



<Press Release>

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Questionnaire Survey for Japanese Companies in Malaysia in the Year 2019

Kuala Lumpur – Date of release June 26, 2019 - The Japanese Chamber of Trade & Industry, Malaysia (JACTIM) and Japan External Trade Organization (JETRO) have conducted a joint survey on the issues faced by JACTIM Corporate Members (Japanese companies operating in Malaysia) to grasp the problems in their business every year.

Here we are pleased to report the analytical findings.

【Outline of Survey】

- Target : 556 JACTIM member companies (Excluding Individual Members/Overseas Members)
- Number of Valid Respondent : 278 companies (50 % of total members)
- Method : On-line Survey
- Period of Survey : January 14 – March 31, 2019

【Summary】

1. To a question of future business plans in Malaysia, 35.4% will expand their business which is a 1.4 point decline from the previous survey. Stable growth and increase in orders was the main reason for expansion with some planning to make Malaysia their hub. Expansion trend in non-manufacturing (43.9%) is higher by 14.1 points than manufacturing while those maintaining the status quo (58.8%) declined by 2.7 points while 5.4% will decrease their business, up 3.8 points due to their competitive edge eroded by higher labour cost and rising competition.
2. The strongest attraction of Malaysia as an investment destination is the English proficiency of its workers and people (68.7%), as Japanese companies increasingly appreciate this English prowess. Other positive points are Malaysians being pro-Japanese (58.6%), an increase of 3.2 points, has few natural disasters (56.8%), an increase of 4.1 points and enjoys political stability (19.1%), which was down by 11.3 points.
3. 41.4% mentioned labour as the top trade and investment issue they faced (up 7.1 points), followed by cumbersome visa procedures (30.9%), SST management (29.5%) and political uncertainty (28.4%).
4. The biggest issue in labour policy/investment environment is the wage hike as a result of minimum wage raise on 1 January, 2019 (70.9%), an increase of 1.8 points, followed by difficult quality control (57.2%), employee retention (49.6%). Points are increasing on many issues, suggesting that labour issues are becoming increasingly more serious.



5. The biggest demand is for simplified and more efficient foreign workers application procedures (51.1%), followed by consistent policy execution (41.7%) due to the frequent changes in the systems and regulations on foreign workers. Foreign workers account for 15.0 % (median) of the total employees in manufacturing.
6. 37.7% of manufacturing companies experience difficulty in hiring foreign workers and are hiring more Malaysians (38.5%) or are coping with or considering mechanization/automation (37.3%). Of this group 70.0% are facing difficulty in automation with the main reason being that it is not cost-effective (81.7%).
7. 8.7% introduced or will introduce Industry 4.0-related technology while 35.4% are considering it currently or will consider it in the future. Those who have introduced it or are interested are involved in higher manufacturing (about 60%), with 40.4% looking at IoT.
8. Improvement in public transport continues to be the highest expectation in infrastructure (60.1%) although declining 3.7 points, followed by public health (40.3%), telecommunication/internet (38.1%), roads (37.8%) and water (23.4%). In general, expectations for improvement in these services and infrastructure are declining as compared to the precious survey.

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