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Economic Report 2025

MALAYSIA

22 July 2025

Executive Summary

Malaysia's economic fundamentals remained strong over the reporting period, with GDP growing by 5.1% in 2024, supported by resilient private consumption, robust investment and a rebound in exports. Inflation eased to 1.8%, while the labour market improved, characterised by stable and low unemployment. The Ringgit emerged as Asia's best-performing currency. Fiscal consolidation continues, aided by reduced subsidies and expanded taxation. Monetary policy turned accommodative, with the interest rate cut to 2.75% and liquidity requirements eased to support growth. The economic outlook for 2025 remains generally positive but uncertain. The IMF has revised its growth projection for Malaysia down to 4.1% amid global uncertainties. Key risks include the impact of unilateral tariffs on Malaysia's export-driven economy.

Malaysia is pursuing ambitious industrial upgrading through the *Madani* Economy framework and targeted policies such as the New Industrial Master Plan 2030, the National Energy Transition Roadmap and the National Semiconductor Strategy. These present opportunities for Swiss firms in advanced manufacturing, automation and clean technology. The Johor-Singapore Special Economic Zone, while promising, is being closely monitored by investors pending clearer implementation mechanisms. The government is set to roll out its new five-year development blueprint, the 13th Malaysian Plan (2026–2030), which will shape Malaysia's economic policy trajectory over the coming years.

Bilateral trade between Switzerland and Malaysia remained stable in 2024, with a CHF 166.6 million trade surplus and continued Swiss strength in pharmaceuticals, machinery and precision instruments. Switzerland also remains Malaysia's sixth-largest foreign investor by FDI stock. The conclusion of the Malaysia-EFTA Economic Partnership Agreement (MEEPA), signed in June 2025, is expected to facilitate market access and boost competitiveness for Swiss companies. Overall, Malaysia continues to offer a relatively stable and conducive environment for Swiss trade and investment despite global uncertainties.

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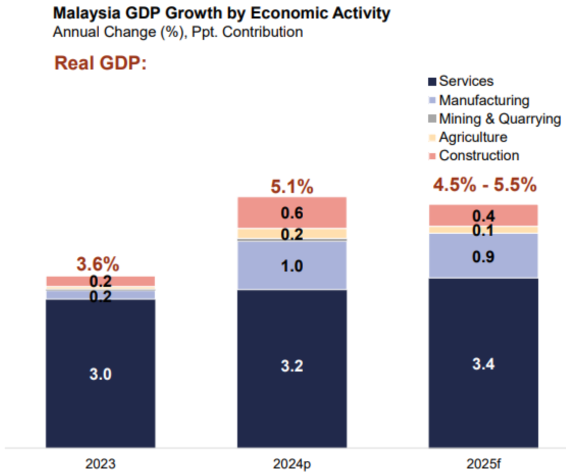
1 ECONOMIC OUTLOOK AND ECONOMIC POLICY DEVELOPMENTS

In 2024, Malaysia's GDP expanded by **5.1%** (2023: 3.6%) to reach **USD 419.6 billion**, driven by resilient consumption, robust investment and a recovery in exports.[1] **Private consumption** grew at 5.1% (2023: 4.7%), supported by favourable labour market conditions, targeted policy measures for households and healthy household balance sheets. **Investment** recorded the highest increase, rising by 12.3% (2023: 5.5%), reflecting the government's focus on promoting foreign direct investment (FDI) and domestic direct investment (DDI). **Exports** rebounded, growing by 8.5% (2023: -8.1%) due to improvements in external demand for electrical and electronic products and a recovery in tourism. Overall positive economic performance contributed to a continued current account surplus, which stood at 1.7% of GDP in 2024 (2023: 1.5%).[2]

GDP Growth by Economic Activity (Annual Change, %)	% Share (2024p)	2023	2024p	2025f
Real GDP	100.0[1]	3.6	5.1	4.5 - 5.5
Services	59.3	5.1	5.4	5.7
Manufacturing	23.2	0.7	4.2	3.9
Agriculture	6.3	0.7	3.1	2.2
Mining & Quarrying	6.0	0.5	0.9	-0.8
Construction	4.0	6.1	17.5	11.0



[1] Figures may not necessarily add up due to rounding and exclusion of import duties component
[p] preliminary, [f] forecast
Source: Department of Statistics, Malaysia and Bank Negara Malaysia estimates

Source: Bank Negara Malaysia (2025)

Looking at the supply side of the GDP, all economic sectors grew stronger in 2024. Increased **manufacturing** growth of 4.2% mirrors the rebound in exports. Growth in **services**, the most important sector, increased slightly to 5.4%. The smaller but important **construction** sector grew by a remarkable 17.5%, driven by strong investment activity. Growth in **agriculture** exceeded expectations too and rebounded to 3.1%. The mining & quarrying sector, which includes oil and gas, grew slower at 0.9%.

For 2025, the Ministry of Finance and Bank Negara Malaysia (BNM), the central bank, initially projected GDP growth in the range of 4.5% to 5.5%. However, this forecast is currently under review, following public remarks by the Prime Minister acknowledging the potential impact of newly announced **US "reciprocal" tariffs** (25%) on Malaysia's export-driven economy.[3] At the same time, the International Monetary Fund (IMF) has revised its 2025 growth forecast for Malaysia downward, from 4.7% to 4.1%.

Headline **inflation** was recorded lower at 1.8% in 2024 (compared to 2.5% in 2023). However, the cost of living remains a pressing concern, primarily due to sluggish wage growth since the pandemic. BNM estimates that headline inflation will average between 2.0% and 3.5% in 2025.

Considering a more subdued external economic outlook, BNM adopted a more accommodative stance by lowering the Overnight Policy Rate (OPR) from 3.00% to 2.75%.[4] To further support liquidity and stimulate economic activity, BNM lowered the Statutory Reserve Requirement

[1] World Economic Outlook, IMF, April 2025

[2] Annual Report 2024: Presentation Slides, Bank Negara Malaysia, 24 March 2025

[3] Govt May Revise GDP Forecast After US Tariff Talks, Bernama, 5 May 2025

[4] Monetary Policy Statement, Bank Negara Malaysia, 9 July 2025

(SRR) from 2.0% to 1.0%—its lowest in 14 years.[5] The SRR stipulates the amount of cash that a bank must keep in reserve.

In 2024, the Malaysian Ringgit emerged as the **best-performing Asian currency**, appreciating against major currencies—including a 2.4% gain against the US dollar—at a time when many regional currencies either weakened or stagnated, reflecting growing investor confidence in the country's economic outlook.[6]

Malaysia's labour market continued to improve in 2024. The labour force participation rate rose to 70.5% of the working-age population (2023: 70.0%); the **unemployment** rate remained at 3.2%.[7] BNM anticipates declining unemployment driven by the country's economic growth, supported by government initiatives like upskilling and training programmes focused on TVET and strategic industry-education collaborations to address skills mismatches and talent shortages as part of Malaysia's strategy to transition into high-value, high-growth industries.

The government made some progress towards fiscal consolidation in 2024, in line with the Public Finance and Fiscal Responsibility Act passed in October 2023. The Act outlines several medium-term fiscal targets, including reducing the **fiscal deficit** to 3% of GDP and maintaining federal **government debt** below 60% of GDP. In 2024, the fiscal deficit was reduced to 4.1% of GDP from 5.0% in 2023.[8] Malaysia's external debt stood at USD 284.6 billion as of end-2024, equivalent to 65.1% of GDP (2023: 67.8%).[9]

Furthermore, the government is focussing on **subsidy rationalisation** and broadening the tax base. While subsidies accounted for 4% of national budget in 2004, the expansion of fuel subsidies caused this to rise to 23% by 2023. In 2024, the government introduced diesel subsidy rationalisation, restricting benefits to eligible groups, which reduced the fiscal burden of subsidies to 19.1%.[10] The government plans to extend similar reforms to petrol subsidies in 2025. These reforms are widely expected to increase logistics costs for companies, which have historically benefited from Malaysia's low fuel prices—among the lowest in the world.[11] Meanwhile, the government plans to introduce a **carbon tax** by 2026 on high-emission sectors like iron, steel and energy to promote low-carbon technologies.

To **broaden the tax base**, the government has announced the second expansion of the Sales and Services Tax (SST) less than two years after the first expansion in 2024. This expansion includes the previously proposed High-Value Goods Tax (HVGT), which aims to target luxury products like jewellery and watches. Effective 1 July 2025, the expanded SST of 10% will apply to premium discretionary goods (e.g., racing bicycles and antique art), while a 5% tax covers other discretionary items (e.g., premium foods, most imported fruits and industrial machinery). This increases import costs, potentially benefiting local substitutes. Additionally, a 6%–8% SST will be applied to several previously untaxed services: leasing or rental, construction, financial services, private healthcare and educational services. The government estimates this expanded tax will generate over USD 1 billion in additional revenue in 2025. Nevertheless, there are calls, including from the IMF, to reintroduce the Goods and Services Tax (GST), abolished in 2018. GST is considered a more effective and efficient revenue collection tool, as it is a multi-stage tax applied across the supply chain—from production to distribution—unlike the single-stage SST. Furthermore, GST has a broader tax scope compared with SST's selective approach.

[5] BNM slashes reserve ratio to 1%, a 14-year low, releasing RM19b into banking system, The Edge Malaysia, 8 May 2025

[6] Ringgit closes out 2024 as top performer among major Asian currencies, Bernama, 31 December 2024

[7] Informal sector employment accounted for 11.6% of Malaysia's workforce in 2023. See: Department of Statistics Malaysia

[8] Malaysia Exceeds GDP and Fiscal Deficit Targets for 2024, Ministry of Finance Malaysia, 14 February 2025

[9] IMF Article IV Consultation with Malaysia, IMF, 3 March 2025. Malaysia's own record is higher: 69.7% in 2024 and 68.2% in 2023. See: Economic and Monetary Review 2024

[10] Fiscal Outlook and Federal Government Revenue Estimates, Ministry of Finance Malaysia, 18 October 2024

[11] Malaysia ranks among top 10 nations with cheapest gasoline prices, The Edge Malaysia, 19 May 2022

2 PRIORITY SECTORS AND OPPORTUNITIES FOR SWISS COMPANIES

The current government unveiled an umbrella policy framework, namely the ***Madani* Economy framework** (with *Madani* being an Arabic-Malay word that translates to "civilisation"), in July 2023 to guide the administration's development strategy for the country. The two main focuses of the framework are: (1) to restructure the economy to position Malaysia as a leading economy in Asia and (2) to ensure that the resulting wealth is equitably distributed across all segments of society. This framework serves as the foundation for a series of targeted industrial policies. Key policies such as the New Industrial Master Plan 2030 (NIMP 2030), the National Semiconductor Strategy (NSS), the National Energy Transition Roadmap (NETR) and the Johor-Singapore Special Economic Zone (JS-SEZ) reflect Malaysia's state-led strategy to prioritise industrial upgrading and economic development in selected sectors.

The **New Industrial Master Plan 2030** (NIMP 2030) charts Malaysia's path toward becoming a high-income economy by transforming its manufacturing sector. It is driven by four key missions: increasing economic complexity, advancing digitalisation, achieving net-zero goals and ensuring economic security and inclusivity. The plan outlines 21 sector-specific strategies and prioritises five key sectors: **aerospace**, **chemicals**, **electrical and electronics** (**E&E**), **pharmaceuticals**, and **medical devices**. In addition, four growth sectors are targeted: **advanced materials**, **electric vehicles** (**EVs**), **renewable energy**, and **carbon capture, utilisation and storage** (**CCUS**).

E&E manufacturing has traditionally been a cornerstone of Malaysia's industrial economy, accounting for 40% of the country's total exports in 2024. Of these exports, 64.3% are **semiconductors**. Malaysia ranks as the world's sixth-largest semiconductor producer, with a 7.3% share of global supply. The country excels in assembly, testing and packaging (ATP), accounting for 13% of all ATP activities globally. This industrial strength has attracted significant foreign investments in recent years from global chip giants such as Nvidia[12], Intel[13] and Infineon[14] and their suppliers.

Swiss companies are already present in Malaysia's semiconductor ecosystem. Most of these companies have maintained a long-standing presence in Malaysia, with over a decade of operations. Building on this foundation, Malaysia's expanding semiconductor ecosystem and targeted industrial strategies present opportunities for Swiss suppliers of **advanced equipment**, **automation technologies**, **specialty materials and R&D collaborations**.

To further develop Malaysia's semiconductor industry, the government introduced the **National Semiconductor Strategy** (NSS) in May 2024. This strategy aims to move Malaysia further up the value chain from ATP into front-end manufacturing, including **integrated circuit (IC) design and wafer fabrication**.[15] The government has committed approximately USD 5.4 billion in incentives to attract nearly USD 110 billion in investments, train 60,000 engineers and establish Malaysia as a hub for semiconductor R&D. Malaysia's commitment is evident in the opening of the Malaysia Semiconductor IC Design Park in August 2024[16], followed by the Penang IC Design and Digital Park in December 2024[17], with a third park planned for late 2025. Furthermore, a USD 250 million partnership with Arm Holdings, announced in March 2025, enables local firms to access Arm's chip architecture for IC design to cultivate a domestic chip design ecosystem in the long run. There is increasing demand for **precision engineering**, **advanced manufacturing technologies**, and **IP-driven innovation**.

[12] Nvidia to partner Malaysia's YTL Power in $4.3 bln AI development project, Reuters, 8 December 2023

[13] Intel to quadruple cutting-edge chip packaging capacity by 2025, Nikkei Asia, 23 August 2023

[14] Infineon opens largest power semiconductor plant in Malaysia, Nikkei Asia, 8 August 2024

[15] National Semiconductor Strategy, Ministry of Investment, Trade and Industry Malaysia, 28 May 2024

[16] Malaysia moves up value chain with first semiconductor park, Nikkei Asia, 6 August 2024

[17] Malaysia's investment 'sweet spot,' Penang, to open new tech park, Nikkei Asia, 4 December 2024

The **National Energy Transition Roadmap** (NETR) outlines Malaysia's strategy for transitioning to renewable and sustainable energy, aligning with global climate goals. It focuses on six key levers: **energy efficiency**, **renewable energy**, **hydrogen**, **bioenergy**, **green mobility** and **CCUS**, all supported by financing and incentives. The NETR complements the NIMP 2030's emphasis on renewable energy and CCUS as future growth sectors.

The **Johor-Singapore Special Economic Zone** (JS-SEZ), formalised on 11 January 2024, represents Malaysia's flagship economic initiative for 2025. Inspired by China's Shenzhen Special Economic Zone, this initiative aims to create a new economic growth area centred on one of the world's busiest land crossings, in part as a hedge against geopolitical uncertainties. The underlying rationale is that Johor, in southern Malaysia, offers ample land and resources, while Singapore's multinational firms possess capital and skilled talent seeking expansion opportunities beyond the high costs and space constraints of the city-state. The SEZ seeks to facilitate freer movement of goods, services, talent and capital between the two countries.

The JS-SEZ action plan, expected in Q3 2025, is anticipated to provide clarity on operational frameworks, investment processes and sector-specific opportunities. Ultimately, the success of the zone will depend on effective policy harmonisation, infrastructure integration and the easy moving of goods, people and capital between Johor and Singapore.

Development policies in the pipeline include the **13th Malaysia Plan** (13MP), the country's traditional five-year development blueprint that will guide its trajectory from 2026 to 2030. The plan is scheduled for release in 2H 2025. Additionally, the government is preparing the **New Investment Incentives Framework**, set to be rolled out in Q3 2025. This framework will focus on targeted incentives designed to attract high-value investments that generate positive spillovers for the local economy.

In recent years, Malaysia has rapidly become a leading **data centre** hub in Southeast Asia, attracting major investments from global tech giants like Microsoft[18], Google[19], Oracle[20] and Amazon Web Services[21]. Benefiting from abundant land, robust infrastructure and lower electricity tariffs compared to neighbours, Malaysia is now the second-largest data centre hub in Southeast Asia after Indonesia. While concerns remain about high water and electricity consumption[22] and the limited creation of high-value jobs[23], the government aims to transform the sector into a sustainable powerhouse supported by renewable energy, advancing Malaysia's move up the industrial and AI value chains.

Malaysia has become a destination for **medical tourism**, earning over USD 435 million in revenue in 2023 from 1.3 million foreign visitors seeking treatment due to its advanced medical facilities and competitive pricing.[24] This growth aligns with developments in related industries, such as pharmaceuticals and medical devices, as highlighted in national initiatives like the NIMP 2030 and the JS-SEZ.

3 FOREIGN ECONOMIC POLICY

3.1 Host country's policy and priorities

Malaysia positions itself as an **open economy and trading nation**, with a ratio of total trade to GDP of 132%, slightly lower than Switzerland's 138%.[25] Malaysia also regards **foreign**

[18] Microsoft launches West Cloud Region in Malaysia, The Edge Malaysia, 28 May 2025

[19] Google to invest US$2b for data centre and cloud region in Malaysia, The Edge Malaysia, 30 May 2024

[20] Oracle to invest more than US$6.5bil in AI and cloud computing in Malaysia, The Star, 2 October 2024

[21] AWS to invest US$6.2b in Malaysia with new Asia Pacific Region launch, The Edge Malaysia, 22 August 2024

[22] Malaysia's data centre boom could leave people dry, Institute of Strategic and International Studies Malaysia, 27 November 2024

[23] Data centres are booming in Malaysia's Johor. Now comes the hard part – job creation, South China Morning Post, 29 March 2025

[24] Malaysia tops medical tourism ranking, New Straits Times, 28 May 2025

[25] Trade (% of GDP), World Bank, 2023

direct investments as a crucial driver of economic development and actively encourages them. As a member of the World Trade Organisation (WTO) since its inception in 1995, Malaysia remains committed to the rules-based multilateral trading system. Notably, Malaysia has fully implemented the Agreement on Trade Facilitation since June 2021.

To mitigate geo-economic uncertainty, Malaysia seeks to **diversify** its export market. Malaysia has concluded 18 **free trade agreements** (FTAs).[26] Nine of these are bilateral agreements with Japan (2006), Pakistan (2008), New Zealand (2010), India (2011), Chile (2012), Australia (2013), Turkey (2015), the United Arab Emirates (signed in January 2025) and most recently EFTA (signed in June 2025).

Nine are regional FTAs, mostly in the framework of ASEAN, of which Malaysia has been a founding member since 1967. It is a member of the ASEAN Trade in Goods Agreement and six ASEAN+1 agreements, namely with China, South Korea, Japan, Australia and New Zealand, India, and Hong Kong. Malaysia is also a member of the Regional Comprehensive Economic Partnership (**RCEP**) and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (**CPTPP**). In its ongoing efforts to diversify its trade, Malaysia is actively engaged in trade negotiations. In January 2025, Malaysia and the **European Union** (EU) resumed the negotiations for a trade agreement that were stalled for many years.[27] Malaysia is also negotiating with **South Korea**[28] and the **Gulf Cooperation Council** (GCC)[29].

Malaysia now faces a less favourable position after the United States raised its "reciprocal" tariff rate from 24% (April) to 25% (July), with negotiations still ongoing ahead of the 1 August deadline. Among Southeast Asian economies, Indonesia (19%) and Vietnam (20%) have secured agreements with lower rates. In contrast, others like the Philippines (20%) and Thailand (36%) are still in negotiations. Singapore currently has the lowest tariff rate in the region at 10%. A more competitive outcome for Malaysia will depend on the success of its ongoing negotiations with the US.

Malaysia's key semiconductor industry is currently exempt, though it may be included in future rounds. It has firmly denied the US claim of imposing a 47% tariff on American goods, stating that the actual average is 5.6%, based on the simple average most-favoured-nation applied rate. Despite ongoing tensions, Malaysia has taken a non-retaliatory stance together with its ASEAN peers and engaged in trade talks with Washington, offering negotiations on four fronts: narrowing the trade deficit (such as purchasing Boeing aircraft), easing non-tariff barriers (such as halal regulations), strengthening technology protection and security (enforcing US export controls and sanctions) and exploring a bilateral trade agreement. [30]

3.2 Outlook for Switzerland

On 11 April 2025, the EFTA Member States and Malaysia concluded negotiations on the Malaysia-EFTA Economic Partnership Agreement (MEEPA). The agreement was signed on 23 June 2025 and is currently undergoing domestic approval processes before it can enter into force. The comprehensive agreement covers the following areas: goods and services, investment, intellectual property rights, competition, government procurement, trade and sustainable development, cooperation, and legal and horizontal provisions. This is the first free trade agreement between Switzerland and an Asian partner to include commitments allowing access to each other's government procurement markets. Negotiations to update the **1978 Investment Guarantee Agreement** have been ongoing since 2021. Additionally, an updated **air services agreement** is expected to be signed soon. A **Double Taxation Agreement** has been in place since 1974.

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[26] Malaysia's FTAs, Ministry of Investment, Trade and Industry Malaysia, 7 November 2024

[27] Malaysia and the EU seek a win-win outcome as trade talks resume, Nikkei Asia, 18 February 2025

[28] Malaysia-South Korea free trade agreement negotiations in final phase, The Edge Malaysia, 15 May 2025

[29] Malaysia, GCC launch FTA negotiations, Bernama, 26 May 2025

[30] Zafrul to visit Washington on June 18 for tariff talks, The Edge Malaysia, 11 June 2025

There are no discriminatory policies being implemented against Swiss economic actors. The MEEPA is set to position Swiss companies on a similar footing with Malaysia's other free trade agreement partners. At least until the EU completes its agreement with Malaysia, Swiss economic actors may enjoy a comparative advantage over their European competitors. Furthermore, Swiss companies producing in Malaysia for export markets benefit from Malaysia's extensive free trade networks spanning across ASEAN, RCEP and CPTPP countries.

Concessions that Malaysia is expected to make to the US in ongoing tariff negotiations may impact Swiss economic actors. If the concessions are general in nature—such as reducing non-tariff barriers for all international partners—Switzerland could benefit. However, if concessions are made exclusively to the US, this could lead to discrimination against Swiss and other economic actors in favour of their US competitors.

4 FOREIGN TRADE

4.1 Developments and general outlook

4.1.1 Trade in goods

In 2024, Malaysia's total trade in goods reached **USD 626 billion**, up **9.2%** from 2023. Exports grew 5.7% to USD 328 billion and imports rose 13.2% to USD 298 billion.

As a bloc, **ASEAN** was Malaysia's largest trading partner, accounting for 26.6% of total trade (USD 166.3 billion), up 6.1% from 2023. By country, **China** remained Malaysia's top trading partner for the 16th consecutive year, with trade rising 7.6% to USD 105.2 billion, representing 16.8% of total trade. **Singapore**, the second-largest partner (13.8%), recorded a 9.1% growth in trade to USD 86.1 billion. The **US**, the third-largest partner (11.3%), saw trade surge 29.9% to USD 70.6 billion. **Taiwan** overtook **Japan** as the fourth-largest partner, with trade up 38.5% to USD 38.3 billion. Meanwhile, **EU** trade grew 5.8% to USD 47.6 billion, accounting for 7.6% of total trade.

In terms of products, Malaysia's major exports included **electrical and electronic** (E&E) products, valued at USD 130.7 billion, followed by **petroleum products** (USD 27.7 billion) and **palm oil products** (USD 17.2 billion). Major imports comprised E&E products at USD 99.1 billion, followed by petroleum products (USD 27.9 billion) and machinery, equipment and parts (USD 24.7 billion).

The country has emphasised diversifying its trade partners in light of current global trade uncertainties. Malaysia has made conscious efforts to open new markets, particularly in emerging economies of the Global South. It remains committed to a **non-retaliatory stance** toward US trade policies while **protecting domestic industries** through the imposition of **anti-dumping duties** on selected products and countries.

4.1.2 Trade in services

In 2024, Malaysia's total trade in services reached **USD 108.1 billion**, a **14.6%** increase from 2023. Exports surged by 24.6% to USD 52.8 billion, while imports grew by 6.5% to USD 55.3 billion.[31] Together, total trade in services was equivalent to 25.8% of the GDP in 2024. Malaysia has consistently recorded a trade deficit in services.

Tourism is Malaysia's largest trade in services and typically the third-largest contributor to the country's GDP, after the manufacturing and commodities sectors. In 2023, the tourism sector

[31] External Trade in Services, Department of Statistics Malaysia, June 2025

(domestic and foreign) contributed approximately 15.1% to Malaysia's total GDP.[32] In 2024, Malaysia welcomed just over **25 million tourists**. The country aims for 31.4 million tourists this year and eventually 35.6 million in 2026, as outlined in the **Visit Malaysia 2026** campaign.

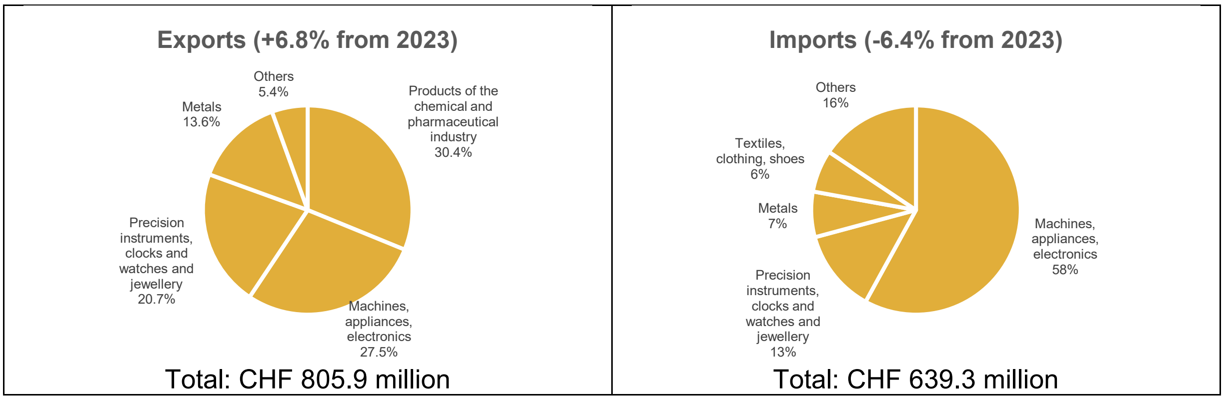
Singapore remained Malaysia's primary destination for services exports, driven by tourism. This surge resulted in a remarkable 27.7% increase to USD 12.7 billion. The **US** followed, with services exports totalling USD 8.1 billion, predominantly from the manufacturing services sector. **China** was the third-largest destination for Malaysia's services exports, followed by **Indonesia** and **Hong Kong**. Notably, the government has increased efforts to attract tourists from China and India through **visa liberalisation**. As a result, tourist arrivals from China and India increased by 123% and 68.7% respectively in 2024. Malaysia has also become a leading destination for medical tourism in Southeast Asia, with 1.3 million foreign visitors seeking treatment in 2023 due to its advanced medical facilities and competitive pricing.

Conversely, the US was the primary source of Malaysia's services imports, amounting to USD 12.7 billion. This marked an increase from USD 12.2 billion in 2023, driven by higher demand for business services and tourism. Singapore ranked second, with services imports totalling USD 11.8 billion, primarily in the travel, transport and ICT sectors. China was the third-largest source, followed by the UK and Hong Kong.

In terms of services trade openness, the 2024 OECD **Services Trade Restrictiveness** Index (STRI) reveals that Malaysia's regulatory environment for trade in services is more restrictive than the OECD average.[33] Malaysia's regulatory environment for services has been relatively stable in recent years, with slight liberalisation across all sectors covered, particularly in the 2019-2023 period. Commercial banking is the most open sector in Malaysia, while legal services is the most restricted, relative to the sectoral average.

4.2 Bilateral trade

4.2.1 Trade in goods



Source: Federal Office for Customs and Border Security

*Not including gold bars and other precious metals, currencies, precious stones and gems, works of art and antiques

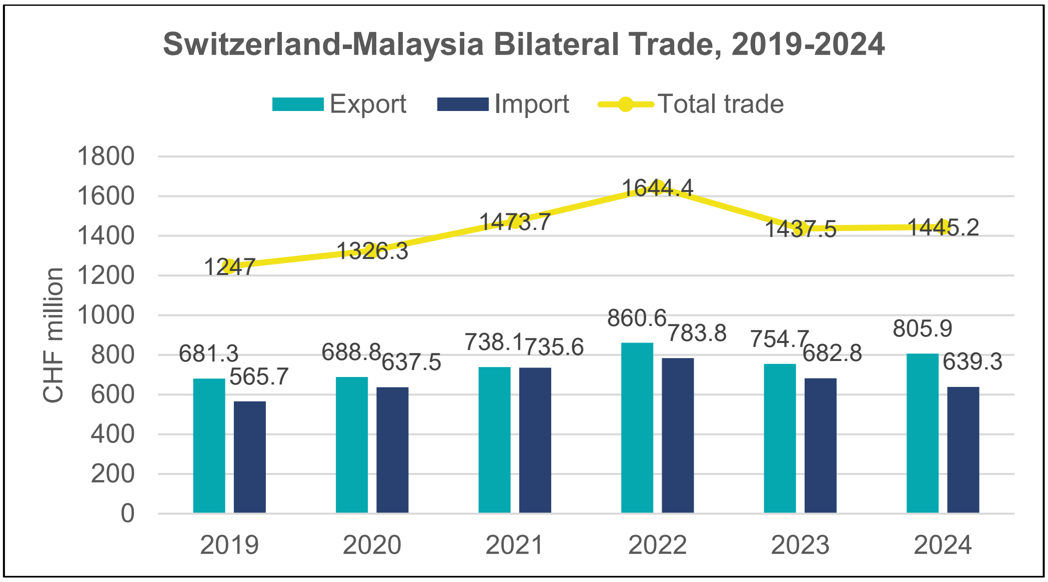
Malaysia is Switzerland's fourth-largest trading partner in Southeast Asia. In 2024, bilateral goods trade totalled over **CHF 1.4 billion**, similar to 2023. Switzerland maintained a **trade surplus**, with exports at CHF 805.9 million (+6.8%) and imports at CHF 639.3 million (–6.4%).

Switzerland's largest **export** to Malaysia in 2024 was products of the **chemical and pharmaceutical** industry (30.4%), followed by **machines, appliances, electronics** (27.5%), and **precision instruments, clocks and watches and jewellery** (20.7%). Its largest **import** from Malaysia was **machines, appliances, electronics** (58%), followed by **precision instruments, clocks and watches and jewellery** (12.8%), and **metals** (7%). There were

[32] Tourism Satellite Account, Department of Statistics Malaysia, September 2024

[33] OECD Services Trade Restrictiveness Index: Malaysia, OECD, 10 February 2025

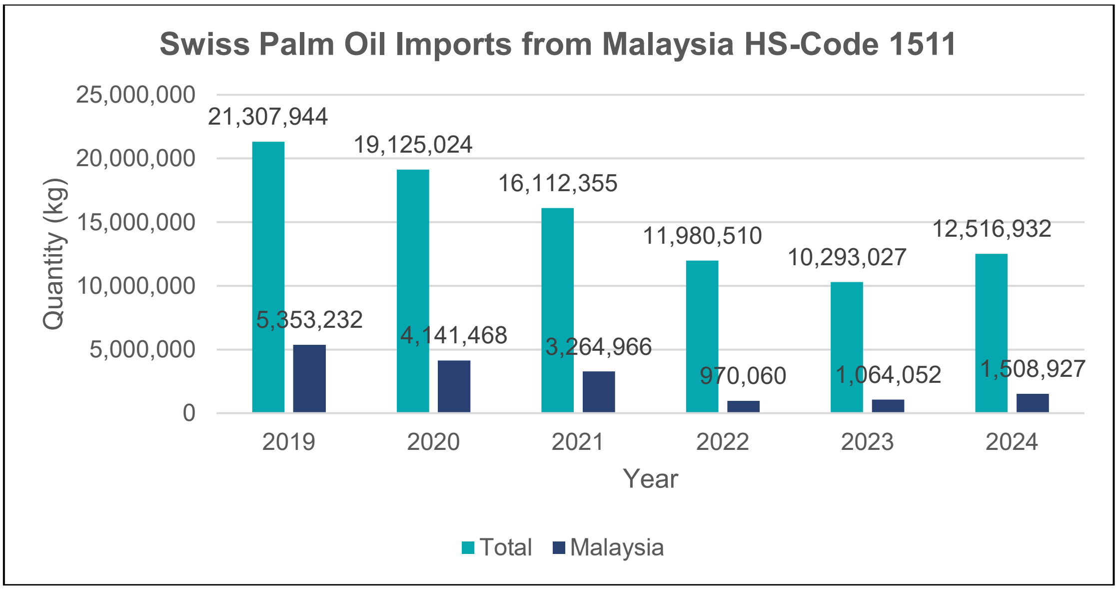
no changes in the five largest traded products categories between 2023 and 2024.



Source: Federal Office for Customs and Border Security

*Not including gold bars and other precious metals, currencies, precious stones and gems, works of art and antiques

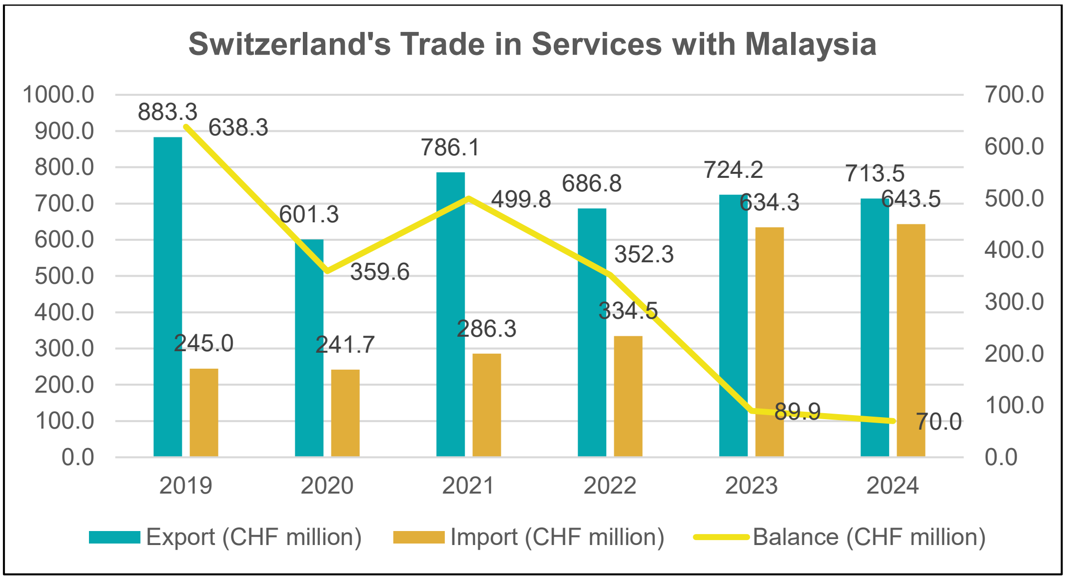
While Switzerland's palm oil imports from the world have generally shown a declining trend over the years, they rebounded in 2024 with a 21.6% increase. Imports from Malaysia mirrored this trend, rising by 41.8%. Malaysian palm oil accounted for 12.1% of Switzerland's total palm oil imports, making it the third-largest source. However, in value terms, palm oil made up only 0.4% of Switzerland's total goods imports from Malaysia. With the new FTA, Switzerland has agreed to a market-compatible and quota-based reduction in tariffs for sustainably produce Malaysian palm oil.



4.2.2 Trade in services

Switzerland's total trade in services with Malaysia reached nearly **CHF 1.36 billion** in 2024, a level comparable to that of 2023. Switzerland has consistently maintained a **trade surplus** in services with Malaysia. Total **exports** amounted to CHF 713.5 million (-1.5%), with "**other services**" comprising the largest share (47.5%), followed by **license fees** (19.4%) and **technical, trade-related, and other business services** (7.8%).

Conversely, total **imports** reached CHF 643.5 million (+1.5%). The main components of services imports were **technical, trade-related and other business services** (18.8%), followed by **transport services** (18%) and “**other services**” (15.7%).



Source: Swiss National Bank

5 DIRECT INVESTMENTS

5.1 Developments and general outlook

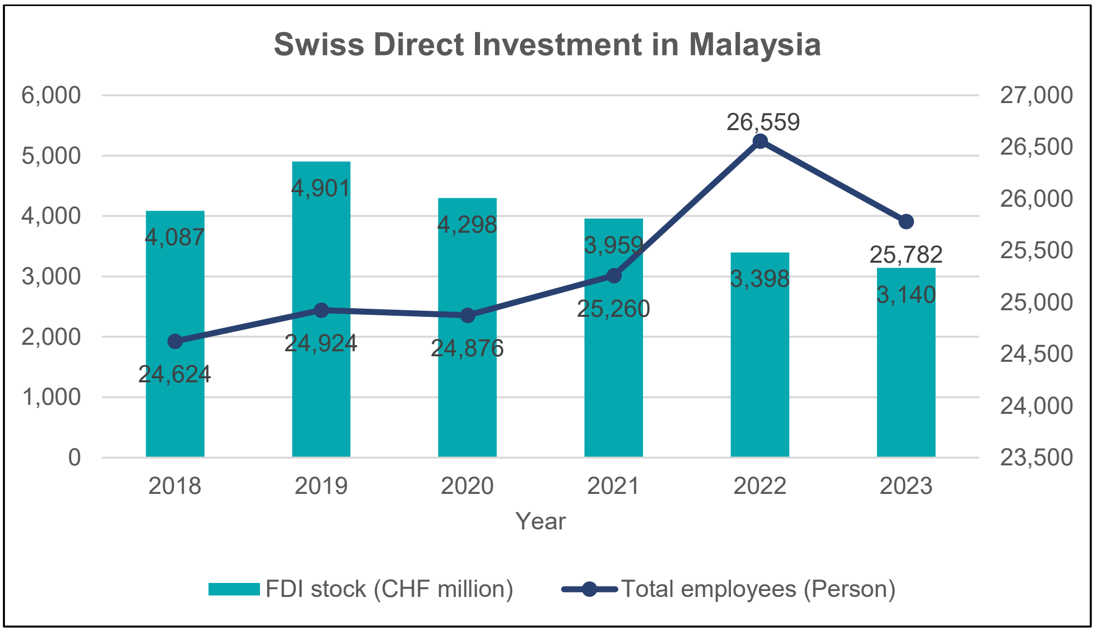
Malaysia’s investment activity soared by 12.3% in 2024 (2023: 5.5%), the highest in a decade, driven by both foreign direct investment (FDI) and domestic direct investment (DDI). The government projects a 10.1% growth in 2025. Total FDI net inflow was **USD 11.2 billion** in 2024 (2023: USD 8.4 billion, **+33.4%**). Total FDI stock grew to **USD 216.4 billion** by end-2024 (2023: USD 200.9 billion, **+7.7%**), recovering from a 2020 dip caused by COVID-19.

Malaysia is experiencing an **investment upcycle** beginning mid-2023, driven by **high-quality investment project** approvals in the **modern services cluster** (finance, real estate and business services), **electrical and electronics** (E&E) and **communications technology** (ICT) sectors. These sectors were boosted by the national push towards an Islamic finance hub, expanded semiconductor production and Malaysia’s rise as a Southeast Asian data centre hub. This upcycle is influenced by cyclical and structural factors: Post-COVID-19, firms increased capacity to meet rising demand whereas digitalisation, global supply chain recalibration and the low-carbon transition are structural megatrends driving this growth. Domestic catalysts like NIMP 2030 and NETR, improved investment ecosystems and policy stability boost investor confidence and capital expenditure. **Singapore** (24.7% of FDI positions), **Hong Kong** (13.3%), and the **United States** (10.6%) were the top FDI sources in 2024; they also led net inflows.

5.2 Bilateral investment

With **CHF 3.1 billion** in FDI stock, Malaysia remained the second most important destination for Swiss investment in Southeast Asia after Singapore, according to the Swiss National Bank. Based on data from the Department of Statistics Malaysia, Switzerland maintained its position as the **sixth-largest investor** in Malaysia in 2024, with an FDI position of USD 7.7 billion (2023: USD 8.1 billion), reflecting a decrease of 4.8%. Malaysia’s numbers include portfolio investments in addition to actual FDI. Overall, Switzerland comprises 3.6% of the total FDI position in Malaysia, positioning it as the **single largest European investor** in Malaysia, followed by the UK (3.4%), the Netherlands (3.1%) and Germany (3%). In 2024, the Malaysian Investment Development Authority (MIDA) approved a total of 18 investment projects from

Switzerland worth USD 103.9 million.[34] From these, five are manufacturing projects worth USD 34.7 million.[35]



Source: Swiss National Bank

According to Swiss National Bank data, around **170 companies** with Swiss ties employ over **25,000 people** in Malaysia. Two are listed on the Malaysian stock exchange: Nestlé and DKSH. Attractive features that Malaysia continues to offer to Swiss companies include rich natural resources, modern infrastructure, an ecosystem of supporting industries, relatively low business costs, a well-educated, English-speaking labour force and a consistent legal framework. It is expected that Swiss companies will continue to invest in Malaysia with the E&E industry expanding and companies diversifying their supply chains. The political and economic situation can be expected to remain stable and conducive to investment.

In 2024, Malaysia had directly invested USD 498.9 million in Switzerland (2023: USD 561.7 million).[36]

6 ECONOMIC AND TOURISM PROMOTION

6.1 Swiss foreign economic promotion instruments

The **Embassy of Switzerland in Malaysia** represents Swiss economic interests in the country with instruments of economic and commercial diplomacy and export promotion.

The **Swiss Business Hub Southeast Asia + Pacific** is headquartered at the Embassy of Switzerland in Indonesia and maintains a satellite office at the Swiss Embassy in Malaysia. It supports small and medium-sized enterprises (SMEs) from Switzerland and Liechtenstein in developing business in Malaysia and provides Malaysian companies with information on Switzerland as a business location. The Swiss Business Hub represents Switzerland Global Enterprise (S-GE), the official Swiss agency for export and investment promotion.

Switzerland Tourism, the tourism promotion agency mandated by the Swiss federal government, has a representative at the Embassy of Switzerland in Malaysia.

[34] Approved Private Investments by Major Foreign Investors (Immediate Source), MIDA, 2025

[35] Manufacturing Projects Approved By Major Foreign Investors - Immediate Source, MIDA, 2025

[36] Direct Investment Abroad 2024, Department of Statistics Malaysia, 26 June 2024.

Established in 1999, the **Swiss Malaysian Chamber of Commerce (SMCC)** celebrated its 25th anniversary in 2024 and continues to play a role in promoting bilateral trade and investment. With more than 80 members, it provides valuable insights to Swiss entrepreneurs and Swiss-related companies planning to establish or expand their businesses in Malaysia. The Embassy collaborates with the SMCC to share information and organise networking events.

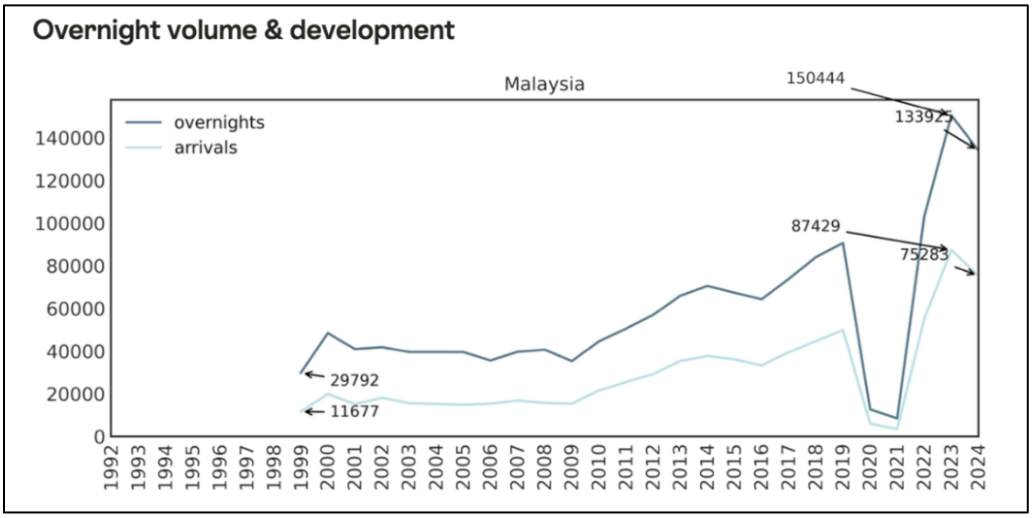
6.2 The host country's interest in Switzerland

In 2022, there were 9 Malaysian multinationals with a presence in Switzerland, mainly involved in the service industry (2021: 10).[37] The latest figures from 2023 show that Malaysian multinationals employed 319 people in Switzerland. In 2024, there were 32 Malaysian natural persons providing services in Switzerland.[38]

The **Malaysia External Trade Development Corporation** (MATRADE), which supports Malaysian companies going abroad, covers Switzerland from the Consulate General of Malaysia in Frankfurt, Germany. The **Malaysian Investment Development Authority** (MIDA), which facilitates overseas companies' investment in Malaysia, covers Switzerland from the Consulate of Malaysia in Milan, Italy.

Switzerland is renowned as a **financial centre** for Malaysia. In 2023, the absorption of Credit Suisse into UBS prompted discussion and careful monitoring to prevent any spillover to the global banking system.[39] Malaysian media is also covering the role of Swiss banks in the **1MDB** sovereign wealth fund scandal.

Following a strong rebound in 2023, Switzerland's **tourism** performance in Southeast Asia softened in 2024, with a 12% drop in overnight stays. Malaysians accounted for 133,925 overnight stays in Switzerland (2023: 150,444, -11%) yet maintained a stable 18% share of the region's total. The decline was partly due to increased outbound travel to China, spurred by visa-free entry in conjunction with the 50th anniversary of Malaysia–China diplomatic relations.



Source: Federal Statistical Office

Despite currency challenges and the absence of direct flights, Malaysian demand for Switzerland remains resilient, supported by strong connectivity via Middle Eastern carriers, KLM and Singapore Airlines. Travellers continue to be drawn to Switzerland's scenic landscapes, Muslim-friendly amenities and efficient infrastructure. Mono-Swiss tours remain popular, particularly among free independent travellers (FITs) and Muslim travellers, while the MICE (meetings, incentives, conferences and exhibitions) segment reinforces Switzerland's

[37] Foreign Multinationals in Switzerland, Federal Statistical Office, 30 January 2025

[38] Foreign Service Providers (Natual Persons) in Switzerland, State Secretariat for Migration, 4 April 2025

[39] Economic and Monetary Review 2023, Bank Negara Malaysia, 20 March 2024

appeal as a premium corporate destination.

From January to April 2025, Malaysians accounted for 38,415 overnight stays in Switzerland, reflecting a modest 1.6% year-on-year decline—indicating sustained interest. Conversely, Swiss tourist arrivals to Malaysia rose by 20.2%, from 23,300 in 2023 to 28,000 in 2024, highlighting Malaysia's growing visibility and appeal among Swiss travellers.

ANNEX 1 – Economic structure

Economic structure of the host country

Distribution of GDP	2019	2024
Agriculture	7.2%	6.3%
Mining & Quarrying	8.7%	6.0%
Construction	4.7%	4.0%
Manufacturing sector	21.4%	23.2%
Services	56.9%	59.3%

Distribution of employment	2019	2024
Agriculture	12.2%	11.2%
Mining & Quarrying	0.5%	0.5%
Construction	9.8%	8.4%
Manufacturing sector	17%	17%
Services	60.6%	62.9%

Sources:

Department of Statistics Malaysia, Gross Domestic Product 2015-2024 (May 2025)

- https://open.dosm.gov.my/publications/gdp_2024

Bank Negara Malaysia, Annual Report: Presentation Slides (March 2025)

- https://www.bnm.gov.my/documents/20124/17493532/ar2024_slides.pdf

Department of Statistics Malaysia, Labour Productivity 4Q 2022 (February 2023)

- https://open.dosm.gov.my/publications/productivity_2022-q4

Department of Statistics Malaysia, Labour Market Review 4Q 2024 (February 2025)

- https://open.dosm.gov.my/publications/lmr_2024-q4

ANNEX 2 – Main economic data

Host country's main economic data

	2023	2024	2025
GDP (USD bn)*	**399.7**	**419.6**	**445**
GDP per capita (USD thousand)*	**12.1**	**12.5**	**13.1**
Growth rate (% of GDP)*	**3.6**	**5.1**	**4.1**
Inflation rate (%)*	**2.5**	**1.8**	**2.4**
Unemployment rate (%)*	**3.2**	**3.2**	**3.2**
Fiscal balance (% of GDP)***	**-5**	**-4.1**	**-3.8**
Current account balance (% of GDP)*	**1.5**	**1.7**	**1.6**
Total external debt (% of GDP)**	**67.8**	**65.1**	**65.3**
Debt-service ratio (% of exports)**	**11.8**	**12.1**	**12.1**
Reserves (months of imports)**	**4.6**	**4.4**	**4.6**

Sources:

*IMF, World Economic Outlook (April 2025)

- https://www.imf.org/external/datamapper/profile/MYS

**IMF, Article IV Consultation (March 2025)

- https://www.imf.org/en/News/Articles/2025/03/02/pr25050-malaysia-imf-executive-board-concludes-2025-article-iv-consultation

***Ministry of Finance Malaysia, Malaysia's GDP and Fiscal Deficit (February 2025)

- https://www.mof.gov.my/portal/en/news/press-release/malaysia-exceeds-gdp-and-fiscal-deficit-targets-for-2024#:~:text=Malaysia's%20Gross%20Domestic%20Product%20(GDP,4%20billion).

ANNEX 3 – Trade partners

Trade partners of the host country   Year: 2024

Rank	Country	Exports *from the host country* (USD million)	Share (%)	Change (%) [40]	Rank	Country	Imports *to the host country* (USD million)	Share (%)	Change (%)[10]
1	Singapore	50,187.7	15.3	5.3	1	China	64,445.9	21.6	14.8
2	USA	43,184.0	13.2	23.2	2	Singapore	35,949.0	12.1	15.1
3	China	40,798.1	12.4	-2.2	3	USA	27,447.7	9.2	42.1
4	Hong Kong	19,312.3	5.9	-1.1	4	Taiwan	23,720.8	8.0	30.2
5	Japan	17,960.0	5.5	-3.7	5	Japan	15,248.3	5.1	-1.1
6	Taiwan	14,563.8	4.4	54.4	6	Indonesia	13,452.7	4.5	2.6
7	Thailand	12,822.7	3.9	0.1	7	Thailand	12,080.8	4.1	2.0
8	Indonesia	11,827.1	3.6	6.9	8	ROK	12,041.0	4.0	0.2
9	ROK	11,729.0	3.6	-4.3	9	Saudi Arabia	8,104.3	2.7	-14.6
10	Vietnam	11,709.0	3.6	3.6	10	Australia	7,288.3	2.4	-3.5
	Switzerland	710.3	0.2	*-6.4*		*Switzerland*	895.4	0.3	*6.8*
	EU	25,170.0	7.7	2.6		EU	22,406.5	7.5	9.8
	Total	327,766.3	100	5.7		Total	298,009	100	13.2

Source:

Malaysia External Trade Development Corporation, Malaysia Trade Performance 2024 (January 2025)

- https://www.matrade.gov.my/en/export-to-the-world/216-malaysian-exporters/trade-performance-2024

Average conversion rate for 2024: USD 1 = MYR 4.6

[40] Change from the previous year in %

ANNEX 4 – Bilateral trade

Bilateral trade between Switzerland and the host country

	Export (CHF million)	*Change (%)*	**Import** (CHF million)	*Change (%)*	**Balance** (CHF million)	**Total Trade** (CHF million)
2019	681.3	-5.2	565.7	7.0	115.6	1247.0
2020	688.8	1.1	637.5	12.7	51.3	1,326.3
2021	738.1	7.2	735.6	15.4	2.5	1,473.7
2022	860.6	16.6	783.8	6.6	76.8	1,644.4
2023	**754.7**	**-12.3**	**682.8**	**-12.9**	**71.9**	**1,437.5**
2024*	**805.9**	**6.8**	**639.3**	**-6.4**	**166.6**	**1,445.2**

*) ‘Economic’ total (total 1): not including gold bars and other precious metals, currencies, precious stones and gems, works of art and antiques

**) Change (%) from the previous year

Exports*	**2023** (% of total)	**2024** (% of total)
1. Products of the chemical and pharmaceutical industry	33.5	30.4
2. Machines, appliances, electronics	27.7	27.5
3. Precision instruments, clocks and watches and jewellery	21.9	20.7
4. Metals	10.6	13.6
5. Forestry and agricultural products, fisheries	2.1	2.4
6. Vehicles	1.1	1.7
7. Paper, articles of paper and and products of the printing industry	0.6	1.4
8. Leather, rubber, plastics	1.6	1.3
9. Textiles, clothing, shoes	0.6	0.7
10. Various goods such as music instruments, home furnishings, toys, sports equipment, etc.	0.3	0.3
11. Stones and earth	0.1	0.1
12. Energy source	0.0	0.0

Imports*	**2023** (% of total)	**2024** (% of total)
1. Machines, appliances, electronics	58.0	58.0
2. Precision instruments, clocks and watches and jewellery	14.1	12.8
3. Metals	8.5	7.0
4. Textiles, clothing, shoes	4.8	6.5
5. Forestry and agricultural products, fisheries	4.3	5.6
6. Various goods such as music instruments, home furnishings, toys, sports equipment, etc.	1.5	3.0
7. Vehicles	4.0	2.9
8. Products of the chemical and pharmaceutical industry	3.1	2.4
9. Leather, rubber, plastics	1.1	1.3
10. Stones and earth	0.3	0.4
11. Paper, articles of paper and and products of the printing industry	0.2	0.1
12. Energy source	0.0	0.0

*) ‘Economic’ total (total 1): not including gold bars and other precious metals, currencies, precious stones and gems, works of art and antiques

Source: Federal Office for Customs and Border Security

ANNEX 5 – Main investing countries

Main investing countries in the host country **Year: 2024**

Rank	Country	FDI position (USD million)	Share (%)	Variation (%, compared to 2023)	Net flows over past year (USD million)
1	Singapore	53,353.3	24.7	19.0	4,641.9
2	Hong Kong	28,677.7	13.3	15.9	3,991.0
3	United States	22,948.0	10.6	10.3	2,475.9
4	Japan	22,109.9	10.2	7.9	1,341.8
5	China	8,017.1	3.7	3.2	8.9
6	Switzerland	7,702.1	3.6	-4.8	396.5
7	United Kingdom	7,447.6	3.4	11.9	328.4
8	Netherlands	6,757.5	3.1	-39.0	-4,416.5
9	Germany	6,430.4	3.0	18.3	608.2
10	South Korea	6,376.0	2.9	9.3	487.5
11	France	3,563.9	1.6	92.2	1,214.1
12	Norway	3,195.8	1.5	-13.0	-191.7
13	Denmark	2,926.1	1.4	27.8	-26.3
14	Taiwan	2,387.5	1.1	33.6	336.8
15	Austria	2,042.8	0.9	-25.7	-389.7
…	EU	24,195.4	11.2	-4.9	-2,279.6
	Total	216,412.4	100	+7.7	11,201.3

Source:

Department of Statistics Malaysia:

- Q1 2025 International Investment Position (May 2025)
- Foreign Direct Investment: 2024

Average conversion rate for 2024: USD 1 = MYR 4.6

Excluding Jersey, the British Virgin Islands, the Cayman Islands and Bermuda.