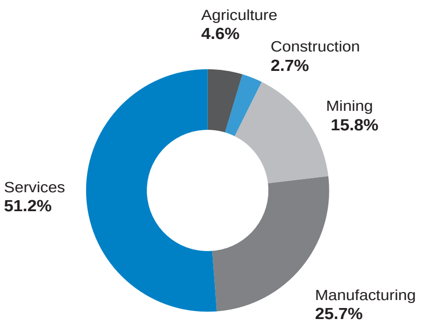
The Broad-based Composition of Private Investment in Malaysia

Malaysia's private investment has been broad-based across the economy

Since 2010, private investment in Malaysia has registered a robust double-digit average growth rate. Investment activity in the services and manufacturing sectors were the main drivers of the strong performance, accounting for more than 75% of private investment (Figure 1). The mining sector also contributed significantly to investment growth, particularly in 2012, due to the simultaneous commencement of several major oil and gas projects under the Economic Transformation Programme (ETP) (Figure 2).

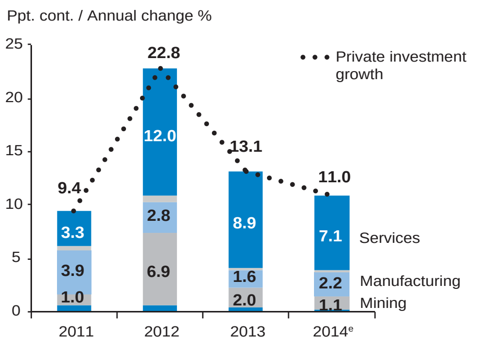
Figure 1:
Share of Private Investment by Sector (2014[e])



[e] Estimate

Source: Bank Negara Malaysia estimates

Figure 2:
Contribution to Private Investment Growth (2011-2014[e])



[e] Estimate

Source: Department of Statistics, Malaysia and Bank Negara Malaysia estimates

Note: Figures are based on 2005 base year. The new figures based on the base year of 2010 will be released in the second half of 2015

Table 1: Recent private investment activity in Malaysia (2010-2014)

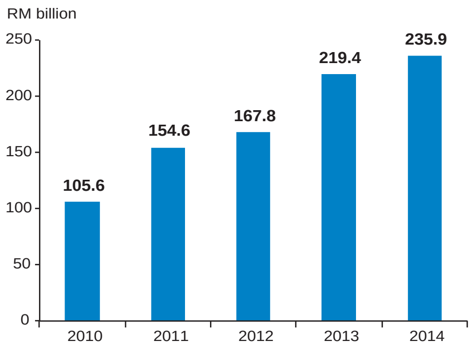
Sector	Main investment activity
Services	**Tourism and retail:** Theme parks, hotels and shopping malls **Transport and storage:** Logistics facilities, oil storage facilities **Healthcare:** New hospitals, upgrading of medical equipment **Telecommunications:** Roll-out of high-speed 3G / HSPDA / 4G LTE infrastructure
Manufacturing	**Petrochemicals:** Oil refineries and chemical plants **Electronics and electrical:** Solar, semiconductors, medical devices **Automotive:** Energy-efficient vehicle plants **Aeronautical:** Aircraft design, aircraft components
Mining	Deepwater exploration, enhanced oil recovery (EOR) and marginal oil fields
Construction	Investment in construction machinery and equipment for the building of structures
Agriculture	Replanting and new planting of palm oil and rubber, upgrading of machinery and equipment

Going forward, investment will remain resilient amidst lower oil prices, driven by the manufacturing and services sectors

Investment activity, particularly in the manufacturing and services sectors, is expected to remain robust as reflected by the record-high level of investment approvals reported by the Malaysian Investment Development Authority (MIDA) (Figure 3). Investment in the manufacturing sector will be supported by capital spending in the export-oriented industries and in new growth areas such as renewable energy (e.g. solar and energy-efficient vehicles), semiconductors and medical devices. In the services sector, spending will be channelled into higher value-added activities, such as IT services (e.g. cloud computing), education and medical tourism.

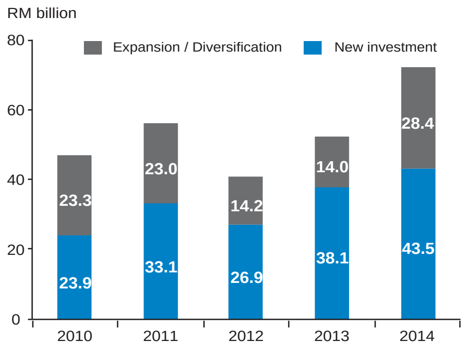
Investment by new and existing businesses in Malaysia (Figure 4) and the continued implementation of long-gestation projects (Table 2) will also support investment growth in 2015-2016.

Figure 3:
MIDA Total Investment Approvals



Source: Malaysian Investment Development Authority (MIDA)

Figure 4:
MIDA Manufacturing Investment Approvals by Purpose



Source: Malaysian Investment Development Authority (MIDA)

Table 2: Selected Long-gestation Projects

Projects	Description	Timeline
Bukit Bintang City Centre	Mixed residential and commercial development	2015-2024
Infineon Technologies	Competence Centre for Megatrend Technologies in Kulim and expansion of a Development Centre in Melaka	2014-2024
Seagate	New plant for hard drives and storage solutions	2014-2019
Dialog-Vopak Phase 2	Oil and gas storage and terminal	2014-2018
Genting refurbishment	New theme park and hotel refurbishment	2013-2016

Source: Newsflows

Additionally, the incentives announced by the Government in April 2015 to promote investment in automation and principal hub activity are also expected to lift capital spending and to attract more firms to set up their global or regional bases in Malaysia.