

1. INTRODUCTION

1.1 THE PURPOSE OF THIS SURVEY

In Malaysia, due to the wide participation of the Chinese businessmen in the economic activities, Chinese businessmen play an important role in the economy. This survey can be viewed as a means to gauge the economic situation facing the Chinese business community in the 1st half of 2010. This survey covers four major areas in relation to the Chinese business community, namely:

- i. **The Malaysian economic situation in the 1st half of 2010 ;**
- ii. **Major factors affecting business performance;**
- iii. **Malaysian economic outlook ; and**
- iv. **Current issues facing the Chinese businessmen in relation to trade, investment and industrial development in Malaysia.**

1.2 SIGNIFICANCE OF THE SURVEY

Most of the data and statistics in relation to the economic situation available today are collected by the Government through Statistical Department of Bank Negara Malaysia and its agencies. The Malaysian Institute of Economic Research (MIER) did conduct survey on the economic recovery but focused on the consumers and the manufacturing sector.

Given that the Chinese business community plays an important role in the Malaysian economy, ACCCIM, as a national organisation representing the Chinese business community, take the task to **assist the Government in gauging the economic situation facing the Chinese business community. It also attempts to collect feedback and opinion on various measures undertaken by the Government to enable them to evaluate the effectiveness of those measures. This would be helpful to the Government either in making adjustments to the existing policies or in the formulation of new policies.**

The results of the survey also provide a basis for ACCCIM to submit relevant memoranda to the Government and serve as a reference for the business community and foreign investors in formulating investment plan and strategy.

2. SURVEY METHODOLOGY

The purpose of this survey was to collate information in relation to the economic situation facing the Chinese business community in the 1st half of 2010. The questionnaire was constructed based on the current economic issues faced by the country and the various measures undertaken by the Government.

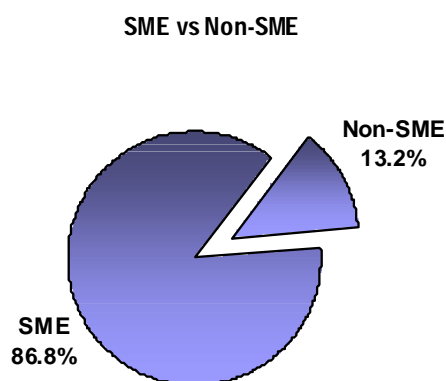
ACCCIM represents more than 28,000 Chinese businessmen and trade associations in Malaysia. As most of the prominent Chinese businessmen are the committee members of ACCCIM either at the national or state levels, these committee members could be taken to represent the Chinese business community. The total questionnaires sent were 670.

A total of 296 questionnaires were returned, i.e. 44.2% of the total questionnaires sent. These 296 respondents made up the sample of this survey. The 44.2% response rate was reasonable, as other surveys conducted by other organisations have also experienced low response rates.

Even though the questionnaires were distributed to Chinese businessmen across all sectors and industries, the respondents were mainly from wholesale and retail (25.7%), manufacturing (23.0%), professional & business services (11.8%), construction (10.8%) as well as others (28.7%), which represented the major sectors of the economy. This can be depicted as follows:

Sector	Percentage (%)
Wholesale and retail	25.7
Manufacturing	23.0
Professional & business services	11.8
Construction	10.8
Others	28.7
Total (Sample Size)	100.0 (296)

More than 13% of the respondents were from Non-SME (according to annual turnover).



The National SME Development Council has issued a new definition for small and medium enterprises with regard to manufacturing (including agro-based) & manufacturing related services, primary agriculture and services sector (including information and communications technology, ICT).

Primary Agriculture

A small and medium enterprise in primary agriculture is an enterprise with full-time employees not exceeding 50 or annual sales turnover not exceeding Ringgit Malaysia (RM) 5 million.

The agriculture, forestry & fishery sectors have been classified under this category in this report.

Manufacturing (including Agro-Based) and Manufacturing-Related Services (MRS)

A small and medium enterprise in manufacturing (including agro-based) and MRS is an enterprise with full-time employees not exceeding 150 or with annual sales turnover not exceeding RM25 million.

The manufacturing, mining and construction sectors have been classified under this category in this report.

Services Sector (including information and communications technology, ICT)

A small and medium enterprise in services is an enterprise with full-time employees not exceeding 50 or annual sales turnover not exceeding RM5 million.

The real estate, transportation, forwarding and warehousing, telecommunications, information technology, wholesale and retail trade, international trade, tourism, hotels, restaurants, recreation and entertainment, finance and insurance, professional and business services have been classified under this category in this report.

For the manufacturing based business, 47.6% of the respondents employed 5-50 employees. On the other hand, around 12% of the respondents claimed that they employed between 151 up to 5,000 employees.

For the services based business, 44.8% of the respondents employed 5-19 employees and 22.7% employed less than 5 employees. On the other hand, around 5% of the respondents claimed that they employed between 51 up to 6,000 employees.

Full Time Employees

Manufacturing		Services	
Number of employees	Percentage (%)	Number of employees	Percentage (%)
Less than 5	4.8	Less than 5	22.7
5 ~ 50	47.6	5 ~ 19	44.8
51 ~ 100	17.7	20 ~ 35	12.2
101 ~ 150	17.7	36 ~ 50	15.1
More than 150 (from 151 to 5,000)	12.1	More than 50 (from 51 to 6,000)	5.2
Total (Sample Size)	100.0 (124)	Total (Sample Size)	100.0 (172)

For the manufacturing based business, 22.6% of the respondents reported that their companies' annual turnover was between RM5,000,000 to RM9,999,999. Nearly 20% of the companies surveyed reported having annual turnover that exceeded RM25 million.

For the services based business, 32% of the respondents had annual turnover of between RM200,000 to RM999,999. Additionally, about 9% of the companies had annual turnover of more than RM5 million.

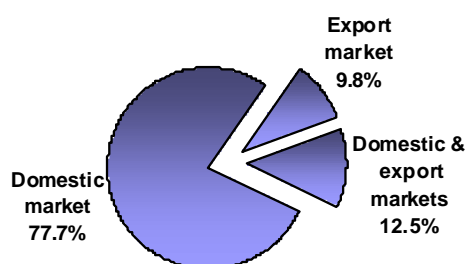
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Annual Turnover

Manufacturing		Services	
in Ringgit Malaysia	Percentage (%)	in Ringgit Malaysia	Percentage (%)
Less than 250,000	5.6	Less than 200,000	15.1
250,000 ~ 999,999	13.7	200,000 ~ 999,999	32.0
1,000,000 ~ 4,990,999	18.5	1,000,000 ~ 2,499,999	19.2
5,000,000 ~ 9,999,999	22.6	2,500,000 ~ 5,000,000	25.0
10,000,000 – 25,000,000	20.2	More than 5 million (from 5 to 200 million)	8.7
More than 25 million (from 25 to 5,000 million)	19.4		
Total (Sample Size)	100.0 (124)	Total (Sample Size)	100.0 (172)

Nearly 78% of the respondents were domestic market oriented whereas the remaining 22% focused on export or 'both domestic and export' markets.

Business Operation (Directed Towards)



3. SURVEY FINDINGS

3.1 THE MALAYSIAN ECONOMIC SITUATION IN THE 1ST HALF OF 2010

3.1.1 Sales performance

Pick-up in Sales Performance

From the survey, about 81% (good and satisfactory) of the respondents believed that their firms' sales performance was better for the 1st half 2010 (2nd half 2009, 75%) and 77% of the respondents believed that their forecast sales would further improve in 2nd half 2010.

In the manufacturing sector, 85% of the manufacturers agreed that their sales figures had increased in 1st half 2010 (2nd half 2009, 77%). For the wholesalers and retailers, 77% of them felt that their sales had improved in 1st half 2010 (2nd half 2009, 76%).

On the whole, improved sentiments and performance experienced by respondents were in line with the improved performance of the Malaysian economy, in particular the first quarter of 2010. For instance, Malaysia's gross domestic product (GDP) growth had continuously showed improved performance quarter on quarter with Q1 showing large positive growth (2009: Q1, -6.2%; Q2, -3.9%; Q3, -1.2%; Q4, +4.4%; 2010: Q1, +10.1%). It was also a result of the Government's economic stimulus packages that were implemented earlier and that had now begun to show its effect on the Malaysian economy.

Moving into the 2nd half 2010, the majority of respondents forecast good (17%) and satisfactory (60%) sales performances for their firms in the 2nd half 2010.

Sales Performance

Sales Performance	2 nd Half 2009 (%)		1 st Half 2010 (%)		Total (%)		
	Mfg	WRT	Mfg	WRT	2 nd '09	1 st '10	2 nd '10 (Forecast)
Good	13	8	19	5	10	13	17
Satisfactory	64	68	66	72	65	68	60
Poor	23	24	15	23	24	19	23
Total (Sample Size)	100 (64)	100 (75)	100 (68)	100 (74)	100 (304)	100 (292)	100 (287)

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3.1.2 Production volume

Increase in Production Volume

Although majority of respondents replied that their firms' production volumes were largely unchanged for 2nd half 2009 and 1st half 2010, in the 1st half 2010, more respondents (19%) claimed that their production volume had increased (2nd half 2009: 8%), with only 11% saying that the production volume had decreased (2nd half 2009:25%) This implies that the overall production had increased. Additionally, improved sentiments were also evident as 85% of respondents forecast that their firms' production volumes were expected to 'increase' or 'remain unchanged' in 2nd half 2010.

Production volume

Production volume	2 nd Half 2009 (%)	1 st Half 2010 (%)	Total (%)		
	Mfg	Mfg	2 nd '09	1 st '10	2 nd '10 (Forecast)
Increased	7	23	8	19	20
Remained unchanged	68	67	67	70	65
Decreased	25	10	25	11	15
Total (Sample Size)	100 (52)	100 (60)	100 (149)	100 (145)	100 (140)

31.3 Stocks

Increase in Inventory

Improved sales sentiments had also led to firms being more willing to hold more inventories with the same number of firms responding that they were holding lesser levels of inventory. Firms were becoming increasingly more optimistic of their future prospects and expect better sales (as explained earlier). This had led to firms being more willing to hold greater levels of inventory in anticipation of higher future sales.

This conclusion was arrived at as in general, lower percentage of respondents reported 'remained unchanged' stock levels in the 1st half 2010 (72%) compared to 2nd half 2009 (74%), while more percentage of the respondents reporting 'increased' stock levels in the 1st half 2010 (17%) compared to 2nd half 2009 (14%).

The manufacturing sector saw significant changes in 'stocks increased' category in 1st half 2010 as previously, in the 2nd half 2009, only 9% of respondents reported that their stock levels increased. This is in contrast with 15% of respondents reporting to be in this category for 1st half 2010. In addition, less % of the respondents reporting 'decreased' stock levels in the 1st half 2010 compared to 2nd half 2009 (9%).

Different sentiments were recorded for wholesalers and retailers, with more percentage of respondents reporting 'decreased' stock levels and less percentage of respondents reporting 'increased' stock levels in the 1st half of 2010.

In terms of future prospects, only 12% of respondents anticipated holding 'decreased' level of inventories while 26% of respondents anticipated holding 'increased' level of inventories in the 2nd half of 2010, reflecting improved sentiments on the Malaysian economy for 2nd half 2010.

Stocks

Stocks	2 nd Half 2009 (%)		1 st Half 2010 (%)		Total (%)		
	Mfg	WRT	Mfg	WRT	2 nd '09	1 st '10	2 nd '10 (Forecast)
Increased	9	28	15	24	14	17	26
Remained unchanged	83	67	78	64	74	72	61
Decreased	9	6	7	12	11	11	12
Total (Sample Size)	100 (60)	100 (69)	100 (60)	100 (66)	100 (217)	100 (204)	100 (197)

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3.1.4 Collections

Improved Collections of Payment

For the 1st half 2010, fewer respondents reported difficulties in collecting payments from their customers. Around 80% of the respondents had replied that their collections were in the 'good' and 'satisfactory' categories. This statistic was up from the 2nd half 2009 where only 72% of respondents were in the same categories. Collections were expected to deteriorate very slightly in the 2nd half 2010 with about 77% of respondents being confident of good and satisfactory collections in the period concerned.

Consistent with the above, around 80% of the respondents from both sectors (Manufacturing, 86% and Wholesale & Retail Trade, 74%) did not report dissatisfaction with their collection for the payment of debts in 1st half 2010.

Collection for Payment of Debt

Collection for Payment of Debts	2 nd Half 2009 (%)		1 st Half 2010 (%)		Total (%)		
	Mfg	WRT	Mfg	WRT	2 nd '09	1 st '10	2 nd '10 (Forecast)
Good	10	7	6	4	11	8	9
Satisfactory	63	65	80	70	61	72	68
Poor	27	28	14	25	27	20	22
Total (Sample Size)	100 (54)	100 (68)	100 (65)	100 (71)	100 (273)	100 (272)	100 (260)

3.1.5 New orders from Overseas Market

New Orders from Overseas Market Increased

More than half of the respondents (74%) were successful in maintaining and improving their book orders received from overseas in 1st half 2010 and this result was significantly better as compared to 2nd half 2009 (66%). Additionally, around 75% of the respondents believed that they would be able to maintain or achieve increased sales order from overseas in 2nd half 2010.

New Orders of Goods and Services from Abroad Market

New Orders	2 nd Half 2009 (%)		1 st Half 2010 (%)		Total (%)		
	Mfg	WRT	Mfg	WRT	2 nd '09	1 st '10	2 nd '10 (Forecast)
Increased	12	4	26	16	13	19	24
Remained unchanged	42	61	41	56	53	55	50
Decreased	45	35	33	28	35	26	26
Total (Sample Size)	100 (42)	100 (23)	100 (49)	100 (25)	100 (124)	100 (121)	100 (122)

In the manufacturing sector, the percentage of 'remained unchanged' for the new overseas order portion roughly stayed the same in 1st half 2010 compared to 2nd half 2009 (42%). However, the percentage of 'increased' for the new overseas order portion increased substantially in 1st half 2010 (26%) compared to 2nd half 2009 (12%).

For the wholesale and retail trade sector, there was an increase of about 12% of respondents who fell in the 'increased' category in 2nd half 2009.

New orders are usually taken as an indication of future performance. The above results suggest that Malaysian Chinese firms' export business performance was expected to grow further in 2nd half 2010, given the increase in new orders.

3.1.6 New orders from Local Market

Pick-up in New Local Orders

In the case of local orders, respondents noted improvements as well with fewer businesses experiencing 'decreased' local orders (2nd half 2009: 23% versus 1st half 2010:19%), recording a drop of 4% points. More than 81% ('increased' : 13%: and'remained unchanged' : 68%) of the businessmen agreed that the local market showed signs of picking-up in 1st half 2010 (2nd half 2009: 77%). Also, 80% of the respondents were optimistic with regards to the new local orders in 2nd half 2010 (forecast).

New Local Orders of Goods and Services from Local Market

New Local Orders	2 nd Half 2009 (%)		1 st Half 2010 (%)		Total (%)		
	Mfg	WRT	Mfg	WRT	2 nd '09	1 st '10	2 nd '10 (Forecast)
Increased	10	7	18	4	11	13	18
Remained unchanged	55	74	64	76	66	68	62
Decreased	35	19	18	20	23	19	20
Total (Sample Size)	100 (60)	100 (74)	100 (61)	100 (71)	100 (291)	100 (274)	100 (269)

In the manufacturing sector, 18% of the manufacturers were happy to note that their new local orders had increased (2nd half 2009, 10%) and more than 60% of the respondents were able to maintain their market shares of the new local orders in 1st half 2010 (2nd half 2009, 55%).

About the same percentage of the wholesalers & retailers also noted improvements in respect of their new local orders in the current period (2nd half 2009, 81%).

3.1.7 Sales prices

Relatively Unchanged Local Sales Prices

Businesses were able to sustain their local sales prices on the overall in the 1st half 2010. 7% of respondents replied that they experienced increased sales prices (8% in 2nd half 2009) and 71% of respondents had no change in sales prices in 1st half 2010 (64% in 2nd half 2009). These contributed to the 6% points change in the sales prices 'decreased' segment for 1st half 2010. The local sales prices were forecast to improve slightly in 2nd half 2010 as the increased sales prices percentage had increased to 11%.

In the manufacturing sector, percentage of respondents answering 'remained unchanged' had increased from 51% to 72%, while the percentage answering 'decreased' had dropped from 49% to 23%. No significant differences in data were recorded for the wholesale and retail sector in the 2nd half 2009 and 1st half 2010, with 65% answering 'remained unchanged' in 1st half 2010.

Local Sales Prices Goods and Services

Local Sales Prices	2 nd Half 2009 (%)		1 st Half 2010 (%)		Total (%)		
	Mfg	WRT	Mfg	WRT	2 nd '09	1 st '10	2 nd '10 (Forecast)
Increased	-	9	5	10	8	7	11
Remained unchanged	51	67	72	65	64	71	67
Decreased	49	24	23	25	28	22	21
Total (Sample Size)	100 (57)	100 (69)	100 (61)	100 (72)	100 (276)	100 (267)	100 (261)

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3.1.8 Number of employees

Unchanged Employment Market

The employment market improved slightly as fewer businesses recorded 'decreased' number of employees for the businesses concerned. Most businesses replied that their staff strengths were largely unchanged with slight improvements in the 'increased' number of employees segment. However, the effects of improved business performances as described earlier were expected to feed into the 2nd half of 2010 with more businesses forecasting that more employees would be taken in by businesses.

Number of Employees

Number of Employees	2 nd Half 2009 (%)		1 st Half 2010 (%)		Total (%)		
	Mfg	WRT	Mfg	WRT	2 nd '09	1 st '10	2 nd '10 (Forecast)
Increased	2	5	5	7	4	6	12
Remained unchanged	67	72	76	77	76	75	73
Decreased	31	23	19	16	20	19	15
Total (Sample Size)	100 (63)	100 (73)	100 (67)	100 (74)	100 (276)	100 (291)	100 (287)

3.1.9 Wage cost per unit of output

Wages were stable

In line with the unchanged employment market, 73% and 78% respectively of the respondents maintained their wage costs per unit of goods and services for the 2nd half 2009 and 1st half 2010. This was expected to be 76% in the 2nd half 2010. Nonetheless, there was a net increase in respondents who switched from 'decreased' category of response to 'increased' and 'remained unchanged' categories of response, for 1st half 2010 compared to 2nd half 2009. This shows that there was a slight increase in wage cost.

Wage Costs per Unit of Goods and Services

Wage Costs per unit	2 nd Half 2009 (%)		1 st Half 2010 (%)		Total (%)		
	Mfg	WRT	Mfg	WRT	2 nd '09	1 st '10	2 nd '10 (Forecast)
Increased	8	13	12	7	10	12	13
Remained unchanged	65	74	79	82	73	78	76
Decreased	26	13	9	11	17	11	11
Total (Sample Size)	100 (61)	100 (72)	100 (65)	100 (71)	100 (288)	100 (273)	100 (271)

3.1.10 Capacity utilisation

Pick-up in Capacity Utilisation

Overall, around 70% of respondents claimed that their businesses were operating at more than 60% capacity in 1st half 2010 (2nd half 2009: 60%). In particular, firms appeared to have improved capacity utilisation with fewer businesses reporting less than 40% operating capacity utilisation.

On the whole, the overall capacity utilisations were still well below the desired level of more than 80%. This means that there was still excess capacity in the market. The improvements reported earlier in respect of sales for instance still had some way to go, as businesses still had surplus unutilised capacities and scope for business improvements still existed.

Capacity Utilisation Level

Capacity Utilisation Level	2 nd Half 2009 (%)		1 st Half 2010 (%)		Total (%)	
	Mfg	WRT	Mfg	WRT	2 nd '09	1 st '10
81 ~ 100%	5	10	28	16	13	17
61 ~ 80%	58	53	42	63	47	52
41 ~ 60%	33	35	27	16	37	27
0 ~ 40%	5	1	3	5	4	4
Total (Sample Size)	100 (64)	100 (77)	100 (67)	100 (75)	100 (310)	100 (289)

3.1.11 Investment in new resources or plant

Slight Increase in Investment in new resources or plant

Based on the businesses capacity utilisation level (1st half 2010) as reported earlier, there still existed significant surplus unutilised capacities. Accordingly, in 1st half 2010, 53% of the respondents had decided to continue to adopt a wait and see approach in respect of their decision to invest in new resources / plants. Such sentiment was also noted for 2nd half 2009 (50%). Despite this, there was still slight increase in investment in new resources / plant in both the manufacturing, and wholesalers and retailers. In the 1st half of 2010, the percentage of respondents answering 'increased' in investment had risen to 14% compared to 6% in 2nd half 2009, while the percentage of 'decreased' in investment had fallen to 33% compared to 45% in 2nd half 2009. The data also showed that the overall increase in investment in the manufacturing sector is higher than that in the wholesalers and retailers sector.

Further, there was an increase to 16% of respondents advising that they planned to increase such investments during the 2nd half 2010.

Investment in New Resources or Plant

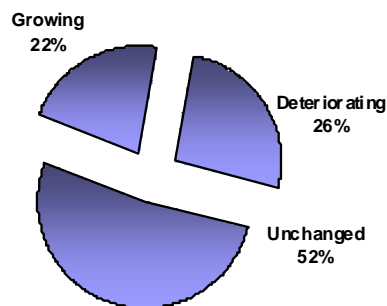
Investment	2 nd Half 2009 (%)		1 st Half 2010 (%)		Total (%)		
	Mfg	WRT	Mfg	WRT	2 nd '09	1 st '10	2 nd '10 (Forecast)
Increased	3	4	14	8	6	14	16
Remained unchanged	48	50	55	53	50	53	50
Decreased	48	47	31	39	45	33	34
Total (Sample Size)	100 (58)	100 (62)	100 (55)	100 (64)	100 (248)	100 (218)	100 (218)

3.1.12 Economic Situation in Malaysia

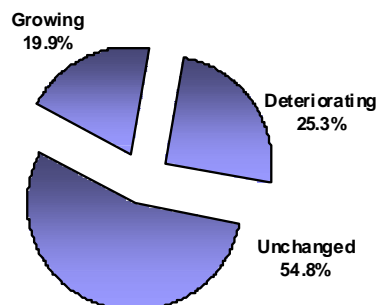
The Malaysian economy continued to grow in the 1st half of 2010

From the respondents' perception, about 20% of them felt that the Malaysian economic condition had improved in 1st half of 2010 compared to 2nd half 2009 (22%). At the same time, nearly 55% of the respondents were of the view that the Malaysian economy had remained unchanged in the period under review, compared to 52% in the 2nd half of 2009. Respondents answering 'deteriorating' in 1st half of 2010 dropped to 25.3% from 26% in the 2nd half of 2009.

The Malaysian economy in the 2nd half of 2009 is :



The Malaysian economy in the 1st half of 2010 is :



3.2 MAJOR FACTORS ADVERSELY AFFECTING BUSINESS PERFORMANCE

Factors Affecting Business Performance

Factors affecting business performance	2 nd half of 2009	1 st half of 2010
	%	%
Government policies	46	49
Manpower shortage	34	36
Increase in operating cost & price of raw materials	37	33
Domestic competition	32	30
Management style	12	26
Lack of capital	20	26

Government policies

Nearly half (49%) of the respondents cited the factor of Government policies being the most important factor affecting their business performance. This is not surprising as private sector initiatives remained lackluster, especially in 2009 and hence, there has been greater reliance on the Government's fiscal stimulus to push the Malaysian economy. This gave rise to many sectors and industries clamouring for numerous government policies and projects to be implemented. In fact, the business community sees the implementation of business friendly policies as imperative and necessary to spur the Malaysia economy.

Manpower shortage

Concern was expressed by the respondents in respect of this factor as 36% of respondents felt this was an important factor during the 1st half 2010 as compared to 34% of respondents who felt the same way in the 2nd half 2009. Perhaps, given the upswing in orders on the foreign and local front, businesses faced difficulties in recruiting suitable workers in a short space of time to be able to cope with increased demand. This is made worse by the change in foreign labour policy.

Increase in operating cost and price of raw materials

33% of the respondents cited increase in operating costs and price of raw materials as the third most important factor affecting their business performance. The fluctuations of prices of raw materials such as fuel, iron and steel have had great impact on businesses' operating costs. Further more, the low capacity utilisation might have contributed to higher costs per unit of output given that the fixed operating cost have largely remained unchanged.

Domestic competition

About 30% of the respondents felt that the domestic competition was the fourth most important factor affecting their business performance during 1st half 2010.

Overall, government policies, the manpower shortage, increase in operating cost and domestic competition were the four (4) major factors that affected the business performances in the 1st half of 2010.

3.3 MALAYSIAN ECONOMIC OUTLOOK

The Chinese business community is cautiously optimistic about the economic outlook for 2010, 2011 and 2012.

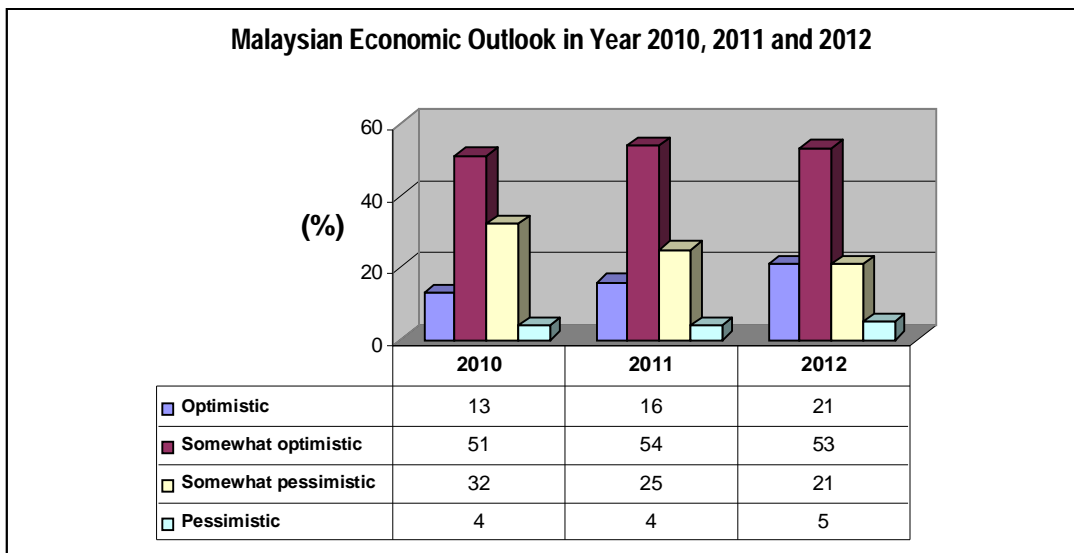
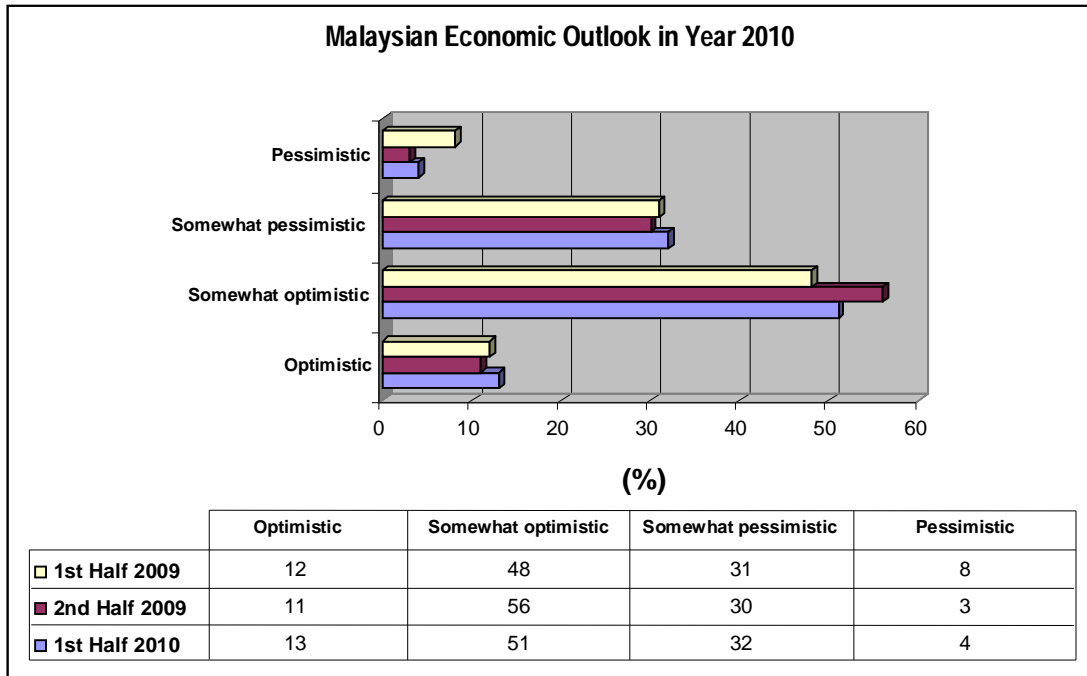
In this survey, 62% of the respondents (2nd half 2009, 66%) indicated that their local market sales was likely to be maintained for the next six months. About 18% of the respondents surveyed expected their local sales to increase in 2nd half 2010, compared to 11% in the previous survey.

Additionally, in the case of export markets, 24% of the respondents anticipated that their export sales would increase in 2nd half 2010, compared to 13% in the previous survey. On the other hand, half of the respondents indicated that their export sales would remain the same in 2nd half 2010.

Given the improvements experienced by businesses in the areas of local sales, overseas orders and other indicators (e.g. number of employees and stock levels), in general, the majority of respondents remain confident and optimistic of the future of the Malaysian economy and businesses outlook for the years 2010, 2011 and 2012. In particular, there was greater sense of optimism and confidence on the state of the economy for Malaysia in the years 2011 and 2012. For the outlook of year 2010, however, there was a slight fall in the percentage of respondents who expressed such confidence in the surveys conducted this time compared to that of the previous half year (this time: 64% versus 2nd half 2009: 67%).

Nonetheless, the Chinese business community remained cautiously optimistic about the economic outlook of Malaysia in 2010, 2011 and 2012.

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3.4 THE GOVERNMENT'S NEW ECONOMIC MODEL (NEM)

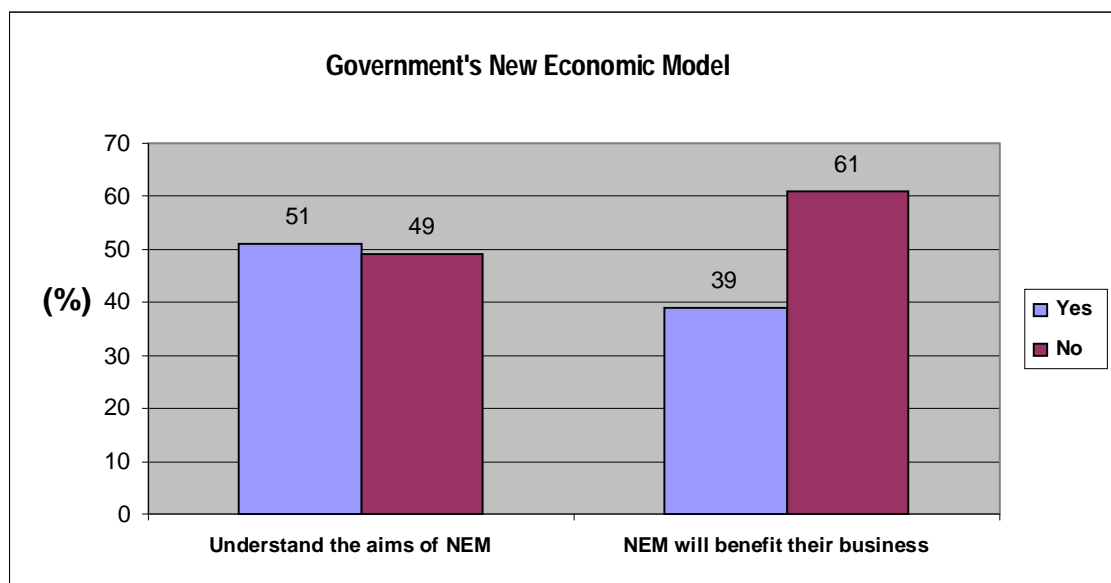
According to the National Economic Advisory Council's first report on the NEM dated 30 March, 2010, the main goals or aims of the NEM are as follows:

- i. Breaking through to high income status targeting USD15,000 to 20,000 per capita by 2020,
- ii. Generating benefits for all Malaysians enabling all communities to fully benefit from the wealth of the country,
- iii. An economically and environmentally enduring solution meeting present needs without compromising future generations, and
- iv. The ultimate beneficiaries: Rakyat and businesses.

Half of the respondents (51%) replied that they understood the goals or aims of the NEM. On the other hand, 61% of the respondents thought that the NEM would not benefit their businesses.

Though the NEM is still at its infancy stage, it appears that the Malaysian Government still has an enormous task at hand to clearly communicate and convince the business sector that the goals of NEM will ultimately benefit the rakyat and businesses.

In order for NEM to be successful, the rakyat and businesses must first clearly understand its goals or aims and most importantly, they must buy into them. Hence, these policies must be properly communicated to the public. Accordingly, appropriate and consistent policies as stated in the NEM must be drawn up and implemented by the various Government agencies throughout all the Government ministries and agencies.



3.5 ACHIEVEMENT OF THE GOALS OF THE NEW ECONOMIC MODEL

With regards to the goal of achieving high quality of life, nearly 60% of the respondents replied that it was possible to achieve such a goal (their replies were under the 'possible' and 'maybe' categories). This result is compared to 42% under the 'not possible' category.

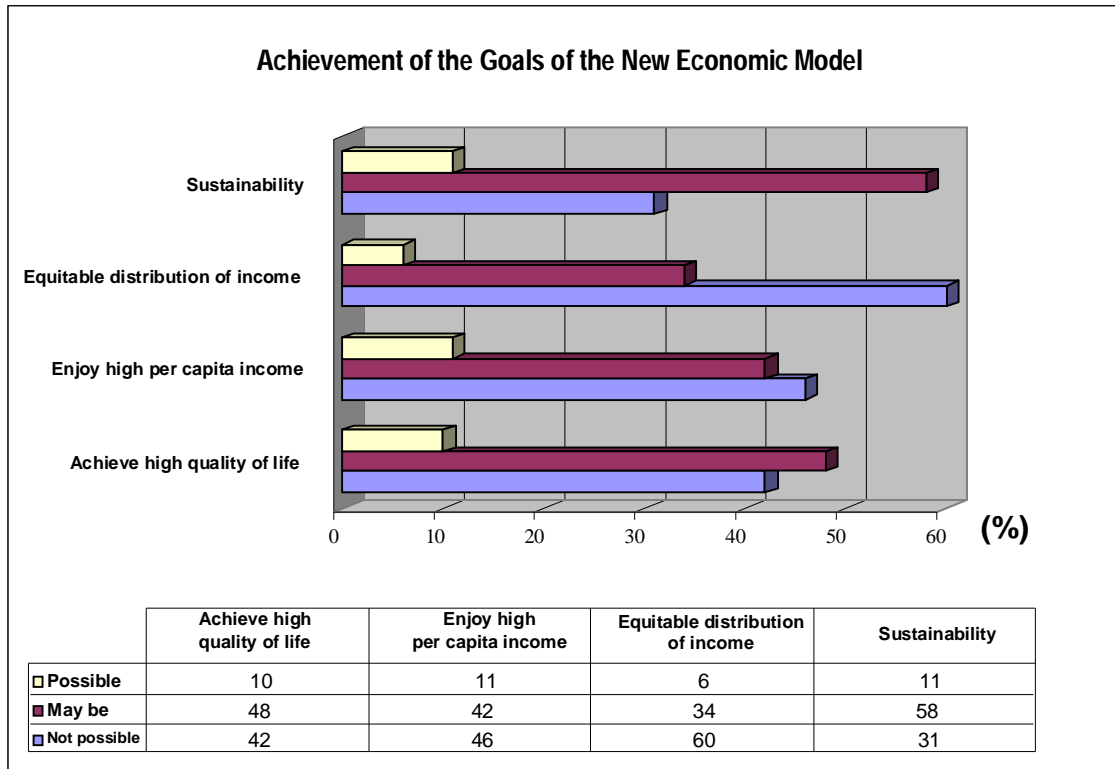
Similarly, **over half of the respondents replied under the 'possible' and 'maybe' categories for the goal of high per capita income**. In addition, **nearly 70% of the respondents replied under the 'possible' and 'maybe' categories for the goal of sustainability**.

These findings clearly showed that the respondents opined that the abovementioned three goals of the NEM were achievable. Certainly, these goals are indeed achievable subject to the caveat that the appropriate policies are implemented.

The respondents felt that the biggest challenge to face the Government came in the area of achieving equitable distribution of income among Malaysians, irrespective of race. **60% of the respondents chose the 'not possible' category for the goal of equitable distribution of income**, whereas the balance 40% of the respondents replied under the 'maybe' and 'possible' categories.

This may be attributed to the current legacy of the NEP policy era whereby after having been in place for many decades, the NEP policy is still seen by the Government that it is still far off from achieving its goals under the affirmative actions taken by the Government.

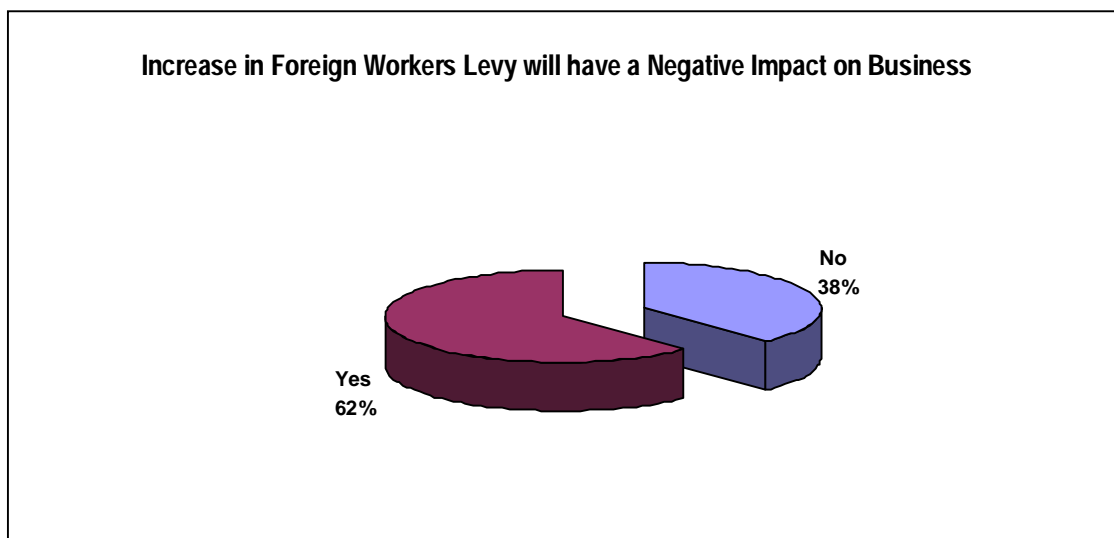
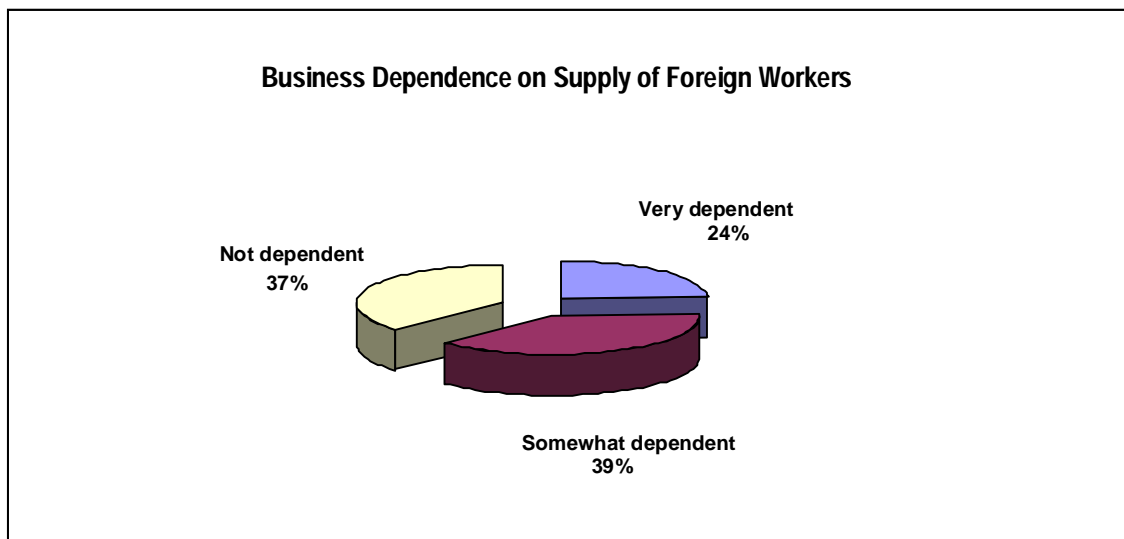
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FOR THE 1ST HALF OF 2010



3.6 FOREIGN WORKERS

Deputy Prime Minister Tan Sri Muhyiddin Yassin, who chairs the Cabinet Committee on Foreign and Illegal Workers, had announced on May 20, 2010 that the levy for foreign workers would be increased next year. Various organisations have voiced their concern to this move, arguing that the extra costs will ultimately be passed on to consumers.

More than 60% of the respondents claimed that the increase in the levy of foreign workers would result in a negative impact on their businesses. This could be due to the fact that 63% of the respondents being heavily dependent or somewhat dependent on foreign workers while 37% of the respondents claimed that their businesses were not dependent on foreign workers.

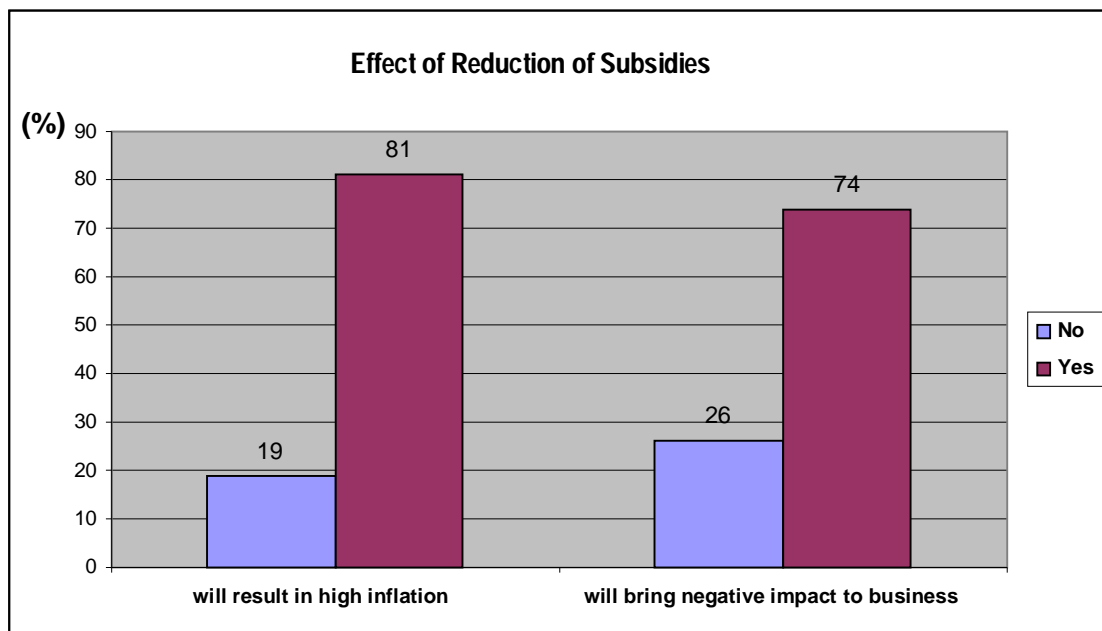


3.7 REDUCTION OF SUBSIDIES IN MALAYSIA

From July 16, 2010, the subsidies for sugar, petrol, liquefied petroleum gas and diesel were cut as part of the Government's gradual subsidy rationalisation programme. The price of sugar increased by 25 sen to RM1.75 per kg; liquefied petroleum gas increased by 10 sen to RM1.85 per kg; petrol RON 95 increased by 5 sen to RM1.85 per litre and diesel increased by 5 sen to RM1.75 per litre. Moreover, RON 97 would no longer be subsidised.

Naturally, there was widespread concern among the rakyat and businesses on the possibility of high inflation which would increase the costs of living and the costs of doing business.

The concern was evident as **more than 80% of the respondents were of the opinion that the abovementioned subsidy cuts would lead to high inflation in the immediate term. In addition, 74% of the respondents claimed that these subsidy cuts would bring negative impact on their businesses.**



3.8 BUSINESSES HAVE BEEN AFFECTED BY THE 'BRAIN' DRAIN PROBLEM

75% of respondents felt that their businesses had been negatively affected by the 'brain' drain problem that is currently afflicting Malaysia. Businesses are deemed to suffer in that had better quality workers / employees been retained in Malaysia, the SMEs' output, quality of production of goods and services and consequently, businesses performance could have been a lot better. SMEs would then also have been better able to cope with the recent financial crisis with employees with better and more professional management skills and capabilities.

