



**VOLUME 523** 19 February 2019 | NO. ISSN : 2180-0448



MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY

# Congratulations

## Welcome

YBHG, DATO' LOKMAN HAKIM BIN ALI

SECRETARY GENERAL
MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY

18th February 2019

From all of us at MITI & Agencies

























## Supporting our Local Companies in the E&E Industry to be Regional and Global Players

Whenever one thinks of the Electronics and Electrical (E&E) Sector in Penang, the images which come to mind immediately are big multinational companies (MNCs) such as Intel, B Braun and Broadcom. While established MNCs in the E&E sector have a long history in Penang, what is much less well known are the number of Large Local Companies (LLCs) which have emerged as part and parcel of the E&E landscape. With the right level of support and coordination, these companies can drive the next stage of growth for the E&E sector in Malaysia.

Most of the local E&E players in Penang started off as suppliers to the many MNCs which made Penang their operations and manufacturing hub in South East Asia, starting with INTEL in the early 1970s. As the scale and sophistication of these E&E MNCs grew, the local E&E players also grew in tandem.

Some, such as INARI AMERTRON have surpassed RM1 billion in annual revenues and have listed on the KLSE by being the main supplier of outsourced semiconductor assembly and testing (OSAT) equipment to a small number of multinational companies.

Others, such as NationGate Solution, with revenue surpassing RM500m per annum, have chosen to remain in private hands and operate as an Electronics Manufacturing Services (EMS) provider manufacturing hundreds of finished and semi-finished products to a diverse range of customers around the globe.

But these local players don't merely assemble or supply component parts to the big MNCs. Some, such as Greatech Integration, MAKES MACHINES which are used to assemble and test component parts. These are machines which are critical to the process of automation that is part of the Industry 4.0 landscape.

Pentamaster, a KLSE listed company, designs and makes high end automated machines for COMPONENTS TESTING across a variety of products and industries including mobile devices, the automotive sector and semiconductors. Vitrox, also a listed company is a global leader in providing automated machine vision inspection solutions to the E&E industry. As components have become smaller and more complex, it has become almost impossible for manual inspections to be done. The machines made by VITROX allows testing to be done using high resolution cameras and X-rays with a very high precision.



Figure 1: Range of VITROX Vision Inspection Systems Products

My impression, prior to visiting these E&E players, was that we could not compete against companies from China in the making and exporting of E&E machinery. To my surprise, not only were Malaysian companies beating their Chinese counterparts, they were much more competitive than many European machine designers and makers!

During my visits to these companies over the past 3 months, I found some common trends. Firstly, all of these local players were expanding by either opening up new factories or increasing the floor space in their existing facilities. INARI has built a new facility in the Batu Kawan industrial area. VITROX recently opened its 450,000 square foot campus in Batu Kawan, complete with its own vegetable garden, training facilities and meditation area, and is already planning to expand (See pictures below)





Figure 2: INARI's new facility in Batu Kawan and Vitrox 2.0 Campus also in Batu Kawan

Secondly, all of them saw the US-China trade war as an opportunity for them to grow their export business to both countries.

Thirdly, all of them have invested heavily in Research and Development (R&D) capabilities. They see this as a necessary investment in order to stay ahead of their competitors. When I visited Pentamaster's facility in Bayan Lepas, for example, I found more than 300 designers working on how to improve the efficiency and productivity of its testing solutions.

Fourthly, these are amongst the most advanced companies in Malaysia in terms of Industry 4.0 adoption whether it is Big Data Analytics, Systems Integration or the Internet of Things (IOT).

Fifthly, all of them wanted to grow the local E&E ecosystem so that more local players can grow and contribute the supply chain.

There are a number of ways in which MITI and other related government agencies can work together to help grow the local E&E players especially in relation to the Industry 4.0 / Industry 4WRD policy that was launched in October 2018.

Firstly, matching grants via the DOMESTIC INVESTMENT STRATEGIC FUND (DISF), which is managed by the Malaysian Investment Development Authority (MIDA), can be used to fund R&D activities in new technologies in the E&E sector. In the past, the DISF was used by companies such as VITROX as capital to purchase and test out their vision inspection prototypes. Moving forward, some of the DISF funding which is related to Industry 4.0 initiatives will be given priority. Secondly. HOME GROWN SERVICE

SOLUTIONS to Industry 4.0 adoption will be highlighted and publicized, especially to the SME community. This is not to say that service solutions and providers from foreign MNCs cannot be used in Industry 4.0 adoption. But it is likely that most SMEs would not be able to afford the prices charged by foreign players. In addition, local players, including some of the LLCs, would have more relevant experience to share with local SMEs in the implementation of Industry 4.0 standards since all of them were once SMEs. Vitrox, for example, has developed and rolled out its own V-ONE digitization platform which can be integrated to other parts of the manufacturing as well as back and front end IT and ERP systems. They are not sharing this technology with other E&E players in Penang and elsewhere. Experior, a relative newcomer to the field of testing consultancy, have mostly MNCs and LLCs are their clients but would be interested to share their expertise as ex-INTEL engineers, to other players including local SMEs.

Thirdly, E&E clusters such as the Penang Automation Cluster (PAC), can and should be supported to create a more vibrant and dynamic local E&E landscape so that the large players can support the up and coming players to be part of the product and R&D supply chain. The PAC, which was first announced in February 2017, is an industry led initiative which is supported by the government. The investment in this cluster comes from Vitrox, Pentamaster

and Walta with the land being purchased from the Penang Development Corporation (PDC). The cluster, once completed, aims to house various SMEs who can carry out activities including precision engineering and sheet metal fabrication, tooling, machining, finishing and coating services, all of which are necessary to produce the component parts to make the high end testing equipment which are designed and manufactured by the three main shareholders. Whether or not such clusters can be replicated in other parts of the country remain to be seen. But this is at least a good model of how local companies can invest in local capabilities that will build up the local supply chain ecosystem for the industry in the long-run.

Fourthly, funding will be provided to improve and upgrade the high speed broadband facilities in Industry 4.0 rollout areas including in areas with many E&E players which are at the forefront of using Internet of Things (IOTs) and systems integration in their manufacturing processes. The bandwidth required to keep the various machines 'talking' to one another is increasing with the increase in sophistication as well as the number of devices which need to be hooked up to the wireless infrastructure.

Fifthly, we need to provide skilled workers who are Industry 4.0 equipped to the E&E industry. The National Dual Training Scheme under the Ministry of Human Resources is one such program. The double tax deduction for other Industry 4.0 related training schemes will also encourage other providers to get involved in this area.

While the Industry 4.0 policy is targeted towards players in the manufacturing sector, it cannot be denied that the E&E sector is one of the most important within the manufacturing sector. It makes up approximately 28% or RM80.0 billion of the RM283.3 billion manufacturing output in Malaysia, according to the recently released 4th quarter GDP figures. The manufacturing sector comprises 23% of the RM1.23 trillion total GDP (all real figures). The E&E sector also grew by 6.4% in 2018, the 2nd highest growth rate in the manufacturing sector behind transport equipment and repair activity.

The E&E sector is even more important as a driver of exports. It contributes RM380.8 billion or 39.4% of total merchandise exports in 2018. E&E exports grew by 11.0% in 2018 which is higher than the 6.7% growth in overall exports recorded.

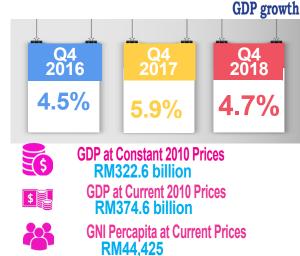
Despite the uncertainties surrounding this sector, in light of the US-China Trade War, the long term prospects for Malaysian companies are bright, and I look forward to many of SMEs in this sector joining the ranks of the LLCs. With the right incentives, funding and cooperation by the state and federal governments, Penang's success can be enhanced and also replicated elsewhere in Malaysia.

Source: Media Statement by Dr. Ong Kian Ming, Deputy Minister of International Trade and Industry (MITI)

## MALAYSIA ECONOMIC Q4 2018

## Malaysia's economic accelarate growth to 4.7 in Q4 2018





## GDP Composition, Q4 2018



Services RM180.6 bil





Agriculture RM25.5 bil



0.4%



Manufacturing RM73.6 bil





Construction RM13.7 bil





Mining & Quarring RM25.5 bil



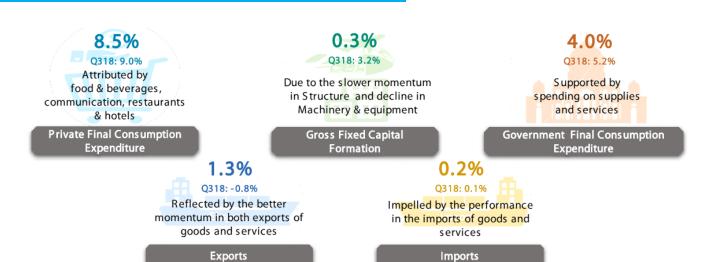


Import Duties RM3.8 bil



Notes: % refers to year-on-year change - GDP at Constant 2010 Prices

## GDP by Types of Expenditure, Q4 2018



Source: Department of Statistics, Malaysia

## **Balance of Payment Q4 2018**

## Malaysia's Current Account surplus surged to RM10.8 billion in Q4 2018





03 18 Surplus RM3.8b

Due to higher surplus in Goods and lower deficit in Primary



Surplus Q4 18 **RM33.0b** 

Surplus 03 18 **RM26.6b** 



Primary

Deficit []4 |8 **RM12.9b** 

Deficit Q3 18 **RM15.0b** 



Deficit Q4 18 **RM4.3b** 

Deficit []3 18 **RM3.3b** 



Deficit Q4 18 **RM4.9b** 

Deficit Q3 18 **RM4.5b** 

## FINANCIAL ACCOUNT



Due to turnaround in Portfolio and Other Investment



Direct Investment Net inflow

Q4 18 RM2.1b

Net inflow

Q3 18 RM0.5b





Income

Net outflow Q4 18 **RM0.7b** 

Net inflow Q3 18 **RM0.03b** 



Other Investment



Net inflow Q3 18 **RM1.0b** 

## FDI & DIA performance

Foreign Direct Investment (FDI) in Malaysia
Net Flow
Q4 18 RM12.9b
Q3 18 RM4.3b

Malaysia's Direct Investment Abroad (DIA)

Net Flow

Q4 18 RM10.8b

O3 18 RM3.8b

## Trade in Services by major components, Q4 2018

Component	Exports Imports RM billion	
Travel	20.41	13.01
Transport	5.28	12.47
Telecommunications, computer and information services	2.95	3.39
Manufacturing services on physical inputs owned by others	3.09	0.11
Insurance and pension services	0.41	2.65
Construction	0.76	1.81
Personal, cultural and recreational services	0.53	0.88
Financial services	0.66	0.74

Source: Department of Statistics, Malaysia

### **Merchandise Trade 2017**

### Key figures

World population



7.55 billion

Annual population arowth



+1.1%

Share of urban population in developing economies

50%

Child dependancy ratio in LDCs



70%

#### Total merchandise trade





Africa's exports increased at double the pace of imports

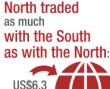
Imbalance in North-South trade decreasing



### Trade structure by partner

In 2017, China and the United States of America both traded goods worth



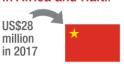




Most European and Asian trade is intra-regional



China is the main export destination for goods from LDCs in Africa and Haiti:



#### Malaysia's Performance



**Population** 

31.624 Millions



**Exchange rate** 4.300 MYR/US\$



**GDP** 314 486 Millions current US\$



Land area 1 (m) 328 550 km<sup>2</sup>



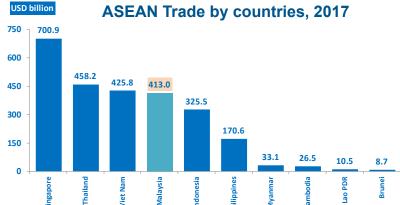
**CPI** growth 3.87 %

GDP growth 5.90 %

**Exports** of goods grow by 14.9% US\$217.8 billion



**ASEAN Trade by countries, 2017** 



Source: 2018 e-Handbook of Statistics, UNCTAD



**Asia-Pacific Economic Cooperation** 

## **PRC Economic Indicators 2017**

1.4 billion Population 55.9% 26.6%

**Employment** Employment in Services in Industry

17.5% **Employment** in Agriculture

0.6% annual

21 Members

US\$10.2 trillion GDP at constant prices Growth rate

6.9% annual Growth rate

**US\$136.3** F1ow Inward billion

F D I US\$124.6 **Outward billion** 

**US\$1.5** trillion

F D I Stock Inward

DI **US\$1.5** Stock trillion Outward

US\$ 226.4 US\$464.1 billion

Commercial Services Exports Imports

billion Commercial Services

**US\$29.2** trillion

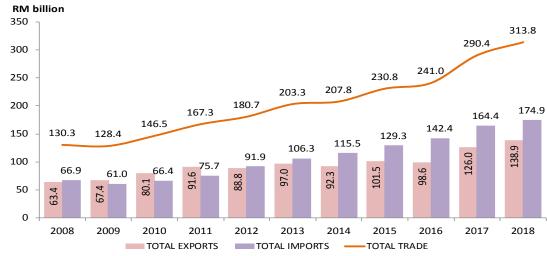
Merchandise Goods Exports

**US\$1.8** trillion

Merchandise Goods Imports

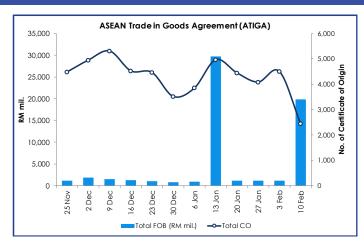
Source: www.statistics.apec.org

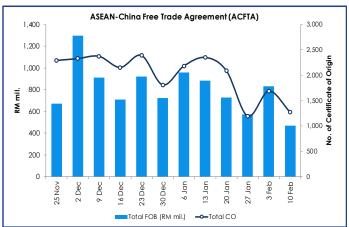
## Malaysia's Trade with PRC 2008 - 2018

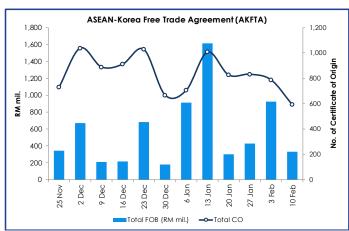


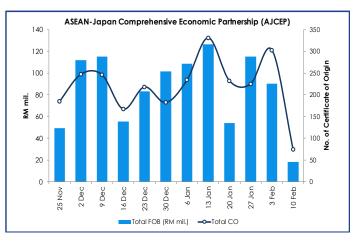
Source: Department of Statistics, Malaysia

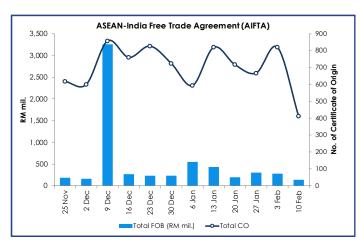
## Number and Value of Preferential Certificates of Origin (PCOs)

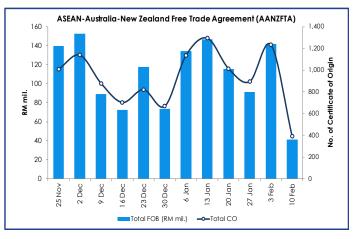


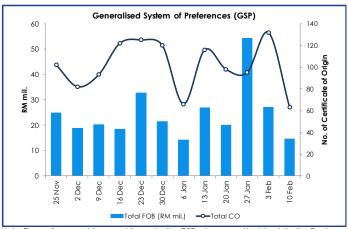








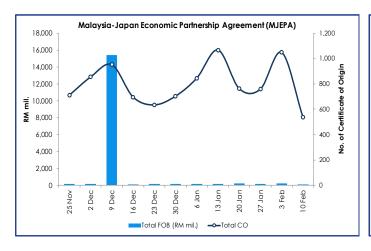


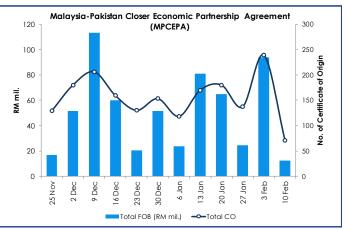


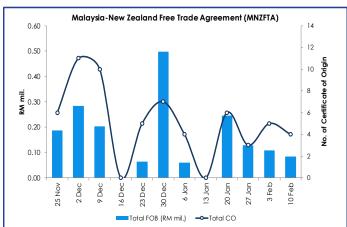
Note: The preference giving countries under the GSP scheme are Liechtenstein, the Russian Federation, Japan, Switzerland, Belarus, Kazakhstan and Norway.

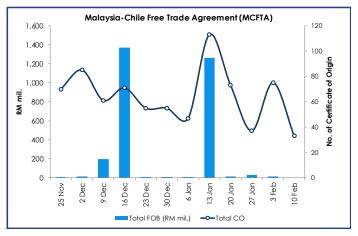
Note: \*Provisional Data

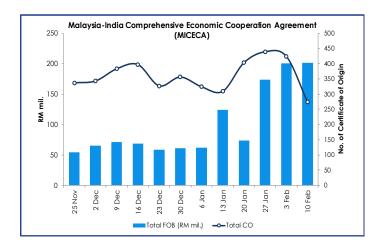
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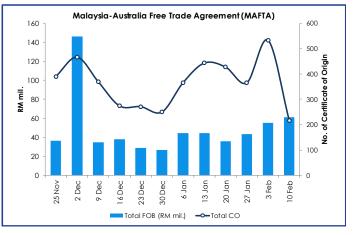


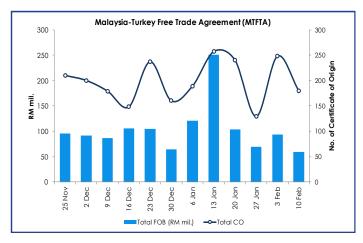










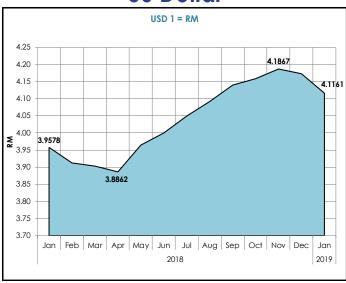


Note: \*Provisional Data

Source: Ministry of International Trade and Industry, Malaysia

## Malaysian Ringgit Exchange Rate with Selected Countries, January 2018 - January 2019

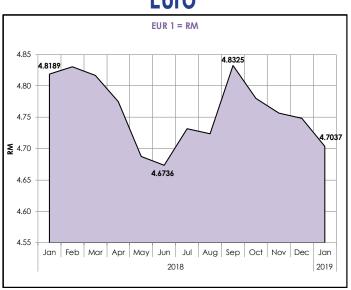
**US Dollar** 



**Pound Sterling** 



**Euro** 



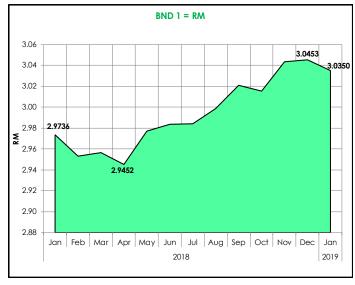
**Australian Dollar** 



South Korean Won



### **Brunei Dollar**



Source : Bank Negara Malaysia

## **Commodity Prices**

#### **CRUDE PETROLEUM** (BRENT) -per bbl-



**▲** 6.7%\* US\$66.3 15 Feb 2019

Highest 2018/2019

15 Feb 2019 : US\$66.3 5 Oct 2018: US\$84.2

4 Jan 2019: US\$57.1 28 Dec 2018: US\$52.2

> Lowest 2018/2019

Average Price 2018 : US\$71.5

#### **CRUDE PALM OIL** -per MT-



▲ 1.8%\* US\$551.5

15 Feb 2019

Highest 2018/2019

15 Feb 2019 : US\$551.5 9 Mar 2018 : US\$691.5

4 Jan 2019 : US\$503.8 23 Nov 2018: US\$448.5

> Lowest 2018/2019

Average Price 2018 : US\$600.1

#### **RUBBER SMR 20 -per MT-**



2.6%\* US\$1,353.0 15 Feb 2019

Average Price 2018 : US\$1,371.0

#### COCOA SMC 2 -per MT-



**▲8.1%**\* US\$1,599.1 15 Feb 2019

Average Price 2018 i: US\$1,535.6

#### SUGAR -per lbs-

**▲2.7%**\* US¢13.0

15 Feb 2019



Average Price 2018 i: US\$12.3

#### COAL -per MT-



**V**1.7%\* **US\$73.8** 15 Feb 2019

Average Price 2018 : US\$66.9

#### SCRAP IRON HMS -per MT-



US\$330.0 (high)

**10.0%**\* : ▲ 6.9%\* US\$310.0 (low)

15 Feb 2019

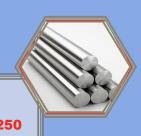
Average Price 2018 i: US\$380.7 (high) Average Price 2018 : US\$359.6 (low)

## **Domestic Prices 15 February 2019**



Billets (per MT) RM2,000 - RM2,100

Steel Bars (per MT) RM2,100-RM2,250

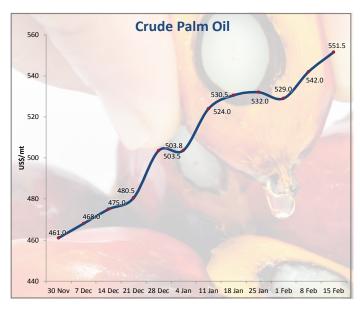


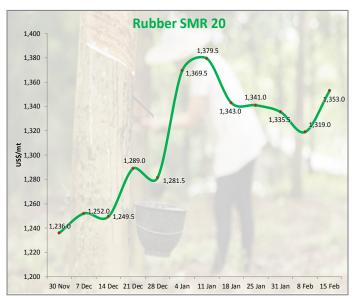
Notes: All figures have been rounded to the nearest decimal point

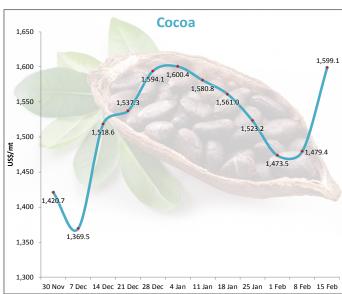
- \* Refer to % change from the previous week's price
- i Average price in the year except otherwise indicated

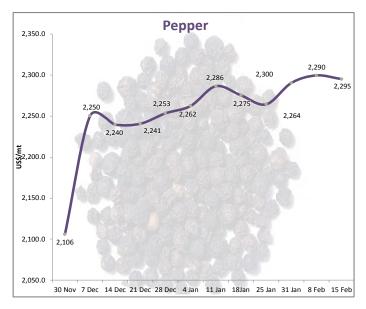
Sources: Ministry of International Trade and Industry Malaysia, Malaysian Palm Oil Board, Malaysian Rubber Board, Malaysian Cocoa Board, Malaysian Iron and Steel Industry Federation, and Bloomberg.

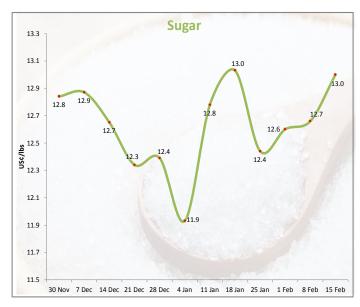
## **Commodity Price Trends**

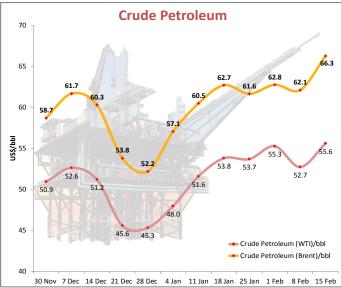






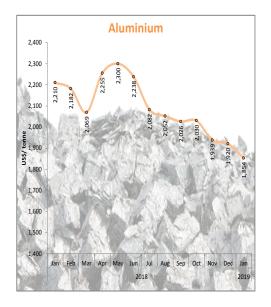


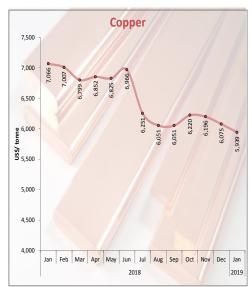


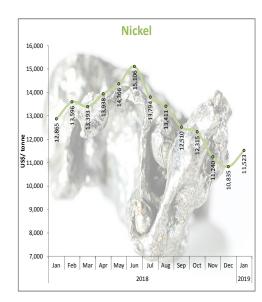


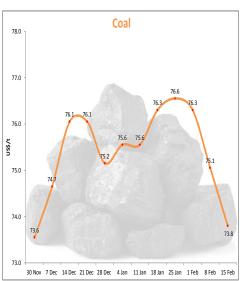
Sources: Ministry of International Trade and Industry Malaysia, Malaysian Palm Oil Board, Malaysian Rubber Board, Malaysian Cocoa Board, Malaysian Pepper Board, Bloomberg and Czarnikow Group, World Bank, World Gold Council, The Wall Street Journal.

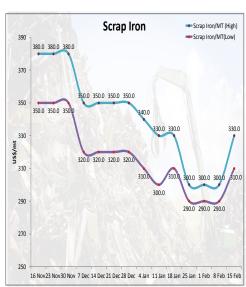
## **Commodity Price Trends**

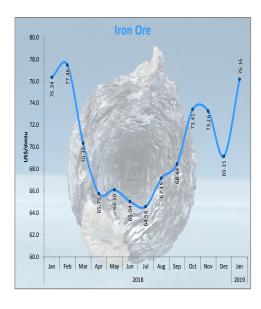


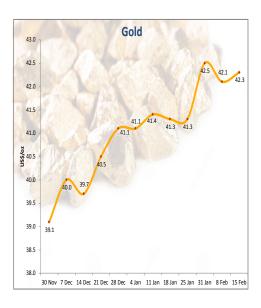


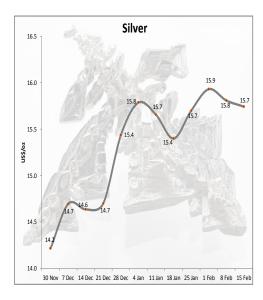


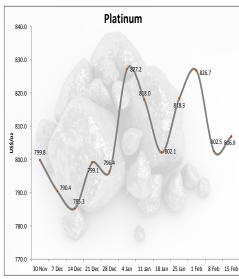












Sources: Ministry of International Trade and Industry Malaysia, , Malaysian Iron and Steel Industry Federation, Bloomberg and Czarnikow Group, World Bank, World Gold Council, The Wall Street Journal.

## MITI Minister attended the 8<sup>th</sup> Malaysia-India CEO Forum 14 February 2019







## MITI Minister officially launched the Malaysia Automotive, Robotics and Internet of Things (IoT) Institute (MARii) Satellite Sabah, 16 February 2019













### MITI KSU's farewell 15 February 2019















## MITI Night, 15 February 2019



















#### Criteria of the informal sector enterprise

Criteria for the informal sector enterprise are as follows:

- (i)the enterprise is not registered with the Companies Commission of Malaysia (CCM) or any other professional bodies, including the Local Authority (LA);
- (ii) all or at least one goods or services produced are meant for sale or barter transactions; and
- (iii) the size in term of employment is less than 10 person and not registered under specific form of national legislation.

Source : Labour Force and Social Statistics Source Detail : Informal Sector Workforce Survey Report, DOSM

#### Crude birth rate

It is the ratio of the number of live birth during a year to the mid-year population in that year, per thousand population.

Crude birth rate (x/y) x 1,000

 $\frac{\text{Number of Live Birth in Year t}}{\text{Mid Year Population in Year t}} \times 1,000$ 

Source: Population and Demography Source Detail: Vital Statistics, Malaysia, 2017, DOSM

#### **Crude Death Rate**

The average number of deaths for every thousand population within a specific age group. Number of death by specific

Crude Death Rate(CDR) =  $\frac{\text{age in year t}}{\text{Mid - year population by specific}} \times 1,000$  age group in year t

Source: Population and Demography Source Detail: Vital Statistics, Malaysia, 2017, DOSM

#### **Crude Rate of Natural increase**

It is the ratio of the number of live birth less deaths in a given year to the mid-year population in that year, per thousand population.

Number of list birth – Number of death in yerat

Mid — year population in year t

Mid — year population in year t

Source: Population and Demography Source Detail: Vital Statistics, Malaysia, 2017, DOSM

#### **Cultivated Asets**

Cultivated assets are livestock for breeding, dairy, draught, etc. and vineyards, orchards and other plantations of trees yielding repeat products that are under the direct control, responsibility and management of institutional units.

Source : National Accounts Source Detail : Gross Domestic Product (GDP),DOSM

## ANNOUNCEMENTS





For more information, kindly visit:

https://www.dosm.gov.my/v1/index.php?r=column/cone&menu\_id=N0FVaDR4Y1hGMk1NNi9jS2ZQRFFLZz09#



For more information, kindly visit <a href="http://www.isi2019.org/">http://www.isi2019.org/</a>



For more information, kindly click the following links: <a href="http://www.miti.gov.my/index.php/pages/view/4761Vintage">http://www.miti.gov.my/index.php/pages/view/4761Vintage</a> English.pdf

## ANNOUNCEMENTS



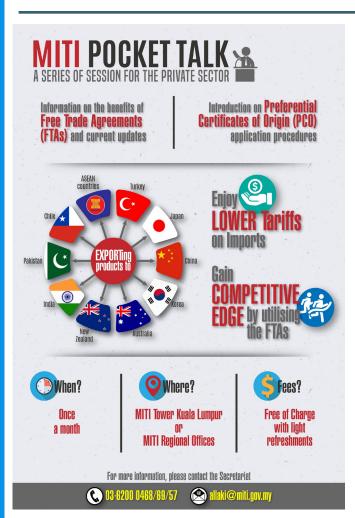
For more information, kindly click the following links: <a href="https://www.miti.gov.my/index.php/pages/view/industry4WRD">https://www.miti.gov.my/index.php/pages/view/industry4WRD</a>

#### NEW GUIDELINE ON APPLICATION FOR CLASSIC AND VINTAGE VEHICLES IMPORT LICENSE (AP)

Please be informed effective 1 July 2018 (Sunday), a new guideline on application for classic and vintage vehicles Import License (AP) will be enforced. All application received by MITI on 1 July 2018 onward will be subjected to the terms and conditions under this new guideline.

For more information, kindly click the following links:

http://www.miti.gov.my/miti/resources/Approve%20Permit/AP%20Announcement/Lampiran GP Classic and Vintage English.pdf



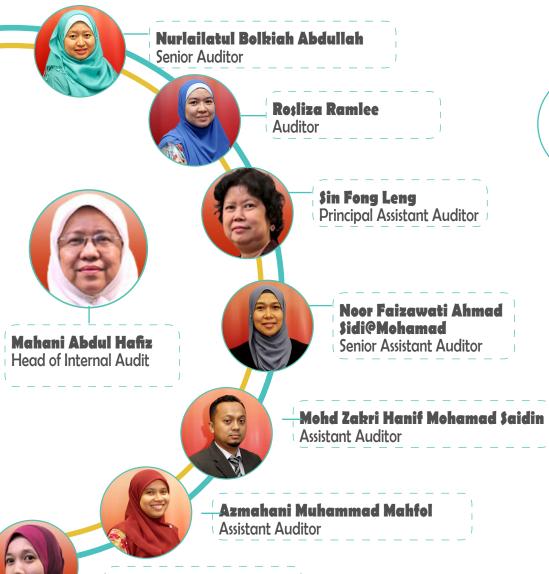
#### **Tentative Schedule for MITI Pocket Talks 2019**

NO	DATE	VENUE	TOPIC
1	14 March	MITI	Introduction to FTA & Preferential certificate of Origin (PCO)
_ 1	(Thursday)	PENANG	
2	11 April	MITI HQ	
	(Thursday)	(SEMINAR 1)	
3	16 May (Thursday)	MITI JOHOR	
4	20 June	MITI HQ	
4	(Thursday)	(SEMINAR 1)	
5	18 July	MITI	
3	(Thursday)	PAHANG	
6	22 August	MITI HQ	
6	(Thursday)	(SEMINAR 1)	
7	19 September	MITI PERAK	
	(Thursday)	MITITERAR	
8	17 October	MITI HQ	
6	(Thursday)	(SEMINAR 1)	
9	14 November	MITI	
	(Thursday)	KELANTAN	

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**Internal Audit** 

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Norasma Farini Mohd Nor Administrative Assistant



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