

# Annual Media Conference **2018**

**FORGING  
FORWARD**

**06** March | Tuesday | Perdana Hall  
2018 | 2.30 PM | MIDA SENTRAL

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Annual Media Conference **2018**

**Presentation by**  
**YB Dato' Sri Mustapa Mohamed**  
*Minister of International Trade & Industry*



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FORWARD**



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MALAYSIAN INVESTMENT DEVELOPMENT AUTHORITY

# MALAYSIA INVESTMENT PERFORMANCE REPORT 2017

FORGING FORWARD 



# RECENT DEVELOPMENTS



# OUR ECONOMY REMAINS **RESILIENT IN THE WAKE OF GLOBAL UNCERTAINTY** ...



**WTO members praised Malaysia** at the Trade Policy Review 14-16 Feb 2018 for:

- Strong and inclusive growth as a result of our **prudent macroeconomic management** and **diversified economy**
- Domestic reform, services sector liberalisation, enhanced private sector participation and trade openness which contributed to growth



**GDP: Annual growth of 5.9%** (2017); significantly higher than 4.2% (2016)

- Among the highest growth in ASEAN
- Private investment grew at a faster pace of 9.2%



**Total trade:** RM1.8 tril (2017) increased by 19.4% from RM1.49 tril (2016)

- **Biggest growth in 13 years**
- Jan 2018: total trade stood at RM156 bil (14.9% increase compared to Jan 2017)



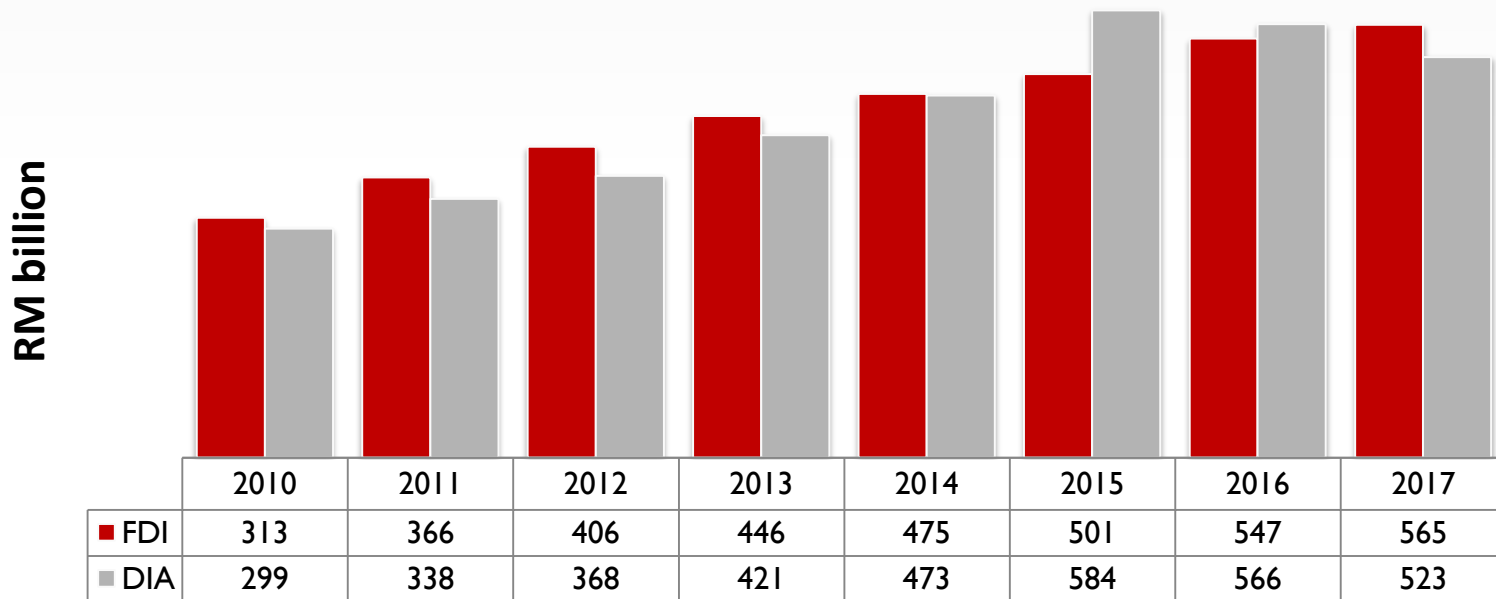
**FDI inflow:** Following record high of RM47.2 bil (2016), our **FDI in 2017 remained at healthy level** of RM39.2 bil

- On average, we have received RM39.9 bil of FDI annually for the last five years

# COMPARISON OF MALAYSIA **FDI AND DIA STOCK**

**FDI Stock in 2017 stood at RM 565 billion**

**DIA Stock in 2017 stood at RM 523billion**





## WE CONTINUE TO RECEIVE **INTERNATIONAL ACCOLADES**



**23<sup>rd</sup> most competitive nation and 13<sup>th</sup> most inclusive development among developing economies**

- *Strength of investor protection (3<sup>rd</sup>)*
- *Burden of government regulation (5<sup>th</sup>)*

**(September 2017)**



**WORLD BANK**

**24<sup>th</sup> for ease of doing business**

- *Getting credit (20<sup>th</sup>)*
- *Protecting minority investor (4<sup>th</sup>)*

**(November 2017)**



**24<sup>th</sup> most competitive economy**

- *Economic performance (13<sup>th</sup>)*

**(June 2017)**

# STRENGTH OF OUR ECONOMY **IS REGO**GNISED

**Good ratings given to our economy:**

**Fitch**Ratings

**A- (August 2017)**

**MOODY'S**

**A3 (December 2017)**

**S&P Global**  
Ratings

**A- (June 2017)**



**5<sup>th</sup> most attractive  
emerging market  
(January 2018)**



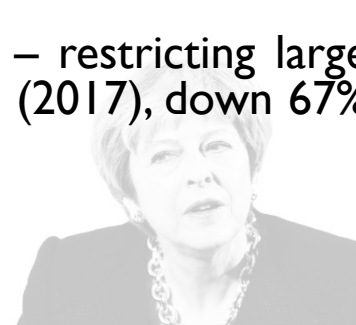
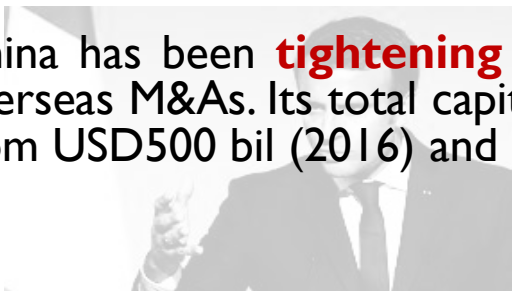
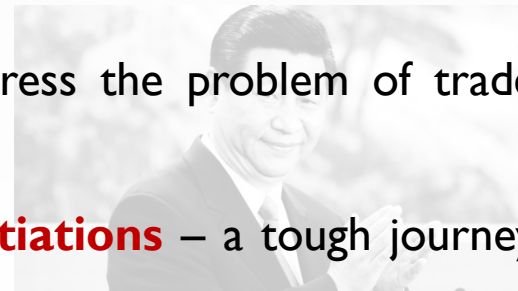
**THOMSON  
REUTERS**

**1<sup>st</sup> the most developed  
Islam economy  
(November 2017)**



## RISE OF PROTECTIONIST SENTIMENT ACROSS THE GLOBE

- **'America First' policy** – President Trump vows to address the problem of trade imbalance.
- United Kingdom is **pushing ahead with its Brexit negotiations** – a tough journey that will fuel further uncertainty along the way.
- **Mixed signals from France**; promising reform on one hand while there is concern on blocking foreign acquisition of French companies in strategic sector.
- China has been **tightening its capital outflow rules** since 2016 – restricting large overseas M&As. Its total capital outflow was estimated at USD166 bil (2017), down 67% from USD500 bil (2016) and 78% from USD761 bil (2015).



## TAX REFORM AND TARIFF ON STEEL & ALUMINIUM BY **PRESIDENT TRUMP** ...

- 22 Dec 2017: Corporate tax was slashed from 35% to 21% to invite more companies to move back to the US
- 16 Feb 2018: Global tariff of at least 24% on all steel imports and 10% on aluminium products imports
- Despite this, the interest among the US firms to continue investing in Malaysia remains high.
- Our companies have not been impacted by the tariff hike but we are closely monitoring any further development.



## RECENT DEVELOPMENTS **IN MALAYSIA** ...



■ 28 Feb 2018: YAB Prime Minister announced that the PETRONAS-Saudi Aramco partnership in RAPID Johor has been finalised and the committed investment of USD7 billion will be transferred to our account by end of March.



- 26 Feb 2018: Peugeot buys 56% stake in Naza's plant in Gurun, Kedah to establish its ASEAN Hub
- *Peugeot models set to be produced in 2018 and Citroen models to be produced in 2019*



- 23 Feb 2018: SK Group which has been operating in Malaysia since 2013, will now establish a Regional Head Office here covering ASEAN, India and the Middle East for a blue ocean shift.

# MALAYSIA AS THE GLOBAL HUB



# GLOBAL ESTABLISHMENTS

## Principal Hub (PH)

*PH is a locally incorporated company that uses Malaysia as a base for conducting its regional or global business that involve key functions*

*Under the PH scheme, a total of **28 PH projects** approved to setup their regional headquarters in Malaysia.*



Business commitments **RM28.57 billion**



Ancillary services of **RM2.35 billion**



**2,020 high-value jobs** for Malaysians over the next 10 years



## Representative Offices (RE) and Regional Offices (RO)

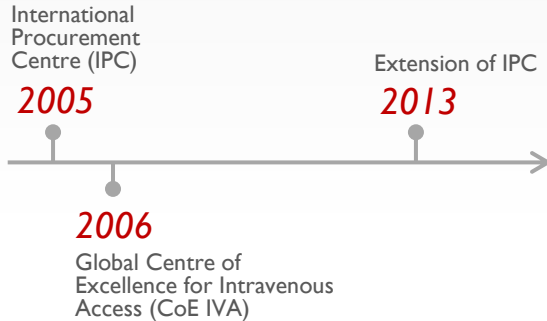
**216 investment** were approved worth **RM374 million** (33.6% higher than 2016)



# COMPANIES WHICH HAVE MADE MALAYSIA THEIR BUSINESS HUB OVER THE YEARS



## Global Center of Excellence (2005)



*B. Braun Medical Industries Penang was recognised as the Global Center of Excellence for Intravenous Access (CoE IVA) products, which comprises production and R&D functions.*

*The Penang-based CoE is the very first CoE established outside Europe.*



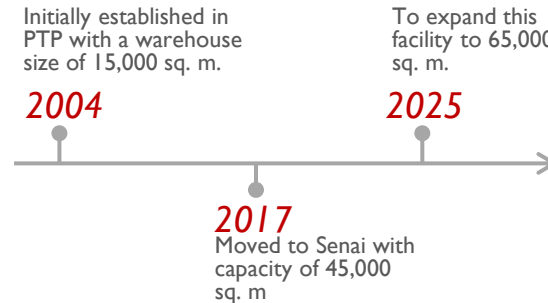
Center of Excellence for Intravenous Access Products (CoE IVA)



## Regional Parts Distribution Centre (2004)

*BMW began its operation in Malaysia with only assembly facilities and sales showrooms (36 in 2015)*

*Expanded into Regional Parts Distribution Centre (RDC) operations to support 23 countries. Ranked among the Top-10 of BMW Distribution Centres globally.*



## Global Operations Hub / Principal Hub (2011)

**Since 1988**  
Total investment of over RM30 billion and employment of 500 people (100% Malaysian; 40% knowledge – workers)

### Global Operations Hub

- IC testing
- R&D for semiconductors
- Procurement

**1988**  
Only focused on manufacturing and test activities

### 2022 Principal Hub

- Intellectual Property Management
- R&D and Innovation
- Advanced Automotive Technology (production of automotive sensors on chips)



Regions served: USA, Europe & APAC

## COMPANIES WHICH HAVE MADE MALAYSIA **THEIR BUSINESS HUB** OVER THE YEARS



### Asia Regional Oil & Gas Hub (2016)

McDermott has 100 years experience in the Oil & Gas industry. It Moved its Asia Regional Oil & Gas Hub from Singapore to Malaysia. This Asia Regional Oil & Gas Hub serves 7 countries by managing:-

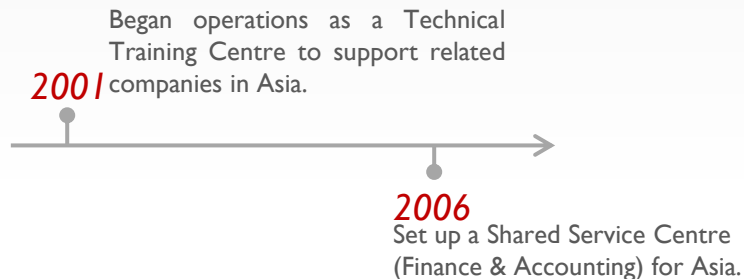
- Central project oversight
- Supply chain coordination
- Engineering Centre of Excellence
- 400 regional positions and engineers



12,400 employees worldwide



### Global Operational Headquarters



Has evolved into a Global Operational Headquarters (GOHQ) which supports over 100 countries worldwide by managing:-

- Data Hosting Centre
- Technical support
- Strategic market development
- Customer Solutions Integration & Innovation Experience Centre (Trains 300 students yearly)



# COMPANIES WHICH HAVE **RECENTLY** MADE MALAYSIA THEIR BUSINESS HUB



## Global Procurement Hub (2017)

1912

Nestle Group began its operation in Malaysia

2017

Establishment of Nestlé's Asian Procurement Hub. Today, Nestlé's only Global Procurement Hub apart from Switzerland and Panama.

 5,900 employees  
90% Malaysian

 Operates 8 production facilities

 Procures raw materials for 100 countries

## **Honeywell** ASEAN Headquarters (2017)

*Honeywell has been in operation for 33 years in Malaysia and it began its presence here through manufacturing and sales & services operations (6 entities)*

To set up Honeywell Group's 1st Global Procurement Centre in Malaysia to support 100 countries worldwide.

2018

2017

**Establishment of Honeywell's ASEAN Headquarters (under the Principal Hub scheme):-**

- 400 staff members, including 50 regional leaders and experts.
- Business development of Aerospace, Oil & Gas, Building Technologies and Safety & Productivity segments



Total investment of RM2 billion



1,500 employees



## Regional Distribution Centre (2017)

*Ikea has made a strategic decision to establish its Regional Distribution and Supply Chain Centre for ASEAN in Malaysia.*

*The Centre, which will adopt the structure and technology of IKEA's biggest Regional Distribution Centre in Germany, will also be among the top 10 largest Regional Distribution Centres of IKEA globally.*



Centre will serve 12 retail stores in the region



RM907 million (within 5 years)

# OTHER MNCs WHICH RECENTLY OPENED THEIR **BUSINESS HUB**



**Oracle** (USA, Fortune 100)

## **APAC Digital Sales Hub**

World No 1 Integrated Cloud Application and Platform Services Provider



**Givaudan** (Switzerland, Forbes Global 2000) **Global Business Services Hub**

World largest company in flavors and fragrances



**Air Liquide** (France, Forbes Global 2000)

## **Regional Smart Innovative Operations Centre**

One of the world leaders in industrial gases, technologies and services for Industry and Health

# MORE INVESTMENT IN **DIGITAL TECHNOLOGY & SERVICES**



DownUnderGeoSolutions

## **ENERGY & RESOURCES**

AUSTRALIA

- **Innovative geosciences company** for oil and gas industry
- **Patent holder** for seismic processing solutions

Average Salary (excl. CEO):

**RM13,841**



## **INTELLIGENCE**

GERMANY

- **World leader in lawful interception & intelligence solutions** to >35 governments globally
- Malaysia to host their **24/7 Monitoring Centre and Intelligence Platform**

Average Salary (excl. CEO):

**RM24,264**



## **TECHNOLOGY**

FRANCE

- **World leader in 3D design, 3D digital mock-up**
- Malaysia to host their **Global Development Centre for 3D Business Experience Platform**

Average Salary (excl. CEO):

**RM13,673**



## **EDUCATION**

NORWAY/MALAYSIA

- **Big data analytics** platform & consulting for strategic HR management and workforce of the future
- **Re-domiciled** to Malaysia from Norway

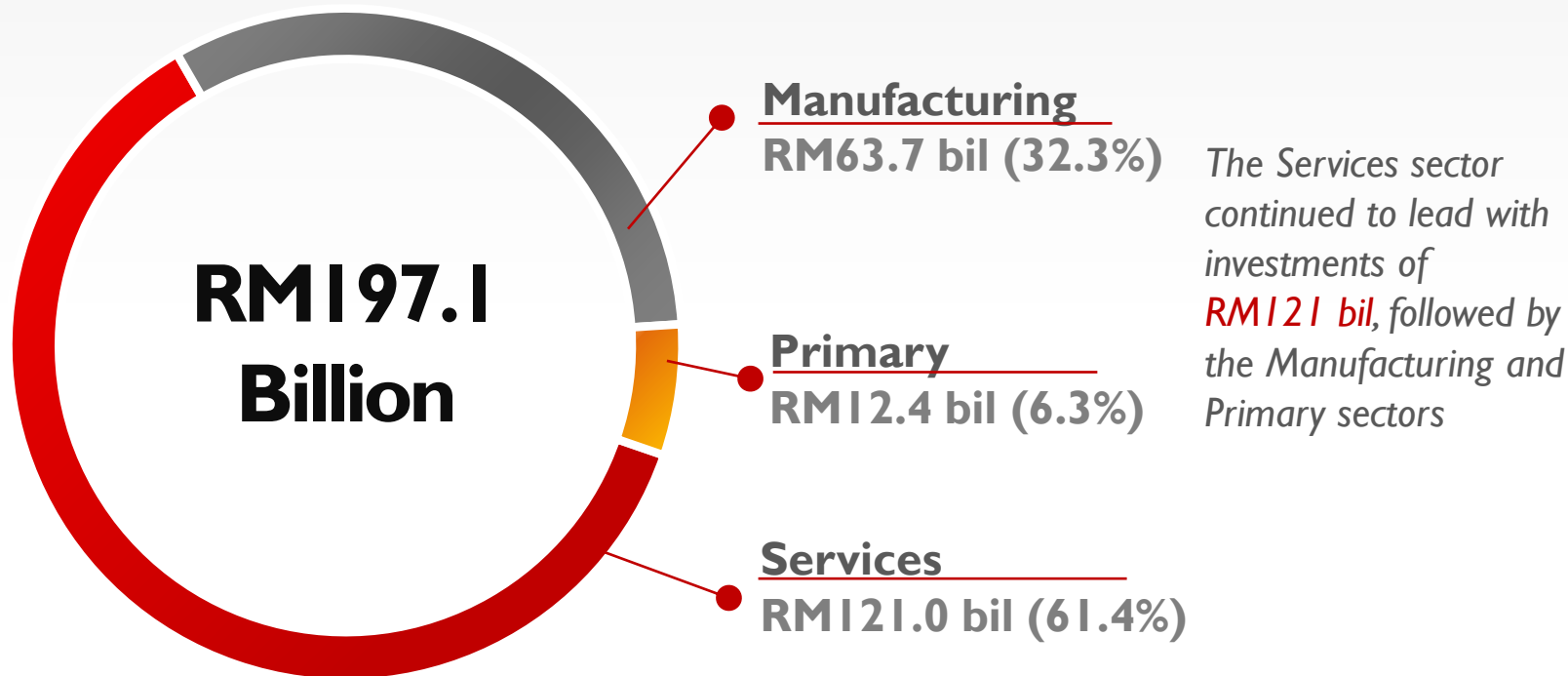
Average Salary (excl. CEO):

**RM20,705**

# TOTAL APPROVED INVESTMENTS IN 2017



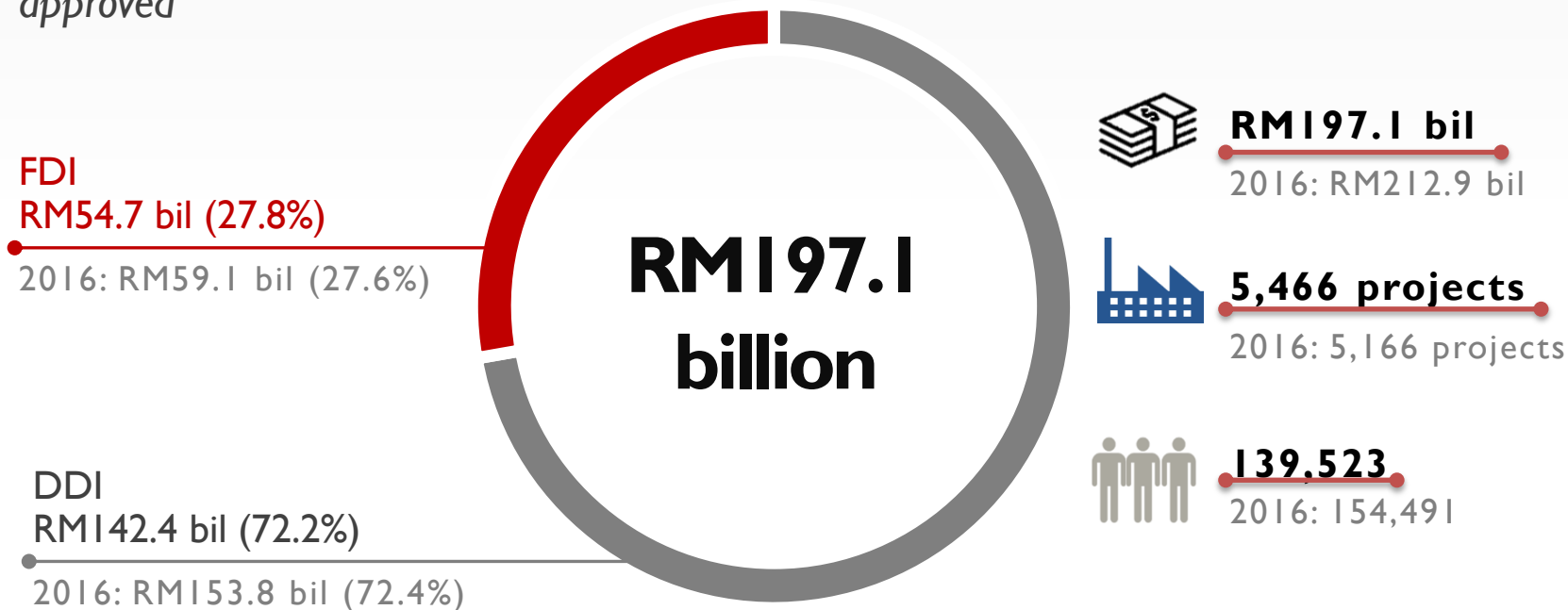
# INVESTMENTS BY **SECTOR**



Source: MIDA

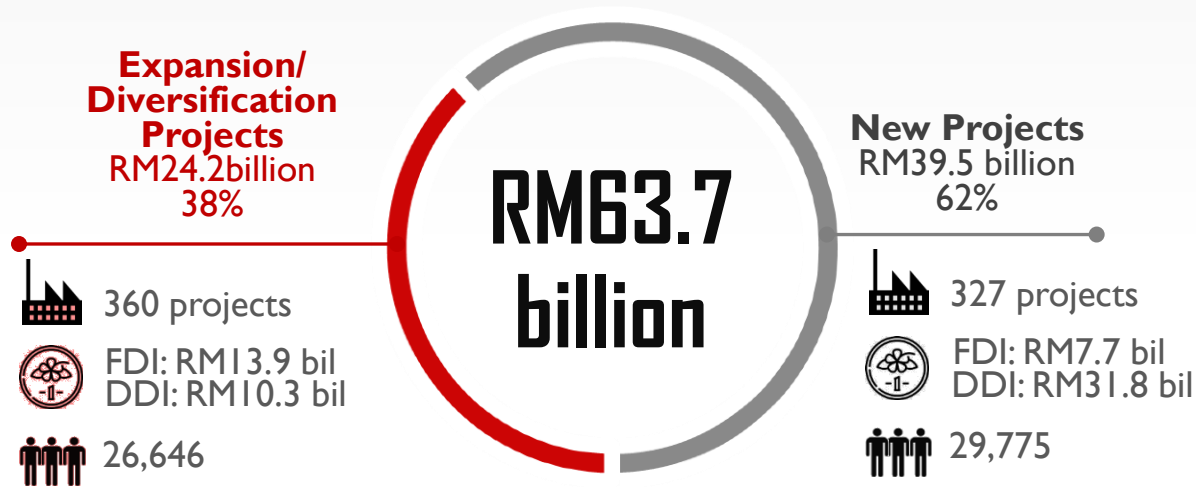
# TOTAL APPROVED INVESTMENTS IN 2017

Overall approved investment in 2017 dropped by **7.4%** corresponding to a slight dipped in the services sector. However, the year 2017 recorded a rise of **5.8%** in number of projects approved



Source: MIDA

# NEW & EXPANSION/DIVERSIFICATION **PROJECTS APPROVED** IN MANUFACTURING SECTOR 2017



*Malaysia remains a favourable investment destination*

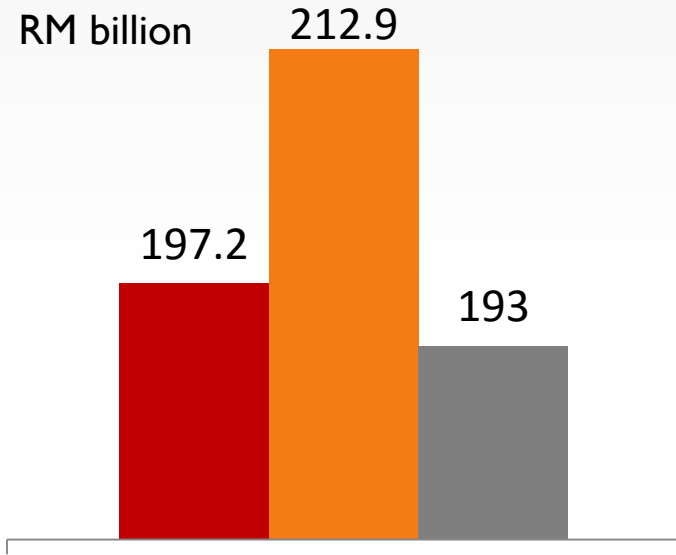
Source: MIDA



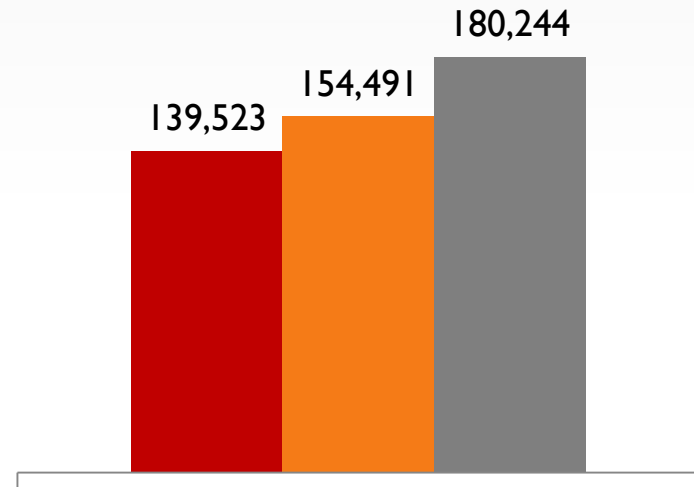
# EMPLOYMENT CREATION



# TOTAL APPROVED INVESTMENTS & EMPLOYMENT IN 2015 -2017



Total Approved Investments



Employment

■ 2017 ■ 2016 ■ 2015

# EMPLOYMENT BY TYPES OF ECONOMIC ACTIVITY

Economic Activity	2013	2014	2015	2016	2017
Agriculture	1.79 mil	1.80 mil	1.75 mil	1.75 mil	1.84 mil
Mining and quarrying	78,000	78,000	97,000	86,000	82,000
Manufacturing	2.35 mil	2.39 mil	2.38 mil	2.40 mil	2.44 mil
Construction	1.26 mil	1.24 mil	1.31 mil	1.28 mil	1.33 mil
Services	8.06 mil	8.35 mil	8.54 mil	8.66 mil	8.79 mil
Total Employment	13.6 mil	13.9 mil	14.1 mil	14.2 mil	14.5 mil
Total Labour Force	13.9 mil	14.2 mil	14.5 mil	14.8mil	15.0 mil

# PROJECTS IMPLEMENTED **AS AT 31 DECEMBER 2017**

*Among projects approved in 2016 & 2017 and implemented as at 31 December 2017*

- *Inari Technology Sdn.Bhd.*
- *Infineon Technologies (Malaysia) Sdn. Bhd*
- *Omni Oil Technologies (M) SB*
- *Osram Opto Semiconductors(M) SB*
- *Greotech Integration (M) Sdn. Bhd.*
- *Salutica Allied Solutions Sdn.Bhd.*
- *Press Metal Bintulu Sdn. Bhd.*
- *Spirit AeroSystems Malaysia Sdn. Bhd.*
- *Keysight Technologies Msia SB*

**2017**

**270 projects**

**18,911  
employment**

**2,726 (14%)  
with salary above  
RM5k**

**2016**

**652 projects**

**53,136  
employment**

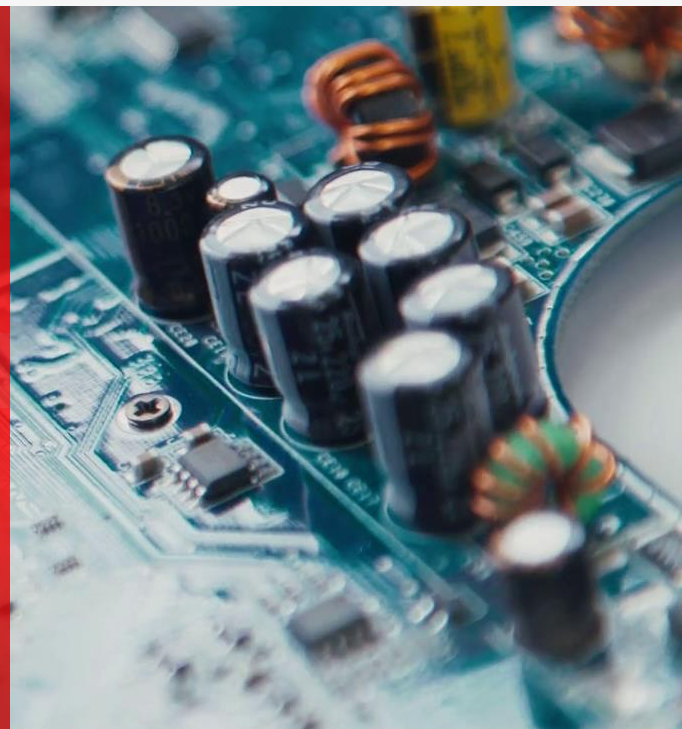
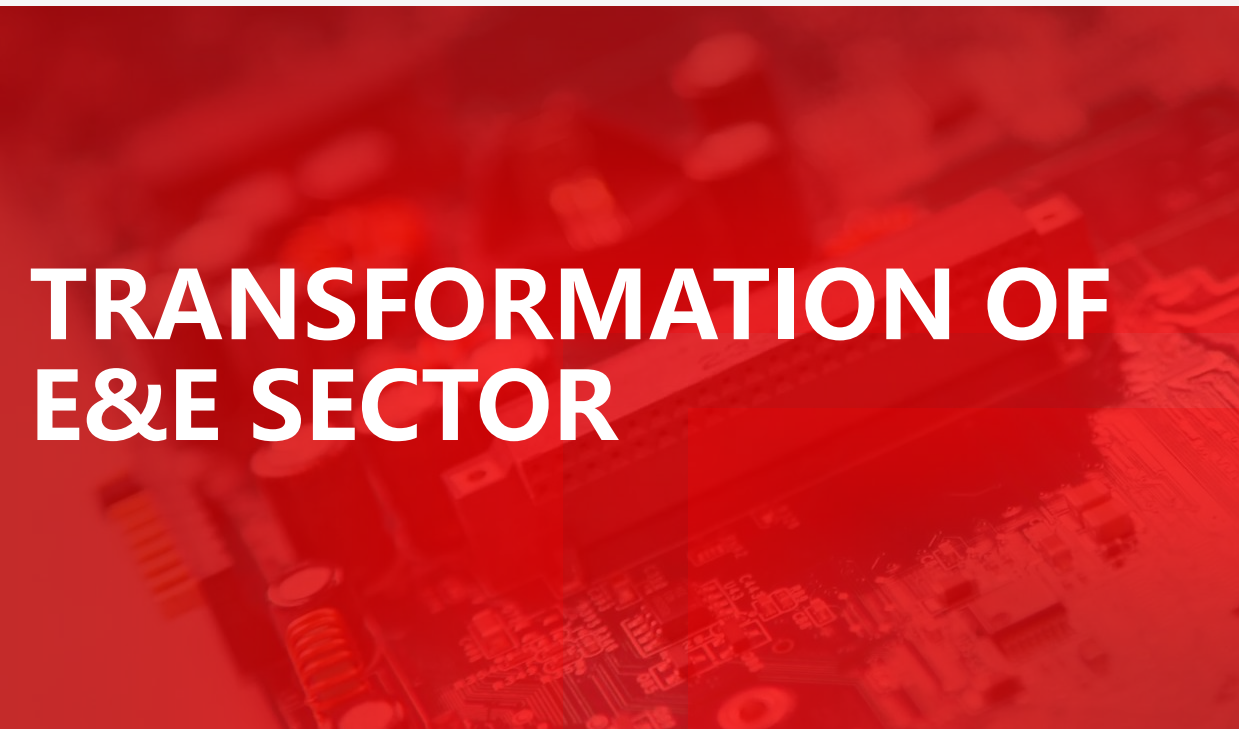
**4,935 (9%)  
with salary above  
RM5k**

# EMPLOYMENT CREATION IN 2017

*The year 2017 saw many companies undertaking opening ceremonies and ground-breaking announcements*

*More than **7,000** actual jobs from quality investments created by these companies.*





# EVOLUTION OF MALAYSIA'S E&E INDUSTRY

- Started in 1970's
- Consumer Electronics: **Clarion and Bosch**
- Components: **AMD, HP, Intel, Osram, Hitachi and Texas Instruments**
- Malaysia ranks **7th in global E&E exporters** (World Trade Atlas, 2016)

Simple components, semiconductor parts assembly and SKD electrical products	Consumer electronics parts to full assembly	Office & computer equipment (inc. hard disk drive and hard disks). <b>Transition into R&amp;D activities</b> to move up value chain	<b>Higher value-added products/activities :</b> R&D, IC & System Design, Wafer fab, Ingot growing  Low volume, <b>high complexity</b> and <b>high mixed products</b> . Digital consumer goods.	Sensors, <b>Internet of Things (IoT)</b> , Cloud Computing, <b>Wireless Electronics</b> , Nano Technology, <b>SMART Electronics</b> , 3D Integration, <b>Smart Grid</b> , <b>Advanced Energy Storage</b> , Fablite, Fabless, Miniaturization, <b>Electric Vehicle (EV)</b>	Autonomous vehicles, Robotic servants, Telekinesis, Virtual Reality, Artificial Intelligence, Smart Machines
1970's	1980's	1990's	2010's	Current	Future

- **Labour Intensive**
- **Low Technology Products**
- **Low value added**

- **Capital Intensive**
- **Knowledge Based**
- **Hi-Tech**
- **High Value Added**



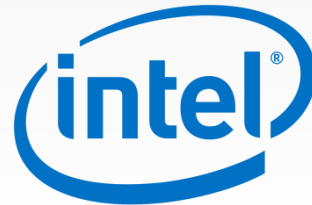
## FROM MANUFACTURING TO **R&D OPERATIONS**



- Motorola Solutions Malaysia started from manufacturing activities in 1974 and gradually moved up the value chain
- Today, Motorola Solutions Malaysia **employs over 1,000 R&D engineers (100% locals)** with qualifications ranging from degree, masters and PhD.
- Motorola Solutions Malaysia has the **largest number of E&D engineers among all Motorola Solutions plants in the world.**
- Moving forward – to continue focusing more on **R&D activities in Malaysia using Malaysian capabilities.**

## FROM MANUFACTURING TO **R&D OPERATIONS**

*Intel was engaged with Assembly & test activities in the past and currently engaged with full integration of assembly & test including R&D activities with complete IoT system solution involving chipset, processors, and networking & communication devices.*



RM17 billion investment



8,000 Total Employees



Global Hub of Supplier Ecosystem



1,269 local vendors have been engaged



Collaborated with UiTM, USM, UTM, UTP, UNITEN, MMU, UniMAP, UTAR for advisory panels/curriculum development

# FROM MANUFACTURING TO **INTEGRATED OPERATIONS**

*Infineon is engaged in assembly, testing & packaging of power semiconductor, advanced logic semiconductor as well as manufacturing wafer fabrication for power and logic chip.*

*Infineon Malaysia is the only fully-integrated operational facility for the Infineon Group.*



RM 14 billion of realised investments



10,730 Total Employees  
9,388 Malaysians



Competence Centre for Megatrend Technologies and Technology Advancement of Wafer Fabrication Facility



Collaborated with UTAR, UniMAP, USM, IIUM, UM, AIMST, and KDU



302 vendors in Kulim

# FROM MANUFACTURING TO **FULFILLMENT CENTRE & DISTRIBUTION**

*Freescale Semiconductor was established in 1972 and is currently manufacturing semiconductors.*

*Located in Sungai Way Free Industrial Zone, the company is also involved with 2 manufacturing related services, 1 Freescale Asia Fulfillment Centre Sdn Bhd (Shah Alam, Selling entity) - FAFC and FAFC - Global Distribution Centre in Shah Alam (2010) for Freescale (19,000 sqf).*



3,975 employees



324 local suppliers



R&D Centre established in 2005



RM5.9 billion investments (as at 2016)

# THE WAY FORWARD



# INVESTMENT OUTLOOK – MALAYSIA

Global **FDI flows** are expected to bounce back in 2018, to almost USD1.8 trillion.

Stronger **economic growth in major economies**, the gradual recovery in commodity prices and improved profits, prospects in various sectors could boost business confidence and thus multinational companies' appetite to invest.

Malaysia's **economic strengths**: stable and supportive business environment, strong fundamentals, a talented workforce, a strategic location, and an effective government that has embraced creativity and innovation

**RM69.6 bil of investment in the pipeline** for both Manufacturing and Services sectors.

For 2018, we aim to secure at least **RM80 bil** in investment approvals and over **12 companies** to establish their Principal Hub in Malaysia.



**THANK YOU**