
Kota Kinabalu, August 02, 2023

FMM Sabah Quick Survey For 2nd Quarter of 2023 Reveals Drop in Sales and Rising Costs Amid Economy Slowdown Pose Challenge to Manufacturing Sector

Kota Kinabalu, August 2, 2023 – In summary, the results indicated weak internal domestic demand coupled with rising cost of raw materials, inflation and global economy slowdown have negative impact on the manufacturing sector in the State. The business performance in the 2nd quarter of 2023 was lower than same period last year and this is a clear sign of economy slowdown, said FMM Sabah Chairman, Mr. James Ha Haw Yew.

The survey, which drew 43 respondents from the manufacturing sector in the State, tracked the business performance for the first of half of this year in general and major issues of concerns to the manufacturing sector in the State.

In summary the key results are:

- ✓ **Almost all respondents are operating in KKIP, Inanam, Kolombong, Penampang and Tuaran areas.**
- ✓ **Most respondents or 78.6% are experiencing water issue and top the list are short supply of water with 36%, low pressure (30%) and no water (20%).**
- ✓ **Water issue is top of the list of challenging issues followed by unstable electricity and poor maintenance of public roads.**
- ✓ **Half of the respondents or 50% of them said the water issue has not been resolved and continue to experience unsteady supply.**
- ✓ **Up to 83% said that the State Government should prioritise water issue and ensure the Telibong Water Treatment Plan I & II be operational as scheduled this year 2023 to supply 10 million litres of treated water per day to KKIP area.**
- ✓ **More than half or 55% of the respondents are reported experiencing power supply issue with unstable power supply being the top reason.**
- ✓ **In term of internet connectivity, almost 70% are having this issue indicating poor internet connectivity, weak or unstable network including some areas in KKIP as the reasons.**
- ✓ **Despite of Government efforts, more than half or 54% of the respondents are experiencing difficulty in hiring workers. Amongst the reasons - unmatched skills and knowledge, shortage of skilled workers resulting in stiff competition, traffic and transport issue, migration to West Malaysia and attitude problem.**
- ✓ **Most of the respondents or 69% are offering salary up to RM3,000 per month whilst 26% are offering up to RM4,000 per month for skilled**

workers. Majority, 79% are registered Human Resource Development Corporation (HRD Corp) and active in training.

- ✓ **88% of the respondents agreed that the State observed enough public holidays and that ad-hoc public holiday was unnecessary as it has added to the cost of doing business with estimated lost of minimum RM500 to maximum RM70K salary per day.**
- ✓ **Over 76% said overall business performance expectation in the 2nd quarter 2023 was lower than same period last year 2022.**

We welcomed recent announcement made by the Federal Government giving the State additional allocation to implement short-term measures to resolve the water issue. We definitely have a lot to catch-up in term of the basic infrastructure development to close the gap if not on par with our counterparts in West Malaysia. It is timely for the State Government to develop new industrial parks in Kimanis and Kota Belud-Kota Marudu as we have identified at least fifteen of FMM existing members in the State who are actively looking for industrial lands for expansion exercise. The investment is estimated worth one billion Ringgit Malaysia and generating more than 3,000 job opportunities for the local youths. We urge the State Government to ensure all necessary basic infrastructure – road, water, electricity supply, internet connectivity and waste water treatment to be ready within five years and that land price should not exceeds twenty ringgit per square feet and lesser rate for undeveloped industrial lands to encourage more local SMEs to growth, said Mr. James Ha.

FMM Advocates Transparency, Integrity and No Corruption

About FMM

The Federation of Malaysian Manufacturers (FMM) has been the voice of the Malaysian manufacturing sector since 1968. Representing over 10,000 member companies (3,000 direct and 7,000 indirect) from the manufacturing supply chain, FMM is actively engaged with government and its key agencies at Federal, State and local levels. FMM is also well-linked with international organisations, Malaysian businesses and civil society. Apart from benefitting from FMM's advocacy, FMM members enjoy value-add services, including training, business networking and trade opportunities as well as regular information updates.

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