

## For Immediate Release



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## **MALAYSIAN SMEs SEE BUSINESS RECOVERY IN 2010: UPS ASIA BUSINESS MONITOR**

**KUALA LUMPUR, 10 August 2009** – SMEs in Malaysia are optimistic that the current sluggish global economy will recover by this year or 2010, according to the UPS Asia Business Monitor (UPS ABM) 2009. Malaysian SMEs, along with those surveyed in India, Taiwan, China and Singapore were the most optimistic toward a recovery next year that could bolster their business prospects (Appendix 1).

UPS, the world's largest package delivery company and a global leader in supply chain and freight services unveiled this key finding in its 5<sup>th</sup> annual UPS ABM 2009 survey which is designed to gauge the competitiveness of SMEs in Asia. The survey was conducted based on interviews with 1,200 business executives of SMEs across 12 markets in the Asia Pacific region.

Of the 100 companies surveyed across Malaysia, 69% expected the economic growth for Asia Pacific to decline this year compared to just only 8% in 2008 (Appendix 2). Furthermore, only 21% of SMEs in Malaysia predicted better business growth prospects for their companies this year, compared to 73% in 2008 (Appendix 3).

“Business prospects for 2009 have taken a sharp downturn and SME leaders in Malaysia are looking to offer more value added products and services, diversify their business and explore new revenue streams,” said Mohammed Naeem Butt, Managing Director of UPS Malaysia.

“As Malaysian SMEs look for innovative ways to become more cost efficient and better serve their customers, UPS has the expertise and experience to help SMEs get beyond this difficult period by offering a wide range of shipping solutions and developing supply chain strategies that reduce their costs and increase efficiencies,” added Naeem.

The ABM 2009 also revealed that despite the impact of the slowdown on their business, SMEs in Malaysia are still showing pockets of confidence by remaining stable with 40% of them expecting their business prospects to remain the same (Appendix 3). Most felt that tightening cash management via strict credit control and collection plans, exploring new revenue lines and reducing other cost such as rent, utilities and miscellaneous items are the way to sustain business and counter the effects of a global economic recession (Appendix 4).

Furthermore, 61% of Malaysian SMEs also intend to retain their current workforce with another 24% planning for new hires (Appendix 5). The lack of a qualified workforce has been rated as one of the biggest threats to the competitiveness and future growth of SMEs in Malaysia (Appendix 6).

“SME leaders are not looking to downsize their staff count despite the current market condition as retaining talent and providing adequate training and support to employees is a key factor to growing a qualified workforce and staying competitive. SMEs are reducing their other operating costs such as rental and utilities to counter the recession as economic slowdowns present a good opportunity for businesses to make changes to the way they run their businesses to become more efficient,” said Naeem.

The survey also showed they are now directing their focus to three key areas for long-term growth: Moving to higher value-added products and services (26%); forging new business ventures, acquisitions and partnerships (23%); and exploring new markets (16%) (Appendix 7).

Overall in Asia, SMEs in the region see their major obstacles to competitiveness in the form of lack of government support, access to funding and working capital, innovation and the availability of a qualified workforce (Appendix 8). This is closely mimicked by SMEs in Malaysia, where the main obstacles that could hinder their competitiveness were found to be the same contributing factors (Appendix 6).

## **Other key highlights on Malaysia SMEs in the UPS ABM 2009:**

### **Prospects for Trade Growth in 2009** (Appendix 9)

- Asia Pacific and the Middle East are the top two regions that Malaysian SMEs expect to trade with the most, whereas North America and Europe are seen as markets with the least growth prospects.

### **China: Boost or Threat?** (Appendix 10)

- Fifty-four percent of Malaysian SMEs see the predominance of China as a boost to their business and 20% as a threat.

### **Key Economic Pillar in the next 3 to 5 years** (Appendix 11)

- Malaysian SMEs see Agriculture, forestry and fishing (48%), Manufacturing (42%) and Leisure and tourism (30%) as the top three key economic pillars.

### **Competitiveness of Malaysia SMEs** (Appendix 12 – 14)

- SMEs in Malaysia believe they are low in competitiveness against their peers in the region, with an average of only 23% of respondents feeling they are more competitive and 38% to be at least on par.
- Seventy-five percent of respondents saw China as more competitive followed by South Korea and Taiwan at 69% and Hong Kong at 66%.
- When rated by peers in neighbouring countries, only 9% of SMEs in China viewed Malaysia SMEs as more competitive compared to 46% in Indonesia.

### **Problems encountered in financing business** (Appendix 15)

- Eighty-six percent of Malaysian SMEs encountered problems in business financing.
- The main issues faced by Malaysian SMEs in financing their business are: insufficient collateral; bureaucracy and red tape in processing applications; unaccepted project proposals and the lack of institutions willing to lend to small businesses.

### **Changes in supply chain practices (Appendix 16)**

- Forty percent of Malaysian SMEs will focus simply on reducing transportation and distribution costs while 41% feels that they will not make any changes in their supply chain practices.

### **Perception of supply chain management (Appendix 17)**

- Twenty-six percent of SMEs in Malaysia saw supply chain management as a means to cut cost; whereas 24% viewed it as a method for quality assurance and 17% as a means to maintain control through visibility of the supply chain.

For more information on the UPS Asia Business Monitor, please visit [www.ups.com/abm](http://www.ups.com/abm)

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### **Notes to Editors**

- UPS Asia Business Monitor series provides the latest insights into the changing opinions, attitudes and habits of business leaders from the region's small and medium sized enterprises
- UPS Asia Business Monitor 2009 surveyed 1,200 decision makers of SMEs between January 8, 2009 and February 27, 2009. Interviews were conducted by an independent research organization, TNS, using the respondents' native language. SMEs are defined as companies with fewer than 250 employees
- Interviews were conducted in the following 12 markets: Australia (100 respondents), China (150), Hong Kong (100), India (100), Indonesia (50), Japan (100), Korea (100), Malaysia (100), the Philippines (100), Singapore (100), Taiwan (100) and Thailand (100)
- Respondents were from a range of industries: automotive, garments & textiles, healthcare & pharmaceuticals, toys & sporting goods, electronics & electricals, gifts & housewares, timepieces, jewellery & optical goods, and others
- The average SME has been in business for nearly 22.6 years
- Graphs and charts from the UPS Asia Business Monitor 2008 are available by contacting Jean Leong at Ogilvy Public Relations Worldwide on +603 2718 8265/ [jean.leong@ogilvy.com](mailto:jean.leong@ogilvy.com) or Tee Wee Ping at UPS Malaysia on +603 7780 5888/ [wtee@ups.com](mailto:wtee@ups.com)
- The full ABM 2009 presentation deck is also available at [www.ups.com/abm](http://www.ups.com/abm)

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