



Malaysia achieved RM63.5 billion in investments in the manufacturing sector (Jan– Sep 2014)

Investment in Manufacturing Sector (Malaysia)

From information released by MIDA, Malaysia attracted investments of RM63.5 billion in the manufacturing sector for the period Jan—Sept 2014 surpassing the total investments for the year 2013 by 21.9%. In 2013, Malaysia attracted total investments of RM52.1 billion.

On investments by State, Johor continued its leading position with total investments of RM20.13 billion, exceeding the investments in manufacturing sector of RM14.4 billion for the whole year in 2013. This also amounted to approximately 32% of the total investments in manufacturing in Malaysia from Jan—Sept 2014. Out of the RM20.13 billion, approximately RM13 billion are from domestic investments with investments in the Refinery and Petrochemical Integrated Development (RAPID) project featured strongly attracting investments from China, Taiwan and Japan, amongst others. In second position is Sarawak with total investments of RM10 billion.

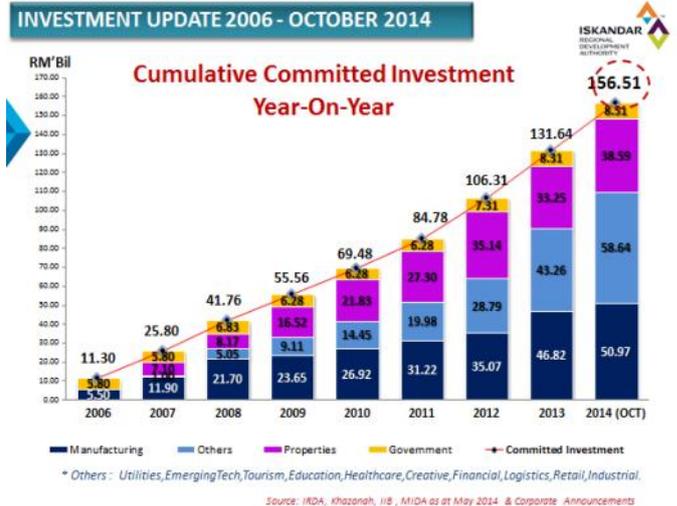
Services Sector (Malaysia)

From Jan—June 2014, Malaysia attracted investments of up to RM57 billion in the services sectors. This are primarily invested in the real estate, financial services, distributive trade, hotel & tourism and utilities. The contribution of real estate to the overall investment figures is similar to the contribution of real estate to the committed investments in Iskandar Malaysia.

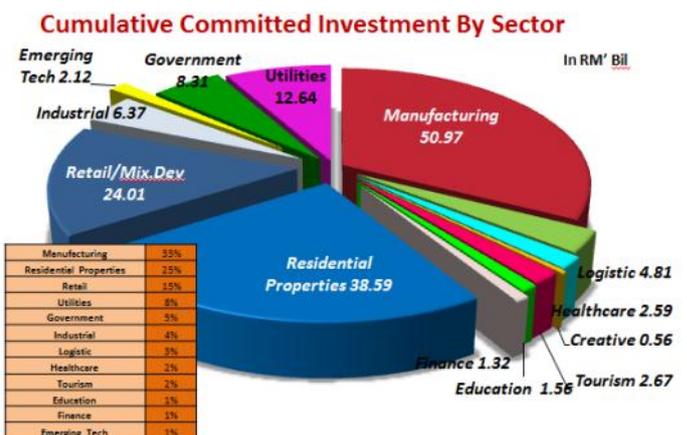
Taken together, the investments in both manufacturing and services sector exceeded RM120.5 billion for the period Jan-Sep 2014. In 2013, Malaysia attracted more than RM144.7 billion. We are confident that Malaysia will achieve higher in-



Investment Updates for Iskandar Malaysia (Oct 2014)



- From Jan—Oct 2014, Iskandar Malaysia attracted committed investments of RM24.87 billion, making a total cumulative committed investments of RM156.51 billion for the period 2006 to Oct 2014.
- Of the total cumulative committed investments, approximately 50.6% or RM79 billion had been realised.
- Manufacturing remained the largest contributor of committed investments at 33% (RM50.97 billion) followed by residential properties at 25% (RM38.59 billion) and retail/mixed development at 15% (RM24.01 billion).
- Local investments dominated the investment landscape with 63% of total cumulative investments while the foreign investor took up the balance 37%.
- We have a target to achieve RM25 billion in investments by Dec 2014 and we are on track to exceed this target.



BizWatch

The strong performance in the overall manufacturing sector with Johor leading as the top state in attracting investments of RM20.13 billion (Jan-Sept 2014) will be translated into economic growth when the projects are implemented in 2015 onwards.

While 80% or more of the investments of RM20.13 billion in Johor will be invested outside Iskandar Malaysia and substantially in the oil and gas sector in Pengerang, we can expect economic linkages to companies in Iskandar Malaysia especially in Flagship E namely the Pasir Gudang and Tg Langsat areas. The current developed infrastructure (hard and soft) in Flagship E and its ecosystem makes it suitable to support the catalytic growth in Pengerang.

However, more investments mean the need to assist investors to resolve their issues and challenges especially in utilities, human talent and other adhoc issues becomes more important.

In Iskandar Malaysia, investors have three main agencies that they can turn to for help to resolve issues. These are MIDA and the Johor State Investment Centre (JSIC) (primarily for the manufacturing sector) and the Iskandar Regional Development Authority (IRDA) for the services sectors. Together with the State implementing agencies including the Municipal Councils, we have the capability and capacity to provide the 'first class' facilitation services to our investors.

This is critical especially when many of these projects will be implemented in 2015.

From IRDA's perspective, the strategy to strengthen the Iskandar Service Centre is timely to ensure that we continue to be relevant to support investors. At the same time, the roll-out of our Talent Development initiatives in cooperation with the relevant Government Ministries and Agencies will be crucial to address the lack of suitable talent fit for industry.

Visa on Arrival through Second Link effective 1 Nov 2014

The Government has approved the Visa on Arrival (VOA) facility for Indian and Chinese tourists at the Sultan Abu Bakar Customs, Immigration and Quarantine (CIQ) Complex at the Second Link in Tuas. The VOA facility is effective from 1 November 2014. This is the first VOA facility approved for land entry.

Previously, the VOA facility is only applicable for tourists from India and China arriving at selected port of entry, namely the airports in Penang, Senai, Sabah and Sarawak as well as KLIA and KLIA2.

Some criteria are as follows:

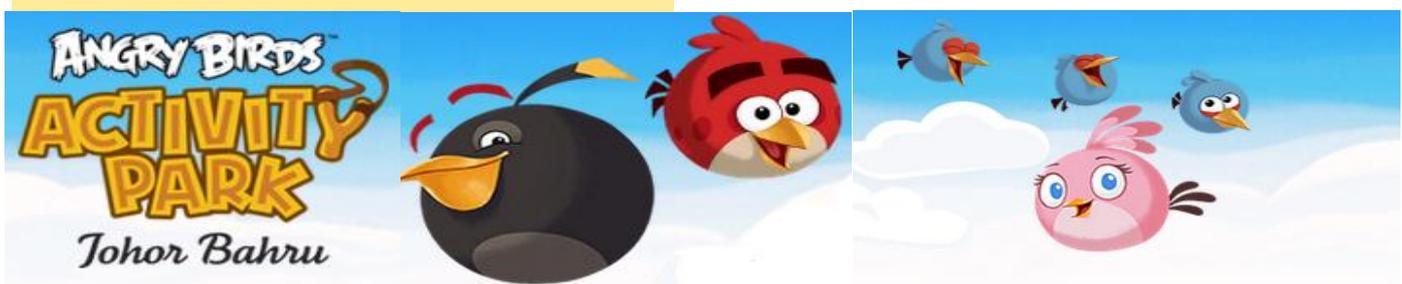
1. Only for visitors from China and India
2. Arriving from a third country and with approved visa from the third country. Example of third country: Thailand, Singapore
3. Must have return air ticket and funds of USD1,000.
4. VOA fee is USD100 and is valid for stay of 7 days.

The introduction of the VOA facility at Second Link is very positive for Iskandar Malaysia as the existing policy of VOA facility at selected airports is not so relevant for visitors who are already in Singapore and who would want to check out the new business opportunities as well as to visit the many tourist attractions in Iskandar Malaysia. We can expect more visitors to the Johor Premium Outlets as well as to the newly opened Johor Bahru City Centre (JBCC) and the Angry Birds Activity Park.

The Angry Birds Activity Park at JBCC which opened end October 2014 is the first in Southeast Asia. The family themepark offering interactive, entertainment and educational activities based on the popular Angry Birds game is set to complement the existing themeparks in Iskandar Malaysia such as LEGOLAND and the Puteri Indoor Family Theme Park.

Set on the third floor of the newly opened KOMTAR JBCC, a new upmarket shopping centre, the 26,000 sf park is a joint venture between Johor Corporation with the game's founder Finland-based Rovio Entertainment Ltd.

Since its opening, the Angry Birds Activity Park has garnered positive reviews from visitors.



The Year to Be....2015

(Adapted from the RHB Economic Outlook 8 Dec 2014)

BizWatch

Economic Growth

Growth of the Malaysian economy has slowed down from a high of 6.5% in 2Q to +5.6% in 3Q. It is likely to continue to moderate into 4Q and into the early months of 2015. Already domestic demand is feeling the impact of tightening policies in the past two years and this will further be compounded with the implementation of the Goods and Services Tax (GST) starting 1 April 2015. The sharp fall in crude oil prices will likely to result in slower-than-expected increase in private investment and government spending.

IM BizWatch expects the Malaysia GDP to grow by at least 5.0% in 2015. For 2014, the real GDP will probably grow at minimum 5.8% (assuming a very conservative 5% growth in 4Q) given the strong growth in the first half of 2014. The Government is forecasting a GDP growth of 5.5% - 6.0% for 2014 and a 5.0% - 6.0% growth for 2015.

On the external front, the recent sharp decline in oil prices should help boost the economy in the US and other major oil importing countries. Already, the US economy has shown consistent growth including four years of continuing jobs creation which will sustain consumer spending and continue the economic recovery. However, weaknesses in the Eurozone, Chinese and Japanese economies remain a concern and could still pose a downside risk to Malaysia's export growth.

We can expect Malaysia's export to improve only modestly in 2015.

Lower oil prices and the implementation of GST will likely constrain the growth of domestic demand, leading to a more moderate increase in consumer spending and private investment. Earlier policies to control rising household debt, cool down property speculation and the ongoing Government's fiscal consolidation drive will also limit the upside to economic growth. Petronas' recent announcement to cutback its capital expenditure by 15%-20% in 2015 will dampen private investments especially in the oil and gas sector in 2015. However, **we can still expect strong investment interest in the oil and gas sector in Pengerang, spurred by the investments already announced in 2014.**

Falling crude oil prices will likely to impact the Government's fiscal position, as oil revenue still accounts for about 1/3 of the total revenue in 2014. Should Petronas decides to pay less dividends (due to its lower profits), the Government will have to resort to using contingency funds and cutting part of its development expenditure. This may give rise to the Government missing its fiscal deficit target of 3.0% GDP in 2015. (2014: 3.5%). However, despite possibly missing its fiscal deficit target, **we believe that rating agencies will unlikely to downgrade Malaysia's credit rating** as the budget deficit is still on an improving trend and reforms are being taken to improve it.

Inflation

Inflation is likely to spike up in 2015 when the 6.0% GST is implemented on 1 April 2015. The 6.0% GST may add about 0.9 % point to the headline inflation for the 9 month impact for 2015. However, with the lower oil prices and Government implementing a managed float fuel price scheme w.e.f 1 Dec 2014, the drop in retail pump prices will likely lower price pressure and mitigate price pressure arising from the implementation of GST.

As such, we can expect a higher inflation in 2015, possibly to 3.8% as compared to the estimate of 3.1% in 2014.

What can we expect for Iskandar Malaysia?

- ✓ **Better GDP growth above 5.0%** due to implementation of committed investments especially in the real estate and manufacturing sectors. The expected slower growth in construction should not impact Iskandar Malaysia as mega residential projects such as Country Garden, R&F Puteri and Forest City will drive growth in the construction sector.
- ✓ **Good growth in exports** with weaker ringgit. We can expect better performance of our ports. Port of Tg Pelepas has achieved 8.0 million TEUs in early Dec and is targeting 9.0 million TEUs in 2015. (2013: 7.4 million TEUs)
- ✓ **More tourist arrivals.** A weak ringgit can also invigorate the tourism industry with more Singaporeans coming over to Iskandar Malaysia for their shopping needs and enjoy the tourist attractions. Senai Airport recently recorded 2.05 million passengers (Jan—Nov 2014).
- ✓ **Slower growth in committed investments** in the manufacturing sector following the high investments in 2013 and 2014. The focus will be in implementation of the committed projects.
- ✓ **Inflation will be higher** driving up the cost of living and cost of doing business.



The Year that Was...2014

As we close the year 2014, it is poignant to reflect on the challenges and headwinds which hit the world and Malaysia in particular.

While the world grappled with the Ebola crisis, rise of Islamic State (IS) in Iraq and Syria, shooting in Sydney, amongst others, Malaysia faced the loss of two airplanes (MH17 and MH370) and not counting the disappearance of Indonesia Airasia plane, flight QZ8501 from Surabaya to Singapore over the Indonesian waters on 28 December.

Despite these challenges, Malaysia's economy grew and is set to be the highest growth country in ASEAN. The 2014 GDP growth is expected to be above 5.5% ahead of Indonesia (expected 5.2%), Thailand (expected 1.0%) and Singapore (expected 2.5—3.5%).

In Iskandar Malaysia, our committed investments remained strong, and will exceed our target of RM25 billion by close of 2014. Realised investments have gradually increased from 43% at the end of Dec 2013 to 51% in Oct 2014. The realised investment will contribute to the GDP growth for Iskandar Malaysia in 2014 and 2015.

The investment interest in residential and mix development have peaked in 2014. 2015 will be a year for consolidation and construction of the projects by Country Garden, Forest City, Puteri Cove, Vantage Bay as well as development projects in Medini Iskandar will contribute to the GDP growth for Iskandar Malaysia in 2015.

The challenge of getting enough quality talent remains and will escalate in 2015. Building a good eco-system and social infrastructure to support these development to ensure that all levels of the *rakyat* of Iskandar Malaysia will take opportunity of economic growth will be a key task for 2015 and beyond.

We will embrace the challenges of 2015 as an opportunity to do things better.

Here is to wishing all our readers a Happy and Prosperous 2015!



Expectations for 2015 (Malaysia)

- ✓ **GDP \geq +5.0%**
- ✓ **Exports to improve modestly (growth in US offsetted by continued geopolitical tension and uneven growth in Eurozone, slower growth in Asia)**
- ✓ **Domestic consumption moderate with implementation of GST, increased electricity tariffs and policies to control rising household debts.**
- ✓ **Budget deficit will continue to improve but may miss the target because of falling oil prices**
- ✓ **Inflation expected to increase above the expected 3.1% for 2014.**

And for Iskandar Malaysia

- ✓ **GDP \geq +5.0% (above national GDP growth)**
- ✓ **Good growth in exports due to weaker ringgit and this will be translated into higher throughput for the ports in Iskandar Malaysia**
- ✓ **More tourist arrivals**
- ✓ **Inflation expected to increase above the expected inflation for Malaysia**
- ✓ **Slower growth in committed investment in the manufacturing sector following the 'high' of 2014.**



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