

Iskandar Malaysia Investment Performance 2016

Kudos to Iskandar Malaysia for achieving the corporate stretch target of RM30 billion of committed investment for 2016 despite the many uncertainties in 2016.

For the year 2016, Iskandar Malaysia had secured RM32.15 billion worth of committed investment, which is 7.2% higher than the stretched target of RM30 billion. This brings the total cumulative committed investment for Iskandar Malaysia for the period of 2006 until 2016 to RM222.44 billion.

Out of the total cumulative committed investment of RM222.44 billion, 54% or RM119.50 billion has been realized.

Contribution by Sectors

Property and manufacturing sectors are the main contributors to the total cumulative committed investment.

Mixed development, with total investment of RM57.72 billion accounted for 26% of the total cumulative committed investment, followed by manufacturing of RM57.38 billion or 25%. residential properties of RM44.43 billion or 20% and industrial properties of RM19.84 billion or 9%.

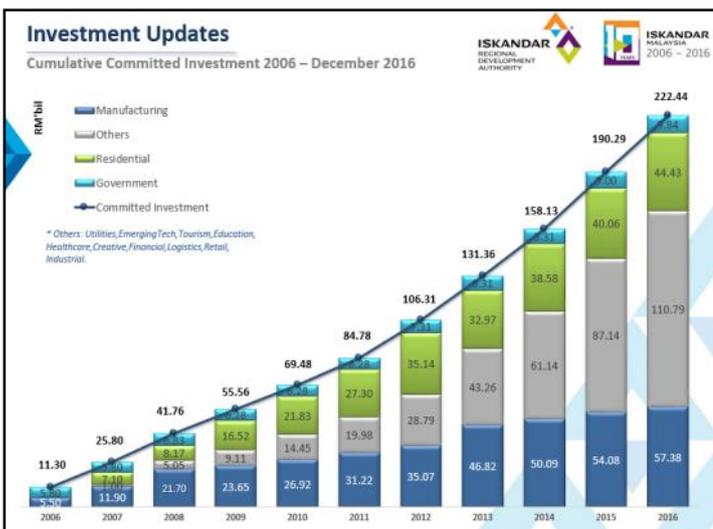
In terms of promoted sectors of Iskandar Malaysia, the promoted sectors accounted to RM74.71 billion or 34% of the total cumulative committed investment. The services sector made up RM17.33 billion.

On the local vs. foreign investment, the ratio is at 60:40 which translates to RM134.50 billion for local investment with the remaining RM87.95 billion from foreign investment.

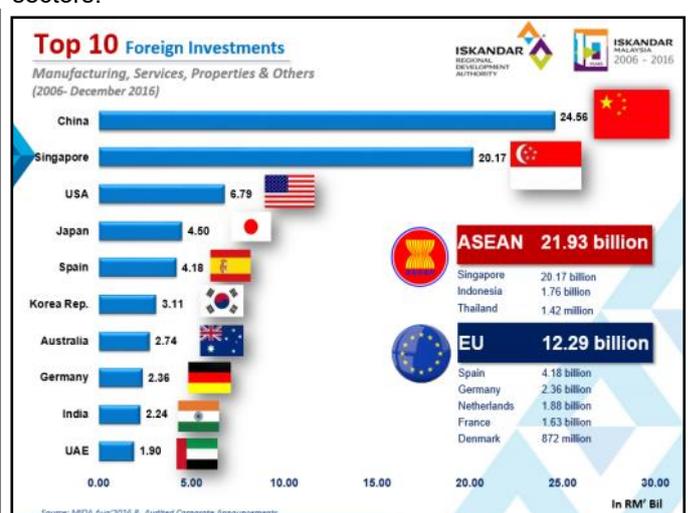
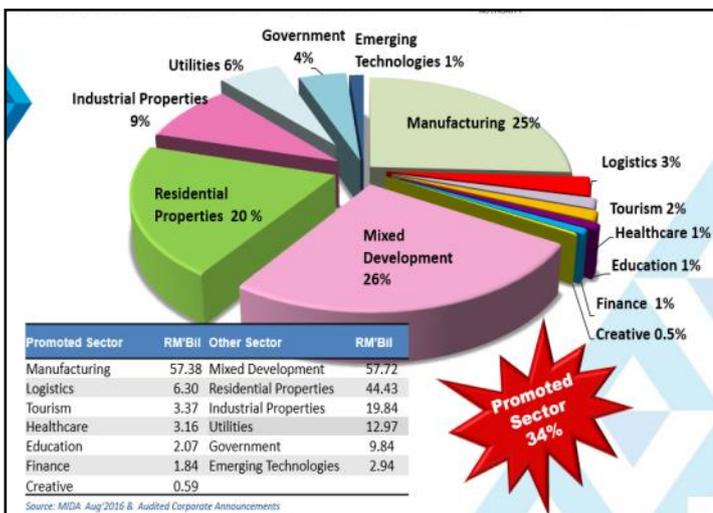
Top foreign investment is from China with total investment worth RM24.56 billion, followed by Singapore (RM20.17 billion) and USA (RM6.79 billion).

China's investment in Iskandar Malaysia is mainly in the property development sector which saw the presence of big and listed Chinese property development company such as Country Garden, Greenland and R&F Properties undertaking massive waterfront development projects in Iskandar Malaysia.

Investments from Singapore are more diversified and is mainly in the manufacturing, education and healthcare sectors.



Cumulative Sector Breakdown



Iskandar Malaysia Investment Performance 2016 (cont.)

Investments from Korea had made a huge progress to reach top 6th position in Iskandar Malaysia in 2016. In 2015, they were outside the top 10 list. While Johor has been one of the key locations for Korean investments in the manufacturing (besides Negeri Sembilan (Samsung) and Selangor (Posco, Hanwha), the Korean interest surged in 2016.

Major Korean investors in Iskandar Malaysia are:

- Lotte Chemical Titan
- Kiswire
- Lotte Ube
- Klswel
- EEW

With the news of top cosmetics manufacturer Amore Pacific setting up a factory in the SiLC Industrial Park, we are expecting more Korean interests in 2017.

While investments from Japan may have slowed in 2016, it remains an important investment source.

Investments from ASEAN (besides Singapore) had increased especially from Indonesia and Thailand.

IM BizWatch is of the view that investment from countries such as Indonesia, Japan and Korea will increase in the next 2 years as IRDA intensifies our engagement plans and target promotions to these countries.

For 2017, IRDA will continue to focus on engagements with potential investors from Singapore, European Union countries, Japan, Indonesia and Korea through trade missions, dialogues and through respective chambers of commerce and embassies. . On top of that, IRDA is also exploring new markets to promote the region to investors in countries such as India, Taiwan and Thailand.

Target Countries For 2017



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In view of the many uncertainties surrounding in 2016 such as Brexit, US increasing interest rates, China economy slowing down, IRDA achievements in delivering the cumulative committed investment in 2016 is commendable.

On the domestic front, the global economic uncertainties in 2016 had impacted the Malaysian economy which saw growth declined to 4.2% in 2016 as compared with 5.0% in 2015. We expect the total inward investments into the country in 2016 to be similarly affected.

For 2017, BizWatch is of the opinion that the mandate to secure another RM30 billion of investment would be challenging with the uncertainties in 2016 not resolved yet and with the change of current US policies following the change in the US presidency.

Also, the Brexit talk with the rest of the EU countries might be delayed to September 2017 as EU countries such as Germany, France and Netherlands will be holding their elections in 2017. This will prolong the uncertainties over the Brexit process.

Nonetheless, there will still be opportunities amidst uncertainties. Iskandar Malaysia offers a stable environment to nurture investments and its strategic location and position within ASEAN will continue to be a key value proposition to be investment destination of choice. What is more important is for IRDA and related Federal and State agencies to work closely together to ensure projects are implemented and committed investments translated into economic activities and employment.



IRDA will be organizing the Invest Iskandar Malaysia 2017 in August 2017, a signature event in our celebration of the 10th years of Iskandar Malaysia.

This exciting event will bring together thought leaders, market innovators and game changers to dialogue and exchange ideas on what makes a great investment destination.

Watch out for more details on the **Invest Iskandar Malaysia 2017**.

4Q2016 and 2016 GDP for Malaysia



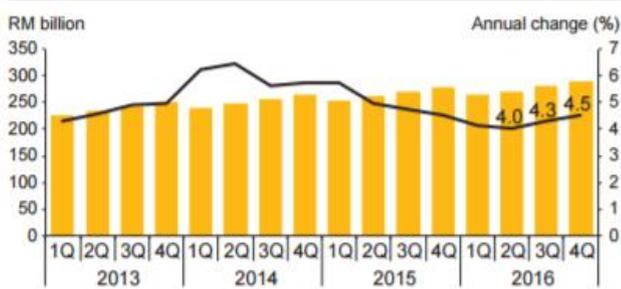
The Malaysian economy grew by 4.5% in the fourth quarter of 2016 (3Q 2016: 4.3%), underpinned by continued expansion in private sector expenditure. This

brings the GDP growth for the year to 4.2% which is within the Government estimate of between 4% and 4.5%.

On the supply side, growth continues to be driven by the manufacturing and services sectors.

On a quarter-on-quarter seasonally-adjusted basis, the economy recorded a sustained growth of 1.4% (3Q 2016: 1.4%).

The Economy Expanded by 4.5% in the Fourth Quarter (at constant 2010 prices)



Source: Department of Statistics, Malaysia

Overall, domestic demand expanded at a more moderate pace, as the sustained growth in private sector expenditure was partly offset by the decline in public expenditure.

In the fourth quarter, private consumption grew by 6.2% (3Q 2016: 6.4%), supported by continued wage and employment growth. Private investment registered a growth of 4.9% (3Q 2016: 4.7%), following continued capital spending in the services and manufacturing sectors.

Growth of public investment improved mainly on account of higher spending on fixed assets by public corporations, but nevertheless, remained in contraction during the quarter.

Public consumption also declined by 4.2% (3Q 2016: +2.2%) arising from the rationalization of spending on supplies and services and a moderation in the growth of spending on emoluments.

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GDP by Expenditure Components (at constant 2010 prices)

	Share 2016 (%)	2015		2016		
		4Q	Year	3Q	4Q	Year
		Annual change (%)				
Aggregate Domestic Demand (excluding stocks)	91.8	4.0	5.1	4.8	3.3	4.4
Private Sector	70.2	4.9	6.1	6.0	6.0	5.7
Consumption	53.3	4.9	6.0	6.4	6.2	6.1
Investment	16.9	4.9	6.4	4.7	4.9	4.4
Public Sector	21.6	2.1	2.1	-0.2	-2.6	0.4
Consumption	13.1	3.3	4.4	2.2	-4.2	1.0
Investment	8.5	0.4	-1.0	-3.8	-0.3	-0.5
Net Exports	8.1	4.3	-3.8	5.9	5.8	-1.8
Exports of Goods and Services	70.0	4.0	0.6	-1.3	1.3	0.1
Imports of Goods and Services	61.9	4.0	1.2	-2.3	0.7	0.4
GDP¹	100.0¹	4.5	5.0	4.3	4.5	4.2
GDP (q-o-q growth, seasonally adjusted)	-	1.2	-	1.4	1.4	-

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

GDP by Economic Activity (at constant 2010 prices)

	Share 2016 (%)	2015		2016		
		4Q	Year	3Q	4Q	Year
		Annual change (%)				
Services	54.2	5.0	5.1	6.1	5.5	5.6
Manufacturing	23.0	5.0	4.9	4.2	4.8	4.4
Mining	8.8	-1.3	4.7	3.0 ¹	4.9	2.7
Agriculture	8.1	1.5	1.2	-6.1 ¹	-2.4	-5.1
Construction	4.5	7.4	8.2	7.9	5.1	7.4
Real GDP	100.0¹	4.5	5.0	4.3	4.5	4.2
Real GDP (q-o-q seasonally adjusted)	-	1.2	-	1.4	1.4	-

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

On the external front, net exports contributed positively to growth as real exports expanded at a faster rate than real imports.

On the supply side, growth in the manufacturing, mining and agriculture sectors has improved. The manufacturing sector expanded at a faster pace owing to higher growth in both domestic and export-oriented industries.

The mining sector recorded an improvement due to the increase of natural gas production during the quarter.

In the agriculture sector, economic activity contracted at a slower pace, reflecting the diminishing impact of El Niño on crude palm oil yields.

Growth in the services sector continued to expand, albeit at a more moderate pace, supported mainly by consumption-related services.

In the construction sector, growth has slowed down, dragged by slowdown in the civil engineering subsector.

4Q2016 and 2016 GDP for Malaysia (cont.)

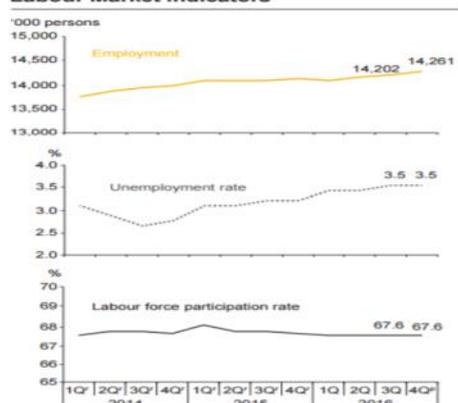
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Inflation, as measured by the annual change in the Consumer Price Index (CPI), increased to 1.7% in the fourth quarter of 2016 (3Q 2016: 1.3%). The higher inflation was driven mainly by upward adjustments to domestic fuel prices during the quarter. The inflationary impact was mitigated by the lower inflation in the alcoholic beverages and tobacco category (6.6%; 3Q 2016: 19.7%) due to the lapse in the impact of the upward revision in cigarette prices in the base period of 4Q 2015. For the year as a whole, inflation averaged 2.1% (2015: 2.1%).

Labour market conditions remained stable. While total employment was higher during the quarter, registering a higher net gain of 58,600 jobs (3Q 2016: 40,500 jobs), the unemployment rate was unchanged, at 3.5% of the labour force (3Q 2016: 3.5%).

The job gains in the fourth quarter were attributable mainly to the services sector, particularly the wholesale and retail, and accommodation and food services; and the finance and insurance sub-sectors. Labour force participation was sustained at 67.6% of total working-age population (3Q 2016: 67.6%), while new job postings on JobStreet.com moderated to an average of 17,738 positions per month in the fourth quarter (3Q 2016: 20,229), following continued conservative hiring by businesses.

Labour Market Indicators*



*The Labour Force Survey (LFS) figures for 1Q 2014 onwards reflect new current population estimates by DOSM
 # Preliminary * Revision
 Source: Department of Statistics, Malaysia

Consumer Price Index

Category	Weights (%) (2010=100)	3Q 2016	4Q 2016
		Annual change, %	
Total	100	1.3	1.7
Food and non-alcoholic beverages	30.2	3.4	3.3
Housing, water, electricity, gas and other fuels	23.8	2.2	2.1
Transport	13.7	-7.4	-2.6
Alcoholic beverages and tobacco	2.9	19.7	6.6
Others	29.4	1.1	1.1

Source: Department of Statistics, Malaysia and Bank Negara Malaysia

The 2016 GDP growth eased to 4.2% (compared to 5% growth in 2015) contributed by slower domestic demand especially in private investment and public consumption. Government has cut back spending especially in operating expenditure while private sector may have been constrained by weaker global market and less than positive market sentiment. However, private consumption sustained from the increase in minimal wages, reduction in employee's contribution to EPF, BR1M payouts, amongst others. The growth rate was within the Government's forecast of 4.0 - 4.5% and exceeded some market expectations.

(%)	2016	2017	2018
USA	1.9	2.3	2.5
United Kingdom	2.1	1.0	1.8
China	6.6	6.5	6.0
India	6.2	7.9	7.6
ASEAN	4.3	5.3	5.3

Source: IMF World Economic Outlook Update (Jan 2017)

Global economy is expected to be moderate with slower growth expected to be in developed countries while USA is expected to perform better under the new Trump presidency. IMF is expected an average ASEAN growth of 5.3% which is likely to be led by Indonesia, Vietnam and Philippines.

Moving on to 2017, we can expect a more challenging year for Malaysia and to a certain extent, Iskandar Malaysia.

The Government is forecasting a GDP growth of 4% - 5% for 2017.

For Iskandar Malaysia, we are expecting the GDP growth to exceed Malaysia because of the strong committed investments (especially manufacturing and construction sectors) and the implementation of the projects in 2017 and beyond. Iskandar Malaysia will have a bigger role to contribute to nation growth in 2017.

Editorial

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