



## Malaysia ranks among the top in Cost of Doing Business Index, says recent KPMG study

**PETALING JAYA, 3 November 2020** — According to a recent study by KPMG, Malaysia ranked fourth among seventeen economies in an assessment comparing the economy’s competitiveness as a manufacturing hub. This puts Malaysia ahead of countries in the Asian region such as China, Japan, Vietnam and India.

The joint study by KPMG and The Manufacturing Institute in the U.S. entitled [Cost of manufacturing operations around the globe](#), provides a current assessment of how the manufacturing sector in the U.S. compares in competitiveness to its main trading partners. This study evaluates a total of 23 cost factors that impact the cost of operations (“Cost of Doing Business” or “CoDB”) of a business conducting manufacturing operations in the United States relative to sixteen other countries that are leading manufacturing exporters to the US.\*

These factors include costs that directly impact a firm’s bottom line (Primary Costs) and factors that impact overhead costs and the ability to operate efficiently, typically related to the business environment or ease of doing business (Secondary Costs). The overall CoDB Index scores are determined at equal weightage of the Primary and Secondary Costs.

### Overall country ranking (Top 6) at 50%–50% weightage

Overall rank	Country	Overall CoDB Index score	Primary Cost Index score (Rank)	Secondary Cost Index score (Rank)
1	Canada	2.54	2.80 (6)	2.27 (4)
2	Taiwan	2.63	2.80 (6)	2.47 (7)
3	South Korea	2.65	3.00 (9)	2.29 (6)
<b>4</b>	<b>Malaysia</b>	<b>2.67</b>	<b>2.40 (1)</b>	<b>2.93 (11)</b>
5	United States	2.69	3.40 (14)	1.97 (1)
5	United Kingdom	2.69	3.20 (13)	2.19 (3)

Note: Rating from 1 to 5, where 1 = best performing in the category; 5 = worst performing in the category.  
Source: Cost of Manufacturing Operations Around the Globe, KPMG LLP, 2020

The study indicates that Malaysia’s ranking on the CoDB Index results from high scores on the Primary Cost Index where Malaysia emerged at the top of the chart, tied with China, Mexico, and Vietnam. The country had outperformed on three factors: **hourly compensation costs, real estate costs and corporate tax rates.**

In analyzing the results further, by changing the weight of the Primary Costs and Secondary Costs from equal (50%–50%) to 70%–30%, Malaysia would be ranked the number one most cost effective location in the CoDB Index.

Overall country ranking (Top 6) at 70%–30% weightage

Country	CoDB Index ranking	Primary Cost Index ranking	Secondary Cost Index ranking
Malaysia	1	1	11
Canada	2	6	4
China	3	1	13
Taiwan	4	6	7
South Korea	5	9	6
Ireland	6	9	9

“Malaysia continues to be a prime manufacturing hub for investors despite uncertainties in the current landscape. This is especially significant in our new reality, where operational stability and cost containment are central in every company’s long-term business survival. The results in this study only substantiate what Malaysian businesses already know and are proud of,” commented **Datuk Johan Idris, Managing Partner of KPMG in Malaysia** at a virtual media briefing held today.

Datuk Johan added, “An immediate effect out of the COVID-19 pandemic has seen companies around the world relooking at their supply chains. A study by McKinsey estimates that 16 to 26% of global exports, worth USD2.9 to 4.6 trillion, could move to new countries over the next five years if companies reshuffle their supplier networks.<sup>1</sup> KPMG’s study proves that we have the factors in place to aid Malaysia in moving up the production value chain. It is by acting with agility and building on our resilience that we are able to maintain our competitive advantage and remain a preferred destination for high quality investments.”

The promising results of the study supports the Government’s focus on reviving Malaysia’s investment climate.

The Malaysian Investment Development Authority (MIDA) recently stated that Malaysia recorded a total of RM64.8 billion worth of investments in the manufacturing, services and primary sectors for the first six months of 2020 despite multiple headwinds on the global front. The manufacturing sector attracted the largest portion of approved investments for the first half of 2020, contributing more than half (55.1%) or RM35.7 billion.<sup>2</sup>

The media briefing to announce the findings of the study was held virtually. Also present to provide insights at the briefing was **Muhammad Azmi Zulkifli, CEO of InvestKL**.

He said, “Malaysia offers a thriving ecosystem for companies looking to locate their operations. The government is pro-business, our cost of doing business is competitive and we thrive in our ease of doing business ranking. Office rental rates in the capital city for example is the most affordable in APAC according to Knight Frank’s first quarter Asia-Pacific Prime Office Rental Index 2019.

“Furthermore, we are boosted by our access to markets, world-class connectivity, infrastructure and highly skilled talent. Greater Kuala Lumpur pivots towards ‘Industries of the Future’ and there is a strong focus on advance manufacturing and services which aims to push the industry up the value

<sup>1</sup> [Risk, resilience, and rebalancing in global value chains](#), McKinsey Global Institute, 6 August 2020

<sup>2</sup> [Malaysia’s Economy is Regaining Its Momentum With Total Approved Investments of RM64.8 Billion in January - June 2020](#), MIDA, 24 September 2020



# Press Release

chain towards high-impact, high-tech and sustainable activities. Transformation at these challenging times is vital and I urge companies to seize opportunities through diversification, technological upgrading, creativity and innovation right here in Greater KL. We seek to attract and facilitate more investments such as these to support the government's vision of Industry 4.0 and to stimulate the economy further.”

For more information about the CoDB Index, please visit [www.kpmg.com.my/CoDBindex](http://www.kpmg.com.my/CoDBindex)

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**\* Note to editors**

The study covers the U.S. and its top 15 trading partners based on the customs value of manufacturing exports to the U.S in 2016, with the addition of Brazil as representation from South America. These 17 economies altogether account for about four-fifths of global value added in manufacturing.

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**About KPMG PLT**

KPMG is a global network of professional services firms providing Audit, Tax and Advisory services. We operate in 147 countries and territories and have more than 219,000 people working in member firms around the world. The history of KPMG in Malaysia can be traced back to 1928. KPMG PLT, a limited liability partnership established under Malaysian law, is a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity. The independent member firms of the KPMG network are affiliated with KPMG International. Each KPMG firm is a legally distinct and separate entity and describes itself as such.