

Navigator

Now, next and how for business

Malaysia



Together we thrive

Overview

Increasingly affluent citizens are driving domestic demand

Malaysian businesses are optimistic about the outlook for the year ahead. The open, commodity-based economy is heavily skewed towards exports and is affected by current trade tensions and volatility in the crude oil price. However, robust domestic consumption and private sector activity is driving economic growth with Malaysia forecast to enter the ranks of high-income countries, as defined by the World Bank, by 2024.

State of play

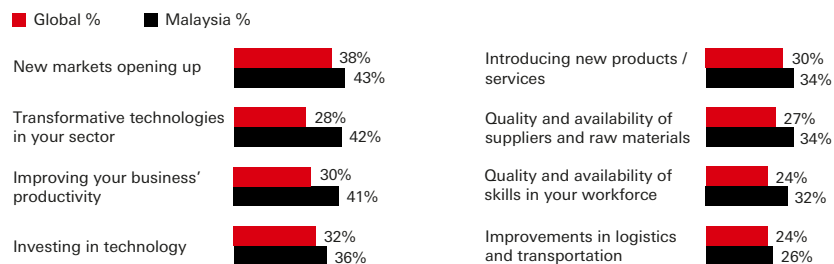
Transformative technology is changing business models

Growth expectations among Malaysian companies are strong. 81% of businesses forecast sales growth in the next year, largely through improved productivity and entering new markets. Investment in technology is also seen as crucial. Malaysia is above the global average when it comes to the high-growth firms that predict growth of 15% or more in the next year (Malaysia: 32%, Global: 26%).

Along with Brazil, Malaysia is the country that anticipates the most impact from introducing transformative technologies. It's seen as one of the key drivers for growth by 42% of firms, along with new markets opening up (43%) and improving productivity (41%). Not surprisingly then, nearly three in five Malaysian companies (58%) expect their businesses to change totally or substantially in the next five years, ahead of the global average (50%).

Confidence is not unanimous across Malaysian firms, with almost a third (31%) of companies more pessimistic about growth than a year ago. Their response is to employ strategies including expanding to new markets, investing in digital channels and improving product quality.

Key contributors to expectations of sales growth over the next year



What you need to know



31% of Malaysian companies are more pessimistic about their growth prospects than they were a year ago – considerably more downbeat than the global average (18%).



Malaysia is a strong advocate for expanding digital platforms to combat potential business declines – 27% of firms plan to do so compared to 18% globally.



Optimism is greatest among Malaysia's domestic operators (62%) and services firms (54%) now compared to 12 months ago.

What your business can do



Invest in new technologies and digital platforms to remain competitive – 42% of companies see transformative technologies as a driver of growth.



Improve the quality of your goods or services to proactively combat threats to business. This is a preferred strategy for 35% of Malaysian businesses.

Trade outlook

Close neighbours remain best trading partners

Malaysia's trade is primarily with markets in Asia-Pacific (APAC), which accounts for 76% of trade, albeit down from 82% a year earlier. Nearly half of companies see geopolitical and physical security risks as key reasons for this decline. China (35%) and Singapore (28%) remain Malaysia's two largest trading partners, while in third place, Indonesia has climbed over the last 12 months to 25% (up from 19% in 2018).

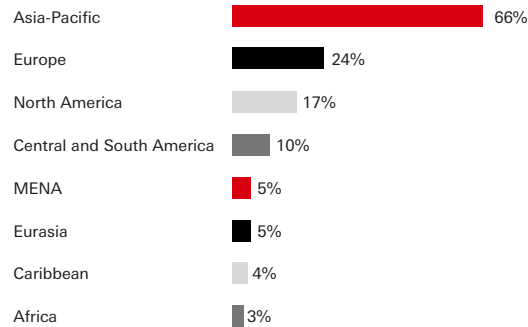
The number of Malaysian companies trading with Europe and North America has fallen significantly over the same period. In the case of Europe, the reduction is from 30% to 23% and for North America from 25% to 19% over 12 months.

In the next three to five years, APAC is still seen as offering the best prospects for growth by 66% of Malaysian companies, compared to a quarter (23%) who are looking to Europe for growth and just 17% who are favourable towards North America.

Businesses in Malaysia strongly feel that trade is a force for good, believing that over the next five years, international trade will drive innovation (Malaysia: 83%, global: 80%), provide new business opportunities (Malaysia: 85%, global: 79%) and improve efficiency (Malaysia: 85%, global: 78%).

Future trading expansion markets in the next three to five years

By region



By market



What you need to know



Markets in Asia are the most important trading partners for Malaysian firms by a considerable margin, despite reductions in trade volumes.



Almost two-thirds of Malaysian businesses (66%) have reduced trading with some markets in the last two years, while more than half (53%) plan to do so in the next two years.



Partnership opportunities and proven customer products are Malaysia's top attractions as a market.

What your business can do



Polish your partnership potential. 38% of overseas companies are attracted to trade in Malaysia because there are favourable partnership opportunities.



Pursue trade with emerging growth markets. Indonesia is rapidly raising its profile, with 25% of Malaysian companies now rating it as an important partner.

Protectionism and geopolitics

Open economy confronts protectionist headwinds

More than four in five (83%) Malaysian companies believe that protectionism is on the rise in their key markets. The prevalence of this view among the country's business community puts it among the top five markets to express such concerns.

Malaysia is also much less optimistic than other countries about the impact of this trend, reflecting the international focus of companies there. Fewer than half (44%) of those who think that protectionism is rising feel that they are benefiting, a lower proportion than the global average (57%). Companies report positive effects, such as becoming more competitive, as well as negative impacts including tariffs and tougher regulatory standards.

Geopolitical pressures are also felt more acutely in Malaysia than most other markets, with 74% of businesses believing that they have a strong impact. Businesses are responding to these pressures by looking to make their businesses more 'local' and focusing on digital and online strategies.

Ways in which businesses feel the impact of protectionism



What you need to know

- 1 83% of Malaysian businesses think governments are becoming more protectionist compared to 65% globally.
- 2 44% of Malaysian companies who believe protectionism is increasing feel that they are gaining overall compared to 24% who see an overall negative effect.
- 3 74% of Malaysian firms have experienced a strong geopolitical impact on their business, compared to 61% of their APAC peers.

What your business can do



Look to mitigate protectionist policies by increasing the 'localness' of your business in affected markets. A third of businesses are entering joint ventures with, sourcing from, or looking at acquiring, local companies.



Consider digital strategies to counter the impact of geopolitical uncertainty. 36% of Malaysian companies are taking more business online to achieve this.

The sustainable future

Transparency and technology top the agenda

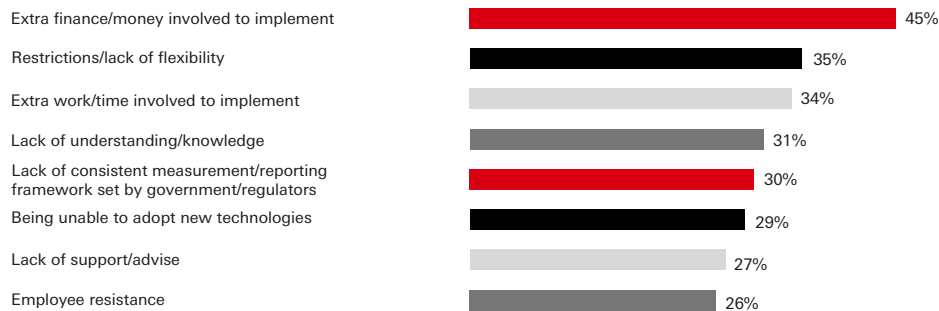
Malaysian businesses are being driven primarily by government and competitor pressure to become more sustainable over the next five years. Firms believe that the three main reasons to implement sustainability initiatives and environmental, social and governance (ESG) factors are increasing operational efficiency, growing sales and improving supply chain traceability. The latter is more important in Malaysia than in any other market, with 31% citing it as an incentive (compared to the global average of 21%).

Nearly three-quarters (74%) of Malaysian companies think they have a role to play in the UN's Sustainable Development Goals (SDGs), with the goals on industry, innovation and infrastructure (38%), health and wellbeing (33%) and quality education (30%) seen as the most relevant.

Nearly half (47%) of businesses expect to invest more in technology, innovation and infrastructure to improve sustainable production over the next five years, while 41% plan to spend more on technology to boost supply chain traceability.

The main challenges that businesses face when prioritising sustainability are sourcing extra funding, reported by almost half (45%) of companies, and overcoming restrictions and inflexibility (35%).

Challenges to implementing sustainable practices in the next five years



What you need to know

- 1 74% of Malaysian businesses think they have a role to play in delivering the UN's SDGs – considerably above the global average of 63%.
- 2 42% of Malaysian companies feel pressure from government and competitors to become more sustainable in the next five years.
- 3 47% of Malaysian firms plan to invest more in technology, innovation and infrastructure to improve sustainable production in the next five years.

What your business can do



Invest in your workforce. 31% of businesses say workplace safety is a relevant ESG metric and fair treatment of employees is important to 26%.



Achieve robust corporate governance by heeding ESG factors. 37% of businesses think executive remuneration and anti-bribery and corruption metrics are important.

Breakthrough tech

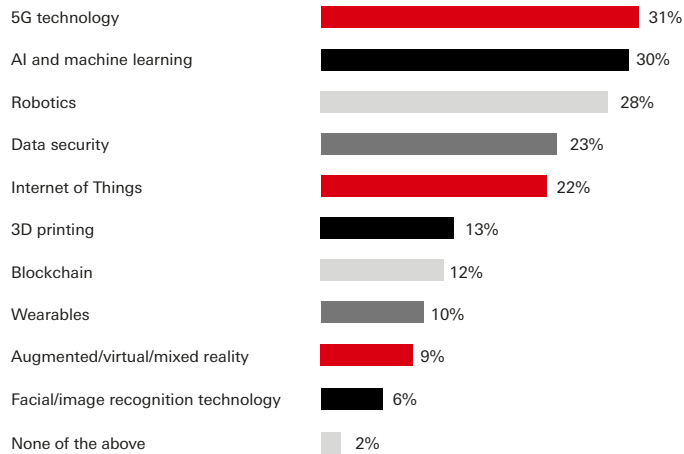
Technology shaping a brighter future

Malaysian companies see 5G (31%) and artificial intelligence or AI (30%) as the two most important technologies that will have an impact on their business in the next five years. While this is in line with global consensus, Malaysia places greater emphasis on robotics (28%) than most countries (20% global average) as an important future technology.

AI and robotics are both seen as great enablers, with companies citing their ability to improve product and service quality. Additionally, 5G is welcomed as a means to accelerate speed to market, improve productivity and improve customer experience.

Businesses in Malaysia perceive APAC to be the global leader in technology development, with China recognised as the front-runner in all three key technologies by around eight in 10 firms. Japan and the US are also considered strong contenders, while European countries are seen as secondary players.

Technologies businesses think will be important over the next five years



What you need to know



56% of Malaysian businesses believe China is the global leader in AI.



Malaysian companies think the main benefits of AI and robotics are improved productivity, improved product and service quality, and reduced costs.



28% of Malaysian businesses rank robotics as an important technology – ahead of the global and APAC averages.

What your business can do



Look to harness digital technologies to improve productivity – more than half of Malaysian firms expect AI, 5G and robotics to help achieve this goal.



Boost quality and reduce costs. 61% of Malaysian businesses say robotics will improve productivity, 46% say it will improve products and service quality and 43% say it will reduce costs.

About HSBC Navigator Malaysia

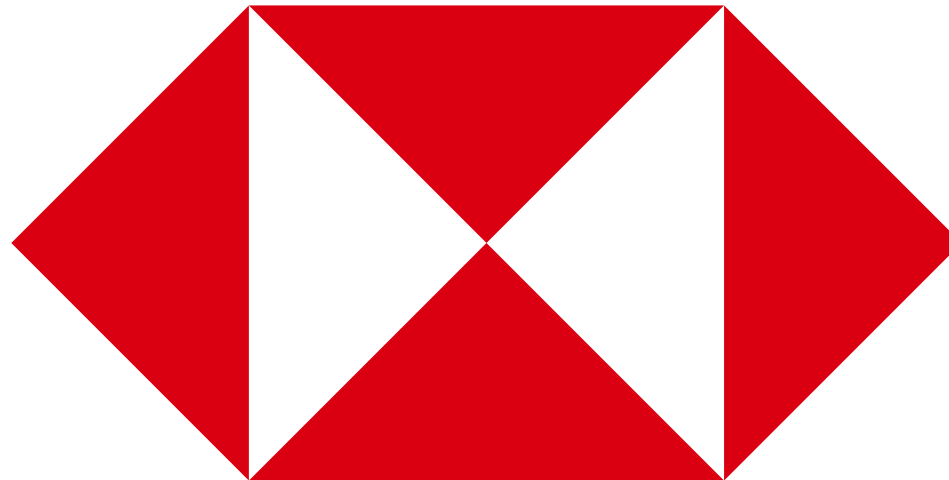
The HSBC Navigator survey, which is the largest of its kind, is conducted on behalf of HSBC by Kantar. The study gauges sentiment and expectations of businesses in the near to mid-term future on topics including: business outlook, international trade, geopolitics, sustainability, technology and wellbeing. It is compiled from responses by decision-makers at 9,131 businesses – from small and mid-market to large corporations – across a broad range of industry sectors in 35 markets. Sample sizes for each market were chosen to ensure the statistical accuracy of results, with 202 businesses surveyed in Malaysia. Global results are based on an average of the 35 markets (using weights based on each market's share of world trade). The survey was conducted between August and September 2019. Interviewees were polled on a range of questions including expectations around future growth in trade, attitudes toward trade policy developments and strategic business plans. The survey represents a timely source of information on the fast-evolving international business environment.

Data visualisations based on the following:

Page 2: companies who expect their sales to grow in the next year. n=7312/167

Page 3, 5 & 6: all companies. n=202

Page 4: companies who think governments are becoming more protective. n=167/49/118



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