



## FOR IMMEDIATE RELEASE

### **German companies in Malaysia say geopolitical instability, including China-Taiwan conflict worrying but well-prepared for external shocks**

*The latest AHK World Business Outlook also featured a segment on sustainability for the first time and respondents said that Malaysia lacks the necessary framework for energy transition.*

KUALA LUMPUR, 5 June 2024 – Slow demand, lack of skilled workers and weak exchange rates were the top three concerns of German companies in Malaysia, the latest AHK World Business Outlook survey found.

The AHK World Business Outlook Spring 2024 survey, a bi-annual survey capturing the views of globally active German firms including those in Malaysia was conducted from 25 March 2024 until 21 April 2024.

Other concerns for German companies in Malaysia include the volatile geopolitical landscape with respondents naming the China-Taiwan conflict as a concern and the Russia-Ukraine war which contributes to poor sentiments among investors.

On the bright side, 49% of German firms in Malaysia said they are well-prepared for these shocks and 61% said they have already implemented or are in the process of implementing a supplier network expansion plan, a trend consistent with contingency strategies that many corporates have embraced when supply chains were disrupted during the pandemic. These include exploring new sales markets, diversifying supplier networks and procurement as well as employing shorter transportation routes.

However, German firms said the top three obstacles in diversifying their supply chain are finding suitable suppliers and business partners (62%), high business costs (36%), and identifying a suitable sales market (34%). Asked about the economic outlook, 54% expect the Malaysian economy to remain the same for the next 12 months while 29% expect conditions to be better.

For the first time, the survey featured a segment on climate change and sustainability to gauge its importance in Malaysia.

Although environmental, social and governance (ESG) is a crucial trend for businesses, 64% of German companies in Malaysia said the issue was somewhat important but a lack of public debate surrounding climate change and measures to mitigate it remains a concern.

Often touted as a key to clean energy, the survey revealed that 49% of companies viewed hydrogen technologies as a slightly important topic with potential for opportunities.

German firms in Malaysia also pointed out Malaysia's heavy reliance on fossil fuels, however, 48% said there is awareness of the need to transition to renewable energy sources although the necessary frameworks were lacking and only 14% of respondents said Malaysia has a credible strategy for its renewable energy transition.



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Half of the companies surveyed said an energy transition strategy would have a direct impact on their company. Additionally, German companies in Malaysia also see business opportunities in Malaysia in the areas of industrial energy efficiency, renewable energy generation, and energy-efficient buildings.

“From declining demand to concerns surrounding geopolitical tensions, these findings are consistent across the region and also mirror global sentiments as businesses are feeling the impact of economic risks. The silver lining is German investors in Malaysia are well-prepared to cushion themselves from these impacts and confidence in conducting business here is high,” said Jan Noether, Executive Director at the Malaysian-German Chamber of Commerce and Industry (MGCC).

“Recent foreign investment announcements point to a positive economic ripple effect and the Malaysian economy also grew faster than expected in the first quarter of 2024. Given the importance of climate protection, our overall findings under the section on sustainability indicate that awareness of the issue is present but further clarity in policy is needed in order for Malaysia to achieve net zero by 2050.”

In Malaysia, the survey was completed by the MGCC network of companies, comprised of mostly German and local small and medium-sized enterprises, mainly from the manufacturing and construction industry, as well as trade and services sectors.

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 93 countries. It is a bi-annual research exercise conducted by the German Chamber of Commerce and Industry (German: Deutsche Industrie- und Handelskammer, DIHK). For more information on the DIHK, kindly visit [www.dihk.de](http://www.dihk.de).

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**For media enquiries, please contact:**

Melanie Chalil  
Manager, Communications & PR  
[melanie.chalil@malaysia.ahk.de](mailto:melanie.chalil@malaysia.ahk.de)  
+6012 223 6976

**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 industry both in Malaysia and in Germany. The Chamber represents the interests of more than 430 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



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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.

**Malaysian-German Chamber of Commerce and Industry (171131-U)**

Level 20-01, Letter Box No. 33, Level 20 | Menara Hap Seng 2, Plaza Hap Seng | No. 1 Jalan P. Ramlee | 50250 Kuala Lumpur, Malaysia.  
Tel: +60-3-92351800 | Fax: +60-3-92351930 | E-Mail: [info@malaysia.ahk.de](mailto:info@malaysia.ahk.de) | Internet: [www.malaysia.ahk.de](http://www.malaysia.ahk.de)

The AHK Network is supported by the Federal Ministry of Economic Affairs and Climate Action based on a resolution of the German Bundestag  
Das AHK-Netz wird vom Bundesministerium für Wirtschaft und Klimaschutz aufgrund eines Beschlusses des Deutschen Bundestages gefördert