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FMM sees dip in manufacturing in Q1 2023



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"The government must take proactive steps to come up with the right policies to assist industries, especially small and medium enterprises, so that they can weather the global downturn that will impact Malaysia's economy," says FMM president Soh.

PETALING JAYA: The Federation of Malaysian Manufacturers (FMM) expects the local manufacturing sector to experience a downturn in the first quarter of next year (1Q23) due to global uncertainties.

In light of the potential slowdown, FMM president Tan Sri Soh Thian Lai said the order books of companies might see lower growth.

"Businesses are lowering inventory levels to mirror the decline in demand in global markets.

"The government must take proactive steps to come up with the right policies to assist industries, especially small and medium enterprises (SMEs), so that they can weather the global downturn that will impact Malaysia's economy," he said at the FMM Industry 4.0 conference yesterday.

Nevertheless, Soh maintained that while demand in the global economic market may be coming off, the manufacturing sector's contribution to the country's gross domestic product (GDP) will likely not fall below 20%.

"The manufacturing sector is still contributing about 25% of GDP growth so far.

“Should there be a decline next year, I think the number will still hover around 20% to 25%, as foreign direct investments worth billions are still coming in,” he said.

Separately, the FMM is calling for more SMEs to adopt Industry 4.0 in order to capture growth opportunities from free trade agreements (FTAs) across global markets.

Soh said SMEs are still facing hiccups in adopting the Industry 4.0 due to the lack of capital.

“The cost of adopting Industry 4.0 is very high. For instance, one robotic arm can come up to about RM150,000 to RM250,000. As such, we encourage SMEs to focus on reskilling and upskilling their talents first,” he said.

Soh added that market access is another issue that SMEs are confronted with in implementing Industry 4.0.

“In implementing Industry 4.0, the volume or output of a business will increase following faster production.

“With a higher output, SMEs face difficulty in gaining market accessibility to market their products. On this note, Malaysia’s market size is too small.

“SMEs need to adopt Industry 4.0 so that they can move their products across international markets through the FTAs that the country has signed. About 67.5% of our trade revenue is derived from FTAs,” said Soh.

Themed “The Digital Supply Chain”, the conference which also entailed a mini exhibition by various business solutions providers, was held with the goal of creating awareness among Malaysian manufacturers on the latest digitisation and Industry 4.0 enabling technologies in the manufacturing sector.

The event was also an opportunity for SMEs to learn to leverage on new technologies to improve their businesses.