MEDIA RELEASE

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MALAYSIA REMAINS AN ATTRACTIVE PROPOSITION
Draws Investments Worth RM186.7b in 2015

In 2015, Malaysia secured total approved investments amounting to RM186.7 billion in the manufacturing, services and primary sectors, a 21% decrease in value compared with RM235.9 billion in 2014. The investment performance in 2015 was strongly influenced by global economic headwinds exacerbated by the drop in oil and commodity prices, as well as the rise of the US dollar.

Despite the decrease, the country's investment performance last year exceeded the average annual investment target of RM148 billion set under the 10^{th} Malaysia Plan. This bears testament to the resilience of Malaysia's economy on the back of solid structural economic fundamentals. It also underscores the success of the proactive strategies put in place by the Government to drive investment growth and shape the future.

The year in review saw some 4,887 projects approved. These are expected to create 180,240 new jobs, further bringing home the benefits of direct investments. Of the total investments approved, some RM150.6 billion or 80.7% was contributed by domestic investments (DDI) while RM36.1 billion or 19.3% came from foreign sources (FDI). The higher DDI performance reflects local investors' favourable response to the Government's call for domestic investments to lead the way in the growth of the economy.

<u>Investments in the Services Sector</u>

Malaysia's services sector maintains its momentum as the largest contributor to total approved investments in 2015. Nevertheless, on a year-on-year basis approved investments in the services sector last year contracted by 29.5%, which was mainly due to a sharp decline in the value of real-estate projects. Despite this, the value of investments contributed by key sub-sectors with relatively high value added activities such as health services, MSC Status companies and global establishments registered increases in investments.

In relation to investments in the private healthcare sub-sector, a total of 26 projects was approved in 2015 amounting to RM3.68 billion. One notable healthcare project is the stand-alone cardiac and vascular Centre of Excellence (COE) in Southeast Asia under the banner of Cardiac Vascular Sentral Kuala Lumpur. The 74-bedded private hospital project is expected to create 300 job opportunities, of which 230 will be for skilled and semi-skilled positions such as medical specialists, nurses in specific areas, allied health professionals such as Cardiac Sonographer and radiographers.

Demand for highly skilled and knowledge based workers are also found in the ICT sector where 249 newly approved MSC status companies proposed to employ 12,850 new IT knowledge workers. MSC Malaysia status is recognised by the Government of Malaysia for ICT and ICT-facilitated businesses that develop or use multimedia technologies to produce and enhance their products and services.

The year 2015 saw many MNCs continuing to capitalise on Malaysia's competitive advantages to establish their global and regional operations centres. As at 31 December 2015, a total of 3,683 global establishment projects had been approved by MIDA. Of these establishments, 2,042 took the form of Representative Offices (REs), 1,035 were Regional Offices (ROs) and 271 were Operational Headquarters (OHQs). The remaining approved establishments comprised of 252 International Procurement Centres (IPCs), 32 Global Operations Hubs (GOHs), 35 Regional Distribution Centres (RDCs) and 10 Treasury Management Centres (TMCs). These establishments provide support for a broad spectrum of sub-sectors and activities, ranging from supply chain management and logistics to banking and financial services, by helping to improve the competitive edge of these sub-sectors while promoting sustainable economic growth.

Since the implementation of the Principal Hub initiative in May 2015, MIDA has approved six Principal Hub (PH) projects from major MNCs in the electronics, aerospace, commodity (pulp & paper and palm oil) and F&B industries. These investments amount to RM1.3 billion and will involve the creation of 320 high value jobs, mainly for Malaysians. These approved projects will involve significant usage of local ancillary services such as financial facilities, logistics and supply chain services as well as professional services and utilities. Among the pioneer PHs is Honeywell Inc., a Fortune 100 powerhouse which provides commercial and consumer products as well as engineering services and aerospace systems for a wide variety of customers; Asia Pacific Resources International Ltd or APRIL, one of the largest pulp and paper companies in the world and a leading developer of fibre plantations; and PureCircle Group of Companies, which develops and manufactures natural food ingredients for the F&B industry globally.

To enhance the competitiveness and resilience of the services sector, the Government will continue to promote the potential of the sector and transform it to become more knowledge-intensive and innovation-led. The development of the services sector will be guided by the Services Sector Blueprint, launched in March 2015. The Incentive Coordination and Collaboration Office (ICCO), a new unit established under MIDA, will be the central coordinator for all investment incentives. ICCO will be a one-stop centre to advise and coordinate businesses on incentive offerings and provide cross-agency visibility. It will also advise the Government on incentive design and assist in monitoring and evaluation.

Investments in the Manufacturing Sector,

The manufacturing sector remains important to Malaysia. In 2015, the manufacturing sector continued to attract a healthy share of capital intensive investments for flagship industries with a total of 680 new manufacturing projects with investments amounting to RM74.7 billion being approved as compared to 811 manufacturing projects with investments of RM71.9 billion approved in 2014. Full employment of these approved manufacturing projects will create 66,490 jobs of which 13,950 or 21% of these jobs are in the managerial, technical and supervisory (MTS) categories while 10, 230 or 15.4% will be skilled craft workers.

Capital-intensity, as measured by the capital investment per employee (CIPE) ratio of projects approved in the manufacturing sector, stood at RM1,123,306 as at end 2015. It is noteworthy that the CIPE ratio of manufacturing projects has registered an increasing trend since 1990. In 2015, there were 63 manufacturing projects approved which recorded investments of at least RM100 million or more. Total investments in these projects amounted to RM64.7 billion or 86.6% of the total. This reflects the country's achievement in attracting more capital-intensive, high value added and high technology projects.

In terms of funding, foreign investments amounted to RM21.9 billion and the balance stemmed from domestic investments. The leading source of foreign investments in 2015 was the USA with investments totalling RM4.2 billion in 19 approved projects. The USA's RM2.1 billion expansion project for the manufacture of hard disk drives and media multi disk writers solidified its presence as the leading source of FDI. The USA was followed by Japan with investments amounting to RM4 billion in 60 projects. The bulk of Japan's investments was also concentrated on the E&E front.

The presence of multinational companies in Malaysia, particularly in the E&E sector is huge. Apart from contributing significantly to exports to the country, such establishments are also spawning the creation of high income, knowledge-driven job opportunities to Malaysians. As many MNCs in E&E undertake research and development (R&D) and design and development (D&D) as an integral component of their operations in Malaysia, this has spurred local companies to upscale their operations and are now undertaking their own internal R&D activities as part of the requirements in product and process development upon becoming part of these MNCs' supply chain network. This will ultimately better develop and enhance the ecosystems in this industry. Today, many of the local companies that have built up their capabilities and capacities are first, second and third tier suppliers to MNCs and have been rewarded with contracts worth millions.

The new projects in 2015 bring the total number of manufacturing projects approved during the five-year period of 2011 to 2015 to 3,928 projects. Of these, 2,967 or 75.5% have been implemented thus far. Total capital investment in these projects amounted to RM175.1 billion. Another 773 projects are either at the site acquisition or in the active planning stages. The majority of projects implemented during the five-year period of 2011 to 2015 covered industries such as E&E, machinery & equipment petroleum products (incl. petrochemicals), transport equipment, fabricated metal products and chemicals and chemical products.

Primary Sector

Investments in the primary sector registered a decrease of 96.2% from RM14.4 billion in 2014 to RM3.8 billion 2015. This is largely due to lower investments in oil and gas exploration activities, which resulted from the fall in oil prices that began in mid-2014. The rest of the investments in the primary sector, comprised of the plantation and commodities sub-sector and the agriculture sub-sector registered sustainable investments of RM712.2 million and RM261.2 million respectively.

Going Forward

The global economy including Malaysia will be facing challenges on multiple fronts in 2016. The road ahead requires Malaysia to go beyond just economic growth and build upon the core strengths of the country and secure opportunities with long-term benefits for all Malaysians. History proves that Malaysia is a resilient nation. The strong private sector performance and Malaysia's diversified economy has enabled the country to continue strengthening its fiscal position. The priority now is not just about the number of investors or absolute value of investments but to bring in investments that can help fulfil the country's aspirations and would get Malaysians high income and quality jobs.

The Government will continue to introduce various pro-business measures to bolster Malaysia's ability to face domestic and external challenges, and opportunities, including those on the ASEAN Economic Community (AEC) and Trans-Pacific Partnership fronts. It will continue to collaborate and engage with a variety of stakeholders to attract investors across all economic sectors. As the AEC bandwagon prepares to propel the region forward with Malaysia at the forefront, investors can expect an energetic and rewarding ride!

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