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MALAYSIAN ECONOMY REMAINS ON STEADY GROWTH PATH

The Malaysian economy continues to remain on a steady economic path and registered a GDP growth of 4.7 per cent in the third quarter of 2015(Q3 2015) (Q2 2015: 4.9%), driven by capital spending in the manufacturing and services sectors. For the first nine months of this year, Malaysia's realised private investments (measured in terms of Gross Fixed Capital Formation-GFCF-in current prices) amounted to RM159.4 billion, 8.4% higher than the RM147.0 billion recorded in the same period in 2014. With this performance, Malaysia is well positioned to reach the average of RM162 billion per annum estimated for the 10th Malaysian Plan period.



For the period, January-September 2015, net Foreign Direct Investment (FDI) flows into Malaysia rose by over 5.8% to RM27 billion as compared with RM25.6 billion in the corresponding period last year. On a quarter-on-quarter basis, in line with a moderating global economy, FDI in the third quarter of 2015 contracted to RM4.7 billion, as compared with RM12.5 billion recorded in the previous quarter.

The manufacturing sector received the largest amount of FDI in January-September 2015, totaling RM11.2 billion or 41.4% of total FDI. This encouraging figure indicates that the manufacturing sector is on track to reach comparable levels with its previous years' performance. Other major contributing sectors were the mining & quarrying sector at RM10.8 billion (39.8%), and services sector (RM4.4 billion or 16.4%).



Approved Investments in the Manufacturing Sector and Manufacturing Related Services

For the first nine months of 2015, a total of RM77.5 billion worth of investments was recorded for the manufacturing and its related services sectors. These investments were spearheaded by domestic players, making up almost 70% of total investments approved during this period, while the rest were from foreign sources. This performance is especially welcomed, taking into account the current global economic volatility and increasing competition for FDI within the region. In line with the Government's mandate, this reflects that domestic players have stepped up to the challenge to be the key driver of the country's growth towards becoming a high income nation by the year 2020.

Approved Investments in the Manufacturing Sector

In the manufacturing sector, a total of 522 projects with investments of RM67.7 billion were approved in January – September 2015. The amount was RM4.4 billion higher than the investments recorded in the same period last year i.e. 622 projects with investments of RM63.3 billion. Out of the total, 74.6% or RM50.5 billion came from domestic sources, compared with 44.9% or RM32.2 billion in the corresponding period in 2014.

New projects made up 83.5% of the total manufacturing projects approved with investments of RM56.5 billion, while the balance was for reinvestment projects. These new projects were mainly received from domestic players, while existing foreign investors undertook expansion and diversification of their operations in the country. These investments provide testimony to the country's attractive and strategic value propositions as well as demonstrate the continued confidence of investors in Malaysia as a preferred investment destination.

The top five industries in terms of investments are petroleum products (including petrochemicals) (RM25.4 billion), liquefied natural gas (RM10.4 billion), electrical and electronic products (RM6.4 billion), transport equipment (RM5.9 billion) and non-metallic mineral (RM3.6 billion). These industries make up 76% of the total approved investments in the manufacturing sector.



Johor, Sarawak, Malacca, Selangor and Penang were the highest recipients of approved investments with 400 (76.6%) projects located in these states, accounting for RM59.9 billion (88.5%) of the total approved investments. Johor registered the highest level of investments with RM30 billion, followed by Sarawak (RM11.8 billion).

Malacca (RM6.8 billion), Selangor (RM5.9 billion) and Penang (RM5.4 billion).

The approved manufacturing projects in the first nine months translate to over 50,000 job opportunities with 33.9% in highly-skilled jobs. These include job opportunities for 1,869 electrical and electronics engineers, 2,141 mechanical engineers and 1,356 chemical engineers as well as 30,292 skilled craftsmen.

The leading sources of foreign investments for the first nine months of 2015 were Hong Kong, Japan, USA, Singapore and China. These five countries jointly accounted for 70.3% of total foreign investments approved in the manufacturing sector for January - September 2015.

Approved Investments in the Manufacturing Related Services

Investments in manufacturing-related services comprised of regional operations and other supporting services, ranging from integrated logistics services, energy efficiency, energy conservation and renewable energy services and R&D.

This sector recorded a total of 313 services projects with approved investments of RM9.8 billion. These projects will create 5,668 employment opportunities. Bulk of the investments were in regional establishment (RM7.1 billion), while investments in other supporting services contributed RM2.7 billion. More specifically, the investments were mainly found in Global Operations Hub (RM2.6 billion), Operational Headquarters (RM2.5 billion), International Procurement Centres (RM1.0 billion) and Energy Generation (RM986.2 million). The approved investments also included 3 Principal Hub projects with investments worth RM703.7 million.

Similarly to the manufacturing sector, domestic investments dominated with a total of RM6.7 billion or 68.4% of approved investments, while RM3.1 billion were from foreign sources.

HIGHLIGHTS

Domestic Investments to Compliment FDI, Drive Growth for 2015 and Beyond

The Government has long recognised the importance of domestic direct investments (DDI) in sustaining the country's economic growth. Various measures have been announced and put in place to further spur investments by local players. This includes the additional allocation of RM1 billion under the Domestic Investment Strategic Fund (DISF), announced by YAB Prime Minister on 14 September 2015 as one of the pro-active economic measures to reduce the impact of global economic uncertainty on the real economy. Additionally, the recently announced Budget 2016 has also made allocations for tax and non-tax incentives with the aim to further drive economic growth.

In our pursuit to become a high income nation, Malaysia is now mindful in accepting investments, whereby investments which venture into resource extraction, sourcing cheap labour are no longer in tandem with the shift needed in our economy. Malaysia has been adopting a more focused and targeted approach in attracting quality investments. Despite the strong performance by domestic players, MITI and MIDA will continue to accelerate efforts in attracting high value investments from foreign sources, particularly in emerging technologies.

INDUSTRY NEWS

SAWIT RAYA'S VENTURE – A BOON FOR MALAYSIA'S PALM OIL INDUSTRY

Sawit Raya Oil (Kelantan) Sdn. Bhd. recently had its ground-breaking ceremony for its new palm oil refinery in Kelantan, the first of its kind in the state. The plant plans to commence operations by the end of 2016. Built on 3.74 hectares of land in the Pengkalan Chepa Industrial Estate, Kelantan, the refinery is expected to meet the demand of about 5,000 metric tonnes of palm based products in Kelantan and Terengganu, with the balance to be exported to Cambodia, Vietnam and Myanmar.



INDUSTRY NEWS

For Kelantan, this project is expected to create spin-off benefits to other sectors of the state's economy, particularly the small and medium enterprises (SMEs), local contractors, suppliers, logistics providers and employment opportunities for Kelantanese. The synergistic effects of the project will be that exports will be channeled through the Tok Bali Port, which is currently being developed. Consequently, the construction of this plant will boost economic growth in the state and further enhance Malaysia's position in the industry.

Palm oil is a big business for Malaysia. Earmarked as one of the main drivers in the agro-based sector and identified as one of the National Key Economic Areas (NKEA) under the Economic Transformation Programme, the palm sector is projected to generate RM178 billion of the Gross National Income contribution by 2020. In 2014, the industry contributed RM53 billion to the gross national income (GNI) and created 620,000 employment opportunities.

Malaysia's palm oil industry continues to record encouraging growth. In 2014, Malaysia was the second largest palm oil producer in the world, and had a total production capacity of 19.67 million tonnes. The production of crude palm oil (Crude Palm Oil - CPO) increased by 2.3 % to 19.6 million tonnes in 2014, from 19.2 million tonnes recorded in 2013. Higher production was recorded due to an increase in the oil extraction rate (OER) of 20.62 %, and an increase in matured acreage, especially in Sarawak. Crude palm oil production is expected to further increase over the next few years.

From January-September 2015, a total of eight manufacturing projects for palm based products with investments amounting to RM371 million were approved by MIDA. For the first nine months of this year, exports of palm oil products were valued at RM44 billion, with the major markets being China, India, USA, Pakistan and the Netherlands.

Looking ahead, this industry's outlook is bright. Growth within the industry is expected to be around 7.1 % per annum over the next 10 years, driven primarily by business and large-scale enterprise involvement in downstream activities. Emphasis will continue to be given to the development of high value-added products, such as oleo derivative products, the commercialisation of second-generation biofuels and the development of food-based industry and health products.

SERVICES NEWS



Success Story : i-CITY

Malaysia has received much international recognition as a tourism destination. The country has been voted as the Top 10 Countries - Best in Travel 2014 by the popular travel publication, Lonely Planet. Additionally, Forbes Online has chosen Malaysia as the 10th Friendliest Country in the World. According to the data from Malaysia Tourism Promotion Board, the tourist arrivals have increased from 25.72 million tourists in 2013 to 27.44 million tourists in 2014. These have generated receipts of RM72 billion to the country in 2014.



The Government, having recognised the potential of the industry, have taken measures to improve and upgrade tourist offerings and services to enhance the country's connectivity to key priority markets. Continued liberalisation of some

government controlled sectors, increased incentives, development of more tourism destinations where possible, increased involvement of the private sector are some of the key strides that will continue to improve Malaysia tourism performance into the future.

The Government has also put in place tax incentives namely the Investment Tax Allowance and Pioneer Status to encourage investment and to support the growth of the tourism industry. These tax incentives, which cover new as well as expansion and diversification projects, are available for 1 – 5 stars hotel, tourism project (including theme park), convention centre, holiday camps and recreational projects. For the period 2012 – June 2015, as many as 354 hotel and tourism projects valued at RM17.21 billion have been approved with these incentives.

i-City, located in Shah Alam is one of the quality tourism projects initiated by the private sector whereby two of its projects; Best Western@i-City Hotel and i-City Selangor (a theme park project) have received tax incentives from the Malaysian Investment Development Authority (MIDA).

i-City is the brain child of Tan Sri Li Kim Hong, who is currently the Group Executive Chairman of i-Berhad. Since acquiring Sanyo Malaysia in 1999, Tan Sri Lim has not only re-branded the company into i-Berhad but has also made it one of the leading urban centre developers in the country via i-City, an Ultrapolis project that serves as a catalyst in transforming Shah Alam into an international city.

Today, the development of i-City is based on three (3) pillars; to be an urban centre within Greater Kuala Lumpur, to become a knowledge hub to support the requirements of the ICT industry and to become a well-known tourist destination in Malaysia with its City of Digital Lights, SnoWalk@i-City and various theme park rides.

This 13 million square feet development on a 72- acre site situated along the Federal Highway in Shah Alam was the first private sector development to obtain the MSC Malaysia Cybercentre status in 2008. Since then, i-City has become a well-known tourist destination as well as an accredited International Park endorsed by the Selangor State Government. This project is being developed in stages and is expected to be fully completed by 2020.

Starting with a theme park, i-City has now ventured into bringing international hotel chains to Malaysia such as the Best Western i-City hotel, which is already in operation, as well as the Double Tree by Hilton, which is under construction and expects to commence operation in 2018. At the same time, the Central Plaza@i-City shopping mall that will be ready by 2018 will ultimately turn Shah Alam into a regional shopping destination. This RM3 billion tourism master plan is also comprised of a convention-cum-performing arts centre and a medical tourism hub.

i-City has been a success story in integrating leisure, residential and commercial components in an urban setting. With 24 high-rise towers planned for this 72-acres site, i-City is poised to be an urban Ultrapolis for Shah Alam. When fully completed, i-City is envisaged to be capable of accommodating



50,000 knowledge workers and 30,000 residential populations. i-City currently attracts an average of 90,000 visitors every week and it is forecasted to receive 30 million visitors a year when it is in full operation.

In addition to that, the newly completed interchange that links the Federal Highway directly

to i-City from both KL and Klang has provided exclusive access to i-City. Furthermore, the Land Public Transport Commission (SPAD) has recently announced that the extension of an LRT system connecting One Utama to Klang will also serve i-City and hence make the Ultrapolis more accessible to the public.

X-FAB Announces Investments to Further Expand X-FAB Sarawak Capacity

X-FAB Silicon Foundries, the leading More-than-Moore foundry, announced that it will expand the capacity and capabilities of its Kuching-based foundry operation, X-FAB Sarawak Sdn. Bhd., to meet accelerating demand for its core technologies – the 0.18µm and 0.35µm process platforms. The announcement, made on 2 November 2015 at MIDA Headquarters, was graced by the Minister of International Trade and Industry with the presence of key personnel from X-FAB, namely Mr. Rudi De Winter (CEO of X-FAB Group), YBhg. Dato' Seri Tarmizi Hj. Sulaiman (Chairman of the Board of X-FAB Silicon Foundries SE) and Mr. Mike Young (CEO of X-FAB Sarawak).



Welcoming the expansion plans by the company, YB Dato' Sri Mustapa said that, "We are very excited that X-FAB Sarawak, one of the two pure-play semiconductor wafer foundries in Malaysia continues to be at the forefront of our local semiconductor manufacturing industry. The decision made by X-FAB to expand its operation in Malaysia is testament to the country's strong economic fundamentals and the capabilities of our local talent."

"X-FAB's operation in Sarawak has been driving the growth of local economy. They are employing more than 1,000 staff where more than 80% of them are considered to be high income earners. We believe that this expansion will act as a catalyst in attracting other high technology firms to establish their operations in Malaysia as they will be able to leverage on the wafer fabrication services provided by X-FAB," he added.

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MIDA, MIDF Intensifies Engagement with SMEs, MNCs and LLCs through "Grow with Us" Seminar

The "Grow with Us" Seminar, jointly organised by MIDA and the Malaysian Investment Development Finance Berhad (MIDF) at Kelana Resort Hotel, Seremban attracted about 100 participants, mainly from the food technology, transport and electrical & electronics industries. The event was graced by the Deputy Minister of International Trade and Industry (MITI), Datuk Haji Ahmad Maslan on behalf of the Minister of MITI. Also present were Dato' Johani Hassan, Director of Negeri Sembilan Economic Planning Unit and Datuk Phang Ah Tong, Deputy Chief Executive Officer of MIDA.



The one-day seminar aimed to update companies on the latest Government policies and facilities. The Government has adopted several proactive economic measures to assist Malaysian businesses in the current challenging economic times. These include the Working Capital Guarantee Scheme of RM2 billion for SMEs, 5-30% import duty exemption on 90 items in the manufacturing sector and an additional allocation of RM1 billion for the Domestic Investment Strategic Fund (DISF) under the 11th Malaysia Plan.

As at September 2015, MIDA has approved RM756.4 million of the DISF grant for 184 projects with investments of RM8.1 billion. A total of 4 companies located in Negeri Sembilan have received grants approval of RM11.5 million. These companies are involved in the electronics and electrical, food technology, and machinery and equipment industries.

Malaysia Shares Investment Promotion Model with IDB and OIC Member Countries

MIDA in collaboration with the Islamic Development Bank (IDB) and the Ministry of Foreign Affairs under the framework of the Malaysian Technical Cooperation Programme (MTCP) organised a 10-day Capacity Building Programme for officials of IDB and OIC member countries from 17 – 27 November 2015.

During the opening ceremony of the programme held on 20 November 2015, Dato' Wan Hashim Wan Jusoh, Senior Executive Director of Strategic Planning and Investment Ecosystem, MIDA said that,



“The IDB and OIC member countries have always been in Malaysia’s radar for investment missions and various capacity building cooperation initiatives. This is the tenth year that we have organised such an event. This reflects Malaysia’s unwavering commitment towards the promotion of technical cooperation among developing countries, strengthening of regional and sub-regional cooperation, as well as nurturing collective self-reliance among developing countries”.

While investment levels are still relatively low, there is still much room for further growth. We hope that through this programme, we will be able to increase more collaboration in the future. We are aware that there are a lot more opportunities for investments that will be mutually beneficial for all of us,” he further added.

For the period of 2010 - September 2015, total investment approved in the manufacturing sector with participation from IDB and OIC member countries amounted to RM7.9 billion (US\$2.5 billion) in 94 projects. These investments were mainly in the chemical & chemical products, food manufacturing, machinery & equipment (M&E), basic metal products as well as scientific & measuring equipment.

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ECONOMY NEWS

Malaysia still attracting FDIs

Asean GDP expected to reach RM18.39 trillion by 2020

INDUSTRY NEWS

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Petronas will continue to invest for future growth

Hot-rolled coil set to boost Southern Steel

Osram plans €1b LED investment in Kulim

Instep grads meet O&G industry needs

MSM to optimise Prai operations

Belgian firm buys assets of Blaupunkt Malaysia

Osram eyes Kulim LED production by end – 2017

RM300bil investment by Petronas in Sarawak

Holstein to boost daily milk output to 15,000 litres

SERVICES NEWS

Sooka Sentral to be cardiac centre by end – 2016

Gleneagles Medini Hospital set to boost healthcare in Iskandar

HESS to operate at Tok Bali base

Upbeat outlook for Malaysian jobs market

Olive Energy upbeat on biomass sector

MALAYSIA RANKING

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Aiming for Top 10 spot by 2020

ABOUT MIDA

The Malaysian Investment Development Authority (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, MIDA is the first point of contact for investors that want to take advantage of Malaysia's vibrant economy, world-class infrastructure and business-friendly environment to set up their profit centre in Asia. For more information, visit www.mida.gov.my or e-mail us at investmalaysia@mida.gov.my.

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