Business Tendency Statistics
Perspective analysis by firm size

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Introduction

Methodology

- System of economic statistics
- Business Tendency Survey
- Topics of questions
- Compilation
- Calculation

Business Tendency Statistics

- Selected Countries
- Other Related Indicator
- Quarterly GDP Growth (YoY) and Confidence Indicator
- Third Quarter 2019

Findings

Conclusion

- Business Tendency Statistics (BTS) presents qualitative information on the key economic variable related to current and future business performances.

- Provides short-term economic indicators for monitoring and evaluating current economic condition while quantitative information is not yet available.

- BTS gives early signal of turning points in the overall economic activity.

- BTS does not reflects the magnitude of change.

- BTS is published one month prior to the reference period end.

- This study uses data from the Business Tendency Survey that was conducted on a quarterly basis to attempt to evaluate the expectations of business performance by firm size for the period of Q4 2018 until Q3 2019.

- The study tend to examine the outlook on business activity contains information about confident indicator, net balance and future business expectations.
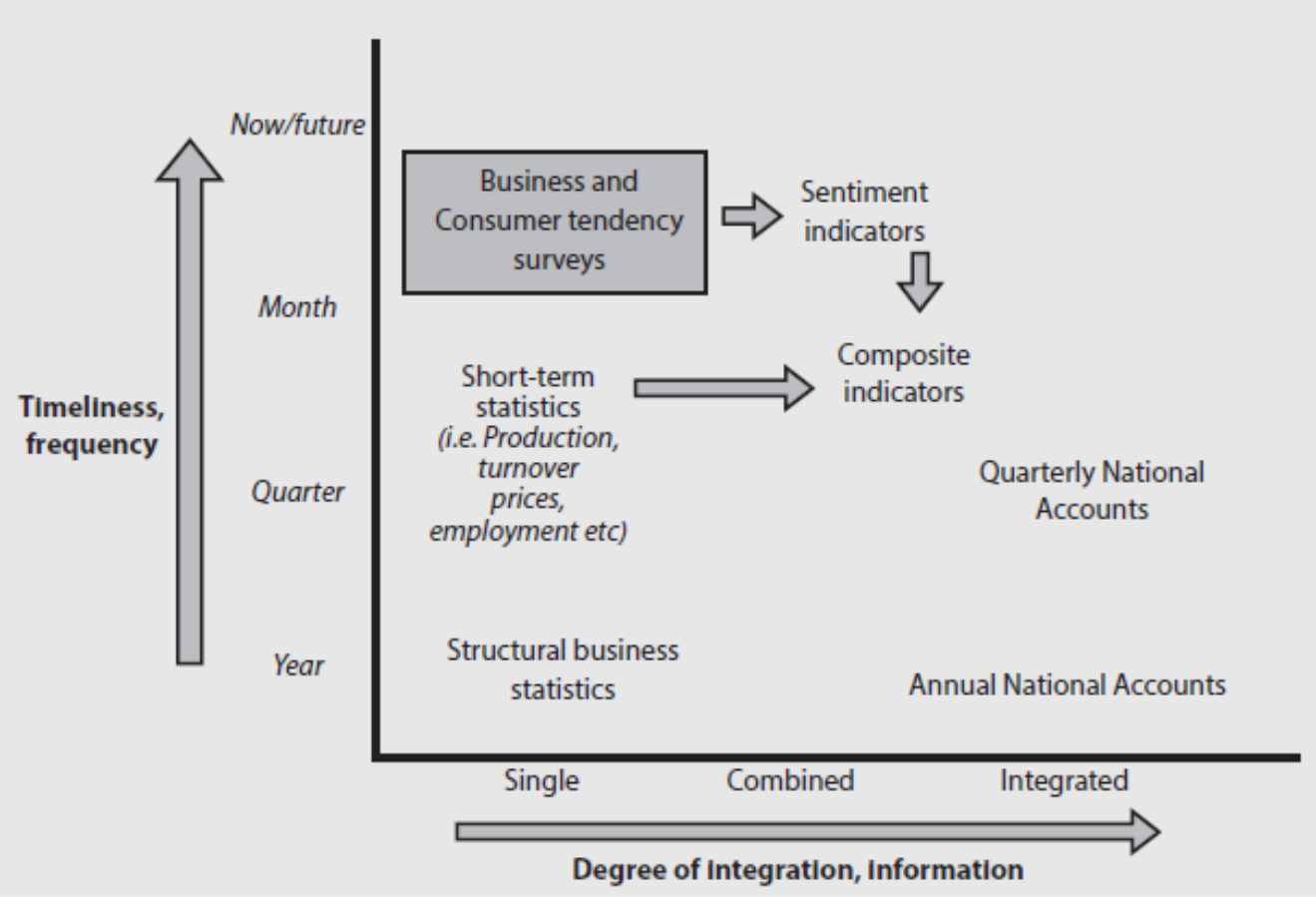
Manual used
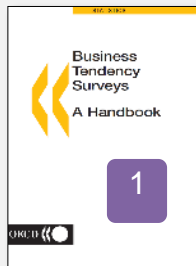
Business Tendency Survey: A Handbook, 2003
- Organisation for Economic Co-operation and
  Development (OECD)

Handbook on Economic Tendency Surveys, 2015
- United Nations

Economic tendency surveys and the system of economic statistics

Source: based on the concept of statistical matrix discussed by Algera (2005).

Comparison with quantitative statistics

Main differences:

• Qualitative vs quantitative responses

• Time of release

• Perception vs objective measures/levels

Tendency surveys are not a substitute for quantitative data, but rather they complement such data. The fact that the series move together gives credibility to both data sets

- The information collected in business tendency surveys is described as qualitative because respondents are asked to assign qualities, rather than quantities, to the variables of interest.

- Business tendency survey ask for an assessment of the company's current and future situation and of the economy as a whole.

- Using multiple choice questions with possible answers on a three-point scale.

Conducted on **quarterly** basis.

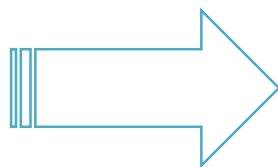Respondents comprise of **senior management of the company**.

Based on a **three-point scale type** for key economic variables.

❑**Better / Good**	✚	⬆
❑**Same / Satisfactory**	▬	▬
❑**Worse / Bad**	▬	⬇

For quarterly business tendency surveys

Question	Variables	Period covered
1.	Business situation	Future tendency (6 months ahead)
2.	Business situation	Current situation
3a.	Gross revenue	Present tendency (past 3 months) and future tendency (3 months ahead)
3b.	Number of employees	
3c.	Average of selling price	
3d.	Volume of demand	
4.	Current financial situation	Current situation
5.	Current access to credit	
6.	Limiting factors to company: a) Keen competition b) Lack of demand c) Shortage of labour d) High staff turnover e) High operating cost f) Others	

Economic activities	Subject	Past (3 months)	Present	Future (3 months)
Manufacturing	Evolution of order books	X		X
	Evolution of export order books			X
	Months of production assured by current order books		X	
	Factors limiting production		X	
	Production capacity		X	
	Capacity utilisation		X	
	Stock of raw materials		X	
	Evolution of the competitive position on the domestic market	X		
Construction	Months of production assured by current order books		X	
	Capacity utilisation		X	

This survey covers four main sectors in Malaysia namely

- Industry
- Construction
- Wholesale & Retail Trade
- Services.

2 Construction

1 Industry
- Agriculture
- Mining
- Manufacturing
- Electricity and Water

4 Services
- Hotels
- Transport
- Communications
- Finance
- Insurance
- Real Estate
- Information and Communications Technology

3 Wholesale and Retail Trade
- Wholesale Trade
- Retail Trade
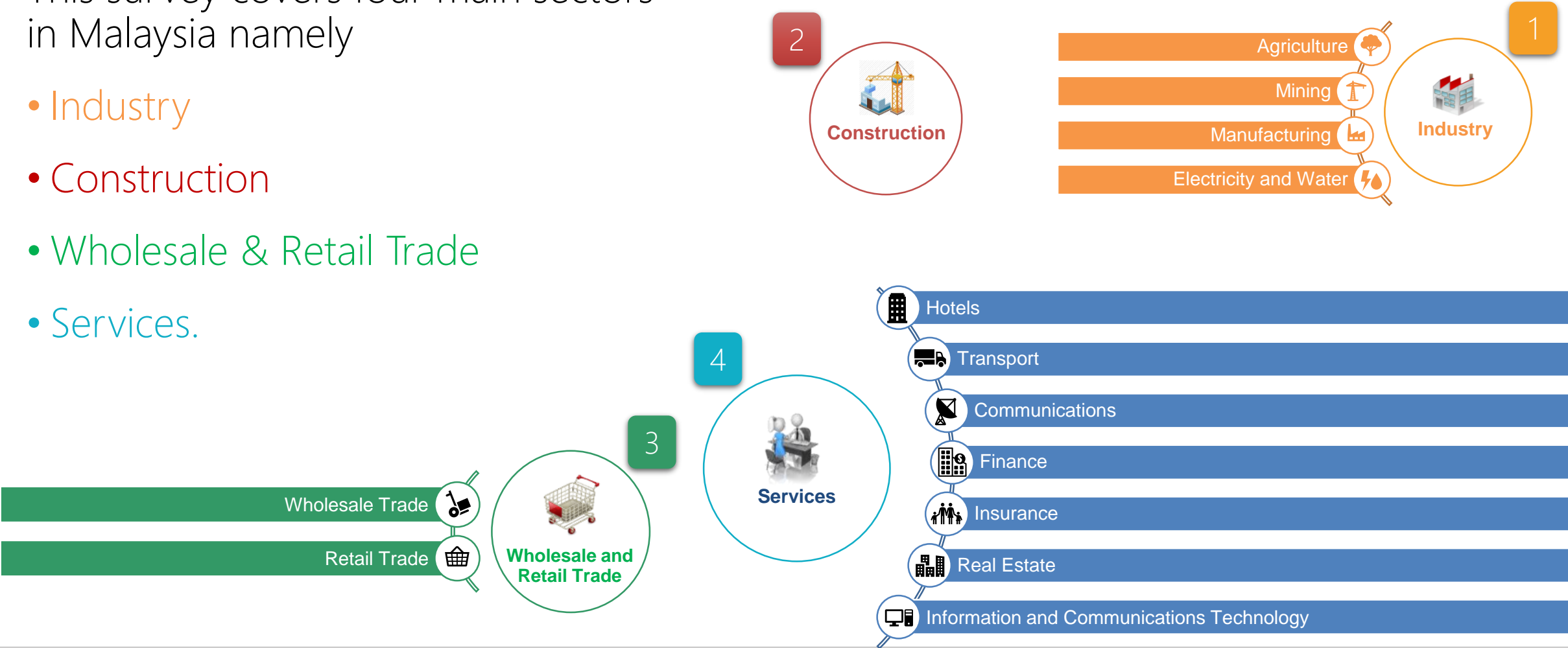
- This study uses data from the Business Tendency Survey that was conducted for the period of Q4 2018 until Q3 2019.

- Samples are matched accordingly to the size of the firm by using the information from current economic census frame.

The SME are define as follow

Manufacturing

Services and Other Sectors

Medium
- Manufacturing: Sales turnover: RM15 mil ≤ RM50 mil OR Employees: From 75 to ≤ 200
- Services and Other Sectors: Sales turnover: RM3 mil ≤ RM20 mil OR Employees: From 30 to ≤ 75

Small
- Manufacturing: Sales turnover: RM300,000 < RM15 mil OR Employees: From 5 to < 75
- Services and Other Sectors: Sales turnover: RM300,000 < RM3 mil OR Employees: From 5 to < 30

Micro
- Manufacturing: Sales turnover: < RM300,000 OR Employees: < 5
- Services and Other Sectors: Sales turnover : < RM300,000 OR Employees: < 5

Source: SME Corp Malaysia

NET BALANCE

❖ For a 3 option answers, the difference between the percentages of establishments/respondents responded favourable (Better/Good) and unfavourable (Worse/Bad) known as **net balance (B)**.

❖ It is calculated as:

$$B = P - N$$

Where

Above normal – Better / Good (P)
Normal – Same / Satisfactory
Below normal – Worse / Bad (N)

❖ Reflects the existence of optimistic and pessimistic perceptions over the short-term period

CONFIDENCE INDICATOR

❖ Average of the net balance for selected variables

❖ Summarises the overall views and expectation of business situation provided by the respondents.

❖ In order to have an overall indicator, a selection of a set of survey variables is combined into a single composite indicator.

❖ These indicators are called "Confidence Indicators" and derived from the average aggregated net balances of the selected variables.

❖ As a result, they can be an important source of information for computing flash estimates or short-term predictors for the development of macroeconomic.

SELECTED COUNTRY MONTHLY BCI - OECD

Legend: ■ 2019-01 ■ 2019-02 ■ 2019-03 ■ 2019-04 ■ 2019-05 ■ 2019-06 ■ 2019-07

CHINA: 98.6, 98.7, 98.8, 98.8, 98.7, 98.6

UK: 101.1, 100.9, 100.6, 100.3, 99.9, 99.5, 99.1

JAPAN: 101.2, 101.0, 100.9, 100.8, 100.7, 100.6

KOREA: 98.4, 98.5, 98.6, 98.6, 98.6, 98.6

OECD: 100.4, 100.3, 100.2, 100.1, 99.9, 99.8

TURKEY: 95.9, 95.8, 96.2, 96.7, 96.9, 96.9, 96.3

USA: 100.5, 100.3, 100.2, 100.0, 99.8, 99.7, 99.6

3-MONTH EXPECTED BSI

THAILAND: 55.1, 55.5, 53.8, 56.8, 55.8, 54.3, 53.7

Legend: ■ Jan-19 ■ Feb-19 ■ Mar-19 ■ Apr-19 ■ May-19 ■ Jun-19 ■ Jul-19

6-MONTH BUSINESS OUTLOOK FOR SERVICES

SINGAPORE: 9.0, 3.0, -4.0, 4.0, 2.0

Legend:
■ JUL - DEC 2018
■ OCT 2018 - MAR 2019
■ JAN - JUN 2019
■ APR - SEP 2019
■ JUL - DEC 2019

6-MONTH BUSINESS OUTLOOK FOR SERVICES

MALAYSIA: 25.3, 18.7, 7.5, 30.5, 25.6

Legend:
■ JUL - DEC 2018
■ OCT 2018 - MAR 2019
■ JAN - JUN 2019
■ APR - SEP 2019
■ JUL - DEC 2019

OECD

- Overall selected country data shows declining trend for BCI except for Korea remain steady.

- This business confidence indicator (BCI) provides information on future developments, based upon opinion surveys on developments in production, orders and stocks of finished goods in the industry sector.

- It can be used to monitor output growth and to anticipate turning points in economic activity. Numbers above 100 suggest an increased confidence in near future business performance, and numbers below 100 indicate pessimism towards future performance.

MIER
Business Conditions Index: 2Q2019 4

IHS Markit
Malaysia Manufacturing PMI® 1

PMI remains weak but signals steadying production trend, rising employment and brighter outlook

Malaysia Manufacturing PMI
sa, >50 = improvement since previous month

Source: IHS Markit.

Key findings

Survey data highlight challenging manufacturing conditions...

...but Output Index holds relatively steady

Job gains reported as optimism at near six-year high

RAM Business Confidence Index indicates evidence of trade diversion benefits 3

Published on 27 Jun 2019.

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The latest RAM Business Confidence Index (RAM BCI) for 3Q-4Q 2019 indicates a rebound in the sentiment of export-oriented Corporates in Malaysia. The overall index for export-oriented Corporates jumped 2.1 points – the first uptick in the last three quarters and the biggest increase to date. At 57.9, the surge in optimism is mainly attributable to a steep spike in Corporates' turnover and profitability sub-indices (+7.2 points to 61.6 and +7.5 points to 61.6, respectively).

Business sentiment slightly better in Q3 2

09 JUL 2019 / 20:31 H.

KUALA LUMPUR: Business sentiment among Malaysian companies rebounded slightly in the third quarter (Q3) after falling in Q2 this year, according to Dun & Bradstreet (D&B) Malaysia's Business Optimism Index (BOI) study.

Sentiments Slip A Tad

- BCI drop slightly to 94.2 points
- Sales deteriorate
- Production increase marginally
- Modest rebound in external orders
- Expected production inched-up slightly
- Expected export sales decline
- Published on 27 July 2019

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CORRELATION 0.7435
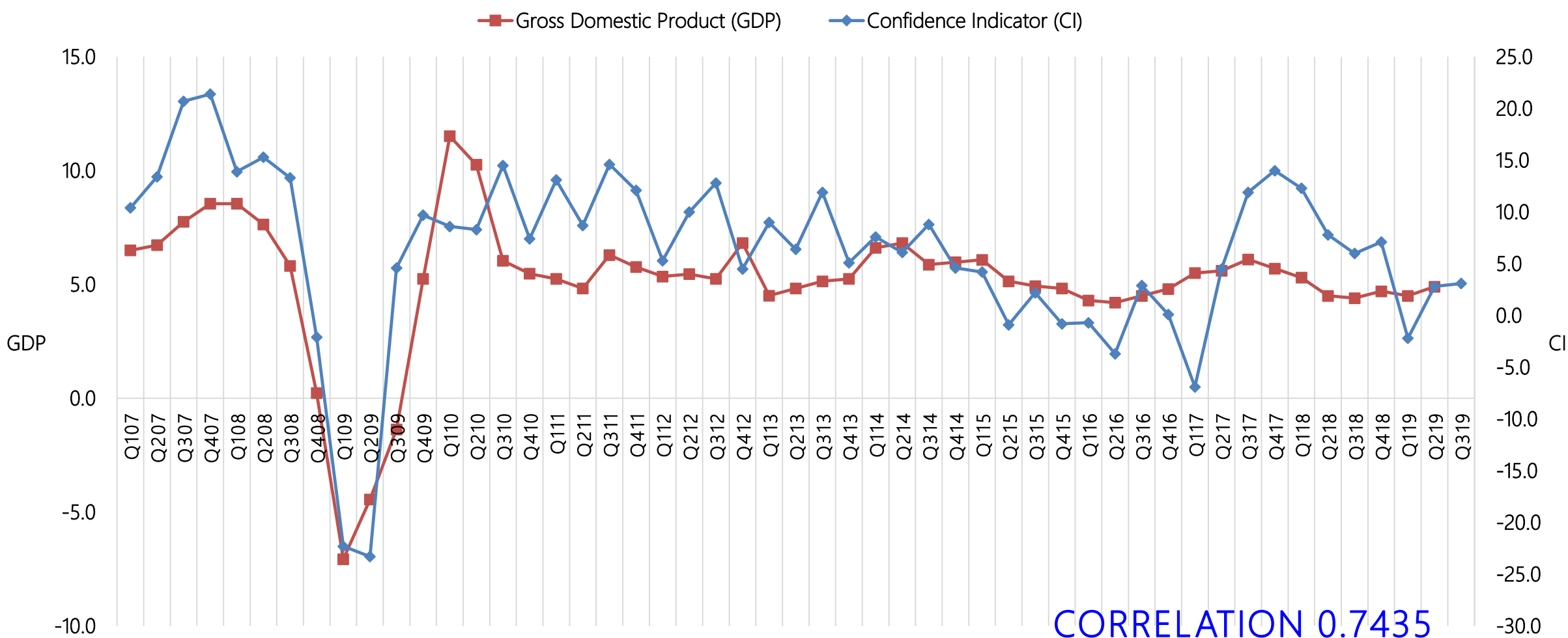
1. Confidence Indicator and GDP by Sector
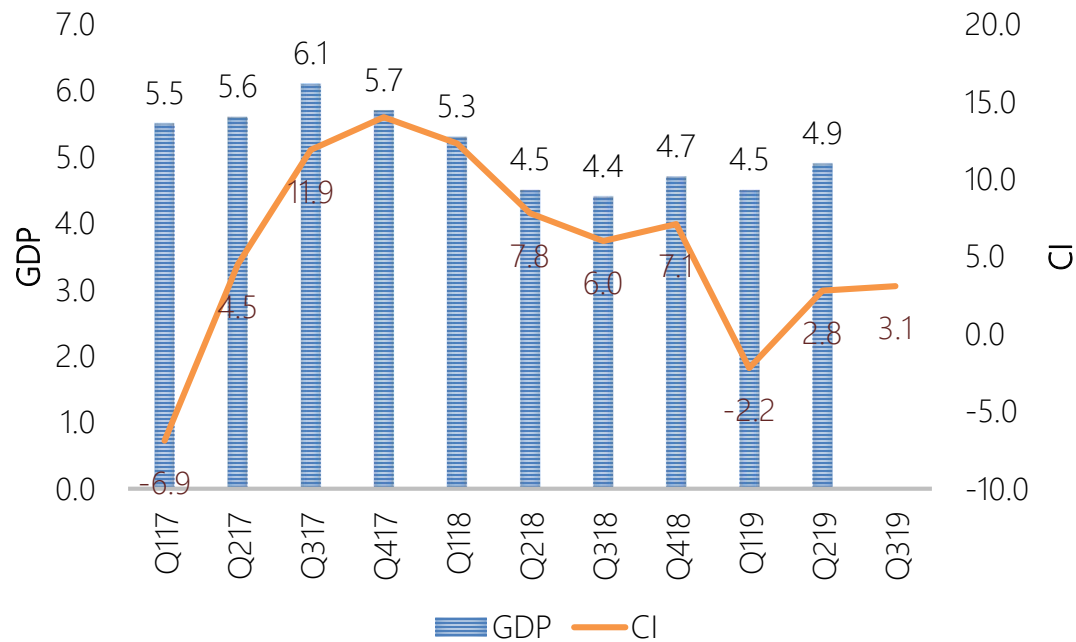
Businesses remain optimistic on their business performance for Q32019. Confident Indicator increased slightly to +3.1 per cent as against +2.8 per cent recorded in the preceding quarter.

BUSINESSES REMAIN OPTIMISTIC FOR THE THIRD QUARTER OF 2019

JULY-SEPT 2019 (APR-JUNE 2019) CONFIDENCE INDICATOR	JULY-DEC 2019 (APR-SEPT 2019) NET BALANCE

INDUSTRY* +0.7% (-6.7%)
INDUSTRY* +18.9% (+7.3%)
CONSTRUCTION -12.8% (-9.3%)
CONSTRUCTION -11.7% (-2.3%)
+3.1% (+2.8%) +18.2% (+14.2%)
WHOLESALE & RETAIL TRADE +8.7% (+13.4%)
WHOLESALE & RETAIL TRADE -0.1% (+6.7%)
SERVICES** +11.5% (+20.8%)
SERVICES** +25.6% (+30.5%)

* Agriculture, Mining, Manufacturing and Water & Electricity
** Hotels, Transportation, Communication, Finance, Insurance, Real Estate and Information Technology & Communication

Source: Business Tendency Statistics, Third Quarter 2019

2. Confidence indicator by sector and firm size

■ Total ■ Large ■ Medium ■ Small ■ Micro

Q4 2018

All sectors, except for Construction sector, foresee better business condition in the fourth quarter of 2018
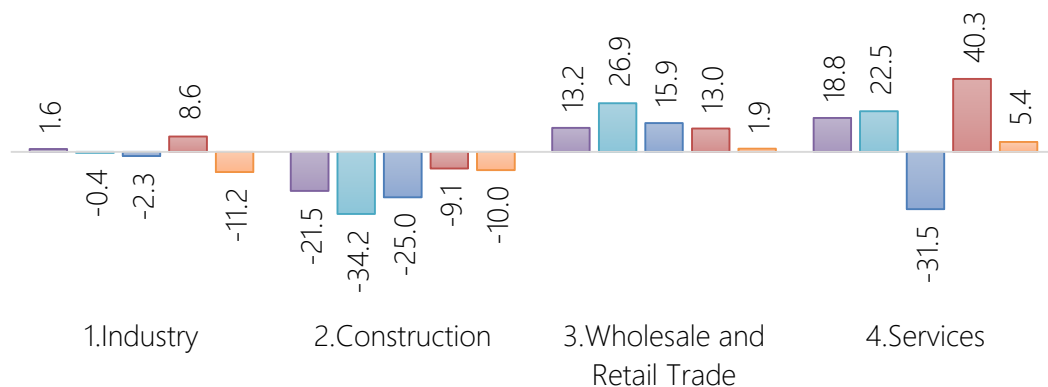
Q1 2019

Industry, Construction and Wholesale & Retail Trade sectors expect their business situation to decline in the first quarter of 2019
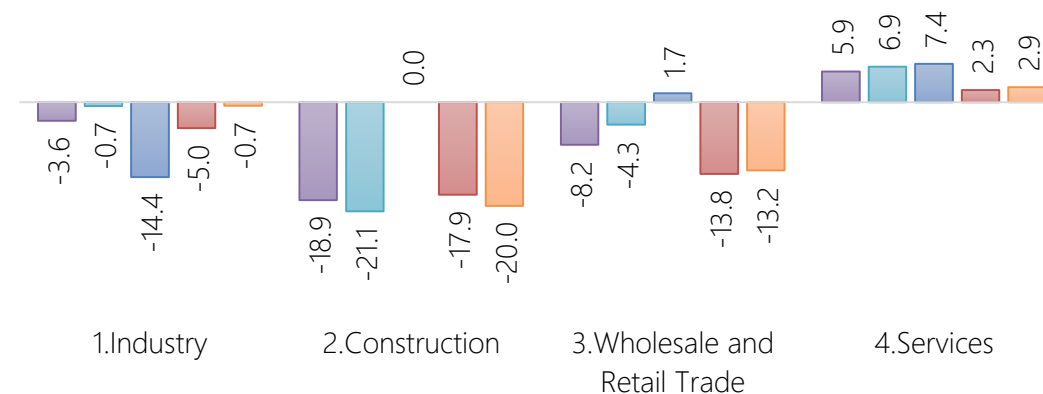
Q2 2019

Wholesale & Retail Trade and Services sectors foresee more favourable business conditions in the second quarter of 2019

Q3 2019

Services sector continued as the most optimistic sector, with the confidence indicator recorded at +11.5 per cent in the third quarter of 2019

3. Net balance of expected gross revenue by firm size
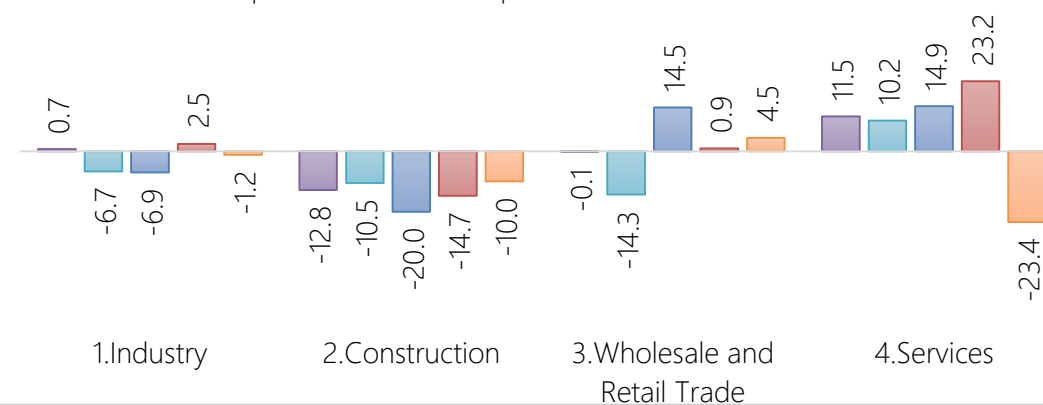
■ Total ■ Large ■ Medium ■ Small ■ Micro

Q4 2018

All sectors, except for Construction sector, expect their gross revenue to increase in the fourth quarter of 2018

1.Industry 2.Construction 3.Wholesale and Retail Trade 4.Services
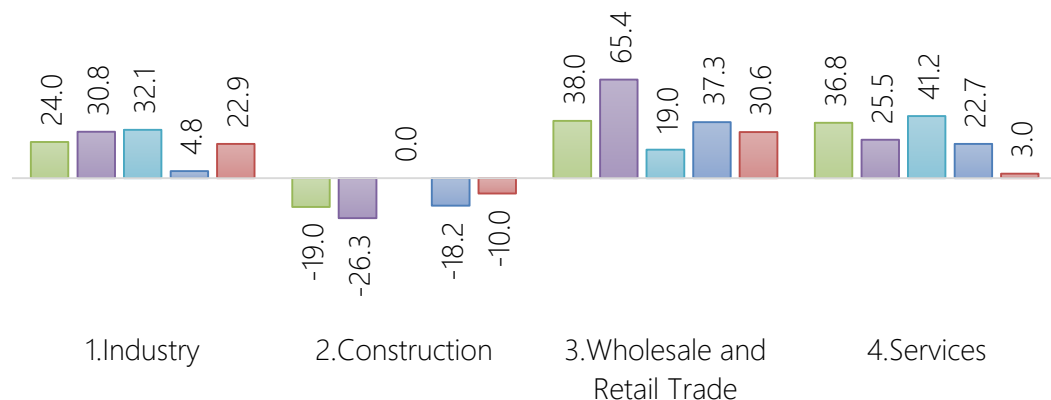
Q1 2019

Industry, Wholesale & Retail Trade and Services sectors expect their gross revenue to increase in the first quarter of 2019

1.Industry 2.Construction 3.Wholesale and Retail Trade 4.Services
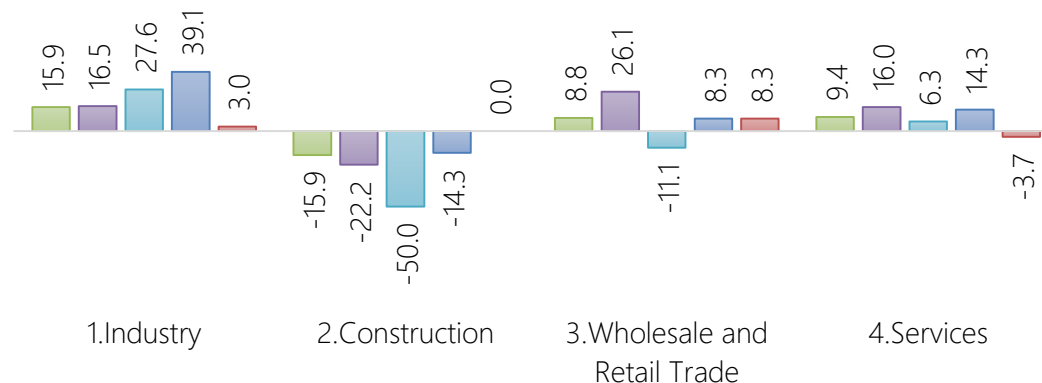
Q2 2019

Industry, Wholesale & Retail Trade and Services sectors expect their gross revenue to increase in the second quarter of 2019

1.Industry 2.Construction 3.Wholesale and Retail Trade 4.Services

Q3 2019

Industry expect the gross revenue to increased in the third quarter 2019 more than other sectors

1.Industry 2.Construction 3.Wholesale and Retail Trade 4.Services

4. Net balance of expected number of employees by firm size
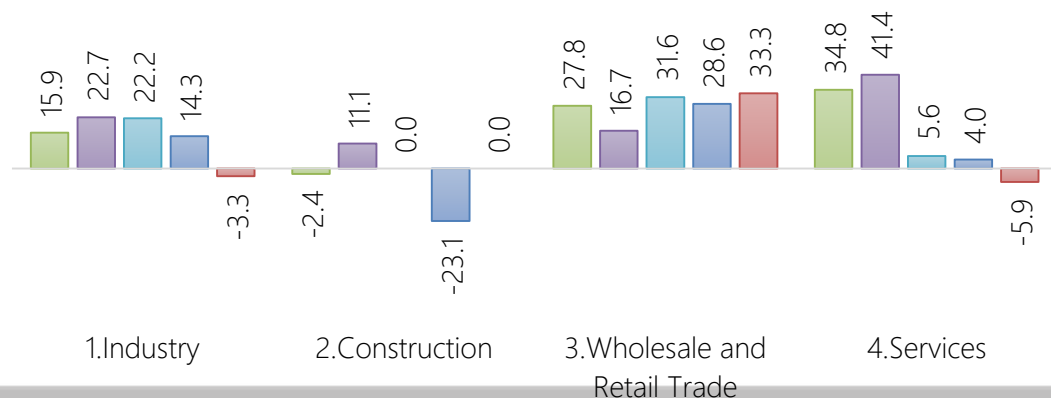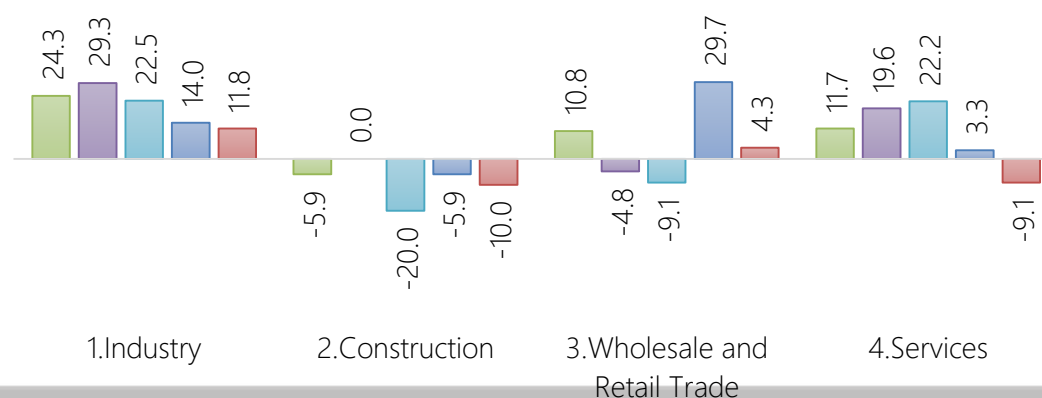
■ Total ■ Large ■ Medium ■ Small ■ Micro

Q4 2018

All size of firm in Wholesale & Retail Trade and Services sectors expect to increase the number of employees in the fourth quarter of 2018

1.Industry   2.Construction   3.Wholesale and Retail Trade   4.Services

Q1 2019

Wholesale & Retail sector expect the number of employees will remain the same in the first quarter of 2019

1.Industry   2.Construction   3.Wholesale and Retail Trade   4.Services

Q2 2019

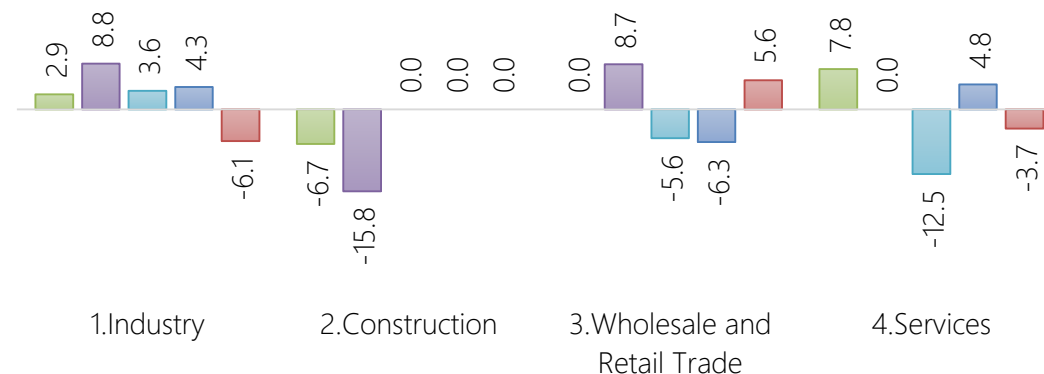Majority of the respondents (80.1%) expect to maintain the number of employees at the current state for the second quarter of 2019.

1.Industry   2.Construction   3.Wholesale and Retail Trade   4.Services

Q3 2019

The hiring trend remains positive in the third quarter of 2019, albeit showing a lower net balance

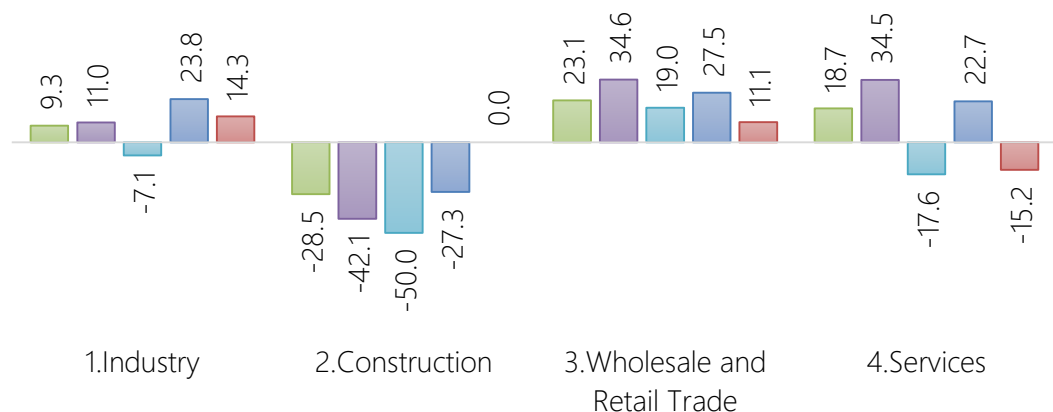1.Industry   2.Construction   3.Wholesale and Retail Trade   4.Services

5. Net balance of business performance expectation by firm size for upcoming six month by sector
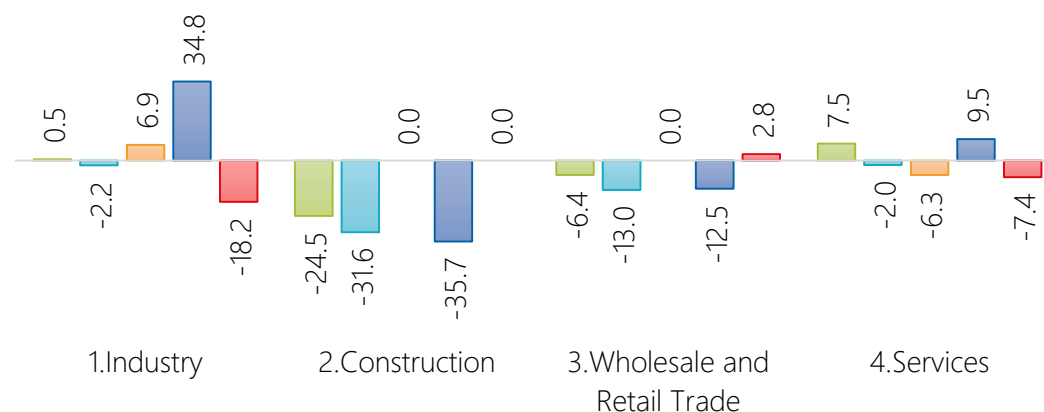
■ Total　■ Large　■ Medium　■ Small　■ Micro

Q4 2018 – Q1 2019
All sectors, except for respondents in Construction sector expect business performance to be more favourable for the period of October 2018 till March 2019.

9.3　11.0　-7.1　23.8　14.3　| -28.5　-42.1　-50.0　-27.3　0.0　| 23.1　34.6　19.0　27.5　11.1　| 18.7　34.5　-17.6　22.7　-15.2

1.Industry　　2.Construction　　3.Wholesale and Retail Trade　　4.Services

Q1 2019 – Q2 2019
Respondents in Industry and Services sectors expect positive business conditions for the period of January to June 2019, but lower.
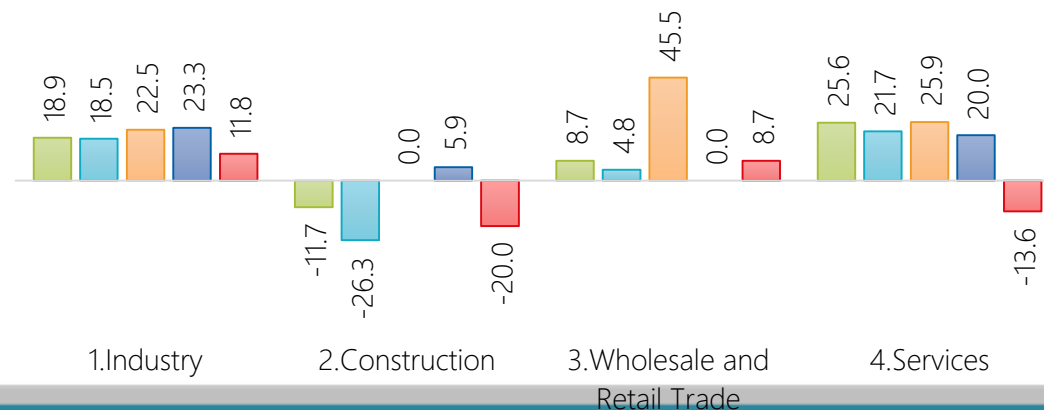
0.5　-2.2　6.9　34.8　-18.2　| -24.5　-31.6　-35.7　| -6.4　-13.0　0.0　-12.5　2.8　| 0.0　7.5　-2.0　-6.3　9.5　-7.4

1.Industry　　2.Construction　　3.Wholesale and Retail Trade　　4.Services

Q2 2019 – Q3 2019
Respondents expect more favourable business performance for the period of April to September 2019.

7.3　15.7　-3.7　0.0　-12.9　| -2.3　5.6　0.0　-7.1　-11.1　| 13.4　37.5　26.3　2.0　3.7　| 30.5　37.3　22.2　0.0　-5.9

1.Industry　　2.Construction　　3.Wholesale and Retail Trade　　4.Services

Q3 2019 – Q4 2019
Business performance is expected to continue to augment in July to December 2019 as compared to January to June 2019.

18.9　18.5　22.5　23.3　11.8　| -11.7　-26.3　0.0　5.9　-20.0　| 8.7　4.8　45.5　0.0　8.7　| 25.6　21.7　25.9　20.0　-13.6

1.Industry　　2.Construction　　3.Wholesale and Retail Trade　　4.Services

- BTS gives early signal of turning points in the overall economic activity through confidence indicator and net balance of qualitative information on the key economic variable.

- This study shows the findings of business expectations according to the size of the firm and there are situations in which different size of firms aggregated by sector provide different expectations within the survey period.

- Further analysis is still required to ensure that the compilation of BTS according to the size of the firm is accurate and has complied with all international recommendations and best practices. The statistics are useful in order to assist in providing planning and policy related to SMES.

TERIMA KASIH & THANK YOU

20 OCT	18 - 23 AUG 2019	JULY 2020 (ACTUAL MYCENSUS)	JAN – DEC 2019	MAR – SEPT 2019	2015 - 2030

#StatsMalaysia | #MyStatsDay | #ISIWSC2019 | #MyCensus2020 | #HIES2019 | #MyRetailCensus2019 | #LeaveNoOneBehind