Malaysia State of Credit

Trade Bureau Insight Report

May 2024






Executive summary

Over the last few years, the Malaysian economy has demonstrated resilience amid global economic uncertainties and domestic challenges. The country experienced moderate GDP growth, supported by robust export performance and recovery in domestic consumption as pandemic restrictions eased. Key sectors such as manufacturing, services, and commodities contributed significantly to economic activity. However, inflationary pressures and rising living costs have posed challenges for households and businesses.

The country's GDP growth moderated to 1.6% in 2023, reflecting a more stable economic expansion. The nominal GDP for 2023 amounted to RM1.8 trillion. Despite a contraction in the manufacturing sector and weakening export growth, the services and construction sectors experienced robust growth, with the services sector growing by 5% and construction by 7.2% year-on-year in the third quarter of 2023. Inflationary pressures have eased, with the Consumer Price Index (CPI) inflation rate slowing to 2.2% in June 2024, down from 3.0% a year earlier.

In 2024, Malaysia's economy is experiencing a period of robust growth, bolstered by strong domestic demand and a recovery in the global economic environment. Key sectors such as manufacturing, services, and technology are driving economic expansion, supported by significant investments in infrastructure and innovation. The government's strategic focus on digital transformation and sustainability is fostering a conducive environment for business development and foreign investment. Additionally, the labor market remains resilient with low unemployment rates and increasing wage growth, further stimulating consumer spending. However, challenges such as inflationary pressures and external trade uncertainties persist, requiring vigilant fiscal and monetary policies to maintain economic stability and growth momentum.

The implementation of new financial regulations and a cautious approach to credit have also impacted the ease of obtaining trade financing, prompting businesses to adopt more stringent cash flow strategies to maintain operational stability.

Today, Malaysian companies are navigating a **complex landscape of trade payments and cash flow**, influenced by both global economic conditions and domestic factors. **Trade payments have been relatively stable**, but companies are experiencing delays due to global supply chain disruptions and fluctuating demand. **Cash flow management** has become a **critical focus**, with firms leveraging digital solutions to **streamline payment** processes and **enhance liquidity**.

Payment delays moderating

Over the past four years, payment delays among Malaysian enterprises have shown a significant improvement, decreasing from an average of 68 days to 62 days. This positive trend is evident across both large corporations and SMEs. Large corporations have reduced their payment delays by four days, from 61 days in 2021 to 57 days. Meanwhile, SMEs have also seen a marked improvement, with delays decreasing from 72 days in 2021 to 65 days. This trend reflects a broader effort among Malaysian companies to enhance their cash flow management and streamline their payment processes.

Corporations

SMEs

Sector Highlight – Transportation & Storage

In the Transportation & Storage sector, payment delays have been trending upwards over the last five rolling 3-month periods. Starting from 68 days in the March-May 2023 period, delays have steadily increased to an average of 76 days over the most recent three months. This upward trend is reflected across both large corporations and SMEs within the sector. Corporations have seen their payment delays increase by 3 days during this period, while SMEs have experienced a more significant rise of 9 days. This indicates a growing challenge in managing timely payments within the sector.

Local transport operators are particularly affected by these delays. These smaller operators often rely heavily on consistent cash flow to maintain operations and cover expenses such as fuel, maintenance, and wages. The increasing payment delays strain their financial stability and operational efficiency. Additionally, the sector is grappling with rising operational costs and a competitive market environment, which further exacerbate cash flow issues.

Corporations

SMEs

Sector Highlight – Hospitality / Food & Beverage

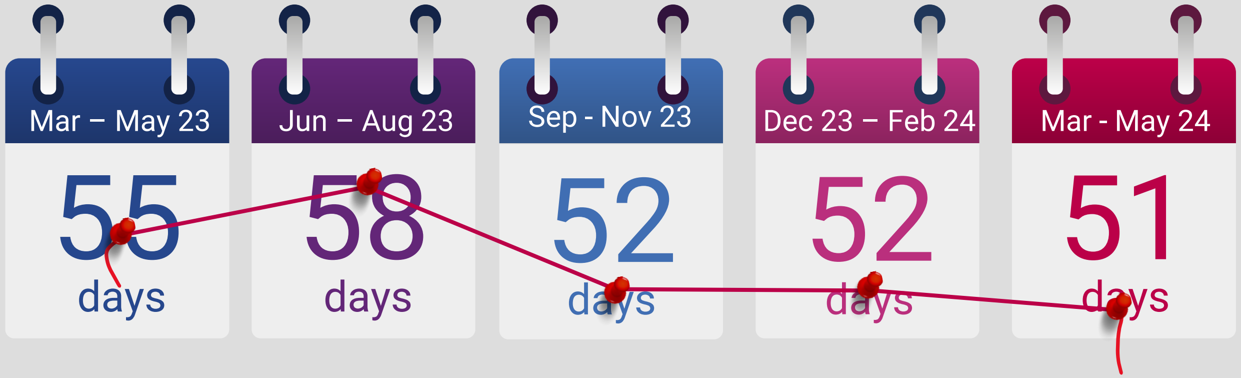
The Hospitality and Food & Beverage sector has been experiencing significant cash flow pressures over the last year. The average days to make a payment have increased by 17 days, reaching 70 days in the last three months. SMEs within this sector are facing the most substantial delays, with an increase of 20 days, bringing their average payment time to 74 days. This trend highlights the financial strain and operational challenges that businesses in this sector are currently facing.

This year, SMEs in Malaysia's hospitality and food & beverage sector are grappling with significant challenges. Rising operational costs, including increased prices for raw materials and utilities, coupled with heightened competition, are exerting pressure on their profit margins. Additionally, the sector has seen an uptick in payment delays, with average days to make a payment increasing to 74 days, up by 20 days over a year ago. This financial strain is further exacerbated by the slow recovery of tourism and changing consumer behavior post-pandemic.

Corporations

SMEs

Sector Highlight – Manufacturing



In 2024, Malaysian manufacturers are navigating a dynamic landscape marked by both opportunities and challenges. The sector has shown resilience, with significant improvements in payment practices, reducing average payment days from 55 to 51 over the past year. Larger corporations are now paying within 46 days, the best performance in two years, while SMEs have reduced their payment period to 55 days in the last three months.

However, manufacturers are also facing external pressures such as global supply chain disruptions, rising raw material costs, and competitive market conditions. To stay competitive, many are investing in digital transformation, automation, and sustainable practices, aligning with global trends. These strategic initiatives are aimed at boosting productivity, reducing costs, and enhancing market responsiveness, positioning Malaysian manufacturers for sustainable growth in an increasingly complex global market

Corporations

SMEs

About Experian Trade Bureau

Experian Malaysia established a neutral collaborative platform in 2004 for non-banking industry players to share their customers’ payment information, both positive and negative, to better recover delinquent debts and reduce credit risks.

It covers a wide range of industries including retail and credit financing, construction, logistics, fast moving consumer goods and telecommunications.

About this report

This State of Credit report reflects Industry Debts Turned Cash (iDTC) which measures credit repayment data between entities, shown in days.

The study examines 7 core industries with significant contribution towards the Malaysian economy. These include the construction, manufacturing, services, hospitality/F&B, transportation & storage, retail and wholesale sectors.

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