中总 ACCCIM
马来西亚中华总商会

SERC

The ACCCIM-IMF Meeting

A Brief Perspective from ACCCIM

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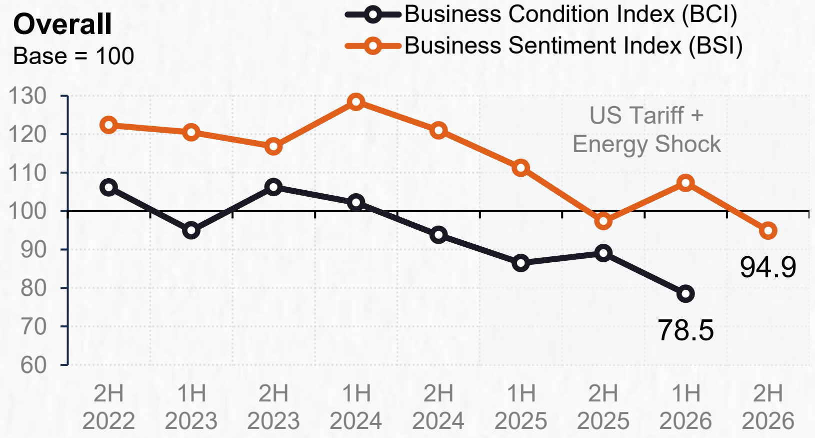
23 July 2026

ACCCIM M-BECS 1H 2026 and 2H 2026F: Key Findings



Increase | Unchanged | Decrease

% of respondents

	1H 2026 (Actual)		
	Increase	Unchanged	Decrease
Sales Performance			
Domestic Sales	20.7%	28.3%	50.9%
Export Sales	20.4%	49.1%	30.4%
Business Production			
Production Level	20.7%	36.8%	42.5%
Investment			
Capital Expenditure	49.7%	40.9%	9.4%

Note: Based on ACCCIM M-BECS results with a total of 791 respondents, conducting between 3 and 30 June 2026

Factors that adversely affected business performance in 1H 2026:

1	Increase in prices of raw materials	51.2%
2	High operating cost	48.2%
3	Changing consumer behaviour	32.2%
4	Declining business & consumer sentiment	31.2%
5	Cash flow problem	30.7%

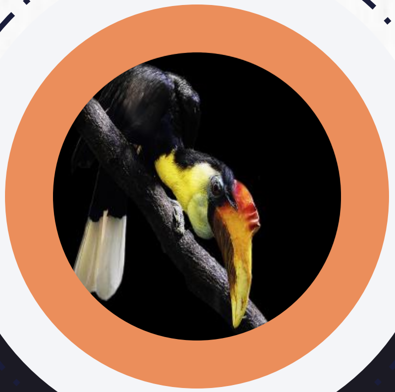
Tracking of business conditions

In 1H 2026, while most respondents maintained a neutral stance on overall conditions, **34.4% indicated a deterioration in economic conditions and 34.6% reported weaker business conditions.** Cautious sentiment is expected to persist into 2H 2026.

50.9% of respondents reported lower domestic sales revenue and 42.5% reduced production volumes in 1H 2026. Businesses also experienced neutral-to-negative financial conditions, with 95.1% (61.2% neutral; 33.9% worse) in cash flow and 97.0% in debtors' condition.

At least 65.0% of respondents reported higher costs for both local and imported inputs. Nevertheless, 33.2% raised domestic selling prices, while 33.9% lowered prices, suggesting that competitive pressures and weak demand may have limited firms' ability to pass on rising costs to customers.

Q1: Implications of ongoing geopolitical (Middle East conflict) and geoeconomic fragmentation on the Malaysian economy. Impact on investment and businesses? Impact on trade and investment between China and Malaysia?



The ongoing Middle East conflict caused both direct and indirect impact on the domestic economy via various transmission channels: price, trade, financial market and sentiment.

Implications of the Middle East Conflicts & Geoeconomic Fragmentation

Global energy prices volatility

The supply and prices of crude oil and natural gas remain vulnerable to geopolitical tensions, pending a successful implementation of the 60-day US-Iran MoU peace deal. However, the ceasefire failed at the halfway point in mid-July.

Supply chain disruptions & rising costs

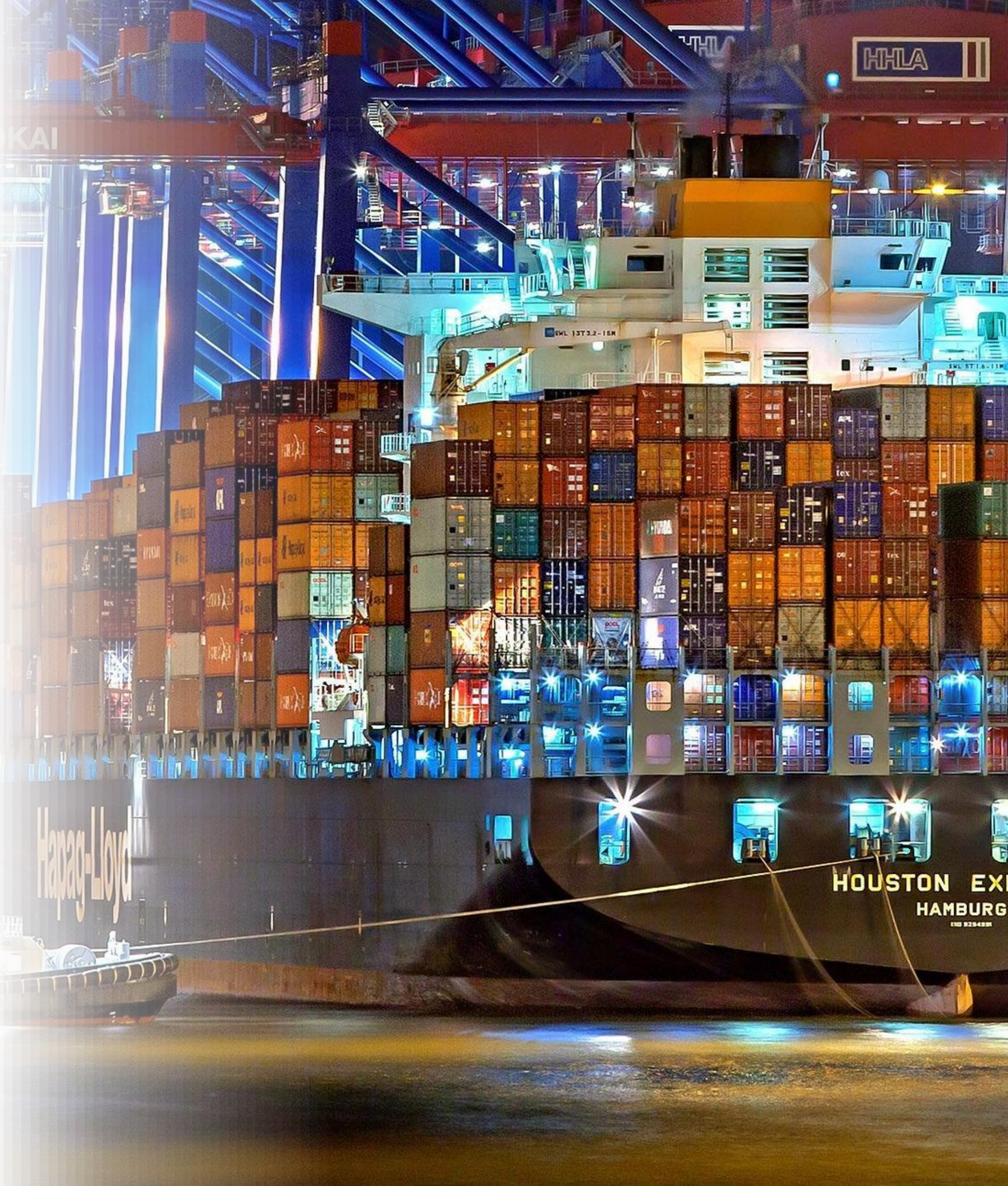
Conflict-induced shipping detours, stretch transit times, inflate freight rates, and increase marine insurance. Businesses relying on imported inputs and raw materials face significant cost pressures.

Rising energy cost and inflation

Increased energy-related production costs could feed into consumer inflation.

Investment sentiment

High global risk aversion and policy uncertainty as well as increased costs cause firms to defer large capital expenditures.



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Businesses face pressures from converging cost pressures and structural shifts

- **Converging cost and regulatory pressures**. Overall, businesses are navigating significant operational margin pressures due to a combination of rising input costs, regulatory compliance burdens, and supply chains volatility and uncertainty. These challenges are particularly more pronounced for MSMEs, which have limited financial buffers.
- The cumulative impact of multiple cost increases, including elevated raw material prices, utilities hikes, the expanded SST, and compliance costs, has left SMEs with thinner margins and severely depleted cash buffers. This limits their ability to invest in digital transformation or absorb new economic shocks.
- **Sector impact**. The energy-dependent sectors such as transportation, petrochemicals and utilities are facing immediate cost increases, while downstream industries, including construction, wholesale and retail trade, as well as food and beverage, are beginning to feel secondary effects through higher input and logistics costs.
- **SMEs resilience test**. SMEs face complexities brought about by geopolitical tensions, trade policy shifts, AI, climate change, ESG compliance and macroeconomic volatility. Surviving this economic reality requires moving beyond costs optimisation, restructuring operations, and implementing long-term structural changes to maintain competitiveness.
- **Proactive initiatives**. Navigating this structural shift requires agility and localised strategies. Businesses must continually assess their supply chains security, overcome technology adoption barriers, invest in efficiencies, and leverage as well as utilise available government's ecosystem support and resources to strengthen resilience and ensure stability.

Feedback from ACCCIM members in selected industries

- Our channel checks with our members in selected industries (food manufacturing, tyres, oil lubricant, plastic manufacturing, plantation) indicated that raw materials costs have increased significantly by between 10% and 140% amid the fluctuation of prices on a weekly basis. Imported raw material (base oil) has increased by 100%-140%.
- Business inventories are estimated to last in May-June or some in Q3. While there are no stockout situations, the suppliers do not take larger-than-normal orders, suggesting a wait-and-see approach amid a clearer situation of the supply chain disruptions.
- The influx of unusually high order volumes due to precautionary stockpiling by businesses have overwhelmed oversea ports and container terminals, causing delays in customs clearance, and impacting the timely delivery of goods, even for table supply of commodities.
- Manufacturers would begin to raise prices once old, cheaper inventory is depleted as they face higher replenishment costs as the full impact of the cost increases is expected to materialise during the months of June and July. They have indicated to their customers that they will increase prices, though the magnitude of price increases varies, depending on the share of increased inputs of total production costs.
- Unabsorbed high wholesale prices hit businesses' limits in absorbing these supply-side costs, they are forced to pass prices increases onto consumers, ultimately driving up consumer inflation.
- Overall, businesses, especially MSMEs are bracing for elevated transport and logistics costs, and significant price markups on raw materials like plastics and fertilisers amid weakening demand, resulting in lower profit margins, tightness in cash flow, and disruption in raw materials.

Trade and investment between Malaysia and China

Chinese investors' interest remains intact. The investment focus is shifting from heavy infrastructure to high-value sectors such as artificial intelligence, data centres, digital logistics, and green industries.

Key trade statistics with China in 1H 2026:

Total Trade	Export	Import
RM325.3 billion 18.1% of total The largest trading partner for 18 consecutive years.	**RM107.3 billion** 11.0% of total The 3rd largest.	**RM218.0 billion** 26.4% of total The largest.

Key approved investment from China in 1Q 2026:

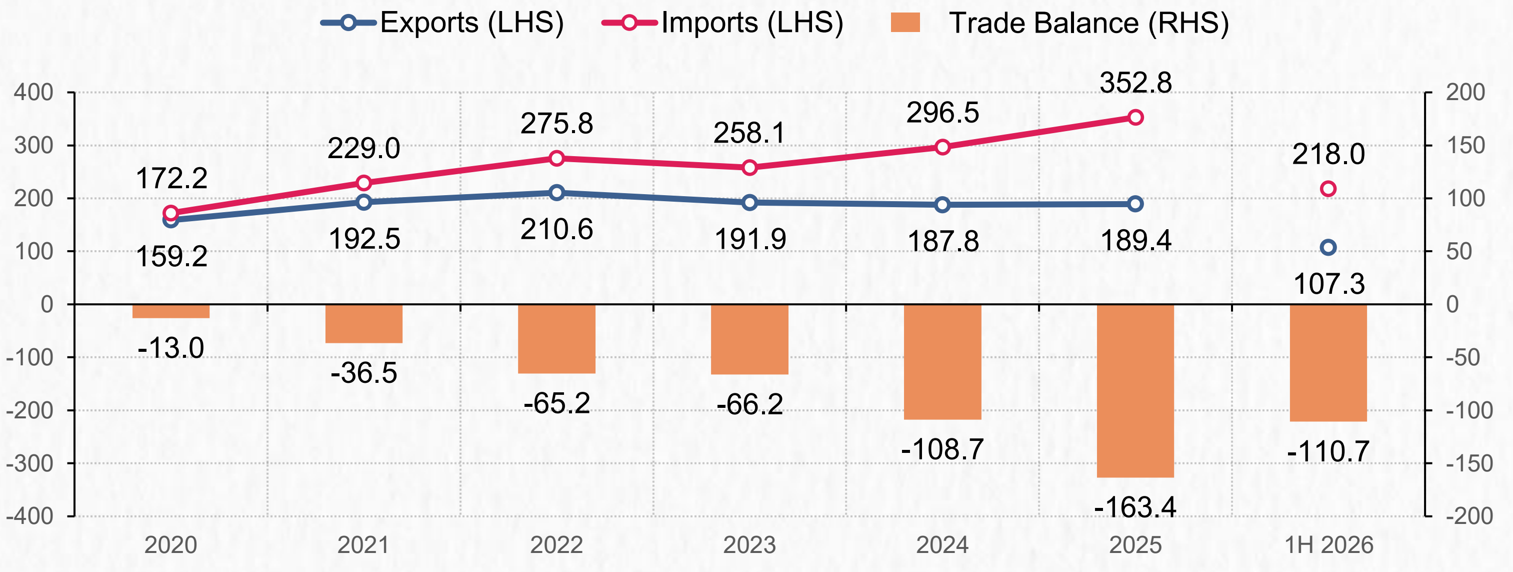
Total FDI	Manufacturing FDI
RM10.1 billion 18.0% of total FDI The 2nd largest.	**RM10.0 billion** 62.5% of total manufacturing FDI The largest.

Crowding out domestic MSMEs. Some domestic firms face the threat of a "crowding out" effect regarding market share, raw materials and manpower.

Source: DOSM; MIDA

Malaysia's external trade with China

2020-1H 2026, RM billion



Top 3 exports items to China

RM billion, % share of total exports to China

2025	1H 2026
HS85: Electrical Equipment & Electronics (RM76.4 billion, 40.4%)	HS85: Electrical Equipment & Electronics (RM50.4 billion, 47.0%)
HS27: Mineral Fuels & Oils (RM18.8 billion, 9.9%)	HS27: Mineral Fuels & Oils (RM11.0 billion, 10.2%)
HS84: Machinery & Mechanical Equipment (RM12.8 billion, 6.8%)	HS26: Ores, Slag & Ash (RM8.5 billion, 7.9%)

Top 3 imports items from China

RM billion, % share of total imports from China

2025	1H 2026
HS85: Electrical Equipment & Electronics (RM121.0 billion, 34.3%)	HS85: Electrical Equipment & Electronics (RM93.9 billion, 43.1%)
HS84: Machinery & Mechanical Equipment (RM78.0 billion, 22.1%)	HS84: Machinery & Mechanical Equipment (RM37.8 billion, 17.3%)
HS87: Vehicles & Parts (RM15.4 billion, 4.4%)	HS39: Plastics & Articles (RM7.5 billion, 3.4%)

Note: Based on 2-digit HS code.

Trade and investment between Malaysia and China (cont.)

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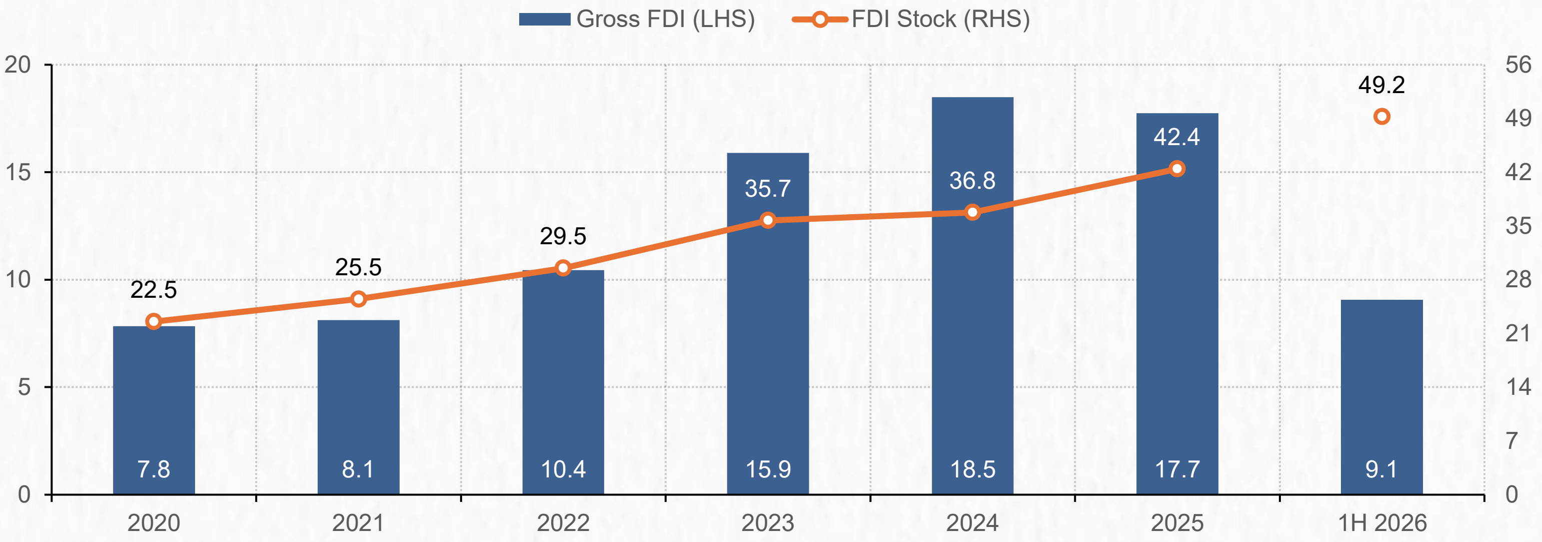
China's investment in Malaysia

2020-1H 2026, RM billion



Source: DOSM; MIDA

Q2: Impact of the AI boom on investment / FDI in Malaysia.

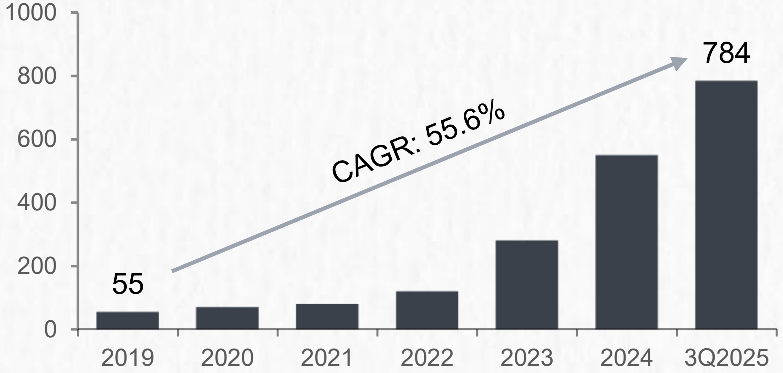
The "AI supercycle" has sparked a historic investment boom in Malaysia, driving hyperscale data centre development and semiconductor manufacturing.

However, this rapid expansion faces severe hurdles, including critical power and water constraints and the high financial barriers of adopting AI technologies for local enterprises.

Data centres in Malaysia: Boom or Bane?

Malaysia's data centre cumulative live capacity

Megawatt, MW



Minister of Energy Transition and Water Transformation
As of April 2026

Electricity utilisation
1,102 MW* used vs 2,050 MW approved
(54% utilisation)

Water utilisation
28.68 MLD used** vs 55.83 MLD approved
(51% utilisation)

* Megawatt
** million litres per day
Source: Bank of Negara Malaysia (BNM)

Factors Attracting Investments

Strategic location given Malaysia's proximity to submarine cable landing points, facilitating high-speed connectivity

Resource availability, such as energy, water supply and skilled labour, as well as speedy facilitation for power grid connectivity and competitive land prices

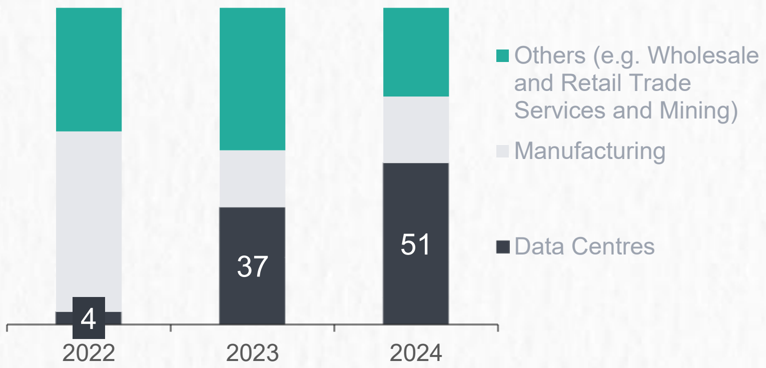
Favourable government policies supported by MIDA and MDEC incentives

Examples of Key Data Centre FDI Projects

aws	Microsoft	Google
RM29.2 bil (2023-38)	**RM10.5 bil (2024-27)**	**RM9.4 bil (2024-30)**

Malaysia's net FDI inflows by industry

% of total net FDI inflows



Between 2021 and 1H 2025, approved data centre investment amounted to RM144.4 billion.

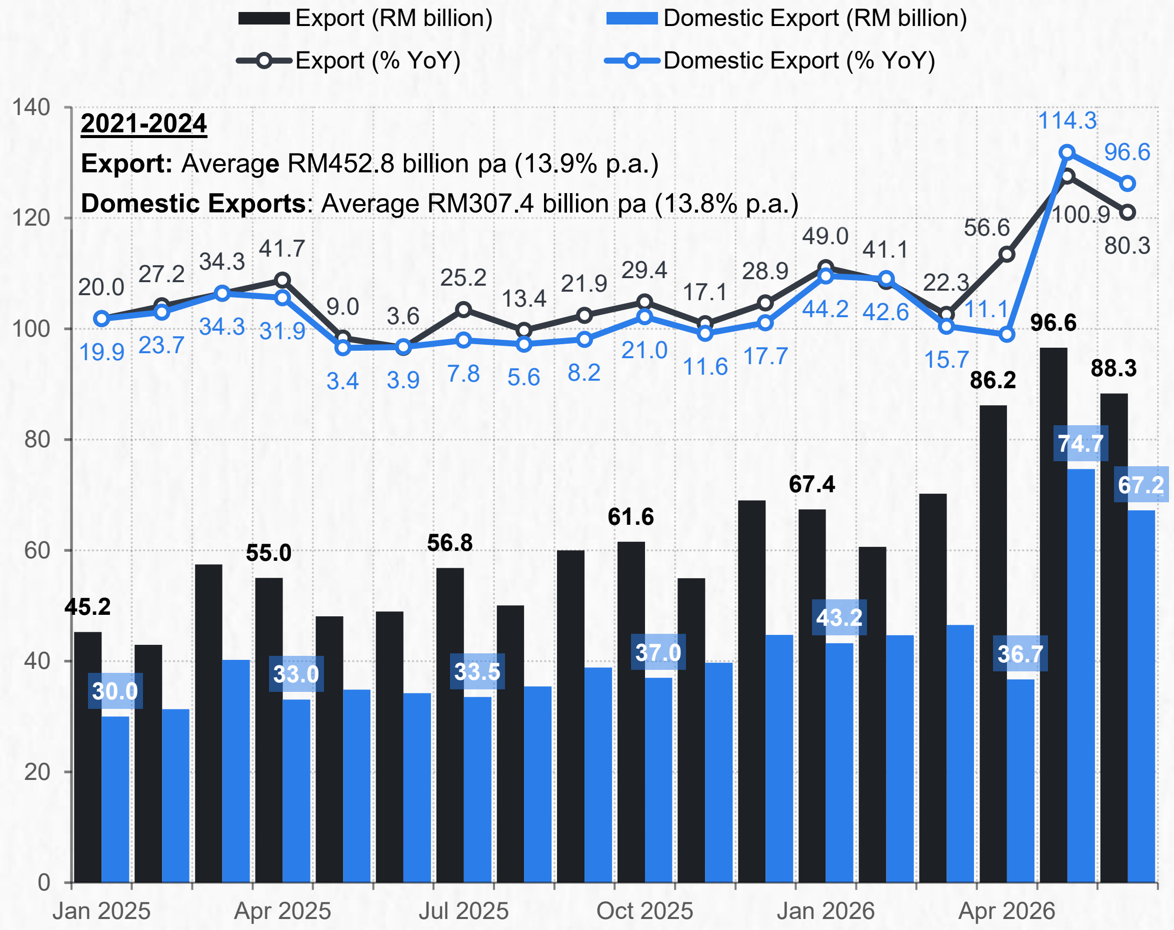
KEY CONCERNS

- **Electricity:** Strain grid capacity, increase the risk of "phantom demand", and require effective monitoring of reserve margins, grid reliability and electricity tariffs.
- **Water:** High cooling water demand may intensify pressure on water resources, requiring sustainable water management and prioritisation of domestic supply.
- **Manpower:** High capital investment but limited long-term employment.

AI-driven global demand boosts Malaysia's ICT exports

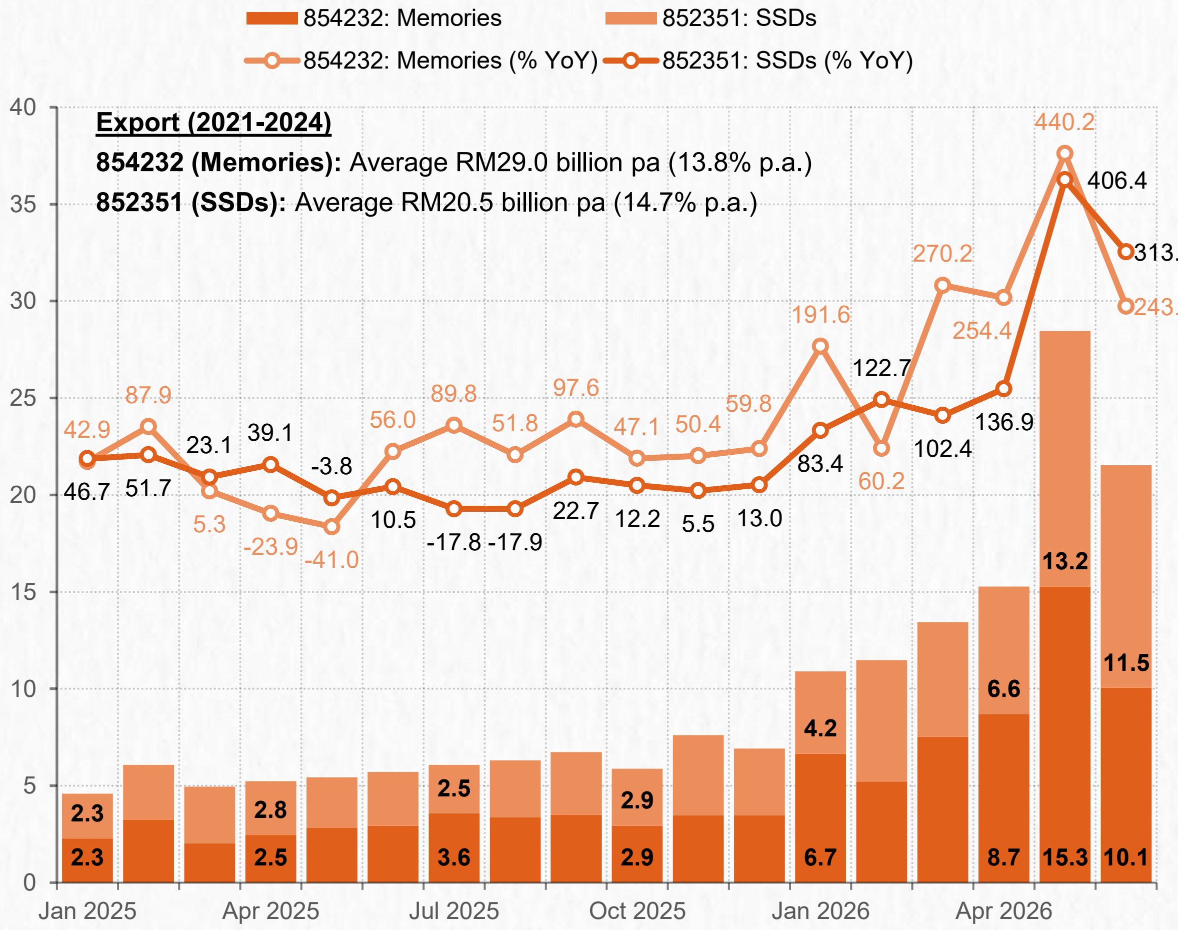
Malaysia's ICT exports and domestic exports

RM billion; % YoY



Malaysia's ICT exports by selected items

RM billion; % YoY



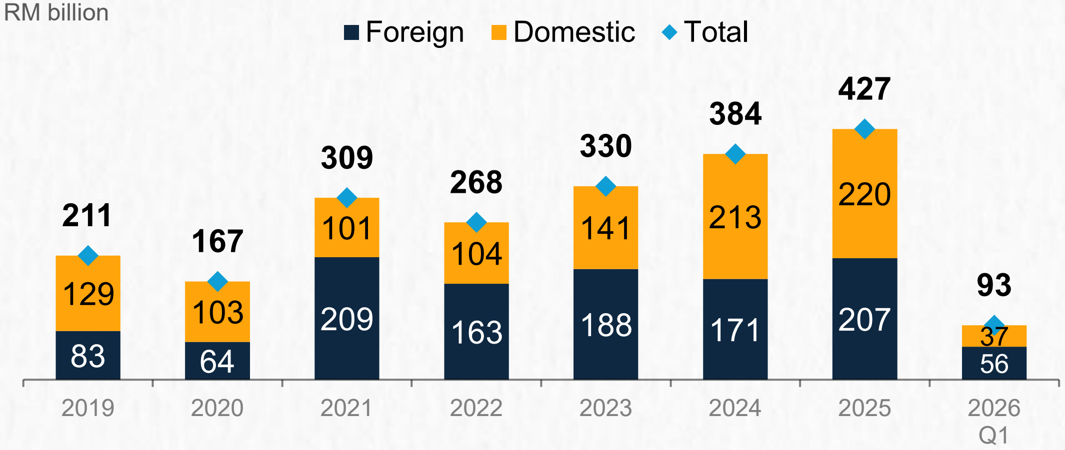
Note: ICT exports definition is based on UN Trade's ICT goods categories and composition (HS 2022).
Source: DOSM

Strong approved investments in the services, manufacturing, and primary sectors

85.0% of manufacturing projects between 2021 and Feb 2026 were realised at various implementation stages

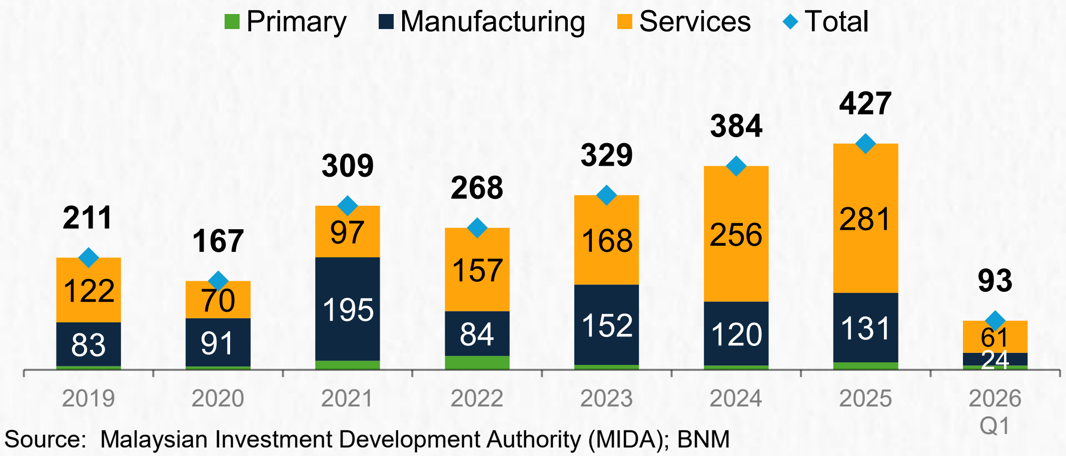
MIDA: Foreign vs. Domestic Approved Investment

RM billion

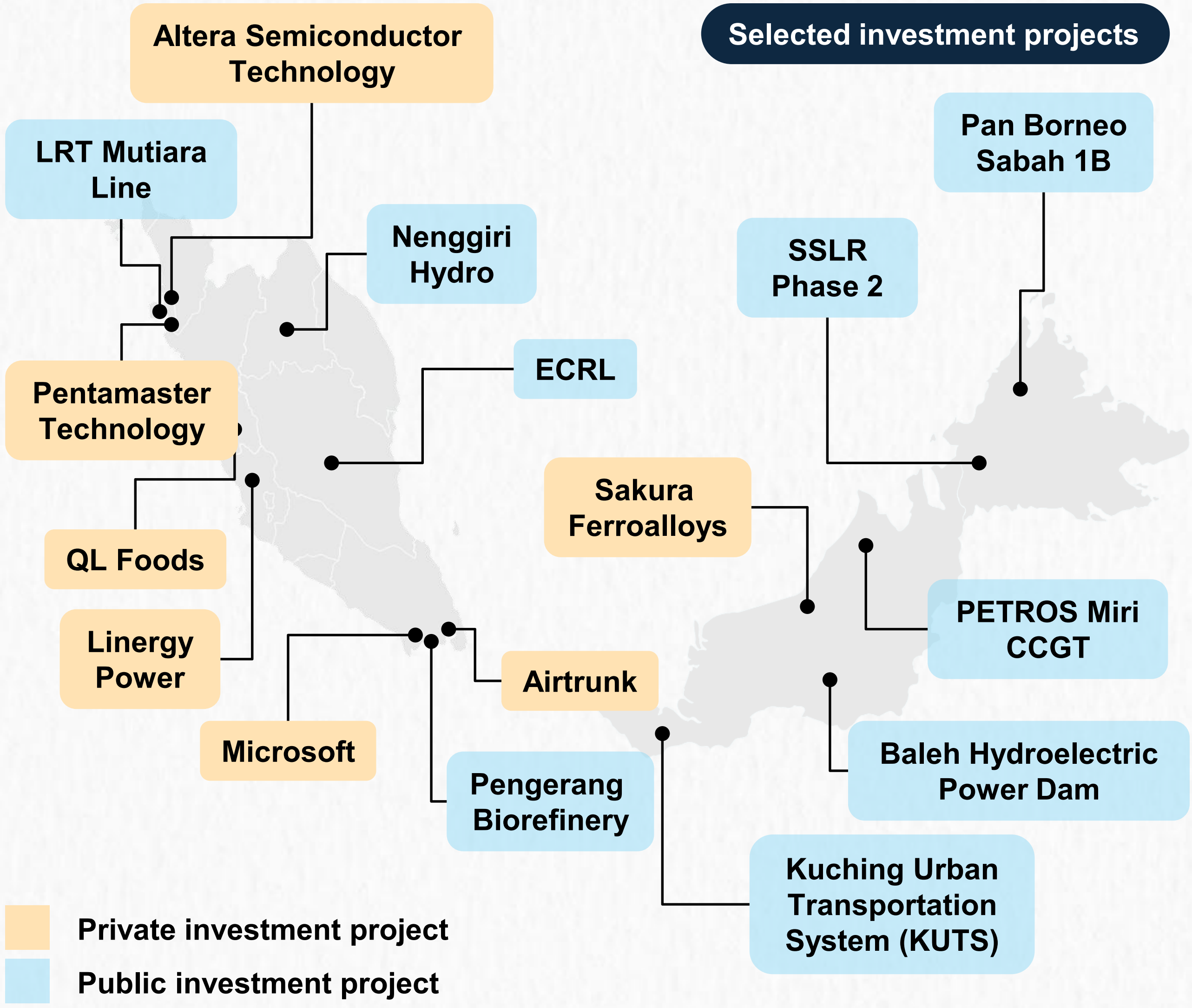


Approved Investment by Sector

RM billion



Source: Malaysian Investment Development Authority (MIDA); BNM



Energy, green and renewable energy, electrical and electronics (E&E), infrastructure, and information and communications technology (data centres)

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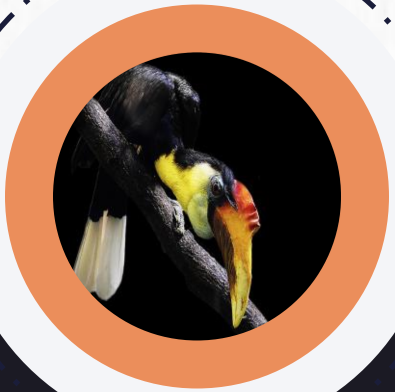

Q3: Assessment of business and investment climate in Malaysia, including any regulatory barriers and skilled labour shortages. Any reforms that are helping / can help attract more investment?

Malaysia's business ecosystem is supported by solid infrastructure, a robust financial sector, and thriving AI/tech-focused investments landscape. However, business resilience, especially for SMEs, is tempered by structural issues and policy shifts amid the Government's ongoing fiscal and economic reforms.

Targeted interventions to mitigate economic pain

First, Ensuring an uninterrupted supply of basic needs such as food (chickens, eggs, rice and vegetables), fuel and medicine.

Second, "Prolonging" our supply, including subsidised fuel, through prudent demand management. This entails strengthening control and intensified nationwide enforcement to prevent fuel subsidy leakages and smuggling.

Third, Mitigating the impact of the oil shock and supply chain disruptions (raw materials shortage and increasing input prices) on businesses. Targeted fuel subsidies are currently shielding individuals and households as well as businesses from rising global oil prices.

Targeted intervention measures for businesses, especially SMEs.

- **Reduce the service tax rate on rental and leasing services from 8% to 6%**, and raise the annual turnover threshold for MSME tenants eligible for the rental service tax exemption from RM1 million to RM1.5 million.
- **RM5 billion under Syarikat Jaminan Pembiayaan Perniagaan (SJPP)**, with financing guarantees of up to 80% and a guarantee period of up to 10 years for the affected sectors (e.g. construction, agriculture and agri-food, logistics and transport, and tourism sectors).
- **Raise the e-Invoice exemption threshold from RM500,000 to RM1 million, extend the transition period until 31 December 2027 for taxpayers with annual revenue between RM1 million and RM5 mill**ion, and allow consolidated e-invoicing without penalties during the transition period.
- **Review the EPF mandatory contribution requirement for foreign workers**, including the possibility of postponement.
- **Consider an interim exemption from import duty and sales tax on the re-importation** of Malaysian-made goods unable to complete the export process due to conflict-related disruptions until 31 December.
- **Introduce the Program Sokongan Industri dan Perniagaan Rakyat (SINAR)** under SME Corp to support MSMEs affected by current business and industry pressures.

Financial and operational hurdles to sustain businesses in the long term

A. Regulatory and Operational Barriers

- **Converging cost pressures.** Businesses are facing "ripple effects" from the Middle East conflicts, including soaring energy prices, supply chain disruptions, and significantly increased production and logistics costs. ACCCIM members report that raw material costs have surged by between 10% and 140%.
- **Tax system inefficiencies.** The expanded scope of the Sales and Service Tax (SST) has created unavoidable tax cascading and a "tax-on-tax" effect, particularly for B2B services and intermediary sectors. Additionally, the current Investment Tax Allowance (ITA) framework is viewed as less direct and competitive compared to regional peers like Singapore and Thailand.
- **Administrative and financial hurdles.** Fragmented licensing across federal agencies and local authorities causes administrative complexity and renewal inefficiencies. Rigid tax estimation rules (CP 204) often lock up corporate operating cash, while the lack of an automatic tax offset mechanism for overpaid taxes strains business liquidity.
- **Compliance burdens.** MSMEs, in particular, are struggling with multiple policy-driven cost increases, including higher minimum wages, utility hikes, and the implementation of e-invoicing and ESG requirements, which have severely depleted their cash buffers.

B. Skilled Labour Shortages and Mismatches

- **Digital talent gap.** Malaysia faces the shortage of digital talent in strategic areas like AI, cybersecurity, and data analytics, which poses a threat to national digital competitiveness. Current estimates indicate a severe shortfall, with a notable gap between the estimated 3,000 AI professionals available and the projected demand of 30,000 by 2030.
- **Skills-related underemployment.** A significant "growth paradox" exists where job creation remains heavily concentrated in semi-skilled and low-skilled roles. Semi-skilled jobs (62% of total jobs), low-skilled (12% to 13%) and skilled jobs (25%). In Q1 2026, 39.7% of tertiary-educated workers aged 25-34 were employed in jobs below their qualification level.
- **Fragmented training ecosystem.** The current upskilling landscape is spread across multiple standalone digital portals (e.g. HRD Corp, MDEC, TVET), making it difficult for workers and job seekers to navigate and compare programs.

Proposed reforms to improve the climate

1. Comprehensive Tax System Reform

- **Reintroduce GST:** Reimplement the Goods and Services Tax (GST) at an initial rate of 4% to create a more transparent tax regime, broaden the tax base, and eliminate the "tax-on-tax" cascading effects of the current SST.
- **Exemptions for Intermediary Goods:** Immediately exempt Sales Tax on primary inputs for manufacturing and construction, such as sawn timber and plastic resins, to restore export competitiveness.
- **Flexible Tax Estimation:** Lower the minimum tax estimation threshold (CP 204) to 50% (from 85%) to provide businesses with better liquidity and cash flow management.
- **Automatic Tax Offsets:** Implement a mechanism to automatically offset overpaid taxes against future liabilities when refunds are delayed.

2. Enhancing Investment Incentives

- **Upscale ITA and RA:** Increase both the qualifying capital expenditure allowance rate and the statutory income set-off limit to 80% (from the current 60-70%) for the Reinvestment Allowance (RA) and Investment Tax Allowance (ITA).
- **SME-Specific Support:**
    - Increase the preferential tax threshold to 15% for the first RM500,000 and 17% for the next RM500,000 of taxable income.
    - Provide an enhanced domestic investment tax incentive for Malaysian-owned SMEs, offering an additional 10% to 30% tax deduction on incremental reinvestment.
- **Extend Capital Allowances:** Extend the Accelerated Capital Allowance (ACA) for plant, machinery, and ICT equipment through to December 2030

3. Streamlining Business Facilitation and Regulation

- **"One-in, One-out" Principle:** Mandate that any new regulatory or compliance cost introduced for businesses must be accompanied by a corresponding reduction in existing administrative burdens or taxes.
- **Centralised Licensing Platform:** Establish an all-in-one digital licensing portal featuring automatic renewals for low-risk licences and a three-year renewal pilot for non-critical sectors.
- **Unified Assistance Tracking:** Create a Consolidated Central Unit to oversee all government financing facilities and guarantee schemes, providing a single dashboard to track fund availability and disbursement progress.
- **Update SMEs Definition:** Review and update the official definition of SMEs (last revised in 2013) to ensure mid-tier companies are not unintentionally excluded from critical support measures.

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Thank you

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