The background of the slide is a stylized representation of the Malaysian flag, featuring a blue canton with a yellow crescent and a 16-pointed star, and horizontal stripes of red and white. The text is overlaid on this background.

International Management
FH Aachen

MALAYSIA'S INDUSTRIAL SECTOR

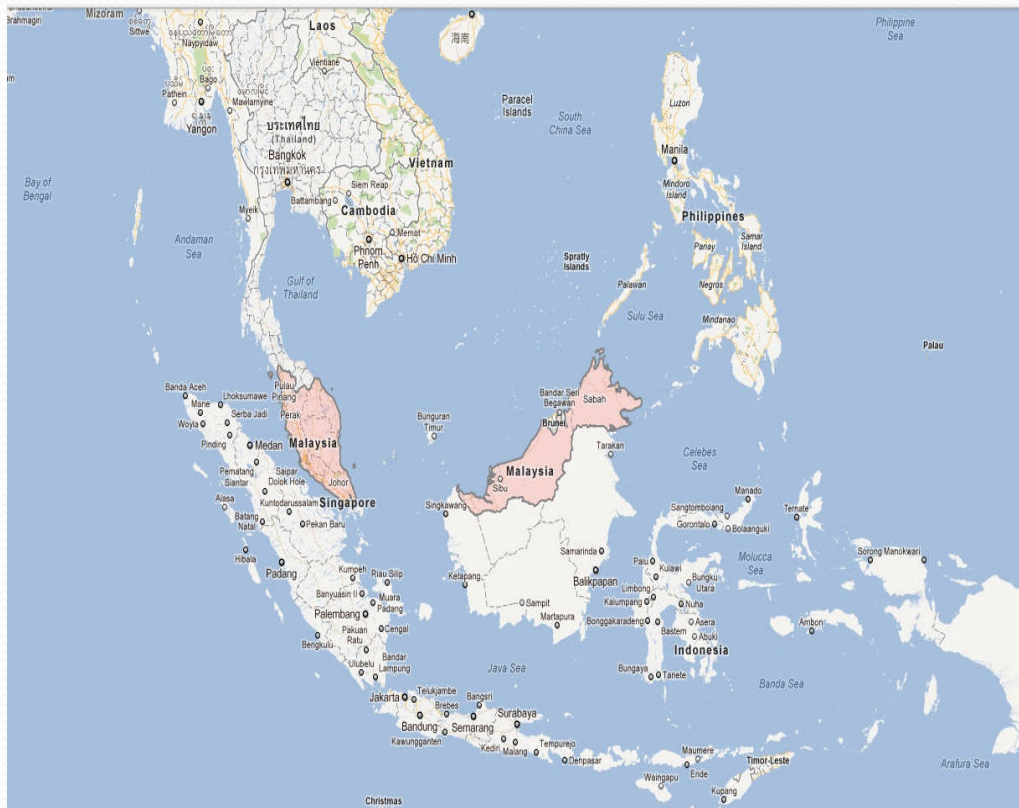
19.05.2012- Presentation by Dinesh Kumar
847061



Contents

- History about economical development
- Main Industries
- Foreign Direct Investments (FDI)
- Future outlook for Malaysia

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

(Millions US\$)

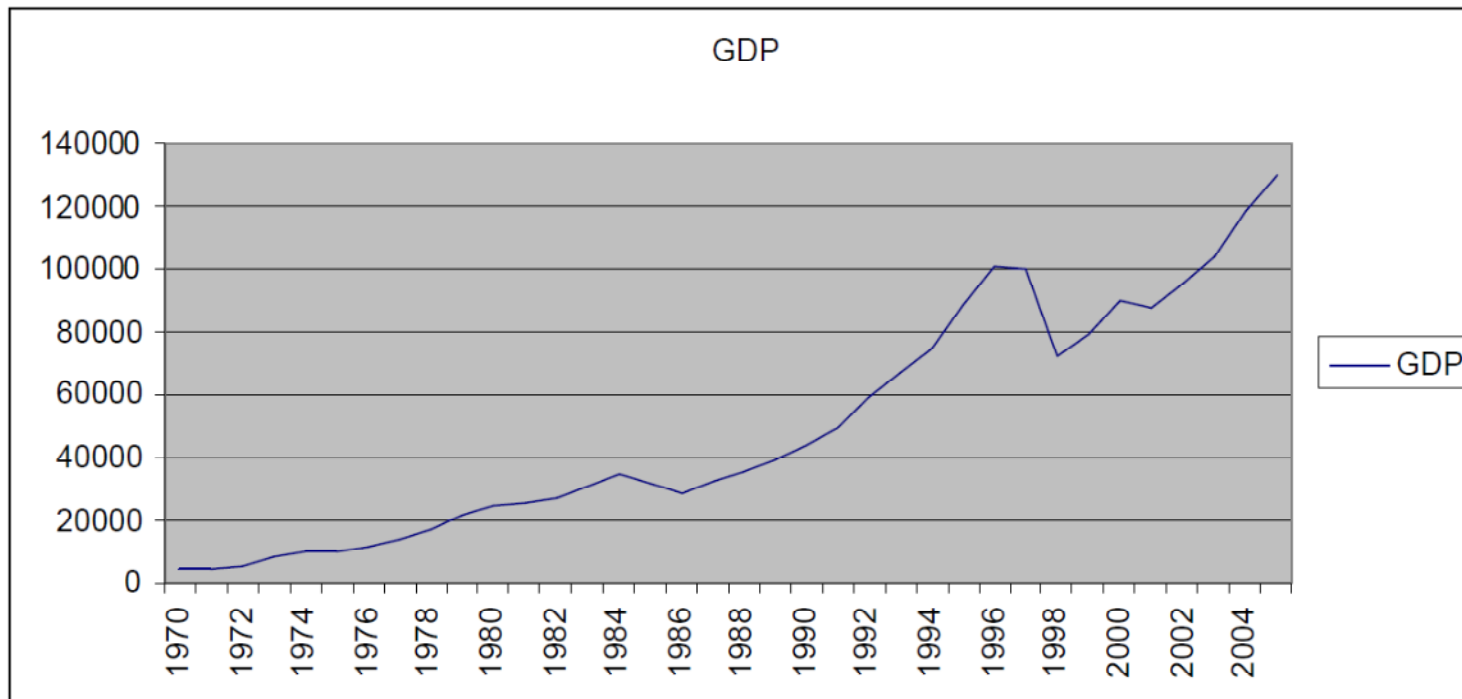


Figure 1: GDP in Malaysia (1970-2005)

Source: WDI (2006).

- 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
 - I. Oil and gas (PETRONAS)
 - II. Electronics (Semiconductors, one of the largest producer and exporter in the world)
 - III. Electrical appliances

Oil and Gas

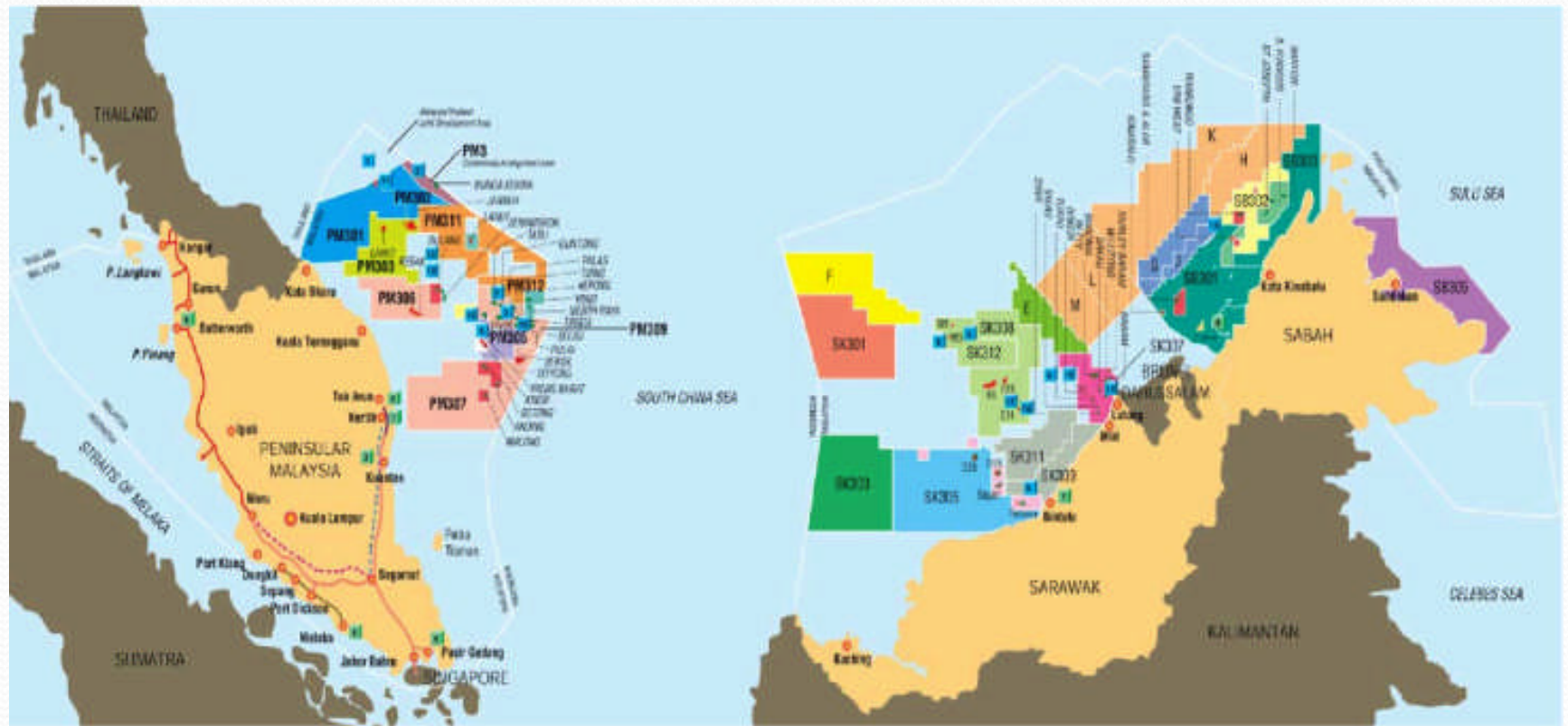


PETRONAS

- 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

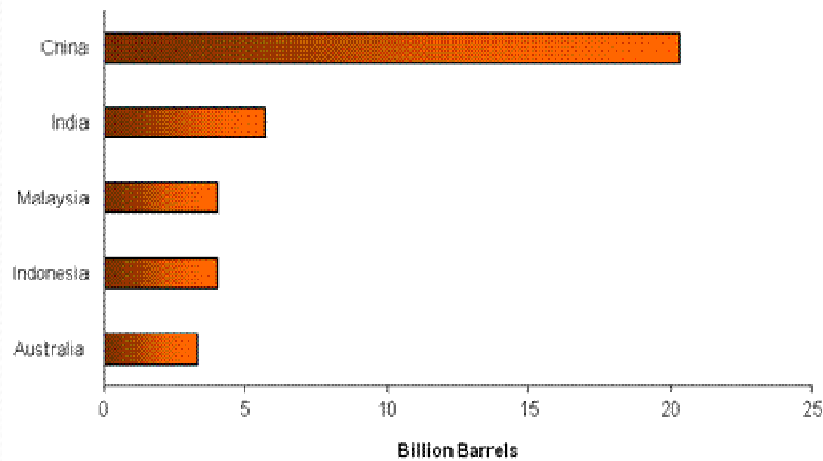


Headquarters at the PETRONAS Twin Towers



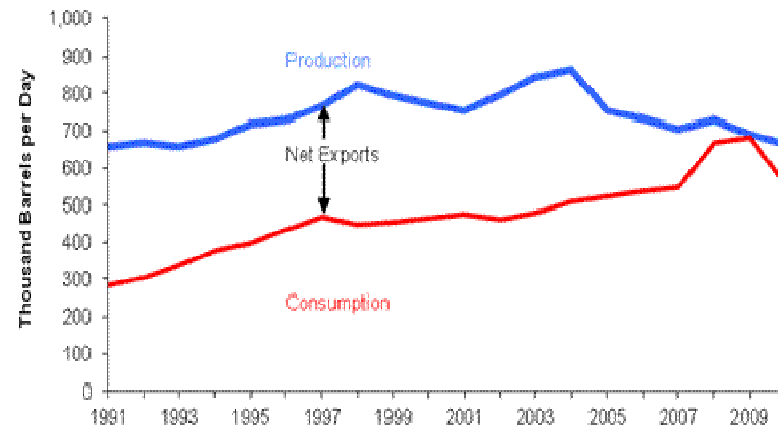
Oil reserves

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



Source: *Oil and Gas Journal*

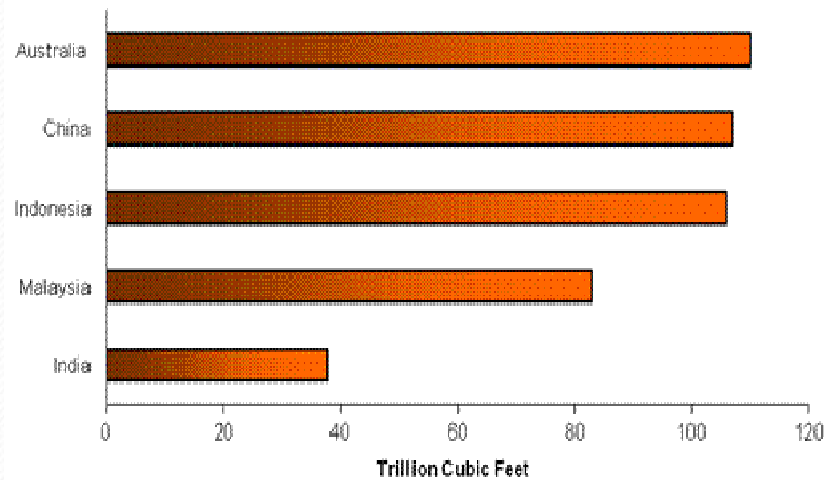
Malaysia's Oil Production and Consumption, 1991-2010



Source: EIA

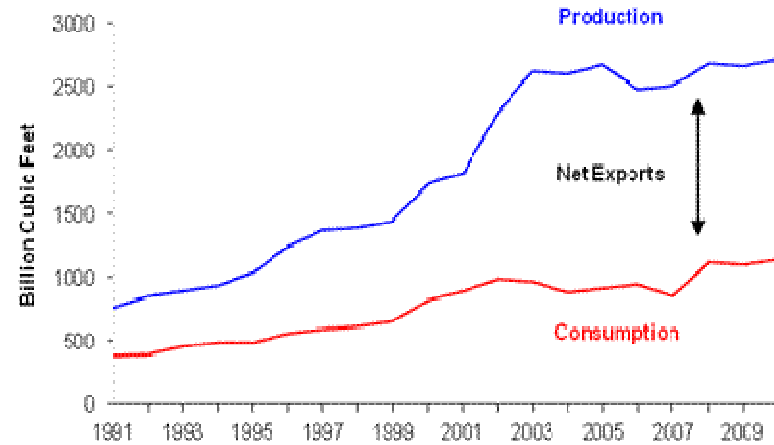
Natural Gas

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



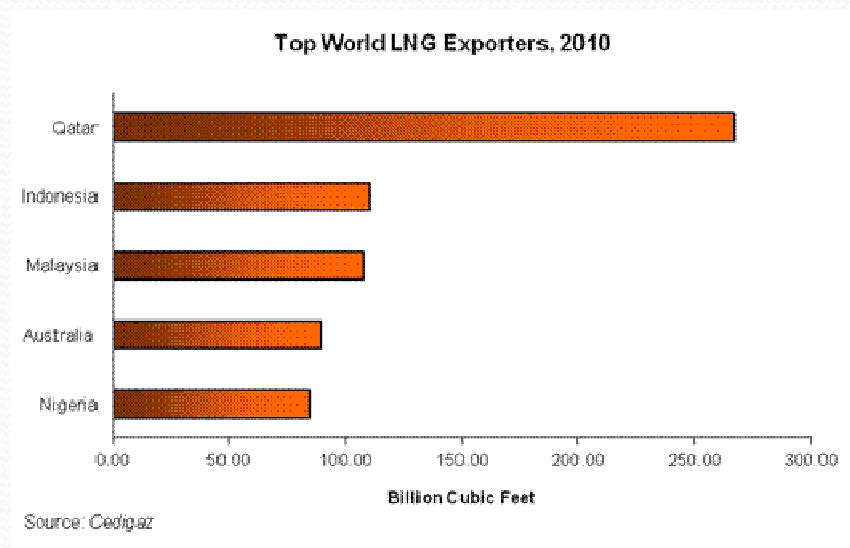
Source: *Oil and Gas Journal*

Malaysian Natural Gas Production and Consumption, 1991-2010



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) Market 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

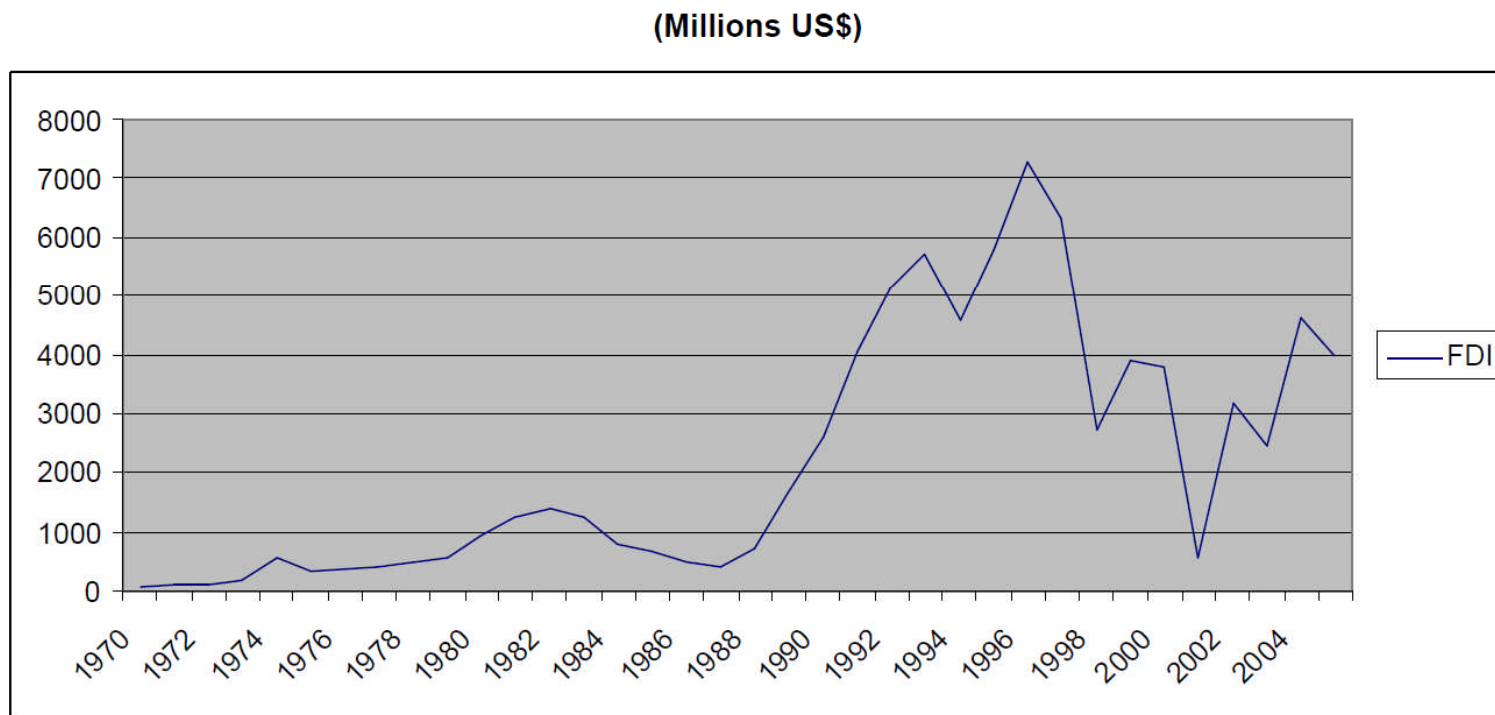



Figure 2: FDI inflows in Malaysia (1970-2005)

Source: UNCTAD (2006).

- 
- 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