

Navigator 2020 Malaysia



Together we thrive

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Introduction

With one of the earliest outbreaks of COVID-19, Malaysia had a difficult start to 2020. But thanks to an early lockdown and a generous stimulus, consumer spending recovered before our 2020 Navigator survey went live. We expect the Malaysian economy to rebound sharply in 2021, buoyed by diverse exports, direct foreign investment in its electronics and machinery sectors, and an expanding digital economy. Balancing these positives are lingering structural issues, such as low productivity and wages in the services sector.

1. Overview

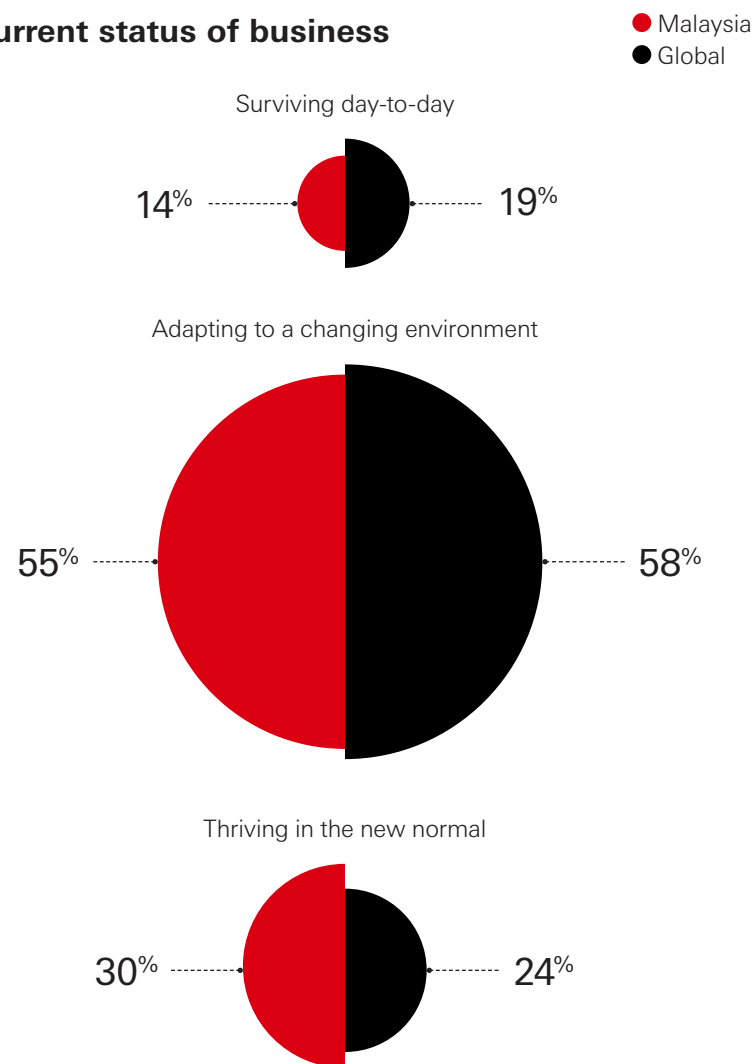
Businesses in Malaysia are **coping relatively well** with the current challenges

In line with global findings, over half of Malaysian companies are adapting to the new environment. And businesses seem to be less challenged than globally, with a higher proportion saying they are thriving and a lower proportion surviving day-to-day. Nevertheless, their expectations of future revenue growth have fallen to three-quarters of businesses from more than four-fifths in 2019.

Although the majority of Malaysian businesses feel that international trade has become more difficult and expect it to continue to be so in the next year, four-fifths have a positive outlook for the next 1-2 years, with the proportion of international business increasing marginally since 2019.

Around half of Malaysian businesses are focusing on innovation and collaboration, as well as building reputation and resilience to withstand future market changes.

Current status of business



2. Business outlook



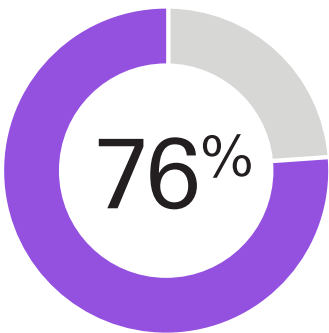
Businesses have lowered their growth expectations, but they're still **more positive** than their regional peers

Although more Malaysian businesses say they are thriving (30%) than the global average (24%), their outlook mirrors the overall decline in global optimism.

Future growth expectations have slipped since 2019, but by a much smaller amount than globally. The proportion of Malaysian companies projecting growth is also well above the average for APAC (74% compared with 60%). And around one-fifth of businesses (16%) expect to return to pre-COVID levels of profitability by the end of 2020.

The resurgence of COVID-19 is the primary threat to recovery for Malaysian businesses. But its knock-on effects (including a decline in consumer demand and difficulty entering new markets) are also concerns.

Compared with the global average, more Malaysian businesses see expanding to new digital platforms and channels as an important driver of growth (39% compared with 25%).



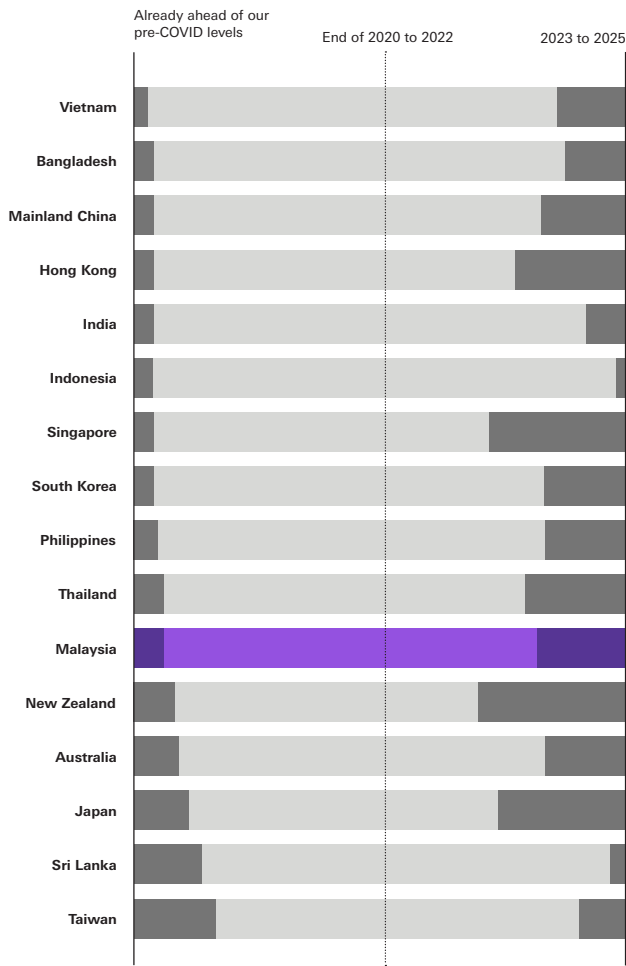
of businesses expect to return to pre-COVID profitability levels by the end of 2022

Top 3 drivers of business growth



When businesses expect to return to pre-COVID levels of profitability

%

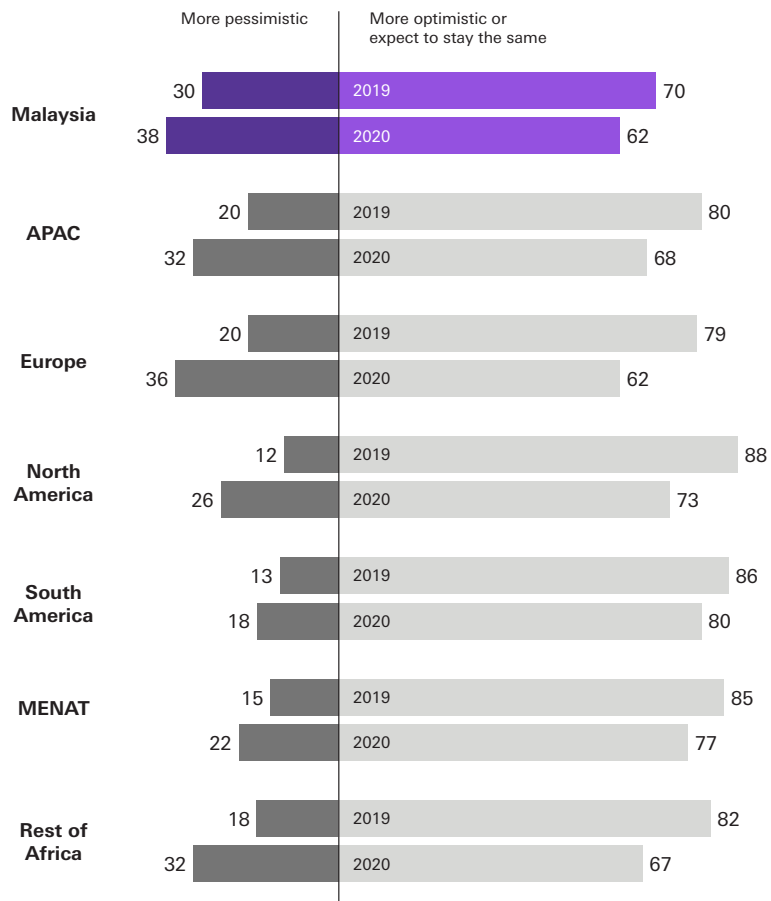


2. Business outlook (continued)



How business outlook has changed in the last 12 months*

%



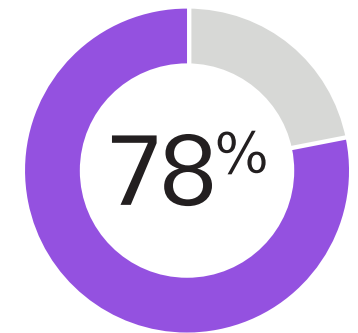
*Excludes businesses answering 'Don't know'

Investing to grow

In line with globally, the events of 2020 have not dampened the inclination of most Malaysian businesses to invest to grow. More than three-quarters intend to increase investment in their business in the next year, over the two-thirds seen globally. And 25% intend to increase it by more than 20%, compared with 13% globally.

Companies will focus their investment on three fundamental areas in 2021 – cashflow and capital management, marketing and sales channels.

To support these areas, they plan to invest in technologies that help to target consumers, improve the customer experience and promote collaboration.



of Malaysian businesses intend to increase investment in their business in the next year, despite the challenging environment

Strategies of Malaysian businesses to benefit from growth drivers and address threats



3. Future strategy

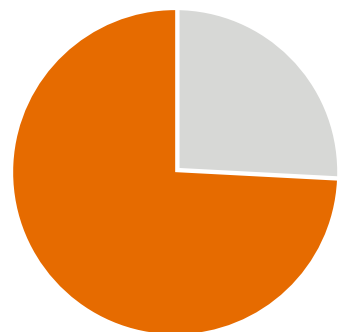


Malaysian companies see **innovation** and **collaboration** as the secrets of future success

The level of change in Malaysian businesses is close to the global picture. Nearly half have undergone short-term changes but expect to return to previous operations; the rest have undergone long-term/transformational changes or continued as before (around a quarter each).

Behind these shifts were the need to reduce costs, future uncertainty and changes in ways of working. Looking ahead, Malaysian companies view innovation and collaboration as the top two facets of a successful future business. They also expect that becoming more entrepreneurial will make them more customer-centric and competitive, with a greater focus on people.

Of the attributes of an entrepreneurial business, technical innovation, speed to market and being collaborative will become more important. And human characteristics, including diversity at all levels, will remain as important as they are now.

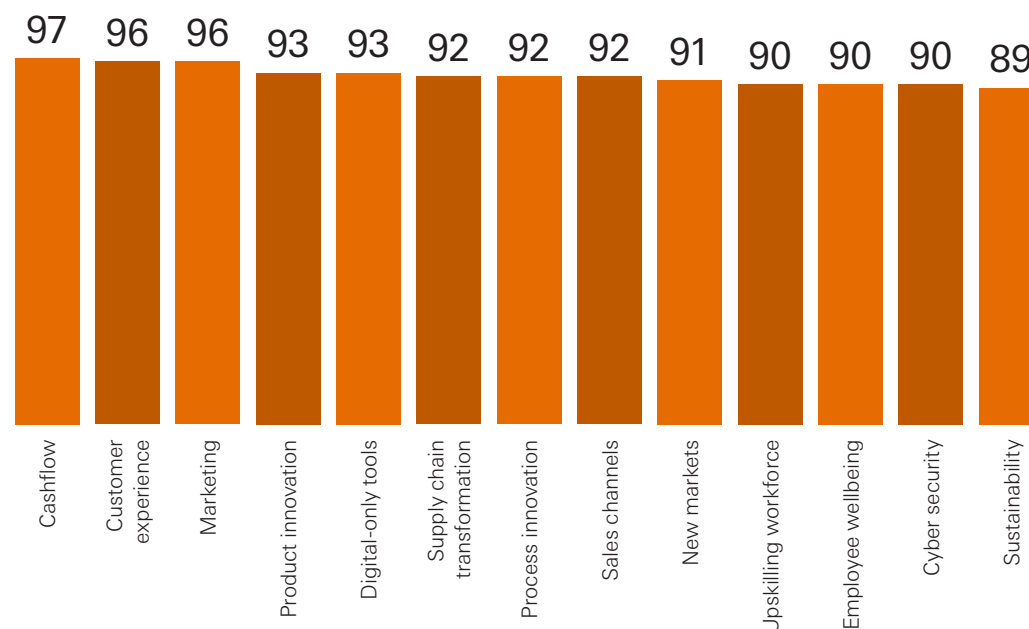


74%

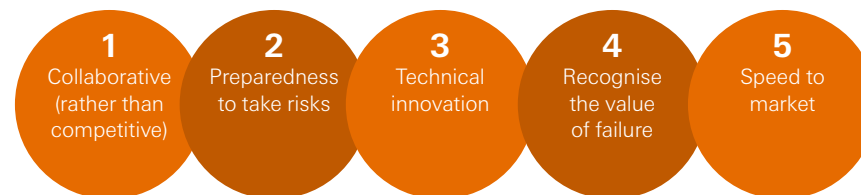
of businesses have undergone changes in the last 12 months

Investment priorities enabling businesses to move forward

%



Top 5 facets of a successful entrepreneurial business



4. International trade

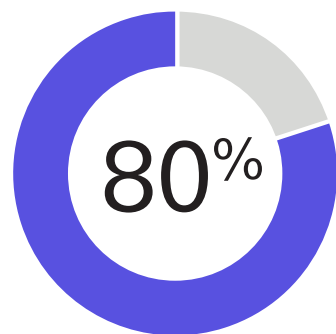


Despite projecting difficulties in 2021, Malaysian businesses **remain positive** about international trade

Malaysian companies are confident about the benefits and opportunities of international trade. More than half (55%) believe it makes their businesses more competitive; 47% see it boosting product and service development, while almost half (43%) feel that it leads to greater choice for consumers.

Overall, a slightly higher proportion than globally have a positive outlook for the next 1-2 years. This is in spite of eight in ten businesses feeling that international trade has become more difficult, and over half (56%) expecting the trend to continue in 2021. Protectionism continues to be strongly felt, and selling through digital channels is seen by Malaysian companies as the key strategy for combating it.

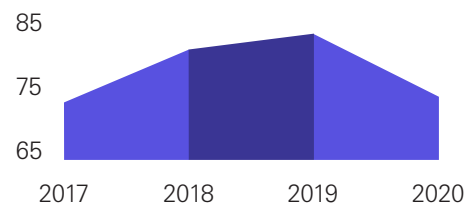
The proportion of companies operating internationally has increased marginally since 2019. Intra-regional trade has also grown: 86% of Malaysian companies are trading within APAC, an increase of 10% since 2019.



of companies expect their international trade prospects over the next 1-2 years to be positive

Protectionism

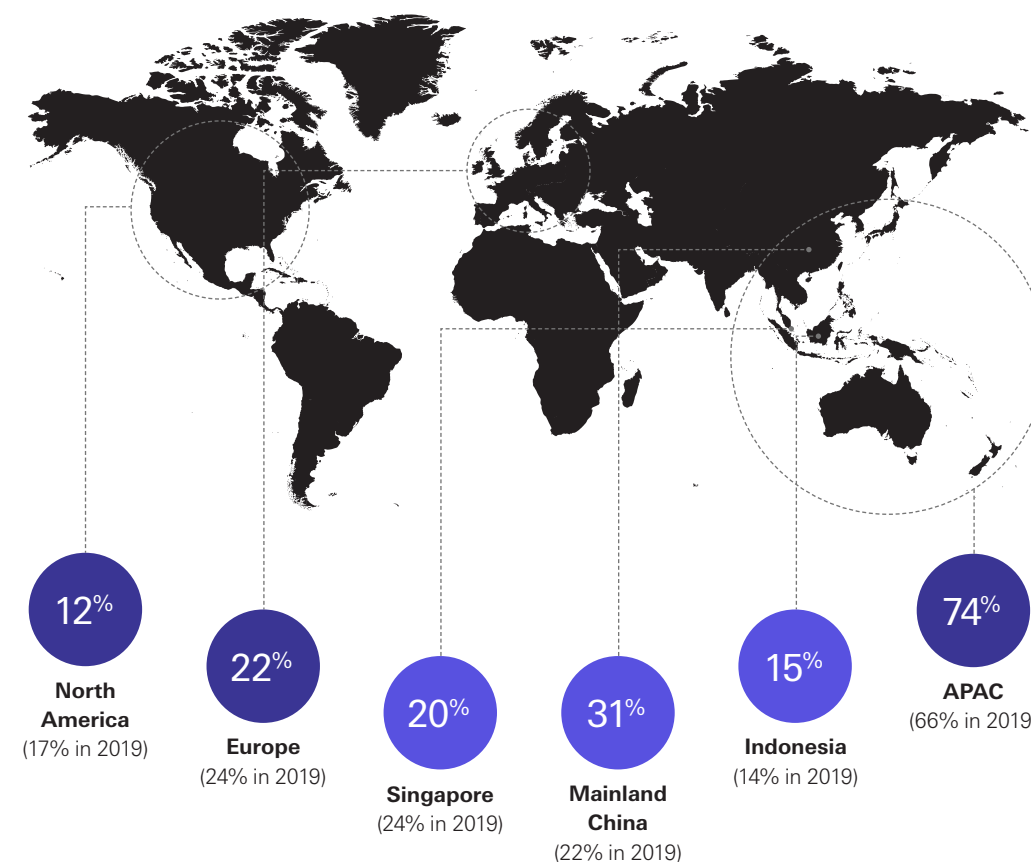
Percentage of businesses that think countries/territories/governments are becoming more protective of their domestic businesses



Priorities for expansion in the next 3-5 years

Regions, markets and territories in which Malaysian businesses are looking to expand

● Markets & territories ● Regions



5. Reshaping supply chains



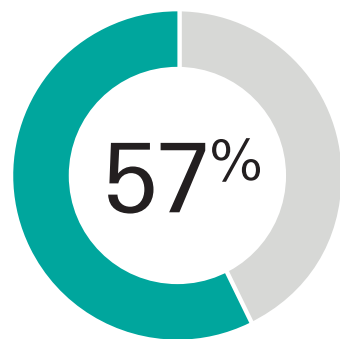
Malaysian businesses are focusing on **digital/tech solutions** to address supply chain instability

Nearly all Malaysian businesses (98%) have concerns about their supply chain. A key issue is supply chain instability, which worries more corporates, goods businesses and international operators.

In response to these issues, 99% of Malaysian businesses have made adjustments to their supply chain.

The most popular changes have been using more digital technology and diversifying to work with more suppliers. Choosing suppliers for their operational resilience and ability to deliver quickly, and their country/government's control of COVID-19, have featured highly, too. Malaysian companies have also become more interested in selecting suppliers for their sustainability practices than the global average (34% compared with 24% globally).

Businesses plan to focus their investment in 2021 on selecting suppliers located closer to home and to their customers, and increased use of digital/technology.



of businesses expect that reshaping their supply chain will reduce costs

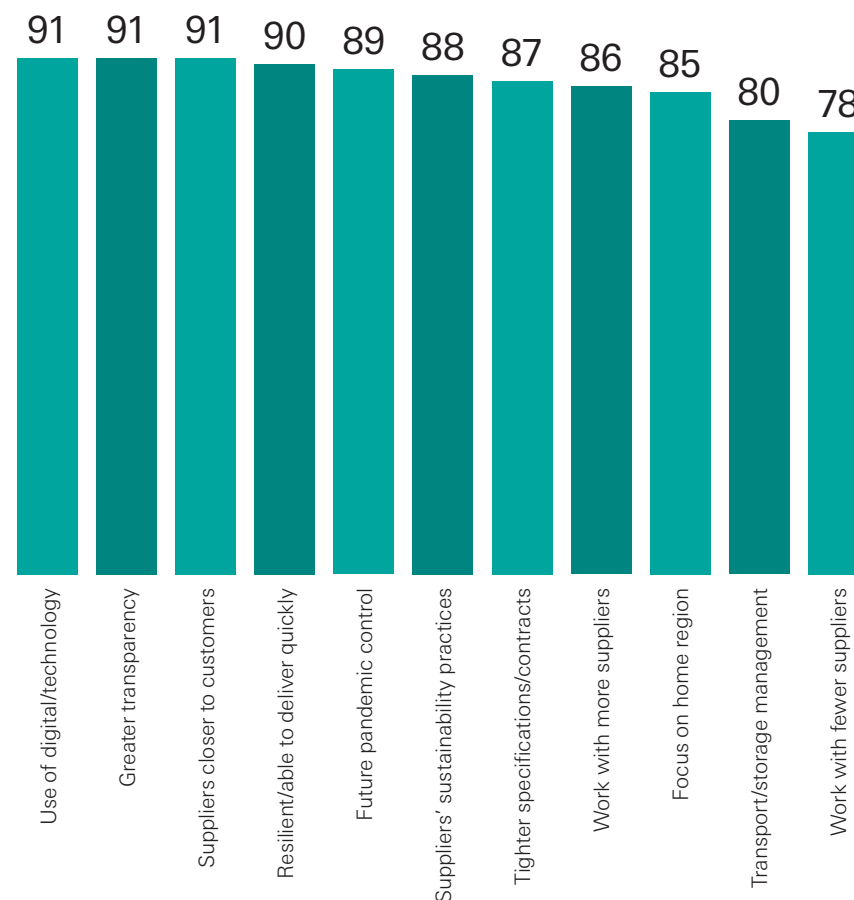
Top 3 benefits of reshaping the supply chain



Priorities for the supply chain

(Priorities immediately in 2021 and beyond)

%



6. Sustainability



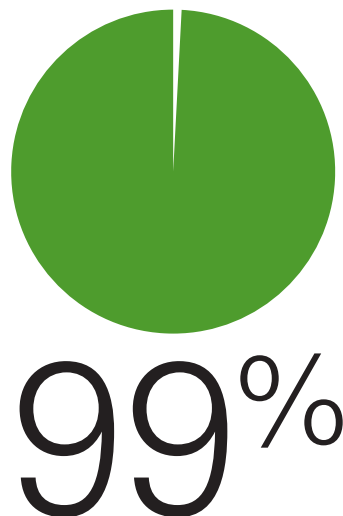
Social focus is an increasing trend as Malaysian businesses seek to improve sustainability

At least two-thirds of companies in Malaysia have set a wide range of environmental, social and governance (ESG) targets. Between one-third and half have annual targets in place – the most common targets have a social focus. A further fifth to a third have set targets for 2025.

This reflects the fact that 99% of Malaysian companies recognise the business opportunities of becoming more sustainable. For them, the most important are: promoting new ways of working, improving employee wellbeing, attracting more investment and increasing customer demand.

What's more, 97%* of Malaysian companies (86% globally) expect their sales to grow from a greater focus on sustainability. Supply chain partners, governments and employees are the most likely to increase the pressure to become more sustainable over the next 12 months.

*There may be a slight discrepancy between the sum of individual items and the total shown due to rounding



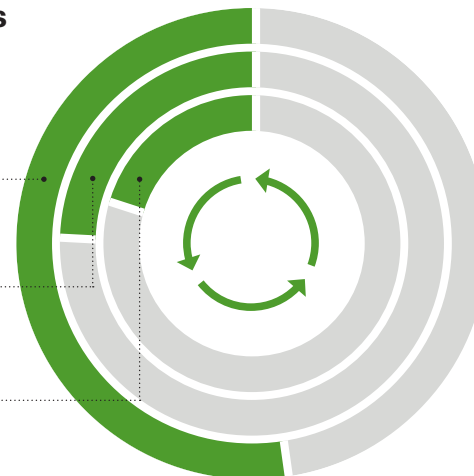
of Malaysian companies think there are multiple opportunities for their business from improving its environmental and ethical sustainability

Companies believe a greater focus on sustainability will drive growth

52% expect modest growth of up to 5%

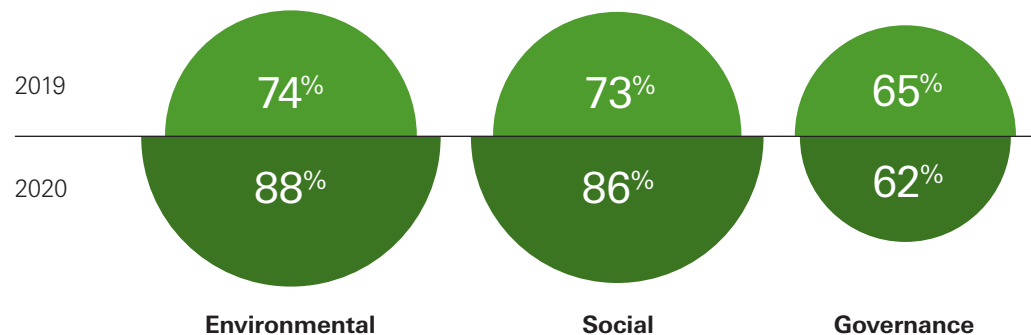
24% expect growth of between 6% and 9%

20% expect growth of 10% or more



Measuring sustainability

More companies have been measuring environmental and social aspects compared with 2019



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, future strategy, international trade, supply chains and sustainability. It is compiled from responses by decision-makers at 10,368 businesses – from small and mid-market to large corporations – across a broad range of industry sectors in 39 markets.

Sample sizes for each market were chosen to ensure the statistical accuracy of results, with 200 businesses surveyed in Malaysia. Global results are based on an average of the 39 markets (using weights based on each market's share of world trade). The survey was conducted between 11th September and 7th October 2020. Interviewees were polled on a range of questions including how COVID-19 has affected their business and potential for growth. The survey represents a timely source of information on the fast-evolving international business environment.

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Or click on
www.business.hsbc.com/navigator

Note

There may be a slight discrepancy between the sum of individual items and the total as shown in the tables due to rounding.

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