



MALAYSIA: INVESTMENT PERFORMANCE

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STATEMENT BY:

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Q1 2013 Approved Investments Surpass Q1 2012 by 44%

Juxtaposed against a weaker external environment, Malaysia successfully attracted a higher level of investments in the economy in the first quarter 2013 compared with the corresponding period of 2012. The country recorded RM49.3 billion of approved investments in January-March 2013, an increase of 44 per cent as compared with RM34.3 billion in the same period of 2012, reflecting the country's competitiveness as a location of choice for investments in the Region.

Quality Investments Delivering Economic Transformation

What is more encouraging is the investments approved are quality investments in the manufacturing, services and primary sectors. The quality investments approved encompass elements such as high value added, high technology, knowledge intensive and skills- intensive, are in line with the government's objective of becoming a high income nation by 2020. These projects are also expected to generate strong multiplier effects which include among others, the growth of domestic companies/engineering supporting industries, cluster development, local sourcing, strengthening of R&D activities and human capital development.

The services sector accounted for the largest share of the investments approved in the economy with RM22.3 billion (45.2%) followed by the primary sector with RM15.3 billion (31.0%) and manufacturing sector with RM 11.7 billion (23.8%).

The increased investments of 32.7 per cent in the services sector in the first quarter of 2013 compared with the corresponding period of 2012 (RM16.8 billion) reflects the Government's efforts to advance the services sector to support Malaysia economic growth, continue to bear

fruit. This sector is expected to expand its contribution and adds a new dimension to the economy.

Within the services sector, the real estate sub-sector attracted the largest investment (RM9.3 billion), followed by transportation (RM4.5 billion), hotel and tourism (RM2.6 billion), utilities (RM2 billion) and support services (RM1.2 billion).

Approved investment in the primary sector for the period of January-March 2013 has increased substantially by almost six times the figures registered in Q1 2012. The primary sector, which comprises three major sub-sectors namely agriculture, mining, and plantation and commodities cumulatively attracted investments worth RM15.3 billion in 27 projects. The mining sub-sector leads the other sub-sectors with approved investments reaching RM15.2 billion in 16 projects, mainly contributed by the oil and gas exploration activities.

Malaysia'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 open up new opportunities for growth.

The trend of investments approved in the first quarter of 2013 affirms Malaysia's efforts to attract high technology, skills-intensive and high value added activities have been successful.

E&E, petroleum products, transport equipment and basic metal products constituted 86 per cent (RM10.1 billion) of the total investment approved in Q1 2013. In terms of growth year-on-year in Q1 2013, four subsectors recorded high growth rates namely scientific & measuring equipment (478.8%), basic metal products (273.1%), E&E (161.3%) and wood & wood products (86%). The E&E sector has rebounded with a high level of investments in Q1 2013.

Domestic Investments Dominate

Domestic investments approved in the Malaysian economy increased by 25.5 per cent from RM24.7 billion in the first quarter of 2012 to RM31.0 billion for the corresponding period in 2013. Domestic investments contributed 62.9 per cent of total investments approved in the economy from January to March 2013. The domestic investments approved during the period reflected the continued interest by domestic companies to invest in response to the call by the Government for domestic direct investments (DDI) to spearhead the

Economic Transformation Programme (ETP). It also reflects the importance of DDI in assuming the leading role in the growth of the economy.

FDI Continues To Increase

While domestic investments dominate, Malaysia continues to remain as a competitive investment location for foreign investors. The total foreign investments approved in the economy increased by 90.6 per cent in the first quarter of 2013. Year-on-year, FDI increased to RM18.3 billion in Q1 2013 from RM9.6 billion in the corresponding period of 2012.

82% of Jobs Created Are High-Skilled Employment

A total of 1,224 projects were approved during the period and it is expected to generate 41,885 job opportunities. Of the total employment created, the composition of employment in the manufacturing sector for the Managerial, Technical, Supervisory and Skilled Manpower (MTSS) category has increased to 82 per cent in the first quarter of 2013, from 74 per cent in 2012, contributed by demand for higher skilled manpower.

Quality Projects

Notable projects approved in the first quarter of 2013, include:

ABio Orthopaedics Sdn. Bhd.

This is a new Malaysian-owned project with investment valued at RM310 million to manufacture surgical instruments, external fixation devices, internal fixation devices, artificial joints and parts and dental implants. This is a Healthcare NKEA Entry Point Project under the Contract Manufacturing of Orthopaedics Medical Devices. The company has been appointed as the contract manufacturer to Naton Medical Group of China and more than 90 per cent of the company's products will be exported mainly to Asia, Europe and the USA. The project will provide 223 local employments in the science and technical fields by 2022.

Alpha Precision Turning & Engineering Sdn. Bhd.

This is an expansion project owned by a Malaysian company with investment valued at RM72.95 million. The company produces precision machined parts & components. 100 per cent of the

company's products are for export markets, mainly for automotive, electric & electronics, machinery & equipment and oil & gas industries. Their main clients include Emerson Process Management, Micro Motion Inc., ZF Steering Systems LLC and Rosemount Inc. This project will provide jobs for 537 people, whereby 404 of them are Malaysians. A total of 12 employees are involved in the R&D activities, while 112 employees are attached to the science and technical areas.

CSR Rolling Stock Center (Malaysia) Sdn. Bhd.

A new wholly foreign-owned project, the company plans to undertake manufacturing, assembling, overhaul, repair, maintenance and refurbishment for railway transport and equipment. The total project cost amounted to RM356 million. The company will undertake R&D activities which will transfer technology to enhance the technical level of metro vehicles in Malaysia. Seventy per cent of their products are for local principal consumers such as the Ministry of Transport, KTM Berhad, Syarikat Prasarana Rakyat Berhad and Mass Rapid Transit Corp Sdn. Bhd, while 30 per cent are for export market (Indonesia, Singapore, Thailand and Vietnam). This project will create jobs for 583 persons.

Pulau Pinang Clinic Sdn. Bhd.

This is an expansion project which involves two phases – construction of a new 19-storey private hospital block with additional services and renovation/refurbishment of the existing block. The total investment is valued at RM152.5 million. This project will involve the additional of 10 new operating theatres with two digital operating rooms for minimally invasive surgery, outpatient department with 80 consultation suites, 600 car parking bays and additional beds with higher capacity for single rooms. The additional employees of 513 required for this project will add to the existing number of 694 manpower, whereby 273 personnel will be paid more than RM3,000 per month.

Investments in the Pipeline

The promising investment performance in the first quarter of 2013 is expected to continue throughout the year. To date, MIDA is actively negotiating potential investments worth RM 42.1 billion to be realised within this year.

Moving Forward

MIDA's focus is to generate quality investments in new and emerging technologies, which is essential to meet the long term economic agenda of the country. The measure of MIDA's success in attracting investment is not just about absolute value of investments but the quality of different types of investments. MIDA is aiming to attract quality investments that will help Malaysia to move up the value chain and become a centre of high technology and global activities.

MIDA would like to acknowledge and thank various regional economic corridors and other ministries and agencies for their collaboration with MIDA in attracting investments into Malaysia. We hope that through MIDA's support, each of these entities would be able to fulfil their respective mandates.