

Trade development in BIMP region

Presentation

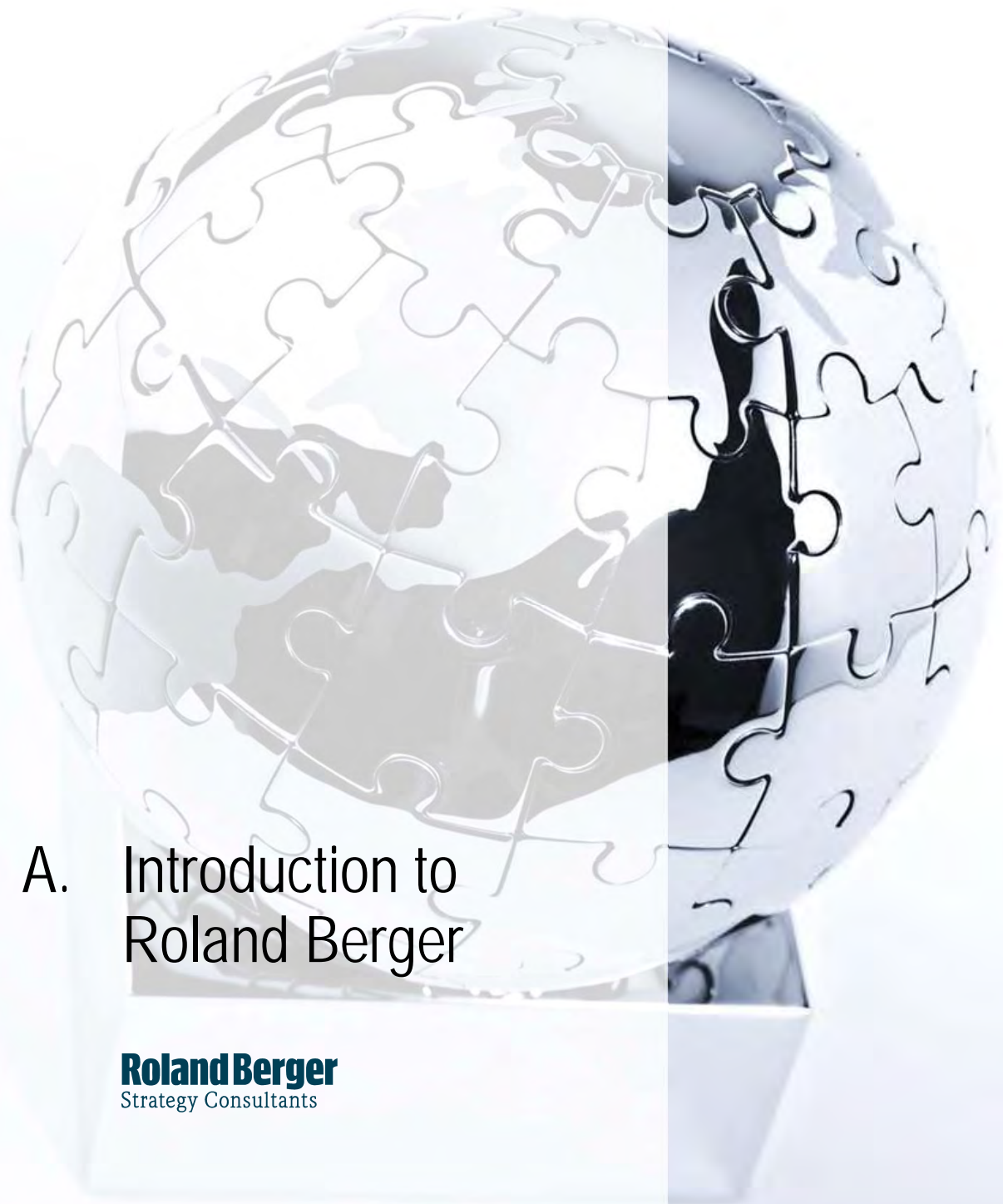
Roland Berger
Strategy Consultants

Manila, February 12 2015



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A. Introduction to Roland Berger

Roland Berger
Strategy Consultants

Roland Berger is a leading global strategy firm with successful operations in all major international markets

Our global presence

51 offices in **36** countries,
with approx. **2,400** employees

Over **220** partners with specific
expertise organized in **14**
competence centers

Serving over **1,000** international
clients

Clients

75% repeat clients

30% of top 1,000
global companies

40% of Europe's
leading companies



We are well positioned to help our clients succeed – Independent global rankings show we are top 3 in key consulting areas

Positioning in global rankings

	Ranking in core consulting skills		Ranking in key areas of expertise			
<ul style="list-style-type: none"> > Rigorous analysis > Impartial recommendations > Customized, workable solutions > Constant innovation > Sustainable value creation for our clients > Strong implementation support 	Industry & company restructuring Score		Ability to implement Score		Thought leadership Score	
	1	Roland Berger 397	1	Management Engineers 388	1	BCG 394
	2	McKinsey & Company 388	2	Roland Berger 385	2	McKinsey & Company 391
	3	KPMG 365	3	Oliver Wyman 343	3	Roland Berger 375
	4	PWC 350	4	A.T. Kearney 338	4	Bain & Company 369
	5	Boston Consulting Group 338	5	PWC 331	5	Booz & Co. 328
	Organization & leadership Score		Market knowledge Score		Communication skills Score	
	1	McKinsey & Company 401	1	McKinsey & Company 401	1	Booz & Co. 355
	2	Roland Berger 390	2	BCG 396	2	Roland Berger 334
	3	Boston Consulting Group 376	3	Roland Berger 367	3	BCG 332
	4	Booz & Co 368	4	Bain & Company 355	4	Management Engineers 330
	5	Bain & Company 365	5	Booz & Co. 346	5	McKinsey & Company 329

You can expect innovative strategies that really work for your company

Score: 100 = very poor skills; 500 = very strong skills

We offer a unique combination of functional expertise and relevant industry and sector experience

Roland Berger Competence Centers by industry and function

**Industry
competence centers**

**Functional
competence centers**

Automotive >	■ ■	< Information Management
Energy & Chemicals >	■ ■	< Marketing & Sales
Consumer Goods & Retail >	■ ■	< Operations Strategy
Travel, transportation and tourism >	■ ■	< Corporate Finance
Financial Services >	■ ■	< Corporate Performance
Infrastructure & Urban Development	■ ■	- Strategy
InfoCom >	■ ■	- Organization
Pharma & Healthcare >	■ ■	- Restructuring
Public Services & Not-for-profit >	■ ■	
Utilities >	■ ■	

- > **Methodological competence and approaches**
- > **In-depth understanding of industries and their main players**
- > **Combination of industry expertise and functional know-how**

**Joint teams
Joint solutions**



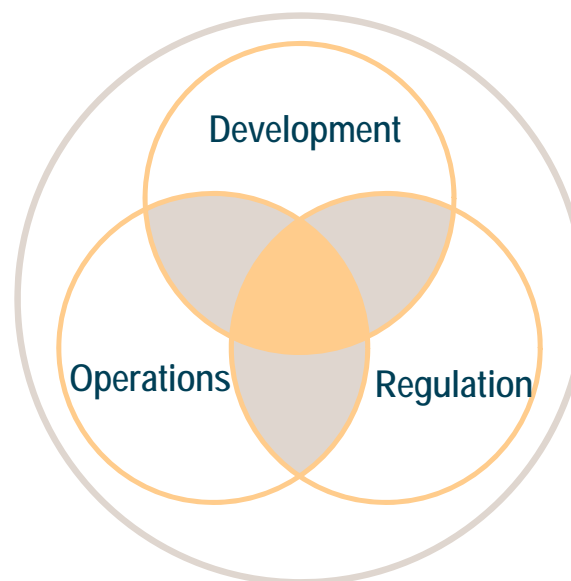
We have assisted many port & terminal investors in making smart investment decisions and developing sustainable businesses

Focus Areas – where we have deep experience and expertise

- > Port master planning
- > Market studies, traffic forecasting
- > Acquisition targets scanning and strategies
- > Business planning

- > Conceptual spatial masterplan
- > Due diligence, strategic reviews
- > Physical re-development planning

- > Corporate/business strategy
- > Operational improvement
- > Operating performance, KPIs



- > Institutional review
- > Port management model design

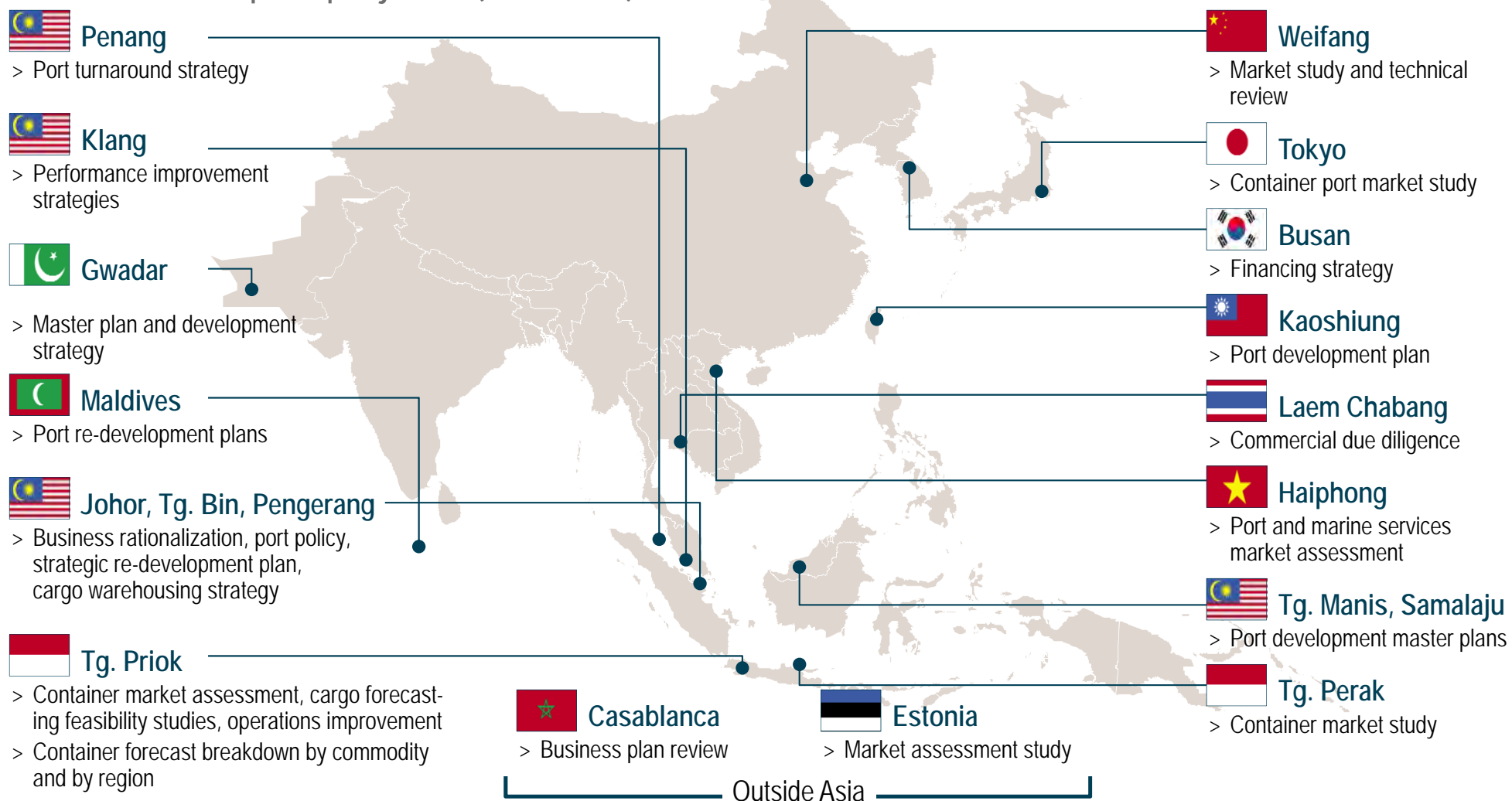
- > Regulatory review
- > Policy advisory
- > Tender process and negotiations

- > Pricing strategies
- > Concession design
- > Port privatization studies

- > Regional economic development strategy
- > Integrated logistics strategy
- > Regional/national port development planning

Our team has successfully completed a significant number of projects for ports throughout Asia, as well as beyond

Credentials – port projects (selected)



Our team has worked with many of port authorities, global ports, shipping lines and maritime companies

Selected clients in the maritime industry/transportation

Port authorities



Conglomerates



Port operators



Shipping liners



Shipyards



Logistics service providers



Maritime transportation



Suppliers



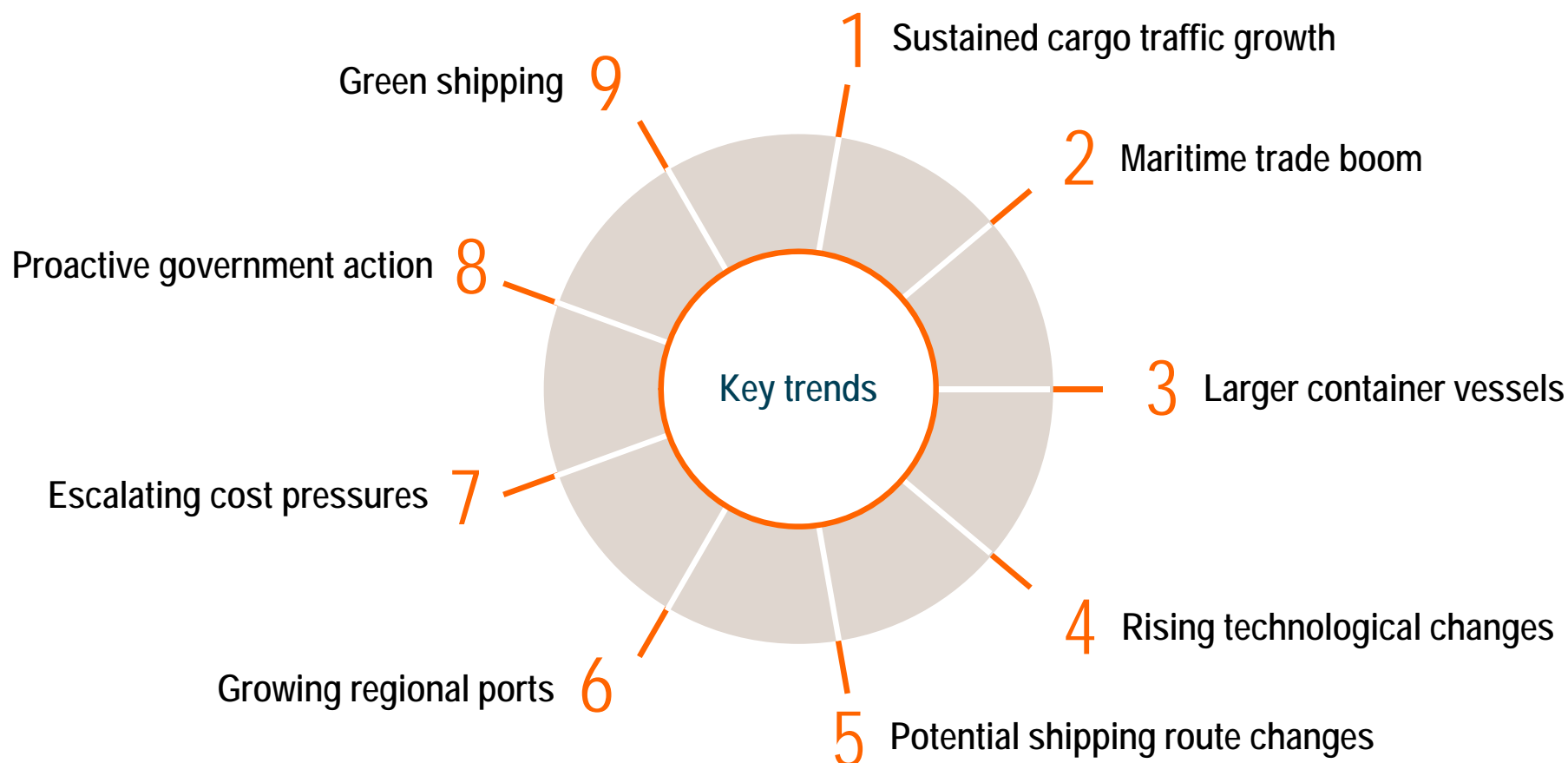
B. Global trade trends

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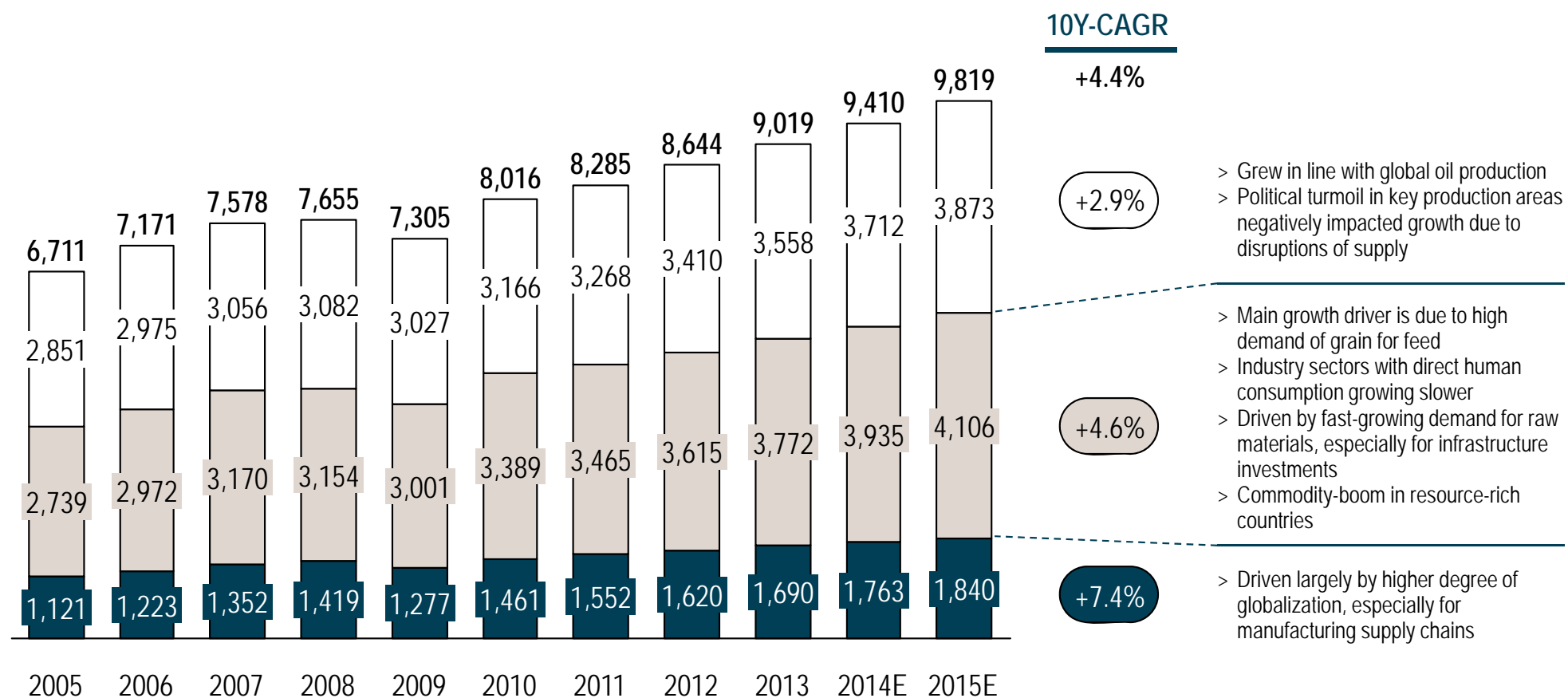
Nine key industry trends will underpin the short, medium and longer term of global maritime landscape

Industry trends



Global shipment demand has expanded by 4.4% CAGR in the past decade, bolstered by strong growth in containerized cargo

Global shipment demand, 2005 – 2015 [m MT]

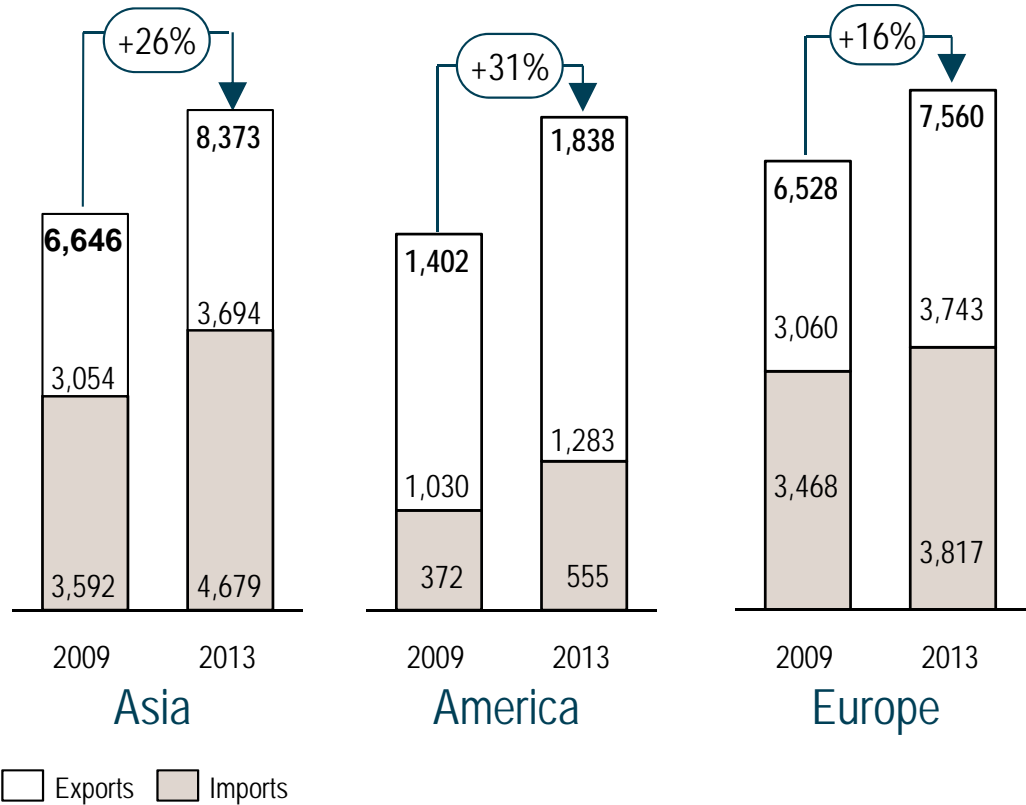


Legend: Liquid bulk (white), Dry bulk (grey), Containerized cargo¹⁾ (dark blue)

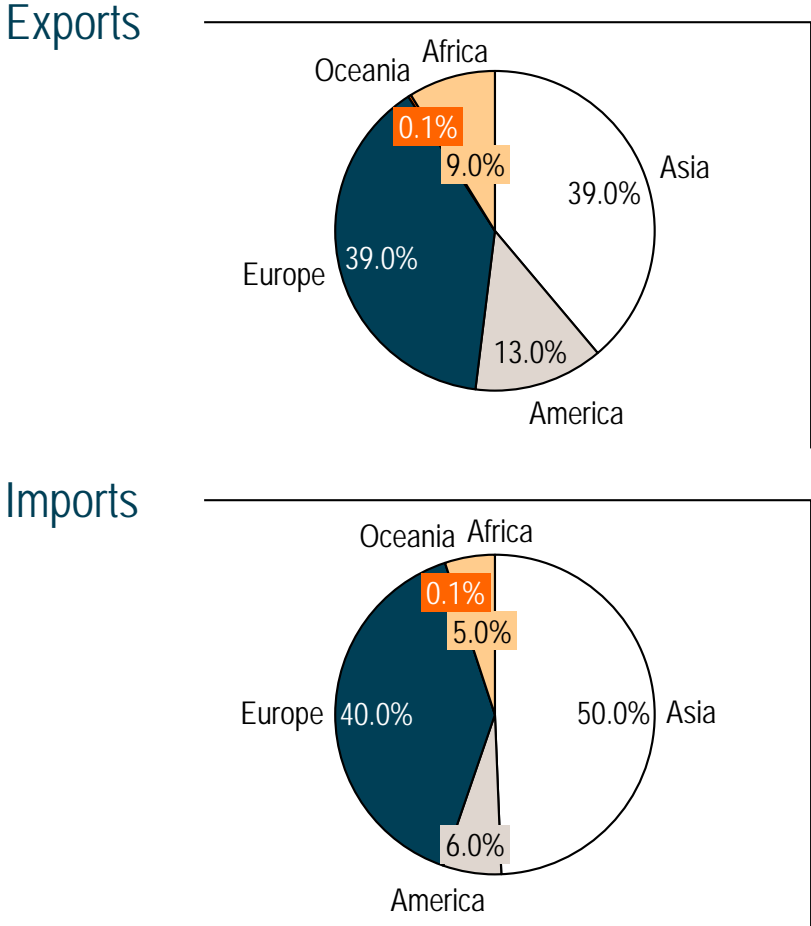
1) including general cargo

Asia accounts for the largest portion of global maritime trade, recording steady growth in its market share

Total maritime trade by region [m Tons]

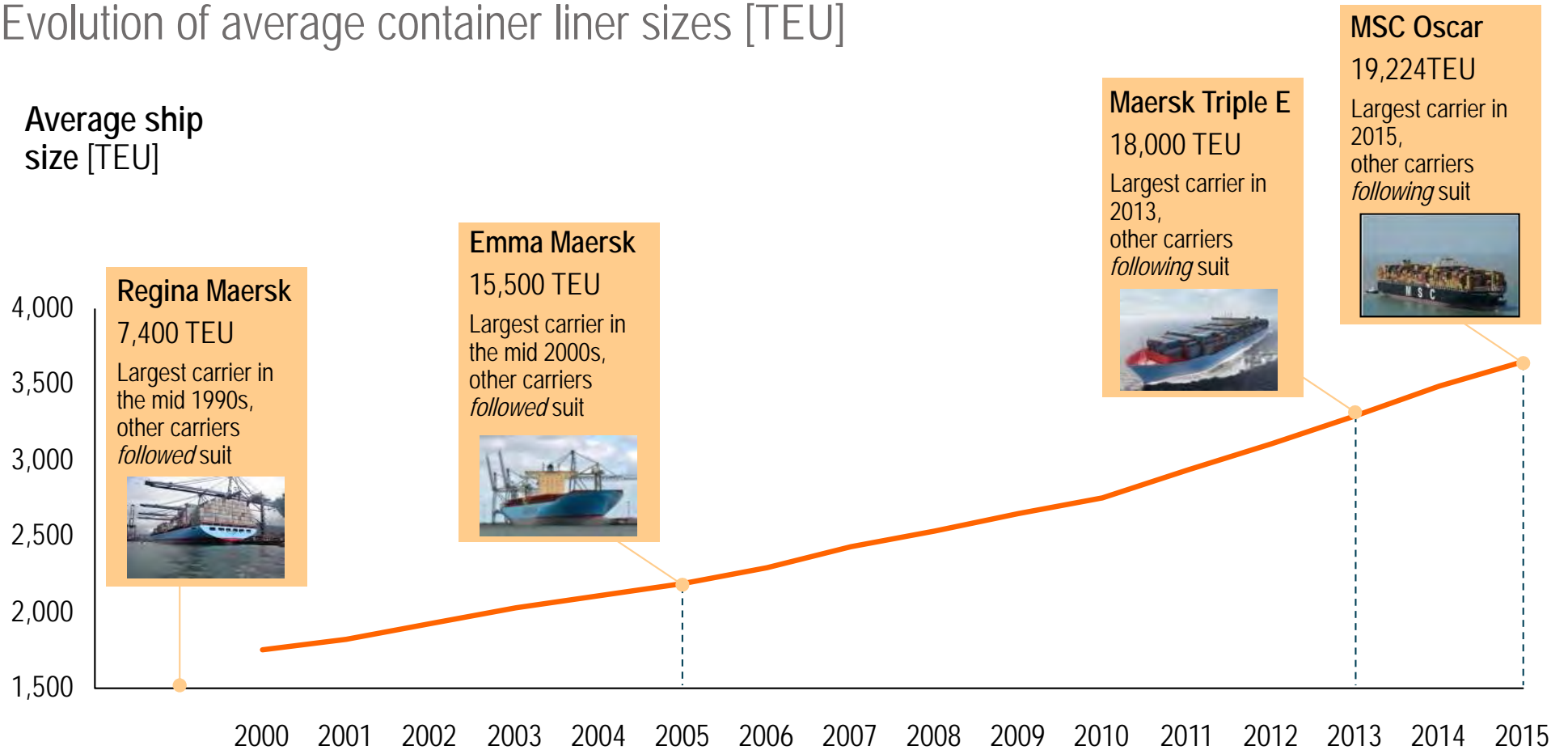


Share of world maritime trade [2013%]



Looking back the past decade, there has been a clear and consistent trend in the industry towards larger container liner sizes...

Evolution of average container liner sizes [TEU]



- > Average size of container vessels has steadily grown over time
- > When a market leader introduces a significantly larger vessel into the market, other players eventually follow suit

... driven by high bunker costs causing a shift towards ultra-large container ships and wide beam vessels for unit cost advantages

Attractiveness of vessel classes (selected examples)

Ultra-large container ships (10,000+ TEU)



- > **Unit cost advantages** (economies of scale, lower consumption) – but **only if fully utilized!**
- > Operational **challenges**: stowage, draft, crane reach, terminal productivity, etc.
- > As a result, their **use** has so far been **limited** to Far East-Europe routes
- > But from 2016 there will be **only 10,000+ TEU** vessels on **Far East-Europe** routes

Wide beam vessels (up to 9,000 TEU)



- > Size ratio offers better **stability**, optimum **load capacity**, lower **consumption**
- > Growing interest, even some **speculative orders** (e.g. Oceanbulk/Oaktree Capital)
- > **Versatile** when faced with operational restrictions: Latin America, India, Black Sea
- > **Panama Canal** extension is **helping demand**: wide-beam vessels can use it from 2015

Panamax class (up to 5,000 TEU)



- > **Charter rates at a low** (especially 4,800-5,100 TEU maxi-Panamax), little scrapping
- > Being displaced by **more efficient 7,000-9,000 TEU vessels** as a result of **cascading**
- > US east coast: Larger vessels rerouted through **Suez instead of Panama Canal** (e.g. Maersk)
- > Further overcapacity from 2015: **Panama Canal extended** for vessels up to 13,000 TEU

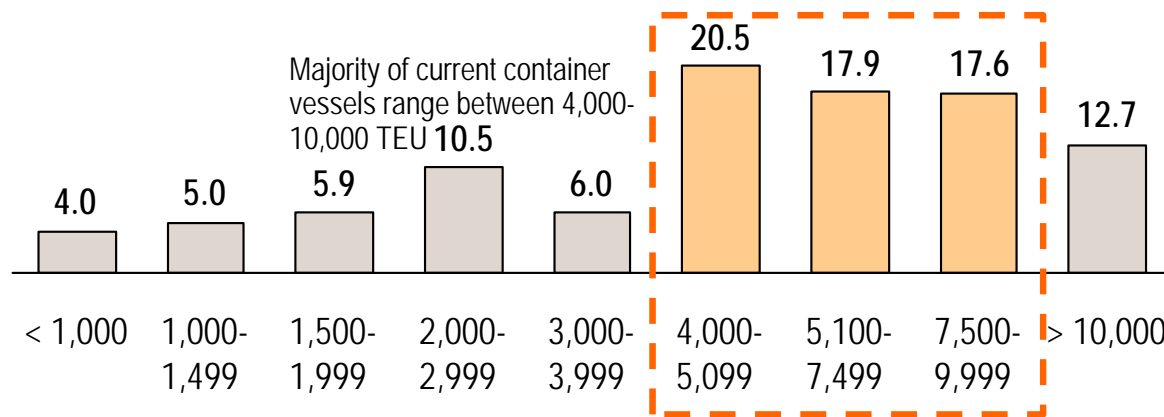
Feeder fleet (up to 1,000 TEU)



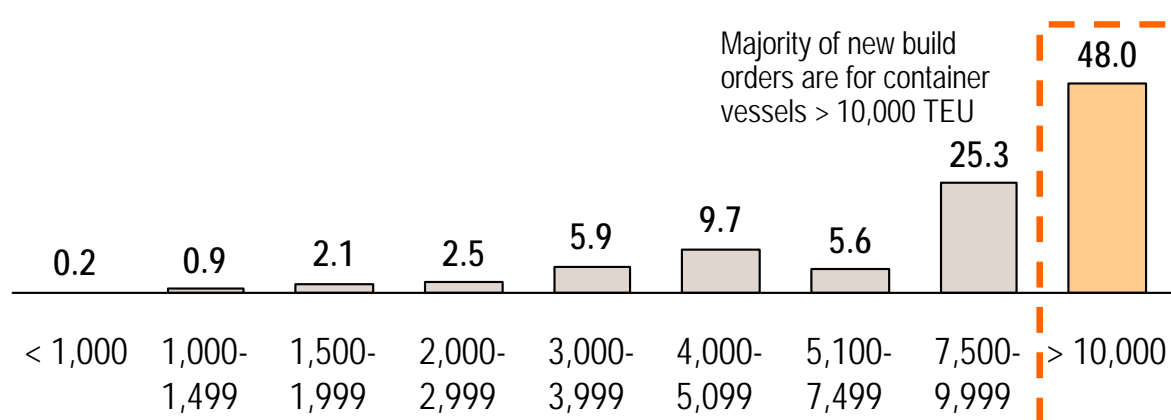
- > 773 vessels with 500-999 TEU segment, of which **58 vessels (7.5%) are idle** (Jul/Aug 2013)
- > Regional feeder services and short-sea shipping increasingly have **larger tonnage**
- > **Reduction in feeder demand** in Europe (e.g. Maersk Line: mainliner into the Baltic Sea)
- > Additional pressure: More than 100 **multi-purpose vessels** in use as container vessels

The fleet profile of the future will feature a greater proportion of ULCVs, with implications on port planning, design and operations

Current fleet profile breakdown¹⁾ [TEU, %]



Orderbook fleet profile breakdown¹⁾ [TEU, %]



Key implications:

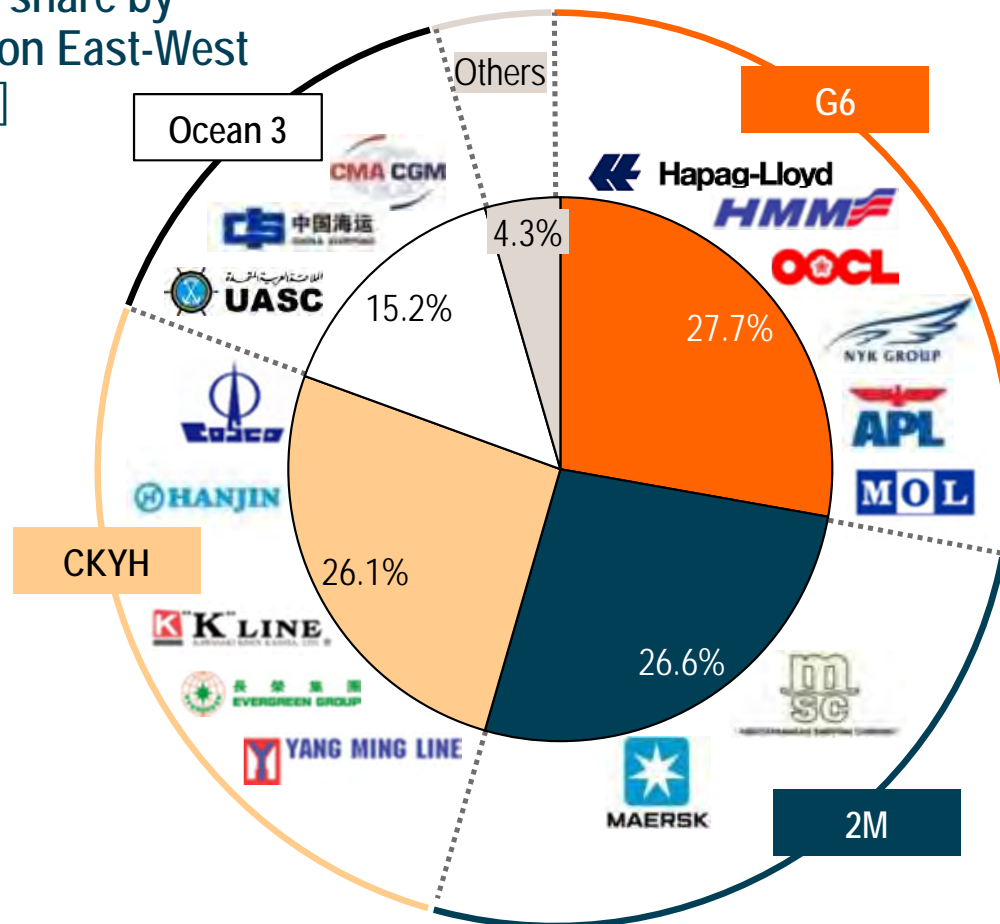
- > **Port planning & operations**
 - Deeper drafts, longer berths, wider channels etc.
 - Higher gate pressure – needs increased productivity, larger capacity equipment, greater inter-modal capacity
- > **Vessel cascading**
 - Vessel upsizing on corresponding spoke routes
- > **Rationalization of shipping routes**
 - Re-drawing of hub and spoke alignments; some hubs dropped

Note: ULCV – Ultra large container vessels > 10,000 TEU
 1) Breakdown by total capacities in TEU. Based on data as on 1 March 2013.
 Source: Alphaliner; Roland Berger

The trend towards ultra-large container vessels drives the forming of alliances among liner operators to achieve greater scale

Trends in alliances

Capacity share by Alliance on East-West trades[%]



- > Pursuit of scale has led towards even larger vessel sizes
- > In order to fill the ships, reduce operational risks – liners have entered into operating, non-commercial alliances with each other
- > Since 2011, the trend towards alliancing has intensified – there remains 4 major alliances controlling > 95% of market share
- > Others are under pressure to "join the pack"

Increased leverage of liner alliances over port operators

However, the implications alliances will have on the port industry still remains unclear

Alliances: Implications

The hope: Alliances will reduce rivalry and stabilize prices for the good of all...

Price

- > Informal price/capacity agreements within the alliances **stabilize freight rates**
- > Market clout and slot cost advantages of 2M/G6 compel all carriers to practice **more price discipline**

Efficiency

- > More **cost efficiency** through better utilization + economies of scale (purchasing)

Capacity

- > Coordination of **new builds** – alliance partners no longer need to react to one another

Consolidation

- > Growing cost pressure drives "genuine" **industry consolidation**

Terminals

- > Consolidation may **strengthen carriers' positions** towards terminals in some ports...

...but: based on experience to date, there may not necessarily be any improvement

- > No decrease in overcapacity – **volatile freight rates** to continue in the battle for utilization
- > The continued loss of differentiating features **amplifies the price war**

- > **Unit cost** advantage of 2M may force competitors to place new orders for **more efficient ULCS**

- > Standalone carriers/smaller alliances expand **capacity** in order to keep up with the big ones

- > Alliances **reduce consolidation pressure** (network synergies via alliances rather than M&A)

- > ...but could **shift balance of power** towards 2M in other ports

Changes in regulation and the continuous pursuit of cost efficiency will drive future technological innovation

Technological trends

Regulation

- > Historically, **technology adoption** in the maritime sector most **strongly influenced by regulatory changes** – often as a consequence of accidents/incidents
- > Increased implementation of **environmental regulation** will drive research and innovation in **new emissions control technologies** and **advanced fuel technologies**



Advanced fuel technologies

Solar sails ship, low carbon fuels e.g., LNG ships, slow steaming, electric ships



Automation

Increased automation of port land and marine operations



Environmental technologies

Selective catalytic reduction converters to reduce NOx, low energy ship design e.g., improved hull design reduces drag



Information technology

Ship voyage real time tracking, voyage optimization by using latest ocean and weather data, e-Navigation

Cost efficiency

- > The continuous **pursuit of greater cost efficiency** and savings will drive innovation
- > The **maturity stage** of individual technologies **affects** costs and its subsequent **adoption**
- > Increased drive for cost efficiency will drive research in **advanced fuel technologies** due to **high fuel costs** as well as increased adoption of **automation and ICT**

While Johor / Singapore remains an important hub for east-west cargo flows, alternative trade routes may arise in the future





















Cargo flows – East Asia



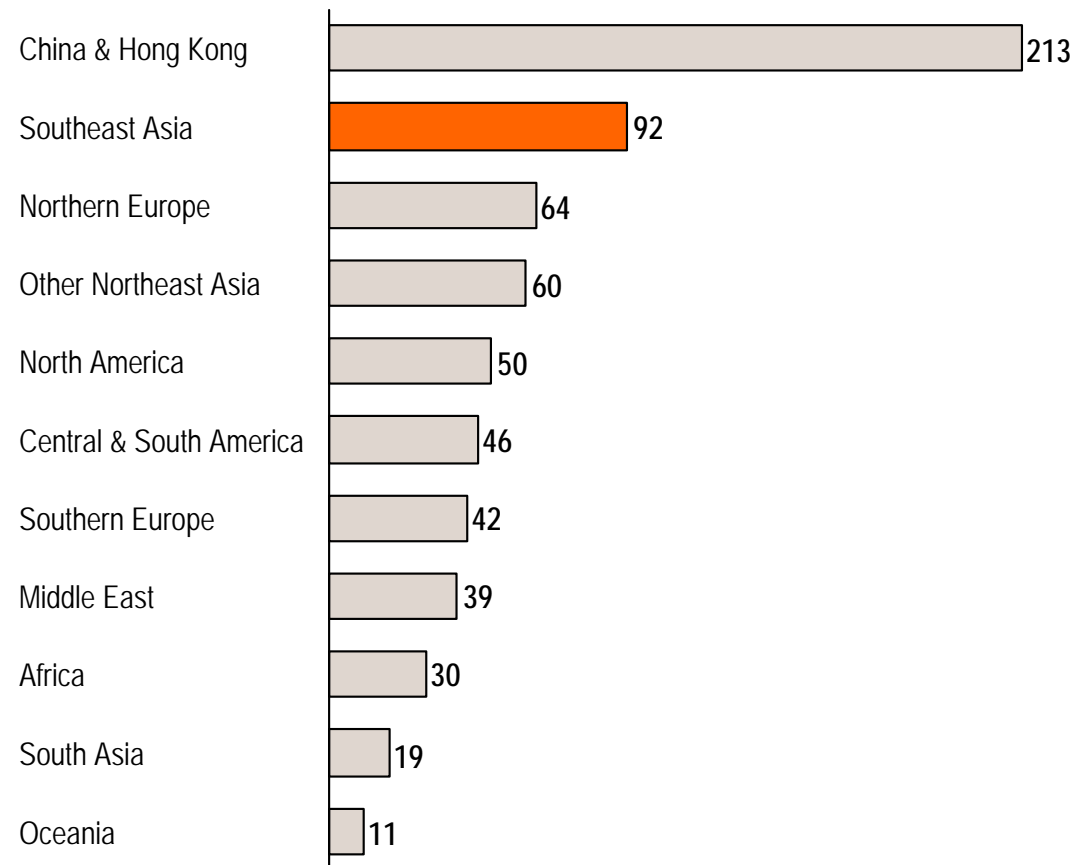
Next to China, Southeast Asia has recorded the second-highest throughout for regional container activity

Global container activity

Top 20 ports in the World, Q1 2014 [m TEU]

	Shanghai	8.22
	Singapore	7.93
	Hong Kong	5.31
	Shenzhen	5.23
	Ningbo-Zhoushan	4.50
	Busan	4.43
	Qingdao	4.15
	Dubai	3.60
	Guangzhou	3.58
	Los Angeles / Long Beach	3.44
	Tianjin	3.17
	Rotterdam	2.91
	Port Klang	2.54
	Kaohsiung	2.48
	Hamburg	2.39
	Dalian	2.15
	Antwerp	2.15
	Tanjung Pelepas	1.95
	Xiamen	1.87
	Laem Chabang	1.51

Regional container activity, 2013¹⁾ [m TEU]

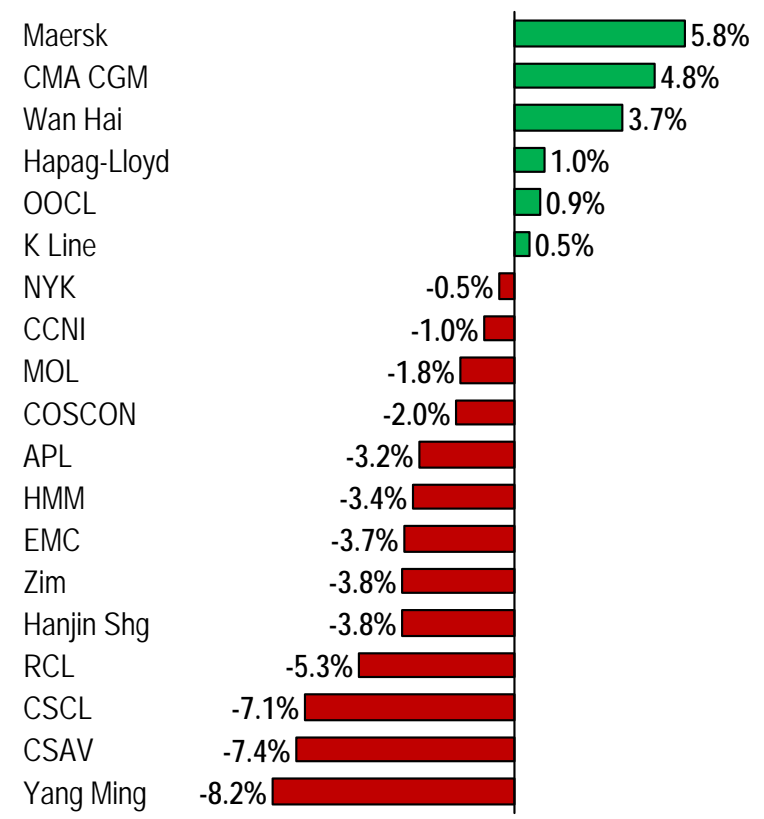


 Southeast Asian ports 1) Forecasted figures

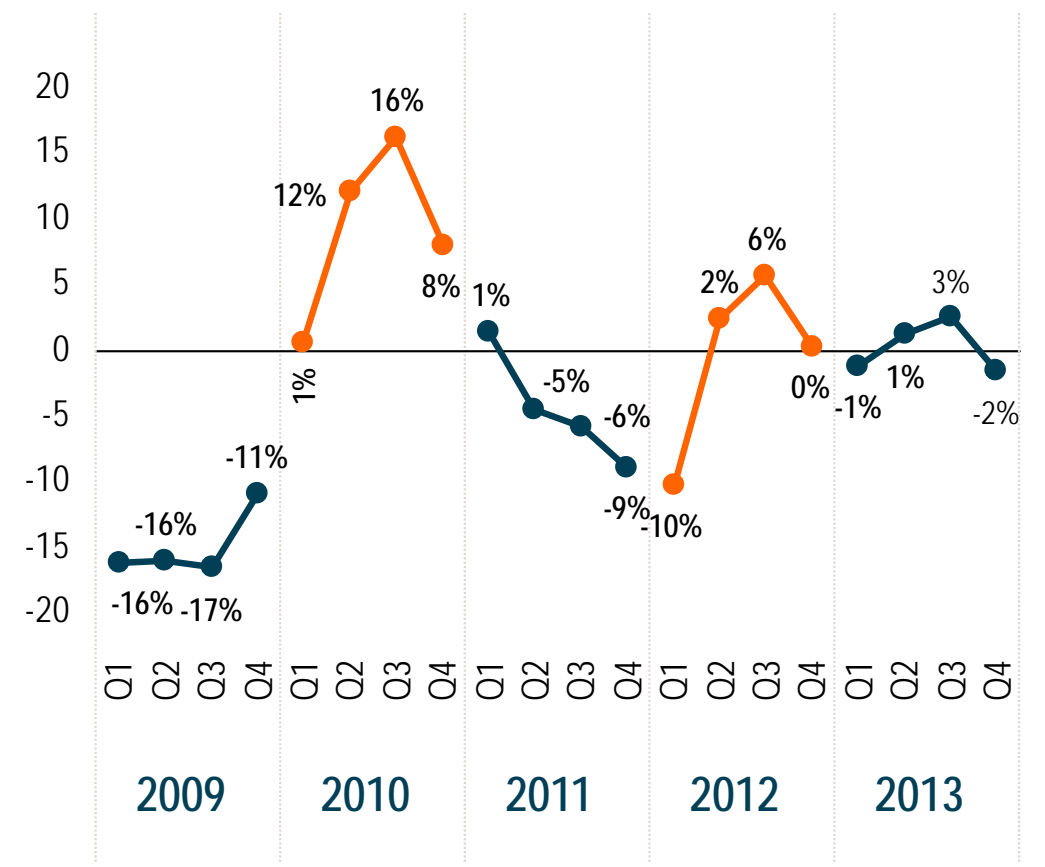
Shipping lines continue to record negative operating margins, with continued pressure of cost escalations and increasing competition

Historical financial performance of shipping lines

Shipping lines operating margin, 2013 [%]



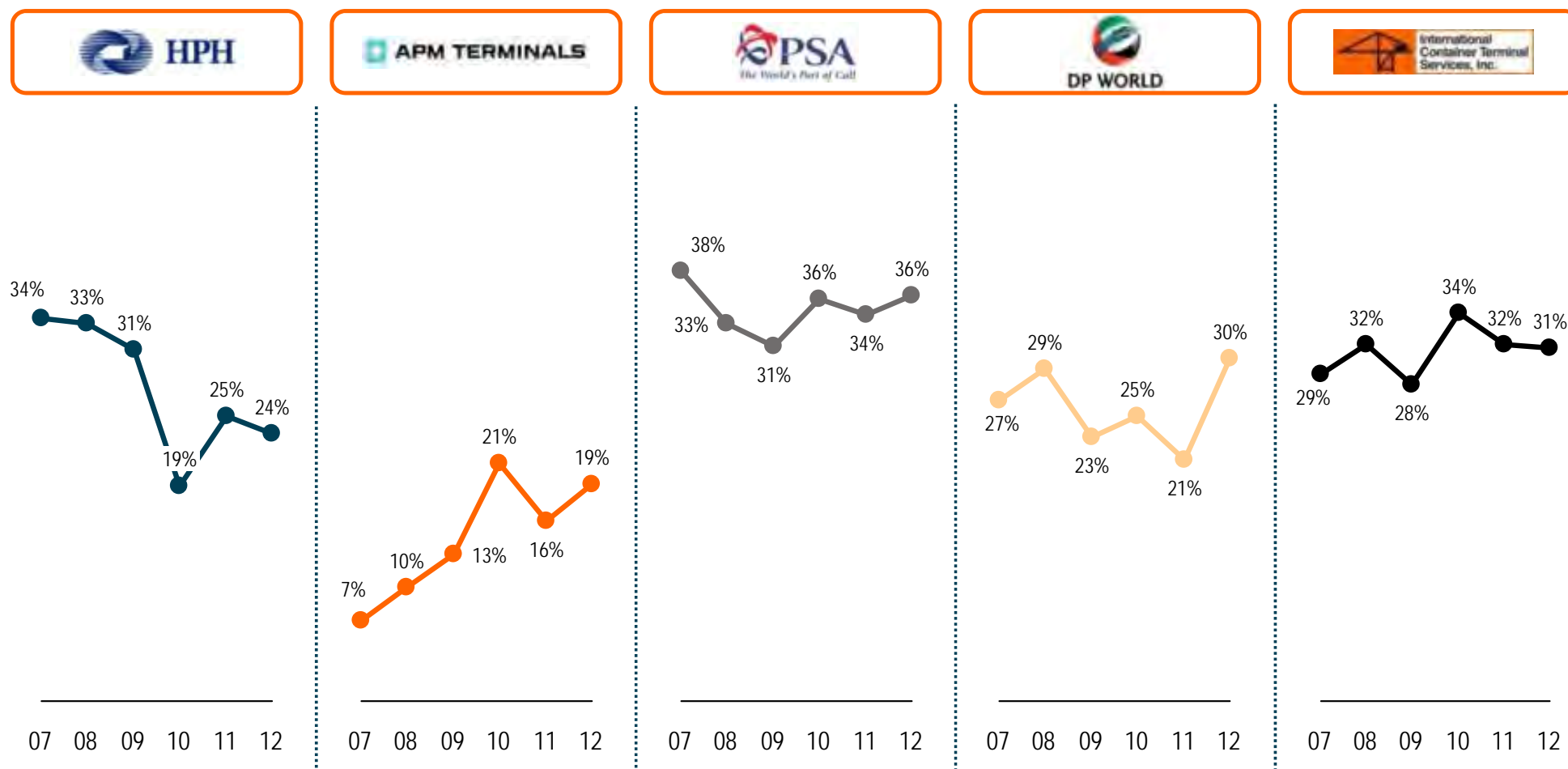
Average operating profit margin¹⁾, 2009 -2013 [%]



1) Average for APL, CMA CGM (fr 2010), CCNI, CSAV, CSCL, EMC, Hanjin, HMM, Hapag-Lloyd, KL, Maersk, MOL, NYK, RCL, WHL, YML, Zim

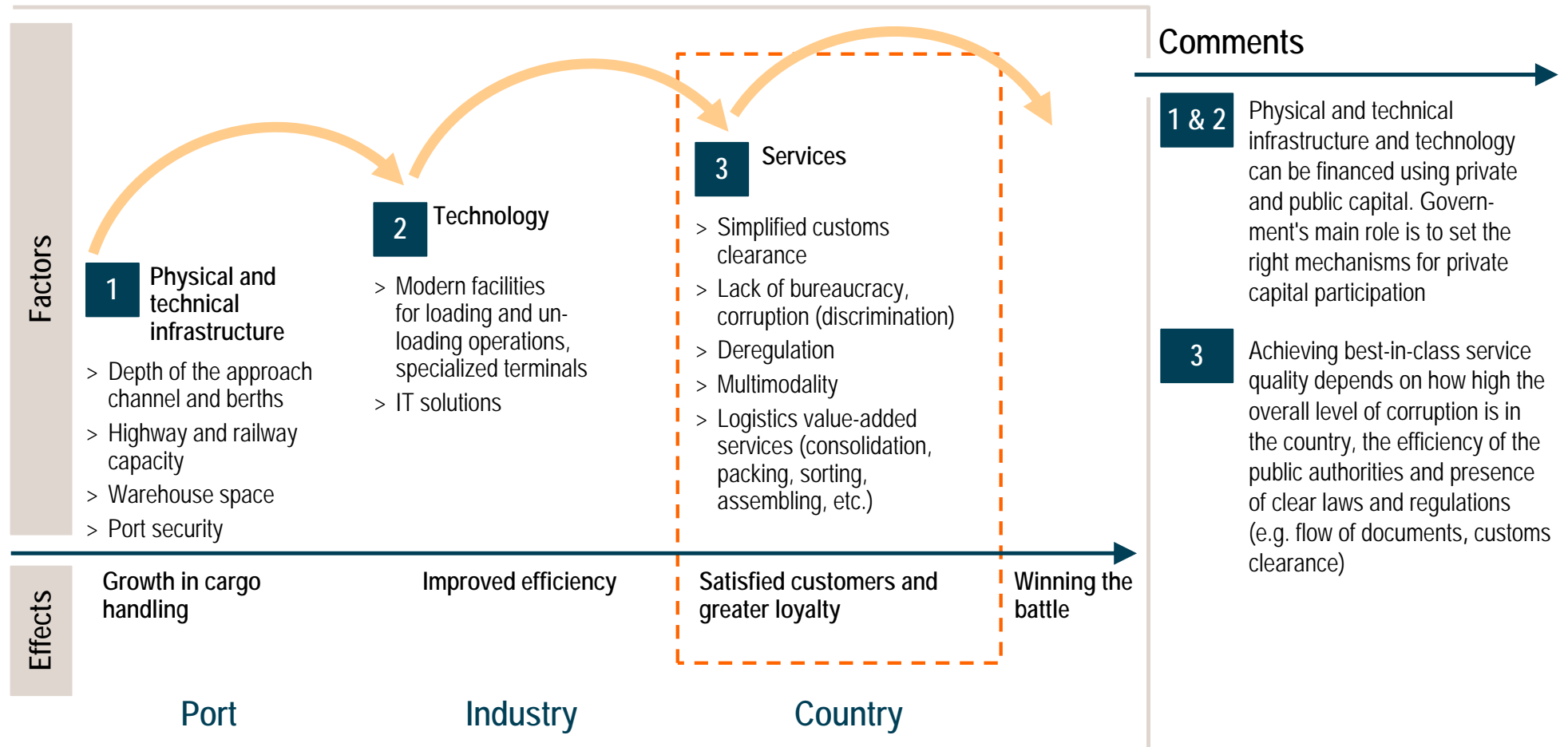
In contrast, terminal operators have historically enjoyed relatively high and consistent profitability levels

EBIT margins for terminal operators, 2007 – 2012 [%]



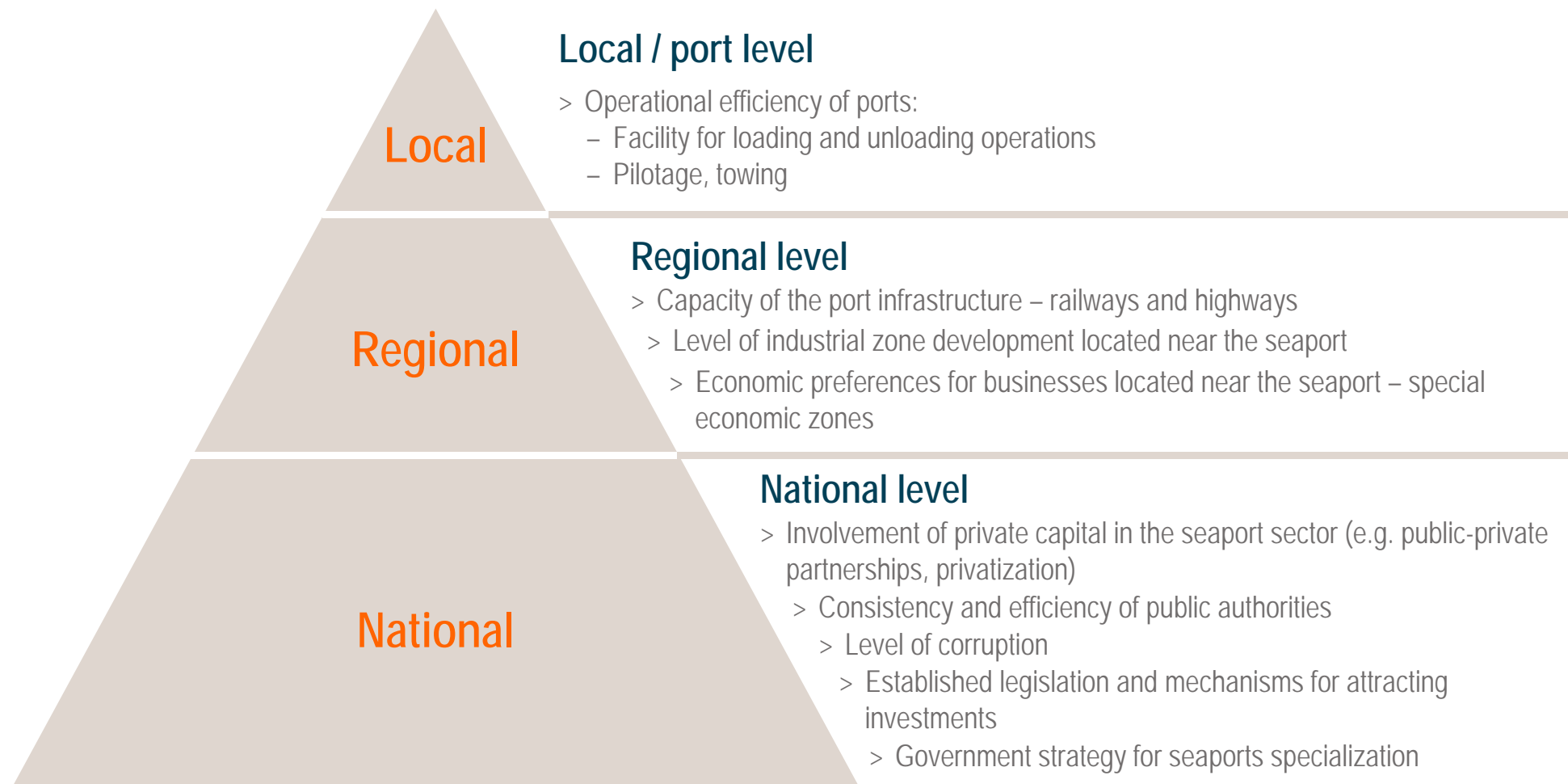
In light of increasing competition for port throughput, especially in SEA, improved national strategies and alignment are expected soon

Key factors in winning the seaports battle



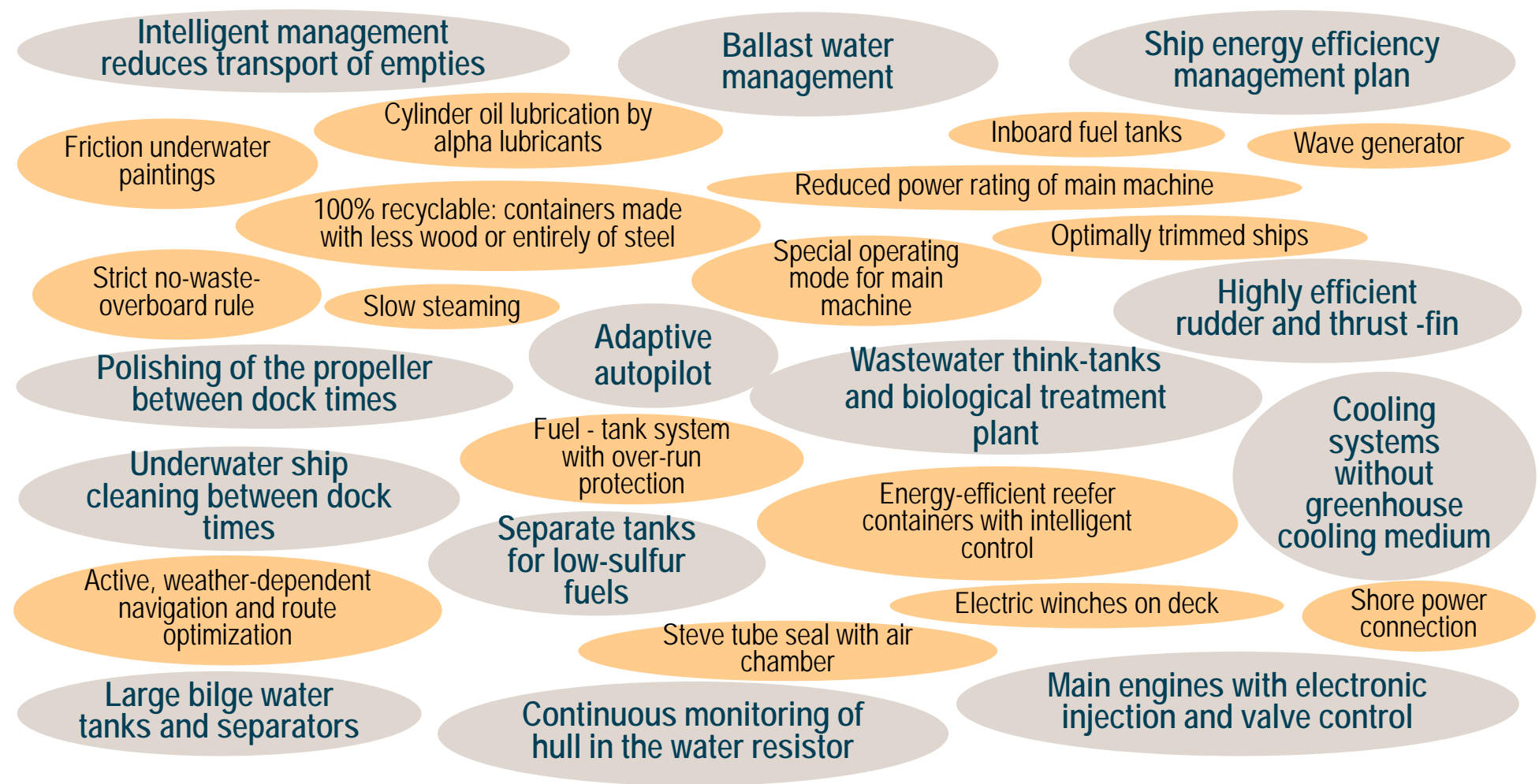
There are three levels at which the government must implement tactical tools for port development - national, regional and local

Tactical tools to improve port competitiveness



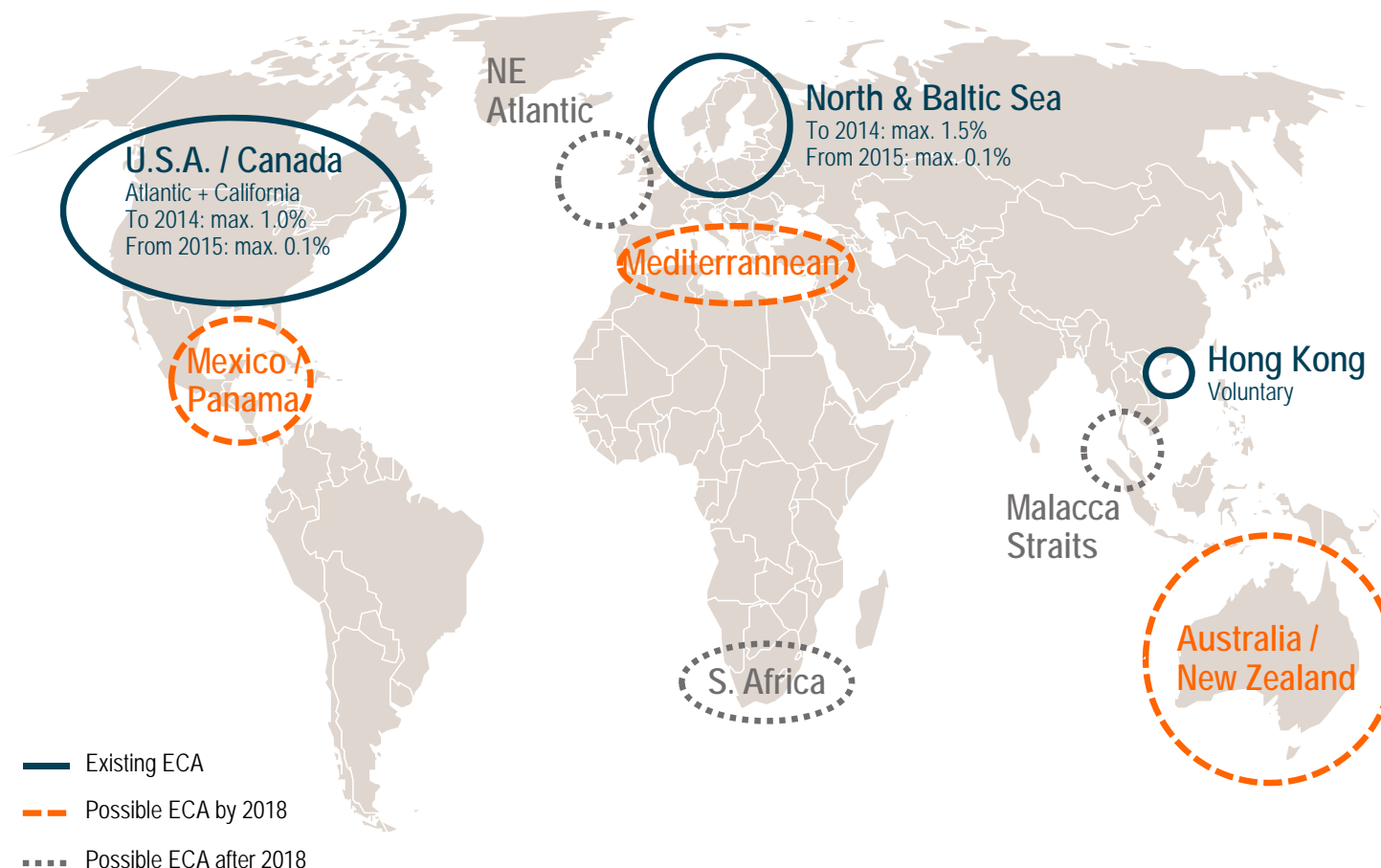
In addition, there is increasing focus on sustainability and environmental protection among the industry's leading players

Selected industry on-ship initiatives for environmental conservation



Currently there are three ECA zones established to limit coastal sulfur emissions – Number of ECA zones expected to increase

Emission Control Areas (ECAs)

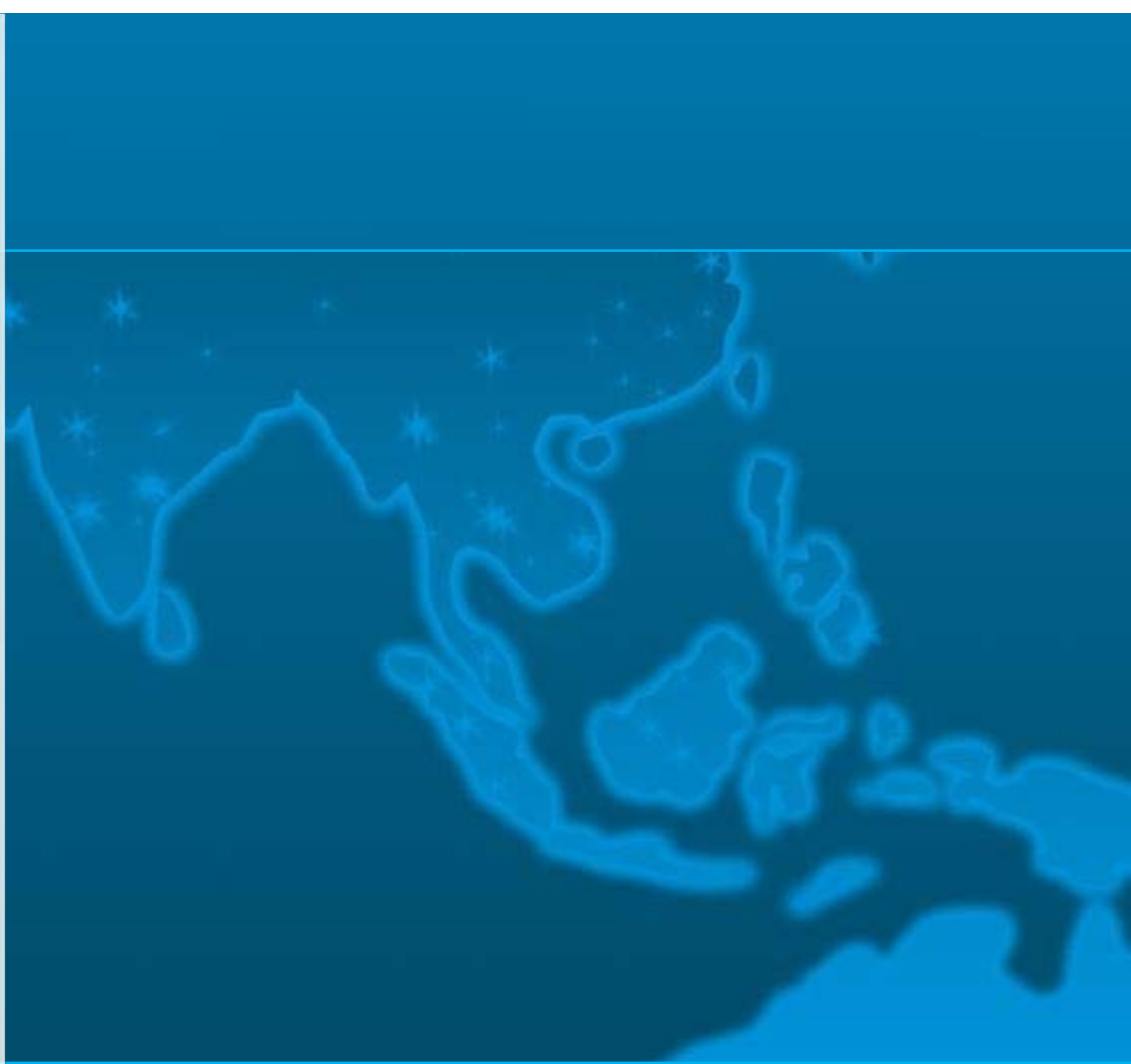


Implications

- > Reduction in global threshold for sulfur content in bunkers in 2012 from 4.5% to 3.5%
- > Expected further reduction to 0.5 % and from 2020 to 2025
- > Switch to more expensive, low sulfur bunker (LSRMG) will lead to further increases in fuel costs

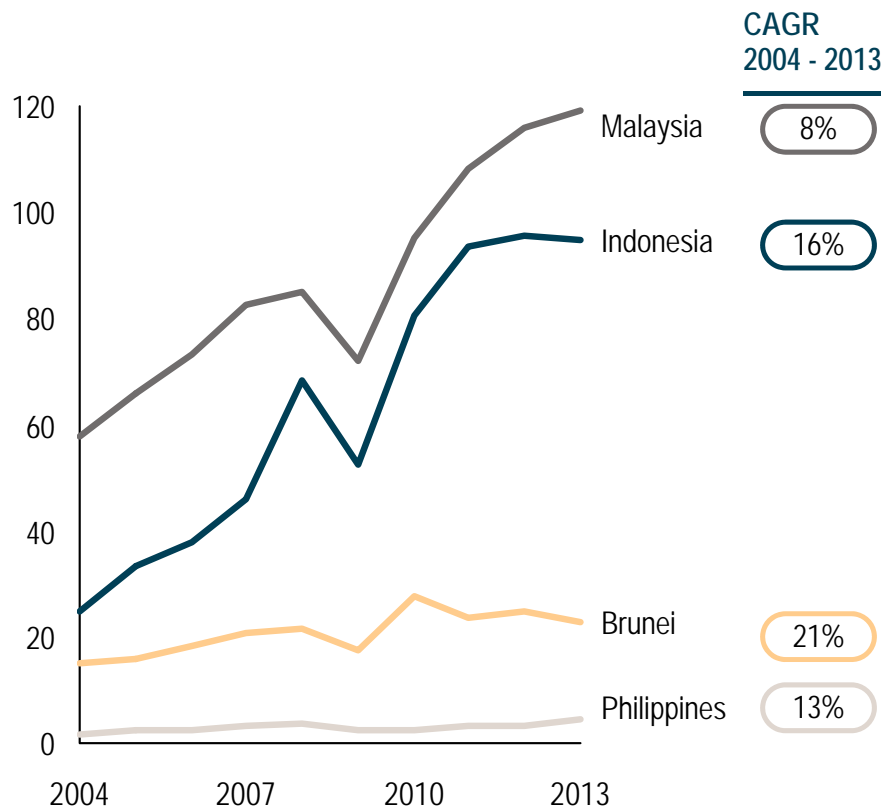
C. BIMP

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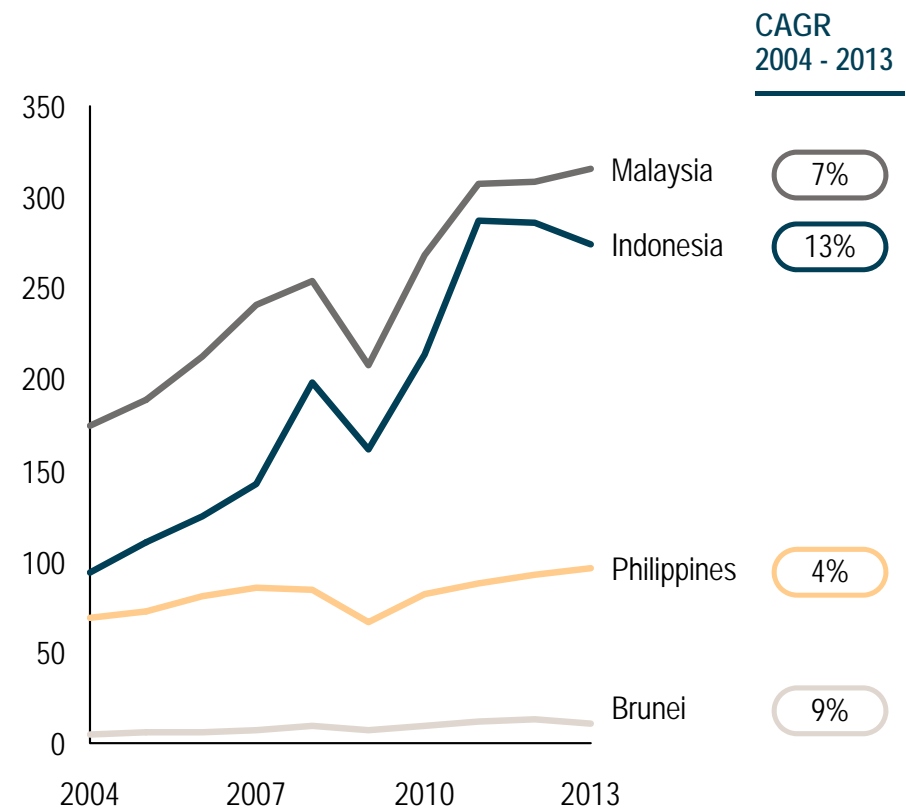


Trade within BIMP continues to grow as efforts to boost intra-ASEAN trade gains momentum and external trade continues to flourish

National intra-ASEAN Trade, 2004 – 2013 [USD bn]

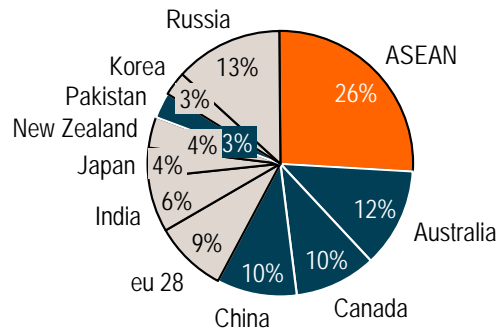


National extra-ASEAN Trade, 2004 – 2013 [USD bn]

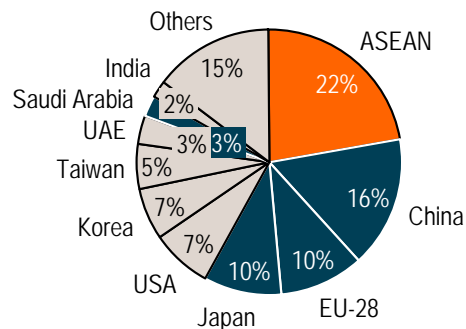


... and have strengthened trade links between other Asian giants and European countries

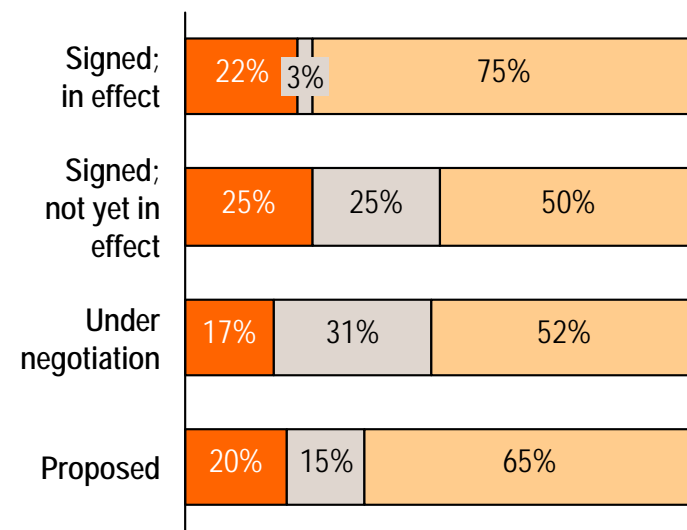
BIMP major export partners, 2013 [%]



BIMP major import partners, 2013 [%]



Status of ASEAN Free Trade Agreements, 2013 [%]



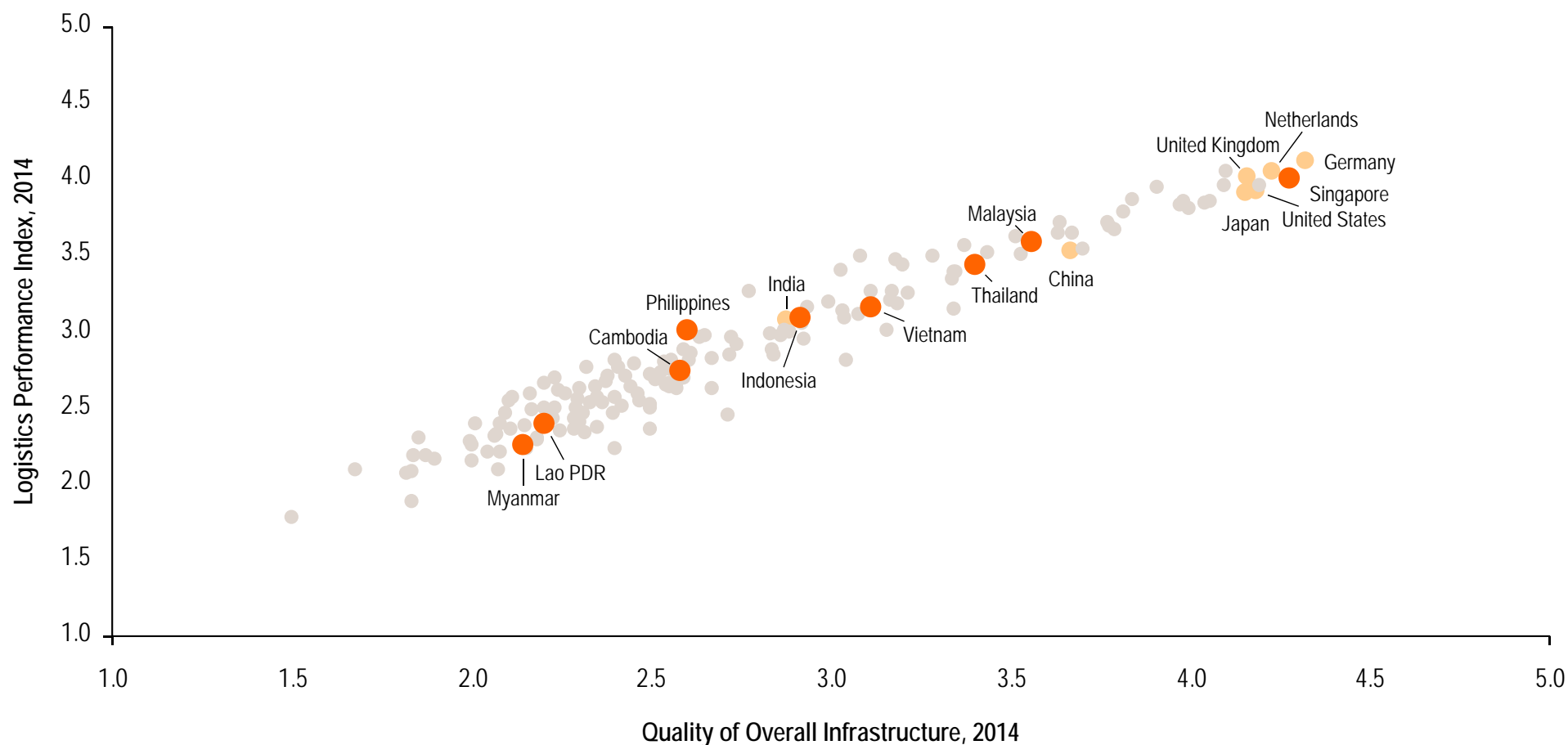
Multilateral Agreements between two or more ASEAN countries and one or more non-ASEAN countries

Plurilateral Agreements between one ASEAN country and two or more non-ASEAN countries

Bilateral Agreements between one ASEAN and one non-ASEAN country

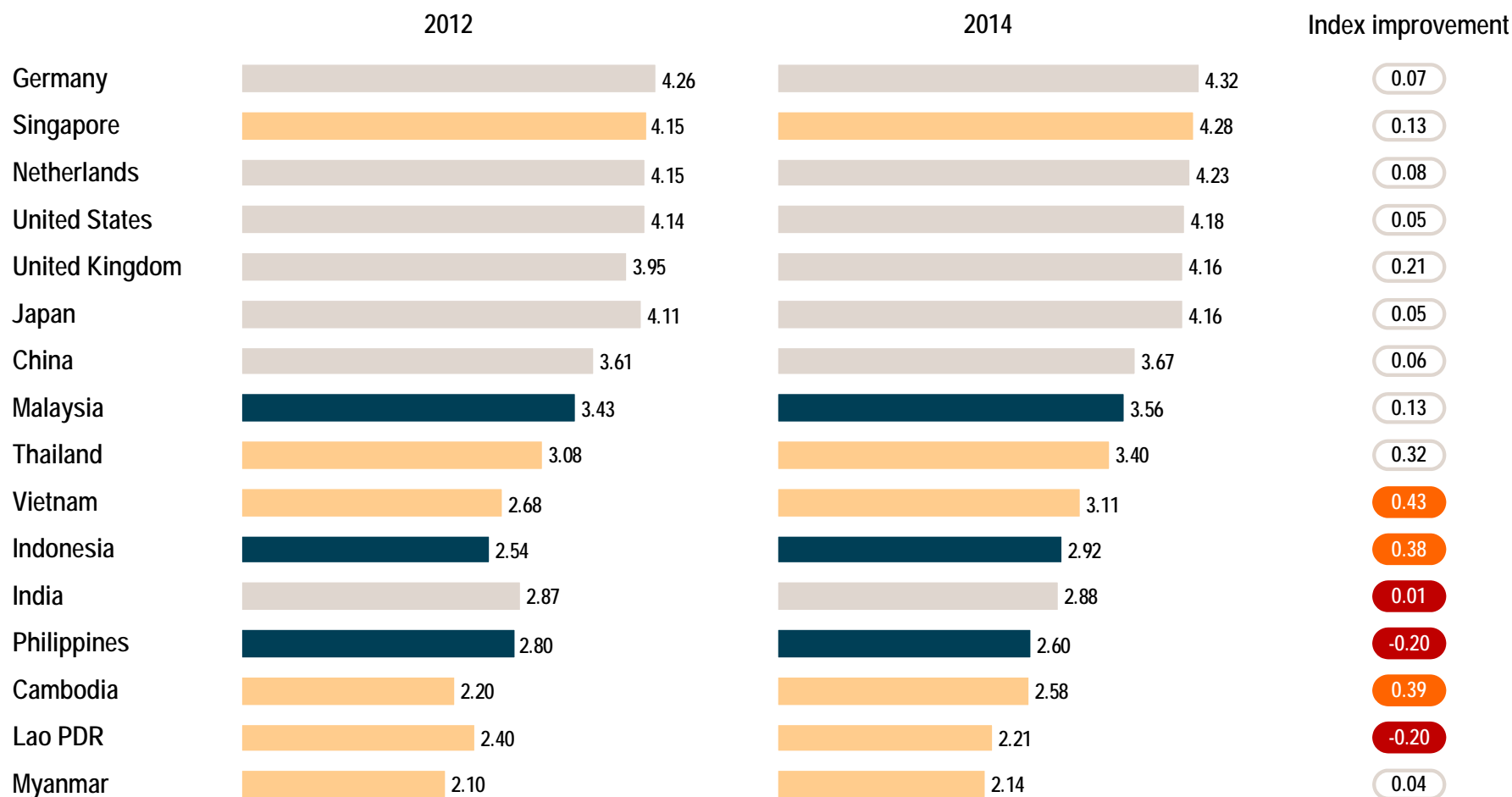
- > In the aftermath of the Asian Financial Crisis, ASEAN nations intensified efforts to bolster cross-border regional trade which remains till this day
- > However, political agendas and vested interests have resulted in a fast-growing number of Free Trade Agreements with non-ASEAN countries that are outpacing internal agreements
- > As of December 2013, the vast majority of FTA signed and are being negotiated by by ASEAN countries are bilateral and plurilateral which emphasizes the desire to cement extra-ASEAN trade
- > Japan, Korea and China are the primary non-ASEAN FTA signees

Logistics performance in BIMP still trails behind more developed world economies as it directly correlates to the poor quality of overall infrastructure of the region



Infrastructure remains a major hurdle for BIMF despite active efforts at both the national and regional level to improve quality and connectivity

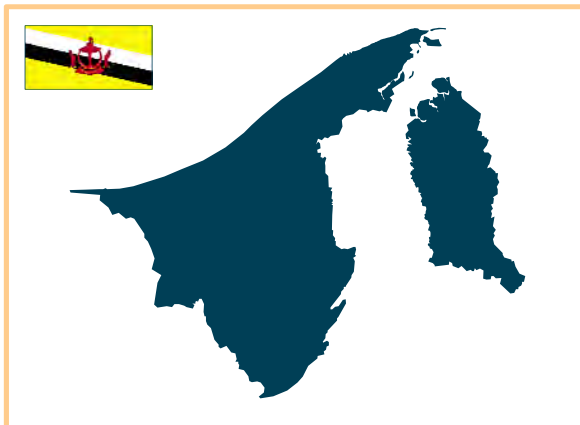
Overall infrastructure assessment index, [5 = High, 1 = Low]





Being the 4th largest oil and gas producer, Brunei has tried to diversify its economy into agro-industrial and creative technology

Overview



- > Top export destinations: Japan, South Korea, Thailand
- > Top export commodities (2013): Mineral fuels; Machinery & Equipment; Chemical products
- > Top import origins: Malaysia, Singapore, US
- > Top import commodities (2013): Machinery and transport equipment; Iron and Steel, Food & live animals
- > Rank of Global Competitiveness Index 2014: n/a
- > Rank of Corruption Perceptions Index 2013: 38

Key facts and figures

Population [2013]	406,200
Area [sq. km]	5,769
GDP, 2013 [USD m]	16,117
GDP CAGR, 2009-2013 [%]	+1.0%
FDI, 2013 [USD m]	908
Key industries	Oil & Gas, Wholesale & Retail trade, Construction

SWOT analysis

Strengths

- > Large English speaking population
 - > Excellent and modern infrastructure
 - > Well educated population
 - > 4th largest oil and gas producer and 9th largest exporter of LNG in SEA
 - > Stable political situation
 - > No taxes (personal income, sales, export), no capital gains & low tariff regime
-
- > Diversification of other sectors (non oil and gas)
 - > Government target on key sectors such as agro-industrial and creative technology
 - > The development of Brunei Halal brand, domestic IT sector and Islamic Banking

Opportunities

Weakness

- > Over-reliance on oil and gas sector
- > Lack of private sector development
- > High reliance on food imports (rice, sugar, milk)
- > Slow progress on government initiatives to diversify the local economy
- > Lack of agriculture and non-hydrocarbon sectors

- > Declining in labor force as many of local professionals are practising abroad
- > Controversial Sharia Penal Code issue (penal code based on Islamic law)

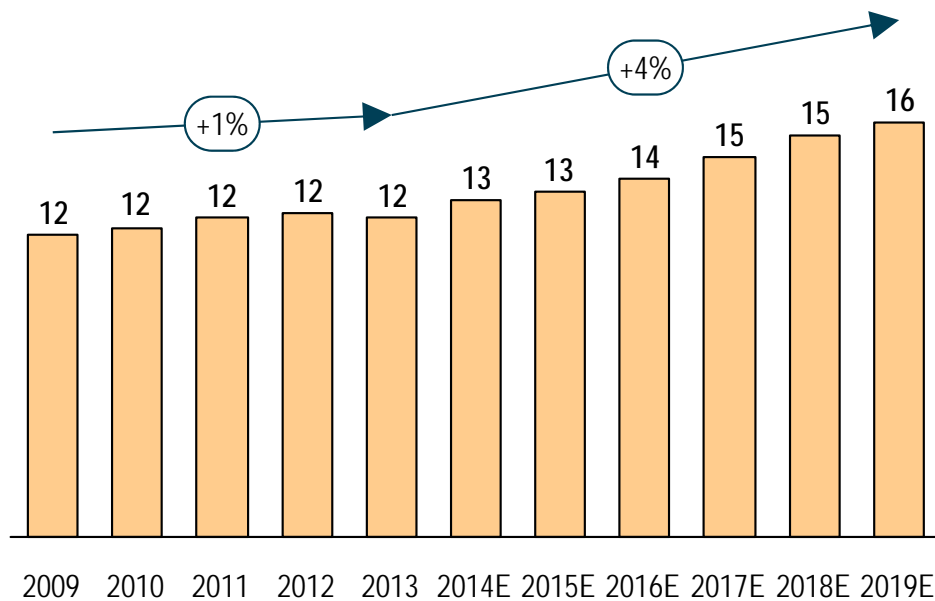
Threats



Brunei GDP and GDP per capita has seen growth of 1% and 1% CAGR, respectively – GDP growth of 4% expected in the future

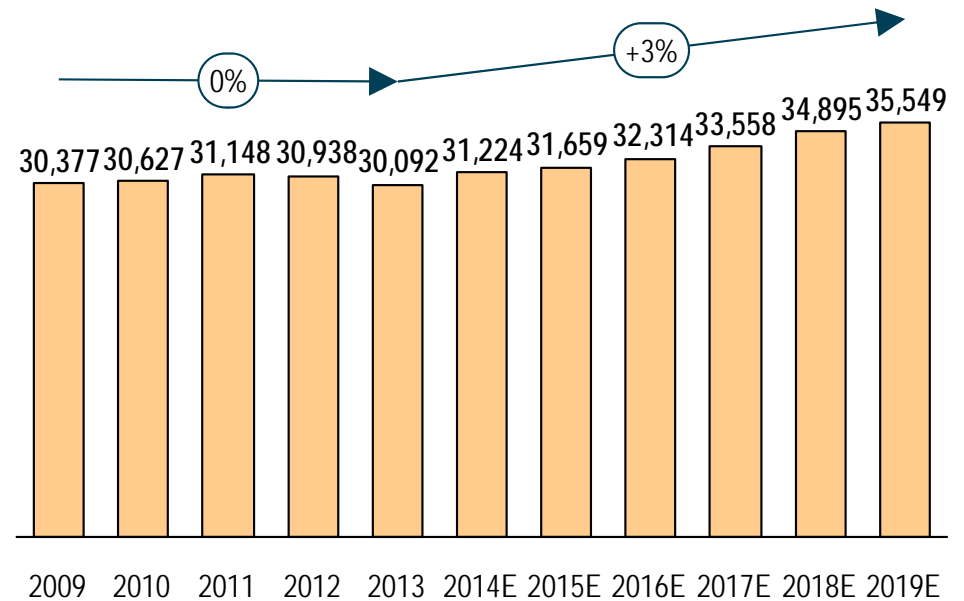
GDP and GDP per capita

GDP¹⁾, 2009–2019E [B\$bn]



- > Brunei GDP is growing significantly at 1% CAGR between 2009 and 2013
- > Moving forward, WEO projects continuing growth at 4% between 2014 and 2019

GDP¹⁾ per capita, 2009–2019E [B\$bn]



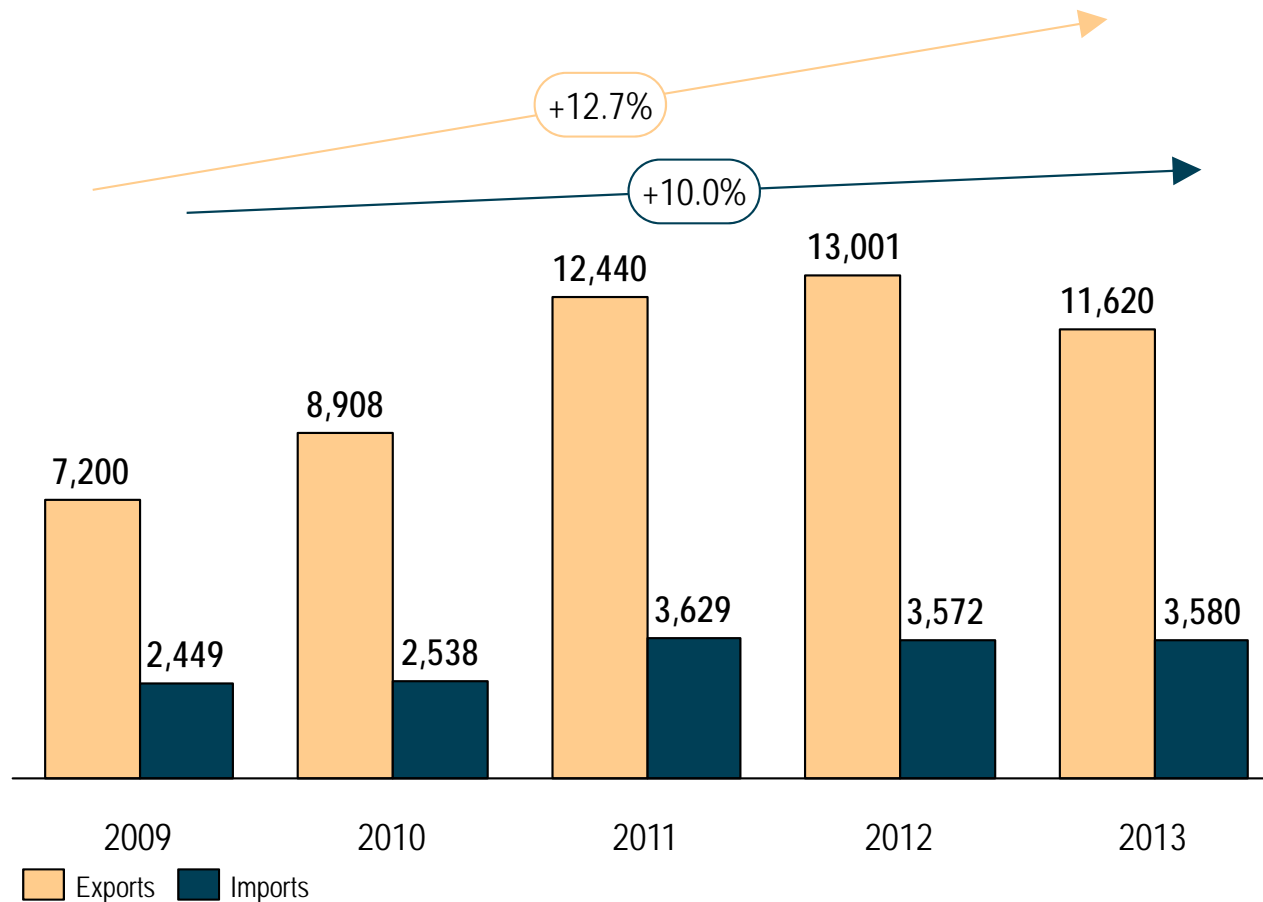
- > GDP per capita is expected to continue a stagnant growth over the next 5 years of 1% CAGR
- > This follows a historical growth of 9% CAGR between 2009 and 2013

1) GDP: real GDP; GDP per capita: current prices



Exports has grown by 12.7% from m\$U7,200 in 2009 to m\$U11,620 in 2013, while imports has grown by 10% in the same period

Exports & imports [2009-2013; USD million]



- > Brunei exports has grown by 12.7% from USD 7,200.2 million in 2009 to USD 11,620 million in 2013
- > Top exports destination countries are Japan, South Korea, and Australia
- > Top exports commodities in 2013 are mineral fuels, machinery & transport equipment, and miscellaneous manufactured goods
- > Brunei imports has grown by 10% from USD 2,448.9 million in 2009 to USD 3,580 million in 2013
- > Top imports origin countries are Singapore, China, and UK
- > Top imports commodities in 2013 are machinery & transport equipment, basic manufactures, and food & live animals



Indonesia's abundant natural resources and huge domestic market are the pillars of the economic growth

Overview



- > Top export destinations: Japan, China, EU
- > Top export commodities (2013): Oil and Gas, Fuel and Mineral products; Agricultural product
- > Top import origins: China, Singapore, Japan
- > Top import commodities (2013): Oil and Gas; Nuclear, Machinery
- > Rank of Global Competitiveness Index 2014: 34
- > Rank of Corruption Perceptions Index 2013: 114

Key facts and figures

Population [2013]	248,818,100
Area [sq. km]	1,860,360
GDP, 2013 [USD m]	862,568
GDP CAGR, 2009-2013 [%]	+6.2%
FDI, 2013 [USD m]	18,444
Key industries	Manufacturing, Trade, Hotel & Restaurants, Agriculture

SWOT analysis

Strengths

- > Abundant natural resources
- > Large population resulting in huge domestic market - 55% of GDP is generated by domestic consumption (2012)
- > Education and health care will be huge growth opportunities as more foreign involvement is allowed
- > Very large geothermal resources that it is just starting to develop
- > The new and promising government with talented ministers

Opportunities

Weakness

- > Logistical shortcomings make it difficult moving goods into and out of the country as well as internally
- > Corruption, excessive bureaucracy, and inadequate physical infrastructure
- > Weak institutions and bureaucracy
- > Low level of education

- > Corruption, bureaucratic inertia, and inconsistent and unclear regulations are three of the biggest threats
- > Labor unions can be unreasonable in their demands, and the legal structure does not offer employers much protection
- > Weak infrastructure such as a deficient healthcare system
- > Security threats, including both terrorism and crimes against persons and property, are relatively high

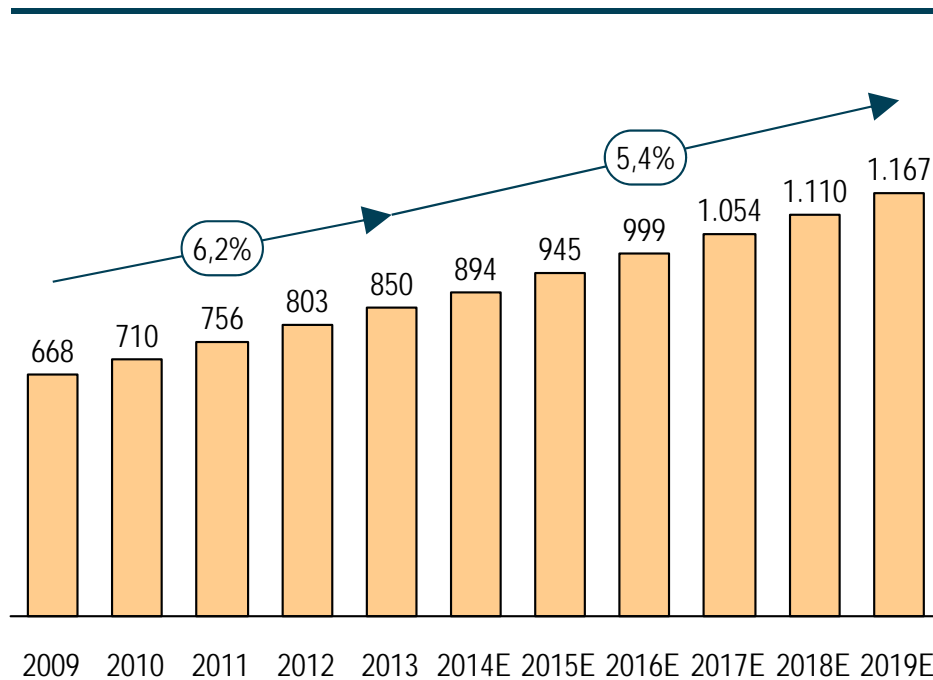
Threats



Indonesia GDP and GDP per capita has seen growth of 6% and 4.7% CAGR, respectively – GDP growth of 5% expected in the future

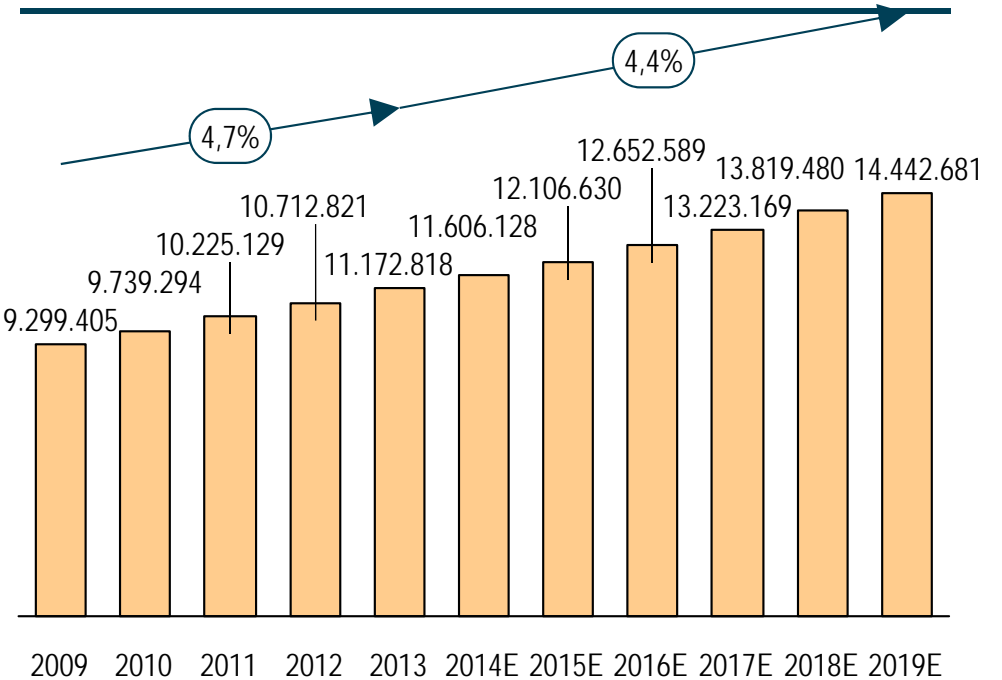
GDP and GDP per capita

GDP²⁾, 2009–2019E [IDR\$ bn]



- > Indonesia GDP is growing steadily at 6% CAGR between 2009 and 2013
- > OE projects growth of 5% between 2014 and 2019

GDP²⁾ per capita, 2009–2019E [IDR Bn]



- > GDP per capita is also expected to continue stable growth over the next 5 years of 4.4% CAGR
- > This follows a historical growth of 4.7% CAGR between 2009 and 2013

1) Current price as of April 2014

2) GDP: constant GDP; GDP per capita: nominal GDP per capita

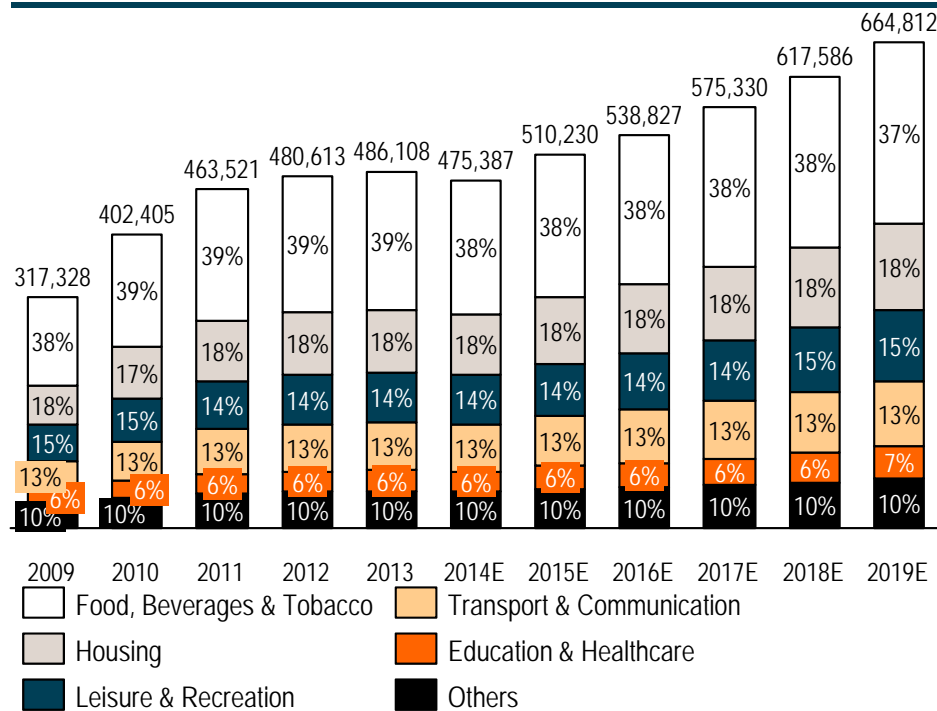
Source: Oxford Economics Global Economic Database 2014 (June 2014)



Increasing disposable income to USD 11.1k per household in 2013 – 39% of expenditure towards food, beverages and tobacco

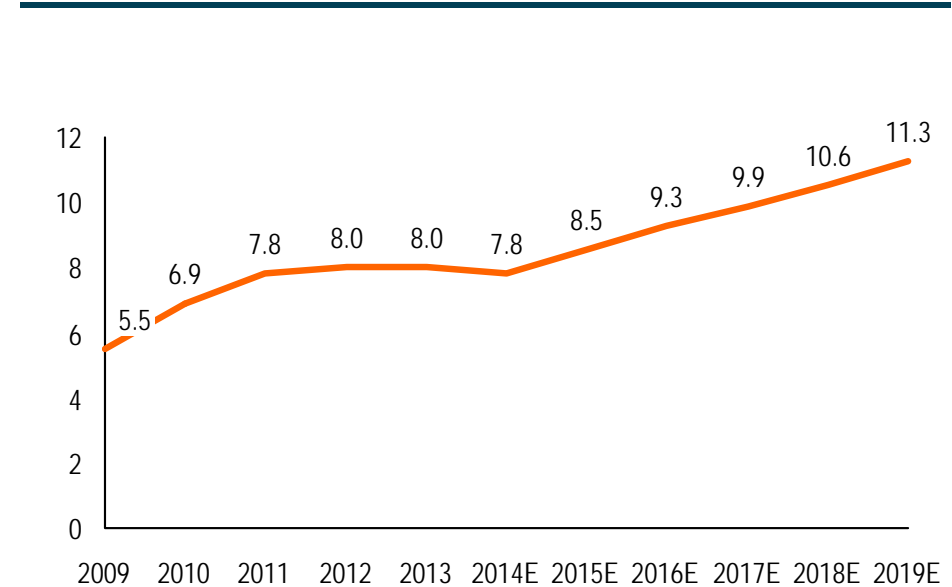
Consumption features

Consumer Spending Trend, 2009-2019E [USD mn]



> While the consumer spending is expected to increase to USD 664 bn by 2019, Food, Beverages & Tobacco will continue to hold the largest portion (37%) of consumer spending, followed by Housing (18%) and Leisure & Recreation (15%).

Annual household income¹⁾, 2009-2019E [USD '000]



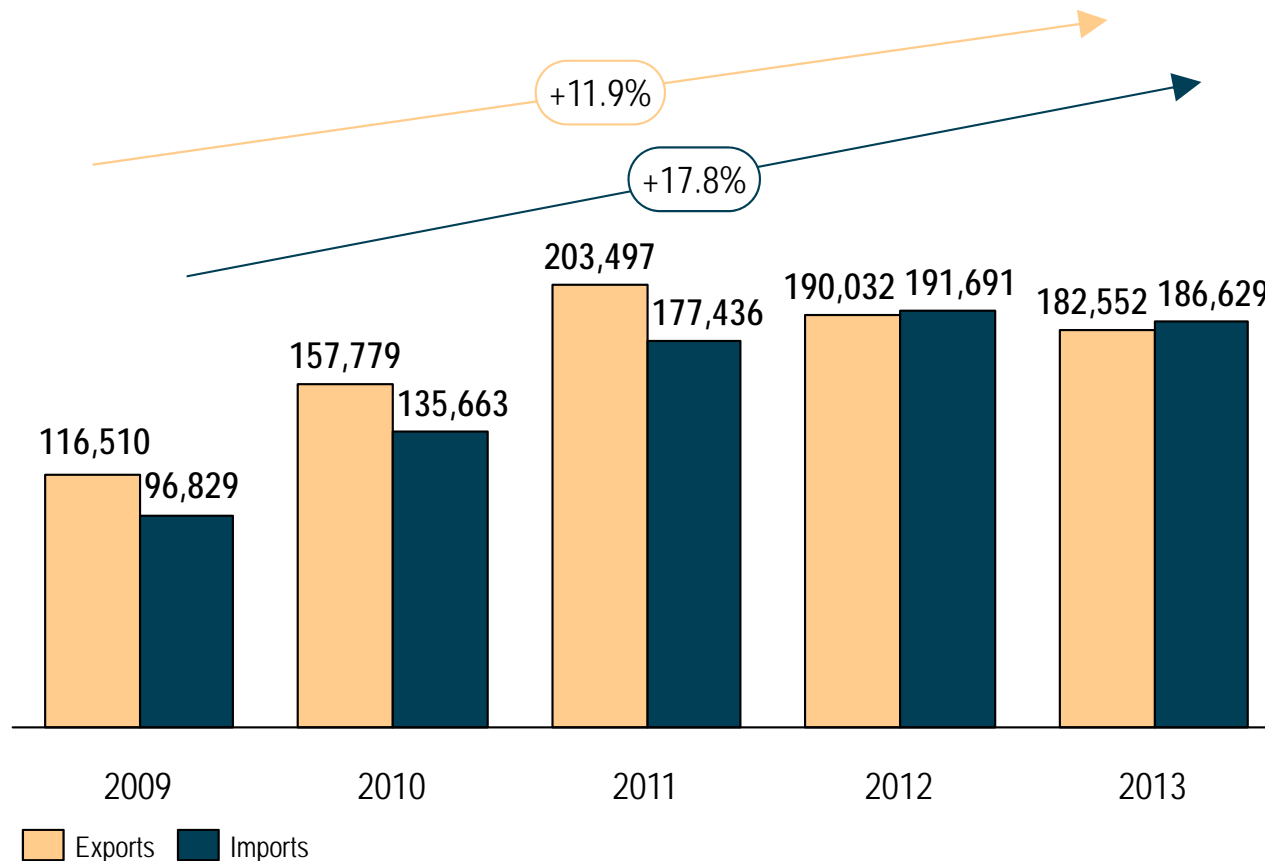
> Household income grew from USD 5.5k in 2009 to USD 8.0k in 2013
> This growth trend is expected to continue, reaching as estimated USD 11.3k by 2019

1) Total disposable income divided by number of household

Within 2009 to 2013, Indonesia export and import has grown 11.9% and 17.8% respectively

Foreign trade

Exports & imports [2009-2013; USD million]

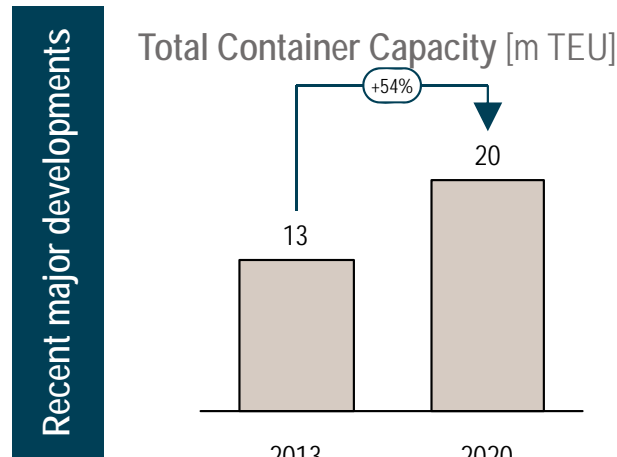
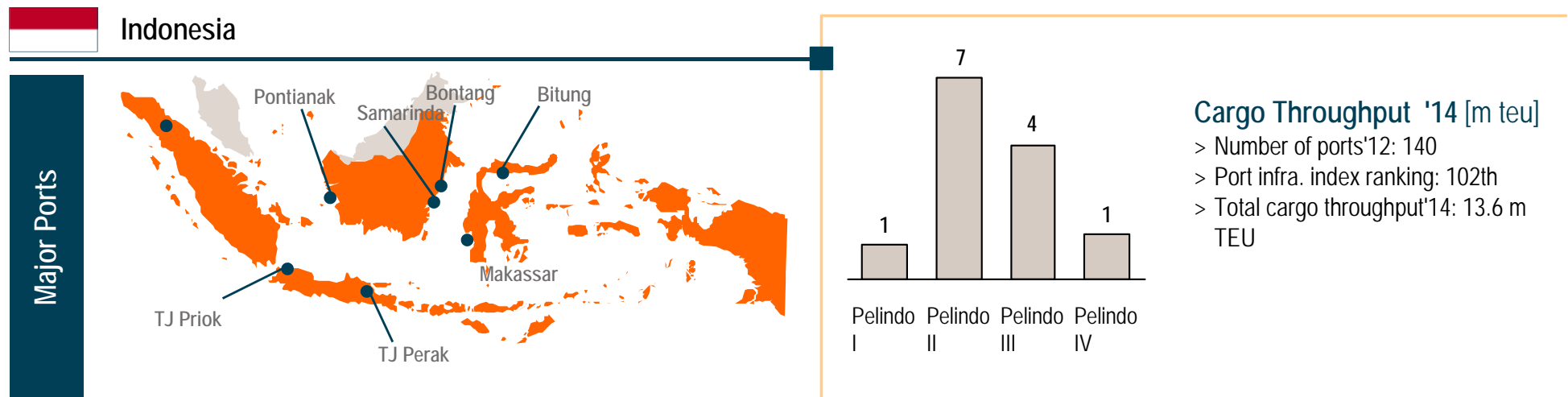


- > Indonesia exports has grown by 11.9% from USD 116,510 million in 2009 to USD 182,551.8 million in 2013
- > Top exports destination countries are Japan, China, and Singapore
- > Top exports commodities in 2013 are coal, coke & briquettes, gas natural & manufactured, and petroleum products
- > Indonesia imports has grown by 17.8% from USD 96,829.2 million in 2009 to USD 186,628.70 million in 2013
- > Top imports origin countries are China, Singapore, and Japan
- > Top imports commodities in 2013 are petroleum products, general industrial machinery & equipment, and food & live animals



Driven by a strong demand, Indonesia continue to invest heavily in their own port capacity to facilitate its trade

Recent major port developments in the region



Expansion of Tanjung Priok – Indonesia largest container port

- > Dutch engineering/consultancy group Royal Haskoning DHV has been appointed lead consultant for the construction of the expansion of Tanjung Priok, Indonesia's leading container port.
- > The new 400-ha terminal development will handle containers, tank storage/liquid bulk transshipment and other port industries
- > The project is estimated at USD 2.47 bn

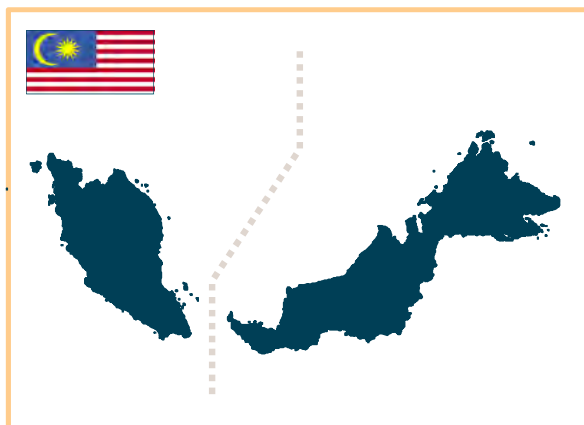
Upgrade of East Java and South Kalimantan ports

- > Indonesia's state owned port operator Pelindo III plans to spend USD 634m on port development in 2013 in East Java and South Kalimantan to expand its regional ports and ease container congestion



While the country economy depends on export market, the government has strongly supported in developing of the creative content sector

Overview



- > Top export destinations: Singapore, China, Japan
- > Top export commodities (2012): Machinery & Transport Equipment, Mineral Fuels & Lubricants, Manufactured Goods
- > Top import origins: China, Singapore, Japan
- > Top import commodities (2013): Machinery & Transport Equipment, Mineral Fuels & Lubricants, Manufactured Goods
- > Rank of Global Competitiveness Index 2014: 20
- > Rank of Corruption Perceptions Index 2013: 53

Key facts and figures

Population [2013]	29,948,000
Area [sq. km]	330,290
GDP, 2013 [USD m]	312,072
GDP CAGR, 2009-2013 [%]	+6.0%
FDI, 2013 [USD m]	12,298
Key industries	Services, Manufacturing, Mining & Quarrying

SWOT analysis

Strengths

- > Strong government support in developing the creative content sector (national policy, developmental programs, grants, incentives)
- > World's biggest producer of rubber, palm oil, pepper, and tropical hardwoods
- > Strong Islamic sectors such as halal and Islamic finance
- > Limited poverty and inequality
- > Rapid growth of infrastructure
- > Rapid expansion of tourism sector
- > Diversified investments in oil & gas and hydroelectric power
- > Development of ICT and high-technology sectors

Weakness

- > Government intervention on most sectors
- > Dependency on export market
- > Shortages of skilled workers
- > Ethnic wealth gap
- > High reliance on unskilled and cheap migrant workers
- > non-tariff barriers for import
- > Religious and ethnic tensions which potential to cause social and political instability
- > Higher wages than in its competitors in China and Vietnam
- > Territorial dispute with China, Philippines, Brunei, Vietnam and Taiwan
- > Existence of terrorist
- > Government-opposition tension

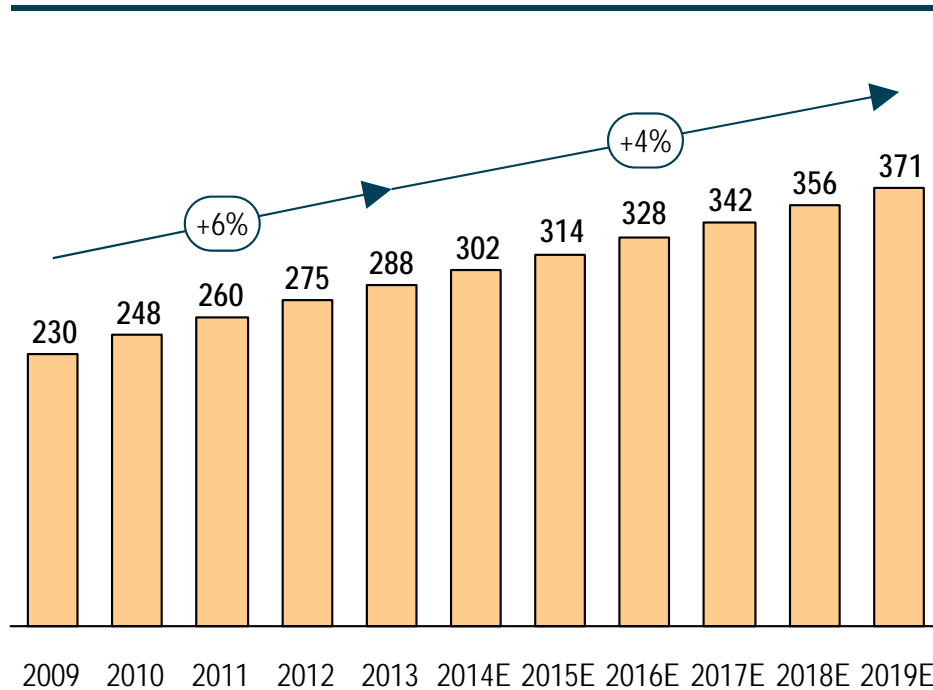
Opportunities

Threats

Malaysia GDP and GDP per capita has seen growth of 6% and 10% CAGR, respectively – GDP growth of 4% expected in the future

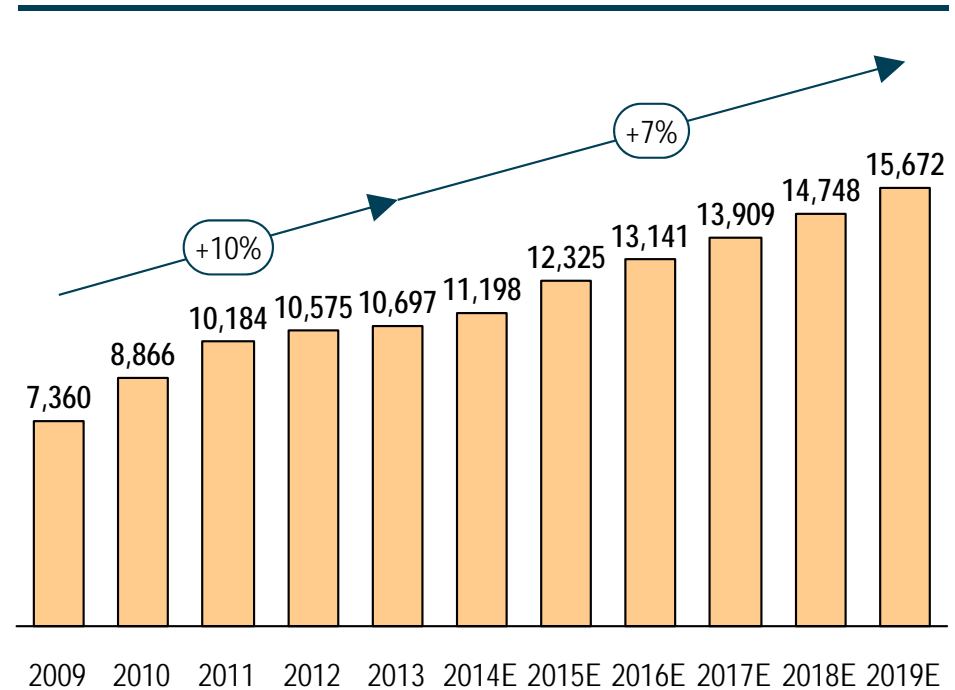
GDP and GDP per capita

GDP²⁾, 2009–2019E [USD bn]



- > Malaysia GDP is growing steadily at 6% CAGR between 2009 and 2013
- > Moving forward, OE projects continuing growth at 4% between 2014 and 2019

GDP²⁾ per capita, 2009–2019E [USD¹⁾]



- > GDP per capita is also expected to continue a healthy growth over the next 5 years of 7% CAGR
- > This follows a historical growth of 10% CAGR between 2009 and 2013

1) Current price as of April 2014

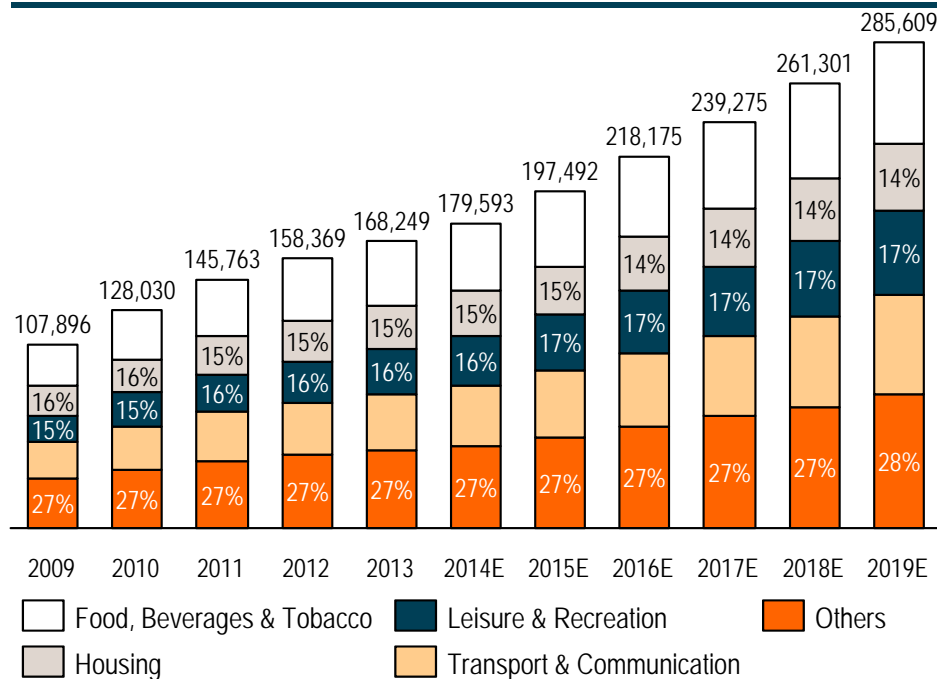
2) GDP: real GDP; GDP per capita: nominal GDP per capita

Source: Oxford Economics Global Economic Database 2014 (June 2014)

Increasing disposable income to USD 25.1k per household in 2013 – 22% of expenditure towards FBT and transportation

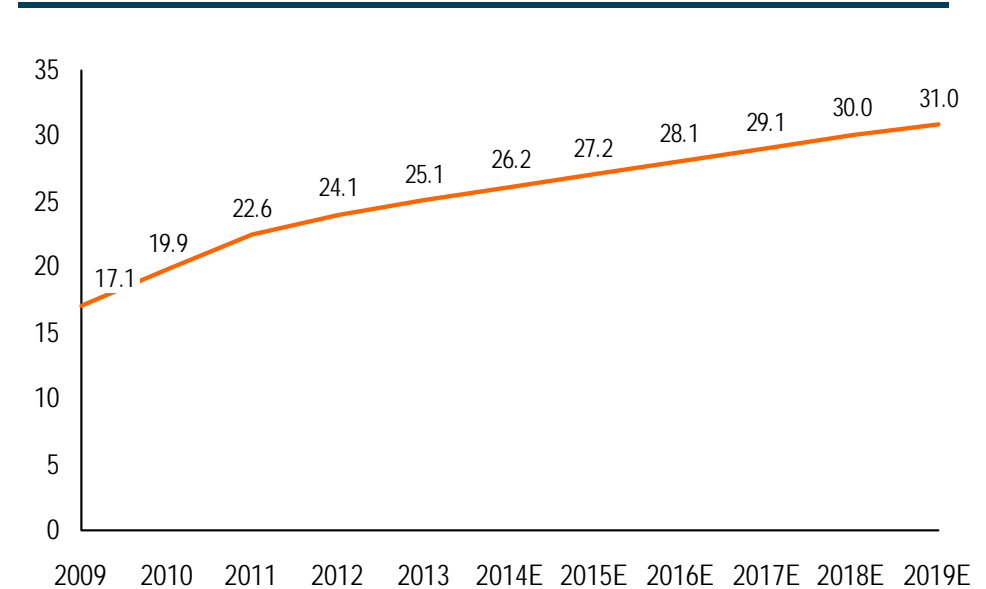
Consumption features

Consumer spending trend, 2009-2019E [USD mn]



> Strong spending on the transportation and housing sectors would drive cargo traffic in Malaysia

Disposable income per household¹⁾, 2009-2019E [USD '000]



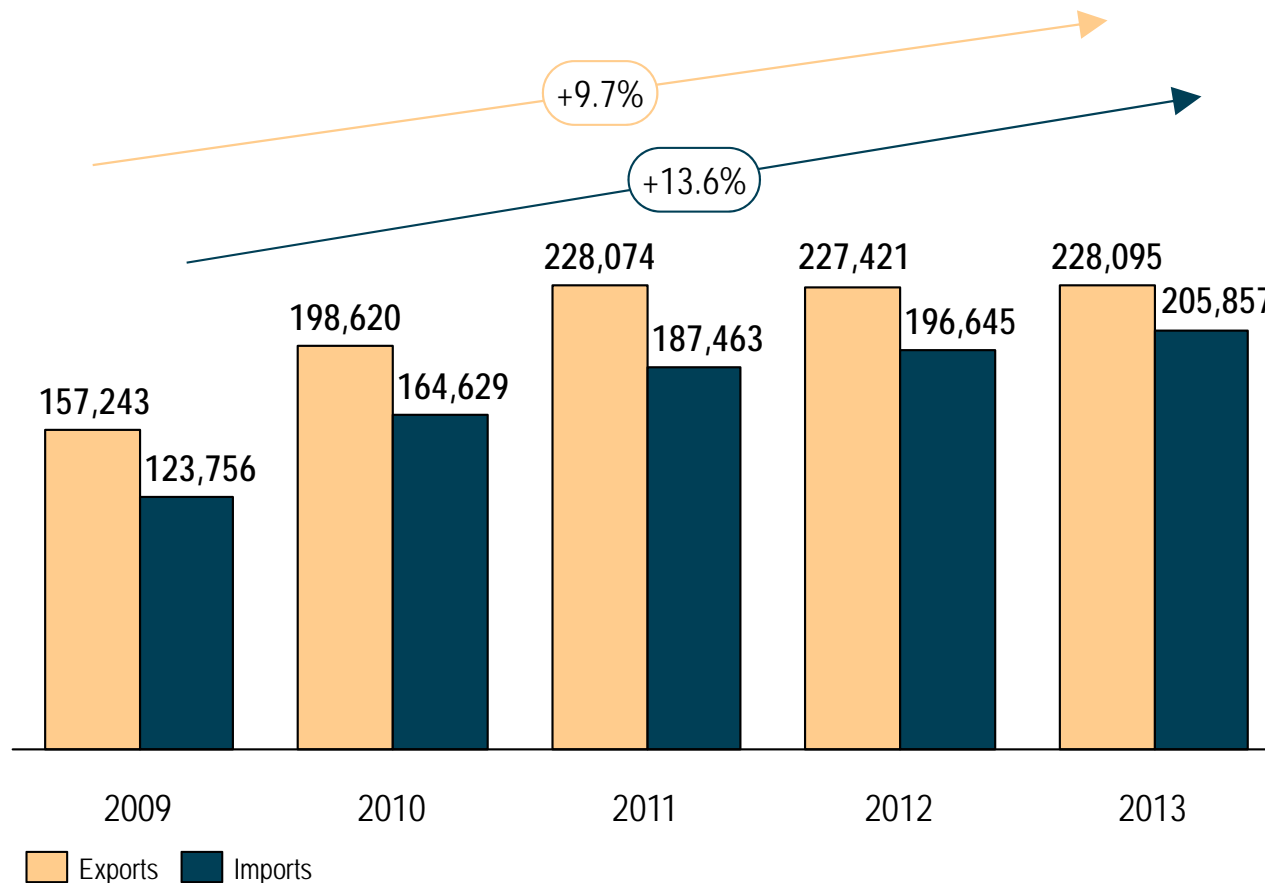
> Household income grew from USD 17.1k in 2009 to USD 25.1k in 2013
> This growth trend is expected to continue, reaching as estimated USD 31.0k by 2019

1) Annual disposable income divided by number of household

Strong domestic demand have boosted the high growth in imports of 13.6% over the past five years

Foreign trade

Exports & imports [2009-2013; USD million]

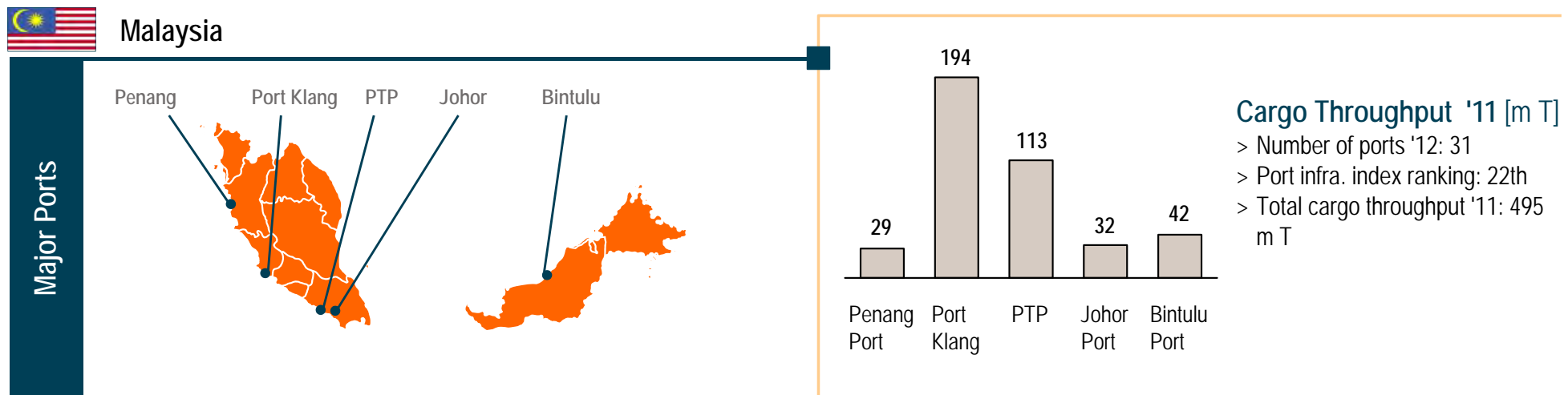


- > Malaysia exports has grown by 9.7% from USD 157,242.9 million in 2009 to USD 228,094.6 million in 2013
- > Top exports destination countries are Singapore, China, and Japan
- > Top exports commodities in 2013 are electrical machinery, apparatus & appliances, petroleum products, and gas natural & manufactured
- > Malaysia imports has grown by 13.6% from USD 123,756.1 million in 2009 to USD 205,856.9 million in 2013
- > Top imports origin countries are China, Singapore, and Japan
- > Top imports commodities in 2013 are electrical machinery, apparatus & appliances, petroleum products, and general industrial machinery & equipment



Malaysia continues to develop further its port capacity

Recent major port developments in the region



Recent major developments

Extensive port developments in Johor:

- > **PTP** has a RM 1.4 bn expansion plan, increasing its capacity to 10.5 m TEU by 2014 and then to 15 m. Long term masterplan envisages a capacity of 150 m TEUs, 5 times the current volume of Singapore
- > **Johor Port:** 5 year modernization plan (MYR 421 m) to improve the port operations and lift its capacity to 45 m freight weight tonnes (FWT) in 2015 from 35m FWT currently.

On-going capacity expansion in Port Klang:

- > **Northport** – RM 1.3 bn planned investment for physical expansion and purchase of equipment
- > **Westport** – RM 3.18 bn expansion project, including construction of 4 container berths - expected completion in 2016

Emergence of Pengerang as the regional O&G hub:

- > Petronas' USD 20 bn Refinery And Petrochemical Integrated Development (Rapid)
- > 20-year project with initial storage capacity of 1.3 m³ by 2014. Construction on-going



Supported by a large domestic consumption and free market economy, the overall economics has grown at an average of 6.3% p.a

Overview



- > Top export destinations: Japan, US, China
- > Top export commodities (2012-2013): Semiconductors and electronic products; Transport equipments; Garments
- > Top import origins: China, US, Japan
- > Top import commodities (2012-2013): Electronic products; Mineral fuels, lubricants & related materials; Transport equipment
- > Rank of Global Competitiveness Index 2014: 52
- > Rank of Corruption Perceptions Index 2013: 94

Key facts and figures

Population [2013]	99,384,500
Area [sq. km]	300,000
GDP, 2013 [USD m]	269,025
GDP CAGR, 2009-2013 [%]	+6.3%
FDI, 2013 [USD m]	3,860
Key industries	Financial Intermediation, Manufacturing, Construction

SWOT analysis

Strengths

- > Free market economy
 - > Service-oriented culture
 - > Accelerated economic growth (7.2% in 2013)
 - > Skilled and educated labor
 - > Political stability
 - > High level of English proficiency population
 - > Strong private and public consumption
-
- > Close alliance with US
 - > Good relationship with ASEAN countries and world organizations
 - > Investment in tourism and public infrastructure sector
 - > Robust privatization

Opportunities

Weakness

- > Weak manufacturing and agriculture sectors
- > Heavy dependence on foreign capital
- > Restricted foreign investments in sectors of strategic importance
- > High poverty and income equality
- > Bottleneck in public infrastructure
- > Lack of domestic job opportunities
- > High unemployment rate

- > Climate change and natural disasters, such as typhoon
- > Unstable democracy
- > Large number of outmigration
- > Radical forces from troubled community in the region
- > Tension with China

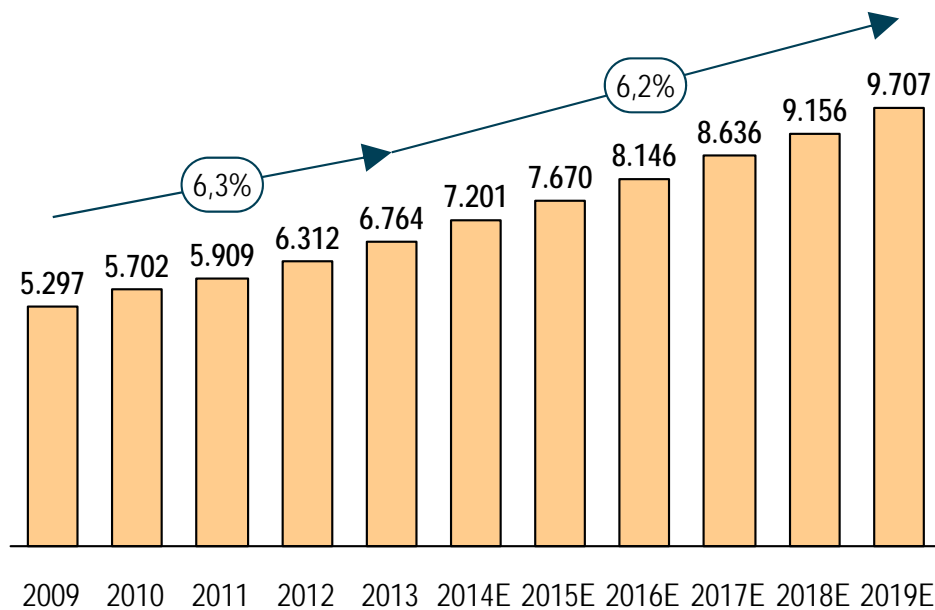
Threats



Philippines GDP and GDP per capita has seen growth of 6% and 4% CAGR, respectively - GDP growth of 6.2% expected in the future

GDP and GDP per capita

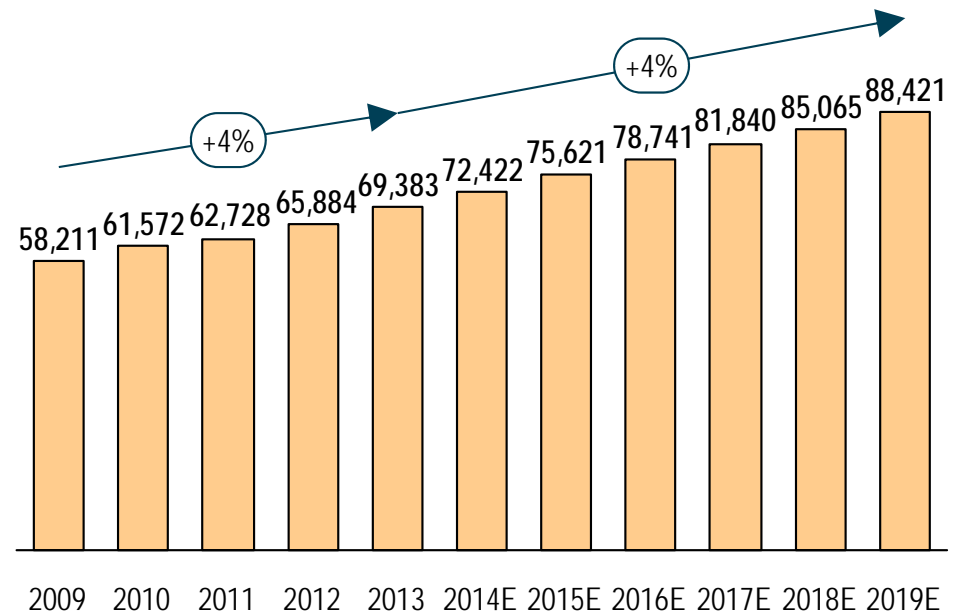
GDP¹⁾, 2009–2019E [Peso bn]



- > Philippines GDP is growing steadily at 6.3% CAGR between 2009 and 2013
- > Moving forward, WEO projects continuing growth at 6.2% between 2014 and 2019

1) GDP: constant GDP; GDP per capita: current prices

GDP¹⁾ per capita, 2009–2019E [Peso Bn]



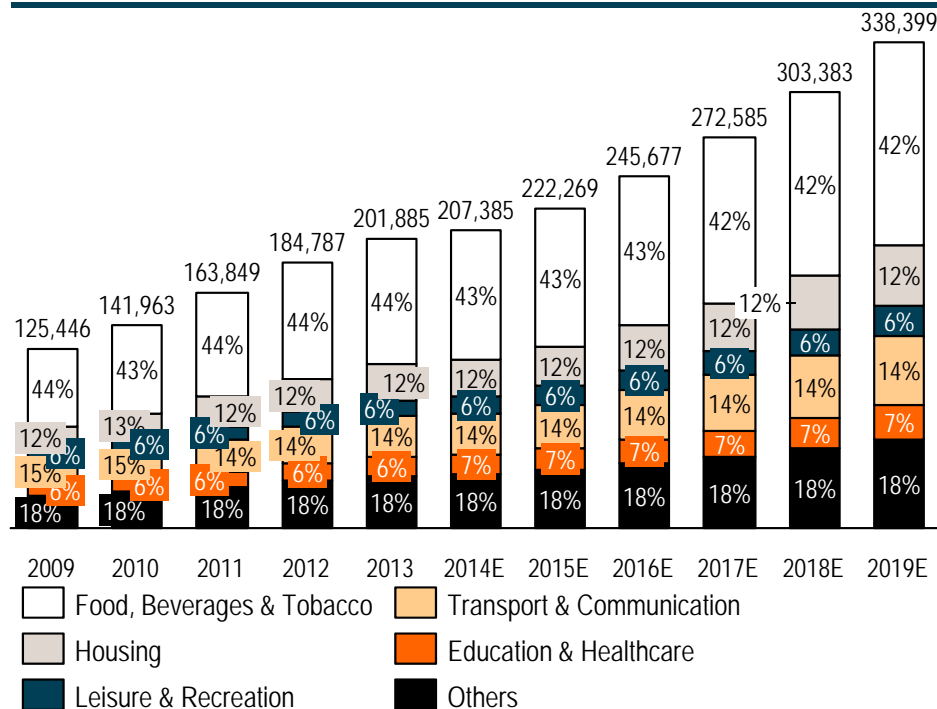
- > GDP per capita is also expected to continue a healthy growth over the next 5 years of 4% CAGR
- > This follows a historical growth of 4% CAGR between 2009 and 2013



Increasing disposable income to USD 14.1k per household in 2013 – 44% of expenditure towards food, beverages and tobacco

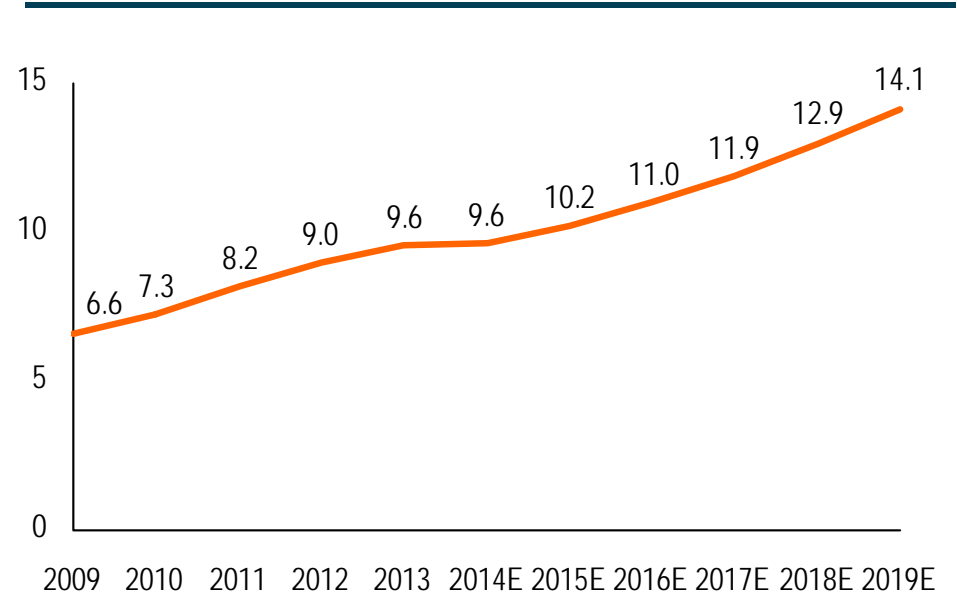
Consumption features

Consumer spending trend, 2009-2019E [USD mn]



> there is no major change in consumer spending trend

Disposable income per household¹⁾, 2009-2019E [USD '000]



> Household income grew from USD 6.6k in 2009 to USD 9.6k in 2013
> This growth trend is expected to continue, reaching as estimated USD 14.1k by 2019

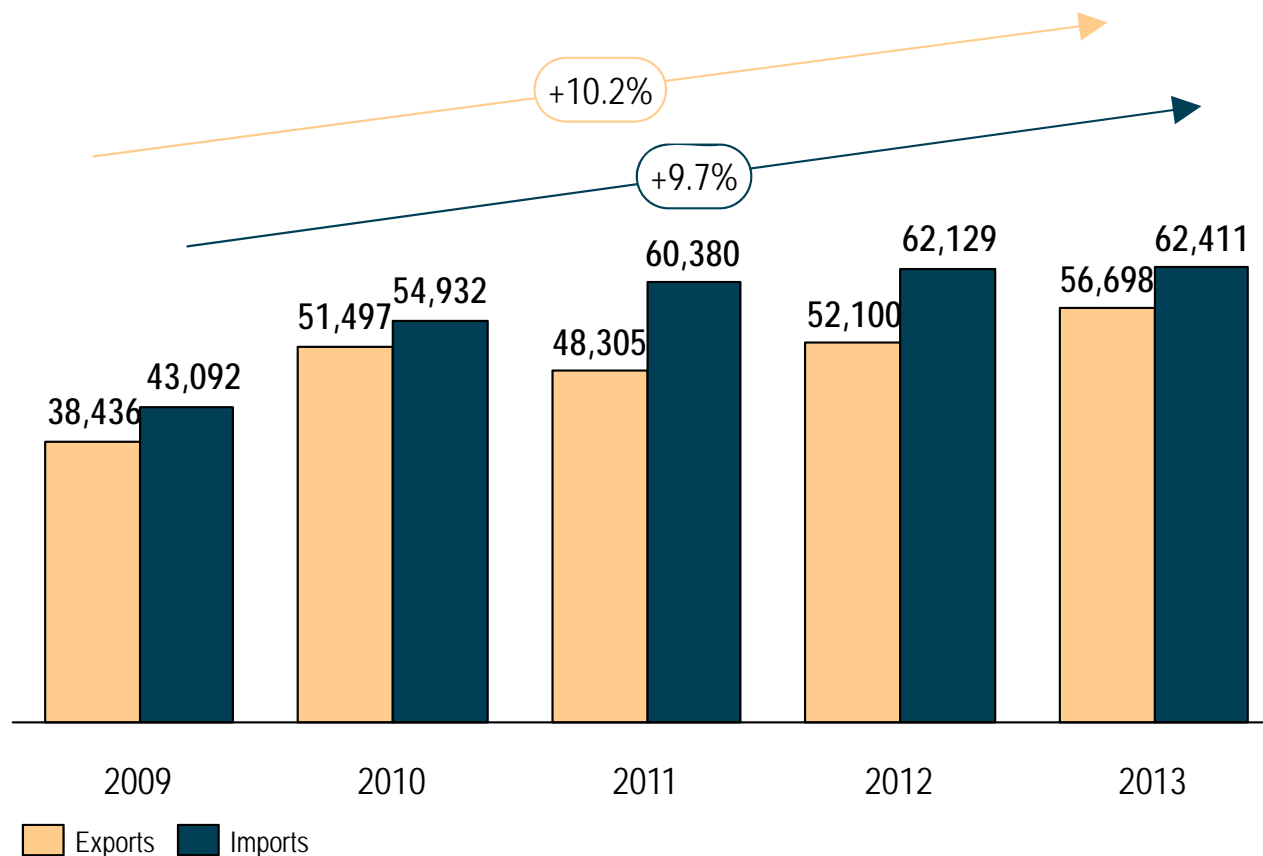
1) Annual disposable income divided by number of household



Within 2009 to 2013, Philippines's exports and imports has grown 10.2% and 9.7% respectively

Foreign trade

Exports & imports [2009-2013; USD million]



- > Philippines exports has grown by 10.2% from USD 38,435.8 million in 2009 to USD 56,698.4 million in 2013
- > Top exports destination countries are Japan, USA, and China
- > Top exports commodities in 2013 are electrical machinery, apparatus & appliances, office & automatic data-processing machines, and food & live animals
- > Philippines imports has grown by 9.7% from USD 43,091.90 million in 2009 to USD 62,410.60 million in 2013
- > Top imports origin countries are China, USA, and Japan
- > Top imports commodities in 2013 are electrical machinery, apparatus & appliances, petroleum products, and food & live animals



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Let's think:
act!

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