

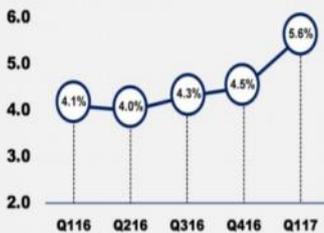
## Strong First Quarter 2017 GDP: Iskandar Malaysia to follow?

(Source: Bank Negara Malaysia: 19th May 2017)

### MALAYSIA ECONOMY Q1 2017

#### GDP GROWTH RATE

**5.6%**



GDP at Constant 2010 Prices  
**RM 280.1 billion**

GDP at Current Prices  
**RM 324.6 billion**

GNI per capita at Current Prices  
**RM 39,315**



Grew to **6.6 per cent**

Share: **54.3%**

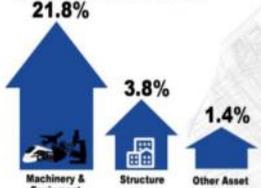
Contributed by...



#### Gross Fixed Capital Formation

**↑ 10.0%**

Stimulated by Machinery & Equipment



Private sector was the key driver of investments in Q1 2017

**71.7%** of investment was from Private Sector

Growth in the construction sector continue to be contributed by civil engineering especially construction of residential buildings.

On a quarter-on-quarter seasonally-adjusted basis, the economy grew by 1.8% (4Q 2016: 1.3%).

The Malaysian economy expanded by 5.6% in the first quarter of 2017. Growth was lifted by stronger domestic demand, particularly private sector spending.

From the supply side, the improvement was driven mainly by the turnaround in the agriculture sector (growth of 8.3%) and higher growth in services and manufacturing sectors with growth of 5.8% and 5.6% respectively. The agriculture sector was driven with improved Crude Palm Oil (CPO) yield (post El Nino) and higher rubber production while there were general broad based growth across all services sub-sectors.

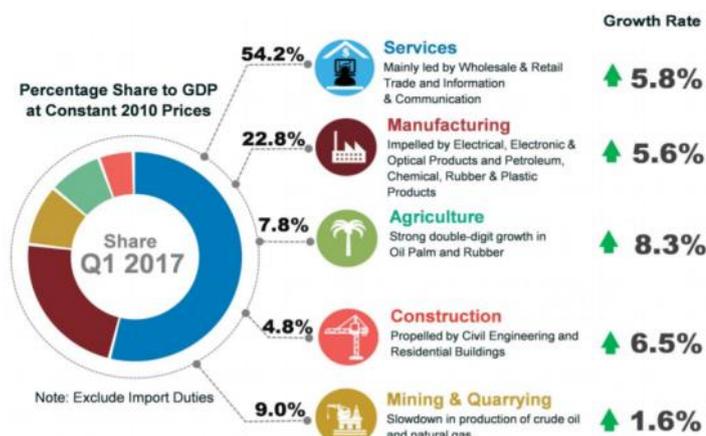
In the manufacturing sector, the E&E, optical products and chemicals led growth.

On the expenditure side, Private Final Consumption Expenditure and Gross Fixed Capital Formation were the main catalysts for the growth. Private consumption was supported by continued expansion in employment and wage growth. Private sector remained the key drive of investments.

Going forward, the Malaysian economy is expected to be supported by domestic demand and the economy is on track to register higher growth in 2017.

Domestic demand is projected to continue to expand. Exports are expected to benefit from the improvement in global growth.

Malaysia is expected to grow between 4.3% and 4.8% for 2017 and the strong Q1 2017 growth of 5.6% will set the pace for higher expectations for 2017.



## Strong First Quarter 2017 GDP: Iskandar Malaysia to follow? (Cont.)

### Inflation

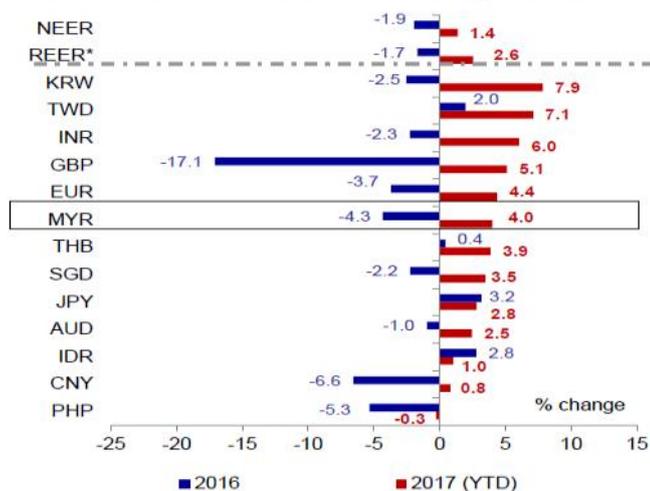
Headline inflation rose to 4.3% due to higher fuel prices in the quarter under review. As of July 3, 2017, fuel prices remains low at below USD50/ barrel and RON95 price is at RM1.89 per litre. We shall look forward to the inflation rate in Q2 2017 to moderate if fuel prices continue to hover at the current level, barring any unforeseen headwinds.



### Ringgit Exchange rate

The ringgit continued to stabilize in 1Q 2017 closing at RM4.42 per USD on March 31, 2017 compared to RM4.48 on Dec 31, 2016 (source: Bloomberg). The ringgit continues to strengthen to RM4.28 as of June 28, 2017).

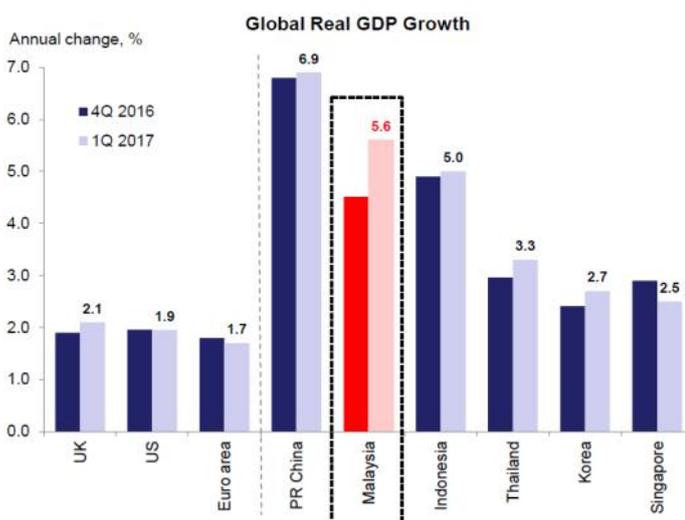
Performance of Selected Currencies against the USD



\*REER calculation uses latest daily NEER and latest available inflation rates (March 2017)

Source: Bank Negara Malaysia

### Expansion in global economic activity for 1Q/2017



Source: Bank Negara Malaysia

# BizWatch

### BizWatch

The higher first quarter 2017 GDP results of 5.6% came in as a surprise as it was well above Reuters poll forecast of 4.8%. For 2017, the government expects the growth to be between 4.3% and 4.8% and the head start of 5.6% is a good start for the year.

Malaysia's achievement is ahead of other ASEAN countries including Indonesia which was leading the economic growth in ASEAN for the last 5 years as well as Thailand. In general, there have been good economic growth in the developed countries in Europe and USA as well as in Asia (Korea, Singapore) and of course, China.

The main contributor to the superb performance was mainly contributed by the agriculture sector which rebounded to a sturdy growth of 8.3% on a year-on-year basis after posting a negative growth of 2.5% in the previous quarter.

The turnaround of the agriculture sector was impelled by the palm oil sector which accelerated to a double-digit growth of 17.7% (Q4 2016: -7.2%) following a higher yield of fresh fruit bunches in this quarter. The growth was also supported by rubber industries at 23.5% (Q4 2016: 1.1%) due to a higher price and production.

For Iskandar Malaysia, we expect the region to mirror the performance of the national GDP, except that growth is expected to be contributed mainly by the industrial and services sectors (since Iskandar Malaysia's economic structure does not have the primary sector as compared with national and Johor state). Malaysia ranked 24th in IMD 2017 World Competitive Yearbook and has remained a competitive investment destination to attract foreign investments.

For the first 3 months, we have been receiving a number of visits from foreign delegations especially from Japan, Korea and the European Union. With the recent announcements of big projects coming especially from China i.e. the Future Robotics City and Forest City's Integrated Building Systems (IBS) plant (the world's largest IBS factory), BizWatch is of the opinion that the upcoming growth of Iskandar Malaysia will be contributed from the industrial/ manufacturing sector as well as from the continuous construction activities within Iskandar Malaysia such as Forest City, Ibrahim International Business District, Sunway Iskandar and many more.

**RHB Islamic collaborates with IRDA to manage RM11.5 million fund for SME programs**



RHB Islamic Bank ("RHB Islamic") has entered into a collaboration with government-linked agency, Iskandar Regional Development Authority ("IRDA"), to manage a RM11.5 million fund for the SME Micro Financing (IMProUD3) and Facilitation Fund (IMProUD1&2) programs with an aim to spur growth in the local SME ecosystem in Johor.

RM3 million will be apportioned for IMProUD3 while RM8.5 million will be allotted for the IMProUD1&2 Program.

The collaboration, will see RHB Islamic managing IRDA's IMProUD3 and IMProUD1&2 Program for Bumiputera entrepreneurs' in Johor.

Dana Usahawan Dinamik Iskandar Malaysia (IMProUD) by IRDA, is offered to enable SME to boost its capital strength and enhance vitality of small SMEs in the region by offering micro financing deals at a low financing cost.

The funding is carved out from Unit Peneraju Agenda Bumiputera (TERAJU).

**BizWatch**

The Dana Usahawan Dinamik Iskandar Malaysia (IMProUD) is aim to spur the growth of the local SME ecosystem in Johor.

According to the Economic Census 2011, SMEs account for 97.3% or 645,136 of total business establishments in 2010.

Since 2004, SME GDP growth has consistently outpaced the country's overall economic growth.

In the period between 2005 and 2015, the average compounded annual growth rate (CAGR) of SMEs was 7.0%, which was higher than the 4.9% CAGR of the overall economy.

As a result, SME contribution to GDP increased from 29.6% in 2005 to 36.3% in 2015.

In 2015, SMEs also contributed 65.5% of total employment and 17.6% of total exports.

By 2020, Malaysia aims to push the SMEs contribution to GDP to 41% and the share of the country's export from SMEs to 23%.

For more details about the Dana Usahawan Dinamik Iskandar Malaysia (IMProUD), please contact the Business Ecosystem Division of Iskandar Regional Development Authority at 07-233 3000.

# BizWatch

**EU eyeing investment opportunities in Iskandar Malaysia**



The European Union (EU) Ambassadors delegation visited Iskandar Malaysia on May 17, 2017 and held a dialogue with IRDA.

"EU is eyeing investment opportunities in the education and tourism sectors of Iskandar Malaysia", said Maria Castillo-Fernandez, EU ambassador and head of the EU delegation to Malaysia.

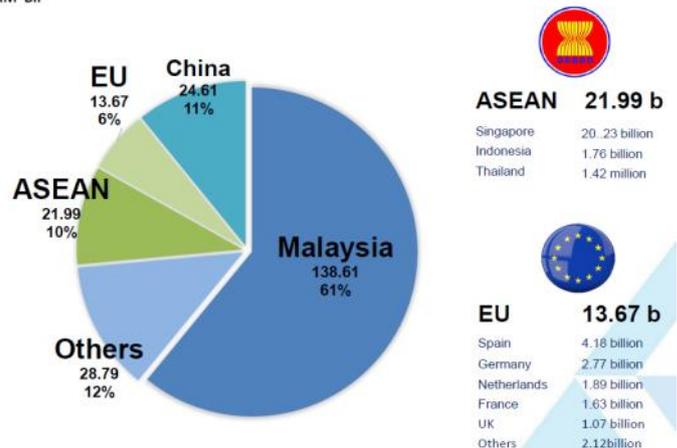
The EU viewed Johor as an very important place to set up base not only to capture the Malaysian market but Asean as a whole. Iskandar Malaysia has very ambitious plans especially to develop the region. The reason why European companies are attracted to Johor is because of the good infrastructure particularly within Iskandar Malaysia, adding that there was legal certainty and a good workforce with working knowledge of English', she added.

Castillo-Fernandez was speaking to reporters after attending a roundtable discussion between the EU Ambassadors delegation, which was on a trade mission to Johor, and Iskandar Malaysia recently.

As at March 31, 2017, Spain lead the investment from EU with RM4.18 billion, followed by Germany, RM2.77 billion, Netherlands, RM1.89 billion, France, RM1.63 billion, United Kingdom RM1.07 billion and others, RM2.12 billion.

**Investments Foreign vs Domestic**

In RM' Bil



**EU Ambassadors Delegation to IRDA**



## MITI Minister's visit to Iskandar Malaysia

May 15, 2017: Dato Seri Mustapa Mohamed met with investors in a Roundtable Meeting held in Phoenix Hotel, Forest City and visited Country Garden Pacific View's RM2.6 billion Integrated Building System (IBS) plant in Gelang Patah. The IBS factory, touted to be the largest in the world would have technologies from German, Italy and China when it is fully operational.

Dato Seri Mustapa said that once the whole plant is completed, it will help the nation reduce dependency on foreign labour besides cutting down the completion time of the project.

"Currently three lines are in operations, while the rest are in test-run stages and by next month, there will be 12 lines in operations. We will have a more productive, efficient, sustainable and safer construction sector", he said.

There were some 63 local IBS projects since 1990 with investments of RM1.9 billion, the Minister added.

Meanwhile, on other issues, Dato Seri Mustapa said that at least 12 local and foreign companies would be investing up to RM1bil over the next three years to expand their business here.

The companies are from the electrical and electronics, food and beverage and textile sectors.



Minister with investors after the Roundtable



Minister at the IBS factory



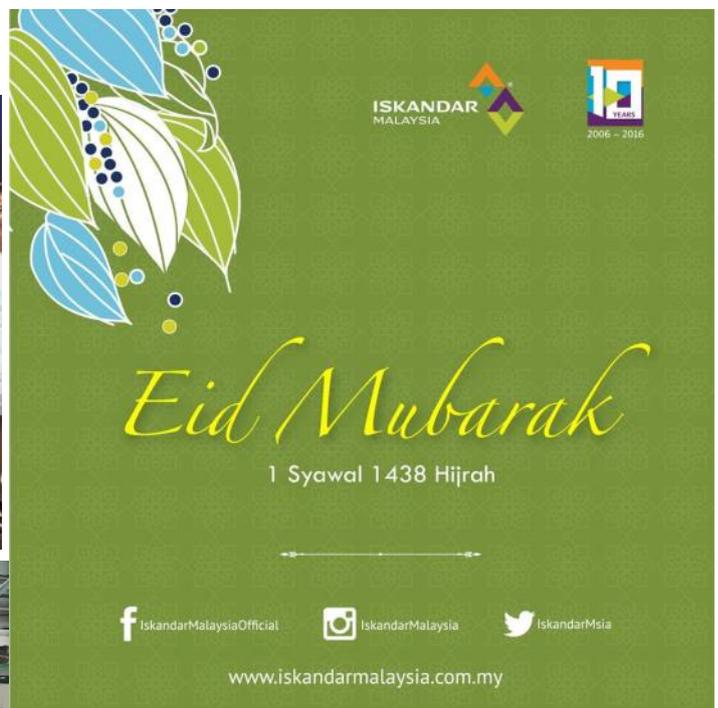
IRDA will be organizing the Invest Iskandar Malaysia 2017 in October 2017, a signature event in our celebration of the 10th years of Iskandar Malaysia.

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.

Organized over two days covering areas of investments, low carbon society and smart city with notable speakers and subject matter experts both from local and overseas, this platform offer opportunities for knowledge sharing and networking.

The Ministerial keynote speech will be delivered by YB Dato Seri Mustapa Mohamed, MITI Minister of International Trade and Industry.

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



### Editorial

Economics & Investment

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