

## MALAYSIA

### Business Conditions Snapshot

- Malaysia is an advanced middle-income nation with the fastest urbanisation growth rate in ASEAN.
- Despite the challenges of the COVID-19 pandemic, as the Malaysian economy recovers, Malaysians will return to having growing disposable incomes with good access to credit, supported by a mature financial sector.
- These more affluent and sophisticated consumers are expected to demand greater product choice, better quality brands and higher standards of service.
- Malaysia's growth presents numerous commercial opportunities, particularly in sectors such as food and agribusiness (including halal food), education, digital economy (e-commerce and fintech), health care, smart cities, energy and defence.
- The Australia–Malaysia economic relationship is underpinned by a strong degree of complementarity in our economies, and two high-quality free trade agreements (FTAs)—the Malaysia–Australia FTA (MAFTA) and the ASEAN–Australia–New Zealand FTA (AANZFTA). Australia is committed to building on both agreements to elevate our economic relationship, including through comprehensive regional trade agreements—the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and the Regional Comprehensive Economic Partnership (RCEP).

#### Key facts and figures

- Population: 33 million (2019)
- GDP growth: 4.5 per cent (2019)
- GDP per capita: US\$11,137
- Political system: Federal parliamentary democracy and constitutional monarchy
- Two-way trade value: A\$25 billion (2018-19)
- Key exports to Malaysia: crude petroleum, education-related travel, natural gas, copper and coal
- Key imports: crude and refined petroleum, computers and tourism
- Two-way investment stock: A\$32.4 billion (2018)

### Trade and Investment Opportunities

- More than 3,800 Australian businesses (mostly SMEs) trade with Malaysia, 300 of which have a physical presence. Despite a number of recognisable Australian business brands operating in Malaysia—such as Aesop, BHP, Blackmores, BlueScope, Boost Juice, Cochlear, Cotton On, Curtin University, Harvey Norman, King Living, Linfox, Monash University, SEEK, Spotlight, Swinburne University and



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the University of Wollongong—Australian business awareness of Malaysia’s potential remains relatively low but is steadily growing:

- the stock of Australian investment in Malaysia totalled over \$12 billion at the end of 2019, including property (Lendlease), financial services (ANZ, IAG, QBE), manufacturing (BlueScope), rare earths (Lynas) and health care (Ramsay, Cochlear).
- In 2019 Malaysia was Australia’s ninth largest trading partner.
  - Total bilateral trade (goods and services) increased from \$13.6 billion in 2009 to \$24.0 billion in 2019.
  - Malaysia is Australia’s sixth largest energy export market (\$3.8 billion in 2019) and the 11th largest agricultural export market (\$1.2 billion in 2019), with potential for further growth.
- Malaysia is Australia’s second largest source of foreign investment from ASEAN. At end of 2019 Malaysians held almost \$23 billion worth of investments in Australia including in:
  - property (OSK, UEM)
  - tourism infrastructure (IGB)
  - energy and resources (Petronas and YTL), and
  - food and agribusiness (Holstein Milk Company).
- Malaysia’s sovereign wealth and pension funds seek investments that offer safe, long-term and steady income streams and have targeted Australia for their investment growth plans.
- In 2019 Malaysia was Australia’s sixth largest source of international students:
  - more than 24,000 Malaysians were studying in Australia in 2019
  - a further 20,000 students were studying Australian qualifications in Malaysia, and
  - it is estimated that there are over 300,000 Malaysian alumni of Australian education institutions, including more than 125,000 Malaysians who have studied in Australia since 2002.
- Australia and Malaysia have close tourism links. More than 273,000 Australians visited Malaysia and almost 385,000 Malaysians visited Australia in 2019.
- While these numbers are significant, there is an opportunity to develop this commercial relationship into higher value areas such as advanced manufacturing and the digital economy. Electronic commerce has been critical to Australian companies to expand their exports to Malaysia, particularly during the COVID-19 pandemic which has accelerated the trend of Malaysian consumers switching to online retail.



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- In May 2020, Austrade published an *E-Commerce in Malaysia* guide for Australian business, available here. Austrade is expanding cooperation with the Malaysia Digital Economy Corporation (MDEC) to promote commercial links between Australian and Malaysian digital businesses. The objective of the Australia Malaysia Tech Exchange is to leverage the agency to agency relationship to facilitate private partnerships between Malaysian and Australian companies. MDEC and Austrade will undertake a range of collaborative activities within the Exchange.

## Trade Policy and Negotiations

- Since the ASEAN-Australia Free Trade Agreement (AANZFTA) entered into force in 2010—and Malaysia-Australia FTA (MAFTA) in 2013—these agreements have underscored Malaysia’s economic profile in Australia and increased trade and investment activity.
- The Australian and Malaysian Trade Ministers met in August 2019 and directed officials to convene an FTA Joint Commission to stocktake bilateral trade and investment issues, including parameters for a future General Review of MAFTA.
- Malaysia signed the CPTPP in March 2018 and is looking carefully at commitments made in this agreement. Malaysia and Australia were among the 15 countries that signed the Regional Comprehensive Economic Partnership (RCEP), the world’s largest ever FTA, on 15 November 2020.

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*This Insight is current as at December 2020.*



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