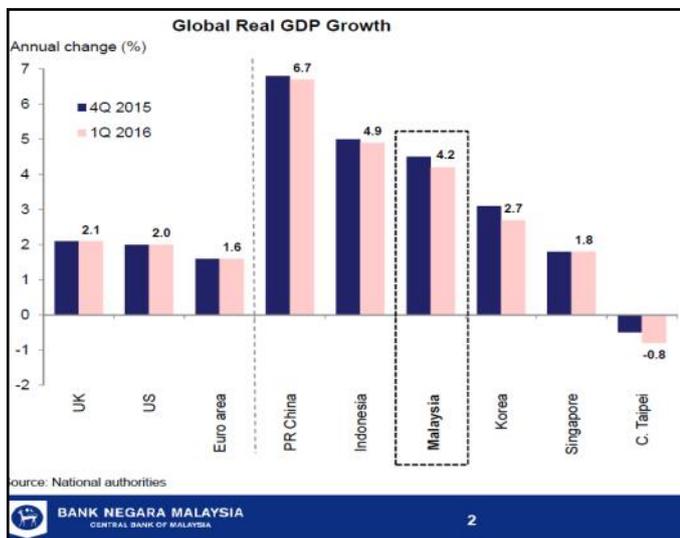


**Malaysia's 1Q 2016 GDP at 4.2%
Slowest growth registered....**

Global Market Overview

In the first quarter of 2016, the global economy expanded moderately against a backdrop of high financial market volatility.

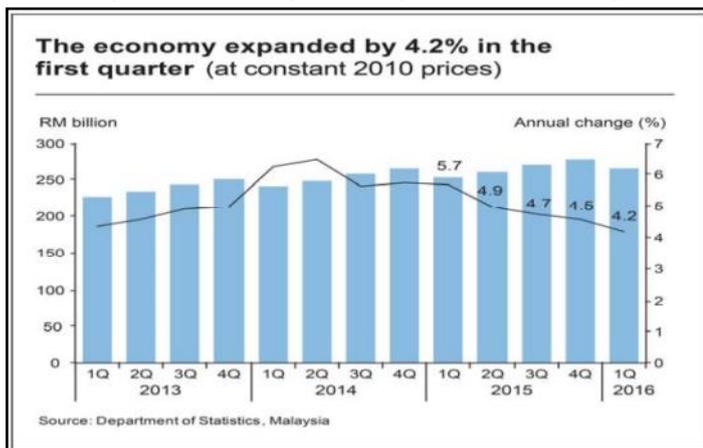
The advanced economies continued to register modest improvements, as the pace of growth remained constrained by crisis-related legacies, including high indebtedness and labour market slack.



In Asia, economic activity expanded at a more moderate pace due in part to the weakness in exports. As can be seen in the above, most Asian/ASEAN countries including China have slower growth in 1Q/2016 with Taiwan registering negative growth. Amid these developments, several economies adopted more stimulus to support growth.

Malaysian Market Overview

The Malaysian economy expanded by 4.2% in the first quarter of 2016 (4Q 2015: 4.5%). The slight moderation in growth



mainly reflected external shocks to the economy and cautious spending by the private sector.

The growth of 4.2% in the first quarter of 2016 is the slowest growth in six years registered by Malaysia since 2009.

On the supply side, growth continued to be driven by the major economic sectors. On a quarter-on-quarter seasonally-adjusted basis, the economy recorded a growth of 1.0% (4Q 2015: 1.2%).

Private sector activity remained the key driver of growth, although the pace of expansion moderated amid on-going adjustments in the economy.

Private consumption expanded by 5.3% (4Q 2015: 4.9%), supported by continued wage and employment growth.

Private investment grew at a slower rate of 2.2% (4Q 2015: 4.9%).

This was mainly attributable to the cautious business sentiments and lower investments in the upstream mining sector.

Growth of public consumption improved to 3.8% in the first quarter (4Q 2015: 3.3%) due to higher spending on emoluments.

On the other hand, public investment declined by 4.5% (4Q 2015: 0.4%), due to lower spending on fixed assets by the public corporations.

On the supply side, the major economic sectors registered a moderate growth performance.

The services sector recorded a sustained growth on account of the continued expansion in domestic demand.

	Share 2015 (%)	2015			2016
		1Q	4Q	Year	1Q
Annual change (%)					
Aggregate Domestic Demand (excluding stocks)	91.6	8.0	4.0	5.1	3.6
Private Sector	69.2	9.6	4.9	6.1	4.5
Consumption	52.4	9.0	4.9	6.0	5.3
Investment	16.9	11.6	4.9	6.4	2.2
Public Sector	22.4	2.6	2.1	2.1	0.4
Consumption	13.5	4.1	3.3	4.4	3.8
Investment	8.9	0.6	0.4	-1.0	-4.5
Net Exports	8.6	-10.1	4.3	-3.8	-12.4
Exports of Goods and Services	72.9	-0.6	4.0	0.6	-0.5
Imports of Goods and Services	64.3	0.9	4.0	1.2	1.3
GDP	100.0	5.7	4.5	5.0	4.2
GDP (q-o-q growth, seasonally adjusted)	-	1.4	1.2	-	1.0

Source: Department of Statistics, Malaysia

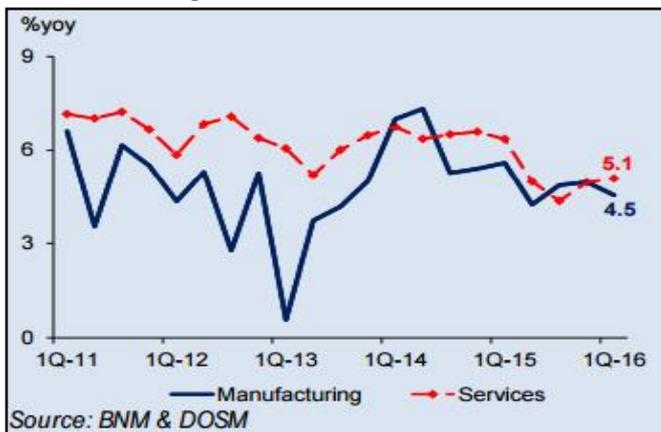
**Malaysia's 1Q 2016 GDP at 4.2%
Slowest growth registered.... (cont.)**

In the manufacturing sector, growth was supported by the continued expansion in both export- and domestic-oriented industries, although at a slower pace.

	Share 2015 (%)	2015			2016
		1Q	4Q	Year	1Q
		Annual change (%)			
Services	53.5	6.4	5.0	5.1	5.1
Manufacturing	23.0	5.6	5.0	4.9	4.5
Mining	9.0	9.7	-1.3	4.7	0.3
Agriculture	8.9	-4.1	1.5	1.2	-3.8
Construction	4.4	9.6	7.4	8.2	7.9
Real GDP	100.0¹	5.7	4.5	5.0	4.2
Real GDP (q-o-q seasonally adjusted)	-	1.4	1.2	-	1.0

¹ Numbers do not add up due to rounding and exclusion of import duties component
Source: Department of Statistics, Malaysia

Manufacturing & Services Sector Growth



The agriculture sector registered a contraction, as adverse weather conditions led to lower production of palm oil.

The mining sector turned around to record a marginally positive growth following an improvement in the production of natural gas.

The construction sector remained strong leading growth at 7.9% with the near completion of the major infrastructure projects such as the LRT expansion and MRT 1.

Inflation, as measured by the annual change in the Consumer Price Index (CPI), was higher at 3.4% in the first quarter of 2016 due to the reduction in electricity tariff rebates in January 2016 and the base effect from the larger decline in domestic fuel prices in 1Q 2015.

Outlook

Looking forward, while downside risks have increased on the external front, GDP growth is expected to remain resilient with gradual improvement in 2H16 due to:

- ◆ An expected recovery in consumption boosted by a series of government measures to boost household disposable income (EPF contribution, civil servant pay rise & minimum wage hike). These measures collectively are estimated to

support private consumption growth by 0.5ppt in 2016.

- ◆ Sustained pick-up in construction sector following the larger-than-expected value of contracts awarded.
- ◆ Gradual improvement in agriculture output as the effect from El Nino weather is already tapering off with gradual rise in palm oil production.

Bank Negara had maintain its earlier growth forecast of between 4% and 4.5% for 2016. Malaysia achieved a 5.0% growth in 2015.

BizWatch

The slower economic growth registered by Malaysia is in line with the slower economic growth experienced by the global economy.

Risk of China's economic slowing down, BREXIT, low commodity prices, extreme weather conditions as well as the probability that the US might increase its benchmark rate soon had taken a toll on the global growth as well as on Malaysia. On the ground, there seemed to be a growing pessimism with manufacturers reducing spending on capital expenditure to prepare for a market slowdown.

Nonetheless, BizWatch is of the view that the above headwinds are temporary and is confident that the domestic growth will pick up in the following quarters in anticipation of recovery in private consumption boosted by a series of government measures to boost household disposable income (EPF contribution, civil servant pay rise & minimum wage hike).

Malaysia is still on the top 20 countries on the 2016 World Competitive Ranking according to the IMD World Competitiveness Centre despite a drop from 14th position to 19th position (source: NST 31 May). Investors deciding to invest in a particular investment location will usually take a mid to long term view on the investment potential. Malaysia is still ahead of many of its ASEAN neighbours.



Malaysia Slowdown Is Test for New Governor



Datuk Muhammad Ibrahim has been appointed the new head of Bank Negara Malaysia (Central Bank) with effect from May 1, 2016.

The Harvard University graduate has been the deputy governor since 2010.

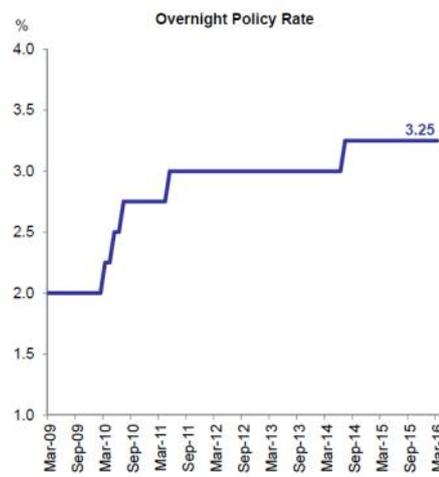
Muhammad joined BNM in 1984 and served in the areas of bank regulation and supervision, strategic planning, payment systems, insurance, offshore banking and treasury and financial markets.

Muhammad holds a Masters Degree from Harvard University, an Accounting Degree from the University of Malaya and a Postgraduate Diploma in Islamic Banking and Finance from the International Islamic University Malaysia.

At Governor Muhammad Ibrahim's first policy meeting on May 19, 2016 as chief, he announced that the overnight policy rate is maintained at 3.25%. The decision was expected by many of the 21 economists surveyed by Bloomberg News.

The stand on monetary policy remained accommodative and supportive of economic activity. The 3.25 level had been in place since Sept 2014.

Muhammad's appointment last month as a successor to Zeti Akhtar Aziz triggered a bounce in the currency and stocks, but that was short-lived.



Source: Bank Negara Malaysia

As a net oil exporter, Malaysia has been hit by a two-year slump in energy prices, while China's slowdown has cut demand from its second-biggest export market.

The ringgit has see-sawed amid the uncertain economic outlook, turning Asia's best performance in the first three months of 2016 to the region's worst in the current quarter.

The currency was down 0.6% at 4.0735 per dollar as of 9.57am in Kuala Lumpur on May 19, 2016, according to prices from local banks compiled by Bloomberg. On 31 May, the ringgit closed lower at 4.12 to 1 USD.

While Bank Negara hasn't reduced the key rate since 2009, it cut the statutory reserve requirement ratio in February 2016.

That released 5 billion ringgit (\$1.2 billion) to 6 billion ringgit of liquidity, or about 0.3% of total deposits, into the banking system.



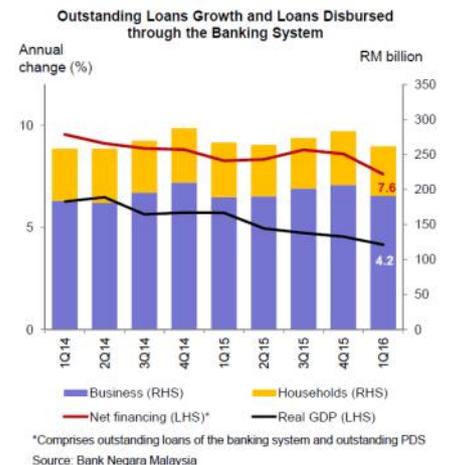
Malaysia's external sector will continue to be constrained by the weak global environment, the central bank said.

It expects economic activity to improve with domestic demand remaining the key driver of growth.

Inflation is expected to trend lower for the rest of the year after averaging 3.4% in the first quarter.

The tightness in liquidity conditions could return if the downside risk to growth does materialize," said Weiben Ng, an economist with ANZ in Singapore.

If you see growth undershooting, if you see further tightening in the banking system liquidity, then definitely there could be risks of further overnight policy rate cuts or even statutory reserve requirement cuts.



*Comprises outstanding loans of the banking system and outstanding PDS
Source: Bank Negara Malaysia

Increased liquidity has been channeled to support economic activities. Based on Bank Negara's statistics, borrowers (companies and individuals) with servicing capacity continued to have access to financing and level of loans disbursed was sustained. Growth in household debts has moderated further over 14 consecutive quarters (since 2011). About 76% of Malaysian business borrowings are funded domestically.



Source: Bloomberg: Movement of Ringgit vs USD

AirAsia flies to Guangzhou from Senai International Airport



Tun Jeanne Abdullah hands souvenirs to a group of tourists on AirAsia's maiden flight from Guangzhou to Johor Baru at Senai International Airport yesterday. — Picture by Bernama

The inaugural AirAsia Guangzhou-Johor Bahru flight landed at the Senai International Airport on May 29, 2016. This will bring a total of 7th international flights from Johor Bahru after Bandung, Surabaya, Yogyakarta, Bangkok, Hatyai and Ho Chi Minh. Next on the radar will be a direct flight to Philippines to be announced later. With the direct flight to Guangzhou which is a major transit point in China, Johor is targeting an increase of visitors from China. Last year, there were 797,862 arrivals from China compared with 628,087 arrivals in 2014, an increase of 25%.

'These are the figures we received from the Immigration Department Chinese tourists will stay a night or two in Johor Bahru before they visit Malacca or Kuala Lumpur,' said Datuk Tee Siew Keong, State Tourism Executive Councillor.

'I am looking at a 30% increase of Chinese tourists coming into Johor Bahru this year to make it one million arrivals from China. The daily Guangzhou-JB flight will help us achieve the magical million mark,' he said.

The online e-visa application, waiver of visa fee and a dedicated counter for visa-on-arrival applications for Chinese tourists at the Second Link will help facilitate the Chinese tourists to visit Iskandar Malaysia and Malaysia. Besides sightseeing and shopping in Johor, Chinese visitors are also visiting the show galleries of the Chinese developers such as Country Garden @ Danga Bay, Forest City, Puteri Cove and Jade Garden by Greenland.

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BizWatch

1,000 Trees Planted In Laman Rimba Medini



Tun Jeanne Abdullah, planting the first tree

About 1,000 trees was planted in Laman Rimba, Medini on May 26, 2016 through a program called "Program Hutan—Taman Angkat Iskandar Malaysia" in an effort towards making a conducive recreational park in Iskandar Malaysia.

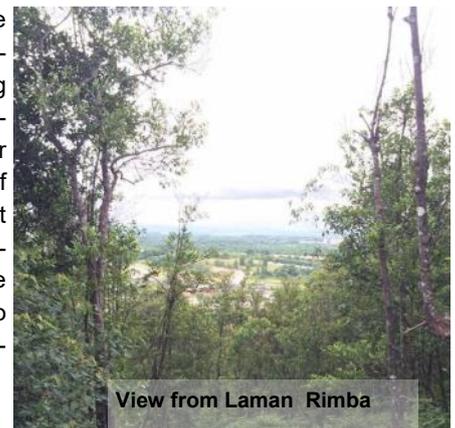
The program was held in collaboration between Iskandar Regional Development Authority (IRDA) together with Majlis Perbandaran Johor Bahru Tengah (MBJBT) and Medini Iskandar Malaysia.

The launching of the program was officiated by the Chairman of Landskap Malaysia, Tun Jeanne Abdullah, witnessed by the Chief Executive of IRDA, Datuk Ismail Ibrahim, Managing Director & Chief Executive Officer of Medini, Datuk Ir Khairil Anwar Ahmad and Yang Di Pertua Majlis Perbandaran Johor Bahru Tengah, Dr. Badrul Hisham Kassim.

According to Datuk Ismail Ibrahim, the program is in line with the Iskandar Malaysia's Comprehensive Development Plan ii (2014—2025), which highlighted the importance of building a sustainable low carbon metropolis of international standing.

Together in smart partnership between the private sector and government authorities, a greener Iskandar Malaysia could be achieved.

Laman Rimba Medini will complement the several Hutan Bandar parks located in Iskandar Malaysia. It can be a community recreational hub bringing together the new communities in Iskandar Puteri. The growth of the students enrolment in EduCity and Iskandar Puteri can provide the catalyst 'energy' to build a stronger eco-system.



View from Laman Rimba