

STRENGTHENING INDUSTRY CLUSTER THROUGH INNOVATIVE COLLABORATIONS AND COOPERATION AMONG M&E

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The manufacturing sector registered the highest productivity performance at 6.8 per cent in 2021, a massive increase from a negative 2.6 per cent in 2020. Its productivity growth superseded the pre-pandemic productivity growth in 2017 at 1.7 per cent. The sector's productivity is expected to be in the upward growth momentum given the rising global demand for manufactured products.

The immense productivity increase in the Machinery and Equipment (M&E) in 2021 contributes to the manufacturing sector's productivity rebound. From 2018 to 2020, Malaysia's M&E industry was on a downward trend in its value-added and productivity growth. The subsector recorded 1.5 per cent growth in value-added in 2021, plummeting from 4.4 per cent in 2018. This is reflected in its productivity growth which declined from 3.9 per cent in 2018 to negative 2.6 per cent in 2020. The weakening performance was prevalent in the M&E subsector even before the pandemic hit.

The year 2021 has changed the trajectory drastically, for the better. Malaysia's M&E industry increased to 10.5 per cent in value-added. The increase was consistent with its strong productivity boost to 9 per cent. Both surpassed the pre-pandemic performances since 2017. The demand for automation and digitalisation exports continue to increase post-pandemic, indicating the M&E opportunity for further growth as Malaysia's third-largest export product in the manufacturing sector. The focus is on a high value-added M&E.

The Malaysia External Trade Corporation (MATRADE) indicated positivity that Malaysia's M&E remains strong and is committed to delivering quality products and services. MATRADE further specified that the machinery industry has since shifted from general fabrication and machining works to higher-end machinery modules and components assembly.

The optimistic trajectory calls for Malaysia's M&E industry to strengthen its stance as a significant contributor to the manufacturing sector's growth.

The Machinery and Equipment Productivity Nexus (MEPN) overseen by Malaysia Productivity Corporation (MPC) commences the Industry Cluster initiative to increase further and sustain the subsector's productivity growth. Under the Malaysia Productivity Blueprint (MPB), the Industry Cluster initiative is expected to solidify the structure of the M&E industry in Malaysia by strengthening its supply value chain, which can be described as relatively fragmented. This is likely to contribute to the targets set in the Twelfth Malaysia Plan for the M&E industry to restore the country's

growth momentum and propel the growth of the strategic and high impact industries and small and medium enterprises. Under the New Industrial Master Plan (NIMP), establishing the M&E industry cluster is expected to strengthen the internationalisation of Malaysia's M&E industry for greater integration into the global economy and fortify the business ecosystem and institutional framework to increase the M&E industry's efficiency and resilience.

The Machinery and Equipment (M&E) industry in Malaysia is relatively strong. It assumes the strategic importance of the country's economic transformation in the primary, manufacturing, and services sectors. Malaysia's M&E industry is among the largest and most robust in the ASEAN region. Nevertheless, the supporting industries comprising the supply chain are fragmented. Malaysia's M&E builders are mainly export-oriented and not sustainable if they depend on only the domestic market. Outsourcing parts and components to the supporting industries is critical to remain globally competitive.

The establishment of the M&E industry cluster is expected to strengthen the M&E supply chain ecosystem. The cluster concept is the answer to a supply of competitively priced parts, components, and services to the M&E industry.

The M&E industry cluster can be effectively delivered through close collaboration and cooperation among the industry players. An industry cluster is formed by a group of M&E companies, where the cluster members will support each other. The group formed must have the synergy to materialise and develop the cluster and position it as an advantage to the cluster members in terms of business growth, potential investment, productivity and competitiveness. The M&E industry cluster aims to identify the problems faced by the member companies and formulate and implement interventions and solutions to manage the challenges.

Successful establishment of the M&E industry cluster is expected to contribute to the expansion and growth of Malaysia's M&E subsector, as stipulated in the NIMP and 12th Malaysia Plan. The M&E industry cluster may give the industry a new breath to compete in higher value chain segments and expand international exports. The M&E industry cluster is expected to build a solid synergy to strengthen the supply chain within the industry, which is projected to elevate Malaysia to the international market. A thriving M&E industry cluster will attract more investors and businesses.

A robust M&E industry contributes to the overall growth of the manufacturing sector, as evident in 2021. The task at hand is to bolster and sustain the M&E productivity and performance for the sector's sustainability and resilience.