MALAYSIA INVESTMENT PERFORMANCE REPORT

2020

Announcement of Malaysia’s Investment Performance
2 March 2021
The post-pandemic period will provide a unique opportunity for global cooperation to rebuild the international economic order and international social order.

Pamela Coke-Hamilton
Executive Director of the International Trade Centre
In 2020, the global FDI registered $859 billion, falling by 42% from $1.5 trillion in 2019.

Source: UNCTAD Global Investment Trends Monitor
Developing countries in Asia weathered the storm well, attracting an estimated **$476 billion** of FDI in 2020 compared to other advanced economies.

With the exception of PRC, for most EMDEs, **prospects remain uncertain** due to the continuing spread of the pandemic and overwhelmed healthcare systems and the greater dependence on severely affected sectors, such as tourism and external finance, including remittances.

### Global FDI Inflows

<table>
<thead>
<tr>
<th>Region</th>
<th>2019 (in trillions)</th>
<th>2020 (in trillions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>World</td>
<td>1,489</td>
<td>859</td>
</tr>
<tr>
<td>Developed Economies</td>
<td>730</td>
<td>229</td>
</tr>
<tr>
<td>Developing Economies</td>
<td>702</td>
<td>616</td>
</tr>
<tr>
<td>Developing Asia</td>
<td>495</td>
<td>476</td>
</tr>
<tr>
<td>Transition Economies</td>
<td>58</td>
<td>13</td>
</tr>
</tbody>
</table>

**Source:** UNCTAD Global Investment Trends Monitor

**EMDE:** Emerging Markets and Developing Economies

**PRC:** People’s Republic of China
In 2020, gross FDI inflows increased by 0.8% to RM139.9 billion from the RM138.8 billion recorded the previous year. This is a good achievement given the Movement Control Order (MCO) and Recovery Movement Control Order (RMCO) in the second and third quarters of last year, respectively.

This is reflective of the continued high levels of FDI projects approved and implemented in the economy (manufacturing, services and primary sectors) over the last few years.
The year 2020 began promisingly for Malaysia. Despite a tough year, Malaysia remained resilient and continued to receive positive **recognition** and **good ratings**.

**2nd**
Ease of Doing Business in ASEAN
World Bank Doing Business Report 2020

**Most Vibrant Investment Ecosystem in Asia**
2020 World Excellence Award at World Business Angels Investment Forum 2020

**4th**
Cost of Operation Around the Globe
KPMG and the Manufacturing Institute in the United States

**5th**
Among emerging economies
"Key Destination for Investments and Businesses”
### KEY INITIATIVES 2020

#### FDI PROMOTION
- Intensified *Promotion Programmes* - e-Specific Project Mission (e-SPM), Webinar, International Conference.
- MoU with key stakeholders.
- One Stop Centre (OSC) to ease entry of eligible business travellers into the country.
- Media Blitz in International Platform.

#### DOMESTIC PROMOTION
- Domestic Investment Coordination Platform (DICP) Engagements.
- **Invest Series** Programmes with State Governments.
- Domestic Seminars.
- Supply Chain Programmes.
- Industry Specific Programmes.
- Lighthouse Projects.

#### PENJANA INITIATIVES
- **Special Tax Incentives** to promote relocation and new investments.
- **e-Manufacturing Licence** – 2 days ML approval through online platform.
- Establishment of Project Acceleration and Coordination Unit (PACU).
- Enhancement of Domestic Investment Strategic Fund (DISF).

#### STRATEGIC MEASURES
- Initiatives under **Industry4WRD**: National Policy for Industry 4.0
- Automation Capital Allowance (Automation CA).
- Smart Automation Grants (SAG).
- Coordination and collaboration with other Regional, State and industry-specific IPAs in Malaysia.
The world went through one of the most challenging periods in recent history with the spread of the COVID-19 pandemic leading to simultaneous health and economic crises. Malaysia was not spared but managed to leverage on its strengths to continue attracting investments from both domestic and overseas sources.
The manufacturing sector attracted the largest portion of approved investments in 2020. Despite the volatile year of 2020, manufacturing sector recorded a rise of 10.3% from RM82.7 billion in 2019. Total investments approved in 2020 declined 22.4% from RM211.4 billion approved in 2019. The decline was weighted by the services and primary sectors which were directly impacted by weak global demands due to the pandemic and the Movement Control Order (MCO).
DDI accounted for the bulk of total approved investments with a contribution of 60.9% (RM99.8 billion), while FDI made up the remaining RM64.2 billion (39.1%).
MAJOR SOURCES OF FDI APPROVED IN THE ECONOMY

- PRC RM18.1 bil.
- USA RM4.3 bil.
- Singapore RM10.0 bil.
- Netherlands RM7.0 bil.
- Hong Kong SAR RM3.5 bil.
- Germany
- Switzerland
- Thailand
- R.O.K

Others: RM10.7 bil.

Note: Excluding Tax Havens

- These Top 10 countries accounted for a total of RM53.5 billion or a 83.3% of total FDI approved in the economy 2020.
- The USA-PRC trade uncertainties benefitted Malaysia with noteworthy investments inflows recorded in 2020 due to investment diversion.
Top 5 States – Selangor, Sabah, Sarawak, Kuala Lumpur and Pulau Pinang contributed more than 68.5% of the total approved investments in 2020.

Note: The total may not tally as some projects have yet to decide on their locations.
Malaysia’s manufacturing sector experienced promising and strong growth amidst COVID-19 headwinds, with an increase of 10.4 per cent in investments from 2019 and strong job creation figures, while both foreign and domestic investors retained their confidence in the nation’s economy as domestic direct investments (DDI) received a substantial boost.

Dato’ Azman Mahmud
CEO, Malaysian Investment Development Authority
Malaysia attracted a healthy level of investments into the manufacturing sector in 2020 with an increase of 10.3% from RM82.7 billion recorded in 2019.

The number of projects approved increased by 6.2% from 988 in 2019 to 1,049 projects in 2020.

FDI continue to lead investments in the manufacturing sector accounting for 62% of total investments approved in 2020, with an increase of 3.9% from RM54.4 billion in 2019 to RM56.6 billion in 2020, reflecting greater confidence among foreign investors in Malaysia’s investment environment.

DDI surged by 22.6% in 2020, compared to RM28.3 billion in 2019, indicating positive outcome of Government’s various stimulus packages to boost domestic economy.

Total of new job opportunities created in 2020 recorded a moderate increase of 2.0% from 78,606 in 2019.
- 547 projects (RM61.1 billion) or 66.9% of the total approved investments were new/greenfield projects, reflecting investors’ confidence in Malaysia’s resilient business environment.
- FDI continued to dominate both new and expansion/diversification projects.
- Greenfield DDI with investments value of RM24.3 billion is 57.3% higher than in 2019.
Value of the CIPE increased 8.1% in 2020 as compared to RM1.05 million in 2019.

Percentage of quality projects approved with more than 40% value-added has continued to sustain at more than 70% in 2020.

Quality job opportunities as reflected by MTS index continued to improve moderately in 2020.
3+2 Catalytic Sectors and High Growth Areas outlined in 11th MP – E&E, M&E, Chemical, Aerospace and Medical Device constituted more than one third - 38.6% of the total approved investments in 2020 valued at RM35.2 billion.
- PRC, Singapore and The Netherlands accounted for **58.5%** of total foreign investments.
- PRC was the largest FDI contributor in the manufacturing sector for the last five years (2016-2020).
- These **10 countries** accounted for a total of **350 projects** approved in the manufacturing sector.
Selangor recorded the highest approved investments of 20.2% in the manufacturing sector.

Collectively Selangor, Sarawak, Pulau Pinang, Sabah & Johor contributed nearly 73.4% of total approved investments.
As at end 2020, 2,926 projects or 70% of 4,178 projects approved in 2016-2020 were implemented.

Of the 2,926 implemented projects, a total of 2,739 projects are in production, while 187 projects are undergoing factory construction and machinery installation.

Project Acceleration and Coordination Unit (PACU), established by MIDA in 2020 will continue to provide end-to-end facilitation and accelerate projects implementation.
Services sectors have been heavily affected by the COVID-19 pandemic. At the same time, the crisis has underscored the importance of services that enable online supply.

Director-General Roberto Azevedo
Trade Outlook 2020, World Trade Organisation
Services sector was most affected by COVID-19 crisis. The approved investments in 2020 declined by 45.2% from RM121.7 billion in 2019.

DDI continued to dominate the approved investments in the services sector at 90.3%.

- **DDI**: RM60.2 billion (90.3%)
- **FDI**: RM6.5 billion (9.7%)

**Projects**: 3,527

**Job Opportunities**: 33,652

**Percentage %**
Real Estate, Utilities, Support Services, Telecommunications and MSC Status sub-sectors contributed more than 80% of total investments approved for services sector.

Other Services includes Global Establishments, Transport Services, Education Services, Health Services and others.
HIGHLIGHTS OF SERVICES SECTOR 2020

**INTEGRATED LOGISTIC SERVICES**
- Investments: RM1.4 billion
- Projects: 12
- Job Opportunities: 1,878

Investments in ILS increased by 60.3% from RM841.9 million in 2019, being one of the sector less affected by the pandemic situation.

**REGIONAL ESTABLISHMENTS**
- Investments: RM595.2 million
- Projects: 141
- Job Opportunities: 704

**GREEN TECHNOLOGY**
- Investments: RM2.4 billion
- Projects: 633
- Job Opportunities: 1,005

Renewable energy from solar sector contributed 581 projects under Green Technology industry, covers 78.4% of total investments and provided 604 new job opportunities.

**HOTEL & TOURISM**
- Investments: RM2.8 billion
- Projects: 38
- Job Opportunities: 2,088

The sector is heavily impacted by the current crisis, whereby investments decreased 44.6% from RM5.1 billion recorded in 2019.

141 Regional Establishment projects have been approved in 2020, creating 704 high quality job opportunities.
The COVID-19 pandemic is a shock to global commodity markets that presents a challenge to policy makers in commodity exporters: to the extent that it is short-lived, policy stimulus can buffer its impact; to the extent that it is lasting, policy makers need to allow their economies to adjust smoothly to a new normal.

Executive Summary of World Bank Commodity Markets Outlook, October 2020
Total approved projects declined 13.9% from RM7.0 billion in 2019, driven by plunging global commodities prices. However, DDI increased by 54.8% from RM3.2 billion in 2019 as demand recovered towards the second half of 2020.
While the year 2020 was a challenging year in many sense of the word, Malaysia is steadfast in its fundamentals as the pre-eminent preferred investment destination in the region. As we forge ahead in the new year on the path of economic revitalisation coupled with the rollout of the national vaccination programme, the Government remains committed to prioritising the needs of our people and businesses.

YB Dato’ Seri Azmin Ali
Senior Minister and Minister of International Trade & Industry, Malaysia
FDI is projected to decrease by a further 5% to 10% in 2021 and to initiate a recovery only in 2022.

Amid exceptional uncertainty, the global economy is projected to grow 5.5 percent in 2021 and 4.2 percent in 2022.

MOF has projected that Malaysia’s GDP growth would range between 6.5% and 7.5% in 2021.
**Enticing Potential Leads**
- Initiatives to further expedite investment approvals of targeted strategic and quality projects.

**Facilitating & Retaining Investors’ Confidence**
- Initiatives to further facilitate investors to cushion COVID-19 pandemic impact and boost investment landscape.

**Strengthening Institutional Framework**
- Empowering Domestic Investments.
- Initiatives to increase competitiveness of Services Sector.

**Firming Investment Ecosystem & Enablers**
- Initiatives to enhance Investment Tax Framework.
- Leveraging on FTAs for investments.
- Initiatives for Industrial Parks.
1. **Manufacturing sector** recorded **RM91.3 billion**, a **rise of 10.3%** from RM82.7 billion in 2019 and attracted the **largest portion** of approved investments in 2020. Despite volatile year, **DDI** and **FDI** also increased by **22.6%** and **3.9%** respectively as compared to 2019.

2. **DDI** accounted for the **bulk of the total approved investments** with a contribution of **60.9%** (RM99.8 billion), while FDI made up the remaining RM64.2 billion (39.1%). **DDI increased** in the **Manufacturing (22.6%)** and **Primary (54.8%)** sectors as compared to 2019.

3. **Strategic measures** were undertaken in **2020** to cushion the impact of the pandemic and revive the economy such as the **PENJANA** initiatives. Various programmes to **attract and sustain FDI and DDI** were intensified.

4. **New key strategies** will be introduced in **2021** to entice potential leads, facilitate and retain investors’ confidence, strengthen institutional framework and firm up investment ecosystem and enablers. These will be further enhanced with the launch of the **New Industrial Master Plan** and **12th Malaysia Plan**.

5. Currently, there are **RM65.9 billion** (1,043 projects) worth of **potential investments** in the pipeline in the manufacturing and services sectors under MIDA’s purview.
THANK YOU