



MEDIA RELEASE

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1H2017 APPROVED INVESTMENTS TOTALLED RM65.4 BILLION *Malaysia's Broad-Based Economic Structure Will Continue to Appeal to Investors*

Kuala Lumpur, 19 October 2017 – Malaysia recorded a total of RM65.4 billion of approved investments in the services, manufacturing and primary sectors for the first six months of 2017 (1H2017), a decline of 28.2% compared with RM91.2 billion for the same period last year. These investments involved 2,294 projects and will create 61,930 employment opportunities.

The decline was mainly due to the 41% drop in the number of approved investment recorded for the services sector. This was in line with the slowing down in the property market. Approved investment for manufacturing sector has also declined, partly due to the large amount of investments that went into the Pengerang and RAPID project in Johor in 2014-2016. In addition, Malaysia is unable to compete with a number of countries in the region which offer lower labour cost.

“Despite the decline, we are confident that investments in the manufacturing sector will recover in the next few months, given Malaysia’s established industrial ecosystems. The country’s broad-based economic structure continues to appeal to both domestic and foreign investors. For example as at September 2017, MIDA has 341 projects in the pipeline with investments worth RM50.9 billion for the manufacturing and services sectors. A large number of these projects in the pipeline, once implemented, would potentially provide over 18,000 more jobs for the country,” said YB Minister Dato’ Sri Mustapa Mohamed.

Services Sector

The performance of the services sector was lower by 41% compared with the same period last year. This is mainly due to a decline from the real estate and global establishment sectors, which saw industry players go through a period of adjustment to changing consumer demands and policy reviews.

“In the global establishments sector, there were no Principal Hub (PH) projects approved in Jan-June 2017 as the Policy Review for Principal Hub was being undertaken. However, based on projects in the pipeline that are currently being negotiated by MIDA, we foresee that there will be a number of approvals for PH projects with sizeable investments for this year,” said YB Minister.

The services sector has the largest number of projects in 1H2017 with a total of 1,974 projects approved during the period. Other than the real estate subsector, leading contributors to these investments include distributive trade (RM4.7 billion), financial services (RM4.7 billion), utility (RM4.3 billion) and information technology and telecommunications (RM4.1 billion). Collectively, these five subsectors made up 81.0% of the total approved investments in the services sector.

This sector has maintained its position as the largest employer in the economy, with the creation of more than 39,000 job opportunities in 1H2017. Majority of these jobs or almost 92% will be in the distributive trade, MSC status companies and hotel & tourism.

Demand for highly skilled and knowledge based workers are mainly generated in the ICT sector where 167 newly approved MSC status companies proposed to employ more than 9,000 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.

Approvals in the hotel & tourism subsector grew by 10.7%, from RM2.0 billion in 1H2016 vis-à-vis RM2.2 billion in 1H2017. The total 34 approved projects will generate more than 2,200 new employment opportunities. Majority of these investments or 79.2% are concentrated in the hotel subsector.

The transport sub-sector which consists of maritime transport, aviation and construction & maintenance of highways registered an astounding growth of more than 10 folds from RM0.3 billion in the first six months of 2016 to RM3.9 billion in the corresponding period of this year. About 95.8% of these investments were contributed by approved road projects worth RM3.7 billion, underscoring the Government's commitment to build world-class infrastructure that will drive a more competitive and sustainable economy towards generating substantial and lasting economic and social benefits.

Manufacturing Sector

Malaysia continued to attract healthy levels of investments in the manufacturing sector amid the uncertainties of the global economic environment. A total of 302 manufacturing projects with investments of RM17.0 billion were approved by MIDA in 1H2017, compared to 372 projects with investments of RM20.6 billion in 1H2016. Foreign investments contributed RM9.6 billion or 56.5% while domestic investments recorded RM7.4 billion or 43.5%.

The leading sources of foreign investments were Netherlands, Switzerland, Germany, Hong Kong and Singapore. These five countries jointly accounted for 76.2% of total foreign investments approved in the manufacturing sector for this period.

The moderate investment performance in this sector is in tandem with the global FDI trends for the manufacturing sector. According to UNCTAD's World Investment Report 2017, the value of announced greenfield FDI globally in this sector has dropped by 23% from USD379,566 million in 2003 to USD292,159 million in 2016. The decreasing trend

of global greenfield FDI denotes the lessening amount of FDI available globally, thus increasing more competition amongst countries for manufacturing FDI.

“Despite the global scenario, our existing foreign investors continue to demonstrate their confidence in our business environment. Notably, 84.5% of these approved foreign investments in the manufacturing sector were from expansion or diversification projects with high value contents. These include Malaysia’s long term investors such as Robert Bosch, B.Braun Medical Industries and TF AMD Micro-Electronics,” said YB Minister.

The approved manufacturing projects for 1H2017 are expected to generate about 21,900 employment opportunities. The percentage of jobs creation in the managerial, technical and supervisory positions has increased from 21% in 1H2016 to 28% 1H2017, reflecting the transition of our manufacturing sector to higher value chain, which will result in higher paying jobs.

The targeted 3+2 catalytic and high potential growth subsectors namely Electrical & Electronics, Chemical & Chemical Products, Machinery & Equipment, Medical Devices and Aerospace as identified under the 11th Malaysia Plan contributed 58.7% (RM9.9 billion) to the total approved investments in the manufacturing sector. Once implemented, these projects will further energise the development and growth of the overall manufacturing sector.

The E&E industry emerged as the main contributor to the total approved investments in the manufacturing sector compared with the corresponding period last year. Most of the high quality projects in E&E are concentrated in solar, fabricated wafers and semiconductor devices.

Breakdown of Investment in Manufacturing Sector According to States

In terms of recipients of approved investments in the manufacturing sector, Penang registered the highest level of investments with RM7.7 billion, followed by Melaka (RM2.9 billion), Selangor (RM1.7 billion), Johor (RM1.4 billion), and Kedah (RM1.0 billion). Collectively, these states contributed 86.4% or RM14.7 billion to the total approved investments that will fund 241 projects. These investments are set to create 18,920 job opportunities, making up 86.4% of the total in the manufacturing sector.

These relatively large investments in the manufacturing sector in a number of states are mainly due to the ecosystem developed over the years in the country. In the last three decades, the Federal Government had provided large allocation in building key infrastructure such as airports, ports, telecommunication network and free trade zones especially in Selangor, Penang and Johor. In addition, the Government has provided strong facilitation through various promotional activities and the provision of incentives through MIDA and other IPAs. The role of state governments in land matters and other local facilitation have also contributed in attracting investment.

Primary Sector

The approved investments in the primary sector registered a significant increase of 517.9% from RM1.2 billion in 1H2016 to RM7.3 billion in 1H2017. Investments from domestic sources totalled RM4.4 billion or 60.3% while foreign investments contributed RM2.9 billion or 39.7%. The mining subsector led with approved investments of RM6.8 billion, mainly from the oil and gas (O&G) exploration activities.

Conclusion

“The current challenges that Malaysia face are opportunities for growth. I urge our stakeholders to persevere as it is a long game. When the situation is not favourable, it just means we have to double our efforts to work it out and have patience. Malaysia has long term economic plans in place and in time, I trust that the country will reap the harvest of our current efforts,” said YB Minister.
