Issue 9/2013 30 September 2013

IM BizWatch

NEWS · INFORMATION · OPPORTUNITIES

ISKANDAR REGIONAL DEVELOPMENT AUTHORITY

Malaysia is the 24th most competitive nation : World Economic Forum Global Competitiveness Index 2013– 2014

The Global Competitiveness Report 2013–2014

WORLD ECONOMIC FORUM

COMMITTED TO IMPROVING THE STATE OF THE WORLD

The World Economic Forum (WEF) has ranked Malaysia as the 24th most competitive nation among 148 countries in its Global Competitiveness Report (GCR) 2013-2014.

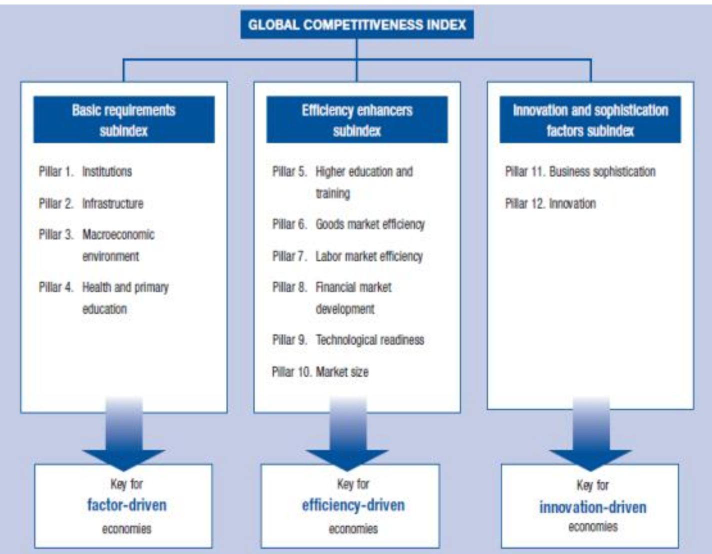
Last year, Malaysia was ranked 25th out of 144 countries.

Malaysia remains the second most competitive among ASEAN member nations and has improved to 7th among 25 Asia-Pacific countries. Singapore is the most competitive ASEAN member nation and ranked No. 2 overall in the Index.

The GCR uses 70% perception data obtained through the Executive Opinion Survey from high level private sector executives and 30% statistical data.

It comprises 114 criteria which are organized into 12 pillars of competitiveness.

The GSR also categorises countries into three stage of development; factor driven, efficiency driven and innovation-driven based on the gross domestic product (GDP) per capita.
Malaysia is categorized as a country in transition moving



from the efficiency-driven to innovation-driven economy. The WEF assessed that Malaysia's most notable advantages are in its efficient and competitive market for goods and services (10th), its well developed and sound financial market (6th) and its business friendly institutional framework (29th).

This performance is supported by indicators that include a number of procedures to start a business, where Malaysia was ranked 10th and total tax rate, which improved by 30 places (20th).

Malaysia also maintained its 6th position in the financial market development pillar, which has been one of Malaysia's strongest areas with consistent performance in the past few years.

Among the criteria that contributed to this pillar was the ease of access to loans (5th) and the venture capital availability (7th).

Under the institutions pillar, indicators that contributed to the improved rankings are strength of audit and reporting standards (27th, improving 3 positions) and ethical behavior of firms (28th, improving 5 positions).

The Global Competitiveness Index 2013–2014 rankings and 2012–2013 comparisons

	GCI 2013–2014			
Country/Economy	Rank (out of 148)	Score (1–7)	Rank among 2012–2013 economies*	GCI 2012–2013
Switzerland	1	5.67	1	1
Singapore	2	5.61	2	2
Finland	3	5.54	3	3
Germany	4	5.51	4	6
United States	5	5.48	5	7
Sweden	6	5.48	6	4
Hong Kong SAR	7	5.47	7	9
Netherlands	8	5.42	8	5
Japan	9	5.40	9	10
United Kingdom	10	5.37	10	8
Norway	11	5.33	11	15
Taiwan, China	12	5.29	12	13
Qatar	13	5.24	13	11
Canada	14	5.20	14	14
Denmark	15	5.18	15	12
Austria	16	5.15	16	16
Belgium	17	5.13	17	17
New Zealand	18	5.11	18	23
United Arab Emirates	19	5.11	19	24
Saudi Arabia	20	5.10	20	18
Australia	21	5.09	21	20
Luxembourg	22	5.09	22	22
France	23	5.05	23	21
Malaysia	24	5.03	24	25
Korea, Rep.	25	5.01	25	19
Brunei Darussalam	26	4.95	26	28
Israel	27	4.94	27	26
Ireland	28	4.92	28	27
China	29	4.84	29	29
Puerto Rico	30	4.67	30	31

Malaysia is the 24th most competitive nation : World Economic Forum

Nonetheless, WEF cautioned that Malaysia must confront and deal with some of the more critical challenges to Malaysia's competitiveness including the government's budget deficit, the consistently low rankings of female participation in the work-force and technological readiness.

While Malaysia moves up one notch this year, the government has to do more to improve its competitiveness.

Measures such as subsidy rationalisation , proposal to introduce Goods and Services Tax and improvement in the quality of education and training are important to improve Malaysia's competitiveness.

While government steps up efforts to implement the initiatives under the Economic Transformation Program, the private sector must also play its role to invest and to participate in industry engagements so that Malaysia can continue to be the preferred investment destination and an attractive place to do business.

BizWatch

The commitment by the Malaysian government to improve business processes, cut down red tape, expand education etc has shown results as Malaysia improved from its 25th position last year to 24th position this year.

However, we cannot rest our laurels as competition to attract investments is intensifying especially amongst new developing countries.

It is also interesting to note that Qatar (ranked 13th), United Arab Emirates (19th) and Saudi Arabia (20th) are ranked higher than Malaysia. While these oil rich countries have deep pockets, Malaysia and Iskandar Malaysia would need to look into areas that we can improve and innovate which require less funding and less subsidies.

For Iskandar Malaysia, the competitiveness of Malaysia globally is a vital indicator to draw investments into Iskandar Malaysia. And while we cannot continue to expect new incentives to be available to attract investments, we can work on ways to improve facilitation of the projects so that investors can be confident of investing in Iskandar Malaysia.

The initiative by the Johor State Government to form a Super Facilitation Committee will complement the current Approvals and Implementation Committee (AIC) and other platforms in Iskandar Malaysia to streamline business processes and cut down red tape which hinders businesses.

US Federal Open Market Committee (FOMC) : Fed Leaves QE Pace Unchanged

The FOMC decided that it will continue its monthly USD85 billion bond purchase while holding the Fed Fund Rate near 0% to support continued progress towards "maximum employment and price stability".

The Federal Reserve said that economic expansion has been moderate while labor market conditions have improved even though unemployment rate remains elevated.

The Federal Reserve cuts its GDP forecast to 2%-2.3% for 2013, down from 2.3%-2.6% forecast earlier. It also cut the 2014 forecast to 2.9%-3.1% from 3%-3.5%. The Federal Reserve also projected that unemployment rate will gradually improve to 7.1%-7.3% for the remaining months of 2013.

The Federal Reserves reiterated that its target interest rate will remain near zero at least as long as unemployment exceeds 6.5% and outlook for inflation is no higher than 2.5%.

The "no taper" stance surprised the market and the reasons for the above stance are believed to be as follows:

- The Federal Reserves will be very cautious and gentle on the future tapering of Quantitative Easing (QE) measures.
- The tighter monetary conditions even before the tapering have already affected housing sector, one of the key drivers of US growth.
- Without the convincing synchronized global recovery (i.e. Eurozone, China and etc), US economic and labor market recovery will still be slower than expected. The Federal Reserve may want to wait for a stronger sign of recovery in the Eurozone and China to replace the loss of monetary stimulus when it decides to taper.
- For Malaysia, it is expected there will be no changes to the macro outlook (i.e. growth, inflation, interest rate, etc.) and the target GDP growth of 4.5% - 5.0% for 2013 will remain.
- Nonetheless, Ringgit is expected to depreciate on the back of stronger USD. Exchange rate RM3.26: 1USD (27 Sep 2013)

Where is the world's favourite holiday destination? (UNWTO Tourism Highlights 2013 Edition)

International tourism in 2012—key trends and outlook

- International tourist arrivals (overnight visitors) worldwide exceeded 1 billion for the first time in 2012 with 1,035 million tourists crossing borders (2011: 995 million)
- Asia and the Pacific recorded the strongest growth with a 7% increase in arrivals.
- China became the No. 1 source market in the world in 2012, spending USD102 billion on international tourism
- By UNWTO (UN World Tourism Organisation) region, prospects for 2013 are stronger for Asia and the Pacific, followed by Africa.

France remained top tourism destination in 2012 with more than 83 million international tourist arrivals ahead of the United States.

A recent study by UN World Tourism Organisation revealed that 83 million people visited La Belle France last year, even more than its population of 66 million.

France attracts at least 16 million more visitors than the United States in second place, with China, Spain and Italy completing the top five most visited countries.

Malaysia made the ranking at 10th position.

In terms of tourism receipts, United States took pole position followed by Spain and then France. China ranked 3rd in arrivals (58 million) and 4th in receipts (USD50 million).

Interestingly, tourists in France spend less than tourists in United States, Germany, UK and even Malaysia.

On average, tourists in France spend USD646, compared to USD1,883 in United States and USD808 in Malaysia.

83% of France's visitors come from other European countries, which explain the relatively low amount spent per head. (often choose to camp and buy food from supermarket rather than filing coffers of hotel and restaurant owners.

By contrast, only 55% of overseas visitors to US come from their two immediate neighbours (Canada and Mexico) and the other 45% is the long haul travelers which contributes some 78% of all tourist expenditure with an average stay of 18 days.

BizWatch

Most popular tourist destinations and tourist spending

Source: UN World Tourism Organisation

Country	No. of visitors (mil)	Total spent (USD bil)	Amount spent a head (USD)
France	83	53.6	645.8
US	67	126.2	1,883.6
China	57.7	50	866.6
Spain	57.7	55.9	968.8
Italy	46.4	41.2	888
Turkey	35.7	25.7	719.9
Germany	30.4	38.1	1,253.3
UK	29.3	36.6	1,249.1
Russia Federation	25.7	11.2	435.8
Malaysia	25.0	20.2	808
Hongkong*	23.8	32.1	1,348.7
Macao *	13.6	43.7	3,213.2

Note * Hongkong and Macao are included because they made the top 10 list for tourist receipts.

When it come to the most visited capital in the world, Bangkok comes out on top according to the MasterCard Global Destination Cities Index 2Q2013. This is the first time that an Asian city is in the top rank since the index was launched in 2010.

The Thai is currently attracting 15.98 million visitors a year, narrowly ahead of London. Shopping and entertainment are the main factors.

Kuala Lumpur made the list at No.8 with 9.2 million visitors.

Most popular city destinations

Country	Overnight visitors (mil)
Bangkok	15.98
London	15.96
Paris	13.92
Singapore	11,75
New York	11.52
Istanbul	10.37
Dubai	9.89
Kuala Lumpur	9.2
Hong Kong	8.72
Barcelona	8.41

BizWatch

Where is the world's favourite holiday destination?

For Malaysia, the number of tourists that visited the country has been increasing over the years.

No. of tourists to Malaysia

Year	No. of tourists
2010	24,577,196
2011	24,714,324
2012	25,032,708
2013 (Jan – June)	12,552,731

MALAYSIA TOURIST ARRIVALS BY COUNTRY OF NATIONALITY JUNE 2013

NO	COUNTRY OF NATIONALITY	JUNE			JANUARY - JUNE		
		2012	2013	Growth %	2012	2013	Growth %
1	SINGAPORE	1,160,941	1,086,281	(6.4)	5,832,330	6,295,567	7.9
2	INDONESIA	219,248	215,050	(1.9)	1,108,361	1,242,055	12.1
3	CHINA	112,395	137,001	21.9	758,289	943,756	24.5
4	BRUNEI	110,641	102,171	(7.7)	588,165	593,536	0.9
5	THAILAND	93,121	82,819	(11.1)	638,641	581,683	(8.9)
6	INDIA	65,626	55,782	(15.0)	365,104	348,309	(4.6)
7	PHILIPPINES	43,423	44,192	1.8	238,175	277,378	16.5
8	AUSTRALIA	45,007	37,321	(17.1)	242,579	250,123	3.1
9	JAPAN	37,304	36,273	(2.8)	215,872	250,293	15.9
10	UNITED KINGDOM	30,234	28,147	(6.9)	196,738	211,286	7.4

Singapore is main source of tourist arrival by country of nationality followed by Indonesia and China. The same case is observed in Iskandar Malaysia, where Singapore contributing some 17 million arrivals followed by Indonesia.

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

In 2012, Johor's room occupancy was 3.9 million rooms which ranked it in fifth position after Kuala Lumpur, Pahang, Penang and Sabah. With the opening of LEGOLAND in Sept 2012 and the upcoming opening of the Waterpark in LEGOLAND, the room occupancy in Johor is projected to hit close to 5 million rooms for 2013.

BizWatch

UNWTO statistics and report showed the rise of Asian countries and Asian cities as top tourist destinations.

Malaysia is ranked 10th in terms of tourist arrivals. In terms of tourist receipts, we receive fewer dollars of USD808 per tourist as compared to developed countries such as United States, Germany, UK, Spain, China and Thailand. Interestingly, Thailand which received 22.3 million visitors in 2012 has a higher tourism receipts of USD32.1 billion or USD1,439.5 per tourist. Nevertheless, our tourism receipts exceed those of France and Russia, amongst others.

Tourism is an important economic contributor and will continue to play an important role in the economic development of Iskandar Malaysia.

It is not impossible for Iskandar Malaysia to be ranked in the top ten popular city destinations with our new and exciting tourism offerings ranging from theme parks and family entertainment centres, history, heritage, arts and culture, eco-tourism and homestays and many more!!

Leveraging on existing and new tourism products, we need to grow the tourism clusters to offer a palate of choice to visitors so that they will stay longer and spend more. Iskandar Malaysia must be evolve to be key Tourist Destination for visitors to Malaysia. In developing tourism products, we must leverage on Iskandar Malaysia's natural attributes such as the fragile RAMSAR sites, waterfront areas etc to promote sustainable investments into new tourism products.

A cohesive and comprehensive promotion and marketing plan can then be drawn up to attract tourists from emerging economies such as China and Indonesia besides sustaining traditional source markets like UK, Australia and United States.

Editorial
Economic Intelligence
Iskandar Regional Development Authority

Low Mei Leong meileong@irda.com.my
Arif Kasmuri arif.kasmuri@irda.com.my