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## **HSBC: Malaysian Mid-Market Enterprises positive on sales growth in 2023**

A whopping 93% of mid-market enterprises (MMEs) in Malaysia are optimistic on the prospects of growing their top line in 2023 despite softening economic growth globally – this figure is in line with the global average across 14 markets – according to HSBC's latest Business Balancing Act (BBA) survey.

Out of the 93% of optimistic MMEs, three in ten (30%) are expecting sales to grow by 15% to 20%, while a quarter of these MMEs (25%) are even more positive and are expecting sales to grow by more than 20%.

The survey polled a total of 171 chief executive officers and chief financial officers from rising and established Malaysian MMEs with an annual turnover of between US\$10 million to US\$500 million. A majority of these MMEs were from the manufacturing, retail, digital and financial services sectors.

The research – carried out for HSBC by polling company Toluna found that the optimism of sales growth in 2023 stemmed from two major catalysts, with more than half (56%) of the MMEs sharing that the introduction of new products and services for their businesses, as well as technology-driven efficiencies in their operations (53%) will be major growth drivers. The ability to attract investments and secure financing for their business (50%), and increasing domestic demand (49%) were the other two top drivers cited by the MMEs

On major threats to business growth for MMEs in Malaysia next year, the most common concerns raised were inflation and the higher cost of living (63%), rising interest rates (44%) and uncertainty in the political environment (43%).

### **Financial and Strategic Balances**

The BBA report, as its name suggests, emphasises on the financial and strategic balances that MME leaders are making as they head into 2023. For Malaysian MMEs, the balancing act comes in the areas of trade, in particular exports and the supply chain, as well as their digitalisation journey.

For example, over three quarters (78%) of MMEs plan to enter at least one foreign market in 2023, yet at the same time, over two thirds (69%) are expecting international trade to be more difficult next year, with 43% citing uncertain political environment and increasing tariffs (30%) as a threat to business growth.

On their supply chain, over three-fifths (65%) of MMEs say that they will focus on making their supply chain more sustainable in 2023, but 29% of these MMEs say that the lack of quality suppliers and goods to support a sustainable supply chain is a concern.

As for their digitalisation efforts, 45% of MMEs say that they will expand to new digital platforms and channels, though 37% say that there are also concerns about a decrease in demand and spending from consumers.

### **Investment priorities over the next 12 months**

A majority of Malaysian MMEs (72%) have cited that their investment priorities over the next 12 months will be building up adequate cash flow and effective capital management. Aside from that, they will be prioritizing investments for marketing products and services (68%), as well investments that enhance customer experience (66%).

As for how they plan to grow their business via investments, two-thirds of these MMEs (67%) say they are seeking external investments for their business, while only a third (29%) are planning to make an acquisition of their own to complement their business activities. Divestments are not favoured next year, as only a quarter say that they are looking to sell a whole or a part of their business.

However, a major challenge cited by 63% of the MMEs when it comes to making viable investments are cost cutting exercises which are expected to be prevalent due to the tougher economic conditions next year.

Commenting on the BBA survey findings, **Karel Doshi, Head of Commercial Banking, HSBC Malaysia**, said: “Despite the headwinds and challenges, it is encouraging to see that many MMEs are resilient and positive about their business prospects as they zero in on growth in 2023. The BBA survey shares that the key engines of growth for MMEs are the introduction of new products and services, leveraging on technology to drive efficiencies and expand into new markets.”

“MMEs are a significant driver of growth to the Malaysian economy, and their optimism in growing their businesses next year in spite of the tougher economic environment expected is definitely a positive sign. As a leading international bank, HSBC is happy to support the growth opportunities and maximise the potential of MMEs as they position for growth in 2023 and scale their business to increase their presence across borders.”

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**Note to Editor:**

The Business Balancing Act survey was conducted by industry research firm Toluna between 28<sup>th</sup> September and 24<sup>th</sup> October. Toluna polled 2,170 financial decision makers at mid-market enterprises in 14 markets UK (316), US (191), Australia (106), Canada (104), Germany (203), France (198), India (220), Indonesia (167), Malaysia (171), Mexico (113), Singapore (114), UAE (82), mainland China (109), Hong Kong SAR (76) using its online survey/panel.

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