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Geared for Recovery

MALAYSIA INVESTMENT PERFORMANCE REPORT

2020

Announcement of
Malaysia's Investment Performance
2 March 2021

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GLOBAL & MALAYSIA'S FDI INFLOWS

> *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

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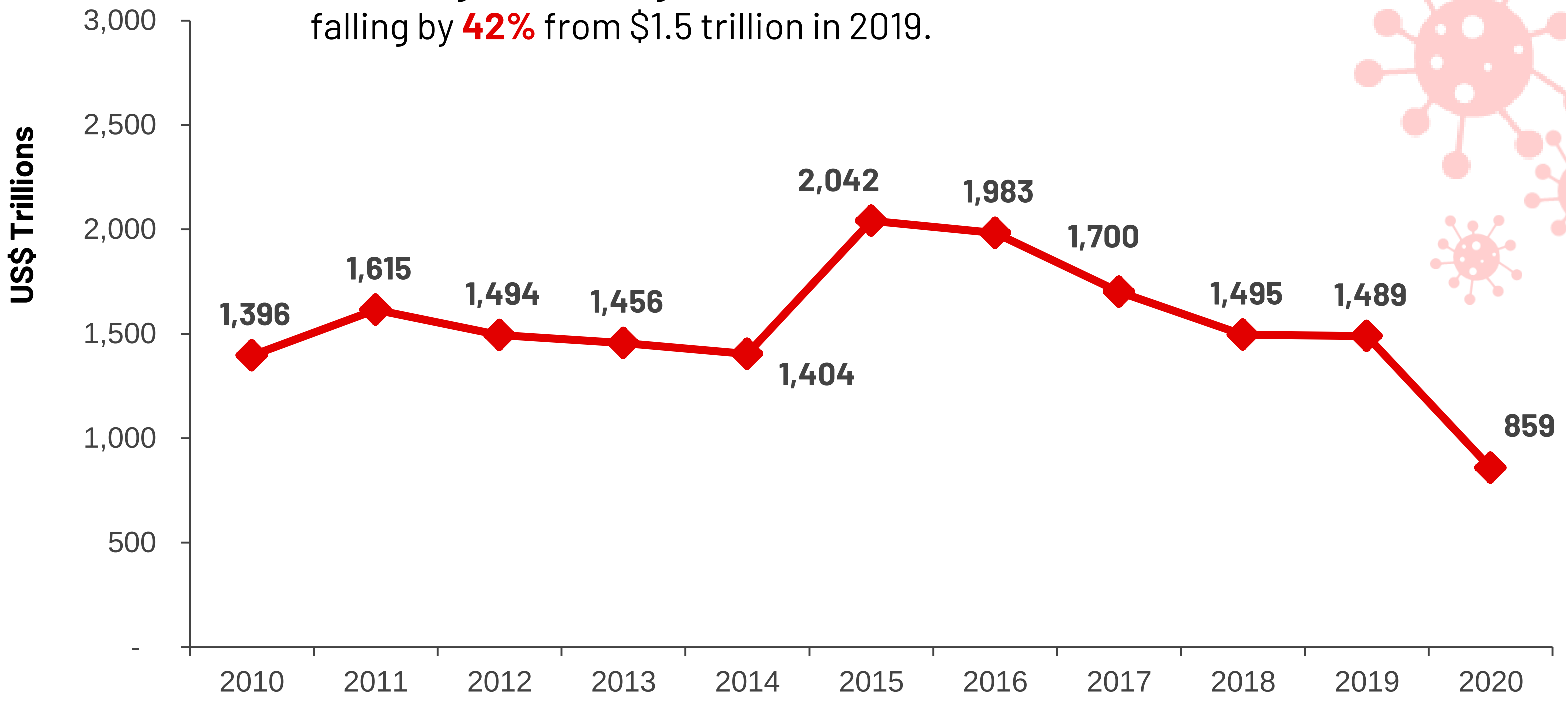
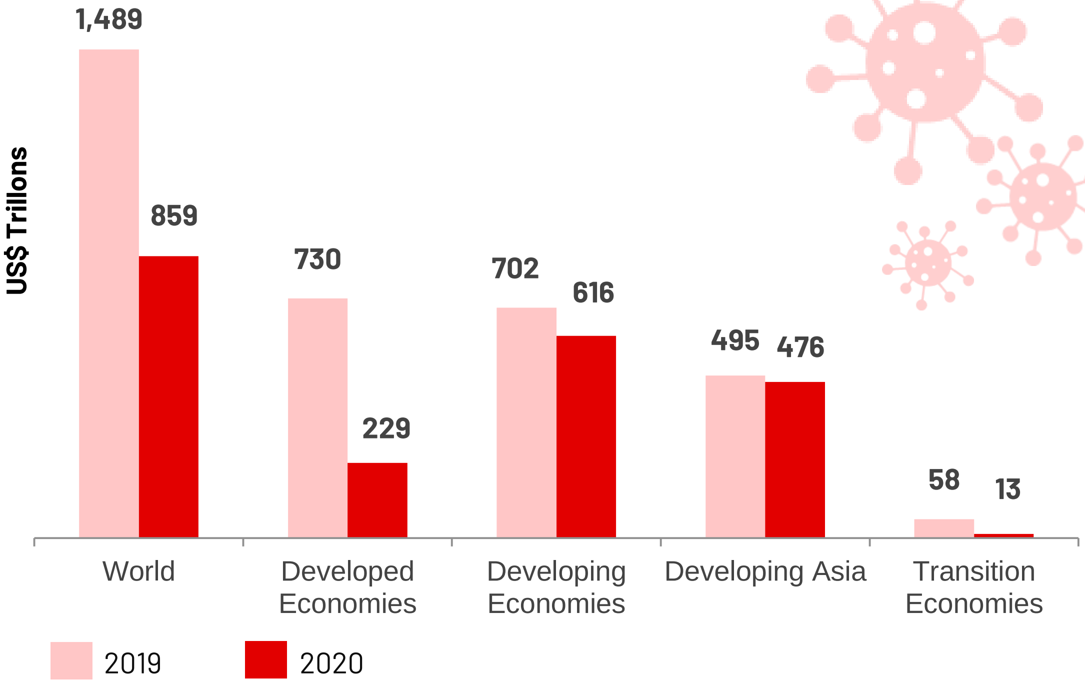
GLOBAL FDI INFLOWS

In **2020**, the global FDI registered **$859 billion**, falling by **42%** from $1.5 trillion in 2019.



Source: UNCTAD Global Investment Trends Monitor

GLOBAL FDI INFLOWS



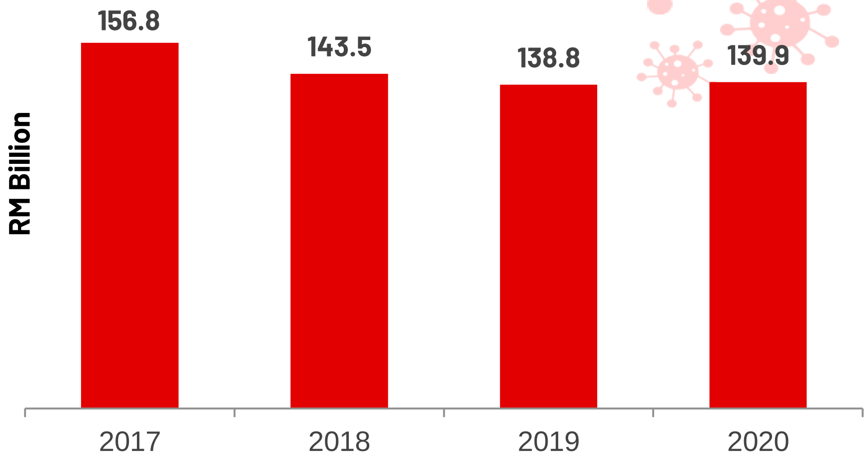
Source: UNCTAD Global Investment Trends Monitor

- 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.

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.

GROSS FDI INFLOWS



Source: Bank Negara Malaysia

INTERNATIONAL RECOGNITION

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**.

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INVESTMENTS PERFORMANCE 2020

“

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.

”

MIDA Investment Performance Report 2020

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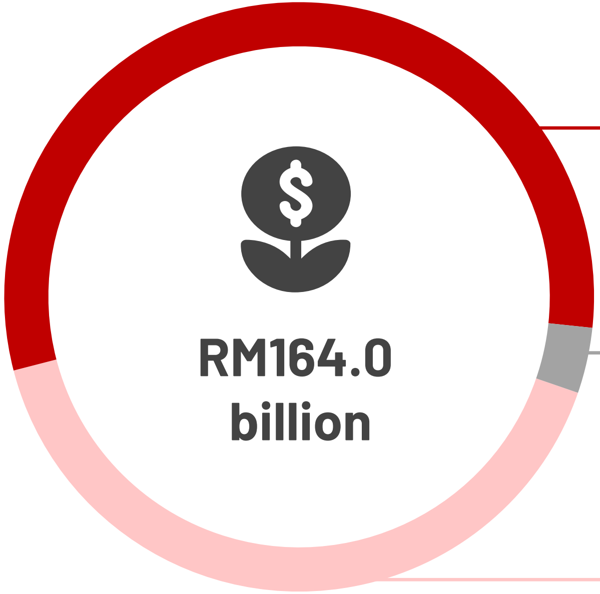
Percentage %



MANUFACTURING
RM91.3 billion (55.7%)

PRIMARY
RM6.0 billion (3.6%)

SERVICES
RM66.7 billion (40.7%)

- 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).

APPROVED INVESTMENTS IN THE ECONOMY 2020

DDI

RM99.8 billion

60.9%

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%).**

INVESTMENTS

RM164.0 billion

Projects

4,599

Job Opportunities

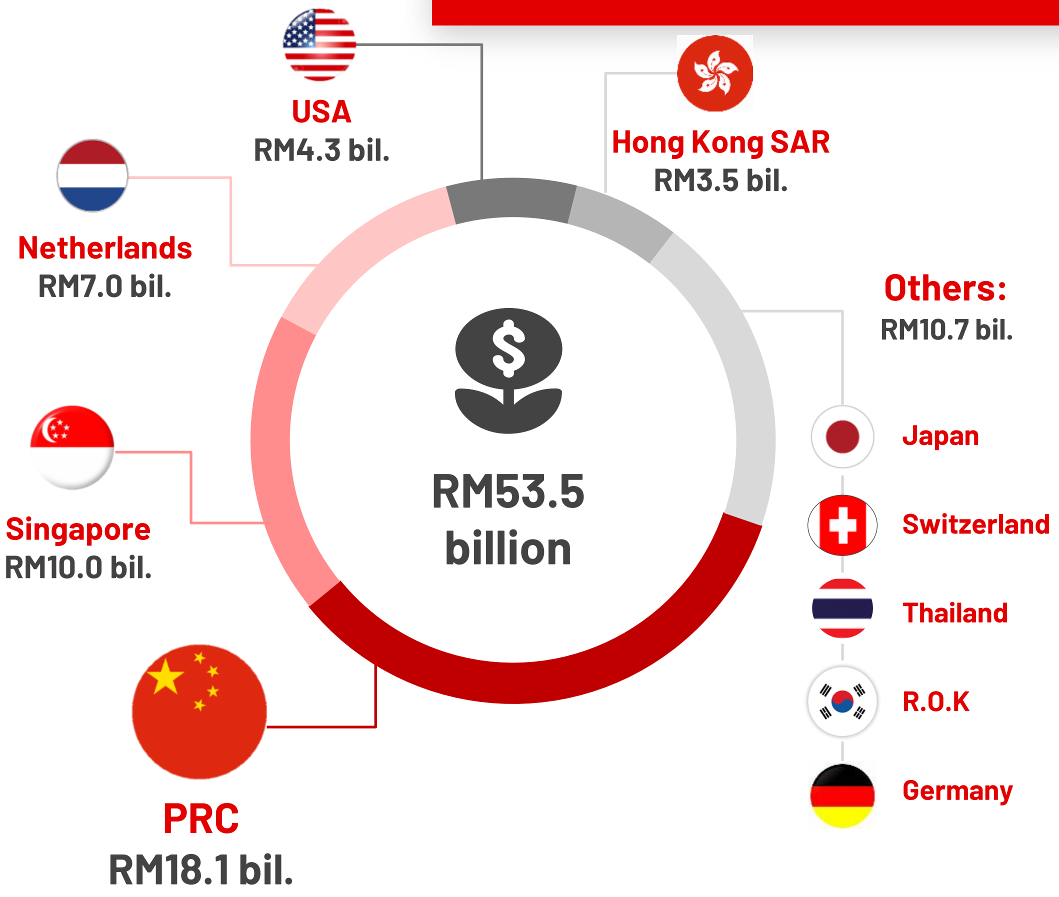
114,673

FDI

RM64.2 billion

39.1%

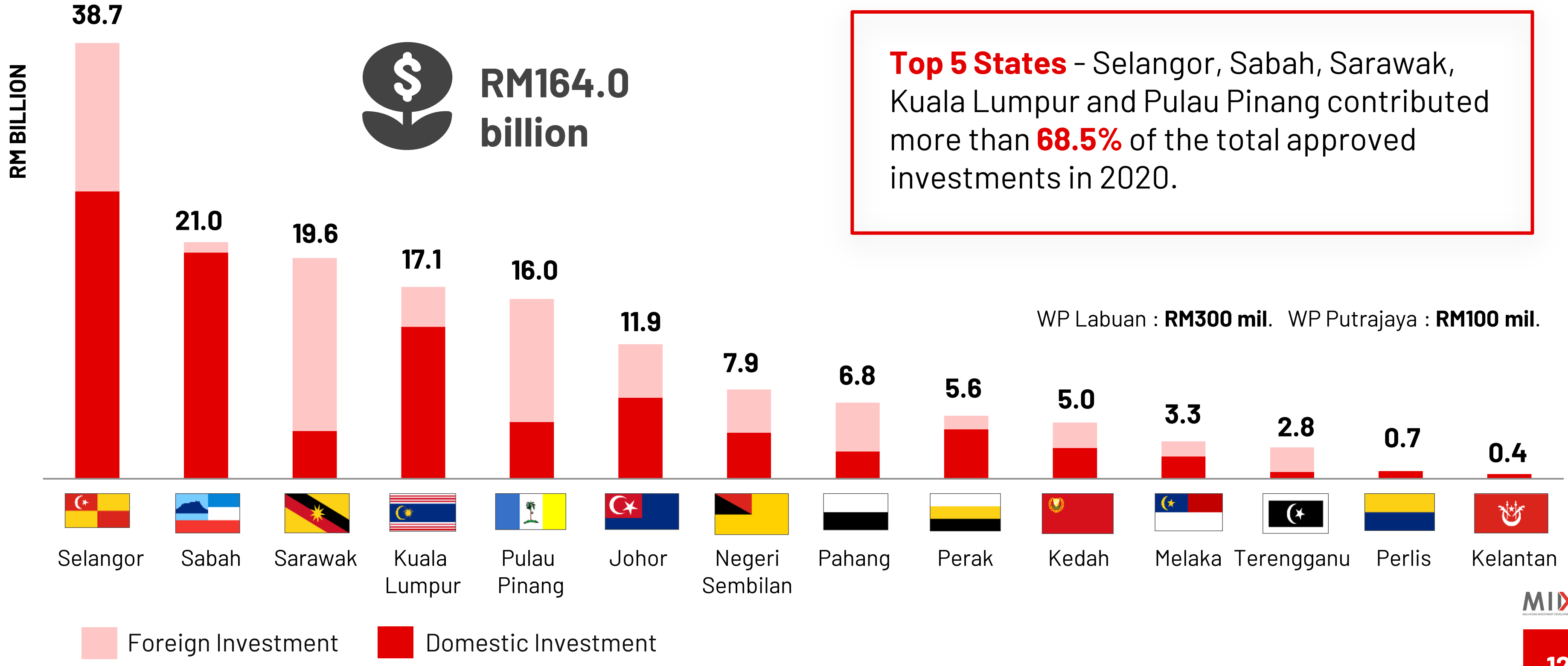
MAJOR SOURCES OF FDI APPROVED IN THE ECONOMY



- 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.

Note: Excluding Tax Havens

APPROVED INVESTMENTS IN THE ECONOMY BY STATE



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.

3 MANUFACTURING SECTOR

> *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

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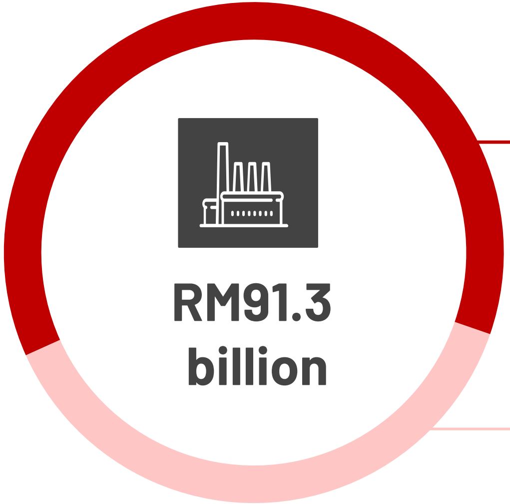
APPROVED INVESTMENTS IN MANUFACTURING

Percentage %



FDI
RM56.6 billion (62%)

DDI
RM34.7 billion (38%)

Projects
1,049

Job Opportunities
80,190

- 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.

TYPE OF APPROVED MANUFACTURING PROJECTS

NEW PROJECTS
RM61.1 billion (66.9%)

FDI
RM36.8 bil.
(60%)

DDI
RM24.3 bil.
(40%)

Projects
547

Job Opportunities
56,003

RM91.3 billion

EXPANSION/ DIVERSIFICATION
RM30.2 billion (33.1%)

FDI
RM19.8 bil.
(65.5%)

DDI
RM10.4 bil.
(34.4%)

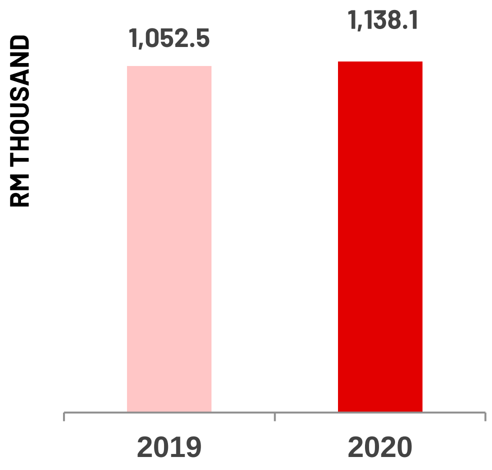
Projects
502

Job Opportunities
24,187

- **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.

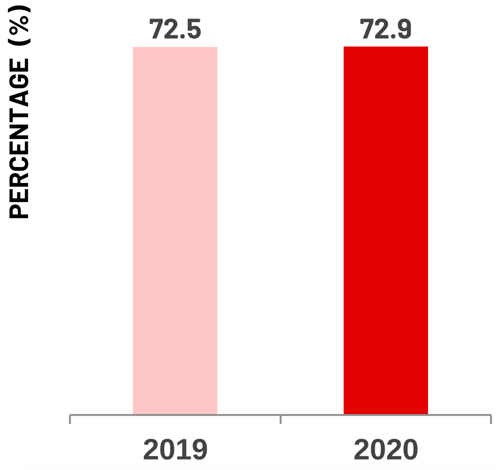
QUALITY INVESTMENTS IN MANUFACTURING

CAPITAL INVESTMENT PER EMPLOYEE (CIPE)



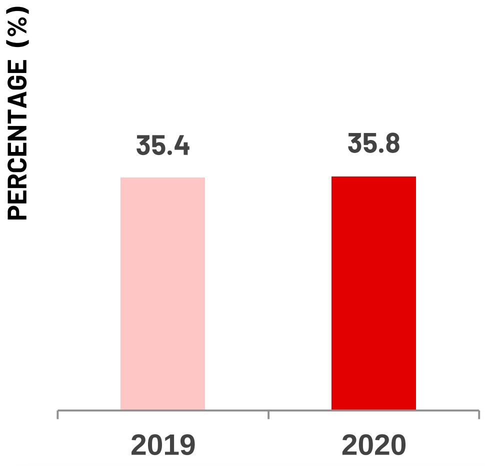
Value of the CIPE **increased 8.1%** in 2020 as compared to RM1.05 million in 2019.

HIGH-VALUE ADDED (HVA)



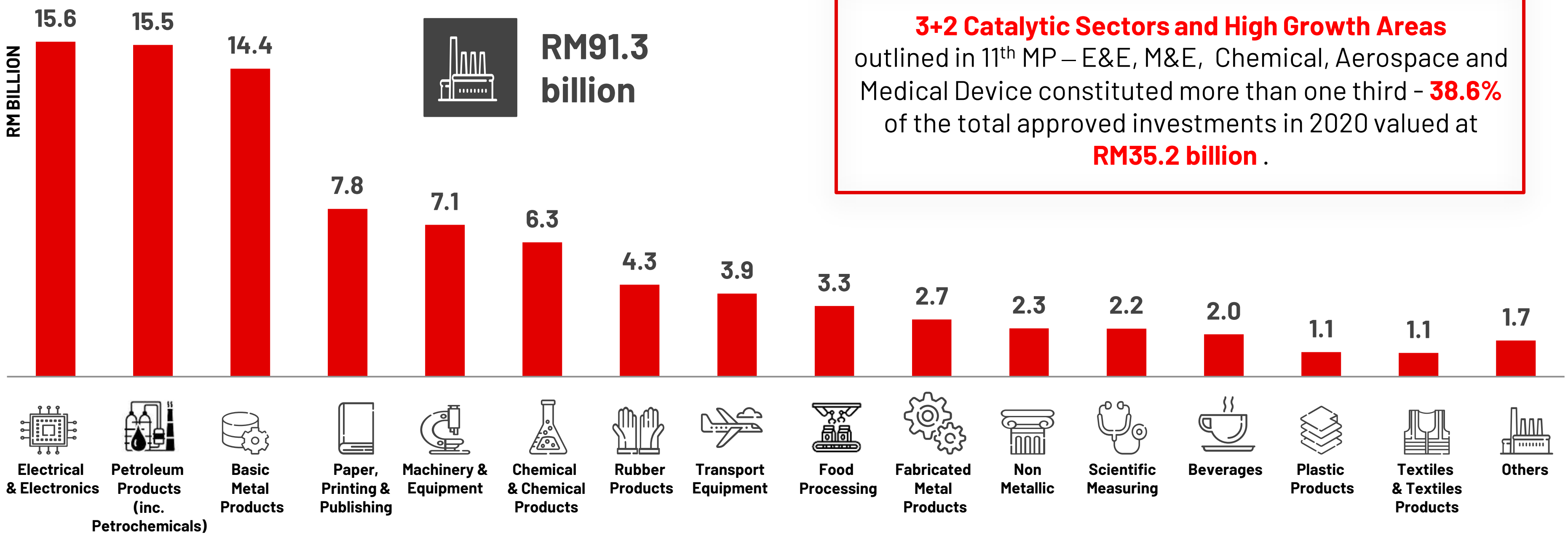
Percentage of quality projects approved with more than 40% value-added has continued to **sustain** at **more than 70%** in 2020.

MANAGERIAL, TECHNICAL AND SUPERVISORY (MTS)



Quality job opportunities as reflected by MTS index continued to **improve moderately** in 2020.

SUB-SECTOR OF APPROVED MANUFACTURING PROJECTS

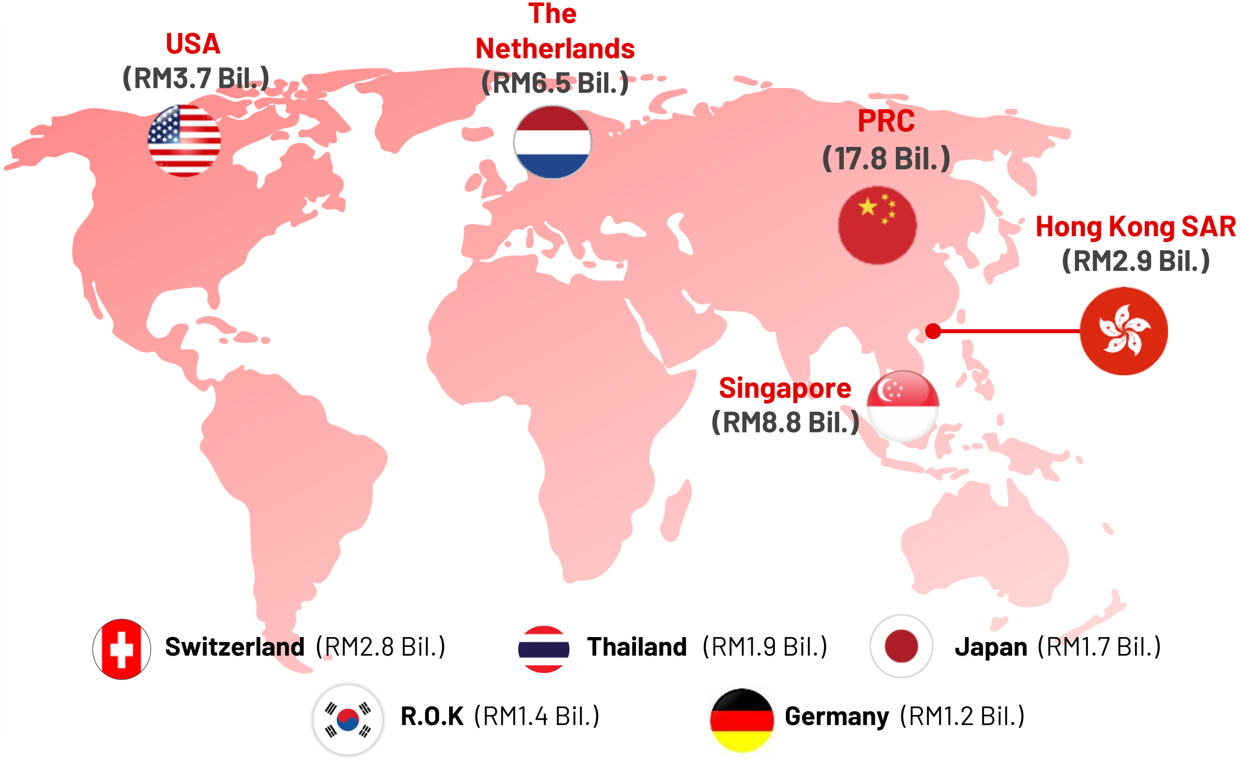


RM91.3 billion

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** .

MAJOR SOURCES OF FDI APPROVED IN MANUFACTURING

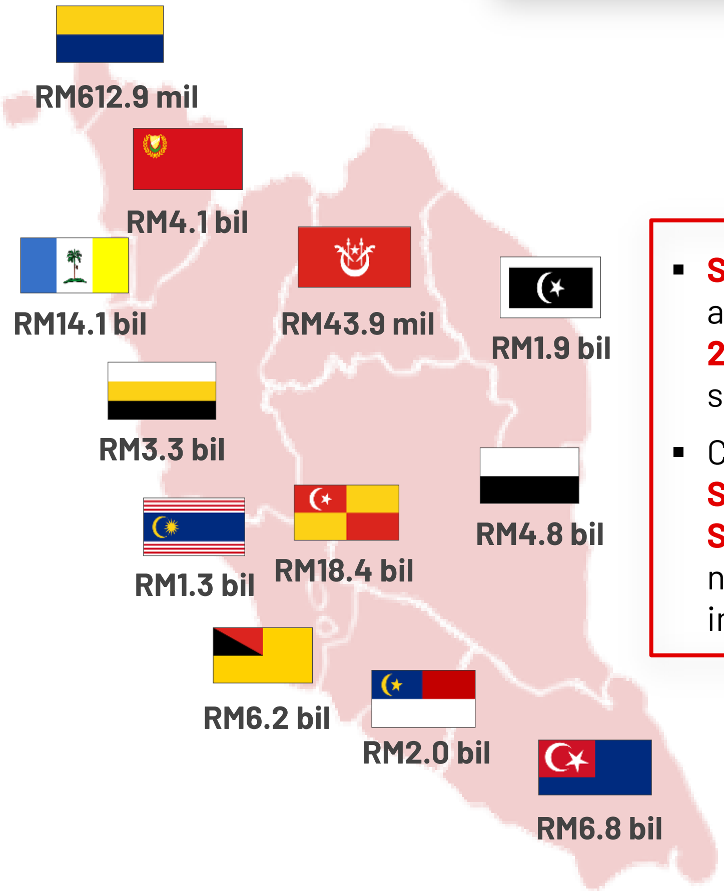
- **PRC, Singapore** and **The Netherlands** accounted for **58.5%** of total foreign investments.
- **PRC** was the **largest FDI contributor** in the manufacturing sector for the last five years (2016-2020).
- These **10 countries** accounted for a total of **350 projects** approved in the manufacturing sector.



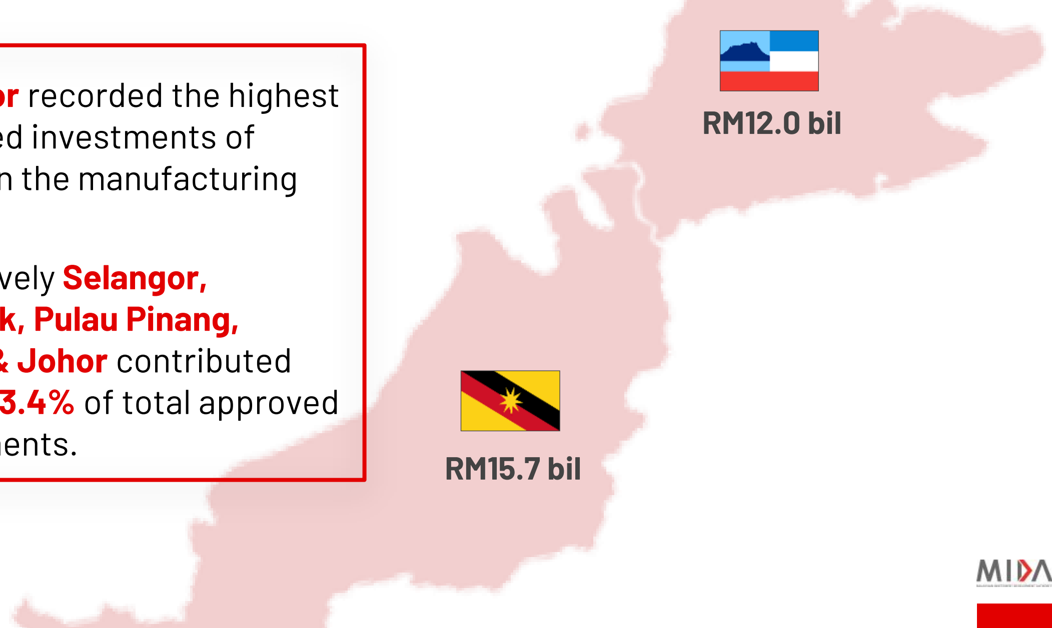
Note: Excluding Tax Havens

APPROVED MANUFACTURING PROJECTS BY STATE

RM91.3 billion



- **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.



WP Labuan : **RM70.2 mil**.

STATUS OF IMPLEMENTATION OF MANUFACTURING PROJECTS

IMPLEMENTED
2,926 PROJECTS (70%)

Investments
RM197.2 billion

Job Opportunities
215,203

SITE ACQUIRED
91 projects (2.2%)

ACTIVE PLANNING
977 projects (23.4%)

NOT IMPLEMENTED
184 projects (4.4%)

- 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.

4

SERVICES SECTOR

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

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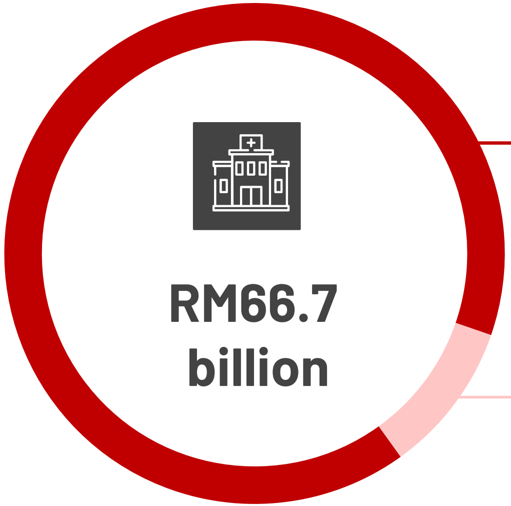
APPROVED INVESTMENT IN SERVICES

Percentage %



DDI
RM60.2 billion (90.3%)

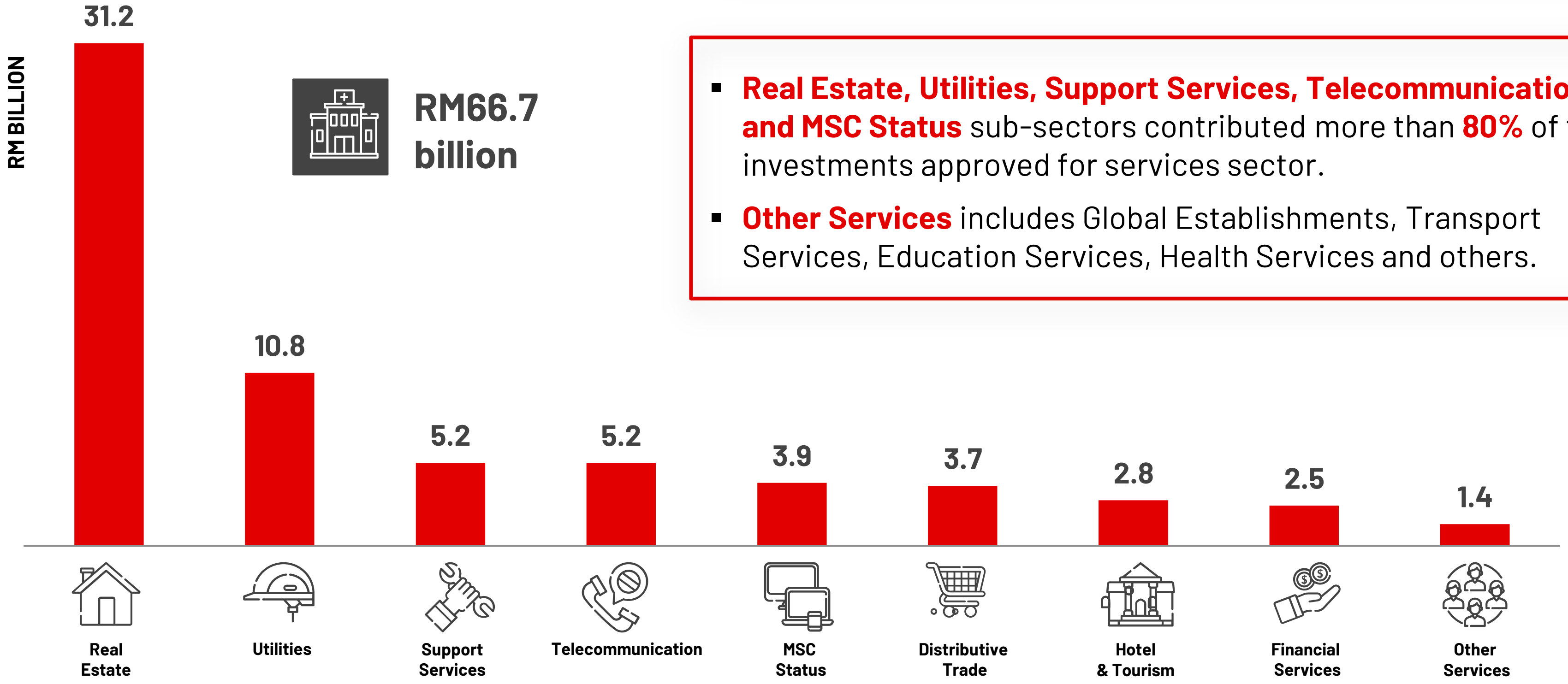
FDI
RM6.5 billion (9.7%)

Projects
3,527

Job Opportunities
33,652

- 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%.**

SUB-SECTOR OF APPROVED PROJECTS



- **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

141 Regional Establishment projects have been approved in 2020, creating **704 high quality job opportunities**.

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.

5 PRIMARY SECTOR

"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

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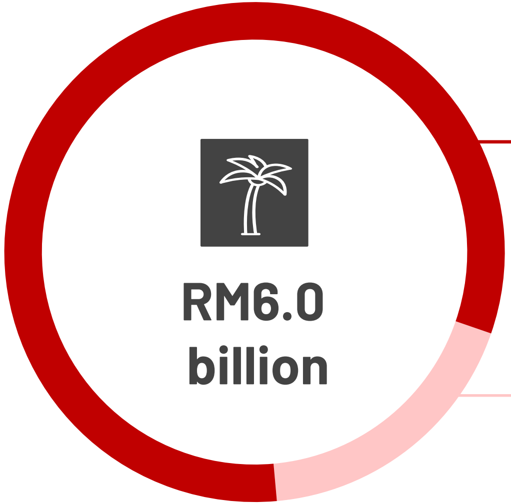
APPROVED INVESTMENT IN PRIMARY SECTOR

Percentage %



DDI

RM4.9 billion (81.7%)

FDI

RM1.1 billion (18.3%)

Projects
23

Job Opportunities
831

- 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.

Mining
RM6.0 billion

Plantation & Commodities
RM27.0 million

Agriculture
RM2.4 million

6 GOING FORWARD

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

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"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."

KEY STRATEGIES 2021

Enticing Potential Leads

- Initiatives to further expedite investment approvals of targeted strategic and quality projects.

Strengthening Institutional Framework

- Empowering Domestic Investments.
- Initiatives to increase competitiveness of Services Sector.

Facilitating & Retaining Investors' Confidence

- Initiatives to further facilitate investors to cushion COVID-19 pandemic impact and boost investment landscape.

Firming Investment Ecosystem & Enablers

- Initiatives to enhance Investment Tax Framework.
- Leveraging on FTAs for investments.
- Initiatives for Industrial Parks.

New Industrial Master Plan (NIMP)

12th Malaysia Plan (12MP)

KEY MESSAGES

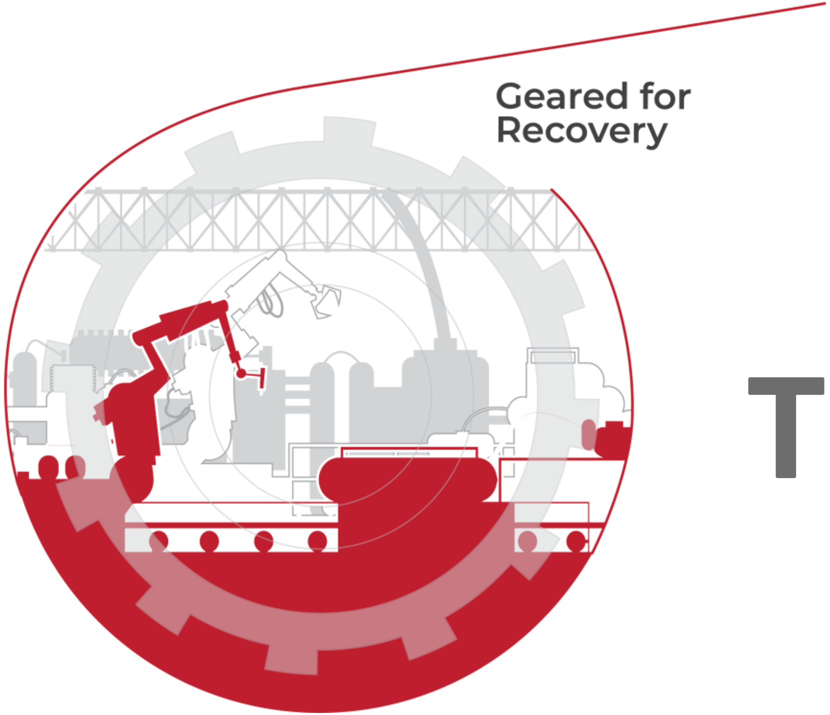
1. **Manufacturing sector** recorded **RM91.3 billion**, a **rise of 10.3%** from RM82.7 billion in 2019 and attracted the **largest portion** of approved investments in 2020. Despite volatile year, **DDI** and **FDI** also increased by **22.6%** and **3.9%** respectively as compared to 2019.

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.



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THANK YOU