



MEDIA STATEMENT

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**MIDA ANNUAL CONFERENCE
ON INVESTMENTS IN THE MANUFACTURING
AND SERVICES SECTORS IN 2010**

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STATEMENT BY:

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MINISTER OF INTERNATIONAL TRADE AND INDUSTRY

In line with the global economic recovery, the Malaysian economy registered a strong growth rate of 8.1 per cent in its real Gross Domestic Product (GDP) for the period January – September 2010 compared to a contraction of 1.7 per cent for the whole of 2009.

The favourable performance of the Malaysian economy was attributed to the continued expansion in domestic demand, increase in private sector spending and the recovery in external demand.

The manufacturing sector was the fastest growing sector in 2010. It registered a growth rate of 13.5 per cent and contributed 27.9 per cent to GDP. The services sector grew at 7.0 per cent, contributing 57.0 per cent to GDP.

APPROVALS IN THE MANUFACTURING SECTOR

Malaysia attracted significantly higher levels of investments in the manufacturing sector in 2010 compared to 2009. The number of projects approved also recorded an increase.

A total of 910 projects involving investments of RM47.2 billion were approved in 2010, compared with RM32.6 billion in 766 projects in 2009, representing an increase of 44.8 per cent in capital investments.

These investments surpassed by RM19.7 billion or 71.6 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 INVESTMENTS

In 2010, foreign investments in approved projects amounted to RM29.1 billion, which was 31.7 per cent higher than RM22.1 billion recorded in 2009.

This was attributed to the greater interest by foreign investors to invest in new growth areas and emerging technologies, which are high value added, high technology, and skills and knowledge intensive in nature. The increase in foreign investment was also due to the improvement in the economies of capital exporting countries.

Domestic investors showed a strong interest in investing in the manufacturing sector in 2010. A total of RM18.1 billion was approved in 2010 compared to RM10.5 billion in 2009, representing an increase of 72.4 per cent in approved capital investments.

NEW PROJECTS

Malaysia continues to remain a competitive location in attracting greenfield investments despite intense global

competition for FDI. Of the 910 projects approved, 537 were for new projects, involving investments of RM23.9 billion or 50.6 per cent of total investments.

Foreign investments in these projects amounted to RM11.7 billion (49.0%) while domestic investments totalled RM12.2 billion (51.0%).

EXPANSION/DIVERSIFICATION PROJECTS

Existing companies continued to show their confidence in Malaysia's business environment by undertaking further expansion and diversification activities. In 2010, a total of 373 projects were approved for expansion and diversification activities with investments of RM23.3 billion, accounting for 49.4 per cent of total investments.

Foreign investments in expansion and diversification projects registered an increase of 200 per cent in capital investments, from RM5.8 billion in 2009 to RM17.4 billion in 2010.

Domestic investments in expansion and diversification activities have also been encouraging. Domestic investments in these activities saw an increase of 23.0 per cent to RM5.9 billion in 2010 from RM4.8 billion in 2009.

INVESTMENTS IN MAJOR INDUSTRIES

Investments approved in 2010 were mainly in electrical and electronics products, petroleum products (including petrochemicals), basic metal products, transport equipment and non-metallic mineral products. These five industries constitute 65.7 per cent or RM31.0 billion of total investments approved.

EMPLOYMENT CREATION FOR KNOWLEDGE WORKERS

Availability of talented and skilled workforce together with a strong human capital development programme are essential for manufacturing companies to compete globally. The workforce transition in the manufacturing sector is already taking place with an increasing proportion of Malaysians

being employed in more highly skilled and higher income occupations.

Projects approved in 2010, when implemented, are expected to create a total of 97,319 employment opportunities of which 74.2 per cent or 72,221 will be in the high income category. For example we are seeing an increasing number of Malaysian managers and engineers being engaged in industries such as solar, advance electronics, medical devices, aerospace, oil & gas and R&D/D&D activities.

MAJOR SOURCES OF FOREIGN INVESTMENT

Malaysia's conducive business environment continued to attract investment from major capital exporting countries despite the global economic uncertainties in 2010. The major foreign investors in Malaysia include:

*i. **USA***

USA was the largest source of foreign investments in 2010 with investments of RM11.7 billion. These investments were in 47 projects, 12 of which were new

projects, while 35 were expansion and diversification projects. US investments were mainly in E&E, machinery and equipment and scientific and measuring equipment.

ii. **Japan**

Japan was the second largest investor in 2010 with investments of RM4.0 billion in 61 projects. Japanese investments were mainly in non-metallic mineral products, basic metal products and E&E products.

iii. **Hong Kong**

Hong Kong emerged as an important source of FDI with total investments of RM2.8 billion in 11 projects in 2010. Among the sectors approved were basic metal products, fabricated metal products and transport equipment.

iv) **Singapore**

Singapore continued to be a significant investor in 2010 with approved investments of RM2.1 billion. Singapore investments were mainly in chemical and chemical

products, food manufacturing and petroleum products (including petrochemicals).

v) Germany

Investments from Germany in 2010 amounted to RM1.9 billion. Major investments from Germany were in scientific & measuring equipment, chemicals and chemical products and E&E products.

Other major sources of foreign investments in approved projects were from Taiwan (RM1.0 billion), Netherlands (RM934.6 million), British Virgin Islands (RM889.9 million), China (RM639.5 million) and Switzerland (RM574.1 million).

REALISED INVESTMENTS

For the period of 2005-2010, a total of 5,648 manufacturing projects were approved and of these, 4,443 projects or 78.7 per cent have been implemented. Total capital investments in these implemented projects amounted to RM155.1 billion.

A total of 4,185 projects are already in operation and another 258 projects are at the stages of factory construction and machinery installation. Most implemented projects are located in Selangor, Johor, Penang, Perak, Kedah and Melaka.

INVESTMENTS IN THE SERVICES SECTOR

The services sector remains an important source of growth in the Malaysian economy. In 2010 (January - September), a total of 2,407 projects with investments of RM27.7 billion were approved in the services sector. Projects approved in 2010 (January - September) are expected to generate 44,561 employment opportunities, especially in the managerial, professional and technical levels.

Domestic investments accounted for the majority of the investments with RM24.4 billion or 88.1 per cent while foreign investments totalled only RM3.3 billion or 11.9 per cent.

INVESTMENTS BY MAJOR SUB-SECTORS

The services sector comprises a broad range of activities including real estate, transport, energy, telecommunications, distributive trade, support services, hotel and tourism,.

Highlights on services investments by major sub-sectors:

i. **Real Estate**

Real estate was the largest services sub-sector in terms of investments approved for the period of January - September 2010 valued at RM6.1 billion in 923 projects. This sub-sector's approved investments exceeded the investments for the whole of 2009, which amounted to RM4.6 billion in 901 projects.

ii. **Transport**

The transport sub-sector covers maritime transport, aviation and highway construction and maintenance. For the period January - September 2010, a total of 34 projects were approved with investments of RM5.1 billion.

Projects approved in 2010 were mainly in the aviation, and maritime sub-sectors with investments of RM4.4 billion and RM586.3 million, respectively.

iii. Energy

The energy sub-sector remained as one of the major contributors to investments in the services sector. For the period January - September 2010, total investments in this sub-sector amounted to RM4.0 billion, all of which were domestic investments.

MEASURES UNDERTAKEN

The New Economic Model (NEM) calls for several action plans to raise the role of the private sector and to make Malaysia globally competitive for investors.

Various measures and initiatives continue to be undertaken by the Government to ensure that Malaysia remains on track

to achieve a developed and high-income economy by 2020. Among measures undertaken include:

- the establishment of the National Committee on Investment (NCI) in MIDA to evaluate and approve investments projects in real time; and**
- the establishment of a Special Task Force on Investments in July 2010 to coordinate investment promotion activities and statistical information among regional corridors.**

MIDA is also being corporatised to give it the necessary organizational flexibility in attracting investment and be a more effective Investment Promotion Agency.

INVESTMENT OUTLOOK FOR 2011

Based on UNCTAD's World Investment Report 2010, global FDI inflows are expected to pick-up to US\$1.3 – US\$1.5 trillion in 2011, and head towards US\$1.6 – US\$2 trillion in 2012.

Bank Negara Malaysia has reported that for the first nine months of 2010, FDI inflows into Malaysia has surged to RM17.1 billion from just RM5 billion for the whole of 2009.

UNCTAD's World Investments Prospects Survey 2010-2012 also indicates renewed business optimism and stronger appetite of investors to pursue foreign expansion in 2011 and 2012. Given this scenario, global FDI inflows into Malaysia is expected to further increase in 2011 and beyond.

The Government will continue to fine-tune its policies, and incentives, and to undertake measures to improve the public delivery system to ensure that Malaysia maintains its attractiveness as the preferred investment destination. The Government has initiated detailed and comprehensive long-term reforms to ensure that the nation remains on track to achieve a developed and high-income economy by 2020.

MIDA will assume an important role in ensuring that there is a significant leap in investment activities in the 12 NKEAs and other priority sectors.