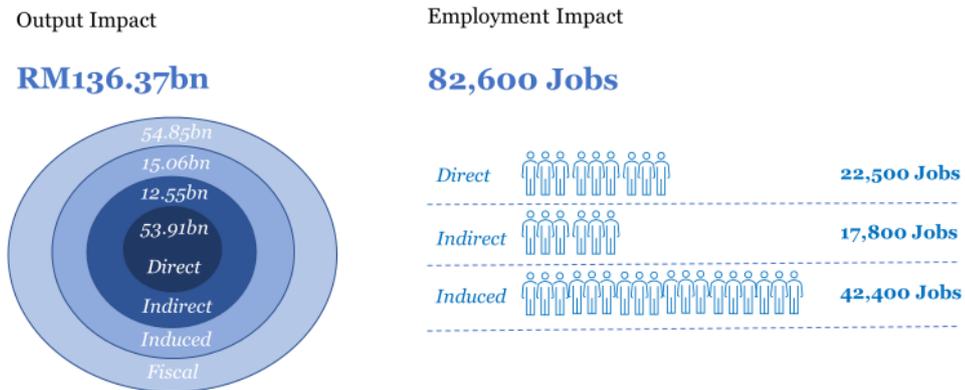


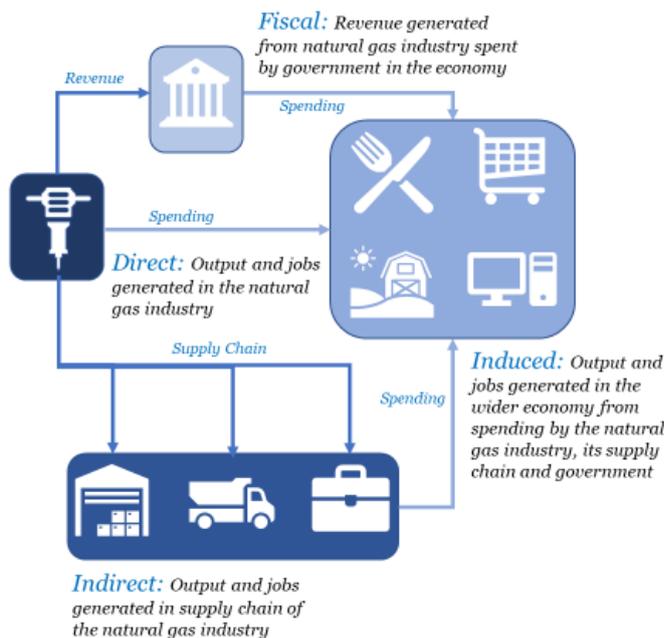
# Impact of Natural Gas Industry to the Malaysian Economy

The natural gas industry supports tens of thousands of jobs and billions in economic output across the Malaysia economy.

As one of Malaysia's main commodities, the natural gas industry has a significant impact on the economy through various channels. The industry makes a significant direct economic



As a highly advanced industrial sector, the natural gas industry is characterised by relatively high paying and high productivity jobs. To understand the economic contribution, a study by the Institute for Democracy and Economic Affairs (IDEAS) distinguishes between three categories of economic impact: direct (the jobs and output generated in the natural gas industry itself), indirect (the jobs and output generated in supply chain) and induced (the jobs and output generated from spending in the wider economy from the industry and its supply chain.) When measuring output, the study also included the “fiscal” impact of government spending from royalty and Petroleum Income Tax revenue in the economy. In aggregate, the study estimates the natural gas industry supports over 82,000 jobs and generates over RM136 billion in output.



For every **10 ringgit** of output generated in the natural gas industry, **15 ringgit** of output is generated in the wider economy



For every **10 jobs** created in the natural gas industry, over **25 jobs** are created in the wider economy

Extracts from a Study on the Social Economic Impact of Natural Gas Industry in Malaysia carried out by The Institute for Democracy and Economic Affairs (IDEAS), Malaysia.

# Impact of Natural Gas Industry to the Malaysian Economy

## The natural gas industry supports the fiscal sustainability of public spending.

Aside from the economic footprint, the natural gas industry also provides a major fiscal contribution to the government in Malaysia. As the country's foremost natural resource, the natural gas industry is subject to a unique form of taxation and royalty. The income derived from the government take has been vital in sustaining Malaysian public finances -with petroleum-based income (including both oil and natural gas) contributing on average nearly 30% to government revenue between 2009 and 2019. Natural gas will continue to play a crucial role in maintaining fiscal sustainability over the next decade: it is estimated that natural gas will contribute nearly RM400 billion in royalties and tax between 2020 and 2030.

Fiscal Impact

**RM400bn**  
fiscal contribution projected  
2020-2030

## Natural gas exports have consistently supported Malaysia's external trade balance.

Trade Impact

**RM375bn**

Total net export value between  
2010-2017

**51.15%**

Average contribution to positive  
trade balance between 2010-2017

The majority of natural gas produced in Malaysia is exported for international consumption in the form of Liquefied Natural Gas (LNG). As a result, natural gas has historically made a positive contribution to Malaysia's trade balance. Although there was a sharp decline of the LNG export value in 2014 - 2016 due to the oil glut, the amount recovered to above RM40 billion by late-2017. The total net export value contributed by LNG between 2010 and 2017 is equivalent to RM375.23 billion. Given that the import value for LNG is small, the LNG contribution to Malaysia's overall balance of trade is relatively high. The highest LNG contribution to the balance of trade (the difference between total export and total import of given year) was 80.44% in 2013 whereas the lowest was 35.06% in 2016. On average, LNG contribution to the balance of trade between 2010 to 2017 is approximately 51.15%.

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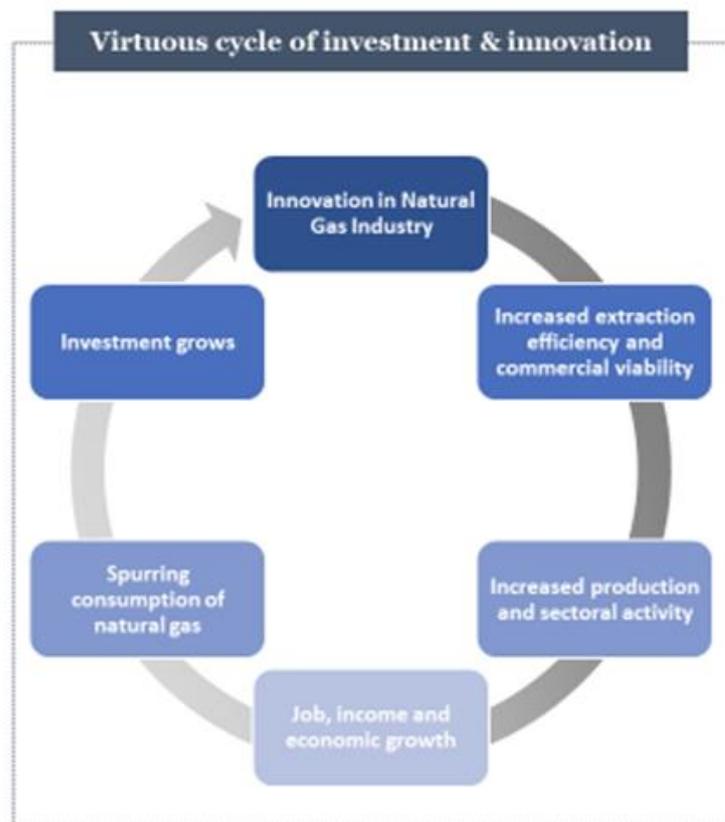
# Impact of Natural Gas Industry to the Malaysian Economy

## Malaysia's natural gas industry has nurtured a number of companies from local players to global suppliers

In 1974, Malaysian policymakers decided to assert more control over the country's national resources through the creation of PETRONAS. Through the control of the list of suppliers and the work programs of oil operators, PETRONAS created incentives for Malaysian-based companies to acquire the capabilities necessary to thrive in a technically complex industry. As a result, Malaysia has developed strong local players, such as Sapura Energy, Dialog Berhad, Bumi Armada, among others. All of these players now have a global footprint and compete head-to-head with US and European companies.

## Malaysia's natural gas industry supports an innovation ecosystem that leads to positive spill-overs.

Finally, the natural gas industry provides an ecosystem for innovation which can provide the basis for greater economic contribution in the future – as demonstrated by the US shale revolution of recent years.



Reference: [www.ideas.org.my](http://www.ideas.org.my)

Extracts from a Study on the Social Economic Impact of Natural Gas Industry in Malaysia carried out by The Institute for Democracy and Economic Affairs (IDEAS), Malaysia.