IM BizWatch
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NEWS·INFORMATION·OPPORTUNITIES
ISKANDAR MALAYSIA 2006 – 2016
ISKANDAR REGIONAL DEVELOPMENT AUTHORITY

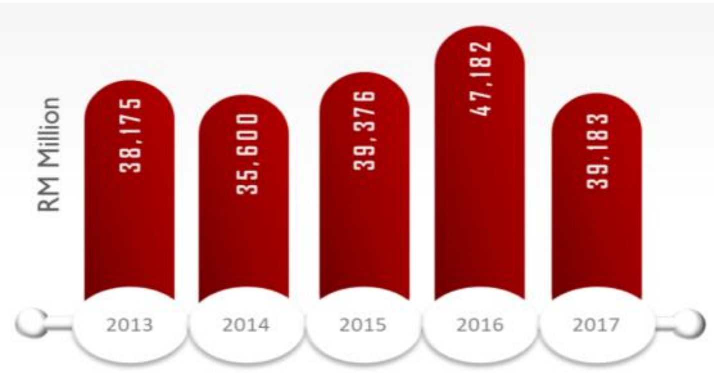
Malaysia Investment Performance 2017
(extracted from MIDA Investment Performance Report 2017)

Global and Malaysia FDI inflows

Global FDI flows fell by 16% in 2017, reaching to an estimated USD1.52 trillion. According to UNCTAD, the FDI drop was due to weak economic growth and major global policy risk.

Source: UNCTAD Global Investment Trends Monitor, 22 January 2018

For Malaysia, the FDI inflows to the country dropped by 17% taking cue from the drop of 16% of the global FDI.

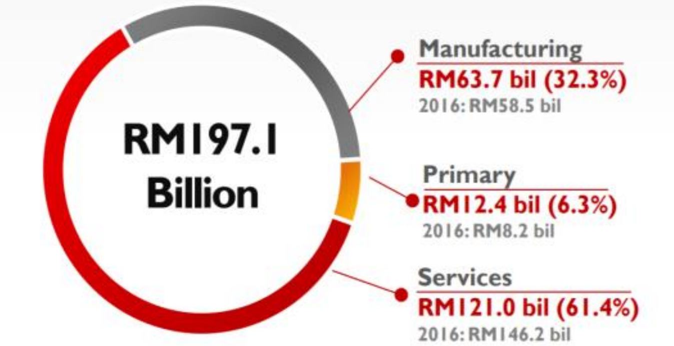


Source: DOSM

Total Approved Investments In 2017

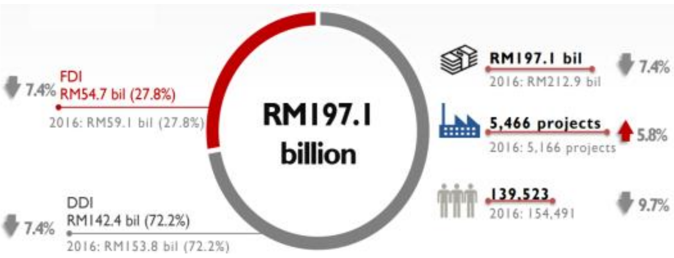
In 2017, Malaysia recorded approved investments of RM197.1 billion in the manufacturing, services and primary sectors. These are from 5,466 projects that will generate an additional 139,520 job opportunities for the country.

Domestic direct investments (DDI) accounted for the bulk of it or 72.2% at RM142.4 billion, while foreign direct investments (FDI) contributed RM54.7 billion, making up 27.8% of the total.



The overall investment performance moderated by 7.4%. This was due to lower approved investments recorded in the services sector which saw a decline of 17.2%, from RM146.2 billion in 2016 to RM121.1 billion in 2017.

The decline was affected by the real estate subsector which saw a 28.7% drop in value to RM45.7 billion despite a 43.1% increase in the number of projects approved, reflecting a change in investment strategies towards smaller sized projects in this subsector.



Nonetheless, the overall investment performance was bolstered by the manufacturing and primary sectors which recorded increases of 8.9% and 51.2% respectively. The qualitative aspects of investments attracted into Malaysia in 2017 were evident on many fronts, such as job and business opportunities as well as the transfer of technology.

Manufacturing sector

The manufacturing sector recorded total approved investments of RM63.7 billion, increasing 8.9% from RM58.5 billion in 2016. Although there were few projects in 2017, these were larger investments.

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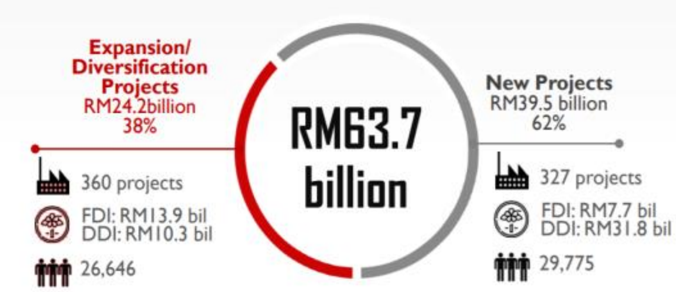


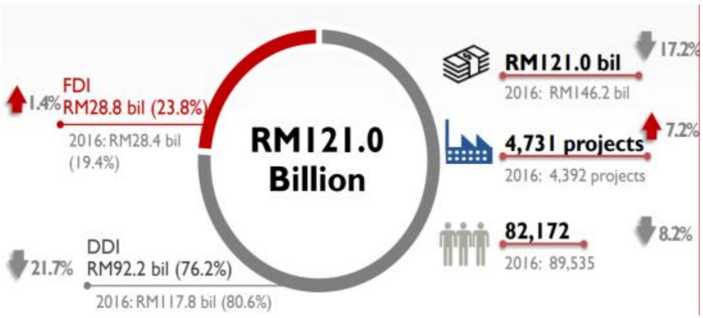
The petroleum products including petrochemicals and natural gas recorded the highest total approved investments of RM26 billion, followed by electronics & electrical (E&E) products (RM9.7 billion), non-metallic mineral products (RM7.7 billion), transport equipment (RM4.8 billion), chemicals and chemical products (RM4.1 billion), machinery & equipment (RM2.2 billion), food manufacturing (RM2.1 billion) and scientific & measuring equipment (RM2.0 billion). These eight industries accounted for RM58.6 billion or 92% of total investments approved in this sector.

Domestic investments were dominant, contributing 66.2% of the total investment approved, while the balance came from FDI. Most of the domestic investments were in new projects (RM31.8 billion) while RM10.3 billion went into expansion or diversification projects.

In 2017, MIDA approved another project for the Pengerang Integrated Complex (PIC), a highly integrated refining and petrochemical complex that is set to highlight Malaysia's status as a global leader in the petrochemical products industry. It is part of the 22,000 acres Pengerang Integrated Petroleum Complex (PIPC) with current approved investment of USD27.2 billion. Once completed, PIC will provide 4,000 job opportunities. As at January 2018, the PIC project execution progress is on track at 84%. Besides Pengerang, among notable domestic investments approved including projects which are majority owned by Malaysians such as Petronas Floating LNG1 and Malaysian Refining Company in the petroleum products including petrochemical and natural gas industry, Salutica Allied Solutions and Inari Technology in the E&E industry, Muhibbah Marine Kuantan for the shipbuilding and ship repair segment, SME Aerospace and T7 Kilgour in aerospace, Sokachem in chemicals & chemical products industry, Ibronx and Greatech Integration in the M&E industry, and Upha Pharmaceutical and Duopharma in the pharmaceutical industry.

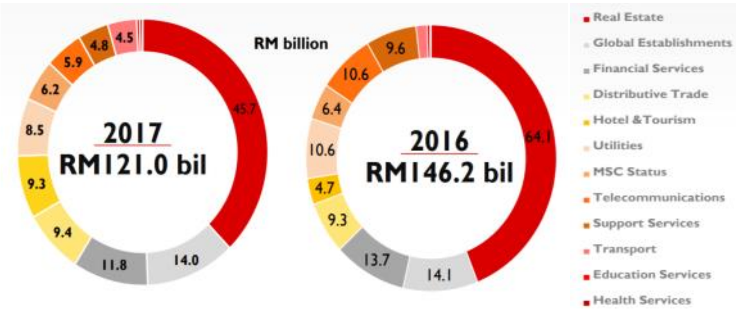
MALAYSIA INVESTMENT PERFORMANCE REPORT 2017

Services sector



The services sector remained as the largest contributor to the total approved investment contributing 61.4% or RM121.0 billion in 2017. The year-on-year approved investment value for the services sector contracted by 17.2% last year but the number of projects recorded an increase of 7.7% from 4,392 approved projects in 2016 to to 4,731 in 2017. Domestic investment occupied the lion share of the total in the services sector with RM92.2 billion, while foreign investments made up the rest of RM28.8 billion.

The real estate subsector made up the highest portion at RM45.7 billion or 37.7%, followed by global establishments (RM14.0 billion or 11.6%), financial services (RM11.8 billion or 9.7%), and distributive trade (RM9.4 billion or 7.8%).



Global establishments approved in 2017 accounted for investments of RM14.0 billion and created 2,028 job opportunities for Malaysia. From the 225 global establishment projects, 9 were Principal Hub (PH) projects, bringing the total to 28 PH projects approved since the scheme was introduced in 2015.

Notable companies with global establishments in Malaysia include Nestle, Honeywell, Lazada, Huawei, Ikea, Roland, FM Logistics, Pos Malaysia and Integrated Device Technology. These establishments not only bring in business commitments for the long term, but also utilises Malaysia's banking, financial services and other ancillary services while generating high skilled employment opportunities.

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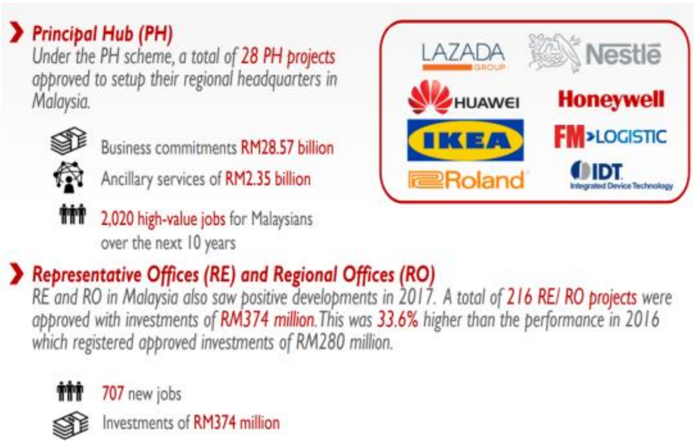
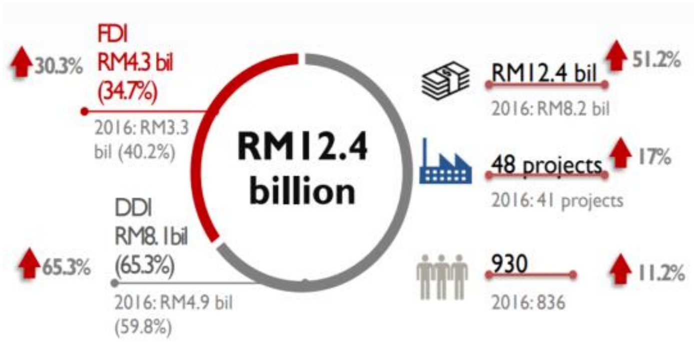
Notable PH projects approved in 2017 include Integrated Device Technology (IDT), a global leader in the semiconductor industry; Roland, a leading Japanese based electronic musical instrument manufacturer; and IKEA, the Dutch headquartered retail furniture giant.



Primary sector



For 2017, the primary sector saw a substantial increase of 51.2% in approved investment from 48 projects worth RM12.4 billion compared to RM8.2 billion from 41 projects in 2016. Investments from domestic sources totalled RM8.1 billion or 65.3% while foreign investments contributed RM4.3 billion or 34.7%. The mining sub-sector led with approved investments of RM11.7 billion in 32 projects, mainly from the oil and gas exploration activities. This is followed by the plantation and commodities sub-sector with investments of RM672 million, and the agriculture sub-sector making up the rest of approved investments.

Investments By State

Johor was the highest recipient of approved investments amounting to RM21.9 billion, followed by Pulau Pinang (RM10.8 billion), Sarawak (RM10.5 billion), Selangor (RM5.6 billion) and Melaka (RM4.7 billion).

These five states contributed 84% of the total investments approved in 2017.

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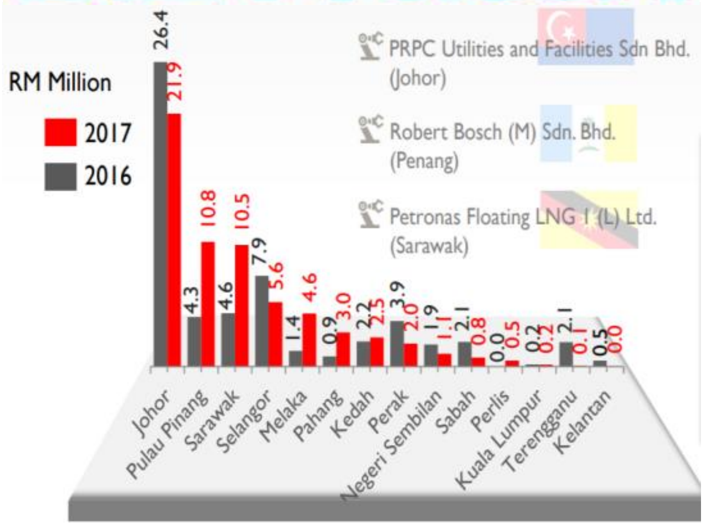
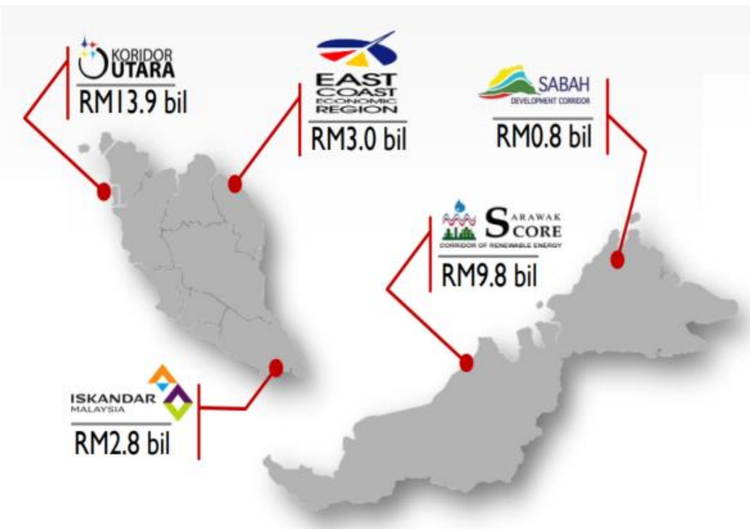


Top 3 states with approved investments in 2015-2017

Rank	1st	2nd	3rd
2017	Johor	Penang	Sarawak
2016	Johor	Selangor	Sarawak
2015	Johor	Sarawak	Selangor
2014	Johor	Sarawak	Penang
2013	Johor	Selangor	Sarawak

Investments By Corridor

In terms of investments by corridor, Koridor Utara has managed to secure the highest investments in 2017 of RM13.9 billion followed by SCORE of RM9.8 billion, East Coast Economic Region of RM3.0 billion, Iskandar Malaysia of RM2.8 billion and Sabah Development Corridor of RM0.8 billion.



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Employment creation in 2017

Annual employment by types of economic activity

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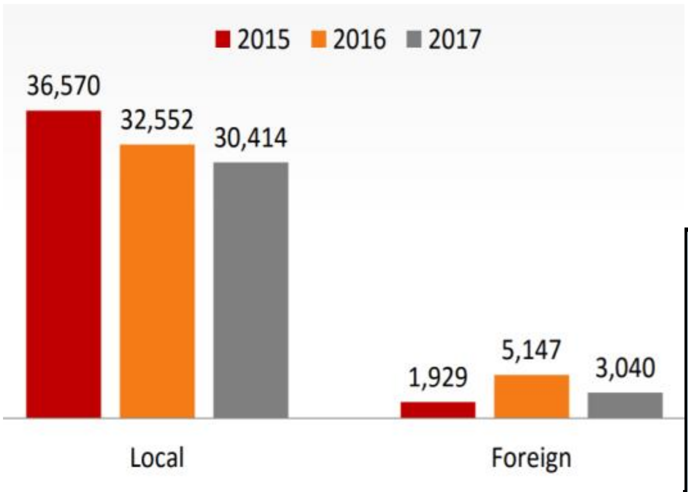
Economic Activity	2013	2014	2015	2016	2017
Agriculture	1,788	1,798	1,751	1,745	1,843
Mining and quarrying	78	78	97	86	82
Manufacturing	2,352	2,389	2,375	2,394	2,436
Construction	1,264	1,242	1,308	1,277	1,333
Services	8,062	8,345	8,537	8,661	8,789
Total Employment	13,545	13,853	14,068	14,164	14,482

Retrenchment trends 2015 - 2017



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As the global economic growth is forecast to expand to 3.9% in 2018 by the International Monetary Fund (IMF) as compared with 3.7% in 2017, it is expected that the overall investment performance in Malaysia is also expected to follow this favourable trend with Malaysia GDP projected between 5.0% and 5.5% for 2018. This will further benefit Malaysia's domestic economic activities and boost business confidence to invest in the country.

In terms of approved investments by state, the state of Johor has managed to retain its top position for the fifth year in a row since 2013, thanks to the huge investments from the Pengerang Integrated Petroleum Complex (PIPC).

On contrary, investments (manufacturing) flowing into Iskandar Malaysia has been reducing with the latest approved investments in 2017 amounted to RM2.8 billion as compared with RM4.9 billion in 2016 and RM3.4 billion in 2015. While we can explain that the uneven investments is represented by global investment trend, we need also to take note and to push forward more aggressively the investment and promotion of Iskandar Malaysia as the choice investment destination. Overall, supported by other sectors especially the real estate and services sectors, Iskandar Malaysia had maintained its investment momentum in 2017.

We can expect the spill over effects from PIPC to benefit Iskandar Malaysia in terms of demand for residential, retail and F&B as well as entertainment and leisure within Iskandar Malaysia and of course in Desaru.

Recognising the competition for FDIs and that global economic growth will be fuelled by investments from Asia, IRDA in 2018 will focus its marketing and promotion activities by targeted regions namely:

i) Far East – China, South Korea and Japan
ii) Europe – Germany, France and United Kingdom
iii) Asean – Indonesia and Singapore
iv) North America – USA and Canada

The opening up of the ASEAN market through the Asean Economic Community (AEC) with ASEAN as a single market and production base, Malaysia as well as Iskandar Malaysia are well prepared to take the opportunities offered by AEC.

IRDA need to leverage on its engagements with investors from ASEAN as well as outside ASEAN as Iskandar Malaysia has the unique strategic location as well as the ready infrastructure to capitalise on the expanded opportunities under AEC.

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