



Iskandar Malaysia Development: Hello 2015!!, Goodbye 2014....



*“From the desk of the
Chief Executive”*



In 2015, we will be approaching the 9th year in Iskandar Malaysia's journey to becoming a Strong and Sustainable Metropolis of International Standing; and what a journey it has been so far!

As we look back at just 2014, our Iskandar Malaysia journey has been nothing less than exhilarating, challenging, exciting and even pleasantly surprising to a certain extent.

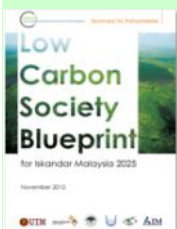
At the recent UN Climate Summit held in New York, Iskandar Malaysia achieved the recognition of being invited as one of the partnering cities or regions for the Global Energy Efficiency Accelerator Platform (GEEAP), a flagship programme for the Sustainable Energy for All (SE4ALL) initiative that is led by the United Nations Secretary-General and the President of the World Bank.

This significant distinction speaks volumes for our efforts and commitment towards driving the green agenda through the Low Carbon Society Blueprint and SmartCity Framework in Iskandar Malaysia.

We also celebrated the launch of the Iskandar Malaysia Comprehensive Development Plan II (CDPii) as announced by our Prime Minister and co-chairmen YAB Dato' Sri Mohd Najib Tun Abdul Razak.

The enhancement of the CDP is to ensure the progress of Iskandar Malaysia is aligned with more recent developments that took place after its launch in 2006 including the implementation of the Government Transformation Programme and Economic Transformation Programme towards achieving high-income and developed nation status under the New Economic Model.

The CDPii encompasses several aspects related to the environment, economy and social development strategies for Iskandar Malaysia. It is an inclusive plan that will benefit the communities in Iskandar Malaysia.



We foresee it be available by March 2015.

Let us also not forget several other key milestones we had achieved in 2014 such as the various social projects carried out which have touched the hearts and souls of thousands of *Rakyat* in Iskandar Malaysia and programmes which have been developed to accelerate the growth our SMEs and up-skilling them to meet the every rising demands of the industries.

On top of that, 2014 saw Iskandar Malaysia securing a total of RM26.5 billion in new investments, bringing the total cumulative committed investment secured to RM158.13 billion from 2006 until 31 December 2014.

Of the total cumulative committed investments, RM77.07 billion or 49% represents investments that have been realized.

All these would not have been possible if it was not for the people making it happen. And they are our stakeholders from the State Government, State Agencies and of course support from Federal Ministries and Agencies. And not forgetting the *Rakyat* of Iskandar Malaysia and Johor who embrace the opportunities and journey with us on this development road towards a better future.

2015 will be a challenging year with uneven global growth in Europe despite a recovering US economy. Global growth in 2015 is expected to be driven by Asian/ASEAN economies and there will be great expectations on the ASEAN Economic Community where Malaysia is the current chair for ASEAN. The weak ringgit and all time low oil prices had prompted the Government to readjust the nation's 2015 Budget with cuts in Operating Expenditure and prioritization of projects.

For 2015, we will continue with our austerity measures to manage our operating expenditure with continued focus on our initiatives and programmes on social inclusiveness and moving the green agenda. This will build towards a more holistic eco-system for investments. On the investment front, we will renew our focus to target investments from Asia especially from Japan and Korea.

I want to encourage you to persevere on with us. Let us continue to make a difference in the rakyat's life. Let us continue to break boundaries, set benchmarks and explore new horizons.

Thank you

Prof Datuk Ismail Ibrahim

Revisiting Budget 2015 Malaysia: What are the changes?



The Prime Minister, Datuk Seri Najib Tun Razak, had readjusted Budget 2015 Malaysia with specific and proactive measures to ensure sustainable development and resilience of the economy in the face of challenging economic landscape.

The initial Budget 2015, which was tabled last year with an expected expenditure of RM273.9 billion against an expected revenue of RM235.2 billion was based on a global oil prices of USD100—USD105 per barrel. However, oil prices is currently priced below USD50 per barrel.

The Ringgit has fallen almost 13% since August 2014 to RM3.5715 against the USD, and it is the worst hit currency in Asia due to the falling oil prices.

The country is currently **short of RM8.3 billion** to sustain the initial Budget 2015. Budget deficit would have risen to 3.9% of GDP compared with targeted of 3%, if the Government is doing nothing at all.

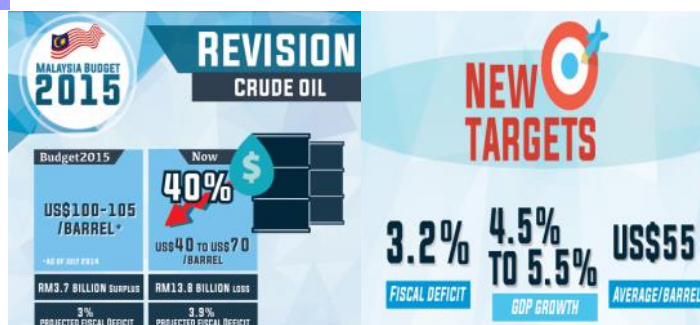
The revision of the Budget are based on the few key factors such as the global oil price of USD55 per barrel, achieving fiscal deficit of 3.2%, compared with 3.0% and ensuring that the current account is always on surplus.

Key highlights during the announcements:

- A reduction of RM5.5 billion allocation to Operating expenditure (from the original amount of RM223.4 billion).
- The 2015 National Service Training Program to be put on hold which will save RM400 million.

Besides cutting down the original Budget, the Government is focusing on increasing national revenue through the following:

- Promote import substitution services such as shipping, port, education and professional services to reduce dependence on foreign sources for procurement of goods and services
- Intensify tourism industry with waiver of visa fee for tourists, especially from China, in effort to boost the tourism industry.
- Boost domestic tourism through competitive pricing of domestic flights.
- Review of levy rates on foreign workers.
- More promotional activities on Malaysian made product and extended Mega Sales period nationwide.



The RM48.5 billion allocated for Development Expenditure will remain.

MRT projects, including LRT3 and the High Speed Rail between Singapore and Kuala Lumpur project will continue.

- Bank Negara to offer RM500 million Special Relief Facility to finance SME loans at lower rates (2.25%) and loan repayment period extended up to six months.
- SME-Go to be introduced by the SME Bank, an export initiatives for SMEs.
- Grants allocated to statutory bodies, GLCs and Trust Funds to be reviewed, saving RM3.2 billion.
- Industrial electricity tariff rates will not be increase in 2015.

A bulk of the revised Budget has been allocated to assist some of the 400,000 flood victims. The total infrastructure damage resulting from the flood is estimated at RM2.9 billion.

Help & support for flood victims

- ▶ **Additional allocation** of RM500 million as initial aid for repair work and welfare programmes flood victims. National Security Council funds + RM500 million = **RM787 million**
- ▶ **Provide RM800 million** to repair and rebuild basic infrastructure, such as schools, hospitals, roads & bridges
- ▶ **Provide RM893 million** for Budget 2015 for flood mitigation plan
- ▶ **Built village house** on stilts as high as 8 feet that were destroyed by the floods to those who have their own land
- ▶ **RM500 million** will be provided by financial institutions with a 70% loan guarantee under the Flood Relief Loan Guarantee Scheme (Managed by Prokhas)
- ▶ **SMEs** in affected areas will be exempted levy payment to the Human Resources Development Fund for 6 months. Effective February 1, 2015.

- ▶ **Deliver 1,000 units** of low cost houses that are ready in Gua Musang
- ▶ **For affected businesses**, the additional RM100 million is provided to TEKUN & RM100 million to the Trust endeavor Malaysia (AIM)
- ▶ **BSN, Agrobank, SME Bank, TEKUN & AIM** will extend the loan repayment period by up to 6 months
- ▶ **Special Relief Facility** totaling RM500 million will be set up by BNM through the Banking and Financial Development Institution:
 - SME loans with lower financing rate of 2.25%
 - Loan repayment period extended to up to 6 months
- ▶ **Bank Rakyat** will offer Personal Loan Scheme up to RM50 million with profit rates as low as 3.9% for flood victims. Loan repayment begins 6 months from the date of disbursement.

Revisiting Budget 2015 Malaysia: What are the changes? (cont.)



Encourage private investment

- ▶ **RM5 billion** for Services Sector Guarantee Scheme for SMEs in the Services Sector with maximum financing of RM5 million and Government guarantee of 70%
- ▶ **Encourage GLCs and GLICs** to invest within the country
- ▶ **Reduce the cost** of business operation by deferring the proposed increase in electricity tariffs and gas price for industrial sector
- ▶ **Allocate 30%** annual expenditure for Government agencies & GLCs for the procurement of supplies and services, for local manufacturer SMEs
- ▶ **Intensifying** the use of local materials, goods and services in government procurement



Budget rationalisation

- ▶ **Optimise spending** on supplies, services, events organisation, professional services to save **RM1.6 billion**
- ▶ **Postpone National Service Training Programme** for 2015 to save **RM400 million**, to review and improve on the programme
- ▶ **Review the grants** to Federal Statutory Bodies, GLCs and Government Trust Fund, especially those with consistent revenue stream and high reserves. Expected to save **RM3.2 billion**
- ▶ **Reschedule** the purchase of critical assets such as office equipment, software and vehicles. Expected to save **RM300 million**

BizWatch Comments

The revised Budget 2015 is expected not to have a big negative impact to the development of Iskandar Malaysia as the Government is basically trimming down the Operating Expenditure instead of the Development Expenditure.

The key challenge will be how much cut in the Operating Expenditure for 2015 as the current budget for IRDA had already been reduced.

Sectors in Iskandar Malaysia especially our promoted services sector such as Education, Healthcare, Tourism, Financial and Logistics and the Small and Medium Enterprises (SME) are likely to benefit from the revised / new measures announced.

SMEs will be benefitting the most from the revised Budget 2015 as more initiatives been announced i.e. SME Bank will introduce SME-Go, an export program for SMEs, SMEs, to be connected to new clients in new markets under an international linkage program using market linkers and industry specialists as well as setting up a Services Sector Guarantee Scheme amounting to RM5 billion for SMEs in the services sector, with maximum financing of RM5 million and 70% Government guarantee and etc. However, there will be concern on the readiness of our SMEs to take up these opportunities.

The promotion of import substitution services will be good for our key promoted services sector especially education (international students), healthcare (medical tourism), creative (in country production) amongst others. We would need to ensure we have strong facilitation services to reduce regulatory red tapes to assist the investors in their 'internationalisation' strategies.

On top of that, the Government also suggested intensifying the tourism industry as well as give waiver of visa fee for tourists from among others, China so that the number of tourists from these countries will grow thus benefiting the tourism receipts for Malaysia. We should leverage on the presence of strong brand Chinese developers such as Country Garden, Guangzhou R&F, Greenland to develop packaged tourism products when they embark on overseas marketing for their development.

Despite the weakening of Ringgit, the function of the capital market remains stable.

Effects of plunging oil prices are expected to be offset by an increase in demand for manufactured goods which account about 76% of Malaysian exports.

The Prime Minister stressed out that Malaysia is not in crisis as what was experienced in 1997 and 2009, where stimulus measures were needed.

He said that with the reduction of petrol and diesel prices of 35 sen and 30 sen respectively since 1 Jan 2015, the rakyat gross disposable income had stand out around RM7.5 billion.

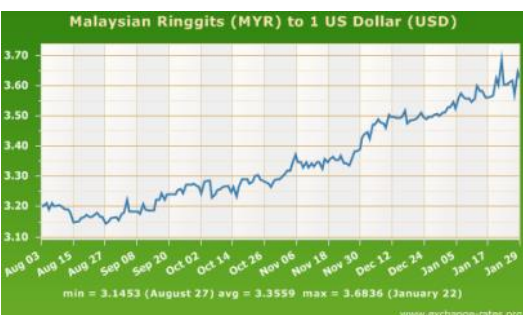
Global Crude Oil Price: 1 Year Performance



With crude oil prices continue to spiral downwards from USD58 to USD49 (January 2015), we can expect a further reduction in petrol and diesel

prices come February 2015.

Malaysia Ringgit vs US Dollar

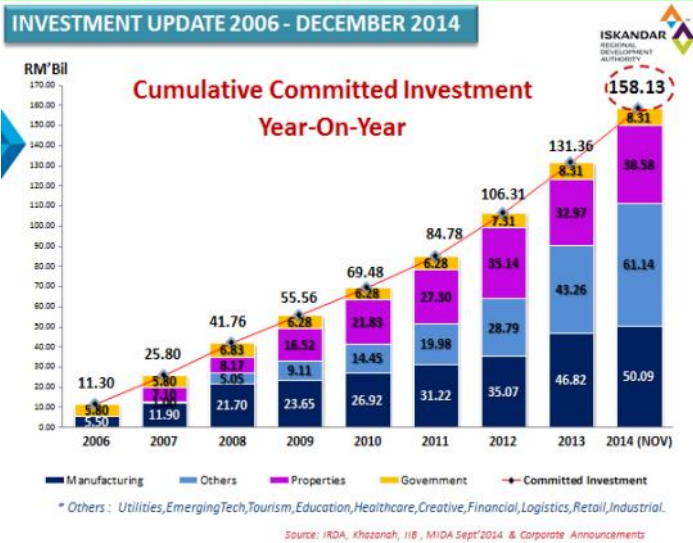


	RON 97 RM/ltr	RON 95 RM/ltr
19 Nov	2.55	2.30
1 Dec	2.46	2.26
1 Jan	2.11	1.91
1 Feb	2.00	1.70

Will consumers enjoy cheaper prices on goods and services??

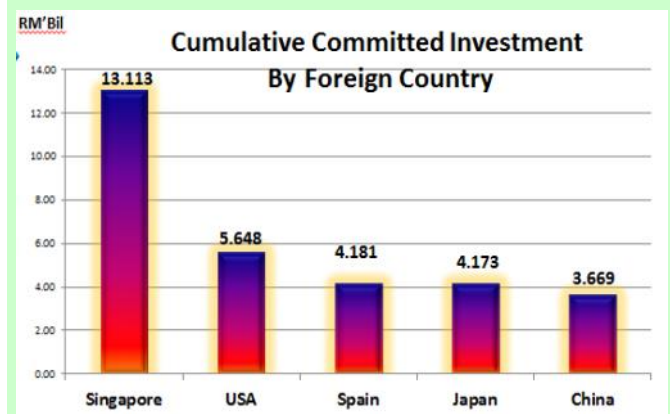
Committed and Realised Investments (2006—Dec 2014)

Investment Updates for Iskandar Malaysia (Dec 2014)



- From Jan—Dec 2014, Iskandar Malaysia attracted committed investments of RM26.5 billion, making a total cumulative committed investments of RM158.13 billion for the period 2006 to Dec 2014.
- Of the total committed investments, RM77.07 billion or 49% had been realised.
- Manufacturing remained the largest contributor of committed investments at 32% (RM50.09 billion) followed by residential properties at 25% (RM38.58 billion) and retail/mixed development at 15% (RM23.46 billion). The statistics for the manufacturing sector which is obtained from MIDA is for the period up to Sept 2014 being the latest released data from MIDA. Johor was the leading state for investments in the manufacturing sector (up to Sept) and is expected to continue its lead for investments for the whole of 2014. (source: MIDA press release during the seminar on Food industry Jan 27 2015)
- Local investments continued to dominate the investment landscape with 64% of the total cumulative investments while foreign investors took up the balance 36%.

Top 5 Foreign Investors (by Country) in Manufacturing, Services and Properties



Source: MIDA Report Sept 2014, IRDA Report Dec 2014

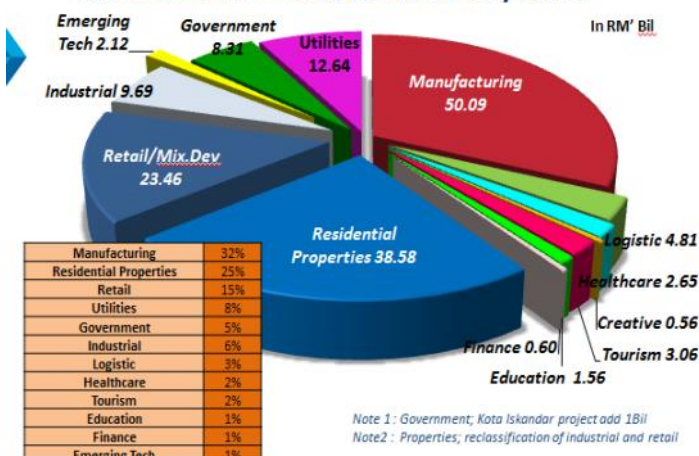
- Singapore remained the largest foreign investor in Iskandar Malaysia with strong presence in manufacturing, services (especially education and healthcare) and properties.
- In 2013 and 2014, investments from USA moved up to become top three and top 2 investor country.
- Similarly, China which has a small presence in Iskandar Malaysia before 2013 began to invest heavily since 2013 mainly in the property and manufacturing sector.
- Key Chinese developers already in Iskandar Malaysia are:
 - **Country Garden Holdings** (20 ha in Danga Bay, 2,023 ha in Forest City)
 - **Greenland Group** (5.6 ha in Danga Bay and 51.8 ha in Jalan Tebrau)
 - **Guangzhou R&F Properties** (46.9 ha in Tanjung Puteri)
 - **Hao Yuan Investment** (15 ha in Danga Bay)
 - **Zhuoda Real Estate Group** (11.3 ha in Medini, Nusajaya)

Target Investment Countries in 2015

With reduced operating budget, IRDA will focus primarily on ASEAN and Asia for new investments. Singapore will remain top country focus for ASEAN and investments will increase with the various initiatives under the Government to Government Joint Ministerial Committee. For Indonesia, we have the IRDA led Iskandar Malaysia-Indonesia Trans-regional Investment Promotion or 'IMITRA' to attract new investments from Indonesia as well as to further develop the demand market from Indonesia for our education and healthcare products.

For Asia, the focus countries will be Japan, Korea and China. Besides these countries, other target investment countries outside ASEAN and Asia will be Germany and USA.

Cumulative Committed Investment By Sector



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