

Malaysia

Major Business Sectors

Compiled by:

SBH ASEAN Malaysia

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OVERVIEW AND TRENDS

Malaysia's economy with GDP of USD255.4 billion in 2014 forecast to be the third-largest in South-East Asia after Indonesia and Singapore. Its Vision 2020 was conceptualized in 1990, its overarching plan to propel the country into a high income, developed economy by 2020.

In the face of external turbulence and to become more resilient, Malaysian economy is expected to register steady growth of 4.5% ~5.5% in 2015, to be supported mainly by sustained expansion in domestic demand and export expansion. It has also increasingly moved away from depending on advanced countries for its exports and has been steadily building trade alliances with countries in the region (North Asia & Asean) and non-traditional markets as well

With the implementation of the GST (6%) in April 2015 (replacing the current sales tax and service tax (SST) and, the lower earnings in the commodity-related sectors, the domestic spending will be affected. However, this is will be partially offset by higher household disposable incomes from lower fuel prices, the favourable labour market conditions and the government support to the lower-and middle-income household – where 7.2 million successful applicants for the 1Malaysia People's Aid (BRIM) will be given MYR350 to MYR950 (USD107 -290) per person or household, respectively.

Malaysia's economic health in 2014 had been severely affected by unexpected events and especially by the decline in crude oil prices in the third and fourth quarter. The country experienced its worst setback since the **Asian economic and financial crises** of 1997/1998. All the adverse events 'exploded' in the same year – leading the way were the disappearance of Malaysia Airlines MH370 and MH 17 which was shot down (both occurring within three months) forcing the national carrier to its knees and requiring a bail-out by the Government at a huge cost of MYR 6 billion¹ (USD1.8 bil - financial rescue from state investor Khazanah Nasional Bhd, its majority shareholder).

¹ Star News Media

The Malaysian economy recorded a growth of 6.0% in 2014 (4.7%: 2013), slightly higher than the government's targeted growth of between 4.5% - 5.5%; mainly supported by resilient domestic demand of 7.8% in the 4th quarter 2014, and improvement in external trade performance, which cushioned the negative external financial environment. Demand for Malaysia's exports mainly for electronics & electrical (E&E) products improved and similarly the demand from the regional economies. Real imports of goods and services also expanded due to domestic investment and consumption. Malaysia however still needs radical transformation of its economic structure as it battles to achieve the goals of Vision 2020 and become a developed nation with per capita income of at least USD15'000. However, the per capita income is expected to be downward in 2015, est. USD9'914 (USD10'426 in 2014; USD10'000 in 2013)

The Central Bank (Bank Negara Malaysia) continues to maintain healthy international reserves MYR405.3bil (USD 115.9 bil), sufficient to finance 8.3 months retained imports and has well-developed regulatory surveillance mechanisms; which will limit Malaysia's exposure to riskier financial instruments and ensures the country is prepared to manage another global financial crisis.

Inflation averaged at 3.2 % in 2014 (2.1% in 2013), which was mainly influenced by domestic cost factors arising from the adjustments in the prices of several price-administered items (e.g. electricity tariff, transport charges etc.) since late 2013. The rate was also contained by subdued global prices, stable domestic demand and local firms' ability to absorb some input costs.

The labor force is estimated at 13.6 mio with 15.0 % active in the primary sector, 28.9% in manufacturing, including mining & construction, and 56.1% in services (of which 9.0% is in the public sector). The unemployment rate stabilized since the previous year and, recorded a modest 2.9% in 2014. The country continues to depend on foreign workers in most sectors.

Malaysia's total external debt increased to USD 211* billion² (2013: USD 209.8 billion), tantamount to 69.6% of GDP (2013: 70.6% of GDP). The increase was attributed (about 2/3) to the inclusion of non-resident holdings of the domestic debt securities, in particular MGS and BNMs, as external debt and 41.2 % of Malaysia's external debt is denominated in ringgit – which poses lower risk to the economy, 47.4% in USD, 2.4% in Japanese Yen and 9.1% others.

Exchange Rate: average
USD 1 = MYR 3.27

FOREIGN TRADE

Trade in goods

Malaysia's commitment to the improvement of market access via reduction of trade barriers for international trade has largely been positive. In 2014, the total trade volume of Malaysia increased by 5.9% to RM1.45 trillion (USD 443.4 billion). Export grew by 6.4% to RM766.1bil (USD 234.3bil) and imports grew by 5.3% to RM683.0bil (USD 208.9 billion) mostly due to demand for manufactured exports (76.7% of total exports) arising from recovery in key markets (US, Japan, Asean, China); strong uptake by almost all ASEAN countries; investment needs and domestic consumption.

The demand for Malaysia's exports was affected by the demand growth in the US (exports increased +11%), Japan (+4.4%), Asean (+5.9%), India (+23.9%) and major European economies (+11.6%). The strong demand from advanced countries had also affected several regional economies, which in turn led to higher demand for Malaysia's manufactured good or 77% of total exports.

² Has been redefined to include other liabilities -BNM
Switzerland Global Enterprise – Major Business Sectors

Malaysia's external trade surplus recorded a double-digit growth of 16.6%³ (-22.8% in 2012; -25.7% in 2013) to a net trade surplus of MYR 83.1bil (USD 25.4 bil), making this a trade surplus for the 17th consecutive year since November 1998.

The bilateral trade with FTA's countries accounted for 62.5% of total trade in 2014 (63.8% in 2013) : 60.1% of imports and 64.1% in exports. The total trade with FTA's countries saw an increase of 3.9% to MYR 906.6 (USD 277.2 bil) - export increase by 4.7% to MYR 491.4 (USD 150.3 billion: imports increased by 2.9% to RM415.3 (USD 127.0 bil)

ASEAN accounted for 26.8% or RM389.0 bil (USD 119.0 bil) of Malaysia's total exports in 2014 with gains of 3.9% across the board. Growing importance of intra-regional trade brings Malaysia a step closer towards becoming a single market under the ASEAN Economic Community by 2015.

PRC (China), remained as Malaysia's largest trading partner for the 6th consecutive year since 2009 with an increased total trade of 2.2% to RM207.9 bil (USD 63.6), however, with MYR 23.2 bil (USD 7.1 bil) trade balance in favor of China.

Malaysia's total bilateral trade share with EU has increased to 9.9%. Strong exports to selected economies pushed trade with EU up 6.2% to RM144.0 bil (USD 44.0 bil) and with double digit export growth of 11.6% to RM72.8 bil (USD22.3 bil). Higher exports were registered in major EU countries such as; Netherlands, Germany, UK, Belgium and Poland.

Manufactured goods were again the mainstay, accounting for 76.7 per cent share or MYR 587.6 bil (USD179.7 billion) of total exports, agricultural goods 9.0%, mining goods 13.7% and others 0.6%.

Major exports in 2014 were: electrical & electronics 33.4%, LNG & crude petroleum 13.7%, petroleum products 9.2%, chemical & chemical products 6.7% and machinery, appliances & parts 3.9%.

Trade in services

The services sector recorded in the current account has widened by negative MYR 20.5 bil (USD 6.3 bil) (Inwards MYR126.2 bil /USD38.6 bil and outwards MYR146.7 bil /USD44.9 bil) in 2014. This was due to the high profile air plane incidents – low tourist arrivals versus continued higher outbound and repatriation of profits by investors.

Major services (Q1-Q3 2014) for exports were 1-Business Services (engineering, architectural & franchising) MYR17.6 bil (USD 5.4 bil); 2) Telecommunication, computer & information services MYR 6.6 bil (USD 2.0 bil); 3) Construction services MYR1.99 bil (USD 0.6 bil) and 4) Maintenance & repair services MYR 777 bil (USD 0.2 bil).

Major services (Q1-Q3 2014) imported were 1) Business services (engineering, consultancy and professional services) MYR 21.1 bil (USD 6.5 bil); 2) Transport services MYR36.0 bil (USD 11.0 bil), 3) Telecommunication, computer & information services MYR7.3 bil (USD 2.2 bil) and 4) Maintenance & repair services MYR 797 mil (USD 0.2 bil).

In 2014, a total of 5'059 projects in the Services sector with investment totaling USD 42.7 billion were approved (2013: USD 45.9 billion). Foreign Investment accounted for 11.8% or USD 5.1 bil (2013: USD 6.0 billion) with the balance locally generated. The leading contributors were in real estate USD 25.3 billion, power & utilities USD2.6 billion, global operation hubs USD2.5 bil, hotel & tourism USD 1.9 billion and financial services USD 2.0 billion⁴.

³ Matrade - trade performance 2014

⁴ MIDA @ MYR 3.50

DOMESTIC

Period: 2014

BUSINESS SECTOR	% OF GDP	CHANGE FROM PREVIOUS YEAR	VALUE IN USD (MIO)
Agriculture, forestry and fishing	6.9	2.6	17,593
Mining and quarrying	7.9	3.1	20,076
Manufacturing	24.6	6.2	62'752
Construction	4.0	11.6	10'087
Services	55.3	6.3	141'293
Import Duties	1.3	10.1	3'563
Total	100		255'364

Source: Bank Negara Malaysia (Central Bank of Malaysia) www.bnm.gov.my Annual Report 2014

BILATERAL TRADE

Bilateral trade between Switzerland and Malaysia has been steadily increasing over the years and ranked highest in 2014 with CHF 1'484.4 million⁵ - Switzerland ranks Malaysia as its 3th largest trading partner among Asean after Singapore and Thailand –based on exports value. Switzerland is among the top 5 countries that has trade surplus with Malaysia in 2014.

Switzerland continues to be a major source of imports for Malaysia, ranking 4th (4th in 2013), from Europe with MYR 7'399 mio (CHF2'114 mio), an increase of 24.4% in 2014 - according to Malaysia Customs statistics (Malaysia Exports to Switzerland: CHF265.1 million in 2014)⁶. However, the imports from Switzerland- figure recorded by the Malaysia Customs department is again much higher than the figure issued by the Swiss Federal Customs at CHF 882.3 million. Such discrepancy is also being faced by other ASEAN member countries. The fact is that many goods originating from Switzerland were re-exported from Hong Kong, Singapore and other countries into Malaysia.

Trade in goods

The main export from Switzerland to Malaysia remains machinery. It constitutes 31.1% of total exports. Pharmaceutical & chemicals exports comprise 26.2% followed by watches, jewellery, optical/medical instruments, unrefined metals, and chemical products. Imports from Malaysia are primarily machinery, appliances, and electronics 74.1%, followed by precision instruments⁷.

⁵ Swiss Customs Dept –exchange at MYR3.50 =CHF1

⁶Malaysia Customs Statistics

⁷ Swiss Customs Dept

Trade in services

Data on trade in services between Switzerland and Malaysia remains relatively scarce. In general though, Malaysians continue to be interested in tourism, higher education, and the banking sector in Switzerland, thanks to the good reputation these sectors enjoy worldwide.

In 2014, some 37'732 (35'000 in 2013) Malaysian tourists visited Switzerland - a 20.7% increase. However, it remains a very small number considering the total of 8.96 million foreign visitors.

BILATERAL INVESTMENT FLOWS

Swiss investment in Malaysia began way back in the early 1900s with Nestle in 1912 (trade) and DKSH in 1923. Over the years, foreign direct investment (FDI) from Switzerland in 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 Asia and Oceania countries.

At the end of 2012 the accumulated Swiss direct investment in Malaysia stood at USD4.4 Billion.

In 2014, Swiss investments in Malaysia totaled USD 161.5 million in 12 projects covering chemicals, machinery & equipment, electronics & electrical products, and others, ranking number 14th position among foreign investors. However, it stands at number 5 among European countries.

The strong regional competition to attract FDI's has not dampened the Swiss firms' desire to come to Malaysia despite better incentives offered by some other Asean member countries. The `attractive` factors Malaysia possesses are well developed infrastructure, good supporting industries, and the low cost of doing business e.g. low rental, low yearly incremental expenses. There are at least 140 Swiss-linked companies in 2014, and among them, two companies are listed in the Malaysian stock exchange – Nestle and DKSH.

IMPORTS

BUSINESS SECTOR	% OF IMPORTS	CHANGE FROM PERVIOUS YEAR	VALUE IN USD (MIO)	MAIN COUNTRIES OF ORIGIN
Food	6.2	9.7	13'041	
Beverages & Tobacco	0.6	-0.5	1'238	
Crude materials, inedible	3.2	-7.9	6'725	
Mineral Fuels, Lubricants, etc	16.8	9.4	35'139	
Animal & Vegetable Oils & Fats	0.7	9.8	1'383	
Chemicals	9.7	11.1	20'185	
Manufactured Goods	12.8	2.4	26'732	
Machinery & Transport Equipment	41.8	3.4	87'344	
Miscellaneous Mfg & others	8.2	8.1	17'086	
Total	100	5.3	208'873	

EXPORTS

BUSINESS SECTOR	% OF EXPORTS	CHANGE FROM PERVIOUS YEAR	VALUE IN USD (MIO)	MAIN DESTINATION COUNTRIES
Food	3.3	16.0	7'843	
Beverages & Tobacco	0.5	5.0	1'247	
Crude Materials, Inedible	2.3	-11.5	5'276	
Mineral Fuels, Lubricant, etc	22.1	5.5	51'753	
Animal & Vegetable oil & Fats	6.6	3.0	15'446	
Chemicals	7.4	9.4	17'320	
Manufactured goods	8.8	0.1	20'723	
Machinery & Transport Equipment	38.7	8.4	90'747	
Misc Mfg articles & others	10.3	8.7	23'935	
Total	100	6.4**	234'290	

** Changes based on Ringgit Malaysia Value

Period: 2014 (Conversion Rate MYR3.27)

Source: Department of Statistics Malaysia

PROMOTION OPPORTUNITIES

Switzerland Global Enterprise (S-GE) -formerly OSEC, 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: www.s-ge.com.

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 four Swiss Embassies participating under the SBH ASEAN are Indonesia, Malaysia, Singapore – (covering Brunei), and Vietnam. The rest of the ASEAN countries continue to cooperate with S-GE.

Location Switzerland that focuses on attracting foreign direct investment into Switzerland was made part of S-GE in 2008. Priorities were set to maximize Location Switzerland's activities and Malaysia is listed as a location for promotion at the moment.

On the local front, the Swiss Malaysian Business Association SMBA (www.myswiss.org) established in 2000 with its 96 members in 2015 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.

FURTHER INFORMATION AND LINKS

Statistics

Central Bureau of Statistics	http://www.imf.org
Asian Development Bank	http://www.adb.org/Malaysia/default.asp
International Monetary Fund	http://www.imf.org/external/country/MYS/index.htm
World Bank	http://www.worldbank.org
Unctad	http://www.unctad.org

Ministries/Government Agencies

Ministry of International Trade & Industry	http://www.miti.gov.my
MIDA (Malaysia Investment Development)	http://www.mida.gov.my
MATRADE (Trade Promotion)	http://www.matrade.gov.my
Bank Negara (Zentralbank)	http://www.bnm.gov.my
Malaysian Government Agencies	http://e-directory.com.my/gov-department.htm
Tourism Malaysia	http://www.tourismmalaysia.gov.my
Swiss Malaysian Business Association	http://www.myswiss.org
Swiss Asian Chamber of Commerce	http://www.sacc.ch
Government Official Website (include all the Ministries)	http://www.malaysia.gov.my/ http://www.pmo.gov.my/?menu=cabinet&page=1797
Prime Minister Department	http://www.pmo.gov.my
National Economic Action Council	http://www.neac.gov.my/
The Special Taskforce to Facilitate Business (PERMUDAH)	http://www.pemudah.gov.my

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Bernamea - National News Agency	http://www.bernama.com/bernama/v5/index.php
New Straits Times	http://www.nst.com.my/
The Star	http://www.thestar.com.my/

Current Issues/Social Research

Institute of Strategic and International Studies (ISIS) Malaysia	http://www.isis.org.my/
The Malaysian Institute of Economic Research (MIER)	http://www.mier.org.my/
Merdeka Center - opinion research	http://www.merdeka.org/

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