



# HALAL ECOSYSTEM PROSPECTS FOR GLOBAL GROWTH

Integration between the world halal industry and the global Islamic finance system is a huge developmental potential for the growth and expansion of Islamic economics in the world markets. Increasing demand for halal products from growing Muslim communities provides opportunities for Islamic finance to ensure a complete cycle of Shariah-compliant products and services.

**MALAYSIA**  
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## Halal Ecosystem: Accessing New Markets

The halal ecosystem is dynamic in the sense that it is an all-encompassing infrastructure that considers business networks, institutions, and both governmental and non-governmental organizations.

Setting out to penetrate new markets requires an understanding of the dynamics of the halal ecosystem globally. This requires a global outlook on halal in all its spheres and to measure the level of opportunity available.

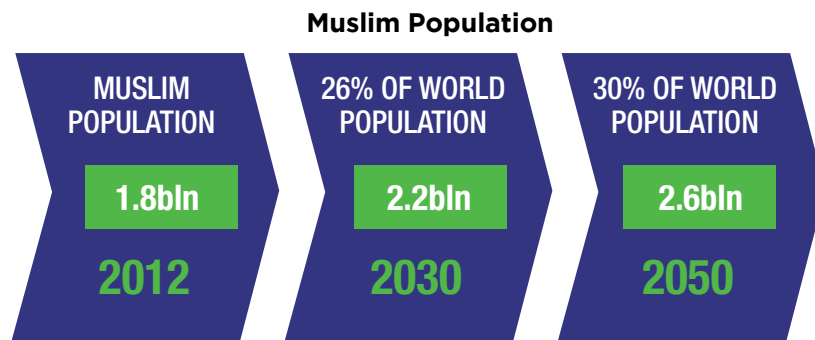
The global Halal economy has the potential of serving the world's muslim population. With an average annual growth rate of 1.5%, it is projected that Muslims will make

up 26.4% of the world's total projected population of 8.3bln in 2030, with a median age of 24.<sup>1</sup> The 56 mostly-Muslim majority countries<sup>2</sup> of the world represented GDP of about USD6.7tln in 2013, a 1.7bln population growing at twice the rate of the global population.<sup>3</sup> Epicenters of growth stretch from Malaysia and Indonesia in South East Asia to the GCC and Turkey. Moreover, the increasing influence of Muslim-minorities in the West, which are fairly affluent, and large populations residing in the emerging nations of India, China, and Russia have also spurred substantial growth in their appetite for halal products and services from the global market.

### Potential Market Opportunity for the Halal Ecosystem – The Global Muslim Population

The global Muslim population is expected to grow by about 35% over the next 20 years, rising from

1.6bln in 2010 to 2.2bln by 2030. By 2050, the Muslim population could grow to 2.6bln and represent nearly 30% of the projected global population.<sup>4</sup>



Source: Adapted from Fleishman-Hillard Majlis, The Next Billion: The Market Opportunity of the Muslim World, ISRA

<sup>1</sup> worldhalalsummit.com/the-global-halal-market-stats-trends/

<sup>2</sup> Islamic Development Bank member 56 mostly Muslim-majority countries

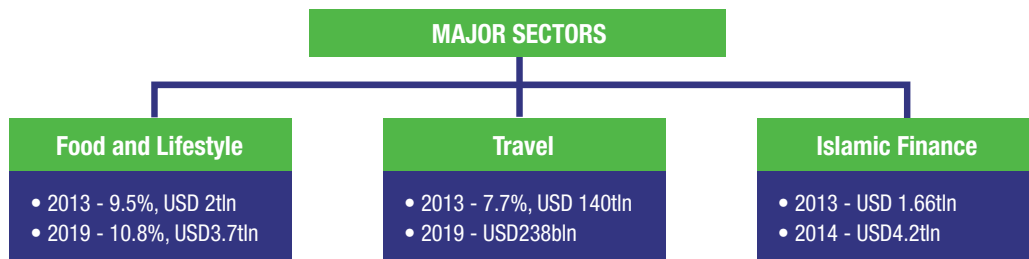
<sup>3</sup> Thomson Reuters: State of the Global Economy Report 2014-2015

<sup>4</sup> Fleishman-Hillard Majlis, The Next Billion: The Market Opportunity of the Muslim World.

By 2030, Muslim population is expected to spread to 79 countries, as opposed to the current 72 countries. A majority of the world's Muslims (more than 60%) will continue to live in the Asia Pacific region, while about 20% will live in the Middle East and North Africa.<sup>5</sup> Elsewhere, the Muslim population in Europe and the America is expected to grow at a slower rate, but will still constitute a rising share of the total population in their regions. A major factor that makes the Muslim market particularly attractive to a variety

of companies is its largely young demographic profile that is part of an emerging middle class linked to greater consumption. Notably, Islamic doctrine is also supportive of both trade and consumption activities. In Islamic majority and minority countries throughout Asia, the Middle East, Africa, and Europe, business activity is escalating, with Islamic trade currently estimated in trillions of dollars. The Muslim market is large, lucrative and underserved and thus, provides opportunities for halal products and services.<sup>6</sup>

### Ecosystem: Halal Products and Services



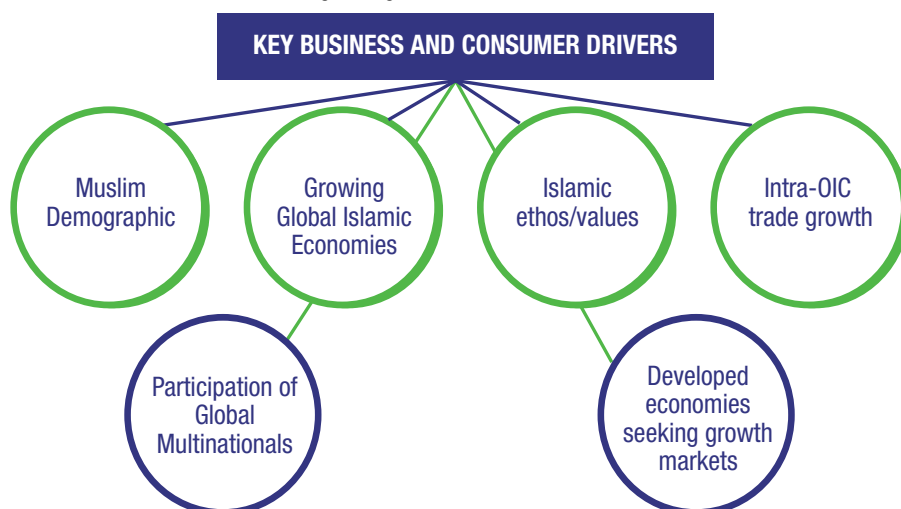
Source: Adapted from Thomson Reuters: State of the Global Economy Report 2014-2015

### Major Sectors in the Halal Ecosystem

The Islamic economy is a value driving system that enables consumers and economies to prosper throughout its progression and promote universal sustainability and ethics. The halal ecosystem encapsulates mainly three major industries, which include food and lifestyle; travel and Islamic finance.

On average, the global expenditure of Muslim consumers on food and lifestyle sectors reached USD2tln in 2013 and is expected to increase to USD3.7tln by 2019 at a compound annual growth rate of 10.8%.<sup>7</sup> The travel sector was valued at USD140bln in 2013 and is expected to reach USD238bln by 2019.<sup>8</sup>

### Islamic Economy: Key Business And Consumer Drivers



Source: Adapted from Thomson Reuters: State of the Global Economy Report 2014-2015, ISRA

<sup>5</sup> ibid

<sup>6</sup> ibid

<sup>7</sup> Thomson Reuters: State of the Global Economy Report 2014-2015

<sup>8</sup> ibid

The above diagram illustrates the four major Islamic market-based drivers. The Muslim demographic is the key business and consumer driver for the Islamic economy. The Muslim-majority OIC member countries has recorded a GDP of USD6.7tn in 2013. The projected growth of the OIC markets in 2015-19 is expected to be an average of 5.4% compared to rest of the world's GDP growth, averaging 3.6% (based on IMF projections) during that period.<sup>9</sup> In addition, the participation of global multi nationals has further spurred the development of the Islamic economy and has given halal offerings a global credibility.

Islamic lifestyle and business practices of Muslims increase the consumer appetite for halal products and services. Muslim consumers sort modern

### Sukuk Trends in Halal Sectors

The global sukuk issuance in halal sectors which include food and beverages, healthcare, travel and leisure, is estimated to be around USD2.7bn.<sup>13</sup> For example, Saudi Arabian halal food producers, Almarai, who has completed the first hybrid sukuk offer by a corporation in the Gulf, valued at 1.7 bln riyal (USD453.2 mln) in September 2013.<sup>14</sup> Malaysia has 22% share of the sukuk issuances in this sector which is mainly attributed to its healthcare consortiums.<sup>15</sup>

On another front, the scope to access the non-OIC member countries is on the rise. Australia, France,

### Islamic Finance Role in Accessing New Markets

Islamic finance offers a wide range of options to access new markets. The symbiotic relationship between Islamic finance and the halal industry could be the key to access new markets in the halal ecosystem. Based on the State of the Global Economy Report produced by Thomson Reuters, both the halal industry and Islamic finance industry are expected to grow substantially by 2019.

facilities through Islamic modes and practices rather than the traditional conventional facilities. According to the Global Intelligence Alliance, ten of the top 30 emerging markets globally, have large Muslim populations. These include India, Indonesia, Turkey, Malaysia, Nigeria, Saudi Arabia, UAE, Egypt, Bangladesh and Pakistan<sup>10</sup>.

In addition, Intra-OIC trade growth is also considered to be a key driver in facilitating the development of the Islamic economy. This initiative is led by the Islamic Development Bank (IDB), who serves member countries as a multilateral financing group. Intra-OIC trade is expected to reach 20% by 2015.<sup>11</sup> For example, Malaysia's trade with the UAE increased to USD8bn in 2012 from just USD6.8bn in 2011.<sup>12</sup>

South Africa, Luxemburg, Hong Kong and the UK are actively involved in Islamic economic activities. For example, Australia and France were listed among the top exporters of halal products, contributing to the halal food industry that is estimated to be worth USD667bn, and accounting for 20% of global food trade.<sup>16</sup> Similarly, South Africa, Luxemburg and Hong Kong have all participated in sukuk issuances which could be a key access point to enhance halal economic activities in those regions. These regions are potential hotspots for accessing halal markets as the platform has been established by the debut issuances in the region.

According to the report, between 2013 and 2019, the halal industry is expected to have a CAGR growth rate of 12% in the food sector, an 11% CAGR growth rate in the fashion sector, a 9% CAGR growth rate in the travel sector, a 8% CAGR growth rate in the media and recreation sector and cosmetics sector respectively, and a 6% CAGR growth rate in the pharmaceuticals sector.

<sup>9</sup> ibid

<sup>10</sup> Thomson Reuters: State of the Global Economy Report 2014-2015

<sup>11</sup> ibid

<sup>12</sup> Arabnews.com/news/466315

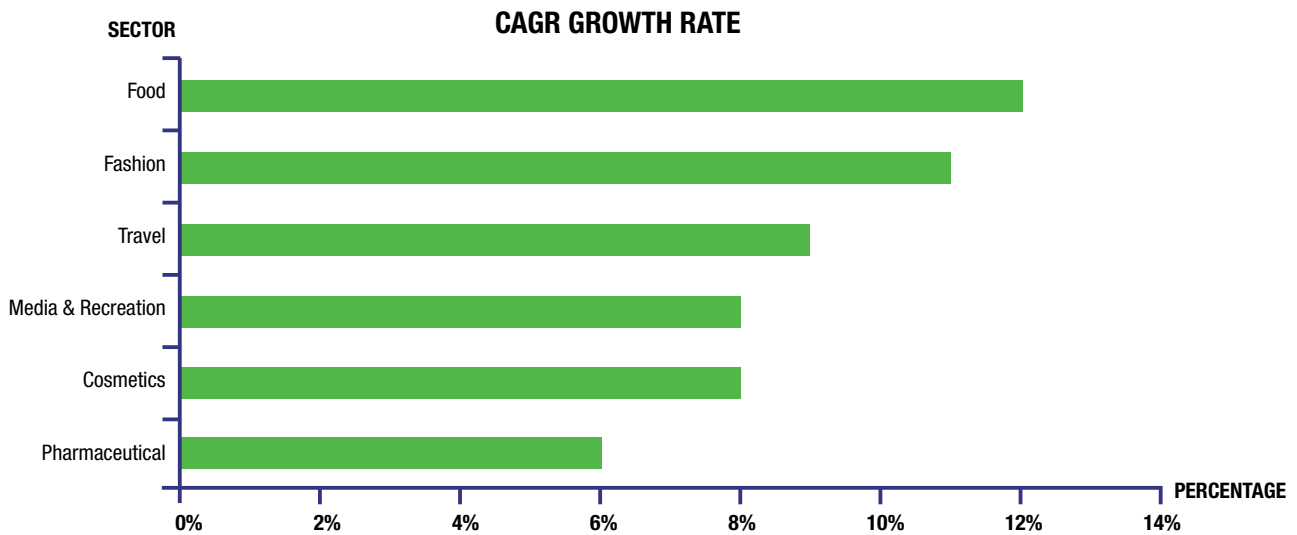
<sup>13</sup> Zawya

<sup>14</sup> Reuters: IFR-Saudi's Almarai prices Gulf's first corporate hybrid sukuk, 30 September 2013

<sup>15</sup> Zawya

<sup>16</sup> Halal Financing: An Area of Ample Opportunity, IFN Vol. 12, Issue 23, 10 June 2015

**Growth of the Halal Industry between Year 2013 and Year 2019**



Source: Adapted from TR State of Global Economy Report, ISRA

### Moving Forward

Integration between the world halal industry and the global Islamic finance system is a huge developmental potential for the growth and expansion of Islamic economics in the world markets. Increase demand for halal products from growing Muslim communities provides

opportunities for Islamic finance to ensure a complete cycle of Shariah-compliant products and services. Moving forward, stakeholders from both industries are urged to synergise the commonalities to unlock the great potential that has yet to be realised from these industries.

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