

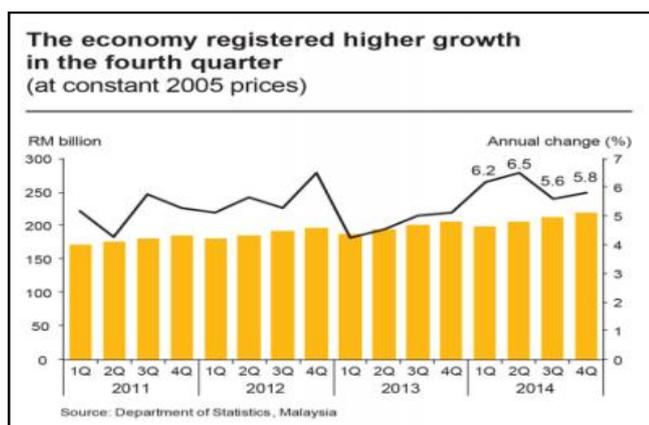
## Malaysia: 6% Growth for 2014

### Highlights

The Malaysian economy registered a higher growth of 5.8% in the fourth quarter of 2014 (3Q 2014: 5.6%), driven mainly by stronger private sector spending.

On the supply side, growth was sustained by the major economic sectors, supported by trade and domestic activities.

On a quarter-on-quarter seasonally-adjusted basis, growth momentum increased to 2.0% (3Q 2014: 0.9%).



**For the year 2014, the Malaysian economy grew by 6.0%, which is slightly higher than the consensus forecast of 5.9%.**

Domestic demand remained the anchor of growth in the fourth quarter, mainly on account of the improvement in private sector activity.

Private investment expanded at a faster pace of 11.2% (3Q 2014: 6.8%), driven by capital spending in the manufacturing and services sectors.

Private consumption registered a stronger growth of 7.8% (3Q 2014: 6.7%), supported by stable labour market conditions and continued wage growth.

Public consumption expanded at a more moderate pace of 2.7% in the fourth quarter (3Q 2014: 5.3%), due to slower growth in both emoluments and supplies and services.

Public investment, however, continued to decline, albeit at a slower pace of 2.1% (3Q 2014: -8.9%), following a smaller contraction in spending on fixed assets by the Federal Government.

### GDP by Expenditure Components (at constant 2005 prices)

	2013		2014		Annual change (%)
	4Q	Year	3Q	4Q	
Aggregate Domestic Demand (excluding stocks)	6.7	7.4	4.9	5.9	6.0
Private Sector	9.1	8.6	6.8	8.5	8.0
Consumption	7.4	7.2	6.7	7.8	7.1
Investment	16.6	13.1	6.8	11.2	11.0
Public sector	2.1	4.4	-1.2	0.6	0.2
Consumption	5.2	6.3	5.3	2.7	4.4
Investment	-1.4	2.2	-8.9	-2.1	-4.9
Net Exports	-6.8	-12.6	11.4	-9.8	19.7
Exports of Goods and Services	5.7	0.6	2.8	1.5	5.1
Imports of Goods and Services	7.1	2.0	2.2	2.6	3.9
<b>GDP</b>	<b>5.1</b>	<b>4.7</b>	<b>5.6</b>	<b>5.8</b>	<b>6.0</b>
<b>GDP (q-o-q growth, seasonally adjusted)</b>	<b>1.9</b>	<b>-</b>	<b>0.9</b>	<b>2.0</b>	<b>-</b>

Source: Department of Statistics, Malaysia

### GDP by Economic Activity (at constant 2005 prices)

	Share in 2014 (%)	2013		2014		Annual change (%)
		4Q	Year	3Q	4Q	
Agriculture	6.9	0.2	2.1	4.0	-2.8	2.6
Mining	7.9	-1.2	0.7	1.4	9.6	3.1
Manufacturing	24.6	5.2	3.5	5.4	5.2	6.2
Construction	3.9	9.8	10.9	9.6	8.7	11.6
Services	55.3	6.4	5.9	6.2	6.4	6.3
<b>Real GDP</b>	<b>100.0<sup>1</sup></b>	<b>5.1</b>	<b>4.7</b>	<b>5.6</b>	<b>5.8</b>	<b>6.0</b>
<b>Real GDP (q-o-q seasonally adjusted)</b>	<b>-</b>	<b>1.9</b>	<b>-</b>	<b>0.9</b>	<b>2.0</b>	<b>-</b>

<sup>1</sup> Numbers do not add up due to rounding and exclusion of import duties component

Source: Department of Statistics, Malaysia

On the supply side, growth in the fourth quarter was supported by major economic sectors.

Growth in the services sector was underpinned by expansion across all sub-sectors.

The construction sector remained strong, driven mainly by non-residential and residential sub-sectors, while the mining sector registered a strong growth due to higher crude oil production.

However, the agriculture sector recorded a contraction due to lower palm oil production caused by the flood in the eastern states of Peninsular Malaysia.

### Inflation Rate

The inflation rate, as measured by the annual change in the Consumer Price Index (CPI), averaged lower at 2.8% in the fourth quarter (3Q 2014: 3.0%). This decline was mainly attributed to the lower inflation in the food and non-alcoholic beverages category (2.7%; 3Q 2014: 3.2%), reflecting the decline in the prices of fresh meat and fresh seafood during the quarter. **For the year as a whole, inflation averaged 3.2% (2013: 2.1%)**

**Malaysia:  
6% Growth for 2014 (cont.)**

**BizWatch**

Malaysia's economic growth of 6% for 2014 is within the range of the official forecast of between 5.5% and 6% and slightly better than the consensus estimates of 5.9%.

The commendable growth was contributed by the strong economic growth registered in the first and second quarter of 2014, of which the growth for the said period is at 6.2% and 6.5% respectively before moderating to 5.6% in the third quarter of 2014 as a result of weak domestic demand and uneven economic recovery across the globe especially in the Eurozone area and Japan.

Comparing our growth performance with our close neighbours such as Indonesia, Thailand and Singapore, Malaysia is the leading country in ASEAN with GDP growth of 6% considering the uneven growth across the globe especially in the developed countries.

Country	4Q 2014 (%)	2014 (%)
Malaysia	5.8	6.0
Indonesia	5.01	5.02
Thailand	2.3	0.7
Singapore	2.1	2.9

Moving forward, the global economy is expected to remain on a moderate growth path, but with increasing divergence in the growth momentum among the major economies.

The decline in energy prices is expected to provide some additional support to overall global growth, as higher disposable income and lower inflation will support consumer spending.

The Malaysian economy is expected to remain on a steady growth path. The gradual recovery in global growth will lend support to manufactured export performance, although overall export growth would likely remain modest amid lower commodity prices.

As for Iskandar Malaysia, the continuous economic activities that are happening in the region is expected to keep the pace of the region's growth. Vibrant construction activities within the region are expected to drive the economic region growth, similar with what is driving the Malaysian economic growth for 2014.

**Iskandar Malaysia declared as Regional Centre of Expertise on Education for Sustainable Development (RCE)**

Iskandar Malaysia has been acknowledged as the Regional Centre of Expertise (RCE) on Education for Sustainable Development by the United Nations University.

The RCE on Education for Sustainable Development is a platform to bring together individuals and organisations to promote sustainable development.

Universiti Teknologi Malaysia (UTM) and IRDA will be the secretariat, offering support by coordinating and managing activities promoting Education for Sustainable Development (ESD).

This recognition is a step towards ensuring that Iskandar Malaysia achieve 50% reduction in carbon dioxide emission by 2025.

RCE Iskandar is the third REC in Malaysia after RCE Penang and RCE Central Malaysia.

**International Forum on Future City Initiative**

Iskandar Malaysia in collaboration with UTM successfully hosted the International Forum on Future City Initiative (FCI) bringing together 250 local and international subject matter experts from both public and private sectors.

Held for the first time outside Japan, the Forum was organized by the Cabinet Secretariat and Cabinet Office, Government of Japan in collaboration with the Ministry of Urban Wellbeing, Housing and Local Government of Malaysia, Jabatan Perancangan Bandar dan Wilayah Persekutuan Semenanjung Malaysia, IRDA and Majlis Bandaraya Johor Bahru.

The one day forum saw a strong delegation from Japan with delegates sharing insights and success stories from Japan Future Cities including cities of Kitakyushu, Yokohama and Toyama. Interesting insights on the Japanese ageing population and independent living by Prof Dr Hiroko Akiyama from University of Tokyo and views on accelerating urban growth impacting social and long term competitiveness by Dr Tadashi Matsumoto from OECD.



Group photo with Dato Dr Wahid Omar, Vice Chancellor of UTM and Prof Datuk Ismail Ibrahim, Chief Executive of IRDA with delegation leaders and speakers.

## Malaysia Investment Performance

### Report 2014

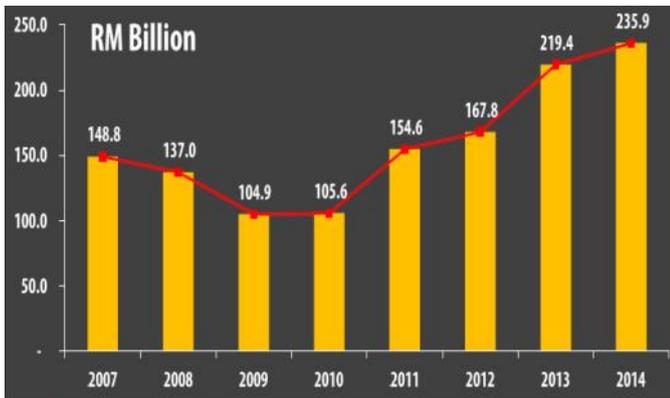
'A Record Year for Investments' (Source: MIDA's announcement on 26 Feb 2015)

#### Highlights

Global foreign direct investments (FDI) for 2014 was moderate at USD1,260 billion as compared to USD1,363 billion in 2013, a decline of 8% as a result of uneven economic recovery across the globe.

For Malaysia, FDI into the country dropped by 8% in 2014 to RM35,085 million versus RM38,238 million in 2013 taking cues from the weak recovery around the globe especially in the Eurozone area and Japan as well as China.

On the contrary, despite lower global direct investments flow, **approved investments in Malaysia for 2014**, stood at **RM235.9 billion**, setting a new record level. For 2013, approved investments was at RM219.4 billion.

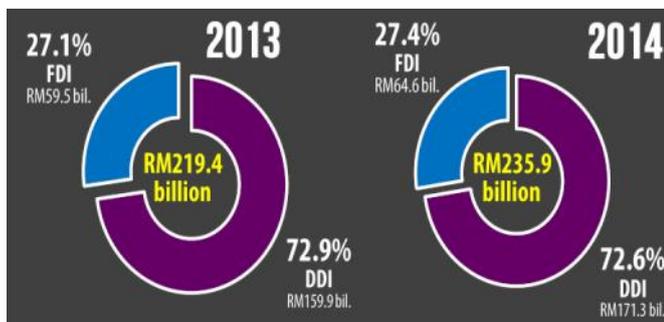


MIDA

#### Malaysia: Total investments approved

A total of 5,942 projects was approved in 2014, with domestic investors leading the foreign investors with the ratio of 72.6% to 27.4%.

The approved projects have created a total of 178,360 employment opportunities within the various sectors that been approved.

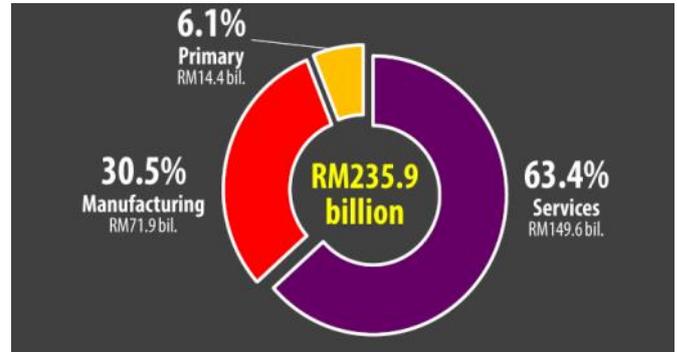


#### Malaysia: Domestic and Foreign Investments

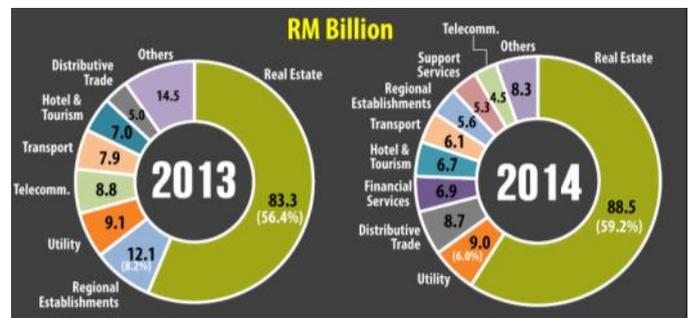
While there is increase in FDI, domestic investments remain strong representing strong market confidence in the business environment in Malaysia.

# BizWatch

#### Services Sector



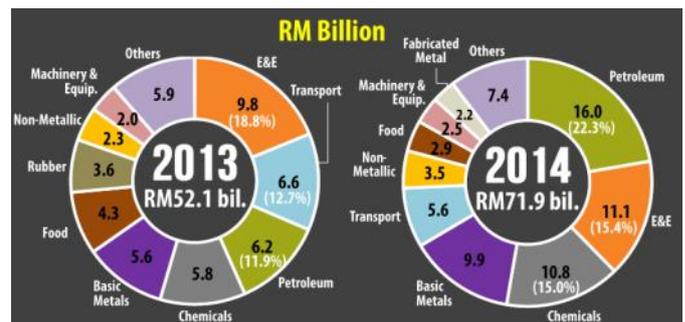
The services sector continue to lead the investments approved in 2014, followed by manufacturing and primary sector.



In the breakdown of the services sector, the real estate or property sector is a major contributor with 59.2% of the investments in the services sector.

#### Manufacturing Sector

For the manufacturing sector, total approved investments grew by 38% year on year to RM71.9 billion in 2014 as compared to RM52.1 billion in 2013.



A total of 811 projects have been approved for the said year with total employment opportunities of 78,340 jobs.

Petroleum, Electrical & Electronics, Chemicals, Basic Metals and Transport are the sectors which attracted much investments in 2014. Investments in the Petroleum and Chemicals sectors more than doubled in 2014 as compared to investments in 2013.

Of the RM71.9 billion investments, 60.5% are new investments while the balance are re-investments.

Foreign investments stood at RM39.6 billion which represents 55.1% while domestic investments stood at RM32.3 billion or 44.9%.

## Malaysia Investment Performance Report 2014 (cont.)

# BizWatch

### Top Foreign Investors

Japan, the European Union and Singapore are the top three foreign investors in the manufacturing sector in 2014. 70.1% of FDI comes from Asia with 24.5% from EU and USA.

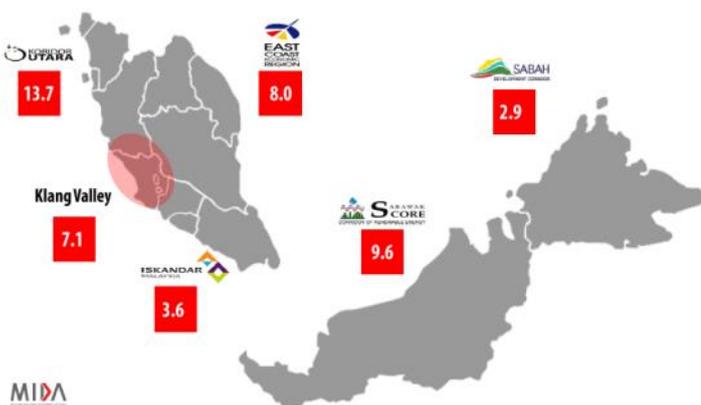
### Manufacturing: Investment in economic corridors and Iskandar Malaysia

In terms of investment in the economic corridors, Koridor Utara led with total investments of RM13.7 billion, followed by Sarawak SCORE of RM9.6 billion and East Coast Economic Region of RM8 billion.

As for Iskandar Malaysia, a total of RM3.6 billion has been recorded in 2014, as compared to RM10 billion in 2013.

Johor tops the total investments approved by state with total investments of RM21,176 million in 2014, followed by Sarawak and Pulau Pinang of RM9,640 million and 8,162 million respectively. In 2013, Johor was also the top state with a total investments in the manufacturing sector of RM14.4 billion.

■ Investments Approved (RM bil.)



Out of the RM3.6 billion of approved investments in the manufacturing sector in Iskandar Malaysia, the contribution by foreign and local investors is at 50.5% and 49.5% respectively.

The top three foreign investors in Iskandar Malaysia in 2014 are Singapore, Germany and India. Singapore retained its top position and remains the biggest foreign investor by source country in Iskandar Malaysia. China and USA remained on the top 10 list of foreign investors for 2014 in Iskandar Malaysia.

The manufacturing sub-sectors favoured in 2014 are :

- i. Non metallic mineral products
- ii. Food manufacturing
- iii. Fabricated metal
- iv. Electronic & electrical
- v. Chemicals & chemical products



### BizWatch Comments

Malaysia has managed to record another remarkable year in terms of investment performance for 2014.

The hard work and collaboration led by the lead agency such as MIDA together with its partners such as the economic corridors namely Iskandar Malaysia, Koridor Utara, Sarawak SCORE and many more has been fruitful as Malaysia has managed to break a new record in terms of investments.

In the recent article titled ' On the rise: the fastest growing investment destinations of 2014' by the fDi Magazine, Malaysia is within the top 5 countries which include Egypt, India, Vietnam and Philippines. Malaysia is currently the 15th most popular destination for FDI worldwide (up from 27th position in 2013) and in Southeast Asia, is second only to Singapore ahead of Indonesia, Thailand and other ASEAN countries.

As for Iskandar Malaysia, although the region has managed to secure only RM3.6 billion in terms of investments approved in 2014 as compared with RM10 billion in 2013, Johor as the whole state has managed to secure investments of RM21.18 billion retaining its top position for investments in the manufacturing sector.

The bulk of investments in Johor, is believed to be in Pengerang, where Pengerang Integrated Petroleum Complex resides, which is not located inside Iskandar Malaysia.

Nonetheless, we can expect the spill over effects of the investments in Pengerang to be in Iskandar Malaysia especially in area within Pasir Gudang and Tanjung Langsat. The good road connectivity via the Senai—Desaru Highway that link between Pengerang and Iskandar Malaysia is viewed as the main catalyst for the vibrant economic activities between these two places. Also, Iskandar Malaysia has better education, healthcare and lifestyle facilities to complete the business eco-system.

Having strong investments and being continuously in top position comes with the huge responsibilities to ensure smooth and better facilitation of the projects approved in Iskandar Malaysia and Johor.

We look forward to closer collaboration with the Federal Government, State Government and State Agencies to improve timeliness of business approvals and licenses including the implementation of our human capital initiatives.

### Editorial

Economics and Investment  
Iskandar Regional Development Authority

Low Mei Leong  
Arif Kasmuri

meileong@irda.com.my  
arif.kasmuri@irda.com.my

Articles are adapted from public documents. Comments are personal views of authors and professional advice should be sought when making business decisions. IRDA will not be liable for the accuracy and/or validity of the above statements.