Recollective

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MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY

SECURING INVESTMENTS

Recalibrating Strategies For Growth

FIRST WORD

THE past year has wrought change unlike any other in the past decade. With the pandemic, and our collective efforts to combat it, a host of unforeseen and unintended economic consequences were unleashed. Many experienced a wake-up call; questions about sustainability and business continuity were raised and many were found wanting.

The country's Gross Domestic Product (GDP) suffered a contraction to -17.1 per cent in the second quarter of 2020. Consequently, the Government pumped a massive RM320 billion of stimulus packages not just to mitigate the adverse economic impact on the rakyat but also to revitalise the entire economy.

By the third quarter of 2020, the decline in growth was brought down to -2.7 per cent. This showed that despite the best efforts at economic recovery, it takes an extended period of time before the economy returns to normal.

As 2021 sees yet another wave of COVID-19, we at the Ministry of International Trade and Industry (MITI) together with other economic agencies have formulated strategies to minimise the impact of the pandemic on our already battered economy. As Malaysia is an important player in the global supply chain, it is our onus to ensure minimal disruption to the supplies of essential goods such as PPE, and parts and components for medical devices. Above all, the Government has to ensure that the people's livelihoods are secured.

Though times are tough, we must be cognizant of the silver linings and the opportunities that may arise. Recollective, as the name suggests, captures the effort of the Ministry and more importantly, the country's performance in trade and investments for the month. We strive to ensure that there will be continuous efforts to drive growth and prosperity in the nation.

Do stick with us on this journey!

#EconomicFrontliners

MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY

MITI Recollective Editorial Team

MITI's Recollective is a monthly bulletin that outlines the Ministry's efforts and the latest Malaysian trade, industry and investment news. It highlights Malaysia as one of the most globally competitive trading and investment destinations. It also reflects the Ministry's outlook on trade and investments in the near future and serves to drive the Industry4WRD initiative for Industry 4.0 development within the nation.

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TRADE AND INVESTMENT MAKE MALAYSIAN ECONOMY MORE RESILIENT

THROUGH MITI AND ITS AGENCIES – MIDA AND MATRADE – MALAYSIA IS ABLE TO WITHSTAND THE ECONOMIC IMPACT DUE TO THE COVID-19 PANDEMIC.

MALAYSIA LOOKS TO STRENGTHEN TRADE AND INVESTMENT BOTH INTERNALLY AND EXTERNALLY.

IN 2020, EXPORTS HAVE BEEN IMPACTED DUE TO LOCKDOWN MEASURES IMPOSED GLOBALLY TO CURB THE SPREAD OF COVID-19.

THE Ministry of International Trade and Industry's (MITI) history dates back more than six decades when the Ministry of Commerce and Industry was instituted in April 1956, a little over a year before the country's independence.

The role of the Ministry was to facilitate the development of commodity businesses, particularly in tin and rubber. Upon gaining independence, the Malayan Government at that time sought to widen the country's exports from mainly primary commodities to also include manufactured goods. In the 1960s, the country began to look into the import-substitution development strategy and come the 1970s, Malaysia became more involved in industrialisation due to the increasing number of Foreign Direct Investments (FDIs), especially in the Electrical & Electronics (E&E) sector.

Records of a well-rooted and diverse E&E industry is in its fifth decade of operations, having started with just eight component production companies in the 1970s, also known as the "8 Samurais". The companies were National Semiconductor (now Texas Instruments), Intel Malaysia, Hewlett-Packard (now Agilent), Advanced Micro Devices (AMD), Bosch, Clarion, Litronix (now Osram) and Hitachi (now Renesas).

The maturity of this sector eventually led to the introduction of the Industrial Development Section and the expansion of the Trade Division within the Ministry. This outcome was an initial catalyst to the growing importance of MITI and its agencies in the Malaysian economy.

MALAYSIAN-OWNED COMPANIES IN SIGNIFICANT INDUSTRIES URGED TO VENTURE INTO HIGH TECHNOLOGY AND INNOVATION-BASED PRODUCTS AND ACTIVITIES.

It was in April 1972 when the Ministry rebranded as Ministry of Trade and Industry and its scope at that time covered both domestic and international trade matters. More than 20 years later, on 27 October 1990, the Ministry of Trade and Industry was separated into two Ministries namely the Ministry of International Trade and Industry (MITI) and Ministry of Domestic Trade and Consumer Affairs.

Since then, MITI has been championing three core functions namely growing the Malaysian industries specifically manufacturing, promoting Malaysia's international trade and attracting foreign (as well as domestic) investments. Surely, these core focus areas include developing supportive policies and the execution of various initiatives aimed at facilitating Malaysian companies.

It is important to have a glimpse of MITI's history to understand its role in the present time. This gives a context on the significance of this Ministry and its agencies, namely the Malaysian Investment Development Authority (MIDA) and the Malaysia External Trade Development Corporation (MATRADE), as to how much they have contributed to the development of this beloved nation.

ATTRACTING FDIS INTO MALAYSIA

MIDA, one of MITI's main agencies, has always been focused on ensuring the long-term growth of Malaysia. Since the start of its operations in 1967, MIDA has been at the centre of industrial development in the country. The vast numbers of industrial establishments humming along efficiently throughout the country are testimony of MIDA's success over the decades.

Over the last five decades, MITI and MIDA have assumed the critical and pivotal roles in contributing significantly to Malaysia's rapid industrial development particularly in the manufacturing and services sectors.

MIDA as the principal investment promotion agency has been effective to target and attract the right types of investments, particularly FDIs, to transform the economic development of Malaysia:

1950s & 1960s
Import substitution and labour-intensive industries

1970s
Export-oriented industries

1980s
Heavy industries

1990s
Knowledge-intensive and high-technology industries

2000s
Services industry and currently with the focus on National Key Economic Areas (NKEAs), catalytic sub-sectors, digital technology and Industry 4.0

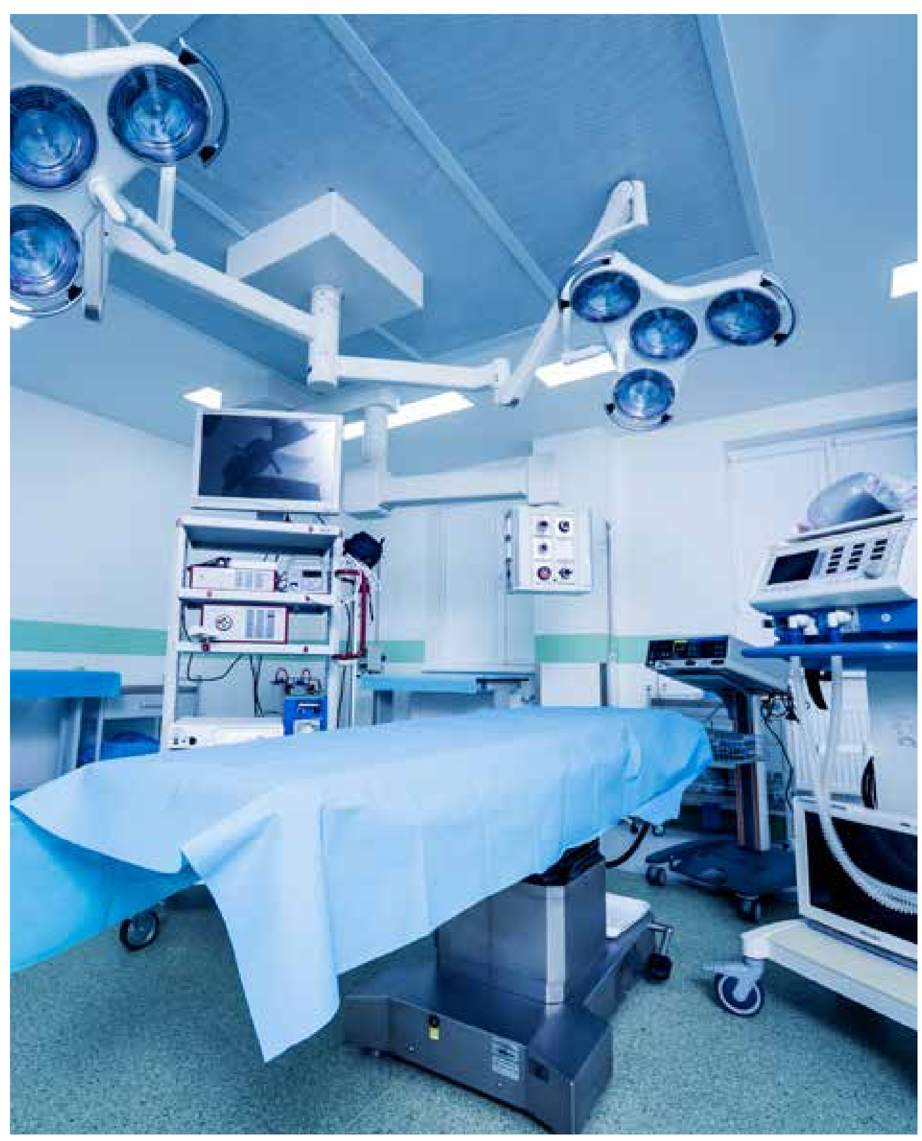
From 1980 until September 2020, MIDA has approved a total of 32,043 manufacturing projects with investments of RM1.37 trillion. Of this, the foreign investment amounted to RM751.17 billion or 55 per cent while domestic investment valued at RM614.58 billion or 45 per cent. These projects have created over 3.5 million job opportunities.

The indirect result of these projects, from both big and small, foreign and local companies, have generated far more jobs and business opportunities in the industrial and manufacturing sectors. This includes spin-off to other sectors such as hotel & tourism, real estate, logistics, retail, healthcare, education and banking & insurance.

Due to MIDA's contribution to the growth of the manufacturing sector, the composition of exports for manufactured goods and its contribution to Gross Domestic Product (GDP) has also increased in importance.

In terms of GDP, the manufacturing sector is the second-largest contributor to Malaysia's GDP at 23.5 per cent in the third quarter of 2020.

More than 30 MNCs producing high value-added medical devices in Malaysia have successfully created and benefitted over 200 local SMEs in the medical device supply chain and ecosystem.



STRATEGIC APPROACH IN ATTRACTING FDIS

Recognising the need to develop the high technology sectors to sustain economic growth and improve the competitiveness of the Malaysian economy, MIDA under the leadership of MITI has strategically scouted and attracted high value-added projects from around the world. In line with the national agenda, quality investments with a greater focus in the 3+2 catalytic sectors namely electrical and electronics; chemical; machinery and equipment; aerospace; and medical devices; as well as other potential new growth areas have been the nation's priority.

While the COVID-19 outbreak has affected every country globally, Malaysia recorded a total of RM109.8 billion worth of approved investments in the economy (manufacturing, services and primary sectors) for the first nine months of 2020. These investments involved 2,935 projects and will create 64,701 job opportunities.

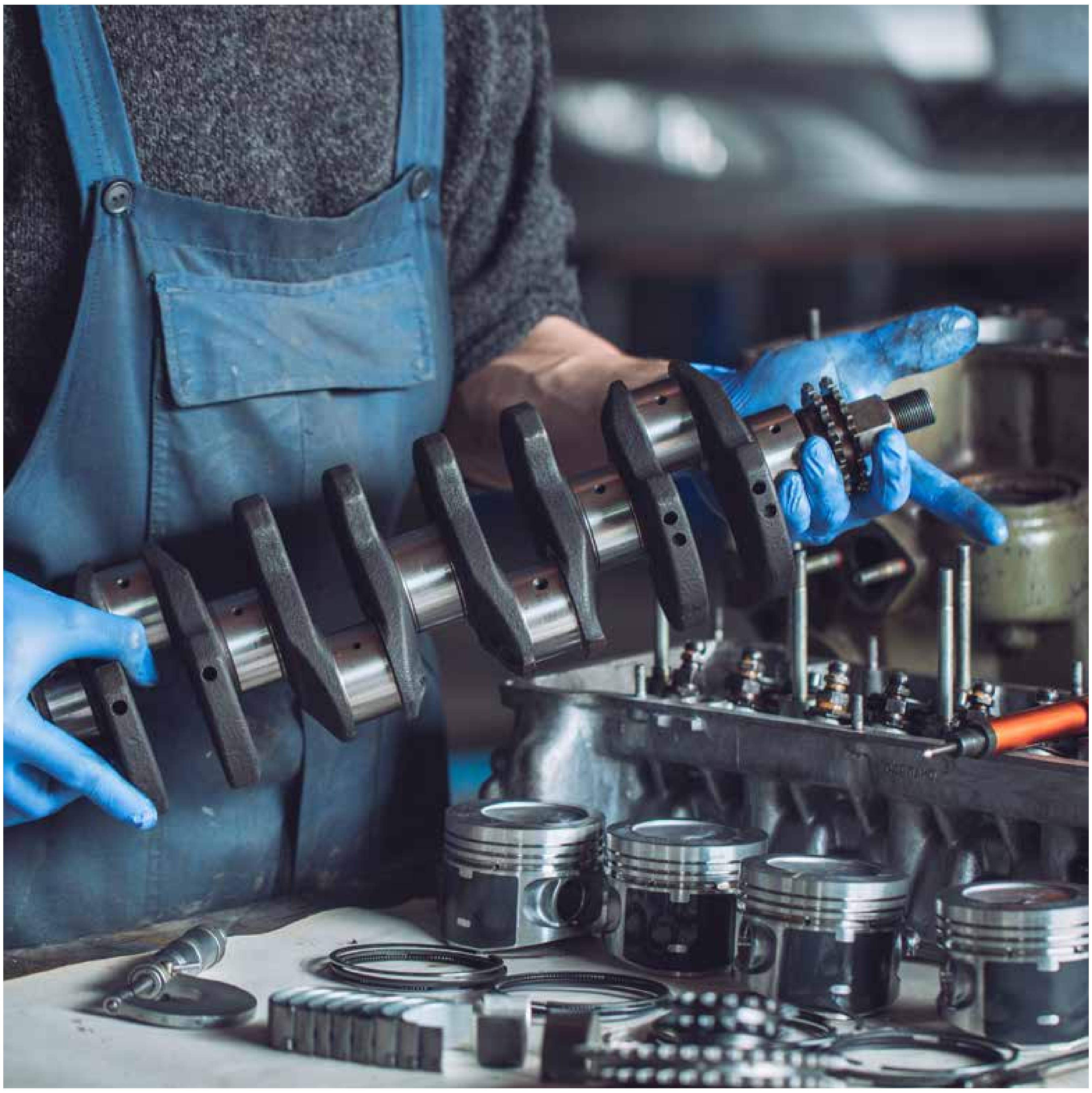
Every manufacturing and specified services project is thoroughly evaluated, deliberated and approved/endorsed by the National Committee on Investments (NCI), whose members consist of high-level representatives from not only MITI and MIDA but also Ministry of Finance, Economic Planning Unit, Inland Revenue Board, Central Bank of Malaysia as well as other relevant ministries and agencies.

Top Five Sources of Approved Foreign Direct Investment (FDI)

Accounting for almost 40% (RM42.6 billion) from the manufacturing, services and primary sectors during the period.

1. China
2. Singapore
3. USA
4. Switzerland
5. Netherland

Malaysia has a robust and diverse supply chain.



Home-grown automated manufacturers have taken numerous efforts to groom SMEs to produce high-quality precision machine parts.

This is applaud-worthy given UNCTAD's forecasts of global FDI flows to decrease by up to 40 per cent in 2020.

The manufacturing sector attracted the largest portion of approved investments for this period, contributing more than half (59.5 per cent) or RM65.3 billion, followed by the services sector with investments of 39 per cent or RM42.8 billion, and the primary sector with approved investments of 1.5 per cent or RM1.7 billion. Investments approved in the manufacturing sector for the period of January to September 2020 saw an increase of 16.6 per cent in capital investments compared to the corresponding period in 2019. It is important to note that, compared to the corresponding period last year, FDI in the manufacturing sector particularly saw an increase of 3.2 per cent to RM39.4 billion.

Within the manufacturing sector, in line with the Government's strategies to attract investments in 3+2 industries, a total of 257 projects have been approved in the first nine months of 2020. These investments amount to RM20.7 billion or 31.7 per cent of the total investments approved in the manufacturing sector. Majority of these projects or 80.9 per cent were contributed by FDI.

The strong presence of FDI brought about by MIDA since early days of the country's industrialisation has helped to upgrade and diversify the range of products and services and promoted the growth of local supply chain ecosystems and related services industry. Today, over 5,000 companies from more than 40 countries have made Malaysia their location for manufacturing and related services operations.

Malaysia's domestic companies including the Small and Medium enterprises (SMEs) have flourished and are important components to the global supply chain.

Malaysia has time and again proven its ability to meet the stringent demands of highly regulated industries, showcasing the country's robust and diverse array of supply chains. It is reflected by the high-end FDI projects that Malaysia has secured in 2020. Among them include:

- Smith and Nephew from United Kingdom (UK) that will produce high-tech medical devices including knee and hip implants;
- A new project by Dexcom, a US company and leader in continuous glucose monitoring system will be producing their niche offerings in Malaysia;
- LAM Research, a US global supplier of innovative wafer fabrication equipment and services to the semiconductor industry that chose Malaysia to expand its global footprint by establishing its advanced technology production facility in Pulau Pinang;
- LEM, a Switzerland-based electrical measurement company will set up their new production plant in Malaysia to meet growing demand from its customers in the industrial and automotive sectors; and
- MusicTribe, a US-based multinational leader for professional audio products and musical instruments, on the other hand, is leveraging Malaysia to set up an Industry 4.0-driven, fully robotised manufacturing facility in addition to their Principal Hub activities.

Existing companies also continue to expand their operations in Malaysia, illustrating Malaysia's on-going value proposition to investors. These include:

- Eppendorf, a leading German life science company that established an integrated centre for their shared services hub, covering functions such as IT, HR as well as Finance and Controlling, for the Group's operations in the Asia Pacific, Middle East and Africa;

- Bosch, an existing German company for setting up a manufacturing facility park for testing of semiconductor components and sensors;
- B.Braun, an existing German company, expanded its global test centre for medical devices due to strong talent capability in Malaysia;
- Wistron, the Taiwan-based company engaged in the research and development, design, manufacture and sale of E&E products' has acquired Western Digital's Petaling Jaya factory to undertake new business activities;
- Western Digital, a US company and the largest computer Hard Disk Drive (HDD), Solid State Drive (SSD) and flash memory devices manufacturers in the world announced their additional investments in Malaysia to design, develop and manufacture media and substrates for hard disc drive (HDD); and
- Nippon Electric Glass (NEG), a leading Japanese manufacturer of speciality glass has also expanded their production capacity of glass tubing for pharmaceutical use in Malaysia given the demand for its products following the vaccine roll-out.

The indirect result of these projects, from both big and small, foreign and local companies, have generated far more jobs and business opportunities in the industrial and manufacturing sector. This includes spin-offs to other sectors such as hotel and tourism, real estate, logistics, retail, healthcare, education and banking and insurance.

GROWING DOMESTIC INVESTMENTS

Through outsourcing in the manufacturing sector, for example, FDI has been driving technological change by nurturing Malaysian companies to jointly design and develop new products.

Through the growth of FDI, Malaysia's domestic companies including the Small and Medium enterprises (SMEs) have flourished and are important components to the global supply chain. Some of them have even gone on to be publicly listed on Bursa Malaysia. The names include CCM Duopharma Biotech, Pentamaster Corporation, Press Metal Aluminum Holdings, ViTrox Corporation, JCY International, Globetronics Technology, Top Glove and Inari Amertron.

The significance of Domestic Direct Investment (DDI) in Malaysia is becoming more apparent over the years. In the first nine months of 2020 alone, the DDI was the leading source of investments in the economy; accounting for the majority share of 61.2 per cent, or RM67.2 billion.

Total Approved Investments - Domestic Direct Investment (DDI)

SERVICES SECTOR:

RM40.6 billion
(94.9 per cent of total approved investments)

MANUFACTURING SECTOR:

RM25.9 billion
(up by 45.5 per cent vs corresponding period in 2019)

MIDA has undertaken several initiatives to facilitate domestic investments and advocate the development of supply chains between Malaysian companies with Multinational Companies (MNCs) and large corporations in the country.

MIDA's relentless efforts in stimulating the domestic investment ecosystem have translated into the formation of a dedicated unit named Domestic Investment Coordination Platform (DICP). DICP plays an important role in providing support to the missing link between businesses and funding, technologies and research capability.

Domestic Investment Coordination Platform (DICP)

In 2020, the DICP pursued to realise the following:

- The signing of the MoU between BiON Sdn Bhd, an environmental engineering and renewable energy solutions provider, and SIRIM Tech Venture (STV) for biogas production. STV and BION will establish technical cooperation in the production of compressed biogas and related systems, and potential projects related to waste-to-energy;
- Equity acquisition of a local technology start-up by a foreign investor. Both parties are now working on the legal documents prior to the official signing ceremony and public announcement;
- Development of solar project by a local engineering, procurement, and construction (EPC) company through a joint venture with a foreign company; and
- Adoption of digital technology and e-commerce platform of a local SME through collaboration with a local fintech/digital technology provider.

The Domestic Investment Strategic Fund (DISF) established in July 2012 was the main catalyst to call for Malaysian-owned companies in significant industries to venture in high technology and innovation-based products and activities. To date, MIDA has approved matching grants amounting to RM1.8 billion, involving 369 projects with a total investment value of RM16.9 billion. Local companies are taking the quantum leap in higher quality projects in driving the national agenda of transforming the domestic investment landscape.

A survey by MIDA on 22 companies having claimed the approved DISF grants over a period of 3 years, revealed increased outcomes in fixed-asset investment (104.4 per cent increase), new job openings (21.6 per cent), number of high-value careers (62.9 per cent), number of Malaysians trained (103.9 per cent), number of commercialised Research and Development (R&D) findings (121.7 per cent), number of registered Intellectual Property (IP) (26.8 per cent), export sales (225.2 per cent) and number of new markets (164.5 per cent).

MIDA also arranged various business matching sessions between anchor companies and potential local suppliers/providers within specific industries. In addition, engagement sessions were initiated between companies and potential funders, and technology providers. Domestic investment seminars on a quarterly basis are on-going to update local businesses on the government's latest incentives and facilities in spurring DDIs.

The success of these initiatives is reflected by MNCs that have established vendor development and supply chain management programmes with local companies and suppliers. Examples of MNCs' achievements in advancing local companies' DDIs include:

- More than 30 MNCs producing high value-added medical devices in Malaysia have successfully created and benefitted over 200 local SMEs in the medical device supply chain and ecosystem. B.Braun Medical Industries has established a strong presence of local suppliers and businesses in its supply chain. Other major players, including Abio Orthopaedics Sdn. Bhd., Straits Orthopaedics (Mfg) Sdn. Bhd., Vigilenz Medical Devices Sdn. Bhd., Granulab (M) Sdn. Bhd., Hospitech Manufacturing Services Sdn. Bhd, and OSA Technology Sdn. Bhd. also established viable sourcing from local manufacturers and suppliers in overall advancing of the medical devices industry in Malaysia.

- Dyson Ltd., a United Kingdom-based producer of high-tech home appliances in Johor has injected billions of ringgit into the economy by outsourcing its production to local contract manufacturers such as VS Industry, SKP Resources and ATA. Dyson also shared the knowledge, skills and technology with its local suppliers to meet its high standards of quality. Over 15 million units of Malaysian-made bagless vacuum cleaners produced with the support of local manufacturers are exported to more than 75 countries worldwide. Some of its local suppliers have even expanded and transformed into large, public-listed companies.

- Lotte Chemical Titan, being the largest integrated producer of olefins and polyolefins in Malaysia, spends more than RM200 million annually for outsourcing activities within Malaysia. The company has engaged more than 500 local vendors and business partners in its ever-growing production.

- In addition to MNCs, Malaysia's Limited Liability Companies, LLCs such as Petronas, YTL, Sime Darby, UEM, and Proton continue to support the development of local companies through business outsourcing opportunities in services, manufacturing or construction sector, both in Malaysia and abroad.

- Pentamaster Corp, a home-grown automated equipment manufacturer dedicatedly involved in the Penang Automation Cluster project, has taken numerous efforts to groom SMEs to produce high-quality precision machine parts. The company also joint ventured with two other local companies, Walta Group and ViTrox Corp, in this automation cluster initiative to strengthen the domestic supply chain.

Domestic companies should stride in with global manufacturing practices, given the rapid technological advancements in every business field. In this regard, Malaysia's Industry4WRD policy championed by MITI is an excellent guide. The incentives of Industry4WRD Readiness Assessment and its subsequent Intervention Fund offered by the Government through MITI enable domestic companies to:

- assess their capabilities and readiness to adopt Industry4.0 processes;
- understand their present capabilities and gaps; as well as
- prepare feasible plans to move towards effective adoption of Industry 4.0.

Automation Capital Allowance (Automation CA), introduced in 2015 is another major incentive programme to motivate domestic companies to undertake automation and machine upgrading.

MIDA has also introduced the Lighthouse Project experimentation in enabling MNCs and local corporations, which have successfully gained from IR4.0 transformation, to guide and support Malaysia's local manufacturing industries to also implement the Fourth Industrial Revolution processes in gaining business traction. As Malaysia aims to reposition among the top Global Manufacturing Nations, MIDA continues to identify and attract foreign and local companies that have successfully adopted the Industry4.0 key pillars to invest here.

MIDA strives to provide innovative engagements and collaborations with both foreign and domestic industries players towards the sustainable business environment and propel local businesses towards becoming global players. This will further attract more quality investments from both local and foreign sources and will also encourage innovation in new products. MIDA believes that the ecosystem approach is the best way to retain investors, as this offers a stronger reason for companies to remain and grow in Malaysia, particularly during this pandemic.

STRONG INVESTMENTS DRIVE EXPORTS

STEPS UNDERTAKEN TO FACILITATE AND BOOST MALAYSIAN EXPORTS.

IN 1980, MITI under its External Trade Department, established the Malaysia Export Trade Centre or MEXPO, which role is to maintain a permanent exhibition centre showcasing Malaysian-made products to visiting foreign businessmen from around the world, including those from the investing companies. This role gradually expanded to MEXPO organising the participation of Malaysian companies in overseas trade exhibitions.

The need for Malaysian companies to participate in global trade events grew as demand for Made-in-Malaysia manufactured goods increased between the 1980s to 1990s due to inflation in Japan and European countries that pushed the companies from these countries to seek cheaper alternatives.

MEXPO laid the groundwork for the country to embark on more ambitious plans for the promotion of Malaysian products and services to the world. As a result, MATRADE was instituted on 1 March 1993. The birth of MATRADE complements the role that MIDA plays and the two are very much dependent on one another. Today, efforts by MATRADE have contributed to the rapid growth of Malaysian entrepreneurs who can compete globally. On average, exports grew annually by 12 per cent between 1980 and 2019.

In 2020, exports have been impacted due to lockdown measures imposed globally to curb the spread of COVID-19. However, exports started to improve in the second half of the year as the economy progressively reopened and external demand recovered. For the period of January-November 2020, Malaysia recorded a marginal decline of 2.6 per cent in exports which was a significant improvement from a 7.9 per cent decline in the period of January-June 2020.

Malaysia's exports in November 2020 increased by 4.3 per cent to RM84.43 billion compared to the same month last year, registering three consecutive months of year-on-year (y-o-y) growth. The expansion was supported mainly by higher exports to the United States, Singapore, China and Hong Kong SAR. The opening of economic sectors played a major role in the rebound of export performance for Malaysia as Malaysian companies get to resume their role in the global supply chain.

In November 2020, exports of manufactured goods which contributed to 88.1 per cent of total exports, rose by 8.1per cent y-o-y to RM74.34 billion. The growth was buoyed mainly by higher exports of E&E products as well as rubber products. Exports of rubber products performance showed resiliency with 13 consecutive months of growth. Higher exports were also registered for other manufactures especially solid-state storage devices (SSD), wood products as well as optical, scientific and equipment.

Export of scientific equipment and chemicals recorded a significant growth.

The exports of goods in sectors driven by investments in Malaysia such as E&E have recorded significant growth over the last decade. The E&E registered an increase of 49.4 per cent, petroleum product (↑122.9 per cent), chemicals & chemical products (↑98.6 per cent), optical & scientific equipment (↑117.8 per cent), machinery, equipment & parts (↑94.1 per cent) and iron & steel products (↑159.7 per cent) as well as transport equipment (↑106.5 per cent).

In the effort to boost Malaysian companies presence and readiness in the global market, MATRADE facilitates companies to explore export opportunities overseas through various programmes that cover two main aspects – Exporters capacity development programmes; and Export promotion programmes, notably participation in international exhibitions, trade and investment mission (TIM), export acceleration mission (EAM), international sourcing programme (INSP) as well as a business matching programme.

Last year, MITI through MATRADE has taken the following steps, to boost Malaysia's export:

- To help companies reduce the financial burden of market promotion, MATRADE provided RM23.96 million in Market Development Grants (MDGs) to a total of 1,374 firms assisted in 2020. In 2020, export initiatives under MDG were further expanded to include:

    1. Recognised international Virtual Events, including virtual trade exhibitions and virtual trade missions, where business-to-business (B2B) meetings are an integral part of these virtual events;
    2. Reimbursement on logistic costs of sending Malaysia product overseas affected by COVID-19 global shutdowns; and
    3. Financial compensation for postponements or cancellations of Trade Promotion Events.

- Developed and disseminated 899 Market Alert reports and 171 Product Market Study reports, with information on regional economic and market developments, export opportunities, standards and foreign trade policies and regulations. MATRADE's mobile app – MyExport - also deployed 3,177 trade leads, based on inquiries received from foreign firms keen to buy goods and services from Malaysia. Among the most-sourced products include pharmaceuticals, food and beverage, chemicals, automotive, furniture and electrical/electronics.

- eTRADE programme was introduced to assist Malaysian SMEs to leverage the power of e-Commerce. The programme helps exporters promote their wares to global markets through listings on 20 selected international e-commerce platforms. The programme has assisted 774 companies. Since its inception, the programme has benefitted over 4,000 Malaysian SMEs who have made inroads into markets such as Cambodia, Thailand, China, USA and Egypt, among other nations around the world.

- eBizMatch, a programme conducted on a digital platform, where MATRADE implements business matching between foreign importers and Malaysian exporters. In 2020, a total of 1,020 business matching were held between 621 foreign buyers and 885 Malaysian companies, resulting in potential export sales of RM1.08 billion.

- Empowerment of exporters is also intensified through export training activities using webinar methods. In 2020, a total of 154 webinars with 8,760 viewers were organised in collaboration with various parties including Asian Development Bank (ADB), Islamic Center for Development of Trade (ICDT), The Star, eBay and McKinsey & Co., with topics discussed including market updates, trade promotion strategies, supply chains and the impact of COVID-19 on business sustainability.

DRIVING MALAYSIA TOWARDS EXCELLENCE

ALL GUNS BLAZING - MITI STRIVES TO ACCELERATE GROWTH IN THE MALAYSIAN ECONOMY.

MITI's roles in accelerating the growth of the Malaysian economy for the past six decades have contributed greatly to the well-being of the people by way of job creations as well as developing a business ecosystem that is conducive for knowledge transfer and up-skilling among local talents. These, over the years, have transformed the landscape of the Malaysian economy – from agriculture and commodity-driven economy in the 1960's to the manufacturing, technology and services-driven economy that it is today.

MITI AND ITS AGENCIES SEEK TO PROTECT THE LIVELIHOOD AND HEALTH OF THE RAKYAT WHILE GOING ALL OUT TO RESUSCITATE THE ECONOMY.

Being located in the Asia Pacific rim and at the centre of many ASEAN countries, Malaysia has many competitive advantages to remain an attractive investment and trade destination, particularly with the favourable business environment, including the availability of excellent infrastructure, telecommunication services, financial and banking services, supporting industries as well as a big pool of talents with skills and trainable workforce.

This is reflected in Malaysia's ability to maintain its strong position globally, ranking the second-highest in Southeast Asia and twelve (12th) out of 169 countries for trade connectivity in the DHL Global Connectedness Index (GCI) report in 2019.

A recent joint study by KPMG and The Manufacturing Institute in the US entitled "Cost of Manufacturing Operations around the Globe" ranked Malaysia fourth among 17 economies in an assessment comparing the economy's competitiveness as a manufacturing hub, which is ahead of countries in Asia such as China, Japan, Vietnam and India. This study evaluated a total of 23 cost factors that impact the cost of operations (Cost of Doing Business or CoDB) of a business conducting manufacturing operations in the United States relative to sixteen other countries that are leading manufacturing exporters to the US.

Today, the task to position Malaysia as an economic powerhouse and a force to be reckoned with in the region has become more arduous. The unprecedented COVID-19 pandemic has challenged the Ministry to multiply its efforts in facilitating the resiliency of this nation through industrial developments, international trade and investments – within a context that's complicated, for not just Malaysia but for countries around the world.

MITI and its agencies continue to play a key role in the revitalisation of the country's economy following the impact of the pandemic, particularly in the negotiations of Free Trade Agreements between Malaysia and several key economies. Thus far, Malaysia has signed 16 FTAs and implemented 14 FTAs (7 bilateral FTAs and 7 regional FTAs). The most recent is the Regional Comprehensive Economic Partnership (RCEP) that was signed on 15 November 2020 which is pending ratification and entry into force.

2019

66.7% (RM1.230 trillion of total trade)
Trade with Countries Covered by Regional & Bilateral FTAs

RM678.57 billion
Exports to FTA Countries

RM551.77 billion
Imports from FTA Countries

2020

66.5% (RM1.068 trillion)
Trade with FTA Partners in First 11 Months of 2020

RM602.00 billion
Exports to FTA Countries

RM466.47 billion
Imports from FTA Countries

As MITI and its agencies help the Malaysian industry players mitigate the impact of the pandemic, it is working ever more closely with the other ministries and agencies such as the Ministry of Health, National Security Council, Ministry of Finance, Ministry of Domestic Trade and Consumer Affairs, among others, to lead the economic agenda during this difficult period. It is important to highlight that all economic decisions made during the pandemic are a collective effort and are of the best interest of the people towards achieving a balance between protecting the rakyat's health and livelihoods.

KEY ASPIRATION PRODUCTIVITY NEXUS 2021

MALAYSIA PRODUCTIVITY CORPORATION FEATURES A COLLECTION OF VOICES ON THE KEY ASPIRATION OF PRODUCTIVITY NEXUS FOR 2021.

COVID-19 PANDEMIC HAS CHALLENGED THE STATUS QUO AND CHANGED THE WORLD THAT WE ARE LIVING IN. THE INDUSTRY HAS NO OPTION BUT TO EMBRACE DIGITALISATION AND CHANGE ITS CURRENT BUSINESS MODEL.

KING OF FRUITS IN THE LAND OF THE RISING SUN

MALAYSIAN PREMIUM DURIAN PRODUCTS ENTERS THE JAPANESE MARKET.

IN an endeavour to promote Malaysian products and services globally during the pandemic, MATRADE continues to support Malaysian companies and exporters, including SMEs in their participation at the various trade promotional programmes and business meetings, both physical and virtual. With the consistent support from MATRADE, one of Malaysia's largest exporters for durian related products, Hernan Corporation Sdn Bhd has managed to seal an export deal via virtual business meetings organised by MATRADE at the end of last year.

The maiden shipment of frozen durians (Musang King and D101) by Hernan Corporation has safely arrived at the Tokyo Port, Japan in mid-January 2021. This is the company's first shipment to the Japanese market after attempting to explore the market for several years. They have participated in various trade promotional events and business matchings led by MATRADE, including participation in the iconic F&B exhibition in Japan such as FOODEX Japan. Currently, Hernan Corp. has exported to more than 12 countries, including Australia, China, EU Countries, Hong Kong, New Zealand, UK and USA.

Trade Commissioner of Malaysia External Trade Development Corporation (MATRADE) Tokyo, Mr Niqman Rafaee M. Sahar, said, "Malaysia offers a variety of quality products that can adhere to the high standards and stringent

Hernan's Frozen Durian Pulp.

The maiden shipment of frozen durians (Musang King and D101) by Hernan Corporation has safely arrived at the Tokyo Port.

market entry regulations in Japan. Although durian related products are considered new to local consumers and more promotion is still needed to educate the domestic market, demand has been positive with growing enquiries from Asian speciality stores and restaurants. It is important to have a good local partner and importer which will support and assist the product registration and distribution process, promotion and network in the local market".

The durian products in Japan will be distributed and made accessible at local supermarkets, speciality grocery stores, online operators, restaurants and others. For a start, the products will be available in major cities in Japan such as Tokyo, Nagoya and Osaka.

Japan being the third-largest economy in the world by nominal GDP and fourth-largest by purchasing power parity (PPP), offers interesting areas of opportunities which Malaysian companies can explore. Food and beverages market size in Japan is worth more than USD230 billion and the opportunities available also include Halal related products and services.

"Malaysian companies are also encouraged to focus on the booming e-commerce industry in Japan. With the current pandemic situation, sales via online platforms have been growing at a double-digit rate and more business opportunities can be explored by leveraging this USD150 billion e-commerce market," added Niqman.

In 2020, Japan remained as Malaysia's 4th largest trading partner for six consecutive years, with total trade amounted to RM122.73 billion. Our exports to Japan has exceeded total imports from Japan by RM650 million. MATRADE hopes that with the active participation of Malaysian companies in our programmes, the exports value can further increase parallel with the development of vaccine and improvement of the pandemic management.

For more information on the prospect of other food and beverages products and generally, export opportunities in Japan, Malaysian companies can contact MATRADE office in Tokyo and Osaka at **tokyo@matrade.gov.my** and **osaka@matrade.gov.my.**

MALAYSIA EXTERNAL TRADE STATISTICS 2020

YEAR 2020 has been challenging to global trade as a result of the stringent lockdown measures imposed across the board due to the COVID-19 pandemic. This directly caused major disruptions to global supply chains, especially the movement of goods and services, and severely affected manufacturing activities.

Despite this unprecedented scenario, Malaysia's external trade performed fairly well with exports rebounding in the second half of 2020 as compared to the negative growth recorded in the first half of the year. This could be attributed to the progressive opening of the economy and a gradual recovery of external demand. In fact, exports in December was the highest monthly value recorded for 2020.

Exports to China recorded a new high in 2020 and similar momentum was reported for the United States which posted the largest value in the last decade. There was significant export growth to the emerging markets notably Costa Rica, Kazakhstan, Kenya, Nigeria, Ghana and Cote d'Ivoire. Rubber products, electrical and electronics (E&E) products, as well as palm oil and palm oil-based agriculture products registered strong export expansion.

Meanwhile, the trade surplus was the highest ever recorded thus maintaining a sustained surplus trend for 23 consecutive years since 1998. Malaysia's trade performance was in tandem with countries in the region notably Indonesia, Singapore, the Republic of Korea (ROK) and Thailand.

While trade with existing Free Trade Agreement (FTA) partners in 2020 stood at RM1.185 trillion, registering a decrease of 3.7% and accounted for 66.7% of Malaysia's total trade, the recent signing of the Regional Comprehensive Economic Partnership (RCEP), the biggest FTA in the world, will provide Malaysian companies and businesses access to more than a third of the world's market, attract foreign direct investment and will be a boon to our export growth.

Going forward, investor confidence has been bolstered by Moody's latest affirmation of Malaysia's local and foreign currency long-term issuer ratings at A3, with a stable outlook. This is a testament to the Government's strong fiscal discipline and robust medium-term growth prospects and demonstrates Moody's confidence in Malaysia as having strong credit standing. While these are challenging times, the Government's priority is to place the nation firmly on the path of economic recovery particularly with the 12th Malaysian Plan as the blueprint for sustainable growth founded on sound economic fundamentals and decisive policy measures. This bodes well for greater and more robust trade performance.

MALAYSIA, HIGH-VALUE INVESTMENT DESTINATION IN ASIA

MALAYSIA CONTINUES TO BE THE INVESTMENT DESTINATION FOR HIGH-VALUE MANUFACTURING AND GLOBAL SERVICES IN ASIA.

THE recent report by The Straits Times of Singapore on 5 February 2021 regarding foreign investors fleeing Malaysia is incorrect. The piece falsely indicates that the United Nations Commission on Trade and Development (UNCTAD) report confirmed what has been spoken of anecdotally.

UNCTAD Report: Global Foreign Direct Investment (FDI)

Fell 42% to USD 859 billion in 2020 vs USD 1.5 trillion in 2019.

All regions reported lower FDI in 2020 due to lockdowns and drastic decrease in economic activities during the pandemic:

- FDI flows to developing economies decreased by 12%
- FDI into South East Asia contracted by 21% due to a decline in investments to the largest recipients in the sub-region
- Inflows in Singapore fell by 37%
- Thailand by 50%
- Indonesia by 24%
- Vietnam by 10%
- Malaysia by 68%

Notably, the computation of FDI flows by UNCTAD is based on Balance of Payment (BOP) statistics, published by respective countries in the context of net FDI flows.

LOWER NET FDI INFLOW IS NOT AN UNFAVOURABLE SIGNAL. MALAYSIA CONTINUES TO ATTRACT HIGH LEVELS OF GROSS FDI

According to the data by the Department of Statistics Malaysia (DOSM) for the period of January-September 2020, the total Gross FDI inflow into Malaysia was valued at RM108.2 billion compared to RM102.3 billion in the same period in 2019, an increase of 5.8 per cent. This is a considerable achievement given the Movement Control Order (MCO) and Recovery Movement Control Order (RMCO) in Q2 and Q3 of last year, respectively. The Gross FDI inflow is also reflective of the high levels of FDI projects approved and implemented in the economy (manufacturing, services and primary sectors) over the last few years. It is noted that the total FDI approved throughout 2018 to September 2020 was valued at RM206.02 billion.

The UNCTAD report estimated the net FDI flow into Malaysia for the whole year of 2020 totalled USD2.5 billion (approximately RM10.1 billion), a decrease of 68 per cent from the previous year's performance. Based on the data from DOSM, Malaysia registered net FDI outflows in Q3, driven by the outflows from debt instruments amounting to RM9.35 billion in the stipulated period. This was reflected in inter-company loan extensions and scheduled loan repayments, which are typical for multinational corporations' (MNCs) operations; as well as the trade credits granted to manufacturing firms, in line with substantial exports, especially in the electrical and electronics (E&E) sector. Notably,

Q3 2020 is an exceptional period for the first time since Q4 2009. Meanwhile, equities moderated to RM13.40 billion from RM17.33 billion in January to September 2019, a decrease of 23 per cent compared to the estimated global FDI drop of 42 per cent in 2020.

The net FDI flows are determined by many factors including abnormal disruptions in the global economy which could result in larger repatriations due to loan repayments and borrowings from their HQ and affiliates overseas for the particular year. The decline in 2020 mirrors the situation Malaysia experienced in 2009 after the subprime crisis in the US. MNCs in Malaysia were repatriating higher amounts of their profits for loans repayments and retaining earnings to help their HQ and affiliates faced with financial difficulties. The same can be said for 2020 when the world was hit by the pandemic.

Net FDI flows also indicates the maturity of Malaysia's monetary policy which allows for the repatriation of capital, interest, dividends and profits, which is a prerequisite for a trading nation such as Malaysia. This business-friendly investment policy has also strengthened Malaysia's position as a regional and global supply chain hub. A lower net FDI is not necessarily an unfavourable sign.

The E&E Industry

One of the largest FDI recipients in Malaysia

- Recorded trade surplus of RM134 billion / 74% of Malaysia's total trade surplus of RM185 billion in 2020
- Backbone of manufacturing sector, contributing 39% of total exports & 49% of total manufacturing exports
- FDI stock in Malaysia is prominently high, totalled RM689.1 billion as of the end of September 2020

VARIOUS FACTORS AFFECT BUSINESS DECISIONS OF FOREIGN INVESTORS

The Straits Times article highlighted news of Korean automaker Hyundai relocating its Asia-Pacific headquarters from Malaysia to Indonesia and the closure of Panasonic solar panel plants in Malaysia, hence insinuating that Malaysia is no longer an attractive investment location for MNCs. Taking a closer look at the reasons behind these business decisions will illustrate a different truth.

FDI in the manufacturing sector particularly saw an increase of 3.2 per cent to RM39.4 billion.

The ASEAN market has been targeted by Hyundai as an alternative market for China. As such, the roles of Hyundai's Asia Pacific regional headquarters (HQ) in Malaysia have expanded and are classified as an incomplete form of HQ due to the absence of a production plant in Malaysia. However, with Hyundai's new manufacturing plant in Indonesia, the new Hyundai HQ is expected to be a fully-formed space with increased production and sales. The lower demand for Hyundai cars in Malaysia also contributed strongly to their relocation decision.

As for Panasonic, the Group has been established in Malaysia for more than 30 years with 22 subsidiaries operating in the country. They are engaged in various activities ranging from manufacturing, research and development (R&D), sales and marketing. The recent announcement is on the closure of one of its subsidiaries in Malaysia producing photovoltaic (PV) or solar panels. This is due to Panasonic Corporation, Japan's decision to discontinue the production of wafers, solar cells and solar modules at its factory, both in Japan and Malaysia. This corporate decision was driven by the declining price of global solar cell market and the increase of raw material costs arising from global expansion by Chinese companies, which would require higher capital investment for Panasonic to remain resilient in the solar business. Malaysia remains the third largest manufacturer of PV-cells and modules in the world, after China and Taiwan. Malaysia currently hosts a comprehensive photovoltaic ecosystem consisting over 250 companies in upstream (wafers and cells) and downstream (inverters and system integrators) activities. Among notable companies in Malaysia include First Solar and SunPower (USA), Hanwha Q Cells (Korea), Longi, Jinko Solar and JA Solar (China). MIDA has also recently approved a major integrated solar project that will further solidify Malaysia's role in the global PV industry. An announcement on this project will be made soon.

For the whole of 2020, nine existing foreign-owned manufacturing companies with total investments of RM394.3 million in Malaysia had implemented business rationalisation measures. These companies have either closed their business operations in Malaysia or re-located to other countries due to technology disruption that transformed their business landscape and reduction in demand for their products. This investment is a fraction of the total approved investment in the economy for the period January-September 2020.

GROWTH THROUGH COMPLEMENTARITY AMONG ASEAN COUNTRIES

In addition, the recent announcement of tech companies moving into competing countries in the region does not deter Malaysia. There are various factors underlying business decisions to choose an investment destination. This includes low labour costs, large size of the domestic market as well as the availability of mineral resources. While potential investors in the automotive industry are considering setting up their assembly plants in neighbouring countries, Malaysia remains a major producer of semiconductors and sensors for cars. In fact, Malaysia is still at the forefront of the new ICE age (Internal Computed Engine - ICE) that requires semiconductors as the driver of the Electric Vehicle (EV) Industry.

Malaysia being a major supply chain hub in the region would further encourage Malaysian companies and industries to undertake investments to supply technology, products and services to this MNCs investing in ASEAN countries. The FDI inflows into neighbouring countries should not be viewed negatively as Malaysia stand to benefits from the spillover effects of these investments. Malaysia has one of the most comprehensive ecosystems in the region in the electric and electronics (E&E), Machinery and Equipment (M&E), aerospace, automotive, and medical devices industries, to name a few.

FOREIGN INVESTORS CONFIDENCE IN MALAYSIA REMAINS HIGH

The Straits Times also quoted the viewpoint of the head of the EU-Malaysia Chamber of Commerce and Industry (EUROCHAM) on investors' confidence in Malaysia. It is pertinent to note that the views of the CEO of EUROCHAM may not necessarily reflect the views of all its members. The Chamber also does not represent all foreign MNCs operating in Malaysia. As part of our on-going engagements, MIDA has been working very closely with all the International Chambers in Malaysia to assist and facilitate the concerns of their members.

The total approved investment for January to September 2020 and the announcement of major projects in the year signifies the foreign and domestic investors' confidence in Malaysia.

Despite challenging global investment environment, Malaysia:

- Recorded a total of RM109.8 billion worth of approved investments in the economy (manufacturing, services and primary sectors) for the first nine months of 2020.
- These investments involved 2,935 projects; creating 64,701 job opportunities
- FDI account for almost 40% (RM42.6 billion)

Largest contributor

1. Manufacturing sector: 59.5% (RM65.3 billion)
2. Services sector: 39% (RM42.8 billion)
3. Primary sector: 1.5% (RM1.7 billion)

Investments approved in the manufacturing sector for the period of January to September 2020 saw an increase of 16.6 per cent compared to the corresponding period in 2019. FDI in the manufacturing sector particularly saw an increase of 3.2 per cent to RM39.4 billion. The realisation of these investments over the immediate to medium-term will provide support to economic growth in 2021 and beyond.

In 2020, Malaysia attracted a fair share of multinational corporations including Fortune 500 companies in the high-end and high-technology industries. This includes LAM Research, a US global Fortune 500 supplier of innovative wafer fabrication equipment and services to the semiconductor industry that has chosen Malaysia to expand its global footprint by establishing its advanced technology production facility; a new project by Dexcom, a US company and leader in continuous glucose monitoring system will be producing their niche offerings in Malaysia; UCT (Ultra Clean Holdings Inc), a US-based Fortune 500 company, a leading developer and supplier of critical subsystems, ultra-high purity cleaning and analytical services, will be setting up their operations primarily for the semiconductor industry; Smith+Nephew from the United Kingdom that produces high-tech medical device products including knee and hip implants; LEM, a Switzerland-based electrical measurement company that will set up its new production plant in Malaysia to meet the growing demand of its customers in the industrial and automotive sectors; Music Tribe, a US-based multinational leader for professional audio products and musical instruments, on the other hand, is leveraging Malaysia to set up an Industry 4.0-driven, fully robotised manufacturing facility in addition to their Principal Hub activities; and the most recent announcement by SK Nexilis, a Korean copper foil manufacturer producing electric vehicle batteries.

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. These include Western Digital, a US Fortune 500 company and the third largest computer Hard Disk Drive (HDD), Solid State Drive (SSD) and flash memory devices manufacturer in the world, announced their additional investments in Malaysia to design, develop and manufacture media and substrates for HDD; Intel, a US Fortune 500 company will bring the latest Advanced Assembly and Test technology to Malaysia, marking a new milestone in the company's 48-year history of investing and partnering in Malaysia; Wistron, the Taiwan-based Fortune 500 company engaged in the R&D, design, manufacture of E&E products has acquired Western Digital's Petaling Jaya factory to undertake new business activities; Bosch, an existing German Fortune 500 company is setting up a manufacturing facility park for testing of semiconductor components and sensors; B.Braun, a German based company, expanded its global test centre for medical devices due to strong talent capability in Malaysia; Nippon Electric Glass (NEG), a leading Japanese manufacturer of specialty glass has also expanded their production capacity of glass tubing for pharmaceutical use in Malaysia given the demand for its products following the vaccine roll-out; Eppendorf, a leading German life science company that established an integrated centre for their shared services hub, covering functions such as IT, HR as well as Finance and Controlling, for the Group's operations in the Asia Pacific, Middle East and Africa; TF AMD, a

“MALAYSIA CURRENTLY HOSTS A COMPREHENSIVE PHOTOVOLTAIC ECOSYSTEM CONSISTING OVER 250 COMPANIES IN UPSTREAM (WAFERS AND CELLS) AND DOWNSTREAM (INVERTERS AND SYSTEM INTEGRATORS) ACTIVITIES.”

US Fortune 500 companies and some of the largest computer Hard Disk Drive (HDD), Solid State Drive (SSD) and flash memory devices manufacturers in the world, announced their additional investments in Malaysia.

joint venture between Advanced Micro Devices (AMD USA) and Nantong Fujitsu Microelectronics Co Ltd (Nantong Fujitsu) is expanding and offers Outsource Semiconductor Assembly and Test (OSAT) services and servicing front-end semiconductor manufacturing, namely Wafer Level Chip Scale Packaging; and NTT, a Japanese Fortune 500 and world's 4th largest Telekom Company recently announced the launch of its fifth data centre in Malaysia. These reinvestments by existing companies are testaments of Malaysia's continued success to retain and encourage high-value operations by MNCs in Malaysia.

MIDA ADOPTS A CAUTIOUSLY OPTIMISTIC OUTLOOK

Being located in the Asia Pacific rim and the centre of ASEAN, Malaysia remains an attractive investment destination, particularly with a favourable investment environment, including the availability of excellent infrastructure, telecommunication services, financial and banking services, supporting industries, skills and trainable workforce, as well market opportunities offered through the 16 Free Trade Agreements that Malaysia has signed.

Malaysia maintained its strong position globally, ranking the second-highest in Southeast Asia and twelve (12th) out of 169 countries for trade connectivity in the DHL Global Connectedness Index (GCI) report in 2019. According to a recent joint study by KPMG and The Manufacturing Institute in the US entitled "Cost of Manufacturing Operations around the Globe", Malaysia is ranked fourth among 17 economies in an assessment comparing the economy's competitiveness as a manufacturing hub, which is ahead of countries in Asia such as China, Japan, Vietnam and India. Malaysia is also ranked high at 12th in the World Bank's Doing Business 2020 and 27th in the IMD World Competitiveness 2020. The above rankings by various agencies further reinforce Malaysia's position as a competitive and an attractive investment location.

Looking ahead, MIDA has 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 a number of world-renowned companies from various sectors such as automotive, chemical, and advanced electronics and deep-tech to make Malaysia as high-value manufacturing and Global Supply Chain Hub as well as Services and Regional Operations hub. Supported by the rapid growth of adoption of digitisation, there are enormous opportunities for investors to explore emerging technologies such as Big Data Analytics, Cloud Computing, Artificial Intelligence and Internet of Things (IoT) to embrace new ways of doing business and create more technology collaborations. In this regard, MIDA is in negotiation with multinational companies for the establishment of Data Services. The investment on Data Services will accelerate Malaysia into the digital space that will move the country up the value chain in key economic segments, including the services sectors such as ICT, data analytics, design and development. Most of these projects are subject to Non-Disclosure Agreements (NDA), hence announcements will be made once negotiations are concluded.

Presently, MIDA has also received RM47.7 billion worth of potential investments into the country. These projects, once approved, are expected to be implemented within the year 2021 to 2022.

Despite the on-going international border closures and strict standard operating procedures (SOPs) in many countries to contain the spread of COVID-19, MIDA continues to be responsive in undertaking innovative and aggressive investment promotion initiatives to entice FDI through its established footprint of 20 overseas and 12 regional offices. MIDA actively organises various digital investment promotion programmes such as virtual webinars on local and international platforms.

The establishment of a One-Stop Centre (OSC) in MIDA effective 2nd October 2020 to ease the movement of business travellers by expediting the approval of their entry into Malaysia, is a major initiative by the Malaysian Government. This Centre assumes a critical role in ensuring that Malaysia remains steady on the path of economic recovery and growth by enabling business travellers' movement to do their business in Malaysia during the pandemic. As of 5 February 2021, a total of 5,861 Long Term and Short Term Business Travellers have been recommended for approval by the OSC. These business travellers include businessmen and technical experts who provide technical advisory services and installation commissioning of the machinery and equipment.

While inflows of FDI are crucial for the continued development of the economy, the role of domestic direct investments (DDI) is not to be underplayed, as outlined in the 11th Malaysia Plan. Domestic investments will continue to assume a leading role in the growth of the economy. Among the major strategies include creating Malaysian conglomerates by identifying potential companies to provide the necessary support; harnessing on outsourcing opportunities created by MNCs operating in Malaysia; enhancing the current incentive schemes to assist Malaysian companies to scale-up; and intensifying technology acquisition by Malaysian-owned companies. Notably, in the total investments approved for the period Jan-September 2020, DDI accounted for 61.2 per cent, or RM67.2 billion, while foreign direct investments (FDI) made up the rest.

Over the last five decades, MIDA has assumed the critical and pivotal roles in contributing significantly to Malaysia's rapid industrial development particularly in the manufacturing and services sectors by promoting investments, both FDI and DDI. MIDA's strategies have gone through various transformations, in-line with the changing dynamics of the global and domestic economic landscapes. Moving forward, the Government will continue 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. The latest international ranking by KPMG has cemented Malaysia's position as a competitive investment location for investors. Through policy reviews and targeted approaches, the Government will ensure that Malaysia remains as the preferred investment location with a favourable environment for quality investments in Asia.

MALAYSIA, INVESTMENT DESTINATION OF CHOICE

THE German Embassy in Malaysia will continue to support the existing German businesses as well as encourage more companies to expand their overseas operations in the country. Its Ambassador Dr Peter Blomeyer described Malaysia as one of the most developed and matured manufacturing and related services countries in the region.

"Existing German companies operating here find Malaysia as an attractive hub in Asia Pacific."In addition, the German business communities also welcome the decision to exempt advertising requirement for positions namely investors, company owners, C-suites, expatriates for regional offices as well as for intracompany transfers," he said during his recent courtesy visit to the Malaysian Investment Development Authority (MIDA).

Blomeyer also expressed interest in collaborating with local training institutions by offering German Dual Vocational Training (GDVT) programmes in Malaysia. Germany has been Malaysia's largest foreign investor from the European Union.

As of June 2020, a total of 461 manufacturing projects with German participation have been implemented with total investments of US$9.36 billion (RM33.31 billion). The projects have created 47,277 jobs.

MIDA chairman Datuk Abdul Majid Ahmad Khan said he and Blomeyer discussed a host of prolific issues to continue goods-to-people mobility, despite the continuing pandemic concerns.

"The closely linked business communities from both sides urgently need to commute with the acceptance of stringent standard operating procedures in place. "MIDA has been working tirelessly with the embassies and foreign chambers to ensure that investors are provided adequate assistance to the necessary approval and access to make well-informed investment and business decisions across various markets," he said in a statement today.

Abdul Majid briefed on MIDA's plans to organise a Trade and Investment Mission and working visit to Europe including Germany once the border controls are streamlined and opened for business travellers.

He expressed the government's commitment to facilitate smooth business operations, including German investment in Malaysia. "Strong commitment from both institutions is essential in attracting quality investments for high value-add, capital-intensive and knowledge-intensive projects," he added.

PANDEMIC-FUELLED GROWTH FOR RETAIL ON E-COMMERCE

RETAIL ON E-COMMERCE GETS A HUGE BOOM IN MALAYSIA BECAUSE OF COVID-19.

MALAYSIA'S E-COMMERCE ECOSYSTEM IS BOOMING AND THE PANDEMIC, IF ANYTHING, HAS EXPEDITED THE GROWTH OF E-COMMERCE ACTIVITIES AMONG MALAYSIAN COMPANIES. IN MALAYSIA, THERE ARE OVER 35 MINISTRIES / AGENCIES PROVIDING VARIOUS TYPES OF FACILITATION TO MALAYSIAN SMES TO SUCCEED USING E-COMMERCE PLATFORMS.

WE WELCOME INVESTORS IN THE E-COMMERCE SECTOR TO VENTURE INTO MALAYSIA AND WE ALSO WOULD LIKE TO INVITE FOREIGN BUYERS TO SOURCE FOR MALAYSIAN PRODUCTS VIA E-MARKETPLACES SUCH AS AMAZON, EBAY OR ALIBABA.COM.

SPECIALISED SERVICES A BOON FOR SMEs

MITI THROUGH MIDA PROVIDES SPECIALISED SERVICES DEDICATED TO HELPING LOCAL SMEs TRANSFORM AND DIVERSIFY TO BE MORE RESILIENT

DEPUTY Minister of International Trade and Industry, YB Datuk Lim Ban Hong urges local Small and Medium Enterprises (SMEs) keen to explore ways to transform and diversify their businesses in becoming more resilient, to reach out to Domestic Investment Coordination Platform (DICP) and SME Desk under the Malaysian Investment Development Authority (MIDA), also a MITI agency, for assistance.

DICP plays a significant role in providing the missing link between businesses, funding, technology and research capability. The DICP team works closely with local regulators, technology providers, financial institutions including equity and corporate advisory firms to facilitate SMEs and local companies to grow their businesses; subsequently, driving more Domestic Direct Investment (DDI) in the country. The team also engages with R&D institutions for the commercialisation of their projects. Besides business-to-business facilitation, the team also organises seminars and forums on alternative financing, in collaboration with financial institutions, equity and venture capital firms. Through DICP, local companies will be facilitated to expand and ultimately contribute to the country's domestic investments.

"DICP plays an important role in enhancing the competitiveness of local SMEs to be on par with global businesses, while motivating more local companies to have regional conceptual thinking, and encouraging local companies to leverage on the signing of Regional Comprehensive Economic Partnership (RCEP) by collaborating with partners from around the region," Lim said.

To further enhance domestic investments, MIDA has established a dedicated SME Desk in its Headquarters and all its State Offices throughout Malaysia. The Desk operates as a One-StopCentre for SMEs at the state level to obtain guidance and advice on the Government's initiatives and facilities. The support aims to enhance SME's business collaborations through supply chain networks locally, regionally and globally.

"SME Desk's establishment underscores the government's commitment to facilitate domestic investments and advocate the co-ordination of supply chains between Malaysian companies, including SMEs with multinational corporations (MNCs) and large local companies (LLCs)," Lim shared.

This initiatives by MITI through MIDA will strengthen local SME's roles as the backbone of the economy, especially as the country mitigates the impact of the COVID-19 pandemic. SMEs in Malaysia represent 98.5 per cent of businesses in Malaysia and employ about 70 per cent of the country's workforce. "It is important to note that in the first nine months of 2020, Malaysia's DDI has been the leading investment performance in the country. Malaysia recorded a total of RM109.8 billion worth of investments in the manufacturing, services and primary sectors involving 2,935 projects that will create 64,701 jobs opportunities in Malaysia," Lim explained.

Of these, DDI accounted for 61.2 per cent of total investments, or RM67.2 billion, while Foreign Direct Investments (FDI) made up the remaining RM42.6 billion. DDI led the total approved investments in the services sector, contributing RM40.6 billion (94.9%). In contrast, DDI in the manufacturing sector saw a leap of 45.5 per cent to RM25.9 billion compared to the corresponding period last year. Encouraging DDIs in the country will lead to strengthening Malaysian companies' capabilities in various aspects, particularly manufacturing, so in the long run, these homegrown companies will grow to be global MNCs. Focusing on building local companies' capabilities will also have a direct impact on creating a pool of high-skilled talents among Malaysians.

TRUDGING ON IN THE WAKE OF COVID-19

GOING FORWARD IN OUR APPROACH TO OVERCOME THE IMPACT OF THE COVID-19 PANDEMIC.

TODAY marks the first year the nation has been battling the COVID-19 pandemic, unprecedented in terms of its global impact on both public health and the economy. In the face of seemingly insurmountable challenges, Malaysia has been able to remain resilient, thanks to our robust public health system and sound economic fundamentals. Nevertheless, with the onset of the third wave of the outbreak, our healthcare system has been subjected to even greater pressure, testing our capability and capacity to the limit.

When the Movement Control Order (MCO) was first introduced in March last year, the overarching priority was to strike a balance between protecting lives and livelihoods. The imperative of protecting public health has always remained paramount in as much as it is crucial that the economic well-being of the people is safeguarded. With this principle in mind, the Ministry of International Trade and Industry (MITI) together with other economic agencies were tasked to formulate strategies to minimise the impact to our battered economy.

MITI was entrusted to coordinate the list of essential economic activities that were allowed to operate. This proved to be a major challenge on account of the fact that the economic value chain is deeply interlinked and highly complex. As Malaysia is an important player in the global supply chain, it was incumbent on us to ensure minimal disruption to the supplies of essential products such as rubber gloves, PPE, parts and components for medical devices.

Above all, the Government has to ensure that the people's livelihoods are secured. Regular engagements were conducted with all stakeholders including Industry Associations and Chambers of Commerce on how best the Government could collaborate with the private sector in restarting, reviving and revitalising the economy. It bears repeating that in our efforts at fighting this pandemic, a host of unintended economic consequences were unleashed, not the least of which is the debilitating impact on the country's Gross Domestic Product (GDP).

Thus, in the second quarter of 2020, Malaysia's GDP suffered its worst ever decline in our history, namely, a contraction to -17.1 per cent. Consequently, the Government took the initiative to pump in a massive RM320 billion of stimulus packages not just to mitigate the adverse economic impact on the rakyat but also to jumpstart and revitalize the entire economy. By the third quarter of 2020, we managed to bring down the decline in growth to -2.7 per cent.

While this definitely manifests the effectiveness of the stimulus packages, it should be borne in mind that it would still take at least another quarter, if not more, before the economy could see actual positive growth. This underscores the fact that despite the best efforts at economic recovery, it would take an extended period of time before the economy can actually pick up to show positive growth after the lifting of the MCO.

Hence, the notion that the economy can revive instantaneously after a lockdown has been lifted has no real basis. The fact of the matter is that the economy does not run on a "switch off-switch on" mode. In this regard, recent calls to re-impose total lockdown in order to deal with the massive spikes in number of infections attendant on this third wave must be viewed along with other suggestions concerning alternative strategies and options. For instance, the Government could consider tightening the Standard Operating Procedures (SOPs) to prevent outbreaks at ignition sites and introducing clear guidance on geospatial planning such as quantifying indoor settings at any given time.

Additionally, we could step up targetted testing as well as regulate the costs of RTK-Antigen test kits to make COVID-19 testing more affordable and on a larger scale, particularly for industries. It has also been suggested that SOPs for social events can be tightened while a full ban on inter-state travel should be imposed for the interim. In any event, the call is for businesses to open on the condition precedent of full compliance with stricter SOPs. It cannot be over emphasised that at the end of the day, community engagement and empowerment remains key. This is because the pandemic starts and spreads in communities and the solutions are within the communities themselves through their behaviour, adaptation and compliance.

It is important to note that apart from the toll on health and the economy, COVID-19 has a direct impact on the people. One loss in income affects the whole household. In practical terms, the loss of income for one breadwinner may well adversely affect the livelihoods of at least 4 persons in a family. MITI acknowledges the strong support and collaboration by industry stakeholders and the rakyat towards ensuring economic recovery and sustainability during the COVID-19 pandemic.

Public-Private-Rakyat synergy is an invaluable value proposition for nation building and should be embraced by all. Throughout 2020, the security and medical frontliners particularly from the Ministry of Health have demonstrated their commitment, dedication and tireless efforts to contain the spread of the pandemic. We owe them a tremendous and invaluable debt.

UPDATE TO SAFEGUARD INVESTIGATION INTO CERAMIC IMPORTS

PRELIMINARY DETERMINATION OF THE SAFEGUARD INVESTIGATION WITH REGARD TO CERAMIC FLOOR AND WALL TILES PRODUCTS IMPORTED INTO MALAYSIA.

ON 13 September 2020, the Government of Malaysia initiated an investigation on imports of ceramic floor and wall tiles products into Malaysia pursuant to the Safeguards Act 2006 and Safeguards Regulations 2007, based on a petition filed by the Federation of Malaysian Manufacturers - Malaysian Ceramic Industry Group on behalf of the domestic industry producing the like products. The Petitioner alleged that the increase in imports of ceramic floor and wall tiles products in absolute terms and relative to domestic production from 2017 to 2019 have caused serious injury to the domestic industry in Malaysia producing the like products.

Pursuant to subsection 20(2) of the Safeguards Act 2006 and regulation 10 of the Safeguards Regulation 2007, the Government has completed the investigation and made a negative preliminary determination as there was no increase in imports of the product under investigation (PUI) in absolute term. The Government was also not able to ascertain the import volume of the PUI in relative term to the domestic production of the like products during the period of investigation. Moreover, the Government was unable to ascertain the existence of a causal link between the increase in imports of the PUI and the serious injury of the domestic industry in Malaysia producing the like products due to lack of information.

Based on these findings and the negative preliminary determination, the Government has decided to terminate the safeguard investigation on imports of ceramic floor and wall tiles products into Malaysia on 11 January 2021. Notice of Negative Preliminary Determination of Safeguard Investigation with regard to Ceramic Floor and Wall Tiles Products Imported into Malaysia can be accessed through:

http://www.federalgazette.agc.gov.my/outputp/pub_20210111_PUB12.pdf

Interested parties such as local producers, importers, foreign producers/exporters and associations related to the investigation can have access to the non-confidential version of the report on the Preliminary Determination by submitting a written request to the Ministry of International Trade and Industry as follows:

DIRECTOR
Trade Practices Section Ministry of International Trade and Industry
Level 9, Menara MITI No. 7, Jalan Sultan Haji Ahmad Shah 50480 Kuala Lumpur MALAYSIA
Telephone: (603) 6208 4632/ 4660/ 4639/ 4647
Fax: (603) 6211 4429
E-mail: alltps@miti.gov.my

GLOBAL FDI, 2020

ACCORDING to UNCTAD Investment Trends Monitor Report, global foreign direct investment (FDI) collapsed in 2020, falling 42% from $1.5 trillion in 2019 to an estimated $859 billion. Such a low level was last seen in the 1990s and is more than 30% below the investment trough that followed the 2008-2009 global financial crisis.

Despite projections for the global economy to recover in 2021 — albeit hesitant and uneven — UNCTAD expects FDI flows to remain weak due to uncertainty over the evolution of the COVID-19 pandemic. The organization had projected a 5-10% FDI slide in 2021 in last year's World Investment Report.

Developed Countries Hardest Hit

According to the report, the decline in FDI was concentrated in developed countries, where flows plummeted by 69% to an estimated $229 billion.

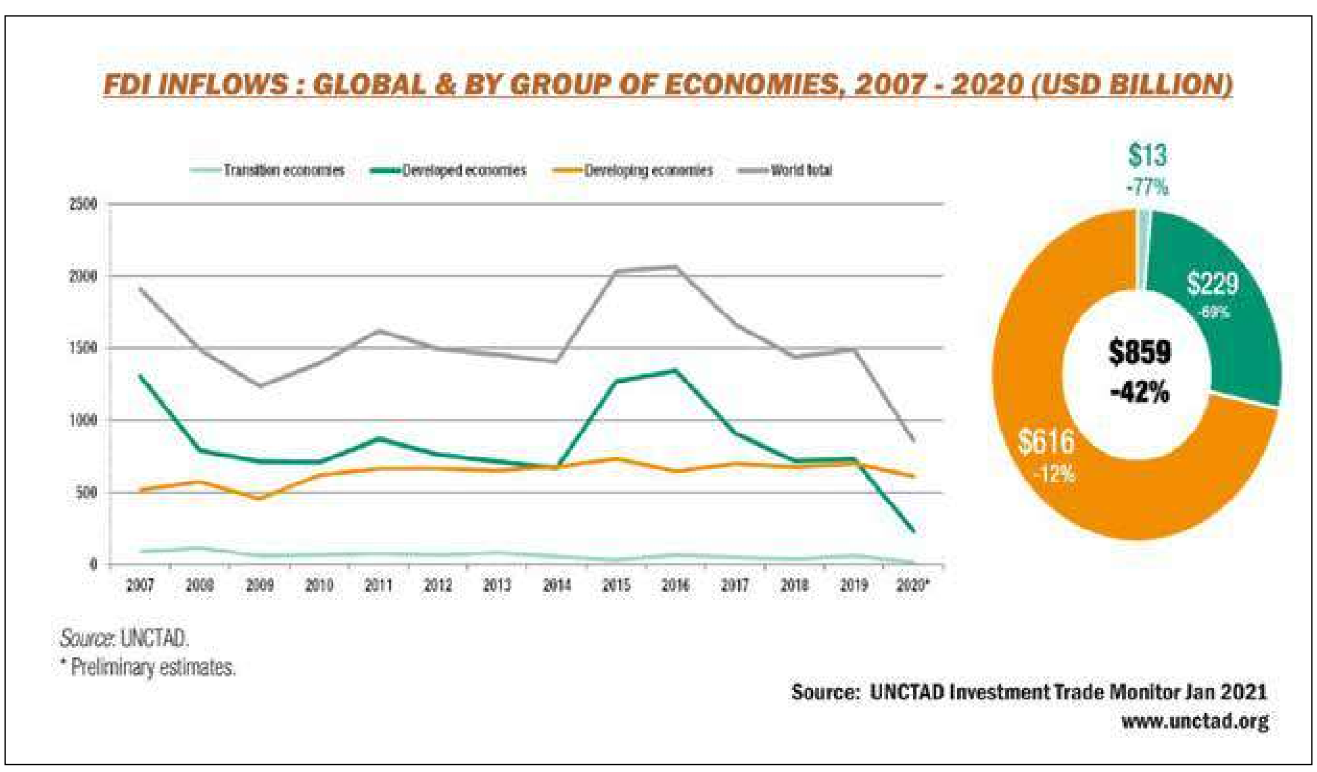
Flows to North America declined by 46% to $166 billion, with cross-border mergers and acquisitions (M&As) dropping by 43%. Announced greenfield investment projects also fell by 29% and project finance deals tumbled by 2%.

The United States recorded a 49% drop in FDI, falling to an estimated $134 billion. The decline took place in wholesale trade, financial services and manufacturing. Crossborder M&A sales of US assets to foreign investors fell by 41%, mostly in the primary sector.

On the other side of the Atlantic Ocean, investment to Europe dried up. Flows fell by two-thirds to -$4 billion. In the United Kingdom, FDI fell to zero, and declines were recorded in other major recipients.

But Europe's overall FDI performance masks a few regional bright spots. Sweden, for example, saw flows double from $12 billion to $29 billion. FDI to Spain also rose 52%, thanks to several acquisitions, such as private equities from the United States Cinven, KKR and Providence acquiring 86% of Masmovil.

Among other developed economies, flows to Australia fell (-46% to $22 billion) but increased for Israel (from $18 billion to $26 billion) and Japan (from $15 billion to $17 billion).



Developing Economies Account for Record Share of FDI

Although FDI flows to developing economies decreased by 12% to an estimated $616 billion, they accounted for 72% of global FDI – the highest share on record.

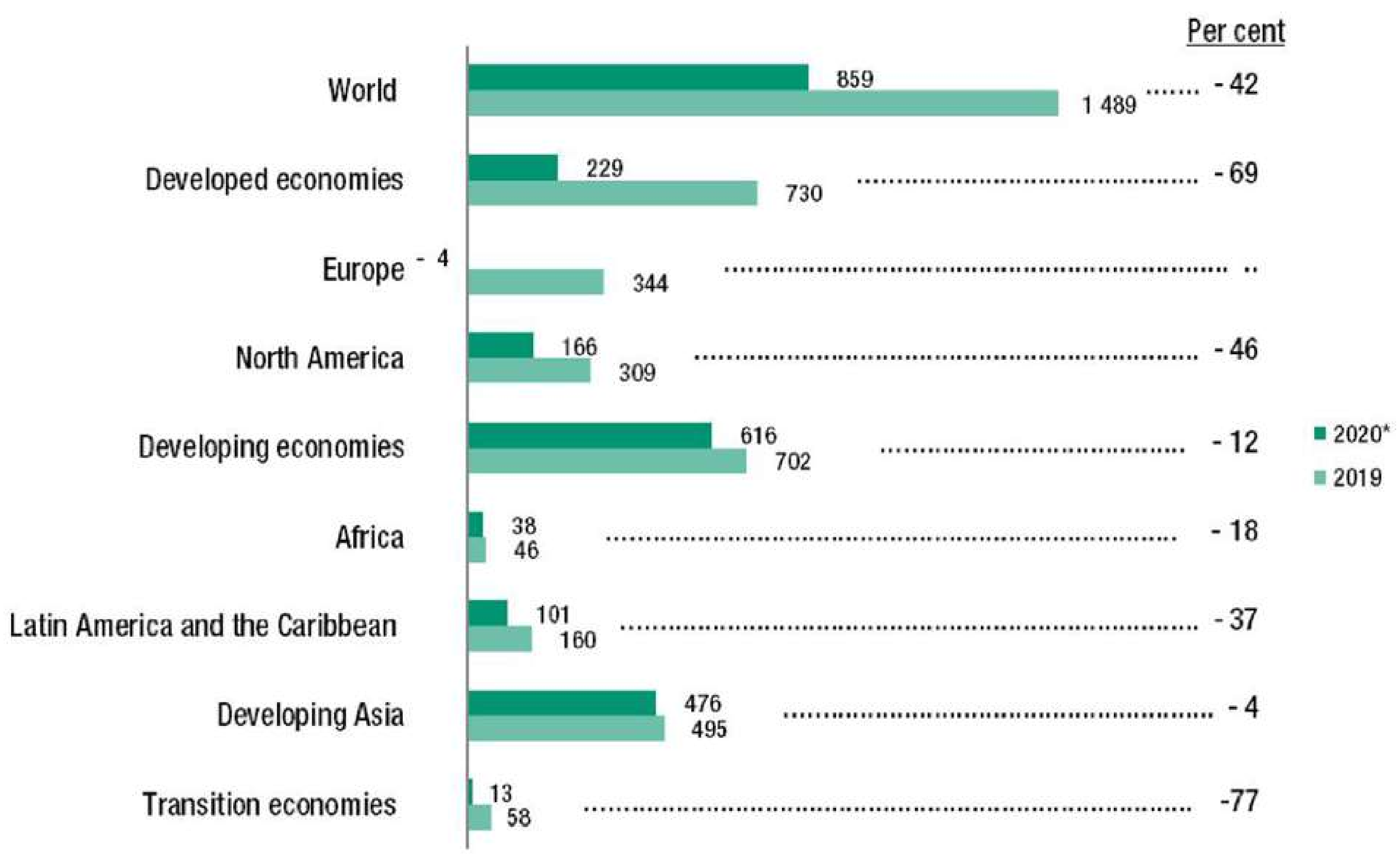
The fall was highly uneven across developing regions: -37% in Latin America and the Caribbean, -18% in Africa and -4% in developing countries in Asia. FDI to transition economies declined by 77% to $13 billion.

While developing countries in Asia weathered the storm well as a group, attracting an estimated $476 billion in FDI in 2020, flows to members of the Association of Southeast Asian Nations (ASEAN) contracted by 31% to $107 billion, due to a decline in investment to the largest recipients in the subregion.

In terms of individual nations, China was the world's largest FDI recipient, with flows to the Asian giant rising by 4% to $163 billion.

High-tech industries saw an increase of 11% in 2020, and cross-border M&As rose by 54%, mostly in ICT and pharmaceutical industries. India, another major emerging economy, also recorded positive growth (13%), boosted by investments in the digital sector.

FDI INFLOWS BY REGION 2019 & 2020 (USD BILLION)

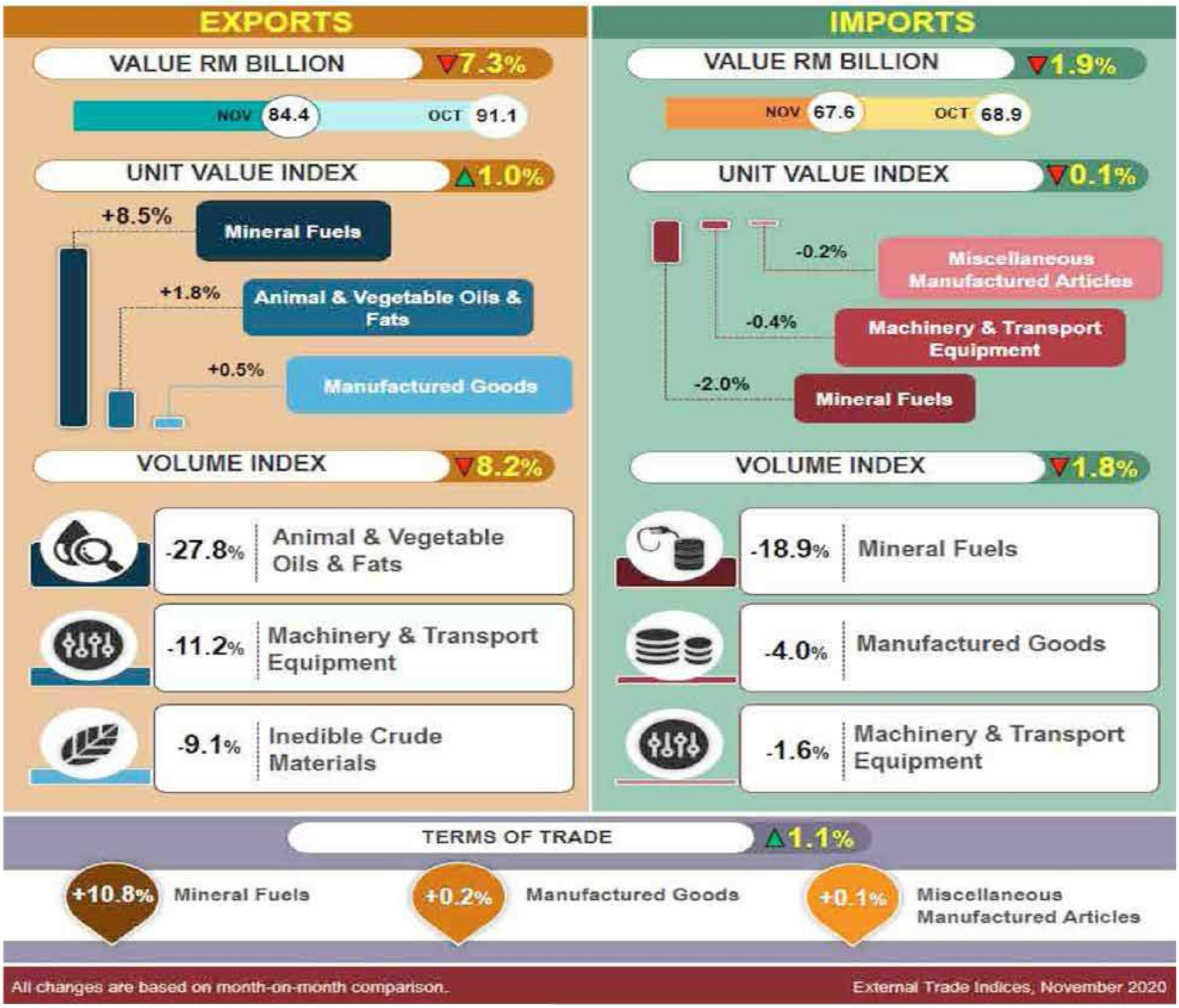


Source: UNCTAD.
* Preliminary estimates.

Source: UNCTAD Investment Trade Monitor Jan 2021
www.unctad.org

EXTERNAL TRADE INDICES, NOV 2020

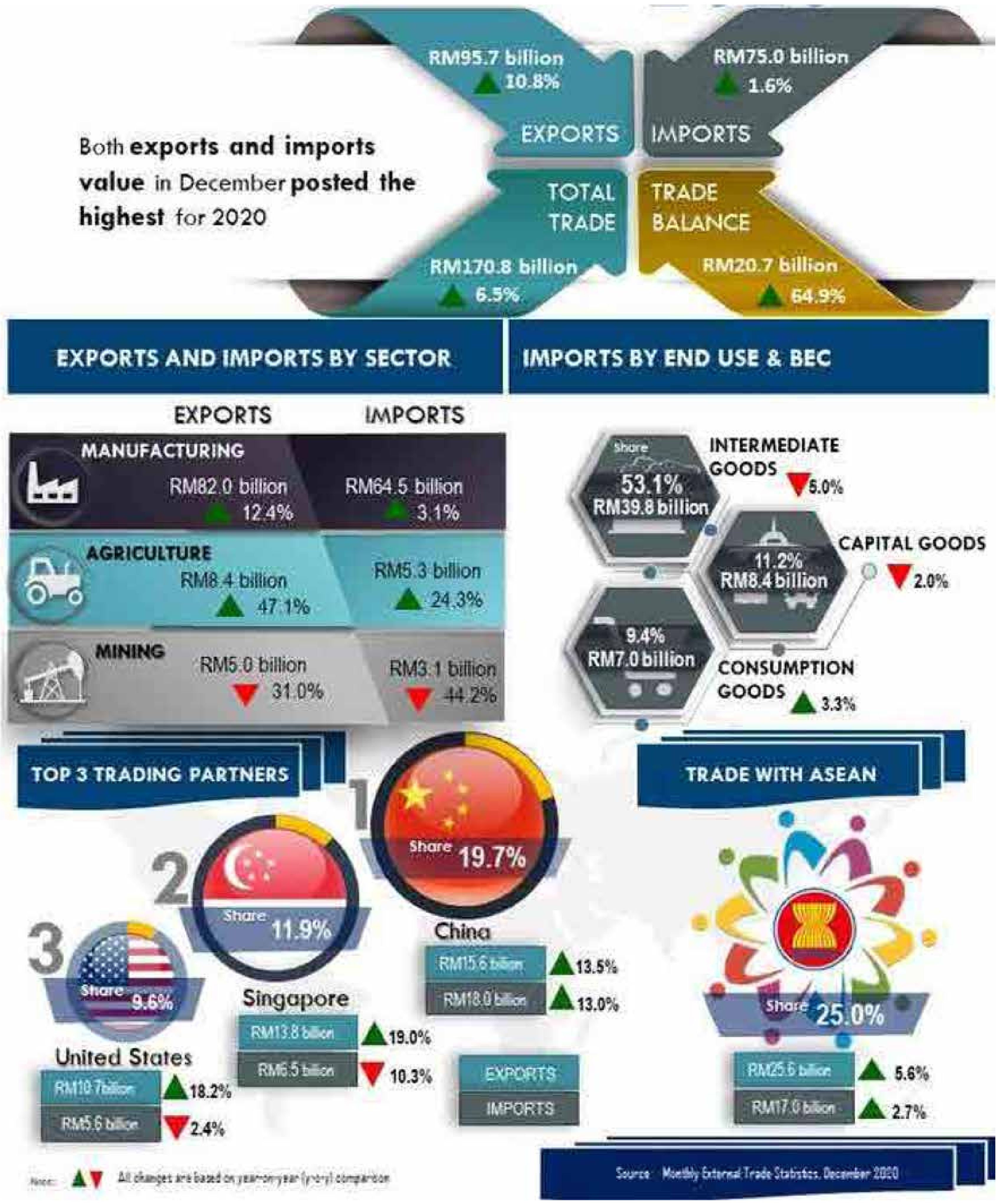
Malaysia's export unit value index posted a positive growth at 1.0% in November 2020, which was contributed by the growth in the index of mineral fuels (+8.5%), animal & vegetable oils & fats (+1.8%) and manufactured goods (+0.5%). Whereas, the import unit value index dropped marginally by 0.1% in November 2020 as compared with the previous month. The deterioration was attributed to the decreases in the index of mineral fuels (-2.0%), machinery & transport equipment (-0.4%) and miscellaneous manufactured articles (-0.2%).



Source: Department of Statistics, Malaysia

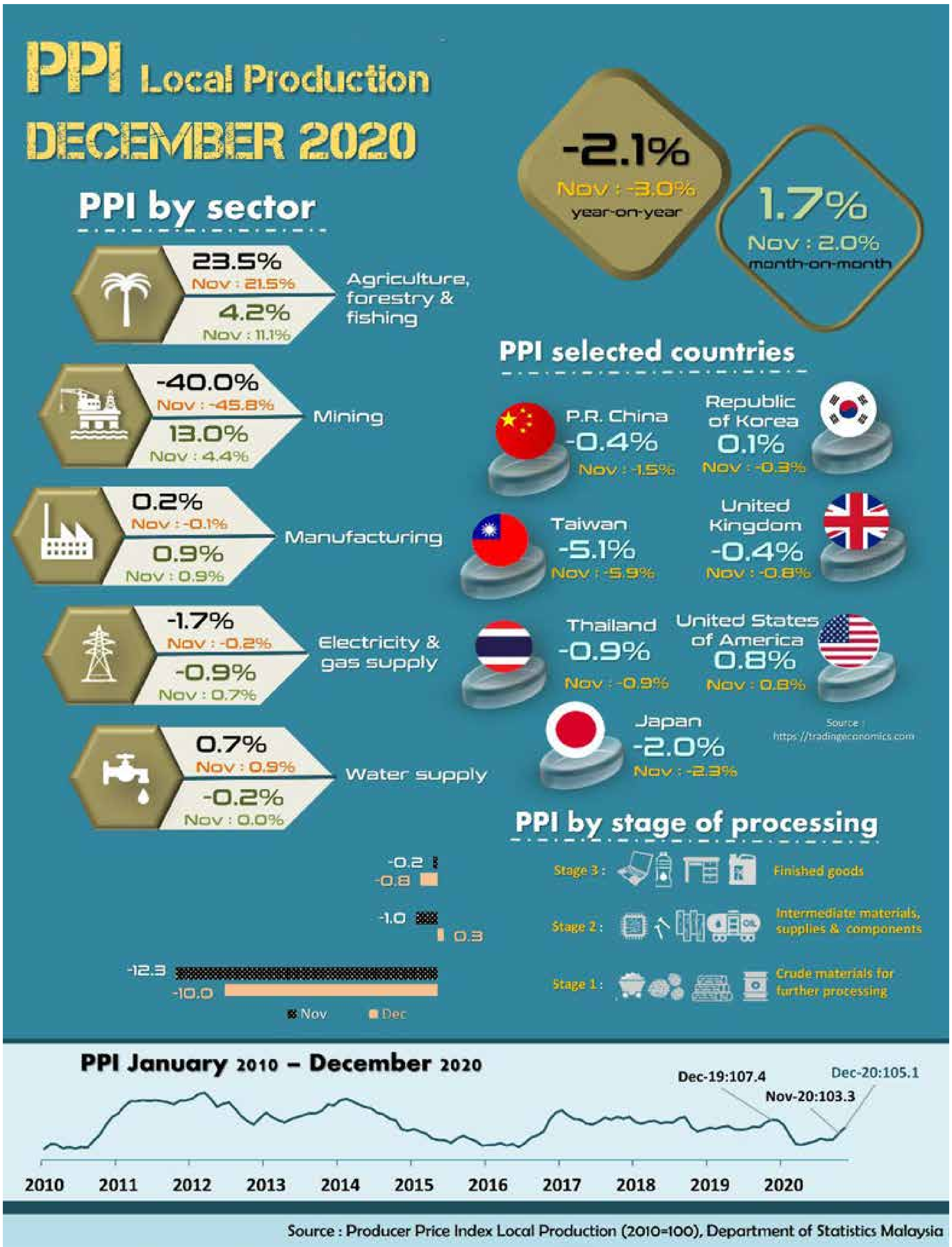
EXTERNAL TRADE INDICES, DEC 2020

Malaysia's exports in December 2020 registered a double-digit growth of 10.8% to RM95.74 billion, year-on-year (y-o-y). This was the highest monthly export recorded in 2020 and the second highest export value ever registered after RM97.12 billion in 11 October 2018.



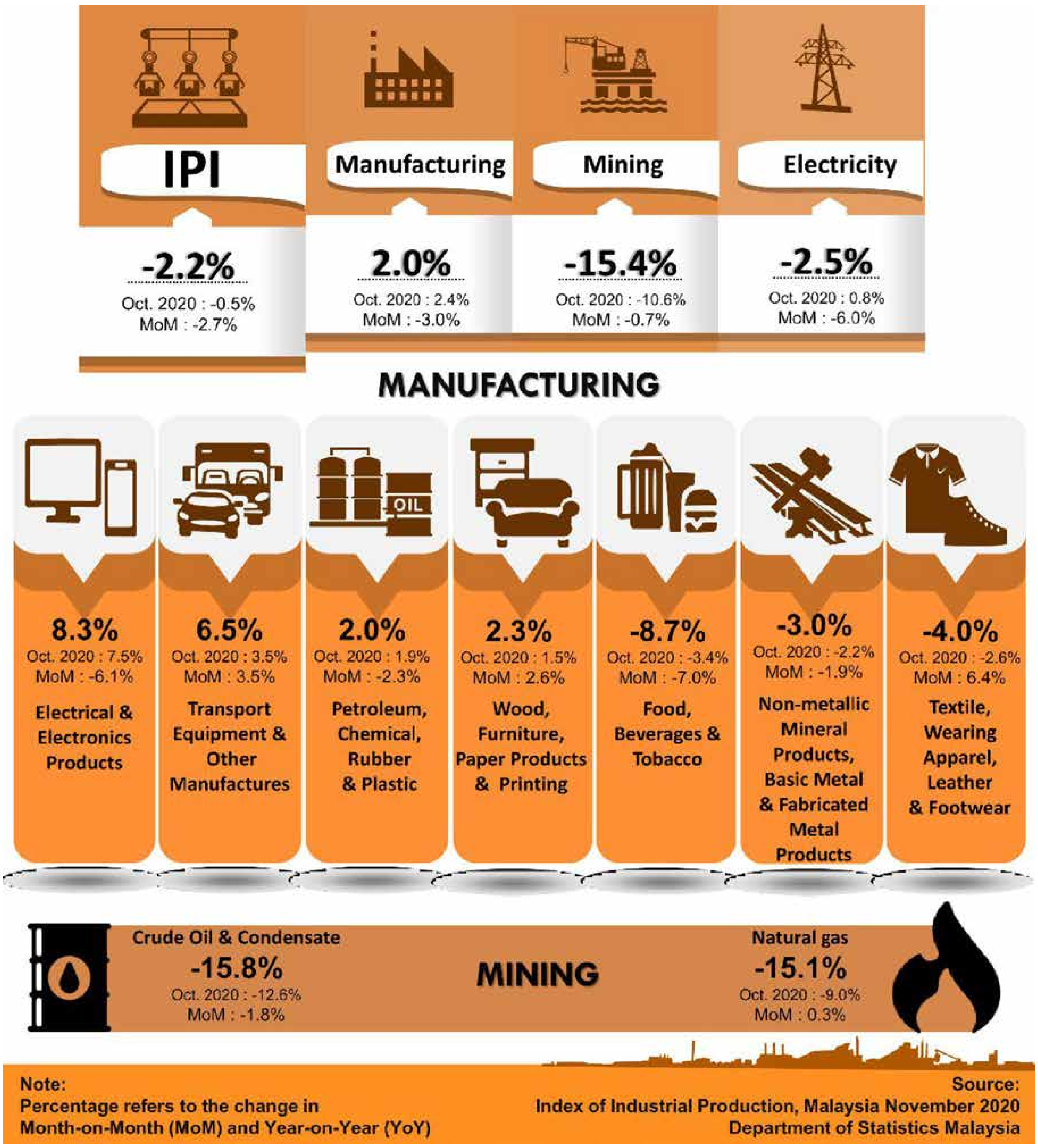
PRODUCER PRICE INDEX (PPI), DEC 2020

Producer Price Index (PPI) local production declined at a slower rate of 2.1 per cent year-on-year in December 2020 as compared to negative 3.0 per cent in November 2020. The continuous double-digit increased in the index of Agriculture, forestry & fishing (23.5%) and the positive change in Manufacturing index (0.2%), reinforced the momentum of overall index.



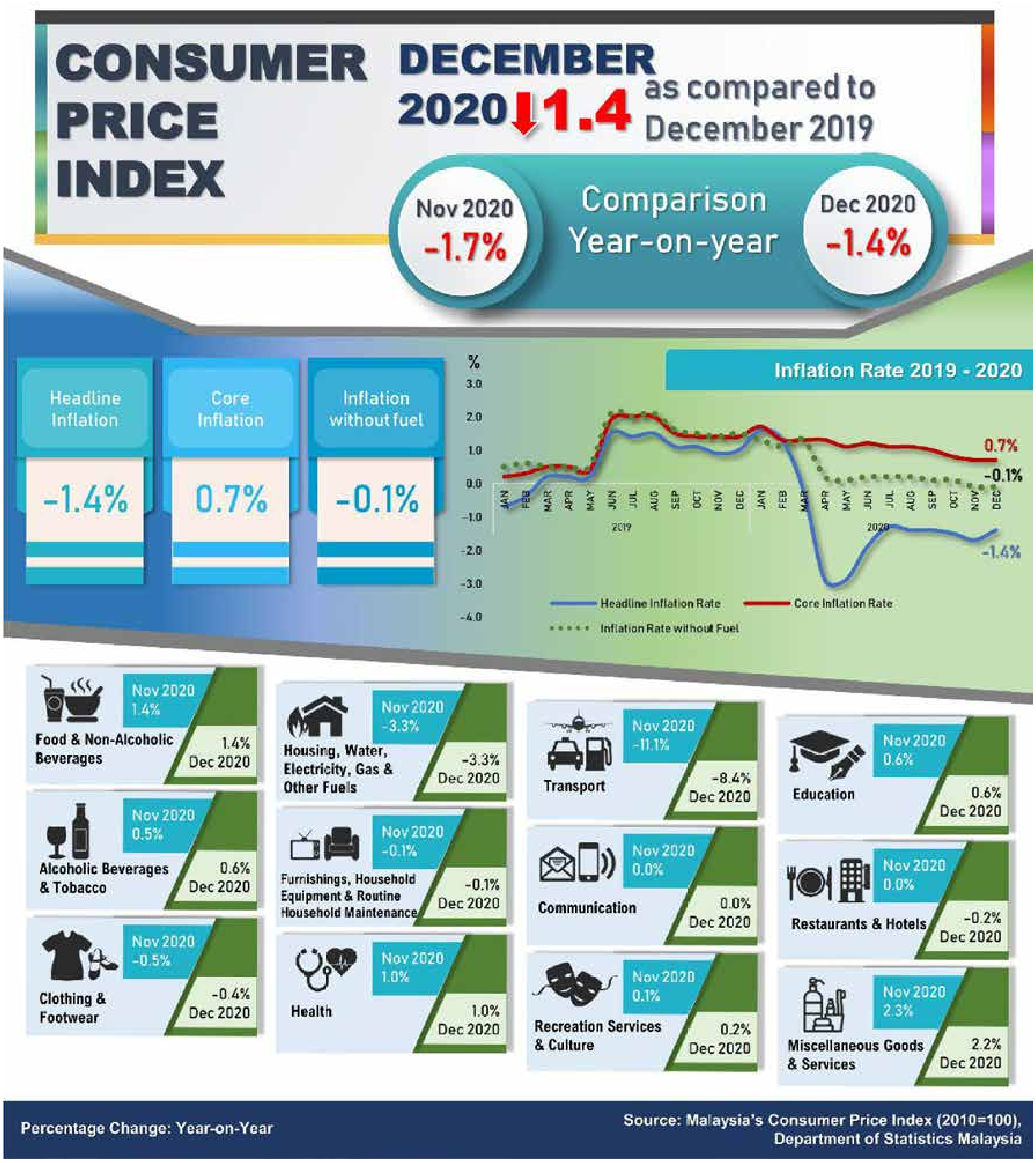
INDUSTRIAL PRODUCTION INDEX (IPI), NOV 2020

The Industrial Production Index (IPI) contracted 2.2 per cent in November 2020 as compared to the same month of the previous year. The deterioration of IPI in November 2020 was due to the fall in Mining and Electricity index when it recorded a decline of 15.4 per cent and 2.5 per cent respectively. Meanwhile, the Manufacturing index continues to grow 2.0 per cent.



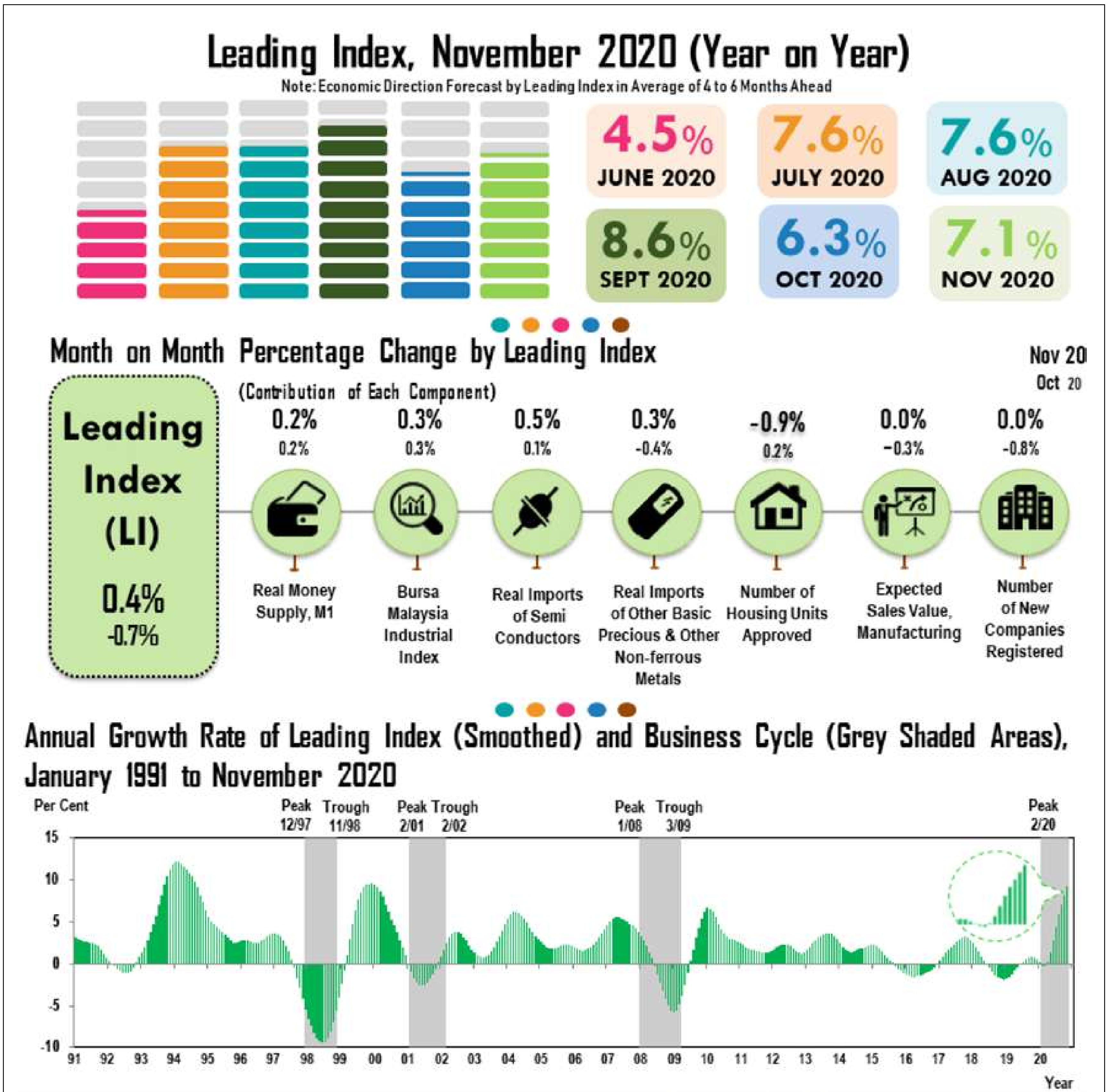
CONSUMER PRICE INDEX (CPI), DEC 2020

Consumer Price Index (CPI) declined 1.4 per cent in December 2020 to 120.6 as against 122.3 in the same month of the preceding year. The decrease in the overall index was attributed by the decline in Transport (-8.4%); Housing, Water, Electricity, Gas & Other Fuels (-3.3%); Clothing & Footwear (-0.4%); Restaurants & Hotels (-0.2%) and Furnishings, Household Equipment & Routine Household Maintenance (-0.1%) which contributed 48.6 per cent to overall weight.



LEADING INDEX (CPI), NOV 2020

Malaysia's LI for November 2020 registered 109.1 points, rose 7.1 per cent from November 2019 following 6.3 per cent in October 2020. Bursa Malaysia Industrial Index which remained to prop up significantly in the reference month was mainly fuelled by the Health Care Index. The trend is in line with the monthly change of LI which posted a growth of 0.4 per cent in November 2020 as against negative 0.7 per cent in the previous month. The gain was primarily contributed by Real Imports of Semi Conductors (0.5%) driven by the encouraging demand of electronic integrated circuit.



Source: Malaysian Economic Indicators: Leading, Coincident & Lagging Indexes, November 2020
Department of statistics Malaysia

TRADE PERFORMANCE FOR THE YEAR 2020

23RD CONSECUTIVE YEAR OF TRADE SURPLUS

Malaysia's trade surplus in 2020 recorded the 4th consecutive year of double-digit growth, with an expansion of 26.9% to RM184.79 billion compared to 2019. This was also the largest trade surplus thus far, representing Malaysia's achievement in sustaining trade surplus for 23 consecutive years since 1998.

Malaysia's exports in 2020, valued at RM980.99 billion, declined marginally by 1.4% compared to the preceding year, in tandem with the unfavourable external environment due to the impact of the COVID-19 pandemic. Exports rebounded in the second half of 2020, increasing by 4.8%. This was a significant improvement from a 7.9% contraction in the first half of 2020 as the economy progressively reopened and external demand gradually recovered. Lower exports were recorded to Thailand, India, Bangladesh, Viet Nam and Japan while higher exports were registered to China, the US, Singapore and Hong Kong SAR.

Total trade in 2020 amounting to RM1.777 trillion, contracted by 3.6% compared to 2019 while imports totalled RM796.19 billion, a decline of 6.3%. Malaysia's trade performance was in tandem with countries in the region notably Indonesia, Singapore, the ROK and Thailand.

TRADE PERFORMANCE WITH MAJOR MARKETS

ASEAN – Malaysia's Important and Strategic Trading Partner

ASEAN remained as an important and strategic trading partner for Malaysia, accounting for 25.2% of Malaysia's total trade in 2020. Trade with ASEAN valued at RM447.4 billion, a decrease of 9% compared to a year ago.

In 2020, exports to ASEAN reached RM272.92 billion, making up 27.8% of Malaysia's total exports. Exports to the region posted a contraction of 4.7% following lower exports of crude petroleum, manufactures of metal, petroleum products as well as iron and steel products. The decline however was cushioned by higher exports of E&E products, transport equipment and other manufactures especially solid-state storage devices (SSD).

Breakdown of exports to ASEAN countries:

- Singapore RM142.16 billion, increased by 3.7%
- Thailand RM45.27 billion, ↓19.6%
- Viet Nam RM30.89 billion, ↓12.7%
- Indonesia RM29.59 billion, ↓5.6%
- Philippines RM17.58 billion, ↓5.5%
- Myanmar RM3.10 billion, ↑9.4%
- Brunei RM2.78 billion, ↑21.3%
- Cambodia RM1.49 billion, ↓42.4%
- Lao PDR RM56.2 million, ↑67.8%

Exports to markets in ASEAN that recorded expansion in 2020 were Singapore, which increased by RM5.09 billion, Brunei (↑RM488 million), Myanmar (↑RM265 million) and Lao PDR (↑RM22.7 million). Singapore, Thailand and Viet Nam remained as Malaysia's top three export destinations in 2020, accounting for 80% of Malaysia's exports to ASEAN.

Singapore continued to be the largest export market in ASEAN with a share of 52.1% of total exports to the region, rose by 3.7% to RM142.16 billion underpinned by higher exports of E&E products, petroleum products as well as machinery, equipment and parts.

Exports to Thailand stood at RM45.27 billion, contracted by 19.6% due mainly to lower exports of E&E products, crude petroleum as well as machinery, equipment and parts. However, increases in exports were recorded for other manufactures (SSD), jewellery and processed food.

Exports to Viet Nam reached RM30.89 billion, slipped by 12.7% on account of lower exports of petroleum products and manufactures of metal. Higher exports were mainly seen for E&E products. Imports from ASEAN was RM174.48 billion, decreased by 14.9%. Main imports were E&E products, petroleum products as well as chemicals and chemical products.

Exports of rubber products doubled.

Malaysia's exports of rubber products notably rubber gloves recorded strong growth in 2020.

China – The Highest Export Value Ever Recorded

China remained as Malaysia's largest export destination, with exports expanding by 12.5% to RM158.6 billion, the highest value thus far. The expansion was driven by higher exports of iron and steel products, other manufactures (SSD), E&E products, manufactures of metal, palm oil and palm oil-based agriculture products, rubber products as well as paper and pulp products. Exports to China contributed 16.2% to Malaysia's total exports in 2020.

As Malaysia's largest trading partner for 12 consecutive years, trade with China in 2020 accounted for a larger share at 18.6% of total trade compared to 17.2% a year ago. Trade with China expanded by 4.2% to RM329.77 billion. China was also Malaysia's largest import source, accounting for 21.5% of total imports in 2020 or RM171.18 billion, contracted by 2.6% compared to 2019. Main imports were E&E products, machinery, equipment and parts as well as chemicals and chemical products.

The EU – Exports of Rubber Products Doubled

Trade with the European Union (EU) in 2020 was valued at RM142.84 billion or 8% of Malaysia's total trade, a decline of 10.4% compared to 2019. Exports to the EU reached RM84.06 billion, decreased by 4.3% mainly due to lower exports of E&E products. The contraction was moderated by higher exports of rubber products as well as palm oil and palm oil-based agriculture products. Shipment of rubber products to the EU doubled to RM9.33 billion from last year while exports of palm oil and palm oil-based agriculture products surged by 36.4% to RM7.11 billion.

Among the top 10 EU markets which accounted for 90.6% of Malaysia's total exports to the EU, four countries recorded expansion namely, Italy which increased by 7.9%, the Czech Republic (↑26%), Poland (↑30.9%) and Slovenia (↑37.6%).

Imports from the EU in 2020 stood at RM58.78 billion, fell by 17.8% compared to 2019. The main imports were E&E products, chemicals and chemical products as well as machinery, equipment and parts.

The US – The Highest Export Value in the Last Decade

Trade with Malaysia's third-largest trading partner, the US, grew by 7.8% to RM178.18 billion, constituting 10% of Malaysia's total trade in 2020. Exports to the US registered a double-digit growth of 12.7% in 2020 to RM108.81 billion, the highest export value in the last decade. The expansion was boosted mainly by manufactured goods which increased by 13.1% to RM106.15 billion and accounted for 97.6% of Malaysia's total exports to the country. This was supported by higher exports of rubber products, wood products, other manufactures (SSD), E&E products as well as machinery, equipment and parts. These products represented 78.2% of Malaysia's exports to the US.

Imports from the US grew by 1% to RM69.36 billion and the main imports were E&E products, chemicals and chemical products as well as machinery, equipment and parts.

Japan – 4th Largest Trading Partner

In 2020, Japan remained as Malaysia's 4th largest trading partner for six successive years since 2015. Trade with Japan constituted 6.9% or RM122.73 billion of Malaysia's total trade, shrank by 5.3%.

Exports amounted to RM61.69 billion, declined by 6.5% from a year ago on account of lower exports of liquefied natural gas (LNG). The contraction was moderated by higher exports of broad-based products to Japan, notably crude petroleum, rubber products, optical and scientific equipment, E&E products as well as palm oil and palm oil-based agriculture products. Collectively, these products contributed 45.3% to total exports to Japan.

Imports from Japan in 2020 was valued at RM61.04 billion, a decrease of 4%. Major imports were E&E products, machinery, equipment and parts as well as chemicals and chemical products.

FTA Markets

Trade with Free Trade Agreement (FTA) partners in 2020 stood at RM1.185 trillion, lower by 3.7% and accounted for 66.7% of Malaysia's total trade. Exports to FTA partners was valued at RM667.46 billion, a decrease of 1.6% and represented 68% of Malaysia's total exports.

Palm oil boosted higher exports.

E&E products held the biggest share of Malaysia's total exports in 2020 at 39.4% or RM386.11 billion, rose by 3.5% compared to the previous year.

Major export products were E&E products, petroleum products as well as chemicals and chemical products which contributed 53.2% to Malaysia's total exports to FTA markets.

Increases in exports were recorded to Hong Kong SAR, by 2.3% to RM68.12 billion due to higher exports of E&E products, Turkey (↑9.4% to RM7.62 billion, rubber products) and the ROK (↑1% to RM34.57 billion, E&E products).

Imports from FTA partners dipped by 6.3% to RM517.07 billion and the main imports were E&E products, petroleum products as well as chemicals and chemical products.

Emerging Export Markets

In 2020, significant growth in exports was recorded to the emerging markets notably Costa Rica, Kenya, Nigeria, Ghana, Cote d'Ivoire and Kazakhstan.

Exports to Costa Rica surged by 405.3% to RM1.29 billion and Kazakhstan (↑60.3%, RM430.5 million), underpinned by higher exports of E&E products.

Exports to Kenya expanded by 49.8% to RM2.25 billion, Ghana (↑80.7%, RM1.26 billion) and Cote d'Ivoire (↑75.2%, RM480.6 million), attributed to increase in exports of palm oil and palm oil-based agriculture products.

Meanwhile, exports to Nigeria picked up by 33.7% to RM2.69 billion on the back of higher exports of petroleum products.

PERFORMANCE OF MAJOR SECTORS

Manufactured Goods – Higher Demand for Smart Devices and PPE

In 2020, exports of manufactured goods were valued at RM847.66 billion, making up a larger share of total exports thus far at 86.4% compared to 84.5% in 2019. E&E products held the biggest share of Malaysia's total exports in 2020 at 39.4% or RM386.11 billion, rose by 3.5% compared to the previous year.

The increase was due to higher exports of electronic integrated circuits, apparatus for transmission or reception of voice, images and data as well as parts for electronic integrated circuits to support work-from-home practice.

Higher exports of E&E products over RM1 billion were registered for:
- Parts & accessories for computers, increased by 27.8% to RM10.79 billion;
- Parts & accessories of telephone sets & other telecommunication equipment, ↑150.6% to RM2.93 billion;
- Computers, ↑19.7% to RM8.64 billion; and
- Parts & accessories for office machines, ↑10.5% to RM10.61 billion.

Expansion in exports of E&E products was seen to Singapore, China, Hong Kong SAR, the ROK, Viet Nam and the US.

Other manufactured products that recorded significant growth in exports for 2020 were:
- Rubber products, increased by 68.9% to RM43.64 billion;
- Other manufactures (SSD), ↑24.2% to RM38.78 billion;
- Optical and scientific equipment, ↑4.1% to RM41.55 billion;
- Iron and steel products, ↑7.2% to RM23.55 billion; and
- Wood products; ↑1.9% to RM16.08 billion.

In tandem with rising global demand for personal protective equipment (PPE) due to COVID-19 crisis, Malaysia's exports of rubber products notably rubber gloves recorded strong growth in 2020. Exports of rubber gloves doubled to RM35.26 billion from the previous year. Expansion in exports of rubber products were recorded mainly to the US, China, the United Kingdom, Germany and Spain.

Agriculture Goods – Palm Oil Boosted Higher Exports

Exports of agriculture goods in 2020 grew by 8.7% from the previous year to RM71.68 billion, constituting 7.3% of total exports in 2020. The growth was attributed mainly to the increase in exports of palm oil and palm oil-based agriculture products by 18.4% to RM52.33 billion, buoyed by higher exports of palm oil.

Mining Goods – Lower LNG and Crude Petroleum Exports

Exports of mining goods in 2020 made up 5.9% share of total exports or RM57.39 billion, edged down by 29.6% compared to 2019. All mining products recorded decreases in exports, led by LNG which slipped by 32.1% to RM28.83 billion, followed by crude petroleum (↓28.4% to RM18.86 billion).

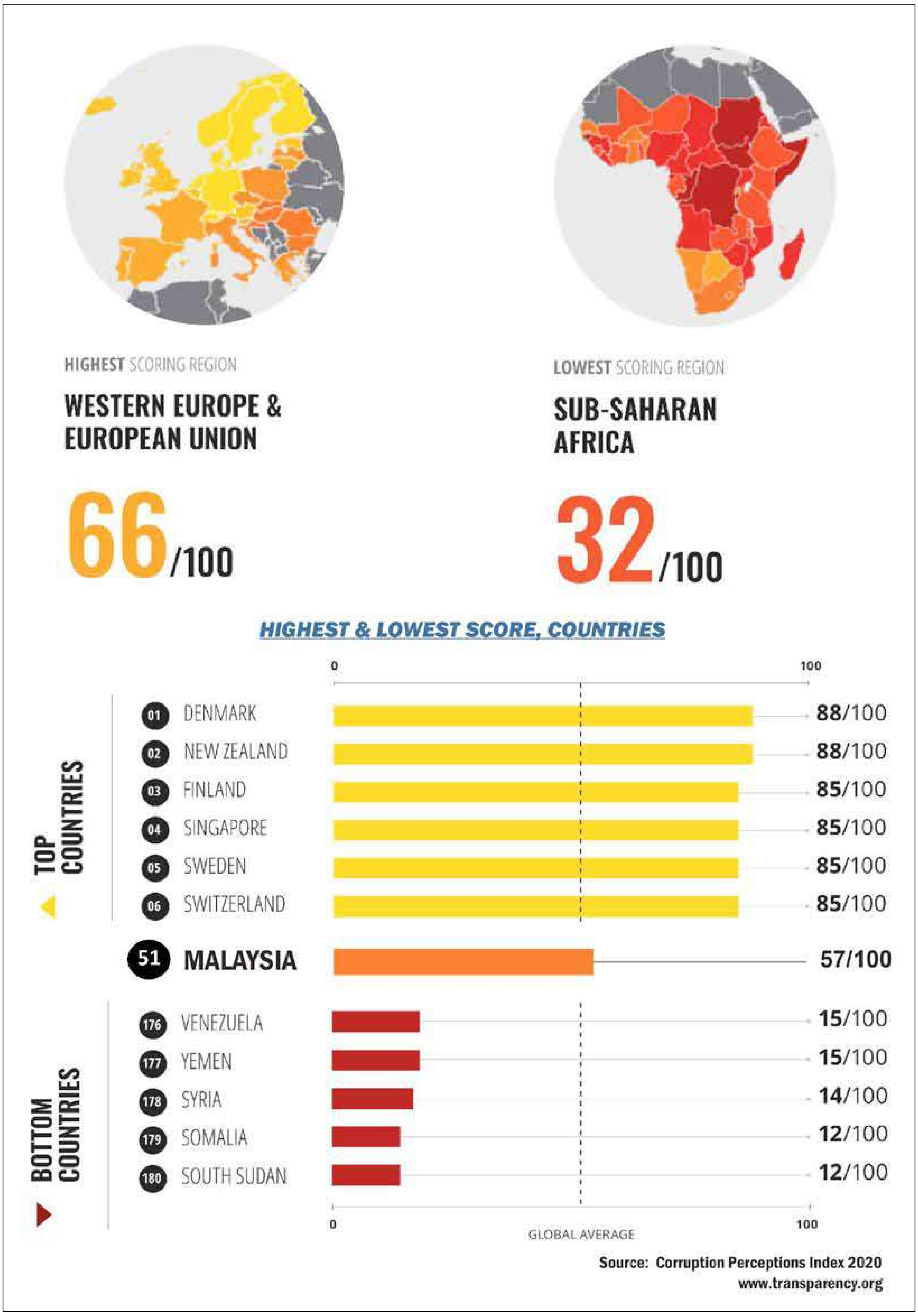
PERFORMANCE OF IMPORTS

Intermediate Goods Held the Largest Share of Imports

In 2020, Malaysia's total imports slipped by 6.3% to RM796.19 billion. The three main categories of imports by end-use which accounted for 73.8% of total imports in 2020 were:
- Intermediate goods, valued at RM422.91 billion or 53.1% share of total imports, decreased by 9.5%, following lower imports of processed industrial supplies, particularly iron and steel;
- Capital goods, amounted to RM90.38 billion or 11.4% of total imports, declined by 9.8%, due mainly to reduced imports of industrial transport equipment, primarily vehicles other than railway or tramway; and
- Consumption goods totalled RM73.91 billion or 9.3% of total imports, contracted marginally by 0.3%, as a result of lower imports of semi-durables, especially apparels and footwear.

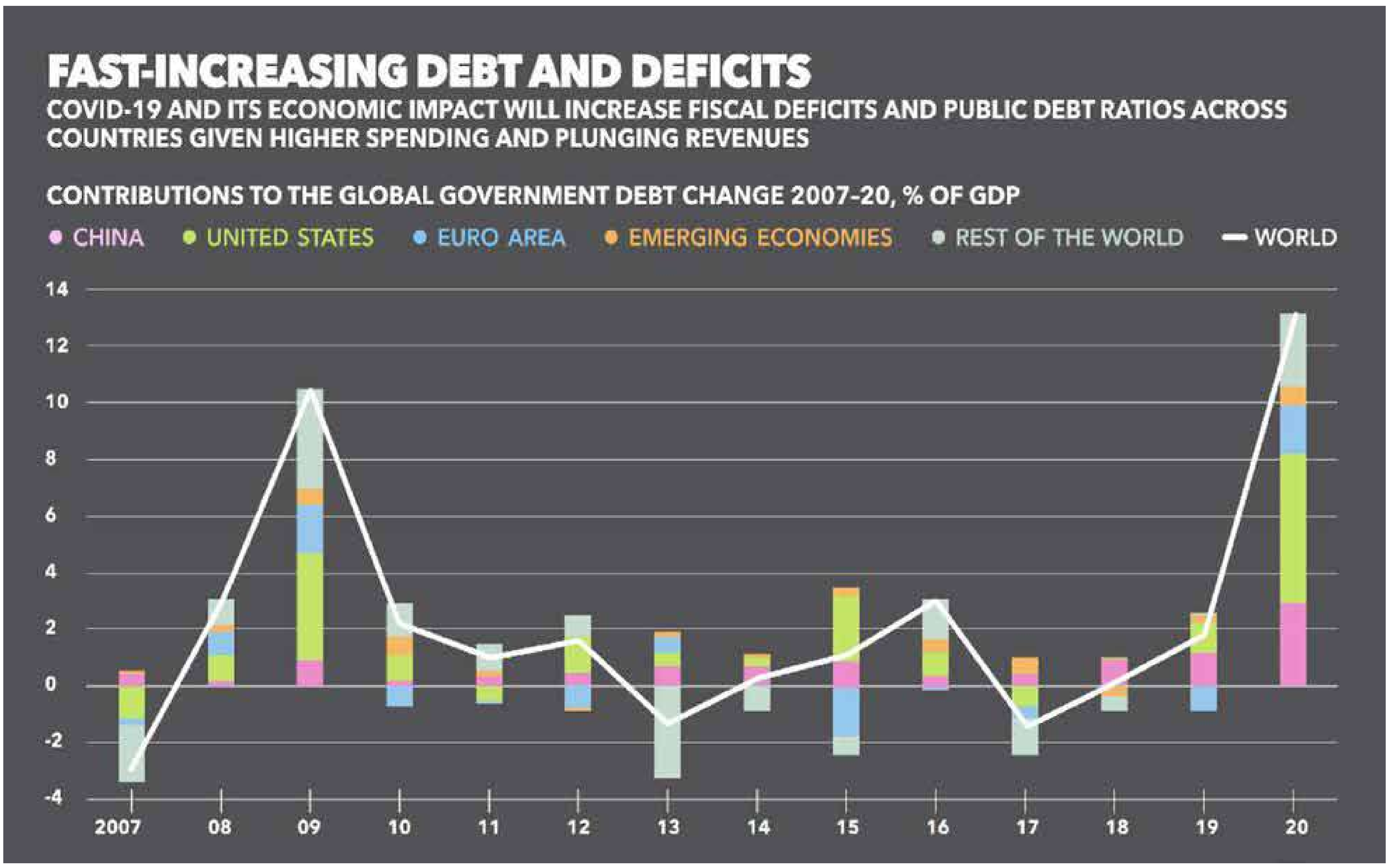
China remained the largest import source since 2011, followed by Singapore, the US, Japan and Taiwan. These countries contributed 54.4% to total imports. Imports from ASEAN amounted to RM174.48 billion or 21.9% share of Malaysia's total imports while the EU accounted for 7.4% share, with a value of RM58.78 billion.

CORRUPTION PERCEPTIONS INDEX, 2020



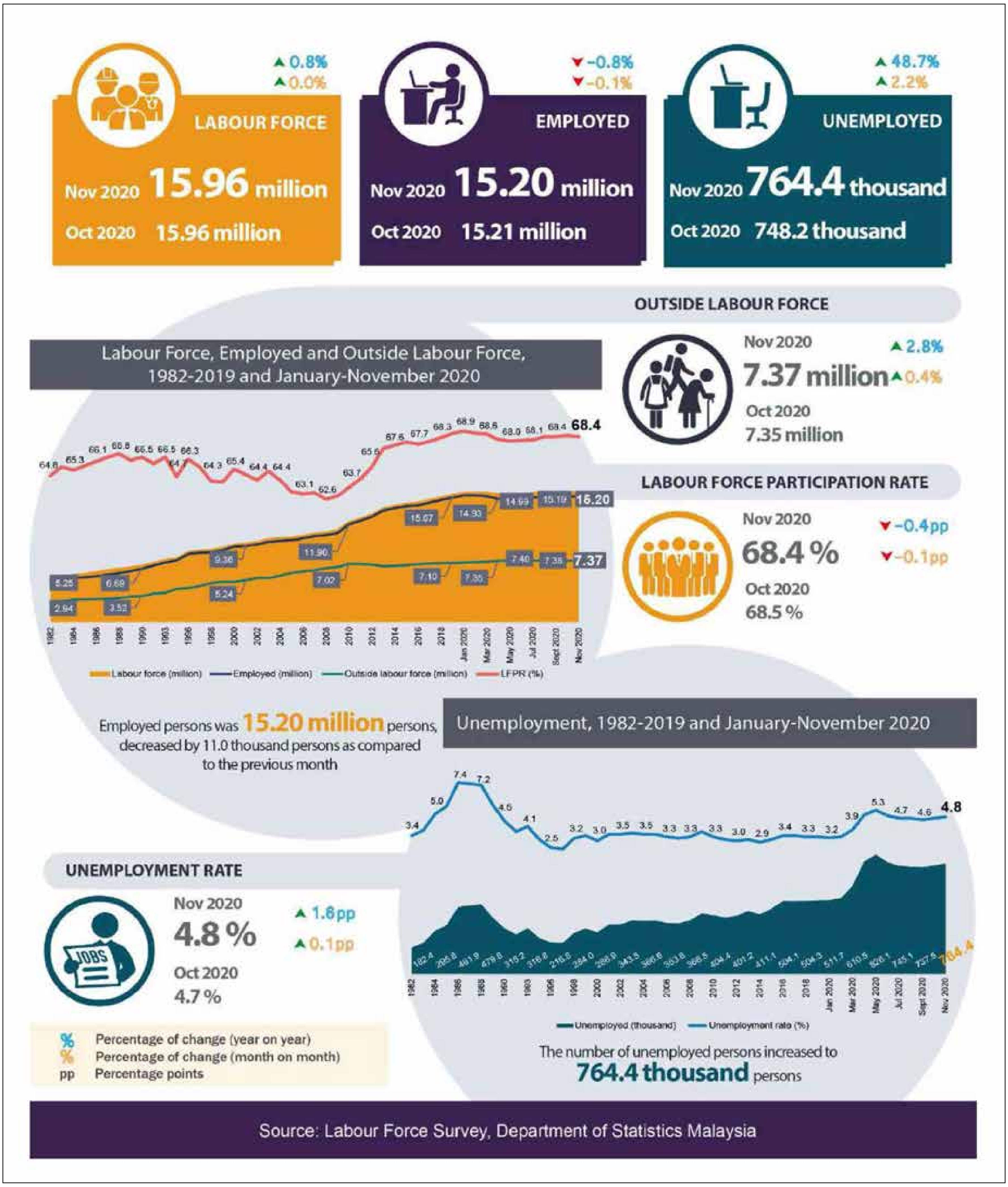
GLOBAL GOVERNMENT DEBT, 2007-2020

LOW-INTEREST rates for over a decade have led to a build-up of global financial risks and historically high levels of government and private debt in most countries. These debt vulnerabilities have significantly increased with the pandemic and the Great Lockdown, which has led to large increases in debt and deficits beyond those recorded during the global financial crisis. As countries fight the pandemic, they have committed to spend whatever it takes to save lives, protect people from losing jobs and incomes, and spare companies from bankruptcies, while supporting recovery. Low-interest rates make borrowers more vulnerable if interest rates rise, and they erode bank profits, which hampers banks' ability to lend money to businesses so they can grow. The pandemic hit many vulnerable low-income countries hard: 50 per cent of these countries are at high risk of debt distress. Economic shocks like the spread of a global virus can stall their economies and reverse financing flows, which further complicates their ability to manage their debt.



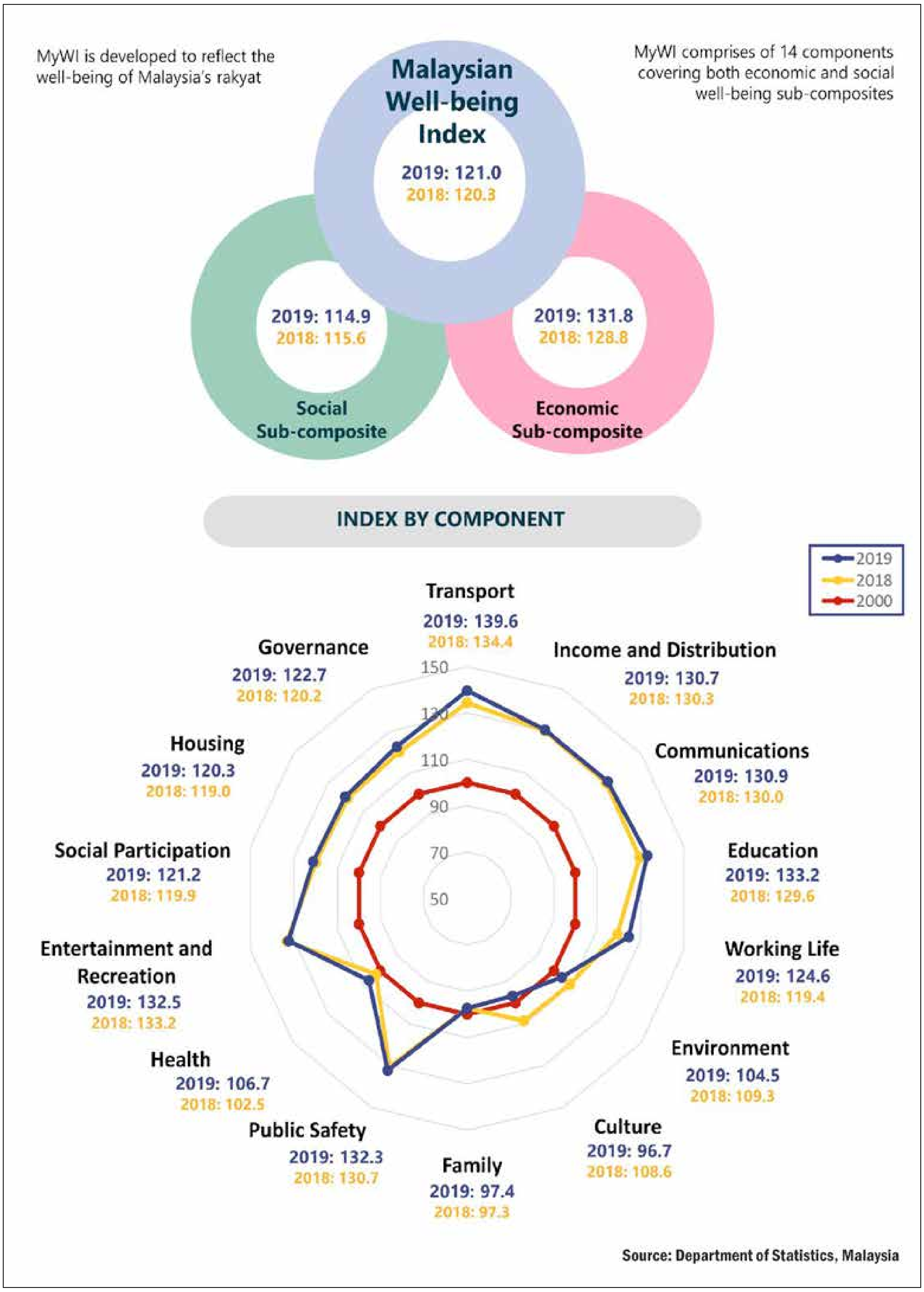
LABOUR FORCE, NOV 2020

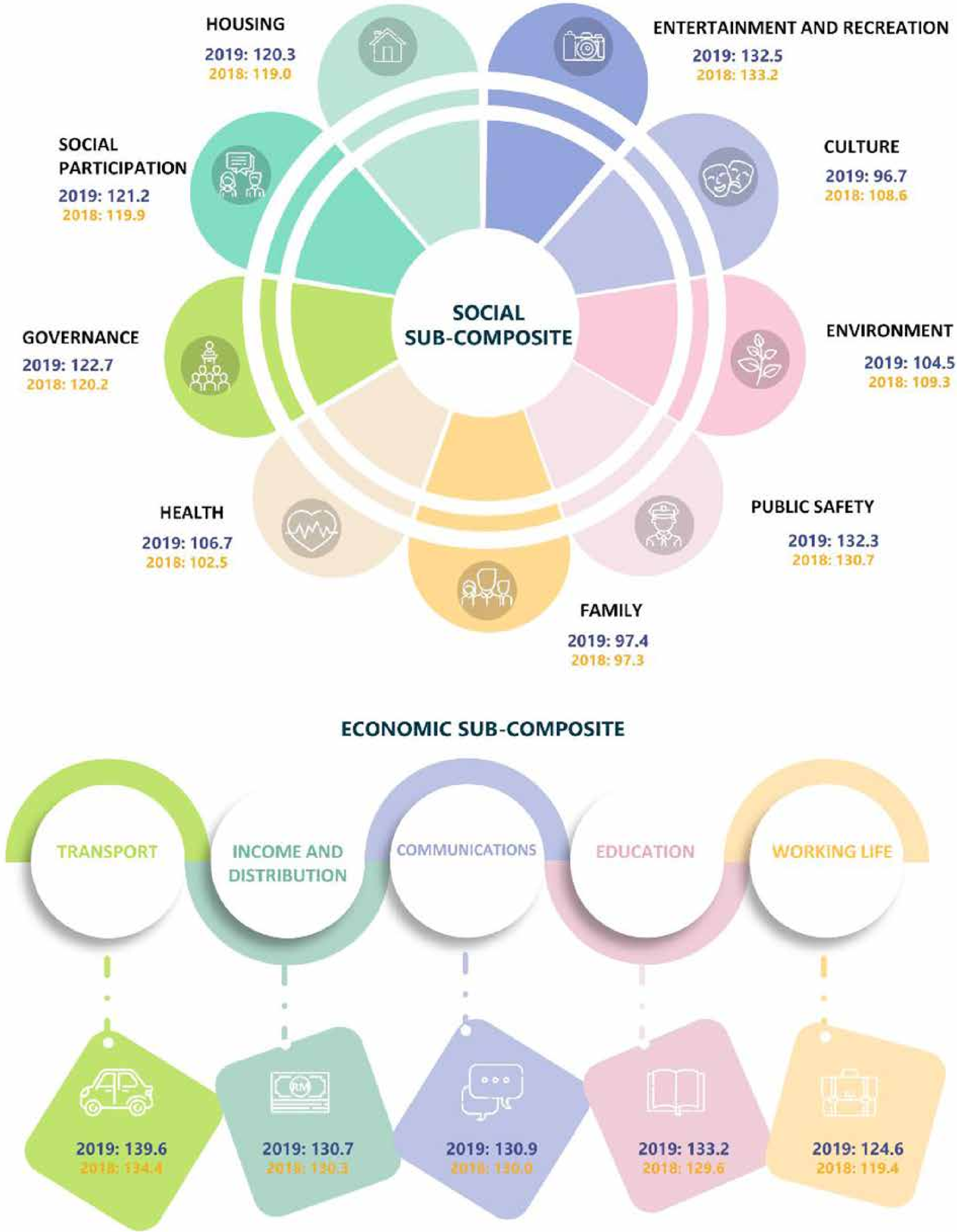
EMPLOYED persons dropped 0.1 per cent month-on-month or 11.0 thousand persons to 15.20 million persons in November 2020 after recording an upward trend for five consecutive months. The employment-to-population ratio which indicates the ability of an economy to create employment shrank by 0.2 percentage points to 65.1 per cent.



WELL-BEING INDEX (MYWI), 2019

MYWI is developed to reflect the well-being of Malaysia's rakyat. MyWI comprises of 14 components covering both economic and social well-being sub-composites.

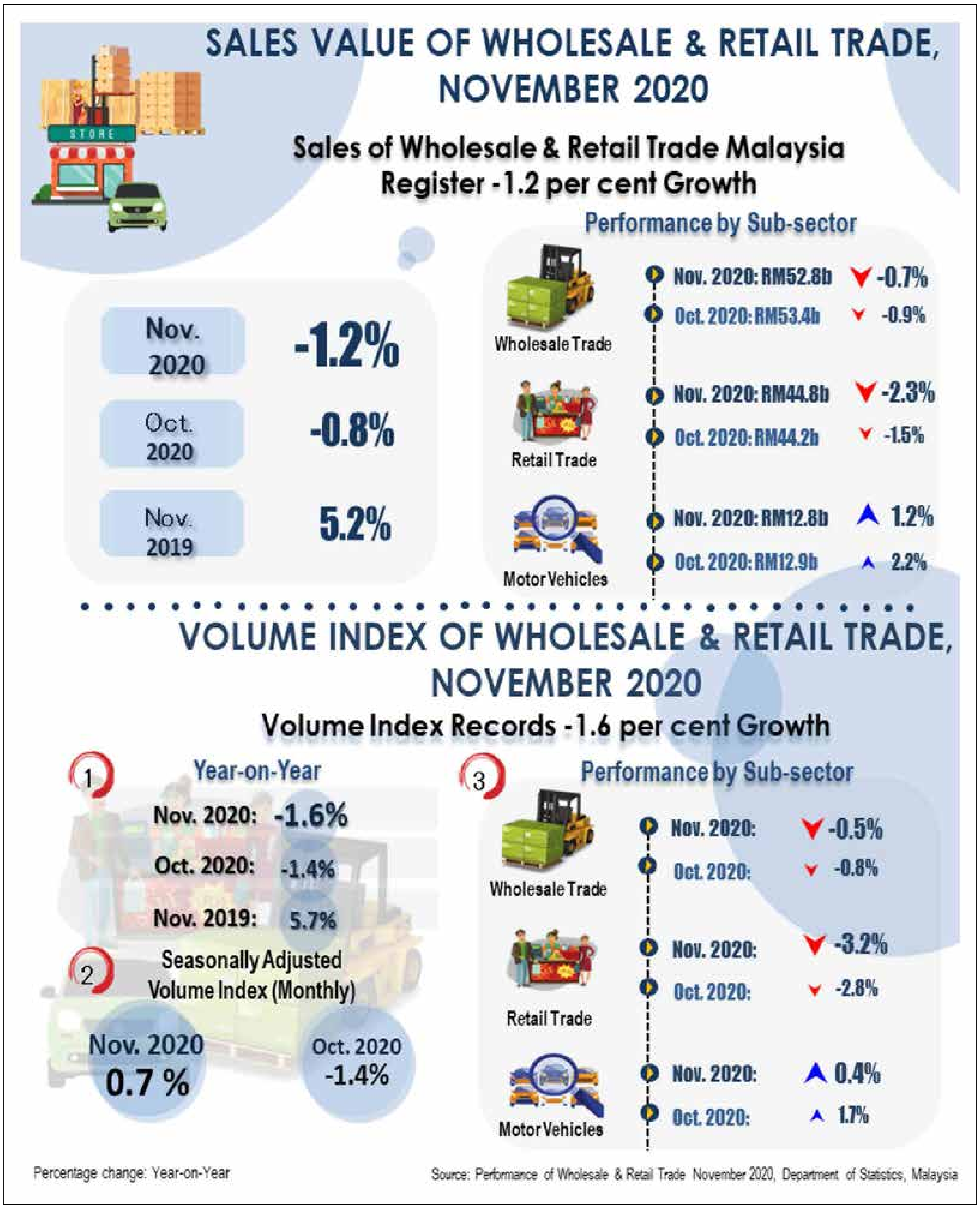




Source: Department of Statistics, Malaysia

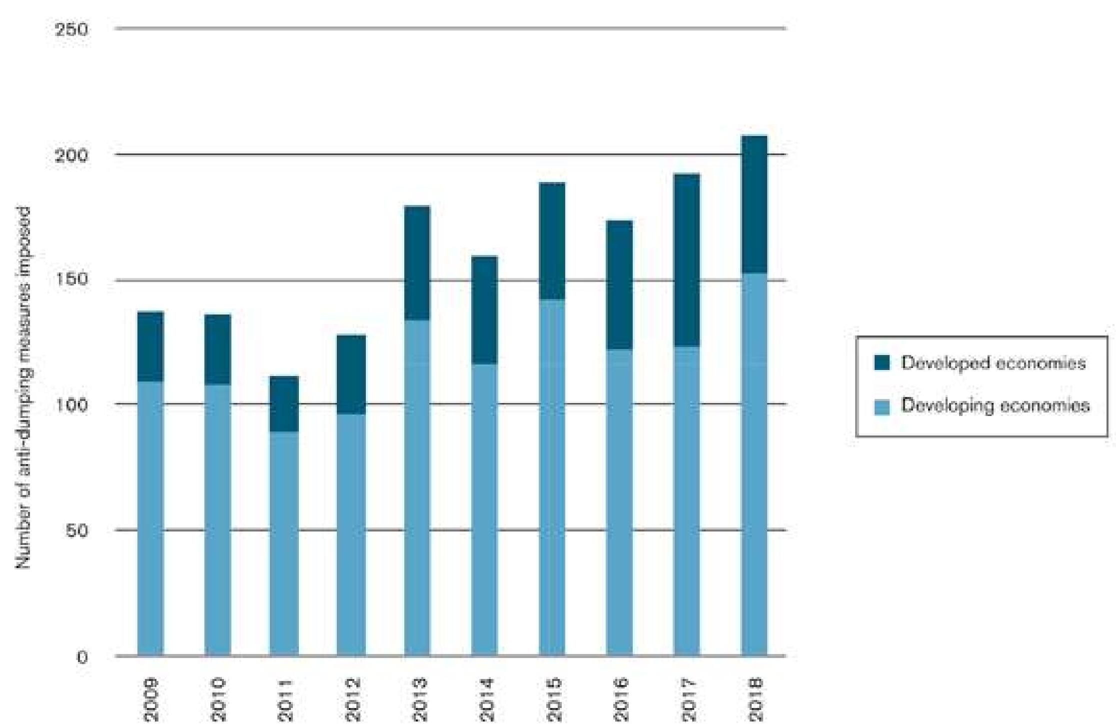
WHOLESALE & RETAIL, NOV 2020

SALES value of Wholesale & Retail Trade recorded RM110.4 billion in November 2020 to register -1.2 per cent year-on-year. This was due to Retail Trade which contracted 2.3 per cent (-RM1.1 billion). Similarly, Wholesale Trade also recorded a decrease of 0.7 per cent (-RM0.4 billion). On the other hand, Motor Vehicles continued positive growth of 1.2 per cent or an increase of RM0.1 billion.



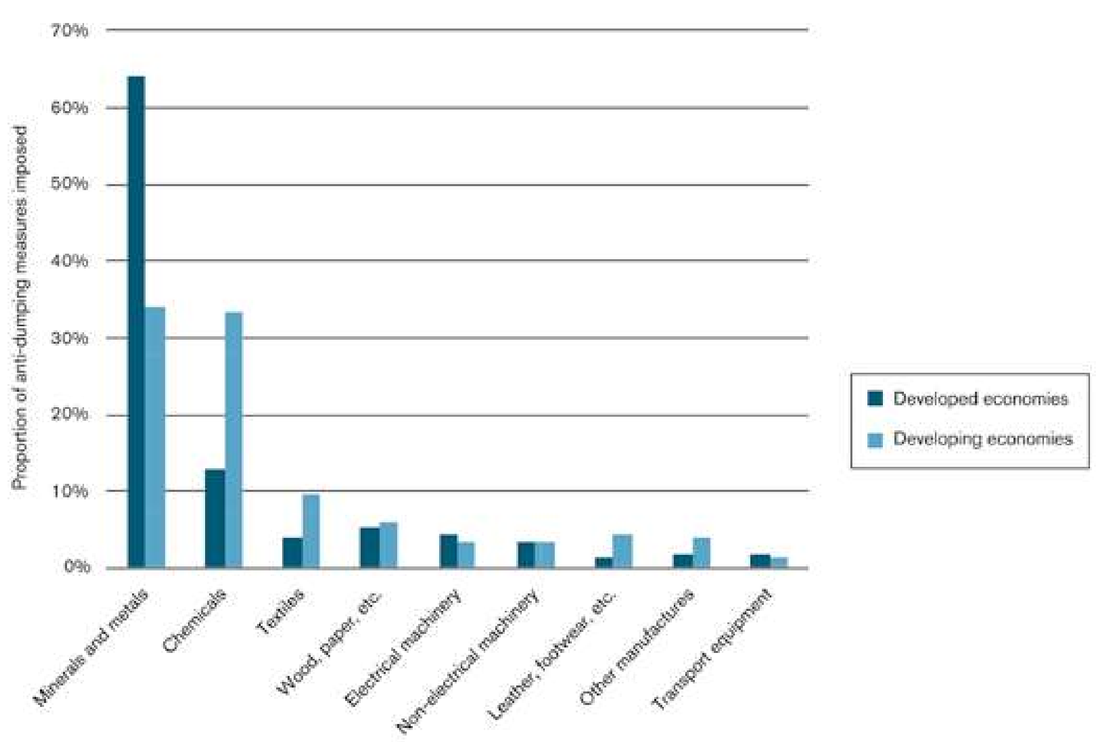
WORLD ANTI-DUMPING (2009-2018)

Number of Anti-dumping Measures Imposed Over Time



Source: WTO data on trade remedies.
Note: Includes information for the following economies: Argentina; Australia; Brazil; Canada; Chile; China; Colombia; Dominican Republic; Egypt; El Salvador; European Union; Guatemala; India; Indonesia; Israel; Japan; Republic of Korea; Malaysia; Mexico; Morocco; New Zealand; Pakistan; Panama; Peru; Philippines; Russian Federation; Kingdom of Saudi Arabia; South Africa; Chinese Taipei; Thailand; Trinidad and Tobago; Turkey; Ukraine; United States; Uruguay; Viet Nam.

Anti-dumping Measures by Product Categories



Source: WTO data on trade remedies.
Note: Includes information for the following economies: Australia; Canada; European Union; Japan; New Zealand; United States (developed) and Argentina; Brazil; Chile; China; Colombia; Dominican Republic; Egypt; El Salvador; Guatemala; India; Indonesia; Israel; Republic of Korea; Malaysia; Mexico; Morocco; Pakistan; Panama; Peru; the Philippines; Russian Federation; Kingdom of Saudi Arabia; South Africa; Chinese Taipei; Thailand; Trinidad and Tobago; Turkey; Ukraine; Uruguay; Viet Nam.

Source: World Trade Report 2020
http://www.wto.org

COMMODITY PRICES

CRUDE PETROLEUM, CRUDE OIL PALM, RUBBER, COCOA, SUGAR, COAL, SCRAP IRON, ETC.

CRUDE PETROLEUM (BRENT) -per bbl-

▲ 0.8%*
US$55.9
29 Jan 2021

Highest 2020/2021
08 Jan 2021 : US$56.0
03 Jan 2020 : US$68.6

15 Jan 2021 : US$55.1
24 Apr 2020 : US$21.4
Lowest 2020/2021

Average Price 2020[i]: US$43.5

CRUDE PALM OIL -per MT-

▲ 6.9%*
US$945.4
29 Jan 2021

Highest 2020/2021
08 Jan 2021 : US$985.7
24 Dec 2020 : US$944.2

22 Jan 2021 : US$884.7
8 May 2020 : US$473.0
Lowest 2020/2021

Average Price 2020[i]: US$668.3

RUBBER SMR 20 -per MT-

▲ 0.5%*
US$1,581.5
29 Jan 2021

Average Price 2020[i]: US$1,333.4

COCOA SMC 2 -per MT-

(=) %*
US$1,498.5
29 Jan 2021

Average Price 2020[i]: US$1,576.6

SUGAR -per lbs-

▼ 0.3%*
US$15.8
29 Jan 2021

Average Price 2020[i]: US¢12.9

COAL -per MT-

▲ 0.4%*
US$67.8
29 Jan 2021

Average Price 2020[i]: US$47.7

SCRAP IRON HMS -per MT-

(=) %* US$480.0 (high)
(=) %* US$460.0 (low)
29 Jan 2021

Average Price 2020[i]: US$307.9 (high)
Average Price 2020[i]: US$284.7 (low)

Domestic Prices
29 Jan 2021

Billets (per MT)
RM2,500- RM2,550

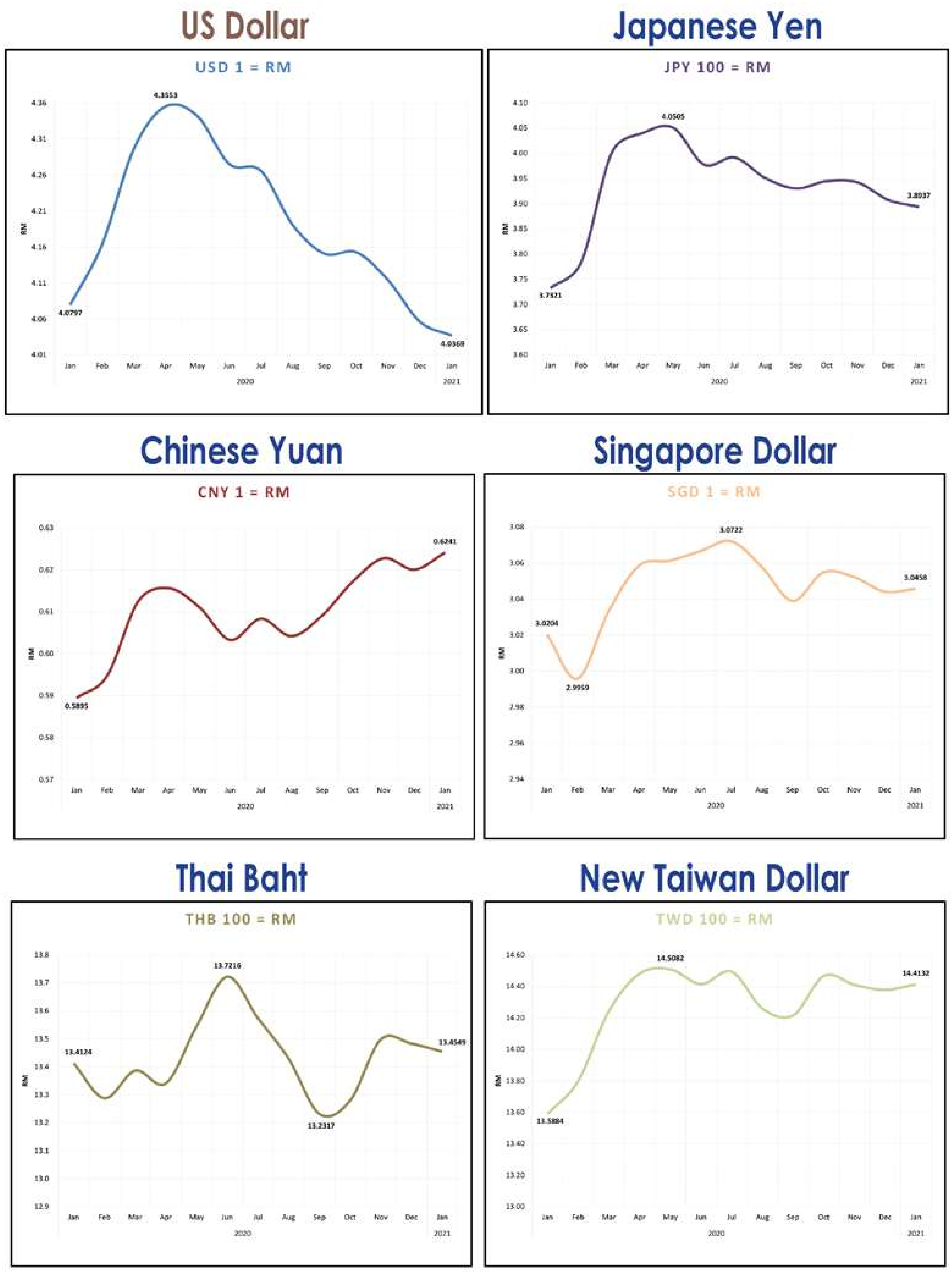
Steel Bars (per MT)
RM2,650 – RM2,750

Notes: All figures have been rounded to the nearest decimal point
* Refer to % change from the previous week's price
i Average price in the year except otherwise indicated

Sources: Ministry of International Trade and Industry Malaysia, Malaysian Palm Oil Board, Malaysian Rubber Board, Malaysian Cocoa Board, Malaysian Iron and Steel Industry Federation, and Bloomberg.

MALAYSIAN RINGGIT EXCHANGE RATE

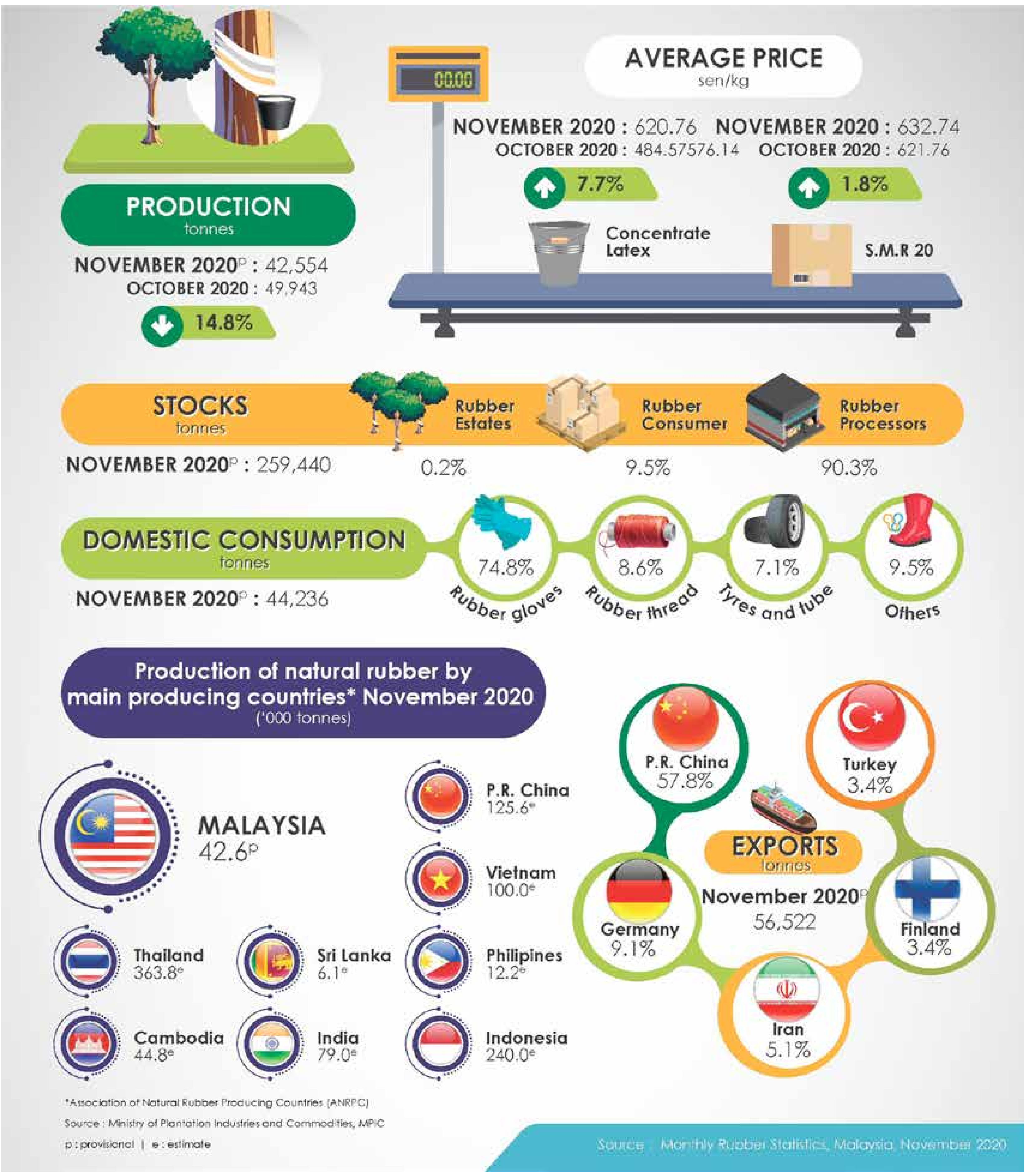
CRUDE PETROLEUM, CRUDE OIL PALM, RUBBER, COCOA, SUGAR, COAL, SCRAP IRON, ETC.



Source : Bank Negara Malaysia

RUBBER STATISTICS, NOV 2020

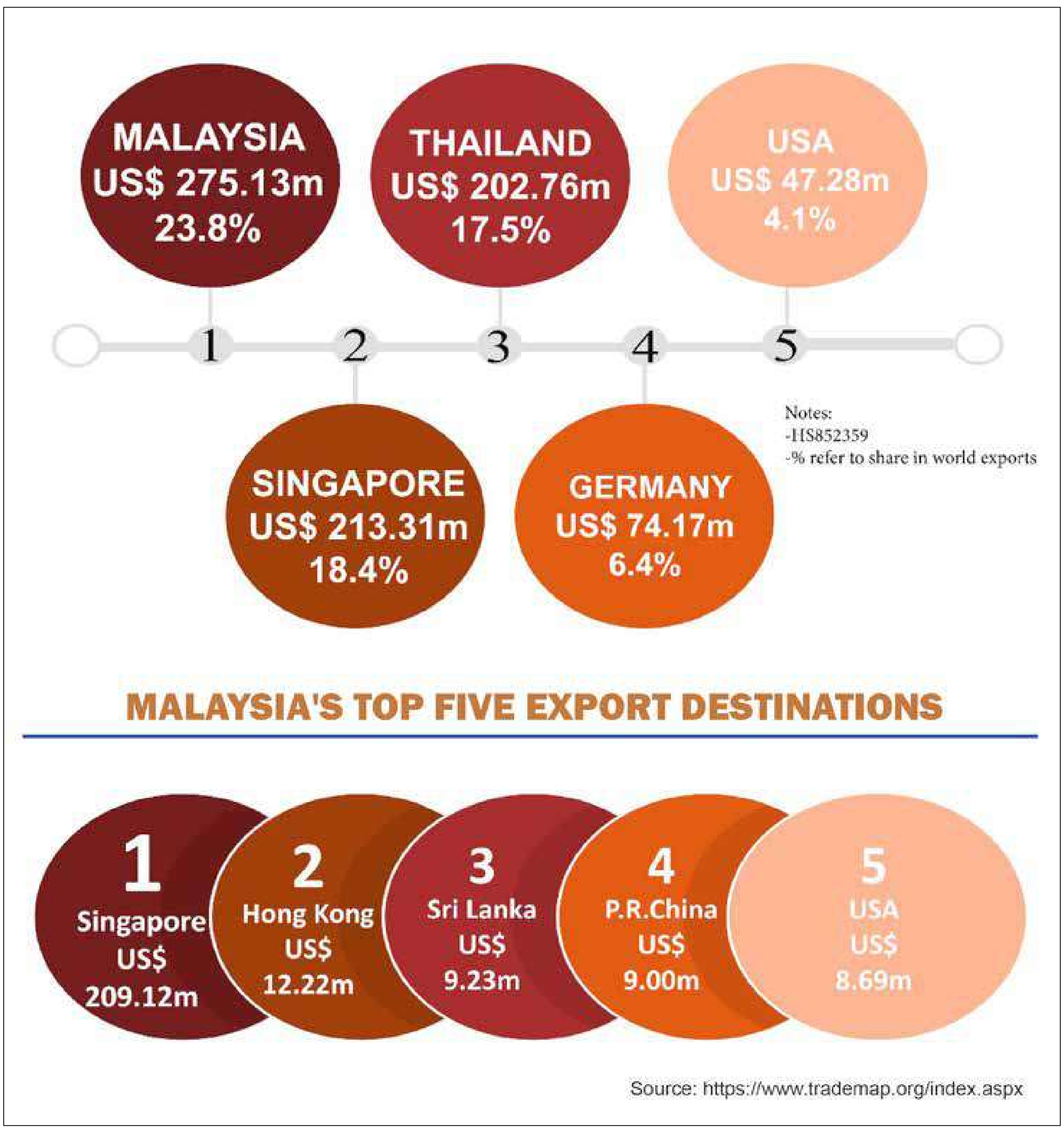
Malaysia's natural rubber production in November 2020 amounted 42,554 tonnes, decreased 19.7 per cent as compared to 53,019 tonnes in November 2019 and also decreased by of 14.8 per cent from last month. Smallholdings sector was the main contributor to the natural rubber production of 90.1 per cent. Production of smallholdings decreased by 19.3 per cent while estate sector decreased by 23.5 per cent as compared to November 2019.



WORLD LARGEST EXPORTER OF SEMICONDUCTOR MEDIA, UNRECORDED, FOR THE RECORDING OF SOUND OR OF OTHER PHENOMENA

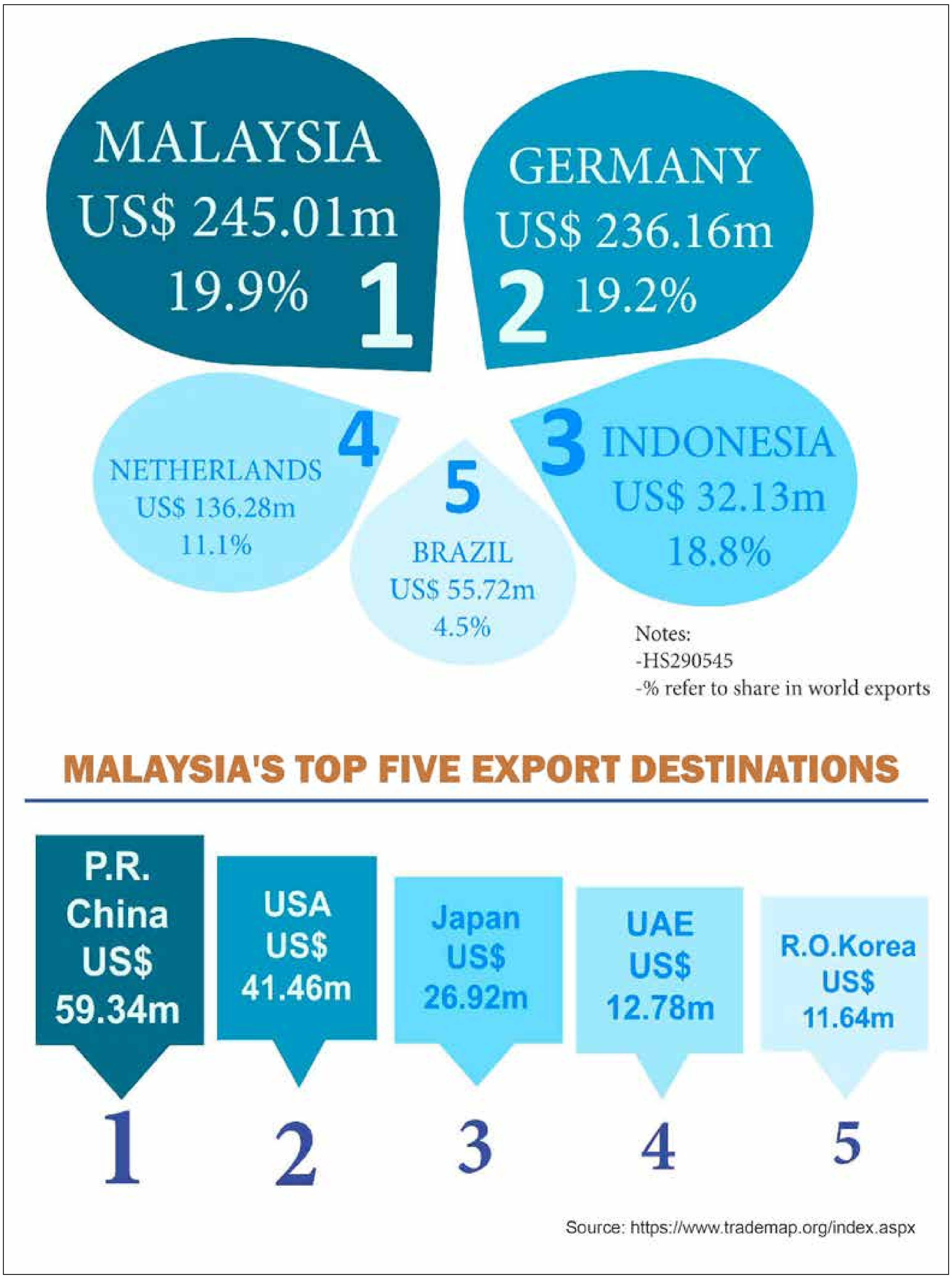
EXCLUDING SOLID-STATE NON-VOLATILE DATA STORAGE DEVICES, SMART CARDS & GOODS OF CHAPTER 37.

In 2019, Malaysia's export of Semiconductor media, unrecorded, for the recording of sound or of other phenomena (excluding solid-state nonvolatile data storage devices, smart cards and goods of chapter 37) was US$ 275.13 Million which contributed to 23.8 % share of the world exports.

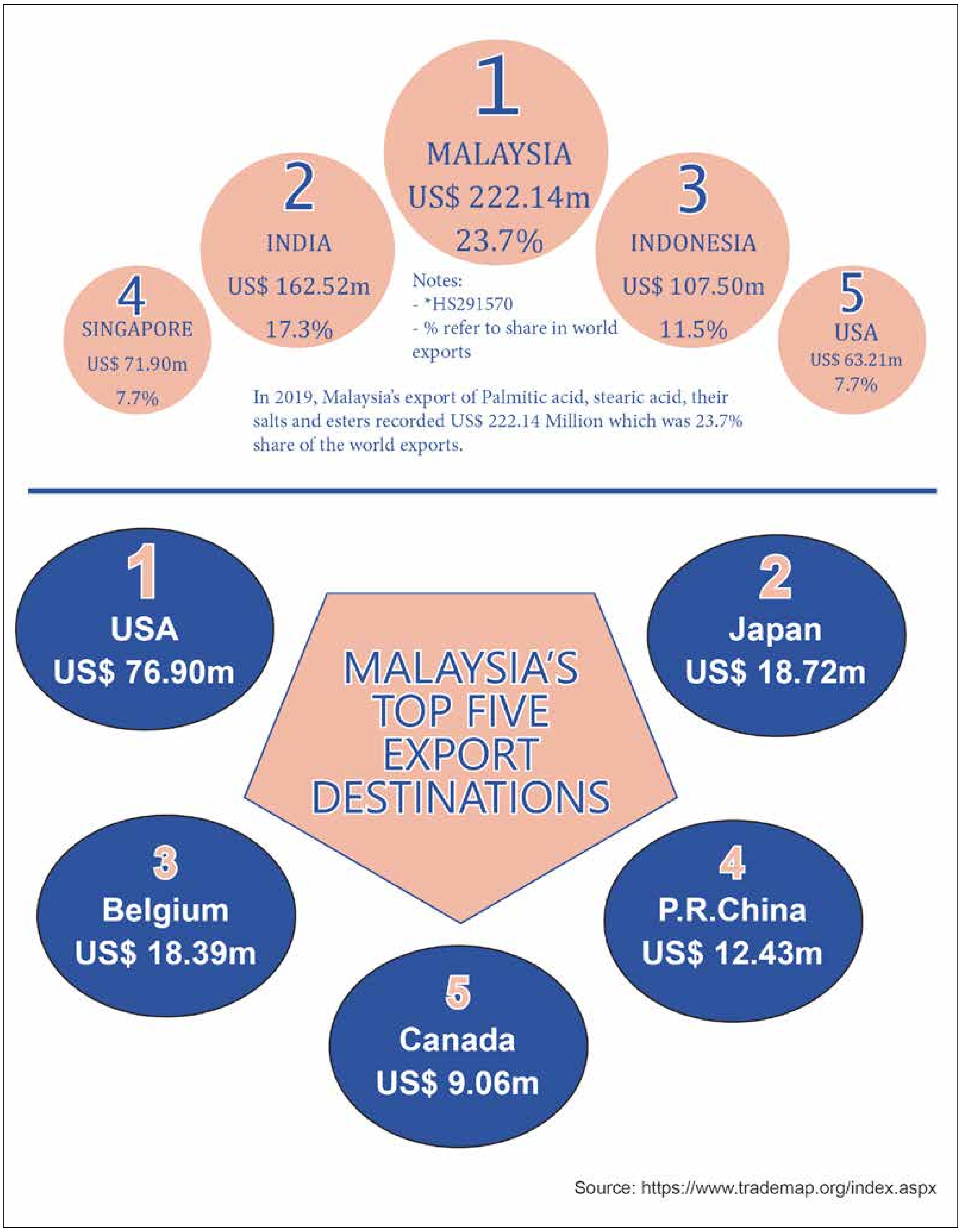


WORLD LARGEST EXPORTER OF GLYCEROL

In 2019, Malaysia's export of glycerol was US$ 245.01 Million which contributed to 19.9 % share of the world exports.



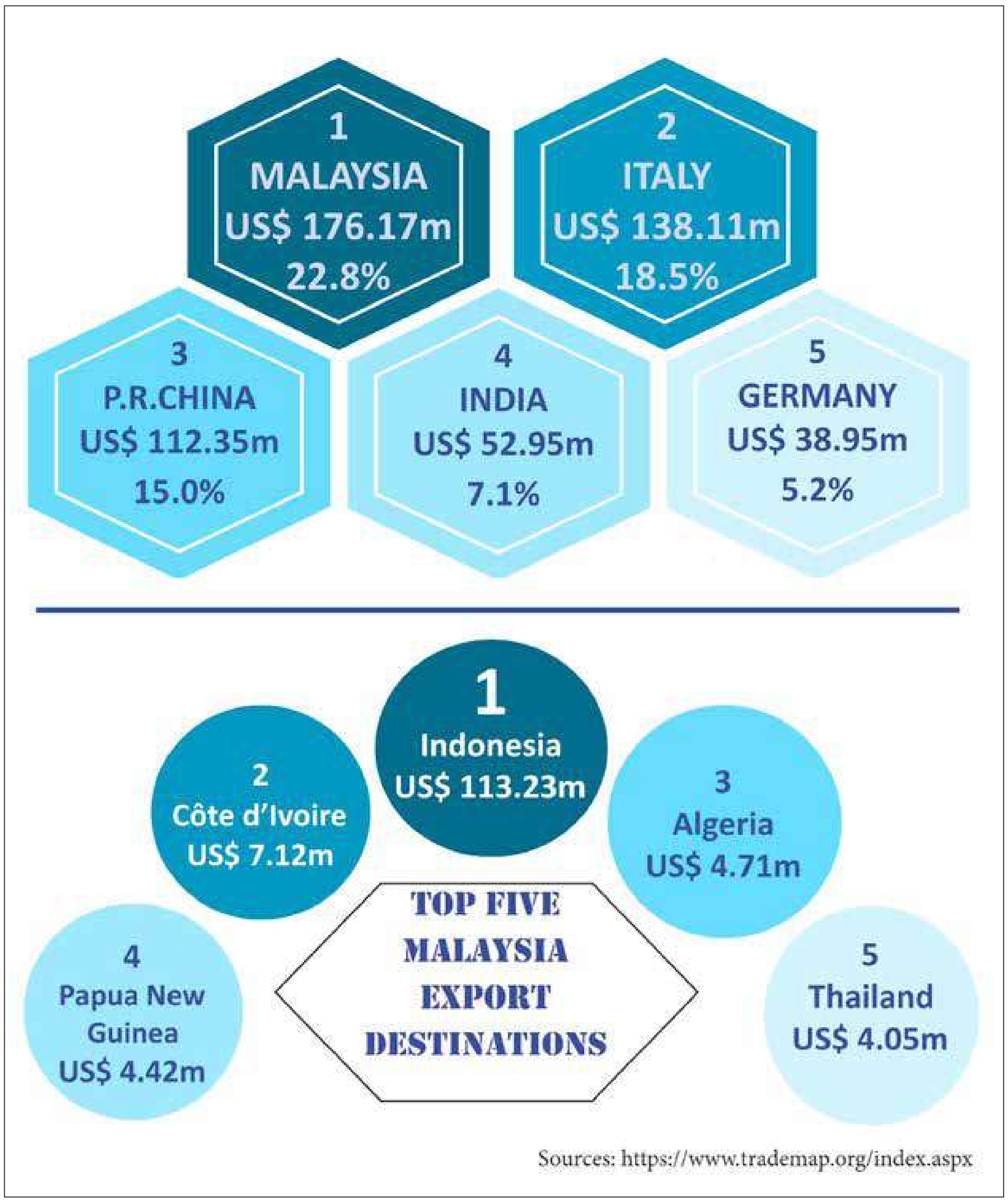
WORLD LARGEST EXPORTER OF PALMITIC ACID, STEARIC ACID, THEIR SALTS AND ESTERS



WORLD LARGEST EXPORTER OF MACHINERY FOR THE EXTRACTION OR PREPARATION OF ANIMAL OR FIXED VEGETABLE FATS OR OILS

OTHER THAN CENTRIFUGES, FILTERS AND HEATING APPLIANCES.

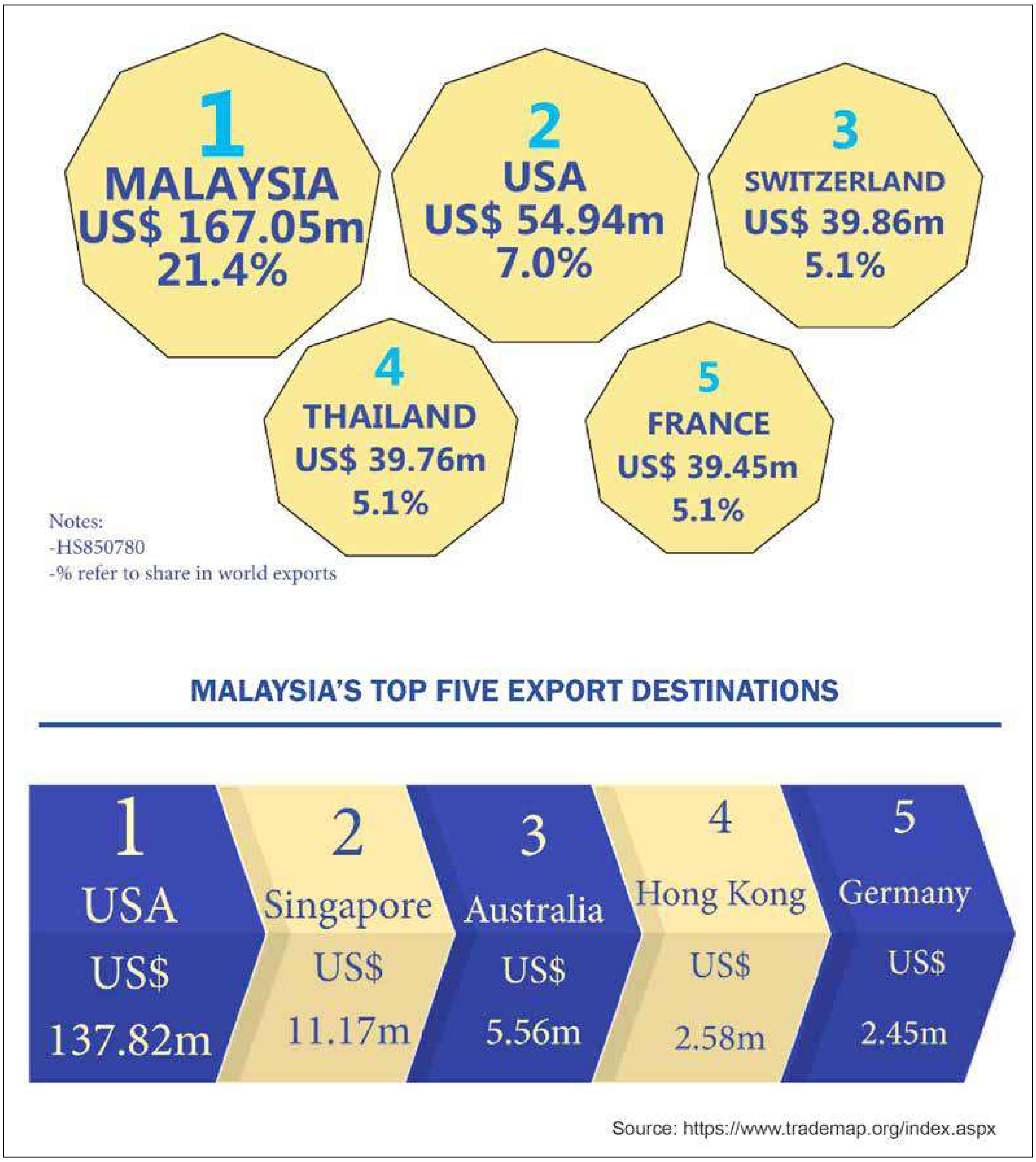
In 2019, Malaysia's export of Machinery for the extraction or preparation of animal or fixed vegetable fats or oils (other than centrifuges, filters and heating appliances) recorded US$176.17 million which was 22.8% share of the world exports.



WORLD LARGEST EXPORTER OF ELECTRIC ACCUMULATORS

EXCLUDING SOLID-STATE NON-VOLATILE DATA STORAGE DEVICES, SMART CARDS & GOODS OF CHAPTER 37.

In 2019, Malaysia's export of Electric accumulators (excluding spent and lead-acid, nickel-cadmium, nickel-iron, nickel-metal hydride and lithium-ion accumulators) recorded US$167.05 million which was 21.4% share of the world exports.



BERSEKUTU BERTAMBAH MUTU

MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY

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