

Business opportunities Malaysia: An economic perspective

The Malaysian economy at glance

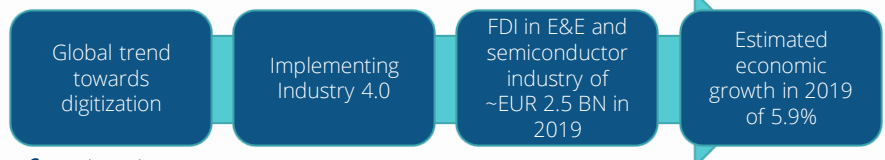
- Malaysia is a modern country in South-East Asia that has developed from a agriculture and commodity-based, to one that is now host to robust manufacturing and service sectors.
- Its core sectors within the primary industry include electrical & electronics (E&E), petroleum products and petrochemicals, semiconductors and machinery and equipment.

Opportunities for investors

- Malaysia offers significant opportunities for foreign investors, which translates into (i) high cost-competitiveness, (ii) considerable investment incentives [both CAPEX and OPEX], (iii) developed infrastructures and (iv) a strategic position linked to the proximity of the main Asian markets.
- High potential sectors are aeronautics (maintenance, repair and overhaul), biotechnology, E&E, green energy, medical devices and pharmaceutical equipment.

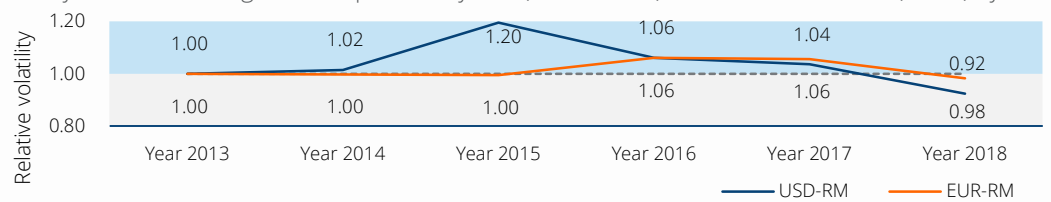
Drivers for growth

- Malaysia exploits its vast natural resources (i.e. rubber, oil, natural gas) with investments from foreign investors.
- A global trend toward digitization fuels growth in Malaysia's E&E industry – mainly semiconductors – due to the strong linkages and applications in medical devices, automotive electronics, machinery and equipment and internet-capable industrial technologies.



Protection for foreign investors

- The new government, installed in May 2018, is more pro-business and transparent towards foreign investments.
- The Malaysian Ringgit (RM)¹ is a stable currency that offers security for overseas investors (see graph below).
- Malaysia's credit rating over the past four years (CY'14-CY'17) is assessed as stable (A-/A3) by S&P & Moody's.



- ASEAN country comparison for business regulations² and ethics³, signifies Malaysia amongst the top rankings.

Year coverage 2018	Singapore	Malaysia	Thailand	Brunei	Vietnam	Cambodia	Laos	Myanmar	Timor-Leste
Ease of doing business	2	24	26	56	68	135	141	171	178
Corruption Index	6	62	96	32	107	161	135	130	91

Main investing countries in Malaysia

- ~70% ASEAN countries and ~30% EU and USA.
- Contributing countries to FDI over CY'15-CY'17:

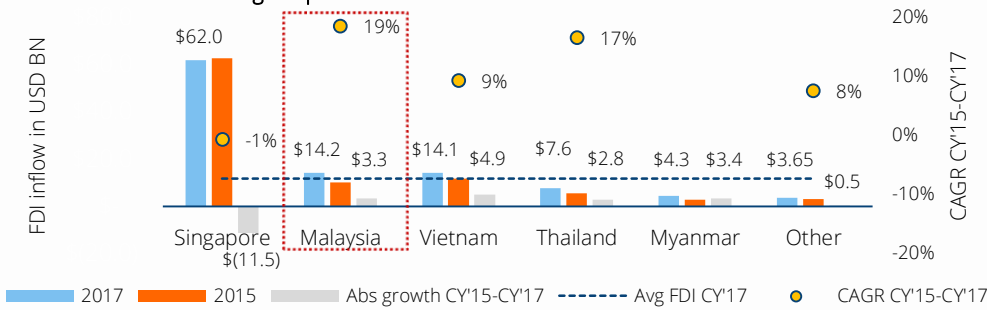
 1. Singapore ~21% per annum;
 2. Japan ~12% per annum;
 3. Netherlands ~9% per annum;
 4. Hong Kong ~8% per annum;
 5. USA ~7% per annum.



Foreign Direct Investments⁴

- Malaysia's national economy is the second most attractive ASEAN country for foreign investors, over the past three years (CY'15-CY'17 CAGR 19% - USD 3.3 BN).
- Malaysia's trade with the Netherlands reached USD 7.9 BN in 2017. A total of 337 FDI projects, initiated by Dutch⁵ companies have been approved in the country, valued at USD 6.1 BN, making them top EU investor.

Relative FDI inflow amongst top 5 ASEAN-9 countries



Foreign Direct Investments by sector

- Foreign investors are active in expansion and diversification projects, mainly in capital intensive sectors.
- Dutch investment are in key sector such as chemicals, E&E, food manufacturing and petroleum products.

FDI inflow by sector within the manufacturing industry

Strategic group	Sector	2017	2018*
Global innovation for local markets	Machinery and equipment	\$ 186	\$ 81
	Transport equipment	\$ 370	\$ 109
Regional processing	Plastic products	\$ 100	\$ 136
	Chemical and chemical products	\$ 596	\$ 392
	Rubber products	\$ 94	\$ 895
Energy/resource intensive commodities	Petroleum products and petrochemicals	\$ 84	\$ 9
	Basic metal products	\$ 3	\$ 769
Total USD MN		\$ 1,433	\$ 2,391

¹ EUR-RM: 1 - 4.85 ² Index contains 190 countries, ranked on a scale (1 easy - 190 very difficult). ³ Index contains 180 countries, ranked on a scale (1 very clean - 100 highly corrupt). ⁴ FDI refers to direct investment equity inflows in the reporting economy. It is the sum of equity capital, reinvestment of earnings, and other capital. Direct investment is a category of cross-border investment associated with a resident in one economy having control or a significant degree of influence on the management of an enterprise that is resident in another economy, ⁵ Notable Dutch companies operating and investing in Malaysia include Dutch Lady, KWME, Phillips, Shell, Unilever and Vopak.

