

# NEWSLETTER

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## EXTERNAL SECTOR | Inward & Outward Foreign Affiliates Statistics

### 1 DEFINITION

Recommendations by Manual on Statistics of International Trade in Services 2010

**Foreign affiliates** refers to the companies operating in Malaysia that are controlled by country of ultimate foreign investor (the holding of equity interest is more than 50 per cent). It could be branches, subsidiaries or joint ventures companies.

**Affiliates Abroad** refers to the companies operating outside Malaysia that are controlled by Malaysia's ultimate parent companies (the holding of equity interest is more than 50 per cent). It could be branches, subsidiaries or joint ventures companies.



**Malaysia Inward FATS** refers to economic statistics relating to the operation of foreign affiliates in Malaysia. The variables measured including number of affiliates, value added, gross capital fixed formation (GFCF), number of employees, compensation of employees, exports and imports.



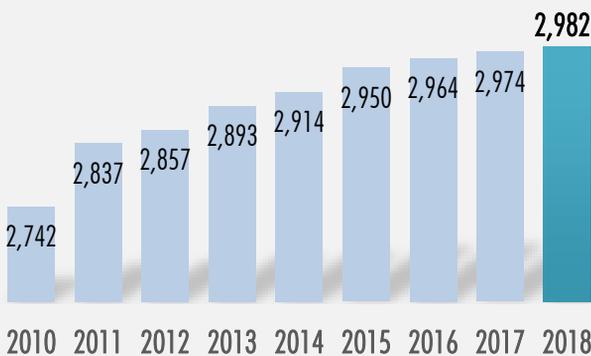
**Malaysia Outward FATS** refers to economic statistics relating to the operation of Malaysia's affiliates abroad. The variables measured including number of affiliates, turnover, employment, compensation of employees and assets.

**NOTE:** Malaysia Inward and Outward FATS are biennial publications and the last publication were in 2019. Next publications will be in 2021.

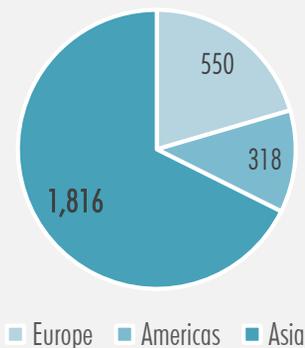
### 2 MALAYSIA INWARD FATS 2018

Inward FATS provides information on the performance of **foreign controlled companies in Malaysia which own more than 50 per cent of the equity**. It measures the commercial presence of foreign affiliates at Malaysia's market based on the International Trade in Services (ITS) Statistics, particularly for the mode of supply three (Mode 3).

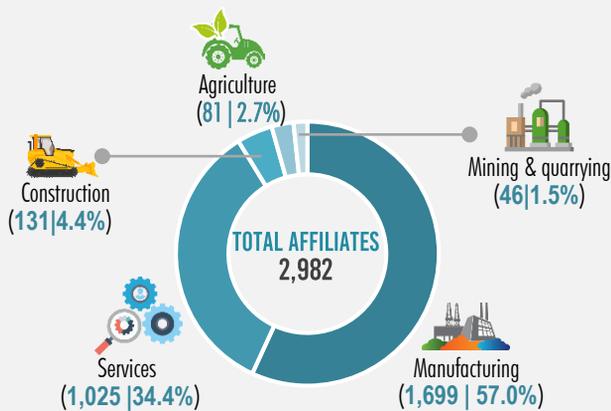
Number of Foreign Affiliates grew **0.94 %** from 2010 until 2018 from 2,742 to 2,982 affiliates.



Asia Region remained as the highest foreign affiliates in Malaysia for 2018.



## Economic Activity by Number of Affiliates and Share, 2018.



“ In 2018, Manufacturing sector had 1,699 affiliates with the largest share of 57.0 per cent primarily in Electrical and Transport equipment sub-sector, followed by Services sector with 1,025 affiliates or 34.4 per cent. The least affiliates were in Mining & quarrying sector with a share of 1.5 per cent ”

### NOTE

- Manufacturing sector also comprises of petroleum, chemical, rubber and plastic products; non-metallic mineral products, basic metal and fabricated metal products; textiles and wood products; and food, beverages and tobacco.
- Since 2010, all sectors recorded increases in the number of affiliates, except for agriculture with a slow down trend since 2014.

“Total value added in 2018 was RM252.5 billion and represents 17.4 per cent of Gross Domestic Product (GDP at current prices in 2018: RM1,446.9 billion). Manufacturing sector remained as the largest contributor with a share of 45.3 per cent precisely in Electrical and transport equipment; and Petroleum, chemical, rubber and plastic products. ”

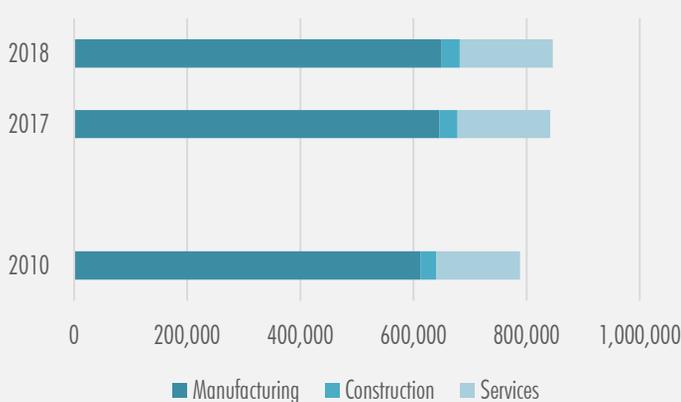
Value Added (million) by Top 3 Sectors, 2018.



### NOTE

The Gross Fixed Capital Formation (GFCF) of foreign affiliates in Malaysia for 2018 was RM65.6 billion. Mining & quarrying sector recorded the highest share of 41.9 per cent or RM27.5 billion. Manufacturing sector registered RM25.5 billion or 38.9 per cent mainly in sub-sector of Electrical and transport equipment.

## Foreign Affiliates Employment by Top 3 sectors, 2018.



“In 2018, foreign affiliates employed 858,172 persons, increased 0.8% since 2010 (798,895 persons). Manufacturing sector dominated 75.7 per cent by registering 649,700 employees while agriculture recorded the lowest with 2,876 persons. Foreign affiliates paid a total of RM48.4 billion compensation of employees as compared to RM45.9 billion in 2017.”

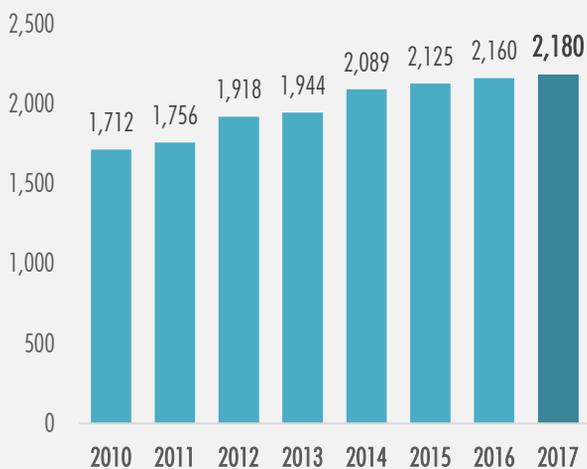
MAIN SECTOR	Exports	Imports
 Manufacturing	RM269.8b 88.1%	RM207.2b 76.1%
 Services	RM32.1b 10.5%	RM62.2b 22.9%
 Mining & quarrying	RM2.6b 0.8%	RM1.4b 0.5%
 Agriculture	RM1.2b 0.4%	RM0.3b 0.1%
 Construction	RM0.5b 0.2%	RM1.2b 0.4%
	<b>RM306.2b</b>	<b>RM272.3b</b>

"In 2018, exports of foreign affiliates increased by 2.2 per cent to record RM306.2 billion from RM299.7 billion in 2017. Manufacturing sector was the largest share of 88.1 per cent, followed by Services sector 10.5 per cent. Imports registered RM272.3 billion, an increase of 2.9 per cent from previous year, whereby Manufacturing sector contributed 76.1 per cent. Both exports and imports of foreign affiliates contributed 30.8 per cent and 30.5 per cent to the total Malaysia's export and import of goods and services."

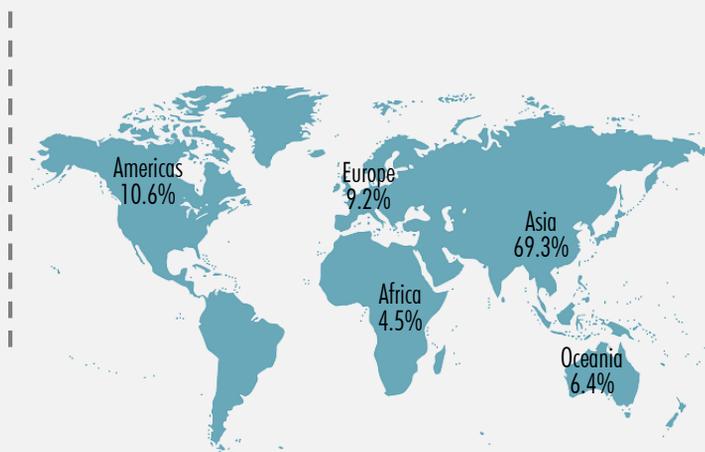
### 3 MALAYSIA OUTWARD FATS 2017

Outward FATS provides the information on the performance of the affiliates' activities controlled by Malaysian companies which own more than 50 per cent of the equity. It measures the commercial presence of the affiliates at foreign markets based on the International Trade in Services (ITS) statistics, particularly for the mode of supply three (Mode 3).

Malaysian affiliates abroad increased **3.1 %** from 1,712 in 2010 to 2,180 affiliates in 2017.



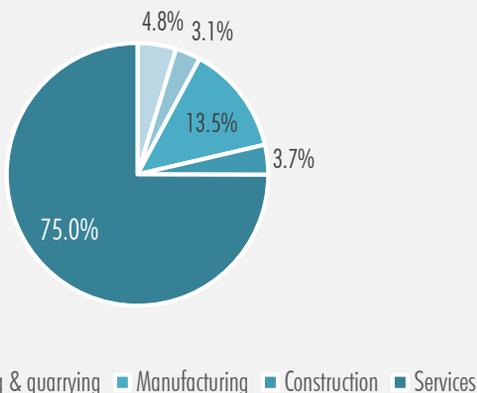
Malaysian affiliates were largely in Asia with contribution of **69.3%** or 1,511 affiliates.



**NOTE**

- i. Singapore recorded the highest number of affiliates of 423, followed by Indonesia (258) and China (219).
- ii. Three main countries attributed to the highest turnover were Indonesia (RM48.5 billion), United Kingdom (RM37.3 billion) and Singapore (RM36.6 billion).
- iii. Affiliates in Asia contributed the highest number of employees amounting 327,076 persons, with compensation of employees RM13.8 billion. Singapore was the highest contributor which recorded RM4.0 billion of total compensation of employees.

## Economic Activity by number of affiliates and share, 2017.



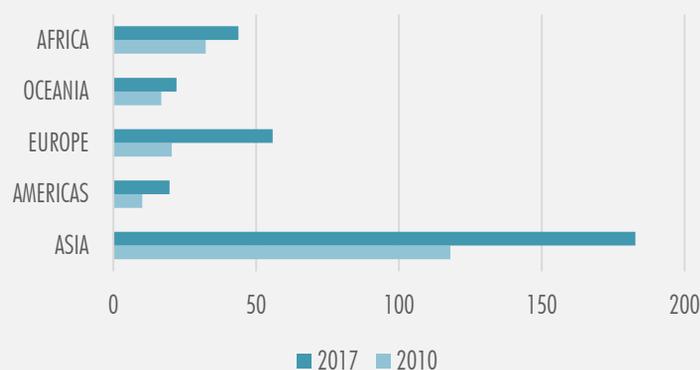
“In 2017, Services sector had 1,634 affiliates with the largest share of 75.0 per cent with turnover of RM203.4 billion, precisely in Wholesale & retail trade, food & beverages and accommodation sub-sector, followed by Manufacturing sector with 294 affiliates or 13.5 per cent. The least affiliates were in Mining & quarrying sector with a share of 3.1 per cent ”

### NOTE

- Services sector also comprises of wholesale & retail trade, food & beverages and accommodation; and transport & storage and information & communication.

“Affiliates located in Asia earned the highest turnover of RM182.8 billion, increased from RM117.9 billion in 2010, followed by Europe with RM55.8 billion. Three major countries attributed to the highest turnover were Indonesia (RM48.5 billion), United Kingdom (RM37.3 billion) and Singapore (RM36.6 billion). ”

## Turnover Affiliates Abroad by Region, 2017.



### NOTE:

- The data for inward FATS is obtained from Economic Census (EC), which is conducted once in every five years, the Census of Distributive Trade is once in every two years and other economic surveys conducted by DOSM. The Economic Census and Survey questionnaires enclose questions on equity ownership by resident or non-resident in Malaysia. Those establishments that reported on equity ownership by non-residents of more than 50 per cent are classified as foreign affiliates. The information on country of an ultimate/ immediate parent company of the establishments is extracted mainly from the EC. Other sources used to collect the data were from Joint International Investment Position survey by the Central Bank and DOSM, custom declaration data for exports and imports of goods, Companies' Commission of Malaysia as well as companies' websites.
- The data source for outward FATS is solely from the Survey of Outward Foreign Affiliates (SOFA) and was conducted by DOSM since 2010 with the reference year of 2008. The questionnaire and system of SOFA were developed in 2010. This survey collects data from parent/ ultimate parent companies in Malaysia on economic statistics of their affiliates operating abroad once in every two years. The questionnaire comprises information on the name of affiliates, country located, operation status, year of incorporation, relationship, equity ownership, principal business activity, number of employees, turnover, total expenditure, total exports, total imports, percentage of exports and imports through e-Commerce, total assets and liability.

“FATS provide insight into and information on the economic impact that MNEs’ investments have on the economy of the affiliates’ country of residence. Such impact could be in the form of job creation, turnover, shares of other economic activities such as investment and trade, value added, technological and managerial skill transfers, etc. In other words, FATS help depict the ramifications of MNE activity for the host country – the pros and cons, benefits and risks associated with investors’ countries – which would be of particular interest to analysts and economists of investment promotion agencies, trade negotiation and investment liberalization units and the like. Macroeconomic analysts, policymakers or even researchers could also make use of FATS to measure sectoral vulnerability (to external shock in the home country) and spillover effects these foreign affiliates may bring about.”

**Toward FATS and beyond: The case of Thailand** by Ornicha Tattawasart in IFC Bulletin 34

“Malaysia had become the pioneer to publish the FATS statistics among its peers in the ASEAN region, as these statistics provide valuable insights on the influence of economic globalisation in the form of foreign direct investments to the Malaysia’s economy. It can be used as a guidance for stakeholders and policy makers to formulating strategies and provide trade related directions to investors from in and outside Malaysia. In tandem with the effort of promoting Malaysia as a sustainable investment hub as well as potential business partners globally, these statistics can also be used as a goodwill for the stakeholders and investors to identify potential industries that can provide new market opportunities and targeted areas to focus which will benefit Malaysia in the long run.”

**Malaysian Investment in the Global Economy: A Study on the Foreign Affiliates Performance**  
by Kumutha Shanmugam and Kanageswary Ramasamy for 16th Conference of IAOS

“Two distinct FATS datasets are built for inward and outward. However, when the data are aggregated for all reporters (i.e. when the total "world" figures are built), large asymmetries arise between the two flows. While at the level of total services the inward figures are about 25 to 30% higher than the outward ones, there is substantial heterogeneity across sectors. Construction and financial intermediation, for instance, are surprisingly well balanced. Differences larger than 70%, instead, are shown for information and communication activities. These asymmetries are balanced in TiSMoS (as well as in the accompanying FATS dataset) by benchmarking the final values to the outward "world" totals for education; health and social work; arts, entertainment and recreation and other service activities, and to the inward "world" totals for all the remaining sectors. It has to be noted, however, that only the estimated values are rescaled to fit the benchmark values, meaning that no reported figure has been changed. The reason for using (mostly) inward as benchmark relies on the overall better quality of those figures, which are in general easier to collect. Exceptions are ISIC rev. 4 sectors P to S (education; health and social work; arts, entertainment and recreation and other service activities), for which the proportion of hard data is higher on the outward side (inward figures for those sectors are not available for any Eurostat reporters).

**A Global Trade In Services Data Set By Sector And By Mode Of Supply (TiSMoS)**  
by Steen Wettstein, Antonella Liberatore, Joscelyn Magdeleine, Andreas Maurer, WTO

**DISCLAIMER: The article in this newsletter is the initiative of DOSM officers based on ad-hoc observation and collection of brief information in the field during the Movement Control Order. It does not meet the country's official statistics released standards. Therefore, the content of this newsletter cannot be interpreted as DOSM's official statistics.**

5

