MALAYSIA’S INDUSTRIAL SECTOR

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Malaysia

Capital: Kuala Lumpur

Population: 27 Million

Area: 330000 km²

Currency: RINGGIT (RM)
History

- Gained independence in 1957
- Prior to and right after independence, economy was based on mining and agriculture
- Malaya was the world's largest producer of tin, rubber, and palm oil.
- In the 1970’s a shift from mining and agriculture to a multi sector economy.
- Industry was a very big contributor to the economy development
1970–2005, Malaysia had a GDP averaging an annual rate of about 7 per cent.

From 1988 to 1996, Malaysia's economy expanded at 8 per cent, second only to China.
Industry in Malaysia

- In 2010, Industry was responsible for 41.6 percent of Malaysia’s GDP.

- Important sectors in Industry
  1. Oil and gas (PETRONAS)
  2. Electronics (Semiconductors, one of the largest producer and exporter in the world)
  3. Electrical appliances
Oil and Gas
PETRONAS

- In 2010, Malaysia was the 28th largest oil producer and the 17th largest natural gas producer in the world.

- PETRONAS- State owned company. In 2009, ranked 80th largest company in the world and most profitable in Asia on Fortune Global 500

- Total revenue in 2010 was around 79 billion USD

- the government receives around 40% of the federal budget (taxes, dividends, royalties) from PETRONAS

Headquarters at the PETRONAS Twin Towers
Oil reserves

Top 5 Asia-Pacific Proven Oil Reserve Holders, January 2011

- China
- India
- Malaysia
- Indonesia
- Australia

Source: Oil and Gas Journal

Malaysia's Oil Production and Consumption, 1991-2010

Source: EIA
Natural Gas

Top 5 Asia-Pacific Proven Natural Gas Reserve Holders, 2011

- Australia
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- Malaysia
- India

Trillion Cubic Feet

Source: Oil and Gas Journal

Malaysian Natural Gas Production and Consumption, 1991-2010

Production
Net Exports
Consumption

Source: EIA
LNG

- 3rd largest exporter of LNG (2010)

- LNG is transported by Malaysia International Shipping Corporation (MISC), which owns and operates 27 LNG tankers, the single largest LNG tanker fleet in the world by volume of LNG carried.

- The Bintulu LNG complex on Sarawak is the main hub for Malaysia's natural gas industry. It is the largest LNG complex in the world, with a total liquefaction capacity of 1.7 Tcf per year.
Electrical and Electronics Industry in Malaysia

- Manufacturing output: 31%
- Exports: 48.7%
- Employment: 33.7%
- Gross output of the industry: US$55.8 billion (2010)
- Exports: US$83.8 billion (2010)

Source: MIDA
• Our major export destinations: USA, China, Singapore

• Malaysia’s major exports to Germany are E&E products, valued at RM8.7 billion and accounts for 58.7% of Malaysia’s total export to Germany
The E&E industry in Malaysia can be divided into four sectors:

1. **Consumer Electronics** - LED television receivers, audio visual products such as blu-ray disc players/recorders, digital home theater systems, mini disc, electronics games consoles and digital cameras.
   
   Companies: Bosch, Philips, Matsushita, Panasonic and Sanyo

2. **Electronic Components** - semiconductor devices (fabricated wafers, ICs and IC design), passive components (capacitors, resistors, connectors, inductors, crystal quartz).
   
   Companies: Intel, AMD, Avago, Infineon, Toshiba,

3. **Industrial Electronics** - digital and wireless technologies

4. **Electrical Products** - household appliances such as air-conditioners, refrigerators, washing machines, vacuum cleaners and other electrical appliances.
Foreign Direct Investment (FDI)

- Reasons for the large influx of FDIs in the 1980’s
  a) Change from import to export based economy
  b) Strategically located in SE Asia.
  c) Marked oriented economy
  d) Excellent infrastructure (first class airport, highways, seaport)
  e) Abundant trained workforce
  f) Stable political regime
  g) Well functioning finance system
Problems and future outlook

Figure 2: FDI inflows in Malaysia (1970-2005)

• Malaysia was ranked 71 in 2007 as a destination for MNCs. (Malaysia was ranked as the sixth largest destination for FDI in 1995).

• Face stiff competition not only from China, but from neighboring countries like Vietnam, Indonesia.

• MNC blame the government for inadequate incentives

• Rapidly increasing labor costs

• Oil fields running dry
Future outlook

- Will be stuck in the middle income economy
- Government plan to move from manufacturing to high tech industry and expand service sector. (Islamic banking)
- This all seems unrealistic to me:
  i. Unstable political situation
  ii. Increasing race relation problems
  iii. Dwindling human resources. (top talent and brains leaving the country)
THANK YOU FOR YOUR ATTENTION