



ACCCIM Malaysia's Business and Economic
Conditions Survey (M-BECS) Report
(1H 2021 and 2H 2021F)

**中总 2021 上半年及 2021 下半年预测
马来西亚商业和经济状况调查报告**

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

Executive Summary of Key Findings

The Associated Chinese Chambers of Commerce and Industry of Malaysia's (ACCCIM) Malaysia's Business and Economic Conditions Survey (M-BECS) was conducted **from 1 June 2021 to 15 July 2021, covering the first half-year of 2021 (Jan-Jun 2021) and expectations for the second half-year of 2021 (Jul-Dec 2021)**. The survey has received a **total of 693 respondents**.

The **ACCCIM's M-BECS** is a good barometer to **gauge Malaysian business community's assessment and expectations about domestic business and economic conditions**:

- (a) Measure **expectations about the performance and prospects of economy and business**;
- (b) Identify **main factors affecting business performance**; and
- (c) Gauge the **implications of current issues and challenges faced by businesses**.

An Overview and Summary of Key Findings of the M-BECS:

Overall, M-BECS results indicated that **most businesses continued to suffer deep economic scarring effects from the prolonged pandemic and "open and shut" strict containment measures**.

Most companies remained **somewhat pessimistic about domestic economic and business prospects in 2021**. **65.1% of respondents have no confidence that the Malaysian economy would recover in 2021**.

With more than eighteen months of battling with the COVID-19 pandemic, businesses and households are battle weary as the persistent containment measures have resulted in uneven and divergent recovery paths across different sectors and industries.

While pinning hopes on a smooth transition towards a safe reopening of the economy under the four phases of the National Recovery Plan (NRP), **most businesses take a very cautious view of the economy and business conditions in 2H 2021 with 64.5% of respondents foresee economic conditions will be worse off in 2H 2021 compared to 1H 2021**.

It is widely acknowledged that the speedy mass vaccination towards achieving herd immunity (70%-80% of total population vaccinated) holds the key to fast tracking the NRP so as to take the country out of the COVID-19 pandemic with resilience. Nevertheless, **54.2% of total respondents hold a neutral view on the economic conditions in 2022**. Only 21.6% of respondents expect better economic conditions in 2022 (as against 44.5% in previous survey) while 24.2% of respondents foresee worse economic conditions.

1. **Business conditions have deteriorated in 1H 2021** due to the prolonged economic scarring effects of the COVID-19 pandemic and "open and shut" strict containment measures. **58.0% of respondents indicated that their business has worsened in 1H 2021**. Only 13.7% are better-off while 28.3% respondents' business performance

remained status quo. **A higher 62.5% of respondents expect worse business conditions in 2H 2021.**

2. **Overall, businesses are still struggling to recover in 2021** due to the containment measures and restricted mobility that have disrupted supply chains and caused cutbacks in demand. **64.5% of respondents foresee economic conditions will be worse off in 2H 2021.** Only 5.1% anticipate better economic prospects in 2H 2021 compared to 11.4% for 1H 2021.
3. **For the year 2022 prospects, more than 50% of respondents in almost all sectors hold a neutral view of economic conditions and prospects** amid the acceleration pace of national vaccination program.
4. Overall, **55.8% of respondents foresee worsening business conditions in 2021** (“Better”: 5.3%; “Neutral”: 38.8%). The worsening business conditions in 2021 were reflected in **construction (70.6% of respondents), tourism, shopping, hotels, restaurants, recreation and entertainment sector (“tourism-related sector”) (62.2%), wholesale and retail trade (61.5%) and ICT (56.7%), manufacturing (54.1%) as well as professional and business services (52.9%).**
5. **Businesses expect cautiously better business outlook in 2022:** (a) 21.6% of respondents anticipate good business conditions in 2022; (b) A majority of respondents (53.1% vs. 38.8% in 2021) have a neutral view; and (c) 25.3% expects worse business conditions in 2022 (55.8% in 2021).
6. **Top five factors** that have impacted business performance in 1H 2021 are: (i) **Targeted MCO/CMCO/EMCO in high-risk locations/districts** (as ranked by 65.4% of total respondents); (ii) **Increase in prices of raw materials** (50.2%); (iii) **Higher operating costs and cash flow problem** (46.6%); (iv) **Political climate** (45.5%); and (v) **Declining business and consumer sentiment** (43.6%).
7. **Business operations (production, sales and raw materials)** were generally in line with weak economic and business conditions.
 - (a) **Sales:** Overall sales performance was dampened as indicated by 62.5% of respondents and is expected to remain sluggish (79.8%) in 2H 2021 given very poor sales prospects.
 - (b) **Production:** 56.8% of businesses reported a decline in production level in 1H 2021. Strict containment measures, including SOP as well as a slow recovery in domestic demand continued to constrain production capacity. Inventory level has declined (voted by 40.0% of respondents) and 41.5% of respondents foresee that the stock level will continue to decline in 2H 2021.
 - (c) **Raw materials:** Amid the recovery in global demand coupled with supply chains disruptions, prices of commodity and raw materials have continued to rise. More than 80% of respondents revealed that both prices of local and imported raw materials have increased significantly in 1H 2021. 57.1% and 60.3% of respondents have experienced an increase in prices of more than 10% for local and imported raw materials, respectively in 1H 2021.

8. **More than half of respondents (53.1% vs. 42.7% in 2H 2020) indicated that they have increased their capital expenditure in 1H 2021.** 33.9% of respondents maintained their capital spending while only 12.9% have reduced capital expenditure.

9. **Topical Issue 1: Economy and Business Recovery Development**

- (a) **63.8% of respondents indicated that their business sales were still below pre-pandemic level:** 33.0% reporting sales were 10%-30% below pre-pandemic level; 17.3% were 31%-50% below pre-pandemic level; and 13.4% having sales were more than 50% below pre-pandemic level.
- (b) **The tourism-related sectors (56.8% of respondents), construction sector (41.2%) and professional and business services sector (36.3%)** have higher percentage of respondents reporting their business sales were still “more than 30% below pre-pandemic level”.
- (c) **65.1% of respondents have no confidence that the Malaysian economy would recover in 2021.**
- (d) **46.2% of respondents have experienced a very tight cash flow problem and unable to cover business operations/production, raw materials/inventory, manpower cost for 3 months.** 33.8% having cash flow that can only last for 3-6 months, leaving 21.1% of respondents’ cash flow can last longer for more than 6 months.

10. **Topical Issue 2: Business Digital Transformation Plan**

- (a) **Less than half of the respondents have aggressively adopted digitalisation and/or automation in both front-end and back-end of business operation.** A slightly more than half of businesses have planned to implement it over the next 12 months.
- (b) The main reasons for not aggressively adopting digitalisation and/or automation are (1) **Not ready and focus on other priorities** (e.g., achieve economic scale and have larger orders); (2) **Continued with current business model**, and hence, does not see the need to adopt; and (3) **Business operation is unsuitable to adopt** (e.g., contract-based/outsourced-based/sunset business).
- (c) **54.9% of respondents** cited that **lack of budget is the core challenge in implementing digital transformation technology**, followed by lacking IT support staff (47.8%), and new technology training for employees (38.5%).

11. **Topical Issue 3: Regional Comprehensive Economic Partnership (RCEP)**

- (a) **45.5% of respondents rated RCEP as an important economic growth catalyst for Malaysia** while 47.8% are “neutral” and only 6.8% of respondents indicated that RCEP is not so important for the Malaysian economy.
- (b) Each of country has their schedule of tariff commitments under RCEP agreement. Ultimately, at least 92% of tariff lines will be lowered over a period of 20 years. In fact,

some respondents have requested for a reduction in import duties when asked to provide feedback on what Government can facilitate businesses under RCEP in an open-ended question. This showed that domestic businesses are not fully aware and lack of understanding about the RCEP.

- (c) Respondents rated **“Greater market access for goods and services (40.8% of respondents)”** as the largest impact generated from RCEP, followed by **“Facing competition in products and market share (37.4%)”** and **“Greater opportunities to collaborate with foreign parties (37.1%)”**.
- (d) The respondents, especially **large enterprises and manufacturing sector** have rated **RCEP offers “Competitively priced and wider sources of raw materials (42.1%-49.0%)”**.
- (e) **“Participate in trade promotion activities and market development program (51.8% of respondents)”** and **“Know the regulations of trade and services of RCEP countries (51.8%)”** are the key strategies to reap RCEP’s opportunities.

调查报告摘要

中总 2021 上半年（2021 年 1 月至 6 月）及 2021 下半年预测（2021 年 7 月至 12 月）马来西亚商业和经济状况调查报告，于 2021 年 6 月 1 日至 2021 年 7 月 15 日进行，共收到 693 份问卷回复。

中总的马来西亚商业和经济状况调查收集大马工商界对于本地商业和经济状况及前景的评估与期望，所得结果是一个很好的指标。

这项调查涵盖了以下问题：

- (a) 衡量对经济和商业表现和前景的期望；
- (b) 鉴定影响业务绩效的主要因素；
- (c) 收集企业当前所面临问题和挑战及其影响。

问卷调查结果的概述和摘要

整体而言，中总进行之马来西亚商业和经济状况调查报告显示，新冠病毒肺炎疫情持久肆虐，以及“开放和封锁”的严格防疫措施造成大部分商家持续遭受严重的经济创伤。

大多数商家对 2021 上半年的经济和商业状况保持悲观态度。65.1%的回复者对于马来西亚经济可在 2021 年复苏没有信心。

经过 18 个月与新冠肺炎疫情搏斗，商家与家庭已身心俱疲，因为持续性的防疫措施造成各领域及产业的复苏情况并不平均且步伐不一。

尽管寄望在国家复苏计划（NRP）4 个阶段下，顺利过渡到安全重启经济活动，但是大部分商家 2021 下半年的经济与商业状况持非常谨慎的态度，64.5%的回复者预测 2021 下半年经济状况与 2021 年上半年相比，将会更糟糕。

众所周知，快速的大规模疫苗接种以达到群体免疫（总人口 70%-80%接种）是加速国家复苏计划，也是国家摆脱新冠肺炎疫情的关键。然而，54.2%的回复者对于 2022 年经济状况持中立看法。仅 21.6%回复者预期 2022 年经济状况更好（对比上一次调查的 44.5%），而 24.2%回复者预测经济状况将会恶化。

1. 基于新冠病毒肺炎疫情持续肆虐，以及“开放和封锁”的严格防疫措施而遭受严重经济创伤，导致 2021 年上半年的商业状况恶化。58.0%回复者表示 2021 上半年生意更差。仅 13.7%回复者的生意有所改善，而 28.3%回复者表示生意维持现状。62.5%回复者预期 2021 下半年的业绩表现会更差。

2. 总体而言，由于防疫措施和行动管制令扰乱了供应链而导致需求锐减，商家在 2021 年仍挣扎着力图从中复苏。**64.5%**回复者预测 2021 年下半年经济状况将更糟。相较于 2021 上半年的 11.4%，仅 5.1%预期 2021 年下半年经济前景会更好。
3. 对于 2022 年前景，随着国家疫苗接种计划逐步加速推进，几乎所有领域中超过 50%回复者对于经济状况与前景保持中立看法。
4. 总体而言，**55.8%**回复者预测 2021 年商业状况将会恶化（“更好”：5.3%；“中立”：38.8%）。2021 年恶化的商业状况包括建筑业（**70.6%**回复者）、旅游业、购物、酒店、餐厅、休闲及娱乐业（“旅游相关产业”）（**62.2%**）、批发与零售贸易（**61.5%**）及电脑工艺（**56.7%**）、制造业（**54.1%**）以及专业与商业服务（**52.9%**）。
5. 商家谨慎预期 2022 年有更好的商业前景：(a)21.6%回复者期待 2022 年商业状况好转；(b)大部分回复者（53.1%，相较 2021 年的 38.8%）持中立看法；以及(c)25.3%预期 2022 年商业前景更差（2021 年为 55.8%）。
6. 影响 2021 上半年商业表现的首 5 个因素是：(i)在高风险位置(区)的针对性 MCO/CMCO/EMCO（占总回复者的 65.4%）；(ii)原材料价格的上涨(50.2%)；(iii)高营运成本，现金流问题(46.6%)；(iv)政治局势(45.5%)；及(v)企业和消费者信心下降(43.6%)。
7. 商业运营（生产、销售及原料）总体上符合疲弱的经济与商业状况。
 - (a) 销售：根据 62.5%回复者表示，整体销售业绩受挫，鉴于销售前景不佳，2021 年下半年预期将持续低迷(79.8%)。
 - (b) 生产：56.8%商家回报 2021 上半年生产水平下降。严格防疫措施，包括标准作业程序以及本地需求的缓慢复苏持续限制产能。库存水平下降(获 40.0%回复者投选)，41.5%回复者预计 2021 年下半年库存水平将持续下降。
 - (c) 原物料：在全球需求复苏及供应链中断的情况下，大宗商品与原料价格持续上涨。超过 80%回复者表示，本地与进口原料价格在 2021 上半年均大幅度增长。57.1%及 60.3%回复者在 2021 上半年分别经历了本地和进口原料增长超过 10%的情形。
8. 超过一半的受访者(**53.1%**，相较 2020 下半年的 **42.7%**)表示他们在 2021 上半年增加了资本支出。33.9%回复者维持资本支出，而仅 12.9%削减了资本支出。
9. 时下课题 1：经济与商业复苏发展
 - (a) **63.8%**回复者表示其业务销售额仍低于疫情前的水平；33.0%表示销售额比疫情前水平低 10%-30%；17.3%比疫情前低 31%-50%；13.4%比疫情前水平低超过 50%以上。
 - (b) 旅游相关产业(**56.8%**回复者)、建筑领域(**41.2%**)及专业和商业服务领域(**36.3%**)具较高比例回复者表示销售额仍低于疫情前水平 30%以上。
 - (c) **65.1%**回复者对马来西亚经济在 2021 年复苏没有信心。

- (d) **46.2%**回复者面临紧迫现金流问题以及无法应付 **3** 个月的商业营运/生产、原料/库存及人力成本。**33.8%**商家仅够维持 3 至 6 个月的现金流，剩下 **21.1%**回复者具有可维持超过 6 个月的现金流。

10. 时下课题 2：商业数字化转型计划

- (a) 少于一半的回复者积极采纳数字化及/或自动化来推动前端及后端业务营运。略多于一半的商家计划在未来 12 个月内落实。
- (b) 不积极采纳数字化及/或自动化的因素：**(1)没有准备好及专注于其他优先事项**（例如，扩大生产规模及获取更大订单）；**(2)延续现有商业模式**，以至于没有必要采用；以及**(3)业务运营方式不适合采用**（例如，合约制/外包制/夕阳产业）。
- (c) **54.9%**回复者表示缺乏预算是落实数字转型科技的主要挑战，其次是缺乏技术支持人员 (**47.8%**) 及对员工的新科技培训 (**38.5%**)。

11. 时下课题 3：区域全面经济伙伴关系（RCEP）

- (a) **45.5%**回复者认为 **RCEP** 是马来西亚经济增长的重要催化剂，而 **47.8%**持中立态度，仅 **6.8%**回复者认为 RCEP 对马来西亚经济不太重要。
- (b) 在 RCEP 协议下，各国均有各自的关税承诺表。至少 **92%**关税细目会在 20 年期间内陆续下降。事实上，当被要求就政府可以为企业提供哪些便利的问题作答时，一些回复者要求降低进口关税。这显现出本地商家对于 RCEP 的认识不足也缺乏了解。
- (c) 回复者认为“商品和服务的更大市场准入”(**40.8%**回复者) 是 RCEP 所带来最大的影响，其次为“面对产品和市场份额的竞争 (**37.4%**)”及“与外方更大的合作契机 (**37.1%**)”。
- (d) 回复者，特别是大型企业及制造业者认为，RCEP 提供“具有竞争力的价格和更广泛的原料来源 (**42.1%至 49.0%**)”。
- (e) “参与贸易推广活动及市场开发计划 (**51.8%**回复者)”及“了解 RCEP 成员国贸易与服务法规 (**51.8%**)”是掌握 RCEP 机遇的关键策略。

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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 business community's assessment and expectations about domestic business and economic conditions.**

Starting 1 January 2019, the survey was renamed as **Malaysia's Business and Economic Conditions Survey (M-BECS).**

This survey, covering **the first half-year (Jan-Jun) of 2021 (1H 2021) and expectations for the second half-year (Jul-Dec) of 2021 (2H 2021F)** has the following sections:

- 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 intends to **complement as well as fill the gaps of existing market and industry surveys conducted 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 are also used to supplement the primary data and statistics of the Department of Statistics Malaysia (DOSM) to gauge 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 assessing the perspectives of business community about current economic and business conditions as well as their prospects.**

M-BECS also attempts to obtain feedback and suggestions regarding the pertinent 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 consider to make the necessary adjustments for future policy formulation.

The survey results also **provide a basis or inputs for ACCCIM to prepare memoranda concerning economic issues, including public policies impacting Malaysia's business community** for submission to the Government and relevant Ministries for their 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 M-BECS period covering the **first half-year (Jan-Jun) of 2021 (1H 2021) and expectations for the second half-year (Jul-Dec) of 2021 (2H 2021F)** is to gather respondents' assessment of their business performance and economic outlook, including views about current issues and challenges faced by Malaysian business community. The survey questionnaire is divided into three sections as follows:

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

Section B: Overall Assessment is divided into two sub-sections:

- (1) Identify what are the major factors affecting the business performance; and
- (2) Track the performance and outlook of economic and business conditions.

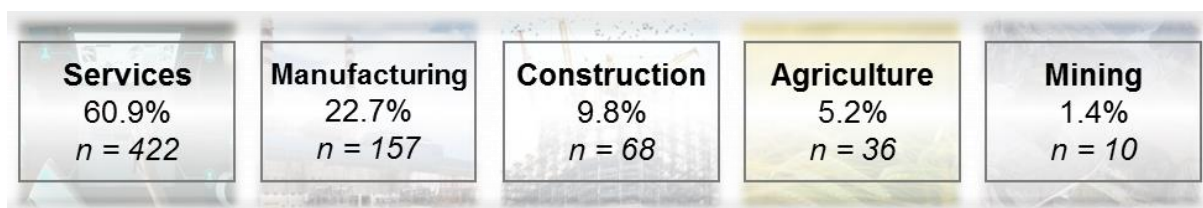
Section C: Current Issues, which focus on

- (1) **Economy and Business Recovery Development;**
- (2) **Business Digital Transformation Plan;** and
- (3) **Regional Comprehensive Economic Partnership (RCEP).**

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

A total of **693 active responses** were received from **1 June 2021 to 15 July 2021**, covering a broad segment of sectors and industries. The breakdown of respondents are as follows:¹

(i) By sector and industry (n=693 respondents)



¹ Numbers may not add up to 100.0% due to rounding, which are also applied for the rest of the report.

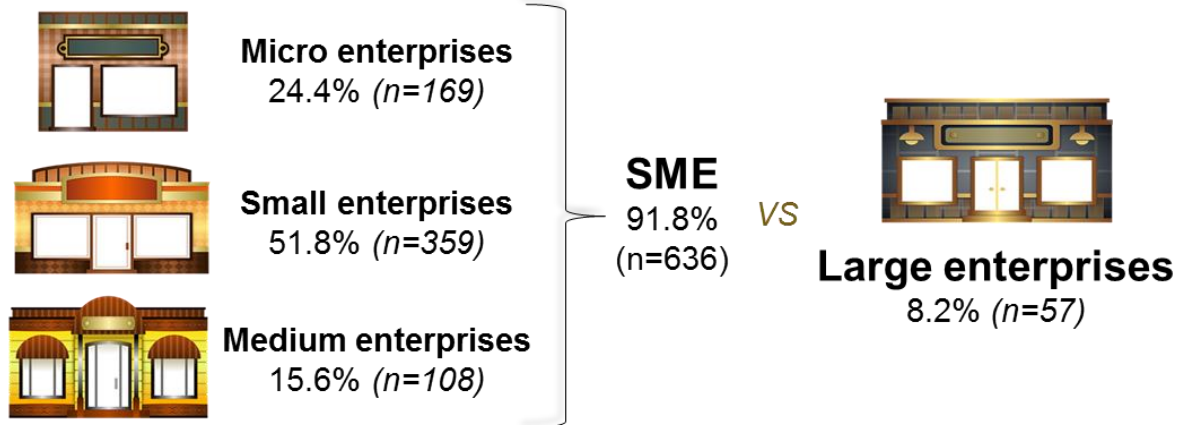
(ii) By size of business operations²

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

Sector and industry	Percentage (%)	Large enterprises (%)	SMEs (%)
Services	60.9	93.6	6.4
Wholesale and retail trade	21.4	93.2	6.8
Professional and business services	14.7	97.1	2.9
Tourism, shopping, hotels, restaurants, recreation and entertainment (“tourism-related”)	5.3	94.6	5.4
Finance and insurance	5.1	88.6	11.4
Information and communications technology (ICT)	4.3	93.3	6.7
Trading (imports and exports)	3.8	92.3	7.7
Real estate	3.6	84.0	16.0
Transportation, forwarding and warehousing	2.7	100.0	0.0
Manufacturing	22.7	87.9	12.1
Construction	9.8	94.1	5.9
Agriculture, forestry and fishery	5.2	86.1	13.9
Mining and quarrying	1.4	80.0	20.0
Total (sample size, n)	100 (693)		

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

(iii) By annual turnover and employment³For **broad services sector** (n=422):**Annual Turnover**

- less than RM3 million	64.7%
- between RM3 million and RM20 million	23.7%
- above RM20 million	11.6%

**Employment**

- less than 30 employees	79.1%
- 30 to 75 employees	12.6%
- More than 75 employees	8.3%

For **manufacturing sector** (n = 157):**Annual Turnover**

- less than RM15 million	61.1%
- between RM15 million and RM50 million	26.1%
- above RM50 million	12.7%

**Employment**

- less than 75 employees	66.2%
- 75 to 200 employees	19.7%
- More than 200 employees	14.0%

For **construction sector** (n=68):**Annual Turnover**

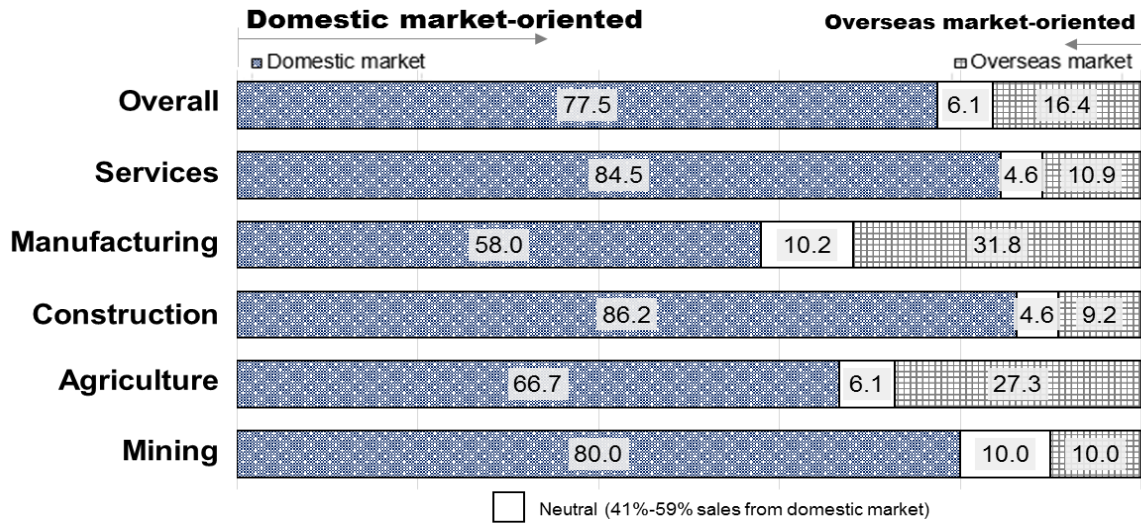
- less than RM3 million	39.7%
- between RM3 million and RM20 million	38.2%
- above RM20 million	22.1%

**Employment**

- less than 30 employees	57.4%
- 30 to 75 employees	33.8%
- More than 75 employees	8.8%

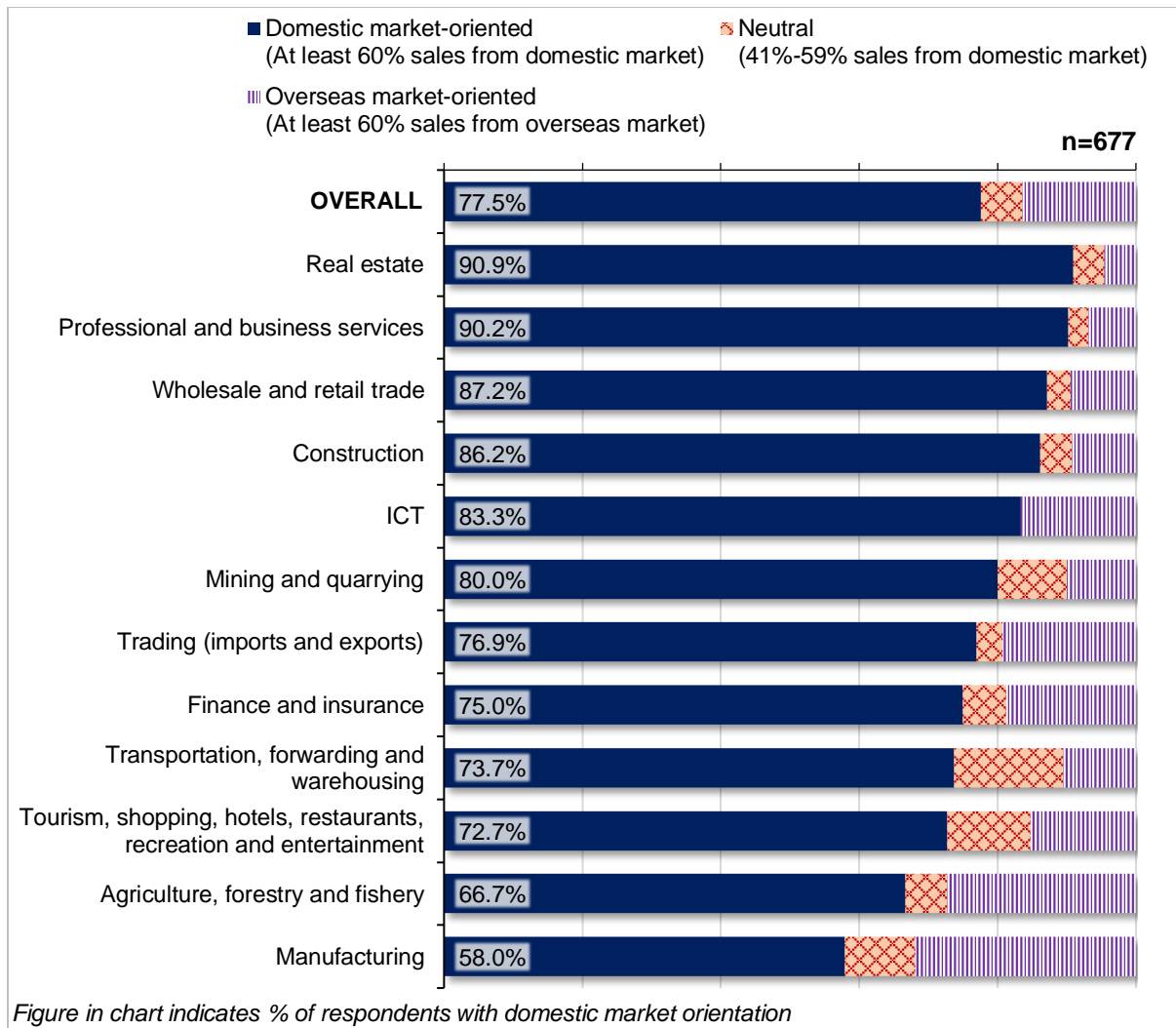
³ Agriculture and mining sectors are omitted due to a low number of respondents.

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



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

Figure 1: Breakdown of respondents by sales orientation



3. SENTIMENT TRACKER

3.1 Business Assessment in 1H 2021

- The resurgence of high infection cases and fast spreading of new virus variants that have overwhelmed the healthcare system, have forced on the Government to re-implement the Movement Control Order (MCO) 2.0 and MCO 3.0. The “open and shut” strict containment measures have disrupted the paths of economic and business recovery.
- In ensuring a safe reopening of the economy based on the operational parameters (the level of infections; ICU beds; and the percentage of population vaccinated), a four-phase National Recovery Plan (NRP) was implemented in 15 June 2021, outlining a specific timeframe for a transition towards a full reopening of more economic and social sectors in 4Q 2021.
- **Business conditions continue to deteriorate in 1H 2021**, weighed down by the movement restrictions and cautious consumer spending on fear of rising COVID-19 caseloads. **58.0% of respondents revealed that their business has worsened in 1H 2021** due to weak consumer demand amid the supply chain disruptions. Only **13.7% of respondents are better-off** while **28.3% of respondents** indicated that their **business performance remained status-quo**.
- Amongst the **sectors⁴ having more than 50% of respondents suffered a deterioration in business conditions** were **tourism, shopping, hotels, restaurants, recreation and entertainment sector (or tourism-related sector) (73.0%), construction (66.2%), finance and insurance (65.7%), wholesale and retail trade (65.5%), professional and business services (58.8%) and manufacturing (54.8%)**. The tourism-related sector was the hardest hit due to the inter-state travel ban and our international borders remained closed.
- **Most of the sectors have less than 20% of respondents reported positive business growth**. Only 2.7% of respondents in tourism, shopping, hotels, restaurants, recreation and entertainment sector and 8.8% of respondents in the wholesale and retail trade recorded positive growth given that many retail business operators are still prohibited from operating due to the high-touch services.

⁴ Only accounted for sectors with sample size of at least 30, which is also applied for the rest of the report

Figure 2: Malaysia's business conditions in 2010-1H 2021

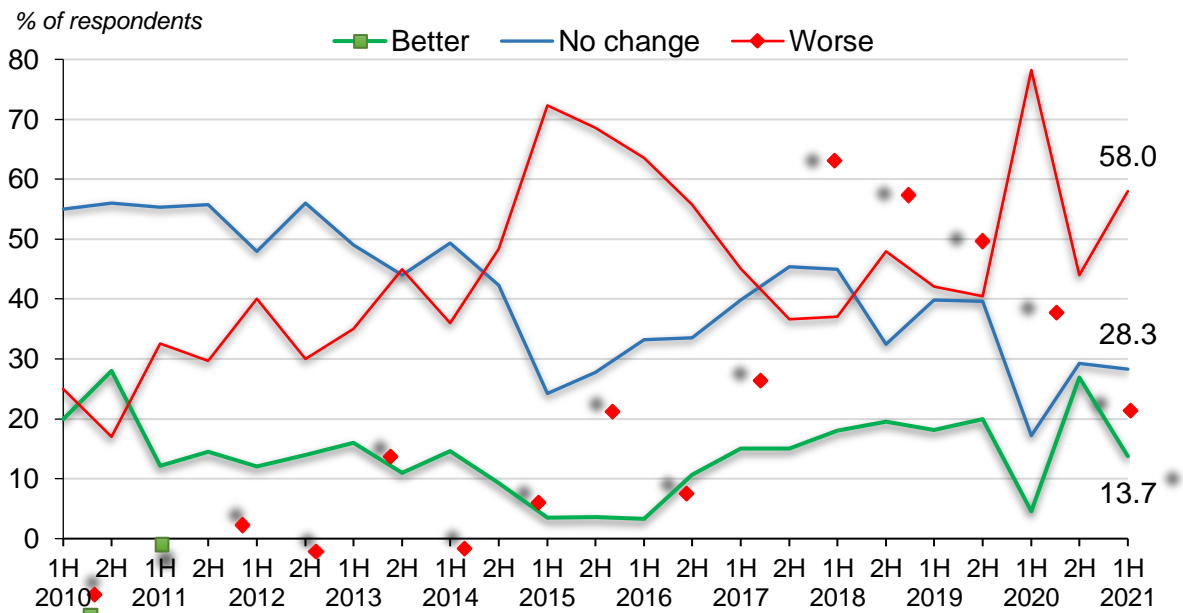
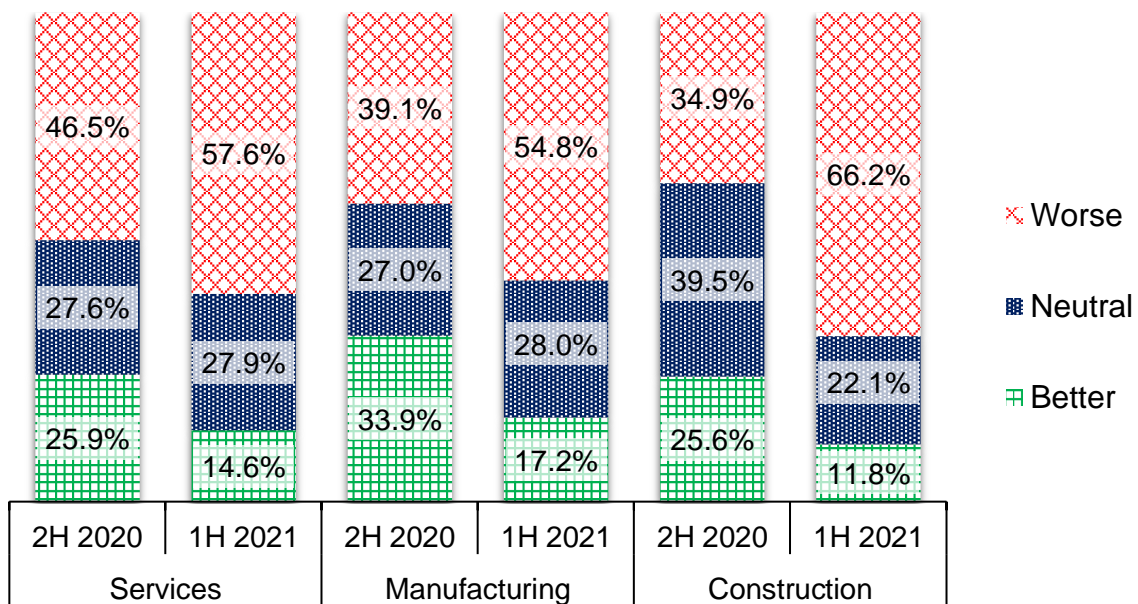


Figure 3: Business conditions in 1H 2021 vs. 2H 2020 by sector



3.2 Economic Conditions and Prospects

- 45.5% of respondents revealed that domestic economic conditions were worse off in 1H 2021**, only 11.4% reporting “Better”; and 43.1% “Neutral”, which is in tandem with a contraction of 0.5% in domestic economic growth in 1Q 2021. The prolonged pandemic impact and strict containment measures have caused deep economic scarring effects. Cautious consumer sentiment, reduced income and weak labour market conditions have caused cutbacks in private consumption, which had declined for four consecutive quarters (4Q 2020: -3.4% yoy; 1Q 2021: -1.5%). Though private investment has improved moderately (+1.3% in 1Q 2021) after three consecutive quarters of contraction, businesses are expected to adopt a wait-and-see approach until better clarity on the virus containment amid lingering political uncertainty.
- While pinning hopes on the NRP and the accelerating pace of national vaccination program, **64.5% of respondents still foresee worse economic prospects in 2H 2021** compared to 45.5% in 1H 2021. A deep concern is that still high double-digits COVID-19 caseloads amid the risk of delayed reopening of the economy would disrupt the economic and business recovery anticipated in 2H 2021. Only 5.1% of respondents anticipate better economic prospects in 2H 2021 compared to 11.4% for 1H 2021. Overall, **65.1% of respondents have no confidence of an economic recovery in 2021**.
- Overall, **businesses are still struggling to recover in 2021** due to the prolonged containment measures and restricted mobility that have disrupted supply chains and cutbacks in demand. **57.4% of respondents** expect a “Worse” economic outlook (“Better”: 5.6%; “Neutral”: 36.9%), which is much more pessimistic than 26% in previous survey.
- Cautious economic recovery is expected in 2022. 54.1% of respondents in almost all sectors hold a neutral view of economic conditions and prospects for 2022**, partly supported by the anticipated reaching of herd immunity vaccination (70-80% of total population vaccinated). Nevertheless, 24.2% of respondents opined that the scarring economic effects will continue in 2022 (vs. 9.2% projected in previous survey), and these are mainly coming from the tourism-related and construction sectors.

Figure 4: Malaysia’s economic growth trajectory

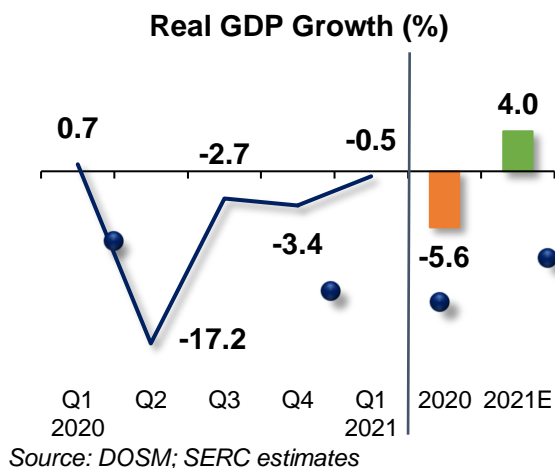


Figure 5: Respondents’ views about the economy (%)

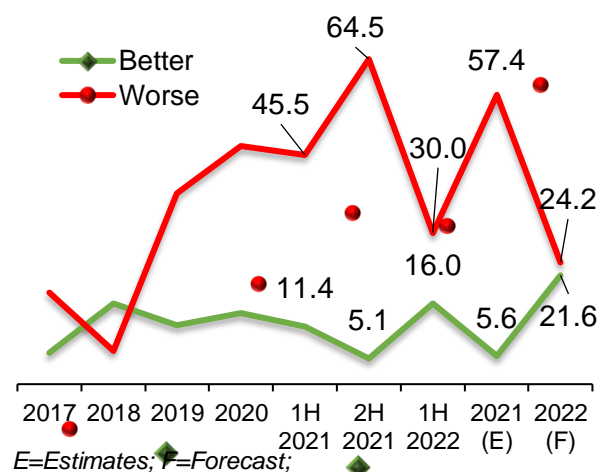


Table 2: Comparison of economic prospects between “M-BECS 2H 2020 and 1H 2021F” and “M-BECS 1H 2020 and 2H 2020F”

Overall													
	1H 2021			2H 2021			1H 2022	2021			2022		
	<i>Est.</i>	<i>Act.</i>	<i>Changes</i>	<i>Est.</i>	<i>Est.(R)</i>	<i>Changes</i>	<i>Frc.</i>	<i>Est.</i>	<i>Est.(R)</i>	<i>Changes</i>	<i>Frc.</i>	<i>Frc.(R)</i>	<i>Changes</i>
Better	9.5	11.4	▲	20.3	5.1	▼	16.0	20.6	5.6	▼	44.5	21.6	▼
Neutral	54.4	43.1	▼	58.8	30.4	▼	54.0	53.4	36.9	▼	46.3	54.1	▲
Worse	36.1	45.5	▲	20.9	64.5	▲	30.0	26.0	57.4	▲	9.2	24.2	▲
Services sector													
	1H 2021			2H 2021			1H 2022	2021			2022		
	<i>Est.</i>	<i>Act.</i>	<i>Changes</i>	<i>Est.</i>	<i>Est.(R)</i>	<i>Changes</i>	<i>Frc.</i>	<i>Est.</i>	<i>Est.(R)</i>	<i>Changes</i>	<i>Frc.</i>	<i>Frc.(R)</i>	<i>Changes</i>
Better	8.8	14.2	▲	19.5	4.9	▼	14.8	20.4	5.7	▼	44.2	21.4	▼
Neutral	53.9	38.5	▼	58.8	32.3	▼	53.9	52.6	37.3	▼	47.9	53.0	▲
Worse	37.3	47.3	▲	21.7	62.8	▲	31.3	27.0	57.0	▲	7.9	25.6	▲
Manufacturing sector													
	1H 2021			2H 2021			1H 2022	2021			2022		
	<i>Est.</i>	<i>Act.</i>	<i>Changes</i>	<i>Est.</i>	<i>Est.(R)</i>	<i>Changes</i>	<i>Frc.</i>	<i>Est.</i>	<i>Est.(R)</i>	<i>Changes</i>	<i>Frc.</i>	<i>Frc.(R)</i>	<i>Changes</i>
Better	13.0	13.4	▲	27.0	5.7	▼	18.5	21.7	9.6	▼	44.3	23.6	▼
Neutral	50.4	43.9	▼	53.9	29.3	▼	59.2	55.7	33.8	▼	40.0	56.7	▲
Worse	36.6	42.7	▲	19.1	65.0	▲	22.3	22.6	56.7	▲	15.7	19.7	▲
Construction sector													
	1H 2021			2H 2021			1H 2022	2021			2022		
	<i>Est.</i>	<i>Act.</i>	<i>Changes</i>	<i>Est.</i>	<i>Est.(R)</i>	<i>Changes</i>	<i>Frc.</i>	<i>Est.</i>	<i>Est.(R)</i>	<i>Changes</i>	<i>Frc.</i>	<i>Frc.(R)</i>	<i>Changes</i>
Better	9.3	8.8	▼	16.3	4.4	▼	17.6	23.3	2.9	▼	46.5	20.6	▼
Neutral	60.5	39.7	▼	64.0	19.1	▼	41.2	51.2	27.9	▼	43.0	48.5	▲
Worse	30.2	51.5	▲	19.7	76.5	▲	41.2	25.5	69.1	▲	10.5	30.9	▲

Act. = Actual; Est. = Estimates; Est.(R)= Revised estimates; Frc. = Forecast; Frc.(R)= Revised forecast; Note: All figures indicates as in percentage (%)

3.3 Business Conditions and Prospects

- **More than half of the respondents (48.6%) reported worse business conditions in 1H 2021**; 39.5% “Neutral” and 11.8% “Better” business conditions in 1H 2021 (15.5% in 2H 2020). Almost all non-essential and social activities are not allowed to operate while those permitted operating essential/economic sectors are given limited manpower capacity amid the supply chain disruptions.
- Our survey findings corroborated with the substantial revenue losses incurred and cash flow problems faced by many businesses, regardless of size in the retail, restaurant, accommodation and tourism-related services business. According to the SME Association of Malaysia, at least 50,000 SMEs, shopping malls have closed down and especially 300,000 are involved in retail and food and beverages. Minister of Entrepreneur Development and Cooperatives indicated that about 580,000 businesses (representing 49% of the MSME sector) are at risk of closing down by October 2021.
- Meanwhile, the Federation of Malaysian Fashion, Textile and Apparel (FMFTA) also reported that the industry had incurred an estimated RM163 million loss a day in 2020 due to operations shut down during the MCO. It foresees that more than 30% of retailers will collapse and 150,000 employees will be retrenched before phase three of the NRP (Sep-Oct 2021).
- **A higher percentage of respondents (62.5% vs. 22.1% expected in previous survey) expecting worse business conditions in 2H 2021**; only 6.3% anticipate “Better” while 31.2% “Neutral”.
- Overall, the following sectors having **higher percentage of respondents foresee worsening business conditions in 2021: Construction (70.6%), tourism-related sector (62.2%), wholesale and retail trade (61.5%) and ICT (56.7%)**.
- Despite the anticipated achieving of herd immunity (70-80% of total population vaccinated), **31.2% of respondents foresee worsening business conditions in 1H 2022**. It takes some time for the deep economic scarring effects to wear off. Some businesses would take a longer time to recoup the revenue loss and mend their operation losses. Market remains wary about the efficacy of vaccines against new virus variants that are more virulent and highly contagious.
- **53.1% of total respondents hold a “Neutral” view on business prospects in 2022; 25.3% foresee “Worse” business prospects in 2022**, especially in the **tourism-related sector (37.8%)** due to high-touch services and lingering uncertainties about inter-state travel and the reopening of borders to international travellers. The Malaysian Association of Hotels Survey Report covering 320 hotels (dated June 2021) indicated that **28.4% (91) hotels have closed temporarily** and 2 hotels have closed permanently.

Table 3: Comparison of business prospects between “M-BECS 2H 2020 and 1H 2021F” and “M-BECS 1H 2020 and 2H 2020F”

Overall													
	1H 2021			2H 2021			1H 2022	2021			2022		
	Est.	Act.	Changes	Est.	Est.(R)	Changes	Frc.	Est.	Est.(R)	Changes	Frc.	Frc.(R)	Changes
Better	10.8	11.8	▲	20.7	6.3	▼	17.3	21.3	5.3	▼	40.9	21.6	▼
Neutral	54.7	39.5	▼	57.2	31.2	▼	51.5	56.2	38.8	▼	50.1	53.1	▲
Worse	34.5	48.6	▲	22.1	62.5	▲	31.2	22.6	55.8	▲	8.9	25.3	▲
Services sector													
	1H 2021			2H 2021			1H 2022	2021			2022		
	Est.	Act.	Changes	Est.	Est.(R)	Changes	Frc.	Est.	Est.(R)	Changes	Frc.	Frc.(R)	Changes
Better	9.9	14.4	▲	20.8	7.2	▼	15.5	21.2	6.3	▼	41.3	20.7	▼
Neutral	55.2	36.3	▼	56.5	30.0	▼	51.4	54.6	40.5	▼	50.3	53.1	▲
Worse	34.9	49.3	▲	22.7	62.8	▲	33.1	24.2	53.3	▲	8.4	26.2	▲
Manufacturing sector													
	1H 2021			2H 2021			1H 2022	2021			2022		
	Est.	Act.	Changes	Est.	Est.(R)	Changes	Frc.	Est.	Est.(R)	Changes	Frc.	Frc.(R)	Changes
Better	18.3	15.9	▼	24.3	5.1	▼	20.4	21.7	6.4	▼	38.3	24.2	▼
Neutral	48.7	40.8	▼	52.2	35.0	▼	55.4	59.1	39.5	▼	50.4	54.1	▲
Worse	33.0	43.3	▲	23.5	59.9	▲	24.2	19.1	54.1	▲	11.3	21.7	▲
Construction sector													
	1H 2021			2H 2021			1H 2022	2021			2022		
	Est.	Act.	Changes	Est.	Est.(R)	Changes	Frc.	Est.	Est.(R)	Changes	Frc.	Frc.(R)	Changes
Better	8.1	5.9	▼	17.4	8.8	▼	19.1	24.4	5.9	▼	43.0	22.1	▼
Neutral	57.0	35.3	▼	62.8	23.5	▼	47.1	57.0	23.5	▼	45.3	50.0	▲
Worse	34.9	58.8	▲	19.8	67.6	▲	33.8	18.6	70.6	▲	11.6	27.9	▲

Act. = Actual; Est. = Estimates; Est.(R)= Revised estimates; Frc. = Forecast; Frc.(R)= Revised forecast; Note: All figures indicates as in percentage (%)

4. BUSINESS PULSE DIAGNOSIS

4.1 Major Factors Affecting Business Performance

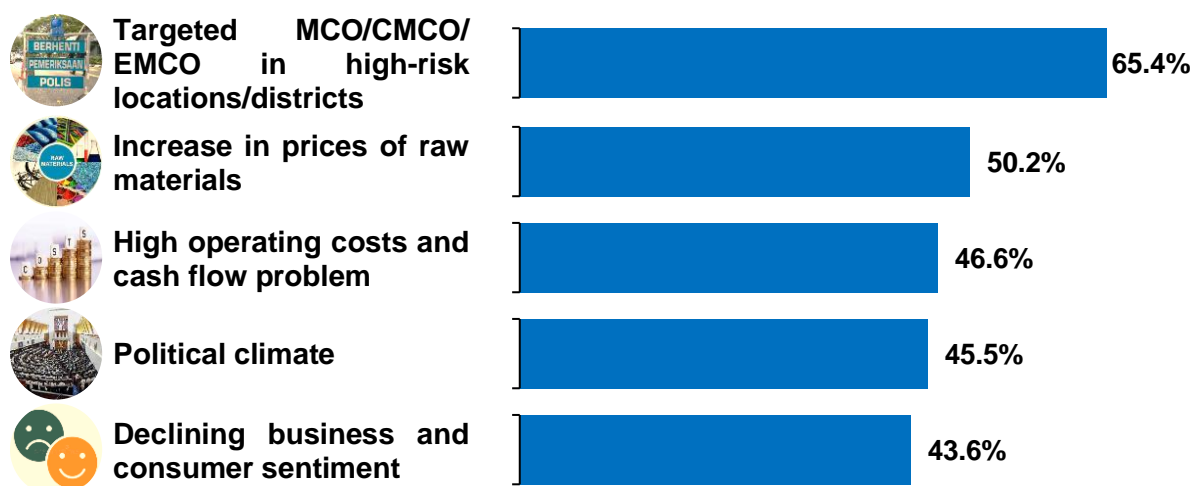
In this section, respondents were asked to list **at least three out of 14 external and domestic factors⁵** that **adversely affected their business performance in 1H 2021**.

Top five factors that have impacted business operations and domestic business environment are:

- (I) **Targeted MCO/CMCO/EMCO in high-risk locations/districts** (65.4%)
- (II) **Increase in prices of raw materials** (50.2%)
- (III) **Higher operating costs and cash flow problem** (46.6%)
- (IV) **Political climate** (45.5%)
- (V) **Declining business and consumer sentiment** (43.6%)

Other significant factors cited by the respondents were **“Changing consumer behaviour”** (34.1%), **“Lower domestic demand”** (33.3%), **“Supply chain disruptions”** (30.6%), **“Increase bad debt and delay payments”** (29.9%), and **“Lack of financing”** (25.7%)






Figure 6: Top 5 factors affecting business performance



⁵ Due to the extraordinary impact caused by COVID-19 and MCO, the list of factors is revamped to reflect current situation.

Figure 7: Top 5 factors affecting business performance by selected sectors

Ranking	1	2	3	4	5
 Manufacturing	 82.2%	 61.8%	 47.8%	 45.9%	 40.8%
 Construction	 79.4%	 63.2%	 54.4%	 51.5%	 39.7%
 Wholesale and retail trade	 70.3%	 52.7%	 51.4%	 50.0%	 48.0%
 Professional and business services	 74.5%	 55.9%	 45.1%	 42.2%	 37.3%

-  Increase in prices of raw materials
-  Targeted area for MCO / CMCO / EMCO
-  High operating costs and cash flow problem
-  Shortage of raw materials
-  Political climate
-  Declining business and consumer sentiment
-  Changing consumer behaviour

Note: For other sectors, please refer to Appendix 3

(I) Targeted MCO/CMCO/EMCO in high-risk locations/districts

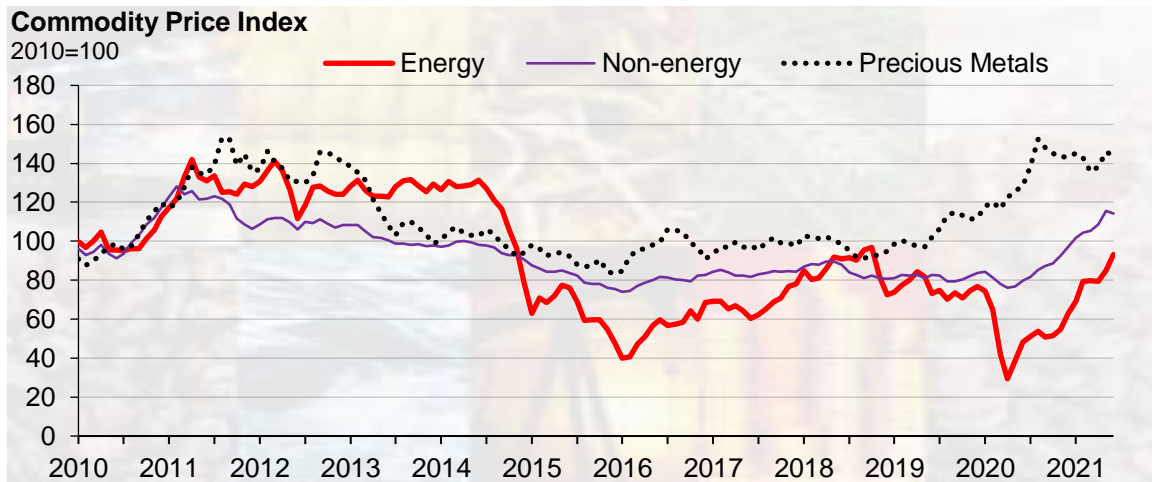
- **65.4% of respondents voted “Targeted MCO/CMCO/EMCO in high-risk locations/districts” as the top factor** that affected their business performance in 1H 2021. Eight out of twelve economic sectors surveyed cited this factor as the top factor while the remaining four sectors ranked movement control order as the second largest factor that badly dampened their business.
- In the first half-year of 2021, the implementation of less restrictive MCO 2.0 (13 January to 4 March) has resulted in national economic output loss of about RM300 million to RM400 million a day, which is smaller compared to a loss of RM2.4 billion a day in MCO imposed in 18 March 2020. Subsequently, the resurgence of high caseloads and fast spreading of new virus variants have forced on the Government to implement MCO 3.0 (started 6 May), followed by a “total lockdown” or Full MCO (FMCO) in June, incurring an estimated economic output loss of RM1 billion a day.
- Stricter containment measures and limited manpower capacity as well as restricted mobility have dampened economic and business activities via cutbacks in demand and supply chain disruptions. The production and supply of the operative economic sectors was curtailed by limited manpower.
- Non-operative as well as restricted non-essential and social sectors have either suffered zero revenue or limited revenue amid bearing high fixed operating costs, such as rental, electricity bill and salaries and wages. Amid getting a partial relief from the Government’s financial assistance packages, many businesses are still struggling to cope with the supply and demand disruptions. The survey indicated

that close to 30% of respondents reporting their sales have declined by more than 30% in 1H 2021.

- Businesses also face the shortage of raw materials as not all suppliers are allowed to operate as they are considered as non-essential. **Overall, 16.7% of respondents foresee that their businesses would be closing down in 2021 if the pandemic impact prolongs**; 33.6% of businesses are unsure whether they can survive through the pandemic or not this year.
- Moving into 2H 2021, the Government has introduced a four-phase National Recovery Plan (NRP) in ensuring a safe transition of reopening from Phase 1 (restricted opening) to Phase 4 (Full reopening with some restrictive activities), guided by the health criteria, such as the level of infections; the adequacy of ICU beds; and the vaccination rates in loosening the SOP. At this time of writing, six states in Peninsular Malaysia, Sabah and Sarawak have moved into Phase 2 of NRP that allowing higher manpower capacity and slightly more sectors to operate while social activities are still largely restricted.

(II) Increase in prices of raw materials

- **Increase in prices of raw materials was ranked as second top factor** affecting their business performance in 1H 2021 by **50.2% of respondents, especially in the manufacturing (82.2%) and construction sectors (79.4%)**.
- **Increases in cost of raw materials were seen in both local and imported raw materials**. 85.6% of respondents indicated that an increase in prices of local raw materials, of which a majority of them (57.1%) reported an increase of more than 10%. 84.4% of respondents also experienced an increase in prices of imported raw materials, of which 60.3% reporting an increase in prices beyond 10%.
- **Rising cost of raw materials are a global phenomenon trend** due to the strong global economic recovery in major countries and also a revived consumer demand as most countries have reopened their economy. Global energy prices have surged strongly by 49.6% in 1H 2021 compared to 2H 2020, whereas global non-energy commodity prices (excludes precious metals) also increased by 21.9% for the same period. Amongst the segments in non-energy commodities, fertilizers, metals and minerals as well as food prices increased the most at 35.0%, 30.9% and 23.0%, respectively.
- Persistent rising cost of raw materials mean higher cost of production for the manufacturers as reflected in the Producer Price Index (PPI), a measurement of prices paid by producers for intermediate inputs and raw materials. After declining for three consecutive quarters (second quarter to fourth quarter of 2020), PPI has turned around to increase by 3.0% yoy in 1Q 2021 and shot up further by 11.3% in 2Q 2021. Higher cost of production would eventually pass-through to consumer price inflation if the producers unable to absorb the costs.
- **It is expected that the price of raw materials would remain elevated in 2H 2021** as 78.4% and 76.0% of respondents expect higher cost of local and imported raw materials, respectively.

Figure 8: Global commodity prices trend

Source: World Bank

(III) High operating costs and cash flow problem

- **High operating costs and cash flow problem** remained a key concern for the business sector. **46.6% of respondents named this factor as the third largest factor** that impacting their business performance in 1H 2021, about the same with 48.3% in 2H 2020 in previous survey.
- **73.7% of respondents still highly concerned about 3Cs (Cash flow, Cost and Credit)**, whereby rental and salaries payment are among the fixed operating expenses that have significantly burdened them amid having low or zero sales/revenue in this tough time.
- In terms of cash flow conditions, **close to 80% of respondents can cover their business operations/productions, raw materials/inventory, manpower for not more than six months**, of which **46.2% can cover less than 3 months only**. At the same time, 59.6% of respondents have experienced poor cash flow conditions in 1H 2021 and worse still, 74.5% of respondents expect poor cash flow conditions in 2H 2021.
- Though the Government has rolled out low interest rate credit facilities, grant or operating expenses subsidy to provide cash flow relief, the prolonged supply and demand uncertainties arising from “open and shut” strict containment measures as well as limited manpower capacity will continue cannibalise their cash and internal reserves, and threatening the business survival.

(IV) Political climate

- **45.5% of respondents continue to cite that political climate in Malaysia is of the most impacting factors for their business performance**, similar to previous survey (46.1% of respondents). As the current government has a small majority and hence, rendering it to a high risk of losing its power grip. Lingering political uncertainty would undermine investors’ sentiment and confidence as well as distract the Government’s focus to manage the ravaging impact of the COVID-19

pandemic and navigate the economy onto the path of steady and sustainable recovery.

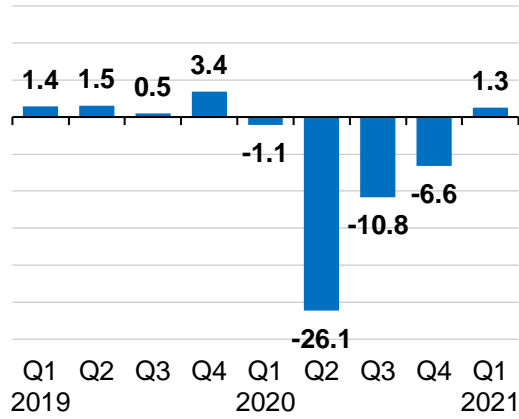
- Political uncertainties have been lingering for some time post the 14th General Election, which saw investors' anxieties about political and policies transition, constant political bickering as well as the change of new government in February 2020.
- **Political stability and good governance are key to ensuring macroeconomic stability and sustainable growth** amid the prolonged COVID-19 pandemic and looming risk of a derailed economic recovery. We must always have good sense and strong political will must prevail to reset our national development agenda. A stable political condition will enhance the confidence of both domestic and foreign investors in terms of where the country is heading.

(V) Declining business and consumer sentiment

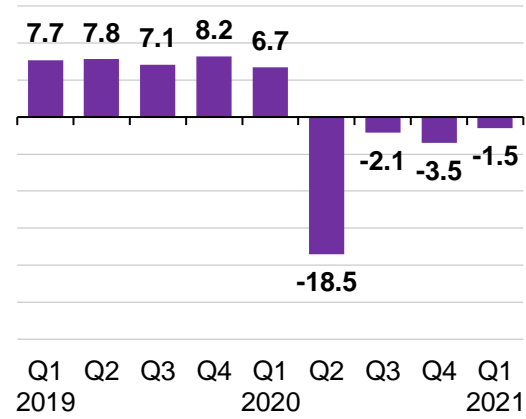
- **43.6% of respondents noted that declining business and consumer sentiments** have impacted their business adversely in 1H 2021.
- As surveyed by the Malaysian Institute of Economic Research (MIER), both Business Conditions Index (BCI) and Consumer Sentiments Index (CSI) also fallen sharply in 2Q 2021. The plunge in business confidence was attributed to a poor demand locally and internationally amid lower production, capital investment and capacity utilisation. With business outlook remained sluggish, employment conditions also fell substantially.
- We expect business conditions to remain weak and poor until at least Phase 3 of NRP (possibly August-September) whereby more business activities will be allowed to operate, such as all manufacturing industries and certain domestic tourism activities will be permitted, subject to strict SOP and a completed dose of vaccination.
- MIER's CSI dropped by 34.6 points to 64.3 in 2Q 2021 with the signs of consumer fatigue are becoming more apparent and could worsen in the future. Consumers' financial conditions and outlook in the job market deteriorated greatly.
- As consumers are pandemic fatigue and weary as well as fearing of rising infections, households and individuals have generally preserved their cash and increased precautionary savings, and hence, would spend discretionary. Consumers' confidence will return and pent-up demand will materialise if the worsening COVID-19 condition eases, backed by a high percentage of vaccination rates as well as an improvement in the labour market. In this regard, high hopes are pinning on the progress of implementing the NRP as a fast transition to phase 4 of NRP, which allows a reopening of nearly all social sectors, including inter-state travel.

Figure 9: Private investment and consumption growth

Private investment growth
%, YoY



Private consumption growth
%, YoY

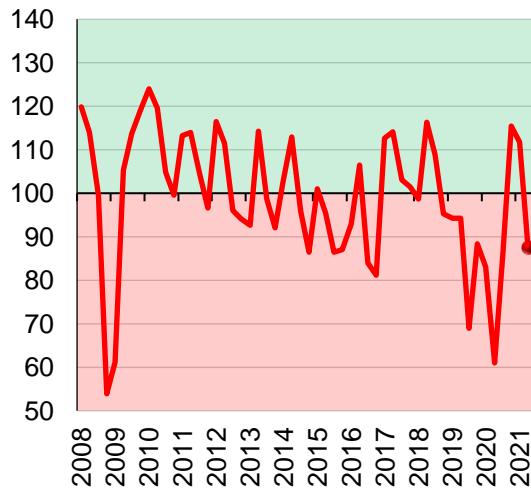


Source: Department of Statistics, Malaysia (DOSM)

Figure 10: MIER's Business Conditions Index (BCI) and Consumer Sentiments Index (CSI)

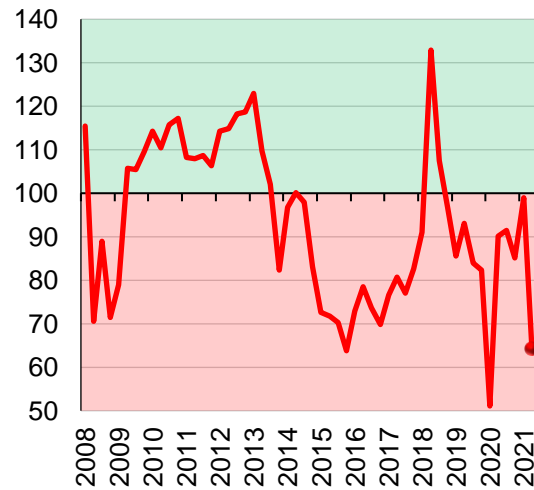
Business Conditions Index (BCI)

Above 100= Optimism; Below 100 = Pessimism



Consumer Sentiments Index (CSI)

Above 100= Optimism; Below 100 = Pessimism



Source: Malaysian Institute of Economic Research (MIER)

4.2 Business Assessment in 2H 2020 and 1H 2021F

Business conditions

- Overall, **most businesses (60.8%) experienced poor business conditions**, an increase from 52.2% expected in previous survey. 32.0% of respondents indicated "satisfactory business conditions"(declined from 38.0% expected previously), leaving only 7.2% of businesses reported "good business conditions" in 1H 2021 (declined from 9.8%).
- **A higher percentage of respondents (78.7% vs. 60.8% in 1H 2021) foresee their business conditions would remain "poor"** with the remaining 19.6% and 1.8% expect "satisfactory" and "good" conditions, respectively for 2H 2021. Amongst the sectors that envisage much poorer business conditions are **wholesale and retail trade (86.4%), tourism-related sector (80.2%) and construction sector (79.4%)**.

Working capital conditions

1. Cash flows conditions:

- **More than half of respondents (59.6%) suffered poor cash flow conditions in 1H 2021** (vs. 53.7% in 2H 2020). By industry size, SMEs are generally having poorer cash flow conditions as voted by 60.6% of SMEs compared to **large corporations (49.1%)**, which generally have preserved more cash in hand. Critical cash flow conditions were encountered by the construction sector (73.0% of respondents) and wholesale and retail trade (64.9%).
- **46.2% of respondents facing tight cash flow problems and unable to cover business operations/productions, raw materials/inventory, manpower cost for 3 months** while 33.8% can only last for 3-6 months.
- By size of operations, about **half of the micro-enterprise respondents (50.3%) do not have sufficient cash to pay their operating expenses for 3 months**. In contrary, about **36.9% of large corporations revealed that their cash position can cover more than 6 months** compared to 18.5% for SMEs (23.1% in medium-sized enterprises, 16.2% in small enterprises and 20.7% in micro-enterprises).
- **More than 70% of respondents foresee their cash flow conditions would remain poor in 2H 2021**. Most sectors expect tough cash flow conditions: **Wholesale and retail trade industry (83.4%), construction (82.0%), tourism-related sector (76.7%), professional and business services (75.0%), manufacturing (74.5%) and ICT (72.0%)**.

2. Debtors' conditions:

- **60.5% of respondents indicated “poor debtors’ conditions” in 1H 2021 (vs. 50.3% in 2H 2020)**, particularly in the construction sector (74.6%), wholesale and retail trade sector (66.9%) and ICT sector (66.7%).
- Going into 2H 2021, a **higher number of respondents (74.5%) foresees “poor debtors’ conditions”** with lesser respondents expect debtors’ conditions to be “satisfactory” (24.0% vs. 34.7% in 1H 2021) and “good” (1.6% vs. 4.8% in 1H 2021). Amongst the sectors cited poor debtors’ conditions are the wholesale and retail trade sector (81.2%), construction sector (80.7%), manufacturing sector (73.3%) and tourism-related sectors (71.4%).

Capacity utilization level

- Given that most industries are allowed to operate only with limited manpower capacity during the various stages of movement restrictions, including MCO3.0 and Phase 1 of NRP, **most respondents (40.6%) reported that their plants are operating below 50% in 1H 2021**, followed by 40.2% operating between 50% and 75% capacity utilisation rate and only 19.2% operating above 75% capacity.
- **For 2H 2021, about 33.8% of respondents foresee that their capacity utilisation rate will reach between 50% and 75%.** While 23.5% of respondents expect to operate below 50% capacity, **almost half of respondents (42.6%) anticipate their capacity utilisation rate can reach beyond 75%** when NRP moving into more loosened phases.

Figure 11: Business, cash flows, and debtors’ conditions in 1H 2021 and 2H 2021F

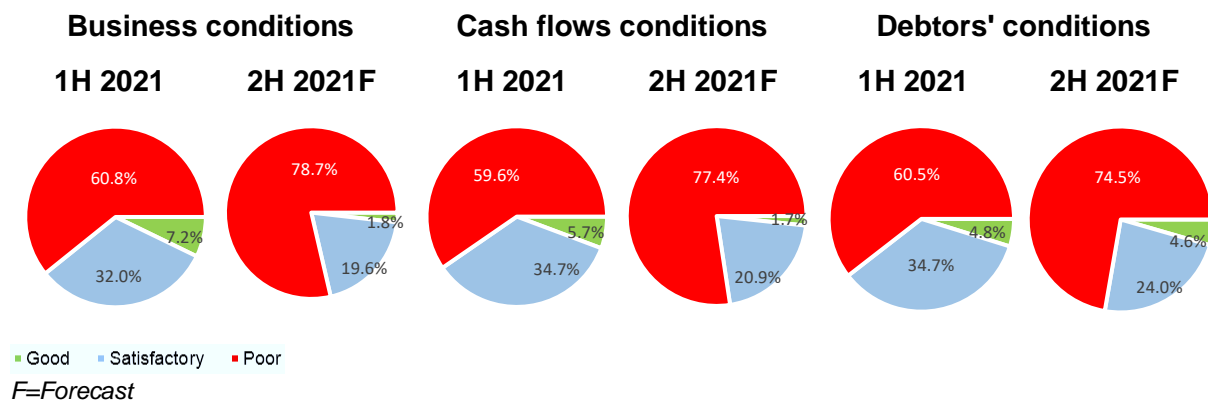
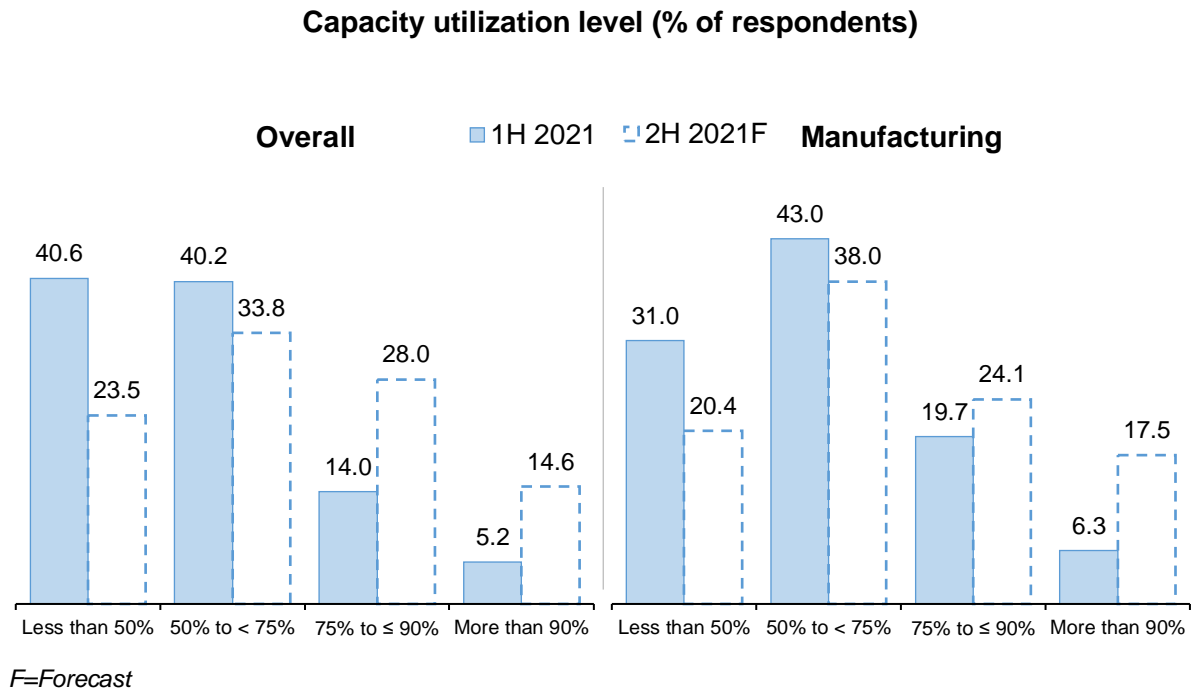


Figure 12: Business, cash flows and debtors' conditions by selected sectors*

		Conditions in terms of:					
		Business (%)		Cash flows (%)		Debtors (%)	
🏭 Manufacturing	1H21	34.4	56.7	38.9	56.7	40.1	55.4
	2H21F	20.2	78.1	24.3	74.5	25.4	73.3
🏗️ Construction	1H21	28.6	66.7	25.4	73.0	22.2	74.6
	2H21F	20.0	79.4	17.4	82.0	18.7	80.7
🏠 Wholesale and retail trade	1H21	25.0	68.9	29.7	64.9	30.4	66.9
	2H21F	13.1	86.4	15.4	83.4	17.5	81.2
👥 Professional and business services	1H21	40.2	55.9	42.2	53.9	39.2	54.9
	2H21F	20.9	77.2	23.9	75.0	30.4	67.7

1H21= 1H 2021; 2H21=2H 2021; F=Forecast; * According to the highest sample size

Figure 13: Capacity utilization level in 1H 2021 and 2H 2021F for overall and manufacturing sector



4.3.1 Sales Turnover

Sales – Still sluggish

Overall sales volume

- **62.5% of respondents experienced a decrease in overall sales volume in 1H 2021, with 29.9% suffering sales drop of more than 30%**, particularly in tourism-related sectors (50.0% of the respondents reported that their sales have dropped by more than 30%) due to inter-state travel ban.
- 17.6% of respondents reported an increase in sales, mainly in the finance and insurance sector (26.7%) and manufacturing sector (24.2%). Most essential economic and services sectors are allowed to operate with limited manpower capacity during the MCO.
- **Almost 80% of respondents are pessimistic about sales prospects in 2H 2021.** Only 4.7% of respondents expect an increase in sales given most states still remained in Phase 1 of NRP whereby economic and business activities are still very much constrained.

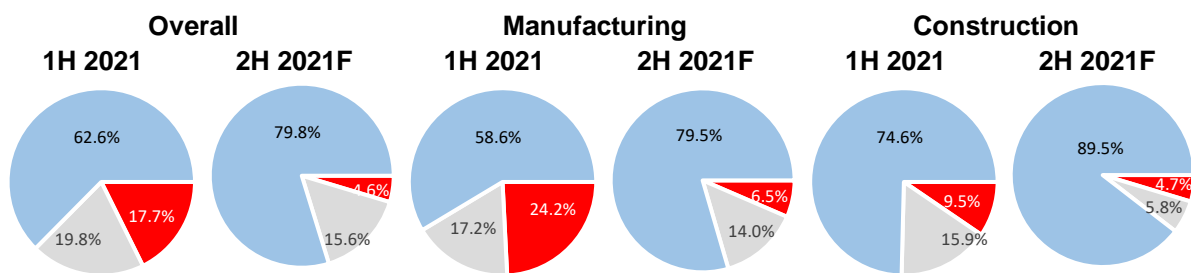
Domestic market

- Overall domestic sales volume has dropped, which is in tandem with various containment measures and weakening private consumption growth (-1.5% in 1Q 2021). **66.1% of respondents reported a decrease in domestic sales volume in 1H 2021** compared to 2H 2020 while 34.1% indicated a sales drop of more than 30%. Nevertheless, 15.2% of respondents reported an increase in domestic sales volume while 18.7% of respondents reported their sales volume were unchanged.
- The Federation of Malaysian Manufacturers (FMM) survey showed that a high percentage of respondents (90.4%) indicated a reduction in both export and domestic sales, with 40.5% of respondents expecting a decline of 11%-30% in domestic sales and 79.0% of respondents' exports would reduce by 5%-20%.
- **Domestic sales prospects are expected to remain poor in 2H 2021** given cautious consumer sentiment and discretionary spending due to weak income and labour market conditions. **68.9% of respondents expect their sales to fall in 2H 2021 with 32.3% of respondents expecting sales dropping of more than 30%** while 12.7% of respondents foresee an increase in sales volume.
- For price level, a **higher number of respondents has increased their price level in 1H 2021 (43.7%)**, mainly by 1%-15%, as cost of raw materials have gone up substantially. **Close to 40.0% of respondents will continue to increase their prices in 2H 2021** given that production cost is still increasing. The Producer Price Index (PPI), a measurement of prices paid by the producers on intermediate inputs and raw materials, have increased by strong double-digit growth of 11.3% yoy in 2Q 2021. Nevertheless, about one-third of respondents (31.2%) will maintain their prices in 2H 2021 while 30.0% of respondents will decrease prices, mainly by 1%-15% in the same period.

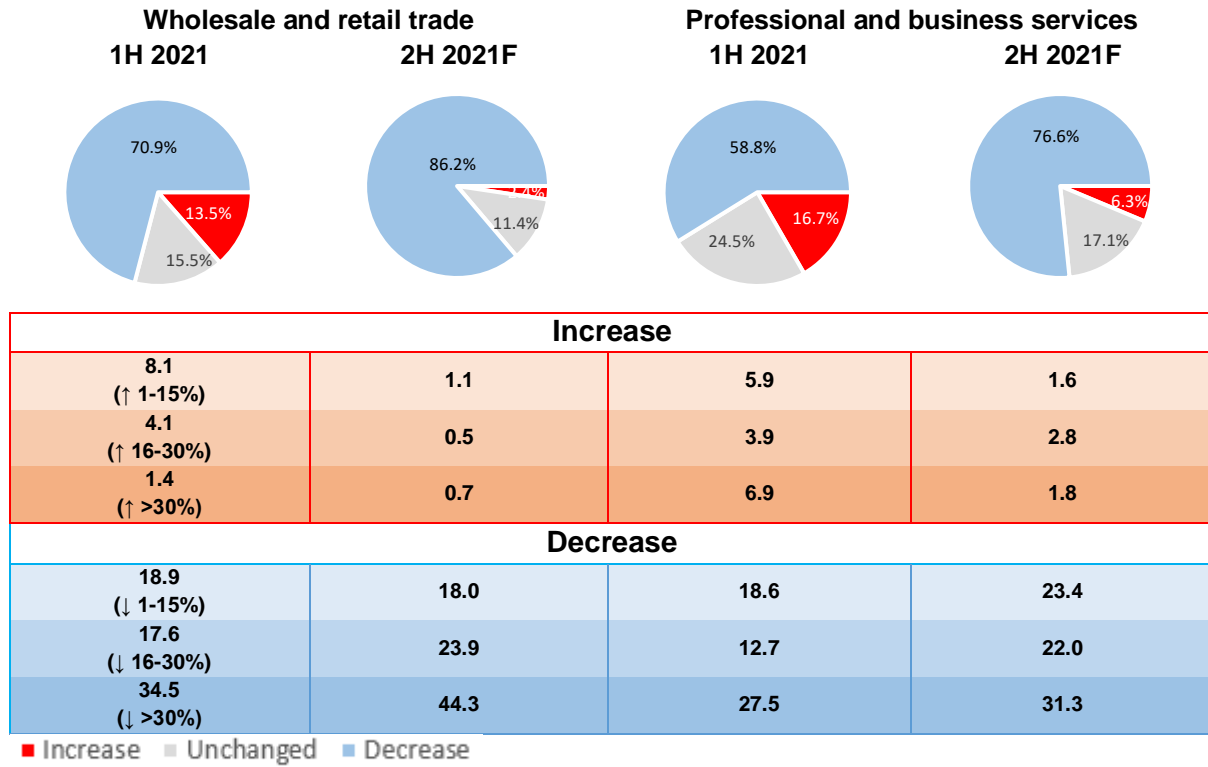
Overseas market

- Amid the divergent recovery paths across major advanced economies and developing economies, **25.4% of respondents reported a decrease in foreign sales volume in 1H 2021** with 23.6% reporting decreases of more than 30% (14.1% had experienced a decrease of 1%-15%; 12.9% for a decrease of 16%-30%).
- **Businesses remain cautious about their foreign sales prospects in 2H 2021.** Higher respondents (52.5% vs. 50.6% in 1H 2021) maintained their expectations of a decline in sales in 2H 2021; 30.3% (vs. 28.5% in 1H 2021) expect “unchanged” in overseas sale while 17.2% (vs. 20.9% in 1H 2021) expect increase in overseas sales in 2H 2021.

Figure 14: Overall sales volume growth in 1H 2021 and 2H 2021F by selected sectors

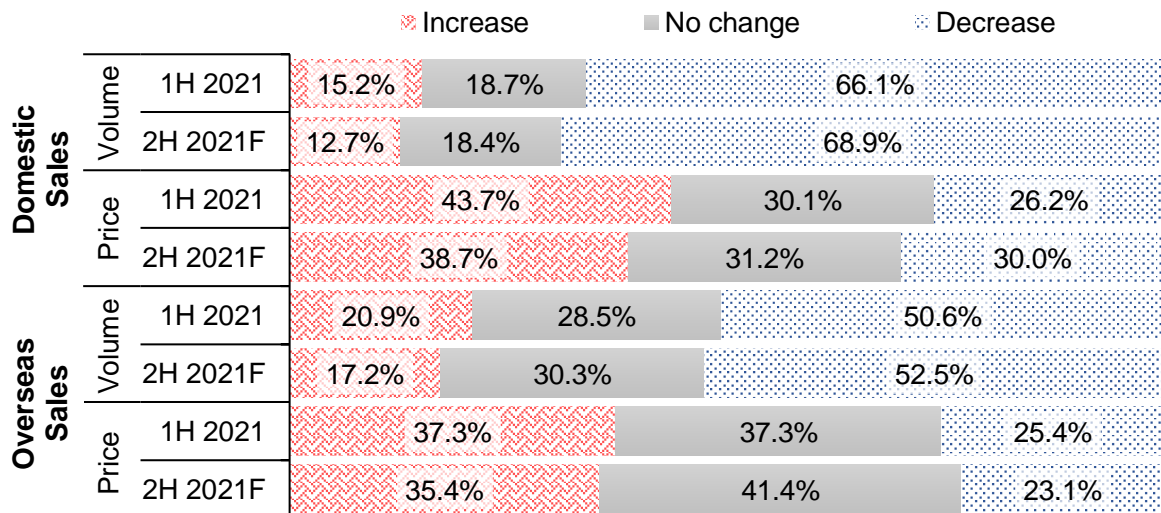


Increase					
8.4 (↑ 1-15%)	1.4	11.5	1.7	4.8	1.7
4.9 (↑ 16-30%)	1.5	5.7	2.1	3.2	1.2
4.3 (↑ >30%)	1.8	7.0	2.7	1.6	1.7
Decrease					
15.4 (↓ 1-15%)	17.9	14.6	20.8	15.9	10.2
17.2 (↓ 16-30%)	22.9	19.1	28.8	15.9	24.4
29.9 (↓ >30%)	39.0	24.8	30.0	42.9	54.9



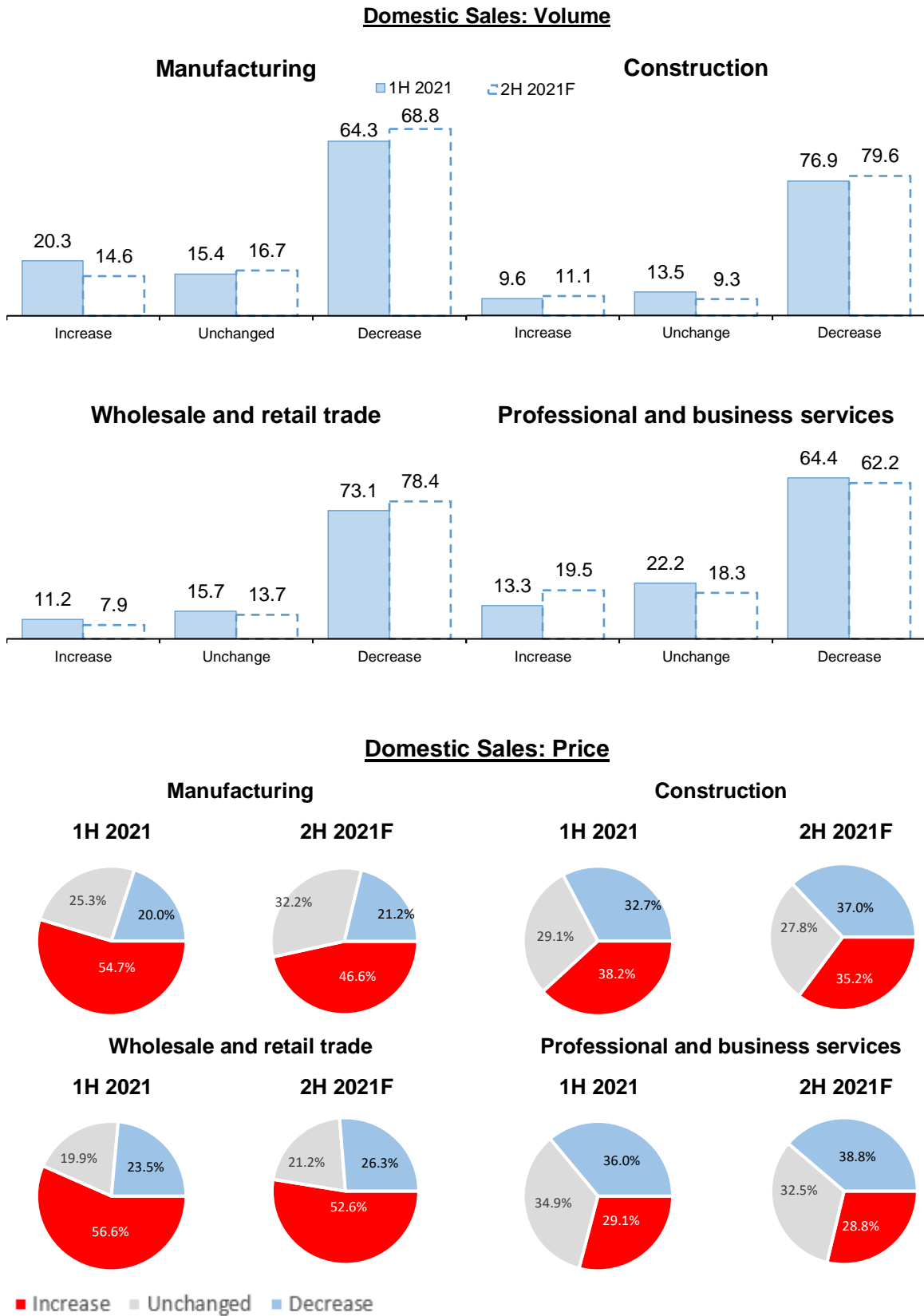
Note: All figures indicate as in percentage (%) share of respondents

Figure 15: Domestic and overseas sales (volume and price) in 1H 2021 and 2H 2021F

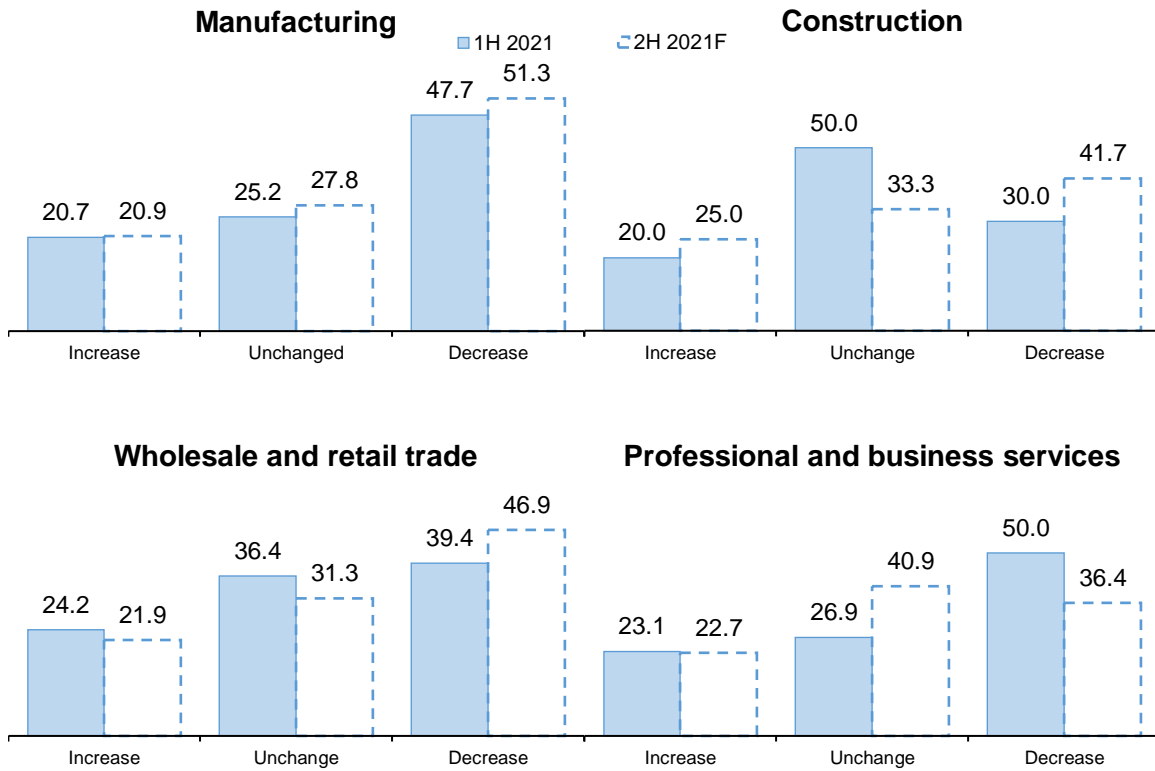


F = Forecast

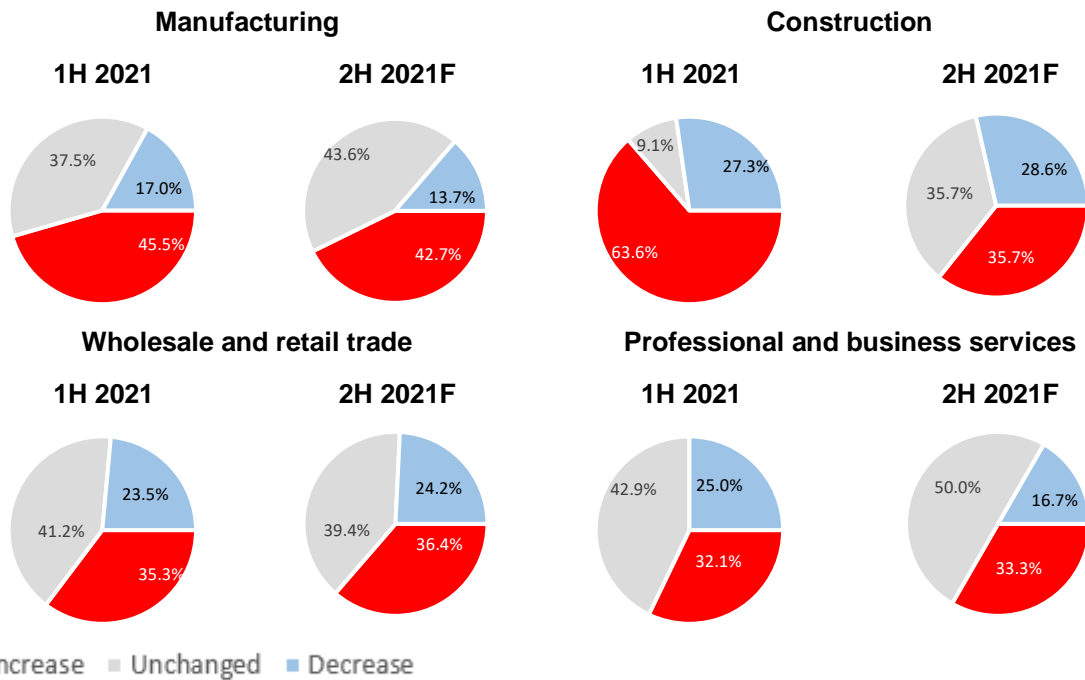
Figure 16: Domestic and overseas sales (volume and price) in 1H 2021 and 2H 2021F by selected sectors



Overseas Sales: Volume



Overseas Sales: Price



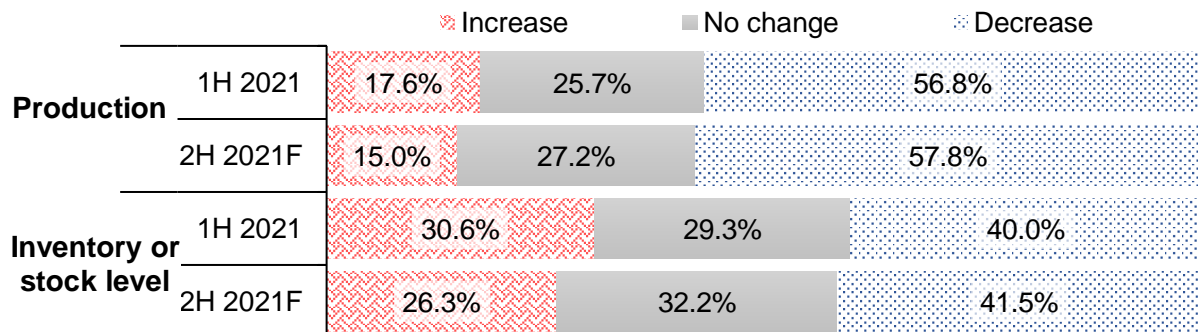
Note: All figures indicate as in percentage (%) share of respondents

4.3.2 Production and Inventory Level

Re-imposition of MCO nationwide lowered production capacity

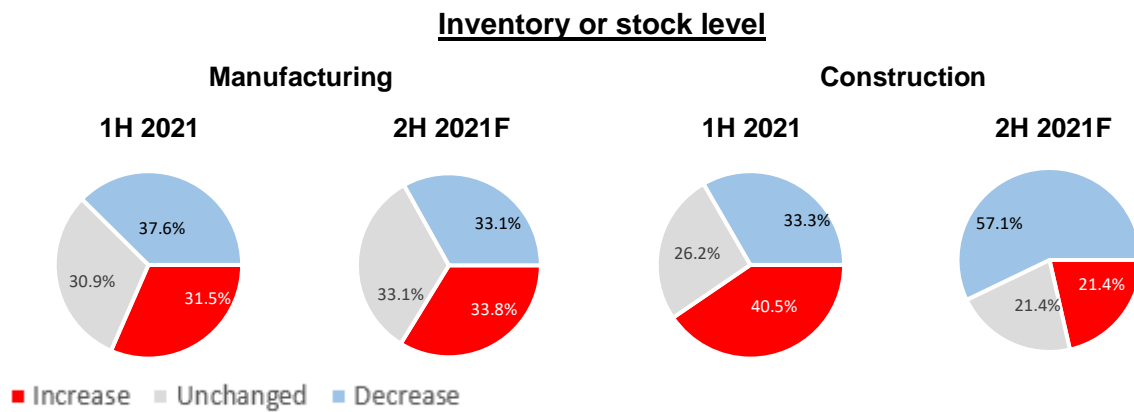
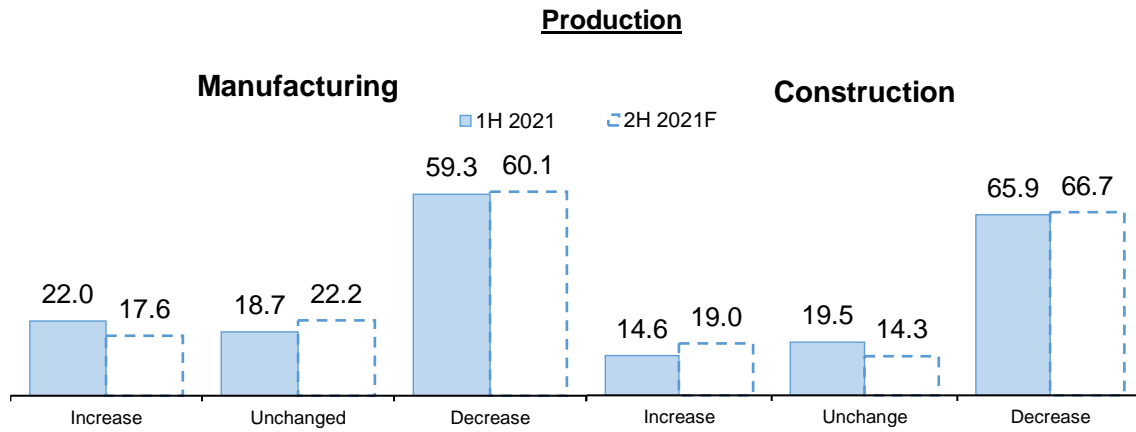
- The re-implementation of total lockdown under MCO 3.0 during May-June 2021 has halted business operations for most non-essential sectors, and hence, dampened overall production.
- **56.8% of respondents reported a decline in production level in 1H 2021.** In the construction sector, **65.8% indicated a decline in production** with 39.0% reporting production has dropped by more than 30%.
- The SOP and social distancing as well as a slow recovery in demand would continue to constrain production capacity. Hence, **inventory level has dropped (voted by 40.0% of respondents) and will continue to decline in 2H 2021 (41.5%).**

Figure 17: Production and inventory or stock level in 2H 2020 and 1H 2021F



F=Forecast

Figure 18: Production and inventory or stock level in 1H 2021 and 2H 2021F by selected sectors



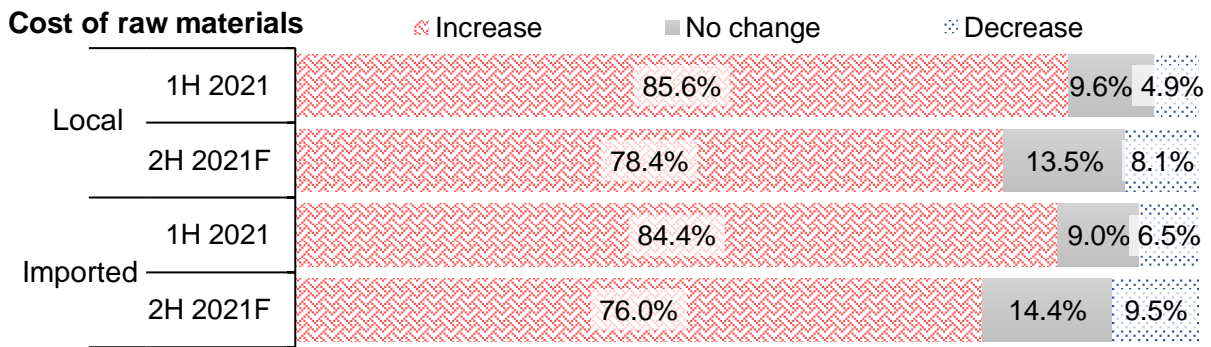
Note: All figures indicate as in percentage (%) share of respondents

4.3.3 Cost of Raw Materials

Raw material prices continue rising amid strong demand and supply shortage

- In tandem with the global recovery, a revived consumer demand amid the shortage of raw materials and supply chain disruptions, commodity and raw material prices have continued to increase substantially, exerting pressure on cost of production. **About half of respondents (50.2%) cited an increase in prices of raw material is a significant dampening factor on their business. More than 80% of respondents indicated that both prices of local and imported raw materials have increased significantly in 1H 2021.**
- During 1H 2021, **85.6% of respondents revealed that an increase in costs of local raw materials**, of which 9.8% reporting an increase of 1%-5%, 18.7% an increase of 6%-10% and 57.1% an increase of more than 10%, while **84.4% of respondents reported an increase in costs of imported raw materials**, of which 60.3% of respondents indicating price increases beyond 10%.
- **The construction, manufacturing and wholesale and retail trade sectors** were significantly impacted by increase in prices of raw materials, **particularly imported raw materials**.
- The shortage of shipping containers is another cost-push factor, which was brought about by the COVID-19 pandemic. It has wrought on international supply chains and caused exorbitant rise in prices of raw materials, inflicted pain on businesses' cost of operation and production.
- **Cost of local raw materials are expected to increase in 2H 2021 as indicated by 78.4% of respondents** (vs. 85.6% in 1H 2021), similar to that of imported raw materials (76.0%). For the construction sector, **66.7% anticipate prices of local raw materials will increase by more than 10%** while 24.6% of respondents expect to go up by 1%-10%.
- **For 2H 2021, 55.2% of respondents in the manufacturing sector expect price level to rise by more than 10%**; 28.6% expecting local raw materials to increase by 1%-10%. **55.3% of respondents expect imported raw materials cost to increase beyond 10%** and 27.2% indicated that prices will be higher by 1%-10%.

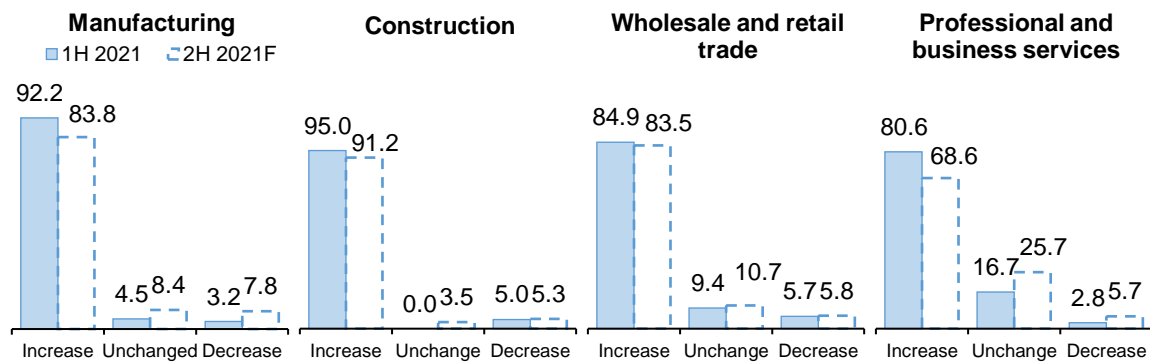
Figure 19: Cost of raw materials in 1H 2021 and 2H 2021F



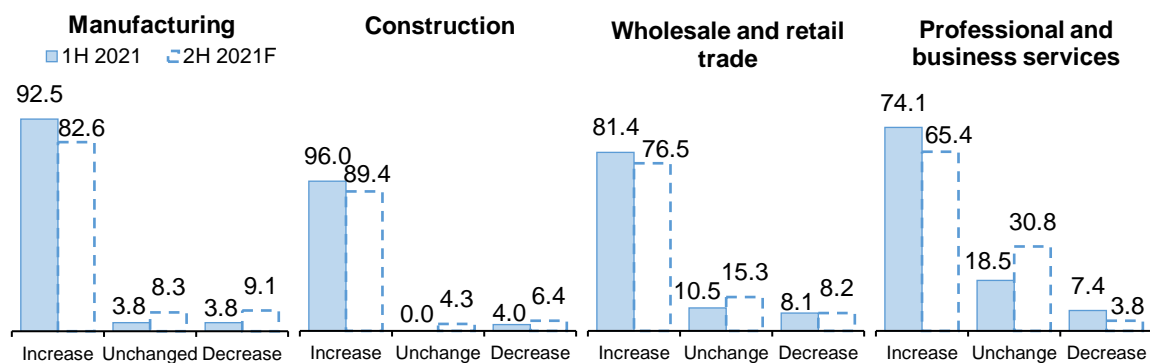
F=Forecast

Figure 20: Cost of raw materials in 1H 2021 and 2H 2021F by selected sectors

Cost of raw materials: Local



Cost of raw materials: Imported



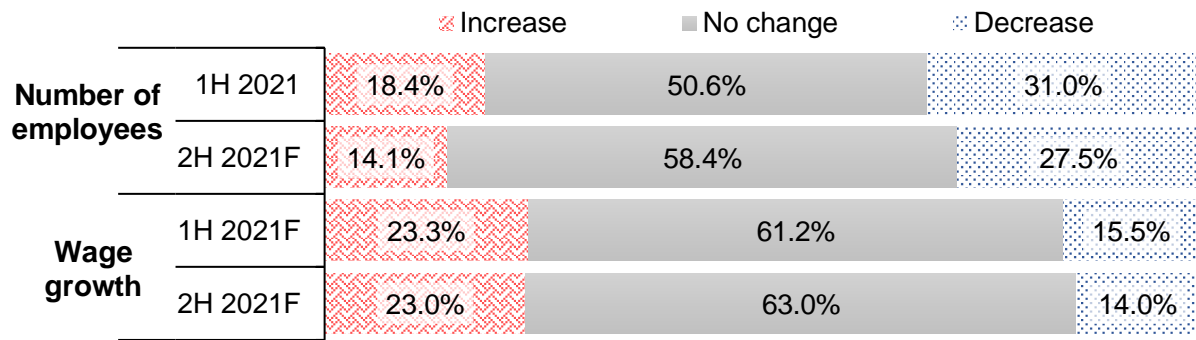
Note: All figures indicate as in percentage (%) share of respondents

4.3.4 Manpower

The labour market remains vulnerable

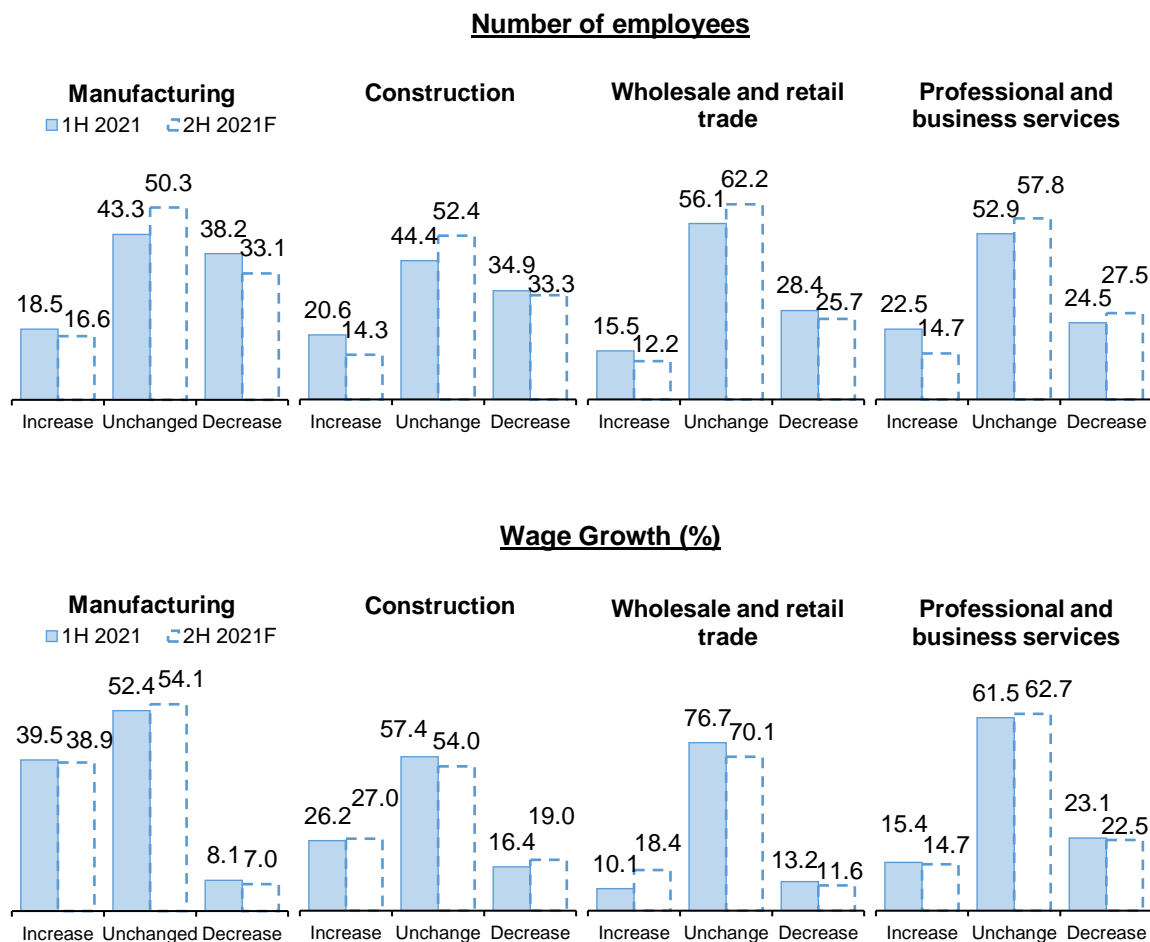
- **While half of respondents (50.6%) have maintained the number of employees**, 31.0% of respondents have reduced their manpower in 1H 2021, mainly in tourism-related sectors (59.4%). **61.2% of respondents indicated that no change in salary adjustment**, while 23.3% of respondents have increased their employees' wages in 1H 2021.
- According to the Employment Insurance System (EIS)'s loss of employment (LOE) data, 34,729 employees have lost their employment in 1H 2021. Despite the unemployment rate has improved gradually from 4.8% in February 2021 to 4.5% in May 2021, unemployed persons remained elevated at around 728,100 persons, about 40% higher compared to around 520,000 persons before the pandemic.
- The re-implementation of total lockdown in June 2021 would force some companies to lay off more workers due to falling revenue and reducing operating costs. According to the EIS data, 10,496 employees were retrenched from 1 June 2021 to 23 July 2021.
- **For 2H 2021, more respondents (58.2%) are likely to maintain their staff pool**, but about 30% of respondents have indicated to lay off some of their employees, mainly in tourism-related sectors (43.8%).
- **63.0% of respondents will maintain their employees' current salary level** while 14.0% expect some pay cut in 2H 2021. Nonetheless, 23.0% of respondents (declined slightly from 23.3% in 1H 2021) will give salary increment, mainly by 1%-5%.
- The Government has provided the Wage Subsidy Program 4.0 (WSP 4.0), hiring incentives under PenjanaKerjaya 3.0 and a Job Search Allowance (Elaun Mencari Pekerjaan) to ease the employers' payroll burden. These schemes will be opened for non-contributors, such as fresh graduates, school leavers and workers in the informal sector to encourage employment.

Figure 21: Number of employees and wage growth in 1H 2021 and 2H 2021F



F=Forecast

Figure 22: Number of employees and wage growth in 1H 2021 and 2H 2021F by selected sectors



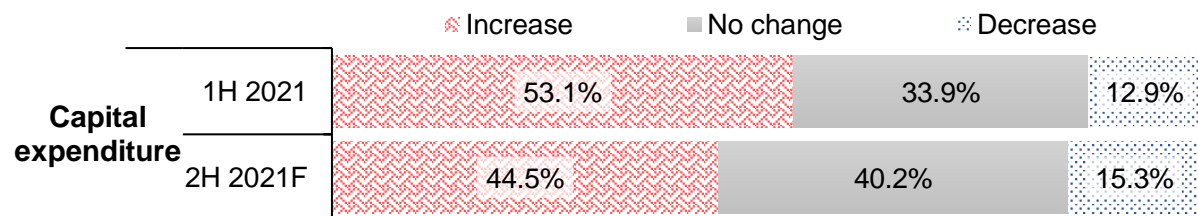
Note: All figures indicate as in percentage (%) share of respondents

4.3.5 Capital Expenditure

Capital spending prospects likely to improve

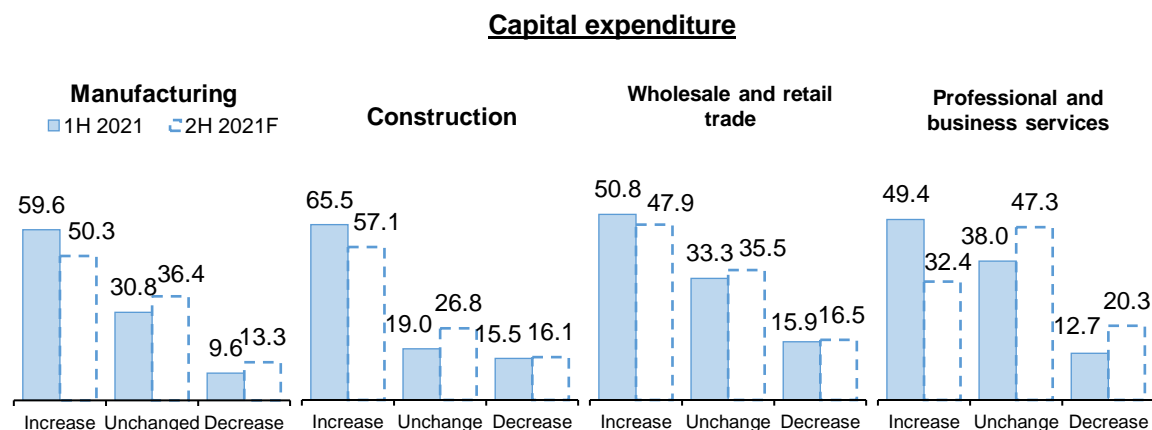
- **More than half of respondents indicated that they have increased their capital expenditure in 1H 2021 (53.1% vs. 42.7% in 2H 2020)** despite during this economic hardship period. While 33.9% of respondents kept their existing capital spending, only 12.9% of respondents reporting a reduction in their capital expenditure.
- This is in line with private investment growth, which had increased by 1.3% yoy in 1Q 2021 from -6.6% in Q4 2020. In 1Q 2021, MIDA’s total approved investment also jumped by 95.6% yoy to RM80.6 billion, of which RM58.8 billion came from the manufacturing sector, RM15.6 billion from the services sector and the remaining RM6.0 billion were in the primary sector.
- **40.2% of respondents will adopt a wait-and-see approach in committing capital spending in 2H 2021 until better clarity on the virus containment amid higher percentage of vaccinate rates.** 44.5% of respondents will continue to increase capital expenditure, leaving 15.3% of respondents expect to reduce their capital expenditure.

Figure 23: Capital expenditure in 1H 2021 and 2H 2021F



F=Forecast

Figure 24: Capital expenditure in 1H 2021 and 2H 2021F by selected sectors



Note: All figures indicate as in percentage (%) share of respondents

5. CURRENT ISSUE

In this survey, we gauge the respondents' feedback and opinions on three issues, i.e. (a) **Economy and Business Recovery Development**; (b) **Business Digital Transformation Plan**; and (c) **Regional Comprehensive Economic Partnership (RCEP)**.

5.1 Economy and Business Recovery Development

Q1: How much your business sales have recovered when comparing to pre-pandemic level?
Q2: Are you still confident of an economic recovery in 2021?
Q3: Are you still concerned about 3Cs (Cash flow, Cost and Credit)?

(a) Business sales recovery relative to pre-pandemic level

- **63.8% of respondents reported that their business sales were still below pre-pandemic level:** 33.0% were 10%-30% below pre-pandemic level; 17.3% were 31%-50% below pre-pandemic level; and 13.4% were more than 50% below pre-pandemic level. Compared to previous survey, an additional 8.2% of respondents reported that their business sales were still below pre-pandemic level in this survey.
- **36.2% of respondents indicated that their business sales have either achieved higher sales or returned to pre-pandemic level:** 17.0% of businesses achieved higher sales than pre-pandemic level while 19.2% of respondents have recouped the same level of sales.

(b) Low expectations of an economic recovery in 2021

- Compared to previous survey, it is revealed that the **percentage of respondents have no confidence that the Malaysian economy would recover in 2021 has increased to 65.1% from 38.7% in previous survey.** Only 10.1% of respondents are confident of an economic recovery while 24.8% are unsure about the recovery.
- **Sectors having higher respondents of "No confidence" of an economic recovery in 2021 are:** Professional and business services (69.6% of respondents), wholesale and retail industry (69.6%) and construction sector (67.6%).

(c) Highly concerned about 3Cs (Cash flow, Cost and Credit)

- **Almost three quarters of respondents still concerned about 3Cs (Cash flow, Cost and Credit).** Only 5.8% of respondents have no concerned with 3Cs while 20.5% of respondents said that they can cope with 3Cs, specifically finance and insurance sector (37.1%).

Figure 25: Business sales against pre-pandemic level

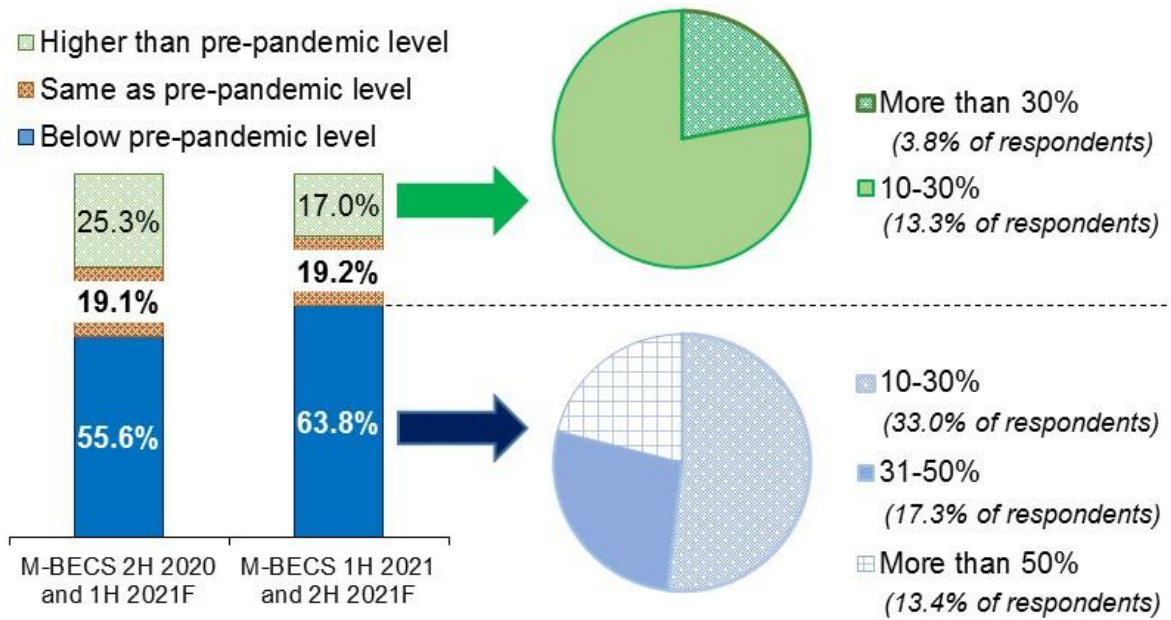


Figure 26: Businesses' level of confidence on economic recovery in 2021

Are you confident of an economic recovery in 2021?

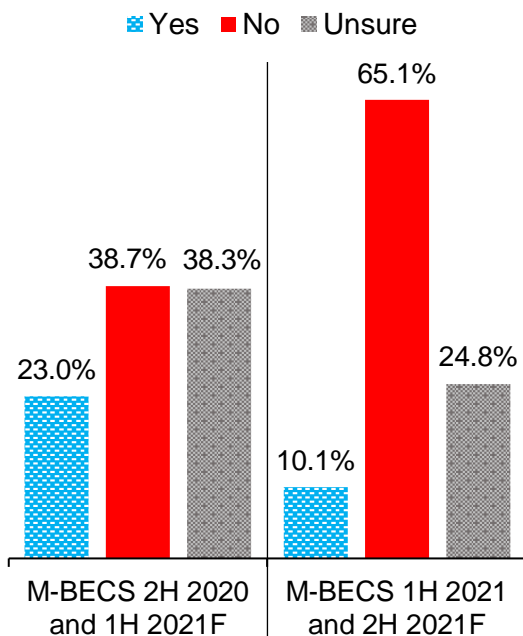
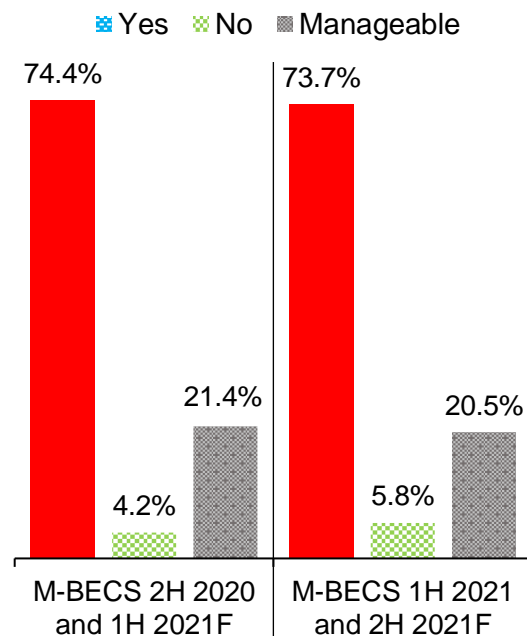


Figure 27: Businesses concerned about 3Cs (Cash flow, Cost and Credit)

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



Q4: How many months can your current cash flow cover business operations/productions, raw materials/ inventory, manpower?
Q5: Do you foresee your business closing down in 2021 given the prolonged pandemic impact?

(d) Micro enterprises are suffering to pay operating expenses

- **46.2% of respondents have experienced a very tight cash flow problem and unable to cover business operations/productions, raw materials/inventory, manpower cost for at least 3 months.** 33.8% of respondents can only last for 3-6 months, leaving 21.1% can last for more than 6 months.
- **More than half of micro-enterprises (50.3%) do not have sufficient cash flow to pay their operating expenses for 3 months.** About 36.8% of large corporations indicated that their cash flow position is sufficient to cover more than six months of operating expenses compared to 18.6% for SMEs (23.1% for medium-sized enterprises; 16.2% for small enterprises; and 20.7% for micro enterprises).

(e) Micro enterprises are at high risk of closing down

- **Nearly half of the respondents reported that they will not close down business in 2021 given the prolonged pandemic impact.** 16.7% of respondents expect to close down in 2021, while 33.6% are unsure. However, a **higher number of respondents in micro enterprises (20.1%) expects to close down their business compared to small enterprises (17.8%), medium enterprises (14.8%) and large enterprises (3.5%).**

Figure 28: How many months can your current cash flow cover business operations/productions, raw materials/ inventory, manpower?

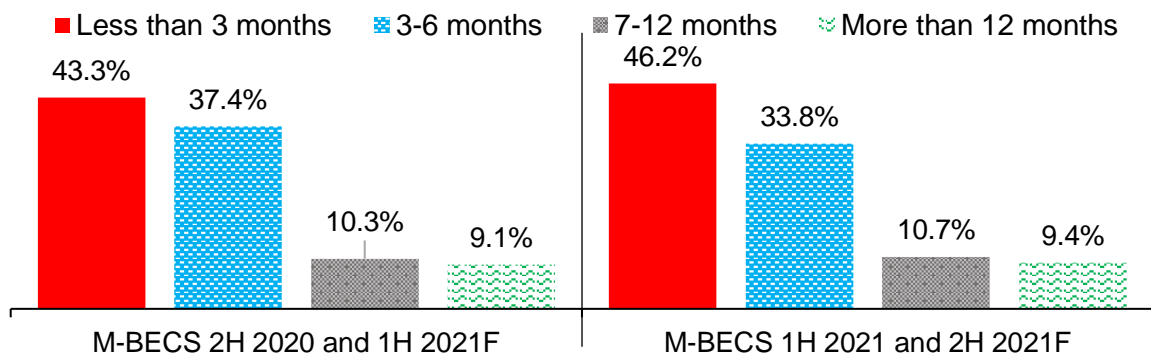
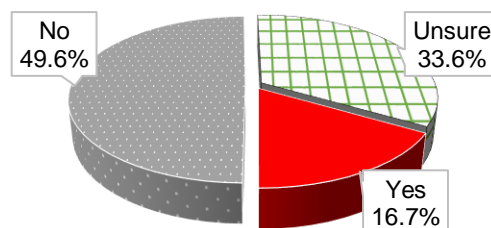


Figure 29: Do you foresee your business closing down in 2021 given the prolonged pandemic impact?



- Q6: Please rate the level of agreement to a statement of “Public is frustrated with the slow rollout of vaccines”.**
Q7: Do you think that Malaysia can achieve herd immunity target by end-2021?
Q8: Do you think that Malaysia can achieve herd immunity target by 1Q 2022?

These three questions were designed in May 2021 before the government’s announcement of ramping up the daily vaccination and revised the date of achieving national herd immunity target. As of 31 May 2021, only 6.1% of total population and 3.4% of total population have completed 1st dose and 2nd dose respectively. The average number of vaccination per day in May 2021 only about 50,334. Hence, **81.3% of respondents stated they are agreed that “Public is frustrated with the slow rollout vaccines”**. A majority of respondents believes that Malaysia can achieve herd immunity target by 1Q 2021 rather than by end-2021.

The National Recovery Plan (NRP) (published in July 2021) revealed the national target is to fully vaccinate 40% of the eligible population by August 2021, 60% by September 2021 and 100%⁶ by October 2021.

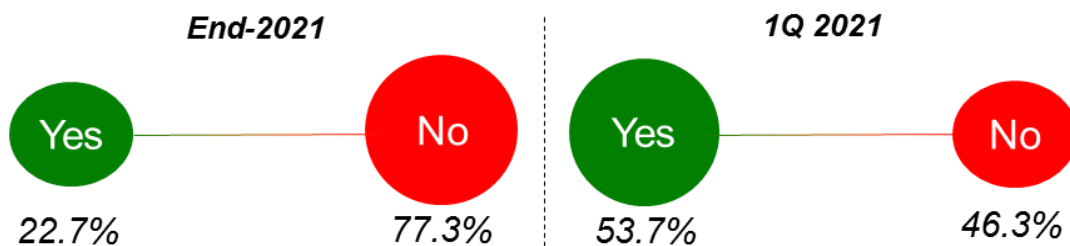
As of 2 August 2021, 14.5 million persons (44.3% of total population or 61.8% of adult population) have received at least one dose of vaccine, while 7.2 million persons (22.0% of total population or 30.7% of adult population) have completed two doses of vaccine. The number of vaccination per day (7-days moving average) amounted to 525,112, which is substantially higher than average daily NRP’s target of 482,100 in August. It is a commendable progress, suggesting that **Malaysia’s vaccination progress remains on track and has performed better than expectations**.

Figure 30: “Public is frustrated with the slow rollout of vaccines”



Figure 31: Malaysia will achieve herd immunity target by end-2021 or by 1Q 2021?

Do you think that Malaysia can achieve the target of herd immunity target by:



⁶ Subject to eligible individuals registering to be vaccinated

5.2 Business Digital Transformation Plan

The adoption of digitalisation and automation are important tools to transform businesses' production and process efficiency as well as enhance cost competitiveness in selling their products and services in the marketplace. This was concurred by 51.0% of respondents as surveyed in ACCCIM M-BECS 2H 2019 and 1H 2020F.

The Government has rolled out several major initiatives and plans to accelerate the business digital transformation. These were the National Policy on Industry 4.0 (Industry4WRD), Jalanan Digital Negara (JENDELA), Malaysia Digital Economy Blueprint, and National 4IR Policy.

This section was designed to ask the companies' business digital transformation plan; the stage and extent of transformation as well as the issues/challenges faced during the transformation process.

Q11: Does your company aggressively adopt digitalization and/or automation in recent years?

Q12: What is (are) the reason (s) that your company does not aggressively adopt digitalisation and/or automation?

- In recent years, **less than half of the respondents have aggressively adopted digitalisation and/or automation in both front-end⁷ and back-end⁸ business operations**. The survey results showed that **45.9% of respondents have aggressively adopted it for front-end, whereas only 37.4% of respondents implemented it for back-end**. This is in conformity with ACCCIM M-BECS 2H 2019 and 1H 2020F, which indicated the digital tools adopted by companies as part of IR4.0 are more front-to mid-end like instant responding customers via social media, social media marketing and e-payment or online transaction.
- **When asked whether to be more aggressively adopt digitalization and/or automation in the next 12 months:**
 - (a) **More than 50% of respondents are planning to adopt digitalisation and automation**. Nevertheless, there remain a large number of respondents stated that they have no plan or will only adopt a minimal extent in the next 12 months for both front-end (46.2% of respondents) and back-end (43.3%). The manufacturing sector and professional and business services are among the sectors with higher respondents planning to be more aggressively adopting it in the next 12 months, particularly on the back-end process.
 - (b) **By size of operations**, more than half of the large corporations have aggressively adopted digitalisation and/or automation for both front-end (69.6%) and back-end (58.9%). At the same time, 69.1% of them also planning to be more aggressive adopting it in the next 12 months, indicating that large corporations are more prepared in terms of resources and skilled manpower to adopt digitalisation and automation compared to SMEs.

⁷ Customer facing activities, such as sales and marketing; and customer support

⁸ Non-customer facing activities, such as production; and human resources management

- (c) The main reasons for not aggressively adopting digitalisation and/or were (1) **Not ready and focus on other priorities** (e.g., achieve economic scale and have larger orders), as ranked by 33.9% of respondents; (2) **Continued with current business model**, and hence, do not see the need to adopt (33.3%); and (3) **Business operation is unsuitable to adopt** (e.g., contract-based/outsourced-based/sunset business) (30.0%).
- (d) Among other reasons cited by respondents are **lacking of technical know-how and expertise, and unsure about the market conditions**. Several respondents indicated that the cost of investment in digitalisation and automation are very costly and time consuming, as well as unable to claim the grant on overseas software. Regrettably, the respondents indicated that their submitted applications have not received responses from the government agencies.

Figure 32: Does your company aggressively adopt digitalization and/or automation in recent years?

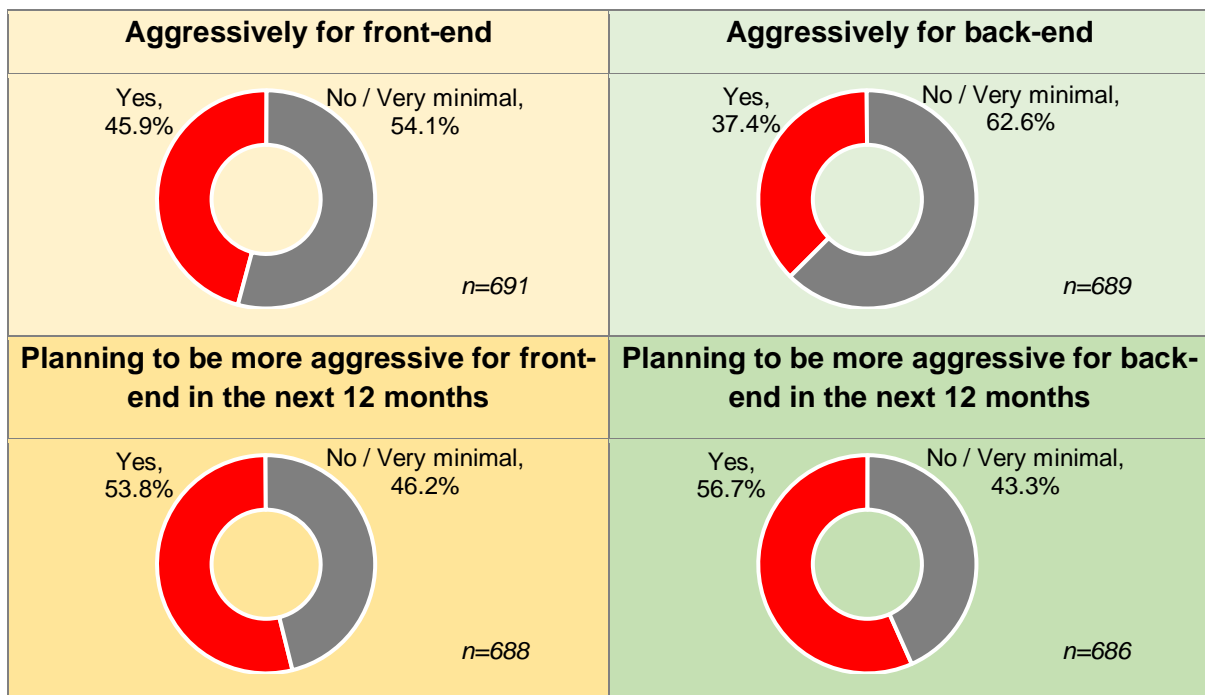
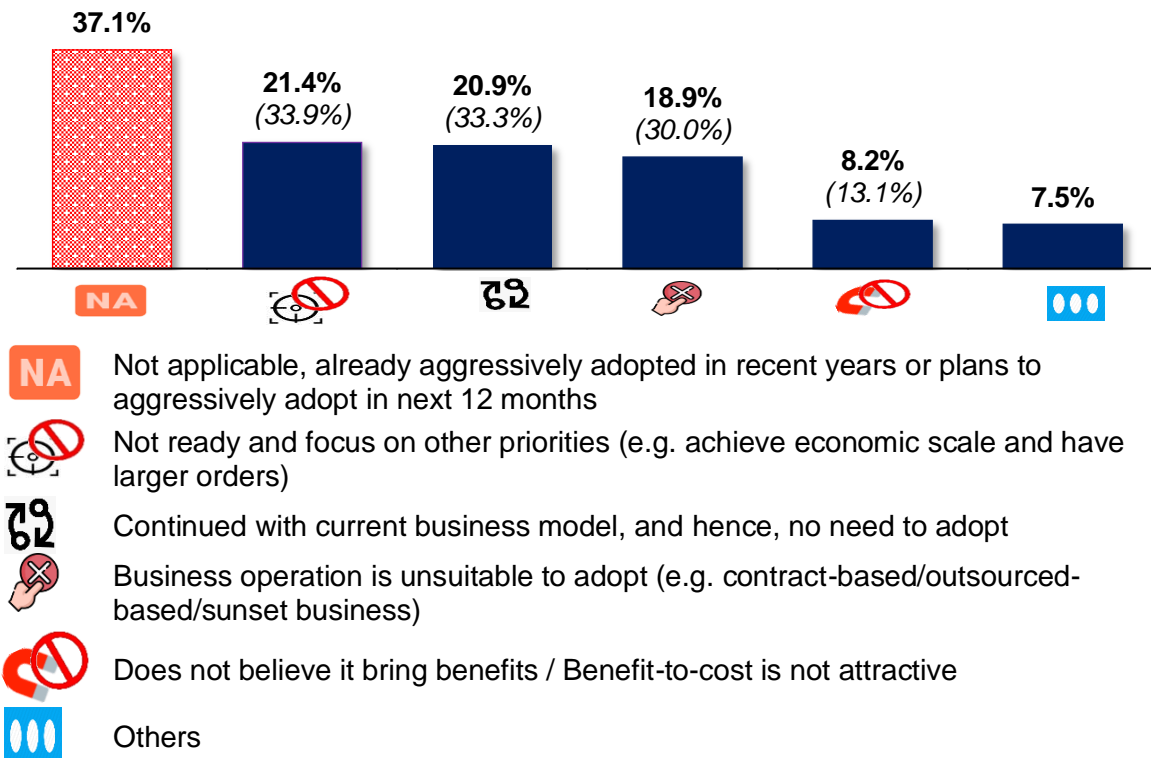


Figure 33: Reason (s) that your company does not aggressively adopt digitalisation and/or automation



Note: Figure in parenthesis indicates the percentage of respondents by excluding those who have aggressively adopted or plans to adopt in next 12 months.

- Q13: Has your company altered its digital transformation plans as a result of the COVID-19?**
- Q14: How much will your company spend on digital transformation technology in 2021 compared to 2020?**
- Q15: How has the COVID-19 affected your digital transformation priorities? What are you focusing more?**
- Q16: What are, or have been, the biggest challenges to implement digital transformation technology?**

- The survey showed that **50.7% of respondents (64.9% for large corporations) will spend more or at least same amount on digital transformation technology in 2021 compared to 2020**. While 9.4% of respondents will spend lesser amount, 21.7% of respondents will not spend any amount on digital transformation technology. This is a worrisome development as many businesses are still hesitant to brace digital transformation technology and adopt automation process so as be ready to compete in the business era disrupted by the COVID-19 pandemic.
- While some respondents have cited that the COVID-19 pandemic has affected their cash flow and investment plan on digitalisation and/or automation plan, and hence, not aggressively adopting digitalisation and/or automation.
- Respondents were asked have their company altered the digital transformation plans as a result of the COVID-19:

- (a) **39.6% of respondents stated that COVID-19 has altered their digital transformation plan** while 38.0% maintained their plan, leaving 22.4% are still considering the next course of action.
- (b) The COVID-19 pandemic has altered focuses on sales and marketing (59.3% of total respondents), social media (38.7%) as well as IT and business process automation (33.9%). In the wholesale and retail trade sector, as high as 77.7% of respondents voted sales and marketing, underscoring its importance platform as an alternative sales channel during the lockdown.
- On the challenges faced in implementing digital transformation technology, **54.9% of respondents cited that lack of budget is the core challenge**, followed by **lacking IT support staff (47.8%), new technology training for employees (38.5%), maintaining digital IT security system (28.9%), and training IT staff to provide support (25.7%)**.
 - In past national Budgets, the Government has provided matching grant like SME Digitalisation Grant of up to RM5,000 and Smart Automation Grant of up to RM1 million. It is proposed that (a) **The digitalisation matching grant can be increased to RM20,000 for SMEs to take up greater digitalisation scheme**; and (b) **Reimburse the company's portion on digitalisation investment** if it is audited that the digitalisation and automation can increase sales and productivity.
 - It is also proposed that to **extend zero tax rate on new capital investment, investment tax allowance (ITA) for relocation of oversea facilities, and Special Reinvestment Allowance for YA 2022 to YA 2025** given that businesses still adopting wait-and-see approach given the prolonged pandemic.
 - For **Accelerated Capital Allowance (ACA) for automation equipment of 100%**, it is proposed that to **standardise and increase the amount of qualifying expenditure for (a) Category 1 (rubber, plastic, wood and textile products); and (b) Category 2 (Industries other than in Category 1) to RM10 million from RM4 million and RM2 million, respectively**.

Figure 34: How much will your company spend on digital transformation technology in 2021 compared to 2020?

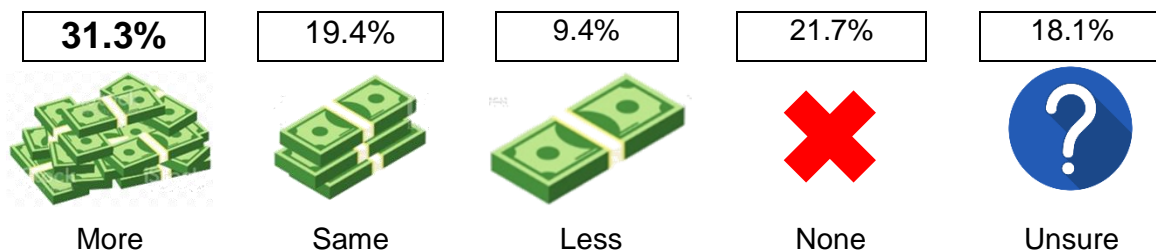


Figure 35: Has your company altered its digital transformation plans as a result of the COVID-19?



Figure 36: What are you focusing more?

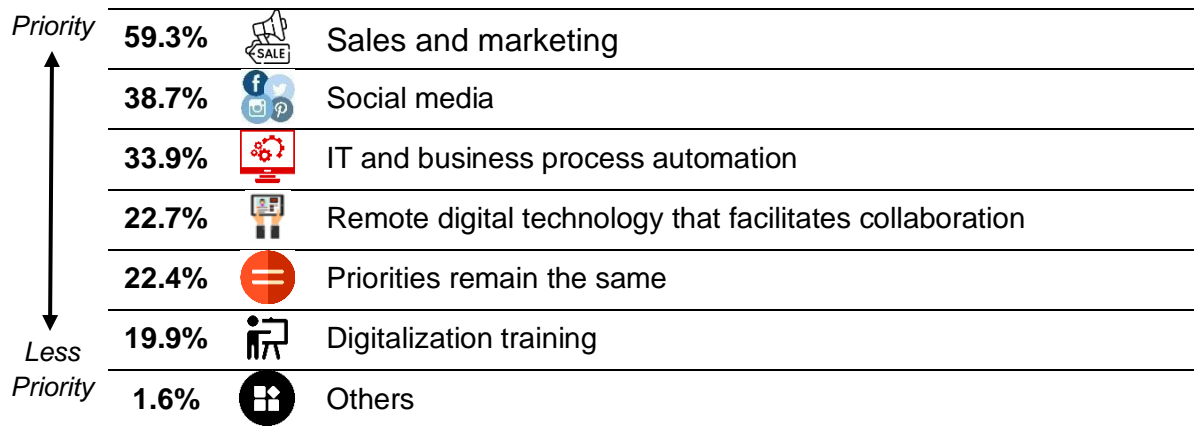
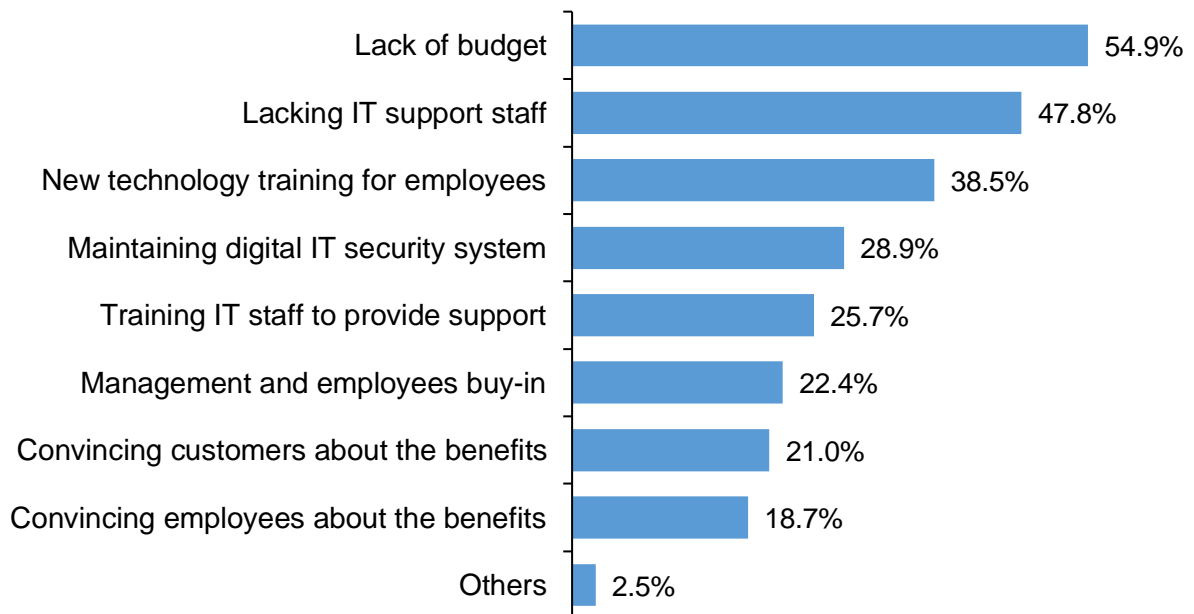


Figure 37: Biggest challenges to implementing digital transformation technology



5.3 Regional Comprehensive Economic Partnership (RCEP)

(a) The beginning of RCEP

- The Regional Comprehensive Economic Partnership (RCEP) was introduced at the 19th ASEAN Summit in November 2011. The objectives of RCEP are to establish a modern, comprehensive, high-quality, and mutually beneficial economic partnership that will facilitate the expansion of regional trade and investment and contribute to global economic growth and development.
- In November 2012, the RCEP negotiations between 16 countries (10 ASEAN members⁹ and six ASEAN's Free Trade Agreement (FTA) partners¹⁰) were started at 21st ASEAN Summit in Cambodia. Regrettably, India has withdrawn from RCEP Agreement in November 2019 due to India's key concerns about agriculture and domestic industries were not addressed by RCEP. After 8 years from the beginning date of negotiations, 15 leaders from the Asia-Pacific nations signed the RCEP Agreement on 15 November 2020.

(b) What you should know more about RCEP?

As of now, **the RCEP is the world's largest free trade deal.**

- A population of 2.3 billion (around 30% of the world population)¹¹
- An internet users of 1.6 billion (34.3% of world internet users)¹²
- A combined GDP value of around US\$24.0 trillion (28.2% of Global GDP)¹¹
- A total trade value of US\$10.4 trillion (27.2% of global trade)¹¹
- A combined consumer e-commerce value of around US\$1.6 trillion (51.7% of global consumer e-commerce)^{12,13}

(c) What is the status of RCEP?

For the implementation of RCEP, it must have **at least six ASEAN members and three non-ASEAN members to ratify the RCEP Agreement.** After ratification, the RCEP Agreement will enter into force in 60 days. At the time of writing, only one ASEAN member and two non-ASEAN members have ratified the RCEP Agreement:

- Singapore ratified on 9 April 2021
- China ratified on 15 April 2021
- Japan ratified on 28 April 2021
- For Malaysia, Ministry of International Trade and Investment (MITI) indicated that the Government is looking towards ratifying the RCEP Agreement by the end of this year.

⁹ Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam

¹⁰ Australia, China, India, Japan, South Korea, and New Zealand

¹¹ Data refer to year 2019

¹² Data refer to year 2020

¹³ Data add up based on 11 RCEP countries only due to no data available for Brunei, Cambodia, Laos and Myanmar.

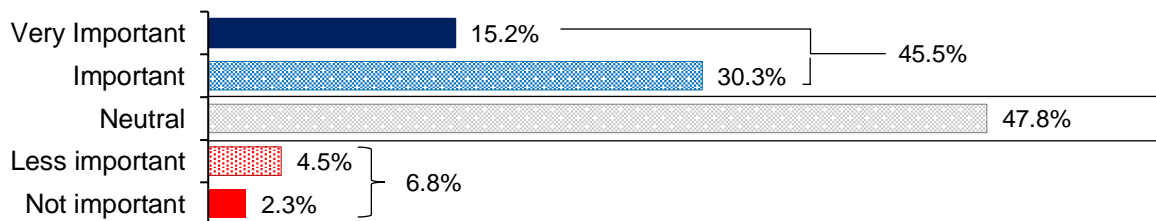
Q17: How do you assess the economic importance of the RCEP for Malaysia?

Q18: Please indicate how much the RCEP Agreement could have an impact on your business

Q19: Please indicate the level of competition from other RCEP countries?

- Three survey questions were asked to gauge general business’s viewpoints on RCEP. **The survey results revealed that 45.5% of respondents rated RCEP as an important economic growth catalyst for Malaysia.** Only 6.8% of respondents rated RCEP not so important for the Malaysian economy. In fact, three research projects¹⁴ revealed that RCEP will generate additional 0.8%-1.7% in GDP growth and additional 24.4% in export growth for Malaysia.
- Nevertheless, **a majority of respondents rated “Neutral” impact of RCEP Agreement on their business (49.3% of respondents)** and the level of competition from other RCEP countries (54.3%).
- **On a separate note, some respondents have requested for a reduction in import duties** when asked to provide feedback on what Government can facilitate businesses under RCEP in an open-ended question. This suggests that **many local businesses are not fully aware and have better understanding of the main objectives of RCEP as well as the details embedded in the Agreement**, such as Malaysia’s schedule of tariff commitments or Malaysia’s schedules of reservations and non-conforming measures for services and investment.

Figure 38: How do you assess the economic importance of the RCEP for Malaysia?



¹⁴ World Bank (2030), United Nations ESCAP (2030) and Economic Research Institute for ASEAN and East Asia (ERIA) (2015-2030)

Figure 39: Please indicate how much the RCEP Agreement could have an impact on your business

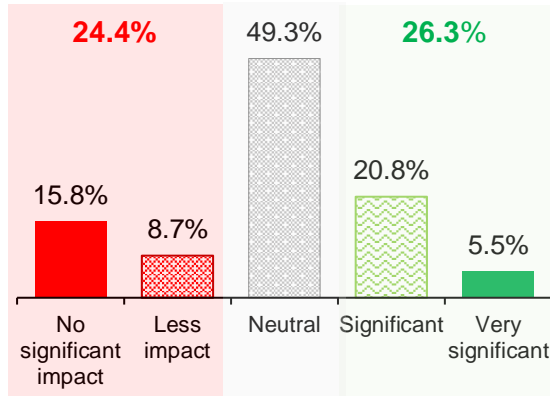
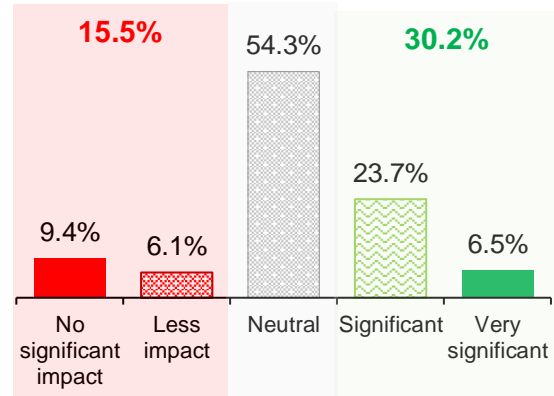


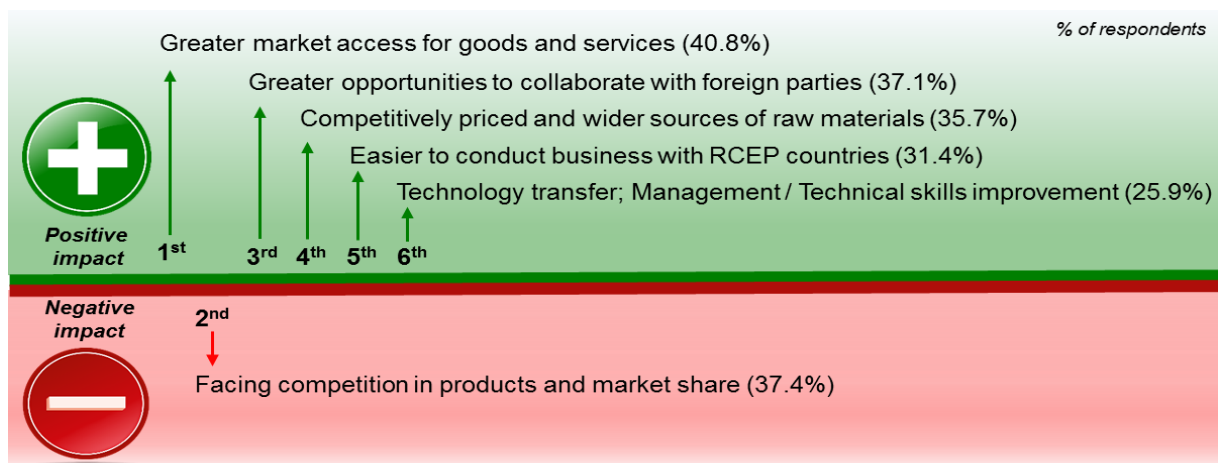
Figure 40: Please indicate the level of competition from other RCEP countries



Q20: How will RCEP impact your company?

- Respondents were asked to evaluate the RCEP’s impacts on their company. Overall, **40.8% of respondents stated that RCEP offers “Greater market access for goods and services (40.8% of respondents)”**. In Chapter 2 (Trade in Goods), each of RCEP countries will accelerate or improve the tariff commitments set out in their Schedules in Annex I (Schedules of Tariff Commitments). Ultimately, the RCEP offers **tariffs reduction in at least 92% of goods among all member countries over a period of 20 years**.

Figure 41: RCEP’s impacts on Malaysian businesses



- Table 4 showed that **67.9% of ASEAN's goods (e.g., mangoes [Base Rate=15%], vacuum pumps [Base Rate=8%] or circular knitting machines [Base Rate=8%]) to China's market will immediately enjoy zero China's import tariffs**. Besides, 5.4% of ASEAN's goods will enjoy reduced China's import tariffs. For instance, China's tariff on ASEAN's storage heating radiators will reduce from 35.0% to 7.0% in year 1 and subsequent years. Hence, the tariff reduction or elimination in China will accelerate China's businesses to purchase more goods from RCEP partners. It could indirectly assist Malaysian businesses to enter into China's market.

Table 4: China's Schedule of Tariff Commitments to ASEAN's goods

Tariff elimination/ reduction	ASEAN	Tariff elimination/ reduction	ASEAN
Imported goods immediately enjoying zero Chinese tariffs	67.9%	Imported goods ultimately enjoying zero Chinese tariffs	90.5%
Imported goods enjoying zero Chinese tariffs		Imported goods enjoying reduced Chinese tariffs	5.4%
Over the next 10 years	12.7%	Imported goods excluding from any commitment of tariff reduction or elimination	4.1%
Over the next 15 years	3.0%		
Over the next 20 years	6.9%		

Note: Add up 4 boxes with orange colour will equal to 90.5% which is indicated "Imported goods ultimately enjoying zero Chinese tariffs" (Box with blue colour).

Source: Graphic@Asia Briefing Ltd

- Opportunities come with challenges. **37.4% of respondents acknowledged that they will face competition in products and market share**. In 2015, the number of SME establishments in Malaysia was 907,405 entities (98.5% of total establishments)¹⁵. Meanwhile, the number of SME establishments within RCEP is estimated at least 100 million¹⁶. We envisage that more foreign companies would directly list their products via famous e-commerce platforms (e.g., Shopee or Lazada) to compete with local businesses. To reap RCEP opportunities, **local companies must focus on developing niche, competitive, green or sustainable products** to avoid price wars trap with other RCEP players.
- Each RCEP country has its own strengths. RCEP offers "Greater opportunities for local businesses to collaborate with foreign parties (37.1% of respondents)"**. SMEs should consider to merge or joint-venture among themselves to embark on research and development (R&D). Only with "unique and differentiated" as well as "high quality" products, SMEs can compete without engaging in price wars and able to reap the benefits of RCEP.
- Furthermore, **respondents from the manufacturing sector (49.0%) and large enterprises (42.1%) foresee that the highest impact of RCEP is that it offers "Competitively priced and wider sources of raw materials"**.

¹⁵ Source: DOSM

¹⁶ SERC estimates – Sum up the SMEs data from various sources in different time periods

- Table 5 revealed a summary of selected ASEAN members' schedule of tariff commitments to China's goods.
 - Once RCEP is effective, **74.9% of imported goods from China to Malaysia will immediately enjoy zero tariffs;**
 - 15.6% of imported goods from China to Malaysia will gradually reduce to 0% tariffs over the next 10, 15 or 20 years;** and
 - 5.5% of imported goods from China to Malaysia would enjoy a lower tariff rate compared to before RCEP in place.**

Table 5: Selected ASEAN Members' Schedule of Tariff Commitments to China's goods

Tariff elimination/reduction	Selected ASEAN Members <i>(Malaysia, Vietnam, Singapore, Thailand, Indonesia, The Philippines, Brunei)</i>
Imported goods from China immediately enjoying zero tariffs	74.9%
Imported goods from China ultimately enjoying zero tariffs	90.5%
Imported goods from China enjoying reduced tariffs	5.5%
Imported goods from China excluding from any commitment of tariff reduction or elimination	4.0%

Note: Add up 3 boxes with green colour will equal to 100.0%

Source: Graphic@Asia Briefing Ltd

- Based on Malaysia's Schedule of Tariff Commitments (Annex I), there are 98 chapters ranging from consumer and industrial goods, intermediate and semi-finished goods. As an illustration, Chapter 8 (HS code 08), Chapter 85 (HS code 85) and Chapter 87 (HS code 87) are selected to describe further on how Malaysia's tariff commitment work in these products.

Chapter 8 (HS code 08) – Edible Fruit and Nuts; Peel of Citrus Fruit or Melons**Summary**

- 100 tariff lines in Chapter 8
- 27% of tariff lines are already at zero tariff.
For example:
 - Almonds, hazelnuts, walnuts, chestnuts, pistachios, or fresh oranges.
- 28% of tariff lines will immediately enjoy zero tariff rate in Year 1.
For example:
 - Kiwifruit from 15% to 0%
 - Avocados from 5% to 0%
- 21% of tariff lines will gradually reduce tariff rate to 0% in Year 10.
For example:
 - Desiccated coconuts from 20.0% to 0%
 - Fresh apples from 5.0% to 0%
- 12% of tariff lines will remain the tariff rate unchanged in the agreement.
For example:
 - 30% import tax on “Persimmons”
 - 5.0% and RM0.3307 import tax on “Durian”
- 12% of tariff lines are excluding from any commitment of tariff reduction or elimination.
For example:
 - 5.0% and RM0.6614 import tax on “Fresh melons (including watermelons) and fresh papaws (papayas)”
 - RM0.608 import tax on “Fresh or dried pineapples”

Chapter 85 (HS code 85) – Electrical Machinery and Equipment and Parts Thereof; Sound Recorders and Reproducers, Television Image and Sound Recorders and Reproducers, and Parts and Accessories of Such Articles

Summary

- 451 tariff lines in Chapter 85
- 67% of tariff lines are already at zero tariff.
For example:
 - Electrical capacitors, fixed, variable or adjustable (pre-set)
 - Electrical resistors (including rheostats and potentiometers), other than heating resistors.
- 3% of tariff lines will immediately enjoy zero tariff rate in Year 1.
For example:
 - Headphones or earphones from 5% to 0%
 - Arc-lamps from 5% to 0%
- 8% of tariff lines will gradually reduce tariff rate to 0% in Year 10.
For example:
 - Single or multiple loud speakers (mounted in their enclosures) from 15% to 0%
 - Fuses (Of a kind used in electric fans) from 15% to 0%
- 12% of tariff lines will gradually reduce tariff rate to 0% in Year 15.
For example:
 - Vacuum cleaners with self-contained electric motor (of a power not exceeding 1,500.0 W and having a dust bag or other receptacle capacity not exceeding 20.0 l) from 20% to 0%
 - Isolating switches and make-and-break switches from 15% to 0%
- 2% of tariff lines will enjoy reduced tariff rate in Year 23 and subsequent years.
For example:
 - Waste scrap of electric accumulators (6.0 volts and 12.0 volts electric accumulators of a height (excluding terminals and handles) not more than 23.0 cm) from 25% to 5%
- 8% of tariff lines will remain the tariff rate unchanged in the agreement.
For example:
 - 30% import tax on “Co-axial cable and other co-axial electric conductors (Insulated with rubber or plastics)”
 - 20% import tax on “Microwave ovens”
- 2% of tariff lines are excluding from any commitment of tariff reduction or elimination.
For example:
 - Electronic micro assemblies – 0% tariff rate

Chapter 87 (HS code 08) – Vehicles Other Than Railway or Tramway Rolling-Stock, and Parts and Accessories Thereof

Summary

- 356 tariff lines in Chapter 87
- 57% of tariff lines are already at zero tariff.
For example:
 - Go-karts (Electrically-powered vehicles)
 - Carriages for disabled persons, whether or not motorised or otherwise mechanically propelled.
- 5% of tariff lines will gradually reduce tariff rate to 0% in Year 10.
For example:
 - Spokes and nipples for motorcycles (including mopeds) from 30% to 0%
 - Chain wheel and cranks from 5% to 0%
- 48% of tariff lines will gradually reduce tariff rate to 0% in Year 15.
For example:
 - New or old four-wheel drive (including station wagons, SUVs and sports cars, but not including vans) for transport of persons (Of a cylinder capacity exceeding 2,000.0 cc but not exceeding 3,000.0 cc) from 30% to 0%
 - New or old motor vehicles for the transport of goods (dumpers designed for off-highway use) with g. v. w. not exceeding 38 tonnes from 30% to 0%
- 1% of tariff lines will enjoy reduced tariff rate in Year 23 and subsequent years.
For example:
 - Other than motor coaches, buses or minibuses (other than compression-ignition internal combustion piston engine) from 30% to 5%
- 30% of tariff lines will remain tariff rate unchanged in the agreement.
For example:
 - 30% import tax on new or old four-wheel drive (including station wagons, SUVs and sports cars, but not including vans) for transport of persons (Of a cylinder capacity not exceeding 2,000.0 cc)
 - 35% import tax on motor-homes (Electrically-powered vehicles).

Q21 (i): Do you think RCEP is relevant to your company?

Q21 (ii): How would your company prepare for the RCEP?

- In general, **64.1% of respondents have acknowledged that RCEP is relevant to their company while 35.9% of respondents rated that “RCEP is not relevant nor applicable to my business”.**
- Interestingly, the survey data revealed that the size of company is correlated to the perception of how RCEP relevant to their businesses. **73.7% of large enterprises rated that RCEP is relevant to their business, followed by medium enterprises (68.5% of respondents), small enterprises (64.3%) and micro enterprises (57.4%).** Micro enterprises face constraints in internal resources (e.g., capital and manpower) or lack of know-how to grasp the RCEP opportunities.
- In terms of how the respondents prepare their business for RCEP, the **top 2 strategies adopted by businesses are “Participate in trade promotion activities and market development program (51.8% of respondents)” and “Know the regulations of trade and services of RCEP countries (51.8%).** For medium enterprises, a majority of respondents (63.5%) revealed that “seek reputable local suppliers and distributors in the region” is the best strategy to reap the benefits offered by RCEP.
- For the strategies rated by respondents that require the government’s assistances and policy interventions, ACCCIM would like to propose the following recommendations:
 - 1. Participate in trade promotion activities and market development program**
 - To market products in newer markets, the company has to spend a reasonable amount of budget on marketing development programs to increase their product brand awareness. Hence, ACCCIM urges the Government to provide tax reduction of 2%-4% over the next 2 years for SMEs and large enterprises, respectively, to encourage them participating in cross-border trading.
 - 2. Know the regulations of trade and services of RCEP countries**
 - More collaborations between trade associations and the government to organise seminar in specific topics, such as have better understanding of Rules of Origin (ROO) and the rules and regulations of trading in RCEP partners’ market. These include FAQs and prompt responses on the enquiries, backed by the availability of updated and comprehensive market industry information. Trade agencies should take more initiatives to reach out businesses in guiding them on how to explore the market opportunities of RCEP, including getting familiarise with the market and trade regulations as well as provide technical guidelines.
 - Government agencies (e.g., MPOB or FAMA) should publish more RCEP information regarding some specific products for industry players. In addition, the Government should establish RCEP hotlines and chatbot responding to businesses’ enquiry on RCEP.
 - 3. Seek reputable local suppliers and distributors in the region**
 - Government agencies should collaborate with well-established B2C and B2B e-commerce platforms to offer newcomers’ packages and technical support for Malaysian businesses, especially SMEs.

Figure 42: Do you think RCEP is relevant to your company?

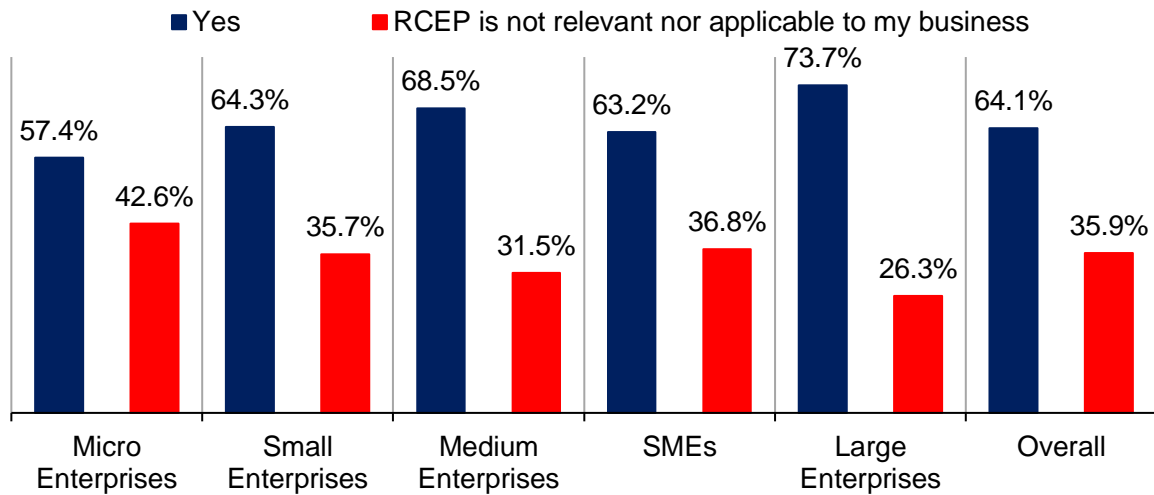
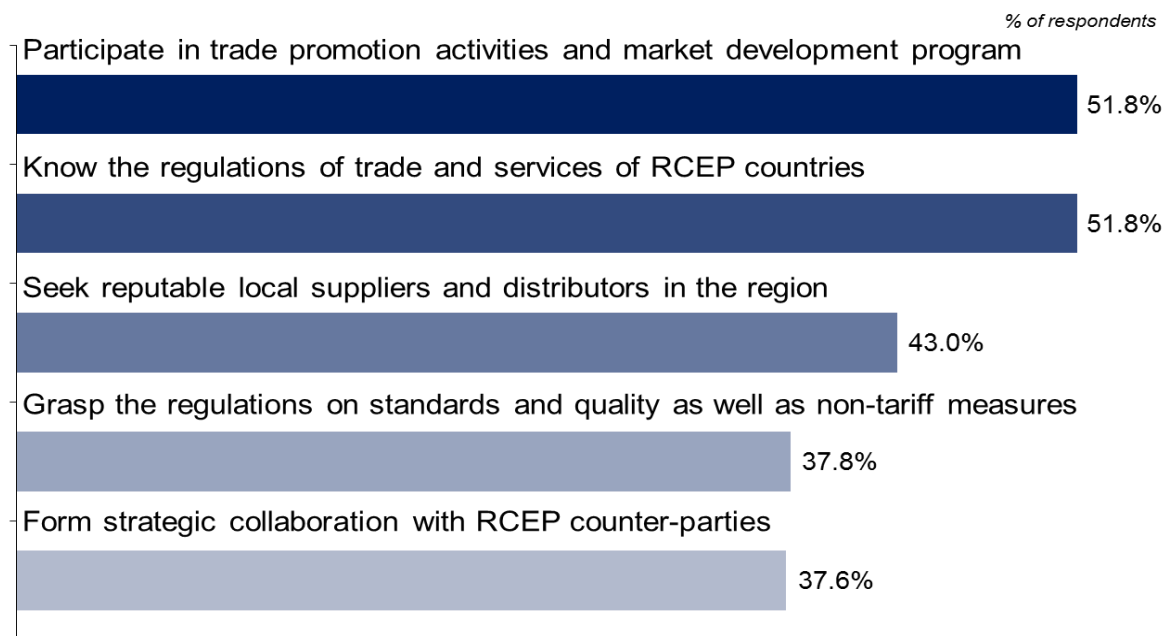


Figure 43: How would your company prepare for the RCEP?



Note: Only accounted for respondents had prepared for the RCEP (n=444)

6. CONCLUSION

- Overall, M-BECS results indicated that **most businesses continued to suffer deep economic scarring effects** from the prolonged pandemic and “open and shut” strict containment measures.
- **Most companies remained somewhat pessimistic about domestic economic and business prospects in 2021.** 65.1% of respondents have no confidence that the Malaysian economy would recover in 2021.
- With more than eighteen months of battling with the COVID-19, businesses and households are battle weary as the persistent containment measures have resulted in uneven and divergent recovery paths across different sectors and industries.
- While pinning hopes on a smooth transition towards a safe reopening of the economy under the four phases of the National Recovery Plan (NRP), **most businesses take a very cautious view of the economy and business conditions in 2H 2021, with 64.5% of respondents foreseeing economic conditions will be worse off in 2H 2021 compared to 1H 2021.**
- It is widely acknowledged that the speedy mass vaccination towards achieving herd immunity (70-80% of total population vaccinated) holds the key to fast tracking the progress of the NRP so as to take the country out of the COVID-19 pandemic with resilience. Nevertheless, **more than half of total respondents (54.2%) hold a neutral view on economic conditions in 2022 as they remained wary about the efficacy of vaccines protection against new virus variants.**
- **Only 21.6% of respondents expect better economic conditions in 2022** (as against 44.5% in previous survey) and 24.2% of respondents foresee worse economic conditions.

Appendix 1: Survey Questionnaire



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

This is a survey jointly conducted by The Associated Chinese Chambers of Commerce and Industry of Malaysia (ACCCIM) and Socio-Economic Research Centre (SERC) on **Malaysia's business and economic conditions in the first half-year of 2021** (1H2021: Jan-Jun 2021) and **prospects for the second half-year of 2021** (2H2021: Jul-Dec 2021) and beyond.

We seek your kind cooperation to return the duly completed questionnaire to ACCCIM Secretariat by **15 July 2021** (Email: socio-economic@accim.org.my / Fax: 03-4260 3080). Thank you for your support and cooperation.

Section A: BUSINESS BACKGROUND

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

A1. Constituent Members:

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

Associate Members:

- 18 Federation of Chinese Physicians and Medicine Dealers Associations of Malaysia (FCPMDAM)
- 19 Malaysian Wood Industries Association
- 20 Malaysian Textile Manufacturers Association
- 21 Malaysia Mobile Content Provider Association
- 22 Malaysian Furniture Council
- 23 Federation of Goldsmith and Jewellers Association of Malaysia (FGJAM)
- 24 The Federation of Malaysia Hardware, Machinery & Building Materials Dealers' Association (FMHMBA)
- 25 Malaysia Fujian Chamber of Commerce and Industry
- 26 Pawnbroker's Association of Malaysia
- 27 Malaysia Retailers Association
- 28 Malaysian Association of Convention & Exhibition Organisers & Suppliers (MACEOS)
- 29 Malaysia Teochew Chamber of Commerce
- 30 Malaysian Photovoltaic Industry Association (MPIA)
- 31 Malaysian Nail Technicians & Make Up Association
- 32 Malaysian Hairdressing Association
- 33 Automotive Accessories Traders Association of Malaysia
- 34 Malaysia Guangxi Chamber of Commerce
- 35 Persatuan Anggun Menawan Malaysia

36 Others, please specify: _____

A2. Type of principal 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 Information and Communications Technology (*ICT*)

A3. Annual turnover:

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

A4. Number of full-time employees:

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

A5. Share of total sales derived from:

Domestic market : _____%

Overseas market : _____%

A6. Share of total employees:

Local employees : _____%

Foreign employees : _____%

Section B: OVERALL ASSESSMENT

B1. When comparing with 2H 2020, business conditions in 1H 2021?

₁ Better ₂ No change ₃ Worse

B2. Overall economic conditions and outlook:

	<u>Better</u>	<u>Neutral</u>	<u>Worse</u>
1H 2021	<input type="checkbox"/> ₁	<input type="checkbox"/> ₂	<input type="checkbox"/> ₃
2H 2021	<input type="checkbox"/> ₁	<input type="checkbox"/> ₂	<input type="checkbox"/> ₃
1H 2022	<input type="checkbox"/> ₁	<input type="checkbox"/> ₂	<input type="checkbox"/> ₃
Estimation for 2021	<input type="checkbox"/> ₁	<input type="checkbox"/> ₂	<input type="checkbox"/> ₃
Forecast for 2022	<input type="checkbox"/> ₁	<input type="checkbox"/> ₂	<input type="checkbox"/> ₃

B3. Overall business conditions and outlook:

	<u>Better</u>	<u>Neutral</u>	<u>Worse</u>
1H 2021	<input type="checkbox"/> ₁	<input type="checkbox"/> ₂	<input type="checkbox"/> ₃
2H 2021	<input type="checkbox"/> ₁	<input type="checkbox"/> ₂	<input type="checkbox"/> ₃
1H 2022	<input type="checkbox"/> ₁	<input type="checkbox"/> ₂	<input type="checkbox"/> ₃
Estimation for 2021	<input type="checkbox"/> ₁	<input type="checkbox"/> ₂	<input type="checkbox"/> ₃
Forecast for 2022	<input type="checkbox"/> ₁	<input type="checkbox"/> ₂	<input type="checkbox"/> ₃

B4. Which of the following factors may adversely affect your business performance in 1H 2021? [Please select at least THREE (3)]

- | | |
|---|---|
| <input type="checkbox"/> ₁ Changing consumer behaviour | <input type="checkbox"/> ₈ Lower external demand |
| <input type="checkbox"/> ₂ High operating cost and cash flow problem | <input type="checkbox"/> ₉ Declining business and consumer sentiment |
| <input type="checkbox"/> ₃ Supply chain disruption | <input type="checkbox"/> ₁₀ The Ringgit's fluctuation |
| <input type="checkbox"/> ₄ Shortage of raw materials | <input type="checkbox"/> ₁₁ Increase bad debt and delay payments |
| <input type="checkbox"/> ₅ Increase in prices of raw materials* | <input type="checkbox"/> ₁₂ Political climate |
| <input type="checkbox"/> ₆ Availability of skilled labour | <input type="checkbox"/> ₁₃ Lack of financing |
| <input type="checkbox"/> ₇ Targeted area for MCO / CMCO / EMCO in high-risk locations/districts* | <input type="checkbox"/> ₁₄ Lower domestic demand |

*If either "Targeted MCO/CMCO/EMCO in high-risk locations/districts" or "Increase in prices of raw materials" is one of your answers, please share your experience.

B5. Performance and Forecast

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

B5.1 Overall

	<u>Current Performance</u> Actual for 1H 2021 (Jan-Jun) compared to 2H 2020 (Jul-Dec)			<u>Forecast</u> Outlook for 2H 2021 (Jul-Dec) compared to 1H 2021 (Jan-Jun)		
	<u>Good</u>	<u>Satisfactory</u>	<u>Poor</u>	<u>Good</u>	<u>Satisfactory</u>	<u>Poor</u>
i. Business conditions	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
ii. Cash flows conditions	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
iii. Debtors' conditions	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
iv. Capacity utilization level ◇ N/A or N/R	<input type="checkbox"/> Less than 50%	<input type="checkbox"/> 50% to < 75%	<input type="checkbox"/> 75% to ≤ 90%	<input type="checkbox"/> Less than 50%	<input type="checkbox"/> 50% to < 75%	<input type="checkbox"/> 75% to ≤ 90%
	<input type="checkbox"/> More than 90%			<input type="checkbox"/> More than 90%		
v. Overall Sales	Increase	Unchanged	Decrease	Increase	Unchanged	Decrease
- Volume	<input type="checkbox"/> 1-15%	○	<input type="checkbox"/> 1-15%	<input type="checkbox"/> 1-15%	○	<input type="checkbox"/> 1-15%
	<input type="checkbox"/> 16-30%		<input type="checkbox"/> 16-30%	<input type="checkbox"/> 16-30%		<input type="checkbox"/> 16-30%
	<input type="checkbox"/> > 30%		<input type="checkbox"/> > 30%	<input type="checkbox"/> > 30%		<input type="checkbox"/> > 30%

(B5 Cont.) Note: N/A=Not Applicable N/R= Not Relevant	<u>Current Performance</u> Actual for 1H 2021 (Jan-Jun) compared to 2H 2020 (Jul-Dec)			<u>Forecast</u> Outlook for 2H 2021 (Jul-Dec) compared to 1H 2021 (Jan-Jun)		
	Increase	Unchanged	Decrease	Increase	Unchanged	Decrease
<u>B5.2 Domestic sales</u>						
i. Volume ◇ N/A or N/R	<input type="checkbox"/> 1-15% <input type="checkbox"/> 16-30% <input type="checkbox"/> > 30%	○	<input type="checkbox"/> 1-15% <input type="checkbox"/> 16-30% <input type="checkbox"/> > 30%	<input type="checkbox"/> 1-15% <input type="checkbox"/> 16-30% <input type="checkbox"/> > 30%	○	<input type="checkbox"/> 1-15% <input type="checkbox"/> 16-30% <input type="checkbox"/> > 30%
ii. Price level ◇ N/A or N/R	<input type="checkbox"/> 1-15% <input type="checkbox"/> 16-30% <input type="checkbox"/> > 30%	○	<input type="checkbox"/> 1-15% <input type="checkbox"/> 16-30% <input type="checkbox"/> > 30%	<input type="checkbox"/> 1-15% <input type="checkbox"/> 16-30% <input type="checkbox"/> > 30%	○	<input type="checkbox"/> 1-15% <input type="checkbox"/> 16-30% <input type="checkbox"/> > 30%
<u>B5.3 Foreign sales</u>						
i. Volume ◇ N/A or N/R	<input type="checkbox"/> 1-15% <input type="checkbox"/> 16-30% <input type="checkbox"/> > 30%	○	<input type="checkbox"/> 1-15% <input type="checkbox"/> 16-30% <input type="checkbox"/> > 30%	<input type="checkbox"/> 1-15% <input type="checkbox"/> 16-30% <input type="checkbox"/> > 30%	○	<input type="checkbox"/> 1-15% <input type="checkbox"/> 16-30% <input type="checkbox"/> > 30%
ii. Price level ◇ N/A or N/R	<input type="checkbox"/> 1-15% <input type="checkbox"/> 16-30% <input type="checkbox"/> > 30%	○	<input type="checkbox"/> 1-15% <input type="checkbox"/> 16-30% <input type="checkbox"/> > 30%	<input type="checkbox"/> 1-15% <input type="checkbox"/> 16-30% <input type="checkbox"/> > 30%	○	<input type="checkbox"/> 1-15% <input type="checkbox"/> 16-30% <input type="checkbox"/> > 30%
<u>B5.4 Business operations</u>						
i. Production ◇ N/A or N/R	<input type="checkbox"/> 1-15% <input type="checkbox"/> 16-30% <input type="checkbox"/> > 30%	○	<input type="checkbox"/> 1-15% <input type="checkbox"/> 16-30% <input type="checkbox"/> > 30%	<input type="checkbox"/> 1-15% <input type="checkbox"/> 16-30% <input type="checkbox"/> > 30%	○	<input type="checkbox"/> 1-15% <input type="checkbox"/> 16-30% <input type="checkbox"/> > 30%
ii. Inventory or stock level ◇ N/A or N/R	<input type="checkbox"/> 1-15% <input type="checkbox"/> 16-30% <input type="checkbox"/> > 30%	○	<input type="checkbox"/> 1-15% <input type="checkbox"/> 16-30% <input type="checkbox"/> > 30%	<input type="checkbox"/> 1-15% <input type="checkbox"/> 16-30% <input type="checkbox"/> > 30%	○	<input type="checkbox"/> 1-15% <input type="checkbox"/> 16-30% <input type="checkbox"/> > 30%
<u>B5.5 Cost of raw materials</u>						
i. Local ◇ N/A or N/R	<input type="checkbox"/> 1-5% <input type="checkbox"/> 6-10% <input type="checkbox"/> > 10%	○	<input type="checkbox"/> 1-5% <input type="checkbox"/> 6-10% <input type="checkbox"/> > 10%	<input type="checkbox"/> 1-5% <input type="checkbox"/> 6-10% <input type="checkbox"/> > 10%	○	<input type="checkbox"/> 1-5% <input type="checkbox"/> 6-10% <input type="checkbox"/> > 10%
ii. Imported ◇ N/A or N/R	<input type="checkbox"/> 1-5% <input type="checkbox"/> 6-10% <input type="checkbox"/> > 10%	○	<input type="checkbox"/> 1-5% <input type="checkbox"/> 6-10% <input type="checkbox"/> > 10%	<input type="checkbox"/> 1-5% <input type="checkbox"/> 6-10% <input type="checkbox"/> > 10%	○	<input type="checkbox"/> 1-5% <input type="checkbox"/> 6-10% <input type="checkbox"/> > 10%
<u>B5.6 Manpower</u>						
i. Number of employees	<input type="checkbox"/> 1-5 <input type="checkbox"/> 6-10 <input type="checkbox"/> > 10	○	<input type="checkbox"/> 1-5 <input type="checkbox"/> 6-10 <input type="checkbox"/> > 10	<input type="checkbox"/> 1-5 <input type="checkbox"/> 6-10 <input type="checkbox"/> > 10	○	<input type="checkbox"/> 1-5 <input type="checkbox"/> 6-10 <input type="checkbox"/> > 10
ii. Wage growth	<input type="checkbox"/> 1-5% <input type="checkbox"/> 6-10% <input type="checkbox"/> > 10%	○	<input type="checkbox"/> 1-5% <input type="checkbox"/> 6-10% <input type="checkbox"/> > 10%	<input type="checkbox"/> 1-5% <input type="checkbox"/> 6-10% <input type="checkbox"/> > 10%	○	<input type="checkbox"/> 1-5% <input type="checkbox"/> 6-10% <input type="checkbox"/> > 10%
<u>B5.7 Others</u>						
i. Capital expenditure ◇ N/A or N/R	<input type="checkbox"/> 1-15% <input type="checkbox"/> 16-30% <input type="checkbox"/> > 30%	○	<input type="checkbox"/> 1-15% <input type="checkbox"/> 16-30% <input type="checkbox"/> > 30%	<input type="checkbox"/> 1-15% <input type="checkbox"/> 16-30% <input type="checkbox"/> > 30%	○	<input type="checkbox"/> 1-15% <input type="checkbox"/> 16-30% <input type="checkbox"/> > 30%

BUSINESS DIGITAL TRANSFORMATION PLAN

C2a. Does your company aggressively adopt digitalization and /or automation in recent years?

Note: An answer per row

	Yes	No / Very minimal
a) Aggressively for front-end (e.g. sales and marketing; customer support)	<input type="checkbox"/> 1	<input type="checkbox"/> 2
b) Aggressively for back-end (e.g. production; human resources management)	<input type="checkbox"/> 1	<input type="checkbox"/> 2
c) Planning to be more aggressive for front-end in the next 12 months	<input type="checkbox"/> 1	<input type="checkbox"/> 2
d) Planning to be more aggressive for back-end in the next 12 months	<input type="checkbox"/> 1	<input type="checkbox"/> 2

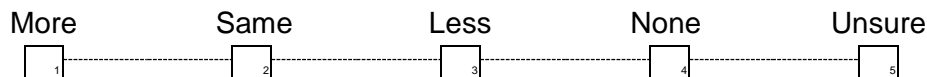
C2b. What is (are) the reason (s) that your company does not aggressively adopt digitalisation and/or automation? (multiple-choice)

- 1 Not applicable, already aggressively adopted in recent years or plans to aggressively adopt in next 12 months
- 2 Does not believe it bring benefits / Benefit-to-cost is not attractive
- 3 Not ready and focus on other priorities (e.g. achieve economic scale and have larger orders)
- 4 Continued with current business model, and hence, no need to adopt
- 5 Business operation is unsuitable to adopt (e.g. contract-based/outsourced-based/sunset business)
- 6 Others, please specify: _____

C2c. Has your company altered its digital transformation plans as a result of the COVID-19?

- 1 Yes
- 2 No
- 3 Unsure

C2d. How much will your company spend on digital transformation technology in 2021 compared to 2020?



C2e. How has the COVID-19 affected your digital transformation priorities? What are you focusing more? (multiple-choice)

- 1 Remote digital technology that facilitates collaboration
- 2 Digitalization training
- 3 IT and business process automation
- 4 Sales and marketing
- 5 Social media
- 6 Priorities remain the same
- 7 Others, please specify: _____

C2f. What are, or have been, the biggest challenges to implement digital transformation technology? (multiple-choice)

- 1 Lack of budget
- 2 New technology training for employees
- 3 Management and employees buy-in
- 4 Convincing employees about the benefits
- 5 Lacking IT support staff
- 6 Maintaining digital IT security system
- 7 Training IT staff to provide support
- 8 Convincing customers about the benefits
- 9 Others, please specify: _____

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

Appendix 3: Top 5 factors affecting business performance by sector

		Targeted area for MCO / CMCO / EMCO	Increase in prices of raw materials	Higher operating cost and cash flow problem	Political climate	Declining business and consumer sentiment	Changing consumer behaviour	Supply chain disruption	Increase bad debt and delay payments	Shortage of raw materials
Overall	Votes, %	65.4	50.2	46.6	45.5	43.6				
	Ranking	1	2	3	4	5				
Agriculture, forestry and fishery	Votes, %	69.4	41.7	58.3	41.7		36.1	36.1		
	Ranking	1	3	2	3		4	4		
Mining and quarrying	Votes, %	70.0	50.0	70.0	50.0	50.0				
	Ranking	1	2	1	2	2				
Manufacturing	Votes, %	61.8	82.2	47.8	40.8					45.9
	Ranking	2	1	3	5					4
Construction	Votes, %	63.2	79.4	54.4	51.5					39.7
	Ranking	2	1	3	4					5
Wholesale and retail trade	Votes, %	70.3	52.7	48.0	50.0	51.4				
	Ranking	1	2	5	4	3				
Trading (Imports and exports)	Votes, %	57.7	53.8			50.0		46.2	46.2	
	Ranking	1	2			3		4	4	
Tourism, shopping, hotels, restaurants, recreation and entertainment	Votes, %	67.6		37.8	32.4	45.9	54.1			
	Ranking	1		4	5	3	2			
Transportation, forwarding and warehousing	Votes, %	57.9		68.4	57.9			57.9	52.6	
	Ranking	2		1	2			2	3	
Professional and business services	Votes, %	74.5		37.3	45.1	55.9	42.2			
	Ranking	1		5	3	2	4			
Finance and insurance	Votes, %	54.3		40.0	42.9	45.7	48.6			
	Ranking	1		5	4	3	2			
Real estate	Votes, %	64.0	44.0	44.0	64.0	56.0				
	Ranking	1	3	3	1	2				
ICT	Votes, %	50.0			50.0	56.7	50.0		46.7	
	Ranking	2			2	1	2		3	

Note: **Lower domestic demand** was ranked as 2nd factor in Mining and quarrying

Appendix 4: ACCCIM M-BECS Survey Results



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