

The 70th Business Trend Survey (2nd half, 2020)

The Japanese Chamber of Trade & Industry, Malaysia
(JACTIM)
August 2020

Note 1: This is a survey report mainly on business trend in 2nd half of 2020, questioned to 585 JACTIM member companies between July 13 and August 21, 2020. 178 companies responded. (Breakdown: Manufacturing industry 115 companies, 64.6%, Non-manufacturing industry 63 companies, 35.4%). Response rate is 30.4%.

Note 2: Distribution and collection of questionnaire were carried out via online system.

Note 3: The Japanese Chamber of Trade & Industry (JACTIM) conducts business trend survey to JACTIM member companies twice a year. (1st half and 2nd half of the year)

Business Trend in 2nd half of 2020 【Summary】

- Business sentiment DI recorded ▲57.9 point decline which is the lowest level since the commencement of this survey. Some improvement is expected in the next term as ▲41.6 point but the negative gap shall be continuously large.
- Number of employees DI shall be +23.0 point which is continuously surplus. +17.4 point is expected in the next term.
- Supply and demand outlook DI is ▲34.8 point which is excess supply. The forecast for the next term is ▲17.4 point.
- Although some improvement is forecasted in all DI in the next term, the fluctuation remains unchanged due to COVID-19.

(1)Business sentiment DI is negative for the last 5 terms continuously. It is the lowest level since the commencement of this survey.

Indication of improvement was observed in 1st half of 2018 as +7.1 point in terms of business outlook but the lowest level was recorded since the commencement of this survey together with negative record for the last 5 terms continuously as ▲57.9 point for this term.

(2)Number of employee DI is surplus of double digit point for the first time since the commencement of this survey.

It turned out to be surplus of +1.4 point in 2nd half of 2019 for the first time since bankruptcy of Lehman Brothers. Since then, surplus trend has been continued. Surplus of double digit point as +23.0 point was indicated for the first time in this term and at the same time number of employees is forecasted to be surplus continuously as +17.4 point in 1st half of the next year.

(3)Supply and demand outlook DI of the industry is the lowest level since 2012.

▲ 34.8 point which is the lowest was recorded since 1st half of 2012 (▲37.7 point) and supply surplus is further expanding. Further, although ▲17.4 point which is only half in comparison with this term expected in 1st half of next year, excess supply is forecasted to be unchanging continuously.

(4)Business outlook is significantly deteriorated due to COVID-19.

Respective DI recorded the lowest level since the commencement of this survey due to negative impact associated with COVID-19. On the other hand, slight improvement of entire DI is expected in 1st half of next year due to economic stimulus measures taken by government and improvement of overseas demand.

Transition of business sentiment DI

Survey Period	No of Respondent	①Good		②Remain unchanged		③Bad		DI (P)
		No. of Respondent	%	No. of Respondent	%	No. of Respondent	%	
1st half of 2017	148	21	14.2	93	62.8	34	23.0	-8.8
2nd half of 2017	191	47	24.6	101	52.9	43	22.5	2.1
1st half of 2018	182	38	20.9	119	65.4	25	13.7	7.1
2nd half of 2018	250	47	18.8	143	57.2	60	24.0	-5.2
1st half of 2019	285	43	15.1	145	50.9	97	34.0	-18.9
2nd half of 2019	291	39	13.4	126	43.3	126	43.3	-29.9
1st half of 2020	160	21	13.1	72	45.0	67	41.9	-28.8
2nd half of 2020	178	17	9.6	41	23.0	120	67.4	-57.9
1st half of 2021 forecast*	178	23	12.9	58	32.6	97	54.5	-41.6

Employee DI Trend

Survey Period	No of Respondent	①Surplus		②Adequate		③Insufficient		DI (P)
		No. of Respondent	%	No. of Respondent	%	No. of Respondent	%	
1st half of 2017	150	14	9.3	110	73.3	26	17.3	-8.0
2nd half of 2017	191	25	13.1	126	66.0	40	20.9	-7.9
1st half of 2018	182	15	8.2	129	70.9	38	20.9	-12.6
2nd half of 2018	251	19	7.6	194	77.3	38	15.1	-7.6
1st half of 2019	283	35	12.4	208	73.5	40	14.1	-1.8
2nd half of 2019	287	53	18.5	191	66.6	49	17.1	1.4
1st half of 2020	160	30	18.8	112	70.0	18	11.3	7.5
2nd half of 2020	178	50	28.1	119	66.9	9	5.1	23.0
1st half of 2021 forecast*	178	44	24.7	121	68.0	13	7.3	17.4

Supply/Demand Judgement DI Trend

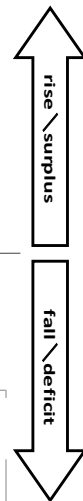
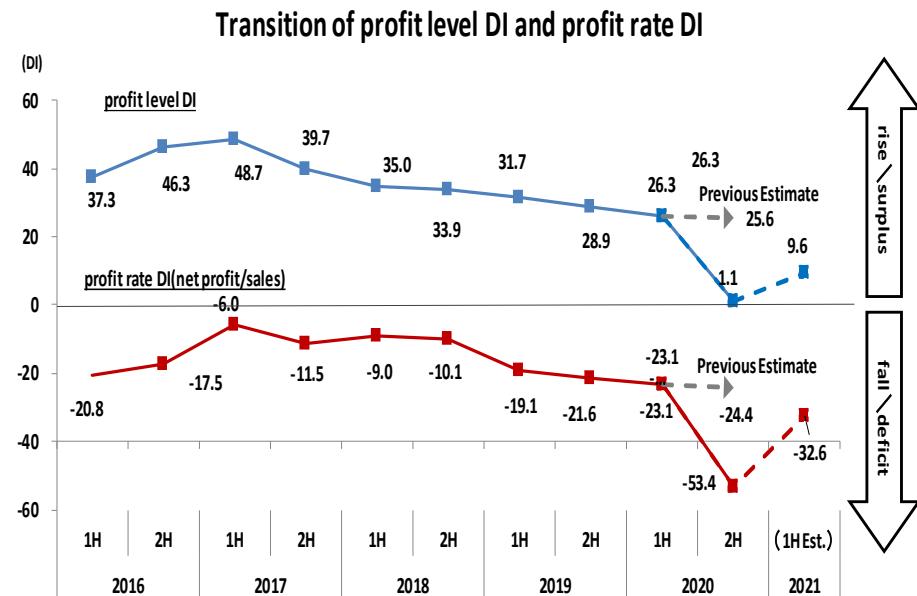
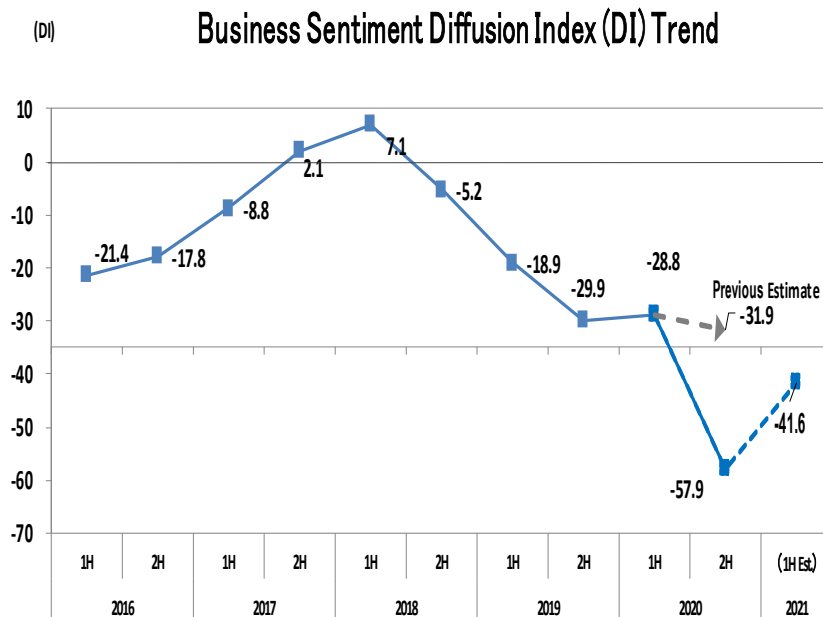
Survey Period	No of Respondent	①Excess Demand		②Adequate		③Excess Supply		DI (P)
		No. of Respondent	%	No. of Respondent	%	No. of Respondent	%	
1st half of 2017	101	16	15.8	68	67.3	17	16.8	-1.0
2nd half of 2017	137	18	13.1	94	68.6	25	18.2	-5.1
1st half of 2018	174	22	12.6	118	67.8	34	19.5	-6.9
2nd half of 2018	236	30	12.7	157	66.5	49	20.8	-8.1
1st half of 2019	270	16	5.9	170	63.0	84	31.1	-25.2
2nd half of 2019	269	11	4.1	158	58.7	100	37.2	-33.1
1st half of 2020	160	10	6.3	95	59.4	55	34.4	-28.1
2nd half of 2020	178	12	6.7	92	51.7	74	41.6	-34.8
1st half of 2021 forecast*	178	23	12.9	101	56.7	54	30.3	-17.4

Note: Respective DI value=(Number of companies as 「①」- number of companies as 「③」)/X100

*Response to question on the forecast for 1st half of 2021 in the questionnaire conducted in 2nd half of 2020.

1. Business outlook in 2nd half of 2020 (Business condition, profit situation)

- Business sentiment DI is negative as ▲57.9 point for the last 5 terms continuously and declined to the lowest level since the commencement of this survey. Although ▲41.6 point which is improved by +16.3 point in comparison with this term is expected in the next term, deterioration of business outlook caused by COVID-19 is expected continuously.
- Both profit rate DI as well as profit level DI, were resulted to go significantly lower than previous expectancy but improvement is expected in the next term as same as business condition outlook.



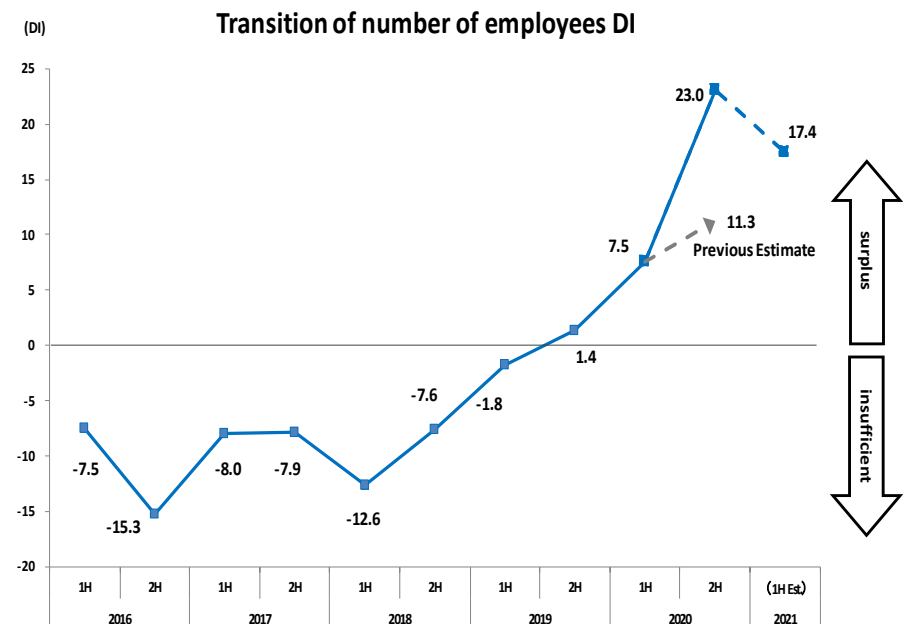
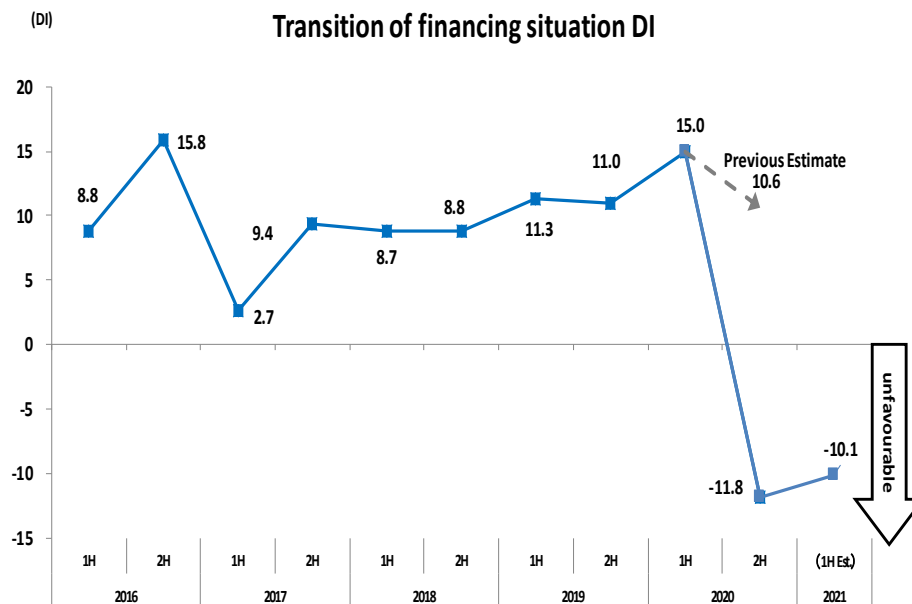
Business Sentiment Diffusion Index (DI)=(number of company as 「good」)/(Number of responding companies)*100

Note(1):profit rate DI=(number of companies as 「rise」- number of companies as 「fall」)/(number of responding companies*100

Note(2):profit level DI=(number of companies as 「surplus」- number of companies as 「deficit」)/(number of responding companies)*100

2. Business outlook in 2nd half of 2020 (Financing, Number of employees)

- As for financing situation DI, it goes down to ▲11.8 point significantly from previous forecast (+10.6 point) due to the impact of COVID-19. Forecast for the next term is ▲10.1 point (+1.7 point in comparison with this term) which is almost flat and tight financing is predicted in next term continuously.
- Number of employees DI is +23.0 point which goes significantly up from previous forecast, +11.3 point. Forecast of the next term is +17.4 point, a drastic surplus since 2018 is still continued.

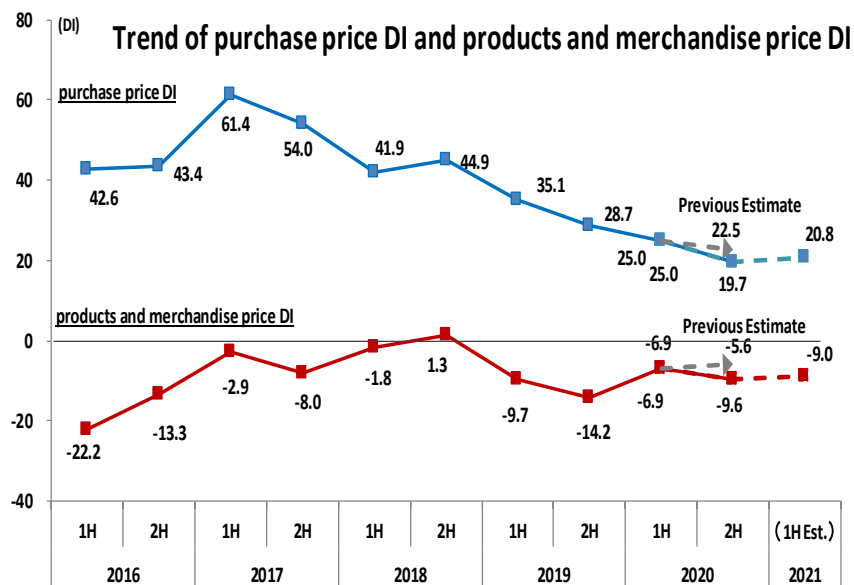


Note: Financing DI=(number of companies as「easy」- number of companies as「tough」)/(number of responding companies)*100

Note: number of employees DI=(number of companies as「surplus」- number of companies as「insufficient」)/(number of responding companies)*100

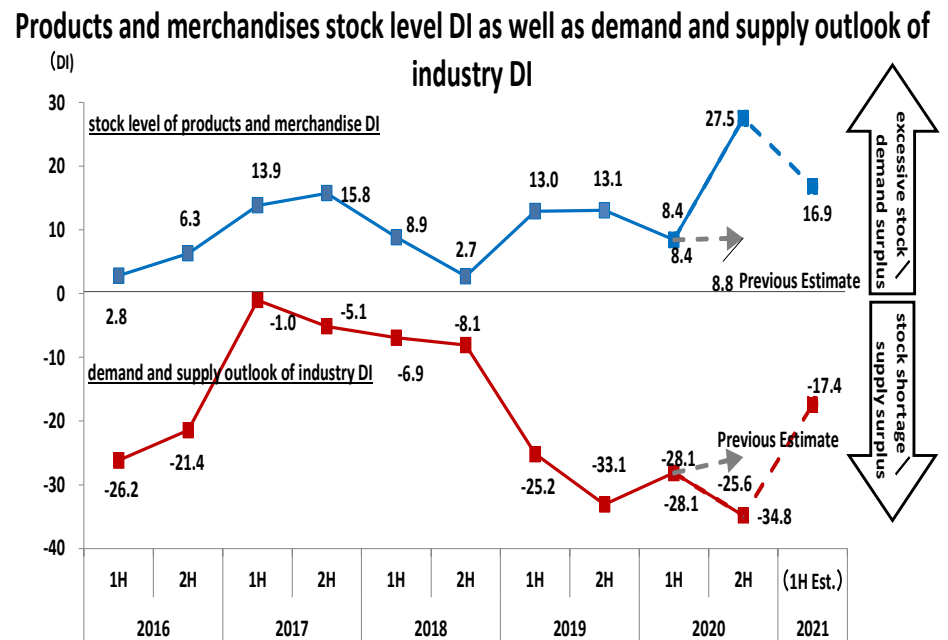
3. Business outlook of manufacturers

- Purchase price DI is declining to +19.7 point for the last four terms continuously. Products and merchandise price DI is ▲9.6 points which is negative for the last four terms continuously. Although a slight rise is predicted in the next term, both purchase price declining trend as well as products and merchandise price negative forecast are unchanging.
- In products and merchandise stock level DI as well as supply and demand forecast DI, drastic stock excessive is obvious associating with decrease in domestic demand due to COVID-19. However, drastic adjustment is predicted for both in the next term.



Note(1): products and merchandises price DI=(number of companies as「rise」- number of companies as「fall」)/(number of responding companies)*100

Note(2): purchase price DI=(number of companies as「rise」- number of companies as「fall」)/(number of responding companies)*100



Note(1): stock level of products and merchandise DI=(number of companies as「excessive stock」- number of companies as「stock shortage」)/(number of responding companies)*100

Note(2): demand and supply outlook of industry DI=(number of companies as「demand surplus」- number of companies as「supply surplus」)/(number of responding companies)*100

4. Factors affecting business performance

- Although economic trend of Malaysia as well as exchange rate trend are still at high level, COVID-19 is justifiably the most affecting factor to business performance.
- Although it is concluded that there is respective factor by sector, and MCO is gradually lifted in stages, the responses showed that it will take long time to reach the business performance level as before COVID-19.

