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HIGHLIGHTS

Malaysia's Sound Fundamentals Underpin Its Sustained Growth

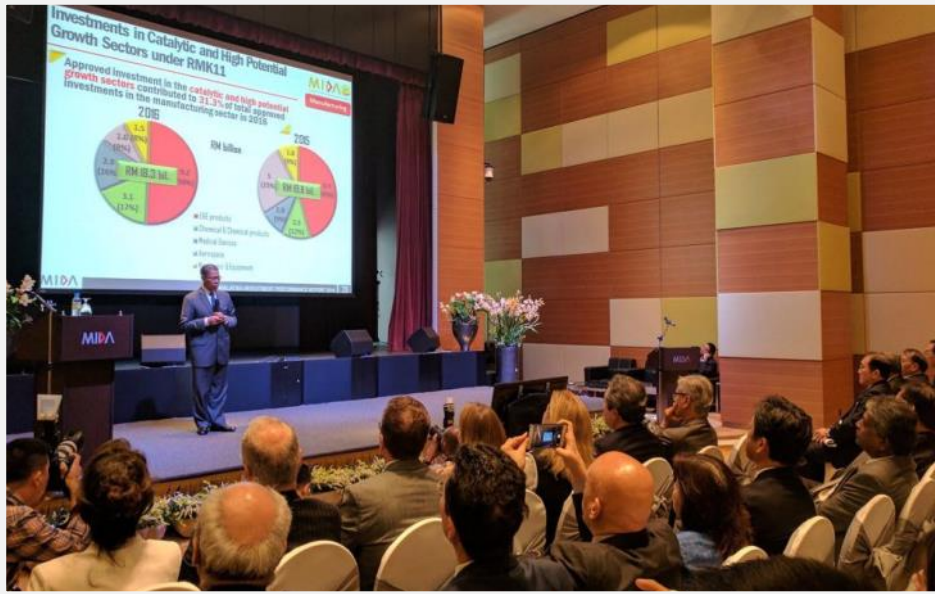
As an open economy, Malaysia is not immune to external uncertainties but its economic and financial reforms and policies have somewhat buffered the challenging impact. The country has strong fundamentals that can support the momentum of our economic growth. Despite the challenges from global headwinds, Malaysia managed to attract investments worth RM207.9 billion last year. These approved projects are expected to create 153,060 job opportunities for the country.



The ratio of foreign and domestic investments is also in line with the Government's aspiration for domestic investments to assume the pivotal role of driving Malaysia's investment agenda, with 71.6% being contributed by domestic sources and 28.4% coming from foreign sources. Foreign investors continue to capitalise on Malaysian ecosystems and its regional synergies as foreign direct investments (FDI) increased by 63.4% from RM36.1 billion in 2015 to RM59.0 billion in 2016.

HIGHLIGHTS

Developed economies continued to be an important source of investments into Malaysia. The leading sources of FDI in 2016 were the USA, the Netherlands, China, Japan, Singapore, Republic of Korea and the UK. These seven countries jointly accounted for 55.8% of total foreign investments approved in the manufacturing, services and primary sectors.



Malaysia's services sector remained the biggest magnet for investments. In 2016, it attracted 4,199 projects with approved investments of RM141.2 billion. These approved projects are expected to create 88,110 job opportunities. On a year-on-year basis, approved investments in the services sector last year increased by 23.3%. Domestic investments led with RM112.9 billion, while foreign investments totalled RM28.3 billion.

The major sources of FDI in the services sector in 2016 were the USA, Hong Kong, Japan, Singapore and the Netherlands. The services

sector helps optimise the efficiency of other sectors in the country. Global establishments and end-to-end supply chain management services, are among the activities that have recorded good growth.

Despite the global slowdown, Malaysia continued to attract healthy levels of investments in the manufacturing sector. A total of 733 manufacturing projects with investments of RM58.5 billion were approved by MIDA in 2016. These projects are expected to create employment opportunities for 64,120 people. Major industries which require the most skilled manpower are transport equipment, E&E products, fabricated metals products, machinery & equipment, plastic products and non-metallic mineral products. China was the manufacturing sector's biggest investor last year, followed by the Netherlands, Germany, UK and the Republic of Korea. These five economies jointly accounted for 56.1% of the total FDI approved within the sector.

The primary sector accounted for RM8.2 billion of approved investments in 2016. The mining sub-sector led with approved investments of RM7.6 billion in 19 projects, mainly from the oil and gas exploration activities. This is followed by the plantation and commodities sub-sector with investments of RM542.7 million, and the agriculture sub-sector making up the rest of approved investments. Investments from domestic sources totalled RM4.9 billion or 59.7% while foreign investments contributed RM3.3 billion or 40.3%.

All the approved projects in 2016 will have substantial multiplier effects, particularly in the development of supporting industries and the creation of jobs for Malaysians. In progressing towards an advanced nation, MIDA is focusing more on promoting niche and complex products for the manufacturing sector. As for the services sector, the emphasis is in the areas of principal hub, logistics, the ecosystem surrounding e-commerce, green technology and renewable energy. As Malaysia is enhancing the investment ecosystem within the manufacturing and services sectors, local companies need to move up their value chain to increase their competitiveness. MIDA is intensifying its efforts to support domestic companies including SMEs by encouraging business collaborations with foreign companies and MNCs operating in the country.

HIGHLIGHTS

Malaysia Remains Most Attractive Manufacturing Market

Malaysia has been placed first in the ranking as an attractive market for locating manufacturing facilities, according to a Cushman & Wakefield 'Manufacturing Risk Index 2017' report.

REGION	HIGHLY AUTOMATED SCENARIO					ALTERNATIVE SCENARIOS	
	RANK 2016*	CONDITIONS (40%)	RISK (20%)	COST (40%)	CHANGE vs 2015	COST SENSITIVE RANK (CONDITIONS 20% / RISK 20% / COST 60%)	CONDITION SENSITIVE RANK (CONDITIONS 60% / RISK 20% / COST 20%)
Malaysia	1	13	16	1	0	1 ●	7 ▼
China, Taiwan Province of	2	5	20	7	0	2 ●	5 ▼
China	3	12	23	8	0	4 ▼	16 ▼
United States	4	15	7	18	0	5 ▼	6 ▼
Korea, Republic of	5	7	19	15	0	13 ▼	12 ▼
Canada	6	19	3	17	0	3 ▲	8 ▼
Hungary	7	17	15	14	New Entrant	9 ▼	15 ▼
Sweden	8	3	1	23	11	22 ▼	2 ▲
Czech Republic	9	22	11	16	New Entrant	7 ▲	18 ▼
Netherlands	10	2	6	22	7	23 ▼	3 ▲
Switzerland	11	4	2	27	7	24 ▼	4 ▲
Singapore	12	1	5	30	-5	27 ▼	1 ▲
Poland	13	21	21	10	-1	6 ▲	20 ▼
Thailand	14	14	30	5	-5	10 ▲	19 ▼
Japan	15	10	17	19	-4	18 ▼	13 ▲

Source: "Manufacturing Risk Index 2017", 'Cushman & Wakefield'

The report is an annual survey of the manufacturing sector measuring how political, economic, technological and environmental risks are managed during portfolio assessment and site selection by occupiers. It contains an 'Established Index' which provides the ranks of the 30 largest countries by manufacturing output.

Malaysia continues to dominate the top 15 spot along with Taiwan, China, South Korea, Singapore, Thailand and Japan, occupying seven places within the top half of the 'Established Index'. The top spot domination shows that the Asia Pacific Region's strategic location makes it a location of choice for manufacturers. Each of the country in the region has its own specialisation in promoting growth of the manufacturing sector. Among the reason Malaysia tops the index is that the amount of productivity is parallel with the quality of infrastructure, and it is relatively high.

The report also observed that, "While other middle-income countries may be catching up with Malaysia in terms of infrastructure standards, a recent report by the World Bank indicated that Malaysia still has a higher rank than many of these peers in terms of overall logistics performance in relation to quality of trade and transport infrastructure".

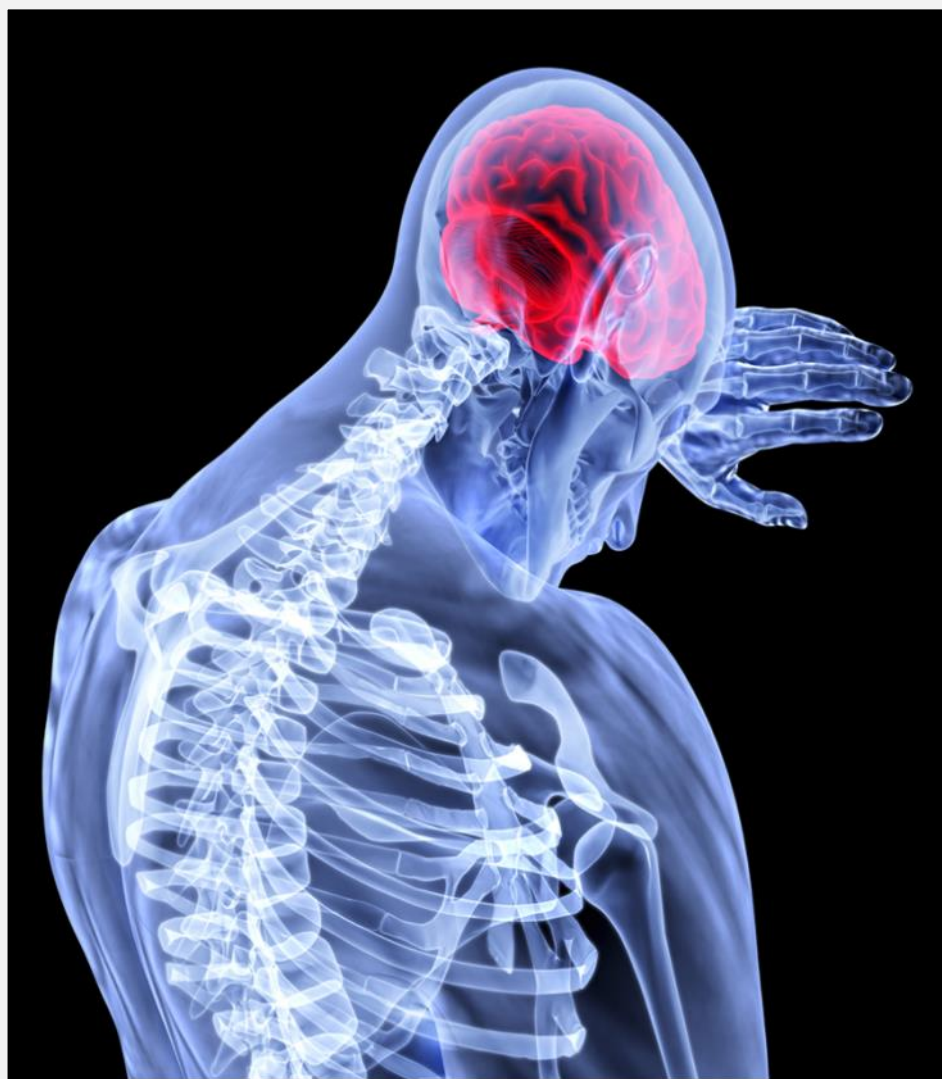
Being a location of choice would require finding the right balance between cost, operating conditions and risk factors, and is certainly specific to individual business practices. Malaysia achieved a competitive advantage by getting it right and adopting successful location strategies.

Medical Imaging in Malaysia

Global concerns on health and living today speak of how different we are as a society compared to before. Advances in technology have brought us closer as a global community to address these issues. This interest has translated to higher demand for better quality of healthcare services and products. In Malaysia and around the world, medical imaging including X-rays, computed tomography (CT) scanners, magnetic resonance imaging (MRI) systems, ultrasound and nuclear imaging systems are used to better diagnose and manage diseases.

Medical imaging is used to reveal the interior of a living body, beneath the skin and bones, to create a visual representation for better diagnosis.

Global diagnostic imaging market was valued at approximately USD23.5 billion in 2015 and is expected to reach approximately USD33.5 billion by 2021. In terms of revenue, Asia Pacific is among the leading regional markets and is expected to witness significant growth in the near future. Positive growth is mainly due to the rising aging population, increasing R&D spending, growth in the overall healthcare industry and the rising health awareness among consumers.



There are also several new developments afoot in the medical imaging world. Current trends include the usage of big data, wider adoption of cloud technologies and new advanced technologies such as tomosynthesis for cancer detection, real-time imaging and image fusion, as well as greater patient engagement via online medical portals.

In Malaysia, the medical devices industry has been designated by the Government as one of the economic drivers for the country and various initiatives have been outlined for the development of this industry such as the Eleventh Malaysia Plan (11th MP), National Key Economic Areas (NKEAs) and National Export Council (NEC).

Given Malaysia's strong ecosystem namely in semiconductor, machinery and equipment as well plastics industries, the country is well-poised to be an ideal investment location for procurement of parts and components for the manufacturing of medical imaging devices.

Coupled with its well-developed infrastructure and other support services enablers such as the availability of Internet of Things (IoT) platforms, 3-D printing and highly-skilled talent, Malaysia is set to grow and expand into the manufacturing of more advanced and sophisticated medical imaging systems and equipment.

INDUSTRY

One of the key players in the medical imaging industry, Toshiba Medical Systems has established a manufacturing facility in the country to produce ultrasound diagnostic systems. Its subsidiary, Toshiba Medical Systems Manufacturing Asia, is Malaysia's first diagnostic imaging systems manufacturing base, which caters for demands from global markets.

Toshiba highlighted that among the South East Asian countries, Malaysia proves to be a good site as a global logistics hub serving the Europe and the Middle East markets. By having a presence in Malaysia, it has further optimised Toshiba's total supply chain.

Local players in the industry have also demonstrated their capabilities in meeting stringent demands of the OEMs and thus, are successfully involved in the global supply chain. One such example is Alliance Contract Manufacturing, a Penang-based precision opto-electromechanical specialty contract manufacturer for a well-known international medical imaging equipment brand. Established in 1998, ACM now has a presence in Singapore, China, the Netherlands, Czech Republic and Canada.

As Malaysia is focusing on developing its high growth areas, there are certainly more exciting opportunities in the medical devices industry. Companies, both foreign and domestic, are encouraged to continuously leverage on the established infrastructure and ecosystem available to create sustainable growth and further develop Malaysia's medical devices industry.

SERVICES

DEVELOPING TALENT, THE ROAD TO SUCCESS

Case Study: Eureka Efektif

The road to successful industry development is highly dependent on supplying industry-ready talent. Backed by the government's continued support of human resource development in all sectors, the quality of Malaysia's workforce is one of the best in the region.

Malaysia offers investors a young, educated and productive workforce at costs competitive with other countries in Asia. Against the backdrop of globalisation, the attraction and retention of the best quality talent has become increasingly important to maintain Malaysia's competitiveness as a profitable investment destination.



Eureka Efektif is a good example of a company that is able to look ahead and invest in its staff by developing the required skills and providing the necessary training for a workforce to be ever ready to meet the increasing demands of the oil and gas industry.

In November 2016, Eureka Efektif marked a monumental milestone after 8 years in the business by venturing into the manufacturing of polyurethane products for oil and gas applications. Since Eureka began its operation in 2008, the company has focused primarily on providing pipeline inspection (intelligent pigging) and complimentary pipeline services (such as pipeline blockage removal, niche inspection solution and trading) to the oil and gas industry in Malaysia.

With its motto 'keep the product flowing', Eureka is manufacturing internal pipeline cleaning tools (cleaning pigs) as its first polyurethane products. This would enable the company to capitalise on its experience providing pipeline maintenance services and available in-house technical-know-how, capabilities and expertise. Within 6 months of production, positive feedback and repeat orders have been received from clients.

SERVICES

The encouraging response proves that the strategic business plan developed for this venture is a huge success. This venture is further accelerated by the assistance from government agencies such as SME Corp. and MATRADE, and particularly MIDA which has thus far supported the company with tax incentives.

As polyurethane manufacturing is a mature segment in Malaysia, there is already an abundance of available talent in the market. The challenge now is for the talents to apply their knowledge to meet the stringent requirements and high specifications within the oil and gas industry. To sustain the local talents, Eureka has put in place major initiatives for its human resource management.

Managers in Eureka are empowered to make their own decisions within their job scopes and have authority in their respective departments. This has encouraged a sense of ownership and accountability among the managers. Hence, the managers are motivated to perform their tasks diligently and impart the same values to their subordinates. Besides empowerment, the top management grooms its managers to be leaders as well.



Human capital development has become a major agenda for Eureka. The company emphasises on equipping its employees with valuable knowledge and skills through continuous training programmes. Employees go through formal and on-the-job training covering not only their core job functions but also the functions of other departments. This cross functioning enables Eureka's team to be more versatile and dynamic. The team is also equipped with all the necessary tools to adopt an organised and systematic work flow, comply with

international standard guidelines, and utilise advanced engineering software and highly reliable production machinery. Further improvements are also being introduced such as an employee feedback survey, creating social programmes and developing more structured career paths and succession plans for its employees.

Going forward, it is hoped that many more companies will emulate the success of Eureka and follow in the company's footsteps to invest in their workforce. Clearly, the emphasis on talent development, workforce engagement as well as retention of talent is indispensable in order for companies to remain resilient and competitive.



MIDA approved two expansion projects from Eureka Efektif in 2016 with an additional investment of RM10.1 million. Eureka is an example of a local company that has abled to move up the value chain and position its brand in the global market.

Continuous MITI/MIDA Engagements Accelerated Decathlon's Successful Foray to Malaysia

YB Dato' Sri Mustapa Mohamed, the Minister of Trade and Industry visited the world's largest sporting goods retailer, Decathlon's premise at Bandar Sri Damansara on 23 February 2017. The visit was in-response to the invitation by Mr Dong Meng, the Chief Executive Officer of Decathlon Malaysia, who met the Minister during his working visit to Paris in November last year.

Decathlon is one of the many success stories of companies that have found Malaysia a vibrant place to do business. YB Minister first met the company in early May 2015 which led to the establishment of Decathlon's Representative Office in Malaysia within the same month. In a short span of one year since its entry as a Representative Office, the company has now opened its one-stop sport retail entertainment centre, the first-of-its-kind in Malaysia in May 2016.

MITI and MIDA are now actively discussing with Decathlon on their plans to make Malaysia as its regional distribution centre to better serve their growing local and regional customers, particularly those in Thailand, Vietnam, Indonesia, Singapore and Philippines. This underscores the attractiveness of Malaysia as an important business node with effective and efficient transport and logistics system.



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MIDA : Annual Media Conference 2017 on Investment Performance of 2016

YB Dato' Sri Mustapa Mohamed, Minister of International Trade and Industry made an announcement on Malaysia's Investment Performance for the year 2016 on 2 March 2017 at MIDA HQ in KL Sentral. The event was well attended by more than 200 delegates comprising officials from embassies, ministries and agencies as well as the business community.

[VIEW GALLERY](#)



MIDA IN THE NEWS

MIDA Frankfurt Optimistic Of 2017 Investment Prospects

MIDA Promotes Sector to Attract FDIs, Boost Industrial Image

INDUSTRY NEWS

Sunset Industry no more?

Changing face of Kelantan

Netherlands accepts MTCS

Diversification to be O&G players' key focus this year

Proton set for higher gear

Repsol to invest RM600m in oil platforms drilling jobs

Electric vehicle boom may slow demand for oil from 2020

Staying on a growth track

Manufacturing an innovative solution

SCGM new plant construction to be completed by end-2018

Isuzu moves one rank up to 6th spot

Asia Bioenergy ventures into toll blending business in Bintulu

Swedish Industrialized Building Systems to invest RM100mil

EG Industries to raise up to RM63.9m for business expansion

Malakoff to develop solar plant alone

Metronic unit set to build solar plant in Kelantan

Use local rubber products, says Mah. Many foreign firms trust Malaysian goods

Metronic to build plant in Kelantan

LNG Resources allocates RM50mil for M&A plan. Group in talks with three parts manufacturers for aerospace sector

PSA may turn Malaysia into Asian R&D centre

CROSS BORDER NEWS

Wah Seong buys German pipe coating firm for Nord Stream 2 work

Sumatec set to expand Kazakh facilities

SERVICES NEWS

D.B.E to spread its wings targets 3,000 kiosks by 2018

DKSH inks exclusive deal with Morita Dental

Pfizer to continue investing in R&D

UEM sees RM800m GDV for phase 3

Beacon plans new hospital in next 3 years

Healthy outlook for medical tourism sector

Embracing new e-commerce vital for survival

Perak to launch RM180m project next month

Boosting the services sector

JHM certified to assemble microelectronics for aerospace industry

Unlocking ports' potential Sepang and Klang tipped to become regional logistics hub

Malaysian IT spending to reach RM70.2 billion in 2017

IP Protection in the Food & Beverage Industry in Malaysia

2017 Global Talent Competitiveness Index focuses on talent and technology : Switzerland, Singapore and UK lead

Hauliers seek govt grants

Weak ringgit a boon for local medical tourism

Sterling to progress to hotel business. Loss-making ICT company goes into hotel management

Tiong Nam invests RM97mil to expand ops

RM97m capex to increase capacity

Decathlon eyes Malaysia as regional distribution hub

Matrix in hospital tie-up with Taiwan's Changhua

Local small businesses embracing E-commerce

MALAYSIA RANKINGS

Doing Business 2017: The Way Forward For Malaysia

International Living Rates Malaysia's Healthcare System As World's Best

KL Ranked Among Top Cities

ECONOMY NEWS

China only contributes 1pc to FDIs in Malaysia, says economist

'Japan, Germany and US, not China, are our biggest investors'

Modest growth likely for imports, exports

Globalisation marches on

Robust exports expected on solid E&E demand, oil price upturn

Asia to dominate markets by 2050

4.7pc rise on positive growth in all indices

Pahang nets RM56b in Investment

Private sector drives 4.5pc growth

M'sian economy will hold up despite Trump policies

Malaysia still most attractive market

RHB Research raises Malaysia's export growth forecast to 6% this year

Malaysia expects RM1b investment from France this year

Open-door policy to woo French investment

Saudis to invest US\$7b in 'rapid'

Aramco to invest US\$7bil here Saudi oil company and Petronas in joint venture to develop oil refinery UM confers honorary doctorate on Saudi's King Salman

Yuan usage to grow on bilateral trade, investments. More firms are comfortable with using currency for settlement

ABOUT MIDA

The Malaysian Investment Development Authority (MIDA) is the Government's principal promotion agency under the Ministry of International Trade and Industry (MITI) to oversee and drive investments into the manufacturing and services sectors in Malaysia. Starting operations in 1967, MIDA is the first point of contact for investors that want to take advantage of Malaysia's vibrant economy, world-class infrastructure and business-friendly environment to set up their profit centre in Asia. For more information, visit www.mida.gov.my or e-mail us at investmalaysia@mida.gov.my.



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