PRESS RELEASE

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MALAYSIA: INVESTMENT PERFORMANCE 2013

Highlights:

- **Malaysia sets a new record of RM216.5 billion for approved direct investments in 2013.**
- **Foreign and domestic direct investments continue to increase.**
- **Quality investments within the National Key Economic Areas (NKEAs) attract an impressive RM89.9 billion in the year's total investments.**
- **Approved projects create about 192,000 new jobs with higher income employment opportunities for Malaysians.**

Malaysia again had a new record breaking year of investments in the manufacturing, services and primary sectors in 2013 with total approved investments of RM216.5 billion, a very commendable achievement amidst a challenging external environment. In 2012, the country attracted a total of RM167.8 billion in direct investments, which was the highest amount ever recorded.

These approved investments were in 5,669 projects comprising 14 mega-projects worth more than RM1 billion each and 82 large projects worth more than RM100 million each. The majority of these projects are in high-value and high-growth industries.

The services sector constituted the bulk of investments approved, amounting to RM144.7 billion or 66.8%, followed by the manufacturing sector with investments of RM52.1 billion (24.1%) and primary sector with investments valued at RM19.7 billion (9.1%). All these sectors showed improvements in their investments performance.

Over 72.5% of the total investments approved (RM157 billion) were contributed by domestic sources (DDI) and RM59.5 billion (27.5%) came from foreign investments (FDI). The domestic investments approved in 2013 reflected the continued interest of local companies to spearhead the Economic Transformation Programme (ETP) and assume a leading role in the growth of the economy.

The total projects approved are expected to generate about 192,00 new jobs, with more employment opportunities created in managerial, supervisory and technical roles that offer higher incomes to Malaysians. This trend reflects the country's workforce is positively adapting to the changing economy.

Investments in the Services Sector

Malaysia's attributes as a competitive investment hub coupled with business-friendly government policies helped draw 4,796 approved projects in the services sector in 2013 with investments amounting to RM144.7 billion, exceeding the total approved investments of RM122.9 billion in 2012 by 17.7%.

Domestic investments led with investments totalling RM125.7 billion or 86.9% of approved investments. At the same time, foreign investments in the services sector surged from RM12.2 billion in 2012 to RM19 billion in 2013. This is partly due to the Government's continued synergistic efforts in working closely with the private sector service providers in creating more innovative service products to meet the demands of a growing economy.

The services sector encompasses a broad range of services including regional establishments; support services; MSC status companies; real estate (residential); transport; energy; telecommunications; distributive trade; hotels and tourism; financial services; and health services.

Within this sector, the real estate sub-sector continued to dominate as the leading contributor with RM83.3 billion worth of investments approved followed by the power and utilities (RM9.1 billion), global operations hub (RM7.9 billion), transport (RM7.9 billion) and hotel and tourism (RM7.0 billion) sub-sectors.

Conscious efforts are being undertaken by the Government to continuously explore the potential of knowledge-intensive services, particularly the under-developed sectors and sub-sectors where Malaysia has already developed competencies, by leveraging on local services to accelerate the growth of the sector.

Investments in the Manufacturing Sector

Malaysia's manufacturing sector continues to deepen with significant opportunities as the country transforms in substituting low-value-added operations for high-value-added activities that promise long-term and sustainable growth. Global and local investors are finding Malaysia to be the ideal location for high value-added activities due to its strong, diversified base across multiple industries.

In 2013, the manufacturing sector attracted investments worth RM52.1 billion in 787 projects, which is 26.8% more than the RM41.1 billion achieved in 2012. Of these, RM38.1 billion or 73.1% were new projects, while the balance were reinvestments in expansion or diversification projects by existing investors.

The increased investments in the manufacturing sector were mainly due to approved investments in capital-intensive projects. Capital intensity, as measured by the capital investment per employee (CIPE) ratio of projects approved in 2013 was at RM560,299. The industry with the highest CIPE ratio in 2013 was petroleum products including petrochemicals (RM9.4 million), basic metal products (RM1.6 million) and chemical & chemical products (RM1.5 million). There were 14 projects with investments of more than RM1 billion each. Investments in these projects totalled RM24.8 billion or 47.6% of approved investments in the manufacturing sector for the year. All these projects will have substantial multiplier effects on the manufacturing sector and the economy, including forward-and-backward linkages, the development of skills and supporting industries, the transfer of new technologies and R&D as well as local sourcing.

Foreign investments in approved manufacturing projects amounted to RM30.5 billion in 2013 and accounted for 58.5% of the total investments approved for the year. The balance of RM21.6 billion or 41.5% were domestic investments.

The leading source of foreign investments in 2013 was the USA with investments totalling RM6.3 billion, followed by the Republic of Korea with investments of RM5.5 billion and EU (RM5.1 billion). Other notable foreign investments came from Singapore (RM4.5 billion) and Japan (RM3.6 billion). These five economies jointly accounted for 82% of total foreign investments approved in the manufacturing sector for 2013.

The projects approved in 2013 are expected to create employment opportunities for almost 93,000 people, of which about 75,000 are in the category of managerial, technical, supervisory and skilled workers. It is encouraging to note that the composition of employment in the Managerial, Technical, Supervisory and Skilled Manpower (MTSS) category for the manufacturing sector has increased to 81.4% in 2013, from 73.5% in 2012, brought about by demand for higher skilled manpower. Most of the employment opportunities created are in the Electrical & Electronics (E&E), rubber products and transport equipment sub-sectors.

The Government continues to undertake various measures and initiatives at the federal and state levels to facilitate investors in the implementation of approved projects. Including projects approved in 2013, the total number of manufacturing projects approved between 2009 and 2013 now stands at 4,113, of which 3,124 (76%) have been implemented. As at 31 December 2013, a total of 2,845 of these projects were in production with the rest still under construction or in the stage of final machinery installation. A further 77 projects have acquired sites for factories, while 720 projects are in the active planning stage.

Investments in the Primary Sector

The primary sector, which comprises three major sub-sectors namely agriculture, mining, and plantation and commodities accounted for RM19.7 billion of approved investments in 2013. These investments are four times the value reported in 2012 (RM3.8 billion). Foreign investments in the primary sector amounted to RM10 billion (50.8%) while domestic investments made up RM9.7 billion (49.2%).

The mining sub-sector led the other subsectors with approved investments of RM18.8 billion in 30 projects, mainly from the oil and gas upstream activities.

The rest of the primary sector is made up of the agriculture sub-sector with investments amounting to RM558.8 million, as well as the plantation and commodities sub-sector which registered investments totalling RM330.6 million.

The Bold Way Forward

Malaysia's fundamental strengths are expected to keep the country on a steady course in 2014 and beyond even though the global economic situation remains vulnerable. The prospect of an ASEAN single market is appealing to a very broad base of businesses. The ASEAN economic integration will drive domestic investments as Malaysian businesses look beyond their home market while non ASEAN foreign investors will be eager to capitalise on the opportunities presented by its dynamics.

Malaysia has created a vibrant business environment for businesses to develop niche growth areas within the country's biggest pillars of industrialisation, such as oil and gas, and E&E products. These are the industries in which Malaysia has significant experience, expertise and infrastructure, and the country is well positioned to take advantage of this boom.

The current global and regional macroeconomic and societal developments provide great opportunities for Malaysia. The Government will continue with its ecosystem approach to leverage on these opportunities in promoting private investments in the country. The approach promotes Greenfield opportunities in high value industries and help potential investors to meet their human capital needs throughout the economic value chain. In addition, focus will be given to identify and assist local potential conglomerates and other industry players to become anchors in the ecosystem.

The various measures introduced by the Government to facilitate business have boosted Malaysia's ranking in various international business benchmarks in recent years. The World Bank Report 2014 Edition has ranked Malaysia as the 6th most business-friendly country in the world, ahead of the United Kingdom (10th), Germany (21th) and Switzerland (29th). This is the first time Malaysia has broken into the top ten ranking since the World Bank and the International Finance Corporation began compiling the annual ranking in 2005. Malaysia was also ranked as the 24th most competitive nation in the world by the World Economic Forum in its Global Competitiveness Report 2012-2013, which also recognised the country's progression from an efficiency-driven economy to an innovation-driven economy. Malaysia's sterling performance in these rankings is testimony to its achievements and will fuel investments into the country in 2014.