

# The 72<sup>nd</sup> Business Trend Survey (2H 2021)

The Japanese Chamber of Trade & Industry, Malaysia  
(JACTIM)  
October 2021

Note 1: This survey was conducted between 1<sup>st</sup> to 30<sup>th</sup> of September 2021, with questions focusing on the business trends in 2H 2021. The survey was sent out to 552 JACTIM member companies, with a total of 191 responses received (120 companies, or 62.8%, in the manufacturing sector; 71 companies, or 37.2%, in the non-manufacturing sector), equivalent to a response rate of 34.6%.

Note 2: Distribution and collection of questionnaires were conducted online.

Note 3: The Japanese Chamber of Trade & Industry (JACTIM) conducts the Business Trend Survey among JACTIM member companies twice a year (1H and 2H of the year)

# Business Trend in 2H 2021 【Summary】

- Although DI for Business Sentiment was down by 8.6 points to ▲20.4 points, it maintained at the same level pre-COVID-19. It is forecasted to improve to +3.1 points in 1H 2022.
- DI for Number of Employees was ▲15.2 points, showing a further decline in shortage compared to the last survey.
- DI for Industry Outlook on Supply & Demand was +15.7 points, a clear indication of excessive demand.
- Companies are keeping a close watch on the Covid-19 situation and regulatory changes in Malaysia.

## (1) DI for Business Sentiment maintained at pre-Covid-19 level

Dropped to ▲20.4 points, a further decline of 8.6 points from the previous term (▲11.8 points). Although it has been negative for 7 consecutive terms, it has managed to maintain at pre-Covid-19 level. Many cited economic downturn and low operating rate due to prolonged lockdowns as the primary factor. It is forecasted to improve to +3.1 points in 1H 2022.

## (2) Shortage tendency continues in DI for Number of Employees

Dropped to ▲15.2 points, a further decline of 13.4 points from the previous term (▲1.8 points) which turned negative for the first time in the last 3 terms. Labor shortage is expected to continue with ▲20.4 points forecasted for 1H 2022.

## (3) DI for Industry Outlook on Supply & Demand clearly indicate an excess in demand

Since hitting rock bottom at ▲34.8 points 2H 2020, it has since rebounded to ▲1.4 points in 1H 2021 and +15.7 points in 2H 2021. There would be a lull in 1H 2022 as it is forecasted to have only a slight growth of 1.1 point amidst having the demand in excess continually.

## (4) More than 60% cited regulatory changes as a factor impacting their business performance

While the US-China trade conflict is no longer the main factor, 90% of the respondents cited impact of Covid-19 as the primary cause. Also, 66.5% viewed the regulatory changes in Malaysia as a new factor impacting their business activities.

DI for Business Sentiment Trend

Survey Period	No of Respondent	①Good		②Remain unchanged		③Bad		DI (P)
		No. of Respondent	%	No. of Respondent	%	No. of Respondent	%	
2019 1H	285	43	15.1	145	50.9	97	34.0	-18.9
2019 2H	291	39	13.4	126	43.3	126	43.3	-29.9
2020 1H	160	21	13.1	72	45.0	67	41.9	-28.8
2020 2H	178	17	9.6	41	23.0	120	67.4	-57.9
2021 1H	221	53	24.0	89	40.3	79	35.7	-11.8
2021 2H	191	50	26.2	52	27.2	89	46.6	-20.4
2022 1H Est.*	191	66	34.6	65	34.0	60	31.4	3.1

DI for Numbers of Employees Trend

Survey Period	No of Respondent	①Surplus		②Adequate		③Insufficient		DI (P)
		No. of Respondent	%	No. of Respondent	%	No. of Respondent	%	
2019 1H	283	35	12.4	208	73.5	40	14.1	-1.8
2019 2H	287	53	18.5	191	66.6	49	17.1	1.4
2020 1H	160	30	18.8	112	70.0	18	11.3	7.5
2020 2H	178	50	28.1	119	66.9	9	5.1	23.0
2021 1H	221	29	13.1	159	71.9	33	14.9	-1.8
2021 2H	191	22	11.5	118	61.8	51	26.7	-15.2
2022 1H Est.*	191	20	10.5	112	58.6	59	30.9	-20.4

DI for Industry Outlook on Supply & Demand Trend

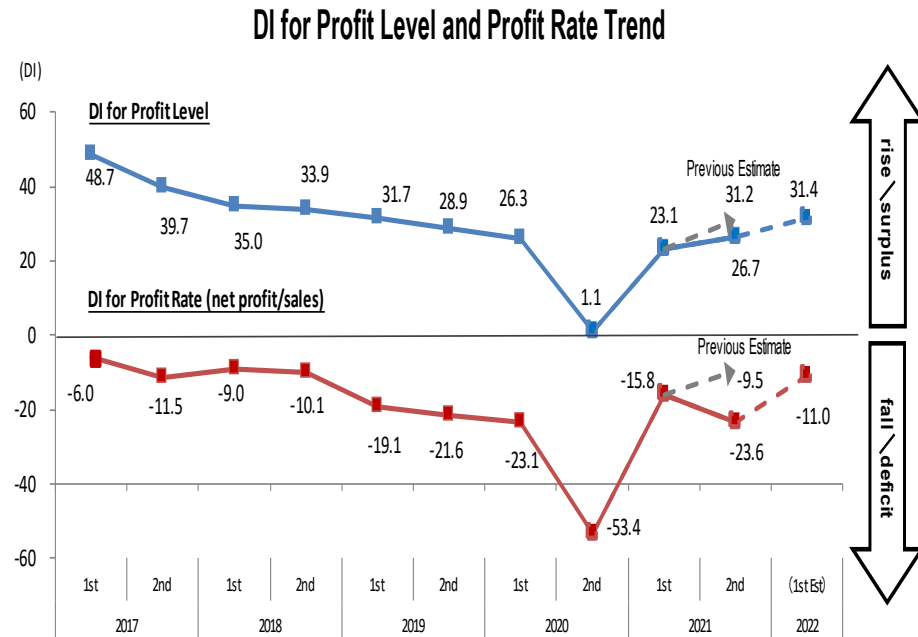
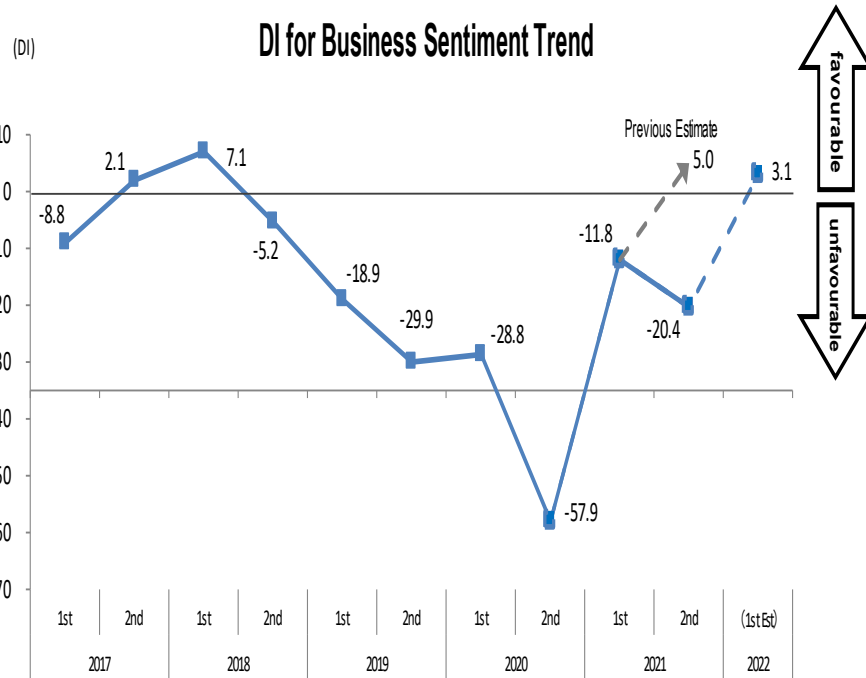
Survey Period	No of Respondent	①Excess Demand		②Balanced		③Excess Supply		DI (P)
		No. of Respondent	%	No. of Respondent	%	No. of Respondent	%	
2019 1H	270	16	5.9	170	63.0	84	31.1	-25.2
2019 2H	269	11	4.1	158	58.7	100	37.2	-33.1
2020 1H	160	10	6.3	95	59.4	55	34.4	-28.1
2020 2H	178	12	6.7	92	51.7	74	41.6	-34.8
2021 1H	221	46	20.8	126	57.0	49	22.2	-1.4
2021 2H	191	63	33.0	95	49.7	33	17.3	15.7
2022 1H Est.*	191	60	31.4	103	53.9	28	14.7	16.8

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

\*Estimate given in 2H 2021 Survey regarding 1H 2022

# 1. Business outlook in 2H 2021 (Business condition, profit status)

- DI for Business Sentiment was ▲20.4 points, a decline of 8.6 points from the strong recovery seen in the previous term. Although it has been negative for 7 consecutive terms, it has managed to maintain at pre-Covid-19 level, contrary to the recovery forecast indicated during the last survey. It is forecasted to improve to +3.1 points in 1H 2022. Many cited economic downturn and low operation rate due to prolonged lockdowns as the contributing factors.
- DI for Profit Level was just slightly below the previous forecast, almost stagnant. DI for Profit Rate was ▲23.6 points, down by 7.8 points compared to the previous forecast. Both are forecasted to rise in 1H 2022.

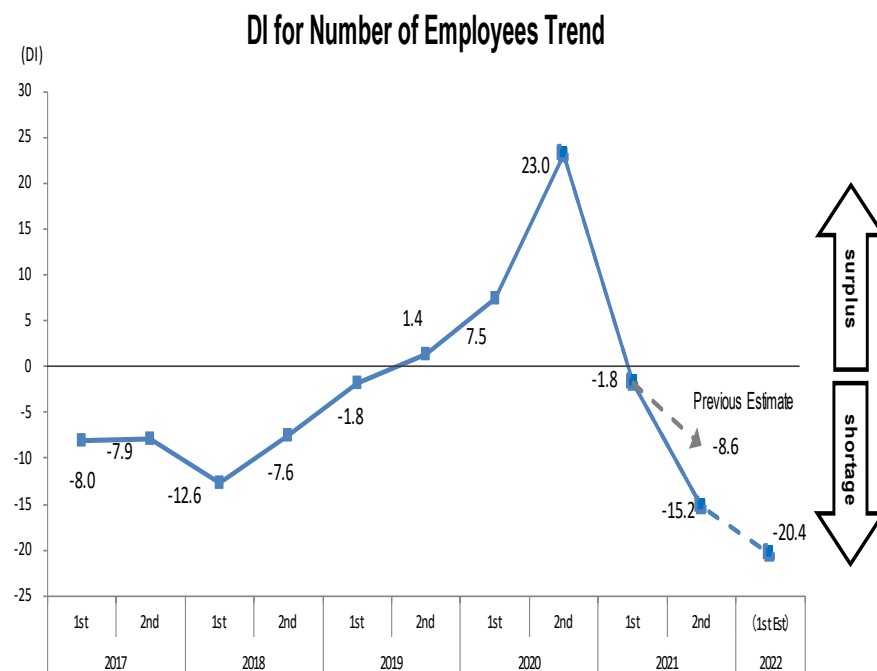
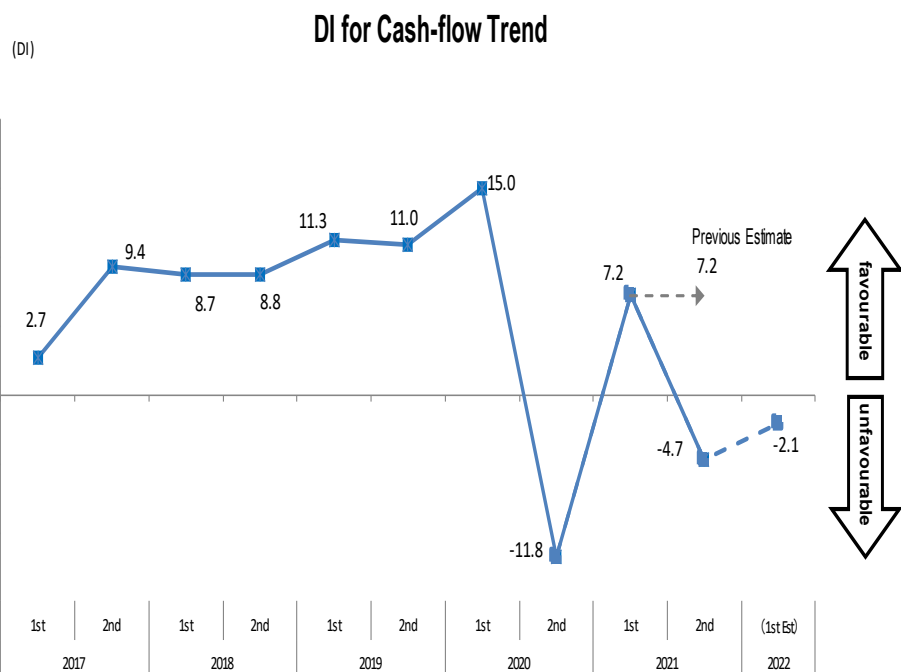


Note: DI for Business Sentiment =  $\frac{(\text{number of company as 'favourable'} - \text{number of company as 'unfavourable'})}{(\text{Number of responding companies})} \times 100$

Note(1): DI for Profit Rate =  $\frac{(\text{number of companies as 'rise'} - \text{number of companies as 'fall'})}{(\text{number of responding companies})} \times 100$   
 Note(2): DI for Profit Level =  $\frac{(\text{number of companies as 'surplus'} - \text{number of companies as 'deficit'})}{(\text{number of responding companies})} \times 100$

## 2. Business outlook in 2H 2021 (Cash-flow, Number of Employees)

- DI for Cash-flow was ▲4.7 points, declining 11.9 points from the sharp recovery seen in the previous term. It has turned negative again, contrary to the flat-growth forecasted previously. Although a slight improvement is forecasted for 1H 2022, it is expected to remain negative.
- DI for Number of Employees was ▲15.2 points, indicating a worsening labour shortage from the previous survey (▲1.8 points). The percentage of companies citing “labour shortage” has almost doubled. Labour shortage is expected to continue in 1H 2022 with a forecast of ▲20.4 points.

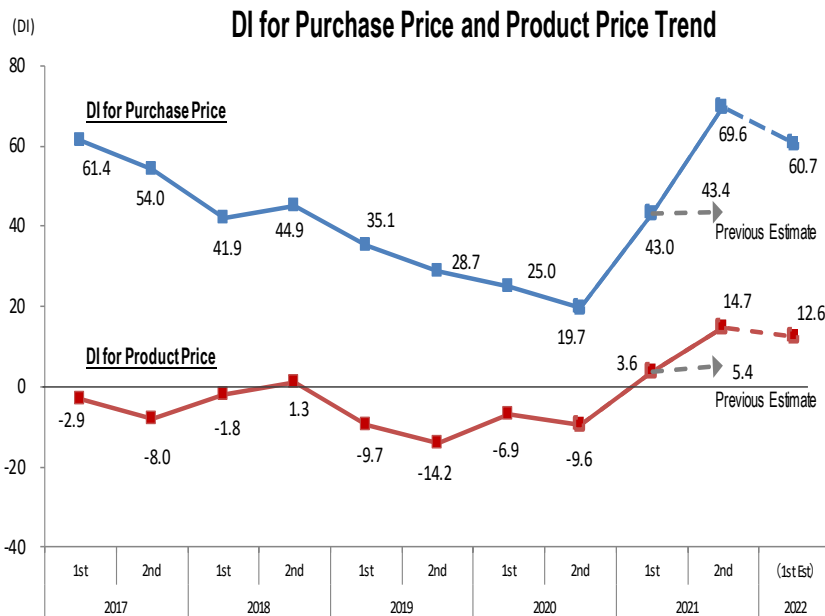


Note: DI for Cash-flow=(number of companies as「favourable」- number of companies as「unfavourable」)/(number of responding

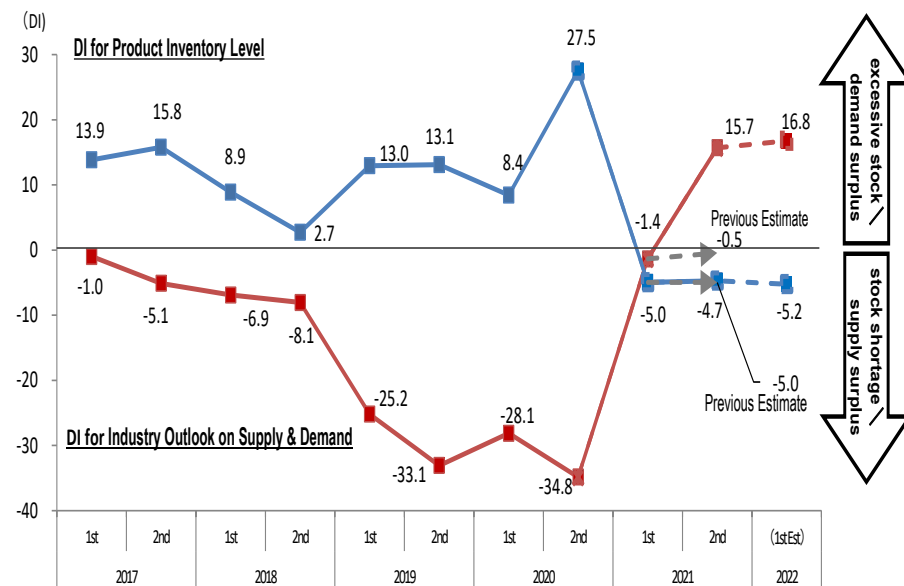
Note: DI for number of employees=(number of companies as「surplus」- number of companies as「shortage」)/(number of responding companies)\*100

### 3. Business outlook of manufacturers

- DI for Purchase Price and DI for Product Price have both increased albeit a stagnant growth forecasted previously. DI for Purchase Price rose by more than 20 points for 2 consecutive terms. DI for Product Price was +14.7 points, an increase of approximately 10 points, recording positive growth for 2 consecutive terms. Meanwhile, both are expected to decline in 1H 2022.
- DI for Product Inventory Level was flat with a slight shortage in inventory as previously forecasted. DI for Industry Outlook on Supply & Demand was +15.7 points, increasing 17.1 points in contrary to the forecasted flat growth, which is a clear indication of excessive demand. The excessive demand is expected to continue in 1H 2022.



**DI for Product Inventory Level and Industry Outlook on Supply & Demand Trend**



Note(1):  $DI \text{ for Purchase Price} = \frac{\text{number of companies as 'rise'}}{\text{number of companies as 'fall'}} \times 100$

Note(2):  $DI \text{ for Product Price} = \frac{\text{number of companies as 'rise'}}{\text{number of companies as 'fall'}} \times 100$

Note(1):  $DI \text{ for Product Inventory Level} = \frac{\text{number of companies as 'excessive'}}{\text{number of companies as 'shortage'}} \times 100$

Note(2):  $DI \text{ for Industry Outlook on Supply \& Demand} = \frac{\text{number of companies as 'demand surplus'}}{\text{number of companies as 'supply surplus'}} \times 100$

## 4. Factors impacting business performance

- Covid-19 continues to be the main factor impacting business performance as almost 90% of all respondents selected Impact caused by Covid-19 as their answer. Impact of regulatory changes in Malaysia is the next primary factor impacting their business performance.
- Almost half of all respondents stated that the politics & policies, economic trend and currency movement in Malaysia had a huge impact on their business performance. Meanwhile, there were fewer mentions on the impacts due to economic trends of USA, Europe, ASEAN, China, as well as the US-China trade conflict.

