

Business outlook subdued on external risks — survey

BY SYAHIRAH SYED JAAFAR

KUALA LUMPUR: Half or 51% of Malaysian companies polled in the Malaysian Business Sentiment Survey 2016/2017 believe that the business environment will worsen this year, due to external factors like dampened global demand and geopolitical uncertainties.

The survey, conducted on over 200 companies by Monash University Malaysia and CPA Australia last year, showed that the biggest issue concerning the local market is the increasing cost of doing business, which will have an impact on the bottom line of these firms.

The second major issue is the weakening of the ringgit, which will severely impact firms dependent on imported goods for their production process.

However, given that 2017 is a potential election year in Malaysia, 58% still remain confident or somewhat confident about their business prospects, despite expectations of a restrained business environment.

The survey's findings also showed firms are cautiously optimistic about the domestic business environment due to increased support from the government to stimulate domestic demand through various cash transfer programmes, large infrastructure development projects, and strategies to increase foreign direct investment in the country under the 11th Malaysia Plan.

Given an increasingly challenging and competitive business climate, a significant portion of companies in Malaysia have introduced new products and services to the markets in the past three years to stay competitive.

For example, 40% of companies polled in the survey said half their revenue in 2016 came from new products and services introduced. Having said that, 60% of those polled expect to concentrate on existing products and services, as well

as to seek new markets this year.

Meanwhile, the survey showed that companies recognise innovation as a key catalyst for enhancing competitiveness in the new economy, with 50% of respondents seeing the depth of talent in an organisation as the main driver of innovation.

58% still remain confident or somewhat confident about their business prospects, despite expectations of a restrained business environment.

Monash University Malaysia vice president of research and development Professor Mahendhiran Nair said Malaysia could benefit from learning from the strategies of more advanced markets.

"One of the things we can learn from advanced markets is how investments are channelled towards universities to address business issues.

"[For example,] in the US, small businesses can conduct research [with universities] to solve problems for industries. [They] are solving the problems, but [they] are also training the next generation of manpower," he said when presenting the findings of the survey yesterday.

"While we (Malaysia) have very good research institutions that produce qualified labour, what we are missing is the midstream technical staff, which are essentially the manpower critical to transform industries such as technology.

"For that, we need strong linkages between universities and the government to drive that," added Mahendhiran.