



JETRO

2020

**The Second Emergency Survey of
Measures against New Coronavirus by
Japanese Companies in Malaysia**

30 July, 2020

Conducted by

The Japanese Chamber of Trade and Industry, Malaysia (JACTIM)

JETRO Kuala Lumpur

Key points of the survey results

- 1. Current production / operation of Japanese companies : 50% of Manufacturing and Non- manufacturing have resumed to “normal” or “more than normal” status.**
 - About 50% of manufacturing and non-manufacturing companies have gained the status of “normal” or “above normal” operation condition
 - Comparing production / operation status with May survey, there is an overall recovery. In May study, it shows about 15% of manufacturing and non-manufacturing companies had recovered to “normal operation”, but the latest study shows 20% points increase in the operation
- 2. Declined order and restriction on domestic / overseas sales activities as well as financing and worker shortage are issues**
 - In order/procurement, more than half of the companies cited pending / reduction of orders from domestic & overseas customers / supplies as current issues
 - Regarding the issue of operation, a large percentage of companies pointed out the decrease in domestic and overseas sales activities and new business opportunities as well as “Financial difficulties” “Shortage of Factory worker” and “Restriction on meeting SOP such as social distance”.
- 3. Approximately 700 people are / will be on standby for entry.**
 - Approximately 700 expatriates, new employees and their family members are/ will be waiting for entry in Malaysia or traveling within the next six months.
 - Some say that due to the prolonged immigration restrictions, frequent changes in immigration procedures and unclear contents, necessary personnel for the new project and activities are not able to enter in Malaysia.
- 4. “Maintain the status quo” is the most in the direction of investment in the next 1-2 years, and expansion is slightly increasing.**
 - In the direction of investment in the next 1-2 years, the companies answering “maintain the status quo” are 60% in manufacturing and 70 % in non-manufacturing industry.
 - The highest of expansion is “New expansion, New business development” there is a slight increase from the previous May survey. Expansion of the manufacturing is mostly in food and related materials, medical related, electronics parts business, and for the non-manufacturing industry, mainly IT solution service and logistics.
 - Regarding the downsizing and withdrawal, the manufacturing industry has a higher responding rate, but it is in declining trend compared to May survey.
- 5. Hope Malaysian Government to ease the procedures of entry and exit for expatriates**
 - Many requests are for expatriate entry and exit. Immigration restrictions are prolonging and the number of request is increasing in these months.
 - There are still many requests for expansion of wage subsidy, tax incentives, relaxation and clarification of SOPs and infection inspections.
 - Regarding the tax incentives for additional investment in existing manufacturing industry, that was announced in June, there is an opinion that it does not match the needs as the lower limit of the target investment amount is too high and the incentive period is short.

Survey outline/profile of responding companies

1. Survey conducted by

The Japanese Chamber of Trade and Industry, Malaysia (JACTIM)
JETRO Kuala Lumpur

2. Objective of the survey

To identify the impact of Covid-19 and the resulting MCO on Japanese companies in Malaysia and to make requests to the governments of Japan and Malaysia to provide assistance and improved measures.

3. Survey items

- (1) Current operation status
- (2) Future measures and strategies
- (3) Entry of expatriates
- (4) Requests to Malaysian Government
- (5) Requests to Japanese Government

4. Companies in survey

JACTIM's member enterprises (585 locally incorporated companies and branches excluding individual members and presentative offices)

5. Survey period

Questionnaire survey: 13-17 July, 2020 (Five days)

6. Collection of questionnaires

Valid responses : 209 companies (Response ratio : 35.7%)

Respondents by Industry

	Number	Ratio (%)
Manufacturing	115	55.0
Non-manufacturing	94	45.0
Total	209	100.0

Respondents by Size

	Number	Ratio (%)
Large Enterprise	149	71.3
SME	53	25.4
No parents company in Japan	7	3.3
Total	209	100.0

Respondents by States/Area

	Number	Ratio (%)
Kuala Lumpur	60	28.7
Selangor	85	40.7
Negeri Sembilan	11	5.3
Malacca	5	2.4
Perak	8	3.8
Johor	13	6.2
Penang	17	8.1
North region (Kedah, Perlis)	5	2.4
East coast region (Pahang, Kelantan, Terengganu)	5	2.4
East Malaysia	0	0.0
Total	209	100.0

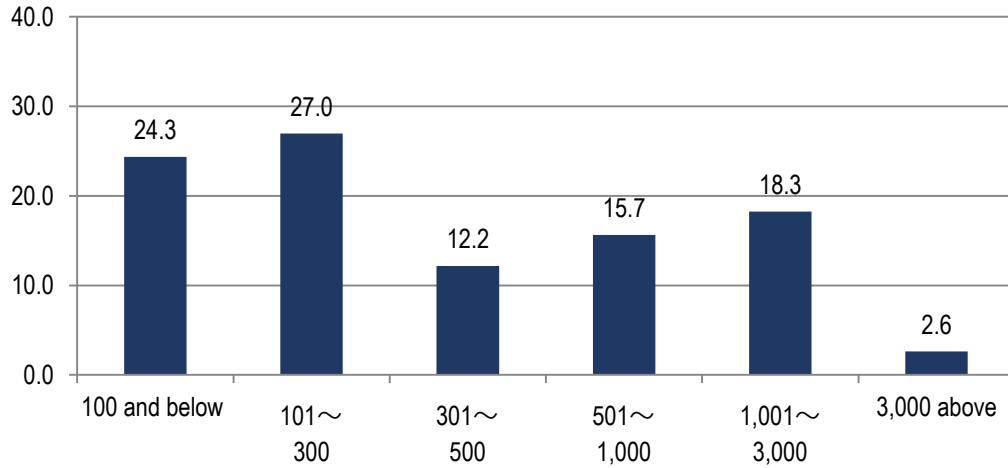
Employee Composition of Responding Companies

(Number of Employee, Employment status of Foreign workers)

Number of Employee

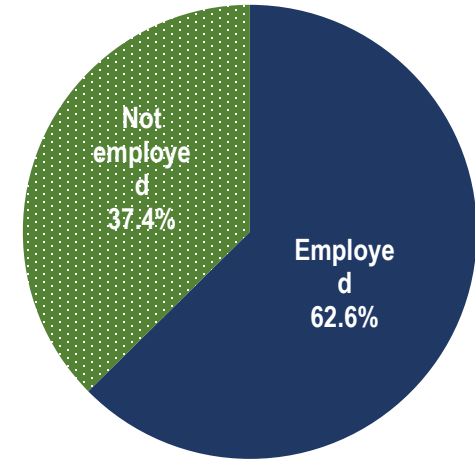
Manufacturing Industry (n=115)

(unit : %)



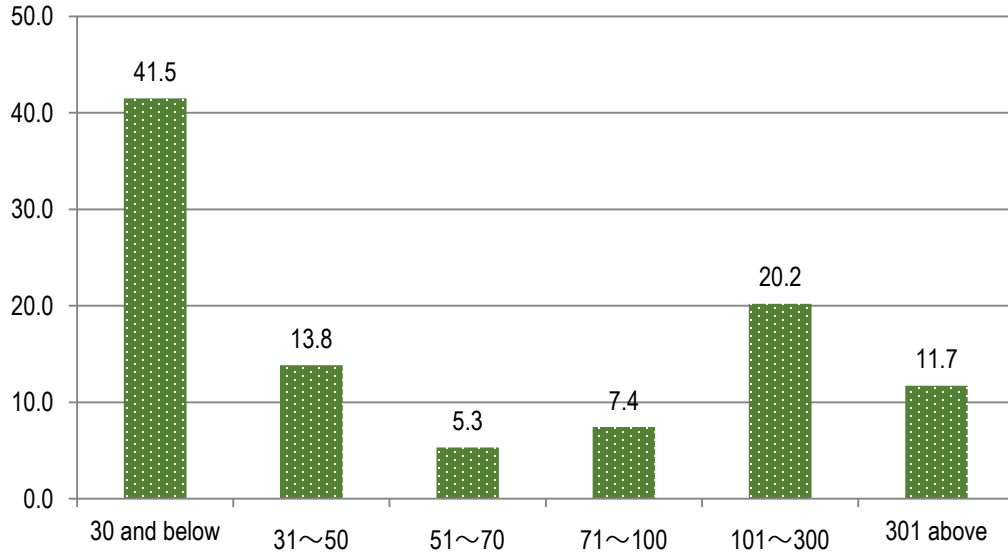
Employment status of Foreign worker

Manufacturing Industry (n=115)

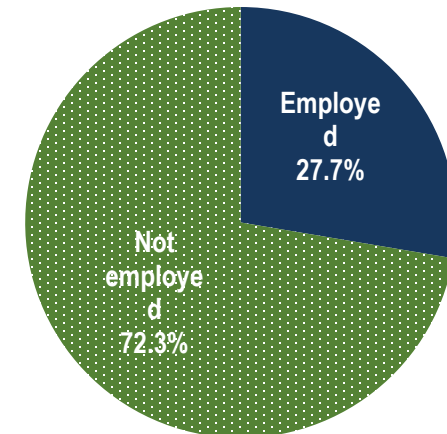


Non-manufacturing (n=94)

(unit : %)

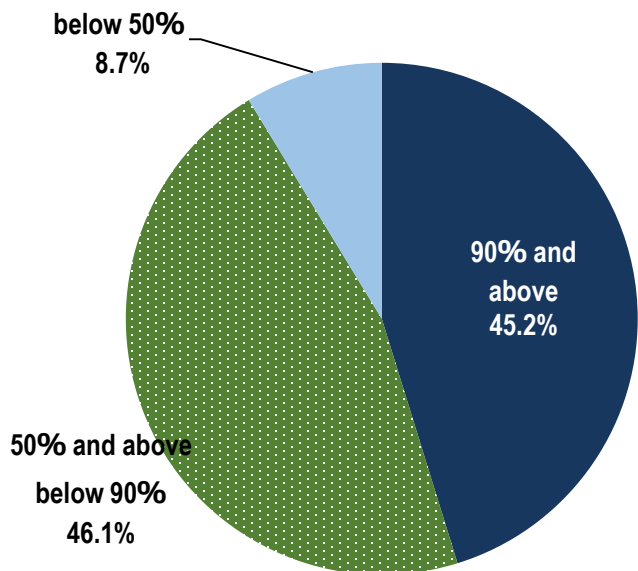


Non-manufacturing industry (n=94)



Employee Composition of Responding companies (Malaysian Workers)

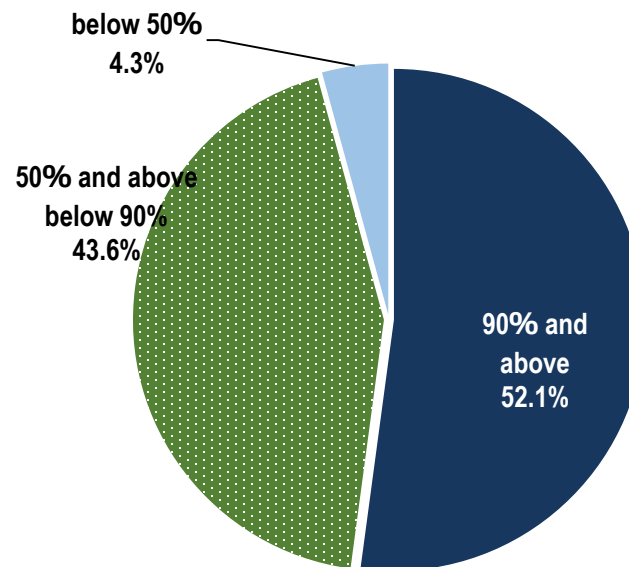
**Manufacturing Industry
(n=115)**



Malaysian employees by 115 manufacturing companies

63,651

**Non-Manufacturing Industry
(n=94)**



Malaysian employees by 94 Non-manufacturing companies

11,061

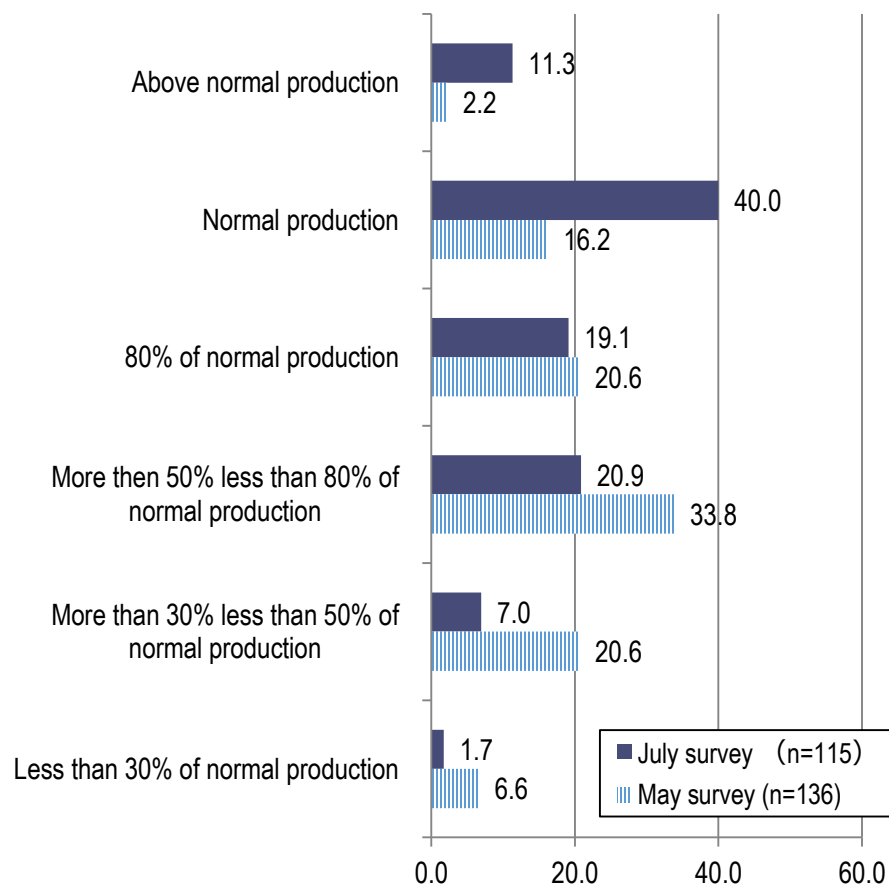
Malaysian employees by 209 responding companies

74,712

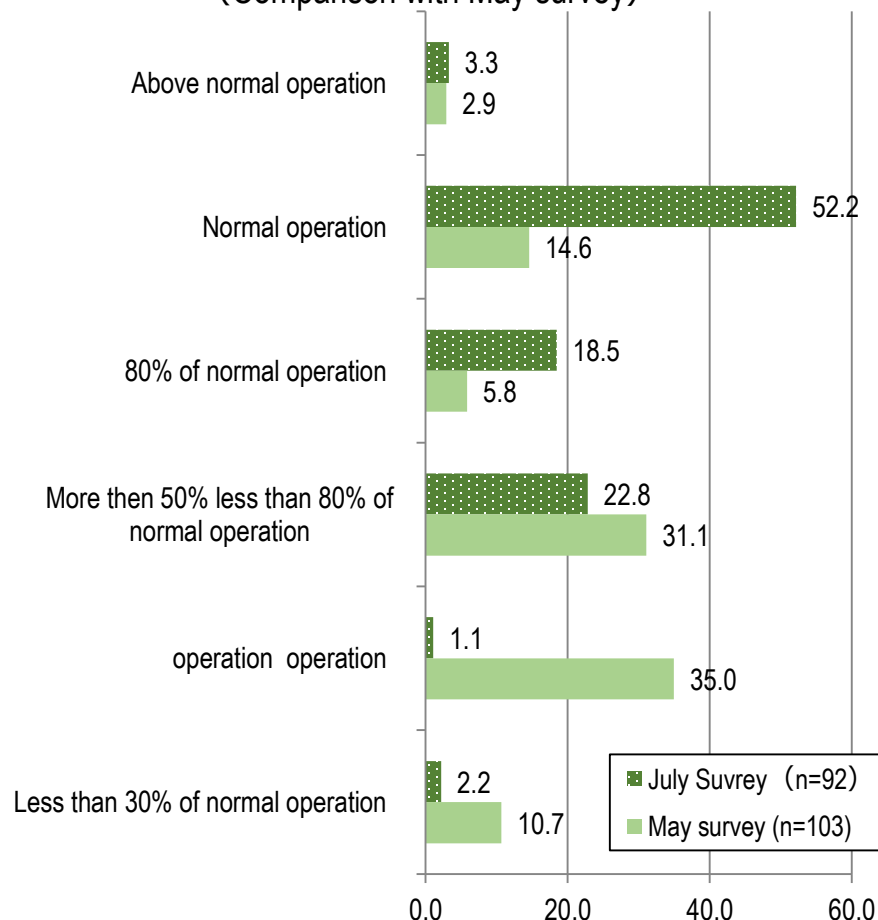
Production/ Operation status: Significant recovery, about half of normal production / operation is recovering

- About half of companies are on the recovery trend in production / operation status. 50% of manufacturing and non-manufacturing industries have gained normal / above normal production / operation. The number of companies that replied less than 50% has fallen sharply below 10%. On the other hand, as there are about 40% of companies which are in 50% ~ 80% of production / operation, which is not a complete recovery yet.
- Industries that were producing /operating above normal are medical devices, electronic components, packaging materials in manufacturing and Logistics in non-manufacturing industry

<Manufacturing> Production (single answer)
(Comparison with May survey)



<Non-Manufacturing> Operation (single answer) (unit: %)
(Comparison with May survey)

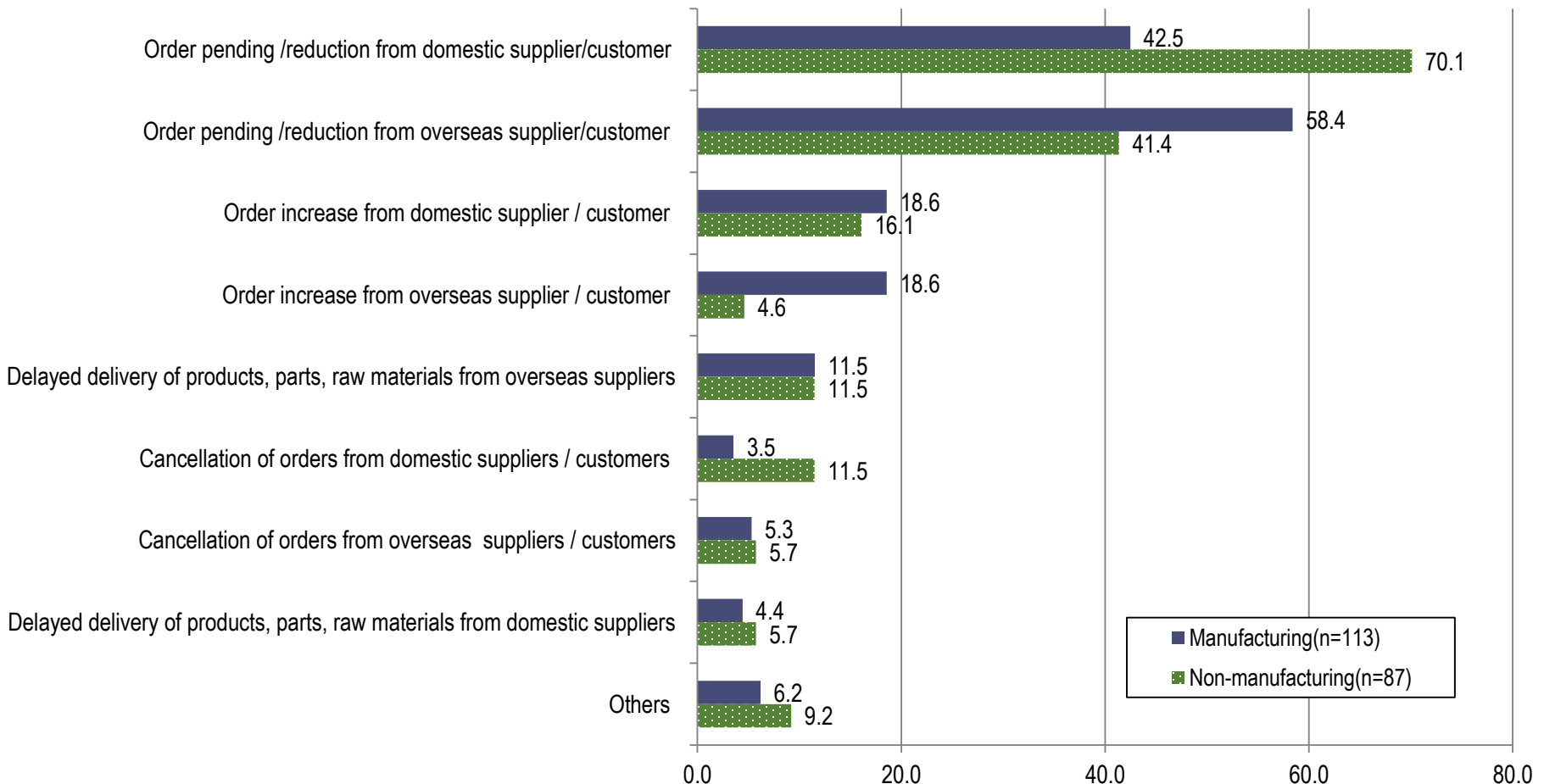


Orders/Procurement : Reservation / decrees of orders is in the maximum

- In the current situation of receiving order and procuring, many companies in both manufacturing and non-manufacturing industries have faced “Reduction in order / pending from suppliers and customers”.
- In the manufacturing industry, many company have export bases in Malaysia, and affected by overseas order, while non-manufacturing industry mainly focus on domestic service, they are affected by domestic orders. On the other hand, the delay in procurement and cancellation of orders remained as only about 10% – 15% domestically and internationally
- The companies saying “ Increasing orders from both domestic and overseas” is 37.2% in manufacturing industry, and 20.7% in non-manufacturing industry, seeing some recovery sign in demands.

Current status of orders and procurement (multiple answers allowed)

(unit: %)



(Note) Excluding non-responding 2 companies in manufacturing and 7 in non-manufacturing industries

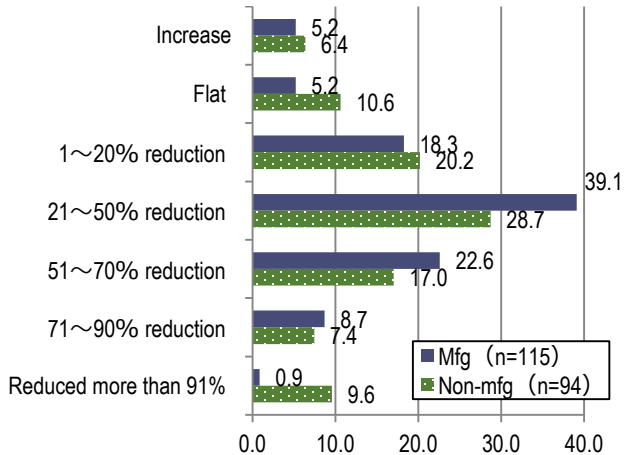
Sales: Sign of recovery, but 80% of year on year decline

- From April to June, future sales prospects are generally on a recovery trend, compared to the previous survey in May
- Due to the operational restrictions during the MCO, 80% of both manufacturing and non-manufacturing industries are expected to fall below the previous year's level throughout the year 2020.

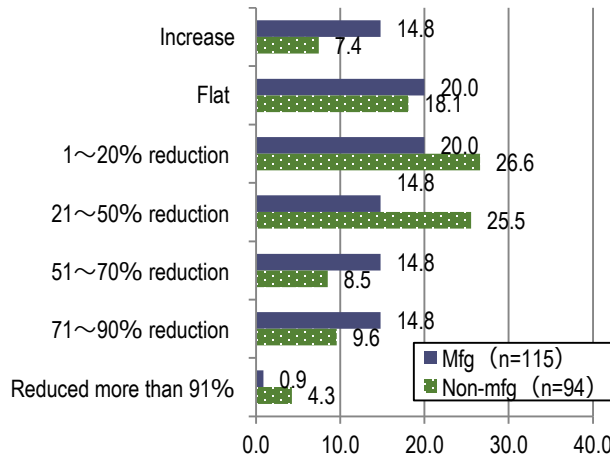
Impact on sales: Rate of decline compared to previous year (single answer)

(unit: %)

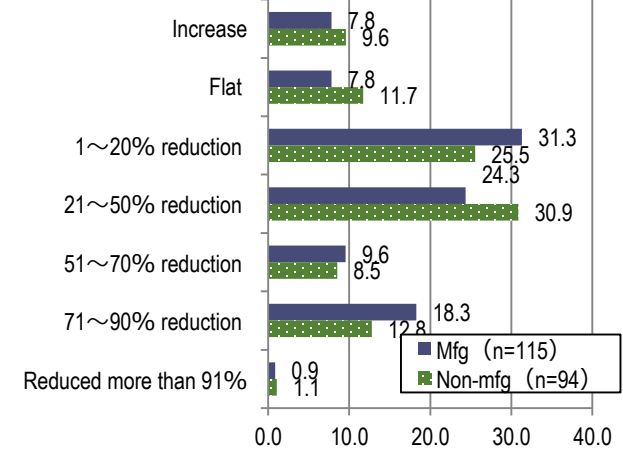
Sales for April to June (July Survey)



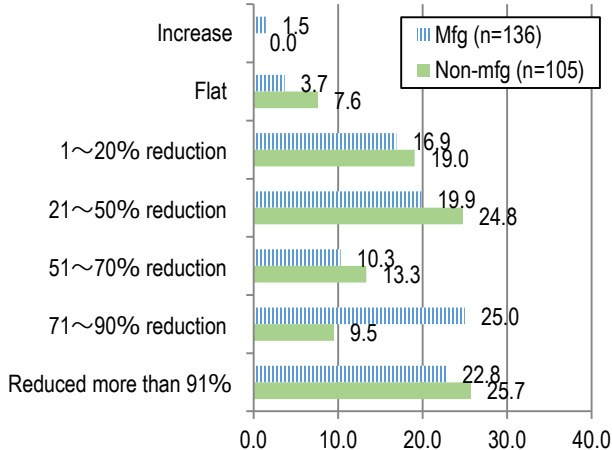
Sales forecast for July to September 2020 (July Survey)



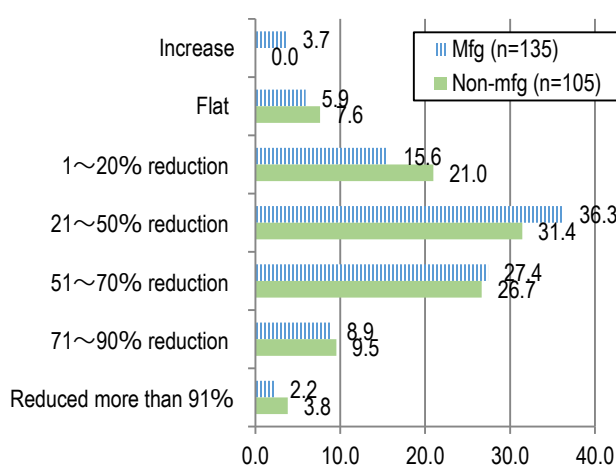
Sales forecast for 2020 full year (July survey)



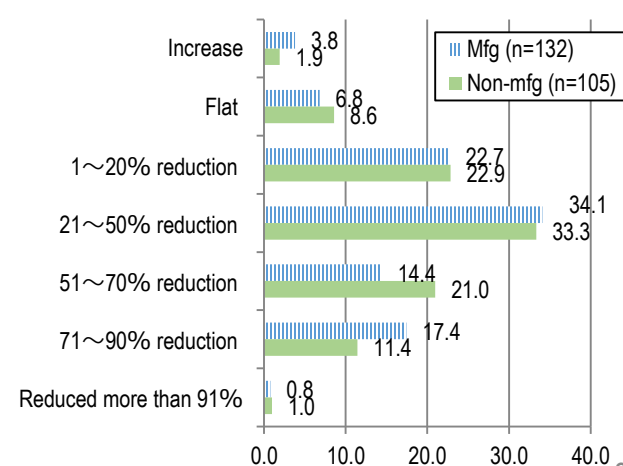
Sales in April (May survey)



Sales forecast for May to July 2020 (May survey)



Sales forecast for 2020 full year (May survey)

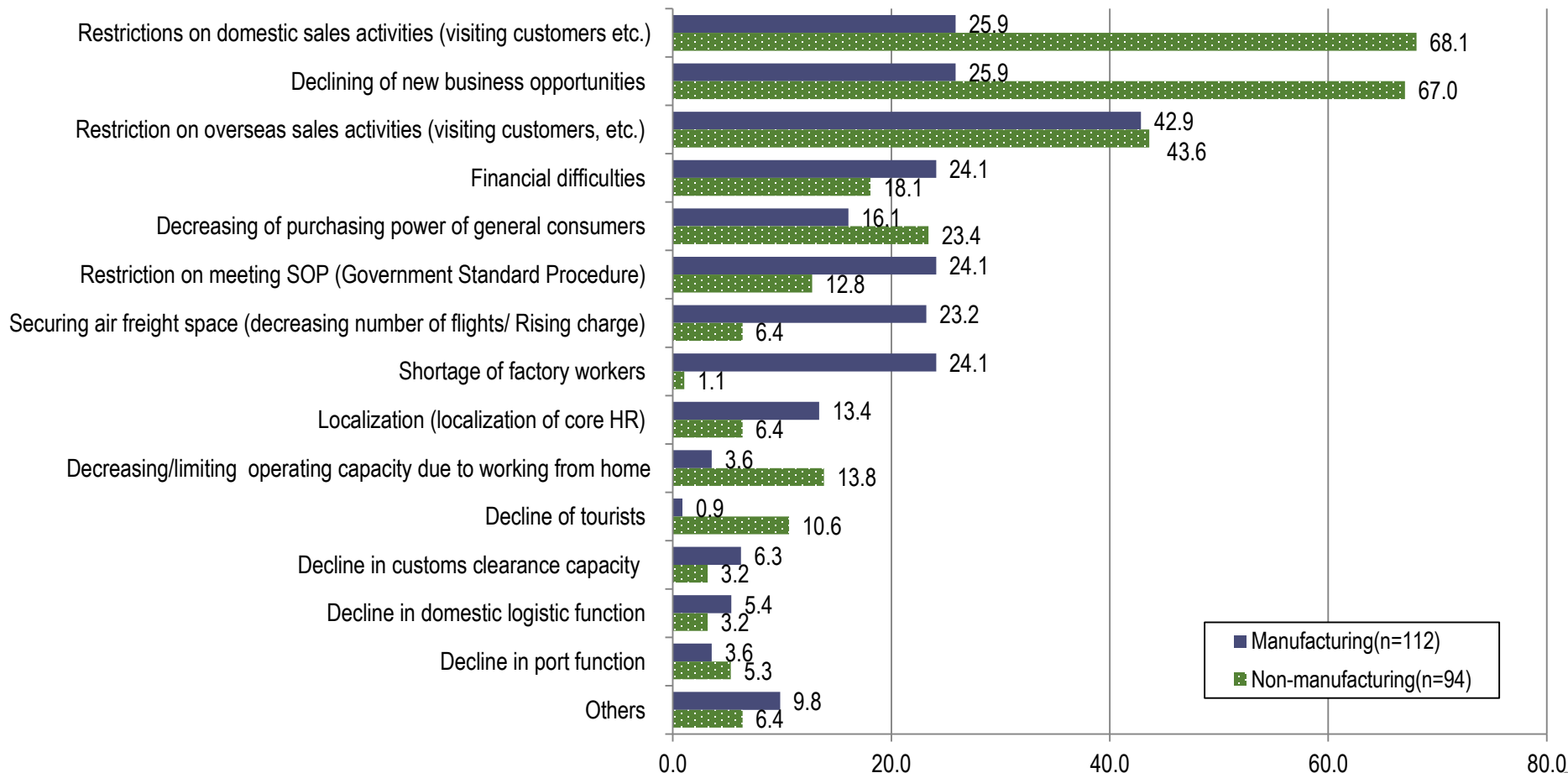


Issues on operation: Decrease in sales activates and business opportunities

- Regarding the operational issues (excluding orders/procurement), there are many companies answered that the issues are “Decline in domestic / overseas sales activities, decrease in new business opportunities” in both manufacturing and non-manufacturing industries. In particular, the percentage of companies that have those issues is higher in non-manufacturing industry than manufacturing industry.
- Many companies pointed out “Financial difficulties”, about 20% of the companies both in manufacturing and non-manufacturing industry said that it is an issue.
- In manufacturing industry, many companies pointed out “Shortage of factory workers” and “Restriction on meeting SOP compliance such as social distance” are issues.

Current issues in Operation (other than order receiving and procurement) (multiple answer allowed)

(unit: %)

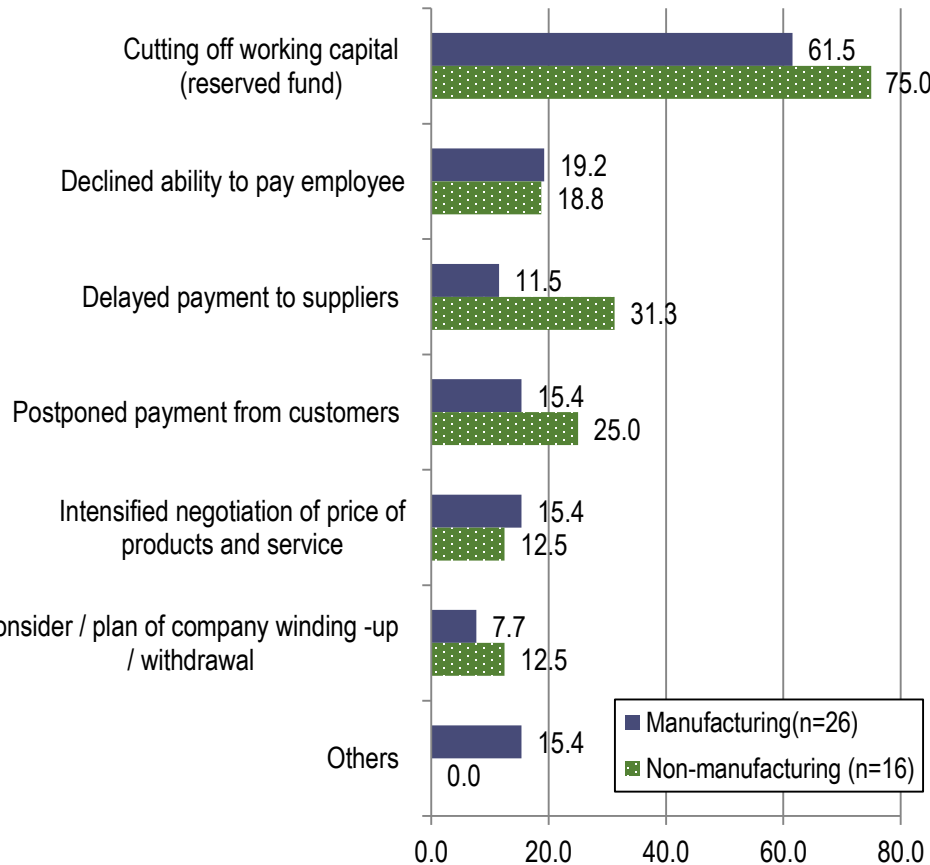


Impact of financial difficulties/ Cause of worker shortage

- When asking about impact on the company that chose “Financial difficulties” as operation issue, cutting off working capital (reserved fund) is answered highest with 61.5% in manufacturing, 70.5% in non-manufacturing industry. Then followed by “Declined ability to pay employee”, “Delayed payment to suppliers”, and “Postponed payment from customers”
- The cause of “worker shortage” is “Freezing new employment of foreign workers” with more than 90%. In addition, about 60% is due to “Difficult hiring of Malaysian workers and its low retention rate”, indicating difficulties in replacing them with Malaysian workers.

Impact of financial difficulties

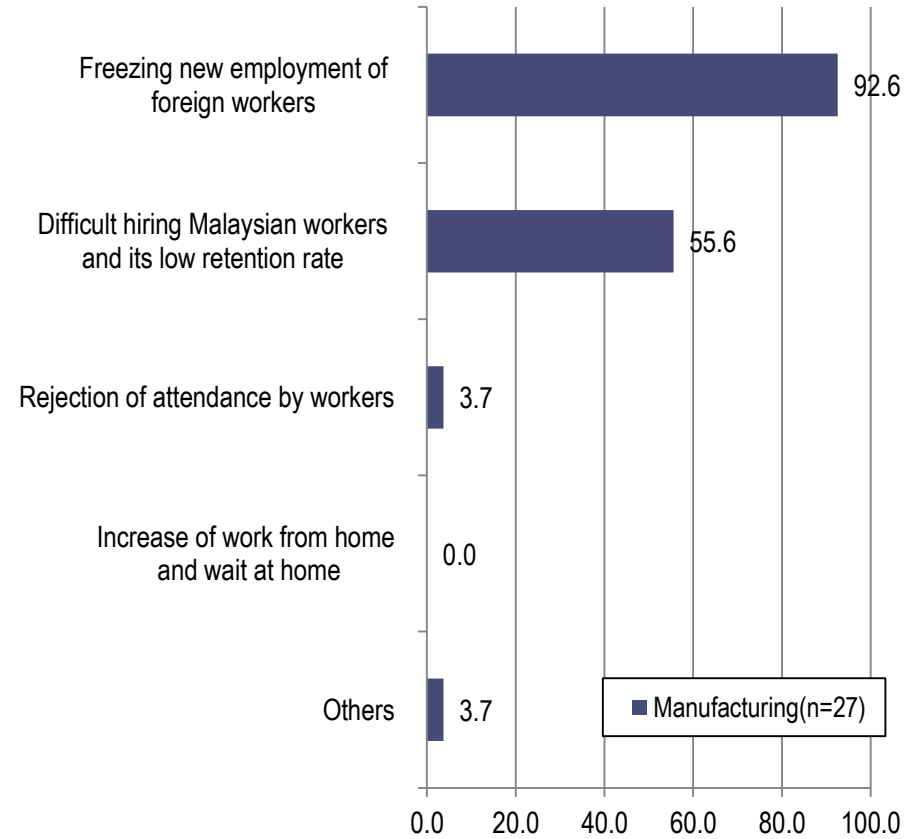
(Only for the companies that chose “Financial difficulties”)



Cause of worker shortage

(unit: %)

(Only for the companies that chose “Shortage of factory worker”)



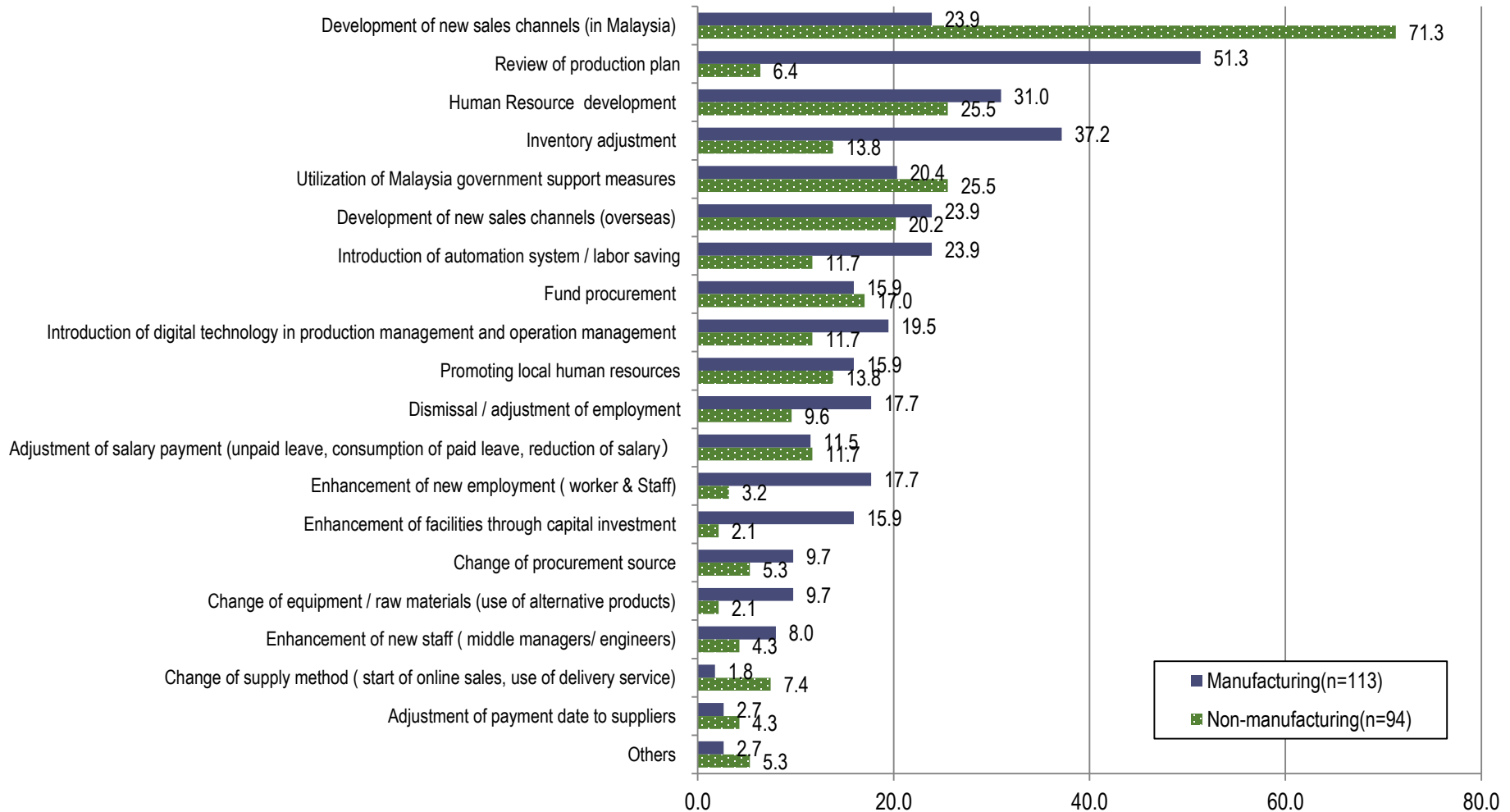
(Note) As for the reason of “worker shortage”, only one non-manufacturing company responded to this issue, the result is derived only from manufacturing company

Measures against Issues : Review production plan, Develop new sales channels

■ As countermeasures towards operational issues, the highest is “Review of production plan” at 51.3%, followed by “Inventory adjustment” (37.2%), “Human Resource development” (31.0%) in manufacturing industry, On the other hand, in non-manufacturing industry, “Development of new sales channels (in Malaysia)” is the highest 71.3%, and followed by “Utilization of Malaysian government support measures”, “Human resource development” at 25.5% respectively.

Measures to consider / implement against operational issues (multiple answers allowed)

(unit: %)



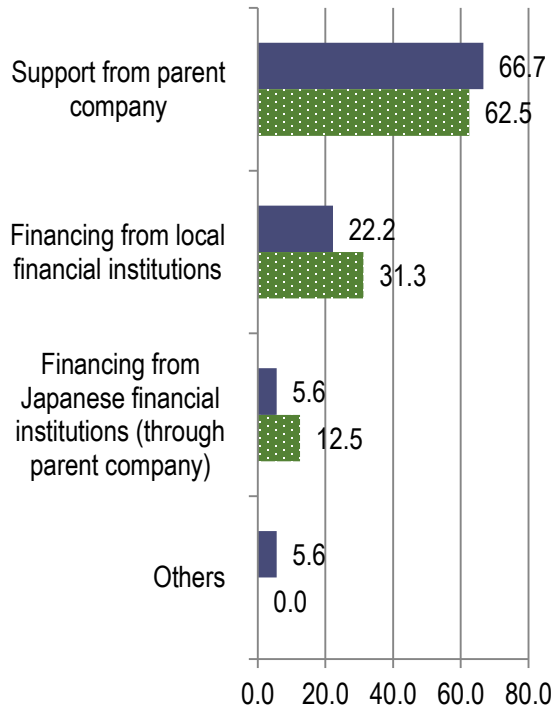
Financing method / Production plan review / Chang of supplier

- For the companies that chose “Fund procurement” as a measure towards operation problems, “support from parents company” is the highest, over 60% in both manufacturing and non-manufacturing industries.
- Regarding “review of production plan” the manufacturing companies which reduce production is the highest at about 80% with a move to reduce production and prevent inventory overflow.
- For “Change of procurement sources”, “Increase in local procurement” is the highest at 72.2% Seemingly it is a change aiming at reducing cost and lead time.

(unit: %)

Financing method

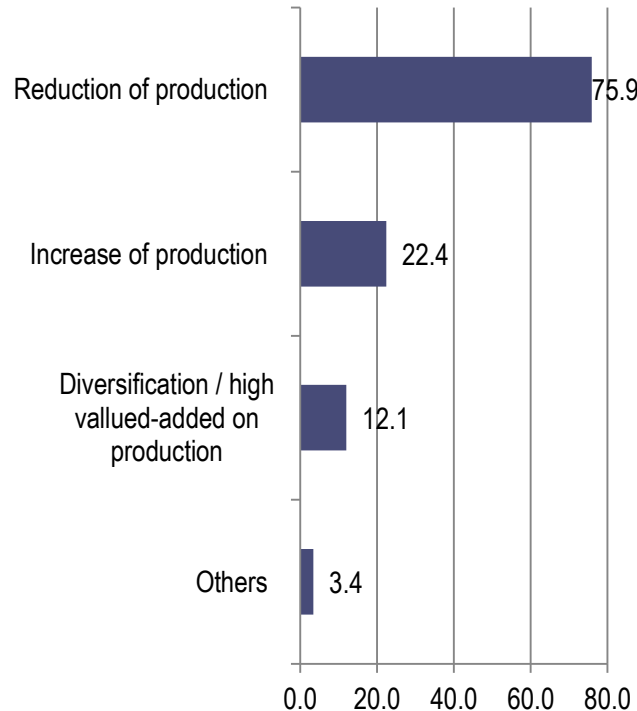
(Only for the company chose “Fund Procurement” as a measure)



■ Manufacturing(n=18)
■ Non-manufacturing(n=16)

Details of production plan review

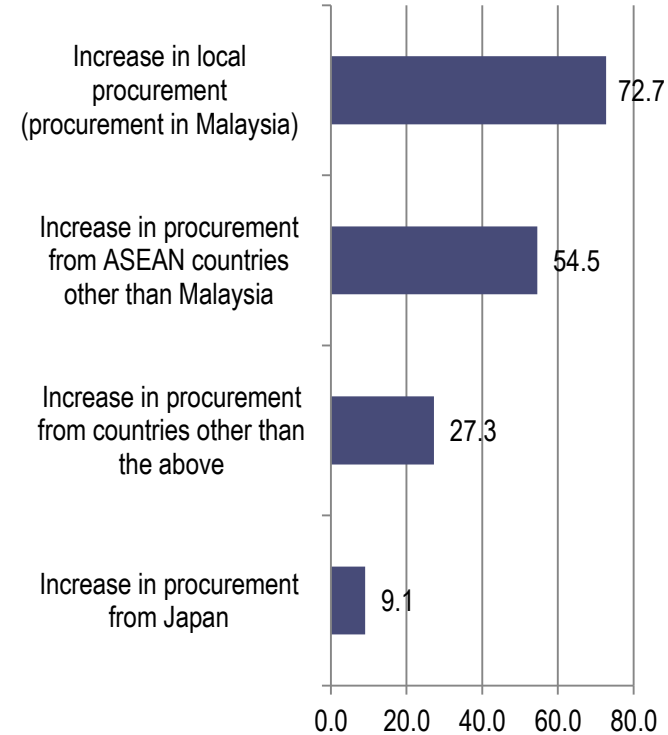
(Only for the company chose “review of production plan” as a measure)



■ Manufacturing(n=58)

Change of procurement sources

(Only for the company chose “Change of procurement sources” as a measure)



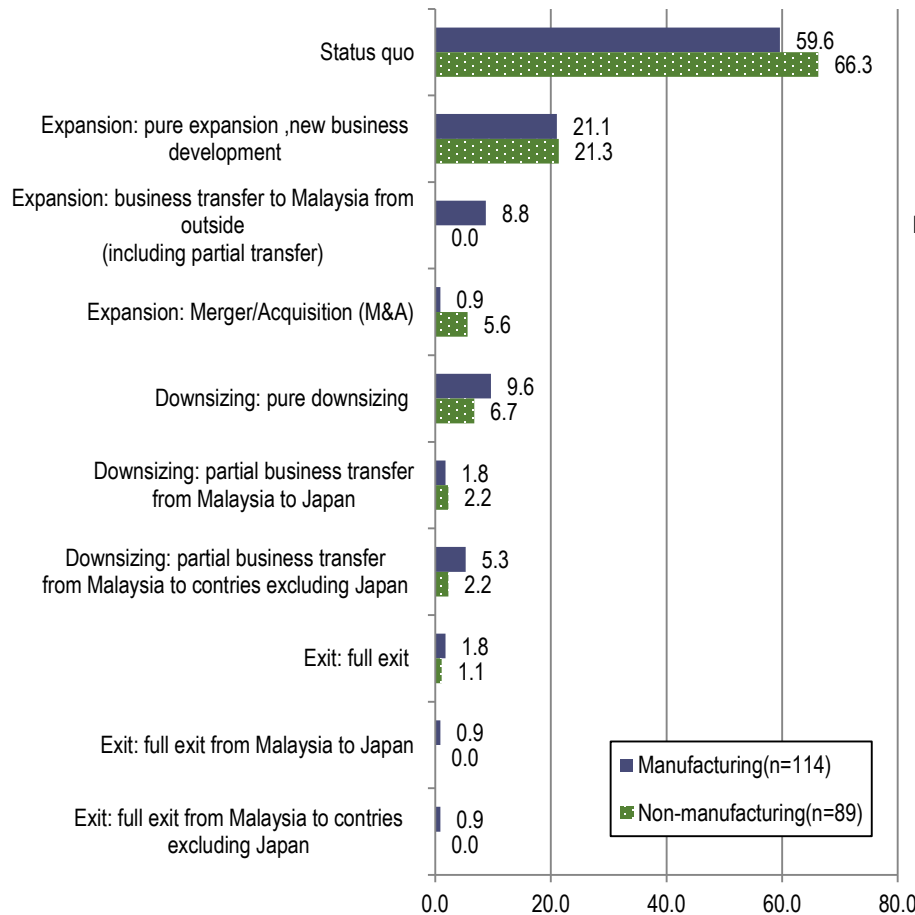
■ Manufacturing(n=11)

(Note) Regarding the revision of production plan and change of supplier, only the result of manufacturing industry is available since non-manufacturing industry respondents have single digit.

Investment: “Status quo” is highest

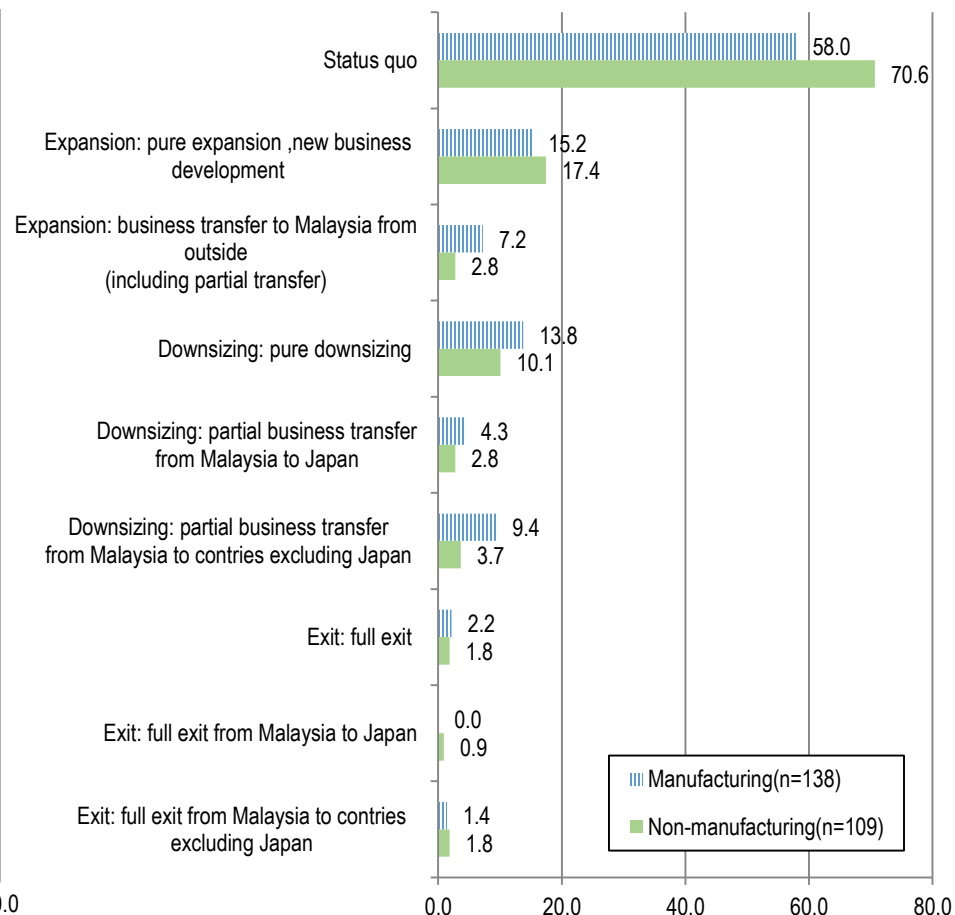
- In the approach to future investment in the next 1-2 years, the respondents say “Status quo” is highest, 60% of manufacturing industry and 70% in non-manufacturing industry. And “Expansion: new expansion and new business development” is about 20% of both manufacturing and non-manufacturing industries. “Pure down-sizing “ is 9.6% in manufacturing and 6.7% in non-manufacturing industry.
- “Expansion” are mostly in food / related materials, medical care, electronic parts areas in the manufacturing industry, and IT solution and logistics in non-manufacturing industry .

Approach to future investment in the next 1-2 years
(multiple answers allowed) (July Survey)



Approach to future Investment in the next 1-2 years
(multiple answers allowed) (May Survey)

(unit: %)



Entry restrictions: 673 people are / will be waiting to enter

- The total number of expatriates, new assignees, accompanying family members who are waiting to enter Malaysia is 673. It is 1.8 times of the previous survey in May (378 people). The reason for the increase is the prolonged entry restrictions.
- In the category of expatriates passes, the number of EP category I and RPs is 251, which is highest, and followed by category II 87 and PVP 34.

Number of expatriate / new assignee / family member who are waiting or planning to enter into Malaysia (unit: person)

	Manufacturing (n=82)	non-Manufacturing (n=61)	TOTAL (n=143)
Expatriate (EP category I, RP)	115	44	159
Expatriate (EP category II)	28	37	65
Expatriate (PVP)	4	10	14
New assignee (EP category I, RP)	58	34	92
New assignee (EP category II)	10	12	22
New assignee (PVP)	19	1	20
Family members	161	140	301
TOTAL	395	278	673

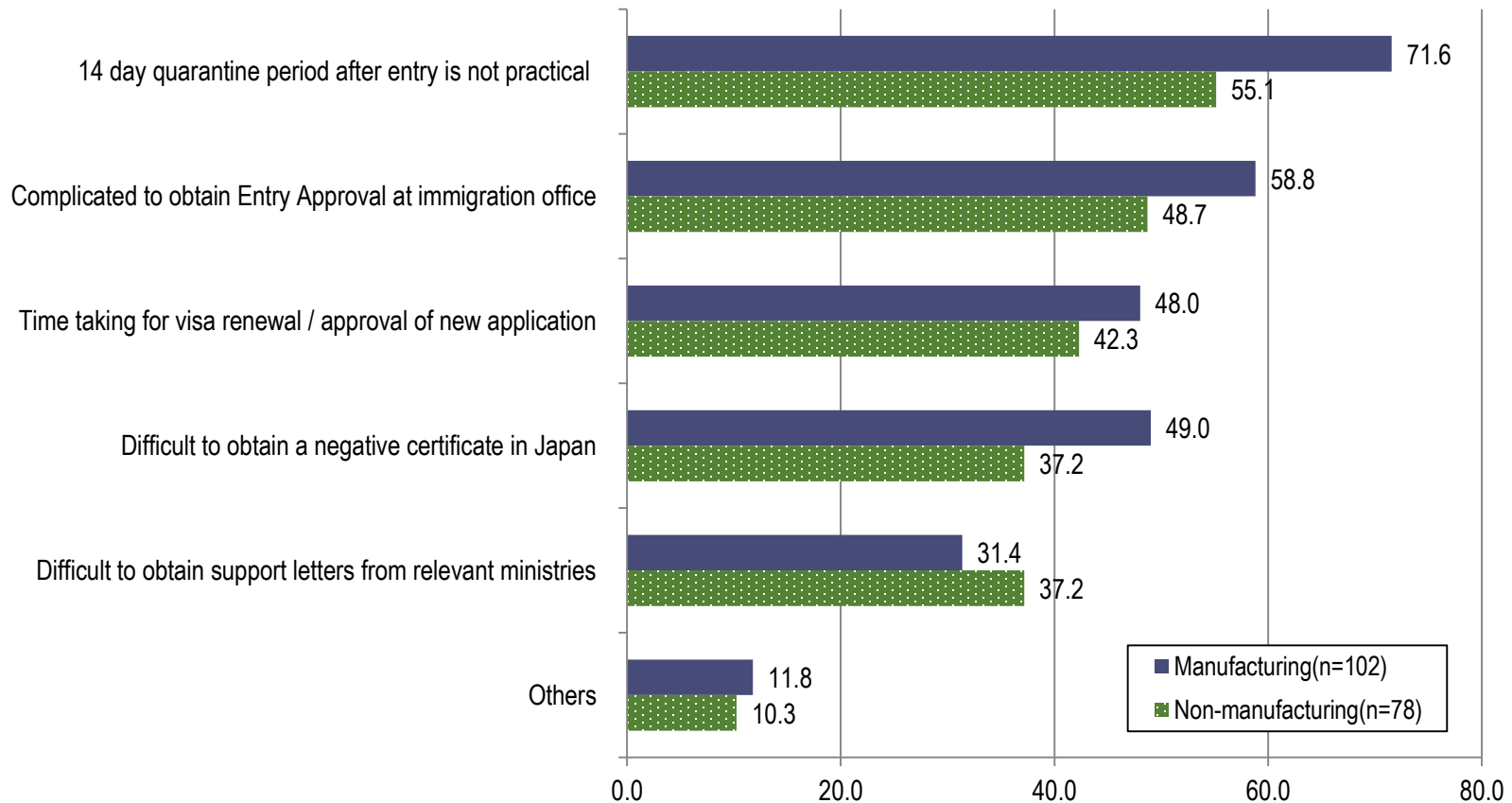
(Note) Entry waiting is defined as those who want immediate entry and Entry planning is those who want to enter within the next six months.

Issues on entry: Quarantine period, Entry Approval

- For entry issues of expatriates, “14-day quarantine after entry is not practical” is a highest answer, 71.6% in manufacturing and 55.1% in non-manufacturing industry. Since it is prohibited to go out during the quarantine period, it is serious obstacle for companies that face handing-overs and taking urgent tasks, especially when they replace expatriates.
- And followed by “Complicated to obtain Entry Approval at immigration office”. Problems with procedures and time required such as need for support letter before obtaining an Entry Approval, and delay issuing an Entry Approval are issues.

(unit: %)

Issues related to entry of expatriates (multiple answers allowed)

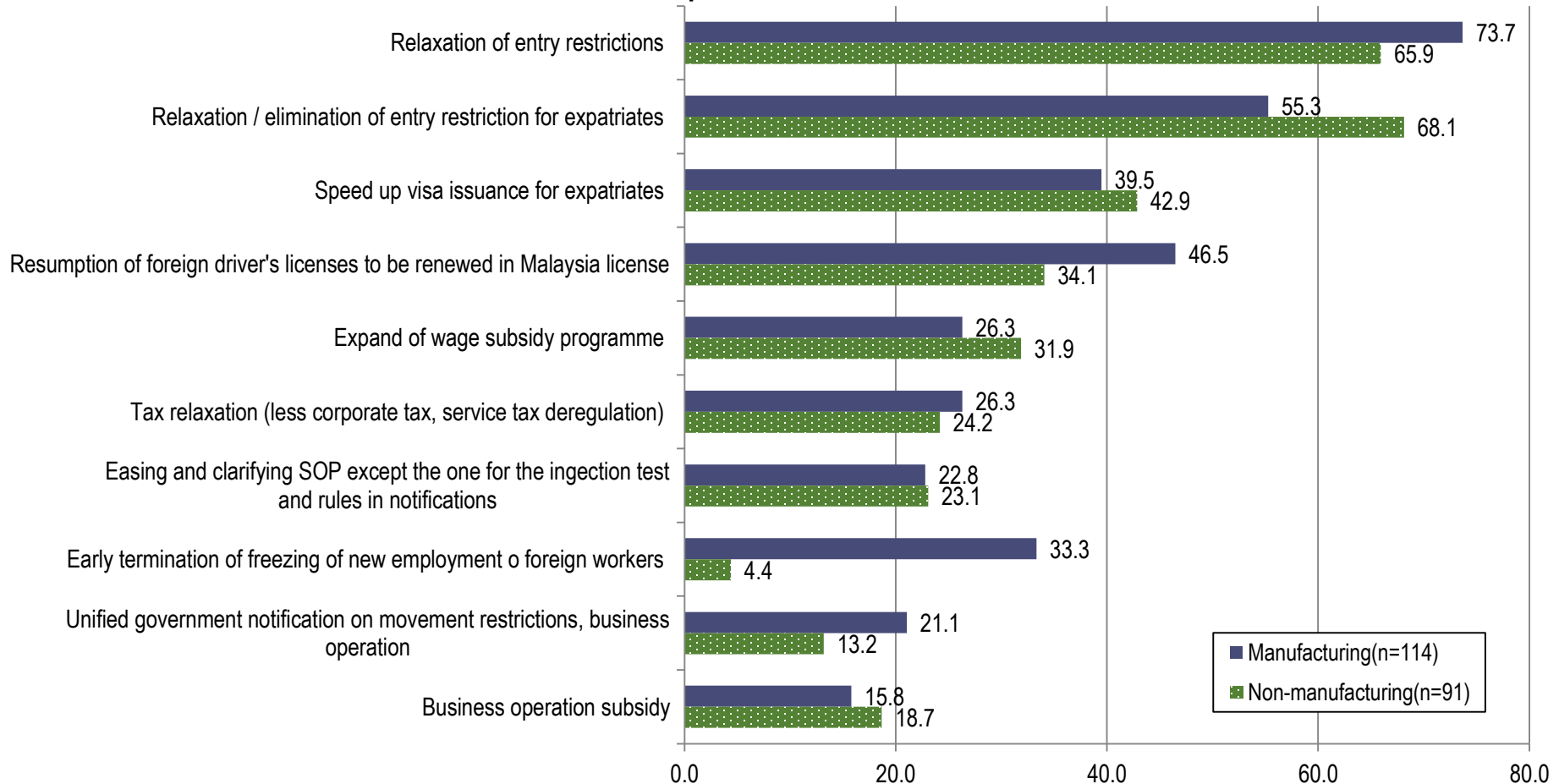


Requests to Malaysian Government: Easing entry and exit restriction is the highest

- Within the requests to Malaysian government, “Relaxation of entry restrictions” is the highest 73.7% in manufacturing , 65.9% on non-manufacturing. In addition, 55.3% of manufacturing and 68.1% of non-manufacturing industry asking for relaxation / elimination of newly added restrictions on the departure of expatriates.
- Next, the items related to expatriates are ranked high, such as “Speed-up of visa issuance for expatriates” and “Resumption of foreign driver’s licenses to be renewed in Malaysia licenses” .

Requests to Malaysian Government (5 answers allowed)
【Top 10 items】

(unit: %)

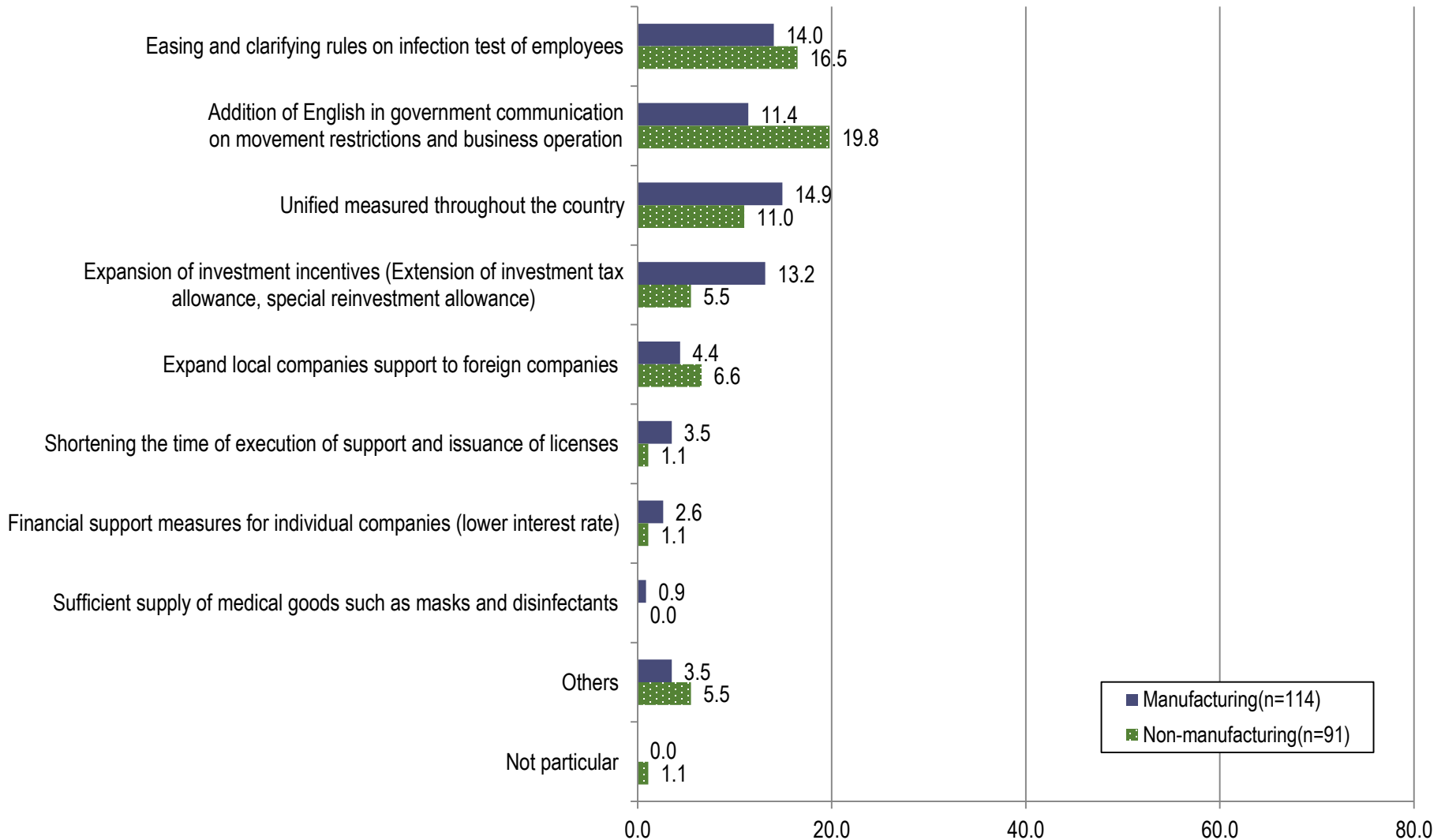


(Note) Excluded 1 non-responded companies in manufacturing and 3 companies in non-manufacturing.

Requests to Malaysian Government (continued)

Requests to Malaysian Government (5 answers allowed)
【Top 11 to 20 items】

(unit: %)

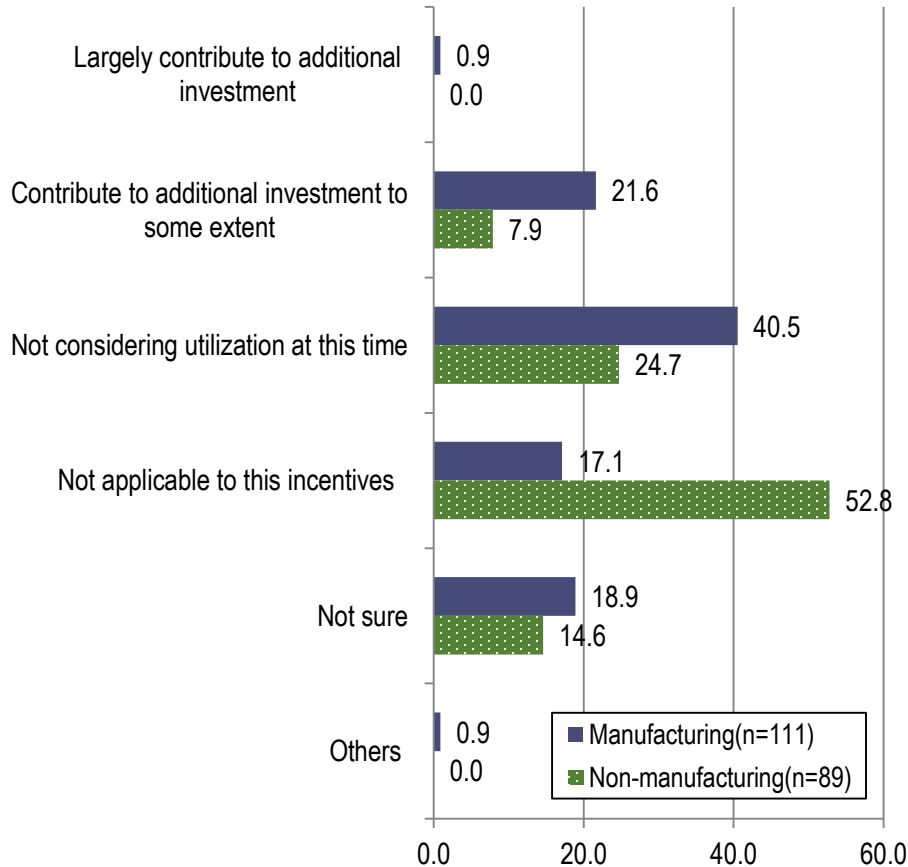


(Note) Excluded 1 non-responded companies in manufacturing and 3 companies in non-manufacturing.

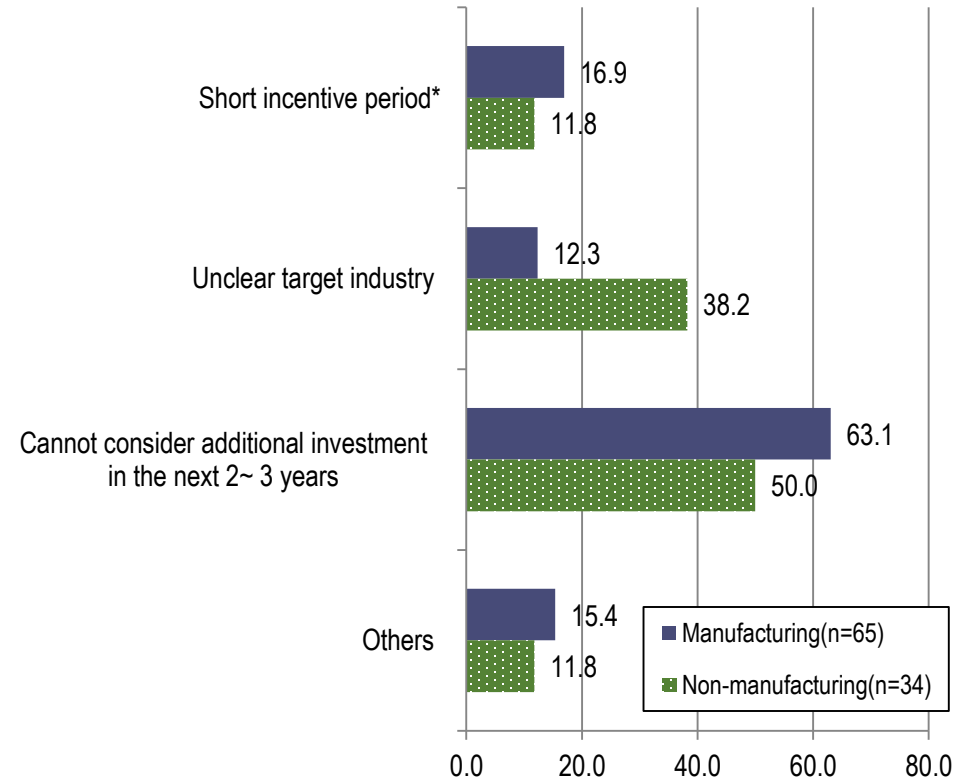
Impact of Tax Incentives: Hope for long-term incentives

- Regarding the investment tax allowance (ITA) for three years and special re-investment allowance (RA) as Tax Incentives on additional investment of existing manufacturing industry announced in the short-term economic recovery plan (PENJANA), 22.5% of the manufacturing companies answered it can contribute to additional investment.
- Given the decline in orders and sales, and deterioration of cash flow, it is difficult to consider additional investment for immediate 2 – 3 years. There is a tendency to seek long-term tax incentives in anticipation of the time required for domestic and overseas economic recovery.

**Impact of the tax incentives “ITA /Special RA “
announced in ”PENJANA” on additional investment
(multiple answers allowed)**



The reasons for unable to use Tax incentives / not sure (unit: %)
(Only company answered “Not considering utilization at this time / Not sure”)



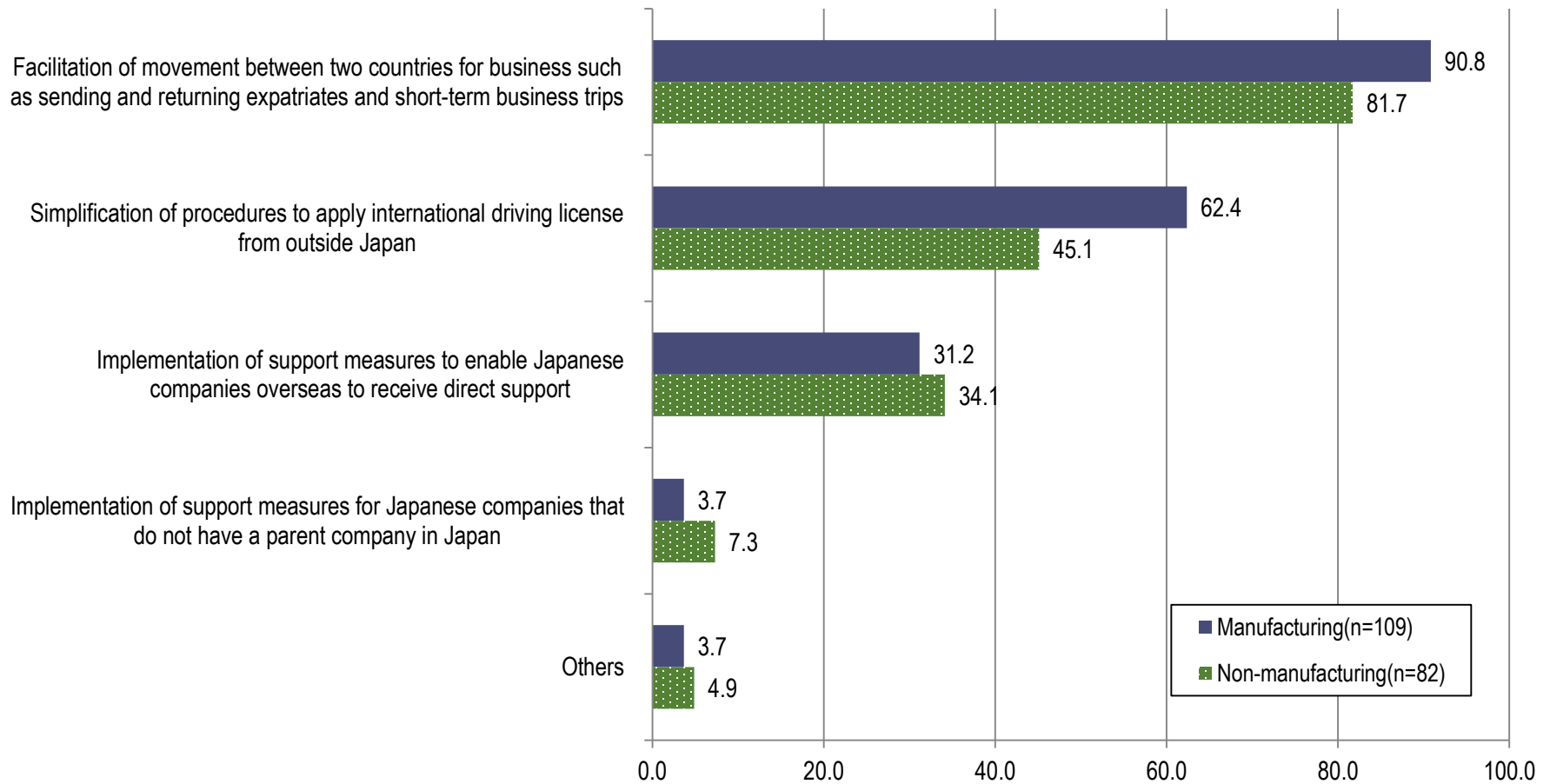
*At the survey time , ITA was for 3 years, RA for 2 years, after that, with additional announcement from Ministry of Finance, ITA is now for 5 years and RA for 3 years.

Request to Japanese Government: Smooth movement between two counties is the most

■ As for requests to Japanese Government, “Facilitation of movement between two counties for business such as expatriates sending and returning expatriates and sort-tern business trip” is the most, 90.8% in manufacturing and 81.7% in non-manufacturing industry. Specifically, requesting for a review of travel level of infectious disease designated by the Ministry of Foreign Affairs of Japan and relaxation of entry conditions.

Requests to Japanese Government (multiple answers allowed)

(unit: %)



(Note) Excluded 6 non-responded companies in manufacturing and 12 companies in non-manufacturing.

Issues related to entry of expatriates (others)

<Issues on the Japanese side>

- Not relaxing the travel risk level 3 issued by Ministry of Foreign Affairs of Japan
- Companies' policies

<Issues on the Malaysian side>

- Differences in the contents of official announcement and actual response
- The entry rules are unclear and immigration rules change all the time.
- Procedures are frequently changed, there are differences between ministries, also unable to secure the appointment of contact timely, the documents required vary depending on officers.
- The inspection / immigration procedures are unclear and incomplete.
- As the operation of government rules at an entering point is not established, there are high hurdle for new immigrants.
- Correspondence by Malaysian authorities changes frequently, and there are inconsistent and unclear responses.
- Malaysian government official announcement is vague and confusing.

<Others>

- Decrease in international passenger flights

Requests to Malaysia/ Japanese government (others)

Requests to Malaysia Government (others)

<Immigration Control >

- Relaxation /Elimination of immigration restriction of expatriates
- Do not change various documents and conditions regarding the entry of expatriates
- Relaxation on movement of expatriates families
- Relaxation of departure restrictions for Malaysian

<Measures to prevent infection >

- Maintain the maximum control of spread of domestic infection
- Thorough prevention of importation of infected persons

<Others>

- Collaboration with neighboring countries
- Taking time to renew the international license during MCO
- Implementation of domestic and international tourism promotion measures

Requests to Japanese Government (others)

- Elimination of 14-day voluntary quarantine period for Malaysia/ Japan mutual entry
- Strengthen implementation capacity for border measures, Speed up discussion with other countries on resumption of traffic, Review the infection risk information level.
- Domestic infection measure that Malaysian can trust
- Simplification of overseas procedures for all official documents (Japanese licenses, etc.) not limited to international licenses. (Correspondence on the assumption that people cannot come and go freely)
- Grant of benefits (¥100,000) to Japanese overseas.
- Relaxation of entry and exit , Promotion of inbound business.

Current issues, comments and suggestion (free comments)

<Expatriates entry , Visa issuance >

- Taking time to apply/update the employment pass at MIDA
- Clarification and Simplification of procedures for entry, temporary departure and re-entry of expatriates
- Entry permits for the holders of employment category II continued to be denied. Call for early deregulation
- Due to immigration restrictions, personnel rotation is not possible. Other ASEAN countries also have similar restrictions, making multilateral operation is now extremely difficult.
- Due to the prolonged immigration restrictions, there is a concern that the expiration date (six month) of employment pass may expire. With regard to the permission that has been approved before MCO, we would like the authority to take measures such as automatically extending the expiration date for MCO period. Due to the inability of new expatriates to enter the country, it is likely that the initial new project will be significantly delayed by more than a half year.
- Request to Japanese Government to clarify the policy for relaxation of travel restriction for expatriates.

<New hiring foreign workers >

- Early termination of freezing recruitment of foreign workers, Shortening time required to hire foreign workers and simplifying the procedures.

<Renewal of Driving License>

- Strongly request the renewal of foreign driving license to Malaysian license.

<Malaysia government policies and support measures >

- Applying for a wage subsidy, but cannot see the schedule for subsidy transfers. Worried whether it will be transferred according to the system.
- SOP relaxation. Such as permitting the establishment of partitions as an alternative measures of Social Distancing.

<Providing Information >

- Hoping timely and clear information transmission
- Request a detailed explanation of government incentives and a webinar regarding solution such as IoT.

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