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To: CEO/ Directors/ Managing Directors/
Finance/ Business Development/Sales Managers

FMM – MIER Business Conditions Survey 2H2020

The Federation of Malaysian Manufacturers (FMM) is pleased to publish the findings of the eighteenth biannual survey of business conditions in the manufacturing sector for the second half of 2020 (2H2020). The findings were successfully released to the media on March 2, 2021. We are pleased to enclose a [copy of the survey findings](#) for your reference and record.

The survey revealed that after a slow 1H2020 due to the onslaught of the Covid-19 pandemic, activity in the Malaysian manufacturing sector picked up slightly and cautiously in 2H2020. Reflecting this is the current index for business activity which surged 70 points from 1H2020 to 101 in 2H2020. Its slight breach past the 100-point demarcation level shows respondents' slight optimism of their businesses recently. 38% of the 652 respondents saw an increase in their business activity in 2H2020, while a similar proportion of 37% recorded theirs as lower and 25% were neutral on this. Most of the other indicators with the exception of production volume and capacity utilisation registered readings below the 100-point threshold level of optimism, an indication that overall business conditions in 2H2020 had remained subdued.

Manufacturers' outlook for their businesses in early 2021 is equally cautious. Except for cost of production and employment which are expected to trend up, the outlook for local and export sales, production, capacity utilisation and capital investment is cool going forward. While most of these indicators have improved from the previous period, their persistent stay below the optimism threshold is an implication that cautiousness among manufacturers has continued to prevail in their business outlook for the next six months.

Topical issues covered in the survey revealed the following:

- *Employment in 2H2020 steady, expected to remain the same in 2021. New recruitment in 2021 mainly in operations, technical and sales/marketing.*
- *74% and 64% of respondents have not used the PENJANA HRDF and SOCSO PENJANA Kerjaya, respectively*
- *34% of respondents willing to pay local workers up to 10% more than the foreign workers' salary for the same job*
- *In 2020, 40% and 41% of respondents increased salaries of their executives and non-executives, respectively, at quantum of less than 5%*
- *For 2021, most respondents will not be giving any or, if they do, the quantum will mostly be less than 5%*
- *Current business level of 44% of respondents is still at Covid-19 levels, 30% at pre-Covid-19 levels and 23% better than pre-Covid-19 levels. 27% of respondents still at Covid-19 levels need 4-6 months and 24% need 1-2 years for business to recover to pre-Covid-19 levels*
- *Majority of respondents did not have any issues at all when applying for targeted loan repayment assistance.*
- *54% of the respondents believe that the Covid-19 Act 2020 was not useful to them as the scope of the Act does not cover their businesses*
- *40% of respondents of the view that the Covid-19 vaccination should be free for foreign workers*
- *61% of respondents support re-introduction of GST, subject to improvements to the GST V1.0*
- *64% of respondents aware of RCEP FTA but need further information*

- *Further government assistance needed - reduction in corporate tax, discounts for electricity and natural gas, and extension of the targeted wage subsidy to all workers in all sectors*

The 2H2020 survey continued to receive great support from members and we achieved a record high response rate of 652 companies. FMM would like to thank all members who took the time to respond and give their valuable feedback. The next survey would be in June/July 2021. FMM members' support and continued participation would ensure that the Business Conditions Index (BCI) is representative and an accurate monitor of business condition trends in the manufacturing sector.

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