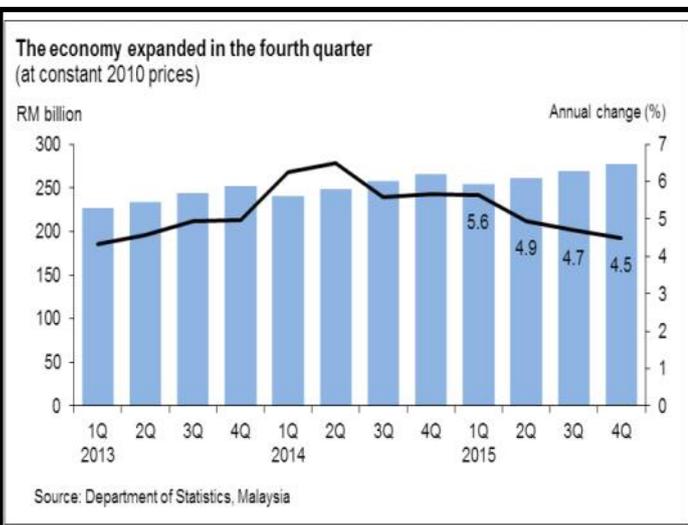




## Moderate Growth For Malaysia in 2015

(Bank Negara Report 2015)

The Malaysian economy registered a growth of 4.5% in the fourth quarter of 2015 (3Q 2015: 4.7%), supported mainly by the private sector demand. On the supply side, growth was underpinned by the major economic sectors. On a quarter-on-quarter seasonally-adjusted basis, the economy grew by 1.5% (3Q 2015: 0.7%).



For the year 2015, the Malaysian economy expanded by 5.0%.

Despite the challenging economic environment during the quarter, the private sector continued to be the key driver of growth.

Private consumption grew by 4.9% (3Q 2015: 4.1%), supported by stable wage growth and labour market conditions. Private investment expanded by 5.0% (3Q 2015: 5.5%), driven by capital spending in the manufacturing and services sectors. Public investment growth moderated in the fourth quarter (0.4%; 3Q 2015: 1.8%), following lower growth in fixed assets spending by the Federal Government.

Meanwhile, public consumption growth registered sustained growth of 3.3% (3Q 2015: 3.5%) as the stronger growth in emoluments was offset by slower growth in supplies and services expenditure.

### GDP by Expenditure Components (at constant 2010 prices)

	Share 2015 (%)	2014		2015		
		4Q	Year	3Q	4Q	Year
Annual change (%)						
Aggregate Domestic Demand (excluding stocks)	91.6	5.7	5.9	4.0	4.0	5.1
Private Sector	69.2	8.3	7.9	4.4	4.9	6.1
Consumption	52.4	7.6	7.0	4.1	4.9	6.0
Investment	16.9	11.1	11.0	5.5	5.0	6.4
Public Sector	22.4	0.6	0.4	2.8	2.1	2.1
Consumption	13.5	2.5	4.4	3.5	3.3	4.3
Investment	8.9	-1.9	-4.7	1.8	0.4	-1.0
Net Exports	8.6	-4.0	12.8	3.3	4.2	-3.7
Exports of Goods and Services	73.0	1.9	5.1	3.2	3.7	0.7
Imports of Goods and Services	64.4	2.6	4.2	3.2	3.6	1.3
<b>GDP</b>	<b>100.0</b>	<b>5.7</b>	<b>6.0</b>	<b>4.7</b>	<b>4.5</b>	<b>5.0</b>
<b>GDP (q-o-q growth, seasonally adjusted)</b>	-	<b>1.8</b>	-	<b>0.7</b>	<b>1.5</b>	-

Source: Department of Statistics, Malaysia

### GDP by Economic Activity (at constant 2010 prices)

	Share 2015 (%)	2014		2015		
		4Q	Year	3Q	4Q	Year
Annual change (%)						
Services	53.5	6.6	6.5	4.4	5.0	5.1
Manufacturing	23.0	5.4	6.2	4.8	5.0	4.9
Mining	8.9	9.5	3.3	5.3	-1.4	4.7
Agriculture	8.8	-3.7	2.1	2.4	1.3	1.0
Construction	4.4	8.8	11.8	9.9	7.4	8.2
<b>Real GDP</b>	<b>100.0<sup>1</sup></b>	<b>5.7</b>	<b>6.0</b>	<b>4.7</b>	<b>4.5</b>	<b>5.0</b>
<b>Real GDP (q-o-q seasonally adjusted)</b>	-	<b>1.8</b>	-	<b>0.7</b>	<b>1.5</b>	-

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

Source: Department of Statistics, Malaysia

On the supply side, growth in the fourth quarter was supported by the major economic sectors. Growth in the services sector was underpinned by the consumption- and trade-related activities. The manufacturing sector recorded a marginally higher growth, supported mainly by domestic-oriented industries.

In the construction sector, growth was supported by the civil engineering and residential sub-sectors. Meanwhile, growth in the agriculture sector moderated, reflecting lower production of palm oil. The mining sector, however, registered a contraction arising from the lower production of both crude oil and natural gas.

Inflation, as measured by the annual change in the Consumer Price Index (CPI), was lower at 2.6% in the fourth quarter of 2015 due to the lower domestic fuel prices. However, this was partly offset by the higher inflation for food and cigarettes.

## Moderate Growth for Malaysia in 2015

### Strengthening of Ringgit

Ringgit appreciated by 3.6% against the US dollar during the quarter. The ringgit also appreciated against the euro (6.7%), the pound sterling (6.0%), and the Japanese yen (4.0%), but depreciated against the Australian dollar (-0.5%). The ringgit also appreciated against all regional currencies, by between 2.4% and 5.8%, with the exception of the Indonesian rupiah (-2.4%).

**2016 GDP Growth = 4.0% - 4.5% (2015: 5.0%)**  
**Inflation: 2.5% - 3.5% (2015: 2.1%)**

### BizWatch

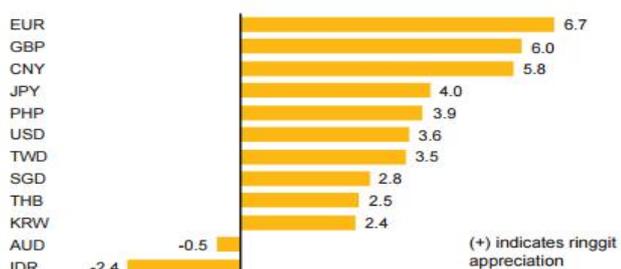
The Malaysian economy is taking its toll as a result of the weak and uneven global economy.

Factors such as weakening China's economy, stronger US Dollar, declining commodity prices as well as geopolitical concerns that are happening in the Middle East countries have affected not only the Malaysian economy but also many economies throughout the world.

Scanning across the globe, BizWatch is of the opinion that the growth of 5% registered by Malaysia in 2015 is quite commendable given that Malaysia is an open economy which is not spared from the external headwinds.

A comparison between Malaysia's growth vis-a-vis other major economies are shown in the table below:

#### Summary of Ringgit Performance against Selected Currencies Percent Change (1 October - 31 December 2015)



Source: Bank Negara Malaysia

Economy	2014		2015	
	4Q	Year	4Q	Year
<b>Malaysia</b>	5.7	6.0	4.5	5.0
<b>Advanced economies</b>				
USA	2.5	2.4	1.8	2.4
UK	2.8	2.9	1.9	2.2
Euro	1.0	0.9	1.5	1.5
Japan	-1.0	0.0	0.5	0.4
<b>Regional economies</b>				
Singapore	2.8	3.3	1.8	2.0
Thailand	2.1	0.8	2.8	2.8
Indonesia	5.0	5.0	5.0	4.8

Data in %  
 Source: BNM

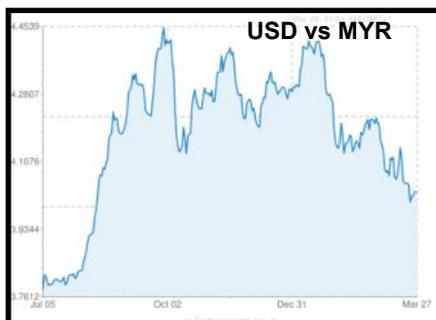
As for Iskandar Malaysia, the latest available data on economic growth is as of 2014, where the region registered a growth of 6.9% during the period under review, which is higher than the state growth of 6.5%.

Based on the CDPIi, Iskandar Malaysia is expected to grow at an average growth rate of 7.2% for the period of 2013 to 2015.

The forecast of growth is based on the continuous catalytic and huge projects that are being carried out in the region. Among the notable projects that are expected to contribute growth for Iskandar Malaysia are projects like Forest City, Tanjung Piai Maritime Industrial Park, Nusajaya Tech Park, FASTrack Iskandar and many more.

However, we are expecting 2016 to be challenging even as new projects are being implemented to drive economic growth. The slowing economy across Malaysia and with less new jobs will have an impact and it is very important for us to ensure that the strategic projects are implemented swiftly.

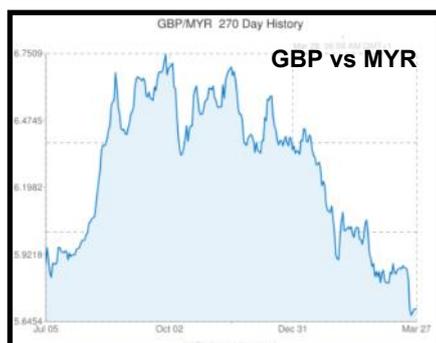
Ringgit continued to strengthen in the first quarter in 2016 and even dipped close to the RM4.00 mark on 22 March 2016. However, the current rate is still much above the exchange rate in Jul 2015.



Similar trend can be observed in the Ringgit against Singapore Dollar.



The Ringgit performed better against the British pound and continued to appreciate against the British pound in the first quarter in 2016. The current exchange rate is lower than the rate in July 2015.



Source: www.exchangerates.org.uk

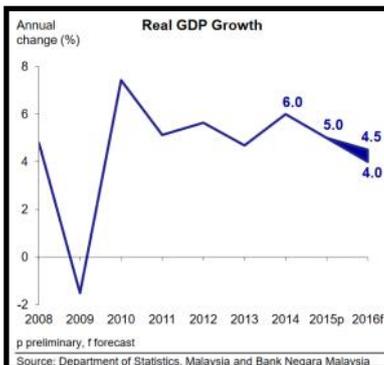
## BNM Annual Report 2015: Domestic demand remains principal growth driver



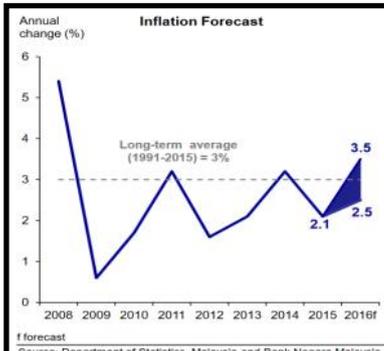
**BANK NEGARA MALAYSIA**  
CENTRAL BANK OF MALAYSIA

### Key highlights from the BNM Annual Report

BNM expects the economy to grow by 4.0-4.5% in 2016. Domestic demand will continue to be the principal driver of growth, sustained primarily by private sector spending. Private consumption growth is projected to trend below its long-term average, as households continue to make expenditure adjustments in response to the lingering effects of the GST implementation, and changes in administered prices.



Headline inflation is projected to increase to 2.5-3.5% in 2016 (2015: 2.1%), due mainly to adjustments in the prices of several price administered items and the weak ringgit exchange rate.



The Monetary Policy Committee will continue to ensure that the macroeconomic conditions and policies remain accommodative to facilitate growth in the midst of continued uncertainties in

the global environment.

On the global front, growth remains vulnerable to considerable downside risks arising from policy developments in the major economies, high uncertainty surrounding the direction of global commodity prices and abrupt financial market adjustments.

Growth in the advanced economies is expected to proceed at a gradual and uneven pace.

### Moderation in growth in household debts and property prices

Household debts grew at a slower pace compared to 2010 at 4.6% (expansion in personal finance).

There is stable growth in average house prices since 2Q2014 and speculative borrowings in properties remained in check. Demand for affordable housing continued in 2015 and 74% of new housing loans are for first time house buyers.

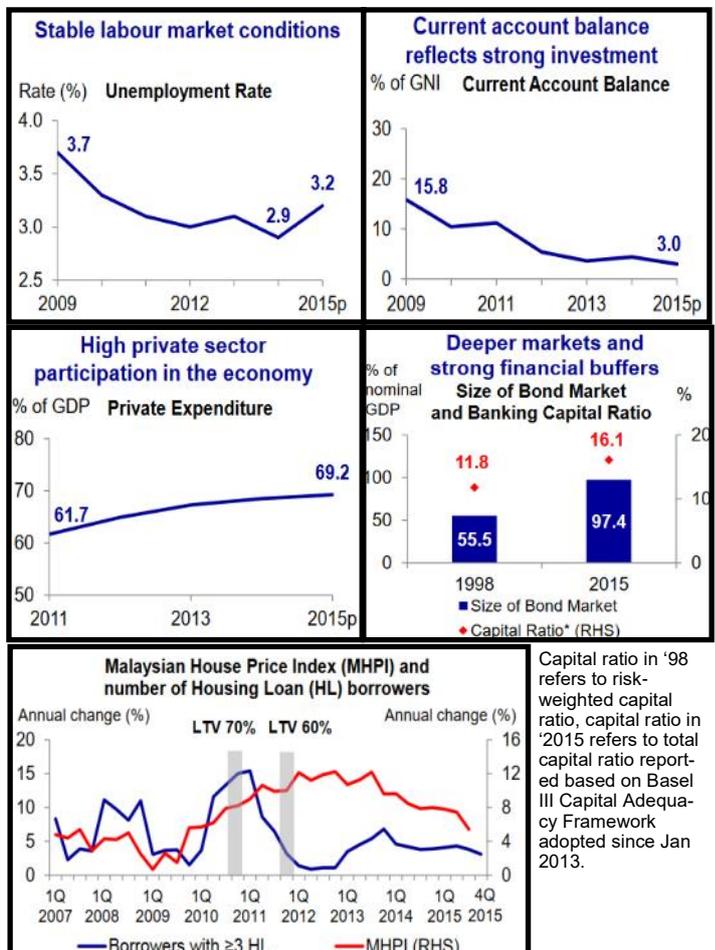
### Outlook

Overall, BNM believes that Malaysia's economic fundamentals remain supportive of growth owing to the steady growth momentum, high level of private sector participation, stable labour market condition, low and stable inflation environment, strong investment environment reflected by the surplus in current account and strong financial buffers.

As for the financial sector, BNM adhered that the sector has demonstrated high resilience in managing risks to financial stability. Key surveillance priorities for the financial system include household indebtedness; property price movements; business sector leverage; capital flows, currency volatility and market condition; aggregate surplus liquidity; and external exposure and cross market linkages.

These surveillance priorities ensure that banks and non-banks maintain sound lending standards; risk management and provision practices; and minimising unintended cyclical spillovers. Also, it enables prudent liquidity management; reinforces precautionary buffers to mitigate potential currency risk and exposure; and ensures business continuity and crisis preparedness.

### Malaysia's macroeconomics fundamentals remain sup-



## 'Make Johor Bahru, The Second Biggest City'

The Star, 23rd March 2016

The Sultan of Johor has set the target of making Johor Baru the second biggest city in Malaysia after Kuala Lumpur.

Sultan Ibrahim Ibni Almarhum Sultan Iskandar said the southern city is poised to make the grade because of its swift transformation and strategic location next to Singapore.

He said that in many countries, there were always two competing cities, citing Beijing and Shanghai, Melbourne and Sydney, Rio de Janeiro and Sao Paulo, and New York and Los Angeles.

'Johor Bahru (JB) has this potential and we believe that the Federal Government understands the need to push JB to a higher level', he said in an interview on the occasion of his 58th birthday and first anniversary of his coronation as the Sultan.

The key catalytic projects in JB include the new Ibrahim International Business District (IIBD), the High Speed Rail (HSR), the Johor Bahru-Singapore Rapid Transit System (RTS Link) and Coronation Square, which would push JB for the second city status.

He said the jewel of the upcoming business district will be a RM3 billion complex called Coronation Square, on the site of the old bus and taxi terminal, just half a kilometre from the city's transport hub and new immigration checkpoint at JB Sentral.

The 2.6ha Coronation Square, so named to commemorate the coronation of Sultan Ibrahim, will contain serviced apartments, an office tower, a hotel, retail podium, a medical suite and a banking tower.

He also said that there was a need for an exhibition and convention hall in JB for the city to host big trade exhibitions, adding that he would push for a good concert venue suitable for quality acts.

'JB has the advantage of learning from KL. We will improve on the strengths and pick up what's missing in the federal capital and the Klang Valley,' he said.

'I want to make JB exciting and make all Johoreans feel proud and motivated. That is my birthday wish for the state,' he said.



Sweet celebration: Sultan Ibrahim cutting a cake with Permaisuri of Johor Raja Zarith Sofiah Almarhum Sultan Idris Shah beside him during the Royal Tea Party to mark his birthday at Dataran Bandaraya. Looking on (second left) is Johor Menteri Besar Datuk Seri Mohamed Khaled Nordin. — ABDUL RAHMAN EMBONG/The Star.

# BizWatch

## BizWatch

The call from HRH Sultan of Johor to transform Johor Bahru / Iskandar Malaysia into the second biggest city in Malaysia after Kuala Lumpur is very much in line with the vision of Iskandar Malaysia to develop a sustainable metropolis of Iskandar Malaysia. Also, under the RMK-11, Johor Bahru is one of the four cities under the Game Changer "Investing in Competitive Cities".

By 2020, Johor Bahru / Iskandar Malaysia will be one of the new metropolis in Malaysia.

On 7th March, the Prime Minister, Dato Seri Najib launched the Johor Strategic Economic Growth Plan and the Iskandar Malaysia's Comprehensive Development Plan ii, two very important documents to set out the path for development in Iskandar Malaysia and in Johor. The CDPii is a mid term review of the first Comprehensive Development Plan taking into consideration the global and national economic development and aspirations.

With the strong support from HRH Sultan of Johor and his vision for the city together and with mega and catalytic infrastructure projects such as the High Speed Rail (HSR), Rapid Transit System (RTS) in various planning stages, we can expect faster implementation of strategic projects and stronger economic growth.

While we recognise the challenge of economic headwinds for 2016, we must keep our vision to push forward our development plans and initiatives for a sustainable Iskandar Malaysia.

Johor Bahru will be one of the biggest competitive cities in Malaysia benefitting the *Rakyat* with more job opportunities and better infrastructure as well as increasing the socio-economic activities within the city.



Launch of CDPii by PM Dato Seri Najib Razak with MB Datuk Seri Mohamed Khaled Nordin and Datuk Ismail Ibrahim, Chief Executive, IRDA.

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