



# Press Release

## FOR IMMEDIATE RELEASE

### WHAT WORRIES MALAYSIAN BUSINESSES?

*A year after Pakatan Harapan led the government, Ipsos Business Consulting re-examines the hopes and concerns of businesses in Malaysia*

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*Dear Pakatan Harapan, what's your economic game plan?*

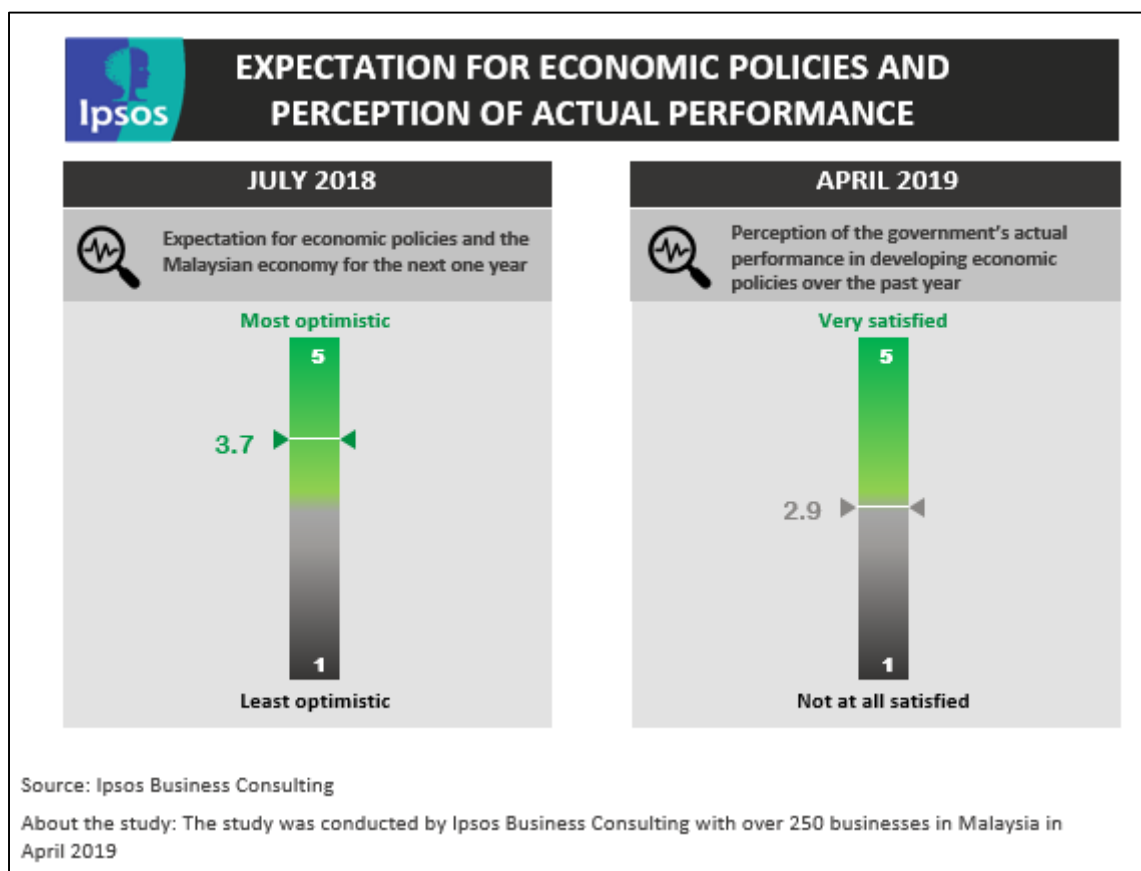
- Economic performance of the Pakatan Harapan government fell slightly below businesses' expectations post GE14
- More than half of Malaysian businesses are still uncertain about the economic direction and policies of Pakatan Harapan
- Sentiment towards own business prospect in Malaysia for the coming year dropped from an index of 3.5 in July 2018 to 3.1 in April 2019
- Possibility of a local economic slowdown is the number one worry among Malaysian businesses
- To boost confidence in the local economy, a clear economic game plan needs to be communicated
- Investment in digital infrastructure is viewed as the most important investment to boost the competitiveness of Malaysia's economy

A year has elapsed since the Pakatan Harapan took over the government in Malaysia. In What Worries Malaysian Businesses, Ipsos Business Consulting engaged with over 250 businesses across Malaysia to understand their views on the performance of the government in the past year, their main worries, their confidence level in the economy, and the areas that they would like the government to focus on. This study provides insights for policy makers to better understand the views and needs of businesses in Malaysia.

Ipsos Business Consulting (Ipsos BC) is the business advisory division of Ipsos, one of the world's leading market research and strategy consulting companies.

### *Economic performance of the Pakatan Harapan government fell slightly below businesses' expectations post GE14*

In the previous installation of What Worries Malaysian Businesses published about one hundred days after the change of government, businesses were expecting a strong economic performance from the Pakatan Harapan government. Almost a year later, businesses gave an average rating of 2.9<sup>1</sup> versus an expectation of 3.7<sup>2</sup> for the government's performance in developing economic policies. Generally, businesses found the government's performance satisfactory, but below initial expectations. Across the different segments of businesses, local SMEs are the least satisfied while local large enterprises showed higher level of satisfaction.



### *More than half of Malaysian businesses are still uncertain about the economic direction and policies of Pakatan Harapan*

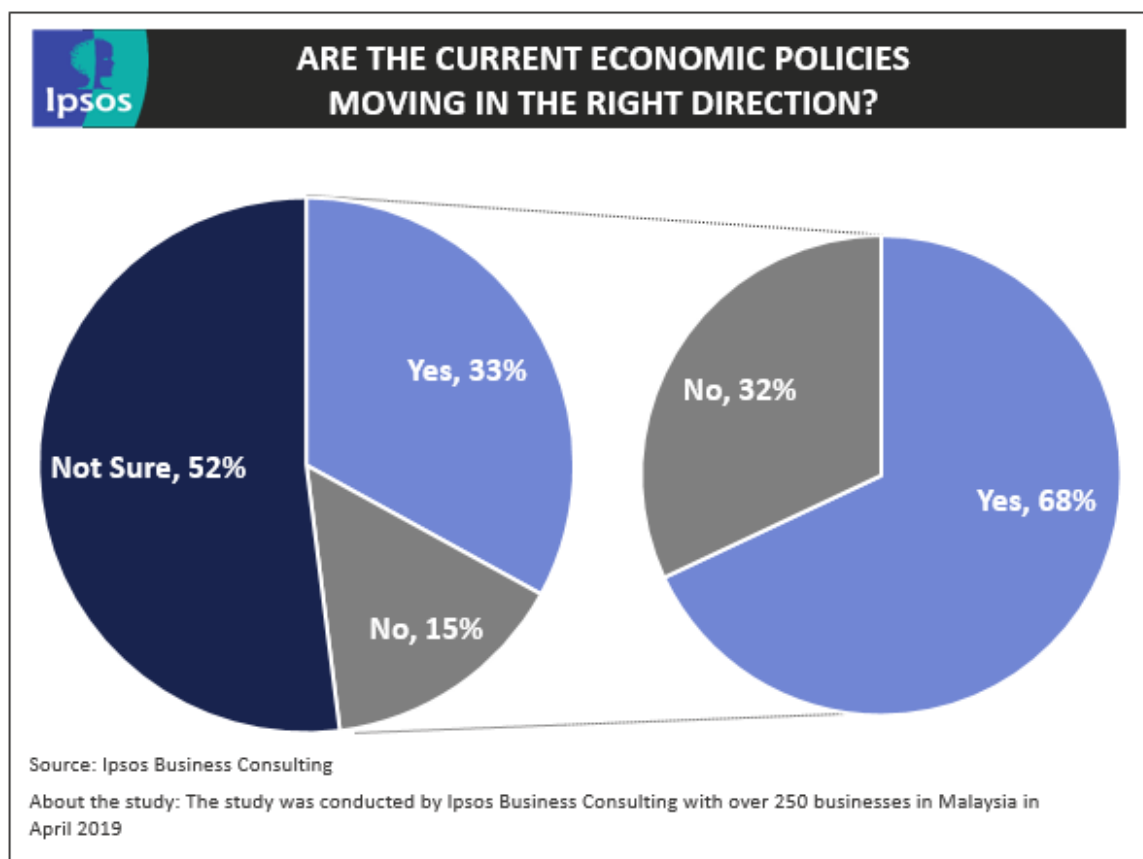
More than half of Malaysian businesses are unsure about the direction of the country's economic policies. Across the different business segments, the level of uncertainty is highest among the multinational corporations. The lack of clarity in the current economic plan is likely to have

<sup>1</sup> Based on a scale of 1 (not at all satisfied) to 5 (very satisfied)

<sup>2</sup> Based on a scale of 1 (least optimistic) to 5 (most optimistic)

contributed to the shortfall between their initial expectations and the actual performance of the government.

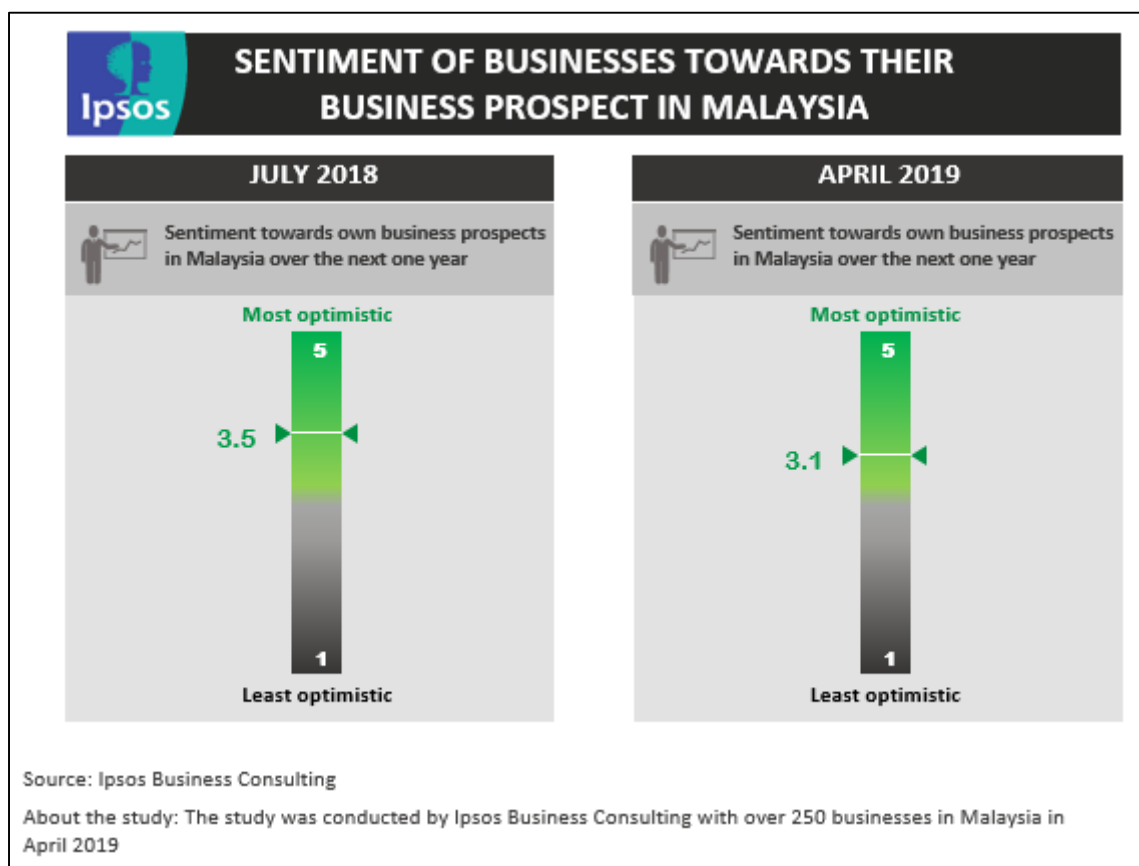
Among the other half of the businesses, two-thirds are of the opinion that the economic policies are moving in the right direction. This indicates an opportunity for the government to boost businesses' confidence by developing and communicating an economic plan more effectively.



***Sentiment towards own business prospect in Malaysia for the coming year dropped from an index of 3.5 in July 2018 to 3.1 in April 2019***

While businesses are still fairly positive about their prospects in Malaysia for the next one year, there is a slight drop in their level of optimism compared to last year. Businesses are now less optimistic about their own business prospects (index of 3.1<sup>3</sup>) as compared to July 2018 (index of 3.5).

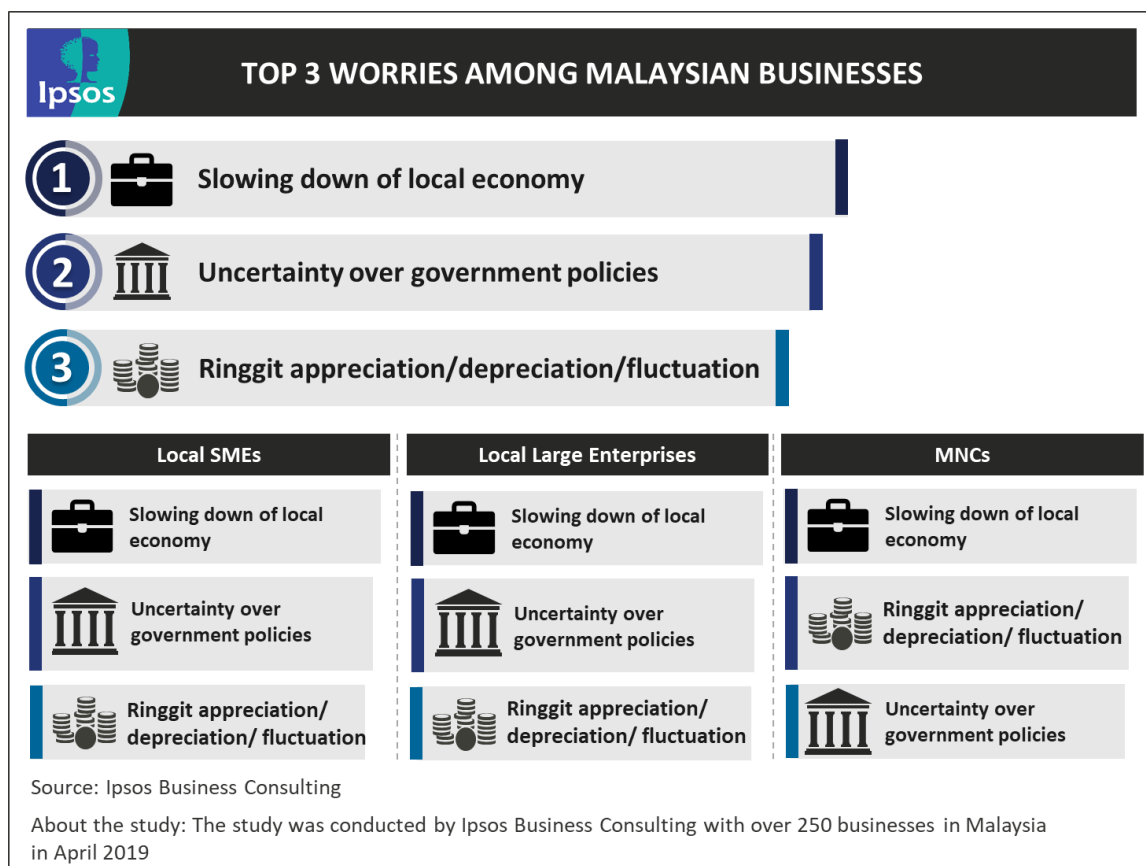
<sup>3</sup> Based on a scale of 1 (least optimistic) to 5 (most optimistic)



### ***Possibility of a local economic slowdown is the number one worry among Malaysian businesses***

The slowing down of local economy is a consistent worry across all business segments. The performance of various indicators such as the Bursa Malaysia KLCI Index, declining palm oil prices, fluctuation of the Ringgit, as well as the slowing down of the construction and housing sector have led to some anxiety for Malaysian businesses. The economic headwinds facing Malaysia at the moment, coupled with the lack of clarity of a strong economic game plan have affected the confidence of Malaysian businesses. As the majority of businesses especially the SMEs derive their income locally, they would like to see policies that will spur a vibrant local economy.

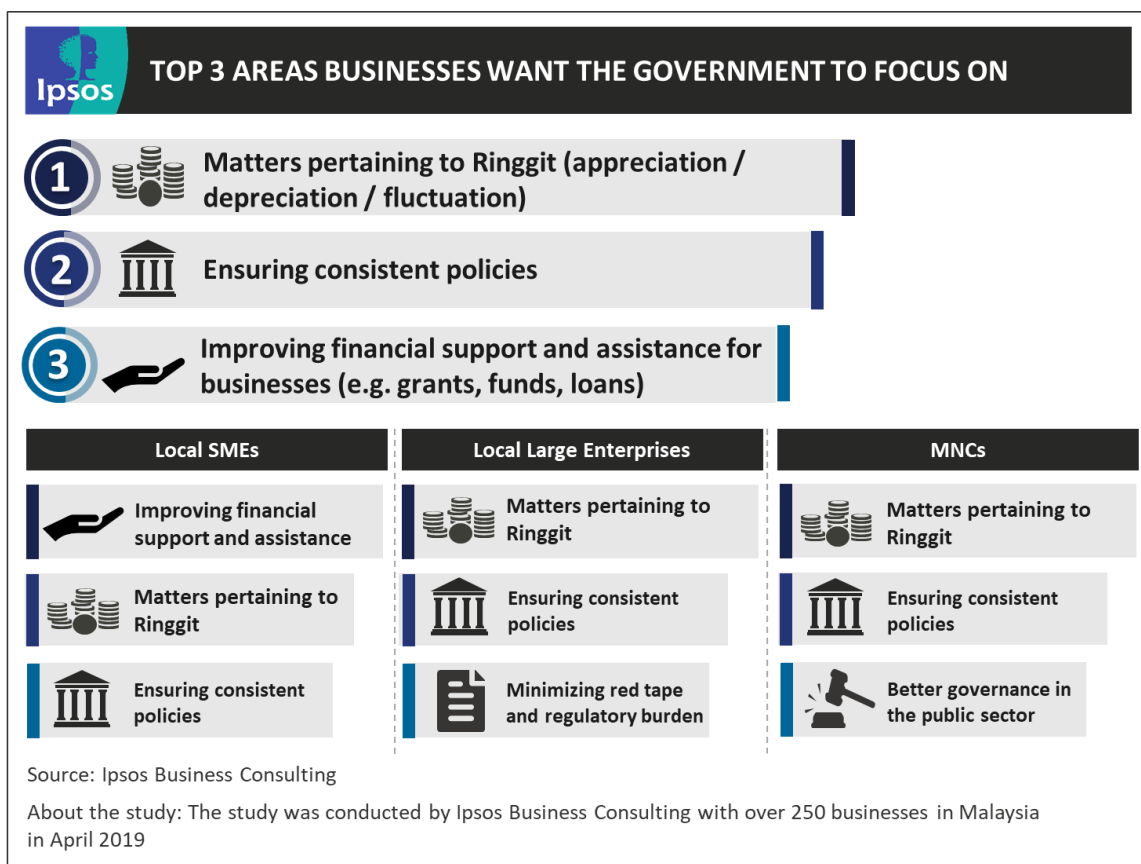
Similar to the previous installation of What Worries Malaysian Businesses, Ringgit fluctuation is once again cited as another key concern among businesses. The MNCs have expressed stronger concern about currency fluctuation as they are heavily involved in international trade.



***Businesses want the government to focus on stabilizing local currency, ensuring consistent policies, and improving financial support for businesses in the next one year***

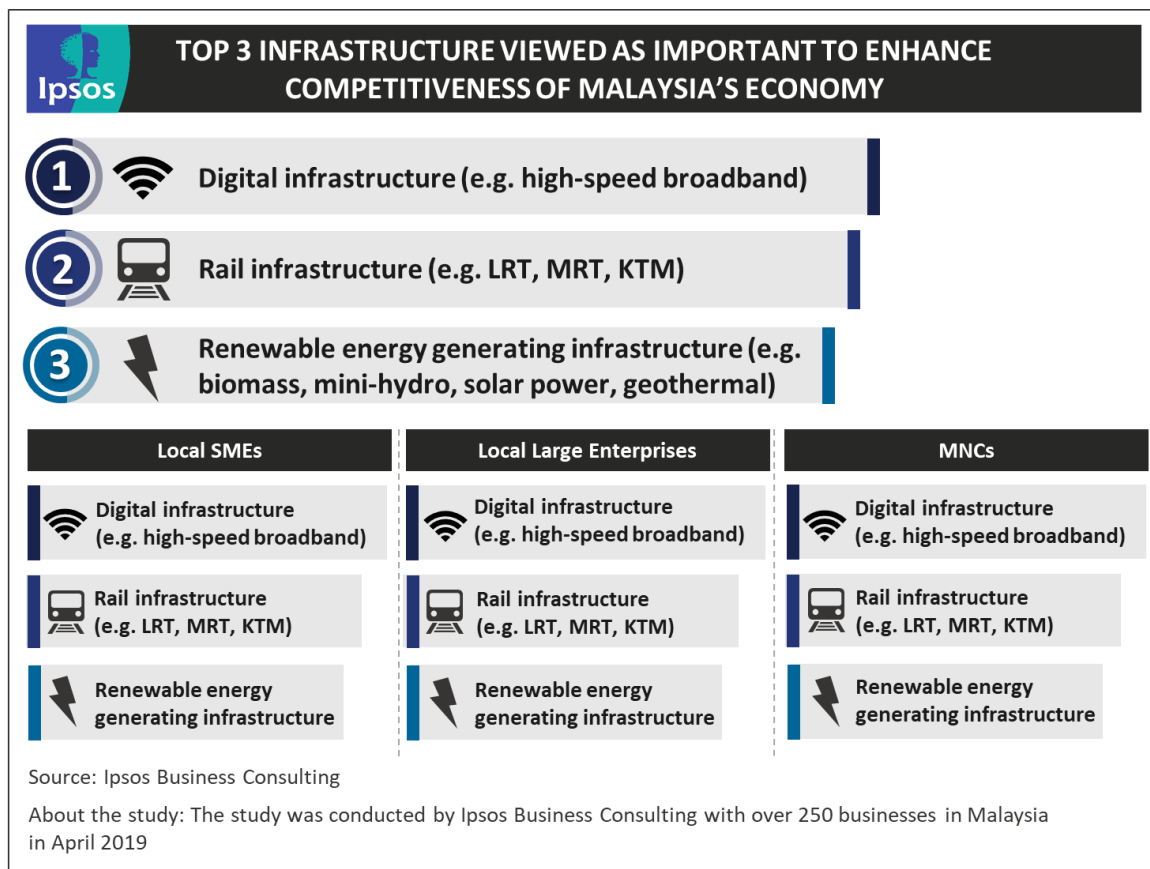
The key areas that businesses want the government to focus on in the next one year correspond to their worries. The top three areas are on stabilizing the Ringgit, ensuring consistent policies, and improving financial support / assistance for businesses (such as grants, funds, and loans).

As with last year, SMEs again expressed hope for the government to provide better financial support / assistance, while local large enterprises and MNCs would like the government to minimise red tape and regulatory burden as well as to promote better governance in the public sector to foster a more conducive business environment.



### ***Investment in digital infrastructure is viewed as the most important investment to boost the competitiveness of Malaysia's economy***

An overwhelming majority of the businesses cited that developing a robust nationwide digital infrastructure will enhance the competitiveness of Malaysia's economy. Businesses also viewed that investment in rail and renewable energy infrastructure is important to boost Malaysia's economic competitiveness. Rail infrastructure will improve physical connectivity, while investment in renewable energy generating infrastructure will contribute to the diversification of energy sources that will lead to a more competitive and stable energy supply.



*More than half of the businesses are unsure what the government's economic policies are. They would like to see a clear economic game plan from the PH government to drive Malaysia's economy.*

*The government and policy makers should refrain from issuing policy statements based on anecdotal evidence. In addition, it is important for the government to avoid making public statements related to policies which are still in the early stages of discussion to mitigate misinterpretation by businesses, which could cause further uncertainty and anxiety.*

**Kiranjit Singh, Ipsos Business Consulting**



## Press Release - continued -

### *The way forward*

The optimism that surrounded PH government in the months post GE14 has faded. Malaysian businesses are still fairly positive about Malaysia's economy, although they were anticipating a stronger performance from Pakatan Harapan in managing the economy. The government's actual performance fell slightly below their initial expectations.

The biggest concern among businesses is the possibility of a local economic slowdown and the common sentiment is that they do not see a clear game plan from the government to steer the economy forward. While businesses understand that implementation of economic policies will require some time, it is important for them to know that there is a clear roadmap by the government. To maintain optimism among businesses, it is imperative that key drivers of the local economy are identified, and the relevant corresponding economic policies mapped out clearly for businesses' easy reference.

Equally important, the economic plan needs to be communicated clearly and consistently to the business community. The continued lack of clarity on economic policies may lead to increased level of anxiety among the businesses and further intensify the fear of an economic slowdown, which may subsequently affect investments by these businesses.

One of the suggested approaches to ensure effective communication is to provide a quarterly update on the state of the economy, including the initiatives that have been implemented and those being planned. Along with this, it is also important for the government to avoid making statements related to policies which are still in preliminary planning stage to mitigate misinterpretation by businesses, which could cause further uncertainty and anxiety.

In boosting Malaysia's economic competitiveness, there is an overwhelming opinion from the businesses that the government should prioritize development of a robust nationwide digital infrastructure. The infrastructure development should be complemented by concurrent initiatives to educate and support businesses in adopting new technologies.

The promise of a new and better way in managing Malaysia's economy was what businesses were expecting. With almost one year of PH running the government, businesses are still unclear on the economic game plan. What truly matters for businesses is to have the confidence that the government knows how to drive the economy forward and is taking the necessary actions towards that direction.

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## Press Release - continued -

### **About the study**

The study was conducted by Ipsos Business Consulting in April 2019. Over 250 businesses in Malaysia across various sizes and sectors were engaged for this study through a combination of surveys and qualitative interviews.

The findings from this study serve only as an indication of the views of the businesses surveyed and interviewed. These findings should not be interpreted as representative of the views of all businesses in Malaysia.