



**KEMENTERIAN PEMBANGUNAN
USAHAWAN DAN KOPERASI**
Ministry of Entrepreneur Development and Cooperatives

MEDIA RELEASE

SHARE OF SMEs IN THE MALAYSIAN ECONOMY EXPANDED FURTHER IN 2019

Kuala Lumpur, 3 August 2020 – The contribution of SMEs to the economy namely to Gross Domestic Product (GDP), exports and employment expanded further in 2019 despite a challenging domestic and global environment. This has reaffirmed the role of SMEs as substantial backbone of the Malaysian economy, providing jobs and growth opportunities.

According to the data released by the Department of Statistics, Malaysia (DOSM) on 29 July 2020, SME contribution to the overall GDP has increased to 38.9% in 2019 compared to 38.3% recorded in 2018. In terms of value, SME GDP at constant 2015 prices stood at RM552.3 billion against the total value of the overall GDP at RM1,421.5 billion. This reflects a growth of SME GDP by 5.8% in 2019, driven by services sector which registered a strong growth of 7.4%. The growth momentum in services sector was supported by finance, insurance, real estate and business services sub-sector which recorded a higher growth of 7.7% in 2019 (2018: 7.5%) as well as steady expansion in wholesale & retail trade, F&B and accommodation sub-sector following firm household spending. SME growth has continued to outpace the overall GDP since year 2004.

In 2019, contribution of SMEs to total exports increased to 17.9% from 17.3% in 2018. The SMEs continued to record a positive exports growth of 2.6% during the year (2018: 3.4%) supported by a continued expansion in the services sector particularly in tourism-related industries and other business services. Meanwhile, the non-SMEs was far more affected whereby it contracted by 1.4%, the first decline since 2013. The slower export growth in 2019 was due mainly to the weaker global economic growth and international trade beside various uncertainties that affected business sentiments of both domestic and export-oriented firms.

In 2019, SMEs employed about 7.3 million people, denoting an increase of 3.0% from the previous year, thus contributed 48.4% to the country's employment (2018: 48.0%). The

hiring volume was highest in the services sector with 63.2% of total SME employment, mainly in wholesale & retail trade, F&B and accommodation sub-sectors. SME employment was also generated by manufacturing (16.3%) followed by agriculture (10.6%), construction (9.7%) and mining & quarrying (0.3%). The share of SME employment was revised based on the changes in methodology that previously excluded Government, informal sector excluding the agriculture sector, unregistered businesses in the agriculture sector and outsourcing activities in computing the total denominator for calculation of SME employment. Meanwhile, the labour productivity of SMEs as measured by real value-added per employee improved from RM73,449 in 2018 to RM75,457 in 2019, with a growth of 2.7% (2018: 2.9%). The labour productivity growth in all economic sectors improved throughout the year whereby the construction sector marked the highest productivity growth of 3.7%. In addition, agriculture sector recorded positive productivity growth of 0.6% in 2019, a rebound from a contraction of 0.3% in 2018. Thus, there is a need to be more aggressive in adopting modern technologies and innovation to boost productivity of SMEs.

Moving forward, the economic repercussions arising from the unprecedented Covid-19 pandemic and the implementation of Movement Control Order (MCO) will definitely impact the performance of SMEs in 2020. Bank Negara Malaysia (BNM) has revised the GDP growth projection for Malaysia downward to between -2.0% to 0.5% in 2020. Based on the survey conducted by SME Corp. Malaysia, about 73% of SMEs are expected to register losses in 2020. Hence, the challenge now lies on the speed and agility of the SMEs in Malaysia to adopt differentiated strategies to survive the new normal by embracing digitalisation for their business operations, develop business continuity plan as well as work closely with their financial institutions to manage cash positions. The announcement of Prihatin stimulus package and more recently the Pelan Jana Semula Ekonomi Negara (PENJANA) reflects the Government's effort to support SMEs in restarting their businesses and gearing towards recovery. Under PENJANA, a total of RM35 billion has been allocated under 40 initiatives of which 24 initiatives with an allocation of RM14.5 billion will have direct impact on SMEs. Among the key initiatives that have been introduced are financial assistance, moratorium period to ease pressure on cash flow, tax incentives and Wage Subsidy Programme which helped to cushion the adverse impact and lend further impetus to SME growth.

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