



# MSC MALAYSIA 2015

## ANNUAL INDUSTRY REPORT

# Contents



02	Foreword from CEO of MDEC
03	MSC Malaysia 2015 Performance - Fast Facts
04	MSC Malaysia Status Companies Growth
12	Survey Methodology
13	Financial Performance
26	Employment Performance
32	Moving Forward



# Foreword from CEO of MDEC



Dato' Yasmin Mahmood  
Chief Executive Officer  
Malaysia Digital Economy  
Corporation (MDEC)

02

2016 marks MDEC's 20th anniversary, which unbelievably started with MSC Malaysia and later on gave birth to Digital Malaysia in 2011. Both shared a similar fundamental vision towards a fully-developed nation by the year 2020. Malaysia is on a journey to fully embrace the global digital revolution, which means the availability and high quality of infrastructure and services to support this paramount digital shift.

Malaysia's Digital Economy has made substantial progress over the years. Notably, in 2014, it contributed 17% to national GDP and is expected to grow at CAGR 9.5% (2014-2020) to achieve the RMK-11 target of 18.2% contribution.

The number of MSC Malaysia status organisations continue to grow in line with the nation's aspiration to become a knowledge based economy. On average, it grew 10% every year, with 3,881 companies awarded to-date.

Overall, MSC Malaysia performance has improved year-on-year. In 2015, alongside strong revenue growth at 9.3% (2014: 11.5%), investment and export sales continue to outperform. The slower growth was in tandem with Malaysia's overall economic growth at 4.5% based on current price (2014: 8.6%). Growth in export sales continue to surpass local sales despite uncertainty in the global economic crisis. This is exemplary of a powerful instrument of transformation.

MSC Malaysia saw RM19.8Bil in new investments, of which 45% came from foreign direct investment, reflecting foreign investors' continued trust and confidence in Malaysia.

MSC exports showed significant growth in 2015, contributed by MDEC's continuous drive for Malaysia's economic success through digital economy initiatives. This has been done by putting in place intervention plans upon understanding the challenges and opportunities highlighted by MSC companies.

This is evident with MSC companies across the board, achieving the highest growth in exports since the last 5 years. We have also witnessed strong growth from the creative content area and expect an upward trend due to domestic and foreign demand for products and services in this sector.

It is pertinent to note that MSC Malaysia jobs grew at 7.4% with annual salary growth of 13.7%. MSC Malaysia employees earn about 2.5x higher in comparison to national average salary. This is a reflection of the significant number of jobs that are knowledge-based and deemed as high value.

This report serves as a valuable indicator to Malaysia's digital economy and aids in the assessment of the ICT Industry and its impact to the Malaysian economy. We are confident that MSC Malaysia will continue to play an important role as a catalyst for the ICT industry and the larger digital economy.

## MSC Malaysia 2015 Performance - Fast Facts

**249**

NEW COMPANIES AWARDED

**3,881**

TOTAL MSC MALAYSIA STATUS  
COMPANIES AWARDED

**RM19.8BIL**

NEW INVESTMENTS

**RM15.2BIL**

OF NEW INVESTMENTS ARE  
FROM EXISTING COMPANIES

**RM42.1BIL**

REVENUE GENERATED  
9% GROWTH FROM 2014

**RM16.2BIL**

EXPORT SALES  
18% GROWTH FROM 2014

**158,549**

TOTAL JOBS CREATED  
10,981 JOB INCREASED FROM 2014

**87%**

OF TOTAL JOBS ARE  
LOCAL WORKER

04

# MSC Malaysia Status Companies Growth



# Propelling Business Forward Through ICT

Technology Clusters of MSC Malaysia



## INFORMATION TECHNOLOGY (INFOTECH)

Companies undertaking study, design, development, implementation, technical services or support, marketing and management of any computing based information systems



## CREATIVE CONTENT & TECHNOLOGIES (CCT)

Companies involved in the creation of creative digital content. This comprises of digital elements manipulation to culminate in commercial products or services and the supply of associated technological tools, services and platforms to support said activities



## IHLs & INCUBATORS

Institutions of higher education or facilities that provide courses related to content creation, information technology and communication fields. Incubators that house tenants involved in ICT & multimedia (e.g. software, e-Commerce, telecommunication), biotechnology and/or bioinformatics



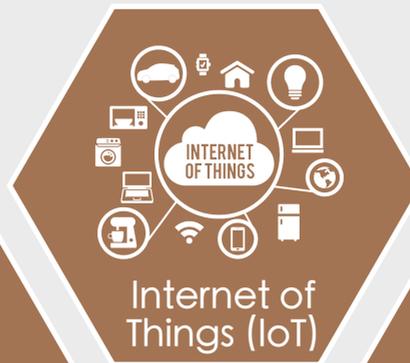
## GLOBAL BUSINESS SERVICES (GBS)

Businesses whereby common services are provided by a single organisation leveraging in economies of scale, or a provision at service that is geographically removed from client

# Spearheading Digital Transformation

## Developing New Sources of Growth

Enhance the IoT ecosystem to capture local and global demand and attain niche leadership



Internet of Things (IoT)

Galvanise eCommerce as a critical segment to accelerate growth for the Malaysia economy



eCommerce

Strengthen the national BDA ecosystem to enable the proliferation of BDA usage, as a catalyst for further economic growth



Big Data & Analytics (BDA)

Position Malaysia as a Data Hub by accelerating the deployment of cloud-capable platforms



Cloud & Data Centre

FOCUS AREA

Stimulate Information Security ecosystem in expanding Malaysian companies and solution competitiveness



Security

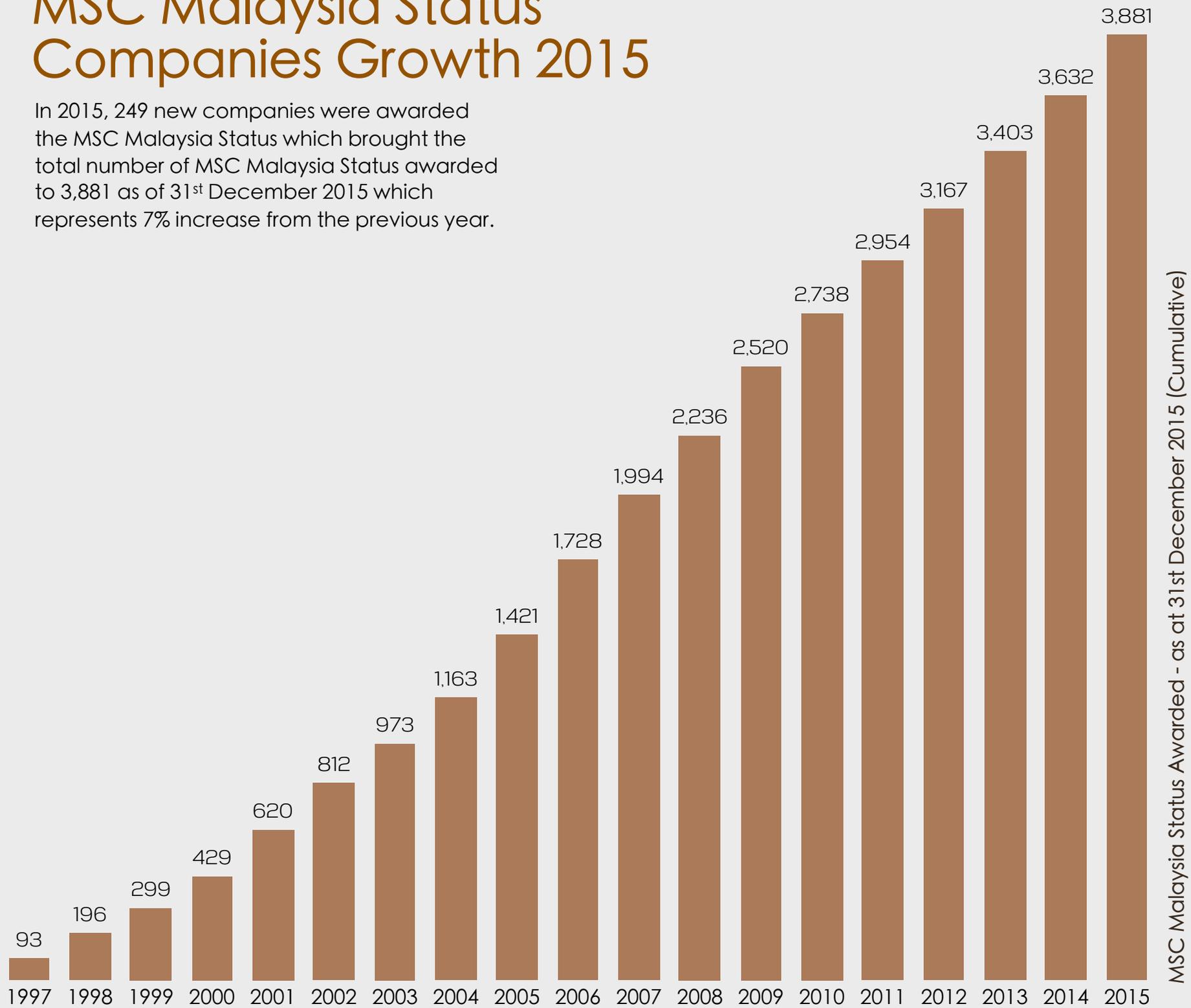
Position Malaysia as the regional hub by attracting anchor companies to serve as industry catalyst and split over effect of building local games capacity and capability



Games

# MSC Malaysia Status Companies Growth 2015

In 2015, 249 new companies were awarded the MSC Malaysia Status which brought the total number of MSC Malaysia Status awarded to 3,881 as of 31<sup>st</sup> December 2015 which represents 7% increase from the previous year.



## MSC Malaysia Status companies by Technology Cluster

MSC Malaysia Status companies are grouped into four clusters, representing the four major ICT focus areas which consists of the Information Technology (InfoTech) Cluster, the Creative Content & Technologies (CCT) Cluster, the Global Business Services (GBS) Cluster, as well as Institutions of Higher Learning and Incubators.

As of 31 December 2015, there were 2,878 active MSC Malaysia Status companies, out of which 69% represented the InfoTech Cluster, followed by 14% made up of the Global Business Services Cluster, while the Creative Content & Technologies Cluster and Institutions of Higher Learning constituted 13% and 4% respectively.

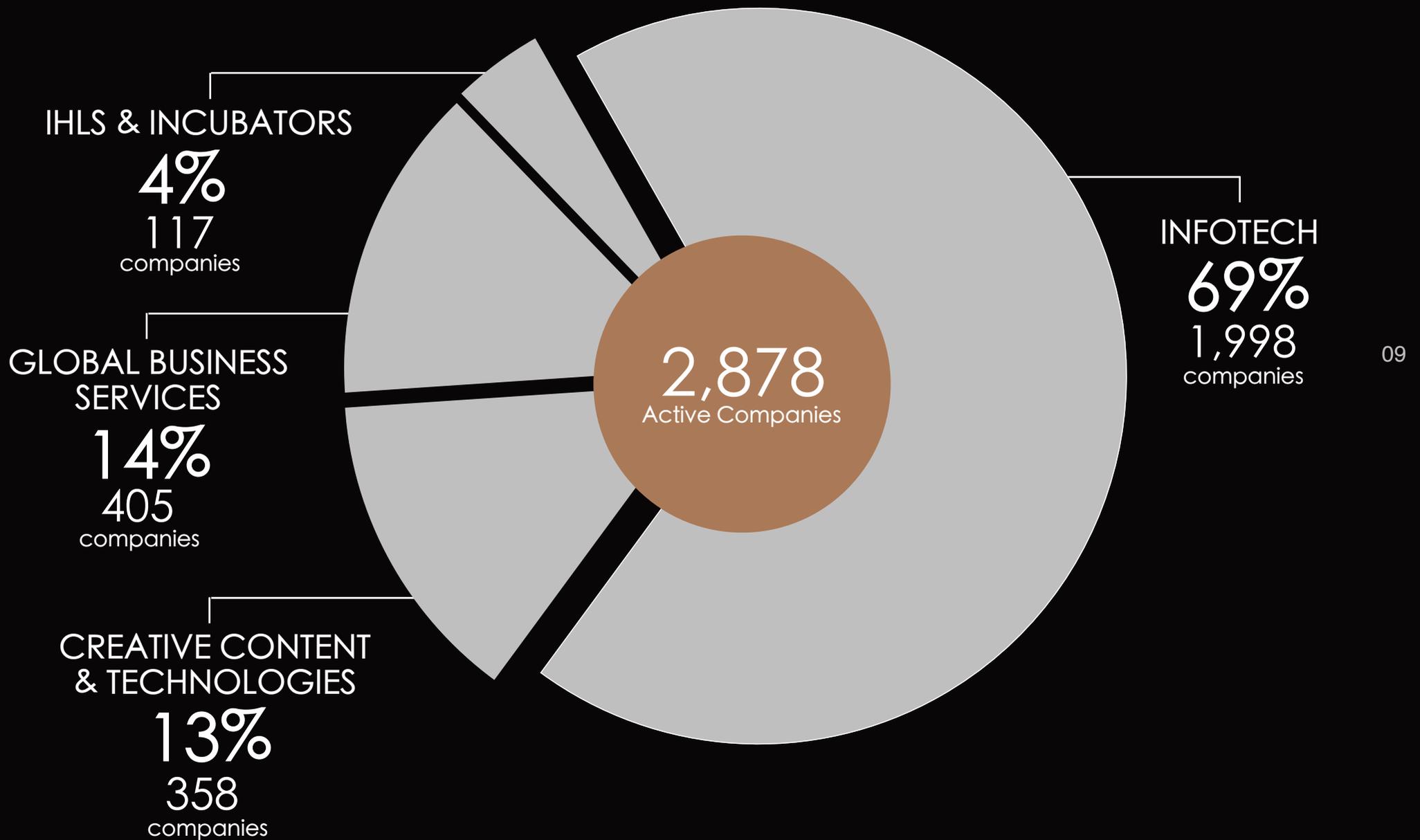
MSC Malaysia Status companies Awarded and Active  
As at 31st December 2015 Breakdown by Technology Cluster

08

Cluster	No. of Companies Awarded	No. of Active Companies
Creative Content & Technologies	473	358
IHLs & Incubators	132	117
InfoTech	2,796	1,998
Global Business Services	480	405
<b>Total</b>	<b>3,881</b>	<b>2,878</b>

# Active MSC Malaysia Status companies by Technology Cluster

As at 31 December 2015

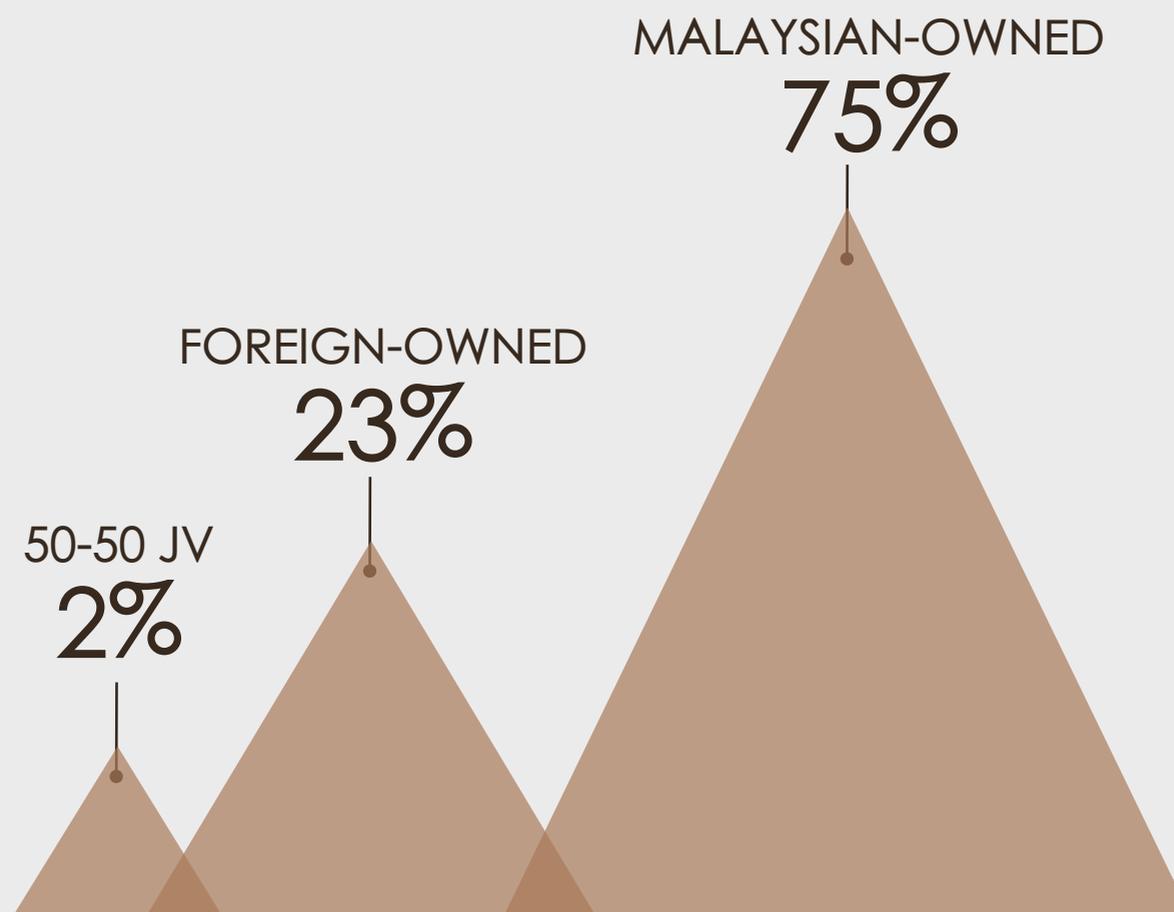


## MSC Malaysia Status companies by Equity Ownership

As of 31 December 2015, 75% or 2,154 of the total active MSC Malaysia Status companies are Malaysian-owned companies.

Equity Ownership	No. of Companies Awarded	Active
Malaysian-Owned	2,820	2,154
Foreign-Owned	968	659
50-50 JV	93	65
<b>Total</b>	<b>3,881</b>	<b>2,878</b>

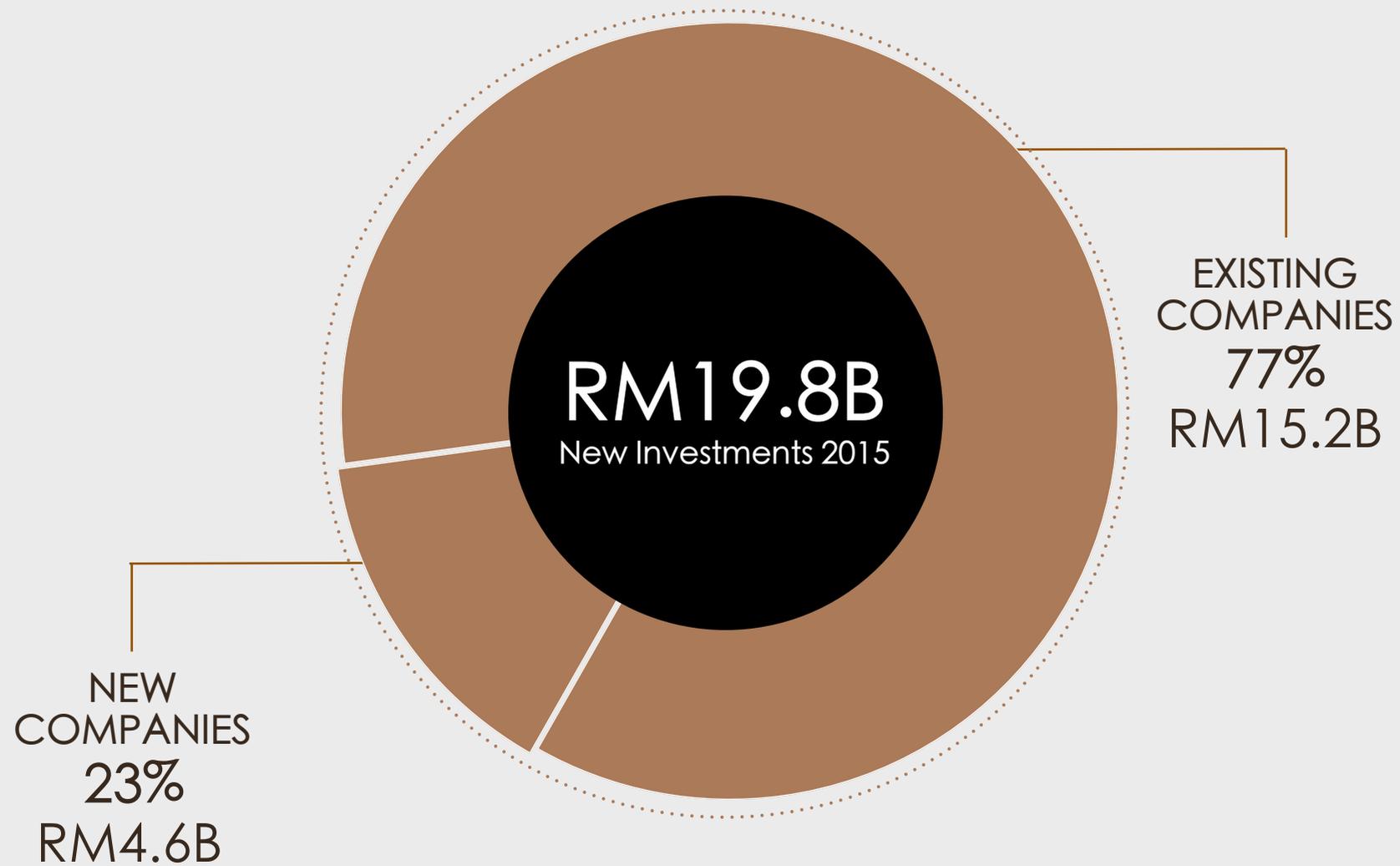
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Active MSC Malaysia Status companies By Equity Ownership as at 31 December 2015

## New Investments 2015

MSC Malaysia new investments 2015 recorded at RM19.8 billion of which 77% are contributed by the existing MSC Malaysia Status companies and the remaining 23% are from the 249 newly awarded companies.



# Survey Methodology

## About the report

The MSC Malaysia Annual Industry Report 2015 was conducted online at [www.msomalaysia.my/reporting](http://www.msomalaysia.my/reporting)

Data collection began from 4 January 2016 and ended on 28 January 2016.

The report covered the following sections:

### 1. Financial Performance

- Total Sales
- Local Sales
- Export Sales
- R&D Expenditure

### 2. Employment Performance

- Total Jobs
- Local Worker
- Foreign Worker

## Sample Size

A total of 2,812 companies were targeted for the MSC Malaysia Annual Industry Report 2015. From the sample size, 2,277 companies completed the survey with response rate of 81.0%.

### Sample Size By Technology Cluster

Cluster	Sample Size	Completion Rate
Creative Content & Technologies	357	82.4%
IHLs & Incubators	114	85.1%
InfoTech	1,937	77.8%
Global Business Services	404	93.8%
Total	2,812	81.0%

### Sample Size By Equity Ownership

Equity Ownership	Sample Size	Completion Rate
Malaysian-Owned	2,102	79.8%
Foreign-Owned	650	86.0%
50-50 JV	60	68.3%
Total	2,812	81.0%

## The Methodology

Upon receiving questionnaires in the designated database, each questionnaire set was again filtered by the system and underwent a manual check by the team to ensure data accuracy and consistency.

The survey conducted in 2015 had a response rate of 81.0% from the total active MSC Malaysia Status companies.

The results reflected in this report is derived based on four tier weighted extrapolation (by cluster). This method was deployed to provide a more accurate picture of the cluster's economic performance.

The sum of component figures may not tally with the sub-total or total figures due to rounding.



Financial  
Performance



# Financial Performance

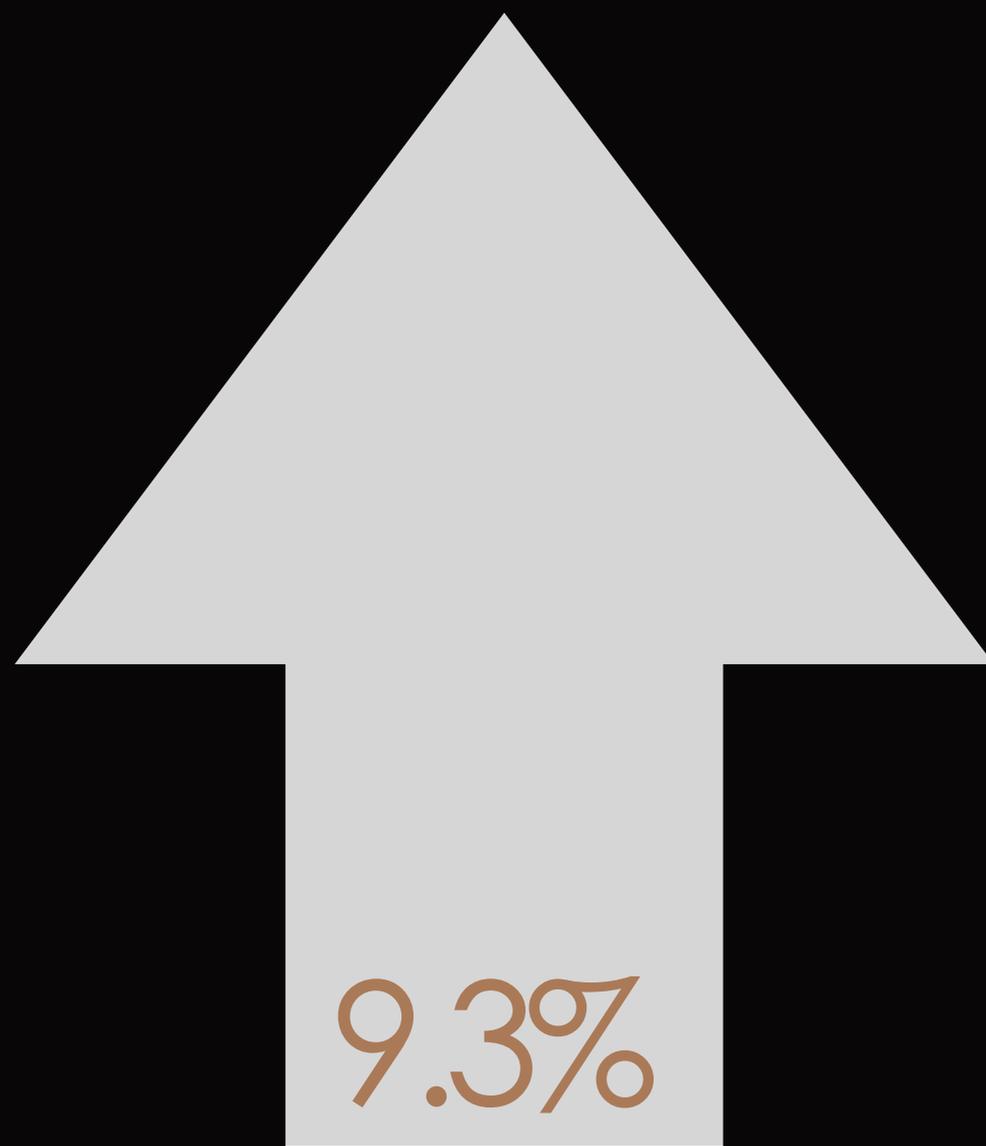
In 2015, revenue grew by 9.3% to RM42.1bil driven by higher export sales. Single digit growth in local sales of 4.6% was due to challenges in penetrating the local market. The challenges faced was limited contracts available for bidding as deployment or enhancement of IT software and hardware were deferred by private and public entity. On top of that, insignificant proven track record makes it difficult for MSC companies to gain investor confidence.

Overall export sales grew at 18.2%, since 2014, with CAGR 2011-2015 of nearly triple than that of local sales. This was underpinned by continues effort by the companies in enhancing their solutions and services. The depreciation of Ringgit in 2015, together with the good track record of MSC companies have attracted business deals from the international market.

2015 saw a significant growth in investments from MSC Malaysia companies. It also witnessed the highest increase in new investments since MSC Malaysia's establishment in 1997. New investment of RM19.8bil with 23% coming from new investors, an increase of 8% share of contribution. This proves that there is an increase in investor confidence in Malaysia amidst global economic challenges.

Big Data Analytics (BDA), Cloud & Data Centre and Creative Technologies are promising focus areas in 2015. Our efforts in the last two years in these areas have started to show results. Notably, from 2014 to 2015, there were 5 times growth in focus areas' new investment. Focus areas contributed 17% to overall MSC Malaysia revenue and 10% to export sales. This signifies that Malaysia has moved up the technological maturity scale and provided proof that MSC companies are agile, sensitive to demand and able to capture the opportunities presented to them.

Meanwhile, demand for ICT professionals remain high to support Malaysian ICT industry's intensification on digitisation processes in transformation projects capital intensive corridor projects as well as consumption, investment and trading of information, communication and technology (ICT) products and services.



9.3%

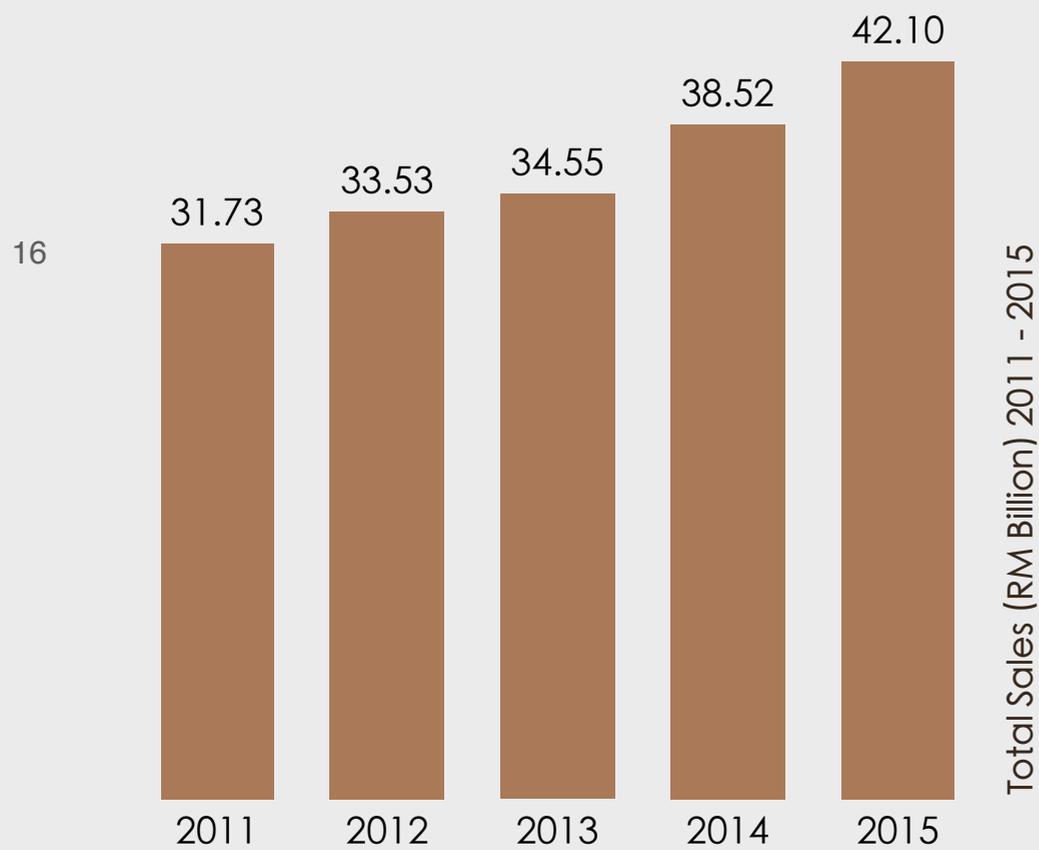
GROWTH 2014-2015

TOTAL  
SALES

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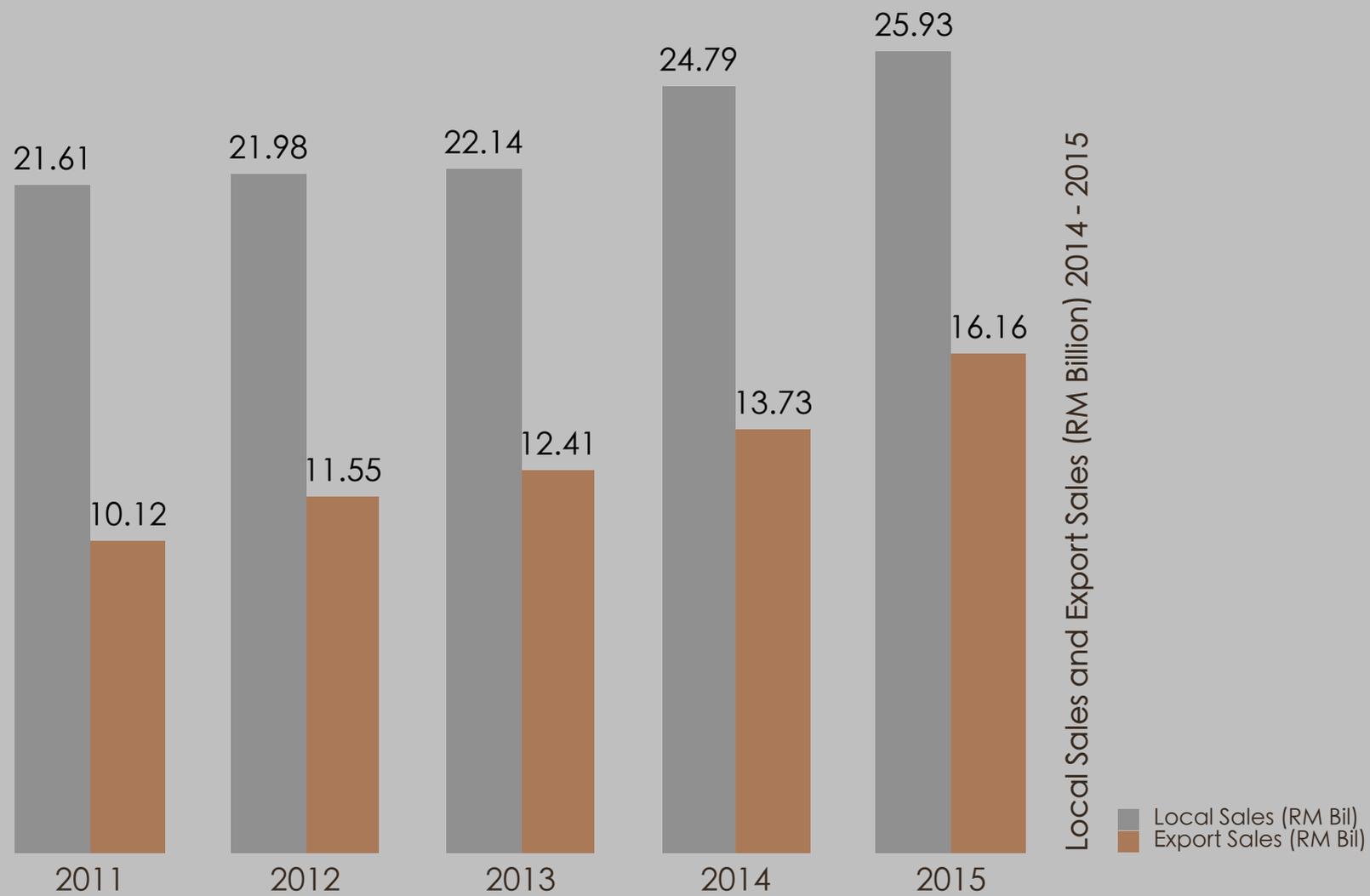
## Total Sales

MSC Malaysia total sales in 2015 rose 9.3% from 2014; a solid growth rate with a CAGR of 7.3% for a period of 5 years.



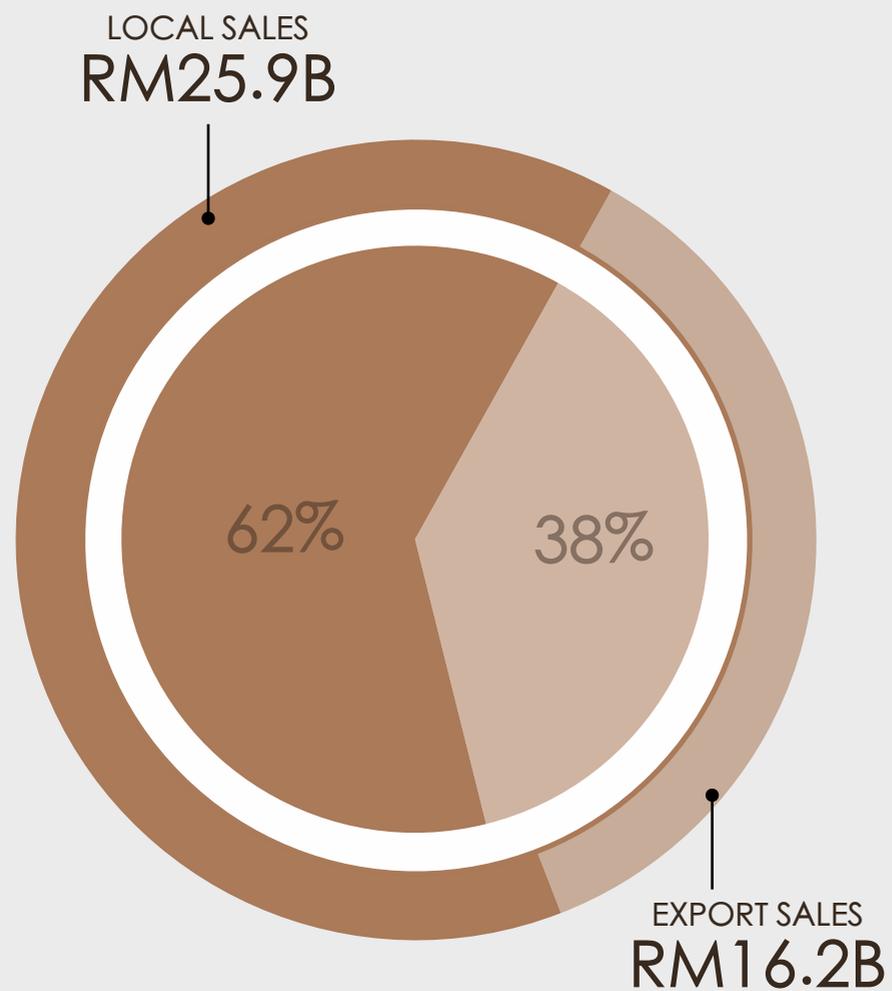
## Local Sales and Export Sales

Total MSC Malaysia export sales in 2015 rose 17.7% from 2014; a healthy growth rate with a CAGR of 12.4% for a period of 5 years.



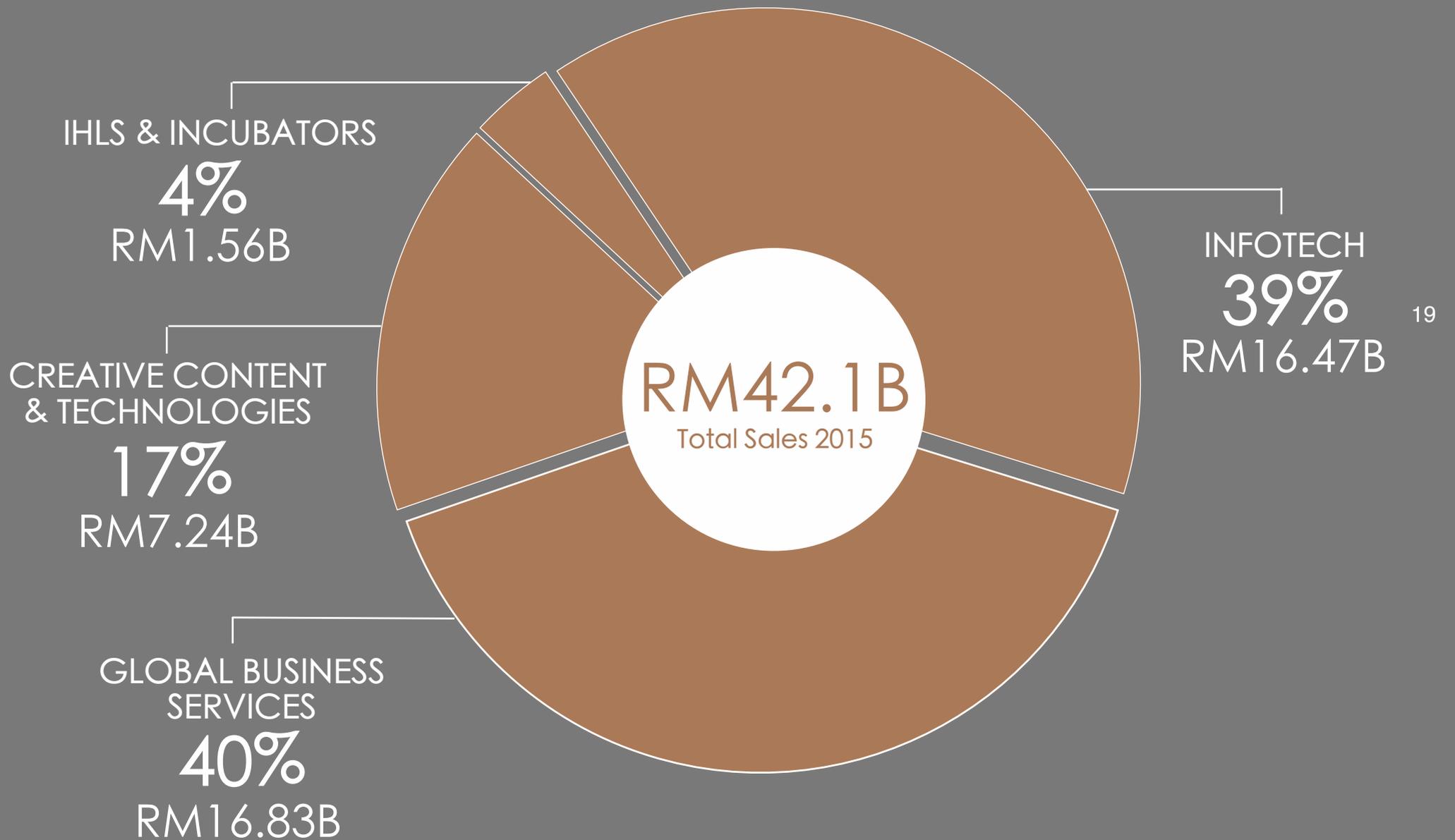
## Local Sales and Export Sales

In 2015, local sales contributed 62% to the total sales valued at RM25.9 billion and total export sales contributed 38% valued at RM16.2 billion.



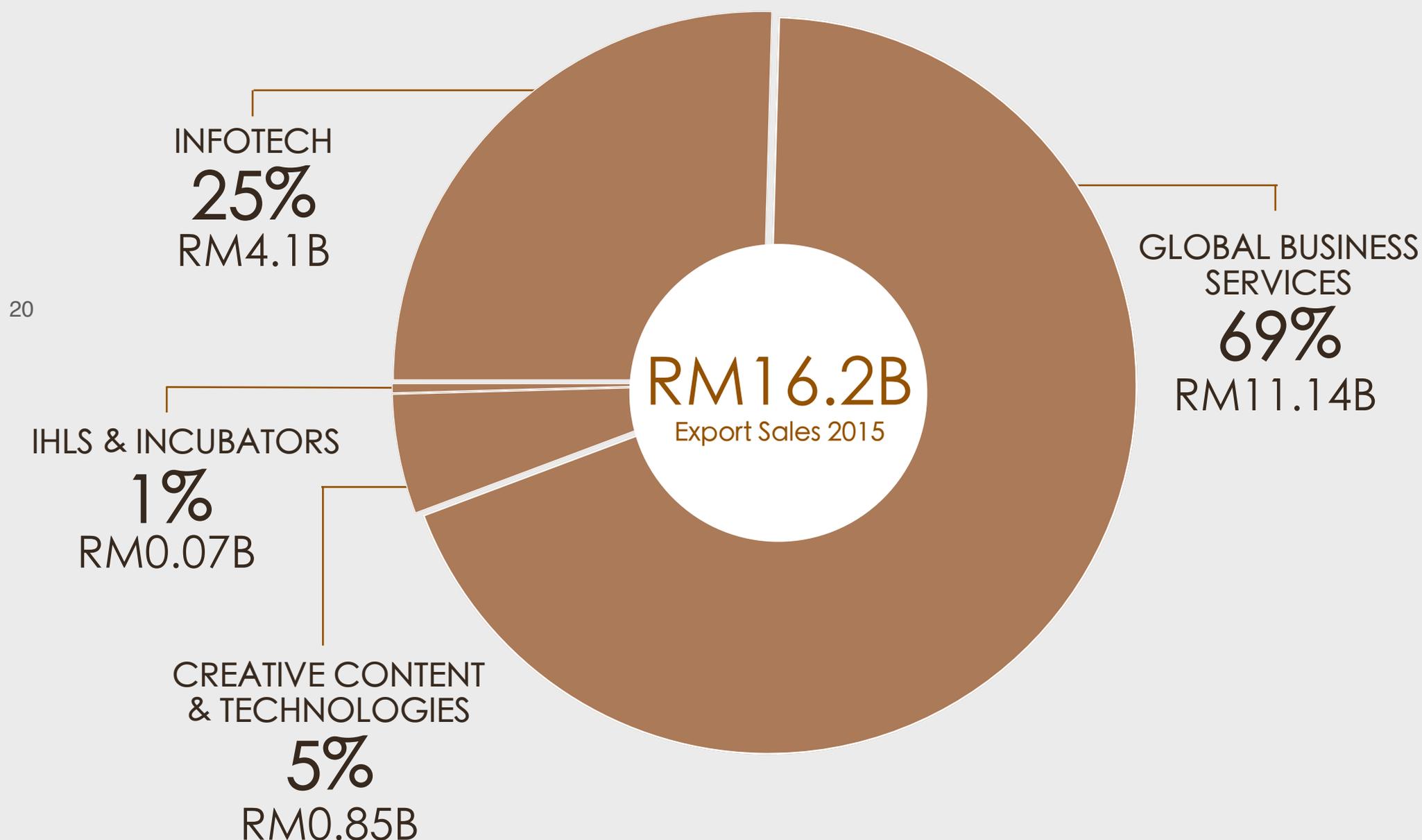
# Total Sales by Technology Cluster

Global Business Services Cluster overtook InfoTech to become the top revenue contributor in 2015, with 40% contribution to the total revenue of MSC Malaysia Status companies.

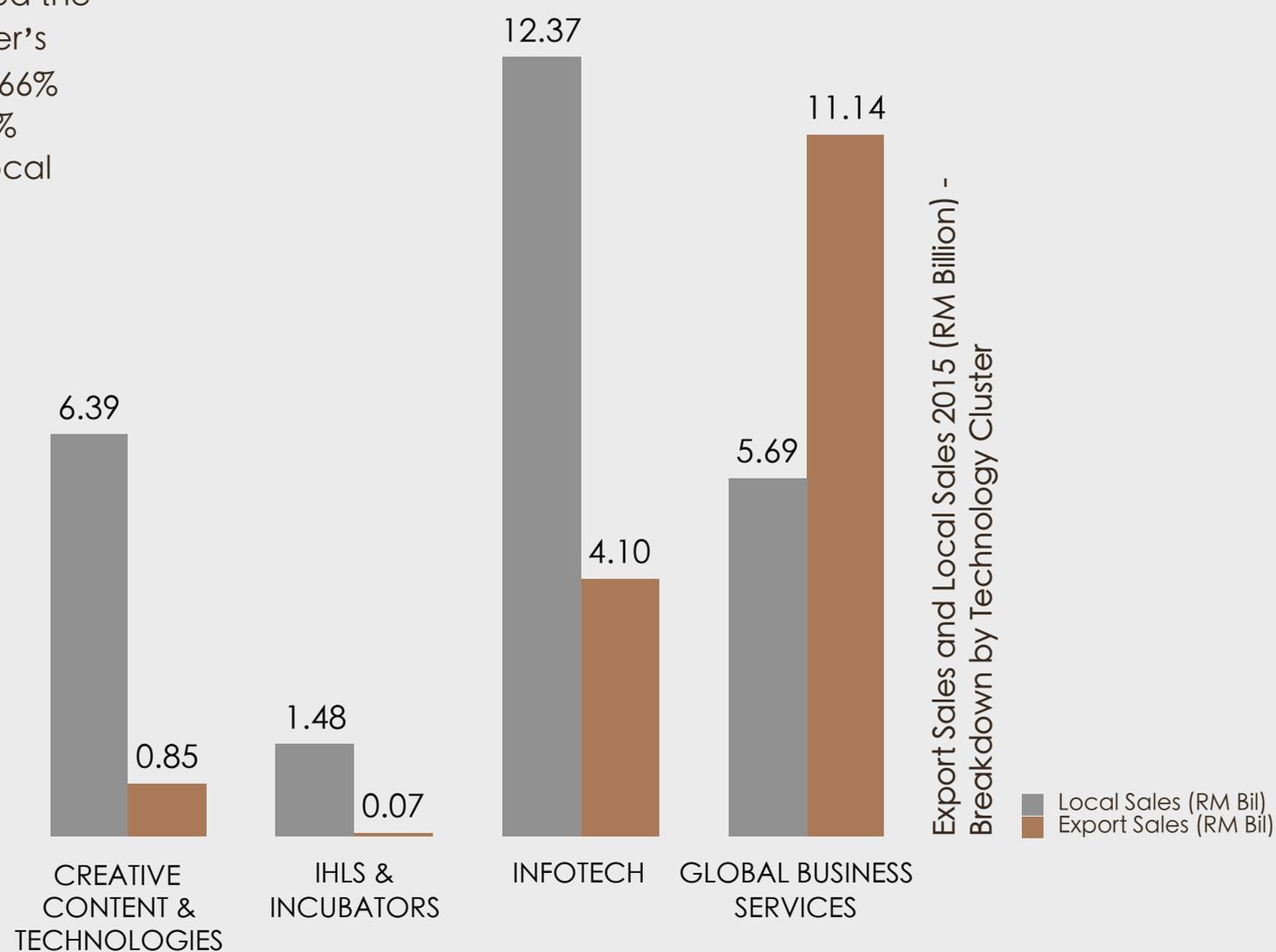


## Export Sales by Technology Cluster

The biggest contributor to the overall export sales for 2015 is the Global Business Services Cluster which constituted 69% of the total export sales of MSC Malaysia Status companies.



While all other clusters displayed larger local sales contribution to total revenue, Global Business Services Cluster export contributed the most to the cluster's total revenue at 66% compared to 34% contribution of local sales.

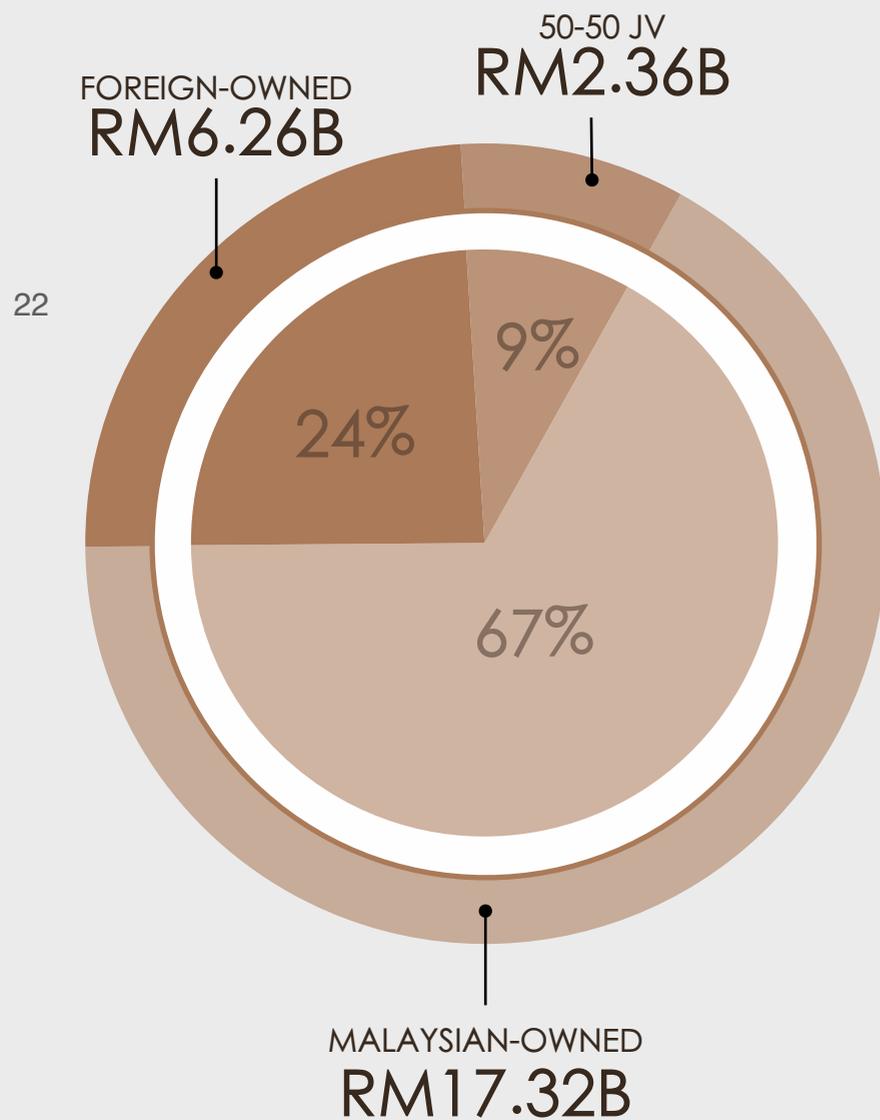


## Total Sales by Equity Ownership

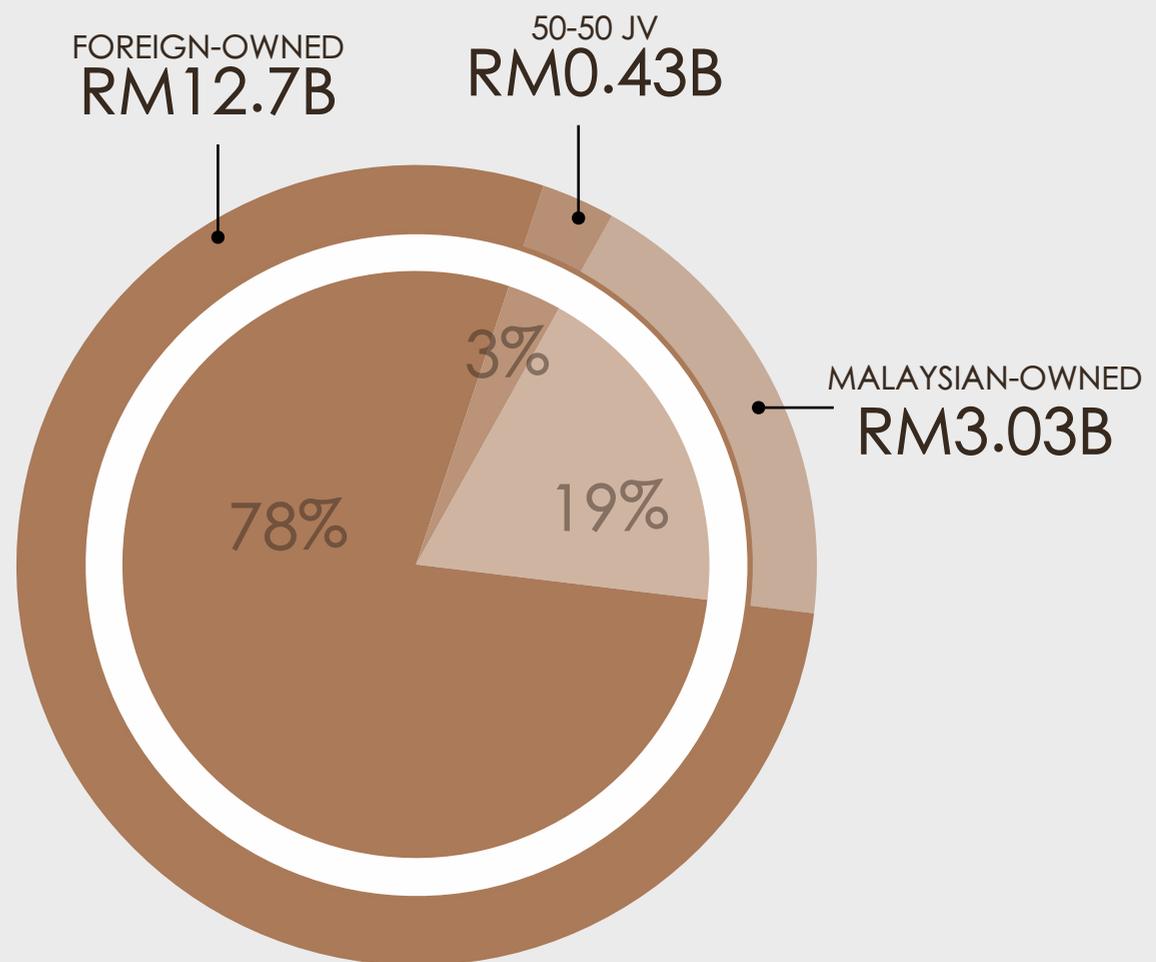
Malaysian-owned companies accounted for the majority of local sales while Foreign-owned companies contributed to the majority of export sales.

Export Sales were anchored by Foreign-owned entity with 79% at RM12.7 billion, whereas Malaysian-owned companies reported 19% contribution to export sales at RM3 billion.

LOCAL SALES

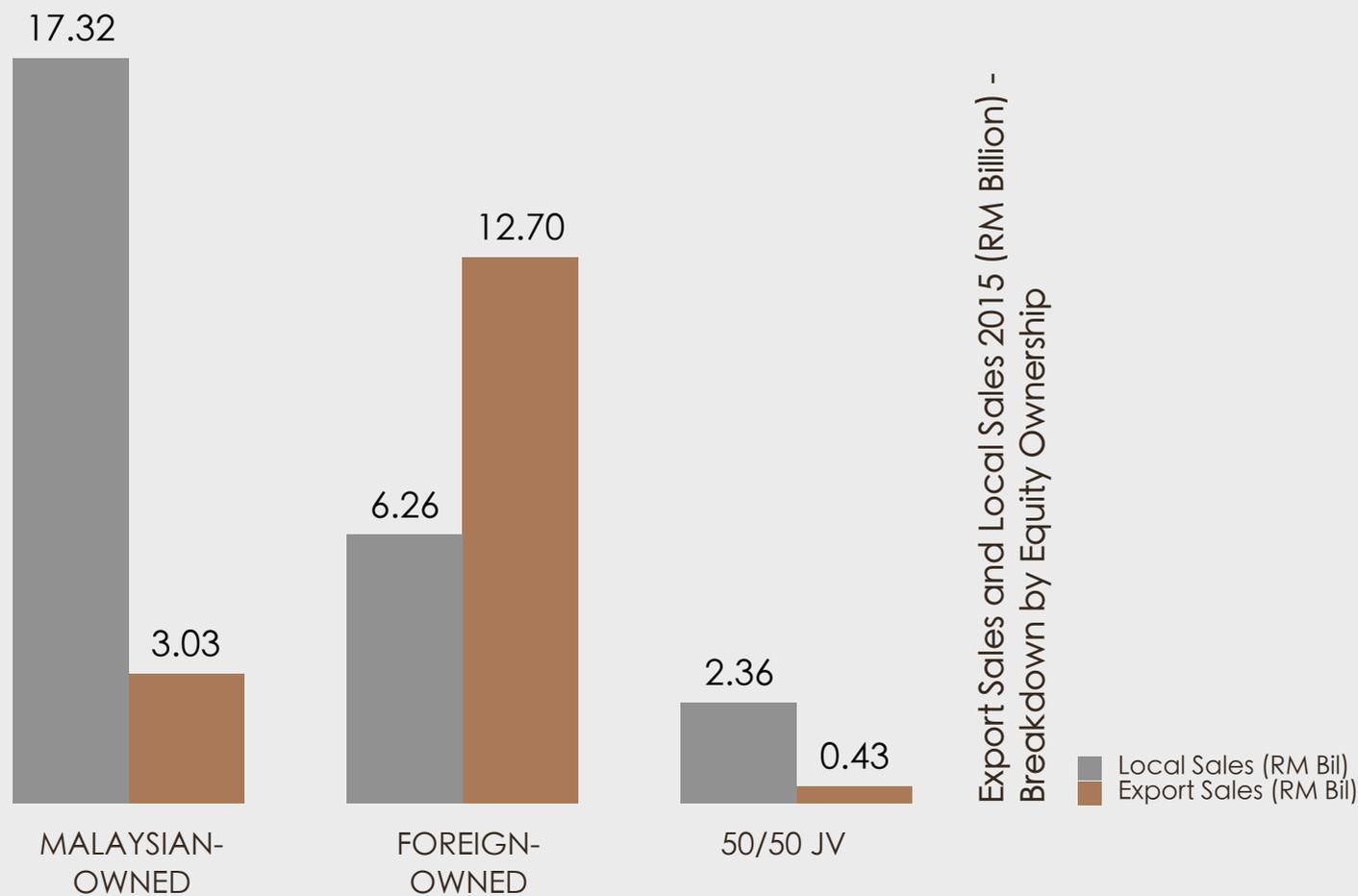


EXPORT SALES



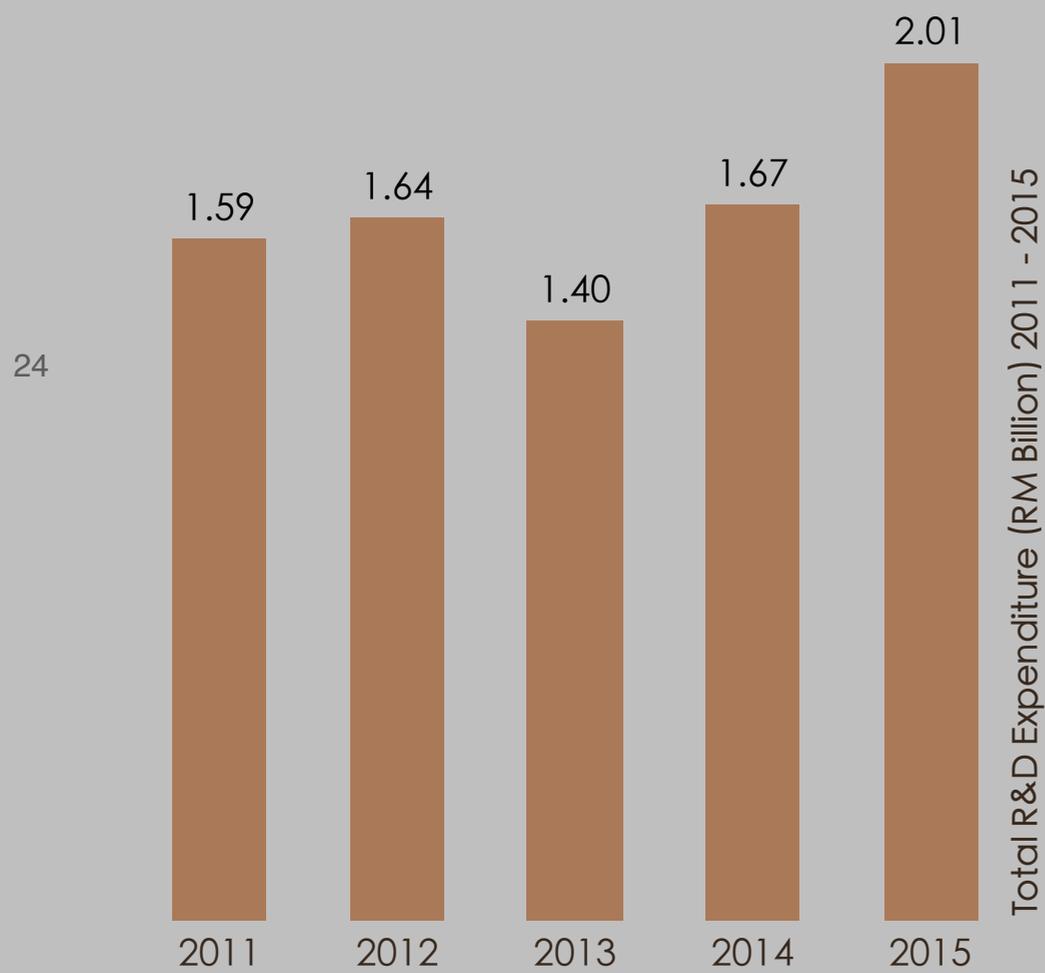
## Local Sales & Export Sales by Equity Ownership

Malaysian-owned companies accounted for the majority of local sales while Foreign-owned companies accounted for the majority of export sales.



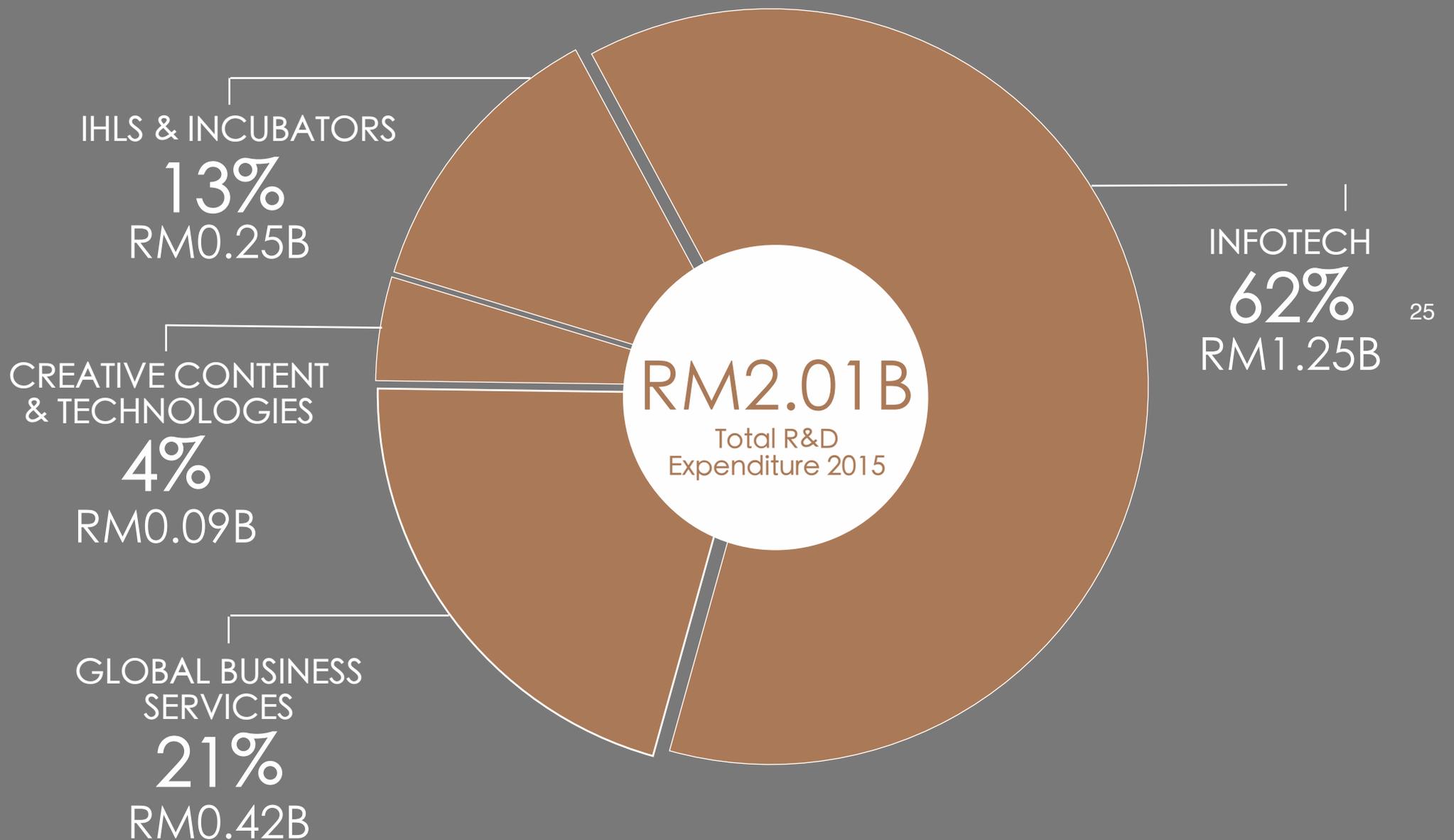
## Research and Development (R&D) Expenditure

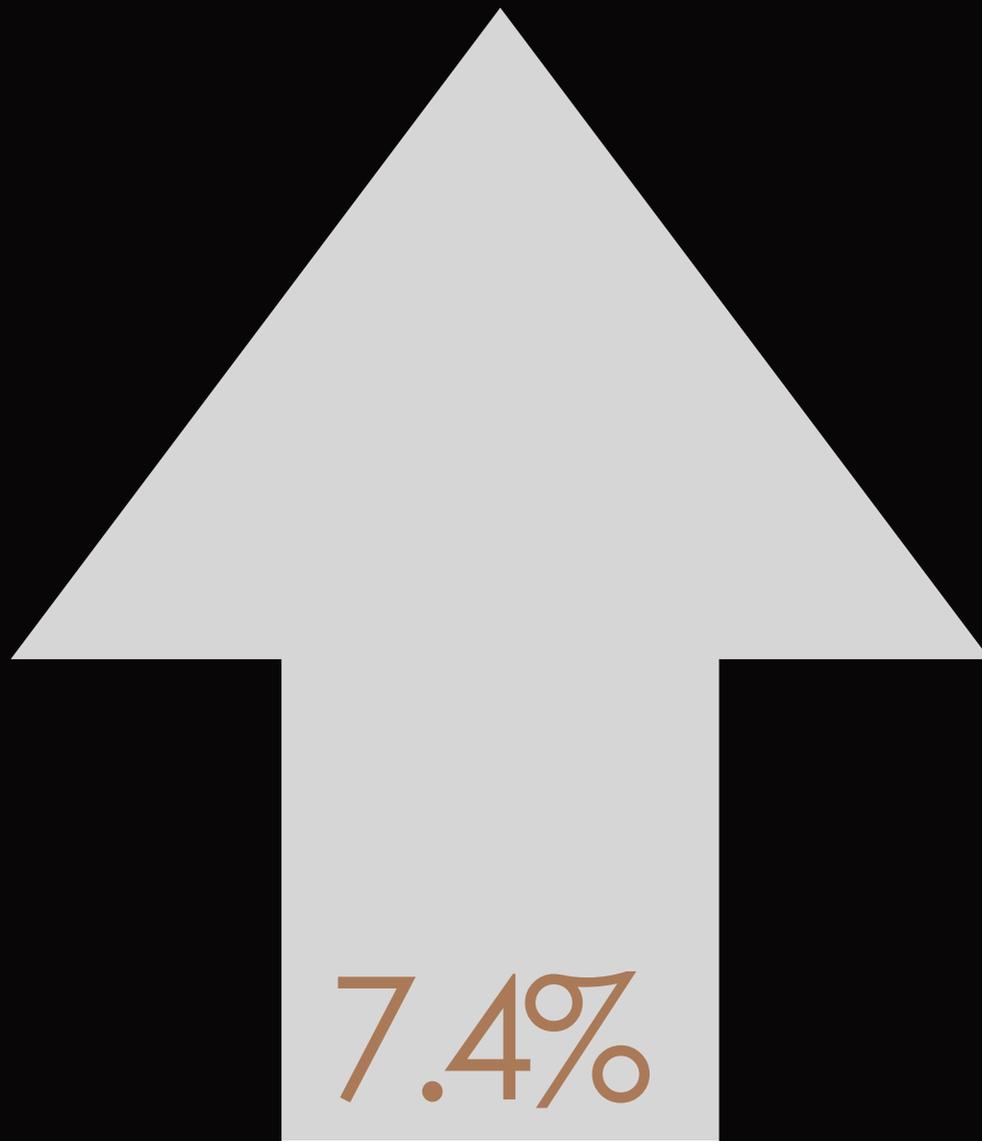
Total R&D expenditure saw double digit growth of 20% in 2015, with a CAGR of 6.1% for a period of 5 years.



# Research and Development (R&D) Expenditure by Technology Cluster

The largest R&D expenditure in 2015 came from the InfoTech Cluster with an investment of RM1.25 billion.





GROWTH 2014-2015

**TOTAL  
JOBS**

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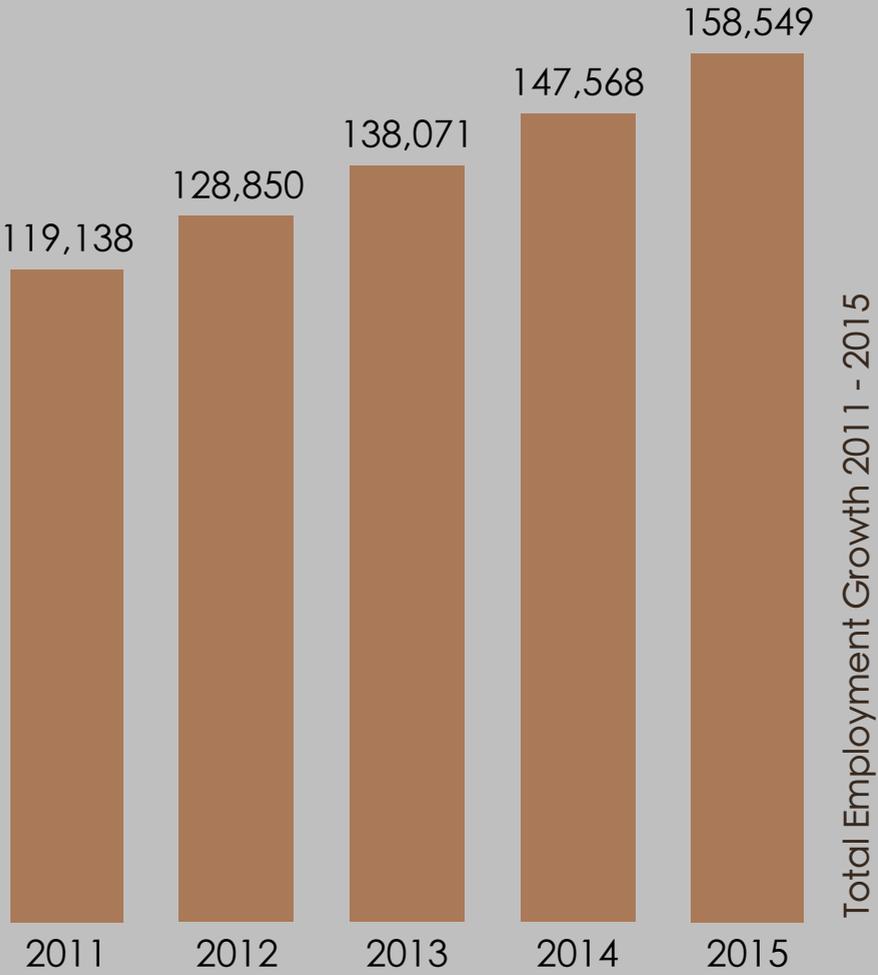
# Employment Performance



# Employment Performance

The total number of jobs contributed by the MSC Malaysia status companies has been on an upward trend from 2011 to 2015 at CAGR of 7.4%.

2015 witnessed a 7.4% increase over 2014 which saw 158,549 jobs with 10,981 new jobs. The steady growth shows that there is a healthy job market in MSC Malaysia especially in high value jobs. This is in line with Malaysia's aim to be a high income economy led by skilled knowledge workers by 2020.



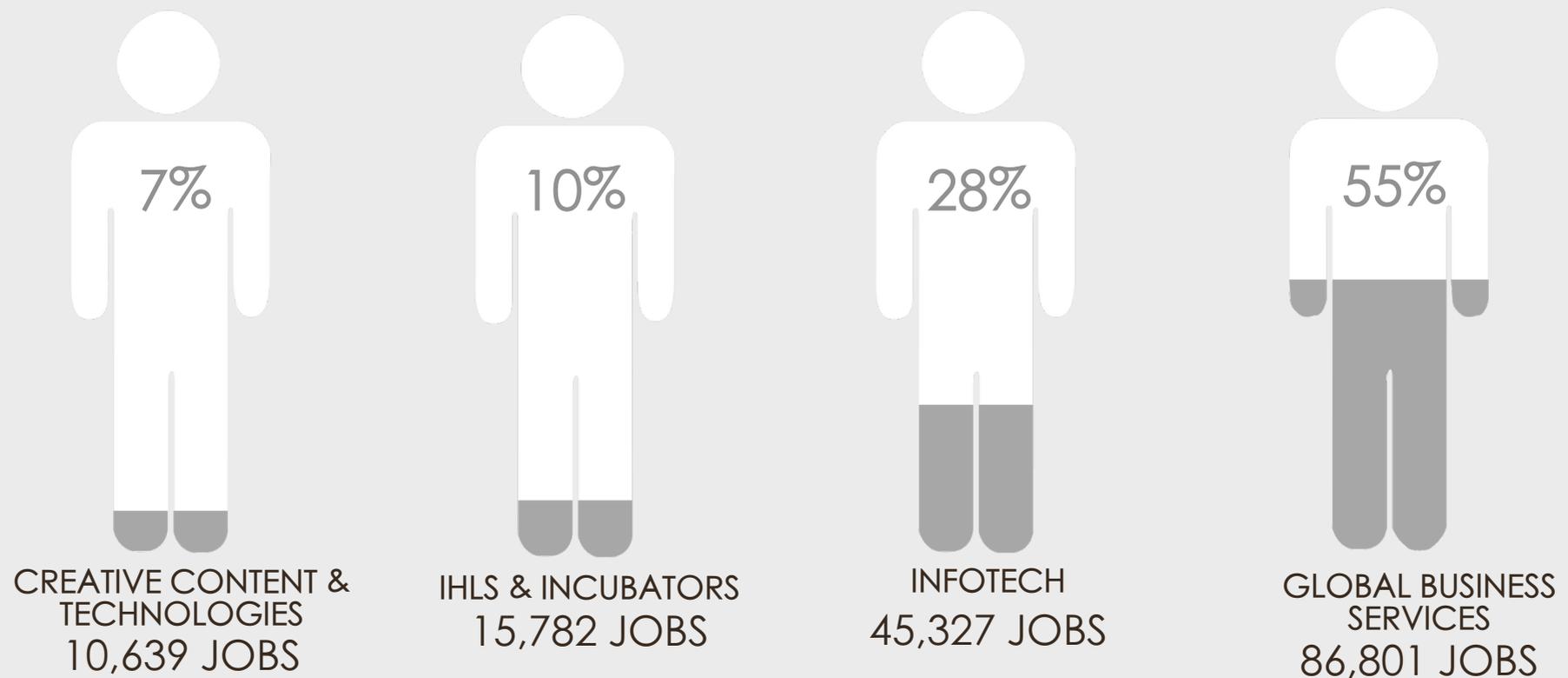
# Employment Performance by Technology Cluster

Global Business Services Cluster contributed to the highest number of jobs in 2015.

The Global Business Services Cluster reported 86,801 jobs, representing 55% of the total employment followed by the InfoTech Cluster which reported 45,327 jobs or 29% of the overall job opportunities while the Creative Content & Technologies Cluster contributed 7% or 10,639 of the total employment.

## Total Employment 2015 - Breakdown by Technology Cluster

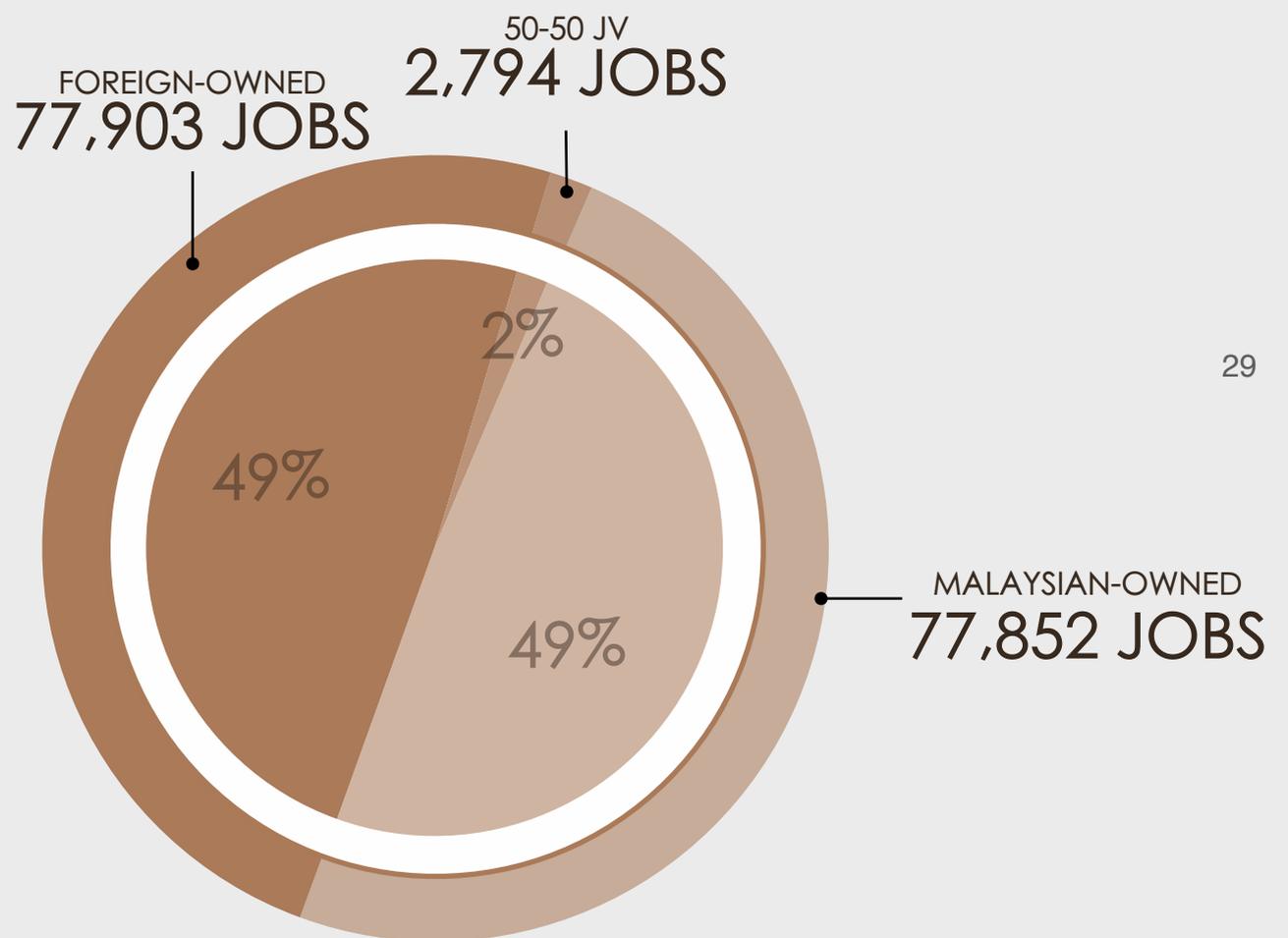
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# Employment Performance by Equity Ownership

In 2015, Foreign-owned companies recorded 15.3% growth in total jobs from 2014.

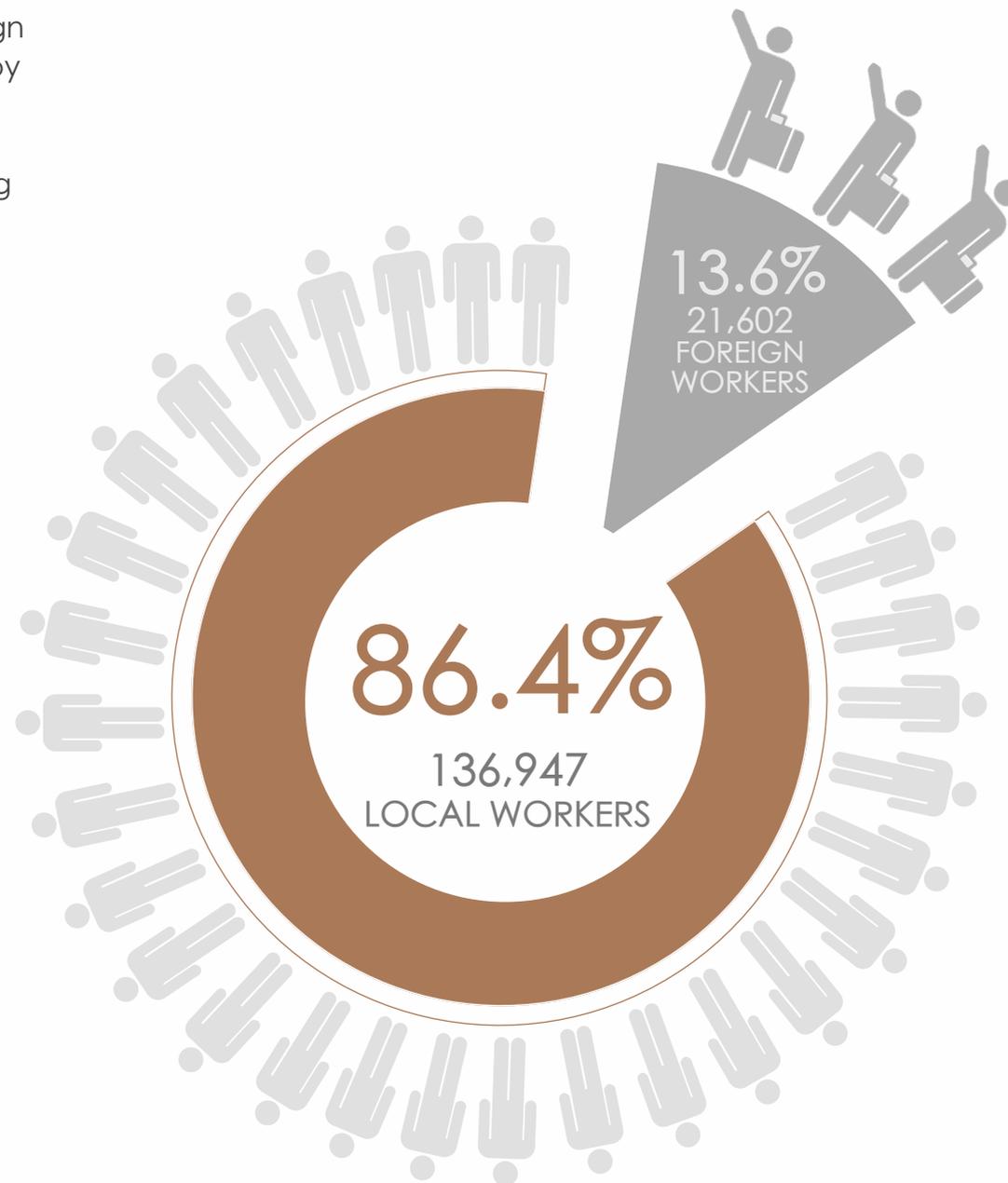
Malaysian-Owned and Foreign-Owned companies contributed roughly the same amount of total jobs in 2015 even though the number of Malaysian-Owned companies is 3 times more than Foreign-Owned companies. Meanwhile, 50-50 Joint-Ventures companies contributed to 2% of total employment.



## Employment Performance Local & Foreign Workers

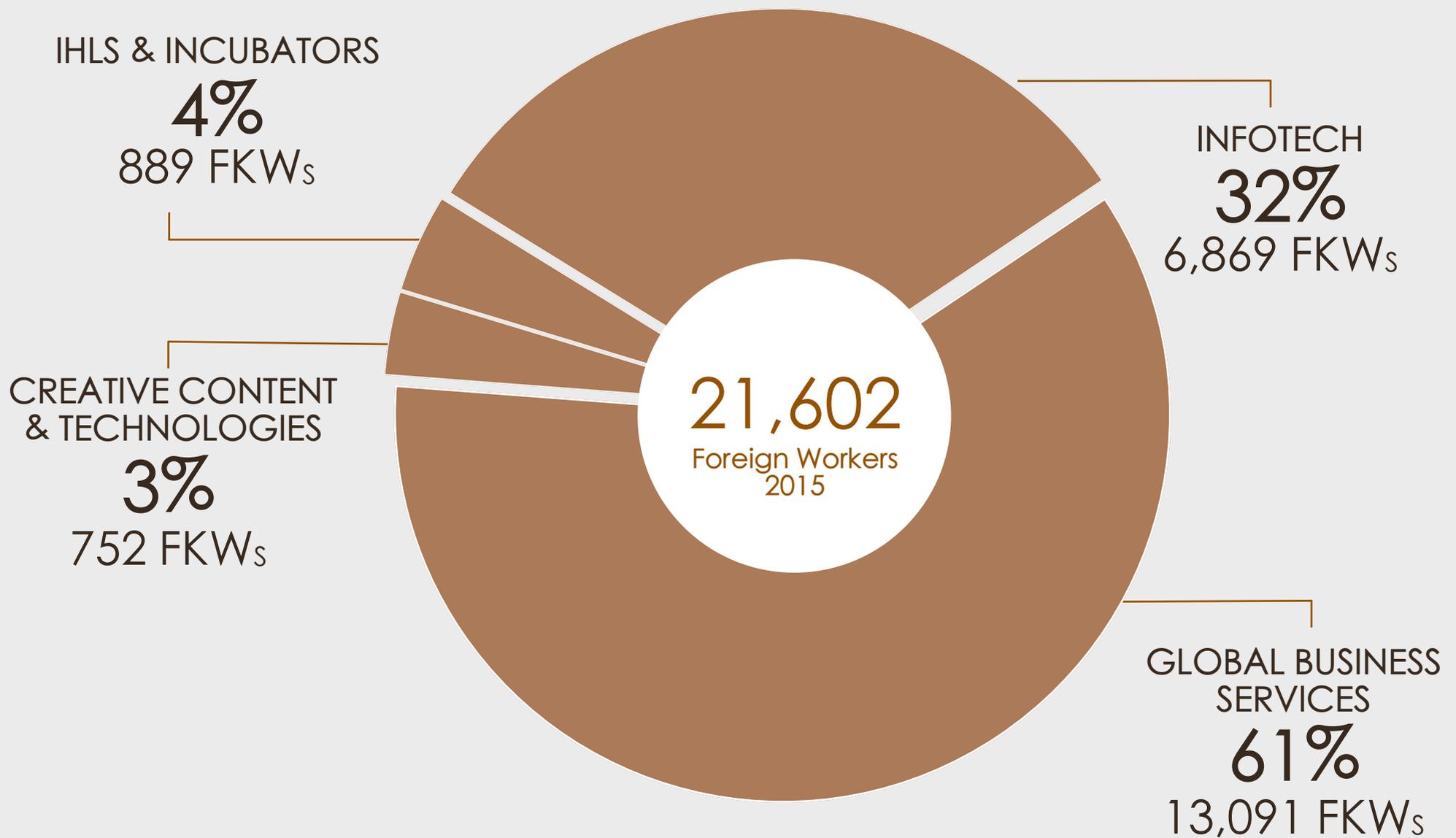
Local workers made up 86.4% of the total workforce in 2015, while the remaining 13.6% were made up of foreign workers.

The employment of Foreign Workers have increased by 13% from previous year, further emphasising the importance of developing local high skilled talents in Malaysia to meet the growing demand.



# Foreign Workers by Technology Cluster

In 2015, 13,091 foreign workers were hired by the Global Business Services Cluster companies which accounted for 61% from total of 21,602 foreign workers.



# Moving Forward

The digital economy is exploding and growing faster than the overall economy as a whole. The World Economic Forum (WEF) in a report published in 2014 indicated that the global digital economy is growing at more than 10% per year compared to the 2-3% forecasted for global economic growth. This means that there have been cannibalisation of the traditional economy and it is likely that the digital economy is driving a substantial part of the global economy.

The Malaysian Digital Economy is a significant part of the overall larger national economy. With the latest data sourced from the ICTSA Report 2010-2014 by Department of Statistics Malaysia (DOSM), the Digital Economy contributed 17% or RM188.3B to the national economy. What is notable is the size of the Digital Economy as measured by the ICT Satellite Account states that the industry sector from a value-added perspective is comparable to agriculture and construction combined.

In 2016, MDEC will further strengthen MSC Malaysia's industry development by deepening existing MSC Malaysia companies' global footprint, making Malaysia a regional hub for games as well as a global hub for cloud and content services in order to boost investments into MSC Malaysia. Further emphasis will be given to spur growth in Big Data Analytics (BDA), eCommerce and Internet of Things (IoT). Growth in the information and technology (ICT) sector has exploded over the past decades. Massive technology-led disruption across all industries globally, driven by the rapid technological convergence, has been moving everyone and everything towards a state of erosion in boundaries.

MDEC was entrusted to oversee the development of the MSC Malaysia initiative, the platform to nurture the growth of local tech companies whilst attracting foreign direct investments (FDIs) and domestic direct investments (DDIs) from global multinational companies. Moving into the next era, collective and synchronised efforts are required for the nation to remain competitive. Forward-looking policies will provide early mover advantage of new technologies and industries. This is all towards the transformation of Malaysia into a digital nation that is fully developed with a sustainable digital economy built upon a vibrant domestic ICT industry, transformative use of digital solutions for government, businesses and citizen as well as a robust enabling ecosystem.

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[www.mdec.my](http://www.mdec.my)



**Malaysia Digital Economy Corporation Sdn. Bhd.** (389346-D)  
*(Formerly known as Multimedia Development Corporation)*

2360 Persiaran APEC  
63000 Cyberjaya  
Selangor Darul Ehsan, Malaysia

Tel: + 603 8315 3000  
Toll Free No.: 1-800-88-8338  
Fax: + 603 8315 3115

 [cltc@mdec.com.my](mailto:cltc@mdec.com.my)  
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