

Hello Halal A market larger than China

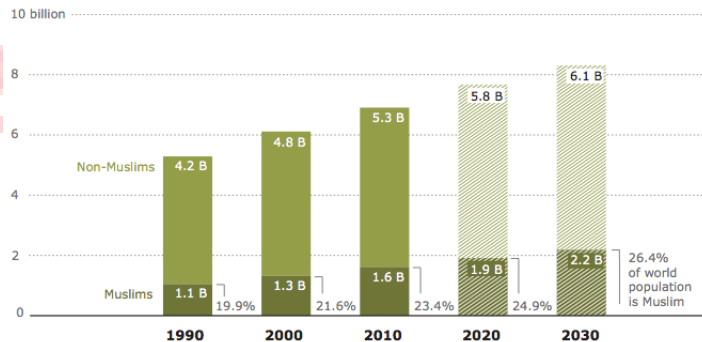
On 3 June 2013 Malaysia province Xian held its second Halal food festival and it attracted 100,000 visitors, a double from last year. Halal food festival is not only held in Malaysia but also in city like Toronto and London.

There are two main divisions of Muslim, the Sunni and the Shia where Sunni covers 85% of Muslim population and most of them live in the Asia Pacific area. In Arabic, the word halal means permitted or lawful. Halal foods are foods that are allowed under Islamic dietary guidelines and Muslim followers must straightly followed, so for instance Halal animals not slaughtered properly or not slaughtered in the name of Allah or prohibit to consume land animals without external ears [1].

There are an estimated 1.6bn Muslims around the world and it is the second largest and the fastest growing religion in the world in terms of population. Their particular way of living and the requirement of consuming Halal certified products and services from an authority provide an enormous barrier of entry for vendors, at the same time, the increasing size of Muslim community provides any qualified vendors with the economies of scale that is necessary to profit. Both of these factors create a deep and wide moat for those who market Halal products or services.

Globally Muslim population is predicted to grow at about twice the rate of the non-Muslim population in the next 20 years, roughly more than 1 in 4 of the world population will be Muslim [2]. Three main factors contributed to this trend. Firstly, the higher fertility rate relative to the world standard. Muslim woman on average has 2.9 children, which is comfortably above the replacement level of 2.1 and 80% higher than the figure of 1.6 for the developed countries [3]. Partly attributed to the fact that Muslim men can marry up to 4 women (Mr Mohammed Bello Abubakar, an Nigerian Muslim who married 86 wives and fathered 170 children!), and also the younger average age of marriage, 21.6 years compared to 26.2 in more-developed

Muslims as a Share of World Population, 1990-2030



Percentages are calculated from unrounded numbers. Cross hatching denotes projected figures.

Pew Research Center's Forum on Religion & Public Life • *The Future of the Global Muslim Population*, January 2011

ASIA-PACIFIC

Highest Life Expectancy at Birth

Among Muslim-majority countries, ranked as of 2010-15

	PROJECTED 2010-2015	PROJECTED 2030-2035
Brunei	78	80
Malaysia	75	78
Maldives	73	77
Turkey	73	76
Iran	73	76

Source: Life expectancy, U.N. Rankings are determined by unrounded numbers; some countries may appear to be tied due to rounding.

Pew Research Center's Forum on Religion & Public Life
The Future of the Global Muslim Population, January 2011

ASIA-PACIFIC

Lowest Life Expectancy at Birth

Among Muslim-majority countries, ranked as of 2010-15

	PROJECTED 2010-2015	PROJECTED 2030-2035
Afghanistan	45	53
Kazakhstan	66	72
Turkmenistan	66	71
Tajikistan	68	72
Bangladesh	68	73

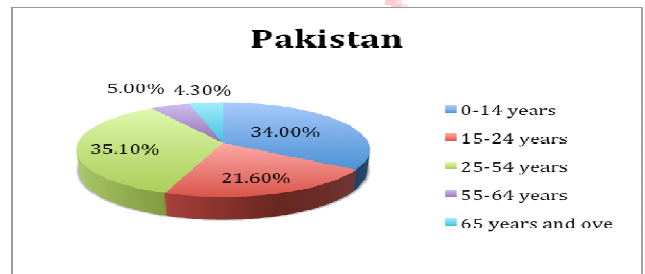
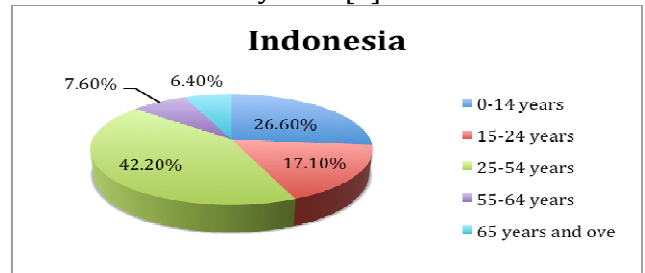
Source: Life expectancy, U.N. Rankings are determined by unrounded numbers; some countries may appear to be tied due to rounding.

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The Future of the Global Muslim Population, January 2011

countries [4]. Another contributor to the growth of the Muslim population is improvement in mortality rate. Mortality rate improves significantly with better health care, improved nutrition and infrastructure development. Looking at the world map, most Muslim countries are situated near to the tropical area so the supply of clean water has significantly implication to the mortality rate. [5]

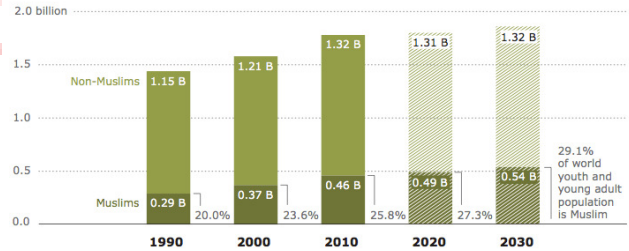
For instance, the average life expectancy in the six countries whose residents have the most access to improved drinking water is more than 70 years, compared with less than 55 years in the five Muslim-majority countries where access to clean drinking water is least common [6]. Longevity gain also has a positive relationship with wealth, as citizens tend to have higher productivity and has a longer lifespan to accumulate wealth.

Age group provides a promising potential for the Muslim market. **People under the age of 30 make up 60% of the total population**, contrasting with the more developed country where **only** a third of population who are under 30 [7]. Muslim countries are experiencing the so called **demographic momentum** and the momentum may take more than one generation to dissipate. **It is estimated that by 2030, there will be more than 540 million youth and young adults (age 15-29) around the world, representing 30% of the population in that age group around the world [8].**



Muslims as a Share of World Youth and Young Adult Population, 1990-2030

People ages 15-29



Percentages are calculated from unrounded numbers. Cross hatching denotes projected figures.

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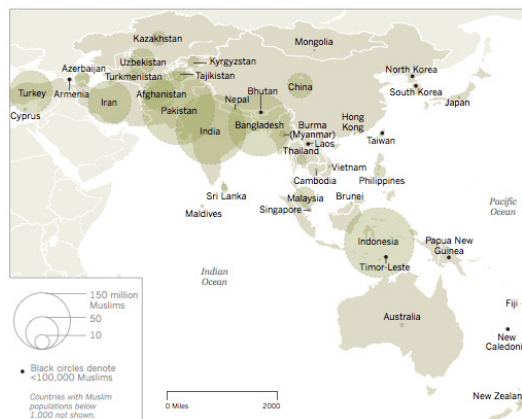
Muslim Population by Region

	2010		2030	
	ESTIMATED MUSLIM POPULATION	ESTIMATED PERCENTAGE OF GLOBAL MUSLIM POPULATION	PROJECTED MUSLIM POPULATION	PROJECTED PERCENTAGE OF GLOBAL MUSLIM POPULATION
World	1,619,314,000	100.0%	2,190,154,000	100.0%
Asia-Pacific	1,005,507,000	62.1	1,295,625,000	59.2
Middle East-North Africa	321,869,000	19.9	439,453,000	20.1
Sub-Saharan Africa	242,544,000	15.0	385,939,000	17.6
Europe	44,138,000	2.7	58,209,000	2.7
Americas	5,256,000	0.3	10,927,000	0.5

Population estimates are rounded to thousands. Percentages are calculated from unrounded numbers. Figures may not add exactly due to rounding.

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ASIA-PACIFIC
Projected Distribution of Muslim Population, 2030



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Where are they?

Almost two-third of the Muslim population lives in the Asia Pacific region. With Indonesia, Pakistan, India and Bangladesh all have Muslim population over 150million. Except India, Muslim population account for more than 88% of the population in these countries [9]. Not only the population rate is growing, the economic growth rate is also spectacular amongst these countries. If we put Malaysia as the

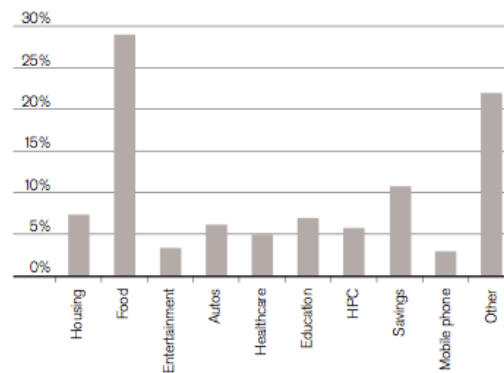
middle and within its 3000 miles of radius **there are 800 million living within this circle.**

5% of the total Malaysian exports are related to Halal product [10], thanks to Halal certification that is regulated by the state (at present, only Malaysia and Brunei has issued state authorize certification) whereas in other countries, defining authenticity is left to the companies themselves. Professors from the Department of Marketing at University of Malaya has identified that product with Halal certification gave better worthiness when the customer determining which product they should choose. Various community or more developed countries like Germany or institutes like the Halal Products Certification Institution established in California also provide issuance to Halal product. However, another important finding within the paper has noted that **whether product is originated from a Muslim country has a significant impact when choosing the product in Muslim consumer perspective.** The paper also shows that Non Arab Muslims are more careful when purchasing food products compared to Arab Muslims due to social structure and the mistranslation and inadequately explanation back then. Inferring from this, one can expect Asia Pacific Muslims to be more careful when they are deciding what product they consume [11].

There are plenty and various opportunities to capitalize on this opportunity with this increase economic and spending power benefiting from the young and more educated demographics. If we remove the wealthiest Muslim country like UAE or Qatar, the young generation Muslim can provide the world with a large pool of productive work force which can potentially replace China's once champion status as the world's factory. The most likely candidates would be Indonesia and Bangladesh, with their relatively large population and relatively sound recent development. More developed country like Malaysia could provide complement with their financial services like Islamic banking or position itself strategically to produce high quality or sophisticated Halal specific product where the

Monthly spending by category (%)

Source: Credit Suisse Emerging Consumer Survey



(Ranked by Muslim GDP at Purchasing Price Parity)

Rank	Country	Total Population	% Muslim Population	Muslim Population	Muslim GDP USD (PPP)	GDP Per Capita USD (PPP)
1	Turkey	71,892,808	99%	71,173,879	879.12 B	12,900
2	Indonesia	237,512,352	88%	207,000,105	771.075 B	3,725
3	Iran	65,875,224	98%	64,557,719	737.94	10,624
4	Saudi Arabia	28,146,656	100%	28,146,656	564.6 B	23,243
5	Pakistan	172,800,048	97%	167,616,046	397.7 B	2,600
6	Egypt	81,713,520	90%	73,542,168	363.6 B	5,500
7	Algeria	33,769,668	99%	33,431,971	222.5 B	6,500
8	Malaysia	25,274,132	60.4%	15,265,575	215.9 B	13,316
9	Bangladesh	153,546,896	90%	138,192,206	186 B	1,300
10	U.A.E.	4,621,399	96%	4,436,543	160.6 B	37,300

Halal certificate is issued by the state. Indonesia and Bangladesh are growing at above 6.6% annually, roughly in 12 years time their GDP will be doubled. Indonesia will transformed from a Lower-middle-income economies (\$1,026 to

\$4,035) to an Upper-middle-income economies (\$4,036 to \$12,475) *1 whereas Bangladesh will be on the upper quartile of lower-middle-income economies.

Credit Suisse Emerging Consumer Survey [12] indicates that **countries with these range of income tend to have higher demand and proportional of spending in essential goods and services**, with specific data from Indonesia, more than 75% of the respondents who would like to spend more on dairy product, feminine hygiene products, bottles of clean water while having the highest percentage of desire to increase consumption of meat and purchase their first mobile phone. The survey also suggests Indonesia, as well as India (which has similar GDP per capital as Bangladesh) has less desire on car ownership or plan to purchase one. This substantiates one's intuition that only after one's basic need is satisfied, that they will start looking beyond the essentials. **With 25% of their spending on food and from the above finding, it can be seen two of the largest Muslim country in the next decade would still likely to have a relatively large percentage of their spending on food** (or better quality of food) and still relative less on discretionary or luxury items.

Figure 20
Consumer intentions: % of survey respondents by income bracket *
Source: Credit Suisse Emerging Consumer Survey

Market	Income threshold	Essential goods and services					
		Do you expect to spend more on dairy products in the next 12 months?	Do you expect to spend more on feminine hygiene products in the next 12 months?	Do you expect to spend more on bottled water in the next 12 months?	Do you expect to spend more on carbonated drinks in the next 12 months?	How do you think your consumption of meat is likely to change over the next 12 months?	Are you likely to purchase a mobile phone in the next 12 months?
India	< USD 1,000	62%	54%	27%	42%	2%	2%
	USD 1,000 – USD 2,000	67%	63%	27%	50%	10%	1%
	> USD 2,000	61%	36%	41%	45%	-6%	2%
Indonesia	< USD 1,000	52%	59%	51%	35%	7%	12%
	USD 1,000 – USD 2,000	75%	62%	76%	73%	36%	0%
	> USD 2,000	73%	37%	73%	58%	30%	15%
Egypt	< USD 1,000	61%	64%	14%	57%	-20%	3%
	USD 1,000 – USD 2,000	76%	84%	43%	70%	-3%	8%
	> USD 2,000	64%	78%	47%	76%	59%	11%
China	< USD 1,000	52%	45%	41%	30%	1%	6%
	USD 1,000 – USD 2,000	51%	45%	41%	32%	0%	4%
	> USD 2,000	51%	43%	45%	31%	-5%	3%
Brazil	< USD 1,000	33%	11%	17%	27%	5%	14%
	USD 1,000 – USD 2,000	36%	9%	17%	25%	-3%	11%
	> USD 2,000	27%	4%	18%	21%	-6%	9%
Russia	< USD 1,000	26%	7%	10%	6%	13%	5%
	USD 1,000 – USD 2,000	26%	4%	8%	4%	18%	5%
	> USD 2,000	36%	6%	14%	9%	25%	4%
Saudi Arabia	< USD 1,000	44%	31%	47%	40%	9%	9%
	USD 1,000 – USD 2,000	46%	31%	47%	41%	12%	8%
	> USD 2,000	55%	32%	54%	46%	12%	7%

The trade in Halal food is enormous with estimated annual halal food value at US \$347 billion globally. Many Asian listed companies at a good position to enjoy the growth of Halal related product. Since 2009, it already sees continuing 2-digit growth for its halal exports and one of the secret behind such success is that it aims to offer quality value of product at affordable prices. This is where supply meets demand, as discussed earlier, where **Asia Pacific young Muslims have relative higher percentage spending on food** (with better quality as income increasing). We learned from a listed micro-cap company that specializes with personal care, cosmetic and health care products for instance, that there are pork derivatives and alcohol in most cosmetics products, fatty acids and gelatin used in moisturizers, shampoos, face masks and lipsticks as well as other items are often extracted from pigs and are banned according to Halal standard [13]. It has

been estimated that Halal cosmetic market reached USD14 billion this year, and sales are growing at a rate of 15% per annum.

Islam has no geographical boundaries, therefore diversity rather than homogeneity is the key to this market where faith is the only common bonding factor. **Even as Muslims lean towards Western style consumption and lifestyles, they are embracing their faith with much more reverence than before. Global Halal products market is estimated at US\$2.3 trillion excluding Islamic banking. * F&B (67%), pharmaceutical (22%), personal care & cosmetics (10%) [14], and this market is still growing rapidly in terms of number of people and their spending power.** Politically, the young Muslim has already demonstrated their power during the Arab Spring. We will soon see how their economic power could influence the world and we shall not be surprised that a Halal food festival would be held in the city that we are living in soon. Our Fund is well positioned to leverage on this established trend.



[1]<http://mideastfood.about.com/od/middleeasternfood101/a/halalfoods.htm>

- [2]The future of the Global Muslim population, projections of 2010-2030, p.13
- [3]The future of the Global Muslim population, projections of 2010-2030, p.25
- [4]The future of the Global Muslim population, projections of 2010-2030, p.29
- [5]The future of the Global Muslim population, projections of 2010-2030, p.32
- [6]The future of the Global Muslim population, projections of 2010-2030, p.35
- [7]The future of the Global Muslim population, projections of 2010-2030, p.44
- [8]The future of the Global Muslim population, projections of 2010-2030, p.43
- [9]The future of the Global Muslim population, projections of 2010-2030, p.85
- [10]<http://halalmedia.net/halal-is-5-per-cent-of-malaysia-total-export-minister-announced/>
- [11]anzmac.org/.../Hashim,%20Azura%20Hanim%20Paper%20359.pdf
- [12]https://www.credit-suisse.com/news/doc/media_releases/consumer_survey_0701_small.pdf
- [13]http://www.biyokulule.com/view_content.php?articleid=2937
- [14]<http://in2eastafrika.net/the-emerging-halal-cosmetic-and-personal-care-market-integrating-the-organization-towards-the-philosophy-of-tawhid/>

Prepared by:
Imperial Capital Limited
Research Team
July 1, 2013