



# The Contribution of Capital of Local and Foreign Owned Firms for the Manufacturing Sector In Malaysia

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# OVERVIEW

- Introduction & Problem Statement
- Data Sources & Methodology
- Results
- Conclusions

# Introduction



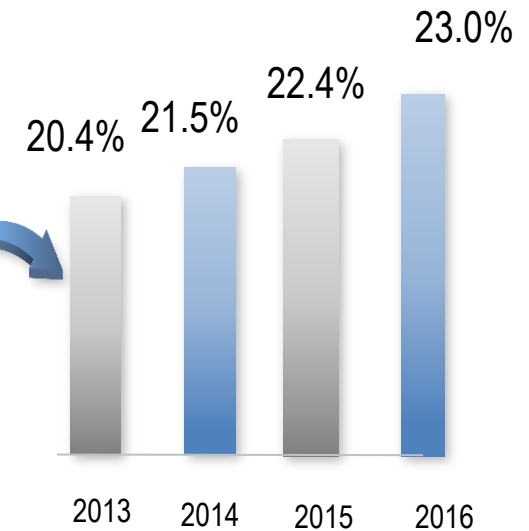
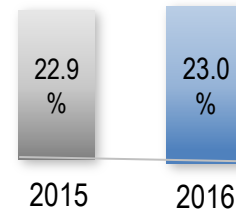
**28.2%**

Average annual growth for Foreign Direct Investment (FDI) for the period of 2005 – 2015

**Value of :**

**RM 35.6 bil 2014 &  
RM43.4 bil in 2015**

**Manufacturing  
share to GDP**



**E&E's (Electrical &  
electronics) subsector share to  
Manufacturing sector**

To examine the contribution of capital of local & foreign owned firms and whether FDI has contributed to the accumulation of assets for both local & foreign owned firms in manufacturing sector in Malaysia

# Data & Methodology

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**DATA**    Manufacturing Census 2005 & 2010

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Net Book Value – deflated to get to constant (2005 =100)

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Malaysian Standard Industry Classification (MSIC) 2000

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# Methodology

- **Net shift share** =  $\beta_{ij} + \gamma_{ij} + C_{ij}$  ;

**National Share**  $\beta_{ij} = \partial_i^{t-1} * A^t / A^{t-1}$  ;

**Industrial mix**  $\gamma_{ij} = (\partial_i^{t-1} * A_i^t / A_i^{t-1}) - (\partial_i^{t-1} * A^t / A^{t-1})$  or

$$\gamma_{ij} = (\partial_i^{t-1} * A_i^t / A_i^{t-1}) - \beta_{ij}$$

**Competitive Effect**  $C_{ij} = \partial_i^{t-1} * (\partial_i^t / \partial_i^{t-1} - A_i^t / A_i^{t-1})$  ;

# Methodology – continued

In which ;

$\partial_i^t$  is the net book value of each asset type j for subsector i for year 2010;

$\partial_i^{t-1}$  is the net book value of each asset type j for subsector i for year 2005 ;

$A^t$  is the sum of net book value for the manufacturing sector at Malaysia level for year 2010;

$A^{t-1}$  is the sum of net book value for the manufacturing sector at Malaysia level for year 2005;

$A_i^t$  is the sum of net book value for subsector i for year 2010; and

$A_i^{t-1}$  is the sum of net book value for subsector i for year 2005.

# Overall Results – Net Shift Share, Malaysia



Local owned  
firms

Total :

RM18,356.6 m



Foreign owned  
firms

Total :

RM3,167.1 mi



Machinery &  
equipment (M&E) for  
foreign owned firms  
showed negative net  
shift share

# Top Positive Net Shift Share between 2005 & 2010 & % Share for Manufacturing subsector

## Local



Food Processing **12.2%**



M&E :  
RM789.8 m



Other assets:  
RM1,741.3 m



Refined petrol. pdts **11.5 %**



M&E:  
RM2,172.0 m



Other assets  
:RM202.3 m



Oil & fats fr animals/veg. **10.8%**



M&E:  
RM1,494.2 m



Other assets:  
RM742.3 m

## Foreign



Non Metallic mineral pdts **43.7%**



M&E :  
RM3,974.8 m



Other assets  
:RM953.7 m



Medical, watches & Clock **10.4%**



M&E :  
RM700.5 m



Other assets  
:RM470.0 m



Paper & paper pdts **10.2%**



M&E :  
RM839.1 m



Other assets  
:RM308.6 m



# Top Positive Net Shift Share between 2005 & 2010 & % Share for Manufacturing subsector

## Local



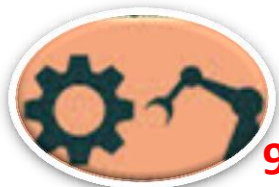
Leather & Footwear **10.6%**



M&E :  
RM1,315.5m



Other assets:  
RM883.6 m



Fabricated  
Metal Pdt

**9.9%**



M&E:  
RM365.0 m



Other assets  
:RM1,687.6m



Plastic Pdt

**8.0%**



M&E:  
RM92.4 m



Other assets:  
RM1,565.5 m

## Foreign



Food Processing **8.7%**



M&E :  
RM335.6 m



Other assets  
:RM647.6 m



**6.7%**

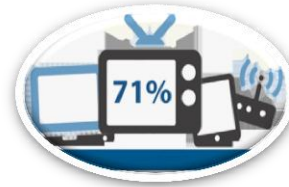


M&E :  
RM371.6 m



Leather &  
Footwear

Other assets  
:RM387.0m



Radio,TV,Comm &  
Apparatus

**6.2%**



M&E :  
RM-816.2m



Other assets  
:RM1,511.7m

# Top Negative Net Shift Share between 2005 & 2010 & % Share for Manufacturing subsector

## Local



Rubber Products

**-34.4%**



M&E :  
RM-738.0 m



Other assets:  
RM-140.9 m



Radio, TV, Comm  
& Apparatus

**-28.2%**



M&E:  
RM-1,745.4m



Other assets  
:RM1.024.9m



**-16.0%**

Publishing, print,  
reproduct of recorded  
media



M&E:  
RM-452.1m



Other assets:  
RM44.0 m

## Foreign



Chemical &  
Chem. Pds

**-48.6%**



M&E :  
RM-4,279.8m



Other assets  
:RM339.8 m



Refined  
Petroleum Pds

**-20.1%**



M&E :  
RM-1,696.4m



Other assets  
:RM68.2m



Rubber  
Products

**-9.7%**

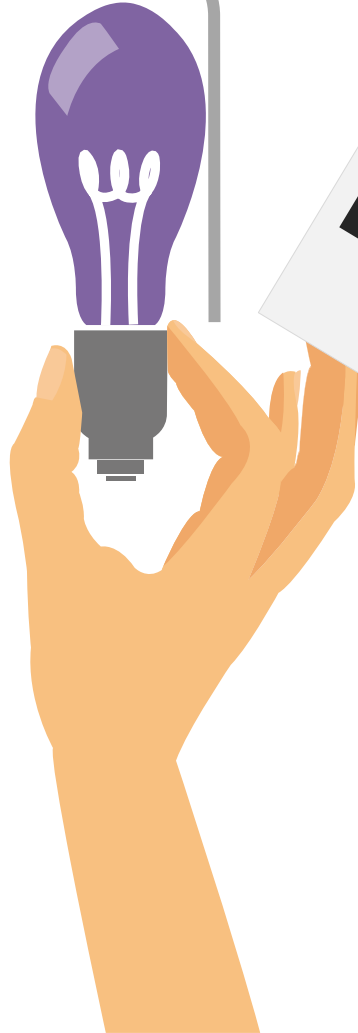


M&E :  
RM-456.5m



Other assets  
:RM-330.7m

# The Importance of The Study



# Limitations of The Study

- ❑ the usage of NBV (stock of assets) as opposed to flow, i.e capital Services , which refers to the flow of Productive services provided by an Asset that is employed in production

# Conclusion

- ✓ Even though both local and foreign firms recorded positive net shift share, locally owned manufacturing firms in general, increased their assets' accumulation compared to foreign owned firms.
- ✓ Locally owned manufacturing firms in food related sectors and refined petroleum products have increased their capital investment
- ✓ Total assets of **foreign owned** firms for manufacturing of radio & television, communication and apparatus subsector registered positive net shift

# Conclusion

- ✓ M&E in the E&E group recorded a negative shift share for both local and foreign owned firms
- ✓ An increase of assets for other subsector i.e non metallic mineral products, manufacture of medical, precision & optical instruments, watches and clocks, paper & paper products and food processing for foreign owned firms
- ✓ Thus, there was an increase of investment in capital such as machinery & equipment and buildings for both local and foreign firms to various industries within the manufacturing sector other than electrical & electronic subsector.

**THANK YOU**

# CONCLUSIONS



2. Locally owned manufacturing firms in food related sectors and refined petroleum products have increased their capital investment



1. Even though both local and foreign firms positive net shift share, locally owned manufacturing firms in general, increased their assets' accumulation compared to foreign owned firms.

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3. Total assets of foreign owned firms for manufacturing of radio & television, communication and apparatus subsector registered positive net shift

