ACCCIM Malaysia's Business and Economic Conditions Survey Report (M-BECS) For 2H 2018 and 1H 2019F

中总 2018 下半年及 2019 上半年预测 马来西亚商业和经济状况调查报告

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This survey report is prepared by Socio-Economic Research Centre (operating under SERC Sdn. Bhd) and assisted by Dr. Chong Shyue Chuan from Universiti Tunku Abdul Rahman (UTAR) and Mr. Ng Kean Kok.

Executive Summary of Key Findings

The new renamed survey – **Malaysia's Business and Economic Conditions Survey (M-BECS)** was conducted from January to mid-March 2019, covering the period for the second half-year of 2018 (Jul-Dec 2018) and the forecast for the first half-year of 2019 (Jan-Jun 2019) has an **overall response rate of 66.3%** receiving **1,027 questionnaire forms**.

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

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

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

1. **Economic and business conditions weakened in 2H 2018**. In tandem with a slowing economic growth to 4.7% in 2018 from 5.9% in 2017, the survey results lend credence to our assessment that **domestic economic and business conditions have weakened in 2H 2018** as reflected by **48.0% of respondents indicating business conditions have deteriorated in 2H 2018**. About 32.5% of respondents reported "satisfactory" business performance while 19.5% have expanded their businesses.
2. **Cautious economic outlook in 1H 2019 and 2019**. Faced with the softening of global growth, still considerable external headwinds amid weak domestic sentiment, businesses in Malaysia are generally **cautious about the economic outlook in 1H 2019 with 50.2% of respondents were "neutral" and 37.5% were pessimistic**. Only 12.3% of total respondents were optimistic. On balance, businesses are of the view that **the Malaysian economy would remain challenging in 2019** as there are higher respondents (32.6%) who are 'pessimistic' relative to being 'optimistic' (15.3%).
3. **Businesses' guardedness about economic conditions will likely to improve in 2H 2019 as lower respondents** (29.6% in 2H 2019 vs. 37.5% in 1H 2019) **having pessimistic views** while those with **optimistic views improved to 17.8%** from 12.3% in 1H 2019. **Rising cautious optimism about the economy in 2020** (25.7% respondents "optimistic" vs. 15.3% in 2019) is probably premises on a more stable domestic policy landscape as well as the projected healthier fiscal balance sheet in 2020. The Government has set a three-year period to bring the country back on track.
4. **Malaysian businesses are clearly vigilant about business prospects in 2H 2018 and in 1H 2019** as influenced by concerns about external environment (the weakening momentum in the US and China economies, uncertainty about the US-China's trade negotiations, the Brexit impasse) as well as domestic policy transition and issues.
5. Overall, **49%** of respondents were **"satisfactory"** and **40.3% cited "poor"** about their **business conditions in 2H 2018**. But they are **turning more cautious in 1H 2019** as higher respondents (48.7% vs 40.3% in 2H 2018) expect poor business conditions in 1H 2019.
6. Of notable observation is that **cash flows conditions are expected to remain tight** as indicated by 46.3% of respondents in 1H 2019 (41.3% in 2H 2018) while the number of respondents indicated "satisfactory" dropped to 46.6% from 50.0% in 2H 2018. A higher

percentage of businesses (44.6%) expect **debtors' conditions to worsen in 1H 2019** from 38.2% in 2H 2018.

7. By sector, the **manufacturing sector** showed **improvement in business prospects in 2H 2019** with a much higher (72.4%) respondents indicating between "neutral" and "optimistic" outlook than 59.4% in 1H 2019. This is followed by the **services sector** (71.7% in 2H 2019 vs 66.0% in 1H 2019). The **construction sector** recorded **the highest respondents** (44.3% in 1H 2019 and 40.5% in 2H 2019 respectively) with **pessimistic views** about business conditions, inflicted largely by the review of several mega projects as well as the consolidation of residential and non-residential projects.

8. **Business operations (production, sales and raw materials)** were generally in line with the business conditions.

   (a) **Production**: While **31.3% of respondents** have **increased their production by between 1.0% and 5.0%** to meet demand in 2H 2018, a lower number of respondents have plans to increase production (1.0-5.0%) in 1H 2019 and more respondents would cut production in 1H 2019 (31.6% vs. 30.6% in 2H 2018), suggesting still wary of demand;

   (b) **Sales**: A **majority of respondents (66.4% in 2H 2018 and 68.0% in 1H 2019)** indicated that they **could at least sustain their domestic sales volume**. Nearly one-third of businesses expect their sales volume to decline in 1H 2019 on the back of challenging business conditions; and

   (c) **Raw materials**: Most respondents indicated **increases in the cost of local and imported raw materials (largely between 6.0% and 10.0%)** respectively. Probable reasons were the cumulative impact of the ringgit's depreciation, the change in tax regime (SST vs. GST) and indirect cascading effects from increased cost of doing business.

9. Broadly, amongst the **sectors that impacted the most** are **the construction, real estate and manufacturing**. The **real estate sector** was plagued by weaker buyer sentiment amid the persistent oversupply and overhang of residential properties. The **weak construction output** was dampened by the near completion of major projects, slower housing and commercial development projects as well as the deferment and cancellation of projects due to the Budget's deficit and high debt constraints. **Higher export sales** in the **manufacturing sector** was somewhat offset by slower demand for the construction-related building materials.

10. **Capital investment on wait-and-see mode**. Businesses have become **cautious about their capex spending plans**. **Less than half of total respondents** (49.3%) have **increased capital expenditure in 2H 2018**, leaving 39.3% and 11.5% either have maintained or lowered their capex respectively. **Going into 1H 2019, we see lower respondents (45.7% vs. 49.3% in 2H 2018) will increase capex**, suggesting some cautiousness in investors' sentiment, inflicted by concerns over domestic economic conditions and external headwinds.

11. The weaker external environment coupled with lingering operating costs (minimum wage and utility costs) and compliance costs amid the unresolved outstanding issues such as the shortage of foreign workers have dampened businesses sentiment to undertake capital investment. Compared to 2H 2018, **more respondents (43.2% vs. 39.3% in 2H 2018)**

indicated "no change" in capex and 11.2% of businesses expect to cut capital spending in 1H 2019.

12. **The top five factors** cited by companies influencing their business operations and domestic business conditions are **competitive pressures in domestic market; lower domestic demand; Government policies; increase in prices of raw materials; and the Ringgit's fluctuations**.

13. **Government policies** are deemed **important to provide a stable and conducive business environment** for economic growth, investment and business expansion. In this regard, the Government and policy makers can foster an environment of certainty and stability that businesses and investors crave by **implement and execute right and market friendly policies with sufficient engagements and consultations with the chambers and industry players**.

14. Faced with cautious economic outlook and trying demand conditions, businesses would want some flexibilities to respond to changing rules and policies. **No frequent change of government policy as its inconsistencies or uncertainty about the terms and directions of policies, guidelines and business practices add a significant element of risk to making longer-term business decisions**. This is especially in the case of foreign workers (FWs) management.

15. The **immediate priority is to address the shortage of FWs** while the Government is negotiating and regularising the new terms and conditions of FWs intake from sourced countries (Bangladesh, Nepal and Indonesia). Amongst the thorny issues hampering the negotiations are the recruiting agents; repatriation cost of illegal FWs; "Zero cost" of having Malaysian employers to bear all the recruitment/ visa/ medical fee/ air ticket costs etc. in the case of recruiting Nepalese workers.

16. The respondents were asked to provide feedback and views on a number of current issues and the impact on their business performance. The issues covered are: (a) **Reintroduction of Sales and Service Tax (SST)**; (b) **Goods and Services Tax (GST) and income tax refunds**; (c) **The US-China trade dispute**; and (d) **E-Commerce**.

    (a) **Slightly more than half of respondents (54.6%)** indicated that **GST is a more preferred tax system than SST**. About **42.0%** revealed that the **SST has adverse impact on their business** and these were in the **manufacturing** and **construction** sectors.

    (b) About **62.3% of total respondents** would utilise between **1.0% and 10.0% of GST and income tax refunds for capital spending**.

    (c) **62.3% of total respondents** indicated that the **US-China trade dispute generally did not disrupt the supply chains** while **nearly three quarters of respondents indicated no impact at the moment** though 23.1% foresee adverse impact in the near future if it prolongs and worsens.

    (d) On the adoption of E-Commerce, **56.9% of respondents did not utilize E-Commerce platform** or applications in business transactions, citing **the lack of IT knowledge or IT technicians and reliability of internet speed and telecommunications infrastructure** as the main two challenges constraining the limited adoption of E-Commerce amongst both users and non-users.

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调查重点摘要

重新命名的**马来西亚商业与经济状况调查报告 (M-BECS)** 于 2019 年 1 月开始进行至 3 月中旬，并成功回收 **1,027 份调查问卷，回覆率达 66.3%**。此问卷主要调查 2018 下半年（7 至 12 月）以及预测 2019 上半年（1 至 6 月）期间的商业和经济状况。

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

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

调查主要重点如下：

1. **2018 下半年的经济与商业状况转弱**。经济增长从 2017 年的 5.9%走缓至 2018 年的 4.7%，调查结果与之同步，而国内经济与商业状况也在 2018 下半年转弱。这反映在 **48.0%的回覆者表示商业状况恶化**。约 32.5%的回覆者报对业务表现感到“满意”，同时有 19.5%在 2018 下半年扩充了业务。
2. **2019 上半年和全年的经济展望谨慎**。在面临疲软的全球增长、依旧高度不稳定的外围环境及低迷的国内情绪下，大马商家整体上对 2019 上半年的经济展望保持谨慎态度。其中有 **50.2%和 37.5%的回覆者感到“中和”与“悲观”**，只有 12.3%的回覆者感到“乐观”。在回覆者当中，悲观看法 (32.6%) 的人数相对比乐观看法 (15.3%) 的人数来得多，显示**商家们整体上认为 2019 全年经济仍会充满挑战**。
3. **对于 2019 下半年经济展望，商家的持疑态度有所好转**；较少回覆者（2019 下半年的 29.6%，相较 2019 上半年的 37.5%）持有悲观看法，同时持有乐观看法的人数从 2019 上半年的 12.3%增加至下半年的 17.8%。回覆者**对 2020 年的经济展望更趋谨慎乐观**（25.7%的回覆者觉得“乐观”，相比 2019 年只有 15.3%），归功于国内政策将于 2020 年更加稳定以及政府财政更稳健的期望所推动。政府已设定三年的期限将国家经济重新拉回正轨。
4. **大马商家对 2018 下半年和 2019 上半年的商业前景明显地保持警惕**；主要受各种切身课题所影响，如外围经济环境（美国与中国经济涨势转弱、中美贸易谈判与英国脱欧僵局所带来的不确定性），以及国内政策的过渡期与问题。
5. 整体上，49%的回覆者对于 2018 下半年的商业状况感到“满意”，而 40.3%则表示“差”。然而，他们**对 2019 上半年的看法转而较为谨慎**；更多的回覆者（48.7% 相较 2018 下半年的 40.3%）预期 2019 上半年的商业状况变弱。
6. 值得注意的是，46.3%的回覆者预期**现金流状况将于 2019 上半年持续吃紧**（2018 下半年为 41.3%），同时表示“满意”的回覆者从 2018 下半年的 50.0%跌至 46.6%。另外，更高比例的企业 (44.6%) 则表示**债务人状况将在 2019 上半年恶化**（2018 下半年为 38.2%）。

7. 从经济领域层面看，**制造业**对 2019 下半年商业前景的看法有所好转，更高百分比的回覆者 (72.4%) 表示“中和”和“乐观”看法（相较 2019 上半年的 59.4%），而服务领域则以 (71.7%) 的比例紧随其后（2019 上半年为 66.0%）。然而，**建筑业**则报**最多回覆者**（2019 上半年与下半年分别为 44.3%及 40.5%）对商业状况**持有“悲观”看法**，主要受多项大型建筑项目的检讨，以及住宅与非住宅产业项目的整合所拖累。

8. **企业营运（生产、销售与原料**）状况基本上与商业状况一致：

   (a) **生产状况**：**31.3%的回覆者**在 2018 下半年间**提高生产量达 1.0%至 5.0%**以迎合需求，然而，表示会在 2019 上半年提高生产量 1.0%至 5.0%的回覆者人数有所减少，同时更多回覆者 (31.6%) 将在 2019 上半年削减生产量（相较 2018 下半年的 30.6%），意味着商家仍对需求的预期保持谨慎；

   (b) **销售状况**：**多数的回覆者**（2018 下半年为 66.4%及 2019 上半年为 68.0%）指他们**能至少保持在国内的销售量**。受严峻的商业状况影响，将近三分之一的商家预期销售量将在 2019 上半年下滑；以及

   (c) **原料状况**：大多数的回覆者指本地及进口原料的成本皆有所提高（大部分由 6.0%至 10.0%）。潜在的原由包括受马币累计贬值的影响、税制变革（GST 转至 SST），以及商业成本提高所衍生的间接连带冲击。

9. 广泛来说，**影响最深的行业为建筑业、地产业以及制造业**。**地产业**受到过剩的住宅房产持续供过于求以及疲弱情绪的困扰。另外，在一些大型项目接近完工、房产和商业开发项目放缓，以及因为国家财政预算与债务高企的限制而延期和取消部分项目下，**建筑产量有所受挫**。建材的需求放缓在一定程度上亦抵消了制造业的出口销售增长。

10. **商家对其资本开销计划持谨慎和观望态度**。在 2018 下半年，**少过一半回覆者** (49.3%) 表示**增加了资本开销**，另外 39.3%和 11.5%分别维持或降低了资本开销。**进入 2019 上半年，我们看到较少的回覆者**（45.7%，相比 2018 下半年的 49.3%）**将增加资本开销**，表明了投资者的情绪持谨慎态度，主要来自对国内经济状况和外围逆风的担忧。

11. 在许多尚未解决的课题，如外劳短缺问题以外，外围环境较弱及经商成本（最低薪金和水电杂费）和合规成本持续上涨，削弱了商家进行资本投资的情绪。相比 2018 下半年的 39.2%，**更多回覆者 (43.2%) 表示资本开销“保持不变”，而 11.2%的商家预计 2019 上半年将削减资本开销**。

12. 影响业务营运及国内商业状况的**五大**因素：**国内市场的竞争压力；国内需求下跌；政府的政策、原料价格增加；以及马币波动**。

13. **政府政策至关重要**，需为经济增长、投资和业务扩展**提供稳定及有利的经商环境**。有鉴于此，**政府及政策拟定者可以通过实施和执行正确和友好的市场政策，与商会及各行各业进行充分的沟通和协商**，营造一种企业和投资者渴望充满确定性和稳定性的环境。

14. 面对谨慎的经济前景和艰难的需求状况，企业需要一定的伸缩性以应对持续更改的规则和政策。**政策不应经常更改，因为政策方向与条规以及指南和商业惯例中的不一致或不确定性政策，将明显增加制定长期业务决策的风险**，特别在外劳管理方面更为甚是。

15. **当务之急必须优先解决外劳短缺的课题**。政府正在与外劳来源国（孟加拉、尼泊尔和印尼）谈判和规范的最新引进外劳的条款和条件，以解决外劳短缺的问题。当中妨碍谈判的棘手问题包括招聘代理；非法外劳的遣返费用；马来西亚雇主需承担招聘尼泊尔工人所有的招聘/签证/医疗费/机票费等的费用。

16. 回覆者就数个当前课题及对其业务的影响提供了反馈和意见。当中的课题包括：(a) **重新实施的销售与服务税 (SST)**；(b) **消费税 (GST) 和所得税的退款**；(c) **中美贸易争端**；及 (d) **电子商务**。

    (a) 相较于销售与服务税，略超过一半的回覆者 (54.6%) 倾向于消费税。约 **42.0%的回覆者**表示，**销售与服务税影响其业务**，主要来自**制造业**和**建筑业**。

    (b) 约 **62.3%的回覆者**会利用 **1.0%至 10.0%的消费税及所得税退款作资本开销**。

    (c) **62.3%的回覆者**表示**中美贸易争端大体上不会扰乱其供应链**，而**近四分之三的回覆者表示目前没有受到影响**，但 23.1%预计如果该争端持续延续和恶化的情况下，在不久的将来会出现不利的影响。

    (d) 有关采用电子商务一事，**56.9%的回覆者并未在其商业交易中使用电子商务平台**或应用程序，两大主要原因包括**缺乏通讯科技 (IT) 知识或相关的技术人员**，以及**互联网速度和电信基础设施的可靠性**，限制了用户和非用户对电子商务的采用。

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1. INTRODUCTION

1.1 Background

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

Starting 1 January 2019, the survey was renamed as **Malaysia's Business and Economic Conditions Survey (M-BECS)**. It is still being carried out bi-annually, starting from the period of the **second half-year of 2018 (2H 2018), covering Jun-Dec 2018 and forecast for the first half-year of 2019 (1H 2019) covering Jan-Jun 2019**. The survey covers the following scopes:

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

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

iii. **Current Issues Confronting Businesses**

1.2 Significance of the Survey

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

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

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

2. SURVEY METHODOLOGY

The survey period covering the **second half-year (Jul-Dec) of 2018 (2H 2018) and forecast for the first half-year (Jan-Jun) of 2019 (1H 2019)** was to gather respondents' assessment of their business performance and economic outlook, including views about current issues and challenges faced by Malaysian Chinese business community. The survey questionnaire is divided into three sections as follows:

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

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

Section C: Current Issues, which focus on a number of relevant issues that impact domestic business operations.

To obtain a more representative coverage, the questionnaires were distributed to direct and indirect memberships of ACCCIM Constituent Chambers, which comprise Malaysian Chinese companies, individuals and trade associations. As most of the prominent Chinese businessmen are committee/council members of ACCCIM either at the national or state levels and hence, their participation would enhance the representation of the Chinese business community. The questionnaires were also outreached to nationwide Chinese businesses to solicit feedback via Google Form and the distribution of hard copies.

The **overall response rate of the survey was 66.3%**, with a total of **1,027 responses** received out of 1,550 questionnaires, which exceeded our target of 1,000 responses. The respondents were broad-based cutting across all sectors and industries.

(i) By sector and industry

The **wholesale and retail trade** sector garnered the highest response rate (19.4% of total respondents), followed by the **manufacturing** sector (19.1%), **professional and business services** sector (17.8%), **construction** sector (12.8%), **real estate** sector (5.9%) while **other sectors** made up the remaining 25.0%. The representation of sample size largely corresponds with total establishments in major economic sectors of the economy.

(ii) By size of business operations

As defined by the annual turnover for both manufacturing and services sectors[1], **small-and medium-sized enterprises (SME)** made up **94.1%** of total respondents while that of the **large enterprises** constituted **5.9%**. SMEs assume a pivotal role as the driver of economic growth whereby they accounted for **98.5%** (907,065 establishments) of a total of 920,624 business establishments in the country. In 2017, SME contributed **37.1% of total national GDP**, **66.0% of total employment** and **17.3% of total exports**.

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

Sector and industry	Percentage (%)	Large Enterprises (%)	SME (%)
Services	64.8	4.7	95.3
Wholesale and retail trade	19.4	6.5	93.5
Professional and business services	17.8	2.7	97.3
Real estate	5.9	11.5	88.5
Tourism, shopping, hotels, restaurants, recreation and entertainment	5.6	1.7	98.3
Trading (imports and exports)	5.2	1.9	98.1
Finance and insurance	4.3	4.5	95.5
Information and communications technology (ICT)	4.3	4.5	95.5
Transportation, forwarding and warehousing	2.3	0.0	100.0
Manufacturing	19.1	9.2	90.8
Construction	12.8	6.9	93.1
Agriculture, forestry and fishery	2.8	6.9	93.1
Mining and quarrying	0.5	20.0	80.0
Total (sample size, n)	**100 (1027)**	**5.9**	**94.1**

(iii) By annual turnover and employment

For **broad services sector** (n=666):

- About **64.6% or 430 respondents have an annual turnover less than RM3 million**, of which 119 respondents (or 17.9% out of total services sector) have an annual turnover less than RM300,000. 24.5% of respondents have an annual turnover between RM3 million and RM20 million while about 11.0% of respondents have an annual turnover of more than RM20 million.

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

- **Most of the respondents (87.1%) hired less than 30 employees** while 4.8% employed between 30 and 75 employees and the balance of 8.1% hired more than 75 employees. It was revealed that some businesses in the services sector do not hire a large number of employees. These were professional and business services with 35.5% (or 66 respondents) and the information and communications technology (ICT) sector (34.1% or 15 respondents) indicated that they hired less than 5 employees. **By the source of employment, seven out of eight sub-sectors indicated that at least 75% of respondents recruiting only local workers**. The exception sub-sectors were tourism, shopping, hotels, restaurants, recreation and entertainment sector, whereby foreign workers are needed to handle operational tasks such as cleaning services in hotels and restaurants as well as hospitality sector.

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

- **About 46.9% of respondents have an annual turnover less than RM15 million** while 35.7% of respondents have annual turnover between RM15 million and RM50 million. The balance of 17.3% of the companies surveyed having an annual turnover exceeding RM50 million.
- In terms of employment, **59.2% of respondents hired less than 75 employees**, 29.6% hired employees between 75 and 200 persons while the remainder 11.2% employing more than 200 employees. In addition, **34.7% of respondents revealed that at least 50% of their employees are foreign workers**, ranked second after the agriculture sector. This indicates that foreign workers remained the main source of manpower to support the growth of manufacturing sector.

For **construction sector** (n=131):

- **41.2% of total respondents have an annual turnover of less than RM3 million**, followed by 38.2% registering an annual turnover between RM3 million and RM20 million and the balance 20.6% with an annual turnover above RM20 million.
- While 78.6% of respondents hired less than 30 employees and 12.2% with employees between 30 and 75 persons and 9.2% hired more than 75 employees, **22.1% of respondents employed at least 50% of foreign workers**.

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

	Services (%)	Construction (%)
Annual Turnover		
Below RM3 million	64.6	41.2
RM3 million to RM20 million	24.5	38.2
Above RM20 million	11.0	20.6
Number of employees		
Less than 30	87.1	78.6
30 to 75	4.8	12.2
More than 75	11.0	9.2

	Manufacturing (%)
Annual Turnover	
Below RM15 million	46.9
RM15 million to RM50 million	35.7
Above RM50 million	17.3
Number of employees	
Less than 75	59.2
75 to 200	29.6
More than 200	11.2

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

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

The survey results indicated that **81.8% (or 840) of total respondents** were **domestic-market oriented** (with more than 50% domestic sales). Of this, **583 respondents (or 56.8% of total respondents**) have **100% domestic sales** and **139 respondents were highly domestic-market orientation** (81-99% domestic sales). On the contrary, only **1.1% of total businesses generated 100% export sales** while 9.1% of respondents reporting 80-99% export sales.

Among the sectors with **at least three quarters of respondents having high domestic-market sales orientation (81-99% domestic sales)** were **real estate (86.9% of total sales), construction (84%), professional and business services (78.7%), ICT (77.3%) and wholesale and retail trade (75.9%)**. High degree of domestic-market orientation renders businesses to the performance of domestic economy, especially the strength of domestic demand.

Besides the mining and quarrying sector, **at least one-fifth of respondents in trading services (26.4%), manufacturing (24.5%), and agriculture (20.7%) sectors** indicated that **more than 50% of their sales derived from abroad**.

Figure 1: Breakdown of respondents by sales orientation

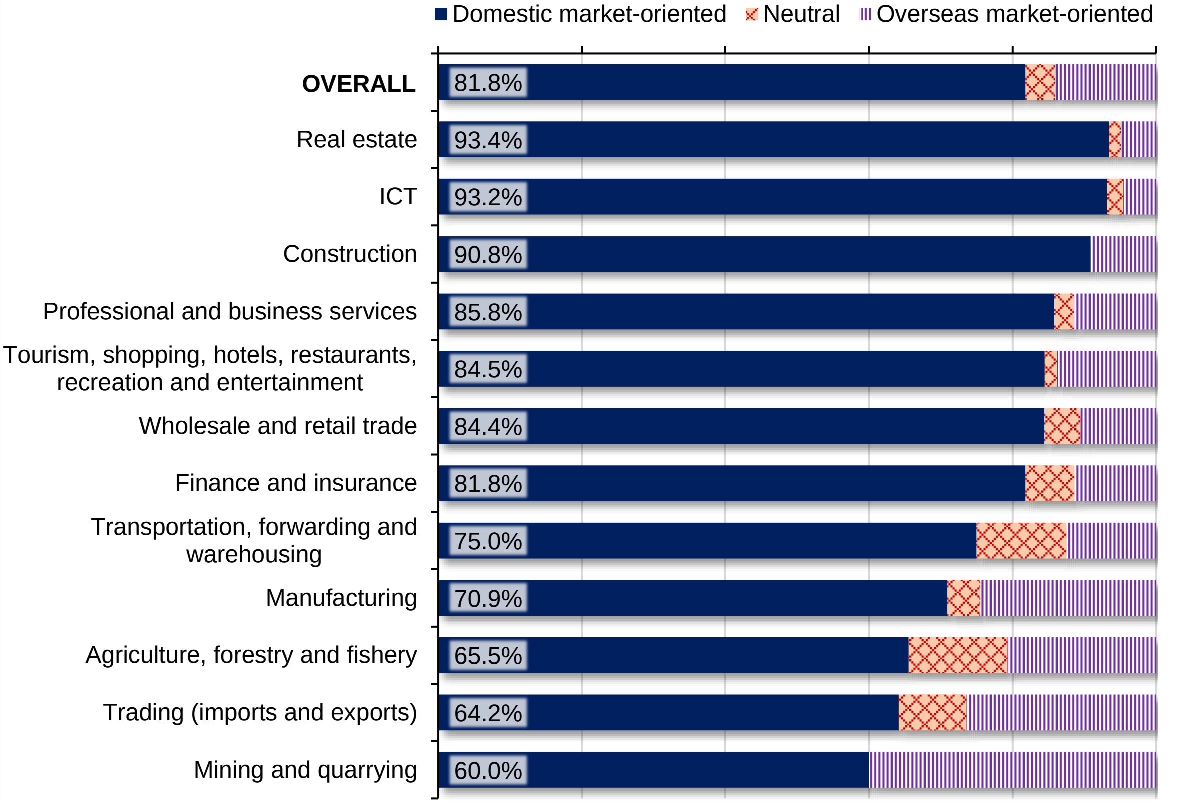


Figure in chart indicates % of sales generated from domestic market.

3. SENTIMENT TRACKER

3.1 Business Assessment in 2H 2018

Broadly, businesses were gripping about tough economic and business environment during the period 2009-15, brought about by a cumulative impact of policy changes and economic reforms, which resulted in increased cost of doing business and compliance costs. This was reflected in a general rise in the number of respondents had reported a deterioration in business conditions, which saw a big spike in the percentage of respondents in 2014-15, the year of the GST implementation. Following the normalisation of the GST adjustment period, business conditions have started to improve gradually in 2016-17 before more respondents indicated challenging economic and business environment in 2018.

In tandem with the weak economic growth in 2018, which saw real GDP growth slowed to an annual rate of 4.7% from 5.9% in 2017, a high proportion of **48.0% of respondents** indicated that **business conditions have deteriorated in 2H 2018** when comparing to 1H 2018. **About 32.5%** of respondents reported "**satisfactory**" business performance while **19.5% have expanded their business**.

Leading the pack of sectors that reported **a deterioration in business conditions** was the **construction sector garnered the highest number of respondents (57.4%)**, mainly due to a moderation in the civil engineering as impacted by near completion of large petrochemical projects and delays in highway construction as well as shrinking government's contract jobs. Growth in the residential sub-sector remained weak, weighed down by a large overhang of unsold properties while growth in the non-residential sub-sector remained moderate. Based on the national account statistics, growth in the construction sector slowed sharply to 2.6% yoy in 4Q 2018 from an average 4.8% in 1H 2018, taking the full-year to 4.2% in 2018 from 6.7% in 2017.

Next is line was the **manufacturing sector (49.7% of total respondents)** as continued strength in electronics and electrical products and transport equipment were offset by slower growth in construction-related building materials. Overall, the manufacturing sector's growth eased to an average rate of 4.9% in 2H 2018 from 5.1% pa in 1H 2018. In 2018, growth in the manufacturing sector shed 1% points to 5.0% from 6.0% in 2017.

Compared to the construction and manufacturing sectors, **a lower percentage of respondents (46.0%) in the services sector** revealed a deterioration in business conditions. This was in tandem with the national statistics, which showed that the services sector's growth improved from 6.5% pa in 1H 2018 to 7.1% pa in 2H 2018, mainly supported by resilient consumer spending and demand for services related to telecommunications and transportation, thanks partly to the 3-month tax holidays (zerorised GST rate) in Jun-Aug 2018.

Figure 2: Malaysian business conditions in 2009-2018

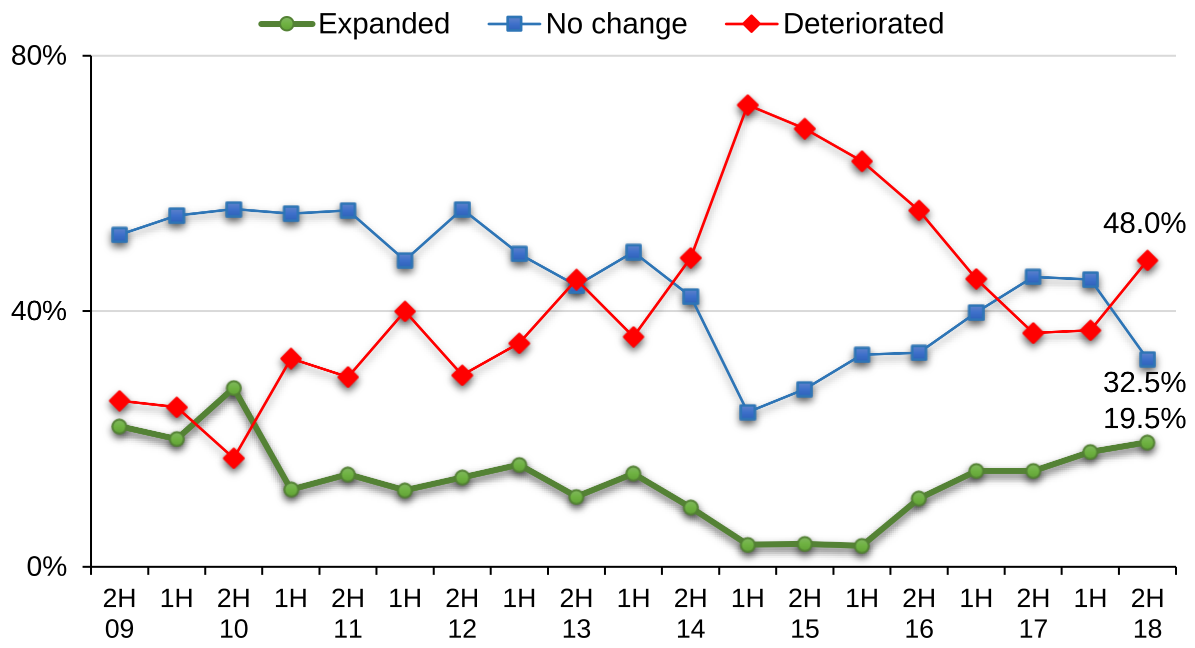
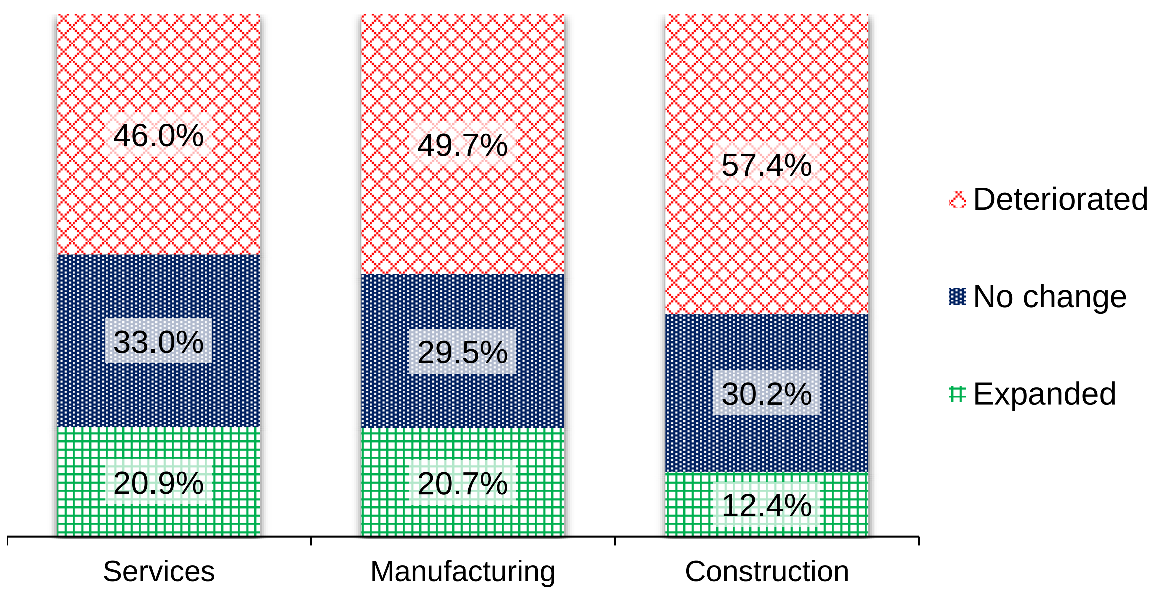


Figure 3: Business conditions in 2H 2018 by sector



3.2 Economic Conditions and Prospects

Faced with the softening of global growth, still considerable external headwinds amid weak domestic sentiment, businesses in Malaysia are generally **cautious about the economic outlook in 1H 2019** as i**ndicated by 50.2% of respondents were "neutral" and 37.5% were pessimistic**. Only 12.3% of total respondents were optimistic.

Businesses' wariness about the economy will likely to improve in 2H 2019 as reflected in a decline of eight percentage points in respondents (29.6% in 2H 2019 vs. 37.5% in 1H 2019) having pessimistic views while those with optimistic views improved to 17.8% from 12.3% in 1H 2019. On balance, businesses are of the view that **the economy would remain challenging in 2019** as **there are higher respondents (32.6%) who are 'pessimistic' relative to being 'optimistic' (15.3%)**.

Respondents' **rising optimism about the economy in 2020** (**25.7% respondents "optimistic" vs. 15.3% in 2019**) probably premises on a more stable domestic policy landscape as well as encouraged by the expected improvement of the Federal government's fiscal balance sheet in 2020 after spending rationalization and debt consolidation. The Government has pledged that it would take three years to restore Malaysia's economy.

Major sectors showed consistent cautious views about the economy in 2019 with the services sector (53.0%) having "neutral" views compared to manufacturing (50.0%) and construction (48.9%) sectors. The **real estate sector** (44.3%) **had the highest percentage of respondents having pessimistic views about the economy**, caused by the oversupply and sluggish sales in the property market; followed by the **construction sector** (38.9%) dampened by the review of public infrastructure projects; the rationalisation of public investment; and continued consolidation of non-residential development projects. **For 2020**, **all sectors are turning more positive** about economic conditions as there are higher respondents indicating between **"neutral' and "optimistic"**.

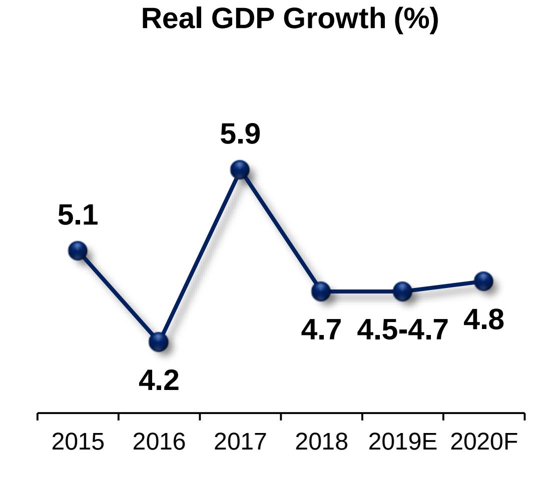
Based on SERC's assessment, while domestic demand will continue to **support GDP growth estimated between 4.5-4.7% this year** (4.7% in 2018 and 5.9% in 2017), the rate of expansion in private consumption and investment will be slower compared to 2018. Exports momentum are expected to remain uneven and challenging in 2019 given slowing global demand and weak commodity prices.

Private consumption, which had grown by 8.1% in 2018 (7.0% in 2017) is expected to normalise to **a more sustainable rate of 6.8% in 2019** amid weak consumer sentiment. Positive drivers of consumer spending are continued income growth, stable labour market conditions, continued cost of living aid and stable fuel prices.

A notable concern is that **private investment** growth has slowed to 4.4% in 4Q 2018 from 6.9% in 3Q (6.1% in 2Q and 0.5% in 1Q), taking the full-year growth to 4.5% in 2018, a sharp pullback from 9.3% growth in 2017 and an average growth of 10.5% pa in 2011-17.

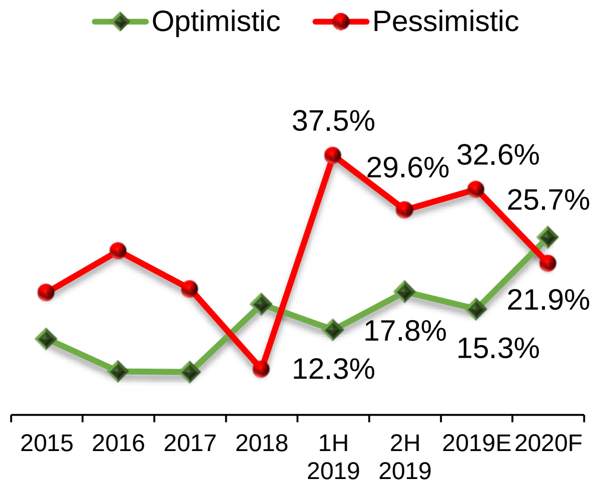
While the policy transition Post General Election (GE14) and uncertainties surrounding external environment have caused investors to take a cautious investment approach, the Government has to address the uneven weakening momentum of private investment. SERC expects **private investment to grow by 4.3% in 2019** compared to 4.5% in 2018.

Figure 4: Malaysia's economic growth (2015-2020F)



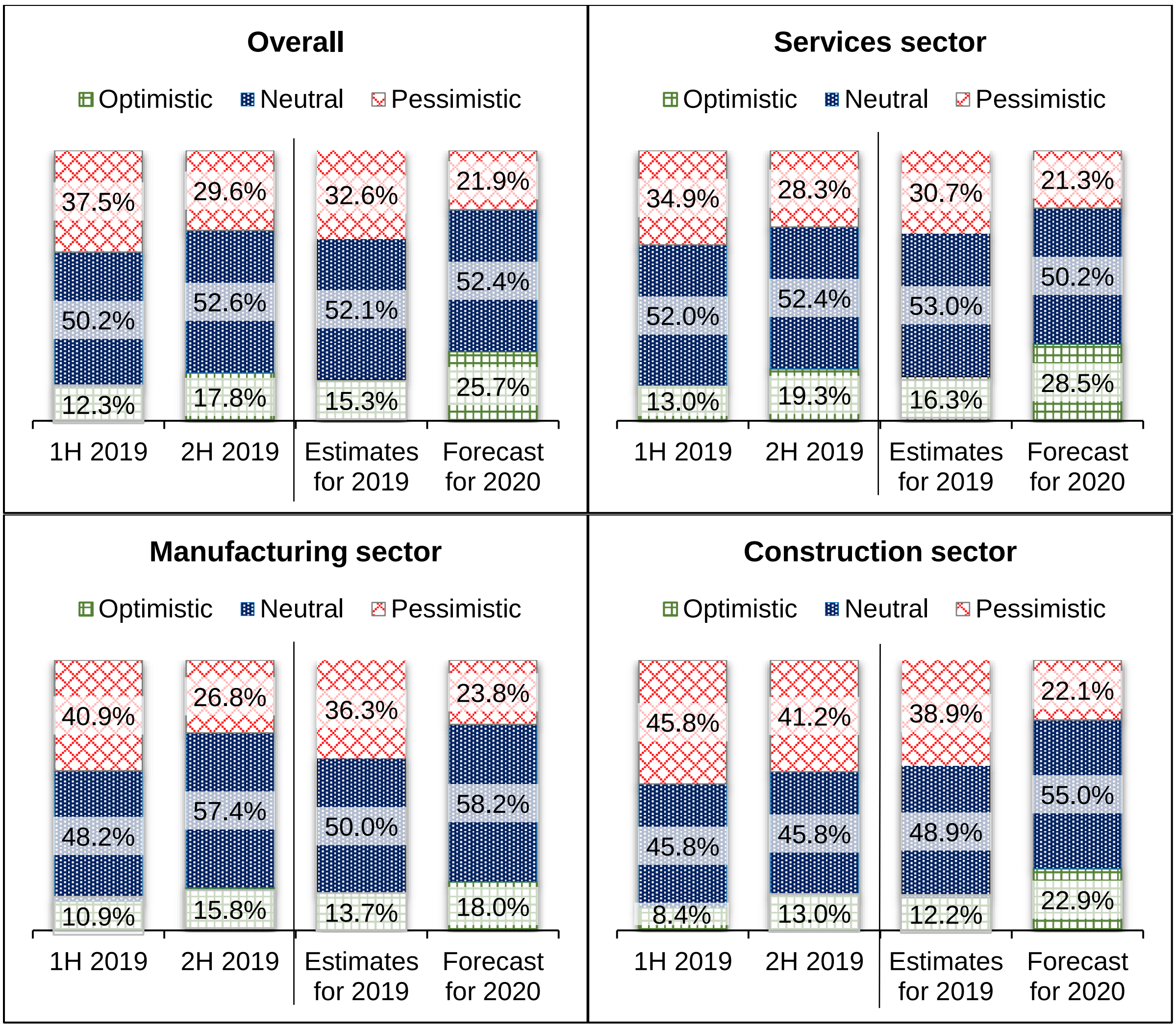
Source: DOSM; SERC's estimates

Figure 5: Respondents' views about the economy



E=Estimates; F=Forecast

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



3.3 Business Conditions and Prospects

Malaysia businesses are **clearly cautious about business prospects in 2019** as influenced by concerns about the state of global economy, in particular the US and China economies, the on-going trade dispute negotiations between the US and China, the Brexit impasse as well as lingering uncertainties about domestic policy transition and issues.

On a relative comparison, the survey results revealed that **businesses are generally more guarded positive in 2H 2019 compared to 1H 2019**. The proportion of respondents having **pessimistic views declined by seven percentage points from 36.4% in 1H 2019 to 29.4% in 2H 2019** while that of "neutral" rose from 49.9% in 1H 2019 to 51.3% in 2H 2019. The number of respondents having **optimistic views improved to 19.3% in 2H 2019** from 13.7% in 1H 2019.

By sector, the **manufacturing sector** showed **improvement in business prospects in 2H 2019** with a higher 72.4% respondents indicating between "neutral" and "optimistic" outlook compared to 59.4% in 1H 2019. This is followed by the **services sector** (71.7% in 2H 2019 vs 66.0% in 1H 2019). The **construction sector recorded the highest number of respondents** (44.3% in 1H 2019 and 40.5% in 2H 2019 respectively) with **pessimistic views** about business conditions in the sector.

Businesses are taking **a more positive view about business prospects in 2020** with **higher respondents (25.3%) are "optimistic" compared to 17.8% in 2019** while that of having **pessimistic views dropped by 9.3 percentage points to 21.1% from 30.4% in 2019**. The improved business optimism was reflected in across-the-board sectors.

In 2019 Federal Budget, the Government has rolled out a number of initiatives and measures to **reinvigorate private investment**. Amongst these include the following:

a. To carry out **a thorough review of the over-130 types of fiscal schemes to support investments**, administered by 32 approving authorities with the intention to expire incentives which are no longer relevant or are duplicated.

b. The Ministry of Finance (MoF) and Ministry of International Trade and Industry (MITI) will form **a task force jointly chaired by both Ministers** to **drive regulatory reform, particularly in the areas of improving trade processes and tax administration**.

c. **A 1% cut in corporate tax rate to 17%** for the **first RM500,000 chargeable income for SMEs**.

d. **RM4.5 billion SMEs Loan Fund** with a 60% guarantee from Skim Jaminan Pembiayaan Perniagaan (SJPP).

e. **RM2.0 billion is allocated for up to 70% government guarantees** via a **Business Loan Guarantee Scheme** to encourage investing in automation.

f. **RM2.0 billion worth of credit and takaful facilities** provided by EXIM Bank to support exports financing.

g. **RM1.0 billion SME Shariah-Compliant Financing Scheme** given by financial institutions with the Government providing a 2% profit rate subsidy.

The Government is counting on the private sector to invest more in domestic economy and take up the slack as the government rationalizes its spending to mend the budget deficit and contain the debt. In this regard, **private sector has to step up its contribution** with **the Government facilitating a stable and conducive environment** for businesses to undertake fixed capital investment and investing for future prospects.

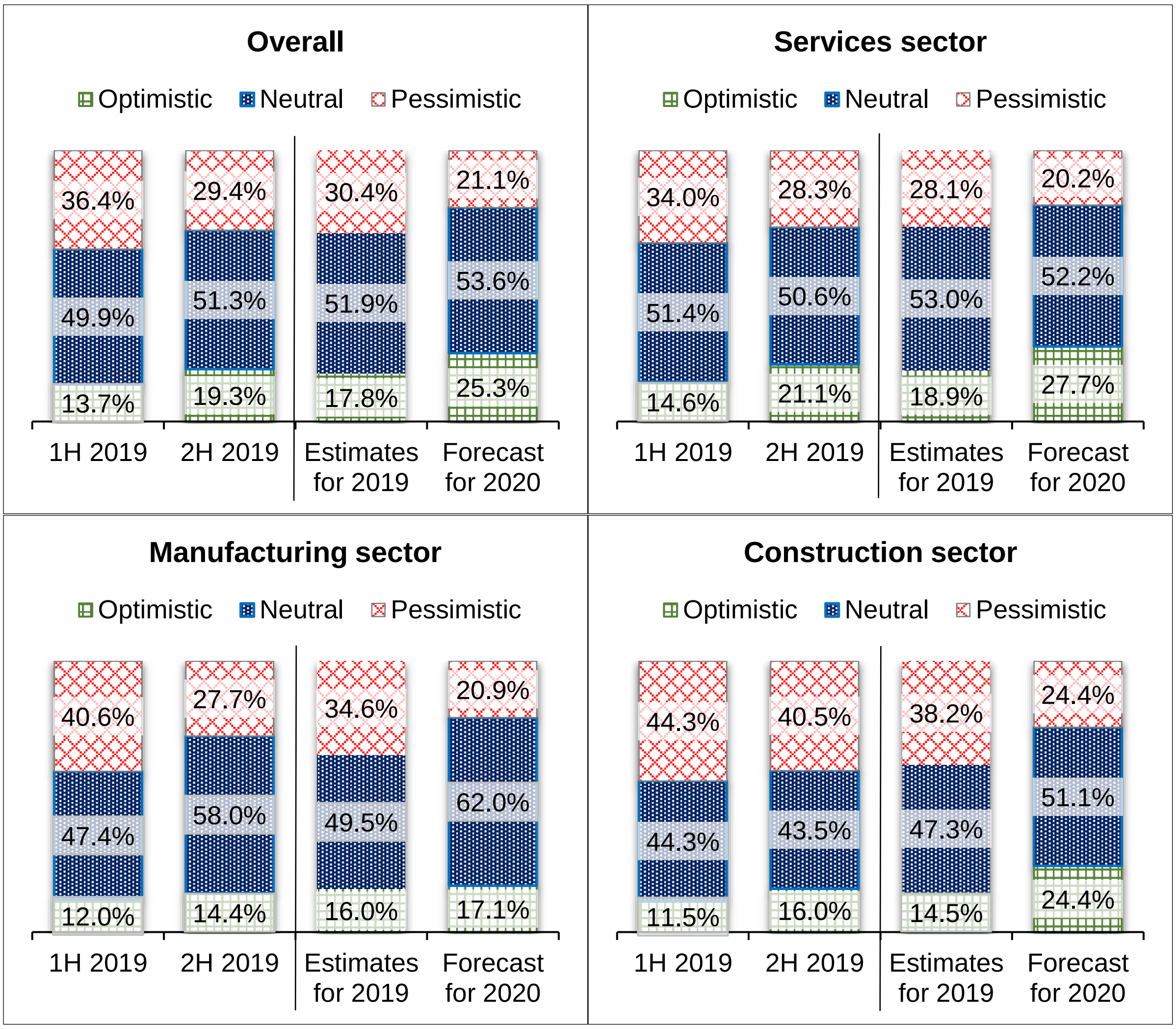
What are the factors restraining business investment decision or holding back business investment? Amongst the factors could be weak economic activity; weak sales; external uncertainties; domestic policy uncertainty; regulatory policies; financial constraints; cost of capital; profitability and competition as well as the “crowding out” effect from the participation of the Government-linked companies (GLCs).

The **lack of policy clarity and uncertainty** caused frequent upheavals or inconsistencies in the marketplace. Unclear and uncertainty about the terms and directions of policies, guidelines and business practices add a significant element of risk for businesses to make viable and longer-term business decisions.

What policies could encourage a sustained strong expansion of private investment? Top the list is to **provide policy certainty; identify what are the growth priorities; create the right conditions for growth** with the aim of increasing productivity and technological capability; growing existing businesses; attracting quality FDI and focusing on the greatest impacts.

In sum, private sector needs the **market to function efficiently; enforce contracts; provide a stable and supportive environment; establish a clear and well-functioning regulatory framework in easing restrictions and constraints in product markets and reducing regulatory burdens** to stimulate investment and business expansion.

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



4. BUSINESS PULSE DIAGNOSIS

4.1 Major Factors affecting Business Performance

There are multiple factors emanating from both domestic and external sources affecting business performance. The respondents were asked to **list at least three factors** out of 27 factors that influence the business performance for the period under review (Jan-Jun 2019).

The survey results listed the following **top five factors** cited by companies influencing their business operations and domestic business environment:

(I) **Domestic competition (49.7%)**

(II) **Lower domestic demand (41.5%)**

(III) **Ringgit's fluctuations (27.9%)**

(IV) **Increase in prices of raw materials (25.8%)**

(V) **Government policies (25.1%)**

Other equally important factors were manpower shortage (16.3%), change in consumer preference (15.0%), foreign competition (14.8%), foreign worker levy (12.6%) and domestic political situation (11.0%).

Figure 8: Top 10 factors affecting business performance

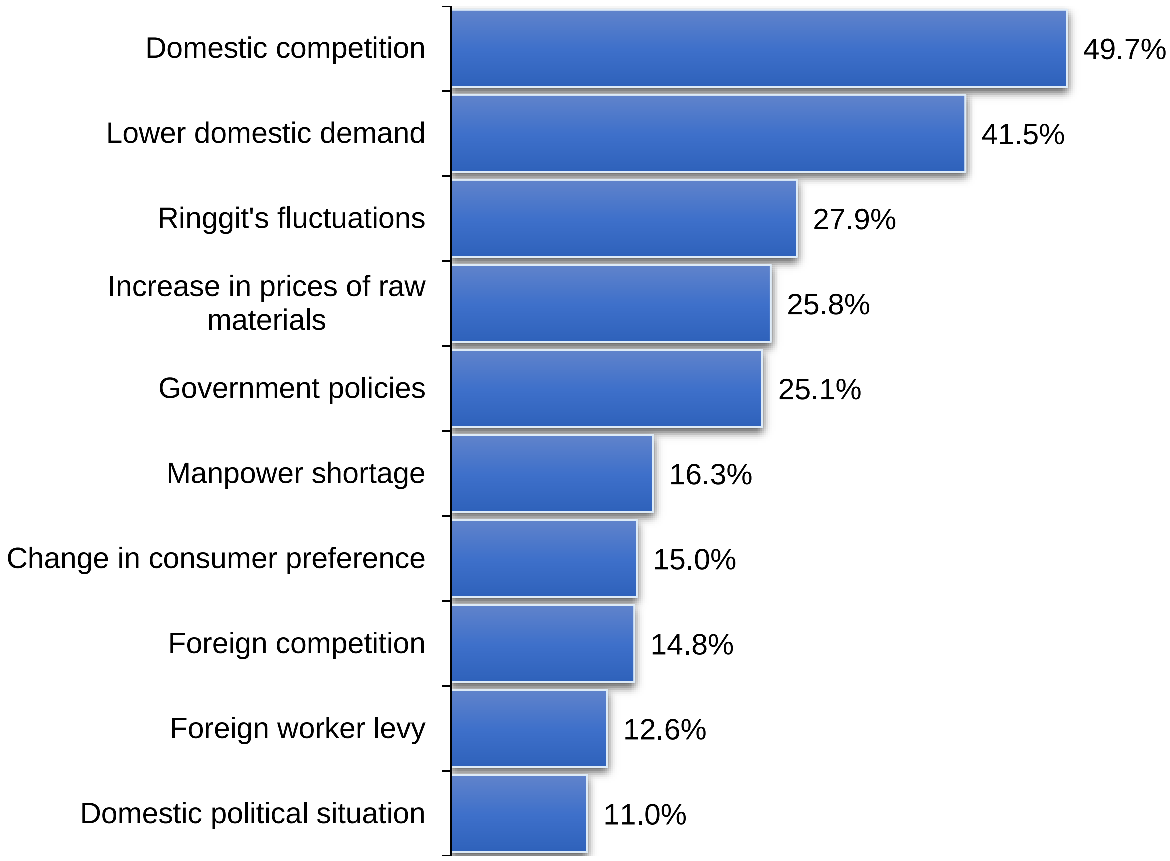


Table 3: Top five factors affecting business performance by selected sectors*

		Domestic competition	Lower domestic demand	Ringgit's fluctuations	Increase in prices of raw materials	Government policies	Manpower shortage	Foreign competition	Excess production capacity
Wholesale and retail trade	Score (%)	58.3	48.7	36.7	27.6	21.6			
	Ranking	1	2	3	4	5			
Manufacturing	Score (%)	42.3	40.3	29.1	36.2			30.6	
	Ranking	1	2	5	3			4	
Professional and business services	Score (%)	53.0	35.5	24.0		23.5	19.1		
	Ranking	1	2	3		4	5		
Construction	Score (%)	50.4	49.6	21.4	27.5	25.2			
	Ranking	1	2	5	3	4			
Real estate	Score (%)	42.6	50.8		24.6	39.3			29.5
	Ranking	2	1		5	3			4

** According to highest sample size*

(I) Domestic competition

Topping the list of dampening factors is **domestic competition** (ranked by **49.7% of total respondents**), which has been consistently rated as the top five factors in previous surveys (a smaller sample size). This is expected **as 81.8% (or 840) of total respondents were domestic market-oriented (with more than 50% domestic sales)**. Of this, 583 respondents (or 56.8% of total respondents) have 100% domestic sales and 139 respondents were highly domestic-market orientation (81-99% domestic sales).

Faced with limited domestic market share amid increasing domestic competition in weak economic conditions, **companies are facing pressures to maintain its market share** or **at least retain their royal customers** through **offering better and quality products at competitive prices** as well as **provide reliable after-sales services**. Some have partially absorbed the increased costs to maintain market share.

To a large extent, the **scaling up of market liberalisation also created competitive domestic pressures for domestic players, especially in retail and trading**. Given the strong globalization pressures with the influx of new market players as well as greater competition between the brick and mortar (offline) and online operators in the marketplace, competition has compelled companies to be **innovative in marketing and sales in meeting the particular demands of consumers**. In retailing, for example, companies compete on the basis of well-established relationships with their customers. Consumer preferences vary enormously because of differing tastes, prices and quality.

The major industries facing domestic competitive pressures are **wholesale and retail trade, finance and insurance, transportation, forwarding and warehousing, professionals and business services and external trading companies**.

Domestic small-and medium enterprises (SMEs) having strong footing in local market should be **encouraged to venture abroad**, partnering with overseas business partners to expand their footprints regionally and internationally. The **Government together with the trade association and chambers play an instrumental role in supporting our SMEs in capability-development** and making inroads overseas. In addition, to assist SMEs in **finding business partners via business networking and matching**, more **overseas trips and expos can be organised by government agencies and private organisations**.

Some technical support and assistance can also be provided to help SMEs assess their readiness for overseas expansion, advisory on marketability, products development and branding, the analysis and assessment of the funding structure and business operating model, analysing the capabilities gap and the acquisition of relevant knowledge to manage expansion risks.

(II) **Lower domestic demand**

Reflecting the softening of domestic economic growth in 2018 amid cautious spending and rising cost of raw materials, **41.5% of total respondents** have cited **lower domestic demand** as the second main factor affecting their business performance.

The sectors that reported **lower domestic demand** are **real estate, construction, external trading, wholesale and retail trade and ICT**. These industries were mainly experiencing either decreases or “no change” in domestic sales in 2H 2018 and are expected to remain largely unchanged in 1H 2019. With the exception of construction and wholesale and retail trade sectors, most respondents have recorded a reduction in sales volume by between 1.0-5.0% in 1H 2018 and 1H 2019.

The most apparent was the **construction sector**, in which **46.8% of the respondents experienced reduction in sales volume** whereas 33.6% managed to achieve unchanged volume of sales. Of this, 34.5% of respondents saw their sales declined by between 6.0-10.0% and more than 10.0% in 2H 2018 and will improve to 25.6% in 1H 2019. The **wholesale and retail trade sector** saw 39.4% of respondents suffered a reduction in sales volume in 1H 2018, with 24.7% of businesses experiencing a decline in sales by between 6.0-10.0% and more than 10.0%. Somewhat similar pattern is expected in 1H 2019.

The **manufacturing sector** showed somewhat mixed results with about one-third each had experienced increase, decrease or unchanged outcomes. Other sectors which either experienced declines or “no change” in domestic sales were real estate sector (78.9% of total respondents), agriculture sector (74.1%), tourism, shopping, hotels, restaurants, recreation and entertainment sector (67.9%).

Consumer sentiment has weakened for two consecutive quarters in 2018 as reflected in the MIER’s Consumer Sentiments Index (CSI) falling below 100-pt confidence threshold, citing a number of dampening factors: current income deteriorates; financial and job expectations lull; growing jitters over rising prices; shopping plans selective and prudent.

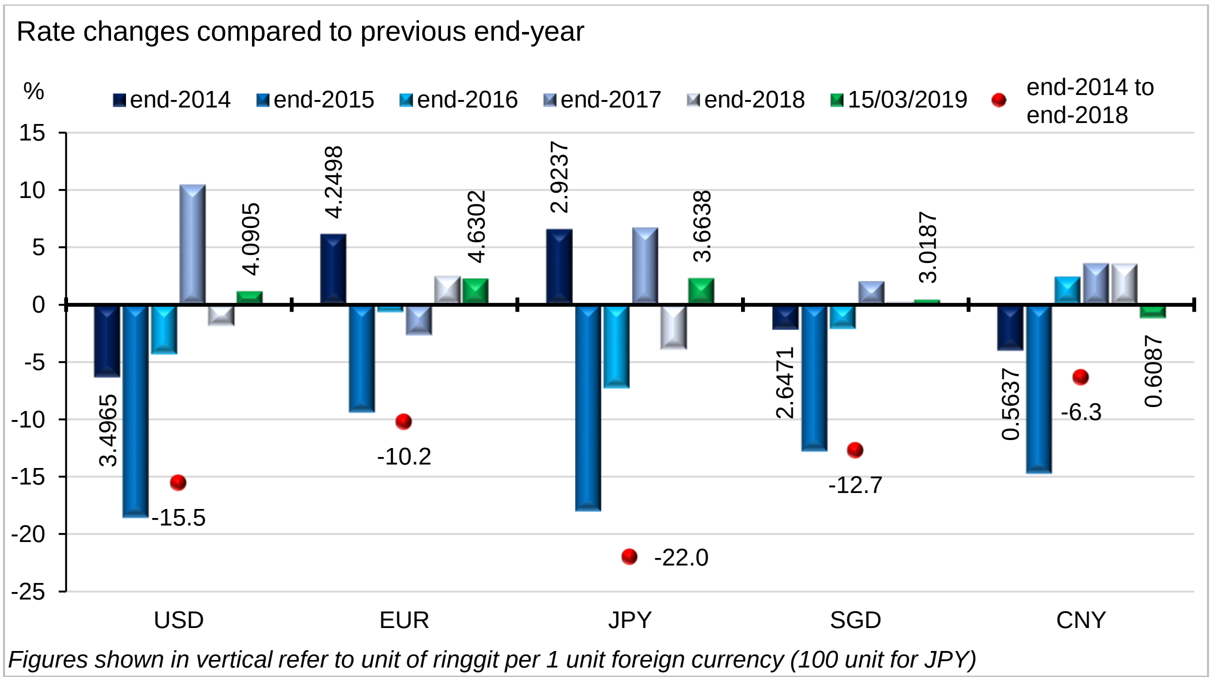
While we estimate private consumption to grow at a slower pace of 6.8% in 2019 compared to 8.1% in 2018 (6.9% pa in 2011-17), **our assessment shows that the big negative shocks to household spending are not apparent** due to: (a) Unemployment rate is expected to remain relatively stable at 3.3% in 2019 after steadying at 3.3% in Sep-Dec 2018, despite a total of 21,532 people lost their jobs nationwide for the period 1 Jan to 7 Dec 2018; (b) Wage growth in the manufacturing sector has remained firmed at 9.8% in 4Q18 (9.6% in 3Q18), while Malaysian Employers Federation (MEF)'s Salary Surveys for Executives and Non-Executives forecasted overall average salary increases for executives in 2019 is 4.86% (4.88% in 2018) and for non-executives is 4.89% in 2019 (4.88% in 2018); and (c) Continued payment of cost of living aid and stable fuel prices.

However, there are some dampening effects on rural households' spending power due to lower prices of palm oil and rubber.

(III) The Ringgit's fluctuations

A stable performance of the Ringgit is vital for business and investment planning. Some **27.9% of respondents** have cited **the ringgit's fluctuations** as the third factor influencing the business performance. On a cumulative basis **since end-2014**, the ringgit had **depreciated by 15.5% against the US dollar till end-2018**. This along with other direct and indirect costs associated with the policy changes and economic reforms (such as GST, fuel subsidy, natural gas and electricity tariffs adjustment) have resulted in increased cost of doing business.

Figure 9: The Ringgit performance against major trading currencies



Source: BNM

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

	USD	EUR	JPY 100	SGD	CNY
Hi	3.1480	3.8689	2.8370	2.5248	0.5114
Low	4.4995	5.1157	4.1436	3.1732	0.7028
Average	3.9377	4.5790	3.5331	2.9095	0.6046
Std Dev	38.8%	27.2%	34.0%	19.9%	4.3%

Source: BNM

Year to date (15 March 2019), the ringgit has appreciated against the Japanese yen (2.3%), euro (2.2%) and the US dollar (1.2%) while depreciated by 1.1% against the Chinese renminbi and 3.0% against pound sterling. Against major ASEAN currencies, the ringgit depreciated by 1.5% against the Thai baht but appreciated against the Philippine peso (1.4%), Vietnamese dong (1.1%), the Singapore dollar (0.4%) and was flat against the Indonesian rupiah.

As Malaysia's external trade settlement is mostly transacted in the US dollar, a weak ringgit would result in an increase cost of imported inputs and impact on industries that have high import content and sell in the domestic market. Exporters with low import content and high local content would enjoy exchange rate translation gain from a weak ringgit.

With the presence of considerable external risks surrounding the global economy and influencing the direction of capital flows, **the Government must continue to strengthen domestic economic and financial fundamentals, including ensuring fiscal stability and debt sustainability as well as stable sovereign ratings to support the ringgit's fundamental value**.

(IV) Increase in prices of raw materials

Businesses and manufacturers continue to **grapple with rising material costs**, forcing them either to absorb them or partially pass-through onto consumers in a form of higher selling prices. The results revealed that most respondents in major sectors have increased their selling prices (between 1.0-5.0%) in 2H 2018 and will continue to do so in 1H 2019.

The survey results revealed that **50.4% of total respondents expect local raw material prices to increase in 1H 2019**, of which 20.7% expect prices to increase by 1.0-5.0%, 17.0% between 6.0% and 10.0% and 12.7% expect prices to rise by more than 10.0%. A higher percentage of respondents (49.2%) said that the cost of imported raw materials will increase in 1H 2019 with 18.7% of them expecting a 1.0-5.0% increase, 16.4% between 6.0-10.0% and the balance 14.1% expecting to increase by more than 10.0%.

The sectors reporting increases in raw material prices are **wholesale and retail trade, manufacturing, professional business services, construction, tourism, shopping, hotels, restaurants and recreation, transportation, forwarding and warehousing, and finance and insurance**.

Amongst the reasons contributing to increases in raw material prices were SST as the sale tax rate of 10% is higher compared to GST of 6%, the cumulative effects of weakening ringgit had resulted in higher imported cost; indirect cascading effects from increased cost of transportation and cost of doing business (+17 sen/mmBtu in natural gas tariff and +2.87 sen/kWh for electricity tariff respectively in 2H 2018 compared to 1H 2018).

(V) Government policies

Government policies was ranked by **25.1% of total respondents as the fifth factor** deemed important to provide **a stable and conducive business environment for economic growth, investment and business expansion**.

In this regard, the Government and policy makers can **foster an environment of certainty and stability that businesses and investors crave by implement and execute right and market friendly policies with sufficient engagements and consultations with the industry players**. This means that the Government and implementing agencies must keep an open mindset to set clear guidelines and regulations in the marketplace.

Federal, state, and local governments play a crucial and supportive role in the affairs of industry. The policies, routines and practices of governments can either improve or erode predictability in markets, which in turn would determine whether an environment is stable and conducive or unfriendly to long-term investment and business growth.

We are hearing anecdotal evidence that businesses are feeling somewhat pessimism or cautiously optimistic about this year's economic outlook and business conditions. Some have claimed that there were yet clearer policy directions after more than ten months under the new administration. Businesses have adopted wait and see approaches because of the uncertainties they face in the global environment and some still getting in tune with domestic policy transition.

A number of business confidence measurements, namely **MIER Business Confidence Index (BCI), RAM Business Confidence Index (BCI) and FMM-MIER Survey have consistently showed that investors' confidence has weakened considerably**, dragged by the expectations over weak economic prospects in the next six months.

A number of government policies and regulations have been rolled out this year that influence businesses and these include higher minimum wage (Increased by between 10.0-19.6% to RM1,100 per month from RM1,000 for Peninsular Malaysia and RM920 for East Malaysia), the revision of First Schedule of the HRDF Act 2001 (such as to include micro-businesses contributing to HRDF fund), 90 days maternity leaves in the private sector and etc.

Faced with cautious economic outlook and trying demand conditions, businesses **would want some flexibilities to respond to changing rules and policies**. No frequent change of government policy as its inconsistencies or uncertainty about the terms and directions of policies, guidelines and business practices add a significant element of risk to making longer-term business decisions. This is especially in the case of foreign workers (FWs) management.

The immediate priority is to **address the shortage of FWs** while the Government is negotiating and regularising the new terms and conditions of FWs intake from sourced countries (Bangladesh, Nepal and Indonesia). Amongst the thorny issues hampering the negotiations are the recruiting agents; repatriation cost of illegal FW; "Zero cost" of having Malaysian employers to bear all the recruitment/ visa/ medical fee/ air ticket costs etc. in the case of recruiting Nepalese workers. We propose the following measures and initiatives:

(a) **Expedite the "replacement of FWs"** first once FWs completed their contract and returned to their own country. Allow the industries to recruit new workers with the "exit passes". We cannot completely stop the intake of FWs while waiting for the Government to finalise all policies related to FWs. Domestic economic activities and business operations will be greatly affected by if companies and industries cannot replace their returned legal workers immediately.

(b) There are too many Ministries and agencies involved in the current ecosystem of FWs. **A Single Ministry/One-stop Agency** should be vested with the authorities to address all issues concerning FWs; (i) Specific legislation and governing of recruitment and employment of FWs should be enacted and be placed under the purview of Ministry of Human Resource (MOHR); and (ii) Ministry of Home Affairs and Immigration Department should only confined to the issuing of document papers for the employment of FWs after approval by Ministry of Health (MOH) and MOHR.

(c) Foreign worker levy acts as pricing mechanism to regulate the number of foreign workers while generating federal revenue. The 2019 Budget proposed a multi-tier levy based on the number of FWs. As the industry still facing the pitch of rising cost of doing business amid weakening economic conditions, we hope for **a moratorium on foreign worker levy hikes for next three years starting 2019** to ease the employment cost burden.

4.2 Business Assessment in 2H 2018 and 1H 2019F

Overall, **49%** of **total respondents were "satisfactory" and 40.3% cited "poor"** about their **business conditions in 2H 2018** compared to 1H 2018. But they **are turning more cautious in 1H 2019** as **higher respondents** (48.7% vs 40.3% in 2H 2018) expect **poor business conditions** in the review period. Accordingly, more respondents are expecting "poor" outcomes in cash flows, creditors' and debtors' conditions, suggesting a tough business environment ahead.

Of notable observation is that **cash flows conditions are expected to remain tight** as indicated by 46.3% of respondents vs. 41.3% in 2H 2018 while the number of respondents indicated "satisfactory" dropped to 46.6% from 50.0% in 2H 2018. **Debtors' conditions** are expected **to worsen in 1H 2019** as reflected by 44.6% of respondents, an increase of 6.4 percentage points from 38.2% in 2H 2018.

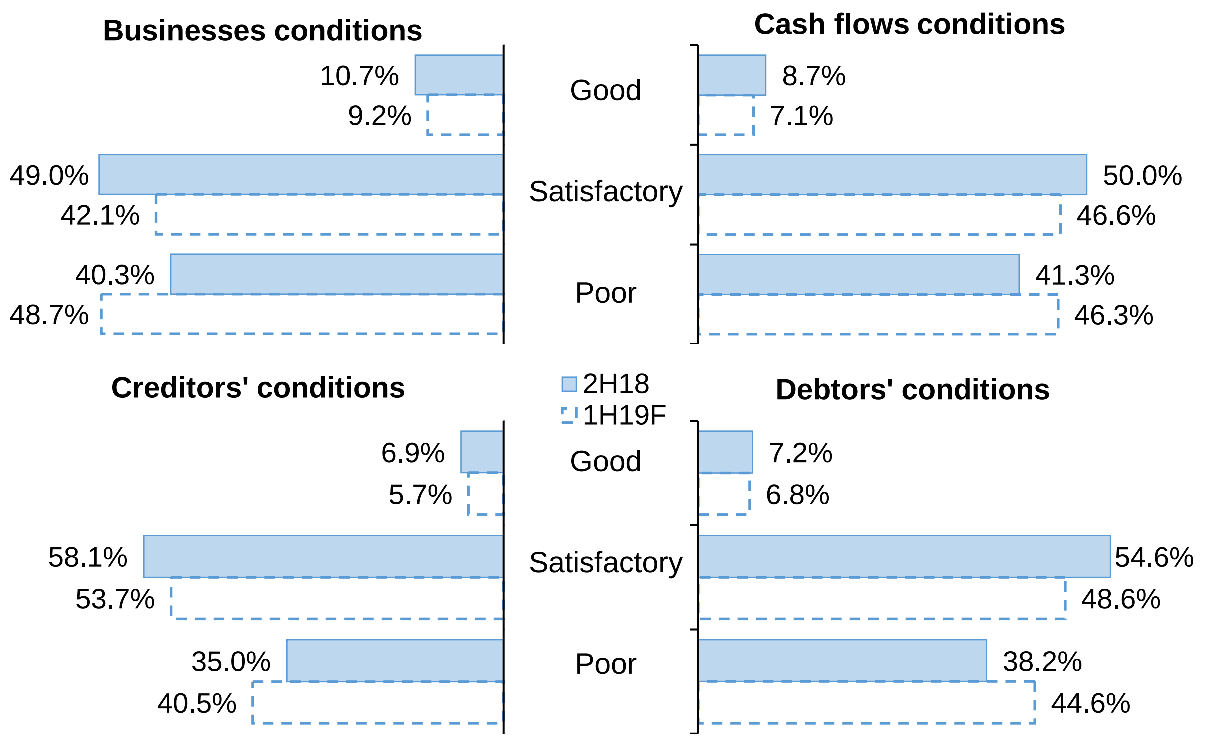
By sector, the **real estate sector has less respondents** stating **"satisfactory"** (44.3%) and **"good"** (8.2%) about their business conditions in 2H 2018 compared to overall results (49.0% and 10.7% respectively) while professional and business services sector has the most respondents stating **"satisfactory**" (49.7%) and **"good"** (15.8%) about their business conditions.

For 1H 2019, with the exception of wholesale and retail trade, **higher respondents are expecting "poor" business environment in the manufacturing** (54.8% vs. 44.9% in 2H 2018), **professional and business services** (37.9% vs. 34.4% in 2H 2018), **construction** (50.4% vs, 41.2% in 2H 2018) and **real estate** (57.6% vs. 47.5% in 2H 2018) sectors.

The **construction, manufacturing, wholesale and retail trade, real estate, professional and business services** sectors would experience **further deterioration in cash flows and debtors' conditions**.

Of significance is the **construction sector was less satisfactory over their cash flows (55.2% of respondents in 1H 2019 vs. 49.6% in 2H 2018) and debtors' conditions (55.3% in 1H 2019 vs. 48.9% in 2H 2018)**, mainly affected by a precipitous slowdown in construction jobs following the review and rationalisation of government's spending.

Figure 10: Business, cash flows, creditors' and debtors' conditions in 2H 2018 and 1H 2019F



F=Forecast

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

Good / Poor / Satisfactory		Business		Cash flows		Debtors	
Overall	2H18	**49.0**	40.3	**50.0**	41.3	**54.6**	38.2
	1H19F	42.1	**48.7**	46.6	46.3	48.6	44.6
Wholesale and retail trade	2H18	**48.2**	44.2	**47.7**	45.2	54.8	38.7
	1H19F	43.5	**48.2**	**48.4**	46.8	47.8	46.2
Manufacturing	2H18	44.9	44.9	**50.0**	43.9	48.5	45.4
	1H19F	35.6	**54.8**	41.2	**52.9**	43.5	49.5
Professional and business services	2H18	**49.7**	34.4	**54.6**	33.9	61.2	28.4
	1H19F	**51.7**	37.9	**49.4**	41.3	54.4	36.1
Construction	2H18	**50.4**	41.2	42.7	**49.6**	46.6	48.9
	1H19F	40.9	**50.4**	36.0	**55.2**	42.3	55.3
Real estate	2H18	44.3	**47.5**	**52.5**	41.0	54.1	41.0
	1H19F	37.3	**57.6**	47.4	47.4	45.6	47.4

Conditions in terms of: Business, Cash flows, Debtors

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

4.2.1 Sales performance

4.2.1 (a) Domestic market

With domestic demand remains the prime mover of economic growth, take a closer look at domestic sales performance and prospects would provide an indication of the strength of domestic spending. It must be noted that 81.8% of respondents' sales are catering to domestic market (more than 50% domestic sales).

The survey results revealed that a **high percentage of respondents (66.4%) indicated that they could at least sustain their domestic sales volume in 2H 2018,** with 15.5% reported an increase in volume by 1.0-5.0%, 10.5% by 6.0-10.0% and 7.6% indicated increase more than 10% in sales volume.

In 1H 2019, a slightly higher number of businesses (68.0%) expect to at least sustain their domestic sales volume, with a decline in the percentage of respondents reporting increases in volume (31.8% in 1H 2019 vs 33.6% in 2H 2018). **Nearly one-third of respondents expect their sales volume to decline in 1H 2019, suggesting still challenging business conditions**.

There were somewhat mixed and wide swings in sales performance in major sectors. Reflecting the broad weakening of the sector amid the cancellation and deferment of several mega projects, a high **46.8% of respondents** in the **construction sector experienced a reduction in sales volume ranging between 1.0% and 10.0% (27.9% of respondents) and more than 10.0% (18.9% of respondents)**; about one-third had "no change" in sales and only **19.7% printed increases in sales** in 1H 2018. The sales volume is expected to improve in 1H 2019 with 38.0% of respondents expecting a decline in sales while 24.7% will enjoy higher sales.

Businesses in the **wholesale and retail trade sector** saw **33.2% of respondents experiencing increases in sales volume with 17.4% registering increases of 1.0-5.0% and 10.5% had increases of 6.0-10.0%** in 2H 2018. 39.4% of respondents registered a reduction in sales volume with a majority declined by between 1.0% and 10.0%. In 1H 2019, slightly higher respondents expect an increase in sales (33.5% vs. 33.2% in 2H 2018) and lower respondents expect a decline in sales (37.3% vs. 39.4% in 2H 2018).

The **manufacturing sector** businesses saw a fairly even sales performance with **one-third each experiencing increase, decrease or unchanged sales volume in 2H 2018 and 1H 2019**. Sales volume mostly increased by between 1.0% and 10.0%. This is in tandem with Malaysia's total sales value of the manufacturing sector, which rose by 7.7% to RM824.8 billion in 2018.

More than 40% of respondents in finance and insurance as well as **professional and business services sectors** recorded **increase in sales volume by largely between 1.0% and 10.0% in 2H 2018, but slightly a lower percentage of respondents expecting an increase in sales volume in 1H 2019**.

Amongst the sectors that having **more than 5% respondents to be swung into declining sales volume territory in 1H 2019** were **transportation, forwarding and warehousing, finance and insurance and ICT**.

In terms of unit sale price, **40.3% of respondents indicated that they have maintained their price level in 2H 2018** and more businesses (45.0%) envisage "no change" in 1H 2019. **39.5% of businesses had increased their selling prices in 2H 2018 and slightly lesser of them (34.7%) expect to continue in 1H 2019**, with **mostly by between 1.0% and 10.0%**. These include manufacturing, wholesale and retail trade, professional and business services.

It was revealed that more respondents in the **construction sector expects to increase their price levels by between 1.0% and 10.0% in 1H 2019 despite the exemption of SST on some building materials**. On the contrary, most respondents (40.1%) in the **wholesale and retail trade sector** have indicated to **maintain their price levels** in 1H 2019 compared to 50% had increased prices in 2H 2018. This could suggest **slower distributive trade sales growth in 1H 2019** compared to average 8.8% yoy growth in 2H 2018, which was largely boosted by three months consumption tax holidays in Jun-Aug 2018.

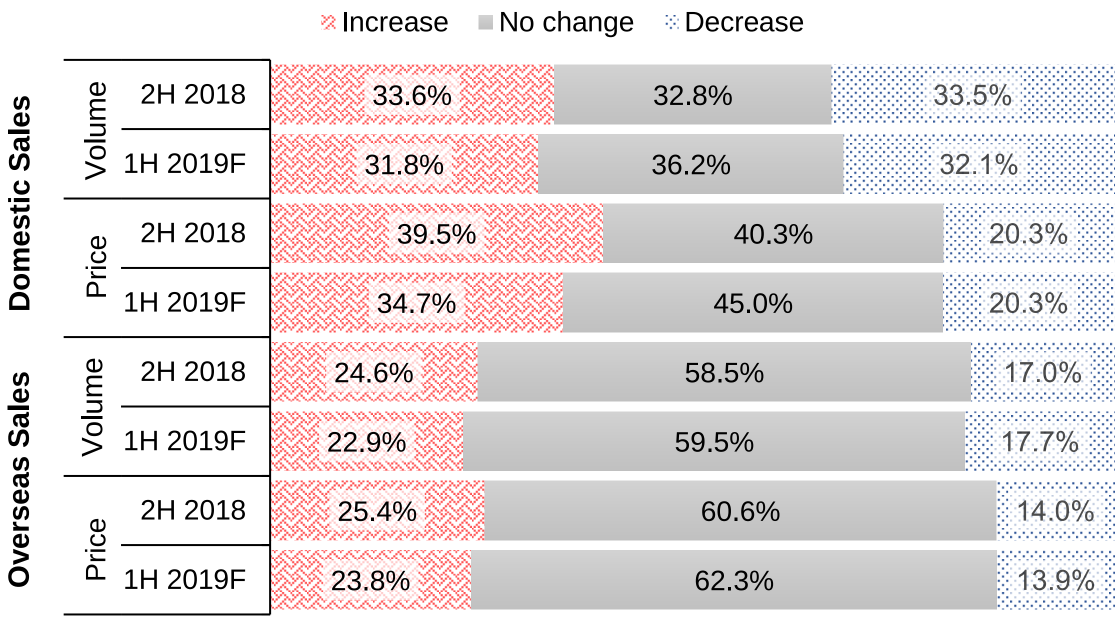
4.2.1 (b) Overseas market

A total of **24.6% of respondents have revealed that their overseas sales volume has increased in 1H 2018**, in tandem with the continued expansion of Malaysia's exports, albeit slower at 6.7% yoy in 2H 2018 vs. 6.9% in 1H 2018. Of the total respondents, 9.7% increased sales volume by 1.0-5.0%, 8.4% by 6.0-10.0% and the balance 6.5% increased by more than 10.0%.

The **manufacturing sector** has witnessed **a better than average performance as 31.7% of them managed to incur higher sales volume** and **27.1% of businesses had enjoyed higher price levels**, mostly between 1.0% and 10.0%, mirroring a weaker ringgit in 2H 2018.

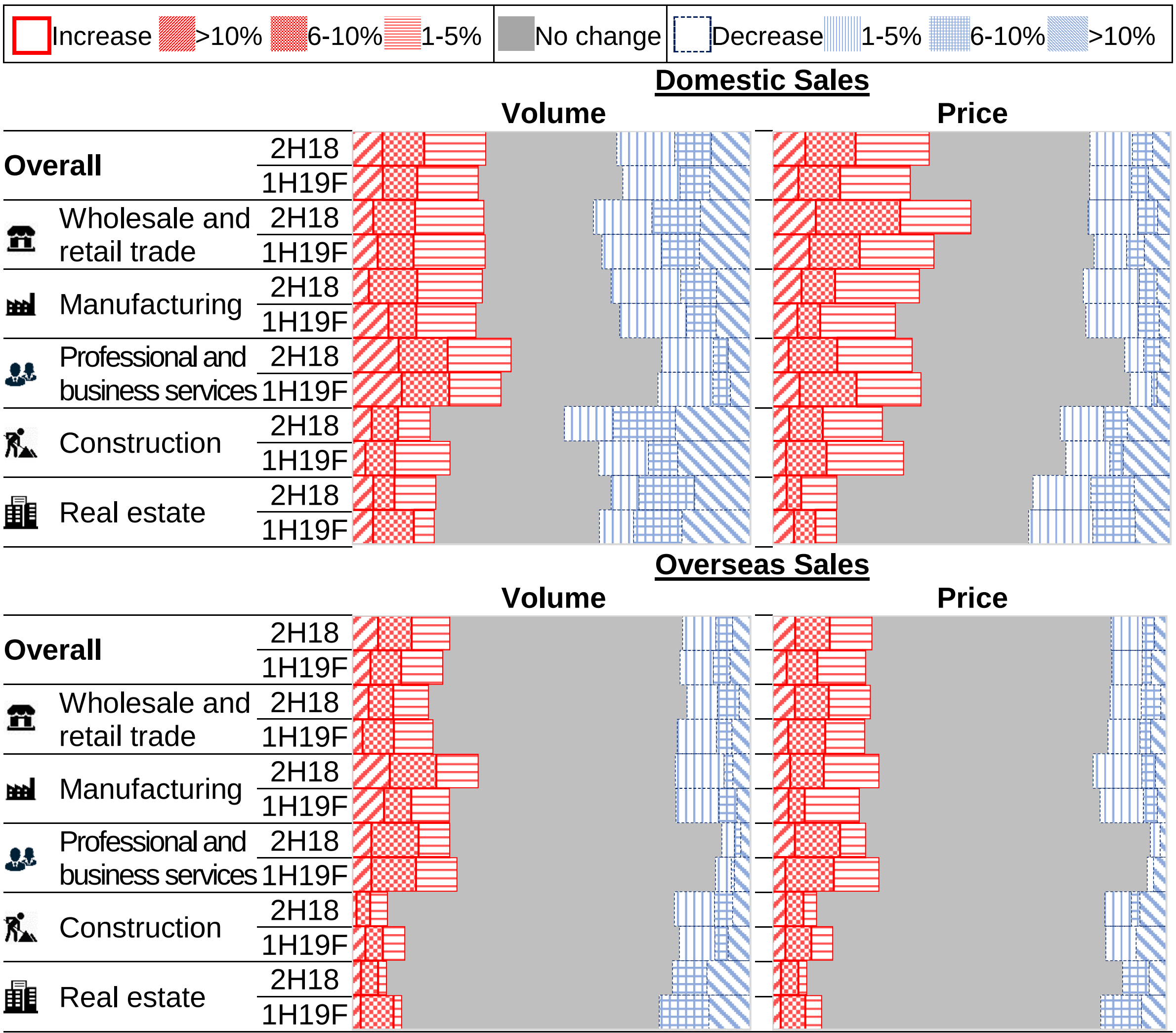
For **sales prospect in 1H 2019**, overall respondents indicated **a more moderate increase in sales volume and prices**, **mainly from the manufacturing sector (which saw the percentage of businesses reporting increase in sales reduced from 31.7% in 2H 2018 to 24.5% in 1H 2019)**, due to the weakening global demand, softer semiconductor sales and moderate commodity prices.

Figure 12: Domestic and overseas sales (volume and price) in 2H 2018 and 1H 2019F



F = Forecast

Figure 13: Domestic and overseas sales (volume and price) in 2H 2018 and 1H 2019F by selected sectors



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4.2.2 Business operations

In 2H 2018, **a total of 31.3% of respondents have increased their production levels** to meet demand. However, **there is a decline in the number of respondents to 28.2% indicating their plans to increase production in 1H 2019**. Likewise, more respondents would cut production in 1H 2019 (31.6% vs. 30.6% in 2H 2018), reflecting the anticipation of slower demand.

The **capacity utilization rates** and **inventory levels** were in line with the production. 33.8% and 38.7% of businesses increased their capacity utilization rates and inventory levels respectively. **In 1H 2019**, the results showed that slightly lesser businesses (28.9% and 33.7% respectively) increase their capacity utilization rates and inventory levels in 1H 2019. Notably, there were more respondents from the construction and wholesale and retail trade sectors expect a significant drop in capacity utilization rate (35.3% and 34.9% respectively).

A majority of respondents increased their production levels by between 1.0% and 5.0% in 2H 2018 and 1H 2019. A small percentage (7.1%) of businesses increased their production by more than 10.0% in 2H 2018 and 7.2% will expand the production by more than 10.0% in 1H 2019.

Amongst the sectors, the **manufacturing sector** has **35.9% of respondents had increased production**, followed by the **wholesale and retail trade and professional and business services** sectors as rated by slightly above 30% of respondents in 2H 2018. Within the manufacturing sector, only 8.7% of respondents have expanded their production by more than 10.0% in 2H 2018. A somewhat similar production trend is expected in 1H 2019.

The construction sector is expected to stay on weak growth path. **A far lower percentage (0.9%) of businesses expanded their production by more than 10.0% in 2H 2018**. **Nearly 43% of respondents with some 19.8% expect the production to drop by more than 10% in 1H 2019**. The Government has suspended or reviewed a few large-scale infrastructure projects as pressured by the need to contain its budget deficit and reduce high government debt and liabilities. The most impactful projects on the construction sector and construction-related building materials in the manufacturing sector would be the suspension of the East Coast Rail Link (ECRL) and the Singapore-Kuala Lumpur High-speed rail (HSR) project. The Government have also suspended the construction of two oil and gas pipeline projects costing more than RM4 billion each.

On the stock level pattern, businesses in the wholesale and retail trade sector had the lowest percentage of respondents (31%) in the 'unchanged' category of response. However, more businesses in the manufacturing and wholesale and retail trade sectors had recorded significant stock level increases at 41.5% and 42.5% of respondents respectively in 2H 2018.

For 1H 2019, businesses in the **manufacturing and wholesale and retail trade sectors** are expected to **experience increases in their stock levels** (32.1% and 37% of respondents respectively), suggesting moderate demand. Some **34.5% of respondents in the construction sector forecast a decline in stock levels**, indicating a possible improvement in this sector.

Figure 14: Production, capacity utilization rate, inventory or stock level in 2H 2018 and 1H 2019F

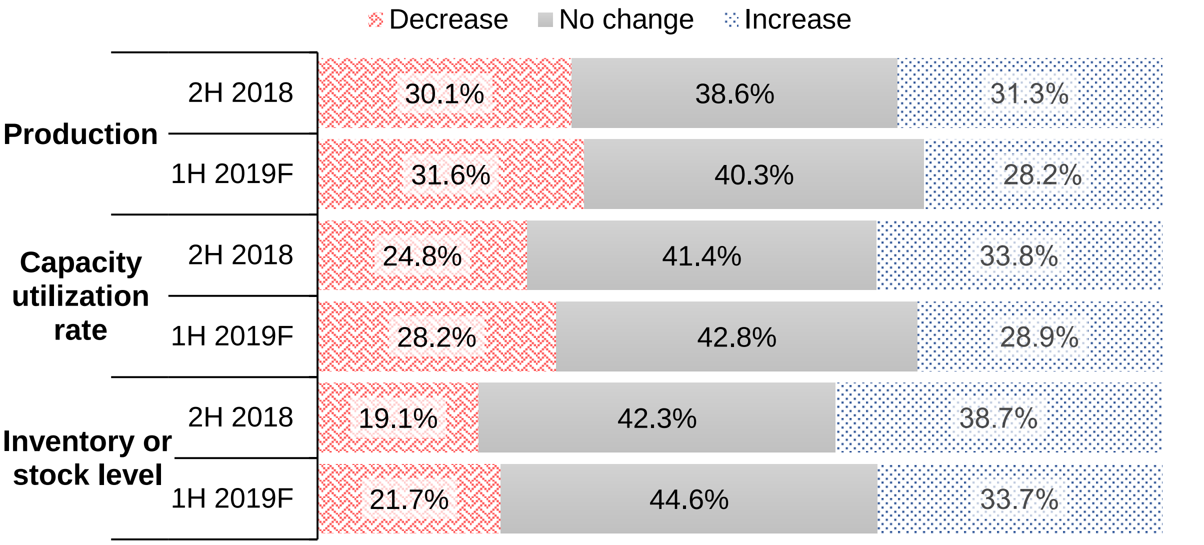

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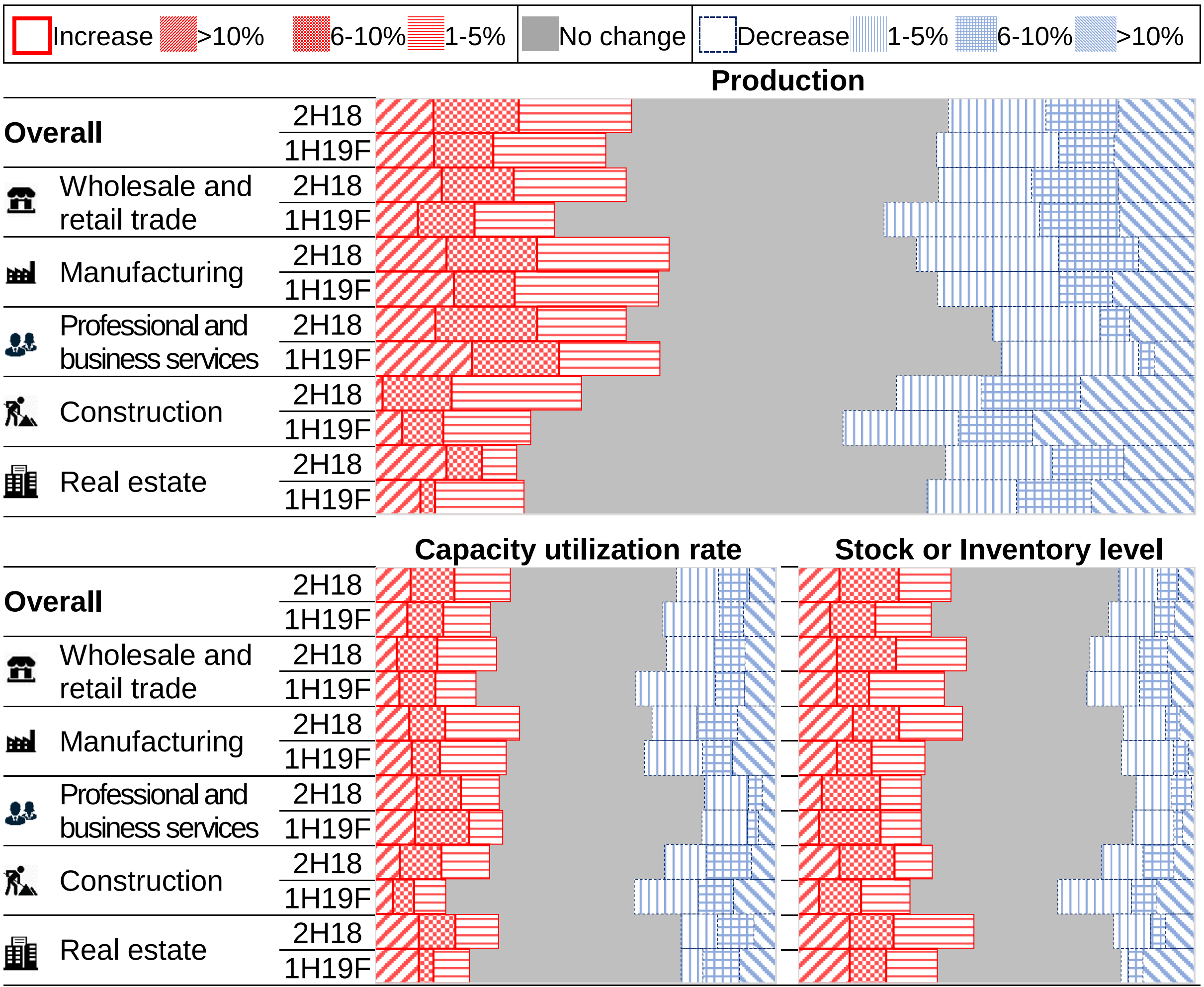
Figure 15: Production, capacity utilization rate, inventory or stock level in 2H 2018 and 1H 2019F by selected sectors



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4.2.3 Cost of raw materials

This survey results showed that **60.0% and 58.9% of respondents indicated increases in the cost of local and imported raw materials respectively in 2H 2018**. Of this, 23.2% and 21.2% of businesses reported that local and imported raw material prices have increased by between 6.0% and 10.0% respectively. The reasons were:

(a) Compared to end-2014, the ringgit's recorded a cumulative depreciation of 15.5% at end-2018 and had weakened from RM4.05 per US$ in Jan-Jun 2018 to RM4.17 per US$ in Jul-Dec 2018, resulted in higher cost of imported raw materials.

(b) The replacement of GST with SST has contributed partly to an increase in raw material prices. Under the GST system, businesses enjoy low tax payable and the offsetting effect between input tax and output tax. SST has three rate rates (10%, 6% and 5%) compared to a single rate of 6% GST. As such, manufacturers have to pay an additional 4% tax rate under the SST. Amid increased cost of raw materials, the survey results showed that a majority of businesses had partially raised the selling prices. 39.5% of businesses had increased their selling prices in 2H 2018 and 34.7% of respondents expect to continue increase prices in 1H 2019, with mostly by between 1.0% and 10.0%.

(c) The rise in cost of raw materials could be attributable to indirect spillover effects from increased cost of transportation and cost of doing business.

When asked about the **cost of raw materials in 1H 2019**, **about half of total respondents expect cost of materials either local or imported will increase largely between 1.0% and 10.0%**. The sectors reporting increases in raw materials prices are wholesale and retail trade, manufacturing, professional business services, construction, tourism, shopping, hotels, restaurant and recreation, transportation, forwarding and warehousing as well as finance and insurance.

Since the SST had collected revenue of RM5.4 billion, which was 34% higher than the targeted RM4 billion during September-December 2018, the **Government should consider to review the SST rates**, especially the imported tax rate from 10.0% to between 6.0-8.0% and to standardize the sale tax rate at 5.0% for local production to mitigate the cost burden on businesses and to be fair for every player.

Figure 16: Cost of raw materials in 2H 2018 and 1H 2019F

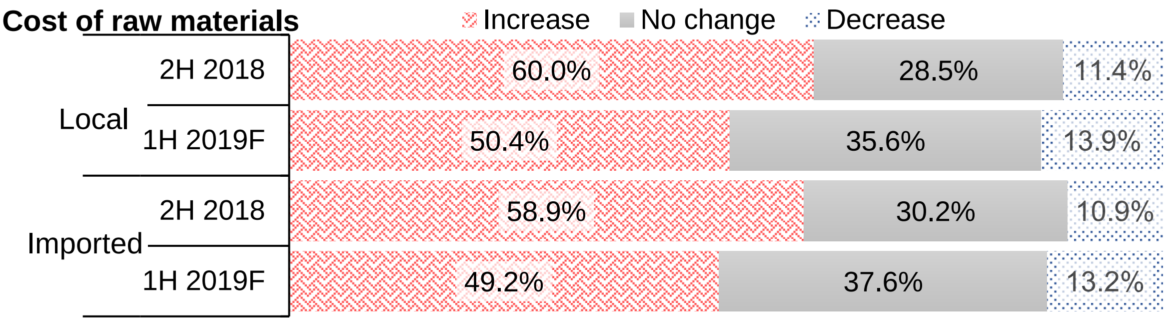

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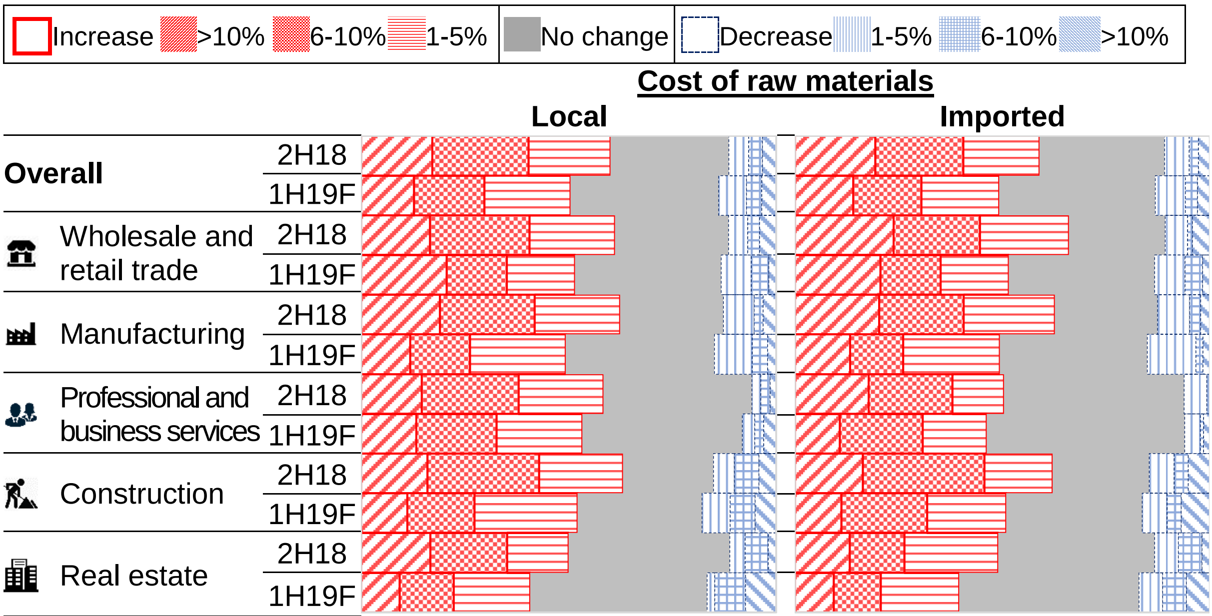
Figure 17: Cost of raw materials in 2H 2018 and 1H 2019 by selected sectors



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4.2.4 Manpower

Broadly, the respondents are expected to maintain the number of employees. **53.6% of respondents reported that the number of employees remained unchanged** in 1H 2018 and higher numbers (57.3%) envisage “no change” in 1H 2019. This corresponds with a stable labour market conditions. National unemployment rate is expected to remain relatively stable at 3.3-3.5% in 2019 after holding steady at 3.3% in Sep-Dec 2018. There were corresponding lower percentage of respondents expecting to either increase and reduce the number of employees in their companies.

The **wholesale and retail trade as well as professional and business services** sectors saw higher businesses increased employment at 31.5% and 34.7% respectively in 1H 2018.

On the wage growth, **49.1% of respondents indicated that they had increased wages in 2H 2018, with 41.8% of employers giving a salary increment by between 1.0-10.0%**, followed by 7.3% giving more than 10.0%. Increased wage and income growth bodes well for consumer spending.

For 1H 2019, the percentage of businesses **stated “no change” in the number of employees increased by 3.7 percentage points to 57.3%**. **45.7% and 45.4% of respondents indicated that either “increase” or “no change” in wage growth** respectively in the first half-year of 2019.

The sectors who envisage **higher wage growth in 2H 2019** (largely between 1.0-5.0% and between 6.0-10.0%) are **professional and business services, finance and insurance, manufacturing as well as wholesale and retail trade**. The Malaysian Employers Federation (MEF)’s Salary Surveys for Executives and Non-Executives forecasted overall average salary increases for executives in 2019 is 4.86% (4.88% in 2018) and for non-executives is 4.89% in 2019 (4.88% in 2018).

Figure 18: Number of employees and wage growth in 2H 2018 and 1H 2019F

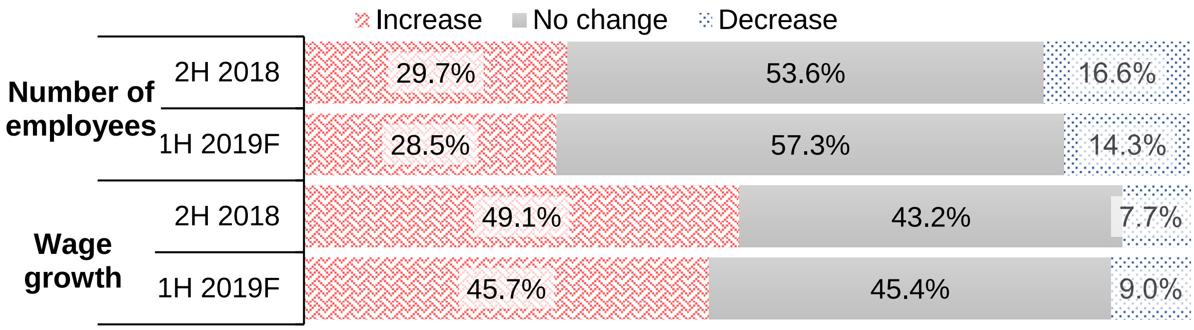

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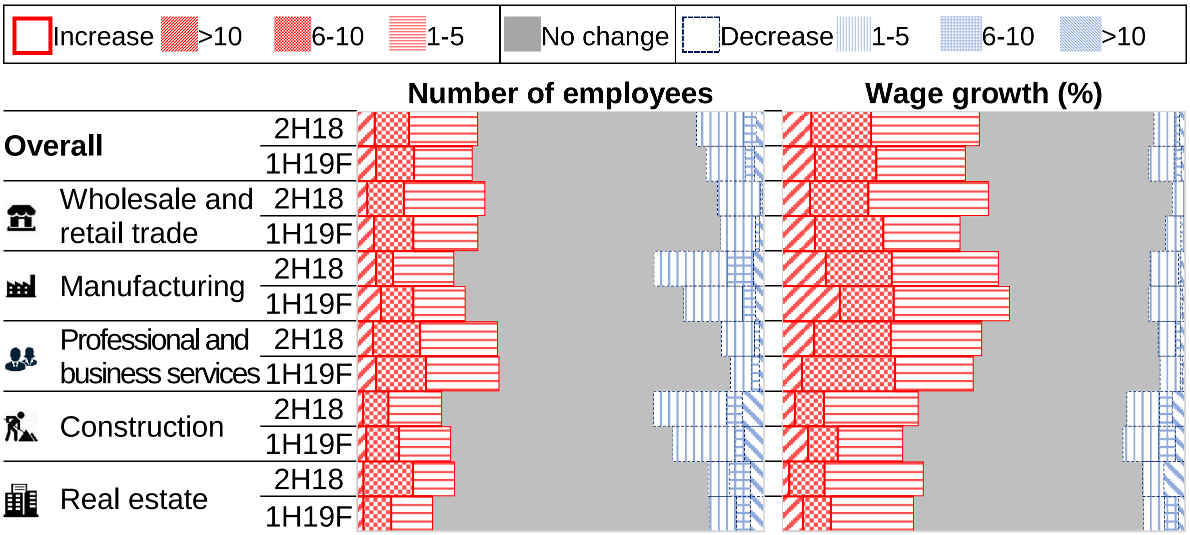
Figure 19: Number of employees and wage growth in 2H 2018 and 1H 2019F by selected sectors



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4.2.5 Capital expenditure

Businesses have **become cautious about their capex spending plans**. **Less than half of total respondents (49.3%) have increased capital expenditure in 2H 2018** compared to 1H 2018, leaving 39.3% and 11.5% of them either maintained or lowered their capital expenditure respectively. Malaysia's private investment growth slowed markedly from 6.9% in 3Q 2018 to 4.4% in 4Q 2018, leading to a subdued growth of 4.5% in 2018, almost halve of 2017's 9.3% growth.

Going into **1H 2019**, **the percentage of businesses planning to increase capital investment declined by 3.6 percentage points to 45.7%** from 49.3% in 2H 2018, suggesting some cautiousness in investors' sentiment inflicted by concerns over domestic economic conditions and external headwinds (uncertainty about the trade talks, weakening momentum in the US, euro area and China as well as the deadlock over Brexit).

On the domestic front, rising operating costs (minimum wage and utility costs) and compliance costs amid unresolved outstanding issues such as the shortage of foreign workers coupled with the weaker external environment have dampened businesses sentiment to commit capital investment. Compared to 2H 2018**, more respondents (43.2% vs. 39.3% in 2H 2018) indicated "no change" in capital expenditure and 11.2% expects to cut capex in 1H 2019**.

Businesses' cautious approaches in undertaking capital investment is in line with the production and sales performance. Investors' wait-and-see stance hinges on future economic and business prospects. More importantly, what are the new growth direction and sources of growth to drive Malaysia going forward in a highly complexity external environment?

By sector, **a high percentage of respondents** in the **wholesale and retail trade, manufacturing and construction sectors** (58%, 51.4% and 49.2% respectively) **have increased capital expenditure in 2H 2018** compared to 1H 2018. They plan to increase capital investment in 1H 2019 compared to 2H 2018.

On the contrary, businesses in the professional services (52.4%) and real estate sectors (46.3%) maintained their capital expenditure in 2H 2018 compared to 1H 2018 and would continue to remain status quo in 1H 2019.

Figure 20: Capital expenditure in 2H 2018 and 1H 2019

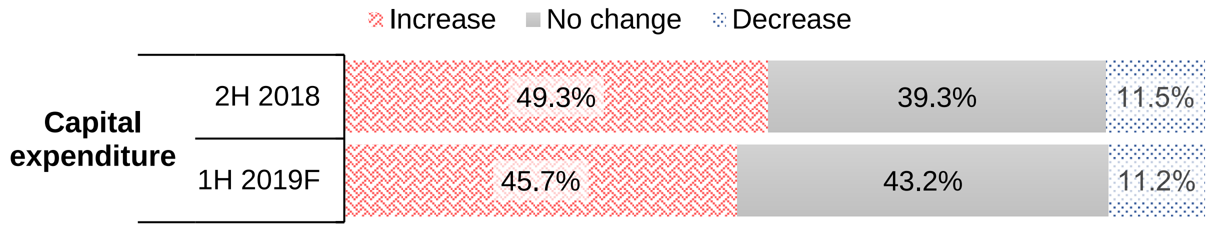

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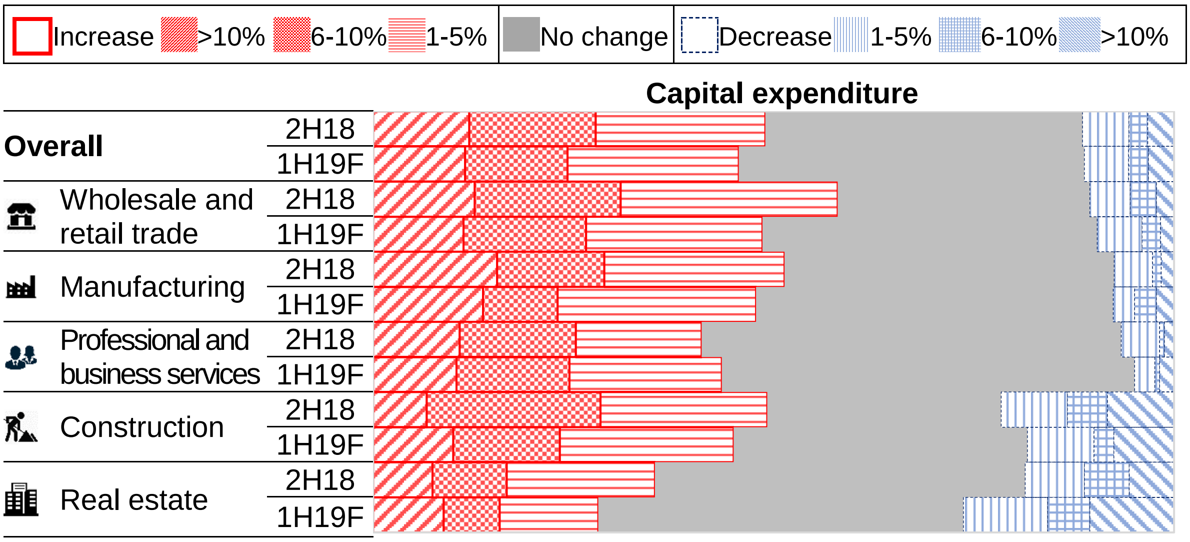
Figure 21: Capital expenditure in 2H 2018 and 1H 2019F by selected sectors



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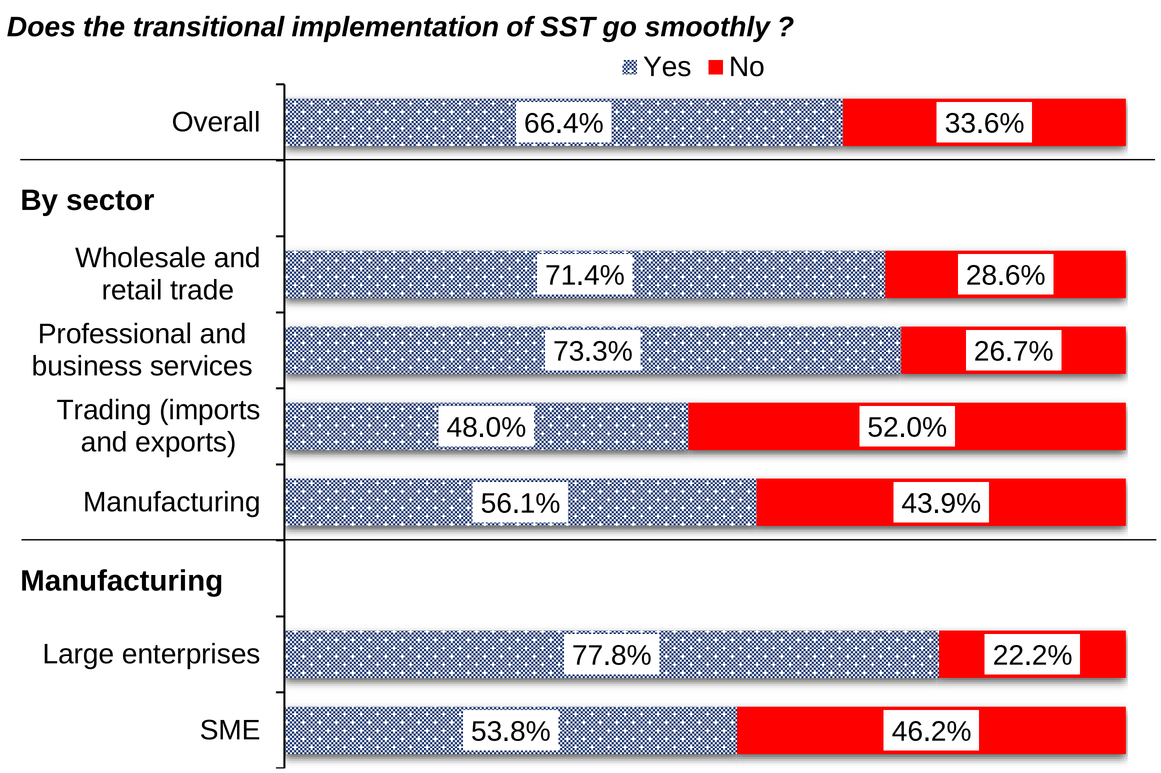
5. CURRENT ISSUES

We have gauged the respondents' feedback and views on a number of current issues and the impact on their business performance. The issues covered are (a) **Reintroduction of Sales and Service Tax (SST)**; (b) **Goods and Services Tax (GST)** and **income tax refunds**; (c) **The US-China trade war**; and (d) **E-Commerce**.

5.1 Reintroduction of SST

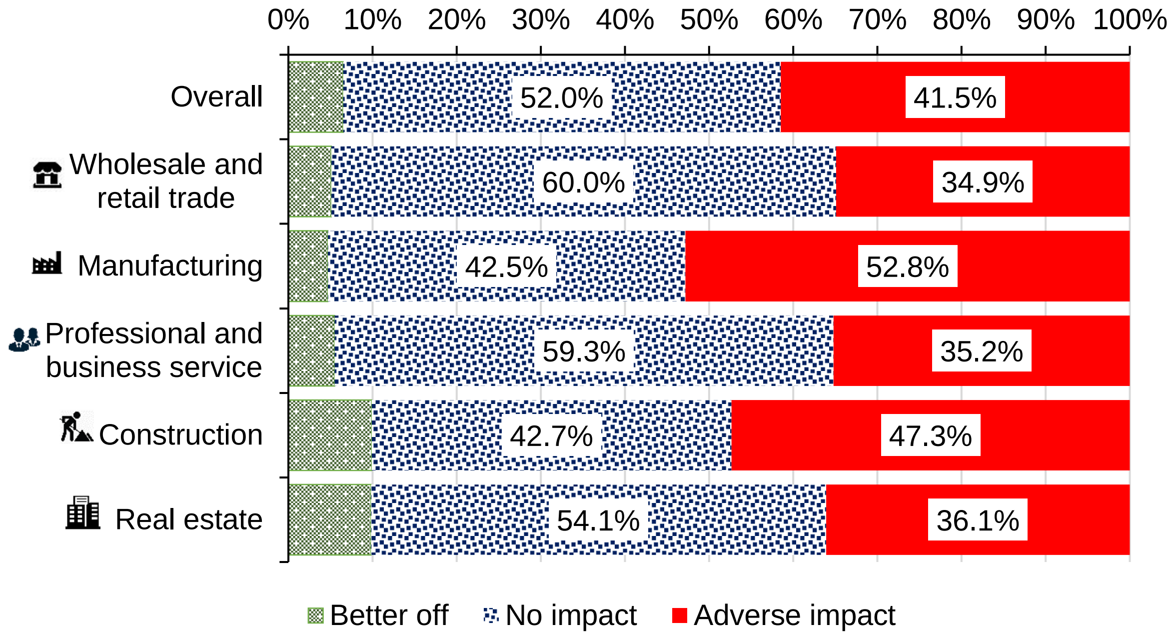
The survey results showed that **66.4% of total respondents** indicated that the re-implementation of SST on 1 September 2018 **went smoothly** during the transition period.

Figure 22: The transitional implementation of SST



However, about **41.5%** reported that the **SST** has **adverse impact** on their business and these were mostly in **manufacturing and construction sectors**. This is despite that the SST exemption were granted to main building materials (cement, sand and bricks) and construction services. In contrast, **52.0%** indicated that the SST has **no impact** on their business and these include **wholesale and retail trade, professional and business services** as well as **real estate sectors**.

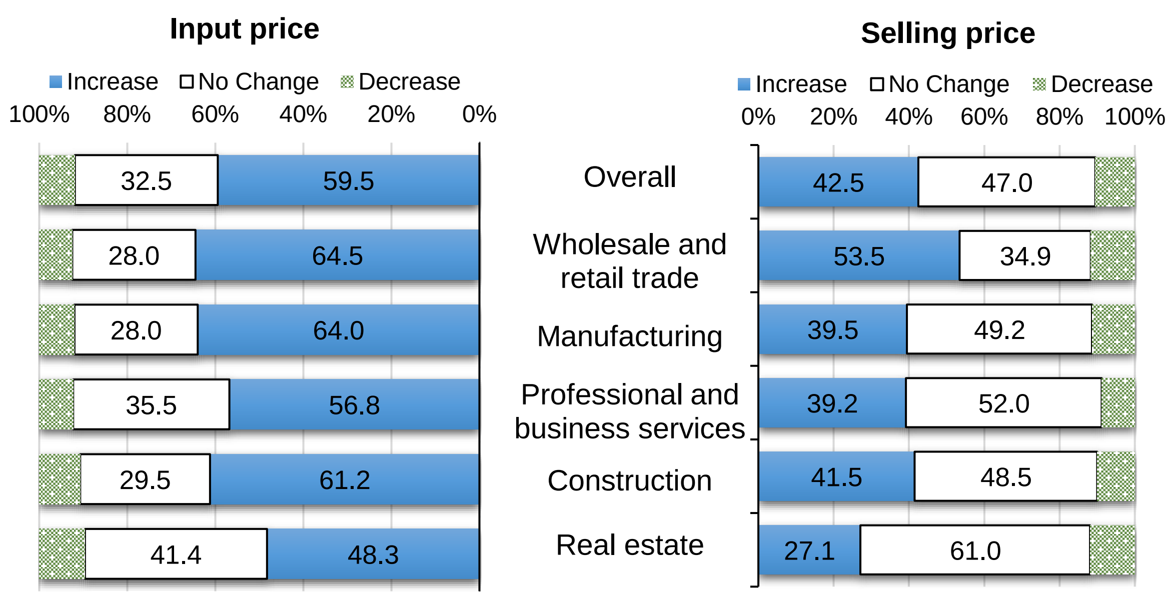
Figure 23: SST impact on business performance by selected sectors



When asked about the **impact of SST on input prices and selling prices**, a high percentage of respondents ranging between **40.0% and 72.0% in all industries reporting an increase in input prices**, and some of them generally **have raised their selling prices**. This suggests that some could not absorb the increased costs and partially pass-through onto consumers. Our survey results also indicated that for those have incurred higher input prices, 66.1% of them have increased their selling prices.

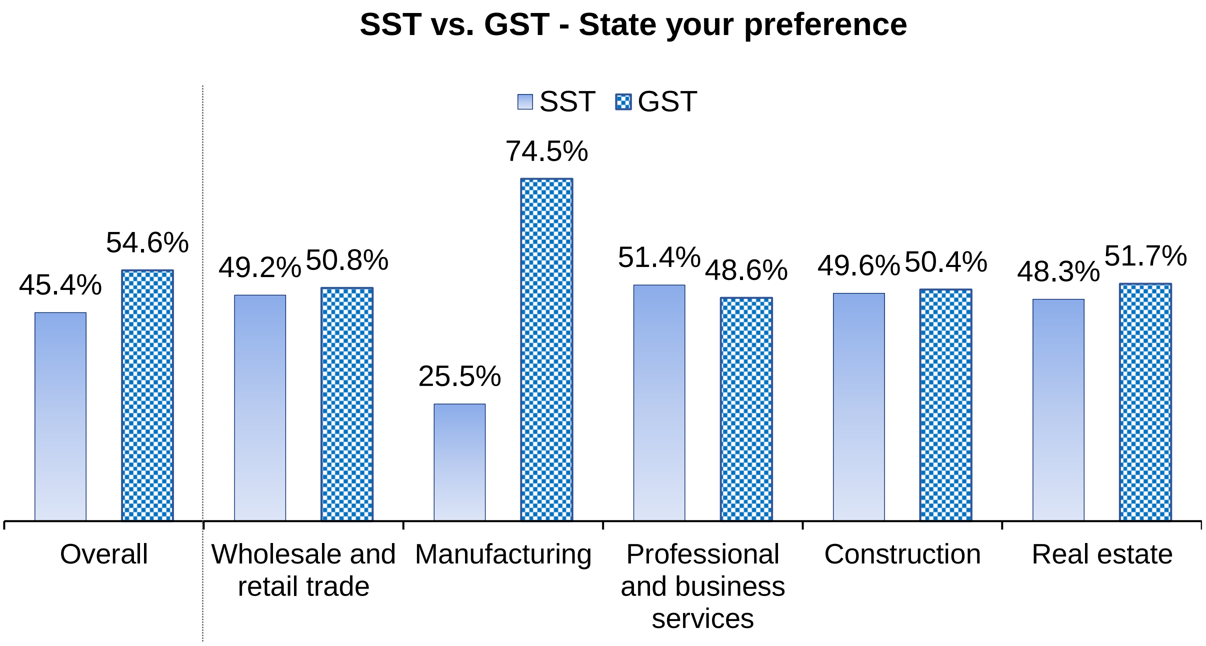
Amongst the respondents reporting **input prices have increased by more than 10.0%, a majority of them were SMEs in the manufacturing and wholesale and retail trade sectors**. **53.5% of respondents in the wholesale and retail trade sector** indicated that **they have increased their selling prices**.

Figure 24: Impact on overall price level after the SST implementation



In terms of tax instrument, **slightly more than half of respondents (54.6%)** indicated that **GST is a more preferred tax system than SST**, particularly for the **manufacturing sector** as exports are zero-rated and eligible to claim input tax. For SST, there is no complete relief for exports. Companies cannot claim input tax under SST, except for manufacturers who deal with exports.

Figure 25: SST vs. GST



By size of companies, with the exception of manufacturing sector and trading companies, which were impacted directly**, SMEs in most other sectors rated SST over GST as a preferred taxation system** as it imposes tax at only one level compared to the GST where tax was imposed at every level, from manufacturers to wholesalers, retailers and consumers. Under the GST, those who have turnover of RM500,000 annually had to register to impose the 6% GST rate. This is different from SST whereby those having turnover of RM500,000 or RM1.5 million (for food and beverage operator) annually, but if their items and services are not in the tax list, need not register for it.

5.2 GST and Income Tax Refunds

Overall, **62.3% of total respondents are expected to utilise 1.0-10.0% of tax refunds from GST and income tax** (RM37 billion in 2019) for capital investment or domestic spending, followed by **17.7% of respondents will set aside 11.0-20.0%** and **14.8%** will spend **21.0-30.0% of total refund**s. Only 5.2% will spend more than 30.0% of total refunds and they are mainly from the real estate and professional and business service sectors. The utilisation of GST and income tax refunds for capital spending and consumption would augur well for domestic economic activities.

By size of companies, **49.2% of large enterprises** indicated their intentions to spend 1.0-10.0% of total refunds while **63.2% for SME**.

As approved in the 2019 Budget, the Government will pay tax refund arrears amounting to RM37.0 billion, of which RM18.0 billion for income tax and RM19.0 billion for GST. The Customs Department has started paying out GST refunds, which will be carried out in stages from now till the end of the year. It is also implementing a retention sum or a bank guarantee scheme as a safeguard. Most of the claims submitted to the department have moved past the review process.

Finance Minister Tuan Lim Guan Eng announced that **a total of RM7.9 billion in refunds for the GST (RM4.0 billion) and income tax (RM3.9 billion) have been paid out as at February 2019**.

Several strategies have been deployed to resolve the issue of GST refunds as follows:

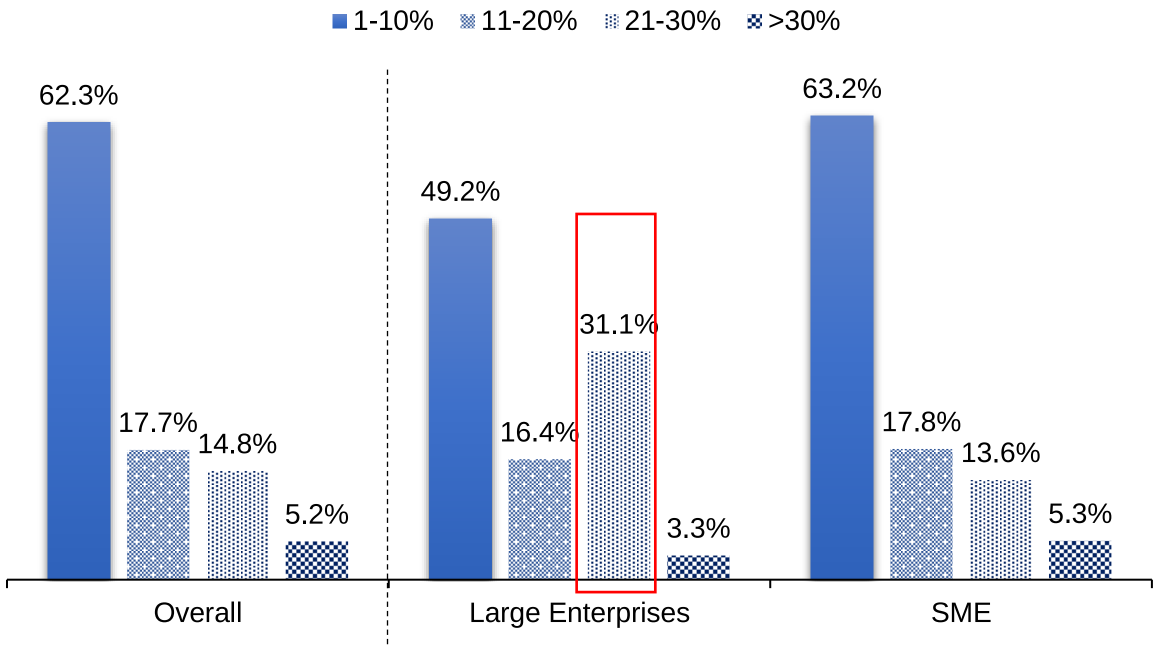
(a) **For refunds below RM50,000**, desk audits have been completed. **Refunds will be made immediately**. The number of claims for sums under RM50,000 comprised more than 80% of the total claims;

(b) For **claims of between RM50,000 and RM100,000**, **refunds will be made at the rate of 80%**; and

(c) For **claims exceeding RM100,000**, **70% of the total claim amount will be paid** to the company. The remaining 30% will be retained and paid after the site visit or field audit is completed within two months.

It is hope that the **audit process can be expedited** so that it would speed up the refund.

Figure 26: Percentage of GST and income tax refunds used for capital investment or domestic spending



5.3 The US-China Trade War

The survey results showed that the US-China trade dispute generally **did not disrupt the supply chains as indicated by 62.3% of total respondents**. In terms of the impact on sales, while **nearly three quarters of respondents** indicated **no impact at the moment** though 23.1% foresee adverse impact in the near future if the trade conflict prolongs and deepens.

While Malaysian manufacturers benefitted from the short-term trade diversion and the relocation of supply chain, especially in electronics, machinery, wood, paper, plastics, and rubber, the net positive impact would be negated by broader weakness in global demand, some capacity constraints and labour shortage. In addition, the fading global demand of technology products after booming in recent years would have spillover effect on global supply chains amid the lingering uncertainty about the trade tension, slowing growth in the US, euro area and China.

The increasing trade protectionism mindset in advanced economies would pose risk to Malaysia's trade and financial openness if the trade disputes prolong and deepen. Disruptions are unavoidable given Malaysia's integration into the global supply and value chains.

Malaysia must **leverage on its endowments and strategic location not only as a production centre but as a trans-shipment hub in ASEAN**. This calls for the following short- and medium-term initiatives and measures to counter the rise of trade protectionist measures:

a) Provide **some form of exports credit scheme to domestic SMEs** if the trade war prolongs and widens. The results revealed that **37.5% respondents wish the Government can reduce import duties on raw materials**; and 27.1% opined that the Government can assist in exploring new export markets to mitigate the impact from trade disputes.

b) Provide **attractive incentives to conglomerates and MNCs to establish their principal hub**, helping to make Malaysia as the optimal location provided with higher flexibility in serving their network companies to cater for the Asia Pacific region and global markets.

c) Malaysia must **widen and deepen its trade relationships** – actively participate in **multilateral trade agreements or mutual trade relations** through forging a close link with ASEAN to push for freer and fairer trade practices. Newer markets such as Middle-east, Africa and Asia Pacific.

d) Provide **clarity on Malaysia's stand concerning ongoing negotiations for The Comprehensive and Progressive Agreement for Trans-Pacific Partnership** (CPTPP) and Regional Comprehensive Economic Partnership (RCEP). The immediate priority now is to intensify RCEP negotiations and implementation.

e) **Draw up actionable plans to stimulate higher domestic investments and attract more quality foreign direct investments**. Both the Government and private sector must assume ownership in two areas – **capacity building for trade and market promotion as well as products mix and products complexities**.

f) **Diversify more trading activities with European Union** (EU), revisit the Malaysia-European Union Free Trade Agreement (MEUFTA) negotiation or accelerate the proposed ASEAN-EU FTA

Figure 27: Gauging the impact of the US-China trade conflict

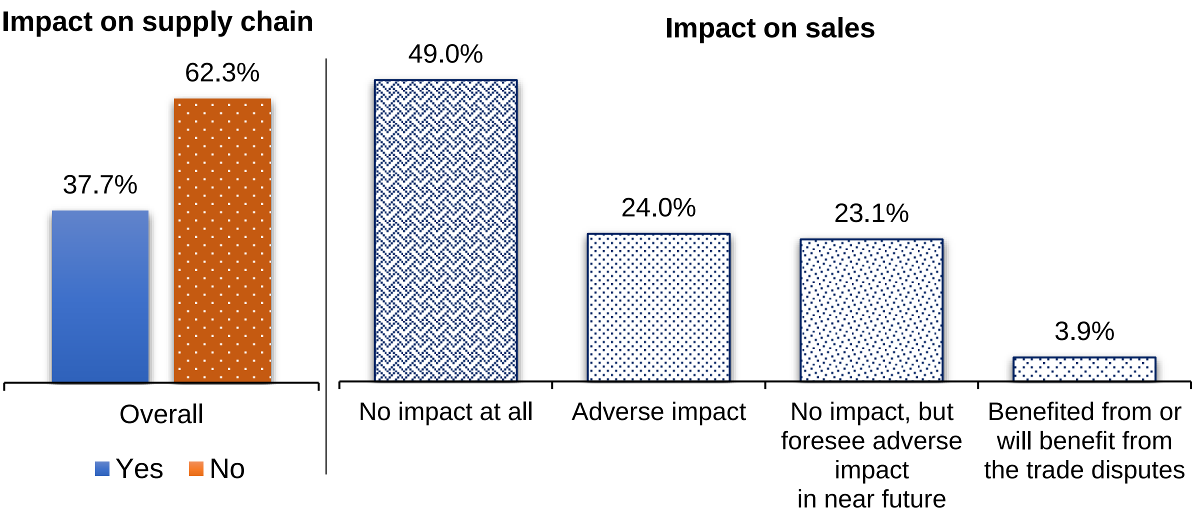
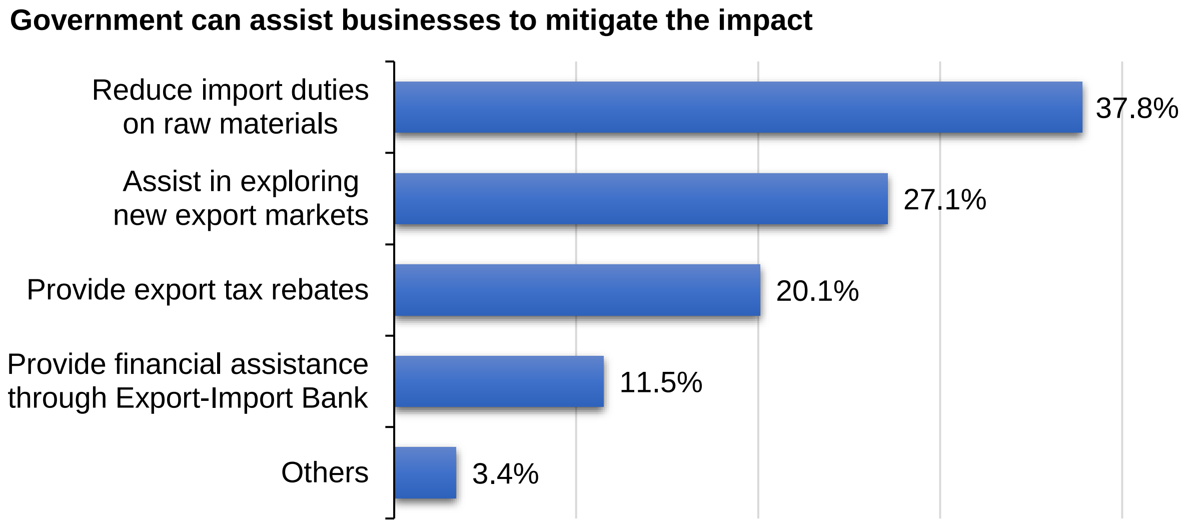


Figure 28: Mitigate the impact of trade war



5.4 E-Commerce

Following the convergence of digitalisation, information technologies and business practices, E-Commerce has become an important tool in terms of effectiveness and efficiency of doing business, rivalling the bricks and mortars retailers.

There are many barriers to engaging digital technology. For some SMEs, they may have the mindset to adopt ICT but the size and business activity influences the level of adoption. Amongst the **challenges** and **limitation factors faced in the adoption of E-Commerce** were **internal technological capabilities, high fixed cost of technology investment, knowledge, ICT skills, infrastructure, security and trust**.

Faced with these constraints, some SMEs were seen less favoured or inclined to adopt ICT that is deemed not so relevant to their business models. Small businesses would rather keep their business operations small than expand.

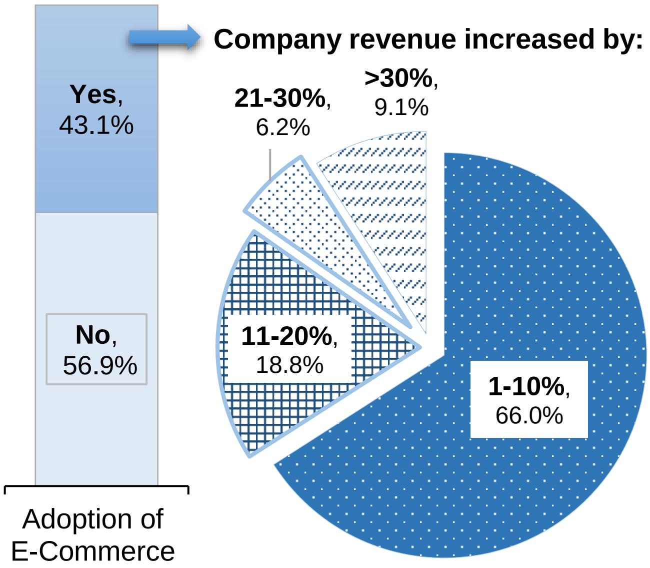
While the SERC's survey on E-readiness of Malaysian SME dated 2017 October indicated that e-mail was the most widely adopted E-Commerce application, this M-BECS survey results revealed that **56.9% of respondents did not utilize E-Commerce platform or applications in business transactions**. For those **respondents adopting E-Commerce applications**, **66% of them indicated that their sales revenue has increased by 1.0-10.0%**, followed by **18.8% enjoying an increase between 11.0-20.0%**.

The respondents, particularly cited **the lack of IT knowledge or IT technicians** (rated by 28.7% of respondents) and **reliability of internet speed and telecommunications infrastructure** (20.8%) as the main two challenges constraining the limited adoption of E-Commerce amongst both users and non-users.

The **risk of security payment and data privacy was cited by 8.4% of respondents**, suggesting that the users and consumers have generally comfortable with the easy-to-use and more secure payment options. Consumer data is at the core of many E-Commerce services and hence, the relevant agencies must put in place regulations that aim to achieve transparent and fair protection for consumers during advertising, marketing, contract terms and payments.

For the **manufacturing sector**, the **shortage of IT technicians was indicated by 30.3% of respondents to be the top main reason** for not adopting digital technology. High fixed cost of new technology investment came in second (21.8%), followed by the reliability of speed and telecommunications infrastructure (19.7%).

Figure 29: Adoption of E-Commerce and the challenges faced by SMEs



Challenges and barriers to E-Commerce / digital technology by SMEs:

1. Lack of knowledge and skills to do so / lack of IT technicians (28.7%)
2. Reliability of internet speed and telecommunications infrastructure (20.8%)
3. New technology investment incurred high fixed cost (17.1%)
4. Business is too small to use E-Commerce (14.3%)
5. Reluctant to adopt ICT or change in mindset (8.7%)
6. Risk of security of payment and privacy of data (8.4%)
7. Other (2.0%)

Policy implications

a) The Government or respective agencies need to look into **providing incentives or grants to expedite the embracement of basic digital technologies** among the non-adopters, and to promote the **use of newer advanced technologies** (Big Data, mobile apps, Cloud computing, etc) among those who have embraced or already utilizing the basic digital technology.

b) The establishment of **a Facilitation fund**, including grants to help SMEs adopt digital technologies. **Fiscal tax incentives, including capital and equipment allowances** to **ease the upfront cost of ICT investment**. Cluster initiatives to facilitate the take-up of innovation among SME.

c) **Enhanced security system, protect personal data privacy and building consumers' trust**. Gaining consumers' confidence and trust hold the key in E-Commerce. The regulators must put in place **a credible legal framework** - effective consumer protection legislation, enforcement institutions and redress systems for the use of digital technologies through the provision of affordable security infrastructure and technologies with low compliance cost.

6. CONCLUSION

Overall, the survey results indicated that **business in Malaysia are generally cautious about economic outlook and business prospects in 2H 2018 and 2019** as influenced by a combination of external and domestic challenges. These include moderating global growth, the on-going trade talks between the US and China, the Brexit impasse as well as domestic policy transition amid weakening consumer sentiment and investor confidence.

Businesses continued to **face challenging operating environment amid still-high cost of doing business and compliance costs**. The **top five factors** affecting their business performance are **competitive pressures in domestic market, trying domestic demand, the ringgit's volatility, high cost of raw materials and Government policies**.

Business operations (production, sales and raw materials) were generally in line with the business conditions as follows:

(a) While 31.3% of respondents have increased their production to meet demand in 2H 2018, **a lower number of respondents have plans to increase production in 1H 2019 and slightly more respondents would cut production in 1H 2019 (31.6% vs. 30.1% in 2H 2018)**, suggesting still wary of demand;

(b) **A majority of respondents (66.4% in 2H 2018 and 68.0% in 1H 2019) indicated that they could at least sustain their domestic sales volume**. However, there is still nearly one-third of businesses expect their sales volume to decline in 1H 2019 on the back of challenging business conditions; and

(c) **Most respondents indicated that the cost of local and imported raw materials have increased by mostly between 6.0% and 10.0% respectively,** attributable to the cumulative impact of the ringgit's depreciation, the change in tax system (SST vs. GST) and indirect cascading effects from increased cost of doing business.

Businesses have become cautious about their capex spending plans. **Less than half of total respondents (49.3%) have increased capital expenditure in 2H 2018**, leaving 39.3% and 11.5% either have maintained or lowered their capex respectively. **A lower number of respondents (45.7% vs. 49.3% in 2H 2018) will increase capex in 1H 2019,** suggesting some cautiousness in investors' sentiment, inflicted by concerns over domestic economic conditions and external headwinds.

The respondents were asked to provide feedback and views on a number of current issues and the impact on their business performance. The issues covered are (a) **Reintroduction of Sales and Service Tax (SST)**; (b) **Goods and Services Tax (GST) and income tax refunds**; (c) **The US-China trade war**; and (d) **E-Commerce**.

(a) **Slightly more than half of respondents (54.6%)** indicated that **GST is a more preferred tax system than SST.** About **41.5%** revealed that the **SST has adverse impact on their business** and these were in the **manufacturing and construction** sectors.

(b) **About 62.3% of total respondents would utilise 1.0-10.0% of GST and income tax refunds** for capital spending.

(c) **62.3% of total respondents indicated that the US-China trade dispute generally did not disrupt the supply chains** while **nearly three quarters of respondents indicated no impact at the moment,** 23.1% foresee adverse impact in the near future.

(d) On the utilisation of E-Commerce, **56.9% of respondents did not utilize E-Commerce platform or applications in business transactions**, citing the **lack of IT knowledge or IT technicians and reliability of internet speed and telecommunications infrastructure** as the main two challenges constraining the limited adoption of E-Commerce amongst both users and non-users.

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Appendix 1: Survey Questionnaire

中总 ACCCIM SERC

Malaysia's Business and Economic Conditions Survey *(M-BECS)*

This is a survey jointly conducted by the Associated Chinese Chambers of Commerce and Industry of Malaysia (ACCCIM) and Socio-Economic Research Centre (SERC) on **Malaysia's business and economic conditions in the second half-year of 2018** (2H18: Jul-Dec 2018) and **prospects for the first half-year of 2019** (1H19: Jan-Jun 2019) and beyond.

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

Section A: BUSINESS BACKGROUND

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

A1. Type of industry or sub-sector: [Please select ONE (1)]

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

A2. Indicate % of total sales / revenues derived from:

Domestic market : _______%

Foreign market : _______%

A3. **Size of business operation:**

Manufacturing

- ☐1 Micro (Turnover less than RM300k)
- ☐2 Small (RM300k to < RM15mil)
- ☐3 Medium (RM15mil to ≤ RM50mil)
- ☐4 Large (Turnover more than RM50mil)

Services and other sectors

- ☐1 Micro (Turnover less than RM300k)
- ☐2 Small (RM300k to < RM3mil)
- ☐3 Medium (RM3mil to ≤ RM20mil)
- ☐4 Large (Turnover more than RM20mil)

A4. Number of full-time employees:

Manufacturing

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

Services and other sectors

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

A5. Share of total employees:

Local employees : _______%

Foreign employees : _______%

Section B: OVERALL ASSESSMENT

B1. Which of the following factors may adversely affect your business performance? [Please select at least THREE (3)]

- ☐ 1 Domestic competition
- ☐ 2 Foreign competition
- ☐ 3 Lower domestic demand
- ☐ 4 Lower foreign demand
- ☐ 5 Change in consumer preference
- ☐ 6 Excess production capacity
- ☐ 7 Capacity or production constraints
- ☐ 8 Change in management
- ☐ 9 Ringgit's fluctuation
- ☐ 10 Foreign worker levy
- ☐ 11 Increase in prices of raw materials
- ☐ 12 Increase in utility cost
- ☐ 13 Rising transportation costs
- ☐ 14 Increase in rental
- ☐ 15 Marketing and advertising cost
- ☐ 16 Lack of access to finance
- ☐ 17 Lack of capital for expansion
- ☐ 18 Availability of skilled workers
- ☐ 19 Manpower shortage
- ☐ 20 Insufficient training for workers
- ☐ 21 Insufficient infrastructure
- ☐ 22 Technological disadvantages
- ☐ 23 Broadband and IT accessibility
- ☐ 24 Lack of business confidence
- ☐ 25 Government's policies
- ☐ 26 Domestic political situation
- ☐ 27 Geopolitical risks
- ☐ 28 Others, please specify: ____________________

B2. Performance and Forecast

	2H 2018 (Jul-Dec) compared to 1H 2018 (Jan-Jun)			**Outlook for 1H 2019 (Jan-Jun) compared to 2H 2018 (Jul-Dec)**		
B2.1 Overall	**Good**	**Satisfactory**	**Poor**	**Good**	**Satisfactory**	**Poor**
i. Business conditions	❑	❑	❑	❑	❑	❑
ii. Cash flows conditions	❑	❑	❑	❑	❑	❑
iii. Creditors' conditions	❑	❑	❑	❑	❑	❑
iv. Debtors' conditions	❑	❑	❑	❑	❑	❑

	2H 2018 (Jul-Dec) compared to 1H 2018 (Jan-Jun)			**Outlook for 1H 2019 (Jan-Jun) compared to 2H 2018 (Jul-Dec)**		
B2.2 Operation	**Increase**	**No change**	**Decrease**	**Increase**	**No change**	**Decrease**
i. Production	❑ 1-5% ❑ 6-10% ❑ > 10%	❑	❑ 1-5% ❑ 6-10% ❑ > 10%	❑ 1-5% ❑ 6-10% ❑ > 10%	❑	❑ 1-5% ❑ 6-10% ❑ > 10%
ii. ***Current capacity utilization rate: _____%*** Capacity utilization level	❑ 1-5% ❑ 6-10% ❑ > 10%	❑	❑ 1-5% ❑ 6-10% ❑ > 10%	❑ 1-5% ❑ 6-10% ❑ > 10%	❑	❑ 1-5% ❑ 6-10% ❑ > 10%
iii. Cost of raw materials (local)	❑ 1-5% ❑ 6-10% ❑ > 10%	❑	❑ 1-5% ❑ 6-10% ❑ > 10%	❑ 1-5% ❑ 6-10% ❑ > 10%	❑	❑ 1-5% ❑ 6-10% ❑ > 10%
iv. Cost of raw materials (imported)	❑ 1-5% ❑ 6-10% ❑ > 10%	❑	❑ 1-5% ❑ 6-10% ❑ > 10%	❑ 1-5% ❑ 6-10% ❑ > 10%	❑	❑ 1-5% ❑ 6-10% ❑ > 10%
v. Inventory or stock level	❑ 1-5% ❑ 6-10% ❑ > 10%	❑	❑ 1-5% ❑ 6-10% ❑ > 10%	❑ 1-5% ❑ 6-10% ❑ > 10%	❑	❑ 1-5% ❑ 6-10% ❑ > 10%

(Cont.)	2H 2018 (Jul-Dec) compared to 1H 2018 (Jan-Jun)			Outlook for 1H 2019 (Jan-Jun) compared to 2H 2018 (Jul-Dec)		
B2.3 Manpower	**Increase**	**No change**	**Decrease**	**Increase**	**No change**	**Decrease**
i. Number of employees	❑ 1-5		❑ 1-5	❑ 1-5		❑ 1-5
	❑ 6-10	❑	❑ 6-10	❑ 6-10	❑	❑ 6-10
	❑ > 10		❑ > 10	❑ > 10		❑ > 10
ii. Wage growth	❑ 1-5%		❑ 1-5%	❑ 1-5%		❑ 1-5%
	❑ 6-10%	❑	❑ 6-10%	❑ 6-10%	❑	❑ 6-10%
	❑ > 10%		❑ > 10%	❑ > 10%		❑ > 10%
B2.4 Domestic Sales	**Increase**	**No change**	**Decrease**	**Increase**	**No change**	**Decrease**
i. Volume	❑ 1-5%		❑ 1-5%	❑ 1-5%		❑ 1-5%
	❑ 6-10%	❑	❑ 6-10%	❑ 6-10%	❑	❑ 6-10%
	❑ > 10%		❑ > 10%	❑ > 10%		❑ > 10%
ii. Price	❑ 1-5%		❑ 1-5%	❑ 1-5%		❑ 1-5%
	❑ 6-10%	❑	❑ 6-10%	❑ 6-10%	❑	❑ 6-10%
	❑ > 10%		❑ > 10%	❑ > 10%		❑ > 10%
B2.5 Foreign Sales	**Increase**	**No change**	**Decrease**	**Increase**	**No change**	**Decrease**
i. Volume	❑ 1-5%		❑ 1-5%	❑ 1-5%		❑ 1-5%
	❑ 6-10%	❑	❑ 6-10%	❑ 6-10%	❑	❑ 6-10%
	❑ > 10%		❑ > 10%	❑ > 10%		❑ > 10%
ii. Price	❑ 1-5%		❑ 1-5%	❑ 1-5%		❑ 1-5%
	❑ 6-10%	❑	❑ 6-10%	❑ 6-10%	❑	❑ 6-10%
	❑ > 10%		❑ > 10%	❑ > 10%		❑ > 10%
B2.6 Other	**Increase**	**No change**	**Decrease**	**Increase**	**No change**	**Decrease**
i. Capital expenditure	❑ 1-5%		❑ 1-5%	❑ 1-5%		❑ 1-5%
	❑ 6-10%	❑	❑ 6-10%	❑ 6-10%	❑	❑ 6-10%
	❑ > 10%		❑ > 10%	❑ > 10%		❑ > 10%

B3. When comparing with 1H 2018, business conditions in 2H 2018 has:

☐ 1 Expanded ☐ 2 No change ☐ 3 Deteriorated

B4. Economic conditions outlook:

	Optimistic	*Neutral*	*Pessimistic*
1H 2019	❑	❑	❑
2H 2019	❑	❑	❑
Estimates for 2019	❑	❑	❑
Forecast for 2020	❑	❑	❑

B5. Business conditions outlook:

	Optimistic	*Neutral*	*Pessimistic*
1H 2019	❑	❑	❑
2H 2019	❑	❑	❑
Estimates for 2019	❑	❑	❑
Forecast for 2020	❑	❑	❑

Section C: CURRENT ISSUES

C1. Reintroduction of SST

Following three months of zero-rated GST in June-August, the SST was reintroduced on 1 Sep 2018 to replace GST.

a) How will the SST impact your business?

☐1 Adverse impact ☐2 No impact ☐3 Better off

b) Does the transitional implementation of SST go smoothly?

☐1 Yes ☐2 No, because ____________________________________

c) Impact on overall price level after the implementation of SST

	Increase by		*No*	*Decreased by*	
	>10%	≤10%	*Change*	≤10%	>10%
Input price	☐1	☐2	☐3	☐4	☐5
Selling price	☐1	☐2	☐3	☐4	☐5

d) Between SST and GST, which is a better ones?

☐1 SST ☐2 GST

C2. GST and income tax refunds

In 2019 Budget, the Government would refund the GST and income tax totalling RM37 billion in 2019. What is the percentage of GST and income tax refunds would be utilized for capital investment or spending?

☐1 1-10%
☐2 11-20%
☐3 21-30%
☐4 _____%

C3. The US-China's trade war

a) How will the trade war impact your company?

(i) Disruptions in supply chains

☐1 Yes
☐2 No

(ii) Impact on sales

☐1 Adverse impact via supply chain, sales dropped by
- ❑ 1-5%
- ❑ 6-10%
- ❑ ____%

☐2 No impact at all
☐3 No impact, but foresee adverse impact in near future
☐4 Benefited from or will benefit from the trade disputes, sales increased by
- ❑ 1-5%
- ❑ 6-10%
- ❑ ____%

b) In what way the Government can assist businesses to mitigate the disruption from the trade troubles?

☐1 Provide export tax rebates
☐2 Reduce import duties on raw materials
☐3 Assist in exploring new export markets
☐4 Provide financial assistance through Export-Import Bank (EXIM Bank)
☐5 Others, please specify: ____

C4. E-Commerce

a) Does your company utilize E-Commerce platform in business transactions?

- ☐ Yes, company revenue increased by
  - ❑ 1-10%
  - ❑ 11-20%
  - ❑ 21-30%
  - ❑ _____%
- ☐ No, because____

b) What are the challenges and barriers to E-Commerce/digital technology adoption by SMEs in Malaysia?

- ☐ New technology investment incurred high fixed cost
- ☐ Insecurity - risk of security of payment and privacy of data
- ☐ Lack of knowledge and skills to do so / lack of IT technicians
- ☐ Reliability of internet speed and telecommunications infrastructure
- ☐ Business is too small to use E-Commerce
- ☐ Reluctant to adopt ICT or change in mindset
- ☐ Others, please specify:____

Kindly share with us what are the **CHALLENGES AND ISSUES** faced by your company today. Also, please indicate your wish list for Malaysia's 2020 Budget.

____

____

____

____

____

Company name : ____________		Respondent's name : ____________			
Email address : ____________		Contact number : ____________			
Location / State :	☐ Kuala Lumpur	☐ Selangor	☐ Terengganu	☐ Penang	☐ Johor
	☐ Pahang	☐ Perlis	☐ Melaka	☐ Perak	☐ Kedah
	☐ Kelantan	☐ Sarawak	☐ Sabah	☐ Negeri Sembilan	

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

~ Thank you very much for your cooperation ~

Appendix 2: Summary of guidelines for SME definition

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

Appendix 3: Top 5 factors affecting business performance by sector

		Domestic competition	Lower domestic demand	Ringgit's fluctuation	Increase in prices of raw materials	Government policies	Manpower shortage	Foreign competition	Excess production capacity	Change in consumer preference	Foreign competition
Overall	Score, %	49.7	41.5	27.9	25.8	25.1					
	Ranking	1	2	3	4	5					
Wholesale and retail trade	Score, %	58.3	48.7	36.7	27.6	21.6					
	Ranking	1	2	3	4	5					
Manufacturing	Score, %	42.3	40.3	29.1	36.2			30.6			
	Ranking	1	2	5	3			4			
Professional and business services	Score, %	53.0	35.5	24.0		23.5	19.1				
	Ranking	1	2	3		4	5				
Construction	Score, %	50.4	49.6	21.4	27.5	25.2					
	Ranking	1	2	5	3	4					
Real estate	Score, %	42.6	50.8		24.6	39.3			29.5		
	Ranking	2	1		5	3			4		
Tourism, shopping, hotels, restaurants, recreation and entertainment	Score, %	43.1	37.9	27.6		27.6				24.1	
	Ranking	1	2	3		3				5	
Trading (Imports and exports)	Score, %	52.8	49.1	54.7	34.0						22.6
	Ranking	2	3	1	4						5
ICT	Score, %	40.9	43.2	22.7		36.4					25.0
	Ranking	2	1	5		3					4
Finance and Insurance	Score, %	56.8	18.2	15.9		40.9				27.3	
	Ranking	1	4	5		2				3	
Agriculture, forestry and fishery	Score, %	34.5		24.1	44.8	34.5	31.0				
	Ranking	2		5	1	3	4				
Transportation, forwarding and warehousing	Score, %	54.2	29.2		25.0	29.2					
	Ranking	1	2		5	3					
Mining and quarrying	Score, %	60.0	40.0	20.0		20.0					
	Ranking	1	2	5		5					

*Note: **Rising transportation costs (29.2%)** was ranked as 4^{th} factor in transportation, forwarding and warehousing sector; **Lower foreign demand (40%)** and **Excess production capacity (40%)** were ranked as 2^{nd} factor in the mining quarrying sector.*

Appendix 4: ACCCIM M-BCES Survey Results

MALAYSIA'S BUSINESS AND ECONOMIC CONDITIONS SURVEY (M-BECS)
FOR THE 2H 2018 & 1H 2019F

		Agriculture, forestry & fishery	Mining & quarrying	Manufacturing	Construction	Wholesale & retail trade	Trading (imports & exports)	Tourism, shopping, hotels, restaurants, recreation & entertainment	Transportation, forwarding & warehousing	Professional & business services	Finance & insurance	Real estate	ICT	**2nd Half 2018**
Part A: Business Background														
A1	SMEs	93.1%	80.0%	90.8%	93.1%	93.5%	98.1%	98.3%	100.0%	97.3%	95.5%	88.5%	95.5%	94.1%
	Large Enterprises	6.9%	20.0%	9.2%	6.9%	6.5%	1.9%	1.7%	0.0%	2.7%	4.5%	11.5%	4.5%	5.9%
	Sample size (n)	**29**	**5**	**196**	**131**	**199**	**53**	**58**	**24**	**183**	**44**	**61**	**44**	**1,027**
A2	**Indicate % of total sales / revenues derived from domestic/export market**													
	More than 50% sales from domestic market	65.5%	60.0%	70.9%	90.8%	84.4%	64.2%	84.5%	75.0%	85.8%	81.8%	93.4%	93.2%	81.8%
	50% each from domestic and export makets	13.8%	0.0%	4.6%	0.0%	5.0%	9.4%	1.7%	12.5%	2.7%	6.8%	1.6%	2.3%	4.1%
	More than 50% sales from export market	20.7%	40.0%	24.5%	9.2%	10.6%	26.4%	13.8%	12.5%	11.5%	11.4%	4.9%	4.5%	14.1%
	Sample size (n)	**29**	**5**	**196**	**131**	**199**	**53**	**58**	**24**	**183**	**44**	**61**	**44**	**1,027**
A5	**Share to total employees**													
	More than 50% are local employees	62.1%	100.0%	65.3%	77.9%	94.5%	96.2%	79.3%	100.0%	90.7%	93.2%	93.4%	93.2%	84.4%
	50% each for local and foreign employees	20.7%	0.0%	11.7%	9.2%	1.0%	0.0%	12.1%	0.0%	1.6%	2.3%	3.3%	4.5%	5.6%
	More than 50% are foreign employees	17.2%	0.0%	23.0%	13.0%	4.5%	3.8%	8.6%	0.0%	7.7%	4.5%	3.3%	2.3%	9.9%
	Sample size (n)	**29**	**5**	**196**	**131**	**199**	**53**	**58**	**24**	**183**	**44**	**61**	**44**	**1,027**
Part B : Overall Assessment														
B1	**Which of the following factors may adversely affect your performance? (Dummy variable)**													
	Domestic competition	34.5%	60.0%	42.3%	50.4%	58.3%	52.8%	43.1%	54.2%	53.0%	56.8%	42.6%	40.9%	49.7%
	Foreign competition	3.4%	0.0%	30.6%	9.2%	17.6%	22.6%	1.7%	8.3%	5.5%	11.4%	4.9%	25.0%	14.8%
	Lower domestic demand	17.2%	40.0%	40.3%	49.6%	48.7%	49.1%	37.9%	29.2%	35.5%	18.2%	50.8%	43.2%	41.5%
	Lower foreign demand	20.7%	40.0%	16.3%	3.1%	3.0%	18.9%	10.3%	16.7%	2.7%	4.5%	4.9%	4.5%	8.0%
	Change in consumer preference	6.9%	0.0%	10.7%	5.3%	19.1%	9.4%	24.1%	12.5%	16.9%	27.3%	18.0%	22.7%	15.0%
	Excess production capacity	3.4%	40.0%	7.7%	9.9%	5.5%	11.3%	3.4%	0.0%	2.2%	4.5%	29.5%	0.0%	7.2%
	Capacity or production constraints	10.3%	0.0%	8.2%	3.8%	1.0%	3.8%	0.0%	4.2%	3.3%	4.5%	0.0%	4.5%	3.8%
	Change in management	0.0%	0.0%	2.0%	3.8%	5.0%	1.9%	1.7%	4.2%	7.7%	2.3%	3.3%	9.1%	4.2%
	Ringgit's fluctuation	24.1%	20.0%	29.1%	21.4%	36.7%	54.7%	27.6%	16.7%	24.0%	15.9%	18.0%	22.7%	27.9%
	Foreign worker levy	20.7%	0.0%	26.0%	19.8%	5.0%	9.4%	13.8%	8.3%	8.2%	0.0%	8.2%	2.3%	12.6%
	Increase in price of raw materials	44.8%	0.0%	36.2%	27.5%	27.6%	34.0%	22.4%	25.0%	18.0%	6.8%	24.6%	4.5%	25.8%
	Increase in utility cost	13.8%	20.0%	9.7%	7.6%	8.0%	1.9%	3.4%	4.2%	10.9%	15.9%	4.9%	11.4%	8.7%
	Rising transportation costs	13.8%	0.0%	9.7%	4.6%	14.1%	7.5%	3.4%	29.2%	3.3%	2.3%	6.6%	4.5%	8.1%
	Increase in rental	0.0%	0.0%	1.5%	1.5%	12.6%	1.9%	3.4%	8.3%	8.7%	11.4%	3.3%	4.5%	5.8%
	Marketing and advertising cost	3.4%	0.0%	3.6%	3.1%	8.5%	3.8%	6.9%	4.2%	9.3%	0.0%	6.6%	4.5%	5.7%
	Lack of access to finance	10.3%	0.0%	3.1%	7.6%	7.5%	1.9%	6.9%	12.5%	5.5%	11.4%	16.4%	6.8%	6.8%
	Lack of capital for expansion	20.7%	20.0%	5.1%	5.3%	11.1%	5.7%	12.1%	8.3%	10.4%	6.8%	4.9%	2.3%	8.2%
	Availability of skilled workers	10.3%	20.0%	11.2%	16.8%	5.0%	3.8%	6.9%	4.2%	13.7%	4.5%	6.6%	15.9%	10.0%
	Manpower shortage	31.0%	0.0%	24.0%	16.0%	14.1%	3.8%	13.8%	16.7%	19.1%	4.5%	9.8%	11.4%	16.3%
	Insufficient training for workers	6.9%	0.0%	3.1%	4.6%	5.0%	1.9%	5.2%	4.2%	10.4%	11.4%	1.6%	2.3%	5.4%
	Insufficient infrastructure	0.0%	0.0%	1.0%	0.8%	4.5%	1.9%	3.4%	8.3%	3.8%	2.3%	4.9%	2.3%	2.8%
	Technological disadvantages	0.0%	0.0%	3.6%	2.3%	2.0%	1.9%	1.7%	4.2%	4.9%	6.8%	3.3%	11.4%	3.5%
	Broadband and IT accessibility	0.0%	0.0%	2.0%	0.0%	4.5%	1.9%	3.4%	0.0%	7.7%	4.5%	1.6%	9.1%	3.6%
	Lack of business confidence	0.0%	0.0%	2.0%	4.6%	8.0%	3.8%	8.6%	4.2%	7.7%	13.6%	8.2%	6.8%	6.0%
	Government's policies	34.5%	20.0%	19.9%	25.2%	21.6%	15.1%	27.6%	29.2%	23.5%	40.9%	39.3%	36.4%	25.1%
	Domestic political situation	0.0%	0.0%	9.2%	16.8%	10.1%	9.4%	10.3%	8.3%	11.5%	9.1%	19.7%	6.8%	11.0%
	Geopolitical risks	0.0%	20.0%	1.5%	4.6%	2.5%	1.9%	0.0%	0.0%	2.2%	11.4%	1.6%	0.0%	2.5%
	Sample size (n)	**29**	**5**	**196**	**131**	**199**	**53**	**58**	**24**	**183**	**44**	**61**	**44**	**1,027**

		Agriculture, forestry & fishery	Mining & quarrying	Manufacturing	Construction	Wholesale & retail trade	Trading (imports & exports)	Tourism, shopping, hotels, restaurants, recreation & entertainment	Transportation, forwarding & warehousing	Professional & business services	Finance & insurance	Real estate	ICT	**2nd Half 2018**
B2	**Performance and Forecast**													
	2H 2018 (Jul - Dec) compared to 1H 2018 (Jan-Jun)													
I	**Overall**													
i	**Business condition**													
	Good	13.8%	0.0%	10.2%	8.4%	7.5%	9.4%	12.1%	4.2%	15.8%	15.9%	8.2%	13.6%	10.7%
	Satisfactory	51.7%	40.0%	44.9%	50.4%	48.2%	58.5%	53.4%	62.5%	49.7%	43.2%	44.3%	50.0%	49.0%
	Poor	34.5%	60.0%	44.9%	41.2%	44.2%	32.1%	34.5%	33.3%	34.4%	40.9%	47.5%	36.4%	40.3%
	Sample size (n)	**29**	**5**	**196**	**131**	**199**	**53**	**58**	**24**	**183**	**44**	**61**	**44**	**1,027**
ii	**Cash flows condition**													
	Good	13.8%	0.0%	6.1%	7.6%	7.0%	7.5%	12.1%	4.2%	11.5%	18.2%	6.6%	9.1%	8.7%
	Satisfactory	55.2%	80.0%	50.0%	42.7%	47.7%	54.7%	48.3%	58.3%	54.6%	47.7%	52.5%	47.7%	50.0%
	Poor	31.0%	20.0%	43.9%	49.6%	45.2%	37.7%	39.7%	37.5%	33.9%	34.1%	41.0%	43.2%	41.3%
	Sample size (n)	**29**	**5**	**196**	**131**	**199**	**53**	**58**	**24**	**183**	**44**	**61**	**44**	**1,027**
iii	**Creditors' condition**													
	Good	10.3%	0.0%	6.1%	4.6%	6.0%	5.7%	12.1%	0.0%	8.2%	11.4%	4.9%	11.4%	6.9%
	Satisfactory	58.6%	80.0%	52.6%	52.7%	59.3%	66.0%	60.3%	58.3%	62.8%	59.1%	54.1%	63.6%	58.1%
	Poor	31.0%	20.0%	41.3%	42.7%	34.7%	28.3%	27.6%	41.7%	29.0%	29.5%	41.0%	25.0%	35.0%
	Sample size (n)	**29**	**5**	**196**	**131**	**199**	**53**	**58**	**24**	**183**	**44**	**61**	**44**	**1,027**
iv	**Debtors' condition**													
	Good	10.3%	0.0%	6.1%	4.6%	6.5%	3.8%	5.2%	8.3%	10.4%	11.4%	4.9%	13.6%	7.2%
	Satisfactory	51.7%	60.0%	48.5%	46.6%	54.8%	64.2%	65.5%	41.7%	61.2%	56.8%	54.1%	59.1%	54.6%
	Poor	37.9%	40.0%	45.4%	48.9%	38.7%	32.1%	29.3%	50.0%	28.4%	31.8%	41.0%	27.3%	38.2%
	Sample size (n)	**29**	**5**	**196**	**131**	**199**	**53**	**58**	**24**	**183**	**44**	**61**	**44**	**1,027**
II	**Operation**													
i	**Production**													
	Increase 1-5%	19.2%	20.0%	16.2%	15.9%	13.8%	15.9%	14.6%	4.8%	10.9%	19.4%	4.3%	10.3%	13.8%
	Increase 6-10%	7.7%	20.0%	11.0%	8.4%	8.8%	11.4%	12.5%	14.3%	12.4%	16.1%	4.3%	10.3%	10.4%
	Increase >10%	7.7%	0.0%	8.7%	0.9%	8.1%	6.8%	4.2%	0.0%	7.3%	19.4%	8.7%	10.3%	7.1%
	No change	42.3%	40.0%	30.1%	38.3%	38.1%	29.5%	43.8%	52.4%	44.5%	29.0%	52.2%	44.8%	38.6%
	Decrease 1-5%	11.5%	0.0%	17.3%	10.3%	11.3%	13.6%	6.3%	4.8%	13.1%	6.5%	13.0%	0.0%	11.9%
	Decrease 6-10%	3.8%	0.0%	9.8%	12.1%	10.6%	11.4%	6.3%	19.0%	3.6%	3.2%	8.7%	13.8%	8.9%
	Decrease >10%	7.7%	20.0%	6.9%	14.0%	9.4%	11.4%	12.5%	4.8%	8.0%	6.5%	8.7%	10.3%	9.3%
	Sample size (n)	**26**	**5**	**173**	**107**	**160**	**44**	**48**	**21**	**137**	**31**	**46**	**29**	**827**
ii	**Capacity utilization level**													
	Increase 1-5%	13.8%	0.0%	18.6%	12.2%	14.9%	27.9%	13.2%	0.0%	9.7%	11.1%	10.9%	12.2%	14.0%
	Increase 6-10%	20.7%	20.0%	9.0%	10.4%	10.1%	9.3%	11.3%	15.0%	11.0%	19.4%	9.1%	12.2%	11.0%
	Increase >10%	6.9%	0.0%	8.5%	6.1%	5.4%	7.0%	3.8%	20.0%	10.3%	19.4%	10.9%	19.5%	8.8%
	No change	41.4%	40.0%	33.0%	43.5%	42.3%	27.9%	50.9%	45.0%	51.0%	27.8%	45.5%	43.9%	41.4%
	Decrease 1-5%	6.9%	20.0%	11.2%	10.4%	11.9%	14.0%	9.4%	10.0%	11.0%	11.1%	9.1%	0.0%	10.5%
	Decrease 6-10%	0.0%	0.0%	10.1%	11.3%	7.7%	4.7%	7.5%	5.0%	3.4%	8.3%	9.1%	9.8%	7.7%
	Decrease >10%	10.3%	20.0%	9.6%	6.1%	7.7%	9.3%	3.8%	5.0%	3.4%	2.8%	5.5%	2.4%	6.6%
	Sample size (n)	**29**	**5**	**188**	**115**	**168**	**43**	**53**	**20**	**145**	**36**	**55**	**41**	**898**
iii	**Cost of raw materials (local)**													
	Increase 1-5%	20.7%	20.0%	20.6%	20.2%	20.6%	26.7%	17.6%	21.1%	20.4%	14.3%	14.8%	12.8%	19.7%
	Increase 6-10%	17.2%	20.0%	22.8%	26.9%	24.0%	20.0%	25.5%	21.1%	23.4%	22.9%	18.5%	23.1%	23.2%
	Increase >10%	24.1%	40.0%	19.0%	16.0%	16.6%	13.3%	13.7%	31.6%	14.6%	20.0%	16.7%	12.8%	17.1%
	No change	24.1%	0.0%	24.9%	21.8%	27.4%	24.4%	31.4%	15.8%	35.8%	28.6%	38.9%	46.2%	28.5%
	Decrease 1-5%	3.4%	0.0%	7.4%	5.0%	4.6%	6.7%	3.9%	5.3%	2.2%	5.7%	3.7%	2.6%	4.8%
	Decrease 6-10%	3.4%	0.0%	2.1%	5.9%	2.9%	2.2%	5.9%	5.3%	2.2%	5.7%	5.6%	0.0%	3.3%
	Decrease >10%	6.9%	20.0%	3.2%	4.2%	4.0%	6.7%	2.0%	0.0%	1.5%	2.9%	1.9%	2.6%	3.3%
	Sample size (n)	**29**	**5**	**189**	**119**	**175**	**45**	**51**	**19**	**137**	**35**	**54**	**39**	**897**

		Agriculture, forestry & fishery	Mining & quarrying	Manufacturing	Construction	Wholesale & retail trade	Trading (imports & exports)	Tourism, shopping, hotels, restaurants, recreation & entertainment	Transportation, forwarding & warehousing	Professional & business services	Finance & insurance	Real estate	ICT	**2nd Half 2018**
iv	**Cost of raw materials (imported)**													
	Increase 1-5%	7.1%	40.0%	22.0%	16.4%	21.4%	15.2%	15.7%	22.2%	12.4%	12.1%	22.6%	23.7%	18.3%
	Increase 6-10%	14.3%	0.0%	20.3%	29.3%	20.8%	37.0%	13.7%	11.1%	20.2%	21.2%	13.2%	21.1%	21.2%
	Increase >10%	25.0%	20.0%	20.3%	16.4%	23.8%	13.0%	19.6%	22.2%	17.8%	24.2%	13.2%	15.8%	19.4%
	No change	42.9%	40.0%	24.7%	23.3%	23.2%	17.4%	45.1%	33.3%	43.4%	30.3%	37.7%	36.8%	30.2%
	Decrease 1-5%	0.0%	0.0%	7.7%	6.0%	5.4%	10.9%	3.9%	5.6%	5.4%	9.1%	5.7%	0.0%	5.9%
	Decrease 6-10%	3.6%	0.0%	2.7%	3.4%	1.2%	0.0%	2.0%	5.6%	0.8%	0.0%	5.7%	2.6%	2.2%
	Decrease >10%	7.1%	0.0%	2.2%	5.2%	4.2%	6.5%	0.0%	0.0%	0.0%	3.0%	1.9%	0.0%	2.8%
	Sample size (n)	**28**	**5**	**182**	**116**	**168**	**46**	**51**	**18**	**129**	**33**	**53**	**38**	**867**
v	**Inventory or stock level**													
	Increase 1-5%	3.6%	20.0%	16.0%	9.6%	17.8%	14.9%	6.1%	10.5%	10.4%	2.9%	20.4%	15.4%	13.3%
	Increase 6-10%	17.9%	0.0%	11.7%	13.9%	14.9%	19.1%	20.4%	10.5%	14.8%	26.5%	11.1%	20.5%	15.0%
	Increase >10%	14.3%	0.0%	13.8%	10.4%	9.8%	10.6%	4.1%	5.3%	5.9%	23.5%	13.0%	5.1%	10.4%
	No change	46.4%	60.0%	40.4%	42.6%	31.0%	38.3%	53.1%	52.6%	54.1%	38.2%	35.2%	53.8%	42.3%
	Decrease 1-5%	10.7%	0.0%	10.6%	10.4%	12.6%	12.8%	8.2%	5.3%	8.9%	2.9%	9.3%	0.0%	9.7%
	Decrease 6-10%	3.6%	0.0%	3.7%	7.8%	6.9%	2.1%	8.2%	5.3%	5.2%	2.9%	3.7%	5.1%	5.3%
	Decrease >10%	3.6%	20.0%	3.7%	5.2%	6.9%	2.1%	0.0%	10.5%	0.7%	2.9%	7.4%	0.0%	4.1%
	Sample size (n)	**28**	**5**	**188**	**115**	**174**	**47**	**49**	**19**	**135**	**34**	**54**	**39**	**887**
III	**Manpower**													
i	**Number of employees**													
	Increase 1-5%	20.7%	0.0%	15.1%	13.2%	20.0%	22.0%	8.8%	17.4%	19.1%	19.5%	10.3%	23.8%	16.9%
	Increase 6-10%	6.9%	20.0%	4.2%	6.2%	8.9%	6.0%	10.5%	0.0%	11.6%	17.1%	12.1%	9.5%	8.4%
	Increase >10%	0.0%	20.0%	4.7%	1.6%	2.6%	4.0%	7.0%	8.7%	4.0%	9.8%	1.7%	16.7%	4.4%
	No change	58.6%	40.0%	49.0%	51.9%	56.8%	64.0%	56.1%	56.5%	54.9%	41.5%	62.1%	40.5%	53.6%
	Decrease 1-5%	6.9%	20.0%	18.2%	17.8%	10.5%	4.0%	14.0%	8.7%	8.1%	4.9%	5.2%	7.1%	11.6%
	Decrease 6-10%	6.9%	0.0%	6.3%	3.9%	0.5%	0.0%	0.0%	8.7%	1.2%	4.9%	5.2%	2.4%	3.0%
	Decrease >10%	0.0%	0.0%	2.6%	5.4%	0.5%	0.0%	3.5%	0.0%	1.2%	2.4%	3.4%	0.0%	2.0%
	Sample size (n)	**29**	**5**	**192**	**129**	**190**	**50**	**57**	**23**	**173**	**41**	**58**	**42**	**989**
ii	**Wage growth**													
	Increase 1-5%	41.4%	40.0%	26.6%	23.4%	29.9%	28.6%	26.8%	33.3%	22.7%	28.2%	24.6%	28.2%	27.0%
	Increase 6-10%	3.4%	0.0%	16.3%	7.3%	14.4%	12.2%	16.1%	23.8%	19.0%	20.5%	8.8%	25.6%	14.8%
	Increase >10%	10.3%	0.0%	10.9%	3.2%	7.0%	4.1%	8.9%	9.5%	8.0%	10.3%	1.8%	7.7%	7.3%
	No change	37.9%	40.0%	37.5%	51.6%	45.5%	46.9%	37.5%	33.3%	43.6%	33.3%	54.4%	38.5%	43.2%
	Decrease 1-5%	6.9%	20.0%	7.1%	8.1%	3.2%	4.1%	7.1%	0.0%	4.3%	2.6%	5.3%	0.0%	5.1%
	Decrease 6-10%	0.0%	0.0%	0.5%	3.2%	0.0%	4.1%	1.8%	0.0%	1.2%	2.6%	0.0%	0.0%	1.2%
	Decrease >10%	0.0%	0.0%	1.1%	3.2%	0.0%	0.0%	1.8%	0.0%	1.2%	2.6%	5.3%	0.0%	1.4%
	Sample size (n)	**29**	**5**	**184**	**124**	**187**	**49**	**56**	**21**	**163**	**39**	**57**	**39**	**953**
IV	**Domestic Sales**													
i	**Volume**													
	Increase 1-5%	11.1%	40.0%	16.4%	8.2%	17.4%	19.6%	12.5%	22.7%	16.0%	24.4%	10.5%	16.3%	15.5%
	Increase 6-10%	3.7%	0.0%	12.2%	6.6%	10.5%	9.8%	7.1%	13.6%	12.3%	19.5%	5.3%	14.0%	10.5%
	Increase >10%	11.1%	0.0%	4.2%	4.9%	5.3%	5.9%	12.5%	4.5%	11.7%	14.6%	5.3%	16.3%	7.6%
	No change	55.6%	0.0%	32.3%	33.6%	27.4%	31.4%	32.1%	40.9%	37.7%	17.1%	43.9%	27.9%	32.8%
	Decrease 1-5%	11.1%	40.0%	17.5%	12.3%	14.7%	19.6%	19.6%	4.5%	13.0%	17.1%	7.0%	11.6%	14.5%
	Decrease 6-10%	3.7%	20.0%	9.0%	15.6%	12.1%	7.8%	8.9%	0.0%	3.7%	2.4%	14.0%	9.3%	9.2%
	Decrease >10%	3.7%	0.0%	8.5%	18.9%	12.6%	5.9%	7.1%	13.6%	5.6%	4.9%	14.0%	4.7%	9.8%
	Sample size (n)	**27**	**5**	**189**	**122**	**190**	**51**	**56**	**22**	**162**	**41**	**57**	**43**	**965**

		Agriculture, forestry & fishery	Mining & quarrying	Manufacturing	Construction	Wholesale & retail trade	Trading (imports & exports)	Tourism, shopping, hotels, restaurants, recreation & entertainment	Transportation, forwarding & warehousing	Professional & business services	Finance & insurance	Real estate	ICT	**2nd Half 2018**
ii	**Price**													
	Increase 1-5%	14.8%	40.0%	21.3%	15.1%	17.9%	22.0%	21.8%	9.5%	18.9%	23.7%	9.1%	22.5%	18.6%
	Increase 6-10%	7.4%	0.0%	8.4%	8.4%	21.2%	20.0%	3.6%	19.0%	12.2%	18.4%	3.6%	17.5%	12.6%
	Increase >10%	11.1%	0.0%	7.3%	4.2%	10.9%	10.0%	10.9%	19.0%	4.1%	10.5%	3.6%	20.0%	8.3%
	No change	44.4%	20.0%	41.0%	44.5%	29.3%	32.0%	40.0%	52.4%	53.4%	31.6%	49.1%	27.5%	40.3%
	Decrease 1-5%	11.1%	40.0%	14.0%	10.9%	12.5%	8.0%	12.7%	0.0%	4.7%	5.3%	14.5%	10.0%	10.7%
	Decrease 6-10%	3.7%	0.0%	4.5%	5.9%	4.9%	8.0%	7.3%	0.0%	4.1%	2.6%	10.9%	2.5%	5.1%
	Decrease >10%	7.4%	0.0%	3.4%	10.9%	3.3%	0.0%	3.6%	0.0%	2.7%	7.9%	9.1%	0.0%	4.5%
	Sample size (n)	**27**	**5**	**178**	**119**	**184**	**50**	**55**	**21**	**148**	**38**	**55**	**40**	**920**
V	**Foreign Sales**													
i	**Volume**													
	Increase 1-5%	8.7%	0.0%	10.6%	4.5%	9.0%	17.9%	11.1%	5.6%	7.9%	18.2%	2.2%	22.2%	9.7%
	Increase 6-10%	8.7%	20.0%	11.7%	3.4%	6.2%	0.0%	8.9%	5.6%	11.9%	15.2%	4.3%	8.3%	8.4%
	Increase >10%	4.3%	20.0%	9.4%	1.1%	4.1%	12.8%	6.7%	5.6%	4.8%	15.2%	2.2%	11.1%	6.5%
	No change	56.5%	40.0%	49.4%	71.9%	64.8%	38.5%	48.9%	72.2%	68.3%	33.3%	71.7%	47.2%	58.5%
	Decrease 1-5%	17.4%	20.0%	12.2%	10.1%	7.6%	10.3%	13.3%	0.0%	3.2%	3.0%	0.0%	8.3%	8.3%
	Decrease 6-10%	0.0%	0.0%	2.2%	4.5%	5.5%	10.3%	8.9%	0.0%	1.6%	9.1%	8.7%	0.0%	4.2%
	Decrease >10%	4.3%	0.0%	4.4%	4.5%	2.8%	10.3%	2.2%	11.1%	2.4%	6.1%	10.9%	2.8%	4.5%
	Sample size (n)	**23**	**5**	**180**	**89**	**145**	**39**	**45**	**18**	**126**	**33**	**46**	**36**	**785**
ii	**Price**													
	Increase 1-5%	12.5%	0.0%	14.1%	3.4%	10.7%	28.2%	8.9%	0.0%	6.6%	18.2%	2.2%	22.9%	10.9%
	Increase 6-10%	12.5%	20.0%	8.5%	4.5%	8.6%	7.7%	4.4%	5.9%	11.5%	24.2%	4.4%	5.7%	8.7%
	Increase >10%	0.0%	20.0%	4.5%	3.4%	5.7%	7.7%	13.3%	5.9%	5.7%	9.1%	2.2%	11.4%	5.8%
	No change	54.2%	40.0%	54.2%	73.0%	60.7%	33.3%	53.3%	88.2%	72.1%	36.4%	80.0%	51.4%	60.6%
	Decrease 1-5%	12.5%	20.0%	12.4%	6.7%	7.9%	17.9%	11.1%	0.0%	2.5%	3.0%	0.0%	5.7%	7.9%
	Decrease 6-10%	0.0%	0.0%	3.4%	2.2%	5.0%	2.6%	6.7%	0.0%	0.0%	3.0%	6.7%	2.9%	3.1%
	Decrease >10%	8.3%	0.0%	2.8%	6.7%	1.4%	2.6%	2.2%	0.0%	1.6%	6.1%	4.4%	0.0%	3.0%
	Sample size (n)	**24**	**5**	**177**	**89**	**140**	**39**	**45**	**17**	**122**	**33**	**45**	**35**	**771**
VI	**Other**													
i	**Capital expenditure**													
	Increase 1-5%	25.0%	0.0%	22.5%	20.8%	27.1%	26.5%	13.2%	14.3%	15.7%	25.0%	18.5%	22.0%	21.3%
	Increase 6-10%	7.1%	40.0%	13.4%	21.7%	18.2%	12.2%	20.8%	14.3%	14.5%	22.5%	9.3%	9.8%	15.9%
	Increase >10%	14.3%	0.0%	15.5%	6.7%	12.7%	8.2%	9.4%	14.3%	10.8%	15.0%	7.4%	24.4%	12.1%
	No change	46.4%	40.0%	41.2%	29.2%	31.5%	38.8%	39.6%	33.3%	52.4%	30.0%	46.3%	39.0%	39.3%
	Decrease 1-5%	7.1%	20.0%	4.8%	8.3%	5.0%	6.1%	11.3%	0.0%	4.8%	5.0%	7.4%	2.4%	5.8%
	Decrease 6-10%	0.0%	0.0%	1.1%	5.0%	3.3%	2.0%	1.9%	4.8%	0.6%	2.5%	5.6%	2.4%	2.4%
	Decrease >10%	0.0%	0.0%	1.6%	8.3%	2.2%	6.1%	3.8%	19.0%	1.2%	0.0%	5.6%	0.0%	3.3%
	Sample size (n)	**28**	**5**	**187**	**120**	**181**	**49**	**53**	**21**	**166**	**40**	**54**	**41**	**945**

		Agriculture, forestry & fishery	Mining & quarrying	Manufacturing	Construction	Wholesale & retail trade	Trading (imports & exports)	Tourism, shopping, hotels, restaurants, recreation & entertainment	Transportation, forwarding & warehousing	Professional & business services	Finance & insurance	Real estate	ICT	**2nd Half 2018**
	Outlook for 1H 2019 (Jan-Jun) compared to 2H 2018 (Jul-Dec)													
I	**Overall**													
i	**Business condition**													
	Good	11.5%	0.0%	9.6%	8.7%	8.4%	9.6%	7.0%	8.7%	10.3%	11.6%	5.1%	14.0%	9.2%
	Satisfactory	38.5%	40.0%	35.6%	40.9%	43.5%	36.5%	47.4%	43.5%	51.7%	34.9%	37.3%	44.2%	42.1%
	Poor	50.0%	60.0%	54.8%	50.4%	48.2%	53.8%	45.6%	47.8%	37.9%	53.5%	57.6%	41.9%	48.7%
	Sample size (n)	**26**	**5**	**188**	**127**	**191**	**52**	**57**	**23**	**174**	**43**	**59**	**43**	**988**
ii	**Cash flows condition**													
	Good	3.7%	0.0%	5.9%	8.8%	4.8%	8.2%	9.3%	4.3%	9.3%	9.5%	5.3%	9.3%	7.1%
	Satisfactory	55.6%	40.0%	41.2%	36.0%	48.4%	49.0%	55.6%	52.2%	49.4%	61.9%	47.4%	44.2%	46.6%
	Poor	40.7%	60.0%	52.9%	55.2%	46.8%	42.9%	35.2%	43.5%	41.3%	28.6%	47.4%	46.5%	46.3%
	Sample size (n)	**27**	**5**	**187**	**125**	**188**	**49**	**54**	**23**	**172**	**42**	**57**	**43**	**972**
iii	**Creditors' condition**													
	Good	0.0%	0.0%	5.3%	4.0%	4.9%	6.1%	7.5%	4.5%	5.9%	14.3%	7.0%	7.0%	5.7%
	Satisfactory	61.5%	80.0%	47.6%	47.6%	53.5%	63.3%	60.4%	54.5%	60.4%	52.4%	43.9%	60.5%	53.7%
	Poor	38.5%	20.0%	47.1%	48.4%	41.6%	30.6%	32.1%	40.9%	33.7%	33.3%	49.1%	32.6%	40.5%
	Sample size (n)	**26**	**5**	**187**	**124**	**185**	**49**	**53**	**22**	**169**	**42**	**57**	**43**	**962**
iv	**Debtors' condition**													
	Good	3.8%	0.0%	7.0%	2.4%	6.0%	6.1%	5.7%	4.5%	9.5%	11.9%	7.0%	11.6%	6.8%
	Satisfactory	50.0%	60.0%	43.5%	42.3%	47.8%	57.1%	56.6%	45.5%	54.4%	52.4%	45.6%	48.8%	48.6%
	Poor	46.2%	40.0%	49.5%	55.3%	46.2%	36.7%	37.7%	50.0%	36.1%	35.7%	47.4%	39.5%	44.6%
	Sample size (n)	**26**	**5**	**186**	**123**	**184**	**49**	**53**	**22**	**169**	**42**	**57**	**43**	**959**
II	**Operation**													
i	**Production**													
	Increase 1-5%	20.7%	20.0%	17.6%	10.7%	9.8%	21.7%	11.1%	9.5%	12.4%	20.5%	10.9%	17.5%	13.8%
	Increase 6-10%	3.4%	20.0%	7.4%	5.0%	6.9%	2.2%	3.7%	9.5%	10.6%	10.3%	1.8%	15.0%	7.2%
	Increase >10%	3.4%	0.0%	9.6%	3.3%	5.2%	6.5%	5.6%	4.8%	11.8%	7.7%	5.5%	7.5%	7.2%
	No change	62.1%	60.0%	34.0%	38.0%	40.2%	37.0%	50.0%	42.9%	41.6%	30.8%	49.1%	40.0%	40.3%
	Decrease 1-5%	6.9%	0.0%	14.9%	14.0%	19.0%	10.9%	13.0%	9.5%	16.8%	20.5%	10.9%	10.0%	14.9%
	Decrease 6-10%	0.0%	0.0%	6.4%	9.1%	9.8%	10.9%	9.3%	9.5%	1.9%	2.6%	9.1%	5.0%	6.8%
	Decrease >10%	3.4%	0.0%	10.1%	19.8%	9.2%	10.9%	7.4%	14.3%	5.0%	7.7%	12.7%	5.0%	9.9%
	Sample size (n)	**29**	**5**	**188**	**121**	**174**	**46**	**54**	**21**	**161**	**39**	**55**	**40**	**933**
ii	**Capacity utilization level**													
	Increase 1-5%	3.6%	20.0%	16.7%	8.0%	10.2%	16.3%	13.2%	10.0%	8.5%	18.2%	9.1%	17.1%	11.9%
	Increase 6-10%	14.3%	20.0%	7.0%	5.3%	9.0%	7.0%	7.5%	10.0%	13.5%	15.2%	3.6%	14.6%	9.0%
	Increase >10%	14.3%	20.0%	9.1%	4.4%	6.0%	4.7%	7.5%	15.0%	9.9%	9.1%	10.9%	4.9%	8.0%
	No change	57.1%	20.0%	34.4%	46.9%	39.8%	44.2%	47.2%	35.0%	49.6%	30.3%	52.7%	43.9%	42.8%
	Decrease 1-5%	7.1%	20.0%	14.5%	15.9%	19.9%	14.0%	13.2%	10.0%	11.3%	18.2%	5.5%	9.8%	14.1%
	Decrease 6-10%	0.0%	0.0%	7.5%	8.8%	7.2%	0.0%	7.5%	5.0%	2.8%	3.0%	9.1%	4.9%	6.0%
	Decrease >10%	3.6%	0.0%	10.8%	10.6%	7.8%	14.0%	3.8%	15.0%	4.3%	6.1%	9.1%	4.9%	8.1%
	Sample size (n)	**28**	**5**	**186**	**113**	**166**	**43**	**53**	**20**	**141**	**33**	**55**	**41**	**884**

		Agriculture, forestry & fishery	Mining & quarrying	Manufacturing	Construction	Wholesale & retail trade	Trading (imports & exports)	Tourism, shopping, hotels, restaurants, recreation & entertainment	Transportation, forwarding & warehousing	Professional & business services	Finance & insurance	Real estate	ICT	**2nd Half 2018**
iii	**Cost of raw materials (local)**													
	Increase 1-5%	7.1%	0.0%	23.0%	24.8%	17.6%	20.9%	23.5%	21.1%	20.7%	21.2%	18.5%	22.5%	20.7%
	Increase 6-10%	25.0%	20.0%	14.4%	16.2%	18.2%	14.0%	17.6%	15.8%	19.3%	15.2%	13.0%	22.5%	17.0%
	Increase >10%	21.4%	20.0%	11.8%	11.1%	15.9%	9.3%	13.7%	31.6%	13.3%	6.1%	9.3%	2.5%	12.7%
	No change	28.6%	60.0%	35.8%	29.9%	34.1%	44.2%	25.5%	21.1%	38.5%	36.4%	42.6%	50.0%	35.6%
	Decrease 1-5%	10.7%	0.0%	9.1%	6.8%	8.2%	4.7%	9.8%	0.0%	3.0%	12.1%	1.9%	2.5%	6.7%
	Decrease 6-10%	3.6%	0.0%	3.7%	6.0%	3.5%	0.0%	5.9%	5.3%	2.2%	3.0%	7.4%	0.0%	3.7%
	Decrease >10%	3.6%	0.0%	2.1%	5.1%	2.4%	7.0%	3.9%	5.3%	3.0%	6.1%	7.4%	0.0%	3.5%
	Sample size (n)	**28**	**5**	**187**	**117**	**170**	**43**	**51**	**19**	**135**	**33**	**54**	**40**	**882**
iv	**Cost of raw materials (imported)**													
	Increase 1-5%	10.7%	0.0%	23.3%	19.0%	16.4%	20.5%	17.6%	21.1%	15.4%	22.6%	18.9%	20.5%	18.7%
	Increase 6-10%	10.7%	20.0%	12.8%	20.7%	14.5%	20.5%	15.7%	5.3%	20.0%	16.1%	11.3%	28.2%	16.4%
	Increase >10%	25.0%	20.0%	13.3%	11.2%	20.6%	13.6%	15.7%	26.3%	10.8%	6.5%	9.4%	5.1%	14.1%
	No change	42.9%	60.0%	35.6%	32.8%	35.2%	25.0%	33.3%	42.1%	47.7%	35.5%	43.4%	43.6%	37.6%
	Decrease 1-5%	0.0%	0.0%	11.7%	6.0%	7.3%	11.4%	9.8%	0.0%	3.8%	12.9%	5.7%	2.6%	7.3%
	Decrease 6-10%	7.1%	0.0%	1.7%	3.4%	4.2%	2.3%	5.9%	5.3%	0.8%	0.0%	5.7%	0.0%	2.9%
	Decrease >10%	3.6%	0.0%	1.7%	6.9%	1.8%	6.8%	2.0%	0.0%	1.5%	6.5%	5.7%	0.0%	3.0%
	Sample size (n)	**28**	**5**	**180**	**116**	**165**	**44**	**51**	**19**	**130**	**31**	**53**	**39**	**861**
v	**Inventory or stock level**													
	Increase 1-5%	14.3%	20.0%	13.6%	12.4%	19.1%	11.1%	15.4%	5.6%	10.4%	21.9%	13.0%	15.0%	14.2%
	Increase 6-10%	10.7%	20.0%	8.7%	10.6%	8.1%	15.6%	13.5%	5.6%	15.6%	18.8%	9.3%	17.5%	11.4%
	Increase >10%	7.1%	0.0%	9.8%	5.3%	9.8%	8.9%	7.7%	5.6%	5.2%	9.4%	13.0%	5.0%	8.1%
	No change	53.6%	60.0%	49.5%	37.2%	35.8%	44.4%	40.4%	55.6%	53.3%	34.4%	46.3%	50.0%	44.6%
	Decrease 1-5%	7.1%	0.0%	13.0%	18.6%	13.3%	15.6%	13.5%	0.0%	10.4%	9.4%	1.9%	2.5%	11.7%
	Decrease 6-10%	3.6%	0.0%	3.8%	6.2%	8.1%	0.0%	5.8%	22.2%	2.2%	0.0%	3.7%	7.5%	5.0%
	Decrease >10%	3.6%	0.0%	1.6%	9.7%	5.8%	4.4%	3.8%	5.6%	3.0%	6.3%	13.0%	2.5%	5.0%
	Sample size (n)	**28**	**5**	**184**	**113**	**173**	**45**	**52**	**18**	**135**	**32**	**54**	**40**	**879**
III	**Manpower**													
i	**Number of employees**													
	Increase 1-5%	13.8%	0.0%	12.8%	12.8%	16.0%	25.0%	7.1%	4.8%	18.1%	15.0%	10.2%	14.3%	14.4%
	Increase 6-10%	3.4%	20.0%	8.0%	8.0%	9.6%	6.3%	10.7%	4.8%	12.3%	15.0%	6.8%	11.9%	9.4%
	Increase >10%	3.4%	0.0%	5.9%	2.4%	4.3%	4.2%	3.6%	14.3%	4.7%	10.0%	1.7%	7.1%	4.7%
	No change	72.4%	60.0%	53.5%	54.4%	59.6%	56.3%	57.1%	61.9%	56.7%	50.0%	67.8%	54.8%	57.3%
	Decrease 1-5%	3.4%	20.0%	14.4%	15.2%	8.5%	6.3%	14.3%	4.8%	5.3%	2.5%	6.8%	11.9%	9.8%
	Decrease 6-10%	3.4%	0.0%	3.2%	2.4%	1.1%	2.1%	0.0%	4.8%	1.8%	5.0%	3.4%	0.0%	2.2%
	Decrease >10%	0.0%	0.0%	2.1%	4.8%	1.1%	0.0%	7.1%	4.8%	1.2%	2.5%	3.4%	0.0%	2.3%
	Sample size (n)	**29**	**5**	**187**	**125**	**188**	**48**	**56**	**21**	**171**	**40**	**59**	**42**	**971**
ii	**Wage growth**													
	Increase 1-5%	27.6%	20.0%	28.9%	16.3%	19.1%	38.3%	14.5%	20.0%	19.4%	24.3%	20.7%	27.5%	22.3%
	Increase 6-10%	3.4%	20.0%	13.3%	7.3%	16.9%	10.6%	18.2%	25.0%	23.1%	16.2%	6.9%	22.5%	15.2%
	Increase >10%	10.3%	0.0%	14.4%	6.5%	8.2%	4.3%	7.3%	5.0%	5.0%	16.2%	5.2%	2.5%	8.2%
	No change	48.3%	40.0%	34.4%	54.5%	50.8%	36.2%	43.6%	50.0%	46.3%	32.4%	56.9%	42.5%	45.4%
	Decrease 1-5%	10.3%	20.0%	7.8%	8.9%	3.8%	6.4%	9.1%	0.0%	5.0%	5.4%	5.2%	5.0%	6.3%
	Decrease 6-10%	0.0%	0.0%	0.6%	4.1%	1.1%	4.3%	3.6%	0.0%	0.6%	2.7%	3.4%	0.0%	1.7%
	Decrease >10%	0.0%	0.0%	0.6%	2.4%	0.0%	0.0%	3.6%	0.0%	0.6%	2.7%	1.7%	0.0%	1.0%
	Sample size (n)	**29**	**5**	**180**	**123**	**183**	**47**	**55**	**20**	**160**	**37**	**58**	**40**	**937**

		Agriculture, forestry & fishery	Mining & quarrying	Manufacturing	Construction	Wholesale & retail trade	Trading (imports & exports)	Tourism, shopping, hotels, restaurants, recreation & entertainment	Transportation, forwarding & warehousing	Professional & business services	Finance & insurance	Real estate	ICT	**2nd Half 2018**
IV	**Domestic Sales**													
i	**Volume**													
	Increase 1-5%	14.8%	0.0%	15.1%	14.0%	18.1%	18.0%	16.7%	18.2%	13.1%	27.5%	5.2%	16.7%	15.4%
	Increase 6-10%	3.7%	20.0%	7.0%	7.4%	9.0%	6.0%	7.4%	9.1%	11.9%	12.5%	10.3%	7.1%	8.7%
	Increase >10%	7.4%	0.0%	9.1%	3.3%	6.4%	6.0%	5.6%	9.1%	12.5%	7.5%	5.2%	9.5%	7.7%
	No change	63.0%	40.0%	36.0%	37.2%	29.3%	42.0%	37.0%	31.8%	39.4%	22.5%	41.4%	35.7%	36.2%
	Decrease 1-5%	3.7%	20.0%	16.7%	12.4%	14.9%	16.0%	16.7%	9.1%	13.8%	20.0%	8.6%	16.7%	14.4%
	Decrease 6-10%	3.7%	0.0%	7.5%	7.4%	9.6%	4.0%	11.1%	13.6%	4.4%	2.5%	12.1%	7.1%	7.5%
	Decrease >10%	3.7%	20.0%	8.6%	18.2%	12.8%	8.0%	5.6%	9.1%	5.0%	7.5%	17.2%	7.1%	10.2%
	Sample size (n)	**27**	**5**	**186**	**121**	**188**	**50**	**54**	**22**	**160**	**40**	**58**	**42**	**953**
ii	**Price**													
	Increase 1-5%	7.7%	0.0%	19.0%	19.5%	18.7%	26.5%	16.7%	14.3%	16.3%	27.8%	5.4%	17.5%	17.7%
	Increase 6-10%	3.8%	20.0%	5.7%	10.2%	12.6%	12.2%	11.1%	9.5%	14.3%	8.3%	5.4%	17.5%	10.5%
	Increase >10%	3.8%	0.0%	6.3%	3.4%	9.3%	4.1%	5.6%	14.3%	6.8%	5.6%	5.4%	7.5%	6.5%
	No change	65.4%	60.0%	47.7%	40.7%	40.1%	42.9%	42.6%	47.6%	52.4%	27.8%	48.2%	42.5%	45.0%
	Decrease 1-5%	11.5%	20.0%	13.2%	11.0%	8.2%	8.2%	14.8%	9.5%	5.4%	13.9%	16.1%	10.0%	10.5%
	Decrease 6-10%	3.8%	0.0%	5.2%	3.4%	4.4%	6.1%	3.7%	4.8%	1.4%	2.8%	10.7%	2.5%	4.2%
	Decrease >10%	3.8%	0.0%	2.9%	11.9%	6.6%	0.0%	5.6%	0.0%	3.4%	13.9%	8.9%	2.5%	5.6%
	Sample size (n)	**26**	**5**	**174**	**118**	**182**	**49**	**54**	**21**	**147**	**36**	**56**	**40**	**908**
V	**Foreign Sales**													
i	**Volume**													
	Increase 1-5%	11.5%	20.0%	9.7%	5.6%	9.9%	13.2%	13.3%	11.1%	10.4%	22.6%	2.1%	25.0%	10.6%
	Increase 6-10%	3.8%	20.0%	6.8%	4.4%	7.9%	5.3%	11.1%	5.6%	11.2%	9.7%	8.3%	5.6%	7.7%
	Increase >10%	3.8%	0.0%	8.0%	3.3%	2.6%	5.3%	2.2%	5.6%	4.8%	6.5%	2.1%	2.8%	4.6%
	No change	69.2%	60.0%	56.8%	68.9%	61.2%	47.4%	51.1%	55.6%	64.8%	41.9%	64.6%	50.0%	59.5%
	Decrease 1-5%	3.8%	0.0%	10.8%	8.9%	9.9%	18.4%	11.1%	5.6%	4.0%	6.5%	0.0%	8.3%	8.4%
	Decrease 6-10%	3.8%	0.0%	4.5%	3.3%	3.9%	2.6%	8.9%	0.0%	0.8%	6.5%	12.5%	2.8%	4.2%
	Decrease >10%	3.8%	0.0%	3.4%	5.6%	4.6%	7.9%	2.2%	16.7%	4.0%	6.5%	10.4%	5.6%	5.1%
	Sample size (n)	**26**	**5**	**176**	**90**	**152**	**38**	**45**	**18**	**125**	**31**	**48**	**36**	**790**
ii	**Price**													
	Increase 1-5%	7.7%	20.0%	14.0%	5.5%	10.1%	30.8%	8.7%	11.8%	11.5%	19.4%	4.2%	27.8%	12.4%
	Increase 6-10%	7.7%	20.0%	4.1%	6.6%	9.4%	2.6%	8.7%	5.9%	12.3%	12.9%	6.3%	8.3%	7.8%
	Increase >10%	0.0%	0.0%	4.1%	3.3%	4.0%	5.1%	4.3%	0.0%	3.3%	6.5%	2.1%	2.8%	3.6%
	No change	69.2%	60.0%	61.0%	69.2%	61.7%	43.6%	58.7%	76.5%	68.0%	38.7%	70.8%	55.6%	62.3%
	Decrease 1-5%	11.5%	0.0%	11.0%	7.7%	8.1%	15.4%	10.9%	5.9%	1.6%	9.7%	0.0%	5.6%	7.7%
	Decrease 6-10%	3.8%	0.0%	3.5%	0.0%	2.7%	2.6%	4.3%	0.0%	0.0%	0.0%	10.4%	0.0%	2.4%
	Decrease >10%	0.0%	0.0%	2.3%	7.7%	4.0%	0.0%	4.3%	0.0%	3.3%	12.9%	6.3%	0.0%	3.8%
	Sample size (n)	**26**	**5**	**172**	**91**	**149**	**39**	**46**	**17**	**122**	**31**	**48**	**36**	**782**
VI	**Other**													
i	**Capital expenditure**													
	Increase 1-5%	10.7%	20.0%	24.7%	21.7%	22.0%	29.2%	17.0%	9.5%	19.0%	28.9%	12.3%	27.5%	21.4%
	Increase 6-10%	10.7%	20.0%	9.3%	13.3%	15.3%	6.3%	18.9%	23.8%	14.1%	13.2%	7.0%	12.5%	12.8%
	Increase >10%	17.9%	0.0%	13.7%	10.0%	11.3%	6.3%	7.5%	14.3%	10.4%	15.8%	8.8%	17.5%	11.5%
	No change	50.0%	60.0%	44.5%	36.7%	41.8%	47.9%	43.4%	33.3%	51.5%	26.3%	45.6%	35.0%	43.2%
	Decrease 1-5%	7.1%	0.0%	2.7%	8.3%	5.6%	6.3%	9.4%	0.0%	2.5%	13.2%	10.5%	2.5%	5.5%
	Decrease 6-10%	0.0%	0.0%	2.7%	2.5%	2.3%	2.1%	1.9%	14.3%	0.6%	2.6%	5.3%	2.5%	2.5%
	Decrease >10%	3.6%	0.0%	2.2%	7.5%	1.7%	2.1%	1.9%	4.8%	1.8%	0.0%	10.5%	2.5%	3.2%
	Sample size (n)	**28**	**5**	**182**	**120**	**177**	**48**	**53**	**21**	**163**	**38**	**57**	**40**	**932**
B3	**When comparing with 1H 2018 (Jan-Jun), business condition in 2H 2018 (Jul-Dec) has**													
	Expanded	10.7%	20.0%	20.7%	12.4%	18.9%	15.4%	26.3%	12.5%	26.1%	16.3%	11.9%	30.2%	19.5%
	No change	50.0%	40.0%	29.5%	30.2%	30.6%	36.5%	29.8%	37.5%	35.0%	37.2%	33.9%	27.9%	32.5%
	Deteriorated	39.3%	40.0%	49.7%	57.4%	50.5%	48.1%	43.9%	50.0%	38.9%	46.5%	54.2%	41.9%	48.0%
	Sample size (n)	**28**	**5**	**193**	**129**	**196**	**52**	**57**	**24**	**180**	**43**	**59**	**43**	**1,009**

		Agriculture, forestry & fishery	Mining & quarrying	Manufacturing	Construction	Wholesale & retail trade	Trading (imports & exports)	Tourism, shopping, hotels, restaurants, recreation & entertainment	Transportation, forwarding & warehousing	Professional & business services	Finance & insurance	Real estate	ICT	**2nd Half 2018**
B4	**Economic condition outlook**													
	1H 2019													
	Optimistic	20.7%	20.0%	10.9%	8.4%	14.6%	7.8%	13.8%	20.8%	14.4%	16.3%	4.9%	9.1%	12.3%
	Neutral	44.8%	40.0%	48.2%	45.8%	48.7%	49.0%	60.3%	54.2%	55.2%	53.5%	42.6%	56.8%	50.2%
	Pessimistic	34.5%	40.0%	40.9%	45.8%	36.7%	43.1%	25.9%	25.0%	30.4%	30.2%	52.5%	34.1%	37.5%
	Sample size (n)	**29**	**5**	**193**	**131**	**199**	**51**	**58**	**24**	**181**	**43**	**61**	**44**	**1,019**
	2H 2019													
	Optimistic	13.8%	40.0%	15.8%	13.0%	19.5%	21.6%	13.8%	16.7%	19.9%	34.9%	9.8%	20.5%	17.8%
	Neutral	62.1%	20.0%	57.4%	45.8%	48.7%	49.0%	65.5%	50.0%	56.9%	46.5%	42.6%	56.8%	52.6%
	Pessimistic	24.1%	40.0%	26.8%	41.2%	31.8%	29.4%	20.7%	33.3%	23.2%	18.6%	47.5%	22.7%	29.6%
	Sample size (n)	**29**	**5**	**190**	**131**	**195**	**51**	**58**	**24**	**181**	**43**	**61**	**44**	**1,012**
	Estimation for 2019													
	Optimistic	17.2%	20.0%	13.7%	12.2%	16.5%	13.7%	13.8%	25.0%	17.7%	19.0%	9.8%	18.2%	15.3%
	Neutral	62.1%	40.0%	50.0%	48.9%	51.5%	51.0%	56.9%	37.5%	55.2%	61.9%	45.9%	56.8%	52.1%
	Pessimistic	20.7%	40.0%	36.3%	38.9%	32.0%	35.3%	29.3%	37.5%	27.1%	19.0%	44.3%	25.0%	32.6%
	Sample size (n)	**29**	**5**	**190**	**131**	**194**	**51**	**58**	**24**	**181**	**42**	**61**	**44**	**1,010**
	Forecast for 2020													
	Optimistic	24.1%	40.0%	18.0%	22.9%	31.4%	32.0%	24.1%	16.7%	28.9%	34.1%	21.3%	27.3%	25.7%
	Neutral	55.2%	40.0%	58.2%	55.0%	47.4%	48.0%	58.6%	62.5%	50.0%	46.3%	49.2%	52.3%	52.4%
	Pessimistic	20.7%	20.0%	23.8%	22.1%	21.1%	20.0%	17.2%	20.8%	21.1%	19.5%	29.5%	20.5%	21.9%
	Sample size (n)	**29**	**5**	**189**	**131**	**194**	**50**	**58**	**24**	**180**	**41**	**61**	**44**	**1,006**
B5	**Business condition outlook**													
	1H 2019													
	Optimistic	13.8%	20.0%	12.0%	11.5%	13.6%	10.0%	16.1%	20.8%	17.6%	14.0%	6.6%	18.2%	13.7%
	Neutral	55.2%	60.0%	47.4%	44.3%	47.7%	54.0%	55.4%	50.0%	53.8%	60.5%	47.5%	47.7%	49.9%
	Pessimistic	31.0%	20.0%	40.6%	44.3%	38.7%	36.0%	28.6%	29.2%	28.6%	25.6%	45.9%	34.1%	36.4%
	Sample size (n)	**29**	**5**	**192**	**131**	**199**	**50**	**56**	**24**	**182**	**43**	**61**	**44**	**1,016**
	2H 2019													
	Optimistic	20.7%	40.0%	14.4%	16.0%	17.9%	26.5%	20.0%	12.5%	23.6%	30.2%	13.1%	27.3%	19.3%
	Neutral	62.1%	40.0%	58.0%	43.5%	50.5%	46.9%	54.5%	62.5%	51.6%	51.2%	45.9%	45.5%	51.3%
	Pessimistic	17.2%	20.0%	27.7%	40.5%	31.6%	26.5%	25.5%	25.0%	24.7%	18.6%	41.0%	27.3%	29.4%
	Sample size (n)	**29**	**5**	**188**	**131**	**196**	**49**	**55**	**24**	**182**	**43**	**61**	**44**	**1,007**
	Estimation for 2019													
	Optimistic	17.2%	20.0%	16.0%	14.5%	16.9%	13.7%	19.6%	25.0%	23.1%	23.8%	9.8%	20.5%	17.8%
	Neutral	62.1%	60.0%	49.5%	47.3%	53.8%	52.9%	48.2%	50.0%	53.8%	59.5%	50.8%	50.0%	51.9%
	Pessimistic	20.7%	20.0%	34.6%	38.2%	29.2%	33.3%	32.1%	25.0%	23.1%	16.7%	39.3%	29.5%	30.4%
	Sample size (n)	**29**	**5**	**188**	**131**	**195**	**51**	**56**	**24**	**182**	**42**	**61**	**44**	**1,008**
	Forecast for 2020													
	Optimistic	24.1%	60.0%	17.1%	24.4%	27.3%	30.6%	25.0%	16.7%	30.4%	31.7%	24.6%	25.0%	25.3%
	Neutral	48.3%	20.0%	62.0%	51.1%	53.1%	51.0%	53.6%	62.5%	50.3%	48.8%	49.2%	56.8%	53.6%
	Pessimistic	27.6%	20.0%	20.9%	24.4%	19.6%	18.4%	21.4%	20.8%	19.3%	19.5%	26.2%	18.2%	21.1%
	Sample size (n)	**29**	**5**	**187**	**131**	**194**	**49**	**56**	**24**	**181**	**41**	**61**	**44**	**1,002**

		Agriculture, forestry & fishery	Mining & quarrying	Manufacturing	Construction	Wholesale & retail trade	Trading (imports & exports)	Tourism, shopping, hotels, restaurants, recreation & entertainment	Transportation, forwarding & warehousing	Professional & business services	Finance & insurance	Real estate	ICT	**2nd Half 2018**
Part C: Current Issues														
C1	**Reintroduction of SST**													
	Following three months of zero-rated GST in June-August, the SST was reintroduced on 1 Sep 2018 to replace GST.													
a	**How will the SST impact your business?**													
	Adverse impact	44.8%	0.0%	52.8%	47.3%	34.9%	52.9%	28.1%	50.0%	35.2%	37.2%	36.1%	44.2%	41.5%
	No impact	48.3%	80.0%	42.5%	42.7%	60.0%	39.2%	66.7%	41.7%	59.3%	58.1%	54.1%	46.5%	52.0%
	Better off	6.9%	20.0%	4.7%	9.9%	5.1%	7.8%	5.3%	8.3%	5.5%	4.7%	9.8%	9.3%	6.5%
	Sample size (n)	**29**	**5**	**193**	**131**	**195**	**51**	**57**	**24**	**182**	**43**	**61**	**43**	**1,014**
b	**Does the transitional implementation of SST go smoothly?**													
	Yes	72.4%	100.0%	56.1%	62.3%	71.4%	48.0%	70.9%	69.6%	73.3%	66.7%	66.7%	79.1%	66.4%
	No	27.6%	0.0%	43.9%	37.7%	28.6%	52.0%	29.1%	30.4%	26.7%	33.3%	33.3%	20.9%	33.6%
	Sample size (n)	**29**	**5**	**189**	**130**	**192**	**50**	**55**	**23**	**180**	**42**	**60**	**43**	**998**
c	**Impact on overall price level after the implementation of SST**													
	Input price													
	Increased by >10%	31.0%	40.0%	33.9%	31.0%	31.7%	42.0%	18.2%	45.0%	26.6%	14.3%	15.5%	19.5%	29.0%
	Increased by <=10%	24.1%	0.0%	30.1%	30.2%	32.8%	30.0%	23.6%	25.0%	30.2%	28.6%	32.8%	43.9%	30.5%
	No change	37.9%	40.0%	28.0%	29.5%	28.0%	26.0%	49.1%	20.0%	35.5%	40.5%	41.4%	36.6%	32.5%
	Decreased by <=10%	6.9%	20.0%	4.8%	8.5%	4.8%	2.0%	5.5%	10.0%	6.5%	11.9%	5.2%	0.0%	5.9%
	Decreased by >10%	0.0%	0.0%	3.2%	0.8%	2.7%	0.0%	3.6%	0.0%	1.2%	4.8%	5.2%	0.0%	2.2%
	Sample size (n)	**29**	**5**	**186**	**129**	**186**	**50**	**55**	**20**	**169**	**42**	**58**	**41**	**970**
	Selling price													
	Increased by >10%	17.2%	40.0%	17.3%	23.8%	24.9%	33.3%	9.1%	33.3%	18.1%	12.2%	16.9%	10.0%	20.1%
	Increased by <=10%	10.3%	0.0%	22.2%	17.7%	28.6%	25.5%	20.0%	28.6%	21.1%	24.4%	10.2%	40.0%	22.4%
	No change	69.0%	40.0%	49.2%	48.5%	34.9%	33.3%	61.8%	23.8%	52.0%	43.9%	61.0%	45.0%	47.0%
	Decreased by <=10%	3.4%	20.0%	9.2%	7.7%	8.5%	5.9%	7.3%	14.3%	4.7%	12.2%	8.5%	5.0%	7.7%
	Decreased by >10%	0.0%	0.0%	2.2%	2.3%	3.2%	2.0%	1.8%	0.0%	4.1%	7.3%	3.4%	0.0%	2.8%
	Sample size (n)	**29**	**5**	**185**	**130**	**189**	**51**	**55**	**21**	**171**	**41**	**59**	**40**	**976**
d	**Between SST and GST, which is a better ones?**													
	SST	55.2%	40.0%	25.5%	49.6%	49.2%	42.3%	57.1%	50.0%	51.4%	53.7%	48.3%	45.2%	45.4%
	GST	44.8%	60.0%	74.5%	50.4%	50.8%	57.7%	42.9%	50.0%	48.6%	46.3%	51.7%	54.8%	54.6%
	Sample size (n)	**29**	**5**	**184**	**127**	**189**	**52**	**56**	**24**	**173**	**41**	**58**	**42**	**980**
C2	**GST and income tax refunds**													
	In 2019 Budget, the Government would refund the GST and income tax totaling RM37 billion in 2019. What is the percentage of GST and income tax refunds would be utilized for capital investment?													
	1-10%	52.0%	20.0%	64.9%	60.2%	68.6%	69.8%	64.7%	50.0%	64.3%	72.2%	34.0%	57.6%	62.3%
	11-20%	20.0%	0.0%	18.7%	17.1%	11.8%	14.0%	13.7%	15.0%	20.0%	22.2%	34.0%	18.2%	17.7%
	21-30%	24.0%	60.0%	11.7%	17.1%	15.4%	9.3%	17.6%	35.0%	9.3%	5.6%	18.9%	24.2%	14.8%
	>30%	4.0%	20.0%	4.7%	5.7%	4.1%	7.0%	3.9%	0.0%	6.4%	0.0%	13.2%	0.0%	5.2%
	Sample size (n)	**25**	**5**	**171**	**123**	**169**	**43**	**51**	**20**	**140**	**36**	**53**	**33**	**869**

		Agriculture, forestry & fishery	Mining & quarrying	Manufacturing	Construction	Wholesale & retail trade	Trading (imports & exports)	Tourism, shopping, hotels, restaurants, recreation & entertainment	Transportation, forwarding & warehousing	Professional & business services	Finance & insurance	Real estate	ICT	**2nd Half 2018**
C3	**The US-China's trade war**													
a	**Does trade war impact your company on supply chains?**													
	Yes	50.0%	40.0%	43.1%	38.5%	40.1%	50.0%	19.6%	43.5%	26.1%	47.6%	41.0%	32.5%	37.7%
	No	50.0%	60.0%	56.9%	61.5%	59.9%	50.0%	80.4%	56.5%	73.9%	52.4%	59.0%	67.5%	62.3%
	Sample size (n)	**26**	**5**	**188**	**130**	**192**	**52**	**56**	**23**	**176**	**42**	**61**	**40**	**991**
b	**Does trade war impact your company's sales?**													
	Adverse impact	31.0%	0.0%	23.3%	27.8%	25.4%	32.0%	21.4%	13.0%	16.7%	41.9%	23.3%	19.5%	24.0%
	No impact at all	44.8%	60.0%	43.4%	48.4%	48.1%	40.0%	55.4%	39.1%	62.6%	41.9%	43.3%	48.8%	49.0%
	No impact, but foresee adverse impact in near future	24.1%	20.0%	25.9%	23.0%	23.3%	18.0%	21.4%	30.4%	19.5%	14.0%	30.0%	29.3%	23.1%
	Benefited from or will benefit from the trade disputes	0.0%	20.0%	7.4%	0.8%	3.2%	10.0%	1.8%	17.4%	1.1%	2.3%	3.3%	2.4%	3.9%
	Sample size (n)	**29**	**5**	**189**	**126**	**189**	**50**	**56**	**23**	**174**	**43**	**60**	**41**	**985**
	Indicate % sales (potentially) Dropped due to trade war													
	1-5%	55.6%	0.0%	45.5%	51.4%	56.3%	43.8%	41.7%	33.3%	58.6%	38.9%	64.3%	62.5%	51.3%
	6-10%	33.3%	0.0%	25.0%	28.6%	14.6%	12.5%	25.0%	0.0%	24.1%	22.2%	0.0%	12.5%	20.3%
	>10%	11.1%	0.0%	29.5%	20.0%	29.2%	43.8%	33.3%	66.7%	17.2%	38.9%	35.7%	25.0%	28.4%
	Sample size (n)	**9**	**0**	**44**	**35**	**48**	**16**	**12**	**3**	**29**	**18**	**14**	**8**	**236**
	Indicate % sales (potentially) Increased due to trade war													
	1-5%	0.0%	100.0%	50.0%	100.0%	83.3%	60.0%	100.0%	50.0%	50.0%	100.0%	50.0%	100.0%	63.2%
	6-10%	0.0%	0.0%	42.9%	0.0%	16.7%	0.0%	0.0%	0.0%	50.0%	0.0%	50.0%	0.0%	23.7%
	>10%	0.0%	0.0%	7.1%	0.0%	0.0%	40.0%	0.0%	50.0%	0.0%	0.0%	0.0%	0.0%	13.2%
	Sample size (n)	**0**	**1**	**14**	**1**	**6**	**5**	**1**	**4**	**2**	**1**	**2**	**1**	**38**
c	**In what way the Government can assist businesses to mitigate the disruption from the trade troubles?**													
	Provide export tax rebates	28.6%	40.0%	21.2%	18.1%	15.6%	20.0%	15.1%	19.0%	24.2%	25.6%	10.5%	34.2%	20.1%
	Reduce import duties on raw materials	42.9%	0.0%	38.1%	48.0%	39.2%	36.0%	43.4%	38.1%	32.3%	23.1%	43.9%	21.1%	37.8%
	Assist in exploring new export markets	17.9%	40.0%	25.4%	19.7%	25.3%	30.0%	28.3%	33.3%	34.2%	38.5%	19.3%	36.8%	27.1%
	Provide financial assistance through Export-Import Bank (EXIM Bank)	7.1%	20.0%	11.6%	11.0%	16.1%	14.0%	9.4%	9.5%	7.5%	5.1%	19.3%	5.3%	11.5%
	Others	3.6%	0.0%	3.7%	3.1%	3.8%	0.0%	3.8%	0.0%	1.9%	7.7%	7.0%	2.6%	3.4%
	Sample size (n)	**28**	**5**	**189**	**127**	**186**	**50**	**53**	**21**	**161**	**39**	**57**	**38**	**954**
C4	**E-commerce**													
a	**Does your company utilize e-commerce platform in business transactions?**													
	Yes	34.5%	20.0%	35.4%	37.8%	43.5%	41.7%	66.7%	45.5%	39.9%	69.8%	42.4%	58.5%	43.1%
	No	65.5%	80.0%	64.6%	62.2%	56.5%	58.3%	33.3%	54.5%	60.1%	30.2%	57.6%	41.5%	56.9%
	Sample size (n)	**29**	**5**	**189**	**127**	**193**	**48**	**54**	**22**	**173**	**43**	**59**	**41**	**983**
	Yes, company revenue increased by													
	1-10%	83.3%	100.0%	73.3%	72.5%	72.4%	73.7%	63.6%	70.0%	60.0%	60.0%	42.9%	45.5%	66.0%
	11-20%	16.7%	0.0%	23.3%	22.5%	13.2%	15.8%	15.2%	0.0%	16.7%	12.0%	28.6%	40.9%	18.8%
	21-30%	0.0%	0.0%	0.0%	2.5%	5.3%	0.0%	6.1%	10.0%	8.3%	20.0%	19.0%	4.5%	6.2%
	>30%	0.0%	0.0%	3.3%	2.5%	9.2%	10.5%	15.2%	20.0%	15.0%	8.0%	9.5%	9.1%	9.1%
	Sample size (n)	**6**	**1**	**60**	**40**	**76**	**19**	**33**	**10**	**60**	**25**	**21**	**22**	**373**
c	**What are the challenges and barriers to e-commerce / digital technology adoption by SMEs in Malaysia?**													
	New technology investment incurred high fixed cost	18.5%	20.0%	21.8%	16.9%	18.0%	7.8%	20.0%	10.0%	15.7%	14.3%	16.7%	11.9%	17.1%
	Insecurity - risk of security of payment and privacy of data	14.8%	0.0%	6.9%	12.1%	7.7%	9.8%	14.5%	5.0%	4.8%	14.3%	8.3%	4.8%	8.4%
	Lack of knowledge and skills to do so / lack of IT technicians	29.6%	20.0%	30.3%	29.8%	25.7%	39.2%	25.5%	50.0%	27.7%	26.2%	16.7%	35.7%	28.7%
	Reliability of internet speed and telecommunication infrastructure	18.5%	20.0%	19.7%	20.2%	22.4%	19.6%	18.2%	15.0%	18.7%	21.4%	26.7%	28.6%	20.8%
	Business is too small to use e-commerce	14.8%	20.0%	12.2%	9.7%	19.7%	13.7%	16.4%	15.0%	16.3%	14.3%	13.3%	4.8%	14.3%
	Reluctant to adopt ICT or change in mindset	3.7%	0.0%	5.9%	9.7%	5.5%	5.9%	5.5%	5.0%	15.7%	7.1%	13.3%	14.3%	8.7%
	Others	0.0%	20.0%	3.2%	1.6%	1.1%	3.9%	0.0%	0.0%	1.2%	2.4%	5.0%	0.0%	2.0%
	Sample size (n)	**27**	**5**	**188**	**124**	**183**	**51**	**55**	**20**	**166**	**42**	**60**	**42**	**963**

THE ASSOCIATED CHINESE CHAMBERS OF COMMERCE AND INDUSTRY OF MALAYSIA (ACCCIM)

6th Floor, Wisma Chinese Chamber, 258, Jalan Ampang,
50450 Kuala Lumpur, Malaysia.

Tel: 603-4260 3090 / 3091 / 3092 / 3093 / 3094 / 3095
Fax: 603-4260 3080
Email: acccim@acccim.org.my
Website: www.acccim.org.my