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## Malaysia Investment Performance 2016

Source: MIDA


YB Dato Seri Mustapa Mohamed, Minister of International Trade and Industry presented the 2016 Malaysia Investment Performance Report on 2 March 2016.

2016 was a challenging year. On the global front, some of the challenges that emerged in 2016 were:

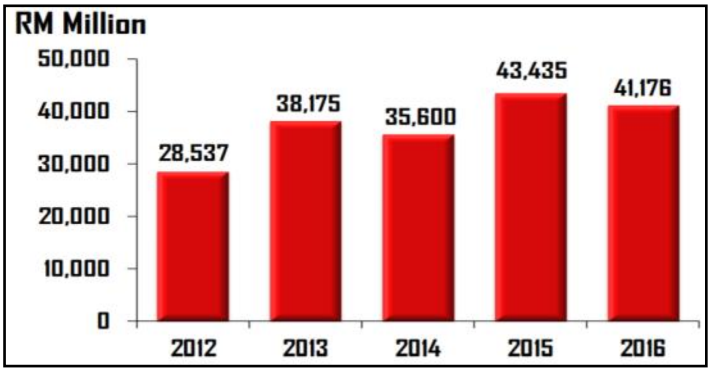
- Significant deceleration in developed market economies led to weak aggregate demand.
- Volatile international financial markets, including currency fluctuations.
- Sentiments from world events such as Brexit.
- Uncertainties around the rebalancing of the Chinese economy.
- Commodity prices and global economic activities remain subdued.
- Evolving US economic policies on global trade.
- Elevated geopolitical risks further amplifies economic challenges.

On the local front, issues such as the following have affected the Malaysian market:

- Continued volatility in the exchange rate
- Over-reliance on foreign workers
- Low productivity levels
- More intense competition from regional peers
- Misperceptions among investors

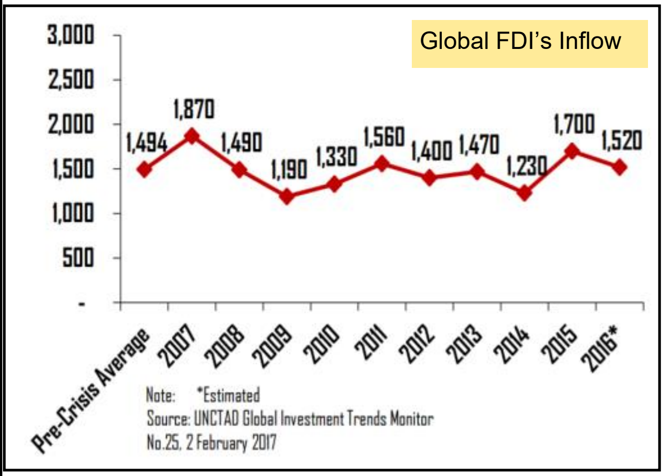
Despite of these challenges and issues, Malaysia still managed to maintain its investment growth momentum in 2016 as reflected in the following chart:

Malaysia FDI Inflows



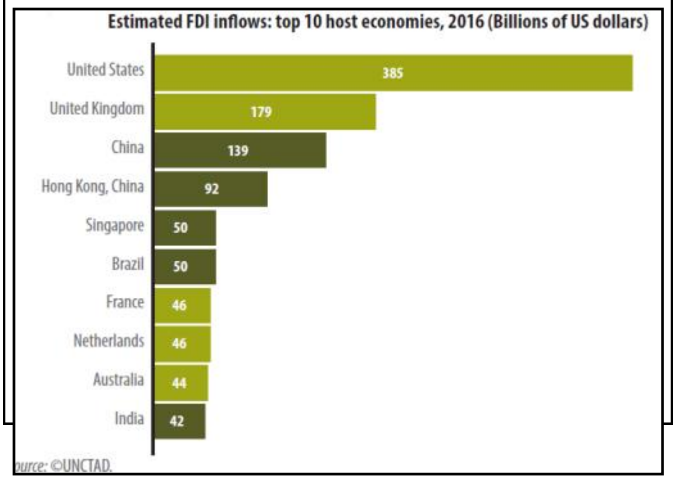

In 2016, FDI inflows to Malaysia decreased by 5% as compared to 2015, as a result of the above challenging economic conditions.

Nonetheless, the decrease in the inflows to Malaysia's FDI was less when compared with the decline of 13% in global FDI in 2016 as shown in the chart below:



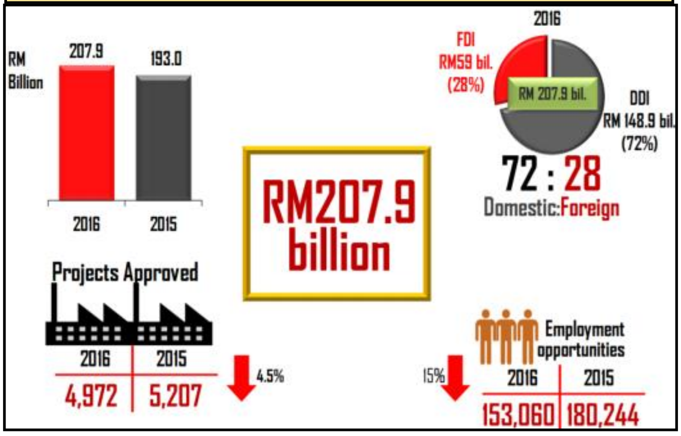

UNCTAD Global Investment Trent Monitor reported that FDI flows into developing Asia decreased by 22%. From a global perspective, growth in China and developed countries such as USA helped sustained the FDI's overall decline.

The top 5 countries in FDI inflows in 2016 were USA, UK, China, Hongkong and Singapore. Collectively, Asia through China, Hongkong and Singapore exceeded the FDI inflow into UK. For 2017, it is expected that USA will continue to attract FDI with its new trade policies under Trump and UK is expected to attract less FDI with Brexit.



## Malaysia Investment Performance 2016 (cont.)

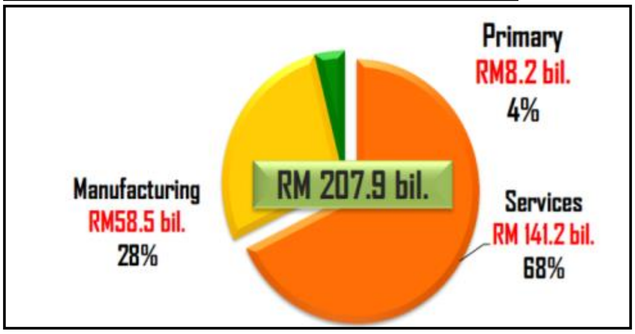
Malaysia: Total Approved Investments




In 2016, Malaysia managed to attract investments worth RM207.9 billion despite the challenges from external headwinds.

Of the total investments approved in 2016, RM148.9 billion or 71.6% was contributed by Domestic Direct Investment (DDI) while about RM59 billion or 28.4% came from FDI.

Malaysia: Investments By Sector & Source




Malaysia's services sector remained the biggest magnet for investments. In 2016, it attracted a total of 4,199 approved projects with investments amounting to RM141.2 billion or 67.9%. Within the services sector, DDI accounted for RM112.9 billion while FDI totaled RM28.3 billion. The manufacturing sector attracted investments worth RM58.5 billion or 28.1%. Approximately RM27.4 billion or 46.8% Malaysia's total investments came from foreign sources while the balance of RM31.1 billion or 53.2% were from domestic sources.

Despite the global slowdown, Malaysia continued to attract a significant amount of new investments in manufacturing. In 2016, investments in new projects amounted to RM27.7 billion from 340 projects. This comprised 47.4% of the total investments approved, of which RM10.3 billion or 37.2% came from foreign sources while RM17.4 billion or 62.8% hailed from domestic investments.

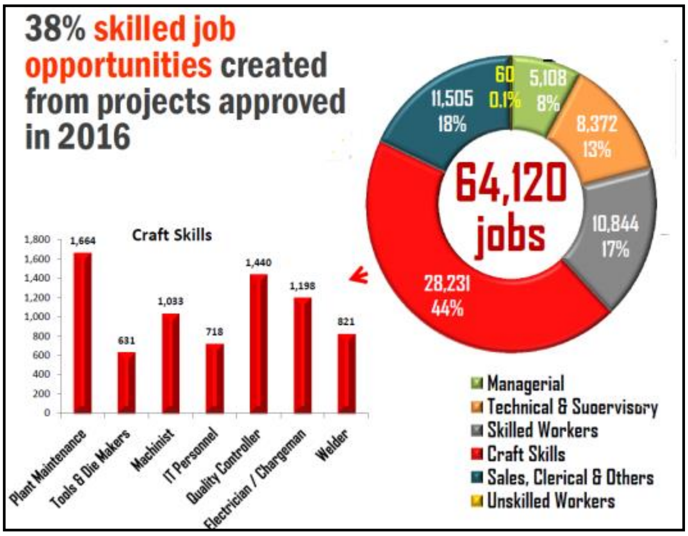
Approved Investment In The Manufacturing Sector

| Year | 2016 | 2015 | |
|---|---|---|---|
| Approved Investments | RM58.5 bil. | RM74.7 bil. | 21.7% |
| Projects | 733 | 680 | 7.8% |
| Jobs | 64,120 | 66,494 | 4.2% |

It is interesting to note that diversification projects exceeded new projects denoting a continued confidence of existing manufacturing companies in Malaysia.
Some of the major expansion/ diversification projects were:

- Lotte Chemical Titan (RM2.0 billion in the production of ethylene, propylene, benzene, toluene and polypropylene)
- Biocon Sdn Bhd (RM405 million into insulin, analogues, therapeutics etc)
- Ain Medicare Sdn Bhd (RM117 million into intravenous solution and irrigation solution)
- Assembly Services Sdn Bhd (RM1.16 billion into assembly of energy efficient vehicles)
- Keysight Technologies Malaysia Sdn Bhd (RM137 million into microwave & communications, and other electronics parts)

The investments in the manufacturing sector created 64,120 jobs of which 38% are skilled jobs (managerial, technical & supervisory and skilled workers). 44% was from craft skills level comprising of plant maintenance, tools & die makers, quality controller, electrician/ charge men, machinists, welders etc.



## Malaysia Investment Performance 2016 (cont.)

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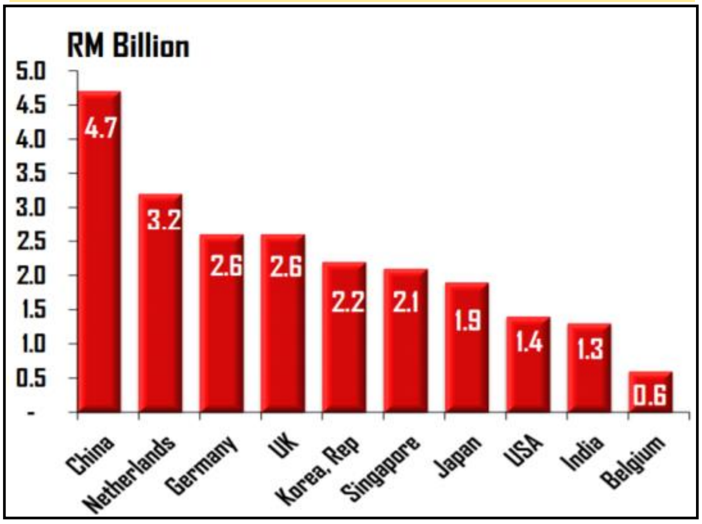
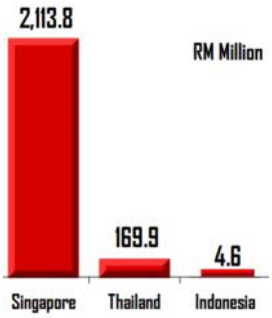
Sources of FDI




In 2016, the top 5 foreign investors were China, Netherlands, Germany, UK and Korea. ASEAN investments contributed RM2.3 billion or 8% of total foreign investments approved in manufacturing sector with Singapore leading the way.

Approved Investments from ASEAN

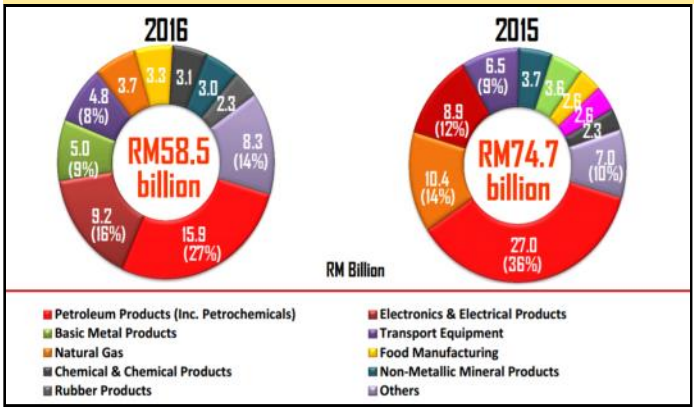



Chinese investments in 2016 were mainly in solar related parts and components. Investments from Korea overtook Singapore in 2016, and major investments was from Lotte Titan Chemical.

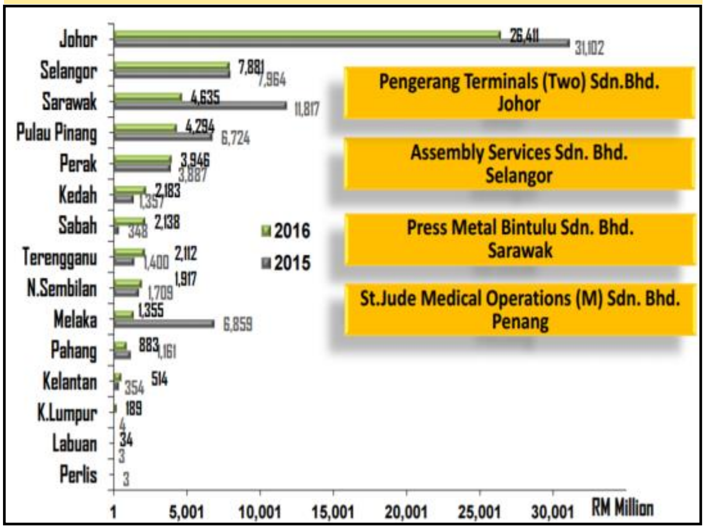
The breakdown of investments by industry for 2016:

- Petroleum products (incl. petrochemicals)
- Electronics & electrical products
- Basic metal products
- Transport equipment
- Natural gas
- Food manufacturing
- Chemical & chemical products

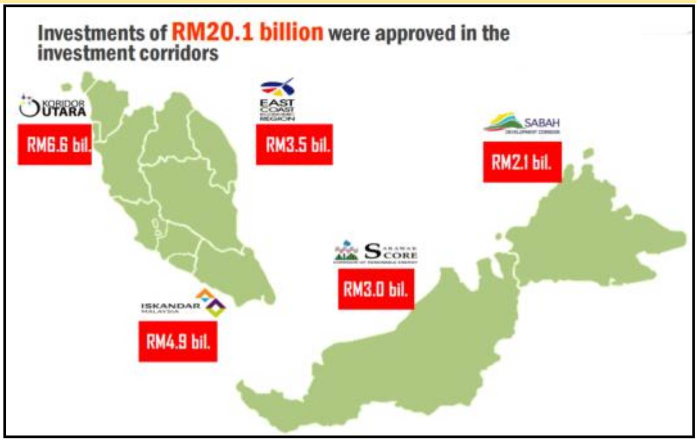
Investments by Industry




Investments by State




Investments by Economic Corridors




Johor was the top state to attract investments in the manufacturing sector with RM26.4 billion making this the 4th year in a row ahead of Selangor, Sarawak, Penang and Perak.

For Regional Corridor, Iskandar Malaysia ranked 2nd attracting RM4.9 billion of investments in the manufacturing sector behind Penang (RM6.6 billion) and followed by ECER (RM3.5 billion).

In general, the average implementation rate of manufacturing projects is at 82% (period 2012-2016)

**Investments in Catalytic and High Growth Sectors under 11th Malaysian Plan**

Of the RM58.5 billion of investments in the manufacturing sector, 31.3% or RM18.3 bil were approved investments in catalytic and high potential growth sectors. These sectors are:

- Electronics & electrical products
- Chemical & chemical products
- Medical devices
- Aerospace
- Machinery & equipment

These are also the sub-sectors that we are promoting aggressively in Iskandar Malaysia.

## Malaysia Investment Performance 2016 (cont.)

Approved Investment in the Services Sector

| Year | 2016 | 2015 | |
|---|---|---|---|
| Approved Investments | RM141.2 bil. | RM114.5 bil. | 23% |
| Projects | 4,199 | 4,470 | 6% |
| Jobs | 88,108 | 112,194 | 22% |

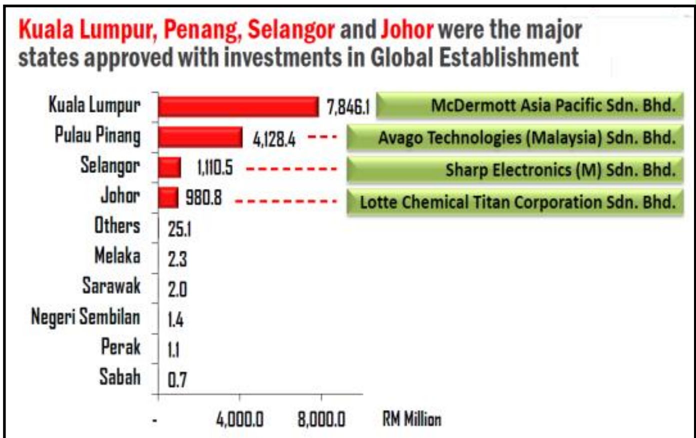
Investments in the services sector contributed 68% of the total investments in 2016. The increase of 23% compared to year 2015 helped mitigate the drop in investments in the manufacturing sector. While the services sector is predominantly led by domestic players, there is a notable increase in FDI contribution where FDI make up 20% of investments (2015: 8%)

Top 5 sectors under services in 2016 were:

- Real estate
- Global establishments
- Financial services
- Utilities
- Distributive trade

**Global establishments** increased by 72% with RM14.1 bil investments in 211 projects in 2016. Global establishments include principal hub (PH), regional establishment, representative office and treasury management centre. The incentives for PHs introduced in 2015 replaced the incentives for operating headquarters, regional distribution centre and international procurement centres.

Good growth in PHs especially in Kuala Lumpur shown the success of promotion activities by MIDA and InvestKL. Successful PHs require a good eco-system especially lifestyle to attract multinational corporations to set up their regional operations. We can see Johor Bahru/ Iskandar Malaysia emerging as a contender for regional operations and this will augur well as we develop and promote the Global Business Services (GBS) under the Financial & Business Services sub-sectors.

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Malaysia's investment performance for 2016 of RM207.9 bil (2015: RM193 bil) is commendable given the uncertainties' in the market throughout 2016 which resulted lower FDI inflows into Malaysia.

In 2016, domestic investments continued to be the savior for the investments performance. Out of the total approved investments of RM207.90 billion, 72% or RM148.9 billion came from the domestic investments with the balance from foreign investments. In terms of breakdown, the manufacturing sector fell by 21.7% while the services sector expanded by 23%, cushioning the overall drop.

Johor retained its top position, fourth year in a row, being the state in Malaysia in attracting the highest investments. For the year under review, Johor had managed to secure total investment worth RM26.41 billion, mainly contributed by Pengerang Terminals (Two) Sdn. Bhd. Johor.

Out of the RM26.41 billion of investments landed in Johor, 18.55% or RM4.9 billion of the investments reside in Iskandar Malaysia.
In the services sector, there was strong growth in investments in principal hubs and Johor/ Iskandar Malaysia emerged as one of the major states to attract such investments.

**1. More investments require more talent**

There is a need to continue working on developing the talent pipeline and the right talent for the industry. The recent Memorandum of Collaboration (MOC) between Singapore's ITE Education Services and MIDA on the Temasek Foundation International-funded Capacity Development Programme for Technical and Vocational Education and Training (TVET) Master Trainers from Malaysia can lay the foundation for better supply of talent from TVET segment. The programme can benefit some 100 TVET Master Trainers from seven institutions (mainly Government linked TVET) in Johor.

**2. Improving the eco-system (livability)**

We must build on the momentum of interest in Principal Hubs and the recently launched incentives for GBS to bring in more investments in these sub-sectors. One key element is the attractiveness of Iskandar Malaysia as a place to live and work. We need to engage with all stakeholders to enhance and improve the livability of Iskandar Malaysia.

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