UOB Business Outlook Study 2023

(SME & Large Enterprises)

UOB conducted a Business Outlook Study in **Malaysia** covering **528 business owners** and **key executives** from **SMEs and Large Enterprises**.

This study provides a comprehensive understanding of the current business sentiments, inflation impact and outlook among businesses across various sectors in Malaysia. The study also captures insights around key themes such as Sustainability, Digitalisation, Supply Chain Management and Overseas Expansion.

Malaysia

WHAT

- 15-minute online surveys
- Total of 528 interviews
- Data collection: 28 December 2022 - 20 January 2023

WHO

- Businesses with revenue less than MYR 900 million
- Covers SMEs and Large Enterprises across key industry verticals
- Owners/ chief executive level/ management level who are involved with business decision making

Classification of businesses:
Smaller: annual turnover <MYR 50 million
Larger: annual turnover MYR 50 million to <900 million

COVERAGE

Regions	Sample
Central	278
South	104
North	68
East Coast	26
East Malaysia	52
Total	528

Industries	Sample
Community & Personal	63
Consumer Goods	62
Tech, Media & Telecom	62
Construction & Infrastructure	61
Manufacturing & Engineering	60
Real Estate/Hospitality	60
Business Services	51
Professional Services	50
Industrials, Oil and Gas	31
Wholesale Trade	28
Total	528

UOB Business Outlook Study 2023
(SME & Large Enterprises)

Overview

Business Sentiment

74% of businesses said the business environment in Malaysia was positive in 2022

71% businesses have a positive outlook for 2023

Most positive sentiments (sectors)
- 81% Industrials, Oil & Gas
- 80% Professional Services
- 78% Real Estate/ Hospitality

Most positive sentiments (regions)
- 80% South
- 79% North

Impact of inflation

83% of businesses in Malaysia have been affected by high inflation

24% businesses in Malaysia are highly affected

Most affected sectors
- 92% Construction & Infrastructure
- 87% Industrials, Oil & Gas
- 86% Business Services

Most affected regions
- 87% Central
- 82% North

Sustainability

39% of businesses in Malaysia have started implementing sustainability practices

Businesses are looking for more support in
- 40% Tax incentives or rebates
- 37% Provide options for sustainable financing
- 34% Connections to industry bodies and government agencies

Leading sectors
- 48% Manufacturing & Engineering
- 42% Consumer Goods
- 42% Industrials, Oil & Gas

Leading regions
- 43% South
- 41% North

Digital adoption

State of digital adoption

Over **8 in 10** businesses in Malaysia have adopted digitalisation in at least one department

Success with digitalisation

Nearly **6 in 10** businesses have seen success in their digitalisation efforts

Sectors leading in digital adoption
- 92% Tech, Media & Telecom
- 86% Professional Services
- 85% Consumer Goods

Regions leading in digital adoption
- 88% South
- 83% East Malaysia

Supply Chain Management (SCM)

87% of businesses in Malaysia consider SCM important

55% of businesses say their supply chain has been impacted by geopolitical issues

Most impacted sectors
- 72% Construction & Infrastructure
- 67% Business Services
- 65% Industrials, Oil & Gas

Most impacted regions
- 63% South
- 56% North

Interest in overseas expansion

7 in 10 businesses are looking to expand overseas in the next 3 years

Businesses in the Tech, Media & Telecom and Construction & Infrastructure sectors in Malaysia, are more interested in overseas expansion than others

Most interested sectors
- 89% Tech, Media & Telecom
- 82% Construction & Infrastructure
- 77% Industrials, Oil & Gas

Most interested regions
- 82% South
- 72% Central

UOB conducted a Business Outlook Study in **Malaysia** covering **528 business owners** and **key executives** from **SMEs and Large Enterprises**.

UOB Business Outlook Study 2023
(SME & Large Enterprises)

Business Sentiment

Business environment in 2022

74% of businesses said the current business environment in Malaysia was positive in 2022

Businesses in the Industrials, Oil & Gas and Professional Services sectors were more positive about their current business environment

Most positive sentiments (sectors)

- 81% Industrials, Oil & Gas
- 80% Professional Services
- 78% Real Estate/ Hospitality

Most positive sentiments (regions)

- 80% South
- 79% North

77% of businesses in Malaysia have seen an increase in their revenue in 2022

Positive business sentiment is driven by strong revenue growth in 2022.

Businesses in Industrials, Oil & Gas and Real Estate/ Hospitality have seen more growth than those in other sectors.

Highest growth sectors

- 90% Industrials, Oil & Gas
- 85% Real Estate/ Hospitality
- 84% Professional Services

Highest growth regions

- 88% East Malaysia
- 87% South

Factors that impacted businesses in 2022

- 38% High levels of inflation
- 35% Rising operational costs
- 29% Recovering from overall economic slowdown
- 27% Rising interest rates
- 21% Manpower (labour) shortages

High levels of inflation have impacted businesses in Industrials, Oil and Gas and Professional Services the most.

Outlook for 2023

71% of businesses have a positive outlook for 2023

Smaller businesses with turnover of MYR 5m to <10m are more optimistic about the future. Sectors like Industrials, Oil & Gas and Tech, Media & Telecom have a more positive outlook.

Most positive sectors

- 81% Industrials, Oil & Gas
- 77% Tech, Media & Telecom
- 76% Professional Services

Most positive regions

- 74% South
- 72% North

Top future business priorities

To drive future growth, businesses are:

Businesses in sectors like Community & Personal Services and Real Estate / Hospitality are at the forefront in digitalising their business model to drive growth.

- 44% Reducing costs
- 33% Digitalising their business model
- 30% Tapping into new customer base
- 30% Re-skilling/upskilling existing talent
- 29% Diversifying supply chains

UOB conducted a Business Outlook Study in **Malaysia** covering **528 business owners** and **key executives** from **SMEs and Large Enterprises**.

UOB Business Outlook Study 2023
(SME & Large Enterprises)

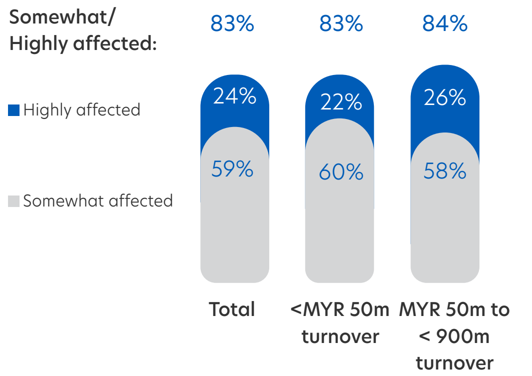
Inflation Impact & Mitigation

Impact of inflation

83% of businesses in Malaysia have been affected by high inflation

Larger businesses (MYR 50m to < 900m turnover) have been affected more than smaller businesses (<MYR 50m turnover)

Extent affected by inflation



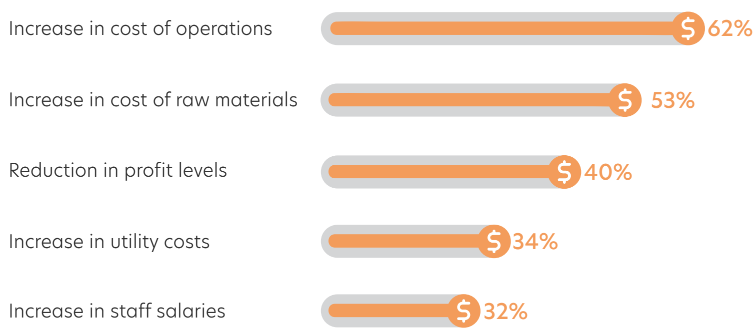
Most affected sectors

- 92% Construction & Infrastructure
- 87% Industrials, Oil & Gas
- 86% Business Services

Most affected regions

- 87% Central
- 82% North

Areas affected by high inflation



6 in 10 businesses have seen an increase in cost of operations

1 in 2 businesses have seen an increase in cost of raw materials

Inflation is also impacting the profitability of businesses in Malaysia, particularly in Manufacturing & Engineering and Real Estate/Hospitality sectors

Top measures to mitigate inflation

Nearly 1 in 2 businesses in Malaysia are focused on improving productivity to tackle inflation

- Improve productivity to save costs — 49%
- Stronger price negotiations with suppliers/ vendors — 41%
- Cost cutting on company activities — 40%
- Taking advantage of government grants/ schemes — 33%
- Increasing the selling price of goods/ services — 33%
- Digitalise processes to drive cost savings — 33%

Businesses in North and South regions are leading the way in improving productivity to drive cost savings. The same trend is seen in Construction & Infrastructure, as well as Tech, Media & Telecom businesses in Malaysia.

Key channels/ capabilities to improve

Over 6 in 10 businesses in Malaysia are looking for user-friendly channels for customer interaction to meet changing customer expectations

- 64% User-friendly channels for customer interaction
- 57% Automation to ease customer service
- 34% Use of AI, chatbots etc. for real time interaction
- 27% Hyper-personalised service/offer for customers

UOB Business Outlook Study 2023
(SME & Large Enterprises)

State of sustainability adoption

84% of businesses in Malaysia consider sustainability important

39% of businesses in Malaysia have started implementing sustainability practices

	Unaware	Yet to implement	Implementing
Malaysia	11%	50%	39%
<MYR 50m turnover	16%	52%	32%
MYR 50m to <900m turnover	4%	47%	49%

Leading sectors

- 48% Manufacturing & Engineering
- 42% Consumer Goods
- 42% Industrials, Oil & Gas

Leading regions

- 43% South
- 41% North

Top sustainability drivers

Improved reputation/ better branding	57%
Helps attract investors	47%
Enables talent retention/attraction	42%
Environmentally & socially sustainable future for the market	42%
Customers prefer or demand for it	41%

57% of businesses consider sustainability important as it improves reputation/ branding of their company

Businesses in Manufacturing & Engineering and Consumer Goods find it more important to adopt sustainable practices to help improve their brand reputation.

Top barriers in sustainability adoption

1 in 3 businesses are concerned about the increase in cost of products/services to end customers

Increase in cost to end customers	34%
Lack of manpower/ resources	32%
Concerns about impact on profits	31%
Inadequate financial support from government/banks	31%
Lack of awareness within the company	30%

There are risks to continued sustainability adoption during times of economic uncertainty, as many businesses believe that implementing sustainability practices can impact their revenues and profits

Support required for sustainability adoption

2 in 5 businesses are looking for tax incentives or rebates as support measures for their sustainability plans

Options for sustainable financing and connections to industry bodies and government agencies are also sought after by businesses in Malaysia in addressing some of the barriers in implementing sustainability within a business

Tax incentives or rebates	40%
Provide options for sustainable financing	37%
Connections to industry bodies & government agencies	34%
Training programmes to reskill/ upskill employees	33%
Connections to the right training/ solution providers	32%

UOB conducted a Business Outlook Study in **Malaysia** covering **528 business owners** and **key executives** from **SMEs and Large Enterprises**.

UOB Business Outlook Study 2023
(SME & Large Enterprises)

Digitalisation

State of digital adoption

Over **8 in 10** businesses in Malaysia have adopted digitalisation in at least one department

A key challenge for digitalisation will be encouraging businesses who have just started their journey to continue with digitalisation, expanding it from one or a few departments into the entire business.

Sectors leading in digital adoption

92%	86%	85%
Tech, Media & Telecom	Professional Services	Consumer Goods

Regions leading in digital adoption

88%	83%
South	East Malaysia

Success with digitalisation

57% of businesses have seen success in their digitalisation efforts

73% of businesses foresee spending more on digitalisation in 2023

Success with digital adoption (sectors)

70%	63%	58%
Tech, Media & Telecom	Business Services	Consumer Goods

Success with digital adoption (regions)

70%	60%
South	East Malaysia

Impact of digitalisation

- Higher productivity 44%
- Improve customer experience 37%
- Better quality of products/services 36%
- Increase customer outreach 35%
- Drive business performance 35%
- Improve profitability 35%

Nearly **6 in 10** businesses have succeeded with digitalisation. On average, each business has benefitted in at least 4 ways.

Digitalisation can play a key role in helping businesses improve productivity to mitigate the impact of inflation on their business.

Digitalisation is having a major impact in helping businesses become more customer centric by enabling their customer outreach efforts and improving customer experience.

Challenges faced in digitalisation

Challenge	%
Lack of digital skillset among employees	36%
Expensive to implement	35%
Risks of data breach	34%
Concerns over cybersecurity issues	34%
Incompatibility between old and new systems	29%
Insufficient funds to continue with it	29%

Over **1 in 3** businesses believe their employees lack the required digital skillsets and consider digitalisation expensive to implement

Support required for digitalisation

Over **2 in 5** businesses want tax incentives/rebates and easier access to funding to support their digitalisation journey

Support	%
Tax incentives or rebates	43%
Easier access to funding or grants	41%
Training programmes for employees	40%
Connections to the right tech providers	38%
Access to knowledge & expertise in the area	38%
Collaborate with industry, government-linked or large businesses	38%

Cybersecurity concerns and the risk of a data breach are key challenges for many businesses. They are likely to need support through training programmes and connections with the right technology providers to address these concerns as they embark on their digitalisation journey.

UOB conducted a Business Outlook Study in **Malaysia** covering **528 business owners** and **key executives** from **SMEs and Large Enterprises**.

UOB Business Outlook Study 2023
(SME & Large Enterprises)

Supply Chain Management (SCM)

Importance of SCM

87% of businesses in Malaysia consider SCM important

Impact of SCM on supply chain

55% of businesses say their supply chain has been impacted by geopolitical issues

Majority of businesses in Malaysia have seen an impact to their supply chains. Sectors like Construction & Infrastructure and Business Services have been affected more than others.

Most impacted sectors

- 72% Construction & Infrastructure
- 67% Business Services
- 65% Industrials, Oil & Gas

Most impacted regions

- 63% South
- 56% North

Challenges in SCM

Over **1 in 2** businesses find rising supply costs as the main challenge in managing their supply chain

Challenge	%
Rising supply costs due to high inflation	52%
Procuring supplies/ raw materials	39%
Inability to predict demand and supply	35%
Inventory management issues	31%
Lack of in-house expertise	29%

Top actions taken for SCM

1 in 3 businesses in Malaysia are looking to have more diverse sources of suppliers to manage their supply chains better

Action	%
Diverse sources of suppliers and from different markets	33%
Digitalise supply chain management	32%
Adopt better inventory management practices	32%
Stock raw material ahead of time	32%
Place orders online	31%

Top support measures for SCM

Tax incentives/rebates are a key support measure that businesses in Malaysia need to manage their supply chains better

Businesses in Tech, Media & Telecom and Real estate/ Hospitality can benefit more from tax incentives

1 in 2 businesses are looking for tax incentives/rebates to help them with better SCM

Support measure	%
Tax incentives or rebates	48%
Training programmes to reskill/ upskill employees	41%
Easier access to funding or grants	41%
Connections to technology/ solution providers	41%
Faster turnaround of loan applications	38%

UOB conducted a Business Outlook Study in **Malaysia** covering **528 business owners** and **key executives** from **SMEs and Large Enterprises**.

UOB Business Outlook Study 2023
(SME & Large Enterprises)

Overseas Expansion

Interest in overseas expansion

7 in 10 businesses in Malaysia are looking to expand overseas in the next 3 years

Businesses in the Tech, Media & Telecom and Construction & Infrastructure sectors in Malaysia, are more interested in overseas expansion than others.

Most interested sectors

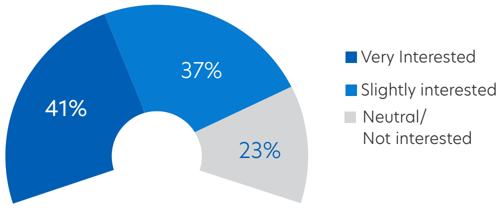
- 89% Tech, Media & Telecom
- 82% Construction & Infrastructure
- 77% Industrials, Oil & Gas

Most interested regions

- 82% South
- 72% Central

Interest in cross-border digital trade platforms

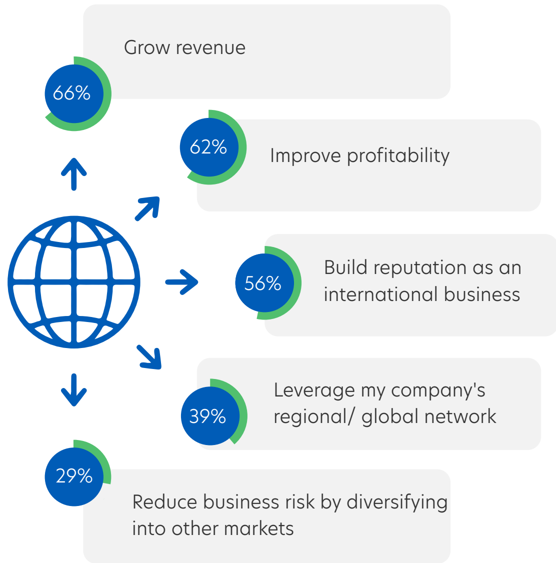
The interest in overseas expansion is leading to higher interest in cross-border digital trade platforms. More than 2 in 5 businesses are 'Very interested' in using such platforms.



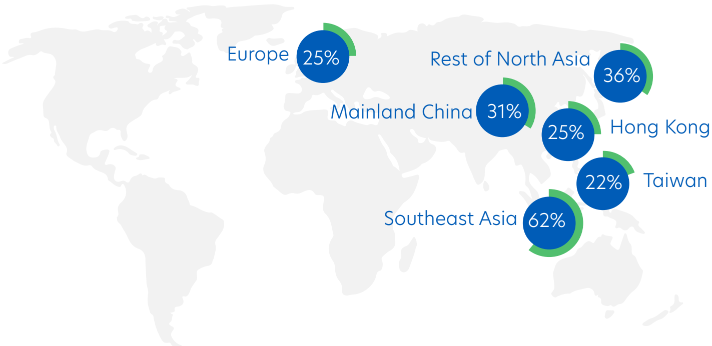
Top motivators for overseas expansion

Nearly **3 in 4** businesses are motivated to expand overseas for revenue growth

Sectors like Tech, Media & Telecom and Real Estate/ Hospitality are more inclined to expand overseas for revenue growth.



Top locations for overseas expansion



Over **3 in 5** businesses in Malaysia have their eyes on Southeast Asia for their future expansion plans

2 in 5 businesses, particularly those in Business Services and Manufacturing & Engineering, are looking to expand into Rest of North Asia (Japan, Korea, etc)

Singapore, Indonesia and Thailand are the preferred Southeast Asia destinations for businesses in Malaysia.

Key challenges in overseas expansion

Nearly **2 in 5** businesses in Malaysia cite difficulty in finding the right partners as their biggest challenge for overseas expansion

Lack of legal, regulatory, compliance and tax support is also a major challenge that businesses, particularly those in Manufacturing & Engineering and Construction & Infrastructure, need to overcome when they look to expand overseas.

UOB conducted a Business Outlook Study in **Malaysia** covering **528 business owners** and **key executives** from **SMEs and Large Enterprises**.