

2020 Emergency Survey of Measures against Covid-19 by Japanese Companies in Malaysia

22 May, 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 and about 400 expats on stand-by to enter Malaysia

- 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).
- About 400 current and newly posted representatives as well as accompanying families are waiting to enter Malaysia, causing problems in some companies as personnel on standby unable to work in planned new business/projects.

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 mfg/70% in non-mfg).
- Most popular is for “pure expansion and new business development,” in food, healthcare, electronic parts (mfg) and logistics and maintenance service (non-mfg). 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

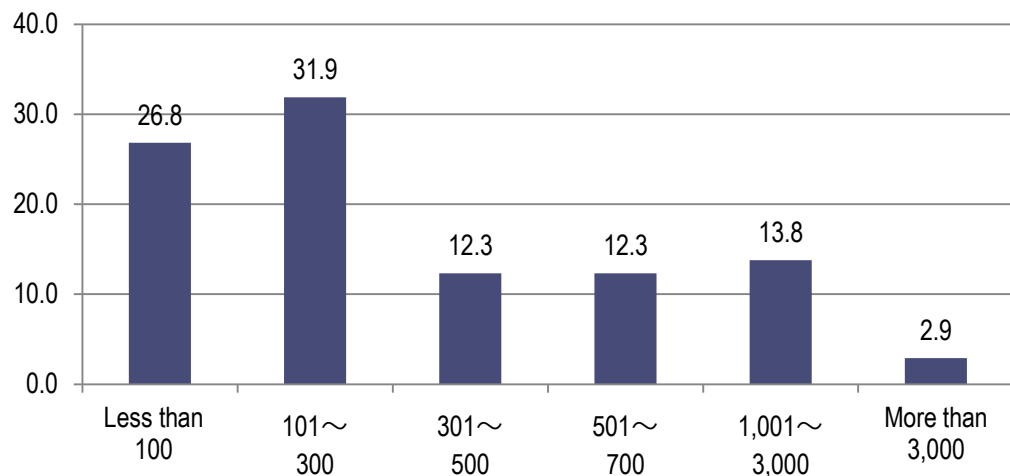
	Number	Ratio (%)
Kuala Lumpur	70	28.2
Selangor	106	42.7
Negri Sembilan	12	4.8
Malacca	6	2.4
Johore	9	3.6
Perak	21	8.5
Penang	14	5.6
Northern Region (Kedah, Perlis)	6	2.4
East Coast (Pahang, Kelantan, Terengganu)	4	1.6
East Malaysia	0	0.0
Total	248	100.0

Employees composition of responding companies

Number of Employees

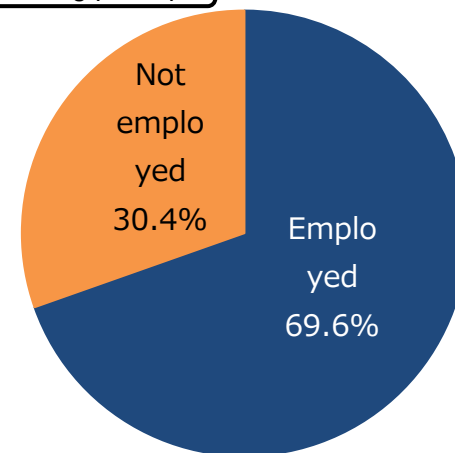
Manufacturing (n=138)

(Unit : %)



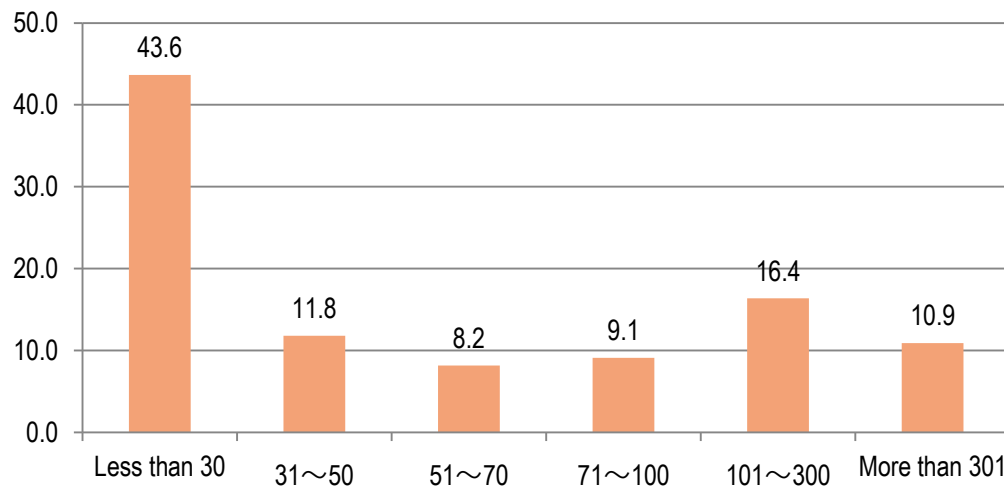
Employment of Foreign Workers

Manufacturing (n=138)

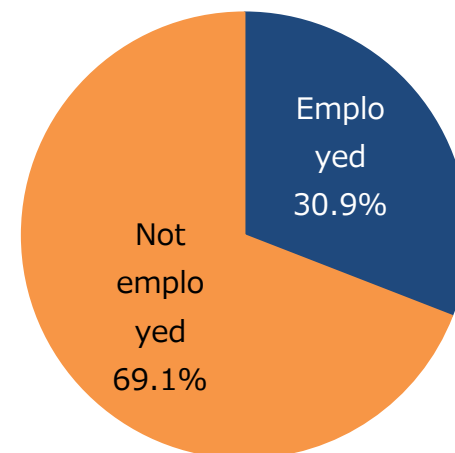


Non-Manufacturing (n=110)

(Unit : %)

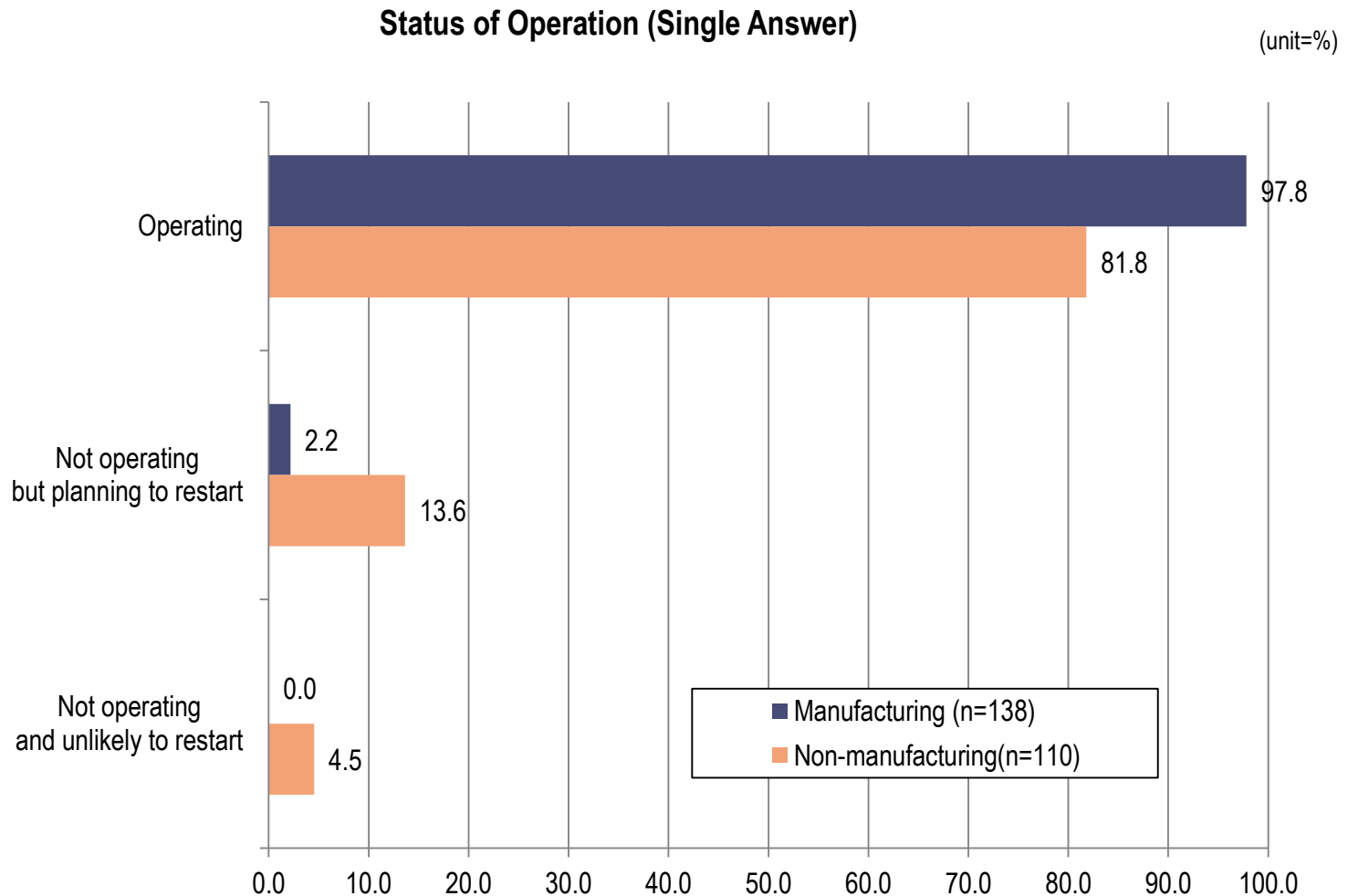


Non-Manufacturing (n=110)



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.



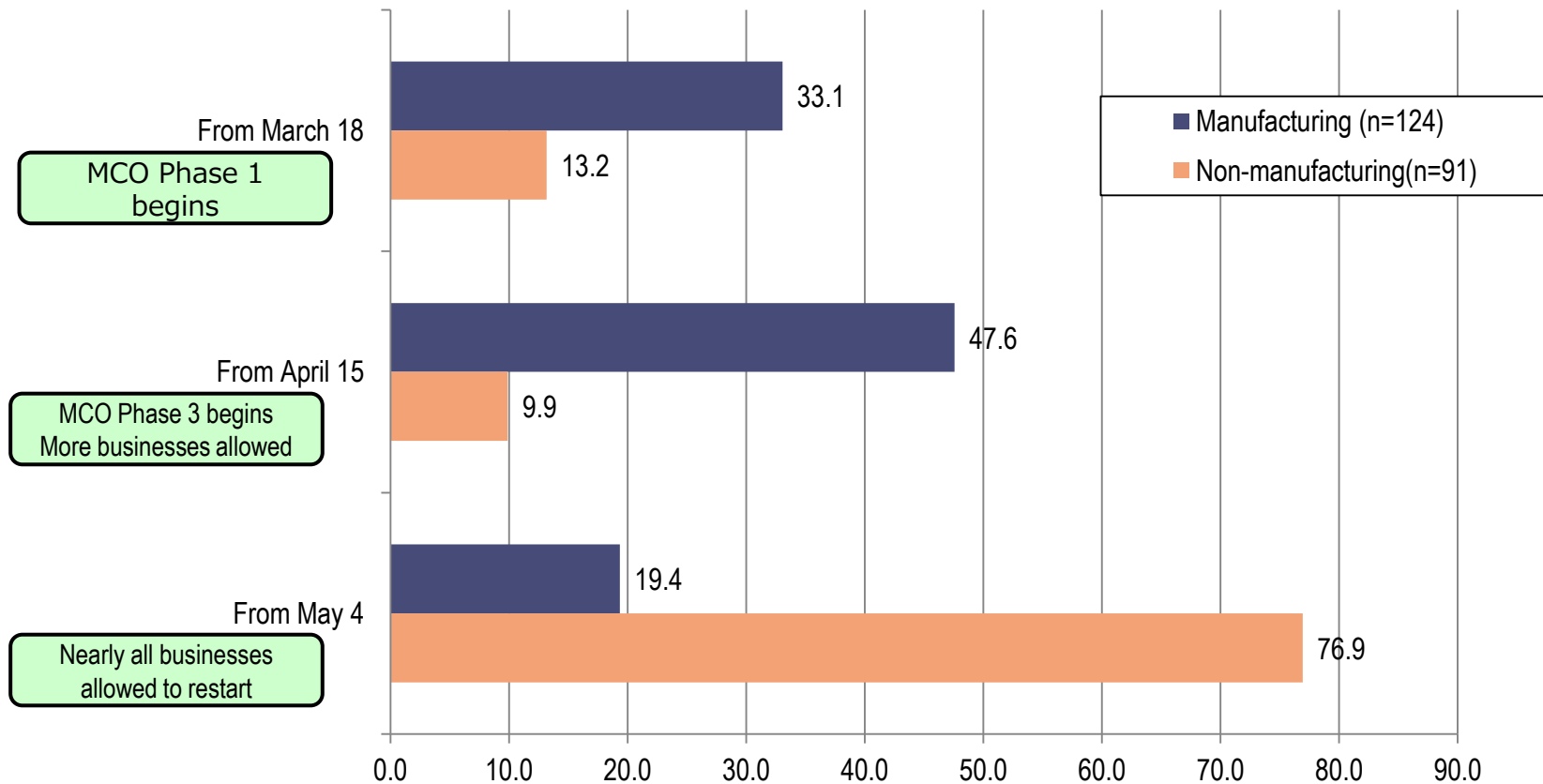
Time of restart: March~April (mfg), May (non-mfg)

- 30% of manufacturing companies have operated at the start of MCO at about 80% resuming business by May 4th when nearly all sectors were allowed to do so, mainly among electric and electronics, food, medical supplies, chemicals and automotive industries.
- About 80% of non-manufacturing companies restarted after May 4th. Those who resumed before that date are limited to essential services that were permitted to operate during MCO such as finance, insurance and logistics.

Time of Business Resumption (Single Answer)

(Those who responded “in operation” or “not in operation but planning to restart.”)

(unit=%)



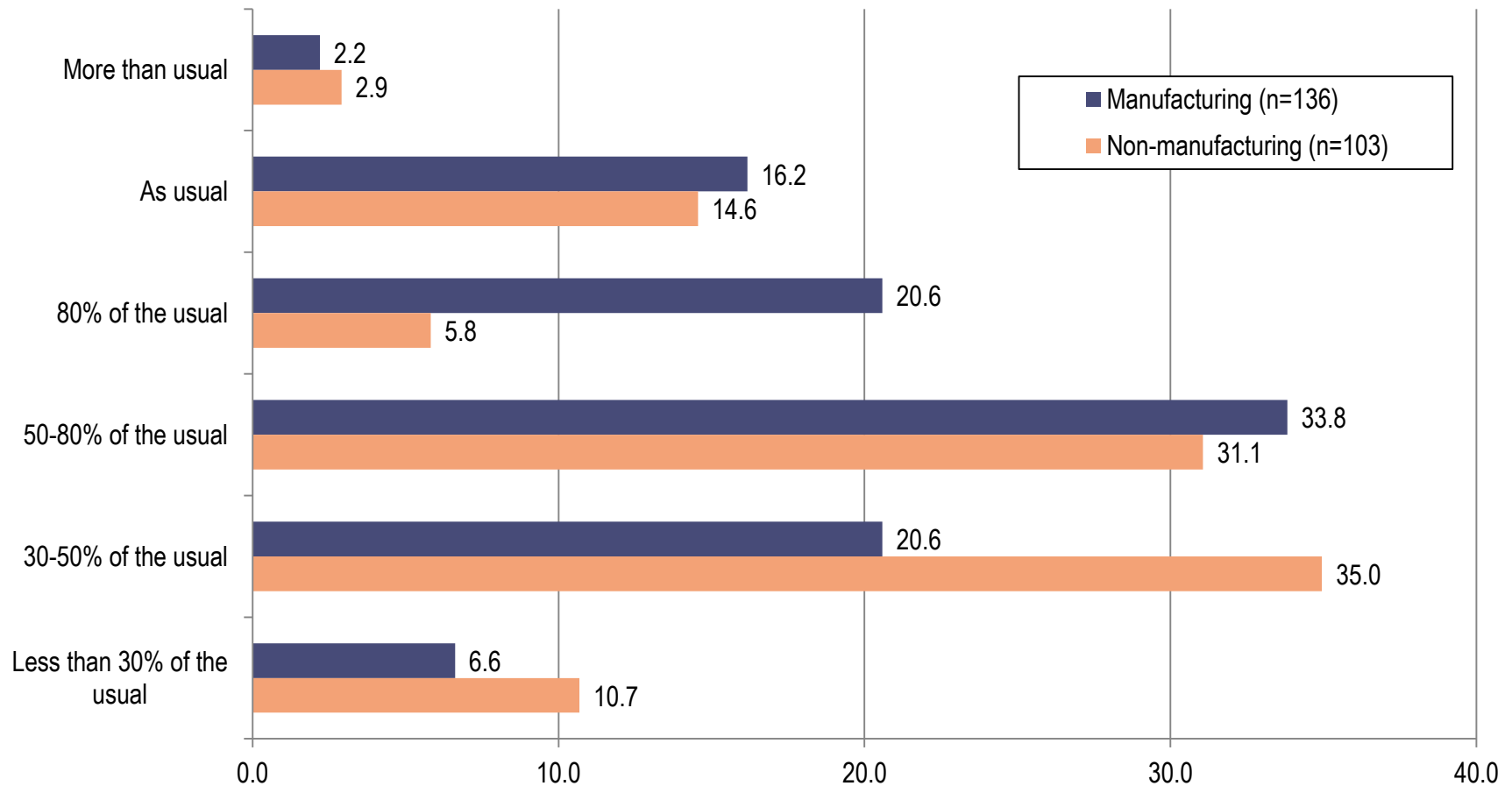
Level of production/operation: still many less than 50%

- 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))

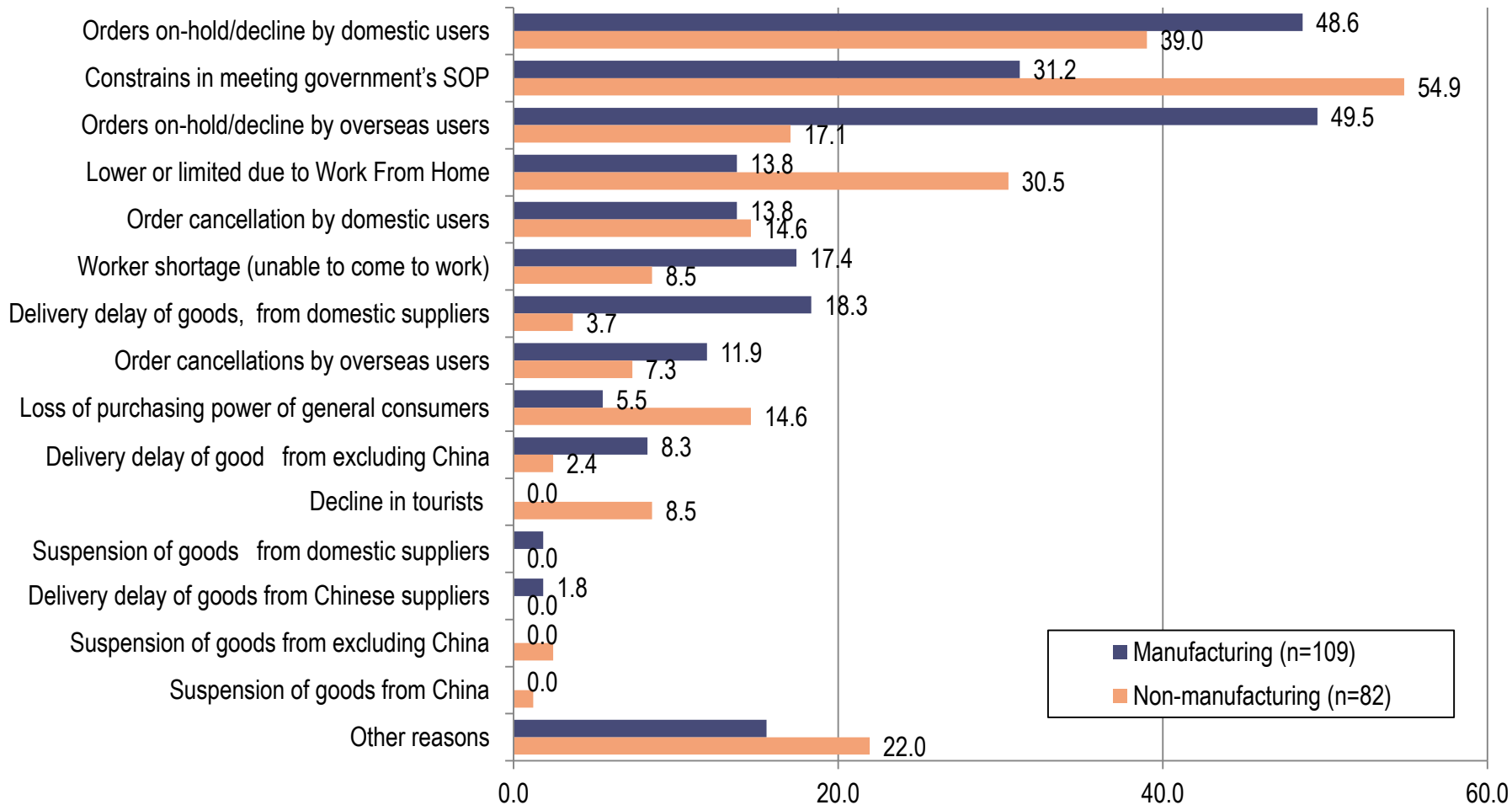


Reduced production/operation: decrease of orders

- 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: %)



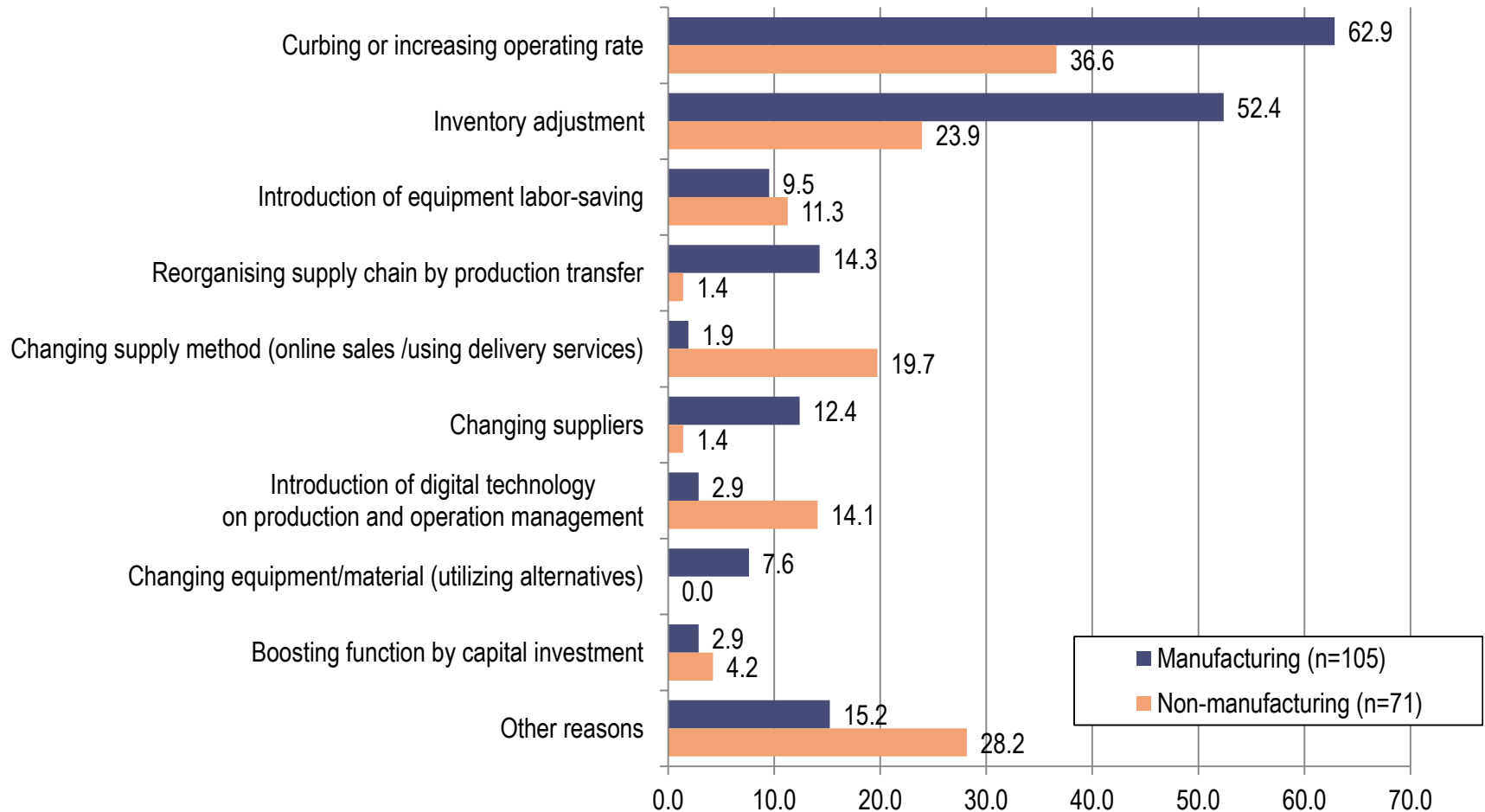
(Note) Excluding 2 mfg and 3 non-mfg companies which have not responded.

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)

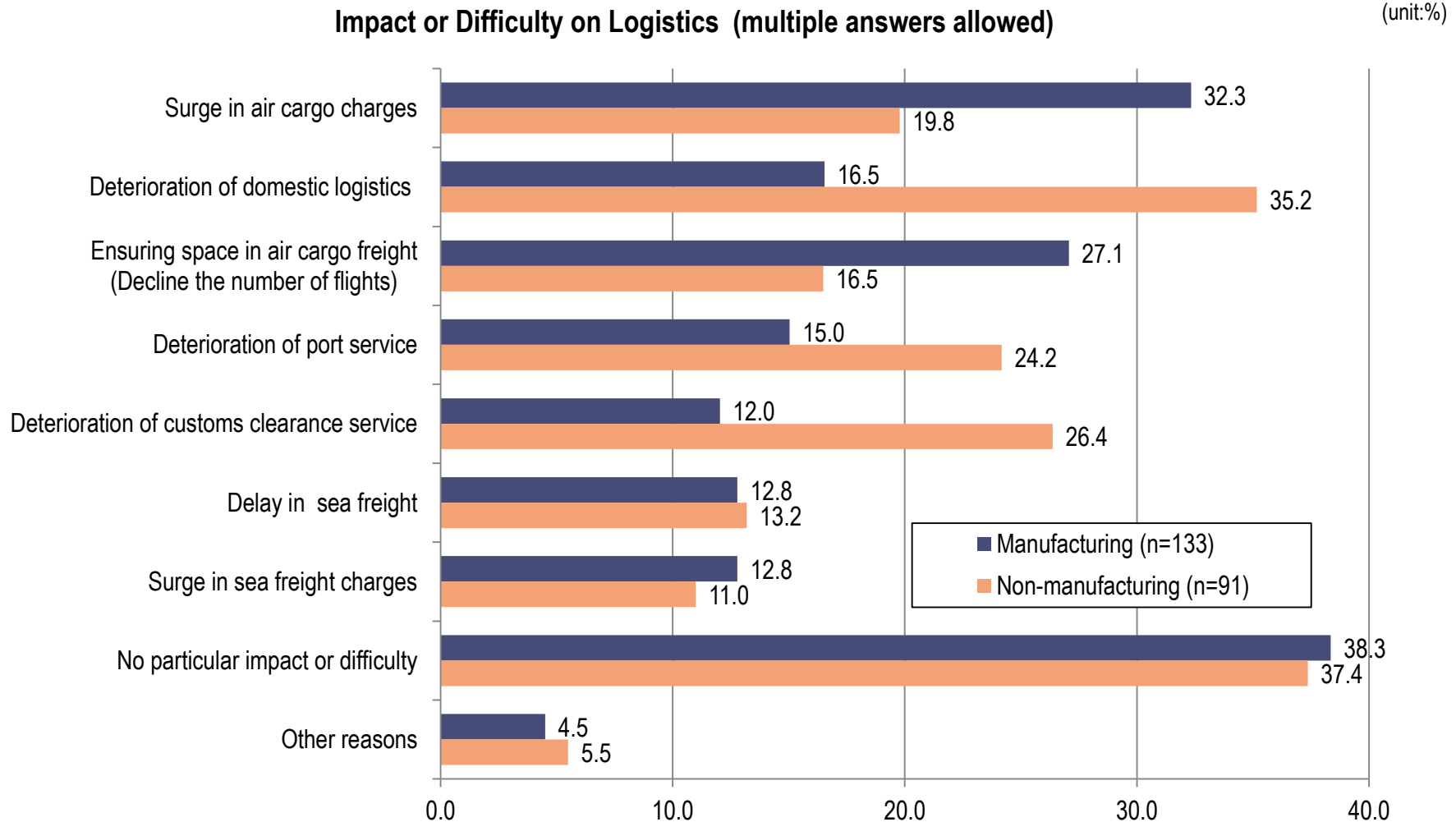
(unit: %)



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

Logistics: Domestic logistics deteriorating, air cargo charges rising

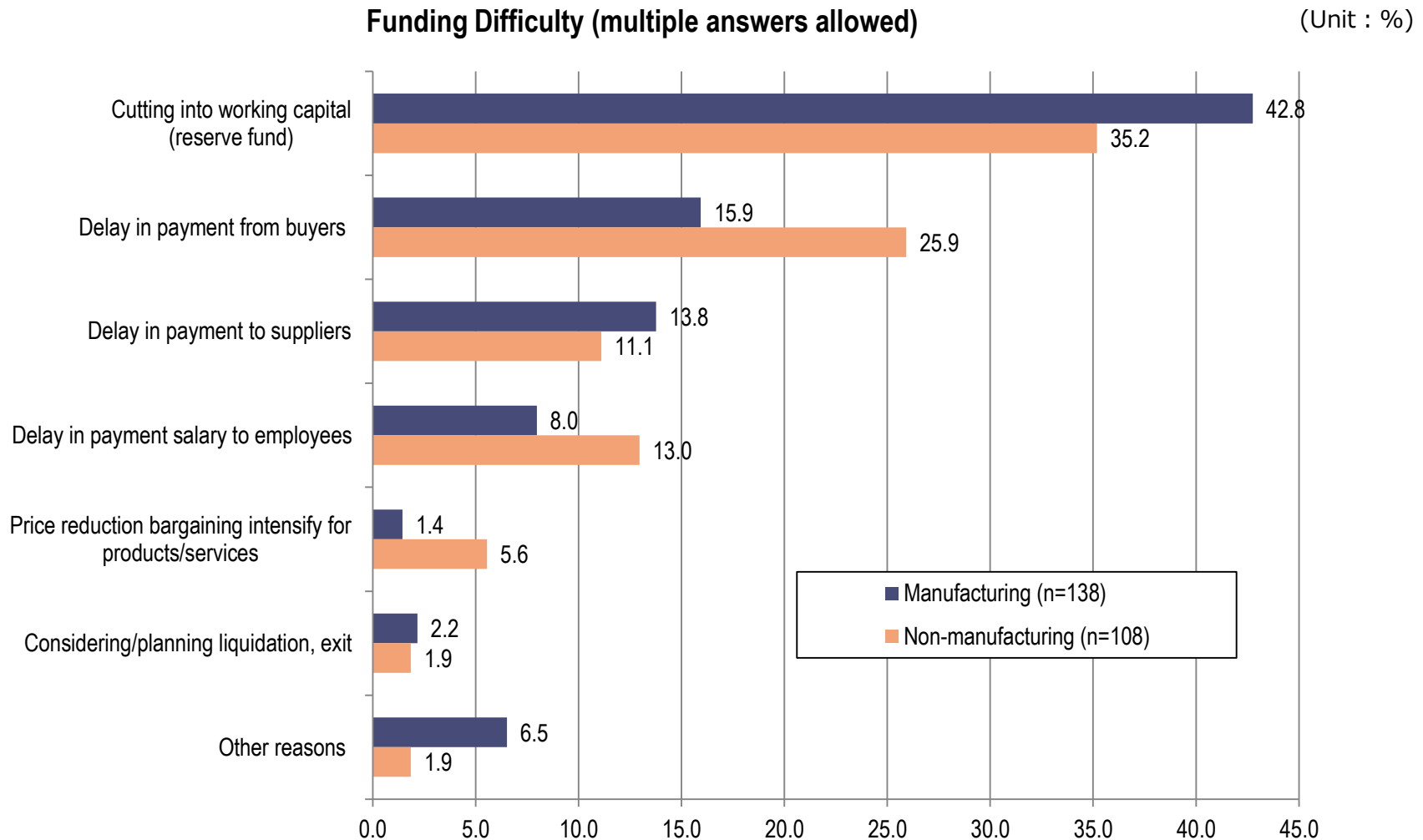
- Non-manufacturing, especially logistics companies point to a deterioration in domestic logistics, port and customs services.
- 30% in manufacturing impacted by rise in air cargo charges and flights cut-back
- About 40% in both manufacturing and non-manufacturing face “no particular impact or difficulty.”



(Note) Excluding 5 manufacturing and 19 non-manufacturing companies.

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.

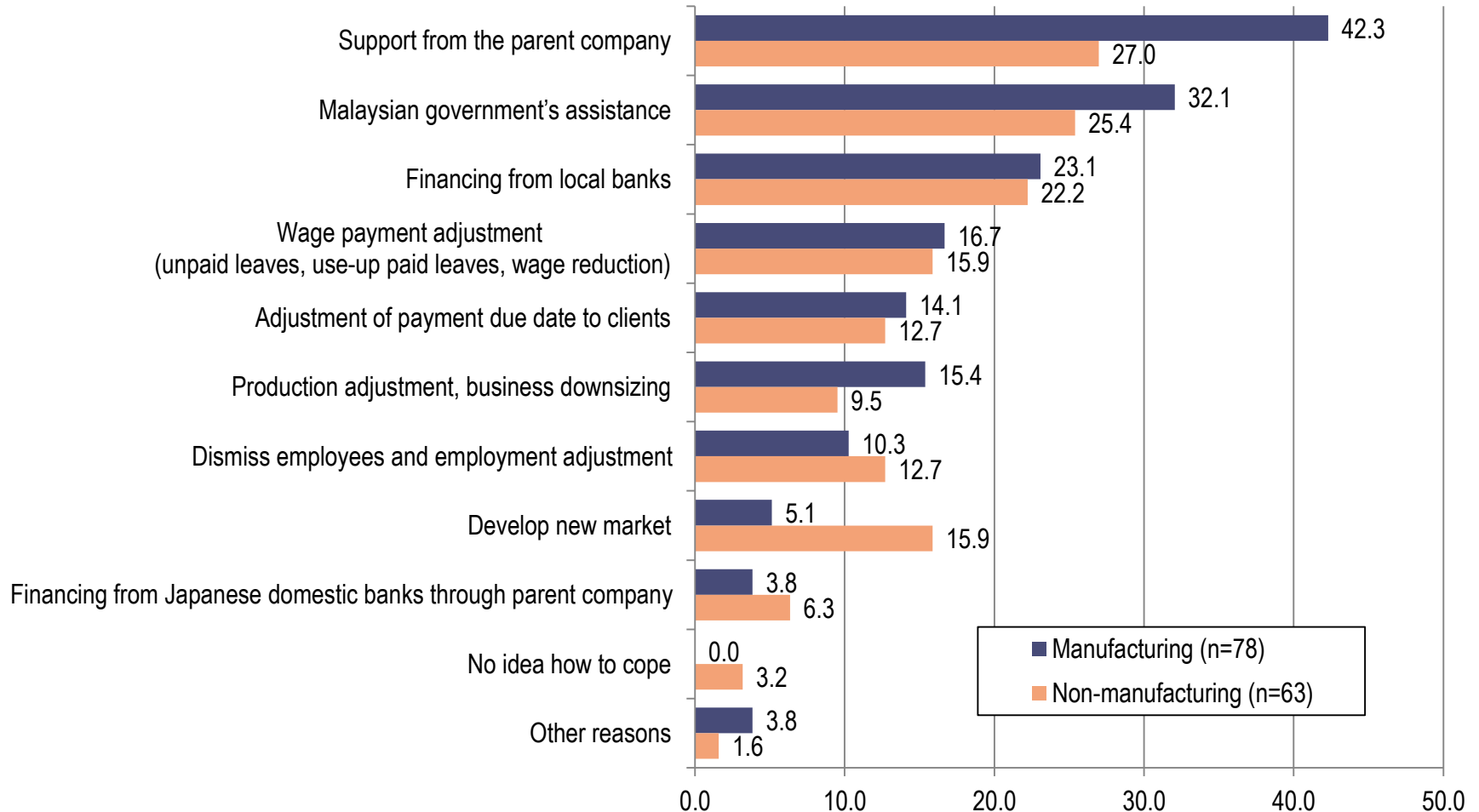


Funding problem: support from parent company

- 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.

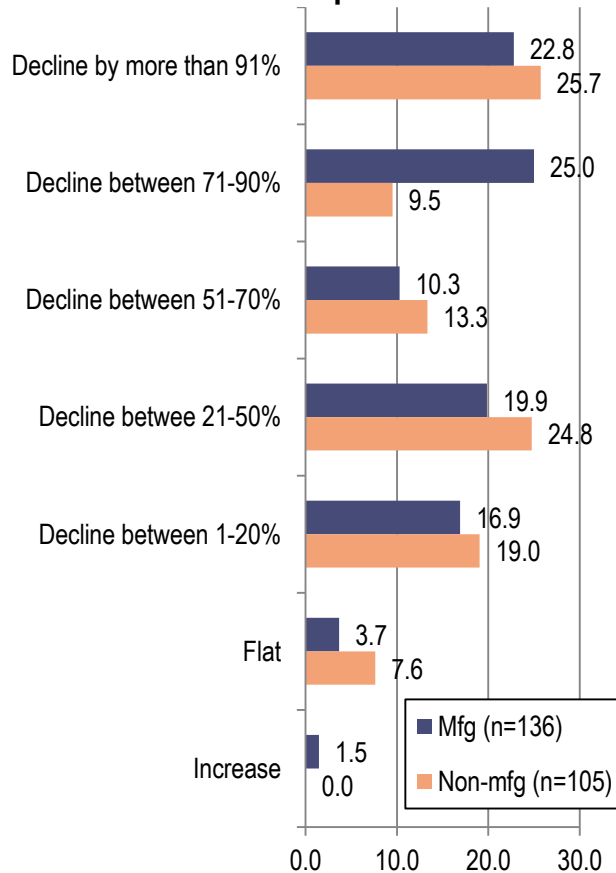
Sales: one third experiences sales decline by over 51%

- Worst sale was in April which was entirely under MCO with nearly 30% indicated sales decline by over 91% year-on-year, of which most managed to restart after late April.
- For sales forecast for May to July, one third of companies sees decline by more than 51% although recovery is expected compared to April, another third sees 21-50% decline. Impact on sales looks like prolonged regardless of business sector.

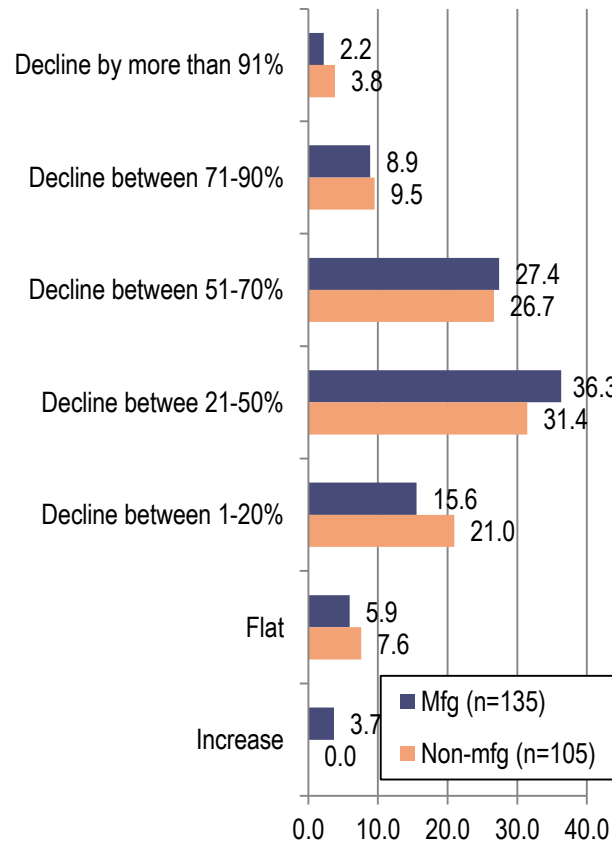
Impact on sales: rate of decline compared to previous year (single answer)

((unit=%))

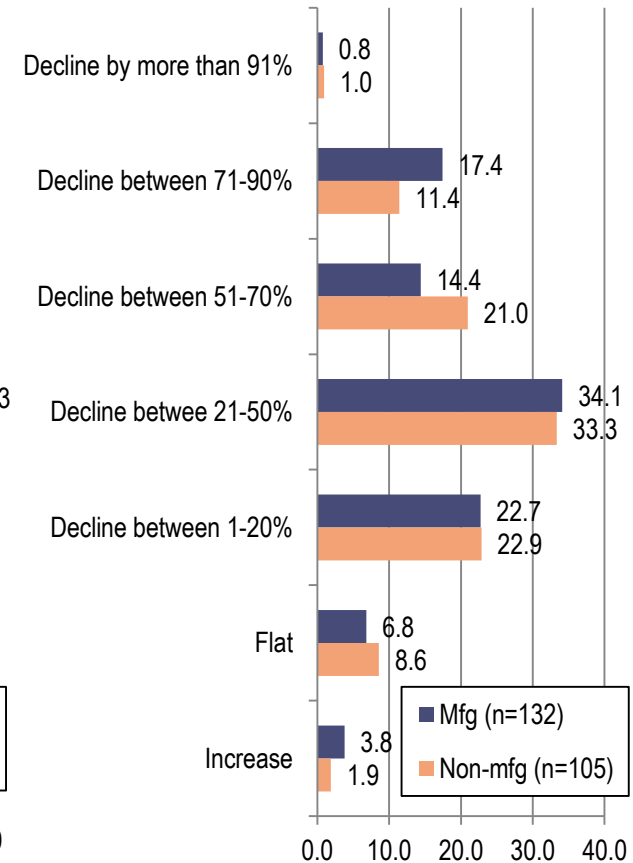
Sales of April 2020



Sales forecast May-July 2020



Annual sales forecast 2020

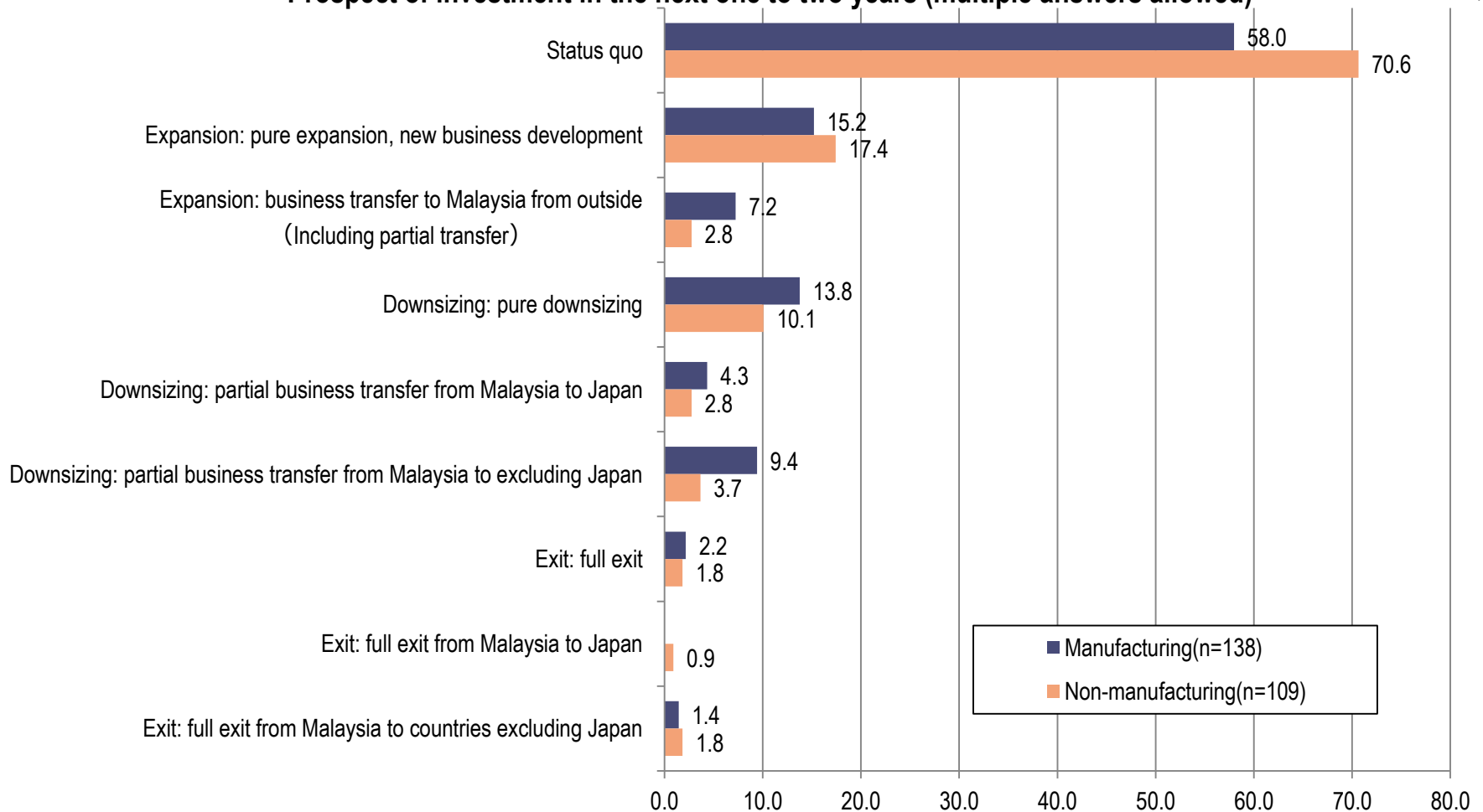


Investment: Most will maintain status quo

- 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.

Post-Covid-19 investment: both expanding and reducing

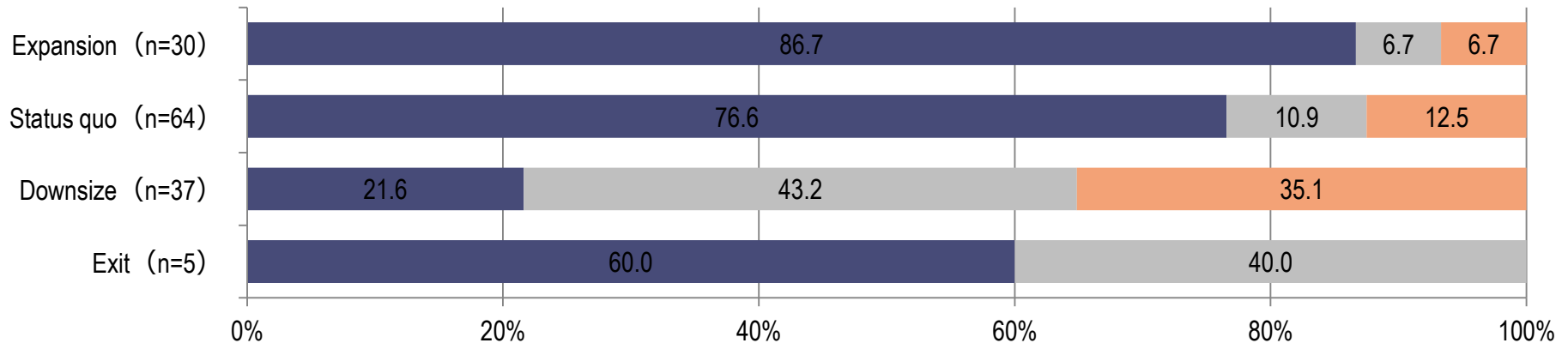
- Many companies had already decided to maintain or expand investment even before Covid-19 impact was felt.
- 78% mfg and 100% non-mfg companies considered or accelerated to reduce investment after the impact became serious.
- 27% in non-manufacturing actually expanding after new virus with possible new needs and business chance in “New Normal” era.

Time of decision of investment prospect

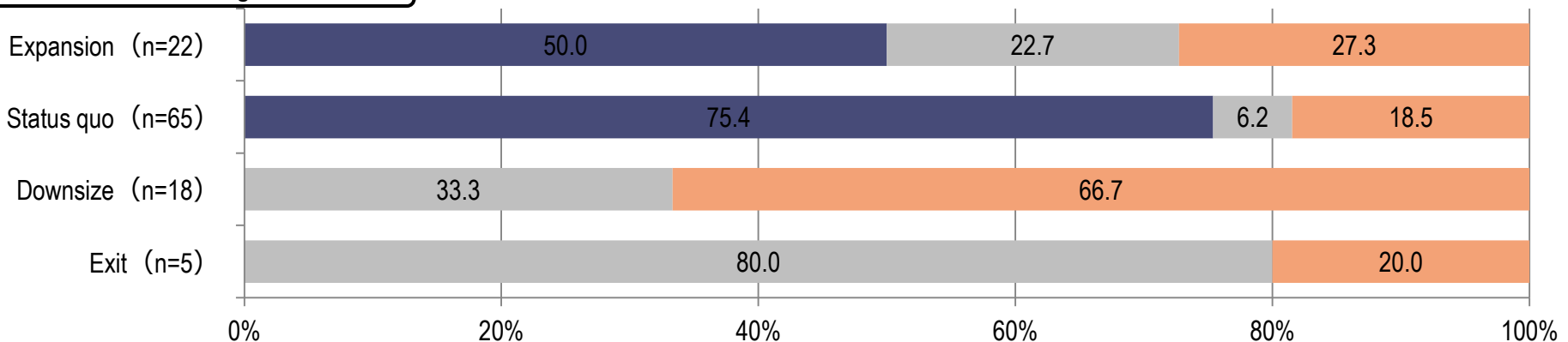
(unit: %)

Manufacturing (n=121)

■ Already decided ■ Accelerated into a decision after covid19 ■ Covid19 triggered consideration leading



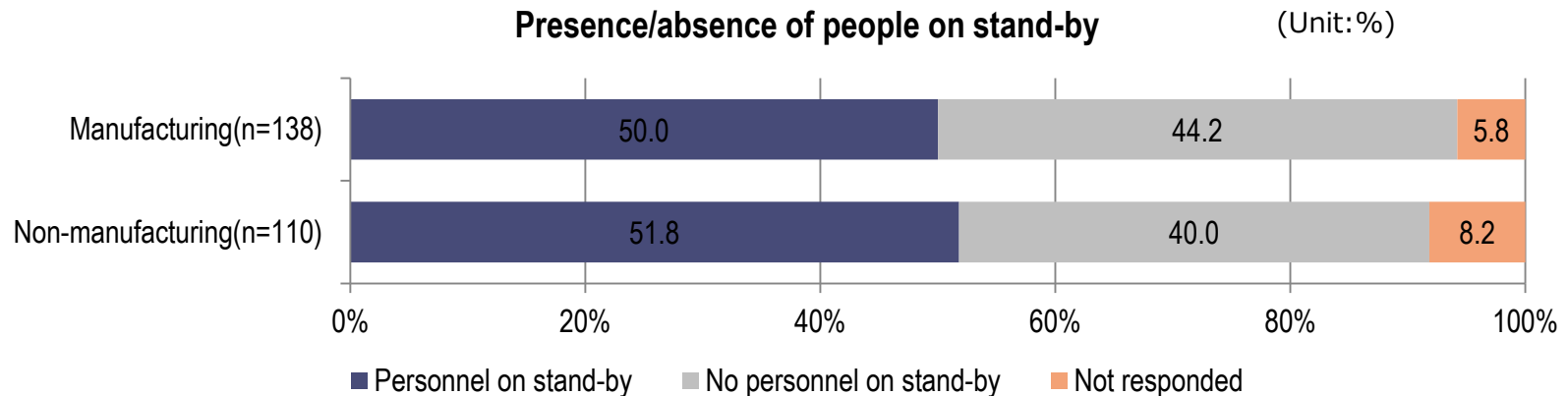
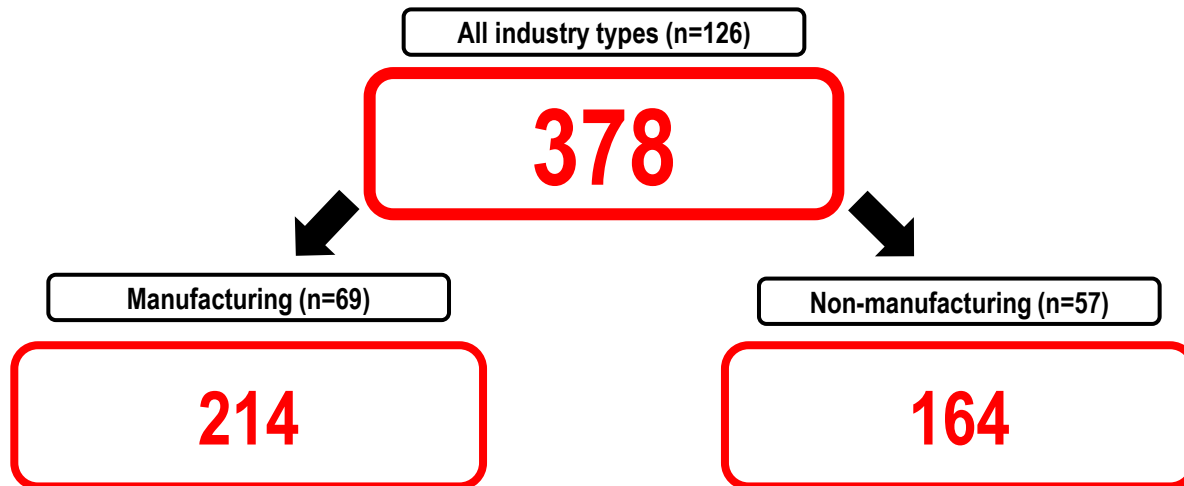
Non-manufacturing (n=97)



Entry restriction: 378 people waiting to enter Malaysia

- 400 expats, new employees and accompanying families are on stand-by, causing trouble in some companies as required personnel cannot enter the country.
- 126 companies, half of respondents, face this problem, average 3 persons on stand-by per company with more than 20 in one case.

Expats, new employees and accompanying families waiting to enter Malaysia

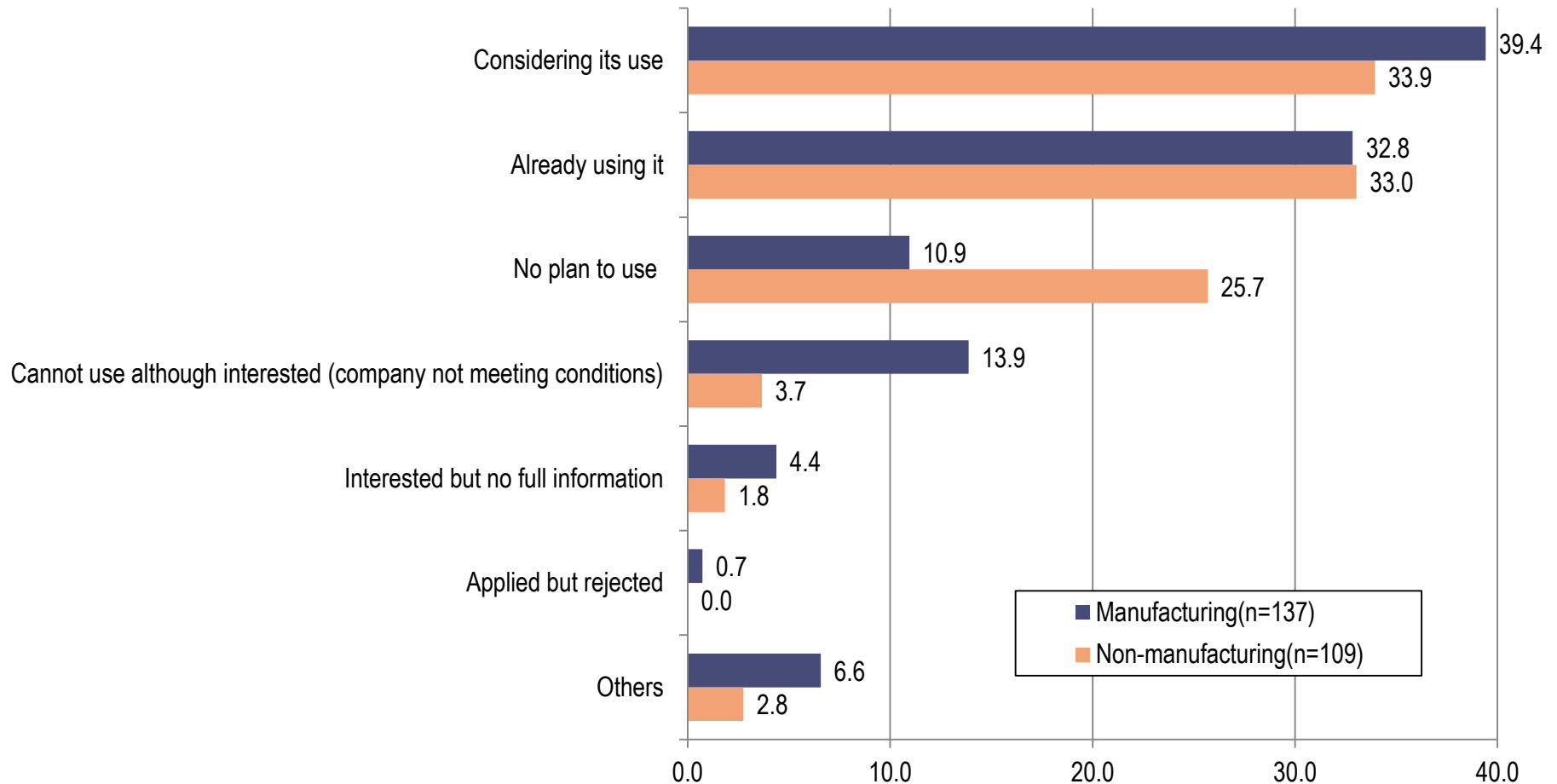


Malaysian government support: used by 30%

- 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 : %)



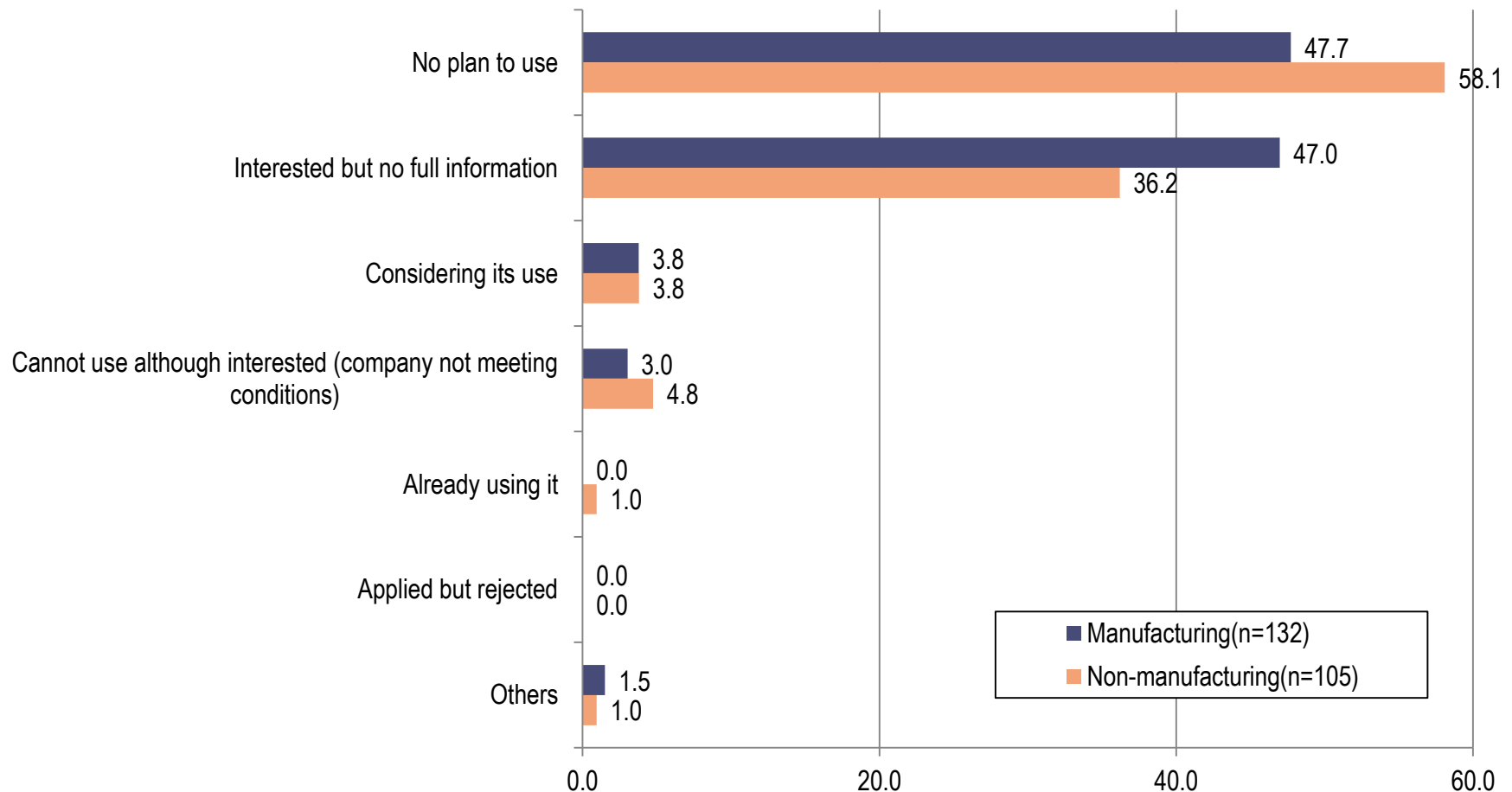
(Note) Excluding one company each in manufacturing and non-manufacturing.

Japanese government's support: half plans not to use

- More than half of companies do not plan to use them, with only 4% in manufacturing and non-manufacturing plans to use.
- 40% are interested but cannot figure out the detail, hinting that they are not aware of what support is available or where they can get the information about it.

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

(unit:%)



Official support : many use Malaysia's wage subsidy programme

- More than 90% of those using the Malaysian government's support benefit from the Wage Subsidy Programme, which also attracts the most interest.
- Special loan by government financial corporation and employment adjustment subsidy are used in Japan.

Popular Malaysian government's support

Programmes
Wage Subsidy Programme
Employment Retention Programme
Covid-19 tests under SOCSO
Exemption of payment for HRDF
Reduction of levy payment for foreign workers

Malaysian government's support attracting interests

Programmes
Wage Subsidy Programme
Employment Retention Programme
Covid-19 tests under SOCSO
Low-interest loan
Tax reduction for landlords reducing rent for SMEs

Japanese government's support used or being considered

Programmes
Assistance for diversifying overseas supply chains
JFC special interest-free, unsecured loan
Employment adjustment subsidy

【Reference】 <Wage Subsidy Programme>

Part of wages of local employees earning RM4,000 or below , at companies that meet certain requirements, are subsidies and paid to the employer for a period of three months.

Amount: RM600 to 1,200 per person per month (amount and maximum number of recipients determined according to the total number of employees)

Main requirements:

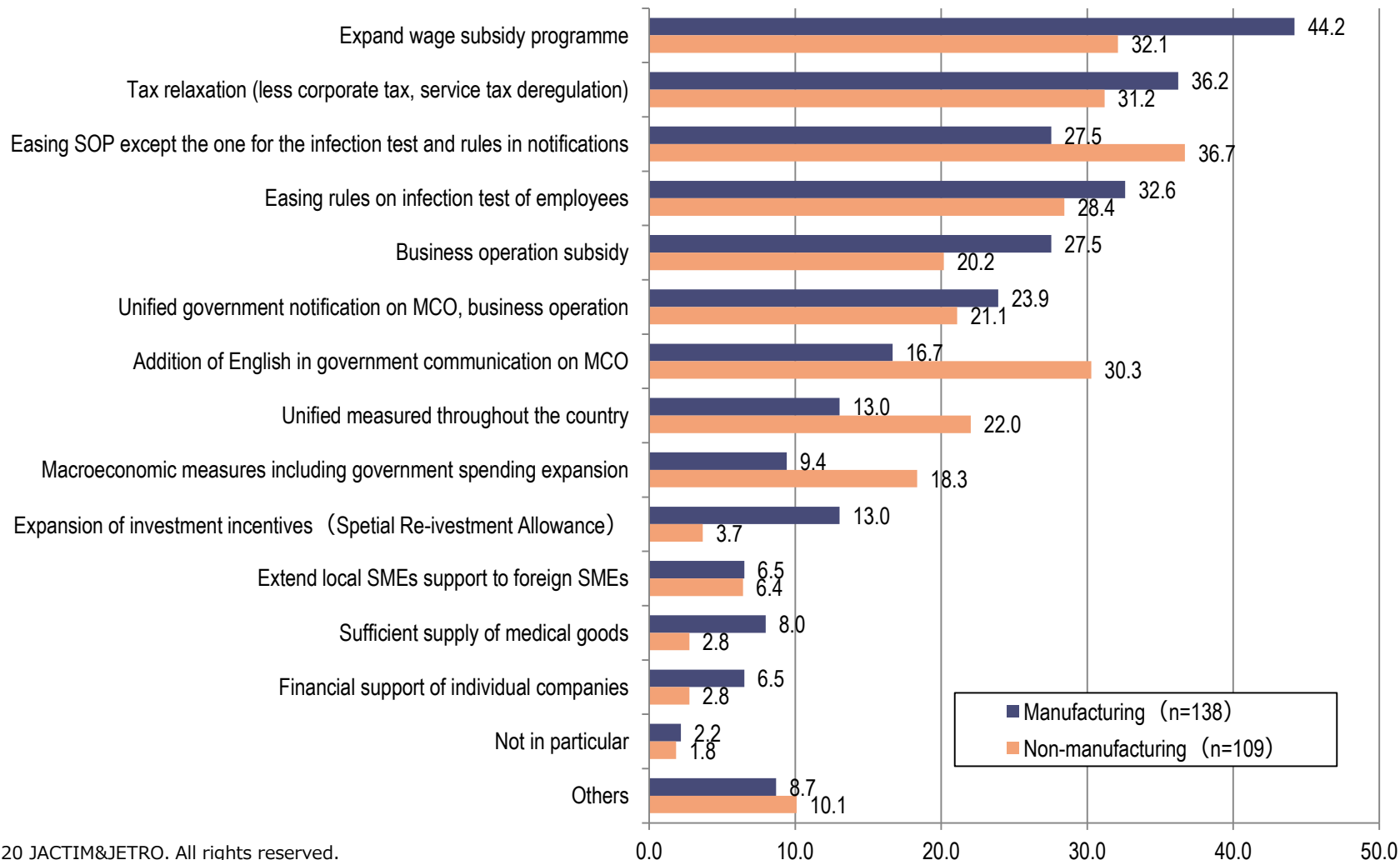
- Firms with more than 76 employees must be able to prove that sales have declined by more than half since January 2020
- Must continue hiring the subsidised employee for minimum six months
- Both employer and employees are registered with SOCSO
- Has begun business operation before January 2020

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: %)



Requests to Malaysian government (others)

Other requests to Malaysian government (Replies by companies that selected “others” on page 20)

Other requests
Paperless/online application of documents to the customs and other government ministries
Earlier entry approval and easing of mandatory quarantine of expat staff and accompanying families
Aid for additional expenses in connection with MCO compliance
Unified tax clearance system
Easing of standards of employee dismissal and wage reduction
Further reduction of Levy on foreign workers
Considerate rules to assist business to play a responsible role in the supply chain
Addition of more flights for air cargo
Local procurement of equipment by government, states and other public institutions
Clarification of control
Enterprise support including subsidies for rent and wages

Request to Japanese government (free comments)

Strongly lobby the Malaysian government so Japanese can enter the country
Easing of restriction for Japanese citizens when returning to Japan
Lowering of the foreign ministry's level of Infectious Disease Travel Advice for countries with good infection control
Electronic/remote application of the international driver's licence
Most Japanese corporations and Japanese residents overseas are not able to benefit from the local government's assistance. Please help us with more proactive economic measures for Japanese corporations and residents overseas.
Support companies which have no parent company (subsidy and loans)
More interest in Japanese citizens living abroad
Securing return trips by Japanese citizens from Malaysia to Japan
Measures to cope with air cargo flights cut-back and resulting surge in air freight charges.
Please pay 100,000 yen relief fund to Japanese who help not to increase infection in Japan by continuing to stay abroad.
Strengthening PCR testing of returnees to Japan, speedy notice of test results, support Malaysian government by sending Covid-19 medicines such as Avigan.
Dispel concerns/rumours that Japan's Covid-19 measures are lagging or it's dangerous in Japan
We would like to see a little clearer and more solid covid-19 measures.
Regain international trust that the government has full control of Covid-19 by prioritising safety of citizens and implementing policies for compensating jobs/living with a firm determination.
Speedy expansion of employment adjustment subsidy.
Speedy implementation of fiscal stimulus of in the order of 100 trillion yen by issuing a new government bond (construction bond) equivalent to 20% or GDP as annual GDP is expected to decline by 20%.
Please draw on Asian experiences, especially Malaysia's measures, efforts and current status in decision-making.
Support for software and service industries and contents export are small, with an emphasis on manufacturing still firmly rooted. Please follow an example K-POP.
Reduce consumption tax.

Current issues, comments and suggestion (free comments)

Early approval of entry for expats with employment permit.

Unable to renew international driver's licence due to home leave being not possible during MCO.

Planned installment of new facilities/start-up work is majorly delayed as assigned Japanese engineers cannot enter Malaysia.

Delay in hiring foreign workers and impossible to make a recruitment plan.

MITI's office hours as well as customs clearance in FIZ are too restrictive (limited only to certain days of the week.)

Slow internet connection is a problem in introducing Work From Home.

Ban on facial masks export to Japan still not lifted.

Surging labour cost. Deregulation of foreign workers employment and licensing of logistics, warehouse, and transportation by foreign companies, preferential treatment of automisation projects and awareness-raising initiative towards Malaysian workers on competition and productivity.

Risk of having foreign workers as there are too many of them to arrange for Covid-19 tests

Substantial expansion of incentive for investment in labour-saving including at large enterprises.

No more withholding and transfer pricing taxes on low-interest loans from parent company.

Reasonable relaxation of CMCO on foreigners (for example, social gathering of less than 20 family members are allowed for Malaysians but not for foreigners). Unify the rules different from state to state.

Please allow for special provisions on renewal for Employment Permit (for example, two-month automatic extension.)

English versions of government's measures/programmes would be very helpful in WORD or PDF File.

Worldwide economic disruption makes it hard to forecast economic recovery timing or optimal production output, which in turn makes personnel planning of foreign workers difficult. Especially worried about recruiting foreign workers again once the economy recovers, after firing them now.

Please guarantee 75% of labour cost as in Singapore and UK.

Any suggestions on how to achieve 100% operation while complying with SOP (especially on innovative ways to work while comply with social distancing.)

Incurred the demurrage cost for over three weeks as it was impossible to pay tax during MCO. Explanation to the customs that MCO rules made it impossible to pay was not accepted.

Please show us the less stringent schedule for entry to Malaysia for foreigners, especially Japanese.

Please use the information in this report in your own judgement and responsibility.
JETRO tries to ensure accuracy but will not bear responsibility for any consequences a user may experience,
resulting from the information in this report.