



COVID-19 BUSINESS CONFIDENCE REPORT 2020



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METHODOLOGY

From 18 March 2020 to 28 May 2020, we have carried out the COVID-19 Business Confidence Survey 2020 to study the impact of Malaysian Control order (MCO) period due to Covid-19 pandemic on local East Malaysia Companies. The survey research focused on data and information collected from local companies in East Malaysia who have participated on our online survey questionnaire throughout the MCO period.

265 companies participated in this survey across MCO and CMC0 period. The data and information were collected from local companies in East Malaysia where representatives from each company consists of various positions:

- Top Management (e.g. CEO, CFO, Managing Director)
- Senior Management (e.g. Director)
- Middle-Management (Manager, Supervisor)
- Non-Management (e.g. Executives, Accounts, Admin)
- Self Employed / Sole Proprietor / Freelancer

In the COVID-19 Business Confidence Survey 2020, the questionnaire consisted of 18 questions. From the findings, our report is presented in 6 Topics. Every care has been taken in the collection and compilation of the survey data. COVID-19 Business Confidence Survey 2020 compiled herein is interpretive and indicative; and information should be used as a guide only.

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COMPLIMENTS

SarawakJobs.com & SabahJobs.com would like to express our appreciation to all parties involved, either directly or indirectly in realising the publication of COVID-19 Business Confidence Survey 2020.

[EAST MALAYSIA COMPANIES POLL]

LOCAL BUSINESS CONFIDENCE CRASHES, Companies feel the pinch as revenue dips

Question: Overall, how did your Business revenue change in (2020 Jan to Mar) compared to last year (2019 Jan to Mar)?

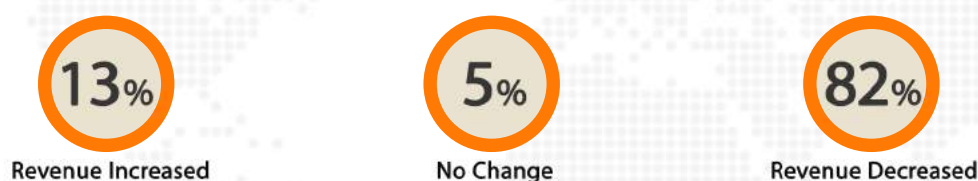


Figure 1.1
Q1 2019 Versus Q1 2020
Comparison on Business
Revenue Changes

Question: How do you estimate your Business revenue to change for the next 6 months from this year's (2020 April to Sept) compared to last year's (2019 April to Sept)?

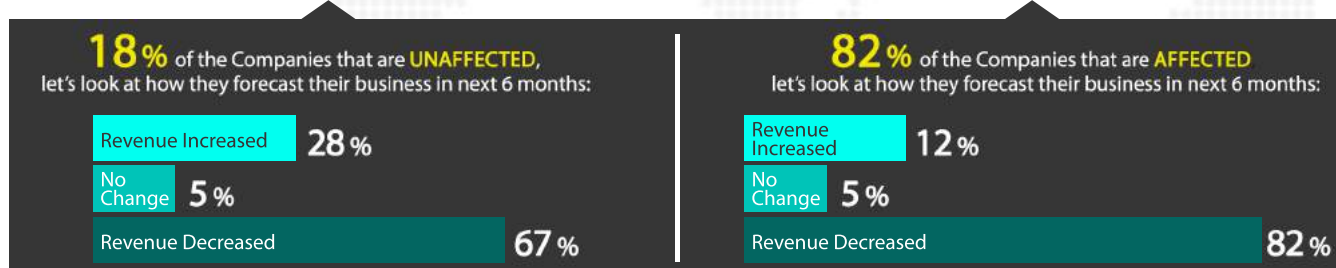


Figure 1.2
Q2 and Q3 2020
Forecast on Business Revenue Changes in next 6 months:

FINDINGS & ANALYSIS:

Be it the owner of a large, small or micro business or a government-linked agency, companies alike are in the fear that their business may go under just in a matter of months due to Covid-19 Movement Control Order (MCO). Local companies are instructed to close for almost 2 months, causing small or big business confidence to crash further. Given that some companies that are already vulnerable before the pandemic crisis, this has further shocked them disproportionately hard. The majority 82% of East Malaysia companies surveyed endured declining revenue for Q1 2020 when compared to Q1 2019, while only 5% of companies experienced no changes in their business revenue; and 13% of companies enjoyed revenue increased, as per Figure 1.1. Amongst the companies who were unaffected in Q1 2020, a high percentage of 67% companies estimated their revenue to decrease in the next 6 months; and whereas for those companies who were already affected, a consistent percentage of 82% companies estimated that there will be further decrement in future revenues for Q2 and Q3 2020. The pandemic threat has inevitably caused a bleak outlook for many local companies as they feel the pinch and stress of decreasing revenues. A further scrutiny at the majority 82% of companies actually shows that local business confidence will not resume anytime soon. Referring to Figure 1.3, the survey results show a fairly consistent outlook on declining revenues. A quick comparison between the first quarter of 2019 to 2020 where 24% of companies said their revenue decreased between 40-60%; now 20% of companies predict the same to follow in Q2 and Q3 2020. But 8% more companies estimated that their revenues will decrease even further in next 6 months given that 24% of companies estimated future revenues to decrease further between 60-80% in Q2 and Q3 2020; where only 16% of companies had experienced the same in Q1 2020. However on the bright side, as per Figure 1.2, 12% of affected companies predict that their business revenue may increase in Q2 and Q3 2020. Although only a minority of local companies here are showing confidence that the economy will recover after MCO is uplifted, the perceptions of uncertainty during COVID-19 pandemic has impacted a high proportion of local companies to be less optimistic in future revenues. Local companies are preparing themselves for a worst-case scenario to ride their business in this unknown storm.

Among those **82%** companies who are already facing revenue decline in Q1 2020, what's their estimate future revenues in Q2 & Q3 2020?

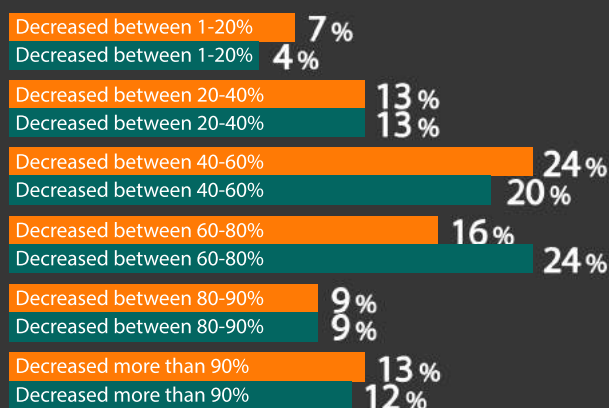


Figure 1.3
Forecast on Business Revenue Changes Across
Q1 2019, Q1 2020
VERSUS
Q2 & Q3 2019, Q2 & Q3 2020

[EAST MALAYSIA COMPANIES POLL]

HOW LONG CAN COMPANY SUSTAIN?

Reasons and Sentiments Unveiled

Question: What were the main reasons for the Revenue change?



Figure 2.1
Top 5 Reasons affecting Business Revenue during COVID-19

Question: Malaysia Movement Control Order (MCO) has been implemented since 18 Mar 2020.
In terms of Company Cash Flow; How long can your business sustain should the MCO be extended further?

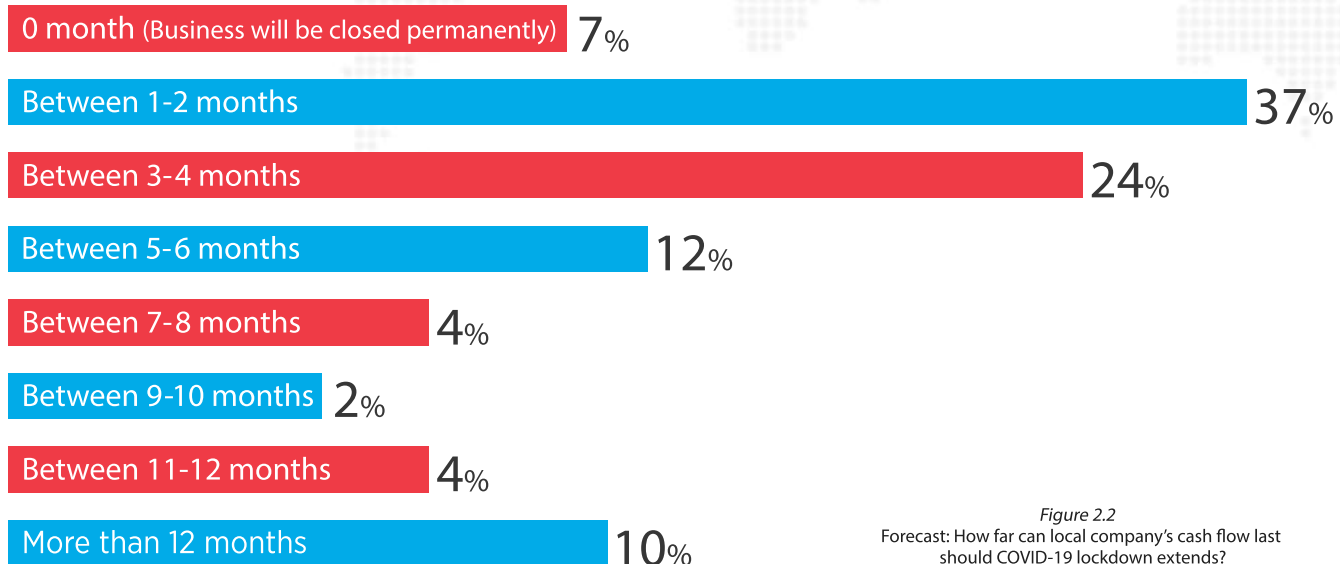


Figure 2.2
Forecast: How far can local company's cash flow last should COVID-19 lockdown extends?

FINDINGS & ANALYSIS:

The COVID-19 outbreak is likely to leave not just temporary effects but as well as permanent effects on local businesses. Here in East Malaysia, company's confidence has fallen significantly due to Malaysia Covid-19 MCO rules. Figure 2.1 shows the Top 5 main reasons for business' revenue change. Majority of 80% companies say revenues are affected by Covid-19 (MCO); 57% companies say revenues are affected due to the change in demand. Short term effects like temporary businesses closure are undeniable as many local companies are taking considerations to reduce spending and lower business activities as seen on page 4. In long term, many local companies will consider more stringent measures such as reducing staff compensation, freeze hiring and even retrenchment (see next topic) to cope with plunging revenues given that 82% of companies experienced revenue decreased in Q1 2020 and foresee that revenues will continue to decrease in Q2 & Q3 2020 (in reference to previous page).

A quick recap on Malaysia MCO which began on 18 March has moved to CMCO on 12 May and then to RMC0 on 10 June till present, and tentatively scheduled to expire on 31 August 2020. The multiple extensions of MCO which lasted almost 2 months before shifting to CMCO had resulted in local companies to sink in deep worries such as "whether they could survive through the pandemic / what happens after MCO / uncertainties on reopening their businesses". As many local companies are unable to operate due to the MCO regulations, this has led to inactive business activity causing depletion of cash flow. Figure 2.2 reflects 37% of companies surveyed predicted that their cash flow may sustain for 1-2 months; 24% says 3-4 months and 12% says 5-6 months. Sadly to say, during the MCO period, 7% say their business will close down permanently due to the shortage of cash flow. Based on the local companies surveyed, 73% do not foresee their business operations to run till end of 2020 while 20% are positive to sustain beyond 2020 should MCO extend further. With Malaysia introducing the Recovery Movement Control Order (RMC0) and allowing the opening up of almost all economic sectors, hopefully this could reverse the effects.

[EAST MALAYSIA COMPANIES POLL]

LAYOFFS, HIRING FREEZES:

Keeping the business moving

Question: Manpower forecast for the next 6 months (2020 April to Sept):
Is your company considering any of the following?

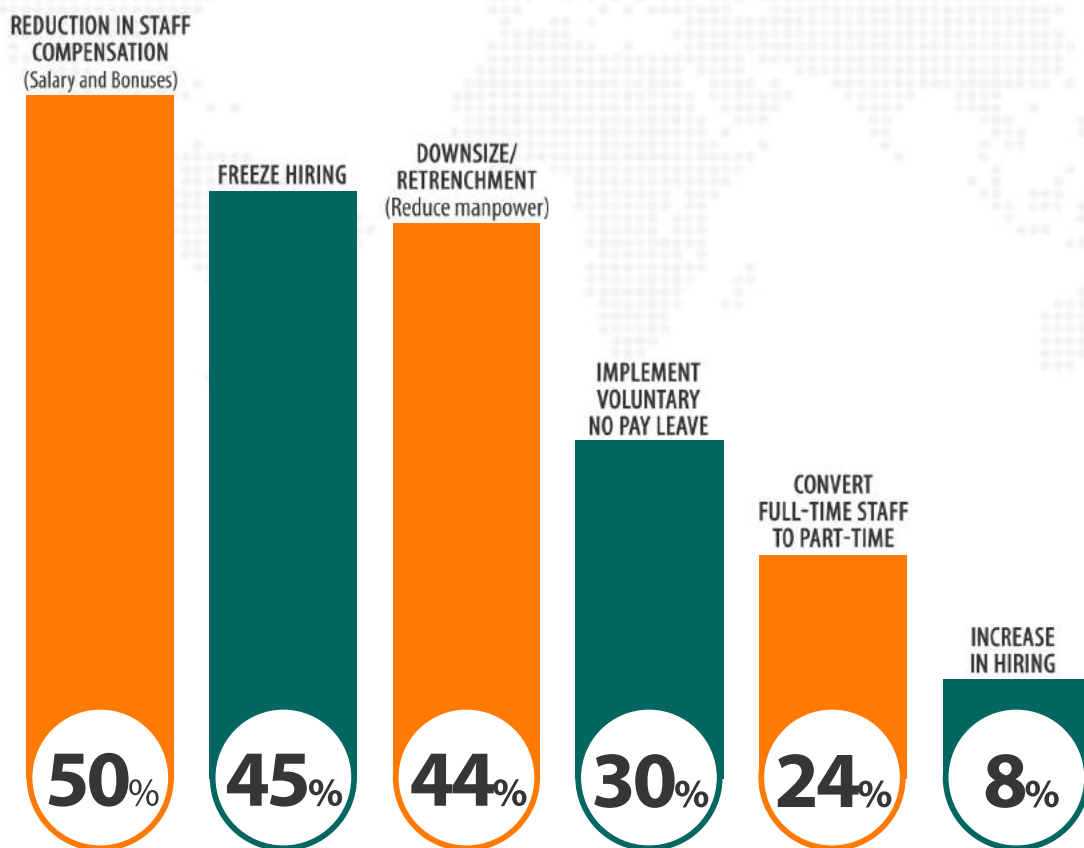


Figure 3
Manpower forecast for the next 6 months (Q2 & Q3 2020)

Findings & Analysis:

Covid-19 crisis has caused a strain on local companies, coupled with MCO regulations where only selected or limited sectors could operate. Faced with the sudden, difficulties and challenges to conduct business as usual, many local companies struggled across 2 months of MCO. Even when CMCO was implemented, some local sectors were still unable to operate. Based on the local companies surveyed, it is evident that companies in Sarawak and Sabah are facing financial difficulties as covered in the beginning of this report. With falling business revenues and the challenges to conduct business as usual, companies are compelled to respond fast: to make swift decisions on cost-cutting measures or restructure company's human resources.

As presented in Figure 3.1, local companies forecast on their human resource management plans for April to September (Q2 & Q3 2020). 50% plan to reduce their employees' compensation (such as salary and bonus); 45% intend to freeze hiring; 44% opt to downsize/retrenchment (such as reduce manpower); 30% implement voluntary no pay leave; 24% convert full-time staff to part-time. On the contrary, 8% of local companies will increase in hiring. As the pandemic situation evolves, companies are forced to adapt to the new normal; that includes making changes to human resource plans. Although some companies are vigilant in making quick responses, some are just "getting through" to keep the business going.

[EAST MALAYSIA COMPANIES POLL]

HOW COVID-19 DEFINES LOCAL COMPANY'S PLANS AND DIRECTIONS IN 2020?

Question: Business' operational forecast for the next 6 months (2020 April to Sept):
Is your Business considering any of the following?

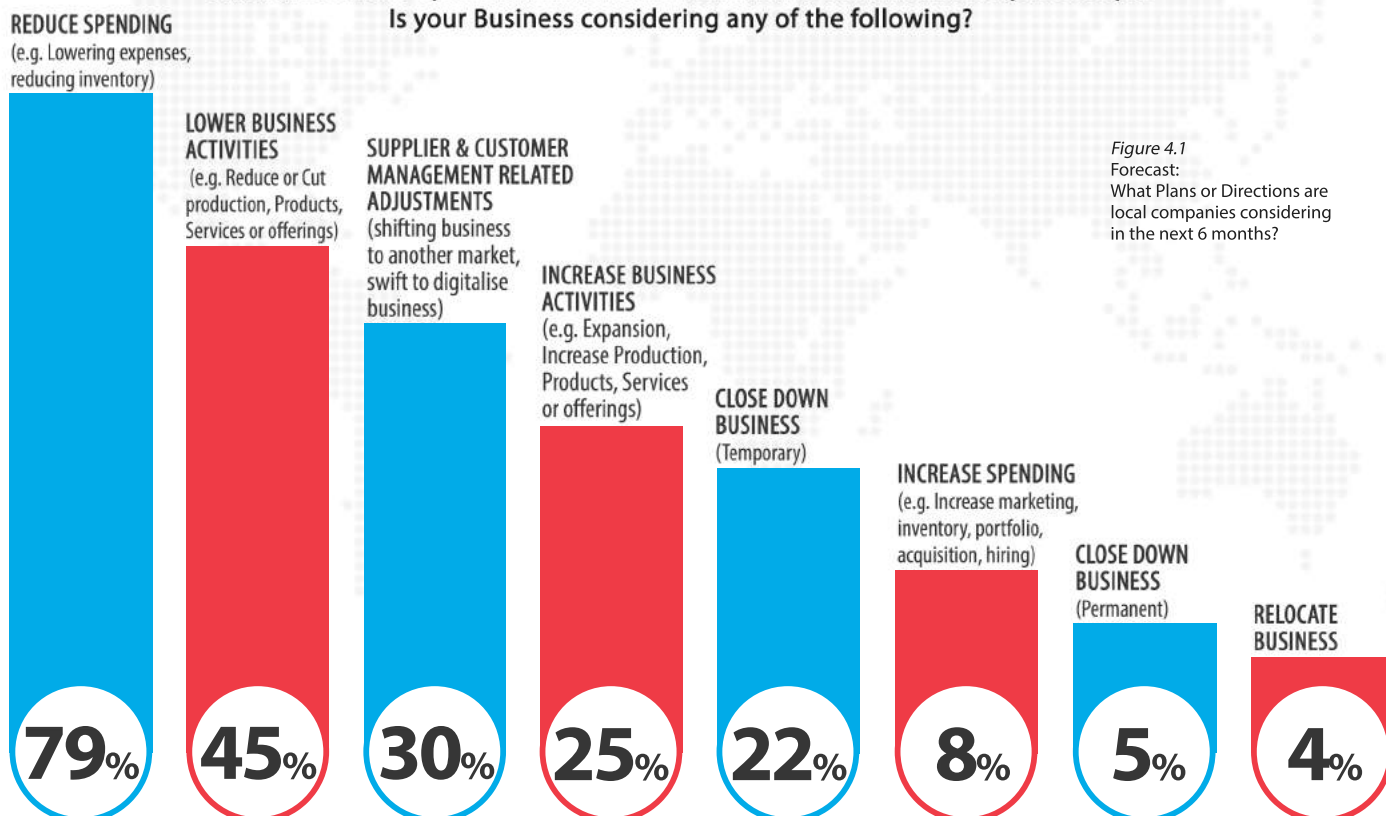


Figure 4.1
Forecast:
What Plans or Directions are
local companies considering
in the next 6 months?

Findings & Analysis:

In these troubled and tough times, local companies are facing overwhelming, competing challenges as they deal with or navigate to overcome impacts. Despite uncertainties on the recovery of the future economic, local companies are looking forward to re-open their businesses and to recover the lost revenues over the prolonged MCO period. To outmaneuver uncertainties in this crisis, company are constantly challenged to be responsive in their strategic business plans and directions to ride through 2020 and beyond; be it in managing cash flow wisely or changing business models or swiftly adapting towards digital space.

When local companies were asked to forecast on their business operations plans for April to September (Q2 and Q3 2020): Figure 4.1 shows that 79% plan to reduce spending; 45% intend to lower business activities (such as reduce or cut production, products, services or offerings); 22% and 5% will respectively close down business (temporary) and (permanent); and 4% shall relocate business. This is echoed by 55% who says "NO PLANS" to allocate budget in 2020 as in Figure 4.2.

On a positive note, 80% of the local companies will allocate budgets to improve productivity and branding during this new era of the new normal. In Figure 4.2, 25% intend to 'Upskill & Train', 16% will 'Invest in Research & Development' and 39% focus 'Digitalisation in Business Processes'. This trend is also observed in Figure 4.1 where 25% want to increase business activities and 8% will increase spending and 30% swift to digitalise business. These show that local companies are fighting within their means to build competitive advantage for their businesses and how they intend to recover or bounce back in uncertain economic situations.

So can we expect a promising outlook in 2021? As reflected in Table 4.3, regardless of an unpredictable economic situation or a possible muted economic recovery, 74% of local companies are confident that in the next 12 months ahead, the economic economy will get 'BETTER'. Merely 12% and 14% feel that the economy will remain either the 'SAME' or become 'WORSE'. Regardless of the future economic situation, we can see that local companies are taking serious considerations and making plans to remain viable.

Question: Does your Business intend to allocate budget for any of the below programs this year?

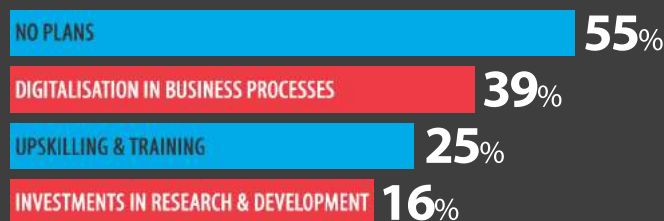


Figure 4.2
Forecast: Programs that local companies may be considering to invest in 2020?

Question: In the next 12 months, do you think our economic situation will be better, worst or same?

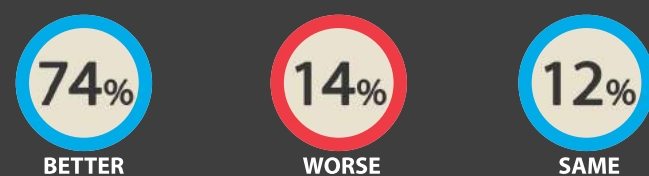
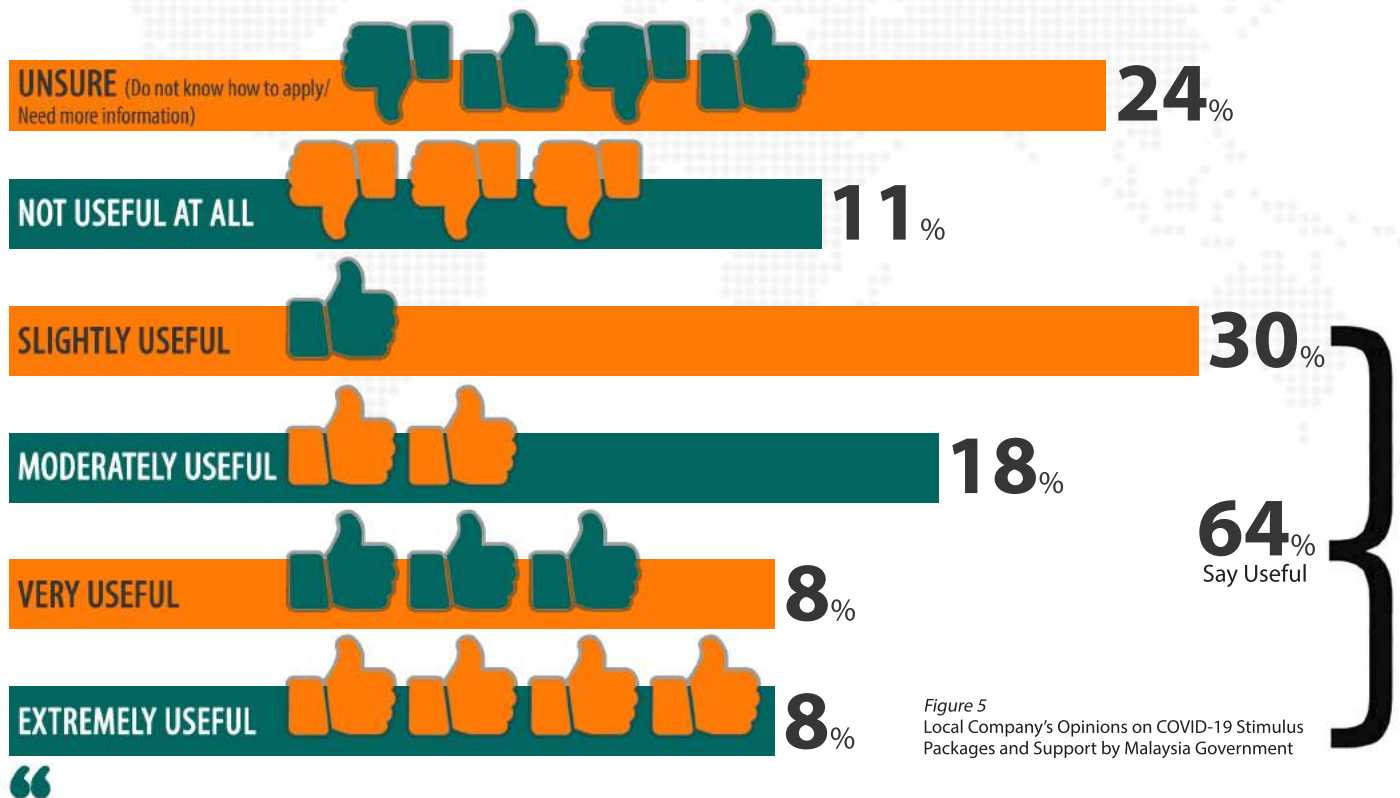


Figure 4.3
Forecast: What do local companies think
of the economic situation in the next 12 months?

[EAST MALAYSIA COMPANIES POLL]

Government support measure: IS IT BENEFICIAL TO LOCAL COMPANIES?

Question: The Malaysian Prime Minister and Chief Ministers of Sarawak and Sabah had unveiled Stimulus Packages and support measures to help Malaysians cope with the COVID-19 situation. Please rate how useful you think the following programmes will be in helping your business tide through COVID-19.



希望有个固定热线电话可以询问。大多数的辅助金都是帮助低群组。这次的灾难是全部人公民，所以不希望这些帮助要分什么群组才可以得到。应该为每个公民着想，每个公民都要帮助到。每个公民都公平的享有这些福利。这里也希望政府可以直接帮助公司，而不是顾虑他们去借钱周转。这样他们的负担更重。

Penangguhan bayaran bulanan sangat membantu. Jika tidak, syarikat saya hanya akan mampu bertahan untuk 2 bulan sahaja.

Ease the burden of rakyat during this difficult time especially those who are in B40 category



Findings & Analysis:

Since day one of MCO or within the short span of time, many business sectors were generally inactive. Along with diminishing cash flow, local businesses are confronted with financial woes. Amid COVID-19 and a slowing economy, Malaysia government has stepped up efforts such as introducing support measures to help local companies (especially cash-strapped businesses) to cope and stay afloat. Some of the interventions include an interest-free loan for SME business and a subsidized salary scheme for business with less than 75 employees. While the move is considered admirable by citizens, local business owners have mixed feelings. As per Figure 5: Overall majority 64% of the companies surveyed find the Stimulus Packages 'USEFUL'. This comprises of 30% who find it 'Slightly Useful'; 18% rated 'Moderately Useful'; 8% said 'Very Useful' or 'Extremely Useful'. Nevertheless, 11% beg to differ. They considered the scheme as 'Not Useful At All'. On the other hand, 24% were apparently 'UNSURE' as they do not know how to apply or need more information. This could also suggest that 1 in every 4 company are confused or unclear of the various schemes, terms or conditions to qualify, steps and procedures and so on. Apart from that, local companies have more to share...

LET'S HEAR WHAT LOCAL COMPANIES HAVE TO SAY:

"It eases the burden of the citizens especially who are in B40 category, and for some small business owners that have lost their business during this period, it is really helpful to support the family."

"The payment suspension really helps the company and make the business to stay for at least 2 more months."

"Some companies are not eligible for the stimulus package as it is only targeting companies with 75 employees and below and not meant for new companies."

"These requirements cause the employees to feel unfair."

"Some employers might perceive the package as something burdensome in the later stage as it is a loan after all. Even it is without interest."

"The package is still insufficient, as businesses are not allowed to resume."

[EAST MALAYSIA COMPANIES POLL]

IMPACT OF COVID-19 MCO ON LOCAL COMPANIES IS REAL

Question: What is the level of impact COVID-19 has on your business?

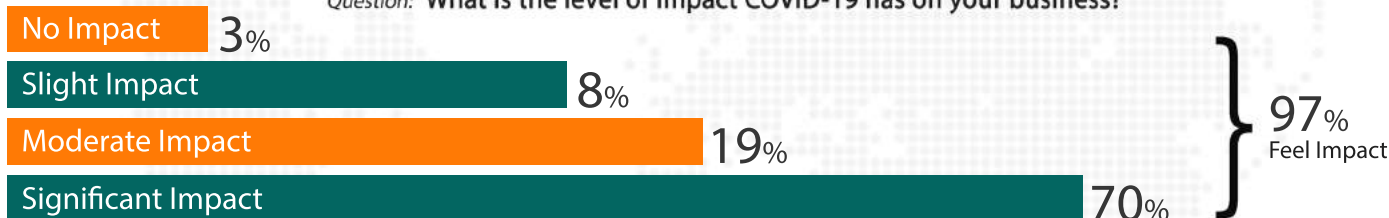


Figure 6.1
Local Company's Opinion on the impact of COVID-19

Question: Overall, the Government's Stimulus Packages and support measures will help my business tide through the COVID-19 situation.

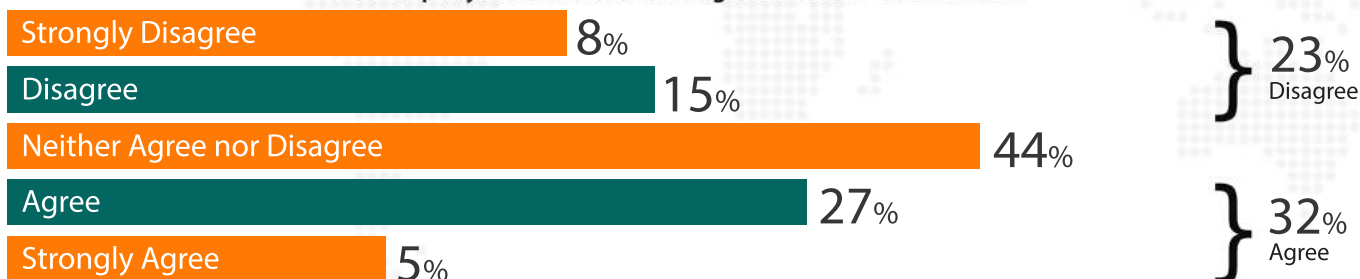


Figure 6.2
Local Company's Opinion on Gov Stimulus Packages; Does Company find it helpful to tide through COVID-19?

Question: Covid-19 has proven to be a very serious threat to human health, businesses, economies and the whole world has been affected. Many countries are battling this serious virus through "Lockdown" or some form of Isolation. What are your thoughts on the Malaysia movement control order (MCO) extension?

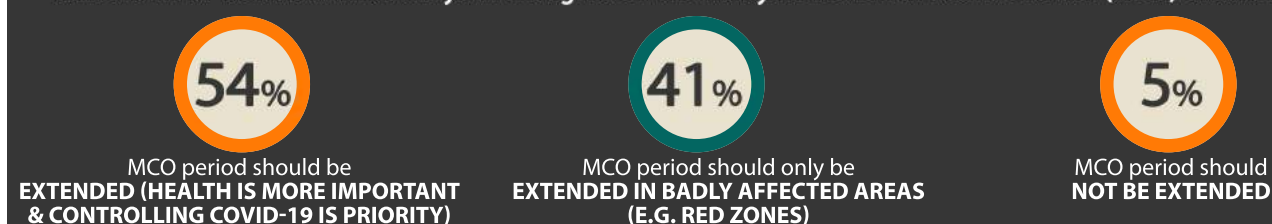


Figure 6.3:
Local Company's Opinion on Malaysia MCO extension

Findings & Analysis:

By and large, Malaysia has achieved its objective in changing the social behaviour towards handling the pandemic through the Movement Control Order (MCO). Having gone through from MCO to CMC and now entering the recovery phase of COVID-19 (RMC), exactly how are local companies impacted?

Prominently, there is a shared consensus and clear distinction as 97% of the local companies surveyed agree of the 'Impact' COVID-19 has on their business. A quick look at the different levels of impact on local companies, as per Figure 6.1 shows: 70% felt 'Significant Impact', 19% felt 'Moderate Impact' and 8% felt 'Slight Impact' while merely just 3% said 'No Impact'.

Needless to say, Government is too aware that prolonging the MCO period is costly for the nation and has a significant impact to the economy; thus the injection of the stimulus package in order to financially assist local companies. Despite these support measures, as pointed out in Figure 5, local companies have mixed emotions. In Figure 6.2, let's take a closer look on local companies' opinions: 23% 'Disagree', 44% 'Neither Agree nor Disagree' and 32% 'Agree' that the Governments Stimulus Packages and Support Measures will help business tide through COVID-19. Without a doubt, it is anyone's guess on how long will COVID-19 outbreak last; and adding on to all sorts of uncertainties, only time will tell.

Even though the impact of MCO is real, with falling revenues and closure of businesses, 96% of the local companies surveyed actually agree that MCO period should be extended. In Figure 6.3: 54% recognize 'Health is more important & controlling Covid-19 is priority'; 41% belief 'in badly affected areas such as red zones'. This is indeed a good indication that the government has successfully educated the danger of this pandemic. There is also an unpopular opinion to not to extend the MCO period as a minority contradicts or opposes: 5% say 'MCO period should not be extended'.

On 12 May 2020, the federal government lifted the MCO and entered the Conditional MCO (CMCO) phase following the country's success in flattening the curve of the Covid-19 cases. As such, some business operations are allowed to reopen, adapting with the new normal. Since 10 June 2020, as we entered the Recovery MCO (RMC) phase, all economic sectors are now allowed to operate. The fear towards the pandemic has helped the government to achieve this obedience; thus by lifting the MCO period will not change the social behaviour, which will provide positive effect towards the business confidence and economic output across the country. #Together we stand, let us build our economic situation to be BETTER in 2021!



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2017



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2018



**GOLD
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