing sector and manufacturing-related services.

The survey results indicated that agriculture (72.7% of respondents), construction (60.4%) and overall services sector (60.1%) have commented that there is a lack of platform and mechanism available for them to access and develop their capabilities. Even for the manufacturing sector, there is a lack of other platforms to assist them if RA applications were rejected, as voted by 61.2% of the respondents.

**B. Lack of clear standards for equipment or systems that support local and global interoperability** (voted by 60.0% of respondents)

Market players have expressed concerns about how to identify a company has participated or achieved some level of automation or digitalisation. For instance, one can justify products with food safety based on International Organization for Standardization (ISO) 22000. However, there is lack of clear standards for equipment or system that a company purchases can enhance product value and quality as well as to fulfil local and global standards.

**Figure 27: Problems for embracing or adopting digital transformation and Industry 4.0 in Malaysia**



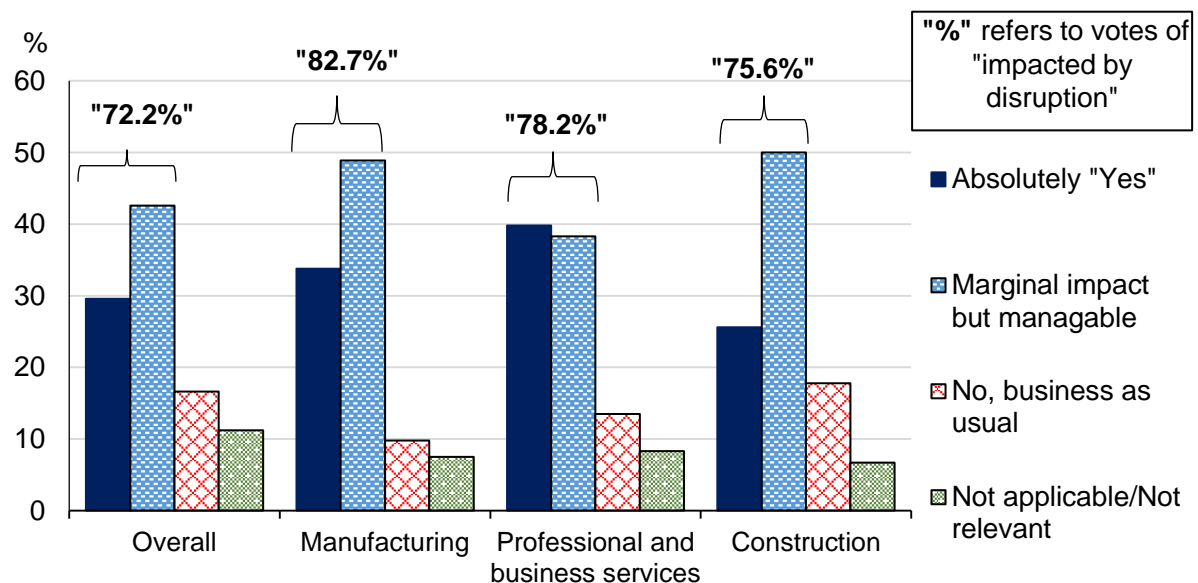
**At company level**

**Q4: If your company remains status quo, will your company impact by the disruption of digitalisation and Industry 4.0 over next three years?**

**72.2%** of respondents have acknowledged that existing business model will be disrupted by digitalisation and Industry 4.0 over next three years, whereby **29.6%** of respondents stated “**Absolutely YES**” while **42.6%** of respondents rated “**Marginal impact but manageable**”. The findings show that businesses are highly aware that their current business processes must be digitalised or automated within three years in order to stay relevant in the market.

Top three sectors that expect the disruption from digitalisation or automation over next three years are **manufacturing (82.7% of respondents)**, **professional and business services (78.2%)** and **construction (75.6%)**. Amongst these, **professional and business services sector recorded the highest percentage of respondents (39.8%) indicating “Absolutely YES”**. This shows that the forces of digitalisation could displace certain business processes in professional and business services. For instance, manual data key in process in the accounting sector can be replaced by a scanning system, which can accurately capture the amount in the invoices.

**Figure 28: Impact from the disruption of digitalisation and Industry 4.0 over next three years if company remains status quo**



**Q5: Have your company implemented digital transformation and Industry 4.0?**

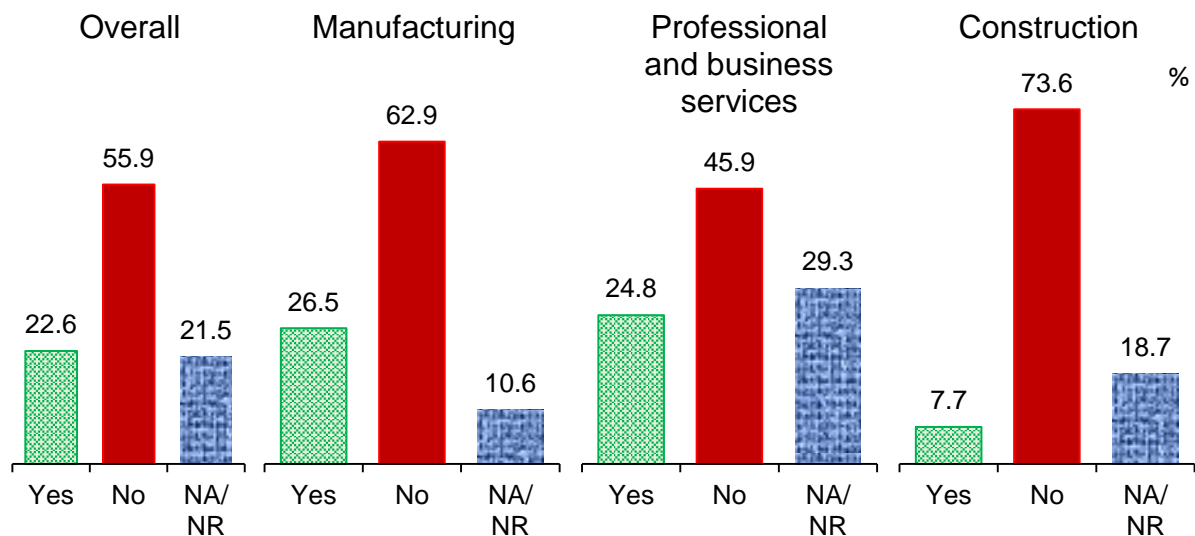
DOSM data indicated that besides from Selangor, Pulau Pinang, Kuala Lumpur and Putrajaya, 12 states' adoption rate of computer usage and internet usage are staying below the national average points for computer usage (78.9%) and internet usage (73.3%) in 2017. **This reflects that a majority of states have yet to build a strong fundamental base to move towards digital transformation and Industry 4.0.**

The survey found that **only 22.6% of respondents have implemented digital transformation and Industry 4.0.** A majority of respondents have acknowledged that they yet to apply digital transformation and Industry 4.0 in their business, especially in construction (73.6% of respondents), and manufacturing (62.9%). Only a small number of respondents (7.7%) in construction indicated "YES" in implementing digital transformation and Industry 4.0.

Respondents who voted "Not applicable (NA)" and "Not relevant (NR)" accounted for about one-fifth of total votes. **Most of them may be either not keen to acquire or refused to learn new knowledge for application in business operation.**

Hence, the Government must introduce certain measurements based on sectors to boost the adoption rate of digitalisation. A strong publicity is a must to increase the awareness, e.g. conduct more briefings through business chambers and roadshow. More importantly, businesses must take initiative to explore the financial assistance such as loans, grants and tax incentives in relation to digitalisation and Industry 4.0 that offered by the Government.

**Figure 29: Adoption of digital transformation and Industry 4.0**



Note: NA = Not applicable; Not relevant

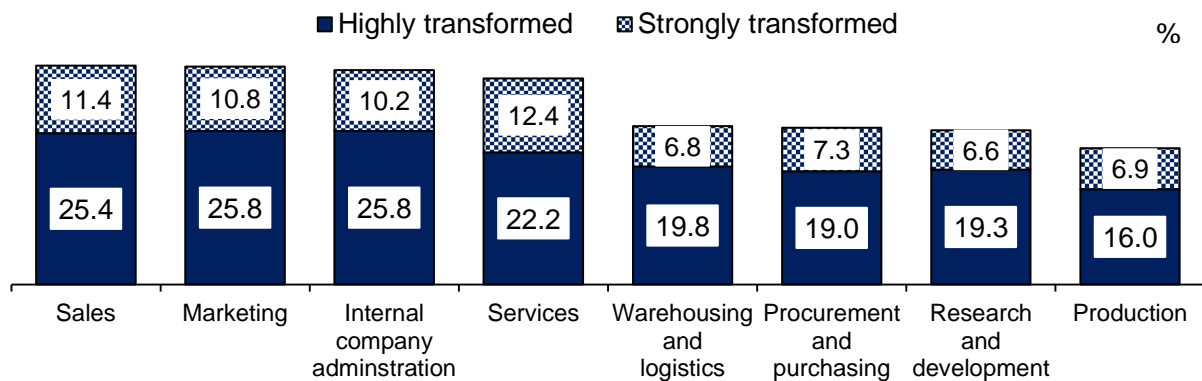
**Q5.1: Which business segments in your company have undergone the most and least transformation as part of Industry 4.0?**  
**Q5.2: Which business segments in your company have greater potential to benefit from Industry 4.0?**

The respondents were asked to provide feedback on which business segments that “have effectively undergone” or “have potential to benefit from” the Industry 4.0.

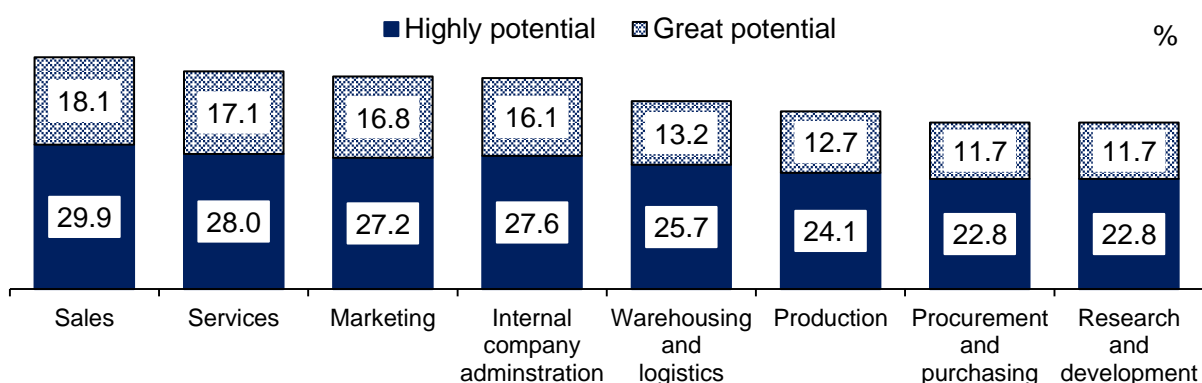
It is found that about **25% of respondents marked “Sales”, “Marketing” and “Internal company administration” as “highly transformed”** as illustrated in Figure 30. The **“services” segment rated as top “strongly transformed”** by 12.4% of respondents. Generally, the instruments that applied by companies are more front to mid-end like instant responding customers via social media, social media marketing and e-payment or online transaction. Notwithstanding this, **Malaysian businesses, especially SMEs are yet to adopt complex software or technological applications in their production process.**

**“Sales”, “Services”, “Marketing” and “Internal company administration” are rated with high potential benefits for companies** (Figure 31). This indicates that profit and revenue growth are the drivers for businesses to embrace Industry 4.0. Meanwhile, the results seem to suggest that the **Malaysian businesses have not fully harness the benefit of digital transformation that would increase production efficiency, enhance the product value via R&D and reduce the leakage of resources.**

**Figure 30: Business segments that have effectively undergone the Industry4.0**



**Figure 31: Business segments that have potential to benefit from Industry4.0**



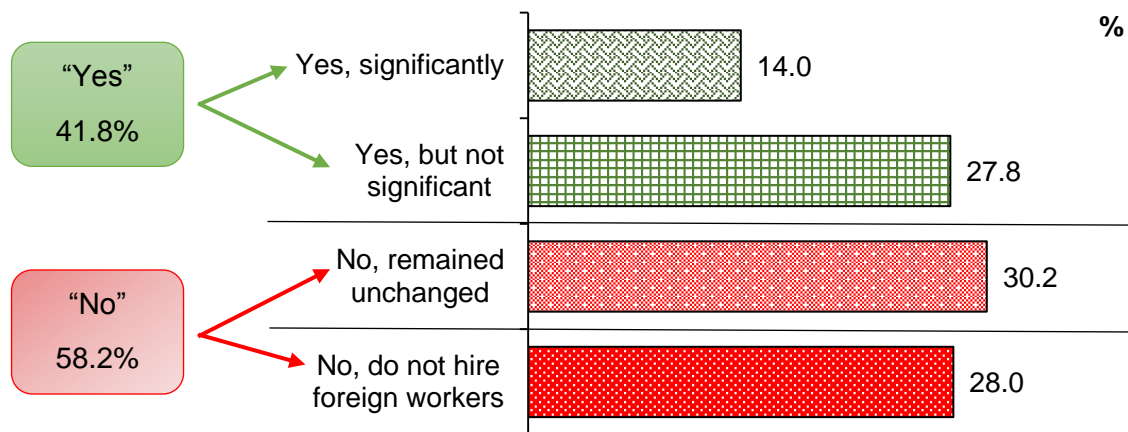
**Q6: Have digital transformation and Industry 4.0 helped your company to reduce the dependency of foreign workers (FWs)?**

Generally, the industry agreed that automation will reduce the dependency of foreign workers (FWs)". Based on the survey, **41.8% of respondents agreed that there is a reduction in over-dependency on foreign workers via digital transformation and Industry 4.0.** However, **30.2% of respondents stated "No, remained unchanged"**.

Amongst the "Yes" group, only 14.0% of respondents stated that the digital transformation and Industry 4.0 have significantly reduced the over-dependency on FWs whereas 27.8% of respondents managed to reduce an insignificant number of FWs. Generally, **over-dependency of FWs can be reduced via digital transformation and Industry 4.0, but may not be very applicable and significant across-the-board.**

Some of the reasons are: a) Manual operation is still required in certain processes; and b) Despite some low-skilled processes can be replaced by semi-skilled or skilled workers, market players are unable to hire suitable and sufficient semi-skilled or skilled workers. This corresponds with the respondents' feedback that manpower shortage has become the top fifth factor in affecting business performance. Hence, the **Government should evaluate the requirement of FWs on a case by case basis, regardless of low-skilled, semi-skilled or skilled FWs.**

**Figure 32: Reduction in dependency of foreign workers via digital transformation and Industry 4.0**

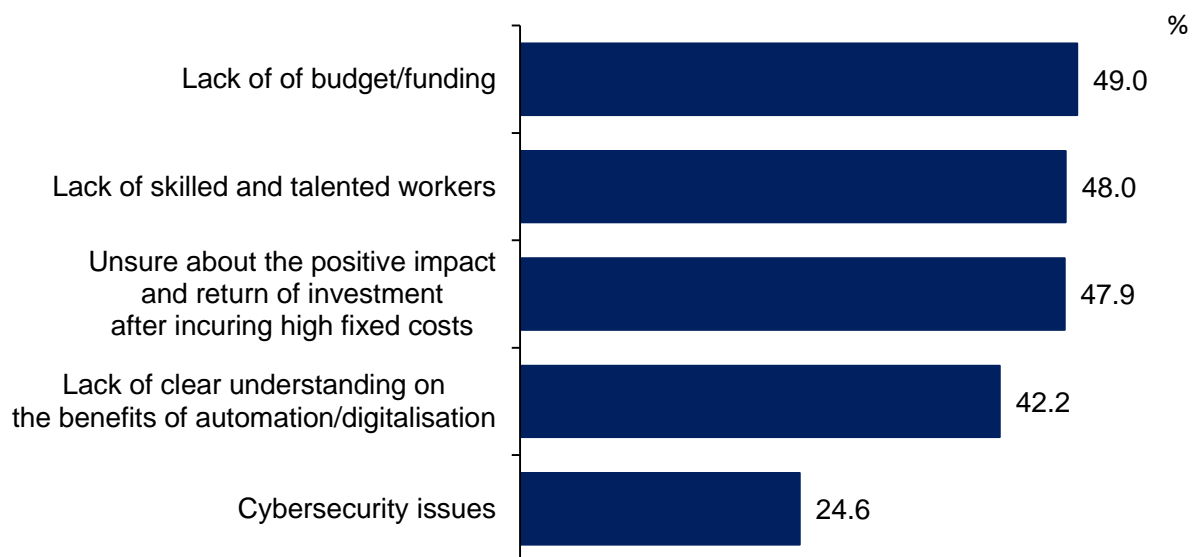


**Q7: What are the factors that restrict your company to adopt automation/digitalisation?**

In general, three equally important factors that constrained Malaysian businesses to adopt automation/digitalisation are **lack of budget/funding (49.0%)**, **lack of skilled and talent workers (48.0%)** and **unsure about the positive impact and return of investment after incurring high fixed costs (47.9%)**.

In Malaysia, equipment and machineries are costly as most are imported from advanced countries. With the adoption of latest and advanced technology, including Industry Building System (IBS), construction projects can be completed within a shorter timeframe. For manufacturing sector, the manufacturers are aware that automation and digital transformation can boost production capacity as well as increase productivity and process efficiency. Nevertheless, the lack of economies of scale will discourage companies to invest high technology and capital-intensive investments. Besides, imported skilled workers are required to operate those advanced equipment and machineries, which mean additional costs incurred.

**Figure 33: Factors restrict Malaysian businesses in adopting automation/digitalisation**



## Government Support

### Q8: What are the issues that your company faced when applying government's loans or grants?

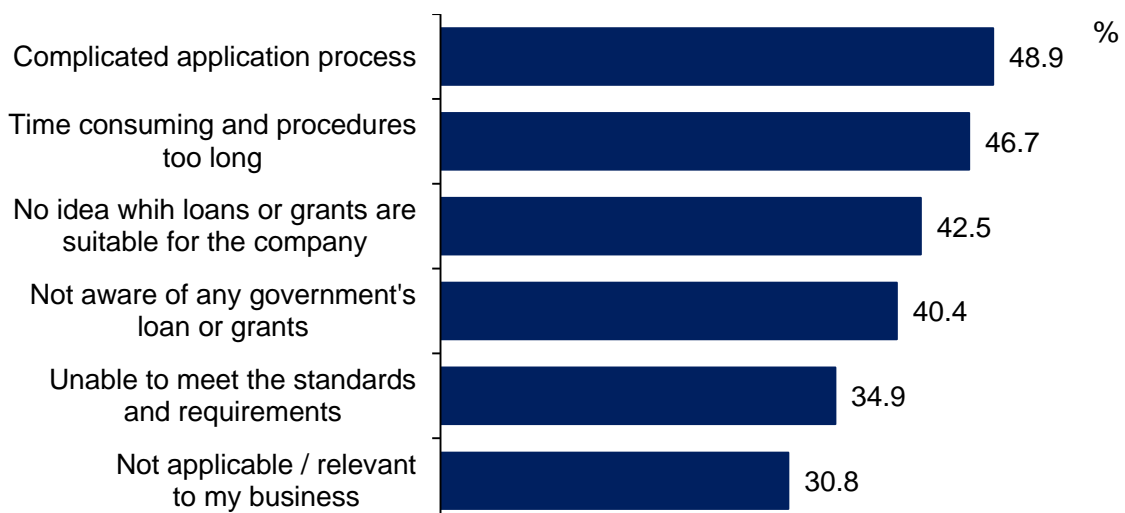
The Government should play an important role to assist local businesses, especially SMEs to achieve the development of digitalisation or migration towards Industry 4.0. This section is to identify the mutual issues faced by companies when applying government's loan or grants.

The survey revealed that **complicated application process (48.9% of respondents)**, **time consuming and tedious procedures (46.7%)** are rated as the **Top 2 issues** when companies applying for government's loans or grants. Some of the **feedback and experiences given are listed as follows:**

- Some representatives in Malaysia Productivity Corporation (MPC) and MITI are not clear about the grants due to no "actual name" is given or announced by the Cabinet or Ministers. Standard operating procedure (SOP) releases are late and reduced business enthusiasm to apply it;
- Nobody answers phone call and have to physically visit the department;
- No clear notice of validity for applications and not receive any reply due to officers are away;
- Officers are not industry friendly and not well trained to serve businesses;
- Inflexible criteria or requirements;
- Different officers provide different interpretation of SOPs to businesses; and
- Bankers have insufficient knowledge to proceed with loans application.

By sector, it is believed that the manufacturing, construction as well as transportation, forwarding and warehousing always facing these two issues as indicated by a higher percentage of respondents in these sectors.

**Figure 34: Issues faced by companies when applying government's loans or grants**





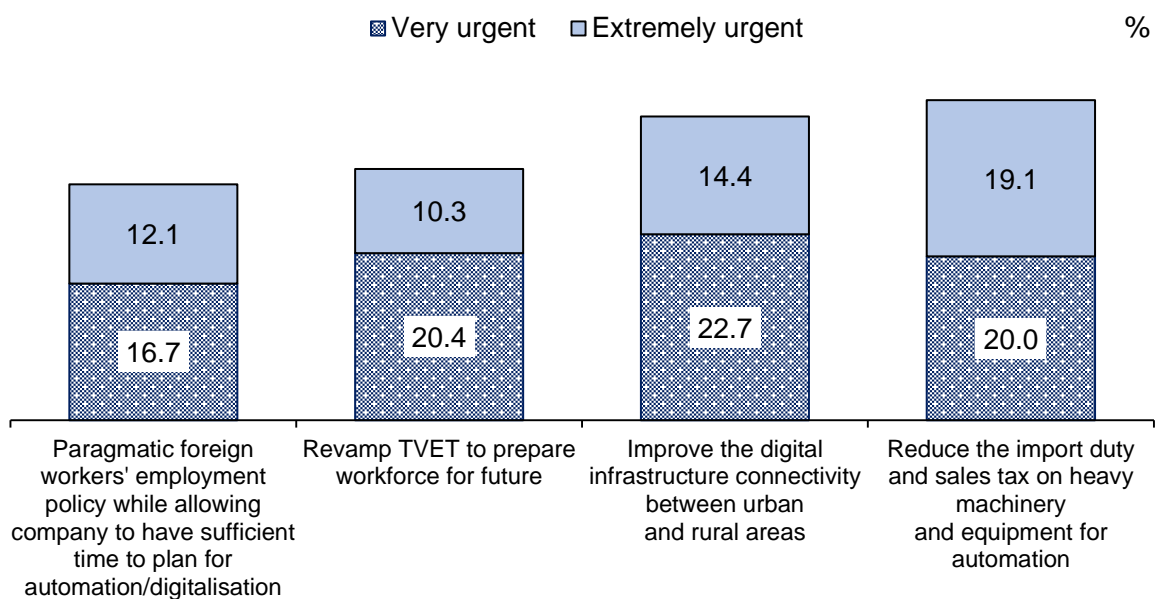
**Q9: Please rate the urgency of government's support in helping business to implement automation/digitalisation over next 1-3 years.**

Four statements were given to respondents to rate the urgency of government's support in helping business to implement automation/digitalisation over next 1-3 years (as shown Figure 35).

Firstly, **19.1% of respondents rated the Government should reduce the import duty and sales tax on heavy machinery and equipment for automation as "Extremely urgent"**. The depreciation of ringgit against the US dollar partially contributed to an increase in imports cost of heavy machinery and equipment. With high rate of import duties (5%-35%)<sup>6</sup>, this has further tampered businesses' decision to automate or digitalise. **ACCIM proposes a 50% reduction in each bracket/item of import duties on machinery equipment related to automation or digitalisation.** This will help to address the issues on lack of budget/funding and increase return on investment.

Secondly, in terms of "very urgent", **14.4% of respondents urge the Government to rapidly improve the digital infrastructure connectivity between urban and rural areas.** Malaysia is on track to commercially roll out 5G technology to support digitalisation and automation in 2020. However, nPerf website reported that certain rural areas, especially East Malaysia have no internet coverage or coverage below 4G network. Besides, excluding Kuala Lumpur, Putrajaya and Selangor, Department of Statistics, Malaysia (DOSM)'s report<sup>7</sup> stated that the usage of computer and internet in other states are below the national average. Without a well linkage between urban and rural areas, it is a constraint for businesses to implement automation or digitalisation as well as to attract foreign investors investing in rural areas.

**Figure 35: Rating on the statement regarding the urgency of government's support in helping business to implement automation/digitation over next 1-3 years**



<sup>6</sup> Refer to import duty rates for selected construction equipment/machinery in MPC report: <http://www.mpc.gov.my/wp-content/uploads/2016/04/Chapter-7.pdf>

<sup>7</sup> Usage of ICT and E-commerce

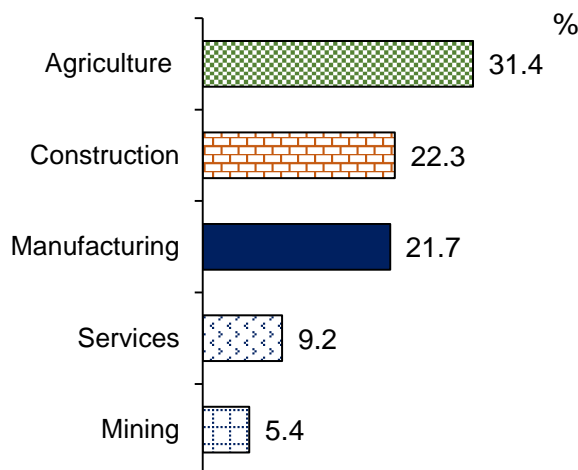
## 5.2 Foreign Workers (FWs)

In 1H 2019, there are two million registered (documented) foreign workers in Malaysia, making up 12.8% of total labour force. In fact, many businesses require foreign manpower to perform operational tasks, whether as a “transitional” tool or on a long-term basis to fill up the gap from “locals who are reluctant to engage in 3D (Dirty, Dangerous and Difficult) jobs”.

**Foreigners<sup>8</sup> accounted for more than one fifth of the jobs in agriculture, manufacturing and construction sectors in 2018** (Figure 36). In 1H 2019, 34.9% (699,430 FWs) of total documented foreign workers were employed in the manufacturing sector, followed by construction (21.9% or 438,264 FWs) and agriculture (21.4% or 429,413 FWs) (Figure 37). By source of FWs, **35.2% of total FWs are recruited from Indonesia**, followed by **Bangladesh (28.4%), Nepal (15.8%), Myanmar (6.3%) and India (5.9%)**.

Local and foreign workforce must complement each another to support Malaysia's economic and industrial development. All advanced economies have some degree of dependency on foreign workers to support the economy. It must be recognised that manual handling still required in many SMEs' production input due to highly uneconomical to automate. Hence, ACCCIM M-BECS is to **gauge businesses' viewpoints on the management of FWs**.

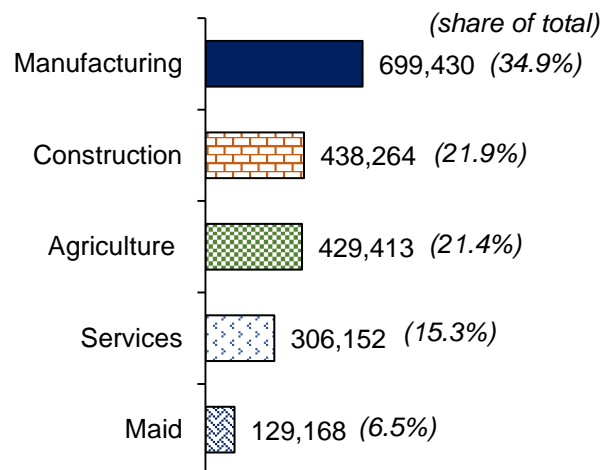
**Figure 36: Share of foreigners\* to total employment by sector (%)**



Source: DOSM

\* Refer to non-citizens in Labour Force Survey Report

**Figure 37: Foreign workers\* employment by sector as at 1H 2019**



Source: MOHA

\* Not including illegal workers. Including foreign workers under the 6P programme

<sup>8</sup> refer to non-citizens in Labour Force Survey

**Q1: Does your company face the shortage of foreign workers?**

**Q2: Does your company need foreign workers in 2020?**

**Q3: Does your company need foreign workers in 2021?**

*Note: Agriculture as well as mining and quarrying sector are excluded in this section due to insufficient sample size (n <30) to generate a valid result.*

### **Manufacturing sector**

In Malaysia, most of local manufacturers are original equipment manufacturer (OEM). To achieve automation, they have to conduct a comprehensive cost and benefit analysis to estimate the return of investments while at the same time taking into account of target customers as well as the availability of skilled workers.

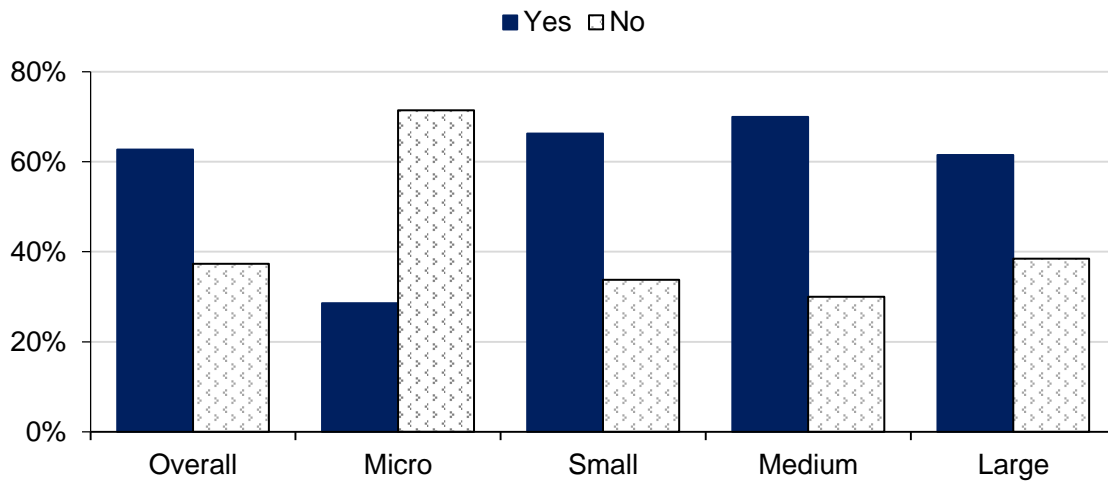
Without an adequate supply of local manpower willing to work in factories and unsure about the return on high capital investment in automation and mechanisation, the hiring of FWs remains one of the feasible choices for local manufacturers. The respondents have ranked “manpower shortage” as the third largest factor that adversely affecting their business performance. According to Ministry of Human Resource (MOHR), job vacancies in the manufacturing sector registered a total of 351,942 or 36.1% of total job vacancies in 2019, indicating that the sector still requires a large number of workers to fill up the gap.

Owing to the restrictive FWs policy, **62.7% of respondents in the manufacturing sector highlighted that their companies are facing shortage of FWs to optimize their production**, especially in small-sized (66.2% of respondents) and medium-sized (70%) enterprises as well as large enterprises (61.5%) (Figure 38).

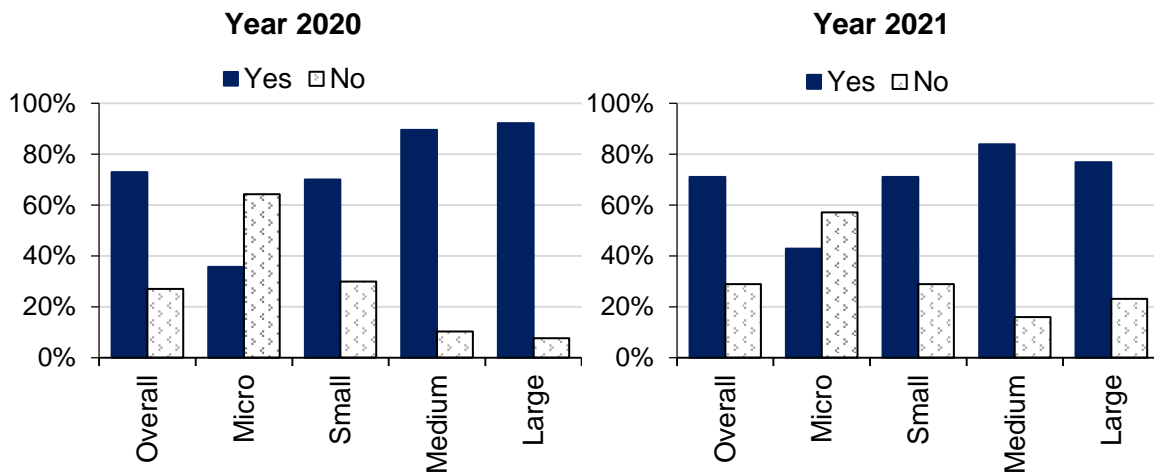
**On average, 72.9% and 71.1% of respondents in the manufacturing sector indicated that they would need FWs in 2020 and 2021 respectively** (Figure 39). By size, 92.3% of large manufacturers need foreign workers in 2020, followed by medium-sized manufacturers (89.7%), small manufacturers (70.1%) and micro manufacturers (35.7%). In 2021, despite FWs remain as necessary input for all sizes of manufacturers, it can be seen that large sized manufacturers are putting efforts to move towards reducing over-dependency on foreign workers (76.9% vs. 92.3% in 2020).

Based on ACCCIM’s Economic Revitalisation Plan (ERP), market players highlighted that it will be hard for local manufacturers to obtain additional contract orders if the Government continue to restrict the hiring of FWs. Thus, Malaysian players may soon lose out in the competition to manufacturers from Vietnam, India and Taiwan, and hence, as a result losing market share due to lack of labour input in the production.

**Figure 38: Does manufacturers face the shortage of foreign workers?**



**Figure 39: Does manufacturers need foreign workers in 2020 and 2021?**



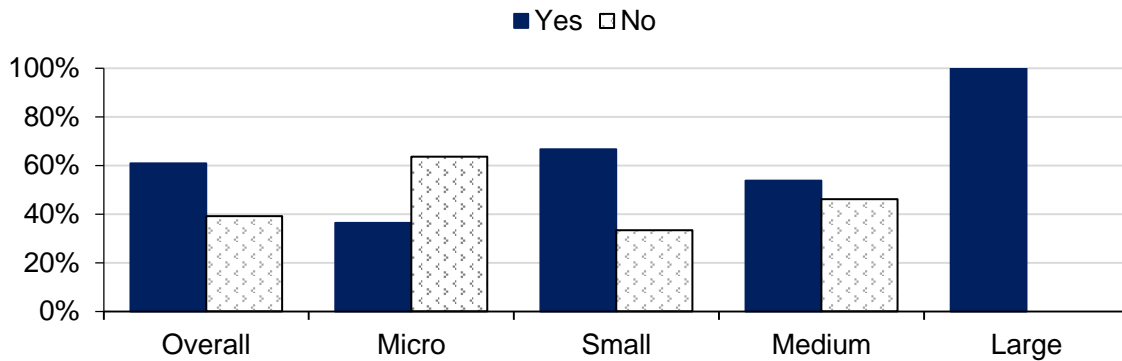
**Construction sector**

Construction projects, especially those mega projects, involve a lot of SMEs from different specialists such as cable tray and piping. In fact, “manpower shortage” and “foreign worker levy” are equally ranked as Top 4 factor in the construction sector that would adversely affect business performance as local employees are reluctant to work due to the 3D nature and long working hours. In 2019, MOHR reported that there were 141,783 job vacancies (14.5% share of total vacancies) in the construction sector. Despite the increased adoption rate of Industrialised building system (IBS) in recent years, it is still a long way to fully displace foreign workers. As an immediate measure, these job vacancies have to be filled up by FWs.

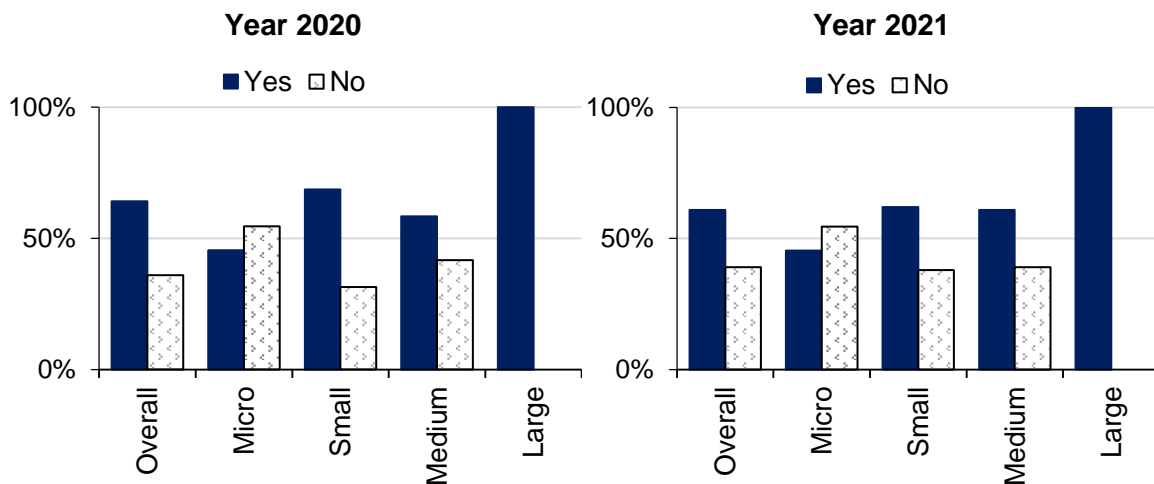
The survey found that **60.9% of respondents in the construction sector faced shortage of FWs**, mainly in small enterprises (66.7% of respondents), medium-sized enterprises (53.8%) and large enterprises (100.0%) (Figure 40).

More than half of the respondents indicated the need of FWs for 2020 and 2021, especially for small, medium and large enterprises as illustrated in Figure 41. As reported<sup>9</sup>, Master Builders Association of Malaysia (MBAM) indicated that more than 200 infrastructure projects set to begin nationwide. Without the availability of sufficient manpower, SMEs and large enterprises have expressed concerns on how to proceed with the planned projects as well as to sustain their business.

**Figure 40: Does construction companies face the shortage of foreign workers?**



**Figure 41: Does construction sector need foreign workers in 2020 and 2021?**



**Services sector**

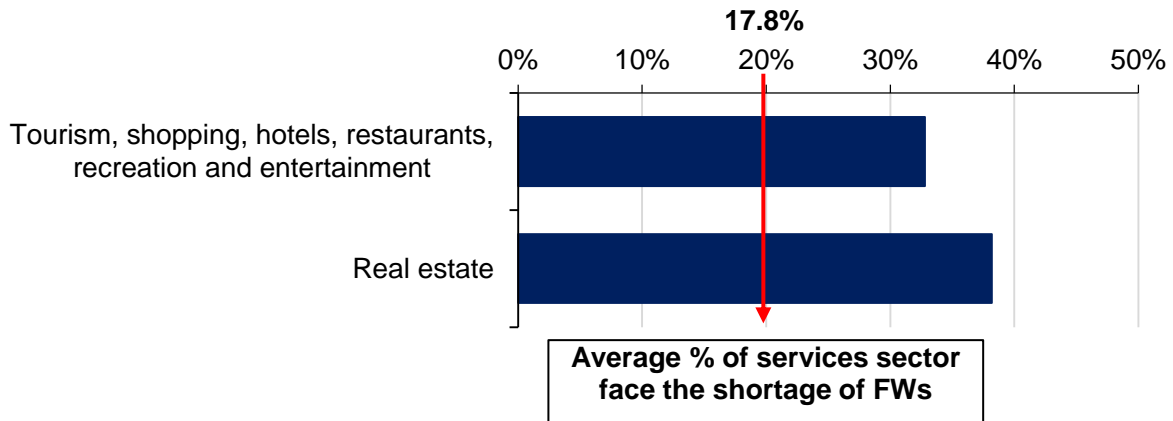
Overall, **17.8% of respondents in services sector is facing the shortage of FWs**. A higher percentage of respondents in the tourism, shopping, hotels, restaurants, recreation and entertainment (32.8%) and real estate sectors (38.2%) are facing the shortage of FWs, which are way above the average of overall services sector (Figure 42).

In 2020 and 2021, tourism, shopping, hotels, restaurants, recreation and entertainment and real estate sectors indicated their needs for FWs to assist their business operation (Figure

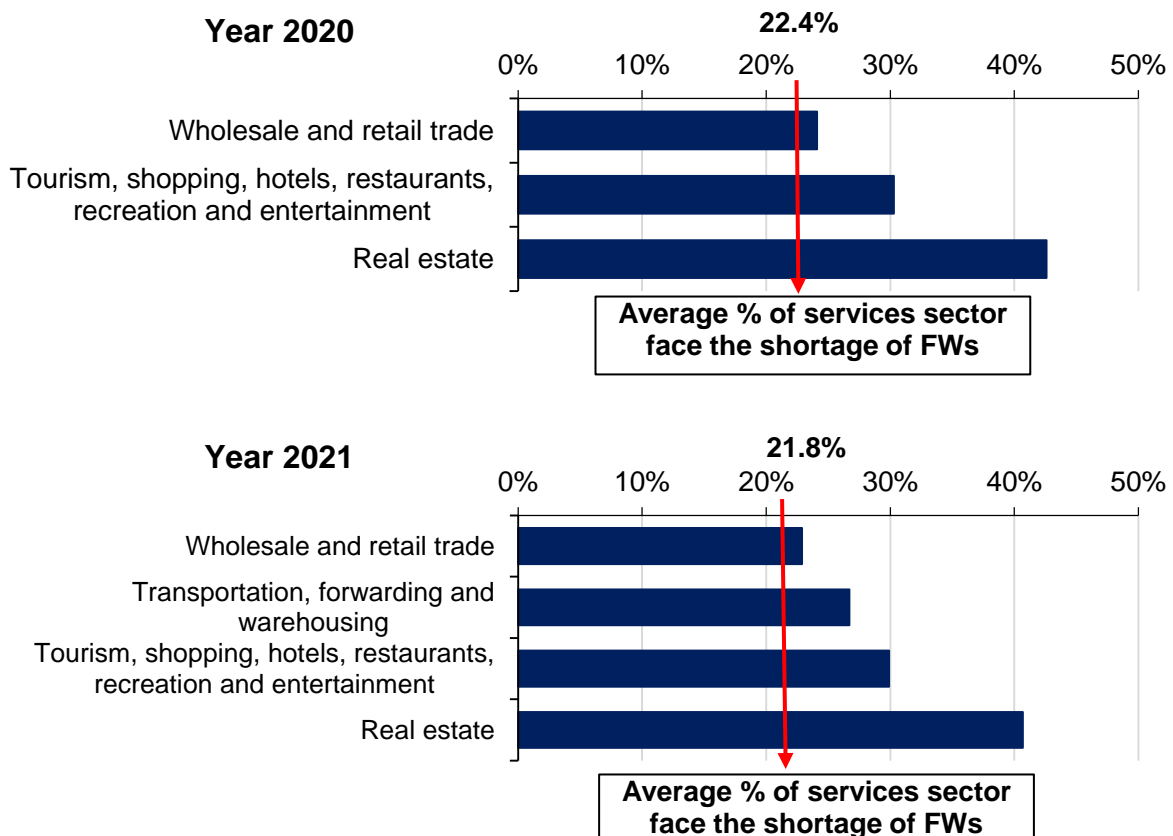
<sup>9</sup> <https://www.freemalaysiatoday.com/category/nation/2019/09/09/frustration-building-up-over-lack-of-foreign-workers/>  
<https://www.freemalaysiatoday.com/category/nation/2019/08/16/hungry-contractors-urge-govt-to-speed-up-job-tenders/>

43). Although there is no sign of severe FWs shortages in the wholesale and retail trade sector, the data revealed that they also require FWs in 2020 and 2021. For transportation, forwarding and warehousing sector, the survey showed that FWs will be needed in 2021, probably due to the expectation of an upturn (28.1% of them are optimistic about business conditions in 2021 vs. 12.5% in 2020).

**Figure 42: Sub-services sectors' shortage of FWs are above overall average**



**Figure 43: Sub-services sectors' FWs requirement are above average in 2020 and 2021**



## Recommendations

### **Malaysia needs to institutionalise a well-managed foreign worker management system.**

A holistic and clear foreign manpower system is needed to regulate the management and deployment of foreign workers to support the country's economic development in general and industry in particular. No employer will choose to engage illegal FWs if documented FWs are available. Bear in mind that employers are compelled to take the risk in engaging illegal FWs out of no choice over closing down his operations or turning down orders.

The industries have reckoned that over-dependency on low-skilled foreign workers is not a long-term solution. Accessibility to large numbers of unskilled workers have potentially impeded the country's structural transformation and industrial deepening to become a high-income nation by 2024. Local industries and companies are fully aware that digital transformation, automation, moving towards value-added and high technology production are the only solution to help them stay relevant in the global market.

Collaboration and coordination between the Government and private sector are the key to achieve a win-win situation in resolving FWs issues in Malaysia. ACCCIM urges that:

- (a) **All gainfully employed illegal foreign workers (thus has an employer) be automatically eligible to be registered as documented foreign worker** via an efficient, transparent process with certainty and clarity without the payment of a punitive penalty fee but a nominal fee.
- (b) All employers must be **eligible to register their undocumented foreign workers**. Once all these gainfully employed foreign workers are registered, these workers together with all other documented foreign workers will become the base number of foreign workers needed to man and operate the size of our economy.
- (c) The **system to engage foreign workers should be direct, efficient, transparent and with certainty**. This is to ensure that no employer will again be put into a position where he is forced to engage undocumented foreign workers or face shut-down and financial ruin of their business.
- (d) **A Single Ministry/One-stop Agency should be vested with the authority to address all issues concerning foreign workers.** (i) Specific legislation and governing of recruitment and employment of foreign workers should be enacted and be placed under the purview of Ministry of Human Resources (MOHR); and (ii) Kementerian Dalam Negeri (KDN) and Jabatan Imigresan Malaysia (JIM) should only confined to the issuing of document papers for the employment of foreign workers after approval by MOHR.
- (e) **To phase out third-party agents in bringing in the migrant workers.** The role has to be taken by the employer; and it is the responsibility of employer to handle the workers and sending them back when the contract expired.
- (f) **Recalibration of foreign worker levy.** Foreign worker levy is meant to act as pricing mechanism to level up the differential wages between locals and foreign workers. This objective is no longer true as the cost of engaging foreign workers cost more than locals. In fact, annual incidental recruitment costs of hiring a foreign worker by a small establishment is estimated RM10,189 is higher than recruiting a local worker

(RM3,298), according to a labour cost survey carried out by Ilmia in 2016. It is the shortage of local workers that employers are forced to engage foreign workers. It is proposed that **the levy collected be “recalibrated” to fund skills training and apprenticeships as well as to facilitate the adoption of automation and mechanisation.**

- (g) In efforts to increase labour productivity and production efficiency, **FWs’ levies should be ploughed back into a Designated Industrial Revolution/Adjustment Fund that provides financial support or technical assistance to firms to facilitate automation, mechanization and technological development.** Digitalisation and Industrial Revolution 4.0 require new future workforce that equipped with high technical skills to operate new processes.
- (h) The **availability of levy-funded training** fund would enable employers to retain high-skilled workers as well as to manage as well as provide the type of “on-job” or “off-the-job” training, which they are unable to provide regularly without appropriate financial support. With the facilitation of the levy fund, the industry will be motivated to proactively nurture, train and develop the supply of knowledgeable and skilled workforce.



## 6. CONCLUSION

Overall, the survey findings showed that business sentiments and expectations have turned more bearish due to the negative transmission effects of the COVID-19 and also dampened by lingering concerns about domestic political environment following the change in Government on 1 March 2020.

### Sentiment Tracker

- A majority of respondents (40.4%) **continued to experience a deterioration in business conditions in 2H 2019**. Businesses have increasingly pessimistic views in 2H 2019 about economic conditions (37.8% vs. 33.0% in the previous survey) and business conditions (39.3% vs. 29.6%).
- **In 1H 2020**, the **pessimistic views about economic prospects have risen to 37.4%** (from 20.3% in previous survey) and for **business prospects** (35.6% vs. 19.0%).
- Despite a lesser percentage of respondents hold pessimistic views for the full year of 2020 prior to the outbreak of COVID-19, **an escalation of the COVID-19 outbreak and domestic political situation** post the closing of survey, **are expected to severely dampen consumer spending and business sentiments on the affected industries**.

### Major Factors Affecting Business Performance

- The **top five factors** that would influence and affect business performance are (i) **Government policies** (voted by 51.5% of respondents); (ii) **Domestic competition** (47.3%); (iii) **The ringgit's fluctuations** (39.5%); (iv) **Domestic political situation** (38.8%); and (v) **Manpower shortage** (31.3%).
- Other equally important factors include increase in prices of raw materials (30.9%), lower domestic demand (30.3%), lack of capital for expansion (29.4%), lack of access to finance (24.8%) and lack of business confidence (21.4%).

### Business Assessment in 2H 2020 and Prospect for 1H 2020

- **Business operations (sales, production and stock, raw materials and manpower) in 2H 2019**: 36.4% of respondents have experienced lower domestic sales volume, particularly in manufacturing (43.8%) and wholesale and retail trade (42.9%) while 25.1% even fixed a lower selling price, albeit 35.2% of respondents have increased production. 63.2% and 59.5% of respondents indicated increases in prices of local and imported raw materials respectively. Most of the respondents (56.0%) have maintained the number of employees.
- **Prospect of business operations in 1H 2020**: The combined impact of the COVID-19 outbreak, slowing global demand and weak domestic economic conditions are expected to dampen overall sales performance in both domestic and overseas markets. The production and supply of raw materials would be disrupted by global supply chain disruptions and the shortage of raw materials, specifically from China, being the epicentre of the virus outbreak, South Korea and Japan. The COVID-19 outbreak is spreading

rapidly to the US and Europe. Some retrenchments are expected but should be manageable.

- **More than half (58.1%) of respondents have increased their capital spending in 2H 2019**, a good sign and forward indicator for private investment growth. However, a **lesser percentage of respondents (55.1%) expect to increase capital expenditure in 1H 2020** while 40.6% will maintain their existing capital investment level. Amid lingering uncertainty about domestic political environment as well as lack of access to finance and lack of capital for expansion, indications are that more respondents are not expected to increase capital spending and even reduce capital investment.

## Topical Issues

### (A) Digital Transformation and Industry 4.0

- The survey found that **only 22.6% of respondents** have implemented digital transformation and Industry 4.0. **72.2% of respondents agreed** that **business model will be disrupted by digitisation transformation and Industry 4.0 over next three years** if the company remains status quo.
- Malaysian businesses are **focusing to digitalise business segment on “Sales”, “Marketing”, “Internal company administration” and “Services”**. They have not fully harnessed the adoption of digital transformation, which would increase production efficiency, enhance product value via R&D and reduce the leakage of resources.
- The market players urge the **Government to reduce import duty and sales tax on heavy machinery and equipment for automation** (39.1% of respondents voted “Extremely urgent” and “Very urgent”) and **improve the digital infrastructure connectivity between urban and rural areas** (37.1%).

### (B) Foreign Workers (FWs)

- The survey findings revealed that **more than 60% of respondents in both manufacturing and construction sectors are facing shortage of FWs**, in which their business operation and production have been disrupted.
- The sectors, which **highly require FWs in 2020 and 2021** are **manufacturing, construction, tourism, shopping, hotels, restaurants, recreation and entertainment, real estate, wholesale and retail trade as well as transportation, forwarding and warehousing**.

## 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 second half-year of 2019** (2H19: Jul-Dec 2019) and **prospects for the first half-year of 2019** (1H20: Jan-Jun 2019) and beyond.

We seek your kind cooperation to return the duly completed questionnaire to the ACCCIM Secretariat by 31 December 2019 (Email: [commerce@accim.org.my](mailto:commerce@accim.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:**

- |  |  |   |
|--|--|---|
| <input type="checkbox"/> <sub>1</sub> KLSCCCI              | <input type="checkbox"/> <sub>7</sub> Penang UCCC    | <input type="checkbox"/> <sub>13</sub> Batu Bahat CCCI  |
| <input type="checkbox"/> <sub>2</sub> Klang CCCI           | <input type="checkbox"/> <sub>8</sub> Malacca CCC    | <input type="checkbox"/> <sub>14</sub> Kedah CCCI       |
| <input type="checkbox"/> <sub>3</sub> ACCCI Sarawak        | <input type="checkbox"/> <sub>9</sub> Kelantan ACCCI | <input type="checkbox"/> <sub>15</sub> North Perak CCCI |
| <input type="checkbox"/> <sub>4</sub> Negeri Sembilan CCCI | <input type="checkbox"/> <sub>10</sub> ACCCI Pahang  | <input type="checkbox"/> <sub>16</sub> Terengganu CCCI  |
| <input type="checkbox"/> <sub>5</sub> Kluang CCCI          | <input type="checkbox"/> <sub>11</sub> Perak CCC     | <input type="checkbox"/> <sub>17</sub> Perlis CCCI      |
| <input type="checkbox"/> <sub>6</sub> Sabah CCCI           | <input type="checkbox"/> <sub>12</sub> Johor CCCI    | <input type="checkbox"/> <sub>18</sub> Others           |

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

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

#### **A3. Annual turnover:**

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

#### **A4. Number of full-time employees:**

- <sub>1</sub> Less than 5
- <sub>2</sub> 5 to < 30
- <sub>3</sub> 30 to < 75
- <sub>4</sub> 75 to ≤ 200
- <sub>5</sub> 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 1H 2019, business condition in 2H 2019 has:**

- <sub>1</sub> Expanded                      <sub>2</sub> Remained unchanged                      <sub>3</sub> Deteriorated

**B2. Economic condition outlook:**

|                     | <u>Optimistic</u>                     | <u>Neutral</u>                        | <u>Pessimistic</u>                    |
|---------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| 2H 2019             | <input type="checkbox"/> <sub>1</sub> | <input type="checkbox"/> <sub>2</sub> | <input type="checkbox"/> <sub>3</sub> |
| 1H 2020             | <input type="checkbox"/> <sub>1</sub> | <input type="checkbox"/> <sub>2</sub> | <input type="checkbox"/> <sub>3</sub> |
| 2H 2020             | <input type="checkbox"/> <sub>1</sub> | <input type="checkbox"/> <sub>2</sub> | <input type="checkbox"/> <sub>3</sub> |
| Estimation for 2020 | <input type="checkbox"/> <sub>1</sub> | <input type="checkbox"/> <sub>2</sub> | <input type="checkbox"/> <sub>3</sub> |
| Forecast for 2021   | <input type="checkbox"/> <sub>1</sub> | <input type="checkbox"/> <sub>2</sub> | <input type="checkbox"/> <sub>3</sub> |

**B3. Business condition outlook:**

|                     | <u>Optimistic</u>                     | <u>Neutral</u>                        | <u>Pessimistic</u>                    |
|---------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| 2H 2019             | <input type="checkbox"/> <sub>1</sub> | <input type="checkbox"/> <sub>2</sub> | <input type="checkbox"/> <sub>3</sub> |
| 1H 2020             | <input type="checkbox"/> <sub>1</sub> | <input type="checkbox"/> <sub>2</sub> | <input type="checkbox"/> <sub>3</sub> |
| 2H 2020             | <input type="checkbox"/> <sub>1</sub> | <input type="checkbox"/> <sub>2</sub> | <input type="checkbox"/> <sub>3</sub> |
| Estimation for 2020 | <input type="checkbox"/> <sub>1</sub> | <input type="checkbox"/> <sub>2</sub> | <input type="checkbox"/> <sub>3</sub> |
| Forecast for 2021   | <input type="checkbox"/> <sub>1</sub> | <input type="checkbox"/> <sub>2</sub> | <input type="checkbox"/> <sub>3</sub> |

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

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

**B5. Performance and Forecast**

|                                | <u>Current Performance</u>   |                          |                          | <u>Forecast</u>  |                          |                          |
|--------------------------------|--|--------------------------|--------------------------|--|--------------------------|--------------------------|
|                                | Actual for 2H 2019 (Jul-Dec)<br>compared to 1H 2019 (Jan-Jun)  |                          |                          | Outlook for 1H 2020 (Jan-Jun)<br>compared to 2H 2019(Jul-Dec)  |                          |                          |
|                                | <u>Good</u>  | <u>Satisfactory</u>      | <u>Poor</u>              | <u>Good</u>  | <u>Satisfactory</u>      | <u>Poor</u>              |
| <b><u>B5.1 Overall</u></b>     |  |                          |                          |  |                          |                          |
| i. Business conditions         | <input type="checkbox"/>   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/>   | <input type="checkbox"/> | <input type="checkbox"/> |
| ii. Cash flows conditions      | <input type="checkbox"/>   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/>   | <input type="checkbox"/> | <input type="checkbox"/> |
| iii. Debtors' conditions       | <input type="checkbox"/>   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/>   | <input type="checkbox"/> | <input type="checkbox"/> |
| iv. Capacity utilization level | <input type="checkbox"/> Less than 50%<br><input type="checkbox"/> 50% to < 75%<br><input type="checkbox"/> 75% to ≤ 90%<br><input type="checkbox"/> More than 90% |                          |                          | <input type="checkbox"/> Less than 50%<br><input type="checkbox"/> 50% to < 75%<br><input type="checkbox"/> 75% to ≤ 90%<br><input type="checkbox"/> More than 90% |                          |                          |
| ◇ N/A or N/R                   |  |                          |                          |  |                          |                          |

Note: N/A = Not Applicable; N/R = Not Relevant

| (B5 Cont.)<br>Note: N/A=Not Applicable<br>N/R= Not Relevant | <b>Current Performance</b><br>Actual for 2H 2019 (Jul-Dec)<br>compared to 1H 2019 (Jan-Jun) |           |                                | <b>Forecast</b><br>Outlook for 1H 2020 (Jan-Jun)<br>compared to 2H 2019 (Jul-Dec) |           |                                |
|---|---|-----------|--------------------------------|---|-----------|--------------------------------|
|   | Increase  | Unchanged | Decrease                       | Increase  | Unchanged | Decrease                       |
| <b><u>B5.2 Domestic sales</u></b>                           |   |           |                                |   |           |                                |
| i. Volume   | <input type="checkbox"/> 1-5%   | ○         | <input type="checkbox"/> 1-5%  | <input type="checkbox"/> 1-5%   | ○         | <input type="checkbox"/> 1-5%  |
|   | <input type="checkbox"/> 6-10%  |           | <input type="checkbox"/> 6-10% | <input type="checkbox"/> 6-10%  |           | <input type="checkbox"/> 6-10% |
|   | <input type="checkbox"/> > 10%  |           | <input type="checkbox"/> > 10% | <input type="checkbox"/> > 10%  |           | <input type="checkbox"/> > 10% |
| ii. Price level   | <input type="checkbox"/> 1-5%   | ○         | <input type="checkbox"/> 1-5%  | <input type="checkbox"/> 1-5%   | ○         | <input type="checkbox"/> 1-5%  |
|   | <input type="checkbox"/> 6-10%  |           | <input type="checkbox"/> 6-10% | <input type="checkbox"/> 6-10%  |           | <input type="checkbox"/> 6-10% |
|   | <input type="checkbox"/> > 10%  |           | <input type="checkbox"/> > 10% | <input type="checkbox"/> > 10%  |           | <input type="checkbox"/> > 10% |
| <b><u>B5.3 Overseas sales</u></b>                           |   |           |                                |   |           |                                |
| i. Volume   | <input type="checkbox"/> 1-5%   | ○         | <input type="checkbox"/> 1-5%  | <input type="checkbox"/> 1-5%   | ○         | <input type="checkbox"/> 1-5%  |
| ◇ N/A or N/R  | <input type="checkbox"/> 6-10%  |           | <input type="checkbox"/> 6-10% | <input type="checkbox"/> 6-10%  |           | <input type="checkbox"/> 6-10% |
|   | <input type="checkbox"/> > 10%  |           | <input type="checkbox"/> > 10% | <input type="checkbox"/> > 10%  |           | <input type="checkbox"/> > 10% |
| ii. Price level   | <input type="checkbox"/> 1-5%   | ○         | <input type="checkbox"/> 1-5%  | <input type="checkbox"/> 1-5%   | ○         | <input type="checkbox"/> 1-5%  |
| ◇ N/A or N/R  | <input type="checkbox"/> 6-10%  |           | <input type="checkbox"/> 6-10% | <input type="checkbox"/> 6-10%  |           | <input type="checkbox"/> 6-10% |
|   | <input type="checkbox"/> > 10%  |           | <input type="checkbox"/> > 10% | <input type="checkbox"/> > 10%  |           | <input type="checkbox"/> > 10% |
| <b><u>B5.4 Business operations</u></b>                      |   |           |                                |   |           |                                |
| i. Production   | <input type="checkbox"/> 1-5%   | ○         | <input type="checkbox"/> 1-5%  | <input type="checkbox"/> 1-5%   | ○         | <input type="checkbox"/> 1-5%  |
| ◇ N/A or N/R  | <input type="checkbox"/> 6-10%  |           | <input type="checkbox"/> 6-10% | <input type="checkbox"/> 6-10%  |           | <input type="checkbox"/> 6-10% |
|   | <input type="checkbox"/> > 10%  |           | <input type="checkbox"/> > 10% | <input type="checkbox"/> > 10%  |           | <input type="checkbox"/> > 10% |
| ii. Inventory or stock level                                | <input type="checkbox"/> 1-5%   | ○         | <input type="checkbox"/> 1-5%  | <input type="checkbox"/> 1-5%   | ○         | <input type="checkbox"/> 1-5%  |
| ◇ N/A or N/R  | <input type="checkbox"/> 6-10%  |           | <input type="checkbox"/> 6-10% | <input type="checkbox"/> 6-10%  |           | <input type="checkbox"/> 6-10% |
|   | <input type="checkbox"/> > 10%  |           | <input type="checkbox"/> > 10% | <input type="checkbox"/> > 10%  |           | <input type="checkbox"/> > 10% |
| <b><u>B5.5 Cost of raw materials</u></b>                    |   |           |                                |   |           |                                |
| i. Local  | <input type="checkbox"/> 1-5%   | ○         | <input type="checkbox"/> 1-5%  | <input type="checkbox"/> 1-5%   | ○         | <input type="checkbox"/> 1-5%  |
| ◇ N/A or N/R  | <input type="checkbox"/> 6-10%  |           | <input type="checkbox"/> 6-10% | <input type="checkbox"/> 6-10%  |           | <input type="checkbox"/> 6-10% |
|   | <input type="checkbox"/> > 10%  |           | <input type="checkbox"/> > 10% | <input type="checkbox"/> > 10%  |           | <input type="checkbox"/> > 10% |
| ii. Imported  | <input type="checkbox"/> 1-5%   | ○         | <input type="checkbox"/> 1-5%  | <input type="checkbox"/> 1-5%   | ○         | <input type="checkbox"/> 1-5%  |
| ◇ N/A or N/R  | <input type="checkbox"/> 6-10%  |           | <input type="checkbox"/> 6-10% | <input type="checkbox"/> 6-10%  |           | <input type="checkbox"/> 6-10% |
|   | <input type="checkbox"/> > 10%  |           | <input type="checkbox"/> > 10% | <input type="checkbox"/> > 10%  |           | <input type="checkbox"/> > 10% |
| <b><u>B5.6 Manpower</u></b>                                 |   |           |                                |   |           |                                |
| i. Number of employees                                      | <input type="checkbox"/> 1-5  | ○         | <input type="checkbox"/> 1-5   | <input type="checkbox"/> 1-5  | ○         | <input type="checkbox"/> 1-5   |
|   | <input type="checkbox"/> 6-10   |           | <input type="checkbox"/> 6-10  | <input type="checkbox"/> 6-10   |           | <input type="checkbox"/> 6-10  |
|   | <input type="checkbox"/> > 10   |           | <input type="checkbox"/> > 10  | <input type="checkbox"/> > 10   |           | <input type="checkbox"/> > 10  |
| ii. Wage growth   | <input type="checkbox"/> 1-5%   | ○         | <input type="checkbox"/> 1-5%  | <input type="checkbox"/> 1-5%   | ○         | <input type="checkbox"/> 1-5%  |
|   | <input type="checkbox"/> 6-10%  |           | <input type="checkbox"/> 6-10% | <input type="checkbox"/> 6-10%  |           | <input type="checkbox"/> 6-10% |
|   | <input type="checkbox"/> > 10%  |           | <input type="checkbox"/> > 10% | <input type="checkbox"/> > 10%  |           | <input type="checkbox"/> > 10% |
| <b><u>B5.7 Others</u></b>                                   |   |           |                                |   |           |                                |
| i. Capital expenditure                                      | <input type="checkbox"/> 1-5%   | ○         | <input type="checkbox"/> 1-5%  | <input type="checkbox"/> 1-5%   | ○         | <input type="checkbox"/> 1-5%  |
| ◇ N/A or N/R  | <input type="checkbox"/> 6-10%  |           | <input type="checkbox"/> 6-10% | <input type="checkbox"/> 6-10%  |           | <input type="checkbox"/> 6-10% |
|   | <input type="checkbox"/> > 10%  |           | <input type="checkbox"/> > 10% | <input type="checkbox"/> > 10%  |           | <input type="checkbox"/> > 10% |

## Section C: Current issues

### C1. Digital Transformation and Industry 4.0

#### I. General

a) Do you believe that the digital transformation to Industry 4.0 could boost the industry's and Malaysia's global competitiveness?

Completely disagree  1 —————  2 —————  3 —————  4 —————  5 Completely agree

b) How strongly your company feeling the impact of digitalisation and Industry 4.0?

No impact  1 —————  2 —————  3 —————  4 —————  5 Substantial impact

c) What are the problems faced when embracing/adopting digital transformation and Industry 4.0 in Malaysia? (Multiple-choice)

- 1 Lack of platform and mechanism to assist firms for assessing and developing their capabilities
- 2 Weak connectivity in and between industries, education and training hubs
- 3 Weak ecosystem and inefficient digital infrastructure
- 4 Lack of clear standards for equipment or systems that support local and global interoperability
- 5 No specific financial support and incentives for different industries

#### II. At Company Level

d) If your company remains status quo, will your company impact by the disruption of digitalisation and Industry 4.0 over the next 3 years?

- 1 Absolutely "Yes"
- 2 Marginal impact but manageable
- 3 No, business as usual
- 4 Not applicable/Not relevant

e) Have your company implemented digital transformation and Industry 4.0?

- 1 Yes
- 2 No
- 3 Not applicable/Not relevant

f) Have digital transformation and Industry 4.0 helped your company to reduce the dependency of foreign workers?

- 1 Yes, significantly
- 2 Yes, but not significant
- 3 No, remained unchanged
- 4 No, do not hire foreign workers

**e1. Which business segments in your company have undergone the most and least transformation as part of Industry 4.0? [1] means no transformation, and [5] means strongly transformed**

|                                    | No transformation |   |   |   |   | Strongly transformed |   |   |   |   |
|------------------------------------|-------------------|---|---|---|---|----------------------|---|---|---|---|
|                                    | ①                 | ② | ③ | ④ | ⑤ | ①                    | ② | ③ | ④ | ⑤ |
| 1. Research and development        | ①                 | ② | ③ | ④ | ⑤ | ①                    | ② | ③ | ④ | ⑤ |
| 2. Procurement and purchasing      | ①                 | ② | ③ | ④ | ⑤ | ①                    | ② | ③ | ④ | ⑤ |
| 3. Production                      | ①                 | ② | ③ | ④ | ⑤ | ①                    | ② | ③ | ④ | ⑤ |
| 4. Warehousing and logistics       | ①                 | ② | ③ | ④ | ⑤ | ①                    | ② | ③ | ④ | ⑤ |
| 5. Marketing                       | ①                 | ② | ③ | ④ | ⑤ | ①                    | ② | ③ | ④ | ⑤ |
| 6. Sales                           | ①                 | ② | ③ | ④ | ⑤ | ①                    | ② | ③ | ④ | ⑤ |
| 7. Services                        | ①                 | ② | ③ | ④ | ⑤ | ①                    | ② | ③ | ④ | ⑤ |
| 8. Internal company administration | ①                 | ② | ③ | ④ | ⑤ | ①                    | ② | ③ | ④ | ⑤ |

**e2. Which business segments in your company have greater potential to benefit from Industry 4.0? [1] means no potential, and [5] means great potential**

|                                    | No potential |   |   |   |   | Great potential |   |   |   |   |
|------------------------------------|--------------|---|---|---|---|-----------------|---|---|---|---|
|                                    | ①            | ② | ③ | ④ | ⑤ | ①               | ② | ③ | ④ | ⑤ |
| 1. Research and development        | ①            | ② | ③ | ④ | ⑤ | ①               | ② | ③ | ④ | ⑤ |
| 2. Procurement and purchasing      | ①            | ② | ③ | ④ | ⑤ | ①               | ② | ③ | ④ | ⑤ |
| 3. Production                      | ①            | ② | ③ | ④ | ⑤ | ①               | ② | ③ | ④ | ⑤ |
| 4. Warehousing and logistics       | ①            | ② | ③ | ④ | ⑤ | ①               | ② | ③ | ④ | ⑤ |
| 5. Marketing                       | ①            | ② | ③ | ④ | ⑤ | ①               | ② | ③ | ④ | ⑤ |
| 6. Sales                           | ①            | ② | ③ | ④ | ⑤ | ①               | ② | ③ | ④ | ⑤ |
| 7. Services                        | ①            | ② | ③ | ④ | ⑤ | ①               | ② | ③ | ④ | ⑤ |
| 8. Internal company administration | ①            | ② | ③ | ④ | ⑤ | ①               | ② | ③ | ④ | ⑤ |

## II. At Company Level (cont.)

**g) What are the factors that restrict your company to adopt automation/digitalisation?**

(Multiple-choice)

- 1 Lack of clear understanding on the benefits of automation/digitisation
- 2 Unsure about the positive impact and return of investment after incurring high fixed costs
- 3 Lack of budget/funding
- 4 Cybersecurity issues
- 5 Lack of skilled and talented workers

## III. Government's Support

**h) What are the issues that your company faced when applying government's loans or grants?** (Multiple-choice)

- 1 Complicated application process
- 2 Unable to meet the standards and requirements
- 3 Time consuming and procedures too long
- 4 No idea which loans or grants are suitable for the company
- 5 Not aware of any government's loans or grants
- 6 Not applicable/relevant to my business

*Kindly elaborate the issues encountered such as what have been holding up the approval? At which level of the approval authority? What are the hindrances or impractical requirements?*

**i) Please rate the urgency of government's support in helping business to implement automation/digitalisation over next 1-3 years.**

|  | <i>Not<br/>urgent</i> |   | <i>Urgent</i> |   | <i>Extremely<br/>urgent</i> |
|--|-----------------------|---|---------------|---|-----------------------------|
|  |                       |   |               |   |                             |
|  | ①                     | ② | ③             | ④ | ⑤                           |
| 1. Pragmatic foreign workers' employment policy while allowing company to have sufficient time to plan for automation/digitalisation | ①                     | ② | ③             | ④ | ⑤                           |
| 2. Revamp TVET to prepare workforce for future   | ①                     | ② | ③             | ④ | ⑤                           |
| 3. Improve the digital infrastructure connectivity between urban and rural areas   | ①                     | ② | ③             | ④ | ⑤                           |
| 4. Reduce the import duty and sales tax on heavy machinery and equipment for automation  | ①                     | ② | ③             | ④ | ⑤                           |

C2.

**Foreign Workers (FWs)**

a) Does your company face the shortage of foreign workers?

<sub>1</sub> Yes

<sub>2</sub> No

b) Does your company need foreign workers in 2020?

<sub>1</sub> Yes →

<sub>2</sub> No

|                              |                      |                       |                  |
|------------------------------|----------------------|-----------------------|------------------|
| <i>How many do you need?</i> | Low-skilled<br>_____ | Semi-skilled<br>_____ | Skilled<br>_____ |
|------------------------------|----------------------|-----------------------|------------------|

c) Does your company need foreign workers in 2021?

<sub>1</sub> Yes →

<sub>2</sub> No

|                              |                      |                       |                  |
|------------------------------|----------------------|-----------------------|------------------|
| <i>How many do you need?</i> | Low-skilled<br>_____ | Semi-skilled<br>_____ | Skilled<br>_____ |
|------------------------------|----------------------|-----------------------|------------------|

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

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|                       |                           |
|-----------------------|---------------------------|
| Company name : _____  | Respondent's name : _____ |
| Email address : _____ | Contact number : _____    |

*Disclaimer: The information provided in this survey will be treated in strictest confidential.*

**~ 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   |
|-------------------------|--------------------------|---|---|--|
| <b>Large enterprise</b> |                          | Sales turnover<br>Number of full-time employees | Above RM50 million <b><u>OR</u></b><br><br>Above 200                          | Above RM20 million <b><u>OR</u></b><br><br>Above 75                          |
| <b>SME</b>              | <b>Medium enterprise</b> | Sales turnover<br>Number of full-time employees | RM15 million to RM50 million <b><u>OR</u></b><br><br>75 to 200                | RM3 million to RM20 million <b><u>OR</u></b><br><br>30 to 75                 |
|                         | <b>Small enterprise</b>  | Sales turnover<br>Number of full-time employees | RM300,000 to less than RM15 million <b><u>OR</u></b><br><br>5 to less than 75 | RM300,000 to less than RM3 million <b><u>OR</u></b><br><br>5 to less than 30 |
|                         | <b>Micro enterprise</b>  | Sales turnover<br>Number of full-time employees | Below RM300,000 <b><u>OR</u></b><br><br>Less than 5                           | Below RM300,000 <b><u>OR</u></b><br><br>Less than 5                          |

### Appendix 3: Top 5 factors affecting business performance by sector

|   |          | Government policies | Domestic competition | Ringgit's fluctuation | Domestic political situation | Manpower shortage | Increase in prices of raw materials | Lower domestic demand | Lack of capital for expansion | Lack of business confidence | Foreign worker levy |
|---|----------|---------------------|----------------------|-----------------------|------------------------------|-------------------|-------------------------------------|-----------------------|-------------------------------|-----------------------------|---------------------|
| <b>Overall</b>  | Votes, % | 51.5                | 47.3                 | 39.5                  | 38.8                         | 31.3              |                                     |                       |                               |                             |                     |
|   | Ranking  | 1                   | 2                    | 3                     | 4                            | 5                 |                                     |                       |                               |                             |                     |
| <b>Agriculture, forestry and fishery</b>                                    | Votes, % | 63.6                |                      |                       | 50.0                         | 54.5              | 40.9                                |                       |                               |                             | 40.9                |
|   | Ranking  | 1                   |                      |                       | 3                            | 2                 | 5                                   |                       |                               |                             | 5                   |
| <b>Mining and quarrying</b>   | Votes, % | 100.0               | 66.7                 |                       | 100.0                        |                   |                                     | 66.7                  | 66.7                          |                             |                     |
|   | Ranking  | 1                   | 3                    |                       | 1                            |                   |                                     | 3                     | 3                             |                             |                     |
| <b>Manufacturing</b>  | Votes, % | 45.5                | 44.0                 | 43.3                  |                              | 43.3              | 41.0                                |                       |                               |                             |                     |
|   | Ranking  | 1                   | 2                    | 3                     |                              | 3                 | 5                                   |                       |                               |                             |                     |
| <b>Construction</b>   | Votes, % | 53.8                | 49.5                 |                       |                              | 38.5              | 42.9                                |                       |                               |                             | 38.5                |
|   | Ranking  | 1                   | 2                    |                       |                              | 4                 | 3                                   |                       |                               |                             | 4                   |
| <b>Wholesale and retail trade</b>   | Votes, % | 52.0                | 54.8                 | 47.4                  | 35.8                         |                   |                                     | 38.7                  |                               |                             |                     |
|   | Ranking  | 2                   | 1                    | 3                     | 5                            |                   |                                     | 4                     |                               |                             |                     |
| <b>Trading (Imports and exports)</b>  | Votes, % | 51.6                | 45.3                 | 50.0                  | 40.6                         |                   |                                     | 43.8                  |                               |                             |                     |
|   | Ranking  | 1                   | 3                    | 2                     | 5                            |                   |                                     | 4                     |                               |                             |                     |
| <b>Tourism, shopping, hotels, restaurants, recreation and entertainment</b> | Votes, % | 50.7                | 50.7                 | 43.3                  | 37.3                         |                   |                                     |                       |                               |                             | 34.3                |
|   | Ranking  | 1                   | 1                    | 3                     | 4                            |                   |                                     |                       |                               |                             | 5                   |
| <b>Transportation, forwarding and warehousing</b>                           | Votes, % | 53.1                | 56.3                 | 43.8                  | 40.6                         |                   |                                     |                       | 46.9                          |                             |                     |
|   | Ranking  | 2                   | 1                    | 4                     | 5                            |                   |                                     |                       | 3                             |                             |                     |
| <b>Professional and business services</b>                                   | Votes, % | 45.1                | 49.6                 | 30.8                  | 34.6                         | 34.6              |                                     |                       |                               |                             |                     |
|   | Ranking  | 2                   | 1                    | 5                     | 3                            | 3                 |                                     |                       |                               |                             |                     |
| <b>Finance and insurance</b>  | Votes, % | 59.0                | 33.3                 | 48.7                  | 53.8                         |                   |                                     |                       |                               | 33.3                        |                     |
|   | Ranking  | 1                   | 4                    | 3                     | 2                            |                   |                                     |                       |                               | 4                           |                     |
| <b>Real estate</b>  | Votes, % | 62.5                | 41.1                 | 39.3                  | 51.8                         |                   |                                     |                       |                               | 39.3                        |                     |
|   | Ranking  | 1                   | 3                    | 4                     | 2                            |                   |                                     |                       |                               | 4                           |                     |
| <b>ICT</b>  | Votes, % | 52.2                | 41.3                 | 34.8                  | 43.5                         |                   |                                     |                       | 37.0                          |                             |                     |
|   | Ranking  | 1                   | 3                    | 5                     | 2                            |                   |                                     |                       | 4                             |                             |                     |

Note: **Rising transportation costs (45.5%)** was ranked as 4<sup>th</sup> factor in agriculture, forestry and fishery sector; and **Availability of skilled workers (34.8%)** were ranked as 5<sup>th</sup> factor in ICT sector.

## **Appendix 4: Quick-Take Survey to Gauge the Impact of Novel coronavirus (2019-nCoV) on Malaysia's Tourism-related sectors**

The World Health Organization (WHO) has declared that China's **novel coronavirus (2019-nCoV)** outbreak is a global public health emergency.

As China is Malaysia's largest trading partner (17.2% of total trade in 2019), the third largest source of tourist arrivals (12.0% of total tourist arrivals in Jan-Sep 2019) and also contributed 19.3% of total tourism receipts in Jan-Sep 2019, it is inevitable that **Malaysia's tourism, aviation and transportation, retail and entertainment sectors would be impacted** through the direct and indirect spillover effects as Chinese tourists from selected cities were barred from travelling abroad, travel restrictions imposed by some countries, non-China travellers' restrained travelling to the region, the cancellation of tours and suspension of flights. Cautious Malaysian consumers' sentiment on wary about domestic cases of nCoV would dampen domestic spending. The external trade and manufacturing sector could be dampened by the supply chains disruption.

In this regard, the Associated Chinese Chambers of Commerce and Industry of Malaysia (ACCCIM) would like to conduct a Quick-Take survey to **solicit members' feedback on the economic impact of this virus outbreak and what are the mitigating measures to counteract the temporary economic and business disruptions.**

### **Q1 Please indicate your primary business sector.**

- Manufacturing
- Wholesale, retail, F&B services, accommodation and tourism-related business
- Primary sector and other services sectors including construction

### **Q2 What is the potential short-term impact on sales in 1Q 2020?**

- No impact
- Sales dropped by 1%-10%
- Sales dropped by 11%-20%
- Sales dropped by 21%-30%
- Sales dropped by more than 30%
- Cancellation of hotel's reservation
- Cancellation of tours

### **Q3 If the nCoV outbreak prolongs to say, beyond 3 months, what is the potential impact on your company's sales in the next couple of months?**

- Manageable impact
- Sales dropped by 1%-10%
- Sales dropped by 11%-20%
- Sales dropped by 21%-30%
- Sales dropped by more than 30%

**Q4 Does your company face the shortages of raw materials/component parts from China during the current outbreak?**

- No
- Yes
- Planning to source from elsewhere
- Not applicable

**Q5 What are the measures that you have taken/plan to take to mitigate the impact of this outbreak? (Multiple answers allowed)**

- Introduce attractive promotions and discounts to attract customers
- Scale down the capacity to minimise cost
- Temporarily halting expansion plan
- Target more domestic market-oriented sales
- Hoping for government's financial assistance and relief package
- Others, please specify: \_\_\_\_\_

**Q6 What are the recommended measures should the Government take to mitigate the impact of this outbreak? (Multiple answers allowed)**

- Set up a Tourism Relief Fund
- Set up a Business Disruption Fund to provide working guaranteed fund at a concessionary rate to assist the affected SMEs
- Provide tax relief and allowance for the hospitality sector, especially for SMEs, including tour operators and agencies
- Banks to provide 3-6 months debt servicing relief to the hospitality sector, especially for SMEs, including tour operators and agencies. This include the extension of loans on same terms and loans restructuring
- Provide a one-year exemption on tourism tax, service tax for hotel industry and departure levy
- Partnering with malls and tour operators to encourage inbound tourism, family outings and shopping carnivals through giving out tourism voucher or group discounts
- A voluntary 2% cut in EPF's employee contribution rate to spur consumption
- Consider to lower foreign workers' levy, especially for SMEs. It is also proposed to suspend for a 12-month period for the contribution to HRDF, SOCSO and EIS as these funds are already in surplus
- To help affected companies to retain staff and prevent lay-offs, a double-deduction on employees' salary expenses should be provided to assist employers through this difficult period
- To support businesses, especially the affected SMEs by allowing a special double deduction relief for rental expenses incurred during this critical six-month period

CP204 Monthly Tax instalments payment. To ease the cash flow of businesses by delaying Monthly Tax instalments for a period of six months i.e. stop payment from Mar/April 2020 to Aug/September 2020, thereafter monthly tax payment resumes in Sep/October 2020

Others, please specify: \_\_\_\_\_

## **Appendix 5: ACCCIM M-BECS Survey Results**

**MALAYSIA'S BUSINESS AND ECONOMIC CONDITIONS SURVEY (M-BECS)  
FOR THE 2ND 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       | 2ND HALF-YEAR OF 2019 |
|---------------------------------------|--|-----------------------------------|----------------------|---------------|--------------|----------------------------|-------------------------------|--|--|------------------------------------|-----------------------|-------------|-----------|-----------------------|
| <b>Section A: Business Background</b> |  |                                   |                      |               |              |                            |                               |  |  |                                    |                       |             |           |                       |
| <b>A1</b>                             | <b>Size of Business operations</b>                                       |                                   |                      |               |              |                            |                               |  |  |                                    |                       |             |           |                       |
|                                       | SMEs   | 100.0%                            | 66.7%                | 90.3%         | 95.7%        | 92.5%                      | 96.9%                         | 98.5%  | 93.8%                                      | 97.8%                              | 87.2%                 | 91.1%       | 97.9%     | 94.2%                 |
|                                       | Large Enterprises  | 0.0%                              | 33.3%                | 9.7%          | 4.3%         | 7.5%                       | 3.1%                          | 1.5%   | 6.3%                                       | 2.2%                               | 12.8%                 | 8.9%        | 2.1%      | 5.8%                  |
|                                       | <b>Sample size (n)</b>   | <b>21</b>                         | <b>3</b>             | <b>134</b>    | <b>92</b>    | <b>173</b>                 | <b>64</b>                     | <b>67</b>  | <b>32</b>                                  | <b>134</b>                         | <b>39</b>             | <b>56</b>   | <b>47</b> | <b>862</b>            |
| <b>A5</b>                             | <b>Market Orientation</b>  |                                   |                      |               |              |                            |                               |  |  |                                    |                       |             |           |                       |
|                                       | At least 60% sales from domestic market                                  | 80.0%                             | 100.0%               | 67.9%         | 87.5%        | 86.9%                      | 81.0%                         | 85.5%  | 72.4%                                      | 89.6%                              | 77.8%                 | 88.9%       | 84.4%     | 82.8%                 |
|                                       | 41%-59% sales from domestic market                                       | 5.0%                              | 0.0%                 | 4.6%          | 3.4%         | 4.2%                       | 6.3%                          | 4.8%   | 10.3%                                      | 3.2%                               | 11.1%                 | 3.7%        | 2.2%      | 4.6%                  |
|                                       | At least 60% sales from export market                                    | 15.0%                             | 0.0%                 | 27.5%         | 9.1%         | 8.9%                       | 12.7%                         | 9.7%   | 17.2%                                      | 7.2%                               | 11.1%                 | 7.4%        | 13.3%     | 12.6%                 |
|                                       | <b>Sample size (n)</b>   | <b>20</b>                         | <b>3</b>             | <b>131</b>    | <b>88</b>    | <b>168</b>                 | <b>63</b>                     | <b>62</b>  | <b>29</b>                                  | <b>125</b>                         | <b>36</b>             | <b>54</b>   | <b>45</b> | <b>824</b>            |
| <b>A6</b>                             | <b>Share of Total Employees</b>  |                                   |                      |               |              |                            |                               |  |  |                                    |                       |             |           |                       |
|                                       | At least 50% are local employees   | 77.8%                             | 100.0%               | 75.6%         | 84.5%        | 96.3%                      | 100.0%                        | 90.3%  | 96.4%                                      | 93.2%                              | 91.9%                 | 98.0%       | 93.5%     | 90.4%                 |
|                                       | More than 50% are foreign employees                                      | 22.2%                             | 0.0%                 | 24.4%         | 15.5%        | 3.7%                       | 0.0%                          | 9.7%   | 3.6%                                       | 6.8%                               | 8.1%                  | 2.0%        | 6.5%      | 9.6%                  |
|                                       | <b>Sample size (n)</b>   | <b>18</b>                         | <b>3</b>             | <b>131</b>    | <b>84</b>    | <b>163</b>                 | <b>60</b>                     | <b>62</b>  | <b>28</b>                                  | <b>118</b>                         | <b>37</b>             | <b>50</b>   | <b>46</b> | <b>800</b>            |
| <b>Section B: Overall Assessment</b>  |  |                                   |                      |               |              |                            |                               |  |  |                                    |                       |             |           |                       |
| <b>B1</b>                             | <b>When comparing with 1H 2019, business conditions in 2H 2019 have:</b> |                                   |                      |               |              |                            |                               |  |  |                                    |                       |             |           |                       |
|                                       | Expanded   | 9.5%                              | 0.0%                 | 21.8%         | 11.1%        | 17.9%                      | 26.6%                         | 13.4%  | 15.6%                                      | 26.5%                              | 15.4%                 | 20.8%       | 32.6%     | 19.9%                 |
|                                       | Remained unchanged   | 38.1%                             | 66.7%                | 36.1%         | 51.1%        | 37.6%                      | 26.6%                         | 37.3%  | 59.4%                                      | 39.4%                              | 53.8%                 | 30.2%       | 41.3%     | 39.6%                 |
|                                       | Deteriorated   | 52.4%                             | 33.3%                | 42.1%         | 37.8%        | 44.5%                      | 46.9%                         | 49.3%  | 25.0%                                      | 34.1%                              | 30.8%                 | 49.1%       | 26.1%     | 40.4%                 |
|                                       | <b>Sample size (n)</b>   | <b>21</b>                         | <b>3</b>             | <b>133</b>    | <b>90</b>    | <b>173</b>                 | <b>64</b>                     | <b>67</b>  | <b>32</b>                                  | <b>132</b>                         | <b>39</b>             | <b>53</b>   | <b>46</b> | <b>853</b>            |
| <b>B2</b>                             | <b>Economic Conditions and Prospects</b>                                 |                                   |                      |               |              |                            |                               |  |  |                                    |                       |             |           |                       |
|                                       | <b>2H 2019</b>   |                                   |                      |               |              |                            |                               |  |  |                                    |                       |             |           |                       |
|                                       | Optimistic   | 9.1%                              | 0.0%                 | 9.1%          | 14.4%        | 12.8%                      | 14.1%                         | 4.5%   | 6.3%                                       | 15.2%                              | 7.7%                  | 12.5%       | 15.2%     | 11.7%                 |
|                                       | Neutral  | 31.8%                             | 100.0%               | 53.8%         | 50.0%        | 50.6%                      | 39.1%                         | 43.9%  | 56.3%                                      | 47.7%                              | 64.1%                 | 55.4%       | 58.7%     | 50.5%                 |
|                                       | Pessimistic  | 59.1%                             | 0.0%                 | 37.1%         | 35.6%        | 36.6%                      | 46.9%                         | 51.5%  | 37.5%                                      | 37.1%                              | 28.2%                 | 32.1%       | 26.1%     | 37.8%                 |
|                                       | <b>Sample size (n)</b>   | <b>22</b>                         | <b>3</b>             | <b>132</b>    | <b>90</b>    | <b>172</b>                 | <b>64</b>                     | <b>66</b>  | <b>32</b>                                  | <b>132</b>                         | <b>39</b>             | <b>56</b>   | <b>46</b> | <b>854</b>            |
|                                       | <b>1H 2020</b>   |                                   |                      |               |              |                            |                               |  |  |                                    |                       |             |           |                       |
|                                       | Optimistic   | 13.6%                             | 33.3%                | 14.3%         | 6.7%         | 12.9%                      | 9.4%                          | 4.7%   | 3.1%                                       | 16.7%                              | 20.5%                 | 14.3%       | 21.7%     | 12.8%                 |
|                                       | Neutral  | 36.4%                             | 66.7%                | 50.4%         | 61.8%        | 50.9%                      | 43.8%                         | 45.3%  | 56.3%                                      | 47.7%                              | 61.5%                 | 39.3%       | 45.7%     | 49.8%                 |
|                                       | Pessimistic  | 50.0%                             | 0.0%                 | 35.3%         | 31.5%        | 36.3%                      | 46.9%                         | 50.0%  | 40.6%                                      | 35.6%                              | 17.9%                 | 46.4%       | 32.6%     | 37.4%                 |
|                                       | <b>Sample size (n)</b>   | <b>22</b>                         | <b>3</b>             | <b>133</b>    | <b>89</b>    | <b>171</b>                 | <b>64</b>                     | <b>64</b>  | <b>32</b>                                  | <b>132</b>                         | <b>39</b>             | <b>56</b>   | <b>46</b> | <b>851</b>            |
|                                       | <b>2H 2020</b>   |                                   |                      |               |              |                            |                               |  |  |                                    |                       |             |           |                       |
|                                       | Optimistic   | 27.3%                             | 0.0%                 | 17.6%         | 7.5%         | 18.7%                      | 12.5%                         | 7.8%   | 12.5%                                      | 24.4%                              | 28.2%                 | 25.5%       | 17.4%     | 17.8%                 |
|                                       | Neutral  | 31.8%                             | 100.0%               | 52.7%         | 68.8%        | 57.9%                      | 51.6%                         | 54.7%  | 50.0%                                      | 49.6%                              | 61.5%                 | 43.8%       | 58.7%     | 54.5%                 |
|                                       | Pessimistic  | 40.9%                             | 0.0%                 | 29.8%         | 23.8%        | 23.4%                      | 35.9%                         | 37.5%  | 37.5%                                      | 26.0%                              | 10.3%                 | 30.9%       | 23.9%     | 27.7%                 |
|                                       | <b>Sample size (n)</b>   | <b>22</b>                         | <b>3</b>             | <b>131</b>    | <b>80</b>    | <b>171</b>                 | <b>64</b>                     | <b>64</b>  | <b>32</b>                                  | <b>131</b>                         | <b>39</b>             | <b>55</b>   | <b>46</b> | <b>838</b>            |
|                                       | <b>Estimation for 2020</b>   |                                   |                      |               |              |                            |                               |  |  |                                    |                       |             |           |                       |
|                                       | Optimistic   | 22.7%                             | 33.3%                | 18.3%         | 8.6%         | 15.9%                      | 7.9%                          | 9.4%   | 10.0%                                      | 17.1%                              | 25.6%                 | 25.5%       | 17.4%     | 15.8%                 |
|                                       | Neutral  | 40.9%                             | 66.7%                | 52.7%         | 66.7%        | 60.6%                      | 65.1%                         | 54.7%  | 63.3%                                      | 55.0%                              | 53.8%                 | 52.7%       | 58.7%     | 57.6%                 |
|                                       | Pessimistic  | 36.4%                             | 0.0%                 | 29.0%         | 24.7%        | 23.5%                      | 27.0%                         | 35.9%  | 26.7%                                      | 27.9%                              | 20.5%                 | 21.8%       | 23.9%     | 26.5%                 |
|                                       | <b>Sample size (n)</b>   | <b>22</b>                         | <b>3</b>             | <b>131</b>    | <b>81</b>    | <b>170</b>                 | <b>63</b>                     | <b>64</b>  | <b>30</b>                                  | <b>129</b>                         | <b>39</b>             | <b>55</b>   | <b>46</b> | <b>833</b>            |
|                                       | <b>Forecast for 2021</b>   |                                   |                      |               |              |                            |                               |  |  |                                    |                       |             |           |                       |
|                                       | Optimistic   | 36.4%                             | 33.3%                | 28.2%         | 22.5%        | 31.0%                      | 22.2%                         | 28.1%  | 30.0%                                      | 22.5%                              | 35.9%                 | 29.1%       | 28.3%     | 27.6%                 |
|                                       | Neutral  | 36.4%                             | 66.7%                | 54.2%         | 60.0%        | 51.8%                      | 60.3%                         | 48.4%  | 50.0%                                      | 54.3%                              | 51.3%                 | 50.9%       | 58.7%     | 53.6%                 |
|                                       | Pessimistic  | 27.3%                             | 0.0%                 | 17.6%         | 17.5%        | 17.3%                      | 17.5%                         | 23.4%  | 20.0%                                      | 23.3%                              | 12.8%                 | 20.0%       | 13.0%     | 18.8%                 |
|                                       | <b>Sample size (n)</b>   | <b>22</b>                         | <b>3</b>             | <b>131</b>    | <b>80</b>    | <b>168</b>                 | <b>63</b>                     | <b>64</b>  | <b>30</b>                                  | <b>129</b>                         | <b>39</b>             | <b>55</b>   | <b>46</b> | <b>830</b>            |
| <b>B3</b>                             | <b>Business Conditions and Prospects</b>                                 |                                   |                      |               |              |                            |                               |  |  |                                    |                       |             |           |                       |
|                                       | <b>2H 2019</b>   |                                   |                      |               |              |                            |                               |  |  |                                    |                       |             |           |                       |
|                                       | Optimistic   | 9.1%                              | 0.0%                 | 12.1%         | 16.7%        | 14.5%                      | 20.3%                         | 3.0%   | 0.0%                                       | 17.3%                              | 10.3%                 | 10.7%       | 17.4%     | 13.3%                 |
|                                       | Neutral  | 31.8%                             | 100.0%               | 50.0%         | 52.2%        | 46.5%                      | 31.3%                         | 35.8%  | 56.3%                                      | 46.6%                              | 69.2%                 | 48.2%       | 54.3%     | 47.4%                 |
|                                       | Pessimistic  | 59.1%                             | 0.0%                 | 37.9%         | 31.1%        | 39.0%                      | 48.4%                         | 61.2%  | 43.8%                                      | 36.1%                              | 20.5%                 | 41.1%       | 28.3%     | 39.3%                 |
|                                       | <b>Sample size (n)</b>   | <b>22</b>                         | <b>3</b>             | <b>132</b>    | <b>90</b>    | <b>172</b>                 | <b>64</b>                     | <b>67</b>  | <b>32</b>                                  | <b>133</b>                         | <b>39</b>             | <b>56</b>   | <b>46</b> | <b>856</b>            |
|                                       | <b>1H 2020</b>   |                                   |                      |               |              |                            |                               |  |  |                                    |                       |             |           |                       |
|                                       | Optimistic   | 18.2%                             | 33.3%                | 15.8%         | 9.1%         | 17.1%                      | 14.1%                         | 3.1%   | 3.1%                                       | 22.0%                              | 17.9%                 | 12.5%       | 15.2%     | 14.7%                 |
|                                       | Neutral  | 31.8%                             | 66.7%                | 51.1%         | 59.1%        | 47.1%                      | 40.6%                         | 50.0%  | 56.3%                                      | 43.2%                              | 66.7%                 | 51.8%       | 54.3%     | 49.7%                 |
|                                       | Pessimistic  | 50.0%                             | 0.0%                 | 33.1%         | 31.8%        | 35.9%                      | 45.3%                         | 46.9%  | 40.6%                                      | 34.8%                              | 15.4%                 | 35.7%       | 30.4%     | 35.6%                 |
|                                       | <b>Sample size (n)</b>   | <b>22</b>                         | <b>3</b>             | <b>133</b>    | <b>88</b>    | <b>170</b>                 | <b>64</b>                     | <b>64</b>  | <b>32</b>                                  | <b>132</b>                         | <b>39</b>             | <b>56</b>   | <b>46</b> | <b>849</b>            |
|                                       | <b>2H 2020</b>   |                                   |                      |               |              |                            |                               |  |  |                                    |                       |             |           |                       |
|                                       | Optimistic   | 22.7%                             | 33.3%                | 19.1%         | 8.6%         | 18.7%                      | 12.5%                         | 6.3%   | 18.8%                                      | 27.5%                              | 23.1%                 | 20.0%       | 17.4%     | 18.1%                 |
|                                       | Neutral  | 31.8%                             | 66.7%                | 58.0%         | 66.7%        | 56.1%                      | 56.3%                         | 57.8%  | 50.0%                                      | 46.6%                              | 64.1%                 | 50.9%       | 56.5%     | 55.3%                 |
|                                       | Pessimistic  | 45.5%                             | 0.0%                 | 22.9%         | 24.7%        | 25.1%                      | 31.3%                         | 35.9%  | 31.3%                                      | 26.0%                              | 12.8%                 | 29.1%       | 26.1%     | 26.6%                 |
|                                       | <b>Sample size (n)</b>   | <b>22</b>                         | <b>3</b>             | <b>131</b>    | <b>81</b>    | <b>171</b>                 | <b>64</b>                     | <b>64</b>  | <b>32</b>                                  | <b>131</b>                         | <b>39</b>             | <b>55</b>   | <b>46</b> | <b>839</b>            |
|                                       | <b>Estimation for 2020</b>   |                                   |                      |               |              |                            |                               |  |  |                                    |                       |             |           |                       |
|                                       | Optimistic   | 22.7%                             | 33.3%                | 20.6%         | 8.8%         | 16.5%                      | 11.1%                         | 12.5%  | 12.5%                                      | 23.1%                              | 20.5%                 | 20.0%       | 19.6%     | 17.4%                 |
|                                       | Neutral  | 40.9%                             | 66.7%                | 54.2%         | 67.5%        | 59.4%                      | 61.9%                         | 54.7%  | 62.5%                                      | 49.2%                              | 61.5%                 | 54.5%       | 58.7%     | 57.0%                 |
|                                       | Pessimistic  | 36.4%                             | 0.0%                 | 25.2%         | 23.8%        | 24.1%                      | 27.0%                         | 32.8%  | 25.0%                                      | 27.7%                              | 17.9%                 | 25.5%       | 21.7%     | 25.6%                 |
|                                       | <b>Sample size (n)</b>   | <b>22</b>                         | <b>3</b>             | <b>131</b>    | <b>80</b>    | <b>170</b>                 | <b>63</b>                     | <b>64</b>  | <b>32</b>                                  | <b>130</b>                         | <b>39</b>             | <b>55</b>   | <b>46</b> | <b>835</b>            |
|                                       | <b>Forecast for 2021</b>   |                                   |                      |               |              |                            |                               |  |  |                                    |                       |             |           |                       |
|                                       | Optimistic   | 31.8%                             | 33.3%                | 31.3%         | 21.3%        | 30.6%                      | 19.0%                         | 25.0%  | 28.1%                                      | 26.9%                              | 30.8%                 | 30.9%       | 26.1%     | 27.7%                 |
|                                       | Neutral  | 40.9%                             | 66.7%                | 50.4%         | 63.8%        | 51.8%                      | 63.5%                         | 51.6%  | 50.0%                                      | 48.5%                              | 56.4%                 | 54.5%       | 65.2%     | 53.9%                 |
|                                       | Pessimistic  | 27.3%                             | 0.0%                 | 18.3%         | 15.0%        | 17.6%                      | 17.5%                         | 23.4%  | 21.9%                                      | 24.6%                              | 12.8%                 | 14.5%       | 8.7%      | 18.4%                 |
|                                       | <b>Sample size (n)</b>   | <b>22</b>                         | <b>3</b>             | <b>131</b>    | <b>80</b>    | <b>170</b>                 | <b>63</b>                     | <b>64</b>  | <b>32</b>                                  | <b>130</b>                         | <b>39</b>             | <b>55</b>   | <b>46</b> | <b>835</b>            |

|            |   | 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       | 2ND HALF-YEAR OF 2019 |
|------------|---|-----------------------------------|----------------------|---------------|--------------|----------------------------|-------------------------------|--|--|------------------------------------|-----------------------|-------------|-----------|-----------------------|
| <b>B4</b>  | <b>Which of the following factors may adversely affect your business performance? (dummy variables)</b> |                                   |                      |               |              |                            |                               |  |  |                                    |                       |             |           |                       |
|            | Domestic competition  | 18.2%                             | 66.7%                | 44.0%         | 49.5%        | 54.9%                      | 45.3%                         | 50.7%  | 56.3%                                      | 49.6%                              | 33.3%                 | 41.1%       | 41.3%     | 47.3%                 |
|            | Foreign competition   | 18.2%                             | 0.0%                 | 35.8%         | 13.2%        | 13.9%                      | 26.6%                         | 11.9%  | 31.3%                                      | 12.0%                              | 7.7%                  | 17.9%       | 17.4%     | 18.6%                 |
|            | Lack of access to finance   | 27.3%                             | 0.0%                 | 14.9%         | 36.3%        | 19.7%                      | 31.3%                         | 23.9%  | 37.5%                                      | 25.6%                              | 25.6%                 | 37.5%       | 13.0%     | 24.8%                 |
|            | Lack of capital for expansion   | 31.8%                             | 66.7%                | 23.9%         | 35.2%        | 26.6%                      | 29.7%                         | 25.4%  | 46.9%                                      | 27.1%                              | 23.1%                 | 37.5%       | 37.0%     | 29.4%                 |
|            | Change in consumer preference   | 9.1%                              | 0.0%                 | 17.2%         | 11.0%        | 26.0%                      | 23.4%                         | 29.9%  | 9.4%                                       | 18.8%                              | 28.2%                 | 21.4%       | 21.7%     | 20.5%                 |
|            | Excess production capacity  | 18.2%                             | 0.0%                 | 11.9%         | 18.7%        | 10.4%                      | 4.7%                          | 7.5%   | 6.3%                                       | 7.5%                               | 0.0%                  | 30.4%       | 2.2%      | 10.8%                 |
|            | Lack of business confidence   | 18.2%                             | 0.0%                 | 17.9%         | 12.1%        | 18.5%                      | 29.7%                         | 14.9%  | 18.8%                                      | 25.6%                              | 33.3%                 | 39.3%       | 19.6%     | 21.4%                 |
|            | Foreign worker levy   | 40.9%                             | 0.0%                 | 37.3%         | 38.5%        | 10.4%                      | 14.1%                         | 34.3%  | 12.5%                                      | 9.8%                               | 10.3%                 | 26.8%       | 4.3%      | 21.2%                 |
|            | Increase in prices of raw materials   | 40.9%                             | 0.0%                 | 41.0%         | 42.9%        | 33.5%                      | 32.8%                         | 31.3%  | 15.6%                                      | 18.8%                              | 17.9%                 | 37.5%       | 10.9%     | 30.9%                 |
|            | Increase in utility cost  | 27.3%                             | 33.3%                | 17.2%         | 18.7%        | 19.7%                      | 14.1%                         | 31.3%  | 12.5%                                      | 15.0%                              | 7.7%                  | 14.3%       | 10.9%     | 17.6%                 |
|            | Government's policies   | 63.6%                             | 100.0%               | 45.5%         | 53.8%        | 52.0%                      | 51.6%                         | 50.7%  | 53.1%                                      | 45.1%                              | 59.0%                 | 62.5%       | 52.2%     | 51.5%                 |
|            | Marketing and advertising cost  | 4.5%                              | 0.0%                 | 7.5%          | 4.4%         | 16.2%                      | 12.5%                         | 22.4%  | 18.8%                                      | 16.5%                              | 20.5%                 | 17.9%       | 28.3%     | 14.5%                 |
|            | Lower domestic demand   | 13.6%                             | 66.7%                | 39.6%         | 30.8%        | 38.7%                      | 43.8%                         | 23.9%  | 15.6%                                      | 15.8%                              | 15.4%                 | 37.5%       | 23.9%     | 30.3%                 |
|            | Lower foreign demand  | 13.6%                             | 0.0%                 | 17.2%         | 3.3%         | 2.9%                       | 14.1%                         | 7.5%   | 9.4%                                       | 5.3%                               | 2.6%                  | 8.9%        | 2.2%      | 7.6%                  |
|            | Availability of skilled workers   | 4.5%                              | 0.0%                 | 33.6%         | 9.9%         | 7.5%                       | 14.1%                         | 7.5%   | 6.3%                                       | 22.6%                              | 10.3%                 | 21.4%       | 34.8%     | 17.0%                 |
|            | Manpower shortage   | 54.5%                             | 0.0%                 | 43.3%         | 38.5%        | 19.7%                      | 20.3%                         | 31.3%  | 31.3%                                      | 34.6%                              | 17.9%                 | 35.7%       | 28.3%     | 31.3%                 |
|            | Insufficient training for workers   | 4.5%                              | 33.3%                | 22.4%         | 7.7%         | 17.9%                      | 14.1%                         | 17.9%  | 21.9%                                      | 21.1%                              | 10.3%                 | 16.1%       | 15.2%     | 17.0%                 |
|            | Ringgit's fluctuation   | 31.8%                             | 33.3%                | 43.3%         | 20.9%        | 47.4%                      | 50.0%                         | 43.3%  | 43.8%                                      | 30.8%                              | 48.7%                 | 39.3%       | 34.8%     | 39.5%                 |
|            | Rising transportation costs   | 45.5%                             | 33.3%                | 14.9%         | 16.5%        | 25.4%                      | 28.1%                         | 7.5%   | 34.4%                                      | 9.8%                               | 15.4%                 | 25.0%       | 6.5%      | 18.6%                 |
|            | Domestic political situation  | 50.0%                             | 100.0%               | 35.8%         | 33.0%        | 35.8%                      | 40.6%                         | 37.3%  | 40.6%                                      | 34.6%                              | 53.8%                 | 51.8%       | 43.5%     | 38.8%                 |
|            | <b>Sample size (n)</b>  | <b>22</b>                         | <b>3</b>             | <b>134</b>    | <b>91</b>    | <b>173</b>                 | <b>64</b>                     | <b>67</b>  | <b>32</b>                                  | <b>133</b>                         | <b>39</b>             | <b>56</b>   | <b>46</b> | <b>860</b>            |
| <b>B5</b>  | <b>Performance and Forecast</b>   |                                   |                      |               |              |                            |                               |  |  |                                    |                       |             |           |                       |
|            | <b>Performance: 2H (Jul-Dec) 2019 compared to 1H (Jan-Jun) 2019</b>                                     |                                   |                      |               |              |                            |                               |  |  |                                    |                       |             |           |                       |
| <b>I</b>   | <b>Overall</b>  |                                   |                      |               |              |                            |                               |  |  |                                    |                       |             |           |                       |
| <b>i</b>   | <b>Business conditions</b>  |                                   |                      |               |              |                            |                               |  |  |                                    |                       |             |           |                       |
|            | Good  | 5.0%                              | 33.3%                | 11.9%         | 4.4%         | 10.1%                      | 7.9%                          | 1.5%   | 0.0%                                       | 14.6%                              | 10.3%                 | 5.4%        | 17.8%     | 9.3%                  |
|            | Satisfactory  | 25.0%                             | 33.3%                | 44.8%         | 57.8%        | 41.4%                      | 39.7%                         | 31.3%  | 48.4%                                      | 48.5%                              | 56.4%                 | 46.4%       | 46.7%     | 45.0%                 |
|            | Poor  | 70.0%                             | 33.3%                | 43.3%         | 37.8%        | 48.5%                      | 52.4%                         | 67.2%  | 51.6%                                      | 36.9%                              | 33.3%                 | 48.2%       | 35.6%     | 45.7%                 |
|            | <b>Sample size (n)</b>  | <b>20</b>                         | <b>3</b>             | <b>134</b>    | <b>90</b>    | <b>169</b>                 | <b>63</b>                     | <b>67</b>  | <b>31</b>                                  | <b>130</b>                         | <b>39</b>             | <b>56</b>   | <b>45</b> | <b>847</b>            |
| <b>ii</b>  | <b>Cash flows conditions</b>  |                                   |                      |               |              |                            |                               |  |  |                                    |                       |             |           |                       |
|            | Good  | 0.0%                              | 0.0%                 | 6.8%          | 2.2%         | 7.7%                       | 6.3%                          | 0.0%   | 3.2%                                       | 10.1%                              | 5.1%                  | 5.5%        | 11.1%     | 6.2%                  |
|            | Satisfactory  | 55.0%                             | 66.7%                | 59.8%         | 55.6%        | 48.2%                      | 52.4%                         | 40.9%  | 61.3%                                      | 47.3%                              | 66.7%                 | 41.8%       | 48.9%     | 51.6%                 |
|            | Poor  | 45.0%                             | 33.3%                | 33.3%         | 42.2%        | 44.0%                      | 41.3%                         | 59.1%  | 35.5%                                      | 42.6%                              | 28.2%                 | 52.7%       | 40.0%     | 42.2%                 |
|            | <b>Sample size (n)</b>  | <b>20</b>                         | <b>3</b>             | <b>132</b>    | <b>90</b>    | <b>168</b>                 | <b>63</b>                     | <b>66</b>  | <b>31</b>                                  | <b>129</b>                         | <b>39</b>             | <b>55</b>   | <b>45</b> | <b>841</b>            |
| <b>iii</b> | <b>Debtors' conditions</b>  |                                   |                      |               |              |                            |                               |  |  |                                    |                       |             |           |                       |
|            | Good  | 0.0%                              | 33.3%                | 6.8%          | 0.0%         | 7.8%                       | 6.3%                          | 6.1%   | 6.7%                                       | 7.0%                               | 5.1%                  | 7.4%        | 8.9%      | 6.2%                  |
|            | Satisfactory  | 50.0%                             | 33.3%                | 54.5%         | 50.0%        | 47.6%                      | 58.7%                         | 53.0%  | 53.3%                                      | 47.3%                              | 64.1%                 | 44.4%       | 60.0%     | 51.6%                 |
|            | Poor  | 50.0%                             | 33.3%                | 38.6%         | 50.0%        | 44.6%                      | 34.9%                         | 40.9%  | 40.0%                                      | 45.7%                              | 30.8%                 | 48.1%       | 31.1%     | 42.2%                 |
|            | <b>Sample size (n)</b>  | <b>20</b>                         | <b>3</b>             | <b>132</b>    | <b>90</b>    | <b>166</b>                 | <b>63</b>                     | <b>66</b>  | <b>30</b>                                  | <b>129</b>                         | <b>39</b>             | <b>54</b>   | <b>45</b> | <b>837</b>            |
| <b>iv</b>  | <b>Capacity utilization level</b>   |                                   |                      |               |              |                            |                               |  |  |                                    |                       |             |           |                       |
|            | Less than 50%   | 42.9%                             | 0.0%                 | 24.7%         | 37.2%        | 40.0%                      | 30.0%                         | 46.2%  | 53.8%                                      | 28.6%                              | 21.4%                 | 29.2%       | 33.3%     | 33.1%                 |
|            | 50% to < 75%  | 42.9%                             | 0.0%                 | 48.2%         | 23.3%        | 32.7%                      | 45.0%                         | 34.6%  | 30.8%                                      | 45.7%                              | 42.9%                 | 45.8%       | 55.6%     | 39.8%                 |
|            | 75% to <= 90%   | 0.0%                              | 100.0%               | 23.5%         | 32.6%        | 23.6%                      | 10.0%                         | 15.4%  | 7.7%                                       | 11.4%                              | 14.3%                 | 12.5%       | 11.1%     | 19.6%                 |
|            | More than 90%   | 14.3%                             | 0.0%                 | 3.5%          | 7.0%         | 3.6%                       | 15.0%                         | 3.8%   | 7.7%                                       | 14.3%                              | 21.4%                 | 12.5%       | 0.0%      | 7.5%                  |
|            | <b>Sample size (n)</b>  | <b>7</b>                          | <b>1</b>             | <b>85</b>     | <b>43</b>    | <b>55</b>                  | <b>20</b>                     | <b>26</b>  | <b>13</b>                                  | <b>35</b>                          | <b>14</b>             | <b>24</b>   | <b>9</b>  | <b>332</b>            |
| <b>II</b>  | <b>Domestic Sales</b>   |                                   |                      |               |              |                            |                               |  |  |                                    |                       |             |           |                       |
| <b>i</b>   | <b>Volume</b>   |                                   |                      |               |              |                            |                               |  |  |                                    |                       |             |           |                       |
|            | Increased 1%-5%   | 11.8%                             | 33.3%                | 17.7%         | 4.5%         | 10.7%                      | 24.1%                         | 19.0%  | 20.7%                                      | 22.9%                              | 15.2%                 | 14.8%       | 5.0%      | 15.2%                 |
|            | Increased 6%-10%  | 0.0%                              | 0.0%                 | 10.8%         | 13.5%        | 5.4%                       | 10.3%                         | 6.3%   | 13.8%                                      | 4.2%                               | 12.1%                 | 3.7%        | 15.0%     | 8.2%                  |
|            | Increased >10%  | 11.8%                             | 0.0%                 | 5.4%          | 4.5%         | 8.9%                       | 8.6%                          | 4.8%   | 3.4%                                       | 10.2%                              | 15.2%                 | 3.7%        | 12.5%     | 7.6%                  |
|            | Unchanged   | 41.2%                             | 33.3%                | 22.3%         | 42.7%        | 32.1%                      | 29.3%                         | 36.5%  | 24.1%                                      | 38.1%                              | 33.3%                 | 31.5%       | 30.0%     | 32.5%                 |
|            | Decreased 1%-5%   | 23.5%                             | 0.0%                 | 11.5%         | 13.5%        | 14.3%                      | 13.8%                         | 9.5%   | 17.2%                                      | 5.9%                               | 18.2%                 | 9.3%        | 7.5%      | 11.8%                 |
|            | Decreased 6%-10%  | 5.9%                              | 33.3%                | 10.0%         | 6.7%         | 10.7%                      | 3.4%                          | 12.7%  | 10.3%                                      | 5.9%                               | 0.0%                  | 20.4%       | 10.0%     | 9.2%                  |
|            | Decreased >10%  | 5.9%                              | 0.0%                 | 22.3%         | 14.6%        | 17.9%                      | 10.3%                         | 11.1%  | 10.3%                                      | 12.7%                              | 6.1%                  | 16.7%       | 20.0%     | 15.3%                 |
|            | <b>Sample size (n)</b>  | <b>17</b>                         | <b>3</b>             | <b>130</b>    | <b>89</b>    | <b>168</b>                 | <b>58</b>                     | <b>63</b>  | <b>29</b>                                  | <b>118</b>                         | <b>33</b>             | <b>54</b>   | <b>40</b> | <b>802</b>            |
| <b>ii</b>  | <b>Price level</b>  |                                   |                      |               |              |                            |                               |  |  |                                    |                       |             |           |                       |
|            | Increased 1%-5%   | 13.3%                             | 0.0%                 | 21.1%         | 15.7%        | 23.8%                      | 23.6%                         | 25.4%  | 27.6%                                      | 18.1%                              | 24.2%                 | 17.3%       | 13.9%     | 20.7%                 |
|            | Increased 6%-10%  | 13.3%                             | 0.0%                 | 6.5%          | 15.7%        | 12.5%                      | 12.7%                         | 17.5%  | 6.9%                                       | 6.9%                               | 12.1%                 | 3.8%        | 5.6%      | 10.3%                 |
|            | Increased >10%  | 6.7%                              | 0.0%                 | 4.1%          | 4.8%         | 6.0%                       | 9.1%                          | 9.5%   | 3.4%                                       | 8.6%                               | 12.1%                 | 11.5%       | 11.1%     | 7.2%                  |
|            | Unchanged   | 33.3%                             | 66.7%                | 33.3%         | 38.6%        | 32.7%                      | 36.4%                         | 33.3%  | 27.6%                                      | 46.6%                              | 39.4%                 | 36.5%       | 38.9%     | 36.6%                 |
|            | Decreased 1%-5%   | 20.0%                             | 33.3%                | 12.2%         | 9.6%         | 10.1%                      | 9.1%                          | 3.2%   | 17.2%                                      | 6.9%                               | 12.1%                 | 11.5%       | 8.3%      | 9.9%                  |
|            | Decreased 6%-10%  | 6.7%                              | 0.0%                 | 13.0%         | 8.4%         | 5.4%                       | 5.5%                          | 6.3%   | 10.3%                                      | 6.9%                               | 0.0%                  | 7.7%        | 11.1%     | 7.6%                  |
|            | Decreased >10%  | 6.7%                              | 0.0%                 | 9.8%          | 7.2%         | 9.5%                       | 3.6%                          | 4.8%   | 6.9%                                       | 6.0%                               | 0.0%                  | 11.5%       | 11.1%     | 7.6%                  |
|            | <b>Sample size (n)</b>  | <b>15</b>                         | <b>3</b>             | <b>123</b>    | <b>83</b>    | <b>168</b>                 | <b>55</b>                     | <b>63</b>  | <b>29</b>                                  | <b>116</b>                         | <b>33</b>             | <b>52</b>   | <b>36</b> | <b>776</b>            |
| <b>III</b> | <b>Overseas Sales</b>   |                                   |                      |               |              |                            |                               |  |  |                                    |                       |             |           |                       |
| <b>i</b>   | <b>Volume</b>   |                                   |                      |               |              |                            |                               |  |  |                                    |                       |             |           |                       |
|            | Increased 1%-5%   | 28.6%                             | 0.0%                 | 16.7%         | 15.4%        | 5.9%                       | 8.3%                          | 12.5%  | 7.7%                                       | 12.1%                              | 12.5%                 | 12.5%       | 16.7%     | 13.1%                 |
|            | Increased 6%-10%  | 14.3%                             | 0.0%                 | 10.0%         | 7.7%         | 17.6%                      | 12.5%                         | 8.3%   | 7.7%                                       | 12.1%                              | 12.5%                 | 0.0%        | 25.0%     | 11.3%                 |
|            | Increased >10%  | 0.0%                              | 0.0%                 | 7.8%          | 7.7%         | 2.9%                       | 16.7%                         | 8.3%   | 15.4%                                      | 12.1%                              | 25.0%                 | 6.3%        | 0.0%      | 8.8%                  |
|            | Unchanged   | 57.1%                             | 0.0%                 | 24.4%         | 53.8%        | 47.1%                      | 33.3%                         | 58.3%  | 30.8%                                      | 48.5%                              | 50.0%                 | 43.8%       | 50.0%     | 39.4%                 |
|            | Decreased 1%-5%   | 0.0%                              | 0.0%                 | 18.9%         | 0.0%         | 8.8%                       | 8.3%                          | 8.3%   | 15.4%                                      | 6.1%                               | 0.0%                  | 25.0%       | 8.3%      | 12.0%                 |
|            | Decreased 6%-10%  | 0.0%                              | 0.0%                 | 10.0%         | 15.4%        | 11.8%                      | 4.2%                          | 4.2%   | 7.7%                                       | 3.0%                               | 0.0%                  | 0.0%        | 0.0%      | 6.9%                  |
|            | Decreased >10%  | 0.0%                              | 0.0%                 | 12.2%         | 0.0%         | 5.9%                       | 16.7%                         | 0.0%   | 15.4%                                      | 6.1%                               | 0.0%                  | 12.5%       | 0.0%      | 8.4%                  |
|            | <b>Sample size (n)</b>  | <b>7</b>                          | <b>0</b>             | <b>90</b>     | <b>13</b>    | <b>34</b>                  | <b>24</b>                     | <b>24</b>  | <b>13</b>                                  | <b>33</b>                          | <b>8</b>              | <b>16</b>   | <b>12</b> | <b>274</b>            |
| <b>ii</b>  | <b>Price level</b>  |                                   |                      |               |              |                            |                               |  |  |                                    |                       |             |           |                       |
|            | Increased 1%-5%   | 14.3%                             | 0.0%                 | 11.9%         | 0.0%         | 9.7%                       | 20.8%                         | 4.2%   | 7.7%                                       | 24.2%                              | 25.0%                 | 6.3%        | 27.3%     | 13.3%                 |
|            | Increased 6%-10%  | 14.3%                             | 0.0%                 | 8.3%          | 16.7%        | 9.7%                       | 20.8%                         | 16.7%  | 15.4%                                      | 9.1%                               | 12.5%                 | 6.3%        | 18.2%     | 11.8%                 |
|            | Increased >10%  | 14.3%                             | 0.0%                 | 1.2%          | 8.3%         | 6.5%                       | 4.2%                          | 4.2%   | 0.0%                                       | 9.1%                               | 12.5%                 | 6.3%        | 9.1%      | 4.9%                  |
|            | Unchanged   | 57.1%                             | 0.0%                 | 42.9%         | 58.3%        | 61.3%                      | 29.2%                         | 58.3%  | 38.5%                                      | 42.4%                              | 50.0%                 | 56.3%       | 36.4%     | 46.8%                 |
|            | Decreased 1%-5%   | 0.0%                              | 0.0%                 | 19.0%         | 16.7%        | 9.7%                       | 12.5%                         | 12.5%  | 23.1%                                      | 3.0%                               | 0.0%                  | 12.5%       | 9.1%      | 12.9%                 |
|            | Decreased 6%-10%  | 0.0%                              | 0.0%                 | 9.5%          | 0.0%         | 0.0%                       | 4.2%                          | 0.0%   | 7.7%                                       | 3.0%                               | 0.0%                  | 0.0%        | 0.0%      | 4.2%                  |
|            | Decreased >10%  | 0.0%                              | 0.0%                 | 7.1%          | 0.0%         | 3.2%                       | 8.3%                          | 4.2%   | 7.7%                                       | 9.1%                               | 0.0%                  | 12.5%       | 0.0%      | 6.1%                  |
|            | <b>Sample size (n)</b>  | <b>7</b>                          | <b>0</b>             | <b>84</b>     | <b>12</b>    | <b>31</b>                  | <b>24</b>                     | <b>24</b>  | <b>13</b>                                  | <b>33</b>                          | <b>8</b>              | <b>16</b>   | <b>11</b> | <b>263</b>            |



|  |                                       | 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       | 2ND HALF-YEAR OF 2019 |
|--|---------------------------------------|-----------------------------------|----------------------|---------------|--------------|----------------------------|-------------------------------|--|--|------------------------------------|-----------------------|-------------|-----------|-----------------------|
| <b>IV</b>  | <b>Production and Inventory Level</b> |                                   |                      |               |              |                            |                               |  |  |                                    |                       |             |           |                       |
| <b>i</b>   | <b>Production</b>                     |                                   |                      |               |              |                            |                               |  |  |                                    |                       |             |           |                       |
|  | Increased 1%-5%                       | 11.1%                             | 0.0%                 | 17.4%         | 8.7%         | 12.2%                      | 16.3%                         | 19.1%  | 22.7%                                      | 23.9%                              | 19.0%                 | 22.2%       | 11.1%     | 16.4%                 |
|  | Increased 6%-10%                      | 0.0%                              | 0.0%                 | 14.9%         | 7.2%         | 8.1%                       | 11.6%                         | 6.4%   | 9.1%                                       | 9.1%                               | 9.5%                  | 2.2%        | 14.8%     | 9.3%                  |
|  | Increased >10%                        | 22.2%                             | 33.3%                | 8.3%          | 10.1%        | 9.8%                       | 11.6%                         | 4.3%   | 4.5%                                       | 8.0%                               | 14.3%                 | 11.1%       | 11.1%     | 9.6%                  |
|  | Unchanged                             | 33.3%                             | 33.3%                | 23.1%         | 36.2%        | 39.0%                      | 41.9%                         | 44.7%  | 36.4%                                      | 42.0%                              | 28.6%                 | 42.2%       | 48.1%     | 36.7%                 |
|  | Decreased 1%-5%                       | 27.8%                             | 33.3%                | 18.2%         | 20.3%        | 12.2%                      | 7.0%                          | 14.9%  | 22.7%                                      | 6.8%                               | 19.0%                 | 6.7%        | 11.1%     | 14.0%                 |
|  | Decreased 6%-10%                      | 5.6%                              | 0.0%                 | 5.8%          | 4.3%         | 4.9%                       | 2.3%                          | 2.1%   | 4.5%                                       | 5.7%                               | 0.0%                  | 6.7%        | 0.0%      | 4.5%                  |
|  | Decreased >10%                        | 0.0%                              | 0.0%                 | 12.4%         | 13.0%        | 13.8%                      | 9.3%                          | 8.5%   | 0.0%                                       | 4.5%                               | 9.5%                  | 8.9%        | 3.7%      | 9.6%                  |
|  | <b>Sample size (n)</b>                | <b>18</b>                         | <b>3</b>             | <b>121</b>    | <b>69</b>    | <b>123</b>                 | <b>43</b>                     | <b>47</b>  | <b>22</b>                                  | <b>88</b>                          | <b>21</b>             | <b>45</b>   | <b>27</b> | <b>627</b>            |
| <b>ii</b>  | <b>Inventory or stock level</b>       |                                   |                      |               |              |                            |                               |  |  |                                    |                       |             |           |                       |
|  | Increased 1%-5%                       | 12.5%                             | 0.0%                 | 12.9%         | 6.6%         | 12.9%                      | 19.2%                         | 12.2%  | 19.0%                                      | 16.7%                              | 11.1%                 | 25.0%       | 18.5%     | 14.4%                 |
|  | Increased 6%-10%                      | 0.0%                              | 0.0%                 | 17.2%         | 13.1%        | 10.9%                      | 11.5%                         | 9.8%   | 9.5%                                       | 8.3%                               | 5.6%                  | 7.5%        | 7.4%      | 11.0%                 |
|  | Increased >10%                        | 31.3%                             | 33.3%                | 14.7%         | 8.2%         | 9.5%                       | 11.5%                         | 14.6%  | 4.8%                                       | 11.9%                              | 11.1%                 | 7.5%        | 7.4%      | 11.5%                 |
|  | Unchanged                             | 31.3%                             | 66.7%                | 36.2%         | 47.5%        | 36.7%                      | 42.3%                         | 43.9%  | 38.1%                                      | 50.0%                              | 50.0%                 | 40.0%       | 48.1%     | 41.5%                 |
|  | Decreased 1%-5%                       | 25.0%                             | 0.0%                 | 9.5%          | 14.8%        | 14.3%                      | 5.8%                          | 7.3%   | 19.0%                                      | 8.3%                               | 11.1%                 | 0.0%        | 14.8%     | 10.9%                 |
|  | Decreased 6%-10%                      | 0.0%                              | 0.0%                 | 4.3%          | 4.9%         | 6.1%                       | 1.9%                          | 9.8%   | 9.5%                                       | 3.6%                               | 5.6%                  | 10.0%       | 3.7%      | 5.3%                  |
|  | Decreased >10%                        | 0.0%                              | 0.0%                 | 5.2%          | 4.9%         | 9.5%                       | 7.7%                          | 2.4%   | 0.0%                                       | 1.2%                               | 5.6%                  | 10.0%       | 0.0%      | 5.4%                  |
|  | <b>Sample size (n)</b>                | <b>16</b>                         | <b>3</b>             | <b>116</b>    | <b>61</b>    | <b>147</b>                 | <b>52</b>                     | <b>41</b>  | <b>21</b>                                  | <b>84</b>                          | <b>18</b>             | <b>40</b>   | <b>27</b> | <b>626</b>            |
| <b>V</b>   | <b>Cost of Raw Materials</b>          |                                   |                      |               |              |                            |                               |  |  |                                    |                       |             |           |                       |
| <b>i</b>   | <b>Local</b>                          |                                   |                      |               |              |                            |                               |  |  |                                    |                       |             |           |                       |
|  | Increased 1%-5%                       | 38.9%                             | 0.0%                 | 27.9%         | 32.9%        | 27.6%                      | 34.9%                         | 31.5%  | 33.3%                                      | 25.0%                              | 7.1%                  | 24.4%       | 16.7%     | 28.2%                 |
|  | Increased 6%-10%                      | 16.7%                             | 50.0%                | 24.8%         | 19.0%        | 18.7%                      | 9.3%                          | 14.8%  | 11.1%                                      | 21.1%                              | 21.4%                 | 15.6%       | 16.7%     | 18.9%                 |
|  | Increased >10%                        | 11.1%                             | 0.0%                 | 12.4%         | 17.7%        | 14.6%                      | 27.9%                         | 20.4%  | 5.6%                                       | 11.8%                              | 14.3%                 | 26.7%       | 16.7%     | 16.2%                 |
|  | Unchanged                             | 22.2%                             | 50.0%                | 19.4%         | 21.5%        | 28.5%                      | 23.3%                         | 27.8%  | 33.3%                                      | 34.2%                              | 35.7%                 | 31.1%       | 50.0%     | 27.2%                 |
|  | Decreased 1%-5%                       | 11.1%                             | 0.0%                 | 9.3%          | 6.3%         | 3.3%                       | 4.7%                          | 1.9%   | 11.1%                                      | 2.6%                               | 14.3%                 | 0.0%        | 0.0%      | 5.1%                  |
|  | Decreased 6%-10%                      | 0.0%                              | 0.0%                 | 3.1%          | 2.5%         | 3.3%                       | 0.0%                          | 1.9%   | 5.6%                                       | 0.0%                               | 7.1%                  | 2.2%        | 0.0%      | 2.2%                  |
|  | Decreased >10%                        | 0.0%                              | 0.0%                 | 3.1%          | 0.0%         | 4.1%                       | 0.0%                          | 1.9%   | 0.0%                                       | 5.3%                               | 0.0%                  | 0.0%        | 0.0%      | 2.2%                  |
|  | <b>Sample size (n)</b>                | <b>18</b>                         | <b>2</b>             | <b>129</b>    | <b>79</b>    | <b>123</b>                 | <b>43</b>                     | <b>54</b>  | <b>18</b>                                  | <b>76</b>                          | <b>14</b>             | <b>45</b>   | <b>24</b> | <b>625</b>            |
| <b>ii</b>  | <b>Imported</b>                       |                                   |                      |               |              |                            |                               |  |  |                                    |                       |             |           |                       |
|  | Increased 1%-5%                       | 14.3%                             | 0.0%                 | 26.9%         | 28.1%        | 28.3%                      | 37.5%                         | 16.3%  | 18.8%                                      | 17.9%                              | 7.7%                  | 27.0%       | 14.3%     | 24.5%                 |
|  | Increased 6%-10%                      | 28.6%                             | 0.0%                 | 22.2%         | 14.0%        | 16.0%                      | 12.5%                         | 16.3%  | 12.5%                                      | 17.9%                              | 15.4%                 | 18.9%       | 28.6%     | 18.0%                 |
|  | Increased >10%                        | 7.1%                              | 0.0%                 | 13.0%         | 15.8%        | 17.0%                      | 25.0%                         | 23.3%  | 18.8%                                      | 14.9%                              | 15.4%                 | 24.3%       | 14.3%     | 17.0%                 |
|  | Unchanged                             | 28.6%                             | 100.0%               | 23.1%         | 29.8%        | 31.1%                      | 15.0%                         | 32.6%  | 37.5%                                      | 41.8%                              | 30.8%                 | 27.0%       | 42.9%     | 30.0%                 |
|  | Decreased 1%-5%                       | 21.4%                             | 0.0%                 | 10.2%         | 1.8%         | 2.8%                       | 7.5%                          | 11.6%  | 6.3%                                       | 3.0%                               | 15.4%                 | 2.7%        | 0.0%      | 6.1%                  |
|  | Decreased 6%-10%                      | 0.0%                              | 0.0%                 | 2.8%          | 7.0%         | 1.9%                       | 2.5%                          | 0.0%   | 6.3%                                       | 0.0%                               | 15.4%                 | 0.0%        | 0.0%      | 2.5%                  |
|  | Decreased >10%                        | 0.0%                              | 0.0%                 | 1.9%          | 3.5%         | 2.8%                       | 0.0%                          | 0.0%   | 0.0%                                       | 4.5%                               | 0.0%                  | 0.0%        | 0.0%      | 1.9%                  |
|  | <b>Sample size (n)</b>                | <b>14</b>                         | <b>1</b>             | <b>108</b>    | <b>57</b>    | <b>106</b>                 | <b>40</b>                     | <b>43</b>  | <b>16</b>                                  | <b>67</b>                          | <b>13</b>             | <b>37</b>   | <b>21</b> | <b>523</b>            |
| <b>VI</b>  | <b>Manpower</b>                       |                                   |                      |               |              |                            |                               |  |  |                                    |                       |             |           |                       |
| <b>i</b>   | <b>Number of employees</b>            |                                   |                      |               |              |                            |                               |  |  |                                    |                       |             |           |                       |
|  | Increased 1-5                         | 15.0%                             | 0.0%                 | 13.7%         | 21.1%        | 10.2%                      | 11.5%                         | 15.6%  | 20.7%                                      | 22.2%                              | 19.4%                 | 13.0%       | 14.3%     | 15.5%                 |
|  | Increased 6-10                        | 10.0%                             | 0.0%                 | 9.9%          | 5.6%         | 6.6%                       | 8.2%                          | 6.3%   | 3.4%                                       | 7.9%                               | 12.9%                 | 14.8%       | 11.9%     | 8.3%                  |
|  | Increased >10                         | 5.0%                              | 0.0%                 | 9.9%          | 3.3%         | 4.2%                       | 4.9%                          | 7.8%   | 3.4%                                       | 4.0%                               | 9.7%                  | 5.6%        | 4.8%      | 5.6%                  |
|  | Unchanged                             | 45.0%                             | 100.0%               | 43.5%         | 47.8%        | 68.3%                      | 70.5%                         | 60.9%  | 62.1%                                      | 53.2%                              | 54.8%                 | 53.7%       | 45.2%     | 56.0%                 |
|  | Decreased 1-5                         | 15.0%                             | 0.0%                 | 16.8%         | 10.0%        | 7.8%                       | 1.6%                          | 1.6%   | 3.4%                                       | 7.1%                               | 0.0%                  | 11.1%       | 19.0%     | 8.9%                  |
|  | Decreased 6-10                        | 5.0%                              | 0.0%                 | 4.6%          | 8.9%         | 1.8%                       | 1.6%                          | 3.1%   | 6.9%                                       | 1.6%                               | 3.2%                  | 1.9%        | 0.0%      | 3.3%                  |
|  | Decreased >10                         | 5.0%                              | 0.0%                 | 1.5%          | 3.3%         | 1.2%                       | 1.6%                          | 4.7%   | 0.0%                                       | 4.0%                               | 0.0%                  | 0.0%        | 4.8%      | 2.3%                  |
|  | <b>Sample size (n)</b>                | <b>20</b>                         | <b>3</b>             | <b>131</b>    | <b>90</b>    | <b>167</b>                 | <b>61</b>                     | <b>64</b>  | <b>29</b>                                  | <b>126</b>                         | <b>31</b>             | <b>54</b>   | <b>42</b> | <b>818</b>            |
| <b>ii</b>  | <b>Wage growth</b>                    |                                   |                      |               |              |                            |                               |  |  |                                    |                       |             |           |                       |
|  | Increased 1%-5%                       | 29.4%                             | 33.3%                | 31.7%         | 34.5%        | 37.8%                      | 20.3%                         | 27.4%  | 22.2%                                      | 28.1%                              | 20.0%                 | 23.1%       | 23.7%     | 29.7%                 |
|  | Increased 6%-10%                      | 5.9%                              | 0.0%                 | 14.6%         | 13.1%        | 11.5%                      | 22.0%                         | 14.5%  | 18.5%                                      | 15.7%                              | 20.0%                 | 17.3%       | 13.2%     | 14.8%                 |
|  | Increased >10%                        | 23.5%                             | 0.0%                 | 13.8%         | 4.8%         | 11.5%                      | 11.9%                         | 11.3%  | 11.1%                                      | 7.4%                               | 10.0%                 | 13.5%       | 10.5%     | 10.8%                 |
|  | Unchanged                             | 35.3%                             | 66.7%                | 31.7%         | 39.3%        | 34.0%                      | 44.1%                         | 41.9%  | 33.3%                                      | 37.2%                              | 40.0%                 | 42.3%       | 42.1%     | 37.4%                 |
|  | Decreased 1%-5%                       | 5.9%                              | 0.0%                 | 8.1%          | 1.2%         | 2.6%                       | 0.0%                          | 3.2%   | 11.1%                                      | 8.3%                               | 6.7%                  | 3.8%        | 7.9%      | 4.9%                  |
|  | Decreased 6%-10%                      | 0.0%                              | 0.0%                 | 0.0%          | 6.0%         | 1.9%                       | 0.0%                          | 0.0%   | 3.7%                                       | 1.7%                               | 0.0%                  | 0.0%        | 2.6%      | 1.6%                  |
|  | Decreased >10%                        | 0.0%                              | 0.0%                 | 0.0%          | 1.2%         | 0.6%                       | 1.7%                          | 1.6%   | 0.0%                                       | 1.7%                               | 3.3%                  | 0.0%        | 0.0%      | 0.9%                  |
|  | <b>Sample size (n)</b>                | <b>17</b>                         | <b>3</b>             | <b>123</b>    | <b>84</b>    | <b>156</b>                 | <b>59</b>                     | <b>62</b>  | <b>27</b>                                  | <b>121</b>                         | <b>30</b>             | <b>52</b>   | <b>38</b> | <b>772</b>            |
| <b>VII</b>   | <b>Others</b>                         |                                   |                      |               |              |                            |                               |  |  |                                    |                       |             |           |                       |
| <b>i</b>   | <b>Capital expenditure</b>            |                                   |                      |               |              |                            |                               |  |  |                                    |                       |             |           |                       |
|  | Increased 1%-5%                       | 30.0%                             | 0.0%                 | 27.2%         | 21.8%        | 26.2%                      | 26.0%                         | 33.9%  | 20.8%                                      | 23.2%                              | 26.1%                 | 27.1%       | 14.3%     | 25.4%                 |
|  | Increased 6%-10%                      | 5.0%                              | 0.0%                 | 17.6%         | 16.7%        | 20.0%                      | 10.0%                         | 16.1%  | 8.3%                                       | 20.2%                              | 17.4%                 | 18.8%       | 17.1%     | 17.0%                 |
|  | Increased >10%                        | 10.0%                             | 0.0%                 | 18.4%         | 20.5%        | 14.5%                      | 8.0%                          | 21.4%  | 20.8%                                      | 12.1%                              | 13.0%                 | 14.6%       | 17.1%     | 15.7%                 |
|  | Unchanged                             | 50.0%                             | 100.0%               | 30.4%         | 38.5%        | 33.1%                      | 56.0%                         | 26.8%  | 41.7%                                      | 39.4%                              | 39.1%                 | 31.3%       | 45.7%     | 37.0%                 |
|  | Decreased 1%-5%                       | 5.0%                              | 0.0%                 | 4.8%          | 1.3%         | 4.1%                       | 0.0%                          | 0.0%   | 4.2%                                       | 4.0%                               | 0.0%                  | 6.3%        | 0.0%      | 3.1%                  |
|  | Decreased 6%-10%                      | 0.0%                              | 0.0%                 | 0.0%          | 0.0%         | 0.0%                       | 0.0%                          | 0.0%   | 4.2%                                       | 1.0%                               | 0.0%                  | 2.1%        | 2.9%      | 0.6%                  |
|  | Decreased >10%                        | 0.0%                              | 0.0%                 | 1.6%          | 1.3%         | 2.1%                       | 0.0%                          | 1.8%   | 0.0%                                       | 0.0%                               | 4.3%                  | 0.0%        | 2.9%      | 1.3%                  |
|  | <b>Sample size (n)</b>                | <b>20</b>                         | <b>3</b>             | <b>125</b>    | <b>78</b>    | <b>145</b>                 | <b>50</b>                     | <b>56</b>  | <b>24</b>                                  | <b>99</b>                          | <b>23</b>             | <b>48</b>   | <b>35</b> | <b>706</b>            |
| <b>Forecast: 1H (Jan-Jun) 2020 compared to 2H (Jul-Dec) 2019</b> |                                       |                                   |                      |               |              |                            |                               |  |  |                                    |                       |             |           |                       |
| <b>i</b>   | <b>Overall</b>                        |                                   |                      |               |              |                            |                               |  |  |                                    |                       |             |           |                       |
| <b>i</b>   | <b>Business conditions</b>            |                                   |                      |               |              |                            |                               |  |  |                                    |                       |             |           |                       |
|  | Good                                  | 15.8%                             | 33.3%                | 7.6%          | 2.2%         | 10.4%                      | 6.5%                          | 6.2%   | 3.2%                                       | 13.2%                              | 7.7%                  | 7.1%        | 19.0%     | 8.9%                  |
|  | Satisfactory                          | 31.6%                             | 66.7%                | 49.6%         | 57.3%        | 46.6%                      | 41.9%                         | 32.3%  | 48.4%                                      | 44.2%                              | 66.7%                 | 42.9%       | 38.1%     | 46.4%                 |
|  | Poor                                  | 52.6%                             | 0.0%                 | 42.7%         | 40.4%        | 42.9%                      | 51.6%                         | 61.5%  | 48.4%                                      | 42.6%                              | 25.6%                 | 50.0%       | 42.9%     | 44.6%                 |
|  | <b>Sample size (n)</b>                | <b>19</b>                         | <b>3</b>             | <b>131</b>    | <b>89</b>    | <b>163</b>                 | <b>62</b>                     | <b>65</b>  | <b>31</b>                                  | <b>129</b>                         | <b>39</b>             | <b>56</b>   | <b>42</b> | <b>829</b>            |
| <b>ii</b>  | <b>Cash flows conditions</b>          |                                   |                      |               |              |                            |                               |  |  |                                    |                       |             |           |                       |
|  | Good                                  | 5.3%                              | 0.0%                 | 5.5%          | 3.4%         | 8.6%                       | 8.1%                          | 3.1%   | 3.2%                                       | 7.8%                               | 10.3%                 | 5.5%        | 16.7%     | 6.9%                  |
|  | Satisfactory                          | 84.2%                             | 100.0%               | 58.6%         | 51.7%        | 50.0%                      | 54.8%                         | 45.3%  | 58.1%                                      | 49.2%                              | 61.5%                 | 41.8%       | 45.2%     | 52.4%                 |
|  | Poor                                  | 10.5%                             | 0.0%                 | 35.9%         | 44.9%        | 41.4%                      | 37.1%                         | 51.6%  | 38.7%                                      | 43.0%                              | 28.2%                 | 52.7%       | 38.1%     | 40.6%                 |
|  | <b>Sample size (n)</b>                | <b>19</b>                         | <b>3</b>             | <b>128</b>    | <b>89</b>    | <b>162</b>                 | <b>62</b>                     | <b>64</b>  | <b>31</b>                                  | <b>128</b>                         | <b>39</b>             | <b>55</b>   | <b>42</b> | <b>822</b>            |
| <b>iii</b>   | <b>Debtors' conditions</b>            |                                   |                      |               |              |                            |                               |  |  |                                    |                       |             |           |                       |
|  | Good                                  | 15.8%                             | 33.3%                | 5.5%          | 1.1%         | 9.4%                       | 4.8%                          | 6.3%   | 6.7%                                       | 7.0%                               | 10.3%                 | 7.3%        | 11.9%     | 7.1%                  |
|  | Satisfactory                          | 68.4%                             | 66.7%                | 57.0%         | 47.2%        | 45.6%                      | 59.7%                         | 43.8%  | 63.3%                                      | 48.4%                              | 69.2%                 | 41.8%       | 54.8%     | 51.5%                 |
|  | Poor                                  | 15.8%                             | 0.0%                 | 37.5%         | 51.7%        | 45.0%                      | 35.5%                         | 50.0%  | 30.0%                                      | 44.5%                              | 20.5%                 | 50.9%       | 33.3%     | 41.4%                 |
|  | <b>Sample size (n)</b>                | <b>19</b>                         | <b>3</b>             | <b>128</b>    | <b>89</b>    | <b>160</b>                 | <b>62</b>                     | <b>64</b>  | <b>30</b>                                  | <b>128</b>                         | <b>39</b>             | <b>55</b>   | <b>42</b> | <b>819</b>            |

|            |                                       | 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       | 2ND HALF-YEAR OF 2019 |
|------------|---------------------------------------|-----------------------------------|----------------------|---------------|--------------|----------------------------|-------------------------------|--|--|------------------------------------|-----------------------|-------------|-----------|-----------------------|
| <b>iv</b>  | <b>Capacity utilization level</b>     |                                   |                      |               |              |                            |                               |  |  |                                    |                       |             |           |                       |
|            | Less than 50%                         | 28.6%                             | 0.0%                 | 23.5%         | 35.0%        | 40.4%                      | 15.0%                         | 41.7%  | 35.7%                                      | 25.8%                              | 18.2%                 | 34.8%       | 50.0%     | 30.6%                 |
|            | 50% to < 75%                          | 14.3%                             | 0.0%                 | 53.1%         | 22.5%        | 38.3%                      | 60.0%                         | 29.2%  | 28.6%                                      | 45.5%                              | 45.5%                 | 39.1%       | 37.5%     | 40.7%                 |
|            | 75% to ≤ 90%                          | 57.1%                             | 100.0%               | 18.5%         | 35.0%        | 14.9%                      | 10.0%                         | 25.0%  | 28.6%                                      | 16.1%                              | 9.1%                  | 8.7%        | 12.5%     | 20.2%                 |
|            | More than 90%                         | 0.0%                              | 0.0%                 | 4.9%          | 7.5%         | 6.4%                       | 15.0%                         | 4.2%   | 7.1%                                       | 12.9%                              | 27.3%                 | 17.4%       | 0.0%      | 8.5%                  |
|            | <b>Sample size (n)</b>                | <b>7</b>                          | <b>1</b>             | <b>81</b>     | <b>40</b>    | <b>47</b>                  | <b>20</b>                     | <b>24</b>  | <b>14</b>                                  | <b>31</b>                          | <b>11</b>             | <b>23</b>   | <b>8</b>  | <b>307</b>            |
| <b>II</b>  | <b>Domestic Sales</b>                 |                                   |                      |               |              |                            |                               |  |  |                                    |                       |             |           |                       |
| <b>i</b>   | <b>Volume</b>                         |                                   |                      |               |              |                            |                               |  |  |                                    |                       |             |           |                       |
|            | Increase 1%-5%                        | 17.6%                             | 0.0%                 | 20.8%         | 9.8%         | 17.9%                      | 24.6%                         | 15.6%  | 17.2%                                      | 21.7%                              | 20.0%                 | 15.1%       | 22.2%     | 18.4%                 |
|            | Increase 6%-10%                       | 0.0%                              | 33.3%                | 12.3%         | 9.8%         | 5.4%                       | 7.0%                          | 6.3%   | 3.4%                                       | 10.4%                              | 16.7%                 | 3.8%        | 8.3%      | 8.3%                  |
|            | Increase >10%                         | 17.6%                             | 0.0%                 | 6.2%          | 4.9%         | 9.5%                       | 7.0%                          | 7.8%   | 10.3%                                      | 8.7%                               | 10.0%                 | 5.7%        | 11.1%     | 8.0%                  |
|            | Unchanged                             | 35.3%                             | 66.7%                | 25.4%         | 39.0%        | 33.3%                      | 31.6%                         | 37.5%  | 34.5%                                      | 39.1%                              | 20.0%                 | 37.7%       | 33.3%     | 33.7%                 |
|            | Decrease 1%-5%                        | 17.6%                             | 0.0%                 | 14.6%         | 14.6%        | 13.7%                      | 14.0%                         | 17.2%  | 20.7%                                      | 5.2%                               | 26.7%                 | 9.4%        | 5.6%      | 13.1%                 |
|            | Decrease 6%-10%                       | 11.8%                             | 0.0%                 | 8.5%          | 13.4%        | 8.9%                       | 7.0%                          | 7.8%   | 10.3%                                      | 4.3%                               | 3.3%                  | 18.9%       | 11.1%     | 9.1%                  |
|            | Decrease >10%                         | 0.0%                              | 0.0%                 | 12.3%         | 8.5%         | 11.3%                      | 8.8%                          | 7.8%   | 3.4%                                       | 10.4%                              | 3.3%                  | 9.4%        | 8.3%      | 9.4%                  |
|            | <b>Sample size (n)</b>                | <b>17</b>                         | <b>3</b>             | <b>130</b>    | <b>82</b>    | <b>168</b>                 | <b>57</b>                     | <b>64</b>  | <b>29</b>                                  | <b>115</b>                         | <b>30</b>             | <b>53</b>   | <b>36</b> | <b>784</b>            |
| <b>ii</b>  | <b>Price level</b>                    |                                   |                      |               |              |                            |                               |  |  |                                    |                       |             |           |                       |
|            | Increase 1%-5%                        | 20.0%                             | 33.3%                | 23.1%         | 11.3%        | 22.3%                      | 17.6%                         | 27.0%  | 24.1%                                      | 16.1%                              | 24.1%                 | 11.3%       | 17.6%     | 19.6%                 |
|            | Increase 6%-10%                       | 6.7%                              | 0.0%                 | 5.0%          | 15.0%        | 12.0%                      | 13.7%                         | 14.3%  | 3.4%                                       | 11.6%                              | 13.8%                 | 7.5%        | 5.9%      | 10.4%                 |
|            | Increase >10%                         | 20.0%                             | 0.0%                 | 2.5%          | 7.5%         | 4.8%                       | 13.7%                         | 9.5%   | 0.0%                                       | 6.3%                               | 10.3%                 | 9.4%        | 8.8%      | 6.7%                  |
|            | Unchanged                             | 26.7%                             | 66.7%                | 33.9%         | 38.8%        | 38.6%                      | 43.1%                         | 30.2%  | 41.4%                                      | 50.9%                              | 31.0%                 | 50.9%       | 44.1%     | 40.1%                 |
|            | Decrease 1%-5%                        | 26.7%                             | 0.0%                 | 14.0%         | 13.8%        | 10.2%                      | 5.9%                          | 6.3%   | 13.8%                                      | 4.5%                               | 20.7%                 | 5.7%        | 5.9%      | 10.1%                 |
|            | Decrease 6%-10%                       | 0.0%                              | 0.0%                 | 10.7%         | 3.8%         | 6.0%                       | 2.0%                          | 7.9%   | 17.2%                                      | 4.5%                               | 0.0%                  | 3.8%        | 11.8%     | 6.3%                  |
|            | Decrease >10%                         | 0.0%                              | 0.0%                 | 10.7%         | 10.0%        | 6.0%                       | 3.9%                          | 4.8%   | 0.0%                                       | 6.3%                               | 0.0%                  | 11.3%       | 5.9%      | 6.7%                  |
|            | <b>Sample size (n)</b>                | <b>15</b>                         | <b>3</b>             | <b>121</b>    | <b>80</b>    | <b>166</b>                 | <b>51</b>                     | <b>63</b>  | <b>29</b>                                  | <b>112</b>                         | <b>29</b>             | <b>53</b>   | <b>34</b> | <b>756</b>            |
| <b>III</b> | <b>Overseas Sales</b>                 |                                   |                      |               |              |                            |                               |  |  |                                    |                       |             |           |                       |
| <b>i</b>   | <b>Volume</b>                         |                                   |                      |               |              |                            |                               |  |  |                                    |                       |             |           |                       |
|            | Increase 1%-5%                        | 28.6%                             | 0.0%                 | 21.6%         | 15.4%        | 11.8%                      | 3.8%                          | 20.8%  | 15.4%                                      | 25.9%                              | 11.1%                 | 14.3%       | 30.0%     | 18.1%                 |
|            | Increase 6%-10%                       | 14.3%                             | 0.0%                 | 20.5%         | 7.7%         | 8.8%                       | 23.1%                         | 4.2%   | 15.4%                                      | 14.8%                              | 11.1%                 | 7.1%        | 30.0%     | 15.5%                 |
|            | Increase >10%                         | 0.0%                              | 0.0%                 | 5.7%          | 0.0%         | 11.8%                      | 3.8%                          | 8.3%   | 23.1%                                      | 11.1%                              | 22.2%                 | 0.0%        | 0.0%      | 7.5%                  |
|            | Unchanged                             | 57.1%                             | 0.0%                 | 26.1%         | 53.8%        | 52.9%                      | 46.2%                         | 33.3%  | 23.1%                                      | 37.0%                              | 44.4%                 | 57.1%       | 40.0%     | 38.1%                 |
|            | Decrease 1%-5%                        | 0.0%                              | 0.0%                 | 13.6%         | 7.7%         | 5.9%                       | 11.5%                         | 20.8%  | 7.7%                                       | 7.4%                               | 11.1%                 | 21.4%       | 0.0%      | 11.3%                 |
|            | Decrease 6%-10%                       | 0.0%                              | 0.0%                 | 9.1%          | 15.4%        | 5.9%                       | 3.8%                          | 4.2%   | 15.4%                                      | 0.0%                               | 0.0%                  | 0.0%        | 0.0%      | 6.0%                  |
|            | Decrease >10%                         | 0.0%                              | 0.0%                 | 3.4%          | 0.0%         | 2.9%                       | 7.7%                          | 8.3%   | 0.0%                                       | 3.7%                               | 0.0%                  | 0.0%        | 0.0%      | 3.4%                  |
|            | <b>Sample size (n)</b>                | <b>7</b>                          | <b>0</b>             | <b>88</b>     | <b>13</b>    | <b>34</b>                  | <b>26</b>                     | <b>24</b>  | <b>13</b>                                  | <b>27</b>                          | <b>9</b>              | <b>14</b>   | <b>10</b> | <b>265</b>            |
| <b>ii</b>  | <b>Price level</b>                    |                                   |                      |               |              |                            |                               |  |  |                                    |                       |             |           |                       |
|            | Increase 1%-5%                        | 14.3%                             | 0.0%                 | 14.8%         | 25.0%        | 17.6%                      | 8.0%                          | 16.7%  | 25.0%                                      | 29.6%                              | 22.2%                 | 7.1%        | 33.3%     | 17.7%                 |
|            | Increase 6%-10%                       | 14.3%                             | 0.0%                 | 13.6%         | 8.3%         | 11.8%                      | 24.0%                         | 12.5%  | 0.0%                                       | 14.8%                              | 11.1%                 | 7.1%        | 22.2%     | 13.4%                 |
|            | Increase >10%                         | 14.3%                             | 0.0%                 | 1.2%          | 0.0%         | 8.8%                       | 4.0%                          | 4.2%   | 0.0%                                       | 11.1%                              | 11.1%                 | 7.1%        | 11.1%     | 5.1%                  |
|            | Unchanged                             | 57.1%                             | 0.0%                 | 44.4%         | 58.3%        | 47.1%                      | 52.0%                         | 41.7%  | 41.7%                                      | 29.6%                              | 44.4%                 | 64.3%       | 33.3%     | 45.3%                 |
|            | Decrease 1%-5%                        | 0.0%                              | 0.0%                 | 13.6%         | 8.3%         | 14.7%                      | 12.0%                         | 12.5%  | 16.7%                                      | 11.1%                              | 11.1%                 | 7.1%        | 0.0%      | 11.8%                 |
|            | Decrease 6%-10%                       | 0.0%                              | 0.0%                 | 6.2%          | 0.0%         | 0.0%                       | 0.0%                          | 4.2%   | 8.3%                                       | 0.0%                               | 0.0%                  | 7.1%        | 0.0%      | 3.1%                  |
|            | Decrease >10%                         | 0.0%                              | 0.0%                 | 6.2%          | 0.0%         | 0.0%                       | 0.0%                          | 8.3%   | 8.3%                                       | 3.7%                               | 0.0%                  | 0.0%        | 0.0%      | 3.5%                  |
|            | <b>Sample size (n)</b>                | <b>7</b>                          | <b>0</b>             | <b>81</b>     | <b>12</b>    | <b>34</b>                  | <b>25</b>                     | <b>24</b>  | <b>12</b>                                  | <b>27</b>                          | <b>9</b>              | <b>14</b>   | <b>9</b>  | <b>254</b>            |
| <b>IV</b>  | <b>Production and Inventory Level</b> |                                   |                      |               |              |                            |                               |  |  |                                    |                       |             |           |                       |
| <b>i</b>   | <b>Production</b>                     |                                   |                      |               |              |                            |                               |  |  |                                    |                       |             |           |                       |
|            | Increase 1%-5%                        | 22.2%                             | 33.3%                | 19.4%         | 12.5%        | 22.4%                      | 15.9%                         | 19.6%  | 10.0%                                      | 25.9%                              | 13.6%                 | 19.0%       | 22.2%     | 19.6%                 |
|            | Increase 6%-10%                       | 0.0%                              | 0.0%                 | 18.5%         | 4.7%         | 4.3%                       | 4.5%                          | 6.5%   | 5.0%                                       | 9.4%                               | 18.2%                 | 2.4%        | 14.8%     | 8.8%                  |
|            | Increase >10%                         | 16.7%                             | 0.0%                 | 8.1%          | 9.4%         | 5.2%                       | 6.8%                          | 6.5%   | 10.0%                                      | 5.9%                               | 9.1%                  | 7.1%        | 7.4%      | 7.4%                  |
|            | Unchanged                             | 33.3%                             | 66.7%                | 26.6%         | 37.5%        | 42.2%                      | 52.3%                         | 39.1%  | 50.0%                                      | 43.5%                              | 22.7%                 | 45.2%       | 37.0%     | 38.6%                 |
|            | Decrease 1%-5%                        | 16.7%                             | 0.0%                 | 14.5%         | 17.2%        | 11.2%                      | 11.4%                         | 13.0%  | 20.0%                                      | 5.9%                               | 27.3%                 | 9.5%        | 7.4%      | 12.6%                 |
|            | Decrease 6%-10%                       | 11.1%                             | 0.0%                 | 6.5%          | 7.8%         | 3.4%                       | 2.3%                          | 8.7%   | 5.0%                                       | 4.7%                               | 4.5%                  | 4.8%        | 7.4%      | 5.6%                  |
|            | Decrease >10%                         | 0.0%                              | 0.0%                 | 6.5%          | 10.9%        | 11.2%                      | 6.8%                          | 6.5%   | 0.0%                                       | 4.7%                               | 4.5%                  | 11.9%       | 3.7%      | 7.4%                  |
|            | <b>Sample size (n)</b>                | <b>18</b>                         | <b>3</b>             | <b>124</b>    | <b>64</b>    | <b>116</b>                 | <b>44</b>                     | <b>46</b>  | <b>20</b>                                  | <b>85</b>                          | <b>22</b>             | <b>42</b>   | <b>27</b> | <b>611</b>            |
| <b>ii</b>  | <b>Inventory or stock level</b>       |                                   |                      |               |              |                            |                               |  |  |                                    |                       |             |           |                       |
|            | Increase 1%-5%                        | 6.7%                              | 0.0%                 | 15.7%         | 8.6%         | 22.6%                      | 17.3%                         | 14.3%  | 15.0%                                      | 20.0%                              | 17.6%                 | 12.5%       | 11.5%     | 16.5%                 |
|            | Increase 6%-10%                       | 13.3%                             | 0.0%                 | 13.9%         | 5.2%         | 8.0%                       | 9.6%                          | 11.9%  | 5.0%                                       | 7.5%                               | 11.8%                 | 2.5%        | 11.5%     | 9.1%                  |
|            | Increase >10%                         | 20.0%                             | 0.0%                 | 10.4%         | 8.6%         | 5.1%                       | 13.5%                         | 9.5%   | 0.0%                                       | 5.0%                               | 11.8%                 | 10.0%       | 3.8%      | 8.1%                  |
|            | Unchanged                             | 40.0%                             | 100.0%               | 40.0%         | 48.3%        | 43.1%                      | 40.4%                         | 35.7%  | 50.0%                                      | 55.0%                              | 35.3%                 | 55.0%       | 57.7%     | 45.5%                 |
|            | Decrease 1%-5%                        | 20.0%                             | 0.0%                 | 10.4%         | 15.5%        | 8.8%                       | 7.7%                          | 14.3%  | 25.0%                                      | 7.5%                               | 17.6%                 | 7.5%        | 11.5%     | 10.9%                 |
|            | Decrease 6%-10%                       | 0.0%                              | 0.0%                 | 5.2%          | 5.2%         | 4.4%                       | 5.8%                          | 11.9%  | 5.0%                                       | 2.5%                               | 5.9%                  | 5.0%        | 3.8%      | 5.0%                  |
|            | Decrease >10%                         | 0.0%                              | 0.0%                 | 4.3%          | 8.6%         | 8.0%                       | 5.8%                          | 2.4%   | 0.0%                                       | 2.5%                               | 0.0%                  | 7.5%        | 0.0%      | 5.0%                  |
|            | <b>Sample size (n)</b>                | <b>15</b>                         | <b>3</b>             | <b>115</b>    | <b>58</b>    | <b>137</b>                 | <b>52</b>                     | <b>42</b>  | <b>20</b>                                  | <b>80</b>                          | <b>17</b>             | <b>40</b>   | <b>26</b> | <b>605</b>            |
| <b>VI</b>  | <b>Cost of Raw Materials</b>          |                                   |                      |               |              |                            |                               |  |  |                                    |                       |             |           |                       |
| <b>i</b>   | <b>Local</b>                          |                                   |                      |               |              |                            |                               |  |  |                                    |                       |             |           |                       |
|            | Increase 1%-5%                        | 47.4%                             | 50.0%                | 34.1%         | 27.4%        | 32.5%                      | 25.0%                         | 32.7%  | 44.4%                                      | 23.5%                              | 31.3%                 | 26.7%       | 26.1%     | 30.9%                 |
|            | Increase 6%-10%                       | 21.1%                             | 0.0%                 | 17.5%         | 13.7%        | 13.3%                      | 20.5%                         | 17.3%  | 5.6%                                       | 16.2%                              | 6.3%                  | 11.1%       | 17.4%     | 15.2%                 |
|            | Increase >10%                         | 0.0%                              | 0.0%                 | 8.7%          | 17.8%        | 10.0%                      | 22.7%                         | 21.2%  | 11.1%                                      | 17.6%                              | 12.5%                 | 17.8%       | 17.4%     | 14.0%                 |
|            | Unchanged                             | 21.1%                             | 50.0%                | 25.4%         | 34.2%        | 35.0%                      | 25.0%                         | 26.9%  | 27.8%                                      | 36.8%                              | 37.5%                 | 35.6%       | 39.1%     | 31.4%                 |
|            | Decrease 1%-5%                        | 10.5%                             | 0.0%                 | 11.1%         | 2.7%         | 3.3%                       | 6.8%                          | 1.9%   | 5.6%                                       | 2.9%                               | 6.3%                  | 2.2%        | 0.0%      | 5.1%                  |
|            | Decrease 6%-10%                       | 0.0%                              | 0.0%                 | 2.4%          | 1.4%         | 2.5%                       | 0.0%                          | 0.0%   | 5.6%                                       | 1.5%                               | 6.3%                  | 2.2%        | 0.0%      | 1.8%                  |
|            | Decrease >10%                         | 0.0%                              | 0.0%                 | 0.8%          | 2.7%         | 3.3%                       | 0.0%                          | 0.0%   | 0.0%                                       | 1.5%                               | 0.0%                  | 4.4%        | 0.0%      | 1.7%                  |
|            | <b>Sample size (n)</b>                | <b>19</b>                         | <b>2</b>             | <b>126</b>    | <b>73</b>    | <b>120</b>                 | <b>44</b>                     | <b>52</b>  | <b>18</b>                                  | <b>68</b>                          | <b>16</b>             | <b>45</b>   | <b>23</b> | <b>606</b>            |
| <b>ii</b>  | <b>Imported</b>                       |                                   |                      |               |              |                            |                               |  |  |                                    |                       |             |           |                       |
|            | Increase 1%-5%                        | 26.7%                             | 0.0%                 | 28.7%         | 25.9%        | 33.3%                      | 26.2%                         | 21.4%  | 43.8%                                      | 23.0%                              | 13.3%                 | 22.9%       | 23.8%     | 27.1%                 |
|            | Increase 6%-10%                       | 13.3%                             | 0.0%                 | 15.7%         | 13.0%        | 10.8%                      | 14.3%                         | 21.4%  | 18.8%                                      | 16.4%                              | 20.0%                 | 14.3%       | 23.8%     | 15.2%                 |
|            | Increase >10%                         | 6.7%                              | 0.0%                 | 9.3%          | 11.1%        | 13.7%                      | 26.2%                         | 26.2%  | 6.3%                                       | 18.0%                              | 13.3%                 | 14.3%       | 23.8%     | 15.0%                 |
|            | Unchanged                             | 33.3%                             | 100.0%               | 32.4%         | 40.7%        | 33.3%                      | 23.8%                         | 31.0%  | 25.0%                                      | 36.1%                              | 40.0%                 | 40.0%       | 28.6%     | 33.7%                 |
|            | Decrease 1%-5%                        | 13.3%                             | 0.0%                 | 11.1%         | 1.9%         | 4.9%                       | 7.1%                          | 0.0%   | 0.0%                                       | 3.3%                               | 6.7%                  | 2.9%        | 0.0%      | 5.3%                  |
|            | Decrease 6%-10%                       | 6.7%                              | 0.0%                 | 2.8%          | 3.7%         | 2.0%                       | 0.0%                          | 0.0%   | 6.3%                                       | 1.6%                               | 6.7%                  | 0.0%        | 0.0%      | 2.1%                  |
|            | Decrease >10%                         | 0.0%                              | 0.0%                 | 0.0%          | 3.7%         | 2.0%                       | 2.4%                          | 0.0%   | 0.0%                                       | 1.6%                               | 0.0%                  | 5.7%        | 0.0%      | 1.6%                  |
|            | <b>Sample size (n)</b>                | <b>15</b>                         | <b>2</b>             | <b>108</b>    | <b>54</b>    | <b>102</b>                 | <b>42</b>                     | <b>42</b>  | <b>16</b>                                  | <b>61</b>                          | <b>15</b>             | <b>35</b>   | <b>21</b> | <b>513</b>            |

|                                  |  | 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       | 2ND HALF-YEAR OF 2019 |
|----------------------------------|--|-----------------------------------|----------------------|---------------|--------------|----------------------------|-------------------------------|--|--|------------------------------------|-----------------------|-------------|-----------|-----------------------|
| <b>VI</b>                        | <b>Manpower</b>  |                                   |                      |               |              |                            |                               |  |  |                                    |                       |             |           |                       |
| <b>i</b>                         | <b>Number of employees</b>   |                                   |                      |               |              |                            |                               |  |  |                                    |                       |             |           |                       |
|                                  | Increase 1-5   | 19.0%                             | 0.0%                 | 16.9%         | 10.1%        | 16.3%                      | 24.6%                         | 22.2%  | 17.9%                                      | 29.2%                              | 23.3%                 | 15.7%       | 23.7%     | 19.4%                 |
|                                  | Increase 6-10  | 14.3%                             | 0.0%                 | 15.4%         | 6.7%         | 4.8%                       | 9.8%                          | 6.3%   | 7.1%                                       | 8.3%                               | 16.7%                 | 7.8%        | 7.9%      | 8.9%                  |
|                                  | Increase >10   | 14.3%                             | 0.0%                 | 6.9%          | 1.1%         | 3.0%                       | 4.9%                          | 9.5%   | 3.6%                                       | 1.7%                               | 13.3%                 | 7.8%        | 5.3%      | 5.0%                  |
|                                  | Unchanged  | 42.9%                             | 100.0%               | 45.4%         | 58.4%        | 62.7%                      | 55.7%                         | 52.4%  | 57.1%                                      | 51.7%                              | 46.7%                 | 60.8%       | 47.4%     | 54.4%                 |
|                                  | Decrease 1-5   | 9.5%                              | 0.0%                 | 11.5%         | 14.6%        | 9.6%                       | 1.6%                          | 3.2%   | 3.6%                                       | 5.8%                               | 0.0%                  | 7.8%        | 10.5%     | 8.1%                  |
|                                  | Decrease 6-10  | 0.0%                              | 0.0%                 | 3.8%          | 0.0%         | 0.6%                       | 3.3%                          | 3.2%   | 10.7%                                      | 0.8%                               | 0.0%                  | 0.0%        | 2.6%      | 1.9%                  |
|                                  | Decrease >10   | 0.0%                              | 0.0%                 | 0.0%          | 9.0%         | 3.0%                       | 0.0%                          | 3.2%   | 0.0%                                       | 2.5%                               | 0.0%                  | 0.0%        | 2.6%      | 2.4%                  |
|                                  | <b>Sample size (n)</b>   | <b>21</b>                         | <b>3</b>             | <b>130</b>    | <b>89</b>    | <b>166</b>                 | <b>61</b>                     | <b>63</b>  | <b>28</b>                                  | <b>120</b>                         | <b>30</b>             | <b>51</b>   | <b>38</b> | <b>800</b>            |
| <b>ii</b>                        | <b>Wage growth</b>   |                                   |                      |               |              |                            |                               |  |  |                                    |                       |             |           |                       |
|                                  | Increase 1%-5%   | 33.3%                             | 0.0%                 | 30.1%         | 26.5%        | 37.0%                      | 30.5%                         | 26.2%  | 25.9%                                      | 32.8%                              | 27.6%                 | 26.0%       | 26.5%     | 30.5%                 |
|                                  | Increase 6%-10%  | 0.0%                              | 33.3%                | 18.7%         | 13.3%        | 11.7%                      | 13.6%                         | 19.7%  | 25.9%                                      | 13.8%                              | 20.7%                 | 16.0%       | 8.8%      | 14.9%                 |
|                                  | Increase >10%  | 22.2%                             | 0.0%                 | 10.6%         | 4.8%         | 8.4%                       | 10.2%                         | 11.5%  | 3.7%                                       | 6.9%                               | 13.8%                 | 12.0%       | 14.7%     | 9.4%                  |
|                                  | Unchanged  | 33.3%                             | 66.7%                | 34.1%         | 45.8%        | 38.3%                      | 44.1%                         | 41.0%  | 25.9%                                      | 39.7%                              | 34.5%                 | 44.0%       | 44.1%     | 39.4%                 |
|                                  | Decrease 1%-5%   | 11.1%                             | 0.0%                 | 4.9%          | 1.2%         | 3.2%                       | 1.7%                          | 1.6%   | 11.1%                                      | 4.3%                               | 3.4%                  | 2.0%        | 5.9%      | 3.7%                  |
|                                  | Decrease 6%-10%  | 0.0%                              | 0.0%                 | 1.6%          | 0.0%         | 0.6%                       | 0.0%                          | 0.0%   | 7.4%                                       | 0.0%                               | 0.0%                  | 0.0%        | 0.0%      | 0.7%                  |
|                                  | Decrease >10%  | 0.0%                              | 0.0%                 | 0.0%          | 8.4%         | 0.6%                       | 0.0%                          | 0.0%   | 0.0%                                       | 2.6%                               | 0.0%                  | 0.0%        | 0.0%      | 1.5%                  |
|                                  | <b>Sample size (n)</b>   | <b>18</b>                         | <b>3</b>             | <b>123</b>    | <b>83</b>    | <b>154</b>                 | <b>59</b>                     | <b>61</b>  | <b>27</b>                                  | <b>116</b>                         | <b>29</b>             | <b>50</b>   | <b>34</b> | <b>757</b>            |
| <b>VI</b>                        | <b>Others</b>  |                                   |                      |               |              |                            |                               |  |  |                                    |                       |             |           |                       |
| <b>i</b>                         | <b>Capital expenditure</b>   |                                   |                      |               |              |                            |                               |  |  |                                    |                       |             |           |                       |
|                                  | Increase 1%-5%   | 31.6%                             | 66.7%                | 23.6%         | 20.8%        | 30.1%                      | 18.0%                         | 29.6%  | 21.7%                                      | 27.1%                              | 27.3%                 | 21.3%       | 10.0%     | 24.9%                 |
|                                  | Increase 6%-10%  | 5.3%                              | 0.0%                 | 17.9%         | 19.4%        | 16.2%                      | 18.0%                         | 14.8%  | 8.7%                                       | 10.4%                              | 18.2%                 | 10.6%       | 20.0%     | 15.3%                 |
|                                  | Increase >10%  | 31.6%                             | 0.0%                 | 14.6%         | 18.1%        | 11.8%                      | 14.0%                         | 18.5%  | 13.0%                                      | 13.5%                              | 13.6%                 | 21.3%       | 6.7%      | 15.0%                 |
|                                  | Unchanged  | 26.3%                             | 33.3%                | 36.6%         | 38.9%        | 38.2%                      | 50.0%                         | 35.2%  | 47.8%                                      | 43.8%                              | 36.4%                 | 42.6%       | 60.0%     | 40.6%                 |
|                                  | Decrease 1%-5%   | 5.3%                              | 0.0%                 | 5.7%          | 1.4%         | 0.7%                       | 0.0%                          | 1.9%   | 4.3%                                       | 2.1%                               | 0.0%                  | 4.3%        | 3.3%      | 2.5%                  |
|                                  | Decrease 6%-10%  | 0.0%                              | 0.0%                 | 0.0%          | 0.0%         | 0.7%                       | 0.0%                          | 0.0%   | 4.3%                                       | 2.1%                               | 0.0%                  | 0.0%        | 0.0%      | 0.6%                  |
|                                  | Decrease >10%  | 0.0%                              | 0.0%                 | 1.6%          | 1.4%         | 2.2%                       | 0.0%                          | 0.0%   | 0.0%                                       | 1.0%                               | 4.5%                  | 0.0%        | 0.0%      | 1.2%                  |
|                                  | <b>Sample size (n)</b>   | <b>19</b>                         | <b>3</b>             | <b>123</b>    | <b>72</b>    | <b>136</b>                 | <b>50</b>                     | <b>54</b>  | <b>23</b>                                  | <b>96</b>                          | <b>22</b>             | <b>47</b>   | <b>30</b> | <b>675</b>            |
| <b>Section C: Current Issues</b> |  |                                   |                      |               |              |                            |                               |  |  |                                    |                       |             |           |                       |
| <b>C1</b>                        | <b>Digital Transformation and Industry 4.0</b>   |                                   |                      |               |              |                            |                               |  |  |                                    |                       |             |           |                       |
| <b>I</b>                         | <b>General</b>   |                                   |                      |               |              |                            |                               |  |  |                                    |                       |             |           |                       |
|                                  | <b>a) Do you believe that the digital transformation to Industry 4.0 could boost the industry's and Malaysia's global competitiveness?</b>         |                                   |                      |               |              |                            |                               |  |  |                                    |                       |             |           |                       |
|                                  | Completely disagree  | 0.0%                              | 0.0%                 | 1.5%          | 1.1%         | 6.0%                       | 1.6%                          | 3.0%   | 0.0%                                       | 3.1%                               | 5.3%                  | 5.4%        | 2.2%      | 3.1%                  |
|                                  | Disagree   | 19.0%                             | 66.7%                | 8.3%          | 16.1%        | 15.6%                      | 15.9%                         | 13.4%  | 16.7%                                      | 5.3%                               | 7.9%                  | 8.9%        | 6.5%      | 11.8%                 |
|                                  | Neutral  | 19.0%                             | 0.0%                 | 35.6%         | 37.9%        | 34.1%                      | 33.3%                         | 47.8%  | 40.0%                                      | 27.5%                              | 26.3%                 | 35.7%       | 32.6%     | 34.1%                 |
|                                  | Agree  | 28.6%                             | 33.3%                | 34.8%         | 39.1%        | 31.1%                      | 25.4%                         | 29.9%  | 23.3%                                      | 37.4%                              | 39.5%                 | 23.2%       | 15.2%     | 31.6%                 |
|                                  | Completely agree   | 33.3%                             | 0.0%                 | 19.7%         | 5.7%         | 13.2%                      | 23.8%                         | 6.0%   | 20.0%                                      | 26.7%                              | 21.1%                 | 26.8%       | 43.5%     | 19.4%                 |
|                                  | <b>Sample size (n)</b>   | <b>21</b>                         | <b>3</b>             | <b>132</b>    | <b>87</b>    | <b>167</b>                 | <b>63</b>                     | <b>67</b>  | <b>30</b>                                  | <b>131</b>                         | <b>38</b>             | <b>56</b>   | <b>46</b> | <b>841</b>            |
|                                  | <b>b) How strongly your company feeling the impact of digitalisation and Industry 4.0?</b>   |                                   |                      |               |              |                            |                               |  |  |                                    |                       |             |           |                       |
|                                  | No impact  | 23.8%                             | 33.3%                | 4.5%          | 5.7%         | 7.8%                       | 3.2%                          | 3.0%   | 10.0%                                      | 4.5%                               | 5.3%                  | 7.1%        | 8.7%      | 6.3%                  |
|                                  | Slight impact  | 23.8%                             | 0.0%                 | 12.1%         | 23.0%        | 15.6%                      | 22.2%                         | 17.9%  | 16.7%                                      | 11.4%                              | 5.3%                  | 14.3%       | 4.3%      | 14.8%                 |
|                                  | Moderate impact  | 23.8%                             | 33.3%                | 36.4%         | 43.7%        | 47.3%                      | 36.5%                         | 53.7%  | 40.0%                                      | 37.1%                              | 44.7%                 | 37.5%       | 26.1%     | 40.5%                 |
|                                  | Impactful  | 14.3%                             | 33.3%                | 35.6%         | 19.5%        | 19.8%                      | 25.4%                         | 19.4%  | 20.0%                                      | 30.3%                              | 31.6%                 | 23.2%       | 32.6%     | 25.7%                 |
|                                  | Substantial impact   | 14.3%                             | 0.0%                 | 11.4%         | 8.0%         | 9.6%                       | 12.7%                         | 6.0%   | 13.3%                                      | 16.7%                              | 13.2%                 | 17.9%       | 28.3%     | 12.7%                 |
|                                  | <b>Sample size (n)</b>   | <b>21</b>                         | <b>3</b>             | <b>132</b>    | <b>87</b>    | <b>167</b>                 | <b>63</b>                     | <b>67</b>  | <b>30</b>                                  | <b>132</b>                         | <b>38</b>             | <b>56</b>   | <b>46</b> | <b>842</b>            |
|                                  | <b>c) What are the problems faced when embracing/adopting digital transformation and industry 4.0 in Malaysia? (dummy variables)</b>               |                                   |                      |               |              |                            |                               |  |  |                                    |                       |             |           |                       |
|                                  | Lack of platform and mechanism to assist firms for assessing and developing their capabilities   | 72.7%                             | 66.7%                | 61.2%         | 60.4%        | 64.0%                      | 62.3%                         | 51.5%  | 62.5%                                      | 61.2%                              | 55.3%                 | 51.8%       | 63.8%     | 60.6%                 |
|                                  | Weak connectivity in and between industries, education and training hubs   | 45.5%                             | 33.3%                | 61.9%         | 54.9%        | 51.7%                      | 57.4%                         | 45.5%  | 53.1%                                      | 53.0%                              | 65.8%                 | 62.5%       | 57.4%     | 55.3%                 |
|                                  | Weak ecosystem and inefficient digital infrastructure  | 54.5%                             | 33.3%                | 49.3%         | 44.0%        | 49.4%                      | 39.3%                         | 39.4%  | 53.1%                                      | 40.3%                              | 57.9%                 | 46.4%       | 63.8%     | 47.1%                 |
|                                  | Lack of clear standards for equipment or systems that support local and global interoperability  | 54.5%                             | 100.0%               | 52.2%         | 65.9%        | 67.4%                      | 60.7%                         | 66.7%  | 62.5%                                      | 52.2%                              | 55.3%                 | 67.9%       | 48.9%     | 60.0%                 |
|                                  | No specific financial support and incentives for different industries  | 72.7%                             | 33.3%                | 53.7%         | 58.2%        | 48.8%                      | 49.2%                         | 43.9%  | 40.6%                                      | 50.0%                              | 71.1%                 | 58.9%       | 61.7%     | 53.0%                 |
|                                  | <b>Sample size (n)</b>   | <b>22</b>                         | <b>3</b>             | <b>134</b>    | <b>91</b>    | <b>172</b>                 | <b>61</b>                     | <b>66</b>  | <b>32</b>                                  | <b>134</b>                         | <b>38</b>             | <b>56</b>   | <b>47</b> | <b>856</b>            |
| <b>II</b>                        | <b>At Company Level</b>  |                                   |                      |               |              |                            |                               |  |  |                                    |                       |             |           |                       |
|                                  | <b>d) If your company remains status quo, will your company impact by the disruption of digitalisation and Industry 4.0 over the next 3 years?</b> |                                   |                      |               |              |                            |                               |  |  |                                    |                       |             |           |                       |
|                                  | Absolutely "Yes"   | 4.5%                              | 33.3%                | 33.8%         | 25.6%        | 26.7%                      | 28.6%                         | 23.9%  | 15.6%                                      | 39.8%                              | 34.2%                 | 30.4%       | 31.9%     | 29.6%                 |
|                                  | Marginal impact but manageable   | 50.0%                             | 0.0%                 | 48.9%         | 50.0%        | 43.6%                      | 39.7%                         | 38.8%  | 50.0%                                      | 38.3%                              | 36.8%                 | 39.3%       | 31.9%     | 42.6%                 |
|                                  | No, business as usual  | 31.8%                             | 33.3%                | 9.8%          | 17.8%        | 16.9%                      | 15.9%                         | 28.4%  | 21.9%                                      | 13.5%                              | 7.9%                  | 17.9%       | 19.1%     | 16.6%                 |
|                                  | Not applicable/Not relevant  | 13.6%                             | 33.3%                | 7.5%          | 6.7%         | 12.8%                      | 15.9%                         | 9.0%   | 12.5%                                      | 8.3%                               | 21.1%                 | 12.5%       | 17.0%     | 11.2%                 |
|                                  | <b>Sample size (n)</b>   | <b>22</b>                         | <b>3</b>             | <b>133</b>    | <b>90</b>    | <b>172</b>                 | <b>63</b>                     | <b>67</b>  | <b>32</b>                                  | <b>133</b>                         | <b>38</b>             | <b>56</b>   | <b>47</b> | <b>856</b>            |
|                                  | <b>e) Have your company implemented digital transformation and Industry 4.0?</b>   |                                   |                      |               |              |                            |                               |  |  |                                    |                       |             |           |                       |
|                                  | Yes  | 9.1%                              | 0.0%                 | 26.5%         | 7.7%         | 18.0%                      | 27.4%                         | 26.9%  | 22.6%                                      | 24.8%                              | 34.2%                 | 19.6%       | 40.4%     | 22.6%                 |
|                                  | No   | 59.1%                             | 66.7%                | 62.9%         | 73.6%        | 61.6%                      | 53.2%                         | 59.7%  | 54.8%                                      | 45.9%                              | 28.9%                 | 60.7%       | 21.3%     | 55.9%                 |
|                                  | Not applicable/Not relevant  | 31.8%                             | 33.3%                | 10.6%         | 18.7%        | 20.3%                      | 19.4%                         | 13.4%  | 22.6%                                      | 29.3%                              | 36.8%                 | 19.6%       | 38.3%     | 21.5%                 |
|                                  | <b>Sample size (n)</b>   | <b>22</b>                         | <b>3</b>             | <b>132</b>    | <b>91</b>    | <b>172</b>                 | <b>62</b>                     | <b>67</b>  | <b>31</b>                                  | <b>133</b>                         | <b>38</b>             | <b>56</b>   | <b>47</b> | <b>854</b>            |
|                                  | <b>e1) Which business segments in your company have undergone the most and least transformation as part of Industry 4.0?</b>                       |                                   |                      |               |              |                            |                               |  |  |                                    |                       |             |           |                       |
|                                  | <b>1. Research and development</b>   |                                   |                      |               |              |                            |                               |  |  |                                    |                       |             |           |                       |
|                                  | No transformation  | 0.0%                              | 0.0%                 | 26.3%         | 33.3%        | 48.0%                      | 23.5%                         | 25.0%  | 0.0%                                       | 27.6%                              | 25.0%                 | 27.3%       | 35.0%     | 29.3%                 |
|                                  | Slightly transformed   | 0.0%                              | 0.0%                 | 28.9%         | 16.7%        | 20.0%                      | 29.4%                         | 18.8%  | 40.0%                                      | 10.3%                              | 16.7%                 | 18.2%       | 15.0%     | 20.4%                 |
|                                  | Moderately transformed   | 0.0%                              | 0.0%                 | 15.8%         | 50.0%        | 20.0%                      | 23.5%                         | 37.5%  | 60.0%                                      | 24.1%                              | 41.7%                 | 36.4%       | 5.0%      | 24.3%                 |
|                                  | Highly transformed   | 50.0%                             | 0.0%                 | 23.7%         | 0.0%         | 8.0%                       | 23.5%                         | 6.3%   | 0.0%                                       | 27.6%                              | 8.3%                  | 18.2%       | 35.0%     | 19.3%                 |
|                                  | Strongly transformed   | 50.0%                             | 0.0%                 | 5.3%          | 0.0%         | 4.0%                       | 0.0%                          | 12.5%  | 0.0%                                       | 10.3%                              | 8.3%                  | 0.0%        | 10.0%     | 6.6%                  |
|                                  | <b>Sample size (n)</b>   | <b>2</b>                          | <b>0</b>             | <b>38</b>     | <b>6</b>     | <b>25</b>                  | <b>17</b>                     | <b>16</b>  | <b>5</b>                                   | <b>29</b>                          | <b>12</b>             | <b>11</b>   | <b>20</b> | <b>181</b>            |

|   |        | 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   | 2ND HALF-YEAR OF 2019 |
|---|--------|-----------------------------------|----------------------|---------------|--------------|----------------------------|-------------------------------|--|--|------------------------------------|-----------------------|-------------|-------|-----------------------|
| <b>2. Procurement and purchasing</b>  |        |                                   |                      |               |              |                            |                               |  |  |                                    |                       |             |       |                       |
| No transformation   | 0.0%   | 0.0%                              | 19.4%                | 0.0%          | 28.0%        | 11.8%                      | 26.7%                         | 0.0%   | 17.9%                                      | 25.0%                              | 18.2%                 | 40.0%       | 21.2% |                       |
| Slightly transformed  | 0.0%   | 0.0%                              | 30.6%                | 14.3%         | 28.0%        | 41.2%                      | 20.0%                         | 50.0%  | 28.6%                                      | 25.0%                              | 36.4%                 | 5.0%        | 26.8% |                       |
| Moderately transformed  | 100.0% | 0.0%                              | 25.0%                | 42.9%         | 24.0%        | 11.8%                      | 33.3%                         | 16.7%  | 21.4%                                      | 41.7%                              | 27.3%                 | 20.0%       | 25.7% |                       |
| Highly transformed  | 0.0%   | 0.0%                              | 19.4%                | 42.9%         | 16.0%        | 35.3%                      | 6.7%                          | 33.3%  | 21.4%                                      | 0.0%                               | 18.2%                 | 15.0%       | 19.0% |                       |
| Strongly transformed  | 0.0%   | 0.0%                              | 5.6%                 | 0.0%          | 4.0%         | 0.0%                       | 13.3%                         | 0.0%   | 10.7%                                      | 8.3%                               | 0.0%                  | 20.0%       | 7.3%  |                       |
| Sample size (n)   | 2      | 0                                 | 36                   | 7             | 25           | 17                         | 15                            | 6  | 28   | 12                                 | 11                    | 20          | 179   |                       |
| <b>3. Production</b>  |        |                                   |                      |               |              |                            |                               |  |  |                                    |                       |             |       |                       |
| No transformation   | 50.0%  | 0.0%                              | 8.3%                 | 40.0%         | 41.7%        | 12.5%                      | 25.0%                         | 20.0%  | 27.6%                                      | 27.3%                              | 36.4%                 | 45.0%       | 26.9% |                       |
| Slightly transformed  | 50.0%  | 0.0%                              | 16.7%                | 20.0%         | 37.5%        | 43.8%                      | 18.8%                         | 40.0%  | 24.1%                                      | 27.3%                              | 18.2%                 | 15.0%       | 25.1% |                       |
| Moderately transformed  | 0.0%   | 0.0%                              | 38.9%                | 40.0%         | 12.5%        | 25.0%                      | 37.5%                         | 20.0%  | 10.3%                                      | 45.5%                              | 27.3%                 | 15.0%       | 25.1% |                       |
| Highly transformed  | 0.0%   | 0.0%                              | 30.6%                | 0.0%          | 4.2%         | 18.8%                      | 12.5%                         | 20.0%  | 24.1%                                      | 0.0%                               | 9.1%                  | 10.0%       | 16.0% |                       |
| Strongly transformed  | 0.0%   | 0.0%                              | 5.6%                 | 0.0%          | 4.2%         | 0.0%                       | 6.3%                          | 0.0%   | 13.8%                                      | 0.0%                               | 9.1%                  | 15.0%       | 6.9%  |                       |
| Sample size (n)   | 2      | 0                                 | 36                   | 5             | 24           | 16                         | 16                            | 5  | 29   | 11                                 | 11                    | 20          | 175   |                       |
| <b>4. Warehousing and logistics</b>   |        |                                   |                      |               |              |                            |                               |  |  |                                    |                       |             |       |                       |
| No transformation   | 50.0%  | 0.0%                              | 5.9%                 | 0.0%          | 24.0%        | 0.0%                       | 25.0%                         | 0.0%   | 20.7%                                      | 27.3%                              | 30.0%                 | 47.6%       | 19.8% |                       |
| Slightly transformed  | 50.0%  | 0.0%                              | 14.7%                | 16.7%         | 28.0%        | 41.2%                      | 18.8%                         | 16.7%  | 24.1%                                      | 45.5%                              | 30.0%                 | 9.5%        | 23.7% |                       |
| Moderately transformed  | 0.0%   | 0.0%                              | 44.1%                | 83.3%         | 12.0%        | 29.4%                      | 37.5%                         | 33.3%  | 17.2%                                      | 27.3%                              | 20.0%                 | 33.3%       | 29.9% |                       |
| Highly transformed  | 0.0%   | 0.0%                              | 26.5%                | 0.0%          | 32.0%        | 29.4%                      | 12.5%                         | 33.3%  | 20.7%                                      | 0.0%                               | 10.0%                 | 9.5%        | 19.8% |                       |
| Strongly transformed  | 0.0%   | 0.0%                              | 8.8%                 | 0.0%          | 4.0%         | 0.0%                       | 6.3%                          | 16.7%  | 17.2%                                      | 0.0%                               | 10.0%                 | 0.0%        | 6.8%  |                       |
| Sample size (n)   | 2      | 0                                 | 34                   | 6             | 25           | 17                         | 16                            | 6  | 29   | 11                                 | 10                    | 21          | 177   |                       |
| <b>5. Marketing</b>   |        |                                   |                      |               |              |                            |                               |  |  |                                    |                       |             |       |                       |
| No transformation   | 0.0%   | 0.0%                              | 13.9%                | 0.0%          | 22.2%        | 0.0%                       | 18.8%                         | 0.0%   | 13.8%                                      | 7.7%                               | 27.3%                 | 10.0%       | 12.9% |                       |
| Slightly transformed  | 0.0%   | 0.0%                              | 19.4%                | 14.3%         | 29.6%        | 27.8%                      | 12.5%                         | 14.3%  | 13.8%                                      | 30.8%                              | 18.2%                 | 5.0%        | 18.8% |                       |
| Moderately transformed  | 50.0%  | 0.0%                              | 36.1%                | 42.9%         | 18.5%        | 33.3%                      | 31.3%                         | 57.1%  | 24.1%                                      | 7.7%                               | 45.5%                 | 45.0%       | 31.7% |                       |
| Highly transformed  | 0.0%   | 0.0%                              | 22.2%                | 42.9%         | 25.9%        | 33.3%                      | 18.8%                         | 28.6%  | 27.6%                                      | 38.5%                              | 9.1%                  | 25.0%       | 25.8% |                       |
| Strongly transformed  | 50.0%  | 0.0%                              | 8.3%                 | 0.0%          | 3.7%         | 5.6%                       | 18.8%                         | 0.0%   | 20.7%                                      | 15.4%                              | 0.0%                  | 15.0%       | 10.8% |                       |
| Sample size (n)   | 2      | 0                                 | 36                   | 7             | 27           | 18                         | 16                            | 7  | 29   | 13                                 | 11                    | 20          | 186   |                       |
| <b>6. Sales</b>   |        |                                   |                      |               |              |                            |                               |  |  |                                    |                       |             |       |                       |
| No transformation   | 0.0%   | 0.0%                              | 8.3%                 | 0.0%          | 23.1%        | 0.0%                       | 11.8%                         | 0.0%   | 10.7%                                      | 7.7%                               | 36.4%                 | 10.0%       | 11.4% |                       |
| Slightly transformed  | 0.0%   | 0.0%                              | 19.4%                | 14.3%         | 26.9%        | 27.8%                      | 0.0%                          | 28.6%  | 21.4%                                      | 30.8%                              | 27.3%                 | 10.0%       | 20.0% |                       |
| Moderately transformed  | 50.0%  | 0.0%                              | 38.9%                | 57.1%         | 23.1%        | 33.3%                      | 47.1%                         | 42.9%  | 25.0%                                      | 7.7%                               | 27.3%                 | 30.0%       | 31.9% |                       |
| Highly transformed  | 0.0%   | 0.0%                              | 25.0%                | 28.6%         | 19.2%        | 33.3%                      | 29.4%                         | 28.6%  | 21.4%                                      | 38.5%                              | 9.1%                  | 30.0%       | 25.4% |                       |
| Strongly transformed  | 50.0%  | 0.0%                              | 8.3%                 | 0.0%          | 7.7%         | 5.6%                       | 11.8%                         | 0.0%   | 21.4%                                      | 15.4%                              | 0.0%                  | 20.0%       | 11.4% |                       |
| Sample size (n)   | 2      | 0                                 | 36                   | 7             | 26           | 18                         | 17                            | 7  | 28   | 13                                 | 11                    | 20          | 185   |                       |
| <b>7. Services</b>  |        |                                   |                      |               |              |                            |                               |  |  |                                    |                       |             |       |                       |
| No transformation   | 0.0%   | 0.0%                              | 14.3%                | 0.0%          | 25.0%        | 5.6%                       | 20.0%                         | 0.0%   | 9.4%                                       | 7.7%                               | 27.3%                 | 19.0%       | 14.1% |                       |
| Slightly transformed  | 0.0%   | 0.0%                              | 25.7%                | 0.0%          | 33.3%        | 27.8%                      | 13.3%                         | 14.3%  | 15.6%                                      | 23.1%                              | 9.1%                  | 4.8%        | 18.9% |                       |
| Moderately transformed  | 100.0% | 0.0%                              | 31.4%                | 57.1%         | 20.8%        | 33.3%                      | 46.7%                         | 28.6%  | 34.4%                                      | 15.4%                              | 45.5%                 | 23.8%       | 32.4% |                       |
| Highly transformed  | 0.0%   | 0.0%                              | 20.0%                | 28.6%         | 8.3%         | 27.8%                      | 13.3%                         | 42.9%  | 25.0%                                      | 38.5%                              | 18.2%                 | 23.8%       | 22.2% |                       |
| Strongly transformed  | 0.0%   | 0.0%                              | 8.6%                 | 14.3%         | 12.5%        | 5.6%                       | 6.7%                          | 14.3%  | 15.6%                                      | 15.4%                              | 0.0%                  | 28.6%       | 12.4% |                       |
| Sample size (n)   | 2      | 0                                 | 35                   | 7             | 24           | 18                         | 15                            | 7  | 32   | 13                                 | 11                    | 21          | 185   |                       |
| <b>8. Internal company administration</b>   |        |                                   |                      |               |              |                            |                               |  |  |                                    |                       |             |       |                       |
| No transformation   | 0.0%   | 0.00%                             | 11.4%                | 0.0%          | 20.0%        | 0.0%                       | 17.6%                         | 0.0%   | 9.4%                                       | 0.0%                               | 27.3%                 | 15.0%       | 11.3% |                       |
| Slightly transformed  | 0.0%   | 0.00%                             | 25.7%                | 28.6%         | 40.0%        | 29.4%                      | 17.6%                         | 14.3%  | 21.9%                                      | 30.8%                              | 27.3%                 | 10.0%       | 24.7% |                       |
| Moderately transformed  | 50.0%  | 0.00%                             | 20.0%                | 57.1%         | 20.0%        | 23.5%                      | 41.2%                         | 0.0%   | 28.1%                                      | 30.8%                              | 36.4%                 | 35.0%       | 28.0% |                       |
| Highly transformed  | 0.0%   | 0.00%                             | 25.7%                | 14.3%         | 12.0%        | 47.1%                      | 17.6%                         | 71.4%  | 28.1%                                      | 23.1%                              | 9.1%                  | 30.0%       | 25.8% |                       |
| Strongly transformed  | 50.0%  | 0.00%                             | 17.1%                | 0.0%          | 8.0%         | 0.0%                       | 5.9%                          | 14.3%  | 12.5%                                      | 15.4%                              | 0.0%                  | 10.0%       | 10.2% |                       |
| Sample size (n)   | 2      | 0                                 | 35                   | 7             | 25           | 17                         | 17                            | 7  | 32   | 13                                 | 11                    | 20          | 186   |                       |
| <b>e2) Which business segments in your company have greater potential to benefit from Industry 4.0?</b> |        |                                   |                      |               |              |                            |                               |  |  |                                    |                       |             |       |                       |
| <b>1. Research and development</b>  |        |                                   |                      |               |              |                            |                               |  |  |                                    |                       |             |       |                       |
| No potential  | 0.0%   | 0.0%                              | 17.1%                | 16.7%         | 20.8%        | 13.3%                      | 20.0%                         | 20.0%  | 17.2%                                      | 18.2%                              | 30.0%                 | 35.0%       | 20.5% |                       |
| Little potential  | 0.0%   | 0.0%                              | 22.9%                | 33.3%         | 37.5%        | 20.0%                      | 33.3%                         | 20.0%  | 13.8%                                      | 27.3%                              | 10.0%                 | 0.0%        | 21.1% |                       |
| Moderate potential  | 0.0%   | 0.0%                              | 22.9%                | 16.7%         | 20.8%        | 33.3%                      | 20.0%                         | 60.0%  | 24.1%                                      | 18.2%                              | 10.0%                 | 30.0%       | 24.0% |                       |
| High potential  | 0.0%   | 0.0%                              | 25.7%                | 33.3%         | 16.7%        | 26.7%                      | 13.3%                         | 0.0%   | 31.0%                                      | 9.1%                               | 50.0%                 | 15.0%       | 22.8% |                       |
| Great potential   | 100.0% | 0.0%                              | 11.4%                | 0.0%          | 4.2%         | 6.7%                       | 13.3%                         | 0.0%   | 13.8%                                      | 27.3%                              | 0.0%                  | 20.0%       | 11.7% |                       |
| Sample size (n)   | 1      | 0                                 | 35                   | 6             | 24           | 15                         | 15                            | 5  | 29   | 11                                 | 10                    | 20          | 171   |                       |
| <b>2. Procurement and purchasing</b>  |        |                                   |                      |               |              |                            |                               |  |  |                                    |                       |             |       |                       |
| No potential  | 0.0%   | 0.0%                              | 17.1%                | 16.7%         | 20.8%        | 13.3%                      | 20.0%                         | 20.0%  | 17.2%                                      | 18.2%                              | 30.0%                 | 35.0%       | 20.5% |                       |
| Little potential  | 0.0%   | 0.0%                              | 22.9%                | 33.3%         | 37.5%        | 20.0%                      | 33.3%                         | 20.0%  | 13.8%                                      | 27.3%                              | 10.0%                 | 0.0%        | 21.1% |                       |
| Moderate potential  | 0.0%   | 0.0%                              | 22.9%                | 16.7%         | 20.8%        | 33.3%                      | 20.0%                         | 60.0%  | 24.1%                                      | 18.2%                              | 10.0%                 | 30.0%       | 24.0% |                       |
| High potential  | 0.0%   | 0.0%                              | 25.7%                | 33.3%         | 16.7%        | 26.7%                      | 13.3%                         | 0.0%   | 31.0%                                      | 9.1%                               | 50.0%                 | 15.0%       | 22.8% |                       |
| Great potential   | 100.0% | 0.0%                              | 11.4%                | 0.0%          | 4.2%         | 6.7%                       | 13.3%                         | 0.0%   | 13.8%                                      | 27.3%                              | 0.0%                  | 20.0%       | 11.7% |                       |
| Sample size (n)   | 1      | 0                                 | 35                   | 6             | 25           | 15                         | 15                            | 6  | 28   | 11                                 | 10                    | 19          | 171   |                       |
| <b>3. Production</b>  |        |                                   |                      |               |              |                            |                               |  |  |                                    |                       |             |       |                       |
| No potential  | 100.0% | 0.0%                              | 2.9%                 | 0.0%          | 8.7%         | 6.7%                       | 26.7%                         | 16.7%  | 17.9%                                      | 20.0%                              | 40.0%                 | 42.1%       | 17.5% |                       |
| Little potential  | 0.0%   | 0.0%                              | 8.8%                 | 40.0%         | 43.5%        | 13.3%                      | 20.0%                         | 33.3%  | 21.4%                                      | 30.0%                              | 0.0%                  | 0.0%        | 18.7% |                       |
| Moderate potential  | 0.0%   | 0.0%                              | 29.4%                | 20.0%         | 17.4%        | 60.0%                      | 20.0%                         | 0.0%   | 28.6%                                      | 30.0%                              | 20.0%                 | 26.3%       | 27.1% |                       |
| High potential  | 0.0%   | 0.0%                              | 35.3%                | 40.0%         | 13.0%        | 20.0%                      | 20.0%                         | 50.0%  | 14.3%                                      | 10.0%                              | 40.0%                 | 26.3%       | 24.1% |                       |
| Great potential   | 0.0%   | 0.0%                              | 23.5%                | 0.0%          | 17.4%        | 0.0%                       | 13.3%                         | 0.0%   | 17.9%                                      | 10.0%                              | 0.0%                  | 5.3%        | 12.7% |                       |
| Sample size (n)   | 1      | 0                                 | 34                   | 5             | 23           | 15                         | 15                            | 6  | 28   | 10                                 | 10                    | 19          | 166   |                       |
| <b>4. Warehousing and logistics</b>   |        |                                   |                      |               |              |                            |                               |  |  |                                    |                       |             |       |                       |
| No potential  | 0.0%   | 0.0%                              | 6.1%                 | 16.7%         | 8.0%         | 0.0%                       | 26.7%                         | 0.0%   | 22.2%                                      | 20.0%                              | 30.0%                 | 36.8%       | 16.2% |                       |
| Little potential  | 0.0%   | 0.0%                              | 12.1%                | 0.0%          | 28.0%        | 26.7%                      | 26.7%                         | 33.3%  | 18.5%                                      | 40.0%                              | 20.0%                 | 15.8%       | 21.0% |                       |
| Moderate potential  | 0.0%   | 0.0%                              | 33.3%                | 66.7%         | 16.0%        | 33.3%                      | 20.0%                         | 0.0%   | 14.8%                                      | 20.0%                              | 10.0%                 | 31.6%       | 24.0% |                       |
| High potential  | 0.0%   | 0.0%                              | 36.4%                | 16.7%         | 28.0%        | 40.0%                      | 13.3%                         | 50.0%  | 18.5%                                      | 10.0%                              | 40.0%                 | 10.5%       | 25.7% |                       |
| Great potential   | 100.0% | 0.0%                              | 12.1%                | 0.0%          | 20.0%        | 0.0%                       | 13.3%                         | 16.7%  | 25.9%                                      | 10.0%                              | 0.0%                  | 5.3%        | 13.2% |                       |
| Sample size (n)   | 1      | 0                                 | 33                   | 6             | 25           | 15                         | 15                            | 6  | 27   | 10                                 | 10                    | 19          | 167   |                       |

|   |  | 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   | 2ND HALF-YEAR OF 2019 |
|---|--|-----------------------------------|----------------------|---------------|--------------|----------------------------|-------------------------------|--|--|------------------------------------|-----------------------|-------------|-------|-----------------------|
| <b>5. Marketing</b>   |  |                                   |                      |               |              |                            |                               |  |  |                                    |                       |             |       |                       |
|   | No potential   | 0.0%                              | 0.0%                 | 6.1%          | 20.0%        | 14.8%                      | 0.0%                          | 6.7%   | 14.3%                                      | 10.3%                              | 9.1%                  | 20.0%       | 21.1% | 11.0%                 |
|   | Little potential   | 0.0%                              | 0.0%                 | 18.2%         | 40.0%        | 18.5%                      | 12.5%                         | 20.0%  | 14.3%                                      | 13.8%                              | 27.3%                 | 10.0%       | 5.3%  | 16.2%                 |
|   | Moderate potential   | 0.0%                              | 0.0%                 | 30.3%         | 20.0%        | 33.3%                      | 43.8%                         | 26.7%  | 28.6%                                      | 27.6%                              | 9.1%                  | 10.0%       | 36.8% | 28.9%                 |
|   | High potential   | 0.0%                              | 0.0%                 | 33.3%         | 20.0%        | 18.5%                      | 31.3%                         | 26.7%  | 28.6%                                      | 24.1%                              | 27.3%                 | 50.0%       | 21.1% | 27.2%                 |
|   | Great potential  | 100.0%                            | 0.0%                 | 12.1%         | 0.0%         | 14.8%                      | 12.5%                         | 20.0%  | 14.3%                                      | 24.1%                              | 27.3%                 | 10.0%       | 15.8% | 16.8%                 |
|   | Sample size (n)  | 1                                 | 0                    | 33            | 5            | 27                         | 16                            | 15   | 7  | 29                                 | 11                    | 10          | 19    | 173                   |
| <b>6. Sales</b>   |  |                                   |                      |               |              |                            |                               |  |  |                                    |                       |             |       |                       |
|   | No potential   | 0.0%                              | 0.0%                 | 5.7%          | 16.7%        | 15.4%                      | 0.0%                          | 6.7%   | 14.3%                                      | 10.0%                              | 0.0%                  | 20.0%       | 10.0% | 9.0%                  |
|   | Little potential   | 0.0%                              | 0.0%                 | 17.1%         | 33.3%        | 11.5%                      | 18.8%                         | 13.3%  | 14.3%                                      | 23.3%                              | 27.3%                 | 10.0%       | 5.0%  | 16.4%                 |
|   | Moderate potential   | 0.0%                              | 0.0%                 | 28.6%         | 33.3%        | 34.6%                      | 31.3%                         | 33.3%  | 28.6%                                      | 23.3%                              | 9.1%                  | 10.0%       | 25.0% | 26.6%                 |
|   | High potential   | 0.0%                              | 0.0%                 | 37.1%         | 0.0%         | 23.1%                      | 37.5%                         | 20.0%  | 28.6%                                      | 23.3%                              | 36.4%                 | 50.0%       | 35.0% | 29.9%                 |
|   | Great potential  | 100.0%                            | 0.0%                 | 11.4%         | 16.7%        | 15.4%                      | 12.5%                         | 26.7%  | 14.3%                                      | 20.0%                              | 27.3%                 | 10.0%       | 25.0% | 18.1%                 |
|   | Sample size (n)  | 1                                 | 0                    | 35            | 6            | 26                         | 16                            | 15   | 7  | 30                                 | 11                    | 10          | 20    | 177                   |
| <b>7. Services</b>  |  |                                   |                      |               |              |                            |                               |  |  |                                    |                       |             |       |                       |
|   | No potential   | 100.0%                            | 0.0%                 | 6.1%          | 16.7%        | 12.5%                      | 0.0%                          | 13.3%  | 0.0%                                       | 10.0%                              | 16.7%                 | 30.0%       | 14.3% | 11.4%                 |
|   | Little potential   | 0.0%                              | 0.0%                 | 24.2%         | 0.0%         | 20.8%                      | 6.3%                          | 20.0%  | 28.6%                                      | 23.3%                              | 25.0%                 | 10.0%       | 4.8%  | 17.7%                 |
|   | Moderate potential   | 0.0%                              | 0.0%                 | 30.3%         | 50.0%        | 33.3%                      | 37.5%                         | 26.7%  | 14.3%                                      | 23.3%                              | 8.3%                  | 0.0%        | 23.8% | 25.7%                 |
|   | High potential   | 0.0%                              | 0.0%                 | 24.2%         | 33.3%        | 16.7%                      | 16.7%                         | 20.0%  | 42.9%                                      | 23.3%                              | 25.0%                 | 50.0%       | 33.3% | 28.0%                 |
|   | Great potential  | 0.0%                              | 0.0%                 | 15.2%         | 0.0%         | 16.7%                      | 12.5%                         | 20.0%  | 14.3%                                      | 20.0%                              | 25.0%                 | 10.0%       | 23.8% | 17.1%                 |
|   | Sample size (n)  | 1                                 | 0                    | 33            | 6            | 24                         | 16                            | 15   | 7  | 30                                 | 12                    | 10          | 21    | 175                   |
| <b>8. Internal company administration</b>   |  |                                   |                      |               |              |                            |                               |  |  |                                    |                       |             |       |                       |
|   | No potential   | 0.0%                              | 0.0%                 | 0.0%          | 16.7%        | 4.0%                       | 0.0%                          | 13.3%  | 16.7%                                      | 10.0%                              | 8.3%                  | 20.0%       | 15.0% | 8.0%                  |
|   | Little potential   | 0.0%                              | 0.0%                 | 21.2%         | 33.3%        | 24.0%                      | 6.3%                          | 20.0%  | 16.7%                                      | 13.3%                              | 25.0%                 | 20.0%       | 5.0%  | 17.2%                 |
|   | Moderate potential   | 100.0%                            | 0.0%                 | 18.2%         | 33.3%        | 36.0%                      | 50.0%                         | 26.7%  | 33.3%                                      | 40.0%                              | 16.7%                 | 10.0%       | 35.0% | 31.0%                 |
|   | High potential   | 0.0%                              | 0.0%                 | 39.4%         | 16.7%        | 20.0%                      | 31.3%                         | 20.0%  | 0.0%                                       | 23.3%                              | 25.0%                 | 50.0%       | 30.0% | 27.6%                 |
|   | Great potential  | 0.0%                              | 0.0%                 | 21.2%         | 0.0%         | 16.0%                      | 12.5%                         | 20.0%  | 33.3%                                      | 13.3%                              | 25.0%                 | 0.0%        | 15.0% | 16.1%                 |
|   | Sample size (n)  | 1                                 | 0                    | 33            | 6            | 25                         | 16                            | 15   | 6  | 30                                 | 12                    | 10          | 20    | 174                   |
| <b>f) Have digital transformation and Industry 4.0 helped your company to reduce the dependency of foreign workers?</b>                     |  |                                   |                      |               |              |                            |                               |  |  |                                    |                       |             |       |                       |
|   | Yes, significantly   | 4.5%                              | 0.0%                 | 21.4%         | 18.9%        | 13.5%                      | 7.9%                          | 6.3%   | 12.9%                                      | 13.6%                              | 13.5%                 | 12.7%       | 13.0% | 14.0%                 |
|   | Yes, but not significant   | 36.4%                             | 0.0%                 | 42.0%         | 37.8%        | 22.2%                      | 25.4%                         | 32.8%  | 25.8%                                      | 19.7%                              | 18.9%                 | 29.1%       | 13.0% | 27.8%                 |
|   | No, remained unchanged   | 31.8%                             | 100.0%               | 29.8%         | 35.6%        | 25.7%                      | 27.0%                         | 37.5%  | 38.7%                                      | 31.1%                              | 10.8%                 | 34.5%       | 28.3% | 30.2%                 |
|   | No, do not hire foreign workers  | 27.3%                             | 0.0%                 | 6.9%          | 7.8%         | 38.6%                      | 39.7%                         | 23.4%  | 22.6%                                      | 35.6%                              | 56.8%                 | 23.6%       | 45.7% | 28.0%                 |
|   | Sample size (n)  | 22                                | 3                    | 131           | 90           | 171                        | 63                            | 64   | 31   | 132                                | 37                    | 55          | 46    | 845                   |
| <b>g) What are the factors that restrict your company to adopt automation/digitalisation? (dummy variables)</b>                             |  |                                   |                      |               |              |                            |                               |  |  |                                    |                       |             |       |                       |
|   | Lack of clear understanding on the benefits of automation/digitalisation                   | 27.3%                             | 66.7%                | 30.5%         | 48.9%        | 51.2%                      | 44.3%                         | 40.9%  | 32.3%                                      | 43.9%                              | 36.8%                 | 49.1%       | 31.8% | 42.2%                 |
|   | Unsure about the positive impact and return of investment after incurring high fixed costs | 54.5%                             | 33.3%                | 55.0%         | 57.8%        | 47.1%                      | 45.9%                         | 53.0%  | 48.4%                                      | 38.6%                              | 39.5%                 | 43.6%       | 43.2% | 47.9%                 |
|   | Lack of budget/funding   | 54.5%                             | 100.0%               | 44.3%         | 50.0%        | 54.1%                      | 47.5%                         | 37.9%  | 41.9%                                      | 53.8%                              | 42.1%                 | 57.4%       | 40.9% | 49.0%                 |
|   | Cybersecurity issues   | 18.2%                             | 33.3%                | 19.8%         | 24.4%        | 22.9%                      | 26.2%                         | 24.2%  | 32.3%                                      | 22.0%                              | 39.5%                 | 27.3%       | 31.8% | 24.6%                 |
|   | Lack of skilled and talented workers   | 50.0%                             | 66.7%                | 61.1%         | 58.9%        | 48.8%                      | 49.2%                         | 37.9%  | 35.5%                                      | 35.6%                              | 39.5%                 | 43.6%       | 54.5% | 48.0%                 |
|   | Sample size (n)  | 22                                | 3                    | 131           | 90           | 170                        | 61                            | 66   | 31   | 132                                | 38                    | 55          | 44    | 843                   |
| <b>III Government's Support</b>   |  |                                   |                      |               |              |                            |                               |  |  |                                    |                       |             |       |                       |
| <b>h) What are the issues that your company faced when applying government's loans or grants? (dummy variables)</b>                         |  |                                   |                      |               |              |                            |                               |  |  |                                    |                       |             |       |                       |
|   | Complicated application process  | 50.0%                             | 33.3%                | 55.7%         | 53.4%        | 45.6%                      | 43.3%                         | 47.8%  | 48.4%                                      | 41.8%                              | 44.7%                 | 60.0%       | 53.2% | 48.9%                 |
|   | Unable to meet the standards and requirements  | 63.6%                             | 33.3%                | 32.1%         | 38.6%        | 32.0%                      | 30.0%                         | 49.3%  | 41.9%                                      | 24.6%                              | 34.2%                 | 40.0%       | 38.3% | 34.9%                 |
|   | Time consuming and procedures too long   | 59.1%                             | 33.3%                | 52.7%         | 53.4%        | 44.4%                      | 40.0%                         | 43.3%  | 61.3%                                      | 38.1%                              | 50.0%                 | 49.1%       | 44.7% | 46.7%                 |
|   | No idea which loans or grants are suitable for the company                                 | 50.0%                             | 33.3%                | 37.4%         | 45.5%        | 41.4%                      | 48.3%                         | 44.8%  | 45.2%                                      | 32.1%                              | 42.1%                 | 45.5%       | 66.0% | 42.5%                 |
|   | Not aware of any government's loan or grants   | 31.8%                             | 33.3%                | 35.9%         | 52.3%        | 39.6%                      | 45.0%                         | 47.8%  | 38.7%                                      | 35.8%                              | 31.6%                 | 38.2%       | 44.7% | 40.4%                 |
|   | Not applicable/relevant to my business   | 13.6%                             | 66.7%                | 14.5%         | 43.2%        | 37.3%                      | 26.7%                         | 17.9%  | 25.8%                                      | 32.8%                              | 52.6%                 | 34.5%       | 34.0% | 30.8%                 |
|   | Sample size (n)  | 22                                | 3                    | 131           | 88           | 169                        | 60                            | 67   | 31   | 134                                | 38                    | 55          | 47    | 845                   |
| <b>i) Please rate the urgency of government's support in helping business to implement automation/digitalisation over next 1-3 years.</b>   |  |                                   |                      |               |              |                            |                               |  |  |                                    |                       |             |       |                       |
| <b>1. Pragmatic foreign workers' employment policy while allowing company to have sufficient time to plan for automation/digitalisation</b> |  |                                   |                      |               |              |                            |                               |  |  |                                    |                       |             |       |                       |
|   | Not urgent   | 9.5%                              | 66.7%                | 5.6%          | 10.3%        | 15.7%                      | 11.7%                         | 11.3%  | 13.8%                                      | 20.0%                              | 10.5%                 | 10.9%       | 19.6% | 13.3%                 |
|   | Not so urgent  | 28.6%                             | 33.3%                | 11.2%         | 17.2%        | 20.1%                      | 25.0%                         | 27.4%  | 27.6%                                      | 13.8%                              | 18.4%                 | 14.5%       | 21.7% | 18.5%                 |
|   | Urgent   | 19.0%                             | 0.0%                 | 41.6%         | 40.2%        | 42.1%                      | 36.7%                         | 40.3%  | 37.9%                                      | 38.5%                              | 50.0%                 | 36.4%       | 34.8% | 39.4%                 |
|   | Very urgent  | 9.5%                              | 0.0%                 | 21.6%         | 20.7%        | 12.6%                      | 15.0%                         | 12.9%  | 13.8%                                      | 18.5%                              | 13.2%                 | 21.8%       | 15.2% | 16.7%                 |
|   | Extremely urgent   | 33.3%                             | 0.0%                 | 20.0%         | 11.5%        | 9.4%                       | 11.7%                         | 8.1%   | 6.9%                                       | 9.2%                               | 7.9%                  | 16.4%       | 8.7%  | 12.1%                 |
|   | Sample size (n)  | 21                                | 3                    | 125           | 87           | 159                        | 60                            | 62   | 29   | 130                                | 38                    | 55          | 46    | 815                   |
| <b>2. Revamp TVET to prepare workforce for future</b>   |  |                                   |                      |               |              |                            |                               |  |  |                                    |                       |             |       |                       |
|   | Not urgent   | 14.3%                             | 66.7%                | 3.2%          | 9.2%         | 14.4%                      | 8.3%                          | 9.7%   | 13.3%                                      | 13.8%                              | 5.3%                  | 10.9%       | 13.0% | 10.6%                 |
|   | Not so urgent  | 19.0%                             | 33.3%                | 12.8%         | 17.2%        | 14.4%                      | 15.0%                         | 21.0%  | 23.3%                                      | 20.0%                              | 18.4%                 | 14.5%       | 21.7% | 17.0%                 |
|   | Urgent   | 23.8%                             | 0.0%                 | 45.6%         | 42.5%        | 43.1%                      | 50.0%                         | 48.4%  | 36.7%                                      | 33.1%                              | 52.6%                 | 43.6%       | 30.4% | 41.6%                 |
|   | Very urgent  | 9.5%                              | 0.0%                 | 24.0%         | 25.3%        | 18.8%                      | 20.0%                         | 14.5%  | 16.7%                                      | 25.4%                              | 18.4%                 | 16.4%       | 17.4% | 20.4%                 |
|   | Extremely urgent   | 33.3%                             | 0.0%                 | 14.4%         | 5.7%         | 9.4%                       | 6.7%                          | 6.5%   | 10.0%                                      | 7.7%                               | 5.3%                  | 14.5%       | 17.4% | 10.3%                 |
|   | Sample size (n)  | 21                                | 3                    | 125           | 87           | 160                        | 60                            | 62   | 30   | 130                                | 38                    | 55          | 46    | 817                   |
| <b>3. Improve the digital infrastructure connectivity between urban and rural areas</b>   |  |                                   |                      |               |              |                            |                               |  |  |                                    |                       |             |       |                       |
|   | Not urgent   | 4.8%                              | 66.7%                | 3.3%          | 10.3%        | 13.1%                      | 5.0%                          | 8.1%   | 13.3%                                      | 13.8%                              | 2.6%                  | 10.9%       | 2.2%  | 9.2%                  |
|   | Not so urgent  | 23.8%                             | 33.3%                | 11.5%         | 13.8%        | 13.8%                      | 16.7%                         | 19.4%  | 16.7%                                      | 13.1%                              | 15.8%                 | 14.5%       | 17.4% | 14.7%                 |
|   | Urgent   | 23.8%                             | 0.0%                 | 36.9%         | 44.8%        | 39.4%                      | 51.7%                         | 40.3%  | 33.3%                                      | 36.2%                              | 50.0%                 | 34.5%       | 30.4% | 38.9%                 |
|   | Very urgent  | 19.0%                             | 0.0%                 | 30.3%         | 26.4%        | 20.6%                      | 13.3%                         | 17.7%  | 16.7%                                      | 25.4%                              | 21.1%                 | 25.5%       | 19.6% | 22.7%                 |
|   | Extremely urgent   | 28.6%                             | 0.0%                 | 18.0%         | 4.6%         | 13.1%                      | 13.3%                         | 14.5%  | 20.0%                                      | 11.5%                              | 10.5%                 | 14.5%       | 30.4% | 14.4%                 |
|   | Sample size (n)  | 21                                | 3                    | 122           | 87           | 160                        | 60                            | 62   | 30   | 130                                | 38                    | 55          | 46    | 814                   |

|  |                        | 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       | 2ND HALF-YEAR OF 2019 |
|--|------------------------|-----------------------------------|----------------------|---------------|--------------|----------------------------|-------------------------------|--|--|------------------------------------|-----------------------|-------------|-----------|-----------------------|
| <b>4. Reduce the import duty and sales tax on heavy machinery and equipment for automation</b> |                        |                                   |                      |               |              |                            |                               |  |  |                                    |                       |             |           |                       |
|  | Not urgent             | 9.5%                              | 100.0%               | 3.9%          | 9.2%         | 15.0%                      | 5.0%                          | 9.7%   | 10.0%                                      | 13.8%                              | 5.4%                  | 12.7%       | 10.9%     | 10.5%                 |
|  | Not so urgent          | 23.8%                             | 0.0%                 | 6.3%          | 12.6%        | 14.4%                      | 15.0%                         | 16.1%  | 23.3%                                      | 17.7%                              | 13.5%                 | 12.7%       | 15.2%     | 14.1%                 |
|  | Urgent                 | 14.3%                             | 0.0%                 | 37.8%         | 42.5%        | 38.8%                      | 38.3%                         | 41.9%  | 30.0%                                      | 29.2%                              | 51.4%                 | 29.1%       | 34.8%     | 36.3%                 |
|  | Very urgent            | 9.5%                              | 0.0%                 | 18.9%         | 20.7%        | 18.1%                      | 20.0%                         | 16.1%  | 16.7%                                      | 26.2%                              | 21.6%                 | 21.8%       | 21.7%     | 20.0%                 |
|  | Extremely urgent       | 42.9%                             | 0.0%                 | 33.1%         | 14.9%        | 13.8%                      | 21.7%                         | 16.1%  | 20.0%                                      | 13.1%                              | 8.1%                  | 23.6%       | 17.4%     | 19.1%                 |
|  | <b>Sample size (n)</b> | <b>21</b>                         | <b>3</b>             | <b>127</b>    | <b>87</b>    | <b>160</b>                 | <b>60</b>                     | <b>62</b>  | <b>30</b>                                  | <b>130</b>                         | <b>37</b>             | <b>55</b>   | <b>46</b> | <b>818</b>            |
| <b>C2 Foreign Workers</b>  |                        |                                   |                      |               |              |                            |                               |  |  |                                    |                       |             |           |                       |
| <b>a) Does your company face the shortage of foreign workers?</b>                              |                        |                                   |                      |               |              |                            |                               |  |  |                                    |                       |             |           |                       |
|  | Yes                    | 45.5%                             | 33.3%                | 62.7%         | 60.9%        | 15.1%                      | 17.7%                         | 32.8%  | 12.9%                                      | 13.7%                              | 5.3%                  | 38.2%       | 6.4%      | 30.3%                 |
|  | No                     | 54.5%                             | 66.7%                | 37.3%         | 39.1%        | 84.9%                      | 82.3%                         | 67.2%  | 87.1%                                      | 86.3%                              | 94.7%                 | 61.8%       | 93.6%     | 69.7%                 |
|  | <b>Sample size (n)</b> | <b>22</b>                         | <b>3</b>             | <b>134</b>    | <b>92</b>    | <b>166</b>                 | <b>62</b>                     | <b>67</b>  | <b>31</b>                                  | <b>131</b>                         | <b>38</b>             | <b>55</b>   | <b>47</b> | <b>848</b>            |
| <b>b) Does your company need foreign workers in 2020?</b>                                      |                        |                                   |                      |               |              |                            |                               |  |  |                                    |                       |             |           |                       |
|  | Yes                    | 54.5%                             | 33.3%                | 72.9%         | 64.0%        | 24.1%                      | 22.6%                         | 30.3%  | 20.0%                                      | 15.3%                              | 5.1%                  | 42.6%       | 17.0%     | 35.6%                 |
|  | No                     | 45.5%                             | 66.7%                | 27.1%         | 36.0%        | 75.9%                      | 77.4%                         | 69.7%  | 80.0%                                      | 84.7%                              | 94.9%                 | 57.4%       | 83.0%     | 64.4%                 |
|  | <b>Sample size (n)</b> | <b>22</b>                         | <b>3</b>             | <b>133</b>    | <b>89</b>    | <b>166</b>                 | <b>62</b>                     | <b>66</b>  | <b>30</b>                                  | <b>131</b>                         | <b>39</b>             | <b>54</b>   | <b>47</b> | <b>842</b>            |
| <b>c) Does your company need foreign workers in 2021?</b>                                      |                        |                                   |                      |               |              |                            |                               |  |  |                                    |                       |             |           |                       |
|  | Yes                    | 54.5%                             | 33.3%                | 71.1%         | 60.9%        | 22.9%                      | 19.4%                         | 29.9%  | 26.7%                                      | 16.8%                              | 5.1%                  | 40.7%       | 12.8%     | 34.3%                 |
|  | No                     | 45.5%                             | 66.7%                | 28.9%         | 39.1%        | 77.1%                      | 80.6%                         | 70.1%  | 73.3%                                      | 83.2%                              | 94.9%                 | 59.3%       | 87.2%     | 65.7%                 |
|  | <b>Sample size (n)</b> | <b>22</b>                         | <b>3</b>             | <b>128</b>    | <b>87</b>    | <b>166</b>                 | <b>62</b>                     | <b>67</b>  | <b>30</b>                                  | <b>131</b>                         | <b>39</b>             | <b>54</b>   | <b>47</b> | <b>836</b>            |





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马来西亚中华总商会

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