



ACCCIM Malaysia's Business and Economic Conditions Survey (M-BECS) 1H 2022 and 2H 2022F

马来西亚中华总商会
2022上半年及2022下半年预测

马来西亚商业和经济状况调查

4 August 2022



Key agenda

01



**ACCCIM M-BECS:
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02



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Tracker**

03



**Business Pulse
Diagnosis**

04



**Current
Issue**



Survey coverage

- ACCCIM Malaysia's Business and Economic Conditions Survey (M-BECS) is a key market barometer measuring the **business community's sentiments and expectations of their business prospects and economic outlook.**
- The survey, which was conducted during the period **26 April to 30 June 2022** covers **Jan-Jun 2022 (1H 2022)** and expectations for **Jul-Dec 2022 (2H 2022).**

- **M-BECS contains three sections:**



1. Economic and Business Performance and Outlook;



2. Factors Affecting Business Performance; and



3. Current Issue Confronting Businesses.

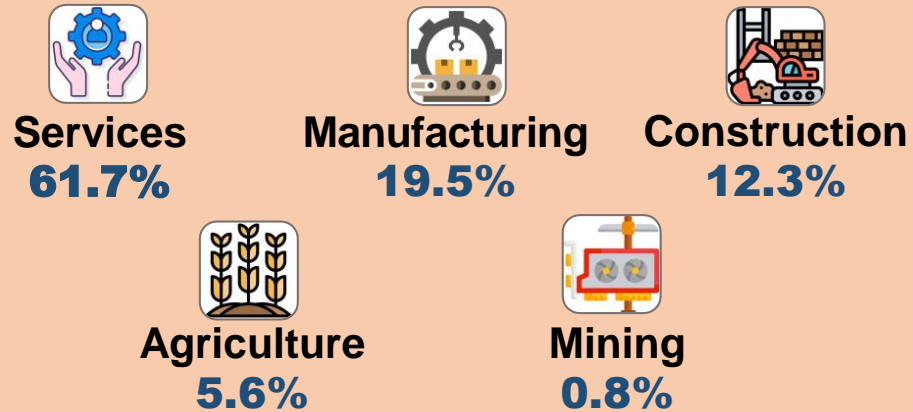


Profile of survey respondents



860 companies covering a broad representation of the economy

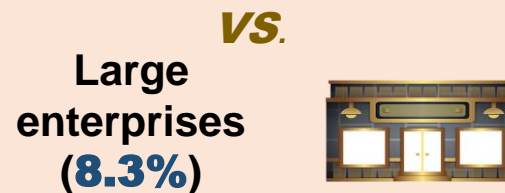
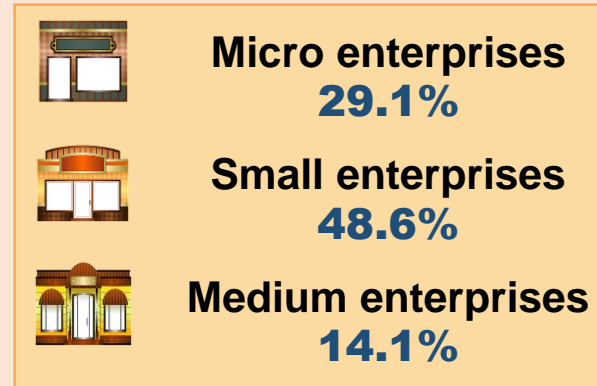
By economic sector n=860



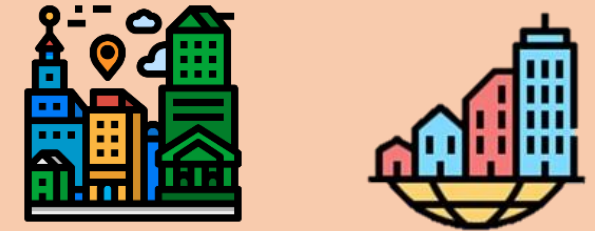
Top FIVE industries (71.5%):



By size of business operations² n=860



By sales orientation n=858



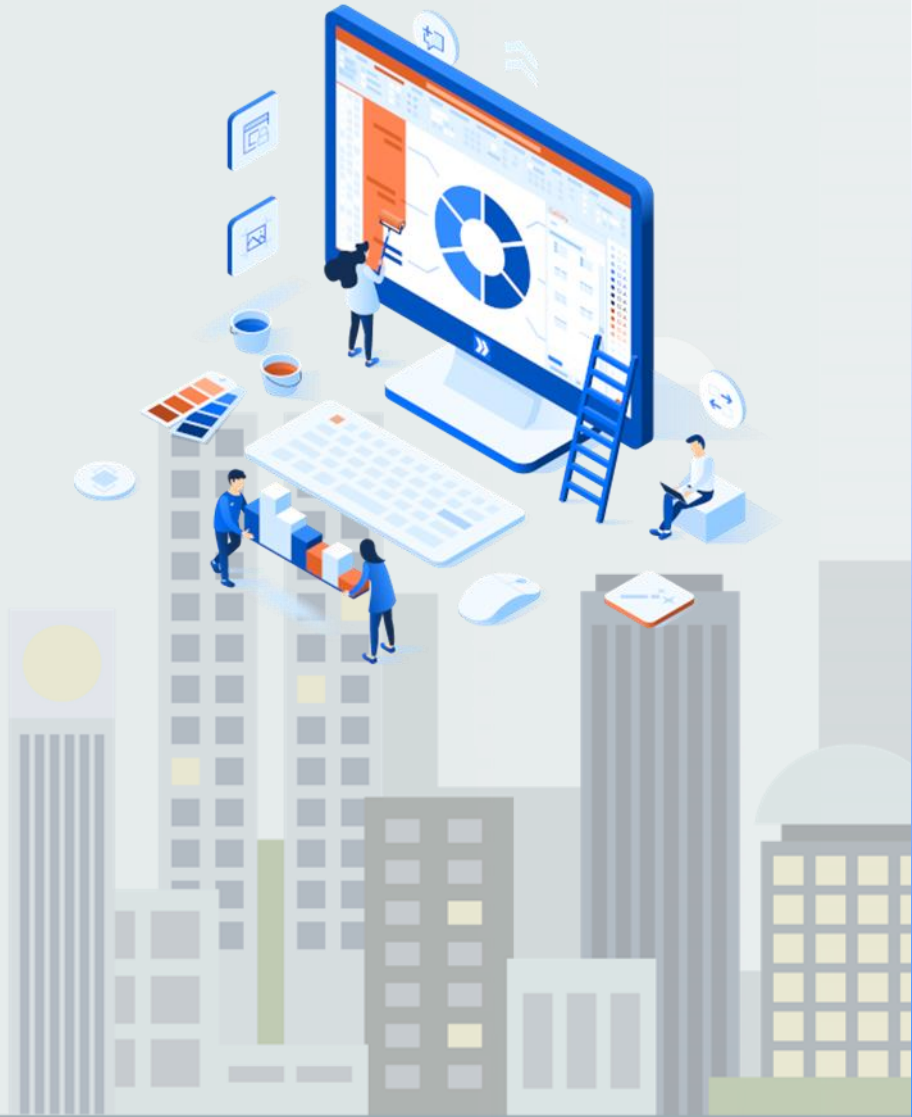
Domestic-market orientation
90.1%

Export-market orientation
9.9%

Note: Domestic-market orientation indicates at least 50% of total sales are generated from domestic market; Export-market orientation indicates more than 50% of sales generated from overseas market.

Note: Numbers may not add up to 100.0% due to rounding, which are also applied for the rest of the slides

¹ Tourism, shopping, hotels, restaurants, recreation and entertainment; 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.

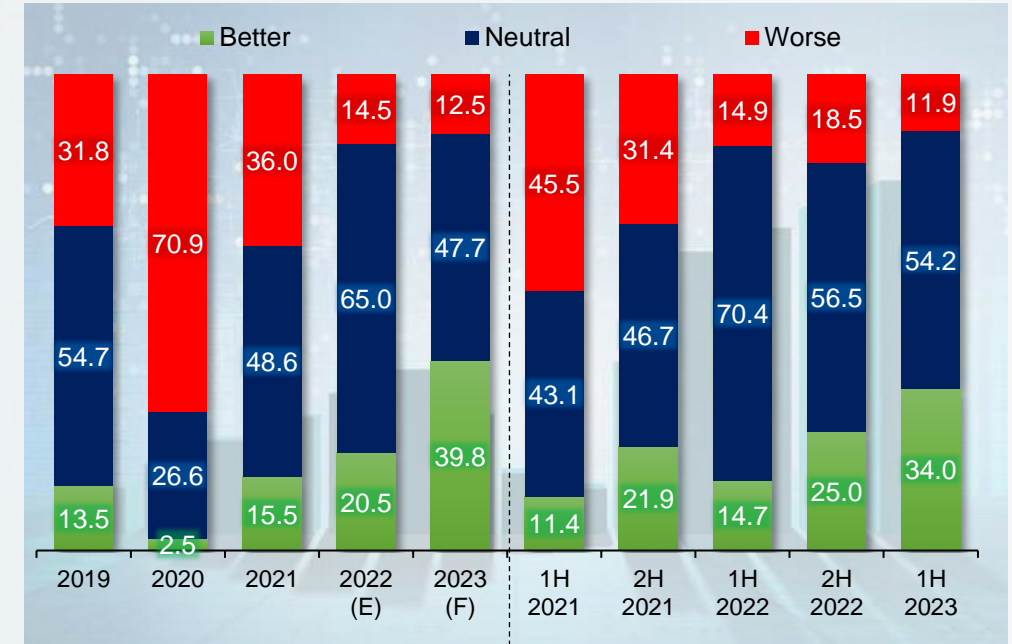


Sentiment Tracker



Businesses remain neutral about economic outlook

- **Malaysia's economic recovery continues in 1H 2022, albeit unevenly among economic sectors.** Underpinning the recovery was the improvement in domestic demand and still buoyant exports.
- With both external and domestic headwinds still dominating, **a high percentage (70.4%) of total respondents were "Neutral" about economic conditions in 1H 2022; and only 14.7% indicated "Better"**. The expectations have improved in 2H 2022 (25.0% of respondents expect "Better") amid "Neutral" views still high at 56.5%.
- **Risks to domestic economic growth in 2H 2022 and in 2023:**
 - Global stagflation risk
 - Recession risks in the global and US economy
 - The Fed's aggressive interest rate hikes
 - Prolonged Russia-Ukraine war
 - Consumer inflation pressures
 - Persistent supply disruptions
 - Increasing business costs

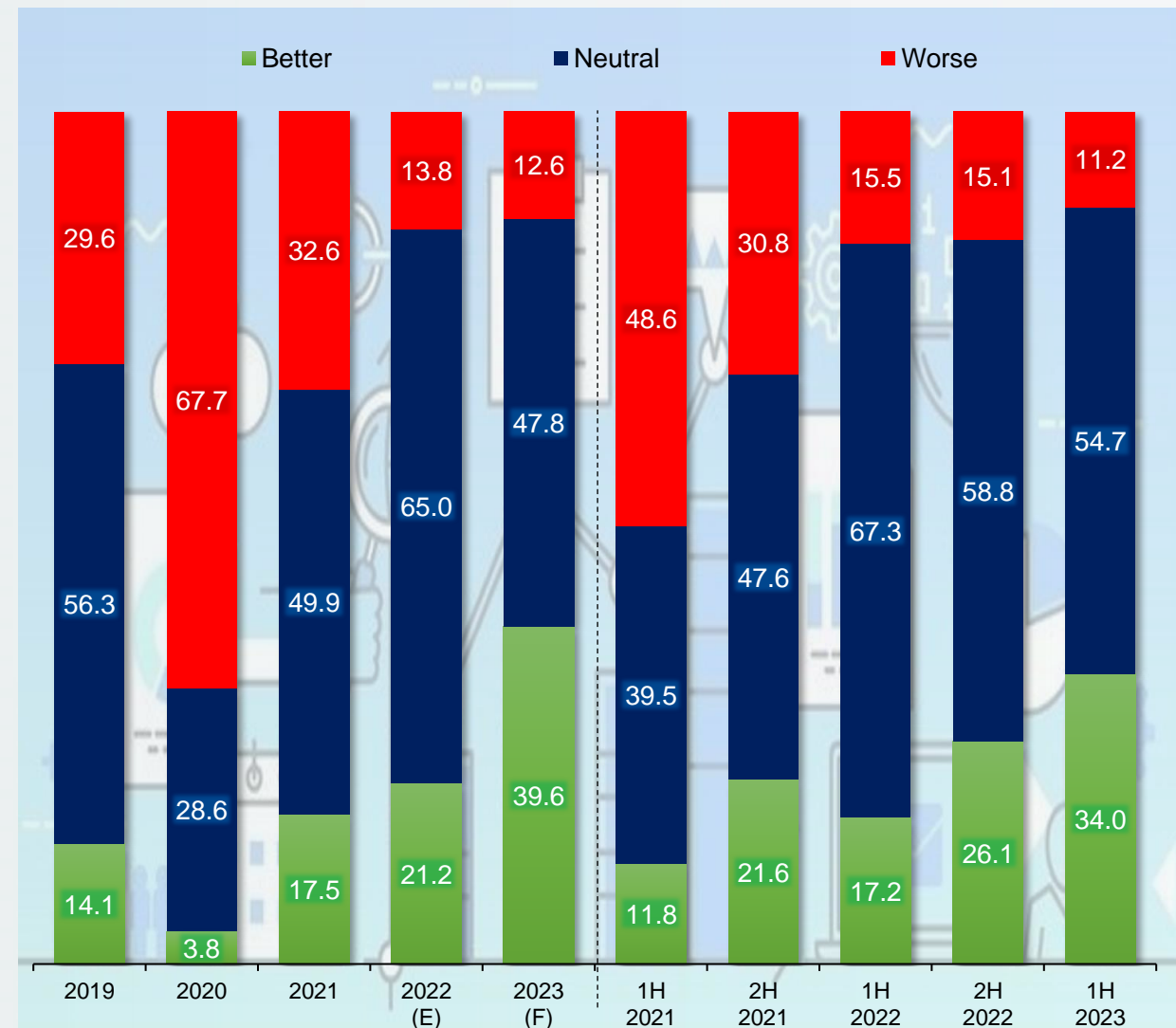


Note: E=Estimates; F=Forecast



Business conditions and prospects

- Only 17.2% and 26.1% of respondents expect “Better” business conditions in 1H and 2H 2022, respectively, indicating still uneven state of business recovery.
- A majority of respondents (65.0%) have a “Neutral” view in 2022.
- **Headwinds:** External uncertainties, supply chain disruptions, volatile and elevated prices of raw materials and the shortage of workers.
- 39.6% of respondents expect “Better” business prospects in 2023, higher than 21.2% in 2022.



Note: E=Estimates; F=Forecast





Business Pulse Diagnosis



Factors affecting business performance in 1H 2022

% of respondents

1st



Increase in prices of raw materials

(61.6%)

2nd



Shortage of workers

(53.8%)

3rd



High operating cost and cash flow problem

(43.5%)

4th



The Ringgit's fluctuation

(40.0%)

5th



Shortage of raw materials

(32.6%)

6th



Availability of skilled labour

(30.7%)

7th



Supply chain disruptions

(29.4%)

8th



Political climate

(26.7%)

9th



Changing consumer behaviour

(26.0%)

10th



Declining business & consumer sentiment

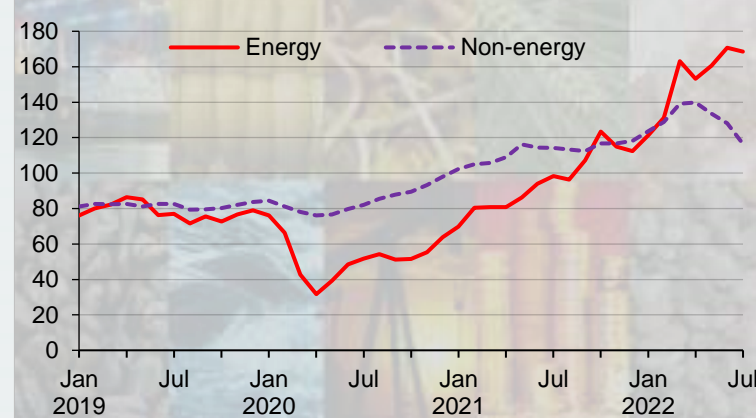
(22.6%)



Increase in prices of raw materials (61.6%)

- **Unprecedented cost landscape.** Prolonged supply chain disruptions, the war in Ukraine inflicted higher energy and commodity as well as industrial materials prices.
- **More than 80% of respondents in the manufacturing (87.5%) and construction (85.8%) sectors suffered the most in 1H 2022 (76.3% and 77.0% respectively in 2H 2021).**
- **84.0% and 79.8% of respondents indicated that the cost of local and imported raw materials, respectively, was higher in 1H 2022.**
- **Pass-through increased costs.** 71.9% of respondents in the manufacturing sector and 69.8% in the construction sector have raised their domestic price level.

Commodity Price Index (2010=100)



Price changes	FY2021/ FY2020	1H 2022/ FY2021
Energy	+81.0% →	+57.5%
Non-energy	+32.7% →	+18.0%
<i>Agriculture</i>	+24.2% →	+18.5%
<i>Fertiliser</i>	+80.5% →	+67.6%
<i>Metal & Minerals</i>	+47.1% →	+10.8%

	CPO (RM/mt)	Brent crude oil	Fertiliser	Copper	Wheat
2020	2,685.50	42.30	229.10	6,173.77	231.57
2021	4,407.00	70.44	483.21	9,317.05	315.24
1Q	6,179.00	98.96	821.02	9,985.47	417.01
Apr	6,678.00	105.78	925.00	10,161.38	495.28
2022 May	6,873.00	112.37	707.50	9,377.15	522.29
Jun	6,106.00	120.08	690.00	9,024.46	459.59
Jul	4,063.00	108.92	601.00	7,544.81	382.50
FY2021/ FY2020	+64.1%	+66.5%	+110.9%	+50.9%	+36.1%
1H 2022/ FY 2021	+43.6%	+50.3%	+65.1%	+4.7%	+44.2%

Note: Value in US\$/bbl for crude oil, US\$/mt for fertilizer (Urea), copper and wheat (US HRW)
Source: World Bank; MPOB for Crude Palm Oil (CPO)



Shortage of workers (53.8%)

- **Shortage of workers (53.8% votes) is an increasing concern** amid the continued improvement in unemployment rate (3.9% in May 2022 vs. 5.3% in May 2020).
- Up to 24 June 2022, about 20,000 foreign workers have arrived in Malaysia, which is only about 6.5% of total approved quota of 310,000 persons. Only 114,121 FW working passes were approved out of 418,528 applications in the Labour Recalibration Program as at end-Jun 2022.
- **Many businesses have turned down sale orders and operated below the optimum production capacity.** A prolonged delay in foreign workers' arrival would further dampen industries' productivity and output.

Most affected sectors by the shortage of workers

% of respondents

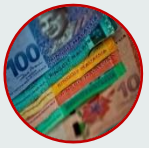


High operating cost and cash flow problem (43.5%)



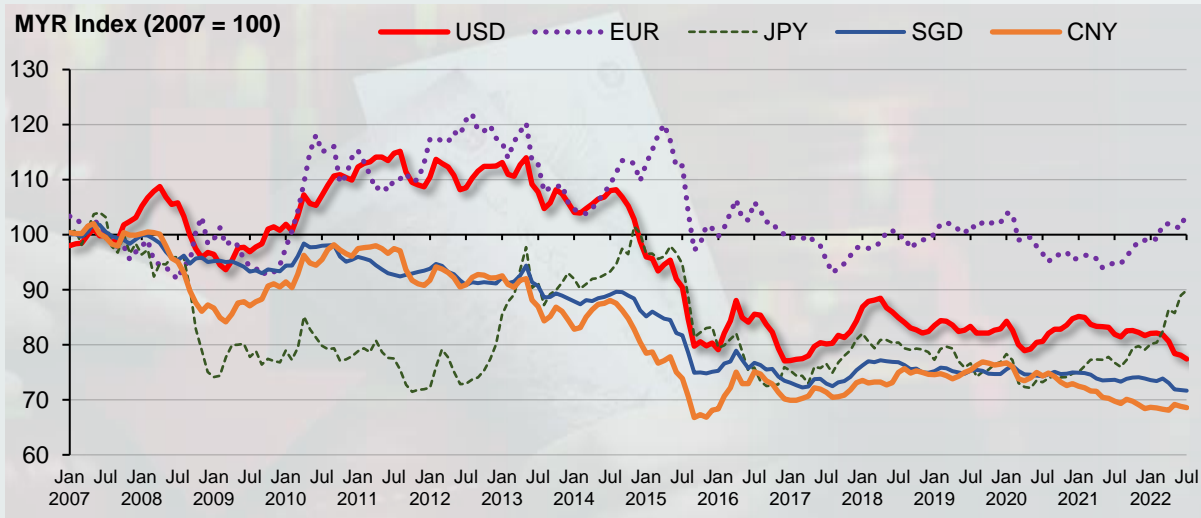
- **Still-high 43.5% of total respondents cited this restraining factor** though it has improved from 2nd ranking in the previous survey.
- Supply disruptions and negative prices, as well as cost shocks, including an increase in the minimum wage, have increased operating costs and affected businesses' cash flow conditions.
- **62.8% of respondents have a "Neutral" cash flows condition in 1H 2022** (49.0% in 2H 2022) while a higher percentage expects "Better" (18.6% vs. 10.5% in 2H 2021). A higher share (19.7% in 2H 2022 vs. 18.7% in 1H) of respondents would experience "Worse" conditions.





The Ringgit's fluctuation (40.0%)

- The Ringgit's fluctuation **creates uncertainty in the pricing of imported raw materials or goods.**
- The trading industry (55.0%) and transportation, forwarding and warehousing industry (54.5%) registered the highest percentage of votes.
- As at 29 July 2022, the Ringgit has appreciated against the Japanese yen (+8.6%) and euro (+4.0%) but depreciated against the US dollar (-6.1%), Singapore dollar (-4.3%) and Chinese yuan (-0.7%) compared to end-2021.



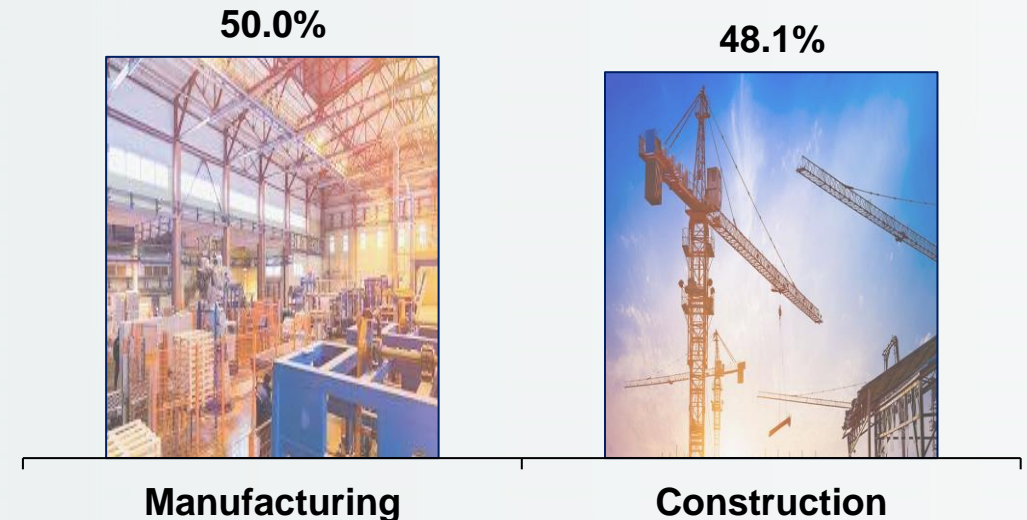
Note: MYR Index = Exchange rate in base year/Exchange rate in a specific year*100
Source: BNM

Shortage of raw materials (32.6%)



- Businesses are facing a double whammy impact: Increasing prices of raw materials and the shortage of raw materials.
- **Close to one-third (32.6%) of total respondents indicated that the shortage of raw materials has affected their business performance in 1H 2022,** mainly in the manufacturing (50.0% of total respondents) and construction (48.1%) sectors.

Most affected sectors by the shortage of raw materials % of respondents

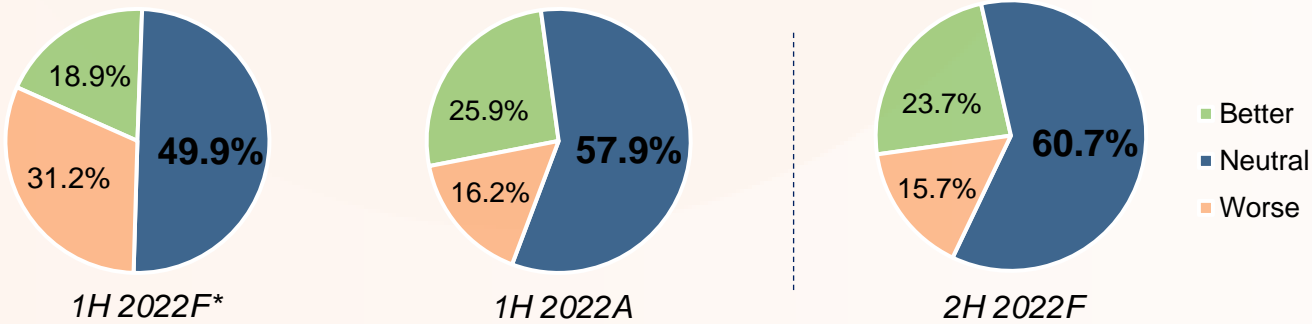




Business assessment in 1H 2022 and 2H 2022F

“Neutral” business conditions in 1H 2022

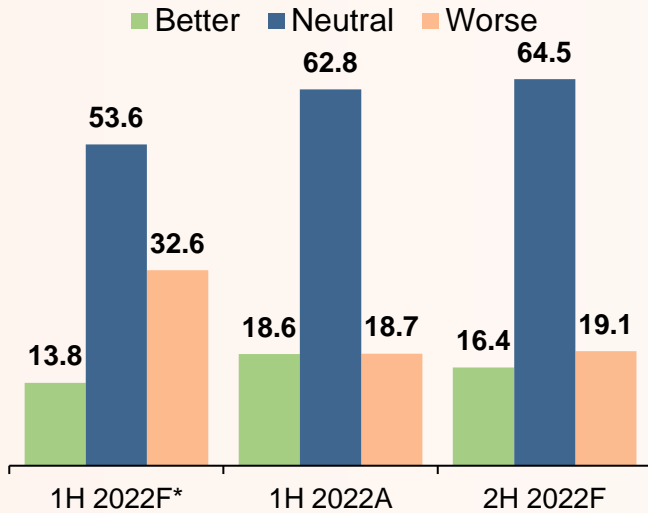
- Large enterprises have mostly recovered from the pandemic, with 49.3% reporting better business conditions.



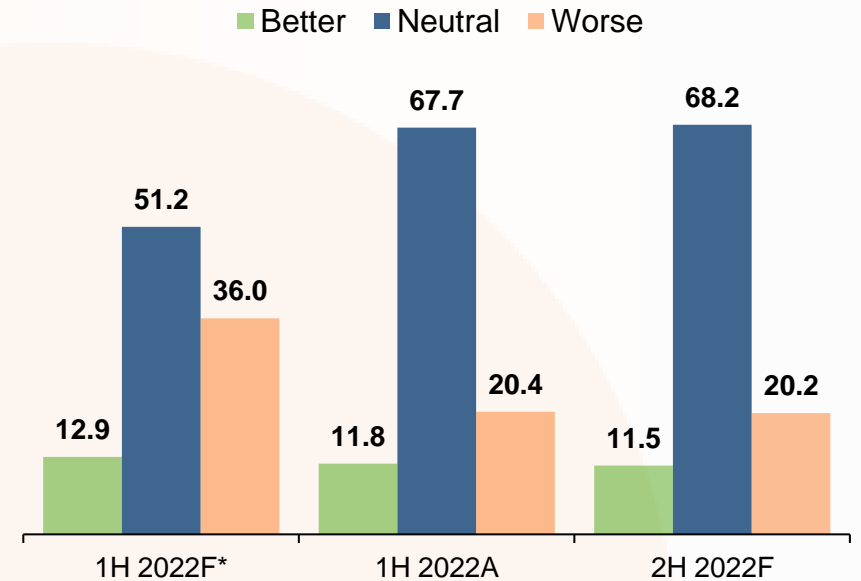
“Neutral” debtors’ conditions in 1H 2022

- Debtors’ conditions were viewed as “Neutral” in 1H 2022, and will likely remain unchanged in 2H 2022.
- Lower share of respondents expect both “Better” and “Worse” compared to the previous survey.
- Businesses’ cautiousness could be due to lingering worries about the risks of global recession and its impact on the domestic economy and business environment.

“Better” and “Neutral” cash flows conditions in 1H 2022



- There was an improvement from past expectations, with more respondents having “Neutral” and “Better” views in 1H 2022.
- Overall, cash flow conditions are expected to **deteriorate marginally in 2H 2022**



F=Forecast; A=Actual

* Data obtained from the previous survey.”



Business operations diagnosis

Sales have gradually returned to normalcy

- 69.5% of respondents across most sectors reported that their sales revenue was about the same or higher compared to pre-pandemic level.
- 50.6% of respondents have experienced an increase in domestic sales in 1H 2022. It was partially due to higher selling prices.



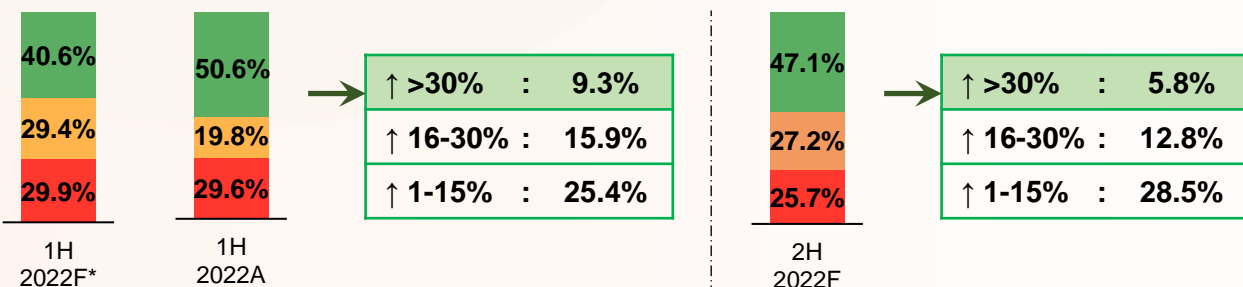
- **Tourism-related sectors (60.9%)** have experienced an increase in overall sales, of which 22.0% of them reported a more than 30% increment.



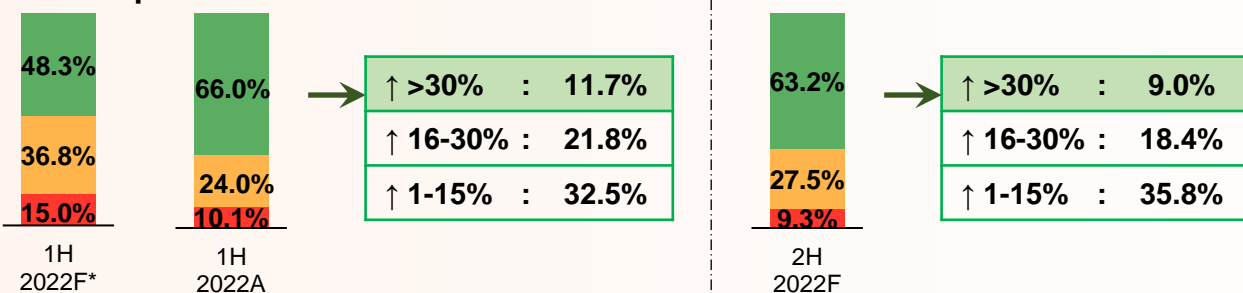
- **Transportation-related sector (46.9%)** suffered a decline in domestic sales, of which most losses were between 1% and 5%.

Domestic sales revenue

■ Increase ■ Unchanged ■ Decrease



Domestic price level

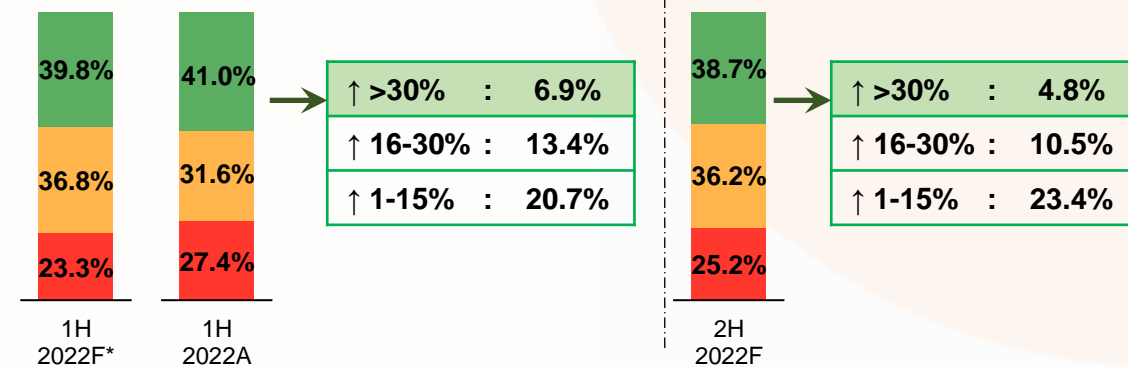


Production recovery disrupted by increased prices of raw materials & worker shortage

- 41% of respondents reported either an increase or a decrease in their production level in 1H 2022.
- About 40% of total respondents have either increased or maintained the inventory or stock level in 1H 2022.
- Overall, **most respondents are operating below 75% capacity utilisation in 1H 2022**, and will likely maintain the same level in 2H as constrained by the shortage of workers.
- Businesses will either increase or maintain the production and inventory level in 2H 2022 on cautiousness about both external and domestic demand.

Production

■ Increase ■ Unchanged ■ Decrease



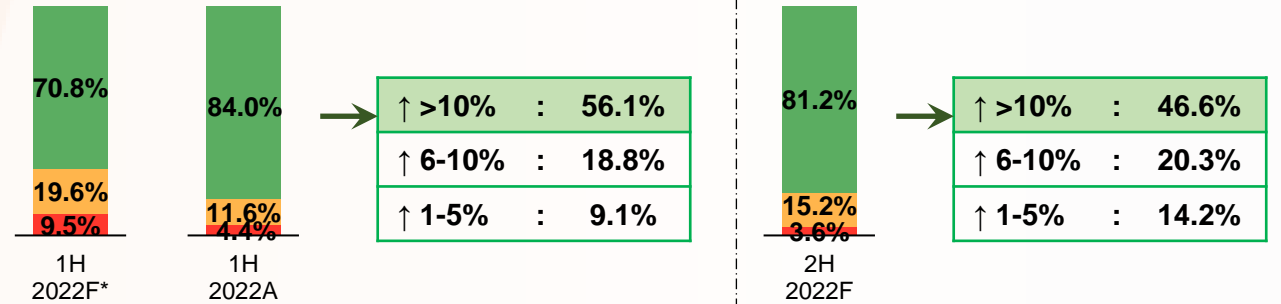
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* Data obtained from the previous survey.

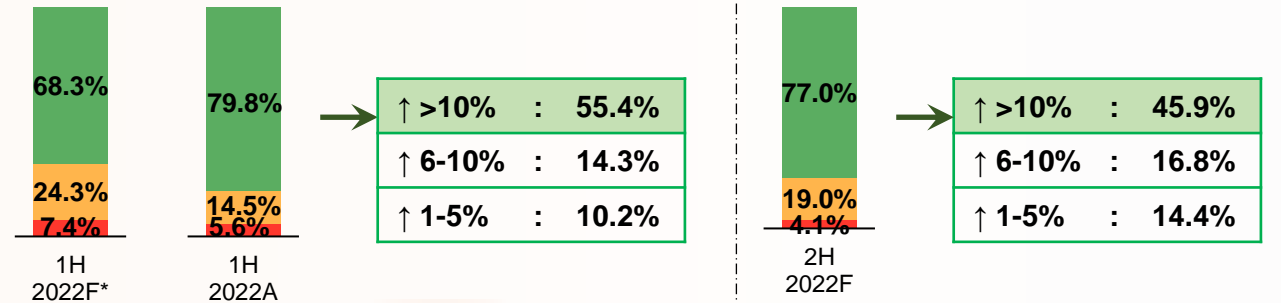
Soaring cost of raw materials

- More than 50% of respondents in most sectors, especially manufacturing and construction, reported substantial increases in prices of local and imported raw materials, at a magnitude of more than 10%. They expect price increases to persist in 2H 2022.
- The Russia-Ukraine war-induced rising energy and commodity prices as well as global supply shortages have exacerbated the situation of rising costs, which have weighed on businesses' costs and margins.
- The imbalances between supply constraints and recovering demand coupled with a high cost of production will hamper the business recovery trajectory.

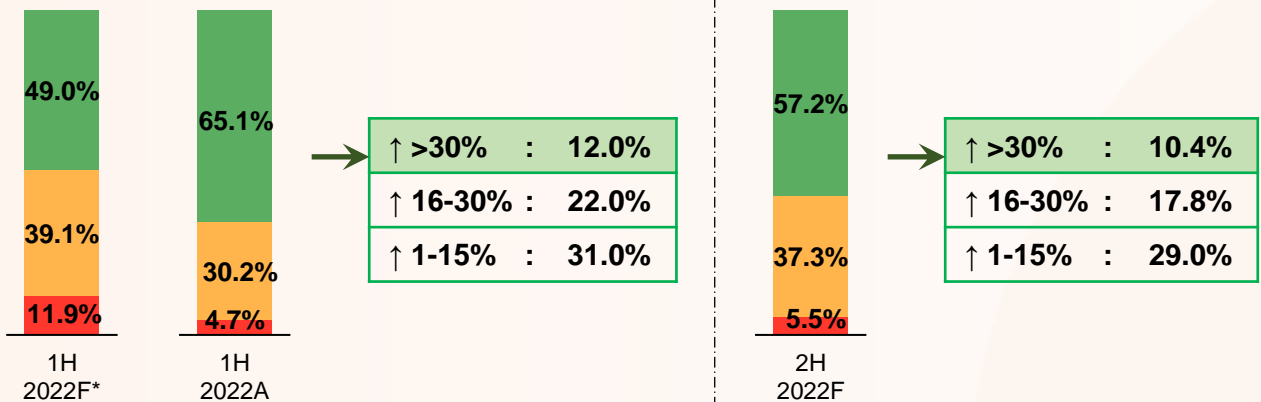
Local raw materials



Imported raw materials



Capital expenditure



F=Forecast; A=Actual

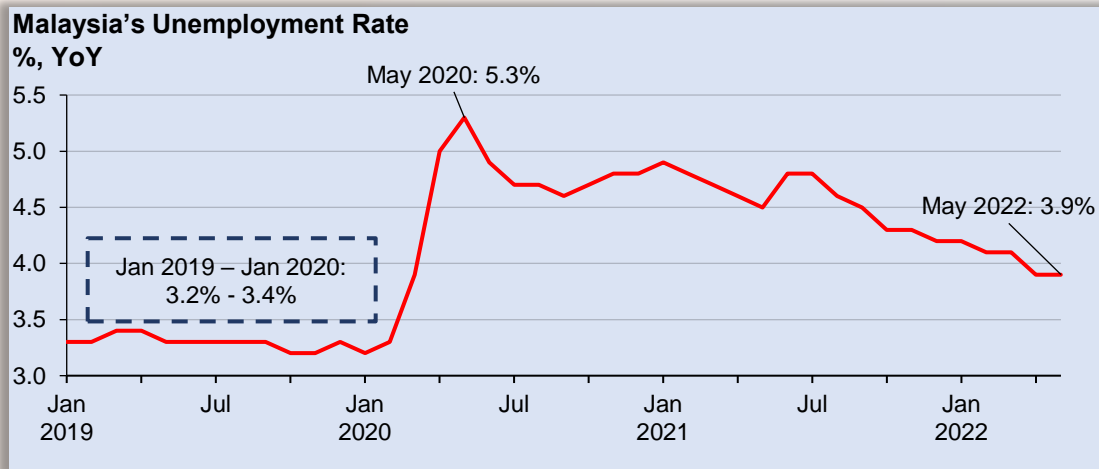
* Data obtained from the previous survey.

Brighter investment prospects

- Nearly two-thirds of total respondents (65.1%) have increased their capital expenditure in 1H 2022, in tandem with the improvement in business activities, thanks to the economy reopening.
- Most companies plan to invest further in 2H 2022, albeit at a lower percentage share (57.2% vs. 65.1% in 1H 2022), while 37.3% of respondents will maintain their capital investment. This indicates a moderate recovery in business sentiments, backed by the continued economic recovery.

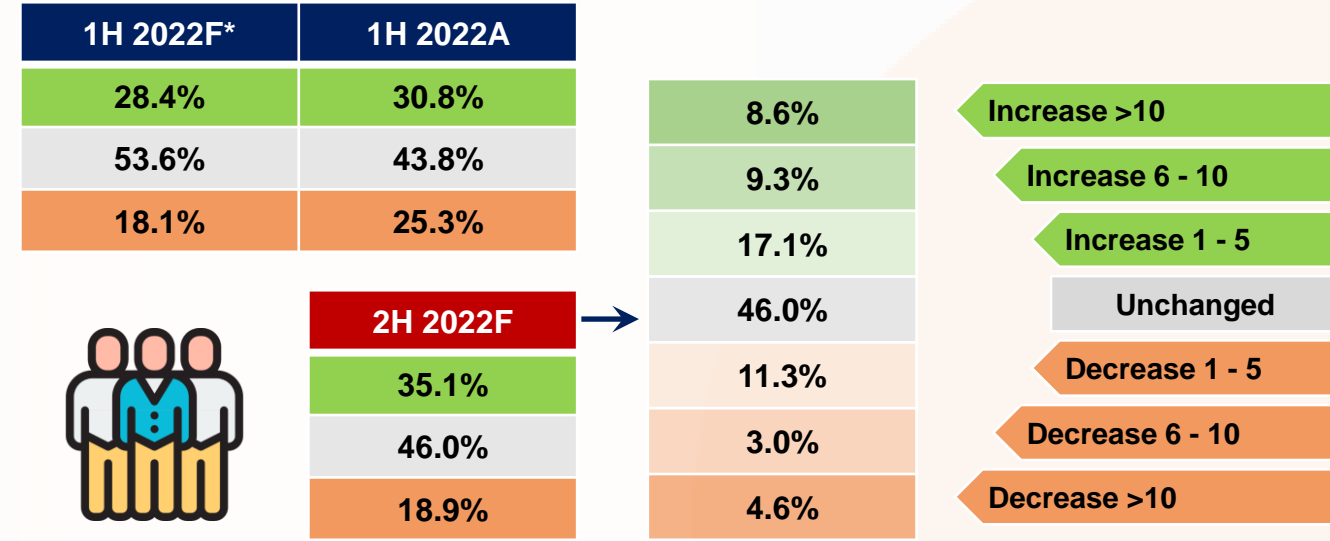
Employment outlook remains the same amid rising wages

- **Most sectors have maintained their workforce in 1H 2022** except for the manufacturing sector, which has reported a net decrease. Overall, the employment trend will remain unchanged in 2H.
- Following an increase in new minimum wage, **65.9% of respondents have increased their employees' wages in 1H 2022**, with 22.5% reporting more than a 10% increment in wages.
- A higher percentage of respondents from small (68.6%), medium (82.9%), and large (78.9%) enterprises reported more increases in wages compared to micro enterprises (49.0%)
- Most respondents expect a similar trend of wage increases for 2H 2022 due to improvement in the labour market condition.

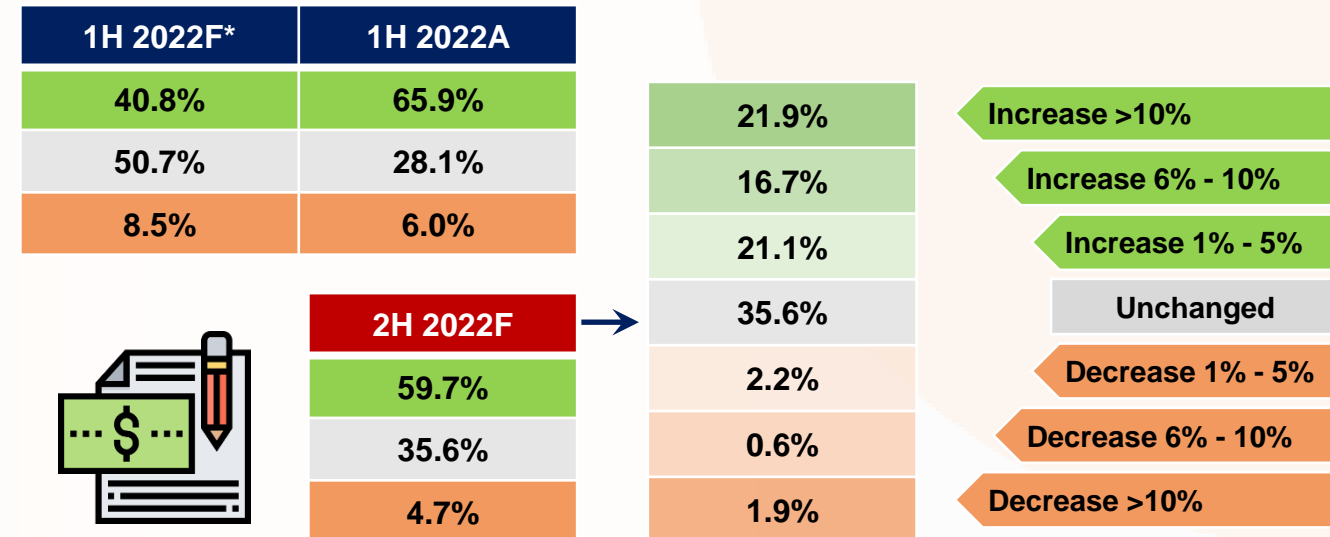


Source: DOSM

Number of employees



Wage growth



F=Forecast; A=Actual

* Data obtained from the previous survey.

Current Issue

RCEP: Tapping SMEs' Potential to Go Global

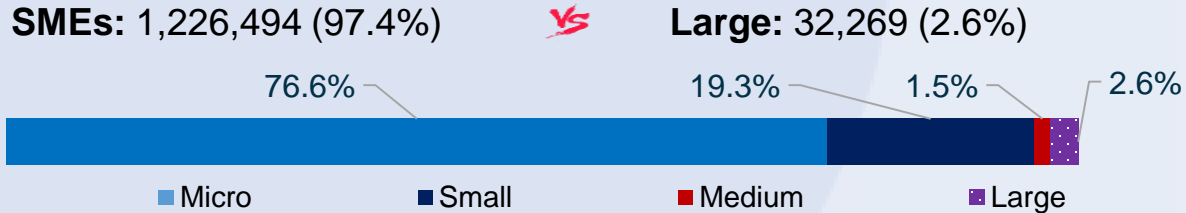


RCEP: Tapping SMEs' Potential to Go Global

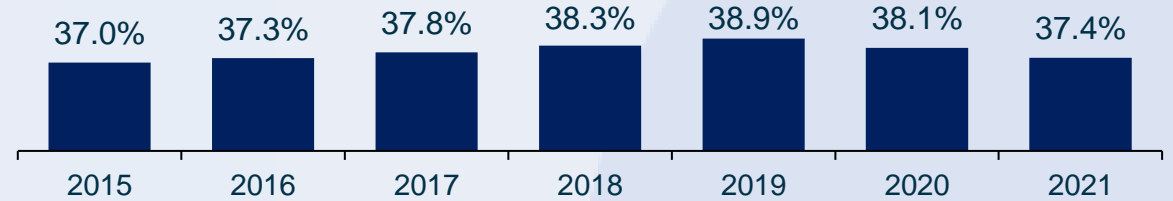


SMEs' contribution to the economy

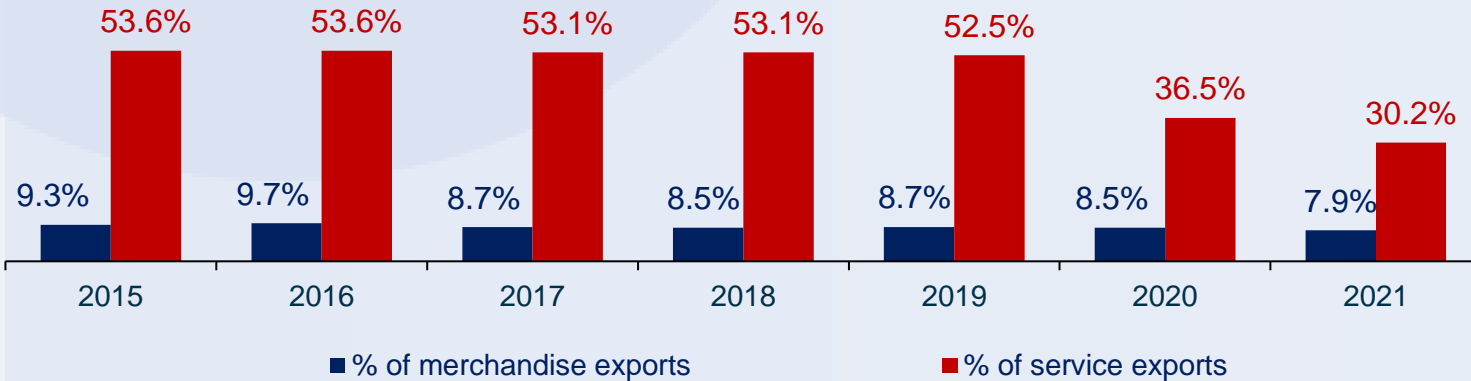
97.4% of total number of business establishments were SMEs in 2021
 Note: Units (% shares)



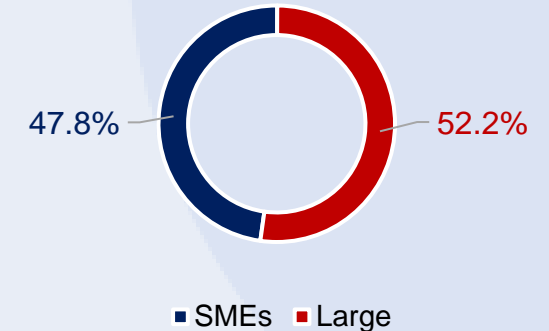
Contribution to GDP declined in 2020 and 2021, the COVID-19 pandemic years
 % shares to GDP



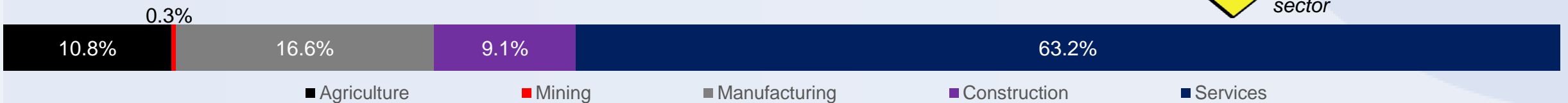
Significant share of services exports before 2020, but not of merchandise exports



Hire nearly half of the national employment in 2021



Of which 63.2% were in services sector



Current stage of business development in Malaysia

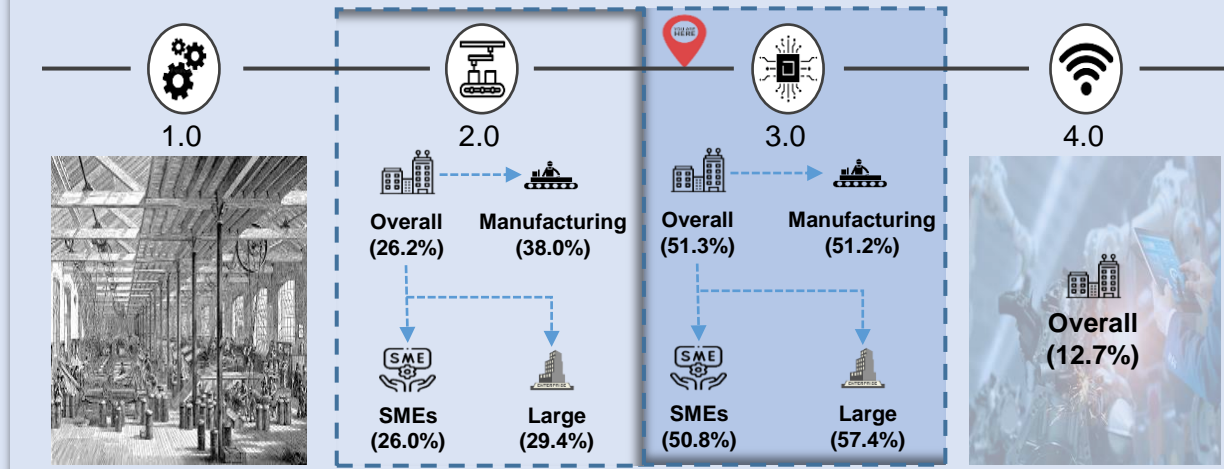
- **Most SMEs respondents are scattered among the growing stage and expansion stage.** While many micro-sized respondents have positioned themselves at the start-up stage, most large enterprises are in the expansion stage.

	1	2	3	4	5
	Stage 1 Start-up	Stage 2 Growth	Stage 3 Expansion	Stage 4 Maturity	Stage 5 Decline
By Size					
Micro	30.4%	34.0%	9.2%	8.4%	18.0%
Small	13.9%	39.0%	22.0%	11.7%	13.4%
Medium	5.0%	37.2%	28.9%	14.0%	14.9%
Large	8.5%	22.5%	39.4%	22.5%	7.0%
OVERALL	17.0%	35.9%	20.7%	12.0%	14.4%
By Selected Sector					
Agriculture	16.7%	33.3%	22.9%	12.5%	14.6%
Construction	16.0%	41.5%	16.0%	10.4%	16.0%
Wholesale and retail	17.7%	35.4%	15.6%	12.9%	18.4%
Professional and business services	25.9%	43.7%	10.4%	10.4%	9.6%
Manufacturing	10.7%	28.0%	30.4%	15.5%	15.5%
Finance and Insurance	20.0%	22.2%	31.1%	11.1%	15.6%

Note:
 IR 1.0 (Mechanisation, steam and water power)
 IR 2.0 (Mass production and electricity)
 IR 3.0 (Electronic and IT systems, automation)
 IR 4.0 (Cyber-physical systems)



INDUSTRIAL REVOLUTION (MANUFACTURING)



About 51% of total respondents perceived that Malaysia's manufacturing sector is in the IR 3.0 phase

The Fourth Industrial Revolution (IR4.0) is a big mover for Malaysia's industrial transformation to achieve a high-income nation status. This requires capital investment in advancing technological and digitalisation capabilities, an adequate supply of highly skilled and knowledge-based human capital and, more importantly, to enhance a conducive and competitive investment environment.

Malaysian SMEs: SWOT Analysis




















Most voted answers

% of respondents



Selected products and services that SMEs have the potential to go into the global market

% of respondents

Products		Services	
	Halal products (55.0%)		
	Palm-based bio products (52.3%)		Medical tourism (49.0%)
	Fruits (46.8%)		
	Frozen food (36.1%)		Halal consultancy services (42.5%)
	Wood-based products (35.4%)		
	Snack product (30.6%)		Food and restaurant franchising (38.1%)
	Aquaculture (30.3%)		
	Herb product (27.5%)		Education (33.3%)
			
			Software design (32.1%)
			
			Data processing activities (27.6%)
			
			Engineering services (23.9%)
			
			Smartphone gaming apps (23.0%)

Products and services that SMEs have high potential to go into the global market

Top 3 products



Halal Products (55.0%)



- Spending on halal food, pharmaceuticals and cosmetics has increased to US\$1.44 trillion in 2021, and is expected to grow by another 7.0% in 2022 and will reach US\$1.89 trillion in 2025, growing by a 4-year CAGR of 7.1%.



Palm-based Bio Products (52.3%)



- Exports of palm-based bio products have increased gradually at an average growth of 2.1% per month (Jan 2019 – May 2022). Massive potential development in palm-based bio products is more sustainable compared to animal products, but some issues remain a concern in the EU.



Fruits (46.8%)



- Amongst the major tropical fruits, durians, watermelons, coconuts (including desiccated coconuts), bananas, pineapples, papayas, guavas, mangoes, and mangosteens have a combined export value of RM379.2 million in 2021 or 24.3% of total fruit exports.

Top 3 services



Medical Tourism (49.0%)



- According to the Malaysia Healthcare Travel Council (MHTC), the healthcare travel industry enjoyed double-digit growth of 16.3% pa in 2015-2019.



Halal Consultancy Services (42.5%)



- In aligning with the expansion of halal products, halal consultancy services are crucial to help local and international companies to comply with halal certification requirements and facilitate halal certificate applications.



Food and Restaurant Franchising (38.1%)



- According to KPDNHEP, sales value of franchise companies had increased by 9.7% to RM14.6 billion in 2020 from RM13.3 billion in 2019. While 1,110 franchises were registered under KPDNHEP, 68 local brands have successfully penetrated 70 countries.



The CONSTRAINTS

Top 3 constraints



Small economies of scale
(56.3%)



Lack of technical know-how
(49.8%)



Inadequate knowledge about the trade rules and regulations
(43.0%)



Uncompetitive in sourcing of raw materials 42.8%



Inadequate export marketing skill 40.4%



Barriers to access market and product information 34.5%



Obtaining finance 32.1%



Non-tariff barriers (NTB) 23.4%

% of respondents



How to COMPETE?

Top 3 approaches



Participate in trade fair, trade mission and business networking
(57.0%)



Integrating or adapting to new technologies
(55.9%)



Improve the product quality and after-sale service
(53.6%)



Product differentiation and uniqueness 51.7%



Strategic alliance with local business partners 47.3%



Enhance the product design and packaging 40.1%

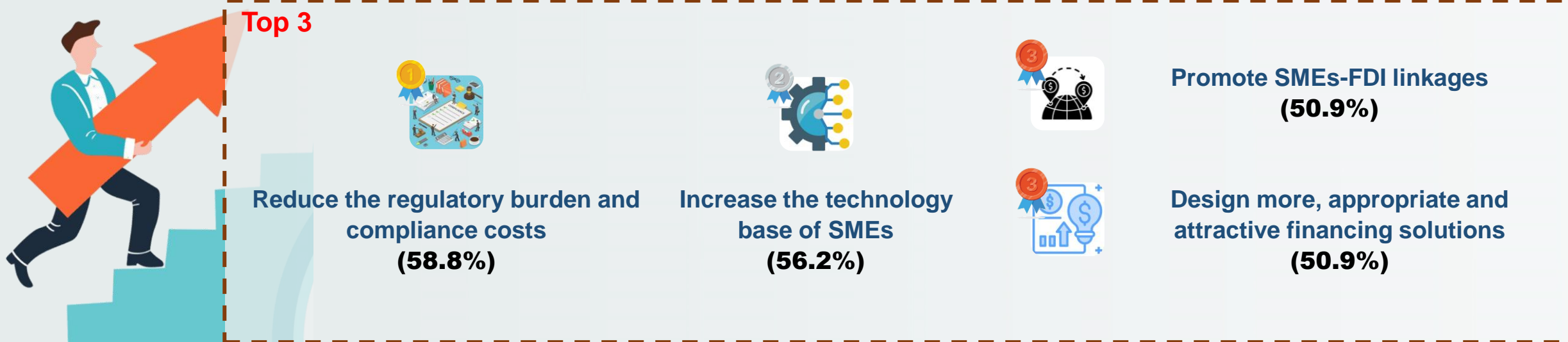


Better practices of ESG 36.5%

% of respondents



What should the Government do BETTER to enhance SMEs capability?



% of respondents



46.4% Provide management and skills training



45.5% Increase access to markets



41.0% Provide product and branding development



38.6% Improve information and dissemination



34.4% Encourage merger and acquisition (M&A) between SMEs





What should the Government do BETTER to enhance SMEs capability? (cont.)

% of respondents



Reduce the regulatory burdens and compliance costs (58.8%)

ACCCIM's suggestions:

Enhance Government-to-Business experience

- i. Establish a link-up “Join up” government services.
- ii. New regulations before implementation should be screened by Malaysia Productivity Corporation (MPC) and PEMUDAH to minimise unnecessary costs and disruptions to business.
- iii. **Risk-based approach.** Enforcement, inspection, control and supervision as well as “regulatory guillotine” to reduce the types of control/supervisory.
- iv. **“Cost-in, Cost-out” system.** Enforce agencies to restrict the increase of the costs of newly introduced or reinforced regulations by abolishing or relaxing regulations that carry equal or more amount of costs.



Increase the technology base of SMEs (56.2%)

ACCCIM's suggestions:

- i. **Subsidise SMEs to install smart set-top boxes and** link their equipment to the Internet, which could help firms move quickly towards smart management and production.
- ii. Malaysia Productivity Corporation (MPC) can consider establishing a division called **“Technical Service Division”**, which serves as one-stop enterprise R&D innovation services to provide assistance and technical advisory services to businesses.
- iii. Support training on **technology, R&D and innovation; establish innovation and technology centres/co-operation**; promote and develop **inter-firm clusters and networks.**



What should the Government do BETTER to enhance SMEs capability? (cont.)

% of respondents



Promote SMEs-FDI linkages (50.9%)

ACCCIM's suggestions:

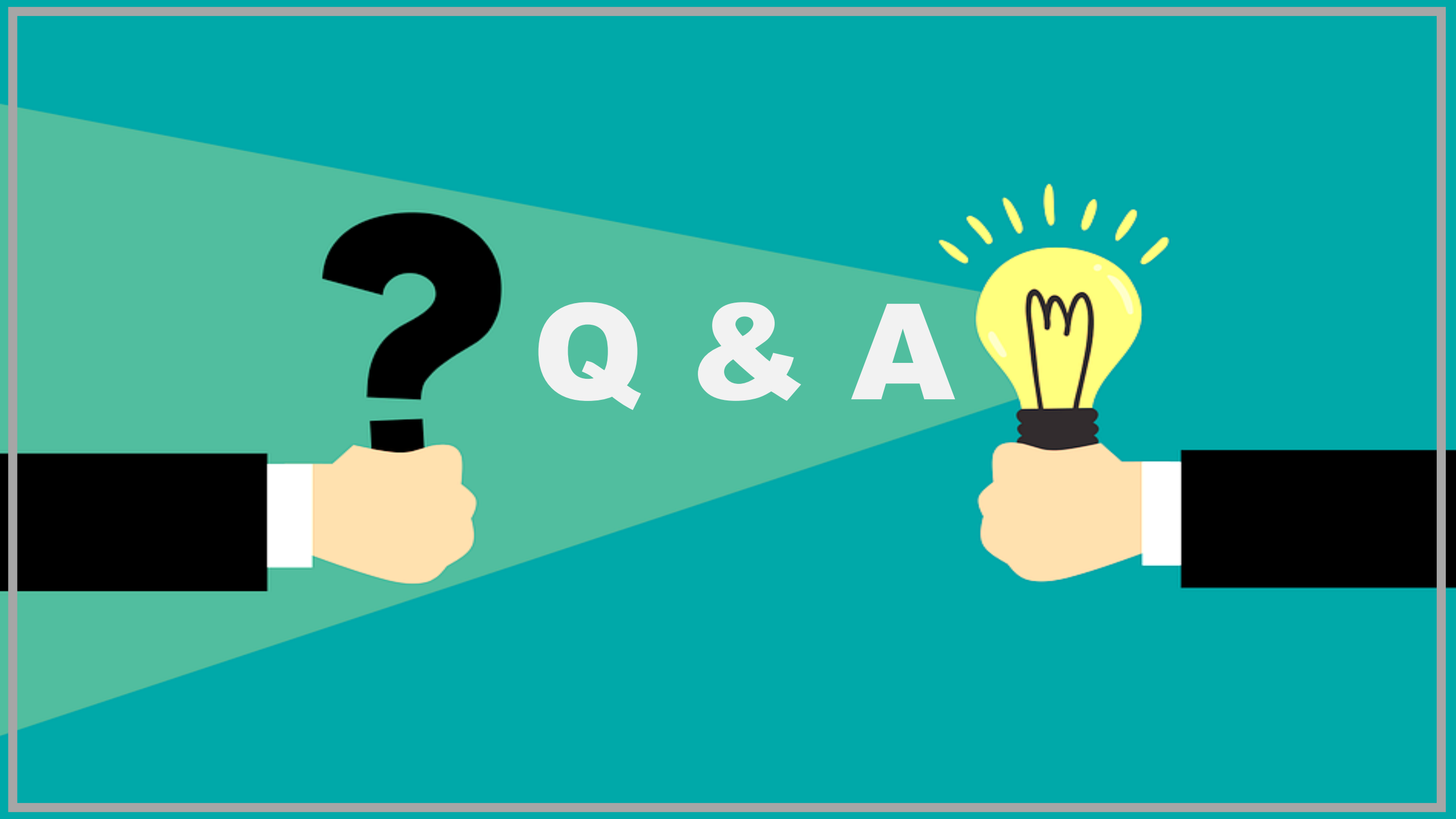
- i. **Provision of information** – Government can act as a facilitator by gathering and disseminating information on linkages opportunities via national websites, business directories, 'meet-the-buyer' events, and matching making.
- ii. **Targeting suppliers on the basis of proven abilities and commitment** to future improvements.
- iii. **Close engagements with domestic corporations and MNCs** – Identify areas and opportunities for suppliers; provide feedback on SMEs' weaknesses.
- iv. **Tailored programs assist SMEs/suppliers to identify their needs** and enhance their capability.



Design more, appropriate and attractive financing solutions (50.9%)

ACCCIM's suggestions:

- i. **Broadening the financing options available and accessible to SMEs:**
 - Better understanding the business and financing needs of SMEs.
- ii. **BNM to create a centralised system for SMEs to synchronise loan applications whilst they are applying to financial institutions.** This helps BNM to monitor and capture SMEs' real financing conditions and make SMEs' financing requirements more transparent.



Q & A





谢谢
Thank you

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