



UNITED NATIONS
INDUSTRIAL DEVELOPMENT ORGANIZATION



IMPACT ASSESSMENT OF COVID-19 ON MALAYSIA'S MANUFACTURING FIRMS

SURVEY RESULTS MAY-JUNE

Acknowledgments

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Disclaimer

This report provides information about a situation that is rapidly evolving. As the circumstances and impacts of the COVID-19 pandemic are continuously changing, the interpretation of the information presented here may also have to be adjusted in terms of relevance, accuracy and completeness.

Key findings

i) Based on the overall observations of the manufacturing firms' responses, **small-sized firms** have been hit the hardest by the COVID-19 crisis and the related containment measures. These firms also reported that they would require a longer recovery period of between 4–6 months. While over **two-third (70 per cent) of small-sized firms** have received support from at least one of the government's stimulus schemes, less than one-fifth has benefitted from the Special Relief Facility (SRF) for SMEs. The access rate to the SRF by SMEs needs to be improved because small-sized firms have been affected the most by the crisis.

ii) The **reduction in demand** has posed the biggest challenge to firms. The decrease in orders has led to a drop in revenues. **Firms' shortage of cashflow** is particularly problematic. **The majority of firms have responded by reducing their operational costs to cope with the cashflow shortage.** In addition, while firms have sought additional loans to compensate the shortage of cashflow, difficulties in obtaining such loans have exacerbated their situation. In addition, they are concerned about wage payments to employees and social security contributions as well as the repayment of loans to commercial banks.

iii) The **shortage of inputs and difficulties fulfilling contracts** are the second biggest challenge the pandemic and the resulting containment measures are posing to firms. The containment measures have led to global value chain disruptions due to border closures and restrictions to domestic movement. Interestingly, we find that regardless of whether a firm is an exporter or not, all firms are facing a similar level of shortage of inputs. This may imply that respondent firms source their raw materials abroad and domestically.

iv) Consequently, the majority of firms expect extreme revenue losses. We find that nearly half of surveyed firms (43 per cent) expect extreme revenue losses of more than 50 per cent in 2020 compared to 2019. The biggest share of firms expecting extreme revenue loss are **small-sized firms (63 per cent)** and **domestic-oriented firms (47 per cent)**.

v) The prolonged containment measures such as the movement control order (MCO) exacerbate firms' prospects. **If the containment measures are extended for a longer period, over 40 per cent of surveyed firms will have to close down within six months.** The launch of the MCO in early May could gradually turn around the situation.

vi) Over 60 per cent of small-sized, domestic-oriented, manufacturing and non-manufacturing firms that have received support state that the schemes are either beneficial or extremely beneficial for them.

vii) Based on findings from both UNIDO's and the Department of Statistics Malaysia's (DOSM)¹ assessment, **financial support, tax reduction and deferment as well as improved loan conditions are crucial for firms, particularly small-sized firms.**

viii) When looking at Malaysia's manufacturing sector, we find that the COVID-19 measures have had the strongest negative impact on the **textile, wearing apparel and footwear industry as indicated by the decline in the manufacturing performance index (MPI) in April 2020 by nearly 74 per cent year-over-year basis, closely followed by transport and equipment, which decreased by 69.3 per cent, and wood furniture, paper products and printing, which decreased by 68.4 per cent.** According to the Department of Statistics Malaysia (DOSM)², **the manufacturing performance index dropped 37.2 per cent overall compared to April 2019.** Apart from the three above mentioned industries, the other five industries that have declined the most due to the effects of COVID-19 are non-metallic products and basic metals (**reduction by 62.7 per cent**) and electrical and electronic products (**reduction by 37.1 per cent**).

ix) The recommended policy options include job retention programmes, an extension of the period of tax exemptions and loan deferrals, as well as improved access to the SRF by SMEs. Sector-specific support policies include eliminating the policy for the automotive industry and repurposing the textile industry. UNIDO also recommends adopting the 4th Industrial Revolution 4.0 (4IR).

¹ Report of the Special Survey on the Effects of COVID-19 on Companies and Business Firms (Round 1) with the firm survey taking place from 10 April – 1 May 2020.

²https://www.dosm.gov.my/v1/index.php?r=column/cthemeByCat&cat=91&bul_id=a0VRQkgrWHIDMVJGMFRBeVFlem5Zdz09&menu_id=SjgwNXdiM0JIT3Q2TDBlWXdKdUVldz09

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1 Rationale

The COVID-19 pandemic is unprecedented and its impacts are looming large. UNIDO aims to investigate the manufacturing sector and to explore the nature and scale of the impacts of COVID-19 on firms, how firms have been coping with the pandemic and the restrictions imposed, and what forms of support they have received so far. Additionally, we examine to what extent these impacts have affected the country's progress towards inclusive and sustainable industrial development, embedded in Sustainable Development Goal (SDG) 9 – Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation. Lastly, we provide some policy recommendations.

This micro-level impact assessment serves two key purposes. Firstly, it aims to contribute to the United Nations Country Team (UNCT) in Malaysia's Socio-Economic Impact Assessment of COVID-19. Secondly, the assessment presents a baseline for UNIDO's global assessment, which will be carried out at a later stage. Apart from Malaysia, UNIDO (Department of Policy Research and Statistics together with the Regional Hub Office in Thailand) has conducted similar assessments in other Asian countries, including Afghanistan, Bangladesh, Cambodia, Indonesia, Iran, Lao PDR, Thailand, Mongolia, Pakistan and Viet Nam. As a part of the global assessment, UNIDO plans to conduct a similar exercise again in these countries in coming months to investigate the development of impacts and their situations over time.

2 Method and data

2.1 Online survey

UNIDO launched an online survey to collect data between 22 April – 29 May 2020 in collaboration with the Ministry of International Trade and Industry, the United Nations Global Compact Malaysia Chapter, the Federation of Malaysian Manufacturers and UNIDO's networks in Malaysia (such as project partners and firms participating in UNIDO projects). Due to COVID-19 and the measures introduced by the government to contain the pandemic, the response rate was limited. In addition, our survey was the third survey of its kind; therefore, the low response rate might stem from survey fatigue experienced by firms.

The survey questionnaire was designed by UNIDO's Department of Policy Research and Statistics and the Regional Hub Office in Thailand based on the questionnaire on the Resilience of Micro, Small and Medium Enterprises under the New Coronavirus Outbreak (Covid-19) included in the 2020 edition of the Enterprise Survey for Innovation and Entrepreneurship in China (ESIEC) led by Peking University.

The questionnaire consists of 23 questions comprising four sections: i) expected impacts of COVID-19, ii) current impacts of COVID-19, iii) dealing with COVID-19 including government support, and iv) general information about responding firms.

2.2 Typology of firms

In our analysis, we separate the information into three categories:

- i) Firm size: based on the following definitions provided by the Ministry of Industry and International Trade, our analysis separates firms into small-, medium- and large-sized firms. A firm with over 75 employees is classified as a medium to large-sized firm. A firm with 75 or fewer employees is deemed a small-sized firm.
- ii) Market orientation: there are two types of firms:
 - Exporter firms refers to firms that sell more than 25 per cent of their production to foreign countries;
 - Domestic firms refer to firms that produce more than 75 per cent for the domestic market.
- iii) Manufacturing and non-manufacturing firms.

2.3 Data

We received responses from 62 firms to the online survey, with the information of 57 firms complete and used in our analysis. Of the 57 firms, 47 per cent consist of small firms, and the remaining 53 per cent are medium to large firms. For some of the questions, the respondents could not be quantified. In that case, we only included valid responses that could be quantified, and excluded responses that could not be quantified such as ‘don't know’ or ‘too early to state’. As a result, the response rate is lower for those questions than the full sample size of 57 firms. Each response rate is mentioned in the respective questions.

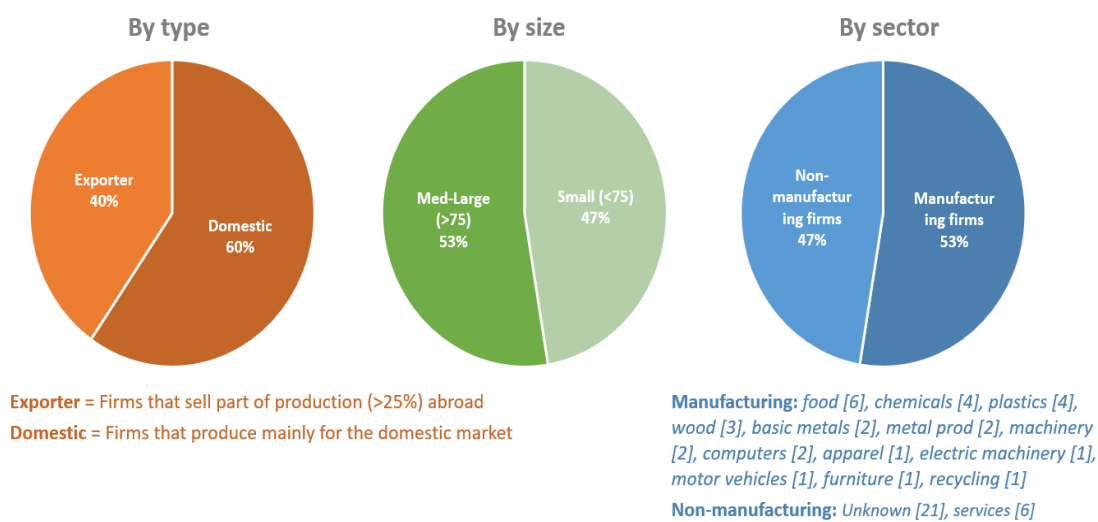
In addition to the data derived from the online survey, we also use secondary data from official data sources. In the SDG-9 discussion (section 4.1), we use secondary data from the Department of Statistics Malaysia (DOSM) and UNIDO’s SDG-9 monitoring platform for our analysis.

Lastly, our assessment benefits from the DOSM’s Report of Special Survey on Effects of COVID-19 on Companies and Business Firms (Round 1), with the firm survey being conducted from 10 April – 1 May 2020. Our results complement the results in the report.

2.3.1 Respondent firms by type

The majority of responses (60 per cent) came from domestic firms that sell their products domestically. Fifty-three per cent of respondents were manufacturing firms. The remaining 47 per cent respondent firms were non-manufacturing firms, of which 78 per cent cannot identify their industry and 22 per cent are engaged in the services sector. Among the manufacturing firms, the majority of respondents are engaged in the food, chemical and plastic industries. Figure 1 illustrates the data by firm type.

Figure 1 Responses by firm type



3 Findings and analysis

3.1 Current impacts of COVID-19

The *shortage of cashflow and inputs and difficulties fulfilling contracts* are the most widely reported impacts of the pandemic and its containment measures. Our data reveal negligible differences between different types of firms in terms of size and market orientation. The biggest problem firms are facing is the shortage of cashflow with 79 per cent of all respondent firms affected by this problem. The main causes are reduced sales due to a decline in demand reported by more than two-thirds of firms. The shortage of inputs and difficulties fulfilling contracts are ranked as the second biggest challenge, with nearly 75 per cent of firms dealing with these issues. The shortage of cashflow might have been caused by value chain and logistics disruptions, including the inability to deliver, perhaps due to the containment measures such as border closures. In addition, over half of the firms have faced worker shortages. Figures 2 and 3 highlight the main challenges firms are currently facing.

Figure 2 Main challenges faced by firms

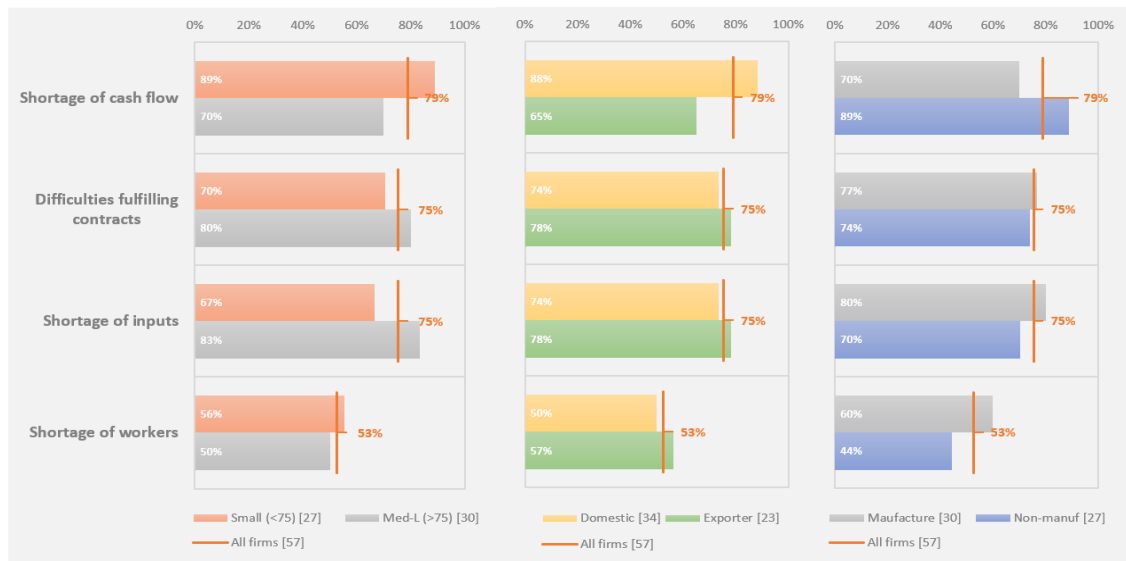
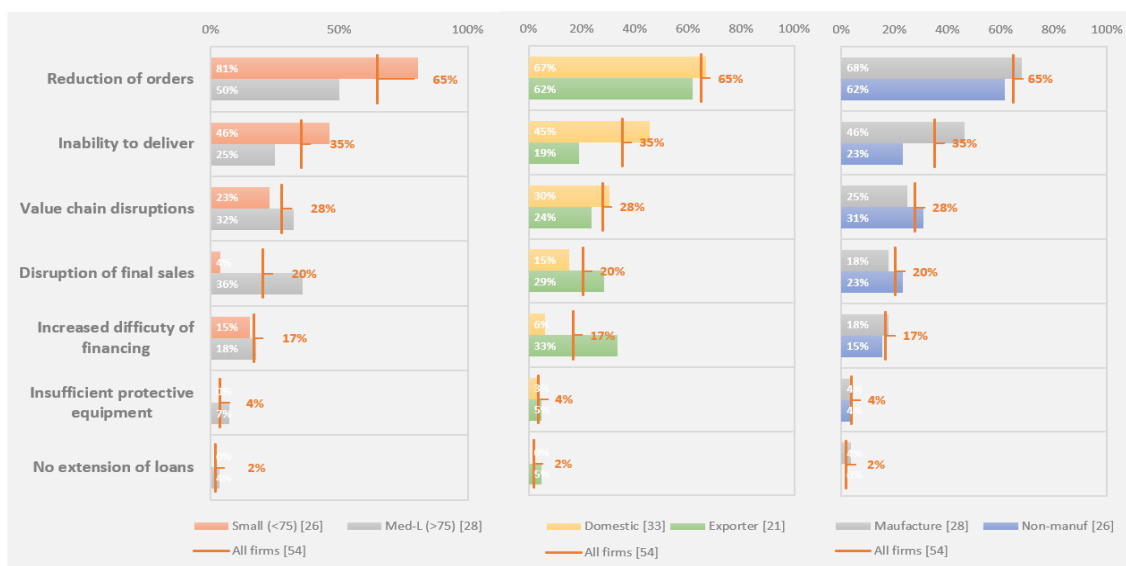


Figure 3 The main reasons for the challenges



Over 82 per cent of the sample are affected by the containment measures enforced by the government's movement control order (MCO) from 22 April to 29 May. The MCO applied during the entire duration of the survey. Our findings indicate that if the containment measures are extended for a given period, over 40 per cent of all firms, regardless of size and type, expect to have to close down within six months. Only a small share, 23 per cent of small-sized firms expect to be resilient enough to survive a one-year lockdown.

By contrast—albeit not surprisingly—medium to large firms are better equipped to cope with the government restriction, with 43 per cent expecting to be able to survive for over one year, despite

the restrictions. One-third of respondents (32 per cent) of manufacturing firms would be able to survive for more than one year despite the restrictions. Lastly, only a small share, namely 18 per cent of both medium to large and manufacturing firms, expected to close down within three months if the restrictions were extended.

Figures 4 and 5 illustrate the current situation.

Figure 4 Impacts of the government movement control order late April - late May

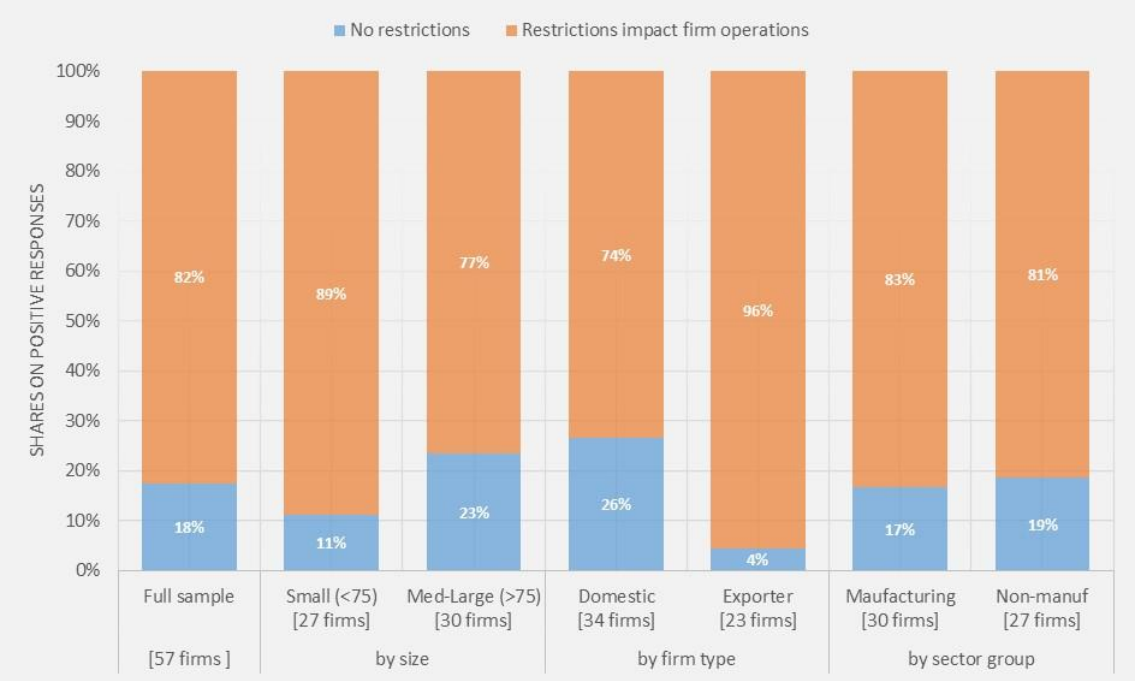
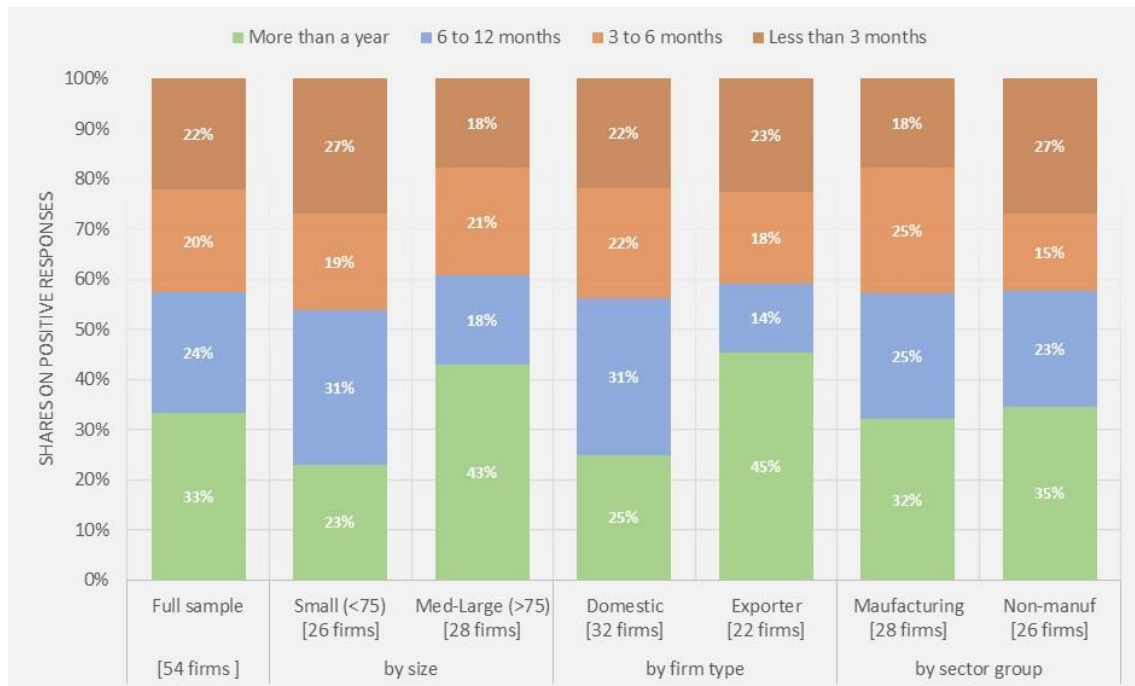
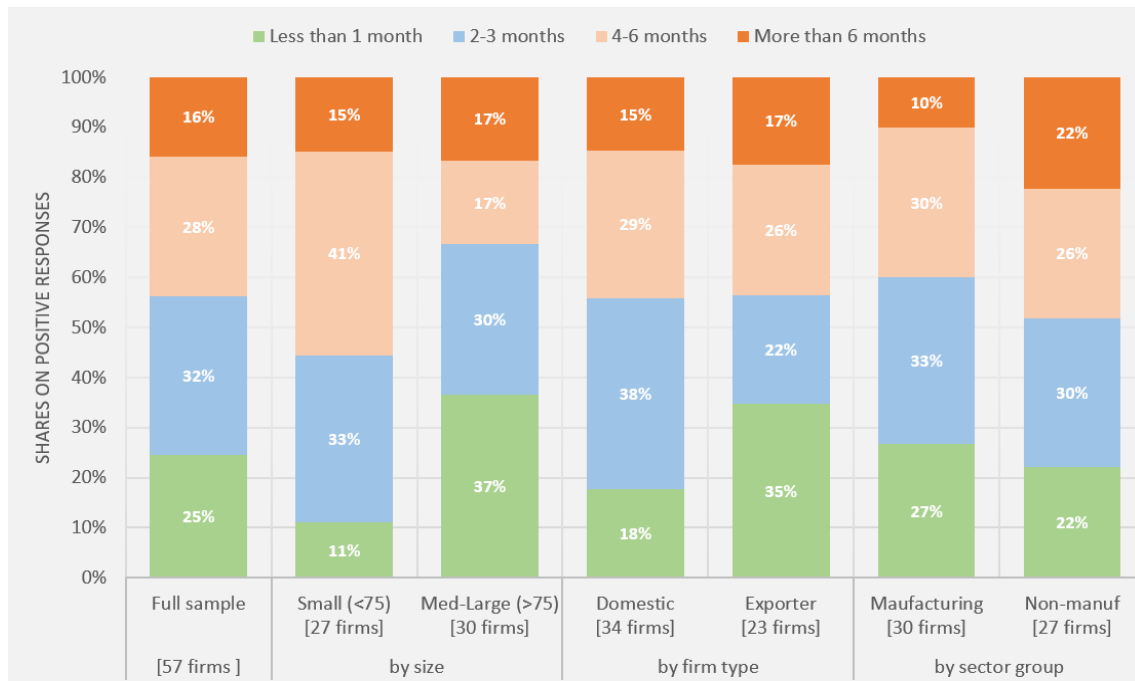


Figure 5 Expected survival time of firms under the restrictions in April



On the other hand, if the restrictions are eased out, around 57 per cent of respondent firms expect to be able to recover within three months. The majority of small firms (41 per cent), however, will need more time to recover, namely between 4–6 months while more than one-third (37 per cent) of medium to large firms state that they can recover in less than one month. Non-manufacturing sector firms indicate that their recovery period will be longer, with 22 per cent of these firms requiring more than 6 months to get back on their feet, while 22 per cent will require less than one month. This latter group of non-manufacturing firms are restaurants or diners that could recover as soon as the MCO is eased out. Figure 6 shows the recovery times of each firm type once the lockdown ends.

Figure 6 Expected recovery time after the end of the lockdown

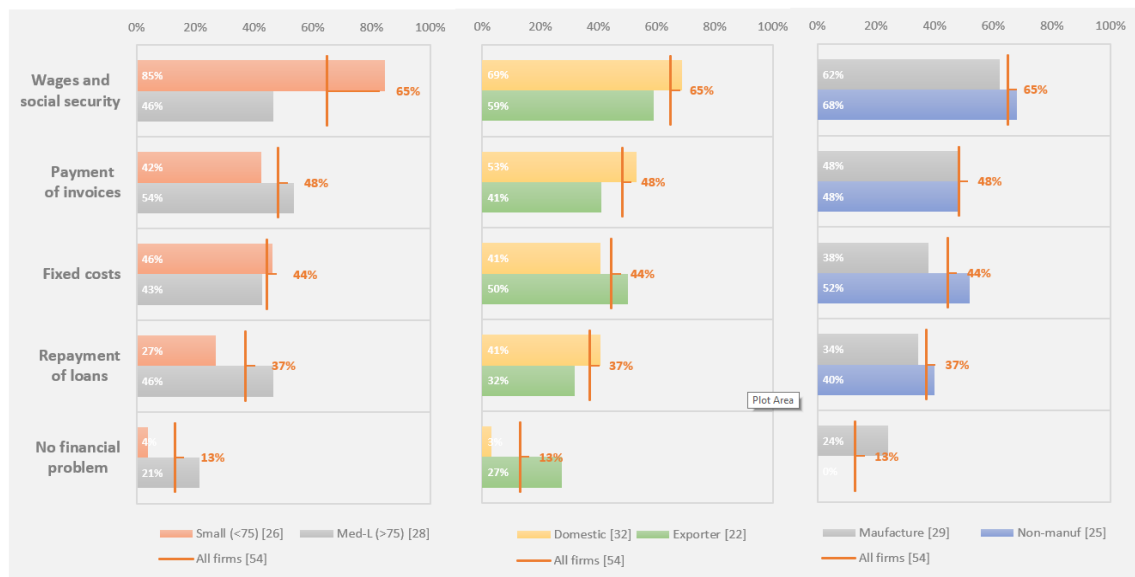


Payment of wages and social security contributions are the biggest financial concern among all firms, with the exception of medium to large firms. This finding is in line with a report by DOSM³, which finds that 53.4 per cent of respondent firms could only survive between 1 to 2 months if they continue providing full pay or half pay leave to employees. The report ranked payments to employees as the most challenging issue firms are facing. Referring to Figure 7, the payment of invoices is the biggest financial concern for medium to large firms, followed by the repayment of loans and the payment of wages and social security contributions. For domestic-oriented firms, the second most pressing financial concern is the payment of invoices. The payment of fixed costs and the repayment of loans are the third and fourth most pressing financial concern by domestic-oriented firms. The payment of fixed costs is ranked the second most pressing concern by exporters and non-manufacturing firms.

Interestingly, one-fifth, i.e. 21 per cent of medium to large firms indicated no financial concerns (27 per cent of exporters and 24 per cent of manufacturing firms reported having no financial concerns).

³ Report of the Special Survey on the Effects of COVID-19 on Companies and Business Firms (Round 1) by the Department of Statistics Malaysia.

Figure 7 Main financial concerns

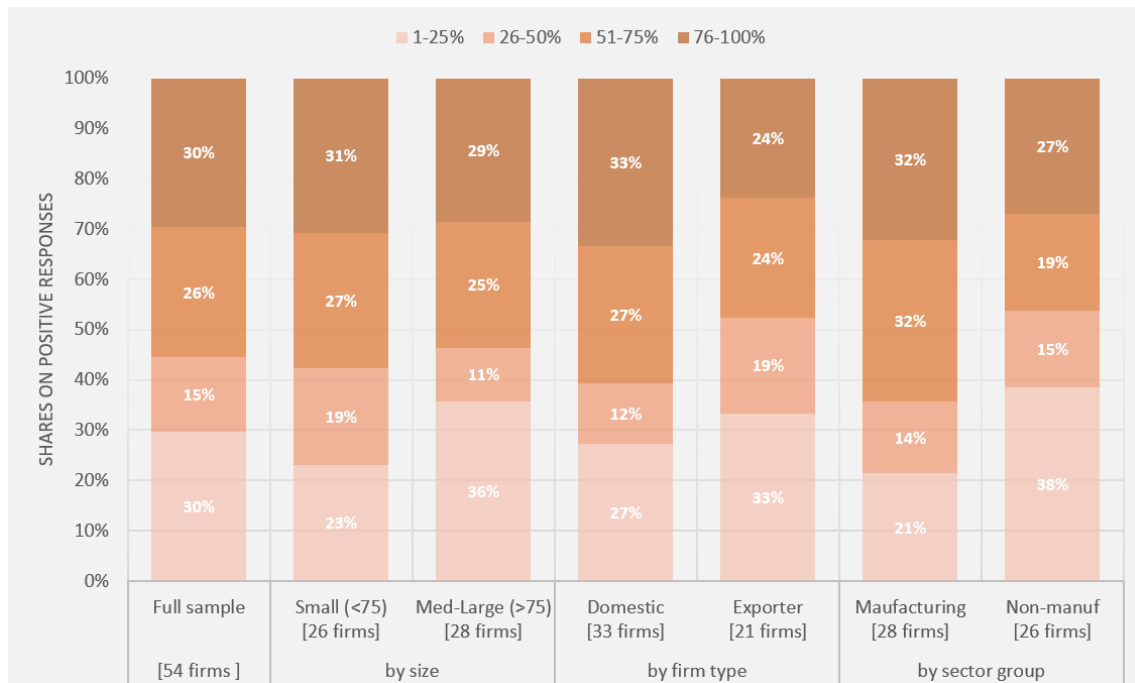


A little less than one-third (30 per cent) of firms surveyed reported that a large share of their employees (76 per cent to 100 per cent) were unable to come to work; the data show an insignificant variation across firm type and size. With reference to Figure 8, the same proportion of firms (30 per cent) reported that only a small share of their employees were unable to work (0 per cent to 30 per cent). This could be attributable to the fact that the MCO was eased out and replaced by the conditioned MCO on 3 May. The participating firms filled in the survey after the conditioned MCO was enforced, and they might have benefitted from workers' ability to return to work.

According to the DOSM report⁴, nearly 87 per cent of respondent firms adopted one of three measures to cope with the effects of COVID-19 during the MCO: i) full paid leave, ii) unpaid leave, and iii) working from home. That said, during the MCO, a majority of firms faced difficulties due to the inability of their workforce to work productively in one way or other.

⁴ Report of the Special Survey on the Effects of COVID-19 on Companies and Business Firms (Round 1) by the Department of Statistics Malaysia.

Figure 8 Employees' inability to work



3.2 Expected impact of COVID-19

Extreme revenue loss is expected by the majority of firms. We find that 61 per cent of small-sized firms and nearly half (47 per cent) of domestic-oriented firms expect a more than 50 per cent loss in revenue in 2020. Over 40 per cent of both manufacturing and non-manufacturing firms expect a reduction in revenue of more than 50 per cent in 2020 and around one-third of this group expects a moderate loss of around 20 per cent. Exporting firms anticipate an extreme drop in revenue (over 50 per cent), with 37 per cent expecting a moderate reduction (20 per cent). One-third of domestic-oriented and half of medium to large firms expect a moderate reduction.

Figure 9 Firms expecting a drop in revenue

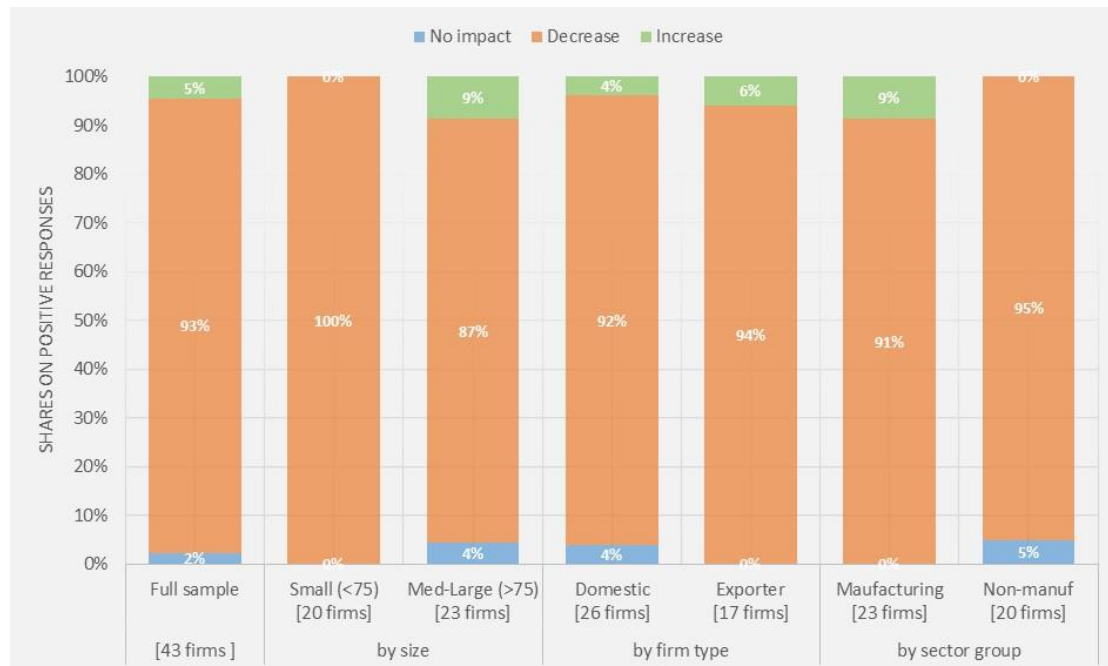
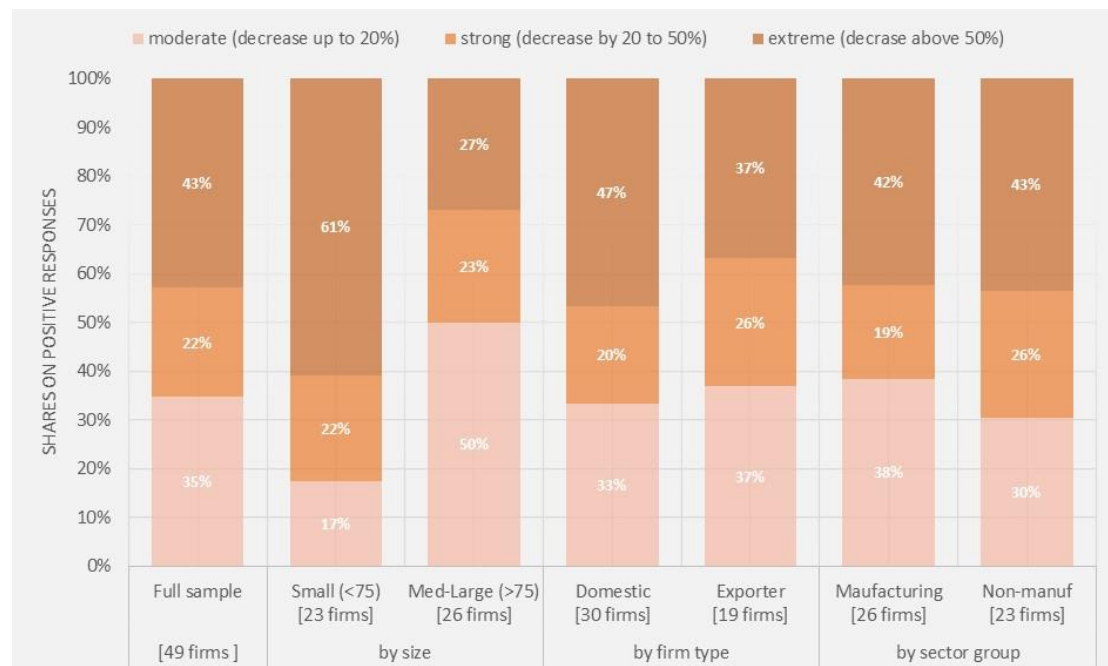
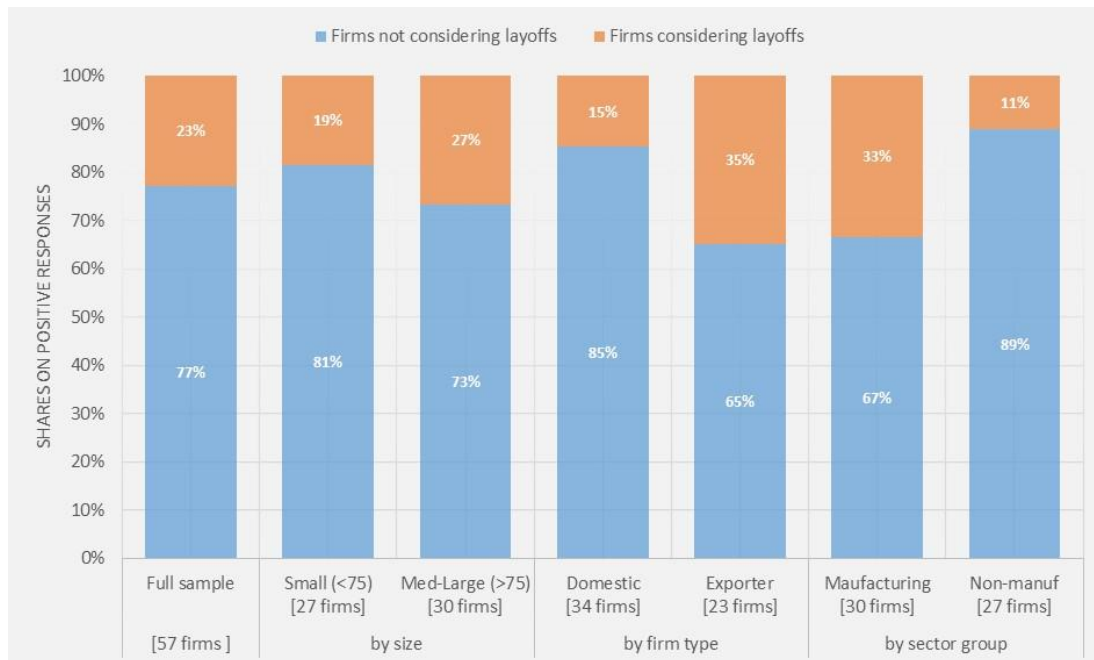


Figure 10 Level of expected loss in revenue



Laying off staff is not a preferred measure. Regardless of type and size, 77 per cent of all firms, on average, have not considered laying off employees as a coping measure. Small-sized, domestic- oriented and non-manufacturing firms are slightly more optimistic, with over 80 per cent claiming that they do not plan to lay off any of their workers. One-third of manufacturing and exporter firms are considering redundancy as an option.

Figure 11 **Impact on employment**



3.3 Dealing with COVID-19

To cope with the cashflow shortage, reducing operational costs is the most widely adopted measure, with 71 per cent of firms, on average, have implemented this measure. We find that an average of 60 per cent of respondent firms have taken loans from commercial banks (second most used measure) (Figure 12).

Figure 12 **Coping with cashflow shortages**



A majority of small-sized firms (93 per cent), domestic-oriented (82 per cent), non-manufacturing (83 per cent) and manufacturing firms (65 per cent) have outsourced labour in case of worker

shortages. The use of advanced equipment and delays in delivery are the second and third most used measure by firms to cope with worker shortages.

Figure 13 Dealing with worker shortages

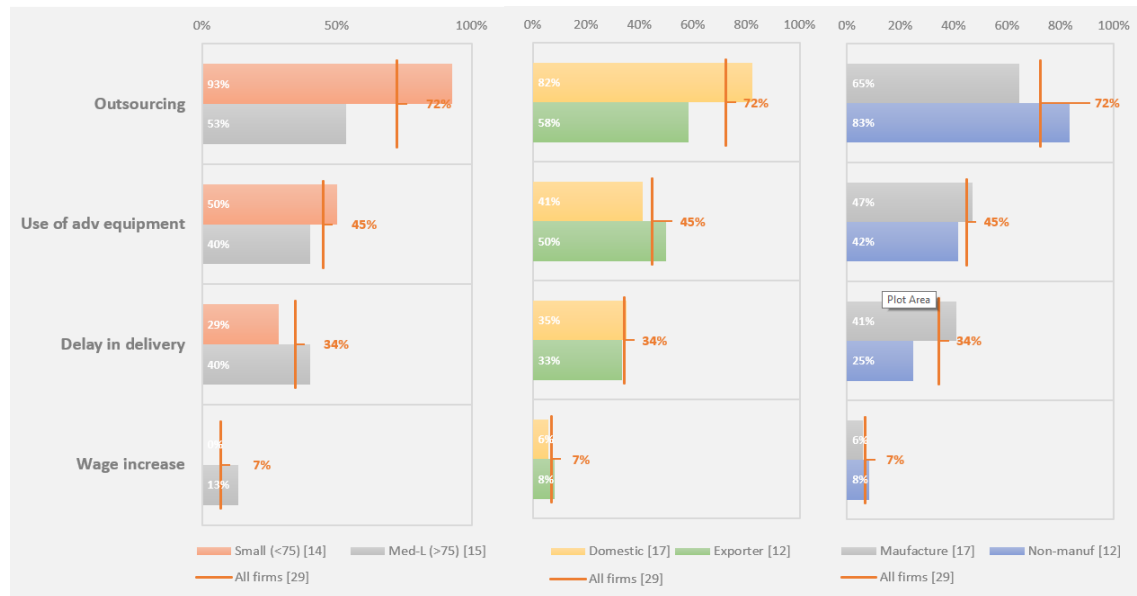
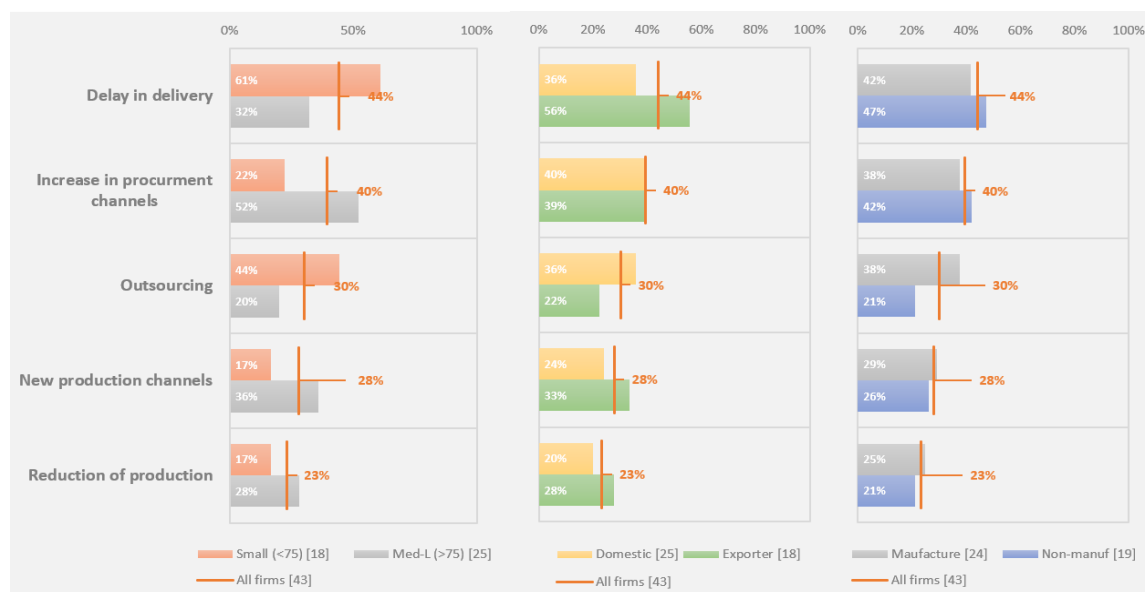


Figure 14 Dealing with input shortages



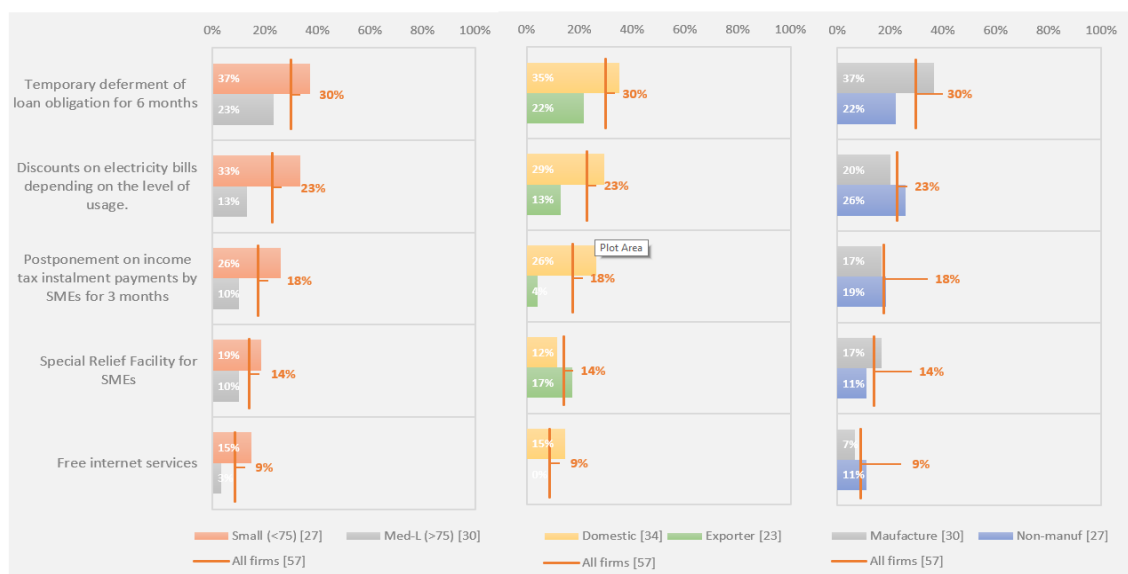
To cope with the shortage of inputs, firms introduced different measures depending on size and type of firm. Small-sized firms have mostly chosen to delay delivery and outsource, while medium to large firms prefer to expand procurement channels. Exporter, manufacturing and non-manufacturing firms have also chosen to delay deliveries as their most widely used coping mechanism, probably due to the border closure. New production channels are the third most

widely used measure for exporter and non-manufacturing firms. Domestic-oriented firms have made use of all three measures, delays in delivery, expand procurement channels and outsourcing.

3.4 Stimulus package

More than half of the small-sized firms in our sample (70 per cent), domestic-oriented firms (62 per cent) and non-manufacturing firms (63 per cent) have received at least one form of support from the schemes provided by the government.

Figure 15 Firms receiving government support from schemes



Temporary loan deferment, reduction of electricity bills, and income tax deferment are the top three support schemes the respondent firms benefitted from. Unfortunately, only 12 per cent of domestic-oriented firms, and less than 20 per cent of small firms received support from the special relief facility for SMEs, which could imply that the access rate to support by SMEs must be improved because small-sized firms have been hit hardest by the crisis.

Over 60 per cent of small-sized, domestic-oriented, manufacturing and non-manufacturing firms that have received support state that the schemes are either beneficial or extremely beneficial for them.

Tax rate reductions or tax deferment are the preferred support measure offered by the government, with 58 per cent of respondent firms having benefitted from this measure. In addition, other means to reduce operational costs, including the reduction of rent and utility costs (34 per cent) and

improved loan terms (21 per cent) follow in terms of preferred measures. Figure 16 illustrates firms' preferences.

By contrast, the DOSM report finds that around 70 per cent of micro and small-sized firms required financial assistance such as subsidies. This was followed by the reduction in company tax or any related taxes (56.1 per cent). The report further states that 32.7 per cent of micro- and small-sized firms indicated that they needed deferment of loan repayments and amendments of policies or related laws (25.6 per cent)⁵. These differences could potentially be due to the different sample sizes. The DOSM report included 4,094 respondent firms of which 83.8 per cent were micro- and small-sized firms. Regardless of the difference in prioritized rankings, it is clear that the financial support, tax reductions and deferment and improved loan conditions are needed by firms, in particular small-sized firms.

Figure 16 Firms' preferred support measures



4 Policy recommendations

The manufacturing sector's recovery is contingent on the resumption and consolidation of the demand for goods and services, as this will reignite the market engine that drives industrial development. Hence, we believe recovery and support measures should focus on stimulating demand and re-establishing disrupted markets. Additionally, the stimulus package and support programmes launched by the government so far are still in a teething period, and we offer an

⁵ UNIDO's recalculation from the DOSM's report based on the fact that 83.8 per cent of respondent firms are micro- and medium-sized firms.

initial set of policy recommendations, based on our findings, analysis and discussion in previous sections.

These recommendations are indicative and by no means exhaustive. Our policy recommendations ultimately aim to help Malaysia build back a stronger manufacturing sector and thus get back on track to achieve inclusive and sustainable industrial development in accordance with SDG-9. In addition, the United Nations Department of Economic and Social Affairs (UNDESA) emphasizes that how a stimulus package is being implemented matters. Drawing on lessons learnt from the previous economic crisis in 2008, UNDESA asserts that the key to effective packages includes i) protecting jobs is better than laying off workers, ii) expanding existing programmes is more effective than creating new (ad-hoc) ones, and iii) groups that are usually not protected should be taken into consideration⁶. Our recommendations follow these principles.

i) *Improvements in current support schemes.* Some improvements should be considered to make the schemes more effective and targeted.

- Ease access and remove barriers to loans for firms to stay afloat, particularly loans for working capital;
- Expand the reduction of electricity and water tariff to firms;
- Tax and social security contribution deferrals for a longer period, 3–5 years at a minimum;
- Improve access to the Special Relief Facility (SRF) for SMEs. According to our findings, the access rate of small-sized firms is less than 20 per cent.

ii) *Employment retention scheme.* Although *lay-offs are not the preferred option for firms, wage and social security expenses are reported as the highest financial burden*. Efforts should be made to help affected firms stay afloat, provided their jobs can then be secured, as unemployment would aggravate income inequality now and in the long run. Diverse wage subsidy schemes are being implemented in many countries to sustain businesses and hence jobs. For instance, in Singapore, the government has subsidized up to 75 per cent of wages for 9 months. Self-employed persons in the UK can apply for a grant in the amount of 80 per cent of their average monthly profits, up to GBP 2,500, while salaried employees are provided with wage subsidies of 80 per cent⁷. Other

⁶ <https://www.un.org/development/desa/dpad/publication/un-desa-policy-brief-58-covid-19-addressing-the-social-crisis-through-fiscal-stimulus-plans/>

⁷ <https://www.bbc.com/news/business-51982005>

countries that have implemented wage schemes include The Netherlands, Germany, Canada and Australia, to mention a few.

- We propose a wage subsidy of 60 per cent to 80 per cent of salaries for 6 months, coupled with short-time work schemes focussed on **micro-, small- and medium-sized firms**, and domestic downstream firms. The wage subsidy could vary depending on firm type and size, and should be linked to demonstrated decline in turnover, not as a blanket subsidy for all firms. Under the short-time work scheme, all employees will reduce working time by the same amount, say at least 10 per cent, and hence the base wage should be cut proportionally. This scheme suits firms that have some production.
- Another option for the wage retention scheme is to allow employees to take long leave until demand and production begin picking up. During this long leave, the government could consider subsidizing an appropriately reduced wage. For example, in Germany, the state is considering subsidizing two-thirds of the wage. The scheme suits firms with low or no production.

UNIDO's proposed support programmes based on UNIDO's expertise to collaborate with Malaysia to bring the manufacturing sector and businesses back from crisis and at the same time, move towards inclusive and sustainable manufacturing.

iii) Investing in advanced technology – IR 4.0 Technology to achieve changes in the workplace, including an (initial) shortage of workers. The COVID-19 crisis is likely to result in a structural transformation of manufacturing. Whilst the “new normal” is still to be navigated, it appears most likely that this new normal will be (more) digitized, (more) circular and (more) resilient. 4IR will be among the defining factors of the “new normal”, helping industry return to operations as soon as possible and providing the platform to develop new, more resilient and sustainable operations, value chains and businesses.

Investments in clean energy technologies, for example, have the enormous potential of advancing the dual benefits of spurring economic activities in key labour-intensive industries—by bolstering existing jobs and creating new ones—and accelerating a sustainable energy transition with its related benefits – enhanced competitiveness, improved energy affordability and lowered energy bills.

To support a smooth transition, UNIDO is leading the way to address opportunities, challenges and risks arising from 4IR while ensuring that no one is left behind. To cater to the growing demand for 4IR-related services in light of the current crisis, UNIDO has developed technical

cooperation programmes and integrated packages to Member States such as the COVID-19 Industrial Recovery Programme (CIRP), which envisages targeted support to national governments with the restructuring of their industrial sector in the recovery period. Through its different programmes focussed on SMEs, UNIDO supports the restructuring of the manufacturing sector and response to disruptions through the adoption of advanced technologies and innovative solutions, building flexibility and long-term resilience (see Figures 17 and 18).

Figure 17 **4IR to fight COVID-19**



Figure 18 Challenges to be addressed in the future



iv) Sectoral support policy and programmes The textile, wearing apparel and footwear and the transport equipment and other manufacturing industries experienced the sharpest drop in sectoral MPI in April 2020 in comparison to April 2019, we offer a set of policy recommendations aiming to help them recover from the crisis.

a) A vehicle scrappage policy to support the automotive industry. To create demand for new cars and hence boost Malaysia’s automotive industry and supply chain, the government could consider a mandatory scrappage policy. The vehicle scrappage policy provides payment to consumers for scrapping their old and more polluting vehicles. The programme would provide eligible consumers a cash rebate when trading in an old vehicle (which would then be dismantled) and purchasing or leasing a new vehicle. Such programmes have been used in many countries such as the U.S., China, Germany, the United Kingdom and Spain. Recently, the Indian government announced the launch of such a policy, primarily to boost India’s automotive industry which has been hit hard by the COVID-19 crisis⁸.

The scrappage policy could be implemented based on vehicle age (no cars on road older than e.g. 10 years), vehicle safety standards (mandatory annual inspections and certification) and/or environmental standards (emission control). This would have significant co-benefits in terms

⁸ <https://economictimes.indiatimes.com/industry/auto/auto-news/vehicle-scrappage-policy-to-help-generate-demand-for-new-vehicles-amid-coronavirus-pandemic/articleshow/75657577.cms?from=mdr>

of average fuel efficiency of cars on the roads and reduced air pollution. Studies⁹ in China and Spain find that the policy is effective to reduce air pollution and road accidents in addition to creating demand for new cars to help the automotive industry.

In addition, to promote low carbon vehicles, an additional cash rebate could be provided to those who trade in their old cars for low carbon vehicles such as energy efficient or electric vehicles.

Finally, technology replacement programmes support manufacturing processes across various industries and spur the rollout of newer technologies – including electric vehicles, digital building management systems and heat pumps. Furthermore, upgrading programmes on fleet, including buses, taxis, trains and vans, drive energy efficiency, while bolstering economic activity. No matter the breadth or diversity of the programmes, they should allude to well-established standards and labels of energy efficiency, and duly encourage the purchase of high-efficiency products.

b) Business repurposing schemes, e.g. textile and apparel: One of the most affected manufacturing industries is textile, wearing apparel and footwear. To help affected firms, one of the solutions proposed by UNIDO as an immediate response is the repurposing of manufacturing firms and service providers¹⁰. Repurposing is a rapid response solution to address the global shortage of critical COVID-19 items that can save lives by using idle manufacturing capacity. It can also contribute to ensuring business continuity and employment retention.

These affected textile and apparel manufacturers could be repurposed to produce personal protective equipment such as face masks and gloves; plastic manufacturing firms can produce face screens and separation screens for offices, factories, and automotive components manufacturers could manufacture parts for medical equipment (e.g. ventilator parts). Repurposing, in principle, is a temporary strategy that could be expensive and fraught with challenges. Hence, to capitalize on opportunities that repurposing has to offer, policy responses are essential to help manufacturers address repurposing challenges and facilitate the transition to the “new normal” during this COVID-19 crisis, as it is unknown when the crisis will come to an end. Opportunities exist to leverage on proven designs and methods.

⁹ <https://www.sciencedirect.com/science/article/abs/pii/S0965856417313885>;
<https://www.sciencedirect.com/science/article/pii/S0959652619318487>

¹⁰ <https://www.unido.org/news/covid-19-critical-supplies-manufacturing-repurposing-challenge>

Annex 1: Questionnaire

COVID19: IMPACT ON MANUFACTURING FIRMS SURVEY

Current impact of COVID-19

1. Because of the pandemic, what is the percentage of your company's employees who are unable to physically come to work and cannot adequately work from home at present?

	_____ % women
	I don't know

2. Please indicate the most significant financial problems for your firm during the pandemic (please select all that apply):

	Staff wages and social security charges
	Fixed costs, e.g. rent
	Repayment of loans
	Payments of invoices
	Other expenses, please specify: _____
	No specific problem

3. Are there any other business problems your firm is facing due to the pandemic? (Up to two options)

	Reduction of orders
	Inability to deliver existing orders
	Increased difficulty of financing
	Existing loans cannot be extended
	Disruption of logistics
	Upstream and downstream chain disruptions
	Insufficient protective equipment (e.g. masks)
	Other, please specify: _____

Expected impact of COVID-19

4. What impact do you currently expect on your firm's revenue this year as a result of COVID-19?

	No impact
	Decrease of _____ %
	Increase of _____ %
	Too early to state
	I don't know

5. Is your firm currently considering layoffs, or has already done some because of the pandemic?

	Yes (go to question 5.1)
	No (go to question 6)

- 5.1. What percentage of staff are you expecting to (or have already) cut?

	_____ % (go to question 5.2)
	Too early to state (go to question 6)

5.2. Do you expect these layoffs to be temporary or permanent (total should sum up to 100%)?

___%	Temporary (of which ___% women, ___% men)
___%	Permanent (of which ___% women, ___% men)
___%	Too early to state

5.3. If possible, please indicate how these layoffs are distributed with respect to their qualification (please insert value as percent of total sales for every option; total should sum up to 100%)

___%	University degree
___%	Technicians
___%	Semi-skilled
___%	Unskilled
___%	Interns/Apprentice
	Unable to say at this stage

5.4. If possible, please indicate how these layoffs are distributed over the following areas (please insert value as percent of total sales for every option; total should sum up to 100%)

___%	Research and development
___%	Design
___%	Manufacturing / Assembly
___%	Customer Service
___%	Administrative
	Marketing and sales
	Unable to say at this stage

6. Are there currently restrictions by your government that impact your normal way of operating as a business?

	Yes (go to question 6.1)
	No (go to question 7)

6.1. If the current restrictions in your country continue, how long can your firm's current cashflow maintain the company's operation?

	Indefinitely
	More than 12 months
	Between 6 and 12 months
	Between 3 and 6 months
	Between 1 and 3 months
	Less than 1 month

7. If the international COVID-19 crisis were to end today, how long would you estimate it would take for your company to get back to business as usual?

___ days

Dealing with COVID-19

8. What is the main means you are considering to deal with the cashflow shortage? (Up to two options)

<input type="checkbox"/>	Loans by commercial banks
<input type="checkbox"/>	Loans by Internet finance
<input type="checkbox"/>	Loans by microfinance companies or private individuals
<input type="checkbox"/>	Negotiating with lenders to avoid withdrawing loans
<input type="checkbox"/>	Equity financing (adding new shareholders or capital increase of former shareholders)
<input type="checkbox"/>	Reduction of operating costs (e.g. layoffs and salary reductions)
<input type="checkbox"/>	No cashflow shortfalls problem
<input type="checkbox"/>	Other, please specify: _____

9. What is the main means you are considering to deal with the shortage of workers? (Up to two options)

<input type="checkbox"/>	Wage increases
<input type="checkbox"/>	Use of advanced equipment or software to reduce the amount of work
<input type="checkbox"/>	Outsourcing of orders
<input type="checkbox"/>	Delay in delivery
<input type="checkbox"/>	No shortage of workers
<input type="checkbox"/>	Other, please specify: _____

10. What is the main means you are currently considering to deal with the shortage of inputs such as intermediate goods and raw materials? (Up to two options)

<input type="checkbox"/>	Reduction of production
<input type="checkbox"/>	Outsourcing orders
<input type="checkbox"/>	Increasing the procurement channels
<input type="checkbox"/>	Seeking new production channels
<input type="checkbox"/>	Delaying goods delivery
<input type="checkbox"/>	No shortage of inputs
<input type="checkbox"/>	Other, please specify: _____

11. What is the main means you are currently considering to deal with difficulties in fulfilling contracts?

<input type="checkbox"/>	Settlement by mutual agreement
<input type="checkbox"/>	Legal or arbitral settlement
<input type="checkbox"/>	Expect the government to coordinate and provide clear disclaimer agreements
<input type="checkbox"/>	Payment of liquidated damages
<input type="checkbox"/>	No contractual performance issues
<input type="checkbox"/>	Other, please specify: _____

12. Are there currently any measures / support packages by your government that your company is benefiting from?

<input type="checkbox"/>	Yes (go to 12.1)
<input type="checkbox"/>	No (go to 13)

- 12.1. Please specify what measures/support you are receiving:
Please see attached file.

	A temporary deferment or suspension of loan/financing repayment obligation (principal and interest) for 6 months from 1 April 2020;
	Special Relief Facility or SRF for SMEs- loan for working capital at an interest rate of 3.5% per annum to borrowers with up to 5.5 years including a 6 months payment moratorium and with a maximum loan size of RM1 million per SME
	All Economic Sector Facility fund with the reduced finance rate from 8% to 7% per annum
	Micro Credit Scheme ("MCS") for micro-entrepreneurs administered by Bank Simpanan Nasional- loan with 2% interest rates without collateral, and with the maximum of RM 75,000 for each entrepreneur.
	SMEs with business operations of less than 4 years- financing for working capital and/or asset acquisition administered by Credit Guarantee Malaysia Berhad ("CGC").
	Guarantee up to RM5 billion: To facilitate lending by banks, the Government through Syarikat Jaminan Pembiayaan Perniagaan (SJPP), will make available to participating financial institutions, an 80% guarantee on loans under the SRF at a concessionary fee of 0.5% per annum.
	Automation and Digitalisation Facility ("ADF") for SMEs: Under the ADF, loan interest rates may be up to 4% per annum for a maximum loan tenure of 10 years, with a maximum loan size of RM3 million per SME.
	Agrofood Facility ("AF") for SMEs: a loan up to RM5 million with interest rates up to 3.75% and loan tenure up to 8 years may be granted.
	RM300 million Micro Enterprises Facility ("MEF") for micro enterprises: Under the MEF, micro enterprises may apply for loans of up to RM50,000 with a tenure of up to 5 years. The interest rates will be determined by the participating financial institutions
	Guarantee scheme: The Government will provide a RM50 billion guarantee scheme with a guarantee of up to 80% of the loan amount for financing working capital requirements.
	Wage Subsidy Program ("WSP"): To minimise retrenchment rates, the Government will pay an amount of RM600 per month for every employee for 3 months, to employers experiencing more than 50% decrease in income since 1 January 2020. This subsidy will apply to employees whose monthly income is less than RM4,000.
	Employees Provident Fund ("EPF"): Various measures have been introduced to ease the financial burden on employers and employees.
	Exemption from Human Resource Development Fund ("HRDF") levies for all sectors: For a period of 6 months effective 1 April 2020, all sectors will be exempt to ease the strain on cashflow.
	Postponement on income tax instalment payments: The Government will allow the postponement of income tax instalment payments by SMEs for a period of 3 months from 1 April 2020.
	Accommodation services operators exempt from levying service tax: All accommodation service operators are exempt from charging service tax on taxable services for a period of 6 months commencing 1 March 2020.
	Discounts on electricity bills: From 1 April 2020 to 30 September 2020, businesses will benefit from discounts on electricity bills depending on the level of usage.
	Free internet services: Free internet services with a value of RM600 million will be provided to all customers from 1 April 2020 until the end of the MCO period.
	Up to RM500 million to be invested in early state and growth stage Malaysian companies: Government Linked Companies will co-invest up to RM 500 million in these Malaysian companies. The funds will be provided on a matching basis and involve at least RM1.5 billion of private funds.

	Waiver of listing fees for certain companies: To strengthen capital growth of businesses, the Securities Commission and Bursa Malaysia will waive listing fees for certain markets for a period of 12 months:
	Other, please specify: _____

12.2. To what degree this support is useful to your company

	Strongly beneficial
	Beneficial
	Neutral
	Almost beneficial
	Not beneficial
	Other, please specify: _____

13. In the face of the impact of the pandemic, governments at all levels and financial institutions have announced relief measures. Which policy do you believe is the most effective for your firm? (Up to two options)

	Reduce rent for small and medium-sized enterprises and lower costs for electricity, gas, logistics, etc.
	Reduction of tax rates, reduction or deferral of taxes
	Reduction of financing costs for SMEs, extension of loan terms or partial debt relief
	Temporary reduction of social insurance premiums and reimbursement of unemployment insurance to enterprises that do not lay off staff
	Optimization of exporting tax rebate services
	Provide fast-track "force majeure" certification to avoid contract breaches
	Wage subsidy for SME company with employee with salary less than RM4000
	Others, please specify: _____

13.1 Aside from the current economic stimulus package offered by the Government, please select the initiative(s) that you think is/are the most useful to assist your company:

	Provide additional emergency support benefit for self-employed and part-time workers who do not qualify for Employment Insurance;
	Working capital loan to bridge cashflow gaps and support everyday operations; <input type="checkbox"/>
	Purchase Order Financing to increase cashflow to fulfil domestic or international orders with very flexible terms;
	Fostering SMEs participation in public procurement by Federal and local governments, including for projects related to epidemic prevention and control;
	Encouraging large enterprises to cooperate with SMEs, such as by increasing their support in supply chains, in terms of loan recovery, raw material supply, and project outsourcing;
	Encouraging SMEs to engage in the innovation of technologies and products related to epidemic prevention and control;
	Accelerating the digital transformation of SMEs;
	Others, please specify: _____

14. Do your organisation plan to provide family friendly support (e.g. flexible working arrangement to take care of children and elderly at home) post COVID recovery?

If yes, please specify _____

Background Information:**Profile of the firm**

15. When did the firm start to operate?

	<i>Insert year</i>
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16. Please select the industry that best describes the products your firm produces:

	Food and beverages
	Tobacco products
	Textiles
	Wearing apparel, fur
	Leather, leather products and footwear
	Wood products (excl. furniture)
	Paper and paper products
	Printing and publishing
	Coke, refined petroleum products, nuclear fuel
	Chemicals and chemical products
	Rubber and plastics products
	Non-metallic mineral products
	Basic metals
	Fabricated metal products
	Machinery and equipment n.e.c.
	Office, accounting and computing machinery
	Electrical machinery and apparatus
	Radio, television and communication equipment
	Medical, precision and optical instruments
	Motor vehicles, trailers, semi-trailers
	Other transport equipment
	Furniture; manufacturing n.e.c.
	Recycling
	Mining
	Utilities incl. large/small power producers, utility water supply (not drinking water)
	Tourism
	Construction

17. What is the ownership structure of your company?

	100% nationally owned enterprise
	Foreign subsidiary
	Joint venture
	Other, please specify: _____

18. What was the number of employees of the firm at the end of 2019?

	<i>Insert the number of employees at the end of 2019</i> (of which ___ % women, ___ % men)
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19. What size of your firm according to MITI

	Large
	Medium
	Small
	Micro
	Other, please specify: _____

20. In relation to the main production activity, the firm produces predominantly (please select one option):

	Finished goods for consumers
	Finished goods for industrial business
	Intermediate inputs for agriculture
	Intermediate inputs for manufacturing
	Intermediate inputs for services
	Tourism
	Construction
	Power or water supply for industries

21. Which share of purchases of raw materials and intermediate goods corresponded to each of these categories in 2019? (please insert value as percent of total sales for every option; total should sum up to 100%):

___%	Import: foreign suppliers
___%	National: Multinational corporations/foreign-owned suppliers located in the country
___%	National: domestic suppliers

22. Which share of sales/turnover corresponded to each of these categories in 2019 (please insert value as percent of total sales for every option; total should sum up to 100%):

___%	Export: foreign costumers
___%	National: Multinational corporations /foreign-owned customers located in the country
___%	National: domestic customers

23. Has the firm run part of its production activity in another country in 2019 (offshores)? (please select one option):

	Yes, through direct investment (i.e. foreign affiliates/controlled firms)
	Yes, through contracts with domestic firms abroad (e.g. technical/manufacturing partnership agreement, licensing agreement)
	No

24. Which state(s) do your company have offices or production plants in? (you may select more than 1)

<input type="checkbox"/>	Kuala Lumpur
<input type="checkbox"/>	Labuan
<input type="checkbox"/>	Putrajaya
<input type="checkbox"/>	Johor Darul Ta'zim
<input type="checkbox"/>	Kedah Darul Aman
<input type="checkbox"/>	Kelantan Darul Naim
<input type="checkbox"/>	Malacca
<input type="checkbox"/>	Negeri Sembilan Darul Khusus
<input type="checkbox"/>	Pahang Darul Makmur
<input type="checkbox"/>	Penang
<input type="checkbox"/>	Perak Darul Ridzuan
<input type="checkbox"/>	Perlis Indera Kayangan
<input type="checkbox"/>	Sabah
<input type="checkbox"/>	Sarawak
<input type="checkbox"/>	Selangor Darul Ehsan
<input type="checkbox"/>	Terengganu Darul Iman
<input type="checkbox"/>	

Follow up

25. We would greatly appreciate your participation in a follow up survey in a few months. If you would like to participate, please leave your contact details

Name
Email
Telephone number: mobile or land line



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