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42% of Malaysian businesses shift their focus to domestic markets to address tariffs: HSBC Survey

Malaysian businesses have been hit with surging costs and supply chain disruptions and are having to rethink their strategy and planned investments as tariffs and shifting trade policies continue to impact their enterprises. This is according to the findings of HSBC's 2025 Global Trade Pulse Survey, which offers insight into the business plans and sentiment of over 5,700 international firms across 13 markets including Malaysia regarding tariffs and trade.

The survey found that currently, the biggest concern for more than half of Malaysian businesses (55%) is rising costs due to tariffs and other trade-related factors. In response to this, 42% of Malaysian businesses have shifted their focus to domestic markets - prioritising local customers and reducing international exposure while 40% of businesses plan to do the same. In addition, 37% of Malaysian businesses have increased their inventory levels to manage supply disruptions, with 49% planning to do so as well.

Despite global uncertainties, 250 Malaysian-based companies surveyed are optimistic about their international growth but are in need of external strategic advice on the matter. 91% of companies are confident they can grow international trade, ahead of the 89% global average. More encouragingly, 73% think that trade uncertainty has encouraged their business to evolve and explore new opportunities while 55% are seeking strategic advice on international expansion, restructuring or supply chain realignment.

Considering current trade dynamics, Malaysian-based businesses are adapting their trade strategy to significantly increase connections with China (61%), as well as South Asia (55%) and North Asia (44%). Beyond Asia, Malaysian businesses also plan to trade more with Europe and USA (both 32%).

Dato' Omar Siddiq, Chief Executive Officer and Head of Banking, HSBC Malaysia commented, "Despite the challenges posed by the uncertain tariff and trade landscape, businesses in Malaysia are demonstrating resilience and adaptability in the way they operate. While supply chains may be further reconfigured, there continues to be strong potential for local companies to leverage on Malaysia's strong trade ties particularly in Asia. Having said that, it is key to note that markets like the USA remain key trade destinations for Malaysia for high-value sectors such as electronics and semiconductors."

While managing cost is top of mind for Malaysian businesses during this period of global uncertainties, they are also using the opportunity to innovate and adopt new technology to boost operational efficiencies. 64% of Malaysian businesses have adopted new technology or digital platforms while 48% have developed new products and services. Other growth opportunities that Malaysian businesses are considering include shifting their focus to domestic or regional growth (57%) and improving their internal efficiencies or to changing their cost structures (54%).

The survey also indicates that during the current period of trade disruption, Malaysian businesses find cash and liquidity management as the most helpful form of support in managing working capital (64%), followed by improved payment terms with buyers and suppliers (56%) and supply chain finance (55%).

“With over 70% of Malaysian businesses anticipating sustained cost increases from the impact of tariffs and trade uncertainty on the cost of doing business and businesses facing an average 18% drop in revenue, the imperative for strategic adaptation is clear. Despite uncertainties, the world is also full of opportunities. Navigating this climate requires not only agility, but strong partnerships to ensure sustained growth in a shifting global economy,” said Dato’ Omar.

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Media enquiries to:

Joanne Wong

+603 2075 6169

joanne.p.m.wong@hsbc.com.my

Note to Editors:

Methodology

The HSBC Global Trade Pulse survey interviewed 5,750 businesses from 13 markets with international operations and a turnover of between US\$50m - \$2billion+. The markets included were: Bangladesh, France, Germany, Hong Kong, India, mainland China, Malaysia, Mexico, Singapore, United Arab Emirates, United Kingdom, United States, and Vietnam, and the research was conducted between April 30th and May 12th, 2025.

About HSBC Malaysia

HSBC's presence in Malaysia dates back to 1884 when the Hongkong and Shanghai Banking Corporation Limited established its first office in the country on the island of Penang, with the permission to issue currency notes. HSBC Bank Malaysia Berhad was locally incorporated in 1984 and is a wholly-owned subsidiary of The Hongkong and Shanghai Banking Corporation Limited, founding member of the HSBC Group. In 2007, HSBC Bank Malaysia Berhad was the first foreign bank to be awarded an Islamic banking subsidiary licence in Malaysia, and HSBC Amanah Malaysia Berhad was subsequently established. HSBC Malaysia offers a comprehensive range of banking and financial services including Islamic financial solutions. HSBC Malaysia has also led innovation in Malaysia by introducing Malaysia's first ATM and Electronic Touch Banking in the early 1980s. Today, HSBC Malaysia has launched innovative solutions such as HSBCnet for secure banking for businesses, Trade Transaction Tracker and Facial Recognition on supported mobile phones.

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