IM BizWatch
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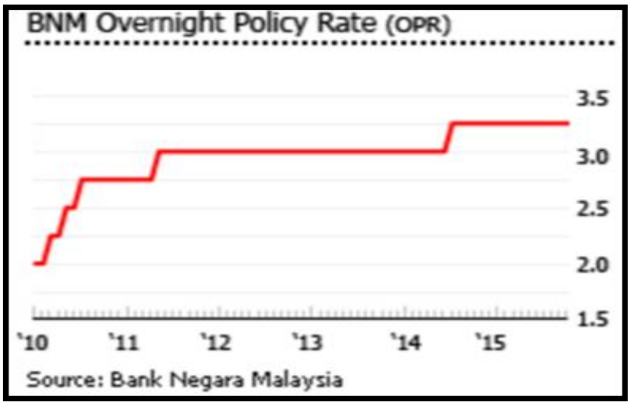
NEWS · INFORMATION · OPPORTUNITIES
ISKANDAR REGIONAL DEVELOPMENT AUTHORITY

Bank Negara Cuts OPR to 3% The First in Seven Years (Source: BNM 13 July 2016)

Bank Negara Malaysia (BNM) has reduced the Overnight Policy Rate (OPR) by 25 basis points from 3.25% to 3.00% at its Monetary Policy Committee (MPC) meeting on July 13, 2016, citing rising risks from Britain's exit from the European Union.



The monetary policy committee, chaired by BNM governor, Datuk Muhammad Ibrahim, has warned that the slow global growth pace and uncertainties in the global environment could weigh on Malaysia's growth prospects.

The global economy continues to record growth at a more moderate pace, across major advanced and emerging market economies.

In Asia, persistent weakness in the external sector has weighed on growth, although domestic demand remains supportive.

Looking ahead, there are increasing signs of moderating growth momentum in the major economies. Global growth prospects have also become more susceptible to increased downside risks in light of possible repercussions from the EU referendum in the United Kingdom. International financial markets could also be subject to greater volatility going forward. In this light, global monetary conditions are expected to remain highly accommodative.

For Malaysia, domestic demand continues to be the main driver of growth. Private consumption will be supported by growth in income and employment, and measures implemented by the Government. While investment in the oil and gas sector is moderating, overall investment is expected to be supported by the ongoing implementation of infrastructure projects and capital spending in the manufacturing and services sec-

tors. Exports are projected to remain weak following more subdued demand from Malaysia's key trading partners.

Overall, while the domestic economy remains on track to expand in 2016 and 2017, the uncertainties in the global environment could weigh on Malaysia's growth prospects.

Inflation was lower as the impact from the Goods and Services Tax (GST) implemented in April 2015 has already been factored in and is expected to remain stable in an environment of low global energy and commodity prices and generally subdued global inflation. Consequently, inflation is projected to be lower at 2 – 3% in 2016, compared to an earlier projection of 2.5 – 3.5%, and will continue to remain stable in 2017.

Overall domestic financial conditions have remained stable since the previous MPC meeting with financial markets continuing to function in an orderly manner. The risks of destabilising financial imbalances have receded. Both macro and micro prudential measures as well as supervisory oversight have resulted in more prudent lending standards and contained speculative activities in the property market.

The adjustment to the OPR is intended for the degree of monetary accommodativeness to remain consistent with the policy stance to ensure that the domestic economy continues on a steady growth path amid stable inflation, supported by continued healthy financial intermediation in the economy. The MPC will continue to monitor and assess the balance of risks surrounding the outlook for domestic growth and inflation.

Bank Negara Cuts OPR to 3%
The First in Seven Years (cont.)

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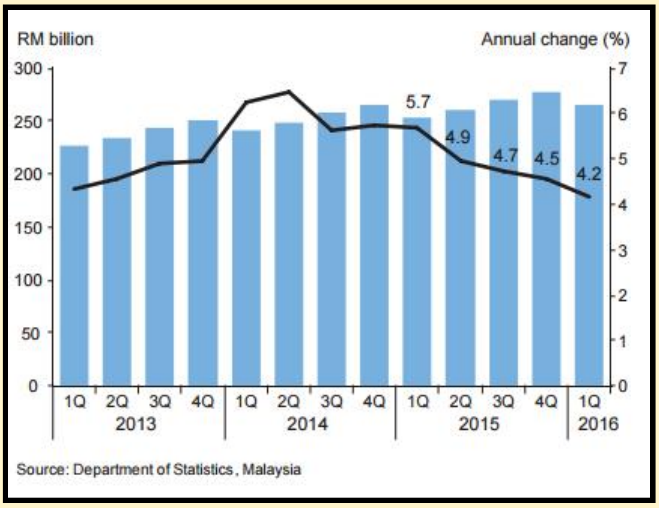
The decision by BNM to lower down the OPR to 3.00% has resulted commercial banks to lower down its Base Rate (BR) and Base Lending Rate (BLR) accordingly. Maybank for instance has announced that its BR and BLR been reduced from 3.20% to 3.00% and 6.85% to 6.65% respectively.

The impact of reducing BLR will translate into a higher disposable income for consumers especially for those who are servicing loans that are pegged to the BR or BLR. On top of that, reducing BLR will make borrowings relatively cheaper than before thus pushing the demand for big ticket items such as car and housing loan. However, the current market sentiment is still weak for the property market and it is unsure how much will the drop in BR and BLR will simulate demand for new properties. For businesses, the relatively cheaper loan can attract businesses to embark for expansion and diversification.

BizWatch is of the opinion that the move by BNM is timely given the weak external economic uncertainties led by the Brexit development that has indirectly affected Malaysian economy as well. In view of the weak Malaysian economy, it is now important for the economy to grow driven by the domestic activities and lowering down the OPR is one of the tools to stimulate the weak economy. Bear in mind that the Malaysian GDP has been showing signs of sluggish quarterly growth of 4.2% in the

Malaysia: Quarterly GDP growth (%)



first quarter of 2016, the slowest growth in six years.

With the lower interest rate, deposit rate will go down accordingly. Generally, the deposit rate will go lower than the reduction in loan interest rate, giving a lower return to investors. Wise investors may have to diversify their portfolio into other investment goods such as investing in equity (or share market) in counters with high dividend payout, investing in bonds or capital guaranteed products such as those offered by insurance and asset management companies including unit trusts and REITs.

As of July 31, 2016, the Ringgit has strengthened against the Pound closing at RM5.33 and against USD at RM4.03. Can we hope for a continued strengthening of Ringgit until Dec 2016? Only time can tell…...

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High Speed Rail Malaysia - Singapore

(source: channelnewsasia, press release etc 19th July 2016)

Picture: Justin Ong CNA

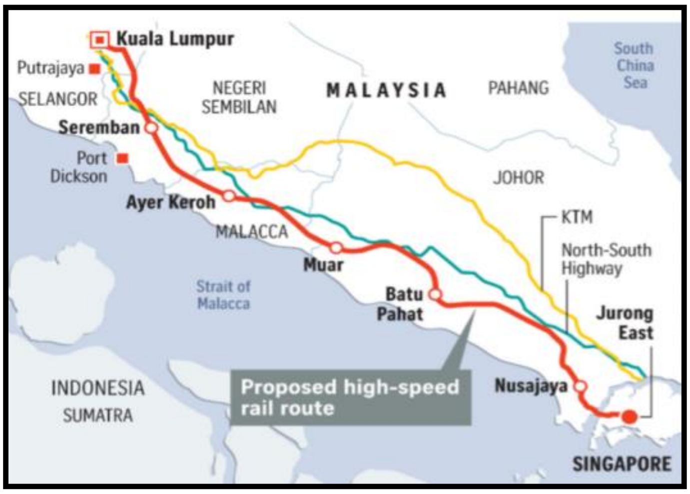
Putrajaya, Malaysia: A Memorandum of Understanding (MOU) on the Singapore-Malaysia High-Speed-Rail (HSR) project was signed by the Malaysian Minister in the Prime Minister's Department, Dato Abdul Rahman Dahlan and the Singapore Transport Minister and Coordinating Minister for Infrastructure, Mr Khaw Boon Wan, witnessed by Malaysia Prime Minister (PM), Dato' Seri Najib Razak and Singapore Prime Minister, Lee Hsien Loong.

The HSR project was first unveiled in Feb 2013 by both PMs at the Leaders' Retreat . The MOU captured the key points of agreement on the project including technical parameters, commercial model, customs, immigration and quarantine clearance, safety and security matters, regulatory framework as well as project management.

'Game Changer'

The 350km line is expected to reduce travel time between Singapore and Kuala Lumpur to around 90 minutes.

PM Lee pointed to the economic benefits that would come from being 'next door to one another, one and half hour away'. PM Najib concurred and added '...We expect the creation of 30,000 jobs through the implementation of the HSR'.



High Speed Rail Malaysia - Singapore (cont.)

The cost of the project is not known yet, but values of between RM50 billion and RM60 billion have been mentioned by Second Finance Minister, Datuk Johari Abdul Ghani.

The entire project will be completed by 2026, a timeline officials overseeing the project says is a firm date. Tenders will be awarded after next year and construction will start presumably in the second half of 2018 as the tender process will only begin after the agreements are inked.

HSR project is viewed positively in providing long-term job flows to the construction sector, until 2026.

This will be on top of the next phase of urban rail construction that will start this year, (Klang Valley MRT 2 and Klang Valley LRT 3 and beyond Klang Valley MRT 3.

Although sizeable jobs could go to the foreign contractors due to their experience, domestic contractors and building material suppliers will benefit too, on expectations that the 30% rule-of-thumb for government jobs to stay with the locals, remains valid in this case.

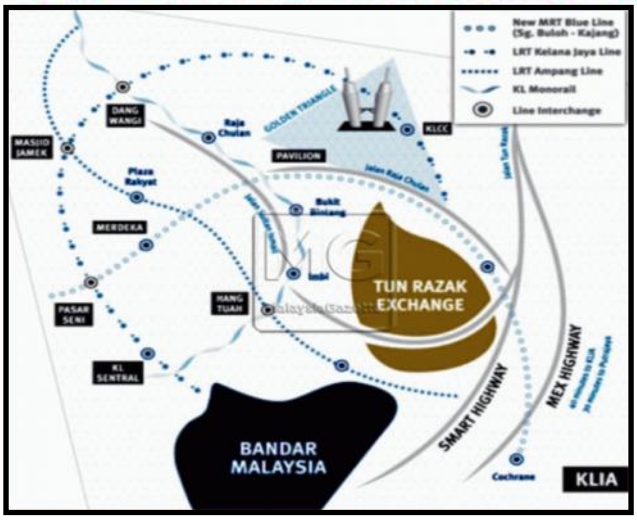
High speed rail 'gainers'

- Construction
- Property
- Building materials
- Steel

One direct benefit of the HSR, apart from the thousands of new jobs it will create, is the impact it will have on the property sector.

Between Singapore (Jurong Lake District JLD) to Kuala Lumpur (Bandar Malaysia), the HSR will connect to 6 transit locations which are Putrajaya, Seremban, Ayer Keroh (Melaka), Muar, Batu Pahat and Iskandar Puteri (Nusajaya). The last 3 locations are in Johor and Iskandar Malaysia.

The terminus at Bandar Malaysia will see it not only house the high speed rail but also be connected to 2 MRT lines, one KTM line and to the ERL. The link with the ERL will add connectivity



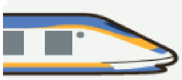
to KLIA and KLIA2 and the other rail lines will see Bandar Malaysia emerging as a big transport hub to complement KL Sentral.

Such connectivity will also aid in the development of Bandar Malaysia, a 486-acre site that is just a stone's throw away from TRX and KLCC.

Officials say the station at Seremban will actually help to boost the development of the state's Vision Valley project, a 108,000 ha development that will be spearheaded by the private sector and have, according to reports, a gross development value of RM640 billion over 30 years.

Commuter travel from the HSR stations to nearby towns in Malaysia will also be improved, either through buses or trams.

The station at Iskandar Puteri (formerly known as Nusajaya) will be a big benefit to property development in Iskandar Malaysia. Complimenting with the Rail Transit System (RTS) linking the Thomson line in Singapore to Johor Bahru city and the Bus Rapid Transit, the overall connectivity by public transportation in Iskandar can improve up to 90%. As of today, there is already a growing population of expatriates putting their families in Iskandar Puteri and commuting to Singapore for work.

	Service (years)	First mooted	Work started	Operator	Distance	Travel time	Frequency	Capacity	Fares
 Shinkansen	52	1930s	1958	Central Japan Railway Company, also known as JR Central	552.6km	2hr 22mins for Nozomi	At least 201 daily departures on the Nozomi both ways: A Nozomi train runs about once every 10 minutes.	1,323 seats on each train.	14,450 yen (S$184.60) for the Nozomi; 14,140 yen for the Hikari and Kodama.
 Eurostar	22	1964	1988	Eurostar	495km from London to Paris, 373km from London to Brussels	2hr 15mins from London to Paris, 2hr from London to Brussels	On average, London-Paris trains run every hour from 6am to 8pm on weekdays, while there are nine London-Brussels services a day on weekdays.	Up to 900 seats on each train.	Standard fares start at £45 (S$80) for a single trip and £58 for a return trip on both routes. Business-class fares are £276 for a single trip and £490 return.
 China HSR	5	1990	2008	Beijing-Shanghai High-Speed Railway Company	1,318km from Beijing to Shanghai	4hr 48mins	43 trains one-way each day, with departures every 19 minutes on average.	Up to 1,028 seats on each train (there are different trains, some 8-car, some 16-car).	553 yuan (S$112.45) for a second-class seat, 933 yuan for a first-class seat and 1,748 yuan for a VIP seat.
 Taiwan HSR	9	1990s	2000	Taiwan High-Speed Rail Corporation	345km	96 mins	Around 18 trains one-way each day on the fastest service; with departures every hour.	989 seats on each train.	NT$1,490 (S$63.20) for the standard car and NT$1,950 for the business car.

SUNDAY TIMES GRAPHICS

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Iskandar Malaysia To Accommodate More Theme Parks

(adapted from The Star, 25th July 2016)

Iskandar Malaysia is set to become a regional theme park hub, with more theme parks expected to be set up in the region.

According to the State Tourism, Trade and Consumerism committee chairman, Datuk Tee Siew Kong, talks are going on between the authorities and the theme park operators from other countries to set up their theme parks in Iskandar Malaysia.

According to him, Iskandar Malaysia will have eight theme parks within the next three to five years.

The new theme park's size will range between 20.33 ha and 40.46 ha and they could be either outdoor or indoor theme parks. One of the theme parks in Iskandar Malaysia would be an indoor IT-based theme park.

The investment of the new theme parks in Iskandar Malaysia could range from RM500 million per project and could go up to RM1 billion, depending on the size of the theme parks.

The theme parks in Iskandar Malaysia will cater for all age groups and the whole family including youngsters, teenagers and adults.

Iskandar Malaysia currently has LEGOLAND Malaysia Theme Park, the Hello Kitty Indoor Theme Park @ Puteri Harbour, the Angry Birds @ JBCC and the Mount Austin Water Theme Park.

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The more theme parks there are, the merrier it will be!
Theme parks clustering similar to the theme parks in Gold Coast Australia and Orlando USA has a higher catalytic impact than stand alone parks. It will create more job opportunities to the local community as well as more choices for consumers to choose from.

Healthy competition among theme park operators to attract customers in terms of pricing and offerings can definitely benefit the customers and it would be good if there could be better coordination amongst theme park operators and travel agencies to package the products and promote them to different target markets.

Super Group Establishes Principal Hub in Johor

(18th July 2016)

The Super Group Ltd from Singapore, a leading instant F&B brand owner, with more than 300 instant beverages and convenient food products distributed in 52 countries around the world established their principal hub in Iskandar Malaysia. Officiated by Datuk Azman Mahmud, Chief Executive Office of the Malaysian Investment Development Authority (MIDA), Super Food is one of pioneer approved recipient of the Principal Hub (PH) incentive launched in 2015.

Datuk Azman said, ' Last year (2015), we had six companies. This year, nine have been given this status with total business spending of RM8.69 billion'.

"We hope more companies will follow in Super Group's footsteps and leverage on this scheme as it will serve to raise their efficiency and profits as well as enhance their supply chain', he added.

Super Group Ltd executive director, Darren Teo in the speech said that the Singapore-based company has invested about RM500 million to set up its plant in Johor since 1998. He added that Malaysia was a preferred hub where Super houses most of their key manufacturing and R&D activities. The facilities in Johor is one of the largest instant coffee plant in South East Asia with an annual capacity of 20,000 metric tonnes.

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