

MEDIA RELEASE

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Q1 2019 APPROVED INVESTMENTS IN THE MANUFACTURING, SERVICES AND PRIMARY SECTORS REACH RM53.9 BILLION FDI in the Manufacturing Sector Soared by 127.0%

Kuala Lumpur, 10 June, 2019 – Amid the risks and challenging uncertainties in the global economy surrounding the US-China trade talks, investors remained confident about Malaysia as an investment destination. The country successfully attracted a total of RM53.9 billion approved investments in the manufacturing, services and primary sectors for the first quarter of 2019 (Q1 2019), an increase of 3.1% from the same period last year (RM52.3 billion). The positive investment growth of Q1 2019 was mainly driven by the robust performance of the manufacturing sector that soared by 126.8% compared to Q1 2018.

Foreign investments increased by 73.4% to RM29.3 billion from RM16.9 billion in the first quarter of 2018. Domestic investments approved in Q1 2019 amounted to RM24.6 billion, contributing 45.6% to the total. The investments approved in January to March 2019 were from 1,678 projects, and are expected to generate more than 41,200 job opportunities for the country. The manufacturing sector accounted for the largest share of total potential employment in the economy with 22,970 job opportunities or 55.7%, followed by the services sector with 18,000 job opportunities (43.7%) and primary sector with 240 employment opportunities (0.6%).

Services Sector

In Q1 2019, the services sector attracted the largest portion of approved investments into the economy and garnered 1,445 approved projects with investments worth RM26.1 billion. The bulk of the investments came from domestic sources, which contributed RM18.0 billion or 69% of the total approved investments while the foreign sources contributed RM8.1 billion or 31%.

The five main sub-sectors that led the services sector with the highest total investment were real estate (RM11.0 billion or 42.3%), followed by the distributive trade (RM8.2 billion or 31.6%), utility (RM4.0 billion or 15.4%), hotel and tourism (RM1.8 billion or 7.0%) and support services (RM550.9 million or 2.1%).

Most of the job opportunities in the services sector or 95.8% will be in the distributive trade, hotel and tourism, and education sub-sectors. In the distributive trade sub-sector alone, potential employment created in Q1 2019 totalled more than 14,000, making it the largest employer within the services sector. Employment opportunities are found in both large and small establishments, with 59.3% of the employment opportunities exist in the wholesale and retail trade sector.

The development of the hospitality industry, which is well dispersed across the country will provide opportunities for the youth to learn the skills working in both high-end 5-star and 4-star hotels. Approved projects in the hotel and tourism sub-sector are expected to create about 2,300 new jobs, from managerial positions to front-line operations.

Demand is also found in the private education sector, whereby newly established private education institutions proposed to employ more than 800 employees. This includes jobs for teaching/tutoring staff at the tertiary level.

Manufacturing Sector

Malaysia's manufacturing sector remains resilient and recorded an impressive approved investment of RM25.4 billion in Q1 2019. This is 126.8% more than RM11.2 billion recorded in Q1 2018. The trend towards more capital-intensive, high value-added and high technology projects are well reflected in the capital investment per employee (CIPE) ratio. The CIPE ratio of manufacturing projects approved in the first quarter of 2019 was RM1,105,582 compared with RM805,531 in Q1 2018. A total of six manufacturing projects with investments of at least RM1 billion, with total investments of RM16.5 billion, were approved in Q1 2019. The manufacturing sector also featured 20 projects approved with investments of at least RM100 million or more. Investments into these 26 projects reached RM22.3 billion or 87.8% of total investments approved in the manufacturing sector.

The manufacturing projects approved will create 22,970 new job opportunities. The jobs created include 1,590 electrical and electronics engineers, 710 mechanical engineers and 180 chemical engineers. In addition, the approved manufacturing projects will also require about 1,710 skilled craftsmen such as plant maintenance supervisors, tools and die makers, machinists, IT personnel, quality controllers, electricians and welders.

From January to March 2019, foreign investments in approved manufacturing projects rose by 127.0% to RM20.2 billion from RM8.9 billion in the corresponding period last year. The increase reflects the country's continuous competitiveness as a location of choice for investments. These approved projects are expected to generate strong multiplier effects, which include the growth of domestic companies or engineering supporting industries, cluster development, local sourcing, strengthening of R&D activities and human capital development. The USA (RM11.5 billion), China (RM4.4 billion), Singapore (RM2.2 billion), Japan (0.6 billion), and the British Virgin Islands (RM0.5 billion) accounted for 95.0% of total approved foreign investments in the manufacturing sector.

Two notable investments from the USA were projects from Micron Technology and Jabil Circuit. These companies will be expanding their manufacturing operations in Penang. A notable investment from China was from XSD International Paper, which is projected to drive the development of all related papermaking in the region with its proposed RM2.3 billion of investment. The company plans to cooperate with a local technical university to improve the papermaking skills in Malaysia.

The targeted 3+2 catalytic and high potential growth sub-sectors namely the electrical and electronics (E&E), chemical and chemical products, machinery and equipment, medical devices, and aerospace as identified under the 11th Malaysia Plan contributed 66.14% (RM16.8 billion) to the total approved investments in the manufacturing sector. The E&E industry contributed 92.8 per cent of total investment approved in the 3+2 sectors for the first three months of 2019. Once implemented, these projects will further energise the development and growth of the overall manufacturing sector in Malaysia.

A total of 150 (70%) of the manufacturing projects approved will be located in Selangor (75), Pulau Pinang (41) and Johor (34). In terms of value, Pulau Pinang (RM8.8 billion) benefitted the most from these investments, followed by Kedah (RM7.6 billion) and Johor (RM2.4 billion).

Primary Sector

The primary sector contributed RM2.4 billion or 4.5% to the total approved investments in Q1 2019. Majority of investments were contributed by domestic sources (RM1.4 billion or 58.3%), while foreign investment amounted to RM1.0 billion or 41.7%.

The mining sub-sector, dominated by the oil and gas exploration activities, led with approved investments of RM2.2 billion or 91.7%, followed by plantation and commodities with RM140.0 million and agriculture sub-sector with RM43.5 million.

Conclusion

Following the encouraging numbers of approved investments in Q1 2019, MITI and its agencies particularly MIDA, will continue to assume a strong role in attracting more quality investments as well as facilitating the implementation of approved projects. As to date, MIDA has 471 projects in the pipeline with investments worth RM30.4 billion for the manufacturing and services sectors.

ABOUT MIDA

MIDA is the government's principal promotion agency under the Ministry of International Trade and Industry (MITI) to oversee and drive investments into the manufacturing and services sectors in Malaysia. Starting operations in 1967 with a relatively small set up of 37 staff, MIDA has grown to become a strong and dynamic organisation of over 700 employees. Headquartered in Kuala Lumpur Sentral, MIDA today has 12 regional and 20 overseas offices. MIDA continues to be the strategic partner to businesses in seizing the opportunities arising from the technology revolution of this era. For more information, please visit www.mida.gov.my and follow us on Twitter, Instagram and Facebook, @OfficialMIDA.