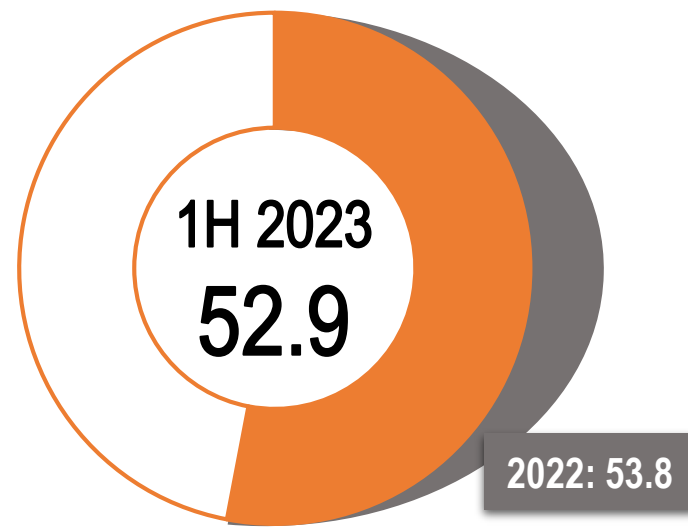


SME SENTIMENT INDEX 1H 2023

Our Purpose

Aims 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.



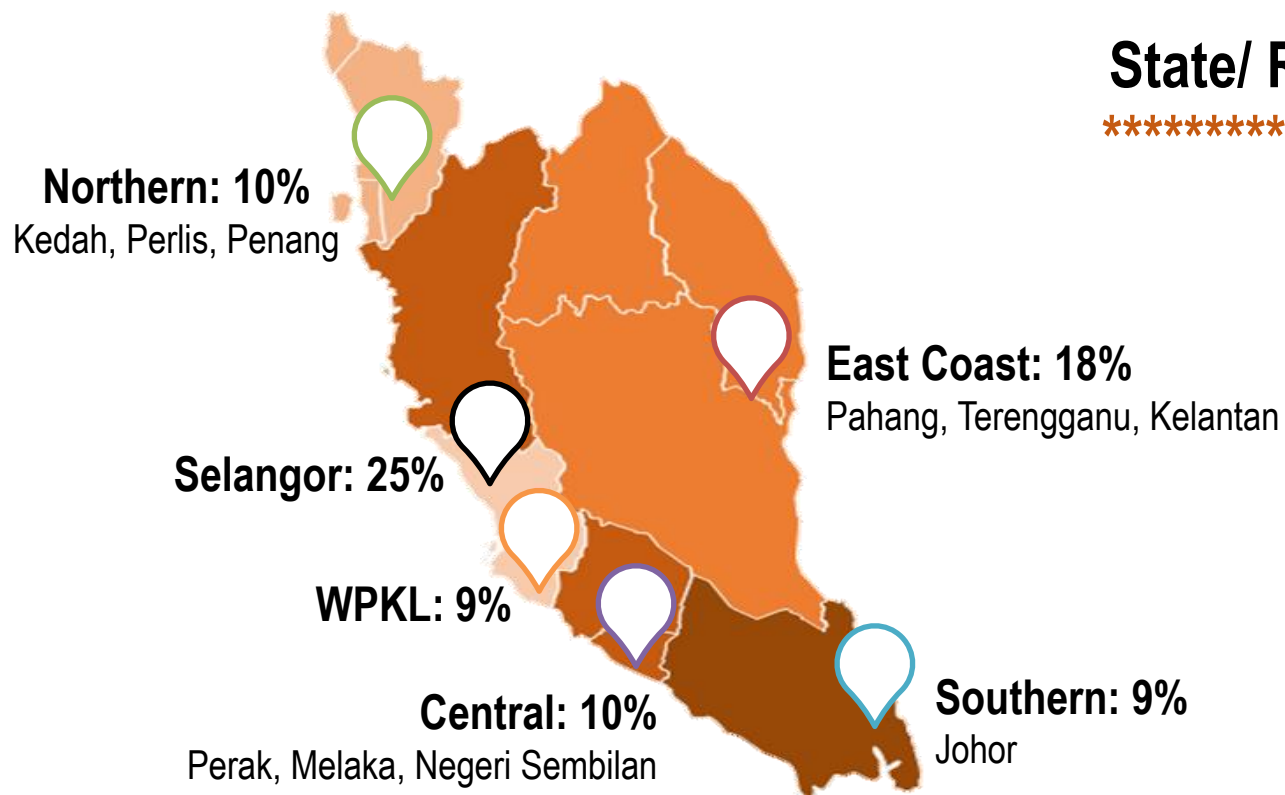
Index

The positive reading of 52.9 suggests that the overall business of MSMEs remain healthy, albeit slightly lower than 2022 (53.8). This is in line with economic slow down foreseen this year.

Prepared by:
Lynette Lee
Mazlina Abdul Rahman
Syed Mohamad Bukhari
Norshahida Che Bakar
Nur Balqish Buqari

Profile of Respondents

State/ Region



Number of respondents:

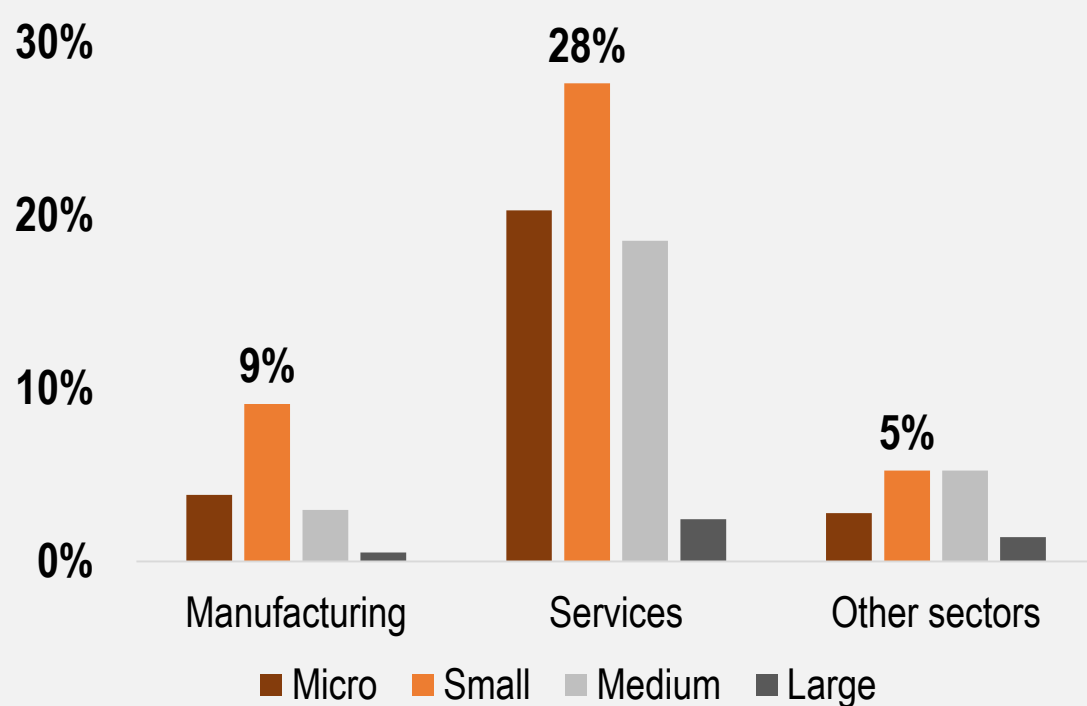
705



2022: 730

Size of Business

Majority of the respondents are small business owners

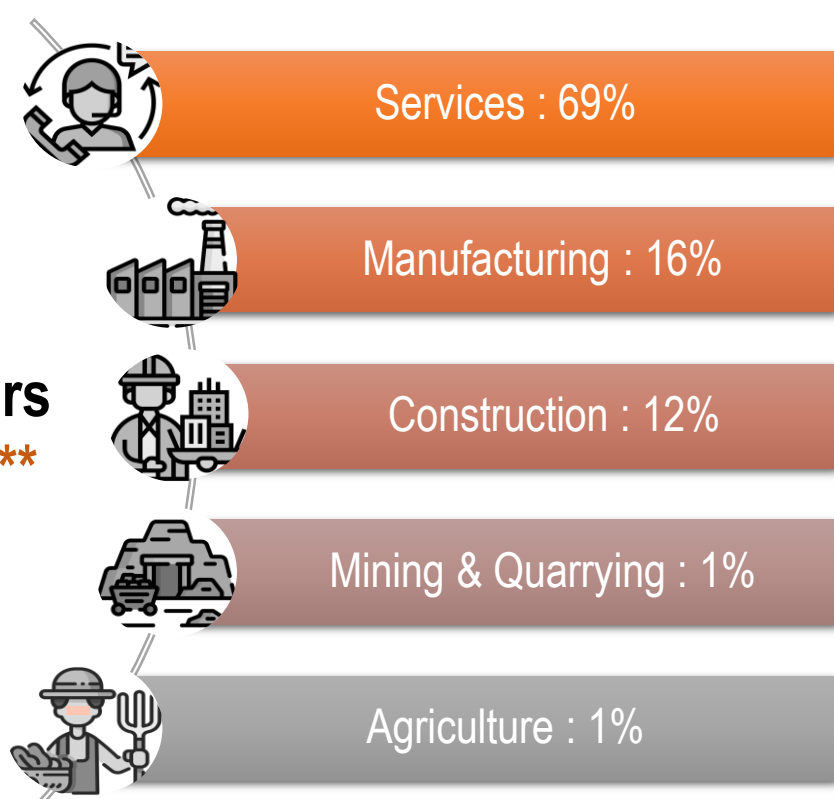


MSME Definition

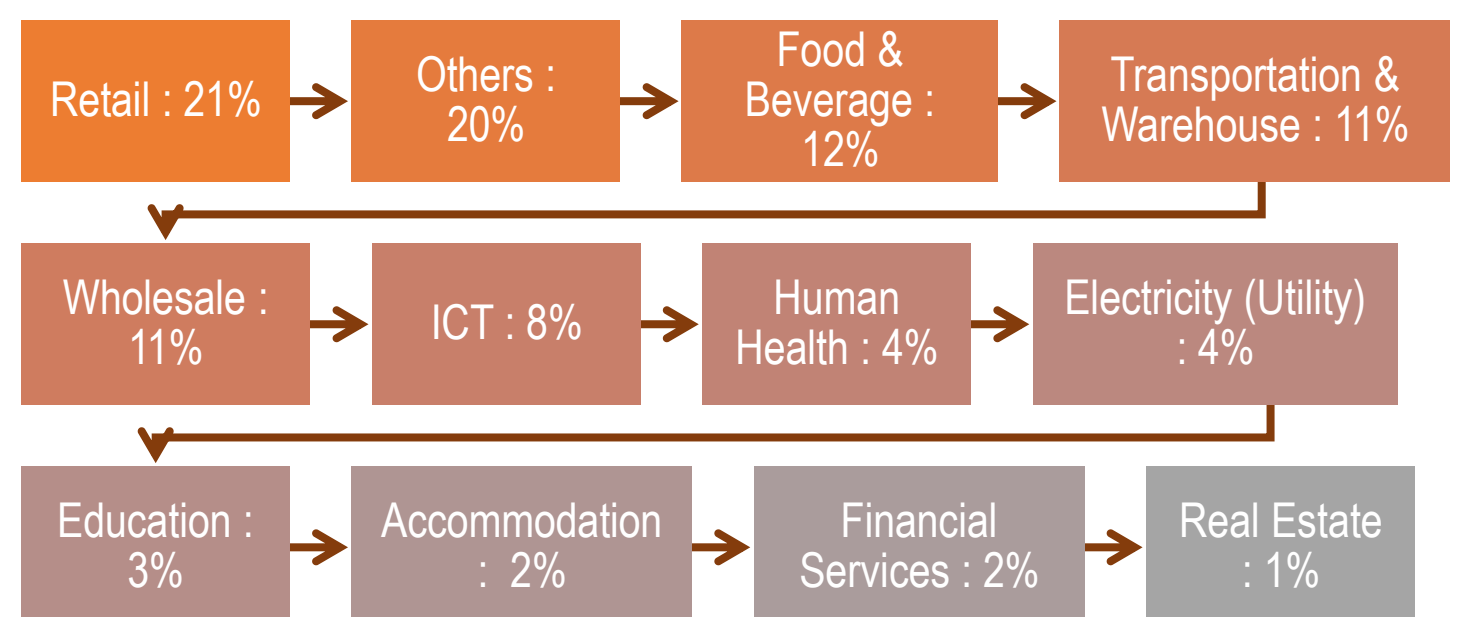
Manufacturing	MSME Definition	Others
Sales turnover : RM15 mil ≤ RM50 mil Employees: From 75 < 200	Medium	Sales turnover : RM3 mil ≤ RM20 mil Employees: From 30 < 75
Sales turnover : RM300,000 < RM15 mil Employees: From 5 < 75	Small	Sales turnover : RM300,000 < RM3 mil Employees: From 5 < 30
Sales turnover : < RM300,000 Employees < 5	Micro	Sales turnover : < RM300,000 Employees < 5

The services industry (69%) dominates the sample, whereas mining & quarrying as well as agriculture cumulatively only make up 2% of the total

Type of Sectors



More than half of the services respondents are concentrated in retail, food & beverage, transportation & warehouse, and wholesale



Services Sub-Sectors

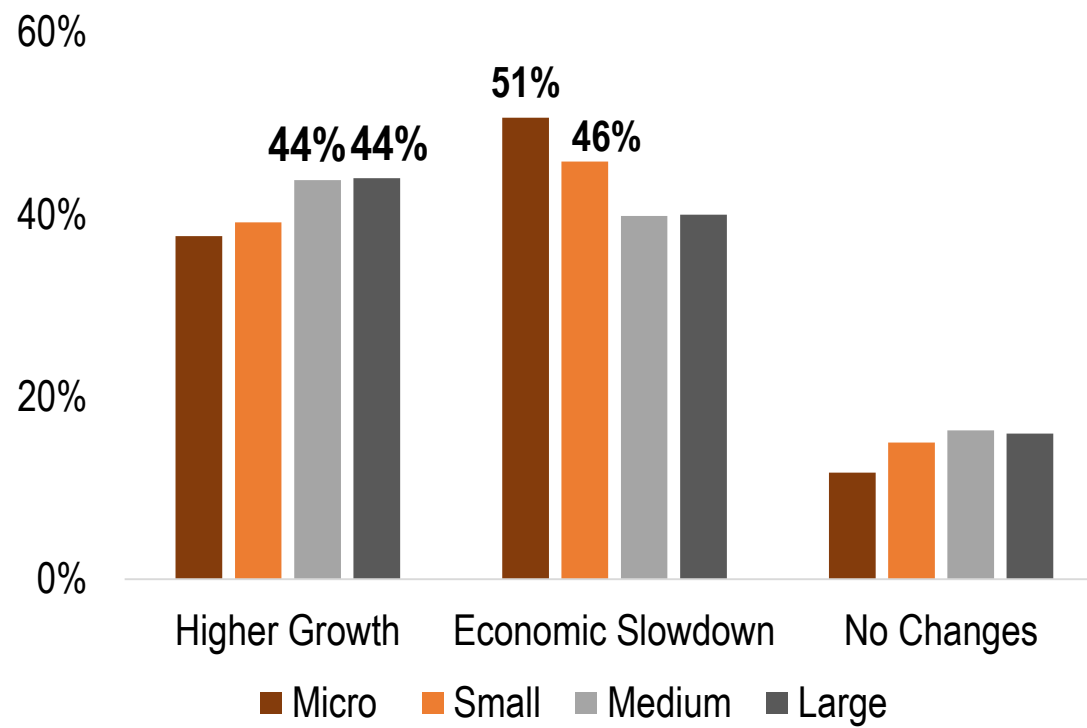
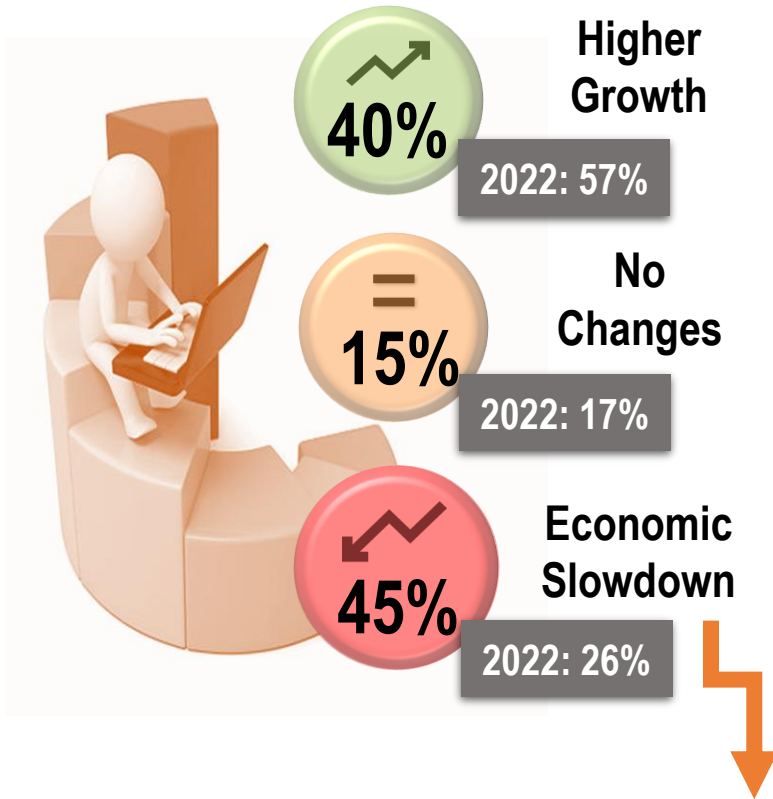
Survey Results

1 Expectations On Economic Environment

45% of MSMEs expect the economy to slow down over the next 6 to 12 months ...

... however most of the large and medium sized businesses anticipate higher growth

Top 3 sectors which expect a:



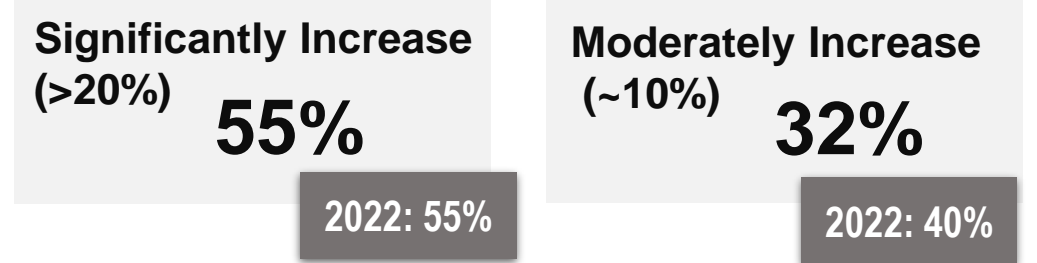
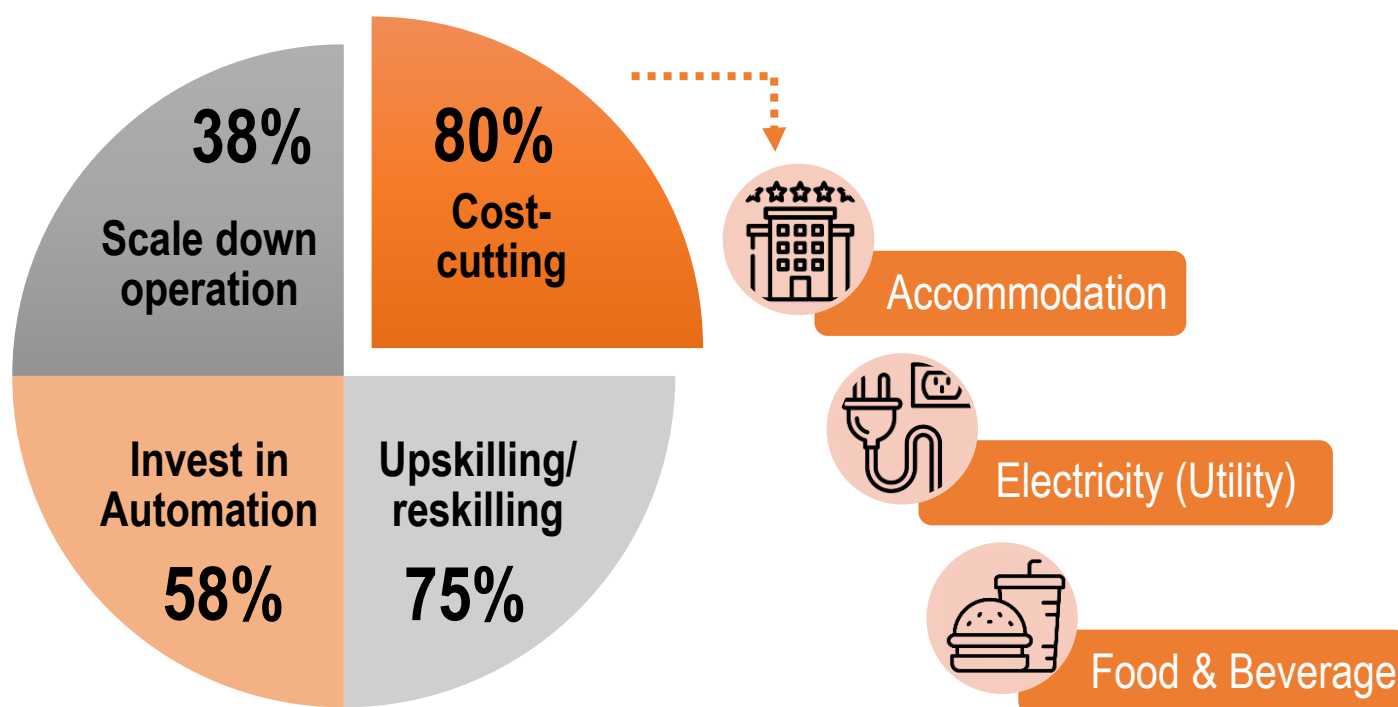
Higher Growth	Slowdown
Mining & Quarrying 86%	Electricity (Utility) 60%
Education 54%	Real Estate 60%
Wholesale 49%	Manufacturing 55%

2 Mitigation Plan During Economic Slowdown

MSMEs voted **cost cutting** as their preferred measure to sustain their business

3 Expectations On Cost Of Doing Business

87% of MSMEs expect cost of doing business to increase over the next 6 to 12 months



Top 3 sectors that expect an increase in cost are :

- Accommodation : 100%
- Food & Beverage : 94%
- Human Health : 94%

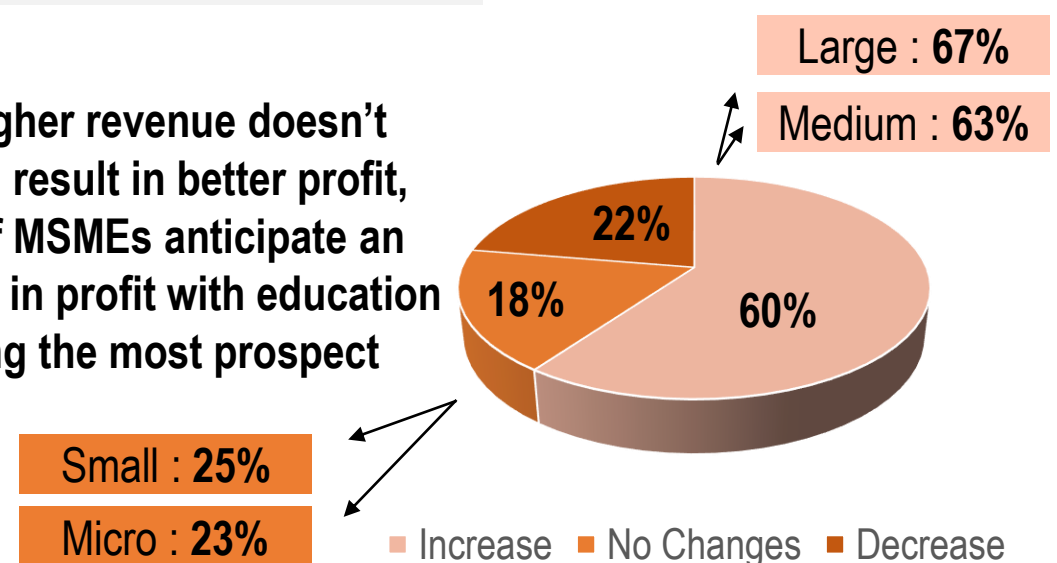
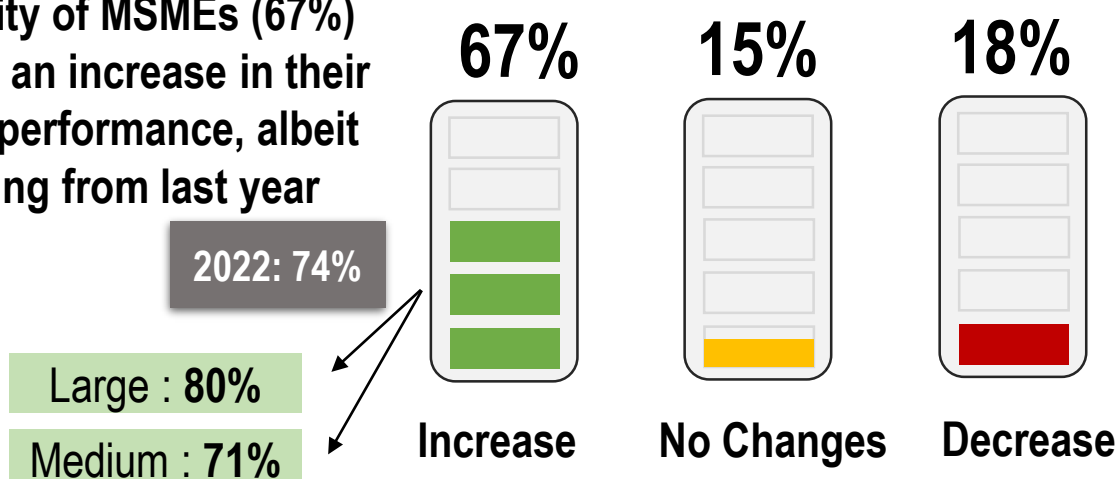
4 Expectations On Sales Performance

5 Expectations On Profit

Despite 45% of respondents anticipate economic slowdown, firm remains upbeat on their sales and profit

Majority of MSMEs (67%) expect an increase in their sales performance, albeit easing from last year

As higher revenue doesn't always result in better profit, 60% of MSMEs anticipate an increase in profit with education having the most prospect



Top 3 sectors which expect higher sales:

Top 3 sectors which expect higher profit:

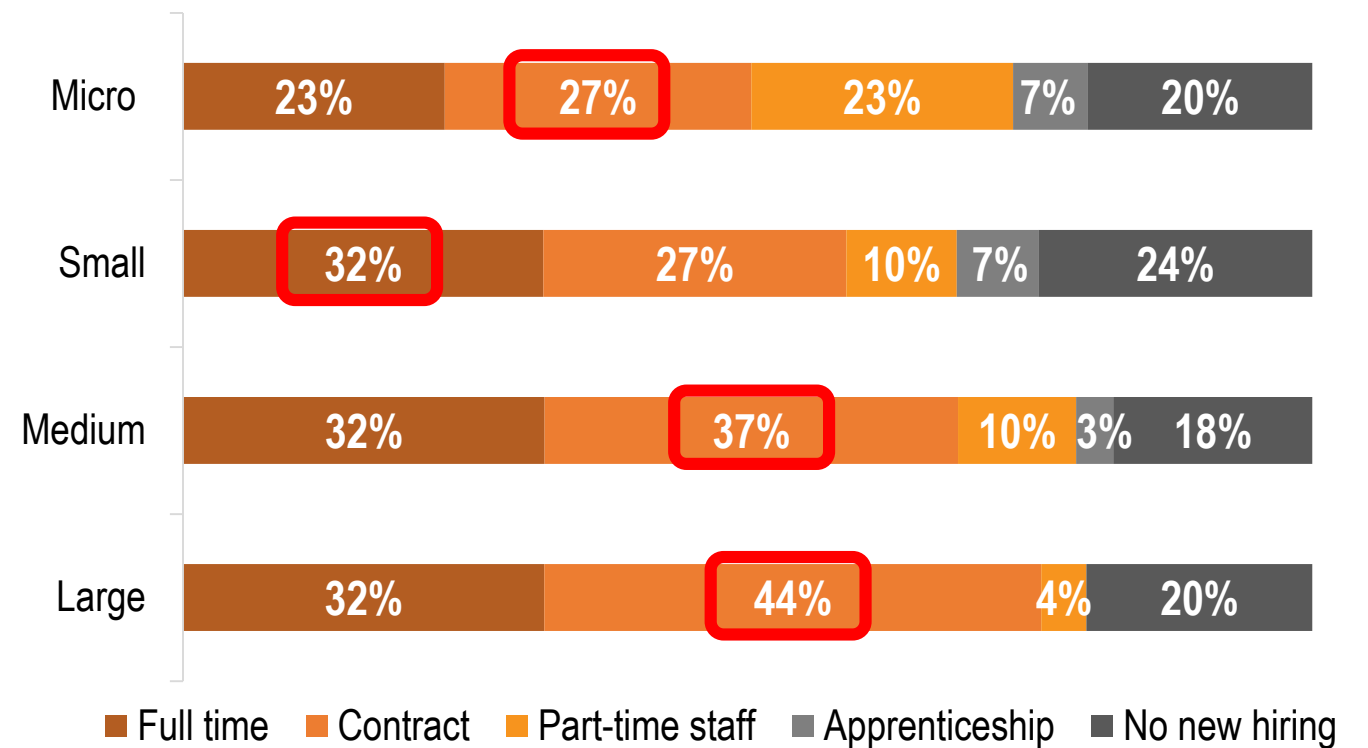
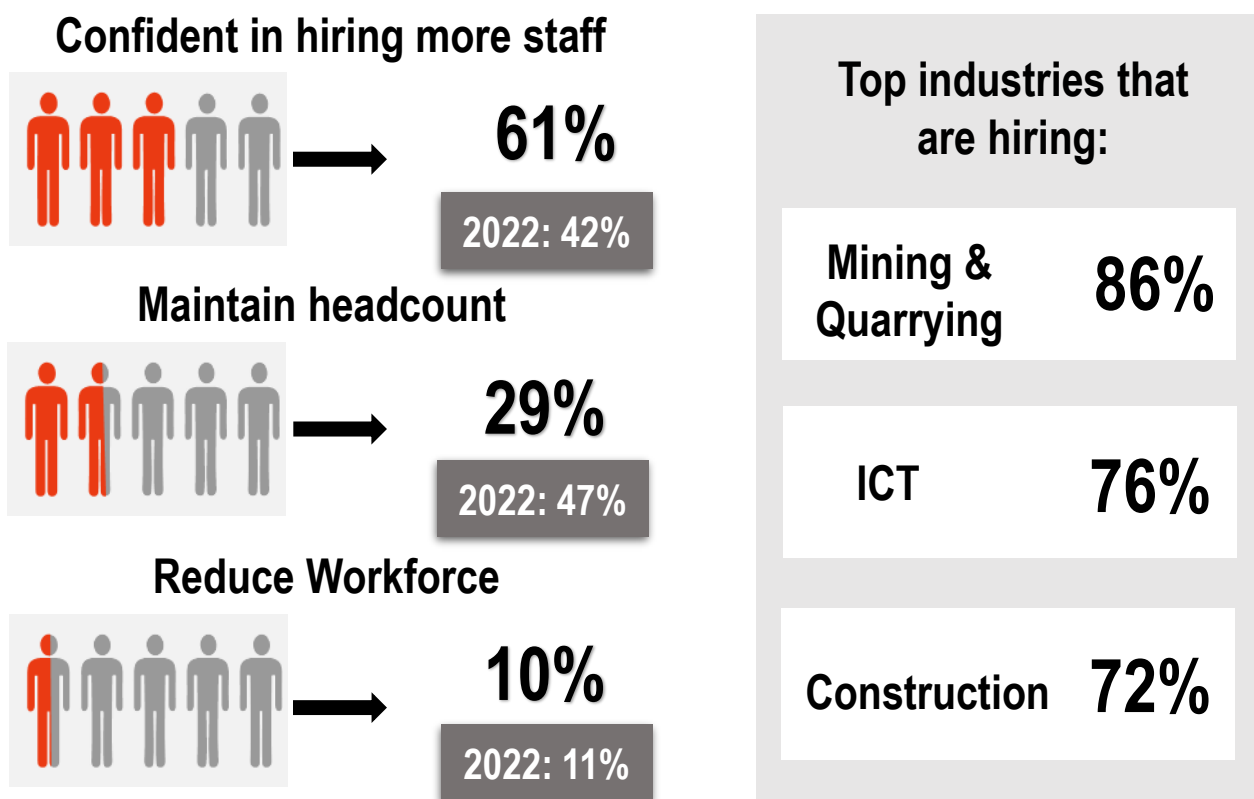
- Mining & Quarrying : 86%
- Construction : 74%
- Food & Beverage : 71%

- Education : 75%
- Financial Services : 71%
- ICT : 67%

6 Hiring Expectations

61% of MSMEs plans to increase hiring to meet growing demand due to economic recovery...

However, most of the MSMEs prefer hiring contract workers to have more flexibility

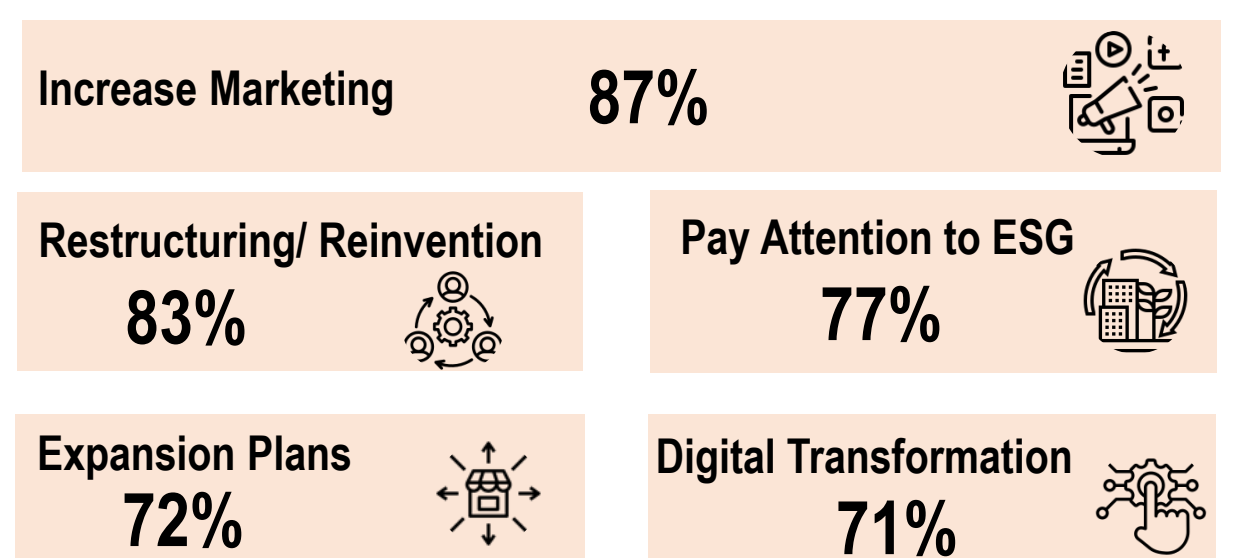
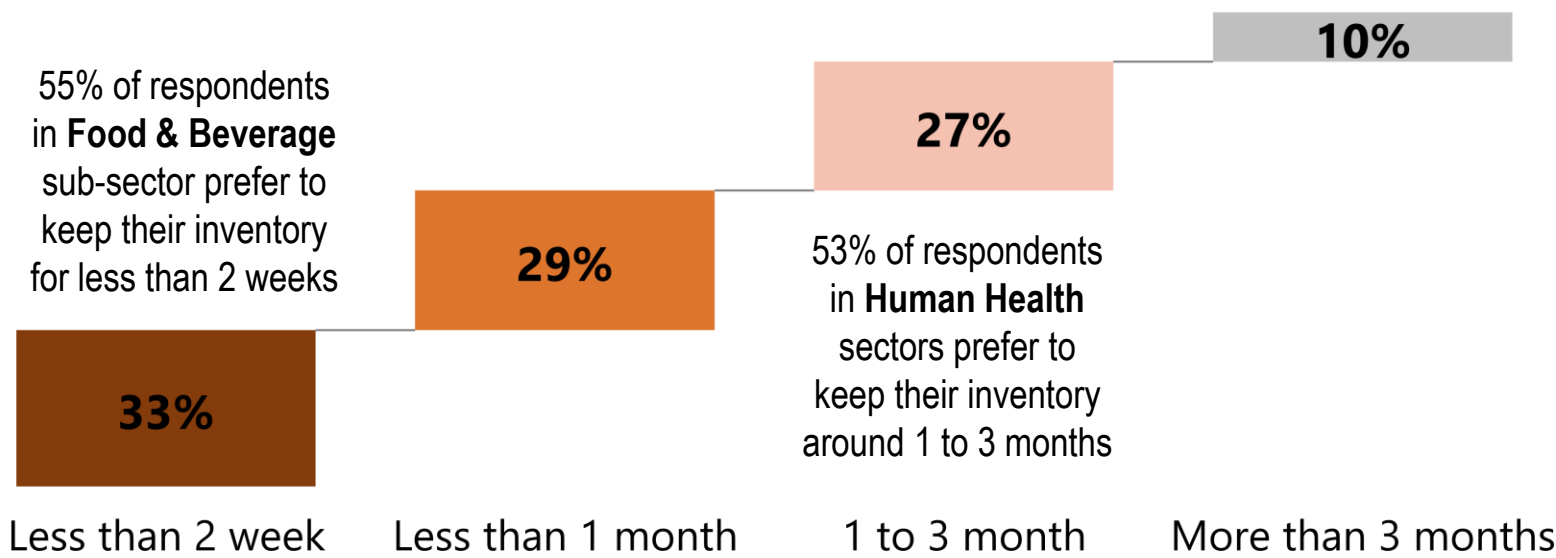


7 Inventory Management

More than half of MSMEs (62%) prefer to keep their stocks less than a month

8 Focus Area

Majority of respondents wishes to focus on increasing their marketing strategy, particularly MSMEs in the education, accommodation and real estate sectors



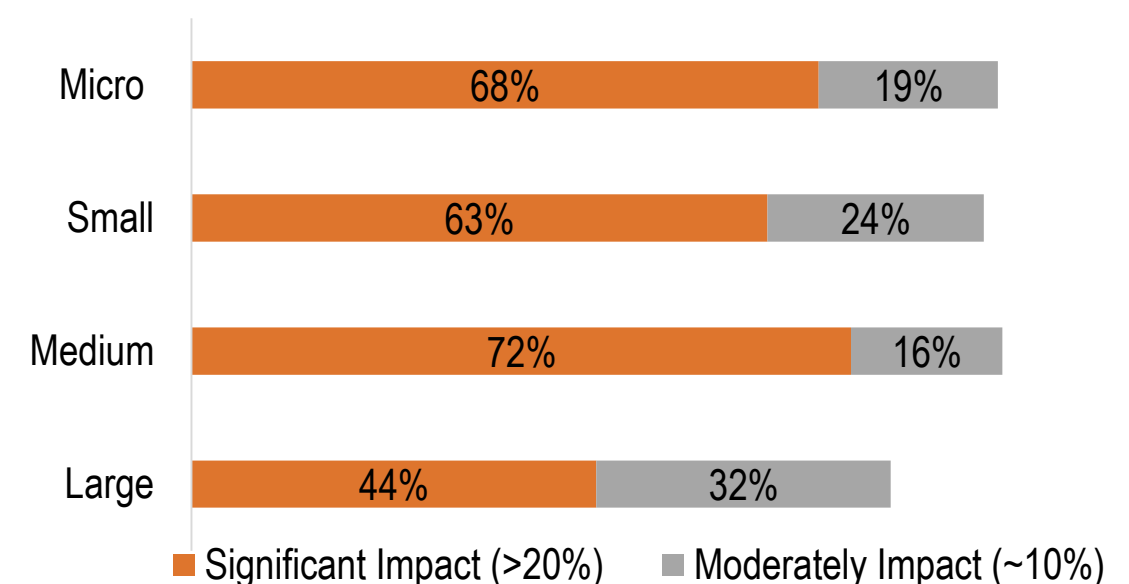
9 Factors Impacting Business Performance

Top 3 factors impacting MSMEs' business performance:

- Inflation: 87%**
Rising interest rates / high material cost
- Changes in government policies: 70%**
Political Uncertainty / regulatory requirement i.e. ESG adherence, tax compliance, labour laws
- Digital Transformation: 68%**
E-commerce / Digital Adoption

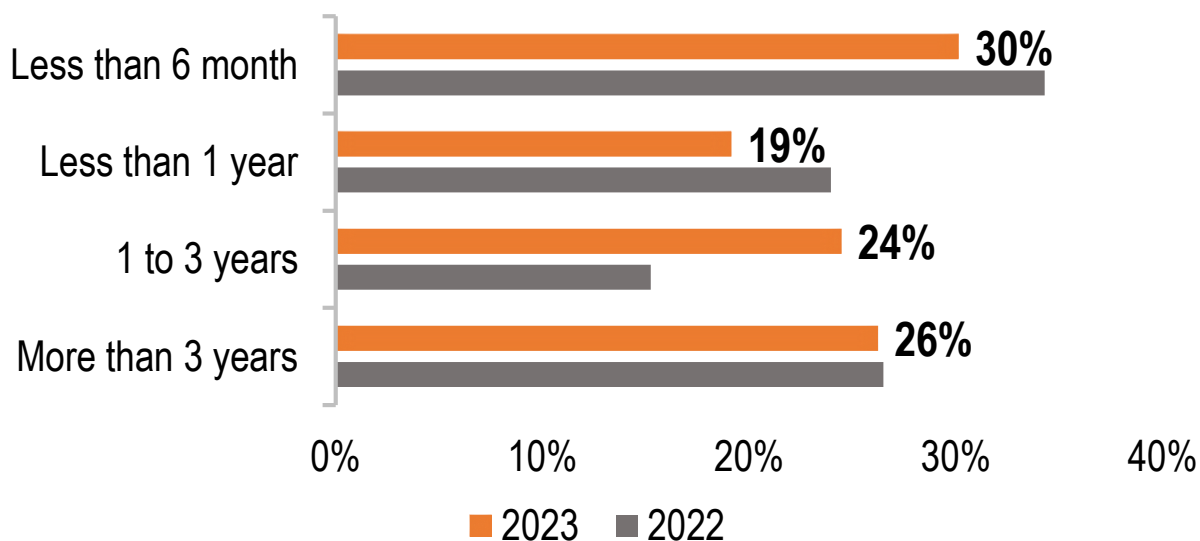
Impact of inflation towards business performance:

Majority of MSMEs, regardless of their business size, feel that rising cost is affecting their business performance



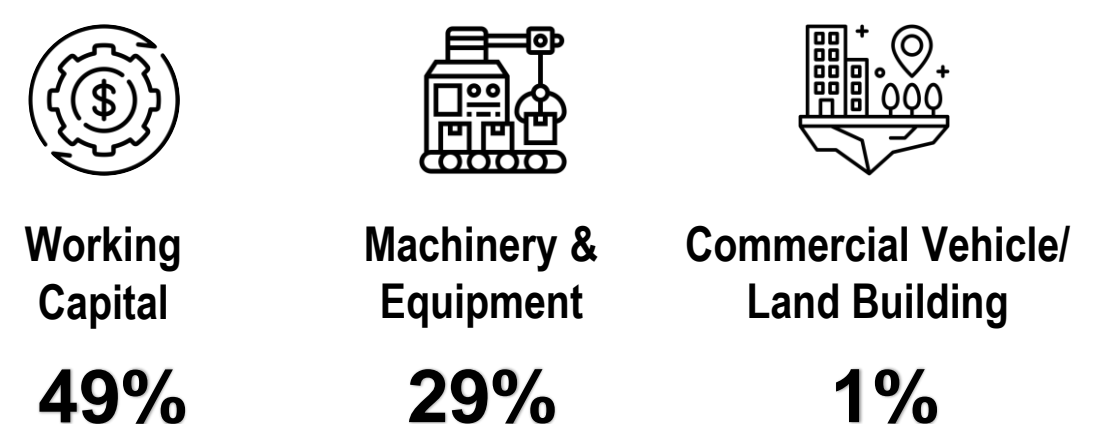
10 Financial Sustainability

1/3 of MSMEs are more vulnerable to shocks due to low cash reserves



11 Additional Financing

79% of respondents require financing, mainly for working capital purposes



DISCLAIMER

SME BANK has exclusive proprietary rights in the data or information provided herein. This document is the property of SME BANK and is protected by Malaysian and international copyright laws and conventions. The data and information shall only be used for intended purposes and not for any improper or unauthorised purpose. All information contained herein shall not be copied or otherwise reproduced, repackaged, transmitted, transferred, disseminated, redistributed or resold for any purpose, in whole or in part, in any form or manner, or by any means or person without SME BANK's prior written consent.

This research report provides general information only. Neither the information nor any opinion expressed constitutes an offer or an invitation to make an offer, to buy or sell any securities or other investment or any options, futures or derivatives related to such securities or investments. It is not intended to provide personal investment advice and it does not take into account the specific investment objectives, financial situation and the particular needs of any specific person who may receive this report. Investors should seek financial advice regarding the appropriateness of investing in any securities, other investment or investment strategies discussed or recommended in this report and should understand that statements regarding future prospects may not be realised. Investors should note that income from such securities or other investments, if any, may fluctuate and that price or value of such securities and investments may rise or fall. Accordingly, investors may receive back less than originally invested. Past performance is not necessarily a guide to future performance. Any information relating to the tax status of financial instruments discussed herein is not intended to provide tax advice or to be used by anyone to provide tax advice. Investors are urged to seek tax advice based on their particular circumstances from an independent tax professional.

Any opinion, analysis, observation, commentary and/or statement made by SME BANK are solely statements of opinion based on information obtained from sources which SME BANK believes to be reliable and therefore, shall not be taken as a statement of fact under any circumstance. SME BANK does not and is in no position to independently audit or verify the truth and accuracy of the information contained in the document and shall not be responsible for any error or omission or for the loss or damage caused by, resulting from or relating to the use of such information. Analysts based in SME BANK offices produce research on macroeconomics, equities, fixed income, currencies, commodities and portfolio strategy.

SME BANK and its affiliates, subsidiaries and employees shall not be liable for any damage or loss arising from the use of and/or reliance on documents produced by SME BANK or any information contained therein. Anyone using and/or relying on SME BANK document and information contained therein solely assumes the risk in making use of and/or relying on such document and all information contained therein and acknowledges that this disclaimer has been read and understood, and agrees to be bounded by it.

Economic Research, SME Bank
