



FMM Business Conditions Survey 1H2023

GI / 19 / 2023

July 5, 2023



FMM is conducting the **23rd FMM Business Conditions Survey** on performance in the first half of 2023 (1H2023) and outlook for second half of 2023 (2H2023).

As with the last 22 surveys since 2012, we are tracking the **FMM Business Conditions Index (FMM BCI)**, which measures members' feedback on their current and expected levels of business activity, local and export sales, production volume, capacity utilisation, capital investment, employment and cost of production.

Topical issues for this survey will focus on assessing manufacturers' views on the following:

- **Business Growth in 2H2023**
- **Cost of Doing Business**
- **Business Confidence Level**
- **Outlook for 2024**
- **International Trade Currency**
- **European Green Deal Policy**
- **Setting Credit Term Limits for SMEs**
- **Impact of increase in interest rates by BNM**

For the very first time, the survey also includes a special section on Supply Chain Risk Index.

FMM aims to obtain over 1,000 responses for this survey. We seek members' continued support and participation to ensure that the BCI is a **REPRESENTATIVE and ACCURATE index** of manufacturing business conditions and feedback on the current state of business and the economy, business recovery progress and further assistance required are reflective of the industry.

The survey will be conducted completely online. The questionnaire takes about fifteen to twenty minutes to complete and can be accessed by scanning the **QR** code above OR online via this link: <https://shout.com/s/hfSbV8pV>.

This survey continues to be an important tool to collect members' feedback on the current and expected levels of business activities as well as on topical issues impacting the manufacturing sector. For instance, the last survey revealed the following:

- Weak external demand, especially from key trading partners, further escalation of geo-political tensions and the impact of China's zero-Covid policy, among others, had likely weighed on the Malaysian manufacturing sector which showed a moderation in manufacturing activities in 2H2022. Local and export sales, as well as production levels had remained subdued, while capacity utilisation, production cost and capital investment lost further growth momentum, but employment had picked up.
- Looking ahead, the manufacturing sector had expected to grow at a slow pace in 1H2023 in tandem with the slowing global economy. Forward-looking indicators suggested a slowdown in capacity utilisation, capital investment, hiring and a relatively tame outlook on production for 1H2023. Except for cost of production, capital investment and employment, all the other

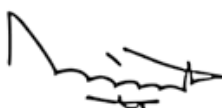
indexes had also registered below the demarcation level of optimism, further surmising the slow outlook going forward.

- Employment costs (including higher wages, labour shortages, employee retention schemes, employee benefits, etc) were expected to increase moderately or significantly for most respondents in 2023. Energy cost was the second top cost factor to increase significantly.
- 36% of respondents expected global economic conditions to deteriorate moderately while 43% and 35% of respondents believed that conditions in their own company and industry, respectively will improve moderately in 2023 compared to 2022. 31% of respondents anticipated moderate improvement in domestic economic conditions while 33% were less optimistic.
- Top 3 risks to business recovery and growth: input cost pressures, higher energy cost and Ringgit fluctuations
- 41% and 30% of respondents, respectively, estimated higher revenue and profits by 1-24% in 2023.
- Top 5 investments to boost competitiveness: new product development, automation, upskilling and retraining of existing workers, export market expansion, and adoption of green technology/energy efficiency measures
- 59% of respondents were able to meet their foreign worker needs and obtain quota approval. Only 8% were not able to meet their foreign worker needs mainly due to slow and lengthy approval process. Employers were willing to work with education and skills training institutions to offer work-integrated learning programmes and curriculum development to address their skilled worker needs.
- 66% of respondents aware of the Regional Comprehensive Economic Partnership (RCEP) and Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), but 77% had not started utilising them yet.
- The 4th increase in OPR by BNM in November 2022 increased the cost of production of 55% of respondents
- 59% of respondents believed it was too early to gauge performance of new Government, but 33% see positive changes

The closing date of the survey is **July 31, 2023.**

Thank you for taking valuable time off to complete the questionnaire.

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