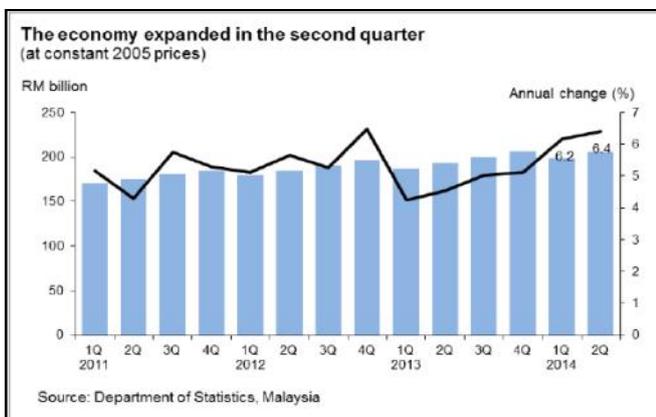




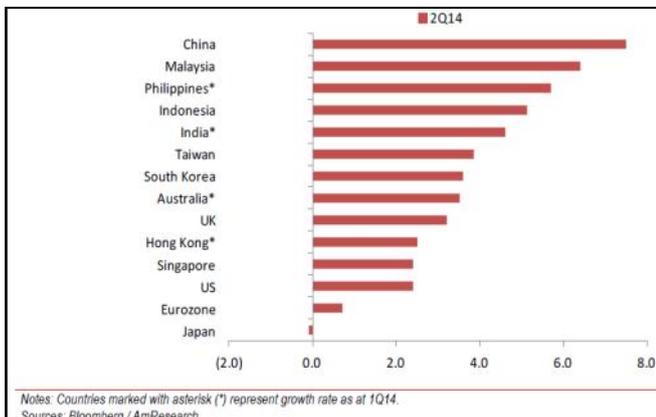
## Malaysia's 2Q GDP: Robust growth sustains

### Highlights

- The Malaysian economy registered a stronger growth of 6.4% yoy in 2Q 2014 (1Q 2014: 6.4%), outperforming its regional counterparts such as Singapore and Indonesia.



### Malaysia GDP growth vs its peers



- Domestic demand grew at a slower pace of 5.7% in the 2Q 2014 (1Q 2014: 7.4%), due to the contraction in public spending.
- Private consumption increased at a moderate rate of 6.5% (1Q2014: 7.1%) supported by stable employment conditions and continued wage growth.



### GDP by Expenditure Components (at constant 2005 prices)

	2013		2014		
	2Q	1H	1Q	2Q	
	Annual change (%)				
Aggregate Domestic Demand (excluding stocks)	7.2	7.3	7.4	5.7	6.5
Consumption	7.8	6.6	7.8	5.0	6.4
Private sector	6.8	6.6	7.1	6.5	6.8
Public sector	11.9	6.4	11.2	-1.3	4.4
Gross Fixed Capital Formation	5.8	9.1	6.3	7.2	6.8
Private sector	11.1	10.6	14.1	12.1	13.0
Public sector	-3.8	6.6	-6.4	-3.3	-4.9
Net Exports	-37.1	-23.7	14.9	91.0	42.9
Exports of Goods and Services	-4.4	-3.9	7.9	8.8	8.3
Imports of Goods and Services	-1.3	-1.8	7.1	3.9	5.5
<b>GDP</b>	<b>4.5</b>	<b>4.4</b>	<b>6.2</b>	<b>6.4</b>	<b>6.3</b>
<b>GDP (q-o-q growth, seasonally adjusted)</b>	<b>1.6</b>	<b>n.a.</b>	<b>0.8</b>	<b>1.8</b>	<b>n.a.</b>

Source: Department of Statistics, Malaysia

- In contrast, public consumption fell to 1.3% on the back of lower government spending on emoluments and supplies and services as a result of lower government spending on emoluments and supplies and services. (1Q 2014: 11.2%).
- Total investment had advanced to 7.2% yoy in 2Q 2014 from 6.3% in 1Q 2014, as public investment registered a slower rate of contraction.
- Trade surplus had slightly moderated to RM18.2 billion in the quarter under review, compared to RM18.8 billion in the 1Q 2014.

### GDP by Economic Activity (at constant 2005 prices)

	Share 2013 (%)	2013		2014	
		2Q	1H	1Q	2Q
	Annual change (%)				
Agriculture	7.1	0.3	3.2	2.3	7.1
Mining	8.1	4.4	1.3	-0.8	2.1
Manufacturing	24.5	3.8	2.1	6.8	7.3
Construction	3.8	10.0	12.0	18.9	9.9
Services	55.2	5.0	5.5	6.6	6.0
<b>Real GDP</b>	<b>100.0<sup>1</sup></b>	<b>4.5</b>	<b>4.4</b>	<b>6.2</b>	<b>6.4</b>
<b>Real GDP (q-o-q seasonally adjusted)</b>	<b>-</b>	<b>1.6</b>	<b>-</b>	<b>0.8</b>	<b>1.8</b>

<sup>1</sup> Numbers do not add up due to rounding and exclusion of import duties component

Source: Department of Statistics, Malaysia

**Malaysia's 2Q GDP:  
Robust growth sustains (cont.)**

- On the supply side, growth in the major economic sectors remained firm, backed by favorable trades and domestic activities.
- The manufacturing sector expanded at a faster rate of 7.3% (1Q 2014: 6.8%), underpinned by the electronics and electrical mainly semiconductors.
- The construction sector expanded at a more moderate rate, driven mainly by the residential and non-residential sub-sectors.
- The agriculture sector registered strong growth, reflecting higher production of palm oil while the mining sector turned around to record positive growth, mainly driven by the higher production of both natural gas and crude oil.
- Inflation averaged at around 3.3% in the said quarter as compared with 3.4% in the last quarter. The slight decrease in inflation was due to lower inflation in the food and non-alcoholic beverages and housing, water, electricity, gas and other fuels categories.
- OPR is expected to be raised by another 25 basis points from 3.25% to 3.50% during the next Monetary Policy Committee meeting on September 18, 2014, on the back of stronger economic growth in 2Q 2014.

**BizWatch**

The strong 2Q 2014 GDP of 6.4% yoy registered by Malaysia is commendable given the uneven global economic growth during the period under review.

The latest economic report released by the International Monetary Fund (IMF) in July 2014 showed that the global growth projections for 2014 has been trimmed down to 3.4% as compared to 3.7% previously.

This is after taking into account few external headwinds that are highly likely to affect the global growth.

# BizWatch

**BizWatch (cont.)**

Among the factors that are going to affect the global growth are as follows:

- Geopolitical risks as a result of tension in Iraq, Ukraine and Palestine and few parts of the globe.
- Eurozone countries facing the threat of deflation.
- Slowing down of China's GDP growth as a result of structural changes in the economy.

Nonetheless, Bizwatch is of the opinion that the Malaysian economy will continue to register positive growth for the remaining quarters ahead backed by the positive export numbers as developed economies recovers followed by strong domestic economic activities driven by the Economic Transformation Program.

Bank Negara had earlier forecasted that the Malaysian economy to grow between 4.5% and 5.5% in 2014.

BizWatch is of the view that the forecasted growth would be achievable given the strong growth registered in the first two quarters of the year. Consensus is expecting Malaysian economy to register a growth of 5.8% for 2014.

As for Iskandar Malaysia, the strong economic growth bodes well for the region as strong economic growth in Malaysia would likely be translated into more investment coming into the region.

This is reflected by the number of projects approved by state in the manufacturing sector of which Johor tops the list with total investment of RM14.92 billion (70% or RM10.44 billion coming from Iskandar Malaysia) for the period of January to May 2014, followed by Sarawak with RM7.8 billion of investment.

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## Vehicle Entry Permit and Toll Charges - Impact to Iskandar Malaysia



## Vehicle Entry Permit and Toll Charges - Impact to Iskandar Malaysia (cont.)

The Land Transport Authority (LTA) of Singapore announced that foreigners driving into Singapore will have to pay higher entry permits fees at the border starting August 1, 2014.

Drivers of foreign registered cars will have to pay S\$35 (about RM88.55) for a daily permit, up from S\$20. Those who are driving goods vehicle will have to fork out S\$40 for a monthly permit, up four times from the previous charge of S\$10.

In view of the above, the Malaysian government has decided to implement the Vehicles Entry Permit fee for all foreign vehicles entering Johor.

Yet before it happens, another announcement was made that the new causeway toll rates would see a hike of almost 470% for vehicles travelling between Malaysia and Singapore through the CIQ.

The table below shows the new toll charges effective August 1, 2014.

	Current Only one-way (Singapore to Johor)	New (From Aug 1)		
		Singapore to Johor	Johor to Singapore	Round trip
Private cars	RM2.90 (S\$1.14)	RM9.70	RM6.80	RM16.50
Small lorries	RM4.50	RM14.70	RM10.20	RM24.90
Heavy lorries	RM6.10	RM19.70	RM13.60	RM33.30
Taxis	RM1.40	RM4.80	RM3.40	RM8.20
Buses	RM2.30	RM7.80	RM5.50	RM13.30

\* Motorcycles are exempted.

Nonetheless, users of Eastern Dispersal Link (EDL) would not have to pay toll and the expressway would be toll-free for residents of Johor Bahru.

Hence, the new toll rates only affects vehicles travelling between Malaysia and Singapore through the CIQ.

It is reported that almost 18,000 or more than 80% of EDL users were Johor Bahru residents and there were not affected by the toll rate increase.

Back to the proposed Malaysia's VEP, the proposal to impose fee on foreign cars entering into Johor had been forwarded by Johor to the Federal Government at a proposed rate of RM50 or S\$20 per vehicles.

According to the state spokesperson, the proposal was not new as the previous state administration had suggested a similar suggestion due to the high volume of Singaporean cars using the country's road.

### BizWatch

The new VEP and toll rates imposed by the Singapore's government and the Malaysian government respectively is expected to reduce the number of vehicles crossing between Singapore and Malaysia.

However, BizWatch is of the opinion that decrease in number of vehicles is only temporary as both sides are in the midst of adjusting to the new rates imposed by Singapore and Malaysia.

Nonetheless, the latest occupancy rates of Johor as of August 2014 by Malaysian Association of Hotels, had shown that the occupancy rate for the month had decline by 15% to 62% as compared 71% for the same period last year.

This might be attributed by the above factor but Bizwatch tends to believe that the decline of the occupancy rates are due to the missing MH370 incident where passengers from China accounted most of the passengers

**Vehicle Entry Permit and Toll Charges  
- Impact to Iskandar Malaysia (cont.)**

**BizWatch (cont.)**

inside the flight which had resulted to a drop in China's tourist visiting into Malaysia.

According to the Tourism and Culture Ministry's secretary general, Dato. Dr. Ong Hong Peng, the number of tourists from China to Malaysia had dropped by 19% for the month of April 2014.

This may have resulted the number of visitors reduced especially from China, thus lowering the hotel occupancy rates in Malaysia in general and Iskandar Malaysia in particular.

China visitors to Iskandar Malaysia ranked third for the year 2013 with almost 1.16 million visitors after Indonesia visitors of 2.17 million.

**Top 3 foreign visitors arrival in Iskandar Malaysia**



Singapore



Indonesia



China

Source: Royal Malaysian Custom (2013)



**Quotes of success**

**Coming together is beginning;  
keeping together is progress;  
working together is progress.**

By: Henry Ford

**Editorial**

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