



**MALAYSIA: INVESTMENT PERFORMANCE 2012**  
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**STATEMENT BY:**  
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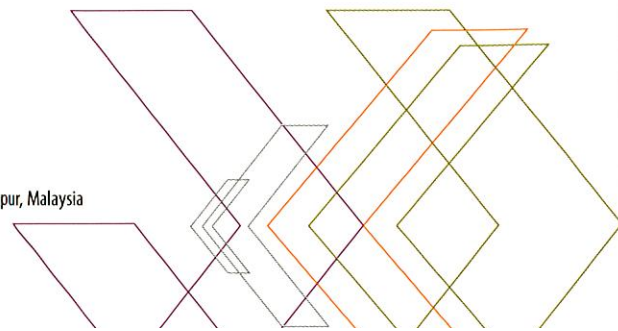
**Highlights:**

Malaysia exceeded the private investments target of RM127.9 billion and broke all approved investments and employment records in 2012:

- Attracted the highest amount of investments ever recorded: RM162.4 billion.
- Made strong progress in the development of industries for new and emerging technologies.
- Created 182,841 jobs – more than any other year.
- Domestic investment inflows increased to almost 370% of FDIs.

**Realised Private Investments**

In the wake of impressive efforts from both the public and private sectors, Malaysia reached a record RM139.5 billion of private investments (measured in terms of Gross Fixed Capital Formation – GFCF), an increase of 24.8% as compared to RM111.8 billion recorded in 2011. As a result of Malaysia's solid investment performance last year, the country exceeded the private investments target of RM127.9 billion for 2012 by 9.1%.



## The Year in Brief

Malaysia attracted RM162.4 billion in investments in 2012, more than any other year despite the uncertain global economic conditions. This constitutes investments approved in the manufacturing, services and primary sectors. Of the total investments approved, RM127.6 billion (78%) were contributed by domestic investments (DDI) and RM34.8 billion (22%) came from foreign investments (FDI).

It is heartening to note that domestic investment inflows increased substantially by almost four times the FDIs achieved in 2012, a sure sign of confidence local business have in the country's ability to prosper its investors. This is also in line with the Government's continued drive to actively promote domestic investments as outlined in the Economic Transformation Plan and the 10th Malaysia Plan.

The investments approved were in 6,442 projects and are expected to generate 182,841 job opportunities. The services sector accounted for the largest share of the total potential employment in the economy with 103,180 job opportunities or 56.4% followed by the manufacturing sector with 76,631 job opportunities (41.9%) and primary sector with a number of 3,030 employment opportunities (1.7%).

The workforce transition in the manufacturing sector is already taking place with an increasing proportion of employment being in more highly skilled occupations. It is to be noted that of the 76,631 employment opportunities created in the manufacturing sector, 56,353 or 73.5% will be in the managerial, technical, supervisory and skilled manpower categories.

Much 2012's investments were in new and emerging technologies, particularly within the aerospace, semiconductors, solar, machinery and equipment, biotechnology, petroleum and petrochemical products and medical devices industries as well as the oil and gas services sector.

The remarkable achievement was made possible by the Government's strategies to attract quality investments, which include strengthening Malaysia's ecosystems for existing industries to fill gaps throughout the economic value chain.

Malaysia has now gained an enviable reputation as a global and regional hub for manufacturing and services, attracting investments that will accelerate the country's shift to high value-added, high technology, knowledge-intensive and innovation-based industries. Among the companies that are establishing their global or regional hub in Malaysia include Freudenberg-NOK ST, Spansion, Frost & Sullivan, Darden and IBM.

### **Investments in the Manufacturing Sector**

The decline or stagnation in global FDI inflows as well as the increasingly competitive global environment posed challenges for Malaysia in 2012. Despite the challenging situation, Malaysia was still able to attract a considerable amount of investments into the manufacturing sector.

In 2012, a total of 804 manufacturing projects were approved, involving investments of RM41 billion compared with RM56.1 billion for 846 manufacturing projects in 2011.

The investments were mainly in the transport equipment (RM7.8 billion), chemicals & chemical products (RM6.4 billion), petroleum products including petrochemicals (RM6 billion), electrical & electronics products (RM4 billion), basic metal products (RM3.8 billion), food manufacturing (RM3.4 billion), machinery & equipment (RM1.9 billion) and rubber products (RM1.4 billion). Together, the top eight industries by investment accounted for RM34.8 billion or 85 % of total investments approved. All these industries registered higher levels of investments in 2012 compared with 2011, with the exception of E&E, basic metal products and food manufacturing.

Foreign investments in the manufacturing sector in 2012 amounted to RM20.8 billion and accounted for 50.7% of the total investments. The balance of RM20.2 billion or 49.3% were investments from domestic sources. Given the current global economic challenges, it is vital that domestic investments take

centre stage in driving Malaysia's economic transformation. The country is on track to achieve this transformation, as the share of domestic investments approved in 2012 rose from 39% in 2011 to 49.3% in 2012.

Last year, 64% of approved FDI in the manufacturing sector were from Asian countries. The major sources of foreign investments were Japan (RM2.8 billion), Saudi Arabia (RM2.6 billion), Singapore (RM2.2 billion), People's Republic of China (RM2 billion) and Republic of Korea (RM1.6 billion). These five countries jointly accounted for 53.8% of total foreign investments approved during the period.

Malaysia remains a magnet for Greenfield investments. The country attracted significant new investments amounting to RM26.8 billion (473 projects) or 65.4 % of total investments approved. Existing companies in Malaysia also continued to expand and diversify their operations, reflecting their continued confidence in the country's investment environment. A total of 331 expansion/diversification projects with investments amounting to RM14.2 billion were approved in 2012.

Regional Corridors attracted 51.7% of investments in the manufacturing sector in 2012. By value of investments in projects with approved Manufacturing Licence, the Sabah Development Corridor registered the highest level (RM5.0 billion), followed by East Coast Economic Region (RM4.6 billion), Sarawak Corridor of Renewable Energy (RM4.3 billion), Iskandar Malaysia (RM4.2 billion), and Northern Corridor Economic Region (RM3.1 billion).

The projects approved in 2012 are expected to create employment opportunities for 76,631 people, of which 23% are in the managerial, technical and supervisory (MTS) category (17,422) while the other 51% are in the category of skilled workers (38,931). Most of the employment opportunities created are in the E&E sub-sector (18,163 jobs) followed by transport equipment (11,669 jobs) and food manufacturing (7,062 jobs).

The country's manufacturing sector is going through a period of transformation and restructuring. As low value-added assembly becomes less

important, industry players are expected to reduce their investments into low-value sectors and increase their activities in new high value-added activities that will open up new opportunities for growth. The creation of these new business ecosystems will support the market for high-skill employment and spur the development of a high-income economy.

The Government continues to undertake various measures and initiatives at federal and state levels to facilitate investors in the implementation of approved projects. MIDA also continues to manage and monitor projects under the Upgrading of Basic Infrastructure Program of Existing Industrial Areas with the goal of assisting the state government in upgrading and improving basic infrastructure in existing industrial estates. This has contributed to a high rate of implementation in approved projects.

A total of 4,245 manufacturing projects were approved during the period from 2008 to 2012. Of these, 3,213 projects or 75.7% were implemented, with 3,005 projects (70.8%) in production as at 31 December 2012 and 208 projects (4.9%) at the stage of factory construction and machinery installation. Total capital investment of the 3,213 projects that were implemented amounted to RM147.2 billion.

### **Investments in the Services Sector**

The Government's efforts to advance the services sector to support Malaysia's economic growth continued to bear fruit in 2012, and the sector is expected to expand its contribution to the economy during this decade. The services sector contributed 72% of approved investments into the economy last year.

This sector comprises a broad range of services including regional establishments; support services; MSC status companies; real estate (housing); transport; energy; telecommunications; distributive trade; hotels and tourism; financial services; health services and educational services.

A total of 5,536 projects were approved in 2012 with investments amounting to RM117.6 billion, exceeding the total approved investments of RM70.4 billion

in 2011 by 67%. Domestic investments of RM105.4 billion accounted for 90% of investments, with foreign investments making up the rest.

Within the services sector, the real estate sub-sector continued to be the leading contributor with RM58.8 billion worth of investments approved followed by the utility (RM12.6 billion), hotel and tourism (RM8.9 billion), transport (RM6.8 billion) and telecommunications (RM6.6 billion) sub-sectors. The increase in investments in the services sector reflects the progressive liberalisation of equity policy and supportive Government policy and facilitations have enhanced the level of competitiveness of the sector and contribute significantly to the ETP.

### **Investments in the Primary Sector**

The primary sector comprises three major sub-sectors namely agriculture, mining, and plantation and commodities. In 2012, the sector attracted investments worth RM3.8 billion for 102 projects. Foreign investments in the primary sector amounted to RM1.8 billion (47%) while domestic investments made up RM2 billion (53%).

The mining sub-sector leads the other subsectors with approved investments reaching RM2.7 billion in 18 projects. Investments into oil and gas exploration comprised 99 per cent of total investments in this sub-sector.

The rest of the primary sector is made up of the plantation and commodities sub-sector with investments amounting to RM548.7 million, as well as the agriculture sub-sector which registered investments totalling RM507.8 million.

### **The Transformation Continues**

The country's economic fundamentals remain strong despite challenging global economic conditions. Malaysia's real Gross Domestic Product (GDP) grew 5.6% in 2012 compared to 5.1% in 2011. The International Monetary Fund (IMF) forecasts the global economy to growth 3.5% this year. Malaysia's economy is projected to sustain a growth of between 4.55 and 5% in 2013.

Considering global and regional macroeconomic and societal developments, the Government has decided to undertake an eco-system approach to promote private investments in the economy. MIDA will assume a pivotal role in bridging the human capital need of individual potential investors and leverage new competitive advantages for Malaysia as it targets niche products, technologies and services to fill gaps throughout the economic value chain.

In addition, focus will be given to mega trends and development of technologically advanced target products and applications such as artificial intelligence, robotics, 3D printing and smarter and flexible production technology.

Malaysia has continuously received favourable rankings by international organisations. The World Bank Report 2013 Edition has reckoned Malaysia as the 12th most business-friendly country in the world, ahead of Germany (20th), Japan (24th) and Switzerland (28th). This is the country's highest position ever since the World Bank and the International Finance Corporation began compiling the annual ranking in 2005. Malaysia was also ranked as the 25th most competitive nation in the world by the World Economic Forum in its Global Competitiveness Report 2012-2013, which also recognised that the country has advanced from being an efficiency-driven economy to an innovation-driven economy. Malaysia's strong performance in international rankings will certainly enhance the country's efforts in attracting global FDI.