

UOB Business Outlook Study 2024



(SMEs & Large Enterprises)

UOB conducted a Business Outlook Study in Malaysia covering 525 business owners and key executives from SMEs and Large Enterprises.

The Business Outlook Study provides a comprehensive understanding of the current business sentiment, inflation impact and outlook among businesses across various sectors in Malaysia.

By capturing robust insights around key themes such as Overseas Expansion, Supply Chain Management, Digitalisation, and Sustainability, this study can help Malaysia businesses better understand the current environment they are operating in and plan for future opportunities and challenges.



Malaysia

▶ WHAT



15-minute online survey



Total of 525 interviews



Data collection:
Late-December 2023 to mid-January 2024

▶ WHO



Businesses with revenue up to RM 900 million



Covers both SMEs and Large Enterprises across key industry verticals



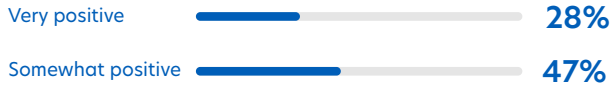
Owners/C-suite/Management level who are involved with business decision making



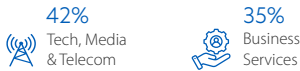
Classification of businesses:
Small Enterprises - annual turnover of <RM 30m
Medium Enterprises - annual turnover of RM 30m to <900m

Industries	Sample
Consumer Goods	68
Construction & Infrastructure	66
Manufacturing & Engineering	60
Community & Personal	60
Tech, Media & Telecom	59
Business Services	51
Professional Services	50
Real Estate & Hospitality	50
Industrials, Oil & Gas	31
Wholesale Trade	30
Total	525

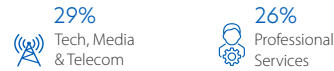
Business sentiment



Most positive sectors



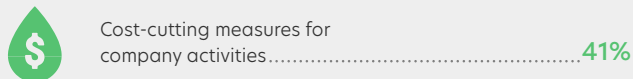
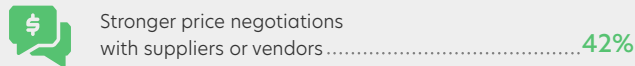
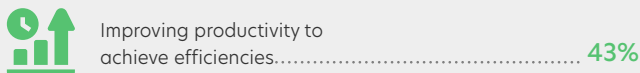
Most improved sectors



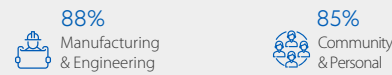
Inflation and its impact



Ways to combat inflation



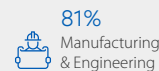
Most affected sectors



Areas affected by inflation



Most impacted by increase in cost of operations



Most impacted by increase in cost of raw materials



Overseas expansion interest



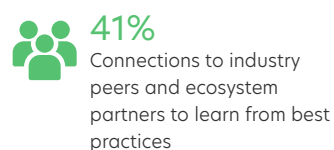
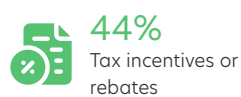
Most interested sectors



Least interested sectors



Support measures for overseas expansion



Key motivators for overseas expansion



► Supply Chain Management (SCM) and its challenges

 Nearly **1 in 2** businesses in Malaysia claim current geopolitical tensions impacted their supply chain.

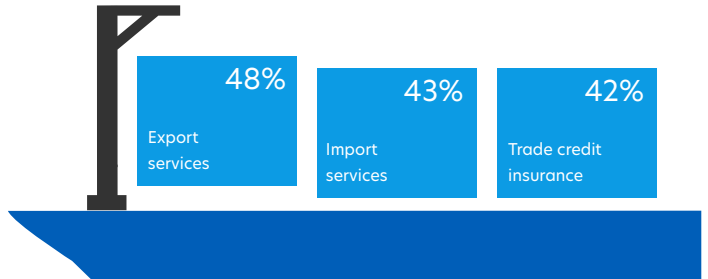
Most impacted sectors



Challenges faced by businesses



Key trading needs among businesses

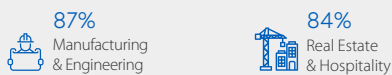


► Digital adoption

Current state

 Nearly **4 in 5** businesses in Malaysia have digitalised one or more departments.

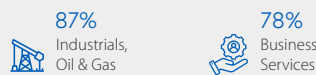
Most digitalised sectors



Expected spending in 2024

 Over **7 in 10** businesses expect to spend more on digitalisation in 2024, with most budgeting an increase of 10% to 25%.

Higher spending sectors



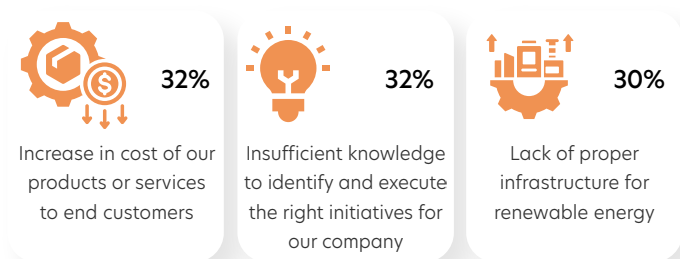
► Sustainability adoption

 Over **4 in 5** businesses in Malaysia believe sustainability is important to their business. Yet, adoption level has remained stagnant since 2022.

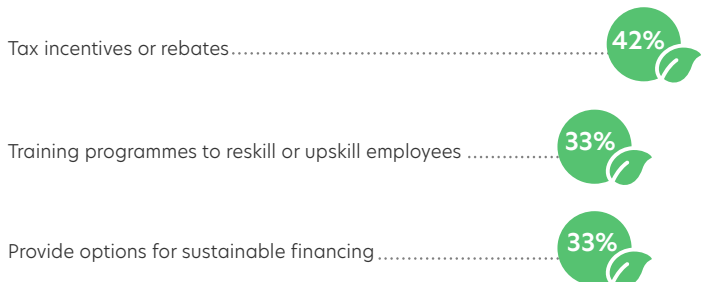
Higher adoption sectors



Challenges faced by businesses

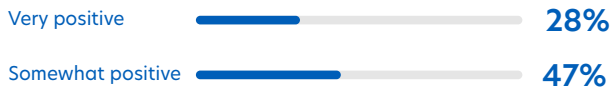


Support measures to drive sustainability adoption



▶ Business environment in 2023

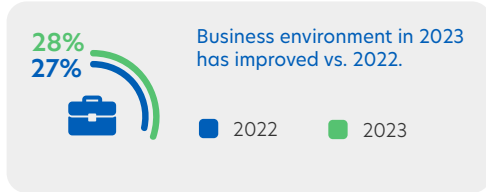
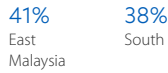
 Nearly **3 in 10** businesses in Malaysia say the current business environment is very positive.



Most positive sectors



Most positive regions

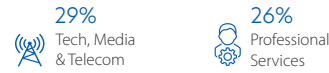


▶ Business outlook for 2024

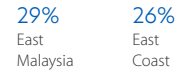
 Over **1 in 5** businesses in Malaysia expect a vastly improved business performance in 2024.



Most improved sectors



Most positive regions



Over 1 in 5 businesses continue to expect a vastly improved performance in 2024, similar to that of previous year.

Vastly improving, 2023  **22%**

Vastly improving, 2024  **22%**

▶ Top factors that have impacted businesses in 2023

Rising operational cost, high inflation, and recovery from economic slowdown are the top three macro factors impacting businesses.



Rising operational cost



High levels of inflation



Recovering from overall economic slowdown



High manpower (labour) costs



Rising interest rates

▶ Business priorities for next 1-3 years

Reduce costs **36%**

Source for new customer base **30%**

Digitalise the business to achieve business efficiencies **29%**

Develop new sources of revenue **25%**

Find new business partnerships for collaboration **24%**



Rising operational cost and high inflation are leading to many businesses looking to reduce costs in the next 1-3 years.

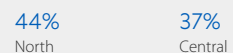


Source for new customer base is a priority for 3 in 10 businesses in Malaysia.

Higher priority to reduce costs by sectors



Higher priority to reduce costs by regions



▶ How businesses plan to achieve their priorities

To achieve their business priorities, many businesses are looking to focus on improving customer service or experience, upgrade equipment or facility and extend our range of products and/or services.



► Extent of inflation impact

1 Rising operational cost ranks number 1 among the key macro factors affecting businesses in 2023.

Over **8 in 10** businesses in Malaysia say they have been impacted by high inflation in 2023.

Most impacted sectors



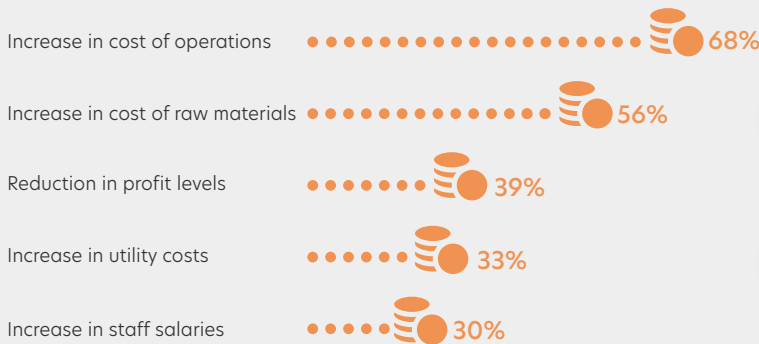
Most impacted regions



► Macro factors impacting business in 2023



► How inflation has impacted businesses

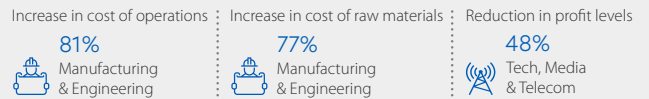


High inflation has increased cost of operations for nearly 7 in 10 businesses.

56% Businesses say their cost of raw materials increased due to inflation.

The impact across sectors has not been uniform. More Manufacturing & Engineering businesses have seen an increase in their cost of operation and raw materials while more in the Tech, Media & Telecom sector have been impacted by reduction in profit levels.

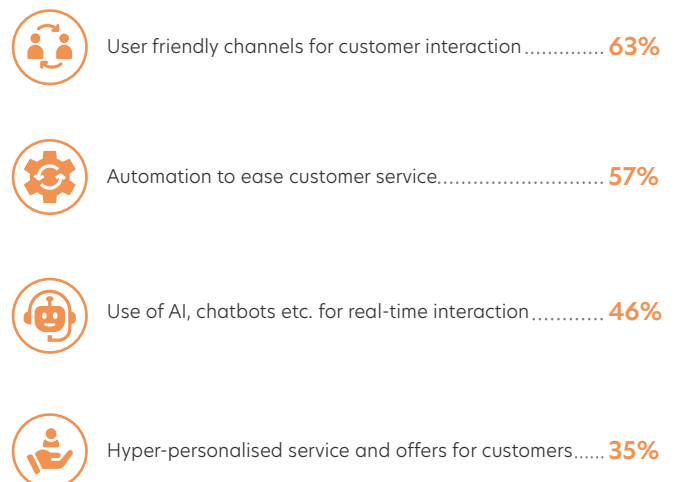
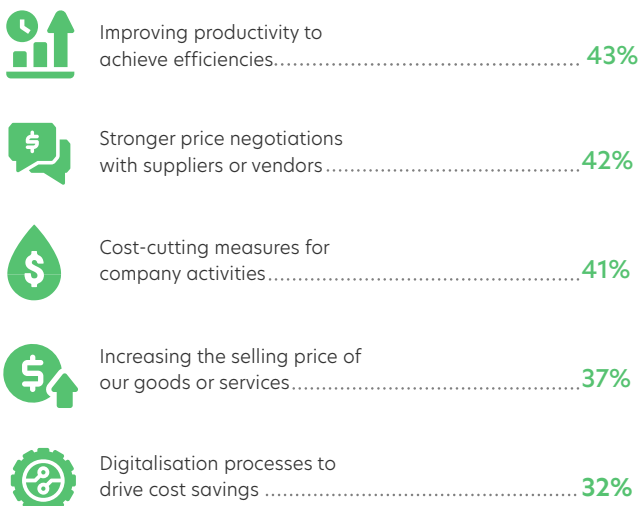
Most affected sectors



► Ways to combat inflation

Businesses are balancing cost-cutting measures with productivity improvements to manage the high inflation.

63% Businesses are looking to leverage user-friendly channels for customer interaction.



Interest in overseas expansion

Nearly **8 in 10** businesses in Malaysia are interested in overseas expansion.

Most interested sectors

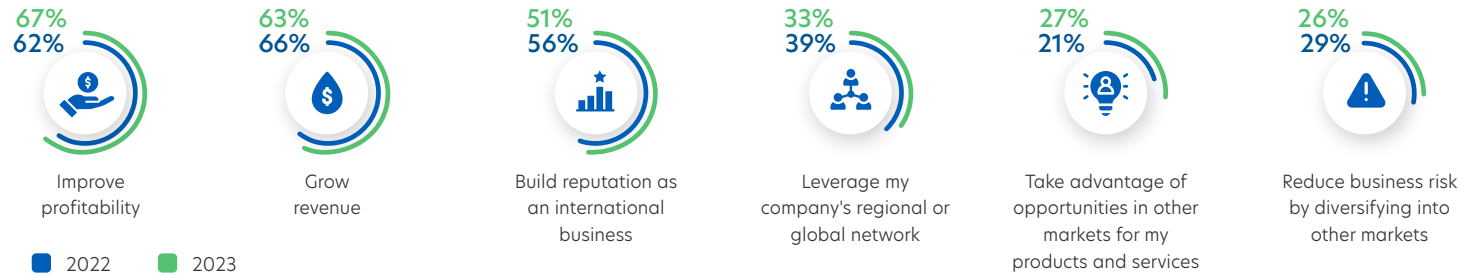
90%
Industrials, Oil & Gas

85%
Manufacturing & Engineering

83%
Wholesale Trade

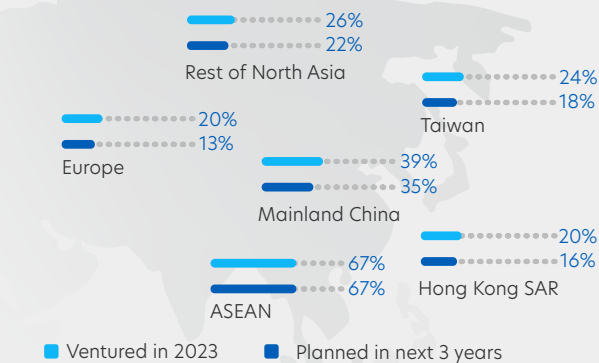
Key motivation for businesses to expand overseas

More businesses are now looking to expand overseas to take advantage of opportunities in other markets for their products and services.



Key markets on the radar for overseas expansion

ASEAN and Mainland China are the top two regions that businesses have expanded in 2023 and will continue to expand in the next 3 years.



Real Estate & Hospitality have ASEAN on its radar for future expansion. Within ASEAN, Indonesia and Singapore, the two largest domestic markets, attract businesses the most.

Barriers for overseas expansion

39% Businesses struggle with inadequate financial support or funds when looking to expand overseas.

Nearly **4 in 10** lacks knowledge or access to information about the new market.

Inadequate financial support or funds is by far the biggest challenge for sectors such as Consumer Goods and Wholesale Trade.



Support measures for overseas expansion

Financial support through funding or tax incentives and non-financial support through connection with industry peers and ecosystem partners to learn from best practices are expected to be most effective.

44%
Tax incentives or rebates

41%
Connections to industry peers and ecosystem partners to learn from best practices

38%
Connections to large corporate businesses that are prospective anchor clients my company can supply to

35%
Advisory and consultation services

34%
Access to business analytics and insights relevant to my industry

► Importance of SCM



Sectors where SCM is more important



Differences by turnover

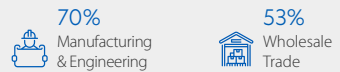


► Impact of geopolitical tensions on supply chain

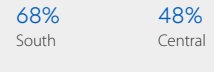


Nearly 1 in 2 Malaysia businesses claim current geopolitical tensions impacted their supply chain. But this sentiment has slightly moderated compared to a year ago.

Most impacted sectors



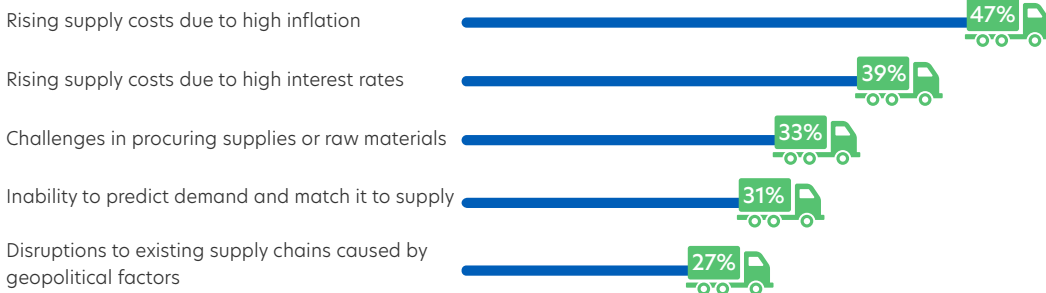
Most impacted by region



► Supply chain challenges faced

Rising supply costs due to inflation and high interest rates, is the top supply chain challenge faced by businesses.

Rising supply costs due to high inflation are especially challenging for businesses in the Wholesale Trade sector.



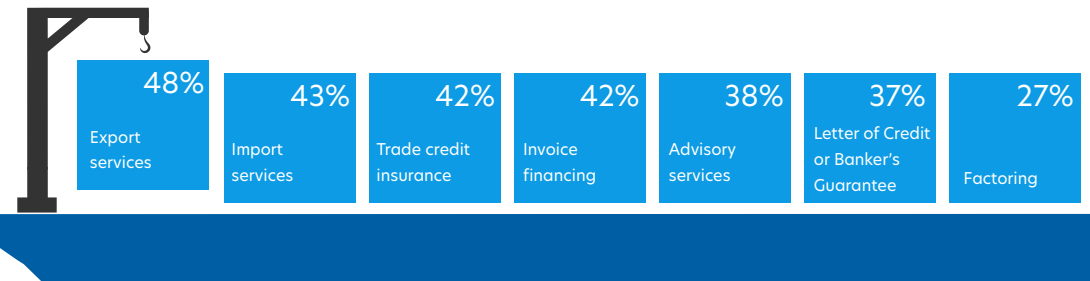
► Current practices in SCM

Businesses are taking three key actions to manage supply chain challenges - have more diverse source of suppliers, adopt better inventory management practices and use e-commerce platforms to source for raw materials or vendors.

Industrials, Oil & Gas and Manufacturing & Engineering businesses are most active in having diverse sources of suppliers from different markets.



► Key trading needs among businesses

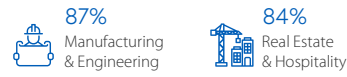


Export services, import services and trade credit insurance are the top three trading support services sought by businesses.

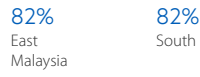
▶ Current state of digitalisation

Nearly 4 in 5 businesses in Malaysia have digitalised one or more departments, 27% claiming digitalisation has happened across the business.

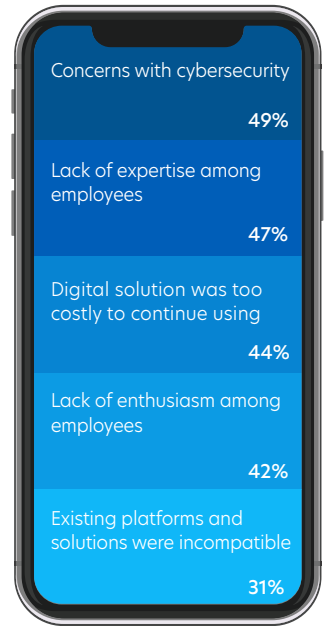
Most digitalised sectors



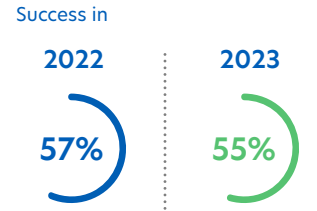
Most digitalised regions



Concerns with cybersecurity, lack of expertise among employees, and digital solution being too costly to continue using are key reasons why digitalisation efforts are less successful for some businesses.

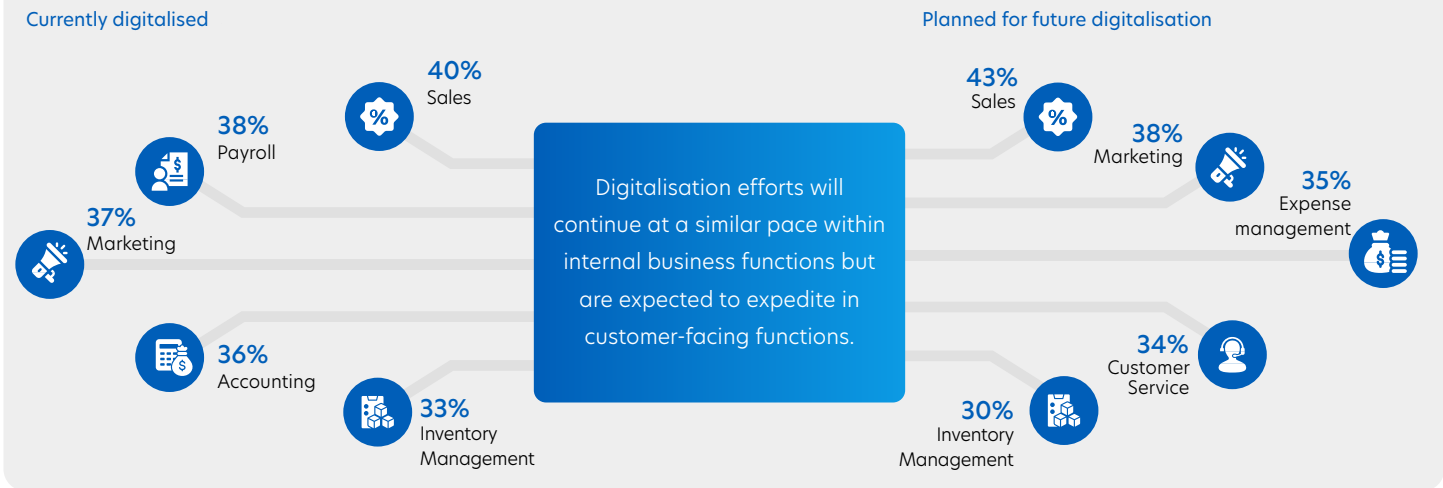


While over **1 in 2** businesses in the region have seen success from their digitalisation efforts, the number of businesses that succeeded has declined from the previous year.



▶ Business functions digitalised

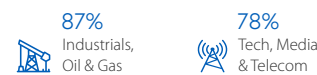
In future, businesses plan to prioritise digitalisation of functions like sales, marketing and expense management.



▶ Expected spending on digitalisation in 2024

Over **7 in 10** businesses expect to spend more on digitalisation in 2024, with most budgeting an increase of 10% to 25%.

Higher spending sectors



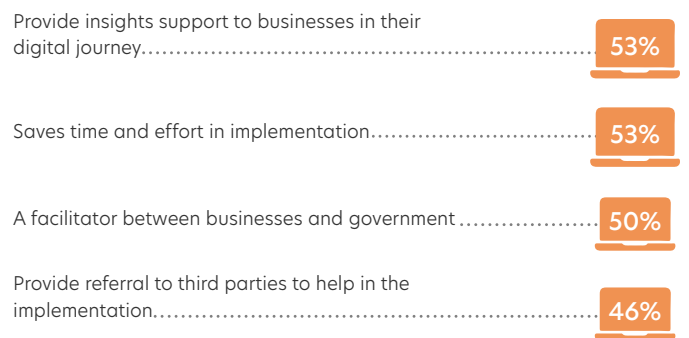
Differences by turnover



▶ Banks and Financial Institutions (FIs) have a key role in digitalisation

Over **1 in 2** businesses believe that banks and FIs can provide them with insights support in their digitalisation journey and save time & effort in implementation.

1 in 2 businesses feel banks and FIs can be a facilitator between businesses and government.



► Current state of sustainability

83% of businesses consider sustainability important. However, only 39% of businesses have implemented sustainable practices in 2023.

Higher implementation sectors

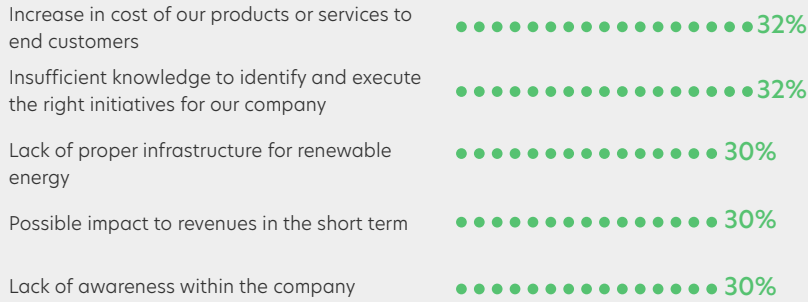


Higher implementation regions



► Top barriers to sustainability

Increase in cost of products or services, insufficient knowledge to identify and execute the initiatives and lack of proper infrastructure are key obstacles in sustainability implementation in Malaysia.



Most concerned about increasing cost by sectors

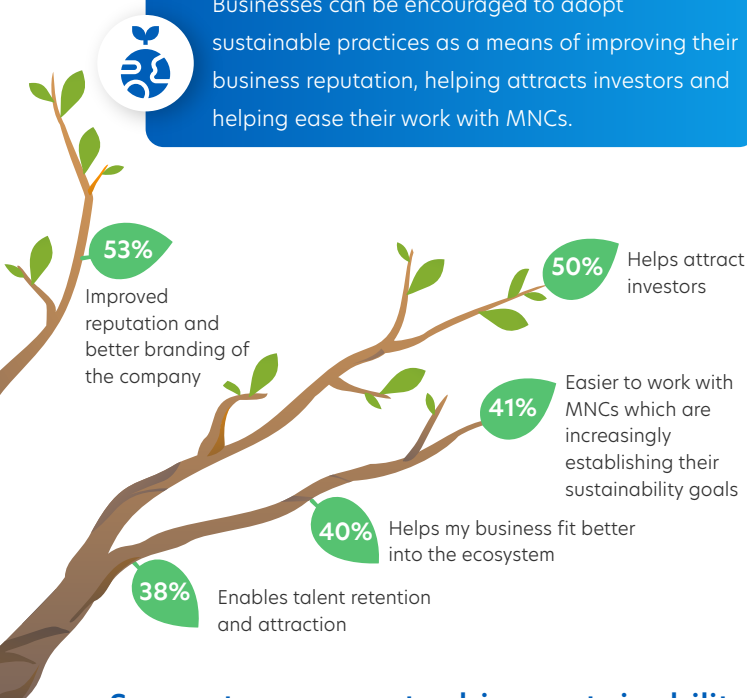


Most concerned about increasing cost by regions



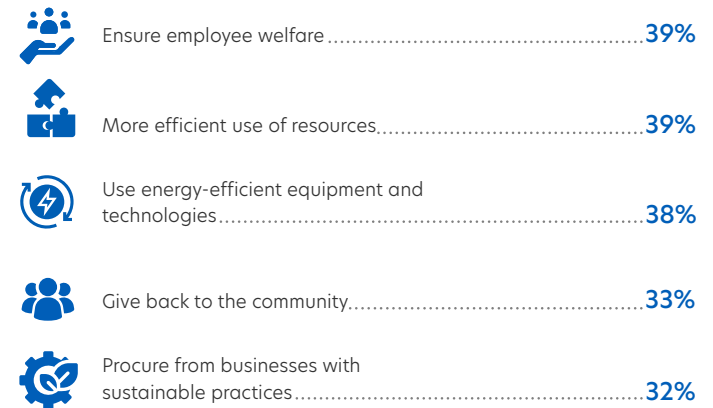
► Ways to encourage sustainable practices

Businesses can be encouraged to adopt sustainable practices as a means of improving their business reputation, helping attract investors and helping ease their work with MNCs.



► Sustainability practices prioritised

Sustainable practices leading to employee welfare, and efficient use of resources are prioritised for implementation.



Higher prioritisation of ensuring employee welfare



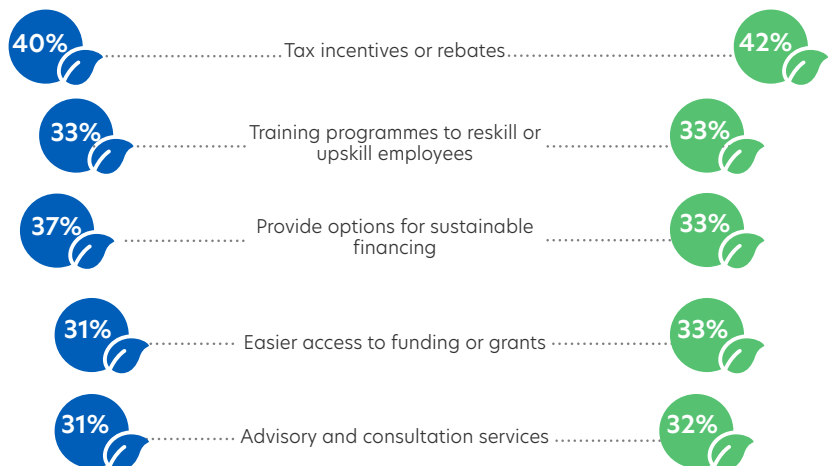
Higher prioritisation of efficient use of resources by sectors



► Support measures to drive sustainability adoption

Financial measures such as tax incentives and options for sustainable financing are the key to drive greater adoption. Businesses can also benefit from training programmes to reskill or upskill employees and by providing options for sustainability financing.

A sectorial approach can also be adopted to offer relevant support measures to sectors that are in more need for it. For example, Manufacturing & Engineering sector seek more tax incentives and training programmes to reskill or upskill employees.



■ 2022 ■ 2023