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## Malaysian businesses positive about international trade and are investing to grow: HSBC

\*\* Usage and expansion to new digital platforms and channels a key driver of growth \*\*

Malaysian businesses remain confident and are optimistic about the benefits and opportunities for international trade. This is despite difficulties such as the resurgence of Covid-19, the decline in consumer demand and protectionism. Additionally, these difficulties and the events of 2020, has not dampened the inclination of most Malaysian businesses to invest to grow. These were some of the findings of HSBC's global survey 'Navigator: Now, next and how'.

This latest report gauges business sentiment and expectations on trade activity and business growth, surveyed more than 10,000 companies across 39 markets in the world, including Malaysia.

### Increased investments a sign of a positive outlook

The survey data reflects that overall, Malaysian businesses are more positive than their regional peers and are coping relatively well with the current challenges – the proportion of Malaysian businesses (74%) projecting growth over the next year is also well above the average for APAC (60%). The survey also reveals that around three quarters (76%) of Malaysian businesses expect to return to pre-Covid profitability levels by the end of 2022, while a minority of less than one in ten (6%) say that they are already ahead of their own pre-Covid levels. The top three drivers of business growth include increased domestic demand, expanding to new digital platforms and channels and introducing new products and services.

Businesses projecting  
growth over the next year

Countries	(%)
Malaysia	74
Global	64
APAC	60
China	62
India	82
Hong Kong	36
Singapore	52
Thailand	76
Vietnam	86

This positive outlook is also evidenced by the fact that 78% of Malaysian businesses intend to increase investment in their business in the new year, over the two thirds seen globally. Companies will focus their investment on three fundamental areas in 2021 – cash flow and capital management, marketing and sales channels. To support these areas, they plan to increase investment in technologies that help target consumers, improve customer experience and promote collaboration.

Businesses that intend to increase investment in their business in the new year

Countries	(%)
Malaysia	78
Global	67
APAC	65
China	67
India	90
Hong Kong	50
Singapore	59
Thailand	76
Vietnam	88

**Commenting on the survey findings, Stuart Milne, CEO, HSBC Malaysia,** said: “Malaysian businesses remain optimistic despite the unprecedented year. Almost three quarters (74%) of Malaysian businesses have undergone changes in the last 12 months. Behind these changes were the need to reduce costs, future uncertainty and change in ways of working. Looking ahead, Malaysian businesses view innovation and collaboration as the top two characteristics of a successful future business.”

#### **Outlook on international trade**

Businesses in Malaysia have an optimistic outlook when it comes to international trade – 80% of companies expect their international trade prospect over the next 1-2 years to be positive. Although protectionism continues to be felt, selling through digital channels is the key strategy for Malaysian businesses to combat this.

Additionally, intra-regional trade has grown: In Malaysia, overall trade within APAC remains the most important (top 3 trading partners) with more than four fifths (86% compared to 76% in 2019) currently trading with APAC markets. China continues to retain the top spot of current trading partner, followed by Singapore and Indonesia. We also see Malaysian businesses prioritising expansion into APAC (74% up 8% from 2019) and into China (22% up 9% from 2019).

Key trading markets for Malaysian businesses that continue to be important

Countries	(%)
China	43
Singapore	28
Indonesia	25
Thailand	19
Japan	17

Given the recent signing (and eventual ratification) of the Regional Comprehensive Economic Partnership (RCEP), we will continue to see an increase in intra-Asian trade, which is already larger than Asia's trade with North America and Europe combined. This increase will continue to power global economic growth and pull the economic centre of gravity towards Asia.

### **Reshaping supply chains**

Nearly all Malaysian businesses (98%) have concerns about their supply chain. The key issues being supply chain instability and increased costs. In response to these issues, 99% of Malaysian businesses have made adjustments to their supply chain. More than half (57%) of Malaysian businesses are also expecting that reshaping their supply chain will reduce costs. Other benefits include improved supply chain visibility and increased speed to market/moving closer to the end buyer.

Additionally, some of the more popular changes Malaysian businesses have undertaken have been the increased usage of digital technology, diversifying to work with more suppliers and choosing suppliers for their operational resilience and ability to deliver quickly.

According to the survey findings, three fifths of Malaysian businesses will make it their immediate priority in 2021 to focus on usage of digital technology (56% vs. 48% globally). This underpins the importance of digital innovation to businesses in the coming year.

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### **Media enquiries to:**

Marlene Kaur	+603 2075 3351	marlenekaur@hsbc.com.my
Joanne Wong	+603 2075 6169	joanne.p.m.wong@hsbc.com.my
Liliyati Lajman	+603 2182 5161	liliyati.lajman@hsbc.com.my

### **About HSBC Navigator**

The Navigator survey is conducted on behalf of HSBC by Kantar. This survey of over 10,000 businesses spans 39 countries, markets and territories. It was conducted between 11 September and 7 October 2020.

Markets in scope:

- **Europe:** Belgium, France, Germany, Greece, Ireland, Italy, Netherlands, Poland, Russia, Spain, Sweden, Switzerland, UK.
- **Asia-Pacific:** Australia, Bangladesh, mainland China, Hong Kong, India, Indonesia, Japan, Malaysia, New Zealand, Philippines, Singapore, South Korea, Sri Lanka, Taiwan, Thailand, Vietnam.
- **Middle East & North Africa:** Egypt, Saudi Arabia, Turkey, UAE.
- **North America:** Canada, Mexico, USA.
- **South America:** Argentina, Brazil.
- **Rest of Africa:** South Africa.

For more information visit: <https://www.business.hsbc.com/navigator>

### **HSBC Bank Malaysia Berhad**

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Limited, founding member of the HSBC Group. In 2007, HSBC Bank Malaysia was the first foreign bank to be awarded an Islamic banking subsidiary licence in Malaysia, namely HSBC Amanah Malaysia Berhad. Today, HSBC Bank Malaysia has a network of 67 branches nationwide, of which 26 are HSBC Amanah Malaysia Berhad branches. HSBC Bank Malaysia offers a comprehensive range of banking and financial services including Islamic financial solutions. HSBC Bank Malaysia has also led innovation in Malaysia by introducing Malaysia's first ATM and Electronic Touch Banking in the early 1980s. Today, HSBC Bank Malaysia has launched innovative solutions such as HSBCnet for secure banking for businesses, Trade Transaction Tracker and Facial Recognition on supported mobile phones.

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