

MEDIA RELEASE MINISTRY OF FINANCE MALAYSIA

APPROVED FDI SURGED 73.4% IN THE FIRST QUARTER OF 2019 FROM A YEAR AGO, WHILE APRIL 2019 INDUSTRIAL PRODUCTION GROWTH ACCELERATED TO A 6-MONTH HIGH OF 4.0%, BEATING MARKET CONSENSUS OF 2.5% AMIDST A LOW INFLATION RATE OF 0.2%

With a competent government at the helm, Malaysia is capitalising on its competitiveness within the global supply chain to become one of the top preferred safe havens in the region. Malaysia is reaping benefits from business relocation as well as trade and investment diversions caused by the trade war between China and the United States. As a result, foreign direct investment (FDI) into Malaysia has increased drastically. Additionally, industrial production growth in April 2019 has accelerated to a 6-month high amid an environment of low and stable inflation.

These developments offer further hints of a healthy second quarter GDP growth.

Persistent rise in approved FDI

In the first quarter of 2019, approved FDI for all sectors soared 73.4% to RM29.3 billion from RM16.9 billion a year ago. The first quarter increase shows that trade and investment diversion Malaysia is enjoying a persistent positive trend that was preceded by a rise in 2018 approved FDI by 48% to RM80.5 billion from RM54.4 billion in 2017.

The 73.4% 2019 first quarter rise in overall approved FDI was driven by a 127% manufacturing investment surge to RM20.2 billion, compared to RM8.9 billion a year ago. Out of the RM20.2 billion in approved manufacturing FDI, RM11.5 billion came from the United States, RM4.4 billion from China and RM2.2 billion from Singapore (Table 1).

Of note are approvals for Micron Technology and Jabil Circuit, which are making highquality investment to expand their respective operations in Penang.

The RM29.3 billion worth of overall approved FDI is expected to create more than 41,200 jobs for Malaysians, of which 22,970 employment opportunities would be in manufacturing and 18,000 jobs in the services.

Table 1: Source countries for approved FDI in manufacturing for the first quarter of 2019

Source countries	Approved FDI in manufacturing (RM billion)
United States	11.5
China	4.4
Singapore	2.2
Japan	0.6
Rest of the world	1.5
Total	20.2

April industrial production growth is a 6-month high, beating market forecasts

Meanwhile, April 2019 industrial production growth accelerated to 4.0% year-on-year from 3.1% in March. The industrial growth was supported by robust manufacturing growth and mining output recovery.

The 4.0% April industrial expansion is the strongest in 6 months and it is above market consensus, which was 2.5% according to Bloomberg. In March 2019, industrial production growth of 3.1% also came above market expectations of 2.3% based on a Bloomberg survey (Table 2).

Table 2: Actual industrial production growth vs market consensus

Month	Actual (y-o-y)	Market Consensus (y-o-y)
March 2019	3.1%	2.3%
April 2019	4.0%	2.5%

Inflation rate remains low

The April 2019 industrial expansion occurred during a period of low and stable inflation of 0.2%. Prices of some basic consumer items have fallen due to multiple factors, including the shift in the taxation regime from the burdensome goods and services tax (GST) to sales and service tax (SST), and the imposition of price ceilings on RON95 and diesel. In February 2019, the price ceiling of RON95 was reduced from RM2.20/litre to RM2.08/litre.

For instance, the average price of lady's fingers in April 2019 was RM7.30/kg, which was 25 sen lower than it was a year ago at RM7.55/kg in April 2018. Average price of beef was RM31.89/kg, 133 sen cheaper than it was a year ago (Table 3).

Table 3: Average prices for selected basic consumer items

Selected basic consumer items	April 2019 (RM/kg)	April 2018 (RM/kg)	Year-on-year change
Coconut milk	10.21	10.50	-2.8% (-29 sen)
Lady's fingers	7.30	7.55	-3.3% (-25 sen)
Brinjals	6.41	6.51	-1.5% (-10 sen)
Chicken	7.81	8.23	-5.1% (-42 sen)
Eggs (10 pieces of grade A)	4.07	3.45	+18.0% (+62 sen)
Beef	31.89	33.22	-4.0% (-133 sen)
Shampoo (320 ml bottle)	11.49	11.30	+1.7% (+19 sen)
Baby diapers (medium size)	34.44	35.09	-1.9% (-65 sen)

A wider list of average prices of basic items are available publicly at the Department of Statistics Malaysia (<https://www.dosm.gov.my> (<https://www.dosm.gov.my>)).

The Ministry of Domestic Trade and Consumer Affairs (KPDNHEP) under Datuk Seri Saifuddin Nasution Ismail has done well in managing price hikes during the Hari Raya festive seasons, and the ministry will redouble its efforts to do so throughout the year.

Sayangi Malaysiaku!**Lim Guan Eng**

Minister of Finance

Ministry of Finance Malaysia

Putrajaya

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