

UOB Business Outlook Study 2024 (SMEs & Large Enterprises)



Malaysia Report



Foreword

In 2023, while uncertainties such as geopolitical tensions persist and global economic activity moderated on the back of slower demand, changing macroeconomic factors still brought about opportunities for businesses to adapt to the changing market dynamics.

Closer to home, ASEAN economies have remained resilient and continue to evolve in the global economy with strong foundations driven by growing consumer markets, a young and dynamic workforce, increased interconnectivity and foreign direct investments.

We are well-positioned to operate in this sweet spot of more than 650 million people in partnering businesses to leverage growth levers to strengthen supply chain management, accelerate digitalisation and progress towards net zero.

The UOB Business Outlook Study 2024 (SMEs and Large Enterprises) surveys over 4,000 companies across industries and 7 markets (525 companies in Malaysia across industries), to capture current business sentiments and to understand how we can continue to support their needs, to develop resilience and build growth.

Insights from this Study cover three key areas:

1. The trends that are shaping the growth of businesses, in the areas of Sustainability, Digitalisation, Supply Chain Management, Overseas Expansion;
2. How companies are adapting to a changing business landscape and adopting growth strategies;
3. How UOB and industry partners can continue to support businesses with their growth ambitions

In a region that holds rich potential for business opportunities, SMEs need strategic partners with the ambition and capability to unlock the region's potential and build the future of ASEAN. This is especially critical for companies that are looking to expand their business networks and grow beyond domestic markets.

As the One Bank for ASEAN, we are committed to realise the potential of businesses and facilitate economic flows within and with ASEAN for long-term growth. We connect businesses to opportunities in the region with our industry insights and strong sector expertise. Together with our extensive regional footprint, as well as deep local market knowledge, we enable businesses to navigate market complexities and seize growth opportunities in ASEAN and the rest of the world.

We look forward to connecting you to new growth opportunities across the region and beyond.

Eric Lian

Head, Group Commercial Banking
Group Wholesale Banking

Ho Hui Ming

Country Head, Business Banking, Malaysia
Group Wholesale Banking

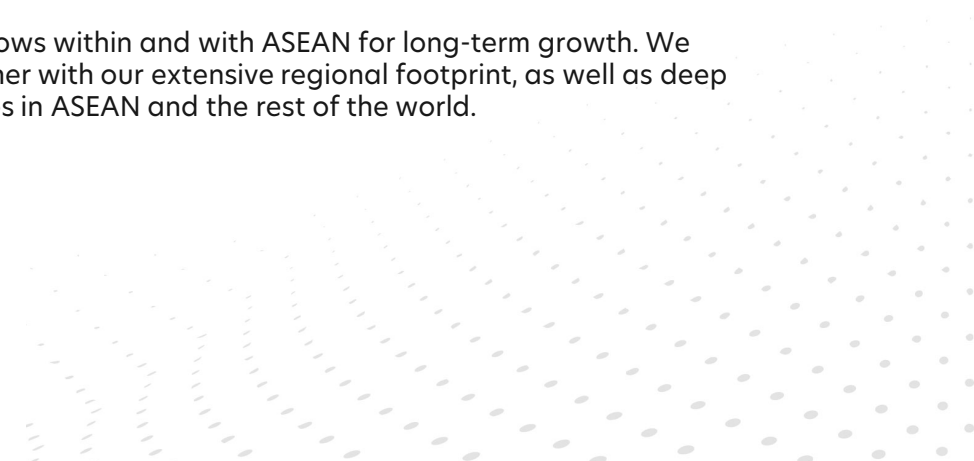


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Background & Methodology

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 Sustainability, Digitalisation, FinTech Adoption, Overseas Expansion and Supply Chain Management this study can help Malaysia businesses better understand the current environment they are operating in and plan for future opportunities and challenges.

▶ WHAT

 15-minute online survey

 Data collection:
End-Dec 2023 – mid-Jan 2024

 Total of **525** interviews

▶ WHERE

 Malaysia

▶ WHO

 Businesses with revenue less than RM 900 million

 Covers SMEs across key industry verticals

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

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

Industry verticals: Consumer Goods; MFG & Engineering; Tech, Media & Telecoms; Construction & Infrastructure; Community & Personal; Business Services; Wholesale Trade; Professional Services; Real Estate & Hospitality; Industrials, Oil & Gas

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

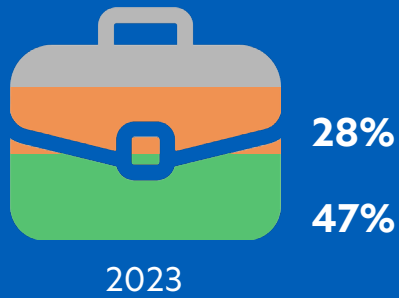


Business sentiment and outlook



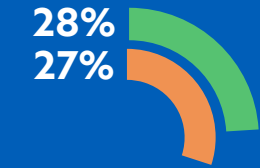
Nearly 3 in 10 businesses in Malaysia believe the current business environment is very positive.

▶ Current environment in Malaysia



- Very positive
- Somewhat positive

Most positive sectors



Business environment has improved in 2023 vs 2022

- 2022
- 2023

Most positive regions



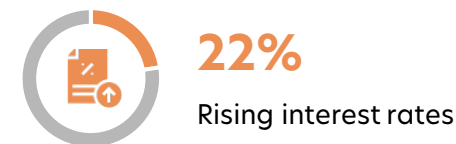
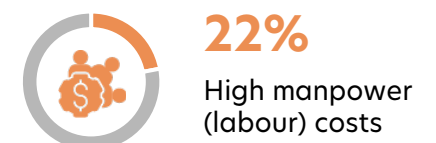
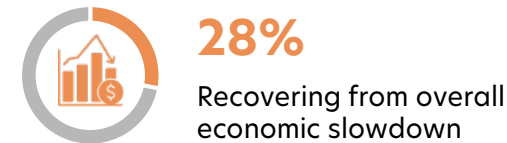
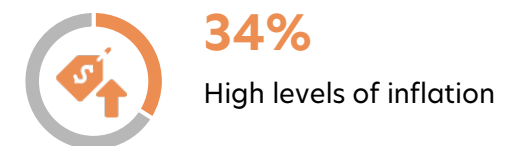
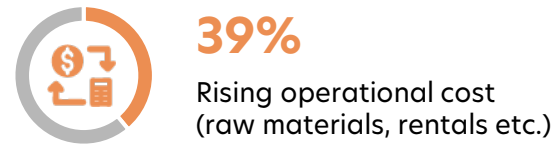
Q. How do you perceive the current business environment in Malaysia?
Base: Total 2023 (525), 2022 (528)

But businesses have been impacted by rising operational cost, high inflation and economic slowdown.

▶ Factors impacting businesses in 2023

Nearly 4 in 5 businesses in the region are impacted by rising operational cost.

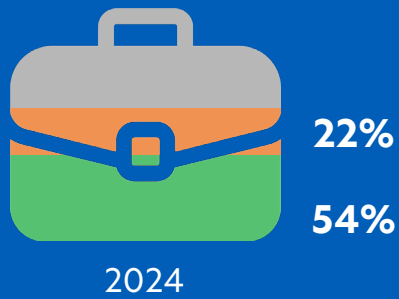
Over 3 in 10 businesses in the region are impacted by high inflation.



Q. Which of the factors below had the biggest impact on your business in 2023? Select up to 5.
Base: Total, 2023 (525), 2022 (516)

Over 1 in 5 businesses in Malaysia expect a vastly improved business performance in 2024. Cost reduction will be a top priority.

▶ Future outlook 2024



- Vastly improving
- Somewhat improving

Most improved sectors



Businesses outlook for 2024 has remained the same as 2023

- Vastly improving, 2023
- Vastly improving, 2024

Most improved regions



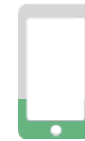
▶ Business priorities for the next 1-3 years



36%
Reduce costs



30%
Source for new customer base



29%
Digitalise the business to achieve business efficiencies



25%
Develop new sources of revenue



24%
Find new business partnerships for collaboration

Future priorities reflect the current market reality of rising operational cost and high inflation. Businesses plan a prudent mix of short-term measures like reducing cost and long-term measures like acquiring new customers and digitalising their business for greater efficiencies.

Improving customer service and upgrading equipment to drive productivity are the key priorities for businesses to drive growth.

▶ Plans to achieve business priorities



▶ Focus on customer service and experience

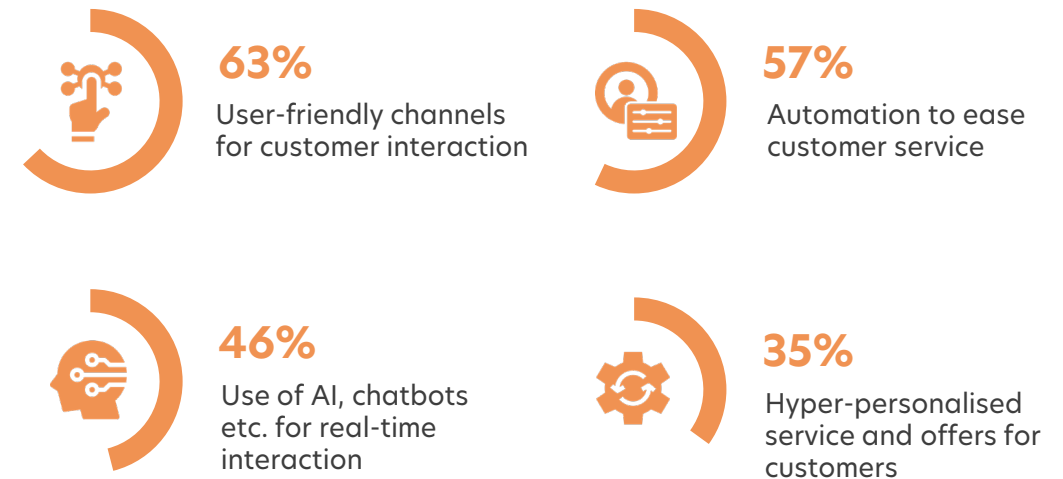
Higher focus sectors



Higher focus regions



▶ Key capabilities to improve



▶ User-friendly channels for customer interaction

Higher focus sectors

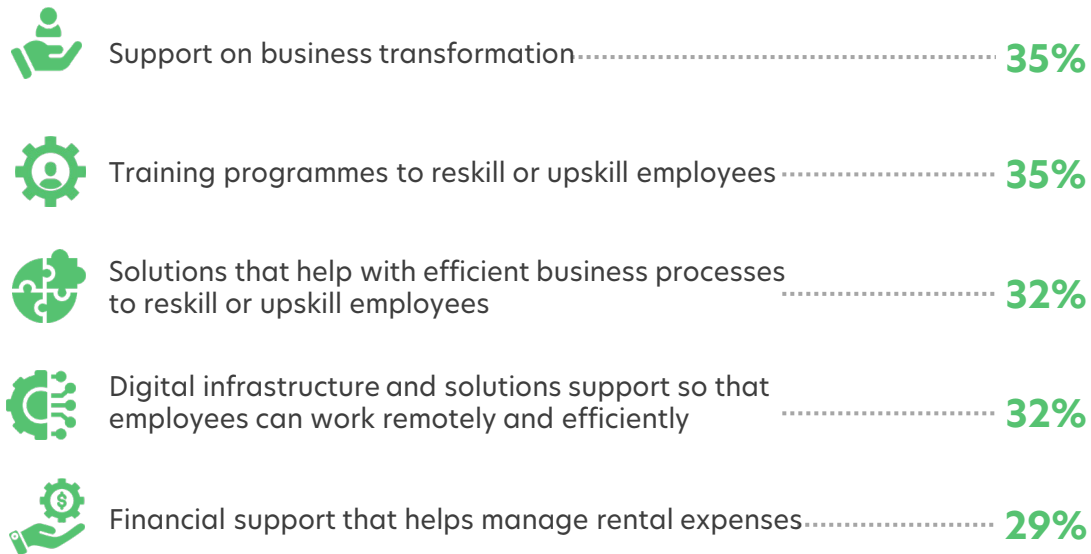


Higher focus regions



Support on business transformation is the need of the hour for businesses, particularly in Industrial, Oil & Gas and Manufacturing & Engineering.

► Support for future business success



► Top support areas

Support on business transformation

Most needed sectors

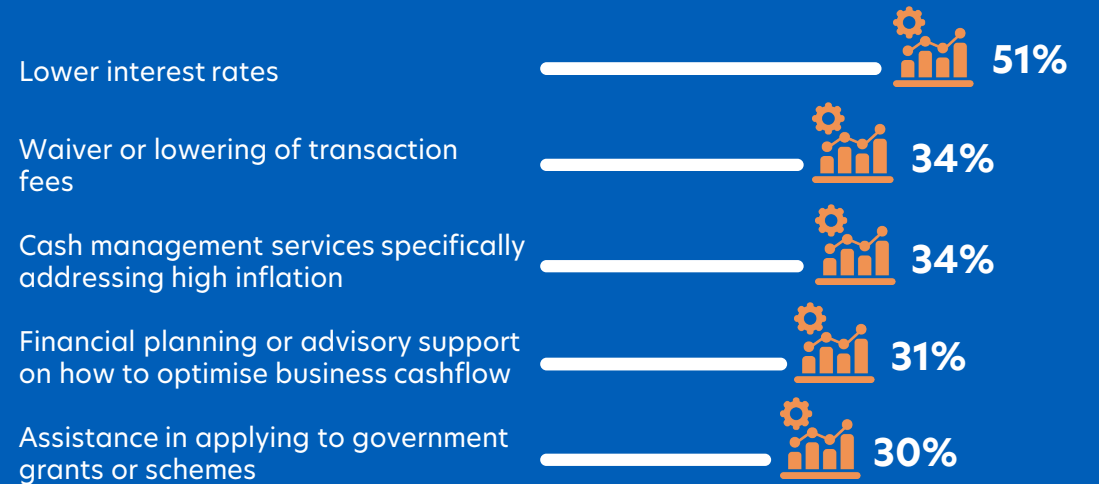


Training programmes to reskill or upskill employees

Most needed sectors



► What can banks and Financial Institutions do?



Providing the right transformational support is critical for future business success. Short-term measures like lower interest rates and transaction fees should be coupled with cash management services to help address inflation concerns.

Q. What type of support would help your company towards business success in 2024 and beyond? This support could be from government, industry bodies etc.

Base: Total, 2023 (525)

Q. Going forward, what support can banks and financial institutions offer to help companies with their business growth through 2024 and beyond?

Base: Total, 2023 (525)

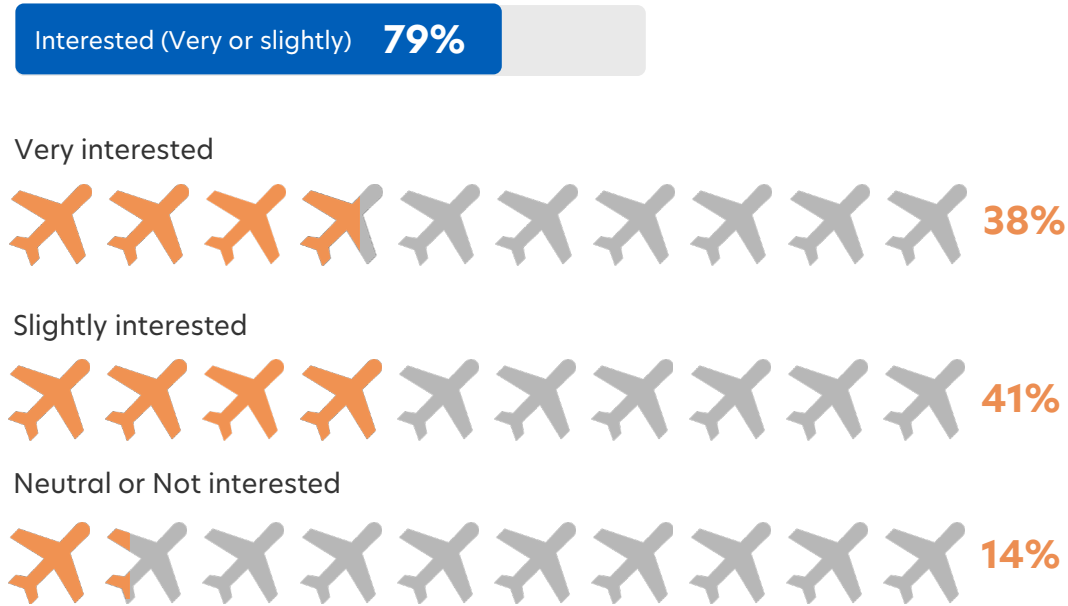


Overseas expansion



A desire to improve profitability and grow revenue are fuelling interest in overseas expansion among nearly 8 in 10 businesses in Malaysia.

▶ Level of interest in overseas expansion



▶ Most expansion interest

Most interested sectors



Most interested regions



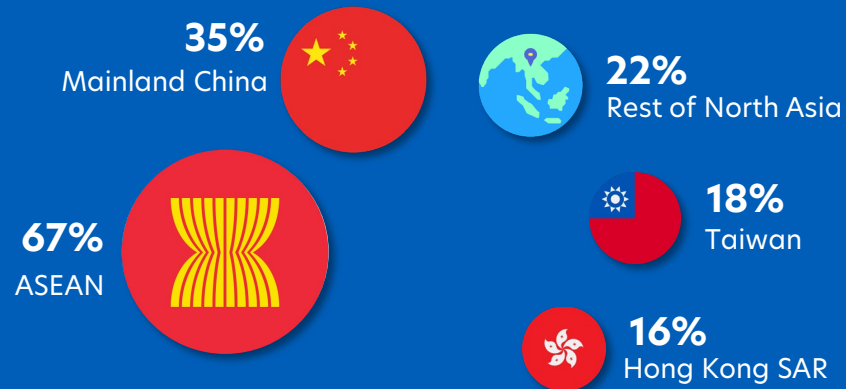
▶ Motivation for overseas expansion



Cross-border digital trade platforms are a popular mean of overseas expansion with nearly 8 in 10 businesses showing interest in using them.

ASEAN and Mainland China are key markets for future expansion. Within ASEAN, Indonesia, Singapore and Thailand are top destinations.

▶ Top locations seeking to enter



▶ Top locations by sectors

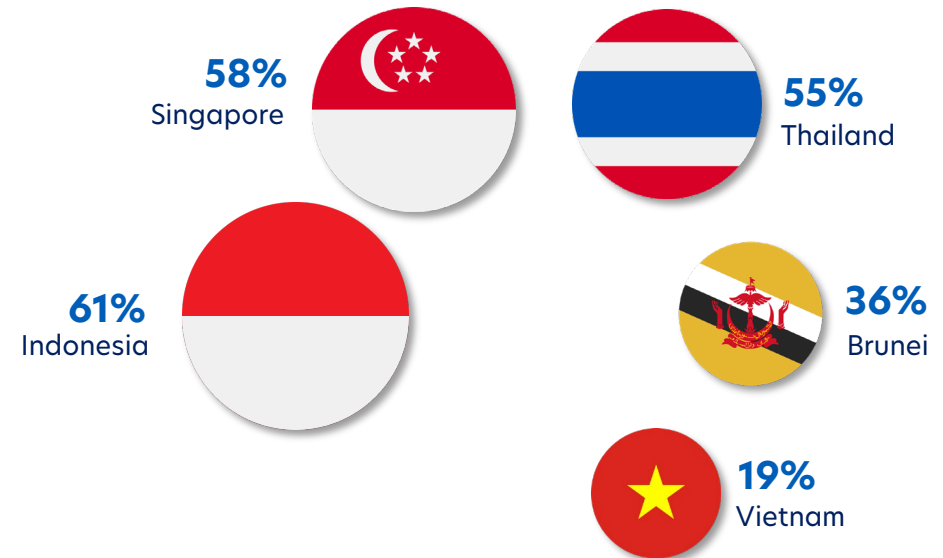
Venture into ASEAN



Venture into Mainland China



▶ Top ASEAN locations seeking to enter



▶ Top ASEAN locations by sectors

Venture into Indonesia

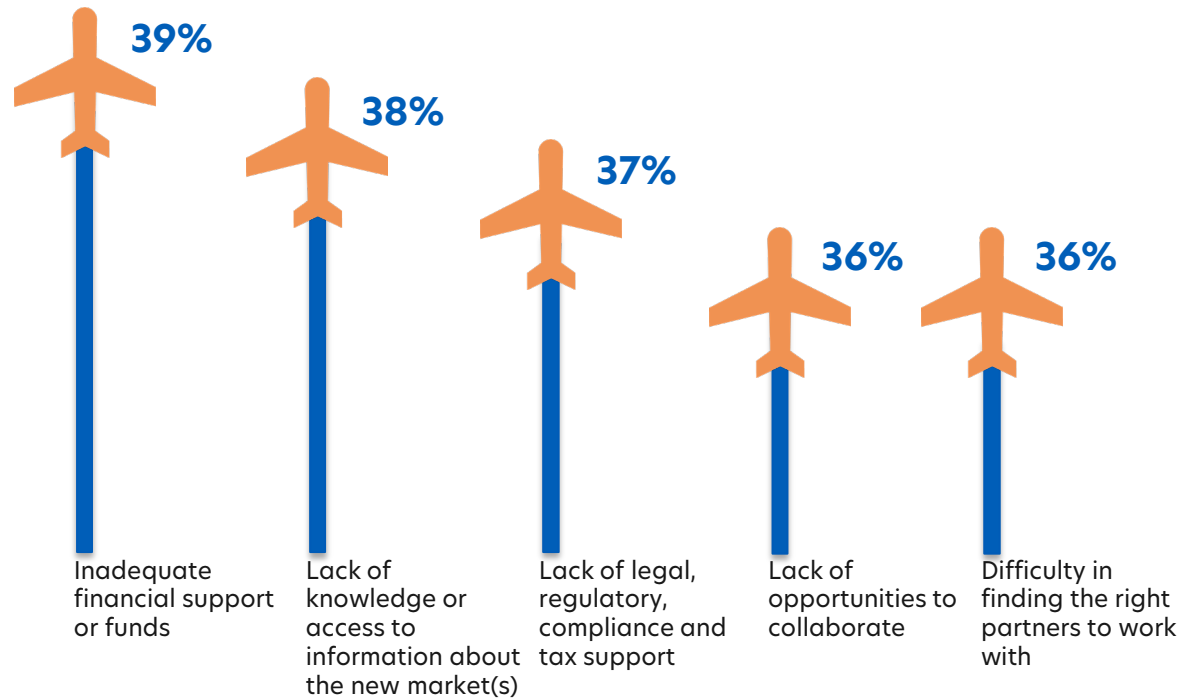


Venture into Singapore



Overseas expansion is challenging due to inadequate financial support and lack of knowledge.

▶ Top barriers for overseas expansions



▶ Top challenges by sectors

Inadequate financial support or funds



Lack of knowledge or access to information about the new market(s):



Q. What are the key barriers in your effort for overseas expansion?
Base Total (525)

▶ Expected support measures



Financial support through tax incentives is the key to encouraging businesses to expand overseas. Businesses can also benefit from connections to industry peers to learn from their best practices and connections to large corporates as anchor clients.

Q. What support does your business require to expand overseas? This support could be from government, banks, industry bodies etc.
Base: Interested in overseas expansion (421)

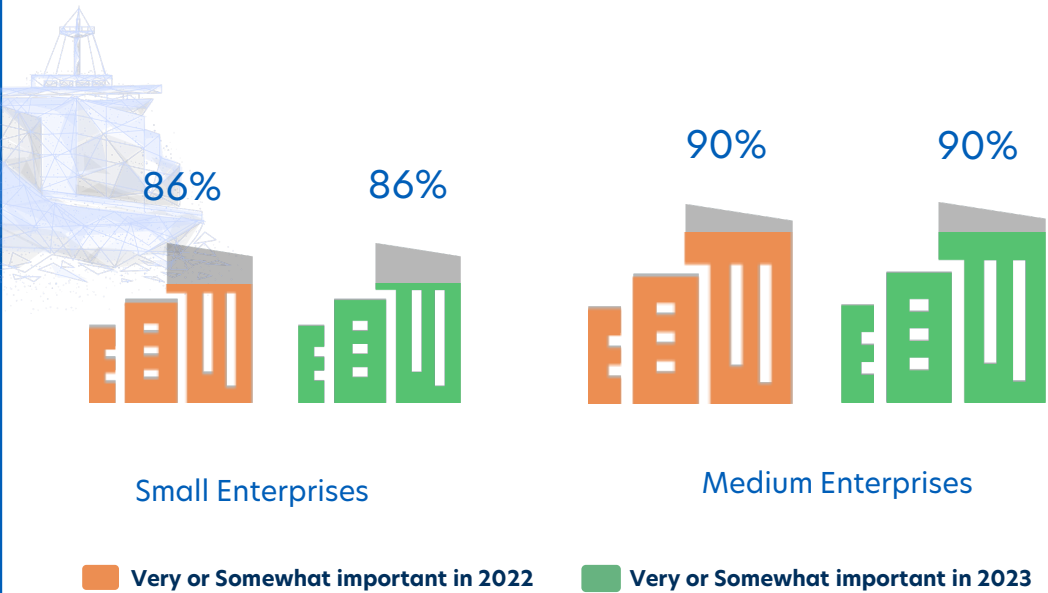


Supply Chain Management (SCM)



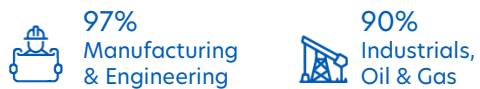
SCM continues to be important for businesses, same as it was a year ago.

► Importance of SCM



► Most important by sectors and regions

Most important sectors



Most important regions



Q. How important is supply chain management to your business?
Base: Total 2023 (525), Small Enterprises (325), Medium Enterprises (200)

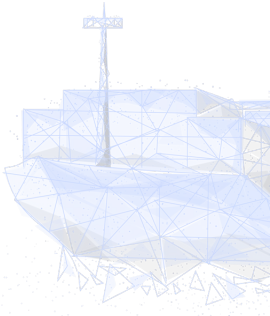
Fewer businesses are now impacted by geopolitical tensions compared to 2022, both in Malaysia and across the region.

► Impact of geopolitical tensions on supply chain



Q. To what extent has your company's supply chain been affected by geopolitical tensions such as US-China trade tensions, Russia-Ukraine conflict, Israel-Hamas conflict etc.?
Base: Total 2023 (525), 2022 (528)

Rising supply costs due to high inflation and interest rates are the key challenge. Businesses are adapting by diversifying suppliers and adopting better inventory management practices.



▶ Top challenges in SCM



▶ Top challenges by sectors



Q. What are the current challenges faced by the business in supply chain management?
Base: Total 2023 (525)

▶ Actions to stabilise supply chain









▶ Top actions by sectors



Q. What steps, if any, have you taken or are planning to take to ensure a stable supply chain in the future?
Base: Total 2023 (525)

Businesses seek easier funding, tax incentives and connections to the right technology and solution providers.

► Preferred support for supply chain stability

	Top support areas		
	Total	Small Enterprises	Medium Enterprises
Easier access to funding or grants	45%		
Tax incentives or rebates	45%		
Connections to the right technology and solution providers	39%		
Training programmes to reskill or upskill employees	39%		
Opportunities to collaborate with industry bodies, government-linked companies or large businesses	31%		

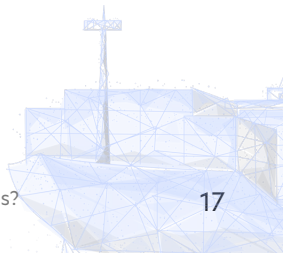
Q. What support in your opinion should be available to businesses to ensure supply chain stability? This support could be from government, banks, industry bodies etc.
Base: Total 2023 (525)

Export services, import services and trade credit insurance are top trading needs that businesses have.

► Trading needs among businesses

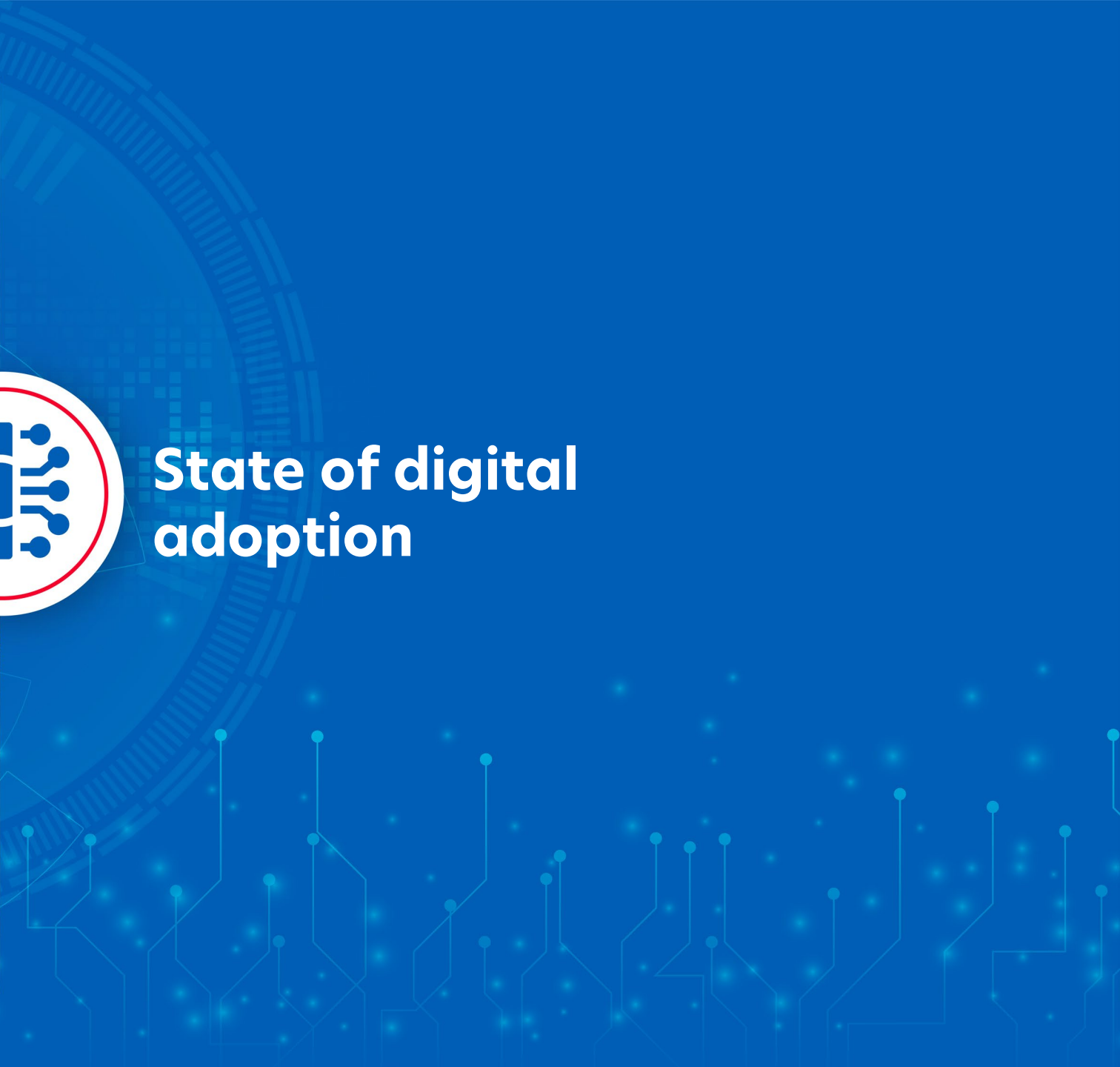


Q. What trade services do you think your financial partner should provide to support your trading needs?
Base: Total 2023 (525)



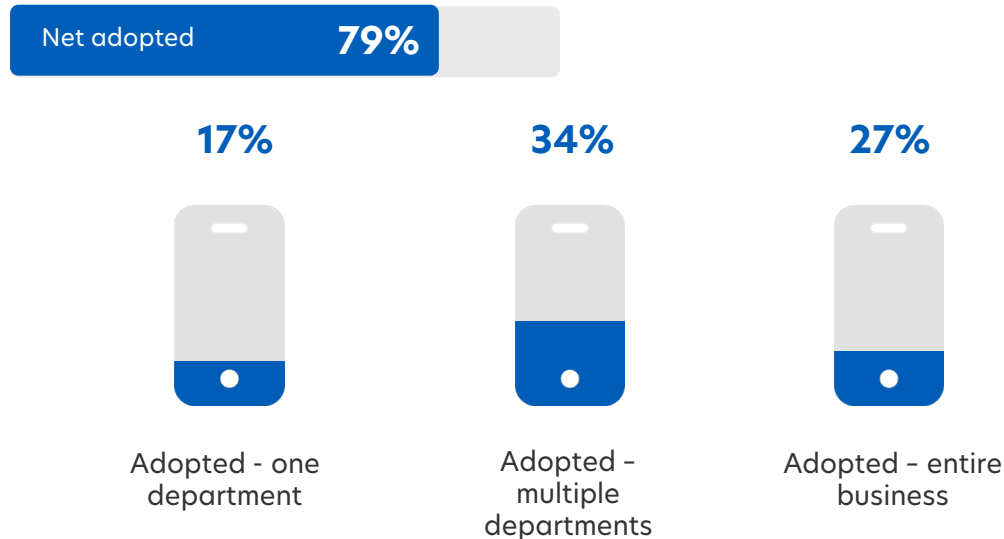


State of digital adoption



Nearly 8 in 10 businesses have adopted digitalisation. Most have digitalised multiple departments.

▶ Current state of digital adoption



▶ Most digitalised by sectors and regions

Most digitalised sectors



Most digitalised regions



Over 1 in 2 businesses have achieved considerable or great success with digitalisation.

▶ Success with digitalisation



Success in digitalisation is not just about extensive adoption across departments or entire business. Even businesses with more extensive digital adoption can be unsuccessful in digitalisation efforts due to concerns with cybersecurity, lack of expertise and costly digital solutions.

▶ Most success with digitalisation

Most successful sectors

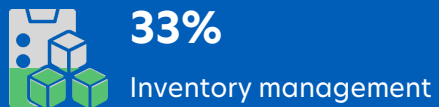


Most successful regions

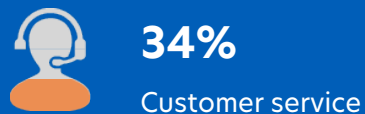


In future, businesses are likely to be more focused on customer-facing functions like sales, marketing and customer service.

▶ Currently digitalised processes



▶ Processes for future digitalisation



Q. Which of these processes did your company digitalise specifically to help your business perform better in 2023?
Base: Those currently trialling or adopted digitalisation in at least one department (476)

Q. What business process/es are you looking to digitalise in 2024 to drive business success?
Base: Total, 2023 (525)

▶ Digitalisation spending in 2024

Over 7 in 10 businesses in the region are planning to spend more on their digitalisation efforts in 2024, with most budgeting an increase of 10% to 25%.

53%



Spend 10% to 25% more than 2023

20%



Spend 25% to 50% more than 2023

▶ Most digitalisation spending in 2024

Most spending sectors



Most spending regions

80%
North

79%
East
Coast

Q. Do you foresee spending more on digital solutions and/or technology in 2024 compared with 2023?
Base: Total 2023 (525)

Improved productivity and profitability from digitalisation efforts is widely acknowledged.

Digitalisation impact experienced (Among adopters)

Digitalisation impact expected (Among non-adopters)



Top impact areas

Higher productivity or efficiency

Most impacted sectors



48%
Business Services



48%
Real Estate & Hospitality

Improved profitability

Most impacted sectors



44%
Wholesale Trade



43%
Business Services

Digitalisation has helped both labor-intensive and service-oriented sectors alike to increase productivity and improve customer experience.

Lack of digital skillset, implementation cost, and security concerns are major constraints in digitalisation efforts.

▶ Top challenges for digitalisation



40%

Lack of digital skillset among employees



35%

Expensive to implement



33%

Concerns over cybersecurity issues



31%

Incompatibility between old and new systems



29%

Insufficient funds to continue with it

▶ Top challenges by sectors

Lack of digital skillset among employees

Most impacted sectors

57%
Manufacturing & Engineering

49%
Consumer Goods

Expensive to implement

Most impacted sectors

47%
Manufacturing & Engineering

39%
Tech, Media & Telecom

▶ Top support needed for digitalisation

Tax incentives or rebates

50%

Training programmes to reskill or upskill employees

43%

Connections to the right technology and solution providers

41%

Access to knowledge and expertise in the area

39%

Easier access to funding or grants

38%

Financial support through tax rebates or grants can help to tackle high implementation cost of digitalisation. Training programmes are needed to address the lack of digital skillsets. Connections to the right technology partners can address cybersecurity concerns.

Q. What challenges have you faced or expect to face in your digital adoption journey?

Base: Total, 2023 (525)

Q. What support measures should be available to businesses in their digital adoption journey?

This support could be from government, banks, industry bodies etc.

Base: Total, 2023 (525)



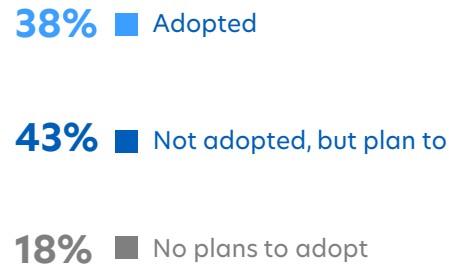
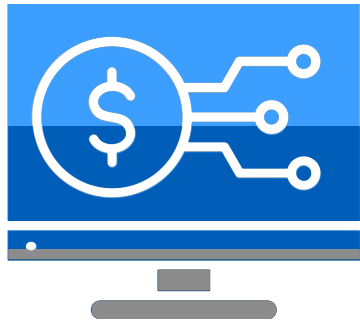
Fintech adoption



There is high FinTech adoption in Malaysia, particularly for solutions around payments, remittances and finance & accounting technology.

► Status of FinTech adoption

Net Adopted or Plan to adopt **82%**



► Adopted or plan to adopt by sectors

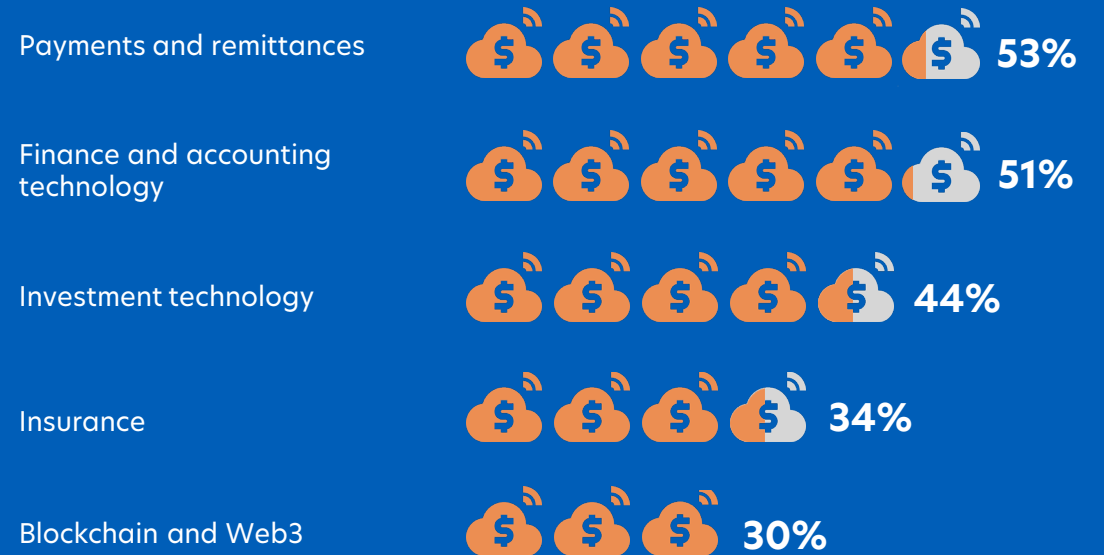
Most adopted/planned sectors



Least adopted/planned sectors



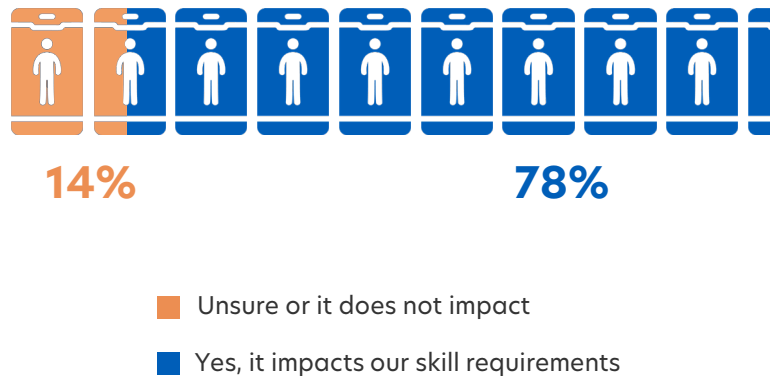
► Top FinTech solutions adopted or planned



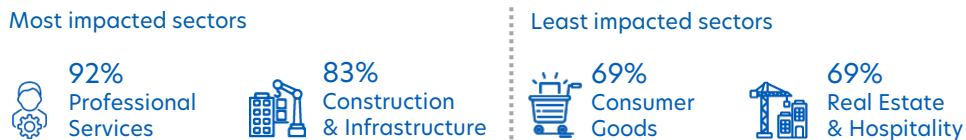
Construction & Infrastructure sector adopts FinTech most for payments and remittances. Manufacturing & Engineering sector adopts it most for finance and accounting solutions. Business services use investment technology solutions the most.

Most businesses believe that FinTech impacts their skill requirements. But only over 1 in 2 have invested in training or hiring new staff.

▶ Impact of FinTech on skills requirement



▶ Impact of Fintech adoption by sectors



Q. Do you believe that FinTech adoption has an impact on the skill requirements for your workforce?
Base: Adopted or planning to adopt FinTech (428)

▶ What are businesses doing about it



There is a need to bridge the investment gap in training or hiring new staff to harness the value of FinTech solutions, particularly among sectors like Community & Personal and Real Estate & Hospitality that are lagging.

▶ Invested in training or hiring



Q. Has your company either considered or invested in training/hiring new staff to manage or create the value that FinTech solutions can bring?
Base: Adopted or planning to adopt FinTech (428)

FinTech solutions are seen to be convenient, cost-effective and quick. But concerns around lack of knowledge, security, and cost hamper wider adoption.

▶ Top differentiators for FinTech solutions



▶ Top differentiators by sectors

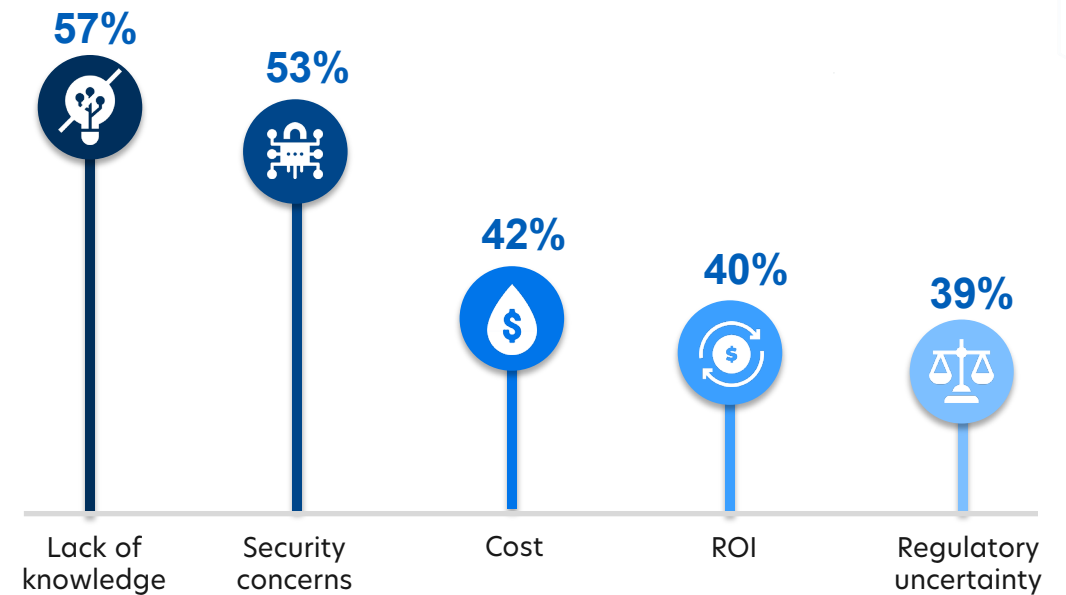
More convenient



Cost-effective solutions



▶ Top challenges of FinTech solutions



More Medium Enterprises have adopted FinTech solutions compared to Small Enterprises. Consequently, they encounter more challenges particularly around security concerns.

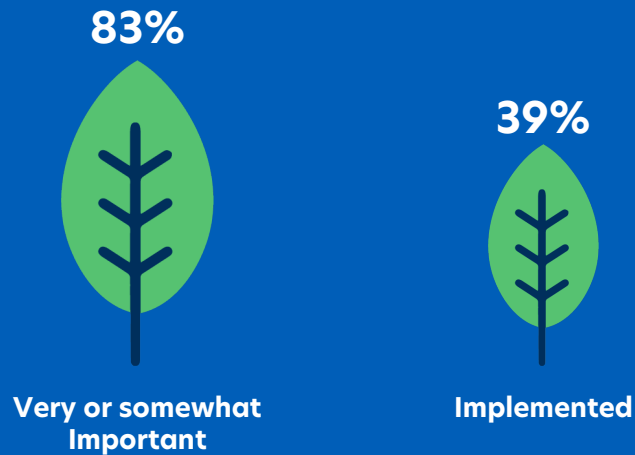


Sustainable business



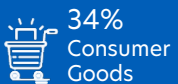
There is a clear disconnect among businesses on importance of sustainability versus actual adoption.

▶ Current state of sustainability



▶ Least adopted by sectors and regions

Least adopted sectors

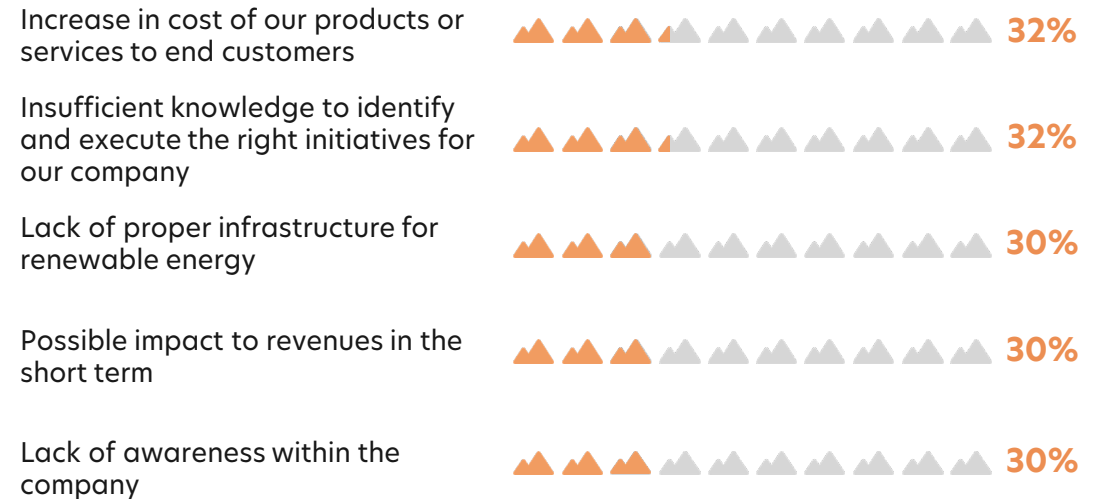


Least adopted regions



Increase in cost of products or services, lack of knowledge and infrastructure are holding back higher adoption.

▶ Key barriers to sustainability

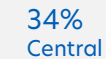


Increase in cost of products or services

Most concerned sectors



Most concerned regions

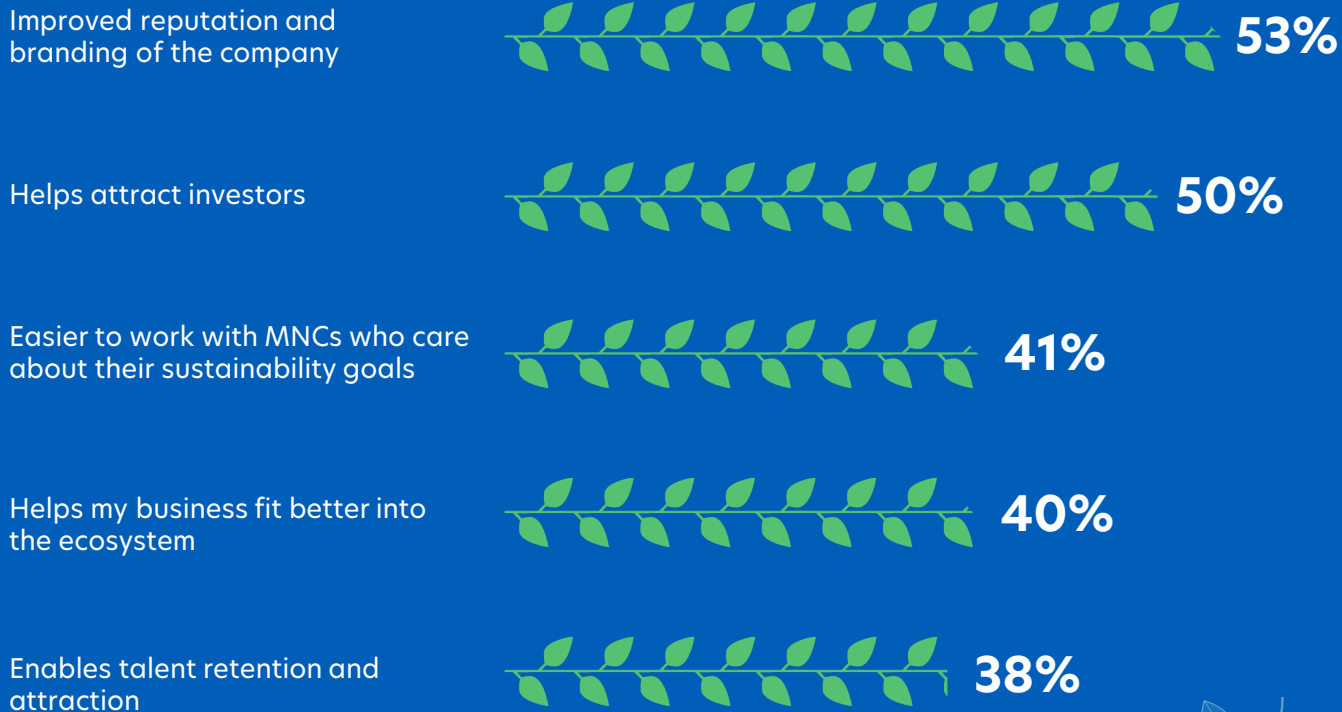


Q. How important is sustainability (Environmental, Social and Governance considerations) to your business?
 Q. What stage is your company at today in the adoption of sustainability practices?
 Base: Total 2023 (525)

Q. What are the major barriers to implementing sustainability practices in your company?
 Base: Total 2023 (525)

Sustainability helps build business reputation, attracts investors and eases working with MNCs.

▶ The motivators for sustainability adoption



▶ Motivators by sectors and regions

Improved reputation and better branding

Sectors most important in



Regions most important in

63%
South

55%
East
Malaysia

Helps attract investors

Sectors most important in



Regions most important in

56%
South

55%
East
Malaysia

Sustainable practices leading to efficient use of resources or energy are prioritised by businesses to derive cost savings.

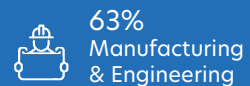
▶ Current vs future sustainable practices



▶ Most incorporated by sectors and regions

More efficient use of resources

Most incorporated sectors



Most incorporated regions



▶ Most planned by sectors and regions

More efficient use of resources

Most planned sectors



Most planned regions



Q. What sustainable practices (based on the ESG considerations) have you already incorporated within your business at present?

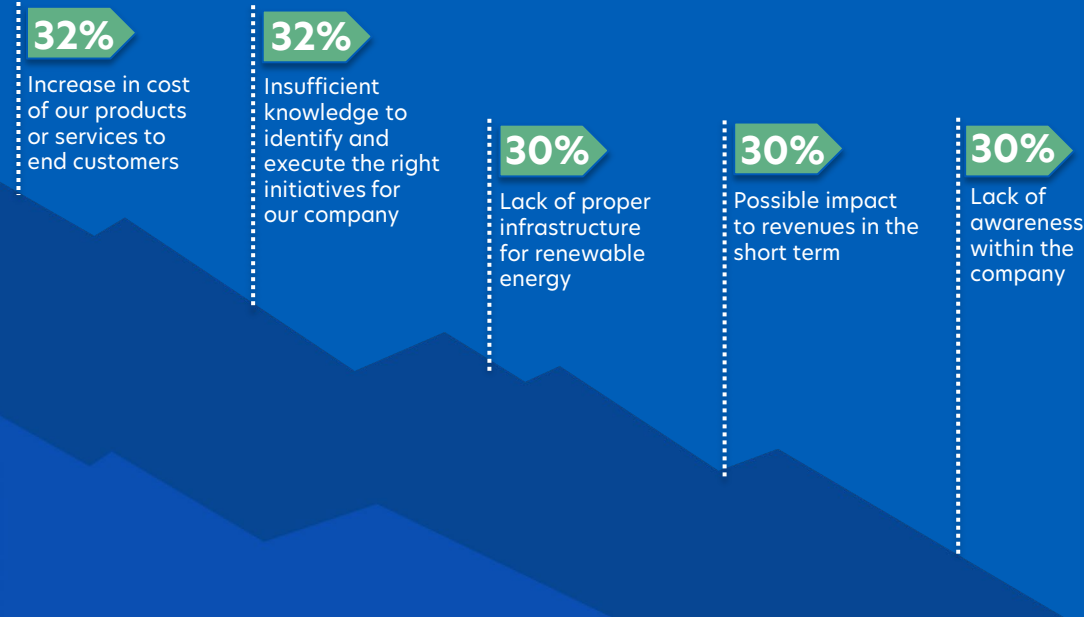
Base: Those who have implemented sustainability practices (300)

Q. What sustainable practices (based on the ESG considerations) do you plan to incorporate within your business in future?

Base: Those who have not implemented sustainability practices (500)

Businesses are most concerned about increase in cost of products or services once sustainability is implemented. Support measures like tax incentives can help allay these fears.

▶ Top sustainability challenges



▶ Biggest barriers by sectors and regions

Increase in cost of our products or services to end customers

Most concerned sectors

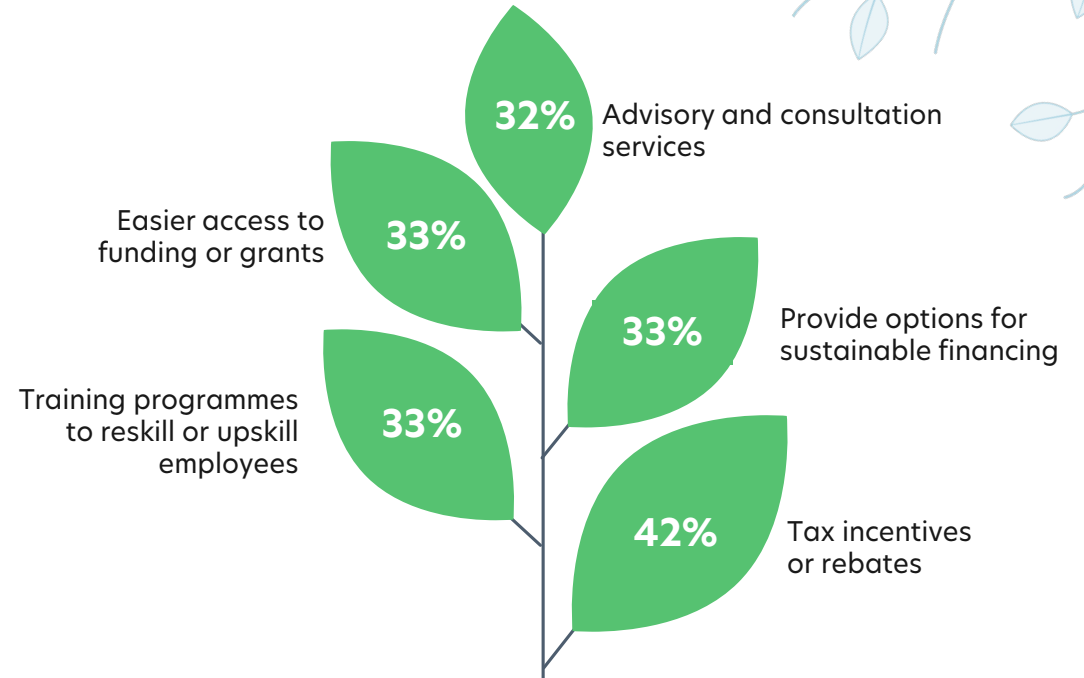


Most concerned regions



Q. What are the major barriers to implementing sustainability practices in your company?
Base: Total, 2023 (525)

▶ Top support areas for sustainability



Training programmes to reskill or upskill employees can address concerns around lack of knowledge among 1 in 3 businesses. Training can be catered to help businesses identify and execute the right sustainability initiatives.

Q. What support would you like in helping your business incorporate sustainable practices into your business?
This support could be from government, banks, industry bodies etc.
Base: Total, 2023 (525)



Right By You