global perception of Malaysia as an investment destination

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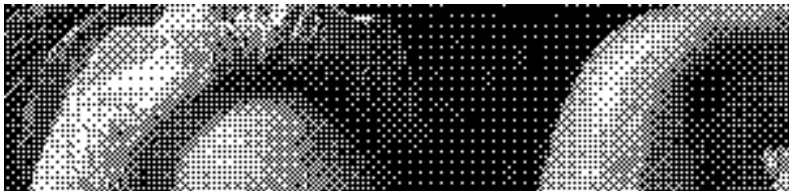

Global perception on Malaysia as an investment destination is evolving, with both strong positives and notable challenges in 2025. Several factors are influencing how Malaysia is being viewed by investors, alongside the key drivers and challenges that define its attractiveness in the global market.

Merits on Malaysia

Strategic Location: Our position in Southeast Asia, coupled with its membership in ASEAN, continues to make it a strategic hub for trade, manufacturing, and services. Its proximity to major markets like China, India, and Australia brands it as an ideal base for companies looking to access the ASEAN market, which has a combined population of over 600 million people.

Strong Manufacturing and Export Base: It is seen as a reliable supplier in high-tech sectors like semiconductors, electronics, and medical devices. Its role as a key player in global supply chains—especially in the electronics and electrical (E&E) sectors—enhances its attractiveness to manufacturers seeking a stable production base with skilled labour.

Pro-Business Environment: The government is fostering a pro-business environment, offering investment incentives, tax breaks, and special economic zones aimed at attracting foreign investment, particularly in technology, manufacturing, and green industries. These policies are positively perceived by investors.

Digital Economy: Another key point is on the digital transformation. The country has become an increasingly attractive destination for tech startups, fintech companies, and e-commerce giants due to our growing 5G infrastructure, e-payment systems, and the government's commitment to developing the digital economy. Smart city initiatives and advanced manufacturing capabilities are also contributing to Malaysia's appeal.

Renewable Energy and Sustainability: The Madani Government's commitment to renewable energy and green technology is increasingly gaining international attention. Investors seeking to align with global sustainability trends view Malaysia as an attractive destination for green energy investments, particularly in solar power, bioenergy, and sustainable agriculture.

Stable Financial System: Our financial sector is well-regulated and robust. The ringgit has remained relatively stable, and foreign direct investment (FDI) inflows have been consistent and strong. This stability makes it an attractive investment destination compared to more volatile emerging markets.

Growing Middle Class: Rising consumer spending power and growing middle class are seen as a sign of a solid domestic market for investors in retail, e-commerce, and consumer goods. The expanding tourism sector, driven by both domestic and international travellers, also attracts investments in hospitality, real estate, and services.

Concerns on Malaysia

Geopolitical Risks: As a trading economy, we are not immune to geopolitical risks. Tensions in the South China Sea and our strategic positioning in relation to major global powers like the US and China may deter some investors. The ongoing US-China trade tensions and regional security issues could make certain industries more cautious about investing in Malaysia.

Bureaucracy and Red Tape: Despite the government's efforts to improve the ease of doing business, challenges remain in areas related to bureaucracy, regulatory complexity, and inefficiencies in certain areas. Investors in some industries may experience challenges navigating through these obstacles, which can impact the ease and speed of investment.

Labor Market Issues: The economy continues to face challenges in terms of its labour market. While there is a well-educated workforce, the country still relies heavily on foreign labour for certain sectors, particularly agriculture and construction. This reliance on migrant workers can create challenges in terms of labour rights and worker welfare, which investors in labour-intensive industries may find concerning.

Income Inequality and Regional Disparities: The economy is still grappling with income inequality and regional economic disparities, particularly between the more developed west Peninsular Malaysia and the less-developed east (Sabah and Sarawak). Both the social and economic divides can lead to uneven development and dissatisfaction, which could affect consumer confidence and economic stability.

Political Stability: Although our political scene has stabilized since previous crises, there are still lingering concerns about political uncertainty, with potential leadership changes or shifts in policy that could affect investment sentiment. While the country has avoided full-blown political instability, the fluid nature of its political landscape may concern long-term investors. Some investors remain cautious about political continuity, especially in light of our previous political crises.

Environmental Sustainability Concerns: Our industries like palm oil and rubber has faced international scrutiny due to concerns about deforestation, sustainability, and environmental impact. Global investors increasingly demand higher corporate social responsibility (CSR) standards, and Malaysia's traditional industries may face pressure to adopt more sustainable practices.

Regulatory Challenges: While reforms have been made to improve our business environment, the economy faces challenges related to bureaucracy and regulatory complexity that can slow down investment process.

Environmental Scrutiny: Palm oil industry, for instance, continues to face scrutiny over environmental issues like deforestation and its impact on biodiversity. Investors may face reputational risks associated with these industries unless they adopt more sustainable practices.

Skill Gaps and Labor Market Issues: Despite progress, the skills mismatch in the labour market, particularly in advanced tech sectors, and our reliance on foreign workers in certain industries, remain challenges for companies looking to establish operations in the country.

Investment Focus in Malaysia

Digital Transformation and Technology Industry: The government's push towards a digital economy—backed by significant investments in 5G infrastructure and smart city initiatives—is one of the key drivers attracting investors, particularly in sectors like fintech, e-commerce, and cloud computing.

Manufacturing and High-Tech Industries: Malaysia's has established its position as a manufacturing powerhouse, especially in electronics, semiconductors, and medical devices, continues to drive interest in FDI. The policy shift towards higher-value manufacturing and its participation in global supply chains are seen as critical investment drivers.

Green Economy and Renewable Energy: Malaysia's renewable energy initiatives, including its focus on solar energy and bioenergy, as well as sustainable agricultural practices, make it an appealing destination for investors targeting the green economy. The government is actively pursuing climate-conscious investments.

Infrastructure Development: Ongoing large-scale infrastructure projects, particularly in transportation such as high-speed rail, ports, airports and urbanization, are key drivers that attract investment in construction, logistics, and real estate.

ASEAN Integration and Regional Connectivity: As part of ASEAN, we benefit from deeper regional integration, particularly through trade agreements such as the Regional Comprehensive Economic Partnership (RCEP). This allows us to serve as a gateway to ASEAN markets, which is a major pull factor for foreign investors looking to access the region.

Stable Macroeconomic Environment: Macroeconomic stability, including its relatively low inflation and moderate interest rates, provides a conducive environment for investment. Our fiscal discipline and sound financial institutions would encourage foreign capital inflows.

Comparing Malaysia with ASEAN Peers

Against ASEAN regional peers as an investment destination in 2025, Malaysia is shaped by a mix of factors, ranging from its political stability and economic fundamentals to its strategic location, digital economy growth, and industry diversification. To provide a clearer picture, we broke down how Malaysia is perceived on the global stage in comparison to some of its ASEAN peers.

Political Stability and Governance

Global Perception: Malaysia is perceived as relatively politically stable, particularly compared to some of its ASEAN peers that have faced more significant political instability or governance challenges. However, the perception of political stability is not without nuance. While our democracy is established, there have been periods of political uncertainty, particularly over the past leaderships and the coalition government.

Example: Our 2020–2022 political crisis (the change in government twice) led to concerns over governance and policy continuity, affecting investor sentiment at the time. However, since the formation of a stable government in 2022, perceptions of political stability have improved. Foreign investors generally view Malaysia as a more stable environment for investment compared to countries like Myanmar (which has faced a military coup) or Thailand (which has experienced political unrest and military interventions).

Comparing to Peers: Singapore stands as the most politically stable country in ASEAN, which is a major factor in its high investor confidence. In contrast, Thailand has faced regular political upheavals, with protests and military coups affecting investor sentiment despite a strong economy. Indonesia is relatively stable politically, but its corruption issues and bureaucratic inefficiencies are seen as barriers to smoother business operations, which affects investor confidence.

Economic and Market Size

Global Perception: The Malaysian economy is seen as a diversified and middle-income with strong foundations in manufacturing, services, and natural resources. Also, the country is seen as a regional hub for supply chains, particularly in industries such as electronics, semiconductors, and medical devices.

Example: Our electronics industry is a key part of its economy, and it has become an important player in global semiconductor manufacturing. The presence of global tech giants like Intel, AMD, and Texas Instruments in Malaysia reflects our standing as a key node in global electronics supply chains. We are also a home to low-cost manufacturing operations, with a growing reputation in electric vehicles (EV) component production and high-tech manufacturing.

Comparing to Peers: Vietnam is catching up with Malaysia in terms of low-cost manufacturing, especially in electronics and textiles, but we still lead in terms of higher-value manufacturing and skilled labour. Indonesia, with its large consumer market (the largest in ASEAN), attracts significant investments in consumer goods, e-commerce, and infrastructure but still lags behind Malaysia in terms of high-tech manufacturing. Singapore remains a financial and tech powerhouse, but it does not have the same manufacturing base as Malaysia, which gives Malaysia a competitive edge in diverse industrial sectors.

Business Environment

Global Perception: Malaysia is seen as a relatively business-friendly environment compared to some regional peers. However, it faces challenges in terms of bureaucratic inefficiencies and regulatory complexity. These issues tend to slow down processes, especially for investors looking to enter the market quickly.

Example: We rank well on the World Bank's Ease of Doing Business Index (though we lag behind Singapore and Vietnam), which reflects their relatively low levels of corruption, good infrastructure, and efforts to streamline business processes. The Malaysia Digital Economy Blueprint has created a favourable environment for tech start-ups and fintech investments.

Comparing to Peers: Vietnam has been making rapid strides in improving its business environment, largely by simplifying procedures and reducing red tape, which has made it a highly attractive location for FDI. Thailand still struggles with bureaucratic inefficiencies and regulatory hurdles in certain sectors, particularly in land acquisition and corporate taxation. This can slow down investment decisions. Indonesia, despite its vast consumer market, remains burdened by complex regulations, high corruption levels, and slow permit processing, which hinders smoother investment activities.

Infrastructure and Connectivity

Global Perception: Malaysia is regarded as having a relatively advanced infrastructure in ASEAN, particularly in transportation (ports, airports) and telecommunications. The government continues to invest in major infrastructure projects, which enhances its attractiveness as a logistics and trade hub in the region.

Example: Port Klang is one of the largest and most efficient container ports in the world, playing a pivotal role in regional and global shipping. The Kuala Lumpur International Airport (KLIA) is a key transportation hub in Southeast Asia. The government's push for high-speed rail and urban transit networks would improve our infrastructure connectivity, further enhancing attractiveness for both domestic and foreign investors.

Comparing to Peers: Singapore boasts world-class infrastructure, particularly its port (which is the busiest in the region) and airport, both of which are critical to its status as a global logistics hub. Vietnam is catching up in terms of infrastructure, with Ho Chi Minh City and Hanoi developing into key regional transport hubs, but still lags behind Malaysia in terms of port capacity and air connectivity. Thailand has a well-established infrastructure, but its logistics sector faces bottlenecks in certain areas, especially in road networks, which can affect supply chain efficiency.

Labor Market and Human Capital

Global Perception: Malaysia is often seen as having a relatively well-educated and skilled workforce compared to many of its ASEAN peers. This is particularly true in technology, engineering, and finance fields. However, challenges exist in terms of labour costs, which have been rising, and in the need for continuous upskilling to match the demands of emerging industries.

Example: We enjoy a strong reputation in electronics manufacturing from our skilled labour force. Malaysia's workforce is also well-regarded in finance and engineering disciplines, which attracts investments in high-value sectors such as biotechnology, automotive, and renewable energy. However, the country faces challenges in developing talent for newer sectors such as AI, machine learning, and advanced data analytics.

Comparing to Peers: Vietnam has a young and competitive labour force, which is ideal for low-cost manufacturing and assembly industries. But it lacks the highly specialized labour force that Malaysia possesses in high-tech sectors. Indonesia has a large labour pool, but struggles with skills mismatches, particularly in technology and high-value manufacturing. The country's workforce is seen as low-cost and often lacks the advanced technical skills required for industries like semiconductors or medical devices. Thailand has a competitive labour force, especially in automotive and electronics industries, but its wages are rising, pushing certain industries towards Vietnam or Indonesia.

Digital Economy and Innovation

Global Perception: Malaysia is increasingly seen as a leader in the digital economy in ASEAN, with a growing number of start-ups and technology investments in areas like fintech, e-commerce, and cloud computing. The 5G rollout, smart city initiatives, and government-backed digital infrastructure projects are positioning the country as a regional hub for technology.

Example: Our focus is on becoming a regional digital hub has attracted numerous fintech companies, such as Grab (which started in Malaysia before expanding regionally), as well as a growing ecosystem of tech start-ups. The country's Malaysia Digital Economy Blueprint has outlined significant steps to support e-commerce, artificial intelligence, and big data.

Comparing to Peers: Singapore is the regional leader in technology and innovation, with its emphasis on AI, blockchain, and fintech. However, it lacks Malaysia's manufacturing base, which gives our economy an edge in industries like electronics and semiconductors. Vietnam is catching up in terms of tech adoption, with a rapidly growing start-up ecosystem, especially in e-commerce and fintech. But it still lacks the advanced digital infrastructure that Malaysia offers. Indonesia has a rapidly growing digital economy. Yet it faces issues in internet penetration, especially in rural areas, which limits the full potential of its tech ecosystem.

Our key takeaway...

Singapore – Regional Leader

Global Perception: Singapore continues to be the most attractive investment destination in ASEAN. It is consistently ranked as one of the world's top business hubs due to its extremely stable political environment, transparent regulatory framework, world-class infrastructure, and the fact that it is one of the most innovative economies globally.

Strengths: As a global financial centre, tech innovation hub, and logistics gateway, they attract huge amounts of FDI, particularly in financial services, biotechnology, digital technologies, and high-end manufacturing.

Challenges for Malaysia: Malaysia currently lags behind Singapore's in areas like level of ease of doing business, low corruption perception, and investment climate, especially in financial services, AI, data analytics, and blockchain sectors.

Vietnam – Emerging Competitor

Global Perception: Vietnam has become an increasingly attractive investment destination, especially for manufacturing and electronics. With strong growth in FDI and a booming export sector, it is often viewed as a fast-growing alternative to China for low-cost, labour-intensive manufacturing.

Strengths: Vietnam's competitive labour costs, large young population, and government's push for digitalization and green technology give it an edge, particularly in electronics, textiles, and consumer goods.

Challenges for Malaysia: While Malaysia has a more developed infrastructure and a more diversified economy, Vietnam's low labour costs and its aggressive FDI attraction policies (especially from the US and Japanese companies) make it a strong rival for industries like electronics assembly, footwear, and textiles.

Indonesia – Large Consumer Market

Global Perception: Indonesia, with its massive population and rapidly growing domestic market, is seen as a major player for consumer-driven industries. Its natural resources, such as minerals, coal, and palm oil, also continue to attract investment in energy and extractive industries.

Strengths: As the largest economy in ASEAN, Indonesia is an attractive destination for retail, e-commerce, consumer goods, and resource extraction. The government's initiatives to improve infrastructure and attract green investments also enhance its appeal.

Challenges for Malaysia: Malaysia holds a more favourable position in terms of infrastructure quality and regulatory framework compared to Indonesia. However, Indonesia's large consumer market, growing middle class, and resource wealth make it a strong investment magnet, particularly in the energy, agribusiness, and consumer goods sectors.

Thailand – Competitive Manufacturing Hub

Global Perception: Thailand continues to be an attractive investment destination, particularly for automotive, electronics, and agriculture industries. It is seen as a key regional manufacturing base with strong export potential.

Strengths: Automotive manufacturing, consumer electronics, and food processing are dominant sectors in Thailand. Its well-developed infrastructure, skilled labour in automotive and electronics, and favourable trade relations with the West and Japan boost its attractiveness.

Challenges for Malaysia: Malaysia competes with Thailand in the automotive and electronics sectors, but Thailand offers lower labour costs and a more established presence in automotive manufacturing. Thailand's political volatility, however, is a point of concern for long-term investors, whereas Malaysia is perceived as more politically stable.

The Philippines – Service Sector and BPO Hub

Global Perception: The Philippines is globally recognized as a leader in the business process outsourcing (BPO) sector, benefiting from its English-speaking workforce and strong capabilities in customer service, IT services, and finance.

Strengths: The BPO sector continues to drive FDI, and the country's young population and growing middle class make it an attractive market for consumer goods and services.

Challenges for Malaysia: While Malaysia also has a strong services sector, it is less competitive than the Philippines in outsourcing and call centre operations. However, Malaysia still retains an edge in sectors like manufacturing and high-tech industries.

Cambodia, Laos, and Myanmar – Lower-Cost Alternatives

Global Perception: These countries are seen as emerging and low-cost manufacturing alternatives, attracting investment in sectors like textiles, garments, and agriculture.

Strengths: Lower labour costs, less regulation, and growing foreign interest in their manufacturing sectors are key factors that attract low-cost investment.

Challenges for Malaysia: While Malaysia offers higher labour costs than these nations, but we provide a more developed infrastructure, a diversified economy, and better political stability, making it a preferred destination for higher-value industries.

Malaysia's position in ASEAN investment landscape

Singapore: The country remains as the leader in terms of FDI, technology, and innovation.

Second Tier (Strong Competitors):

Vietnam: Strong growth, low labour costs, and expanding digital economy make it a top contender, particularly in manufacturing.

Indonesia: Large consumer market, resource wealth, and growing infrastructure development keep Indonesia in a strong competitive position.

Middle Tier (Established but Challenged):

Malaysia: Strong and diversified economy with a focus on high-tech manufacturing, digital economy, and renewable energy. Its strength also lies in infrastructure, political stability and skilled labour position it in a favourably spot but still behind Vietnam and Indonesia in terms of growth rates and market size.

Thailand: Competitive in automotive and electronics manufacturing. However, political volatility and lower labour costs in Vietnam and Indonesia may pose challenges.

Lower Tier (Emerging Players):

Philippines: Strong in BPO and services, but lacks the manufacturing strength such as Malaysia, Vietnam, or Thailand.

Cambodia, Laos, Myanmar: Competitive for low-cost labour and agriculture, but face challenges in areas related to infrastructure, governance, and political stability.

Factor	Malaysia	Singapore	Vietnam	Indonesia	Thailand	Philippines	Myanmar	Cambodia/Laos
Political Stability	High – Generally stable but some political challenges in recent years	Very High – Stable, strong governance	High – Growing stability but occasional unrest	High – Stable but subject to political volatility	Moderate – Periodic unrest and political instability	High – Stable, but occasional political protests	Low – Political instability, military-led government	Low – Governance challenges, but improving
Ease of Doing Business	Moderate – Improving but bureaucracy and regulatory challenges remain	Very High – Among the top in the world	High – Improving rapidly with simpler regulations	Moderate – Complex regulations and bureaucracy	Moderate – Regulatory inefficiencies and barriers	Moderate – Bureaucracy and delays in permits	Low – Bureaucratic inefficiency, corruption	Low – Bureaucratic inefficiencies, corruption
Labor Market & Skills	High – Skilled workforce, particularly in high-tech sectors	High – Well-educated workforce, strong in tech and finance	Moderate – Young labour force, but skills mismatches in tech	Moderate – Large labour force but skills gaps	High – Strong in manufacturing and automotive, but rising wages	Moderate – English proficiency and skilled in BPO	Low – Limited skilled labour availability	Low – Low-skilled labour but low wages
Infrastructure	High – Well-developed infrastructure, key transport hubs (KLIA, Port Klang)	Very High – World-class infrastructure, global logistics hub	Moderate – Improving rapidly, key ports & airports	Moderate – Key infrastructure projects, but bottlenecks remain	High – Well-established, but certain areas face challenges	Moderate – Developing but lagging in rural areas	Low – Very limited infrastructure	Low – Underdeveloped infrastructure
Digital Economy & Innovation	High – Rapid digital transformation, strong fintech and e-commerce sector	Very High – Leading in fintech, AI, blockchain, and smart cities	Moderate – Rapid growth in tech and startups	Moderate – Digital transformation underway but lagging in some areas	Moderate – Strong in automotive and electronics, slow in tech adoption	Moderate – Strong BPO sector, growing tech scene	Low – Limited digital economy development	Low – Digital adoption is slow, limited innovation
Market Size (GDP, Population)	Moderate – Strong middle-income economy, open to FDI	High – Small population but very high GDP per capita	High – Rapidly growing population and expanding middle class	Very High – Largest ASEAN economy, massive domestic market	High – Moderate population, strong manufacturing base	Moderate – Large English-speaking BPO market	Low – Small economy and market size	Low – Small and low-income economy
Investment Attraction	Moderate – Attractive in manufacturing, tech, high-value sectors	Very High – Leading global investment destination	High – Attracting significant FDI in manufacturing, tech	Very High – Strong growth potential, large market	High – Strong in manufacturing and export-driven industries	Moderate – Focused on BPO, services	Low – Political and economic risks deter investment	Low – Low FDI attraction due to instability

And our salient observations...

Singapore stands out as the most attractive destination in ASEAN in terms of **ease of doing business, political stability, infrastructure,** and **digital innovation**. Its position as a **global financial and tech hub** continues to drive investor confidence, with **very high perceptions across almost all factors.**

Vietnam has made significant strides in improving its **ease of doing business, FDI attraction,** and **digital economy.** Its **rapid economic growth,** combined with a **young workforce** and **low labour costs,** has made it increasingly competitive in sectors like **electronics, textiles,** and **consumer goods.**

Indonesia is still a major investment destination due to its **massive domestic market** and natural resource wealth, but challenges such as **bureaucracy, corruption,** and **slow digital transformation** hold it back from competing with more digitally advanced ASEAN countries like Singapore and Malaysia.

Thailand is strong in **manufacturing** (particularly automotive and electronics), but its political instability and bureaucratic inefficiencies affect its perception as a stable investment hub, particularly when compared to Malaysia or Vietnam.

Malaysia is **strong in infrastructure, digital economy growth,** and **high-tech manufacturing,** but its perception is held back by factors like **bureaucratic inefficiency** and a **more moderate labour cost** structure compared to Vietnam or Indonesia.

The Philippines remains strong in **BPO** and services, but limited infrastructure and the absence of a **comprehensive manufacturing base** puts it at a disadvantage compared to other regional players.

Myanmar, Cambodia, and **Laos** all have **low perceptions** in key areas like **political stability, infrastructure development,** and **business environment.** Myanmar's **political instability** and **military-led government** make it one of the least attractive investment destinations in ASEAN.

To sum up...

Malaysia is generally viewed as a solid middle-tier player in ASEAN in terms of global investment perception. It stands strong in infrastructure, skilled labour, and the digital economy, but bureaucratic challenges and rising labour costs are areas where it faces challenges compared to competitors like Vietnam and Singapore.

Malaysia's strategic location, diversified economy, middle-income economy with strong growth prospects and political stability ensure it remains a favourable choice for investments in high-tech manufacturing, automotive, and the digital economy. However, it faces growing competition in lower-cost manufacturing from countries like Vietnam and Indonesia.

For Malaysia to become a solid choice for higher-value investments, the country must continue to adapt to the evolving needs of global investors and address challenges such as regulatory complexity and labour cost competitiveness to maintain its position as an attractive destination.

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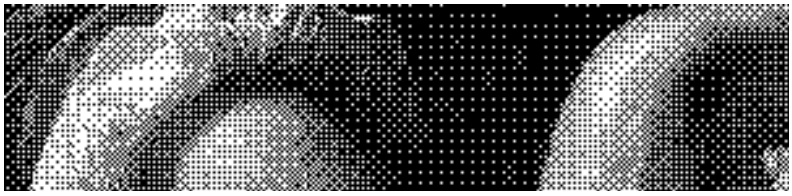
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