

Approved Investments In The Manufacturing, Services and Primary Sectors In 2019 Totalled RM207.9 Billion

Malaysia has been proactive during the Movement Control Order (MCO) in balancing public health and the livelihood of the people as well as strengthening the economic fundamentals by providing the necessary approval for companies in several economic sectors to operate, and are subject to strict adherence to health and safety guidelines.

“While the COVID-19 pandemic has changed the global industrial system, MITI is committed to ensuring that Malaysia continues to be positioned as an investor-friendly location for long term growth of both foreign and domestic businesses. Foreign direct investment (FDI) is a long term capital flow. We trust that the existing foreign companies will continue to weather the storm and retain their investment in the country,” said YB Dato’ Seri Mohamed Azmin Ali, Senior Minister and Minister of International Trade and Industry (MITI), today.

Against the backdrop of a challenging external environment and declining global FDI inflows, Malaysia remains resilient and attracted a total of RM207.9 billion of approved investments in the manufacturing, services and primary sectors in 2019, a 1.7 per cent increase, compared to 2018. With a contribution of 60.4 per cent (RM125.5 billion), domestic direct investment (DDI) accounted for the bulk of the total approved investments. Although FDI made up for 39.6 per cent (RM82.4 billion) of the total, the value of FDI in 2019 had increased by 2.9 per cent from the previous year.

The services sector led the way for total investments approved in 2019. Approved investments for the sector also increased by 11.3 per cent from 2018.

The USA (RM26.8 billion), People’s Republic of China (RM15.7 billion) and Japan (RM12.1 billion) accounted for 66.3 per cent of total FDI approved in the manufacturing, services and primary sectors.

Selangor (RM47.8 billion) recorded the highest investments approved last year, followed by Pulau Pinang (RM33.7 billion), Johor (RM24.4 billion) and Wilayah Persekutuan Kuala Lumpur (RM21.6 billion). These four states alone contributed more than 60 per cent of the total approved investments for 2019.

Manufacturing Sector

Malaysia’s manufacturing sector recorded approved investments of RM82.7 billion for 2019. The number of manufacturing projects approved increased by 37 per cent from 721 projects in 2018 to 988 projects in 2019. FDI accounted for 65.2 per cent (RM53.9 billion) of total approved investments in the manufacturing sector, while domestic investments constituted the remaining 34.8 per cent (RM28.8 billion). “The Malaysian Investment Development Authority (MIDA) has put in place a fast track mechanism to expedite the approval of projects. It is noteworthy that 86.9 per cent of the manufacturing projects approved last year were through this mechanism,” said YB Dato’ Seri Azmin.

In line with Malaysia’s move towards sophisticated technology industries, capital intensive projects which involve advanced technology and skilled workforce dominated the manufacturing landscape. This is represented by the 108 projects approved with investments of RM100 million and above, which is 33.3 per cent higher than in 2018.

YB Dato’ Seri Azmin added that as the manufacturing sector has the most significant multiplier effect

on the nation's activities and growth, it will continue to be the mainstay of the economy. This includes forward and backward linkages, the development of cluster industries, the transfer of new technologies, and skills development, to name a few. In 2019, the manufacturing sector was the second-highest contributor to the Malaysian Gross Domestic Product (GDP) with 22.3 per cent share or RM316 billion.

The approved manufacturing projects last year will create new jobs for more than 78,000 people. Of these, 35.4 per cent are in the managerial, technical and supervisory (MTS) positions. Job opportunities in MTS roles increased by 24 per cent in 2019.

Overall, new projects made up 54.1 per cent of the total manufacturing projects approved. Foreign investments were evenly balanced between new and expansion or diversification projects in 2019. Meanwhile, domestic investments were mostly concentrated on new projects.

In terms of top-performing industries in 2019, the electrical and electronics (RM25.7 billion), paper, printing and publishing (RM10.8 billion), transport technology (RM8.0 billion), non-metallic mineral products (RM6.9 billion), and chemicals and chemical products (RM4.8 billion) contributed more than 68 per cent of the total approved investments in the manufacturing sector last year. It is noteworthy that investments in the three catalytic sub-sectors namely electrical and electronics, machinery and equipment and chemical, and two high growth areas - aerospace and medical device, recorded an increase of 90.2 per cent from RM21.5 billion in 2018 to RM40.9 billion in 2019.

Both People's Republic of China (RM15.3 billion) and the USA (RM14.2 billion) were the two top investor countries in the manufacturing sector in Malaysia and contributed 54.7 per cent of the total foreign investments approved in the sector. The People's Republic of China was also the largest source of foreign investments in the manufacturing sector for four consecutive years. It is impressive to note that the investments in the manufacturing sector from Taiwan, the USA and Singapore for 2019 have increased seven, four and three folds, respectively.

To date, MIDA has facilitated 85 companies from China as well as from different parts of the world for relocation or redeployment of activities to Malaysia due to the US-China Trade War. Of the total, MIDA has successfully captured 32 projects with investments amounting to RM14.0 billion and seven projects are currently under evaluation with investments valued at RM6.22 billion.

Selangor (RM17 billion) was the largest recipient of investments in the manufacturing sector for 2019, followed by Pulau Pinang (RM16.9 billion), Kedah (RM11.5 billion) and Johor (RM11.5 billion). These four states constituted nearly 70 per cent of total approved investments in the sector last year.

The addition of the 988 manufacturing projects approved in 2019 brings the total number of manufacturing projects approved between 2015 - 2019 to 3,809 projects. Approximately 73.4 per cent of these projects with investments worth RM208.5 billion have been implemented.

Notable projects that were approved last year include a project by Intel that will invest RM10 billion to bring the latest Advanced Assembly and Test technology to Malaysia, as well as an investment by a British-based company, Smith+Nephew that will establish its orthopaedics manufacturing facility in Pulau Pinang. The products manufactured by Smith+Nephew will include knee and hip implants.

Another example of a quality project is the investment from AAC Technologies, the world's leading solutions provider for smart devices. The company will be producing front end moulds and related components in Johor. This high-value project will create new outsourcing opportunities for local businesses and vendors as well as high-value jobs for Malaysians.

Services Sector

“The services sector continues to be the cornerstone of the nation’s economic growth. Malaysia’s virtues as a hub for business and investment helped draw 4,087 approved projects in the services sector in 2019 with investments of RM118.1 billion. It is noteworthy that although domestic sources dominated approved investments in the services sector, foreign investments have increased by a significant 53.4 per cent, from RM16.1 billion in 2018 to RM24.7 billion in 2019,” said YB Senior Minister and Minister of MITI.

Collectively, the top five contributors of approved investments in the services sector namely the real estate (RM40.9 billion), utilities (RM32.6 billion), global establishments (RM11.8 billion), distributive trade (RM11.7 billion) and support services (RM5.7 billion) represent 87.0 per cent or RM102.7 billion of approved investments in the services sector.

The approved investments for global establishments saw an increase of 57.3 per cent. A total of 169 projects proposing to make Malaysia their regional or global operations hubs were approved last year. These activities, which are expected to create new jobs for 884 knowledge-based or highly technical skilled workers, will also position Malaysia on course for greater integration into the global supply chain.

“Last year, notable services projects approved included two green technology projects by Telekomang Hydro in Sabah, a healthcare project by Daehan Rehabilitation Services in Putrajaya and a hospitality project by Interland Development in Sabah,” said YB Senior Minister and Minister of MITI.

Primary Sector

The primary sector registered approved investments of RM7 billion in 2019, compared to RM10.9 billion in 2018. Mining sub-sector led the bulk of investments in the primary sector, 94.3 per cent of total investments approved in this sector. The rest of the investments in the primary sector comprise the plantation and commodities subsector, and the agriculture subsector, which registered sustainable investments of RM291.4 million and RM135.1 million, respectively.

Bracing for the Future

Malaysia kick-started this year with five approved manufacturing and services projects worth RM4.6 billion. “The priority now is not about the number of investors or absolute value of investments but to bring in high value-added investments that can help to revive the economy. As business as usual approach will no longer work in this challenging environment, a fundamental solution for the country to revitalise the economy is through adopting bold initiatives to ensure impactful accomplishments. Closer partnerships between federal, states and local authorities will be of the essence in facilitating our investors and ensuring the implementation of approved projects. All stakeholders need to make the necessary changes and reengineer processes to deliver more efficient and effective services. Digitalisation and automation is indeed the way forward,” said YB Senior Minister and Minister of MITI.

About MIDA

MIDA is the Government’s principal investment promotion and development agency under the Ministry of International Trade and Industry (MITI) to oversee and drive investments into the



manufacturing and services sectors in Malaysia. Headquartered in Kuala Lumpur Sentral, MIDA has 12 regional and 20 overseas offices. MIDA continues to be the strategic partner to businesses in seizing the opportunities arising from the technology revolution of this era. For more information, please visit www.mida.gov.my and follow us on Twitter, Instagram and Facebook, LinkedIn and Youtube channel.

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