

MIDA ANNUAL MEDIA CONFERENCE

MALAYSIA: INVESTMENT PERFORMANCE 2011

21 FEBRUARY 2012

STATEMENT BY:

YB DATO' SERI MUSTAPA BIN MOHAMED

MINISTER OF INTERNATIONAL TRADE AND INDUSTRY

Highlights:

- ***FDI Inflows and Total Approved Investments (in the Manufacturing, Services and Primary Sectors) surge to new levels in 2011.***
- ***UNCTAD ranks Malaysia as a top host country for FDI in 2011-2013.***
- ***Economic Transformation Plan objectives are on target:***
 - ***Domestic Investment has overtaken Foreign Investment as the main driver of the economy.***
 - ***“Quality” investments – in new and high technology - now form a large portion of new investments.***
 - ***Malaysia’s competitiveness ranking improves in independent surveys conducted by the World Bank and the World Economic Forum.***

Total FDI inflows² into Malaysia in 2011 increased by 12.3 per cent to RM32.9 billion compared with RM29.3 billion in 2010. The manufacturing sector accounted for the largest share of FDI inflows, accounting for 50.1 per cent of total FDI inflows, followed by the services sector (27.3%), mining and quarrying (22.2%) and agriculture, forestry and fishing (0.4%).

TOTAL INVESTMENTS APPROVED IN THE MANUFACTURING, SERVICES AND PRIMARY SECTORS

Total investments approved in **the manufacturing, services and primary sectors** surged by **40.7 per cent** from **RM105.6 billion (4,368 projects) in 2010** to reach **RM148.6 billion (4,964 projects)** in 2011. This is a testament to **investors' confidence in the local business environment**. This significant achievement also indicates that Malaysia is on track to attain the investment targets set under the Economic Transformation Programme (ETP) by 2020.

The investments approved are **expected to create about 149,496 employment opportunities**. **Domestic investments** in 2011 continued to exceed FDI, accounting for **RM82.3 billion or 55.4 per cent** of the total approved investments while **foreign investments totalled RM66.3 billion (44.6%)**.

² Department of Statistics, Malaysia

INVESTMENTS IN THE MANUFACTURING SECTOR

The manufacturing sector continued its recovery trend in 2011. A total of **846 manufacturing projects valued at RM56.1 billion** were approved in 2011. The approved investments in the manufacturing sector increased 18.8 per cent from RM47.2 billion recorded in 2010.

This amount also **exceeded by RM28.6 billion or 104 per cent** of the **average annual investment target of RM27.5 billion set in the Third Industrial Master Plan (IMP3), 2006-2020.**

Foreign and domestic investors continue to respond positively to the Government's initiatives to invest in new growth areas and emerging technologies, high value-added industries, high technology and capital intensive industries and R&D activities. The Capital Investment Per Employee (CIPE) ratio of projects approved in 2011 increased to RM557,894 compared to RM484,767 in 2010.

Projects involving **foreign investments** amounted to **RM34.2 billion or 61 percent** of total investments approved while **domestic investments** amounted to **RM21.9 billion**, accounting for **39 per cent** of total investments approved in 2011.

The **electrical and electronics (E&E)** industry remained the **leading industry** in terms of number of projects approved as well as investment value. This was followed by basic metal products, transport equipment, chemicals & chemical products, and food manufacturing.

These **five sub-sectors** accounted for **RM44.7 billion or 79.7 per cent** of **total investments** approved.

Japan, Republic of Korea, the USA, Singapore and Saudi Arabia were the leading five sources of foreign investments in approved projects for the manufacturing sector. Investments from these countries totaled **RM22.5 billion**, representing **65.8 per cent** of total foreign investments approved in 2011.

Domestic investors responded positively to the call by the Government for domestic direct investments (DDI) to spearhead the ETP. Domestic investments in the manufacturing sector surged by 21 per cent to RM **RM21.9 billion in 2011 from RM18.1 billion in 2010**, accounting for **39 per cent** of total investments approved in 2011.

Domestic investments were mainly in the following industries:

- Basic metal products - RM6.3 billion
- Transport equipment - RM4.9 billion
- Chemical and chemical products - RM1.7 billion
- Petroleum products including petrochemicals - RM1.7 billion
- E&E products - RM1.4 billion
- Food manufacturing - RM1.1 billion
- Non-metallic mineral products - RM1.1 billion

Majority of the manufacturing projects approved in 2011 were **new projects** (511 projects) with investments of RM33.1 billion (59%). It is also encouraging to note that **existing manufacturing companies continue to expand and diversify** their operations in Malaysia. This is reflected in the approvals of **335 expansion/diversification projects** with investments of **RM23 billion**, accounting for **41 per cent of total investments**.

Manufacturing projects approved in 2011 are expected to generate a total of **100,533 employment opportunities**, of which **62.3 per cent** are in the **managerial, professional, technical, supervisory and skilled manpower categories**.

The **Northern Corridor Economic Region** registered the **largest amount of investments in projects with approved Manufacturing licences (RM15.3 billion)**. It was followed by **Sarawak Corridor of Renewable Energy (RM8.2 billion)**, **Iskandar Malaysia (RM5.7 billion)**, **East Coast Economic Region (RM4.6 billion)** and **Sabah Development Corridor (RM0.9 billion)**.

The Government continues to undertake various measures and initiatives to improve its delivery system. This has contributed to a high rate of implementation in approved projects.

For the **period 2007-2011**, a total of **4,390 manufacturing projects were approved**, of which **3,082 projects or 70.2 per cent have commenced production** as at 31 December 2011, while **209 (4.8%)** are at the **stage of factory construction and machinery installation**.

The **total capital investment** in these projects amounted to **RM135.6 billion**. The implementation of these projects has created 338,555 employment opportunities, of which **68.4 per cent** are in the **managerial, professional, technical, supervisory and skilled manpower categories**.

INVESTMENTS IN THE SERVICES SECTOR

The services sector continues to be an important engine of growth in the Malaysian economy. In 2011, a total of **3,957 projects** with investments totaling **RM64.4 billion** were approved in the services sector, registering a significant **increase of 75.5 per cent** from RM36.7 billion in 2010, and **almost reaching the pre-crisis level** of RM66.4 billion in 2007. These approved projects are expected to generate **43,794 employment opportunities**.

Domestic investments formed the lion's share of the total approved investments in the services sector in 2011 with **RM48.2 billion or 74.8 per cent**. However, it is important to note that **foreign investments** approved had made a **significant leap from RM4.1 billion in 2010 to RM16.2 billion or 25.2 per cent** of total investments in the services sector in 2011.

Within the services sector, **the real estate sub-sector continued to be the leading contributor with RM16.9 billion** worth of investments, followed by the **transport (RM11.7 billion), global operations hub (RM9.6 billion), energy (RM6.1 billion) and telecommunications (RM6.0 billion) sub-sectors**. Further liberalisation of the services sector in 2012 is expected to enhance the level of competitiveness in the sector.

INVESTMENTS IN THE PRIMARY SECTOR

A total of **161 projects** in the primary sector with investments of **RM28.1 billion** were approved in 2011. This sector comprises the **agriculture, mining, and plantation and commodities** sub-sectors. **Foreign investments** totalled **RM16 billion** or **56.9 per cent**, while **RM12.1 billion** or **43.1 per cent** were from **domestic sources**.

Within the primary sector, the **mining sector** accounted for the **largest share of investments** with **RM26.7 billion** or **95.1 per cent** of total investments. The strong **performance of the oil and gas sub-sector**, which has been identified as one of the NKEAS, **indicates** that Malaysia is **well poised to become one of the leading oil and gas hubs** in the region.

PROJECTS APPROVED IN 2011: DELIVERING ECONOMIC TRANSFORMATION

Quality investments approved in the manufacturing, services and primary sectors in 2011 are expected **to contribute significantly in driving Malaysia's Economic Transformation Programme**. The **impact** of the realisation of these projects will among others include the following:

1. **Creation of High Income Employment** – A total of **149,496 jobs** will be created by the projects approved in the manufacturing, services and primary sectors. In the **manufacturing sector** alone, a total of **62.3 per cent** of the jobs will be in the **managerial, technical and supervisory levels**.

2. **Development of New Growth Areas** – New growth areas that attracted high levels of investments include the **solar industry (silicon photovoltaic wafers/solar glass), aerospace industry (MRO, machine aerospace structures), automotive Industry (hybrid and electric vehicles) and biochemical.**
3. **Strengthening Malaysia’s Position as a Leading Trading Nation** – **Thirty two per cent** of the total projects approved in the manufacturing sector are **export oriented projects.**
4. **Intensifying R&D and D&D Activities** – Some of the **major projects** approved, particularly in the **E&E industry**, will be undertaking **in-house R&D and D&D** activities.
5. **Transfer of Technology to Malaysians** – A number of projects with approved **Customized Incentives Scheme** will be undertaking dedicated **training programmes** for Malaysians in the areas of **product/process technology.** The training will create a **pool of knowledge-based workers** and increase **technical skills** among Malaysian workers.
7. **Malaysia as a Global/Regional Production Hub/Centre of Excellence** – Several **world-renowned companies** will make Malaysia their global/regional hub. This includes companies in the **E&E and Food Processing** industries.
8. **Stimulating Local Sourcing/Vendor Development** – Establishments of new operations by multinational corporations will further generate **local sourcing of materials and services** as well as **local vendor development.**

OUTLOOK

Malaysia's economic fundamentals remain strong. Despite uncertainties in the global economy, Malaysia's economic performance registered a 5.1% growth in 2011.

Malaysia has been **ranked favourably** by several international organisations. **UNCTAD's World Investment Prospects & Survey, 2011-2013** ranked Malaysia as one of the **top host economies for FDI in 2011-2013**. Malaysia has also moved up five notches to be ranked **18th position in the World Bank's *Ease of Doing Business* Report for 2012**, ahead of Germany, Japan, Switzerland and Belgium. The latest **Global Competitiveness Report** issued by World Economic forum in Geneva also reported that Malaysia gains five ranks to reach **21st position, for "improvements across the board"**. These positive rankings will continue to support the country's investment promotion drive.

The Government will **continue to create a healthy business environment to promote private investment particularly in increasing the participation of domestic investors** in the manufacturing and services sectors. Efforts will also be intensified to target and attract industries in which Malaysia has strong foundations, as well as in new growth areas, to achieve **the average annual target of RM115 billion set under the 10th Malaysia Plan**.