



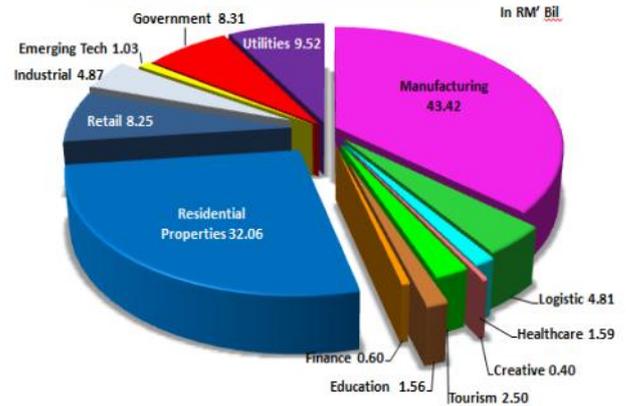
Iskandar Malaysia's Cumulative Committed Investment as at June 2013

On a sectoral basis, manufacturing sector is leading with a total cumulative committed investment of RM43.42 billion or 36.51%, followed by residential properties of RM32.06 billion or 26.96% and utilities sector of RM9.52 billion or 8%.

Investment highlights

The investment momentum in Iskandar Malaysia continued to gain momentum throughout the first six months of 2013 with total committed investments of RM12.62 billion contributing to a total cumulative investments of RM118.93 billion (2006 to June 2013). The manufacturing sector remains the lead sector.

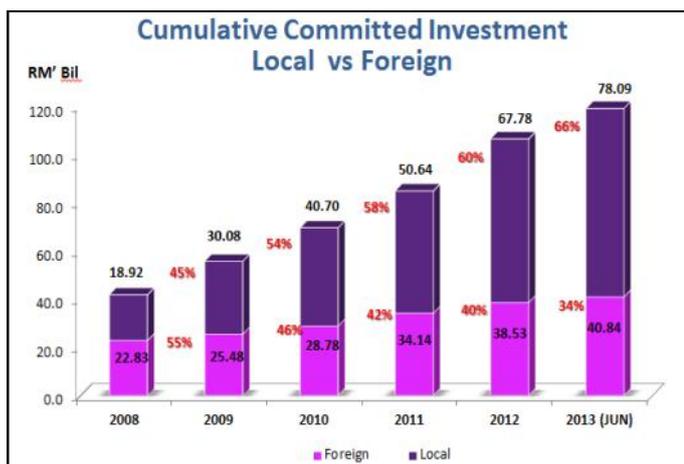
Cumulative Committed Investment By Sector



Note: There has been a reclassification of the property sector in 2013 where investments in industrial and commercial property had been reclassified into 'Other investments'. The reclassification was not made retrospective in the other years.

Local investors accounted for 66% or RM78.09 billion out of the RM118.93 billion with the foreign investors contributing the remaining 34% or RM40.84 billion.

On the realized investments, a total of RM53.73 billion or 45% of the total cumulative committed investments has been spent from 2006—June 2013.



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It is indeed a commendable investment performance achieved for Iskandar Malaysia given the current slowdown in the global economy especially when taking into consideration the economic situation in the Eurozone and China.

A total of RM12.62 billion has been secured for the period of Jan 2013 to June 2013 as compared to RM10.67 billion in the same period last year reflected the strong and positive investors' confidence of Iskandar Malaysia as the preferred investment destination.

Of concern is the growing investments in the residential property sector. While the interest from both local and foreign investors remains positive and new launches saw strong take-up rate, the impact of new development (especially high rise strata-titled development) is yet to be analysed in depth both from the demand and supply side as well as the social impact to the community.

Singapore, Spain and Japan are the top three foreign investors in Iskandar Malaysia to-date accounting for 16.18%, 10.24% and 9.17% respectively to the total cumulative committed foreign investments of RM40.84 billion. These are mainly in the manufacturing sector.

The other foreign investors are from USA and the Netherlands, amongst other countries.

Malaysia to meet target of 1.7 million Chinese tourists arrivals in 2013

Malaysia

Malaysia is confident of registering the targeted 1.7 million Chinese tourist arrivals for 2013, encouraged by the 26.40% rise in arrivals in the first quarter compared to the corresponding period last year.

A total of 493,249 Chinese tourist arrivals was recorded in the first quarter of 2013, up from 390,256 in the 2012 period, according to Noran Ujang, director of Tourism Malaysia's Beijing Office.

In March this year, Chinese tourist arrivals rose 30.50% to 168,118 from the 128,795 recorded in March last year.

Noran told Bernama that Chinese visitors remained the third largest group of tourist arrivals to Malaysia after those from Singapore and Indonesia.

Malaysia had 1,558,785 Chinese tourist arrivals last year, up 24.6% year-on-year from the 1,250,536 recorded in 2011.

It had been reported that the number of Chinese outbound travellers was 83.18 million in 2012, a 18.41% increase year-on-year, with total overseas spending hitting the US\$102 billion (RM326 billion) mark.

The number is expected to reach 94.3 million this year, a year-on-year increase of 15%, while spending is targeted to hit US\$117.6 billion (RM376 billion).

Johor

For Johor, the number of Chinese tourists to Johor in 2012 was 1,149,635 arrivals, an increase of 146% when compared to 465,769 arrivals in 2011. (source: Johor Immigration Department)

The number of foreigners who visited Johor in 2012, including Chinese tourists, was 22,264,380, which marked a 33% increase from 16,728,076 in the previous year. This number included daytrippers (leisure and business) with Singaporeans making up 77.2% of the arrivals.

Tourist arrivals from ASEAN and Asia recorded strong growth. This can be attributed from the opening of LEGOLAND, Puteri Harbour Family Theme Park and Johor Premium Outlets among others. Also, investment opportunities continued to draw business travelers to Iskandar Malaysia especially from Japan, United Kingdom and Australia.

State Tourism, Domestic Trade and Consumerism Committee Chairman, Datuk Tee Siew Kiong said that Johor was hoping to increase tourist arrivals (defined as those who stayed at least one night in Johor) to 4.9 million by 2015 from the 3.9 million achieved in 2012.

"I expect the tourism sector to continue to boom as we are planning more theme parks like the Angry Birds (Activity Park) here and Marine Water Park in Desaru. We will also have some other water theme parks in the future", he said in an interview.

Asked whether there were too many theme parks in Johor, Tee said that the theme parks would offer choices for people to try out different things in the state.

Malaysia Tourist Arrivals By Country of Nationality March 2013 (Top 5 Country of Nationality)

No	Country of Nationality	January—March		
		2012	2013	Growth %
1	Singapore	2,721,140	3,220,118	18.3
2	Indonesia	520,679	630,419	21.1
3	China	390,256	493,249	26.4
4	Brunei	291,091	330,383	13.5
5	Thailand	309,666	275,564	(11.0)

Foreigners arriving via Johor By Country of Nationality

	Country	2011	2012	Growth %
1.	Singapore	13,448,062	17,192,742	27.8%
2.	Indonesia	900,503	1,314,027	45.9%
3.	China	465,769	1,149,635	146.8%
4.	Philippines	266,851	499,542	87.2%
5.	India	239,948	366,679	52.8%
6.	Japan	140,936	260,710	85.0%
7.	Thailand	94,243	151,215	60.4%
8.	United Kingdom	83,335	114,405	37.3%
9.	Australia	85,328	147,605	73.0%
10.	Brunei	16,177	14,071	-13.0%

Source: Johor Immigration Department
Analysis: IRDA



Granada Hotel at Nusajaya (opened 12 Dec 2013)

Renaissance Hotel at Permas Jaya (opened 28 May 2013)



Traders Hotel at Puteri Harbour (opened 1 June 2013)

‘ We want people to keep coming to Johor and have fun at these different parks. We also have the Johor Premium Outlets which has been drawing a lot of visitors, ’ he said.
(extracted from *the Star*, 27 July 2013)

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Increasing number of tourist arrivals is definitely a boon to Malaysia’s tourism industry as well as Iskandar Malaysia. The increased tourist arrivals showed the success of our catalytic tourism projects (LEGOLAND, Johor Premium Outlets, Puteri Harbour Family Theme Park etc)

For Iskandar Malaysia, the upward trend of tourist arrivals from Singapore, Indonesia and China reinforced our investment and promotion strategies to focus on these countries for direct investments as well as for the demand market.

However, there are challenges to further develop the tourism sector in Johor and Iskandar Malaysia. The main challenges are:

- i. More investments in new tourism products and facilities (hotels, convention centres)
- ii. Increase tourist arrivals and length of stay in Johor
- iii. Improve international connectivity (more direct/ chartered flights, simplified border crossings)
- iv. Develop right and more talent for the hospitality industry

Connectivity

There are limited direct international flights into Senai International Airport. International flights are currently to nearby ASEAN countries. Airasia flies to Jakarta, Surabaya and Medan while Firefly will commence their Pekanbaru flight on 1 Aug 2013.

Because of limited direct flights, many tourists and business travelers will come to Iskandar Malaysia through the Changi International Airport. They will be more likely to use services from Singapore based tour operators and tourism packages instead of services from Johor based companies. This will result in loss of potential income Malaysia and more importantly, loss of income to the *rakyat*.

IRDA as well as the relevant State and Federal agencies must look at improving the connectivity (to bring in more international flights and/or chartered flights as well as to improve border crossings) so that we can reap the most benefits of additional tourist arrivals into Iskandar Malaysia.

Malaysian’s Consumer Confidence Still Positive, Says Mastercard

According to the latest MasterCard Worldwide Index of Consumer Confidence, Malaysians remains optimistic as improvement was shown across most key indicators of the index, with an overall increase of 2.8 points.



Key indicators that showed improvement were Employment (from 76.3 to 78.3 index points), Economy (from 68.3 to 74.3 index points), Stock Market (from 57.6 to 65.4) and Quality of Life (from 68.3 to 69.5).

Regular Income was the only key indicator which showed a decline from 85.9 to 82.7 index points.

From this, it shows that Malaysians are pessimistic in expecting their regular income, including bonuses and fringe benefits, to increase over the next six months.

Across Asia/Pacific Consumer Confidence had risen amid stable economic growth, with the emerging markets of Myanmar (96.0), India (82.0), Indonesia (81.0) and the Philippines (79.9) leading the region.

In contrast to this, some of the least optimistic markets were New Zealand (49.9), Australia (46.1) and Bangladesh (22.2). Malaysia (74.1) ranked 7th among the 16 Asia/Pacific countries surveyed, ahead of developed countries such as Japan, Korea, Hong Kong, Singapore and Australia.

The MasterCard Index of Consumer Confidence is based on a survey conducted between April 2013 and May 2013 on 12,205 respondents aged 18 to 64 in 27 countries within Asia/Pacific, Middle East and Africa. This is the 41st survey of Consumer Confidence conducted since 1993.

Overall, Asians are still relatively optimistic about the state of their economies. The large jumps in consumer confidence seen in Japan can be attributed to the government’s measures to tackle deflation, whereas in the case of Korea it can be linked

MasterCard Index of Consumer Confidence 1H 2013

	HI 2013 Current Status		Change from last half	
Asia/Pacific	63.3	Optimistic	1.2	Stable +
Australia	46.1	Neutral -	5.8	Some Improvement
Bangladesh	22.2	Very Pessimistic	-39.5	Extreme Deterioration
China	76.9	Very Optimistic	-4.9	Stable -
Hong Kong	51.1	Neutral +	-7.8	Some Deterioration
India	82.0	Very Optimistic	-3.5	Stable -
Indonesia	81.0	Very Optimistic	-6.5	Some Deterioration
Japan	60.7	Optimistic	37.0	Extreme Improvement
Korea	53.5	Neutral +	14.8	Significant Improvement
Malaysia	74.1	Optimistic	2.8	Stable +
Myanmar	96.0	Extremely Optimistic	1.0	Stable +
New Zealand	49.9	Neutral -	7.2	Some Improvement
Philippines	79.9	Very Optimistic	1.1	Stable +
Singapore	53.5	Neutral +	3.5	Stable +
Taiwan	52.4	Neutral +	19.2	Significant Improvement
Thailand	74.9	Optimistic	5.3	Some Improvement
Vietnam	58.4	Neutral +	-16.1	Significant Deterioration

to the new government’s strong measures to boost the domestic economy, particularly in property-related tax cuts.

Singapore 2Q2013 GDP Growth Beats Estimates on Stronger Services and Manufacturing

Highlights

Singapore's economy grew at its fastest in more than two years for the second quarter this year as services and manufacturing sectors performed more than expected.

Advance estimates of 2Q2013 gross domestic product (GDP) growth showed a much quicker pace of 3.7% yoy, compared to 0.2% in the preceding quarter.

This came in much better than consensus estimate of 2.0%.

On a quarter-on-quarter basis, the economy grew by 15.2%, faster than the 1.8% growth in the previous quarter.

The release of a stronger-than-expected 2Q GDP estimate supports the positive outlook for a cyclical recovery in Singapore's externally-oriented industries. Compared to what we have seen just a year ago, external macroeconomic conditions have become more stabilised as the US begins a slow pace of recovery and the sovereign risks issues in the Eurozone have toned down.

The faster pace of expansion in the second quarter was due mainly to the growth in the services producing industries which was up 5.0% supported by a robust recovery in the wholesale & retail trade and the transportation & storage sectors.

Particularly, in the wholesale trade sector, although non-oil domestic exports in the first two months of the second quarter contracted by 2.8% yoy, a sharp rebound was observed in the non-oil re-exports segment with a 17.6% yoy expansion.

The manufacturing sector expanded by 1.1% in the second quarter, a reversal from the 6.9% contraction in the previous quarter. On a qoq basis, the sector grew by an annualised rate of 37.6%, in contrast to the 12.7% decline in the preceding quarter.

The sharp rebound largely reflected the strong growth in the output of the biomedical manufacturing and electronics clusters.

Outlook

Going into the second half of the year, it is expected that services sector continue to see steady and gradual improvement. The government has an official GDP growth target of 1% to 3% this year.

Gross Domestic Product at 2005 Prices

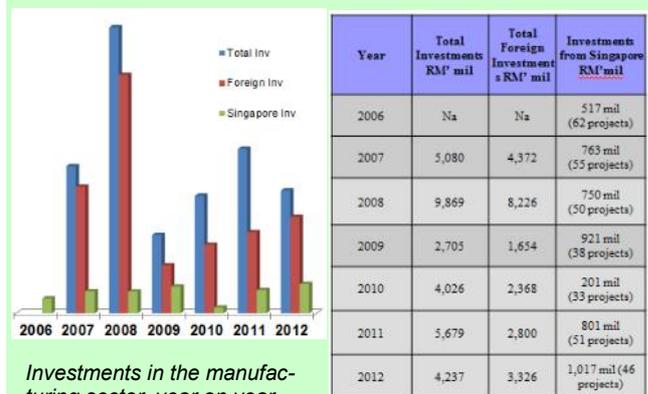
	2Q12	3Q12	4Q12	2012	1Q13	2Q13*
Percentage change over corresponding period of previous year						
Overall GDP	2.3	0.0	1.5	1.3	0.2	3.7
Goods Producing Industries						
Manufacturing	4.1	-1.4	-1.1	0.1	-6.9	1.1
Construction	11.4	6.7	5.8	8.2	6.8	5.6
Services Producing Industries	1.1	0.0	1.7	1.2	2.7	5.0
Quarter-on-quarter annualised growth rate, seasonally adjusted						
Overall GDP	0.1	-4.6	3.3	1.3	1.8	15.2
Goods Producing Industries						
Manufacturing	-1.0	-16.6	3.1	0.1	-12.7	37.6
Construction	15.0	3.2	-3.9	8.2	14.3	9.0
Services Producing Industries	0.1	0.4	2.5	1.2	8.1	9.0

*Advance estimates

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The higher 2Q 2013 GDP estimates for Singapore of 3.7% yoy as compared to 0.2% for 1Q2013 is indeed positive news for Iskandar Malaysia. We can expect complementary economic impact as more spending can flow into Iskandar Malaysia. We now have better tourism products to offer to both Singapore and international tourists.

To date, Singapore is the largest foreign investors in Iskandar Malaysia with a total cumulative committed investments of more than RM6.6 billion in the manufacturing, services and property sectors from 2006 until June 2013.



Investments in the manufacturing sector, year on year
Source: MIDA
Analysis: IRDA

In 2012, Johor State attracted investments (manufacturing) of RM5.5 bil of which RM4.2 billion or 76.4% will be in Iskandar Malaysia. Of the RM4.2 bil, RM1.0 bil is investment from Singapore which is the largest investment since 2006. This can be attributed to the stronger Government bilateral relationship with consistent marketing and promotion effort by MIDA/MITI led by YAB Dato Mustapa complemented with marketing efforts of both IRDA and Johor State.

The above does not include investments in the education, healthcare and other services sectors.

With the healthy GDP registered in the 2Q 2013, we can expect the momentum to gain further in the coming months. More engagements with Singapore's potential investors are crucial to ensure that the potential investors would land their investments in Iskandar Malaysia.

Editorial

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