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## Economy on a firm, resilient footing

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ON THE ROAD TO FULL RECOVERY

# Economy on a firm, resilient footing

Strategic investments, new trade ties forged via Malaysia's robust business ecosystem

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AS Malaysia hits its record-breaking approved investments last year, the country's robust business ecosystem has enabled it to secure strategic investments and forge new trade relationships.

Senior International Trade and Industry Minister Datuk Seri Azmin Ali said this had placed Malaysia on a positive trajectory to propel the economy to greater heights, as well as expedite efforts towards inclusive socio-economic growth.

"The easing of pandemic containment measures has allowed for the resumption of economic activities coupled with high vaccination rates among diverse industries and professions.

"Further efforts were put in place to ensure that the business ecosystem remains responsive to global trends with policies and initiatives for business facilitation, talent upskilling and reskilling, digitalisation, and automation.

"In a nutshell, these measures have placed our economy on a firm and resilient footing towards the path of vibrant growth and sustainable recovery," he said in his speech during the announcement of Malaysia's investment performance in manufacturing, services and primary sectors for 2021.

Last year, Malaysia achieved RM306.5 billion of approved investments for the manufacturing, services and primary sectors, charting an astounding 83.1 per cent increase compared with the performance in 2020.

The country remained an attractive investment destination for global and regional business expansion as total foreign direct investment (FDI) and domestic direct investment (DDI) numbers exceeded expectations with a stellar performance last year.

FDI's stellar performance accounted for nearly 68.1 per cent of approved investments, valued at RM208.6 billion compared with

RM64.2 billion in 2020, which is an increase of 224.9 per cent, while DDI totalled RM97.9 billion.

The DDI complemented FDI performance, making up 31.9 per cent of the total investment value. The manufacturing sector led the way for total investments approved last year, recording RM195.1 billion, followed by the services sector at RM94.1 billion and the primary sector at RM17.3 billion.

Juwai IQI chief economist Shan Saeed said the stellar performance brought economic confidence back in the investment circles and provided an opportunity for global investors to rethink their investment strategy for Malaysia.

He said the Malaysian Investment Development Authority (MIDA) and the International Trade and Industry Ministry (MITI) had done an excellent job in navigating the Covid-19 uncertainty and improving the trade.

Shan also said Malaysia would not lose its importance in the global trade and commerce landscape due to its macroeconomic stability, strategic geography, productive labour force and modern infrastructure.

"FDI is one of the major pillars in gross domestic product (GDP) growth equation.

"We at IQI Global stand confident that Malaysian growth outlook for 2022 remains solid despite global macro-economic fragilities and geopolitical risk.

"We forecast that Malaysia's GDP to hover between four and five per cent in the current year.

"We stand buoyant on Malaysia's economic outlook due to effective handling of Covid-19 situation, speeding up vaccination and above all bolstering business and economic outlook to achieve growth trajectory and stabilisation of the economy at the macro level," he told the *New Sunday Times*.

Meanwhile, Azmin said as part of realising the Shared Prosperity Vi-



Senior International Trade and Industry Minister Datuk Seri Azmin Ali (centre) with his deputy Lim Ban Hong (right) and Malaysian Investment Development Authority chief executive officer Datuk Arham Abdul Rahman after the announcement of Malaysia's investment performance in manufacturing, services and primary sectors for 2021, in Kuala Lumpur last month. PIC COURTESY OF MITI

sion 2030, it was notable that last year, Malaysia had secured RM80.7 billion worth of approved investments for less developed areas.

"The government will redouble efforts in driving these investments which, to date, have yielded major successes. These include AT&S's RM8.5 billion investment in IC Substrates in Kulim, and SK Nexilis's RM4.29 billion investment in thin copper foil manufacturing in Sabah."

He said at this juncture, Malaysia's sustainable economic recovery was right on target with the latest Bank Negara Malaysia report showing the country's full-year GDP growth of 3.1 per cent last year.

Azmin said while these achievements had placed Malaysia on the right track, nevertheless, it would be naive to assume that the voyage ahead would be plain sailing.

"As trading nations, we continue to be impacted by the dynamics of geopolitical and geoeconomic factors, as well as the continuing Covid-19 pandemic.

"Hence, it stands to reason to expect a wide spectrum of uncertainties and potential headwinds coming our way, with global supply chain disruptions, spikes in commodity prices, as well as inflation."

Moving forward, Azmin said, the National Investment Aspirations was poised to attract high-impact investments in new growth areas, which brought bountiful spillover effects to the economy.

"On that note, the New Industrial Master Plan 2022-2033 will propel the local industries to accelerate digitalisation efforts and enable us to fully realise the benefits of transition into Industry Revolution 4.0."

He also said MIDA had secured 352 projects with proposed investments of RM39.2 billion for the manufacturing and services

sectors.

"These projects will create more than 19,000 job opportunities for the rakyat.

"It is my fervent hope that our beloved nation will continue to be bestowed with vibrant growth, greater wealth, and sustainable recovery towards socio-economic justice and shared prosperity for the people."

On the reopening of international borders, Azmin commented that the move would certainly have a positive impact on the country's trade, thus enabling higher trade values to be recorded, as well as attracting new investments.

Azmin said with the reopening of international borders, external demand was expected to increase and local industry would have to meet global market demand, which would directly provide opportunities for local businesses to increase their capacity and quality.

Malaysia and Singapore announced the reopening of the international borders between the countries from April 1 this year, with most of the standard operating procedures relaxed.

In line with the announcement, fully vaccinated travellers from the two countries are allowed to cross borders and land without having to undergo quarantine or perform Covid-19 screening tests, including pre-departure and on-arrival tests.

Putra Business School associate professor Dr Ahmed Razman Abdul Latif said the opening of the international borders would facilitate foreign direct investment to move forward as the economy could not fully recover merely with the movement of goods.

"Many factors influence foreign investors in investing in Malaysia and human resources movement across international borders is an important one. This is especially true when the investment involved high technological products, where highly skilled people need to be outsourced from abroad to assist in the operations or when there is a need to conduct technology transfer activities within the country."

Besides that, Singapore's investment in Malaysia's real estate sector, particularly in Johor and Kuala Lumpur, is bound to increase with the reopening of the border crossing.

Juwei IQI Group co-founder and chief executive officer Kashif Ansari predicts that Malaysian expats in Singapore and Singaporean nationals will increase their property purchases this year.

He believes that investment will continue to rise in 2023, possibly reaching pre-pandemic levels.

Buyers in Singapore, he claimed, were looking for alternatives to the extremely expensive property in their market.

"The pandemic has fuelled housing demand and reduced the supply of housing on the market in Singapore. The result has been new highs for private residential real estate prices.

"Overall Singapore's private home prices rose by 10.6 per cent in 2021. Singapore hasn't seen such fast price growth since 2010. Meanwhile, the number of transactions increased by 68 per cent compared with 2020," Kashif said.

Singapore is Malaysia's largest source of foreign direct investment, accounting for 22 per cent of Malaysia's total FDI stock in 2020.

Singapore also benefits from and receives the greatest amount of Malaysian direct investment of any country.

Malaysian investment in Singapore reached RM110.38 billion in 2020, accounting for about 21 per cent of total investment.

Meanwhile, Malaysia's involvement in the Regional Comprehensive Economic Partnership Agreement (RCEP) will provide additional support to the economic recovery.

It paves the way for the Malaysian economy to integrate into the world's largest free trade agreement with markets covering 15 countries, covering more than 2.2 billion or almost a third of the world's population and GDP.

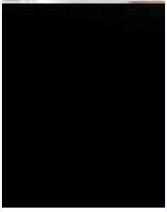
The RCEP also enables Malaysia to participate in global trade and the investment ecosystem, benefiting from the absence of about 90 per cent tariffs among member countries.

Going forward, Malaysia would redouble efforts to enhance bilateral trade and investment to bring about exponential growth. MITI and agencies are committed to exploring areas of cooperation and expanding trade ties and investments, as well as enhancing regional economic integration.



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DATUK SERI AZMIN ALI



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### SUMMARIES

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