

# ALLIANCE BANK MARKET OUTLOOK FORUM 2024

## Catalysing Malaysia's Private Investment Cycle

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18 June 2024



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**01 The Malaysian Economy: Positive Direction amid Risks**

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**02 Catalysing Malaysia's Private Investment Cycle**

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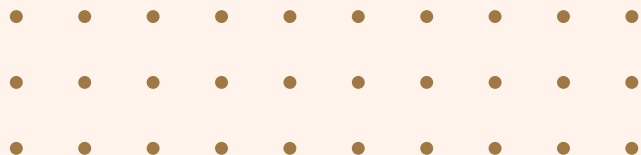
**03 Building a Conducive Investment DDI and FDI Ecosystem**



# Malaysia's Economic Outlook

## Positive Direction amid Risks

- *Frequency indicators pointing to **POSITIVE** direction*
- *Domestic demand remains major **DRIVING FORCE***
- *Exports turned from drag to **DRIVER** of growth*
- *Private investment on a **NEW UPTURN CYCLE***
- *Interest rates **STAY PUT** at 3.0%*



# The Malaysian economy in a positive direction

Malaysia's real GDP growth (% YoY)



## Drivers of economic growth in 2024

### Supporting drivers

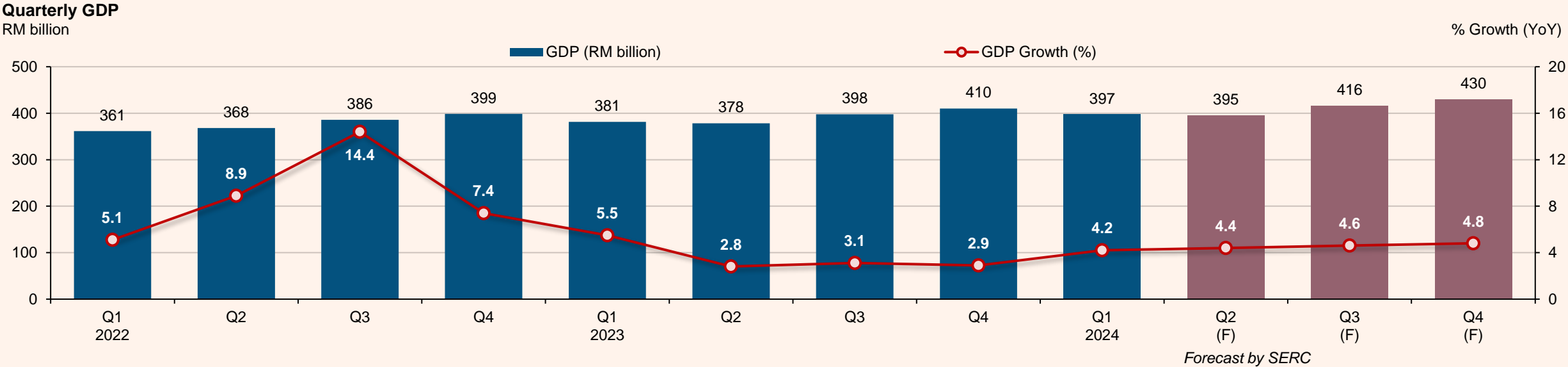
- Higher income growth and continued expansion in employment.
- New and ongoing multi-year projects as well as the implementation of national master plans.
- Rebound in global trade and tech upcycle.
- Higher tourist arrivals and spending.

### Dampening drivers






- Increased cost of living and business costs.
- The US-China trade and technology tensions, the military conflicts in Russia-Ukraine and Middle East pose a significant geopolitical risk to the world economy. An escalation in the Middle East has given rise to greater risk exposures in capital flows, trade flows and commodity markets worldwide.
- Climate change and unfavourable weather conditions could dampen commodity production.

Source: Department of Statistics Malaysia (DOSM)

# Q1 2024 GDP growth (4.2% yoy) marks a good head start



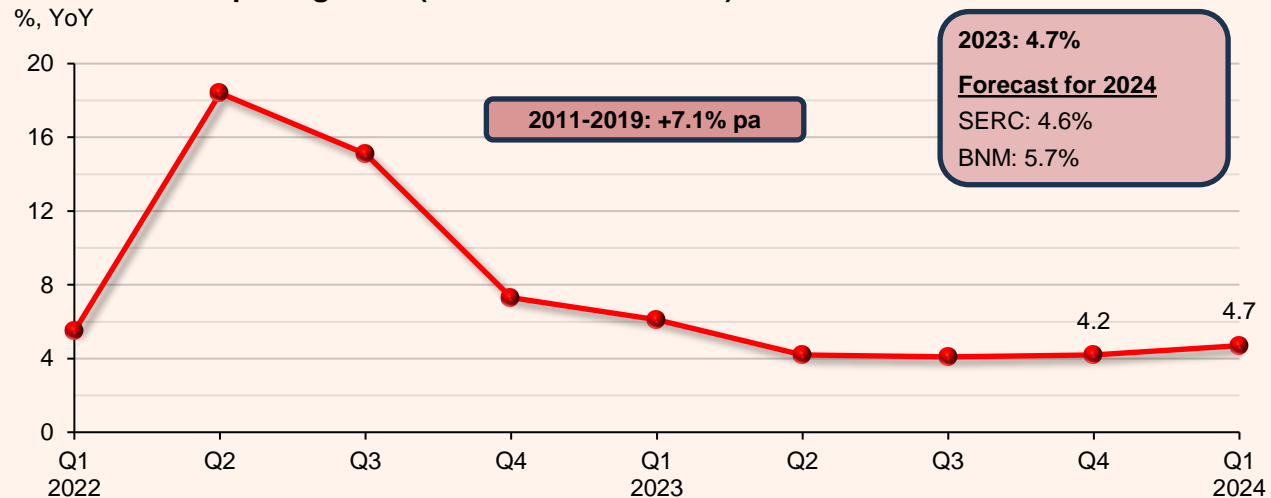
## Economic performance by production approach

				
<b>Services</b>	<b>Manufacturing</b>	<b>Agriculture</b>	<b>Mining and Quarrying</b>	<b>Construction</b>
<b>4.7%</b> (Q1 2024)	<b>1.9%</b> (Q1 2024)	<b>1.6%</b> (Q1 2024)	<b>5.7%</b> (Q1 2024)	<b>11.9%</b> (Q1 2024)
4.1% in Q4 2023	-0.3% in Q4 2023	1.9% in Q4 2023	3.5% in Q4 2023	3.6% in Q4 2023

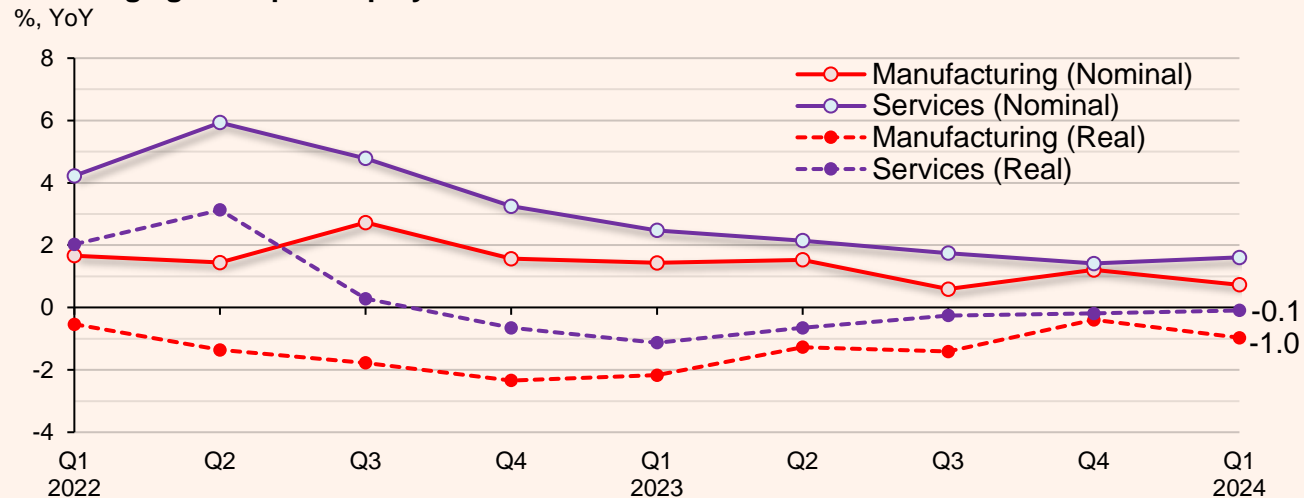
Source: DOSM; SERC's forecast

# Can consumer spending continue to hold firm?

## Private consumption growth (60.7% of GDP in 2023)



## Real wage growth per employee



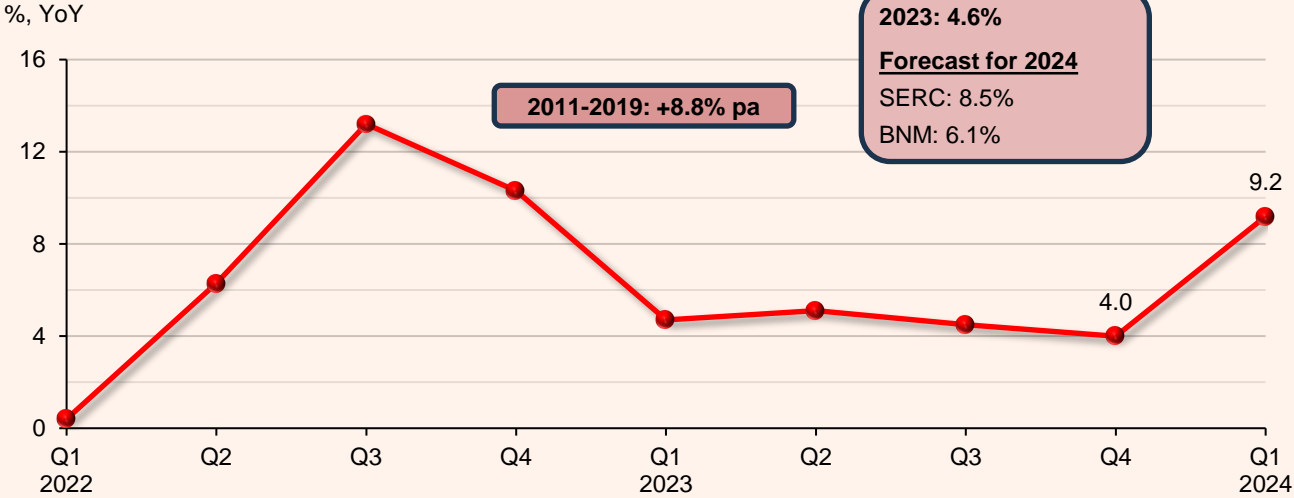
Source: DOSM

## Key points

- Labour market conditions remain intact: Continued expansion in employment; unemployment rate is steady.
- Higher tourist arrivals (5.8 million in 1Q 2024) and spending. Malaysia targets 27.3 million tourist arrivals (of which 5 million from China) with RM102.7 billion in total tourism receipts in 2024.
- **Dampening factors:**
  - Continued high cost of living
  - Increases in prices of food and services
  - Higher service tax rate for selected categories and new scope of tax
  - Impact of weakening ringgit
  - Targeted fuel subsidy rationalisation
- **Mitigating factors:**
  - RM10.0 billion Sumbangan Tunai Rahmah (STR)
  - RM700 million Sumbangan Asas Rahmah (SARA)
  - RM200 monthly financial aid for the diesel price floating
  - Festive financial incentives and Early incentive payment (RM2,000) for civil servants
  - EPF Flexible Account (Account 3)
  - At least 15% salary adjustment for the civil servants (RM10.0 billion)

# Catalysts for private investment growth have to be sustained

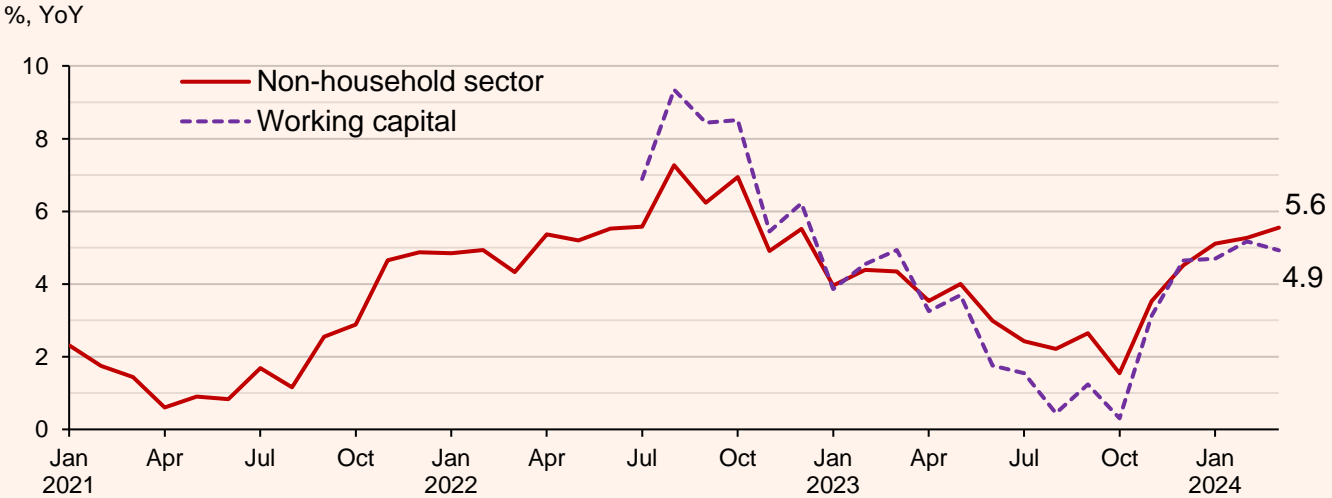
## Private investment growth (15.5% of GDP in 2023)



## Key points

- Drivers of private investment growth:
  - On-going implementation of multi-year infrastructure projects.
  - Continued capacity expansions.
  - Realisation of some approved investments in previous years (2021-2022).
- Impact of the New Industrial Master Plan (NIMP) 2030, National Energy Transition Roadmap (NETR) and the Mid-Term Review of the 12th Malaysia Plan (2021-2025).
- Notwithstanding, increasing business operating costs and high cost of raw materials, coupled with weak Ringgit, would dampen the business spending, especially the small and medium enterprises (SMEs).

## Outstanding loans to the business sector

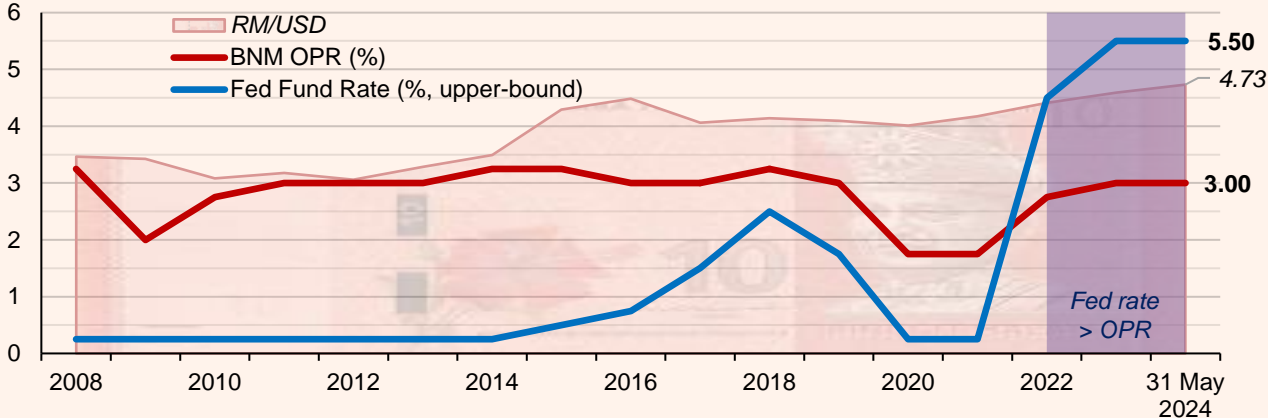


Source: DOSM; Bank Negara Malaysia (BNM)

# Interest rate to stay put at 3.00% in 2024, may go up in 2025

## BNM OPR vs. Fed Funds Rate vs. RM/USD

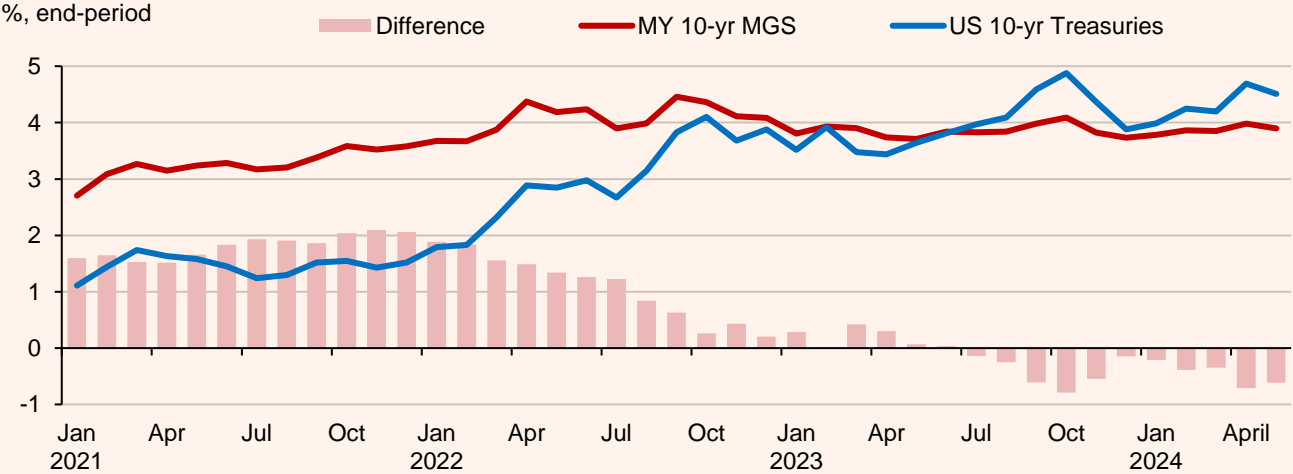
Rate at end-period



## OPR set to stay put at 3.00%

- Growth supporting remains the policy priority.
- Subsidy rationalisation-induced inflation will restrain demand amid .
- Big salary hike for civil servants and higher minimum wage could put pressure on prices.
- MY-US interest rate differentials would cap the Ringgit’s appreciation against the US dollar.
- BOJ will move 'cautiously' in gauging rate hike timing amid the bond tapering.
- Bank Negara Malaysia’s “engagement” with GLCs and GLICs as well as corporates on the repatriation of realized investment income and conversion into the Ringgit. It was indicated that a conservative ballpark estimate puts the potential annual income conversions alone to be in a range of US\$6-US\$7 billion.

## Yields: MY 10-year MGS vs. US 10-year Treasuries



Source: Fed; BNM; US Treasury Department



# What to expect in 2H 2024 and beyond?



**Diesel price floating**

**Subsidy savings at RM4.0 billion**

**Logistics cost to increase**



**RON95 subsidy rationalization**

**Cost of living to increase**

**Dampening consumer spending**



**Minimum Wage Review**

**Higher manpower costs**

**Purchasing power to increase**



**Multi-tiered levy**

**High foreign labour ratio**

**incurs higher cost**



**Progressive Wage Model  
(PWM)**

**Increase in wages in line  
with increase in productivity**



**EPF Flexible Account 3**

**Reduce retirement savings**

**Purchasing power to  
increase**

# Estimated subsidy savings, revenue gains and financial assistance

## Savings (RM14.2 billion)



Retargeting of electricity tariff rationalization  
**(RM4.5 billion)**



Diesel subsidy rationalization  
**(RM4.0 billion)**



Expected revenue from the Low Value Goods Tax, Capital Gains Tax and the improvement on Service Tax.  
**(RM4.5 billion)**



Floating of chicken prices  
**(RM1.2 billion)**

**Overall Deficit**



**RM7.8 billion**

## Payments (RM22.0 billion)



Sugar  
**(RM0.5 billion)**



The Early Schooling Aid (BAP)  
**(RM0.8 billion)**



15% pay hike for civil servants  
**(RM10.0 billion)**



Sumbangan Tunai Rahmah  
**(RM10.0 billion)**



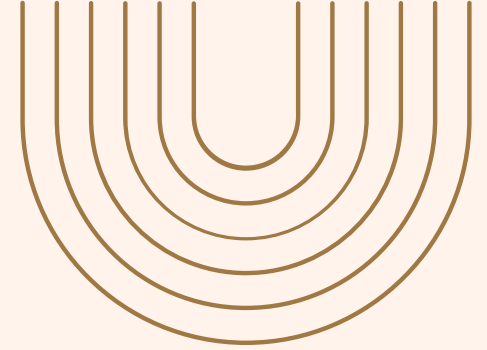
Sumbangan Asas Rahmah  
**(RM0.7 billion)**



Rubber Production Incentive



Paddy Price Subsidy Scheme



# Catalyzing Private Investment Cycle

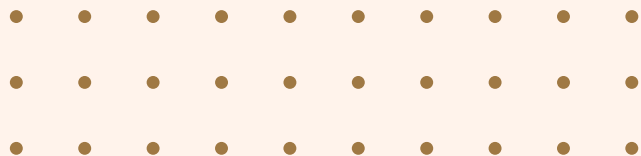
## External and Domestic Drivers

### ➤ **EXTERNAL PUSH FACTORS**

- *Deglobalisation and trade protectionism, supply chains reconfiguration, regional integration, advance technologies, decarbonisation and China Plus One strategy*

### ➤ **DOMESTIC PULL FACTORS**

- *Investment dynamics to lift Malaysia's economic growth prospects*
- *Resetting Malaysia – MADANI Economy, New Industrial Master Plan (NIMP) 2030, National Energy Transition Roadmap (NETR), National Artificial Intelligence (AI) Roadmap and Johor-Singapore Special Economic Zone (JS-SEZ)*



# What makes Malaysia an attractive destination for business investment?

## Determinants



Strategic geographical location



Pro-investment policies



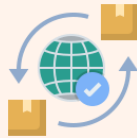
Good regulatory framework



Abundant land and natural resources



Access to capital and manpower



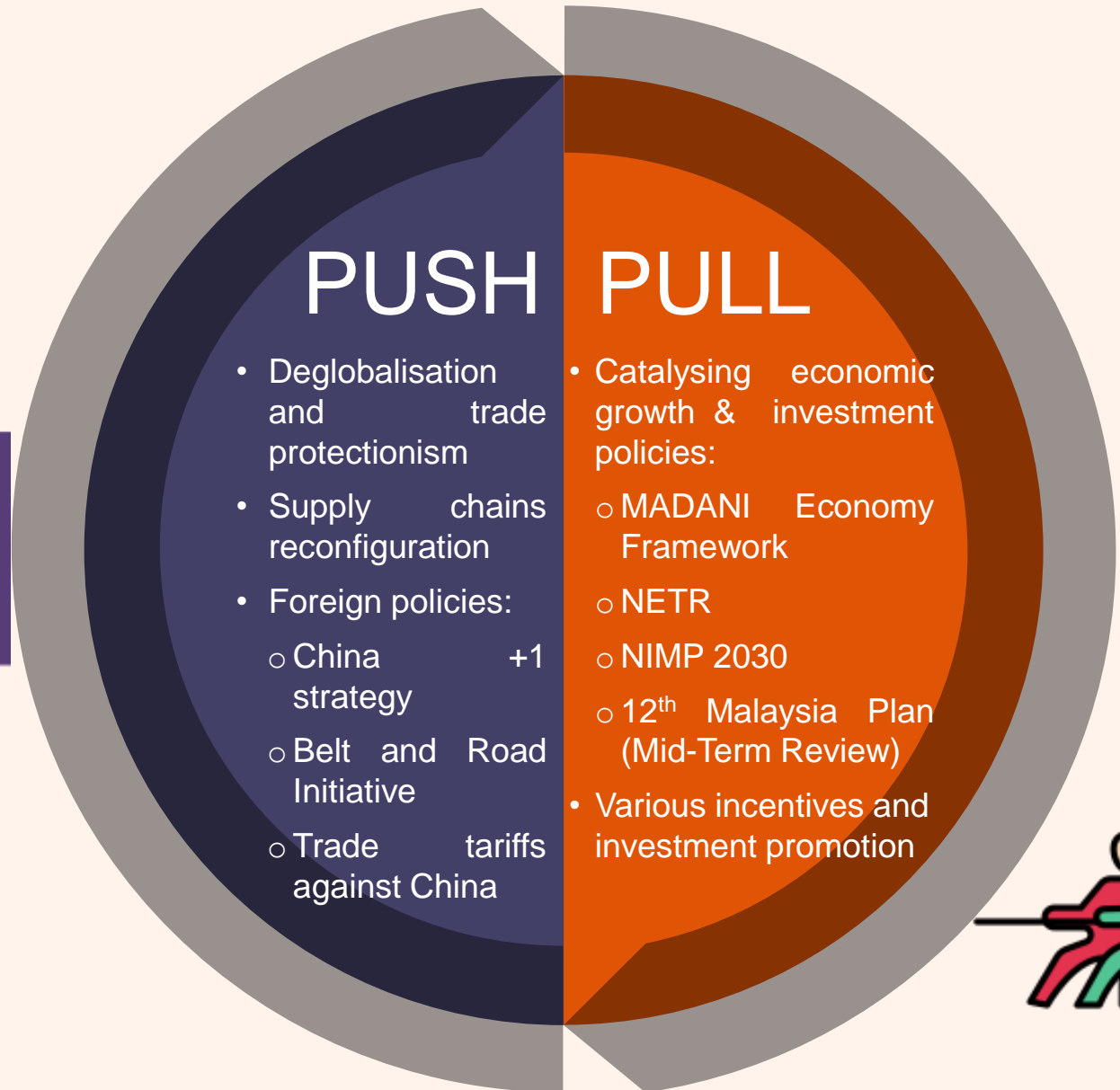
Established trade networks (16 FTAs - 7 bilateral FTAs and 9 multilateral)



Strong infrastructure

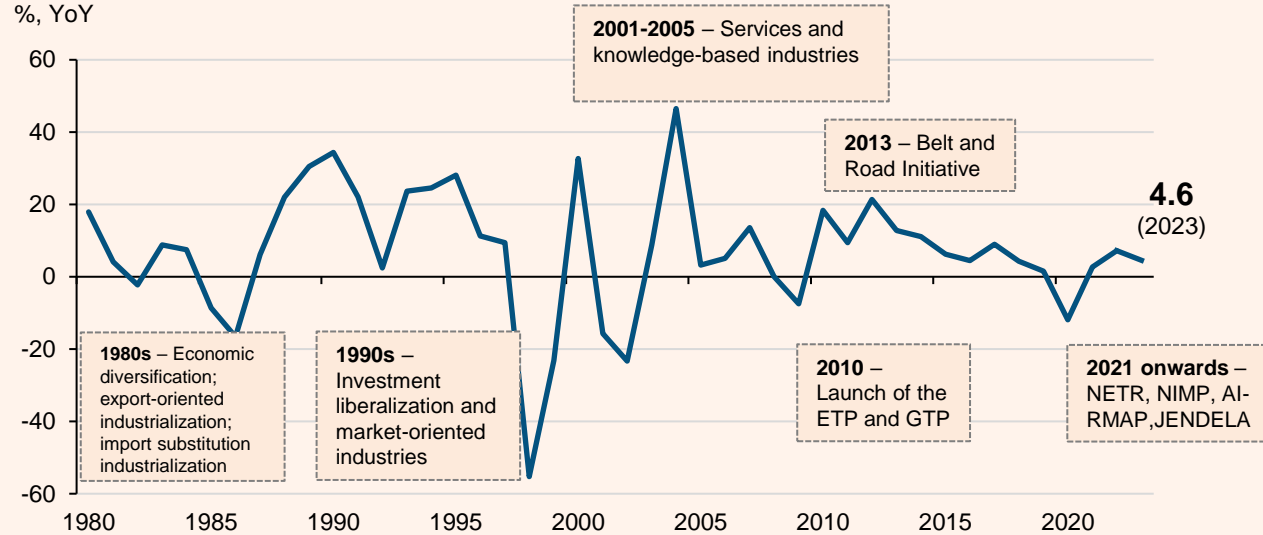


Sound financial sector

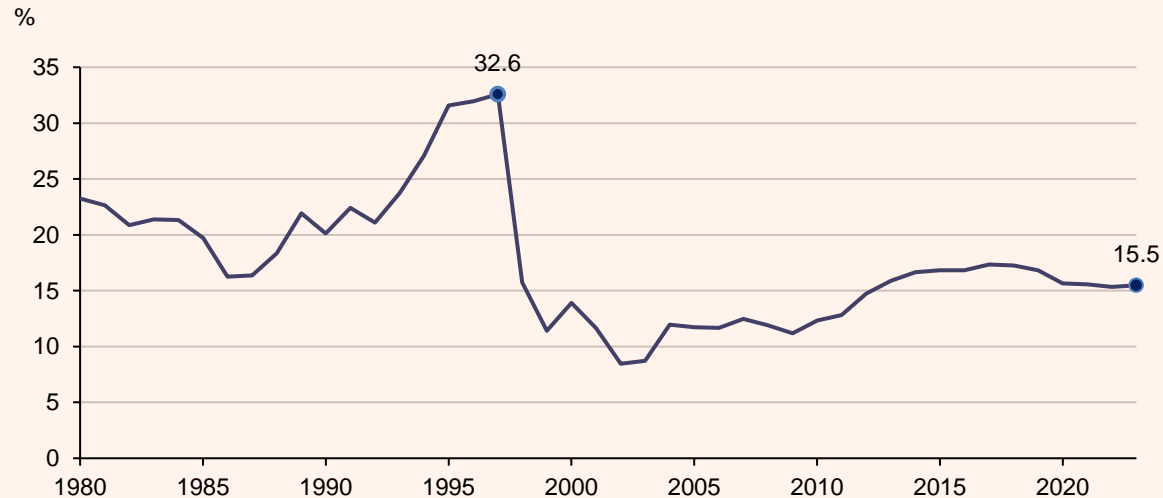


# New private investment cycle is taking shape

## Private investment growth



## Private investment to GDP ratio



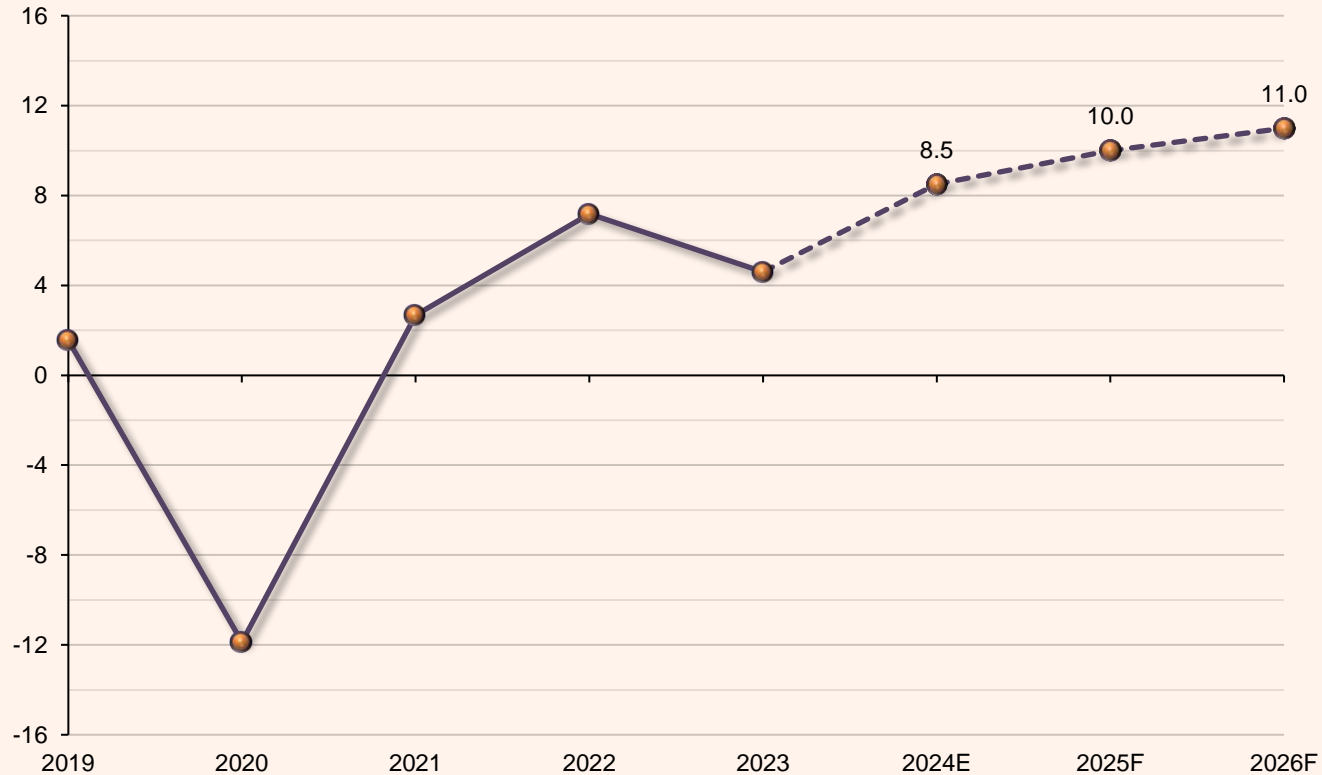
Source: DOSM

## Key points

- 5-year Malaysia Plan, Industrial Master Plans, various roadmaps and plans covering agriculture, ICT, industrialisation, manufacturing, and services.
- **1970s-1980s** – Economic diversification; export-oriented industrialisation, imports substitution industrialisation based on heavy industries (automotive; iron and steel); and the Look East policy.
- **1990s** – Investment liberalisation, including foreign equity for export-oriented industries.
- **2000s** – Manufacturing cum services, knowledge-based, ICT; digitalisation, e-commerce, advanced technology, energy transition, climate change wave.
- **2010** – The Economic Transformation Programme (ETP) to make Malaysia better and drive private investment; and Government Transformation Programme (GTP) to address the cost of living and security.
- **2013** – China's Belt and Road Initiative (BRI), which fostered closer trade and investment relations between Malaysia and China.
- **2020-2023** – Malaysia MADANI Economy Framework, New Industrial Master Plan (NIMP) 2030, National Energy Transition Roadmap (NETR), National Artificial Intelligence Roadmap (AI-RMAP); JENDELA; Malaysian Aerospace Industry Blueprint 2030.
- **2024** – Johor-Singapore Special Economic Zone (JS-SEZ); KL20 Summit to attract more investments in startups.

# Expectations of sustaining higher private investment prospects ahead

Private investment growth  
%, YoY



Source: DOSM

## Key points

- Drivers of higher private investment growth in the medium-term:
  - New Industrial Master Plan (NIMP) 2030, National Energy Transition Roadmap (NETR), 12th Malaysia Mid-Term Review (2021-2025), National Artificial Intelligence Roadmap 2021-2025 (AI-RMAP).
  - On-going implementation of multi-year infrastructure projects.
  - Realisation of some approved investments in previous years (2021-2023) and in 2024.
  - Continued capacity expansions in the manufacturing sector (semiconductor, transport equipment, chemical and chemical products) and services (renewable energy, ICT, data centres, technology related fields).

**Reduce bureaucracy, red tape and gold-plating as well as address skills mismatches and encouraging the deployment of technology and innovation would bring down costs of doing business.**

# The levers of change

## Malaysia MADANI Economy

### Whole-of-Malaysia approach

#### Raise the Ceiling Leading Asian Economy

- Competitive & World Class Investment Destination
- Digital & Innovation-led Industry
- Global Leader in Islamic Finance
- MSMEs as Regional Champions
- Security & Sustainability of Economy

#### Raise the Floor Quality & Just Life for All

- Respectable Jobs & Decent Standard of Living
- Equality & Inclusive Opportunities
- Universal Access to Quality Education & Healthcare Services
- World-Class Basic Infrastructure & Public Services
- Social & Protection for All

### 7 intermediate indicators:



**Top 25 in Corruption Perception Index**  
2022: Ranked #61



**Top 30 largest economy**  
2022: Ranked #35



**45% in labour share of income**  
2022: 32.4%



**Top 12 in global competitiveness**  
2023: Ranked #27



**≤ 3% of fiscal deficit**  
2022: -5.6%



**Top 25 in Human Development Index**  
2021: Ranked #62



**60% of female labour force participation rate**  
2023-Q1: 56.1%

Source: World Bank, IMD Business School; United Nations Development Programme; Transparency International; DOSM; MOF

## The Mid-Term Review of 12<sup>th</sup> Malaysia Plan (MTR of 12MP)

### 17 Big Bolds to Catalyse Socio-economic Development



#### Focus Area

- Strengthening sustainability (**3 Big Bolds**)
- Building prosperous society (**5 Big Bolds**)
- Achieving high-income nation (**7 Big Bolds**)

**3** Focus Areas  
**1** Enabler  
**17** Big Bolds  
**71** Initiatives



#### Enabler

- Strengthening efficiency of the public service delivery (**2 Big Bolds**)

### Selected Multidimensional Goals 2021-2025:



**5%-6%** GDP growth per annum



**RM61,000** in GNI per capita



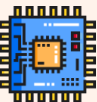
**40%** in compensation of employees of GDP



**45% reduction** in GHG emissions intensity to GDP

# Two major game changers of driving investment

## New Industrial Master Plan (NIMP) 2030



**Electronics & Electrical**




**Chemical products**



**Advanced materials**

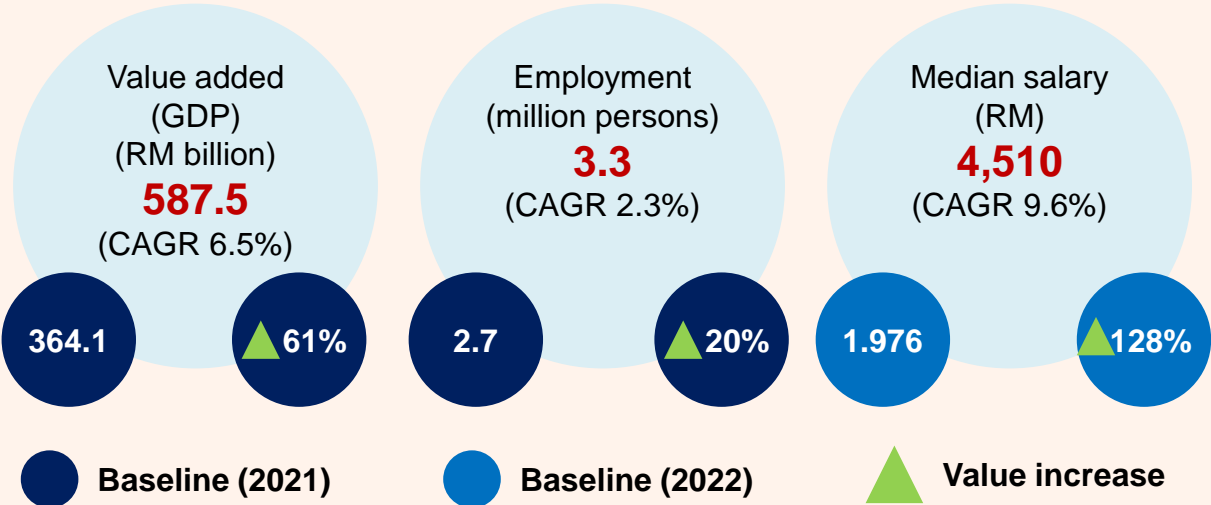


**Aerospace**









**Healthcare (Pharmaceuticals and medical equipment)**

### Top-line Targets for Manufacturing Sector by 2030:



## National Energy Transition Roadmap (NETR)





### 6 Energy Transition Levers

-  **Energy Efficiency (EE)**
-  **Renewable Energy (RE)**
-  **Hydrogen**
-  **Bioenergy**
-  **Green Mobility**
-  **Carbon Capture, Utilisation and Storage (CCUS)**

### 10 Flagship Catalyst Project

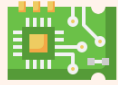
- Efficient Switch
- Renewable Energy Zone (RE Zone)
- Energy Storage
- Energy Secure
- Green Hydrogen
- Hydrogen for Power
- Biomass Demand Creation
- Future Mobility
- Future Fuel
- CCS for Industry

### Selected targets by 2030:

-  **23%** in industry and commercial energy efficiency savings
-  **0%** in coal share of installed capacity
-  **70%** in renewable energy share of installed capacity
-  **3-6 units** in CCUS cluster



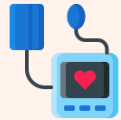
# Attracting quality investments



Electrical & Electronics



Chemicals



Machinery & Equipment



Aerospace



Machinery & Equipment

## Quality Investments

	High value added	✓
	Strong linkages	✓
	High income jobs	✓
	Export oriented	✓
	High technology	✓
	Capital intensive	✓
	R&D & Design	✓
	GNI impact	✓
	Knowledge-intensive	✓
	Low-end assembly	✗
	Labour-intensive	✗
	Minimal value addition	✗



Enhance global competitiveness



Strengthen growth and productivity of manufacturing and services sector



Create new generation of jobs and reduce dependency on foreign labour



Sustaining high levels of foreign and domestic investment

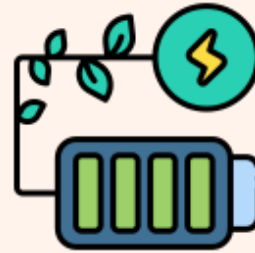
Source: MIDA

# Emerging industry areas



## Electric vehicle

- Vehicle sales target of EV by 2040:
  - EV at 38% of TIV
  - Bus 20% of active permit (10,000 unit)
  - Motorcycle at 15% of TIV
- 10,000 units of charging facility by 2025



## Green technology

- Cutting Green House Gas (GHG) emissions by 45% by 2030 (compared to 31% renewable energy generation by 2025 and 40% by 2035 2005 level; current level: 25%)
- Net-zero GHG emissions by 2050



## Digital economy

- To achieve RM70 billion target for digital-related investments in line with MyDIGITAL strategies

## Focus Areas

### Automaker (EV)

Passenger car, 2 wheelers, commercial vehicles

### EV Main component

On board charger module, ECU/IPU, EV chassis, electric motor, charging port, power invert etc

- Green products
- Electric vehicles
- Green energy (renewable energy & energy efficiency)
- Waste management (integrated waste recycling)
- Green building
- Green certification

### Tech enablers:

Robotic, Internet of Things (IoT), artificial intelligence, cloud computing, additive manufacturing, big data, etc...

### Digital infrastructure:

Data centre, submarine cable, dark fibre, broadband and 5G

Source: MIDA

# JS-SEZ's strategic global positioning



## Heart of Asia

Strategically located in the heart of Asia giving access to a market of over 5.6 billion people



## Sizable Land

Johor's land area is 19,166 sq km, 26 times larger than Singapore



## Large Population

Home to 4 million people.



## Flight Time

Every financial capital in Asia is within 8-12 hours flight, including cities in China and India



## Government Support

Strong and sustainable government's support



## Professional Workforce

An abundance of professionals and skilled workforce



## Attractiveness

Home to big corporations and international brands



## Infrastructure

Good connectivity and infrastructure, including an international airport, railway, highways, and international seaports

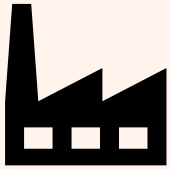


## Eco-Development

Meticulously planned region with a balanced eco-development plan and conducive living environment

# Identification of sectors and industries

**16 economic sectors:** Electrical and electronics; medical; pharmaceutical; aviation; specialty chemicals; logistics; healthcare; education; finance and business services; energy; digital economy; tourism; food and agricultural technology; creative industry; halal industry; and manufacturing.



Manufacturing



Financial Services



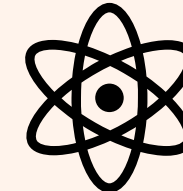
Logistics



Education



Healthcare



Energy



Tourism



Digital and Data centre



Business Services

# Areas of collaboration in the JS-SEZ

## 4 Areas

### 1 Strategic Economic Collaborations

- Manufacturing (E&E, petrochemicals, oleochemicals, food and agro-processing)
- Renewable Energy
- Tourism
- Smart City Development
- Financial and Business Services

### 2 Boosting Connectivity

- Physical Connectivity
- Digital Connectivity

### 3 Talent Management and Joint Research

### 4 Building Effective Industry Engagement



# Areas of collaboration in the JS-SEZ (cont. 1)



## Strategic Economic Collaborations

### 1. Manufacturing – E&E



#### New Industrial Master Plan (NIMP) 2030

- Create global integrated circuit (IC) design champions + attract global leaders to establish wafer fabrication in Malaysia.



#### Strong Fundamentals in Semiconductor

- Synergetic efforts in attracting the top-tier industry giant (e.g. TSMC).

### 2. Renewable Energy



#### National Energy Transition Roadmap

- Large solar scale (LSS) program in Malaysia restricts foreign ownership to no more than 49%. A special exemption on foreign ownership restrictions.
- Both countries can explore opportunities for collaboration in floating solar panel farms.
- Cross-border electricity trading generated from renewable energy sources, carbon capture, and carbon capture, utilisation and storage (CCUS) hub.

### 3. Tourism



#### Geographical Advantages

- Seamlessly integrate comprehensive tourism packages – e.g. bundle package to visit the key attractions in both countries.
- Co-organise sports and entertainment events.
- Explore the mutual recognition of digital identity.

### 4. Smart City Development



#### Iskandar Malaysia

- Leveraging advanced technologies for a sustainable and connected urban future – 6 dimensions of smart city framework.

### 5. Financial and Business Services



#### Special Financial Incentives

- Established a special financial zone in Forest City in Aug 2023 – a special tax rate of 15% for skilled labour + special tax incentives for businesses and immigration facilitation.
- Malaysia ranked 3<sup>rd</sup> best global services location + rising interests among global giants in setting up data centre.

# Areas of collaboration in the JS-SEZ (cont. 2)



## Boosting Connectivity

### 1. Physical Connectivity



#### Johor Bahru-Singapore Rapid Transit System (RTS)

- It is expected to pull in 35% of the 350,000 people who travel across the Johor-Singapore Causeway daily.



#### Transportation

- Ferry connections, 3<sup>rd</sup> bridge, and Kuala Lumpur-Singapore High-Speed Rail

### 2. Digital Connectivity



#### National Digital ID (NDID) + Singapore Personal Access (Singpass)

- Mutual recognition of digital identity helps to expedite immigration clearance and enhance efficiency in various applications.
- It can be explored to have a border-free approach for both nations, akin to the Schengen Agreement in Europe.



## Talent Management and Joint Research



### Strategic Education Hub

- Implement educational exchange programs at primary and secondary schools to broaden students' skills.
- Joint research between higher learning institutions in both countries – especially in the food and agro-processing industry.
- Potential collaboration includes artificial intelligence (AI) – Iskandar Malaysia can tap into Singapore's NUS AI Lab.



## Building Effective Industry Engagement



### Collaboration from Top to Bottom

- The industry representation in the Taskforce/Committee is vital to provide feedback and suggestions.
- A two-way communication flow is needed between the business community and implementing agencies of two countries.

# Mapping of Malaysia's investment drive roadshow since 2022



China

Year	
April and September 2023	<p>April – <b>RM170 billion</b> worth of investments, including 19 MoUs -- infrastructure, renewable energy, telecommunications, and tourism.</p> <p>September – <b>RM19.84 billion</b> worth of investments (develop waste-to-energy power plant, warehousing and logistics).</p>



South Korea

Year	
2023	<p><b>RM24 billion of potential investments</b>, covering new growth areas such as high technology, innovation, knowledge-based, skills-intensive industries, energy and high-value manufacturing activities, including transport technology, such as the electric vehicle and its ecosystem.</p>



United States of America

Year	
2023	<p><b>RM63.02 billion of FDI</b> as follows.</p> <p>(a) <b>RM54.72 billion over 10 – 15 years</b> from technology giants such as Google, Microsoft, Enovix and TikTok.</p> <p>(b) <b>RM8.3 billion</b> from companies in the following sectors: aerospace, chemical, E&amp;E (including semiconductors), pharmaceuticals, EV battery technology, medical equipment, life sciences, cloud services and logistics.</p>



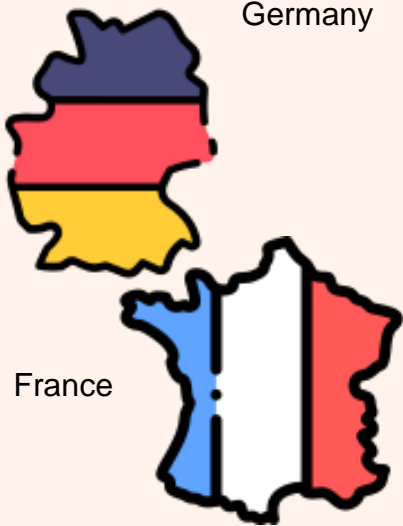
Japan

Year	
2023	<p><b>RM23.07 billion of potential investments</b> -- electrical vehicles, electrical &amp; electronics, machinery parts &amp; components etc.</p>

Source: MIDA



# Mapping of Malaysia's investment drive roadshow since 2022 (cont.)



Germany

France

Year	
2024	<b>RM46 billion</b> potential investments following engagements with prominent companies such as X-Fab, Melexis, Infineon Technologies AG, Airbus Group, Schott Glass, BMW, Nexperia, B-Braun, Michelin, Institut de Soudure (IS) Groupe, Safran and Simaero.



Central Asia

Year	
2024	<b>Generate over RM2.1 billion</b> from visits to Central Asia (Kyrgyz Republic, Kazakhstan, Uzbekistan).



Italy

Year	
2024	<b>RM2.84 billion (\$610m)</b> potential investments following meeting with renowned Italian companies in the automotive, aerospace, semiconductors, food, biofuel, as well as machinery and equipment sectors. Notable companies included STMicroelectronics, EDA Industries as well as Leonardo's Helicopter and Aircraft


















Singapore

Year	
2024	<b>RM2.8 billion</b> in developments of digital infrastructure and an integrated food ingredients production powered by Industry 4.0 enablers such as IoT and robotics.

Source: MIDA

# Notable flagship investment projects

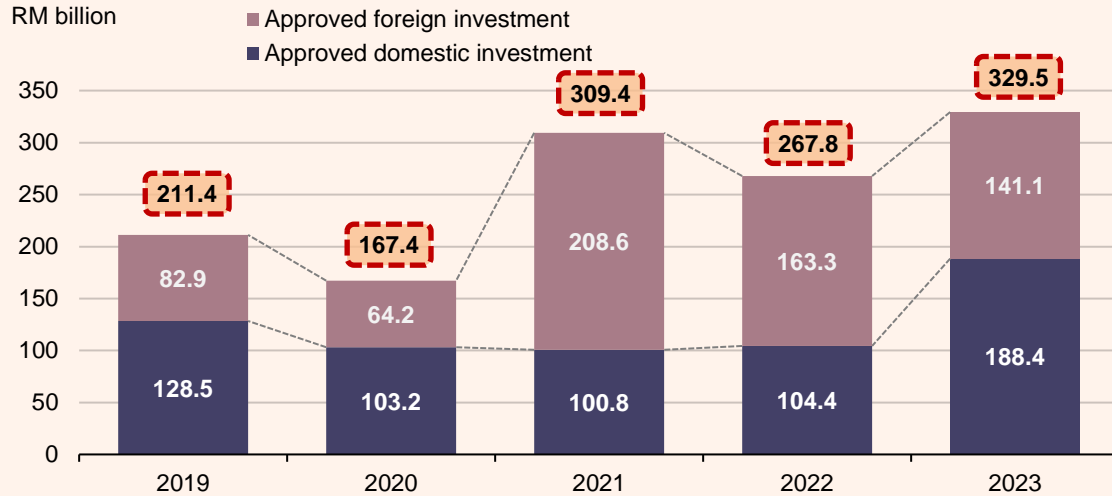
United States of America 	Project
	Google to invest RM9.4 billion in Malaysia to establish its first data centre and Google Cloud region
	Microsoft to invest US\$2.2 billion in cloud and AI infrastructure over the next 4 years
	Amazon Web Services (AWS) RM25.5 billion (USD6 billion) by 2037 to open a Cloud Computing Infrastructure in several states
	Setting up a vast network of fast-charging and regular-charging stations; establish its state-of-the-art head office and service center; and experiencing centers
China 	Project
	Partnering with xFusion partner to invest RM1.7 billion to open new facility

United Arab Emirates 	Project
	US\$8 billion for up to 10GW of renewable energy projects
Germany 	Project
	Invest RM1.62 billion to open semiconductor backend
	An additional 5 billion euro over the next 5 years in Kulim to build world's largest 200mm SiC Power Fab in Kulim
Malaysia 	Project
	Khazanah Nasional Bhd will launch a National Fund-of-Funds to invest RM1 billion in innovative high-growth Malaysian companies which was announced during the KL20 Summit
	The newly launched National Semiconductor Strategy (NSS) which will be allocated RM25 billion, is expected to attract at least RM500 million (first phase) with a focus on integrated circuit design, advanced packaging and manufacturing equipment.

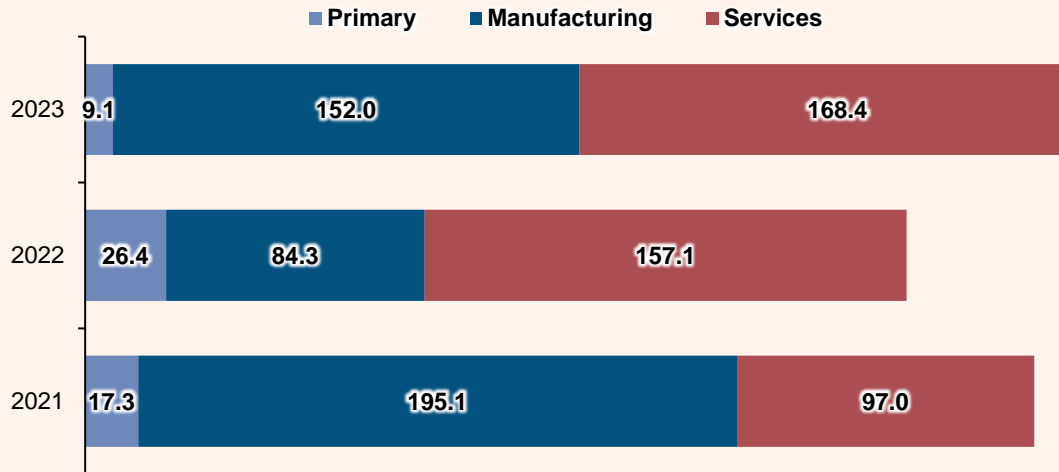
Source: MIDA

# Highest investment approvals ever recorded in 2023

## MIDA's approved DDI and FDI



## MIDA's approved Investment by major sector



Source: MIDA

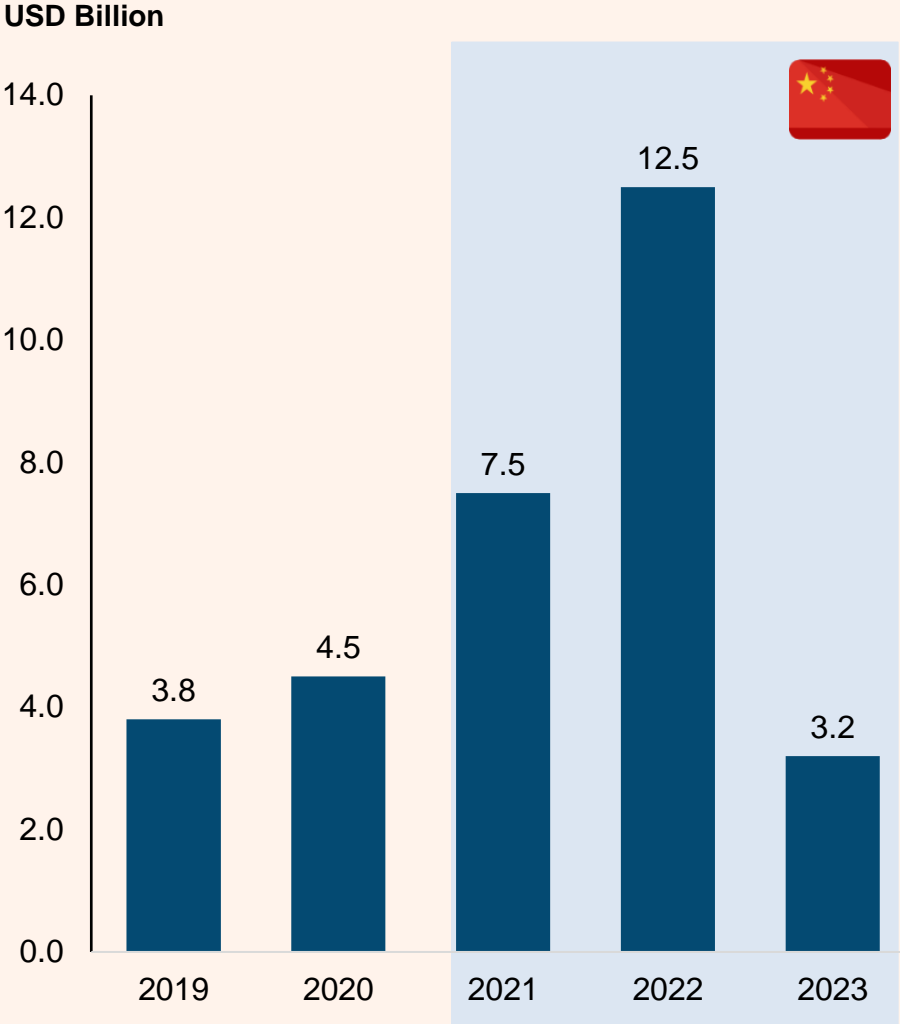
## Major foreign investors by ranking (2023)

Approved investment value

1.		Singapore	RM43.7 billion (23.2%)
2.		Netherlands	RM35.5 billion (18.9%)
3.		United States	RM21.5 billion (11.4%)
4.		Cayman Islands	RM17.5 billion (9.3%)
5.		China	RM14.5 billion (7.7%)

Note: Figure in parenthesis indicates % share of total approved foreign approved investments.

# Major quality projects secured in 2021-2023



Major projects approved (2021-2023)

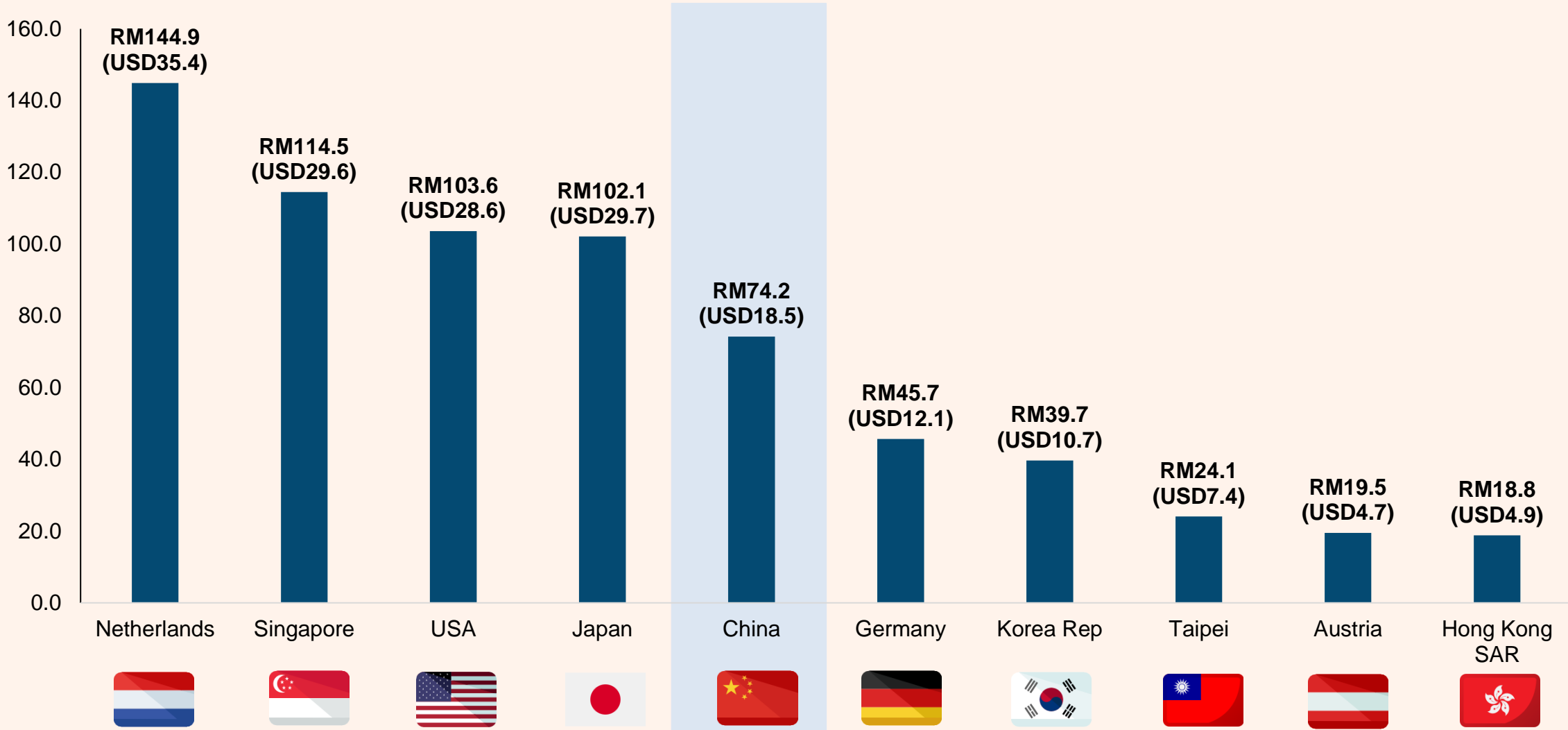


Source: MIDA

# Malaysia's top investor sources in the manufacturing sector since 1980












Since 1980, accumulated realised investments in the manufacturing sector as of 2023

RM Billion



Source: MIDA

# The E&E sector dominates approved manufacturing investment in Malaysia

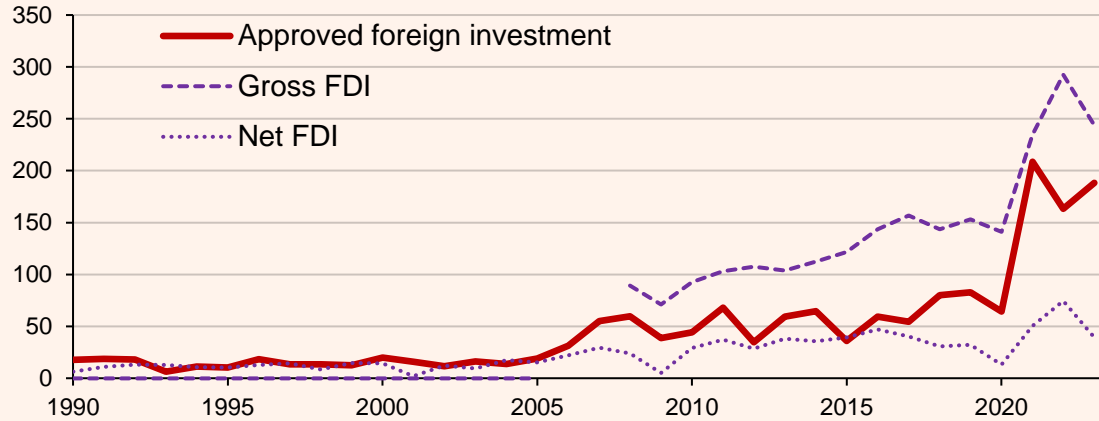
Manufacturing by sector (RM billion)	2020	2021	2022	2023
 Electrical & Electronics	15.6	148.0	29.3	85.4
 Machinery & Equipment	7.1	1.7	8.4	22.6
 Chemicals & Chemical Products	6.3	5.8	7.4	8.9
 Non-Metallic Mineral Products	2.3	0.4	5.8	8.8
 Transport Equipment	3.9	2.2	8.0	7.1
 Plastic Products	1.1	0.8	1.4	4.1
 Fabricated Metal Products	2.7	1.7	1.7	4.1
 Food Manufacturing	3.3	5.4	3.5	3.2
 Basic Metal Products	14.4	19.4	2.0	2.4
 Scientific & Measuring Equipment	2.2	2.1	4.7	1.3
 Others	32.4	7.6	12.1	4.2
<b>Total</b>	<b>91.3</b>	<b>195.1</b>	<b>84.3</b>	<b>152.0</b>

Source: Malaysian Investment Development Authority (MIDA)

# Approved FDIs have been reflected in FDI inflows and private investment

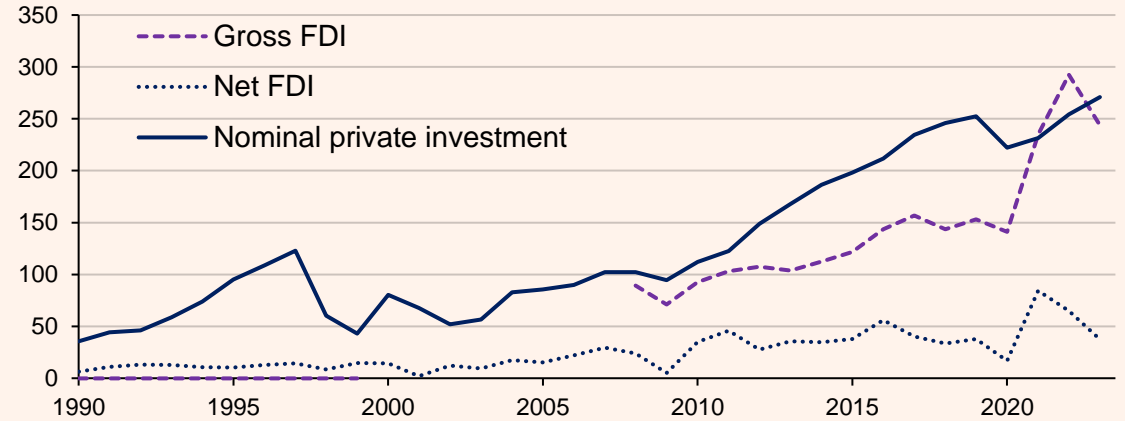
Approved foreign investment vs. FDI

RM billion



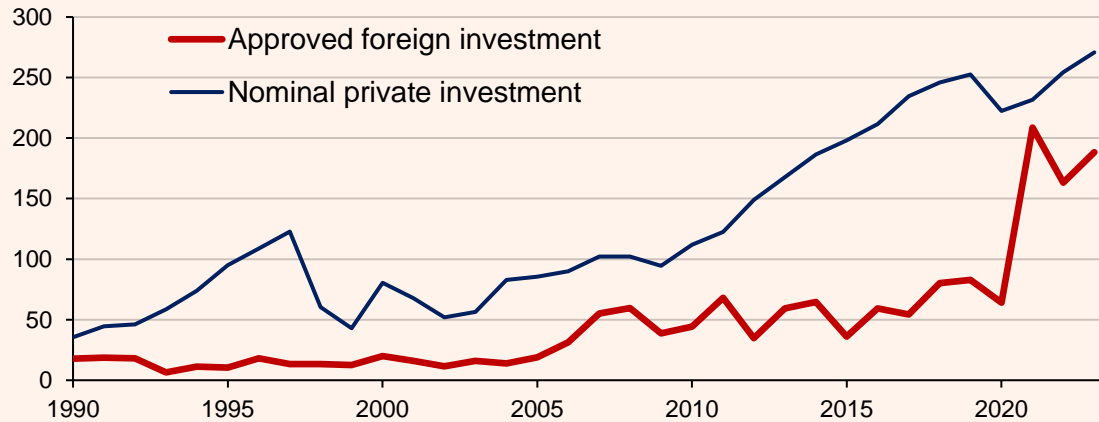
FDI vs. nominal private investment

RM billion



Approved foreign investment vs. nominal private investment

RM billion

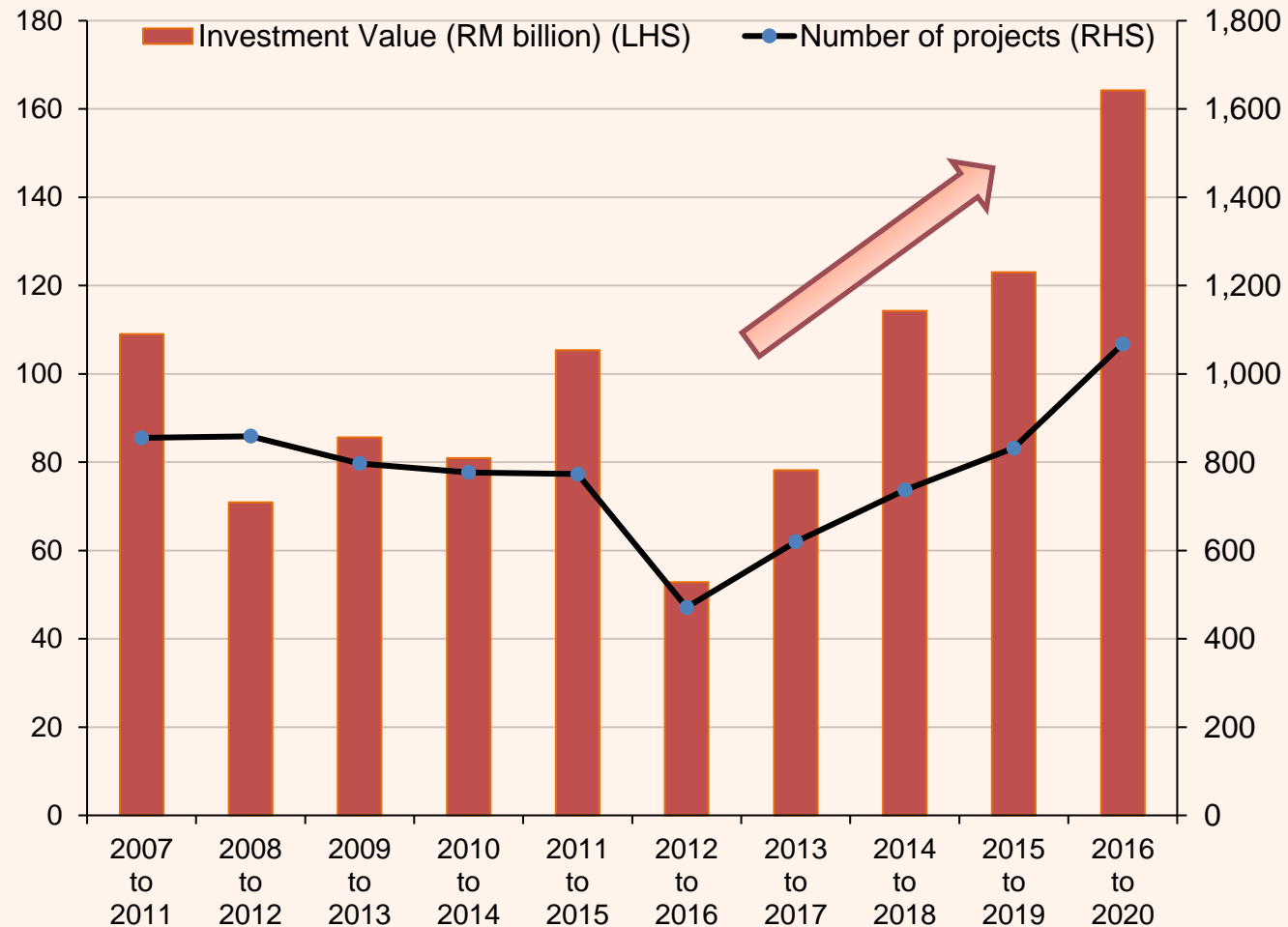


**Realisation of approved investment is very crucial**

Source: BNM; MIDA; DOSM

# Accelerate the realisation of approved investments

Realised investments in a five-year period



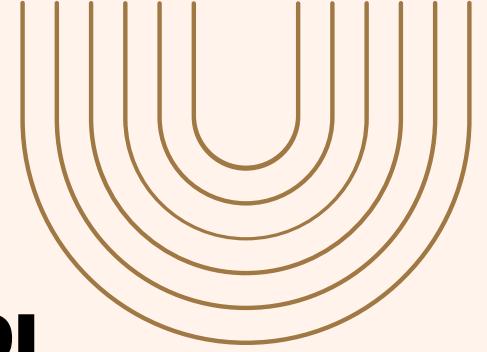
## Key points

- **2018 –June 2023:** Investment implementation rate is close to 80%.
- Out of the total investment approvals of RM753.9 billion in the manufacturing and services sector, up to RM593.5 billion or 78.7% had been realised during the period.
- This investment involves 9,201 projects that will generate a total of 455,984 new job opportunities.
- **2021-2023** - More than 85% of manufacturing projects approved have been implemented to date.
- The establishment of the Investment and Trade Action Coordination Committee (JTPPP) under MITI, to act as a platform that is able to monitor and take action on issues faced by investors, especially for strategic and iconic investment projects.

Source: MIDA; SERC's calculation

Note: Data shown is subject to undisclosed revision.

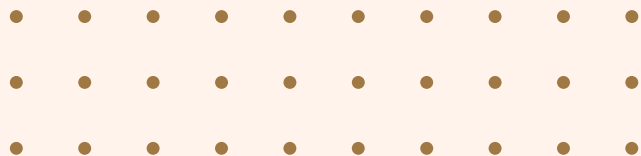




# Building a Conducive Investment DDI and FDI Ecosystem

## Enhance investment climate and economic fundamentals

- *PRO-business and investment policies*
- ***BETTER COORDINATION** between Federal Government, State and Local Authorities*
- *PEMUDAH to address **REGULATORY REFORMS***
- ***EXTERNAL FORCES:** Deglobalization; Trade conflicts and Protectionism; Global supply chains security; China + 1 strategy; Regional integrations (RCEP and CPTPP); Decarbonisation; Climate change and ESG*



# Malaysia must stay ahead of the curve

## Global Opportunity Index (2024)

Ranking	BP	EF	FS	IF	ISP	Total
<b>Singapore</b>	<b>6</b>	<b>29</b>	<b>18</b>	<b>3</b>	<b>18</b>	<b>14</b>
<b>Malaysia</b>	<b>25</b>	<b>31</b>	<b>27</b>	<b>25</b>	<b>46</b>	<b>27</b>
<b>Thailand</b>	<b>21</b>	<b>22</b>	<b>29</b>	<b>51</b>	<b>68</b>	<b>37</b>
<b>Indonesia</b>	<b>57</b>	<b>44</b>	<b>75</b>	<b>52</b>	<b>55</b>	<b>55</b>
<b>Vietnam</b>	<b>75</b>	<b>23</b>	<b>73</b>	<b>90</b>	<b>73</b>	<b>65</b>
<b>Philippines</b>	<b>86</b>	<b>78</b>	<b>94</b>	<b>101</b>	<b>80</b>	<b>91</b>

### Legend

BP Business Perception

EF Economic Fundamentals

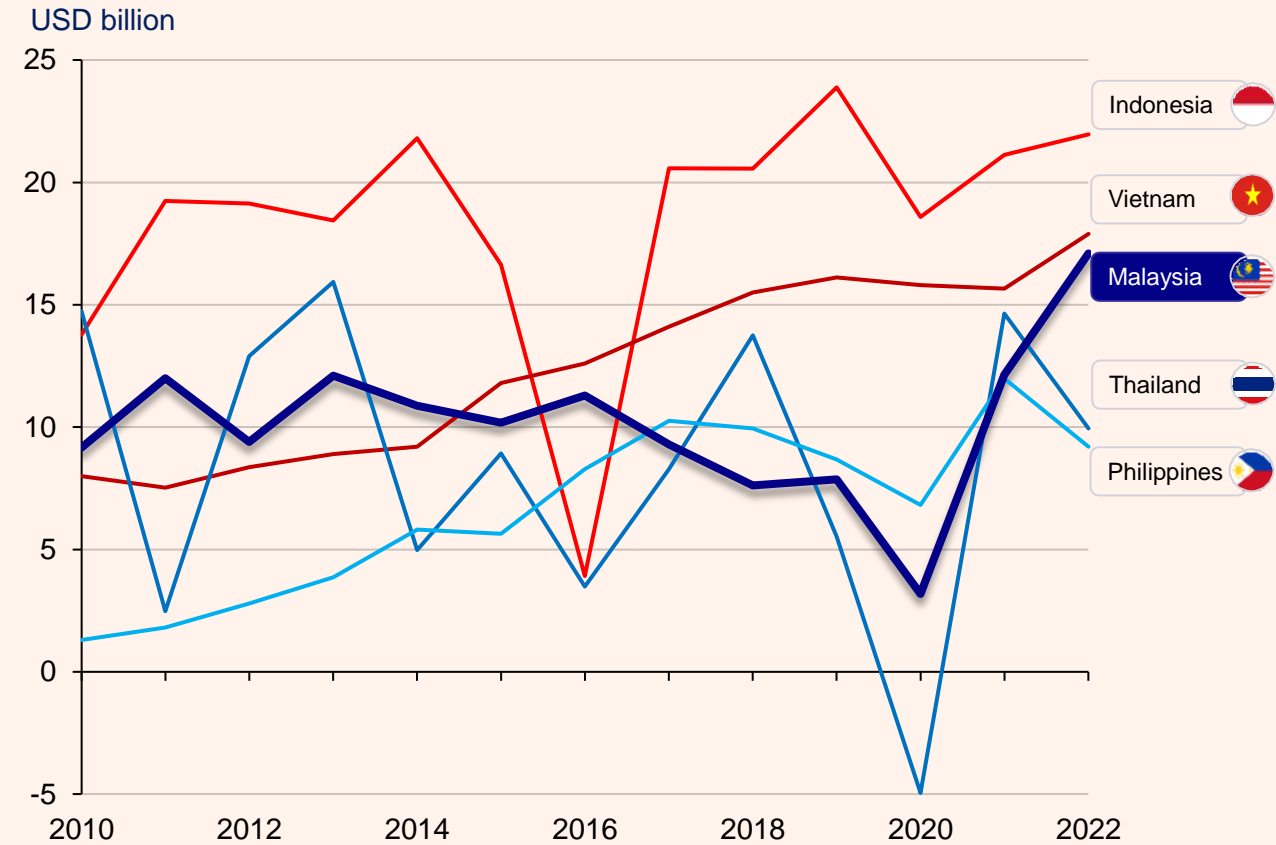
FS Financial Services

IF Institutional Framework

ISP International Standards and Policy

Note: Highlighted number indicates better ranking than Malaysia.

## Inward FDI in selected ASEAN countries



Regional peers have received more FDIs in recent years

Source: Milken Institute; ASEAN Secretariat

# More efforts needed to achieve top 12<sup>th</sup> in terms of competitiveness

## IMD World Competitiveness Ranking

Note: Green indicates increase in ranking; Red indicates decrease in ranking.

Ranking	2019	2020	2021	2022	2023
Singapore	1	1	5	3	4
Malaysia	22	27	25	32	27
Thailand	25	29	28	33	30
Indonesia	32	40	37	44	34
Philippines	46	45	52	48	52

## Economic Complexity Index (ECI) on Trade

Ranking	2010	2015	2019	2022
Singapore	10	10	6	5
Malaysia	29	25	27	28
Thailand	42	29	30	29
Philippines	54	48	43	38
Vietnam	83	77	62	60
Indonesia	75	73	64	67

3<sup>rd</sup>  
out of 78

(Remained)

[1<sup>st</sup> in ASEAN]

2023 Kearney Global  
Services Location Index

8<sup>th</sup>  
out of 44

(↓5)

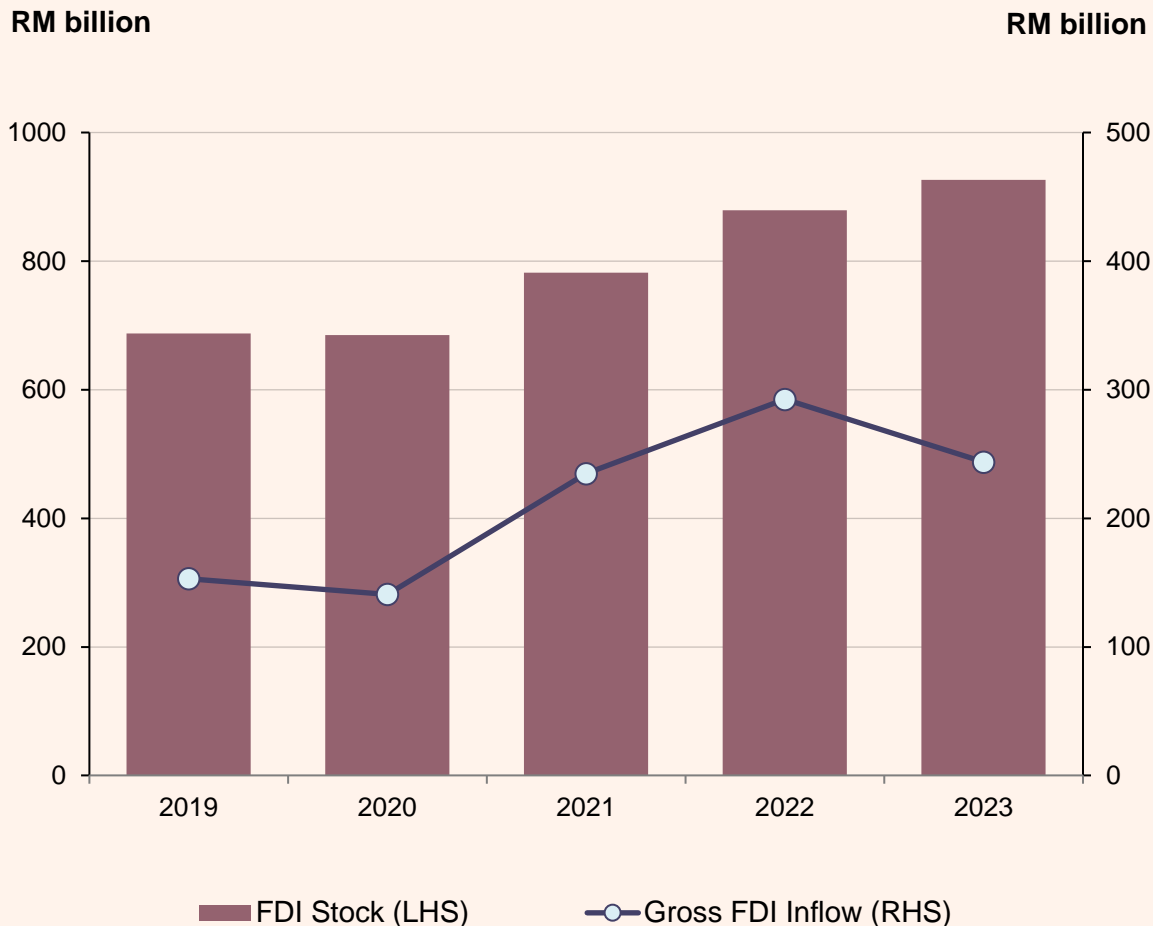
[1<sup>st</sup> in ASEAN]

2023 Kearney Global  
Retail Development Index

Source: International Institute for Management Development (IMD); The Observatory of Economic Complexity (OEC)

# Gross FDI inflows and FDI outstanding stock trend

## FDI flow and stock in Malaysia



Source: BNM

## Top 5 highest FDI stock in Malaysia

Year	2019	2020	2021	2022	2023
#1	 Singapore RM136.0 billion (20.2%)	 Singapore RM148.4 billion (21.7%)	 Singapore RM160.6 billion (21.5%)	 Singapore RM175.0 billion (20.7%)	 Singapore RM194.0 billion (21.3%)
#2	 Hong Kong RM84.1 billion (12.5%)	 Hong Kong RM85.3 billion (12.5%)	 Hong Kong RM84.3 billion (11.3%)	 United States RM92.9 billion (11.0%)	 Hong Kong RM102.0 billion (11.2%)
#3	 Japan RM78.9 billion (11.7%)	 Japan RM74.6 billion (10.9%)	 Japan RM79.1 billion (10.6%)	 Hong Kong RM91.2 billion (10.8%)	 United States RM100.8 billion (11.1%)
#4	 Netherlands RM49.6 billion (7.4%)	 Netherlands RM57.2 billion (8.4%)	 Netherlands RM59.0 billion (7.9%)	 Japan RM85.4 billion (10.1%)	 Japan RM90.5 billion (10.0%)
#5	 Switzerland RM42.6 billion (6.3%)	 United States RM39.8 billion (5.8%)	 United States RM49.5 billion (6.6%)	 Netherlands RM59.5 billion (7.0%)	 Netherlands RM53.1 billion (5.8%)

Note: Figure in parenthesis indicates share of total FDI % top 5 foreign investors (stocks).

# China + 1 Strategy – Malaysia can rival other competitors

## 1 Geographical Edge

- **Strategically positioned** to act as shipping and logistics hub.
- **Port Klang and the Port of Tanjung Pelepas (PTP)**, top 20 busiest ports in the world. The Kuantan Port has also grown its prominence to connect with East Asian markets.
- The operational of the **East Coast Rail Link (ECRL) in 2027** will significantly boost the handling capacity for both containers and conventional cargo at the main shipping hub of Port Klang.

## 2 Resilience Economic and Financial Fundamentals

- **Diversified economic sectors, products and markets as well as export structure.**
- Committed to **reduce its fiscal deficit and contain debt and liabilities** through the implementation of fiscal reforms in phases.
- **Strongly-capitalised banking system; and a well-developed capital market** for financial intermediation.

## 3 Ensuring Political Stability

- More than three years political instability until the formation of a Unity Government after the 15th General Election (GE15) in late November 2022.
- **Political stability and good governance** are critical factors in ensuring the effective implementation of public policies and attracting foreign investment.

## 4 Conducive Business and Investment Ecosystem

- **Enhanced investment climate** through improving the ease of doing business, targeted tax incentives and strategic industrial funds, simplification of investment application and approval processes.
- **Better coordination between the Federal government, state and local authorities.**
- **The Special Task Force to Facilitate Business (PEMUDAH)** has been re-activated to remove administrative red tape and make Malaysia a more business-friendly destination.
- **Big game changers:** (i) MADANI Economy Framework to place Malaysia in the top 30 of the world's largest economies and top 12 in the Global Competitiveness Index; (ii) New Industrial Master Plan (NIMP) 2030 to transform the manufacturing sector of high value added, high tech and ESG compliant; and (iii) National Energy Transition Roadmap to catalyse green investment in renewable energy (RE) for achieving zero carbon emission.

## 5 Gateway to Global and Regional Markets

- **Malaysia's proximity to Asia – especially ASEAN** – makes it an ideal gateway for businesses to penetrate these emerging markets.
- To date, Malaysia has signed and implemented a total of **16 Free Trade agreements (FTAs)** – seven bilateral FTAs and nine regional FTAs.
- Notably, Malaysia has implemented **two mega-FTAs in 2022**, namely the Regional Comprehensive Economic Partnership (RCEP) and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP).

## 6 Advanced Manufacturing and Broad-Based Services Sector

- **Advanced specialisation in the manufacturing of electrical and electronics (E&E) products**, machinery and equipment, petroleum products as well as chemical and chemical products.
- It is the **sixth largest exporter of integrated circuits**, contributing to 7.0% of global market share. Malaysia controls 13% of global market for packaging, assembly and testing services for semiconductors. Malaysia is the surprise winner of the US-China chip war.
- Potential investment opportunities in **data centres, EV, renewable energy, advanced materials, smart agriculture and food security.**

## 7 Rich Natural Resources and Abundant Land

- **A diverse range of rich natural resources**, including minerals such as crude oil, natural gas, palm oil, rubber, copper ore, iron and steel, rare earth and advanced materials.
- The **supply and readily access to raw materials and intermediate inputs** would ease the concern of supply disruptions and lower cost of inputs.
- **Great potential of developing hydrogen green energy** in addition to access to numerous RE sources.

## 8 Trainable Manpower

- While the country has a smaller pool of workforce compared to Indonesia, Thailand and Vietnam, **the working age population (23.4 million individuals or 70% of total population) is diverse, well-educated, multi-lingual, and trainable workforce.**
- **The Immigration policy is a powerful tool to win global talent race.** Its Xpats Gateway is an initiative to make the application process for expatriate work pass more efficient, easy and faster.

## 9 Well-developed Infrastructure

- **A well-developed and modern infrastructure**, including ports, airports, and road networks as well as enhanced connectivity and telecommunication networks.
- These infrastructures enhance **supply chains reliability**, and global accessibility for businesses.

**Address structural challenges that could impede Malaysia's competitiveness and attractiveness as a favourable investment destination.**

**These include enhancing the efficiency and effectiveness of one-stop centre; government delivery system; streamlining bureaucratic complexities; removing regulatory hurdles and reducing compliance costs; skills mismatch and occasional inconsistency; and lack of clarity in public policies.**

# THANK YOU

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