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MINISTRY OF
INTERNATIONAL TRADE AND INDUSTRY
OF MALAYSIA

COMMITTED TO TOMORROW

CREATING A BEAUTIFUL, SUSTAINABLE WORLD

ABOUT RECOLLECTIVE

MITI's Recollective Global Edition features Malaysia's competitiveness as a trade and investment hub for the world. This issue highlights the Manufacturing Prowess of Malaysia, reflecting its Industrial Production Index growth following the rollout of the COVID-19 vaccination programmes in Malaysia and across the world.

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TABLE OF CONTENTS

FEATURE

LATEST INSIGHTS

MALAYSIA, YOUR PROFIT CENTRE

Sustainability and Its Growth in Malaysia

The Malaysian Government's Commitment to Catalysing the Sustainability Agenda Is Reflected in the Recently Announced Budget Measures.

COVID-19 has upended societies, disrupted businesses and left millions unemployed. It is a wake-up call to the magnitude of disruptions we could face if we remain idle towards issues on sustainability. Governments, investors and businesses are taking heed.

The Malaysian government's commitment to catalysing the sustainability agenda is reflected in the recently announced budget measures. The 2021 Budget, which has a special focus on sustainability, is aligned with the United Nations' (UN) 17 Sustainable Development Goals (SDGs) and is designed to move Malaysia towards a more sustainable future. Among the measures introduced in the Budget are the first Sustainability Bonds and the extension of the Green Technology Financial Scheme, which will encourage participation from the private sector.

Malaysia is among global leaders in sustainability reporting with 99% of the top 100 companies in the country publishing sustainability reports, according to KPMG International's Survey of Sustainability Reporting 2020.

More broadly, 80% of the world's 250 largest companies now report on sustainability, while sustainability reporting in Asia Pacific has grown by 6 percentage points since 2017 to 84%.

Malaysia is ranked second in the region behind Japan (100%) and ahead of India (98%), Taiwan (93%) and Australia (92%). The survey also found that 97% of top 100 companies in Malaysia include sustainability information in their annual reports.

In fact, there is a growing understanding amongst Malaysian boards and companies on the importance of operating in a responsible manner and the impact of ESG (Environmental, Social and Governance) issues on society and economic sustainability which directly correlates to long-term financial performance and corporate value.

The survey also found that more than two-thirds (69%) of reporting companies now connect their business activities with the United Nation's SDGs in their corporate reporting.

It's now almost five years into the UN's ambitious Agenda 2030 and its 17 SDGs; how is Corporate Malaysia and the country as a whole faring towards achieving these goals?

According to the 2019 SDG Index and Dashboards Report, Malaysia ranked 68th out of 162 countries (4th among the ASEAN countries behind Thailand, Vietnam and Singapore).

NATIONAL KEY ACHIEVEMENTS AND PROGRESS

Malaysia has successfully transformed its economy, raised living standards, and moved from a low-income to an upper-middle-income economy within a generation. The gross national income (GNI) per capita, expanded about 29-fold, from US$347 in 1970 to US$10,118 in 2020. Among the significant achievements are in eradicating poverty and narrowing inequalities as well as providing better quality of life for the people. The incidence of absolute poverty reduced from 7.6% in 2016 to 5.6% in 2019. Hardcore poverty has almost been eradicated, though pockets among selected groups, and multi-dimensional deprivations remain.

The COVID-19 crisis resulted in some vulnerable households within the B40 income group fell into higher incidence of poverty and widened the inequality. In response, the government has implemented a series of special economic recovery packages to boost growth and protect the vulnerable. Malaysia has also enhanced its food production, where the self-sufficiency levels of 10 major agri-food commodities continue to improve. However, the nutritional aspect of food security has become more pertinent as Malaysia faces a double burden of malnutrition, particularly involving vulnerable groups and in times of unexpected emergencies.

Malaysia has been successful in providing quality, accessible and affordable healthcare, on par with those in more developed countries, based on the principle of universal health coverage. The country's health security preparedness was demonstrated by successfully managing the COVID-19 outbreak. However, health burdens are rising due to an aging population, demands for better healthcare, and the increasing NCDs, which currently is responsible for more than 70% of deaths. Initiatives to enhance the healthcare delivery system to promote a better and healthier lifestyle through a multi-sectoral nutrition framework are currently being implemented.

Malaysia continues to practice unity in diversity approach while emphasising governance, social cohesion and partnership.

Malaysia is also making progress towards sustainability and managing climate change by adopting a resource-efficient and climate-resilient development model. The sustainable consumption and production (SCP) approach was undertaken through creating a green market, managing waste holistically, and increasing the share of renewable energy in the energy mix. While various efforts are being made to better coordinate SCP, and climate change at the policy level, technical and financial support are still required in the implementation.

Malaysia continues to practice a unity in diversity approach, while emphasising governance, social cohesion and partnership. It is committed to South-South Cooperation through the Malaysian Technical Cooperation Programme, supporting 144 developing countries through technical and capacity building initiatives. In addition, the All-Party Parliamentary Group on SDGs was established to enhance SDG localisation. The Voluntary Local Reviews have also been initiated to ensure local authorities' programmes and initiatives are in line with the SDGs.

WAY FORWARD

Moving towards 2030, the national development priorities will continue to be aligned and integrated into the SDGs. The SDG Roadmap Phase 2 (2021-2025) will be formulated to advance the SDG agenda by identifying priority areas, key enablers and critical 'accelerator points' for lagging SDGs, ensuring policy coherence across all levels of governments, and recommending strategies and plan of actions. Localising SDGs initiatives will also be further strengthened. The 12th MP will ensure that the people will benefit from socio-economic development, achieve inclusivity and social cohesion, and improve general well-being. Malaysia will advance green growth towards a low-carbon nation, ultimately obtaining a carbon-neutral future. Effective execution of the 12th MP will contribute to achievement of the 2030 Agenda.

In an effort to emerge stronger from COVID-19, it is imperative for businesses to rethink their Environmental, Social, and Governance (ESG) commitments. Embedding more sustainable practices will require combined efforts from businesses, the government, and the public to plan and drive improvements over the long term. This needs to start today for it to have the necessary impact.

Quick Info

Malaysia, getting on the sustainable investments wave.

Here are some notable ESG initiatives that have been undertaken:

- Introduction of alternative green financing schemes such as Green Sukuk and the Green Technology Financing Scheme, to finance and stimulate sustainable projects.
- The Securities Commission (SC) launched the 'Sustainable and Responsible Investment Roadmap' publication in November 2019. Among the strategies outlined are:
  - Widening the range of Sustainable and Responsible Investment (SRI) instruments,
  - **Building the SRI community; and**
  - Building good governance
- A local chapter of the World Economic Forum (WEF) Climate Governance initiative was established in 2019, making Malaysia the second country in the world to have a local chapter. It aims to help local board members acquire sustainability skills and knowledge. The inception of Malaysia's Climate Governance was inspired by PwC's WEF Climate Governance report, "How to Set Up Effective Climate Governance on Corporate Boards"
- There is an increasing trend in Shariah compliant ESG funds launched this year, including Bank Islam's Robo-Intelligence Sustainable Shariah-ESG investing online platform and Maybank Global Sustainable Equity-i Fund.

https://sustainabledevelopment.un.org
KPMG International's Survey of Sustainability Reporting 2020
https://www.pwc.com/my/rethinkingesg

Weathering the Pandemic: Malaysia's Medical Devices Industry at Global Frontline

The Medical Devices Industry Is among the High-Growth Manufacturing Sub-Sectors That Is Expected to Re-Energise Malaysia's Economic Landscape.

A DIVERSE INDUSTRY LANDSCAPE

The medical devices industry is among the high-growth manufacturing sub-sectors. It is a significant growth area that is expected to re-energise Malaysia's economic landscape through the production of high complexity, high-technology and high-value-added products.

Today, Malaysia comprises over 200 manufacturers producing a broad range of products and equipment for medical, surgical dental, optical and general health purposes. The country is the world's leading producer and exporter of catheters, surgical and examination gloves, supplying 80 per cent of the world market for catheters and 60 per cent for rubber gloves, including medical gloves.

Closely monitored and regulated by The Medical Device Authority (MDA), a regulatory body under the Ministry of Health (MOH), a majority of local medical devices manufacturers in Malaysia are of a world-class standard with compliance to the ISO 13485, US FDA 21 CFR Part 820 and products attaining the CE Mark. It is a global requirement as over 90 per cent of the medical devices manufactured in the country are for the export market.

On the backdrop of the COVID-19 pandemic, the exports of Malaysia's medical devices increased by almost RM30 billion (USD7.4 billion) in 2020, registering a growth of 24.9 per cent. The major exports were surgical and examination gloves, medical instruments, apparatus and appliances, catheters, syringes, needles and sutures, as well as electro-medical equipment. The top export destinations include the United States, Germany, Japan, Singapore and Belgium.

Investors are also increasingly seeing the appeal of Malaysia as an attractive investment destination, particularly as an outsourcing destination and a medical device manufacturing hub within ASEAN. In 2020, Malaysia's medical devices industry recorded a stellar performance, with the Malaysian Investment Development Authority (MIDA) approving RM6.1 billion (USD1.5 billion) in investments through 51 projects.

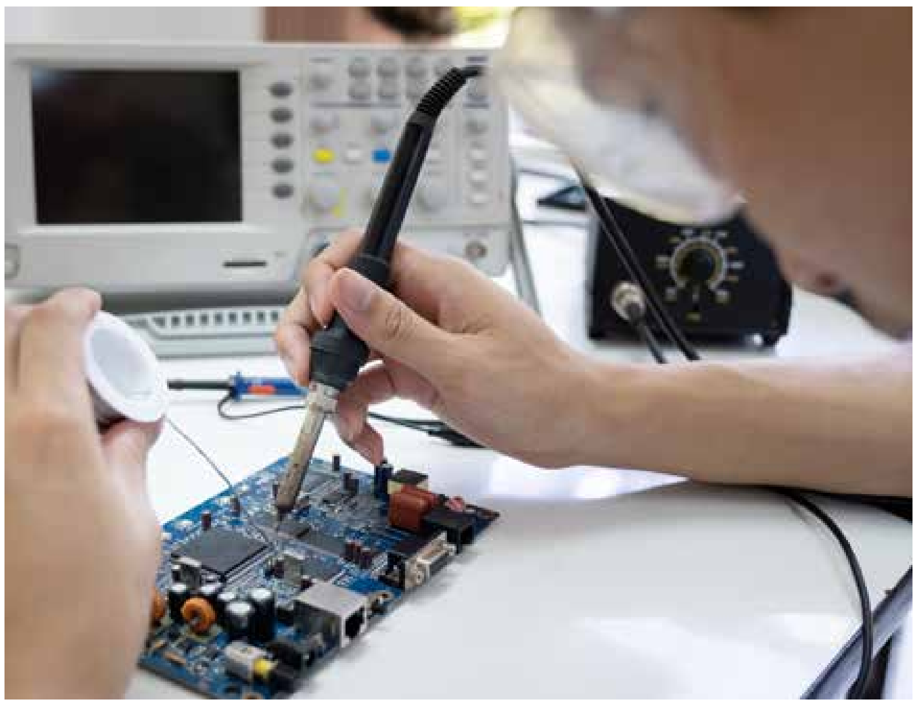
HOME TO THE INDUSTRY'S BEST

From being a simple producer of medical gloves in the 1980s, Malaysia's medical devices industry has developed to the point of manufacturing complex medical products. Our end-to-end ecosystem is ideal for manufacturers seeking to produce high value-added medical devices and offer supporting services in this niche area. To date, Malaysia boasts of more than 30 medical devices multinational corporations leveraging the country as their offshore location to manufacture their niche products. These companies continue to intensify technologies within their manufacturing plants in Malaysia.

Dexcom, which was ranked 8th in the Fortune's Future 50 that identifies companies with the best long-term growth potential, announced its first continuous glucose monitoring (CGM) system manufacturing plant outside the USA in Malaysia. The Company's latest sophisticated medical device products do not require any blood to measure blood glucose reading, empowering people living with diabetes through its innovative CGM systems.

Similarly, in 2014, KLS Martin set up their first production facility for surgical instruments outside of its German headquarters in Malaysia. An industry leader for high-quality and innovative medical technology, the Company not only leverages Malaysia to develop and produce their niche product solutions for the operating room such as implant systems, high-frequency surgical devices, surgical lasers and sterilisation containers; it has established a Centre of Excellence (COE) for general surgery and Research and Development (R&D) centre to serve the industry in Southeast Asia.

Furthermore, UK-based Smith+Nephew, the leading global medical technology business established over 160 years ago, is setting up a facility in Malaysia to support its orthopaedics franchise, which has been growing strongly in the Asia Pacific region. Products earmarked to be manufactured include knee and hip implants.



Malaysia's medical devices industrial ecosystem also appeals to upcoming and innovative industry players. In July 2016, Materialise NV expanded its Malaysian operation to develop software for additive manufacturing and biomedical engineering in speciality areas such as surgery planning, 3D printed surgery guides and 3D printed customs implants. The company offers flexible and customisable solutions to their counterparts in the medical devices industry. This Malaysian facility aims to become a competence centre within Materialise NV for DLP 3D printing technologies. It has the potential to further enhance Malaysia's role as a driver behind 3D printing in Asia.

Compelling Opportunities and Incentives
Staying true to its business-friendly reputation, Malaysia welcomes strategic partners to invest in the country. Presently, high-tech medical devices manufacturers are eligible to be considered for full income tax exemption on statutory income for five (5) years under the Pioneer Status scheme or an Investment Tax Allowance of 60 per cent on the qualifying capital expenditure for five (5) years to be offset against 100 per cent of the statutory income. The Government also offers partial grant facilities for research and development and high-tech training of Malaysians to potential investors.

As part of the National Economic Recovery Plan (PENJANA) initiative, Malaysia offers a special Relocation Incentive until December 2022 for new investments in the manufacturing sector, including the medical devices industry. This includes a zero (0) per cent special tax rate for 10 years for new investments with capital investment between RM300 million to RM500 million (USD74.4 million – USD124.1 million) or a zero (0) per cent special tax rate for 15 years for new investments with capital investment above RM500 million (USD124.1 million). Existing company in Malaysia seeking to relocate their overseas facilities into the country with capital investment above RM300 million (USD74.4 million) could also potentially enjoy 100 per cent Investment Tax Allowance (ITA) for five (5) years, to be offset against 100 per cent of statutory income for each assessment year.

Despite the current COVID-19 pandemic, the medical devices industry is forecasted to further expand strongly. The Malaysian market is well placed to benefit from continued governmental commitment, rising public health expenditure and expanding private sector healthcare facilities supported by medical tourism.

For more information on investment prospect in Malaysia, please visit www.mida.gov.my

CATEGORIES OF MEDICAL DEVICES IN MALAYSIA		
Consumables/ Single-Used Devices (SUD)	Surgical Instruments, Implants and Clinical Devices	Healthcare Equipment
• Medical gloves (surgical and examination gloves) • Personal Protective Equipment (face mask) • Catheters • Syringe, for medical usage • Condoms • Woundcare products • In-vitro Diagnostic (IVD) Kits • Contact lenses	• Orthopaedic implants • Bone grafts • Dental implants • Pacemakers • Surgical instruments • Cochlear implant • Heart valve	• Ultrasound devices • Pulse oximeter • Blood management devices • Medical furniture (such as hospital beds, hospital trolley, dental chair)

Note: USD exchange rate for year 2020 is USD1 = RM4.03

Malaysia – A Thriving Tech Hub for Local Enterprises and MNCs

Business-Friendly Environment, Agile and Multilingual Workforce, Excellent Infrastructure and Conducive Regulations Make Malaysia a Preferred Destination for Expansion.

OVER the last decade, Malaysia has seen substantial progress in its ambitions to be a thriving hub for businesses that want a facilitative base that allows for a broad reach into Southeast Asia. The country's business-friendly environment, agile and multilingual workforce, excellent infrastructure and conducive regulations are just some of the reasons multinational corporations (MNCs) and home-grown companies make Malaysia their regional base.

The recent signing of the Regional Comprehensive Economic Partnership (RCEP), the world's largest free trade agreement represents a significant milestone in the integration and revitalisation of 15 economies. The agreement enhances Malaysia's stand as an attractive investment and trading hub as companies can now leverage its bigger market access and integrated supply chain and explore venture opportunities, especially in the digital and technology space. The pursuit of international expansion and domestic consolidation will only accelerate the idea of smart collaborations between local and global companies, solidifying Greater KL as a dynamic hub.

Technology is fast shaping and supporting Malaysia's ambitions to become a digital economy and transform itself to adopt Industry Revolution 4.0 (IR4.0). These ambitions are well-bolstered by the country's facilitative policies, roadmaps and frameworks, as well as supportive government initiatives and tax incentives.

Concerted efforts have been made by the government, together with its various trade and investment agencies such as InvestKL Corporation, to spur Malaysia's evolution trajectory to become a dynamic tech hub in the region. We see good traction in this space. This development is important as it is an essential source of jobs and growth for the country's economy.

Malaysia's stand as an attractive investment and trading hub as companies can now leverage its bigger market access and integrated supply chain and explore venture opportunities.

Malaysia ranked 26th worldwide and was second among Asean countries, according to Bloomberg's 2019 Innovation Index, which analyses more than 200 countries on aspects such as research and development spending, manufacturing capability and concentration of high-tech public companies. These are some of the reasons why corporate giants such as IBM, HP, Oracle, Samsung Electronics and Microsoft have been operating in Malaysia's capital Kuala Lumpur for years, capitalising on the reliable ecosystem of the IT sector.

At InvestKL, we regularly reach out to companies that have set up their operations in Greater Kuala Lumpur to get feedback on why they chose Malaysia as their base. This is to ensure that we continue to work progressively towards measures to be an attractive investment destination.

When UK interactive video game developer and publisher Double Eleven decided to expand its presence, Malaysia was its first consideration outside of the UK. The company spent a good three years in discussions with government agencies, visiting schools and universities, meeting key industry players and tapping into their regional connections to get insights into Malaysia's business climate before setting up base in Greater Kuala Lumpur in early 2020.

Double Eleven's chief operating officer Mark South says it was able to witness first-hand the high levels of interest and ambition from the Malaysian people, an incredibly well-established ecosystem between government, businesses and educational institutions, as well as easy access to great talents. "All that made it really easy for us to make Malaysia our country of choice."

He also says the company was impressed with Malaysia's overall infrastructure, from the high-speed internet facilities to the ease of procuring high-end equipment and the overall language proficiency. While the country's game industry may be relatively young, the passion and drive that exists in the ecosystem were obvious to them, as the game industry goes mainstream with the support of educational institutions, the media and the government initiatives invested.

ADVANCING WITH TECHNOLOGY

Over the years, Malaysia has transitioned from being an agriculture-based economy to a manufacturing-based one to knowledge-based industries that are high tech, high value and high impact to create sustainable growth and become a high-income nation. The country's digital transformation agenda is a vital driver of the economy, focusing on IR4.0 and building a digital economy with next-generation digital industries that will reshape trade flows, ecosystems and value chains.

The country has prioritised digital-first initiatives such as the National Digital Infrastructure Plan (Jendela) to boost high-quality and affordable digital connectivity; the National e-Commerce Strategic Roadmap, which aims to future-proof businesses and expand market access to the global stage; and the Malaysia Smart City Framework, which aims to leverage technological advancement and IT applications to make smart city living more practical and sustainable.

Malaysia's internet and mobile phone penetration rates are high at 91% in 2019. Efforts are underway to improve the country's digital connectivity, with plans to expand 4G coverage, boost fixed broadband speeds and transition to 5G.

This bodes well for property technology (proptech) companies such as iProperty.com.my, part of Australia-headquartered REA Group, which operates digital real estate sites, experiences and events worldwide. Ensuring stable data is essential to its core business while leveraging digital data helps it to keep track of and provide in-depth insights on property listings.

iProperty's general manager for Malaysia and general manager for marketing Wong Siew Lai shares that the challenging property landscape amid the COVID-19 pandemic has seen a shift in the way property transactions are conducted. She says digital data is driving the way consumers use digital platforms to buy and sell properties, giving them access to information that fuels decision-making in their property journey.

Wong also says the surge in fintech start-ups has allowed it to collaborate on digital tools such as a home loan eligibility indicator – LoanCare – which enables Malaysians to check their home loan eligibility at 17 banks across the country.

LEVERAGING THE GROWING DIGITAL TRADE

Malaysia's digital economy development opens up many opportunities in e-commerce and digital trade, enabling greater economic integration and robust innovation. Digital trade — which covers production, distribution, marketing and sale or delivery of goods and services supported by cross-border data flows – enables firms in the country to achieve cost efficiencies, enter new markets and generate deep insights with the help of data. It also enables the adoption of efficient business practices, reduces the cost of engaging in international trade and facilitates global supply chain management.

According to the Hinrich Foundation's report titled The Data Revolution: How Malaysia Can Capture the Digital Trade Opportunity At Home and Abroad, the development of digital trade in Malaysia is important for its ambitious agenda towards becoming a digital economy. The report says the economic value of digital trade-enabled benefits to the Malaysian economy is estimated to be worth RM24 billion (US$5.6 billion), equivalent to 1.8% of its gross domestic product (GDP). If fully leveraged, it is estimated that the value to the domestic sectors could reach RM222 billion (US$51.6 billion) by 2030.

Malaysia continues to invest in initiatives to bolster and support digital trade, being the first country in Southeast Asia to launch the Digital Free Trade Zone (DFTZ) in 2017. It aims to support seamless cross-border trade through digitalisation and facilitate access to companies looking to leverage e-commerce platforms to capitalise on opportunities in the global markets.

This commitment is seen in Budget 2021 where the government announced that RM1 billion would be set aside for digital transformation initiatives. As more Malaysian companies embrace digital transformation, the ecosystem and value chain cycle for tech-based companies will broaden and strengthen, playing its part in expediting digital transformation that will be the bedrock for advancing the country's digital ambitions.

THE REPORT SAYS THE ECONOMIC VALUE OF DIGITAL TRADE-ENABLED BENEFITS TO THE MALAYSIAN ECONOMY IS ESTIMATED TO BE WORTH RM24 BILLION (US $ 5.6 BILLION), EQUIVALENT TO 1.8% OF ITS GROSS DOMESTIC PRODUCT (GDP). IF FULLY LEVERAGED, IT IS ESTIMATED THAT THE VALUE TO THE DOMESTIC SECTORS COULD REACH RM222 BILLION (US $ 51.6 BILLION) BY 2030.

Global Players Place Their Trust in Greater KL

Multinational Corporations Maintain Their Confidence in the Potential, Promise and Opportunities That Greater KL Brings to Them.

MALAYSIA has many things going for it, including a strategic location in ASEAN, a diverse and highly competent talent pool, as well as solid infrastructure and connectivity.

These are precisely why global multinational corporations have been drawn to establish their regional hubs on our shores, particularly in the Greater KL (Kuala Lumpur and Selangor) vicinity.

Three such corporations related their experiences establishing their respective regional hubs in Greater KL and how much they have progressed since.

ZURICH IS LEVERAGING ON TALENT AND INFRASTRUCTURE FOR GROWTH

Swiss insurance giant Zurich Insurance Group entered Malaysia in 2011, later establishing its regional hub here in 2014. It is incidentally the only global player in Malaysia that holds all four business licenses (life insurance, general insurance, family takaful and general takaful).

In a recent interview, the company said that the high competency levels among Malaysians led it to establish its IT and actuarial service centres here as well. "Moreover, Zurich is very much a values-driven organisation and we found that Zurich values and Malaysian values are very much in alignment, with a deep appreciation of diversity, inclusivity, focus on community and on making a positive impact on society as a whole."

Zurich also pointed out that the insurance and takaful industry in Malaysia is in many ways quite sophisticated, especially in terms of regulations and consumer demand. "This forces companies to always innovate and at Zurich we have stepped up our efforts in response to customer demand," it said, adding that it has introduced the MyZurichLife ecosystem, a country-wide initiative for its Malaysian customers.

The company also noted that Malaysia also has one of the most advanced Islamic finance frameworks, including takaful. "This is achieved by having in place a sound legal, regulatory and Shariah framework that promotes the rapid growth of the takaful industry."

"With this well-structured environment in place, the two Zurich takaful entities in Malaysia have jointly become a centre of excellence for the Zurich Group, supporting the development of takaful and sharing of best practices across other markets in Asia Pacific (e.g. Indonesia), as well as elsewhere in the world, where takaful know-how and expertise are required," the company explained.

The company also commended the government on the recently launched Digital Economy Blueprint. "This 10-year road map to transform Malaysia into a digitally driven, high-income nation will have an indirect spillover effect on many industries, including insurance and takaful. We expect the industry to adopt the latest technologies in data analytics and machine learning algorithms, to be more agile and offer tailor-made solutions that improve the customer experience."

LEVIAT IS BUILDING ITS REGIONAL PRESENCE BY LEVERAGING MALAYSIA'S GEOGRAPHICAL STRENGTHS

For global construction accessories company Leviat, establishing a regional office in Malaysia was crucial for its business in the region.

Malaysia has a central position in Southeast Asia and complements Leviat's other locations in APAC, notably in China, Australia and New Zealand. Other factors included the cost and ease of doing business in Malaysia, the use of English as the main business language, the infrastructure (three international airports close to KL and an extensive network of metro-lines which is still growing), as well as local production capabilities.

Multinational corporations have set up headquarters in Greater KL as a base of operations in the region.

Leviat has achieved several milestones since setting up a regional office in Malaysia, including a partnership with Universiti Malaya to develop the country's young engineers. It is also the first company in Malaysia to receive a quality certification from the Construction Research Institute of Malaysia, for its 'MOMENT JoinTec' Reinforcing Bar Coupler in accordance with the ISO 15835 standard.

Furthermore, the company has launched a complete range of precast concrete accessories to support the increasing demand for Industrialised Building System (IBS) in Malaysia's construction industry. "Being at the forefront of change towards a more efficient building process is important to Leviat," Rob Van Haaren, Leviat's country manager said.

Leviat's contribution to improving construction safety and efficiency has also been acknowledged by the Institute of Engineers of Malaysia (IEM), who recognised Leviat (previously known locally as Halfen Moment) as the most active organisation in Malaysia for driving innovative change in the construction industry.

"By having a base operation in Malaysia, we can offer better support to our customers and local partners. This location allows us to stay closer to our customers, resulting in better insights into local markets that enable us to develop more relevant building products for the APAC region.

"With the establishment of an office in Kuala Lumpur, we can develop localised strategies and manage regional markets more closely, for example, the Philippines, Vietnam and Indonesia," he added.

ZALORA IS TAILORING ITS REGIONAL STRATEGY FROM ITS KL BASE

Regional e-commerce player ZALORA (owned by global giant Global Fashion Group) set up its regional e-fulfilment hub and regional headquarters in KL in 2017 and has not looked back since.

The hub stores 70% of the group's inventory, as well as houses its customer service, marketing, commercial purchasing, finance and human resources functions for its eight markets in the Asian region. Furthermore, the majority of its leadership team is also based in KL.

The company has said in previous media reports that it wanted the KL hub to be the main driver of its regional operations, supporting all its Asian markets.

"ZALORA brings its e-commerce to Kuala Lumpur through our KL HQ and our regional e-fulfilment hub. Our location in KL enables us to bring fashion and lifestyle products to our customers' doorsteps across the region faster than ever. KL is also a fertile ground for us to continue expanding, with Malaysia at the centre of Southeast Asia's biggest regional e-commerce operations. It has also allowed us to tap into the local talent pool, which is brimming with digital natives and capable high-skilled works able to operate in a multilingual environment," said ZALORA's chief commercial officer Giulio Xiloyannis.

"Moreover, we work closely with the supportive local government bodies to transform the city into a tech hub for the region," he added.

ZALORA has also projected that the fashion and lifestyle market in emerging and developing economies will grow three times as fast than those in developed markets such as the United States and Europe.

The positive experiences of the above companies are testament to the fact that Greater KL remains the location that global multinationals can leverage on to cultivate a strong presence in the region.

Facilitative Ecosystem for Business Expansion

Malaysia's Facilitative Ecosystem Attractive to Tech Companies Expanding to Southeast Asia.

MALAYSIA'S strategic location in Southeast Asia and its competitive position make it attractive as a prime investment and business destination for foreign and local companies. They choose the country as their regional operations hub to tap the growing opportunities in the region — the fastest-growing in the world.

The government and its relevant agencies play an active role in nurturing the tech and business ecosystem. Investment agency InvestKL Corporation has facilitated 100 multinational corporations (MNCs), including tech-based companies, in setting up their regional hub in Greater Kuala Lumpur over the past decade.

These companies include Shanghai-based United Imaging, a high-end medical device manufacturer looking to develop digitalisation and artificial intelligence (AI); Switzerland-based ABB Group, which set up its digital operations centre for robotics; Oracle Malaysia, which established a cloud solutions hub; Japan-based Daifuku Co Ltd, which set up its high-tech regional facility that focuses on Industry 4.0 (IR4.0) projects; and Linde Malaysia, which is expanding its production capacity through IR4.0 technology.

German-based warewashing technology producer MEIKO Group set up its regional headquarters in Greater Kuala Lumpur in 2012. Rudolf Kitzbichler, managing director of MEIKO Clean Solutions (SEA) Sdn Bhd, credits InvestKL with helping the company in its journey, arranging for stakeholders to visit the German facility to understand the company better. He says this showed Malaysia's commitment and is confident of the country's continued support of the company's development in the region.

Online used-car trading platform Carsome Sdn Bhd's co-founder and group CEO Eric Cheng appreciates Malaysia's robust regulatory landscape, which supports and facilitates a well-established ecosystem that includes e-commerce platforms, financial institutions, extended warranty providers and used-car dealers. He says there is a willingness for public-private sector collaboration in the country. The participation and contribution to the discourse on ideation, co-innovation and commercialisation from its partners have contributed greatly to the company's growth.

Cheng notes that Malaysia's digital start-up space is extremely vibrant with sound initiatives that are well supported by the government and its agencies, of which Carsome is a direct beneficiary. The location of its headquarters in an MSC Tier 1 building in Greater Kuala Lumpur gives the company access to world-class facilities to run a digital business.

Strategic reach into Southeast Asia Southeast Asia's 360 million internet users are the most engaged globally, according to the *e-Conomy SEA 2019* Report by Google, Temasek and Bain & Co. The internet economy in Southeast Asia grew nearly 40% in 2019 to exceed US$100 billion in gross merchandise value, an indication of the region's robust tech adoption rate.

The growth is advantageous to Malaysia's position as a tech hub for Southeast Asia. Ernst and Young's (EY) investor guide, KL calling: dynamic, digital, diverse, says Malaysia is in an excellent position to benefit from investment inflows as MNCs fast-track their decisions to restructure their supply chains, diversify supply sources and select a local and an Asean near-market manufacturing base to manage uncertainties and disruptions following the COVID-19 pandemic. The ongoing US-China trade war has also been a decisive factor in MNCs' move to Malaysia as they look for ways to shift operations to safer business destinations.

When MEIKO Group was considering its Southeast Asia regional headquarters, it looked at Bangkok, Singapore and Kuala Lumpur. Kitzbichler says Kuala Lumpur has the most central accessibility geographically. The ease of doing business, the multilingual workforce, cost-competitiveness and good digital potentials "made it easy for us to decide on Kuala Lumpur".

Carsome sees Malaysia as a good hub to expand its reach into Southeast Asia, given its sizeable and growing population, steadily expanding economy and increasing technological adoption. Cheng says the region's used-car market is underserved. "Even with our transaction value of US$600 million to date, we cover only about 1% of Southeast Asia's used-car market. This translates into high growth potential in the region. Our ambitions are relatively unrealised, giving us the full potential to charge ahead with our offerings."

> **"EVEN WITH OUR TRANSACTION VALUE OF US$600 MILLION TO DATE, WE COVER ONLY ABOUT 1% OF SOUTHEAST ASIA'S USED-CAR MARKET. THIS TRANSLATES INTO HIGH GROWTH POTENTIAL IN THE REGION. OUR AMBITIONS ARE RELATIVELY UNREALISED, GIVING US THE FULL POTENTIAL TO CHARGE AHEAD WITH OUR OFFERINGS."**

HIGHLY SKILLED AND MULTILINGUAL WORKFORCE

Malaysia's multicultural, multilingual, capable, educated and diverse workforce is a source of strength and a key consideration of many MNCs that want to expand to Southeast Asia. The country moved up two spots to No 26 in the Global Talent Competitiveness Index 2020 (GTCI 2020). According to the *IMD World Talent Ranking 2019* report, Malaysia was at No 2 position in Asean, with one-third of its labour force possessing a tertiary education.

While this is an encouraging indication of Malaysia's talented workforce, we recognise the need to push for more skilled human capital development to meet the needs of the job market. To promote a new generation of talent capable of holding managerial positions, InvestKL collaborated with Talent Corp and the Ministry of Education to introduce the InvestKL Talent Programme (ITP). This programme will drive the set-up of multiple world-class centres-of-excellence as a collaborative venture to enhance capabilities, development, knowledge-sharing and best practices to prepare the local workforce for the work of the future.

The government has also introduced many learning initiatives to bridge skill gaps, such as SkillsMalaysia 2.0, to boost participation in technical and vocational education and training (TVET).

UK-based interactive video game developer and publisher Double Eleven set up its first base outside of the UK in Greater Kuala Lumpur. The company's chief operating officer Mark South said knowledge transfer is important to the company and it aims to share knowledge with its Malaysian team. He notes that while the country's game industry is still in its early stages, there has been promising growth over the past few years.

South notes that Malaysian game studios have introduced amazing and award-winning intellectual properties (IP) and partnerships with global studios to develop some of the world's most popular games. He adds, "This comes as no surprise as Malaysia has a vast amount of experienced talent that have been putting the country on the map through their amazing work, with a good supply of fresh talent to grow this industry to greater heights. These are all reasons that attracted us to Malaysia in the first place and we look forward to nurturing these talents and playing a part in shaping and growing the game industry here."

COMPETITIVE COST OF DOING BUSINESS

Malaysia's affordable location, competitive labour costs, comparatively lower operating cost and overall lower cost of living are also attractive factors to MNCs. The country ranked No 1 among Asean countries for the lowest cost of living in Mercer's *2020 Cost of Living Survey*.

Kuala Lumpur has one of the lowest office rents in Asia. Its prime central business district's (CBD) gross effective office rent at US$15.2 per sq m per month is one of the lowest among Asian cities. The city offers an affordable cost of living — particularly in terms of recreation, leisure, social and cultural aspects, including a good range of international schools — which makes it feasible for MNCs to consider locating in Malaysia for the long term.

The country is making large strides in its drive to be the region's dynamic tech hub. With the right building blocks in place, and with the mindset of engaging and developing for further progress, Malaysia is fast becoming one of the more developed digital economies in Southeast Asia and home to an ever-growing number of tech-based companies.

Ready to Reach the Next Level? Malaysia Is Too

Swift and Sure in Its Response to the Global Pandemic and Downturn, the Malaysian Government Is Just as Swiftly Rolling Out a Familiar Welcome Mat to Global Corporate Investors.

Arham Abdul Rahman,
CEO of the Malaysian Investment
Development Authority (MIDA)

IN an April 2021 speech, The Honourable Dato' Seri Mohamed Azmin Ali, Malaysia's Senior Minister and Minister of International Trade and Industry, said the country's investment promotion efforts have successfully kept Malaysia on investors' radar, noting that the country "is currently undertaking concerted efforts to review our existing policies and restructure our investment strategy to ensure that implementation of high-impact projects can be expedited."

Site Selection has tracked plenty of recent high-impact projects in Malaysia from companies such as GE Engine Services, SK Holdings, GKN Aerospace, Plexus Manufacturing, Longi Green Energy Technology, medical device company Smith & Nephew, Nestle, Dexcom, UCT, LEM, Music Tribe and Leuze Electronics, among others. But the country is always seeking that next level, based on National Investment Aspirations that will guide it toward status as a regional investment hub.

Helping the country get there will be Arham Abdul Rahman, who in April 2021 became the new CEO of the Malaysian Investment Development Authority (MIDA). He recently responded to questions from Site Selection as Malaysia and the rest of the world emerge from the pandemic into a new era of FDI and economic development.

What are the top questions or concerns global corporate leaders have when they are considering investments in Malaysia?

MIDA CEO Arham Abdul Rahman: Generally global corporate leaders and MNCs look for cost-competitive, secure and stable locations to consider for facility investment. Today, over 5,000 companies from more than 50 countries have made Malaysia their location for manufacturing and related services operations. Malaysia also serves as the gateway to ASEAN, one of the fastest-growing economic regions in the world with a market of over 620 million people. Malaysia is also a member of the Regional Comprehensive Economic Partnership (RCEP), which presently encompasses 30% of the world's population and around 30% of global trade.

Malaysia boasts a robust legal system, including intellectual property protection, and a well-developed financial sector. The country's telecommunications and internet capabilities are among Asia's most sophisticated. Seven international airports connect Malaysia to regional and global commercial hubs, while its seven seaports facilitate the rapid movement of goods. A modern highway system spans most of Peninsular Malaysia, and over 500 business parks are scattered across the country. The DHL Global Connectedness Index ranks Malaysia No. 2 in Southeast Asia and No. 12 globally for trade connectivity.

Malaysia's young, educated workforce makes it one of the most competitive in Asia offering high-skilled talent. The nation boasts over 500,000 students enrolled in roughly 500 colleges and 73 universities. Vocational and technical schools, polytechnics and industrial training institutions prepare young people for employment in various industrial trades. One of the most compelling factors is the multi-diversified cultures in Malaysia. And most of our citizens are English-speaking, which helps in ease of doing business in the region.

The IMF has projected the Malaysian economy will grow by 6.5% this year. Where are you already seeing this resurgence?

MIDA CEO Arham Abdul Rahman: MIDA will continue to be at the forefront to entice more quality investments in the areas of technology and innovation to position Malaysia as an alternative supply chain hub in Asia. Malaysia is always adopting a selective ecosystem and targeted approach to attract foreign investment, including from the United States. Malaysia places emphasis on high-technology and high value-added industries which cover, among others, advanced electronics, machinery & equipment and chemicals, as well as new growth areas in medical devices and aerospace in the manufacturing sector. For the services sector, Malaysia continues to target global service centers, principal hub, healthcare, education, logistics, green technology and R&D.

"AFTER VETTING NUMEROUS POTENTIAL LOCATIONS, WE DETERMINED THIS SITE IN MALAYSIA IS A GREAT FIT FOR OUR FUTURE MANUFACTURING NEEDS."

— QUENTIN BLACKFORD, COO, DEXCOM, JUNE 2020, ON THE COMPANY'S FIRST NON-U.S. MANUFACTURING FACILITY FOR CONTINUOUS GLUCOSE MONITORING SYSTEMS COMING TO PENANG'S BATU KAWAN INDUSTRIAL PARK

Penang has been seen as the hub for electrical and electronics and medical devices due to its strong supporting ecosystem anchored by major U.S. companies such as Intel, Jabil, Boston Scientific and Dexcom. The Malaysian East Coast is an ideal location for chemicals and petroleum, while Johor is more prominent for services-based activities.

MIDA, which represents the federal government, works closely with the state promotion agencies to attract targeted investments in a coordinated investment promotion approach that includes trade and investment missions, targeted one-to-one meetings, webinars and many more activities. Once investors choose the location, MIDA will continue to facilitate and handhold the project to ensure smooth implementation. MIDA is not only focusing on new foreign investment but at the same time driving existing companies to reinvest in high value-added products and undertake high-value activities or services.

What does the recent signing of the Regional Comprehensive Economic Partnership agreement mean for Malaysia's economy?

MIDA CEO Arham Abdul Rahman: With the aim to establish a modern, comprehensive, high-quality and mutually beneficial economic partnership, RCEP is expected to strengthen the regional value chain and contribute to global economic growth and development. With the recent pandemic experienced globally, RCEP is poised as one of the country's economic recovery tools in fighting against COVID-19. Malaysia sees plenty of opportunities and benefits that come along with the agreement:

Greater market access: The implementation of this agreement will ensure the continuous opening of markets as well as uninterrupted supply chain. Service providers, including e-commerce companies and SMEs, will be able to enjoy greater market access in terms of cross-border supply and establishing a commercial presence in the RCEP markets.

Tariff elimination: Companies based in Malaysia are expected to benefit from tariff elimination and reduction of merchandise goods. The single consolidated tariff and rules will facilitate the export and import of goods among RCEP countries and strengthen trade flows.

Increased transparency: RCEP also pledges that the negative list approach adopted for both trades in services and investments will provide transparency on rules, laws and regulations concerning investments into the country.

"WITH GLOBAL CHALLENGES CAUSED BY THE PANDEMIC, MALAYSIA IS OPEN FOR BUSINESS AND REMAINS CONDUCIVE FOR FOREIGN INVESTORS."

— H.E. DATO' AZMIL ZABIDI, AMBASSADOR OF MALAYSIA TO THE UNITED STATES

Malaysia's young, educated workforce makes it one of the most competitive in Asia offering high-skilled talent.

Global experts have praised Malaysia's well-coordinated response to the pandemic. How have you been able to navigate this public health crisis while at the same time supporting corporate growth and FDI?

MIDA CEO Arham Abdul Rahman: Despite the international border closures and strict standard operating procedures in place worldwide to contain the spread of COVID-19, MIDA continues to be responsive in undertaking innovative and aggressive promotion activities to entice FDI. Malaysia recorded total approved investments of US$40.7 billion last year in the whole economy, of which FDI accounted for $15.9 billion (39.1%) whereas DDI [domestic direct investment] accounted for $24.8 billion (60.9%). It is important to note that, amid pandemic, FDI accounted for 62% ($13.7 billion) of total approved investments in the manufacturing sector. Despite the challenging times, FDI increased by 3.9% compared to 2019. The total investments approved are for 4,599 projects which are expected to create 114,673 jobs. This includes several projects from the U.S., particularly in machinery and medical devices industries such as Lam Research and Dexcom. The U.S. ranked fourth in terms of major sources of FDI last year behind China, Singapore and Netherlands, with investment of $900 million in the manufacturing sector.

Project Acceleration and Coordination Unit (PACU): Last year, MIDA introduced the Project Acceleration and Coordination Unit (PACU) to expedite and facilitate the implementation of approved projects. PACU provides advisory services to start-ups and conglomerates through its one-stop center concept, whereby investors are encouraged to discuss the challenges faced during operations and seek much-needed clarification and advice on government guidelines and procedures.

e-TRANS: MIDA, through its e-TRANS system, has launched and enhanced several online modules — namely faster approval for applications for e-manufacturing licenses, e-incentives, and import duty and/or sales tax exemptions — to expedite the execution of projects.

Stimulus package: The government also undertook major initiatives last year to bolster investment and cushion the impact of the pandemic through its four economic stimulus packages which involve allocation of US$77 billion to expedite the recovery. This includes a relocation incentive to promote foreign investment with an attractive 0% tax rate for a period up to 15 years in the manufacturing and services sectors.

One-Stop Center (OSC): Another game-changing initiative by MIDA was the setting up of a One-Stop Centre (OSC) to ease the movement of business travellers by expediting the approval of their entry into Malaysia to carry out their business activities. On March 23, 2021, the Business Travellers Center (BTC) was officially launched to welcome more investors into Malaysia. Located at KLIA, the BTC is now open for short-term foreign business travellers planning to carry out their business tasks in the country. The launching of the BTC marks a major milestone of the government's unwavering mission to revive the economy and to pave the way for economic rebound in 2021. Complete information on OSC is now available at **safetravel.mida.gov.my**

Corporate investors are attracted to stability and consistency. How has Malaysia been able to create a dependable business environment even when there is a change in political leadership?

MIDA CEO Arham Abdul Rahman: Malaysia has always adopted a consistent investment policy in attracting foreign direct investment [FDI] to the country and ensuring a vibrant and dynamic economy. Malaysia will continue to provide a business-friendly ecosystem and fine-tune policies to ensure sustainability of businesses in Malaysia. MIDA has assumed the critical and pivotal roles in contributing significantly to Malaysia's rapid industrial development in the last five decades, particularly in the manufacturing and services sectors, by promoting investments, both FDI and domestic direct investment [DDI]. MIDA's strategies have gone through various transformations, in line with the changing dynamics of the global and domestic economic landscapes. MIDA has put a strong emphasis on attracting Industry 4.0 adoption, digital economy, e-commerce, AI and robotics. It is a major step to restart the economy and also bring Malaysia to the next level.

This Investment Profile was produced under the auspices of the Malaysian Investment Development Authority (MIDA). For more information about investing in your profit center in Asia, visit **mida.gov.my**

"MIDA WILL CONTINUE TO BE AT THE FOREFRONT TO ENTICE MORE QUALITY INVESTMENTS FROM THE U.S. AND TO POSITION MALAYSIA AS AN ALTERNATIVE SUPPLY CHAIN HUB FOR U.S. COMPANIES IN ASIA."
— NELSON SAMUEL, DIRECTOR, MIDA NEW YORK

Malaysia, Your Preferred Business Partner

Malaysia Currently Exports a Wide Range of Quality Products and Professional Services and Ranks Among the Top Trading Nations Globally.

MALAYSIA has established itself as one of the most trade-friendly countries in the world, exporting a competitive range of products and services to more than 200 countries and territories around the world. It is today an integral part of the global supply chain and recognised by the World Trade Organisation (WTO) as the world's 25th trading nation and 26th largest exporter and importer in 2019.

Malaysia has also ensured that it has kept up with the rapidly transforming technologies utilised in the global trade, commerce and financial sectors. Today, it is capable of conducting business efficiently and effectively within the knowledge and digital economy.

The country currently exports high value-added products in various sectors including in technology, electrical and electronic parts, chemicals & chemical products, petrochemicals, optical & scientific equipment, medical devices, machinery, equipment & parts, automotive & aerospace components, building materials, renewable energy, processed food, furniture and lifestyle products besides traditional commodity exports such as oil & gas and palm oil-based products as well as rubber-based products. These items are primarily exported to Malaysia's main trade destinations of ASEAN, China, the United States, Hong Kong, Japan, Taiwan, the Republic of Korea as well as the European Union.

Among Malaysia's strengths is that it is a pioneer in the area of Halal, with extensive expertise on Halal Standards and an industry that is being recognised internationally. Its Department of Islamic Development of Malaysia or JAKIM's Halal certification is highly regarded by multi-national bodies and world bodies.

The importance it places on its Halal products is also reflected in the adoption of various elements of sustainability including in economic growth, the equitable distribution of wealth as well as recognising the need for environmental conservation.

Malaysian Electrical and Electronics companies are leading players globally with a significant amount of all electronic exports being contributed by semiconductor devices, integrated circuits (ICs) and transistors and valves. These companies are also capable exporters in their own right and specialise in various areas including electronic manufacturing services, wafer fabrication, IC designs, assembly and much more.

ICT is another important sector for Malaysian exports and include electronic government solutions, electronic commerce solutions, software development and system integration for banking, finance, insurance, healthcare and education among a range of many other services.

Malaysia's many other areas of export include the digital content sector, game art production and various aspects of audio-visual production for the film and computer industries.

Its export of machinery currently includes specialised process, metalworking, power generation and general industrial machinery among other things. The country is also the largest manufacturer of boilers in Southeast Asia, with the capability to manufacture and supply high-grade and internationally accepted industrial boilers.

Recognised as possessing one of the most developed chemical industries in the world, Malaysia supplies a variety of products including polymers of ethylene, methanol and saturated polyesters.

The country's construction and professional services sector has also established itself as a major global player, having completed a variety of projects abroad including in the construction of buildings and infrastructure, roads and highways, railways and bridges, oil and gas installations, water treatment and power plants, airports and more. This sector has the strong support of the building materials industry, which produces a wide array of quality items for the building and construction industries, as well as the renovation and refurbishing sectors.

The aerospace industry is another area in which Malaysia has been showing tremendous growth potential including in the MRO, machinery and design engineering sectors, and the country is poised to carve a niche for itself in this highly specialised field.

Malaysia's Oil and Gas Industry is today among the most dynamic in the region and includes the provision of specialty services such as engineering, procurement, construction, commissioning & installation (EPCCI), fabrication of offshore oil and gas related structures and various other logistics, infrastructure, storage and management requirements.

Food is another sector in which Malaysia excels and the largest export category here is edible products and preparations consisting of sauces, soya-based preparations and extracts and concentrates that are used as food ingredients.

Malaysia has also established itself as a world leader in furniture design and manufacture with over 80% of its output exported to over 160 countries including kitchen and bedroom furniture, upholstered furniture with wooden frame and office furniture.

Other major areas of export include Malaysia's vibrant fashion industry, healthcare including hospital, medical and dental services, and franchising including in F&B, car sales, service centres, retail and supermarkets, IT and a wide range of other business opportunities

The country's well-deserved reputation for the export of quality products and services is only possible given the support it receives from the logistics industry, with a well-developed and complete chain of service providers that include warehousing, transportation, freight forwarding and other related value-added services such as distribution and supply chain management.

The tagline, "Choose Malaysia", aptly describes the country's capabilities, quality products and services, and its ability to help you do better business.

For more information about MATRADE, please visit **www.matrade.gov.my**

Malaysia Leads Southeast Asia in Global Islamic Economy

Malaysia's Increasing Halal Exports, Especially to OIC Countries, as Well as Its Strong Awareness and Governance on Halal, Had Contributed Largely for Retaining the Top Spot .

Malaysia again emerged highest in the annual Global Islamic Economy Indicator (GIEI) for year 2020/21, its eighth year in a row, when it came out tops in four out of six categories, including for Halal Food, Islamic Finance, Muslim Friendly Travel, and Pharmaceutical & Cosmetics sectors.

Malaysia was also ranked second and fourth in the Media & Recreation and Modest Fashion sectors respectively, in the annual State of the Global Islamic Economy (SGIE) Report produced by international strategy research and advisory firm DinarStandard.

Supported by the Dubai Islamic Economy Development Centre (DIEDC), the SGIE Report presents an annual update on the Islamic economy, encompassing Halal products, Islamic finance, and lifestyle sectors and services.

It offers a comprehensive picture of countries that are currently best positioned to address the multi trillion dollar global halal economic opportunity. A total of 81 countries comprising Organisation of Islamic Cooperation (OIC) countries and non-OIC countries with a prominent halal industry presence were covered in the SGIE Report.

Following closely behind Malaysia are Saudi Arabia in second place, the United Arab Emirates in third while Indonesia and Jordan came in fourth and fifth place respectively.

Three Southeast Asian countries – Malaysia, Indonesia and Singapore – were scored among the top 15 world economies for the Islamic market.

Fourth-ranked Indonesia's score was lifted by its Islamic finance market, and Singapore, which was 15th in the world, was buoyed by its halal food market.

Malaysia's increasing halal exports, especially to OIC countries, as well as its strong awareness and governance on halal, had contributed largely for retaining the top spot.

In the Muslim-Friendly Travel category, the Malaysian government even ranked highest in two out of four benchmark dimensions, including in governance, which refers to regulations related to the tourism industry, and awareness in terms of media coverage and stakeholder training.

In the other two benchmark dimensions, Malaysia was placed second in Financial Support for inbound tourism spend, and third in Social Dimension, which refers to the sector's impact on employment.

"Malaysia has shown consistent growth across all the sectors, with export to OIC numbers increasing in food, pharmaceuticals, and media and recreation," said Rafi-uddin Shikoh, CEO and Managing Director of DinarStandard.

"Strong awareness and governance credentials have allowed Malaysia to rank higher than other countries with larger export volumes," he added.

He said Malaysia is also a recognised leader in Islamic banking knowledge, and its plans to send its Islamic finance graduates abroad to help build the industry globally, especially in non-Muslim majority countries, is also a very strong plus point.

These, in addition to the fact that Malaysia is also ranked as the world's best country to invest in or do business in by CEO World Magazine in 2019, which speaks to its strong trade partnerships with fellow OIC countries, are just some of the factors that made Malaysia able to retain first on overall Global Islamic Economy Indicator for 2020/21.

Under the theme of 'Thriving in Uncertainty', the eighth edition of the report aims to provide insights on capturing opportunities in the resilient Muslim market amidst the ongoing COVID-19 global pandemic.

"This year's SGIE Report highlights the emerging opportunities that stand out amidst the repercussions of COVID-19, such as global supply chain disruptions, job losses, health services crises, and food security challenges," said Rafi-uddin.

He pointed out the 33 'signals of opportunities' identified in the Report, which include the tokenisation of sukuks within Islamic fintech and the accelerated digital transformations across all sectors prompted by the COVID-19 pandemic.

"Other signals identified pertain to Halal products, supply chain shifts, food security investments, and nutraceutical demand," he said.

The Global Islamic Economy Indicator measures how leading national ecosystems are best able to support the development of Islamic economy business activities.

Malaysia is also ranked as the world's best country to invest in or do business in by CEO World Magazine in 2019.

This year's report estimates that Muslims spent US$2.02 trillion (RM8.23 trillion) in 2019 on food, pharmaceuticals, cosmetics, modest fashion, travel, and media.

In the Muslim-Friendly Travel sector alone, 200.3 million Muslim travellers contributed a total of US$194 billion (RM790 billion) in travel spending in 2019, attesting to its enormous potential.

The ongoing COVID-19 pandemic has crippled growth in this sector, however, with recovery to pre-pandemic levels expected only by 2023.

While the total Muslim 2019 spending reflects 3.2 per cent year on-year growth, spending in 2020 is forecasted to contract by eight per cent due to the effects of the pandemic, before rebounding back by end 2021.

"Consumer spending, excluding travel, is forecast to rebound by end 2021, and is estimated to reach US$2.3 trillion (RM9.37 trillion) by 2024, at a cumulative annual growth rate (CAGR) of 3.1 per cent," said the Report.

The global cosmetics market meanwhile, could make some US$76 billion (RM309.5 billion) in sales to Muslim consumers by 2024, as it is set to grow by 2.9 per cent per annum post COVID-19.

With an estimated US$4 billion (RM16.3 billion) of Malaysia and Indonesia's combined market demand for halal cosmetics in 2019, Southeast Asia may just be poised to capture a major slice of that pie, according to the Report.

It added that halal cosmetics brands have adapted to the shifting consumer trends during the demand downturn of the COVID-19 pandemic.

Strategies such as marketing in local languages, especially in Southeast Asia, and releasing special Ramadan ranges to capture the seasonal pick-up in sales, have proven to be successful. "Brands have also built up new product ranges tailored to pandemic lifestyles," it said.

In Indonesia, L'Oreal saw growth in at-home beauty treatments and above-the-mask eye products, while Wardah launched a halal-certified face cream targeting blue light from scenes, and Rose All Day produced a mask-and-sanitiser kit.

Cosmetics companies can rebound from the pandemic through regional expansion, with Malaysia, Indonesia and India highlighted as growth markets, the report suggested.

In Islamic finance, assets are estimated to have reached US$2.88 trillion in 2019 and are estimated to remain at the same level in 2020. The report also added that following a record year in 2018/19, investments in Islamic economy-relevant companies globally slowed down in 2019/20; dropping by 13% to US$11.8 billion.

"Over 54% of investments were within the halal products category, while Islamic finance and Islamic lifestyle attracted 41.8% and four per cent of investments, respectively."

"Growth figures were driven by corporate-led mergers and acquisitions, venture capital investments in tech startups, and private equity investments," it added.

Key Takeaways from SGIE Report 2020/21

1. Muslim world spent $2.02 trillion on Halal food in 2019.
2. Global spend on Halal food and beverage is forecast to hit US$1.38 trillion by 2024.
3. Investments in Islamic economy relevant companies totalled US$11.8 billion in 2019/20, a decline of 13 per cent compared to the previous year.
4. Indonesia (#1) and Malaysia (#2) ranked ahead in terms of investment activities, while Halal food sector expanded by 219% to $6.3 billion in total deal value.
5. 33 key signals of opportunities identified including:

   i. tokenisation of sukuks (Islamic bonds) within Islamic fintech,
   ii. supply chain shifts
   iii. food security investments
   iv. nutraceutical demand
   v. domestic tourism, and
   vi. accelerated digital transformations.

OVER 54% OF INVESTMENTS WERE WITHIN THE HALAL PRODUCTS CATEGORY, WHILE ISLAMIC FINANCE AND ISLAMIC LIFESTYLE ATTRACTED 41.8% AND FOUR PER CENT OF INVESTMENTS, RESPECTIVELY."

"GROWTH FIGURES WERE DRIVEN BY CORPORATE-LED MERGERS AND ACQUISITIONS, VENTURE CAPITAL INVESTMENTS IN TECH STARTUPS, AND PRIVATE EQUITY INVESTMENTS."

Source: HDC Vibes Volume 5 - Halal Development Corporation (hdcglobal.com)

MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY
OF MALAYSIA

www.miti.gov.my