

**2020 Emergency Survey of Measures  
against Covid-19 by  
Japanese Companies in Malaysia  
(For Press Release)**

5 June, 2020

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

# Key points of the survey results

## 1. Current Operation of Japanese Companies: More than 80% of Manufacturing and Non-manufacturing have restarted

- More than 80% of both manufacturing and non-manufacturing have resumed business, and including those planning to restart, 100% and 95%, respectively.
- On the other hand, the operation rate still remains low at less than half, 27% manufacturing and 46% non-manufacturing.
- The main reasons for this are “order on hold or reduced from customers at home/abroad” (about 50% in manufacturing), and “constrained when meeting SOP set by the government” (about 55% in non-manufacturing).

## 2. About 40% overcome cash flow problem by using working capital

- 43% in manufacturing and 35% in non-manufacturing dips into working capital/reserve fund as a result of tight cash-flow situation.
- With regard to 2020 sales, slightly less than 30% of the companies that replied expect a decline of more than 91% year-on-year in April (whole month under MCO).

## 3. Investment in next one to two years mostly maintaining status quo with some planning expansion after Covid-19.

- The priority regarding investment in the next one to two years is maintaining the status quo (60% in manufacturing / 70% in non-manufacturing).
- Most popular is for “pure expansion and new business development,” in food, healthcare, electronic parts (manufacturing) and logistics and maintenance service (non-manufacturing). More companies in mfg responded to the question of business downsizing and exiting.

## 4. Requesting further support in cash-flow from the Malaysian government

- Many requests to the Malaysian government to provide cash-flow support policies including “expansion of wage subsidy”, “tax relief” such as corporate tax reduction and easing of service tax.
- Other requests are for easing and clarification of SOP and swab test, unification/addition of English version of government notifications, as well as a long-term support in the form of reintroduction of special reinvestment allowance.

# Survey outline/profile of responding companies

## 1. Survey conducted by

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 a request to the governments of Japan and Malaysia to provide assistance and improved measures.

## Survey items

2.1. Status of operation/ production

2.2 Business conditions

2.3 Entering Malaysia (Business representatives)

2.4 Companies availing of Malaysian government support /request

2.5 Companies availing of Japanese government support/request

## 3. Companies in survey

JACTIM's member enterprises (588 locally incorporated companies and branches excluding individual members and presentative offices)

## 4. Survey period

Questionnaire survey: 12-15 May, 2020 (Four days)

## 5. Collection of questionnaires

Valid responses: 248 companies (Response rate: 42.2%)

## Respondents by Industry

	Number	Ratio (%)
Manufacturing	138	55.6
Non-manufacturing	110	44.4
Total	248	100.00

## Respondents by Size

	Number	Ratio (%)
Large enterprise	172	69.4
SME	63	25.4
No parent company in Japan	13	5.2
Total	248	100.0

## Respondents by States/Area

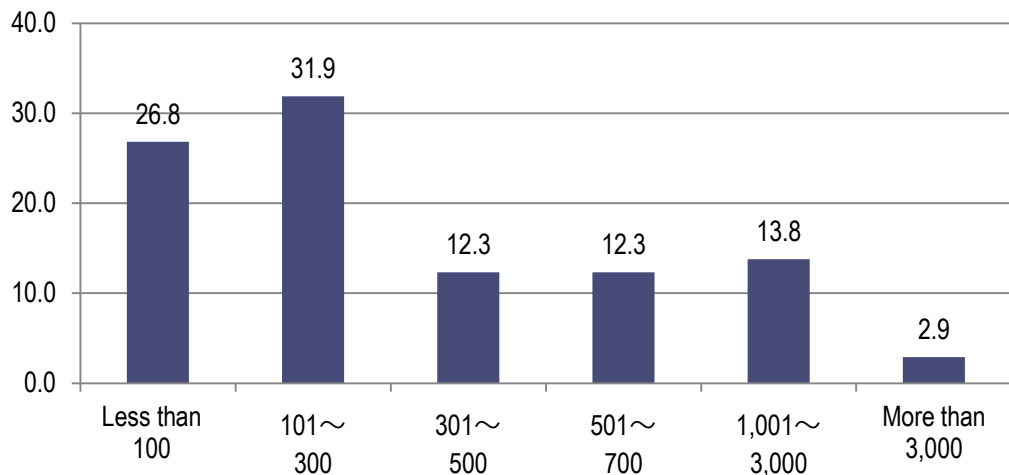
	Number	Ratio (%)
Kuala Lumpur	70	28.2
Selangor	106	42.7
Negri Sembilan	12	4.8
Malacca	6	2.4
Johore	9	3.6
Perak	21	8.5
Penang	14	5.6
Northern Region (Kedah, Perlis)	6	2.4
East Coast (Pahang, Kelantan, Terengganu)	4	1.6
East Malaysia	0	0.0
Total	248	100.0

# Employees composition of responding companies

## Number of Employees

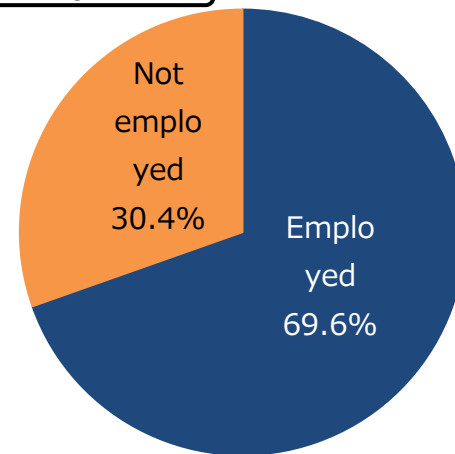
Manufacturing (n=138)

(Unit : %)



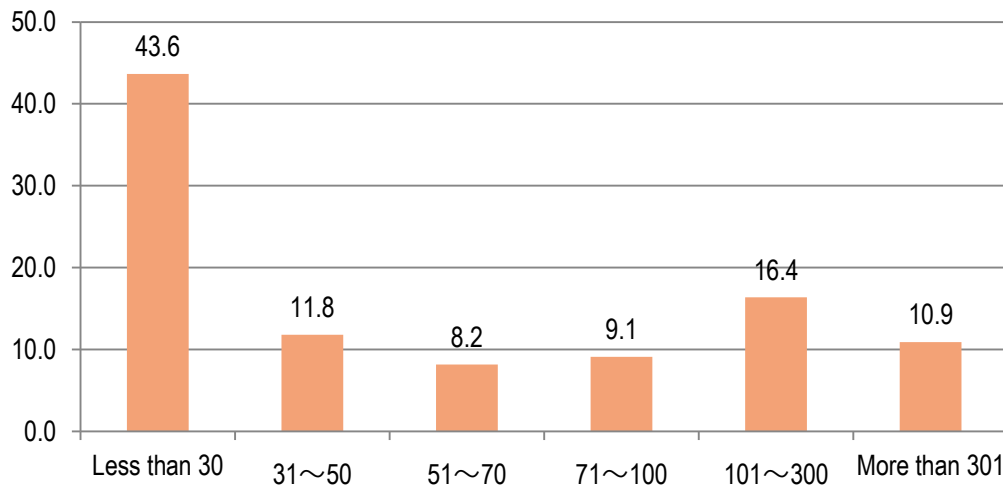
## Employment of Foreign Workers

Manufacturing (n=138)

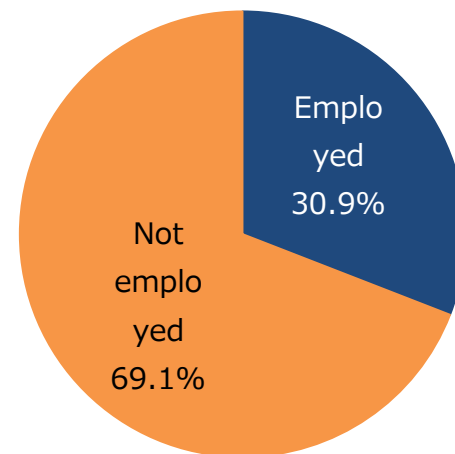


Non-Manufacturing (n=110)

(Unit : %)



Non-Manufacturing (n=110)

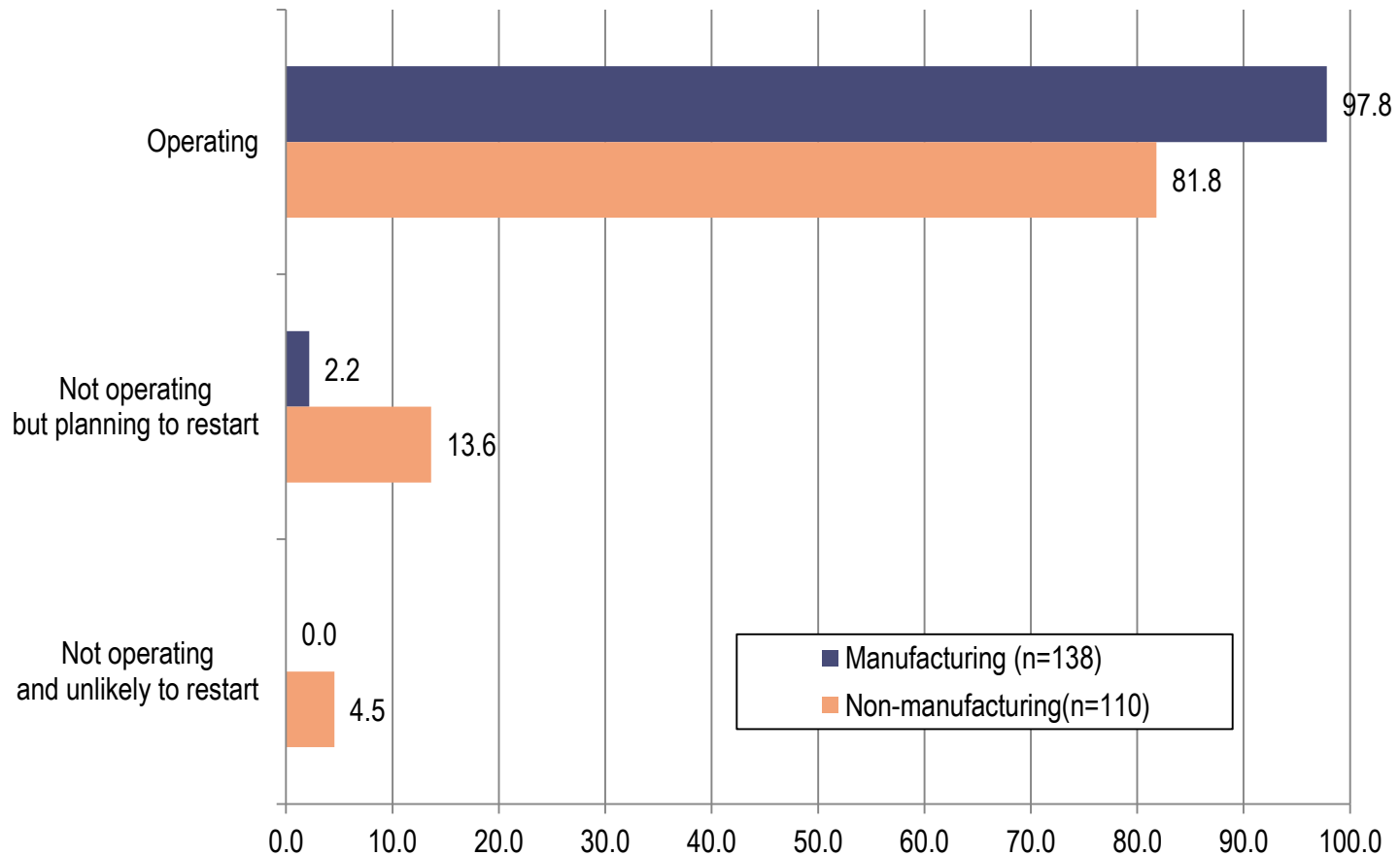


# Operation: More than 80% restarted in both sectors

- As of response dates (12-15 May), 97.8% have restarted in manufacturing, and 81.8% in non-manufacturing. If those who plan restarting are included, numbers increase to 100% (manufacturing) and 95% (non-manufacturing).
- 5% of non-manufacturing companies have no prospect of restarting which include entertainment that is among businesses banned to resume and travel industry that are hit by a sharp decline of tourists as a result of suspension of entry to the country.

Status of Operation (Single Answer)

(unit=%)



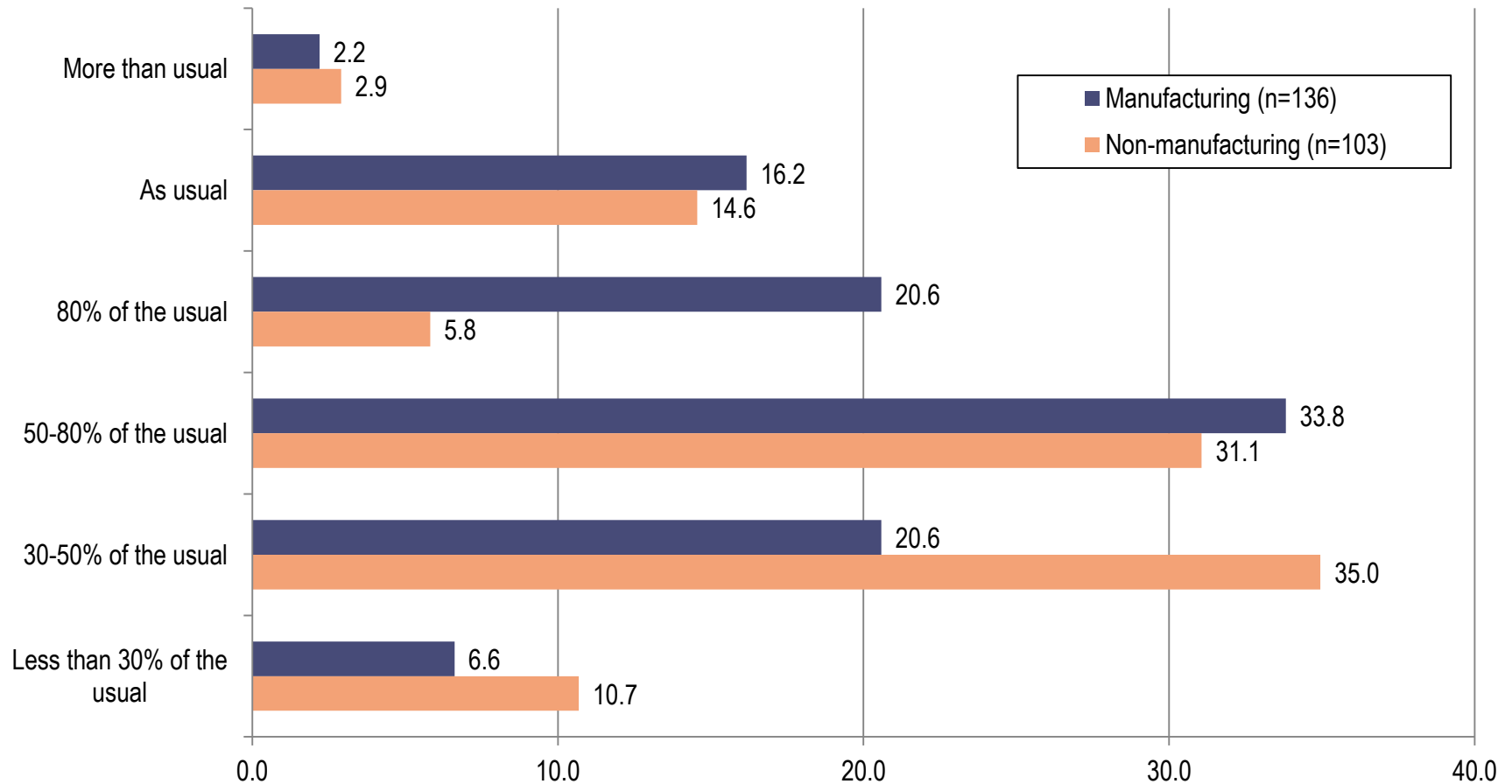
# Level of production/operation: still many less than 50%

- 50-80% level in 34% of manufacturers with less than 50% level among 27%. The earlier the resumption, the higher the level of production.
- 30-50% in non-manufacturing (35% of respondents) with 46% of respondents still less than 50%. Lower operation level compared to manufacturing, even those operating since March, level is about 50%.
- Those operating/producing at the usual level or more are still not quite 20% in both sectors.

Production/Operation (Single Answer)

((unit:%))

(Those who resumed or are planning to resume by the end of May. Production level in mfg (output), operation level in non-mfg (staff attendance rate))

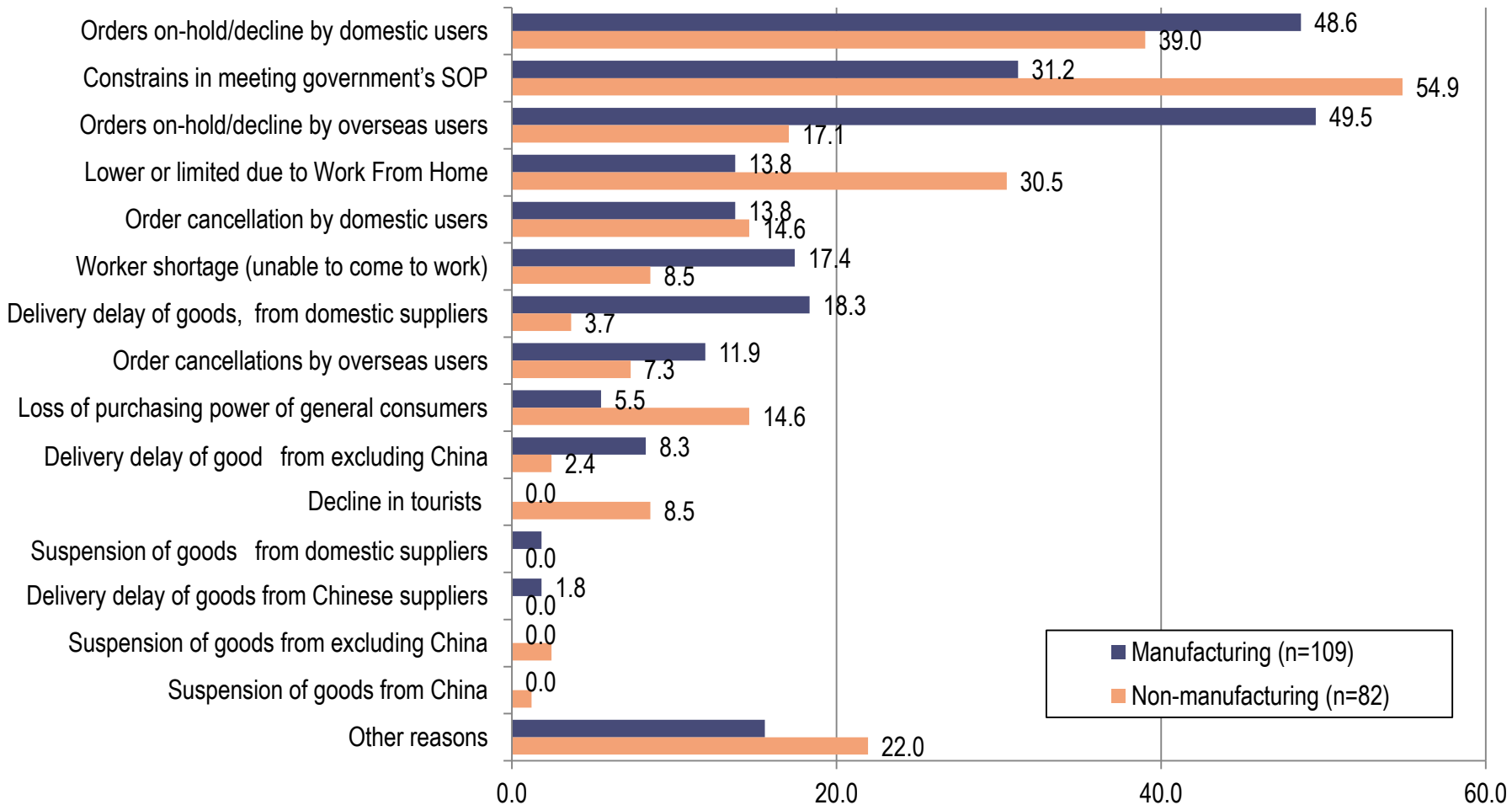


# Reduced production/operation: decrease of orders

- Most common reason (50%) in manufacturing is orders on hold/decrease from users and customers at home and abroad.
- In non-manufacturing, the most common reasons are “constraints in meeting government’s SOP” (55%), order decline and supply delay at home and abroad, as well as a lower operating rate due to work from home.

Reasons why production/operations are less than usual (multiple answers allowed)  
(Companies responded that production/operation are less than usual)

(unit: %)



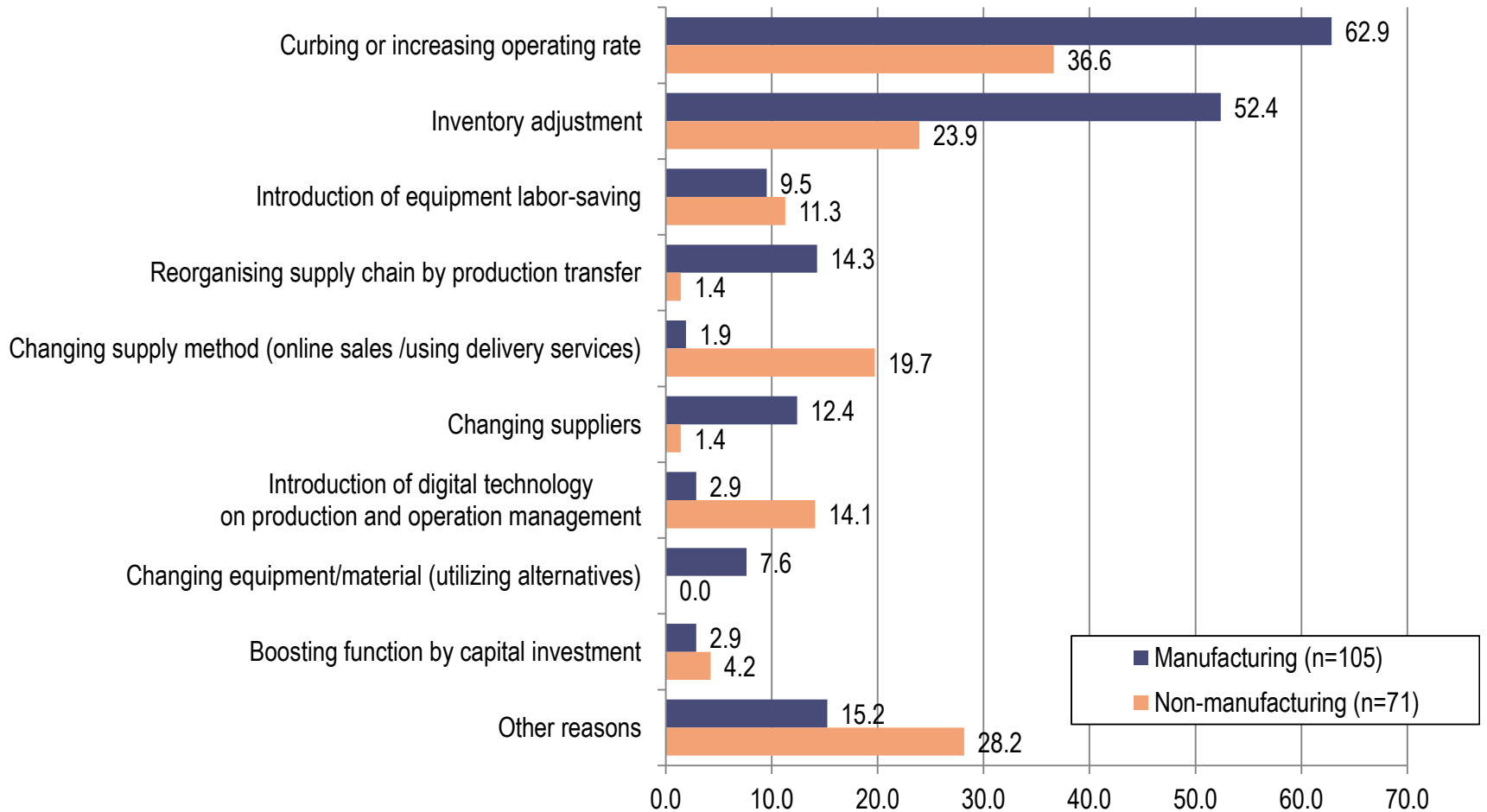
(Note) Excluding 2 mfg and 3 non-mfg companies which have not responded.

# Reduced production/operation: adjust operation rate

- The most common response to reduced production/operation by both manufacturing and non-manufacturing is curbing or improving operation rate, followed by inventory adjustment.
- Reviewing supply chain (mfg) while 20% of non-mfg are shifting to online delivery and digitalisation is also introduced.

**Response to reduced production/operation (multiple answers allowed)**  
**(Companies responded that level of production/operation is less than usual)**

(unit: %)

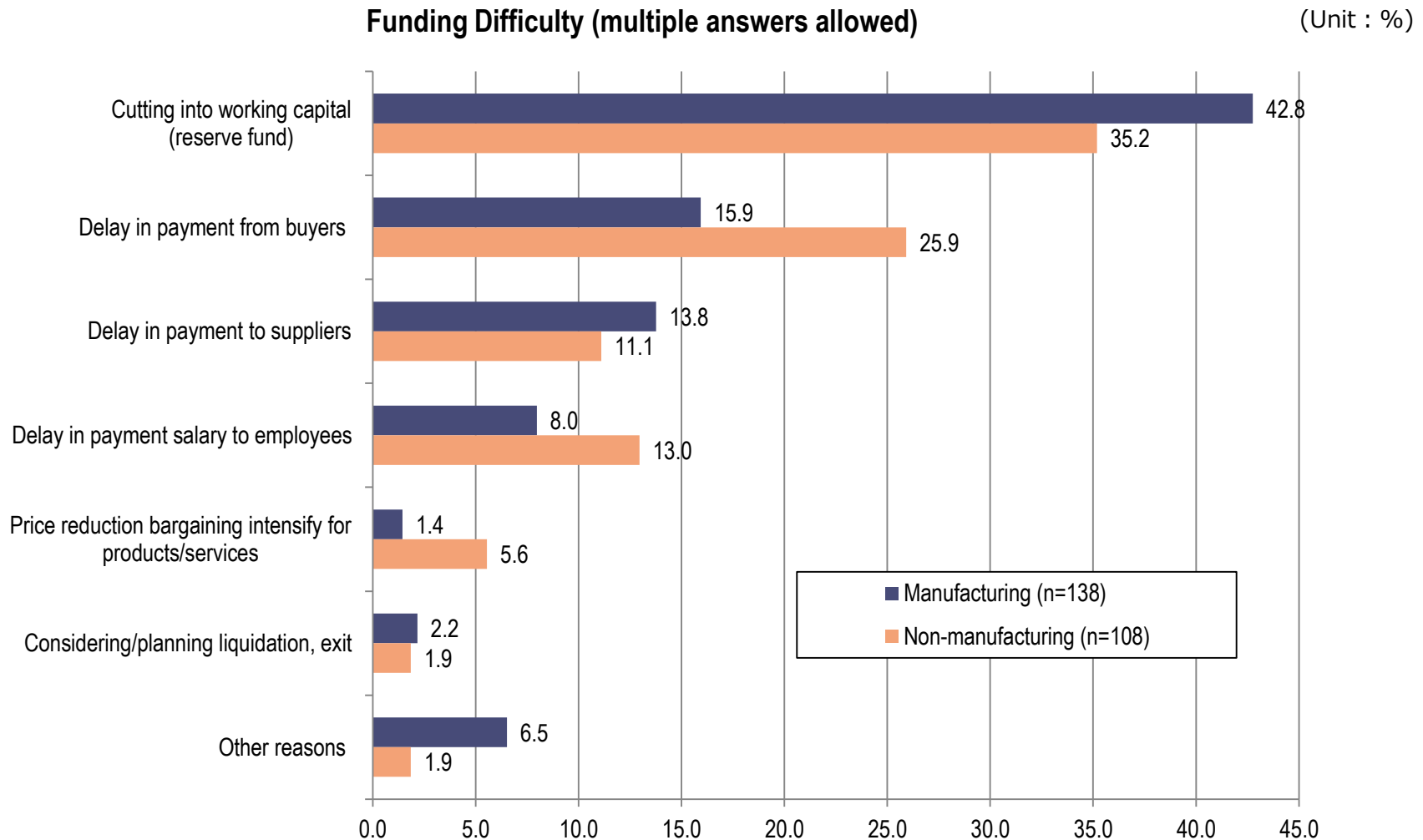


(Note) Excluding 6 mfg and 14 non-mfg companies which have not responded.



# Funding difficulty: 40% cutting into working capital

Most companies are cutting into working capital (reserve fund), 43% ad 35% in manufacturing, non-manufacturing respectively, followed by 20% of companies facing delay in payment by buyers/customers.

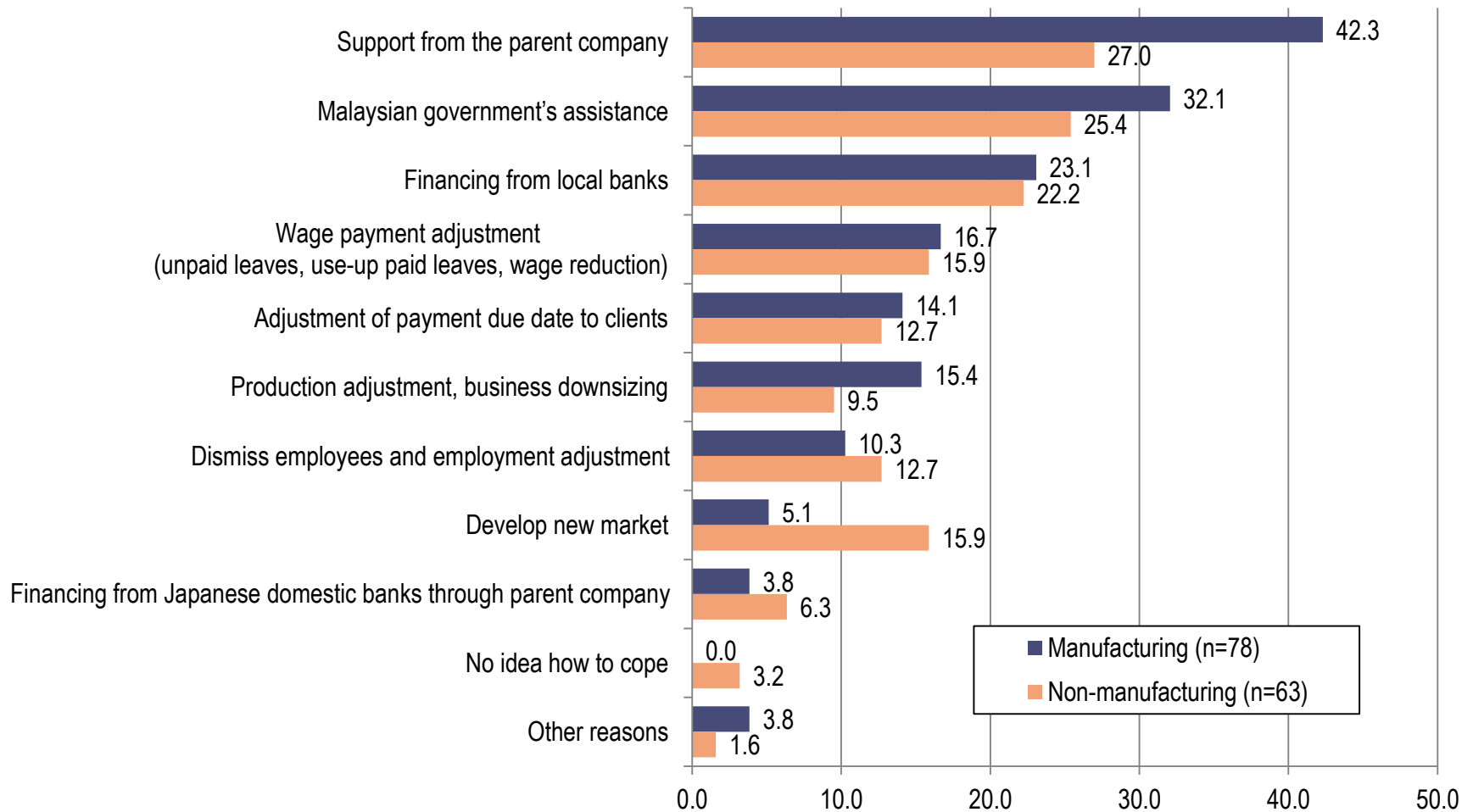


# Funding problem: support from parent company

- Most cope with funding problem both in mfg and non-mfg by getting support from the parent company, followed by availing of the Malaysian government's assistance and financing from local banks. 10 to 20% manage by adjusting payroll and payment to clients.
- Only 10% resort to employment adjustment and some non-manufacturing companies push for developing new markets.

Measures against Funding Difficulty (multiple answers allowed)

(Unit : %)



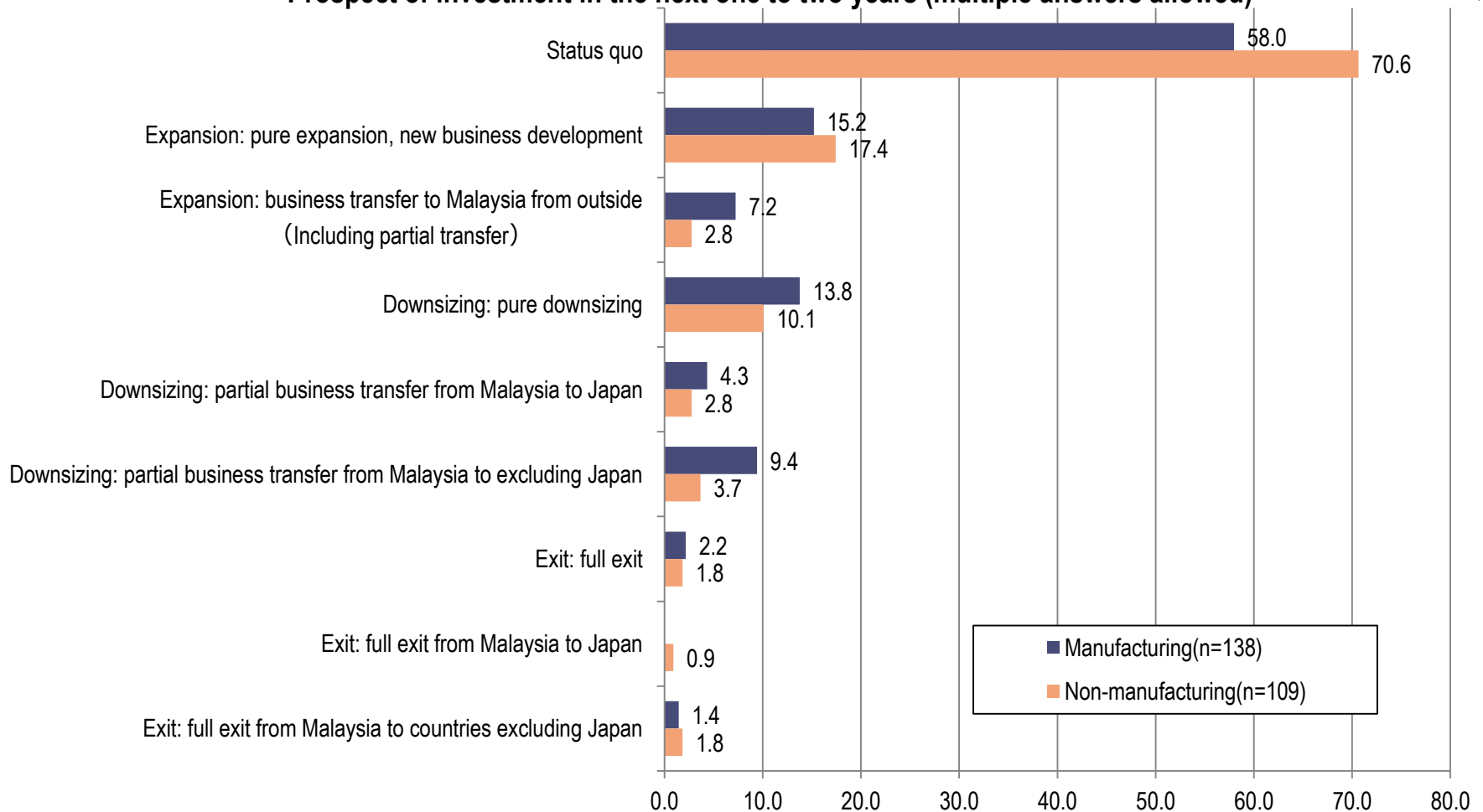
(Note) Excluding 2 companies in non-manufacturing that did not reply.

# Investment: Most will maintain status quo

- 60% manufacturing and 70% non-manufacturing will maintain status quo in investing in the next one to two years.
- Investment expansion will be mostly in pure expansion and new business development with many expansions planned in manufacturing, e.g., food and healthcare, while expansions in non-manufacturing, e.g., logistics and maintenance services, are planned.
- More manufacturing companies replied they are planning to downsize or exit.

Prospect of investment in the next one to two years (multiple answers allowed)

(unit: %)



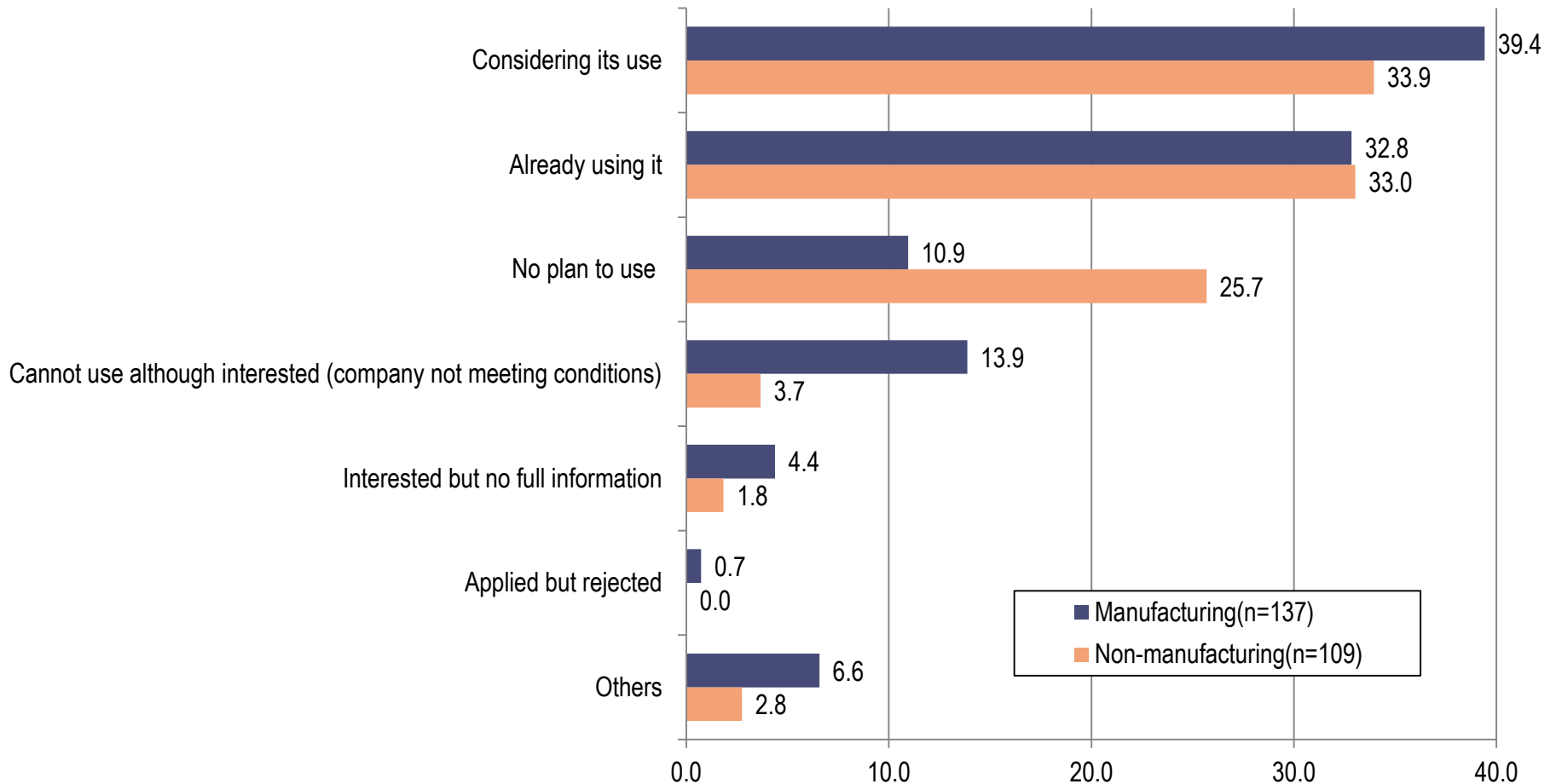
(Note) Excluding one company in non-manufacturing that did not reply.

# Malaysian government support: used by 30%

- 30% companies avail themselves of governments support measures and another 30% are considering to use them.
- Nearly 30% in non-manufacturing plan to use them, which is a relatively big number.
- 14% in manufacturing cannot take advantage of support although interested, as the company is too big to apply for it.

How Malaysian government's support are utilised (multiple answers allowed)

(Unit : %)



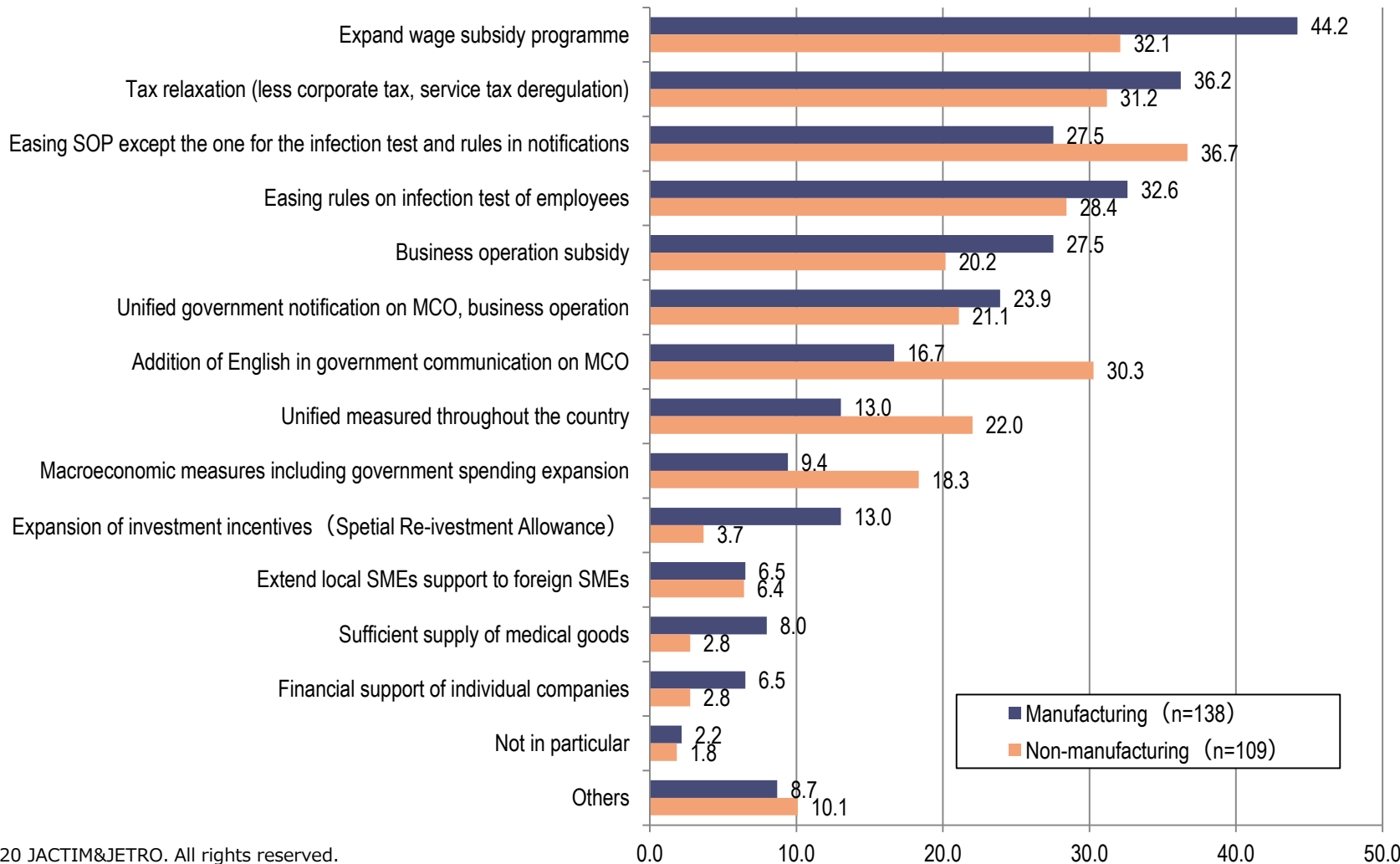
(Note) Excluding one company each in manufacturing and non-manufacturing.

# Requests to Malaysian govt: easing corporate and service tax

- Many request the government ease measures to support cash flow such as expanded wage subsidy, tax relaxation including corporate tax reduction and deregulation of service tax.
- Other requests are for easing/clearer SOP, unified official notice also in English and long-term (resumption special reinvestment allowance).

Requests to Malaysian government (3 answers allowed)

(unit: %)



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