Annual Media Conference 2018

06 March 2018 | Tuesday 2.30 PM | Perdana Hall | MIDA SENTRAL
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Presentation by
YB Dato’ Sri Mustapa Mohamed
Minister of International Trade & Industry

06 March 2018
Tuesday 2.30 PM
Perdana Hall
MIDA SENTRAL
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 523 billion**

<table>
<thead>
<tr>
<th>Year</th>
<th>FDI</th>
<th>DIA</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>313</td>
<td>299</td>
</tr>
<tr>
<td>2011</td>
<td>366</td>
<td>338</td>
</tr>
<tr>
<td>2012</td>
<td>406</td>
<td>368</td>
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<td>2013</td>
<td>446</td>
<td>421</td>
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<tr>
<td>2014</td>
<td>475</td>
<td>473</td>
</tr>
<tr>
<td>2015</td>
<td>501</td>
<td>584</td>
</tr>
<tr>
<td>2016</td>
<td>547</td>
<td>566</td>
</tr>
<tr>
<td>2017</td>
<td>565</td>
<td>523</td>
</tr>
</tbody>
</table>
WE CONTINUE TO RECEIVE INTERNATIONAL ACCOLADES

23rd most competitive nation and 13th most inclusive development among developing economies
- Strength of investor protection (3rd)
- Burden of government regulation (5th)
(September 2017)

24th for ease of doing business
- Getting credit (20th)
- Protecting minority investor (4th)
(November 2017)

24th most competitive economy
- Economic performance (13th)
(June 2017)
STRENGTH OF OUR ECONOMY IS REGOGNISED

Good ratings given to our economy:

Fitch Ratings
A- (August 2017)

Moody’s
A3 (December 2017)

S&P Global Ratings
A- (June 2017)

5th most attractive emerging market (January 2018)

1st 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**: 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).
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.
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

Asia Regional Oil & Gas Hub (2016)

Global Operational Headquarters

Began operations as a Technical Training Centre to support related companies in Asia.

2001

Set up a Shared Service Centre (Finance & Accounting) for Asia.

2006

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)**

*Established in 2017*

- Nestle Group began its operation in Malaysia in 1912.
- Today, Nestle’s only Global Procurement Hub apart from Switzerland and Panama.
- Operates 8 production facilities.
- Procures raw materials for 100 countries with 5,900 employees, 90% of whom are Malaysian.

**Honeywell ASEAN Headquarters (2017)**

*Established in 2017 for Aerospace, Oil & Gas, Building Technologies and Safety & Productivity segments*

- 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.
- Total investment of RM2 billion with 1,500 employees.

**Ikea 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**

### 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
The Services sector continued to lead with investments of RM121 bil, followed by the Manufacturing and Primary sectors.

INVESTMENTS BY SECTOR

RM197.1 Billion

- **Services**: RM121.0 bil (61.4%)
- **Primary**: RM12.4 bil (6.3%)
- **Manufacturing**: RM63.7 bil (32.3%)
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.

RM197.1 billion

FDI
RM142.4 bil (72.2%)
2016: RM153.8 bil (72.4%)

DDI
RM54.7 bil (27.8%)
2016: RM59.1 bil (27.6%)

Source: MIDA
NEW & EXPANSION/DIVERSIFICATION PROJECTS APPROVED IN MANUFACTURING SECTOR 2017

**Expansion/ Diversification Projects**
- RM24.2 billion
- 38%
- 360 projects
- FDI: RM13.9 bil
- DDI: RM10.3 bil
- 26,646

**New Projects**
- RM39.5 billion
- 62%
- 327 projects
- FDI: RM7.7 bil
- DDI: RM31.8 bil
- 29,775

Malaysia remains a favourable investment destination

Source: MIDA
EMPLOYMENT CREATION
TOTAL APPROVED INVESTMENTS & EMPLOYMENT IN 2015 - 2017

Total Approved Investments

- 2017: RM 197.2 billion
- 2016: RM 212.9 billion
- 2015: RM 193 billion

Employment

- 2017: 139,523
- 2016: 154,491
- 2015: 180,244
## EMPLOYMENT BY TYPES OF ECONOMIC ACTIVITY

<table>
<thead>
<tr>
<th>Economic Activity</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>1.79 mil</td>
<td>1.80 mil</td>
<td>1.75 mil</td>
<td>1.75 mil</td>
<td>1.84 mil</td>
</tr>
<tr>
<td>Mining and quarrying</td>
<td>78,000</td>
<td>78,000</td>
<td>97,000</td>
<td>86,000</td>
<td>82,000</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>2.35 mil</td>
<td>2.39 mil</td>
<td>2.38 mil</td>
<td>2.40 mil</td>
<td>2.44 mil</td>
</tr>
<tr>
<td>Construction</td>
<td>1.26 mil</td>
<td>1.24 mil</td>
<td>1.31 mil</td>
<td>1.28 mil</td>
<td>1.33 mil</td>
</tr>
<tr>
<td>Services</td>
<td>8.06 mil</td>
<td>8.35 mil</td>
<td>8.54 mil</td>
<td>8.66 mil</td>
<td>8.79 mil</td>
</tr>
<tr>
<td><strong>Total Employment</strong></td>
<td>13.6 mil</td>
<td>13.9 mil</td>
<td>14.1 mil</td>
<td>14.2 mil</td>
<td>14.5 mil</td>
</tr>
<tr>
<td><strong>Total Labour Force</strong></td>
<td>13.9 mil</td>
<td>14.2 mil</td>
<td>14.5 mil</td>
<td>14.8 mil</td>
<td>15.0 mil</td>
</tr>
</tbody>
</table>
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
- Greatech Integration (M) Sdn. Bhd.
- Keysight Technologies Msia SB

<table>
<thead>
<tr>
<th>Year</th>
<th>Projects</th>
<th>Employment</th>
</tr>
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<tbody>
<tr>
<td>2017</td>
<td>270</td>
<td>18,911</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2,726 (14%) with salary above RM5k</td>
</tr>
<tr>
<td>2016</td>
<td>652</td>
<td>53,136</td>
</tr>
<tr>
<td></td>
<td></td>
<td>4,935 (9%) with salary above RM5k</td>
</tr>
</tbody>
</table>
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.
TRANSFORMATION OF E&E SECTOR
### EVOLUTION OF MALAYSIA’S E&E INDUSTRY

**1970’s**
- Simple components, semiconductor parts assembly and SKD electrical products

**1980’s**
- Consumer electronics parts to full assembly
- Office & computer equipment (inc. hard disk drive and hard disks). **Transition into R&D activities** to move up value chain

**1990’s**
- Higher value-added products/activities: R&D, IC & System Design, Wafer fab, Ingot growing
- Low volume, high complexity and high mixed products. Digital consumer goods.

**2010’s**
- Sensors, **Internet of Things (IoT)**, Cloud Computing, **Wireless Electronics**, Nano Technology, **SMART Electronics**, 3D Integration, **Smart Grid Advanced Energy Storage**, Fablite, Fabless, Miniaturization, **Electric Vehicle (EV)**

**Current**
- Autonomous vehicles, Robotic servants, Telekinesis, Virtual Reality, Artificial Intelligence, Smart Machines

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

**1970’s**
- **Labour Intensive**
- **Low Technology Products**
- **Low value added**

**Components: AMD, HP, Intel, Osram, Hitachi and Texas Instruments**

**Malaysia ranks 7th in global E&E exporters** (World Trade Atlas, 2016)
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.
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
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
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).
THE WAY FORWARD
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