



Industry and Location Choice of Foreign Direct Investment in Malaysia: Challenges and Way Forward

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- WHAT IS FOREIGN DIRECT INVESTMENT (FDI)?
- DATA SOURCE & MANUAL
- FDI PERFORMANCE IN MALAYSIA
- METHODOLOGY OF COMPILATION FOR FDI BY STATE
- FDI BY SELECTED STATE
- CHALLENGES
- WAY FORWARD

BACKGROUND





- The compilation of FDI by state is first attempt by Balance of Payments Statistics Division.
- The statistics is compiled annually with the time series data 2015-2018.

It is the preliminary finding and a further study is required by the Division.



FOREIGN DIRECT INVESTMENT (FDD)





(i) Investment from foreign direct investment (abroad) in Malaysia's companies

(ii) Minimum 10 per cent of Equity ownership

(iii) In the form of financial instruments

WHAT IS FOREIGN DIRECT INVESTMENT (FDI)?

(iv) FDI components:

- > Financial instruments
- O1 Equity & Investment fund shares
 (consists of equity capital and reinvestment of earnings)
- Debt instruments

 (e.g: Debt Securities, Trade Credit,
 Loans, Insurance & pension,
 Currency & deposits, Other account
 receivable/ payable)

- ... the **immediate direct investment** relationships arise when a direct investor directly owns equity that entitles **10 per cent or more** of the voting power in the direct investment enterprise.
 - as stated in the Balance of Payments Manual and International Investment Position Manual, Sixth Edition (BPM6)

NS VS GRUSS FIMED CAPITAL FURIMATION (GFCE)





Foreign Direct Investment (FDI)

- refers to investment in Malaysia from foreign direct investors, in the form of financial instruments
- at least 10 per cent of equity (in the form of ordinary share)

GFCF

refers to investment, in the form of fixed assets

DIFFERENCES IN THE SOURCE OF FUND IN MEASURING GFCF AND FDI FLOWS

	Source of Fund	Acquisition of GFCF for Foreign Companies	FDI flows
1	Fund from oversea parent/sister companies (eg. equity, inter-comp loans)	\checkmark	$\sqrt{}$
2	Fund from overseas non related parties	$\sqrt{}$	-
3	Fund from local sources	\checkmark	-

DATA SOURCE AND MANUALS





SURVEY ON INTERNATIONAL INVESTMENT POSITION

- > Coverage on enterprises
- > Around 3,800 corporations
 - > 57 Financial Institutions











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COMPILATION MANUAL

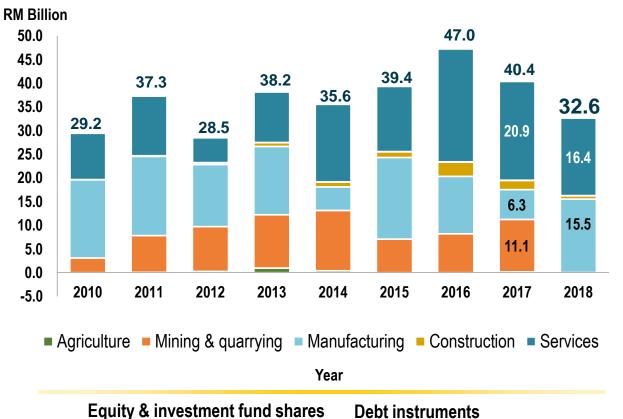
- Balance of Payments and International Investment Position Manual, Sixth Edition (BPM6), International Monetary Fund (IMF)
- ➤ Fifth edition of the Balance of Payments Manual (BPM5), International Monetary Fund (IMF)
- > 4th edition of the OECD Benchmark Definition
- System of National Accounts, 2008

MANGE OF FULFLOWS IN MALAYSIA, 201





FDI FLOWS BY SECTOR, 2010 - 2018

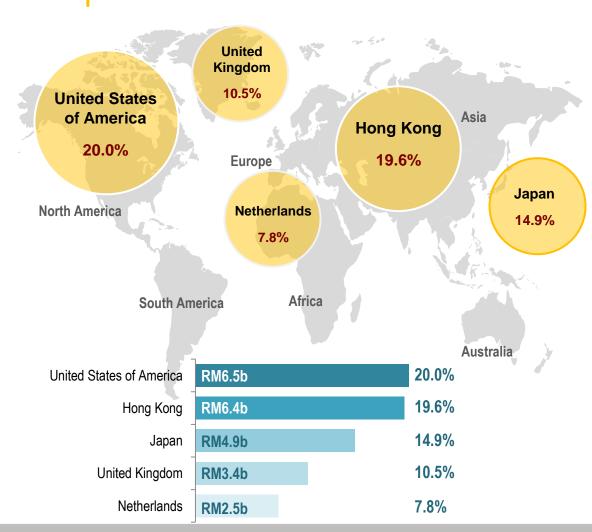


FDI FLOWS BY COMPONENT 2018

82.1% RM26.8 b

17.9% RM5.8 b

TOP FIVE COUNTRIES), 2018



METHODOLOGY OF COMPILATION FOR FDI BY STATE



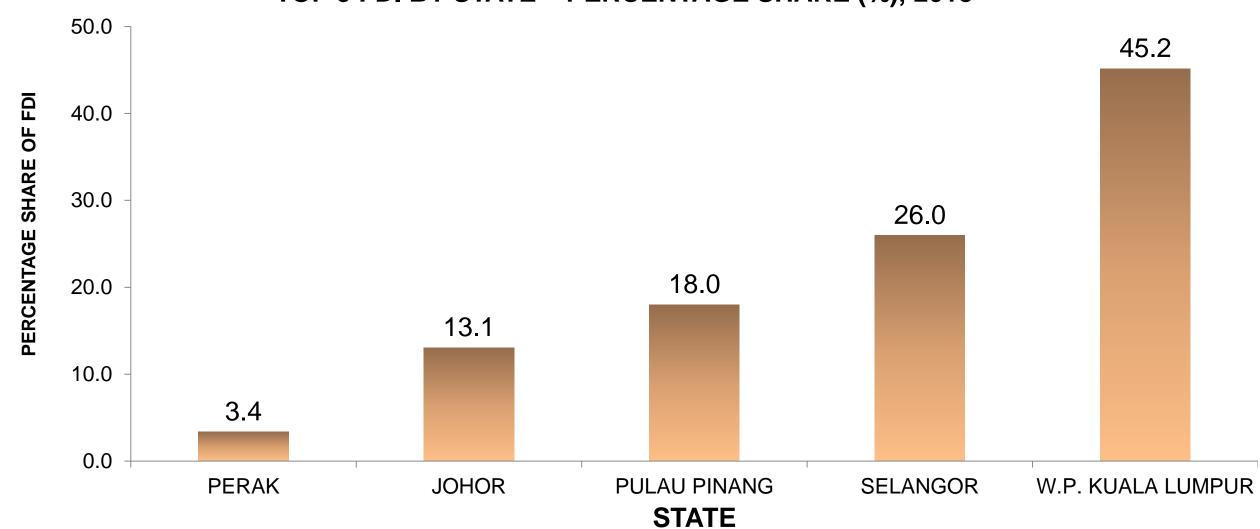


- 1. Obtain the address & location from survey
- 2. Verify the address of the companies
- 3. Validate the data with other indicators
- 4. Special treatment for selected companies
- 5. Validate the overall performance of FDI by State





TOP 5 FDI BY STATE – PERCENTAGE SHARE (%), 2018











Determination of state

- Based on Financial Instrument
- GFCF investment in Fixed asset
- GDP measure the overall economic production



Distribution of financial instrument by location

Value of Equity reported by country



Industry

• services industry – to distinguish the value of holding companies to specific state



Location

Distribution of location headquarters in Kuala Lumpur





Further Study need to be focused on companies which located in Wilayah Persekutuan

Cross matrix analysis between state and country of FDI

Target to publish preliminary report for Internal circulation in 2020



COUNTRY PRACTICE IN COMPILING INVESTMENT DATA BY LOCATION





COUNTRY	REALISED FDI (minimun 10% equity)
1. Vietnam	NA
2. Thailand	NA
3. United States	
4. Singapore	NA
5. Indonesia	NA
6. Malaysia	NA

















20 OCT

18 - 23 AUG 2019

JULY 2020 (ACTUAL MYCENSUS)

JAN - DEC 2019

MAR - SEPT 2019

2015 - 2030













#StatsMalaysia | #MyStatsDay | #ISIWSC2019 | #MyCensus2020 | #HIES2019 | #MyRetailCensus2019 | #LeaveNoOneBehind