

UOB Business Outlook Study 2026

(SMEs & Large Enterprises)

H1 2026

 Malaysia



Introduction

The UOB Business Outlook Study, now in its seventh year, provides a comprehensive view of the business landscape in Malaysia, covering both Small and Medium Enterprises.

From 2026 onwards, the survey is being conducted every six months to better capture rapid geopolitical and economic shifts and provide timely insights for decision-makers.

This H1 2026 report features core and pulse topics. Core topics include Business Sentiment, Sustainability, Digitalisation, Supply Chain Management, and Overseas Expansion, which are tracked over time to gauge evolving conditions and how businesses respond to them.

Pulse topics such as AI Adoption, Energy Management, and Supply Chain Resilience focus on emerging areas that are expected to grow in significance for businesses. They offer a forward-looking view, helping firms anticipate their needs and better equip themselves in the future.

By examining these areas, the study aims to equip businesses with the insights needed to navigate challenges and seize opportunities in the years ahead.

What



Total of 268 interviews, 15 mins online interviews conducted in January'2026

Classification



Small Enterprises
< MYR 30m



Medium Enterprises
MYR 30m to < 900m

Who



Owners/C-suite/Management level who are involved with business decision-making



Small Enterprises, Medium Enterprises

Coverage



Manufacturing, Engineering & Industrials



Construction & Real Estate



Professional & Business Services



Consumer Goods & Wholesale Trade



Health, Community & Personal Services



Tech, Media & Telecom



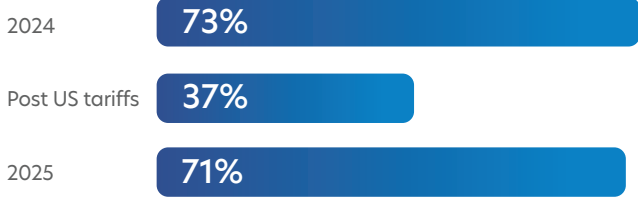
“Businesses, including SMEs, are operating in an increasingly complex environment, shaped by persistent cost pressures, geopolitical uncertainty and evolving regulatory expectations. While near-term challenges remain, the improving outlook reflects how companies are adapting by sharpening their strategies, investing in digital and AI capabilities, and embedding stronger ESG practices to remain competitive within global supply chains and position themselves for sustainable, long-term growth.”

Beh Wee Khee

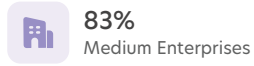
Country Head of Commercial Banking, UOB Malaysia

Business sentiment and outlook in Malaysia have recovered, led by Medium Enterprises

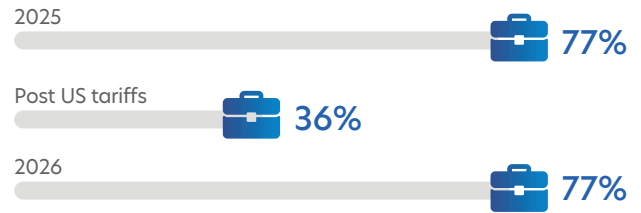
Positive about current business environment



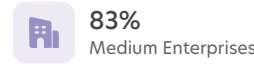
Higher in



Positive about business outlook



Higher in



Nearly 3 in 10 businesses are looking to drive growth through new customers and revenue sources

Top business priorities in next 1-3 years



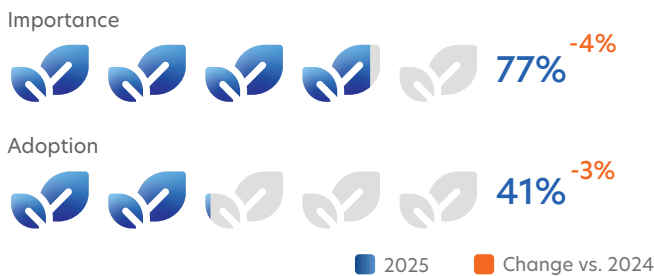
Digital adoption has slowed, while success rates have remained unchanged since 2023

Digital adoption and success

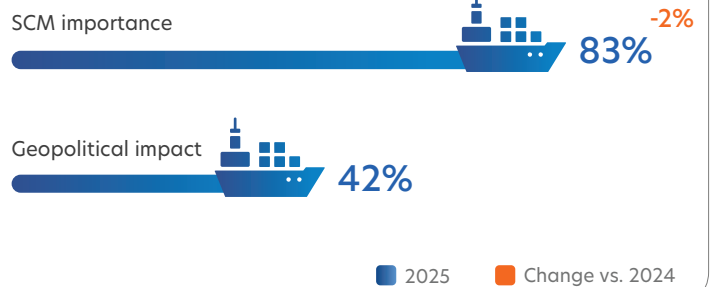


Sustainability adoption stands at 2 in 5, despite declining uptake and perceived importance

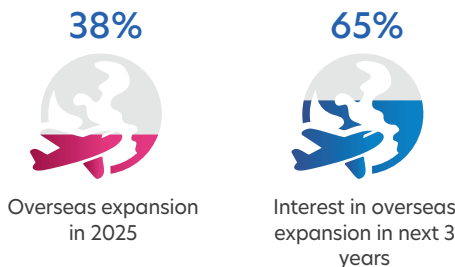
Sustainability implementation



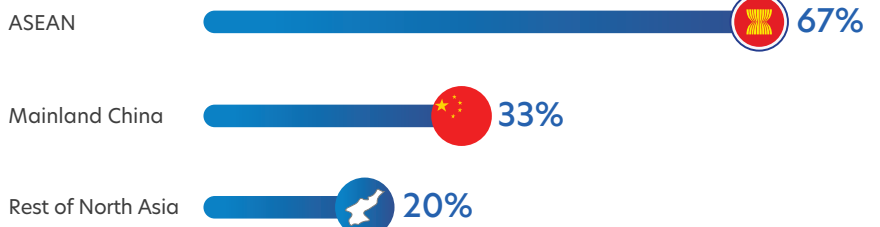
Supply chain management remains a priority for 8 in 10 businesses despite stable geopolitical tensions



Overseas expansion intent for the next three years is stronger than the level of actual expansion seen in 2025

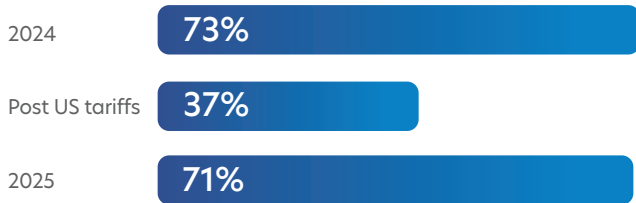


Markets intended to venture into

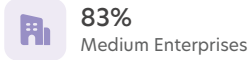


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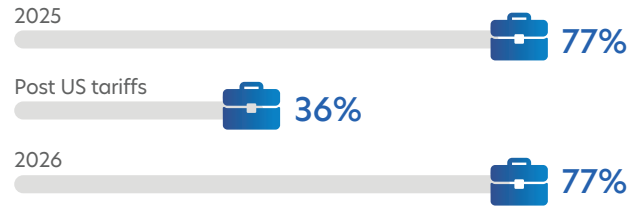
Positive about current business environment



Higher in



Positive about business outlook



Higher in



Manpower costs and interest rates have risen sharply since 2023, affecting nearly 3 in 10 businesses

Macro factors impacting businesses in 2025



Nearly 3 in 10 businesses are looking to drive growth through new customers and revenue sources

Top business priorities in next 1-3 years



There is a strong need for business transformation support in 2026, along with programmes for talent upskilling

Support sought for business success in 2026 and beyond



Support needs vary by sector, more than 2 in 5 of MFG, Engg., & Industrials businesses prioritise business transformation, while about half of Tech, Media & Telecom businesses seek talent upskilling programmes



A 22-point gap in digital adoption exists between Medium and Small Enterprises, widening to a 27-point gap in digital adoption success



Digital adoption has slowed, while success rates have remained unchanged since 2023

Digital adoption and success



Digital adoption



Success in digitalisation



Digitalisation efforts are being held back by implementation costs, skills gaps among employees, and cybersecurity concerns

Reasons for limited success of digital efforts



Digitalisation has enhanced productivity, business performance, and profitability for businesses

Impact of digitalisation



About 7 in 10 businesses plan to increase digital spending in 2026, though this is lower than in previous years

Future expenditure on digital solutions vs previous year



AI adoption remains at an early stage, with half of businesses adopting it, led by Medium Enterprises

AI adoption

Higher in

Total adoption

65%
Medium Enterprises



40%

Early adoption



12%

Advanced adoption



53%

Total adoption

Advanced adoption is taking place among businesses with direct or hands-on leadership by top management

Top management involvement



53%

Early AI adopters



82%

Advanced AI adopters



60%

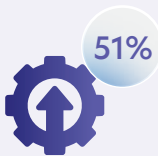
Total AI adopters



Top management provides a more direct or hands-on involvement among 70% of Medium Enterprises and those located in Central Malaysia (63%)

Businesses are expecting clear returns from AI adoption, driven by productivity gains, cost reduction, and revenue growth

Expected ROI from AI deployment



51%

Productivity gains



48%

Cost reduction



44%

Revenue increase



40%

Improved customer satisfaction and customer engagement

Productivity gains are a key focus for businesses in South Malaysia (57%), while cost reduction is a greater priority for the Consumer Goods & Wholesale Trade sector (59%)

8 in 10 businesses are planning higher budgets for 2026, driven by confidence in positive outcomes

AI budget planned for 2026

Total increase



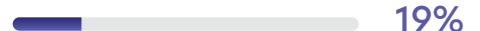
81%

Increase by up to 25%



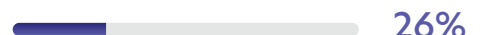
36%

Increase by 26% to 50%



19%

Increase more than 25%



26%

2 in 5 businesses have adopted sustainability, although both adoption and its perceived importance are showing some decline

Sustainability implementation

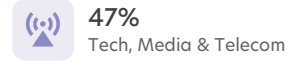
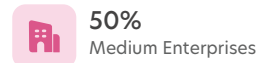
Importance



Adoption



Top adopters



2025 Change vs. 2024

Sustainability is shifting from reputation and investor appeal towards competitive advantage and long term sustainability

Top reasons for sustainability importance



2025 Change vs. 2024

Employee welfare and mental wellness are key focus areas for sustainability implementation

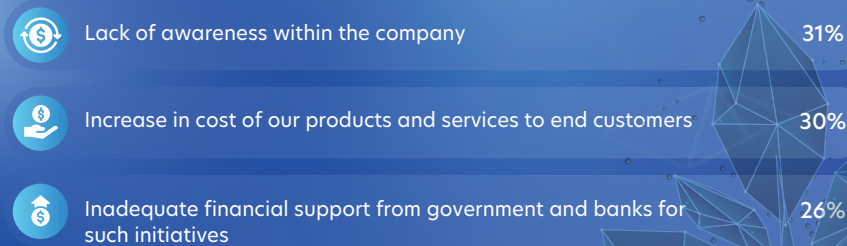
Sustainable practices incorporated



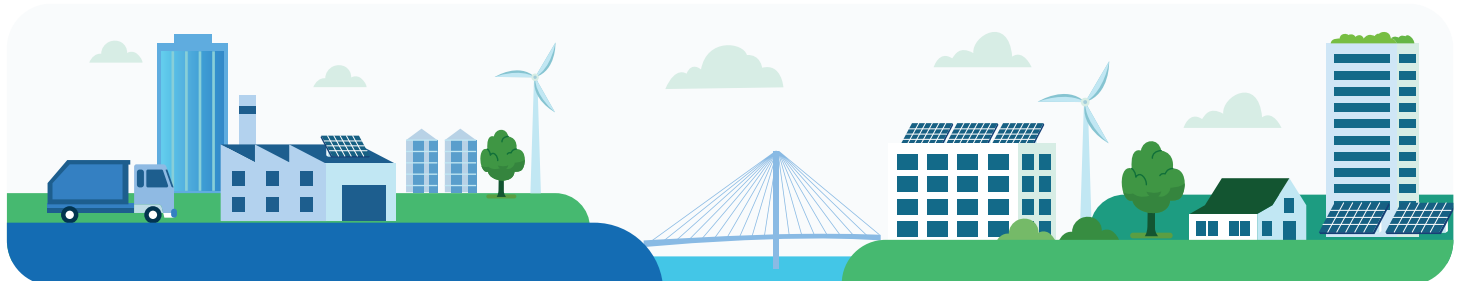
2025 Change vs. 2024

To accelerate adoption, businesses need support in overcoming low awareness and concerns about increased costs for end customers

Top barriers

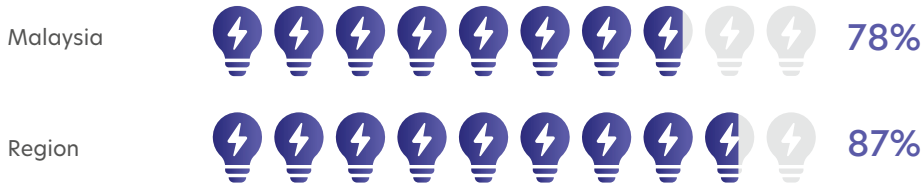


Adoption in 38% of medium-sized businesses has been affected by lack of awareness within the company, more than other businesses



Energy management is important to around 3 in 4 businesses, lower than the regional average

Very or somewhat important

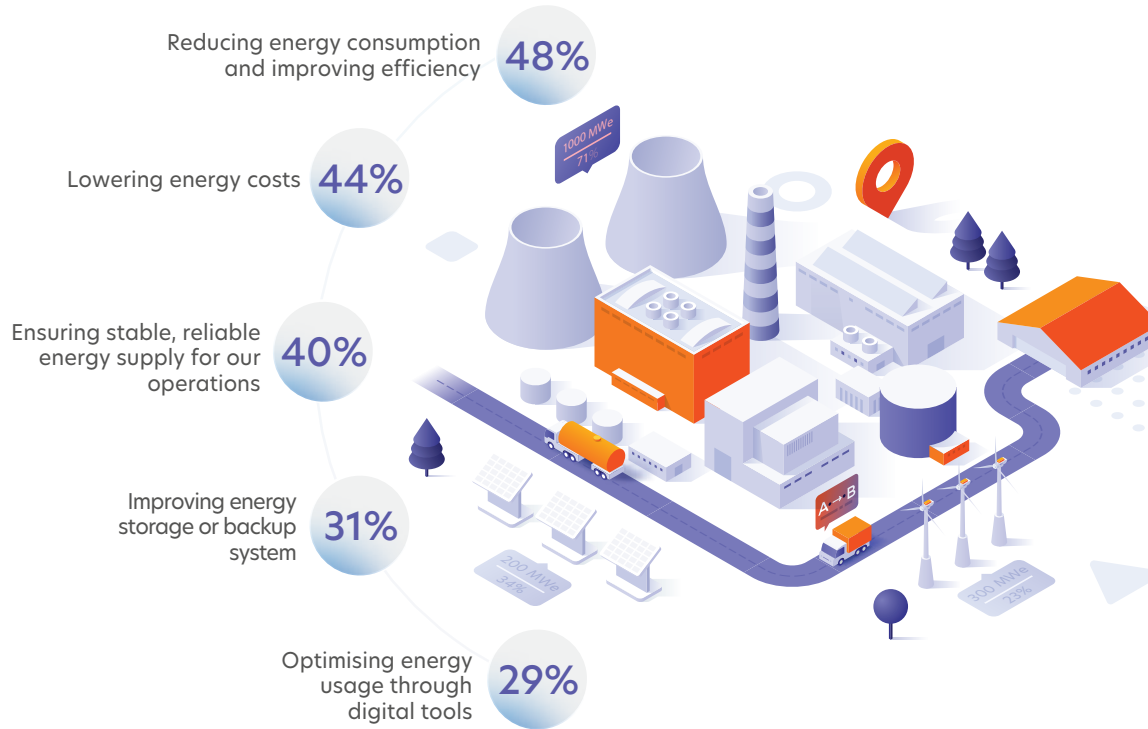


84% of businesses in the MFG, Engg., & Industrials sector prioritise energy management and efficiency

Reducing energy consumption and lowering energy costs are of interest to many businesses

Top interest areas

Beyond reducing energy consumption and cost savings, many businesses are interested in energy optimisation through digital tools and ensuring energy stability for their operations



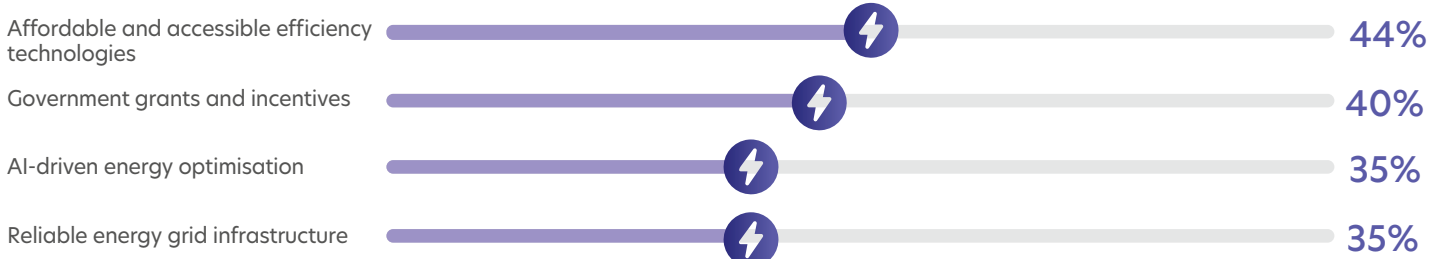
2 in 5 businesses have adopted solar panels and LED lighting, driven by their tangible benefits in lowering energy consumption

Energy Management solutions adopted

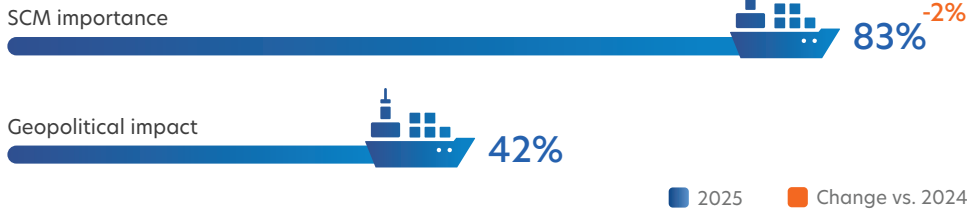


A balanced mix of technology, financing, and AI-driven energy optimisation support is needed by businesses to meet their energy management goals

Top support areas



Supply chain management remains a priority for 8 in 10 businesses despite stable geopolitical tensions

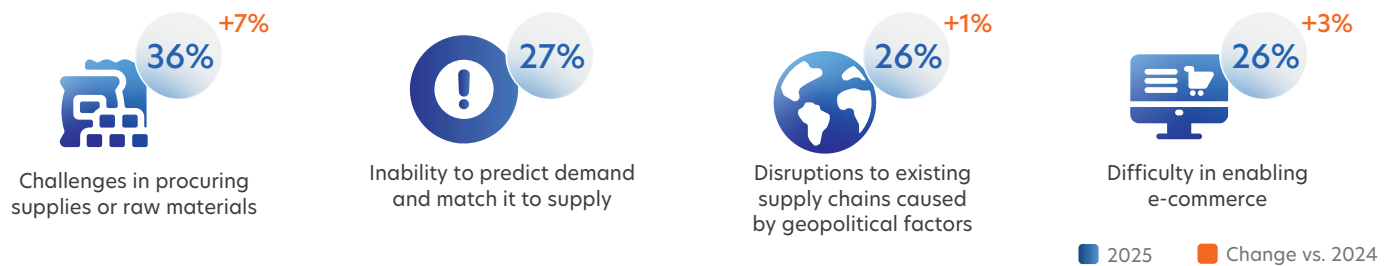


Supply chain disruptions have sustained SCM's importance while strengthening the focus on resilience and stability

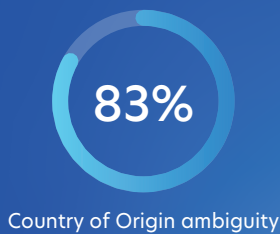


Procurement of supplies and raw materials has become increasingly challenging

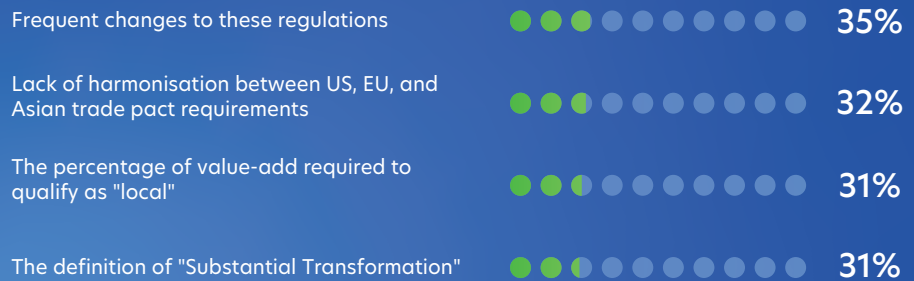
Top challenges in supply chain management



In addition, country of origin ambiguity is a key supply chain planning issue driven by regulatory changes, limited trade pact harmonisation, and varying local content rules



Drivers of ambiguity



Supplier diversification and alternative sourcing are key to supply chain stability

Steps to stabilise supply chain management



Businesses are strengthening supply chains through supplier diversification, adopted by 3 in 5, and manufacturing expansion, pursued by 1 in 2

Supplier diversification plans



Manufacturing expansion



Primary goal of expansion

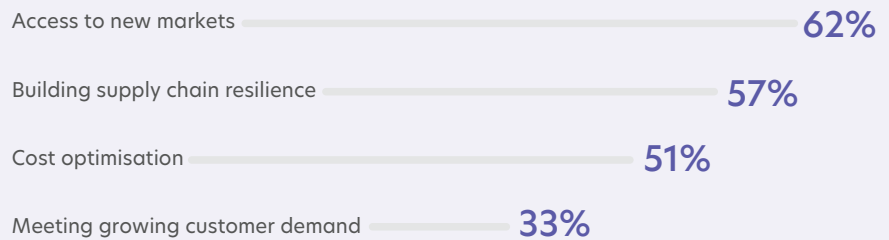


Suppliers Manufacturing

Access to new markets and building supply chain resilience are the primary drivers for expansion

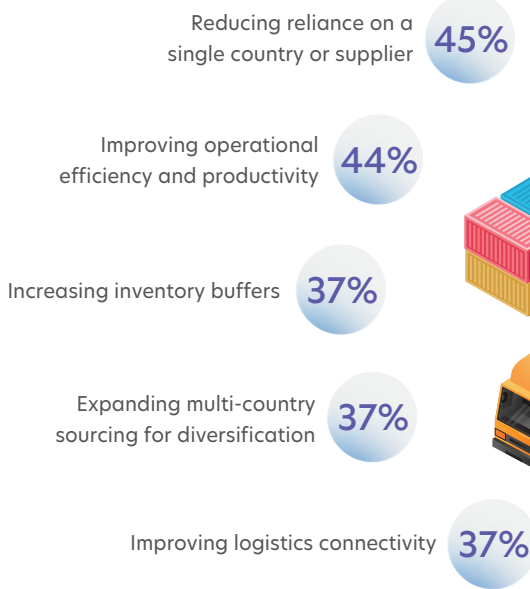
At 83%, Construction & Real Estate businesses are significantly more focussed on building supply chain resilience than those in the Health, Community & Personal Services sector at 38%

Reasons for supply chain expansion



Supplier diversification and operational excellence are key resilience strategies for many businesses

Top supply chain resilience strategies



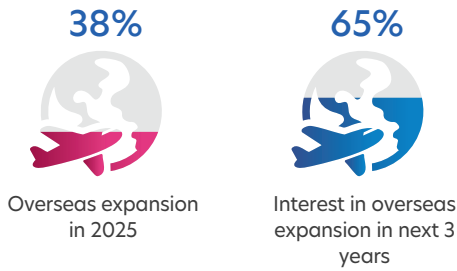
A third of businesses identify digital innovation as critical to supply chain resilience, but this remains below the regional average

Digital innovation in supply chain resilience

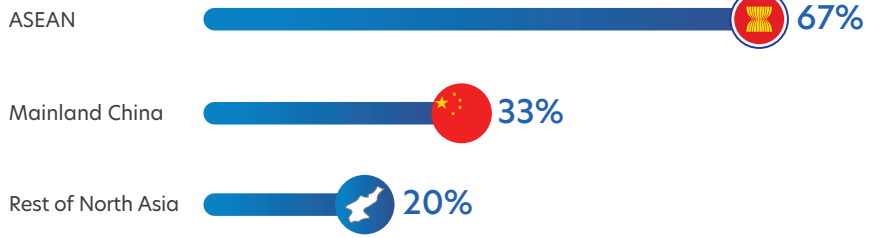


Nearly half of Medium Enterprises see digital innovation as critical to supply chain resilience

Overseas expansion intent for the next three years is stronger than the level of actual expansion seen in 2025



Markets intended to venture into



Expansion is now less about financials and more about building a robust manufacturing base

Top drivers for overseas expansion

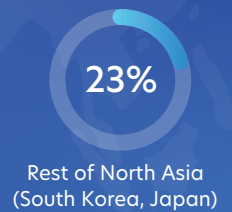
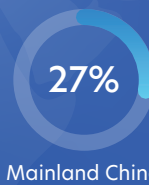


About 3 in 5 businesses intend to invest overseas with ASEAN being a primary FDI destination

FDI plans



Markets



The China+1 diversification strategy and proximity to customers are the top drivers of FDI

Reasons for FDI

