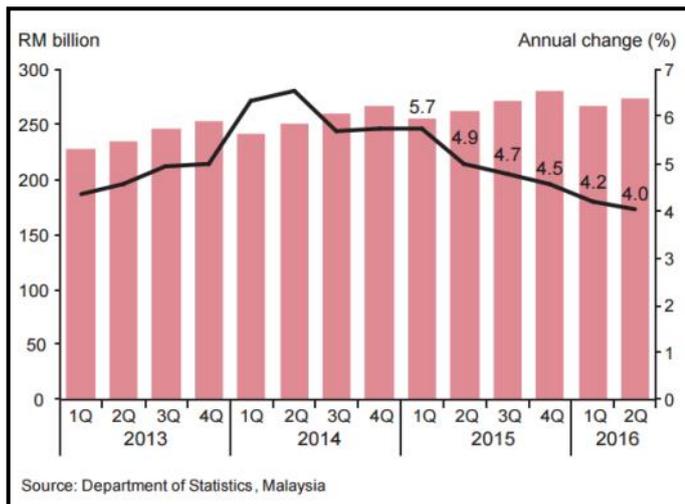


Malaysia Growth Slows For The Fifth Consecutive Quarter In The Second Quarter Of 2016

IN line with market expectations, Malaysia's economic growth had declined for the fifth consecutive quarter or to its slowest in seven years at 4% during the April-June quarter of 2016, down from 4.2% in the preceding quarter.



GDP by Economic Activity (at constant 2010 prices)

	Share 2015 (%)	2015		2016		
		2Q	1H	1Q	2Q	1H
		Annual change (%)				
Services	53.5	5.0	5.7	5.1	5.7	5.4
Manufacturing	23.0	4.2	4.9	4.5	4.1	4.3
Mining	9.0	6.0	7.8	0.3	2.6	1.4
Agriculture	8.9	4.6	0.3	-3.8	-7.9	-6.0
Construction	4.4	5.6	7.6	7.9	8.8	8.4
Real GDP	100.0¹	4.9	5.3	4.2	4.0	4.1
Real GDP (q-o-q seasonally adjusted)	-	0.9	-	1.0	0.7	-

¹ Numbers do not add up due to rounding and exclusion of import duties component

Source: Department of Statistics, Malaysia

demand components were the key growth drivers and their performance underscores the health and resilience of our economy

Although Malaysia is experiencing slower growth and an increasingly challenging economic environment, the country would be able to meet the Government's full-year growth target of 4% to 4.5% for 2016.

On a cumulative basis, Malaysia's GDP grew 4.1% in the first six months of 2016, compared with 5.3% in the corresponding period last year.

According to BNM, while uncertainties in the global environment could weigh on Malaysia's growth in the second half of 2016, the country's domestic demand growth would remain supported by several factors, including higher wages for civil servants and the upward revision in minimum wages; continued implementation of infrastructure projects; and improved commodity production in line with the diminishing effect of El Nino.

The weakness, uncertainties and headwinds faced by the Malaysian economy will likely be from the more challenging global environment.

Nevertheless BNM is quite confident that our sound fundamentals, pre-emptive policies and well-diversified economy have placed us in a good position to weather these shocks and challenges.

Meanwhile, the trend of capital flows in the prevailing uncertain global economic environment will continue to affect the value of the ringgit over the short to medium term.

The spot ringgit was quoted at 4.07723 against the US dollar on August 30, 2016.

This was hardly surprising, given the persistently weak external environment.

According to Bank Negara Malaysia (BNM), Malaysia's gross domestic product (GDP) growth during the quarter in review was weighed down by the continued decline in net exports and a significant drawdown in stocks. Stronger expansion in domestic consumption growth was the only saving grace for the country's economy.

Contribution to growth (percentage point)	2015	1Q 2016	2Q 2016
Real GDP	5.0	4.2	4.0
Domestic demand*	4.7	3.3	5.7
Private consumption	3.1	2.8	3.3
Private investment	1.1	0.4	1.1
Public sector	0.5	0.1	1.4
Change in stocks	0.6	2.0	-1.2
Net exports of G&S	-0.4	-1.2	-0.6

* Excluding stocks.
Note: Figures do not necessarily add-up due to rounding.
Source: Department of Statistics, Malaysia.

Like many other countries in Asia, our economic expansion was supported by domestic demand and both private consumption and private investment reported stronger growth. These two domestic-

Malaysia Growth Slows For The Fifth Consecutive Quarter In The Second Quarter Of 2016 (cont.)

Year-to-date, this represented a gain of 5.30% from 4.2933 to the greenback at the start of 2016, and made the ringgit the best-performing currency so far in Asia excluding Japan. This was a reverse from being the worst performer in 2015.

5 Year Ringgit Performance



Over the short term, however, stability would still be far reach for the Malaysian currency.

Volatility is the new normal for the ringgit and in the short term, the ringgit as with other regional currencies will be influenced by a lot of noises because of growth, geo-political events and policy changes in major economies over the long term, though, the ringgit will reflect the strong economic fundamentals.

BNM points out that there will be three factors that will continue to drive the exchange rates of the ringgit against the US dollar, as well as the performance of other regional currencies. These are the changing expectations of the US interest rate hike, global crude oil price, and impact of United Kingdom's referendum to leave the European Union, or Brexit.

On the country's interest rates, Datuk Muhammad Ibrahim, Governor of Bank Negara says the central bank will continue to monitor the country's growth conditions, as well as the inflation rate and the risk of financial imbalances before making any changes.

The central bank in July cut the overnight policy rate by 25 basis points to 3%. The adjustment, aimed at supporting the domestic economy, had already started to impact the market and retail interest rates. It is expected that such cuts will spur domestic consumption and drive the economy.

For instance, the three-month Kuala Lumpur Interbank Offered Rates had already declined 25 basis points to 3.4%. And as at end-July, the weighted average base rate of commercial banks had decreased by 21 basis points to 3.62%, while the fixed-deposit rates fell by an average of 18 basis points for tenures of less than one year.

BizWatch

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Malaysia's economic growth has been merely driven by the domestic activities instead of the external activities.

This are evidenced by the large increase in the public and private sector contribution to the local economy in the second quarter of 2016.

The public sector has embarked into its investment into key infrastructure projects that will spur the domestic economic activities. On the private sector, the initiatives rolled by the government to increase spending such as the cut in the EPF employees' contribution by 3% from 11% to 8% has resulted to an increase in consumer spending activities into the economy thus mitigating some of negative net exports experienced by Malaysia.

Of concern, though, is the country's narrowing current account surplus because of deteriorating net-export receipts in an environment of subdued global trade flows.

If Malaysia's current account slips into negative territory, Malaysia, which has already been running on fiscal deficits for the past 18 years, will be in a twin-deficit situation eg. a current account deficit and a fiscal deficit. This will have negative implications on the country's credit ratings and currency value.

Malaysia's fiscal deficit is expected to narrow to 3.1% of GDP by end 2016, from 3.2% in 2015.

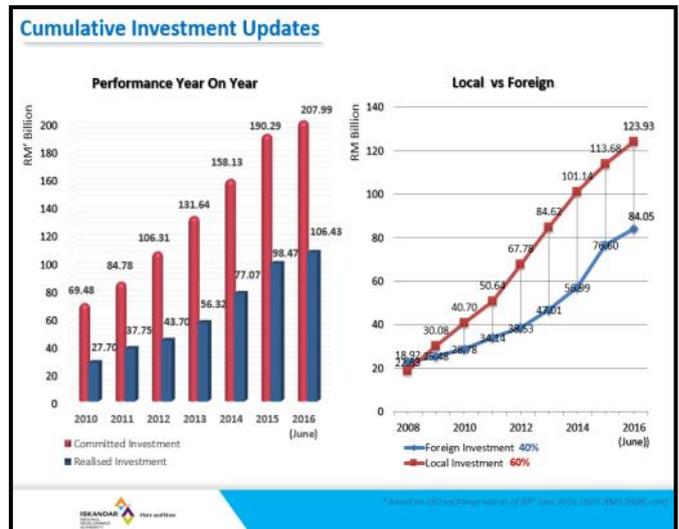
During the second quarter of 2016, Malaysia's current account surplus narrowed to RM1.88bil, or 0.6% of gross national income (GNI), from RM5.04bil, which was 1.8% of GNI, in the preceding quarter. This was attributable to lower trade surplus on account of higher imports for investment and production and higher net income payments.

BizWatch is of view that the economic situation moving forward will be challenging for Malaysia. However, while the economy and Ringgit are deteriorating, Malaysia or Iskandar Malaysia are still considered as one of the preferred investment destination in ASEAN/ Asia given its conducive environment, world class infrastructures and superb connectivity, multi-lingual talent pools, cost competitiveness as well as huge opportunities catchment within Asia.

For Iskandar Malaysia, we at IRDA would need to continue our effort in promoting and attracting quality investments as well as to focus on improving our delivery services to facilitate investments. Only by working closely with our stakeholders, be it Government Ministries and Agencies (both Federal and State) as well as private investors that we can build the synergy to overcome the challenge of a slower growth in 2016 and beyond.

**Iskandar Malaysia
Investment Performance
2006 - June 2016**

BizWatch



From January 2016 to June 2016, Iskandar Malaysia has managed to attract a total of committed investments of RM17.70 billion, making a total cumulative committed investments of RM208 billion for the period of 2006 to June 2016.

Out of the total cumulative committed investments of RM208 billion, 51% or RM106 billion had been realized to-date.

Retail / Mixed development is now the largest contributor of committed investments at 27% or RM57.19 billion followed by manufacturing at 26% or RM53.68 billion and residential properties at 20% or RM40.87 billion. Taken together, the contribution of mixed and residential development formed the largest contributor to the committed investments.

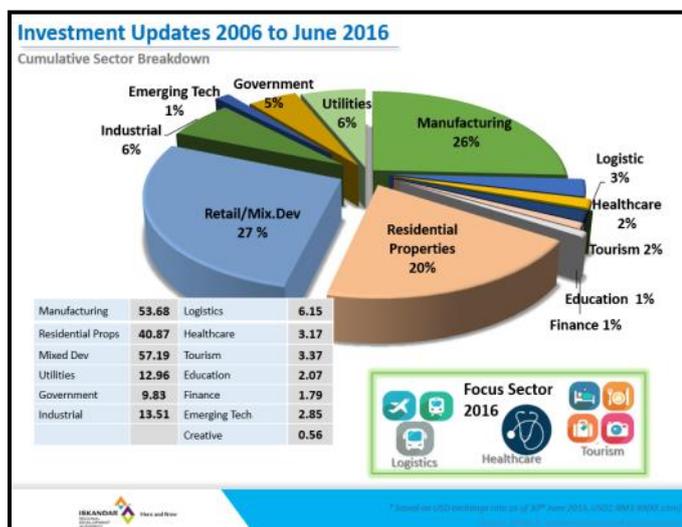
Manufacturing remained a significant contributor. Based on approved manufacturing statistics released by MIDA (Jan-Mac 2016), Johor remained in the top 5 states attracting investments of RM1.16 billion in 37 projects and Johor has been the top state for the last three years. The implementation of these projects together with the mixed and residential development is expected to drive the economic growth for Johor and Iskandar Malaysia in the next 5 years.

Local investments continued to dominate the investment landscape in Iskandar Malaysia, accounting for 60% or RM123.93 billion of the total cumulative committed investment of RM208 billion, while foreign investors took up the balance of 40% which equivalent to RM84.05 billion.

China, with total investments of RM23.77 billion is now the largest foreign investor in Iskandar Malaysia with strong presence in the properties sector, overtaking Singapore. Singapore with total investments of RM19.14 billion has with strong presence in the manufacturing (especially in food processing) and services (in education and healthcare) as well as in the property sectors.

The USA and Japan with total investments of RM7.06 billion and RM4.26 billion are Iskandar Malaysia's third and fourth largest foreign investors and are largely in the manufacturing sector.

Moving ahead, we shall continue to see China and Singapore as our top investors with strong performance from Japan, Korea and Indonesia.



Najib Launches Iskandar Malaysia Intellectual Property Policy

(source: Bernama)

Iskandar Malaysia Intellectual Property Policy, developed in 2014 was officially launched by YAB Prime Minister in conjunction with the 20th Members of Authority meeting on 25 August 2016.

According to Iskandar Regional Development Authority (IRDA) Chief Executive, Datuk Ismail Ibrahim, the policy was introduced following interest from investors and strategic partners who wanted to carry the Iskandar Malaysia brand in their company names and projects.



Over the past five years, Iskandar Malaysia has developed a high awareness level amongst its stakeholders, communities and investors and this has contributed to the strong brand equity today.

Ismail said the strong branding of Iskandar Malaysia had been contributed by the region's success in attaining a multitude of achievements especially in attracting catalytic investments and leading the way towards becoming a smart region.

"The decision to initiate the Iskandar Malaysia Intellectual Property Policy also echoed the Federal government's National Intellectual Property Policy," he said.

As a regulatory authority mandated to plan, promote and facilitate the development of Iskandar Malaysia, Ismail said IRDA too had in its possession information and know-how of many strategies, plans and blueprints, some of which had been produced and published.

With all the intellectual property in hand, IRDA realized that these are extremely valuable assets and their use and exploitation must be closely regulated and managed to ensure exclusivity and distinction," he added.

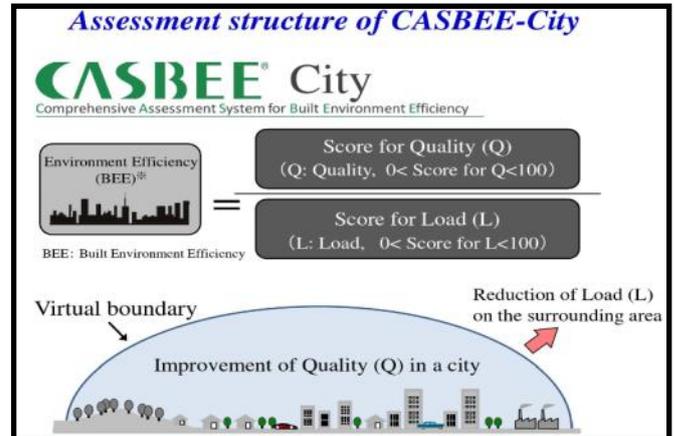
**ISKANDAR
MALAYSIA**

For more information on Iskandar Malaysia Intellectual Property Policy and application forms, do visit our website at www.irda.com.my and click on the "IP Policy" section"



BizWatch

IRDA would continue its effort to make Iskandar Malaysia a 'smart city' with the newly-produced Comprehensive Assessment of Built Environment Efficiency (CASBEE) Iskandar manuals as assessment tool to encourage building owners and developers to 'go green'.



Datuk Ismail Ibrahim, Chief Executive of Iskandar Regional Development Authority (IRDA) said CASBEE has been successfully used in over 1,700 municipalities in Japan as an assessment tool and to encourage green development and to suit the local context in Iskandar Malaysia, CASBEE Iskandar pilot project has been carried out and is thus, well tested.

"The assessment involves the level of quality within the targeted built environment, while accounting for environmental load outside the targeted built environment," said Datuk Ismail.

"Several buildings, urban developments and local authorities in Iskandar Malaysia were selected to test out the newly adapted CASBEE Iskandar Manuals namely J.S.T Connectors (M) Sdn Bhd, Heng Hiap Industries Sdn Bhd, JLand Tower, Komtar JBCC and the Molek Pine 4.

"For CASBEE Iskandar Urban Development, two townships were assessed namely The Seed, Taman Sutera Utama and Bandar Dato' Onn, Johor Bahru. As for CASBEE Iskandar Cities, three local authorities were selected, they were Majlis-Bandaraya Johor Bahru, Majlis Perbandaran Johor Bahru Tengah and Majlis Daerah Kulai," added Datuk Ismail.

We would like to see more development adopting the CASBEE Iskandar tools towards low carbon society and better environment which will contribute to the sustainable development of Iskandar Malaysia.

Editorial

Economics & Investment

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