

Setting Up Manufacturing Operations in the State of Kedah

1. Introduction

The economy of Malaysia continues to grow, thanks to its robust domestic demand, improvements in labour market and income conditions and thriving tourism industry. The state of Kedah is well-positioned benefit from this growth in a number of ways as a result of its geographical position, substantial land size, strong industrial base and skilled workforce. These competitive advantages include proximity to major ports and airports, a well-developed transport network and low operating costs.

2. Information on Kedah

The state of Kedah is located in the eastern region of Peninsular Malaysia. The state has an area of 9,492 km² and has a population of over 2.2 million people as of 2021.¹ Kedah has a long history dating back over a thousand years and was once the capital of a massive empire that flourished in the 12th century AD. Kedah is bordered by Perlis to the north, Straits of Malacca to the west, Perak to the east and Penang to the south.² Through its border gateway town of Bukit Kayu Hitam, Kedah, which is strategically situated next to Thailand, has made a substantial contribution to Malaysia's international import and export trade of commodities.³ As the one of top contributors to the country's rice production up to almost 70%, Kedah is popularly known as the "Rice Bowl of Malaysia" and "Negeri Jelapang Padi".⁴ This is driven by the vast paddy fields in Kedah which covers nearly 82,968 hectares of its land.⁵ Economy activities have been expanding triumphantly in Kedah over the past few years, despite continued headwinds from the global economic slowdown. Kedah is one of the Malaysian states with a diversified economy. Its major sector is services, followed by manufacturing, which includes the production of aerospace, rubber products, biopolymers, and high value manufacturing; agriculture, mainly in the cultivation of paddy and organic paddy, and hemp; mining and quarrying; and tourism, which includes archaeotourism, geotourism, and ecotourism.⁶ According to the Department of Statistics Malaysia, Kedah is among five states in Malaysia that has recorded a better growth of GDP than the national GDP at 3.4% in 2021.⁷ 71 projects in Kedah with a combined investment of RM 9.7 billion were approved between January and June 2022. With a total value of RM 8.9 billion, more than half of these investments were made by foreign investors.⁸

3. Manufacturing Operations

Manufacturing is an important sector of the Malaysian economy, contributing nearly 24.3% to Gross Domestic Product (GDP) in 2021.⁹ The manufacturing industry in Kedah accounts for more than 40% of the state's GDP and provides job for around more than thousands of people. This sector contributed about RM 8.55 billion to the state's GDP in the first three months of 2022, making it one of the top contributors of economic growth in the country.¹⁰

This represents an annual growth rate at around 6% over the past five years. In January to September 2021, the investment performance in all economy sectors in Kedah accumulated to RM 57.1 billion with RM 55.49 billion consists of approved manufacturing projects.¹¹ There are number of factors that have contributed to this, including the state's favourable geographical location and natural resources such as its high-quality workforce, well-developed infrastructure and the encouragement from the government to develop the sector. The rise in manufacturing activities in Kedah is an indication of the state's commitment to developing the industry as well as fostering greater entrepreneurship and innovation within the local community.¹² There are also a number of foreign companies such as Intel Products (M) Sdn. Bhd., Infineon Technologies (Kulim) Sdn. Bhd., Panasonic Solar Energy Malaysia Sdn. Bhd. and Fuji Electric (Malaysia) Sdn. Bhd. that have expanded their operations in the state in recent years due to the conducive business environment available here.¹³

4. Setting up manufacturing operations in Kedah

Kedah has been undergoing economic transformation from agriculture based to manufacturing. In order to attract more investors, the government has proactively provided numbers of support to expand this particular manufacturing industry. Perbadanan Kemajuan Negeri Kedah (PKNK) or Kedah State Development Corporation is among the government bodies responsible for promoting industrial development in Kedah.¹⁴ In addition to PKNK, Kedah investment agencies, namely the Invest Kedah Berhad (IKB), Northern Gateway Sdn Bhd (NGxSB), Northern Corridor Implementation Authority (NCIA), Kedah State Development Corporation (KSDC), KXP Airportcity Holding (KXP) and Kedah State Economic Planning Division (BPEN) have been very committed in assisting the boost of investment in Kedah.¹⁵

The creation of Kulim Hi-Tech Park (KHTP), one of the top established technological parks in the world, is one of several measures to promote the manufacturing industry. The development of Pulau Bunting and Kedah Aeropolis, which includes Sidam Logistics, Aerospace & Manufacturing Hub, Kulim International Airport, and the North Corridor Highway (NCH), is currently taking place as part of KHTP's expansion.¹⁶ Not only that, according to the Northern Corridor Economic Region Strategic Development Plan for the year 2021 until 2025 that has been established to accelerate the state's economic advancement, a total of 12 Key Development Zones has and will be developed.

The zones made up of the Perlis-Kedah-Thailand Strategic Border Zone, Perlis-Satun-Langkawi Biodiversity Zone, Kedah Rubber City, Kota Setar-Pendang National Food Security Zone, Alor Setar Heritage City, Pedu-Ulu Muda Biodiversity Zone, Kedah Maritime Zone, Gunung Jerai-Lembah Bujang Eco-Archaeo Tourism Zone and Yan, Kulim-Sungai Petani-Gurun Growth Corridor, Baling-Pengkalan Hulu-Betong Border Zone, Transkrian Development Zone, and Kota Kuala Muda Biodiversity Zone.¹⁷

5. Conclusion

Are you looking for an ideal location to set up your manufacturing operations? Look no further! Kedah is the perfect place for you. With its strategic location and easy access to major transportation networks, Kedah is the ideal choice for businesses looking to reduce costs while still having access to all necessary resources. Additionally, the state offers competitive tax benefits and a wide range of incentives that can help your business succeed. Don't miss this opportunity - come set up your manufacturing operations in Kedah today.

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