



BUSINESS CLIMATE SURVEY FOR SWEDISH COMPANIES IN MALAYSIA 2025

A REPORT FROM TEAM SWEDEN IN MALAYSIA

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KEY CONTRIBUTORS TO THIS REPORT

Business Sweden in Malaysia

Victor Öman, Amanda Khoo, Kelly Chung

Swedish Chamber of Commerce in Malaysia

Embassy of Sweden in Malaysia

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FOREWORD

Malaysia's diverse economy and multilingual workforce contribute significantly to its global competitiveness and ease of doing business. With a dynamic ecosystem supported by pro-business policies, a strong manufacturing hub and targeted tax incentives, Malaysia continues to be an attractive market for Swedish companies seeking growth and regional expansion.

In recent years, the ASEAN region has become increasingly interconnected, offering enhanced regional integration and trade access opportunities. With Malaysia and the European Union resuming free trade negotiations after a 12-year hiatus marks an important step forward. A free trade deal would present new opportunities for Swedish businesses by strengthening global supply chains, increasing investment flow and boosting export opportunities. At the same time, Malaysia's ASEAN chairmanship presents a pivotal moment to advance regional cooperation and push back against rising protectionism, positioning Malaysia as a gateway for businesses expanding and entering the region.

Malaysia is actively developing domestic strategies to improve the country's competitiveness and achieve high-income status. Guided by policy frameworks such as the New Industrial Master Plan (NIMP) and National Energy Transition Roadmap (NETR), the government is committed to nurturing high-value and innovation-driven sectors such as aerospace, automotive, chemical, electrical and electronic, life science, manufacturing and semiconductor. The strengths found within Swedish businesses' solutions, products, and know-how make Swedish businesses well-positioned to contribute to and benefit from these initiatives.

This report presents an aggregated picture of the Malaysian market opportunities and challenges from the perspective of Swedish business in Malaysia. Swedish businesses continue to be optimistic about the overall economic outlook, with many anticipating increased turnover and investments in Malaysia in the coming year. A high percentage of Swedish companies report profitability, particularly in the consumer goods sector, and confidence in the market is particularly strong among newcomers, with many of them planning to increase their investments in the next year. These trends highlight the resilience of the Malaysian business landscape and its potential for long-term growth.

The 2025 edition survey captured what Swedish companies perceive to be the main advantages when it comes to doing business in Malaysia. The key advantages, according to respondents, are personal safety, access to suppliers, and the region's service providers. Similarly, the Swedish brand continued to be seen as having a positive impact on Swedish companies in Malaysia. Amidst global tariffs, cost efficiency continues to stand out as a crucial success factor.

While the overall picture is predominantly positive, there are certain challenges. While access to skilled talent has improved, attracting and retaining qualified workers remains a challenge. Issues related to a lack of transparency, delays in licensing and permits, and the level of digitalisation continue to impact operations.

Swedish companies – renowned for reliability, sustainability, and innovative solutions – have much to contribute to Malaysia's sustainable development. There is substantial potential for growth and cooperation in sustainable practices, where Swedish businesses can play a key role in driving the country's green transition.

On behalf of Team Sweden in Malaysia, we would like to thank all companies that participated in this Business Climate Survey and shared their views and perspectives on the local market conditions here in Malaysia. Team Sweden will continue to support Swedish companies in fulfilling their potential in Malaysia!



Niklas Wiberg
Ambassador of Sweden
to Malaysia



Ludvig Hermansson
Trade Commissioner of
Sweden to Malaysia



**Jenny Jahanshahi
Westin**
Director, Swedish
Chamber of Commerce
Malaysia

45 respondents in Malaysia

Current business climate

39%

of Swedish companies perceive the business climate as good or very good

Industry turnover

71%

of Swedish companies expect their industry turnover to increase

Future investments

53%

of Swedish companies plan to increase their investments slightly or significantly in the next 12 months

Globally valued success factors

1. Cost efficiency
2. Partnerships/relationships
3. Brand awareness

Brand Sweden

91%

of Swedish companies abroad consider Brand Sweden beneficial for business

Local conditions with high satisfaction

1. Personal safety
2. Suppliers
3. Service providers

Local conditions with least satisfaction

1. Level of digitalisation
2. Licenses, permits and approvals
3. Transparency/equal treatment

Environmental considerations

23%

of respondents believe environmental considerations are a factor in their customers' purchasing decisions

Corruption

- Malaysia is ranked 57th globally in the Corruption Perception Index 2024
- Eight respondents encountered corruption in 2024

Human rights violations and labour rights abuse

One respondent encountered human rights violations and/or labour rights abuse in the past year.

ABOUT THE SURVEY

The presence, perspectives, and long-term commitments of Swedish companies in Malaysia

The Business Climate Survey is a joint initiative by Team Sweden in Malaysia – consisting of Business Sweden, the Embassy of Sweden and the Swedish Chamber of Commerce – to capture Swedish companies' views on the current business climate and future expectations in Malaysia. The survey reflects the outlook of Swedish companies on economic development, success factors, challenges, and sustainability. It also aims to capture the viewpoints, experiences, and insights of Swedish business leaders overseas.

This report is part of a global initiative, with reports published regularly across 24 markets with a Team Sweden presence. The global reports give Swedish companies the opportunity to compare results across markets and track developments over time.

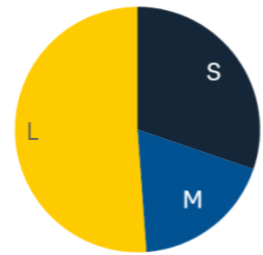
In total, 75 companies were contacted, and 45 companies answered, resulting in a 60 per cent response rate (51 per cent). The companies that participated either have Swedish origin and identity, have Swedish owners or shareholders, are part of a Swedish conglomerate, or have other significant affiliations to Sweden.

The companies represent a diverse set of companies in size, industry and market experience. Half of the companies have over 1,000 global employees and are considered large firms. The remainder includes small-sized companies with up to 249 global employees or medium-sized companies with 250 to 1,000 global employees.

The range of business areas represented in this report was grouped into three broad categories: professional services, consumer goods, and industrial companies. Industrial companies remain the largest sector, making up 56.8 per cent of the total, followed by professional services at 29.7 per cent and consumer companies at 13.5 per cent. This highlights Malaysia's strength as a key manufacturing hub.

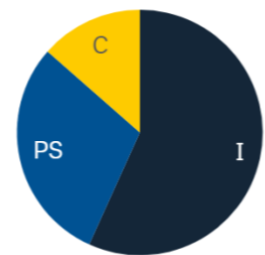
In terms of market presence, 52 per cent of responding companies have been established in Malaysia since 2003 or earlier, while 36 per cent are considered experienced, and 11 per cent are newcomers. The current distribution highlights that a majority have maintained a presence in Malaysia for over two decades, reflecting that Swedish companies continue to have strong confidence in the market and are here to stay.

SIZE OF COMPANIES



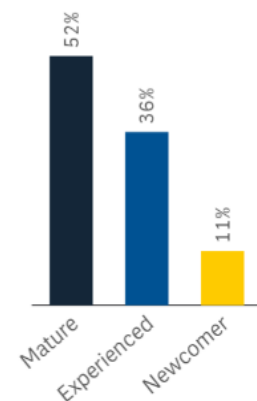
NOTE: Global employees. Large >1000. Medium 250-1000. Small 0-249

MAIN INDUSTRY



NOTE: Industrial 56.8 %. Professional services 29.7 %. Consumer 13.5 %

AGE OF COMPANIES



NOTE: Mature (<2003). Experienced (2004-2019). Newcomer (2020-)

ECONOMIC OUTLOOK

Malaysia: a nation of rapid economic transformation since the 1960s

Since gaining independence in 1957, Malaysia has undergone one of the most remarkable and rapid transformations in the region. Once primarily reliant on agriculture, the country has successfully transitioned into a modern, industrialised economy and a leading manufacturing hub. Over the six decades from 1961 to 2021, Malaysia maintained an impressive average GDP growth rate of around five per cent per year.

Key development indicators further highlight this progress. Gross National Income (GNI) per capita grew at an average annual rate of 7.3 per cent between 1961 and 2023. At the same time, the country has made significant strides in human capital development. The share of the workforce with tertiary education increased from 23 per cent in 2010 to 35.5 per cent in 2023, reflecting a steady shift toward a more skilled and knowledge-based economy.

Malaysia has established itself as a globally connected trading nation, maintaining trade relationships with 90 per cent of countries worldwide - outperforming many of its regional peers in terms of global trade integration and is currently the sixth largest economy in the Association of Southeast Asian Nations (ASEAN) and ranks third in terms of GDP per capita. Malaysia's strong openness to trade and investment has been a key driver of job creation and income growth, with around 40 per cent of employment tied to export-related activities. Despite significant challenges - most notably the Asian financial crisis of 1997-1998 and the Covid-19 pandemic - the country has sustained a positive economic trajectory.

Malaysia's trade is deeply integrated into the global economy, with a diverse portfolio of major trading partners across Asia, Europe, and North America. Its largest trade partner is China, which has consistently held the top spot since 2009, accounting for about 17.1 per cent of Malaysia's total trade. Trade with Singapore also plays a crucial role, given their close economic ties and geographic proximity. Other major trading partners include the United States, Japan, and the European Union, with Germany and the Netherlands standing out as key contributors.

In 2023, the EU collectively ranked as Malaysia's fourth-largest trading partner, accounting for 9.5 per cent of the country's total trade in goods. Bilateral trade between the EU and Malaysia is predominantly composed of industrial products, which constitute over 90 per cent of trade flows. Machinery and appliances are particularly significant, representing 62 per cent of all EU imports and over 46 per cent of EU exports. Additionally, the EU imports animal and vegetable fats and oils, chemical products, and optical and photographic instruments from Malaysia, while primarily exporting chemical products.

Negotiations for the Malaysia-European Union Free Trade Agreement (MEUFTA) commenced in 2010 but were suspended in 2012 after seven rounds due to unresolved issues, notably concerning Malaysia's palm oil industry. In January 2025, during Prime Minister Anwar Ibrahim's visit to Brussels, Malaysia and the EU announced the resumption of MEUFTA negotiations. The renewed discussions aim to enhance bilateral trade and investment, focusing on sectors such as green energy and advanced manufacturing. European Commission President Ursula von der Leyen emphasised that the agreement would uphold labour rights and environmental protections.

In recent years, Malaysia has also strengthened trade relations with regional partners through agreements like the Regional Comprehensive Economic Partnership (RCEP), enhancing its access to markets such as South Korea, Australia, and ASEAN member states. Additionally, Malaysia's participation in the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) further broadens its trade horizons, offering preferential access to key economies

including Japan, Canada, and Mexico. This diversified network helps Malaysia remain resilient in the face of global economic shifts and supports its position as an integrated player in international trade.

The services sector has been a crucial driver of Malaysia's economic growth, currently accounting for approximately half of the country's GDP. For example, in the third quarter of 2024, the services sector grew by 5.1 per cent year-on-year, making a significant contribution to the overall GDP growth. Malaysia's services trade plays a significant role in its economic landscape, encompassing various sectors such as tourism, education, finance, and professional services. According to the World Bank, in 2022, Malaysia's services exports totalled approximately USD 31.68 billion, while services imports were around USD 44.59 billion.

Malaysia's economy has shown resilience among the global shocks in recent years, including the pandemic, supply chain bottlenecks and, most recently, Russia's invasion of Ukraine. Amid lower export demand, a robust domestic market has held up Malaysia's economy. Further, Malaysia's political stability has played a crucial role in shaping its economic growth and attracting foreign investment. Periods of stable governance have fostered an environment conducive to economic reforms and development initiatives, bolstering investor confidence and facilitating sustained economic expansion.

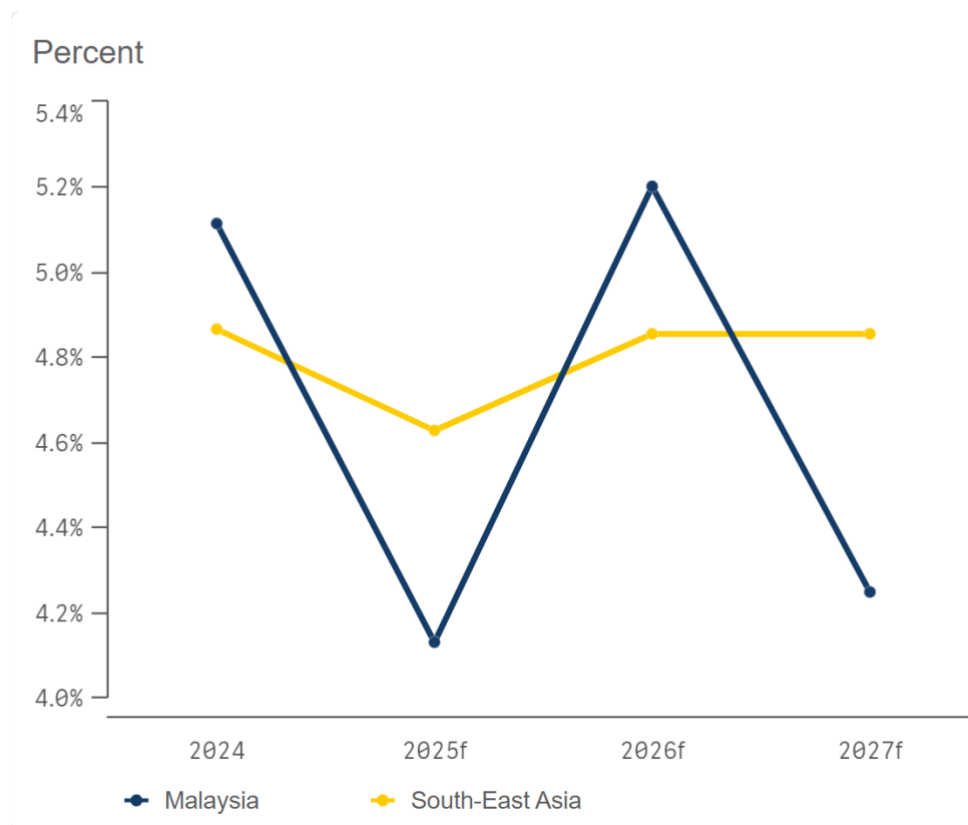
Despite the recent global surge in trade restrictions, primarily driven by the United States, Malaysia has emerged relatively well, facing a reciprocal tariff rate of 24 per cent, the third lowest in ASEAN and the 40th highest globally. Malaysia's overall impact of US tariffs may be mitigated by sectoral exemptions in industries such as gloves, semiconductors, and E&E goods. However, specific sectors like solar photovoltaic cells remain highly vulnerable.

Anticipating growth and challenges ahead

Malaysia's economic outlook for the coming years is cautiously optimistic, driven by structural reforms, a diversified export base, and growing investments in digital infrastructure and green technology. The country is poised to benefit from regional trade agreements, such as RCEP, and strategic positioning within Southeast Asia, making it a hub for manufacturing, logistics, and services.

Malaysia is on track to achieve high-income nation status within the next few years. The World Bank projects that Malaysia could reach this milestone by 2028 or even earlier if the ringgit's strength as currency persists. Minister of Economic Affairs Rafizi Ramli has indicated that sustaining an economic growth rate between four per cent and five per cent annually could enable Malaysia to attain high-income status as early as 2026. However, several challenges remain. Structural issues such as income inequality, reliance on low-skilled foreign labour, and underemployment among graduates need to be addressed to ensure inclusive growth. External factors, including geopolitical tensions, climate change, and supply chain disruptions, further compound the risks.

PROJECTED GDP GROWTH IN MALAYSIA



NOTE: Constant prices.

SOURCE: Oxford Economics 11 March 2025

Swedish companies continue to thrive in Malaysia, maintaining profitability

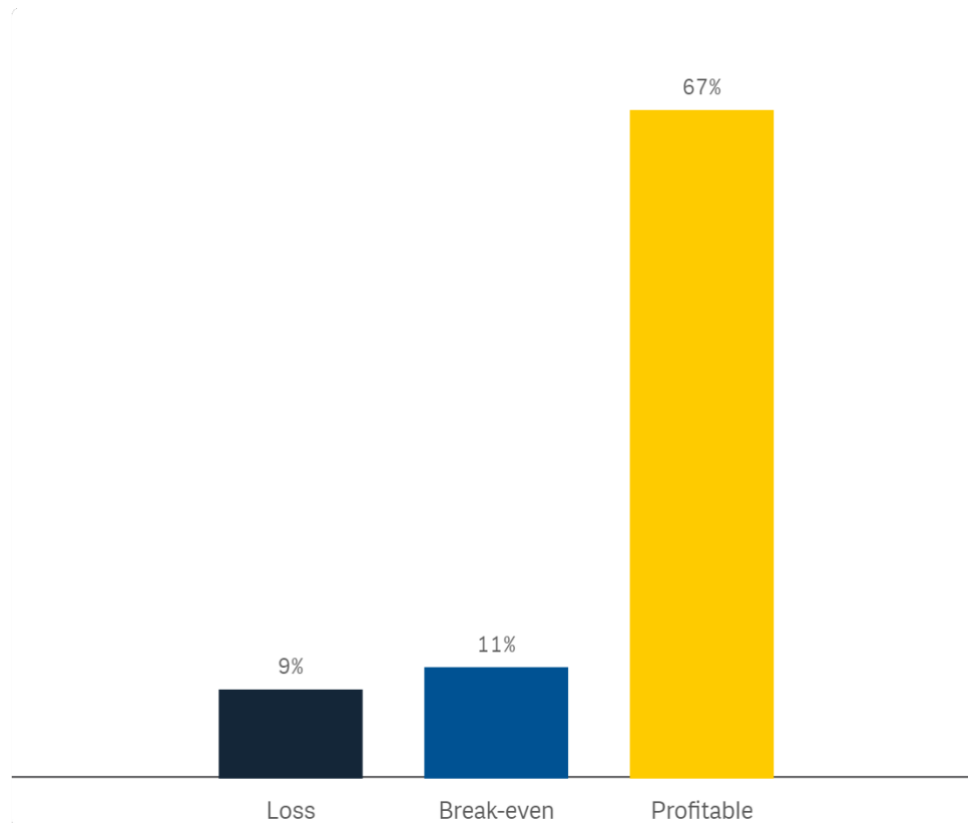
Analysing the reported financial performance across companies operating in Malaysia during 2024 reveals several noteworthy patterns, where 67 per cent report profitability. Notably, companies reporting losses are predominantly newcomers to the market, with 40 per cent of the loss-making entities having been established between 2020 and the present. This suggests a potential correlation between limited market experience and weaker financial outcomes, which might be explained by the fact that newly established companies often require more substantial upfront investments in their initial years, impacting short-term profitability.

When examining sector-specific performance, consumer goods companies have emerged as the most financially successful, with 80 per cent reporting profitability. In contrast, professional services firms showed the lowest financial performance (55 per cent) among the three main industry categories analysed.

Company size also plays a role in financial outcomes. Large companies outperformed their medium and small counterparts, with 77 per cent of companies surveyed reporting profitability. In comparison, only 50–54 per cent of small and medium-sized enterprises (SMEs) were profitable. None of the large companies reported a financial loss in 2024, while 15 per cent of small companies and 25 per cent of medium-sized companies did.

Overall, the data indicates that company maturity, industry sector, and organisational size are key factors influencing financial success in the Malaysian market.

HOW WOULD YOU DESCRIBE YOUR COMPANY'S FINANCIAL PERFORMANCE IN MALAYSIA IN 2024?



NOTE: The number of respondents for this question was 45. "Don't know/Not applicable" responses are included but not shown in this figure.

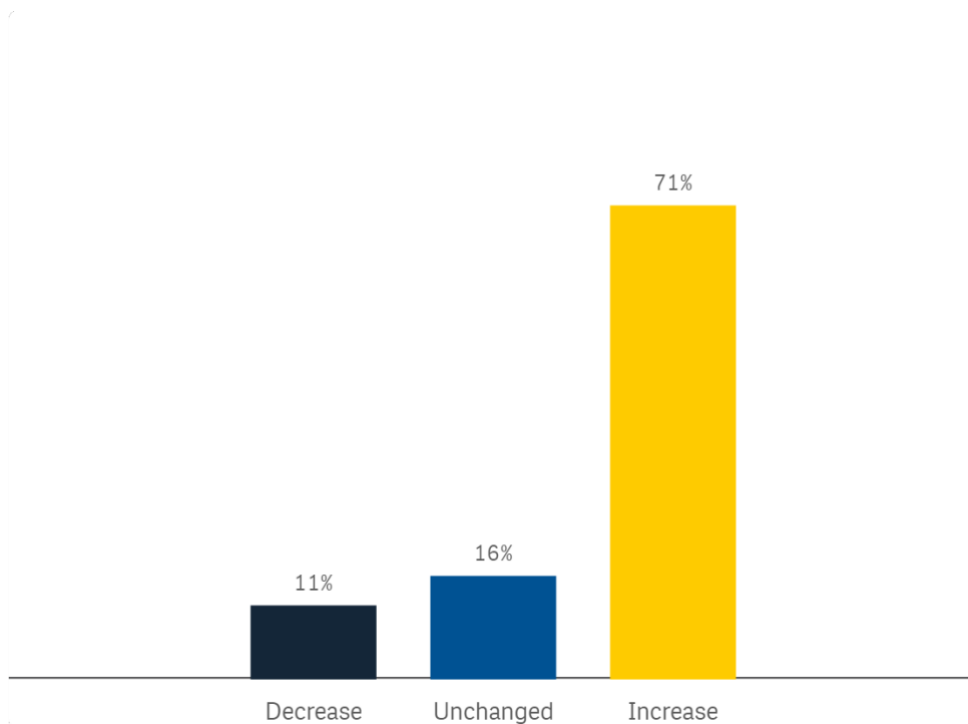
SOURCE: Business Climate Survey for Swedish companies in Malaysia 2025.

Swedish companies in Malaysia show strong market optimism and confidence in long-term growth

The industry outlook among Swedish companies in Malaysia for the upcoming period indicates strong overall confidence in the market. Only 11 per cent of respondents believe their industry turnover will decrease, with just four per cent expecting a significant decrease and 7 per cent anticipating a slight decrease. In contrast, a substantial 71 per cent of companies believe the industry turnover will increase, with 58 per cent expecting a slight increase and 13 per cent predicting a significant increase, demonstrating clear, forward-looking optimism.

Notably, none of the newcomers to the Malaysian market believe the industry turnover will decrease, suggesting a strong belief in long-term growth potential despite a previously highlighted report of loss in the previous financial year. Similarly, consumer goods companies show unwavering confidence, with no respondents in this category foreseeing a decrease, further highlighting their positive outlook on Malaysia's economic environment.

COMPARED TO THE DEVELOPMENT IN THE PAST 12 MONTHS, WHAT ARE YOUR EXPECTATIONS FOR THE COMING 12 MONTHS FOR YOUR INDUSTRY IN MALAYSIA REGARDING TURNOVER?



NOTE: The number of respondents for this question was 45. "Don't know/Not applicable" responses are included but not shown in this figure.

SOURCE: Business Climate Survey for Swedish companies in Malaysia 2025.

Strong investment intentions signal confidence in Malaysia's market despite global uncertainty

The data indicates a strong overall confidence in the market, with 53 per cent of all surveyed companies planning to increase their investments over the coming 12 months. Of these, 20 per cent intend to increase significantly, while 33 per cent plan a slight increase.

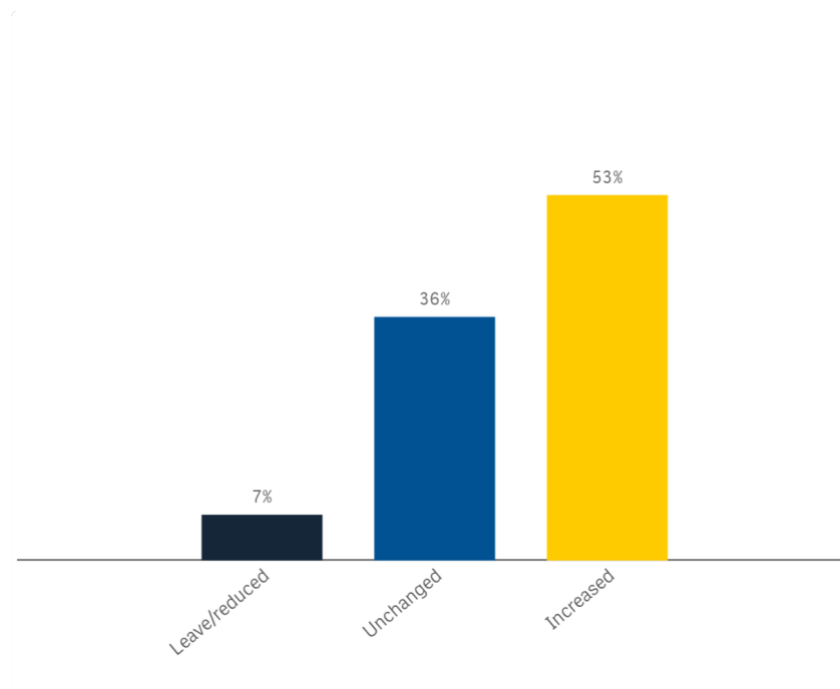
When broken down by company size, small businesses are the most optimistic, with 69 per cent reporting plans to increase investment, followed by 63 per cent of medium-sized companies and 41 per cent of large enterprises. Notably, 45 per cent of large companies intend to keep their investment levels unchanged from the previous year, reflecting a more cautious stance.

Market retention remains strong, particularly among small and medium companies. None of the small or medium-sized firms plan to exit the market, while five per cent of large enterprises (one company) indicate intentions to leave. Confidence is especially high among consumer-focused companies, with zero per cent reporting plans to exit.

Newcomer companies show the highest level of confidence, with 100 per cent stating they will increase investments in the next year. In contrast, more experienced and mature companies are more conservative: between 39 per cent and 56 per cent plan to increase, while the rest are more likely to maintain current investment levels or opt for only a slight increase.

These positive investment intentions are particularly notable given the challenging global economic climate, which is marked by inflationary pressures, geopolitical tensions, and ongoing supply chain disruptions. The fact that most companies - especially smaller and newer entrants - are planning to expand their investments highlights the relative resilience and perceived opportunity of the market. This trend also bodes well for the country's Foreign Direct Investment (FDI) outlook, as it suggests a stable and attractive business environment even amidst global uncertainty. The commitment to growth among international companies can be seen as a vote of confidence in the local regulatory framework, consumer potential, and long-term economic prospects.

WHAT ARE YOUR COMPANY'S INVESTMENT PLANS FOR THE COMING 12 MONTHS IN MALAYSIA, COMPARED TO THE PAST 12 MONTHS?



NOTE: The number of respondents for this question was 45. "Don't know/Not applicable" responses are included but not shown in this figure.

SOURCE: Business Climate Survey for Swedish companies in Malaysia 2025.

THE MARKET

Sweden and Malaysia have a steady partnership in trade and investment

This section of the report will explore the relationship between Swedish companies and Malaysia's market, with a focus on key factors that influence their business activities. Less than a year after Malaysia declared independence from the British Empire in 1957, Sweden formally established diplomatic relations with the newly established sovereign nation. This early recognition marked the beginning of a long-standing and cooperative bilateral relationship. Noteworthy Swedish companies such as Ericsson, Volvo, and Alfa Laval have maintained a consistent commercial presence in Malaysia since the 1960s. Recently, new Swedish entrants from industries such as consumer goods, information technology and electronics joined the ranks to cater to customers within the Malaysian market.

Today, Malaysia is among Sweden's largest trading partners in Southeast Asia. Bilateral trade between the two nations reached USD 796.83 million in 2024. Malaysia offers a dynamic and increasingly digitalised market that is well-aligned with the strengths of Swedish businesses, especially in areas of sustainability, green transition, digitalisation, transportation and manufacturing. As of 2024, Malaysia recorded a total of 97 Swedish manufacturing projects worth USD 1.7 billion.

Malaysia's market is characterised by its strategic location in Southeast Asia, a diversified economy, and a business-friendly environment. The country, positioned at the heart of ASEAN, offers access to a population of over 670 million in the region. Malaysia offers Swedish companies access to a growing and diversified economy. The country boasts a rising middle class, particularly in urban centres like Kuala Lumpur and Penang, with increasing demand for high-quality consumer goods, digital services, and sustainable solutions. A youthful, tech-savvy population, coupled with strong government support for digitalisation and Industry 4.0, positions Malaysia as an attractive destination for innovation-driven investment.

The survey results corroborate that Sweden and Malaysia share a robust and long-standing partnership in trade and investment. Over 50 per cent of Swedish companies currently operating in Malaysia established their presence before 2004, demonstrating deep-rooted confidence in the country's strategic value as a business hub in Southeast Asia. Swedish firms generally perceive Malaysia's current business climate positively or neutrally. Many report encountering above-average business conditions, including a safe environment, reliable local supply chains, and improving infrastructure. However, some companies note challenges related to trade barriers, particularly in navigating customs procedures and regulatory complexities. While these issues exist, they have not significantly hindered ongoing business activity or expansion plans.

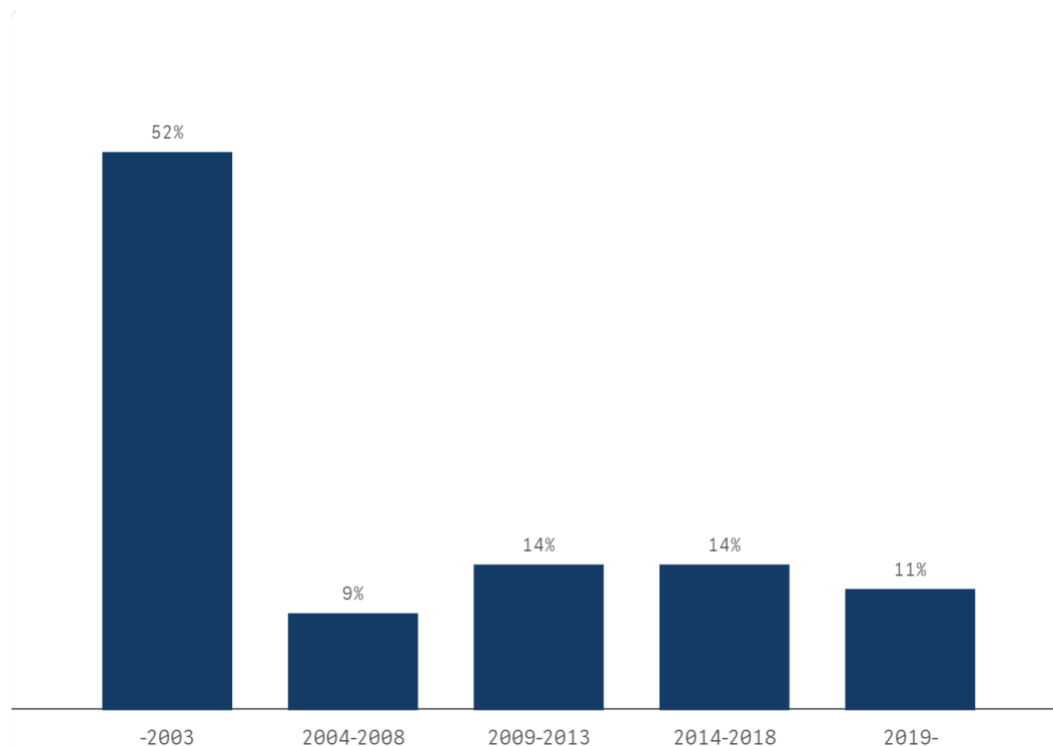
The survey also addresses two notable concerns that have come to the forefront in the Malaysian market: the impact of US-China trade relations and continued constraints in securing skilled labour. The intensifying geopolitical trade tensions between the United States and China pose potential global supply chain risks, but Swedish firms in Malaysia report limited direct impact. Most anticipate only slight to moderate disruption, with zero per cent indicating severe consequences – suggesting proactive risk management and the strategic advantage of Malaysia's geopolitical positioning. Access to skilled talent is somewhat challenged by competition within a limited talent pool and the 'brain drain' to Singapore, but it has improved in recent years. Nevertheless, attracting and retaining specialised professionals remains a concern, particularly in technical and digital fields. Companies emphasise the continued need for workforce development to sustain Malaysia's competitiveness in high-value sectors.

Overall, Swedish businesses maintain a confident and forward-looking view of Malaysia, shaped by decades of successful commercial engagement and underpinned by trust in the country's long-term economic trajectory. This optimism is further reinforced by a growing alignment between Swedish corporate priorities, innovation, digital transformation, sustainability, responsible business practices, and Malaysia's national development agenda. With its strategic location, expanding regional trade links, and continued focus on industrial modernisation, Malaysia is increasingly viewed as a key partner for Swedish firms seeking growth, resilience, and meaningful impact across Southeast Asia.

Decades of engagement: Swedish firms' market presence in Malaysia

A majority of the Business Climate Survey respondents (52 per cent) established their operations in Malaysia prior to 2004, reflecting a long-standing presence in the country. Subsequent years between 2004 and 2018 show a steady inflow of companies, with 37 per cent of respondents entering the Malaysian market. Most recently, from 2019 onwards, 11 per cent of companies entered the market. This trend amongst Swedish companies signals ongoing interest in Malaysia as a strategic partner amidst shifting global supply chains and diversification efforts away from more concentrated markets. Collectively, this timeline illustrates both Malaysia's enduring appeal for long-term investors and its evolving value proposition for newer entrants seeking resilience, regional access, and industry collaboration.

IN WHAT YEAR DID YOUR COMPANY ESTABLISH OPERATIONS IN MALAYSIA?



NOTE: The number of respondents for this question was 44. "Don't know/Not applicable" responses are included but not shown in this figure.

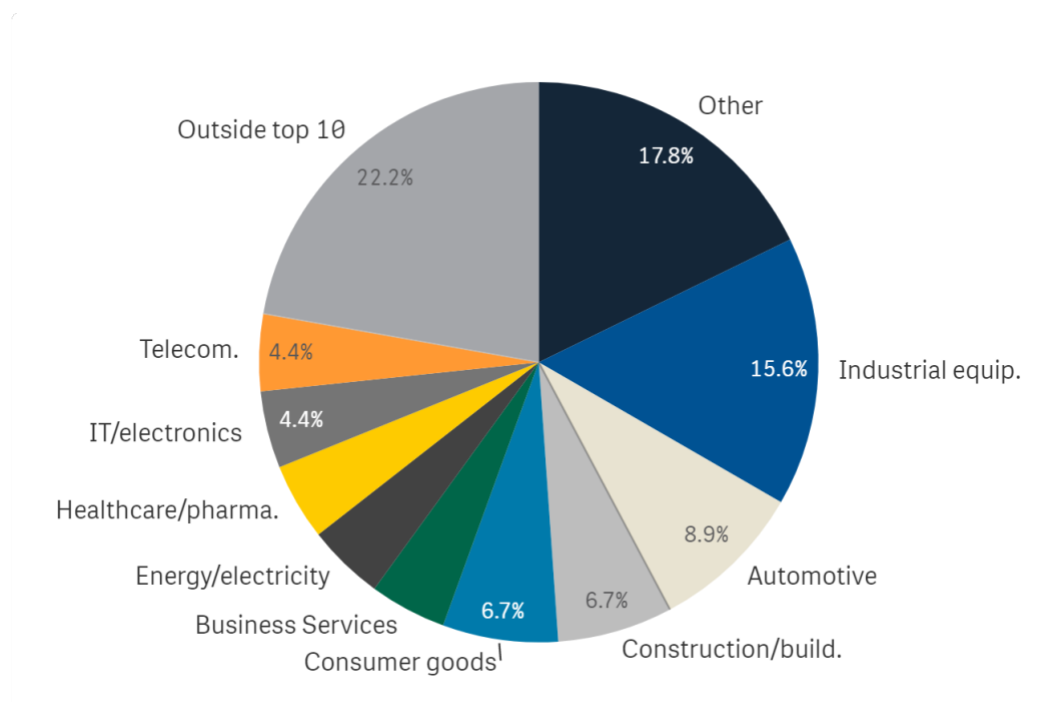
SOURCE: Business Climate Survey for Swedish companies in Malaysia 2025.

Swedish companies serve a wide array of clientele in Malaysia, with a presence in a diverse range of industries. 'Industrial equipment' leads the largest single category at 15.6 per cent, followed by automotive at 8.9 per cent. Consumer goods and construction then tie for third with 6.7 per cent. These sectors play a critical role in shaping brand presence and advancing Sweden's broader sustainability and innovation agenda in Malaysia.

Further analysis reflects the long-standing expertise and recognition of Swedish companies in industrial and automotive capabilities. The presence of Swedish manufacturers in Malaysia illustrates the country's growing industrial base and demand for high-quality, durable machinery. Known for its emphasis on safety, innovation and environmental sustainability, Swedish automotive companies cater to Malaysia's evolving transportation infrastructure and growing logistics needs.

While consumer goods and construction segments are comparatively smaller than core sectors like industrial equipment or automotive, they reflect strategic areas of specialised engagement. Swedish consumer goods companies are leveraging Malaysia's growing middle class, rising urbanisation, and regional distribution potential, making it an effective base for expansion in Southeast Asia. Meanwhile, Swedish involvement in construction underscores contributions to sustainable urban development, smart infrastructure, and energy-efficient building technologies.

WHAT IS YOUR COMPANY'S MAIN INDUSTRY IN MALAYSIA?



NOTE: The number of respondents for this question was 45. "Don't know/Not applicable" responses are included but not shown in this figure.

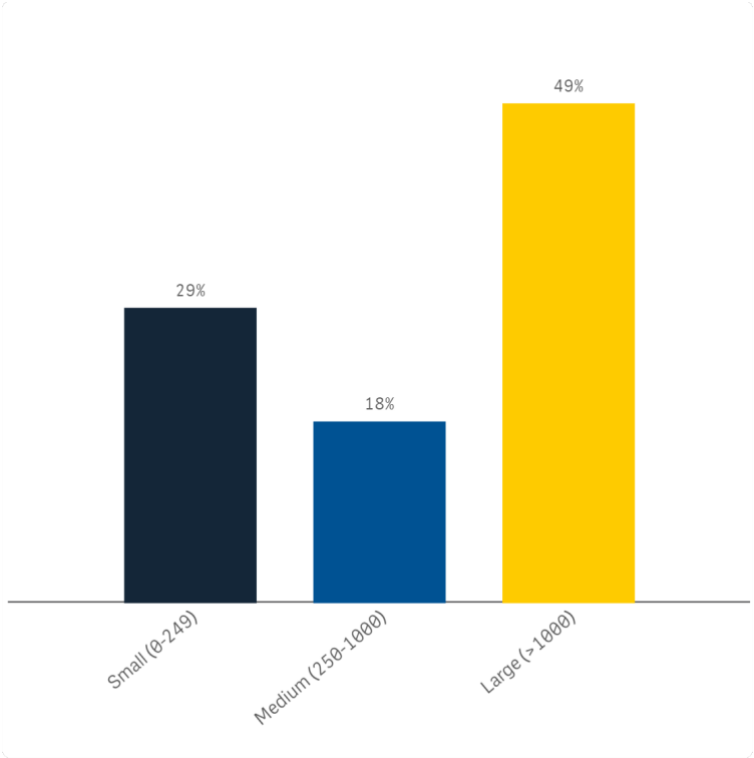
SOURCE: Business Climate Survey for Swedish companies in Malaysia 2025.

Mid-sized Swedish companies are under-represented in Malaysia's market, at 18 per cent, when compared to small and large-sized companies, at 29 per cent and 49 per cent, respectively. This suggests that large companies likely have the resources and international experience to navigate foreign markets, or small companies may be more agile and niche-focused, while mid-sized companies might lack the scale or flexibility required to establish a foothold in Malaysia.

More than half of the Swedish companies surveyed, 69 per cent, operate with a small local workforce in Malaysia, although the global size of these companies varies, suggesting that most maintain a relatively modest presence in the country. Many Swedish companies seem to adopt a lean presence in Malaysia, possibly to minimise costs or because Malaysia serves a support or satellite role rather than being a central hub.

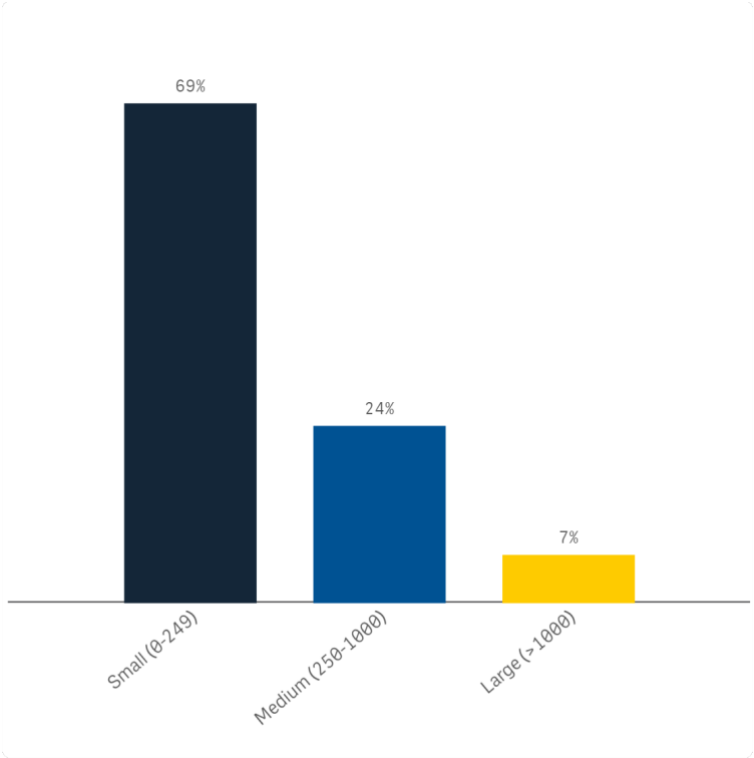
Nearly a quarter of companies fall in the medium-size bracket, with 24 per cent, and a small proportion of Swedish companies operate on a large scale in Malaysia, at seven per cent. The survey findings potentially indicate that Malaysia is attractive even for smaller Swedish exporters and investors, not just large multinationals. It also reflects Malaysia as a strategic entry point in Southeast Asia.

SWEDISH FIRMS IN MALAYSIA AND THEIR GLOBAL WORKFORCE IN 2025



NOTE: The number of respondents for this question was 45. “Don’t know/Not applicable” responses are included but not shown in this figure.
SOURCE: Business Climate Survey for Swedish companies in Malaysia 2025.

SWEDISH FIRMS’ LOCAL NUMBER OF EMPLOYEES IN MALAYSIA IN 2025



NOTE: The number of respondents for this question was 45. “Don’t know/Not applicable” responses are included but not shown in this figure.
SOURCE: Business Climate Survey for Swedish companies in Malaysia 2025.

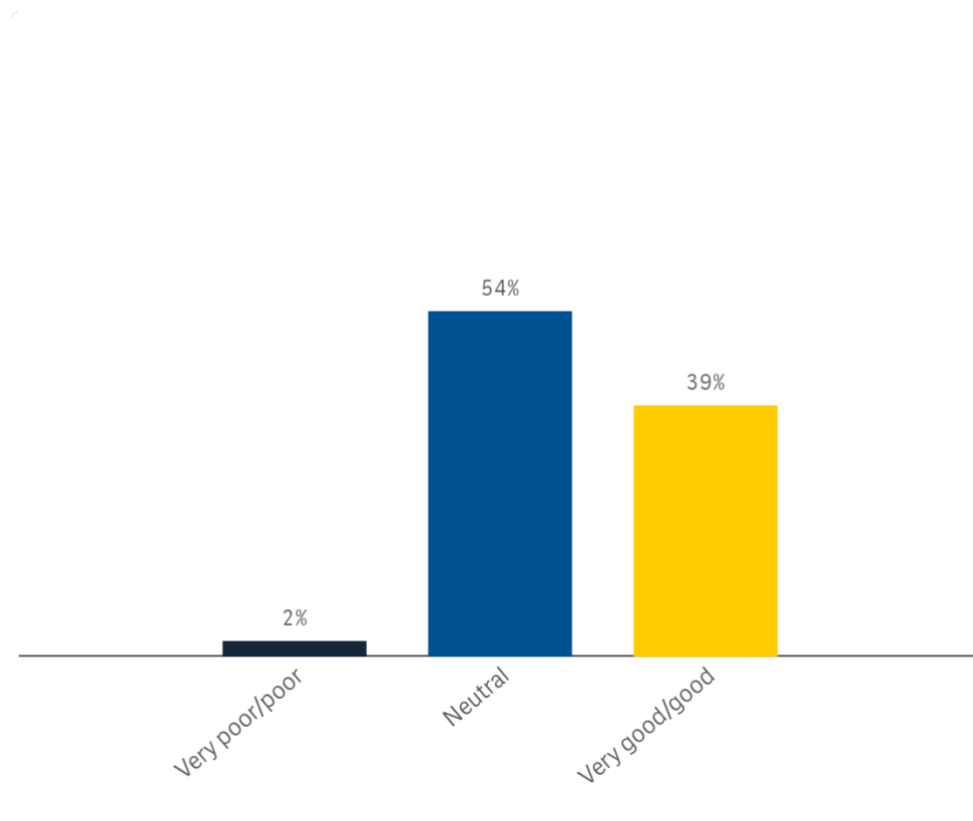
Positive to neutral perceptions of Malaysia's current business climate

We see an increase in neutral and positive views on Malaysia's business climate, 93 per cent, when compared to the 2020 and 2022 reports, at 89 per cent and 90 per cent, respectively. In 2025, a significant share of Swedish companies in Malaysia reported a "neutral", "good", or "very good" opinion of the current business climate in Malaysia, indicating a largely favourable or at least balanced sentiment among respondents. Only two per cent rated the climate as "very poor" or "poor", and notably, this negative feedback came exclusively from large industrial companies. This statistic has declined from 11 per cent in 2020 and seven per cent in 2022.

This distinction suggests that while Malaysia offers a broadly supportive environment for Swedish firms, larger companies may face more complex challenges or higher expectations. In contrast, the absence of negative responses from small and mid-sized companies implies that these firms either experience fewer structural barriers or are more agile in navigating the Malaysian market. The overall picture points to a business climate that is improving, functional and open.

Further analysis reflects that the professional services companies have a favourable view of Malaysia's current business climate, with 55 per cent of professional services companies selecting "good" or "very good". A substantial majority of consumer goods companies, 75 per cent, possess a neutral opinion, and the remaining 25 per cent have a "good" or "very good" perception.

HOW DO YOU PERCEIVE THE CURRENT BUSINESS CLIMATE IN MALAYSIA?



NOTE: The number of respondents for this question was 41. "Don't know/Not applicable" responses are included but not shown in this figure.

SOURCE: Business Climate Survey for Swedish companies in Malaysia 2025.

“ Support from Invest KI and MIDA has been good. Last couple of years, the situation has improved.

- Country Managing Director, Industrial Equipment Company

“ The business climate here is generally good.

- Managing Director, Manufacturing Company

Above-average conditions that Swedish companies encountered

Respondents ranked “personal safety” as the top condition that best met their company’s needs in Malaysia. Personal safety was also ranked the highest in 2022’s Business Climate Survey report. Malaysia is generally regarded as a relatively safe country in Southeast Asia, with low levels of violent crime in most business hubs such as Kuala Lumpur, Penang, and Johor Bahru. For foreign investors and expatriates, especially those relocating employees and families, safety is a key consideration when evaluating a market’s overall attractiveness. A stable working environment contributes significantly to employee well-being and productivity. This is especially important for Swedish companies, which often prioritise sustainability, work-life balance, and ethical workplace standards.

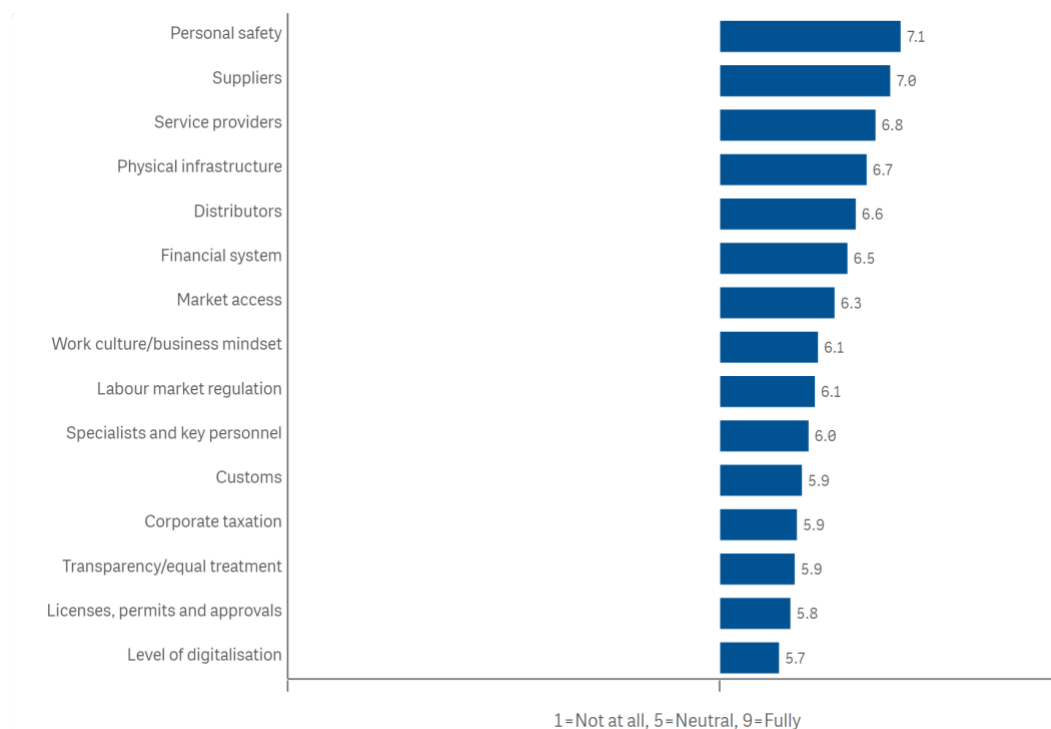
Next, partnerships with suppliers, service providers, and distributors were ranked relatively high. This highlights the importance of reliable and efficient local business networks in supporting operational success. Malaysia offers a well-developed and diverse ecosystem of suppliers and service providers across a range of industries, from manufacturing and logistics to IT and professional services. Having access to dependable local partners is essential for maintaining efficiency, managing costs, and ensuring consistent service delivery, which is crucial for Swedish companies that operate within global value chains and uphold high-quality standards.

Conversely, the condition Swedish companies found least satisfactory was the level of digitalisation. Although Malaysia boasts a highly digitalised population, Swedish companies may still face certain challenges or feel dissatisfied with Malaysia’s overall level of digitalisation. This could be due to digital infrastructure disparities, such as the urban-rural divide and inconsistent quality. While urban areas are digitally well-connected, rural regions – where most manufacturing or production facilities are located – might still face slow or unreliable internet access, hampering nationwide digital operations. Because Sweden is one of the most digitally advanced nations in the world, they’re likely not used to the inconsistent quality of Malaysia’s digital infrastructure.

Licenses, permits, and approvals are another area of concern for Swedish companies operating in Malaysia. While consumer digital adoption is high, government processes may still involve paperwork, manual approvals, or legacy systems. Regulatory delays in these processes, along with issues related to data governance, contribute to inefficiencies and create unpredictable timelines that hinder business operations. This stands in contrast to Sweden’s highly transparent and rule-based regulatory environment. Concerns over transparency and equal treatment may stem from perceptions that local competitors receive preferential treatment or more lenient enforcement of rules. With that in mind, Malaysia has maintained its position at rank 57 in the most recent Transparency International Corruption Perceptions Index.

While no conditions were rated below five (neutral) or above eight, this indicates that the overall business environment is considered satisfactory. However, the absence of higher ratings also indicates that there is still plenty of room for improvement in the overall areas to better align with the expectations and operational requirements of Swedish companies.

HOW WELL DO THE FOLLOWING CONDITIONS MEET THE NEEDS OF YOUR COMPANY IN MALAYSIA?



NOTE: The number of respondents for this question was 45.

SOURCE: Business Climate Survey for Swedish companies in Malaysia 2025.

Experiences by Swedish companies with trade barriers

“Customs duties” and “customs procedures” emerged as the most commonly reported trade barriers for Swedish companies operating in Malaysia, tying for the top spot. This reflects the ongoing challenges that Swedish businesses face in navigating the Malaysian import and export environment. Issues such as inconsistent application of tariffs, lack of transparency in customs regulations, delays in customs clearance, and complex documentation requirements can increase operational costs, create uncertainty in supply chains, and hinder expansion strategies. The fact that both duties and procedural complexities are cited equally highlights the dual burden of financial and administrative hurdles, underscoring the need for greater clarity, efficiency, and predictability in Malaysia’s customs framework to foster a more business-friendly environment for foreign investors.

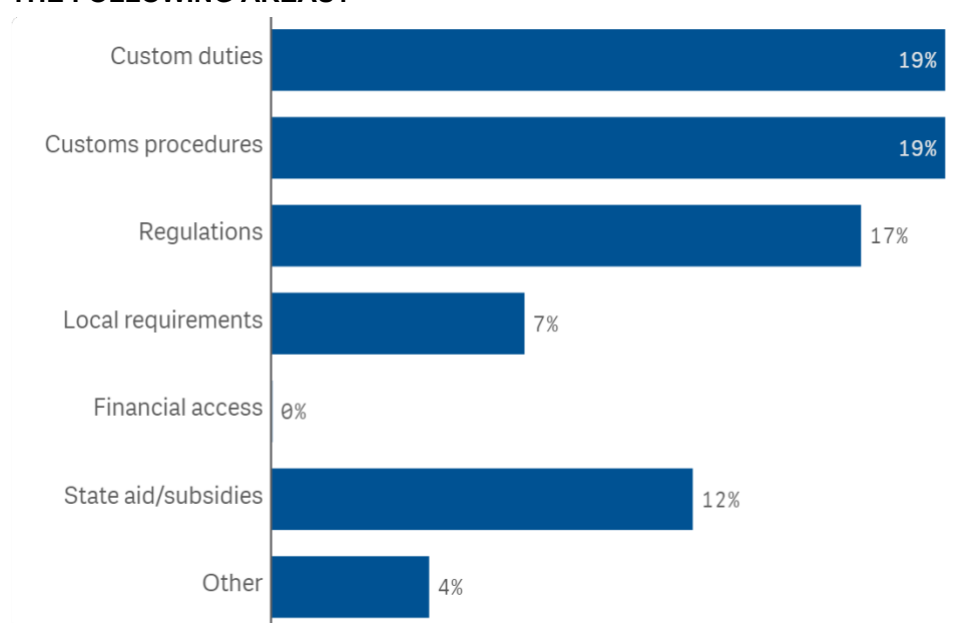
Access to finance once again registered at zero per cent, maintaining the trend observed in 2022. This indicates that Swedish companies operating in Malaysia do not view financing as a significant barrier to their business activities. One possible explanation is that these companies find the Malaysian financial sector accessible, well-developed, and capable of supporting their operational and investment needs. This reflects the availability of diverse financing options that meet the standards and expectations of Swedish firms. This financial stability is a positive indicator of Malaysia’s business climate, especially in comparison to markets where access to capital can be a major constraint for foreign enterprises.

Another possible rationale that financing poses no challenge is that these companies are part of larger multinational groups and typically secure funding through their parent organisations or international financial institutions rather than relying on local credit markets. As a result, the local

financial environment may have limited influence on their operations. This trend suggests that foreign companies are potentially insulated from local financing challenges due to their broader access to global capital.

As mentioned earlier in the report, Malaysia resumed negotiations with the European Union for a comprehensive and modern free trade agreement that will hopefully lower tariffs and further streamline cross-border trade rules between Europe and Malaysia. This agreement could potentially address existing trade barriers, such as customs duties and procedural hurdles, and enhance the overall ease of doing business in Malaysia, benefiting Swedish companies.

HAS YOUR COMPANY IN THE PAST YEAR ENCOUNTERED TRADE BARRIERS IN MALAYSIA WITH A NOTICEABLY NEGATIVE IMPACT ON OPERATIONS, IN ANY OF THE FOLLOWING AREAS?



NOTE: The number of respondents for this question was 45.

SOURCE: Business Climate Survey for Swedish companies in Malaysia 2025.

Adapting to uncertainty: Swedish firms in Malaysia navigate global trade tensions

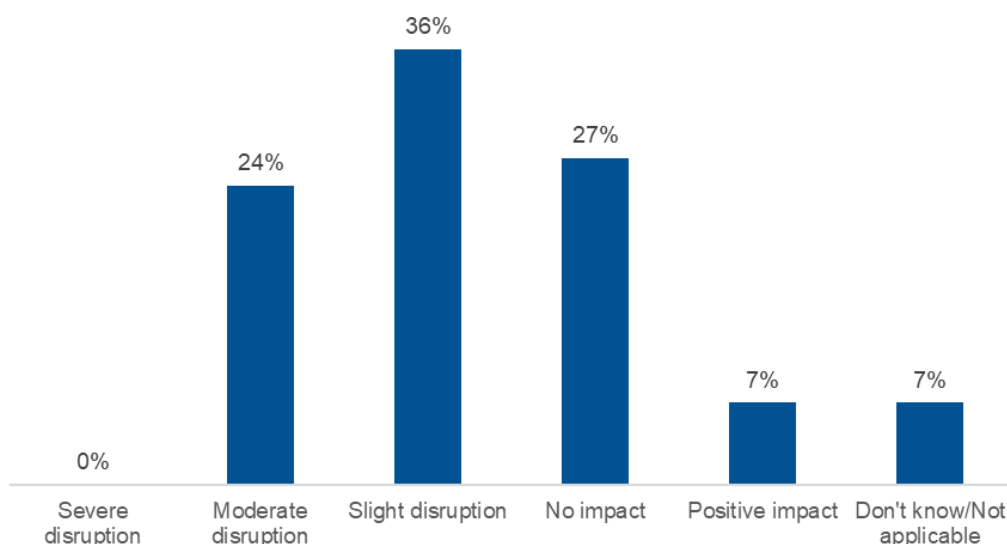
Amid escalating trade tensions globally, concerns about potential tariff impositions and their ripple effects on global supply chains remain relevant. Such developments have prompted multinational firms to reassess their sourcing strategies and regional operations. Despite this, Swedish companies operating in Malaysia appear cautiously optimistic.

According to survey results, zero per cent anticipate severe disruption, indicating that most firms do not foresee direct or critical operational risks. A combined 60 per cent expect either moderate or slight disruption, reflecting an awareness of possible indirect effects, such as increased costs, delays, or supply chain adjustments. Notably, 27 per cent foresee no impact, and seven per cent even expect a positive effect, likely driven by shifting trade routes or Malaysia's strategic positioning as an alternative supply hub within Southeast Asia. An additional seven per cent indicated uncertainty about potential effects. These responses suggest that Swedish firms in Malaysia are either well-insulated from the worst-case trade shocks or are actively adapting their operations to remain agile in a volatile global trade environment.

For Swedish companies operating in Malaysia, the trade tensions present both challenges and opportunities. While some firms may experience some disruptions in their supply chains, others

could benefit from shifts in global trade patterns. Malaysia's strategic location and established manufacturing base position it as a potential alternative hub for companies seeking to diversify their operations. Overall, the evolving trade landscape necessitates proactive strategies to navigate uncertainties and leverage emerging opportunities in the region.

HOW DO YOU FORESEE THE INTENSIFYING TRADE TENSIONS BETWEEN THE US AND CHINA AND POTENTIAL TARIFFS IMPOSITION COULD AFFECT YOUR SUPPLY CHAINS AND OPERATIONS IN MALAYSIA?



NOTE: The number of respondents for this question was 45.
SOURCE: Business Climate Survey for Swedish companies in Malaysia 2025.

Access to a skilled workforce has improved, but remains a challenge

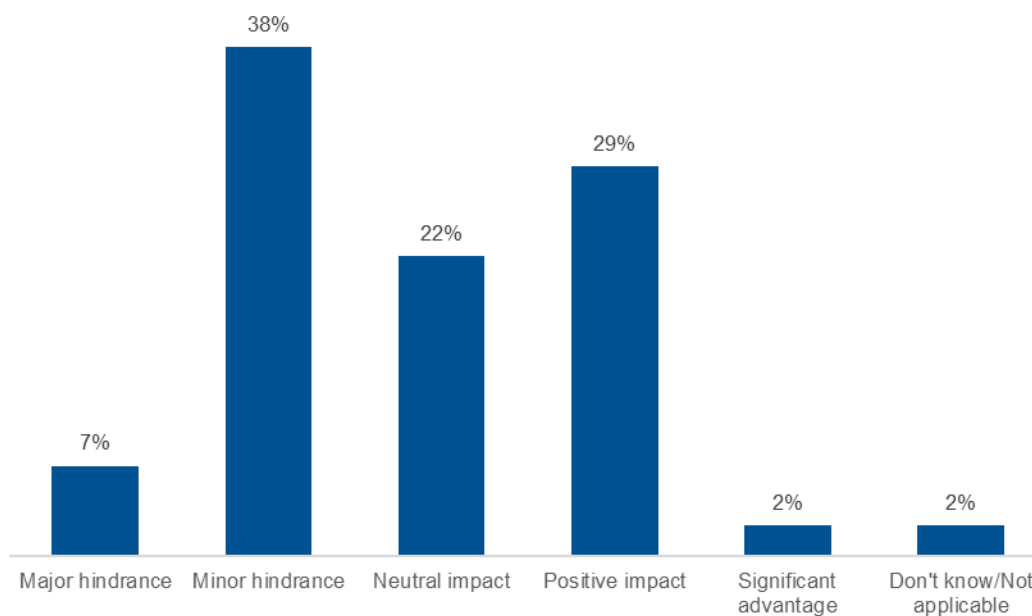
Local access to human capital is one of the key considerations for foreign companies when deciding where to set up a local presence and invest. For Malaysia to continue to be an attractive investment destination and future regional business hub, access to qualified labour will be essential. Similarly, for Malaysia to achieve its long-term development goals, such as becoming a high-income nation with high productivity, talent must be readily available.

The ability to find skilled workers remains a critical factor for Swedish companies. Based on the results, 45 per cent of the responding companies experienced minor or major hindrances in accessing talent and of those, the majority selected "minor hindrance". This suggests that while not always severe, challenges related to talent attraction and retention persist. One key factor is the migration of skilled workers to Singapore, which has become a regional hub for highly educated professionals. This trend of brain drain is not unique to foreign firms. It also affects Malaysian companies competing for the same talent pool. The ongoing talent shortage raises questions about its impact on staffing, as well as on companies' growth and expansion plans.

Despite the challenges, there have been improvements over the past three years. Thirty-one per cent of companies (13 per cent in the previous report) reported that access to a skilled workforce was a "positive impact" or "significant advantage" to their business operations and growth plans. This positive trend is also correlated with how Swedish companies view local conditions. Labour market regulations, for instance, which was ranked among the bottom two responses with the least satisfaction in the last report, has now moved up five positions in the rankings. This further

reinforces the view that the labour market is gradually becoming more favourable for Swedish businesses in Malaysia.

HOW HAS THE AVAILABILITY OF SKILLED WORKFORCE IN MALAYSIA IMPACTED YOUR BUSINESS OPERATIONS AND GROWTH PLANS?



NOTE: The number of respondents for this question was 45.
SOURCE: Business Climate Survey for Swedish companies in Malaysia 2025.

“ Top talent ends up in Singapore.

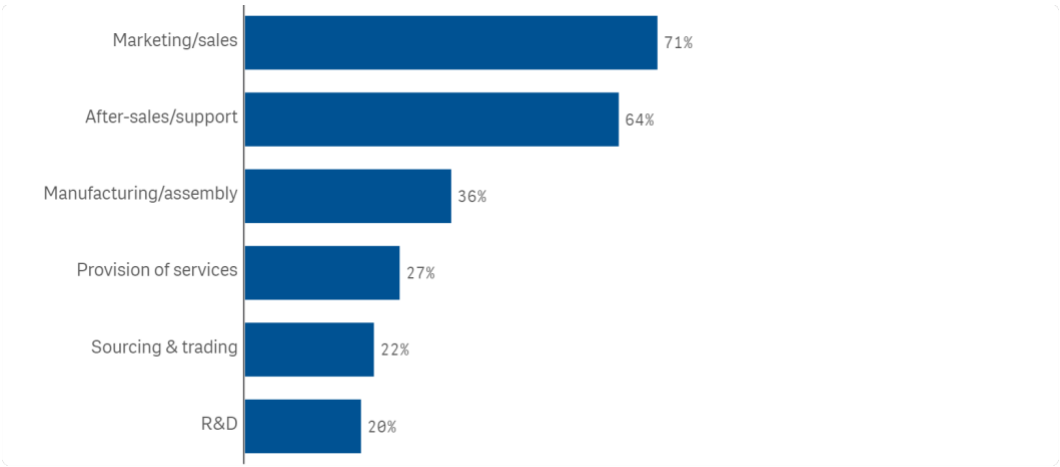
HOW SWEDISH COMPANIES SUCCEED IN MALAYSIA

Swedish firms in Malaysia remain focused on marketing and sales

Overall, the operations carried out by Swedish companies in Malaysia have remained consistent with previous years. Marketing and sales continue to be the main activity with 71 per cent of the responses. As mentioned earlier, the majority of Swedish companies operating in Malaysia have fewer than 249 local employees. Given their relatively smaller size, it is not surprising that many are engaged in sales, as this is the core activity for smaller companies. After-sales and support follow closely with 64 per cent of companies involved in this operation.

Research and development (R&D) is the only operational area that has seen an increase compared to the previous report, rising from 15 to 20 per cent of respondents. This positive trend signals growing interest in R&D expansion, which is likely to continue as companies seek alternative production locations in Asia. Since R&D activities typically follow the establishment of manufacturing sites, further growth in this area can be expected in the coming years.

OPERATIONS OF SWEDISH FIRMS IN THE MARKET



NOTE: The number of respondents for this question was 45. "Don't know/Not applicable" responses are included but not shown in this figure.
SOURCE: Business Climate Survey for Swedish companies in Malaysia 2025.

Cost efficiency remains the top success factor in competitiveness

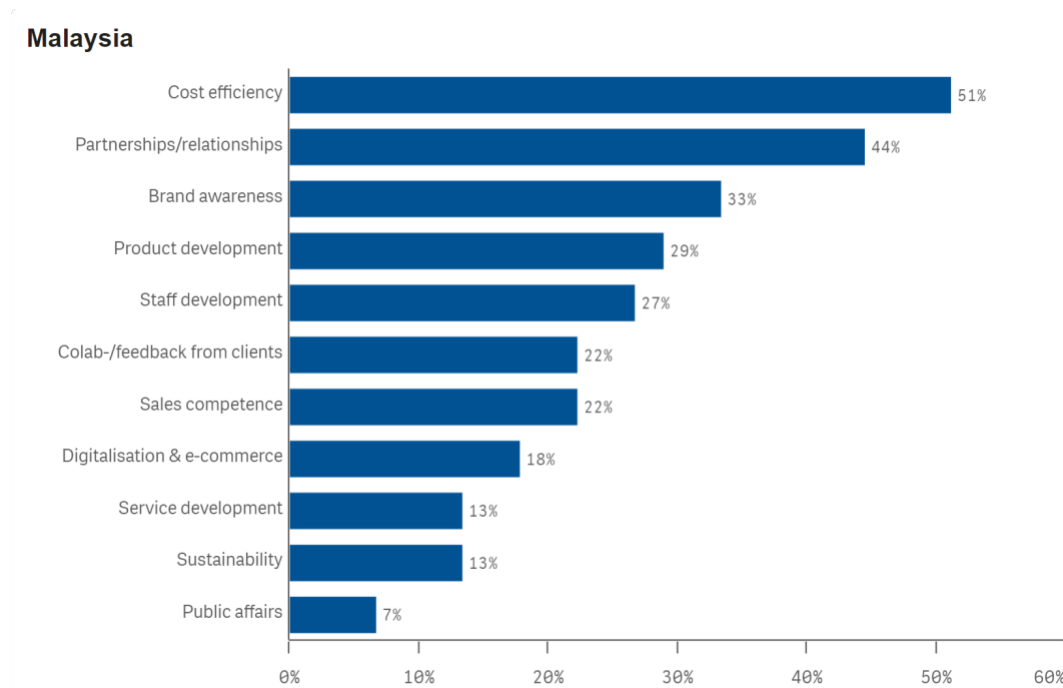
When Swedish companies in Malaysia were asked which factors are most important to maintain competitiveness, cost efficiency, partnerships/local relationships with customers, and brand awareness were scored the highest by respondents. Cost efficiency (according to 51 per cent) remains the leading factor, a consistent trend over the past five years. With ongoing tariffs, companies especially need to ensure resource efficiency to remain competitive. Partnerships and relationships ranked second with 44 per cent. Given that the business landscape differs from markets closer to Sweden, having the right partner with strong local knowledge is important for success. Brand awareness was in third place with 35 per cent, highlighting the importance of visibility and reputation in an increasingly competitive market. Meanwhile, sales competence, a previously important factor, has fallen out of the top three.

These findings align with the insights from the Global Business Climate Survey 2024, which identified the top three success factors globally, varying by industry:

- Cost efficiency – most important for companies in the industrial sectors
- Partnerships and relationships – most important for companies in professional services
- Brand awareness – most important for companies in the consumer-facing industries

The global results correlate with the industry composition of Swedish companies in Malaysia, dominated by the industrial sector, followed by professional services and the consumer sector. This suggests that the type of industry influences which competitiveness factors are prioritised.

TO DATE, WHICH OF THE FOLLOWING AREAS HAVE BEEN IMPORTANT IN MAINTAINING COMPETITIVENESS IN MALAYSIA?



NOTE: The number of respondents for this question was 45. "Don't know/Not applicable" responses are included but not shown in this figure.

SOURCE: Business Climate Survey for Swedish companies in Malaysia 2025.

The Swedish brand continues to be important for success in Malaysia

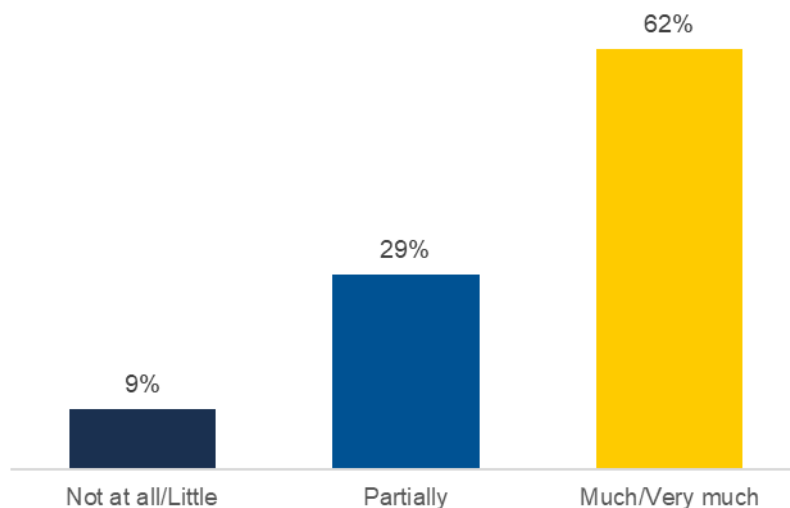
Team Sweden in Malaysia is actively promoting the image of Sweden abroad, and the results reflect a strong reputation in the country. According to the survey, 62 per cent of respondents reported that the Swedish brand contributes “very much” or “much” to their success. Sweden’s brand identity is associated with innovation, equality and sustainability, and many companies leverage this positive perception in their marketing, product design or manufacturing strategies.

Among small-sized companies, 54 per cent reported that the Swedish brand contributes “very much” to their success, highlighting its strength as a competitive advantage for smaller firms. Medium-sized companies also recognised the brand’s value, with 38 per cent indicating “very much”. In contrast, only 14 per cent of large companies responded similarly, likely because they benefit from other factors, such as already having a well-established global brand, making them less reliant on the Swedish brand.

When separating the respondents by sector, the Swedish brand is very strong within industrial companies, where 100 per cent of respondents stated it contributes “partially” or “much/very much”. Professional services followed closely, with 45 per cent responding “very much”, while consumer services saw the least impact, with 40 per cent indicating the brand contributes “partially”.

Among newer companies, 88 per cent responded that the Swedish brand contributes “very much” to their success, further highlighting its strong reputation in Malaysia. In comparison, 78 per cent of mature companies and 56 per cent of experienced firms stated that the Swedish brand contributes “partially” or “much”. Their stronger market presence may reduce their reliance on the Swedish brand as a key differentiator.

TO WHAT EXTENT WOULD YOU ESTIMATE THAT THE “SWEDISH BRAND” CONTRIBUTES TO YOUR BUSINESS IN MALAYSIA?



NOTE: The number of respondents for this question was 45. “Don’t know/Not applicable” responses are included but not shown in this figure.

SOURCE: Business Climate Survey for Swedish companies in Malaysia 2025.

“ The Swedish brand is very strong.

“ It’s better to say you are Swedish than European when meeting customers.

ACTING SUSTAINABLY

Fuelling sustainable progress in Malaysia

In recent years, Malaysia has demonstrated a firm commitment to integrating sustainability into its national development agenda. The country has set ambitious targets to address climate change and promote green growth. Notably, Malaysia aims to achieve carbon neutrality by 2050, underscoring its dedication to a low-carbon future. In line with this, the government has pledged to reduce the economy-wide carbon intensity by 45 per cent by 2030, compared to 2005 levels.

Renewable energy development is central to Malaysia's sustainability strategy. The nation targets a 31 per cent share of renewable energy in its installed capacity mix by 2025, supporting its broader climate commitments. This focus on renewables is complemented by efforts to enhance energy efficiency, as evidenced by a reduction in energy intensity.

Malaysia is also investing in sustainable infrastructure and green financing – such as the Green Technology Financing Scheme - to support these initiatives. The government's commitment to phasing out coal and investing in clean energy technologies reflects its dedication to a sustainable, affordable, and reliable electricity supply. Additionally, the country is positioning itself as a leader in green financing within the region, aiming to strengthen this role by 2025.

While these initiatives highlight Malaysia's proactive approach to sustainability, challenges remain. Achieving the 2050 carbon neutrality goal will require substantial investment, with estimates suggesting a need for at least USD 375 billion in renewable energy funding. Balancing economic growth with environmental stewardship, enhancing regulatory frameworks, and ensuring inclusive participation are critical to the nation's sustainable development journey.

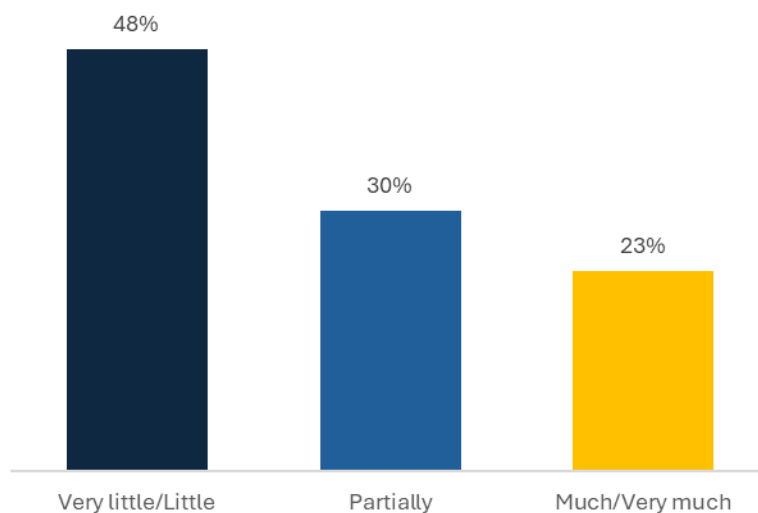
Despite its commitment to sustainability, Malaysia remains significantly dependent on fossil fuels for both energy production and economic stability. In 2023, fossil fuels accounted for approximately 92 per cent of the country's electricity generation, with coal contributing 36.8 per cent, oil 35.7 per cent, and natural gas 19.4 per cent, leaving the share of renewables in the energy mix at around 8.5 per cent.

Industry and company size impact perception of environmental factors in Swedish companies' customer base in Malaysia

When examining how environmental aspects of a product or service are perceived to matter to customers of Swedish companies in Malaysia, notable differences emerge across industries. In the consumer goods sector, only 20 per cent of respondents believe that customers care “little” or “very little” about environmental factors, with none selecting the most extreme option of “very little” – in contrast to 18 per cent in professional services and 20 per cent in industrial sectors. In fact, consumer goods showed the strongest recognition of environmental concern among customers, with 60 per cent indicating that it matters “much” or “very much” and an additional 40 per cent stating it plays a “partial” to “much” role. On the other end of the spectrum, professional services showed the least impact, with only 18 per cent believing environmental factors matter “much” or “very much” to their customers.

Company size did not show a dramatic variation in responses; however, larger firms leaned slightly toward more moderate views, with 43 per cent responding that environmental aspects “partially play a role”. Interestingly, newer companies stood out, with zero per cent indicating that environmental factors matter “very much” and 40 per cent stating they matter “very little”, while the remaining responses fell in between. In contrast, both mature and experienced companies had a more balanced view, with 13 per cent in each group stating that environmental aspects matter “very much”.

TO WHAT EXTENT DO CUSTOMERS IN MALAYSIA CONSIDER ENVIRONMENTAL ASPECTS OF A PRODUCT OR SERVICE IN THEIR PURCHASING DECISION?



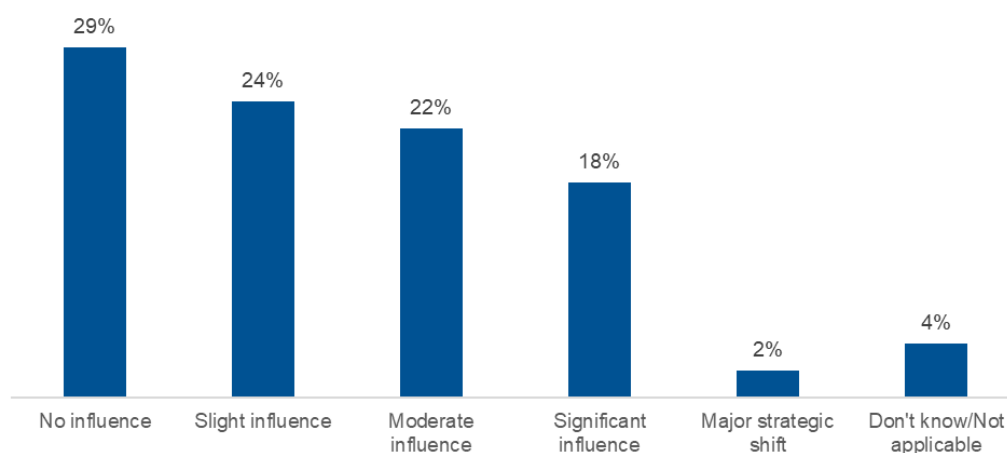
NOTE: The number of respondents for this question was 44. “Don’t know/Not applicable” responses are included but not shown in this figure.

SOURCE: Business Climate Survey for Swedish companies in Malaysia 2025.

Examining the influence of Malaysia's carbon neutrality goal on long-term business strategies

When asked, “How has Malaysia's commitment to achieving net-zero carbon emissions by 2050 influenced your company's long-term strategy in the country?” around 60 per cent of respondents indicated that it has had some level of impact – though primarily at the lower end of the scale. Specifically, 24 per cent reported a “slight influence”, 22 per cent cited a “moderate influence”, and 18 per cent noted a “significant influence”. Only two per cent of companies stated that the commitment has led to a “major strategic shift”. These findings suggest that while Malaysia's net-zero ambitions are being acknowledged, most companies are still in the early stages of adapting their long-term strategies in response.

HOW HAS MALAYSIA'S COMMITMENT TO ACHIEVING NET-ZERO CARBON EMISSIONS BY 2050 INFLUENCED YOUR COMPANY'S LONG-TERM STRATEGY IN THE COUNTRY?



NOTE: The number of respondents for this question was 45. “Don't know/Not applicable” responses are included but not shown in this figure.

SOURCE: Business Climate Survey for Swedish companies in Malaysia 2025.

Corruption exposure appears limited overall, but perceptions vary by company size and sector

The findings reveal that exposure to corruption varies by company size and sector, with small companies reporting the highest frequency of exposure, although the instances are generally limited in scale.

A total of 17 per cent of small companies reported experiencing corruption within public bodies, while 25 per cent faced it within private counterparts. However, the majority – 71 per cent – either responded with “don't know” or “N/A”, suggesting that many small companies may not be aware of or have not directly encountered corrupt practices.

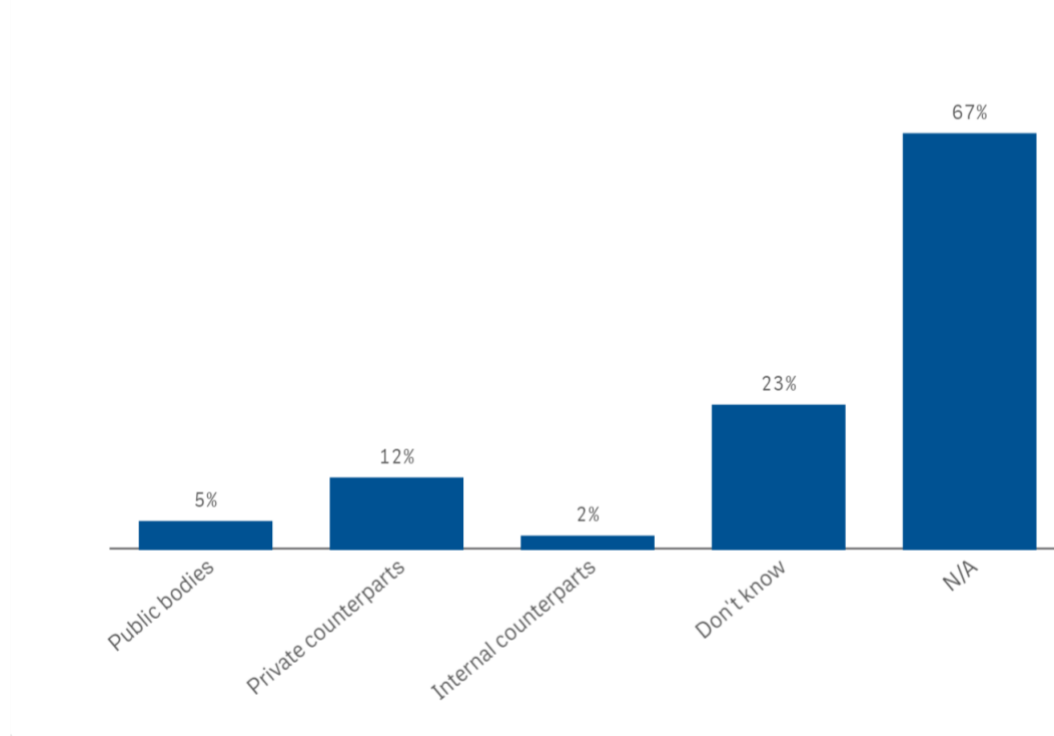
In contrast, large and medium-sized companies reported very low exposure to corruption. No medium-sized or large companies indicated any experience of corruption within public bodies. Among large companies, 10 per cent reported encountering corruption with their private counterparts. This indicates that corruption, if present, may be more prevalent among smaller businesses than their larger counterparts, particularly in the private sector.

Sectoral differences also emerge in the data. The professional services sector reported the highest levels of corruption exposure, with 20 per cent of companies experiencing corruption within public bodies and 30 per cent within private counterparts. This suggests that the professional services sector may be more vulnerable to corrupt practices compared to other sectors. Notably, consumer goods companies reported a 100 per cent response rate of “N/A”.

Lastly, the data suggests that time in the market appears to have little or no effect on perceived exposure to corruption. Companies of different times in the market reported similar levels of exposure, suggesting that the duration of operations does not significantly impact the likelihood of encountering corrupt practices.

In summary, the responses indicate that smaller companies, particularly in the professional services sector, experience more exposure to corruption, albeit in limited instances. In contrast, sectors like consumer goods report little to no corruption.

HAS YOUR COMPANY IN MALAYSIA BEEN EXPOSED TO CORRUPTION SUCH AS, BUT NOT LIMITED TO, ATTEMPTS OF BRIBERY OR FRAUD IN CONTACTS WITH ANY OF THE FOLLOWING AREAS?



NOTE: The number of respondents for this question was 45. “Don’t know/Not applicable” responses are included but not shown in this figure.
 SOURCE: Business Climate Survey for Swedish companies in Malaysia 2025.

CORRUPTION PERCEPTION INDEX 2024

Corruption Perception Index 2024	
Country:	Ranking:
Denmark	1
Finland	2
Singapore	3
Sweden	8
Malaysia	57
China	76
Vietnam	88
India	96
Indonesia	99
Thailand	107
Philippines	114

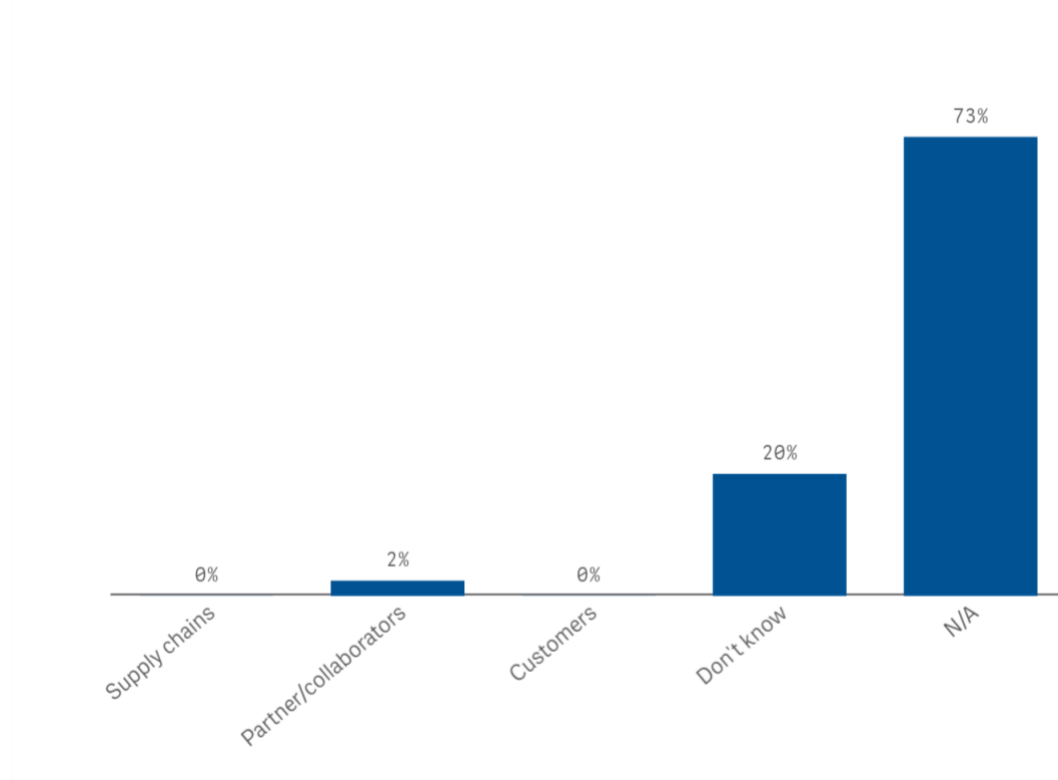
NOTE: Ranks 180 countries by their perceived levels of public sector corruption
 SOURCE: Transparency International.

Low incidence of reported human and labour rights violations in business operations

The graph shows responses to whether companies have encountered human rights violations. A clear majority (73 per cent) answered “N/A”, suggesting that many companies do not see this issue as relevant to their operations. Additionally, 20 per cent responded “Don’t know”, indicating some uncertainty or lack of information within organisations.

Very few respondents reported actual violations: two per cent mentioned issues with partners or collaborators, while none reported violations in supply chains or among customers. This could reflect either genuinely low levels of risk or that such risks are not commonly identified or documented. Overall, the data suggests that reported human rights violations are rare among the surveyed companies.

HAS YOUR COMPANY IN MALAYSIA ENCOUNTERED ANY FORM OF HUMAN RIGHTS VIOLATIONS AND/OR LABOUR RIGHTS ABUSE IN CONTACTS WITH ANY OF THE FOLLOWING AREAS?



NOTE: The number of respondents for this question was 45. Don't know/Not applicable" responses are included but not shown in this figure.

SOURCE: Business Climate Survey for Swedish companies in Malaysia 2025.

CONTACT US

BUSINESS SWEDEN

Suite 16-08, Level 16, G Tower 199,
Jalan Tun Razak, 50400 Kuala Lumpur
ask.malaysia@business-sweden.se
<https://www.business-sweden.com/markets/asia-pacific/malaysia/>

SWEDISH CHAMBER OF COMMERCE MALAYSIA

Swedish Chamber of Commerce Malaysia
c/o Embassy of Sweden,
P.O. Box 10239, 50708 Kuala Lumpur
admin@swedcham.my
<https://www.swedcham.my>

EMBASSY OF SWEDEN

A-12-2 Hampshire Place Office, 157 Hampshire 1 Jalan
Mayang Sari, 50450 Kuala Lumpur
ambassaden.kuala-lumpur@gov.se
<https://www.swedenabroad.se/en/embassies/malaysia-kuala-lumpur/contact/>



Embassy of Sweden
Kuala Lumpur

