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MALAYSIA SEES MODEST GROWTH OF APPROVED INVESTMENTS IN 1H2015

Kuala Lumpur, 19 August 2015 - Malaysia saw a modest growth of investments in the first half of 2015 (1H2015) with new approved direct investments totalling RM113.5 billion from RM112.0 billion in the corresponding period of 2014.

“Investor confidence sustained Malaysia's growth as total investments realised to date under the RMK10 period amounted to RM712.3 billion, reaching 96% of the plan's target, despite the slower growth of private investment (3.9%) in the second quarter of 2015 as announced by Bank Negara recently,” said the Minister of International Trade and Industry, YB Dato' Sri Mustapa Mohamed, today.

The services sector accounted for the largest share of total investments, contributing 54.4% or RM61.7 billion, followed by the manufacturing sector with investments of RM49.5 billion or 43.6%, while the primary sector contributed the remaining approved investments of RM2.3 billion (2%).

“Malaysia's economy has done fairly well. This demonstrates continued investor confidence in the Government of Malaysia. This is also testament to Malaysia's structural economic fundamentals, which underscores the resilience of the country's economy, especially when one considers the challenges we face with external headwinds, the drop in oil prices and the rise of the US dollar,” Minister Mustapa said.

The total investments approved were in 2,487 projects and are expected to generate about 101,780 job opportunities, many of which will be in high technology and high value-added industries. The services sector continued to account for the largest share of total potential employment in the economy with 60,750 job opportunities or 59.7% of the total, followed by the manufacturing sector with 39,990 job opportunities (39.3%) and primary sector with 1,040 employment opportunities (1%).

Services sector

Investment in the services sector grew moderately by 4.9% in 1H 2015, compared with corresponding period in 2014. The slower growth was mainly due to the lower investment in the real estate sector, which recorded RM15.9 billion in 1H2015 compared with RM29.1 billion in 1H2014. Except for the real estate and distributive trade sectors, almost all other services sub-sectors registered growth in investments during this period.

The subsectors under the National Key Economic Area (NKEA), including hotel & tourism, health services, education services, ICT (comprising telecommunication and MSC Status companies) and business services (including regional establishments and support services) all registered increases in investments.

In the transport sector, which comprises investments in air, maritime and land transport, the approval of three new highways led to the increase in total investment in the sector to RM12.8 billion compared with RM6.3 billion for the whole of 2014.

“Malaysia’s strategic location, supported by the Government’s ongoing commitment in pursuing pro-business and pragmatic policies have continued to be the catalyst in making Malaysia an attractive destination for global businesses to set up their regional business hubs in the country,” emphasised YB Minister.

In 1H2015, a total of 101 regional establishments with investments of RM3.0 billion have been approved. Another four (4) Global Operations Hub projects were approved with investments valued at RM2.6 billion. These global and regional operations provide professional services that include supply chain management, financial & treasury management, and data & information services to their global network of companies.

Primary Sector

Investments in the primary sector decreased from RM10.1 billion in 1H2014 to RM2.3 billion in 1H2015. This is due to lower investments in the upstream oil and gas activities and the challenge of lower global crude oil prices.

Manufacturing Sector

Oil and Non-Oil Sectors

Investments in the petroleum products industries totalled RM25.4 billion (51.3%) while the non-oil sectors received RM24.1 billion, mainly from the transport equipment, electrical and electronic (E&E), fabricated metal, non-metallic mineral products and chemical products. More than 25% of projects in these five sectors reported having

value-added of 60% and above, reflecting the continued efforts by Malaysian manufacturers to move into higher value added activities.

Malaysian-owned Companies

Malaysian companies continued to invest in the manufacturing sector. In 1H2015, a total of 255 Malaysian-owned manufacturing projects with investments totaling RM11.2 billion were approved in the non-oil sector. Malaysian manufacturers were active in the machinery manufacturing, wood and furniture, fabricated metal products (including engineering support services), transport equipment and food manufacturing industries. Notably, 42% or 107 of these projects proposed to export at least 50% of their outputs, denoting the strength of the Malaysian companies to compete in the global market.

Malaysian-owned manufacturing projects are also major employers. Job opportunities created by the 255 projects totalled 17,210 or 43% of total job opportunities from projects approved in 1H 2015. Young Malaysians with technical and vocational qualification looking to a career in the manufacturing sector, will find many opportunities in the more than 6,000 jobs to be created in Selangor, Johor (3,580), Penang (2,960), Perak (1,170) and Kedah (1,140).

Performance at the State Level

Johor registered the highest level of investments of RM27.0 billion in the manufacturing sector from January to June 2015, recording a 72% increase in investments, compared with RM15.7 billion over the corresponding period in 2014.

The other top ten leading states in terms of value of investments were Melaka (RM6.2 billion), Penang (RM4.3 billion), Selangor (RM4.2 billion), Perak (RM3.0 billion), Kedah (RM1.1 billion), Pahang (RM1.0 billion), Negeri Sembilan (RM0.94 billion), Sarawak (RM0.64 billion) and Sabah (RM0.34 billion).

Foreign Investments

Foreign sources of investment were from the East Asia economies of Japan, Hong Kong, China, Korea and Taiwan (RM7.4 billion or 56.5%), Americas (RM2.3 billion) and Europe (RM1.9 billion). Investments from East Asia were mainly in the fabricated metal products, non-metallic mineral products and E&E industries, while more than 80% of investments from the USA were in E&E. Investments from European countries were in a wide range of industries, from E&E and machinery manufacturing to resource based industries of paper products, petroleum products and food manufacturing.

Minister Mustapa highlighted that Malaysia continues to strengthen the investment ecosystems within the manufacturing sector to facilitate growth. The country's aim is to

further attract more quality investments from both local and foreign sources to encourage new product innovation in the country. These approved projects are also expected to generate strong multiplier effects which include the growth of domestic companies/engineering supporting industries, cluster development, local sourcing, strengthening of R&D activities and human capital development.

Implemented Projects

From 2010 to 2014, a total of 4,158 manufacturing projects were approved, and 3,206 (77%) of these projects have been implemented thus far, with 2,961 in production and 245 undergoing machinery installation or factory construction. Total capital investment for these implemented projects amounted to RM172.9 billion. A total of 454 manufacturing projects approved since January 2014 are already in operation.

Moving Forward

Dato' Sri Mustapa reaffirms that, "The task ahead is challenging, and therefore the coordinated efforts of all Ministries and departments, and State Governments are necessary for us to maintain our competitiveness. MITI and its agencies, particularly MIDA will continue to assume a stronger role in facilitating the implementation of approved projects. MIDA as the lead coordinating investment promotion agency for the country will intensify its handholding and facilitation efforts.

We will continue to engage the business community in assisting companies to weather the current global economic uncertainties. Programmes include dialogues with foreign and local chambers, and industry associations; roundtable meetings; and *Turun Padang* events."

The Minister highlighted the recent roundtable meeting he had with investors in Selangor at the OYL Manufacturing Facility in Sungai Buloh, Selangor as an example.

Efforts to attract more quality foreign investments will be stepped up. Trade and investment missions planned for 2015 will cover major capital-exporting countries in North America, Europe and Asia, particularly China.

"In tandem with China's current overseas investment policies, we see encouraging investments from China into the country. For the first half of this year, Malaysia attracted 10 manufacturing projects from China with investments of RM1.2 billion. In addition to this, there has also been an increase in merger and acquisition activities in the eco-glass and metal industries.

Malaysia is also positioning itself to take advantage of the China's outward investment strategy namely the One Belt, One Road Initiative. To further facilitate Chinese investments, MIDA has expanded its overseas network in China by establishing a new office in Beijing, in addition to its existing offices in Shanghai and Guangzhou," elaborated the Minister.

As at June 2015, MIDA has 299 projects in the pipeline with investments worth RM21.8 billion for the manufacturing and services sectors. These projects are mainly in Food Manufacturing, Transport Technology, Chemicals & Advanced Materials, E&E, Healthcare, Education and Hospitality.