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MALAYSIA RECORDS RM164 BILLION OF TOTAL APPROVED INVESTMENTS IN 2020 AMID GLOBAL PANDEMIC

Manufacturing Sector Takes the Lead with an Increase of 10.3 per cent in Approved Investments

Kuala Lumpur, 2 March 2021 – The global economic environment in 2020 was very challenging, as a result of the COVID-19 pandemic, which had its contagion effects on major economies throughout the world. Despite the challenges, the Ministry of International Trade and Industry (MITI) through the Malaysian Investment Development Authority (MIDA) 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.

“Malaysia recorded a total of RM164 billion in approved investments through 4,599 projects in the manufacturing, services and primary sectors in 2020. These investments are expected to create 114,673 new jobs in various sectors of the economy once implemented,” announced YB Dato' Seri Mohamed Azmin Ali, Senior Minister and Minister of MITI.

In contrast, a total of 5,287 projects with investments of RM211.4 billion were approved in 2019. This decline was weighed by the services and primary sectors which were directly impacted by declines in global demands due to the pandemic and the Movement Control Order (MCO) implementation.

In 2020, domestic direct investments (DDI) accounted for the bulk of the total approved investments with a contribution of 60.9 per cent (RM99.8 billion), while foreign direct investments (FDI) made up the remaining RM64.2 billion (39.1%).

The manufacturing sector led the way for total investments approved in 2020, recording RM91.3 billion, followed by the services sector RM66.7 billion and the primary sector with RM6.0 billion.

The People's Republic of China (RM18.1 billion), Singapore (RM10.0 billion) and the Netherlands (RM7.0 billion) were the top three (3) FDI sources from overall economic sectors in Malaysia, accounting for more than half (54.8%) of the total approved FDI for the year.

Selangor (RM38.7 billion) recorded the highest investments approved last year, followed by Sabah (RM21.0 billion), Sarawak (RM19.6 billion), Wilayah Persekutuan Kuala Lumpur (RM17.1 billion) and Pulau Pinang (RM16.0 billion). These five states alone contributed more than 60 per cent of the total approved investments for 2020.

Manufacturing Takes the Lead

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.

Malaysia's manufacturing sector recorded approved investments of RM91.3 billion for 2020, an increase of 10.3 per cent from 2019. The number of manufacturing projects approved also increased by 6.2 per cent from 988 projects in 2019 to 1,049 projects in 2020.

When implemented, these approved manufacturing projects will create new jobs for more than 80,000 people. Of these, 35.8 per cent are in the managerial, technical and supervisory (MTS) positions, including engineers, plant maintenance supervisors, tools and die makers, machinists, IT personnel, quality controllers, electricians and welders.

FDI accounted for 62 per cent (RM56.6 billion) of total approved investments in the manufacturing sector, while domestic investments constituted the remaining 38 per cent (RM34.7 billion). It is important to note that despite the challenging times, DDI surged by 22.6 per cent while FDI increased by 3.9 per cent compared to 2019.

The People's Republic of China was the top investor in the manufacturing sector in Malaysia, contributing RM17.8 billion 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 five consecutive years. Other major sources of FDI include Singapore (RM8.8 billion), the Netherlands (RM6.5 billion), USA (RM3.7 billion), Hong Kong SAR (RM2.9 billion), Switzerland (RM2.8 billion), Thailand (RM1.9 billion), Japan (RM1.7 billion) and Republic of Korea (RM1.4 billion).

Selangor (RM18.4 billion) was the largest recipient of investments in the manufacturing sector for 2020, followed by Sarawak (RM15.7 billion), Pulau Pinang (RM14.1 billion), Sabah (RM12.0 billion) and Johor (RM6.8 billion). These five states constituted 73.4 per cent of total approved investments in the sector last year.

"Against the backdrop of the challenges due to the pandemic, new project investments, accounting for 66.9 per cent of the total manufacturing projects approved, were successfully secured in 2020. This is a testament to MITI and MIDA's efforts to ensure business continuity and investors' friendly policies are in place to enable investors to have the confidence to establish new operations in the country," said YB Dato' Seri Azmin.

"Our team has also tenaciously worked to ensure projects approved are implemented smoothly. This can be seen through the commendable rate of implementation in approved projects. For the period 2016-2020, a total of 4,178 projects were approved, of which 70.0 per cent with investments worth RM197.2 billion have been implemented in the country," he added.

Moreover, 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 reflected in the increase of capital investment per employee (CIPE) ratio to RM1,138,055 in 2020 from RM1,052,497 in 2019. Furthermore, a total of 101 projects were approved with investments of RM100 million and above.

In terms of top-performing industries in 2020, the electrical and electronics (RM15.6 billion), petroleum products including petrochemicals (RM15.5 billion), basic metal products (RM14.4 billion), paper, printing and publishing (RM7.8 billion), machinery and equipment (RM7.1 billion), chemicals and chemical products (RM6.3 billion), rubber products (RM4.3 billion) as well as transport technology (RM3.9 billion) contributed nearly 90 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 devices outlined within the Eleventh Malaysia Plan (RMK-11) constituted more than one third (38.6%) of the total approved investments on the manufacturing sector with investments valued at RM35.2 billion in 2020. As the year 2020 marked the end of the Eleventh Malaysia Plan, the Government is currently finalising the Twelfth Malaysian Plan. This post-2020 blueprint will set the way forward for Malaysia's development agenda over the next decade. We are optimistic that it will chart the way to further enhance Malaysia's industrial competitiveness strategies in essential and key industries for sustainable economic transformation to elevate our manufacturing and the services sectors to the next level of sophistication and complexity in the new normal post COVID-19 and beyond," remarked YB Dato' Seri Azmin.

Notable projects that were approved last year consist of multinational corporations in the high-end and high-technology industries that are newly establishing their operations in Malaysia. This includes Dexcom, a US company and leader in continuous glucose monitoring system will be producing their niche offerings in Pulau Pinang; where else Switzerland-based electrical measurement company, LEM will set up its new production plant in Malaysia to meet the growing demand of its customers in the industrial and automotive sectors. Chinese-owned LSChem Industry will produce a variety of speciality oleochemicals in Tanjung Langsat Industrial Park, Johor Bahru. LSChem Industry's project is expected to be catalytic to roll out the biodiesel initiatives in Malaysia, which is in line with the Government's goal to increase the usage of biodiesel. Singapore-owned CytoMed Therapeutics (Malaysia) will also invest in the country to undertake stem cell research and therapy.

Existing MNCs also continue to undertake major reinvestments into high-end products and activities in Malaysia, illustrating Malaysia's on-going value proposition to investors. Nippon Electric Glass (NEG), a leading Japanese manufacturer of speciality glass that had established their Malaysian operations since 1992 looks to expand their production capacity of glass tubing for pharmaceutical use in the country given the demand for its products following the COVID-19 vaccine roll-out. Additionally, US-based Bruker will be expanding its investments in Pulau Pinang to manufacture high-tech analytical scientific instruments such as optical and stylus profilometers, tribometers, X-ray diffraction tools, X-ray fluorescence instrumentation, optical emissions spectrometers and combustion gas analysers.

Local players such as Amerix Metal Machining Technology have also seized the opportunity to expand and diversify their operation last year, further enhancing Malaysia's supporting industry network capabilities. The Company's expansion project looks to adopt a sophisticated high precision manufacturing concept in Computer Integrated Manufacturing (CIM) and process tracking model in customised Enhanced Resource Planning (ERP) system to produce automation electro-mechanical servo reel to reel moulding systems for the back-end semiconductor industry.

Continuous Investments for Services

"In 2020, Malaysia's proposition as a hub for business and investment for the services sector attracted a total of RM66.7 billion in approved investments through 3,527 approved projects, accounting for the 40.7 per cent of the total approved investments in the economy. These approved services projects are expected to create 33,652 jobs to the economy," said YB Senior Minister and Minister of MITI.

DDI dominated the total approved investments in the services sector, contributing RM60.2 billion (90.3%), where else FDI represented the remaining RM6.5 billion.

The majority of the main services sub-sectors showed a significant decline in approved investments except for MSC status projects and other services such as BioNexus status and software developments. The top five (5) contributors of approved investments in the services sector were real estate (RM31.2 billion), utilities (RM10.8 billion), support services (RM5.2 billion), telecommunications (RM5.2 billion) and MSC status projects (RM3.9 billion).

Under the purview of MIDA, the support services industry covered sub-sectors such as integrated logistics, research and development, green technology, integrated circuit design, oil and gas services and licensed warehouse.

"Last year, notable services projects approved include Redsol, a new joint venture large scale solar project between Malaysia and Netherlands in Perak; as well as the expansion of the Japanese firm, Fumakilla Malaysia's R&D undertaking in developing insecticide products and other household products in the country as part as its efforts to centralise its R&D Centre to support its manufacturing activities carried out in Malaysia and Asia," added YB Dato' Seri Azmin.

Mining Takes the Lead in the Primary Sector

The primary sector registered approved investments of RM6.0 billion in 2020, compared to RM7.0 billion in 2019. The mining sub-sector led the bulk of investments in the primary sector, contributing 99.5 per cent of total investments approved in the sector. The rest of the primary sector investments comprise the plantation and commodities subsector and the agriculture subsector, which registered investments of RM27 million and RM2.4 million, respectively.

Bracing for a Better Tomorrow

Malaysia continues to be a competitive investment destination despite the current uncertainties, proven by its rankings in the global economic scene. The DHL Global Connectedness Index (GCI) 2020 positioned Malaysia second (2nd) among Asia Pacific countries and sixteenth (16th) out of 169 countries for trade connectivity. A joint study by KPMG and The Manufacturing Institute in the US entitled 'Cost of Manufacturing Operations around the Globe' also ranked Malaysia fourth (4th) among 17 economies in an assessment comparing the economy's competitiveness as a manufacturing hub; positioning us ahead of countries in Asia such as China, Japan, Vietnam and India. Furthermore, Malaysia is ranked 12th in the World Bank's Doing Business 2020 and 27th in the IMD World Competitiveness 2020.

"These rankings by reputable international agencies attests that on-going reform initiatives are on the right track to further enhance Malaysia's competitiveness, productivity and governance which will help promote investments and accelerate national economic development," said YB Dato' Seri Azmin.

However, at the end of the third quarter 2020, the country saw a third wave of COVID-19 infections. This led the Government to implement the conditional movement control order (CMCO), to strike a balance between preserving lives and livelihoods; curbing the spread of the virus while allowing economic activities to open. The Government was forced to impose further restrictions via the introduction of MCO 2.0 due to the unabated virus surge. The implementation of MCO 2.0 has understandably raised the question of whether Malaysia would still be able to maintain the speed of economic recovery.

"The Government, through MIDA, continued to be at the forefront to entice more high-value investments in the areas of technology and innovation to position Malaysia as an alternative supply chain hub in Asia. Investors will undeniably derive value by tapping on Malaysia's well-established local supporting industry network and talented workforce to undertake high-tech products manufacturing and high value-added services to serve their clients in the region, in the present and the future," added YB Dato' Seri Mohamed Azmin Ali.

In efforts to increase the ease of doing business for investors in Malaysia, MIDA's efforts has been intensified to re-engineer its business processes to raise the efficiency of the organisation's various functions. Among the initiatives that have been implemented include the PACU@MIDA or the Project Acceleration and Coordination Unit to provide end-to-end facilitation for all projects approved to enable the timely implementation of investments in the country; as well as online modules, namely e-Manufacturing Licence (e-ML), e-Incentive and JPC Online Application to accelerate the necessary approvals for manufacturing licences, incentives and exemption of customs duties to expedite the execution of projects.

Additionally, despite the on-going international border closures and strict governmental standard operating procedures (SOPs) in place worldwide to contain the spread of COVID-19, MIDA continues to be responsive in providing advice and support to existing and potential investors through its established footprint of 20 overseas and 12 regional offices. It has been at the forefront to entice investments through innovative and aggressive investment promotion activities. A One-Stop-Centre (OSC) has also been established at MIDA to

evaluate eligible business travellers' applications to enter Malaysia for trade and investment purposes.

As at December 2020, MIDA has RM65.9 billion worth of potential investments being actively evaluated. These projects, once approved, are expected to be implemented within the year 2021 to 2022. MIDA has also identified 240 high-profile foreign investment projects, including Fortune 500 companies in the manufacturing and services sectors, with a combined potential investment value of RM81.9 billion. These include on-going negotiations with companies from various sectors such as automotive, chemical, and advanced electronics to make Malaysia their high-value manufacturing, services and global supply chain hub.

“The Government’s newly unveiling of Malaysia Digital Economy Blueprint (MyDigital) will also further accelerate Malaysia’s progress to becoming a technologically-advanced economy. The 10-year roadmap will lay the foundations for the country’s transformation towards an advanced digital economy and guide MITI and MIDA in our efforts to continue attracting high-value investments of the future,” said YB Dato’ Seri Mohamed Azmin Ali.

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.

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, Facebook, LinkedIn and Youtube channel.

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