



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

**Universiti Malaya Lecture Series**

**How the Malaysian Industries Respond  
to COVID-19?**

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# Outline



**Impact of the COVID-19 on Economy and Business**



**Malaysia's Policy Responses to the COVID-19**



**Post COVID-19: Devising Sustainable Policies**

# **THE COVID-19 IS NOT A GLOBAL PANDEMIC AND PUBLIC HEALTH CRISIS**

- **Severely affected global economy and financial markets**
- **Most governments in the world underestimated the risks of rapid COVID-19 spread**
- **Mostly reactive in their crisis response**
- **The need for epidemic preparedness**



# Economic consequences of the COVID-19 pandemic



## PUBLIC HEALTH CRISIS

- With globalization, urbanization, and environmental change, infectious disease outbreaks and epidemics have become global threats
- Substantial burden on healthcare systems

## SUPPLY SHOCKS

- Great Lockdowns induced “sudden stop” in economic activities
- Manufacturing production and trade activity slowing down due to global supply chain disruptions
- Service activity severely impacted by cautious consumer spending, movement restrictions, social distancing, SOP
- Permanent damage of capacity – Business failures and bankruptcies, closures of factories, eateries, restaurants, hotels, aviation, transportation



# Economic consequences of the COVID-19 pandemic (cont.)

## DEMAND SHOCKS

- Decrease income and household finance
- Discretionary consumer spending
- Income-expenditure adjustment for high leveraged households
- Consumers repair balance sheet and rebuild savings
- Consumers typically changed their spending behaviour
- Business capital spending on hold and prioritised to strengthen balance sheet



## EMPLOYMENT SHOCKS

- Unprecedented workforce disruption
- Navigate massive workforce shift
- Massive layoffs
- Working from home
- Remote workplace
- Gig and freelancers
- New skill set – digital technology, IoTs, AI, automation



# Economic consequences of the COVID-19 pandemic (cont.)



## BUSINESS OPERATION SHOCKS

- Fundamental changes in consumer behavior, supply chains, and routes to market are knocking companies off balance
- Organisation and workforce transformation to accelerate the adoption of agile ways of working and value chain transformation
- Offline vs online
- Automating routine tasks with human+machine models, where everyone is a knowledge worker, can also help to serve businesses now, and to position them for growth post-COVID-19
- Companies need to develop a rapid response to address current disruptions and to repurpose and reshape supply chains for the future by increasing both resilience and responsibility.

## **A SPECIAL SURVEY ‘EFFECTS OF COVID-19 ON THE ECONOMY AND COMPANIES / BUSINESS FIRMS’**

- **The special survey was conducted online by the Department of Statistics Malaysia (DOSM) for the period 10 April - 1 May 2020**
- **A total of 4,094 company/business firms has participated in this survey**

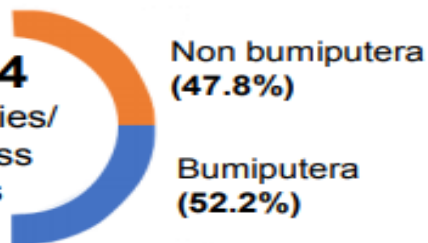


## PROFILE



**4,094**  
Companies/  
Business  
Firms

### Bumiputera Status



### Companies/Business Firms Size



Large  
(7.2%)



Medium  
(9.1%)



Small  
(40.4%)



Micro  
(43.4%)

## COMPANIES/BUSINESS FIRMS

### Three (3) Main Issues/Challenges

| Type Of Legal Organisation | Salary Payment | No Customers | Rental Payment |
|----------------------------|----------------|--------------|----------------|
| <b>Overall</b>             | <b>76.6%</b>   | <b>65.5%</b> | <b>61.4%</b>   |
| Individual Proprietorship  | 62.5%          | 70.7%        | 60.5%          |
| Partnership                | 76.5%          | 68.8%        | 68.4%          |
| Private Limited Company    | 88.8%          | 63.2%        | 63.5%          |

### Two (2) Main Assistancess Needed



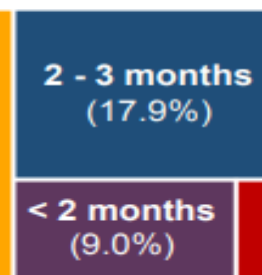
Finance/Subsidies  
(83.1%)



Tax Reduction  
(67.0%)

### Estimated Duration Companies/Business Firms To Recover

**42.5%**  
companies/business firms  
require  
**more than 6  
months**  
to recover



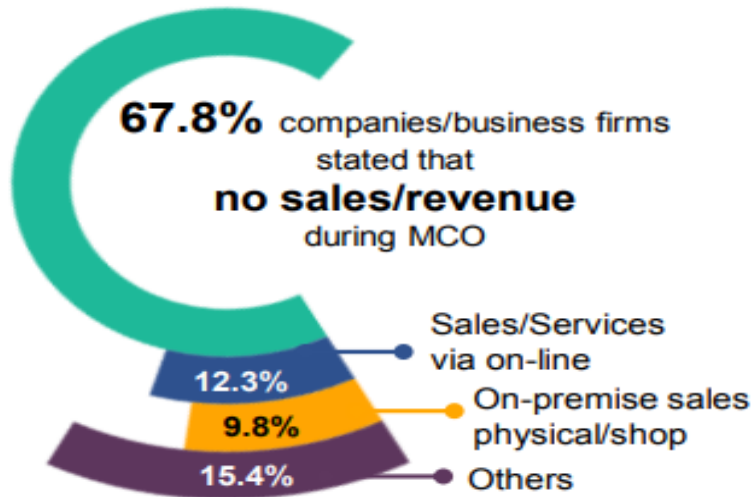
**Will not recover,  
expected to close**  
(1.9%)

Source: DOSM's Special Survey 'Effects of COVID-19 on Economy and Companies / Business Firms'

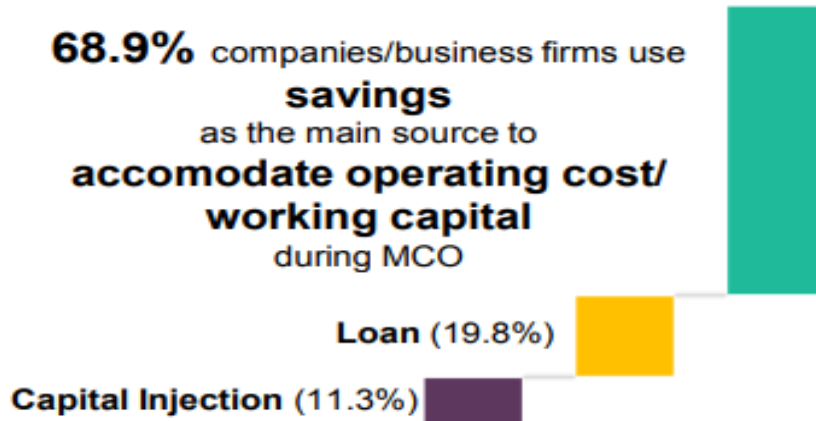


# EMPLOYER & EMPLOYEE

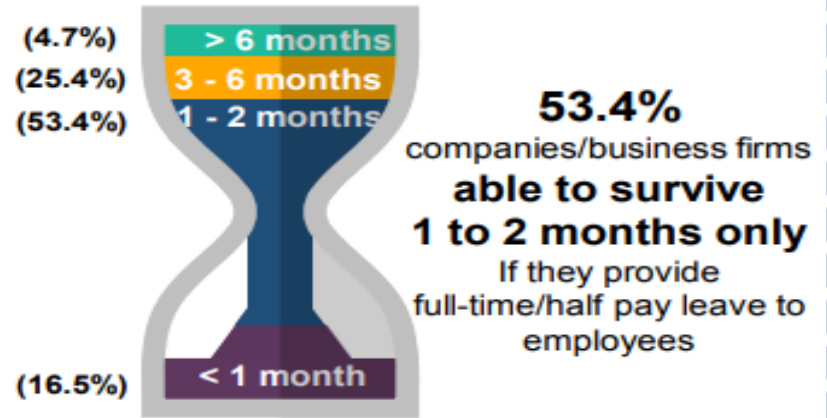
## Source Of Income



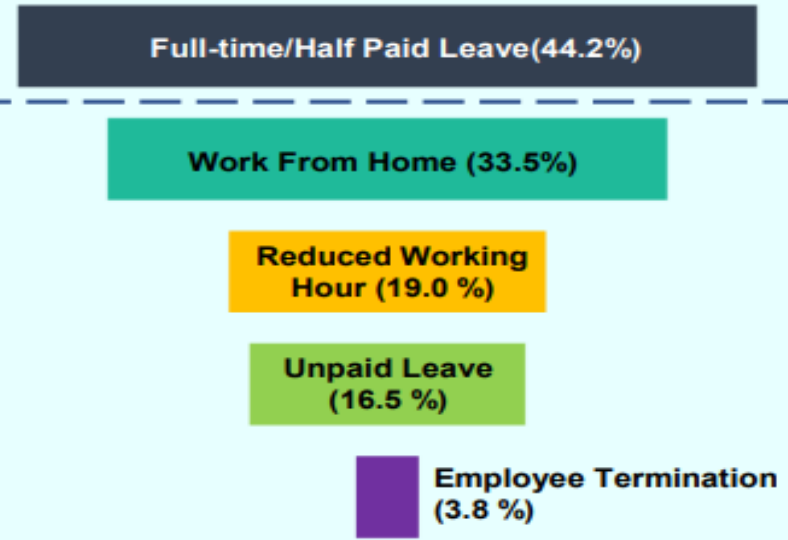
## Source Of Finance



## Duration Of Survival For Companies/Business Firms That Provide Full-time/Half Pay Leave To Employee



## Impact On Employee



Source: DOSM's Special Survey 'Effects of COVID-19 on Economy and Companies / Business Firms'

## **KEY ECONOMIC AND FINANCIAL MEASURES TO BLUNT THE DAMAGE FROM THE COVID-19 PANDEMIC**

- **RM340 billion or 24.0% of GDP economic stimulus and recovery packages in 2020 – Mar 2021**
- **Movement Control Order (MCO) 1.0 (18 Mar – 12 May 2020)**
- **Conditional CMO, Enhanced MCO, RMCO**
- **MCO 2.0 (13 Jan to 18 Feb), CMCO and RMCO to curb the third wave of COVID-19**



# RM340 billion or 24.0% of GDP economic stimulus and recovery packages in 2020 - Mar 2021



## PRIHATIN Economic Stimulus Package (PRIHATIN)

Preserving Rakyat's Welfare

Supporting Businesses, including SMEs

Strengthening the Economy

**RM260 billion**

*Incl. PRIHATIN SME+ (RM10 billion) & Economic Stimulus Package (RM20 billion)*



## The Short-Term Economic Recovery Plan (PENJANA)

Empower People

Propel Businesses

Stimulate Economy

**RM35 billion**



## PRIHATIN Supplementary Initiative Package (KITA PRIHATIN)

**RM10 billion**

Direct Fiscal Injection

**RM55 billion**

*(3.9% of GDP)*

**RM305 billion**

*(21.6% of GDP)*

# RM15.0 billion PERMAI Assistance Package on 18 Jan 2021



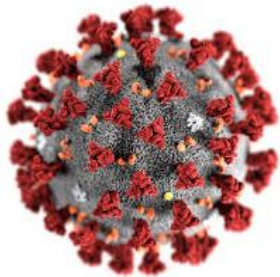
Perindungan Ekonomi Dan Rakyat  
Malaysia (PERMAI)  
RM15 Billion

Direct Fiscal Injection  
**RM6.6 billion**

## Three Main Objectives

22 initiatives

Combating the  
COVID-19 Outbreak



Safeguarding the  
Welfare of the  
People



Supporting the  
Business  
Continuity



# RM20.0 billion PEMERKASA package on 17 Mar 2021



Program Strategik Memperkasa  
Rakyat dan Ekonomi (PEMERKASA)  
RM20 Billion

Direct Fiscal Injection  
**RM11.0 billion**

## Five Main Focuses

20 Strategic Initiatives

Containing the  
spread of COVID-19

Spurring economic  
recovery

Strengthening of  
nation  
competitiveness

Implementing the agenda  
of regional and  
community inclusiveness

Transforming the  
economy

# Selected measures for businesses under PRIHATIN & PENJANA



## Loan moratorium

- Deferment of loans for 6 months
- Blanket moratorium had benefitted 243,000 SME borrowers (or 95% of total SME borrowers)
- Extended moratorium given on targeted approach



## Special PRIHATIN Grant (GKP)

- RM3,000 of grant per micro SMEs
- 545,000 microenterprises benefitted as of 13 July, amounted to RM1.6 billion
- Reopening of applications in October for those not applied in May



## Income tax deferment

- Deferment of income tax for 3 months (Apr-Jun) for all SMEs; 6 months (Apr-Sep) for tourism sector
- Tax revision allowable in the third, sixth and ninth month of instalments



## Danajamin facilities

- SJPP Guarantee RM5 billion Danajamin to increase the guarantee rate from 70% to 80% for SMEs having trouble in getting loans



## Wage Subsidy Programme (WSP)

- Provide wage subsidy between RM600-RM1,200 per month per employee for not more 200 employees which salary not more than RM4,000/month
- Extended WSP under PENJANA and KITA PRIHATIN
- 2.6 million employees and 322,022 employers benefitted as of 2 October

Reduced foreign worker levy by 25% for Apr-Dec 2020

Various soft loan and credit facilities

Waiver of HRDF contribution for six months (Apr-Sep)

2% electricity discount for all commercial and industrial sectors; 15% for tourism sector

Tourism tax exemption (Jul 2020-Jun 2021)

Service tax exemption for hotels (Mar 2020-Jun 2021)

100% export duty exemption for crude palm oil, crude palm kernel oil and refined, bleached and deodorized (RBD) palm kernel oil

Employer COVID-19 Assistance Programme (e-CAP)

Hiring and training incentives for hiring unemployed, school leavers and fresh graduate

# Selected measures for businesses under PERMAI



## Improving the Wage Subsidy Program

- RM1bn added for Wage Subsidy Program 3.0, which expanded to all employers operating in the MCO states, irrespective of sector for one-month [Limited to tourism and retail sectors but eligible for 3 months previously]



## Continuing the Prihatin Special Grant

- RM650m added for Prihatin Special Grant Plus assistance, which expanded to cover 500,000 SMEs in the seven MCO states with a payment of RM1,000 each, and 300,000 SMEs in other states with a payment of RM500 each [Limited to selected individuals in Sabah previously]



## Enhancing the Danajamin PRIHATIN Guarantee Scheme

- Enhancement of Danajamin Guarantee Scheme (SJPD) amounting to RM50bn: (i) Increase maximum financing from RM500m to RM1bn; (ii) expand scope of financing to cover working capital with a guarantee period of up to 10 years and; (iii) Allow foreign-owned companies operating in Malaysia to obtain the SJPD guarantee provided that Malaysian employees account for at least 75% of their workforce [Initiative outlined in PRIHATIN]



## Supporting and Boosting Online Businesses

- Accelerate the implementation of SME and Micro SME e-Commerce Campaign and Shop Malaysia Online campaign [Initiative outlined in Budget 2021]

10% discount on electricity bills for six business sectors nationwide, comprising hotel operators, theme parks, convention centres, shopping malls, local airline offices as well as travel and tour agencies (Jan-Mar 2021)

One-off financial assistance of RM500 each to 14,000 tourist guides and 118,000 drivers of taxis, school buses, tour buses, rental cars and e-hailing vehicles

Expedite the implementation of RM1bn microcredit schemes (RM390m by BSN; RM350m by Agrobank; RM295m by TEKUN)

Extending the Temporary Measures for Reducing the Impact of COVID-19 Act 2020

# Selected measures for businesses under PEMERKASA



## Employment retention and payroll incentives

- Extend the Wage Subsidy Program 3.0 by another three months for targeted groups (tourism sector, wholesale and retail trade and other businesses affected during MCO)



## Automation and digitalisation

- RM2bn for Target Relief and Recovery Facility and RM700m for Automation and Digitalisation Facility under BNM to assist SMEs in obtaining loans.
- RM200m via MIDF for financing schemes of the development of automation, digitalisation and green technology. Interest rate charged will be reduced from 5% to 3% or a period of 12 months effective 1 April 2021

Extend the exemption of tourism tax and service tax on accommodation provided by hotel operators until 31 December 2021

Increase fundraising limits on equity crowdfunding (ECF) platforms to RM20m from RM10m and allow non-listed limited liability companies to raise funds via ECF



## Special PRIHATIN Grant (GKP) 3.0

- One-off RM1,000 assistance for micro-enterprises and SMEs who yet to apply GKP before. The application will open on 1 April 2021



## Microcredit facilities

- Additional RM500m Fund for Microcredit Financing Facilities (Total: RM1.5bn) through programs under BSN, TEKUN, MARA and SMEs Corp.

Extended a 10% discount on electricity bill for another three months until 30 June 2021 to hotel operators, theme park, convention centres, shopping malls, local airline offices and travel and tourism agencies.

One-off RM3,000 special assistance grant for 5,000 tour agencies registered with MOTAC and One-off RM600 cash assistance for 4,000 homestay operators registered with MOTAC

Deferment of monthly income tax instalments for tourism sector and selected industries, such as cinemas and spas from 1 April 2021 to 31 December 2021

Increase the indebtedness threshold from RM10,000 to RM50,000 to reduce the burden of companies facing financial difficulties, which are at risk of winding up



# Selected loan facilities offered under PRIHATIN & PENJANA

| Scheme<br>(As of 26 Feb 2021)            | Total Allocation<br>(RM million) | Total Approved<br>Amount<br>(RM million) | Utilisation Rate | Total Benefitted<br>Recipients |
|--|----------------------------------|--|------------------|--------------------------------|
| <b><u>PENJANA</u></b>                    |                                  |  |                  |                                |
| PENJANA SME Financing                    | 2,000                            | 1,314.6                                  | 65.7%            | 6,973                          |
| PENJANA Tourism Financing~               | 1,000                            | 57.1                                     | 5.7%             | 282                            |
| Bumiputera Relief Financing (under PUNB) | 200                              | 182.8                                    | 91.4%            | 641                            |
| Agrobank Microcredit Financing Scheme~   | 350                              | 85.6                                     | 24.5%            | 7,723                          |
| SME Digitalisation Matching Grant#       | 100                              | 5.4                                      | 5.4%             | 1,667                          |
| SME Technology Transformation Fund#      | 500                              | 18.5                                     | 3.7%             | 9                              |
| Smart Automation Grant#                  | 100                              | 2.6                                      | 2.6%             | 25                             |
| SME-GO Scheme                            | 1,600                            | N/A                                      | N/A              | N/A                            |
| PENJANA Microfinancing                   | 400                              | 391.9                                    | 98.0%            | 11,708                         |
| TEKUN Business Recovery Scheme (TBRS)    | 100                              | 100.0                                    | 100%             | 14,946                         |
| <b><u>PRIHATIN</u></b>                   |                                  |  |                  |                                |
| BSN Micro Credit Scheme*                 | 500                              | 378.6                                    | 75.7%            | 11,378                         |
| TEKUN Programme^                         | 200                              | 199.5                                    | 99.8%            | 26,251                         |
| SME Soft Loans Funds@                    | 18,100*                          | 11,630                                   | 64.3%            | 24,628                         |

N/A = Not available

# As of 9 Oct 2020

\* As of 13 Nov 2020

^ As of 11 Dec 2020

~ As of 5 February 2021

@ Consists of Special Relief Facility (SRF, allocation of RM10 billion), Automation & Digitalisation Facility (ADF, allocation of RM300 million), All-Economic Sector Facility (AES, allocation of RM6.8 billion) and Agrofood Facility (AF, allocation of RM1 billion); SRF has been fully utilised which benefitted more than 20,000 SMEs

Source: LAKSANA

# Gauging the satisfaction level of PRIHATIN package

## GOVERNMENT'S INCENTIVES



### Companies/Business Firms Experience Of Getting Business Assistance



### Companies/Business Firms Perspectives On How The Government Handles COVID-19

**52.1%**  
companies/business firms  
stated that  
**PRIHATIN Package**  
can  
**ease the burden**



**Very Satisfied**  
(29.8%)



**Satisfied**  
(42.1%)



**Moderate**  
(19.9%)



**Dissatisfied**  
(6.0%)



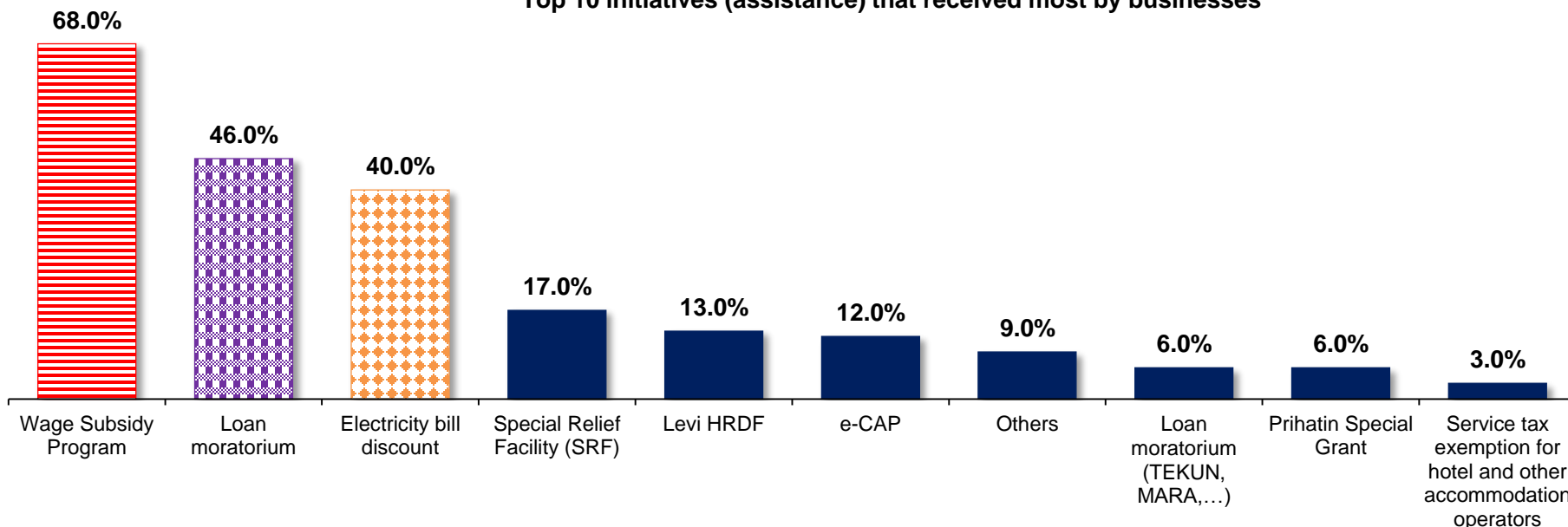
**Very Dissatisfied**  
(2.3%)

Source: DOSM's Special Survey 'Effects of COVID-19 on Economy and Companies / Business Firms'

# Economic Stimulus Package

## Positive feedback from businesses – PRIHATIN

Top 10 initiatives (assistance) that received most by businesses



## Businesses that satisfied with the PRIHATIN initiatives\*



| Micro | Small | Medium | Large |
|-------|-------|--------|-------|
| 71.3% | 70.8% | 68.5%  | 70.5% |

Source: *Setahun Malaysia Prihatin*  
 Notes: % indicates level of satisfaction

# MALAYSIA'S ECONOMIC RECOVERY TRACKER

The worst of economic contraction in 2Q 2020 was behind us

- *From stabilisation to recovery*
- *Green shoots are slowly emerging, albeit unevenly*
- *Supportive fiscal and accommodative monetary policy are still needed*

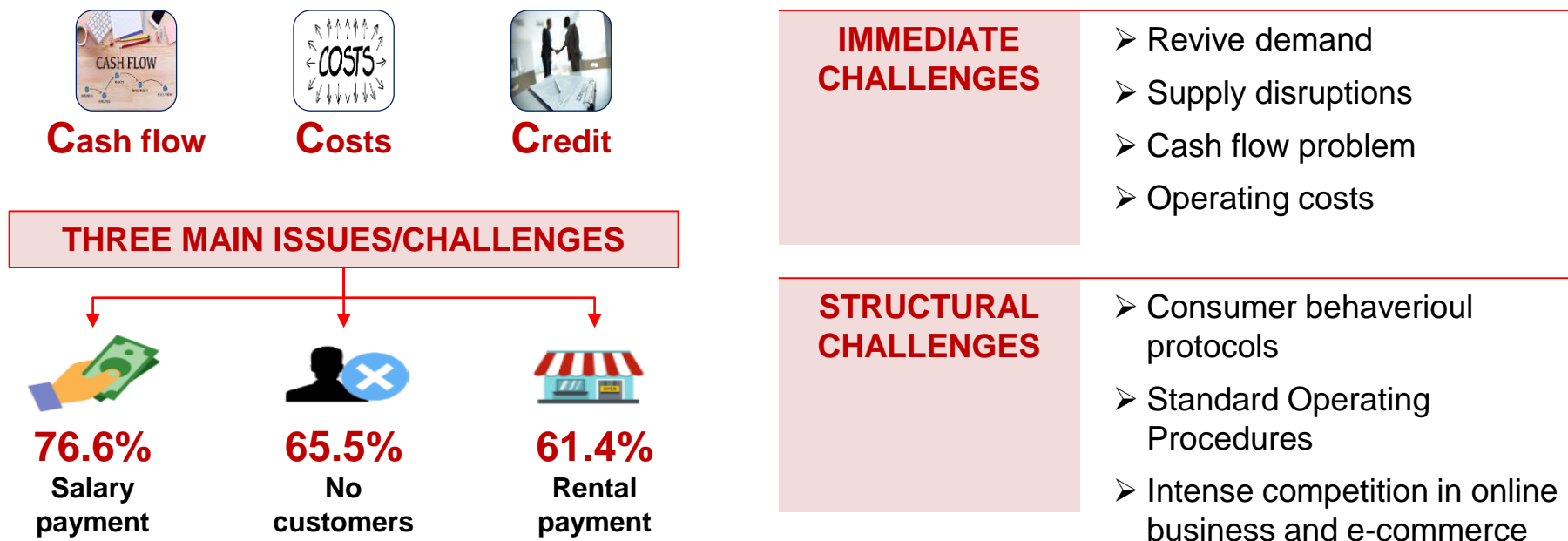


# Economic Stimulus Package

## PRIHATIN's measurable impact:



## Many businesses still concerned about 3Cs and struggling to cope several challenges:

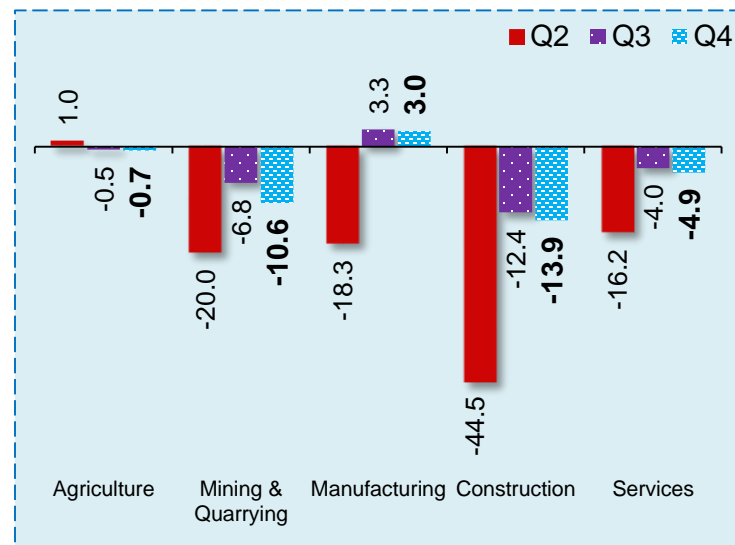
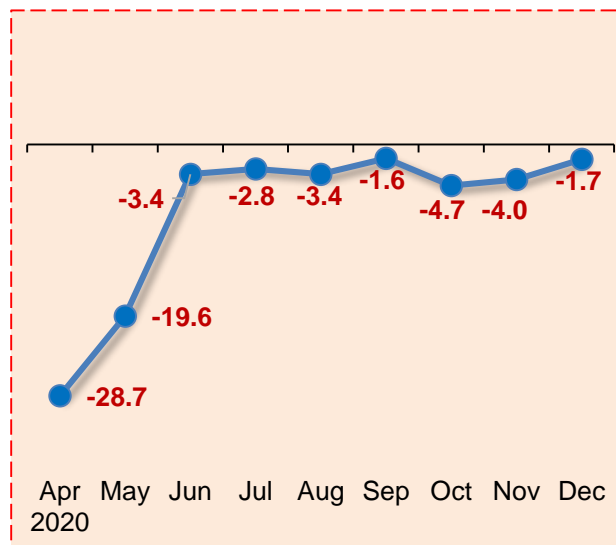
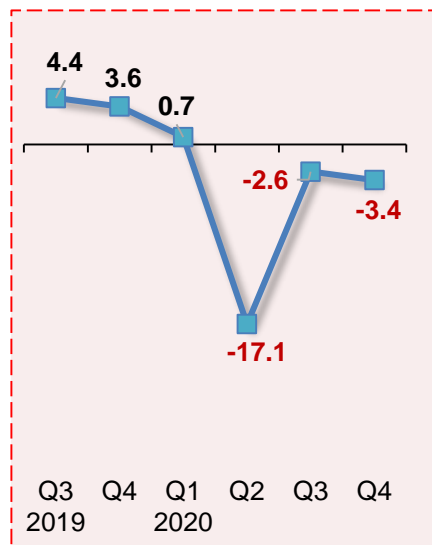


Source: PENJANA Short-Term Economic Recovery Plan; DOSM Special Survey on COVID-19 Impact on Business Sector (10 Apr -1 May), Setahun Malaysia Prihatin

# The economic slump has off the lows since June 2020

- Based on DOSM's monthly GDP estimates, the sharp declines in economic output (GDP) in April (-28.7% yoy) and May (-19.6%) have narrowed sharply to -3.4% in June following the reopening of economic activities under CMCO and RMCO.
- In 2H 2020, GDP month-on-month contractions was between -1.6% and -4.7%.

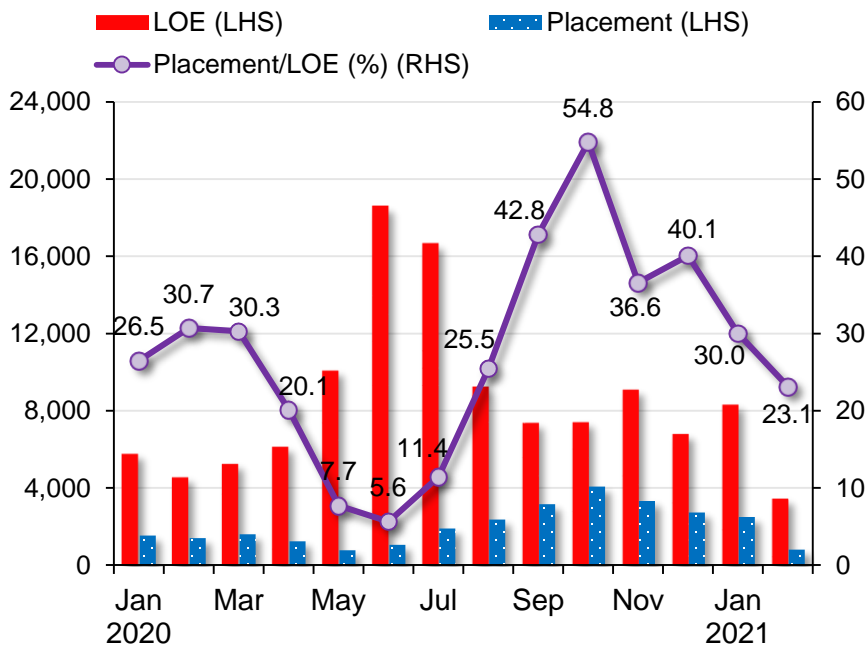
**Real GDP growth**  
%, YoY



Source: DOSM

## Loss of employment vs. Job placement

- Placement below referred to unemployment benefit recipients who have submitted early re-employment allowance
- **Job placement over loss of employment (LOE) ratio declined in the recent months**

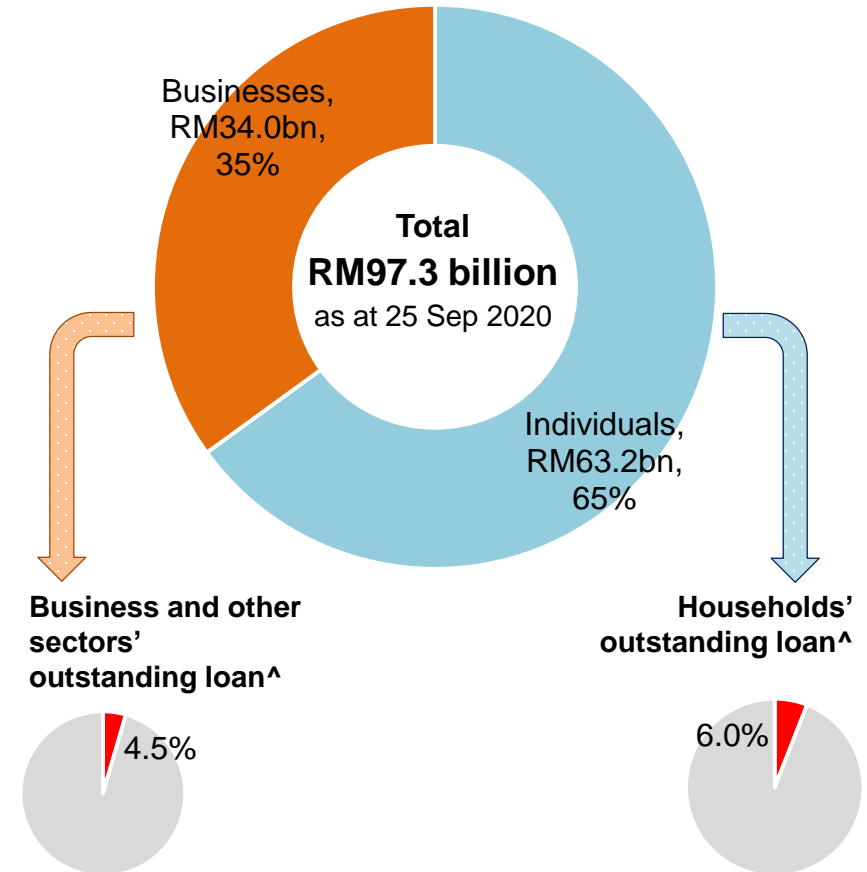


Source: PERKESO; LAKSANA

Note: As of 14 Feb for Feb 2021

## Loan moratorium

**98% of about 500,000 borrowers** were approved for targeted extension of loan moratorium



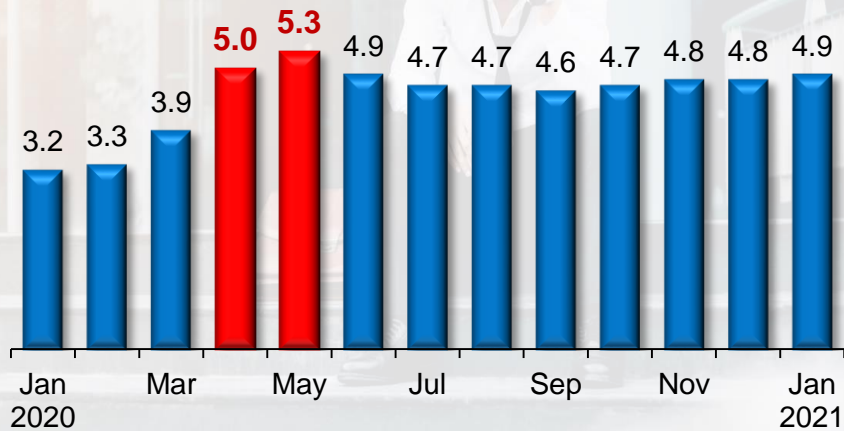
**As at 31 December 2020, 1.4 million borrowers have applied loan Refinancing and Restructuring. 95% approved. 45% extension of moratorium and 55% reduction in instalment**

<sup>^</sup>Compared to loan by sector as of end-Aug-2020

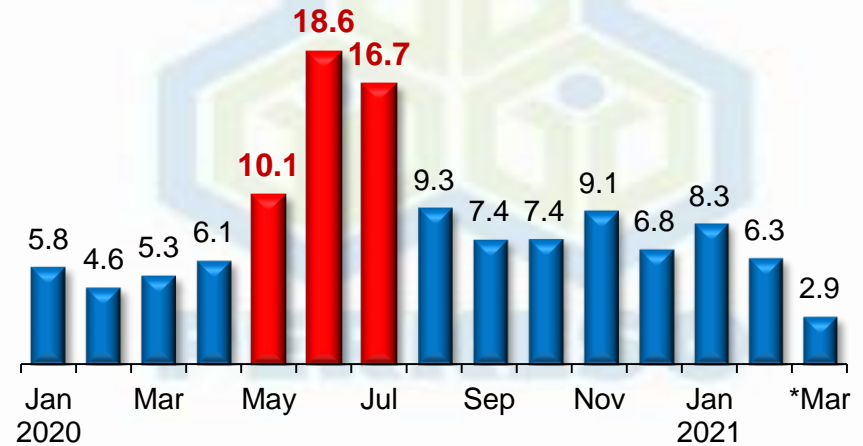
# Labour market is expected to rebound amid weak

## Job market

Unemployment Rate  
%



Loss of Employment (LOE)  
(‘000)



Note: As of 12 Mar for Mar 2021

- The labour market condition remains challenging. **Unemployment rate inched up** to 4.9% in Jan (4.8% in Dec) after easing off to 4.6% in Sep from a record high of 5.3% in May. **Unemployed persons increased by about 9,700 persons** to 782,500 persons in Jan compared to around 520,000 persons before the pandemic.
- **EIS’s loss of employment<sup>#</sup>** registered a total of **18,277 as of 17 Mar 2021** (107,024 in 2020 and 40,084 in 2019).
- The **continued increase in the number of unemployed persons** was partly due to the **travel ban that affected the tourism-related industries**, such as **hotel and food services, transportation, entertainment and recreational activities**.

Source: DOSM; PERKESO

<sup>#</sup> Unemployment claims under Employment Insurance System (EIS)



# Sentiment remains below the optimism threshold level

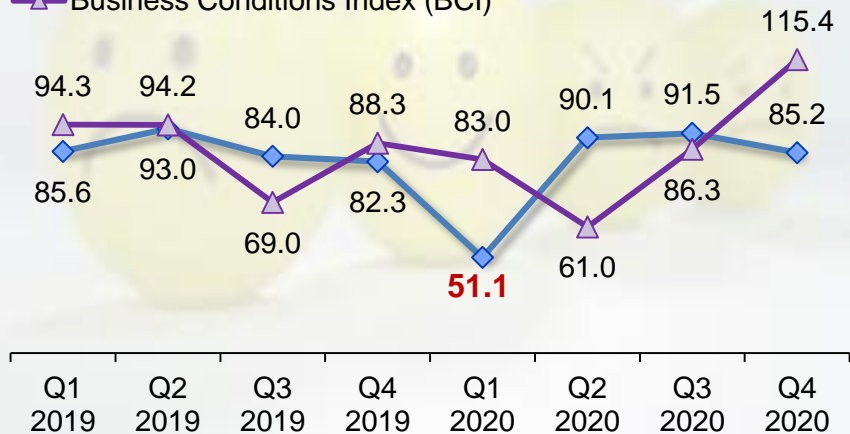
## Sentiment indicators

### MIER CSI & BCI

Optimism Threshold = 100

—◆— Consumer Sentiments Index (CSI)

—▲— Business Conditions Index (BCI)

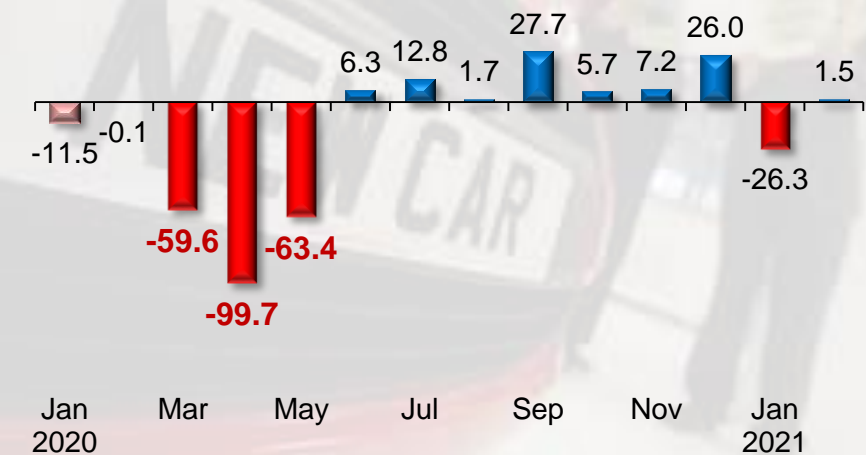


- Consumers remained cautious while business conditions improved given the loosened restrictions in Dec 2020.
- A sustained turnaround hinges on the **accelerated containment in the virus spread and vaccination; improved domestic economic outlook; clear policy narrative and easing investors' concerns about domestic political situation.**

## Buying a car

### Passenger Car Sales (Volume)

%, YoY



- **Sales tax exemption** on passenger cars (100% for locally assembled (CKD) and 50% for imported (CBU)) has been extended till June 2021.
- The **new models** and **lower interest rate** are expect to help demand of passenger cars in 2021.
- **Passenger car sales declined sharply by 26.3% in Jan 2021**, dampened by MCO 2.0.
- MAA estimates **passenger car sales to increase by 6.7% to 513,000 units in 2021** (480,965 units in 2020).

Source: MIER; BNM

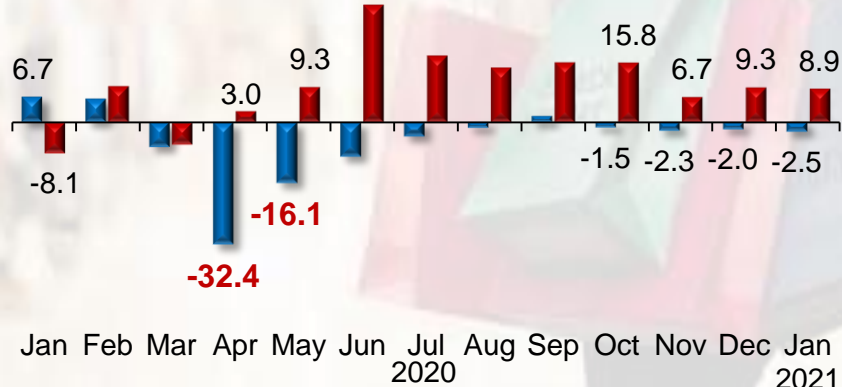
# Retail spending on cautious mode

## Shopping at retailers

### Sales Performance

%, YoY

■ Retail Sales ■ Manufacturing Sales of Food Products

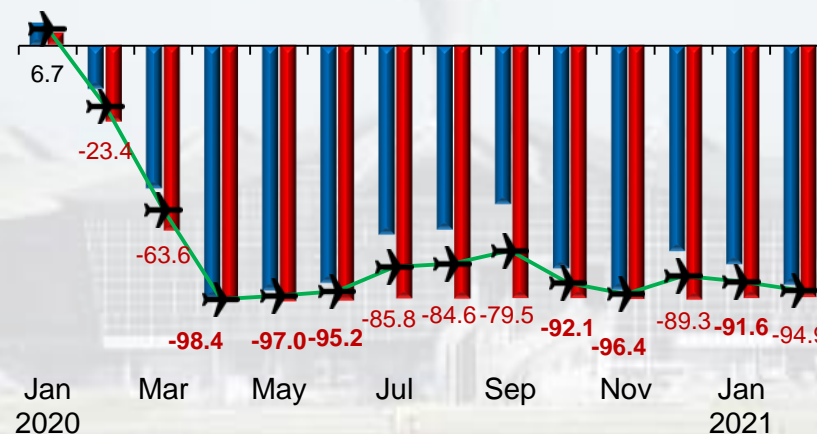


## Daily flying passengers

### Growth

%, YoY

■ Domestic ■ International → Total



- **Retail sales have reverted to a contraction** in Oct 2020 - Jan 2021 given the re-imposition of CMCO and MCO 2.0.
- Sales have declined in all types of specialised retail stores, except specialised store for food, beverages and tobacco.
- The on-going vaccination and lifting of MCO 2.0 amid a partial inter-state travel for a “regulated” tourism, the preparation of Muslims’ fasting month and Hari Raya celebration in April-May are expected to improve consumer discretionary spending.

- The third wave of COVID-19 has delayed the recovery of **aviation and travel industry**.
- Domestic airline passenger traffic numbers have fallen again in Dec-Feb given the re-implementation of MCO 2.0.
- A sustained revival in tourism and related services sub-sectors depends critically on a full re-opening of domestic and international tourism markets.

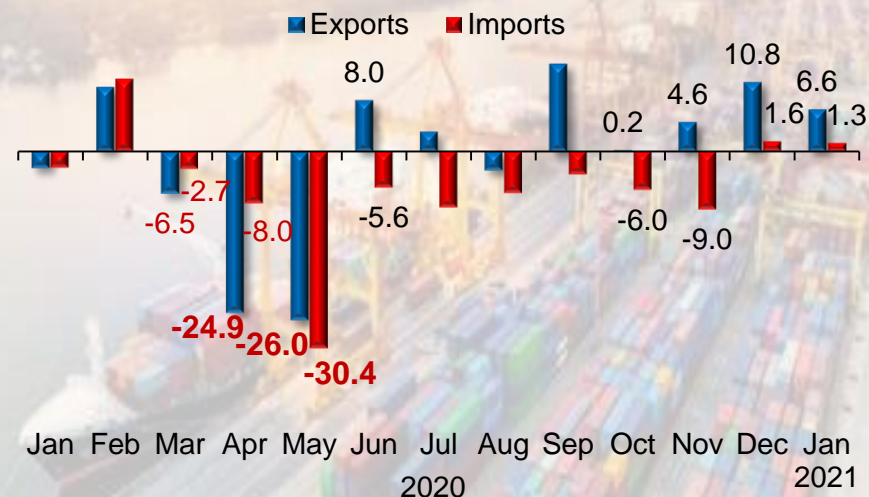
Source: DOSM; MAHB

# External sector recovering; moderate industrial production

## External trade

### External Trade

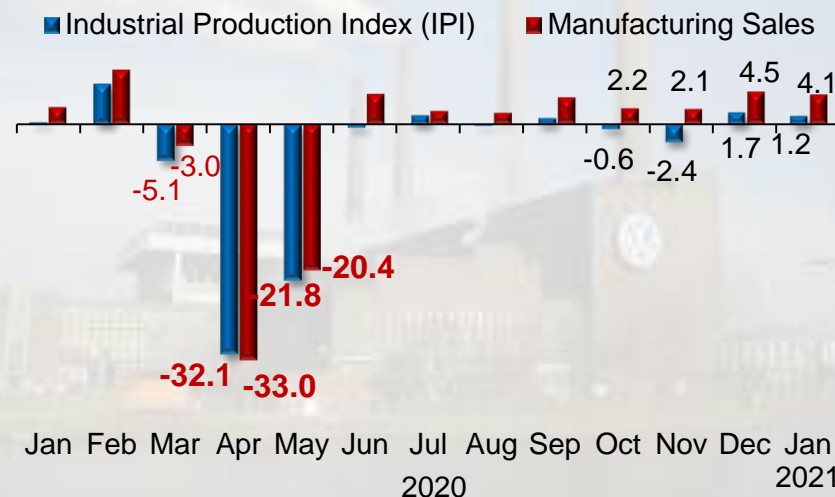
%, YoY



## Production & manufacturing sales

### Industrial Production and Manufacturing Sales

%, YoY



- **Exports** rose by 6.6% in Jan, marking the fifth consecutive month of expansion, boosted by global demand for front-loading activities on the festive season.
- Imports expanded by 1.3% in Jan for second consecutive month since Dec 2020.
- **Exports are expected to grow by 3.3% in 2021** (2020: -1.4%) in tandem with a global recovery and firmer commodity prices.

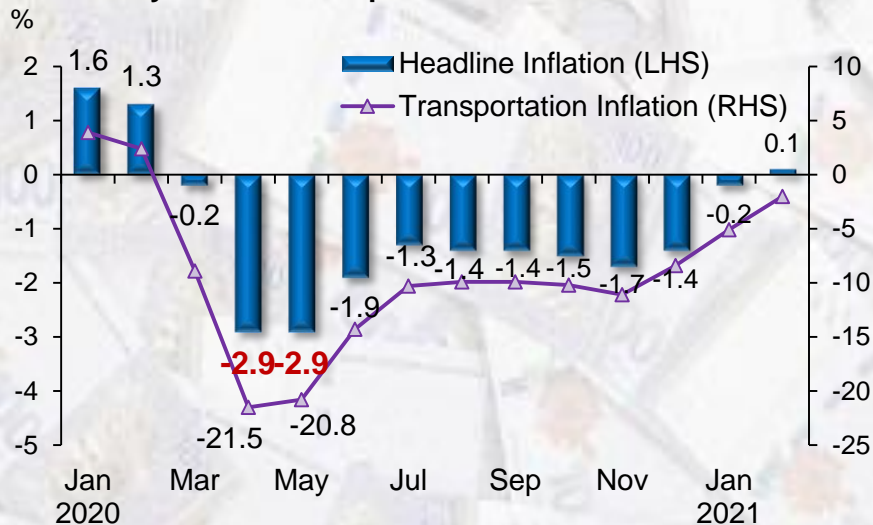
- After two consecutive months of decline in October and November, overall Industrial output growth **continued to maintain positive growth in January 2021**.
- The heavy-weighted E&E segment has outperformed since June (ranging 7.1%-13.2% in Jun-Dec), outpaced an average growth of 6.0% in 2016-2019.

Source: DOSM

# From deflation to inflation in 2021

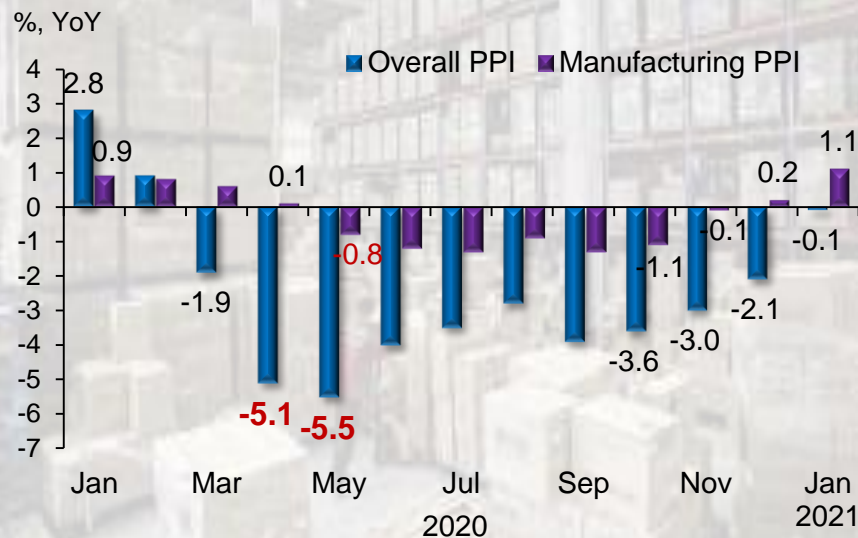
## Consumer Price Index (CPI)

### Inflation by Selected Components



## Producer Price Index (PPI)

### Growth



- **Inflation increased to 0.1% yoy in Feb**, ending eleven consecutive months of deflation since Mar 2020. In 2020, CPI declined by 1.2%.
- **326 items (51.9% share) in the CPI basket recorded price increases**; 147 items decline in prices and prices of 79 items have not changed.
- **CPI is expected to normalise into positive territory (between +1.0% and +1.5%) in 2021** in tandem with the improved domestic demand, higher crude oil prices and as well as aided by low base effect.

- **Producer Price Index (PPI)**, a measurement of average selling prices received by domestic producers declined by a smaller magnitude.
- **Manufacturing PPI continued to register an increase in price** (1.1% in Jan and 0.2% in Dec) while mining output prices declined by a larger magnitude. Prices for agriculture, forestry & fishing registered continuous double-digit increase since June 2019.

Source: DOSM

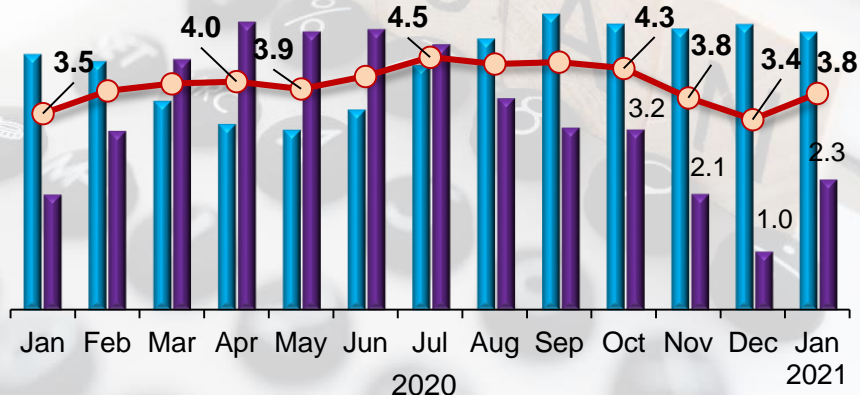
# Business loan growth eased sharply

## Loan financing

### Loan Outstanding by Sector

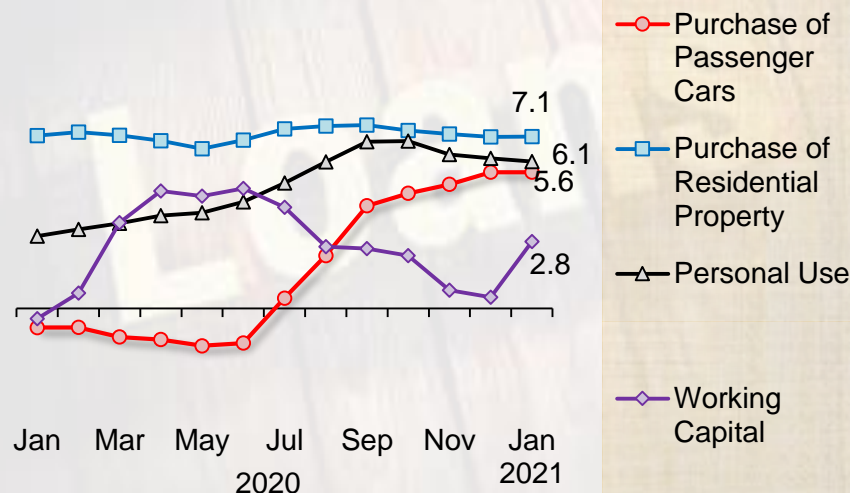
%, YoY

Household Sector Business and Other Sectors Total



### Loan Outstanding by Purpose

%, YoY



- **Overall loan growth** has picked up slightly. **Households' loan demand** remained stable while business loan growth improved in Jan, thanks to increased loan demand of SMEs.
- Loan repayment started to pick up since October after the expiry of automatic loan moratorium in September, which was replaced by a targeted loan repayment assistance.

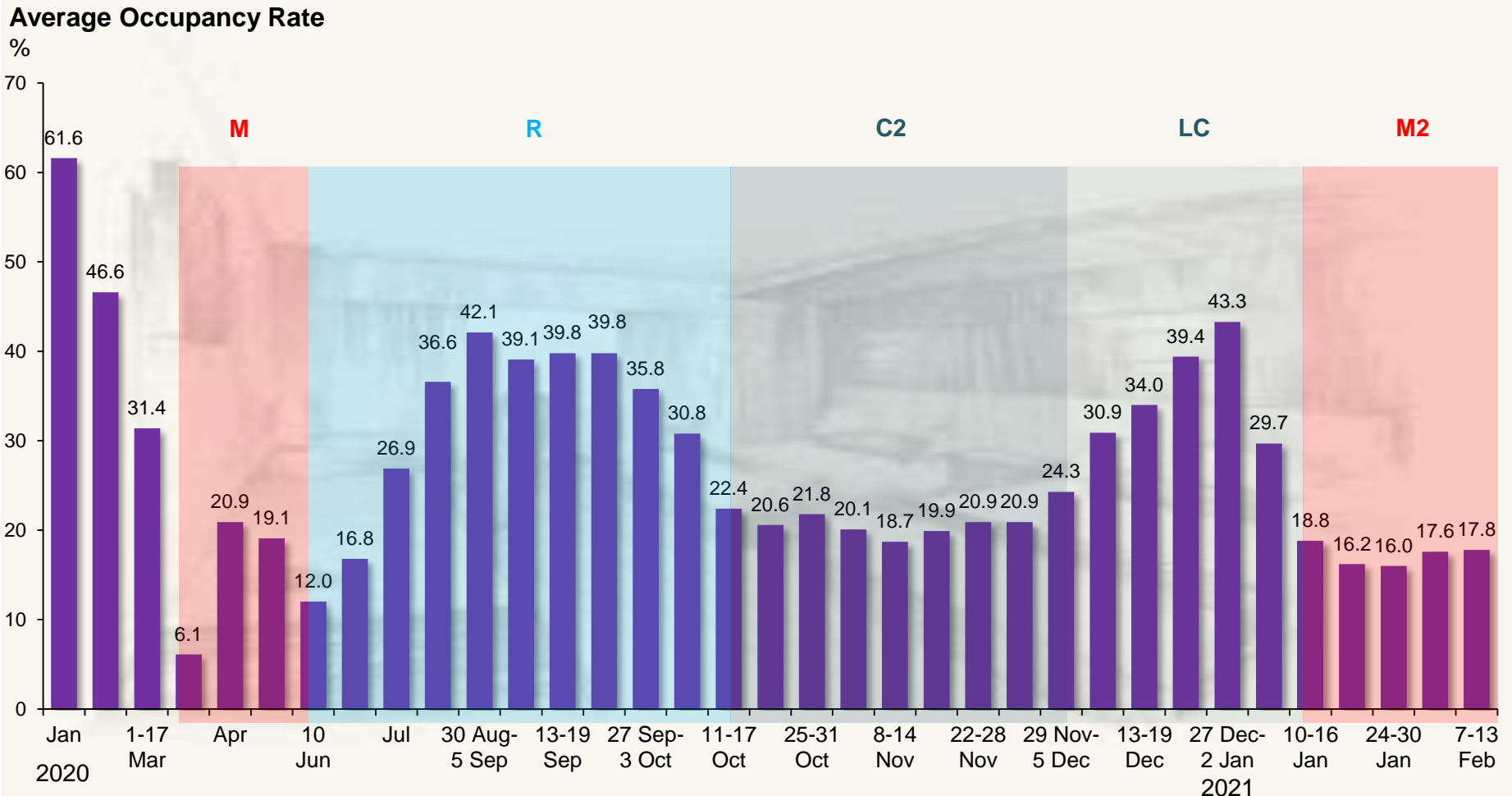
- **Loan demand going steady for the purchase of passenger cars**; slightly moderated for residential property and personal use.
- **Outstanding loan for working capital picked up to 2.8%** due to inched growth in wholesale and retail trade, restaurants and hotels industry, education and health sector.

\* High base effect: Excluding the large loan disbursement in manufacturing sector in

Source: BNM December 2019, overall business loan growth would have increased by 1.3%

# Hotels' average occupancy rate suffered during the 3rd wave of virus infection

The third wave of virus infections would temper the momentum

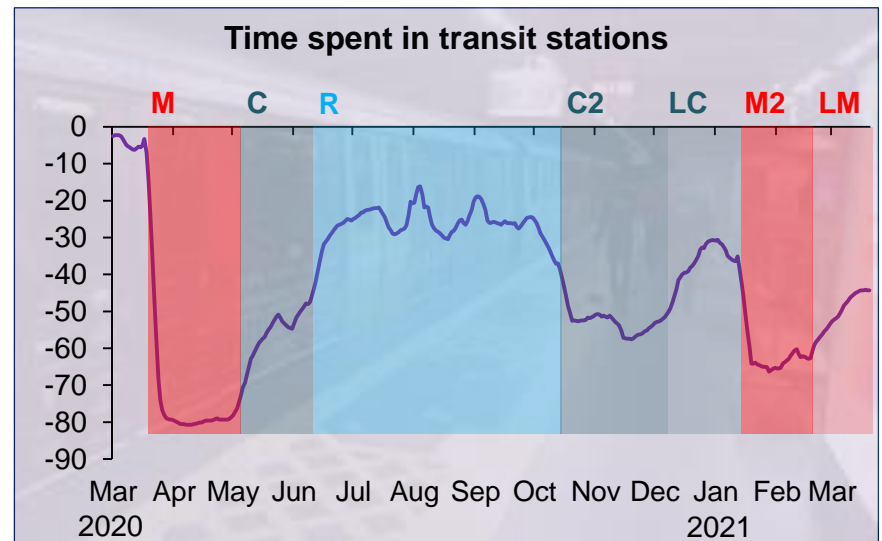
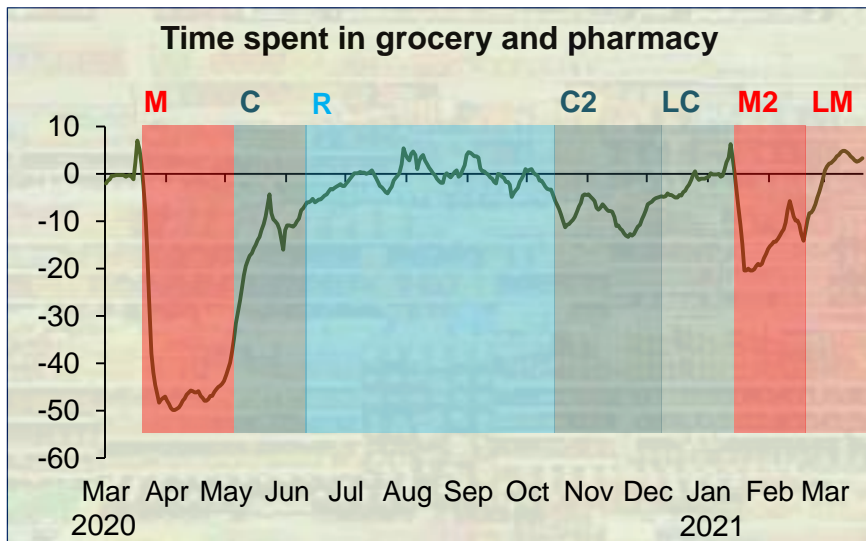
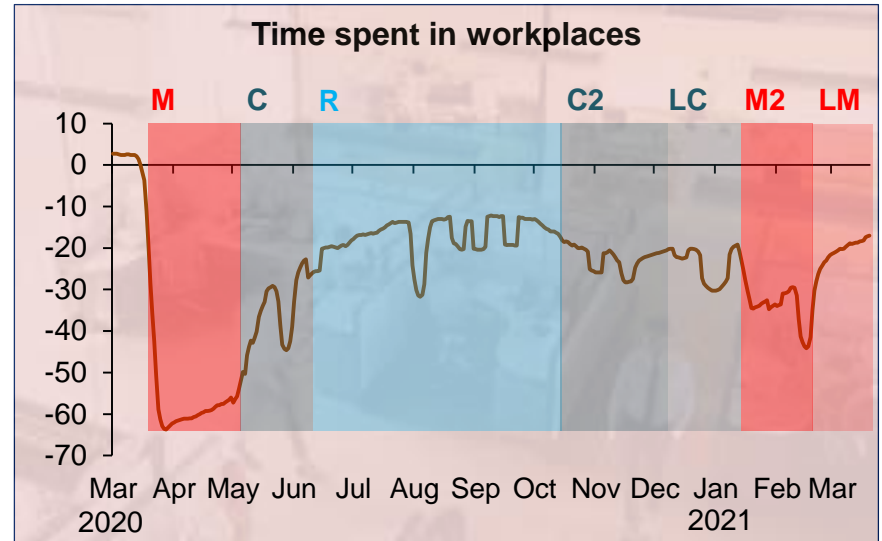
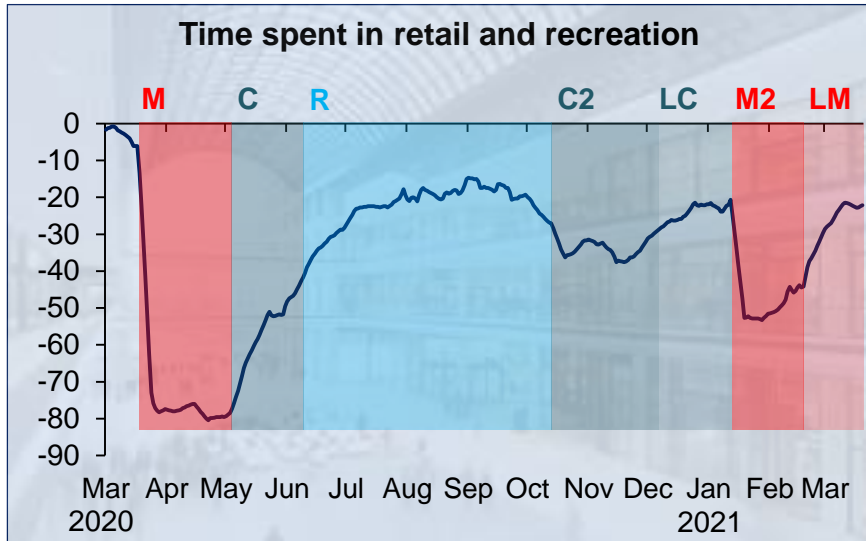


M=MCO; R=RMCO; C2=CMCO by phases; LC=Loosened CMCO with interstate travelling allowed; M2=MCO 2.0

Source: MAH

# Google mobility data indicates that visits to locations, including retail and recreation and transit have declined since MCO2 by almost as much as the first MCO in March 2020

%, 7-day moving average vs. baseline



M=MCO; C=CMCO; R=RMCO; C2=CMCO by phases; LC=Loosened CMCO with interstate travelling allowed

M2=MCO 2.0; LM=Lifting of MCO 2.0 in most states

Source: Google Mobility (baseline = median value for the corresponding day of the week, during the 5-week period Jan 3–Feb 6, 2020)

# EXPECTATIONS OF ECONOMIC REVIVAL AND BUSINESS SUSTAINABILITY

- *The survey results of ACCCIM's M-BECS (1H-2H 2020 and 2021F)*
- *Most businesses remain wary about economic and conditions in 1H 2021*
- *Disproportional impact between economic sectors and size of business operation*

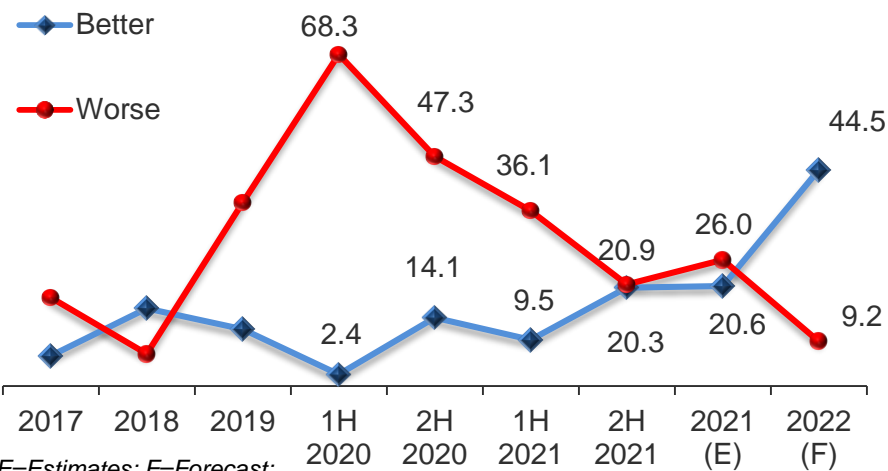




# A widespread pessimism about the Malaysian economy

- A higher percentage of respondents (47.3%) indicated that **economic conditions were worse-off in 2H 2020**. Pinning hopes on the accelerated national immunization program, the respondents anticipate better economic prospects in 2H 2021. **Better economic optimism in 2022**. 44.5% of respondents are expecting better economic prospects for 2022; only 9.2% forecasting “Worse” economic outlook while 46.3% voted for “Neutral”.
- **A mixed view about business conditions in 2H 2020**. 44.1% of respondents experienced worse business conditions in 2H 2020 while 40.4% cited “Neutral”. Most respondents maintained a “Neutral” view on business conditions in 1H 2021 (54.7%) and 2H 2021 (57.2%). A higher number of respondents (40.9%) is expecting better business prospects in 2022.

### Economy conditions

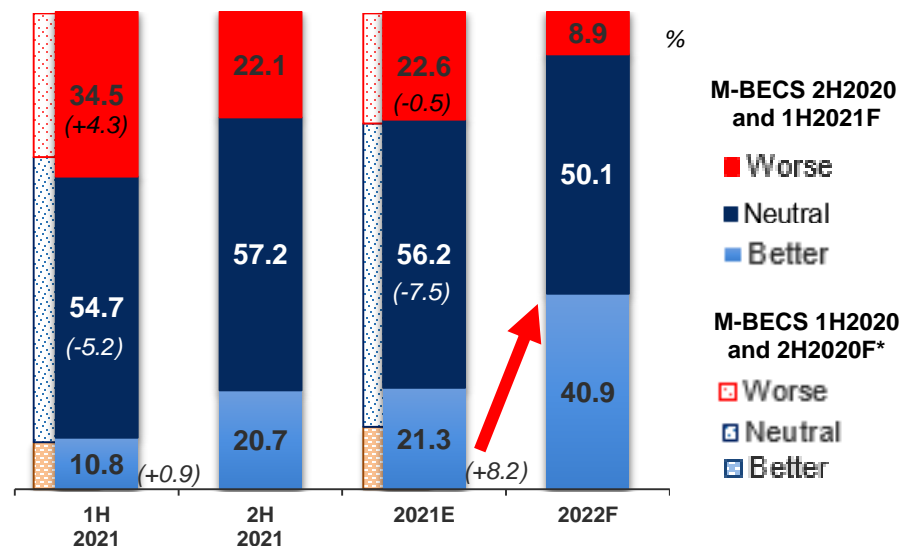


E=Estimates; F=Forecast;

Source: ACCCIM M-BECS 2H 2020 and 1H 2021F

Note: E=Estimates; F=Forecast; \* denotes data obtained from previous survey. Figure in parenthesis denotes changes in % respondents from previous survey

### Business conditions



M-BECS 2H2020 and 1H2021F

Worse

Neutral

Better

M-BECS 1H2020 and 2H2020F\*

Worse

Neutral

Better

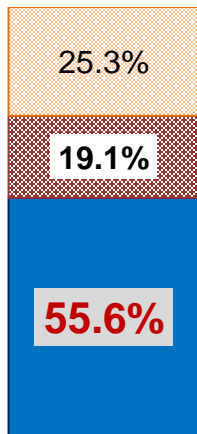
%

# Exclusive Business Assessment

More than half of the respondents reported that **their business sales have yet to recover** from the pre-pandemic level.

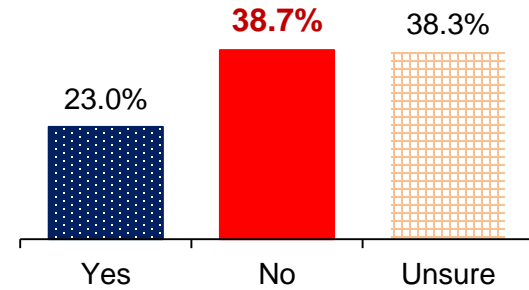
## Business sales against pre-pandemic level

- Higher than pre-pandemic level
- Same as pre-pandemic level
- Below pre-pandemic level



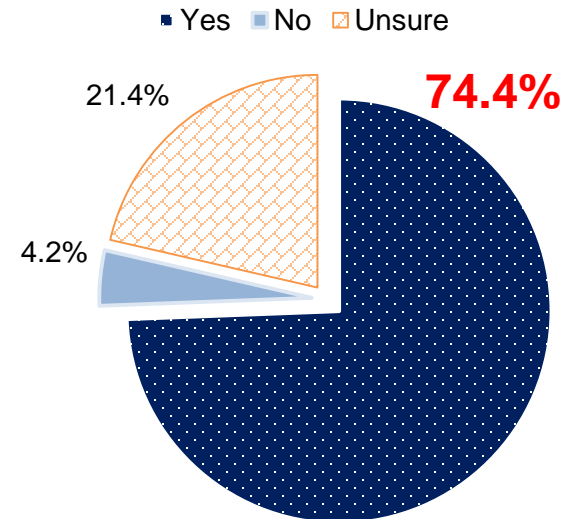
## Businesses' level of confidence on an economic recovery in 2021

Are you confident of economic recovery in 2021?



## 74.4% of businesses still concerned about 3Cs (Cash flow, Cost and Credit)




Are you still concerned about 3Cs (Cash flow, Cost and Credit)?



# **ECONOMIC PROSPECTS AND SECTOR OUTLOOK IN 2021**



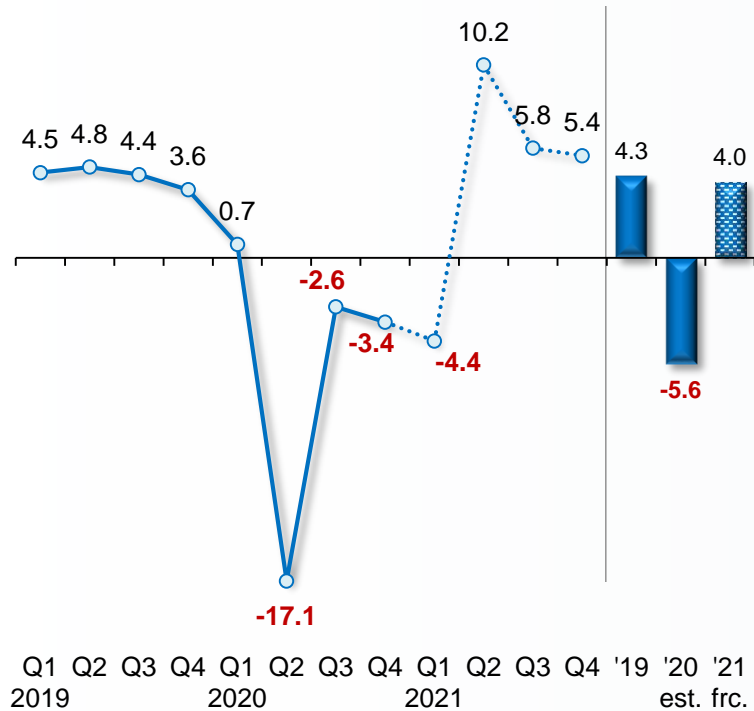
# Global growth scenarios for 2021\*

| Scenario   |   | Projected global GDP growth in 2021 |
|--|---|-------------------------------------|
| <p><b>Upside</b></p>       | <ul style="list-style-type: none"> <li>• Self-sustaining strong recovery</li> <li>• New infections are being suppressed; mass vaccination is accelerated to achieve herd immunity</li> <li>• Continued assertive monetary and fiscal stimulus</li> </ul>  | <p><b>5.0%</b></p>                  |
| <p><b>Base Case</b></p>   | <ul style="list-style-type: none"> <li>• Global stabilisation, uneven and moderate recovery</li> <li>• A prolonged COVID-19 outbreak worsened by new mutated virus strains, slow pace of vaccination due to logistics complexity and public hesitancy towards vaccination</li> <li>• Monetary and fiscal stimulus are working</li> </ul>  | <p><b>4.0%</b></p>                  |
| <p><b>Downside</b></p>  | <ul style="list-style-type: none"> <li>• Slow recovery pace</li> <li>• Multiple waves of new virus strains mutation compel renewed national lockdowns</li> <li>• A much slower than expected in the distribution and vaccination process due to technical challenges and greater public vaccine hesitancy</li> <li>• Ineffective monetary and fiscal policy stimulus</li> <li>• Sharp correction in global equities and commodities market</li> </ul> | <p><b>2.0%</b></p>                  |

\* SERC's estimates

# Malaysia is on the recovery track, albeit “speed bump”

**GDP growth**  
%, YoY



- The economy is gradually on the mend in 2H 2020. The recovery pace in 4Q has been tempered by the resurgence in COVID-19 cases since late September 2020.

- **Emerging cautious optimism in 2021. Base case: 4.0% GDP growth.** The shape of Malaysia’s economic growth in 2021 depends on:



Development of infection rates and vaccination



Effective implementation of Budget 2021’s spending programs and cash assistance



Consumer and business confidence



Economic performance of Malaysia’s major trading partners

- **For an upside scenario, 6.0% GDP growth for 2021 on:**



Accelerated containment of virus spread and vaccination



Pent-up consumer demand unleashed



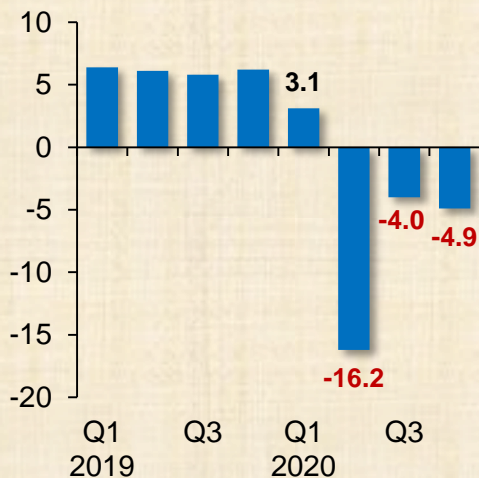
A robust rebound in services with the resumption of international travel

Source: DOSM; SERC’s estimates

# Services sector: Gradual and uneven pace of recovery

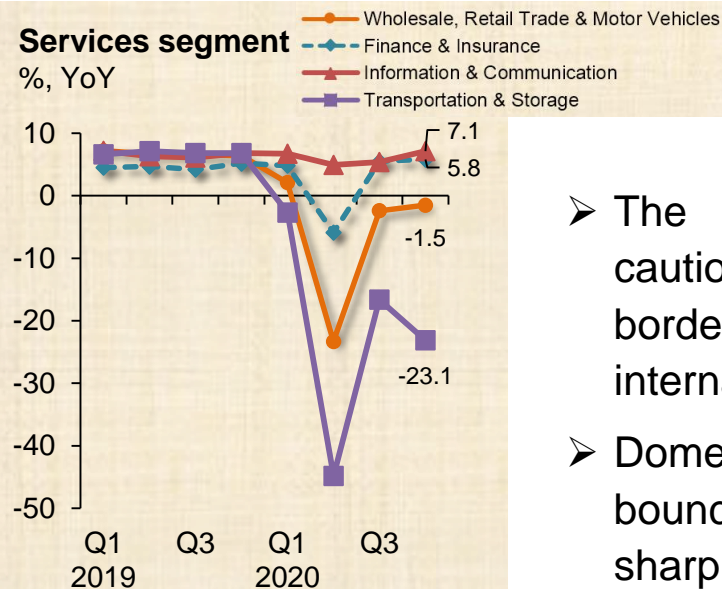
## Services GDP growth

%, YoY



## Services segment

%, YoY



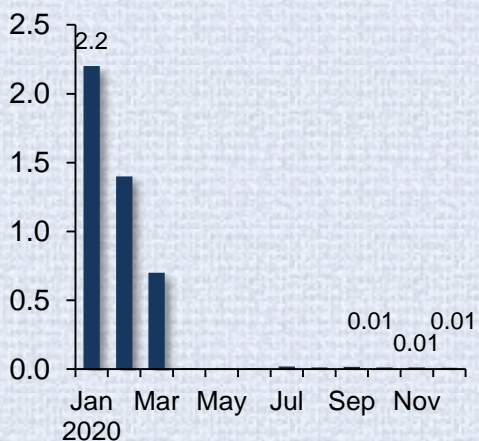
## GDP growth

2019: 6.1% 2020: -5.5%

2021E: 5.6%

## International tourist arrivals

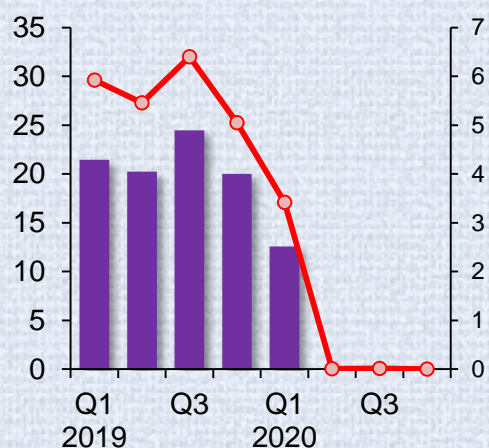
million



## International tourism receipts

RM bn

% of GDP

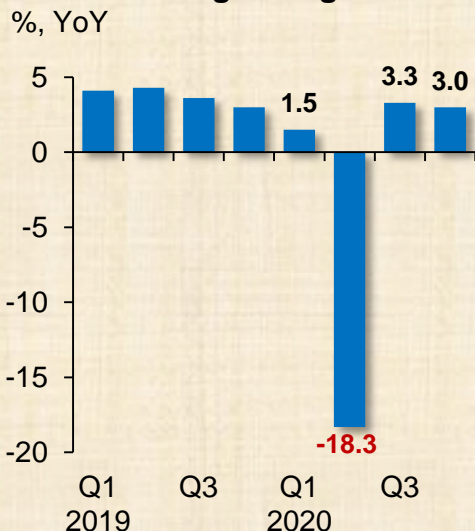


- The hardest hit sector due to cautious sentiment, restricted border re-opening and lower international tourist arrivals.
- Domestic inbound tourism has bounced back but partially offset a sharp decline in foreign visitors.
- The anticipated supply of vaccines in 2021 will help to revive the tourism-related services sub-sectors.
- Accelerating digital technologies and data solutions have boosted demand for services.

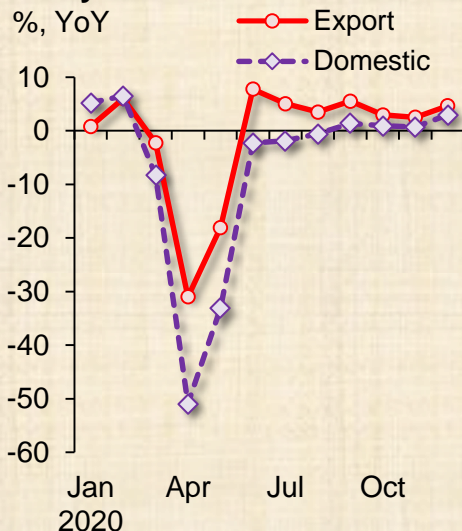
Source: DOSM; Tourism Malaysia

# Manufacturing sector: Exports driven amid domestic spending

**Manufacturing GDP growth**



**IPI by orientation\***



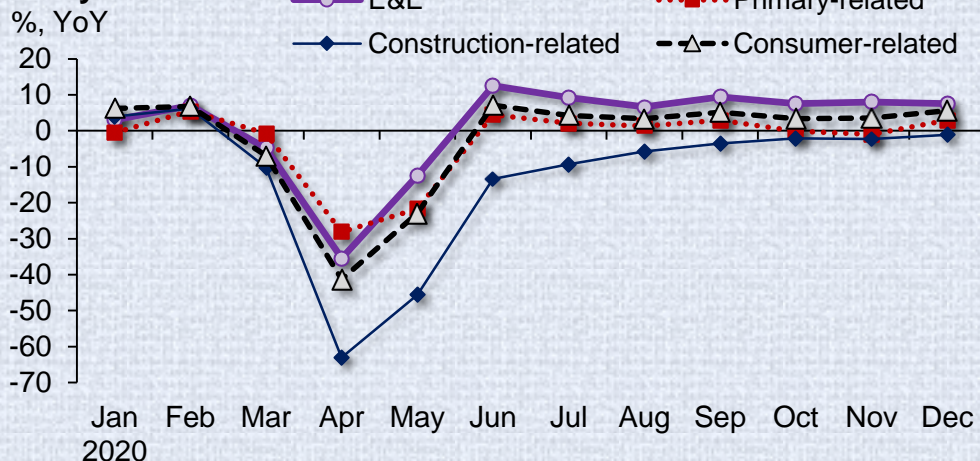
**GDP growth**

2019: 3.8% 2020: -2.6%

2021E: 4.3%

- Global economic recovery bodes well for Malaysia's exports.
- The electronics and electrical products will be underpinned by increased demand of wired communication applications; IT and data solutions; industrial applications as well as automotive.
- The on-going and new public infrastructure spending as well as affordable housing development will help to stabilise demand for construction-related building materials.

**IPI by cluster\***



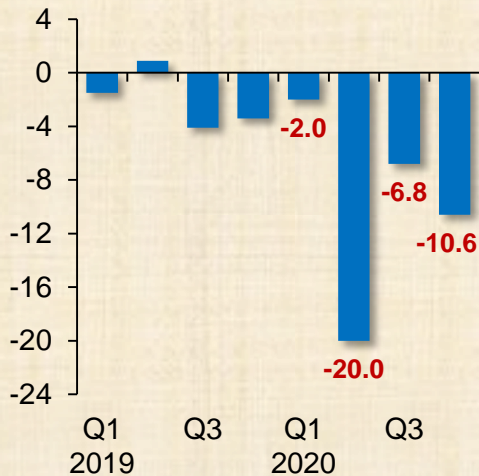
Source: DOSM; BNM

\* BNM's classification

# Mining sector: Cautious recovery

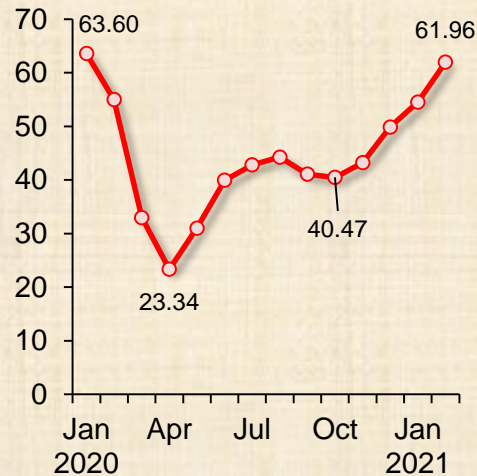
**Mining GDP growth**

%, YoY



**Brent crude oil spot prices**

US\$/barrel



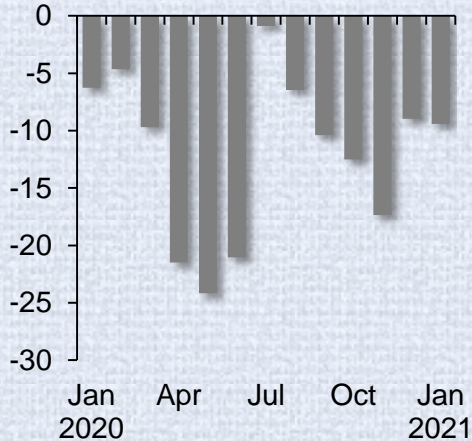
**GDP growth**

**2019: -2.0%** **2020: -10.0%**

**2021E: 2.5%**

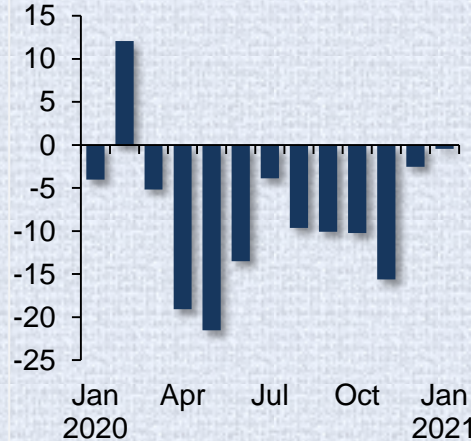
**Crude oil production**

%, YoY



**Natural gas production**

%, YoY



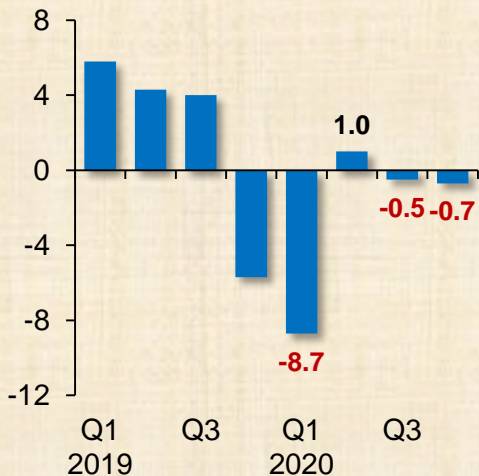
- 2020's decline in output reflects lower global demand and Malaysia's compliance with voluntary production cuts by the OPEC and partner countries (OPEC+).
- Crude oil production will increase moderately in 2021 on the back of global economic recovery.
- EIA forecasts Brent spot prices will average US\$56/bbl in 1Q 2021 and US\$52/bbl over the remainder of the year, bringing an average US\$53/bbl in 2021 (US\$42/bbl in 2020) as a result of rising oil supply that will slow the pace of global oil inventory withdrawals.

Source: DOSM; World Bank; US EIA (Feb 2021's forecast)

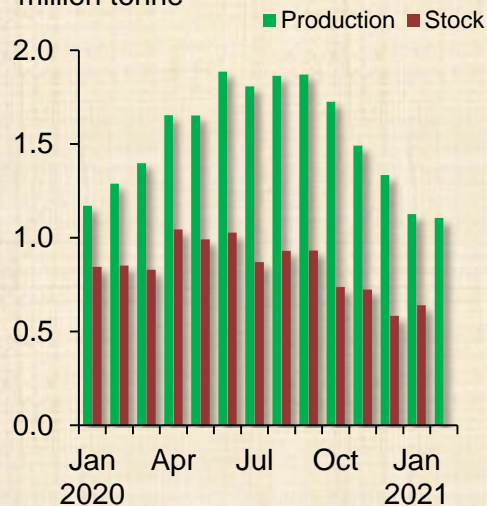


# Agriculture sector: Better prospect

**Agriculture GDP growth**  
%, YoY



**CPO production and stocks**  
million tonne

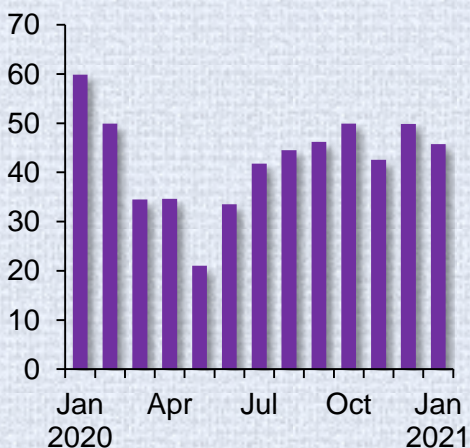


## GDP growth

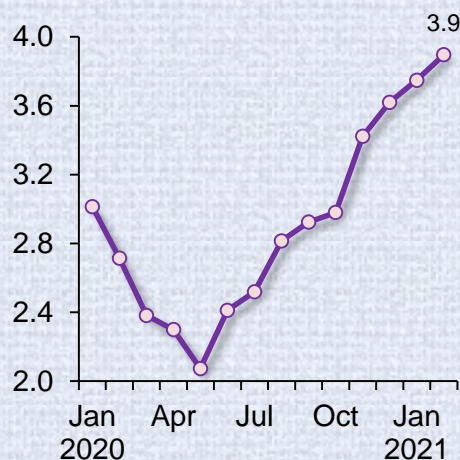
**2019: 2.0%**    **2020: -2.2%**

**2021E: 2.7%**

**Rubber production**  
thousand tonne



**CPO prices (Local delivered)**  
RM'000/metric tonne

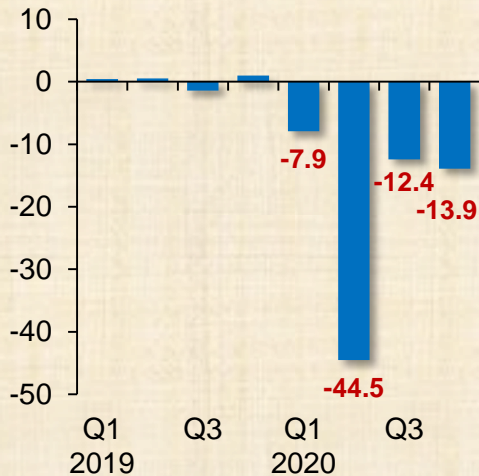


- Demand for palm oil has started to recover as lockdowns across the globe begin to ease and major consumers, including China and India, are back in the market boosting purchases to replenish stocks.
- A considerable demand will also be underpinned by the implementation of biodiesel blending mandates in major palm oil producing countries, including the B30 biodiesel mandate in Indonesia.
- 2021 Budget: CPO prices estimated at RM2,550-2,600/tonne in 2020 and RM2,400-2,500/tonne in 2021.

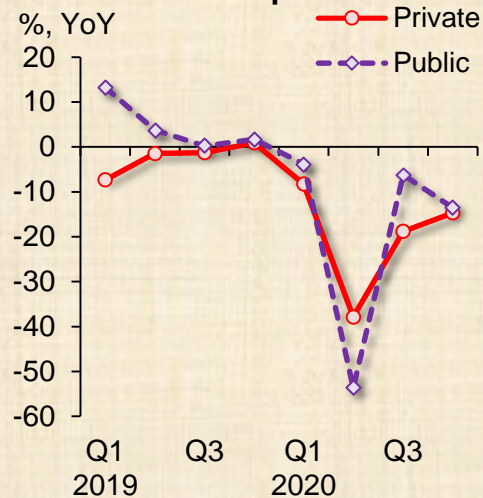
Source: DOSM; MPOB

# Construction sector: Roll-out of deferred projects

**Construction GDP growth**  
%, YoY



**Private vs public construction output**  
%, YoY

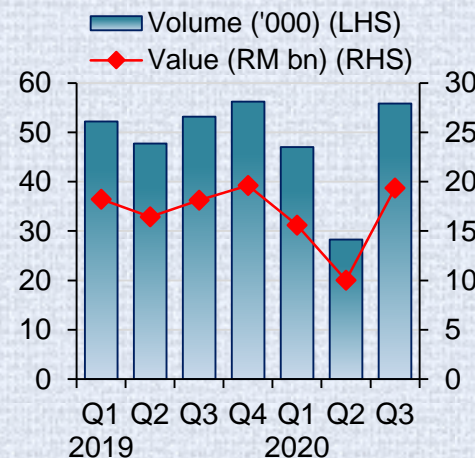


**GDP growth**

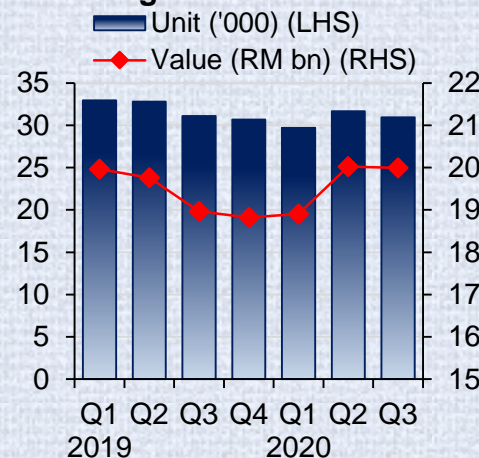
**2019: 0.1%**    **2020: -19.4%**  
**2021E: 5.0%**

- The COVID-19 and MCO have significantly dampened the sector, which had already in doldrums since 2015.
- A recovery is seen in 2021 on the roll-out of some deferred infrastructure projects such as Johore-Singapore Monorail, the Klang Valley MRT Line 3 (MRT3) projects as well as the on-going projects (ECRL, Pan Borneo Highway, LRT3).

**Residential property transactions**



**Residential property overhang\***



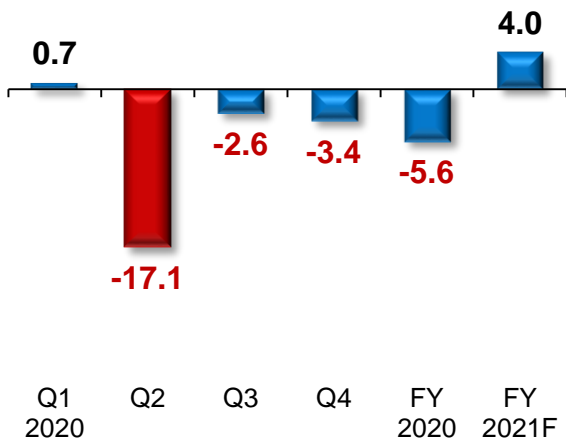
Note:


1. Residential property transaction and overhang excluding serviced apartments and SOHO
  2. Property transactions involved both primary and secondary markets
- \* Overhang units are accumulated figure

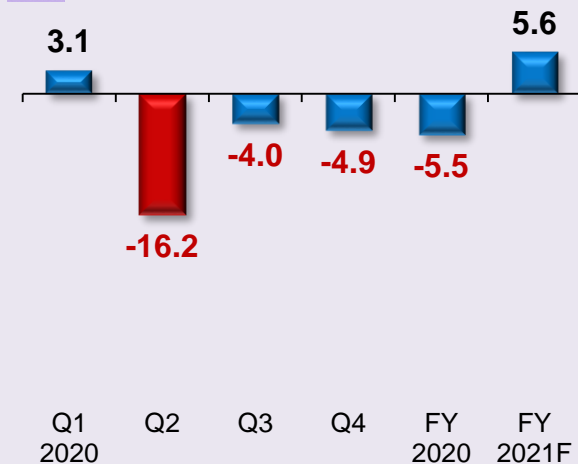
Source: DOSM; NAPIC

# SERC's estimates and projections (2020 and 2021F)

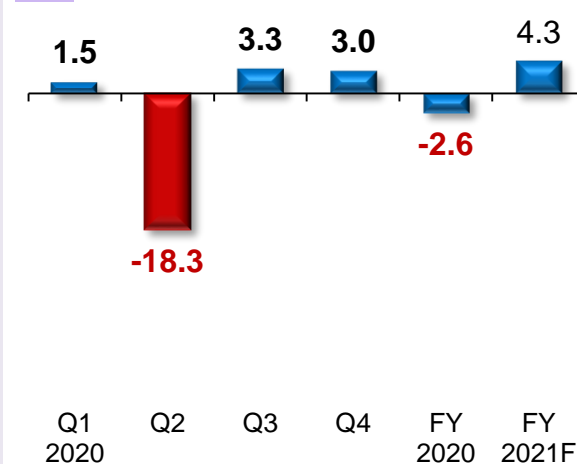
 Overall GDP




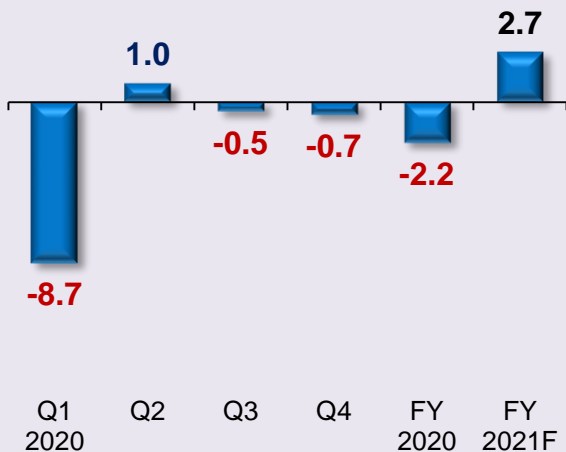
 Services (57.7% of GDP)



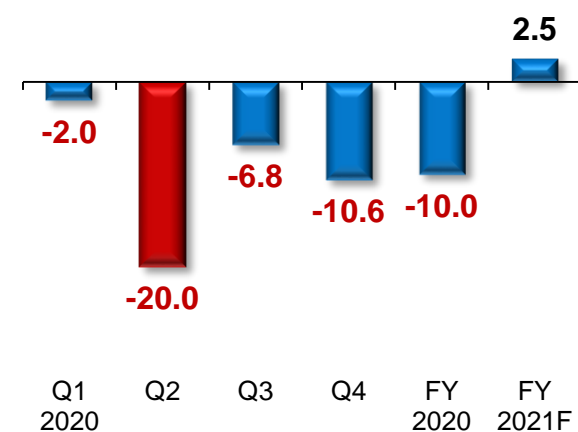
 Manufacturing (23.0% of GDP) %, YoY



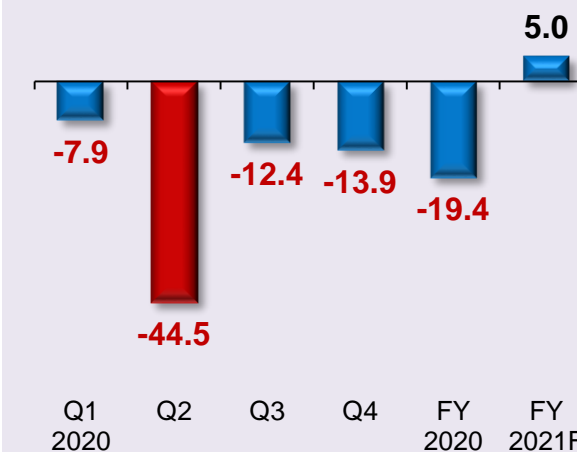
 Agriculture (7.4% of GDP)



 Mining and Quarrying (6.8% of GDP)



 Construction (4.0% of GDP)

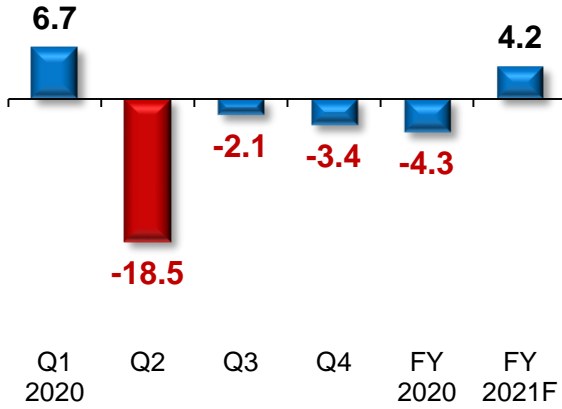



Source: DOSM; SERC

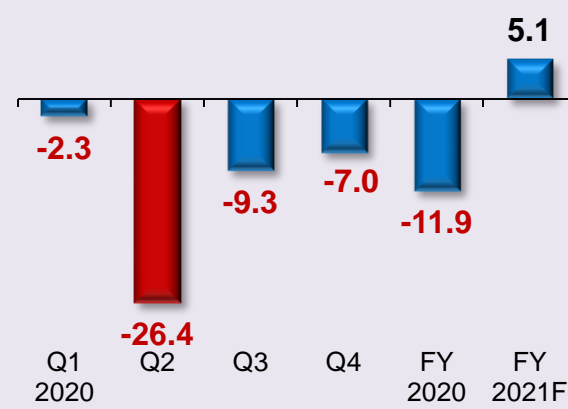
# SERC's estimates and projections (2020E and 2021F) (cont.)

%, YoY

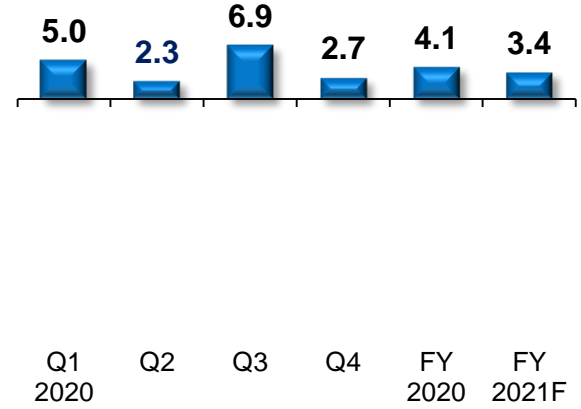
 **Private Consumption**  
(59.5% of GDP)



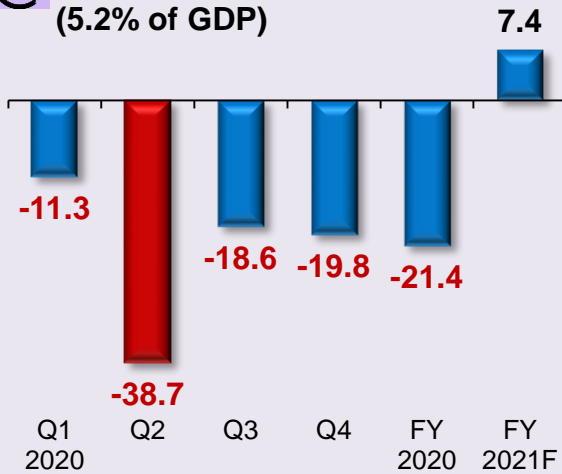
 **Private Investment**  
(15.7% of GDP)



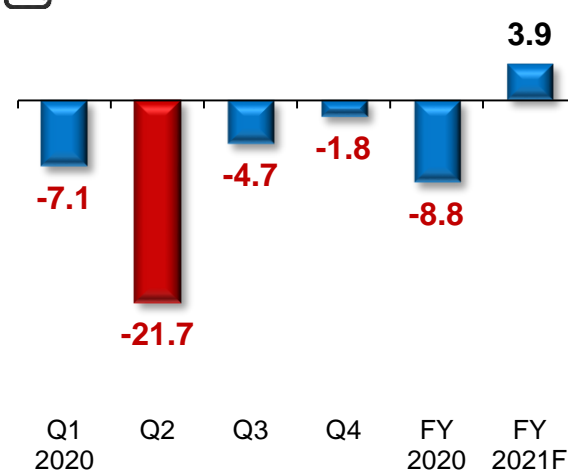
 **Public Consumption**  
(13.4% of GDP)



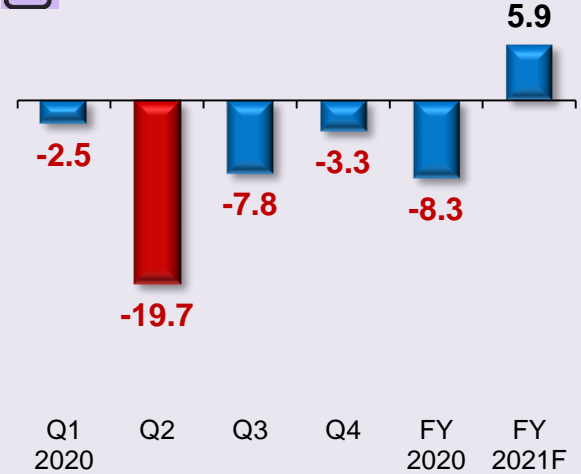
 **Public Investment**  
(5.2% of GDP)



 **Real Exports** (61.6% of GDP)



 **Real Imports** (55.1% of GDP)



Source: DOSM; SERC

## HOW THE INDUSTRY RESPOND AT THE SPEED OF THE COVID- 19'S IMPACT?

- *And even after the COVID-19 pandemic is under control, companies will face a changed market, business, regulatory and financial environment*



# Key ways companies can protect their revenues and customers during the COVID-19



## Give customers flexibility and peace of mind

- Preserve long-term customer relationships out of short-sighted profit needs! Unnecessary price increases during this difficult time are a no-go

1



## Refrain from heavy discounts and promotions

- These could worsen supply and demand issues, or even lead to price wars with the competition, putting additional pressure on margins and further deteriorating value

2



## Offer value-adds and ancillary products/services to customers

- In this period of uncertainty, convenience and customer-centricity are more important than ever

3



## Think long-term

- After the virus is controlled and crisis is over, customers will reflect on how companies behaved. Start making plans on how to harness this loyalty for future business as well as how to offset the losses once the crisis is over

4

# Actions taken by company/industry

1



## BUSINESS CONTINUITY PLAN

- Reshape strategy for business continuity
- Start updating business plans to reflect the changes in the marketplace, supply chains and trade relationships
- As your business continuity plans take effect, keep assessing the impact on your supply chain and operations
- Synchronize supply, manufacturing, logistics and fulfilment and re-position inventory
- Increase focus on your supplier risk programs
- Review inventory and optimize production

2



## MAINTAIN LIQUIDITY AND CASH FLOW

- Draw down available lines of credit to ensure continuity during volatility
- Tap into available government or trade stimulus measures and incentives
- Freeze capital expenditure and reallocate funds to where they are needed

# Actions taken by company/industry (cont.)

3

## MANAGE WORKFORCE

- Plan for the fundamental changes in employee that might result from the outbreak
- Ensure best practice in communicating with and financially supporting furloughed staff
- Streamline recruitment processes but continue to prioritize employee safety
- Consider pooling labour to match extremities of demand between companies
- Upskilling and reskilling – identify required skill set



4

## REFOCUS BUSINESS OPERATIONS

- Consolidate the manufacture and supply of goods to focus on those most needed
  - Be prepared to pivot operations to make new products
  - Continually reshape business strategy as the situation changes
  - Develop measures to support value customers and business partners
- Deployment of digital technologies, automating routine tasks with human plus machine models





# Actions taken by company/industry (cont.)

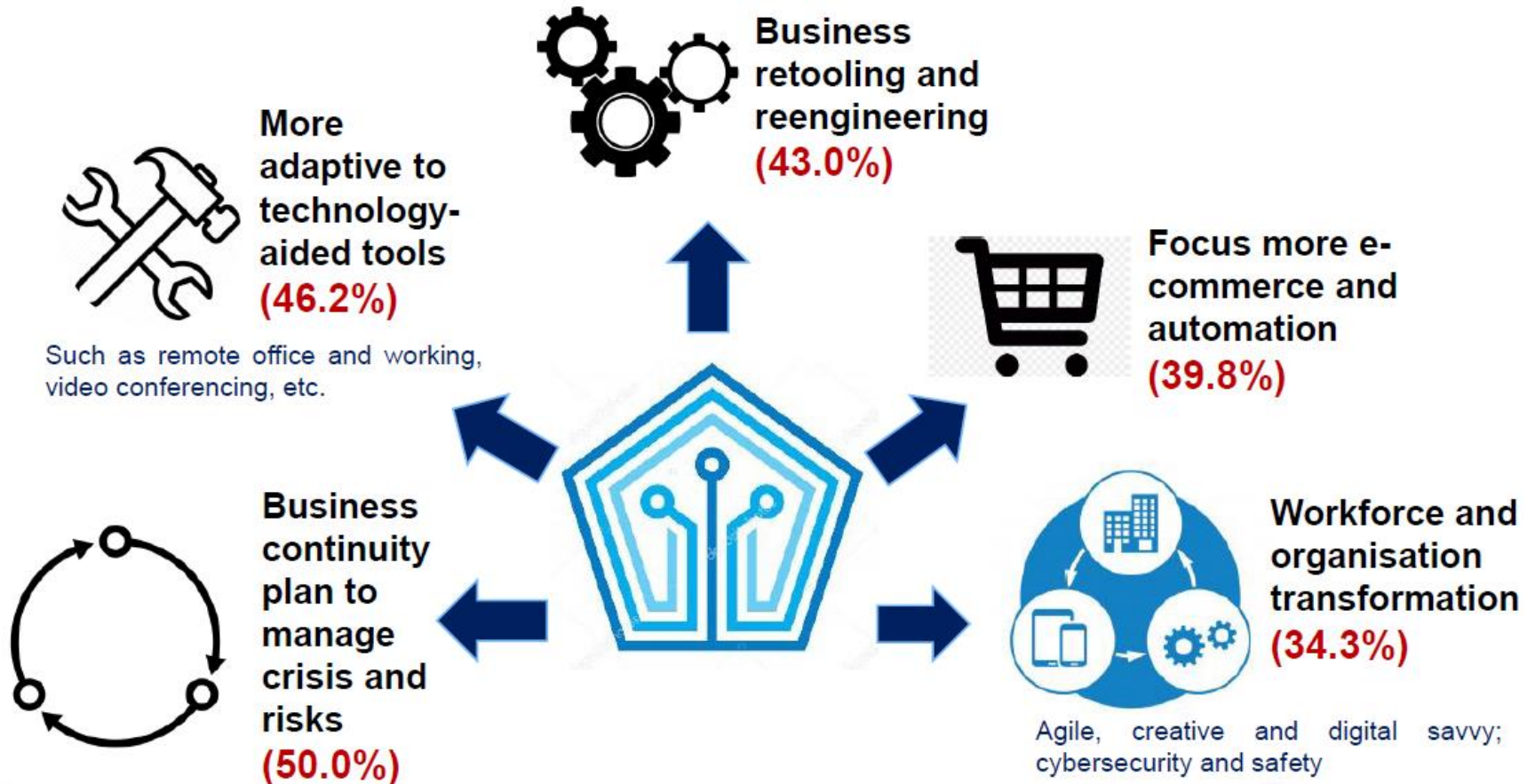
## CUSTOMER ENGAGEMENT AND MANAGEMENT

- Reshaping consumer industries have accelerated and will have lasting impact on the way people shop and what they buy.
- Plan for the fundamental changes in customers behaviour
- Use predictive analytics to prioritize service delivery to customers most at risk
- Develop customer-focused response to ensure safety, preserve loyalty and brand value
- Scale digital customer support channels and self-service options to support higher levels of customer outreach
- Move to e-retail direct-to-consumer sales
- Ensure continuity of call center and customer operations



# Views from ACCCIM M-BECS

## Strategies/initiatives adopted by businesses in a new normal



Source: ACCCIM M-BECS 1H 2020 and 2H 2020F

# TOURISM AND HOSPITALITY SECTOR

- *First in, last out from the impact of COVID-19*
- *Preparation on recovery and new normal post-COVID-19*

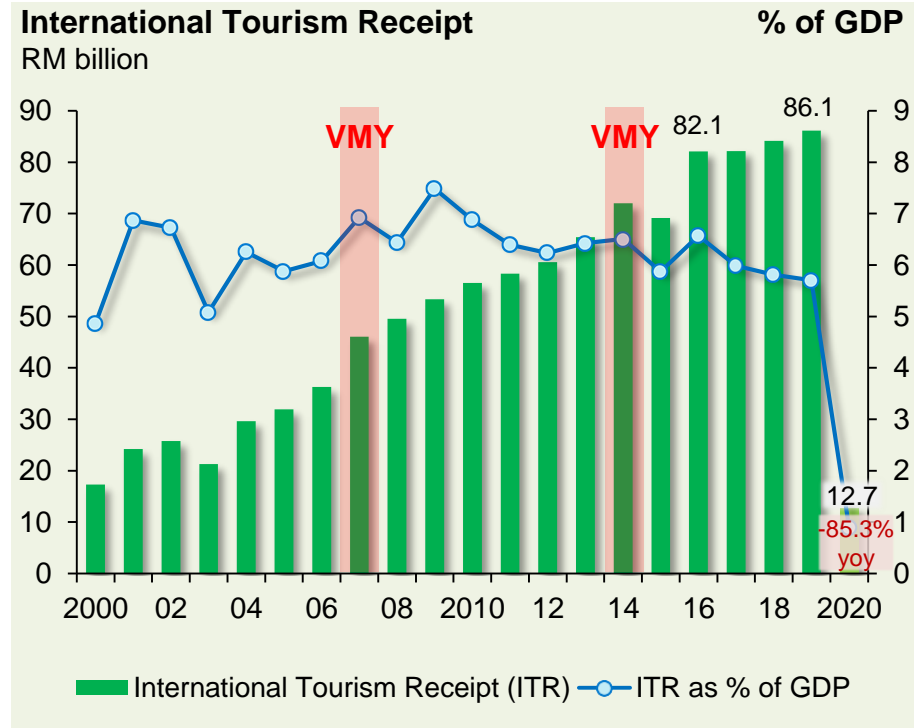


# The COVID-19 takes heavy toll on tourism & hospitality sector

Growth in the number of international tourist arrivals was largely stagnated since 2010



International tourism receipts have grown moderately in recent years (12.1% pa in 2006-2010; 6.4% pa in 2011-2016; 1.6% pa in 2017-2019)



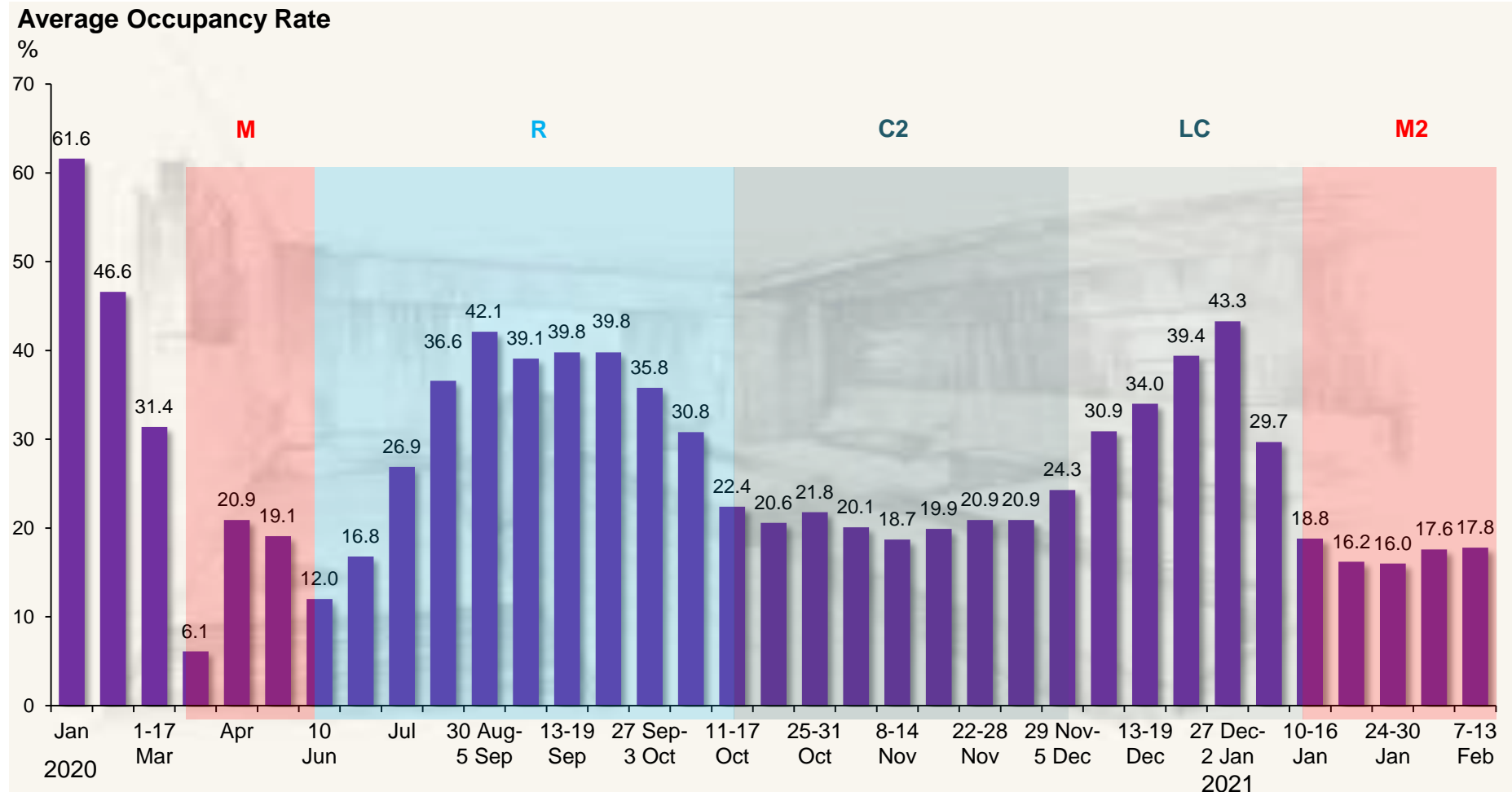
| Major Source | Tourist Arrivals | Growth (% YoY) |
|--------------|------------------|----------------|
| Singapore    | 1,545,255        | -84.8%         |
| Indonesia    | 711,723          | -80.4%         |
| China        | 405,149          | -87.0%         |
| Thailand     | 394,413          | -79.1%         |

70.5% of total international tourist arrivals in 2020

Note: Not including excursionists  
Source: Tourism Malaysia; DOSM

# Hotels' average occupancy rate suffers by 3rd wave of virus infection

The third wave of virus infections would temper the momentum



M=MCO; R=RMCO; C2=CMCO by phases; LC=Loosened CMCO with interstate travelling allowed; M2=MCO 2.0

Source: MAH

# Some major issues surrounding the hotel industry



The **COVID-19 global pandemic** and **Movement Control Order (MCO)** have crippled tourism and hospitality sector. Many hotel operators **have either closed down or temporarily ceased operations as they may take a longer while to recover.**



**COVID-19 pandemic adds more pressures on hotels' occupancy rate, which is already in excess supply over demand.** High-end hotels, budget hotels and home-sharing platforms (HSPs) have cannibalised the industry's market share and putting pressure on hotel occupancy rates.



**Online travel agencies (OTAs)** is a double-edged sword. While OTAs reaching out more potential customers, it also spurs **stiff competition** in the industry. The hotel industry needs to **share a substantial portion of revenue (ranging around 10%-30%)** with these agencies.



**Home-sharing platforms (HSPs), both online and offline also pose competition. Ratio of hotel to homestay for domestic travellers had fallen to 6.8:1 in 2018** from 28.4:1 in 2010. **HSPs' lower average costing structure** has threatened the survival of lower star rating/budget hotels. HSPs offer **various features and experiences** that cannot be rival by hotels.



As tourists' travel experience and expectations are changing rapidly, **hotel operators that do not take full advantage of technology and digital-enablers** to boost operational efficiency and optimise revenue management as well as enhance customers' service and experience, will be losing out in this game.

# COVID-19: When and How to prepare the recovery?




## Time and depth of the recovery

A serious and lasting impact on the hospitality industry in **2020-1H 2021, and is likely to recover in 2H 2021-2022**

- Consumers' and businesses' behavioural protocols, social distancing, health safety
- Business travellers vs. leisure
- Suppression of customer demand

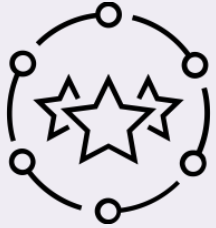


## Key challenges for hospitality/hoteliers to ponder

- 
- How to **turn crisis into opportunity?**
  - How to **quickly and accurately capture changes in customer behavioural demand?**
  - How to **coordinate resources and adapt to this sudden demand shocks?**
  - How to **enhance service quality and safety (hygiene)** is critical to survival
  - How to **design a corresponding customer experience?**

# New normal in the hospitality sector

## Changes in customer experience



- Many “variables” that are currently fogging up the prospects of the hospitality industry in a low touch economy
- **“Culture of sharing” is disrupted by social distancing**, protective measures, concerns about cross contamination through food, containers or human touch
- **Review their existing service offerings** so as to adapt to the changes in customer experience
- Restaurants in hotels may start presenting personal serving spoons when delivering a shared dish, promoting contactless delivery for in-room-dining, and designing menus in single portions rather than a sharing size

## Switch in customer perceptions



- **Safety** of food choices, customer diet structure, taste and menu concepts
- **Ingredients** (sources, quality and a safe handling/preparation)
- **High hygiene standards** in place, create a **“safe” image** of the hotel’s F&B offerings



# New normal in the hospitality sector (cont.)

## Shift in consumption patterns



- **Make full use of existing online platforms** to enhance interaction with customers
- **Enhance and expand catering services** to online ordering and delivery
- Make full use of their diverse online platforms, transforming them from one-way notification communication to **two-way interactive communication**

## Quality asset management



- **Rebranding or renovation** for the purpose of repositioning and enhancing competitiveness
- Improving **brand culture and service standards** to adapt to customer needs is critical
- **Optimize asset strategy, refurbish or renovate high potential assets,** and **enhance asset competitiveness** catering to changes in customer needs

## PROPERTY SECTOR

The property sector, which has been in doldrums since 2015, is expected to remain soft for now.

- *Home Ownership Campaign (HOC) – stamp duty exemption, instrument of transfer, 70% margin of financing for third house (>RM600k). Timeline is between 1 June 2020 to 31 May 2021; RPGT exemption for disposal of residential homes from 1 June 2020 to 31 Dec 2021*



# Property overhang remains a major concern

## Factors contributed to a massive property overhang since 2015



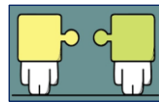
House prices rose beyond the affordability level



High cost of living and stagnant income growth



Property cooling measures



Supply-demand mismatch

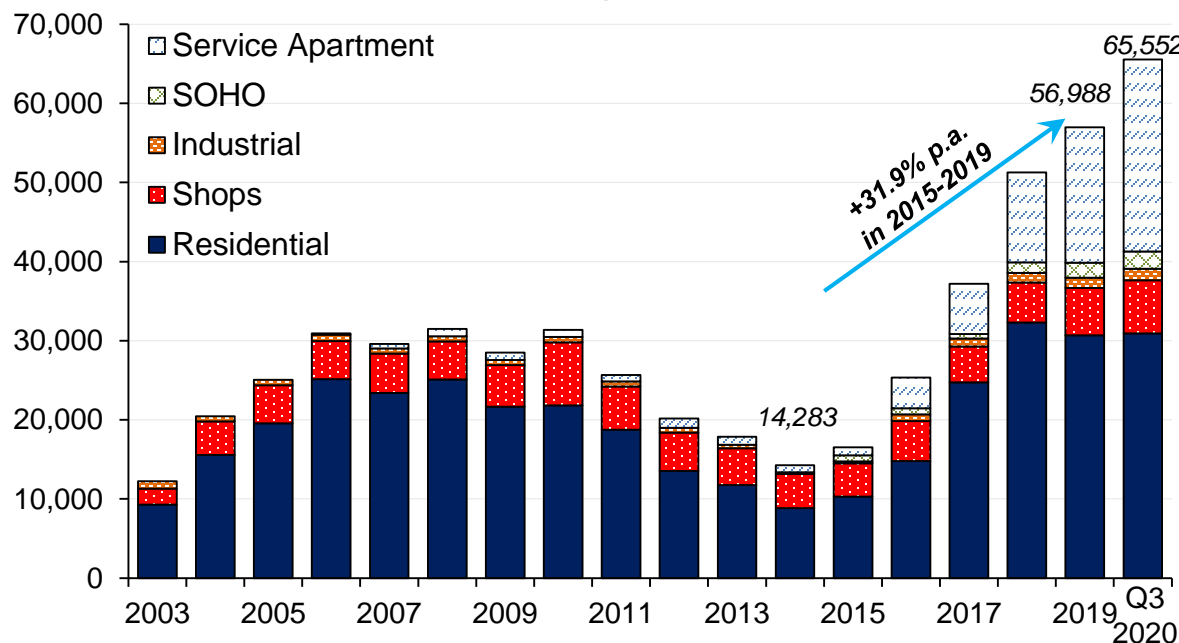


Lack of timely and accurate data



Property boom lost its steam

Total overhang units by type



| Q3 2020            |                |               |             |
|--------------------|----------------|---------------|-------------|
|                    | Share of total | Unit          | RM bn       |
| Serviced Apartment | (37.0%)        | 24,267        | 21.3        |
| SOHO               | (3.4%)         | 2,197         | 1.2         |
| Industrial         | (2.2%)         | 1,454         | 2.3         |
| Shops              | (10.2%)        | 6,708         | 5.4         |
| Residential        | (47.2%)        | 30,926        | 20.0        |
| <b>TOTAL</b>       |                | <b>65,552</b> | <b>50.2</b> |
| vs. 3Q 2019:       |                | 14.7%         | 36.4%       |

Source: NAPIC

# Overhang residential properties are largely in condominium/apartment & 2-3 storey terrace



Condominium/Apartment

**(52.8% share\*)**

As of Jan-Sep 2020



2-3 Storey Terrace

**(24.1% share\*)**

As of Jan-Sep 2020



2-3 Storey Semi-Detach

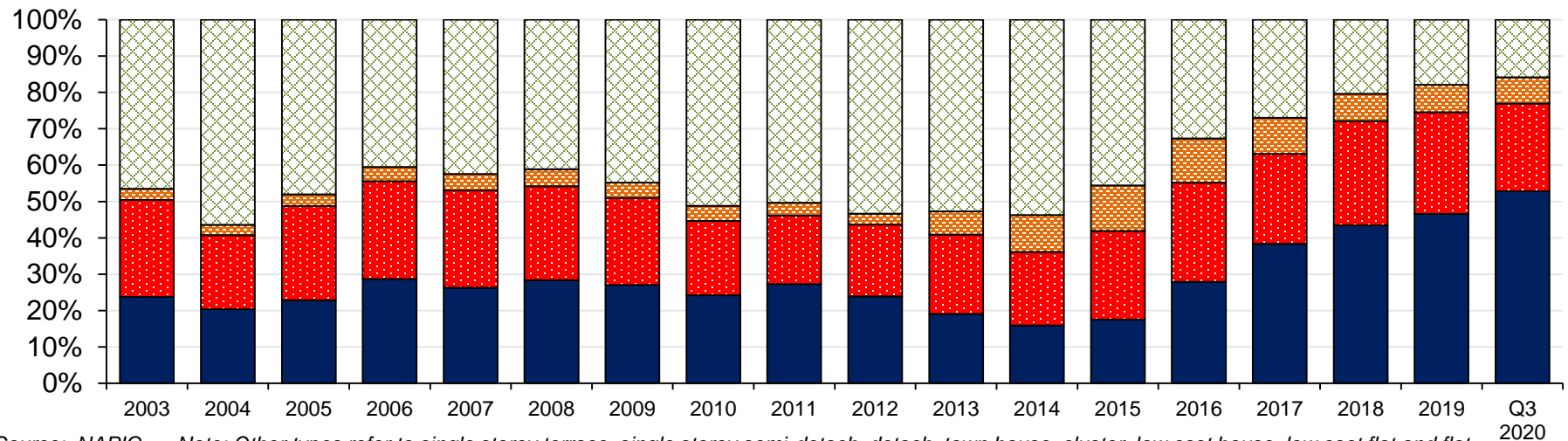
**(7.2% share\*)**

As of Jan-Sep 2020

\* Share of total overhang residential property

## Share of overhang units by type

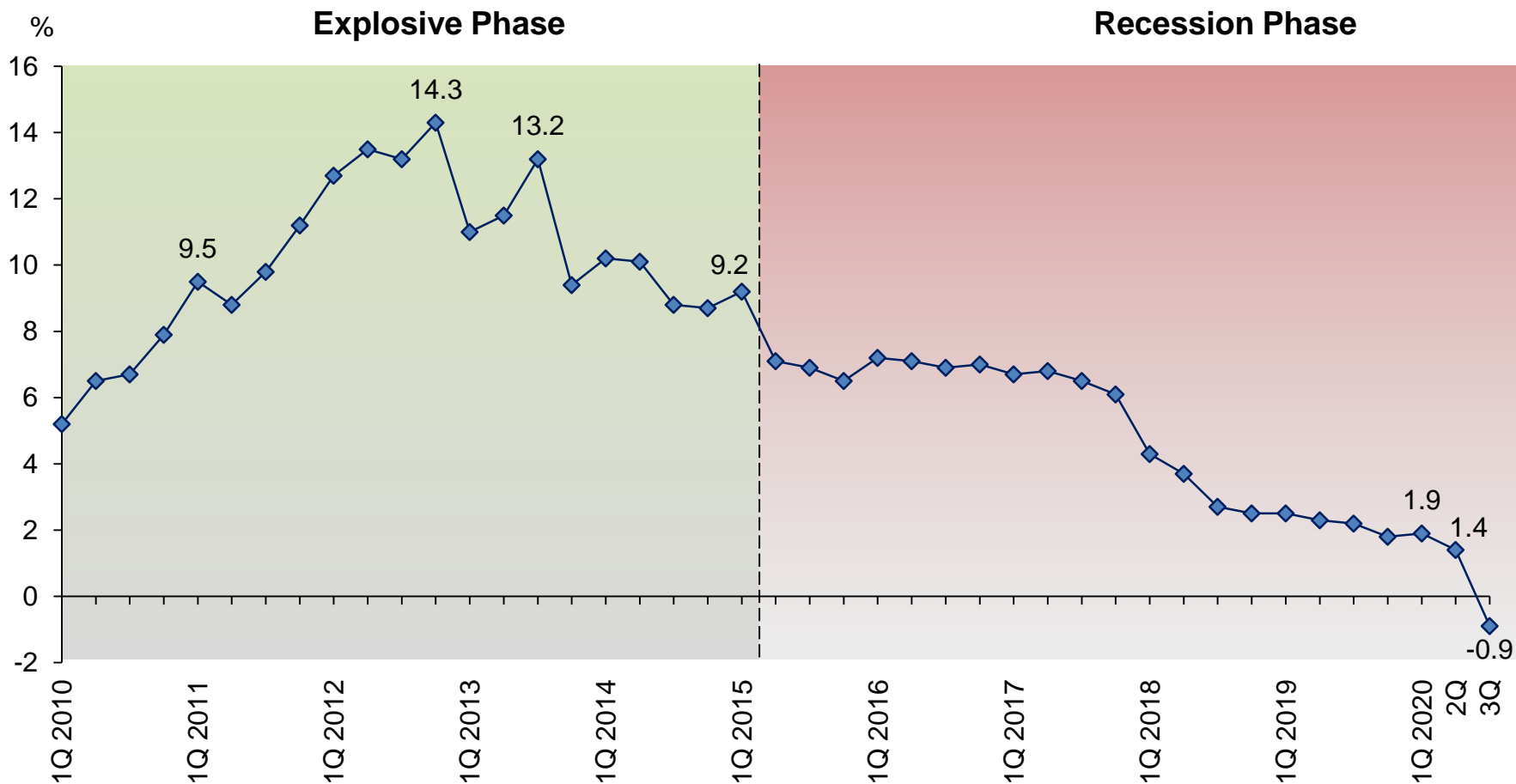
■ Condominium / Apartment    ■ 2 -3 Storey Terrace    ■ 2-3 Storey Semi-Detach    ■ Other Types



Source: NAPIC Note: Other types refer to single storey terrace, single storey semi-detach, detach, town house, cluster, low cost house, low cost flat and flat.

# Malaysia's property price cycle

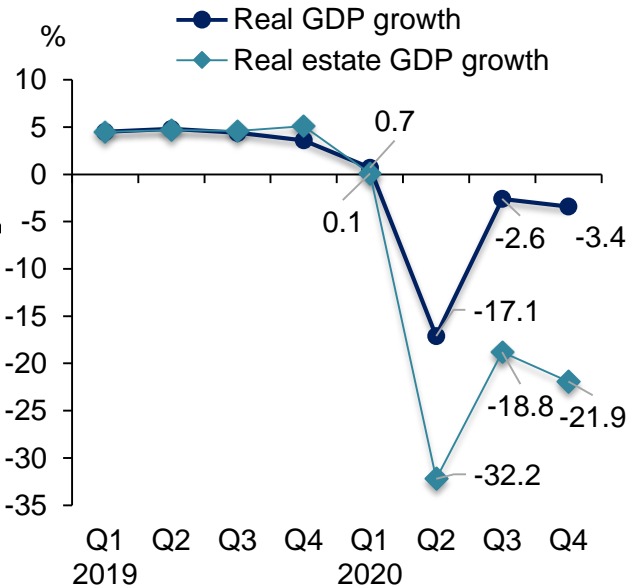
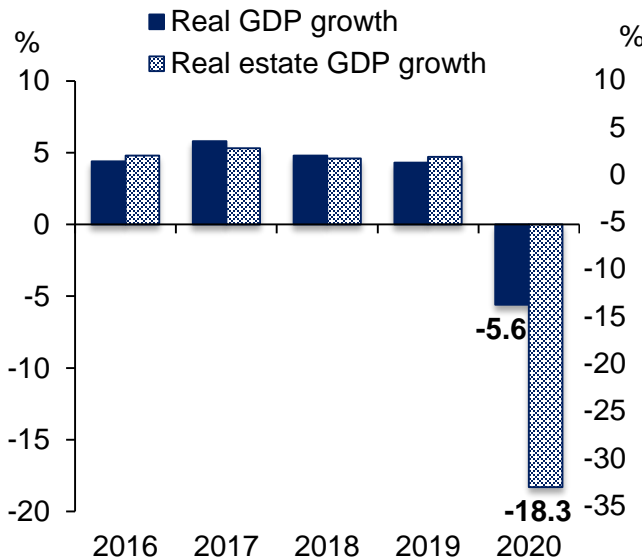
## Percentage change in Malaysia's House Prices



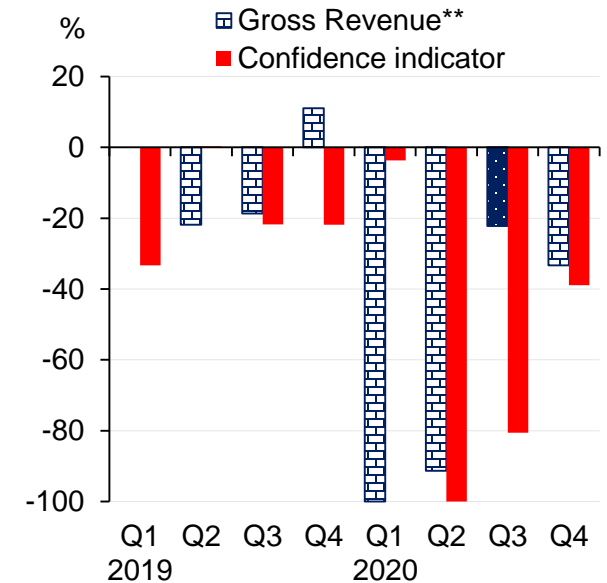
Source: BNM; NAPIC

# Real estate sector took a dive on the COVID-19

- **Growth in real estate sector** slumped for three consecutive quarters (32.2% yoy in 2Q 2020; 18.8% in 3Q; and 21.9% in 4Q), **impacted by the COVID-19 and Movement Control Order (MCO)** as well as **disconcerting overhang of properties**.
- **Real estate players remained bearish** on the property outlook in 4Q 2020. Overall business tendency in real estate industry, which gauges the industry's expectations remained pessimistic in 4Q 2020, albeit better than previous quarters.



Business tendency\* in real estate industry



Source: DOSM

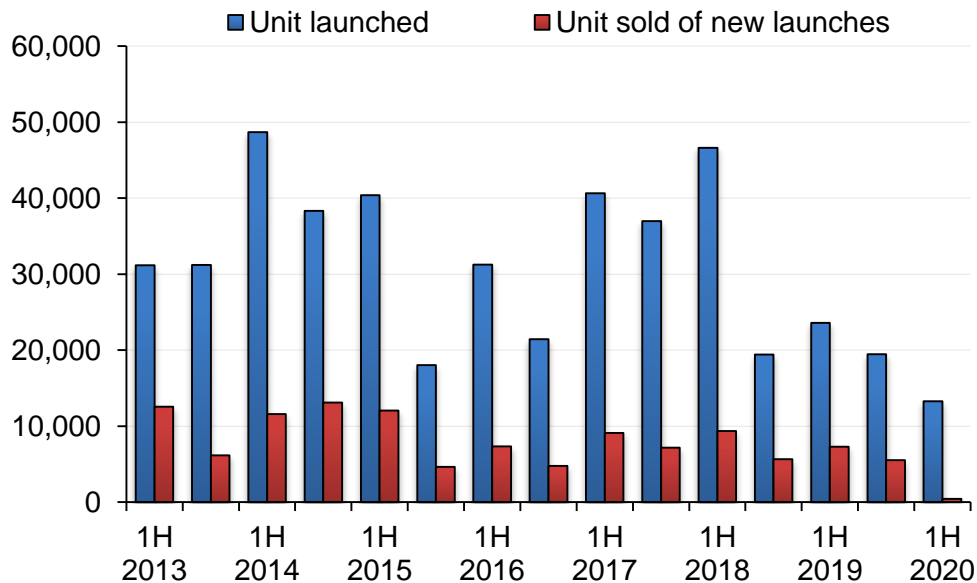
\* Net balance (difference between the percentage of respondents with favourable and unfavourable)

\*\* Present tendency; except Q4 of 2020 is future tendency (3 months ahead)

# New launches freeze up in 1H 2020

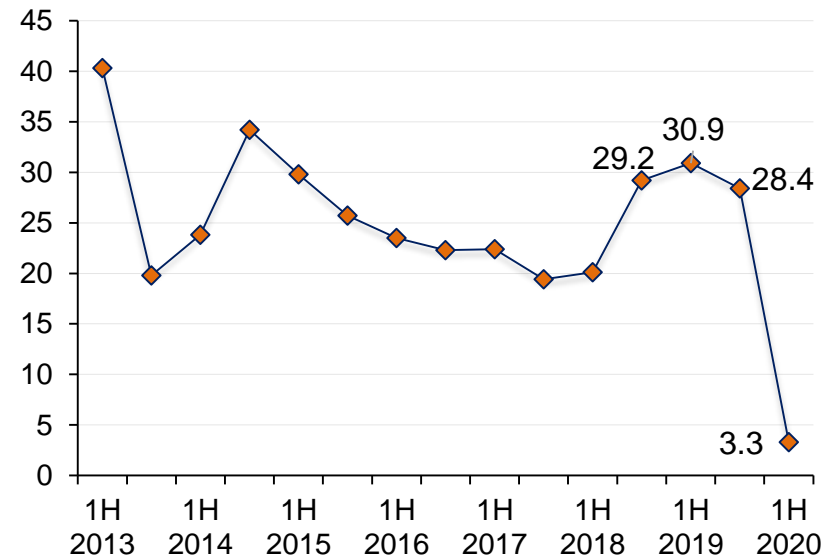
- In 1H 2020, new launches of residential property **slumped 43.6% yoy** due to cautious buyers' sentiment stemming from the COVID-19 induced economic uncertainty and MCO inflicted "sudden stop" business and economic activities.
- **Poor market absorption in the primary market** led to an increase in residential overhang.

New launches of residential property



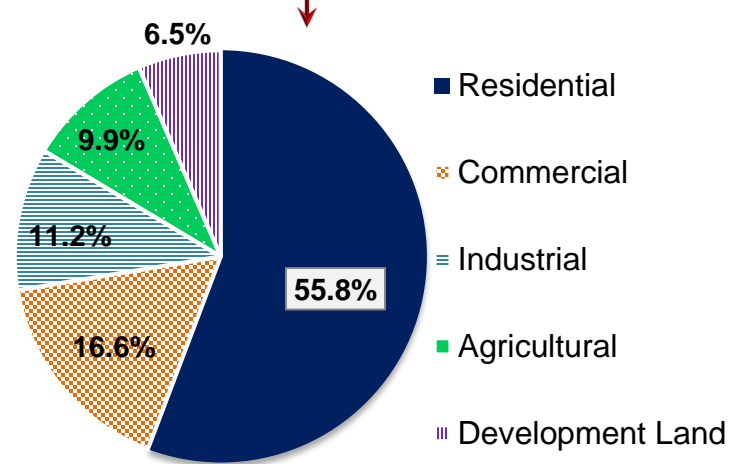
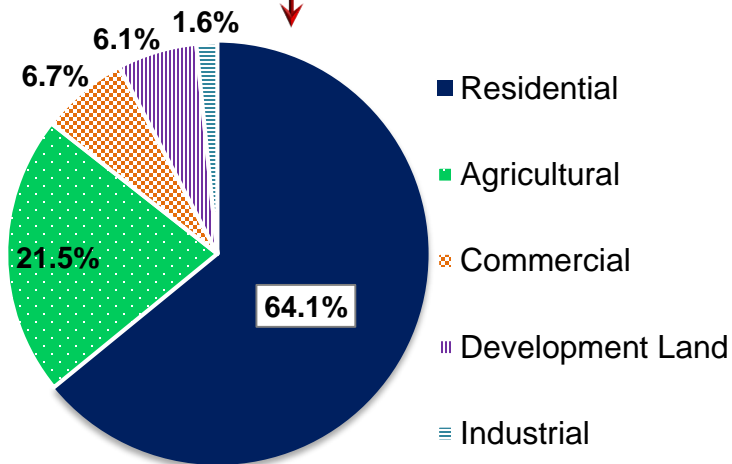
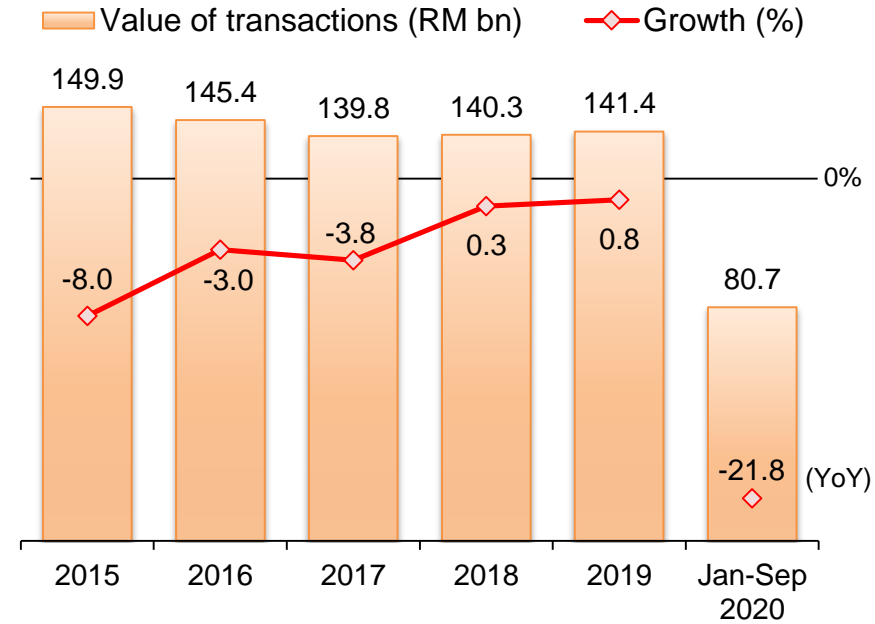
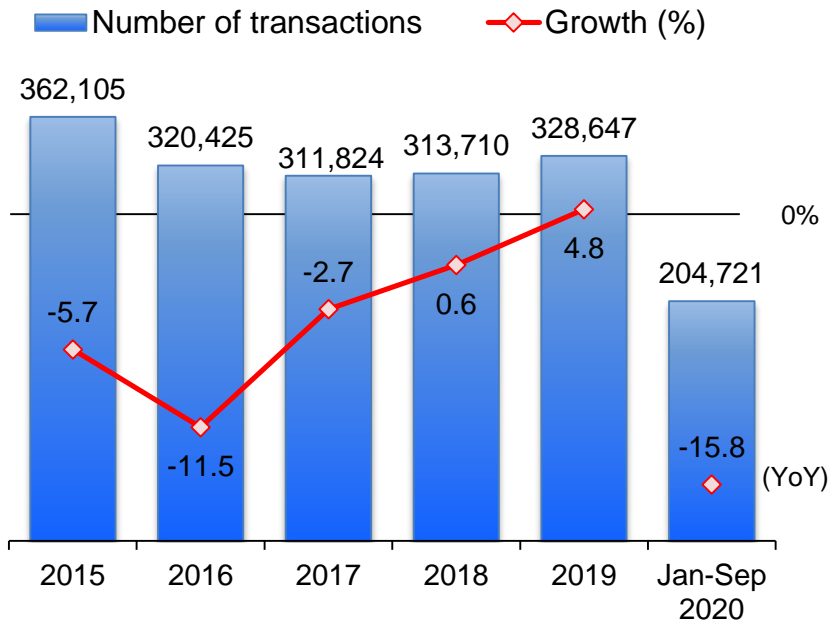
Source: NAPIC

Sales performance (%) of residential property during the new launches



Note: Sales performance = "Unit sold of new launches" / "Unit launched"

# Sluggish property market conditions continue to persist



Source: NAPIC



# Property sector remains a challenging outlook

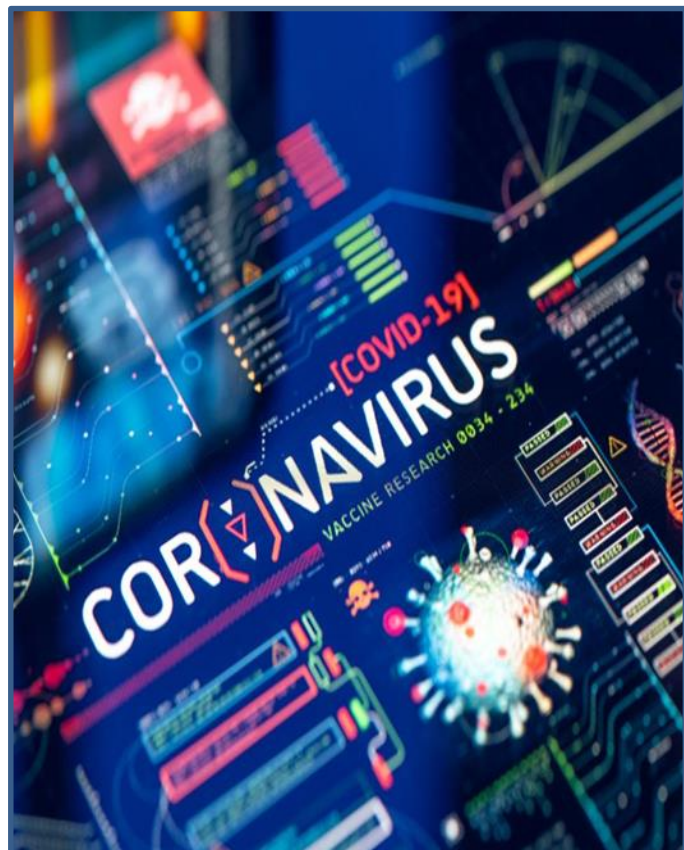
## The Negatives

- 📢 Sharp economic downturn in 2020
- 📢 Lingering uncertainty about the pace and strength of recovery in 2021
- 📢 Highly cautious consumer sentiment
- 📢 Weak labour market conditions (loss of employment and pay cuts or freeze)



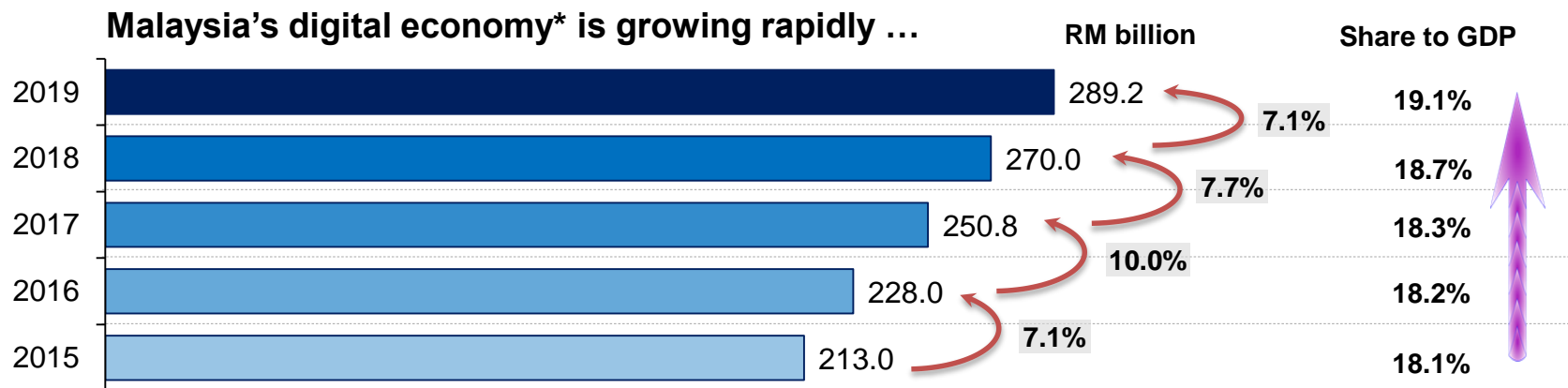
## The Positives

- 👍 Incentives to spur buying interest in primary market
  - **Reintroduced the Home Ownership Campaign (HOC)** – Stamp duty exemption on the instruments of transfer and loan agreement for the purchase of residential homes priced between RM300,000 to RM2.5 million subject to at least 10% discounts provided by the developer. The exemption on the instrument of transfer is limited to the first RM 1 million of the home price while full stamp duty exemption is given on loan agreement effective for sales and purchase agreements signed between 1st June 2020 to 31st May 2021.
  - **Real Property Gains Tax exemption** for property sales from 1st June 2020 to 31<sup>st</sup> December 2021 (This exemption is limited to the disposal of three units of residential homes per individual)
- 👍 Historical low mortgage rate (3.3% p.a)
- 👍 Weak Ringgit
- 👍 Malaysian properties remain attractive to foreigners and expats



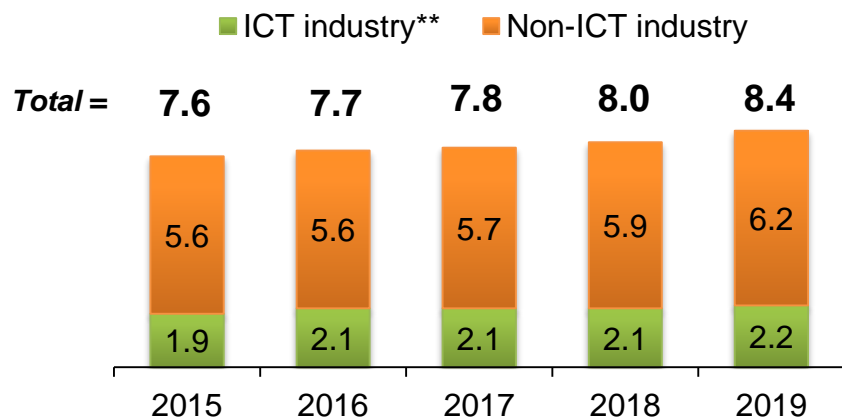
## The COVID-19: Accelerate the ICT adoption

# Digital economy contributes 19.1% of Malaysia's economy

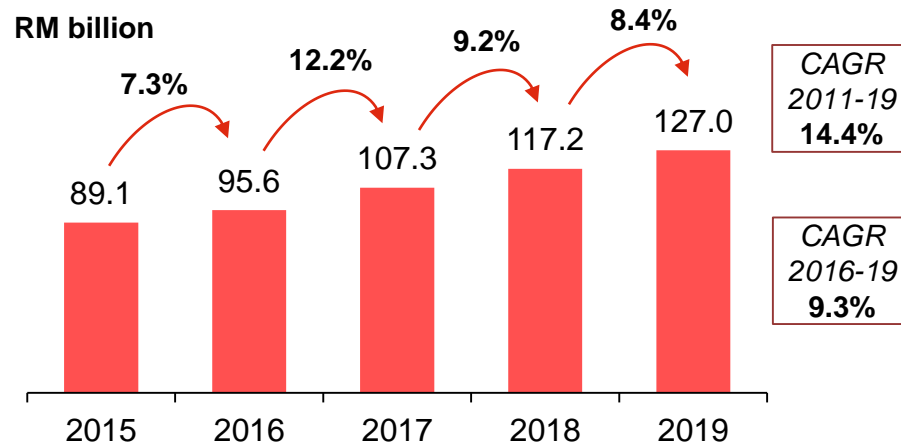


## E-commerce development

% share of e-commerce to GDP



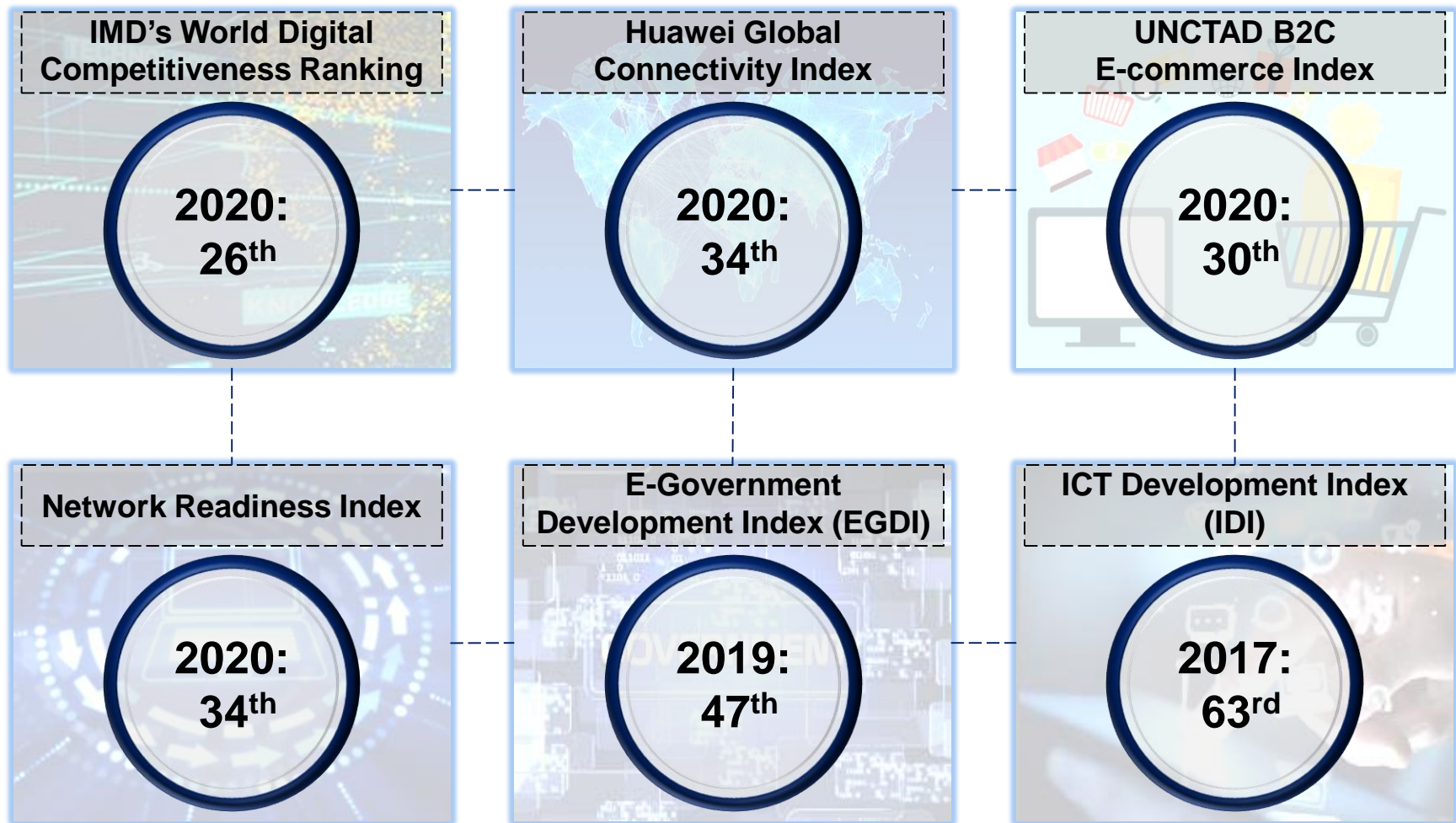
E-commerce's gross valued added



Source: DOSM

\*\* ICT manufacturing + ICT trade + ICT services + Content and media

# Malaysia's ICT and digital ranking



Source: IMD World Digital Competitiveness Ranking (WDCR) 2020; Network Readiness Index (NRI) 2019; Huawei Global Connectivity Index 2020; United Nation e-Government Survey 2020; UNCTAD; ICI Development Index 2017

# COVID-19 induces digitalised strategies for survival

- In this on-going health pandemic's inflicted hard time journey, **many companies and businesses have learnt and developed “digital COVID-19 survival strategies”** and have become more **aware of the need for digital skills and digital competitiveness.**
- Businesses are focusing on **the deployment and upgrading of digital solutions** to keep pace with **rising consumer expectations for fast, cost-efficient and quality delivery services.**
- **Robots, drones with sensors can be deployed to complete the delivery of physical goods while contactless mechanisms** using big carriers can be used for large machinery delivery. **E-commerce will flourish with the support of digital orders.**
- During the MCO period, the **usage of digital technology applications and data solutions has increased.** We are witnessing three major occurrences in day-to-day life, workplace and business:
  - a) **Increasing acceptance of online and e-services;**
  - b) **A humongous requirement for internet services, IT and data solutions** for conventional industries; and
  - c) **Rise in seamless technology connectivity and communications** between people and businesses among many industries.

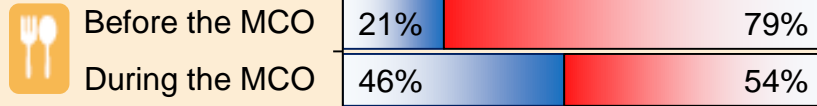
# Life after COVID-19 in Malaysia's retail industry

- The impact of MCO has expedited the progress of digitalisation in business
- The recovery path of businesses could be faster with the enormous opportunities in the digital economy

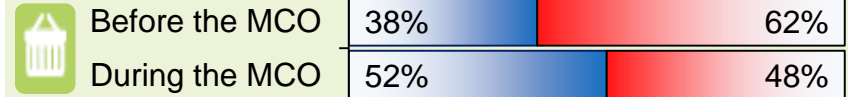
## Digitalisation of business by selected industry

■ Available Online   ■ Unavailable Online

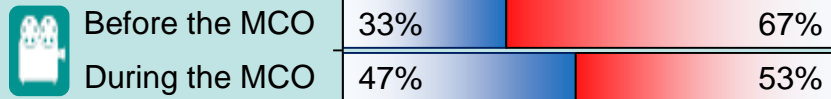
### Food and beverage (+25%)



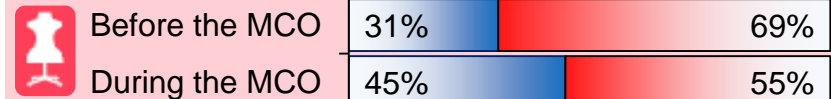
### Department store and supermarket (+14%)



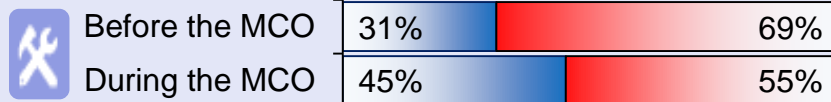
### Leisure and entertainment (+14%)



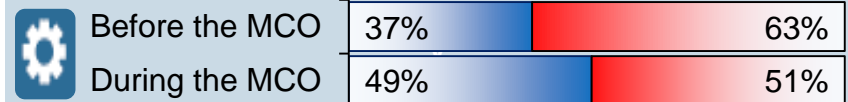
### Fashion (+14%)



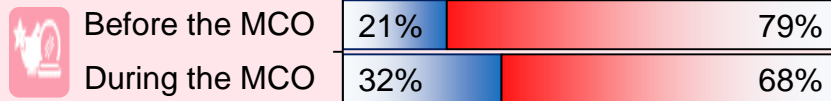
### Sundry and services (+14%)



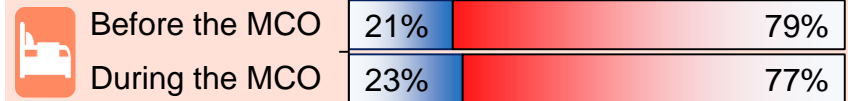
### IT and home appliances (+12%)



### Beauty and wellness (+11%)



### Hotel (+2%)



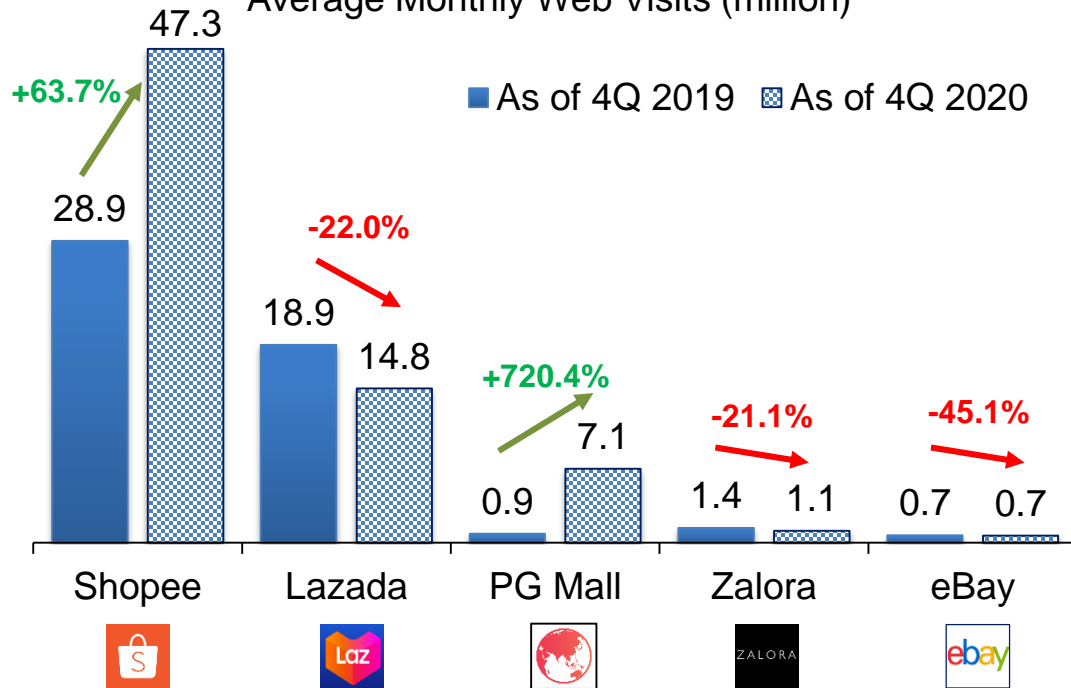
Source: Adqlo

Note: Before the MCO = 1 Jan 2020 – 17 Mar 2020; During the MCO = 18 Mar 2020 – 14 Apr 2020

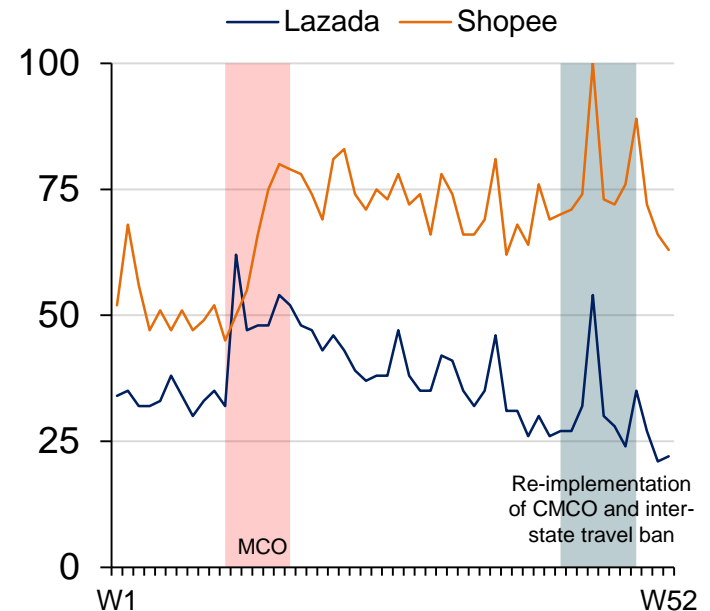
# E-commerce is one of the key recovery tools for businesses

- As of 4Q 2020, **Shopee remained as top e-commerce web visits in Malaysia**. The average monthly traffic increased by 63.7% yoy from 28.9 million in 4Q 2019 to 47.3 million in 4Q 2020.
- High search interest of e-commerce sites reflect a growing trend in online shoppers, particularly in a restricted mobility in this era.

**Malaysia's top 5 e-commerce sites:**  
Average Monthly Web Visits (million)



**Search Interest Index\* in Google Trend in Malaysia (2020)**



Source: iPrice Insights; Google Trends

\* Numbers represent search interest relative to the highest point on the chart for the given region and time. A value of 100 is the peak popularity for the term. A value of 50 means that the term is half as popular. A score of 0 means there was not enough data for this term.

# COVID-19 induces digitalised strategies for survival (cont.)

This COVID-19 crisis has forced a change in lifestyle and work process.

A shift in working patterns has also emerged as employees and companies are compelled to embrace remote working, building on pre-existing infrastructure such as office chat groups, remote access to critical tools.

- With the lockdown, companies, employers and employees continued to toil at home, with conducting discussions and business meetings via WhatsApp and other messaging apps. Business meetings and forums as well as video conferencing are now conducted using the tools provided free by start-ups, such as Slack and Zoom, and established giants (Google and Microsoft).



- The volume on Google Meet and Hangouts ([meet.google.com](https://meet.google.com) and [hangouts.google.com](https://hangouts.google.com)) surged ~950% in sequential traffic in March on a rolling 7-day period while rival Zoom ([zoom.us](https://zoom.us)) saw a phenomenal burst of traffic, growing in excess of 3,180% compared to a sequential traffic in 1H March.

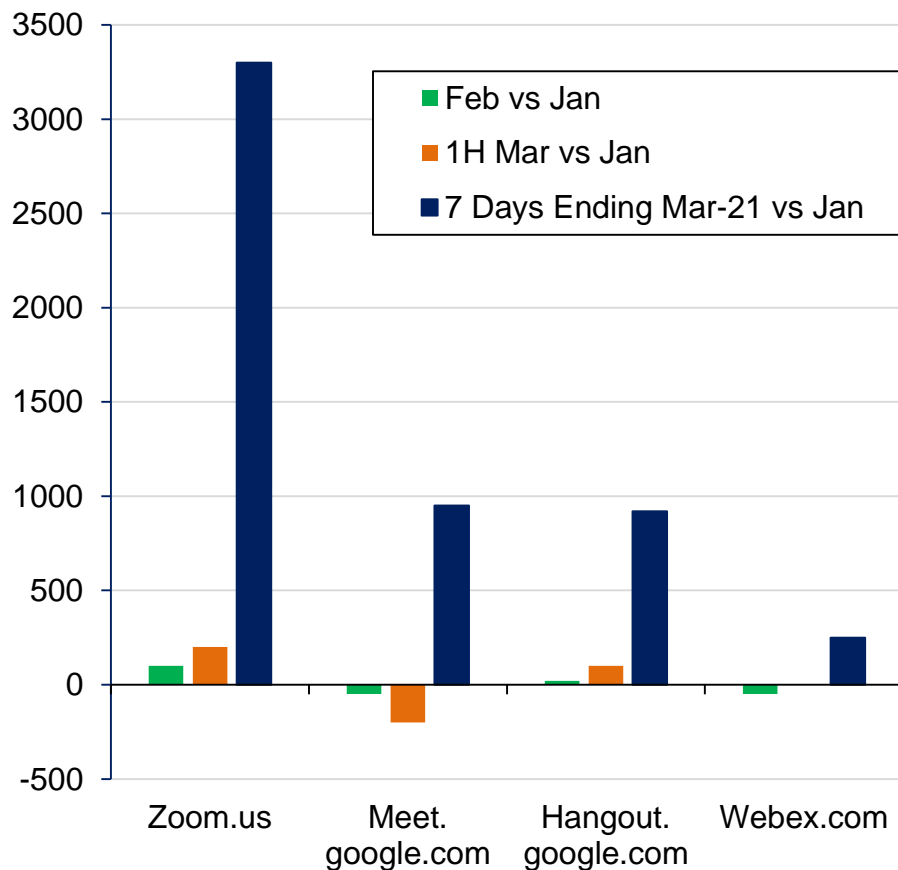




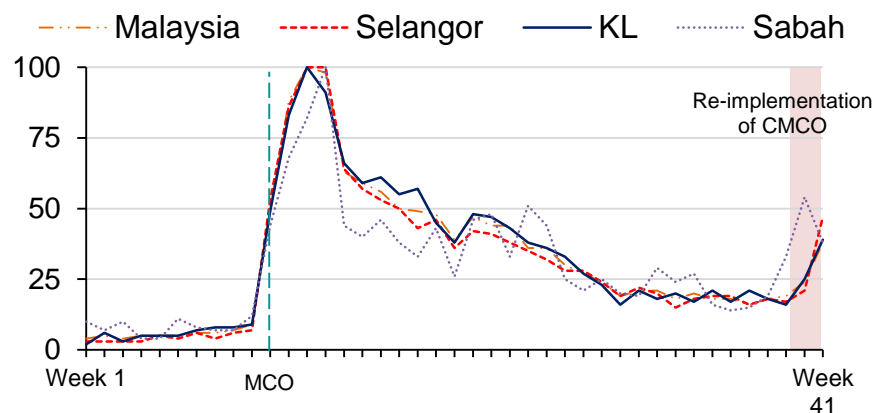
# Selected web conferencing platforms during first 7-days of MCO

- Search interest in web conferencing platforms has rebounded once CMCO announced for certain states.

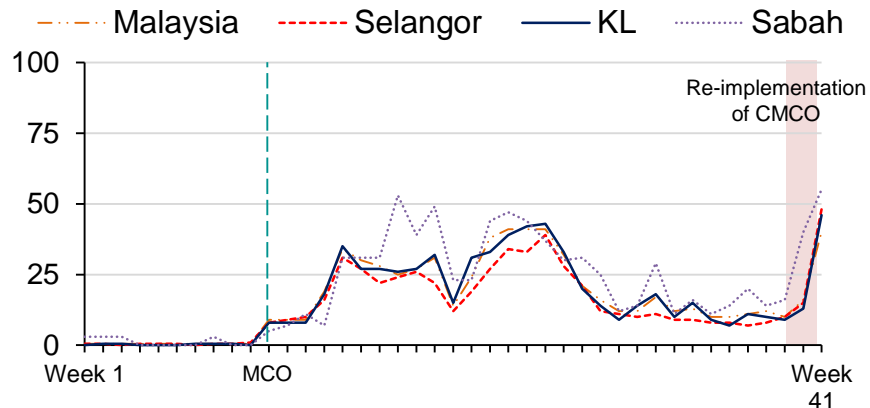
Malaysia, Seq. Change in YoY Growth Rate, Desktop + Mobile Traffic, Jan-Mar 2020



Search Interest Index in Google Trend "Zoom Video Communications (2020)"



Search Interest Index in Google Trend "Google Meet (2020)"

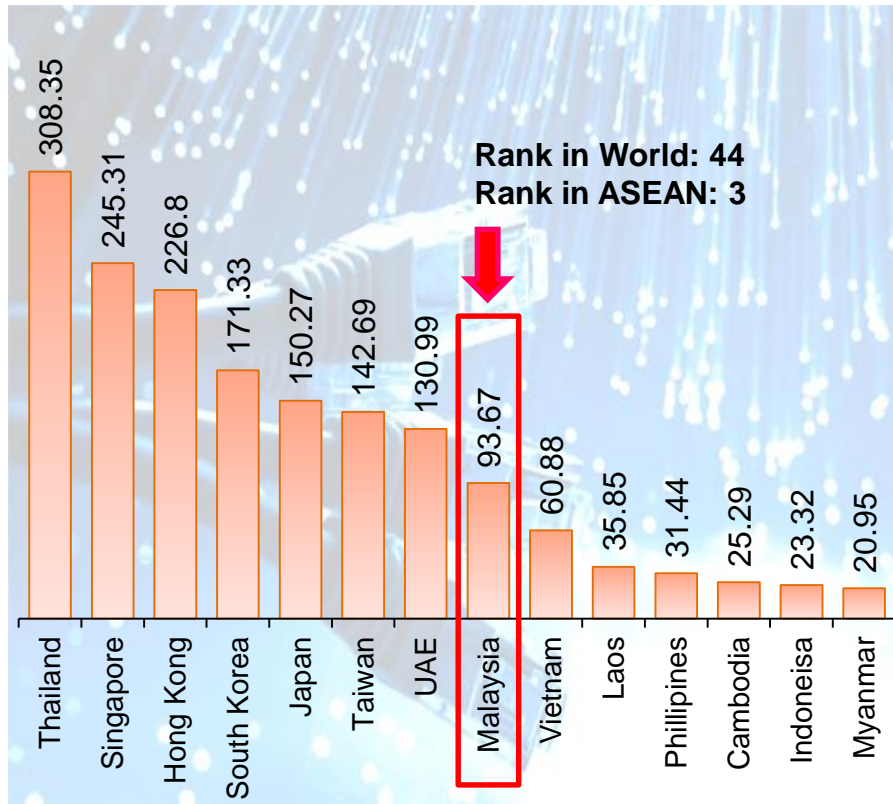


Source: Malaysian Digital Association (MDA); Google Trend

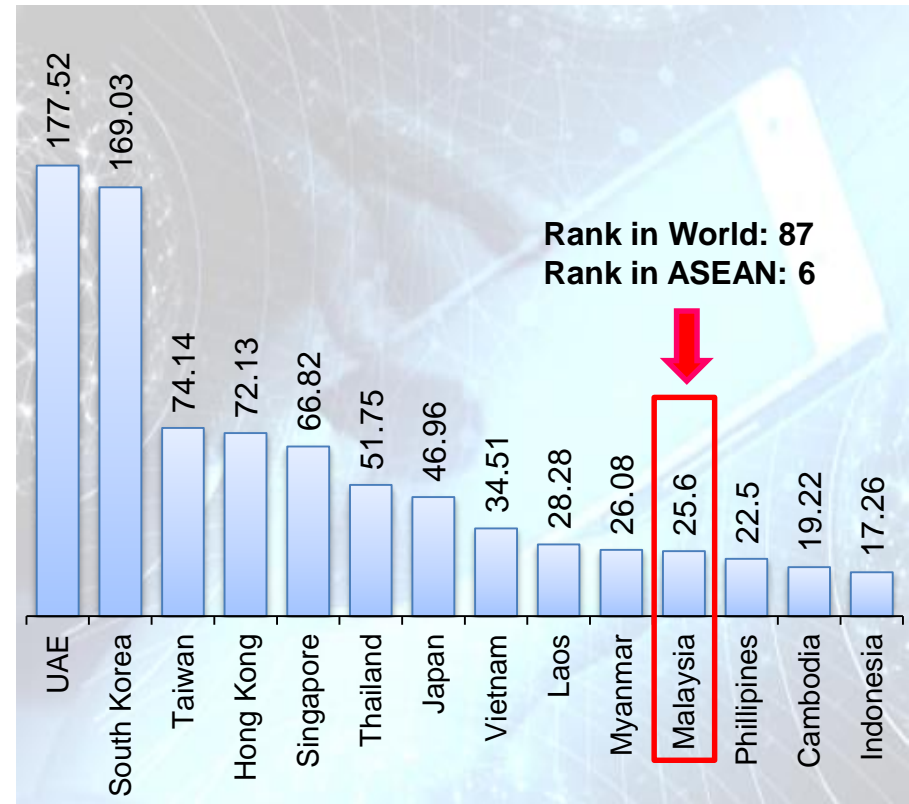
# Malaysia's mobile-broadband average download speed is markedly below her regional peers

- **Digital experience** needs to be enhanced in terms of **speed, reliability and coverage** to narrow the urban-rural digital divides.

Fixed-Broadband Average Download Speed by ASEAN and Selected Countries in December 2020 (Mbps)



Mobile-Broadband Average Download Speed by ASEAN and Selected Countries in December 2020 (Mbps)



Source: Speedtest Global Index, published as at December 2020

# 90% of Malaysian households have internet access in 2019

Malaysia's internet access (%)



In 2019, 9.9% of households not having internet access at home:

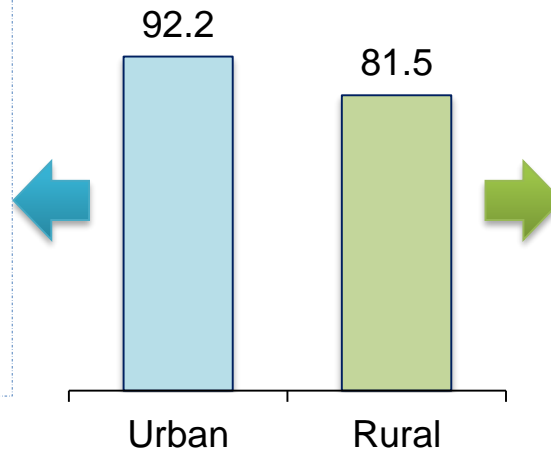
- Do not need internet (77.3%);
- Lack of confidence, knowledge or skills to use internet (71.0%); and
- Cost of equipment is too high (59.4%).

## By strata, 20% of households in majority states can't access internet

### State below the urban average point

|                 | %    |
|-----------------|------|
| 1. Sarawak      | 91.5 |
| 2. Pulau Pinang | 90.0 |
| 3. Melaka       | 89.1 |
| 4. Pahang       | 89.0 |
| 5. Kelantan     | 86.9 |
| 6. Kedah        | 84.3 |
| 7. Perak        | 83.9 |

### Internet access (%) – 2019



### State below the rural average point

|             | %    |
|-------------|------|
| 1. Kelantan | 79.5 |
| 2. Pahang   | 78.9 |
| 3. Perak    | 78.8 |
| 4. Kedah    | 77.7 |
| 5. Sarawak  | 70.7 |

Source: ICT use and access by individuals and households survey report 2019

# Every individual in Malaysia has high internet access

## Malaysia



2019: 84.2%  
2018: 81.2%

## Urban



2019: 87.5%  
2018: 84.9%

## Rural

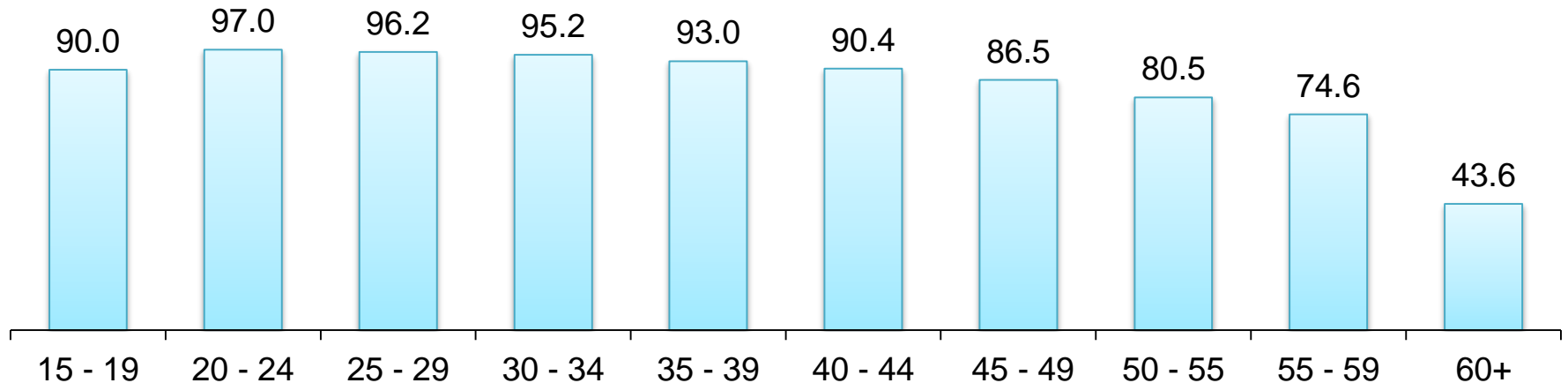


2019: 72.7%  
2018: 69.4%

## Individuals using internet by type of portable devices (2019)

|                        |       |
|------------------------|-------|
| Mobile phone           | 99.6% |
| Tablet                 | 13.0% |
| Portable computer      | 35.6% |
| Other portable devices | 7.0%  |

## Individuals using internet by age group (%) – 2019



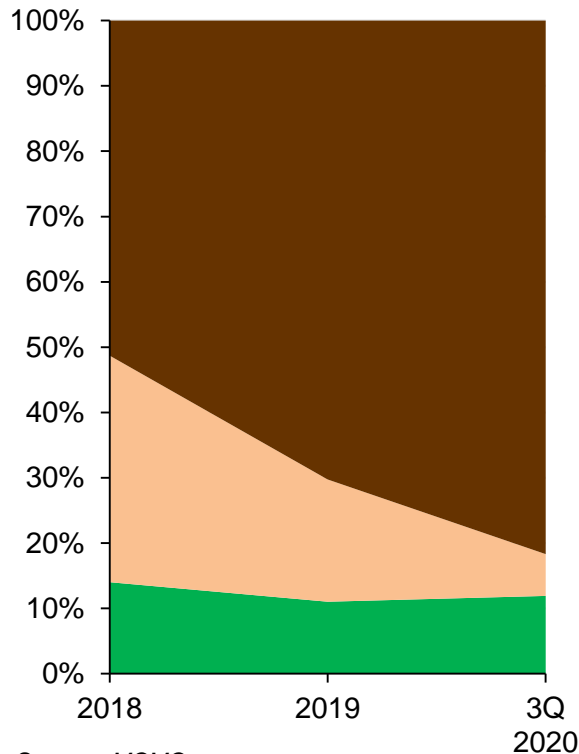
Source: ICT use and access by individuals and households survey report 2019

# Speed and coverage need to be enhanced ...

- According to Network Readiness Index 2020's sub component – **4G mobile network coverage**, Malaysia was ranked **61<sup>st</sup>** out of 134 countries, lagging behind **Singapore (1<sup>st</sup>)**, **Thailand (38<sup>th</sup>)**, **India (55<sup>th</sup>)** and **Vietnam (57<sup>th</sup>)**.

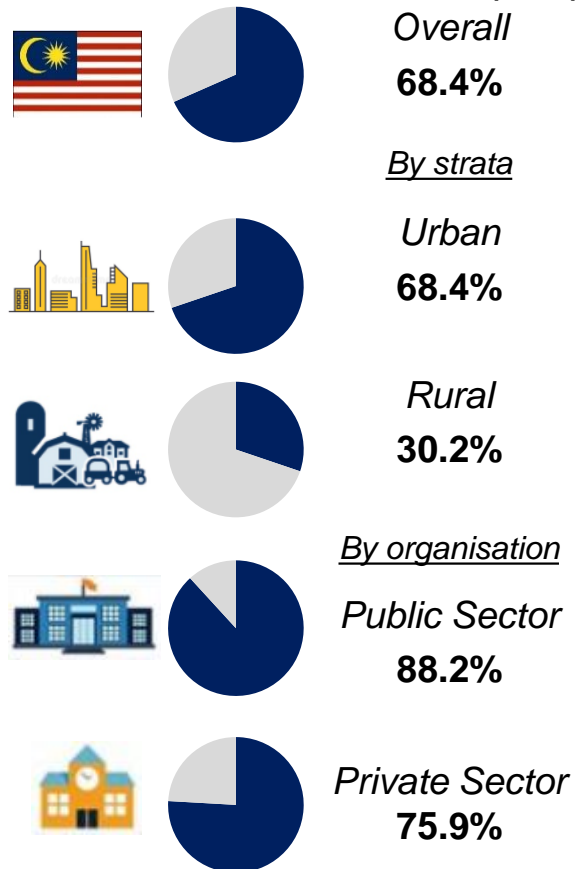
**Mobile Subscriptions by Technology (%)**

■ 2G ■ 3G ■ 4G



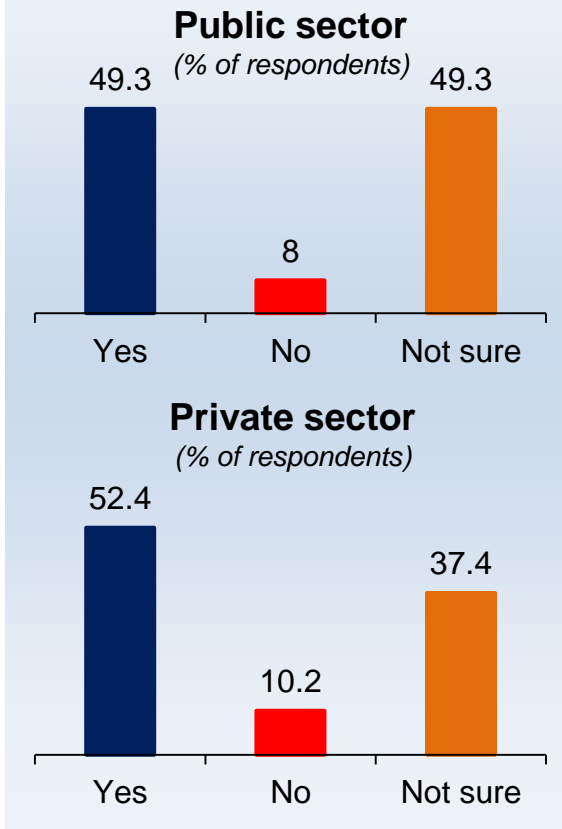
Source: MCMC

**Level of 5G awareness (2019)**



Source: Broadband Demand Survey 2019 (Published on 9 June 2020)

**Readiness to adopt 5G Technology (2019)**



# A new path for digital transformation

- **Government, people and businesses must work together with the parallel “policy push” in accelerating and deepening the evolution of how ICT and digital technologies** in the public delivery services, consumer, business and market dynamics.
- There must be a **clear interest and need from both public and private sectors** to fundamentally change Malaysia’s role in the global digital transformation race as well as in the innovation landscape.
- We proposed the following strategic initiatives and measures to be incorporated in **MALAYSIA’S DIGITAL TRANSFORMATION PLAN**:
  - a) **An Innovation Partnership Programmes between Government and Business Sector.**
  - b) **Promote the long-term growth of digital services and digital economy:**
    - i. **The Government needs to collaborate with other countries to remove barriers to cross-border accessing and enabling of the flow of data and services.**
    - ii. **Create investment-friendly tax, legal and regulatory environments for digital services.**
    - iii. **Remove policy, regulatory and financial impediments** to the expansion of digital infrastructure.





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**SOCIO-ECONOMIC**  
**RESEARCH CENTRE**

**谢谢**  
**THANK YOU**

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