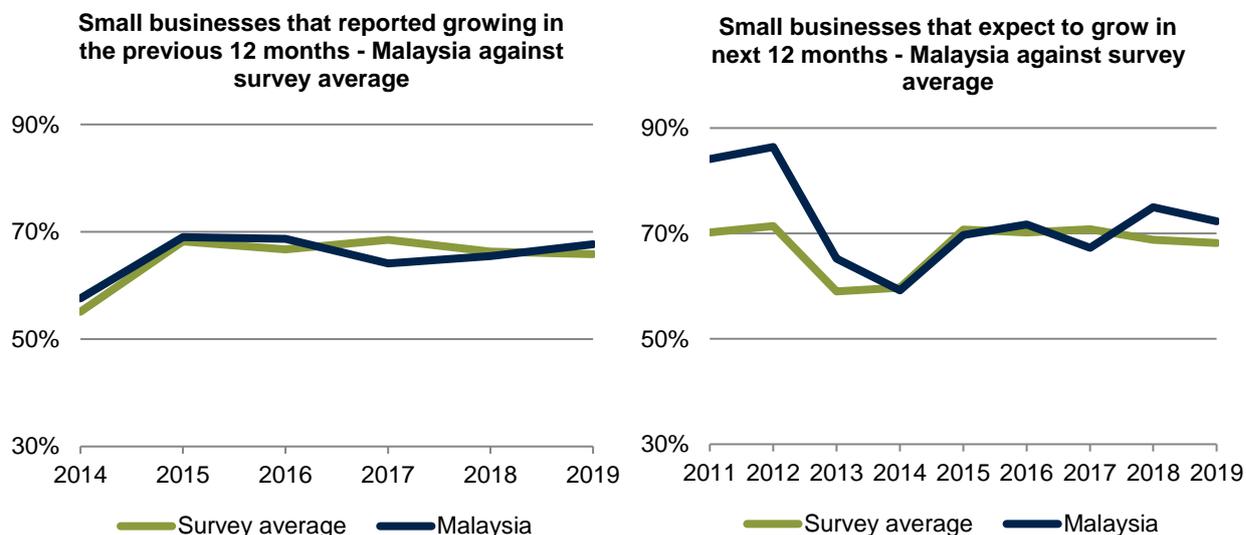


Malaysia market summary

Business and economic growth



	2019	Survey average 2019	Rank 2019	2018	Rank 2018	2017	2016	2015
Businesses that grew in the last 12 months	67.7%	65.8%	6/11	65.5%	5/10	64.1%	68.7%	69.0%
Businesses that expect to grow in the next 12 months	72.3%	68.2%	6/11	75.0%	4/10	67.3%	71.7%	69.7%
Businesses that expect the local economy to grow in the next 12 months	55.3%	59.1%	6/11	69.1%	4/10	53.7%	52.8%	46.8%

Business activity over the past 12 months

	2019	Survey average 2019	Rank 2019	2018	Rank 2018	2017	2016	2015
Increased employee numbers	26.7%	32.5%	6/11	25.7%	5/10	27.5%	33.6%	31.6%
Improved business management had a major positive impact on their business	29.0%	17.6%	1/11	28.3%	4/10	29.4%	27.0%	31.3%
Increasing costs had a major negative impact on their business	44.7%	33.8%	2/11	51.6%	1/10	52.1%	45.9%	48.7%
Required funds from an external source	52.7%	52.2%	7/11	39.5%	6/10	54.7%	62.2%	57.7%
Sought external funds for business growth	58.9%	54.0%	3/11	55.0%	6/10	62.1%	51.3%	51.4%
Found it easy or very easy to access external finance	15.8%	31.6%	11/11	16.7%	8/10	13.0%	15.7%	31.8%
A bank was the business's main source of external finance	29.7%	36.2%	7/11	35.8%	7/10	33.7%	40.8%	45.3%

Planned business activity over the next 12 months

	2020	Survey average	Rank 2020	2019	Rank 2019	2018	2017	2016
Expect to increase employee numbers	42.7%	42.7%	6/11	45.1%	5/10	40.1%	40.4%	46.8%
Will introduce a new product, service or process unique to their market or the world	21.3%	25.8%	6/11	29.3%	4/10	32.0%	26.4%	29.0%
Expect revenue from overseas markets to grow strongly	16.3%	17.1%	6/11	19.4%	4/10	15.9%	18.2%	18.7%
Will seek external funds	17.0%	23.3%	6/11	22.4%	5/10	31.1%	29.3%	29.7%
Expect easy to very easy access to finance	13.0%	27.4%	11/11	10.9%	10/10	10.2%	13.6%	27.6%

Social media, e-commerce and technology

	2019	Survey average 2019	Rank 2019	2018	Rank 2018	2017	2016	2015
Did NOT earn any revenue from online sales	18.0%	26.2%	8/11	29.3%	6/10	52.6%	59.1%	58.2%
Did NOT use social media for business purposes	11.3%	18.9%	9/11	15.8%	7/10	40.8%	40.2%	41.2%
Investment in technology by the business over the past 12 months has improved profitability	45.7%	48.9%	6/11	41.4%	5/10	50.8%	N/A	N/A
Technology the business invested in most heavily over the past 12 months	Computer equipment	Computer equipment	N/A	Computer equipment	N/A	N/A	N/A	N/A
Consider the business likely to be cyberattacked in next 12 months	41.7%	37.5%	4/11	45.4%	4/10	19.6%	N/A	N/A
Reviewed the business's cybersecurity protections in last six months	45.0%	45.9%	4/11	37.2%	9/10	N/A	N/A	N/A
More than 10 per cent of sales is received through digital payment options such as PayPal, Alipay, WeChat Pay	51.1%	60.1%	7/11	47.7%	5/10	33.0%	N/A	N/A

Factors that had positive and negative influences on business

Top four factors that had a positive influence on small business in 2019	Top four factors that had a positive influence on small business in 2018
Customer loyalty	Customer loyalty
Improved customer satisfaction	Improved customer satisfaction
Good staff	Good staff
Improved business strategy	Improved business strategy

Top four factors that had a negative impact on small business in 2019	Top four factors that had a negative impact on small business in 2018
Increasing costs	Increasing costs
Increasing competition	Increasing competition
Poor overall economic environment	Poor overall economic environment
Fluctuations in the value of the local currency	Fluctuations in the value of the local currency

Impact of a trade war

	2019	Survey average 2019	Rank 2019	2018	Rank 2018
Possible trade war between the US and a range of other economies will have a negative impact on your business in next 12 months	39.3%	33.1%	4/11	33.6%	7/10

Demographics

	2019	Survey average 2019	Rank 2019	2018	Rank 2018	2017	2016	2015
Business has been established for 10 years or less	73.0%	65.4%	4/11	73.7%	4/10	70.2%	73.3%	73.9%
Respondent is aged under 40	64.0%	54.7%	5/11	61.5%	5/10	57.6%	76.9%	74.2%
Respondent is the business owner	51.3%	42.5%	6/11	55.6%	4/10	41.7%	33.2%	46.8%
Business has 10 to 19 employees	19.0%	34.6%	9/11	21.4%	8/10	32.0%	47.2%	31.9%

Summary

Small business conditions were positive in Malaysia in 2019, with over two thirds (67.7 per cent) of respondents stating their business grew, up from 65.5 per cent in 2018. The result was better than fellow ASEAN member Singapore (where 54.4 per cent reported growing), but lower than Vietnam (92.4 per cent), Indonesia (86.9 per cent) and the Philippines (83.4 per cent).

While the survey results in 2019 for Malaysia were generally positive, Malaysian small businesses also reported challenges, with increasing costs, especially the cost for materials, seen as the largest barrier to growth. Difficulty in accessing finance was also a challenge for many Malaysian small businesses in 2019, with only 15.8 per cent finding it easy or very easy to access external finance, the lowest of the markets surveyed.

It is not surprising to see that most small businesses in Malaysia reported growing in 2019. Throughout this survey series, Malaysia's small businesses have typically shown they have a focus on factors that are linked to long-term growth, including innovation, e-commerce and technology. They also show they have a strong focus on positive influences of growth, especially:

- improved customer satisfaction
- good staff
- improved business strategy.

More than a quarter (26.7 per cent) of Malaysia's small businesses stated that they added staff in 2019, reflecting robust growth for the sector.

Small businesses from Malaysia continue to be relatively strong users of digital technologies, particularly in comparison to their competitors from Australia, Singapore and New Zealand. Nearly half of Malaysian businesses surveyed (47.5 per cent) earned more than ten per cent of their revenue from online sales.

Further, an overwhelming majority use social media for business purposes, with 48.0 per cent stating that they use it to sell their products or services.

Malaysia's small businesses have also increased their usage of digital payment options, such as Alipay, PayPal and iPay88. More than half (51.1 per cent) stated that they earned more than 10 per cent of their sales through such technology compared with 47.7 per cent in 2018. Despite this, cash remains important to many Malaysian small businesses with 62.0 per cent stating that cash made up 50 per cent or more of their sales, higher than the survey average of 43.5 per cent.

With many of Malaysia's small businesses (45.7 per cent) stating that their investment in technology in 2019 has already been profitable, and the strong linkage between growth and technology, it is of no surprise that Malaysia's businesses are making greater use of digital payment technologies and other technologies more generally.

This relatively strong focus on technology is flowing through to concerns over the security of systems, with 41.7 per cent of respondents from Malaysia stating that they believe it is likely their business will be cyberattacked in 2020. As a response, Malaysia's small businesses are taking cybersecurity seriously, with 45.0 per cent stating that they reviewed their cybersecurity measures in the past six months.

Small businesses from Malaysia continue to have a reasonable focus on innovation, particularly in comparison to Australia, Hong Kong, New Zealand, Singapore and Taiwan, with 21.3 per cent stating that they will innovate in 2019. This innovative culture will support long-term growth and help to improve the competitiveness of Malaysia's businesses.

The number of Malaysian small businesses that required external finance in 2019 (58.9 per cent) was up from 2018 (55.0 per cent). Part of this increase can be attributed to less difficult financing conditions, with 41.7 per cent indicating that access to external finance was difficult or very difficult in 2019, compared with 46.0 per cent in 2018.

Global trade war concerns are impacting Malaysian small businesses, with over a third (39.3 per cent) expecting that this issue should have a negative impact on their business in 2020, above the survey average of 33.1 per cent. However, for some, such a trade conflict could create opportunities, with 20.0 per cent of Malaysian small businesses stating that they expect a trade war to have a positive impact on their business.

We see the future of Malaysia's small business sector as positive. With many of Malaysia's small businesses having characteristics connected with growth – a focus on technology, e-commerce, improving customer satisfaction, improving business strategy and innovation, we are likely to see much of this sector recover relatively quickly from COVID-19.