

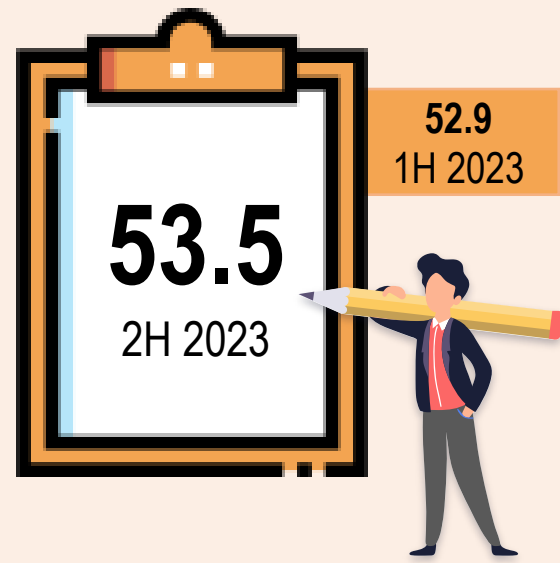
SME SENTIMENT INDEX 2H 2023

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Purpose

To track how MSMEs respond and adapt to changes in the current economic environment and their view of business prospect over the next 6 to 12 months.



Index

Improved positive reading of **53.5** signifies **MSMEs' vitality** in which they continue to be **optimistic, resilient** and **adaptive**. This is also in line with in-house's economic projection for next year.

Profile of Respondents

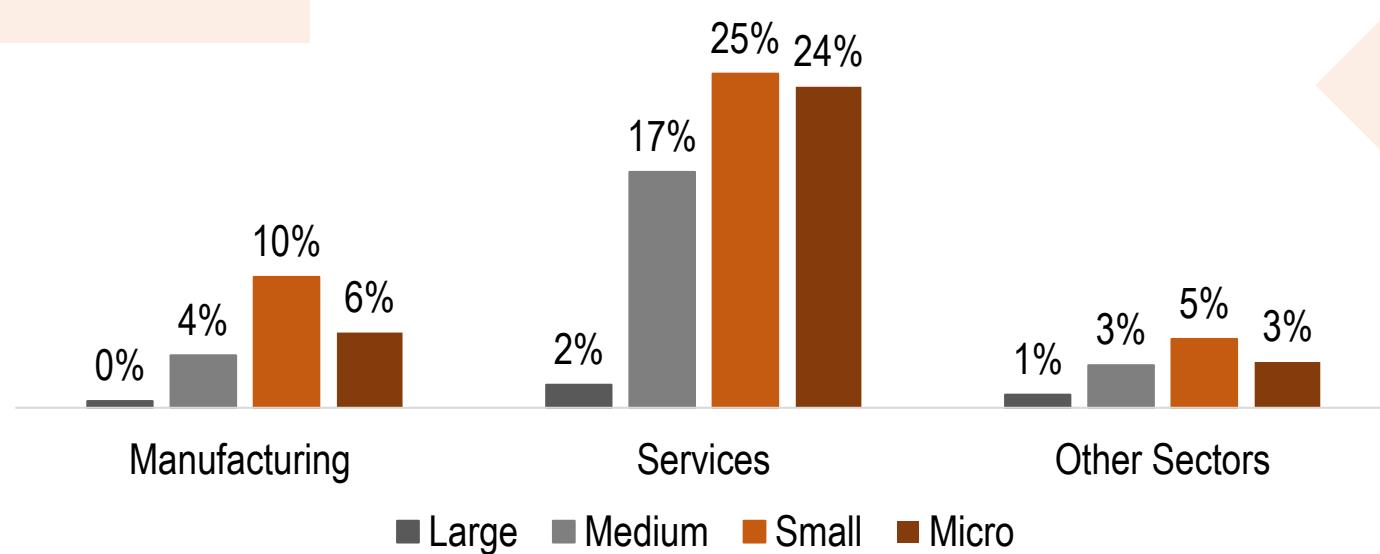
423

Respondents



1 Size of Business

Majority are **small** and **micro** businesses.



MSME Definition

Manufacturing

Sales turnover:
RM15 mil ≤ RM50 mil
Employees: From 75 < 200

Others

Sales turnover :
RM3 mil ≤ RM20 mil
Employees: From 30 < 75

Sales turnover:
RM300,000 < RM15 mil
Employees: From 5 < 75

Sales turnover :
< RM300,000
Employees < 5

Medium

Small

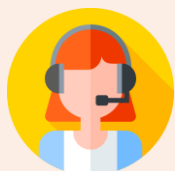
Micro

Sales turnover :
RM300,000 < RM3 mil
Employees: From 5 < 30

Sales turnover :
< RM300,000
Employees < 5

2 Type of Sector

Composition of services sector respondents are **quite balanced** while those of manufacturing are mainly **concentrated in the food processing**.



Services

68%

- Retail, 18%
- Food & Beverages (F&B), 15%
- Wholesale, 12%
- Information & Communication Technologies (ICT), 10%
- Transportation & Storage, 8%
- Utilities, 5%
- Human Health Activities, 4%
- Others, 28%



Manufacturing

20%

- Food Processing, 42%
- Chemicals & Pharmaceutical, 8%
- Plastic Products, 7%
- Electric & Electronic equipment, 5%
- Motor Vehicle & Transport Equipment, 4%
- Fabricated Metal Product, 4%
- Basic Metal, 3%
- Others, 27%



Construction

9%



Agriculture

3%



Mining & Quarrying

0.2%

3 State/ Region

Northern: 14%

Perak, Kedah, Perlis, Penang

Selangor: 22%

WPKL: 11%

Southern: 14%

Johor, Melaka, Negeri Sembilan

East Coast: 17%

Pahang, Terengganu, Kelantan

East Malaysia: 19%

Sabah, Sarawak & Labuan

Survey Results

1 Economic Outlook

54%

expect the **economy to continue growing** albeit at **softer pace...**

1H: 45%

33%

Higher Growth

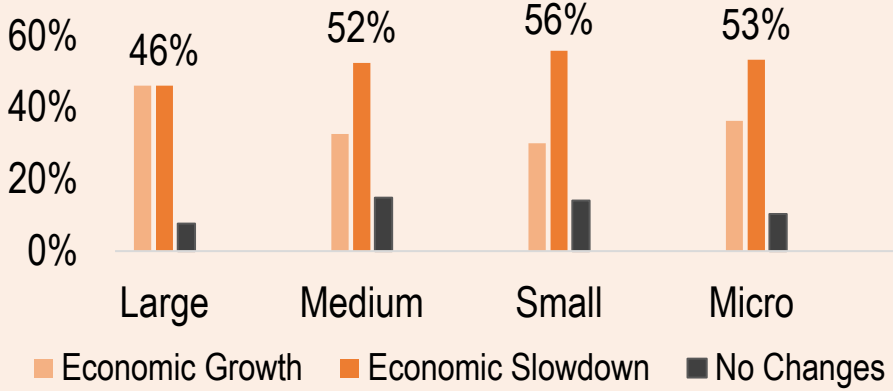
1H: 40%

13%

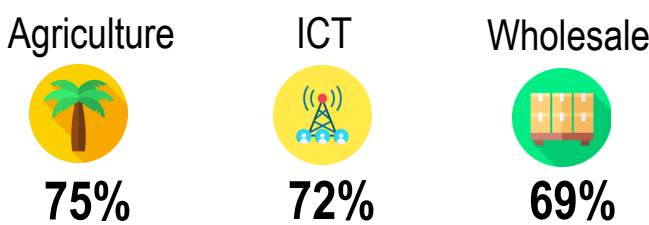
No Changes

1H: 15%

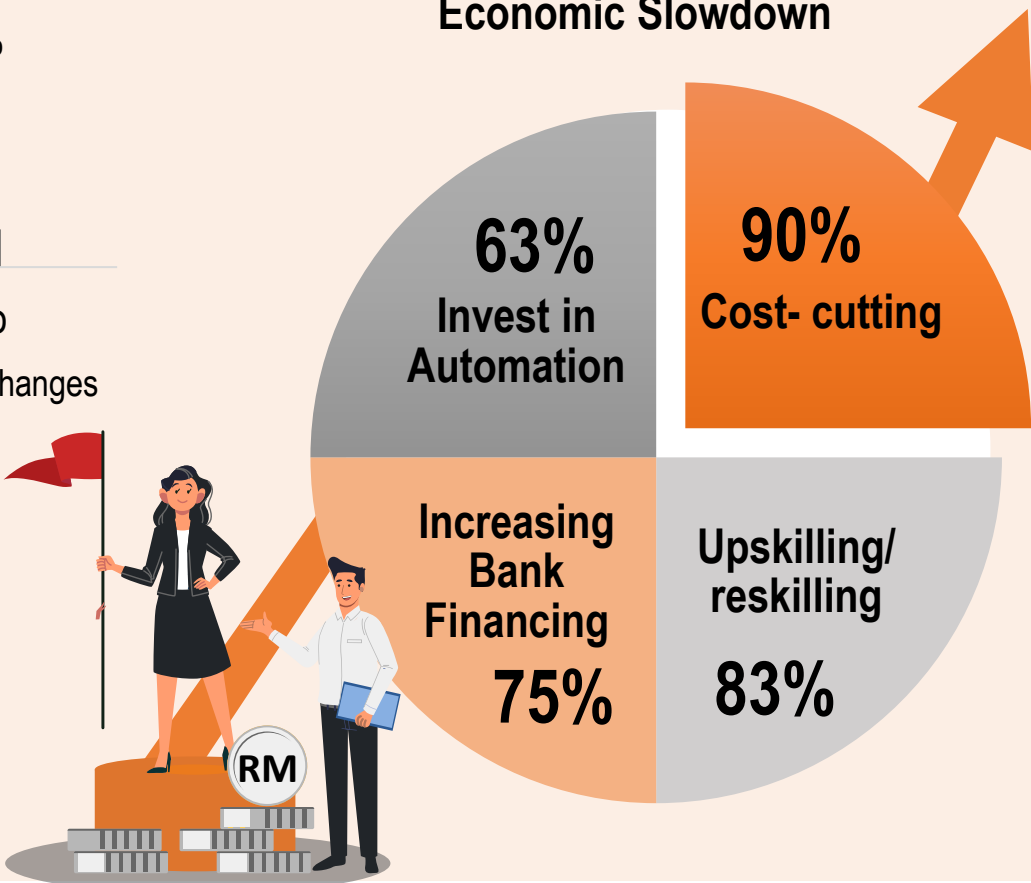
...mostly coming from **small and micro** businesses.



Top 3 sectors which expect a **slowdown**:



Business Mitigation Plan During Economic Slowdown



2 Cost of Doing Business

Expected to Increase...

88%

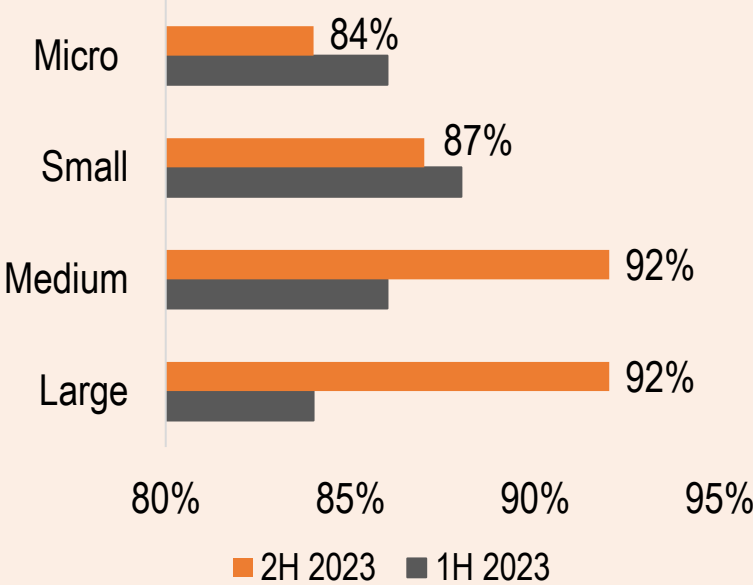
1H: 87%

1H: 9%

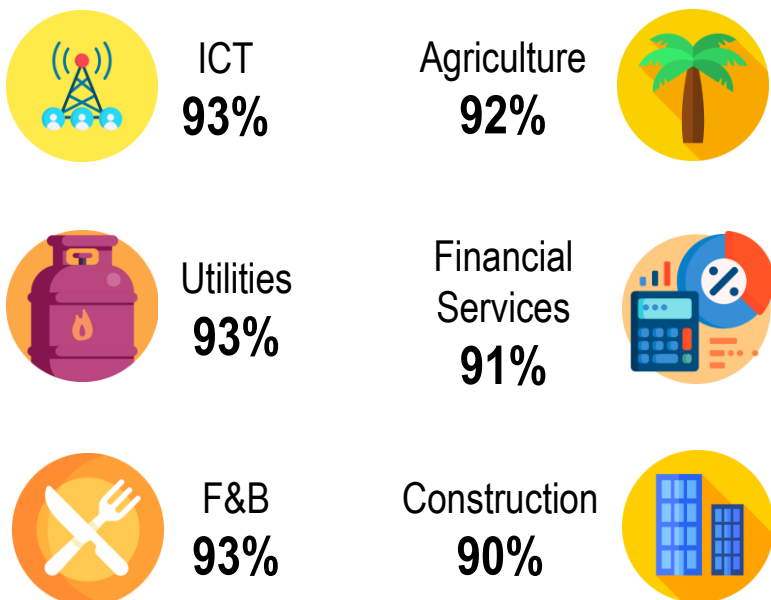
6%

Expected to Decrease

...with **large and medium** businesses expressing the **highest concern**.



Top sectors which expect **increase in cost**:

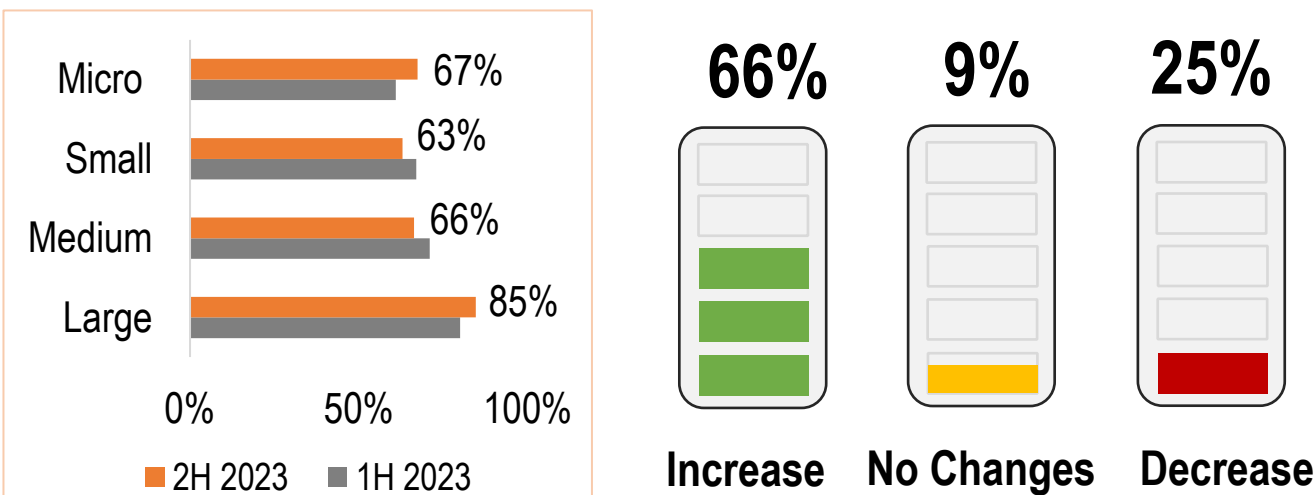


3 Sales

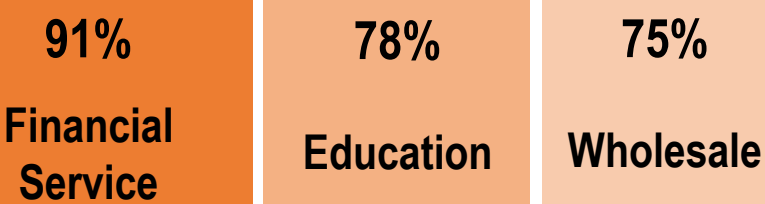
4 Profit

Despite 54% of respondents anticipating economic slowdown, **they remains upbeat on their sales and profit.**

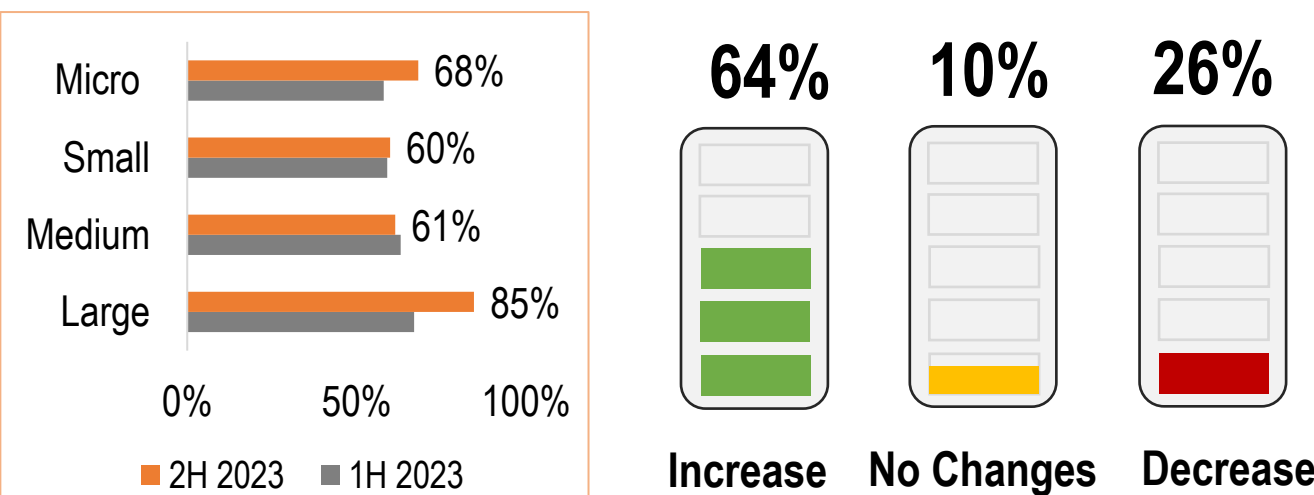
66% of MSMEs expect an **increase in their sales performance** (1H: 67%).



Top 3 sectors which expect **higher sales**:



As higher revenue doesn't always result in better profit, **64%** (1H: 60%) anticipate an **increase in profit**.



Top 3 sectors which expect **higher profit**:



Note: All figures are rounded; they might not add up to 100%.

SME SENTIMENT INDEX 2H 2023

5 Hiring Decision



67% of MSMEs plan to increase hiring of employees to meet growing demand in line with positive expectation of sales and profit ...

1H: 61%

Top sectors that are hiring:



Education

100%



Financial Services

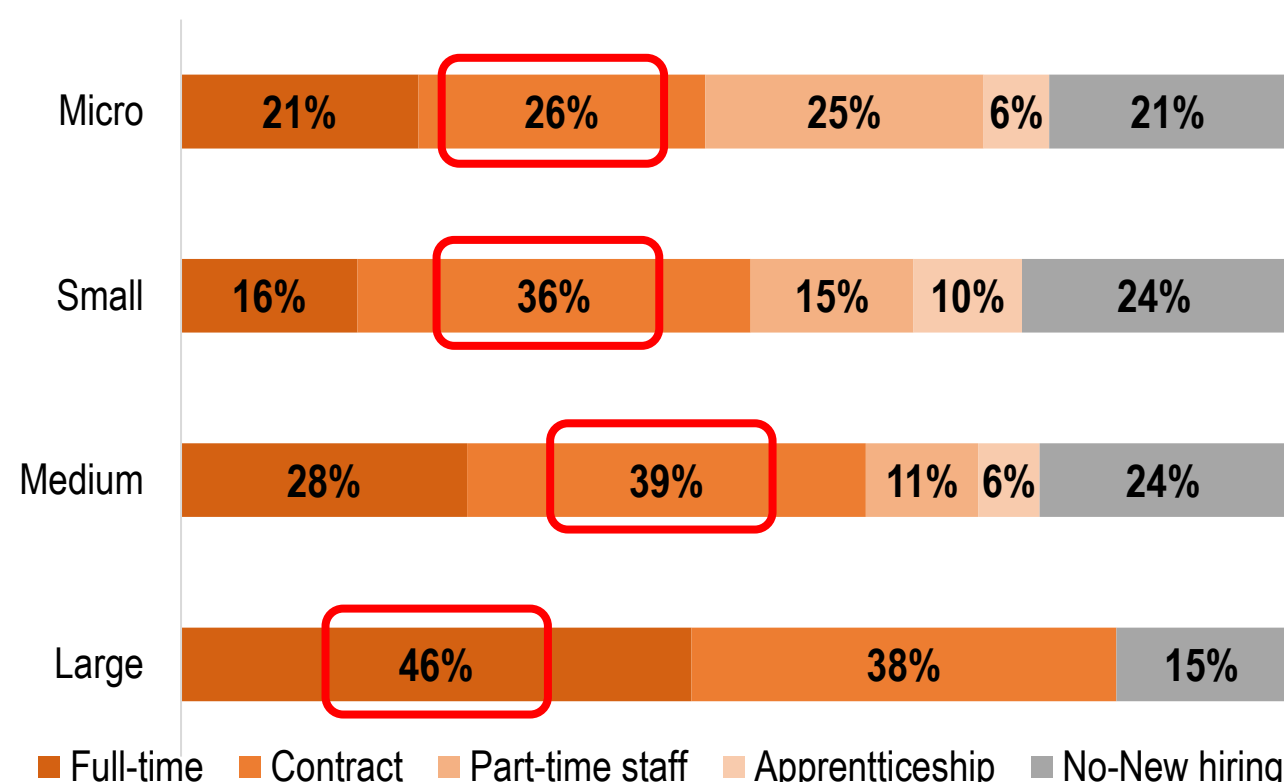
90%



Chemicals & Pharmaceutical

83%

... However, most of them prefer hiring non-full-timers due to its flexibility. Meanwhile, large firms opt to employ full-timers for stability purposes.



6 Factors Impacting Business

Almost all MSMEs feel that inflation is affecting their business performance regardless of their business size.

Top 3 factors

- 1 Inflation 98%**
- 2 Government Policies 88%**
- 3 Digital Transformation 80%**



Top sectors impacted by inflation:



Retail

100%



Construction

100%

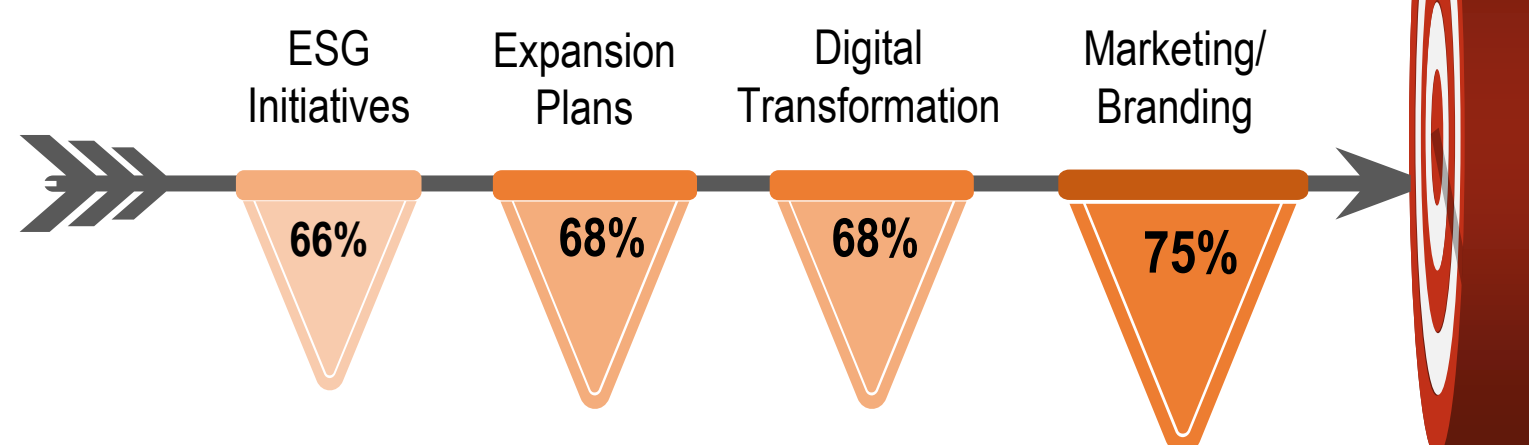


Food Processing

100%

7 Focus Area

Majority of respondents wish to focus on improving their branding as well as marketing strategies...

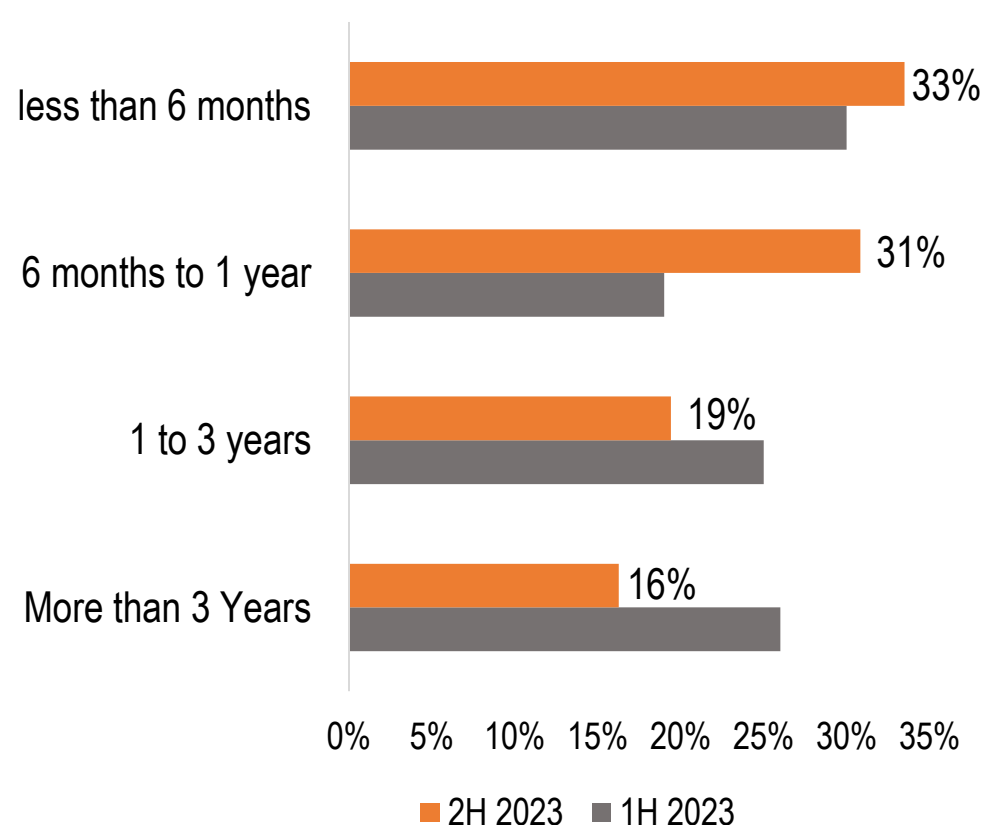


...however large and medium businesses focus more on expansion and digital transformation, respectively.

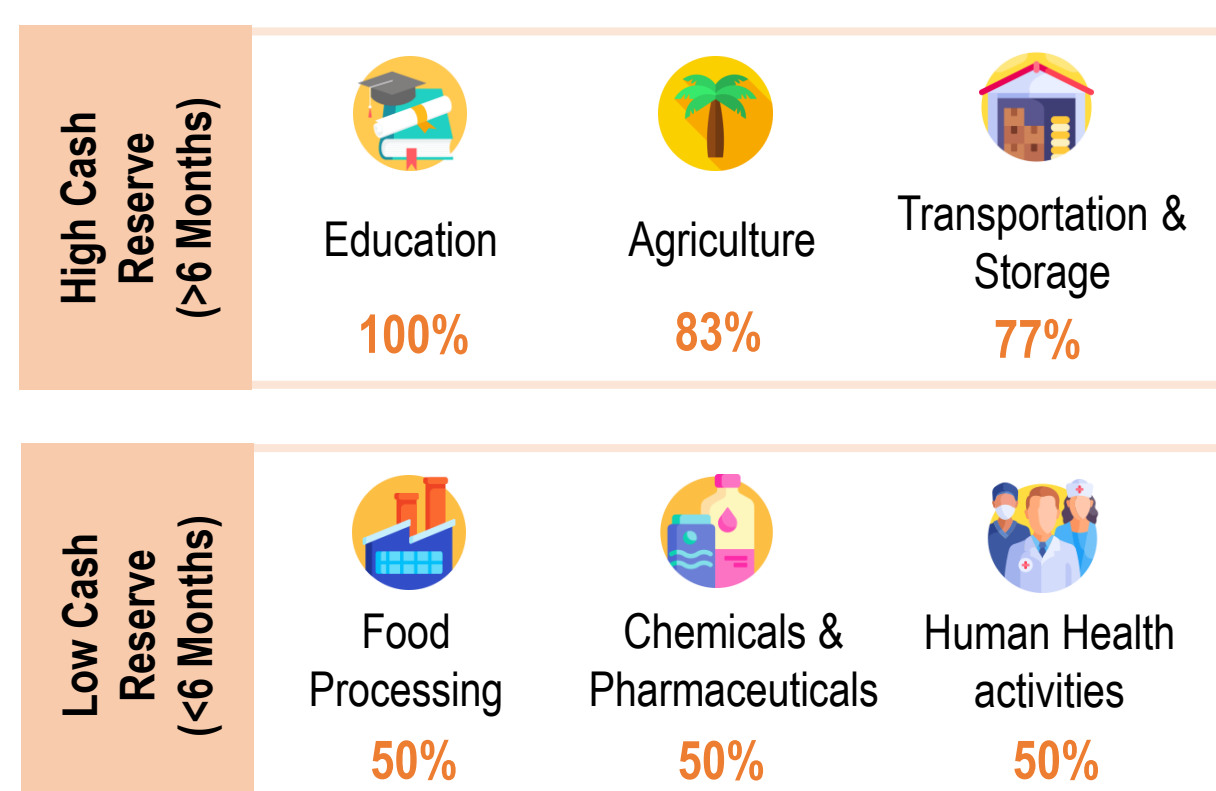
Business Size/ Focus	Large	Medium	Small	Micro
Business Expansion	92%	68%	67%	67%
Digital Transformation	75%	72%	64%	71%
Marketing/ Branding	83%	71%	75%	77%

8 Financial Sustainability

1/3 of MSMEs have low cash reserves hence more vulnerable to shocks.



Top 3 sectors with:



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