

## **CHEMICALS COMMITTEE**

### **Industry Profile**

The Chemical industry is one of the leading industries in Malaysia. The industry is not only capable of fulfilling the nation's requirement of chemical products, but also exports to other countries. This is because Malaysia is endowed with huge amount of petroleum and palm oil resources. The industry has very strong linkage towards other sector such as automotive, electrical & electronics, and etc. As the chemical industry is a high-tech and capital intensive industry, the players are mostly multinational companies who have highly trained human resource for its research & development and operating activities.

### **Categories**

Chemical and chemical products are categorised into 6 sub-sectors. The sectors cover the production of alcohol, phenols, carboxylic acids, anhydrides, hydrocarbons, and nitrogen-function compound. Some examples of the finished products are packing tape, pallet stretch film, steel strapping band, personal care products, electronics, taurine and glyphosate, glycerin, distilled fatty acids, fractionated fatty acids, PVC additives, plastics and master batches.

### **Performance of the Industry**

The industry is the second largest exporter of manufactured goods in 2010. The main investors in the industry are Singapore and Germany, while the People Republic of China, Indonesia and Japan were the main export markets for chemical elements and compounds for electronics.

### **Projects Approved, Investment, and Trade Data for Chemicals and Chemical Products**

	<b>Year 2010</b>	<b>Year 2009</b>
<b>Projects Approved</b>	89	77
<b>Total Proposed Capital Investments (RM)</b>	2,815,373,368	8,379,561,155
<b>- Domestic Investments (RM)</b>	1,079,779,926	1,341,862,946
<b>- Foreign Investments (RM)</b>	1,735,593,442	7,037,698,209
<b>Export (RM)</b>	40.8 Billion	33 Billion
<b>Import (RM)</b>	45.3 Billion	37 Billion

*{Source: MIDA}*

## **Industry Outlook**

The domestic chemical industry is likely to diversify its product portfolio to include product variants to position itself better in the global market. The industry is also expected to focus on price issues and take all the necessary steps to bring down the cost of production.

Over the last 5 years, Malaysia's chemical industry has attracted a sizeable inflow of Foreign Direct Investments from the United States, Europe, and Asia companies keen to establish a presence in the growing regional markets. It is expected that the industry to emphasize the use of information technology for product innovation and increased customer orientation, as well as improved operations.

The specialty chemicals segment is expected to record significant growth considering its advantages such as low capital investment and higher returns. The expansion of the manufacturing sector has continued to provide the main stimulus to the growth of the Malaysian economy. The overall growth in the chemicals industry can be partially offset by a substantial increase in Malaysian labor costs, along with the emergence of labor shortage which have led to substantial imports of labor.

As the government plans to further consolidate and strengthen the competitiveness of the manufacturing sector, the chemicals industry is likely to become increasingly concentrated in the coming years. The industry is expected to be well equipped in the future to attract more investments for research and developments.