

## MEDIA RELEASE

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### **APPROVED INVESTMENTS IN 2017 CREATES 139,520 ADDITIONAL JOB OPPORTUNITIES IN MALAYSIA**

1. 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.
2. 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.
3. 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.
4. More and more global companies are making Malaysia their hub. This includes **Osram Opto Semiconductors'** world's most advanced LED chip factory, **B.Braun's** Global Center of Excellence for Intravenous Access products which comprises production and R&D functions, **Peugeot's** ASEAN manufacturing hub, **IKEA's** Regional Distribution and Supply Chain Centre for ASEAN, **Honeywell's** ASEAN Regional Headquarters and **Schlumberger** which made Malaysia their largest shared services hub in the group in addition to their procurement service centre, human resource hub, financial hub and two regional hubs.

## **Manufacturing Sector**

5. The manufacturing sector recorded total approved investments of RM63.7 billion, increasing 8.9% from RM58.5 billion in 2016.

### *Investment by Industry*

6. 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.
7. The E&E industry in Malaysia has evolved over the years. Starting with only a few global companies in the 1970s that were undertaking labour intensive, low technology and low value added activities, the industry now has a full range of semiconductor, solar and LED clusters with many companies undertaking higher value added products and front-end activities including design, research and development. For example, Intel which was only undertaking assembly and test activities in the past is currently engaged with a full integration of assembly & test including R&D activities with a complete internet of things (IoT) system solution. Other long term E&E global investors include Osram, Infineon, Motorola and Panasonic.
8. The strengthening of the E&E ecosystem has spilled over to the development of the local industry players. This includes companies that undertake wafer fabrication activities such as SilTerra, those involved in outsourced semiconductor assembly and test (OSAT) activities such as Inari, Unisem and Carsem, automated test equipment manufacturers such as ViTrox and VisDynamics, electronics manufacturing service providers such as K-One Technology, Nationgate and SMT Technologies, engineering service providers such as Xperior as well as those in IC Design activities such as Infinecs and Oppstar Technology.

### *Domestic vs Foreign*

9. 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.

10. 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%.
11. Besides Pengerang, among notable domestic investments approved including those that are majority owned by Malaysians are 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.
12. The sector's biggest foreign investor was People's Republic of China (PRC), Switzerland, Singapore, the Netherlands and Germany. These five nations jointly accounted for RM12.1 billion or 56% of foreign investments approved in 2017. In 2016, the top foreign investors were PRC, the Netherlands, Germany, UK and Republic of Korea with total investments of RM15.4 billion.
13. Despite China being the top FDI source for two years in a row, the value of investments has dropped by 18.7% from RM4.8 billion in 2016 to RM3.9 billion in 2017. China's investments have diversified into many industries including the non-metallic mineral products, transport equipment, rubber products and E&E products.
14. Projects with China participation approved as at 2017 include Longi, Xinyi Energy Smart, Xinyi Solar, Jeje Energy Technology, CGPV Industrial Building System, Just Energy Technology and Intco Malaysia. **Longi** for example has made investments of more than RM1 billion in setting up an integrated solar plant in Sama Jaya Free Industrial Zone. This has created 2,142 job opportunities for Malaysians, whereby 569 is in the managerial, professional and technical category. For **CGPV Industrial Building System**, as at December 2017, the company has invested more than RM400 million and provided 217 jobs for the production of industrial building system (IBS) components including reinforced concrete, slab, column, beam and wall panels.
15. Overall, foreign investors were more active in expansion and diversification projects in the manufacturing sector, contributing RM13.9 billion or 64.4% of the total foreign investments approved in the manufacturing sector for 2017, while

new projects accounted for the rest. Most of these projects involve the production of high-technology, high-value-added goods; a notable step towards achieving Malaysia's industrial ambitions.

16. Among them include Osram, Robert Bosch, B. Braun, Longi, Visco, AJ Biologics, Verdezyne, Shibata, Fatty Chemical, Altech Chemical, Bruker Malaysia, Sandisk, Infineon, Hotayi, Air Liquide, Hanwha Q Cells, Kato Manufacturing, Sato Malaysia and ASE Electronics Malaysia.
  - a. For example, **Osram Opto Semiconductor** continued to expand with the opening of its new state-of-the art semiconductor facility. With this, Malaysia now has the world's most advanced LED chip factory and a complete LED ecosystem. With this expansion, the company's total investment is at RM4.2 billion and will provide 7,790 job opportunities by 2020, whereby 73% are for Malaysians.
  - b. There was also a RM2.6 billion expansion project by **Robert Bosch Malaysia** to manufacture instrument cluster panels and connectivity modules, adding 194 high-value-added jobs to the country. Malaysia stands to benefit from the company's efforts for the development of local vendors as well as the export gains, as 100% of its products made in Malaysia will be exported.
  - c. **B. Braun Medical Industries** also had an expansion project approved worth RM1.2 billion to manufacture medical devices, pharmaceutical sterile intravenous (IV) solutions, and surgical instruments and implants using automated and state-of-the-art processes and creation of 809 new jobs of which 164 are salaried positions of RM10,000 per month and above.
  - d. **Verdezyne** also had an investment approved for the manufacturing of dodecanedioic acid (DDDA) using yeast fermentation technology, creating 75 additional jobs, with some salaried positions of RM10,000 per month or higher. With the company's first commercial-scale renewable chemicals manufacturing facility, this will add to the advancement of biotechnology in the country, and catalyse the palm industry.

### *CIPE Ratio*

17. The manufacturing projects approved last year were more capital intensive. The capital intensity, measured by capital investment per employee (CIPE) ratio of projects approved within the sector last year recorded a notable increase of 23.7% from the CIPE of RM912,239 in 2016 to RM1,128,742 in 2017. There were 9 projects approved with investments of at least RM1 billion, totalling RM34.7 billion (54.5%) of total investments approved in this sector. As for investments of at least RM100 million, 80 projects were approved with total investments of RM52.4 billion (82.3%) of all investments approved in this sector.

### *Employment Opportunities Created*

18. From the total 687 projects approved, 56,420 job opportunities were created. Of these, 14,155 (25.1%) were in managerial, technical, or supervisory roles, an increase of 21% from 2016. Meanwhile, a total of 9,870 (17.5%) were positions for skilled workers. The E&E industry generated the highest amount of employment opportunities with 10,593 jobs, followed by transport equipment (9,112), and machinery and equipment (6,078).

### *Investment by State*

19. 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. In 2018, MIDA is collaborating with each State Agency in its Invest Series programme to further promote the unique comparative and competitive advantages of the states in the country. So far, MIDA has undertaken 4 sessions covering Perlis, Kedah, Kelantan and Pahang. Each session has been well attended by an average of 100-150 participants which consist of large companies, foreign and local business chambers and associations.

### *Implemented Investment*

20. As at 31 December 2017, 2,920 out of 3,698 manufacturing projects approved during the five-year period of 2013 to 2017 are in production with the rest still under construction or final machinery installation. Total investment in these implemented projects amounted to RM201.4 billion. A further 45 projects with investments of RM6.3 billion have acquired sites for factories, while 575 projects (RM71.9 billion) are in the active planning stage. When these 620 projects are implemented, total additional realised investments in these manufacturing projects will amount to RM78.2 billion.
21. In 2016, from a total of 733 approved projects, 617 projects or 84% have started production. These realised investment have created 47,617 jobs for Malaysia, whereby 22.5% are within the salary above RM3,000. Meanwhile in 2017, despite being just approved within the year, there were already 215 projects in production. These realised investment have created 15,147 jobs for the country. Notably, 31% of these jobs are with a salary above RM3,000. Examples of approved projects in 2016 and 2017 that are already in production, are Sanmina-SCI Systems, BASF Petronas Chemicals, Straits Orthopaedics, Go Automobile Manufacturing, Spirit AeroSystems, Keysight Technologies, Omni Oil Technologies and Press Metal Bintulu.

## Services Sector

22. 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 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.
23. 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%).
24. 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.
25. In 2017, the approved PH projects were a mixture of both large and small MNCs with committed business spending of RM13.64 billion, utilising ancillary services worth RM1.21 billion. These projects created 569 new high-value employment opportunities with a wide scope for knowledge transfer for Malaysians. Among them are foreign companies from the Netherlands, United Arab Emirates, Germany, Japan and the US operating in key economic sectors such as E&E, commodities and food & beverages.
26. 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. With IDT's new establishment, Malaysia will become the hub for its Advance Automotive Technology Center, whereby its test operation activities will be shifted from Germany to the country. This will benefit Malaysians in terms of the transfer of cutting edge technology and knowledge. As for Roland, its Principal Hub aims to rationalise the Group's global supply chain by centralising planning, procurement, logistics, sales and marketing and R&D to achieve synergy and to optimise and improve the Group's profitability. IKEA's Regional Distribution and Supply Chain Centre in Pulau Indah, Selangor will serve 12 retail stores in ASEAN, which will increase to 20 stores by 2026.

27. For 2017, positive growth in the services sector was registered for sub-sectors with relatively high value added activities such as healthcare services, transport, hotel & tourism and distributive trade.

- a. The healthcare services sub-sector last year jumped 136.1% to RM445.1 million from RM188.5 million approved investments in 2016. Malaysia's ongoing efforts to maintain high quality healthcare services contributed to a boost in its medical tourism. According to the Malaysian Healthcare Travel Council (MHTC), the country is fast becoming a famous medical tourism destination, mostly for cosmetic surgery, dental and orthopaedic treatments. Among the anchor private healthcare players in Malaysia are KPJ Healthcare Berhad, IHH Healthcare Berhad (Pantai and Gleneagles Hospitals), Ramsay Sime Darby Healthcare and Columbia Asia Malaysia.
- b. The transport sub-sector hiked up by 119% in 2017 to RM4.5 billion from RM2.0 billion investments approved in 2016. The aviation sector saw 13 new projects with total investments amounting to RM596.7 million, 1 project in the highway construction and maintenance segment amounting to RM3.7 billion and 2 projects in maritime amounting to RM180.2 million.
- c. Malaysia's increasing popularity as a luxury tourist market has helped position the country's tourism sector as one of the major contributors to the nation's economic success. A total of 70 projects worth RM9.2 billion was approved in this sub-sector in 2017. Malaysia has received many accolades in the tourism sector including the 10th Most Visited City in the World by Euromonitor International Report 2017. These achievements underscore the attractiveness and capabilities of the country's tourism sector.

28. The services sector, as a whole continued to be the largest employer in the economy, having created 82,172 job opportunities in 2017 or 59% of total job opportunities in the manufacturing, services and primary sectors. Distributive trade, MSC status companies, and hotel and tourism generated the bulk or 84% of the total job opportunities in the services sector.

29. Transformation of the services sector is ongoing with an emphasis on shifting towards one that is knowledge-intensive and innovation-focused. For example, in growing the potential of the country's e-commerce sector, the Government has implemented various initiatives to develop the financial and logistics infrastructure, which forms the backbone of the e-commerce ecosystem. The e-commerce contribution to GDP is expected to grow to 6.4% in 2020. With the introduction of the Digital Free Trade Zone (DTFZ) and Go e-Commerce initiatives to name a few, the contribution of e-commerce to GDP is expected to be higher than the targeted rate.

## **Primary Sector**

30. Last year, 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

## **Going Forward**

31. As global economic growth is forecast to expand between 3.0% to 3.3%, the overall investment performance in Malaysia is also expected to follow this favourable trend with GDP projected at 5.2% for 2018 and 2019. This will further benefit Malaysia's domestic economic activities and boost business confidence to invest in the country.

32. Nonetheless, MITI/MIDA is cautiously optimistic about 2018 and continues to intensify efforts at attracting quality investments into the country. The 2017 performance, while moderate, was hard won against significant international competition. Despite the restructuring and reorganisation of companies that have resulted in retrenchments, it is worth noting that the manufacturing, services and primary sectors remain encouraging and there are no lack of opportunities in these sectors. Notably, a large portion of the affected workers in the manufacturing sector have been absorbed by other firms which are expanding in Malaysia, such as Keysight, Inari, HP, Osram and Infineon. New investments that are coming in, as well as the expansion by many established firms in the country, will also provide more job opportunities for Malaysians.

33. As at 31 January 2018, MIDA has 379 manufacturing & manufacturing related services projects with investments totalling RM69.5 billion in the pipeline. These were mainly in machinery & metal products, chemical products, global establishments and support services.