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ECONOMIC REPORT 2018

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0. Executive summary[1]

Malaysia's economy grew by 4.7% in 2018 (2017: 5.9%). Growth of demand was mainly led by private final consumption expenditure and net exports. The Malaysian economy was tested by several external and domestic challenges throughout the year in 2018 such as major policy and political shifts, global trade tensions and the unprecedented change of government.

Domestic demand continues to be the main driver of growth supported mainly by private sector expenditure. Private consumption growth recorded the fastest rate since 2012 at 8.1%.

The new government which took over since 10th May 2018 is committed to reprioritize expenditures resulting in slower growth of public consumption at 3.3%. Public investment declined by 5.2% due to lower spending from public corporations while private investment grew slower at 4.5% due to heightened uncertainty stemming from both external and domestic developments.

Malaysia's external debt stood at USD 221.0 billion at the end of 2018 or 64.7% of GDP (end 2017: USD 215.9 billion or 65.4% of GDP). In 2018 as a whole, the Ringgit depreciated by 1.8% to end the year at MYR 4.1385 against the USD. Unemployment rate remained unchanged at 3.4%.

Most economic sectors recorded expansion, with the exception of commodity-related sectors. The services sector's growth improved to 6.8% as better consumer sentiments and favorable labor market conditions spurred spending during the tax holiday period. The manufacturing sector expanded by 5.0% supported primarily by a continued expansion in the electrical and electronics cluster.

Malaysia's total trade in 2018 expanded by 5.9% to USD 0.47 trillion (USD 0.41 trillion in 2017). Switzerland continues to have a trade surplus against Malaysia and continue to rank as 3rd trading partner for Malaysia from Europe behind Germany and France. The main trading partners were China, Singapore and the USA. Malaysia's approved foreign direct investment (FDI) hit an all-time high in 2018; increased by 48%. The main investing countries were China, Indonesia, Netherlands and Japan. Switzerland is among the main investors from Europe.

Economic measures taken by the current government include:

- Introduction of the Sales and Services Tax (SST) effective 1st September 2018 (replacement of GST) covering 38% of the consumer price index (CPI) basket against 60% under the GST, resulting in lower income for the government.
- Minimum wage increased and standardized to MYR 1,100 (USD 273) per month effective 1.1.2019.
- Corporate tax rate on taxable income of up to MYR 500,000 for SMEs reduced from 18% to 17% for year of assessment 2019.
- Foreign digital service tax set to be implemented from 1st January 2020 has been fixed at 6% per annum.
- The excise tax of MYR 0.40 (USD 0.099) per liter on sweetened beverages was initially scheduled for implementation on 1st April but was postponed to 1st July 2019.
- A Special Voluntary Disclosure Program was also announced during the tabling of Budget 2019 (now extended to 30th June 2019) to encourage full disclosure of previously under declared income as part of government initiatives on tax reforms and of the process to implement the global standard on Automatic Exchange of Information (AEOI) with other countries including Switzerland.

According to the Central Bank of Malaysia, against the backdrop of a challenging global environment, Malaysian economy is expected to sustain its growth, expanding by 4.3% – 4.8% in 2019.

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[1] The main source of this Economic Report has been quoted primarily from Central Bank of Malaysia and Department of Statistics, Malaysia unless stated otherwise. Exchange rate used in this report is obtained from Central Bank of Malaysia Annual Report 2018. Year 2017: 4.300 and 2018: 4.035.

1. Economic problems and challenges

The new government announced that Malaysia is saddled with over 1 trillion Ringgit ($251.70 billion) in debt, blaming the previous government led by former Prime Minister Najib Razak who now faces domestic graft investigations[2]. This includes Federal Government Debt, Government Guarantees, and lease payments for Public Private Partnership (PPP) projects such as construction of schools, hotels, rental, maintenance of roads, police stations, hospitals etc., as well as financial commitments needed to be paid by the government, such as the 1Malaysia Development Bhd (1MDB) payments. The government has issued Samurai bonds in Tokyo that follow Japanese rules and regulations to retire old debts, especially that of 1Malaysia Development Bhd (1MDB) that were undertaken at a very high repayment rate.

Finance Minister had also exposed that the former government had failed to reimburse USD 4.83 billion / MYR 19.47 billion in Goods and Services Tax (GST) refund. A committee has been set up under the Public Accounts Committee (PAC) to investigate the lost fund. Since then, the government has returned a total of USD 1.96 billion/ MYR 7.9 billion of the outstanding Goods and Services Tax (GST) and Inland Revenue Board (IRB) owed payers a total of USD 0.966 billion / MYR 3.9 billion in income tax. Petronas, the national oil company declared a special dividend of USD 7.45 billion / MYR 30 billion to help in the tax refunds.

Several mega projects are under review and suspended pending discussions over its pricing as well as allegations of graft that have plagued the projects such as Kuala Lumpur-Singapore high-speed rail (HSR), Klang Valley mass rapid transit line 3 (MRT 3), Light Rail Transit 3 (LRT 3) and Pan-Borneo Highway. The East Coast Rail Link (ECRL) which is part of China's Belt and Road infrastructure initiative has been revived with a much reduced cost.

Malaysia lost USD 11.65 billion / MYR 47 billion in GDP value to corruption in 2018 alone similar to 4% of GDP according to Transparency International Malaysia[3]. A total of 418 civil servants were arrested on suspicion of accepting bribes in 2018 and 140 were charged[4]. In January 2019, the government launched the National Anti-Corruption Plan as a warning to all including the prime minister and Cabinet members.

Malaysia Vision 2020 has been delayed and is predicted to join the league of high-income nations between 2020 and 2024. Many remain apprehensive about Malaysia graduating from the middle-income trap. Official statistics show that there are still many who are left behind despite strong economic growth over the years. A large number of households, still, do not have access to piped water, live in dilapidated houses and have long travel times to get to the nearest public healthcare centers and public primary schools.

The country is also suffering from high dependency on foreign labor. Official figure of foreign labor reported at 2.3 million. However; actual figure is estimated to be 4 million[5] - being one of the reasons suppressing the salary factor. According to a recent report by the Central Bank of Malaysia, Malaysians were not being paid enough for their level of productivity. The urban-rural divide is much larger than it appears and there is an urgent need to reduce the effects of uneven development.

The government also believes that the increase in the cost of living was partly contributed by resources being controlled by a small group of individuals and big conglomerates. Four companies have been identified: Padiberas Nasional Bhd (Bernas) (rice import), Puspakom (vehicle inspection company), Pharmaniaga Bhd (pharmaceutical products) and MyEG Services Bhd. (e-government services provider) as possibly having a monopolistic position in the market.

Government linked companies (GLC)s were uniquely tasked to assist in the government's affirmative action program to improve the absolute and relative position of ethnic Malays and other indigenous people

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[2] Reuters 21st May 2018

[3] Malaysian Reserves 18th December 2018.

[4] Malaymail 2nd April 2019.

[5] Malaysia's Economic Outlook 2019: Manokaran Mottain, Chief Economist, Alliance Bank Malaysia

(*Bumiputera*). The intention was to help create a new class of *Bumiputera* entrepreneurs, first through the GLCs themselves and then through a process of divestment. Given the amounts of money involved and the cost of the distortions introduced, the benefits to *Bumiputera* were unjustifiably small and unequally distributed.[6]

Apart from the domestic trials, Malaysia also faces external challenges such as stability of oil price, trade tension between the USA and China, Brexit uncertainty, tightening of monetary policy in advanced economies and downward pressure on commodity prices.

Multiple structural reforms announced by the new government, include zero-based budgeting, open tenders across all ministries, migration to accrual basis accounting, reprioritization of infrastructure projects and the formation of the Tax Reform Committee and Public Finance Committee.

2. International and Regional Economic Agreements

2.1 Country's Policy and Priorities

Prime Minister Mahathir has rejuvenated the Look East Policy which was once introduced in 1982. The policy's principal goal was to shift the focus of relations from the West towards rising Asia, specifically Japan, and help drive industrialization in Malaysia. Other countries are also now included such as South Korea, Hong Kong, Taiwan and also China.

Since the new government took over, Malaysia is focusing more on the Regional Comprehensive Economic Partnership (RCEP). These negotiations are being held by the 10 ASEAN countries together with the six states with which the association has existing FTAs (Australia, China, India, Japan, South Korea and New Zealand). According to the International Trade and Industry Ministry, the government is cautiously optimistic that talks on another mega trade pact of RCEP would reach a substantive conclusion by end of 2019. One area of discussion that is yet to reach a conclusion among participating countries is the level of trade liberalization as well as waiting for the outcome of the general election in India to see what kind of position the new administration will take.

Meanwhile, Malaysia is still evaluating on the ratification of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) Agreement and has not committed on a specific date. The new Government has yet to decide whether Malaysia will ratify the agreement or not, and the final ratification decision will be made by the Prime Minister and his Cabinet[7]. There has been a vocal lobby against the CPTPP, arguing that the country would lose policy flexibility, while government-linked companies would be restricted in the preferences that they can give to local SMEs under the trade pact.[8]

The European Union (EU)-Malaysia free trade agreement (FTA), which has been set aside since 2012, remains on the back-burner. Malaysia has submitted a proposal to the EU to introduce a new appendix on vegetable oils and fat in the Malaysia-EU FTA to ensure Malaysia's right is protected especially on oil palm related issues that are actively highlighted in Europe presently. The Malaysian government has suggested to threaten and to take retaliatory trade measures, including ditching EU-made fighter jets for Chinese ones, if the 28-nation bloc goes ahead with plans to phase out palm oil from transport fuel by 2030[9].

Malaysia will host the APEC Summit in 2020.

[6] Economic Research and Regional Cooperation Department of the Asian Development Bank

[7] Ministry of International Trade and Industry

[8] Channel News Asia 18th January 2019.

[9] News Straits Times 24th March 2019.

2.2 Outlook for Switzerland (potential for discrimination)

The Malaysia - European Free Trade Association Partnership between Malaysia and Iceland, Liechtenstein, Norway and Switzerland underwent a total of 8 rounds of negotiations since March 2014. Round eight was hosted by Kuala Lumpur in March 2017. The Ministry of International Trade and Industry concludes that free trade agreements (FTA) with the European Union and European Free Trade Association will face challenges, if there is continued discrimination against Malaysian commodities especially palm oil.[10] The Primary Industries Ministry will work with the Swiss Federal Department of economic Affairs, Education and Research to set up the special joint committee compromising experts from both countries to cooperate on issues relating to palm oil.[11]

The fact that import duties are much lower for countries that have signed an FTA with Malaysia, disadvantages Swiss enterprises that wish to export to Malaysia. The FTA between Malaysia and EFTA will therefore be instrumental to improve the competitiveness of Swiss exports to Malaysia. On the other hand, Swiss companies could benefit by using Malaysia as a "springboard" to countries in the region.

The Double Taxation Agreement of 30th December 1974 and the Investment Guarantee Agreement of 1st March 1978 (currently intended to be up-dated) between Switzerland and Malaysia have paved the way for the development of bilateral trade between both countries. There are no specific discriminative policies being implemented against Switzerland.

According to a report by Swiss Economic Institute of ETH Zürich, Malaysia ranks 21st in country assessment on ease of doing business with Switzerland, only behind Singapore amongst ASEAN countries.

In the pharmaceutical industry, Switzerland has been recognized by the Malaysian authorities as a reference country for Certificate of Pharmaceutical Product (CPPs) along with other states such as the USA, Australia, Japan, Canada and European countries.[12]

3. Foreign Trade

3.1 Development and general outlook

3.1.1 Trade in goods

Malaysia's total trade in 2018 remained resilient, expanding by 5.9% to USD 0.47 trillion / MYR 1.876 trillion, compared with USD 0.41 trillion / MYR 1.771 trillion in 2017. Despite the uncertainties in the global environment, exports rose by 6.7% to reach a value of USD 247.3 billion / MYR 998.01 billion. Imports increased by 4.9% to USD 217.5 billion / MYR 877.74 billion. Malaysia's trade surplus widened by 22.1% to USD 29.8 billion / MYR 120.27 billion, registering the fastest rate in 10 years and the largest trade surplus since 2012. This was the 21st consecutive year of trade surplus since 1998.[13]

Electrical and electronic products made up the biggest composition of Malaysia's exports in 2018, accounting for 38.2%. Exports of mining goods rose 7.1% to USD 21.7 billion / MYR 87.62 billion and this sector's share made up 8.8% of total exports in 2018. Exports of crude petroleum increased 29.4% to USD 9 billion / MYR 36.57 billion. Exports of agriculture goods contracted 14.2% to USD 16.6 billion / MYR 67.01 billion, accounting for 6.7% of total exports in 2018. Exports of palm oil and palm oil-based agriculture products declined 17.3% to USD 11.07 billion / MYR 44.7 billion.

10 The Edge Markets 15th March 2019.

11 New Straits Times 3rd October 2018.

12 Regulatory Affairs Professionals Society (RAPS)

13 Malaysia External Trade Development Corporation (MATRADE)

ASEAN remained an important and strategic trading partner for Malaysia, accounting for 27.1% of Malaysia's total trade in 2018, valued at USD 126.2 billion / MYR 509.2 billion. Exports to ASEAN grew 5% to USD 70.7 billion / MYR 285.3 billion, with major contributors to the increase being electrical and electronic products, crude petroleum, manufactures of metal, as well as, chemicals and chemical products.

Trade with China rose 8.1% to USD 77.8 billion / MYR 313.81 billion with exports expanding 10.3% to USD 34.4 billion / MYR 138.88 billion. Trade with the United States recorded a growth of 1.1% to USD 38.6 billion / MYR 155.88 billion, with exports rose 2.3% to USD 22.5 billion / MYR 90.73 billion, registering the highest value since 2008.

Trade with the European Union (EU) amounted to USD 45.4 billion / MYR 183.37 billion, a growth of 4.8% from 2017. Malaysia's exports to the EU was higher by 3.5% at USD 24.4 billion / MYR 98.6 billion. Among the top 10 EU markets which accounted for 90.7% of Malaysia's total exports to the EU, 7 countries recorded expansion namely, Germany which increased by 5.7%, Spain (↑46.6%), Italy (↑27%), France (↑7.9%), Czech Republic (↑32.1%), Hungary (↑17.8%) and Poland (↑8.1%).

Increased exports to the EU were driven mainly by manufactured goods which accounted for 90.8% of Malaysia's total exports to the region. Exports of this sector rose by 5.5% to USD 22.2 billion / MYR 89.53 billion buoyed mainly by manufactures of metal which increased by 148.7% or USD 0.8 billion / MYR 3.27 billion. Other drivers of exports were chemicals and chemical products, rubber products, iron and steel products, machinery, equipment and parts, transport equipment as well as petroleum products. Imports from the EU expanded by 6.5% to USD 21 billion / MYR 84.77 billion and the main imports were electrical and electronic products, transport equipment as well as machinery, equipment and parts.

3.1.2 Trade in services

The service industry accounts to 56% of the country economy. It expanded 6.8% last year against 6.2% in 2017. Total revenue of Services sector in 2018 has increased by 8.4% and recorded USD 414.8 billion / MYR 1,673.8 billion as against to 2017 USD 359 billion / MYR 1,544.4 billion. The highest contribution was recorded by Wholesale & Retail Trade, Food & Beverages and Accommodation segment as well as information and communication sector.

Revenue statistics of services sector:

Revenue of services sector by segment	2017		2018		Change
	MYR	USD	MYR	USD	
Wholesale and retail trade, food and beverages and accommodation	1'227.3	285.4	1'329.7	329.5	8.30%
Information and communication and transportation and storage	227.5	52.9	245.5	60.8	7.90%
Health, education and arts, entertainment and recreation	58.7	13.7	63.5	15.7	8.20%
Professionals and real estate agents	30.9	7.2	35.1	8.7	13.60%
Total revenue from service sectors	1'544.4	359.2	1'673.8	414.8	8.40%

Performance of Services Sector at constant 2010 Prices[14]:

Table	Annual Change %		Share to GDP &	
Year	2017	2018p	2017	2018p
Services	**6.2**	**6.8**	**54.5**	**55.5**
Intermediate services	**6.6**	**7.0**	**20.8**	**21.3**
• Finance and insurance	4.6	5.8	6.7	6.8
• Real estate and business services	7.4	7.6	4.5	4.6
• Transport and storage	6.2	6.4	3.6	3.6
• Information and communication	8.4	8.4	6.1	6.3
Final services	**6.0**	**6.7**	**33.6**	**34.2**
• Wholesale and retail trade	7.1	8.1	15.1	15.6
• Food and beverages and accommodation	7.4	8.9	2.9	3.0
• Utilities	2.9	4.9	2.5	2.5
• Government services	4.9	4.5	8.7	8.7
• Other services	5.1	5.6	4.4	4.4

p Preliminary
Note: Numbers may not necessarily add up due to rounding

3.2 Bilateral Trade

Switzerland continues to have trade surplus against Malaysia amounting to CHF 1,294.26 million in 2018 despite a decrease in total import from Switzerland to Malaysia at CHF 2,496.83 million in 2017 to CHF 2,315.78 million in 2018.

As for exports to Switzerland from Malaysia, the figure also shows a decrease of CHF 1,505.13 million in 2017 to CHF 1,021.52 million in 2018.

Switzerland continues to rank as 3rd trading partner for Malaysia from Europe; behind Germany and France. New investments by both the domestic players and foreign direct investors have brought new business opportunities for Swiss SMEs. The sectors from Switzerland that continue to be of strong interest for Malaysian companies are pharmaceutical, consumer goods, precious metals, machinery, and watches.

3.2.2 Trade in goods

Main import from Switzerland to Malaysia remains to be precious metals which stands at CHF 1608.57 million; 69.5%, followed by machinery (electric and non-electric) at CHF 233 million; 10% and pharmaceutical products at CHF 195.4 million; 8.4%. Other categories of products of high import figure include optical, medical instruments and watches / clocks[15].

Export from Malaysia are primarily precious metals CHF 495.45 million (48.4%), machinery – electrical and not electrical CHF 313.5 million (30.7%), optical, medical instruments CHF 62.8 million (6.1%), and plastics / rubber at CHF 54.63 million; 5.3%.

In the last ten years, the three main sectors for both exports and imports remained unchanged. It is forecasted that for the near future this situation remains the same. The comparative advantage on those sectors for Swiss products remains high quality, precision and reliability.

[14] Department of Statistics, Malaysia

[15] State Secretariat for Economic Affairs SECO

3.2.3 Trade in services

The data on trade in services with details in sub-sectors between Switzerland and Malaysia remains relatively scarce and is not provided by the national data base or the central bank. In general, Malaysians continue to be interested in tourism, higher education and the banking sector of Switzerland.

In 2018, there was 44,682 arrivals (2017: 39,495) of Malaysians in Switzerland with a recorded total of 84,073 overnights; an increase of overnights by 13.9% from 2017. By far, that is the best result in the history for Malaysia market. As for Swiss tourists to Malaysia, there was an increase of tourist arrivals by approximately 23.6% against 2017. Malaysia recorded a total of 25,680 tourist arrivals from Switzerland.

4. Direct Investments

4.1 Development and general outlook

Total approved investments in the manufacturing, services and primary sectors, have increased from USD 46.65 billion / MYR 200.6 billion in 2017 to USD 49.9 billion / MYR 201.7 billion in 2018. The pie was split with domestic direct investments (DDI) assuming 60.1% of the share at USD 30 billion / MYR 121.2 billion, while foreign direct investments (FDI) accounted for the remaining 39.9% or USD 19.9 billion / MYR 80.5 billion. Malaysia's approved foreign direct investment (FDI) hit an all-time high in 2018 and foreign investors continue to capitalize on uniquely Malaysian ecosystems and its regional synergies as FDI increased by 48% from USD 12.5 billion / MYR 54.4 billion in 2017[16]. However, the country's domestic direct investment (DDI) continued to fall for the fourth consecutive year in 2018, across the manufacturing, services and primary sectors.

The manufacturing sector emerged as the champion, recording a significant margin with approved investments totaling USD 21.6 billion / MYR 87.4 billion in 2018, a notable 37.2% higher, as compared to USD 14.8 billion / MYR 63.7 billion in 2017.

The Service sector was the largest contributor to the total approved investments, amounting USD 25.6 billion / MYR 103.4 billion from 4,103 projects. Domestic investments contributed 84.1% or USD 21.5 billion / MYR 86.9 billion while foreign investments made up the rest or USD 4.1 billion / MYR 16.5 billion. Foreign investors were strong in the distributive trade and global establishments subsectors recording USD 1.19 billion / MYR 4.8 billion and USD 1.09 billion / MYR 4.4 billion respectively. These two subsectors alone contributed 55.8% to the total foreign investments in the services sector.

For the primary sector, approved investments registered a decrease of 12.2% to USD 2.7 billion / MYR 10.9 billion in 2018. This is largely due to lower investments in oil and gas exploration activities. The rest of the investments, comprise of the plantation and commodities and agriculture subsectors, registered sustainable investments of USD 149 million / MYR 601.8 million and USD 17 million / MYR 68.8 million respectively.

China, Indonesia, the Netherlands, Japan and the USA were the largest contributors to the manufacturing sector in Malaysia for 2018. These five countries jointly accounted for USD 10.9 billion / MYR 44.3 billion or 76.4% of the total foreign investments approved during the period.

Industries with high levels of approved investments include petrochemicals industry, basic metal products, electrical and electronic products, paper, printing and publishing, chemicals and chemical products, rubber products, non-metallic mineral products and machinery and equipment. The government will continue to attract high value-added, high technology and knowledge-intensive investment to complete the value chain in the ecosystem of targeted industries. Malaysia will focus on digital economy, aerospace, chemicals and

[16] MIDA (Malaysia Investment Development Authority), Annual Report 2018

chemical products, machinery and equipment, medical devices and electrical and electronics industries in the years to come.

4.2 Bilateral investment

Swiss investment in Malaysia began back in the early 1900s with Nestle in 1912 (trade) and DKSH in 1923. Over the years, foreign direct investment (FDI) from Switzerland (to Malaysia) continued to make its presence felt in the manufacturing sector, followed by trading, financial services and the setting up of regional offices for the South East Asian and Oceanian countries.

For the period 1980 to 2018, 216 projects with total investments of USD 3.24 billion were approved by Malaysian Investment Development Authority (MIDA) from Switzerland; expecting to have created a total of 22,425 potential employments. These investments mostly centered in the electrical and electronic products, scientific and measuring equipment, machinery and equipment, food manufacturing, petroleum and petrochemical products[17].

According to the Swiss National Bank, Switzerland's stock of direct investment (FDI) in Malaysia amounted to CHF 6 billion by end of 2017, creating about 24,500 jobs.

In 2018 alone, there are seven Swiss investments in manufacturing in Malaysia in machinery and equipment, electronics and electrical, fabricated metal products and chemical industry. Switzerland is ranked number 17 amongst foreign investors totaling USD 261.6 million worth of investment and creating potential 378 employment opportunities (2017: 7 projects / USD 602.4 million / 482 employment opportunities).

Services projects with approved incentive under the Malaysian Investment Development Authority (MIDA)'s purview with Swiss companies participation in 2018 are two global establishments / regional office with USD 0.8 million.

The strong regional competition to attract FDI has started to dampen the Swiss firms' desire to come to Malaysia due to competitive incentives and bigger market offered by some other ASEAN's member countries.

The attractive factors Malaysia possesses are: well developed infrastructure, good supporting industries, the low cost of doing business e.g. low rental, low yearly incremental expenses, well educated workforce and a good command of English.

There are approximately 120 Swiss-linked companies in Malaysia, among them, four companies are listed in the Malaysian stock exchange – Nestle, DKSH, LafargeHolcim and Zurich Insurance. However, as reported in the news in early 2019, LafargeHolcim will be fully exiting the Malaysian market by divesting its investment in Lafarge Malaysia to YTL Cement Bhd.[18]

5. Trade, Economic and Tourism Promotion "Country Advertising"

5.1 Foreign economic promotion instruments

Switzerland Global Enterprise S-GE (www.switzerland-ge.com) with its mandate from the Swiss Parliament is the key promotion agency on exports, imports and investments for Switzerland and Liechtenstein. Its focus is very much to support the small and medium enterprises. In view of its limited human resources, an

[17] Malaysian Investment Development Authority (MIDA)

[18] The Star 2nd May 2019

agreement was formulated to share resources from the Embassy personnel; 50% of the local trade officer's time is dedicated for S-GE's activities.
To achieve maximum cooperation, especially for market information and business opportunities with the ASEAN member countries, the Swiss Business HUB (SBH) ASEAN with its regional head office in Singapore was set up in 2005. The three Swiss Embassies participating under the SBH ASEAN are Malaysia, Singapore (covering Brunei as well) and Vietnam. The rest of the ASEAN countries continue to cooperate with S-GE on a case-by-case basis. Indonesia became a new hub on 1st June 2017.

In 2018, SBH ASEAN-Malaysia, managed to support numerous Swiss SMEs to expand into Malaysia market on partners search for pneumatic products, computing and IOT, Fintech and relocation on investment, etc.

On the local front, the Swiss Malaysian Business Association SMBA (www.myswiss.org.my) established in 2000 with its 76 members (59 company members and 17 individual / honorary members) in 2018 also played a role by promoting trade and investment activities. Swiss businessmen planning to establish businesses in the country stand to benefit from receiving first-hand information from the established Swiss representatives and firms in Kuala Lumpur and Penang, the state with second largest number of Swiss companies.

5.2 The host country's Interest in Switzerland

Switzerland is still deemed as one of the 'must visit' tourist destinations for Malaysians which usually incorporated in the mass market's Europe itinerary.

In 2018, there was 44,682 arrivals (2017: 39,495) of Malaysians in Switzerland with a recorded total of 84,073 overnights; an increase of overnights by 13.9% from 2017. By far, that is the best result in the history for Malaysia market.

Despite the strength of the CHF, the demand and interest to Switzerland has been increasing. There were more players in the leisure market who showed interest and confidence in expanding their products range by moving towards creating packages which incorporate more overnights in Switzerland. More and more free independent travelers (FIT) have identified Switzerland as their target destination due to more awareness of Switzerland's infrastructure, public transport, languages spoken, safety etc. As for the M.I.C.E market, the trend or cycle has maintained the momentum to Switzerland for 2018.

With active presence and support from Switzerland Tourism in Malaysia market, activities with the trade partners and media have been increased which resulted in a consistent popularity and awareness in this market. Major events such as Switzerland Travel Experience in Kuala Lumpur as well as Penang and Switzerland Convention and Incentive Bureau (SCIB) roadshow were successfully organized. Apart from that, Switzerland Tourism also worked with the local travel agencies to develop new tours products as well as participated in joint marketing collaboration; and organized familiarization trips for travel agents. For media, media trips were organized which produced television travelogues and published articles in local newspapers, magazines as well as digital magazine in various languages.

Despite there being no direct flights from Malaysia to Switzerland, the outbound air capacity currently has been supported with competitive and strong presence of Middle Eastern airlines i.e. Emirates, Qatar Airways, Etihad Airways, as well as European carriers i.e. KLM and Air France.

As for Swiss tourists to Malaysia, there was an increase of tourist arrivals by approximately 23.6% compared to 2017. Malaysia recorded a total of 25,680 tourist arrivals from Switzerland.

Economic Structure

Gross Domestic Product (GDP) by kind of economic activity at constant 2010 prices:

Sectors	Year 2017 (USD million)	Year 2018 (USD million)	Annual change
Agriculture	22,318	23,679	-0.4%
Mining & Quarrying	22,892	24,032	-1.5%
Manufacturing sector	62,745	70,220	5.0%
Construction	12,459	13,838	4.2%
Services	148,737	169,289	6.8%

Annual change % is based on official figures from Central Bank of Malaysia in MYR million before conversion to USD.

Exchange Rate[19]: USD / MYR
2015: 3.905
2016: 4.148
2017: 4.300
2018: 4.035
2019f: 4.096

[19] Annual Report of Central Bank of Malaysia 2018. 2019f is based on average USD exchange rate for the period Jan – Feb 2019.

Main economic data

	2017	2018	2019
GDP (USDbn)*	314	353.6	371.6
GDP per capita (USD)**	9'813	10'919	11'469
Growth rate (% of GDP)**	5.9	4.7	4.7
Inflation rate (%) **	3.7	1.0	2.2
Unemployment rate (%) **	3.4	3.4	3.4
Fiscal balance (% of GDP)**	-3.0	-3.7	-3.4
Current account balance (% of GDP)**	3.0	2.2	1.8
Total external debt (% of GDP)**	69.4	62.5	61.0
Debt-service ratio (% of exports)**	21.0	21.3	21.1
Reserves (months of imports)**	102.4	101.4	113.4

* *Source: IMF, Article IV Consultation March 2019. Figure in projection for 2019 of MYR 1'522 billion converted to USD using 2019 forecast exchange rate of 4.096 by Central Bank of Malaysia.*

** *Source: IMF, Article IV Consultation March 2019*

P = Preliminary
F = Forecast

Trade Partners: 2018

Malaysia Import

No	Country	2017	2018	Share %	Change %
		Import (USD millon)	Import (USD million)		
1	China	38'243	43'352	19.93%	11.79%
2	Singapore	21'565	25'495	11.72%	15.41%
3	United States	15'180	16'095	7.40%	5.68%
4	Taiwan	12'734	15'753	7.24%	19.17%
5	Japan	14'793	15'740	7.24%	6.02%
6	Thailand	11'196	12'044	5.54%	7.04%
7	Indonesia	8'809	9'980	4.59%	11.74%
8	Korea, Republic Of	9'097	9'645	4.43%	5.67%
9	India	6'245	6'564	3.02%	4.86%
10	Germany	6'111	6'537	3.01%	6.52%
17	Switzerland	2'756	2'647	1.22%	-4.14%
Grand Total		194'517	217'537	100.00%	10.58%

Malaysia Export

No	Country	2017	2018	Share %	Change %
		Export (USD million)	Export (USD million)		
1	Singapore	31'541	34'482	13.94%	8.53%
2	China	29'292	34'425	13.91%	14.91%
3	United States	20'623	22'487	9.09%	8.29%
4	Hong Kong	11'096	18'489	7.47%	39.98%
5	Japan	17'581	17'116	6.92%	-2.72%
6	Thailand	11'746	14'067	5.69%	16.50%
7	India	8'030	8'995	3.64%	10.72%
8	Viet Nam	6'418	8'478	3.43%	24.30%
9	Korea, Republic Of	6'648	8'347	3.37%	20.36%
10	Australia	7'529	8'314	3.36%	9.43%
31	Switzerland	1'214	775	0.31%	-56.76%
Grand Total		217'425	247'405	100.00%	12.12%

Source: Malaysia External Trade Statistics, https://metsonline.stats.gov.my/

Bilateral Trade

Entwicklung des bilateralen Warenhandels (Total 2)[20]

Jahr	*Exporte (CHF in Mio.)*	*Jährliche Verän-derung (%)*	*Importe (CHF in Mio.)*	*Jährliche Verän-derung (%)*	*Saldo (CHF in Mio.)*	*Volumen (CHF in Mio.)*	*Jährliche Verände-rung (%)*
1990	230.6	-6.0	84.7	12.5	145.9	315.3	-
1995	643.1	29.3	182.1	32.1	461.0	825.2	-
2000	569.7	25.1	294.8	32.6	274.9	864.5	-
2005	580 .7	-7.6	209.9	8.4	370.8	790.6	-
2010	642.8	14.8	345.4	9.8	296.8	988.8	13.0
2011	713.5	11.0	327.5	-5.2	386.0	1046.4	5.3
2012	704.2	-1.3	423.6	29.3	280.6	1'127.8	8.3
2013	724.1	2.8	504.4	19.1	219.7	1'228.5	8.9
2014	882.3	21.8	602.5	19.5	279.8	1'484.8	1.2
2015	770.8	-12.6	491.1	-18.5	279.7	1'261.9	-15.0
2016	755.5	-2.0	483.5	-1.5	272.0	1'239	-1.8
2017	741.3	-1.9	525.0	8.6	216.3	1'266	2.2
2012*	1'160	-	555.8	-	604.2	1'716	-
2013	1'564	34.8	538.9	69.4	1'025	2'103	22.5
2014	1'748	11.7	653.0	21.2	1'095	2'401	14.1
2015	1'677	-4.1	621.1	-4.9	1'055.6	2'298	-4.3
2016	1'495	-10.9	949.3	52.8	545.7	2'444	6.3
2017	2'497	67.0	1'505	58.5	992	4'002	63.8
2018	2'316	-7.3	1'022	-32.1	1'294	3'338	-16.6
*(Total 1***							

*) Ab dem 01.01.2012 hat die EZV die Berechnungsmethode für die Importe und Exporte geändert. Infolgedessen sind Vergleiche zwischen 2012 und den vorhergehenden Jahren nicht mehr möglich.[21]

**) Total "Konjunktursicht" (Total 1): ohne Gold in Barren und andere Edelmetalle, Münzen, Edel- und Schmucksteinen sowie Kunstgegenständen und Antiquitäten

***) Variation (%) gegenüber Vorjahresperiode

[20] Quelle: Eidgenössische Zollverwaltung EZV, Gesamttotal (Total 2): mit Gold in Barren und anderen Edelmetallen, Münzen, Edel- und Schmucksteinen sowie Kunstgegenständen und Antiquitäten.

[21] *Importe:* Verwendung des „**Ursprungslandprinzips**" anstelle des „Erzeugungslandprinzips". Das *Ursprungsland* bezeichnet jenes Land, in dem die Ware vollständig gewonnen oder überwiegend hergestellt wurde. Das *Erzeugungsland* bezeichnete hingegen das Land, in welchem ein Produkt vor der Einfuhr in der Schweiz im freien Verkehr war.
Exporte/Importe: Die **Aussenhandelszahlen werden mit Gold, Silber und Münzen** nach Ländern aufgeschlüsselt und als Bestandteil der Schweizer Aussenhandelsstatistik (Gesamttotal) in der online Datenbank *Swiss-Impex* integriert.

Aufteilung nach Produkten (Total 2)[22]

Exporte	2017		2018		
	Anteil	in Mio. CHF	Anteil	in Mio. CHF	*Var. in %. 2017/2016*
1. Edelsteine, Bijouterie	70.6	1'761.6	69.5	1'608.6	*-8.7*
2. Maschinen	12.7	316.1	10.0	232.9	*-26.3*
3. Pharmazeutische Erzeugnisse	5.7	141.3	8.4	195.4	*38.3*
4. Uhren	3.6	89.9	4.0	93.4	*3.9*
5. Opt./ medizin. Instrumente	2.3	58.4	2.4	54.8	*-6.1*
6. Landwirtschaftliche produkte	0.6	15.9	0.9	20.4	*27.7*

Importe	2017		2018		
	Anteil	in Mio. CHF	Anteil	in Mio. CHF	*Var. in % 2015/2014*
1. Edelsteine, Bijouterie	65.4	983.8	48.4	494.4	*-49.7*
2. Maschinen[23]	20.2	303.5	30.7	313.4	*3.3*
3. Opt./medizin. Instrumente	4.3	64.5	6.1	62.8	*-2.6*
4. Kunststoffe, Kautschuk	3.2	48.0	5.3	54.6	*13.8*
5. Landwirtschaftliche Produkte	1.7	25.2	2.0	20.8	*-17.5*
6. Unedle Metalle und Waren daraus	0.9	12.8	1.6	16.4	*28.1*

[22] Gesamttotal (Total 2): mit Gold in Barren und anderen Edelmetallen, Münzen, Edel- und Schmucksteinen sowie Kunstgegenständen und Antiquitäten (Eidgenössische Zollverwaltung)

[23] V.a. Elektrische und elektronische Güter wie Computer, Digitalkameras oder Mobiltelefone.

Main Investing Countries in Malaysia in 2018

No	Country	Number of Projects	Investment (USD' million)
1	China	40	4,752.0
2	Indonesia	8	2,182.5
3	Netherlands	10	2,013.7
4	Japan	63	998.4
5	USA	18	762.1
6	British Virgin Islands	5	668.7
7	Korea,Rep.	10	602.7
8	Singapore	82	443
9	Hong Kong	10	302.1
10	Panama	4	215.5
17	Switzerland	7	63.2

Investment Projects Approved By Major Industry, 2018

Industry	No. of Projects	Domestic Investment (USD million)	Foreign Investment (USD million)	Total Capital Investment (USD million)
Petroleum Products Incl. Petrochemicals	23	3335.8	4609.8	7945.6
Basic Metal Products	25	1125.2	2047.4	3172.6
Electronics And Electrical Products	56	112.8	2587.6	2700.4
Paper, Printing, Publishing	30	108.5	1204.6	1313.1
Chemical and Chemical Products	68	136.2	1071.5	1207.7
Rubber Products	21	373.7	737.5	1111.3
Non Metalic Mineral Products	39	173.4	416.7	590.2

Approved Private Investments in Services Sectors, 2018

Services Sub Sector	Number Of Projects	Potential Employment	Total Investment (USD million)
Global Establishments	204	2010	1'848.4
Support Services	347	4324	1'399.5
MSC Status	107	3339	265.6
Transport	11	0	171.8
Real Estate	968	N/A	11'868.6
Utilities	N/A	10	2'437.7
Telecommunications	377	N/A	1'348.1
Distributive Trade	1263	43676	1'798.5
Hotel & Tourism	63	4135	1'150.5

Financial Services	47	105	2'402.8
Health Services	11	4374	652.6
Education Services	704	6837	280.0
Other Services	1	28	2.7
Total	4103	68838	25'626.8

Sources: Malaysian Investment Development Authority (MIDA).