



Malaysian-German Chamber  
of Commerce and Industry  
Deutsch-Malaysische  
Industrie- und Handelskammer

FOR IMMEDIATE RELEASE

## **GERMAN FIRMS IN MALAYSIA: BETTER BUSINESS DEVELOPMENT IN THE COMING MONTHS BUT INFLATION A TOP CONCERN FOR THE NEXT FIVE YEARS**

*Despite fears of economic decoupling and trade barriers globally, German companies will continue to invest locally*

KUALA LUMPUR, 24 May 2023 – German companies in Malaysia expect a more promising outlook for business development in the next 12 months despite naming inflation as a top concern in the next five years, the latest AHK World Business Outlook Spring 2023 survey found.

The bi-annual survey which captures the sentiments of German firms operating in Malaysia saw 70.5% of respondents saying they expect better business development while 53.3% said their company's current business situation remained unchanged.

In terms of the companies' evaluation of the Malaysian economic development for the next 12 months, 51.1% said the condition would remain the same and 33.3% expect things to be better – these trends signal a continued positive outlook that indicates normalised economic activity and a steady rebound after external shocks from the past few years.

53.3% of German companies in Malaysia also said they will continue to invest locally while 28.9% intend to increase their expenditure to develop their business. In line with this, more than half (51.1%) of the companies surveyed said they will be increasing the number of employees.

“In the face of high inflation rates globally and – particularly in Europe – increasingly dirigiste measures from the governments, employers are struggling with challenging market conditions. On the other hand, optimism in creating a brighter job market and increased labour demands is good news for Malaysia's declining unemployment rate which is typically associated with a growing economy,” said Daniel Bernbeck, Executive Director at the Malaysian-German Chamber of Commerce and Industry (MGCC).

“As the official voice of German trade in Malaysia, our latest Spring 2023 survey indicates a positive outlook for the Malaysian economy that echoes the views of many economists who believe that Malaysia will not likely fall into a recession this year.”

In terms of the most significant risks German businesses foresee in the next 12 months, respondents said demand would be a concern (62.2%) followed by a shortage of qualified workers (51.1%), economic policy framework conditions (33.3%), raw material prices (31.1%) and labour costs (26.7%).

When asked what are the biggest geopolitical challenges for German businesses in Malaysia in the next five years, half of the respondents named inflation as a top concern (50%). Secondly, businesses voiced concern over the geo-economic fragmentation and an increase in political influence on supply chains through legislation and trade barriers (45.5%). In third place, 38.6% said the security of raw materials and energy supply would be a hurdle for businesses in the next five years.

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“Amid fierce competition in the region and global economic uncertainties, Malaysia’s political stability along with its open market policies, infrastructure and diverse talent pool will enable it to continue to achieve its goal as a foreign direct investment (FDI) destination and to weather the challenges ahead,” Bernbeck added.

To further cushion businesses from external shocks which the global community faced from various shortages that ensued from the Covid-19 lockdowns across the world, half of the German firms in Malaysia surveyed said they prefer to source for supplies domestically for their supply chain diversification strategy and when entering new markets. German businesses based here also chose proximity, favouring neighbouring countries such as Indonesia, Thailand and Singapore for their supply chain needs and new market considerations.

The AHK World Business Outlook Spring 2023 survey was conducted from 20 March 2023 until 16 April 2023.

The AHK World Business Outlook is based on a survey of member companies of the German Chambers of Commerce Abroad, Delegations and Representative Offices (AHKs) amongst over 40,000 member companies in 92 countries around the world. It is a bi-annual research exercise conducted by the Association of German Chambers of Commerce and Industry (German: Deutscher Industrie- und Handelskammertag, DIHK). For more information on the DIHK, kindly visit [www.dihk.de](http://www.dihk.de).

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**Malaysian-German Chamber of Commerce and Industry (MGCC®)**

The Malaysian-German Chamber of Commerce and Industry (MGCC), or AHK Malaysia as it is known in Germany, is the official representative of German industry and trade in Malaysia with excellent relations to governments and its authorities, to business organisations and to industry both in Malaysia and in Germany. The Chamber represents the interests of more than 400 members and is part of the global network of German Chambers of Commerce Abroad (AHK network) with 150 offices in 93 countries—and counting.

Established in the year 1991, MGCC has since been a strong and reliable partner for its members and clients with a widespread, result-oriented range of services and a successful track record. As the largest bilateral European Chamber in Malaysia, MGCC is the preferred service partner for companies seeking to establish a market presence here or to increase their involvement in Malaysia. The Chamber also offers a platform to share experiences and exchange views at a wide range of forums and events, as well as to establish business relationships within its network. MGCC is supported by the Federal Ministry of Economic Affairs and Climate Action based on a resolution of the German parliament, the Bundestag.